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## Air New Zealand Limited

Issued | Tukuna: 6 November 2024

BR Prd 24/05

The Arrangement is the receipt of Airpoints Dollars by members (Members) of Air New Zealand's Airpoints programme in respect of work-related travel paid for, or the expenditure for which is reimbursed, by the employers of Members and the redemption of the Airpoints Dollars by the Members for air travel and other rewards.

This Ruling does not rule on any other aspect of the Airpoints programme that employees and employers may engage with. Specifically, as further detailed under Exclusions on pages 6 and 7, this Ruling does not rule on the redemption of Airpoints Dollars by employee Members from a Shairpoints Account if their employer is also a member of that Shairpoints Account, or to any aspect of the Airpoints for Business Programme. This Ruling does not apply to business owners (as defined in the Ruling) that receive Airpoints Dollars in relation to work-related travel paid for by their business.

**START DATE – END DATE | RĀ TĪMATA – RĀ MUTUNGA**

01/10/2024 – 30/09/2028

**THIS TITLE PAGE DOES NOT FORM PART OF THE RULING. | KĀORE TĒNEI WHĀRANGI TAITARA I WHAI WĀHI I TE WHAKATAUNGA.**

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## **Product Ruling | Whakataunga Whakaputanga – BR Prd 24/05**

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

### **Name of person who applied for the Ruling | Ingoa o te tangata i tono i te Whakatau**

This Ruling has been applied for by Air New Zealand Limited.

### **Taxation Laws | Ture Tāke**

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

This Ruling applies in respect of ss CA 1(2), CB 1, CB 3, CB 4, CB 5, CE 1 and CX 2.

### **The Arrangement to which this Ruling applies | Te Whakaritenga i pāngia e tēnei Whakataunga**

The Arrangement is the receipt of Airpoints Dollars by members (Members) of Air New Zealand's Airpoints customer loyalty and marketing programme (Airpoints Programme) in respect of work-related travel paid for, or the expenditure for which is reimbursed, by the employers of Members and the redemption of the Airpoints Dollars by Members for air travel and other rewards.

The Arrangement does not include the redemption of Airpoints Dollars by an employee from a Shairpoints Account if their employer is also a member of that Shairpoints Account, the receipt of Airpoints Dollars by a "business owner" who receives Airpoints Dollars in relation to work-related travel paid for by the business, or to any aspect of the Airpoints for Business Programme. In this Ruling, the term "business owner" means a person who carries on, or is treated under the Act as carrying on, a business and includes (but is not limited to) a sole trader, a shareholder-employee, a partner of a partnership that carries on a business, and a person with an effective look-through interest in a look-through company that carries on a business.

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

## Airpoints Programme

- 1) Air New Zealand is a New Zealand airline company providing international and domestic air travel. Air New Zealand is a member of the Star Alliance network.
- 2) Under the Airpoints Programme, Members may earn points (Airpoints) through qualifying flights and qualifying purchases, eligible financial products. Airpoints have a value equivalent to New Zealand dollars and can be redeemed by Members for air travel and rewards.

## Terms and Conditions

- 3) The terms and conditions of the Airpoints Programme are available on Air New Zealand's website (Airpoints Terms and Conditions) and include the following obligation on Members:

You must not sell, assign or transfer Airpoints Dollars, Status Points or Any Airpoints Member Benefit to any other person for Cash or any other form of consideration.

## Membership

- 4) Individuals may sign up to the Airpoints Programme for free on Air New Zealand's website. On joining Airpoints Programme, Air New Zealand establishes an account for the Member and records the Airpoints Dollars earned by the Member through qualifying flights and qualifying purchases.
- 5) Membership of the Airpoints Programme is personal to the Member and is not transferable to any other person.
- 6) Membership cannot be entered into by an employer on behalf of an employee.
- 7) Members cannot transfer Airpoints Dollars to another airline's frequent flyer programme.
- 8) Members include employees of Air New Zealand's business customers, who may earn Airpoints Dollars on travel undertaken for work purposes that is paid for, or the expenditure for which is reimbursed, by their employer. For an employee of a business customer to earn Airpoints Dollars, the employee must first become a Member of the Airpoints Programme.
- 9) Airpoints membership automatically ends on the death of the Member and the deceased Member's Airpoints Account, Shairpoints Account, Status Points, all other benefits are cancelled and become invalid. On written request by the executor of the deceased Member's estate to transfer the deceased Member's Airpoints Dollars

balance (but not their Status Points) to the Airpoints accounts of beneficiaries, Air New Zealand will do so if satisfied the request is valid, lawful, and is made within 2 years of the death of the Member.

## Shairpoints

- 10) Under Shairpoints, Members can come together in groups. A Member, called an Owner, can create a Shairpoints Account and can invite up to four other Members to join the Owner's Shairpoints Account. The Owner may nominate one or more members of their Shairpoints Account to be Spenders. The remaining members of the Shairpoints Account are Non-Spenders. The Owner and a Spender can redeem Airpoints Dollars from the Shairpoints Account. A Non-Spender contributes Airpoints Dollars to the Shairpoints Account but is unable to redeem Airpoints Dollars from the account.
- 11) Employer members and their employee Members can be part of the same Shairpoints Account. Employee Members, however, cannot access Airpoints Dollars under the Airpoints for Business Programme if they are assigned a Non-Spender role by the Owner of the Shairpoints Account.

## Airpoints Dollars

- 12) Every Airpoints Dollar earned is equivalent to NZD \$1.
- 13) Airpoints Dollars are not convertible into cash in any circumstances. And cannot be redeemed, sold, assigned or otherwise transferred by a Member for cash or any other form of consideration.
- 14) Where Airpoints Dollars are used to purchase a flight/reward which is then cancelled/returned, the Airpoints Dollars are required to be re-credited to the Member's account - cash refunds are not provided. Where a mixture of cash and Airpoints Dollars has been used to acquire a reward that is subsequently cancelled or returned the refund will be made by the re-crediting of Airpoints Dollars and cash in the same proportion as the original purchase.
- 15) Airpoints Dollars, if not used, expire four years after they accrue to the Member's account, at the end of the month of the anniversary of the day the Member joined the Airpoints Programme unless the Member has points protection.
- 16) Air New Zealand does not provide discounts to business customers who request Airpoints Dollars not be issued to their employees in respect of work-related travel. Business customers are unable to influence the number of Airpoints Dollars granted to

their employees in respect of either work related or private travel. Employers pay the same price for flights for their employees irrespective of whether employees are, or are not, Members. Airpoints Dollars accrue and are redeemed for rewards on the same basis for any Member of the Airpoints Programme, irrespective of the Member's employer.

### **How Airpoints Dollars are earned**

- 17) Members may earn Airpoints Dollars on qualifying flights, qualifying purchases and through direct earn financial Products. For example, Members may be eligible to earn Airpoints Dollars on:
- Expenditure on Air New Zealand qualifying flights and qualifying purchases (such as additional baggage allowance).
  - Expenditure on a partner Airline qualifying flight.
  - Expenditure on qualifying purchases with participating retailers such as retail, hotel operators or hire car companies.
  - Use of an eligible direct earn financial product from participating financial institutions.
  - Purchasing Airpoints Dollars to 'top up' the Airpoints Dollars in the Member's account or another Airpoints Member's Account (subject to a fee).
  - Transfer of Airpoints Dollars to the Member from an individual, third party or employer (through either 'Shairpoints' or 'Airpoints for Business').
- 18) Certain credit or charge cards allow card holders to convert their credit or charge card reward points into Airpoints Dollars, in accordance with the relevant credit or charge card terms and conditions.
- 19) Airpoints Dollars earned by a Member as an employee under the Airpoints for Business Programme accrue to the Airpoints for Business Account of their employer, and are in addition to the Airpoints Dollars earned and accrued to the Member's account.

### **Redemption of Airpoints Dollars**

- 20) Airpoints Dollars may be redeemed by the Member for any of the following rewards:
- Air New Zealand flights.
  - Onboard goods and services such as upgrades, extra baggage, seating products, movie upgrades, food and beverages and wine or merchandise offered by Air New Zealand on Air New Zealand flights and Air New Zealand Koru membership.

- Goods, services and vouchers on the (online) Airpoints Store.
- Partner airline flights booked directly on the Air New Zealand website where Air New Zealand acts as agent, collects the Airpoints Dollars, and then makes payment to the partner airline for the flight based on an agreed rate dependent on mileage and class of flight.

## **Airpoints for Business Programme**

- 21) Air New Zealand operates an Airpoints for Business Programme which allows business entities, including partnerships and sole traders, (Business Members) with one or more employees to accrue Airpoints Dollars for the entity.
- 22) A Business Member may register linked employees (Linked Employees) to its Airpoints for Business Account. The default maximum number of Linked Employees is 21 but additional members can be added on request. Linked Employees must be Members of the Airpoints Programme, employed by the Business Member, resident in New Zealand, and aged 18 years or older. The Business Member's Airpoints for Business Account links with the Linked Employees' individual Airpoints account.
- 23) When a Linked Employee travels on an eligible flight with Air New Zealand for business related-purposes, Airpoints Dollars accrue (for no additional payment) to the Business Member's Airpoints for Business Account, in addition to any Airpoints Dollars credited to the Linked Employee's personal Airpoints Account.
- 24) A Business Member may:
  - transfer Airpoints Dollars to any Linked Employee's personal Airpoints Account (such transfers cannot be made for cash); and / or
  - redeem Airpoints Dollars for air travel and the other rewards available under the Airpoints Programme.

## **Conditions stipulated by the Commissioner | Here i āta whakaritea e te Kaikōmihana**

This Ruling is made subject to the following conditions:

- (a) The Airpoints Terms and Conditions must not allow Members to sell, assign or transfer Airpoints Dollars or any Airpoints Member Benefit to any other person for cash or any other form of consideration.

- (b) Members must comply with the Airpoints Terms and Conditions, including (without limitation) the condition that Members must not sell, assign or transfer Airpoints Dollars or any Airpoints Member Benefit to any other person for cash or any other form of consideration.

## **How the Taxation Laws apply to the Arrangement | Ko ngā Ture Tāke ki te Whakaritenga**

### **Application**

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

- (a) Members do not have income under any of sections CE 1, CB 1, CB 3, CB 4, CB 5, or CA 1(2) when they receive Airpoints Dollars or rewards, on the redemption of Airpoints Dollars, arising from work related travel paid for, or reimbursed, by their employers.
- (b) The receipt by Members of Airport Dollars and rewards under the Airpoints Programme from work related travel paid for, or reimbursed, by their employers is not a fringe benefit as defined in s CX 2(1) and employers of Members are not liable to pay FBT under s RD 26.

### **Exclusions**

This Ruling does not rule on:

#### **Shairpoints Accounts**

- (a) If an employee Member is in the same Shairpoints Account as their employer:
  - (i) whether the FBT rules (as defined in the Act) apply to the redemption by employee Members, as Spenders, of Airpoints Dollars in the Shairpoints Accounts:
  - (ii) whether rewards received by employee Members, as Spenders, on the redemption of Airpoints Dollars in the Shairpoints Accounts are income, under Part C of the Act, of employee Members.

#### **Business owners**

- (b) Whether the receipt of Airpoints Dollars by business owners under the Airpoints Programme from work related-related travel related to, and paid for or reimbursed by the business, are income, under Part C of the Act, of the business owners.

### **Airpoints for Business Programme**

- (c) Whether the FBT rules in the Act apply to the transfer of Airpoints Dollars to employee Members by their employers under the Airpoints for Business Programme.
- (d) Whether the following are income, under Part C of the Act, of business Members under the Airpoints for Business Programme:
  - (i) the receipt of Airpoints Dollars:
  - (ii) rewards received on the redemption of Airpoints Dollars.

### **The period or income year for which this Ruling applies | Te wā, te tau moni whiwhi rānei i pāngia ai e tēnei Whakataunga**

This Ruling will apply for the period beginning on 1 October 2024 and ending on 30 September 2028.

This Ruling is signed by me on the 6<sup>th</sup> day of November 2024.

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**Fiona Wellgreen**  
Senior Tax Counsel  
Tax Counsel Office | Te Tari Tohutohu Tāke

### **About this document | Mō tēnei tuhinga**

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.