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Inland Revenue Department
WELLINGTON

By email: NFPtaxpolicy@ird.govt.nz

Kia ora

Taxation and the not-for-profit sector: Targeted consultation on detailed design

Tourism Industry Aotearoa (TIA) welcomes the opportunity to submit on Inland Revenue Department's targeted consultation on Taxation and the not-for-profit sector. Our interest lies with Chapter 3 – Membership subscriptions and related matters for taxable not-for-profit organisations. Our responses to the relevant consultation questions are set out in Attachment 1.

Tourism Industry Aotearoa Perspective

TIA is the peak body for the tourism industry in Aotearoa New Zealand. With around 1,200 member businesses, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure activities, attractions, retail, airports and airlines, transport, as well as related-tourism services.

As a not-for-profit organisation, TIA operates across two clearly defined functions. Firstly, to deliver a range of core member services that are funded from subscriptions paid by our 1200 members, and secondly, to deliver several events that members and others pay for on a commercial basis. These include the annual conference (Tourism Summit Aotearoa) and the annual New Zealand Tourism Awards.

TIA pays tax on its activities, particularly from the surplus generated from the more commercial activities. The activities funded from member subscription income are for general industry benefit, as opposed to any private benefit, and typically the funds available are fully utilised for this purpose.

Analysis of the Consultation Document

TIA found the consultation document to be unclear in its objectives and proposals, particularly relating to membership subscriptions (Sections 3.2 to 3.16). For this reason, it has been widely interpreted as a proposal to increase taxation of subscription income of not-for-profit associations. TIA seeks clarification on our assessment points as follows:

- **Section 3.1, Point 1.** We note the *'...proposal to clarify the circumstances when membership subscriptions and levies could be exempt.'*

TIA response: The wording is to 'clarify the circumstances' but we note that this could equally apply to 'expanding' the circumstances which is supported by the narrow exceptions as set out below.

- **Section 3.3.** This section states that IRD's *'...updated view that membership subscriptions, fees and levies may be taxable. That this is a departure from IRD's current position that membership subscriptions are not taxable under the mutuality principle.'*

TIA response: This wording is suggestive of a change to the way IRD treats membership subscriptions, with the suggestion that the current approach may change,

thereby treating it as taxable. The next sections then set out the submitters' opposition to this through the earlier consultations.

- **Section 3.6.** This sets out the riding instruction from Government to '...consider the circumstances in which subscriptions and levies could remain non-taxable.'

TIA response: This wording suggests that Government was asking about how membership subscriptions could remain non-taxable. This speaks to an open mind by Government on how this is treated.

- **Section 3.7, 3.8 and 3.9.** These sections appear to set out the difference between membership subscriptions and payments that are for goods and services.

TIA response: This wording is difficult to follow for lay-readers. The point that there is a difference between membership subscriptions for wider member benefits compared to payments for goods and services is important and provides the basis for considering different treatments for each.

- **Section 3.10.** This sets out that there is no definition of a member subscription and that it is possible for goods and services to be included in what people consider to be in a membership subscription. It goes on to say '*...this leads to confusion as to whether all or part of a membership subscription should be treated as taxable or non-taxable.*'

TIA response: This cuts to the heart of the matter in question. TIA interprets this as: 'If all membership subscription income is spent on core industry benefit activities, it will be non-taxable.' Conversely, if it is all for private benefit it is taxable. The question is around the definition and allocation into either group.

- **Section 3.11, 3.12** IRD proposes a new definition of membership subscription to clarify amounts which would be taxable or non-taxable.

TIA response: Welcomes a clear definition, depending on what the definition is (refer below).

- **Section 3.13.** This sets out IRD's thinking on what 'core member benefits' received in exchange for a membership subscription would normally be included, specifying the right to vote as a member and right to receive notices of decisions.

TIA response: This definition is incredibly narrow and not reflective at all of how membership industry associations are funded and operate. Taken literally, this would mean that only a very small proportion of an organisation's member subscriptions would be non-taxable. This definition must be substantively expanded to reflect the real-world operation of industry associations such as TIA.

- **Section 3.14, 3.15.** This sets out that 'direct valuable benefits' will be taxable and how these benefits can be defined.

TIA response: The actual definition is reasonable, but it is entirely out of context given the inadequacy of what is defined a 'core member benefits' as set out in Section 3.13. These sections need to be rebalanced with equivalence of the definitions used.

- **Section 3.16.** This recognises the range of purposes of different types of not-for-profits, and it invites feedback on what submitters consider to be 'core member benefits.'

TIA response: This section invites TIA's input into what we consider to be 'core member services.' In TIA's case, this involves just about everything we do, other than those functions that are clearly provided commercially (e.g. events, awards, conferences). TIA sets out its 'core member services' in the text that follows.

In assessing this information, TIA is bound to take it literally. From this, we get a clear indication that the intention is to increase taxation of not-for-profits' membership subscriptions given the extreme narrowness of what is included as 'core membership benefits' as set out in Section 3.13.

This interpretation is extremely concerning for TIA, and we see this concern reflected in the submissions of Business New Zealand and Hotel Council Aotearoa, both of whom raise substantive matters around the likelihood of increased taxation of membership subscriptions and increased compliance costs from accounting for all activities across the two groups.

Discussion with IRD

On 15 December 2025, TIA met with IRD officials to work through written questions raised by TIA. These questions reflected our concerns from the consultation document.

The discussion clarified that the intent of the process is to align practice with the legislation, and that the objective is not to tax more subscription income than in the past, but to more clearly draw the line on when to apply taxation in this area. In this, there was deviation from the wording of the consultation document.

We were informed that IRD is particularly interested in understanding what was involved in drawing the line, and TIA committed to set out how we see our various functions, and where they would fit under the 'core member services' and 'direct benefit goods and services' groups.

In our communications to members, we describe the benefits they receive from their membership subscription as follows:

- **Setting industry Strategy.** TIA prepares the industry strategy, the latest being: Tourism 2050 – a Blueprint for Impact - <https://www.tia.org.nz/tourism-2050>
- **Partner with Government.** Lead partner with Government on key tourism initiatives, such as the current Tourism Growth Roadmap process.
- **Advocacy.** Advocating for tourism interests in government policy setting (e.g. over 20 submissions on government policies this year).
- **Communications.** TIA keeping members informed of key industry developments from both industry and government.
- **Sustainability.** Operates the Tourism Sustainability Commitment as a framework for enabling operators to lift their own and industry sustainability performance.
- **Online learning.** Access to TIA's sustainability online learning platform: Akiaki – Advancing Tourism
- **Data and insight.** TIA providing easy access to tourism data and insights and contributes to data generation.
- **Stakeholder and member engagement.** TIA provides opportunities for members to network within our membership and more widely with key stakeholders.
- **Partner discounts.** Access to discounts from TIA's strategic partners.
- **Business capability and upskilling.** TIA provides monthly webinars on key topics, in addition to topics highlighted in our regular communications channels.
- **Crisis management support.** TIA is involved in national crisis response mechanisms and responds to assist members in events as they occur.
- **Right to vote.** Members have rights to vote and shape the direction of TIA's activities and priorities.

In each of these areas, the beneficiary is industry-good as opposed to being private-good for any individual party. It is also important to note that Government itself benefits from having effective sector associations to work with, and this is certainly the case in the tourism industry.

In addition, TIA offers a range of activities for members and others in the interests of overall industry well-being and development. These being:

- **Tourism Summit Aotearoa.** Annual conference for the tourism industry.
- **New Zealand Tourism Awards.** Annual tourism awards system involving an application process, judging and an award function.

These activities are undertaken commercially by TIA with payment for participation by all attendees, whether member or non-member (noting that there is a lower member rate). TIA is taxed on profits achieved. These are essentially 'member transactions' as set out in Sections 3.17, 3.18 and 3.19, which assists with determining where to draw the line.

Comment

In these two categories of activities, there is a clear distinction between the 'core member services' and 'direct benefit goods and services' groups.

Accordingly, TIA submits that the line drawn must include all the member benefits as set out above within the non-taxable activities of TIA's subscription income. TIA encourages IRD to use TIA's profile as an example in differentiating between the two groups.

While TIA cannot speak on behalf of other tourism sector associations, we anticipate that the TIA situation is common across these associations. With there being many types of not-for-profit organisations, TIA suggests that the specific needs of the association not-for-profits sector must be investigated and considered. There are clearly concerns held around additional taxation and higher compliance costs in needing to account for the different groups on an ongoing basis. We suspect that for smaller associations, there will not be the accounting separation that TIA has, which means the compliance burden will be higher for each of these associations.

TIA notes and supports the submission of Business New Zealand and Hotel Council Aotearoa that set out concerns in these areas.

Other Consultation Questions

TIA supports the higher tax-free threshold and the proposal to establish a short-form tax filing option.

Recommendations

TIA recommends that IRD:

1. Provide clarity on the objective of the proposed changes, making it clear that the objective is not to tax membership subscription income, other than where it clearly includes activities that would normally be taxed.
2. Consider the specific interests of not-for-profit industry associations that play an important role in the functionality of the industries that they represent.
3. Provide clear definitions in the framework established on the activities of not-for-profit associations that are non-taxable, and those that are.
4. Develop a low compliance-cost framework for not-for-profits to ensure they can meet their obligation with the least cost, as is signalled in the consultation document.

This submission is intended to assist IRD in 'drawing the line' and we would be happy to contribute further, particularly relating to not-for-profit industry associations.

Ngā mihi,



Greg Thomas
GM Membership and Advocacy

Attachment 1: Consultation Questions: Chapter 3 – Membership subscriptions and related matters for taxable not-for-profits

No.	Question	TIA Response
14	Does the proposed definition of a membership subscription for not-for-profits describe the type of payments we want to relieve from tax? Are there likely to be any unintended consequences?	<p>The description of membership subscription for NFPs can be much more clearly defined in order to ensure the true functionality can be set out and described.</p> <p>As an industry association, we suspect that there is wide variability across all types of NFPs. As such, consideration must be given by IRD to understand and respond accordingly to these different NFP types.</p>
15	Does this test sufficiently distinguish payments for core membership benefits from payments made for other benefits received by a member? If not, why?	<p>The wording used in the consultation paper is not sufficient and the scope of 'core member benefits' extends well beyond the very narrow definition set out in Section 3.13.</p> <p>We appreciate that the task is about how we 'draw the line' in defining what is on what is non-taxable subscription funded 'core membership benefits', and those taxable activities where a person receives an 'identifiable direct benefit' in the form of a good or service.</p> <p>TIA operates both broad industry-good activities funded by the membership fee, and individual benefit activities such as industry events, conferences, and other meetings which are sold to members and non-members for a fee. TIA does not pay tax on the industry-good activities but does so on those activities that attract a fee.</p> <p>In TIA circumstance, the line is very clear as set out in the body of the submission that describes the set of non-transaction based activities that TIA provides to its members funded from member subscriptions.</p> <p>The 'identifiable direct benefits' activities are centred on TIA running the annual conference (Tourism Summit) and the annual Tourism Awards. These events are fully funded from the tickets sold and generate taxable income.</p> <p>Based on this, we view 100% of TIA's membership subscription income as being used for core membership benefits.</p>
16	What types of benefit do you think should fall outside the concept of a membership subscription? Would this include, for instance, advocacy services on behalf of an industry or a group of workers?	<p>As set out above, we have a clear view of the line drawn, with membership subscription income fully utilised for core member benefits.</p> <p>With our advocacy work, we operate to support a broad industry position as opposed to supporting individual business members. TIA is not designed to provide this sort of individual member benefit.</p> <p>Members do benefit from discounts offered by 3rd parties that have a sponsorship arrangement with TIA. TIA believes these benefits are not 'direct identifiable benefits'.</p>
17	The proposed approach requires potential apportionment of some membership subscriptions. Would you prefer a simpler test that required all of	TIA is keen to see that any apportionment system is simple to operate.

	the membership subscription to be treated as taxable instead, if it included any identifiable direct valuable benefits? Are there any other approaches we could use?	Central to this is the clarity of what is included in each of the core membership benefit and private benefit categories. TIA does not see this as a difficulty for our organisation, but it may be more difficult for other associations who may account for their activities differently.
	When a payment contains both taxable and non-taxable elements, would a test like a principal purpose or wholly or mainly test to determine the degree of taxability be appropriate?	Again, this comes down to the clarity of guidance proved by IRD, whether a principle or specific list of what is taxable, and what is not.
19	If the tax-free threshold is increased to \$10,000 it would apply to each entity (not to individual branches) and the proposal is for a cliff face threshold, that is, it would not apply to any entity with a net profit greater than \$10,000. Do you agree this proposal would reduce compliance costs for small not-for-profits?	TIA will typically be above the \$10,000 level for its core membership benefit and private benefit activities. Agree with the higher threshold to reduce compliance costs on smaller NFPs.
20	What design changes do you recommend to improve the proposal?	Providing clear guidance on the core member benefit activities that are funded by member subscriptions and which are non-taxable.
21	Are there likely to be any unintended consequences of a cliff face threshold?	No TIA view.
22	What issues are there with requiring financial institutions to provide Inland Revenue with not-for-profit' financial information?	No TIA view.
23	Do you agree with the approach proposed in this chapter to introduce a short form return? If not, what do you suggest? What should be the consequences of a not-for-profit not filing a return (either a short form or full return)?	TIA supports the short form approach to minimise compliance load.
5	Does the proposed application date give not-for-profits sufficient time to implement any changes to processes? If not, what date do you propose and why?	No TIA view.