



Survey of Charitable Giving in New Zealand

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Amy Cruickshank

Abstract

This study describes the institutional environment for charities and not-for-profits in New Zealand and presents new facts and analysis about trends in charitable giving, the characteristics of givers, and charity incomes. New Zealand provides an interesting setting to examine charitable giving due to the seemingly high level of giving by individuals and reforms that have been made to donation tax incentives over the past two decades. The study uses population-wide administrative data on New Zealand donation tax credit and deduction claimants and registered charities. The study finds that while giving remains high in New Zealand, a declining share of taxpayers have claimed donation tax credits since 2000. New Zealand's system of self-reporting donations to the tax authority, age cohort effects and changes in household claims behaviour since the 2009 reform of donation tax credits could explain this trend. Donations tax credit claims are found to vary across taxable income deciles, by age cohort and gender. For the charitable sector overall, donations are a less important income source than government grants and contracts, however donations are relatively more important for charities involved in certain activities such as international and religious activities, and the care and protection of animals.

Survey of Charitable Giving in New Zealand*

Amy Cruickshank†

Disclaimer

The results in this paper are based in part on tax data provided by Inland Revenue to the author under the Tax Administration Act 1994 for statistical purposes. The results are the work of the author, not Inland Revenue. The opinions, findings, recommendations, and conclusions expressed in this paper are the author's, not Inland Revenue's. Any discussion of data limitations or weaknesses is not related to the tax data's ability to support Inland Revenue's core operational requirements. Inland Revenue gives no warranty that the tax data provided was error free and will not be liable for any loss or damage suffered by the use directly, or indirectly, of the information in this paper.

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SURVEY OF CHARITABLE GIVING IN NEW ZEALAND

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SURVEY OF CHARITABLE GIVING IN NEW ZEALAND

1. Introduction

Charitable giving is an important and active area of research in public economics. Researchers have sought to understand what motivates individuals to give to charity, the strategies charities use to raise donations, and how efficient government tax incentives and grants programs are in supporting charity income and activities (Andreoni and Payne, 2013). These questions are both of interest to academics, to better understand giving behaviour, and for policy makers when designing tax and grant programs to reinforce charitable giving and support the activities of charities and other not-for-profit organisations.

New Zealand is an interesting case to study because the frequency of donating and the amount donated appear to be relatively high by international standards. More than 61% of New Zealanders report donating to charity in the previous month, ranking New Zealand 10th out of 114 countries surveyed by the Gallup World Poll 2021 (Charities Aid Foundation, 2021). Giving by individuals is estimated to amount to 0.8% of Gross Domestic Product (GDP), which places New Zealand second highest out of 24 countries surveyed, behind only the United States (Charities Aid Foundation, 2016).

There have been major reforms to donation tax incentives in New Zealand over the past two decades that provide events which may yield valuable insights. Reforms in 2003 and 2009 increased and then removed the fixed ceiling for individual donations eligible for donation tax credits. The 2009 reform resulted in a 25% increase in donations reported to the tax authority. The New Zealand government introduced a workplace payroll giving scheme in 2010, which represents a still small, but increasing, share of overall charitable giving.

Considering the apparently high level of charitable giving in New Zealand, and reforms to donation tax incentives, it is perhaps surprising that academic economists have so far paid relatively little attention to examining charitable giving in New Zealand. This study describes the institutional environment for charitable giving in New Zealand and presents new and interesting facts and analysis about charitable giving behaviour and the not-for-profit sector. This analysis highlights key themes and questions for further research.

Studies of charitable giving in New Zealand have examined the development of legislation and government policy as it relates to charitable and public benefit giving and not-for-profits (see for example Chevalier-Watts, 2017; Poirier, 2013; Gousmett, 2013, 2009). The John Hopkins' Project published a series of papers over the 2006 to 2009 period about the size, scope, and history of the not-for-profit sector in New Zealand

as part of an international comparative project. The study estimated that not-for-profit institutions contributed 2.6% of New Zealand's GDP in 2004, and 4.9% if volunteer labour is included. It also highlights the relatively higher concentration of not-for-profits in 'expressive' sectors in New Zealand (defined to include culture, sports, religion, and advocacy activities), relative to 'service' sectors (such as education, health, social services and housing) which it attributes to more direct public provision of health and education services than in other countries (Sanders, et. al., 2008).¹

Reports by private consultancy and advisory firms have attempted to quantify the amount of charitable giving in New Zealand by individuals, businesses, trusts and foundations, drawing on a range of available data sources. This includes the 'Giving in New Zealand' reports produced by BERL (2006, 2011, 2014) and 'The New Zealand Cause Report' by JBWere (2020). These studies have been utilized in international efforts to compare charitable giving across countries (for example, Charities Aid Foundation, 2016).

Several more recent studies have examined the activities of charities in New Zealand, their funding sources, and volunteer labour, utilizing data from a public database of New Zealand registered charities (the New Zealand Charities Register, see for example Moulvi, et. al., 2016; JBWere, 2017). The studies find that mean charity income by source differs by charity sector and size, with smaller charities receiving most of their income from donations, medium-sized charities from government grants, and larger charities from service/trading activities.²

Regular surveys to measure levels of trust and confidence in the New Zealand charity sector have found average scores of around six out of 10, where zero reflects no trust, and 10 reflects complete trust, and no clear trend over time. Survey respondents highlight several factors as especially important for inspiring trust, including that the charity makes a difference, is a registered charity, and spends its money wisely/ensures most donations get to the end cause. There is a positive correlation observed between individual's reported level of trust in the charitable sector and donations behaviour (Charities Services, 2008, 2010, 2012, 2014, 2016, 2019).

There have been several experimental studies implemented in New Zealand to assess the effect of geographical proximity on individual donation decisions. The studies find that individuals prefer to give to

¹ Wells (2004) provides a perspective on challenges of fundraising in New Zealand and describes an 'underdeveloped' attitude toward philanthropy in New Zealand, and the (at that time), minimal tax incentives for charitable giving.

² In other reports by consultancy firms, Grant Thornton (2022) outlines recent legislative changes that impact the not-for-profit sector, and the results of a survey 174 of not-for-profits asking about various aspects of their activities and operating environment (challenges, views about possible legislative changes, planning and governance structures, funding sources).

charities operating within New Zealand rather than internationally (Knowles, et. al., 2017), and within New Zealand, to charities within in the same region of the country over other regions (Grimson, et. al., 2020).³

This study aims to fill gaps in our knowledge about charitable giving in New Zealand and add to the body of international literature in this field. This study provides an updated description of the institutional environment for charitable giving in New Zealand and compares policy settings with those in other countries. The study presents new facts and analysis about charitable giving behaviour, and recipients of charitable giving and suggests future useful research directions. The study analyses how individual characteristics (such as income, age and gender) influence charitable giving inside and outside of the workplace, whether payroll giving appears to complement or ‘crowd out’ giving outside of the workplace, how donations respond to major events, and the extent of unclaimed donation tax credits in New Zealand.

To support this exercise, I have obtained access to administrative data for the full population of New Zealand donation tax credit claimants since 2000. The data includes information on the amount of reported donations (in total, and from 2012 separately for donations to religious, educational, and other organisations), annual taxable income of the donor, and demographic variables (age, gender). In addition, I have received access to this data for a sample of individual taxpayers (both donation tax credit claimants and those that do not claim donation tax credits), which allows me to compare the characteristics of donation tax credit claimants and non-claimants. I have also obtained access to high frequency administrative data from the New Zealand payroll giving scheme, introduced in 2010. In addition to taxation data, I also draw on data from public sources, including previous studies, published surveys, and a public database of registered charities operating in New Zealand.

The analysis in this study yields several key findings. The first set of results concern tax credits for donations made by individuals. The New Zealand donation tax credit scheme pays a tax credit rate of 33 1/3% of the amount donated, which is around the average of OECD countries, offers a relatively generous ceiling for donations eligible for tax credits (a taxpayer’s annual taxable income), and uses a narrower definition than some other countries of the types of donations that are eligible for tax incentives (monetary, non-bequest donations).

While giving remains high in New Zealand, the percentage of taxpayers claiming donation tax credits has declined since 2000. This could be due to a lower frequency of donation tax credits claims by recent taxpayer cohorts. It could also be due to the 2009 reform of donation tax credits which removed the fixed

³ The studies note that preferences for giving cannot be inferred from actual donations behaviour, since factors other than preferences can influence donations decisions, such as exposure to solicitation of donations.

\$1,890 ceiling for donations eligible for tax credits, which may have incentivised spouses/partners to submit one tax credit claim form (rather than two).

The 2009 reform of donation tax credits removed the fixed \$1,890 ceiling for donations eligible for tax credits. The amount of donations reported to the tax authority increased by 20% in real inflation-adjusted terms in the year following the reform. The increase could be due to an increase in actual donations because of the reduction in the tax price of giving for donation amounts more than the previous ceiling; but could also reflect taxpayers reporting donation amounts more than the previous ceiling.

While the total donation amount reported to the tax authority has increased in real inflation-adjusted terms since 2009, the share of donations reported by individuals fell by 10 percentage points, and the share reported by companies and Māori Authorities increased by seven and three percentage points respectively.

Giving by individuals to religious organisations has grown relative to donations to educational and other donee organisations. Since 2012, the number of taxpayers claiming donation tax credits for donations to religious organisations has been largely unchanged, whereas the number of taxpayers claiming donation tax credits for donations to educational and other types of donee organisations has declined. Over this period, the real inflation-adjusted donation amount increased for donations to religious organisations and declined for donations to educational and other organisations.

It is likely that many donations eligible for tax credits are unclaimed in New Zealand. Far fewer taxpayers claim donation tax credits than report making donations and there is a large gap between survey-based measures of individual charitable giving, and the amount of donations reported to the tax authority. However, caution must be taken in attributing all the gap to unclaimed tax credits, since part of the gap could also be due to survey-based measures over-reporting donations, and donations captured by survey-based measures that are ineligible for tax credits (for example, donations to individuals or ineligible organisations or where receipts are not issued).

The second set of results pertain to the characteristics of donors. Using tax data, the study finds taxable income and age are positively associated with the decision to claim donation tax credits and the mean donation amount. However, the share of taxable income donated is found to decline with taxable income, suggesting a 'standard of giving' that does not adjust proportionately with income. This is true for both donations to religious organisations and other causes.

Most taxpayers that donate through workplace payroll giving schemes do not claim donation tax credits outside of the workplace. Payroll givers have different mean characteristics than those that claim donation tax credits outside of the workplace. Payroll givers have higher mean taxable income and are younger than

taxpayers that claim donation tax credits outside of the workplace, suggesting workplace giving attracts a different type of donor, and so may be complementary to giving outside of the workplace.

High frequency data from the New Zealand payroll giving scheme shows a spike up in employees donating around the time of major earthquakes in New Zealand's second largest city in February of 2011, suggesting that giving in the workplace responds to major events. While there was some initial concern in the media that the Covid-19 pandemic could adversely impact the income of charities, since pandemic curbs stymied face-to-face fundraising campaigns and some commercial activities, data from the Charities Register does not show an adverse impact on total gross income received by the sector, relative to prior years.

Givers to religious donee organisations appear to be more 'committed' than donors to other causes (educational and other causes, and payroll donors), since they make larger mean donations and donate a larger share of their income on average than taxpayers reporting donations to other causes. Donors to religious causes have lower mean taxable incomes and are older than other donation tax credit claimants.

The third set of results relate to charity income. The study shows that charitable donations are an important income stream for many New Zealand charities. Over half of all registered charities recorded receiving donations over the 2007 to 2015 period. Mean donations as a share of total gross income are around one-third for charities receiving income from donations. Donations are a higher mean share of total income for charities involved in certain activities, including religious activities, international activities, and the care and protection of animals.

Income from government grants and contracts is concentrated in three main sectors: education/training/research (this includes tertiary education institutions), health and social services. The sectors with the smallest share of charities receiving government grant and contract income are those involved in fundraising activities, religious activities, and the care and protection of animals.

Section 2 describes the institutional environment for charitable giving in New Zealand. Section 3 presents overall facts and figures about giving in New Zealand. Section 4 concludes by discussing key themes and important facts to be understood or accounted for through subsequent research.

2. Institutional Setting for Giving

This section describes important features of the institutional environment for charitable giving in New Zealand.⁴ Section 2.1 discusses the history of government policy in relation to charities in New Zealand. Section 2.2 describes the form and legal basis of entities operating in the charitable and not-for-profit sector. Section 2.3 explains the main types of donors in New Zealand. Sections 2.4 and 2.5 outline the tax incentives for charitable giving and tax treatment of charitable entities, respectively. Section 2.6 describes a long-running New Zealand government grant program to support charities and community groups.

2.1. History of Charity Law and Policy

The current-day government policy towards the charitable and not-for-profit sector in New Zealand can be traced back to pre-colonial British law. This section describes the origins of important elements of the institutional framework for charities and other not-for-profits operating in New Zealand, including the definition of ‘charitable purpose’, the income tax exemption for charities, tax incentives for donations to charities and other not-for-profits, and the development of charities regulation. This section draws on the work by the John Hopkins Comparative Non-profit Sector Project (2006-2009), Gousmett (2009, 2013), Poirier (2013), Chevalier-Watts (2018), and Barker (2020).

The origins of charity law in New Zealand reflect the country’s British colonial heritage. Early charity law in New Zealand was based on English common law. The *Charitable Uses Act* 1601 of the Parliament of England was formally declared to be applicable in New Zealand, along with other English laws in place on 14 January 1840, under the *English Laws Act* passed in 1858. The preamble to the 1601 *Act* included a list of purposes or activities which were believed to be beneficial to society, which have formed the foundation of the modern definition of charitable purpose established through case law. This is because when the courts considered whether to recognise a particular purpose as charitable, they tended to look for an analogy in the 1601 list. The 1601 list included: relief of the aged and poor, maintenance of schools, education of orphans, repair of bridges, ports, havens, causeways, churches, sea-banks, and highways. The British legal case of particular importance is the *Special Commissioners of Income Tax v Pemsel* [1891] AC 531 which sets out the four categories of charity that form the basis of the definition of charitable purpose still used today in New Zealand: relief of poverty, the advancement of education, the advancement of religion, and

⁴ For detailed information about the charitable sector and the tax treatment of charities and other not-for-profits see for example Inland Revenue (2022a, 2022b).

other purposes beneficial to the community. The second, third and fourth purposes were found to be charitable if they are carried out for the public benefit.

The income tax exemption for charities in New Zealand was inherited from British law. The *Duties upon Income Act 1799* Geo II c13, s5, provided an income tax exemption for charities, stating: “[t]hat no corporation, fraternity, or society of persons established for charitable purposes only, shall be chargeable under the Act, in respect of the income of such corporation, fraternity, or society” (Gousmett, 2013). The income tax exemption for charities was adopted in New Zealand with the passing of the *English Laws Act 1858*. There was no substantive discussion in the New Zealand General Assembly (akin to Parliament) about whether charities should or should not be exempt from income tax, but rather, the exemption was adopted, along with the swathe of other English laws at the time (Gousmett, 2013). The subsequent New Zealand *Land Tax Act 1878* included income tax concessions with respect to charitable activities, and the current *Income Tax Act 2007* exempts charity business and non-business income from income tax, under certain conditions. The tax treatment of charities is discussed further in section 2.5.

The common law definition of charitable purpose is reflected in section 5(1) of the New Zealand *Charities Act 2005*. Recognising the New Zealand-specific context, under section 5 2(b) of the *Act*, Maraes on reservation land can apply to be registered charities if its funds are used for administering or maintaining the land or physical structure of the Marae, or other charitable purposes.⁵ Section 5 2(a) of the *Act* clarifies that blood-tie relationships between beneficiaries of a charity in and of itself does not result in the charity not meeting the public benefit requirement, allowing Maraes to be registered as charities even where the beneficiaries are blood relations (Chevalier-Watts, 2018; PCO, n.d.).

The interpretation of charitable purpose, and eligibility for an income tax exemption for charities have been tested in the New Zealand courts over the years and amended or clarified in legislation. The environmental group *Greenpeace* for example successfully challenged its ability to be registered as a charity in 2020, eight years after being declined registration because it was found not to advance *exclusively* charitable purposes (but also an independent purpose to promote its own particular views about the environment and other issues).⁶ The *Charities Amendment Act 2012* (No 4) inserted section 5(2A) into the *Charities Act 2005* which recognised that amateur sport may be a charitable purpose if it’s a means by which one of the four charitable purposes is pursued (PCO, n.d.). In another change, the *Income Tax Act 2007* was amended to provide community housing entities a specific income tax exemption (section CW 42B). This was in

⁵ Maraes are meeting grounds of indigenous New Zealand Māori, and reservation land is land that is set aside, usually for a group of Māori, for purposes such as a marae, sports ground, church, or for conservation purposes.

⁶ The High Court ruled in 2020 that environmental protection is a charitable purpose and *Greenpeace* New Zealand’s advocacy advances the public benefit by gathering the necessary support.

response to an entity in this sector being found not to meet the requirements of registration as a charity (Chevalier-Watts, 2018).⁷ For a description of further cases that relate to the interpretation of charitable purpose in New Zealand, see Chevalier-Watts (2018).

A tax deduction for individual donations was introduced in New Zealand by the *Land and Income Tax Amendment Act (No. 2)* 1962. The 1962 Parliamentary debate concerning the donations rebate mentions incentivising private provision as a way of lessening demand on government, and ensuring worthy objectives are met (Gousmett, 2013). The form of the tax incentive was changed to a tax rebate/credit by the *Income Tax Amendment Act (No. 2)* 1977. The rebate rate was originally introduced at a rate of 50% of the amount donated. The rate was adjusted several times before it was set at 33 1/3% in 1990 (the rate that applies today).

The ceiling for donations eligible for tax incentives was £25 when the donation deduction was originally introduced in 1962, and increased over time to reflect price inflation, among other things. The major 2009 reform of donation tax incentives removed the fixed ceiling for donations eligible for tax credits (which at the time was set at \$1,890) allowing donation amounts up to an individual's total taxable income to be eligible for tax credits. The objective of the reform was to reinforce giving by increasing incentives for those who donate money to charities and other not-for-profits (Inland Revenue, 2006). Further discussion of donation tax incentives for individuals, corporates and Māori Authorities is provided in section 2.4.

Greater regulation of charities in New Zealand was considered from the 1980s (Chevalier-Watts, 2018). At that time there was minimal publicly available information about the charitable sector, and there were concerns about accountability and transparency within the sector (Chevalier-Watts, 2018). The *Charities Act* 2005 introduced a process for entities to become registered as charities and established a public registry with information about registered charities. This included information from the charity's application record, as well as information from a return submitted annually by the charity describing its activities and finances. The *Charities Act* 2005 also established the Charities Commission – a Crown entity responsible for running the registration, reporting, and monitoring system for charities in New Zealand.⁸

The *Charities Amendment Act (No. 2)* 2012 amended the *Charities Act* 2005 to transfer the responsibilities of the Charities Commission to a government department (the Department of Internal Affairs – Charities Services). The reason given by the government for the change was to reduce the number of government

⁷ *Queenstown Lakes Community Housing Trust* aimed to promote or provide housing at manageable costs through shared ownership programs. The Court found that the Trust would assist individuals that have realistic alternative housing available to them, and therefore the purposes of the Trust were not charitable under the relief of poverty charitable purpose.

⁸ Crown Entities are part of the state sector in New Zealand and operate at 'arm's length' from Ministers to deliver a range of government services and make some decisions independently.

agencies (Chevalier-Watts, 2018). Under the new structure, a three-person Charities Registration Board was established to make registration and deregistration decisions so that the process remained independent of government (Chevalier-Watts, 2018).

The *Taxation (Annual Rates for 2018-19, Modernising Tax Administration, and Remedial Matters) Act 2019* inserted section CW 42(1)(aa) in the *Income Tax Act 2007*, requiring charities to be registered with the Charities Services to benefit from the tax exemption on business income. This meant that charities benefiting from the income tax exemption were required (as a condition of registration) to make certain information publicly available on the charities register, allowing charities receiving tax relief for business income to be more easily monitored.

The *Charities Amendment Act 2023* makes several amendments to modernise the *Charities Act 2005*. The *Act* makes changes to improve the regulatory decision-making and appeals process for charity registration and deregistration, by increasing the number of people on the Charities Registration Board (from three to five), making it easier for charities to object to and appeal Board decisions, and requiring the Board to publish its decisions. The general policy statement supporting the legislation noted that “some parts of the charitable sector have a poor perception of the regulator. These stakeholders have advocated for improvements to the regulator’s structure, accountability, transparency, and decision-making processes” (PCO, n.d.). The *Act* also allows for reduced reporting requirements for qualifying charitable entities whose assets and expenditures are below thresholds specified by regulation, by requiring an annual return with more basic financial information. The general policy statement notes that the previous reporting requirements were considered disproportionate to the level of transparency and accountability needed for smaller charities (PCO, n.d.). A further non-legislative change to be made is to require larger charities to report on the reasons for their accumulated funds, for example, accumulated business income, or donations, that have not been allocated to charitable purposes. The change will be made by amending the charity annual return form to require charities to provide this information. The additional reporting about accumulated funds is intended to provide greater clarity about why accumulated funds are being held by charities, to improve public trust and confidence in the charitable sector (DIA, 2022). There have been concerns about charities benefiting from an income tax exemption, while making limited distributions to charitable purposes. The tax treatment of charities is discussed further in section 2.5.

2.2. Not-for-profit Sector Entities

Not-for-profit organisations carry out their activities ‘for purpose’ rather than profit, and include a wide range of entities, including social clubs, sports clubs, welfare organisations, church parishes and political

parties. New Zealand's national statistical authority estimates that there were 115,770 not-for-profit institutions in New Zealand in 2018 (Statistics New Zealand, 2018). To examine the not-for-profit sector, it is important to distinguish four types of entities operating in the sector: (i) charitable organisations (registered and unregistered), (ii) tax charities, (iii) donee organisations, and (iv) other not-for-profits. Some entities will fall into multiple categories.

Charities are entities with a charitable purpose, and that operate for the public benefit. Charitable purpose can fall under four categories: relief of poverty, advancement of education, advancement of religion, or other purposes beneficial to the community.⁹ To be of public benefit, the benefit must be available to a large section of the community and must not result in private benefit or profit to any individual. To be a registered charity, charities must register with the Charities Services, and to remain registered must meet certain requirements, including yearly reporting requirements.¹⁰ There are some entities that would qualify as registered charities, but decide it is not worthwhile registering. There were around 27 thousand registered charities in New Zealand in 2023, which equates to 52 charities for every 10 thousand people, around twice the rate as in Australia.¹¹

Tax charities include registered charities, and a small number of non-resident charities approved as a tax charity by the Commissioner of the tax authority. Tax charities are generally exempt from income tax. The income tax exemption is discussed further in section 2.5.

Donee organisations are not carried on for the private pecuniary profit of an individual, and apply their funds wholly or mainly to charitable, benevolent, philanthropic, or cultural purposes within New Zealand.¹² This category includes: (i) most registered charities, (ii) entities with a benevolent, philanthropic or cultural purpose that are not eligible to register as charities, but are approved by the Commissioner of the tax authority, (iii) entities that automatically qualify, such as state schools, and community housing entities, and (iv) organisations approved by Parliament.¹³ Donee status is wider than charitable purpose since it also includes entities operating for benevolent, philanthropic, or cultural purposes, and so while most registered charities qualify as donee organisations, some donee organisations are not registered charities. The main benefit of being a donee organisation is that donations to the entity qualify for donation tax incentives

⁹ Defined in similar ways under the section YA 1 of the *Income Tax Act 2007*, and section 5 of the *Charities Act 2005*.

¹⁰ The submission of an annual information return is a requirement of registration under Section 42 of the *Charities Act 2005*. The annual return is a yearly report which details the charity's income, expenditure, and activities.

¹¹ Data downloaded from the New Zealand Charities Register on 30 January 2023. In Australia there are around 57 thousand registered charities, for a population of around 26 million persons in 2021.

¹² Definition under section LD 3(2) of the *Income Tax Act 2007*.

¹³ Under section LD3(2) of the *Income Tax Act 2007*, to qualify for donee status, registered charities must apply its funds "wholly or mainly to charitable, benevolent, philanthropic, or cultural purposes within New Zealand". Organisations that apply their funds for other than these purposes can apply to be to be recognised Parliament as a donee organisation by being listed under schedule 32 of the *Income Tax Act 2007*.

(described in section 2.4). There are currently around 28 thousand approved donee organisations in New Zealand.¹⁴

Not-for-profit entities that are neither charities nor donee organisations are generally small societies, associations or organisations that do not operate for the profit or gain of any of its members and do not or have not qualified as charities or donee organisations. A growing trend is for organisations and individuals to raise funds directly from the public through online crowdfunding campaigns.¹⁵ Many funds raised in this way go directly to supporting causes of individuals, families, or animals in need. Giving other than to recognised donee organisations is generally not tax advantaged in New Zealand.

2.3. Types of Donor

The main groups that give for charitable and public benefit reasons in New Zealand are individuals/households, businesses, trusts and foundations. According to studies quantifying giving in New Zealand, around 62% of donations are made by private individuals (48% direct donations, 9% family and individual trusts and foundations, and 8% bequests), 8% by businesses, and around 30% by statutory trusts and societies (JBWere, 2020; GNZ, 2014, 2011, 2006).

Statutory trusts and societies that donate money in New Zealand were either established as part of business restructuring in the 1980s/90s or are entities involved in gambling or the sale of alcohol that are required by law to distribute profits from their activities to the community. These are described in turn below:

- *Community trusts*: 12 entities established from regional trust banks under the *Trustee Banks Restructuring Act* 1988, that hold funds in trust on behalf of regional communities and make distributions from these trust funds to serve their communities.
- *Energy trusts*: created under the *Energy Companies Act* 1992 the trusts hold shares in electricity distribution businesses throughout New Zealand on behalf of consumers and distribute dividends to owners and/or to community projects.
- *Gaming machine societies*: non-casino gaming operators licensed under the *Gambling Act* 2003 and required to distribute net profits from gaming machines to authorized purposes (charitable purpose, non-commercial purpose beneficial to the community, or other organizational purposes).

¹⁴ Data downloaded from Inland Revenue on 15 February 2023 lists 27,722 donee organisations, excluding those that have ceased operating.

¹⁵ Examples of an online donation crowdfunding platforms operating in New Zealand, is *givealittle* which has raised \$232.9 million since it was established in 2008 to February 2023.

- *Liquor licensing trusts*: community-owned companies that have the right to sell alcohol under the *Sale of and Supply of Alcohol Act 2012* and are permitted to distribute profits to the community for philanthropic purposes. There are 18 licensing trusts operating in New Zealand, four of which have exclusive rights to certain alcohol licenses in specific geographical regions.
- *Lottery Grants Board*: receives funds from the New Zealand Lotteries Commission, and transfers the funds to statutory bodies, and grants to the community through regional community and specialist committees (discussed further in section 2.6).

Māori authorities are another donor group in New Zealand. Māori authorities act as trustees of communally owned Māori property. Donations made by Māori authorities are tax advantaged, as described in section 2.4.4. Estimates of the amount given by different donor groups are discussed in Section 3.1.1.

2.4. Tax Incentives for Giving

The New Zealand government subsidises charitable or other public benefit gifts made by individuals, companies, and Māori authorities through the tax system. Donations in New Zealand may or may not be tax advantaged, depending on factors related to the identity and characteristics of the donor, the recipient of the donation, the amount donated, and the form of the donation. Eligible donations made by individuals receive a tax credit, which refunds a portion of the donation at a set rate for every dollar given. Companies and Māori authorities can claim a tax deduction for donations, reducing their pre-tax income.

A donation tax credit or deduction provides the donor with more after-tax income and reduces the cost of donating relative to the price of other goods and services consumed by the donor. Tax incentives involve a cost to government, in terms of foregone revenues, but can be desirable if it results in a large enough increase in donations, if other transfer mechanisms are inefficient (such as government grants), or if donee organisations are able to deploy the funds more effectively than the government.¹⁶

The following subsections describe the tax incentives available for giving in New Zealand by donor type: individual donations outside of the workplace (section 2.4.1), individual workplace payroll donations (section 2.4.2), company donations (section 2.4.3) and Māori authority donations (section 2.4.4).¹⁷

¹⁶ For example, if charities are more responsive to community need than government programs, or can deliver programs more efficiently, due to their use of donated goods and volunteer labour.

¹⁷ Another donor type in New Zealand trusts. While trustees of trusts do not receive an explicit donation tax deduction, if they allocate income to tax exempt entities (like charities) then that income is not subject to tax by the trust. There are an estimated 300-500 domestic trusts that make distributions of \$60-\$100 million to charities each year, although that number may be under-stated due to not all distributions being identified in tax records (Inland Revenue, 2023c).

2.4.1. Individual Giving

Tax concessions for charitable and public benefit gifts made by individuals were first introduced in New Zealand in 1962 as an income tax exemption. The income tax exemption (tax deduction) subtracted the amount donated up to a set ceiling from personal taxable income before the tax liability was calculated.¹⁸ The tax deduction was replaced with a tax credit (rebate) in 1978. Under the tax credit scheme taxpayers make donations from after-tax income and receive a tax credit based on the amount donated up to a set ceiling.¹⁹ To qualify for a tax credit, donations must be monetary donations of \$5 or more and less than a set ceiling and be made to an approved donee organization (described in Section 2.2). To claim tax credits an individual must be resident in New Zealand any time during the tax year. The donation must be voluntary and of no material benefit or advantage to the giver or their family in return.²⁰ The credit is generally claimed through a separate process at the end of the tax year.

In 1990, the government set the tax credit rate at 33 1/3% and capped the maximum annual donations that individual taxpayers could claim at the lower of \$1,500 or a taxpayer's annual taxable income (a maximum rebate of \$500). In 2003, the government increased the fixed ceiling to \$1,890 (a maximum rebate of \$630). The government increased the fixed ceiling to reflect the reduction in the real inflation-adjusted value of the ceiling due to Consumer Price Index (CPI) inflation between March 1990 and December 2001 (Inland Revenue, 2006). Any excess donation amount could be transferred to a spouse/partner who had not used the full \$1,890. Nonetheless, this was a relatively low ceiling by international standards.

The New Zealand Government reviewed tax incentives for charities in 2006. The review was a condition of the confidence and supply agreement between the United Future Party and the Labour Party, whereby United Future would support the Government on matters of confidence and supply (motions of confidence in the government and budget appropriation votes). The objective of the review was to reinforce giving by increasing incentives for those who donate money or time to charities and other not-for-profits (Inland

¹⁸ Section 4 of the *Land and Income Tax Amendment Act (No. 2)* 1962 inserted section 84B into the *Land and Income Tax Act* 1954, providing for an individual income tax exemption for charitable donations of more than £1 and up to an annual limit of £25. The *Land and Income Tax Amendment Act (No. 2)* 1963 amended section 84B of the *Land and Income Tax Act* 1954 to increase the ceiling to £50 for charitable donations, donations to schools and for tuition fees paid from 1964. The New Zealand dollar was introduced in July 1967 at a rate of NZ\$2=NZ£1 and so the ceiling for the donation income tax exemption became \$100. The *Land and Income Tax Amendment Act (No 2)* 1972 increased the ceiling for the tax deduction to \$200 from \$100 (Gousmett, 2013; PCO, 2022).

¹⁹ *Income Tax Amendment Act (No. 2)* 1977 introduced a 50% rebate for donations up to a maximum rebate of \$175 (donation amount of \$350). *Income Tax Amendment Act* 1982 reduced the rebate rate to 31% from 50% and increased the maximum rebate to \$200 (donation amount of \$645). *Income Tax Amendment Act* 1984 increased the rebate rate to 33% from 31%. *Income Tax Amendment Act (No. 3)* 1990 amended the rebate rate to 33 1/3% of the donation amount from 33% and increased the maximum rebate to \$500 from \$200 (donation amount of \$1,500) (PCO, 2022).

²⁰ The donation must be a gift of money, or a subscription paid, provided the subscription provides no rights arising from membership. Legacy gifts/bequests are not eligible for donation tax credits.

Revenue, 2006).²¹ For individual donations, the review considered the options of raising the ceiling for donation tax credits and/or increasing the rate of the rebate/credit. The discussion document issued as part of the 2006 review considered the options of increasing the ceiling for donations eligible for tax credits from \$1,890 to \$2,120, \$3,000 or \$5,000, and increasing the tax credit rate from 33 1/3% to 39%, 45% or 50%. The document did not consider the option eventually adopted of removing the fixed ceiling on donations eligible for tax credits.²² In response to public submissions made to the discussion document, the government decided to remove the fixed ceiling for individual donations eligible for tax credits. The tax changes were included in the *Taxation (Annual Rates, Business Taxation, KiwiSaver, and Remedial Matters) Bill*, which was introduced in Parliament in May 2007. The changes amended the *Income Tax Act 2004* and applied from the 2009 income tax year.

In the first year of implementation donations reported to the tax authority increased by 25% from \$470 million in 2008 to \$587 million in 2009. The increase in reported donations in 2009 may reflect taxpayers increasing actual donations, due to the reduced price of giving for donations of more than \$1,890. It may also reflect taxpayers reporting donations of more than the previous \$1,890 ceiling.

For the period through to 2018, taxpayers claimed donation tax credits by submitting a donation tax credit/rebate claim form (IR526 form) to the tax authority after the end of the tax year and including original donation receipts. Since 2019, taxpayers have been able to claim donation tax credits through the tax authority's online platform during the tax year, submitting scanned donation receipts. The new process is intended to make it easier for taxpayers to claim donation tax credits. Tax credits claimed through this process are still paid by the tax authority to the taxpayer after the end of the tax year once the taxpayer's annual taxable income can be determined. It remains to be seen what effect the new claims process will have on the number of donation tax credit claims, and the amount claimed.²³

²¹ The discussion document considered a volunteer rebate which would provide volunteers with a tax rebate/credit based on the number of hours volunteered to charities, and within set parameters (set nominal hourly rate, maximum claimable hours, requirement for declaration certificate from the charity showing the hours worked). The document also considered paying the rebate/credit to the charity (rather than the donor) or providing grants to charities with high levels of volunteering. These options were not progressed. The government also considered clarifying the tax treatment of reimbursement payments made to volunteers and honoraria (payments for volunteer work). Amendments to the *Income Tax Act 2007* clarified that reimbursements to volunteers based on actual expenses or a reasonable estimate thereof are exempt from income tax. Honoraria payments must have tax deducted before being paid to the volunteer.

²² The 2006 discussion document also considered the policy options of moving to a tax deduction scheme for individual donations, a gift aid scheme (like in the United Kingdom), introducing payroll giving (adopted in 2010, and discussed in section 2.4.2), and tax incentives for non-monetary donations (such as shares and property).

²³ Where a tax agent or representative claims donation tax credits on behalf of the donor, receipts are required to be cited by the tax agent and retained by the taxpayer, but do not need to be submitted to the tax authority (under section LD 1 of the *Income Tax Act 2007*). Around half of the value of donation tax credits are claimed in this way. A French study by Fack and Landias (2016) found that the requirement to submit donation receipts led to a substantial decline

Instead of claiming tax credits directly from the tax authority, individuals can in some cases opt for a private service provider to claim the donation tax credits on their behalf and re-donate the tax credit back to the charity. Once an individual signs up for the service, the donee organization provides the donation receipt to the service provider, who then claims the tax credit from the tax authority on behalf of the donor. Once the tax credit is paid after the end of the tax year, it is then donated back to the charity. The process of donating and claiming tax credits continues until the minimum donation eligible for tax credits (\$5) is reached. The private service provider operates on a commercial basis and typically receives a fee from charities using the service.²⁴

Donation tax credits are the second most common form of donation tax incentive in Organisation for Economic Cooperation and Development (OECD) countries, behind donation tax deductions. Other OECD countries that provide a donation tax credit include Belgium, Canada, Colombia, Chile, France, Greece, Israel, Italy, Japan, Portugal, and Sweden. Since the tax credit for every eligible dollar donated is the same rate irrespective of a taxpayer's taxable income, tax credits are not regressive. By contrast, a tax deduction provides a larger tax benefit to taxpayers with higher taxable incomes that face a higher marginal income tax rate.

The New Zealand donation tax credit rate of 33 1/3% is around the average for OECD countries; with the highest donation tax credit rate offered by France (60%) and the lowest by Greece (20%). In OECD countries, the ceiling for donations eligible for tax credits are generally specified as a fixed dollar (currency) amount, as a percentage of annual taxable income or income tax liability, or as a combination of ceilings. The ceiling for donations eligible for tax credits in New Zealand of 100% of taxable income is generous relative to other OECD countries, and the \$5 floor is low (most countries do not impose floors, and those that do set the floor above the New Zealand level) (OECD, 2020).

New Zealand has a narrower definition than some other countries of the types of donations that are eligible for tax incentives. New Zealand provides donation tax incentives for monetary donations. Several other OECD countries also provide tax incentives for non-monetary donations, including gifts of property and listed shares. Countries that provide tax incentives for non-monetary donations have different rules for how non-monetary donations need to be valued. In countries that have comprehensive Capital Gains Tax (CGT), certain non-monetary donations may be exempt from CGT (OECD, 2020) (New Zealand does not have a comprehensive CGT). Charitable and public benefit bequests are not eligible for tax credits in New Zealand

in the amount of donations reported to the tax authority, which the study attributes to the overreporting of donations prior to the reform rather than compliance costs reducing the reporting of donations after the reform.

²⁴ An example of such a provider operating in New Zealand is *TaxGift*; although the organisation announced in October 2022 that they had stopped accepting new customers (either entities or donors).

but are eligible for donation tax incentives in several other OECD countries including Canada and Norway. In countries that levy inheritance or estate taxes charitable bequests generally receive preferential tax treatment.

2.4.2. Payroll Giving

The 2006 New Zealand Government discussion document on tax incentives for charitable giving considered the United Kingdom's pre-tax payroll giving scheme (Inland Revenue, 2006).²⁵ The UK scheme is available to employees paying income tax through the Pay as You Earn (PAYE) system, who choose to make donations through their employer-operated payroll system. The employer deducts the amount of the donation from the employee's salary before deducting tax (reducing the income tax paid by the employee). The donation amount is then transferred by the employer or their intermediary to the employee's chosen charity.

The 2006 Government discussion document notes that if a pre-tax payroll giving scheme was implemented in New Zealand, it could offer a convenient way for employees to make regular donations through their pay and would allow the taxpayer to receive the tax benefit immediately, rather than having to wait until the end of the tax year. The donee organisation benefits by receiving regular donations at a low administrative cost. The document noted compliance costs for employers and the tax authority in ensuring donation tax credit/rebate ceilings are adhered to. The document comments that payroll giving could be introduced without moving to a deduction system by having the employer deduct the employee's after-tax income by the donation amount and transfer the donation to the nominated donee organisation; and having individuals then claim the donation tax credit from the tax authority in the usual way (described in section 2.4.1).

The 2006 discussion document did not fully foreshadow the design of the payroll giving scheme that was eventually adopted in New Zealand, which retained the design of the tax incentive as a credit and automated the payment of the donation tax credit through the PAYE system. The payroll giving scheme introduced on 7 January 2010, allowed employees to have their PAYE tax liability reduced by 33.33 cents for every dollar donated through payroll giving. The design preserved the individual donation tax incentive as a credit rather than a tax deduction. The 2006 discussion document noted potential fairness concerns in moving to a deduction mechanism since taxpayers with higher taxable income and facing a higher marginal income tax rate would receive a larger tax benefit for every dollar donated than taxpayers facing lower marginal income tax rates. The New Zealand payroll giving scheme reduces the employee's PAYE tax liability immediately,

²⁵ Other countries offering a tax deduction through payroll giving include the United States and Australia.

without having to submit a donation tax credit claim form, making it administratively simpler for donors than the set up considered in the earlier discussion document.

Payroll giving in New Zealand is voluntary - employers are not required to offer payroll giving and have full discretion as to which donee organisations employees can donate to.²⁶ Payroll giving is also optional for employees (Inland Revenue, 2018). Despite its apparently attractive features, payroll giving remains a small proportion of individual donations reported to the tax authority (less than 1% in 2018). The amount donated through payroll giving is examined further in section 3.1.3.

2.4.3. Corporate Giving

New Zealand encourages corporate giving through an income tax deduction. Companies can claim a tax deduction for charitable or other public benefit gifts to an approved donee organisation.²⁷ The donation must be a monetary donation of \$5 or (since March 2020) donation of trading stock.²⁸ The total donation tax deduction for monetary donations is capped at the company's net income after expenses (before considering the deduction for monetary donations). Companies claim the tax deduction through the company tax return (IR4 form).

Recent changes introduced in 2003 and 2009 increased the types of companies that qualify for the donation tax deduction as well as the maximum deduction amount. The 2003 reform increased the maximum donation amount eligible for a tax deduction to 5% of company net income, irrespective of whether the donation was made to a single donee organisation or to more than one donee (previously, donations to any one donee organisation were capped at 1% of net company income or \$4,000, whichever is greater; and an aggregate maximum of 5% of net company income or \$1,000, whichever is greater) (Inland Revenue,

²⁶ Employers can offer payroll giving if they file certain information to the tax authority electronically, including the Employer Monthly Schedule (EMS) IR348 and Employer Deduction Forms (EDF) IR345.

²⁷ The company tax deduction is provided under Section DB 41 of the *Income Tax Act 2007*. For close companies, many use the standard company tax rules, but others use look-through company (LTC) rules that enable individual tax treatment to continue to apply. The company tax deduction for charitable donations only applies to close companies using company tax rules; for those using LTC rules, the tax credits available for individual donations apply.

²⁸ During emergency events, the disposal of trading stock (such as manufactured goods) as a gift to an approved donee organisation or public authority has benefited from a donation deduction, the value of which is not capped. Making this a permanent arrangement is being considered, and the options are discussed in Inland Revenue (2023b).

2001).²⁹ Close companies became eligible for claiming donation tax deductions, provided they have shares quoted on a recognised stock exchange.³⁰

The 2006 Government discussion document on donation tax incentives considered increasing the company deduction limit (capped at 5% of net company income) and extending the company deduction to close companies not quoted on a recognised stock exchange. From the 2009 tax year, the 5% cap was lifted to 100% of net company income, and close companies became eligible to claim the donation tax deduction irrespective of whether they have shares quoted on a recognised stock exchange.

Monetary donations are one of the forms of giving that companies can engage in. Companies may also sponsor events, engage in cause-related marketing, make in-kind donations, provide *pro bono* services, and encourage employee payroll giving.³¹ GNZ (2014) estimates, based on data from grant recipients, that for every \$1 an average company gives in cash, they give \$1.43 in sponsorship and \$3.27 in donated goods and services.

Since the corporate donation tax incentive is a tax deduction, its value is influenced by the corporate income tax rate. Changes to the corporate income tax rate in recent years have reduced the value of the donation tax deduction. The company income tax rate has been reduced from 33% in 2007 to 30% in 2008 and 28% in 2011, effectively increasing the cost of giving from 67 cents for every dollar donated in 2007, to 70 cents in 2008, and 72 cents since 2011. Where corporate philanthropy is a tax-deductible expense the relative price of monetary and non-monetary donations was unchanged by these tax reforms.

Internationally, donation tax deductions are a more common form of donation tax incentive for corporates than individuals. Of the countries surveyed by the OECD (2020), 33 of the 39 countries offer a tax deduction for corporate giving, whereas 22 offer a tax deduction for individual donations. There are several countries (including Belgium and Canada) that like New Zealand offer a tax credit for individual donations, and a tax deduction for corporate donations. The different treatment of individual and corporate donations could be because corporate donations are viewed as akin to a business expense and therefore treated as deductible,

²⁹ The ceilings have the effect of reducing the incentive for companies with low net incomes to make donations to multiple charities.

³⁰ Justified on the basis that listed companies are subject to greater public scrutiny and disclosure requirements, whereas unlisted companies are not subject to the same level of oversight (Inland Revenue, 2006). The *Income Tax Act 2007* defines close companies as companies controlled by five or fewer people (Inland Revenue, 2006).

³¹ Sponsorship expenditure can be deducted as advertising expenditure where the business or income earning activity is promoted by incurring the sponsorship expenditure (Inland Revenue, 2002). Pro-bono services are professional services provided voluntarily and without payment. Cause-related marketing involves collaborations between companies and not-for-profits, to promote the formers sales and the latter's cause.

or because flat corporate income tax schedules mean that a tax credit design is not needed to avoid the regressive effects of a donation tax deduction (OECD, 2020).

Countries set ceilings on corporate donation tax deductions, and generally limit the deduction to a defined share of net income (as in New Zealand), total revenue, income tax liability or a fixed monetary ceiling for the deduction. Austria for example limits deductions to 10% of total profits and South Africa to 10% of taxable income. Some countries have different ceilings depending on the recipient of the donation and may combine ceilings. The ceiling on the donation tax deduction offered in New Zealand (the company's net income after expenses) is similar to the deduction offered in Australia, where the donation tax deduction cannot create an income tax loss, although as the Australian system allows the donation amount to be spread over a period of up to five years, it is somewhat more generous. Ceilings for the donation tax incentive are generally established to reduce the fiscal cost of the tax incentive, and to limit the scope for tax avoidance and evasion schemes.

New Zealand has traditionally limited the corporate donation tax deduction to monetary gifts, although as an emergency measure temporarily extended the deduction to gifts of some trading stock. Some other countries also allow non-monetary gifts, such as gifts of property, or art works to benefit from donation tax incentives. Allowing non-monetary gifts may increase charitable giving but could also lead to abuse through gifts being over-valued to increase the tax benefit. This is typically mitigated by requiring third party valuations of some larger non-monetary gifts (OECD, 2020). The amount of corporate donations in New Zealand are examined further in section 3.1.1.

2.4.4. Māori Authority Giving

Māori authorities were created as trustees to manage or administer communally owned Māori property on behalf of individual members. Māori authorities are allowed a deduction for donations to a Māori association (including a Māori Committee, a Māori Executive Committee, a District Māori Council, and the New Zealand Māori Council, which are groups representing Māori people and supporting community development) or for charitable or other public benefit gifts made to a donee organisation.³²

Prior to 2003 only donations made by Māori authorities to Māori associations were eligible for the donation tax deduction. Since 2003, donations from Māori authorities to other donee organisations became eligible for the donation tax deduction. Prior to 2009, the maximum deductible amount was capped at 5% of the

³² The Māori authority tax deduction is provided for under Section DV 12 of the *Income Tax Act* 2007. Māori association is defined under the *Māori Community Development Act* 1962.

authority's net annual income. From 2009 the maximum allowable deduction for donations was increased to the authority's net annual income. Māori authorities claim the tax deduction through their income tax return (IR8 form). Donation tax incentives provided to Māori authorities represent a small fraction of overall donation tax incentives provided in New Zealand (less than 2% 2018). The amount of giving by Māori authorities is discussed in section 3.1.1.

Since the Māori authority donation tax incentive is a tax deduction, its value is influenced by the Māori authority income tax rate. The cost of making cash donations for Māori authorities increased in 2012 as the Māori authority tax rate decreased from 19.5% in 2011 to 17.5% in 2012. As a result of the tax change, the price of giving increased from 80.5 cents for every dollar donated in 2011, to 82.5 cents in 2012.

2.5. Tax Treatment of Charitable Entities

This section describes the tax relief that tax charities benefit from in New Zealand, including relief from income tax, and other benefits (tax charities are defined in section 2.2). Income tax relief for tax charities in New Zealand is in the form of an exemption from income tax on non-business income (for example donations, grants, and investment income). Provided certain additional conditions are met, business income of charities is also exempt from income tax. For business income to be exempt from income tax, the main additional conditions that must be satisfied are that the income must be applied to charitable purposes within New Zealand, and no person with some control over the business can direct or divert to their own benefit funds derived from the business.³³ The income tax exemption for tax charities in New Zealand allows charities to spend on charitable purposes from untaxed income. This tax policy is intended as a way for government to subsidise spending on charitable purposes. Data from a public database of New Zealand registered charities suggests that 48.7% of registered charities are involved in some form of trading activities.³⁴

The responsibility for accrediting tax charities in New Zealand is shared between the tax authority and the Charities Services. An organisation is generally only exempt from income tax if it is registered with the Charities Services, or if registration with Charities Services is unavailable (for example, for entities without a charitable purpose), has been granted an exemption by the tax authority. Requirements for registration as a charity are described in section 2.2. If charitable organisations are assessed as being fully exempt from

³³ Treatment of charity non-business and business income is described under sections CW 41 and CW 42 of the *Income Tax Act 2007*, respectively. 'Business' means an activity of commercial nature, carried out with the intention of making a profit.

³⁴ Data downloaded from the New Zealand Charities Register on 30 January 2023.

income tax, they don't need to file a tax return, unless asked to by the tax authority. However, tax charities still need to keep accurate records, and if they are registered charities are required to submit an annual information return to the Charities Services. This enables the Charities Services to monitor the activities and finances of charitable entities.³⁵

Most OECD countries provide charities with income tax relief. For the majority of countries income tax relief is based on the source of the income, i.e., income derived from non-business or business activities. Countries that take this approach generally exclude from the income tax base a charity's non-business income. Countries vary in how they treat income from business sources. Australia and Malta (like New Zealand) exempt both business and non-business income from the tax base, so long as any surplus ultimately goes toward the charity's charitable purpose. Other countries that follow this approach restrict the business activities that eligible entities can engage in, such as requiring the commercial activity to be related to the charitable purpose the entity is pursuing (in the case of Canada), or only excluding from the tax base income from business activities related to the entity's charitable purpose (this is the approach taken in Austria and the United States). Several countries also impose thresholds for business income above which income is either taxed, or entities risk losing their tax-exempt status (this includes France, Germany, and the United States). A minority of OECD countries base tax relief on the income that charities reinvest towards its charitable purpose, irrespective of the source of the income (this is the case in Ireland and Indonesia). In such cases, if an entity stockpiles surpluses, or invests toward something other than its charitable purpose the surplus becomes taxable (OECD, 2020).

There are two main risks with providing tax relief to charities. The first possible risk is that tax relief provides charities with business activities an unfair advantage relative to for-profit businesses. Recent reviews in Australia and New Zealand concluded that the tax concession did not deliver a competitive advantage for charities since: (i) charities still have a profit-maximizing motive to grow funds to support charitable purposes, and (ii) since charities also earn tax free income on non-business income, the tax concession for business income does not distort charity decisions to invest in business projects relative to passive investments (Inland Revenue and Treasury, 2018). However, it has been observed that some charities accumulate surpluses and make minimal distributions for charitable purposes. The 2001 government review of tax and charities in New Zealand considered a monitoring approach, whereby charities with possibly excessive accumulations arising from business activity be asked to demonstrate that the accumulations were in the best interests of its charitable purpose. Where they could not do so, this could

³⁵ Almost all information the charity annual information return is published on the Charities Register, and so the public (including charity beneficiaries and funders), as well as other government agencies, also have access to this information.

be considered a breach of its stated charitable purpose. The option the review recommended was that trading operation surpluses that are not distributed to charitable purposes should not benefit from the income tax exemption. Neither of these options were progressed at the time. The policy process supporting the *Charities Amendment Bill 2022* decided on a non-legislative change to require larger charities to report on the reasons for their accumulated funds. The change will be made by the Charities Services adding this as a reporting requirement in the charity annual information return form (DIA, 2022).

The second risk of providing tax exemptions for charities is that tax incentives are abused by diverting money away from charitable purposes. Common types of abuse include paying excessive salaries and compensation, diverting funds for personal expenses, or charities purchasing assets from related individuals at an inflated price. Countries attempt to limit these sorts of abuses by monitoring and/or auditing charity finances.

In addition to income tax relief, charities and other not-for-profits in New Zealand may also receive additional tax relief in relation to: (i) income accrued on charitable bequests between the date of death and the date of distribution to the charity, (ii) resident withholding tax (tax deducted from investment income, before the investor receives it), (iii) fringe benefit tax, and (iv) value-added tax (Inland Revenue, 2022a). An area where New Zealand charities do not receive additional tax relief is in relation to imputation credits. Charities that receive imputation credits attached to dividends are not taxed on the dividends received but are unable to use the imputation credits if they have no taxable income.³⁶ This contrasts with Australia, where imputation credits are refundable for charities (OECD, 2020).

2.6. Government Grants

The Lotteries Commission operates nationwide lotteries in New Zealand, such as Lotto draws and scratch cards (*Instant Kiwi*). The New Zealand Lotteries Commission was established in 1987. The New Zealand Lottery Grants Board distributes profits from the Lotteries Commission to the community, under the Gambling Act 2003.³⁷ Similar lottery-funded grant-making entities operate in other countries, such as the *National Lottery Community Fund* in the UK, and *Lotterywest* in Western Australia.

The stated aim of the Lottery Grants Board is to maximise community benefits by focusing grant decision making on outcomes of funded activities, projects, or services in the community. Individuals and groups can request Lottery grants for projects or ongoing operations and can cover capital or recurrent

³⁶ Imputation credits reduce double taxation, where the company distributing the dividends has paid taxes on its profits.

³⁷ The New Zealand Lottery Grants Board is a Crown Entity, which is a public body at arm's length from Ministers, but still part of the State Sector.

expenditures. When making the decision to fund, partially fund, or decline funding requests, Committees consider:

- How well the grant request meets the committee’s outcomes and funding priorities (these differ by Committee).
- Alignment with the Lottery Grants Board’s key request criteria³⁸ and funding objectives.³⁹
- The extent to which the request responds to community needs.
- The proposed outcomes and benefits to the community.
- The feasibility of the proposed project or service and the ability of the applicant to deliver the proposal.

When making grant decisions, committees may consider factors in addition to the individual merit of the funding request, such as the available funds (many funds are heavily over-subscribed) and the geographical and sectoral spread of funding (DIA, 2019).

Previous exercises quantifying charitable giving in New Zealand have classified Lottery Grants as a form of giving, since funds are transferred from the Lotteries Commission to the Lottery Grants Board for the purpose of being distributed to the community (the quantification exercises are described in section 3.1.1). This contrasts with tax-funded grants made by central and local governments, which are excluded from measures of charitable giving since funds were collected compulsorily (largely from taxation) and not only for the purpose of giving (GNZ, 2011). The Charities Register in contrast classified income that charities receive from Lottery Grants as part of government grant and contract income during the period from when the Charities Register was established on 1 February 2007 until 31 March 2015. The Charities Services redefined donations to include grants from government bodies from 1 April 2015 (DIA, 2018).

The New Zealand Lottery Grants Board allocated \$369 million of Lottery projects in the 2021/22 year. At least 42% of funds are allocated to statutory bodies and the remaining profits are distributed to individuals and groups through community and specialist committees (Community Matters, n.d.).⁴⁰ Some specialist committees are long-standing, whereas others respond to a time-limited need, such as disaster relief. The

³⁸ Funding criteria are to enhance capability and increase capacity among applicants and the community; reduce community organization funding gaps; have regards to the needs and aspirations of Māori; consider the needs of older people, Pacific people and other ethnic communities, women and youth, people with disabilities (Community Matters, n.d.).

³⁹ Funding objectives are to support volunteers; enable people to help themselves; promote community wellbeing and address disadvantage; promote community participation, inclusion and identity (Community Matters, n.d.).

⁴⁰ Statutory bodies include Creative New Zealand, Sport New Zealand, New Zealand Film Commission/Nga Taonga Sound and Vision. There is a national community committee, and 11 regional committees for Auckland, Bay of Plenty/Gisborne, Canterbury/Kaikoura, Hawke’s Bay, Manawatu/Whanganui, Northland, Otago/Southland, Taranaki, Waikato, Wellington/Wairarapa, and West Coast/Nelson/Marlborough. Specialist committees focus on topics such as disaster relief, community and marae heritage and facilities, outdoor and water safety, environment, health research, and discretionary projects of the Minister of Internal Affairs.

amount given to by the Lottery Grants Board to non-statutory bodies equates to around 70% of the tax expenditures on donation tax incentives each year (\$218 million in 2021/22 relative to an estimated \$314 million in donation tax incentives in 2021) (Treasury, 2021).⁴¹ Government grants funding as a source of charity income is discussed further in section 3.3.2.

3. Facts and Figures on Giving

The previous section describes the institutional environment for philanthropic giving in New Zealand. This section adds new data and analysis to understand: the amount of giving in New Zealand and how it compares with other countries, how much of what individuals give is claimed in donation tax credits, how donor characteristics are associated with charitable giving, and the main recipients of charitable giving.

3.1. Amount of Giving

Measuring the amount of charitable and public benefit giving – that is, the amount New Zealanders and New Zealand organisations give to charities and other community purposes – is important to understand the significance of giving in New Zealand and trends in giving over time. Section 3.1.1 describes the main data sources that can be used to measure the amount of giving in New Zealand. The seemingly straightforward task of measuring the amount of giving is complicated by the different definitions of giving that are used, and the limitations of what is measured by the available data sources. Nonetheless, the available data sources are presented and discussed. Section 3.1.2 explores how the amount of giving responds to major events. Section 3.1.3 discusses how much is given through workplace payroll giving schemes. Section 3.1.4 examines how much of what is given by individuals is reported to the tax authority, for the purpose of claiming donation tax credits.

3.1.1. Measures of Giving

The most comprehensive attempts to measure giving in New Zealand have been made by standalone reports of private consultancy and advisory firms and include *Giving in New Zealand* (2006, 2011, 2014) and the *New Zealand Support Report* (2020). The starting point for measuring the amount of giving is a clear

⁴¹ An estimated \$283 million in individual donation tax credits, \$28 million in tax expenditure associated with the company tax deduction and \$3.5 million associated with the Māori Authority donation tax deduction, in 2020/21 (Treasury, 2021).

definition of charitable giving to determine what is within and outside of the scope of the measurement exercise. The Giving in New Zealand reports define philanthropic giving as:

“... the act of giving financial resources to a cause that is intended to improve general human well-being, and where the giver expects no direct reciprocation or financial gain in return”.

In the New Zealand context, measurement exercises have included both voluntary giving by individuals/households, businesses, individual and family trusts and foundations, as well as giving by statutory institutions that have a legal obligation to distribute funds to the community (such as community trusts, energy trusts, gaming machine societies, liquor licensing trusts and the Lottery Grants Board, described in Section 2.3). Tax-funded grants and transfers by central and local governments are outside of the scope of the measurement exercise. Studies have generally focused on financial gifts and have excluded in-kind giving and volunteering. Transfers between family members are outside of scope, as they could involve an expectation of reciprocity, as are payments for membership of an organisations or payments for goods or services (Giving in New Zealand, 2011).

The estimates of the amount of giving in New Zealand are summarized in Table 1.⁴² The main data sources used to measure the amount of charitable giving are taxation claims/returns, survey data, annual reports, financial statements, and charity disclosures to the Charities Register.⁴³ The scope of measurement of philanthropic giving has tended to expand over time to include additional categories, either because more data has become available (for example, survey data allowed the estimation of private giving not reported to the tax authorities in the 2014 measure) or where a judgement has been made to include an additional category (such as the value of in-kind corporate philanthropy in the 2018 measure).⁴⁴ Estimates suggest philanthropic giving as a percentage of GDP of between 0.8 and 1.3 depending on the scope of the definition, and the year of measurement.

⁴² Earlier Funding New Zealand studies estimate the amount of philanthropic giving in 1996 and 2002 from a narrower range of sources (excluding personal giving where donation tax credits are not claimed, and giving by energy trusts, licensing trusts, Tertiary education institutes; 1996 estimate also excluded giving from gaming machine societies and corporate giving), and obtained estimates of total giving in New Zealand of \$463 million in 1996, and \$685 million (JBWere, 2020).

⁴³ The Household Economic Survey (HES) conducted by the National Statistical Authority (Statistics New Zealand) lists several categories of expenditure that could contain philanthropic giving, including expenditure on community service clubs, cultural societies, charitable, church or civic organizations, subscriptions and donations to leisure organisations. The survey is of limited use in estimating the amount of charitable giving in New Zealand since the categories may also include expenditures that are not considered philanthropic giving, such as membership fees, or fees for service (Giving in New Zealand, 2006).

⁴⁴ Some categories have also been excluded in subsequent studies such as distributions made by Energy Trusts to customers in the form of dividends or discounts, since these payments were not considered philanthropic in nature, but more akin to company dividends or discounts that could be used by recipients for any purpose (JBWere, 2020).

Table 1: Estimates of Giving in New Zealand

Source of giving	2006	2011	2014	2018
Private individuals	558.3	1,821.3	1,793.9	2,488.0
Personal donations	367.9	1,424.2	1,373.0	2,004.0
Donations that attract tax credits	367.9	635.8	678.2	802.0
Other donations	NA	788.4	694.8	1,202.0
Bequests	74.9	122.0	157.1	194.0
Family trusts and foundations	115.5	275.1	263.8	290.0
Businesses	89.2	98.6	77.2	572.0
Donations that attract tax deduction	89.2	98.6	77.2	143.0
Corporate social responsibility activities	NA	NA	NA	429.0
Statutory and community trusts and foundations	626.6	869.5	917.1	757.0
Energy trusts	116.3	242.5	265.3	18.0 ⁽¹⁾
Community trusts	111.8	103.4	105.4	116.0
Community foundations ⁴⁵	NA	NA	NA	7.0
Liquor licensing trusts	6.4	3.7	3.0	NA ⁽²⁾
Gaming machine societies and trusts	272.0	312.3	300.7	341.0
Lottery Grants Board	110.9	196.1	230.9	275.0
Tertiary education institutes	9.2	11.5	11.8	NA ⁽³⁾
Total	1,274.1	2,789.4	2,788.1	3,816.0
% GDP	0.81	1.34	1.17	1.29

Note: Table shows estimates of philanthropic giving in New Zealand. Figures are in nominal NZ dollars, million. (1) The 2018 measure excludes dividends/discounts from energy trusts and only includes grants and distributions. (2) Giving by liquor licensing trusts is excluded, in part because it is a relatively small amount. (3) Giving by Tertiary Education Institutes is excluded, since this mostly reflects scholarships for individuals to attend the institution.

Source: Giving in New Zealand (2006, 2011, 2014), The New Zealand Support Report (2020), Statistics New Zealand, author calculations.

Table 2 shows donations reported to the tax authority through individual donation tax credit claims and payroll giving, company tax returns and Māori authority income tax returns.⁴⁶ Over 88% of the donations reported to the tax authority over the 2009-2018 period are from individuals, 11% from companies and 1% from Māori Authorities. While giving across all categories has increased in real inflation-adjusted terms, the share of donations reported to the tax authority by individuals declined since 2009, from 93% of total

⁴⁵ Community Foundations receive money from donations, that is then invested to fund community grants. There are currently 17 community foundations operating in different regions of New Zealand.

⁴⁶ The tax authority publishes data on the donation tax credit amount paid, which can be used to calculate the eligible donation amount. The published figures do not include donations reported to the tax authority that are ineligible for donation tax credits. To measure the amount of donations, I use the figures reported to the tax authority from Inland Revenue datasets which for individuals reflect the total reported donation amount on the donation tax credit claim form, that may include both donations that are eligible and ineligible for tax credits.

reported donations to 83% in 2018. The share of donations reported by companies increased from 7% in 2009 to 14% in 2018 and by Māori authorities from less than 1% in 2009 to 3% in 2018.

There was a 20.1% increase in the real inflation-adjusted amount of donations reported by individuals to the tax authority in 2009 following the removal of the \$1,890 ceiling for donations eligible for tax credits, which could reflect an increase in actual donations due to the reduction in the price of giving for donations in excess of the previous ceiling, or a reporting effect due to taxpayers having the incentive to report donations to the tax authority in excess of the previous ceiling. Donations reported to the tax authority by individuals are less than survey-based measures of individual charitable giving. The possible reasons for this are discussed in section 3.1.4 and include individuals making eligible donations and not claiming donation tax credits, survey over-reporting of charitable giving, or individuals making donations that are ineligible for tax credits.

Table 2: Donations Reported to Tax Authority

	Individuals		Companies		Māori Authorities	
	Claims (No.)	Donation Amount (\$NZ Mn)	Claims (No.)	Donation Amount (\$NZ Mn)	Claims (No.)	Donation Amount (\$NZ Mn)
2000	386,799	408.3			45	0.5
2001	377,369	415.1			72	0.6
2002	378,207	433.6			79	0.6
2003	373,110	451.0			60	0.6
2004	375,330	507.1			68	0.7
2005	383,477	510.4			57	0.9
2006	388,599	512.6			55	0.6
2007	400,335	537.4			61	0.3
2008	411,231	558.8			48	0.3
2009	398,680	671.3	2,624	50.6	58	1.9
2010	391,929	679.7	3,333	65.8	64	0.9
2011	401,919	700.4	4,281	110.2	76	4.3
2012	396,789	708.2	4,321	84.3	68	2.8
2013	390,319	715.3	4,497	75.3	63	4.1
2014	394,028	740.1	4,960	63.9	62	5.5
2015	393,331	755.3	5,011	112.1	63	28.1
2016	385,414	778.5	4,930	98.8	66	21.9
2017	376,122	789.9	5,103	108.0	48	23.0
2018	360,531	795.6	4,852	136.5	56	25.2

Note: Donations reported to the tax authority by individuals, companies, and Māori Authorities, from Inland Revenue datasets. Dollar values are in real 2017 NZ dollars, million. Data for recent years may not be complete, since the data was compiled in 2019, and individual taxpayers have up to four years to claim donation tax credits. Corporate donations data is not provided in the datasets prior to 2009.

Source: Inland Revenue, Statistics New Zealand, author calculations

The Charities Register is a public registry of information about registered charities, and reports information on donations received by charities from when the register opened on 1 February 2007, until the reporting regime changed on 31 March 2015. Donations income is money given to the charity from individuals, companies, trusts and foundations without an expected return.⁴⁷ Table 3 shows the donations income reported to the Charities Register.

Around half of charities received donations each year over the period from 1 February 2007 until 31 March 2015. The total donations reported to the Charities Register during the last full year of reporting was NZ\$1,303 million in 2014.⁴⁸ The amount of donations reported to the Charities Register is about half of the estimated amount of giving by GNZ (2014). Around one-quarter of the difference is explained by Lottery grants and bequests being counted as ‘giving’ by the GNZ reports and counted in other categories in the Charities Register. The remainder of the difference may be explained by giving to entities that are not registered charities, or by measurement error in either or both data sources.

Table 3: Donations Income Reported by Registered Charities

Year end	Number of charities	Charities receiving donations (%)	Total donations (\$NZ Mn)
2007 ⁽¹⁾	333	49.8	14.1
2008	5,631	52.2	405.1
2009	19,596	51.9	906.5
2010	21,244	53.3	1,061.0
2011	22,579	54.0	1,229.0
2012	23,311	54.5	1,189.1
2013	23,955	55.0	1,205.1
2014	24,282	55.7	1,303.3
2015 ⁽²⁾	10,868	57.5	494.3

Note: Table shows the number of charities filing annual returns each calendar year, the percentage of charities reporting donations income, and the total donations income reported. Dollar values in real 2017 NZ dollars, million. (1) Charities register opened on 1 February 2007, and there was a lag before many charities registered and filed a first annual return. (2) Data is shown until 31 March 2015, as from 1 April 2015 the Charities Services redefined donations to include grants from government bodies.

Source: New Zealand Charities Register, Statistics New Zealand, author calculations.

⁴⁷ The Charities Register reporting regime changed on 1 April 2015 and the Charities Services redefined donations to include grants from government bodies.

⁴⁸ Donations income reported to the Charities Register in 2014 was \$1,267 million in nominal NZ dollars and \$1,303 million in real 2017 NZ dollars; total giving in New Zealand was estimated at \$2,788 million in 2014 (GNZ, 2014).

Charities Aid Foundation (2016) attempts to compare giving by individuals across countries and ranked New Zealand second highest out of 24 countries, behind only the United States, giving 0.79% of GDP compared to 1.44% in the US.⁴⁹ However, differences in data sources across countries make accurate international comparisons of giving difficult. The New Zealand individual giving figure is from the 2011 GNZ report, which uses survey data to estimate private charitable giving. Data for other countries is generally sourced from surveys of individuals (like New Zealand), tax returns, organisational accounts, or organisational surveys. If only donations reported to the tax authority were counted in the New Zealand measure, then giving as a percentage of GDP would be 0.31% in 2011, and the New Zealand ranking would fall to seventh behind the US, Canada, UK, Russia, Korea, Singapore, and India.⁵⁰

The World Giving Index is probably the most internationally comparable way of measuring charitable giving, since it is based on a Gallup World Poll conducted in a similar way across countries.⁵¹ The UK Charities Aid Foundation uses the Gallup poll to construct the ‘World Giving Index’ to track trends in charitable giving across 114 countries. The Gallup poll asks whether the individual has donated money to a charity, volunteered time to an organisation, or helped a stranger, or someone they didn’t know who needed help, during the previous month.

Figure 1 shows the New Zealand results from the Gallup World Poll. Over the period 2010-2018, 65% of New Zealanders reported donating money, 41% volunteering their time, and 64% helping a stranger, in the prior month. This ranked New Zealand 3rd in the world based on the weighted average of the three metrics over the 2010-2018 period (CAF, 2019).⁵² Giving in New Zealand fell across all measures in 2020. The 2020 Gallup World Poll was undertaken in the weeks prior to the first wave of the Covid-19 pandemic. New Zealand’s world ranking also fell to 7th in 2020, suggesting giving may have been more adversely affected by the pandemic than in other highly ranked countries. Giving in New Zealand recovered in 2021 across all metrics except volunteering time, which remained unchanged from the prior year.

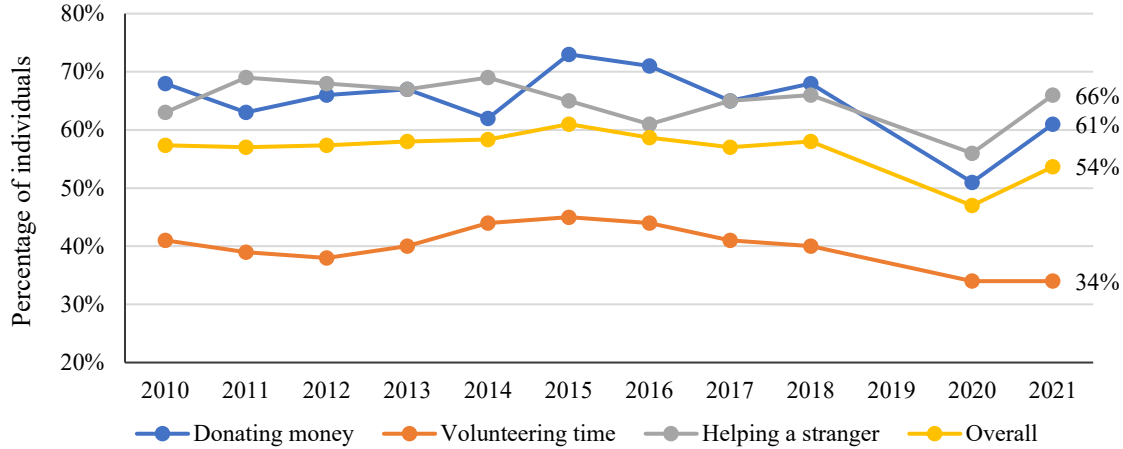
⁴⁹ Private individuals in New Zealand gave an estimated \$1.4 billion in 2010/11 according to the GNZ (2011) report (equivalent to \$1.1 billion in US dollars).

⁵⁰ Data for other highly ranked countries comes from tax returns (United States), surveys (Canada, Singapore, United Kingdom), organizational accounts (India), and both tax returns and surveys (Korea).

⁵¹ For most countries 1,000 questionnaires are completed by a representative sample of individuals 15+ years old from the civilian population, carried out either by telephone or face-to-face interviews.

⁵² Over the period 2010-2018, New Zealand ranked 9th for donating money, 6th for volunteering, and 10th for helping a stranger, and 3rd overall.

Figure 1: Gallup World Poll: New Zealand



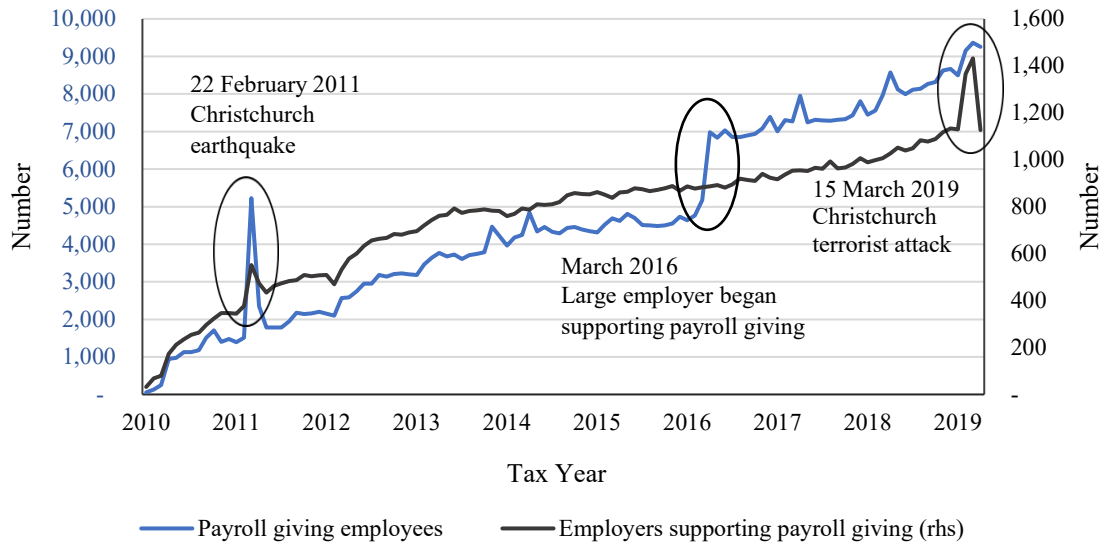
Note: The figure shows the percentage of New Zealanders surveyed who report donating money, volunteering time, or helping a stranger in the prior month. The overall measure is the weighted average of the responses to the three questions. Data is not available for the 2019 year, since the 2019 CAF report provided a retrospective about charitable giving trends during the prior decade.

Source: Charities Aid Foundation, based on Gallup World Poll.

3.1.2. Major Events

There have been several major events in New Zealand that may have stimulated large-scale fundraising drives and charitable giving. Donations appear to have increased in response to the Canterbury earthquakes in 2011. The GNZ report attributes the lower personal donation amount in its 2014 report relative to the 2011 report to higher personal donations in 2011 due to the earthquake response (GNZ, 2014). Monthly data of payroll giving is shown in Figure 2. The monthly payrolls data shows a spike up in payroll giving activity in March 2011 – after a major earthquake in the Canterbury region of New Zealand on 22 February 2011. There was also a possible spike up in payroll giving activity in March 2019 – after a terrorist incident on 15 March in the city of Christchurch. This data provides *prima facie* evidence of donations in the workplace responding to these major events.

Figure 2: Number of Payroll Giving Employees and Employers



Note: Figure shows the number of employees donating each month through payroll giving and the number of employers supporting payroll giving donations, from Inland Revenue datasets. Payroll giving was introduced on 7 January 2010. There is a spike up in the number of payroll givers/workplaces following major national events in 2011 and possibly also in 2019. A large employer began supporting payroll giving in March 2016 which explains the upward shift in the number of payroll-giving employees from April 2016.

Source: Inland Revenue, author calculations.

New Zealand's first Covid-19 national lockdown to prevent the spread of the virus began on 25 March 2020. Charities' income was impacted by the pandemic due to fundraising events being cancelled and trading operations, such as charity shops and events being closed. However, the available data suggests that over the course of the year, overall charity income may not have been as adversely affected by the pandemic as first thought. Data from the Charities Register shows that for the just under 18 thousand charities that filed annual returns in each year from 2019 to 2022, total gross income increased in real inflation-adjusted terms from \$11.3 billion in 2019, to \$11.8 billion in 2020, \$12.9 billion in 2021 and \$13.0 billion in 2022.⁵³ In 2020 there was an overall decline in income from membership fees, and in 2021 revenue was up across all categories. NZ dividend income reflected the performance of asset markets, declining in 2020, increasing in 2021 and declining again in 2022.

Figure 1 in the previous section shows that the number of people reporting that they gave to charity in the previous month declined in 2020 at the start of the Covid-19 pandemic. Annual data reported by the tax authority shows that the number of taxpayers claiming donation tax credits declined during the pandemic (by 6% in 2020 and 1% in 2021 for donation tax credit claimants; and by 14% in 2020 for payroll donors;

⁵³ Data downloaded from the New Zealand Charities Register, 30 January 2023. Figures are in real 2017 NZ dollars.

the number of payroll donors increased by 5% in 2021).⁵⁴ The dollar amount of donations reported to the tax authority that were eligible for tax credits were around flat in 2020 and increased by 1.4% in 2021, because taxpayers that claimed donation tax credits made larger mean donation amounts. The dollar amount of payroll donations increased from \$6.5 million for the year ending March 2020 to \$9.4 million for the year ending March 2021 and declined to \$6.2 million during the year ending March 2022 suggesting there may have been a temporary increase in payroll donations in 2020/21 related to pandemic (Inland Revenue, 2023a).⁵⁵

3.1.3. Giving in the Workplace

Payroll giving was introduced in New Zealand on 7 January 2010. Section 2.4.2 provides a description of the New Zealand payroll giving scheme. Donating through workplace payroll giving schemes has some apparently desirable characteristics for donors, employers, and recipient organisations, such as the donor receiving the donation tax credit immediately and providing a regular income stream for recipient organisations (from employees that opt to donate regularly).⁵⁶ Despite this, the amount donated through payroll giving makes up a small share of overall individual giving in New Zealand, representing less than 1% of donations reported to the tax authority. Table 4 reports summary statistics about New Zealand payroll giving. In 2019 15.7 thousand employees gave at total of \$7.2 million (in real inflation-adjusted 2017 dollars) through payroll giving across around 2.9 thousand workplaces. Around 5.5% of employees in payroll giving workplaces donated through payroll giving in 2019.

⁵⁴ Data retrieved from www.ird.govt.nz on 10 July 2023; the New Zealand tax year runs from 1 April to 31 March.

⁵⁵ Data released by the tax authority, in real 2017 NZ dollars. Recent data may not be complete since taxpayer have up to four years to file claims.

⁵⁶ Data from the New Zealand payroll giving scheme shows that most employees that donate either donate regularly (every month of the year) or make a one-off contribution.

Table 4: Payroll Giving Summary Statistics

	Donors (no.)	Employers (no.)	Employees in payroll giving workplaces (thousand)	Share of employees donating (%)	Payroll donors (% total tax credit claimants)	Payroll donation amount (\$Mn)	Payroll donation amount (% total donations)
2010	304	115	7.8	3.9	0.1	0.1	0.0
2011	6,854	839	139.0	4.9	1.7	2.7	0.4
2012	4,614	938	163.9	2.8	1.2	3.6	0.5
2013	6,608	1,451	160.6	4.1	1.7	5.1	0.7
2014	8,152	1,562	173.0	4.7	2.1	6.1	0.8
2015	8,530	1,647	190.3	4.5	2.2	6.6	0.9
2016	9,067	1,772	207.3	4.4	2.4	6.2	0.8
2017	11,529	1,891	235.1	4.9	3.1	6.6	0.8
2018	13,095	2,083	235.5	5.6	3.6	6.4	0.8
2019	15,698	2,902	285.1	5.5	NA	7.2	NA

Note: Table reports statistics about the New Zealand payroll giving scheme, including the use of the scheme by employees and employers and the contribution of payroll donations to overall individual donations reported to the tax authority, from Inland Revenue datasets. Dollar values are in real 2017 NZ dollars, million.

Source: Inland Revenue, author analysis.

Previous international studies have sought to explain why individuals donate through workplace giving, the amount donated, and the choice of recipient organisation. At an individual level, previous studies have found income, education, age, religiosity, and volunteering to be positively associated with the decision to donate through workplace giving schemes, and the donation amount (Nesbit, et.al., 2012). Several studies have found length of service is positively associated with participation in workplace giving. Employees reporting higher levels of organizational commitment or identification are more likely to donate, but there is no significant difference found for employees with different levels of job satisfaction. Employees with a negative view toward not-for-profit organisations are less likely to give through workplaces. Workplace donations are positively correlated with an individual's private donations and volunteering (Shaker and Christensen, 2019).

At a workplace level, studies have found participation and contribution levels positively correlate to giving within the individual's workplace team, especially those of the same gender and similar salary level (Carmen, 2004). Mixed evidence has been found about the impact of the solicitor of the donation on participation (be that a co-worker, employer, or professional fundraiser). Study findings are mixed as to the influence of organisational size on workplace giving. Studies have found higher levels of giving in for-profit workplaces than public sector workplaces. Surveys have identified convenience, employer tax incentives, freedom to choose the charity to donate to and employer matching, as reasons that employees use payroll giving (Shaker and Christensen, 2019). Under employer matching, if an employer offers a 1:1

match for example, then for every \$10 donated by the employee, the employee's income (after the donation and tax credit) is reduced by \$6.67, and the recipient receives \$20.

As mentioned previously, payroll giving in New Zealand makes up a small share of overall giving, but it has been increasing over time, in the number of donors, the number of workplaces supporting payroll giving, as well as the total amount donated (as shown in Table 4). Publicly available data suggests that payroll donations appear to have increased in response to the Covid-19 pandemic, with the amount donated through payroll giving increasing by 43% in the 2021 tax year (the year to March 2021) (Inland Revenue, 2023a).

Data on New Zealand donation tax credit claimants suggests that workplace giving may attract a different type of donor than giving outside of the workplace, and so is likely to be complementary to giving outside of the workplace, rather than a substitute. New Zealand payroll donors tend to be younger, are more likely to be male, and higher income than donation tax credit claimants outside of the workplace. The characteristics of payroll donors is discussed further in section 3.2.5.

The often-limited choice of organisations to donate to is a factor that may reduce the attractiveness of payroll giving schemes to employees. Some New Zealand employers for example only support donations to the company's own charitable foundation, or a limited number of organisations. Furthermore, since the employer is not permitted to release donor information to recipient organisations without the donor's permission (for privacy reasons), payroll giving may have limited attractiveness to the recipient also, since they are unable to establish a direct relationship with the donor for future fundraising purposes.

From the perspective of the employer, the main reasons found for why employers support workplace giving is that it contributes to the reputation of the firm as socially responsible and helps to contribute to employee morale and job satisfaction (Shaker and Christensen, 2019).

Payroll giving has been available in the United States since 1943 and has tended to be better supported than payroll giving schemes implemented in other countries (such as the United Kingdom, which introduced payroll giving in 1987 and Australia which implemented its scheme in 2002). However, studies suggest that support for workplace giving in the US could be waning, in part because of the changing workplace environment, with more diverse, smaller workplaces, making it more costly for charities to raise funds in this way (Soskis, 2019).

3.1.4. Unclaimed Individual Donation Tax Credits

There is a large gap between the amount of private donations estimated from survey data in New Zealand and the amount reported to the tax authority for the purpose of claiming donation tax credits. This suggests that a large share of donations eligible for tax credits may be unclaimed in New Zealand.

The amount of private donations estimated from survey data is more than twice the amount reported by individuals to the tax authority. The GNZ (2011, 2014) estimates of total private donations in New Zealand are based on questions from the Nielsen Survey.⁵⁷ The survey of 12,000 representative individuals aged 10+ years was conducted quarterly and asked people about the value of committed and ad hoc donations during the previous 12 months. GNZ (2011, 2014) scaled up the survey averages to obtain an estimate for personal giving of all New Zealanders. GNZ (2011) estimates personal donations of \$1.424 billion in 2011. GNZ (2014) uses the same methodology to obtain an estimate of \$1.373 billion in personal donations in 2014.⁵⁸ The New Zealand Support Report (2020) estimates personal donations of \$2.004 billion in 2018.

Far more individuals report making donations than claim donation tax credits. The Gallup World Poll described in Section 3.1.1 found that 65% of New Zealander's reported donating money during the previous month, over the 2010-18 period. The Nielsen survey found that 39.7% of respondents reported donating on average over the period from the fourth quarter of 2009 to the third quarter of 2014 (JBWere, 2020). This compares with tax data showing that 10.9% of taxpayers claimed donation tax credits over the 2010-18 period. The proportion of taxpayers claiming donation tax incentives is quite low in New Zealand compared to other countries.⁵⁹

Survey data finds only a fraction of individuals that make donations report having claimed donation tax credits. The New Zealand Charities Services commissioned an online survey every two years since 2008 to measure levels of public trust and confidence in the charitable sector. The survey is done online with a nationally representative sample of around 2,000 adults. The surveys undertaken in 2008, 2010 and 2014 included a question asking whether those who had donated in the previous 12 months had claimed a 'tax refund' before, with 41% of respondents in 2008 and 2010, and 26% in 2014 reporting having previously claimed a tax refund for donations they had made (Charities Services, 2008, 2010, 2014).

⁵⁷ The survey was called the Nielson Panorama Survey in 2011, and then renamed the Nielsen Consumer and Media Insights Survey.

⁵⁸ The donations questions were dropped from the Nielsen survey after 2014.

⁵⁹ International studies report 40% of Canadians, 43% of Germans, and 81% of American making an itemized tax deduction, claim donation tax incentives (Minaker et. al., 2019, Adena, 2015).

The New Zealand tax system does little to prompt taxpayers to claim donation tax credits. There is no third-party reporting of charitable donations by charities to the tax authority.⁶⁰ Donation tax credits are generally self-reported by individual taxpayers to the tax authority through a process separate to the individual tax return. Until recently, many New Zealand taxpayers have not needed to file tax returns, and so had no proactive engagement with the tax authority.⁶¹ When Denmark shifted from self-reporting to third-party reporting of donations researchers found that many donations eligible for tax credits were previously being unclaimed under a self-reporting system. Gillitzer and Skov (2018) found that the introduction of third-party reporting for charitable deductions in Denmark in 2008 resulted in a doubling in the number of claims, and a 15% rise in the total value of claims.

Other than unclaimed donation tax credits, there are two other plausible explanations for the large gap between the survey-based measures of charitable giving in New Zealand, and the amount of donations individuals report to the tax authority. The first is that individuals may overstate donations when responding to surveys, and the second is that not all individual donations measured in surveys will be eligible for tax credits.

A known phenomenon in survey responses is social desirability bias, which can result in respondents over-reporting what they perceive as socially desirable. In the case of surveys of charitable giving, social desirability bias may result in respondents overstating their charitable giving. To understand this phenomenon, a study in the United Kingdom circulated a postal survey to 1,500 active donors to an animal welfare charity and compared the survey response of active donors to the actual donations the donors had made to the charity from the charity database. The study found that 11.8% of survey respondents reported donations to the charity accurately in the survey, 22.4% under-reported donations, and 65.3% over-reported donations. The margin of over-reporting was higher than that of under-reporting, which the study interprets as a tendency for survey respondents to over-report donations (Lee and Sargeant, 2011).

Some individual donations that are captured by survey data will not be reported to the tax authority because the donation is ineligible for tax credits. Donations are ineligible for tax credits where the donation is made to an ineligible entity, such as a not-for-profit that is not a donee organisation, or to a private individual. Donations are also not eligible for tax credits where a receipt is not issued, such as with door-to-door or street corner fundraising campaigns. Donations of less than \$5 or more than an individual's total taxable income are not eligible for tax credits.

⁶⁰ Under third party reporting, charitable organisations report contributions received from taxpayers to the tax authority, which are then used to pre-fill claims for donation tax credits/deductions.

⁶¹ The New Zealand tax authority currently works out an income tax assessment for most individual taxpayers, which is then confirmed or adjusted by the taxpayer.

In summary, the available evidence suggests that many donations eligible for donation tax credits are likely to go unclaimed in New Zealand due to taxpayers not submitting donation tax credit claims to the tax authority. However, this is unlikely to explain all of the gap between survey-based measures of giving and donations reported to the tax authority, due to the potential for survey responses to over-report charitable giving, and because some donations are ineligible for tax credits.

3.2. Characteristics of Individual Donors

This section discusses the characteristics of individuals that donate in New Zealand, including how charitable giving differs according to an individual's taxable income, age, and gender, how individuals that donate through payroll giving compare to taxpayers that claim donation tax credits outside of the workplace, and how individuals that donate to religious organisations differ from those that support other causes.

3.2.1. Taxable Income

The international literature finds that higher income households tend to give more to charity in absolute terms than lower income households, and this trend has become more pronounced over time in many countries (Andreoni and Payne, 2013).

Panel (a) of Figure 3 reports the percentage of New Zealand taxpayers that claim donation tax credits by taxable income decile and panel (b) reports the mean reported donation amount. Taxpayers are divided into ten equal groups according to their taxable income in each tax year. Decile 1 represents the lowest 10% of taxpayers by income (in the 2018 tax year these taxpayers had taxable income of less than NZ\$5.8 thousand), and decile 10 represents the highest 10% of claimants by income (with taxable income of more than NZ\$90.3 thousand).⁶²

Taxpayers with higher taxable incomes are more likely to claim donation tax credits than those in lower taxable income deciles. Over the 2000-2018 study period, 3.8% of taxpayers in the lowest taxable income decile claimed donation tax credits, compared to 22.5% of taxpayers in the top taxable income decile. This could be because higher income taxpayers are more likely to make donations and/or because they are more likely to submit a donation tax credit claim for donations made. Taxpayers in higher taxable income deciles may be more likely to claim because they are more aware of the claims process, make larger donation

⁶² It is important to note that household members may be in different taxable income deciles, and household income may be a better measure of income relevant to household donations behaviour than individual taxable income. However, since New Zealand taxes on an individual basis, and data for this study is available at an individual level, the individual is the unit that is used.

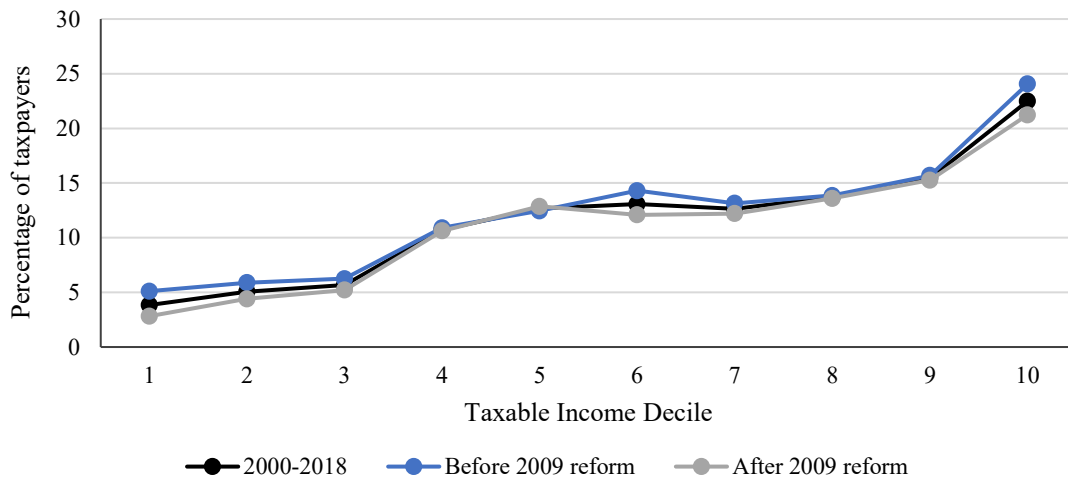
amounts and so have more financial incentive to submit a claim, or be the individual in the household to submit the donation tax credit claim form.

Taxpayers in higher taxable income deciles record larger mean donation amounts than taxpayers in lower taxable income deciles. Following the 2009 tax reform that removed the \$1,890 ceiling for donations eligible for tax credits, the mean reported donation amount increased by more for taxpayers in higher income deciles. This could be because the ceiling was a more binding constraint on the actual and/or reported donation amount for taxpayers in higher taxable income deciles.

Since higher income taxpayers are more likely to claim donation tax credits, and donate a larger mean amount, donation tax credits are paid disproportionately to taxpayers in higher taxable income deciles. In the 2018 year it is estimated that almost a third of donation tax credits were paid to taxpayers in the top taxable income decile.⁶³

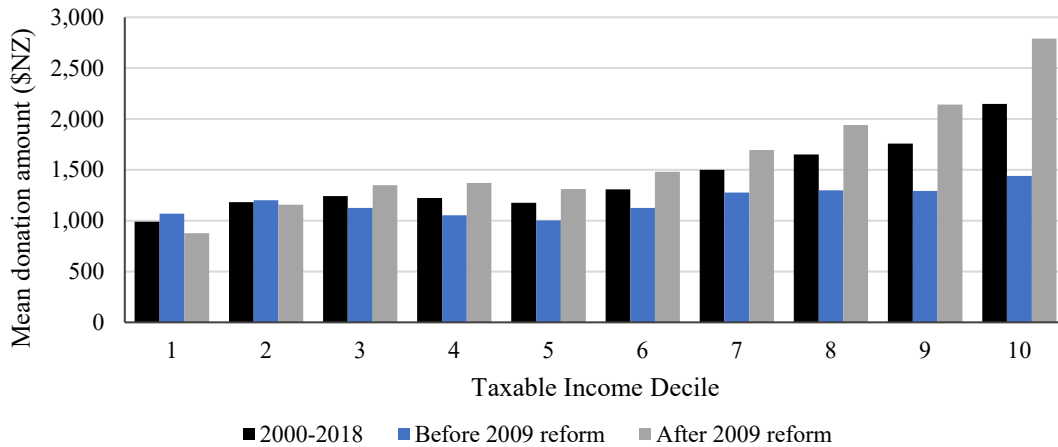
Figure 3: Donations by Taxable Income Decile

Panel (a) Taxpayers Claiming Donation Tax Credits by Income Decile



⁶³ The estimated donation tax credit amount is calculated as 33 1/3% of the eligible reported donation amount, taking into consideration the reported donation amount and the ceiling for donations eligible for tax credits prevailing in each year.

Panel (b) Mean Reported Donation Amount by Income Decile



Note: Panel (a) shows the percentage of taxpayers claiming donation tax credits by taxable income decile, and panel (b) shows the mean reported donation amount of donation tax credit claimants by taxable income decile. Data is from a 2% sample of natural person taxpayers and pooled over the 2000-2018 period. Results are reported separately for the periods before and after the 2009 reform of donation tax credits, 2000-2008 and 2009-2018 respectively. Dollar values are in real 2017 NZ dollars.

Source: Inland Revenue, Statistics New Zealand, author calculations.

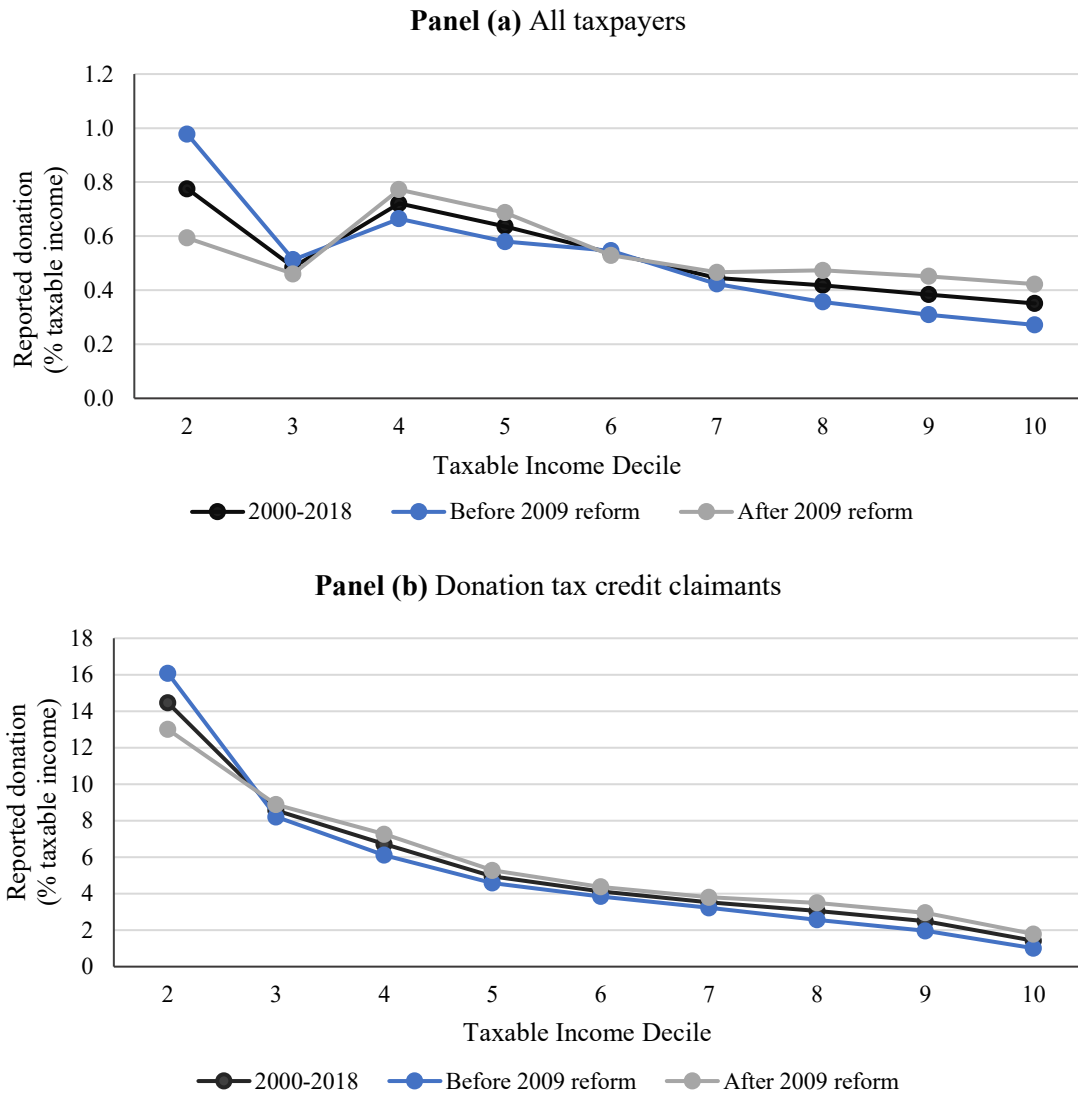
A common finding in the international literature is that lower income households give a larger proportion of their income to charity on average than middle-income households. This has been attributed to religious giving among lower income households, and a ‘standard of giving’ that society expects that does not adjust proportionally with income (Benediktson, 2018). Studies are yet to come to a consensus about whether the share of income increases for higher income households or continues to decline. James and Sharpe (2007) find that in the United States the share of income given to religious causes is declining in household income, and the share of giving to secular causes is ‘U-shaped’. Furthermore, the U-shaped ‘curve of giving’ is driven by the top 5% of givers. For the other 95% of households, the proportion of income given to charity is similar across household income groups. Benediktson, (2018) finds a downward-sloping relationship between income and the percentage of income donated in Denmark, which they attribute to high marginal tax rates crowding out donations of high-income earners.

Panel (a) of Figure 4 shows the reported donation amount as a share of taxable income for taxpayers in different taxable income deciles. The New Zealand ‘curve of giving’ appears to be downward sloping rather than U-shaped, for taxpayers in taxable income decile 4 or higher. In the 2018 tax year, decile 4 is comprised of taxpayers with taxable income of between \$17.7 thousand and \$23.3 thousand. Taxpayers in decile 4 report donations equivalent to 0.7% of taxable income on average over the 2000-2018 period, whereas those in decile 10 report donations equivalent to 0.4% of taxable income. The reported donation amount as a

share of taxable income is higher for taxpayers in decile 4 than 3 because almost twice as many taxpayers in decile 4 claim donation tax credits.

Panel (b) shows the curve of giving for the sub-sample of taxpayers that claim donation tax credits. This also shows that the reported donation amount as a share of taxable income is higher for taxpayers in lower taxable income deciles.

Figure 4: Share of Income Donated by Taxable Income Decile



Note: Panel (a) shows the reported donation amount as a share of taxable income for taxpayers in different taxable income deciles, and panel (b) shows the reported donation amount as a share of taxable income for donation tax credit claimants; the data is from a random sample of 2% of natural person taxpayers each year. I suppress the lowest taxable income decile in the figure, as the share of income donated is very high for taxpayers in the lowest decile.

Source: Inland Revenue, author calculations.

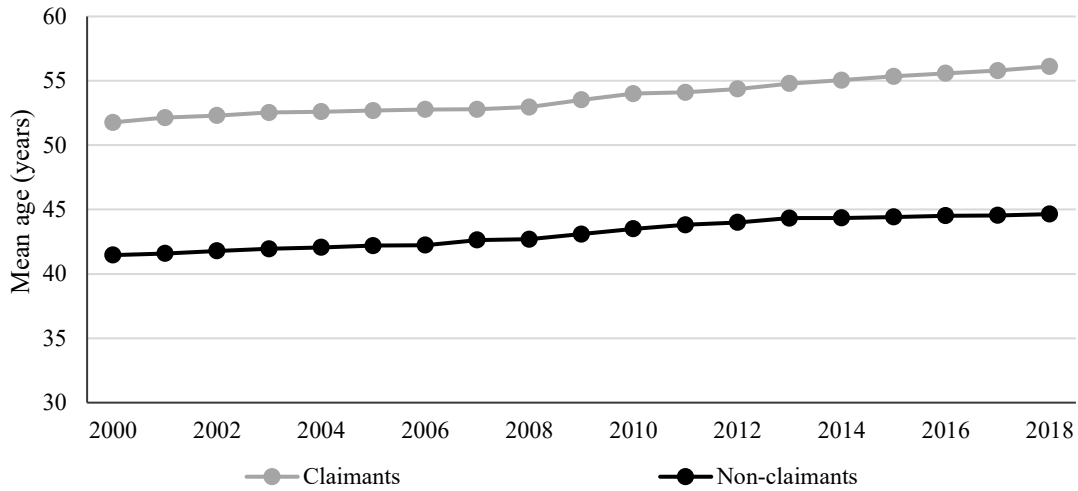
3.2.2. Age

Studies have typically found that charitable giving increases with age up to a certain age (around 65 or 75 years old) and then begins to decline (Wiepking and James, 2013). Data from the United Kingdom shows that there is a ‘life cycle’ effect, where giving changes over the course of an individual’s life, there is also a ‘generational effect’ where previous generations gave more to charity than subsequent generations did at the same age (CAF, 2012).

The World Giving Survey found the share of New Zealanders that report donating money increases with age over the observable age-ranges (up to 50+ years): 46% of 15–24-year-olds report donating money, compared with 67% of 25–34 and 35–49-year-olds, and 71% of those aged 50+, on average over the 2010–11 surveys.⁶⁴ New Zealand donation tax credit claimants are around ten years older on average than taxpayers that do not claim donation tax credits. Figure 5 shows the mean age of donation tax credit claimants and non-claimants by year. The mean age of donation tax credit claimants was 51.8 years in the year 2000 and increased to 56.1 years by 2018, whereas the mean age of taxpayers that did not claim donation tax credits was 41.5 years in 2000 and increased to 44.6 years by 2018. The mean age difference between donation tax credit claimants and non-claimants increased by 1.2 years over the study period.

⁶⁴ Older New Zealanders are also more likely to report volunteering time: 29% of 15–24-year-olds report volunteering, compared with 36% of 25–34-year-olds, 41% of 35–49-year-olds, and 42% of those aged 50+. The share of New Zealanders that report helping a stranger, increases with age until 35–49 years and then declines for those in the 50+ age group. 70% of those in the 15–24-year age group report helping a stranger, 71% of those 25–34 years, 76% of those 35–49 years, and 61% of those 50+ years old, on average over the 2010–11 surveys.

Figure 5: Mean Age of Donation Tax Credit Claimants



Note: Figure shows the mean age in years of New Zealand donation tax credit claimants, and taxpayers that do not claim donation tax credits from Inland Revenue datasets.⁶⁵

Source: Inland Revenue, author calculations.

Table 5 shows donation tax credit claim statistics by 10-year age group over the 2000-2018 period. The share of taxpayers claiming donation tax credits increases up to 75-84 years and then declines. The largest share of reported donations is from taxpayers in the prime ages of 35-44-years to 55-64-years old. Donations to educational donee organizations are concentrated among taxpayers in the 35-to-44-year and 45-to-54-year age groups, which could reflect claims for school donations. Payroll donations are concentrated among the working age population (<65 years old).

Table 5: Summary Statistics of Donation Tax Credit Claimants by Age

Age group	Number	% of Taxpayers	Mean donation amount (\$NZ)	Share of reported donation amount by age group and type (%) ⁽¹⁾				
				All orgs	Religious	Educational	Other	Payroll
<15 years	508	1.1	979	0.0	0.0	0.0	0.0	0.0
15-24 years	13,657	2.3	1,529	2.4	1.9	0.0	0.3	0.1
25-34 years	45,457	5.6	1,875	9.5	7.4	0.4	1.5	0.2
35-44 years	87,286	12.4	1,560	16.6	10.5	2.9	3.0	0.2
45-54 years	86,214	14.5	1,695	23.5	13.6	4.5	5.2	0.2
55-64 years	66,702	15.7	1,593	19.3	12.0	0.9	6.2	0.1
65-74 years	54,986	18.9	1,427	15.0	8.4	0.3	6.2	0.0
75-84 years	38,578	21.5	1,403	9.7	4.9	0.2	4.6	0.0
85+ years	13,295	18.4	1,520	4.1	1.9	0.1	2.0	0.0
Total				100.0	60.7	9.3	29.2	0.8

⁶⁵ The mean age of donation tax credit claimants from 2% sample of natural person taxpayers is indistinguishable from the mean age of claimants calculated from data for the population of donation tax credit claimants.

Note: Table reports donation tax credit claimants (number and as a percentage of taxpayers) and the mean donation amounts by 10-year age groups from Inland Revenue datasets. Figures are annual averages calculated over the 2000-2018 period. Dollar values in real 2017 NZ dollars. (1) The share of donations to religious, educational, and other donee organisations, and donated through payroll giving is calculated over the 2012-2018 period.

Source: Inland Revenue, author calculations.

Table 6 shows donation tax credit claim statistics by 10-year age group for the 2000, 2010 and 2018 tax years. The share of taxpayers claiming donation tax credits has declined for every age group between the 2000, 2010 and 2018 years, suggesting that earlier taxpayer cohorts were more likely to claim donation tax credits than more recent cohorts at any given age. The decline is particularly marked in the 25-34- and 35-44-year age groups where the share of taxpayers claiming donation tax credits has fallen by close to half between 2000 and 2018.

Table 6: Donation Tax Credit Claims by Age Cohort

Age group	Donation tax credit claimants (% of taxpayers)			Mean donation amount (\$NZ)		
	2000	2010	2018	2000	2010	2018
<15 years	1.5	1.1	0.0	976	805	454
15-24 years	2.7	2.1	2.0	1,419	1,633	1,482
25-34 years	7.4	5.5	4.1	1,267	2,109	2,411
35-44 years	16.1	12.1	8.8	1,066	1,703	2,219
45-54 years	17.3	14.3	11.7	1,119	1,890	2,297
55-64 years	19.0	15.8	12.0	1,026	1,675	2,307
65-74 years	21.5	19.6	15.4	894	1,564	1,997
75-84 years	23.1	21.3	19.9	874	1,552	2,407
85+ years	19.6	19.4	18.0	884	1,601	2,049

Note: Table reports the percentage of taxpayers claiming donation tax credits and the mean donation amount, for taxpayers in 10-year age groups in the 2000, 2010 and 2018 tax years, from Inland Revenue datasets. Dollar values in real 2017 NZ dollars.

Source: Inland Revenue, author calculations.

3.2.3. Gender

Studies based on the Survey of Giving and Volunteering and the Centre on Philanthropy Panel Study in the United States have found little to no difference in the amount given by single males and females, although women are found to give smaller amounts to a larger number of causes, whereas men tend to focus their donations on a smaller number of causes (one or two). For individuals in relationships the studies have come to different conclusions about whether couples give more when making giving decisions

independently or jointly. Men are found to be more responsive than women to the price of giving (Andreoni and Payne, 2013).

The World Giving Survey found that New Zealand women are more likely than men to report donating money (72% of women reported donating money, compared with 57% of men, on average over the 2010-11 surveys).⁶⁶ Globally the survey finds slightly more females report giving money than males, but by a small margin (30% of females report donating money on average over 2010-11 surveys compared with 29% of men) (CAF, 2011, 2012).

Data from the New Zealand tax authority shows that women are more likely to claim donation tax credits than men. Figure 6 shows the percentage of taxpayers claiming donation tax credits by gender. Panel (a) shows that female taxpayers have been consistently more likely to claim donation tax credits than males over the study period. This may reflect underlying donations behaviour (as suggested by the survey data) and/or the gender division of labour within households in terms of who submits donation tax credit claims. New Zealand taxpayers are permitted to claim donation tax credits for donations made to eligible organisations, where the donation receipt is either in the name of the taxpayer or their spouse/partner.

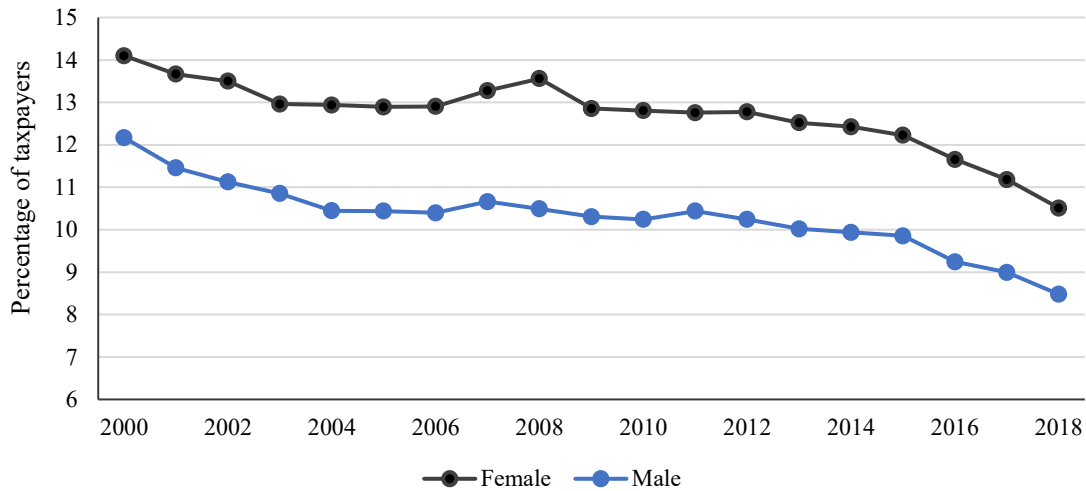
Panel (b) show that a higher percentage of female taxpayers claim donation tax credits irrespective of whether the donation is made to a religious, educational, or other type of donee organisation. This data is available from the 2012 tax year onwards when the New Zealand tax authority asked tax credit claimants to report separately the total amount donated to these three types of organisations.

The number of donation tax credit claims declined following the 2009 reform that removed the fixed \$1,890 ceiling for donations eligible for tax credits. The percentage of female taxpayers claiming donation tax credits increased in the period 2007-2008, and then declined in 2009. This could reflect the tendency for some households to submit two tax credit claim forms in the earlier period for the household to benefit from the maximum allowable donation tax credit, and then deciding to submit one claim form from 2009 onwards when the government removed the \$1,890 ceiling for donations eligible for tax credits. Data for the more recent years may be incomplete, as the data was compiled by the tax authority in 2019, and taxpayers have up to four years to claim donation tax credits.

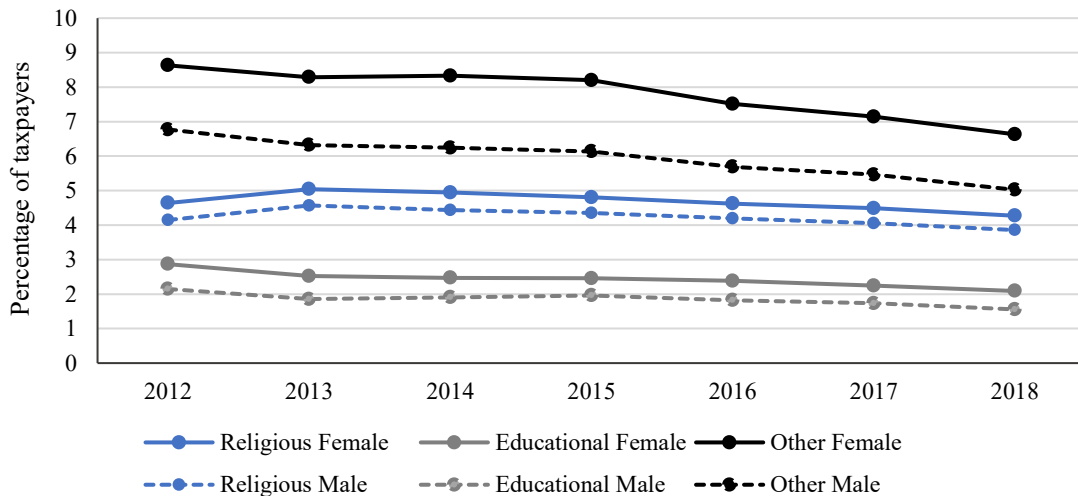
⁶⁶ New Zealand women also reported volunteering time more than men over the 2010-11 surveys (40% of women, versus 37% of men), and report “helping a stranger” at similar rates (69% of women, versus 68% of men).

Figure 6: Taxpayers Claiming Donation Tax Credits by Gender

Panel (a) All Donations



Panel (b) Donations by Organisation Type



Note: Panel (a) shows the percentage of taxpayers claiming donation tax credits by gender. Panel (b) shows the percentage of taxpayers claiming donation tax credits for donations to different types of donee organisation. Data is from Inland Revenue datasets. Taxpayers are classified as female or male according to whether they have a traditionally female or male title. This excludes taxpayers with non-gender specific titles (less than 1% of taxpayers in the sample).

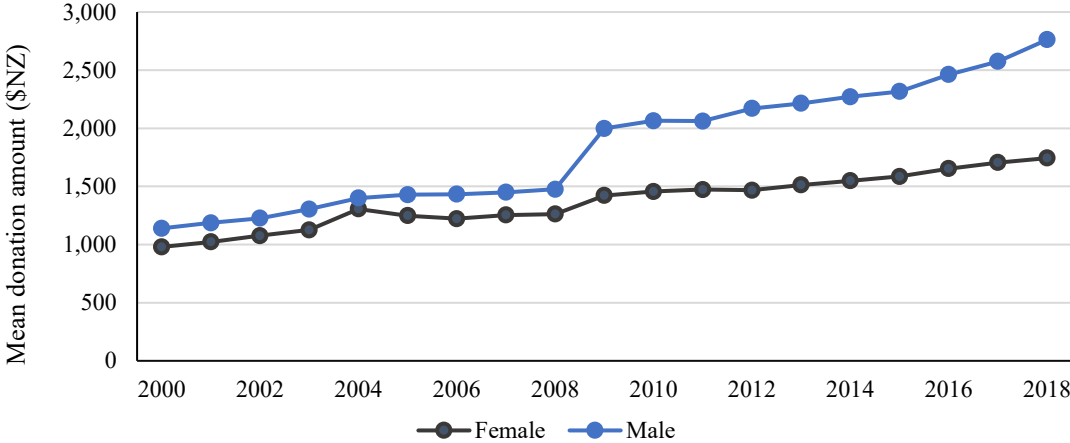
Source: Inland Revenue, author calculations.

The New Zealand Charities Services biannual survey of trust and confidence in the charitable sector found that women tend to report higher levels of trust and confidence in charities, are more likely to agree with positive statements about charities and are less likely to agree with negative statements about charities, on

average than males (Charities Commission 2008, 2010; Charities Services 2012, 2014). The surveys found that individuals with more positive views about charities are more likely to report donating or donating larger amounts to charities. Therefore, gender differences in perceptions of charities may help to explain why female taxpayers in New Zealand are more likely to donate and claim donation tax credits than men.⁶⁷

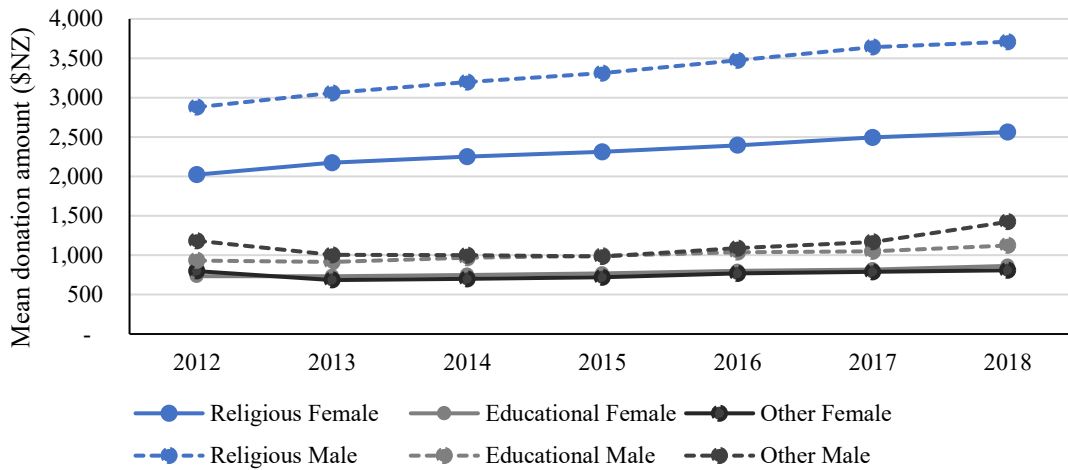
Data from the New Zealand tax authority shows that male donation tax credit claimants report larger mean donation amounts than female claimants. Panel (a) of Figure 7 shows the mean reported donation amount separately by gender. Following the 2009 reform removing the fixed dollar ceiling for donations eligible for tax credits, the mean donation amount of men increased by more than women. This could reflect that the ceiling was more binding for males than females on average, or that following the reform, households decided to submit one larger tax credit claim, rather than two smaller claims. Panel (b) shows the mean reported donation amount to religious, educational, and other types of organisations by gender since 2012. Men report larger mean donation amounts than females to all three types of donee organisation.

Figure 7: Mean Reported Donation Amount by Gender
Panel (a) All Donations



⁶⁷ The 2008 trust and confidence survey found that 59% of females reported a high level of trust that “charities make a positive difference to the matters they address”. 51% of males expressed a low level of trust in charities. Respondents that expressed a high level of trust in charities were more likely to donate amounts over \$250 annually. Respondents that expressed a low level of trust in charities were more likely to report not donating. The survey found that 78% of females firmly agreed with the statement that “charities play a very important role in society today”, compared with 69% of males (Charities Commission, 2008). The 2010 and 2012 surveys also found females were more likely to be supportive of charities whereas men were more likely to be skeptical. Similar results were found in the 2014 survey.

Panel (b) Donations by Organisation Type



Note: Figures show the mean reported donation amount by gender, from Inland Revenue datasets. Panel (a) is for all donations, and panel (b) is for donations to religious, educational, and other types of donee organisations. Taxpayers are classified as female or male according to whether the taxpayer has a traditionally female or male title. This excludes taxpayers with non-gender specific titles (less than 1% of taxpayers in the sample). Dollar values are in real 2017 NZ dollars.

Source: Inland Revenue, author calculations.

While the mean reported donation amount is lower for female than male donation tax credit claimants, the reported donation amount as a share of taxable income is more similar between the two groups, since female taxpayers have lower taxable incomes on average.

3.2.4. Donors to Religious and Other Organisations

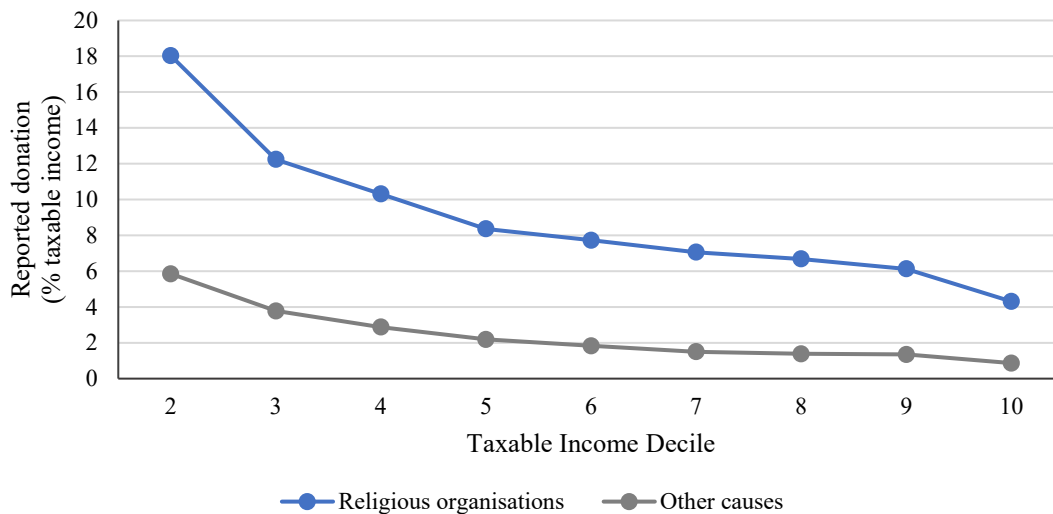
Around 60% of donations reported to the tax authority in New Zealand are made to religious organisations, and 40% to other causes (donations to educational or other types of donee organisations). Donations to religious donee organisations may be used for a variety of social purposes (such as elderly care and nutrition programs) in addition to supporting religious activities. Taxpayers that claim donation tax credits for donations made to religious organisations have different characteristics to other donation tax credit claimants. They have lower mean taxable incomes, are several years older, and are more likely to be male, than donors to other causes.

Donors to religious organisations tend to be more ‘committed’ than donors to other causes. Donation tax credit claimants that report having donated to a religious donee organisations make larger mean donations compared to other donation tax credit claimants (reporting total donations of \$3,284 on average over the 2012-2018 period compared to \$999 for other claimants). Donors to religious organisations also display

more persistent donations behaviour with an 85% probability of donating if they had donated in the previous period, compared to 71% for taxpayers reporting donations to other causes.

Figure 8 shows the ‘curve of giving’ separately for donation tax credit claimants that report donations to religious donee organisations and all other claimants. The figure shows that the share of income donated is higher for taxpayers that report donating to religious donee organisations than other donation tax credit claimants. Also, the reported donation amount as a share of taxable income declines for both taxpayers reporting donations to religious donee organisations and all other donation tax credit claimants.

Figure 8: Share of Income Donated by Taxable Income Decile for Donors to Religious Donee Organisations and Other Causes



Note: Figure shows the reported donation amount as a share of taxable income for taxpayers in different income deciles over the 2012-2018 period; the data is from a random sample of 2% of natural person taxpayers each year. Data is shown separately for claimants that report donations to religious donee organisations and all other claimants. I suppress the lowest taxable income decile in the figure, as the share of income donated is very high for taxpayers in the lowest decile.

Source: Inland Revenue, author calculations.

3.2.5. Payroll Givers

Payroll donating was introduced in New Zealand on 7 January 2010 to provide a convenient way for employees to make regular donations through their pay. Table 7 provides summary statistics of payroll donor characteristics. Payroll donors are more likely to claim donation tax credits outside of the workplace than an average taxpayer (17.4% of payroll donors also claim tax credits outside of the workplace, compared

to 10.9% of taxpayers, over the 2010-2018 period).⁶⁸ However, most payroll donors (82.6%) only claim donation tax credits through workplace giving. This suggests that workplace giving may attract a different type of donor than giving outside of the workplace, and may be largely complementary to, rather than ‘crowd out’, giving outside of the workplace. However, it may also be that payroll givers give outside of the workplace and do not claim donation tax credits for those donations.

The mean annual amount given each year by payroll donors is lower than for taxpayers only claiming donation tax credits outside of the workplace. The amount that is given is lower both in absolute terms and as a share of individual taxable income. This could reflect that payroll donations are made from an employee’s current after-tax income, whereas donations outside of the workplace may be for larger one-off donations or could reflect the donations of a couple rather than an individual.

Payroll donors have lower mean taxable incomes than donors only claiming tax credits outside of the workplace. The mean age of payroll donors is around 40 years old, which is 5 years younger than an average taxpayer, and 16 years younger than an average taxpayer that claims donation tax credits outside of the workplace. The younger mean age of payroll donors could reflect that payroll donating is a workplace scheme (retirees do not participate).

Women make up a larger share of payroll donors than males (53% over the 2010-2018 period). Even so, men are more likely to claim donation tax credits through payroll giving than outside of the workplace (47% of payroll donors are males compared with 44% of donation tax credit claimants outside of the workplace over the 2010-18 period).

⁶⁸ The higher share of payroll donors also claiming donation tax credits outside of the workplace during the first three months of the scheme (32.4% of payroll donors during the 2010 tax year), could reflect the more ‘committed’ donors being the first to give through the newly introduced payroll giving scheme.

Table 7: Characteristics of Payroll Donors

	Taxable income (\$NZ thousand)	Male (%)	Female (%)	Age (mean, years)	Mean payroll donation amount (\$NZ)	Claim donation tax credits outside of workplace (%)
2010	77.9	43.1	56.3	43.1	194.6	31.6
2011	76.7	51.1	48.8	39.9	365.5	17.9
2012	84.1	47.0	52.6	38.8	738.9	22.0
2013	81.1	49.9	49.8	38.7	738.1	17.9
2014	77.3	48.2	51.5	38.1	718.1	17.5
2015	83.5	47.5	52.2	38.6	758.1	17.9
2016	82.1	46.4	53.3	38.8	670.0	16.1
2017	87.8	45.8	54.0	39.3	567.2	15.5
2018	86.1	45.2	54.6	38.6	494.9	14.6
2019	75.3	46.4	53.5	38.0	470.9	NA

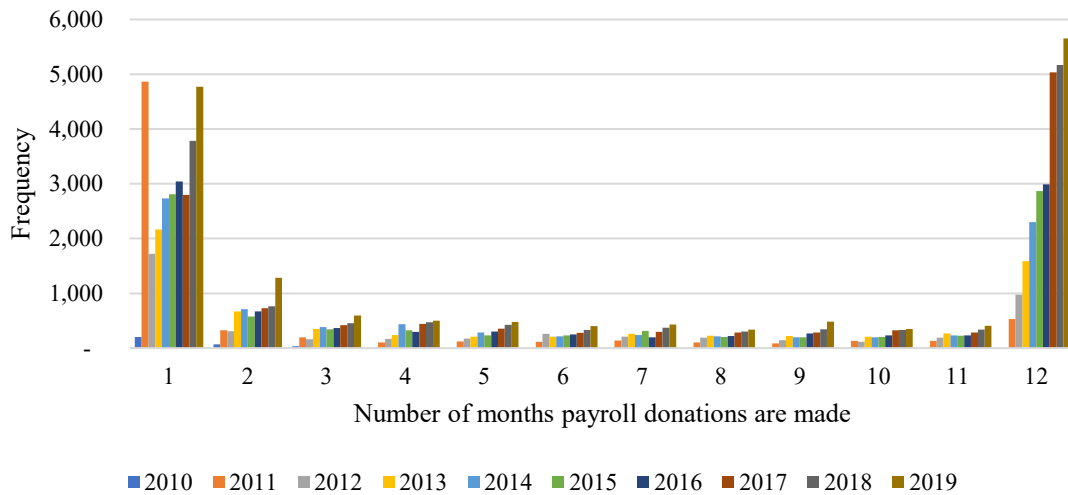
Note: Table shows summary statistics of employees that give through workplace payroll giving schemes, including mean taxable income, gender, age, mean payroll donation amount, and the share of payroll donors that also claim donation tax credits outside of the workplace. Dollar values are in real 2017 NZ dollars.

Source: Inland Revenue, author calculations

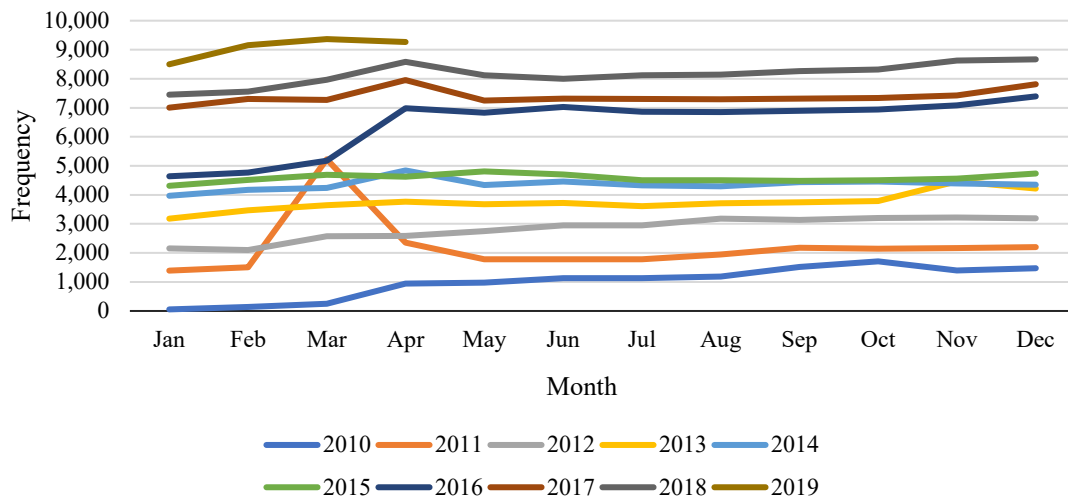
Around one-third of employees that give through workplace payroll giving schemes give regularly, and others give on a less frequent or more *ad hoc* basis. Panel (a) of Figure 9 shows that the frequency of payroll donations is clustered around employees who either donate 12 months of the year, or one month of the year. In 2011 there was a spike up in one-off donations, which could reflect fundraising drives in response to a major natural disaster event (Canterbury earthquakes). Panel (b) shows the evolution of payroll donations made in each month of the year. There is no strong seasonal pattern to payroll giving, other than an increase observed in the month of April, which is the start of the tax year.

Figure 9: Frequency of Payroll Donations

Panel (a) Frequency of Donations



Panel (b) Frequency by Month of Year



Note: Figure shows the frequency of donations through workplace payroll giving schemes. Panel (a) shows the number of months during of the year that payroll donors make donations (e.g., 12 is where an employee donates every month), panel (b) shows the number of payroll donations made during each month of the year.

Source: Inland Revenue, author calculations.

3.3. Recipients of Charitable Giving

This section discusses the recipients of charitable and public benefit gifts in New Zealand. Since governments also provide direct financial support to charities by making grants or contracting with charities to deliver goods and services, I also present information about the income that charities receive from government grants and contracts. Data from the Charities Register shows that the charitable sector overall received around five times as much income from government grants and contracts as they did from donations, in the 2014 year (the last year this data is available from the Charities Register) although there is substantial variation by sector in the relative importance of these income streams.

3.3.1. Donations Income by Sector

The New Zealand tax authority asks donation tax credit claimants to record the total amount donated to three types of organisations: religious, educational, and other types of donee organisations.⁶⁹ Table 8 shows summary statistics of donation tax credit claims by organisational type. Over the period 2012-2018, 33% of claimants record donations to religious causes, 16% to educational causes, and 50% to other causes. Of the total recorded donation amount, 61% was donated to religious organisations, 9% to educational organisations, and 30% to other types of donee organisations. The mean reported donation amount to religious organisations per claimant is 2-3 times larger than to educational or other types of organisations.

Table 8: Donation Tax Credit Claims by Recipient Type

	Number of claims			Total donation amount (\$Mn)			Mean amount donated (\$)		
	Religious	Education	Other	Religious	Education	Other	Religious	Education	Other
2012	154,545	88,468	263,602	374.7	72.6	257.2	2,424.2	820.2	975.9
2013	167,765	79,746	252,624	435.1	65.0	210.0	2,593.6	815.3	831.4
2014	167,417	80,699	254,486	451.8	68.3	214.0	2,698.7	845.8	841.0
2015	166,922	80,606	252,960	465.4	69.9	213.4	2,788.1	866.7	843.6
2016	164,097	78,433	244,511	477.3	70.9	224.1	2,908.7	903.5	916.7
2017	160,531	76,741	233,621	487.7	70.5	225.1	3,038.2	918.7	963.4
2018	154,439	69,820	221,510	480.0	68.9	240.3	3,107.8	986.9	1,084.6

Note: Table shows the number of donation tax credit claims, the total reported donation amount, and the mean reported donation amount, to different types of donee organisations from Inland Revenue datasets. Dollar values are in real 2017 NZ dollars. Source: Inland Revenue, author calculations.

⁶⁹ The breakdown between donations to religious, educational, and other donee organisations is available since 2012. Since 2019, taxpayers have been able to claim donation tax credits online, which will provide the tax authorities with more granular and readily accessible information about the recipient of the donation (including the donee organisation name, and if relevant, charities registration number, for each donation made).

The number of taxpayers claiming tax credits for donations to religious organisations was largely unchanged between 2012 and 2018, whereas the number of taxpayers claiming tax credits for donations to educational and other types of donee organisations fell by around 17%. The total reported donation amount to religious organisations increased by 28% between 2012 and 2018, in real inflation-adjusted terms, whereas the reported donation amount to educational and other donee organisations fell by 6%. The mean amount donated per claimant increased across all categories of donee organisation between 2012 and 2018.

Over the period from February 2007 to March 2015, the charity annual information return to the Charities Register asked charities to report the income that the charity received from donations. This includes money given to the charity by individuals, companies, trusts and foundations without an expected return. The total donations reported to the Charities Register during the last full year of reporting was NZ\$1,303 million in 2014 (in real inflation-adjusted 2017 NZ dollars).

Table 9 presents summary statistics about the importance of donations as a source of income for charities in each sector.⁷⁰ Most donations by dollar value go to charities involved religious activities (44%), and the education (14%) and health sectors (9%). Charities most dependent on income from donations are those involved in religious activities (79% of charities receive income from donations, and of those, donations make up 75% of total income, on average), international activities (77% receive donations, and of those donations make up 69% of total income) and the care and protection of animals (66% receive donations, and of those, donations comprise 44% of total income, on average). Those least dependent on donations are sport/recreation organisations, accommodation/housing, and arts/culture/heritage.

⁷⁰ The charity annual information return asks charities which sectors they operate in, and their main sector of operations.

Table 9: Charity Donation Income by Sector

Charity main sector	Charities (% total)	Donations (% total)	Charities receiving donations (%)	Donations income (% total income)
Accommodation/housing	1.8	1.3	38.8	18.7
Arts/culture/heritage	9.5	2.3	58.3	18.7
Care/protection of animals	0.8	1.5	65.6	43.9
Community development	7.3	3.2	52.1	28.3
Economic development	0.5	0.3	23.8	35.8
Education/training/research	21.6	14.3	41.6	26.3
Emergency/disaster relief	2.7	4.6	64.6	25.3
Employment	0.2	0.0	32.6	24.2
Environment/conservation	2.9	1.2	54.3	30.8
Fund-raising	3.5	2.2	43.1	34.1
Health	7.7	9.0	54.5	27.2
International activities	0.3	5.1	76.8	68.6
Marae on reservation land	0.9	0.2	79.0	27.2
People with disabilities	3.5	2.5	53.2	19.3
Promotion of volunteering	0.3	0.1	64.7	26.2
Religious activities	15.9	43.9	79.4	75.3
Social services	7.9	4.6	56.6	22.3
Sport/recreation	6.1	1.1	46.5	15.0
Other	6.8	2.7	40.0	27.0
All	100.0	100.0	54.3	36.6

Note: Table reports the share of charities by sector, the share of donations income by sector, the percentage of charities reporting donations income, and donations income as a share of total gross income by sector, over the period from February 2007 (opening of register) to March 2015 (change of reporting regime).

Source: Charities Register, author calculations.

The Charities Services Public Trust and Confidence in Charities survey includes a question asking: “Which of the following types of organisations have you donated to in the last 12 months?” The survey responses are shown in Table 10. Respondents more frequently report donating to health and medical-related organisations, followed by international aid organisations, animal care and welfare, and social and community development.

Table 10: Donations by Organisation Type

Types of Organisations	Survey Responses (%)			
	2008	2010	2012	2014
Health and medical	53.7	55.0	46.6	54.3
International aid	36.1	42.9	32.5	29.3
Social and community development	38.4	36.2	31.3	24.6
Animal care and welfare	35.0	34.2	31.3	37.0
Education	33.7	28.4	25.2	19.8
Faith based or church related	23.2	23.5	21.2	19.3
Culture and recreation	23.0	23.0	21.5	22.1
Environmental	17.2	17.3	18.5	10.3
Political parties	5.0	6.2	7.0	6.6
Marae	2.5	2.4	2.8	4.3
Other	2.8	4.9	3.8	6.8
Support Christchurch	NA	NA	47.3	NA
Have not donated	4.7	4.1	8.8	2.4
Sample size	2,121	2,210	2,000	2,440

Note: Table shows the percentage of survey respondents that report donating to different types of organisations during the previous 12 months. Multiple responses allowed.

Source: Public Trust and Confidence in Charities Survey (2008, 2010, 2012, 2014).

3.3.2. Government Grant and Contract Income by Sector

This section presents information about the distribution of government grant and contract income by sector. Over the period from February 2007 to March 2015, the charity annual information return to the Charities Register asked charities to report income received from government grants and contracts. The total government grant and contract revenue reported to the Charities Register during the last full year of reporting was NZ\$6,335 million in 2014 (in real inflation-adjusted 2017 NZ dollars). The overall amount of government grant/contract income reported to the Charities Register was around five times the size of donations/koha revenue.

Table 11 presents summary statistics about the importance of government grants and contracts as a source of income for charities in each sector. Government grants and contract income by dollar value is concentrated in charities involved in education/training/research activities (this includes tertiary education institutions) (41%), the health sector (30%), and social services (9%). Charities that report less often receiving income from government grants and contracts are entities involved in fundraising (2%), religious

activities (4%), and the care and protection of animals (10%). For charities that receive government grant and contract income, it is the smallest mean share of total gross income for charities involved in religious activities (20%), care/protection of animals (21%), and international activities (36%).

Table 11: Charity Government Grant and Contract Income by Sector

Charity main sector	Charities (% total)	Income from government (% total)	Charities receiving income from government (%)	Income from government (% total income)
Accommodation/housing	1.8	1.1	19.3	44.3
Arts/culture/heritage	9.5	1.5	18.2	40.1
Care/protection of animals	0.8	0.0	9.8	21.1
Community development	7.3	1.5	25.8	49.3
Economic development	0.5	0.1	19.7	56.8
Education/training/research	21.6	40.7	30.6	58.7
Emergency/disaster relief	2.7	0.4	48.0	52.1
Employment	0.2	0.3	51.0	60.1
Environment/conservation	2.9	0.6	25.5	50.1
Fund-raising	3.5	0.0	2.2	40.3
Health	7.7	29.8	33.8	66.6
International activities	0.3	0.3	19.1	36.0
Marae on reservation land	0.9	0.1	31.7	38.7
People with disabilities	3.5	8.6	38.0	59.0
Promotion of volunteering	0.3	0.0	29.3	44.5
Religious activities	15.9	0.5	3.9	19.9
Social services	7.9	8.9	44.9	59.8
Sport/recreation	6.1	1.9	12.9	37.5
Other	6.8	3.5	20.4	50.2
All	100.0	100.0	23.6	54.0

Note: Table reports the share of charities by sector, the share of government grant and contract income by sector, the percentage of charities that report receiving government grant and contract income, and mean government grant and contract income as a share of total gross income by sector, over the period from February 2007 (opening of register) to March 2015 (change of reporting regime).

Source: Charities Register, author calculations.

3.3.3. Fundraising Expenditure

Charities raising funds from donations and government grants is typically not without a cost. Charities may face expenses related to fundraising activity, for example, the cost of goods for a raffle, or staff costs to run

a fundraising event. Table 12 summarises information from the Charities Register about fundraising expenditure by charities in New Zealand. Around 17% of charities report spending on fundraising activities over the 2015-2022 period, and for charities that report spending on fundraising, this type of expenditure makes up just under one-quarter of their total expenditure. Perhaps unsurprisingly, charities whose main sector of operations is ‘fund-raising’, allocate the highest share of their expenditure to this activity.

Table 12: Charity Fundraising Expenditure by Sector

Charity main sector	Charities (% total)	Fundraising expenditure (% total)	Charities reporting fundraising expenses (%)	Fundraising expenditure (% total expenditure)
Accommodation/housing	1.7	0.2	4.8	14.2
Arts/culture/heritage	9.6	9.7	19.1	24.2
Care/protection of animals	0.9	0.9	25.3	11.4
Community development	8.0	8.5	20.3	27.9
Economic development	0.4	0.4	6.4	27.5
Education/training/research	19.6	16.2	15.9	22.8
Emergency/disaster relief	2.6	1.6	19.0	18.0
Employment	0.2	0.0	9.2	10.3
Environment/conservation	3.3	2.3	12.0	22.5
Fund-raising	3.7	9.2	51.0	39.9
Health	6.6	9.7	12.5	19.0
International activities	0.3	1.4	25.3	12.7
Marae on reservation land	1.1	0.9	17.3	23.6
People with disabilities	3.2	3.2	15.0	13.0
Promotion of volunteering	0.3	0.3	20.7	18.8
Religious activities	18.1	17.7	12.3	19.5
Social services	7.4	6.8	15.6	16.2
Sport/recreation	7.1	6.4	18.3	17.7
Other	5.9	4.6	13.2	19.7
All	100.0	100.0	16.8	23.0

Note: Table reports the share of charities by sector, the share of fundraising expenditure by sector, the percentage of charities reporting fundraising expenditure, and mean fundraising expenditure as a percentage of total expenditure by sector, over the period from 1 April 2015 (when the reporting regime changed, requiring charities to disclose fundraising expenditures) until 30 January 2023.

Source: Charities Register, author calculations.

4. Conclusions

This chapter aimed to describe the institutional setting for charitable giving in New Zealand, and discuss trends in giving, characteristics of givers, and charity income sources to highlight important themes and questions for future research.

Several themes have come to light in this research. The first is that giving in New Zealand appears to be quite high by international standards, and the policy settings to reinforce charitable giving are reasonably generous by OECD country standards. Nonetheless, the share of taxpayers claiming donation tax credits has been falling since 2000. The study highlights three possible reasons for this trend. The first is that New Zealand has a self-reporting system for donation tax credit claims and the tax system does little to prompt taxpayers to claim donation tax credits. The second is that following the 2009 reform of donation tax credits, households may have had less incentive to submit multiple claims, and the third is that recent taxpayer cohorts are not claiming donation tax credits at the same rate as earlier generations. Understanding further what drives donation tax credit claims behaviour, including the dynamics of claims behaviour within households, would be a fruitful avenue for further research.

Another main lesson from this survey is that donation tax credit claims by individuals to religious organisations have grown relative to donations to other types of donee organisations. Taxpayers that report making donations to religious donee organisations have different characteristics to donors to other causes, tending to have lower taxable incomes and be several years older than other claimants, and appear to be more committed, being observed to donate a larger share of their taxable income and to donate more persistently. Charities involved in religious activities are more dependent on income from donations than charities in most other sectors. Understanding the special nature of giving to religious and other types of donee organisations would be an interesting and important topic for further investigation.

Finally, there are many new ways for charities to fundraise, and for individuals to donate, including through workplace payroll giving schemes and online social media and crowdfunding campaigns. Understanding these new mechanisms, and their advantages and drawbacks could present a new frontier in charitable giving research.

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