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Lilly Family School of Philanthropy

The 2022 Global Philanthropy Environment Index New Zealand

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Limited Liability Company, Society, Trust

Five main social issues addressed by these organizations: Arts and Culture, Basic Needs, Early Childhood Education, Housing and Economic Development, Religion

Average time established by law to register a philanthropic organization: 31-60 days

Average cost for registering a philanthropic organization: USD 0

There is no cost to register but charities pay NZD 35 (USD 23.23) each year to file if over a minimum size.

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	4.50	4.50	4.00	4.25	5.00	4.00	4.38
2018 GPEI	4.67	4.70	4.10	4.00	N.A.	4.20	4.33

Key Findings

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.

Question One: To what extent can individuals form and incorporate the organizations defined?

Score: 4.5

Individuals may choose to act collectively and thus to form groups. Unincorporated groups and incorporated trusts, societies, and companies may seek to register as charities and must meet the charitable purposes test to do so. That is, to become a registered charity, an organization has to provide a benefit to the public which fits within the spirit of the Preamble to the Statute of Charitable Uses 1601. This is embedded in s.5(1) of New Zealand's Charities Act 2005 and developed in law. A collective seeking to become a society must meet certain minimum requirements of members. The 1908 Incorporated Societies Act is outdated and is currently under review.

Question Two: To what extent are POs free to operate without excessive government interference?

Score: 4.5

There is sufficient discretion and freedom to set the structure and governance of a philanthropic organization (PO). However, restrictions exist regarding the types of activities a registered charity can undertake (for example, political activities). Generally, collaboration is allowed. There are no restrictions on the use of the internet. Reporting requirements for registered charities are graduated depending on annual expenditure, but they are identical for all incorporated societies. As noted above, the revised act is highly likely to change reporting requirements for these entities if they are not charities.

Question Three: To what extent is there government discretion in shutting down POs?

Score: 4.5

Voluntary termination is allowed. Taxation adjustments may be required to reflect a change in purposes. There are clear and fair regulations for involuntary dissolution. Entities may take court proceedings to challenge these decisions on involuntary dissolution, but this can be expensive.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question Four: To what extent is the tax system favorable to making charitable donations?

Score: 4.5

Donors can claim 33.33 cents for every dollar they donate to eligible POs. They can only claim on donations that add up to the same amount or less than their taxable income during the tax year, meaning that in practice a deduction cap of 33.33 percent of taxable income applies. Claiming is relatively simple. Sponsorship is also tax deductible.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 4.5

Generally, the system is favorable, for the reasons discussed in the answer to question four.

In addition, non-business income is not taxed in the hands of a nonprofit. If a charity applies funds to charitable services, these funds are also not taxed. Many POs (religious and sporting) receive property tax exemptions. Nonprofits can often claim back goods and services tax. They must still pay fringe benefits tax for employees if applicable. For more information please visit: <https://www.ird.govt.nz/employing-staff/paying-staff/fringe-benefit-tax/fringe-benefit-tax-for-charities>

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 4.0

Cross-border charitable donations can be freely made to overseas POs with no prior approval required, but only donations to those charities with 'overseas donee status' will attract a tax credit. Applying for 'overseas donee status' can be a complex process and requires a charity to be individually listed in tax legislation. Charities with 'overseas donee status' are listed in Schedule 32 of the Income Tax Act 2007.

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 4.0

Charitable donations can be received from overseas with few restrictions. However, they are unlikely to attract tax credits within New Zealand, as these are only available to donations made by New Zealand taxpayers.

IV. Political Environment

The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 4.5

New Zealand has a stable political and economic environment, with a pluralist, liberal democratic culture. POs play a relatively unfettered role in public policy and are contracted by government to deliver increasing amounts of public services in aged care, health, education, and other social services. There is constructive and creative collaboration between government and POs, with POs being extensively engaged in public debate.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

Score: 4.0

Public policies and practices are favorable for philanthropy, with various taxation incentives available, and a focus on effective regulation of POs. Donors can choose from a range of organisations to donate to and can receive tax credits where applicable. Depending on the sector a PO operates in, funding is provided by government to support the activities of POs.

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 5.0

New Zealand is a wealthy country, with a stable economic context. Prior to the COVID-19 pandemic, New Zealand had experienced strong and consistent economic growth, with relatively low levels of unemployment and a lack of corruption.

VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 4.0

As a relatively young country, the philanthropic tradition is still emergent. People generally trust POs, and they have longed play a key role in New Zealand society. Cultural and heritage organisations play a significant role, as do sporting organisations. There are various opportunities for participation in POs, including for young people.

VII. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

The current state of the philanthropy sector in New Zealand is relatively strong, with people giving time, money and goods. Support for POs comes from individuals, trusts and foundations, individuals, and private businesses. Although the level of granting from trusts and foundations is relatively limited, 12 geographically-based 'community trusts' play a key role. The sector is reasonably grassroots-oriented.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

- 1) COVID-19 pandemic
- 2) Review of Incorporated Societies Act (ongoing)
- 3) Review of Charities Act (ongoing)

Future development trends in the philanthropic landscape

Work on the review of the Incorporated Societies Act and the Charities Act includes examining ways to encourage social enterprises more appropriately, including whether any changes to regulation or taxation rebates are needed. Impact investing is still rather limited. However, the JB Were NZ Cause Report 2021 notes that earned income remains the largest source of funding for nonprofits. The law in relation to advocacy by charities has been the subject of a number of significant judicial decisions, which have broadened the potential scope of such activities, but the law in this area still remains relatively unclear and is likely to require further clarification.

Three key recommendations to improve the environment for philanthropy

- Complete the review of the Charities Act to ensure the Act is made clearer and that the regulatory framework for charities is more effective.
- Complete the review of the Incorporated Societies Act to ensure this regulatory framework is brought up to date and made clearer.
- Increase government support for POs, including through funding for programs as well as supporting their capacity and capabilities.

VIII. Philanthropic Response to COVID-19

These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

The main areas where the nonprofit sector has played a role in responding to COVID-19 are health and community services. Specifically, nonprofits are engaged in delivering health services (e.g., mental health support, getting people motivated for vaccinations, and supporting people to access public health services). Further, they have been delivering community support of people who are house bound as a result of lockdowns or having to quarantine. Philanthropic foundations have also directed their grants towards COVID-19 related activities.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

The way that nonprofits have had to deliver their services has changed. For example, examples of food banks moving to online ordering have been seen, with a social supermarket established in the capital city. Similar to many other countries, an increased online presence can be seen amongst POs.

Impact of COVID-19 on the philanthropic environment

There is more need, but also more opportunities as economic hardship has increased. This is closely related to community transfer of COVID-19 which has been very low but increased in August 2021 and has caused lockdowns and economic hardship to people whose jobs are affected. Further, inflation and difficulties in the supply chain are also affecting people's lives, which means they need more assistance.

Anticipated impact of COVID-19 on the philanthropic environment in 2021

During 2021, the borders have remained effectively closed with the great majority of entrants to New Zealand having to undergo managed isolation and quarantine. This inability to travel means that overseas aid has been affected, although government has continued to support medical staff to the Pacific Islands. Domestically, many grassroots POs have historically depended on grants from gaming machines. When COVID-19 restrictions limit gaming physically, this has reduced the funds available to distribute and also limited the activities of grassroots organisations thus affected.

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