

## **Tax Working Group Public Submissions Information Release**

### **Release Document**

**September 2018**

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;
- [2] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



30 April 2018

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This submission is made on behalf of the InterChurch Bureau ((ICB), formerly the InterChurch Working Party on Taxation). The ICB (the Churches) represents some 35 Christian denominations and entities in New Zealand. Combined, the Churches make up roughly one-third of the charitable sector and are therefore one of its largest groupings. A detailed list of members is set out in Appendix 1.

The Churches of New Zealand hold charitable status under the centuries-long recognised head of charity, ‘the advancement of religion’. Church welfare organisations operate first and foremost as charitable organisations, not as business operators. Working in partnership with Government, they supplement and complement state benevolent activity and social provision. Faith-based organisations are highly efficient at delivering social service ‘goods’. Many socially important agencies such as city missions, schools, hospitals and retirement/rest home facilities were first established and continue to be run by faith-based organisations. As Churches operate at grass roots level in the community, they have the ability to be flexible and responsive to changing needs.

Charity law is based on the premise that the overall purposes of the state and charity are the same: in the public interest. Social services work is an interrelated outcome of the Church’s core faith with the provision of care and advocacy simply Christianity in action. Faith communities are heavily involved in the provision of an extensive range of social benefit activities. Activities undertaken by the Churches include: abuse and addiction counselling, anger management courses, help-lines, budgeting services, disaster relief, educational scholarships, employment training, food banks, help with furniture and clothing provision, grief counselling, hospital visiting, meals in homes, prison visiting, soup kitchens, help with housing, student mentoring and support and training for the unemployed, to name a few. Throughout the country the Churches also provide an efficiently run, low-cost network of facilities available for a wide range of community activities. These facilities have been generally provided and maintained by volunteers, with no reliance on public/government funding.

Charitable business enterprise is not about making profits. Defining ‘business’ or ‘trading operations’ is problematic as Church ‘trading operations’ are generally directly aligned to the charitable purposes of the organisation with any small surpluses going back into supporting its charitable and social provision activities. Such enterprises not only provide employment for those in need, but also education and training. Giving people employable skills and work experience is a social benefit which helps individuals to find their feet again and enables money to go back into charitable purposes for

the further betterment of society. There is no evidence that non-profit organisations hold any competitive advantage. They are generally constrained by the terms of their charitable trusts deeds, lack access to shareholder capital and are under pressure to distribute a higher proportion of funds back to their charity than would a private enterprise. Activities such as thrift shops providing second hand goods or companies producing basic breakfast cereals and spreads are no different to the provision of social services through Government contract. In each case, any profits are generally applied directly to further support charitable works.

Charitable action and religious giving is a practical expression of faith, with the work of all charities heavily dependent on gifts and donations freely given. Churches in New Zealand do not hold great wealth in trusts and investments. As the 2007 Statistics NZ report on Non-Profit institutions found:

*Religious activity relies heavily on the donations and bequest of individuals. Seventy-one percent of all income is in the form of donations compared with 24 percent for all non-profit institutions. These donations come almost exclusively from households.*

While the income of charities is often limited and their resources scarce, this is generally offset by the significant input of volunteers. Those who work for the Church as employees or volunteers are generally highly committed and motivated. Many volunteers gain and develop significant work place experience and independent skills which can often be transferred to the public sector. Recent societal change has led to a greater proportion of people in the workforce, with an increasing number working beyond the expected age of retirement. This has meant fewer volunteers able to contribute their time, but remaining in paid employment means they are able to participate in charitable support through financial assistance.

The ICB considers that it is of benefit to both the Government and taxpayers to encourage philanthropy and that it is reasonable for society to award recognition to those who demonstrate generosity. The 1989 Working Party on Charities and Sporting Bodies *Report to the Minister of Finance and the Minister of Social Welfare* concluded that to abolish the donation tax rebate would have the adverse effect of diminishing donations and indeed recommended the value of the rebate be increased and protected (Pp.5-53). The *Income Tax Act 2007*, which enacted the current donations rebate system, has helped encouraged a public spirit of generosity and empathy and has proved be a direct and successful incentive for individual taxpayers to donate to charities and be more aware and considerate of the needs of others.

The Churches greatly value the current taxation concessions for charities. Any perceived 'cost' to the taxpayer is significantly offset by the 'good' that the current system provides, as it enables charities to provide public benefits and services that the market economy often fails to adequately supply.

[1]

Member Churches and Organisations of the

**InterChurch Bureau (ICB)**

Acts Churches New Zealand  
Alliance Churches of New Zealand  
Arise Churches  
Assemblies of God in New Zealand  
Baptist Union of New Zealand  
C3 Churches  
Christian Churches New Zealand (formerly the Churches of Christ in New Zealand)  
Church of the Nazarene  
Church Unlimited  
City Impact Church New Zealand  
Elim Church of New Zealand  
Four Square Gospel Churches  
Gateway Christian Trust  
Grace Presbyterian Churches  
Greenlane Christian Centre  
Hope Centre Network  
Interserve Aotearoa New Zealand  
Life  
Lutheran Church of New Zealand  
Missions Interlink New Zealand  
New Life Churches New Zealand  
New Zealand Christian Network  
New Zealand Council of Christian Social Services  
New Zealand Pacific Union Conference of the Seventh-Day Adventist Church  
Open Brethren Assemblies of New Zealand  
Presbyterian Support New Zealand  
Presbyterian Synod of Otago and Southland  
Scripture Union New Zealand  
The Anglican Church in Aotearoa, New Zealand and Polynesia,  
Te Hāhi Mihinare ki Aotearoa, ki Nui Tirenui, ki ngā Moutere o Te Moana Nui a Kiwa  
The Catholic Church in Aotearoa New Zealand  
The Congregational Union of New Zealand  
The Methodist Church of New Zealand, Te Hāhi Weteriana o Aotearoa  
The Presbyterian Church of Aotearoa New Zealand  
The Religious Society of Friends (Quakers), Aotearoa New Zealand, Te Haahi Tuuhauwiri  
The Salvation Army, Te Ope Whakaora  
The Wesleyan Methodist Church of New Zealand

Uniting Congregations of Aotearoa New Zealand  
Vineyard Churches Aotearoa New Zealand