

Subpart MJ—Policyholder credit accounts

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Introductory provision

MJ 1 General rules for companies and other persons with policyholder credit accounts

PCA company

- (1) A company resident in New Zealand and carrying on a life insurance business is a PCA company. In this Part, the company is called a **PCA company**.

PCA person

- (2) A person other than a PCA company who carries on a life insurance business and has policyholder income to which section CR 1(4) (Income of life insurer) applies, may choose to have a policyholder credit account. In this Part, the person is called a **PCA person**.

General rules

- (3) The general rules on memorandum accounts set out in sections MA 2 and MA 3 (which relate to the treatment of memorandum accounts) apply to—
 - (a) a PCA company's policyholder credit account; and
 - (b) a PCA person's policyholder credit account.

References to tax year and income year for PCA person

- (4) Sections MA 2 and MA 3 apply to a PCA person as if references in those sections to a tax year were references to an income year.

Defined in this Act: business, company, income year, life insurance, memorandum account, PCA company, PCA person, policyholder credit account, policyholder income, resident in New Zealand, tax year

Origin: 2004 No 35 ss ME 15, ME 22(1)

Companies with policyholder credit accounts

Introductory provision

MJ 2 Policyholder credit accounts of companies

Accounts

- (1) A PCA company must maintain a policyholder credit account for a tax year. The account is a record of policyholder credits and policyholder debits that arise in the account during the tax year.

Credits

- (2) Credits to the account may include a transfer of an amount from the PCA company's imputation credit account or FDWP account.

Debits

- (3) Debits to the account may include a credit balance applied to satisfy a PCA company's policyholder base income tax liability.

Consolidated groups

- (4) A consolidated group has a policyholder credit account if a group company is a PCA company.

Credit and debits arising in group accounts

- (5) Certain credits and debits arise in the policyholder credit account of the group and not in the account of a group company.

Defined in this Act: amount, consolidated group, FDWP account, imputation credit account, PCA company, policyholder base income tax liability, policyholder credit, policyholder credit account, policyholder debit, tax year

Origin: 2004 No 35 ss ME 15, ME 17(1), ME 27(1), (3)

Policyholder credits of PCA company

Table M13: policyholder credits

Row	Policyholder credit	Credit date	Further defined
1	<i>Opening credit balance</i>		
	Opening credit balance	1 April	section MA 7
2	<i>Transfer from imputation credit account</i>		
	A transfer of a credit balance from an imputation credit account	debit date in the imputation credit account for the transfer	section MJ 3
3	<i>Transfer from FDWP account</i>		
	A transfer of a credit balance from an FDWP account	debit date in the FDWP account for the transfer	section MJ 4
4	<i>Transfer of life insurance business</i>		
	A credit balance transferred from another policyholder credit account on acquisition of a life insurance business	day of transfer of the life insurance business	section MJ 5
5	<i>Credit for maximum deficit in FDWP account</i>		
	A credit for maximum deficit in an FDWP account arising during a tax year	31 March	section MJ 6
6	<i>Credit for reduced deficit in FDWP account</i>		
	A transfer of a credit balance from an FDWP account for a debit for a reduced deficit that arises during a tax year	31 March	section MJ 7
<p>How to use this table</p> <p>Each row of the table describes—</p> <p>(a) the policyholder credits that may arise in the policyholder credit account of a PCA company during a tax year; and</p> <p>(b) the credit date when the policyholder credit arises.</p> <p>A more detailed description of the policyholder credits is contained in the section noted in the last column.</p>			

MJ 3 PCA transfer from imputation credit account

Credit

- (1) A PCA company has a policyholder credit as described in table M13: policyholder credits, row 2 (transfer from imputation credit account) for an amount equal to the amount of an imputation debit described in, as applicable,—
- (a) table M2: imputation debits, row 20 (transfer to policyholder credit account) if the company is not part of a consolidated group; or
- (b) table M20: imputation debits of consolidated imputation groups, row 15 (transfer to policyholder credit account) if the company is part of a consolidated imputation group.

Credit date

- (2) The credit date is the same as the debit date recorded for the transfer in the imputation credit account.

Defined in this Act: amount, consolidated group, imputation credit account, imputation debit, PCA company, policyholder credit, policyholder credit account

Origin: 2004 No 35 ss ME 14(1), ME 18(1)(a), (2)(a)

MJ 4 PCA transfer from FDWP account

Credit

- (1) A PCA company has a policyholder credit as described in table M13: policyholder credits, row 3 (transfer from FDWP account) for an amount that is equal to the amount of an FDWP debit described in table M4: FDWP debits, row 8 (transfer to policyholder credit account) for the transfer of a credit balance or the amount of a credit from the company's FDWP account.

Credit date

- (2) The credit date is the same as the debit date recorded for the transfer in the FDWP account.

Defined in this Act: amount, FDWP account, FDWP debit, PCA company, policyholder credit, policyholder credit account

Origin: 2004 No 35 s ME 18(1)(b), (2)(b)

MJ 5 PCA transfer of life insurance business

When this section applies

- (1) This section applies when a PCA company or a PCA person transfers a life insurance business to another PCA company.

Credit

- (2) The PCA company that is the transferee has a policyholder credit as described in table M13: policyholder credits, row 4 (transfer of life insurance business) for an amount equal to an amount of a policyholder debit under section MJ 11.

Credit date

- (3) The credit date is the day the life insurance business is transferred.

Defined in this Act: amount, business, life insurance, PCA company, PCA person, policyholder credit, policyholder credit account, policyholder debit

Origin: 2004 No 35 s ME 18(1)(c), (2)(c)

MJ 6 PCA credit for maximum deficit in FDWP account

Credit

- (1) A PCA company has a policyholder credit for a tax year as described in table M13: policyholder credits, row 5 (credit for maximum deficit in FDWP account) for an amount equal to the amount of a FDWP debit—
 - (a) that arises in the company's FDWP account as described in table M4: FDWP debits, row 11 (breach of FDWP ratio by PCA company); and
 - (b) whose amount is calculated under sections MC 20 and MC 33 (which relate to the maximum deficit debit).

Credit date

- (2) The credit date is the last day of the tax year.

Defined in this Act: amount, FDWP account, FDWP debit, FDWP ratio, PCA company, policyholder credit, policyholder credit account, tax year

Origin: 2004 No 35 s ME 18(1)(bb), (2)(bb)

MJ 7 PCA credit for reduced deficit in FDWP account

Credit

- (1) A PCA company has a policyholder credit for a tax year as described in table M13: policyholder credits, row 6 (credit for reduced deficit in FDWP account) for an amount equal to the amount of an FDWP debit—
 - (a) that arises in the company's FDWP account as described in table M4: FDWP debits, row 11 (breach of FDWP ratio by PCA company); and
 - (b) whose amount is calculated under sections MC 20 and MC 35 (which relate to the reduced deficit debit).

Credit date

- (2) The credit date is the last day of the tax year.

Defined in this Act: amount, FDWP account, FDWP debit, FDWP ratio, PCA company, policyholder credit, policyholder credit account, tax year

Origin: 2004 No 35 s ME 18(1)(bc), (2)(bb)

Policyholder debits of PCA company

Table M14: policyholder debits

Row	Policyholder debit	Debit date	Further defined
1	<i>Opening debit balance</i>		
	Opening debit balance	1 April	section MA 7
2	<i>Payment of tax relating to policyholder base</i>		
	A credit balance applied to satisfy a policyholder base income tax or provisional tax liability for an income year	last day of the income year	section MJ 8
3	<i>Transfer to imputation credit account</i>		
	A credit balance transferred to an imputation credit account of a company or group	day of election	section MJ 9
4	<i>Transfer to group account</i>		
	A transfer of a credit to a group account	credit date in the group account for the credit transferred	section MJ 10
5	<i>Transfer of life insurance business</i>		
	A credit balance transferred to another policyholder credit account on transfer of a life insurance business	day of transfer of the life insurance business	section MJ 11
<p>How to use this table Each row of the table describes—</p> <p>(a) the policyholder debits that may arise in the policyholder credit account of a PCA company during a tax year; and</p> <p>(b) the debit date when the policyholder debit arises.</p> <p>A more detailed description of the policyholder debits is contained in the section noted in the last column.</p>			

MJ 8 PCA payment of tax relating to policyholder base

Election

- (1) A PCA company may choose that some or all of a credit balance in the company's policyholder credit account is treated as applied to satisfy—
- (a) a policyholder base income tax liability of the company; or
 - (b) a provisional tax liability of the company for its policyholder base.

Manner of election

- (2) A company makes an election under subsection (1) by recording as a debit the balance applied to satisfy the policyholder base income tax liability or policyholder base provisional tax.

Effect of election

- (3) As a result of an election under this section,—
- (a) a policyholder debit described in table M14: policyholder debits, row 2 (payment of tax relating to policyholder base) arises in the company's policyholder credit account; and
 - (b) the company's liability for the amount of income tax or provisional tax is satisfied.

Debit date

- (4) The debit date is the last day of the company's income year corresponding to the tax year for which the policyholder base income tax liability or policyholder base provisional tax arises.

Defined in this Act: amount, income year, pay, PCA company, policyholder base, policyholder base income tax liability, policyholder credit account, provisional tax, tax year

Origin: 2004 No 35 ss ME 18(3)(a), (4)(a), ME 19(1), (2)

MJ 9 PCA transfer to imputation credit account

Election

- (1) A PCA company may choose to treat some or all of a credit balance in the company's policyholder credit account as transferred to an imputation credit account. Subsection (2) overrides this subsection.

Exclusion

- (2) An election under subsection (1) excludes an amount that arises when—
- (a) the company has adopted a non-standard accounting year; and
 - (b) during the accounting year, the company has made an election that means the credit balance includes a credit described in either of the following rows of table M13: policyholder credits:
 - (i) row 2 (transfer from imputation credit account);
 - (ii) row 3 (transfer from FDWP account); and
 - (c) the election would result in a debit to the policyholder credit account during the tax year that corresponds to the accounting year.

Debit and credit

- (3) The amount of the credit balance transferred is—
- (a) a debit described in table M14: policyholder debits, row 3 (transfer to imputation credit account) in the company's policyholder credit account; and
 - (b) a credit described in, as applicable,—
 - (i) table M1: imputation credits, row 15 (transfer from policyholder credit account) in the company's imputation credit account; or
 - (ii) table M19: imputation credits of consolidated imputation groups, row 13 (transfer from company's policyholder credit account) in the group's imputation credit account.

Credit balance reduced

- (4) Despite subsection (2)(b), the credit balance includes a credit that is cancelled by a later debit to the account. Whether a debit cancels a credit is determined by treating a debit as offsetting a credit in the order in which credits arise in the account.

Other accounts

- (5) The company may treat the amount of a credit balance that can be transferred as transferred to—
- (a) the company's imputation credit account; or
 - (b) the imputation credit account of an imputation group, if the company is part of the group.

Manner of election

- (6) The company makes the election by recording the amount of the credit balance transferred as—
- (a) a debit in the company's policyholder credit account; and
 - (b) a credit in the imputation credit account of, as applicable,—
 - (i) the company; or
 - (ii) the imputation group.

Debit date

- (7) The debit date is the day of election.

Defined in this Act: accounting year, amount, consolidated imputation group, FDWP account, imputation credit, imputation credit account, imputation group, PCA company, policyholder credit, policyholder credit account, non-standard accounting year, tax year

Origin: 2004 No 35 ss ME 18(3)(b), (4)(b), ME 19(3)-(6)

MJ 10 PCA transfer to group account

Debit

- (1) A PCA company has a policyholder debit in a tax year as described in table M14: policyholder debits, row 4 (transfer to group account) for an amount equal to the amount of a policyholder credit described in table M27: policyholder credits of consolidated groups, row 4 (group company's credit) for a credit transferred to the policyholder credit account of the consolidated group of which the company is part.

Debit date

- (2) The debit date is the credit date recorded in the group account for the transfer.

Defined in this Act: amount, consolidated group, PCA company, policyholder credit, policyholder credit account, policyholder debit, tax year

Origin: 2004 No 35 s ME 27(2)

MJ 11 PCA company's transfer of life insurance business

Election

- (1) A PCA company may choose to transfer a credit balance in the company's policyholder credit account to another person on the transfer of the company's life insurance business to—
 - (a) another PCA company; or
 - (b) a PCA person.

Requirements

- (2) A PCA company may make an election under subsection (1) if—
 - (a) the transfer meets the requirements of section EY 44(1) (Policyholder income formula: when life insurance business transferred); and
 - (b) after the transfer, the company is no longer required to maintain a policyholder credit account.

Debit

- (3) As a result of the election, the PCA company that is the transferor has a debit described in table M14: policyholder debits, row 5 (transfer of life insurance business) for the amount of the credit balance transferred under subsection (1).

Manner of election

- (4) The company makes the election by recording the amount of the credit balance transferred as a debit in the company's policyholder credit account.

Debit date

- (5) The debit date is the day the life insurance business is transferred.

Defined in this Act: amount, business, life insurance, PCA company, PCA person, policyholder credit, policyholder credit account, policyholder debit

Origin: 2004 No 35 ss ME 18(3)(c), (4)(c), ME 19A

Persons with policyholder credit accounts

Introductory provisions

MJ 12 Choosing to become PCA person

Notifying Commissioner

- (1) A person who is eligible under section MJ 1(2) and who chooses to be a PCA person must notify the Commissioner of their election—
 - (a) no later than 21 days after the election; or
 - (b) by a later time if the Commissioner allows.

Effect of election

- (2) A PCA person must maintain the policyholder credit account referred to in section MJ 1(2) from the start of the income year in which the PCA person makes the election.

Defined in this Act: Commissioner, company, income year, life insurance, notify, PCA person, policyholder credit account, policyholder income

Origin: 2004 No 35 s ME 21(1), (2)

MJ 13 Choosing to stop being PCA person

Election

- (1) A PCA person may choose to stop being a PCA person.

When election made

- (2) An election under subsection (1) may be made only in an income year that is later than the income year in which the person chooses to become a PCA person.

When person's status as PCA person ends

- (3) The person ends their status as a PCA person from the start of the income year following the year of election but only if they file an annual policyholder credit account return for the year of election in the time allowed by section 66(3) of the Tax Administration Act 1994.

Defined in this Act: annual policyholder credit account return, Commissioner, income year, PCA person, policyholder credit account

Origin: 2004 No 35 s ME 21(3), (4)

Policyholder credits of PCA person

Table M15: person’s policyholder credits

Row	Policyholder credit	Credit date	Further defined
1	<i>Opening credit balance</i>		
	Opening credit balance	1 April	section MA 7
2	<i>Treatment of imputation credit account</i>		
	An equivalent credit that would arise for an ICA company from the life insurance business	set out in section MJ 14	section MJ 14
3	<i>Transfer of life insurance business</i>		
	A credit balance transferred from another policyholder credit account on acquisition of a life insurance business	day of transfer of the life insurance business	section MJ 15
<p>How to use this table Each row of the table describes—</p> <p>(a) the policyholder credits that may arise in the policyholder credit account of a PCA person during an income year; and</p> <p>(b) the credit date when the policyholder credit arises.</p> <p>A more detailed description of the policyholder credits and, as necessary, their credit dates is contained in the section noted in the last column.</p>			

MJ 14 PCA person’s treatment of imputation credit account

Credit

- (1) A PCA person has a policyholder credit as described in table M15: person’s policyholder credits, row 2 (treatment of imputation credit account) for an equivalent credit, described in a row of table M1: imputation credits, that would arise in the imputation credit account of an ICA company if that company were carrying on the person’s life insurance business.

Determining credits arising

- (2) The following paragraphs apply to determine what are the equivalent credits:
- (a) a credit described in the following rows of table M1: imputation credits is excluded:
 - (i) row 7 (derivation of dividend with imputation credit):
 - (ii) row 8 (derivation of dividend with FDWP credit):
 - (iii) row 15 (transfer from policyholder credit account):
 - (b) a credit described in table M1: imputation credits, row 2 (payment of tax) must not be more than the income tax liability that would arise if—
 - (i) the person's only activity related to life insurance policies offered or entered into in New Zealand; and
 - (ii) section NG 3 (Non-resident withholding tax to be final tax in certain cases) is disregarded.

Credit date

- (3) The credit date is—
- (a) the same as the credit date for the equivalent credit; and
 - (b) the day the relevant dividend is paid if the equivalent credit is for income tax treated as paid by the person under section LB 2, LD 8, or ME 7 (which relate to imputation credits, FDWP credits, and foreign tax paid on branch equivalent income).

Defined in this Act: business, dividend, FDWP credit, foreign tax, ICA company, imputation credit, imputation credit account, income tax liability, life insurance, life insurance policy, pay, PCA person, policyholder credit, policyholder credit account

Origin: 2004 No 35 s ME 23(1)(a), (2)(a), (3), (6)(a)

MJ 15 PCA person's transfer of life insurance business

When this section applies

- (1) This section applies when a PCA company or a PCA person transfers a life insurance business to another PCA person.

Credit

- (2) The PCA person who is the transferee has a policyholder credit as described in table M15: person's policyholder credits, row 3 (transfer of life insurance business) for an amount equal to an amount of a policyholder debit under section MJ 18.

Credit date

- (3) The credit date is the day the life insurance business is transferred.

Defined in this Act: amount, business, life insurance, PCA company, PCA person, policyholder credit, policyholder debit

Origin: 2004 No 35 s ME 23(1)(b), (2)(b)

Policyholder debits of PCA person

Table M16: person’s policyholder debits

Row	Policyholder debit	Debit date	Further defined
1	<i>Opening debit balance</i>		
	Opening debit balance	1 April	section MA 7
2	<i>Payment of tax relating to policyholder base</i>		
	A credit balance applied to satisfy a policyholder base income tax or provisional tax liability for an income year	day of election	section MJ 16
3	<i>Treatment of imputation credit account</i>		
	An equivalent debit that would arise for an imputation credit account company from a life insurance business	debit date of the equivalent debit	section MJ 17
4	<i>Transfer of life insurance business</i>		
	A credit balance transferred to another policyholder credit account on transfer of a life insurance business	day of transfer of the life insurance business	section MJ 18
<p>How to use this table Each row of the table describes—</p> <p>(a) the policyholder debits that may arise in the policyholder credit account of a PCA person during an income year; and</p> <p>(b) the debit date when the policyholder debit arises.</p> <p>A more detailed description of the policyholder debits is contained in the section noted in the last column.</p>			

MJ 16 PCA person’s payment of tax relating to policyholder base

Election

- (1) A PCA person may choose that some or all of the credit balance in the person’s policyholder credit account is applied to satisfy—
- (a) a policyholder base income tax liability of the person; or
 - (b) a provisional tax liability of the person for the person’s policyholder base.

Manner of election

- (2) The person makes an election under subsection (1) by recording as a debit the balance applied to satisfy the policyholder base income tax liability or policyholder base provisional tax liability.

Effect of election

- (3) As a result of the election,—
- (a) a policyholder debit described in table M16: person’s policyholder debits, row 2 (payment of tax relating to policyholder base) arises in the person’s policyholder credit account; and
 - (b) the person’s liability for the income tax or provisional tax is satisfied.

Debit date

- (4) The debit date is the last day of the person’s income year corresponding to the tax year for which the liability for policyholder base income tax or provisional tax in relation to the person’s policyholder base arises.

Defined in this Act: income tax, income year, pay, PCA person, policyholder base, policyholder base income tax liability, policyholder credit account, policyholder debit, provisional tax, tax year

Origin: 2004 No 35 ss ME 23(4)(a), (5)(a), ME 24

MJ 17 PCA person’s treatment of imputation credit account

Debit

- (1) A PCA person has a policyholder debit as described in table M16: person’s policyholder debits, row 3 (treatment of imputation credit account) for an equivalent debit, described in a row of table M2: imputation debits, that would arise in the imputation credit account of an ICA company if that company were carrying on the person’s life insurance business.

Determining credits arising

- (2) The following paragraphs apply to determine what are the equivalent credits:
- (a) a debit described in the following rows of table M2: imputation debits, is excluded—
 - (i) row 14 (debit for loss of shareholder continuity):
 - (ii) row 15 (on-market cancellation):
 - (iii) row 20 (transfer to policyholder credit account):
 - (b) the amount of a refund of a payment of income tax that gave rise to a credit described in table M15: person’s policyholder credits, row 2 (treatment of imputation credit account) is treated as a debit in the person’s policyholder credit account.

Debit date

- (3) The debit date is—
- (a) the same as the debit date for the equivalent debit; or
 - (b) the date the credit would have arisen in the imputation credit account of the PCA person if—
 - (i) they were an ICA company in relation to the business of providing life insurance; and
 - (ii) their policyholder credit account were an imputation credit account.

Defined in this Act: amount, business, ICA company, imputation credit account, imputation debit, income tax, life insurance, on-market cancellation, pay, PCA person, policyholder credit account, policyholder debit, shareholder

Origin: 2004 No 35 s ME 23(4)(b), (5)(b)

MJ 18 PCA person's transfer of life insurance business

Election

- (1) A PCA person may choose to transfer a credit balance in the person's policyholder credit account to another person on transfer of the person's life insurance business to—
- (a) a PCA company; or
 - (b) another PCA person.

Requirements

- (2) A PCA person may make an election under subsection (1) if—
- (a) the transfer meets the requirements of section EY 44(1) (Policyholder income formula: when life insurance business transferred); and
 - (b) after the transfer, the person is no longer required to maintain a policyholder credit account.

Debit

- (3) As a result of the election, the transferor has a debit described in table M16: person's policyholder debits, row 4 (transfer of life insurance business) for the amount of the credit balance transferred under subsection (1).

Manner of election

- (4) The person makes the election by recording as a debit the amount of the credit balance transferred in the person's policyholder credit account.

Debit date

- (5) The debit date is the day the life insurance business is transferred.

Defined in this Act: amount, business, life insurance, PCA company, PCA person, policyholder credit account, policyholder debit

Origin: 2004 No 35 s ME 23(4)(c), (5)(c)