

Questions and Answers

Taxation and the not-for-profit sector

Inland Revenue has been asked some common questions on our issues paper “Taxation and the not-for-profit sector”. To help with your submissions, we have provided answers to those.

1 Are bodies promoting amateur games and sport likely to be affected?

We do not expect bodies promoting amateur games and sport to be affected by the proposals in this consultation document.

Over 20,000 sports clubs and societies currently have an income tax exemption because they have been set up to promote an amateur game or sport. There are no proposals to change this exemption. This is covered in section CW 46 of the Income Tax Act 2007 and discussed on the IRD website at: [Sports clubs and societies](#).

Some sporting organisations can also qualify for registration as charities and claim the charity income tax exemption if their charitable purpose is the promotion of sport. See: [Charities Services | Sport and recreation](#)

2 Is Inland Revenue proposing to change the law and tax trading income and subscription income earned by not-for-profits?

The advice on our website states that if a not-for-profit does not have an income tax exemption, it must pay tax on trading activities but it does not need to pay tax on membership fees or subscriptions. See: [Income tax for not-for-profits](#)

Inland Revenue has prepared a draft operational statement which confirms that trading income with members is taxable. The draft statement also says that some subscription income may be taxable under certain circumstances, for example, if the subscriptions are not capital in nature. Inland Revenue estimates that approximately 9,000 not-for-profits have member trading activities and/or subscription income. Many will already be paying tax on these member transactions, but some may not. The draft operational statement will represent an initial view and will be consulted on separately, with submissions taken into account.

The draft operational statement has been delayed until submissions have been received on whether there should be policy changes for not-for-profits that are not tax exempt. The policy changes would aim to reduce the impact of the Commissioner’s initial view, particularly for small not-for-profits. For example, we are interested in hearing whether the current \$1,000 deduction to remove small scale not-for-profits from the tax system should be increased or redesigned.
