

White Paper 2025

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The Future of Charitable Giving in New Zealand



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About Bloomsbury Associates

Bloomsbury Associates provides financial and philanthropy advice that helps private investors, families, and charities obtain their future goals with confidence. We are passionate about helping our clients help others. We have prepared this White Paper to inspire and educate future philanthropists, and to stimulate discussion on the future of giving in New Zealand.

More information

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Foreword

Charitable giving has long been a cornerstone of community resilience in Aotearoa New Zealand. As we look to the future, it is clear that philanthropy must play an even greater role in supporting the wellbeing of our people and the sustainability of the charitable sector. This white paper was written to ignite thoughtful discussion and bold thinking about how New Zealand can foster a stronger culture of giving - one that empowers donors, strengthens charities, and delivers greater public good.

At Bloomsbury Associates, we are privileged to walk alongside generous individuals and families as they make decisions that shape our communities. We believe giving should be celebrated, enabled, and made easier. In this paper, we explore how modest reforms to the tax system could unlock hundreds of millions in new philanthropic funding, without proportionally increasing government expenditure.

This work reflects the contributions and insights of many across the sector - researchers, policy thinkers, donors, and charitable leaders. I thank each of them for their generosity of time and thought, and for the vision they share for a more compassionate, engaged, and generous New Zealand.

Nāku iti noa, nā,



Philip Stevenson
Founder, Bloomsbury Associates

Executive summary

In a constrained economic environment, charitable organisations in New Zealand are under increasing pressure to meet rising demand for essential services. Philanthropy plays a vital role in supporting these services, ranging from mental health support and food banks, to family violence prevention and community housing, relieving pressure on the government to fund them directly. With charitable funding becoming increasingly critical to the survival of many non-profits, this white paper explores how the government can strengthen the culture of giving through more effective tax incentives.

Currently, the New Zealand donation tax credit allows individuals to claim back 33.33c for every dollar donated to approved charities, up to the amount of their taxable income. While this scheme broadly encourages philanthropy, it has not significantly expanded the donor base or promoted a broader culture of giving. Reforms to donation tax credit settings in 2008 removed a cap that limited a taxpayer's donation tax credit claims to \$630 per year, but this only affected a narrow group of high-value donors, leading to some increase in reported donations but without a dramatic uplift in total charitable funding.

This paper makes two proposals for the reform of donation tax settings, aimed at unlocking more private giving, without a proportionate increase in public spending:

1. Increase the Donation Tax Credit from 33.33c to 50c per dollar donated.
2. Allow donation tax credits to be carried forward across tax years.

Our modelling indicates that increasing the donation tax credit to 50c per dollar donated could boost charitable giving by between 37 per cent to 73 per cent. Using tax price elasticity estimates ranging from -1.1 to -1.9, the analysis shows that every dollar in additional tax credits could yield between \$1.05 and \$1.37 in new donations. Even under the most conservative scenario, this reform would generate hundreds of millions in new philanthropic funding, offering significant returns on public investment.

The second proposal - allowing tax credits to be carried forward - addresses a structural disincentive in the current tax regime. Presently, donations exceeding an individual's taxable income do not yield additional tax credits. This creates a barrier for high-net-worth donors willing to give larger amounts in a single year. Allowing unused credits to be applied in future years would eliminate this cap and encourage more timely, impactful donations.

The paper highlights that donors are motivated not just by financial incentives but also by emotional and social benefits, such as the satisfaction of supporting meaningful causes and contributing to the public good. Moreover, strategic philanthropy often comes with additional value - donors can offer governance expertise, networks, and advocacy that amplify the impact of their financial contributions.

Charities, in turn, benefit from sustainable relationships with values-aligned donors who are more likely to provide ongoing support. These partnerships often reduce reliance on government funding and empower charities to be more agile and responsive to community needs.

The targeted reforms this white paper proposes to New Zealand's tax system could substantially grow philanthropic giving, enabling charities to better serve vulnerable communities while reducing fiscal pressure on the government. These changes are both economically efficient and socially beneficial, offering a practical pathway to a more generous, resilient and well-supported charitable sector.

Introduction

In the current economic climate, budgets are tight, and securing funding for charitable causes is becoming an ever-greater challenge. Philanthropy has always been vital for funding charitable projects, but for many causes it has become central to their survival. This raises the question as to how we should be encouraging wealthy donors with their giving, and what incentives and barriers there currently are for philanthropists. A key hypothesis of this paper is that philanthropists would give more if the Government removed barriers to giving and incentivised them to give more. This in turn reduces the burden on the government to fund the critical services many charities in New Zealand provide, including ambulances, mental health support, family violence support, food banks and community housing.

Philanthropy provides crucial support to enable the important work charities do for society. According to Philanthropy New Zealand, the philanthropic sector's grant and donation-based funding is worth around \$3.8 billion per year, with the opportunity for significant growth.¹ Philanthropy provides a significant revenue stream for the approximately 28,000 registered charities in New Zealand, helping charities support a range of causes and to employ more than 145,000 people full-time – equal to 5 per cent of the workforce.² Gifts of time and skills are also critical to the sector's work – in 2022 more than 207,000 volunteers contributed around 1.7 million hours per week to registered charities in New Zealand.³

The donation tax credit

The government has long recognised the importance of philanthropy and the work charities do for the community by providing tax incentives to encourage and reward taxpayers who donate to them. The New Zealand donation tax credit scheme provides eligible individuals with a tax credit for eligible donations made to approved charities and organisations.⁴

Under the scheme, 33.33c can be claimed for every dollar given up to a ceiling equal to the donor's taxable income during the tax year – providing donors with more after-tax income and reducing the cost of giving to the taxpayer.⁵

By providing incentives for giving, the scheme also recognises the invaluable contribution charities make to the government's own objectives and to New Zealand society generally.⁶

¹ Rahul Watson Govindan, "Briefing for Incoming Ministers on Philanthropic Sector in Aotearoa New Zealand", 17 January 2023, <https://acrobat.adobe.com/id/urn:aaid:sc:AP:8ce068a9-077d-4881-9762-6e6b785f9f8f>.

² Charities Service, "The sector's year in numbers" (2019/2020), <https://www.charities.govt.nz/assets/the-sectors-year-in-numbers-data.pdf>, accessed 25 September 2024.

³ Charities Service, "2024 Charities Volunteering Snapshot", <https://charities.govt.nz/charities-in-new-zealand/research-into-charities/>, accessed 25 September 2024.

⁴ Inland Revenue, 'Ngā whiwhinga tāke mō ngā takoha: Tax credits for donations', last updated 30 May 2024, <https://www.ird.govt.nz/income-tax/income-tax-for-individuals/individual-tax-credits/tax-credits-for-donations>, accessed 8 August 2024.

⁵ Inland Revenue, 'Ngā whiwhinga tāke mō ngā takoha'. See also Cruickshank, 'Survey of Charitable Giving in New Zealand', 15.

⁶ Inland Revenue, Tax incentives for giving to charities and other non-profit organisations: a government discussion document (Wellington: Inland Revenue, 2006).

The rationale for a donation tax credit scheme that reduces government tax revenue is based on the idea that some social objectives require additional, different, or more targeted spending than the government can provide.⁷

A number of changes were made to the donation tax credit scheme in 2008 with the aim of fostering a stronger culture of charitable giving in New Zealand.⁸ Previously, individuals could claim back 33.33c per dollar donated, but only up to a maximum claimable amount of \$630 (i.e. those who donated more than \$1,890 in a year saw no increase in tax credit for their giving over this amount). Companies and Māori authorities were limited to deducting donations of up to 5 per cent of their net income.

On 1 April 2008, these limits were dramatically expanded. Individuals' maximum claimable amount is now limited only by their total income, and companies' maximum claimable amount is limited only by their net income.

It is worth noting that the donation tax settings operate on a tax *credit* basis, where the tax credit a donor receives is equal to a fraction of the total dollar value of donations to registered charities. Under this system, charitable donations directly reduce the amount of tax paid. Canada uses a similar tax *credit* system, making Canadian studies particularly useful for this paper.

A tax *deduction* system for charitable donations is much more common internationally and differs from the tax credit system used in New Zealand and Canada. In countries with a tax deduction system, charitable donations reduce a taxpayer's taxable income before determining their marginal income tax rate, similar to the way eligible business expenses can be offset against an individual's taxable income in New Zealand.

The need to drive more donations to charities

New Zealand's charities play a vital role in supporting vulnerable communities, addressing social inequities, and even delivering essential services. From providing food, housing, and mental health services to advancing education, environmental protection and cultural initiatives, these organisations deliver services that complement and often fill gaps in government services.

A service delivered by a charity is one that the government does not have to step in, fund and deliver itself. For this reason, governments incentivise giving to charities as a way to leverage private funding and encourage philanthropy to deliver on social objectives. Government funding of the charitable sector in New Zealand is in the billions of dollars, through both tax incentives and direct funding.⁹

⁷ See Cruickshank, 'Survey of Charitable Giving in New Zealand', p.15; Michael D Layton, 'The Influence of Fiscal Incentives on Philanthropy across Nations', in P. Wiepking and F. Handy (eds.), *The Palgrave Handbook of Global Philanthropy* (London: Palgrave Macmillan, 2015), doi:10.1057/9781137341532.0038, p.541.

⁸ Inland Revenue, 'Greater tax incentives for charitable donations', <https://www.taxtechnical.ird.govt.nz/en/new-legislation/act-articles/other-policy-matters/greater-tax-incentives-for-charitable-donations>, accessed 8 August 2024; Peter Dunne, 'Fostering a culture of charitable giving', 18 May 2007, <https://www.beehive.govt.nz/release/fostering-culture-charitable-giving>.

⁹ https://openaccess.wgtn.ac.nz/articles/thesis/Government_Financial_Support_for_the_Charitable_Sector_in_New_Zealand/27321831?file=50052036

Despite a constrained economic environment, demand for charities' services continues to grow. In 2024, 77 per cent of community organisations surveyed by Community Networks Aotearoa experienced an increase in demand for their services and activities.¹⁰ At the same time, 38 per cent of these community organisations ranked themselves as “viable but struggling”, with 32 per cent being worse off than they were two years ago.¹¹

We believe that through encouraging more philanthropy, the government can help to ease this strain with minimal impact on its own financial position.

The removal of the \$630 maximum claimable credit cap back in 2008 was designed to facilitate greater giving to charities and other non-profit organisations, and to encourage a culture of generosity in New Zealand. However, the changes were only targeted at a small subset of taxpayers - those who donate more than \$1,890 per year. For this reason, the impact of the change was largely confined to a 25 per cent increase in the amount of *reported* donations, as taxpayers who already donate more than \$1,890 per year took advantage of their ability to claim back more of what they were already donating. Actual donations received by major charities did not see a correspondingly dramatic increase over this time.¹²

Why should we encourage more giving?

Throughout the research conducted for this white paper, we identified a broad range of benefits linked to philanthropy - benefitting both donors and the charities that receive their support. Some themes emerge from the literature and the interviews we undertook with economists, philanthropists, tax advisers and industry consultants.

For the donor, the motivations for giving and the associated benefits vary widely. One benefit that comes up repeatedly is the “warm glow” effect - giving simply because it makes the donor feel good. This might be because a donor believes strongly in the cause they are supporting, or they feel they can see the effects of their donation play out in the community.

Dr Eric Crampton, Chief Economist with the New Zealand Initiative, recalls economist Gordon Tullock's discussions of the “super-efficiency of charity”. He noted that, “if you're donating \$100 to a cause, you must get at least \$100 worth of enjoyment out of knowing that they're doing good things with that money, because otherwise you'd spend that \$100 on things that give you direct enjoyment”. He also noted Tullock's published work on accountability, so the charitable intentions of donors can lead to better outcomes.¹³

Others donate for more tangible, external reasons, perhaps for the societal recognition they feel they might get from donations, or the perception that they might get something in return.

¹⁰ https://irp.cdn-website.com/96a27c73/files/uploaded/State_of_The_Sector_Report_2024_09.10.24_Master_Export.pdf at 24

¹¹ https://irp.cdn-website.com/96a27c73/files/uploaded/State_of_The_Sector_Report_2024_09.10.24_Master_Export.pdf at 42

¹² <https://www.wgtn.ac.nz/business/research/centres-institutes/previous-chairs/chair-in-public-finance/publications/working-papers/2022-working-papers/WP21-2022-Elasticity-of-reported-donations-Bunching-evidence-from-New-Zealand.pdf> page 7

¹³ Tullock, Gordon. 1966. “Information without Profit”. Papers on Non-market Decision Making 1: 141-59. As republished in Tullock, Gordon. 2004. The Selected Works of Gordon Tullock. Volume 1: Virginia Political Economy. Liberty Fund.

For the charity, donors can provide broader benefits than just the sums of money received. Charities can take advantage of a donor's connections and expertise to build their networks and support them with their charitable missions. Where donors' values align with the mission of the charity, donors are more likely to give more regularly, and this is even more so where a charity brings a donor more closely into the organisation itself. "One of the things you look to build as a fundraiser is a relationship with your donors, a sustainable, long-term regular relationship," Rahul Govindan, Chief Executive of Philanthropy NZ notes.

"One of the best ways to do that is to work with donors who are values-aligned, who have got empathy for the work that you're trying to do, or the impact you're trying to make as an organisation."

Another example of this is where those with governance expertise donate money to a charity and might also sit on its board, allowing the charity to also benefit from their expertise. In the words of Margie Beattie, Philanthropy Advisor at Gillies McIndoe Research Institute, "the charities are getting the finance, but actually what you're doing is you're getting someone else who's on your team of champions".

High-profile donors can also support charities in less tangible ways, for example through advocacy in communities or the media.

Summary of proposals

This paper proposes two policy changes:

[Proposal 1: Increase the rebate rate from 33.33c per dollar donated, to 50c per dollar donated.](#)

This paper argues that by raising the donation tax credit from 33.33c to 50c per dollar donated, we could drive a 37 to 73 per cent increase in the amount of money private individuals in New Zealand donate to charity.

While this would lead to a small reduction in government revenue, this paper argues that reduction would be more than offset by charities' ability to do work in the community that would otherwise need to be performed by the government.

Importantly, this proposal would apply to *all* taxpayers, not just those who donate more than \$1,890 per year. For this reason, we expect it to have a greater impact on donors' behaviour than the 2008 reforms - costing the government less and providing greater social impact than these previous reforms were able to achieve.

[Proposal 2: Allow rebates to be carried forward over tax years](#)

Allowing the rebate to be carried forward would bring forward the timing of donations to charities. It would mean that significant donors could efficiently help community organisations in a timely manner rather than being encouraged to delay the full benefit over a protracted period.

There is precedent elsewhere in the tax system for this approach. For example, persons operating at a loss can carry forward these losses from one tax year to the next, reducing their taxable income in future tax years.

Proposal 1: Increase the rebate rate from 33.33c per dollar donated, to 50c per dollar donated

In order to predict whether an increase in the rebate rate will drive an increase in charitable donations, we must first assess the relationship between tax settings and charitable donations to find the impact these variables have on each other.

In the academic literature, this relationship is known as “tax price elasticity”.¹⁴ A tax price elasticity finding of -1 indicates that a change in tax policy is revenue neutral - i.e. that for every \$1 foregone in tax revenue, another \$1 is donated. If the elasticity is found to be less than -1, this would suggest that making changes to donation settings would drive more in donations than it would cost the government in foregone tax revenue.

A survey of literature from Canada found that estimates of tax price elasticity range from -1.1 in the conservative scenario, to -1.9 in the most favourable scenario.¹⁵ Studies which use data from Canada are more applicable to the New Zealand situation than other countries, as Canada shares a similar donation tax credit system to New Zealand.

Our selection of a tax price elasticity range of -1.1 to -1.9 is further bolstered by a recent meta-analysis of academic studies from Western countries by the Philanthropy Roundtable in the United States. That meta-analysis considered 52 academic studies from between 1975 - 2023, with elasticities ranging from -0.78 to -3.36 and concluded that the true tax price elasticity was likely to be in the vicinity of -1.3.¹⁶

Taking this range of tax price elasticities, we have modelled three scenarios to predict the impact increasing the donation tax credit from 33c to 50c per dollar donated would have on charitable giving in New Zealand. These scenarios use charitable donations reporting data from the IRD.

Total Reported Donations (\$M)	949.2
Donation Tax Credits Claimed (\$M)	316.3

Table 1: Reported donations data from the Inland Revenue Department for the 2023 tax year.

Our most conservative scenario is based on a tax price elasticity of -1.1, the moderate scenario is based on an elasticity of -1.5, and the most favourable scenario is based on an elasticity of -1.9.

¹⁴ Hickey et al https://melbourneinstitute.unimelb.edu.au/__data/assets/pdf_file/0008/4429790/wp2023n02.pdf

¹⁵ More detail on modelling assumptions and methodology can be found in Appendix A.

¹⁶ How Tax Policy Affects Charitable Giving: Literature review and meta-analysis on the tax elasticity of charitable donations <https://search.issueelab.org/resource/how-tax-policy-affects-charitable-giving-literature-review-and-meta-analysis-on-the-tax-elasticity-of-charitable-donations.html> at 20

Table 2: Modelling the impact of changing the donation tax rebate from 33c to 50c per dollar donated, across three tax price elasticity scenarios.

Modelling Assumptions & Outputs				
	2023 Figures*	Conservative	Moderate	Favourable
Assumptions				
Tax Price Elasticity	N/A	-1.1	-1.5	-1.9
Donation Tax Credit (Cents)	33.33	50	50	50
Outputs				
Total Reported Donations (\$M)	949	1,303	1,461	1,640
Donation Tax Credits (\$M)	316	651	731	820

*Source: IRD

These elasticity scenarios demonstrate how increasing the donation tax credit from 33c per dollar donated to 50c per dollar donated is expected to lead to an increase in total reported donations of \$353 million (37 per cent) at the conservative end, and up to \$691 million (73 per cent) in the most favourable scenario.

Modelling Effects on Total Reported Donations			
	Conservative	Moderate	Favourable
Change in Reported Donations (M\$)	353	512	691
% Change from 2023 Figure	37%	54%	73%
Return on Tax Incentive	\$1.05	\$1.24	\$1.37

Table 3: Modelling effect on total reported donations.

As part of our analysis, we also considered the effect of increasing the donation tax credit to an amount between 33c and 50c, or further, to 80c per dollar donated.

Our modelling showed that increasing the donation tax credit to 80c per dollar donated led to an increase in expected donations from \$1.5 billion to \$5.8 billion, with a corresponding increase in the cost to the Government from \$414 million to \$4.3 billion. Compared to the status quo this would return a net benefit of \$98 million and \$523 million in charitable funding respectively.

However, increasing the donation tax credit to 80c per dollar donated would have a significantly greater impact on Government finances. As a percentage of core Crown revenue, the donation tax credit at 50c per dollar donated would be 0.65%, jumping to 4.1% if the credit was to be set at 80c per dollar donated. This is compared with the status quo of 33c per dollar donated, the cost of which is equivalent to 0.28% of core Crown revenue.

Such a significant increase in spend is unlikely to be palatable in the current economic and political climates.

Brad Olsen, Chief Executive at Infometrics told us that he thinks the best way to address the donation tax is in terms of the incidence of tax. For this reason, it's best to set the donation tax credit at a rate above the top tax rate.

“If the government genuinely wants to encourage more charitable giving, it would be better to set a donation rebate rate at a round number that sits clearly above the top tax threshold. A 50% rebate would be simple to understand and would provide a strong, visible incentive to donate.”

For these reasons, we consider increasing the donation tax credit to 50c per dollar donated to strike the most appropriate balance between driving an increase in charitable funding while limiting the impacts on Government finances.

Proposal 2: Allow rebates to be carried forward over tax years

Our second proposal would allow individual donors who donate an amount higher than their taxable income for the year to carry forward that extra amount so that it can be claimed as a tax credit in a future tax year. Right now, donors are incentivised to not donate more than their taxable income in any given year, as any donations over this amount return no tax credit to the donor.

This paper argues that this artificially depresses charitable donations, and that if donors were able to carry forward donation amounts over and above their taxable income for a year into future tax years, such distortions would be removed. Allowing donors to carry forward donation rebates would also align this aspect of New Zealand's tax system with existing provisions, such as the ability to carry forward losses to offset future income.

Anecdotally, we often hear from our clients that they would donate more money sooner if the donation tax credit rules allowed donors to carry forward excess donation credits into future tax years. When we asked donor Bob Barton how the level of rebate would affect how he chooses to give, Bob replied that if the annual tax relief threshold was higher, it might encourage him to bring forward some of his planned gifting. As a further example another donor who was "capital-rich" wished to donate \$5,000,000 to charitable causes over their remaining lifetime but their annual income currently restricts this to \$250,000 per annum most years.

Conclusion

Giving is a good thing, and more giving should be valued and encouraged by New Zealand's tax system. A dollar donated is more valuable than a dollar funded from the government, both to the donor who experiences improved health and wellbeing and community engagement, and the recipient who benefits not only from the funding but also from the relationship with their donor and their experience and advocacy.

A dollar donated is also more valuable than a dollar taxed - with our modelling demonstrating how each dollar of revenue forgone by the government in tax credits drives \$1.05 to \$1.37 in increased donations.

Philanthropic funding from the community allows innovative and community-focused projects to be well funded without the need for as much government investment. This in turn frees up the government to focus on areas more in line with its expertise and where its scale can bring major efficiency benefits, such as national infrastructure projects and other core services.

As this paper has explored, raising the donation tax credit amount to \$0.50c for every dollar donated would drive a 37 to 73 per cent increase in donations, unlocking millions in new funding for many of the community's most innovative and critical services that charities deliver that would otherwise need to be funded by the government.

Our second proposal, allowing rebates to be carried forward over tax years, would remove the disincentive philanthropists currently have to not donate more than their taxable income in any given year.

Appendix A - Modelling assumptions and methodology

[Executive summary](#)

This appendix presents a set of indicative modelling scenarios to explore how charitable giving and government tax expenditure might respond to an increase in the donation tax credit from 33.33 cents to 50 cents per dollar donated. The analysis is intended to support informed discussion around the potential implications of such a policy change. It does not constitute a fiscal forecast or a rigorous cost-benefit assessment.

The modelling has three behavioural response scenarios—conservative, moderate, and favourable—each reflecting different assumptions about the sensitivity of donations to changes in tax incentives.

These are expressed as tax price elasticities of -1.1, -1.5, and -1.9 respectively. These values are drawn from Canadian empirical research, where similar tax structures exist. The moderate scenario reflects an elasticity that would result in treasury efficiency, where the value of increased donations would equal the cost of additional tax credits.

[Key insights](#)

- **Increase in Giving:** Across all scenarios, a higher tax credit is associated with an increase in total reported donations. Estimated increases in reported donations range from \$353 million (37 per cent) under the conservative scenario to \$691 million (73 per cent) under the favourable scenario.
- **Fiscal Impact:** The estimated increase in donation tax credits claimed ranges from \$335 million to \$504 million, depending on the scenario. This equates to an additional 0.26 to 0.39 percentage points of core Crown expenses. In total, donation tax credits would rise from 0.25 per cent of core Crown expenses in 2023 to between 0.51 per cent and 0.64 per cent under the modelled scenarios.

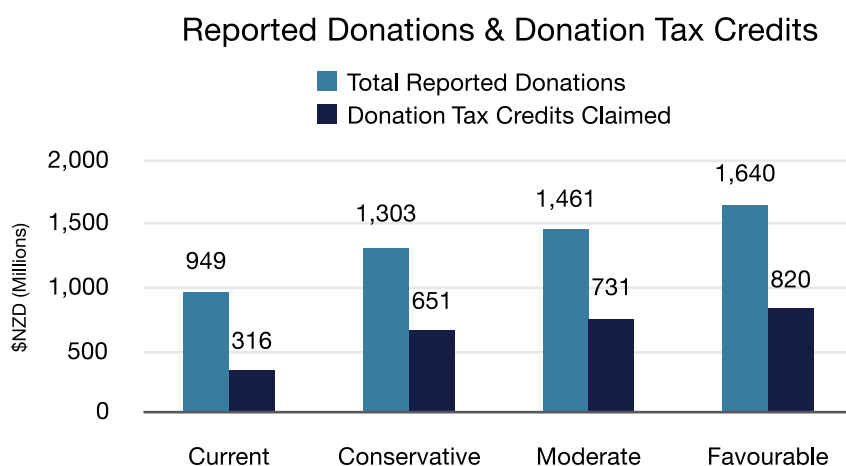


Chart 1: Reported donations and donation tax credits

These estimates suggest that changes to donation tax incentives could meaningfully influence giving behaviour, though fiscal impacts would remain modest relative to overall government spending. Further empirical research and policy analysis may be warranted to evaluate long-term outcomes and equity considerations.

Objective

The modelling aims to provide indicative estimates of how total charitable donations and tax credit claims might respond to a change in the donation tax credit rate. It is not intended as a fiscal forecast or cost-benefit analysis, but rather as a tool to support further consideration of the policy option.

Behavioural assumptions - tax price elasticity of giving

A key parameter in the modelling is the tax price elasticity of giving, which reflects how sensitive donors are to the after-tax cost of giving. Three scenarios were modelled:

- **Conservative:** Elasticity = -1.1
- **Moderate:** Elasticity = -1.5
- **Favourable:** Elasticity = -1.9

The range for tax price elasticities is drawn from Canadian studies that examine charitable giving responses to tax incentives. A list of these studies is included in Table 4 of Appendix B.

Modelling assumptions and outputs

Table 1 presents the assumptions and outputs for each scenario, based on an increase in the donation tax credit from 33.33 cents to 50 cents per dollar donated.

Modelling Assumptions & Outputs				
	2023 Figures*	Conservative	Moderate	Favourable
Assumptions				
Tax Price Elasticity	N/A	-1.1	-1.5	-1.9
Donation Tax Credit (Cents)	33.33	50	50	50
Outputs				
Total Reported Donations (\$M)	949	1,303	1,461	1,640
Donation Tax Credits (\$M)	316	651	731	820

*Source: IRD

Table 1: Modelling assumptions and outputs

Under the three behavioural scenarios, total reported donations are calculated using an exponential elasticity formula. Modelled total reported donations are calculated using 2023 donations (D_0), the assumed tax price elasticity for a given scenario (ϵ), and the donation tax credit rate before and after the change (P_0 and P_1 respectively).

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$$\text{Total Reported Donations } (D_1) = D_0 * \left(\frac{1-P_1}{1-P_0} \right)^{\epsilon}$$

Donation tax credits claimed are then calculated using the donation tax credit rate after the change and the total reported donations under the given scenario.

$$\text{Donation Tax Credits Claimed} = P_1 * D_1$$

Estimated change in charitable giving

Under all scenarios, the modelling suggests that an increase in the donation tax credit could be associated with a rise in total reported donations. Table 2 outlines the estimated changes in giving, both in absolute and relative terms, and compares these with the change in tax credits.

Modelling Effects on Total Reported Donations			
	Conservative	Moderate	Favourable
Change in Reported Donations (M\$)	353	512	691
% Change from 2023 Figure	37%	54%	73%
Return on Tax Incentive	\$1.05	\$1.24	\$1.37

Table 2: Modelling effect on total reported donations

The return on tax incentive is a ratio that may be of interest when considering the extent to which additional tax expenditure corresponds to increases in charitable activity.

$$\text{Return on Tax Incentive} = \frac{\Delta \text{Total Reported Donations}}{\Delta \text{Donation Tax Credits Claimed}}$$

Estimated impact on government tax revenue

Table 3 presents the projected change in donation tax credits claimed, along with their share of total core Crown expenses. The estimates provide a reference point for assessing potential fiscal implications.

Modelling Effect on Government Tax Revenue				
	2023 Figures*	Conservative	Moderate	Favourable
Change in Donation Tax Credits Claimed (\$M)	N/A	335	414	504
Change in Donation Tax Credits as % Change in Core Crown Expenses	N/A	-0.26%	-0.26%	-0.26%
Donation Tax Credits as % of Core Crown Expenses	0.25%	0.51%	0.57%	0.64%

*Source: IRD

Table 3: modelling effect on government tax revenue

While the projected fiscal impacts vary by scenario, donation tax credits would remain a relatively small component of overall government spending.

[Notes and limitations](#)

- The modelling is indicative only and does not account for broader behavioural or economic feedback effects.
- Elasticity values are point estimates and may not reflect all donor segments or time horizons.
- The cost of compliance, administration, or potential changes in donor composition are not modelled.

Appendix B - Summary of evidence on the tax price elasticity of charitable giving

This appendix summarises a selection of empirical studies and reviews that estimate the tax price elasticity of charitable donations—that is, the responsiveness of charitable giving to changes in its after-tax cost. These elasticity estimates underpin the modelling scenarios in Appendix A and offer insight into how donors may respond to changes in tax incentives across different jurisdictions and time periods.

[Overview of selected studies](#)

Table 4 summarises six key studies selected for their relevance to tax policy design, comparability to New Zealand's tax credit system, and geographic diversity.

Author	Country	Elasticity Estimate
Hickey et al. (2023)	Canada	-1.9
Hossain & Lamb (2012)	Canada	-1.7
Department of Finance Canada (2016)	Canada	-1.1
Salmon (2024)	Various	-1.3
Duquette (2016)	US	-4
Kato et al. (2023)	South Korea	-1.6

Table 4: *summary of key studies selected to inform modelling*

These estimates reflect a range of methodologies, data sources, and policy contexts, with elasticities ranging from -1.1 to -4.0. The estimates suggest that charitable giving is generally price elastic—i.e. sensitive to tax incentives—with most international evidence clustering around elasticities of -1.1 to -1.9.

[Summary of individual studies](#)

- Canada

- Estimated elasticity: -1.9
- Based on variation in marginal tax rates and donation tax credits across provinces between 2001 and 2016 using administrative tax filer data.
- Finds strong donor responsiveness to changes in the after-tax price of giving.

- Canada

- Estimated elasticity: -1.7
- Uses household survey data to estimate donor response based on individual tax and benefit parameters.
- Focuses on federal and provincial tax incentives.

- Canada

- Estimated elasticity: -1.1
- Based on tax filer panel data from 1997–2012 and includes evaluation of recent policy changes.
- Notes an average elasticity of -1.2 across international studies reviewed.
- Often cited as a benchmark for treasury efficiency.

- Meta-Analysis

- Estimated elasticity: -1.3
- Synthesises findings from 52 empirical studies published between 1975 and 2023.
- Suggests elasticity estimates are generally consistent across countries and time periods, with some variation by donor income level.

- United States

- Estimated elasticity: -4.0
- Analyses US tax filings around the 1986 federal tax reform, which increased the tax price of giving.
- Finds a steep decline in donations among affected households.
- Considered an outlier, though methodologically robust for its specific context.

- South Korea

- Estimated elasticity: -1.6
- Studies a 2014 reform which converted a donation deduction to a credit, creating differing tax prices across income groups.
- Finds giving increased among lower-income donors facing reduced tax prices, and decreased among higher-income donors.

[Relevance to New Zealand context](#)

While from overseas, the Canadian studies are particularly relevant to New Zealand given the structural similarities of Canadian donation tax credit incentives. The elasticities applied in Appendix A (-1.1, -1.5, and -1.9) fall within the range supported by this literature.

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