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# **Woolworths New Zealand Limited, trading as Countdown**

Issued: 25 November 2020

**BR Prd 20/06**

The Arrangement is Countdown's Onecard Donate to Charity Programme, which provides for Onecard Holders to redeem Onecard e-vouchers for money and to direct Countdown, as agent for the Onecard Holders, to donate that money to charities participating in the programme.

**START DATE – END DATE**

25 November 2020 – 31 December 2023

(THIS TITLE PAGE DOES NOT FORM PART OF THE RULING)

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## Product Ruling – BR Prd 20/06

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

### Name of person who applied for the Ruling

This Ruling has been applied for by Woolworths New Zealand Limited, trading as Countdown.

### Taxation Laws

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

This Ruling applies in respect of sections LD 1 and LD 3.

### The Arrangement to which this Ruling applies

The Arrangement is Countdown's Onecard Donate to Charity Programme.

The Onecard Donate to Charity Programme:

- Is part of Countdown's Onecard Loyalty Programme, under which customers who hold a Onecard (Onecard Holders) are allocated Onecard Points (which are calculated by reference to amounts spent) that can be converted into a Onecard e-voucher when a specified number of Onecard Points have been allocated.
- Allows Onecard Holders to redeem Onecard e-vouchers for money for the sole purpose of enabling Onecard Holders to donate that money to participating charities (Participating Charities) by directing Countdown, as agent for the Onecard Holders, to pay the money to the Participating Charities.
- Requires Countdown, as agent for the Participating Charities, to generate and send donation receipts to Onecard Holders who have made donations to Participating Charities.
- Requires that for a charity to be a Participating Charity it must:
  - be:
    - on the list published by the Commissioner under section 41A(14) to (16) of the Tax Administration Act 1994; or

- a community housing entity, provided that the entity is eligible to derive exempt income under section CW 42B; or
- a Board of Trustees that is constituted under Part 9 of the Education Act 1989 and is not carried on for the private pecuniary profit of any individual; or
- listed in Schedule 32; and
- have entered into a Donation Agreement with Countdown and be identified on Countdown's website as a Participating Charity.

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

## **Countdown**

- 1) Woolworths New Zealand Limited owns and operates supermarkets throughout New Zealand. It trades under the name "Countdown".

## **Onecard Loyalty Programme**

- 2) Countdown operates the Onecard Loyalty Programme.
- 3) Countdown uses a loyalty management software program to operate the Onecard Loyalty Programme. This program provides for (amongst other functions):
  - establishing Onecard Accounts in the names of Onecard Holders;
  - recording Onecard Points to Onecard Accounts based on the amount spent by Onecard Holders;
  - allocating Onecard e-vouchers, with designated monetary values, to the Onecard Accounts of Onecard Holders;
  - crediting Onecard Accounts with the designated monetary values of Onecard e-vouchers; and
  - crediting the designated monetary value of Onecard e-vouchers against the purchase price of goods and services purchased by Onecard Holders on the redemption of Onecard e-vouchers.
- 4) Countdown and Onecard Holders are legally bound by the Onecard Terms and Conditions, which are published on Countdown's website – [www.countdown.co.nz](http://www.countdown.co.nz) (Website).
- 5) A Countdown customer becomes a Onecard Holder by collecting a Onecard from a Countdown store and registering the card by completing an online registration form on the Website. On registration, Countdown establishes a Onecard Account in the

name of the Onecard Holder and the Onecard, which has a unique identification number, is linked to the Onecard Account. Onecard Holders can manage their Onecard Accounts on the Website. A Countdown Customer must be 18 years of age or older to be registered as a Onecard Holder.

- 6) Under the Onecard Loyalty Programme, Onecard Holders:
  - receive Reward Currencies, in the form of either Onecard Points or AA Smartfuel Discounts; and
  - benefit from exclusive Onecard club prices; and
  - have the opportunity to enter competitions that are only open to Onecard Holders.
- 7) Onecard Points are separate to AA Smartfuel Discounts.
- 8) To be eligible to participate in the full Onecard Loyalty Programme, a Onecard Holder must be an individual (a natural person) resident in New Zealand.
- 9) An individual who purchases goods and services in trade may earn Reward Currencies, but they are not eligible to earn any additional or bonus Reward Currencies made available as part of any bonus Reward Currencies promotion.
- 10) Non-residents may apply for and use a limited functionality Onecard, which allows them to only earn AA Smartfuel Discounts.
- 11) Onecard Holders receive one (1) Onecard Point for every dollar (including GST) spent in a single transaction. Countdown reserves the right to change the minimum spend and / or amend the number of Onecard Points awarded in respect of the minimum spend amount.
- 12) Onecard Holders may also receive Onecard Points through bonus reward promotions, which may be subject to additional terms and conditions.
- 13) A Onecard Holder's Onecard Account records the number of Onecard Points that have been allocated to the Onecard Holder.
- 14) Onecard Points earned prior to 23:59 on 11 October 2020 expire 6 months after they have been recorded to a Onecard Account. Onecard Points earned from 00:01 on 12 October 2020 expire 12 months after they have been recorded to a Onecard Account.
- 15) Under the Onecard Terms and Conditions, Countdown has the right to terminate the Onecard Loyalty Programme for any reason. In the event of termination, Countdown will endeavour to give Onecard Holders reasonable notice of termination and information on how termination will affect them.

## Conversion of Onecard Points to Onecard e-vouchers

- 16) When a Onecard Holder has received a specified number of Onecard Points, which may change from time to time, the Onecard Holder will (subject to certain exceptions) receive a Onecard e-voucher with a designated monetary value. Each Onecard e-voucher has a unique identification number. For illustrative purposes only, the operative conversion requirements may provide that a Onecard Holder will be allocated one (1) Onecard e-voucher for every 2000 Onecard Points allocated to the Onecard Holder.
- 17) When a Onecard e-voucher is received by a Onecard Holder, the Onecard loyalty management software program:
  - allocates the Onecard e-voucher to the Onecard Holder's Onecard Account; and
  - credits the designated monetary value of the Onecard e-voucher to the Onecard Holder's Onecard Account.
- 18) A Onecard Holder can direct Countdown, via the Website or by phone, to allocate a Onecard e-voucher:
  - automatically to a nominated Onecard on receipt of the specified number of Onecard Points; or
  - to a nominated Onecard on a specified future date (for example, on 1 December so that the e-voucher is available for use at Christmas); or
  - to the Donate to Charity Programme (in accordance with the terms applicable to the programme as set out in the Onecard Terms and Conditions and as described below).
- 19) Onecard e-vouchers are not transferrable and are valid for 12 months from the date of issue.
- 20) A Onecard e-voucher allocated to a Onecard:
  - does not convert into cash (other than as provided for under the Donate to Charity Programme) or into gift vouchers or Lotto products; and
  - cannot be used to pay for certain products where the purchase of those products using a Onecard e-voucher would be unlawful; and
  - can be used only once to purchase goods (in-store and on-line) and / or services (in-store only); and
  - is credited against the purchase price of goods (purchased in-store or on-line) or services (purchased in-store only).

- 21) No change is given to a Onecard Holder who uses a Onecard e-voucher to purchase goods and or services where the purchase price is less than the designated monetary value of the Onecard e-voucher.
- 22) Onecard Holders cannot have more than \$4,500 worth of e-vouchers in their Onecard Account. If a Onecard Holder has more than \$4,500 worth of e-vouchers, they will be asked by Countdown to redeem e-vouchers (in multiples of \$15) against their purchase of goods until their account balance is under \$4,500.

### **Onecard Donate to Charity Programme**

- 23) Under the Onecard Donate to Charity Programme (as provided for by the Onecard Terms and Conditions):
  - A Onecard Holder appoints Countdown to act as the Onecard Holder's agent for the purpose of making a payment of money, as a donation, by the Onecard Holder to a Participating Charity selected by the Onecard Holder (Specified Participating Charity).
  - The Onecard Holder directs Countdown, as agent for the Onecard Holder, to pay an amount of money equal to the designated monetary value of one or more Onecard e-vouchers credited to the Onecard Holder's Onecard Account, as a donation, to the Specified Participating Charity.
  - On receiving a donate to charity direction from a Onecard Holder (such direction being irrevocable), Countdown will:
    - redeem the Onecard e-voucher(s) and convert the voucher(s) to an amount of money, equal to the designated monetary value of the voucher(s), that it holds in its General Distributors Account;
    - pay that amount of money into a non-interest-bearing bank account established by Countdown for the sole purpose of the Donate to Charity Programme (Donate to Charity Account);
    - debit the Onecard Holder's Onecard Account by the designated monetary value of the e-voucher(s);
    - record in the Onecard Holder's Onecard Account that the Onecard Holder has donated an amount equal to the designated monetary value of the e-voucher(s) to the Specified Participating Charity;
    - hold the money in the Donate to Charity Account (together with other money that Countdown holds on behalf of other Onecard Holders who are making a donation to a Participating Charity);

- pay, as the Onecard Holder's agent, the money to the Specified Participating Charity selected by the Onecard Holder; and
- following payment to the Specified Participating Charity, create a receipt for the donation, as agent for the Specified Participating Charity, and email the receipt to the Onecard Holder.

24) The Donate to Charity Account:

- Will be used by Countdown solely for the purpose of the Donate to Charity Programme and Countdown will:
  - have no beneficial interest in, nor legal or equitable claim to, the money in the account; and
  - only pay money from the account to Specified Participating Charities in accordance with the directions received from Onecard Holders.
- Will not be part of the Woolworths New Zealand Group's set-off arrangements with its banker(s).

25) In the event a Onecard Holder has provided a donate to charity direction to Countdown and the Onecard Loyalty Programme is terminated before Countdown, as agent for the Onecard holder, has paid the money to the bank account of the Specified Participating Charity, Countdown will make the payment to the Specified Participating Charity notwithstanding the termination of the Onecard Programme.

### **Countdown's Donation Agreement with Participating Charities**

- 26) Countdown and Participating Charities enter into an agreement that sets out their respective rights and obligations in relation to the Donate to Charity Programme (Donation Agreement).
- 27) The Donation Agreement provides that where a Onecard Holder has directed Countdown to convert a Onecard e-voucher to money and pay that money to a Participating Charity, Countdown will:
- pay, as agent for the Onecard Holder, the money to the Participating Charity's designated bank account; and
  - following its payment of the money to the Specified Participating Charity:
    - create a receipt for the donation, as agent for the Participating Charity, using the information provided by the Participating Charity; and
    - send that receipt by email to the Onecard Holder.

- 28) The Donation Agreement also provides (amongst other matters) that:
- If a Specified Participating Charity ceases to:
    - be registered as a charity on the New Zealand Charities Register; or
    - meet the requirements of a “donee organisation” as specified in s LD 3(2) of the Income Tax Act 2007;the Specified Participating Charity will immediately notify Countdown and Countdown will immediately suspend or remove the Participating Charity from the Donate to Charity Programme.
  - A Participating Charity will not provide any material benefit or advantage to a Onecard Holder, or to anyone related to or associated with the Onecard Holder, in consideration for the donation made by the Onecard Holder to the Participating Charity.

## Conditions stipulated by the Commissioner

This Ruling is made subject to the following conditions:

- (a) A Onecard Holder must be:
  - a natural person; and
  - resident in Zealand, under s YD 1, during any part of the tax year in which the “charitable or other public benefit gift” is made.
- (b) The Onecard Holder is not a trustee liable for income tax under subparts HC or HZ.
- (c) The Amount must be \$5 or more.
- (d) A Specified Participating Charity must satisfy the requirements specified in sections LD 3(2) and LD 3(3).
- (e) A Specified Participating Charity must not provide any material benefit or advantage to the Onecard Holder, or to anyone associated with or related to the Onecard Holder, in consideration for the Onecard Holder’s charitable or other public benefit gift to the Specified Participating Charity.
- (f) A Specified Participating Charity cannot be placed under a material obligation by Countdown, or by a Onecard Holder, to do or provide anything in return for the Onecard Holder’s charitable or other public benefit gift to the Specified Participating Charity.



## How the Taxation Laws apply to the Arrangement

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

- (a) The payment of an amount of money (Amount) by Countdown to the Donate to Charity Account that results from Countdown's:
- (i) receipt of a donate to charity direction from a Onecard Holder in relation to a Onecard e-voucher allocated to the Onecard Holder; and
  - (ii) conversion of the Onecard e-voucher into the Amount;
- will be, for the purposes of s LD 1 and s LD 3, a "charitable or other public benefit gift" by the Onecard Holder to the Specified Participating Charity specified by the Onecard Holder in the donate to charity direction.
- (b) Provided the Onecard Holder meets the requirements specified in s 41A of the Tax Administration Act 1994, the Onecard Holder will have, under s LD 1(2), a tax credit, for the tax year in which the "charitable or other public benefit gift" is paid equal to:

the Amount x 33 $\frac{1}{3}$ %

## The period or income year for which this Ruling applies

This Ruling will apply for the period beginning on 25 November 2020 and ending on 31 December 2023.

This Ruling is signed by me on 25 November 2020.

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**Howard Davis**

Group Leader, Tax Counsel Office

## About this document

Product rulings are binding rulings on how the tax law applies to a particular "product", which is an arrangement that is likely to be entered into with a number of people on identical terms.