

# NOT-FOR-PROFITS & CHARITIES LANDSCAPE

Sharing insights

Published July 2020



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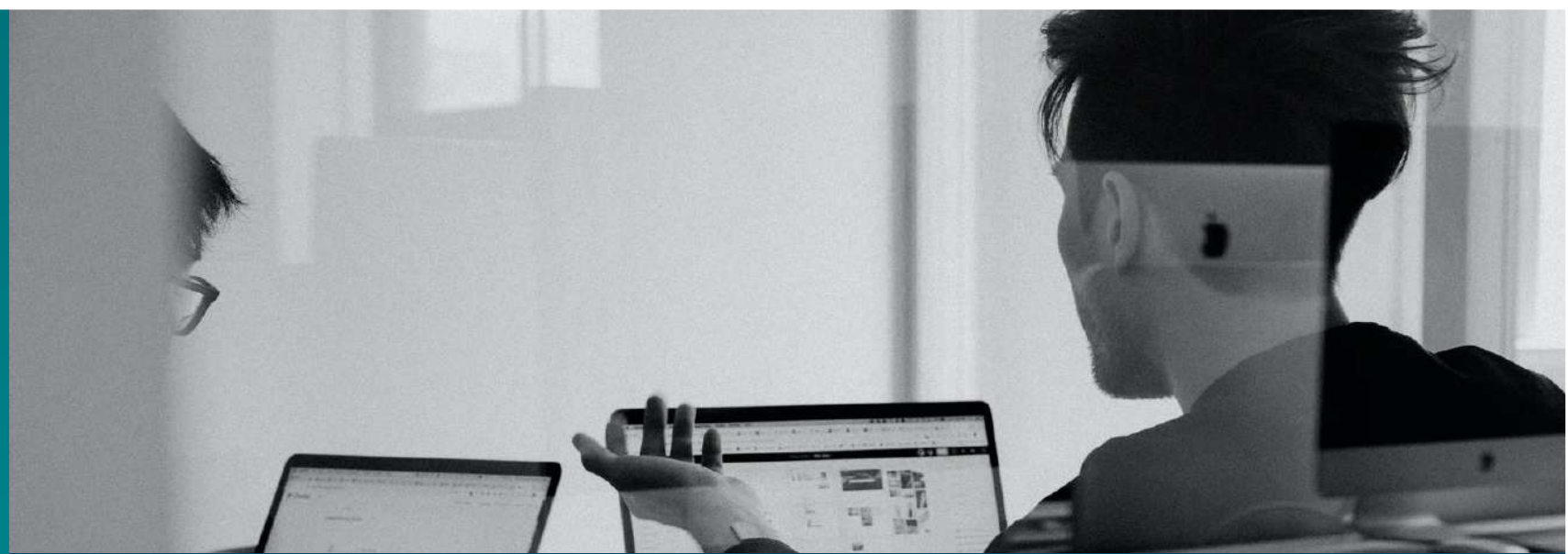


# BACKGROUND





# THE LANDSCAPE EXPLORES THE WORLD OF NOT-FOR-PROFITS AND CHARITIES, AND HOW WE CAN IMPROVE THEIR OUTCOMES



The landscape seeks to understand the world of Not-for-profits and Charities.



From these stories we have identified insights and tensions.



Customers in this community shared their stories and experiences with us.



We are using these insights and tensions to identify opportunities that can be explored further.



Please note this work is from 2019 and does not explore COVID-19 and the impacts it has had on the sector.

# WE GATHERED INSIGHTS FROM A VARIETY OF SOURCES

## How we engaged with customers



**35**

Interviews

Auckland  
Gisborne  
Palmerston North  
Foxton  
Wellington  
Dunedin



**1,796**

Responses

Survey with 1796  
responses (Micro and  
Small to Medium  
organisations)



Attended Charities  
Act reform consultations

## Existing knowledge we drew on



Worked with stakeholders  
throughout the project



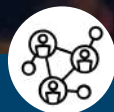
Literature review using Inland  
Revenue research as well as  
wider publications



Collated insights from other landscapes:

- Significant enterprise
- Māori customers phase 1

# WHEN INTERPRETING INSIGHTS, BE MINDFUL THAT NOT-FOR-PROFITS AND CHARITIES ARE A DIVERSE GROUP



Not-for-profits and Charities are a large and diverse community with varying contexts and needs.



Although we reflected this diversity in our research and achieved good coverage, we need to be cautious when making generalisations to the entire population.



Despite this, we identified a number of important themes. These indicated both challenges for Inland Revenue and areas we can explore to resolve these challenges.

# CONTEXT





# NOT-FOR- PROFITS' AND CHARITIES' GOALS FOR WELLBEING ARE INTRINSICALLY LINKED WITH OURS

Inland Revenue's mission is to contribute to the economic and social wellbeing of New Zealand by collecting and disbursing revenue.

Furthermore, as a Treaty partner, Inland Revenue is committed to reflecting a Māori world view, ensuring Māori cultural values are embedded in what we do.

Not-for-profits and Charities play an important role too, in positively impacting the lives of New Zealanders and working with Māori to attain their goals. Here are some ways they do this:



## Furthering diverse causes, contributing to a pluralist society

Including recreation, culture, religion, environment, finance, social services.



## Providing refuge and support beyond the reach of government

In areas of need such as poverty, domestic violence, housing, mental health.



## Working with Māori to attain their goals

Economic, cultural, social, environmental wellbeing.



Inland Revenue and Not-for-profits and Charities' goals are intrinsically linked.



# NOT-FOR-PROFITS AND CHARITIES HAVE A WIDE REACH TO POSITIVELY IMPACT THE LIVES OF NEW ZEALANDERS

The unique benefit of Not-for-profits and Charities is their prevalence in society, which gives them scope to foster their goals. They have local and international reach to connect with communities and cultures, support worthy causes, and address unmet needs.

Not-for-profits and Charities are also a place where New Zealanders come together to connect with people in their communities and support worthy causes. They contribute to the identity of communities and reflect their values.

Most people have had experience with them in some way:



## 1 in 2 people volunteer

Volunteer their time and skills to an organisation or a person in another household <sup>(1)</sup>.



## 60% of people donate

Donate money or goods for causes local and abroad <sup>(1)</sup>. There is also a growing expectation of corporate social conscience in workplaces and consumer products.



## Active participation

Communities can engage in a range of facilitated events for example: cultural activities, religion, hobbies, sports, and services for support, advice, care or housing.

(1) 'Volunteering and donations by New Zealanders in 2016', Statistics NZ (2017)

# NOT-FOR-PROFITS AND CHARITIES MAKE A SIGNIFICANT CONTRIBUTION TO THE ECONOMIC PROSPERITY OF NEW ZEALAND

Not-for-profits and Charities contribute significantly to New Zealand's economy and the accumulation of physical and financial capital. They engage a large part of New Zealand's workforce in paid and volunteer labour, and generate substantial funds.

Not-for-profits and Charities also interact with other parts of the economy, such as delivering government funded services and trading goods and services with businesses.

Not-for-profits and Charities contribute in these ways:

## \$9.4b

**To New Zealand's GDP**

Represents 4.4% of New Zealand's total GDP and includes contribution from volunteer labour of \$3.5b <sup>(2)</sup>.



**10.6% of New Zealand's workforce**

Includes paid and unpaid labour <sup>(3)</sup>. Made up of 1.2m volunteers <sup>(2)</sup>, volunteering 13m hours to organisations per annum <sup>(4)</sup>.

## \$18b

**Gross income earned by Charities**

Includes \$9.24b service and trading turnover <sup>(5)</sup>.

(2) 'Non-profit institutions satellite account: 2013', Statistics NZ, (2016)

(3) 'The New Zealand Cause Report', JBWere, (2017)

(4) 'Volunteering and donations by New Zealanders in 2016', Statistics NZ (2017)

(5) Retrieved from Charities Register DIA, 2015-16 year

# INLAND REVENUE HAS A ROLE HELPING FOSTER A SUSTAINABLE AND GROWING NOT-FOR-PROFITS AND CHARITIES SECTOR

Inland Revenue provides tax relief to recognise the contribution of Not-for-profits and Charities to society. This consists of exemption from income tax for Charities, tax concessions for Not-for-profits, and tax incentives for charitable giving.



## \$1.2b

**Net surpluses generated from Charities <sup>(6)</sup>**

Charities can receive tax exemptions if they register with Charities Services.



## \$300m

**Donation and gift tax concessions 2018 <sup>(7)</sup>**

\$2m Payroll giving tax credits, \$38m tax value of company gift deductions, \$4m tax value of Māori Authority gift deductions.



## 115,000

**Not-for-profit and Charities <sup>(8)</sup>**

27,239 Charities <sup>(9)</sup>, Up to 20,000 Not-for-profits with income below \$1000 <sup>(8)</sup>, 25,000 Donee organisations <sup>(8)</sup>.

When Not-for-profits and Charities are thriving, it positively impacts on communities, the economy, and the wellbeing of New Zealand.

(6) Retrieved from Charities Register DIA, 2015-16 year

(7) 'Data Snapshot: Trends in the cost of donation and gift tax concessions' PAS and Forecasting & Analysis, IRD (2019)

(8) 'Tax Working Group Information Release' Release document (2018)

(9) Retrieved from <https://www.Charities.govt.nz/> (2019)



*“There must be hundreds if not thousands of charitable organisations who find very real difficulty in understanding and meeting some of these obligations.*

*And yet - these organisations fill in so many gaps in so much social, cultural, health, educational areas.”\**

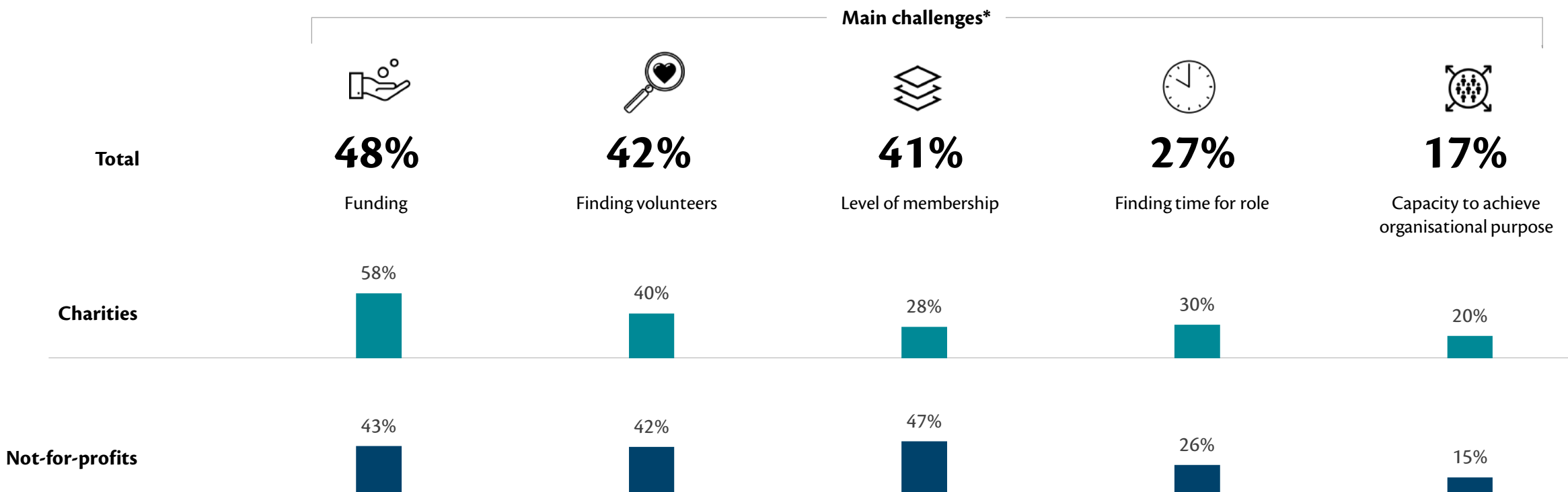


# INSIGHTS



# FUNDING, VOLUNTEERS, TIME AND CAPACITY ARE THE MAIN CHALLENGES

Funding, volunteers, membership, time and capacity are the main challenges our customers told us their organisations face. Challenges were relatively similar between Not-for-profits and Charities. However, the level of membership was much more acute for Not-for-profits. This reflects that subscriptions are a main source of funding for Not-for-profits, and for many, are a main foundation for existing.



\*Source Not-for-profits and Charities Landscape Survey 2019, Q We're interested in some of the challenges your organisation faces. Which of following challenges are you facing right now? Unweighted base Not-for-profits (n= 522) Charities (n= 1274)



## INSIGHT 01

Raising funds is our customers' biggest challenge, they need income generation to be optimal



*"But we've gone through the minutes and it's been always like that; always short, always struggling for money." \**





## INSIGHT 01

Funding is essential to the survival and growth of Not-for-profits and Charities. Without funds they cannot provide or extend services, facilitate participation or promote their cause.

Sourcing funds however, is their biggest challenge. For many we talked to, funding is scattered and unpredictable, requiring a lot of time and effort to source. Changing donor preferences, donation fatigue, saturated fundraising markets and more commitments in people's lives can add more pressure.

Not-for-profits and Charities are looking at ways to optimise funding sources and diversify income. The fundraising environment and the way people support causes is changing. The nature of incentivising giving needs to adapt accordingly.

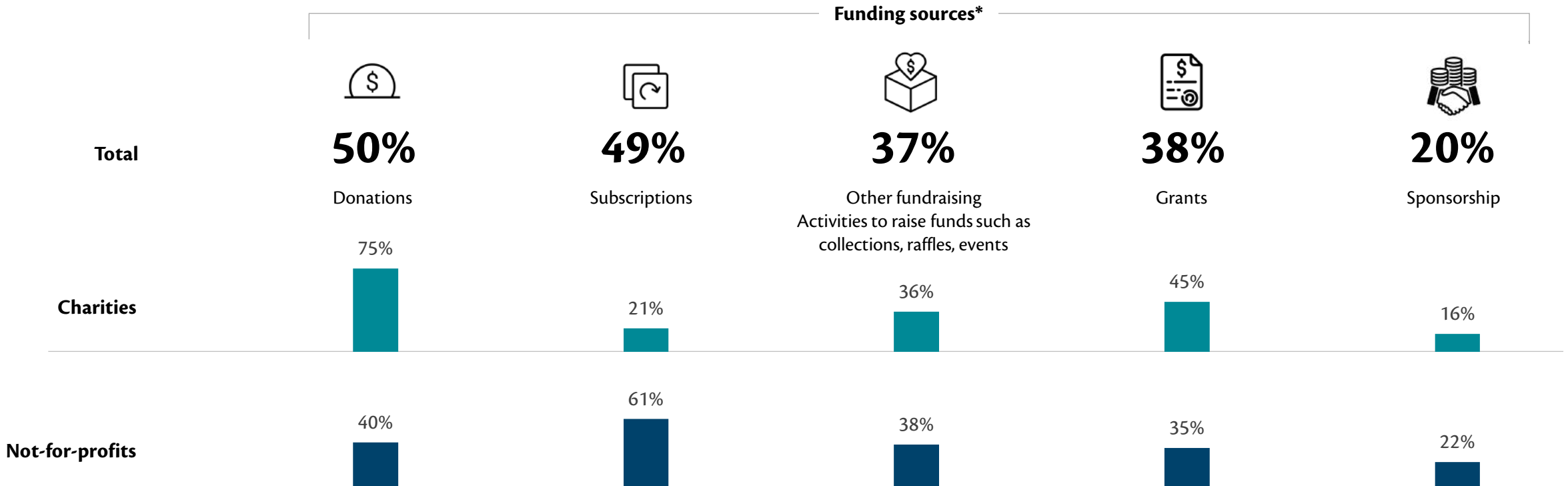
### Tensions can occur:

Tax incentives to encourage more people to give can be hindered by donors' and recipients' understanding of the incentives on offer and the ease by which they can be claimed.



# SOURCES OF FUNDRAISING ARE DIVERSE AND VARY BETWEEN GROUPS

Not-for-profits and Charities rely on a variety of funding to make ends meet. While sources of funding were similar, Not-for-profits rely more heavily on subscriptions than donations compared to Charities. This is reflected in their observation that maintaining or increasing membership levels is one of their key challenges.



\*Source Not-for-profits and Charities Landscape Survey 2019, Q What types of funding does the organization receive?  
Unweighted base Not-for-profits (n= 522) Charities (n= 1274)



## INSIGHT 02

Furthering their cause is at the centre of our customers' world, they need capacity to achieve their purpose



*"Keeping things simple so that compliance doesn't eat into the time available to support your organisation."\**





## INSIGHT 02

Not-for-profits and Charities feel a great deal of responsibility that their funds and resources are used as effectively as possible to further their cause. As funding can be lean, they often run on limited resources so need to spend money wisely.

However, many Not-for-profits and Charities are spending more time and money than they would like on administration and complying with tax and other government obligations. Some struggle to meet obligations by themselves, so incur costs for support such as accounting services or software. This at a time when greater competition for funding and donor expectations means that more than ever, they need to demonstrate where money went and what was achieved with it.

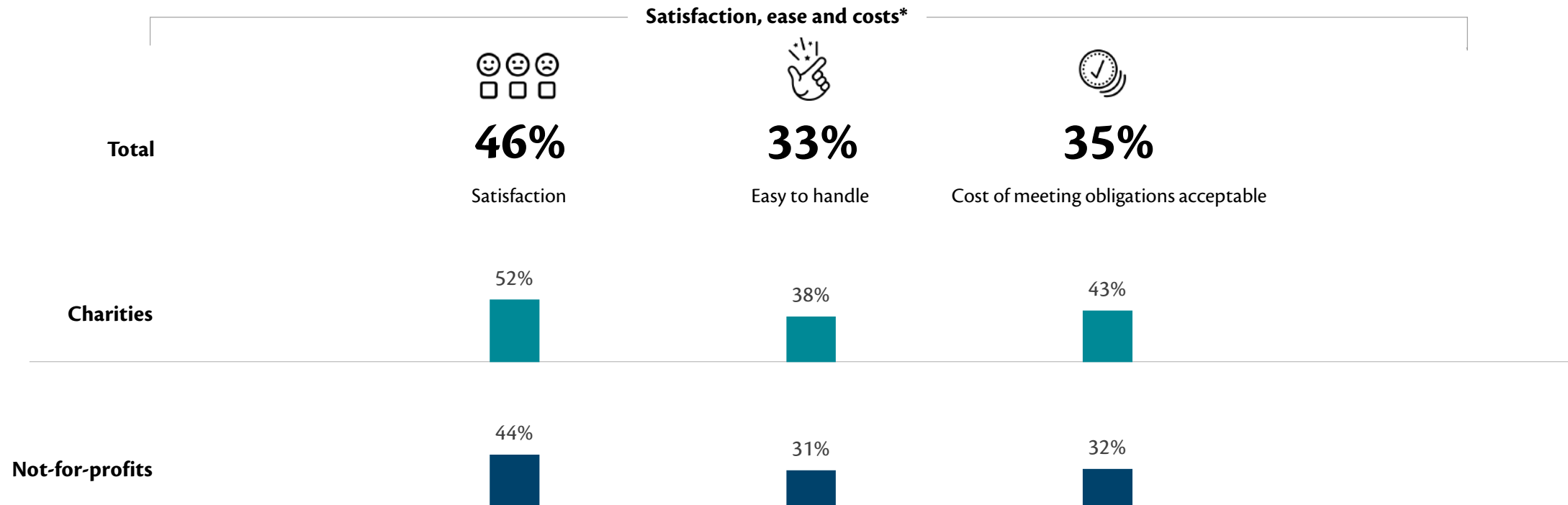
Some Not-for-profits and Charities need more guidance to help them meet obligations. They need rules to be simple, and streamlined processes to reduce time and money spent on administration and compliance.

### Tensions can occur:

The burden of complying with tax and other government obligations takes resources and money away from furthering their cause.

# THE CUSTOMER EXPERIENCE CAN CREATE BURDEN THAT TAKES AWAY FROM THEIR CAUSE

Many Not-for-profits and Charities find handling their tax issues challenging, and the compliance cost burden too high. This requires effort and resources that takes away from furthering their cause. Not-for-profits in particular find things harder, reflecting difficulty they have finding people with the right skills and time to volunteer.



\*Source Not-for-profits and Charities Landscape Survey 2019, Q How satisfied are you with your overall interactions with Inland Revenue? Q And overall, how easy was it for you to handle your issues? Q How much do you agree or disagree with the statement that the cost of meeting your organisation's tax obligations is acceptable?  
Unweighted base Not-for-profits(n= 522) Charities(n= 1274)



# POSITIVE MOMENTS IN THE CUSTOMER EXPERIENCE



## Many who contact Inland Revenue find us helpful



"Some people take the time to explain and simplify things so I understand. Some are friendly and patient and don't rush the phone conversation."\*



## People services and our culture improving



"I am in my late 70's and the IRD used to be a tyrant but in recent years there has been a change and I experience the IRD staff as courteous, understanding, and gentle in enforcing the laws."\*



## Online services are improving



"There's lots I can do as an amateur treasurer that I wouldn't have been able to before IRD made so much automated."\*



## People appreciate we are reaching out to make improvements



"Thank you for conducting this survey. I personally feel that my and others answers and feedback are important and essential in how small, medium and large organisations communicate with IRD and improvements that would like to see in the future growth of IRD management of organisations."\*

# PAIN POINTS IN THE CUSTOMER EXPERIENCE



## Does GST apply?



"[GST] is pretty scary for people who are VOLUNTEERING their time and energy. Quite frankly it's exhausting."\*



## PAYE calculations



"Even [Inland Revenue's] staff member had to do some thinking about how to calculate [tax on holiday pay]."\*



## Clarifying tax status



"It took one year and many interactions to apply for tax exempt status."\*



## Difficulties for new nominated persons



"The Secretary resigned...and no information or signing authorities could be located."\*



## Increased workload from payday filing



"Remembering to file a return for this every week has increased my workload and stress. I am concerned about being penalised if I forget."\*



## INSIGHT 03

Many of our customers rely on volunteers, they need their journey to be a positive one



*"We are volunteers, and have some general knowledge and skills but some of your staff members tend to treat us like criminals. We have no proper knowledge of your system. Treat people respectfully at all times." \**





## INSIGHT 03

For many of our Not-for-profits and Charities, volunteers are essential. They play roles from committee members or treasurer, to working one off events. They provide resources in a way that doesn't involve organisations spending more money.

Recruiting and retaining volunteers with the right skills can be a challenge. And it can take time and capacity to train and support them. Volunteers give their time for many reasons, including supporting a cause or giving back to the community. But while working in a Not-for-profit or Charity can be rewarding, it is also at times exhausting. This is exacerbated for those already with limited time or who are juggling other life or work commitments.

Effectively managing volunteers is essential for Not-for-profits and Charities, they need the volunteer journey to be a positive one.

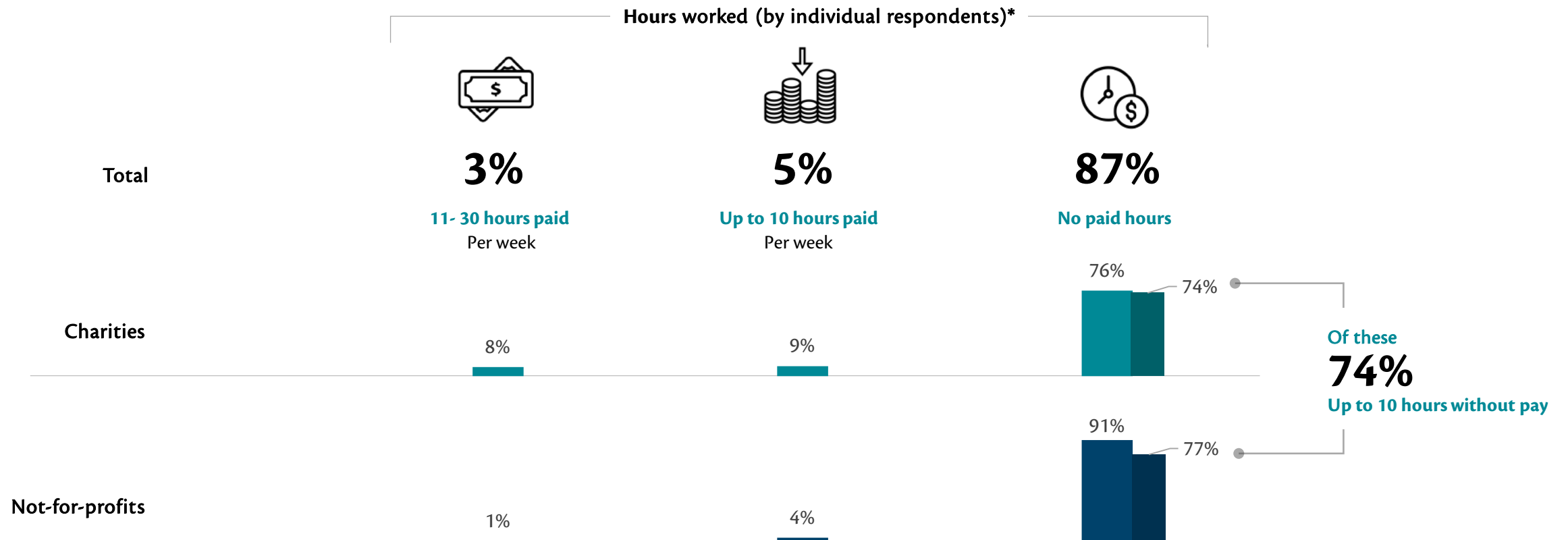
### Tensions can occur:

Volunteers responsible for ensuring an organisation meets its tax obligations may find the experience a negative one.



# VOLUNTEERS ARE PREVALENT, PARTICULARLY FOR NOT-FOR-PROFITS

Many people involved in the Not-for-Profits and Charities sector are not paid for the work they do – 87% said they work without pay and 74% of these volunteer up to 10 hours per week. Unpaid hours are more prevalent for Not-for-profits.



\*Source Not-for-profits and Charities Landscape Survey 2019, Q On average, how many paid and unpaid hours do you work in your role? Unweighted base Not-for-profits(n= 522) Charities(n= 1274)

# PEOPLE INVOLVED IN NOT-FOR-PROFITS AND CHARITIES ARE OLDER, RAISING CONCERNS ABOUT FINDING VOLUNTEERS IN THE FUTURE

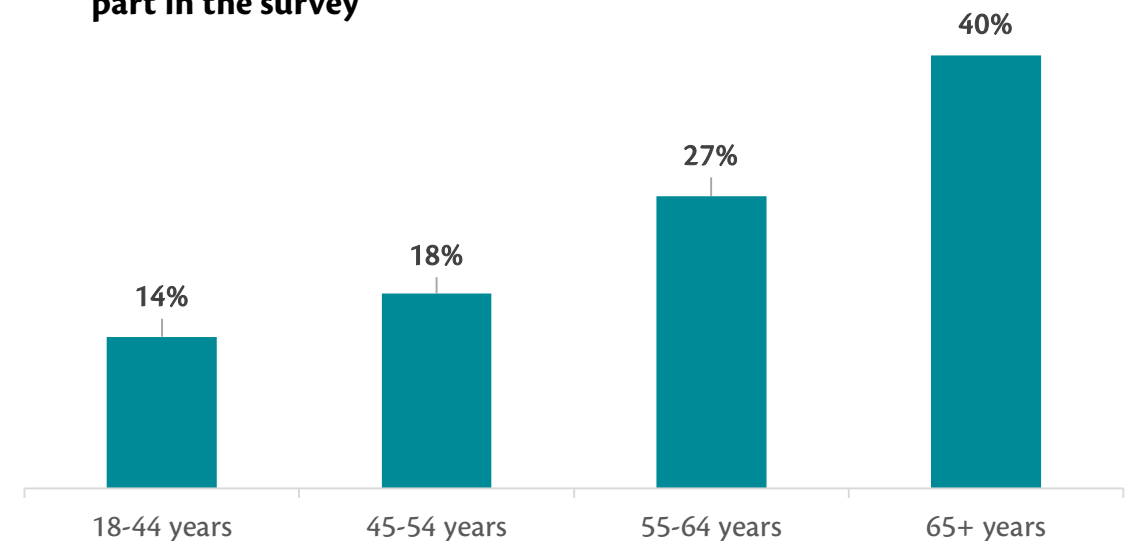


## Ageing population

The majority of volunteers are older, and it is becoming challenging to get younger volunteers interested in the sector. Our survey found that 86% of respondents in roles with Not-for-Profits and Charities were aged 45 or older.



## Age of customers who took part in the survey





## INSIGHT 04

Capable people are critical to our customers, they need guidance and support at key moments



*“That’s probably a problem with charities, their knowledge on some of these things isn’t going to be consistent from one to the other or consistent over time.” \**





## INSIGHT 04

Capable and experienced people in key roles are vital for Not-for-profits and Charities operating on limited resources. When there are changes in these roles, the transfer of knowledge and onboarding of people is critical.

When people leave it can be a turbulent time for an organisation. Changes in committees and boards can mean a shift in direction. Attracting people with the right skills to take up key roles can be a challenge. There can be a lag in finding people to fulfil roles, and systems or processes can be limited so history and knowledge may be lost.

At times of transition or change, they need Inland Revenue to make things easy and help onboard people into their new roles.

### Tensions can occur:

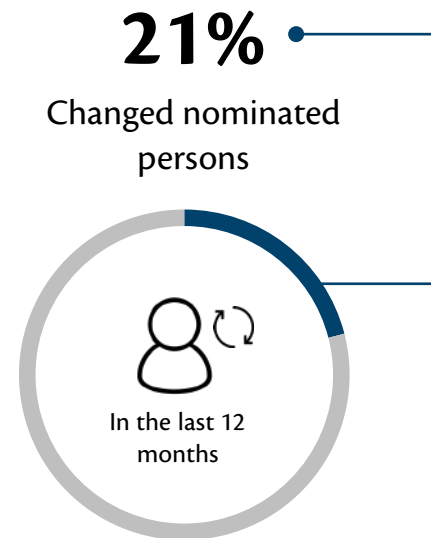
Guidance and support from Inland Revenue can fall short of expectations at times of change. Updating roles with Inland Revenue and obtaining access to systems can be difficult.



# CHANGES IN PERSONNEL ARE RELATIVELY FREQUENT AND CAN CAUSE DIFFICULTY

Many have experienced a change in committee members and/or change of nominated person in the last 12 months. Nominated person and Executive Office Holder processes can be quite cumbersome for Not-for-profits and Charities, yet it is an event that many have experienced in the last year.

Changes experienced\*



*"We are an incorporated society which goes through regular changes in its volunteer committee including the Treasurer role. The process to change who is the current point of contact with the IRD needs to be simple." \*\**

\*Source NFP and Charities Landscape Survey 2019, Q Has the organisation experienced any of the following in the last 12 months? Unweighted base NFP(n= 522) Charities(n= 1,274)

\*\*Source Not-for-profits and Charities Landscape research 2019.

# TIME IN ROLE AND EXPERIENCE WITH TAX MAKE A DIFFERENCE

People's experience in tax influences how they perceive the effort and burden of meeting the organisation's obligations. When experience is lower, they find tax harder to handle and the cost of meeting obligations less acceptable. Overall just 22% have a lot of experience in tax, while a little over 1/3 have little or no experience in tax.\*





## INSIGHT 05

Relationships, communities and events are how our customers get things done, they need government to reflect this



*"We're really lucky that the committee we've got, we're all good friends, so the social aspect of it is really important to me and everyone else on the committee. They're a really nice bunch of people to work with, so that's a big part. Because we are busy parents, it catches those two needs. We're giving back to our community, but it's a social time for us too so we have a lot of fun." \**





## INSIGHT 04

Not-for-profits and Charities often get things done through relationships, connections and events in their communities. They value relationships and connections in their interactions.

Connections with communities are centred around a cause. This involves fostering relationships with volunteers and providers of pro bono services. They connect with communities to come together to support their causes, and create purposeful relationships with similar organisations to collaborate as sources of funds and volunteers overlap. Activities are often centred around events with communities that raise funds or further their cause.

However, connections with government are often based on regulation. Further, for many there is little interaction with Inland Revenue, meaning there is not a close relationship or familiarity with tax. They need services and obligations designed around their activities.

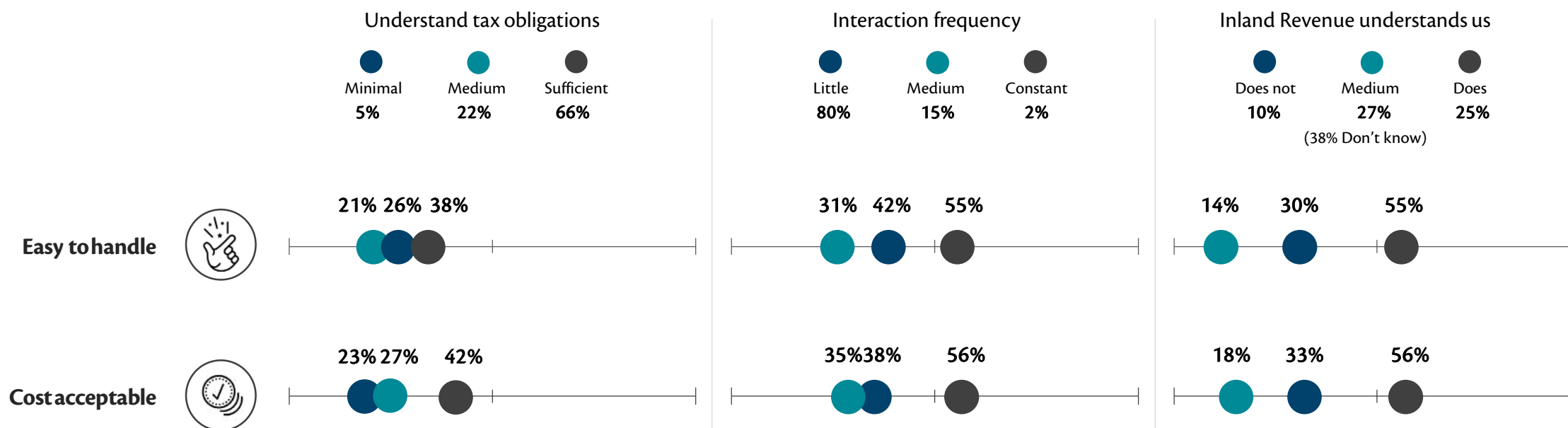
### Tensions can occur:

Inland Revenue and other government rules and services do not always reflect how Not-for-profits and Charities prefer to do things or their patterns of activity.



# CLOSENESS OF RELATIONSHIP WITH INLAND REVENUE MATTERS WHEN IT COMES TO THEIR EXPERIENCE

When those in Not-for-profits and Charities are more familiar with Inland Revenue services, feel understood, and understand tax, they find it easier.\*

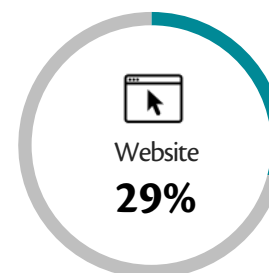
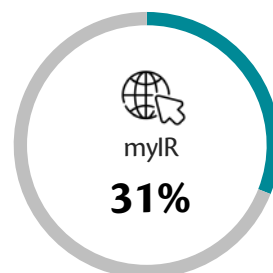
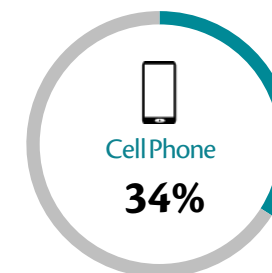
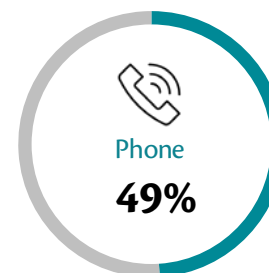
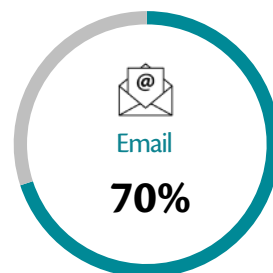


# NOT FOF PROFITS AND CHARITIES PREFER PERSONALISED CHANNELS TO INTERACT WITH US, BUT THE EXPERIENCE FALLS SHORT

Not-for-profits and Charities prefer to communicate with us through email. However, they are often put off as email options are limited. If they do use secure mail the long wait times do not provide the certainty they need.

\*Source Not-for-profits and Charities Landscape Survey 2019, Q And still thinking about your ideal service from Inland Revenue, which how would you prefer to contact Inland Revenue, even if it's not currently an option for you? Please select all that apply. Unweighted base (n=1796)

## Preferred channel\*





## TENSION 01

Tax incentives for giving are not achieving optimal results at a time when raising funds is a significant challenge



*“We have also found it very difficult to get clarity around how tax benefits work in relation to donations, and what are the constraints around incentivising donations.” \**





## TENSION 02

The burden of complying can reduce capacity to achieve purpose, and can create a negative experience for people



*"Keeping things simple so that compliance doesn't eat into the time available to support your organisation." \**







## TENSION 03

Onboarding people for key roles creates turbulence, and our support and guidance fall short



*"As a community group changing treasurer access is a burden, it is not always possible to have the outgoing treasurer pass information to the next treasurer especially if it takes time to find that treasurer. It took me two months to get access to our tax accounts...I had to complete a form to say who I were, then more forms to authenticate my position each process took up to 3 weeks each and another three weeks for authentication, then I had to complete returns that were outstanding because I wasn't authenticated to send them...So frustrating. It has to be easier." \**





## TENSION 04

Our systems and interactions are not centred around customers or how they do things



*"The charitable sector consistently appears to be dealt with as an afterthought. It would be worth taking the time to have a comprehensive look at the laws that apply to the not-for-profit sector generally." \**



# BRINGING IT ALL TOGETHER



## INSIGHTS

01

Raising funds is our customers' biggest challenge, they need income generation to be optimal

02

Furthering their cause is at the centre of our customers' world, they need capacity to achieve their purpose

03

Many of our customers rely on volunteers, they need their journey to be a positive one

04

Capable people are critical to our customers, they need guidance and support at key moments

05

Relationships, communities and events are how our customers get things done, they need government to reflect this



## TENSIONS

01

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