

[AS REPORTED FROM THE COMMITTEE OF THE WHOLE]

House of Representatives, 7 September 1965

Words struck out by the Committee of the Whole are shown in italics within bold round brackets, or with black rule at beginning and after last line of struck out matter; words inserted are shown in roman underlined with a double rule, or with double rule before first line and after last line of new matter.

Hon. Mr Lake

LAND AND INCOME TAX AMENDMENT

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A BILL INTITULED

An Act to amend the Land and Income Tax Act 1954

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

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1. Short Title—This Act may be cited as the Land and Income Tax Amendment Act 1965, and shall be read together with and deemed part of the Land and Income Tax Act 1954* (hereinafter referred to as the principal Act).

2. Application—Except where this Act otherwise provides, this Act shall apply with respect to the tax on income derived in the income year that commenced on the first day of April, nineteen hundred and sixty-five, and in every subsequent year.

PART I

15

BONUS ISSUE TAX

3. New Part VIb inserted in principal Act—The principal Act is hereby amended by inserting, after Part VIA (as inserted by section 15 of the Land and Income Tax Amendment Act (No. 2) 1958), the following new Part:

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*Reprinted, 1964, Vol. 3, p. 1443

“PART VI_B

“BONUS ISSUE TAX

“172o. **Companies to which this Part applies**—This Part of this Act shall apply to every company that is deemed to
5 be resident in New Zealand within the meaning of Part VI of this Act, not being a company that is assessable for income tax under section 153 of this Act.

“172p. **Bonus issue tax imposed**—(1) There shall be levied and paid in accordance with this Part of this Act for the
10 year of assessment that commenced on the first day of April, nineteen hundred and sixty-five, and for every subsequent year, a special tax by way of an income tax to be known as bonus issue tax, which tax shall be distinct from and in addition to income tax levied under section 77 of this Act
15 and excess retention tax levied under section 172d of this Act.

“(2) Bonus issue tax shall be levied and paid at such rate or rates as may be fixed from time to time by an annual taxing Act.

“172q. **Bonus issues to be liable to bonus issue tax**—Where
20 a company to which this Part of this Act applies makes a bonus issue, the company shall be assessable with and liable for bonus issue tax on the amount of the bonus issue in accordance with this Part of this Act.

“172r. **Year for which bonus issue tax payable**—Bonus issue
25 tax shall be payable for any year of assessment by every company to which this Part of this Act applies (whether or not the company is a subsisting company) on the amount of any bonus issue made by the company in the income year
30 (or, as the case may be, the accounting year corresponding with that income year) immediately preceding the year for which the tax is payable.

“172s. **Date for payment of bonus issue tax**—All bonus issue tax payable by a company under an assessment of tax shall
35 be due and payable on the seventh day of February in the year for which the tax is payable.

“172t. **Distribution of capitalised amount**—Where a company to which this Part of this Act applies has made a bonus issue, and—

40 “(a) At any time within three years after making the bonus issue the company makes a distribution of any amount (whether in money or money’s worth) that,

in the opinion of the Commissioner, is either directly or indirectly a distribution of any amount capitalised by the bonus issue; and

“(b) The Commissioner is not satisfied that the distribution was not pursuant to any arrangement, scheme, or intention in existence at the time when the bonus issue was made,—

the distribution shall be deemed to be a further bonus issue made by the company at the time of the distribution, and the provisions of this Part of this Act shall apply accordingly.”

“172U. **Application of other provisions to bonus issue tax**— Subject to the provisions of this Part of this Act, the provisions of the other Parts of this Act (except section 207), as far as they are applicable and with the necessary modifications, shall apply with respect to bonus issue tax and the assessment, recovery, and payment thereof as if it were income tax levied under section 77 of this Act; but nothing in this Part of this Act shall be so construed as to include bonus issue tax in the terms ‘income tax’ or ‘tax’ for the purposes of Part VI of this Act.”

4. Meaning of expression “bonus issue”—The principal Act is hereby further amended by inserting, after section 4, the following section:

“4A. (1) For the purposes of this Act the expression ‘bonus issue’, in relation to a company, means a capitalisation of the whole or part of the amount for the time being standing to the credit of any of the company’s reserve accounts or to the credit of the company’s profit and loss account or of the whole or part of any amount otherwise available for capitalisation, being in any such case a capitalisation by way of—

“(a) The allotment on or after the eleventh day of June, nineteen hundred and sixty-five, of fully paid-up or partly paid-up shares in the company; or

“(b) The giving on or after that date of credit in respect of the whole or part of the amount unpaid on any shares in the company.

“(2) Where any company that has reduced the amount of the paid-up capital of any of its shareholders by writing off losses incurred by the company subsequently makes a capitalisation of the whole or part of any amount specified in subsection (1) of this section, being a capitalisation by way of—

“(a) The allotment to those shareholders of fully paid-up or partly paid-up shares in the company; or

“(b) The giving to those shareholders of credit in respect of the whole or part of the amount unpaid on any shares in the company—

the expression ‘bonus issue’ shall, for the purposes of this Act, be deemed not to include the paid-up value of the shares so allotted or the credit so given, as the case may be, to such extent as the Commissioner thinks just and reasonable, having regard to the amount of the paid-up capital lost by those shareholders and any other relevant considerations.

10 “(3) Where—

“(a) The Commissioner is satisfied that the whole or part of—

“(i) Any profit (in excess of the cost to a company of an asset) as specified in paragraph (a) of subsection (3) of section 4 of this Act; or

“(ii) Any capital profit or gain as specified in paragraph (b) of that subsection—

is subsequently included in any transaction referred to in subsection (1) of this section; or

20 “(b) A company has written up any capital asset (other than goodwill), and the Commissioner is satisfied that the whole or part of any increase arising from any such writing up in excess of the cost to the company of that asset (not being an amount that is required to be taken into account under any provision of this Act for the purpose of assessing ordinary income tax) is subsequently included in any transaction referred to in subsection (1) of this section,—

30 the expression ‘bonus issue’ shall, for the purposes of this Act, be deemed not to include that profit or gain or increase to the extent to which that profit or gain or increase exceeds any capital losses incurred in the income year (or, as the case may be, the accounting year of the company corresponding with that year) in which that profit or gain or increase was made or in any subsequent year (being losses not already taken into account under this subsection or under subsection (3) of section 4 of this Act or in calculating the assessable income of the company for any year):

Struck Out

“Provided that where any amount, being the whole or part of any increase arising from the writing up of any asset as referred to in paragraph (b) of this subsection, has been excluded from the expression ‘bonus issue’ in accordance with the foregoing provisions of this subsection, the cost of that asset shall, for the purposes of this subsection, be deemed to be increased by that amount.”

New

“Provided that where any amount, being the whole or part of any increase arising from the writing up of any asset, has been excluded from—

“(i) The expression ‘bonus issue’ in accordance with the provisions of this subsection; or

“(ii) The expression ‘dividends’ in accordance with the provisions of subsection (3) of section 4 of this Act (as enacted before the amendment of that section by subsections (1) to (3) of section 5 of the Land and Income Tax Amendment Act 1965),—

the cost of that asset shall, for the purposes of this subsection, be deemed to be increased by that amount.”

“(4) To the extent to which the Commissioner is satisfied that any transaction referred to in subsection (1) of this section includes any amount that constitutes premiums paid to a company in respect of the issue of share capital by the company, the transaction shall be deemed not to be included in the expression ‘bonus issue’ for the purposes of this Act.”

5. Meaning of expression “dividends”—(1) Section 4 of the principal Act is hereby amended by repealing paragraphs (b) and (c) of subsection (1).

(2) Section 4 of the principal Act is hereby further amended by repealing subsection (2) (as amended by subsections (2) and (3) of section 4 of the Land and Income Tax Amendment Act (No. 2) 1958), and substituting the following subsection:

“(2) Where any company that has reduced the amount of the paid-up capital of any shareholder by writing off losses incurred by the company is subsequently wound up and there is distributed to that shareholder upon the winding up an amount (whether in money or money’s worth) in excess of the amount paid up on his shares in the company, the expression ‘dividends’ shall, for the purposes of this Act, be deemed

not to include the amount so distributed to such extent as the Commissioner thinks just and reasonable, having regard to the amount of the paid-up capital lost by the shareholder and any other relevant considerations.”

5 (3) Section 4 of the principal Act is hereby further amended—

(a) By repealing paragraph (c) of subsection (3) (as substituted by section 21 (1) of the Land and Income Tax Amendment Act 1964):

10 (b) By omitting from subsection (3) (as so substituted) the words “or increase” wherever they occur:

(c) By inserting in subsection (3) (as so substituted), after the words “under this subsection”, the words “or under subsection (3) of section 4A of this Act”.

15 (4) Section 4 of the principal Act is hereby further amended by repealing the proviso to subsection (3) (as so substituted), and substituting the following proviso:

Struck Out

20 “Provided that where any amount, being the whole or part of any increase arising from the writing up of any asset as referred to in paragraph (b) of subsection (3) of section 4A of this Act, has been excluded from the expression ‘bonus issue’ in accordance with the provisions of that subsection, the cost of that asset shall, for the purposes of this subsection,
25 be deemed to be increased by that amount.”

New

“Provided that where any amount, being the whole or part of any increase arising from the writing up of any asset, has been excluded from—

30 “(i) The expression ‘dividends’ in accordance with the provisions of this subsection (as enacted before the amendment of this section by subsections (1) to (3) of section 5 of the Land and Income Tax Amendment Act 1965); or

35 “(ii) The expression ‘bonus issue’ in accordance with the provisions of subsection (3) of section 4A of this Act,—

the cost of that asset shall, for the purposes of this subsection, be deemed to be increased by that amount.”

(5) Section 203U of the principal Act (as inserted by section 17 of the Land and Income Tax Amendment Act 1964) is hereby consequentially amended by omitting from subsection (4) the words "paragraph (b) or paragraph (c) or".

(6) Section 203V of the principal Act (as inserted by section 17 of the Land and Income Tax Amendment Act 1964) is hereby consequentially amended by omitting from paragraph (a) of subsection (1) and also from paragraph (a) of subsection (2) the words "paragraph (b) or paragraph (c) or".

(7) Section 2 of the principal Act is hereby amended by inserting in paragraph (c) of the definition of the expression "non-assessable income" (as substituted by section 10 (2) of the Land and Income Tax Amendment Act 1964), after the words "section 86c", the words "(except paragraph (c) of subsection (3))".

(8) Section 4 of the Land and Income Tax Amendment Act (No. 2) 1958 is hereby consequentially amended by repealing subsections (2) and (3).

(9) This section shall be deemed to have come into force on the eleventh day of June, nineteen hundred and sixty-five.

6. Bonus shares issued from pre-1958 accumulated profits—

(1) Section 144B of the principal Act (as inserted by section 22 (1) of the Land and Income Tax Amendment Act 1959 and amended by subsections (1) and (2) of section 18 of the Land and Income Tax Amendment Act 1960 and by section 13 of the Land and Income Tax Amendment Act (No. 2) 1962 and by section 41 of the Land and Income Tax Amendment Act 1964) is hereby repealed.

(2) Section 2 of the principal Act is hereby consequentially amended by omitting from paragraph (c) of the definition of the expression "non-assessable income" (as substituted by section 10 (2) of the Land and Income Tax Amendment Act 1964) the words "or subsection (2) of section 144B".

(3) The following enactments are hereby consequentially repealed:

(a) Subsection (1) of section 22 of the Land and Income Tax Amendment Act 1959:

(b) Subsections (1) and (2) of section 18 of the Land and Income Tax Amendment Act 1960:

(c) Section 13 of the Land and Income Tax Amendment Act (No. 2) 1962:

(d) Section 41 of the Land and Income Tax Amendment Act 1964.

7. Consequential amendments of provisions as to excess retention tax—(1) Section 172B of the principal Act (as inserted by section 15 of the Land and Income Tax Amendment Act (No. 2) 1958) is hereby amended by repealing
5 paragraph (bb) of the definition of the expression “distributable portion of the income derived by a company in an accounting year” (which paragraph was inserted by section 22 (3) of the Land and Income Tax Amendment Act 1959).

(2) Section 172B of the principal Act (as so inserted) is
10 hereby further amended by adding to paragraph (d) of the same definition the word “and”, and by adding to that definition the following paragraph:

“(e) The amount of any bonus issue tax payable under
15 Part VI B of this Act in respect of any bonus issue made in that accounting year, but not including any additional tax or penal tax.”

(3) Section 172B of the principal Act (as so inserted) is
hereby further amended by repealing the definition of the
20 term “dividends”, as defined in relation to a company declaring or distributing a dividend (which definition was substituted by section 22 (4) of the Land and Income Tax Amendment Act 1959), and substituting the following definition:

“‘Dividends’, in relation to a company, declaring or
25 distributing a dividend, or to a company from which a shareholder has otherwise derived a dividend, means dividends as defined in subsection (1) of section 4 of this Act; and includes the amount of—

“(a) Any distribution as specified in subsection
30 (2) of that section, which amount, but for that subsection, would be included in the expression ‘dividends’; and

“(b) The paid-up value of any shares allotted or
35 any credit given as respectively specified in subsection (2) of section 4A of this Act, which amount, but for that subsection, would be included in the expression ‘bonus issue’; and

“(c) Any bonus issue.”
(4) Section 22 of the Land and Income Tax Amendment
40 Act 1959 is hereby consequentially amended by repealing subsection (3).

(5) Subsections (1) and (4) of this section shall apply with respect to the tax for the year of assessment commencing on the first day of April, nineteen hundred and sixty-seven, and for every subsequent year.

(6) Subsections (2) and (3) of this section shall apply with respect to the tax for the year of assessment commencing on the first day of April, nineteen hundred and sixty-six, and for every subsequent year.

8. Basic rate of bonus issue tax—(1) The First Schedule to the principal Act (as substituted by section 4 (1) of the Land and Income Tax Amendment Act 1962) is hereby amended by adding to Part A the following heading and clause: 5

“Bonus Issue Tax

“9. Companies—On the amount of a bonus issue assessable to a company under Part VI_B of this Act, the basic rate of bonus issue tax for every £1 of that amount shall be 3s. 6d.” 10

(2) Section 2 of the principal Act is hereby amended by repealing the definition of the term “basic rates” (as amended by section 16 (3) of the Land and Income Tax Amendment Act (No. 2) 1958), and substituting the following definition: 15

“‘Basic rates’ means the rates of income tax, excess retention tax, and bonus issue tax specified in the First Schedule to this Act.”

(3) Section 16 of the Land and Income Tax Amendment Act (No. 2) 1958 is hereby consequentially repealed. 20

(4) This section shall be deemed to have come into force on the first day of April, nineteen hundred and sixty-five.

9. Transitional provisions—Notwithstanding the amendments made to section 4 of the principal Act by section 5 of this Act, subsection (3) of section 86c of the principal Act (as inserted by section 10 (1) of the Land and Income Tax Amendment Act 1964) shall be read and construed as if those amendments had not been made: 25

“Provided that where the Commissioner exercises his power of review under the proviso to subparagraph (iv) of paragraph (c) of subsection (3) of the said section 86c in respect of the capitalisation of any amount that, but for this section, would be a bonus issue, as defined in section 4A of the principal Act, that capitalisation shall be deemed to be a bonus issue; and any assessment of tax made under that proviso in respect thereof shall be made in accordance with the provisions of Part VI_B of the principal Act (as inserted by section 3 of this Act), and the company carrying out the capitalisation shall be assessable with and liable for bonus issue tax accordingly. 30 35 40

PART II

MISCELLANEOUS AMENDMENTS TO PRINCIPAL ACT

10. **Meaning of expression "dividends"**—(1) Section 4 of the principal Act is hereby further amended by omitting from
5 subsection (1) the words "which, in the opinion of the Commissioner, is or is equivalent to a return of share capital", and substituting the words "to such extent as that payment or transaction is, or is equivalent to, a return of share capital or constitutes a bonus issue or a return to shareholders of
10 premiums paid to the company in respect of the issue of share capital by the company".

(2) Section 4 of the principal Act is hereby consequentially further amended by repealing the second proviso to subsection (1).

15 **11. Dates by which annual returns to be furnished**—
(1) Section 14 of the principal Act (as substituted by section 3 (1) of the Land and Income Tax Amendment Act (No. 2) 1959) is hereby amended by repealing paragraph (b) of subsection (1), and substituting the following paragraph:

20 "(b) The taxpayer did not derive in the preceding year any assessable income other than income from employment, interest, dividends, or rents, and the aggregate amount of his assessable income derived from interest, dividends, or rents did not exceed fifty
25 pounds."

(2) This section shall apply with respect to the income derived in the income year that commenced on the first day of April, nineteen hundred and sixty-five, and in every subsequent year.

30 **12. Hearing and determination of objections to arbitrary assessments of income tax**—(1) Section 21 of the principal Act is hereby repealed.

(2) Section 35 of the principal Act (as substituted by section 2 (1) of the Land and Income Tax Amendment Act 1960
35 and amended by section 3 (1) of the Land and Income Tax Amendment Act (No. 2) 1962) is hereby further amended by omitting from paragraph (f) the words "Part II (except section 24)", and substituting the words "Part II (except sections 20 and 24)".

40 (3) Section 3 of the Land and Income Tax Amendment Act (No. 2) 1962 is hereby consequentially amended by repealing subsection (1).

(4) This section shall apply with respect to objections received by the Commissioner on or after the first day of April, nineteen hundred and sixty-five.

13. Special exemption in certain cases for a taxpayer employing a housekeeper—(1) The principal Act is hereby further amended by repealing section 83, and substituting the following section: 5

“83. (1) For the purposes of this section—

“‘Housekeeper’, in relation to a taxpayer and an income year, means a woman who is employed during the income year— 10

“(a) Where the taxpayer is a widow, a widower, a divorced person, an unmarried person, or a separated person,—

“(i) To have the care and control, either in the home of the taxpayer or elsewhere, of any child in respect of whom a family benefit is payable under Part I of the Social Security Act 1964, or who is under the age of eighteen years or is suffering from any mental or physical infirmity or disability affecting his or her ability to earn his or her living; or 20

“(ii) To tend the home of the taxpayer, where the Commissioner is satisfied that the employment of the woman was necessary by reason of any mental or physical infirmity or disability of the taxpayer: 25

“(b) Where the taxpayer is a married person (other than a separated person)— 30

“(i) To have the care and control, either in the home of the taxpayer or elsewhere, of any child specified in subparagraph (i) of paragraph (a) of this definition; 35

or

“(ii) To tend the home of the taxpayer,— where in either case the Commissioner is satisfied that the employment of the woman was necessary by reason of any mental or physical infirmity or disability of the taxpayer or of his or her spouse: 40

5 “‘Separated person’ means a married person who is in fact separated and living separate and apart from his or her spouse, whether pursuant to a decree, order, or judgment of any Court, or pursuant to an agreement for separation, or by reason of the desertion of one of the parties by the other of them, or otherwise.

10 “(2) For the purpose of assessing ordinary income tax, every taxpayer specified in paragraph (a) or paragraph (b) of the definition of the term ‘housekeeper’ in subsection (1) of this section shall, subject to the provisions of this section, be entitled in respect of a housekeeper or housekeepers employed by that taxpayer during the income year to a deduction by way of special exemption from his or her assessable income of
15 one hundred and fifty-six pounds:

“Provided that in no case shall the special exemption allowed under this section in respect of any year exceed the aggregate amount paid by the taxpayer during that year by way of salary or wages to the housekeeper or housekeepers.

20 “(3) Where the taxpayer employs a housekeeper or housekeepers during part only of the income year, the exemption to which the taxpayer would otherwise be entitled under this section shall be reduced by one-twelfth for every month or part of a month during which no housekeeper was so
25 employed.”

(2) The following enactments are hereby consequentially repealed:

(a) So much of the Third Schedule to the Income Tax Assessment Act 1957 as relates to section 83 of the principal Act:

30 (b) Section 8 of the Land and Income Tax Amendment Act (No. 2) 1959.

14. Racing stakes exempt from taxation—(1) Section 86 of the principal Act is hereby amended by inserting in sub-section (1), after paragraph (p), the following paragraph:

35 “(pp) Stakes, being prize money in respect of any horse race or trotting race, paid by any racing club, trotting club, hunt club, or other club licensed to use the totalisator under the Gaming Act 1908 or holding a licence under the Race Meetings Act
40 1909:”

(2) This section shall apply with respect to any stakes paid in respect of any horse race or trotting race run on or after the first day of August, nineteen hundred and sixty-five.

15. Companies carrying on forestry business—(1) Section 91 of the principal Act is hereby amended by adding to paragraph (b) of subsection (1) the following additional proviso:

“Provided also that a company that carries on a forestry business on any land in New Zealand (not being a company that has entered into a farm forestry agreement in relation to that land under the Farm Forestry Act 1962) may, if it so elects by notice in accordance with subsection (1E) of this section, in calculating the assessable income derived by it in any income year, whether from that business or otherwise, deduct any expenditure incurred by it in that business in that income year, being expenditure that is incurred—

“(i) In planting or maintaining trees on the land or in preparing or otherwise developing the land for its forestry operations; or

“(ii) By way of rent, rates, land tax, insurance premiums, or other like expenses; or

“(iii) By way of interest on money borrowed and employed as capital for the purposes of that business.”

(2) Section 91 of the principal Act is hereby further amended by inserting, after subsection (1c) (as inserted by section 26 (1) of the Land and Income Tax Amendment Act (No. 2) 1958), the following subsections:

“(1D) Where any expenditure referred to in the second proviso to paragraph (b) of subsection (1) of this section has been allowed as a deduction under that proviso and the company has subsequently been recouped for the whole or a part of that expenditure, the amount for which the company is so recouped shall be deemed to be assessable income derived by the company in the income year in which the company is so recouped.

“(1E) Every notice under the second proviso to paragraph (b) of subsection (1) of this section shall be in writing, and shall be given to the Commissioner within the time within which the company is required to furnish a return of its income for the income year in which the expenditure is incurred, or within such further time as the Commissioner, in his discretion, may allow in any case or class of cases.

“(1F) Where any expenditure has been allowed as a deduction under the second proviso to paragraph (b) of subsection (1) of this section or under section 120 or section 120A or section 153c of this Act, that expenditure shall be deemed not to form part of the cost of timber for the purposes of the said paragraph (b).”

16. Special depreciation allowance on plant and machinery and buildings—(1) Section 114A of the principal Act (as substituted by section 7 of the Land and Income Tax Amendment Act (No. 2) 1962) is hereby amended by omitting from 5 paragraph (a) and from paragraph (b) of subsection (1) (as amended by section 28 (1) of the Land and Income Tax Amendment Act 1964), and also from subsection (1A) (as inserted by section 28 (4) of that last-mentioned Act), the words “nineteen hundred and sixty-six”, and substituting in 10 each case the words “nineteen hundred and sixty-seven”.
(2) Section 28 of the Land and Income Tax Amendment Act 1964 is hereby consequentially amended by repealing subsection (1).

17. Initial depreciation allowance on buildings—(1) Section 116A of the principal Act (as inserted by section 6 of 15 the Land and Income Tax Amendment Act 1961) is hereby amended by omitting from subsection (1) (as amended by section 30 (1) of the Land and Income Tax Amendment Act 1964), and also from subsection (1A) (as inserted by section 20 30 (2) of that last-mentioned Act), the words “nineteen hundred and sixty-six”, and substituting in each case the words “nineteen hundred and sixty-seven”.
(2) Section 30 of the Land and Income Tax Amendment Act 1964 is hereby consequentially amended by repealing 25 subsection (1).

18. Investment allowance on plant and machinery for use in the freezing, curing, and processing of fish—(1) Section 117A of the principal Act (as inserted by section 11 of the Land and Income Tax Amendment Act (No. 2) 1963) is 30 hereby amended by inserting in subsection (1), after the definition of the term “concentration”, the following definition:

“‘Fish’ includes shellfish and crustaceans:”.

(2) Section 117A of the principal Act (as so inserted) is 35 hereby further amended by omitting from subparagraph (vii) of paragraph (b) of subsection (2) the words “or fish”.

(3) Section 117A of the principal Act (as so inserted) is hereby further amended by inserting in paragraph (b) of 40 subsection (2), after subparagraph (xi), the following subparagraph:

“(xii) The freezing, curing, or processing of fish:”.

(4) Section 117A of the principal Act (as so inserted) is hereby further amended by adding to paragraph (b) of subsection (3) the words “not being a refrigerated vehicle designed and used exclusively for the transport or delivery of fish”. 5

(5) This section shall apply with respect to expenditure incurred by a taxpayer after the thirty-first day of March, nineteen hundred and sixty-four, and the provisions of the said section 117A of the principal Act shall apply in relation to such expenditure as if for the words “first day of August, nineteen hundred and sixty-three” wherever they occur in subsections (6), (7), and (8) of that section there were substituted in each case the words “first day of April, nineteen hundred and sixty-four”. 15

19. Investment allowance on plant or machinery for use in mining or quarrying or in forestry operations—(1) Section 117A of the principal Act (as so inserted) is hereby further amended as from its commencement by repealing the definition of the term “concentration” in subsection (1), and substituting the following definition: 20

“‘Concentration’, in relation to a metal, means the separation of the metal from its ore by any process:”.

(2) Section 117A of the principal Act (as so inserted) is hereby further amended as from its commencement by inserting in paragraph (b) of subsection (2), after subparagraph (i), the following subparagraph: 25

“(ia) The mining or quarrying of any metallic or non-metallic ore or of coal, including crushing, grinding, breaking, screening, sizing, or any other operation or process by means of which any such ore or coal quarried or mined is brought into or maintained in the form or condition in which it is sold or used: 30

“Provided that this subparagraph shall not apply in any case where the taxpayer is a company that is assessable for income tax under section 152 of this Act:” 35 40

(3) Section 117A of the principal Act (as so inserted) is hereby further amended as from its commencement by inserting in paragraph (b) of subsection (2), after subparagraph (xii) (as inserted by section 18 (3) of this Act), the following
5 subparagraph:

“(xiii) Forestry operations:”.

(4) Section 117A of the principal Act (as so inserted) is hereby further amended as from its commencement by repealing
10 paragraph (a) of subsection (3), and substituting the following paragraph:

“(a) Plant or machinery for use in mining for petroleum, but not including operations referred to in subparagraph (ii) of paragraph (b) of subsection (2) of this section:”.

15 **20. Extending provisions as to investment allowance on plant and machinery for use in manufacturing and certain other processes**—(1) Section 117A of the principal Act (as so inserted and as amended by section 31 of the Land and Income Tax Amendment Act 1964) is hereby further amended by
20 omitting from paragraph (a) of subsection (6), and also from subparagraph (ii) of paragraph (b) of subsection (7) and from paragraph (d), paragraph (e), paragraph (f), and subparagraph (i) of paragraph (g) of subsection (7), the words “nineteen hundred and sixty-six”, and substituting in
25 each case the words “nineteen hundred and sixty-seven”.

(2) Section 31 of the Land and Income Tax Amendment Act 1964 is hereby consequentially repealed.

21. Investment allowance on plant and machinery for use for the purposes of fishing business—(1) The principal Act is
30 hereby further amended by inserting, after section 117c (as inserted by section 13 of the Land and Income Tax Amendment Act (No. 2) 1963), the following section:

“117d. (1) For the purposes of this section—

“‘Fish’ includes shellfish and crustaceans:

35 “‘Fishing’ means the taking or catching of fish for the purposes of sale:

“‘Fishing boat’ means a boat that is registered as a fishing boat under Part I of the Fisheries Amendment Act 1963:

40 “‘Plant or machinery’ includes a fishing boat; and also includes a small boat belonging to a fishing boat.

“(2) Subject to subsection (4) of this section, this section shall apply to any plant or machinery owned by a taxpayer that has been acquired or constructed by the taxpayer on or after the first day of April, nineteen hundred and sixty-four, and before the first day of April, nineteen hundred and sixty-seven, and that is for use wholly and exclusively in and for the purposes of any business of fishing carried on in New Zealand by the taxpayer. 5

“(3) For the purposes of this section, a business of fishing shall be deemed to be carried on in New Zealand, notwithstanding that the fish is taken or caught beyond the territorial sea of New Zealand, if the fish is landed in New Zealand. 10

“(4) This section shall not apply to—

“(a) Buildings, wharves, jetties, slipways, shore installations, or plant or machinery that is for use for servicing purposes: 15

“(b) Containers or other articles in or on which fish is to be delivered:

“(c) Anchors, baskets, buoys, cables, chains, covers, lines, nets, pulleys, ropes, running gear, sails, shackles, tackle blocks, traps, trawl boards, and articles of a description, or having a use, similar to that of any of those articles: 20

“Provided that the Governor-General may from time to time, by Order in Council, exclude any such articles or any specified class or classes of such articles from the operation of this paragraph: 25

“(d) Hand tools and other loose tools:

“(e) Any unit of plant or machinery where the cost to the taxpayer of that unit is less than thirty pounds. 30

“(5) Subject to the provisions of this section, where a taxpayer has incurred expenditure of a capital nature in the acquisition or construction of plant or machinery to which this section applies, for use by him in the production of assessable income, a deduction shall be allowed under this section of an amount equal to one-tenth of that expenditure, in calculating the assessable income derived by the taxpayer in the income year in which that plant or machinery is first used by the taxpayer in the production of assessable income. 35

“(6) Expenditure of a capital nature incurred by the taxpayer in— 40

“(a) Converting or making structural alterations to any boat in order that it may be used as a fishing boat; or

“(b) Making structural alterations to any fishing boat in order that it may continue to be used as a fishing boat—

5 wholly and exclusively in and for the purposes of any business of fishing carried on in New Zealand by the taxpayer shall be deemed for the purposes of this section to be expenditure incurred by the taxpayer in the construction of plant or machinery.

10 “(7) Where any plant or machinery in relation to which a taxpayer is entitled to a deduction in accordance with subsection (5) of this section in respect of an income year has, at any time during that year, or, as the case may be, the accounting year corresponding with that year, been used for the purpose of producing income that is not liable to or is exempt from taxation, only such part of the deduction otherwise allowable under this section in relation to that plant or machinery as, in the opinion of the Commissioner, is proper shall be allowed as a deduction.

20 “(8) Where expenditure on plant or machinery to which this section applies has been incurred by the taxpayer, and the taxpayer has been recouped or is entitled to be recouped for the whole or a part of that expenditure, the expenditure in respect of which a deduction is allowable under this section shall not include the amount for which the taxpayer has been, or is entitled to be, so recouped.

25 “(9) The deduction allowable under this section in respect of expenditure on any plant or machinery shall be in addition to any deduction that is allowed by way of depreciation in respect of that plant or machinery under section 113 or section 114A of this Act.

30 “(10) This section shall not apply to any expenditure in respect of which a deduction has been allowed under section 117A or section 117B or section 117C of this Act.

35 “(11) Where a deduction has been allowed under this section to any person in respect of any plant or machinery, no further deduction shall be allowed under this section to the same or any other person in respect of that same plant or machinery.”

(2) The principal Act is hereby further amended—

40 (a) By inserting in subsection (11) of section 117A (as inserted by section 11 of the Land and Income Tax Amendment Act (No. 2) 1963), after the words “section 117c”, the words “or section 117d”:

- (b) By inserting in subsection (7) of section 117B (as inserted by section 12 of the last-mentioned Act), after the words "section 117c", the words "or section 117D":
- (c) By inserting in subsection (9) of section 117c (as inserted by section 13 of the same Act), after the words "section 117B", the words "or section 117D".

22. Deduction of certain expenditure on land used for farming or agricultural purposes—(1) Section 119D of the principal Act (as inserted by section 16 (1) of the Land and Income Tax Amendment Act (No. 2) 1963) is hereby amended by omitting from paragraph (b) of subsection (1) the words "nineteen hundred and sixty-six", and substituting the words "nineteen hundred and sixty-seven".

(2) Section 119D of the principal Act (as so inserted) is hereby further amended by inserting in subsection (1), after paragraph (b), the following paragraph:

"(c) Any expenditure incurred in that business on or after the first day of April, nineteen hundred and sixty-five, and not later than the end of the income year ending with the thirty-first day of March, nineteen hundred and sixty-seven, and not deductible otherwise than under this section, in the erection on the land of electric-power lines or telephone lines."

(3) Section 119D of the principal Act (as so inserted) is hereby further amended by omitting from the proviso to subsection (1) the words "four income years", and substituting the words "five income years".

23. Deductions by lessor of land used for farming or agricultural purposes—The principal Act is hereby further amended by inserting, after section 119E (as inserted by section 17 (1) of the Land and Income Tax Amendment Act (No. 2) 1963), the following section:

"119F. Subject to sections 117 and 119E of this Act, where any taxpayer, being the owner of an estate in fee simple or of a leasehold estate in any land in New Zealand, has granted a lease or, as the case may be, a sublease of the land to any person who carries on any farming or agricultural business on the land, the taxpayer shall, in calculating his assessable income for any income year, be entitled to deductions in respect of—

“(a) Special depreciation under section 114A of this Act (except paragraph (a) of subsection (1)) and initial depreciation under section 116A of this Act; and

5 “(b) Expenditure under section 119D of this Act,—
being deductions to which he would be entitled if he himself had carried on a farming or agricultural business on the land during the currency of the lease or sublease; and the provisions of those sections, as far as they are applicable and with the
10 necessary modifications, shall apply accordingly as if the assessable income of the taxpayer had been derived from carrying on a farming or an agricultural business on the land during the income year and as if the persons employed in the business carried on by the lessee or sublessee had been employed by
15 the taxpayer.”

24. Deduction of gifts of money made by companies to Universities for the purposes of research—(1) The principal Act is hereby further amended by inserting, after section 126, the following section:

20 “126A. (1) Subject to the provisions of this section, any company shall, in calculating the assessable income derived by it during any income year, be entitled to a deduction of the amount of any gift of money of the amount of one pound or more (being an amount that is not deductible otherwise
25 than under this section) made by it during that income year to any University within the meaning of the Universities Act 1961 for the purposes of research which is of importance in the general economy of New Zealand.

30 “(2) The deductions provided for in this section shall not, in the case of any company, in any income year exceed in the aggregate the sum of five hundred pounds or five per cent of the assessable income of the company, whichever is the less.”

(2) This section shall apply with respect to gifts made on or after the eleventh day of June, nineteen hundred and sixty-five.

35 **25. Deduction of export-market development and tourist-promotion expenditure—**(1) Section 129A of the principal Act (as inserted by section 11 of the Land and Income Tax Amendment Act (No. 2) 1962 and amended by section 35
40 (1) of the Land and Income Tax Amendment Act 1964) is hereby further amended by omitting from subsection (2) the words “nineteen hundred and sixty-six”, and substituting the words “nineteen hundred and sixty-seven”.

(2) Section 18 of the Land and Income Tax Amendment Act (No. 2) 1963 is hereby consequentially amended by omitting from subsection (4) (as amended by section 35 (2) of the Land and Income Tax Amendment Act 1964) the words “nineteen hundred and sixty-six”, and substituting the words “nineteen hundred and sixty-seven”. 5

(3) Section 35 of the Land and Income Tax Amendment Act 1964 is hereby consequentially repealed.

26. Deduction in respect of amounts paid on shares in certain mining companies—The principal Act is hereby further amended by inserting, after section 129B (as inserted by section 20 of the Land and Income Tax Amendment Act (No. 2) 1963), the following section: 10

“129C. (1) Where a taxpayer has, on or after the first day of April, nineteen hundred and sixty-five, made any payment in respect of the whole or part of the amount unpaid on any shares owned by the taxpayer in a company to which section 152 or section 153 of this Act applies at the time of the payment, a deduction shall be allowed under this section of one-third of the amount of that payment in calculating the assessable income derived by the taxpayer in the income year in which the payment is made. 15 20

“(2) For the purposes of this section the term ‘share’ does not include the whole or part of any amount that, pursuant to the provisions of paragraph (b) of subsection (3) of section 143A of this Act, is deemed to be share capital in the capital of a company.” 25

New

26A. Deposits by forestry companies in respect of gross receipts from thinning operations—(1) The principal Act is hereby further amended by inserting, after section 129C (as inserted by section 26 of this Act), the following heading and section: 30

“Deposits by Forestry Companies

“129D. (1) For the purposes of this section— 35

“‘Accounting year’, in relation to a company, means a year or other period ending with the date of the annual balance of the company’s accounts, being a year or other period in respect of which the company is required by this Act to furnish a return of its income: 40

New

- 5 “Gross receipts from carrying out thinning operations’,
in relation to an accounting year and to a com-
pany carrying on a forestry business on any land
in New Zealand, means the gross income (without
taking into account the value of trading stock at the
beginning or at the end of that accounting year, and
before the allowance of any deductions under this
Act) that was derived by the company during that
10 accounting year from carrying out thinning opera-
tions on the land:
- 15 “Thinning operations’ means operations by means of
which a felling is made in an immature stand of trees
for the purpose of improving the growth and form
of the trees remaining, without permanently breaking
the canopy.
- 20 “(2) Where a company carrying on a forestry business on
any land in New Zealand derives during any accounting year
income from carrying out thinning operations on the land,
the company may make payments to the Commissioner by way
of deposits in respect of that year in accordance with this
section.
- 25 “(3) The provisions of sections 136B to 136E and sections
136I and 136K of this Act, as far as they are applicable and
with the necessary modifications, shall apply to any deposits
made by a company under this section in respect of any
accounting year, as if—
- 30 “(a) The company, in carrying out the thinning operations,
carried on a farming or agricultural business on
land in New Zealand during that accounting year;
and
- “(b) The deposits made under this section in respect of
that accounting year were made under section 136C
of this Act; and
- 35 “(c) The company’s maximum deposit in respect of that
accounting year were an amount equal to the gross
receipts derived by the company during that
accounting year from carrying out thinning
operations on the land.
- 40 “(4) Where a company makes payments by way of deposits
under this section and also makes payments by way of deposits
under section 136C of this Act, separate reserve accounts shall
be kept in respect of deposits under this section and deposits
under the said section 136C.”

New

(2) This section shall apply with respect to the tax on income derived in the income year that commenced on the first day of April, nineteen hundred and sixty-five, and in every subsequent year.

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27. Snow loss reserve deposits—Section 131 of the principal Act is hereby amended by adding the following subsection:

“(7) No deposits shall be made under this section after the date of the passing of the Land and Income Tax Amendment Act 1965.”

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28. New sections (as to income equalisation reserves) inserted—(1) This section shall apply with respect to the tax on income derived in the income year that commenced on the first day of April, nineteen hundred and sixty-four, and in every subsequent year.

15

(2) The principal Act is hereby further amended by inserting, after section 136A (as inserted by section 19 (1) of the Land and Income Tax Amendment Act 1959), the following heading and sections:

“Income Equalisation Reserves

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“136B. **Interpretation**—In sections 136c to 136k of this Act, unless the context otherwise requires,—

“‘Accounting year’, in relation to the income of a taxpayer, means a year or other period ending with the date of the annual balance of the taxpayer’s accounts in which that income has been derived by the taxpayer, being a year or other period in respect of which the taxpayer is required by this Act to furnish a return of that income:

25

“‘Income equalisation reserve account’ or ‘reserve account’, in relation to a taxpayer, means an income equalisation reserve account kept in his name by the Commissioner:

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“‘Maximum deposit’, in respect of an accounting year and a taxpayer engaged in any farming or agricultural business on any land in New Zealand, means an amount equal to twenty-five per cent (or such higher proportion as the Governor-General, by Order in Council, declares in respect of that accounting

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year) of the amount of the assessable income derived by the taxpayer in that accounting year from that business, that amount being calculated without reference to any adjustments made pursuant to—

5 “(a) Any provision of this Act authorising the apportionment or allocation of income derived or expenditure incurred to any accounting year other than the accounting year in which the income was in fact derived or, as the case may be, the expenditure was in fact incurred; or

10 “(b) The provisions of sections 136c to 136k of this Act:

“‘Specified period’, in relation to an accounting year of a taxpayer, means the shorter of the following two periods:

15 “(a) The period of six months immediately following the end of that accounting year:

20 “(b) The period from the end of that accounting year to the date one month after the date by which the taxpayer is required, in accordance with the provisions of section 14 of this Act, to furnish his return of income for that accounting year.

“136c. **Income equalisation reserve deposits**—(1) Subject to the provisions of this section, any taxpayer engaged in any farming or agricultural business on any land in New Zealand may during any accounting year make payments to the Commissioner by way of income equalisation reserve deposits in respect of that accounting year:

30 “Provided that where a taxpayer makes any payment by way of deposit under this section during the specified period in relation to an accounting year, or within such later time as the Commissioner, in his discretion, may allow in any case or class of cases, that payment shall, if the taxpayer so elects by notice in writing given to the Commissioner at the time of making the payment, be deemed to have been made in respect of that accounting year:

35 “Provided also that where a refund has been made to a taxpayer in respect of an accounting year in accordance with section 136E of this Act, no payment by way of deposit shall subsequently be made under this section by the taxpayer in respect of that accounting year.

40 “(2) Every amount received by the Commissioner from any taxpayer under this section shall be paid into a special account, to be called the Income Equalisation Reserve

Account, to be kept at the Reserve Bank, and shall be entered in an income equalisation reserve account to be kept by the Commissioner in the name of the taxpayer. No other amounts shall be entered in the taxpayer's reserve account. No amount entered in any such reserve account shall be paid to any person except by way of refund as provided in this Act. 5

“(3) No interest shall be payable in respect of the money in any income equalisation reserve account.

“(4) No taxpayer shall be entitled to make any payment by way of deposit under this section in respect of any accounting year which— 10

“(a) Is less than one hundred pounds or the amount that will increase the aggregate amount of all payments by way of deposits previously made by the taxpayer under this section in respect of that accounting year to his maximum deposit in respect of that year, whichever amount is the smaller; or 15

“(b) Is greater than the amount that will increase the aggregate amount of all payments by way of deposits previously made by the taxpayer under this section in respect of that accounting year to his maximum deposit in respect of that year. 20

“(5) Subject to sections 136H and 136I of this Act, where the amount or, as the case may be, the aggregate of all amounts received by the Commissioner from any taxpayer under this section in respect of any accounting year exceeds the taxpayer's maximum deposit in respect of that accounting year, the Commissioner shall, as soon as possible after he has ascertained the amount of that excess, refund the amount of the excess to the taxpayer. Nothing in sections 136D to 136G or section 136J or section 136K of this Act shall apply to any amount refunded under this subsection. 25 30

“(6) No amounts entered in any taxpayer's reserve account shall be in any way assigned or charged or (except by reason of the bankruptcy of the taxpayer) pass to any other person by operation of law, or (except as aforesaid) be assets for the payment of the taxpayers' debts or liabilities or (in the event of his death) of the debts or liabilities of his estate, at any time before they have been duly refunded in accordance with this Act. 35 40

“136D. Deposits to be deducted from assessable income— Where any taxpayer makes any payments by way of deposits under section 136C of this Act in respect of any accounting year in respect of his farming or agricultural business, the

Commissioner shall allow as a deduction in calculating the assessable income derived by the taxpayer from that business in that year the aggregate amount of those payments or the amount of the taxpayer's maximum deposit in respect of that accounting year, whichever amount is the smaller.

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“136E. Refunds from income equalisation reserve accounts—(1) Subject to the provisions of this section, any taxpayer may at any time apply in writing to the Commissioner for a refund of the whole or any part of any amounts deposited under section 136c of this Act.

“ (2) Subject to sections 136f to 136i of this Act, no refund shall be made of any amount that has been deposited under section 136c of this Act less than twelve months before the date of the application for a refund, unless the Commissioner, in his discretion, in any case otherwise determines.

“ (3) Subject to sections 136f to 136k of this Act, every refund of the whole or any part of any amount deposited under section 136c of this Act shall be deemed to have been made in respect of the accounting year in which the application for the refund is received by the Commissioner, and the amount of the refund shall be deemed to be assessable income derived by the taxpayer in that accounting year:

“ Provided that where an application is received by the Commissioner in the specified period in relation to an accounting year, any refund made pursuant to that application shall, if the taxpayer so elects in that application, be deemed to have been made in respect of that accounting year, and the amount of the refund shall be deemed to be assessable income derived by the taxpayer in that accounting year.

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“136F. Refund from income equalisation reserve account on retirement of taxpayer—(1) Where the Commissioner is satisfied that any taxpayer (not being a company or a trustee) who has made payments by way of deposits under section 136c of this Act has during any accounting year (hereinafter referred to as the year of retirement) retired from the business of farming or agriculture, as the case may be, the Commissioner shall refund to the taxpayer any amount remaining in the taxpayer's reserve account. Any amount so refunded shall be deemed to be assessable income derived by the taxpayer in the year of retirement:

“ Provided that to the extent that the amount so refunded consists of a deposit or a part of a deposit made in respect of any accounting year earlier than the year of retirement, the taxpayer shall, if he so elects by notice in accordance with

subsection (2) of this section, be entitled to allocate to that earlier year an amount not exceeding the amount of that deposit or, as the case may be, of that part of that deposit. Any amount so allocated to any such earlier year shall be deemed to be assessable income derived by the taxpayer in that year. 5

“(2) Every notice under subsection (1) of this section shall be in writing, and shall be given to the Commissioner within the time within which the taxpayer is required to furnish a return of his income for the year of retirement, or within such further time as the Commissioner, in his discretion, may allow in any case or class of cases. 10

“(3) Notwithstanding anything to the contrary in section 24 of this Act, the Commissioner may for the purpose of giving effect to this section amend any assessment or assessments of the taxpayer at any time. 15

“136g. Refund from income equalisation reserve account on death of taxpayer—(1) Where any taxpayer (not being a taxpayer to whom section 136f of this Act applies) who has made payments by way of deposits under section 136c of this Act dies during any accounting year (hereinafter referred to as the year of death), the Commissioner shall refund to the trustee of the taxpayer’s estate any amount remaining in the taxpayer’s reserve account at the date of his death. Any amount so refunded shall be deemed to be assessable income derived by the taxpayer immediately before his death: 20 25

“Provided that to the extent that the amount so refunded consists of a deposit or a part of a deposit made in respect of any accounting year earlier than the year of death, the trustee shall, if he so elects by notice in accordance with subsection (2) of this section, be entitled to allocate to that earlier year an amount not exceeding the amount of that deposit or, as the case may be, of that part of that deposit. Any amount so allocated to any such earlier year shall be deemed to be assessable income derived by the taxpayer in that year: 30 35

“Provided also that, if the trustee does not make an election in accordance with the first proviso to this subsection, he shall, if he so elects by notice in accordance with subsection (2) of this section, be entitled to allocate, in such amounts as he specifies in the notice, the whole or part of any deposit or of any part of any deposit included in the amount (so refunded) remaining in the taxpayer’s reserve account at the date of his death to any time or times subsequent to the death of the taxpayer, being a time or times not later than— 40

“(a) The expiration of five years after the end of the accounting year in respect of which the deposit or, as the case may be, the part of the deposit was made; or

5 “(b) The end of three years immediately after the death of the taxpayer,—

whichever is the earlier. Any amount allocated by the trustee under this proviso shall remain in the reserve account until the time allocated as aforesaid in respect of that amount, and shall
10 be deemed to be assessable income derived by the trustee at the time so allocated.

“(2) Every notice under subsection (1) of this section shall be in writing, and shall be given to the Commissioner within the time within which the trustee of the taxpayer’s
15 estate is required to furnish a return of the taxpayer’s income for the period to the date of his death, or within such further time as the Commissioner, in his discretion, may allow in any case or class of cases.

“(3) Notwithstanding anything to the contrary in section
20 24 of this Act, the Commissioner may for the purpose of giving effect to this section amend any assessment or assessments of the taxpayer at any time.

“136H. Refund from income equalisation reserve account on bankruptcy of taxpayer—(1) Where any taxpayer who
25 has made payments by way of deposits under section 136c of this Act is adjudicated a bankrupt, the Commissioner shall refund to the Official Assignee having charge of the estate of the taxpayer any amount remaining in the taxpayer’s reserve account on the date on which notice of the adjudica-
30 tion is received by the Commissioner, including any amount otherwise refundable under subsection (5) of section 136c of this Act.

“(2) Any amount so refunded shall be deemed to be assessable income derived by the taxpayer immediately before
35 the commencement of the bankruptcy.

“136I. Refund from income equalisation reserve account of company on winding up of company—(1) Where any taxpayer, being a company, which has made payments by way of deposits under section 136c of this Act is being wound up
40 (whether by order of the Court or voluntarily or subject to the supervision of the Court), the Commissioner shall refund to the taxpayer any amount remaining in the taxpayer’s reserve account on the date on which notice of the winding

up is received by the Commissioner, including any amount otherwise refundable under subsection (5) of section 136c of this Act.

“(2) Any amount so refunded shall be deemed to be assessable income derived by the taxpayer immediately before the commencement of the winding up. 5

“136J. **Refund from income equalisation reserve account after expiry of five years**—Where any amount that has been deposited under section 136c of this Act remains in the taxpayer’s reserve account at the expiry of five years after the end of the accounting year in respect of which that amount was deposited, the Commissioner shall refund that amount to the taxpayer. The amount so refunded shall, subject to sections 136f to 136i of this Act, be deemed to be assessable income derived by the taxpayer in the accounting year in which the refund is made. 10 15

“136K. **General provisions as to refunds**—(1) Every refund made, under sections 136E to 136J of this Act, from any taxpayer’s reserve account shall be deemed to have been made from his reserve deposits in the order in which those deposits were made. 20

“(2) No such refund from any taxpayer’s reserve account shall be less than one hundred pounds or the balance in that reserve account, whichever amount is the smaller.”

29. Companies engaged in mining for certain minerals— (1) The principal Act is hereby further amended by repealing section 152, and substituting the following section: 25

“152. (1) Notwithstanding anything to the contrary in this Act, if the Commissioner is satisfied that the sole or principal source of the income of a company, whether incorporated in New Zealand or elsewhere, is the business of mining in New Zealand any one or more of the following minerals, namely: 30

“(a) Antimony, asbestos, barite, bentonite, bituminous shale, chromite, copper, dolomite, feldspar, gold, halloysite, kaolin, lead, magnesite, manganese, mercury, mica, molybdenite, nickel, perlite, phosphate, platinum group, pyrite, silver, sulphur, talc, tin, titanium, titanomagnetite, tungsten, uranium, wollastonite, zinc, or zircon; or 35 40

“(b) Any other mineral which is declared by the Minister of Finance to be a qualifying mineral for the purposes of this section,—

the taxable income derived by that company in any year shall be deemed to be half the total sum paid as dividends during that year to the shareholders of the company if the aggregate amount of the dividends paid since the commencement of business by the company does not exceed twice the amount of so much of the capital of the company as has been paid up by the giving of fully adequate consideration in money or money's worth, and in every other case shall be deemed to be the total sum paid as dividends during that year, and the company shall be assessed and liable accordingly.

"(2) No company to which this section applies shall be deemed to be a proprietary company.

"(3) Where the Commissioner is satisfied that any amount paid as dividends by any company to which this section applies (hereinafter in this subsection referred to as the holding company) consists of dividends received by the holding company from any other company to which this section applies, there shall be deducted from the tax payable by the holding company in respect of that amount a sum equal to the tax paid or payable by the other company in respect of that amount. For the purposes of this subsection the tax paid or payable by any company in respect of any amount included in the dividends paid or payable by it in any year shall be deemed to be calculated at the rate ascertained by dividing the total tax paid or payable in respect of those dividends by the number of pounds included in the total dividends paid by the company in that year.

"(4) The Minister of Finance may, by notice in the *Gazette*, declare to be a qualifying mineral for the purposes of this section any mineral which in his opinion is or will be of importance—

"(a) In the industrial development of New Zealand; or

"(b) As a means of reducing the quantity of (*raw industrial mineral rock*) industrial minerals or industrial rock required to be imported into New Zealand; or

"(c) As an item of export from New Zealand."

(2) The following enactments are hereby consequentially repealed:

(a) Section 9 of the Land and Income Tax Amendment Act 1956:

(b) Section 12 of the Land and Income Tax Amendment Act (No. 2) 1957:

(c) Section 19 of the Land and Income Tax Amendment Act 1960:

(d) Section 8 of the Land and Income Tax Amendment Act 1961:

(e) Section 44 of the Land and Income Tax Amendment Act 1964.

New

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29A. Assessment of companies which have forestry companies under their control—The principal Act is hereby further amended by inserting, after section 153B (as inserted by section 20 (1) of the Land and Income Tax Amendment Act 1960), the following section:

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“153C. (1) For the purposes of this section—

“‘Accounting year’, in relation to a company, means a year or other period ending with the date of the annual balance of the company’s accounts, being a year or other period in respect of which the company is required by this Act to furnish a return of its income:

15

“‘Forestry company’, means a company that carries on a forestry business on any land in New Zealand (not being a company that has entered into a farm forestry agreement in relation to that land under the Farm Forestry Act 1962):

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“‘Holding company’, in relation to a forestry company, means a company which has the forestry company under its control.

25

“(2) Notwithstanding anything to the contrary in this Act, where—

“(a) A forestry company is under the control of a holding company at the end of an accounting year of the holding company; and

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“(b) During that accounting year the forestry company has incurred in any forestry business carried on by it on any land in New Zealand expenditure of any of the kinds referred to in the second proviso to paragraph (b) of subsection (1) of section 91 of this Act; and

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“(c) Payment of that expenditure was made out of money lent for that purpose by the holding company to the forestry company while the forestry company was under its control; and

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“(d) The Commissioner is satisfied that there are special circumstances by reason of which the holding company is unable to carry on a forestry business on the land or by reason of which it is impracticable for that company to carry on a forestry business on the land; and

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- “(e) The forestry company does not make an election under the second proviso to paragraph (b) of subsection (1) of section 91 of this Act in respect of that expenditure; and
- 5 “(f) The forestry company and the holding company give joint notice in accordance with subsection (4) of this section that they have agreed that this section shall apply with respect to that expenditure,—
- 10 the holding company may deduct that expenditure in calculating the assessable income derived by it during that accounting year.
- “ (3) Where any expenditure incurred by a forestry company has been allowed as a deduction under this section to a
- 15 holding company and the forestry company has been recouped for the whole or a part of that expenditure, the amount for which the forestry company is so recouped shall be deemed to be assessable income derived by the holding company in the accounting year of the holding company in which the
- 20 forestry company is so recouped.
- “ (4) Every notice under subsection (2) of this section shall be in writing, signed on behalf of the forestry company and the holding company by a responsible officer of each company, and shall be given to the Commissioner within the time within
- 25 which the holding company is required to furnish a return of its income for the accounting year during which the expenditure is incurred, or within such further time as the Commissioner, in his discretion, may allow in any case or class of cases.”

- 30 **30. Basic rates of ordinary income tax**—(1) The First Schedule to the principal Act (as substituted by section 4 (1) of the Land and Income Tax Amendment Act 1962) is hereby further amended by omitting from paragraph (a) of subclause (3) of clause 5 of Part A, and also from paragraph (b) of that
- 35 subclause and from subclause (4) of that clause, the expression “£1,040”, and substituting in each case the expression “£1,300”.

(2) This section shall be deemed to have come into force on the first day of April, nineteen hundred and sixty-four.

PART III

AMENDMENTS TO INCOME TAX ASSESSMENT ACT 1957

31. Housekeeper as dependant for purposes of tax code—

(1) Section 14 of the Income Tax Assessment Act 1957 is hereby amended by repealing subsections (4) and (5), and substituting the following subsections: 5

“(4) A housekeeper as defined in section 83 of the principal Act shall be deemed to be a dependant of the employee for the purposes of the tax code based on a tax code declaration which includes the housekeeper as a dependant if, when the employee delivers the declaration to the employer or to the Commissioner, the housekeeper is employed by the employee. 10

“(5) A housekeeper who under subsection (4) of this section is a dependant of an employee for the purposes of any tax code shall cease to be such a dependant if and when, before the tax code ceases to apply to the employee,— 15

“(a) The housekeeper ceases to be employed by the employee; or

“(b) The employee marries; or

“(c) The person employed as housekeeper ceases to be a housekeeper as defined in section 83 of the principal Act.” 20

(2) This section shall come into force on the date of the passing of this Act.

32. Relatives as dependants for purposes of tax code— 25

(1) Section 14 of the Income Tax Assessment Act 1957 (as amended by section 26 (1) of the Land and Income Tax Amendment Act (No. 2) 1963) is hereby further amended by omitting from paragraph (a) of subsection (8) and also from paragraph (b) of that subsection and from paragraph (a) of subsection (9) the words “two hundred and seventy-five pounds”, and substituting in each case the words “three hundred pounds”. 30

(2) Section 26 of the Land and Income Tax Amendment Act (No. 2) 1963 is hereby consequentially repealed. 35

(3) This section shall come into force on the first day of April, nineteen hundred and sixty-six.

33. Assessment and payment of income tax payable by employees—(1) Section 27A of the Income Tax Assessment Act 1957 (as substituted by section 7 (1) of the Land and Income Tax Amendment Act 1962) is hereby amended by adding to paragraph (a) of the proviso to subsection (1) the following subparagraph:

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“(iii) Any other taxpayer would be deprived of any part of the benefit of any reduced deduction to which he would otherwise have been entitled pursuant to the application to him of a tax code under section 13 of this Act or to the issue, in place of a tax code applicable to him under the said section 13, of a special tax code certificate under section 18 of this Act; or”.

(2) This section shall apply with respect to the tax on income derived in the income year that ended on the thirty-first day of March, nineteen hundred and sixty-five, and in every subsequent year.

34. Provisional taxpayers—(1) Section 41 of the Income Tax Assessment Act 1957 is hereby amended by adding the following proviso:

“Provided that a provisional taxpayer shall be relieved from his obligation to pay provisional tax in respect of the income of any income year in any case where he did not derive in the income year preceding that income year any assessable income other than source deduction payments, interest, dividends, or rents, and the aggregate amount of his assessable income derived from interest, dividends, or rents did not exceed fifty pounds.”

(2) This section shall apply with respect to the provisional tax payable in respect of the income of the income year commencing on the first day of April, nineteen hundred and sixty-six, and of every subsequent year.