

***Should charities  
receive tax incentives?***

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# Outline

- “Incentives”
- My journey
- The theory and the evidence

# “Incentives”

- Pejorative terminology
  - Pre-1984 history
- Concerns of NZICA and others about Business Tax Review tax credit proposals
- Misunderstanding of the major issue for some charities, which is the Imputation Credit problem (of over-taxation of charities)

# My Journey

- Philanthropy New Zealand and refundability of ICs
- Other FEC submissions on company deductions and rebate process (and thresholds)
- ComVoices consultation in 2006 leading to 2007 Budget

# The theory and the evidence

- Third Sector is more efficient because of volunteer time and existing capital
- Multiplier effect for the “tax spend” on charitable reliefs
- Inadequately researched sector
- Statistics Department: \$3.3bn voluntary labour in 2004

# Charities and the Berlin Wall



# Charities and the Berlin Wall





# Charities and the Berlin Wall

- Rebate and deduction rules (and IC rules) were/are anachronistic
- Self-evident that charities need encouragement
- Problems in implementation do not detract from the correctness of the proposition (that the Wall shall fall)

