

MenuClose



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You are here: Home › Charitable organisations › Charitable organisations and community housing

Charitable organisations Ngā rōpū kaupapa atawhai

Charitable organisations and community housing

- Income tax exemption and donee status
- Qualifying for the tax exemption and donee status
- Applying for the income tax exemption and donee status
- Grace period extended for deregistered community housing providers

Income tax exemption and donee status

Community housing entities may be entitled to a tax exemption on their income and be granted donee status.

This only applies to community housing entities that have been set up to provide housing or housing assistance for low income householders who may not otherwise be able to buy their own home.

Donee status means that when you make a donation to a community housing entity as:

- an individual - you can claim a tax credit
- a company or Māori authority - you can claim a deduction.

Qualifying for the tax exemption and donee status

The community housing entity must be registered as a community housing provider (CHP) under the Housing Restructuring and Tenancy Matters Act 1992. This register is administered by the Ministry of Business Innovation and Employment (MBIE). Go to the Social Housing Unit's website for more information.

It must also meet the following criteria to qualify for the tax exemption and donee status:

- It can only be a trust or a company.
- Its activities involve the provision of housing or housing assistance.
- Its activities are not carried on for any person's profit and no-one with some control over the entity's activities is able to divert to their own benefit or advantage any amount derived from the activities.
- All profits are either kept by the entity, or if profits are distributed or applied to another person or entity, they can only go to:
 - the entity's beneficiaries or clients
 - another community housing entity that has this exemption
 - another tax charity
 - organisations entitled to receive charitable donations.
- No more than 15% of the entity's beneficiaries or clients may have income or asset exceeding the values set out below (see "Beneficiaries or clients income entry threshold" and "Beneficiaries or clients

asset entry threshold"). These thresholds are assessed at the time a person becomes a beneficiary or client of the entity, on or after 14 April 2014.

- The provision of housing or housing assistance to beneficiaries or clients who meet the entry threshold must not be substantially different from the assistance provided to beneficiaries or clients who exceed the entry threshold.

Beneficiaries or clients income entry threshold

The following income caps apply:

If the applicant is a ...	then the income entry threshold is ...
single person	\$80,000 or less.
group of persons	a combined income of \$120,000 or less.

Note

- A group is more than one person who applied for housing assistance, eg a couple.
- Income is the taxable income of the person for the 12-month period before the date of application for housing assistance.

Beneficiaries or clients asset entry threshold

If an applicant has previously held an estate in land, the following asset caps apply depending on where they are proposing to purchase a home.

Where an applicant has held no previous interest in an estate in land only the income cap applies. The total value of their assets held is unlimited.

If the applicant buys a home in ...	then the asset value is ...
Auckland	\$110,000
Hamilton City, Tauranga City, Western Bay of Plenty District, Kapiti Coast District,,Porirua City, Upper Hutt City, Hutt City, Wellington City, Nelson City, Tasman District, Waimakariri District, Christchurch City, Selwyn District, or Queenstown Lakes District	\$90,000
other areas in New Zealand	\$70,000

What is asset value?

Asset value is defined as the total value of property owned by the applicant, at the date of the application for housing or housing assistance, that is:

- money in a bank account, including fixed or term deposit
- shares, stock or bonds
- investment in a bank or financial institution (excluding KiwiSaver or locked in retirement funds)
- money held on deposit by a real estate agent or solicitor to purchase a home
- boat or caravan valued at more than \$5,000
- vehicle not used as normal method of transport eg vintage car, or motor bike used on weekends
- other assets valued at more than \$5,000.

Examples of income/asset entry thresholds

+–Single applicant purchasing in Auckland

A single applicant who is purchasing in Auckland and who has previously owned a home must have income of \$80,000 or less and assets of \$110,000 or less to be eligible.

A single applicant who has held no interest in land will have no limit on their assets, but must still have income of \$80,000 or less.

+–For a group of persons the test is applied to each individual

Mr and Mrs Jones are looking at purchasing a home in Taupo with assistance from a community housing entity. Mr Jones had previously owned a home but Mrs Jones had not.

Mrs Jones would meet the entry threshold provided her and Mr Jones's combined income was \$120,000 or less. Mr Jones would meet the entry threshold provided he had assets of \$70,000 or less and a combined income with Mrs Jones of \$120,000 or less.

The 15% threshold

If more than 15% of the entity's beneficiaries or clients do not meet the entry threshold, the entity will not qualify as a community housing entity for tax purposes. This means the entity will not be eligible for the income tax exemption and donee status.

If the entity has ...	then they ..
not had any new beneficiaries or clients since 14 April 2014	will qualify for the tax exemption.
only had one new beneficiary or client since 14 April 2014 who was not over the threshold	will qualify for the tax exemption.
had four new beneficiaries or clients since 14 April 2014 with only one over the threshold (25%)	won't qualify for the tax exemption.
had seven new beneficiaries or clients since 14 April 2014 with only one over the threshold (14.29%)	will qualify for the tax exemption.

Important

The entry thresholds have replaced the need for an Order in Council to determine eligibility for beneficiaries or clients.

Applying for the income tax exemption and donee status

Important

You must ensure the entity is on the Community Housing Regulatory Authority register before you apply for the exemption. See the Social Housing Unit's website.

If your entity qualifies for the exemption, please write to us with:

- your entity's IRD number
- a copy of the trust deed or company's constitution
- confirmation that no more than 15% of beneficiaries or clients exceed the income and asset threshold.

Note

If the entity does not yet have beneficiaries or clients, please confirm that you understand that if 15% of them exceed the income or asset threshold, the income tax exemption and donee status will cease.

If your entity doesn't have an IRD you'll need to complete an *IRD number application - resident non-individual*

(IR596)

Send your application to us at:

Inland Revenue
PO Box 39010
Wellington Mail Centre
Lower Hutt 5045

Grace period extended for deregistered community housing providers

New tax rules were introduced for entities who have been removed (deregistered) from the Charities Register administered by Charities Services.

Under these rules a deregistered charity, in the year of deregistration, has to either apply its income and assets to charitable purposes or become liable to tax on the balance.

If the entity ...	then the new rules apply from ..
asked to be removed from the Charities Register	14 April 2014.
was removed from the Charities Register by Charities Services	1 April 2017 (extended from 1 April 2015).

[Read more about the tax rules that apply to a deregistered charity](#)

Useful information

[Find out about donee organisations](#)

Read more information in our *Tax Information Bulletins*:

- Vol 26, No 7 pages 70 to 71, and
- Vol 28, No 3 April 2016 pages 57 and 88 to 91.

[Back to top](#) Date published: 26 May 2016

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