

Budget 2026 – Donation tax credit cap

Preliminary guidance to charities

28 May 2026

Summary – key risks for charities

The introduction of a \$100,000 cap on eligible donations for the donation tax credit is likely to alter major donor behaviour rather than simply reduce claims.

Key risks include reduced large single-year gifts, slower accumulation of philanthropic capital, and more fragmented giving patterns. Over time, this may place pressure on endowment growth and reduce the quantum of funds available for distribution. The policy also signals a recalibration of how public support is applied to higher-value giving, which may influence intergenerational planning and long-term donor intent.

Budget 2026: The Government has introduced a hard cap on eligible donations for the donation tax credit at \$100,000 per annum.

Budget announcement

The Government has introduced a hard cap on eligible donations for the donation tax credit at \$100,000 per annum. This represents a substantive shift in policy direction.

Since 2008, the New Zealand framework has operated without a capped donation threshold, with individual claims limited only by taxable income. The policy intent has been to encourage higher-value giving and support the accumulation of long-term philanthropic capital.

The newly announced settings alter that position.

Key features of the change

The donation tax credit remains at 33.33%. Eligible donations are capped at \$100,000 per annum. The maximum annual tax credit is therefore \$33,333

The cap applies to all individual donors claiming the donation tax credit. It is not limited to specific types of charities or structures. While the policy rationale includes concerns about donations to donor-controlled entities, the cap operates uniformly across all eligible giving.

Illustrative example:

- A donation of \$150,000
- The tax credit applies only to the first \$100,000
- The refund is capped at \$33,333
- The remaining \$50,000 attracts no tax credit.

Existing constraints remain unchanged:

- Total credits cannot exceed one-third of taxable income
- Credits cannot exceed the total tax actually paid.

Our position

JBWere's second submission to Inland Revenue in December 2025 was clear:

"No cap on annual donation tax credits – We advise against capping donation tax credits. Such a cap would discourage major gifts, weaken foundation balance sheets, and cut funding to frontline charities." <https://www.jbwere.co.nz/news-and-insights/policy-with-purpose-our-perspective-on-proposed-charity-tax-changes>

The announced policy moves counter to this position.

There has been consistent sector feedback that, where concerns exist around donor-controlled structures, these could be addressed more directly through targeted rules and oversight. A broad cap applies uniformly across all charities, including those that are independently governed and publicly accountable.

Implications for the sector

Current policy material indicates that the cap is expected to affect a relatively small number of donors directly. However, those donors often account for a disproportionate share of total giving at scale. This reflects patterns observed in JBWere's Outlook for Giving 2026 insights, where a small cohort of donors contributes a disproportionate share of total giving. The indirect impact on philanthropic capital may therefore extend beyond the number of individuals directly affected.

This change is less a technical amendment and more a likely driver of behavioural adjustment.

Several areas warrant consideration:

1. Incentives for major giving

Beyond \$100,000, the marginal tax benefit is removed. This alters the economics of larger donations.

Potential implications include:

- Reduced willingness to make significant single-year contributions
- Increased price sensitivity among some donors.

A question for organisations: To what extent are major donors influenced by tax outcomes relative to other motivations?

2. Capital formation and endowment growth

This is likely to be the most material structural impact.

For organisations reliant on:

- Large philanthropic gifts
- Pooled investment capital
- Sustainable distribution from endowments.

The following risks may arise:

- Slower accumulation of capital
- Reduced future income available for distribution.

This highlights a potential policy trade-off:

- A near-term fiscal saving
- Set against the potential for a long-term contraction in philanthropic capital (where Gifts in Wills fundraising does not materially increase endowed bequests).

3. Changes in giving behaviour

A reshaping of giving patterns amongst the major givers that are impacted is likely.

a. Timing of donations

- Donors may spread contributions across multiple years
- Greater focus on maximising the annual cap.

Implication: Reduced lump-sum inflows from this cohort of givers. Increased reliance on staged giving arrangements.

b. Differential impact across the sector

- Annual fundraising-dependent charities may experience greater pressure
- Endowment-based entities may demonstrate increased resilience.

Policy signal

The direction of policy carries significance beyond the mechanics of the change. The introduction of a cap signals a shift toward more targeted use of public support within the donation tax credit framework.

This has potential implications for:

- Adviser and planner guidance
- Intergenerational wealth transfer strategies
- Long-term donor behaviour.

Our earlier submissions to the IRD noted the importance of avoiding settings that discourage giving or weaken confidence in the sector.

It is also relevant to recognise the potential policy intent behind the change. Concerns have been raised in some quarters about the use of donation incentives in situations where donors may have close alignment with recipient entities. This suggests the objective may be to rebalance perceived equity within the tax system. The question becomes whether a broad-based cap is the most effective mechanism to address that concern.

Transition period

These changes are proposed to apply to donations made from 1 April 2027, with legislation to be introduced. This provides a defined period for donors and organisations to consider how giving strategies may be structured under the new settings.

Recommendations for charities

You may want to consider adapting across four areas.

1. Reframe the value proposition for major gifts over \$100,000

- Shift conversations away from tax outcomes
- Place greater emphasis on purpose, impact, kaupapa, and long-term outcomes
- Strengthen articulation of why giving matters beyond fiscal incentives
- Further reinforce giving as partnership with community and outcomes, rather than a financially optimised decision.

Questions: How strong are your current cases for support for gifts over \$100k without relying on the tax credit? To what extent does the tax credit influence a donor's decision to commit at \$100k and above?

2. Develop multi-year giving strategies

- Encourage structured commitments over multiple years
- Align donor giving with the annual cap where appropriate
- Formalise multi-year pledges to provide predictability of funding
- Recognise that some donors currently reinvest their tax credits into further giving. Consider how this dynamic may change under a capped environment.

3. Strengthen capital pathways

- Expand focus on endowment-building strategies
- Prioritise Gift in Wills programmes and intergenerational giving. For latest insights refer to JBWere Fundraising Gift in Wills masterclass brief available [here](#).
- Position "living bequests" as an alternative to large one-off gifts.

This becomes more important where lifetime giving may compress.

4. Deepen donor relationships

- Invest in understanding donor motivation
- Segment between tax-sensitive and purpose-driven donors
- Tailor engagement accordingly.

Consider: Which donors are likely to adjust behaviour. Which donors will maintain or grow their giving regardless of tax settings

Medium-term considerations

- Potentially slower inflow of large-scale philanthropic contributions (until rise in Gifts-in-Wills)
- Greater fragmentation of donation patterns
- Potential pressure on long-term corpus growth.

A central question remains: If the external incentive weakens, what will sustain the level and consistency of high value major philanthropic giving to your organisation?

Talk to your JBWere Adviser if you would like to learn more about this preliminary guidance or to discuss how this may impact your personal giving or for-purpose organisation

About JBWere Philanthropic Services

JBWere provides investment advisory, research, and wealth management services to a broad and diverse client base across Aotearoa New Zealand. This includes private wealth holders, charities, tangata whenua, local government, family offices, financial institutions, and other for-purpose clients.

We are the leading provider of philanthropic, governance, strategy, and investment advice to the for-purpose sector. These organisations have entrusted us with more than \$7 billion of their financial assets.

Our Philanthropic Services New Zealand team brings more than 85 years of combined for purpose experience. This includes leading charities, conducting sector research, serving as trustees, and working and volunteering in communities across the country. We also share a long-standing strategic partnership with JBWere Australia and its acclaimed Philanthropic Services team.

JBWere recently released The JBWere NZ Bequest Report 2025. This follows The JBWere NZ Corporate Support Report 2022 and earlier reports in the JBWere NZ Cause and Support series. Together, these reports provide practical sector data to support decision making by our clients and the wider for purpose community.

We support private clients to move from reactive giving to a more deliberate approach. This means building a clear portfolio of philanthropic commitments while retaining space to respond to new opportunities when it matters.

We also work alongside charities and other for purpose organisations as they steward capital to sustain operations and advance their kaupapa. We recognise the responsibility that comes with intergenerational resources and long-term mission delivery.

Our investment solutions focus on income stability, capital protection, and alignment with beliefs, and values. Each portfolio is shaped around the purpose it serves.

Being a trusted partner to the sector goes beyond investment management. We provide strategic advice, governance support, and fundraising capability building. This includes initiatives such as our recent Gift-in-Wills masterclasses for fundraising charities and the Harvard supported Social Leadership Programme. We also use our networks to make introductions that can help our for-purpose clients unlock progress on their challenges and priorities.

If you would like to discuss our Philanthropic Services expertise and how we can work with you, please contact your JBWere Adviser or a member of our Philanthropic Services team.

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