

ENA submission on Mutual Transactions of Associations Submission to Inland Revenue

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NAME OF SUBMITTER

Electricity Networks Aotearoa

CONTACT

Lisa Coles, Office and Events Manager

ADDRESS

**Level 5, Legal House
101 Lambton Quay
Wellington 6011**

EMAIL

lisa@electricity.org.nz

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1 Introduction

Electricity Networks Aotearoa (ENA) appreciates the opportunity to submit to the Inland Revenue on *ED0265: Mutual Transactions of Associations*.

ENA is the industry membership body that represents the 29 electricity distribution businesses (EDBs) that take power from the national grid and deliver it to homes and businesses (our members are listed in Appendix A).

EDBs employ over 7,800 people, deliver energy to more than two million homes and businesses, and have spent or invested \$6.2 billion in network assets over the last five years. ENA harnesses members' collective expertise to promote safe, reliable, and affordable power for consumers.

1.1 Executive summary

Our members operate essential infrastructure and services, ensuring the safe, reliable delivery of electricity to communities across the country.

ENA is a not-for-profit organisation. Our core revenue is derived from membership subscriptions. We do not operate for commercial gain; rather, we coordinate industry development, promote regulatory and technical excellence, and support sector-wide collaboration. These functions serve a public-critical role in New Zealand's energy landscape.

We welcome the opportunity to provide feedback on *ED0265: Mutual Transactions of Associations*. ENA is concerned that the proposed interpretation and policy changes risk undermining the viability and effectiveness of member-based organisations that deliver significant public and industry benefits.

2 Position summary

ENA strongly urges Inland Revenue to:

- Maintain the current treatment of membership subscriptions as non-taxable income unless clearly linked to commercial goods or services. Subscriptions are the core funding mechanism for our association and enable our public-critical activities.
- Lift the section DV 8 deduction threshold from \$1,000 to at least \$100,000. This would reflect the scale of modern associations and remove disproportionate compliance obligations from low-revenue organisations.
- Implement a phased transition of three to five years if changes are to proceed. This is essential to allow member-based bodies time to adapt their systems, budgets, and governance practices accordingly.

2.1 Membership subscriptions are not commercial income

The proposed taxation of mutual membership subscriptions represents a major policy shift that is inconsistent with decades of precedent. For ENA, subscription income is used to:

- fund industry coordination, research, regulatory submissions, and stakeholder engagement
- support member training, knowledge-sharing, and workshops
- enable member and industry collaboration on resilience, decarbonisation, affordability and public safety issues
- retain modest reserves for business continuity.

These are not commercial activities designed to generate surpluses or private benefit— they are industry-building functions that serve New Zealand’s public interest and energy transition goals.

Applying income tax to subscriptions would fundamentally undermine ENA’s ability to carry out this role. It would reduce resources for planning of system reliability, affordability, workforce development, and technical innovation, all of which have downstream public benefits.

If we had to pay tax on our subscription income, the most likely outcome would be that we increase our subscriptions in order to maintain our work while also covering a tax bill. This would increase costs for EDBs. We are conscious of the impact of any increased costs for EDBs as they may flow through to electricity bills.

2.2 Raise the non-profit deduction threshold

The current \$1,000 threshold in section DV 8 of the Income Tax Act is inadequate and out of step with modern association operations. ENA supports increasing this to \$100,000, consistent with the New Zealand Society of Association Executives (NZSAE) recommendation. This would:

- remove low-value compliance from the tax system
- acknowledge that most association surpluses are reinvested in member and public benefit
- reduce administrative cost for Inland Revenue and associations alike.
- Encourage associations to build and maintain an appropriate number of reserves, in order to be a stable and reliable member organisation.

2.3 Provide a phased implementation period

Should Inland Revenue proceed with these changes, ENA strongly recommends a phased implementation over three to five years. Immediate application would introduce significant financial and operational risks, including:

- retrospective liability concerns
- disruption to budgeting processes
- increased legal and accounting costs for compliance.

A measured rollout, supported by clear guidance and education, would minimise unintended harm and support compliance.

3 Summary and recommendations

ENA operates in a tightly regulated, capital-intensive environment and are at the frontline of some of Aotearoa's biggest challenges, including:

- climate resilience and adaptation
- decarbonisation and a just energy transition
- infrastructure renewal and policy reform.

ENA enables essential collaboration, knowledge-sharing, and policy alignment across the sector. Taxing mutual contributions risks fragmenting this effort — effectively penalising strategic planning, capacity-building, and shared responsibility.

This is not just an issue of fairness for ENA; it's a broader risk to sector coordination at a time when collective action is most needed.

ENA supports transparency, consistency, and integrity in the tax system. However, the current proposals — particularly the reinterpretation of mutuality — threaten to undermine the role of member-based organisations that deliver essential public-critical services.

We therefore urge Inland Revenue to:

- preserve the longstanding exemption for mutual membership subscriptions
- adjust the DV 8 threshold to a level proportionate to modern organisational realities
- allow sufficient time and support for sector-wide adaptation.

We remain committed to working constructively with Inland Revenue on a practical and future-focused path forward.

4 Appendix A

Electricity Networks Aotearoa's members are:

- Alpine Energy
- Aurora Energy
- Buller Electricity
- Centralines
- Counties Energy
- Firstlight Network
- Electra
- EA Networks
- Horizon Networks
- Mainpower
- Marlborough Lines
- Nelson Electricity
- Network Tasman
- Network Waitaki
- Northpower
- Orion New Zealand
- Powerco
- PowerNet (which manages The Power Company, Electricity Invercargill, OtagoNet and Lakeland Network)
- Scanpower
- Top Energy
- The Lines Company
- Unison Networks
- Vector
- Waipa Networks
- WEL Networks
- Wellington Electricity
- Westpower