

Tax Information

Even though your group may be a non-profit organisation it is likely that it will still have some tax obligations with the Inland Revenue Department (IRD). However, if it meets certain criteria, your group may be eligible for income tax exemption and other benefits. Never assume that you have no tax obligations - check with the IRD.

PLEASE NOTE - This information sheet is intended as a guide only. For more in depth information contact the IRD directly. The Invercargill IRD branch also has a dedicated officer to work with community groups, and the IRD have a very informative website (www.ird.govt.nz).

BASIC TAX INFORMATION

Income Tax

Non-profit organisations will be liable for income tax if:

- They operate with no written rules, constitution or trust deed;
- They operate under a set of rules, constitution or trust deed that does not meet the requirements for income tax exemption (e.g. funds of the organisation can be used for private use of the members);
- They use business income for charitable purposes outside of New Zealand.

From July 1st 2008 - Any charity NOT registered with the Charities Commission will be liable for Income Tax even if they have in the past met the requirements for income tax exemption.

GST (goods and services tax)

GST is a tax on the consumption of most goods and services in New Zealand. It is charged and accounted for by GST registered businesses.

Should our organisation register for GST?

If your charitable organisation runs a taxable activity with an annual turnover (total income before expenses) of \$60,000 or more then you must register for GST.

To work out your turnover, only include income liable for GST (see table of income types below). If your turnover exceeded \$60,000 in the past 12 months because your organisation received a one-off grant for capital expenditure (e.g. to upgrade your club rooms), you may not need to register for GST.

Voluntary GST registration

If your organisation's turnover falls below the GST threshold you can still voluntarily register for GST. There are advantages and disadvantages to voluntary GST registration.

For more information see IR365 GST do you need to register?

TABLE OF INCOME TYPE

	Liable for income tax	Not liable for income tax	Liable for GST	Not liable for GST	Exempt from GST
Subscriptions		✓	✓		
Donations		✓		✓	
Koha		✓†		✓	
Bequests		✓		✓	
Grants		✓	✓		
Unconditional gifts		✓		✓	
Subsidies		✓*	✓		
Suspensory loans	✓		✓		
Trading activities	✓		✓		
Raffles or housie proceeds		✓*	✓		
Admission fees	✓		✓		
Affiliation fees	✓		✓		
Sale of donated goods or services		✓			✓
Sale of purchased goods	✓		✓		
Sale of assets or equipment		✓	✓		
Insurance receipts		✓	✓*		
Hall or equipment hire	✓		✓		
Rent received (residential)	✓				✓
Rent received (commercial)	✓		✓		
Penalty payments (fines)	✓		✓		
Advertising or sponsorship	✓		✓		
Interest or dividends	✓				✓
Gaming machines	✓		✓		

* Liable in certain situations

† The tax treatment of koha depends on what it is. See IRD booklet Payments and gifts in the Maori community (IR278).

OTHER TAXES

RWT (resident withholding tax)

Applicable if your organisation has money deposited in a bank or other financial institution. Most non-profit organisations are able to get a RWT exemption from the IRD but you will need to apply for this. For more information see IRD form *IR283 - RWT on interest - payers guide*.

PAYE (pay as you earn)

This is the basic tax you take out of your employee's wages, and it includes ACC earners levy. If your organisation employs staff, you must register as an employer by filling in an IRD 330 form - Employer Registration. The IRD will provide you with information about your tax obligations as an employer, including regular reporting requirements and Kiwisaver contributions.

See sheets 14, 14a, 14b & 14c for more information regarding employing someone for your organisation.

FBT (fringe benefit tax)

In general if any organisation provides fringe benefits (perks) to any employees, it must pay FBT. Most non-profit groups will not be in this situation but if you do employ staff and provide perks see the IRD form *409 - Fringe benefit tax guide*. Charitable organisations are generally exempt from paying FBT on any benefits provided to employees while they are carrying out the organisation's charitable activities.

NRWT (non-resident withholding tax)

Applicable if your organisation pays interest, dividends or royalties to a non-resident. For more information see IRD form *IR291 - Non-resident withholding tax - payers guide*.

TAX BENEFITS

Charitable organisations can receive tax benefits in the form of exemption from paying income tax, and by being a donee organisation where individuals or organisations can receive a tax credit for any cash donations or gifts given to the donee organisation. Other non-profit organisations may also be eligible for certain tax exemptions. For example a sports group could receive a tax exemption under the amateur sport provision.

Information prepared by



LINKS / WHERE TO GO FOR MORE INFORMATION:

www.ird.govt.nz

www.societies.govt.nz

www.charities.govt.nz

Income Tax Exemption

In order to qualify for income tax exemption your organisation must obtain its income for charitable purposes, and it must also be a registered charity with the Charities Commission.

For more information on charitable purposes criteria and becoming a registered charity see information sheets 6 & 7.

If your organisation has other purposes (e.g. amateur sport, district promotion) and is not registered with the Charities Commission and you still wish to be income tax exempt - you will need to contact the IRD directly to see if you are eligible.

If you are a registered charity with the Charities Commission you don't need to apply to the Inland Revenue to confirm your eligibility for income tax exemption - the IRD will send you any information and requirements once you register with the Commission. You will still need to apply separately for other tax exemptions such as RWT exemption.

Please note - Prior to July 2008 Charitable Trusts and Incorporated Societies with charitable purposes were automatically exempt for income tax, but this is no longer the case - if you have charitable purposes then your organisation will not be exempt unless it is registered with the Charities Commission.

Donee Organisations

If an organisation has donee organisation status with the IRD, then any gifts of money received are eligible for a tax credit to the individual or organisation that donated it. Therefore, having donee status can be a huge incentive when encouraging donations for your organisation and its cause.

If your organisation is a registered charity with the Charities Commission and you indicated in your application that you receive income from donations, the Commission will pass this information on to the IRD - will register you automatically as a donee organisation. If you are not registered with the Charities Commission you will need to contact the IRD directly to apply to become a donee organisation.

Make sure you keep your documentation from the IRD confirming your donee status in a safe place - it is an important document! You can also check the online register (on the IRD website) of donee organisations to see if your organisation is listed.

For more information see IRD publication IR255 (page 27).

Information from this sheet taken from IR255 - A tax guide for charities, donee organisations and other groups.

*For more information or help you can also contact your local Community Development Planner at Venture Southland:
143 Spey Street, Invercargill
Ph: 03 211 1400
enquiry@venturesouthland.co.nz
www.southlandnz.com*