

Submission from New Zealand Minerals Council to Inland Revenue

Mutual transactions of associations (including clubs and societies)

June 2025

Introduction

1. New Zealand Minerals Council is an industry association representing the New Zealand minerals and mining sector. We are a not-for-profit organisation and membership fees pay for the running of the organisation. Our membership is comprised of mining companies, explorers, researchers, service providers, and support companies.
2. We are grateful for the opportunity to make this brief submission on the draft operational statement – [Mutual transactions of associations \(including clubs and societies\)](#).

Key points

3. We disagree that membership subscriptions of not-for-profit organisations (NFPs) such as the New Zealand Minerals Council should be taxable income.
4. Taxing the subscription income of industry associations would undermine our purpose, reduce the capacity to serve, and ultimately harm the sector that we support.
5. Membership-based, not-for-profit organisations that support their communities, including sports clubs and business associations, should all have the same tax treatment.

Submission

6. We submit that the draft operational statement does not form the basis of future tax changes for not-for-profit organisations (NFPs).
7. The Government should seek to clarify the law to protect the mutuality principle and ensure that NFPs would not be taxed on member receipts such as subscriptions.
8. Membership subscriptions of NFP business associations such as the New Zealand Minerals Council should not be deemed taxable income.

New Zealand Minerals Council

9. The New Zealand Minerals Council is focused on activities that benefit its members and the minerals sector it represents. This includes advocacy on policy, law, rules and regulations across central and local government; industry research; professional training; health and safety awareness; and engagement with media and the public to ensure a better understanding of what our members do.
10. It is a NFP which relies on member subscriptions as the main income source to provide just enough revenue to cover costs and keep operations running.

11. It expects to break even or make a small annual surplus but the margins between making a surplus or loss can be minimal. Any surplus generated is reinvested into the organisation's mission rather than allocated to owners or shareholders.
12. When a loss is made, the organisation must dip into reserves to make up the financial shortfall or call on its members for additional funds. The ability for organisations such as ours to build up reserves so that there is a buffer to continue operations would obviously be curtailed by changes to the tax treatment of NFPs.
13. Taxing the income of business associations like the New Zealand Minerals Council would undermine their purpose, reduce their ability to serve, and ultimately harm the sectors that they support.
14. The draft operational statement says trading, and other normally non-taxable transactions with members, including subscriptions, should be taxable income regardless of whether the common law principle of mutuality applies.

The principle of mutuality

15. The draft operational statement sets out the principle of mutuality, that an association of people does not derive taxable income from transactions within its circle of membership.
16. The position that most membership organisations have been operating under (i.e. that subscriptions are not taxable and expenditure on membership activities is not deductible) has long been an accepted foundation of tax policy and we believe it and the principle of mutuality should continue.
17. If there is a view that the mutual association rules and the Income Tax Act are inconsistent with this, the legislation should be amended to ensure the current tax treatment continues to apply.

International comparisons

18. The tax-exempt status of not-for-profit business associations is normal in comparable jurisdictions overseas. In the United States, the United Kingdom, and Australia, these organisations are typically exempt from income tax as long as they operate within their defined not-for-profit purposes.
19. The policies in these jurisdictions acknowledge the broader public and economic benefits that business associations provide and reinforce the principle that they should not be taxed like commercial enterprises.

Sports clubs and societies

20. The draft statement notes that not-for-profit sports clubs and societies promoting amateur sports have an income tax exemption.
21. There is no reason for sports clubs and societies to be treated differently from business associations. Sports clubs and business associations share key similarities as membership-based organisations with a common mission, often funded through subscriptions and member fees. Both are governed by a board or committee, host events to foster engagement, and advocate for their members. They also depend on subscriptions, fees, sponsorships, and fundraising for financial sustainability.
22. What all these associations typically have in common is that they serve their members without a commercial profit motive.
23. From a tax policy perspective, sports clubs and business associations should have equal tax treatment as membership-based, NFPs that support their communities. Since neither operates for private profit, taxing them differently creates an unfair distinction.