



# Plain English Summary of the Taxation and the Not-for-Profit Sector Consultation

The [New Zealand Government is reviewing how tax rules apply to charities and not-for-profits \(NFPs\)](#). The goals of this government consultation by Inland Revenue Te Tari Taake is to make the system fair, simple, and prevent any abuse of tax benefits. The review looks at three main areas:

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## 1. Should charities pay tax on business income?

Right now, charities do not pay tax on income they earn from businesses they own, even if the business is unrelated to their charity's main purpose. The Government is considering changing this because:

- Some charities run large businesses that compete with regular businesses but don't pay tax.
- Some charities are keeping business profits for a long time instead of using them for charity work.

### **What they are asking:**

- Should charities pay tax on income from businesses that aren't directly related to their charitable purpose?
  - If a charity runs a business, should it get a tax break only if the profits are quickly given to charity work?
  - Should small charities running small businesses still get an exemption?
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## 2. Should there be new rules for “donor-controlled” charities?

Some charities are created and controlled by a single donor (or their family or business). These charities can sometimes be used to avoid tax or delay when charitable funds are used to help the community.

### **What they are asking:**

- Should there be rules to prevent donors from using charities to avoid paying tax?
- Should these charities be required to give away a certain percentage of their funds every year?

- Should there be limits on how much these charities can invest in businesses connected to the donor?
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### 3. Making tax rules simpler and fairer for NFPs

The Government is also looking at other tax issues, including:

- **Small NFPs:** Many NFPs don't know if they should be paying tax on money earned from members (e.g. fees, fundraising). Should the rules be clearer or changed for small groups?
  - **Special tax breaks for certain NFPs:** Some groups (like regional tourism groups and scientific research organisations) have special tax exemptions that may no longer make sense. Should these be removed?
  - **Fringe Benefit Tax (FBT) for charities:** Right now, charities don't have to pay FBT on perks they give employees. Should this rule change?
  - **Making tax simpler for volunteers:** Honoraria (small payments to volunteers) are taxed, which can be confusing. Should the rules be made easier?
  - **Donation tax credits:** Many people don't claim tax credits for their donations. Could this process be improved?
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### How to Have Your Say

The Government wants feedback from charities, NFPs, and the public. You can share your thoughts by:

- **Emailing:** [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)
- **Mailing a letter to:**  
*Taxation and the Not-for-Profit Sector*  
C/- Deputy Commissioner, Policy  
Inland Revenue Department  
PO Box 2198, Wellington 6140

The deadline for submissions is **31 March 2025**.

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### Why This Matters to Small NFPs

- If your charity runs a small business (like a shop or a café), you might have to start paying tax on some of its income.
- If your charity gets big donations from a single person, there might be new rules on how that money is managed.

- If you're a small NFP, tax reporting might be simplified—or you may need to check if you should be paying tax.
- If your charity provides perks to employees, there might be changes to tax rules.
- If you rely on donations, there could be changes to tax credits that encourage people to give more.

This is your chance to **speak up and influence the rules** before they change. If you're not sure how these proposals will affect you, it's still a good idea to send a short email sharing any concerns you have.

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## For More Information

Visit the [Inland Revenue Te Tari Taake consultation webpage](#).