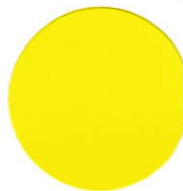


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Te Tari Taake



IRD, 2014

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Non-profit organisations

Ngā rōpū moni kore hua

Non-profit glossary

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Arm's-length transaction

A deal made between non-related parties, who are not associated persons.

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Associated persons

These are:

- people related by blood, adoption, marriage or de facto relationships
- companies with mainly the same shareholders
- an individual and a partnership, if the individual and one of the partners are associated persons (a company may be a member of the partnership).

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Business

Any enterprise or activity intended to make a profit is classed as a business. If an organisation runs a business, it must pay tax on all profits after expenses (except those made on dealings with its members).

However, if a charity runs a business, it may not be liable for income tax on any profits that it uses for charitable purposes within New Zealand.

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Charitable organisation or charity

This is an organisation (incorporated or not) that carries on charitable activities or exists exclusively for charitable purposes. Some charities may be registered by Charities Services.

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Charitable purpose

Charitable purposes include:

- the relief of poverty
- the advancement of education
- the advancement of religion
- activities for the benefit of the community.

An organisation's purposes must fall within one of these categories to be charitable. Its activities or aims must be for public purposes and the benefit must be available to a large section of the community. In addition, it must not be carried on for the benefit or profit of any individual. If the beneficiaries are limited by blood ties the charitable purpose can still be met in some circumstances.

Many organisations consider themselves charitable because of the work they do or because they are registered under the Charitable Trusts Act 1957. As a result, they may also think they are exempt from income tax. However, from 1 July 2008, an organisation will only be tax-exempt if it is a registered charity. Such an exemption does not apply to goods and services tax (GST) or PAYE. The organisation must still account for these.

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Charitable purpose of marae

A marae has a charitable purpose if:

- the physical structure of the marae is on land that is a Māori reservation, and
- the funds of the marae are not used for a purpose other than the administration and maintenance of the land and of the physical structure of the marae or another charitable purpose.

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Charities Services

An autonomous Crown entity formed under the Charities Act 2005 to provide:

- registration and monitoring for charitable organisations, and
- support and education to the charitable sector on good governance and management.

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Donation

If the payer receives no direct benefit in return.

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Donee organisation

This is a special type of organisation, considered by Inland Revenue to have met the requirements set out in the Income Tax Act 2007. Individuals, certain companies and Māori authorities can get certain tax benefits by making gifts of money to a donee organisation. A charity can also be a donee organisation.

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Donor

A person, company or other organisation that gives money or property to another.

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Grants and subsidies

A grant or subsidy can be a payment made to an individual or organisation to meet some of the expenses in carrying out business activities or in starting up a new business. It can also be a payment made to lower income families to help make childcare more affordable.

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Honoraria

Honoraria are payments made for services provided where no fixed payment would normally be made. They are treated as schedular payments for tax purposes.

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Incorporated organisations

Organisations registered with the Companies Office of the Ministry of Economic Development (such as under the Incorporated Societies Act 1908 or the Companies Act 1993) are classed as incorporated organisations. For more information about becoming incorporated, go to the Societies and Trusts website.

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Koha

Koha is a New Zealand Māori custom which can be translated as an unconditional gift.

Giving koha is the practice of bestowing an **unconditional gift** where the recipient has neither stipulated that it be given, nor has any expectation of receiving it. It is an integral part of Māori culture and significant protocol is attached to it. Traditionally, koha has taken many forms but in more recent times it has tended to be in the form of money.

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Non-profit organisation

A non-profit organisation is any society, association or organisation (incorporated or not):

- that is not carried on for the profit or gain of any member, and
- whose rules do not allow money, property or any other benefit to be distributed to any of its members.

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Organisation

This is a general term, which covers all types of societies, institutions, companies, estates, trusts, funds and so on, whether or not they have a charitable nature or are considered tax-exempt.

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Registered charity

A trust, society or institution that is registered as a charitable entity by Charities Services.

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Residual income tax

Residual income tax is the amount payable for the year, after deducting any tax credits from income tax assessed, but before deducting any provisional tax paid.

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Short-term charge facility

An arrangement that enables an employee to obtain goods or services that have no connection with the employer or its operations by:

- buying or hiring the goods and services, or
- charging the cost of the goods or services to an account, or
- providing consideration other than money for the goods and services

The employer must also provide some or all of the payment or other consideration for the goods and services.

Charities are generally exempt from FBT on benefits provided to employees working for the organisation's charitable purpose. However, a charitable organisation is liable for FBT on short-term charge facilities including vouchers (eg petrol and grocery vouchers), provided to employees if the value of the benefit is above the threshold.

Up until 31 March 2014, the threshold to pay FBT is 5% of an employee's salary or wages for the year.

From 1 April 2014, the threshold to pay FBT is whichever is the smaller amount: of

- 5% of an employee's salary or wages for the year, or
- \$1,200 for the year

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Taxable activity

Any activity carried on continuously or regularly that supplies (or intends to supply) goods and services to others for some form of payment (but not necessarily for a profit) is a taxable activity. Businesses, trades and professions are all taxable activities. Charitable organisations of any type can carry on taxable activities.

Setting up a business is part of the taxable activity, as is the closing down and sale of a business.

Taxable activities do not include:

- employment as a salary or wage-earner
- hobby activities
- the occasional sale of domestic or private assets
- making GST-exempt supplies.

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Turnover

Turnover is the total gross value of all goods and services supplied, excluding GST. It includes:

- goods and services sold or provided in New Zealand
- exported goods
- grants, subsidies and barter arrangements.

It does not include:

- the sale of stock and assets because of the winding down or ceasing of business
- the sale of plant or replacement of assets
- GST-exempt goods and services
- unconditional gifts.

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Unconditional gift or donation

An unconditional gift is a donation or payment made voluntarily to any non-profit body, where there is no identifiable direct benefit to the donor or the donor's family.

Some unconditional gifts can be:

- donations or koha
- money from door-to-door appeals and street collections
- bequests
- voluntary school fees (but not school activity fees).

Subscriptions, payments from trading activities and payments made by the Crown or a public authority are not unconditional gifts for GST purposes.

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Volunteer

A volunteer is defined as a person who freely undertakes an activity in New Zealand:

- that is chosen either by themselves or by a group they are a member of, and
- that provides a benefit to a community or another person, and
- there is no purpose or intention of private financial profit for the person.

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Written rules

As a minimum, written rules must outline an organisation's:

- membership
- structure, and
- decision-making process.

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