



## National Council of Women of New Zealand

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### **Submission to The Inland Revenue Department policy Advice Division on Tax Incentives for Giving to Charities and other Non-Profit Organisations.**

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 42 nationally organised societies. It has 38 branches throughout the country attended by representatives of those societies and some 150 other societies. The Council's function is to serve women, the family and the community at local, national and international levels through research, study, discussion and action.

This discussion document is of special interest to NCWNZ members, the majority of whom are or have been actively engaged in voluntary work and so appreciate the on-going need for serving their communities in a multitude of ways. There is, however, a growing concern as to how much charity work a society can sustain – how much arises from the need to fill roles devolved by central government to local authorities without appropriate funding. Is what one of our members calls 'the charity industry' so entrenched that people are expected to accept more demands on their disposable income while being urged to save more? With these questions in mind, NCWNZ is pleased to have the opportunity to examine this document, if only to bring to light some of the assumptions which appear to be 'givens'.

#### **General Comments**

##### **Chapter 1:**

Section 1.10 states that the review will consider 'options for improving the existing rebate and deduction mechanisms and a new tax rebate that recognises the time given by volunteers to charities. NCWNZ welcomes such a review.

Section 1.12 reports 'significant and sustained efforts around the world to increase charitable donations through changes in government policy'. As Chapter 5 points out (5.6) the New Zealand Government has already moved in this direction by establishing the Charities Commission, an initiative supported by NCWNZ. Members agree that 'overall accountability and transparency' are as vital in the voluntary sector as in business and politics. But from whence comes the imperative for changes in government policy? The document is short on information here.

While it is recognised that 'charitable activities ... may be a more efficient way of providing social assistance than government programmes' (1.13), there is a public perception that the health, education and welfare services for which taxes are paid, should still be provided by government, where privacy issues are more likely to be protected.

Two questions arise here: does Government really need this form of voluntary taxation over and above other revenues in order to further its social objective (1.13) ? And is the push for people not only to give to charities and other non-profit organisations but also, by implication to depend more and more on charity for their needs? Members were reminded of Benjamin Disraeli and the 'Young England' movement of the early 19th century. With the French Revolution still fresh in their minds these Young Englanders believed in the need for helping the poor as their social responsibility, but were without the institutional changes which could have reduced that poverty.





In a democratic society government is authorised to provide public health, education, welfare benefits, defence and essential infrastructure as a more efficient way of using resources than can be achieved by private provision. Then government is empowered to levy the revenues for these purposes. Charity is supposed to provide the extras – e.g. toys for the children's hospital wards, playgrounds and sports and cultural activities for the young, outings for the elderly, animal rescue and so on. What increasingly is being seen is the establishment of charities assuming the responsibilities of government . (1.17)

As NCWNZ has emphasised in other submissions, compliance costs ( whether for an individual, business or government department) should be kept to a minimum, if only to conserve time and resources (1.28) But it is doubted that tax exemption of administration costs will meet that criterion (1.21). Rather than laborious ponderings over the pros and cons of the tax relief, NCWNZ recommends relief for people's disposable income by restoring a universal child allowance plus relief for high energy and water charges. Such options ought to be put to the public as viable alternatives to tax relief, and reducing the need for charitable hand-outs.

## **Chapter 2.**

While it is essential for government to set the rules for the proper conduct of charitable institutions, the question needs to be asked as to whether tax relief should be considered at all. The assumption in the document appears to be that 'changes in government policy' are synonymous with tax relief, as implied above. NCWNZ challenges that assumption. Certainly recent IRD efforts to minimise personal income tax return-filling (2.23) is applauded but wonder if people's altruistic motives could be better fostered without tax inducements. Better, NCWNZ maintains, to look at disposable income in a different light, as earlier suggested.

Granted there is an argument for retaining the rebate option (2.8) but taxes for this purpose could be better utilised as legitimate government expenditure on the public services for which they are responsible.

## **Chapter 3**

The bureaucracy involved in any types of government funded volunteers' rebate or grant could be formidable. The time and funds could be better spent on the actual volunteer work. Many charities already reimburse their volunteers with minimal administration costs, e.g. petrol vouchers for meals-on-wheels drivers. And the media frequently reports on awards ceremonies – often claimed by recipients as more than sufficient recognition for their efforts.

NCWNZ has received reports of superannuants and sickness beneficiaries who contribute their time and skills to society, motivated by a desire to 'give something back'. Section 3.4 mentions voluntary work motivated by the worthiness of the cause, from saving native flora and fauna to campaigning for Amnesty International.

Hence members query any necessity for state influence (3.2) to achieve 'a society with a high level of volunteering...' Is this to make people more dependant on the vagaries of philanthropy than on their democratically elected government? At least the document admits (3.13) that tax relief could be 'inconsistent with the notion of volunteerism' although there could be a case for transparent government grants to charitable organisations where their work complements or even carried out a government –based responsibility.



As for honoraria, NCWNZ sees no valid reason for this form of income to be classified as for withholding tax purposes. It is often difficult enough for societies to find officers with the skills for certain positions without the complication. The inclusion of honorarium income in an officer's annual income for personal income tax should suffice.

#### **Chapter 4**

The overseas incentives described in this chapter all require complicated negotiation with their respective Inland Revenue Departments, and payroll schemes mean compliance costs for businesses. Shares and other property donated to charities (4.19) is always to be encouraged, preferably in areas outside the responsibility of government. But such donations have been made in the past without the inducement of tax concessions – and are likely to continue. Some of our members have expressed concern that there could be companies happy to forgo a tax-incentives scheme in exchange for favourable contracts worth more than the donations they make to charity.

#### **Chapter 5**

This chapter assumes that governments take a major role in promoting philanthropy and NCWNZ has questioned elsewhere the motivation behind such assumptions and note that growing income inequalities are not fundamentally addressed by more dependence on charity. There is a danger that the welfare society women in particular have fought for is being released by a mendicant society where rights to our common wealth must be begged for.

NCWNZ is not only concerned about the disparities in income but are disturbed to find so many believing that future governments will not be able to afford the public services and capital works they are elected to provide. Such belief has been engendered by the savings industry and the news media, employing language like 'welfarism' and 'the nanny state' to convince the populace that all should be more self-sufficient.

#### **Summary Response to specific questions**

Individual tax rebate for donations: NCWNZ supports a combination of the suggested rise in capped threshold and increasing the rebate claim, while noting that such would not of themselves alter attitudes to charitable giving by individuals.

Company deductions for donations: NCWNZ supports any processes that encourage companies to include social responsibility as part of their long term planning, assuming compliance costs in both time and resources remain minimal. This could include non-cash donations e.g. trades-people on charity building sites.

Recognising volunteer time: NCWNZ agrees that such a recognition would be inconsistent with the notion of volunteerism. The hard questions would be: how would volunteerism be defined; where does volunteerism start and end; by what criteria would the lines be drawn.

To suggest a monetary value being put on the voluntary hours is seen to demean the philanthropic intent, especially at the rate suggested in 3.14. Government would be better advised to recognise the true worth of the roles played by many voluntary activities and factor them as part of an appropriately funded Ministry of Health or Social Development programme.

Government grants to charitable organisations: This may be worthy of consideration given how hard volunteer groups have to work to achieve minimal funding. Again however the comment above about officially recognising the work of the some organisations within the whole-of-government planning applies.



Honoraria / Reimbursements– NCWNZ sees no necessity to change the current regime of individuals noting this income in their individual tax returns. Processes should encourage unemployed persons to volunteer as a step towards gaining confidence and a work history prior to applying for paid employment.

Overseas examples: NCWNZ is concerned that the examples given involve complicated processes.

NCWNZ is pleased to be part of the consultation process of this issue.

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