**Not for profit organisations**

“Non-profit organisations contribute $6 billion to NZ economy”

year ended March 2013, Statistics New Zealand said today.

When the value from the labour of volunteers ($3.5 billion) is included, non-profit institutions contributed $9.4 billion (4.4 percent) to total GDP.

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| **Non-profit institutions’ economic contribution** | | | | |
|  | 2004 | | 2013 | |
|  | $(billion) | Percent | $(billion) | Percent |
| Contribution to GDP | 3.6 | 2.5 | 6 | 2.7 |
| Volunteer labour contribution to GDP | 3.3 | 2.4 | 3.5 | 1.7 |
| **Total contribution to GDP** | **7** | **4.9** | **9.4** | **4.4** |

A non-profit organisation is any society, association or organisation (incorporated or not):

* that is not carried on for the profit or gain of any member, and
* Whose rules do not allow money, property or any other benefit to be distributed to any of its members.
* Organised, to the extent that it can be separately identified,
* Not-for-profit and not distribute any surplus that may be generated to those who own or control it,
* Institutionally separate from government (that is, private), i.e. NGO’s
* Self-governing (that is, in control of its own destiny), and
* Non-compulsory (that is, membership and participation are voluntary).

Designation as a non-profit does not mean that the organization does not intend to make a profit, but rather that the organization has no 'owners' and that the funds realized in the operation of the organization will not be used to benefit any owners. The extent to which an NFP can generate surplus revenues may be constrained or use of surplus revenues may be restricted.

Charities are also NFP and charitable purposes include:

1. the relief of poverty,
2. the advancement of education,
3. the advancement of religion, and
4. Activities for the benefit of the community.

The main practical difference between a charity and a non-profit organisation is found in tax administration.  While charities registered with the Charities Commission are automatically tax-exempt, non-profit organisations are not necessarily:

Examples of NFP organisations:

Starship Hospital

The Yellow Eyed Penguin Trust

Unicef NZ

Women’s Refuge

40 Hour Famine

Heart Foundation

Advantages of an NFP org:

* Are (partly) exempt from income tax, although an application in writing must be made to obtain this exemption
* Earnings can be cycled back into the business to improve it.
* Contributors to NFP organisations receive a tax deductible benefit.

Disadvantages of non-profit organizations?

* Limitations- the organization must be devoted to charitable, religious, educational, scientific or literary pursuits or be organized to test for public safety, foster national or international amateur sports or prevent cruelty to children or animals. Charitable has been further defined to include relief for disadvantaged or underprivileged persons, advancing religion, education or science, preservation of monuments and public spaces, elimination of discrimination, advancement of human and civil rights and promoting a healthy community.
* All other rules around employment, i.e. employee tax etc. still apply.