Inland Revenue
Te Tari Taake

Regulatory Impact Statement: Tax policy settings for taxable not-for-profits – membership subscriptions and levies

Decision sought	*Final Cabinet decisions*
Agency responsible	*Inland Revenue*
Proposing Ministers	*Minister of Finance, Minister of Revenue*
Date finalised	*26 August 2026*

Description of the Ministers' regulatory proposal

In light of an Australian court decision[1] that held the mutuality principle[2] could not apply when a not-for-profit is prohibited from making distributions to members, Inland Revenue is planning to change its interpretative view, which will mean some not-for-profits may now need to pay tax on membership subscriptions and levies.[3]

The Ministers' regulatory proposal is to legislate to override the effect of the Australian court decision in New Zealand to ensure that subscriptions continue to be non-taxable for not-for-profits prohibited from distributing to members, as would be the case if the mutuality principle applied. Under this proposal, it would not be necessary to define non-taxable subscriptions in tax legislation.

The proposals in this statement were developed in conjunction with related tax setting options for taxable not-for-profits. Those options are considered in more detail in the Regulatory Impact Statement "Tax policy settings for taxable not-for-profits – statutory deduction and related measures".

Summary: Problem definition and options

What is the policy problem?

Inland Revenue's current public guidance states that subscriptions paid to not-for-profits are non-taxable under the common law principle of mutuality. The mutuality principle provides that mutual associations are not taxable on income derived from within their circle of

[1] *Coleambally Irrigation Mutual Co-operative Ltd v FCT* (2004) ATC 4,126.
[2] The common law mutuality principle provides that mutual associations are not taxable on income derived from within their circle of membership, based on the concept that persons cannot make a profit from trading with themselves.
[3] For the ease of reading the term "subscriptions" will be used in place of "membership subscriptions and levies" unless otherwise stated. Levies in this context do not include taxable levies paid to statutory producer boards.

membership, based on the concept that persons cannot make a profit from trading with themselves.

Inland Revenue periodically reviews its views of the law and in April 2025, Inland Revenue consulted on a draft operational statement that included an updated interpretative view that concluded subscriptions may be taxable. This was in light of the Australian court decision that held that the mutuality principle could not apply when a not-for-profit is prohibited from making distributions to members. The implications of this change of interpretative view became more significant with the enactment of the Incorporated Societies Act 2022, which prohibits incorporated societies (which make up a significant proportion of the not-for-profit sector) from distributing to members in all but very limited circumstances.

In the absence of a policy change, Inland Revenue would finalise the draft operational statement and its updated interpretative view that subscriptions paid to not-for-profits prohibited from making distributions to members may be taxable under ordinary income tax rules. Because many not-for-profits rely on subscriptions to fund their activities, taxing subscriptions would have a significant impact on the financial positions of these organisations.

What is the policy objective?

The objective is to prevent the adverse impacts on taxable not-for-profits that would arise if subscriptions became taxable, in a way that provides certainty and keeps compliance and administrative costs as low as practicable.

What policy options have been considered, including any alternatives to regulation?

Option 1 (the status quo) is Inland Revenue implementing its updated interpretation with the result that subscriptions may be taxable. While this differs from current taxpayer practice, it represents the expected outcome in the absence of legislative change.

Apart from the status quo, two principal options were considered to ensure subscriptions remain non-taxable for not-for-profits in a way that provides certainty and keeps compliance and administrative costs as low as practicable:

- **Option 2:** Legislate to override the effect of the Australian court decision in New Zealand to ensure that subscriptions continue to be non-taxable for not-for-profits that are prohibited from distributing to members, as would be the case if the mutuality principle applied.
- **Option 3:** Introduce a new income tax definition of "non-taxable subscription" that would distinguish amounts paid for what could be considered "core" membership benefits from amounts paid for other goods and services that are taxable under current member transaction rules.

Because this policy issue relates to the common law and legal interpretation, non-regulatory options would not be able to deliver the desired policy objective and were therefore not considered.

What consultation has been undertaken?

The proposals in this document have been informed by three rounds of public consultation:

- Issues paper "Taxation and the not-for-profit sector" was released in February 2025 and over 900 submissions were received.

- Draft operational statement, ED0265 “Mutual transactions of associations (including clubs and societies)”, was released in April 2025 and 73 submissions were received.
- Targeted consultation on the detailed design commenced in November 2025 and 140 submissions were received.

All submitters opposed the status quo (Option 1) under which subscriptions may be taxable. Of Options 2 and 3, the majority of submitters supported Option 2, on the basis that they considered introducing a legislative definition for a non-taxable subscription under Option 3 would be challenging to apply and impractical. This was particularly because of the diverse range of benefits provided by not-for-profits in exchange for subscriptions.

Is the preferred option in the Cabinet paper the same as preferred option in the RIS?

Yes.

Summary: Ministers’ preferred option in the Cabinet paper

Costs (Core information)

Outline the key monetised and non-monetised costs, where those costs fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

Option 2 is expected to cost the Crown $10.6 million over the forecast period relative to the Option 1 (the status quo, under which revenue is forecast to increase by $10.6 million in response to Inland Revenue’s new interpretive view). The net operating balance impact, relative to current practice (that is, in advance of Inland Revenue’s new interpretive view), is therefore zero. The departmental administrative costs are expected to total $1.805 million over the forecast period. This figure is made up of $1.556 million of operating costs and $0.250 million of capital costs. Because the Ministers’ preferred option is to legislate to essentially maintain current practice, we consider the non-monetised costs for not-for-profits to be minimal.

Benefits (Core information)

Outline the key monetised and non-monetised benefits, where those benefits fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

The preferred Option 2 would mean minimal change from how not-for-profits currently treat subscriptions under current Inland Revenue guidance, which states these amounts are non-taxable, and a potentially complex definition of non-taxable subscriptions would not be required as would be the case under Option 3. Not-for-profits would continue to apportion expenses between taxable income and subscriptions as they currently do.

Balance of benefits and costs (Core information)

The preferred option is expected to deliver net benefits by maintaining the current non-taxable treatment of subscriptions. It would reduce uncertainty for not-for-profits and avoid a significant increase in compliance costs that would otherwise arise under the status quo if no legislative action was taken (Option 1) or if a new definition of non-taxable subscription was introduced (Option 3).

Implementation

How will the proposal be implemented, who will implement it, and what are the risks?

Following enactment, the proposal will be implemented by Inland Revenue. Inland Revenue will consult on draft operational guidance in late 2026 and finalise it in early 2027.

This guidance will clarify the Commissioner's approach when member trading transactions (which would be taxable) could be inappropriately recharacterised as subscriptions (which would be non-taxable).

Limitations and Constraints on Analysis

The not-for-profit sector includes 26,000 entities, ranging from very small local clubs to large national organisations, that are not eligible for income tax exemption. Income tax returns are not filed by approximately 22,000 of these taxable not-for-profits because they have, at some point, informed Inland Revenue their income is $1,000 or less and Inland Revenue has not required them to file income tax returns. This means that current Inland Revenue data is limited for this group of not-for-profits (for example, it will only exist if they are registered for other taxes such as GST or PAYE). Although incorporated societies do submit detailed financial accounts to the Registrar of Incorporated Societies, they account for approximately one third of the 22,000 taxable not-for-profits and the financial information is provided in PDF format, so it is not possible to analyse it without manual intervention. The choice of options has been constrained because the policy problem has not been identified from a first-principles review of the existing legislation but from Inland Revenue's new draft interpretation of existing law.

I have read the Regulatory Impact Statement, and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits, and impact of the preferred option.

Responsible Manager(s) signature: s 9(2)(a)

Charles Ngāki
Policy Lead
26 August 2026

Quality Assurance Statement

Reviewing Agency: Inland Revenue	**QA rating:** Meets

Panel Comment:

The quality assurance panel from Inland Revenue has reviewed the regulatory impact statement (RIS) titled "Tax policy settings for taxable not-for-profits – membership subscriptions and levies" prepared by Inland Revenue and associated supporting material on 25 August 2026. The panel considers that the information and analysis summarised in the RIS **meets** the quality assurance criteria.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

Not-for-profit sector

1. The proposals in this RIS apply only to the not-for-profit sector, and not to "for profit" mutual entities that can distribute profits to members (for example, cooperative companies).

2. There are approximately 26,000 taxable not-for-profits in New Zealand. Taxable not-for-profits make a significant contribution to the community and the economy. The activities carried on by taxable not-for-profits vary widely, and can include trade entities, unions, professional bodies, political parties, national and local single interest groups, iwi groups, chartered clubs (like Cosmopolitan Clubs and RSAs), small activity-based clubs such as drama societies and gardening clubs, and residents' associations.

Position on subscriptions

3. Inland Revenue's current public guidance states that subscriptions paid to not-for-profits are non-taxable under the common law principle of mutuality.

4. The mutuality principle provides that not-for-profits are not taxable on income derived from within their circle of membership, based on the concept that persons cannot make a profit from trading with themselves.

5. It is noted that despite the mutuality principle, provisions in the Income Tax Act 2007 provide that some member transactions are taxable, such as the sale of trading stock and services. However, subscriptions are not considered to be caught by these provisions. All non-member transactions are taxable under ordinary tax rules.[4]

What is the policy problem or opportunity?

Draft change of interpretation for mutuality

6. In April 2025, Inland Revenue consulted on a draft operational statement that included an updated draft interpretative view that subscriptions may be taxable. This was in light of the 2004 Australian court decision *Coleambally Irrigation Mutual Co-operative Ltd v FCT* that held that the mutuality principle could not apply when a not-for-profit is prohibited from making distributions to members.[5] The implications of this possible change in interpretative view became more significant with the enactment of the Incorporated Societies Act 2022, which prohibits incorporated societies (which make up a significant proportion of the not-for-profit sector) from distributing to members in all but very limited circumstances.

7. In the absence of a policy change, Inland Revenue will finalise the draft operational statement and its updated interpretative view that subscriptions paid to not-for-profits

[4] Refer to sections CB 33 and HE 2 of the Income Tax Act 2007.

[5] Australia legislated to ensure that membership subscriptions remain non-taxable following this Federal Court ruling.

prohibited from making distributions to members may be taxable under ordinary income tax rules, such as business income or income "under ordinary concepts".

8. If Inland Revenue were to implement its updated view, there would likely be a significant negative impact on potentially thousands of not-for-profits that receive subscriptions from their members. We understand from consultation feedback that taxing subscriptions would place significant financial stress on these not-for-profits resulting in an increase in subscriptions for members, a reduction in activities undertaken, and in some cases, entities ceasing to be financially viable.

9. Not-for-profits that are already tax exempt, such as charities and amateur sports clubs, would not be affected, nor would it affect mutual associations that are for-profits and that can distribute to members, such as cooperative trading companies. It is also unlikely to affect bodies corporate formed under the Unit Titles Act 2010, which are not required by that Act to include a prohibition on distribution to members.

What objectives are sought in relation to the policy problem?

10. The objective is to prevent the adverse impacts on taxable not-for-profits that would arise if subscriptions became taxable, in a way that provides certainty and keeps compliance and administrative costs as low as practicable.

What consultation has been undertaken?

11. The possibility of subscriptions becoming taxable was first raised in the issues paper "Taxation and the not-for-profit sector" released on 24 February 2025. It set out Inland Revenue's draft updated view on the tax treatment of subscriptions, particularly for those not-for-profits that are prohibited from making distributions to members. Consultation was undertaken over a five-week period and over 900 submissions were received. The majority of submitters were opposed to any change that would see subscriptions become taxable. Many submitters were concerned that taxing subscriptions would have a significant negative impact on the ability of not-for-profits to operate due to a heavy reliance on subscriptions as a source of funding. The two options considered in this RIS were developed in response to this feedback.

12. On 30 April 2025, Inland Revenue published its draft operational statement ED0265 "Mutual transactions of associations (including clubs and societies)" for comment. Consultation was undertaken over eight weeks and 73 submissions were received. Although this consultation related to a technical document, we indicated to stakeholders that any submissions on a policy solution would also be considered as part of our wider policy work on this matter. Similar feedback to that from the issues paper was received.

13. Further targeted consultation on detailed design was undertaken in late 2025. Consultation was undertaken over 10 weeks and 140 submissions were received. As part of this targeted consultation, we sought feedback on Option 3. The majority of submitters opposed this on the basis that they considered defining what a non-taxable subscription is would be challenging and impractical, particularly because of the diverse range of benefits provided by taxable not-for-profits in exchange for subscriptions. In February 2026, all 140 submitters from the targeted consultation were invited to meet, hear the combined feedback and likely recommendations. At this time, we indicated that in light of feedback, our preferred option was Option 2. This option received broad support and was considered a pragmatic solution that essentially would maintain current practice.

14. Over the consultation period (February 2025 to February 2026) more than 100 meetings were held with stakeholders. The proposals in this statement are heavily informed by the submissions received.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

15. The criteria chosen to evaluate the proposed options are:

- **Certainty:** The law should be clear as to the obligations of affected taxpayers.
- **Compliance and administrative costs**: The tax system should be as simple and low cost as possible for taxpayers to comply with and for Inland Revenue to administer.
- **Fiscal impact**: Tax reforms should be affordable given fiscal constraints, and the tax system should raise sufficient revenue.
- **Integrity:** The rules should minimise the opportunity for tax planning and avoidance.

What scope will options be considered within?

16. Two options have been considered in this RIS that both seek to ensure subscriptions remain non-taxable. These options were developed in conjunction with related tax setting proposals, notably the increase of the statutory deduction to a maximum of $10,000 for taxable not-for-profits. That proposal is considered in more detail in the RIS, "Tax policy settings for taxable not-for-profits – statutory deduction and related measures".

17. Because this policy issue relates to the common law and legal interpretation, non-regulatory options would not be able to deliver the desired policy objective and were therefore not considered.

18. This RIS has not considered a first-principles review, and it has not considered the Australian approach.

First-principles review

19. The scope of this project did not include a first-principles review of the tax law affecting mutual entities and does not consider making not-for-profits tax exempt (similar to amateur sports promoters). Such a review was suggested by some submitters during consultation. However, such a review would have required a far wider policy process, with an additional allocation of resource, that would have needed to include consideration of the tax settings for a wide range of other not-for-profit entities, such as friendly societies, amateur sports promoters, and credit unions.

Australian approach

20. Some submitters suggested adopting Australia's broad tax settings for taxable not-for-profits. Although Australia legislated to reverse the effect of the *Coleambally* decision, it has no specific statutory override of mutuality for member trading transactions. This means it can appear that member trading transactions are not taxable in Australia.

21. Our research indicates not-for-profits in Australia can access mutuality relief when profits from member trading transactions are structured and applied for the collective benefit of members. However, trading transactions with members are taxable in Australia if they are part of a business activity. Australian rules may therefore tax fewer member

transactions than New Zealand's rules, but they do not remove uncertainty about which transactions are taxable.

22. The Australian approach also creates complexity in distinguishing mutual transactions from trading transactions and still requires expenditure to be apportioned because costs linked to mutual transactions are not deductible.

23. Boundary disputes can still arise in Australia, for example when clubs sell food and drinks to members and non-members, transact with visitors or temporary members, or provide member benefits that go beyond ordinary subscriptions.

24. Australian settings have also been criticised as outdated, with some reviews recommending that all member trading transactions be taxed.

25. Overall, the Australian approach does not appear to be a simple system to comply with or administer. It is not an approach that should be considered without undertaking a broader "first principles" review of tax settings and concessions provided to all types of not-for-profits.

What options are being considered?

26. The options being considered are:

- No policy change and implementing Inland Revenue's new draft interpretative view that many subscriptions may be taxable (Option 1 – status quo).
- Legislating to override the effect of the Australian court decision in New Zealand to ensure that subscriptions continue to be non-taxable for not-for-profits that are prohibited from distributing to members (Option 2).
- Introducing a new income tax definition of "non-taxable subscription" that would make a distinction between amounts paid for what could be considered "pure" non-taxable membership benefits and amounts paid for other goods and services that are taxable under current member transaction rules (Option 3).

Option 1: Status quo if no legislative action is taken

27. The status quo, if no legislative action is taken, would result in Inland Revenue's new interpretative view being implemented prospectively. This would require no legislative change but would result in most not-for-profits no longer being able to apply the mutuality principle and therefore subscription income would be taxable.

28. **Certainty:** Implementing the new interpretative view would increase uncertainty for many not-for-profits. This is because not-for-profits would need to consider whether the subscriptions they receive are taxable under ordinary tax rules, such as business income or income under ordinary concepts, or if parts of their subscriptions are capital in nature and therefore not taxable.

29. **Compliance and administrative costs:** Under this option compliance costs would increase because entities would need to determine whether the subscriptions they receive are taxable. To the extent that subscriptions are taxable, not-for-profits may need to apportion expenditure, file income tax returns, and potentially pay tax. Administrative costs would also increase due to additional contacts and the processing of additional returns.

30. **Fiscal impact:** A $10.6 million increase in revenue is expected under this option over the forecast period (2026/27 to 2029/30). This increase is not included in current forecasts because it results from a change in interpretation of the law and is effectively a windfall gain.

31. **Integrity:** Under this option there would be an incentive for not-for-profits to recharacterise some membership payments (for example, as capital) to reduce exposure to tax.

Option 2: Legislate to override effect of Australian court decision

32. Option 2 is to override the effect of the Australian court decision in New Zealand to ensure that subscriptions continue to be non-taxable for not-for-profits that are prohibited from distributing to members, as would be the case if the mutuality principle applied.

33. In practical terms, this would be similar to the response of the Australian Government to the court decision, which involved an amendment to the Income Tax Assessment Act 1997 that essentially provided that an amount is not taxable if it would be a mutual receipt, but for the entity's constituent document preventing it from making any distribution.

34. The main difference between this option and Option 3 (which defines "non-taxable subscription" and then what is treated as non-taxable) is that it does not attempt to define subscription but instead provides a similar tax outcome for not-for-profits that would otherwise be achieved if the mutuality principle applied.

35. **Certainty**: This option would essentially mean not-for-profits can continue to apply the mutuality principle as they have in the past. However, the mutuality principle and its criteria flow from common law. As such, it can give rise to interpretive complexity and may require a not-for-profit to seek professional advice on how the mutuality principle applies to a particular set of facts. This uncertainty can be mitigated through clear public guidance being provided by Inland Revenue, which is planned to be consulted on in late 2026.

36. **Compliance and administrative costs**: This option aligns with the existing practice, so it requires no change for not-for-profits. Apportionment would still be necessary in terms of deductible expenditure because some part of the entity's activities (subscriptions) would not be taxed and the corresponding expenses would be non-deductible. However, given that such apportionment is currently required, compliance costs are not expected to increase under this option. Administrative costs for Inland Revenue would largely consist of developing updated guidance, and some policing to ensure compliance.

37. **Fiscal impact**: It is expected that this option would result in fiscal costs of $10.6 million over the forecast period. This is an equal offset to the $10.6 million forecast revenue increase that would arise under Option 1 (the expected status quo, which assumes that Inland Revenue's updated interpretative view is implemented and some subscriptions would be taxable). This means the net operating balance impact is zero when compared with the current practice (before the updated interpretative view is implemented).

38. **Integrity:** This option has an integrity risk. There is a risk that some entities may recharacterise taxable payments from members (for trading stock and services) as being part of a non-taxable subscription. However, this risk has existed under the current rules, and we are not aware of this being a widespread practice. We will monitor this and report further if integrity risks appear to increase over time.

Option 3: Define "non-taxable subscription"

39. Under this option, an exhaustive definition of "non-taxable subscription" would be introduced. To the extent that an amount meets this definition, it would be treated as non-taxable.

40. The new definition would seek to differentiate non-taxable payments that entitle a person to core membership benefits from taxable payments that entitle a member to identifiable direct valuable benefits in the form of goods or services (albeit labelled as a subscription).

41. We sought feedback on this approach in the November 2025 targeted consultation. We asked submitters if the proposed definition described the types of payment that should be relieved from tax and the types of benefits that should fall outside the concept of subscription.

42. Submitters were opposed to an exhaustive definition of non-taxable subscriptions. Feedback made it clear that trying to define subscriptions would be challenging, particularly because of the diverse range of benefits provided by taxable not-for-profits in exchange for subscriptions.

43. Submitters said that if the decision is made to define non-taxable subscription, the components of a subscription that should be treated as non-taxable would include representation, advocacy, industry leadership, and the development of a collective voice.

44. Under this option, member trading transactions would be taxable, whereas subscriptions would not. Some submitters noted a targeted anti-avoidance rule should be considered so that member trading transaction income is not simply re-labelled as "subscriptions". However, clear and comprehensive guidance from Inland Revenue was considered preferable to an anti-avoidance rule.

45. **Certainty**: This option creates greater certainty compared with the status quo once the tests for the definition are considered and applied in individual cases. However, it introduces the need for careful analysis of benefits received by members, and support from Inland Revenue.

46. **Compliance costs and administrative costs:** The cost of determining whether a payment falls within the definition would fall on not-for-profits. There would be extra demand for assistance from Inland Revenue, especially because the new rules would be different from the current practice.

47. **Fiscal impact:** No specific costing was done for this option, but it is likely to be in the magnitude of the costing for Option 2 given that the purpose is also to broadly preserve the current treatment of subscriptions. As with Option 2, any cost would be an offset to the $10.6 million forecast revenue increase that would arise under the status quo, meaning the net operating balance impact may be close to zero when compared with current practice.

48. **Integrity:** Under this option there is a greater risk (compared to the status quo and Option 2) that some entities may recharacterise payments for goods and services as falling within the subscription definition. As with Option 2, if this option was implemented, we would monitor and report further if integrity risks appear to increase over time.

How do the options compare to the status quo/counterfactual?

	Option 1: Status quo	Option 2: Legislate to override effect of Australian decision	Option 3: New definition of non-taxable subscription
Certainty	0	++ Aligns with current practice, supplemented with Inland Revenue guidance	+ New rule, supplemented with Inland Revenue guidance
Compliance and administrative costs	0	++ Aligns with current practice, supplemented with Inland Revenue guidance	0 Compliance costs determining if new rule met, supplemented with Inland Revenue guidance
Fiscal costs	0	- Cost $10.6m over forecast period	- Cost $10.6m over forecast period
Integrity	0	0 Risk of recharacterisation (possible under status quo)	- Risk of recharacterisation (possible under status quo)
Overall assessment	0	++	0

Key for qualitative judgements:

++ much better than doing nothing/the status quo/counterfactual

\+ better than doing nothing/the status quo/counterfactual

0 about the same as doing nothing/the status quo/counterfactual

\- worse than doing nothing/the status quo/counterfactual

-- much worse than doing nothing/the status quo/counterfactual

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

49. With appropriate guidance being provided by Inland Revenue, Option 2, legislating to reverse the effect of the Australian court decision in New Zealand, is considered the best option to ensure subscriptions paid to not-for-profits remain non-taxable.

50. This option also provides certainty because it maintains the non-taxable treatment of subscriptions while minimising compliance costs and administrative costs. This is achieved without the need for not-for-profits and Inland Revenue to understand how to apply a new, and potentially complex, definition of "non-taxable subscription", as would be required under Option 3.

Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

51. Yes.

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

52. The following marginal costs and benefits of the preferred option (Option 2) are those over and above the costs and benefits of the status quo under the new interpretative view (Option 1). Option 2 has a forecast departmental administrative cost of $1.805m over the forecast period which includes preparation of guidance for the change. However, this amount is not included in the below table because similar operational costs are anticipated under Option 1 for developing guidance on how the new interpretative view would apply.

Affected groups *(identify)*	**Comment** *nature of cost or benefit (e.g., ongoing, one-off), evidence and assumption (e.g., compliance rates), risks.*	**Impact** *$m present value where appropriate, for monetised impacts; high, medium, or low for non-monetised impacts.*	**Evidence Certainty** *High, medium, or low, and explain reasoning in comment column.*
Additional costs of preferred option compared to taking no action			
Regulated groups – not-for-profits	Compliance costs associated with apportionment of expenses between subscriptions (non-deductible) and taxable income (deductible) that would not be required under Option 1. We note such apportionment is currently required before application of the new interpretative view. (Ongoing)	Low	Medium
Regulator – Inland Revenue	None		

Others (eg, wider government, consumers, etc)	None		
Crown	Legislating Option 2 (Ongoing)	$10.6m over forecast period relative to status quo.	High
Total monetised costs		$10.6m	High
Non-monetised costs		*Low*	*Medium*
Additional benefits of preferred option compared to taking no action			
Regulated groups – not-for-profits	Reduces the potential tax liability for most not-for profits and provides certainty in relation to the tax treatment of subscriptions. (Ongoing)	$10.6m over forecast period in relation to the non-taxation of subscriptions.	High
	Compliance cost savings and not-for-profits will not need to get up to speed with the new interpretative view. (One-off)	Medium	High
Others (eg, wider government, consumers, etc)	None		
Total monetised benefits		$10.6million	High
Non-monetised benefits		*Medium*	*High*

Section 3: Delivering an option

How will the proposal be implemented?

53. The preferred option would require legislative amendments to the Income Tax Act. The amendments would be included in the 2026–27 Annual Rates Bill, to be introduced in September 2026. Inland Revenue will consult on draft operational guidance aimed at improving compliance in late 2026 and finalise it in early 2027. Inland Revenue will remain responsible for administration of the rules.

54. It is intended that the change would come into effect for the 2027–28 and later income years.

How will the proposal be monitored, evaluated, and reviewed?

55. Inland Revenue will monitor the effectiveness of the policy through feedback from external stakeholders including professional and general compliance activity. Indicators

might include the number of not-for-profits seeking assistance when the revised guidance has been made available.

56. If there are any uncertainties or difficulties in applying the law, we will consider providing additional guidance or recommend remedial amendments if necessary.