



**Employers and Manufacturers Association
Submission to:**

**Taxation and the Not-for-Profit Sector:
Targeted Consultation on Detailed Design**

19 December 2025

Background

The Employers and Manufacturers Association (EMA) is New Zealand's largest business association with around 6,500 members employing at least 15% or more of the country's workforce.

We are a not-for-profit, with the primary goal of supporting our members to improve their businesses and their business practices through specialist advice, advocacy, employment relations and Health and Safety support, legal and consultancy services and a learning and development programme upskilling both employees and employers.

Our members range from man-in-the-van operations through to some of New Zealand's largest employers. The biggest users of our services are those businesses in the range of 20-150 employees who are either in expansion and growth mode or who have stabilised their businesses but don't yet require or want to hire the services we provide in an in-house capacity.

Annual revenue is around \$20 million, we employ 65-70 people and any profit is returned to the business to the organisation to invest in improving our services to the business community.

We are the largest partner in the BusinessNZ network, and we also number many smaller associations among our membership, as they complement their own operations with the range of services, capability and capacity that we have as a large-scale, not-for-profit organisation.

In 2026 we will celebrate 140 years of being part of the fabric of business in New Zealand.

Apparently, that's not enough to be asked what we might think of IRD's puzzling position to tax membership fees and define what constitutes membership – something we still grapple with internally.

Key Issues

In earlier iterations of consultation on these proposals we have worked with our colleagues at BusinessNZ and relied on their expertise in the area of taxation.

You can take it as read, the EMA supports everything that is in BusinessNZ's latest response to the proposals.

But the fact the discussion around taxing membership fees and defining what constitutes membership is still live has prompted the EMA to add its voice to the discussion.

All associations, large and small, are facing real pressure on membership. Few, if any, are growing with any significance and most are battling to retain their existing membership. The pattern is small, incremental but steady decline in membership. The focus for many is reducing churn and keeping the current member base intact – us included.

There is no question that for smaller organisations, with limited resource and capacity, the IRD's proposals will spell the end of some of those organisations. They simply won't be able to afford the additional costs associated with restructuring and auditing their finances to legally comply with the demands of the new proposals.

And for what gain?

These are not-for-profits. There's no tax windfall to be had.

We agree with BusinessNZ that the proposed options for change are poorly conceived and reflect a limited understanding of how advocacy organisations operate on a day-to-day basis.

What is the logic behind shifting the view, held for many years, that membership subscriptions were considered non-taxable income to a position that makes them taxable? That change instead has the potential to create significant and disproportionate costs for many not-for-profits, including business associations.

Why make this change? It makes New Zealand an outlier to similar jurisdictions that treat NFP membership fees as non-taxable.

The EMA, like BusinessNZ, believes the legislative change that should be made is to make all membership subscriptions non-taxable for all NFPs.

Defining membership

Several paragraphs in the discussion document, paragraphs 3.10 - 3.16, attempt to clarify what is core membership to allegedly help organisations understand what is taxable and what isn't.

Typically, a government department is applying a one-size-fits-all approach to a complex set of circumstances that will vary by organisation. No other jurisdiction has tried this.

“Core membership”, is a concept that may sound simple but is difficult to define.

I'll use the EMA as an example.

Under the proposal, payments that entitle a member to core membership benefits, such as voting rights, participation in elections and access to reports and updates, are to be non-taxable.

About 40% of our revenue comes from our membership fees. The remainder comes from our legal, learning and development and various consulting services, with some additional revenue from events, sponsorship and the occasional specialist publication.

Our membership fee gives our members free access to our AdviceLine – our ER, HR and Health and Safety hotline staffed five days a week, 10 hours a day. It also gives free access to most of our events (including when we host various ministers and politicians), three economic, legislative and legal in-person updates a year, our newsletters, social media and video updates, and some of our templates for preparing workplace contracts, etc.

Our Advocacy work is included in the core membership fee, including that carried out on behalf of, or alongside, our members and other member associations. Non-members also benefit from that work that generally has a national-good focus.

Our AdviceLine takes about 100 calls per week. Is that advice now counted as a taxable service? During Covid we opened that service up to all New Zealand businesses, as an industry-good organisation, and calls peaked at about a 1,000 a week. How would we track that as a taxable service proportion of our annual income?

In addition to what is included as a standard or core part of the membership, we also have a legal service that is available only to members and operates at a substantial discount to standard legal fees in the employment field. We must have a dispensation from the Law Society to operate in this way.

All our learning and development programmes, some of our chargeable events, our facilities such as training rooms and a fully equipped studio and some of our specialist publications are available to members at a discounted rate and non-members pay a higher rate.

We regard the discounted rates as a core benefit of membership. But IRD's definition doesn't touch how those benefits should be treated.

Just as no other country requires a taxation on membership fees, no other country has tried to define core membership.

It's too complex and won't work, or we'll spend a significant amount on litigation trying to define what's in and what's out for tax purposes. Smaller, less well-resourced associations will likely just give up.

The EMA's view is there should remain no legislative definition of what constitutes membership.

A Further Example of Adding Meaningless Costs

There are 51 Business Improvement Districts (BIDs) in Auckland that carry out economic development work within their various town centres or business districts. There are many more across the country.

BIDs are funded through a targeted rate and managed by a group of local businesses in a formal structure overseen by Auckland Council. The money washes in and out through the BID group and concentrates on local improvement issues, security cameras, area beautification, etc.

Within the new proposals there are requirements that would mean each BID would have to be fully audited, hire someone to provide a full set of accounts, manage depreciation and all the other costs associated with full financial reporting. All this at the expense of local ratepayers.

This is wasteful duplication when the BIDs' spending and allocation of funds are already monitored, quarterly in Auckland's case, by the council's financial and tax teams.

Summary

The EMA believes the IRD has not given worthwhile thought to the concerns of business associations, especially given its targeted consultation has overlooked the most important ones.

The IRD's thinking is flawed, it does not align with international practice and has not been tested for practicality in any meaningful way.

It adds unnecessary costs for no apparent gain and will test the resources and capabilities of smaller associations beyond their capacity to survive. There are no obvious gains from these proposals for change and therefore no reason for their consideration.

The best outcome is to legislate to protect the current status of non-taxation on membership fees for NFPs or, alternatively, simply maintain the status quo.

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