



## Sector Group Report

On 24 July 2024, the Charities Sector Group met online via Microsoft Teams. Sector leaders and specialist professionals (listed below) met with staff from Charities Services and Policy Group in the Department of Internal Affairs (DIA) and other agencies to discuss points of common interest.

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

### Sector Group only discussions

The Sector Co-Chair outlined what the members of the sector discussed during their sector only time.

Sector Group members are interested in further engagement with Charities Services between the formal meetings, to have input on burning issues, giving them further scope to discuss progress and insights when the formal meetings arise. Their positive engagement with the External Reporting Board (XRB) was highlighted. Engagement over a day involved focus times for participants to talk about the trends, concerns and the positives they are seeing in their respective areas, enabling them to explore issues on a deeper level.

The Sector Group acknowledged the pressure the public service is under and highlighted the value of the General Manager of Charities Services providing an update on government changes. Data on shifts in response time to applications and queries from charities is of interest to the Sector Group going forward.

The Sector Group also expressed a preference for the effective use of data in the Charities Services Annual Review. The Sector Group would like the Review to highlight the value and contribution of charities to their communities and New Zealand, not just through a charitable purpose lens but also their overall impact on the economy.

The need for more diverse membership of the Sector Group was raised, with members particularly wanting to include tangata whenua. Further conversations need to be had to ensure the group is a true representation of the sector.

The Sector Group queried whether there has been an increase in the number of organisations wishing to deregister due to the organisation no longer being financially viable, and whether Charities Services can provide any support prior to this happening.

Concern was raised with Charities Services' slow response to a charity's engagement in political activity. The charity's well documented breach of charities law has been highlighted in the media. The Sector Group noted the effects such publicity may have on the wider sector and public perception of what charities can and cannot do.

Additional concerns were raised how much and what kind of support Charities Services provides when internal disputes within charities occur.

### **Follow up from previous meeting**

The updated Sector Group Charter was agreed by the group. It will be reviewed again in 2027. The co-chair role description has been updated to align with the Charter.

Interest is sought from members in the position as Sector Co-Chair in advance of the next meeting in October. The current Sector Group co-chair will continue for the interim, while the transition process is complete.

### **Charities Services update**

Charlotte Stanley (General Manager Charities Services) introduced herself to the Sector Group. She looked back on the past year and highlighted some significant achievements. Implementation of changes to the Charities Act is nearly complete; this has been a huge focus of the year's work. The process to appoint additional members to the Charities Registration Board (CRB) is progressing well. Announcements are expected in the near future. The rebuilding of leadership and capability across Charities Services was emphasized, noting the welcome of a new Manager Regulatory, Manager Engagement and Business Improvement and Principal Advisor over the last 12 months. There have been some high-profile investigations over the last 12 months and the hope is that these will conclude shortly.

Charities Services has also welcomed the incoming Minister Community and Voluntary Sector. Minister Upston is very clear with her direction and has set some priorities for her portfolio.

Looking ahead, Charities Services intends to build strong regulatory partnerships, create an effective stakeholder and engagement strategy, and create a data and intelligence strategy to inform decision making and target compliance support.

The group discussed data showing trends within the sector itself. Over the last five years the number of charities deregistering has stabilised, and the overall number of charities has increased year on year, with the current number of registered charities sitting at just over 29,000. The main sectors of charitable activity have changed little over five years with

*Education, Training and Research, Religious Activities and Arts, Culture and Heritage* making up the top three.

### **Uptake of new Annual Return filing for Tier 4 charities**

The group discussed the uptake of new annual reporting options for Tier 4 charities. Since 22 April 2024 Tier 4 charities have had the option to use simpler reporting form when submitting their annual return. The new annual return forms allow tier 4 charities to submit one combined report, covering their annual return and performance report.

Since the introduction of the new forms until 15 July 2024, **3036** Tier 4 charities completed their Annual Returns. Of those:

- **2188** (72%) used the existing form.
- **848** (28%) Tier 4 charities used the new form.

Of the **848** charities that have used the new version of the forms:

- **476** (56%) have continued to file a separate Performance Report.
- **372** (44%) have combined their Annual Return and Performance Report

The new forms will become mandatory for charities reporting on financial periods beginning on or after 1 April 2024 with a due date on or after 31 March 2025.

### **Inland Revenue updates and discussion**

The Principal Policy Advisor from Inland Revenue (IR) gave an update on tax matters including information about donations, most recent technical interpretations, deregistration and a policy update.

The Principal Policy Advisor presented the most recent donation statistics (these are publicly available). Statistics of note included:

- \$1 billion of donations go through the tax system which comes out to \$365 million in tax credits.
- 341,000 people have claimed these tax credits, with the average claim amount is \$2,700.
- 13,000 employees are using payroll giving and 1,700 employers offering payroll giving.
- 63% of donations are going to religious organisations, 8% to schools and 29% to other organisations.
- \$93 million of donations which comes to \$31 million in tax credits were disallowed in the year ending 30 June 2024. These were disallowed due to being ineligible or fraudulent. The ineligible claims were due to people claiming non-monetary gifts, the filing of duplicate claims and donations to non-done organisations.

IR issued a reminder to charities removing themselves from the register but continuing to operate. These charities may need to pay a deregistration tax on their assets if they are not transferred within 12 months. They will lose donee status and income tax exemption and will

start paying income tax from the day after deregistration if not reregistered within 12 months.

### **New objections process**

Charities Services provided an update on the new objections process. The process is one of the final pieces of work resulting from the changes to the Charities Act. This process gives charities or individuals associated with charities the opportunity to object to an intended decision that affects them. Objections can be made in writing or in person. In-person objections meetings will be held online but may be arranged face to face by agreement.

### **Charities Act discussion with our policy team**

A Senior Policy Analyst from DIA Policy Group presented work on an upcoming Regulatory Systems Amendment Bill (RSAB). The RSAB gives the opportunity to remedy minor policy issues/clean ups within the Charities Act 2011.

The Policy team have identified two issues they intend to remedy in the Charities Act: a drafting omission for the Taxation and Charities Review Authority's (TCRA) missing piece of legislation and an issue with the search of Charities Register.

The proposal is to:

- insert a provision into the Charities Act requiring the Ministry of Justice to publish the information about the TCRA procedures, time frames, and progress of decisions online.
- Update legislation to align with changes made in 2011 regarding Charities Register search criteria.

Members of the Sector Group noted that the Charities Register is the best government register and expressed their satisfaction that functionality won't be changed.

Concern was raised about the misuse of charities' contact details by marketing companies. The publication of email addresses on the Charities Register does not constitute deemed consent for the purposes of the [Unsolicited Electronic Messages Act 2007](#) (which prohibits spam, or unsolicited commercial electronic messages). [Charities Services website](#) contains clear guidance on this point. For information about reporting misuse of email addresses see the [Department of Internal Affairs' anti-spam webpages](#).

### **Other business**

The group raised three points:

- A member requested an assurance that all charities have a physical address available on the charities register.
- A member queried upcoming changes to gambling legislation.
- A member raised the issue of the cost of reviews and audit required for smaller charities.

## **Attendees:**

**Sector Group Members:** Chris Glaudel (Community Housing Aotearoa), Sarah Doherty (NZ Navigator Charitable Trust), Sue Barker (Charity Law Association of Australia and New Zealand), Renata Krzyszycha (Fundraising Institute of New Zealand), Peter Van Hout (Interchurch Bureau), Steven Moe (Parry Field Lawyers), Rahul Watson Govindan, Emma Wethey (Philanthropy New Zealand), Michelle Kitney (Volunteering New Zealand), Katie Bruce, (Hui E! Community Aotearoa), Zowie Pateman (Chartered Accountants Australia & New Zealand), Memo Musa (Platform Charitable Trust), Jim Datson (Fundraising Institute of New Zealand), Kristina Marckean, (Plunket)

**Department of Internal Affairs - Charities Services:** Charlotte Stanley (General Manager), Helen Steven (Manager Engagement and Business Improvement), Penelope Cox (Manager Regulatory), Maia Lewis (Advisor Engagement and Business Improvement) Francesca Ephraim (Regional Advisor Capability).

**Department of Internal Affairs - Policy Group:** Louise Cooney (Policy Manager) Dawn Marshall Smith (Senior Policy Analyst)

**Inland Revenue:** Stewart Donaldson (Principal Advisor Policy)

**Apologies:** Andrew Newbery (Principal Advisor Charities Services), Angelique Van Der Zee (Senior Advisor Strategy and Engagement, MBIE); Craig Fisher (Kea New Zealand Limited) Juliet Chevalier-Watts (University of Waikato), Rachel Qi, Multicultural Council of Wellington