



**Community Housing**  
*Nga Wharerau o Aotearoa*

PO Box 11543  
Wellington  
New Zealand  
Ph 04 385 8722  
[www.communityhousing.org.nz](http://www.communityhousing.org.nz)

29 April 2015

Clerk of the Committee  
Finance and Expenditure Select Committee  
Parliament Buildings  
Wellington

**Submission to the Taxation (Annual Rates for 2015-16, Research and Development, and Remedial Matters) Bill 2015**

**In particular- Clause 264:** Amendment to section 129(2) of the Taxation (Annual Rates, Employee Allowances, and Remedial Matters Act 2014 to provide for the deferral of the application of the new tax on net assets for deregistered charities who provide housing as their main or primary purpose.

Community Housing Aotearoa (CHA) is the peak body for the community housing sector, and we take great interest in this Bill as it directly affects several of our members, and potentially affects many more who wish to provide a range of services across the housing continuum to meet housing needs in their regions.

CHA supports the intent of clause 264 of this Bill. We understand that this amendment ensures that section HR 12 of the Income Tax Act 2007, which imposes a tax on the net assets of deregistered charities, does not apply to community housing entities who have been deregistered by Charities Services before 1 April 2017.

However, CHA submits that the Bill needs to clarify what is meant by “the person’s activities are predominantly the provision of housing” in clause 264 of the Bill (setting the application dates for section HR 12 of the Income Tax Act 2007).

The Commentary to the Bill notes that “the Government has agreed to extend the grace-period for the tax on net assets for deregistered charities who provide housing as their main or primary purpose from 1 April 2015 to 1 April 2017”.

CHA has concerns that wording requiring the predominant activities of an organisation to be the provision of housing (or similar wording requiring the provision of housing to be a main or primary purpose) will unnecessarily leave some of our members unable to apply the intended extension of the grace period, should they be deregistered by Charities Services. This is because some of our members’ activities are much wider than the provision of social housing and include health, mental health, and other welfare related services.

It is possible that some of our members may face deregistration by Charities Services due to the extent of their housing programmes, even where their other activities are clearly charitable, and not be able to apply the grace period due to the current wording of clause 264 of the Bill.

For example:

- An organisation that provides a significant level of health or mental health services, and also includes the delivery of social and affordable housing, may not meet the “main or primary purpose” test for protection against the imposition of the tax on net assets;
- An organisation that provides both shared ownership and affordable rental housing as a primary activity, but who also provides other services that are deemed to remain charitable, would not know whether they face the imposition of the tax on net assets on their entire assets or only the portion deemed not to comply.

**Proposed Solution:** An alternative drafting of clause 264, for the application dates for section HR 12, would be to require only that the “person’s activities include the provision of housing, as part of achieving the person’s stated objectives or purposes, prior to de-registration by Charities Services”.

### General Comments

CHA makes this submission on behalf of community housing organisations which provide rental accommodation, wrap around services, and paths to homeownership within their local responses to improve housing affordability and outcomes for communities. Our members work across a broad housing continuum, which aligns with the goals of the government’s Social Housing Reform Programme.

The Reform settings rely on the provision of social and affordable housing and services to be provided by the community housing sector as an alternative to the direct provision by the Crown. Community housing organisations know well the families they work with – and review household circumstances to offer ‘pathway products’ as options for households – of which various forms of subsidized affordable shared ownership and affordable rental programmes form part of the suite of products that CHPs will need to offer households.

We note with interest that this Bill simply provides a two year extension, and does not resolve the underlying lack of certainty of tax exempt status for the not for profit community housing providers when they offer both ownership and rental forms of tenure. The longer the uncertainty continues, resources are diverted away from achieving the aims of the reform programme. The consequences are missed opportunities to achieve mixed tenure, mixed income, balanced communities.

The overriding goal of our submission is to ensure that community housing entities that have in the main enjoyed charitable status have certainty of income tax exemption into the future. Typically, these organisations deal with housing stress in

our communities – stress that can't be measured by the simple "poverty" test – a test which is outdated.

We also note that to date the Regulations specified under the Taxation (Annual Rates, Employee Allowances, and Remedial Matters) Act 2014, which provided for a Community Housing Entity form of tax exemption, have not been set. Organisations which are restructuring their activity to proceed with the delivery of social and affordable housing are now applying for registration as charities, given the absence of any other viable alternative. If a clear, workable, long-term solution is not provided soon then this two year extension will not be adequate time.

The sector also lacks certainty around whether organisations that may be deregistered in the meantime by Charities Services doing its reviews are not subjected to other issues beyond paying this tax on net assets. For example, we anticipate that philanthropic trusts and foundations would be less willing to provide grants to organisations that may not be tax exempt.

As we have submitted previously, a review of the Charities Act, and the inclusion of social and affordable housing as charitable, tax-exempt activity in our view is simpler and a more effective solution.

We are mindful that this issue is dragging on for well over four years. A two year extension, while important, is not the full solution. Government are asking community housing organisations to partner with them to provide more social and affordable housing at scale and with commercial partners. This requires long term commitment and planning. Government must resolve this fundamental issue to enable organisations to plan and model any opportunities for growth.

Thank you for your time. Community Housing Aotearoa welcomes the opportunity to speak to the submission at your hearing.

Kind regards



Scott Figenshow  
Director  
Community Housing Aotearoa

[director@communityhousing.org.nz](mailto:director@communityhousing.org.nz)

phone: 021-061-9664