

19 May 2025

**Electricity Authority
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Wellington
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SUBMISSION ON THE TAXATION TREATMENT OF AMOUNTS PAID TO HOUSEHOLDS SELLING EXCESS ELECTRICITY

1. Introduction

Thank you for the opportunity to make a submission on the taxation of amounts paid to households selling excess electricity consultation paper. This submission is from Consumer NZ, an independent, non-profit organisation dedicated to championing and empowering consumers in Aotearoa. Consumer NZ has a reputation for being fair, impartial and providing comprehensive consumer information and advice.

We are not accounting or tax experts, nor are we a solar provider. Our submission reflects the consumer perspective, based on our understanding of household energy use, consumer motivations for installing solar, and the practical realities consumers face.

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2. Support for the Proposal

Consumer NZ supports the proposed income tax exemption for households that 'earn' up to \$1,000 per year from selling excess electricity to the grid. We agree with the stated objective of reducing compliance costs in situations where these clearly outweigh the potential tax revenue. This exemption is a pragmatic, consumer-friendly solution that reflects the real-world context of household solar generation.

Reasons for Support

1. No cash changes hands

From our conversations with electricity retailers, households typically do not receive direct cash payments for exported solar energy. Instead, any return is usually applied as a credit against their electricity bill. In practice, this often means that the "payment" a household receives simply reduces their power bill in each month, and in months where circumstances result in solar production exceeding household consumption (say summer months in summer, when the household is absent for longer periods) any excess credit is rolled over to future bills.

2. It would not be practical

The administrative effort required to account for what are generally modest and irregular credits would likely exceed the tax revenue generated. For households not otherwise required to file tax returns, this would introduce disproportionate complexity, especially for income that is not received in cash form and is highly variable.

3. It is unpredictable

The level of benefit households receive from exporting solar is highly unpredictable. It depends on factors outside their control — such as the weather, their electricity usage patterns, and the pricing policies of their electricity retailer. Taxing these small and irregular amounts adds complexity without corresponding benefit.

4. It is not intended as income

Most households do not install solar panels to make a profit. Based on our engagement with consumers, motivations are primarily

environmental and to reduce household costs over time. Any credits from exported solar are incidental — a side benefit, not a business venture.

5. It could discourage solar uptake

New Zealand's uptake of solar lags many comparable countries, including Australia. Introducing tax compliance obligations for relatively small amounts of benefit would be a disincentive for new installations and may create confusion and reluctance among households considering solar. At a time when we should be encouraging renewable energy adoption, adding a tax burden — even one that applies in theory more than in practice — would be counterproductive.

3. Response to Consultation Questions

- *Do you agree with the proposed scope based on whether the compliance costs outweigh the potential tax revenue?*

Yes. This is a proportionate, pragmatic, and consumer-sensitive approach that acknowledges the administrative burden involved which would be disproportionate to the limited revenue at stake.

- *Should a person with a business or who carries on a profit-making undertaking or scheme be included within the scope of any potential solution?*

No. We agree with the proposal to exclude such individuals. The exemption should be targeted at private households whose solar systems are not operated for profit.

- *Are there any other situations when a person is selling excess electricity and it could be justified to introduce targeted rules to mitigate compliance costs?*

If similar compliance burdens arise from new market mechanisms (such as variable buy-back rates or peak-time rebates), it may be worth revisiting the scope of this exemption to ensure those scenarios are also captured where appropriate — provided the income remains incidental and the household is not operating a business.

- ***Do you agree with the proposed solution? Is there another option to mitigate compliance costs for households selling excess electricity that you would prefer?***

We support the proposed solution. It is simple, practical, and consumer friendly. We do not propose an alternative.

4. Conclusion

Consumer NZ strongly supports the proposal to exempt households from paying income tax on up to \$1,000 per year in credits or payments for excess electricity sold back to the grid. This approach reflects the practical experience of consumers, encourages renewable energy adoption, and avoids introducing unnecessary complexity for households.

We thank Inland Revenue for the opportunity to provide feedback.