INCOME TAX AND SOCIAL SERVICES CONTRIBUTION ASSESSMENT (NO. 2).

No. 70 of 1959.

An Act to amend the Law relating to Income Tax.

[Assented to 20th November, 1959.]

BE it enacted by the Queen's Most Excellent Majesty, the Senate, and the House of Representatives of the Commonwealth of Australia, as follows:—

1.—(1.) This Act may be cited as the *Income Tax and Social Services Contribution Assessment Act (No. 2) 1959.* Short title and citation.

(2.) The *Income Tax and Social Services Contribution Assessment Act* 1936–1958* is in this Act referred to as the Principal Act.

(3.) The Principal Act, as amended by this Act, may be cited as the *Income Tax and Social Services Contribution Assessment Act* 1936–1959.

* Act No. 27, 1936, as amended by No. 88, 1936; No. 5, 1937; No. 46, 1938; No. 30, 1939; Nos. 17 and 65, 1940; Nos. 58 and 69, 1941; Nos. 22 and 50, 1942; No. 10, 1943; Nos. 3 and 28, 1944; Nos. 4 and 37, 1945; No. 6, 1946; Nos. 11 and 63, 1947; No. 44, 1948; No. 66, 1949; No. 48, 1950; No. 44, 1951; Nos. 4, 28 and 90, 1952; Nos. 1, 28, 45 and 81, 1953; No. 43, 1954; Nos. 18 and 62, 1955; Nos. 25, 30 and 101, 1956; Nos. 39 and 65, 1957; and No. 55, 1958.

(4.) Section one of the *Income Tax and Social Services Contribution Assessment Act* 1959* is amended by omitting sub-section (2.) and inserting in its stead the following sub-sections:—

"(2.) Section one of the *Income Tax and Social Services Contribution Assessment Act (No. 2)* 1959 is amended by omitting sub-section (3.).

"(2A.) The *Income Tax and Social Services Contribution Assessment Act* 1936–1958, as amended by the *Income Tax and Social Services Contribution Assessment Act (No. 2)* 1959, is in this Act referred to as the Principal Act.".

(5.) The last preceding sub-section shall come into operation on the day on which the *Income Tax and Social Services Contribution Assessment Act* 1959 comes into operation.

Commencement.

2. Except as otherwise provided in this Act, this Act shall come into operation on the day on which it receives the Royal Assent.

Taxpayer resident in Territories.

3.—(1.) Section seven of the Principal Act is amended by omitting from sub-section (1.) the words "and Cocos (Keeling) Islands" and inserting in their stead the words ", Cocos (Keeling) Islands and Christmas Island".

(2.) The amendment made by the last preceding sub-section shall be deemed to have come into operation on the first day of October, One thousand nine hundred and fifty-eight, and applies in relation to income derived on or after that date.

(3.) The *Income Tax and Social Services Contribution Assessment Act* 1936–1957, as amended by any Act, does not apply, and shall be deemed not to have applied, to any income derived by a resident of the island known since the first day of October, One thousand nine hundred and fifty-eight, as the Territory of Christmas Island from sources within that island after the thirty-first day of December, One thousand nine hundred and fifty-seven, and before that first-mentioned date.

Exemptions.

4. Section twenty-three of the Principal Act is amended by inserting after paragraph (*kb*) the following paragraph:—

"(*kc*) pensions, annuities and allowances paid as or by way of compensation by a State of the Federal Republic of Germany under the laws of that Republic relating to compensation of victims of National Socialist persecution;".

* Act No. 12, 1959.

5.—(1.) Section seventy-seven A of the Principal Act is repealed and the following section inserted in its stead:—

Moneys paid on shares for the purposes of petroleum exploration.

" 77A.—(1.) In this section—

' Australia ' includes the Territory of Papua and the Territory of New Guinea;

' moneys paid on shares ', in relation to a company, means moneys paid to the company in respect of shares in the company by the owners of the shares, including owners who are beneficial owners only, but does not include—

(*a*) moneys paid to the company before the first day of October, One thousand nine hundred and fifty-eight;

(*b*) moneys paid to the company in respect of a share the beneficial owner, or any one of the beneficial owners, of which was not a resident at the time of payment; or

(*c*) moneys paid to the company on application for shares and applied by the company towards the paid-up value of a share the beneficial owner, or any one of the beneficial owners, of which, on the allotment of the share, was not a resident;

' petroleum ' has the same meaning as in section one hundred and twenty-three A of this Act;

' petroleum exploration company ' means a mining or prospecting company carrying on as its principal business mining or prospecting operations for petroleum in Australia.

" (2.) Where a payment made in respect of a share in a company (whether on application for or allotment of the share, to meet calls or otherwise) is not applied by the company towards the paid-up value of the share, the payment shall, for the purposes of this section, be deemed not to have been made in respect of the share.

" (3.) Subject to this section, a petroleum exploration company may, for the purposes of the next succeeding sub-section and section one hundred and twenty-three A of this Act, before the expiration of one month after the end of a year of income of the company in which the company has received moneys paid on shares or within such further time as the Commissioner allows, lodge with the Commissioner a declaration in writing signed by the public officer of the company that the company has expended, or proposes to expend, such of those moneys as are specified in the declaration in mining or prospecting for petroleum in Australia or in plant necessary for the treatment of that petroleum.

" (4.) The amount of any moneys paid on shares paid by a person in a year of income of that person to a company and included in moneys specified in a declaration lodged by the company under the last preceding sub-section shall, subject to this section, be an allowable deduction from the assessable income derived by that person in that year of income.

" (5.) If, at any time, the Commissioner is not satisfied that any moneys specified in a declaration lodged by a company under sub-section (3.) of this section (being moneys in respect of which a declaration has not been lodged under the next succeeding sub-section) have been or will be expended by the company in accordance with the declaration, the Commissioner may inform the company, by notice in writing given for the purposes of this sub-section, that he is not so satisfied and, upon the company being so informed—

(*a*) the amount of any deduction allowable under the last preceding sub-section by virtue of the declaration shall be reduced by an amount which bears to the amount of the deduction before being so reduced the same proportion as the amount of the moneys as to which the Commissioner is not so satisfied bears to the amount of the moneys specified in the declaration; and

(*b*) the declaration shall, for the purposes of section one hundred and twenty-three A of this Act, be deemed not to have specified the moneys as to which the Commissioner is not so satisfied.

" (6.) Subject to this section, a company that is a resident and has not, prior to or during a year of income of the company in which the company has received moneys paid on shares, carried on any business other than—

(*a*) mining or prospecting operations for petroleum;

(*b*) the treatment in Australia of petroleum obtained from mining operations carried on by the company in Australia; or

(*c*) providing capital (whether by investment in shares or otherwise) to petroleum exploration companies,

may, for the purposes of sub-section (10.) of this section and section one hundred and twenty-three A of this Act, before the expiration of one month after the end of that year of income or within such further time as the Commissioner allows, lodge with the Commissioner a declaration in writing signed by the public

officer of the company that the company has expended, or proposes to expend, such of those moneys as are specified in the declaration—

(*d*) in mining or prospecting for petroleum in Australia or in plant necessary for the treatment of that petroleum; or

(*e*) in making payments to petroleum exploration companies in respect of shares in those companies for the purpose of enabling the moneys included in the payments to be expended by those companies in mining or prospecting for petroleum in Australia or in plant necessary for the treatment of that petroleum.

"(7.) A company that has expended moneys in making payments to a petroleum exploration company in respect of shares in the petroleum exploration company is not entitled to lodge a declaration under the last preceding sub-section in respect of those moneys unless—

(*a*) the petroleum exploration company has lodged a declaration under sub-section (3.) of this section in respect of those moneys;

(*b*) the Commissioner has informed the first-mentioned company, in writing, that he is satisfied that the petroleum exploration company has expended or will expend those moneys in accordance with that declaration; and

(*c*) the first-mentioned company has not been allowed a deduction under sub-section (4.) of this section in respect of those moneys.

"(8.) A declaration lodged by a company under sub-section (6.) of this section is of no effect in relation to moneys specified in the declaration that have not been expended by the company in accordance with the declaration before the declaration is lodged unless the declaration is accompanied by an undertaking in writing signed by the public officer of the company that the company will not, without the approval of the Commissioner, pay any of those moneys to a petroleum exploration company in respect of shares in that company unless—

(*a*) the petroleum exploration company has lodged with the Commissioner, for the purposes of the undertaking and section one hundred and twenty-three A of this Act, a declaration in writing signed by the public officer of the company that the company proposes

to expend the moneys in mining or prospecting for petroleum in Australia or in plant necessary for the treatment of that petroleum; and

(*b*) the Commissioner has informed the first-mentioned company, in writing, that he is satisfied that the petroleum exploration company will so expend the moneys.

" (9.) The Commissioner shall not, for the purposes of an undertaking given by a company under the last preceding sub-section, approve the payment of moneys by that company to a petroleum exploration company unless he is satisfied that the petroleum exploration company—

(*a*) will expend the moneys in mining or prospecting for petroleum in Australia or in plant necessary for the treatment of that petroleum; and

(*b*) will lodge with the Commissioner, before the expiration of one month after the end of the year of income of the petroleum exploration company in which it receives the moneys, a declaration under sub-section (3.) of this section in respect of the moneys,

and, if, in respect of any part of the moneys, the petroleum exploration company fails so to lodge such a declaration, the Commissioner may inform the first-mentioned company, by notice in writing given for the purposes of this sub-section, of that failure and, upon the company being so informed, the notice shall have effect as if it were a notice given under sub-section (13.) of this section informing the company that the Commissioner is of the opinion that the company has failed to comply, in relation to that part of the moneys, with the undertaking given by it under the last preceding sub-section.

" (10.) The amount of any moneys paid on shares paid by a person in a year of income of that person to a company and included in moneys specified in a declaration lodged by the company under sub-section (6.) of this section shall, subject to this section, be an allowable deduction from the assessable income derived by that person in that year of income.

" (11.) Where a company lodges a declaration under sub-section (6.) of this section in respect of any moneys, a deduction is not allowable under sub-section (4.) of this section, or under paragraph (*b*) of sub-section (1.) of the next succeeding section, from the assessable income of the company in respect of those moneys.

"(12.) Where—

(*a*) a company has given an undertaking under sub-section (8.) of this section in respect of any moneys;

(*b*) a petroleum exploration company has, for the purposes of the undertaking, lodged with the Commissioner in respect of those moneys a declaration of the kind referred to in paragraph (*a*) of that sub-section;

(*c*) the Commissioner has informed the first-mentioned company, in writing, that he is satisfied that the petroleum exploration company will expend those moneys in mining or prospecting for petroleum in Australia or in plant necessary for the treatment of that petroleum; and

(*d*) the petroleum exploration company has received those moneys as moneys paid on shares,

the petroleum exploration company is not entitled to lodge a declaration under sub-section (3.) of this section in respect of those moneys and that first-mentioned declaration has effect for the purposes of section one hundred and twenty-three A of this Act as if it were a declaration lodged by that company under that sub-section.

"(13.) If, at any time, the Commissioner—

(*a*) is not satisfied that any moneys specified in a declaration lodged by a company under sub-section (6.) of this section have been or will be expended by the company in accordance with the declaration; or

(*b*) is of the opinion that a company by which a declaration has been so lodged has, in relation to any moneys specified in the declaration, failed to comply with the undertaking given by the company under sub-section (8.) of this section in connexion with the declaration,

the Commissioner may inform the company, by notice in writing given for the purposes of this sub-section, that he is not so satisfied or that he is of that opinion, as the case may be, and, upon the company being so informed—

(*c*) the amount of any deduction allowable under sub-section (10.) of this section by virtue of the declaration shall be reduced by an amount which bears to the amount of the deduction before being so reduced the same proportion as the amount of the moneys as to which the Commissioner is not so satisfied or is of that opinion bears to the amount of the moneys specified in the declaration;

(*d*) the undertaking given under sub-section (8.) of this section in connexion with the declaration shall cease to apply to the moneys as to which the Commissioner is not so satisfied or is of that opinion; and

(*e*) the declaration shall, for the purposes of sub-section (11.) of this section and section one hundred and twenty-three A of this Act, be deemed not to have specified the moneys as to which the Commissioner is not so satisfied or is of that opinion.

"(14.) If a company lodges a declaration under sub-section (3.) of this section in respect of any moneys and the company also lodges a declaration under sub-section (6.) of this section in respect of those moneys, the Commissioner shall, in relation to those moneys, accept only the declaration that in his opinion is the more appropriate and the other declaration shall, in relation to those moneys, be of no effect.

"(15.) If—

(*a*) a company has lodged a declaration with the Commissioner under this section; and

(*b*) the manner in which moneys specified in the declaration have been dealt with by the company cannot be readily ascertained from the records of the company,

the Commissioner may, having regard to all the circumstances of the case, determine the manner in which, for the purposes of this section and section one hundred and twenty-three A of this Act, those moneys shall be regarded as having been dealt with by the company and those moneys shall, for those purposes, be deemed to have been so dealt with by the company.

"(16.) Sub-section (1.) of section eighty-two of this Act does not prevent a deduction from being allowable in respect of an amount both under this section and under paragraph (*b*) of sub-section (1.) of the next succeeding section, but where a deduction is allowable under this section in respect of any moneys to which a deduction allowable under paragraph (*b*) of sub-section (1.) of the next succeeding section is, in whole or in part, attributable, the amount of the deduction allowable under this section shall be reduced by one-third.

"(17.) Where moneys specified in a declaration lodged by a company under this section include moneys that the company is not entitled to specify in the declaration, the declaration is not invalid in relation to the moneys that the company is entitled to specify by reason only that the declaration also specifies the other moneys.

" (18.) A company is not entitled to lodge a declaration under sub-section (3.) or sub-section (6.) of this section in respect of moneys received by the company after the thirtieth day of June, One thousand nine hundred and sixty-four.".

(2.) A declaration lodged by a company under sub-section (2.) of section seventy-seven A of the Principal Act in respect of any moneys before the date of commencement of this section has effect, on and after that date, as if it were a declaration lodged under sub-section (3.) of section seventy-seven A of the Principal Act as amended by this Act in respect of those moneys, but does not otherwise have effect.

(3.) A declaration lodged by a company under sub-section (4.) of section seventy-seven A of the Principal Act in respect of any moneys before the date of commencement of this section has effect, on and after that date, as if it were a declaration lodged under sub-section (6.) of section seventy-seven A of the Principal Act as amended by this Act in respect of those moneys, but does not otherwise have effect.

(4.) A declaration under sub-section (3.) or sub-section (6.) of section seventy-seven A of the Principal Act as amended by this Act may be lodged by a company in respect of moneys received by the company during the year of income that ended on the thirtieth day of June, One thousand nine hundred and fifty-nine, at any time before the thirty-first day of December of that year or within such further time as the Commissioner allows.

Gifts, calls on mining shares pensions, &c.

6. Section seventy-eight of the Principal Act is amended—

(*a*) by omitting from sub-paragraph (xxvi) of paragraph (*a*) of sub-section (1.) the words " and the National Trust of South Australia " and inserting in their stead the words ", the National Trust of South Australia, the National Trust of Australia (W.A.) and the Northern Territory National Trust "; and

(*b*) by adding at the end of that paragraph the following sub-paragraphs:—

" (xxxi) a public fund established and maintained exclusively for the purpose of providing money to be used in furnishing persons in Australia with marriage guidance through a voluntary organization or through a branch or section of such an organization, being an organization, branch or section that the Attorney-General, upon being satisfied that the organization, branch or section is willing and able to engage in

marriage guidance and that marriage guidance constitutes or will constitute the whole or the major part of its activities, has approved in writing for the purposes of this sub-paragraph;

" (xxxii) the Australian National Committee for World Refugee Year;

" (xxxiii) the Council for Jewish Education in Schools.".

Double deductions.

7. Section eighty-two of the Principal Act is amended—

(*a*) by omitting from paragraph (*a*) of sub-section (3.) the word " or " (last occurring);

(*b*) by adding at the end of sub-section (3.) the following word and paragraph:—

" ; or (*c*) under section seventy-seven A, or paragraph (*b*) of sub-section (1.) of section seventy-eight, of this Act."; and

(*c*) by adding at the end of that section the following sub-section:—

" (4.) Where expenditure incurred by a taxpayer in connexion with property has been allowed or is allowable as a deduction or deductions in an assessment or assessments of the taxpayer under or by virtue of a provision of this Act or the previous Act referred to in paragraph (*a*), (*b*) or (*c*) of the last preceding sub-section, that expenditure may be deducted in ascertaining the amount of any profit or loss arising from the sale of the property only to the extent that the deduction of the expenditure does not result in the tax payable by the taxpayer for the year or years of income in relation to which the deduction is made being reduced by an amount that is greater than the difference between—

(*a*) the amount of that expenditure; and

(*b*) the amount, or the sum of the amounts, by which tax payable by the taxpayer for the year of income and previous years of income will be or has been reduced by reason of the first-mentioned deduction or deductions.".

Medical expenses.

8. Section eighty-two F of the Principal Act is amended—

(*a*) by omitting from sub-section (2.) the words " The deductions " and inserting in their stead the words " Subject to the next succeeding sub-section, the deductions "; and

(*b*) by inserting after sub-section (2.) the following sub-section:—

"(2A.) Where a taxpayer has attained the age of sixty-five years on or before the last day of a year of income, the last preceding sub-section does not apply in relation to medical expenses paid by the taxpayer in that year of income—

(*a*) in respect of himself; or

(*b*) if his spouse has also attained that age on or before that day—in respect of his spouse.".

Life insurance premiums, &c.

9. Section eighty-two H of the Principal Act is amended by omitting from sub-section (2.) the words "Three hundred pounds" and inserting in their stead the words "Four hundred pounds".

Retention allowance.

10. Section one hundred and five B of the Principal Act is amended by omitting paragraphs (*c*), (*d*), (*e*) and (*f*) and inserting in their stead the following paragraphs:—

"(*c*) thirty-five per centum of so much of the reduced distributable income as exceeds Two thousand pounds; and

"(*d*) ten per centum of so much of any income of the company (other than dividends received from other private companies) derived from property as is included in the distributable income.".

Deduction of expenditure.

11. Section one hundred and twenty-two of the Principal Act is amended by inserting after sub-section (7.) the following sub-section:—

"(7A.) Where a taxpayer has made an election under section one hundred and twenty-two AB of this Act in respect of any expenditure, the residual capital expenditure in relation to the taxpayer as at the end of a year of income of the taxpayer shall be ascertained as if the reference in sub-section (5.) of this section to expenditure specified in sub-section (1.) of this section did not include—

(*a*) in a case where a deduction has been or is allowable in respect of that first-mentioned expenditure under section one hundred and twenty-two AB of this Act from the assessable income of the year of income—that first-mentioned expenditure; and

(*b*) in any other case—so much of that first-mentioned expenditure as has been or is allowable as a deduction from the assessable income of a year of income prior to the year of income.".

12. After section one hundred and twenty-two A of the Principal Act the following section is inserted:—

Alternative deductions in respect of housing and welfare expenditure.

" 122AB.—(1.) A person who, in a year of income (not being a year of income prior to the year of income that commenced on the first day of July, One thousand nine hundred and fifty-five), has incurred expenditure specified in sub-section (1.) of section one hundred and twenty-two of this Act on housing and welfare may elect that the provisions of sub-section (3.) of this section shall apply in respect of the expenditure so incurred.

" (2.) An election by a person under the last preceding sub-section in respect of expenditure incurred during the period that began at the commencement of the year of income that commenced on the first day of July, One thousand nine hundred and fifty-five, and ended at the end of the year of income that ended on the thirtieth day of June, One thousand nine hundred and fifty-eight, shall include all expenditure incurred by that person during that period in respect of which he is entitled to make an election under the last preceding sub-section, and an election made by a person under the last preceding sub-section in respect of expenditure incurred during a year of income after the year of income that ended on the thirtieth day of June, One thousand nine hundred and fifty-eight, shall include all expenditure incurred by that person during that year of income in respect of which he is entitled to make an election under the last preceding sub-section.

" (3.) Subject to this section—

(*a*) where an election is made under sub-section (1.) of this section in respect of expenditure incurred during a year of income prior to the year of income that commenced on the first day of July, One thousand nine hundred and fifty-eight—one-fifth of so much of that expenditure as, in the opinion of the Commissioner, is included in the residual capital expenditure of the taxpayer as at the end of the year of income that ended on the thirtieth day of June, One thousand nine hundred and fifty-nine, shall be an allowable deduction from the assessable income of that last-mentioned year of income and from the assessable income of each of the next four succeeding years of income; and

(*b*) where an election is made under sub-section (1.) of this section in respect of expenditure incurred during a year of income after the year of income that ended

on the thirtieth day of June, One thousand nine hundred and fifty-eight—one-fifth of that expenditure shall be an allowable deduction from the assessable income of the year of income in which the expenditure was incurred and from the assessable income of each of the next four succeeding years of income.

" (4.) Subject to the next succeeding sub-section, where expenditure in respect of which an election has been made under sub-section (1.) of this section was incurred on—

(*a*) property that is disposed of, lost or destroyed; or

(*b*) property the use of which for the purposes of housing and welfare is otherwise terminated,

a deduction in respect of that expenditure is not allowable under this section from the assessable income of the year of income in which the disposal, loss, destruction or termination of use takes place or from the assessable income of any subsequent year of income.

" (5.) Where, by reason of property referred to in paragraph (*b*) of the last preceding sub-section again coming into use for the purposes of housing and welfare, the residual capital expenditure of the taxpayer is, under sub-section (6.) of section one hundred and twenty-two of this Act, deemed to be increased by an amount of the expenditure on that property, the taxpayer shall, for the purposes of this section, be deemed to have incurred that amount of the expenditure during the year of income in which the property again so comes into use.

" (6.) In this section—

' residual capital expenditure , in relation to a taxpayer, means the amount that is the residual capital expenditure of the taxpayer for the purposes of section one hundred and twenty-two of this Act;

' housing and welfare ' has the same meaning as in section one hundred and twenty-two of this Act.".

13. Section one hundred and twenty-three A of the Principal Act is amended— **Deductions of unrecouped capital expenditure on prospecting or mining for petroleum.**

(*a*) by omitting from paragraph (*b*) of the definition of " unrecouped capital expenditure " in sub-section (1.) the word " and " (last occurring); and

(*b*) by omitting paragraph (*c*) of that definition and inserting in its stead the following paragraphs:—

"(*c*) the sum of the moneys specified in declarations lodged by the taxpayer under subsection (3.) of section seventy-seven A of this Act, being moneys received by the taxpayer prior to or during the year of income; and

"(*d*) the sum of the moneys specified in declarations lodged by the taxpayer under subsection (6.) of section seventy-seven A of this Act, being moneys expended prior to or during the year of income by the taxpayer in mining or prospecting for petroleum in Australia or in plant necessary for the treatment of that petroleum.".

Elections.

14. Section one hundred and twenty-four B of the Principal Act is amended—

(*a*) by omitting from sub-paragraph (i) of paragraph (*b*) the word "and" (last occurring); and

(*b*) by omitting sub-paragraph (ii) of that paragraph and inserting in its stead the following sub-paragraphs:—

"(ii) in the case of an election under section one hundred and twenty-two AB of this Act in respect of expenditure incurred during a year of income prior to the year of income that commenced on the first day of July, One thousand nine hundred and fifty-nine—on or before the thirty-first day of December, One thousand nine hundred and fifty-nine;

"(iii) in the case of an election under section one hundred and twenty-two AB of this Act in respect of expenditure incurred during a year of income after the year of income that ended on the thirtieth day of June, One thousand nine hundred and fifty-nine—on or before the last day for the furnishing of the return of income for the year of income during which the expenditure was incurred; and

"(iv) in the case of an election under section one hundred and twenty-three of this Act—on or before the last day for the furnishing of the return of income for the year of income specified in the election,".

15. Section one hundred and sixty of the Principal Act is amended— Rebate in case of disposal of assets of a business of primary production.

(*a*) by omitting from sub-section (2.) the words " a rebate or credit " and inserting in their stead the words " a rebate under this Division or a credit "; and

(*b*) by omitting paragraphs (*a*) and (*b*) of sub-section (3.) and inserting in their stead the following paragraphs:—

" (*a*) the amount ascertained by applying to the abnormal income a rate per pound ascertained—

(i) by applying to a taxable income equal to the average income of the taxpayer the general rates of tax declared by the Act imposing tax for the year of tax;

(ii) by deducting from the amount calculated in accordance with the last preceding sub-paragraph the amount of any rebate to which the taxpayer would, under that Act, be entitled in his assessment if the amount of tax which (but for that rebate and any other rebate or any credit to which he might be entitled) he would be liable to pay for the year of income were an amount equal to the amount so calculated; and

(iii) by dividing the resultant amount by a number equal to the number of whole pounds in the average income of the taxpayer;

" (*b*) the amount ascertained—

(i) by applying to the amount by which the taxable income exceeds the abnormal income the rates of tax applicable under the Act imposing tax for the year of tax in the case of a person to whose income Division 16 of this Part applies, whose taxable income is equal to the amount of that excess and whose average income is equal to the average income of the taxpayer; and

(ii) by deducting from the amount so calculated the amount of any rebate to which the taxpayer would, under that Act, be entitled in his assessment if the amount of tax which (but for that rebate and any other rebate or any credit to which he might be entitled) he would be liable to pay for the year of income were an amount equal to the amount so calculated; and ".

Amendment of assessments.

16. Section one hundred and seventy of the Principal Act is amended—

(*a*) by omitting from sub-section (10.) the words " a deduction provided in sub-section (1A.) of section seventy-two or in section seventy-seven A " and inserting in their stead the words " the deduction provided in sub-section (1A.) of section seventy-two "; and

(*b*) by omitting from sub-section (10.) the words " or sub-section (2D.) of section fifty-nine " and inserting in their stead the words ", sub-section (2D.) of section fifty-nine or section seventy-seven A ".

Application of amendments.

17.—(1.) The amendment made by section four of this Act applies in respect of income derived on or after the first day of July, One thousand nine hundred and fifty-nine.

(2.) The amendments made by sections six, eight, nine and fifteen of this Act apply to assessments in respect of income of the year of income that commenced on the first day of July, One thousand nine hundred and fifty-nine, and in respect of income of all subsequent years.

(3.) The amendments made by sections seven and ten of this Act apply to assessments in respect of income of the year of income that ended on the thirtieth day of June, One thousand nine hundred and fifty-nine, and in respect of income of all subsequent years.

Provisional tax for year of income commencing 1st July, 1959.

18. In the application to a taxpayer of sub-section (1.) of section two hundred and twenty-one YC of the *Income Tax and Social Services Contribution Assessment Act* 1936–1959 for the purposes of provisional tax in respect of the year of income that commenced on the first day of July, One thousand nine hundred and fifty-nine—

(*a*) if paragraph (*a*) of that sub-section applies to the taxpayer—the amount payable by virtue of that paragraph shall be deemed to be an amount equal to the income tax that would have been payable in respect of his

taxable income of the year next preceding that year of income if the taxpayer had been entitled in his assessment to a rebate of an amount equal to one-twentieth of the amount of income tax payable under the *Income Tax and Social Services Contribution Act* 1958 at the rates set out in the First Schedule to that Act in respect of a taxable income equal to his taxable income of that preceding year; and

(*b*) if paragraph (*b*) of that sub-section applies to the taxpayer—the amount payable by virtue of that paragraph shall be deemed to be an amount equal to the income tax which would have been payable in respect of the taxable income of that next preceding year if—

(i) that taxable income had been equal to the provisional income; and

(ii) the taxpayer had been entitled in his assessment to a rebate of an amount equal to one-twentieth of the amount of income tax payable under the *Income Tax and Social Services Contribution Act* 1958 at the rates set out in the First Schedule to that Act in respect of a taxable income equal to the provisional income.