

NZSTA Submission: Taxation and the Not-for-Profit Sector – Targeted Consultation (November 2025)

Submitted by: New Zealand Speech-language Therapists' Association (NZSTA) to NFPtaxpolicy@ird.govt.nz

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Introduction

The New Zealand Speech-language Therapists' Association (NZSTA) represents registered speech-language therapists across Aotearoa who work in health, education, disability, and justice sectors. We are a not-for-profit, self-regulating body dedicated to public protection, workforce development, and equitable access to communication and swallowing services for all people in Aotearoa.

We appreciate the opportunity to comment on the proposed changes affecting the tax treatment of not-for-profit entities. NZSTA is concerned that the proposals, as drafted, misunderstand the nature and purpose of membership-based professional bodies. They risk introducing disproportionate compliance burdens and financial uncertainty for organisations whose purpose is to serve the public good.

1. The Proposed Apportionment of Membership Subscriptions is Unworkable

NZSTA strongly opposes the proposal to divide membership subscriptions into taxable and non-taxable components. Our membership structure, like most professional associations, reflects a collective contribution to shared regulatory, professional, and sector-wide outcomes—not a bundle of separable services.

Our subscriptions fund core activities, including:

- Maintaining professional standards and ethics
- Accrediting university programmes
- Assessing overseas qualifications and managing complaints

- Providing continuing professional development
- Advocating for access to speech-language therapy

These benefits cannot be meaningfully priced or apportioned. Imposing a requirement to assign dollar values to intangible services such as sector leadership, peer networks, or public advocacy would be unworkable.

The proposal also introduces pressure to artificially restructure how we describe and invoice membership—a change that undermines the purpose of professional bodies. The result would be increased costs for members (and their employers in health, education, disability, seniors and justice) and fewer services delivered.

NZSTA recommends the following:

Preferred option: Confirm in legislation that membership subscriptions for incorporated societies and professional bodies remain non-taxable, except where linked to clearly separate, commercial transactions.

Alternative option: If apportionment is retained, introduce a rule that applies a fixed percentage to reduce compliance costs and avoid valuation burdens.

2. The Proposed \$10,000 Tax-Free Threshold Should Be Fairer

While NZSTA supports raising the tax-free threshold for not-for-profits, the proposed design creates a threshold that triggers full tax liability once an organisation exceeds a surplus of \$10,001. This is neither fair nor aligned with sound financial management.

Fluctuations in annual surpluses are often driven by one-off events such as a successful conference or training workshop. These should not result in tax penalties for prudent budgeting.

NZSTA recommends the following:

- **Preferred option:** Apply the \$10,000 deduction regardless of the overall surplus.
- Alternative option: Introduce a gradual abatement model above \$10,000.

Either approach would support better planning, avoid discouraging good financial governance, and reduce unnecessary compliance anxiety.

Conclusion

NZSTA exists to protect the public, support a highly skilled health workforce, and promote equitable access to services. The proposed changes risk undermining our ability—and that of other professional bodies—to deliver these outcomes. We urge Inland Revenue to adopt practical, proportionate, and fair settings that reflect how incorporated societies operate in practice.

We are happy to provide further input and support the development of tailored guidance for membership-based not-for-profit organisations.

Ngā mihi nui,

A handwritten signature in blue ink, appearing to read 'Smolloy', with a stylized, cursive script.

Siobhan Molloy

Executive Director

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NZSTA Responses to Targeted Consultation Questions

Q14. Does the proposed definition of a membership subscription describe the type of payments we want to relieve from tax? Are there likely to be unintended consequences?

No. The definition, as drafted, misrepresents how professional associations operate. Membership subscriptions are not transactional fees—they fund the foundational mahi of a professional body. Our activities include regulation, standards setting, advocacy, workforce development, and peer networks. These are not 'extras'—they are the core reason for membership. Narrowly defining exempt subscriptions in a way that excludes these functions would lead to confusion, compliance complexity, and the erosion of our ability to deliver public value.

Q15. Does this test sufficiently distinguish payments for core membership benefits from other benefits? If not, why?

No. The test assumes memberships can be broken down into discrete, monetisable parts. That is not how professional belonging works. The value of membership lies in collective benefit and sector advancement. Trying to isolate and price each element not only misrepresents reality, but also creates unworkable expectations and risks fragmenting long-standing, fit-for-purpose models.

Q16. What types of benefits should fall outside the concept of a membership subscription? Would this include advocacy services?

Only benefits that are clearly commercial and separately charged—like a paid workshop or a publication sold to non-members—should fall outside the core subscription. Advocacy is an essential expression of our members' collective voice and sector responsibility. Excluding advocacy would fundamentally misunderstand the nature of professional associations.

Q17. The proposal requires apportionment. Would you prefer a simpler test (all taxable if any direct benefit exists)? Any other approach?

Neither option is workable. Apportionment requires unjustifiable complexity, and taxing all subscriptions because of one perceived benefit is equally flawed. The most practical, principled approach is to keep subscriptions tax-exempt unless a clearly separate commercial product or service is being sold. This recognises how associations function and aligns with the spirit of not-for-profit work.

Q18. Should IRD use a “principal purpose” or “wholly or mainly” test?

Yes. A purpose-based test would be much more aligned with how membership entities operate. It offers clarity and reduces compliance burden. The purpose of a subscription is to support the goals of the organisation—not to purchase services—and this should be recognised in tax settings.

Q19. Will the \$10,000 tax-free threshold reduce compliance costs for small NFPs?

It may help the very smallest organisations, but for national bodies like ours, the proposed subscription rules will still impose new burdens. The threshold offers some relief, but not if applied as proposed, and not enough to offset the added complexity elsewhere.

Q20. What design changes would improve the threshold proposal?

We support either retaining the deduction regardless of surplus size. A threshold that triggers full tax liability once exceeded is administratively disruptive and doesn’t encourage sound financial management.

Q21. Are there likely to be unintended consequences of a cliff-edge threshold?

Yes. It encourages year-end spending to avoid crossing the threshold, discourages prudent planning, and can destabilise governance in small organisations. It's a design that risks doing more harm than good.

Q24. Is the proposed application date (2027–28) sufficient?

No. Given that fee setting for most organisations is done well in advance. If the apportionment model proceeds (which we firmly oppose), a lead time of at least 18 months will be essential to ensure systems, processes, and communications can be responsibly updated.