

The Incorporated Societies Act 2022

Receiving Royal Assent on 5 March 2022, the Incorporated Societies Act 2022 replaces the 1908 Act which regulated incorporated societies for more than 110 years.

If you are involved with an incorporated society now is a great time to ensure you are up to speed with the requirements of the new Act.

Key Changes

Membership

- At least 10 members are now required to incorporate (previously 15) and membership must be maintained.
- Members will need to consent to become a member of a society.
- A Membership Register must be maintained including some specified minimum data.

Committee and Officers

- Each society must have a committee comprising of three or more officers. A majority of the officers on the committee must be members of the society.
- The criteria for who will qualify to be an officer of a society are set out in section 47 of the new Act.
- Officers' duties are defined in the Act and are very similar to the duties of company directors. They include acting in good faith and in the best interests of the society.
- The society must have at least one nominated contact person.

Review and Update of Rules

- Procedures for resolving disputes and



Existing societies will continue to operate under the 1908 Act until they re-register under the 2022 Act (or 1 December 2025 at the latest).

other grievances between members and the society must be documented and set out in the constitution.

- The society's rules need to include certain provisions, for example nomination of a not-for-profit entity to which surplus assets are given if the society winds up.

Annual Return

- An annual return is required in a manner prescribed by the Regulations (unless the society is also a Registered Charity in which case the requirements of the Charities Act 2005 apply).

Financial Reporting

Every society must file financial statements with the Registrar within six months after the balance date of the society. The size of the society determines which accounting standards must be used to prepare financial statements. Currently many incorporated societies are preparing special purpose financial statements. They will be required to prepare financial statements based on PBE reporting standards for the first time following registration under the 2022 Act as outlined on the next page.

Small society

As at balance date of each of the two preceding accounting periods

- Total operating payments < \$ 50,000
- Total current assets < \$ 50,000
- Not a donee organisation (section LD 3(2) of Income Tax Act 2007)



PBE standards

OR



Minimum requirements



- Income and expenditure or receipts and payments, of the society during the accounting period
- Assets and liabilities of the society at the close of the accounting period
- All mortgages, charges and other security interests of any description affecting any of the property of the society at the close of the accounting period

Specified not-for-profit entity

As at balance date of each of the two preceding accounting periods

- Total operating payments > \$ 140,000



PBE standards

Large society

As at balance date of each of the two preceding accounting periods its total operating expenditure exceeds a certain threshold. (Threshold to be set by regulations expected in 2023.)



Financial statements expected to be audited by a qualified auditor (to be determined by regulations)

Now is a good time to review the society's existing rules/constitution and make the necessary modifications to ensure they will be compliant with the requirements of the 2022 Act. Consideration should also be given to whether officers meet the eligibility criteria set out in section 47 of the new Act.

Don't know where to start? Don't worry, help is at hand. At Baker Tilly Staples Rodway we can help you assess your financial reporting obligations and provide advice and assistance on complying with the 2022 Act. Contact your usual advisor or our Technical Team.

About Baker Tilly Staples Rodway

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Contact us

Baker Tilly Staples Rodway
National Technical Team
E: technical@bakertillysr.nz

www.bakertillysr.nz

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