Aviation INDUSTRY ASSOCIATION

Submission to the

Inland Revenue Department on Taxation and the Not-for-Profit Sector

24 December 2025

About us

1. The Aviation Industry Association (AIANZ or the Association) is the peak membership body that represents the interests of the commercial aviation industry in New Zealand. Founded in 1950, its overall goal is to support a safe, sustainable, and resilient sector in New Zealand. So, while safety is front and centre of everything we do, we also enable our members and the wider aviation sector to grow and innovate.

2. The membership of the organisation includes more than 220 operators from small to large who operate aircraft in many sectors of the industry. They include flight and ground training, aerial work, agriculture, scheduled and charter air transport services, freight, photography, search and rescue, surveillance, and tourism. Our membership also includes companies that service, maintain, design or manufacture for these sectors, including engineers. In more recent times, drones have become an important part of AIANZ's diverse membership.

3. The aviation industry in New Zealand plays a critical role in the country's economy. As an island nation, aviation is an important connector for domestic and international markets. Aviation also plays an important social role in the work that it does to support disaster relief, search and rescue activities and medical emergencies

4. New Zealand has the most aircraft per capita in the world that are integral to our economy and for traversing NZ's terrain in a brief period. The high number of helicopters, for example, were vital to the swift response to Cyclone Gabrielle in 2023 and the Kaikoura earthquake in 2016. There are approximately 4,600 aircraft and 900 helicopters operating in New Zealand. This represents one aircraft for every 1,120 people and one helicopter for every 5,700 people.

5. Our role is primarily a policy one that is supported by evidence-based advocacy and lobbying to Government and their agencies. We support members in regulatory matters, advancing professionalism in all safety matters while being recognised as the voice of the country's commercial aviation industry.

6. The Association itself is organised into six divisions which are the New Zealand Agricultural Aviation Association (NZAAA), the New Zealand Helicopter Association (NZHA), the Commercial Drone Association of New Zealand, Training and Development, Supply, Service and Engineering and Operations (including scheduled airlines and tourist flight operators). AIANZ is an Incorporated Society and has re-registered under the new legislation.

Comment

Inadequate consultation

"On a matter as important as this, AIANZ believes the IRD should have consulted much more widely to truly appreciate the impact these proposals may have on the sector in New Zealand."

7. The Aviation Industry Association of New Zealand (AIANZ) is grateful for the opportunity to comment on the proposal by the Inland Revenue Department (IRD) to tax the Not-for-Profit sector. We are disappointed, however, that consultation by IRD with industry associations has been selective meaning there will be instances of some organisations not even being

aware this work is taking place. On a matter as is important as this, AIANZ believes the IRD should have consulted much more widely to genuinely appreciate the impact these proposals may have on the sector in New Zealand. The proposals have simply not been tested with industry bodies.

8. A deadline submission date of 24 December 2025 would appear to be aimed at minimising input in the lead-up to the Christmas holiday period. It could be viewed as a deliberate attempt by the Department to push through the policy with the least amount of consultation and scrutiny.

Membership subscriptions

"…taxing these subscriptions would represent a significant change, while potentially affecting our operation as an industry body".

9. The AIANZ, like its counterparts, does not make profit from membership subscriptions and taxing these subscriptions would represent a notable change, while potentially affecting our operation as an industry body. In our case, membership subscriptions fund and support the day-to-day operation of the Association with salaries and wages comprising the largest part of this.

10. If the proposal were to go ahead without change, the AIANZ may need to reconfigure its operation and reduce the activities it provides for its members. Alternatively, we would need to consider increasing membership fees substantially but in doing that we would risk losing members and becoming financially unsustainable.

Democratic participation under threat

"…these proposals could have a direct impact on democratic representation in New Zealand."

11. Government ministers, MPs, and their agencies depend on peak bodies for efficient consultation that provides a collective industry view. If industry bodies were to disappear, the Government and officials would be in the position of consulting with hundreds, if not thousands, of individual businesses, an unrealistic prospect – these proposals could have a direct impact on democratic representation in New Zealand.

12. In AIANZ's case, our organisation and people provide valuable input into the agencies that have a stake in the aviation industry. We support policy and regulation development and bring our subject matter expertise to the work of the Civil Aviation Authority (CAA), the Ministry of Transport (MOT), the Ministry for Business, Innovation and Employment (MBIE) and others. We are a vital conduit between government and industry - policy and regulatory outcomes are improved because of the input provided by the AIANZ.

13. In general, this proposal will make it difficult for some industry associations to function effectively, genuinely threatening their viability and some will not have the financial wherewithal to sustain the services they currently provide to their members.

Compliance costs

"No industry organisation would escape these onerous compliance requirements whether a large or small entity."

14. It is our understanding the proposal is attempting to separate membership benefits such as information, data provision, industry insights as well as democratic participation (non-taxable), from "clearly identifiable goods and services", like training and conferences for example (taxable), which in our view provide educational benefit for the membership. Just how such items would be classified and separated out for tax purposes would in themselves create a lot of extra compliance and audit requirements.

15. In the AIANZ, we would need to restructure our accounting systems to take account of the changes proposed by the IRD and that would come with extra cost. No industry association would escape these onerous compliance requirements whether a large or small entity.

16. What is even more surprising about the IRD proposal is the extra compliance, cost and regulation that is being placed on businesses when the Government's policy platform has been consistently about taking cost away from business and lowering compliance. Indeed, the Ministry of Regulation was formed in 2024 for the purpose of reducing the compliance burden.

Lack of understanding

"Trying to classify the services we offer as an industry association as a direct valuable benefit demonstrates a lack of understanding on our role."

17. Above all the IRD proposal shows a lack of understanding as to the role of industry associations in the New Zealand business environment. Our activities which primarily focus on policy, advocacy, insight, research, and industry leadership have been an accepted role undertaken by industry associations. They are not 'services' in the way IRD views them, and so cannot necessarily be measured, but they are the primary reason businesses join an industry body. Trying to classify the services we offer as an industry association as a direct valuable benefit demonstrates a lack of understanding on our role.

18. Other jurisdictions, notably in Australia, the United Kingdom, and the United States, recognise business and industry associations for the roles they play and so they are tax-exempt. Until now, this has always been in the case in New Zealand, and the reasons presented by IRD in the position paper provide scant justification for changing the way such associations are taxed.

Conclusion

19. The AIANZ joins many other industry bodies, including Business New Zealand and the Employers and Manufacturers Association in opposing this proposal that at its heart would jeopardise democratic representation in New Zealand. Aside from the administrative burden it will create, if the proposal goes ahead, the provision of subject matter expertise will diminish resulting in poor policy and regulatory outcomes, and unfortunately, some industry associations would cease to operate.

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Aviation Industry Association of New Zealand
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