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Our ref 150327KPMGSubTermLife

30 March 2015

Dear Sir or Madam

PUB 2015 and PUB 2015-2: Income Tax - Term life insurance policy taken out by an employee and employer

We welcome the release of the two draft Question We've Been Asked items.

We agree that the guidance on the tax treatment of insurance policies, taken out in an employment context, needs to be updated to reflect the current tax and employment environment.

We agree with the conclusions the Commissioner has reached in draft PUB 2015 and PUB 2015-2 on the taxation treatment of the premium and proceeds. We note that the conclusions are consistent with general commercial practice.

However, we note there is a further category of policies which are taken out for the benefit of the employer in relation to an employee (for example, where the employee is a "key person" of the business). In these cases, the employer is the policyholder and beneficiary of the policy. The employer may use the policy proceeds to make a payment to the person's spouse, civil union partner, or child. This category of policies raises similar but also other tax issues for an employer. We consider that:

- They should be clearly scoped out of the two items so that the position is not confused.
- A separate item setting out the Commissioner's position would be useful for taxpayers.

Please do not hesitate to contact us (John Cantin, on 04 816 4518 or Darshana Elwela on 09 367 5940) if you would like to discuss our submission.

Yours sincerely

John Cantin
Partner

Darshana Elwela
National Tax Director