

PRODUCT RULING BR Prd 15/02: NEW ZEALAND MĀORI ARTS & CRAFTS INSTITUTE SCHOLARSHIP

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

Name of the person who applied for the Ruling

This Ruling has been applied for by the New Zealand Māori Arts and Crafts Institute (the Institute).

Taxation Law

All Legislative references are to the Income Tax Act 2007 unless otherwise stated. This Ruling applies in respect of s CW 36.

The Arrangement to which this Ruling applies

The arrangement is the payment of a scholarship by the Institute to students enrolled in the canoe (waka) building school known as Te Wananga a Kupe Mai Tawhiti (Te Wananga a Kupe) which runs a three-year Diploma in waka building (the Arrangement). Further details of the Arrangement are set out in the paragraphs below:

1. The Institute was established by the New Zealand Māori Arts and Crafts Institute Act 1963 (NZMACI Act). Under that Act, the purpose of the Institute—alongside its tourism function—is to train Māori in the practice of Māori arts and crafts and culture (s 14(b), NZMACI Act).
2. In 1994 a “needs analysis” of the Institute was undertaken. It was decided to focus activities on training and educating Māori. To this end, the Institute awards a Diploma in Māori arts and crafts or Māori culture generally (s 15(k), NZMACI Act).
3. The art of waka building (tarai waka) had been identified in the report, the *Health of Māori Heritage Arts* released by Creative New Zealand in 2009 as one of the two artforms diagnosed with “fragile health”.
4. To be awarded the Diploma, students must complete four modules. The modules are:
 - Module 1 Te Tua i te Rakau (The felling of trees)
 - Module 2 Te Tarai i te Waka (The building of canoes)
 - Module 3 Te Here i te Waka (The lashing of canoes)
 - Module 4 Waka Hourua (Double-hulled canoes).
5. The Institute has trained students in traditional waka building since 2013 with a limited intake of one to five students per year.

The Scholarship Agreement (the Agreement) and Scholarship Policy

6. The Institute offers a limited number of scholarships to assist students (Taura) while they are undertaking their studies. The Agreement entered into between the Institute and its Taura has the following features:

- Each scholarship will be awarded to a successful applicant for the duration of the student's course at the amount of \$18,200.00 per annum. The amount of the annual scholarship payments may be adjusted from time to time to reflect changes in the Consumer Price Index.
 - The Agreement sets out the hours of class attendance required of the Tauira. Terms and study periods are also specified.
 - The Agreement states that the Institute will provide a uniform and tools for the Tauira.
 - Any carvings or other items produced by the Tauira in the course of their studies are the property of the Institute.
7. The scholarship payments aim to help cover the living costs of Tauira. Tauira have generally moved from their tribal area, are young and have very few assets. All costs of training, protective clothing, tools, equipment and raw materials are covered by the Institute.
8. The Institute also has a scholarship policy which is set out below:

Scholarship Policy

The Institute agrees to provide the programme and in consideration the Tauira (student) agrees to attend and participate in the same in accordance with the provisions of this Agreement (the Scholarship).

Scholarships will be awarded to a successful applicant for the duration of the student's course upon recommendation of the interview panel.

Scholarships will be offered annually to successful applicants to Te Wananga a Kupe and the number of students will be determined or negotiated between the Institute and Te Wananga a Kupe.

The programme has a duration of three (3) years. The Institute shall be entitled to vary and/or include any teaching and material that it deems appropriate for the programme.

The Scholarship awarded for students is \$18,200.00 while satisfactory attendance and participation in the programme is maintained. Award payments will be made weekly in arrears into the students bank account in an effort to assist students budget adequately for the year. Deductions as authorised by the student from time to time may also be made.

The parties agree that the Institute shall be entitled to make any deductions it deems appropriate from the payments including replacement costs for tools and for any damage or destruction that the student may cause to property of the Institute its visitors, directors, employees or invitees.

Students will, for the first three months of their first year with Te Wananga a Kupe, move through a probation period. During this time Te Wananga a Kupe staff and student will determine suitability/ability to cope with the course challenges.

Termination of a student's scholarship may also be the result of the students' inability to complete module assignments or practice tasks prescribed within the Wananga curriculum to prescribed standards and within given time-frames.

Students who wish to terminate their scholarships may do so either during the probation period or by giving one week's notice of such termination.

How the Taxation Law applies to the Arrangement

The Taxation Law applies to the Arrangement as follows:

- Scholarship payments made by the Institute to a student pursuant to the Arrangement will be exempt income of the student under s CW 36.

The period for which this Ruling applies

This Ruling will apply from the period 1 April 2015 to 31 March 2019.

This Ruling is signed by me on 7 July 2015.

Maryanne Hansen

Investigation Manager, Investigations and Advice