

RULINGS > PRODUCT**Reach Media New Zealand Limited**

Issued: 23 March 2022

BR Prd 22/05

The Arrangement is the engagement of distributors by Reach Media to physically deliver unaddressed mail (newspapers, circulars, leaflets, brochures, catalogues, advertising material, samples and other such items) from drop-off locations to households and other premises throughout New Zealand.

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

1. For the purposes of the PAYE rules, any payment made to a Distributor by Reach Media under the Contract will not be "salary or wages" or "extra pay" or a "schedular payment" within the meaning of those terms as defined in, respectively, ss RD 5, RD 7 and RD 8 of the Income Tax Act 2007.
2. For the purpose of s DA 2(4) of the Income Tax Act 2007, any payment made to a Distributor by Reach Media under the Contract will not be "income from employment".
3. For the purposes of the Goods and Services Tax Act 1985, the provision of services by any Distributor under the Contract will not be excluded from the definition of "taxable activity" (in s 6 of the Goods and Services Tax Act 1985) by s 6(3)(b) of the Goods and Services Tax Act 1985.

START DATE – END DATE

1/7/2021 – 30/6/2026

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

Product Ruling – BR Prd 22/05

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 Reach Media New Zealand Limited (Reach Media).

Taxation Laws

This Ruling applies in respect of:

- the definitions of “extra pay”, “income from employment”, “PAYE rules”, “salary or wages” and “schedular payment” in the Income Tax Act 2007;
- s DA 2(4) of the Income Tax Act 2007; and
- s 6(3)(b) of the Goods and Services Tax Act 1985.

The Arrangement to which this Ruling applies

The Arrangement is the engagement of people (Distributors) by Reach Media to physically deliver unaddressed mail (newspapers, circulars, leaflets, brochures, catalogues, advertising material, samples and other such items) from drop-off locations to households and other premises throughout New Zealand.

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

- 1) The Parties to the Arrangement are:
 - a) Reach Media: a New Zealand incorporated company that carries on the business of delivering unaddressed mail to New Zealand households; and
 - b) Distributors: people who physically deliver the unaddressed mail from the drop-off locations to households and other premises throughout New Zealand.
- 2) Reach Media also contracts with, although they are not technically parties to the Arrangement:
 - a) Supervisors: people who are or are to be contracted by Reach Media to provide certain supervisory services in metropolitan or rural areas in relation to the delivery of unaddressed mail; and

- b) Drivers: people who use their own vehicles to transport the unaddressed mail from Reach Media's premises to pre-determined drop-off locations.
- 3) Distributors will not be carrying any item that requires Reach Media to be registered as a postal operator under the Postal Services Act 1998.
 - 4) Reach Media is run by a management team based in Auckland with processing branches throughout the country. Unaddressed mail is delivered by a network of Distributors, Drivers and Supervisors.
 - 5) Reach Media's processes and systems align with industry practice. The industry uses a delivery model of supervisors who co-ordinate the activities of a team of distributors. The Drivers, Distributors and Supervisors are paid on a "piece rate" basis under Contracts for Services (that is, as independent contractors).
 - 6) The Distributors are engaged under a standard form contract for the physically delivering unaddressed mail from drop-off locations to households and other premises throughout New Zealand (Contract). The Contract refers to a health and safety manual (Manual) that Distributors are instructed to also consult.
 - 7) Specific procedural details referred to in the Contract are also provided in specific Delivery Instructions (Delivery Instructions) given to the Distributors before each job.
 - 8) The Manual does not replace or override any of the material terms of the Contract, and it does not affect the nature of the contractual relationship between Reach Media and the Distributors.
 - 9) The terms of the Contract under various headings are as follows.
 - 10) Under the heading "Deliveries", the Contract states the Distributor agrees to:
 - deliver all product (papers/circulars) received from Reach Media to the letter boxes in the Distributor's round within the timeframes (Delivery Window) communicated by Reach Media on the Delivery Instructions (exactly when each Distributor completes the deliveries within the Delivery Window is at the Distributor's discretion);
 - make all deliveries in accordance with the delivery guidelines in the Manual (which may be amended by Reach Media from time to time);
 - ensure other commitments do not affect the Distributor's obligations to Reach Media; and
 - familiarise themselves and fully comply with the Manual (including amendments) and any applicable legislation including that related to tax and health and safety.

- 11) Under the heading "Payment", the fees are the only amounts payable in respect of the services and are inclusive of all taxes (except GST) and other duties and levies. Each Distributor's fee for undertaking the services for Reach Media is calculated under Schedule 2 of the Contract at a rate determined by the volume of deliveries. Under the Contract, Payment is made by direct credit fortnightly on a Thursday. Reach Media will provide a buyer-created invoice to Distributors within seven days of payment. The implication of these provisions is that Reach Media will provide an invoice to Distributors (which takes the form of a buyer-created tax invoice for GST-registered Distributors or a similar invoice for Distributors who are not GST registered) before payment, with payment made fortnightly.
- 12) Schedule 1 of the Contract requires Distributors to provide their personal, bank and Inland Revenue details.
- 13) Under the heading "Delivery Equipment", the Contract states that the Distributors are responsible for providing their own equipment (such as bags, vehicles, footwear, reflective or high-visibility clothing, and wet weather gear) at their own expense. The Distributors are also responsible for ensuring such equipment is well maintained, safe and fit for its purpose.
- 14) Under the heading "Taxation", the Contract specifies that Distributors are responsible for the payment of their own taxes, duties and levies (including income tax, GST and accident compensation levies, if applicable), and any other income related payments or deductions that may be legislated from time to time. The Distributors will register for GST with Inland Revenue if required to do so and will advise Reach Media that they are GST registered. Reach Media will then provide them with a buyer-created tax invoice, and they must not send a GST tax invoice to Reach Media.
- 15) Under the heading "Termination of Contract", the Contract states that Reach Media or the Distributors may terminate the Contract for any reasons whatsoever by giving two weeks' notice in writing. However, if Reach Media believes there has been a serious breach of the Contract, then Reach Media may terminate the Contract immediately without notice. Under the Contract, Reach Media may also terminate the Contract for a serious breach of the Manual (including amendments).
- 16) Under the heading "Status of Contractor", the Contract defines the contractor's status as follows:
 - The Distributor is engaged by Reach Media under a Contract for Services, which means they are an independent contractor. The Contract does not create an employment relationship between the Distributor and Reach Media.

- The Distributor is free to accept other engagements or work while they are contracted by Reach Media.
- 17) Under the heading “Liability”, the Contract states that the Distributor is to undertake the services at their own risk. This means Reach Media will not be liable to the Distributor (or any other person) for any loss resulting from the Distributor’s deliberate actions or negligence or where any term of this Contract or the Manual (including amendments) is breached.
- 18) Under the heading “Delivery Options”, the Contracts state the following:
- It is the Distributor’s responsibility to carry out the services as required under the Distribution Contract.
 - The Distributor is responsible for arranging for someone else to carry out the Distributor’s services if the Distributor is unable to work. When they do this, the Distributor is solely responsible for payment and all other obligations to others who help them in this way.
 - If the Distributor is unable to meet their contractual obligations to ensure the product is delivered within the Delivery Window, then they must notify their delivery Supervisor immediately.
- 19) Under the heading “Frequency of Deliveries”, the Contract states that Reach Media does not guarantee any minimum amount of deliveries as the volume of product available for distribution will vary depending on the time of year and the requirements of Reach Media’s clients.

Conditions stipulated by the Commissioner

This Ruling is made subject to the following conditions:

- (a) The terms of the Contract entered into between Reach Media and the Distributors are the same as those contained in the Contract provided to Inland Revenue in the Ruling Application dated 15 July 2021, except in relation to immaterial details such as fees, rates, frequency of invoices, defined areas, names and addresses that are in the Manual or specific Delivery Instructions.
- (b) The relationship between Reach Media and any of the Distributors is, and during the period of this Ruling will apply, in accordance with all material terms of the Contract.

How the Taxation Laws apply to the Arrangement

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

- (a) For the purposes of the PAYE rules, any payment made to a Distributor by Reach Media under the Contract will not be “salary or wages” or “extra pay” or a “schedular payment” within the meaning of those terms as defined in, respectively, ss RD 5, RD 7 and RD 8 of the Income Tax Act 2007.
- (b) For the purpose of s DA 2(4) of the Income Tax Act 2007, any payment made to a Distributor by Reach Media under the Contract will not be “income from employment”.
- (c) For the purposes of the Goods and Services Tax Act 1985, the provision of services by any Distributor under the Contract will not be excluded from the definition of “taxable activity” (in s 6 of the Goods and Services Tax Act 1985) by s 6(3)(b) of the Goods and Services Tax Act 1985.

The period or income year for which this Ruling applies

This Ruling will apply for the period beginning on 1 July 2021 and ending on 30 June 2026.

This Ruling is signed by me on the 23 day of March 2022.

Graham Poppelwell

Group Lead – Customer Compliance

About this document

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.