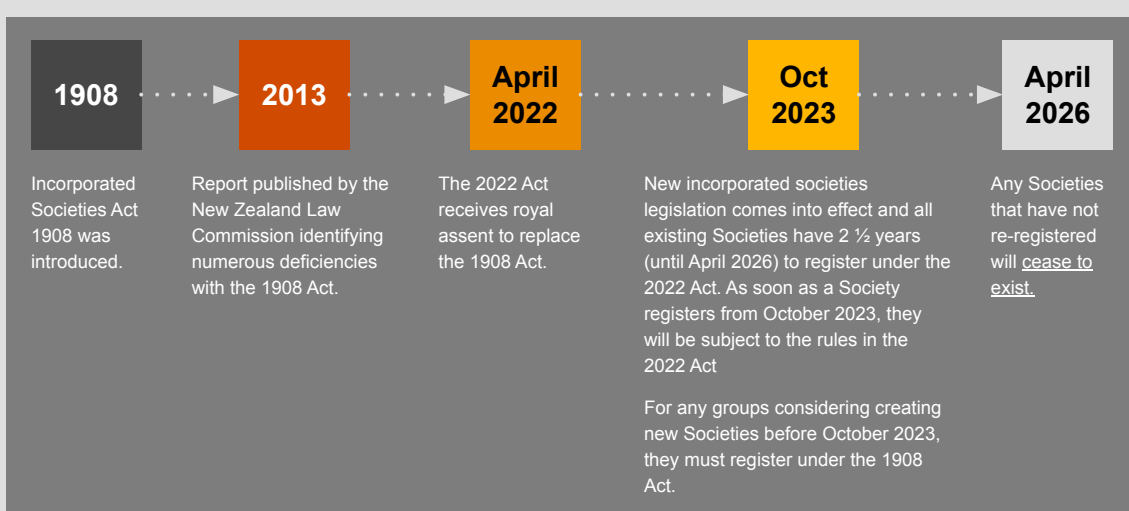


# Incorporated Societies

## Changes in incorporated societies legislation to have on your radar

There have been significant changes in legislation governing incorporated societies (**Societies**) in New Zealand. For more than 100 years Societies in New Zealand have been regulated by the Incorporated Societies Act 1908 (**1908 Act**). However, since the introduction of the 1908 Act, the sector has expanded considerably and complexly in New Zealand, with a number of entities holding significant assets and/or operating substantial businesses. The 1908 Act is not sophisticated enough to sufficiently cater for the current requirements of Societies and provides very little practical guidance to Society officers in relation to operational matters. It is envisaged that Societies will be more robust and that the introduction of the Incorporated Societies Act 2022 (**2022 Act**), will assist Societies with governance and help resolve disputes.

## History, future and important dates related to Incorporated Societies



## What do Societies need to do, and by when?

Every Society will need to undertake a review of their constitution to ensure it is fit for purpose. It is likely that following this review most Societies will need to amend or replace their constitutions.

In particular, Societies will be required to:

- re-register under the new legislation
- amend their constitutions to include a contact person and committee member details, information on the appointment and removal of officers and procedures for meetings, dispute resolution and varying the constitution
- appoint a governing committee of at least three qualified officers, who are subject to specific obligations under the 2022 Act.

PwC is able to help incorporated societies navigate the new requirements for an entity to be an incorporated society and to comply with the financial reporting requirements. Feel free to get in touch with any questions you might have about these updates.



# Incorporated Societies

## Ongoing obligations of Societies under the 2022 Act include:

Societies must keep formal accounting records, file annual returns and prepare financial statements that comply with applicable accounting standards, which will depend on the size and nature of the society. The financial statements must be filed with the Registrar within 6 months of balance date, and certain societies will be required to have the financial statements audited.

A Society must also keep an up to date register of members (including the members name, last known contact information) and it is a good idea to keep a copy of their consent to being a member with these records as every person must consent to becoming a member of a Society.

## What do Societies registered as boards under the Charitable Trusts Act 1957 need to do?

The 2022 Act amends the Charitable Trusts Act 1957 so:

- (a) Societies will no longer be able to register as a board under the Charitable Trusts Act; and
- (b) existing Societies incorporated as boards under the Charitable Trusts Act may choose to:
  - i. continue to be incorporated as a board under the Charitable Trusts Act as if that Act had not been amended by the 2022 Act; or
  - ii. apply to be re-registered as a Society under the 2022 Act.

## Key changes

### Fiduciary duties imposed on officers

The 2022 Act codifies the fiduciary duties owed to Societies by officers. Officers will need to be aware of their duties, liability and consider insurance policies as they could be exposed to personal liability for any loss or damage suffered by the Society due to the officer's breach of duty.

### Infringement offences

The 2022 Act introduces new infringement offences which can be imposed on Societies that fail to comply with certain provisions of the Act.

### Establishment of a public register

The 2022 Act allows the establishment of a publicly accessible register for Societies to enable the public to obtain information about them. The Register may remove or omit information in the public interest or where it may prejudice the safety or privacy of a person.

### Incorporation of entities under other Acts

Entities formed or incorporated under other Acts will be able to re-register in certain conditions.

### Membership Minimum

The minimum number of members required to form and maintain a Society has been reduced from 15 to 10.

### Conflicts of interest

Officers must disclose possible conflicts and clear provisions are needed in a Societies' constitution for how to deal with conflicts.

### Dispute Resolution

Societies will need to have procedures in their constitution for resolving disputes and other grievances between members and between members and the Society itself.

### Amalgamation

The 2022 Act has input a simplified version of the amalgamation process which should empower Societies to join together without having to be concerned with how members will transition, how assets will transfer and how to deal with ongoing contractual commitments.

### Committees

Every Society will need to have a governing body comprising at least 3 officers who are members of the Society and are qualified to be appointed as an officer. A person may be disqualified from being an officer of a Society under the 2022 Act (for example if they are under 16 years of age, an undischarged bankrupt or convicted of a dishonesty offence).