

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

New Zealand Bloodstock Finance and Leasing Limited

Issued | Tukuna: 24 October 2025

BR Prd 25/07

This product ruling applies to the customers who have entered into the Bloodstock Lease to Purchase Agreement with New Zealand Bloodstock Finance and Leasing Limited to lease a thoroughbred breed of horse for use in the customers' business of breeding bloodstock and selling the leased bloodstock's progeny.

This product ruling does not provide certainty on whether the particular customer is carrying on a breeding business. If a customer wishes to seek certainty from the Commissioner of Inland Revenue as to whether their breeding activities constitute a bloodstock breeding business, they can apply for a private ruling or a short-process ruling (subject to certain criteria).

For general guidance on carrying on a bloodstock breeding business, please refer to [QB 22/07](#): Income Tax and Goods and Services Tax – Treatment of bloodstock breeding.

START DATE – END DATE | RĀ TĪMATA – RĀ MUTUNGA

24/10/2025 – 31/03/2031

(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 25/07

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 New Zealand Bloodstock Finance & Leasing Limited (NZBFL).

Taxation Laws | Ture Tāke

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

This Ruling applies in respect of ss BG 1, DA 1, DA 2, EA 3, EC 38 to EC 48, EJ 10, FA 6 to FA 11B, FA 12 and subpart EW.

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

The Arrangement is the leasing of a thoroughbred breed of horse (bloodstock) on the terms set out in the Bloodstock Lease to Purchase Agreement (Bloodstock Agreement) entered by New Zealand Bloodstock Finance and Leasing Limited (NZBFL) and its customers (as lessees), for use in the customers' business of breeding bloodstock and selling the leased bloodstock's progeny. Customers have the option, but not obligation, to purchase the bloodstock at the expiry of the leases on the payment of the agreed residual value amount (Residual Value) for the bloodstock. On the exercise of the option and payment of the Residual Value, ownership of the bloodstock passes from NZBFL to the customers.

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

Purpose of the Arrangement

- 1) NZBFL and New Zealand Bloodstock Limited (NZB) are wholly owned subsidiaries of New Zealand Bloodstock Holding Limited (NZB Holdings). Together they are referred to in this ruling as the NZB Group.

- 2) NZB Holdings established NZBFL to expand its business and increase sales of bloodstock in New Zealand by making investment in the bloodstock industry more attractive. The availability of leasing reduces the initial level of cash required to acquire bloodstock. The leasing arrangement gives the customers the opportunity to participate in the business of breeding bloodstock by leasing the bloodstock. The benefit for the NZB Group from the leasing arrangement is that NZB gets the commissions from selling the bloodstock and the commissions from any sale of progeny from the bloodstock (if the customers decide to sell the progeny using the services of the NZB Group), in addition to NZBFL's right to receive the lease payments.
- 3) NZBFL does not carry on the business of bloodstock breeding.

Sourcing of the bloodstock

- 4) NZBFL acquires new bloodstock from third-party owners and then leases this bloodstock to the customer. Alternatively, the customer purchases the new bloodstock from the third-party owner, sells it to NZBFL, and then leases the bloodstock from NZBFL. This helps to protect NZBFL from involvement in any subsequent contractual claims regarding the purchase of the bloodstock from the third-party owner. In both cases, the parties contemplate the transaction as a whole at the outset. In either case, the customer sources the bloodstock, drawing on bloodstock consulting, freight, and insurance services provided by NZB.
- 5) NZBFL may also acquire bloodstock that is already owned by the customer, either through an earlier purchase or because it is homebred (the already owned bloodstock). The proceeds of sale of the already owned bloodstock are only used for further investment in the customer's bloodstock breeding business.
- 6) The Bloodstock Agreement describes the Arrangement:

BACKGROUND

A. At the request of the Lessee and the Guarantor (if any), the Owner [NZBFL] has purchased the Bloodstock in order to lease the Bloodstock to the Lessee and the Lessee has agreed to take on the lease of the Bloodstock with the right to purchase the Bloodstock at the expiration of the Lease and otherwise upon the terms and conditions in this Lease.

B. The Lessee has entered into this Lease for the purpose of obtaining breeding stock to use in the Lessee's business of breeding bloodstock for sale.

C. This Lease creates a security interest in the Bloodstock under the Personal Property Securities Act 1999.

AGREEMENT

1. The Owner leases to the Lessee and the Lessee takes on the lease of the Bloodstock for the term and in consideration of the payments set out in the Schedule and on the terms and conditions set out in this Lease.
2. The Lessee confirms and declares that the Lessee is leasing the Bloodstock for use in the Lessee's business of breeding bloodstock for sale.
3. If the Lessee has met all payments and obligations under this Lease the Owner grants to the Lessee the right to purchase the Bloodstock at the expiration of the lease on payment of the residual value.
4. The Lessee and the Owner acknowledge that this Lease creates a security interest in the Bloodstock under the Personal Property Securities Act 1999 which may be registered by the Owner as set out in this Lease.
5. The Lessee and the Owner mutually agree as set out in this Lease including the Schedule and the terms and conditions.

Lease particulars

- 7) The terms and duration of leases are based on individual requirements, credit risk, and potential breeding expectations. Lease periods may vary, but a typical lease term is three years for fillies or mares, and two years for colts or stallions.
- 8) The customer will make payments (Lease Payments) for the lease of the bloodstock, in the amount(s) set out in the Bloodstock Agreement.

Residual value

- 9) The bloodstock has a defined Residual Value under the Bloodstock Agreement. The Residual Value is an estimate (at the time of signing the lease) of the value the bloodstock will have at the end of the lease. "Residual Value" is defined in the Bloodstock Agreement as:

"Residual Value" means the amount specified in the Schedule being a pre-estimate of the value of the Bloodstock upon the expiry of this Lease.

Lease termination date

- 10) The "Lease Termination Date" is the date on which the lease ends. The customer may purchase the bloodstock on the Lease Termination Date for the Residual Value. If the

customer does exercise their option to purchase the bloodstock, NZBFL will transfer title to the customer in return for payment of the Residual Value.

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

This Ruling is made subject to the following conditions:

- (a) The customer must carry on a business of breeding bloodstock for sale.
- (b) The entry into the Arrangement will not, in and of itself, constitute the customer carrying on a breeding business.
- (c) The leased bloodstock is mature for use in breeding and is capable of being used for breeding at all times during the period to which each Lease Payment relates.
- (d) Any racing undertaken by the leased bloodstock is only incidental to the actual use of the bloodstock for breeding during the lease term.
- (e) The Lease Payments are genuine, arm's-length amounts for the possession and use of the bloodstock.
- (f) No consideration is paid for the option to purchase the bloodstock.
- (g) The customer is not an associated person (as defined in the Act) of NZBFL.

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

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

- (a) The bloodstock lease payments are deductible under s DA 1(1) and none of the general limitations in s DA 2 apply, provided that:
 - (i) no provision in subparts DB to DZ applies to prevent a deduction in s DA 1(1), and
 - (ii) the customer is a "New Zealand resident" (as defined in s YA 1).
- (b) At the end of an income year, unless excused from this requirement pursuant to a determination issued by the Commissioner, s EA 3 applies to require the unexpired portion of any lease payments paid in advance to be included in the customer's income in the current income year and to be an amount for which the customer is allowed a deduction in the following income year.

- (c) The valuation and specified write-down provisions in ss EC 38 to EC 48 apply to the customer when the bloodstock is purchased by payment of the Residual Value after the Lease Termination Date.
- (d) The “cost price” of the bloodstock for the purposes of ss EC 38 to EC 48 is the Residual Value stated in the Bloodstock Agreement.
- (e) The financial arrangements rules in subpart EW do not apply to the Arrangement.
- (f) Section EJ 10 does not apply to the Arrangement.
- (g) Section FA 6 to FA 11B do not apply to the Arrangement.
- (h) Section FA 12 does not apply to the Arrangement.
- (i) 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 24 October 2025 and ending on 31 March 2031.

This Ruling is signed by me on the 24th day of October 2025.



Jonathan Rodgers

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.