

RULINGS > **PRODUCT** | **WHAKATAUNGA** > WHAKAPUTANGA

Extraordinary Pay Limited

Issued | Tukuna: 16 May 2025

BR Prd 25/03

The Arrangement is the provision of services by Extraordinary Pay Limited to its customers (employers) to help those customers subsidise public transport fares which are payable through four specific public transport cards for their employees. A participating employee will either agree to a temporary reduction in salary in return for subsidised public transport fares or have their public transport fares subsidised as part of their employment compensation package.

START DATE – END DATE | RĀ TĪMATA – RĀ MUTUNGA

30 January 2025 – 15 May 2028

(THIS TITLE PAGE DOES NOT FORM PART OF THE RULING. | KĀORE
TĒNEI WHĀRANGI TAITARA I WHAI WĀHI I TE WHAKATAUNGA.)

Product Ruling | Whakataunga Whakaputanga – BR Prd 25/03

This is a product ruling made under s 91F of the Tax Administration Act 1994.

Name of person who applied for the Ruling | Ingoa o te tangata i tono i te Whakatau

This Ruling has been applied for by Extraordinary Pay Limited (Extraordinary).

Taxation Laws | Ture Tāke

All legislative references are to the Income Tax Act 2007 unless otherwise stated.

This Ruling applies in respect of ss BG 1, CE 1(1), CX 2, CX 19C, RD 2 and RD 3.

The Arrangement to which this Ruling applies | Te Whakaritenga i pāngia e tēnei Whakataunga

The Arrangement is Extraordinary's provision of services to its customers (Employers) to help an Employer subsidise certain public transport fares for its Employees. The Employee can agree to a temporary reduction in salary in exchange for their public transport fares being subsidised. Alternatively, the Employee can have their public transport fares subsidised as part of their employment compensation package without the need to agree to a temporary reduction in salary. In either case, under the Arrangement, the Employee is provided with an Extraordinary Card which can only be used to top up one of four specific Public Transport Cards (described below from [15]) which Employees use to pay for public transport.

The Arrangement does not include the use of the Extraordinary Card to acquire any other products or services in any other situation. Accordingly, this Ruling does not consider or rule on the tax consequences (if any) arising from the use of the Extraordinary Card to acquire other products or services.

Further details of the Arrangement are set out in the paragraphs below.

Parties to the Arrangement

- 1) The parties to the Arrangement are as follows:

- Extraordinary is a New Zealand resident (by incorporation) that provides services to employers to track, manage and report, and facilitate non-payroll employee costs and payments (Extraordinary Services). Extraordinary is GST-registered.
- Employer is a New Zealand resident employer that has contracted with Extraordinary to obtain Extraordinary Services that involve providing Employees who participate in the Arrangement with an Extraordinary Card that Employees can use ultimately to pay for public transport fares.
- Employee is a New Zealand resident employee of the Employer who participates in the Arrangement and has either agreed to a temporary reduction in their gross annual earnings under a salary sacrifice agreement or agreed to receive the subsidised public transport fares as part of their employment compensation package.

Overview of Extraordinary's services

- 2) Extraordinary provides services to assist employers to track, manage, report and facilitate non-payroll employee costs and payments.
- 3) Broadly, Extraordinary's business involves the provision of Extraordinary Services, which include the following:
 - Extraordinary provides employers with access to a web platform (the Extraordinary Platform) that employers can use to allocate certain entitlements to employees (employer-allocated contributions). Employees can redeem these entitlements to pay for specified goods or services. These employer-allocated contributions enable employees to enter into certain pre-authorised transactions. When an employee does so, their employer-allocated contributions are debited and a bank account nominated or held by Extraordinary on behalf of an employer and funded by that employer (Customer Account) is credited against those transactions.
 - Extraordinary facilitates the use of the employer-allocated contributions by providing employees with a method of using these entitlements. Specifically, this service involves issuing an Extraordinary Card (which can be added to a person's digital wallet) and providing access to the Extraordinary Platform through a phone application and web-login, which can be used to review available balances of employer-allocated contributions (an employee's Cardholder Account).
- 4) In addition to funding employer-allocated contributions by depositing amounts into a Customer Account, an employer will pay fees to Extraordinary for Extraordinary Services.

- 5) The Extraordinary Card is a Prepaid Mastercard issued by Change Labs New Zealand Pty Ltd subject to the Extraordinary Prepaid Mastercard® (Terms and Conditions) (Extraordinary Card Terms, as posted on the Extraordinary Pay website in January 2025).
- 6) While the Extraordinary Card can, by default, be used as a Mastercard Prepaid Card, on issue, it is subject to technical restrictions that mean it can only be used to enter into pre-authorised transactions where:
 - a relevant amount of employer-allocated contributions (on the employee's Cardholder Account) is available; and
 - the Customer Account holds sufficient funds to credit the transaction.
- 7) Through the Extraordinary Platform, an employer can add employer-allocated contributions to an employee's Cardholder Account under specific categories. Each specific category of employer-allocated contributions is subject to particular restrictions such that different categories of employer-allocated contributions can only be used for certain types of transactions. Once employer-allocated contributions are added, an employee can only use the Extraordinary Card to complete a transaction if:
 - the transaction is consistent with the restrictions associated with a category of employer-allocated contributions;
 - there are sufficient employer-allocated contributions available to the employee under that category to complete the transaction; and
 - the Customer Account contains sufficient funds to be credited against the transaction when it is entered into.
- 8) The restrictions on categories of employer-allocated contributions are effected by limiting transactions to specific Merchant Category Codes (MCCs). MCCs are four-digit codes that are assigned by credit card networks consistent with the International Organization for Standardization's International Standard 18245.
- 9) In addition to restrictions based on a particular category of transaction, employers can restrict transactions to particular merchants through the Extraordinary Platform. These restrictions are effected by limiting transactions to specific Terminal ID numbers (TIDs).
- 10) The consequence of these restrictions is that the Extraordinary Card is only accepted by specific merchants in relation to each category of employer-allocated contributions.

Public Transport employer-allocated contributions

- 11) The scope of this Ruling is limited to provision of employer-allocated contributions made to a participating Employee's Cardholder Account through the Extraordinary Platform under the category "Public Transport". The category "Public Transport" is restricted to transactions that include the following identifiers:
 - the MCC relating to the provision of public transportation services; and
 - the specific TIDs associated with adding funds to four specific public transport cards used in New Zealand (as summarised at [15]).
- 12) The consequence of these restrictions is that employer-allocated contributions made to an Employee's Cardholder Account under the "Public Transport" category can only be used through the Extraordinary Card to add funds to one of four specific Public Transport Cards (described from [15]).
- 13) This Ruling does not consider or rule on the tax consequences (if any) in respect of any other products or services that are able to be obtained through the use of an Extraordinary Card.

Public Transport Cards

- 14) Public Transport Authorities (comprising regional councils, unitary authorities and Auckland Transport) are responsible for procuring, providing and managing public transport services in a region or district within New Zealand.
- 15) Some Public Transport Authorities make electronic ticketing cards available, which can be loaded with funds and used to pay public transport fares in particular regions or districts. Four electronic ticketing cards in use in New Zealand are:
 - the AT HOP Card, as defined in Auckland Transport's Public transport payments terms of use (last updated 17 November 2024);
 - the Snapper Card, as the "Cards" defined in Snapper's Terms and Conditions (last updated 28 August 2024);
 - the Metrocard, as defined in the Metrocard terms and conditions (as at 25 March 2025); and
 - the Bee Card, as defined in the Bee Scheme Terms and Conditions (last updated February 2025).
- 16) Collectively, these cards are referred to as "Public Transport Cards".

- 17) Funds loaded on Public Transport Cards can be used to pay for transportation services, collectively referred to as "Applicable Public Transport Services".
- 18) Applicable Public Transport Services are:
- Bus services provided on motor vehicles (as defined in s 2(1) of the Land Transport Act 1998). These vehicles cannot be reserved for use by a single person or a self-selected group of people. None of these services is a shuttle service as defined in s 5 of the Land Transport Management Act 2003.
 - Train services provided on rail vehicles (as defined in s 4(1) of the Railways Act 2005).
 - Ferry services provided on ferries involving personal transport across water.
- 19) The cost of Applicable Public Transport Services which can be obtained using one of the Public Transport Cards is set at a particular dollar figure per journey which can vary depending on different factors. These factors can include:
- the method of payment (eg, a Public Transport Card, cash, or contactless (via a credit or debit card));
 - whether the journey crosses a specified the geographic boundary such as a fare zone or similar concept (and if so, how many boundaries);
 - whether any concessions apply (eg, for children or students); and
 - which timeframe (on-peak or off-peak) the services are acquired within.

Employment benefit scheme

- 20) An Employer will engage with Extraordinary by entering into the Extraordinary Customer Agreement (provided to Inland Revenue on 16 May 2025) (Customer Agreement). In consideration for Extraordinary Services, the Employer may pay various fees, including monthly service fees and a "load fee" relating to employer-allocated contributions made available to the Employee. The Employer will also deposit amounts into the Customer Account, which will fund transactions that the Employee enters into when using an Extraordinary Card and employer-allocated contributions.
- 21) Extraordinary will also provide the Employer with the following template documents to use when an Employee participates in the Arrangement:
- a) Employer Public Transport Scheme – Salary Sacrifice Policy and Employer Public Transport Scheme – Salary Sacrifice Agreement (latest version provided to Inland Revenue on 16 May 2025) (the Extraordinary Salary Sacrifice Agreement); and

- b) Employer Subsidised Public Transport Scheme – Policy and Employer Subsidised Public Transport Scheme – Agreement (latest version provided to Inland Revenue on 16 May 2025) (the Extraordinary Public Transport Benefit Agreement).
- 22) An Employee who wishes to participate in the Arrangement and enter into the employment benefit scheme will complete an election form to seek approval from the Employer. As part of this process, the Employee will select an amount of employer-allocated contributions relating to Applicable Public Transport Services they wish to receive.
- 23) If the Employee is already employed by the Employer, the Employer and Employee may agree to reduce the Employee's annualised gross salary or wages for a period of 12-months under a salary sacrifice agreement (using the template documents referred above at [21a] - the Extraordinary Salary Sacrifice Agreement) in exchange for the Employee's participation in the Arrangement. The salary sacrifice period (12 months) will coincide with the Employee's access to the employment benefit scheme facilitated by Extraordinary. The amount of gross salary sacrificed will be equal to the total amount of employer-allocated contributions to be provided. The Extraordinary Salary Sacrifice Agreement will be entered into before the income that is to be sacrificed is earned.
- 24) Alternatively, an Employer and Employee may enter into the Arrangement without entering into a salary sacrifice agreement. In this case, they use the template documents as set out above at [21b] (the Extraordinary Public Transport Benefit Agreement).
- 25) As part of the approval process, a participating Employee will:
- make a declaration that the Employee intends to mainly use public transport services purchased using an Extraordinary Card for the purpose of commuting between their home and workplace, including if they cease employment with the Employer; and
 - agree that they will only use the Extraordinary Card to top up their own Public Transport Card and that they will spend all employer-allocated contributions on public transport for themselves.
- 26) After the approval process, the Employee can request an Extraordinary Card and activate their Cardholder Account. During this process the Employee agrees to comply with the terms of the Customer Agreement and the Extraordinary Card Terms that relate to Cardholder obligations.
- 27) Extraordinary will associate an Extraordinary Card to the Employee's Cardholder Account and issue it to the Employee.

- 28) The Employer will then add employer-allocated contributions under the Public Transport category to the Employee's Cardholder Account.
- 29) Over the course of the employment benefit scheme, the Employer will regularly make the amounts of employer-allocated contributions available to a participating Employee.
- 30) The Employee can use their Extraordinary Card and their employer-allocated contributions to the Public Transport category to add funds to their Public Transport Card (as defined at [15]).
- 31) The Employee can only use the employer-allocated contributions to the Public Transport category to top up their Public Transport Card. Further, they will only use amounts funded on their Public Transport Card to purchase Applicable Public Transport Services for themselves personally.
- 32) Participating Employees are required to cancel their participation in the scheme if they will no longer use public transport mainly for commuting between home and work. The Employee will not be entitled to receive the benefit from the date of cancellation.
- 33) Where a participating Employee has entered into the Extraordinary Salary Sacrifice Agreement:
 - the salary sacrifice and benefit may be temporarily suspended if a participating Employee is absent from work for reasons such as parental leave, unpaid leave or a career break; and
 - if the participating Employee's participation in the scheme is cancelled they are restricted from rejoining the scheme within the 12-month period under the Extraordinary Salary Sacrifice Agreement and they do not have any automatic contractual right or expectation that their salary will be reinstated within the salary sacrifice period.
- 34) If the Employee ceases employment with the Employer while they are within the employment benefit scheme facilitated by Extraordinary, the Employee loses access to the Extraordinary Card and forfeits all unused employer-allocated contributions (including those intended for Applicable Public Transport Services).
- 35) If the Customer Agreement is terminated, deposited amounts held in the Customer Account will be paid back to the Employer (less any fees payable to Extraordinary under the Customer Agreement). Any unused employer-allocated contributions are lost.

Conditions stipulated by the Commissioner | Here i āta whakaritea e te Kaikōmihana

This Ruling is made subject to the following conditions:

- (a) The Extraordinary Card Terms are not materially different from the terms and conditions as posted on the Extraordinary Pay website in January 2025.
- (b) If the Employee uses the Extraordinary Card to add funds to a Public Transport Card, the Employee does not apply to cancel the Public Transport Card and seek a refund of the amounts loaded onto that Public Transport Card using the Extraordinary Card.
- (c) The maximum value of employer-allocated contributions that the Employer can assign to the Employee in the Public Transport category will be reasonable, based on the Employee's expected actual public transport costs for commuting between work and home, and take account of any fare caps associated with the Public Transport Cards.
- (d) The Extraordinary Platform and the Extraordinary Card will be restricted so that employer-allocated contributions under the Public Transport category can only be used through the Extraordinary Card to add funds to one of the four specific Public Transport Cards (as set out from [15]).
- (e) The Public Transport category of employer-allocated contributions is the only category of employment-allocated contributions that can be used to add stored value to the Public Transport Cards.
- (f) The terms and conditions relating to the Public Transport Cards referred to as part of the Arrangement are not materially different to the terms and conditions referred above in the Arrangement.
- (g) The finalised documents entered into by Extraordinary, Employers and Employees will be materially the same as the following documents, as applicable:
 - (i) the Customer Agreement (provided to Inland Revenue on 16 May 2025);
 - (ii) the Employer Public Transport Scheme – Salary Sacrifice Policy and Employer Public Transport Scheme – Salary Sacrifice Agreement (latest version provided to Inland Revenue on 16 May 2025) (the Extraordinary Salary Sacrifice Agreement); and
 - (iii) the Employer Subsidised Public Transport Scheme – Policy and Employer Subsidised Public Transport Scheme – Agreement (latest version provided

to Inland Revenue on 16 May 2025) (the Extraordinary Public Transport Benefit Agreement).

How the Taxation Laws apply to the Arrangement | Ko te pānga o ngā Ture Tāke ki te Whakaritenga

Subject in all respects to any conditions stated above, the Taxation Laws apply to the Arrangement as follows:

- (a) Employer-allocated contributions made available to the Employee through the Extraordinary Platform under the Public Transport category to subsidise Applicable Public Transport Services are not amounts of income derived by the Employee under s CE 1(1).
- (b) Employer-allocated contributions made available to the Employee through the Extraordinary Platform under the Public Transport category to subsidise Applicable Public Transport Services are excluded from being a fringe benefit provided by the Employer under s CX 19C and are therefore not a fringe benefit under s CX 2.
- (c) The Extraordinary Salary Sacrifice Agreement is a valid salary sacrifice agreement and an amount of sacrificed salary is not a PAYE income payment under s RD 3 or the PAYE rules (as defined in s RD 2).
- (d) Section BG 1 does not apply to the Arrangement.

Period or income year for which this Ruling applies | Te wā, te tau moni whiwhi rānei i pāngia ai e tēnei Whakataunga

This Ruling will apply for the period beginning on 30 January 2025 and ending on 15 May 2028.

This Ruling is signed by me on the 16th day of May 2025.

Dinesh Gupta

Tax Counsel Lead | Rōia Kaihautū Tāke
Tax Counsel Office | Te Tari Tohutohu Tāke

About this document | Mō tēnei tuhinga

Product Rulings are issued by the Tax Counsel Office and Customer and Compliance Services. Product Rulings set out the Commissioner's view on how tax laws apply to a particular "product" – which is an arrangement that a specified taxpayer is likely to enter into with a number of people on identical terms. Taxpayers who enter into the arrangement described in a Product Ruling may apply the ruling but are not obliged to do so. Product Rulings are binding on the Commissioner. This means that if you are entitled to apply a Product Ruling and you have calculated your tax liability in accordance with the ruling, the Commissioner must accept that assessment. A Product Ruling applies only to the taxation laws and arrangement set out in the ruling, and only for the period specified in the ruling. It is important to note that a general similarity to an arrangement covered by a Product Ruling will not necessarily lead to the same tax result.