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PPS Mutual Limited

Issued | Tukuna: 30 June 2025

BR Prd 25/04

This Product Ruling applies to profit share benefit allocations and payments to Members (or Members' estates) under the death benefit, terminal illness benefit and maturity benefit provided for in the PPS Mutual Profit Share Benefit Multiple Life Policy.

START DATE – END DATE | RĀ TĪMATA – RĀ MUTUNGA

30/06/2025 – 29/06/2028

(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 25/04

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 PPS Mutual Limited (PPS Mutual).

Taxation Laws | Ture Tāke

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

This Ruling applies in respect of ss CA 1(2), CB 1, CB 3, EY 8 and EY 9, and the definitions of “profit participation policy” and “savings product policy” in s YA 1.

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

The Arrangement is the PPS Mutual Profit Share Benefit Multiple Life Policy (Multiple Life Policy).

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

Documents relevant to the Arrangement

- 1) The following documents provided to Inland Revenue in draft on 23 June 2025 are relevant to the Arrangement:
 - PPS Mutual Profit Share Benefit Multiple Life Policy
 - PPS Mutual Profit Share Benefit Information Sheet
- 2) The final executed documents will not be materially different from the draft documents provided to Inland Revenue on 23 June 2025.

Background

- 3) PPS Mutual is new to the New Zealand insurance market. PPS originated in South Africa in 1941 where it was formed as a mutual organisation to provide life insurance products to professionals. In 2016 PPS launched in Australia, and it is now establishing a life insurance company in New Zealand to provide life and disability insurance to New Zealand professionals. PPS Mutual will initially have financial support from PPS Insurance Company Limited (PPS South Africa) through a loan facility.

Multiple Life Policy

- 4) The Multiple Life Policy will be owned by the Professional Provident Society Trust (the PPS Trust). The PPS Trust is also the ultimate owner of PPS Mutual through its 100% ownership of shares in PPS Holdings Limited (the owner of 100% of the shares in PPS Mutual).
- 5) The PPS Trust holds the Multiple Life Policy for the benefit of PPS Mutual members (Members). An individual will automatically become a Member and eligible to benefit under the Multiple Life Policy when they become a life insured under any PPS Mutual Professionals' Choice Policy (Professionals' Choice Policy), provided they meet the prescribed membership eligibility criteria. There is no separate sign-up process.
- 6) Information regarding the Multiple Life Policy and this basis of automatically becoming a life insured under the Multiple Life Policy will be provided to prospective lives insured / Members when information is provided to them about the Professionals' Choice Policy.
- 7) The Profit Share Benefit (PSB) is a means by which Members can share in the financial success of PPS Mutual's business. Each Member receives allocations to their PSB annually at the discretion of PPS Mutual in accordance with the PPS Mutual Profit Share Benefit Allocation and Dividend Policy. Allocations will depend on factors assessed by the board of PPS Mutual based on its view of the financial performance and capital needs of PPS Mutual's business. The determination of overall PSB allocations will take into account the earned premiums for all types of cover. Further, the PSB allocation to a particular Member is based on premiums paid on all policies where the Member is insured, and includes policies that are treated as both life and non-life for income tax purposes. The PPS Mutual Profit Share Benefit Information Sheet states:

The board is not restricted as to the factors it may consider when making Profit Share Benefit allocations. However, the following factors have been identified in the Profit Share Benefit Allocation and Dividend Policy as relevant for determining allocations:

- Profit Share Benefit margins on the company's Professionals' Choice policies (for both members and other insured persons);
- actuarial experience adjustments;
- investment returns;
- re-allocation of Profit Share Benefit values of former members; and
- PPS Mutual's capital needs from time to time.

The basis for calculating allocations will be applied consistently to all members within a defined group (a group of members considered to be similar for actuarial purposes by PPS Mutual's Appointed Actuary).

Individual allocations to your Profit Share Benefit will be determined by the board based on the following factors:

- premiums paid in respect of your cover as a life insured under your Professionals' Choice policies for the applicable membership period; and
- your Profit Share Benefit value before the allocation is made.

Your personal claims history under your Professionals' Choice policies will not affect your individual Profit Share Benefit allocation.

- 8) PSB allocations can be positive, negative or nil, depending on the exercise of discretion by the Board of PPS Mutual in accordance with the PPS Mutual Profit Share Benefit Allocation and Dividend Policy.
- 9) The PSB is payable only on a Member's death, a Member's terminal illness or when a Member voluntarily requests it from the age of 65. When a Member becomes eligible to receive a payout under the PSB, the minimum they will receive is \$100. A Member's PSB allocation does not confer any immediate right to receive funds. A Member's interest in the PSB is also not transferable.
- 10) A Member's PSB value from time to time is the total of PSB allocations made in respect of the Member under the Multiple Life Policy since the date they became a member, less any previous PSB payment received by the Member (for example, an amount earlier paid out on terminal illness).
- 11) Further PSB allocations will be made after PSB payments are made on terminal illness or on request from age 65 if the Member continues to be insured under a Professionals' Choice Policy. This could, for example, be the case if income protection cover continues in these circumstances. Since the conditions of terminal illness or attaining age 65 (respectively) have already been met in such a circumstance, the Member could elect to be paid such an allocation immediately. While theoretically possible, such subsequent PSB allocations and resulting further PSB payments are not expected to be common.

- 12) PSB values can reduce to nil but they cannot become negative. A Member's PSB value represents their cover (sum insured) under the Multiple Life Policy.
- 13) PPS Mutual intends for annual PSB allocations to be smoothed so allocation rates are broadly sustainable over time and not subject to a high level of volatility.
- 14) PSBs provided under the Multiple Life Policy will be fully backed by investment assets and collectively invested at PPS Mutual's discretion. However, those assets will be part of PPS Mutual's overall investment assets, which also include assets backing other PPS Mutual liabilities. Members have no control over the investment strategy.
- 15) Premiums must be paid on the Professionals' Choice Policy or policies under which the member is a life insured, but no separate payment is required to receive the PSB.
- 16) The Multiple Life Policy does not have a "surrender value" as defined in s YA 1.
- 17) Members who are no longer a life insured under a Professionals' Choice Policy are eligible for continuation of the PSB only if they have been a Member for at least 5 years and their PSB value is \$1,000 or more.
- 18) The Multiple Life Policy has no fixed expiry date and is intended to continue indefinitely.
- 19) For regulatory purposes under the Insurance Prudential Supervision Act 2010 and the Insurance (Prudential Supervision) Regulations 2010, the Multiple Life Policy is treated as non-participating life insurance business referable to the PPS Mutual Statutory Fund.

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

The Taxation Laws apply to the Arrangement as follows:

- (a) The Multiple Life Policy is a "life insurance policy" as defined in s EY 9.
- (b) The Multiple Life Policy will not be a "savings product policy" or a "profit participation policy" as defined in s YA 1.
- (c) PSB allocations in respect of a Member and the receipt of payments under the death benefit, terminal illness benefit or maturity benefit by a Member or a Member's estate under the Multiple Life Policy will not be income under s CA 1(2), s CB 1 or s CB 3.

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 June 2025 and ending on 29 June 2028.

This Ruling is signed by me on the 30th day of June 2025.

Howard Davis

Group Leader | Rōia Kaihautū ā-ropu Taake
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.