



## Sector Group Report

Kia ora koutou,

On 20 February 2019, the Sector Group (SG) assembled at the Department of Internal Affairs' Wellington offices to discuss matters of common interest.

The purpose of this report is to communicate some of the points of discussion during the Sector Group, and allow members to communicate the discussions to their member organisations.

### **Update on the review of the Charities Act - facilitated by Steve Kerr**

The DIA Policy team attended the Sector Group (SG) to update the group on the review of the Charities Act and the discussion document that was due to be released. The document was on track and was released prior to the community consultation meetings that are taking place in March and April 2019. DIA Policy reported that as of the last week over 1,400 people had registered for the consultation meetings. SG members were encouraged to share with their networks the schedule of meetings.

### **Sector update - roundtable - facilitated by Natasha Weight**

Dave Henderson and Sue Barker (both members of the Core Reference Group for the review of the Charities Act) updated the group on their perspectives on the discussion document. They considered it is not broad enough to explore at the issues that affect the sector and raised the idea of a shadow discussion document or issues paper. They also expressed concerns about the independence of the review and the compressed timeframe for the review to be completed. Many SG members supported the drafting of a shadow discussion document or issues paper addressing the broader concerns of the sector.

Other SG members raised concerns about the complexity of some of the issues that the review was considering, and the ability to effectively engage the sector in the discussion (especially given competing demands on charities, particularly smaller charities that are run by volunteers).

### **Tax update - facilitated by Stewart Donaldson**

Update from Stewart Donaldson (Inland Revenue) on tax policy changes.

Inland Revenue is interested in hearing what the SG members (and wider sector) think may be common tax-related questions, to help IR improve its guidance. Stewart reported on the most common questions received from Inland Revenue to the group:

1. What are the main tax advantages of being a not-for-profit organisation?
2. What are the tax implications if my not-for-profit carries out some of its purposes overseas?
3. Is every donee organisation required to have its own IRD number?
4. When officers change, how do I update IR records to give the new officers authority to deal with IR?

5. My organisation has approved donee status but sometimes our donors get their donation tax claims disallowed. Why might this happen?
6. Can I reimburse volunteers for petrol?
7. Does my not-for-profit have to pay income tax on member transactions?
8. Are there tax advantages if my not-for-profit seeks sponsorship payments instead of donation payments from businesses?

### **Review of the Sector Group - facilitated by Andrew Phillips**

The SG was introduced over 2 years ago for the purpose of Charities Services achieving active dialogue with stakeholders, and engaging with the charitable sector. The group is by invite, and is intended to comment on matters of processes and sector issues to build on the thinking behind our functions and processes as a regulator. It was modelled on the Australian example.

The charter of the Sector Group states the effectiveness of the SG will be reviewed annually. This was the first opportunity to review the SG with the whole group.

The group discussed three suggestions by Charities Services, and some other proposals:

#### **1. Introducing a Professional User Group**

- The purpose of this change would be to discuss technical legal and accounting issues in a different environment - and create more space for sector members in the Sector Group
- Many sector members noted they were both professionals and sector members, and maintaining the diversity of membership of SG was worth retaining.
- Some members thought there may be some value to a Professional User Group.

#### **Opening up the Sector Group to other government agencies wanting to collaborate with the sector**

- Stewart Donaldson (Inland Revenue) noted Inland Revenue was considering setting up a similar group - and may be able to use the SG for that purpose.
- Members in general agreed it would be useful and time effective for other government agencies to use the SG.
- Some members noted it would be useful to keep the type of government agencies limited to those that affect the whole sector - such as Inland Revenue, Charities Services, and the Companies Office, rather than funders. Some members noted in particular they would like an update on the Incorporated Societies Bill.

#### **3. Membership - getting more diversity onto SG**

- Some members noted we should carefully consider the purpose of the SG while considering diversity of members.
- Some members commented that many current members did cover a wide range of perspectives, and it would be useful to canvass who is currently represented in the room.
- It was agreed that more diversity would be beneficial to the SG, specifically more Māori, ethnic, regional and youth representation is needed.

#### **Other ideas discussed included:**

- A chair, or a co-chair from the sector to support facilitation of the meeting to increase the sector relevance and utility of the meeting.
- Arranging for the sector to meet prior to the whole SG meeting to allow discussions without government present.
- Conducting meetings by Zoom to permit wider regional involvement on the SG.
- Providing short notes of each meeting to be taken by DIA and sent to SG members so they could disseminate the information to their memberships.

- Provide a space on Charities Services' website to explain what the SG is, and publish the meeting notes.

The Chair will consider these points before the next meeting and propose changes - and will touch base with interested members in the intervening period.