

## **Ngāi Tahu Charitable Trust Frequently Asked Questions**

### **How long has the Ngāi Tahu Charitable Trust been in existence?**

The Ngāi Tahu Charitable Trust (NTCT) was established by a Deed of Trust dated 23 March, 1994. Before this, the Ngāi Tahu Māori Trust Board (NTMTB) was the Body Corporate constituted by Section 4 of the Ngāi Tahu Trust Board Act 1946.

The NTMTB was concerned that the old trust under the Trust Board Act was an inadequate vehicle for promoting and developing our educational and cultural aspirations. It was simply too limited in its scope. As a result, a new Charitable Trust Deed was developed and the new body now holds substantial assets.

### **Where did the money come from to establish the Trust?**

The NTMB donated \$100 to the Ngāi Tahu Charitable Trust in 1994. The bulk of the original funds however, were loaned to the Ngāi Tahu Charitable Trust in 1998 when Ngāi Tahu reached agreement to settle its historical Treaty of Waitangi claims. At that time, Te Rūnanga o Ngāi Tahu had to make a decision about what to do with the cash component of the settlement (\$170m).

In line with our tribal whakataukī : *Mo tātou, ā, mō kā uri ā muri ake nei – for us and our children after us*, it was decided that these funds be put into the charitable trust, meaning these funds would be used for charitable purposes for the benefit of Ngāi Tahu Whānui. Te Rūnanga o Ngāi Tahu continues to place funds received from settlements into the Ngāi Tahu Charitable Trust and as at the end of the 2015 financial year \$223m was on loan to the Trust.

### **How much has the NTCT distributed since 1994?**

There were no significant transactions from 1994-1999. Since 1999 however, the Trust has invested in income-generating businesses which has enabled it to distribute \$240m to charitable outcomes. Te Rūnanga o Ngāi Tahu has also distributed \$115m to non-charitable activities during this period.

### **What kinds of charitable purposes are supported by the Trust?**

We have a wide range of charitable programmes that are continuing to improve the health and wellbeing of Ngāi Tahu Whānui. Not only in a health and social services sense but also in the way that we contribute to environmental programmes, and programmes uplifting some of New Zealand's remotest communities. We invest in the capability and education of people by investing in scholarships and industry-based training programmes; we provide cadetships and internships, we provide comprehensive incentives for our people to learn te reo Māori, and we fund cultural and community-based initiatives that help our people and their communities grow.

We also provide grants to charitable entities that have been set up by our Papatipu Rūnanga (and to Papatipu Rūnanga themselves if they are charitable entities). These grants are steadily increasing and enable charitable activities to be carried out at a local level throughout the Ngāi Tahu takiwā. More examples of charitable programmes are listed below.

### **How does the wider community benefit from the activities of the Trust?**

The Ngāi Tahu Charitable Trust carries out a wide range of charitable activities in the cultural, educational, health and environmental sectors and 100% of the trust funds are used for these charitable purposes. Historically many of our people were in lower socio-economic groups (often in remote regions), with poor educational and health outcomes. Ultimately the aim of the Trust is to improve outcomes for our people in all areas where there is a disparity between Ngāi Tahu and non-Māori on a range of social indicators provided this is a charitable activity. This also benefits wider society and there is less draw on the taxpayer to

fund social initiatives. Since Settlement, social indicators for Ngāi Tahu Whānui are improving.

We also run businesses which pay GST and PAYE tax; we employ large numbers of people; brings funds into Aotearoa through export earnings and tourism businesses, we engage contractors and third parties to complete projects such as sub-divisions, we enrich Aotearoa through cultural activities and perspectives.

### **Why do you operate commercial companies that are charitable?**

The role of each of our commercial companies is to generate pūtea (income) to enable charitable activities to be carried out by the Ngāi Tahu Charitable Trust. Put simply, more income means more pūtea available for distribution for charitable purposes.

The Trust has several options to generate income for distribution. A pathway followed by many charitable trusts is to be a relatively passive investor in stocks and shares and property.

The Trustees of the Ngāi Tahu Charitable Trust have chosen to run active businesses as they provide higher returns (on average) when compared to more passive investments. The Trust's founding businesses of tourism, fishing and property are also consistent with rebuilding a Ngāi Tahu presence within our tribal area. The businesses also provide employment, governance and training opportunities for Ngāi Tahu Whānui.

### **What are the advantages to the Trust of having the companies running under the charitable trust?**

The advantage to the Trust of operating commercial companies under the Charitable Trust structure is that income tax is not required to be paid on the profits of the companies. It should be noted that the same would be true if Ngāi Tahu invested in government bonds. The ultimate shareholder of all the companies is the Ngāi Tahu Charitable Trust. No profit or distribution from these companies goes for individual or private gain. Whilst our charitable companies are not obliged to pay income tax they do have an obligation that non-charities don't have, that additional obligation is to carry out charitable activities. As was mentioned above, more than \$240m has been distributed for charitable purposes by the Trust and these funds were largely generated by our charitable companies.

This means more money for distribution for charitable purposes. The government has specifically recognised this as a public good and is consistent with the provisions in the Community Trusts Act 1999 and with other jurisdictions around the world.

This does not mean Ngāi Tahu never pays tax. Whenever Ngāi Tahu undertakes activities or provides distributions that are not charitable (according to the charities law), the appropriate taxes are paid, either by Te Rūnanga o Ngāi Tahu or by the recipient. These include direct distributions to whānau via our iwi savings scheme Whai Rawa.

We pay PAYE and Kiwi Saver on behalf of our employees, GST for services we obtain and we do have investments (listed investments or via Private Equity Managers), that pay whatever tax is appropriate in their own right as a company.

### **What are the disadvantages of having the companies running under the Charitable Trust?**

As was mentioned above, our charitable companies have an obligation that other non-charitable companies don't have. That additional obligation is to make charitable distributions. As was mentioned above more than \$240m has been distributed for charitable purposes by the Trust and these funds were largely generated by our charitable companies.

The Trust itself faces restrictions on the activities it can carry out with the funds that are generated for distribution which it would not face if the funds were generated by tax paying entities. For example the Trust cannot carry out any activity that is for the personal benefit of any individual.

**Do the Ngāi Tahu companies have an advantage over the competition because they operate under a charitable trust structure?**

There are advantages and disadvantages of the Ngāi Tahu companies being charities. And these are set out above. In short the advantage is being exempt from income tax. The disadvantage is what happens to profit. A taxable entity will pay tax on its profits and then have the freedom to do as it wishes with the pūtea remaining. This is not so for a charitable entity, which must give away its profit for charitable purposes over time. The profits of a charity cannot be used for personal or individual benefit.

It should be noted that just because a company is not a charitable company does not automatically mean that it pays tax. There have always been a range of companies in New Zealand who do not pay tax or at least minimise tax liability.

**Do the companies carry out charitable activities?**

As a general rule they do not directly carry out charitable activities. The main role of the commercial companies is to generate income for distribution by the Ngāi Tahu Charitable Trust. The companies also endeavour to add value in the communities where they operate. Several of our tourism companies undertake work in conservation and species management. As an example, Rainbow Springs is the largest kiwi hatchery in New Zealand and Dart River Safaris works with the Department of Conservation on predator trapping to improve outcomes for Mohua.

It should be noted that there is no rule that requires charities to generate income from activities that are themselves charitable in nature. If this were the case then many charitable trusts, including the larger community trusts, would not be able to generate income by investing in stocks and shares or even in government bonds.

**Is NTCT keeping money aside and not using it for charitable purposes?**

No, we are not putting money away for the sake of creating a mega-fund. Our businesses need to make more than 8% per annum just to retain the value of the Trust. We have a spending rule where a target rate of distribution is set based on the value of all assets. This means as the businesses grow in value our distribution increases. In the past 10 years our received distribution has grown from \$21m to \$37m (NTHC distribution). This means that the way we operate is sustainable in the long term.

Our spending rule approach is similar to the many of the larger Community Trusts in New Zealand and with the Yale and Harvard Endowment Funds, so we compare well with nationally and internationally recognised standards.

In 2014 and 2015 some of our charitable distributions and programmes included:

- Distributions to environmental trusts including the Te Nohoaka o Tukiauau/ Sinclair Wetlands Trust and the coastal park Te Kōhaka o Tūhaitara Trust
- Contributed to environmental restoration through the joint partnership programme Whakaora Te Waihora
- Establishment of an initiative to support health outcomes for newborns (pēpi packs).
- Support of education and training initiatives, including pre-trade and trade training programmes (He Toki suite of programmes), agricultural training (Whenua Kura)

- and other workplace training.
- Cultural programmes for rangatahi (Manawa Hou)
  - Provision of culturally astute education experts in regional zones (Kaitoko Mātauranga).
  - 104 cultural projects supported by the Ngāi Tahu Fund.
  - On-going contribution to the Canterbury rebuild and recovery, including support to earthquake affected whānau.
  - Te Whakatipu (Rūnanga Development):- Te Pūtea Whakamahi grants to Papatipu Rūnanga or a charitable entity owned by the Papatipu Rūnanga (FY2015 \$360,000 each). In total \$6,480,000. These grants allow for regional investment, often in remote locations, and often aimed at health, education and environmental outcomes.

For more detail on programmes, please see our annual reports:  
<http://ngaitahu.iwi.nz/investment/ngai-tahu-annual-reports/>