



28 May 2025

[Redacted]

Dear [Redacted]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 16 May 2025. You requested the following:

Inland Revenue's draft QWBAs published in 2017 (GST treatment of fees payable to a manager of a unit trust and GST treatment of outsourced services in relation to a unit trust), as referenced in the September 2022 information release and EY's submission dates 5 July 2018.

Two documents fall within the scope of your request, listed in the table below. I am releasing both documents in full, attached as **Appendix A**.

| Item | Date | Document |
|------|------------|----------------------------------------------------------------------------------------------------|
| 1. | 23/03/2017 | QWBAAA – Goods and Services Tax – GST treatment of fees payable to manager of a unit trust |
| 2. | 23/03/2017 | QWBABB – Goods and Services Tax – GST treatment of outsourced services in relation to a unit trust |

Publishing of OIA response

We intend to publish our response to your request on Inland Revenue's website (ird.govt.nz) as this information may be of interest to other members of the public. This letter, with your personal details removed, may be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you again for your request.

Yours sincerely

[Redacted Signature]

Jonathan Rodgers
Group Leader – Tax Counsel Office

Deadline for comment: 23 March 2017. Please quote reference: PUB00277aa.

QUESTION WE'VE BEEN ASKED – QWBAaa

GOODS AND SERVICES TAX – GST TREATMENT OF FEES PAYABLE TO MANAGER OF A UNIT TRUST

Consistent with the Commissioner's present approach, some unit trust managers have been treating 10 percent of their fees as being attributable to a taxable supply and the balance as being attributable to an exempt supply. As some unit trust managers consider that this treatment is legally incorrect, the Commissioner has been considering whether the practice is consistent with the legislation.

This draft QWBA considers whether the services supplied by the manager of a unit trust are taxable or exempt supplies. A separate draft QWBA considers whether the supply of services outsourced by the manager is an exempt or a taxable supply – QWBA *bb*.

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

This Question We've Been Asked is about ss 3(1) and 14(1)(a).

Question

1. What is the GST treatment of fees payable by investors to the manager of a unit trust?

Answer

2. The fees payable to the manager of a unit trust are not subject to GST as they are consideration for an exempt supply under s 14(1)(a).

Explanation

3. This QWBA applies to fees payable to the manager of a unit trust for services provided by the manager under a contract with investors.

What is the supply?

4. It is first necessary to determine exactly what services the manager supplies in consideration for the fees. This requires consideration of the legal arrangement entered into by the parties. See *CIR v New Zealand Refining Company Ltd* (1997) 18 NZTC 13,187 (CA); *Chatham Islands Enterprise Trust v CIR* (1999) 19 NZTC 15,075 (CA); *CIR v Gulf Harbour Development Ltd* (2004) 21 NZTC 18,915 (CA).
5. The terms of the contract between the manager and investors are found in the Trust Deed and the Prospectus and/or Investment Statement or Product Disclosure Statement (PDS). As a trust deed for a unit trust has no effect if it contravenes or is inconsistent with the Financial Markets Conduct Act 2013 (FMCA), the obligations of the manager under a trust deed must be consistent with the statutory obligations of a manager under the FMCA: s 138 FMCA. The activities set out below are

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consistent with the manager's obligations under s 142 of the FMCA and are representative of the activities that are typically carried on by the manager of a unit trust.

6. The manager of a unit trust is responsible for carrying out (or causing to be carried out) the following activities:
 - Issuing, redeeming or re-purchasing units.
 - Paying to the trustee amounts received for the issue of units. (The trustee holds the trust assets, represents the interests of unitholders and monitors the manager's compliance with its obligations under the trust deed and legislation.)
 - Investing the trust property.
 - Collecting and distributing amounts in respect of investments or units.
 - Administering the unit trust. This includes the maintenance of a register of unitholders, the maintenance of accounting and other records about the unit trust, and the provision of information and reports about the trust to the trustee or investors.
7. The manager does not supply marketing and advertising services, compliance services or tax advice to investors. Investors do not contract for the supply of these services. The manager carries out marketing and advertising for the purpose of promoting and enabling the issue of units to investors. The manager complies with its obligations under the FMCA to enable it to issue or transfer units and to continue to act as the manager of a unit trust. The PDS (which must be issued before an application for units can be accepted and units are issued) generally includes a statement advising investors to seek their own tax advice.

Exempt Supplies

8. Under s 14(1)(a), the supply of financial services is an exempt supply. A "financial service" is any one or more of the activities listed in s 3(1).
9. The supply of other goods and services is also an exempt supply if:
 - the other goods and services are supplied by the supplier of financial services together with the supply of the financial services, and
 - the supply of the other goods and services is "reasonably incidental and necessary" to the supply of those financial services.

Issue and redemption of units

10. The issue, allotment or transfer of ownership of a participatory security is a financial service: s 3(1)(d). An interest in a unit trust (as defined in the Income Tax Act 2007) is a participatory security: s 3(2). Therefore fees payable to the manager for the issue, redemption or repurchase of units in a unit trust are not subject to GST as the fees are consideration for a financial service under s 3(1)(d).

Payments in respect of units and securities

11. The payment or collection of any amount in respect of a debt security, equity security or participatory security (or arranging the payment or collection of such amounts) is a financial service: ss 3(1)(ka) and (l).

12. A unit trust may invest in debt securities, equity securities or participatory securities, including units in another unit trust. The manager receives payments from investors for units, pays these amounts to the trustee, and collects and distributes amounts in respect of units or securities (or arranges these activities). These activities are financial services under ss 3(1)(c), (d), (ka) and (l).
13. Therefore, the fees relating to these activities are not subject to GST as they are consideration for an exempt supply.

Investment activities

14. Arranging the transfer of debt securities, equity securities or participatory securities is a financial service, but advising on the transfer of such securities is not a financial service: ss 3(1)(c), (d) and (l).
15. The manager is responsible for investing the trust property in accordance with the investment policy and objective specified in the Trust Deed or agreed with the trustee. The manager has discretion (subject to the investment guidelines) to make and implement decisions on what, and when, securities should be bought or sold with investor funds.

Manager does not provide advice

16. The manager does not provide advice on the transfer of securities. To advise means to recommend or inform, counsel or give an opinion: Concise Oxford Dictionary (12th edition, Oxford University Press, New York, 2011); *J R Moodie Co Ltd v MNR* [1950] 2 DLR 145 (SCC). The manager does not give recommendations, counsel or opinions on securities transactions. The manager has discretion, subject to the trust's investment policy and objectives, to make and implement investment decisions. The trustee, who represents investors, must comply with the manager's instructions to buy or sell securities unless a transaction would breach the manager's own obligations to investors: s 160 FMCA.

Manager's investment activities constitute an arranging service

17. "Arrange" means "cause to occur", "plan or provide for" or "give instructions for": *Databank Systems Ltd v CIR* (1987) 9 NZTC 6,213 (HC); *Royal Bank of Canada v The Queen* (2005) TCC 802; *Canadian Medical Protective Association v The Queen* (2009) FCA 115. More than one person could be involved in arranging a financial service: *Canadian Medical Protective Association*.
18. The manager carries out research and market analysis for the purpose of making investment decisions. Considered in isolation, research and market analysis are not financial services. However, the arranging of a supply of financial services could include activities that considered in isolation are not financial services. If there is a sufficient causal link between the research and market analysis activities and the transfer of securities, research and market analysis will be part of an arranging service.
19. There are no New Zealand cases that consider the nature of the services provided by a person who has discretion to make and implement investment decisions. However, *Canadian Medical Protective Association* and *Finanzamt Frankfurt am Main v-Höchst v Deutsche Bank AG* [2012] STC 1951 (ECJ) concern services supplied by a person who had discretion to buy and sell securities within specified guidelines.

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20. In *Canadian Medical Protective Association*, the Canadian Federal Court of Appeal acknowledged the importance of the research and analysis aspect of the investment managers' services. The court accepted that investment managers were hired to read the market and to beat the market in both good and bad times. It was because of their know-how that the investment managers were paid on a percentage basis by reference to the size of the portfolio under management. However, the court considered that the degree of skill with which a service is supplied did not determine the nature of the service.
21. The court considered that research and analysis would be purposeless if it did not end with a buy, sell or hold decision and that both research and analysis and the giving of orders for the purchase or sale of securities were essential features of the supply. As the end result of these activities was to "cause to occur a transfer of ownership ... of a financial instrument", the court considered that the investment manager's activities constituted the arranging of the transfer of financial instruments.
22. In the *Deutsche Bank* case, the European Court of Justice considered that market analysis for the purpose of deciding whether to purchase, sell or retain securities would be pointless unless the decision was put into effect. Similarly, the sale and purchase of securities without expertise and analysis would be pointless. The court held that where a person has discretion to make and implement decisions on the buying and selling of securities, the making and implementing of investment decisions were so closely linked that they formed objectively a single economic supply.
23. In each of the above cases, the court considered that research and analysis for the purpose of making investment decisions was inseparable from the sale or purchase of securities.
24. Although *Canadian Medical Protective Association* is not binding on a New Zealand court, the relevant parts of the definition of "financial services" considered in that case and the definition in the New Zealand GST Act are essentially the same. The court held that the investment manager's services were financial services (the arranging of the transfer of financial instruments). In the *Deutsche Bank* case, Deutsche Bank's activities did not satisfy the definition of "financial services" in the VAT legislation, which did not include arranging for the supply of financial services (except making arrangements for the granting of credit).
25. The Commissioner considers that the approach applied in these cases is consistent with the approach that a New Zealand court would apply to determine the true and substantial nature of the consideration provided to the recipient (the supply contracted for). This is considered objectively from the perspective of the customer (in this case, a typical investor): *Auckland Institute of Studies Ltd v CIR* (2002) 20 NZTC 17,685 (HC).
26. The degree of knowledge and skill with which a service is supplied is relevant to the quality of the service, but does not determine the nature of the service.
27. Research and market analysis for the purpose of making investment decisions is an important element in the service provided to investors. However, a typical investor in a unit trust does not seek research and market analysis as an end in itself. The purpose of a unit trust is to provide facilities for investors to participate as beneficiaries in the income and capital arising from the trust property: see the definition of "unit trust" in s YA 1 of the Income Tax 2007, which applies for GST purposes. Investors acquire units in a unit trust to obtain an interest in the assets of the trust. Research and market analysis are carried out for the purpose of

establishing the pool of securities in which investors have an interest as beneficiaries. Research and market analysis for the purpose of making investment decisions and implementing those decisions are inextricably linked.

28. In some cases, research and analysis may not lead to the transfer of securities. However, this would not alter the nature of the supply. When investors pay money to the manager for investment, they decide that securities selected by the manager will be acquired or sold for their benefit. The manager's research and analysis activities are carried on to give effect to the decision of investors. The same process is carried out by the manager in deciding whether to buy, sell or hold securities. Research and analysis are not carried out as an end in themselves, but as part of the process by which the manager arranges for securities to be bought or sold.
29. The manager is directly involved in the process by which securities are bought or sold for the benefit of investors. As the manager has discretion to make investment decisions and the trustee must comply with the manager's instructions, there is a direct relationship between the manager's research and analysis activities and the transfer of securities. The manager does not merely facilitate or enable the transfer of securities by or to the trustee. As the manager causes the transfer of securities to occur, plans and provides for the transfer of securities and gives instructions for the transfer of securities, the manager's investment management activities constitute arranging for the transfer of securities.
30. Therefore, the manager's activities relating to the investment of the trust property are financial services under s 3(1)(l), being arranging the supply of a financial service (the transfer of ownership of securities).

Administration activities

31. The manager's administration activities (fund accounting, unit pricing, record keeping and reporting) are not any of the activities listed in s 3(1). Therefore, these activities are not financial services. However, the supply of administrative services will be an exempt supply if:
 - the services are supplied by the manager, and
 - the services are reasonably incidental and necessary to the supply of financial services by the manager.
32. A supply of non-financial services by the manager will be reasonably incidental to the supply of the financial services by the manager if the supply occurs in conjunction with the supply of those financial services and is subordinate to the supply of the financial services: *Doom v Commissioners of Customs & Excise* (1973) VATTR 61.
33. To be "reasonably necessary" to the supply of financial services by the manager, it is not enough that the administration services are merely desirable to the supply of the financial services. However, the other goods and services need not be essential or absolutely necessary to the supply of financial services (in the sense that the financial services could not be supplied without the other goods and services). See *Aitken v Shaw* (1933) SLT 21; *Elcham v Commissioner of Police* [2001] NSWSC 614.
34. Fund accounting and unit pricing are reasonably incidental and necessary to the supply of financial services by the manager. Fund accounting and unit pricing are subordinate to the issue or redemption of units and are necessary to establish the price at which units are to be issued or redeemed by the manager.

35. The maintenance of a registry is also reasonably incidental and necessary to the supply of financial services. A register of members is maintained because proper records must be kept to enable the persons for whom the scheme property is held (and the extent of their interest in the scheme property) to be identified.
36. The manager is required to provide reports to investors because the manager receives funds from investors and is required to account for these funds. These reporting activities are reasonably incidental and necessary to the supply of financial services by the manager.
37. Therefore, the supply by the manager of services in relation to the administration of a unit trust is an exempt supply under s 14(1)(a).

Manager's activities are not characterised as supply of management services

38. A transaction involves a single supply where:
 - one element in the transaction is the principal or dominant element in the supply and other elements of the transaction are incidental or ancillary to the principal supply, or
 - two or more elements (none of which is the principal or dominant supply) are so closely linked that they form objectively a single indivisible economic supply.

See Auckland Institute of Studies Ltd; Levob Verzekeringen BV v Staatssecretaris van Financiën [2006] STC 766 (ECJ).

39. Without a statutory definition of "financial services", it may have been possible to characterise the supply made by the manager (considered as a whole) as a single supply of the management of a unit trust. Investors acquire units to obtain the right to an interest in securities selected by the manager and a right to share in the income from the securities. As each element of the transaction is necessary and integral to the supply sought and obtained by investors, all of the manager's activities can be regarded as a single supply of services. The manager manages a unit trust in the sense that it controls and directs the unit trust.
40. However, the scope of the exemption in respect of financial services is determined by the list of specific activities in s 3(1): *Gulf Harbour Development Ltd*.
41. As a "financial service" is "any one or more" of the activities listed in s 3(1), a financial service can consist of more than one of the activities in s 3(1). The legislation contains its own test of whether the supply of non-financial goods and services is part of a supply of financial services. If goods and services other than financial services are supplied by a person who supplies financial services and the supply of the non-financial goods and services is reasonably incidental and necessary to the supply of those financial services, the supply of the non-financial goods and services will be part of the supply of the financial services and will share the same GST treatment.
42. The supply or supplies made by the manager will be exempt from GST if:
 - each of the activities carried on by the manager is one of the activities listed in the definition of "financial services", or
 - some of the activities carried on by the manager are listed in the definition of "financial services" and any other services supplied by the manager are reasonably incidental and necessary to the financial services supplied by the manager.

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43. The Commissioner acknowledges that the management of a retirement scheme is a financial service (s 3(1)(j)) but the management of a unit trust is not one of the activities listed in s 3(1). It might be argued that this suggests the activities of the manager of a unit trust were not intended to be financial services.
44. However, the manager's activities include activities that are listed in the definition of "financial services" and services that are reasonably incidental and necessary to the supply of financial services by the manager. For that reason the supply made by the manager cannot be treated as a taxable supply on the basis that the activities of the manager (considered as a whole) comprise the management of a unit trust. The explicit reference to the management of a retirement scheme does not undermine the strength of this conclusion.

Draft items produced by the Office of the Chief Tax Counsel represent the preliminary, though considered, views of the Commissioner of Inland Revenue.

In draft form these items may not be relied on by taxation officers, taxpayers, and practitioners. Only finalised items represent authoritative statements by Inland Revenue of its stance on the particular issues covered.

We would appreciate your initial feedback on this item, which you can provide through [three quick questions](#).

Detailed submissions can be emailed to public.consultation@ird.govt.nz.

References

Subject references

GST, unit trust, financial services, arranging, advising, reasonably incidental and necessary

Legislative references

Goods and Services Tax Act 1985 – ss 3(1) and 14(1)(a)
Financial Markets Conduct Act 2013 – ss 138, 142 and 160

Case references

Aitken v Shaw (1933) SLT 21
Auckland Institute of Studies Ltd v CIR (2002) 20 NZTC 17,685 (HC)
Canadian Medical Protective Association v The Queen (2009) FCA 115
Chatham Islands Enterprise Trust v CIR (1999) 19 NZTC 15,075 (CA)
CIR v Gulf Harbour Development Ltd (2004) 21 NZTC 18,915 (CA)
CIR v New Zealand Refining Company Ltd (1997) 18 NZTC 13,187 (CA)
Databank Systems Ltd v CIR (1987) 9 NZTC 6,213 (HC)
Doom v Commissioners of Customs & Excise (1973) VATTR 61
Elcham v Commissioner of Police [2001] NSWSC 614
Finanzamt Frankfurt am Main v-Höchst v Deutsche Bank AG [2012] STC 1951 (ECJ)
Levob Verzekeringen BV v Staatssecretaris van Financiën [2006] STC 766 (ECJ)
J R Moodie Co Ltd v MNR [1950] 2 DLR 145 (SCC)
Royal Bank of Canada v The Queen (2005) TCC 802

Deadline for comment: 23 March 2017. Please quote reference: PUB00277bb.

QUESTION WE'VE BEEN ASKED - QWBAbb

GOODS AND SERVICES TAX – GST TREATMENT OF OUTSOURCED SERVICES IN RELATION TO A UNIT TRUST

There has been uncertainty about the GST treatment of services for a unit trust provided by a third party to the manager of a unit trust. This draft QWBA considers whether the supply of these services is an exempt supply or a taxable supply. This draft QWBA should be read in conjunction with the QWBA on *Goods and Services Tax – GST Treatment of fees payable to the manager of a unit trust – QWBA aa*.

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

This Question We've Been Asked is about ss 3(1) and 14(1)(a).

Question

1. What is the GST treatment of services for a unit trust that are provided by a third party to the manager of a unit trust?

Answer

2. The supply of administrative services, such as registry, fund accounting and unit pricing by a third party under a contract with the manager is a taxable supply.
3. The supply of investment management services by a third party to the manager under a contract with the manager is an exempt supply under s 14(1)(a) where the third party has full authority to both make and carry out investment decisions. Where this requirement is not satisfied, the supply is a taxable supply.

Explanation

4. Under its contract with investors in the unit trust, the manager of a unit trust is responsible for carrying out (or causing to be carried out) the following activities:
 - Issuing, redeeming or re-purchasing units.
 - Paying to the trustee amounts received for the issue of units. (The trustee holds the trust assets, represents the interests of unitholders and monitors the manager's compliance with its obligations under the trust deed and legislation.)
 - Investing the trust property.
 - Collecting and distributing amounts in respect of investments or units.
 - Administering the unit trust. This includes the maintenance of a register of unitholders, the maintenance of accounting and other records about the unit trust, and the provision of information and reports about the trust to the trustee or investors.

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5. The manager may enter into a contract with a third party under which the third party agrees to carry out some of the functions that the manager is required to perform under its contract with investors.
6. The supplier of services is the person who is contractually obliged to supply the services and the recipient is the person who can enforce the performance of the services: *Wilson & Horton Ltd v CIR* (1995) 17 NZTC 12,325 (CA); *CIR v Capital Enterprises Ltd* (2002) 20 NZTC 17,511 (HC). The manager of a unit trust supplies services under a contract with the investors. The contracting out of the services would not relieve the manager of its contractual obligations or its statutory obligation to provide the services to investors: *Tolhurst v Associated Portland Cement Manufacturers (1900) Ltd* [1902] 2 KB 660 (CA), *Savvy Vineyards 3552 Ltd v Kakara Estate Ltd* [2015] 1 NZLR 281 (SC).
7. Where the manager enters into a contract with a third party for the supply of any services that the manager is required to supply under its contract with investors, there will be:
 - a supply of the services by the manager to investors, and
 - a separate supply by the third party to the manager.
8. This QWBA applies to services for a unit trust that are supplied by a third party under a contract with the manager. An investment manager may be appointed by the manager to manage all or part of the assets of a unit trust. The manager may also contract out the maintenance of a register of unitholders or fund accounting and unit pricing functions for the unit trust.

Outsourced services are not necessarily exempt supplies

9. The GST treatment of the supply made by the manager of a unit trust to investors in the trust is outlined in QWBA aa. That supply is an exempt supply, as it is the supply of financial services and the supply of other goods and services that are reasonably incidental and necessary to the supply of those financial services.
10. The manager may acquire services from a third party (outsourced services) to satisfy its obligations under the contract between the manager and investors. Outsourced services are not exempt supplies merely because the services are acquired and used by the manager to make exempt supplies to investors: *CIR v Databank Systems Ltd* (1990) 12 NZTC 7,227 (PC).
11. To be a financial service, an outsourced service must be one of the activities listed in s 3(1).
12. If an outsourced service is not a financial service, the supply of the service will not be an exempt supply. This is because the service will not be supplied by a person who supplies financial services. For the supply of goods and services other than the supply of a financial service to be an exempt supply:
 - the goods and services must be supplied by a supplier of financial services together with the supply of financial services, and
 - the supply of the goods and services must be "reasonably incidental and necessary" to the supply of those financial services: s 14(1)(a).
13. If any of the services supplied by a third party to the manager of a unit trust are taxable supplies, the manager will not be entitled to an input tax credit on those supplies. This is because the services are acquired by the manager for the purpose of making exempt supplies.

Administrative services

14. The maintenance of a register of unitholders and the accounting functions performed by a third party under a contract with the manager are not financial services, as they are not one of the activities listed in s 3(1). The recording of the effect of agreements or arrangements made by the manager is not an arranging service and is not a financial service under s 3(1)(l): *Databank* (PC) at 7,231.

Investment management

15. Arranging for the transfer of debt securities, equity securities or participatory securities is a financial service, but advising on the transfer of securities is not a financial service: ss 3(1)(c), (d) and (l).
16. To advise means to recommend or inform, counsel or give an opinion: Concise Oxford Dictionary (12th edition, Oxford University Press, New York, 2011); *J R Moodie Co Ltd v MNR* [1950] 2 DLR 145 (SCC).
17. "Arrange" means "cause to occur", "plan or provide for" or "give instructions for": *Databank Systems Ltd v CIR* (1987) 9 NZTC 6,213 (HC); *Royal Bank of Canada v The Queen* (2005) TCC 802; *Canadian Medical Protective Association v The Queen* (2009) FCA 115 More than one person could be involved in arranging a financial service: *Canadian Medical Protective Association*.
18. An investment manager's activities will be arranging the transfer of securities if there is a sufficient causal link between the activities and the transfer of securities. This will be so where an investment manager has full authority both to make and carry out investment decisions. However, the investment manager will not supply an arranging service where the manager need not accept decisions made by an investment manager and the investment manager does not have authority to give instructions to the trustee (who holds the assets of the unit trust) for the acquisition or sale of securities. In these circumstances, the essential nature of the services provided by an investment manager will be the provision of advice, which is a taxable supply. See *General Motors of Canada Ltd v The Queen* [2008] TCC 117; *Canadian Medical Protective Association*.

Examples

19. The following examples are included to assist in explaining the application of the law.

Example 1 – outsourced administrative services

20. A person enters into a contract with a manager of a unit trust. The person agrees:
- to keep and maintain a register of investors
 - to keep records of subscriptions, units held by investors, unit prices, income entitlements and other matters that must be recorded in terms of the trust deed or any relevant legislation, and
 - to provide information to the manager to enable the manager to comply with the manager's statutory or contractual obligations.
21. As maintaining records and providing information are not any of the activities listed in the definition of "financial services", the services supplied to the manager are not financial services. The supply of the services enables the manager to supply

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financial services to investors. However, the services are not part of the supply of financial services by the manager (not being reasonably incidental and necessary to the supply of financial services by the manager). Therefore, the supply of the services is not an exempt supply under s 14(1)(a) and is a taxable supply.

22. As these services are acquired by the manager for the purpose of supplying financial services, the manager will not be entitled to an input tax credit on the services.

Example 2 – outsourced investment management services

23. The manager of a unit trust enters into an agreement with an investment manager. The investment manager's obligations are to make investment decisions in accordance with investment guidelines agreed with the unit trust manager. The investment manager has no authority to give instructions to the trustee who holds the assets of the trust to buy or sell securities or to complete settlement of securities transactions. The trustee is not required to comply with the instructions of the investment manager and the transfer of securities will not occur without the approval of the unit trust manager.
24. Arranging the transfer of debt securities, equity securities or participatory securities is a financial service: s 3(1)(c), (d) and (l). To be arranging the transfer of securities, there must be a sufficient relationship between the investment manager's services and a transfer of securities. As securities will be bought or sold only if the unit trust manager instructs the trustee to do so, the investment manager's activities do not constitute arranging the transfer of securities. The service supplied by the investment manager is advising on the transfer of securities, which is specifically excluded from the definition of "financial services". Therefore, the investment manager's services are a taxable supply.
25. As the investment manager's services are acquired by the manager for the purpose of supplying financial services, the manager will not be entitled to an input tax credit on the investment manager's services.

Draft items produced by the Office of the Chief Tax Counsel represent the preliminary, though considered, views of the Commissioner of Inland Revenue.

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We would appreciate your initial feedback on this item, which you can provide through [three quick questions](#).

Detailed submissions can be emailed to public.consultation@ird.govt.nz.

References

Related rulings/statements

QWBAaa

Subject references

Goods and services tax, financial services, arranging, advising, reasonably incidental and necessary

Legislative references

Goods and Services Tax Act 1985 – ss 3(1) and 14(1)(a)
Financial Markets Conduct Act 2013 – s 146

Case references

Canadian Medical Protective Association v The Queen (2009) FCA 115
CIR v Capital Enterprises Ltd (2002) 20 NZTC 17,511 (HC)
Databank Systems Ltd v CIR (1987) 9 NZTC 6,213 (HC), (1990) 12 NZTC 7,227 (PC)
General Motors of Canada Ltd v The Queen [2008] TCC 117
CIR v Gulf Harbour Development Ltd (2004) 21 NZTC 18,915 (CA)
J R Moodie Co Ltd v MNR [1950] 2 DLR 145 (SCC)
Savvy Vineyards 3552 Ltd v Kakara Estate Ltd [2015] 1 NZLR 281 (SC)
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