Inland Revenue
Te Tari Taake

TECHNICAL DECISION SUMMARY > PRIVATE RULING

WHAKARĀPOPOTO WHAKATAU HANGARAU > WHAKATAUNGA TŪMATAITI

Discretionary Investment Management Service fees

Decision date | Rā o te Whakatau: 17 November 2025

Issue date | Rā Tuku: 16 March 2026

TDS 26/02

Subjects | Kaupapa

This item summarises a private ruling about whether the single global fee charged by a Discretionary Investment Management Services provider is an exempt supply of financial services under s 14 of the Goods and Services Tax Act 1985.

Taxation laws | Ture tāke

All legislative references are to the Goods and Services Tax Act 1985 unless otherwise stated.

Summary of facts | Whakarāpopoto o Meka

1. The Applicant is a licensed provider of Discretionary Investment Management Services (DIMS).
2. DIMS are subject to regulation under the Financial Markets Conduct Act 2013 (FMCA).
3. Under a DIMS, the client grants the Applicant full authority to acquire or dispose of financial products on their behalf in accordance with an agreed investment mandate.
4. While the arrangement is in place, the client cannot direct, veto or influence individual investment decisions.
5. Historically, the Applicant allocated its regular service charges into components such as custody, monitoring and transaction fees for GST purposes.
6. The Applicant proposed to charge a single global fee for the DIMS and sought confirmation of the GST treatment of this fee.

Issues | Take

7. The main issues considered in this ruling were:
   - whether the DIMS activities constituted "financial services" under s 3(1); and
   - whether the global fee was wholly for an exempt supply under s 14(1)(a) or whether any component of the fee was for a taxable supply requiring apportionment.

Decisions | Whakatau

8. The Tax Counsel Office (TCO) concluded that:

- the DIMS activities were exempt financial services under s 3(1)(c), (d), (ka) and (l); and
- the single global fee was therefore consideration for an exempt supply under s 14(1)(a), except where zero-rating may apply.
- This conclusion was made on the basis that clients did not retain the ability to direct individual investment decisions after the mandate was agreed.

Reasons for decisions | Pūnga o ngā whakatau

Issue 1 | Take tuatahi: Whether the DIMS were a supply of "financial services"

9. Section 3(1) defines "financial services" to include:

- the issue, allotment or transfer of ownership of a security (s 3(1)(c) and (d));
- the payment or collection of dividends or similar returns (s 3(1)(ka)); and
- agreeing to do or arranging any of these activities (s 3(1)(l)).

10. The Applicant directed, traded and managed securities through a custodian. These activities fell within those services listed above.

11. The Commissioner's interpretation statement IS 25/05[1] discusses the term "arranging". It notes that the courts have interpreted the term broadly to include "causing to occur", "planning for" and "making preparations for" a transaction (see *Databank Systems Ltd v CIR* (1987) 9 NZTC 6,213).

12. The Applicant caused investment decisions to occur through the custodian, satisfying this test.

13. In *Canadian Medical Protective Association v R* [2009] FCA 115, the Federal Court of Appeal held that investment managers' activities – including research, analysis and monitoring – were internal inputs into the arranging of securities transactions.

[1] IS 25/05: GST treatment of fees paid in relation to managed funds *Tax Information Bulletin* Vol 37 No 4 (May 2025).

14. The court said that even though research was the dominant internal activity, the service supplied to customers was the execution of discretionary investment decisions, which constitutes arranging the transfer of securities.

15. These principles apply directly to DIMS. The Applicant undertook monitoring, review and research so that it could exercise its discretionary mandate. These activities were not separate supplies it made to the client.

16. The Applicant did not advise clients on proposed transactions. The exclusion in s 3(1)(l) for "advising thereon" was therefore not engaged.

17. In *J R Moodie Co Ltd v MNR* [1950] 2 DLR 145, the court interpreted "advising" as recommending or giving an opinion. DIMS agreements expressly avoid client involvement and do not require the Applicant to offer recommendations.

Issue 2 | Take tuarua: Whether administrative and reporting services were incidental

18. Section 14(1)(a) exempts financial services from GST together with any services that are "reasonably incidental and necessary" to those financial services.

19. The FMCA requires DIMS providers to produce regular portfolio reports, maintain records and oversee custody arrangements.

20. Reporting, custody administration and compliance functions are necessary to operate DIMS.

21. IS 25/05 considers managed fund managers' administration activities – including registry services, fund accounting, the management of financial transactions between a member and the scheme, and the management of PIE tax obligations – to be exempt when they are incidental to the supply of financial services.

22. Because DIMS providers perform comparable functions, TCO considered this reasoning applies to their activities by analogy.

23. IS 0052[2] requires providers to apportion fees where they supply advisory, planning or monitoring services. This requirement did not apply in this situation because:

    - the Applicant did not provide advice;
    - monitoring was not a service the Applicant supplied to the customer; and
    - the supply was discretionary investment management, not financial planning.

[2] IS 0052: Financial planning fees – GST treatment *Tax Information Bulletin* Vol 13 No 7 (July 2001): 37.

Issue 3 | Take tuatoru: Whether the fee must be apportioned

24. Section 10(18) requires apportionment only where a single consideration relates to both taxable and exempt supplies.

25. The Court of Appeal in *CIR v Smiths City Group Ltd* (1992) 14 NZTC 9,140 held that a global fee must be split only where a provider makes distinct taxable and exempt supplies.

26. Likewise, in *Chatham Islands Enterprise Trust v CIR* [1999] 19 NZTC 15,075, the court held that GST liability depends on the true legal character of what is supplied.

27. The DIMS Agreement provided a single supply: discretionary investment management. The Applicant had no contractual obligation to supply monitoring, planning, advisory or evaluation services that could constitute taxable supplies.

28. Because administrative tasks are incidental to the financial service under s 14(1)(a), and the Applicant did not supply any separate taxable, there was no basis on which to apportion the global fee.

Conclusion

29. The activities the Applicant carried out fell within the definition of financial services under s 3(1).

30. The global DIMS fee was therefore fully exempt from GST under s 14(1)(a).

31. The Applicant was not required to apportion fees because it supplied only exempt services.