

TimeBanking and Tax in New Zealand

Currently members of TimeBanks within New Zealand do not exchange skills that provide their main form of taxable income (\$NZ) for Time Credits. This is in response to advice received from the Inland Revenue Department (IRD), it is not the result of a ruling.

There has been much interest in exploring this issue, over the last few years, to discover whether we in New Zealand might be able to do to move towards the tax exempt status that TimeBanking has in the United States and in the United Kingdom.

We would like to thank Renee Lee, Margaret Jefferies, Julie Lee, Tina Boynton, Anneleise Hall and Emma McGuirk for their work in developing and collating the resources presented on this page. We would also like to thank the staff at the Inland Revenue Department who have assisted us with our enquiries to date. Thank-you also to Emma McGuirk for writing this summary and providing the links and attached files. First version of this page published on 02 November 2011, last updated 12 November 2012.

Present Day (2016) - there is a group of individuals across several NZ TimeBanks wishing to relook at this, although the project has not yet started.

If you want to know more, please contact Jules timebankingnz@gmail.com

TIME BANKING IS TAX EXEMPT IN THE UNITED STATES

In this [discussion from 2009 to 2010 on the TimeBanks USA forum](#) (see page four of the pdf) Edgar Cahn states that "Beginning in 1985, the US IRS has ruled that Time Banking programs are not 'barter organizations' and that Time Dollars are not taxable". Cahn highlights the following key points that distinguish Time Banking from commercial barter:-

- Absence of a commission. Cash cannot be used to buy credits or eliminate a debt.
- The predominance of 'like-for-like' services in the exchange.
- The equal valuation given to all hours.

For further information please read Edgar Cahn's complete posting at the link above. You can also refer to the [full text of three IRS rulings on Time Banking](#).

In her recent articles [Where All Work is Created Equal](#) and [The Health Payoffs of Time Banks](#) published September 2011 on a [New York Times blog, The Opinionator](#), Tina Rosenberg answers readers questions regarding the tax exempt status of Time Banking. She states that although commercial barter is taxable within the United States, time credits (or time dollars) are tax exempt for the following reasons

- They value all work equally

- The work is done for a charitable purpose (it's about improving well-being in the community, not making a financial profit).
- The exchange is informal and non-contractual.

The three points above are from Rosenberg's second article, The Health Payoffs of Time Banks. You can read the full text of both articles at the links above.

If we return briefly to the discussion in the TimeBanks USA forum mentioned above, [Jen Moore lists three rules](#) (see page three of the pdf) that a TimeBank must follow in order to maintain the tax-exempt status of the Time Credits

1. All exchanges must be one to one - an hour for an hour, regardless of the service, NO EXCEPTIONS!
2. Members should have only a moral obligation to participate in making exchanges in the Time Bank. If someone performs a service, there is no guarantee that they will receive a service in exchange.
3. The purpose of the Time Bank should be charitable (not for profit).

TIME BANKING IS TAX EXEMPT IN THE UNITED KINGDOM

These [three newspaper articles from the UK](#) published in 1998, 2006 and 2008 discuss the tax implications of LETS (Local Exchange and Trading Systems) and Time Banks.

TIME BANKING AND TAX QUERIES IN NEW ZEALAND

There have been several enquiries made to the IRD here in New Zealand regarding the tax status of Time Credits as earned and traded within a Timebank. To the best of our knowledge, the files available here are a complete set of the letters sent and received to date.

Several Timebanks around New Zealand have been established with existing community organisations acting to umbrella the development of the Timebank, as was the case in Lyttelton. Margaret Jefferies wrote to the IRD in January 2007 to confirm that the tax exempt status of [Project Lyttelton](#) (the umbrella organisation for the Timebank) would not be affected by their promotion and support of the new Lyttelton Timebank. Mrs W Wilson from the Nelson Branch Office of the South Island Service Centre [responded on 22 January 2007](#) to say that yes, "Project Port Lyttelton will retain their approval for tax exempt status". This is an important conversation for new Timebanks to have with any organisations that are offering to umbrella them.

Two years later, on [23 June 2009, Renee Lee from Dunedin wrote to the IRD](#) on behalf of her new venture, [Worknow Ltd](#) (which was very similar to but not exactly the same

as a Timebank, and is no longer running), regarding the IRD's treatment of Time Trading in exchange for volunteer work. K Anderson, a Services Officer at the IRD, responded in two parts ([part one](#), [part two](#)), both dated 24 September 2009. In the second letter, the first line may have a small error and should read "I refer to *your* letter dated 23rd June 2009". You can read Lee's summary of her correspondence with the IRD on this matter on her website, under the heading [IRD & Volunteer Work Experience](#).

On [3 August 2009](#), [Margaret Jefferies wrote to Robert Russell](#), the Commissioner of Inland Revenue, requesting to start a discussion with him in regard to tax exempt status for Time Banking in New Zealand. In her letter Jefferies notes that both in the United States and in the United Kingdom, Time Banks have tax exemption, and that "... it would be good to have a consistent ruling and hopefully one that aligns with what is done internationally." Jefferies received an interim reply from Robin Oliver, Inland Revenue's Deputy Commissioner, Policy and then a [more detailed response from C J Bond](#), Technical Advisor, Legal and Technical Services, which is dated 27 October 2009. This is an important letter to read closely, as Bond makes several points salient to our discussions, and further notes at the end of the letter that "... my comments should be construed only as a guidance, and not as a 'ruling'. Inland Revenue has a specific process for making rulings, which you will find information about on [our website](#)."

At around the same time, [Renee Lee wrote back to K Anderson on 7 December 2009](#) to seek further clarification on two points; organisations utilising time credits as a way to encourage and reward volunteer's contributions, and using time credits to facilitate volunteer work experiences for young people. Lee received [this reply from Anderson on 18 January 2010](#). Lee has also compiled a summary of this second set of correspondence, which is available on her website under [IRD Tax Treatment of Time Trade Pt1](#). All of [Lee's correspondence with the IRD is available to download](#) on her website.

There has also been some discussion in New Zealand around taxation and LETS* currencies, or Green Dollars. Keith Rankin wrote an opinion column in 2001 in which he proposes [alternative methods of taxing Green Dollars](#) (e.g. paying tax by offering community services rather than currency, and/or having local authorities join the Green Dollars networks). Eight years later, Karen Davis made an official request to the New Zealand Parliamentary Library to "look into precedents for tax and benefit law on the treatment of income earned through non-monetary exchange schemes such as Green Dollar, time banks, LETS". [Felicity Rashbrooke responded on 10 December 2009](#) to say that she "... did not find any tax law (or any law) or ruling (case law) regarding the tax position of LETS", but she does include other relevant sources of information in her reply. A further source on this topic is Peter North's book published in 2007, [Money and Liberation: The Micropolitics of Alternative Currency Movements](#). In his chapter discussing Green Dollars in New Zealand (chapter 7), North outlines the legal and political process that led to beneficiaries in New Zealand being able to participate in Green Dollars or LETS networks with no reduction of their benefit payments.

* LETS refers to Local Exchange and Trading System, which has many points in common with Time Banking. Edgar Cahn wrote this excellent [comparison of LETS and](#)

[Time Banking](#) in 2001 that also contains some relevant discussion of Time Banking's tax exempt status in the United States.

The most recent correspondence that we have is [Renee Lee's last letter to K Anderson](#) (seeking further clarification on several short scenarios related to the use of time credits to facilitate volunteer work and work experience), dated 26 January 2010, and [Anderson's subsequent reply on 24th March 2010](#).