

# Submission

On

*Taxation and the NFP Sector: Targeted  
consultation on detailed design*

Submission to:  
Inland Revenue  
[NFPtaxpolicy@ird.govt.nz](mailto:NFPtaxpolicy@ird.govt.nz)

23 December 2025

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## Submitter

The New Zealand Forest Owners Association Incorporated (FOA) is the representative membership body for the commercial plantation forest growing industry. FOA members are responsible for the management of approximately 1.2 million hectares of New Zealand's plantation forests and over 70% of the annual harvest.

In 2026, the forest growing sector is projected to produce \$6.3 billion in export value. It employs between 35,000 and 40,000 people in wood production, processing, and the commercial sector.

## Summary

The New Zealand Forest Owners Association (FOA) welcomes the opportunity to comment on the consultation document Taxation and the Not-for-Profit Sector: Targeted Consultation on Detailed Design. FOA is a national, not-for-profit industry association representing owners and managers of plantation forests, together with key partners across the forestry value chain. Our purpose is to advance sustainable, productive, and globally competitive forestry in New Zealand—supporting jobs, regional economies, export earnings, climate change mitigation, and environmental outcomes.

FOA's advocacy work spans critical areas such as sustainable land-use practices, climate policy, biosecurity readiness, health and safety, and biodiversity initiatives. These activities are integral to our role as a sector representative body and demonstrate why membership subscriptions fund collective benefit functions rather than commercial services.

While we acknowledge Government's remit to review elements of the charities and NFP landscape, we are concerned that IRD's proposed direction risks regulatory overreach and would impose disproportionate compliance costs on sector bodies like FOA—organisations that exist to serve collective industry interests rather than generate profit.

Our feedback focuses primarily on Chapter 3, which examines membership subscriptions and related matters for taxable NFPs. We consider a straightforward legislative solution—ensuring all membership subscriptions are non-taxable for all NFPs—to be simpler, fairer, and more aligned with sector realities.

**Primary Recommendation:** New Zealand should restore its long-standing approach by legislating that all NFP membership subscriptions are treated as non-taxable income.

## Chapter 3 — Membership Subscriptions and Related Matters for Taxable NFP Organisations

FOA does not support the proposed definition of membership subscription that distinguishes taxable/non-taxable amounts. This approach is complex, misaligned with international practice, and administratively burdensome.

For example, FOA routinely provides members with guidance on policy issues; coordinates biosecurity efforts and communication; and supports and develops best-practice standards for sustainable forestry and workplace safety. These functions are collective and sector-wide, not itemised benefits, and should remain non-taxable.

As an incorporated society, we are also working through the increased reporting requirements under the Incorporated Societies Act, which have increased compliance costs to our association. To comply with new tax requirements for our memberships, we would likely need to introduce further membership and administration changes which will decrease our service to members.

We agree with BusinessNZ's assertion that these changes would increase compliance costs at a time when the Government has emphasized the importance of making it easier to do business. These changes would be antithetical to the Government's overall goal of being a partner to business, as businesses use their membership associations to make government relations run more smoothly and constructively.

### Questions for Submitters

We answer the submission questions here to reiterate our views:

*Q14. Does the proposed definition of a membership subscription describe the type of payments we want to relieve from tax? Are there likely to be unintended consequences?*

We do not find the definition proposed clear, and believe it would lead to administrative complexity in how we operate as an association. The unintended consequences of introducing this definition will likely be a reduction in membership services and social gatherings to avoid accidentally undertaking taxable activities at a time when we have limited income.

One of our core membership benefits is bringing foresters together, both online and in person, to discuss issues that are important to our sector. If meals become a taxable service, is a gathering of our Environment Committee where scones are offered while they work through an important regulatory change a meal? Or does it have to be a supper where tickets are sold? We frequently offer catering as the manaakitanga of bringing together our volunteers, so essentially volunteer members will see less benefits due to the increased costs of offering them.

*Q15. Does this test sufficiently distinguish payments for core membership benefits from other benefits? If not, why?*

We would find it very difficult to break our membership up into these sorts of benefits because of the collective nature of the work that we do, including communications, community engagement, sector advocacy, and professional development.

Question 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?*

Advocacy is critical to a functioning democracy, and when delivered for collective good benefit by a non-profit should sit outside of taxable services.

Question 17: *The proposed approach requires potential apportionment of some membership subscriptions. Would you prefer a simpler test that required all of the membership subscriptions to be treated as taxable instead, if it included any identifiable direct valuable benefits?*

The classification of benefits as taxable and nontaxable will be administratively costly and prohibitive for our association to implement, and we do not support the introduction of a test of membership benefits that starts as treating all subscriptions as taxable unless proved otherwise.

Question 18: *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?*

A test on principle purpose is the sort of idea that sounds useful in theory but creates uncertainty for associations in practice. We would not recommend introducing such a test as it will add to the complexity of implementing a taxation policy, and for an organization like ours with one accountant on staff supporting several different organisations, it will mean we have to employ additional accounting support, adding to the costs and burden of implementing such a policy.

**Recommendation:** Do not proceed with introducing a definition of membership subscription for taxable/non-taxable apportionment.

## Tax-Free Threshold

FOA supports raising the tax-free threshold from \$1,000 to \$10,000 as a stand-alone reform.

**Recommendation:** Proceed with this change, while reconsidering the ‘cliff-face’ design to avoid distortions.

## Resident Withholding Tax (RWT) Exemption

**Recommendation:** IRD should undertake further targeted consultation with financial institutions to identify and mitigate unintended consequences of the proposed RWT information-sharing changes.

## Filing Requirements

**Recommendation:** Decisions on filing requirements should follow the final decision on the threshold design and consider transitional relief.

## Application Date

The extended implementation horizon underscores the complexity of the proposals. FOA recommends a simpler legislative solution—non-taxable subscriptions for all NFPs—rather than complex definitional rules.

## Summary and Recommendations

FOA strongly supports a pragmatic, internationally aligned approach that recognises the collective, public-benefit nature of NFP industry associations.

### Recommendations:

1. Legislate that all NFP membership subscriptions are non-taxable.
2. Do not proceed with introducing a definition of membership subscription.
3. Increase the NFP tax-free threshold to \$10,000.
4. Undertake further consultation on RWT changes.
5. Sequence filing requirement decisions after threshold design.
6. Avoid complex, bespoke rules; align with offshore practice.

Thank you for the opportunity to submit on this important matter. FOA remains committed to constructive engagement with IRD and the Government to ensure policy settings support effective, efficient, and sustainable sector representation.



### Dr Elizabeth Heeg

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