

This PUBLIC BILL originated in the HOUSE OF REPRESENTATIVES, and, having this day passed as now printed, is transmitted to the LEGISLATIVE COUNCIL for its concurrence.

House of Representatives,
25th October, 1929.

Right Hon. Sir Joseph Ward.

LAND AND INCOME TAX AMENDMENT.

ANALYSIS.

<p>Title.</p> <p>1. Short Title. <i>Special Land-tax.</i></p> <p>2. Special land-tax on farm lands of unimproved value exceeding £14,000.</p> <p>3. Provision in relief of hardship arising from imposition of special land-tax.</p> <p><i>Ordinary Land-tax.</i></p> <p>4. Section 42 of principal Act amended to conform to Valuation of Land Act.</p> <p>5. Repeal of provisions as to subsidiary roll in force under Land for Settlements Act.</p> <p>6. Special exemption for purposes of land-tax to be deductible from unimproved value of mortgaged lands.</p> <p>7. Special provisions as to assessment for land-tax of mortgagee in possession. Repeal.</p> <p>8. Public Trustee and General Manager of State Fire Insurance Office, in their corporate capacity, to be liable for land-tax. Exemption from land-tax of lands used to provide access to railways, &c. Repeal.</p> <p>9. Public Trustee to be assessed for land-tax in certain cases as if he were the mortgagee in possession and not the owner of lands.</p>	<p>10. Extending time within which charges in respect of land-tax may be registered in certain exceptional cases.</p> <p><i>Income-tax.</i></p> <p>11. Defining the extent to which income derived from direct use or cultivation of land is assessable under principal Act. Consequential repeals.</p> <p>12. Income-tax payable in respect of income derived from use of land to be reduced by amount of land-tax payable in respect of same land. Section 83 of principal Act modified.</p> <p>13. Special provisions as to computation of assessable income derived from business of dealing in live-stock.</p> <p>14. Amending provisions of principal Act as to special exemptions in respect of children.</p> <p>15. Special exemption in respect of dependent children incapacitated by permanent mental or physical infirmity.</p> <p>16. Section 99 of principal Act amended.</p>
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A BILL INTITULED

AN ACT to amend the Land and Income Tax Act, 1923.

Title.

BE IT ENACTED by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:—

1. This Act may be cited as the Land and Income Tax Amendment Act, 1929, and shall be read together with and deemed part of the Land and Income Tax Act, 1923 (hereinafter referred to as the principal Act).

Short Title.

10 *Special Land-tax.*

2. (1) For the purposes of this section the term "farm lands" includes all lands used or capable of being used for agricultural or pastoral purposes:

Special land-tax on farm lands of unimproved value exceeding £14,000.

15 Provided that no lands shall be deemed for the purposes of this section to be capable of being used for agricultural or pastoral purposes if in fact they are used for growing trees for the production of timber, or for scenic purposes, or for shelter, or are otherwise regularly used for any purpose that renders impracticable their use for agricultural or pastoral purposes.

(2) There shall be levied and paid for the use of His Majesty, in and for the year commencing on the first day of April, nineteen hundred and twenty-nine, and in and for each year thereafter, a tax herein referred to as special land-tax. When required to be distinguished from special land-tax, the land-tax referred to in section forty-eight of the principal Act is referred to in this Act as ordinary land-tax, but, unless the context otherwise requires, all references in the principal Act or this Act to land-tax shall include both ordinary land-tax and special land-tax. 5

(3) Special land-tax shall be payable by all persons who at noon on the thirty-first day of March preceding the year in and for which the tax is payable were the owners of farm lands of a total unimproved value of more than *fourteen thousand* pounds: 10

Provided that nothing in this section shall apply with respect to any lands owned by or in trust for any society or institution established exclusively for charitable, educational, religious, or scientific purposes of a public nature and not carried on for private pecuniary profit. 15

(4) Special land-tax shall be assessed, levied, and paid at such rate or rates as may be fixed from time to time by the annual taxing Act:

Provided that such rate or rates shall be fixed by reference to the amount of ordinary land-tax payable by the taxpayer and apportioned, as hereinafter provided, to the farm lands of the taxpayer. 20

(5) For the purpose of determining the amount of special land-tax payable by any taxpayer in any year the Commissioner shall apportion the ordinary land-tax payable by the taxpayer in that year between the farm lands of the taxpayer and the other lands of the taxpayer in respect of which land-tax is payable. 25

(6) This section shall be deemed to be incorporated in and to form part of Part V of the principal Act.

Provision in relief of hardship arising from imposition of special land-tax.

3. (1) The Governor-General in Council may appoint a Commission under the Commissions of Inquiry Act, 1908, to inquire and report as to any cases of hardship that may arise from the imposition of special land-tax in accordance with the *last preceding* section. 30

(2) If in any such case the Commission appointed as aforesaid reports that in its opinion the payment of special land-tax has entailed, or would, on any fair and reasonable grounds whatsoever, entail serious hardship to the taxpayer, the Commissioner of Taxes may, in accordance with the report of the said Commission and without further authority than this section, refund the whole or any part of the special land-tax so paid or release the taxpayer wholly or in part from his liability to pay such special land-tax. 35 40

(3) Section one hundred and sixty-nine of the principal Act shall have no application with respect to the liability of a taxpayer to pay special land-tax.

Ordinary Land-tax. 45

Section 42 of principal Act amended to conform to Valuation of Land Act.

4. Section forty-two of the principal Act is hereby amended as follows:—

(a) By omitting from subsection one the words "timber, or flax (other than the roots of flax-plants)," and substituting the words "or trees." 50

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(b) By omitting from subsection two the words "timber, or flax (other than roots as aforesaid)," and substituting the words "or trees."

5 (1) Sections forty-three and forty-six of the principal Act are hereby repealed as from the first day of April, nineteen hundred and thirty.

Repeal of provisions as to subsidiary roll in force under Land for Settlements Act.

(2) Section forty-four of the principal Act is hereby amended as from the said first day of April, nineteen hundred and thirty, by omitting from subsection one the words "or the subsidiary roll."

10 (3) Section forty-five of the principal Act is hereby amended, as from the last-mentioned date, by omitting from subsection one the words "either on the district valuation roll or on the subsidiary roll," and substituting the words "on the district valuation roll."

15 (1) Section forty-nine of the principal Act is hereby amended by repealing paragraphs (a) and (b) of subsection two thereof (the said paragraphs being set out in section two of the Land and Income Tax Amendment Act, 1924), and substituting therefor the following paragraphs:—

Special exemption for purposes of land-tax to be deductible from unimproved value of mortgaged lands.

20 " (a) Where the total unimproved value aforesaid does not exceed seven thousand five hundred pounds, the sum of seven thousand five hundred pounds:

25 " (b) Where the total unimproved value aforesaid exceeds seven thousand five hundred pounds, the sum of seven thousand five hundred pounds diminished at the rate of one pound for every one pound of that excess, so as to leave no deduction under this paragraph when that value amounts to or exceeds fifteen thousand pounds."

(2) Section forty-nine of the principal Act is hereby further amended by repealing subsection four, and substituting the following subsection:—

30 " (4) For the purposes of this section the capital value of a mortgage shall be ascertained as follows:—

35 " (a) In the case of a rent charge or annuity the capital value thereof shall be the full amount of the present value of that rent charge or annuity on the thirty-first day of March preceding the year of assessment capitalized at the rate of five per centum per annum:

40 " (b) In the case of a mortgage existing at the commencement of the year preceding the year of assessment, if the amount secured by such mortgage on the thirty-first day of March preceding the year of assessment is greater than the amount secured thereby at any other time during the year, the capital value of the mortgage shall be the average of the amounts secured thereby on the last day of each month of the year preceding the year of assessment:

45 " (c) In the case of a mortgage executed during the year preceding the year of assessment the capital value shall be the full amount of the principal sum owing thereunder at noon on the thirty-first day of March preceding the year of assessment, reduced, except in cases to which the proviso to this paragraph relates, by the one-twelfth part thereof for every month or part of a month of the year preceding the year of assessment that had elapsed before the registration of the mortgage:

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“ Provided that no deduction shall be made under this paragraph in any case where the owner acquired his interest in the mortgaged land at any time during the year preceding the year of assessment.”

Special provisions as to assessment for land-tax of mortgagee in possession.

7. (1) Section sixty-five of the principal Act is hereby amended 5
by adding thereto the following proviso :—

“ Provided that in each of the *five* years of assessment immediately following the year in which the mortgagee entered into possession, the Commissioner shall, if satisfied that the mortgagee is in possession 10
solely for the purpose of furthering the realization of his security, assess him separately in respect of the estate or interest of which he is deemed to be the beneficial owner as aforesaid.”

Repeal.

(2) This section is in substitution for section twenty-five of the Finance Act, 1928, and that section is hereby repealed accordingly.

Public Trustee and General Manager of State Fire Insurance Office, in their corporate capacity, to be liable for land-tax.

8. (1) Section sixty-nine of the principal Act is hereby amended as 15
follows :—

(a) By adding to paragraph (a) of subsection one the words “ other than the Public Trustee or the State Fire Insurance General Manager.”

Exemption from land-tax of lands used to provide access to railways, &c.

(b) By adding to paragraph (f) of subsection one the words “ or for 20
the purpose of providing access to any such railway, tramway, yards, or buildings as aforesaid.”

(c) By adding to subsection one the following paragraph :—

“(k) Crown land or other land administered by a Land Board and held as a small grazing-run or for pastoral 25
purposes, and any other land reserved, set apart, or granted by the Crown as endowments and occupied for pastoral purposes.”

Repeal.

(2) Subsection three of section nine of the Land and Income Tax Amendment Act, 1924, is hereby repealed. 30

Public Trustee to be assessed for land-tax in certain cases as if he were the mortgagee in possession and not the owner of lands.

9. Where the Public Trustee as the mortgagee of any lands in respect of which the mortgagor has made default has at any time before the passing of this Act become the purchaser of such lands pursuant to any lawful authority, he shall be assessed for land-tax in respect of those lands as if he were the mortgagee in possession thereof. 35

Extending time within which charges in respect of land-tax may be registered in certain exceptional cases.

10. Section eleven of the Land and Income Tax Amendment Act, 1924, is hereby amended by adding to paragraph (b) of subsection four the following proviso :—

“ Provided that if, owing to the failure of the taxpayer to furnish a complete return of the land owned by him, a correct assessment of 40
land-tax is not made in respect of such land within the time specified in this paragraph the Commissioner may register a charge in respect of such tax at any time within *twelve* months after the end of the year in which an amended assessment is made, and may recover the tax from 45
any successor in title, tenant, or mortgagee who has acquired his interest in the land at any time subsequent to the date of the registration of such charge.”

Income-tax.

Defining the extent to which income derived from direct use or cultivation of land is assessable under principal Act.

11. (1) The assessable income of any person shall for the purposes 50
of the principal Act be deemed to include—

(a) All profits or gains derived by any taxpayer from the use or occupation of lands used for agricultural or pastoral purposes if the unimproved value of all such lands owned by the taxpayer at any one time during the income-year was not less than *fourteen thousand* pounds :

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(b) All profits or gains derived from the extraction, removal, or sale of minerals, timber, or flax, whether by the owner of the land or by any other person, reduced by an amount equal to the cost of the minerals, timber, or flax so extracted, removed, or sold by the taxpayer during the income year :

1923, No. 21, s. 79
(1) (d)

(c) All profits or gains derived from the use or occupation of any Crown land or other land administered by a Land Board and held as a small grazing-run or for pastoral purposes, or derived from the use or occupation of any other lands reserved, set apart, or granted by the Crown as endowments and occupied for pastoral purposes :

1924, No. 22, s. 9

(d) All profits or gains derived from the business of dealing in live-stock, meat, butter, cheese, or wool, or in grain, fruit, or other crops, being the natural products of land carried on by any person other than the owner of that land :

1923, No. 21, s. 79
(e)

Provided that when the taxpayer is the owner of other land, which, being used for the purposes of the said business, is not in itself sufficient for the full sustenance of such live-stock or production of such other products the Commissioner shall (except in cases to which paragraph (a) of this subsection is applicable) assess for income-tax only the profits derived from dealing in so much of such live-stock or products as is in excess of the capacity of the said land fully to sustain or produce.

(2) Except as hereinbefore provided in this section, income derived by any person from the use or occupation of any land shall be exempt from taxation under the principal Act.

(3) Nothing in section eighty-one of the principal Act shall apply so as to entitle any taxpayer to whom paragraph (a) of subsection one of this section relates to have any losses made by him before the thirty-first day of March, nineteen hundred and twenty-eight, in connection with his use or occupation of land for agricultural or pastoral purposes deducted or set off against his assessable income for the year of assessment commencing on the first day of April, nineteen hundred and twenty-nine, or any subsequent year of assessment.

(4) Paragraph (l) of section seventy-eight of the principal Act, paragraphs (d), (dd), and (e) of section seventy-nine of that Act, and subsections one and two of section nine of the Land and Income Tax Amendment Act, 1924, are hereby repealed.

Consequential
repeals.

12. (1) From the amount of income-tax assessed in any year in respect of income derived from land in accordance with the provisions of the *last preceding* section there shall be deducted an amount equal to the amount of land-tax payable by the taxpayer for the same year in respect of the same land, and the residue (if any), after the making of such deduction, shall be the amount of income-tax for that year payable by the taxpayer in respect of the income derived from that land.

Income-tax payable
in respect of income
derived from use of
land to be reduced
by amount of
land-tax payable in
respect of same land.

(2) Where the land-tax payable in respect of any land is payable by two or more taxpayers jointly, the Commissioner shall, for the purposes of this section, apportion the amount of such tax among the several taxpayers.

Section 83 of principal Act modified.

Special provisions as to computation of assessable income derived from business of dealing in live-stock.

Amending provisions of principal Act as to special exemptions in respect of children.

(3) The special exemption provided for in section eighty-three of the principal Act shall have no application in any case in which the taxpayer is entitled in accordance with the foregoing provisions of this section to a deduction from income-tax being made in respect of the amount of land-tax payable by him.

13. (1) Any taxpayer who derives income from live-stock may with the concurrence of the Commissioner adopt and fix a standard value in respect of that live-stock or in respect of any class of such live-stock. In any case where a standard value has been so fixed the taxpayer may adopt or the Commissioner may require the adoption of the true value in lieu of the standard value, or the taxpayer may, with the concurrence of the Commissioner, adopt another standard value in lieu of the standard value fixed as aforesaid :

Provided that the adoption of a true value in lieu of a standard value or any alteration in the standard value as herein provided shall first take effect at the end and for the purposes of the income year or other period to which any return of assessable income relates.

(2) On the sale or other disposition of any live-stock (whether by way of exchange, or gift, or distribution in terms of a will, or on an intestacy, or otherwise howsoever, and whether in the ordinary course of the business of the taxpayer or not), the value of that live-stock for purposes of income-tax shall, in the case of a sale, be the actual proceeds of the sale, and in the case of a disposition otherwise than by way of sale, shall be the market value thereof, whether the market value is or is not the value as fixed by the taxpayer in accordance with the foregoing provisions of this section.

(3) If the value of any live-stock on its sale or other disposition as provided in the *last preceding* subsection exceeds its value at the beginning of the income-year, as fixed by the taxpayer in accordance with the foregoing provisions, the difference shall be deemed to be assessable income for that year.

14. (1) A proportionate part of the special exemption in respect of the children or grandchildren of any taxpayer provided for by section seventy-five of the principal Act shall be allowed in the following cases :—

(a) In the case of a child who attains the age of eighteen years during the income year, a special exemption of one-twelfth of fifty pounds shall be allowed for each complete month of the income-year that has elapsed before the birthday of such child :

(b) In the case of a child who has died during the income-year (not being a child to whom the *next succeeding* paragraph relates), a special exemption of one-twelfth of fifty pounds shall be allowed for each complete month of the income-year that has elapsed before the death of such child :

(c) In the case of a child born within the income-year, a special exemption of one-twelfth of fifty pounds shall be allowed for each complete month of the income-year elapsing after the birth of the child and before the end of the year, or before its death within the year, as the case may be.

(2) Subsection one of section seventy-five of the principal Act, in its application to children born during the income-year, shall be read subject to paragraph (c) of the *last preceding* subsection.

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15. The Commissioner may allow the special exemption provided for in section seventy-five of the principal Act in respect of any child or grandchild of a taxpayer, notwithstanding that such child or grandchild may be over the age of eighteen years, if he is satisfied that such
5 child or grandchild is suffering from any permanent mental or physical infirmity and is thereby permanently incapacitated from earning his or her own living.

Special exemption in respect of dependent children incapacitated by permanent mental or physical infirmity.

16. Subsection two of section ninety-nine of the principal Act is hereby amended by omitting the words "formed part of his taxable
10 income," and substituting the words "been assessable in the same manner as income received by him from other sources."

Section 99 of principal Act amended.