



2 May 2024

[REDACTED]

[REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 5 April 2024. You requested the following:

*Page 4 of the Second Report by the Working Party on Registration, Reporting and Monitoring of Charities dated 31 May 2002 (linked from <https://www.taxpolicy.ird.govt.nz/publications/2002/2002-other-wprrmc-second-report>) states 'We recommend that no change be made to the income tax rules at present, but that the issue be revisited within the next two or three years.'*

*Please provide information to confirm whether or not that recommendation was acted on, and reported on: (i) before 31 May 2005 (i.e. three years after report publication date) or (ii) before 5 April 2024 (i.e. today's date)*

The recommendation was revisited by the Tax Working Group (TWG) in 2018. Information related to this can be found on Inland Revenue's Tax Policy website at: [Information release - Tax Working Group \(July 2019\)](#).

In its [final 2019 recommendations](#), the TWG noted that some submitters perceived that the income tax exemption for charitable entities' trading operations provided an unfair advantage over commercial entities' trading operations. The TWG further noted that the underlying issue in their view was the extent to which charitable entities accumulate surpluses rather than distributing or applying them for the benefit of their charitable activities. These points were referenced in a 2022 overview report to the then Minister of Revenue, Hon David Parker on issues in the charitable and not-for-profit sector.

For completeness, Inland Revenue recently consulted on a [draft interpretation statement](#) on the extent to which business income a charitable entity derives is exempt from tax under section CW 42.

### **Publishing of OIA response**

We intend to publish our response to your request on Inland Revenue's website ([www.ird.govt.nz](http://www.ird.govt.nz)) as this information may be of interest to other members of the public. This letter, with your personal details removed, may be published in its entirety.

Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you for your request.

Yours sincerely



Peter Frawley

**Policy Lead, Legislative Drafting and Business**