

RULINGS > PRODUCT**Ministry of Education**

Issued: 6 July 2022

BR Prd 22/08

The Arrangement is the payment of scholarships by the Pacific Education Foundation to eligible tertiary students under the Tūlī Takes Flight Scholarships and Pacific Education Foundation Scholarships programmes. The scholarships are awarded to New Zealand citizens of indigenous Pacific heritage to undertake tertiary education in New Zealand. The Ministry of Education funds the scholarships.

To the extent a scholarship payment the Pacific Education Foundation makes to a student under the Arrangement is income, it is exempt income of the student under s CW 36 of the Income Tax Act 2007.

START DATE – END DATE

1 March 2022 – 6 July 2025

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

Product Ruling – BR Prd 22/08

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 the Ministry of Education (the Ministry).

Taxation Laws

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

This Ruling applies in respect of s CW 36.

Arrangement to which this Ruling applies

The Arrangement is the payment of scholarships by the Pacific Education Foundation to eligible tertiary students under the Tuli Takes Flight Scholarships (Tuli Scholarships) and Pacific Education Fund Scholarships (PEF Scholarships) programmes. The Ministry of Education funds the scholarships.

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

Background

- 1) The Pacific Education Foundation is a body corporate with perpetual succession that was established by the Pacific Education Foundation Act 1972. The purpose of the foundation is to “promote and encourage the better education of Pacific people and to provide financial assistance for that purpose” (s 5 of the Pacific Education Foundation Act 1972).
- 2) The Ministry provides the funding to the foundation for the scholarships. As at 1 April 2022, Ministry scholarship funding is \$490,000 per year for the Tuli Scholarships and \$75,000 per year for the PEF Scholarships. This funding may be increased in later years and can be used only for the scholarships.

Tulī Scholarships

- 3) The Tulī Scholarships acknowledge the ongoing importance of education for Pacific families and communities. The scholarships are awarded annually to New Zealand citizens of indigenous Pacific heritage to undertake tertiary education in New Zealand with New Zealand tertiary providers.
- 4) As at 1 April 2022, the Tulī Scholarships are for \$10,000 to \$30,000 per year and are awarded for one, two or three years in the categories of:
 - New to Study (first year);
 - Continuing Study or Training (second year onwards); and
 - Career Changer (at least 12 years since leaving school).
- 5) The scholarship categories and value of the scholarships may change in later years. However, the scholarship recipients will always be subject to the eligibility criteria and terms and conditions outlined in [7] to [9].
- 6) The scholarship payment can be used for paying fees for scholarship study, as well as living costs (such as accommodation, transport and childcare) and course-related costs (such as materials and equipment).
- 7) To be eligible for a Tulī Scholarship, an applicant must:
 - be enrolled for full-time (or limited full-time as defined by StudyLink) scholarship study;
 - be of indigenous Pacific Island descent;
 - be a New Zealand citizen or permanent resident;
 - have been living in New Zealand for three years or more at the time of applying for the scholarship; and
 - be undertaking the scholarship study in New Zealand at a New Zealand tertiary organisation at New Zealand Qualifications Framework levels 4 to 10, where tertiary organisation for this purpose means a university, polytechnic, wānanga or registered private training establishment providing tertiary and/or vocational education in New Zealand.
- 8) In addition to fulfilling the eligibility criteria, applicants are assessed on their motivations for applying, including why they are pursuing tertiary education, their financial needs, and their expected role and involvement in their community or region to make it a better place for Pacific peoples.

- 9) Additional terms and conditions are as follows:
- The recipient must pass at least 75 percent of their scholarship study each academic year.
 - The recipient may no longer be eligible to receive the scholarship payment if they withdraw from the scholarship study without first obtaining written approval.
 - The recipient must provide two progress reports to the Pacific Education Foundation for each year of their scholarship period, including any official results or transcript. They should include an outline of their future career or study plans if it is their last scholarship payment.
 - The recipient must be enrolled with a pastoral care provider at the tertiary organisation they attend.
 - The recipient is expected to be involved in ongoing publicity to promote the Tūlī Scholarships.
- 10) The recipients are not employed by the Pacific Education Foundation. Apart from some involvement in ongoing publicity noted above, recipients are under no obligation to provide any services to the foundation.

PEF Scholarships

- 11) The PEF Scholarships are awarded annually to encourage Pacific students into further education. As at 1 April 2022, the scholarships are awarded in two categories:
- undergraduate scholarships of \$5,000 each; and
 - postgraduate scholarships of \$10,000 each.
- 12) The scholarship categories and value of the scholarships may change in later years. However, the scholarship recipients will always be subject to the eligibility criteria and terms and conditions outlined in [13] and [14].
- 13) To be eligible for a PEF Scholarship, an applicant must be:
- a New Zealand citizen, permanent resident or resident of at least three years
 - of indigenous Pacific Island descent
 - currently enrolled full time in an undergraduate or postgraduate degree programme at a New Zealand–registered tertiary education organisation; and
 - involved in their local and, where possible, Pacific communities.

- 14) Applicants are also assessed on their:
- ability to communicate effectively and motivations for pursuing tertiary education;
 - current qualifications;
 - financial or other needs;
 - academic success and personal achievement; and
 - experiences leading and working with people, including, where possible, Pacific communities.
- 15) The scholarship amount is paid out as a monthly stipend over six months from June to November to assist with the recipients' studies. Recipients are asked to provide general feedback on how their studies are going and how the award is supporting their studies. There are no other written terms and conditions for PEF Scholarships.
- 16) The recipients are not employed by the Pacific Education Foundation and are under no obligation to provide any services to the foundation.

How the Taxation Law applies to the Arrangement

The Taxation Law applies to the Arrangement as follows:

- (a) To the extent a scholarship payment the Pacific Education Foundation makes to a student under the Arrangement is income, it is exempt income of the student under s CW 36.

The period or income year for which this Ruling applies

This Ruling will apply for the period beginning on 1 March 2022 and ending on 6 July 2025.

This Ruling is signed by me on the 6th day of July 2022.

Howard Davis
Group Leader (Tax Counsel Office)

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.