

To: Inland Revenue Department

BYATA's Submission on Taxation and the Not-for-Profit Sector

Submitted by: Backpacker Youth and Adventure Travel Association (BYATA)

Date: 20 December 2025

BYATA welcomes the opportunity to provide feedback to the Inland Revenue Department of NZ over its targeted consultation on taxation and the not-for-profit (NFP) sector.

BYATA notes and supports the submission of New Zealand Society of Association Executives, Business New Zealand, Tourism Industry Aotearoa and Hotel Council Aotearoa that set out concerns in these areas.

Who are BYATA:

The Backpacker Youth Adventure Travel Association is a collective (120+) of tourism businesses, which rely heavily on 18-35yo youth travelers visiting New Zealand. Our group's pou's are to Advocate, Collaborate, and Communicate on behalf of members to ensure a healthy youth tourism sector. Our members include those from the vehicle and facility provider camping industry.

Our timu is to lead the next generation of traveler and our tirohanga is to be the independent voice for the youth travel industry. We are on a mission to define and advocate the true value of the sector, demonstrating that our customers for life are the poster child of the four capitals model.

About half of our members are Adventure Activity businesses who either are registered as a current certificate holder via the Worksafe scheme or potentially could be required to be part of the Worksafe register in the future, so the significance of this piece to them is dramatic.

Please contact Haydn Marriner, BYATA Chair for further information with regards this submission on 0272454861 or info@byata.org.nz

Summary of BYATA's Submission:

BYATA supports:

1. A fair and effective tax system, particularly where appropriate taxation applies to NFPs and where clearly taxable goods or services are being provided. Incorporated societies already account for tax obligations on commercial activities such as conferences, training, publications, and events. The tourism sector also contributes meaningfully to New Zealand's economy through its advocacy, representation, and sector-development activities.
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BYATA does not support:

2. Policy settings—intentional or unintended—that recharacterise genuine membership subscriptions or introduce tax design features that undermine the financial sustainability of incorporated societies. This includes requirements to unbundle or apportion integrated membership subscriptions, or threshold designs that discourage prudent financial management, growth, and long-term sustainability.
3. Apportioning value to membership subscriptions. These subscriptions represent a single, collective contribution that funds an association's kaupapa. The benefits they provide are integrated, often intangible, and cannot be meaningfully separated or valued individually, including,

- Advocacy. Advocating for tourism interests in government policy setting (e.g. submissions on Working Holiday Visa settings and International Visitor Conservation Levy).
- Collaboration with Industry associations. Working with other tourism industry associations to deliver cross sector benefits to industry. (e.g. Memorandum of Understanding with HospitalityNZ)
- Communications. Keeping members informed of key industry developments from both industry and government.
- Partner with Government. Consultative partner with Government on key tourism initiatives, such as the current Tourism Growth Roadmap process.
- Data and insight. BYATA takes a lead to providing members with easy access to tourism data and insights and contributes to data generation.
- Stakeholder and member engagement. BYATA provides opportunities for members to network within our membership and more widely with key stakeholders through our Regional Steering Group meetings held quarterly.
- Business capability and upskilling. BYATA provides webinars on key topics, in addition to topics highlighted in our regular communications channels.
- Right to vote. Members have rights to vote and shape the direction of BYATA's activities and priorities.

In each of these areas, the beneficiary is industry as opposed to any individual party. It is also important to note that Government itself benefits for having effective sector associations to work with, and this is certainly the case in the tourism industry.

These benefits are integrated, often intangible, and cannot be meaningfully separated or valued in isolation.

Supplementary and Supporting Information

1. Apportionment of Membership Subscriptions

BYATA supports Inland Revenue's objective of ensuring that clearly taxable goods or services are not inappropriately bundled within membership subscriptions. However, BYATA does not support policy settings that require incorporated societies to split or apportion genuine membership subscriptions into taxable and non-taxable components.

Membership subscriptions are intentionally structured as a single, integrated contribution. They fund governance, advocacy, sector leadership, representation, and member engagement. These functions are interdependent and cannot be meaningfully unbundled or valued in isolation. Apportionment requirements would impose disproportionate compliance costs and undermine the financial sustainability of not-for-profit associations without delivering commensurate tax integrity benefits.

2. The Government's Growth Roadmap for the Tourism Sector

Industry associations such as BYATA are seen as integral to the successful delivery of the Government's Growth Roadmap for the tourism sector. They provide supply workstreams coordination, advocacy, workforce and capability development, and act as trusted intermediaries between government and industry.

Any policy change that reduces the funding stability of industry associations—whether intentional or unintended—risks weakening their effectiveness and undermining progress against the objectives of the Growth Roadmap. From a Ministerial perspective, such outcomes would be counterproductive to achieving the Government's wider tourism and economic growth goals.

3. Design of the Proposed \$10,000 Tax-Free Threshold

BYATA supports Inland Revenue's objective of simplifying compliance for not-for-profit organisations and agrees that increasing the tax-free threshold to \$10,000 is appropriate. However, the proposed cliff-edge design—where exceeding the threshold results in the entire surplus becoming taxable—undermines both simplicity and growth.

Surpluses for incorporated societies often fluctuate due to timing of events, grants, or expenditure. A marginal increase in surplus should not trigger full taxation. Cliff-edge thresholds are well recognised as poor policy design, as they distort behaviour, discourage growth, and incentivise artificial income or expenditure management.

The current \$1,000 threshold, while modest, applies as a deduction regardless of total surplus and avoids these distortions. Retaining this principle at a higher threshold would better support good governance, financial sustainability, and the public-good purposes of incorporated societies.

Recommendation:

BYATA recommends retaining the policy objective of a higher threshold, but adjusting the design to align with simplification and growth objectives:

Preferred option: Maintain the \$10,000 deduction regardless of total surplus, mirroring the structure of the current threshold while delivering greater practical benefit.

Conclusion:

Associations such as BYATA exist to deliver member and industry benefits and are primarily funded through membership subscriptions that support good governance, advocacy, and community outcomes. These subscriptions are not payments for discrete goods or services, and BYATA does not support their taxation.

BYATA supports Inland Revenue's objective of addressing arrangements where clearly taxable goods or services are bundled into membership payments. Any response must be tightly targeted and must not require ordinary incorporated societies to apportion, value, or restructure core membership subscriptions.

BYATA recommends a practical, proportionate approach using clear definitions, and a well-designed tax-free threshold to address genuine bundling risk without imposing unnecessary compliance burdens.

BYATA welcomes further engagement with Inland Revenue on the final design and implementation of these settings.



Haydn Mariner

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