

# Payments and gifts in the Māori community

## Tax treatment of payments or gifts for income tax, GST and employing staff



Organisations can receive many types of income, such as:

Subscriptions	Grants	Subsidies	Donations or Koha
Fees	Raffle money	Lease money	Trading profits from selling assets

It's important to know when income tax and GST need to be paid and when you should deduct PAYE if you employ staff, as not all types of income need to be taxed.

### When income tax is paid

Your organisation will need to pay tax on income received for its business activities, for example:

Rent received	Advertising or sponsorship	Interest or dividends	Hall or equipment hire
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If someone gives your organisation goods or provides you with a service instead of using cash for payment, income tax is paid on the value of the goods or service.

Your organisation may have to pay income tax depending on where the income is from. Fundraising is an example of this. You will have to pay income tax on most fundraising activities unless they're carried out entirely with your members and no outside persons are involved at any stage.

Unless your organisation has an income tax exemption, you're required to file yearly income tax returns.

### Income tax and GST on koha

Generally, there is no GST or income tax payable on koha made voluntarily when the giver does not receive a benefit, or material advantage in return.

The tax treatment of koha is worked out on a case-by-case basis. This means even if koha is given voluntarily and without expectation, depending on the circumstances, you may still need to include it for GST or income tax or both. For more on koha go to [ird.govt.nz/koha](http://ird.govt.nz/koha)

### When should GST be paid

If your organisation is involved in a taxable activity, you must register for GST if your turnover (including grants and subsidies) is over \$60,000 in any 12-month period.

If you are carrying out a taxable activity and a 1-off grant for capital expenditure is the only reason your turnover is more than \$60,000 in the 12-month period, you may not need to register for GST.

For more information about GST go to [ird.govt.nz/gst](http://ird.govt.nz/gst)

- or read our factsheet **GST - do you need to register?** IR365 and **GST guide** IR375 – go to [ird.govt.nz/forms-guides](http://ird.govt.nz/forms-guides)

### Grants and subsidies

Any grant or subsidy received from the government, or a public authority must be included in your GST return. See our **Tax on grants and subsidies guide** IR249.

### Payments in kind

Sometimes your organisation might receive goods or services instead of money for payment. You need to work out their market value. If you're registered for GST, you also need to calculate the GST on that value and include it as a debit adjustment in your GST return.

### Example

A Te Reo centre charges a fee for children to attend. The centre agrees to accept building materials from a parent who is a builder instead of payment of fees.

GST and income tax must be paid on the market value of the building materials provided. If the value of the building materials is more than the amount of the fee payable, the extra would be an unconditional gift with no income tax or GST payable.

### GST is not paid on unconditional gifts

An unconditional gift is a donation or payment voluntarily made to any non-profit body or charitable organisation to use towards their purpose as they see fit, where there is no benefit to the giver of the unconditional gift, or to anyone associated with the giver.

Money given by the Crown of a government organisation is not an unconditional gift.

If you're a non-profit body or charitable organisation you do not pay GST on unconditional gifts you receive, or the sale of these gifts.

## Income tax and GST checklist

Example	GST Applies	Income tax applies
Money given to bereaved family and/or marae at a tangihanga	x	x
Money given to bereaved family and/or marae at a hura kohatu	x	x
Koha to a marae for a building, meeting house or church costs	x	x
Donation to the marae by visitors attending a hui	x	x
Koha to a marae by a government department holding a hui. No fee charged receipt is issued	✓	✓
A fee paid by tourists to stay on or be shown around the marae	✓	✓
Marae is hired out for a wedding	✓	✓
A fee to hold a conference on the marae	✓	✓
Fundraising activity carried out by the marae	✓	Maybe

## What sort of workers do you have?

It's important you know if the people who you employ are your employees or if they're self-employed, because this will determine whether you need to register as an employer and make deductions.

Our **First-time employer's guide IR333** will help you decide when you should register as an employer. You may also find our pamphlet **Self-employed or an employee? IR336** helpful.

### Payments in kind instead of wages

Payments for goods or services are not always made with money. Some organisations for example, childcare centres may accept labour, other goods, or other forms of payment in return for the amount owing.

PAYE must be calculated on the market value of the services being provided, or if someone works for you (even if it's voluntary work) and you give them a gift in return for their work.

### Example

Usually, fees must be paid for children to attend early childhood centres. Some centres may accept payments in kind. Marama offers to work at the centre instead of paying the fee. This means the centre becomes Marama's employer and must deduct PAYE and other deductions. The value of the fee is recorded in the wage records as net earnings. If the centre allows the children to attend even if the fee is not paid, for example: if the centre requests a voluntary donation from families instead of a fee, the parent working at the centre is providing voluntary labour and no PAYE is payable.

### Example

A kuia who receives NZ super helps at a community centre 2 days a week. She does not want to be paid, as she's concerned it might affect her tax. To show appreciation, the centre gives her grocery vouchers instead of money. Even though the vouchers are a gift, they are considered a form of payment because they have value and are given in return for her work. This means the community centre is acting as her employer and must treat the vouchers as income. The value of the vouchers must be recorded in wage records as net earnings, and PAYE must be deducted and paid to Inland Revenue.

### Reimbursing worker's expenses

Generally, when a payment is given to reimburse a person for actual expenses incurred on behalf of the business, this is not taxable, and PAYE (or tax) does not have to be deducted. However, if the reimbursement is more than the actual costs incurred, the excess is taxable.

### Example

An employee travels to attend a hui and you pay for their actual petrol. This is reimbursement of costs and does not need PAYE deducted.

### Example

A kaumatua, a retired fisherman, gives a talk to children at a kura about traditional Māori fishing customs and methods. The kura makes a payment to the kaumatua to cover actual travel costs. As the payment is a reimbursement of actual travel expenses, tax does not need to be deducted. The kura and the kaumatua should both keep proof of the costs and payment.

### Earnings after tax

For payments made in kind, the goods or services given are considered a net payment to the person, this means any tax has already been deducted. However, for normal salary and wages, PAYE is worked out on the gross pay. What the person gets in the hand is their net pay. So, to deduct PAYE from the value of vouchers and the like, you need to work out the equivalent gross pay. If you'd like more information or help with the calculation, go to [ird.govt.nz/payee-calculator](http://ird.govt.nz/payee-calculator) or see our **Employer's guide IR335**.

### Payments to contractors

Payments made under a contract for service for certain activities, such as caretaking or acting as a guard, transport of school children or labour only contracts in the building industry are considered schedular payments. You will need to deduct tax at a percentage rate. If you're making these kinds of payments, see our **Employer's guide IR335** and the **Tax rate notification form for contractors IR330C** listing the types of schedular payment activities and the rate to use.



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#### Kaitakawaenga Māori

Our Kaitakawaenga Māori officers are here to help. We understand there may be further questions and can give clear advice and direction on a case-by-case basis. To make contact use the link available on our website: [ird.govt.nz/kaitakawaenga-maori](http://ird.govt.nz/kaitakawaenga-maori)



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