

PRODUCT RULING - BR Prd 11/02

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

Name of the Person[s] who applied for the Ruling

This Ruling has been applied for by PMP Distribution Limited.

Taxation Laws

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

This Ruling applies in respect of sections:

- BD 2, DA 1, DA 2(4), RA 5, RD 1, RD 2, RD 3, RD 5, RD 6, RD 7, RD 8 and YA 1
- 6(3)(b) of the Goods and Services Tax Act 1985 ("GST Act").

The Arrangement to which this Ruling applies

The Arrangement is the engagement of deliverers by PMP Distribution pursuant to the Deliverers' Handbook and Contract ("the Contract") for the delivery of unaddressed newspapers, leaflets, brochures, catalogues, advertising material, samples and other similar items to households and other premises throughout New Zealand.

PMP Distribution carries on the business of distributing newspapers, leaflets, brochures, catalogues, advertising material, samples and other similar items to households and other premises throughout New Zealand.

PMP Distribution engages the deliverers pursuant to a standard form contract that includes a deliverers' handbook and conditions that the deliverers agree to abide by when entering the contract with PMP Distribution. Conditions include the requirement to deliver particular items, within a specified period, to each house, flat or other premises located within a designated area, by placing one of each item in each letterbox (or other specified location).

The deliverers are paid specified rates per item delivered, depending on the weight of the item.

The Contract is in the Appendix to this Ruling.

Conditions stipulated by the Commissioner

This Ruling is made subject to the following condition:

- a) The relationship between PMP Distribution and the deliverers is, and during the period of this Ruling will continue to be, entirely in accordance with the Contract and no other collateral contracts, agreements, terms or conditions, written or otherwise, relate to the engagement of the deliverers.

How the Taxation Laws apply to the Arrangement

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

- For the purposes of the PAYE rules, any payment PMP Distribution makes to a deliverer pursuant to the Contract will not be “salary or wages” or “extra pay” or a “schedular payment” within the meaning of those terms as defined in sections RD 5, RD 7 and RD 8 respectively.
- For the purposes of section DA 2(4), any payment PMP Distribution makes to a deliverer pursuant to the Contract will not be “income from employment”.
- For the purposes of the PAYE rules, any payment made to a deliverer by PMP Distribution will not be a “schedular payment” (as defined in Schedule 4) to the extent that such payment does not relate to mail delivery for any item the carriage of which requires PMP Distribution to be registered as a postal operator under the Postal Services Act 1998 (ie, addressed mail).
- For the purposes of the GST Act, the provision of services by any deliverer, under the Contract, will not be excluded from the definition of “taxable activity” (as defined in section 6 of the GST Act) by section 6(3)(b) of the GST Act.

The period or income year for which this Ruling applies

This Ruling will apply for the period beginning on 1 July 2010 and ending on 30 June 2014.

This Ruling is signed by me on the 14th day of July, 2011.

Tracey Lloyd

Investigations Manager