

**Taxation (Annual Rates, Foreign
Superannuation, and Remedial
Matters) Bill**

Government Bill

As reported from the committee of the whole
House

**Taxation (Annual Rates, Foreign
Superannuation, and Remedial Matters) Bill**

Key to symbols used in reprinted bill

**As reported from the committee of the whole
House**

text inserted

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Hon Todd McClay

**Taxation (Annual Rates, Foreign
Superannuation, and Remedial
Matters) Bill**

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The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Taxation (Annual Rates, Foreign Superannuation, and Remedial Matters) Act **2013**.

2 Commencement

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(1) This Act comes into force on the date on which it receives the Royal assent, except as provided in this section.

(2) **Section 114** comes into force on 24 October 2001.

(2B) **Section 116B** comes into force on 1 April 2005.

(3) **Sections 14, 16, 29(1), (2), (3), (5), and (9), 31, 57B, 59(1A) and (3), 57B, 58(1A), (3), and (4), 59(1A) and (3), 59BA, 59BAB, 65, 99, 99B, 102(2), 102B, 102C, 102D, 103(4), (13), (39), and (52), 112, 112C, and 117B(a)** come into force on 1 April 2008.

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(4) **Section 5** comes into force on 1 January 2009.

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(4B) **Section 18B** comes into force on 1 April 2009.

(5B) **Section 71B** comes into force on 1 April 2010.

(6) **Sections 33(1) and (2) to (4), 45(1), (2), and (4), 45B, 46, 47(1) to (3) and (5), 48(1) and (3), 49, 100, and 101** come into force on 1 July 2010.

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Part 2
Amendments to Income Tax Act 2007

- 4 Income Tax Act 2007**
This Part amends the Income Tax Act 2007.
- 5 Section CB 36 amended (Disposal of emissions units)** 5
In section CB 36, in the list of defined terms, delete “Kyoto emissions unit”.
- 6 New section CD 36B inserted (Foreign superannuation withdrawals and pensions from foreign superannuation scheme)** 10
After section CD 36, insert:
“**CD 36B Foreign superannuation withdrawals and pensions from foreign superannuation scheme**
An amount paid to a person by a company that is a foreign superannuation scheme is not a dividend if the person derives the amount as a— 15
“(a) foreign superannuation withdrawal:
“(b) pension.
“Defined in this Act: company, dividend, foreign superannuation withdrawal”.
- 7 Subpart CF heading amended (Income from living allowances, compensation, and government grants)** 20
In subpart CF, heading, insert “**foreign superannuation,**” before “**compensation**”.
- 8 New section CF 3 inserted (Withdrawals from foreign superannuation scheme)** 25
After section CF 2, insert:
“**CF 3 Withdrawals from foreign superannuation scheme**
“*When this section applies*
“(1A) This section applies when a New Zealand resident derives a benefit (a **foreign superannuation withdrawal**) that— 30
“(a) is not a pension or annuity; and
“(b) arises from an interest other than a FIF superannuation interest, in a foreign superannuation scheme (the **scheme**), that the person acquires—

- “(i) when the person is a non-resident:
- “(ii) in a transaction referred to in **subsection (18)(b) or (d)** from a person who acquired the interest in the scheme as a non-resident.

“*Income* 5

“(1) The foreign superannuation withdrawal is income of the person if the benefit is in the form of—

“(a) an amount derived by the person as a member or beneficiary of the scheme:

“(b) an interest of the person in the scheme, withdrawn for reinvestment as an interest of the person in a superannuation scheme in New Zealand: 10

“(c) an interest of the person in the scheme, outside Australia, withdrawn for reinvestment as an interest of the person in a superannuation scheme in Australia: 15

“(d) an interest of the person in the scheme withdrawn for reinvestment as an interest of another person in a superannuation scheme.

“*Exception*

“(1B) A foreign superannuation withdrawal is not income of the person under **subsection (1)(d)** if the benefit is an interest of the person in the scheme withdrawn— 20

“(a) on the death of the person or under a relationship agreement arising from an event (the **relationship cessation**) that occurs when,— 25

“(i) for a marriage or civil union of the person, the marriage or civil union is dissolved or the person and the person’s spouse or civil union partner separate or begin to live apart (whether or not they continue to live in the same residence): 30

“(ii) for a de facto relationship of the person, the de facto relationship ends; and

“(b) for immediate reinvestment as an interest, in a foreign superannuation scheme outside Australia, of another person who is— 35

“(i) a spouse, civil union partner, or de facto partner of the person immediately before the death or the relationship cessation; and

“(ii) a New Zealand resident.

“*Amounts within other provisions*

“(2) A foreign superannuation withdrawal derived by a resident is subject to—

“(b) **section CW 28B** (Foreign superannuation withdrawal in initial period of residency), if the person— 5

“(i) is a resident under section YD 1; and

“(iv) derives the foreign superannuation withdrawal in the exemption period referred to in **subsection (4)**: 10

“(c) **section CW 28C** (Foreign superannuation withdrawal exceeding given amount), if the foreign superannuation withdrawal is derived in the person’s assessable period referred to in **subsection (5B)**, to the extent to which the foreign superannuation withdrawal exceeds— 15

“(i) the amount referred to in **subsection (7)** as the assessable withdrawal amount, if the person uses the schedule method; or

“(ii) the amount referred to in **subsection (13)** as the assessable withdrawal amount, if the person uses the formula method. 20

“*Eligibility for exemption period*

“(3) A person has an exemption period referred to in **subsection (4)** for an interest in the scheme if the person—

“(a) does not have, before acquiring the interest, an exemption period for an interest in a foreign superannuation scheme; and 25

“(b) acquires the interest as a non-resident; and

“(c) owns the interest as a non-resident until a date (the **exemption commencement**), whether before or after the commencement of this Act, when the person becomes a New Zealand resident. 30

“*Exemption period*

“(4) The period (the **exemption period**) in which a foreign superannuation withdrawal may be exempt income of the person under **section CW 28B** is the period from the exemption commencement to the earlier of— 35

- “(iii) the person derives no withdrawal, other than a pension or annuity, from the scheme before 1 April 2014; and
- “(iv) the person has not used the schedule method for the interest in the scheme; and 5
- “(v) for a person who acquires the interest in the scheme of a spouse, civil union partner, or de facto partner by a transfer referred to in **subsection (18)(d)**, the other person did not use the schedule method for the interest in the scheme; and 10
- “(vi) the person chooses to use the formula method for the interest in the scheme.
- “*Schedule method: assessable withdrawal amount*
- “(7) The assessable withdrawal amount under the schedule method 15
is calculated using the formula—
(super withdrawal – contributions left) × schedule year fraction.
- “*Definition of items in formula in subsection (7)*
- “(8) In the formula in **subsection (7)**,—
- “(a) **super withdrawal** is the amount of the foreign superannuation withdrawal: 20
- “(b) **contributions left** is the lesser of the amount of the item super withdrawal and the total amount of recognised contributions under **subsection (16)** made in the assessable period before the distribution time, reduced, for each withdrawal (the **earlier withdrawal**), other 25
than a pension or annuity, made in the assessable period before the distribution time, by an amount equal to the lesser of—
- “(i) the amount of the earlier withdrawal:
- “(ii) the value of the item contributions left, immediately before the time of the earlier withdrawal: 30
- “(c) **schedule year fraction** is the fraction given in **schedule 33** (Default fractions of foreign superannuation withdrawals), column 2 of the row for which the entry in column 1 corresponds to the greater of 1 and the 35
number of income years beginning—

- “(i) in the assessable period under **subsection (5B)**;
and
- “(iii) before the distribution time.

“Formula method: distributed gain

- “(9) Under the formula method, the part (the **distributed gain**) of a foreign superannuation withdrawal that is treated as consisting of gains made by the scheme during the assessable period is calculated using the formula—

(super withdrawal × calculated gains fraction) – other gains.

“Definition of items in formula in subsection (9)

- “(10) In the formula in **subsection (9)**,—

- “(a) **super withdrawal** is the amount of the foreign superannuation withdrawal:

- “(b) **other gains** is the total amount of distributed gains referred to in **subsection (9)** for foreign superannuation withdrawals in the assessable period before the distribution time.

“Formula method: calculated gains fraction

- “(11) In the formula in **subsection (9)**, **calculated gains fraction** is the greater of zero and the amount calculated using the formula—

$$\frac{\text{predistribution} + \text{withdrawals} - \text{value} - \text{contributions}}{\text{predistribution}}$$

“Definition of items in formula in subsection (11)

- “(12) In the formula in **subsection (11)**,—

- “(a) **predistribution** is the value of the interest in the scheme immediately before the distribution time:

- “(b) **withdrawals** is the total amount of foreign superannuation withdrawals from the interest in the scheme in the assessable period before the distribution time:

- “(c) **value** is the value of the interest in the scheme at the beginning of the assessable period:

- “(d) **contributions** is the amount of recognised contributions under **subsection (16)** made to the interest in the scheme in the assessable period before the distribution time.

“Formula method: assessable withdrawal amount

“(13) The assessable withdrawal amount under the formula method is the amount calculated using the formula—

$$\text{gain} \times (\text{grow rate} - 1) \times \text{tax rate} \times (\text{assessable years} - 1) + \text{gain}.$$

“Formula method: grow rate

“(14) In the formula in **subsection (13)**, **grow rate** is the amount calculated using the formula—

$$\left(\frac{\text{accrued total}}{\text{value}} \right) \frac{1}{\text{assessable years.}}$$

“Definition of other items in formulas in subsections (13) and (14)

“(15) In the formulas in **subsections (13) and (14)**,—

“(a) **gain** is the amount of the distributed gain referred to in **subsection (9)** for the foreign superannuation withdrawal: 10

“(b) **tax rate** is the tax rate referred to in schedule 6, table 1, row 1 (Prescribed rates: PIE investments and retirement scheme contributions): 15

“(c) **assessable years** is the greater of 1 and the number of tax years beginning in the assessable period and before the distribution time:

“(d) **accrued total** is the value of the interest in the scheme immediately before the distribution time, increased by the value of foreign superannuation withdrawals from the interest in the scheme in the assessable period before the distribution time, and reduced by the value of recognised contributions under **subsection (16)** made to the interest in the scheme in the assessable period before the distribution time: 20 25

“(e) **value** is the value of the interest in the scheme at the beginning of the assessable period.

“Recognised contributions

“(16) The value of a payment to the scheme is taken into account in the formulas in **subsections (7), (11), and (14)** as a contribution (a **recognised contribution**) if the payment— 30

arising from the end of the marriage, civil union, or de facto relationship, the person is treated as—

- “(i) having owned the interest from the time the former owner acquired the interest; and
- “(ii) having made all payments to the scheme that were made by or for the former owner; and 5
- “(iii) having derived all distributions from the scheme that the former owner derived; and
- “(iv) having been a New Zealand resident owning the interest during the assessable period of the former owner, at the time of the transfer, for the interest; and 10
- “(v) continuing to own the interest from the time of the transfer.

“*Relationship with rest of Act* 15

“(19) If the assessable period for a person and an interest begins before 1 April 2014, this section overrides any provision of this Act that would otherwise quantify and allocate income of the person, from the part of the interest unaffected by withdrawals derived before 1 April 2014,— 20

- “(a) for the period of ownership before 1 April 2014; and
- “(b) not assessed for tax before 1 April 2014.

“Defined in this Act: amount, de facto partner, double tax agreement, FIF superannuation interest, foreign defined contribution scheme, foreign superannuation withdrawal, foreign superannuation scheme, income, income year, New Zealand resident, non-resident, relationship agreement, superannuation scheme, transitional resident” 25

9 Section CQ 5 amended (When FIF income arises)

Repeal section CQ 5(1)(c)(iii) and (xiii).

9B Section CR 4 amended (Income for general insurance outstanding claims reserve) 30

Replace section CR 4(3)(a) with:

- “(a) **opening outstanding claims reserve** is the total for the general insurance contracts of— 35
 - “(i) the amount of the insurer’s closing outstanding claims reserve for the income year before the current year (the

- prior year**), for general insurance contracts to which neither of **subparagraphs (ii) and (iii)** apply:
- “(ii) if the current year is the first year that this section applies to the insurer and general insurance contracts, the amount of the insurer’s reserve for outstanding claims liability, calculated at the end of the prior year using the basis the insurer used for tax purposes in that prior year, for general insurance contracts to which **subparagraph (iii)** does not apply: 5
- “(iii) the amount calculated using the formula in **section DW 4(4B)** (Deductions for general insurance outstanding claims reserve), for general insurance contracts transferred to the insurer in the current year by a transfer to which **section ED 3(1B)** (Part-year tax calculations for transfers: general insurance OCR) applies:”. 10 15
- 10 Section CT 1 amended (Disposal of exploratory material or petroleum mining asset)**
 In section CT 1(3), replace “arrangements for petroleum mining” with “arrangements for mining operations”.
- 11 Section CT 4 amended (Partnership interests and disposal of part of asset)** 20
 In section CT 4, replace “arrangements for petroleum mining” with “arrangements for mining operations”.
- 12 Section CT 5 amended (Petroleum mining operations outside New Zealand)** 25
 In section CT 5, replace “arrangements for petroleum mining” with “arrangements for mining operations”.
- 13 Subpart CU replaced (Income from mineral mining)**
 (1) Replace subpart CU with:

“Subpart CU—Income from mineral mining

“CU 1 Mineral miner’s income

An amount that a mineral miner derives from their mining operations or associated mining operations is income of the mineral miner. 5

“Defined in this Act: amount, associated mining operations, mineral miner, mining operations, income

“CU 2 Treatment of mining land

“*When this section applies*

“(1) This section applies when— 10

“(a) a mineral miner acquires land or an interest in land for the purposes of current or intended mining operations or associated mining operations; and

“(b) the land—

“(i) constitutes a mining permit area or is land adjacent to it: 15

“(ii) forms, or is intended to form, part of a mining permit area or land adjacent to it.

“*Income*

“(2) An amount that the mineral miner derives from disposing of the land or interest in land is income of the mineral miner for the income year of disposal. 20

“Defined in this Act: amount, associated mining operations, income, income year, interest, land, mineral miner, mining operations, permit area

“CU 3 Disposal of mineral mining assets 25

“*Income*

“(1) The consideration that a mineral miner derives from disposing of a mineral mining asset is income of the mineral miner.

“*Relationship with section CX 43*

“(2) This section is overridden by **section CX 43** (Farm-out arrangements for mining operations). 30

“Defined in this Act: income, mineral miner, mineral mining asset

“CU 4 Recovery of certain expenditure

“When this section applies

“(1) This section applies when—

“(a) a mineral miner incurs an amount of mining exploration expenditure in relation to their mining operations or associated mining operations; and 5

“(b) the mineral miner is allowed a deduction for the expenditure for an income year under **section DU 1(1)(b)** (Mining expenditure: prospecting and exploration expenditure); and 10

“(c) the income year is later than the 2013–14 income year; and

“(cb) the expenditure is incurred in an income year for which the mineral miner is required under section 22 of the Tax Administration Act 1994 to keep records; and 15

“(d) the expenditure results in, produces, or generates an asset for the mineral miner; and

“(e) the mineral miner uses the asset for, or in relation to, the commercial production of a listed industrial mineral.

“Income 20

“(2) The mineral miner is treated as deriving income to the extent of the amount of expenditure that resulted in, produced, or generated the asset. However, the amount must not be more than the amount of the deduction referred to in **subsection (1)(b)**. 25

“Timing

“(3) The income is allocated to the income year in which the mineral miner uses the asset for, or in relation to, the commercial production of the mineral.

“Defined in this Act: amount, associated mining operations, commercial production, deduction, income, income year, interest, land, listed industrial mineral, mineral, mineral miner, mining exploration expenditure, mining operations 30

“CU 5 Partnership interests and disposal of part of asset

In this subpart and **subpart DU** (Mineral mining expenditure), and in **sections CX 43** (Farm-out arrangements for mining operations), and **GB 20** (Arrangements involving petroleum and mineral mining) unless the context otherwise requires,— 35

- “(a) a partner is treated as having a share or interest in a mineral mining asset or other property of a partnership to the extent of their interest in the income of the partnership:
- “(b) references to the disposal of an asset apply equally to the disposal of part of an asset. 5
- “Defined in this Act: income, mineral mining asset, partner, partnership

“Definitions

“**CU 6 Meaning of mineral miner**

“Meaning 10

“(1) **Mineral miner** means a person to which 1 of the following applies:

- “(a) the person’s only source of income is the business described in **subsection (2)**; or
- “(b) the person’s main source of income is the business described in **subsection (2)**; or 15
- “(c) the person’s only activity is 1 of the activities described in **subsection (3)**; or
- “(d) the person’s main activity is 1 of the activities described in **subsection (3)**; or 20
- “(e) the person proposes that their only activity or their main activity be 1 of the activities described in **subsection (3)**.

“Business

“(2) The business referred to in **subsection (1)(a) and (b)** is the business of mining a listed industrial mineral in New Zealand. 25

“Activities

“(3) The activities referred to in **subsection (1)(c), (d), and (e)** are—

- “(a) exploring, searching, or mining for a listed industrial mineral in New Zealand; or 30
- “(b) performing development work for exploring, searching, or mining for a listed industrial mineral in New Zealand.

“Service for reward

- “(4) An activity described in **subsection (3)** does not include an activity done or to be done as a service to another person for reward unless the reward—
- “(a) is wholly or mainly related to and dependent on the production of the listed industrial mineral; or
 - “(b) arises wholly or mainly through participation in profits from the production of the listed industrial mineral.
- “Defined in this Act: business, income, listed industrial mineral, New Zealand

“CU 7 Some definitions 10

“Meaning of mining operations

- “(1) **Mining operations** means operations that—
- “(a) are carried on by a mineral miner in a permit area in New Zealand for the purpose of deriving income; and
 - “(b) consist of— 15
 - “(i) exploring, or searching for 1 or more listed industrial minerals; or
 - “(ii) performing development work for exploring, searching, or mining for 1 or more listed industrial minerals; or 20
 - “(iii) extracting 1 or more listed industrial minerals; or
 - “(iv) mining or performing work directly related to mining for 1 or more listed industrial minerals.

“Meaning of associated mining operations

- “(2) **Associated mining operations** means operations that— 25
- “(a) are carried on in New Zealand in association with mining operations; and
 - “(b) consist of the accumulation, initial treatment, and transport of listed industrial minerals up to the stage at which the minerals— 30
 - “(i) are in a saleable form and in a location suitable for a person to acquire them; or
 - “(ii) are ready to be processed beyond the initial treatment or to be used in a manufacturing operation.

“Meaning of initial treatment 35

- “(3) For the purposes of **subsection (2)(b)(ii)**, **initial treatment**—

- “(a) means—
 - “(i) breaking, cleaning, crushing, grading, grinding, leaching, screening, or sizing; or
 - “(ii) a treatment that is applied before concentration or, for a listed industrial mineral not requiring concentration, a treatment that would have been applied before concentration if the mineral had required concentration; or
 - “(iii) concentration; and
 - “(b) does not include—
 - “(i) calcining or sintering; or
 - “(ii) the production of, or processes carried on in connection with the production of, alumina, or pellets, or other agglomerated forms of iron.
- “Defined in this Act: associated mining operations, income, initial treatment, listed industrial mineral, mineral, mineral miner, mining operations, New Zealand, permit area

“CU 8 Meaning of listed industrial mineral

“Meaning

- “(1) **Listed industrial mineral—**
 - “(a) means alumina minerals (for example, bauxite, corundum, diaspore, and gibbsite), aluminous refractory clays containing over 30% alumina in the fired state, aluminous refractory fireclays containing over 30% alumina in the fired state, andalusite, antimony, asbestos, barite, bentonite (except bentonite mined in the area formerly known as Malvern County), bituminous shale, chromite, copper, diatomite, dolomite, feldspar, fluorite, gold, halloysite, kaolin, kyanite, lead, magnetite, manganese, mercury, mica, molybdenite, nickel, perlite, phosphate, platinum group, pyrite, silica in lump form used only in producing silicon carbide or silicon metal or ferro silicon, silica in sand form used only in producing silicon carbide, sillimanite, silver, sodium chloride, sulphur, talc, tin, titanium, titanomagnetite, tungsten, uranium, wollastonite, zeolite, zinc, and zircon:

“(b) includes a mineral that is declared to be an industrial mineral in a *Gazette* notice given by the Minister.

“*Minister to consider*

“(2) Before giving a *Gazette* notice about a particular mineral, the Minister must consider whether the mineral is or is likely to be of importance— 5

“(a) in the industrial development of New Zealand:

“(b) as a means of reducing the quantity of industrial minerals or industrial rock required to be imported into New Zealand: 10

“(c) as an item of export from New Zealand.

“Defined in this Act: listed industrial mineral, mineral, Minister, New Zealand

“**CU 9 Some definitions**

“*Meaning of mineral mining asset*

“(1) **Mineral mining asset** means— 15

“(a) a mining or prospecting right:

“(b) an exploration permit, a prospecting permit, or a mining permit:

“(c) a share or partial interest in an asset described in **paragraph (a) or (b)**. 20

“*Inclusion for particular purpose*

“(2) For the purposes of **section GB 20** (Arrangements involving petroleum and mineral mining), a mineral mining asset also includes an asset that is acquired by a mineral miner for the purposes of their mining operations or associated mining operations. 25

“*Exclusion*

“(3) A mineral mining asset does not include land.

“*Meaning of mining or prospecting right*

“(4) For the purposes of this section, **mining or prospecting right**— 30

“(a) means an authority, concession, easement, lease, licence, option, permit, privilege, right, or title relating to exploring, searching, or mining for, or carrying on an operation to recover, a listed industrial mineral; and 35

“(b) includes a share or interest in any such authority, concession, easement, lease, licence, option, permit, privilege, right, or title.

“Defined in this Act: associated mining operations, exploration permit, land, lease, listed industrial mineral, mineral miner, mineral mining asset, mining operations, mining or prospecting right, mining permit, permit, prospecting permit”.

5

(2) **Subsection (1)** applies for the 2014–15 and later income years.

14 Section CV 2 amended (Consolidated groups: income of company in group) 10

(1) In section CV 2(1), replace “section FM 8 (Transactions between group companies: income)” with “section FM 9 (Amounts that are company’s income)”.

(2) **Subsection (1)** applies for the 2008–09 and later income years. 15

15 New section CV 19 inserted (Additional income for certain imputation credits)

After section CV 18, insert:

“CV 19 Additional income for certain imputation credits 20

“When this section applies

“(1) This section applies when a person has assessable income for the purposes of section LE 1 (Tax credits for imputation credits) because section LE 1(4B) applies (the **LE 1(4B) income**), and the LE 1(4B) income includes an imputation credit. 25

“Income

“(2) For the income year to which the LE 1(4B) income relates, the person derives an amount of income equal to the amount of the tax credit for the imputation credit under **section LE 8B** (Dividends from certain FIF interests). 30

“Defined in this Act: assessable income, imputation credit, income, income year, tax credit”.

- 16 Section CW 12 amended (Proceeds of share disposal by qualifying foreign equity investor)**
Insert in section CW 12(4), in the appropriate alphabetical order:
“**qualifying foreign equity investor** means a person who is not resident in New Zealand and who is 1 or more of—
“(a) a foreign exempt entity:
“(b) a person who is part of a foreign exempt partnership:
“(c) a foreign exempt person.” 5
- 17 Heading before section CW 28 amended (Income from living allowances, compensation, and government grants)**
In the heading before section CW 28, insert “*foreign superannuation,*” before “*compensation*”. 10
- 18 New sections CW 28B and CW 28C inserted**
After section CW 28, insert: 15
- “**CW 28B Foreign superannuation withdrawal in initial period of residency**
A foreign superannuation withdrawal is exempt income of a person if the person—
“(b) meets the requirements of **section CF 3(2)(b)** (Withdrawals from foreign superannuation scheme); and 20
“(c) derives the foreign superannuation withdrawal in the exemption period referred to in **section CF 3(4)** for the person.
“Defined in this Act: exempt income, foreign superannuation withdrawal, transitional resident 25
- “**CW 28C Foreign superannuation withdrawal exceeding given amount**
A foreign superannuation withdrawal derived by a person in the assessable period referred to in **section CF 3(5B)** (Withdrawals from foreign superannuation scheme) for the person is exempt income of the person to the extent to which the foreign superannuation withdrawal exceeds the amount—
“(a) calculated using the formula in **section CF 3(7)** as the assessable withdrawal amount, if the person uses the schedule method under that section; or 30 35

“(b) calculated using the formula in **section CF 3(13)** as the assessable withdrawal amount, if the person uses the formula method under that section.

“Defined in this Act: exempt income, foreign superannuation withdrawal”.

18B New section CW 55BAB inserted (Rebate of fees paid by FIF) 5

(1) After section CW 55BA, insert:

“CW 55BAB Rebate of fees paid by FIF

“When this section applies

“(1) This section applies to a person having an attributing interest in a foreign investment fund when— 10

“(a) the FIF pays fees to another person; and

“(b) the person derives, from the other person, a rebate of the fees; and

“(c) the person is not allowed a deduction for the fees; and 15

“(d) the person’s FIF income or loss from the interest is not calculated using the comparative value method.

“(2) The amount of the rebate is exempt income.

“Defined in this Act: attributing interest, comparative value method, deduction, exempt income, FIF, foreign investment fund, loss, pay”.

(2) **Subsection (1)** applies to a person for a rebate derived— 20

(a) on or after the date (the **assent date**) on which the Taxation (Annual Rates, Foreign Superannuation, and Remedial Matters) Act **2013** receives the Royal assent:

(b) at or after the beginning of the 2009–10 income year and before the assent date, if the person gives notice to the Commissioner of an election to have the inserted provision apply to rebates derived in the income year of the rebate. 25

19 Section CX 43 replaced (Farm-out arrangements for petroleum mining) 30

(1) Replace section CX 43 with:

“CX 43 Farm-out arrangements for mining operations

Farm-in expenditure under a farm-out arrangement is excluded income of a petroleum miner or a mineral miner, as 35

- applicable, who is the farm-out party in the farm-out arrangement.
 “Defined in this Act: excluded income, farm-in expenditure, farm-out arrangement, mineral miner, petroleum miner”.
- (2) **Subsection (1)** applies for the 2014–15 and later income years. 5
- 20 Heading and section CX 44 repealed (Disposal of mining shares)**
 Repeal the heading before section CX 44 and section CX 44.
- 21 Section CX 45 repealed (Disposal of mining shares acquired with reinvestment profit)** 10
 Repeal section CX 45.
- 22 Section CX 46 repealed (Repayment of loans made from reinvestment profit)**
 Repeal section CX 46. 15
- 23 Section CZ 2 repealed (Mining company’s 1970–71 tax year)**
 Repeal section CZ 2.
- 24 Section CZ 4 repealed (Mineral mining: company making loan before 1 April 1979)** 20
 Repeal section CZ 4.
- 25 New section CZ 21B inserted (Optional treatment of withdrawals from foreign superannuation schemes not included in return or assessed before 1 April 2014)** 25
 After section CZ 21, insert:
“CZ 21B Optional treatment of withdrawals from foreign superannuation schemes not included in return or assessed before 1 April 2014
“When this section applies
 “(1) This section applies when a person— 30
 “(a) derives an amount from a foreign superannuation scheme as a withdrawal other than a pension or annuity₂

or applies for the withdrawal of such an amount, in the period beginning on 1 January 2000 and ending with 31 March 2014; and

- “(b) does not include the withdrawal (the **omitted withdrawal**) in a return of income for the income year in which the amount was derived; and 5
- “(c) is not assessed before 1 April 2014 for income included in the omitted withdrawal; and
- “(d) chooses to include in a return of income for an income year (the **return year**) that is the 2013–14 or 2014–15 income year an amount of assessable income as relating to all omitted withdrawals from the foreign superannuation scheme. 10

“Amount of income

- “(2) The person is treated as deriving, in the return year, from the omitted withdrawals an amount of assessable income (the **withdrawal income**) equal to 15% of the total amount of the omitted withdrawals. 15

“Tax on omitted withdrawal

- “(3) The amount of the liability of the person for income tax (the **withdrawal tax liability**) arising from the omitted withdrawals is the difference between the person’s income tax liability for the return year, with the withdrawal income included in the person’s assessable income for that year, and the income tax liability that the person would have for the return year if the withdrawal income were not included in the person’s assessable income for that year. 20 25

“Relationship with law applicable when withdrawal derived

- “(5) This section overrides the law applying to the taxation of the omitted withdrawals when the person derived the omitted withdrawals and of the person’s interest in the foreign superannuation scheme for the period ending by 31 March 2014 in which the person had the interest. 30

“Relationship with law otherwise applicable to withdrawal and interest in scheme

- “(5) This section overrides— 35
- “(a) section CF 3 (Withdrawals from foreign superannuation scheme);

“(b) for omitted withdrawals derived on or before 31 March 2014, the law that would apply in the absence of this section to the withdrawal at the time of the derivation of the withdrawal:

“(c) the law that would apply in the absence of this section to the person’s interest in the foreign superannuation scheme for the period ending by 31 March 2014. 5

“Defined in this Act: assessable income, foreign superannuation scheme, income tax, income tax liability, income year, return of income, terminal tax”.

25B Section CZ 25 amended (Land and buildings as revenue account property affected by Canterbury earthquakes and replaced—insurance or compensation, Government purchase) 10

(1) In section CZ 25(1), words before paragraph (a), replace “2016–17 income year” with “2019–20 income year”. 15

(2) In section CZ 25(1)(a)(i), replace “abolished” with “demolished”.

(3) In section CZ 25(1)(a)(ii), replace “Government” with “Crown”.

(4) In section CZ 25(1)(a)(ii), replace “section 53(1) of the Canterbury Earthquake Recovery Act 2011” with “section 53(1), 54, or 55 of the Canterbury Earthquake Recovery Act 2011”. 20

(5) Replace section CZ 25(1)(b) with:

“(b) in the absence of this section, would have in or before the current year a total amount of income (the **insurance income**) under sections CB 6, CB 7, CB 12, CB 13, and CG 6 (which relate to income from certain disposals of land and from compensation for trading stock) from the consideration, compensation, or insurance for the affected property that exceeds the total amount of deductions under sections DB 23 and DB 27 (which relate to deductions for the cost or value of land) for the affected property; and”. 25 30

(6) Replace section CZ 25(1)(c) with:

“(c) plans, in the current year, to acquire property (the **replacement property**)— 35

“(i) replacing affected property; and

- “(ii) meeting the requirements of subsection (4); and
“(iii) having a cost exceeding the total amount of deductions under sections DB 23 and DB 27 for the affected property; and”.
- (7) In section CZ 25(2), replace “The amount of the excess (the **excess recovery**) referred to in subsection (1)(a)” with “The amount (the **excess recovery**) by which the insurance income referred to in **subsection (1)(b)** exceeds the deductions referred to in **subsection (1)(b)**”. 5
- (8) Replace section CZ 25(3)(a) with: 10
- “(a) for the purposes of determining the value of the replacement property for section EA 2 (Other revenue account property), the amount of the person’s expenditure on the replacement property is reduced by—
- “(i) the amount calculated by dividing the replacement cost by the total amount of deductions under sections DB 23 and DB 27 for the affected property and multiplying the result by the excess of the insurance income over the replacement cost, if the insurance income exceeds the replacement cost and the calculated amount is less than or equal to the amount of insurance income; 15
or
“(ii) the amount of the excess recovery, if the insurance income does not exceed the replacement cost or is less than the amount calculated in **sub-paragraph (i)**; and” 20 25
- (9) In section CZ 25(4)(a), replace “2015–16 income year” with “2018–19 income year”.
- (10) In section CZ 25(5), heading, replace “*2015–16 income year*” with “*2018–19 income year*”. 30
- (11) In section CZ 25(5)(a), replace “2015–16 income year” with “2018–19 income year”.
- 25C Section CZ 26 replaced (Land and buildings affected by Canterbury earthquakes—sections CB 9 to CB 12 overridden for Government purchases)** 35
- (1) Replace section CZ 26 with:

“CZ26 Land and buildings affected by Canterbury earthquakes—sections CB 9 to CB 12 and CB 14 overridden for Crown purchases

Sections CB 9 to CB 12 and CB 14 (which relate to disposals within 10 years of acquisition) do not apply to a person and land or buildings purchased by the Crown from the person under section 53(1), 54, or 55 of the Canterbury Earthquake Recovery Act 2011. 5

“Defined in this Act: land”.

- (2) In the heading to **section CZ 26**, replace “**CB 12**” with “**CB 11**”. 10
- (3) In **section CZ 26**, replace “CB 12” with “CB 11”.

26 New section CZ 27 inserted (Prior bad debt deductions clawback)

After section CZ 26, insert: 15

“CZ27 Prior bad debt deductions clawback

“When this section applies

“(1) This section applies when—

“(a) a person acquires a debt before the introduction of the **Taxation (Annual Rates, Foreign Superannuation, and Remedial Matters) Bill** (the introduction day); and 20

“(b) the debt exists on the first day of the 2014–15 income year and a base price adjustment under section EW 31 (Base price adjustment formula) is not calculated for the debt in the 2014–15 income year or an earlier income year; and 25

“(c) the person has taken, in a return of income, a deduction for the debt under section DB 31 (Bad debts) for an income year that starts before the introduction day (a **prior bad debt deduction**); and 30

“(d) the prior bad debt deduction arose before the introduction day; and

“(e) the person does not have a dispute with the Commissioner on the introduction day in relation to any prior bad debt deduction for the debt. 35

“Income: prior bad debt deductions clawback

- “(2) The person has an amount of income equal to the difference between their total prior bad debt deductions for the debt, and the amount of deductions that they would have had for the debt under section DB 31 for the same period of the prior bad debt deductions if **section DB 31(4B), (4C), and (5B)** were treated as applying on and after the first day that the person acquires the debt. 5

“Defined in this Act: Commissioner, deduction, income, income year, return of income”.

10

27 New section CZ 28 inserted (Transitional provision for mineral mining: previously appropriated mining expenditure)

- (1) After **section CZ 27**, insert:

“CZ 28 Transitional provision for mineral mining: previously appropriated mining expenditure 15

“When this section applies

- “(1) This section applies when—

“(a) a mineral miner appropriates an amount of income for an income year to mining exploration expenditure or mining development expenditure; and 20

“(b) the income year precedes the 2014–15 income year; and

“(c) the mineral miner has a deduction under section DU 4 (Income appropriated to expenditure) and a corresponding amount of income under section CU 9 (Previous deduction for income appropriated) as those sections were immediately before the enactment of the **Taxation (Annual Rates, Foreign Superannuation, and Remedial Matters) Act 2013**; and 25

“(d) as a result of the application of those sections, the mineral miner has an income tax liability for the 2014–15 income year. 30

“Timing

- “(2) The mineral miner may allocate the corresponding amount of income equally to the 2014–15 and 2015–16 income years. 35

“Defined in this Act: amount, deduction, income, income tax liability, income year, mineral miner, mining development expenditure, mining exploration expenditure”.

- (2) **Subsection (1)** applies for the 2014–15 and later income years.

27B Section DB 23 amended (Cost of revenue account property)

- (1) After section DB 23(2), insert: 5
“Relationship with sections CU 2 and DU 3
 “(2B) **Sections CU 2** (Treatment of mining land) and **DU 3** (Acquisition of land for mining operations) override this section in relation to land or an interest in land as described in **section CU 2(1)(b)** that a mineral miner acquires for the purposes of their mining operations or associated mining operations.” 10
 (2) In section DB 23, in the list of defined terms, insert “associated mining operations”, “land”, “mineral miner”, and “mining operations”.

28 Section DB 30 amended (Cost of non-specified mineral) 15

- (1) In section DB 30, replace the section heading with “**Cost of certain minerals**”.
 (2) In section DB 30(1)(b), replace “a specified mineral” with “a listed industrial mineral”.

29 Section DB 31 amended (Bad debts) 20

- (1) Replace section DB 31(1)(a) with:
 “(a) the debt is a debt—
 “(i) written off as bad in the income year:
 “(ii) for which the debtor is released from making all remaining payments under the Insolvency Act 2006 excluding Part 5, subparts 1 and 2 of that Act, or under the Companies Act 1993, or under the laws of a country or territory other than New Zealand, and the person is required to calculate a base price adjustment by section EW 29 (When calculation of base price adjustment required) for the debt for the income year: 25
 “(iii) for which the debtor is a company that is released from making all remaining payments by a deed or agreement of composition, and the person is 30
35”

required to calculate a base price adjustment by section EW 29 for the debt for the income year; and”.

- (2) In section DB 31(2)(a), replace “the requirement” with “a requirement”.
- (3) In section DB 31(3)(a), replace “the requirement” with “a requirement”.
- (4) In section DB 31(3)(d) replace “ subsection (5) does” with “**subsections (4B)** to (5) do”.
- (5) In section DB 31(4)(a), replace “the requirement of subsection (1)(a)” with “the requirement of **subsection (1)(a)(i)**”.
- (6) After section DB 31(4) insert:
- “*Face value*
- “(4B) A person is allowed a deduction, under subsection (3), for a debt acquired for less than its face value, only to the extent of the consideration the person pays for acquiring the debt.
- “*Limited recourse*
- “(4C) A person is allowed a deduction, under **subsection (3)**, for a debt that a limited recourse arrangement relates to, only to the extent to which the amount of the debt, after applying **subsection (4B)**, exceeds the consideration paid to the person under the limited-recourse arrangement in relation to that debt.
- “*Limited recourse: deduction when base price adjustment performed*
- “(4D) If **subsection (4C)** applies for a debt (the **debt**), then the person is allowed a deduction, at the time that the person performs a base price adjustment for the relevant limited-recourse arrangement, equal to the positive amount calculated using the following formula:
- consideration paid to person – consideration paid by person.
- “*Definition of items in formula*
- “(4E) In the formula,—
- “(a) **consideration paid to the person** is the consideration paid to the person under the relevant limited-recourse arrangement in relation to the debt:

- “(b) **consideration paid by the person** is the consideration paid by the person under the relevant limited-recourse arrangement in relation to the debt.”
- (7) After section DB 31(5), insert:
- “A definition”* 5
- “(5B) In this section, **limited-recourse arrangement** means, in relation to a debt (the **debt**), an arrangement that is for the person’s business of dealing in or holding financial arrangements, and that provides for payment or non-payment by the person, contingent upon— 10
- “(a) payment of some or all of the debt to the person:
- “(b) failure to make payment of some or all of the debt to the person.”
- (8) In section DB 31, in the list of defined terms, insert “arrangement” and “limited-recourse arrangement”. 15
- (9) **Subsections (1), (2), (3), and (5)** apply for a debt that goes bad in the 2008–09 and later income years.
- 29B Section DG 3 amended (Meaning of asset for this subpart)**
- (1) Repeal section DG 3(4)(c).
- (2) **Subsection (1)** applies for the 2013–14 and later income years. 20
- 30 Section DN 6 amended (When FIF loss arises)**
Repeal section DN 6(1)(c)(iii) and (xiii).
- 31 Section DP 11 amended (Cost of timber)**
In section DP 11, before subsection (4B), insert as a subsection heading “*Exception*”. 25
- 32 Section DR 3 amended (Life reinsurance outside New Zealand)**
In section DR 3(a), replace “:” with “; and”.
- 33 Section DR 4 amended (Life insurers’ claims reserves)** 30
- (1) In section DR 4, replace the heading with “**Life insurers’ claims**”.
- (1B) Replace section DR 4(2), other than the heading, with:

- “(2) The life insurer is allowed a deduction as provided by section EY 20 (Shareholder base allowable deductions: non-participation policies) for the amount of expenditure or loss relating to the life risk component of a claim paid for the income year under a life insurance policy that is not an annuity and not a profit participation policy.” 5
- (2) In section DR 4(3), replace “The general limitations still apply” with “The general limitations still apply, except that the capital limitation does not apply for a life insurer and the life risk components of claims under life insurance policies that are not annuities and not profit participation policies and have been transferred to the life insurer”. 10
- (3) In section DR 4, list of defined terms, insert “capital limitation”, “life risk component”, and “profit participation policy”. 10
- (4) **Subsections (1B) and (2)** apply— 15
- (a) on and after 1 July 2010, unless **paragraph (b)** applies: 15
- (b) for an income year that includes 1 July 2010 and later income years, if the life insurer chose to apply the life insurance rules in the Taxation (International Taxation, Life Insurance, and Remedial Matters) Act 2009 in a return of income for the tax year corresponding to the first relevant income year. 20
- 34 Section DT 17 amended (Attribution of expenditure)**
In section DT 17(3) replace “(Arrangements involving petroleum mining)” with “(Arrangements involving petroleum and mineral mining)”. 25
- 35 Subpart DU replaced (Mineral mining expenditure)**
- (1) Replace subpart DU with:
“Subpart DU—Mineral mining expenditure
- “DU 1 Mining expenditure: prospecting and exploration expenditure** 30
- “Deduction*
- “(1) A mineral miner is allowed a deduction for the following expenditure:
- “(a) mining prospecting expenditure: 35

“(b) mining exploration expenditure, subject to **section
DU 6 sections DU 5B and DU 5C**.

“*Link with subpart DA*

“(2) This section supplements the general permission. The general limitations still apply. 5

“Defined in this Act: deduction, general limitation, general permission, mineral miner, mining exploration expenditure, mining prospecting expenditure

“**DU 2 Mining expenditure: rehabilitation expenditure**

“*Deduction*

“(1) A mineral miner is allowed a deduction for mining rehabilitation expenditure. 10

“*Timing of deduction*

“(2) The deduction is allocated to the income year in which the mineral miner incurs the amount of mining rehabilitation expenditure. 15

“*Tax credit*

“(3) If a mineral miner has a net mining loss for a tax year after taking into account an amount of mining rehabilitation expenditure incurred in relation to a permit area, they may have a tax credit for the amount under **section LU 1** (Tax credits for mineral miners) for the corresponding income year. 20

“*Link with subpart DA*

“(4) This section supplements the general permission and overrides the capital limitation. The other general limitations still apply. 25

“Defined in this Act: amount, capital limitation, corresponding income year, deduction, general limitation, general permission, income year, mineral miner, mining rehabilitation expenditure, net mining loss, permit area, tax credit, tax year

“**DU 3 Acquisition of land for mining operations**

“*Deduction* 30

“(1) A mineral miner is allowed a deduction for expenditure incurred in acquiring land or an interest in land for the purposes of their mining operations or associated mining operations.

“*Exclusions*

“(2) **Subsection (1)** does not apply to the following expenditure: 35

- “(a) expenditure incurred on or in relation to land that—
- “(i) does not constitute a mining permit area or land adjacent to it:
- “(ii) does not form, or is not intended to form, part of a mining permit area or land adjacent to it. 5
- “(b) expenditure referred to in **section DU 9(1)**:
- “(c) expenditure for which the mineral miner has a deduction before disposing of the land or interest in land:
- “(d) residual expenditure.
- “Timing of deduction 10*
- “(3) The deduction is allocated to the income year in which the mineral miner disposes of the land or interest in land.
- “Treatment of losses on disposal of land*
- “(4) If the mineral miner has a net mining loss for a tax year after taking into account the amount derived from the disposal of the land or interest in land, they may have a tax credit for the amount of the loss on disposal under **section LU 1** (Tax credits for mineral miners) for the corresponding income year. 15
- “Link with subpart DA*
- “(5) This section overrides the capital limitation. The general permission must still be satisfied and the other general limitations still apply. 20
- “Defined in this Act: amount, associated mining operations, capital limitation, deduction, general limitation, general permission, interest, income year, land, mineral miner, mining operations, net mining loss, permit area, residual expenditure, tax credit, tax year 25

“DU 4 Acquisition of mineral mining assets

- “Deduction for assets acquired before mining permits*
- “(1) If a person acquires a mineral mining asset before the date on which a mining permit for the permit area to which the asset relates is obtained, they are allowed a deduction for expenditure incurred in acquiring the asset. 30
- “Mining development expenditure for later assets*
- “(2) If a person acquires a mineral mining asset after the date on which a mining permit for the permit area to which the asset relates is obtained, the expenditure incurred in acquiring the asset is treated as mining development expenditure. 35

“No application costs

- “(3) For the purposes of this section, expenditure incurred does not include the cost of an application for a mining right or mining permit.

“Link with subpart DA

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- “(4) This section overrides the capital limitation. The general permission must still be satisfied and the other general limitations still apply.

“Defined in this Act: capital limitation, deduction, general limitation, general permission, mineral mining asset, mining development expenditure, mining permit, permit area

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“DU 5 Farm-out arrangements

“When this section applies

- “(1) This section applies when a farm-in party under a farm-out arrangement incurs farm-in expenditure that, if it were incurred by the farm-out party, would fall into 1 of the classes of mining expenditure referred to in **section DU 9(1)**.

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“Treatment of farm-in expenditure

- “(2) The farm-in expenditure is treated as if it were the applicable class of mining expenditure.

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“Link with subpart DA

- “(3) This section supplements the general permission and overrides the capital limitation. The other general limitations still apply.

“Defined in this Act: capital limitation, farm-in expenditure, farm-out arrangement, general limitation, general permission

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“DU 5B Deduction for certain mining expenditure spread over assumed life of mine

“When this section applies

- “(1) This section applies when—

“(a) a mineral miner—

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- “(i) incurs an amount of mining development expenditure for an income year on or in relation to their mining operations or associated mining operations in a mining permit area:

- “(ii) has incurred an amount of mining exploration expenditure in relation to a mining permit area on

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- acquiring or creating property for which the mineral miner has been allowed a deduction in an earlier income year, and the amount is recovered as income under **section CU 4** (Recovery of certain expenditure); and 5
- “(b) the mineral miner starts to use the mining permit area to derive income; and
- “(c) the mineral miner either does not meet the requirements to allow allocation of the expenditure under **section EJ 20E** (Certain mining expenditure spread on basis of units of production) or, if they do, they do not choose to allocate the expenditure under that section. 10
- “No deduction (with exception)*
- “(2) The mineral miner is denied a deduction for the expenditure except to the extent quantified and allocated under **section EJ 20B** (Certain mining expenditure spread over assumed life of mine). 15
- “Link with subpart DA*
- “(3) This section overrides the capital limitation. The general permission must still be satisfied and the other general limitations still apply. 20
- “Defined in this Act: amount, associated mining operations, capital limitation, deduction, general limitation, general permission, income, income year, mineral miner, mining development expenditure, mining exploration expenditure, mining operations, permit area 25
- “DU 5C Deduction for certain mining expenditure spread on basis of units of production**
- “When this section applies*
- “(1) This section applies when a mineral miner—
- “(a) incurs expenditure described in **section DU 5B(1)(a)** on or in relation to their mining operations or associated mining operations in a mining permit area; and 30
- “(b) starts to use the permit area to derive income; and
- “(c) either—
- “(i) uses IFRS rules to prepare their financial statements; or 35

- “(ii) keeps appropriate records that are sufficient to enable the Commissioner to verify the calculations used by the mineral miner; and
- “(d) chooses to apply this section in the way described in **section EJ 20E(2)** (Certain mining expenditure spread on basis of units of production). 5
- “*No deduction (with exception)*
- “(2) The mineral miner is denied a deduction for the expenditure except to the extent quantified and allocated under **section EJ 20E**. 10
- “*Link with subpart DA*
- “(3) This section overrides the capital limitation. The general permission must still be satisfied and the other general limitations still apply.
- “Defined in this Act: associated mining operations, capital limitation, Commissioner, deduction, financial statement, general limitation, general permission, IFRS, income, mineral miner, mining operations, permit area 15
- “*Classes of mining expenditure*
- “**DU 9 Classes of mineral mining expenditure** 20
- “*Classes* 20
- “(1) **Sections DU 10 to DU 13** set out the classes of mineral mining expenditure. They are—
- “(a) mining prospecting expenditure, *see* **section DU 10**;
- “(b) mining exploration expenditure, *see* **section DU 11**;
- “(c) mining development expenditure, *see* **section DU 12**; 25
- “(d) mining rehabilitation expenditure, *see* **section DU 13**.
- “*No recharacterisation as mining prospecting expenditure*
- “(2) For the purposes of this subpart, **subpart CU** (Income from mineral mining), **sections EJ 20B to EJ 20E** (which relate to spreading rules for certain mining expenditure), **GB 20** (Arrangements involving petroleum and mineral mining), IA 7(7), IS 1, and IS 2 (which relate to tax losses), and **LU 1** (Tax credits for mineral miners), no amount of expenditure that properly falls into a class of expenditure referred to in **subsection (1)(b) to (d)** may be characterised as mining prospecting ex- 35

penditure because of the timing of the expenditure or for any other reason.

“Defined in this Act: amount, mining development expenditure, mining exploration expenditure, mining prospecting expenditure, mining rehabilitation expenditure

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“**DU 10 Some definitions**

“*Meaning of mining prospecting expenditure*

“(1) **Mining prospecting expenditure**—

“(a) means expenditure that a mineral miner incurs directly in relation to the acquisition of—

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“(i) a prospecting right under the Crown Minerals Act 1991:

“(ii) mining prospecting information, including labour, materials, services, and administrative expenses directly incurred in acquiring the information; and

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“(b) includes prospecting for minerals by electrical, geochemical, gravimetric, magnetic, radioactive, seismic, or other geological methods; and

“(c) does not include—

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“(i) the cost of land, plant, or machinery:

“(ii) expenditure referred to in **section DU 9(1)(b) to (d)**:

“(iii) residual expenditure.

“*Meaning of mining prospecting information*

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“(2) **Mining prospecting information** means geological, geophysical, or technical information—

“(a) that is about the presence, absence, extent, or volume of listed industrial minerals in an area; or

“(b) that is likely to assist in determining the presence, absence, extent, or volume of listed industrial minerals in an area.

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“Defined in this Act: land, listed industrial mineral, mineral miner, mining prospecting expenditure, mining prospecting information, residual expenditure

“**DU 11 Meaning of mining exploration expenditure**

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Mining exploration expenditure—

- “(a) means expenditure that a mineral miner incurs in exploring or searching in New Zealand for a listed industrial mineral; and
- “(b) includes expenditure that the mineral miner incurs directly in relation to— 5
 - “(i) acquiring an exploration right or permit under the Crown Minerals Act 1991:
 - “(ii) geological mapping and geophysical surveys:
 - “(iii) systematic searches for areas containing listed industrial minerals: 10
 - “(iv) searching by drilling in areas containing listed industrial minerals:
 - “(v) searching for ore containing a listed industrial mineral within or in the vicinity of an ore body by crosscuts, drilling, drives, rises, shafts, or winzes; and 15
- “(c) does not include—
 - “(i) the cost of land, plant, or machinery:
 - “(ii) expenditure referred to in **section DU 9(1)(a), (c), and (d)**: 20
 - “(iii) residual expenditure.

“Defined in this Act: land, listed industrial mineral, mineral miner, mining exploration expenditure, residual expenditure

“**DU 12 Meaning of mining development expenditure expenditure: exclusion of operational expenditure** 25

“*Meaning of mining development expenditure*

- “(1) **Mining development expenditure** means—
 - “(a) expenditure that a mineral miner incurs in preparing a permit area for their mining operations or associated mining operations: 30
 - “(b) expenditure on operations that are carried on by a mineral miner on a permit area in New Zealand for the purpose of deriving income and consist of—
 - “(i) mining for 1 or more listed industrial mineral; or
 - “(ii) performing work directly related to mining for 1 35
 - “(iii) undertaking earthworks, including tailing dams, that are necessary for the working of the mine.

“Inclusions

- “(2) **Mining development expenditure** includes expenditure that the mineral miner incurs directly in relation to the permit area in—
- “(a) acquiring a mining right or permit under the Crown Minerals Act 1991 for their mining operations or associated mining operations: 5
 - “(b) obtaining required resource consents for their mining operations or associated mining operations:
 - “(c) establishing mine infrastructure on any of the following: 10
 - “(i) plant or machinery, including vehicles or vessels:
 - “(ii) production equipment or facilities:
 - “(iii) storage facilities:
 - “(d) providing, or contributing to the cost of providing, communication equipment, fuel, light, power, or water in relation to their mining operations or associated mining operations in the permit area. 15

“Exclusions

- “(3) **Mining development expenditure** does not include— 20
- “(a) the cost of land:
 - “(ab) operational expenditure:
 - “(b) expenditure on property acquired after the start of commercial production from the permit area that has an estimated useful life that does not depend on the remaining assumed life of the mine: 25
 - “(c) expenditure referred to in **section DU 9(1)(a), (b), and (d)**:
 - “(d) residual expenditure.

“Meaning of operational expenditure

- “(4) For the purposes of this section and **section IS 2(1)** (Treatment of net losses resulting from certain expenditure), **operational expenditure** means expenditure that— 30
- “(a) is incurred in operations carried on by a mineral miner in a mining permit area; and 35
 - “(b) is incurred after the start of commercial production from the mining permit area; and

“(c) does not create an asset that has an estimated useful life of more than 1 year.

“Defined in this Act: associated mining operations, commercial production, estimated useful life, income, land, listed industrial mineral, mineral miner, mining development expenditure, mining operations, New Zealand, operational expenditure, permit area, residual expenditure 5

“DU 13 Meaning of mining rehabilitation expenditure

Mining rehabilitation expenditure—

“(a) means expenditure that a mineral miner incurs in New Zealand directly in relation to rehabilitation of land that is the permit area of their mining operations or associated mining operations carried out as a result of— 10

“(i) the mineral miner’s permit requirements:

“(ii) the requirements of an access arrangement issued under the Crown Minerals Act 1991 or regulations made under that Act: 15

“(iii) an obligation of the mineral miner under the Resource Management Act 1991 or regulations made under that Act:

“(iv) a concession under the Conservation Act 1987: 20

“(v) an authority under the Historic Places Act 1993; and

“(b) includes an amount that the mineral miner pays to restore, or towards restoring, the area of their operations either during or after those operations; and 25

“(c) does not include—

“(i) the cost of land:

“(ii) expenditure referred to in **section DU 9(1)(a) to (c)**:

“(iii) residual expenditure. 30

“Defined in this Act: amount, associated mining operations, land, mineral miner, mining operations, New Zealand, pay, permit area, residual expenditure”.

(2) **Subsection (1)** applies for the 2014–15 and later income years. 35

36 Section DW 4 amended (Deduction for general insurance outstanding claims reserve)

(1) After section DW 4(4), insert:

“Contracts transferred to insurer

“(4B) If a person (the **transferor**) transfers a general insurance contract (the **contract**) to the insurer by a transfer to which **section ED 3(1B)** (Part-year tax calculations for transfers: general insurance OCR) applies, the amount of the item opening outstanding claims reserve for the contract under subsection (4) for the insurer is the amount calculated using the formula—
unreported claim events + reported claims unpaid + risk margin. 5

“Definition of items in formula in subsection (4B)

“(4C) In the formula in **subsection (4B)**,—

“(a) **unreported claim events** is the actuarially determined estimate of the present value of claims, not reported to the transferor before the transfer, for events occurring before the transfer,— 10

“(i) taking into account the probability of the claims being paid and the future expenses for administering the claims; and 15

“(ii) after subtracting the present value of relevant reinsurance claims of the insurer:

“(b) **reported claims unpaid** is the actuarially determined estimate of the present value of the claims reported to the transferor before the transfer and not paid before the transfer,— 20

“(i) taking into account the probability of the claims being paid and the future expenses for administering the claims; and 25

“(ii) after subtracting the present value of relevant reinsurance claims of the insurer:

“(c) **risk margin** is the appropriate margin for claims described in **paragraph (a) or (b)**, to the extent to which the margin— 30

“(i) is actuarially determined; and

“(ii) reflects the uncertainty of the estimates arising from the use of the relevant best estimate assumptions; and

“(iii) is not already included in the risk components of the claims.” 35

- (2) In section DW 4, list of defined terms, insert “actuarially determined”, “best estimate assumptions”, “general insurance”, “New Zealand resident”, and “non-resident”.

37 Section DZ 12 repealed (Mineral mining: 1954–2005)

Repeal section DZ 12.

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37BA Section DZ 20 replaced (Expenditure incurred while income-earning activity interrupted by Canterbury earthquake)

- (1) Replace section DZ 20 with:

“DZ 20 Expenditure incurred while income-earning activity interrupted by Canterbury earthquake)

10

“When this section applies

- “(1) This section applies for a person and an income year (the **current year**) before the 2019–20 income year when—

“(a) the person has an income-earning activity in greater Christchurch (as defined in section 4 of the Canterbury Earthquake Recovery Act 2011) immediately before a Canterbury earthquake (as defined in that section); and

15

“(b) the activity is interrupted for a period (the **period of interruption**) as a result of the Canterbury earthquake; and

20

“(c) in the current year, during the period of interruption, the person incurs expenditure or loss (the **interruption expenditure**) in meeting an obligation relating to the income-earning activity; and

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“(d) the interruption expenditure does not meet the requirements of the general permission for the person and the income-earning activity but would do so but for the interruption; and

“(e) the person resumes the income-earning activity in an income year (the **resumption year**) before the 2019–20 income year.

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“Deduction for interruption expenditure

- “(2) The person is allowed a deduction for the interruption expenditure.

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“Timing of deduction

“(3) The deduction is allocated to the resumption year.

“Link with subpart DA

“(4) This section supplements the general permission; the general limitations still apply. 5

“Defined in this Act: deduction, general limitation, general permission, income, income year, loss”.

(2) **Subsection (1)** applies for the 2016–17 and later income years.

37B Section EA 2 amended (Other revenue account property) 10

After section EA 2(1)(f), insert:

“(fb) property that arises as a result of mining development expenditure or mining exploration expenditure to which **sections EJ 20B to EJ 20E** (which relate to mineral mining) apply:”. 15

37C Section EA 3 amended (Prepayments)

After section EA 3(2)(g), insert:

“(gb) property that arises as a result of mining development expenditure or mining exploration expenditure to which **sections EJ 20B to EJ 20E** (which relate to mineral mining) apply:”. 20

37D Section ED 3 amended (Part-year tax calculations for transfers: general insurance OCR)

(1) Replace section ED 3(1), other than the heading, with:

“(1) This section applies when a person (the **transferor**) transfers general insurance contracts to another person (the **transferee**) in an income year and sections CR 4 and DW 4 (which relate to outstanding claims reserves) apply to either or both of the transferor and transferee.” 25

(2) After **section ED 3(1)**, insert: 30

“Transfer from non-resident

“(1B) If sections CR 4 and DW 4 apply to the transferee and not to the transferor, the transferee—

- “(a) does the calculations that the transferor would be required to perform under this section if sections CR 4 and DW 4 applied to the transferor; and
- “(b) uses the results of the calculations in the way required under this section for a transferee.” 5
- (3) In section ED 3(2),—
 - (a) replace “The transferor” with “A transferor to whom sections CR 4 and DW 4 apply”:
 - (b) replace “The transferee” with “A transferee to whom sections CR 4 and DW 4 apply”. 10
- 37E Section EE 1 amended (What this subpart does)**
 In section EE 1(3)(d), replace “and EZ 23B(8) (Property acquired after depreciable property affected by Canterbury earthquakes)” with “**EZ 23B, and EZ 23BB** (which relate to property, and interests in property, acquired after depreciable property was affected by the Canterbury earthquakes)”. 15
- 37F Section EE 52 amended (Amount of depreciation recovery income when compensation received)**
 After section EE 52(3), insert:
 “*Compensation derived when item no longer owned*” 20
 - “(4) If, in the absence of this subsection, the person would derive the amount of insurance, indemnity, or compensation after ceasing to own the item, the person is treated as deriving the amount immediately before the person ceases to own the item.” 25
- 37G New heading and sections EJ 20B to EJ 20E inserted**
 (1) After section EJ 20, insert:
 “*Mineral mining*”
 “**EJ 20B Certain mining expenditure spread over assumed life of mine**” 30
 “*When this section applies*”
 “(1) This section applies for the purposes of **section DU 5B** (Deduction for certain mining expenditure spread over assumed life of mine) when a mineral miner—

- “(a) incurs an amount of mining development expenditure or mining exploration expenditure as described in that section; and
- “(b) starts to use the mining permit area to derive income; and 5
- “(c) either does not meet the requirements to allow allocation of the expenditure under **section EJ 20E** or, if they do, they do not choose to allocate the expenditure under that section.
- “*Spreading rule* 10
- “(2) The mineral miner is allowed a deduction for an income year that falls within the spreading period referred to in **section EJ 20C** calculated using the formula—
- rate × value.
- “*Definition of items in formula*
- “(3) The items in the formula are defined in **subsections (4) and (5)**. 15
- “*Rate*
- “(4) **Rate** is—
- “(a) the straight-line rate set out in schedule 12, column 2 (Old banded rates of depreciation) that is nearest to the rate calculated for the expenditure using the formula in **section EJ 20D(2)**, if the mineral miner chooses to use the straight-line method: 20
- “(b) the diminishing value rate set out in schedule 12, column 1 that corresponds to the straight-line rate under **paragraph (a)**, if the mineral miner chooses to use the diminishing value method. 25
- “*Value*
- “(5) **Value** is—
- “(a) the adjusted tax value of the expenditure, if the mineral miner chooses to use the straight-line method: 30
- “(b) the diminished value of the expenditure for the income year, if the mineral miner chooses to use the diminishing value method.

“Allocation to mines

- “(6) For the purposes of this section, a mineral miner may allocate expenditure for an income year under this section in relation to a mine rather than in relation to a mining permit area, but only if— 5
- “(a) the mineral miner uses IFRS rules to prepare their financial statements; and
 - “(b) the allocation is permitted for the purposes of their statements.
- “Defined in this Act: adjusted tax value, amount, deduction, diminishing value method, diminishing value rate, financial statements, IFRS, mineral miner, mining development expenditure, mining exploration expenditure, permit area, straight-line method, straight-line rate 10

“EJ 20C Length of spreading period

“When this section applies 15

- “(1) This section applies for the purposes of **section EJ 20B(3)** to determine the length of the spreading period for certain mining expenditure of a mineral miner related to a mining permit area.
- “Start and end dates*
- “(2) The spreading period is the number of income years that represents the assumed life of the mine referred to in **section EJ 20D** that comprises the mining permit area,— 20
- “(a) starting from the later of—
 - “(i) the first day of the income year in which the mineral miner’s commercial production of a listed industrial mineral from the mining permit area starts; or 25
 - “(ii) the first day of the income year in which the expenditure is incurred; and
 - “(b) ending on the last day of the income year in which the expiry of the assumed life of the mine occurs. 30
- “Defined in this Act: commercial production, income year, listed industrial mineral, mineral miner, permit area

“EJ 20D Measurement of assumed life of mine and application to rate

“When this section applies

- “(1) This section applies for the purposes of **section EJ 20B(4)(a)** for the item **rate** in the formula that determines the amount of the deduction a mineral miner is allowed for an income year that falls in the spreading period described in **section EJ 20C**. 5

“Formula for straight-line rate

- “(2) The formula for the straight-line rate is—

$$\frac{100\%}{\text{assumed life.}}$$

“Definition of item in formula

- “(3) In the formula, **assumed life**, for an amount of expenditure and an income year, is the period that the mineral miner chooses that— 10

“(a) is not less than the period that—

“(i) the mineral miner uses for accounting purposes as the amortisation period for the mining permit area; or 15

“(ii) for a mineral miner that is not required to use an amortisation period for their accounts, the mineral miner estimates is a reasonable period for the commercial production of a listed industrial mineral from the mining permit area; and 20

“(b) is not more than 25 years from the later of—

“(i) the date on which commercial production from the mining permit area starts; and 25

“(ii) that date on which the mineral miner incurs the expenditure relating to the mining permit area.

“Reassessment of life of mine

- “(4) A mineral miner must reassess the assumed life of the mine for the purposes of this section and **sections DU 12** (Meaning of mining development expenditure) and **EJ 20C**. A reassessment must be made at the end of an income year that falls within the period, and applies from the start of the next income year for all remaining income years in the period in 30

relation to all outstanding expenditure for which no deduction has yet been allowed.

“Defined in this Act: commercial production, deduction, income year, listed industrial mineral, mineral miner, permit area, straight-line rate

“EJ 20E Certain mining expenditure spread on basis of units of production 5

“When this section applies

“(1) This section applies for the purposes of **section DU 5C** (Deduction for certain mining expenditure spread on basis of units of production) when a mineral miner— 10

“(a) incurs expenditure described in **section DU 5B(1)(a)** (Deduction for certain mining expenditure spread over assumed life of mine) on or in relation to their mining operations or associated mining operations in a mining permit area; and 15

“(b) starts to use the permit area to derive income; and

“(c) either—

“(i) uses IFRS rules to prepare their financial statements; or

“(ii) keeps appropriate records that are sufficient to enable the Commissioner to verify the calculations used by the mineral miner; and 20

“(d) chooses to apply this section in the way described in **subsection (2)**.

“Election 25

“(2) The mineral miner may make an election to apply this section in relation to the permit area in a return of income for an income year that is the first year in which the miner’s commercial production of a listed industrial mineral from the mining permit area starts. The election is irrevocable and applies only to expenditure referred to in **subsection (1)(a)**. 30

“Reserve depletion method

“(3) The deduction for the expenditure incurred by the mineral miner and allocated to an income year is calculated using the formula— 35

$$\begin{array}{r}
 \text{(reserve expenditure — previous} \\
 \text{expenditure)} \times \frac{\text{reserve depletion} \\
 \text{for the year}}{\text{proven and probable} \\
 \text{reserves.}}
 \end{array}$$

“Definition of items in formula

- “(4) In the formula,—
- “(a) **reserve expenditure** is the total mining development expenditure for the permit area for the income year and earlier income years to which this section applies: 5
 - “(b) **previous expenditure** is the total expenditure for the permit area that has been allocated to an earlier income year to which this section applied:
 - “(c) **reserve depletion for the year** is the amount of a listed industrial mineral produced from the permit area for the income year: 10
 - “(d) **proven and probable reserves** is the amount of the proven ore reserves and probable ore reserves of the listed industrial mineral for the permit area as set out in the reserve statement for the area, provided the reserve statement is prepared in accordance with a classification code recognised for the purposes of estimating reserves and resources under the Crown Minerals (Minerals other than Petroleum) Regulations 2007. 15
- “Appropriate units of measure* 20
- “(5) In **subsection (4)(c) and (d)**, the amount must be expressed in an appropriate unit of measure as set out in the mineral miner’s reserve statement, and must be the same measure used in the formula for the items defined in those paragraphs.
- “Mines and mining permit areas* 25
- “(6) For the purposes of this section, a mineral miner may allocate expenditure for an income year under this section in relation to a mine rather than in relation to a mining permit area, but only if—
- “(a) the mineral miner uses IFRS rules to prepare their financial statements; and 30

“(b) the allocation in relation to the mine is permitted for the purposes of those statements.

“*Transitional provision for existing mines*

“(7) Despite **subsection (2)**, a mineral miner may make an election to apply this section in relation to an existing permit area for the 2014–15 income year. The election is irrevocable and applies to expenditure incurred by the mineral miner in the permit area for the income year and later income years. 5

“Defined in this Act: amount, associated mining operations, commercial production, Commissioner, deduction, financial statements, general permission, IFRS, income, income year, listed industrial mineral, mineral miner, mining development expenditure, mining operations, permit area, return of income”. 10

(2) **Subsection (1)** applies for the 2014–15 and later income years.

38 Section EW 15D amended (IFRS financial reporting method) 15

(1) After section EW 15D(2)(ab), insert:

“(ac) if the financial arrangement is an interest-free loan, no amount is allocated to equity or to profit or loss when the loan is initially entered into, and no interest is allocated subsequent to the initial entry: 20

“(ad) if the financial arrangement is a loan with a fair value (the **loan initial value**) when the loan is initially entered into that, because of the loan’s interest rate, is less than the face value (the **consideration initial value**) at that time, then no amount is allocated to equity or to profit or loss, to the extent to which the amount relates solely to the difference, because of interest rates, between the consideration initial value and the loan initial value. Also, no interest is allocated subsequent to the initial entry on account of a movement in the fair value of the loan, to the extent to which the movement relates solely to the difference, because of interest rates, between the consideration initial value and the loan initial value.”. 25 30 35

(2) **Subsection (1)** applies for the 2014–15 and later income years.

- 39 Section EX 21 amended (Attributable CFC amount and net attributable CFC income or loss: calculation rules)**
 In section EX 21(28), replace “Sections BC 7, CU 1 to CU 29, CX 44 to CX 46, CZ 2, CZ 4, DU 1 to DU 12, DZ 12, IS 1 to IS 4” with “Sections **CU 1 to CU 9, DU 1 to DU 13**, IS 1, and IS 2”. 5
- 40 Section EX 29 amended (Attributing interests in FIFs)**
 (1) Replace section EX 29(3) with:
 “*Category 2: FIF superannuation interest*”
 “(3) The second category is a FIF superannuation interest, held as a beneficiary or a member.” 10
 (2) In section EX 29, list of defined terms,—
 (a) insert “FIF superannuation interest”;
 (b) delete “foreign superannuation scheme”.
- 41 Section EX 33 repealed (Exemption for Australian regulated superannuation savings)** 15
 Repeal section EX 33.
- 42 Section EX 42 repealed (New resident’s accrued superannuation entitlement exemption)**
 Repeal section EX 42. 20
- 43 New section EX 42B inserted (Interests in foreign superannuation scheme other than FIF superannuation interests)**
 Before section EX 43, insert:
 “**EX 42B Interests in foreign superannuation scheme other than FIF superannuation interests** 25
 A person’s right to benefit from a foreign superannuation scheme as a beneficiary or a member is not an attributing interest in the foreign superannuation scheme if the right is not a FIF superannuation interest for the person. 30
 “Defined in this Act: attributing interest, FIF superannuation interest, foreign superannuation scheme”.

44 Section EY 5 amended (Part-year tax calculations)

(1A) After section EY 5(3), insert:

“Part-year calculations for transfers: application

“(3B) Subsections **(3C)** to (5) apply where a life insurer (the **trans-feror**) transfers life insurance business to another life insurer 5
(the **transferee**) and sections EY 23 to EY 27 apply to either
or both of the transferor and transferee.

*“Part-year calculations for transfers: when non-resident
transferor*

“(3C) If sections EY 23 to EY 27 apply to the transferee but not to 10
the transferor, the transferee—

“(a) does the calculations that would be required under this
section for the transferor if sections EY 23 to EY 27
applied to the transferor; and

“(b) uses the results of the calculations in the way required 15
under this section for a transferee.”

(1AB) In section EY 5(4),—

(a) replace the first sentence with “A transferor to whom
sections EY 23 to EY 27 apply does a part-year calcu-
lation immediately before the transfer, as described in 20
subsection (2), for each class of policy in the transferred
business, but only for their part-year ending on the day
the transfer occurs.”:

(b) in the second sentence, replace “The transferee” with
“A transferee to whom sections EY 23 to EY 27 apply”. 25

(1) After section EY 5(4), insert:

“Class of policies transferred to insurer

“(4B) If a class of policies (the **class**) is transferred by a transferor
to whom sections EY 23 to EY 27 do not apply to a life in-
surer (the **insurer**) to whom sections EY 23 to EY 27 apply, 30
the opening value of the reserve amounts for the class under
sections EY 23 to EY 27 for the insurer is the closing value
that the reserve amounts would have for the transferor if sec-
tions EY 23 to EY 27 applied to the transferor.”

**45 Section EY 15 amended (Policyholder base income: 35
non-participation policies)**

(1) Replace section EY 15(1), other than the heading, with:

- “(1) For an income year, a life insurer’s income is included as their policyholder base income if it—
- “(a) relates to life insurance policies that are savings product policies and not profit participation policies; and
 - “(b) does not relate to life risk components of premiums and claims; and 5
 - “(c) is not a premium; and
 - “(d) is included in the amount of policyholder base income calculated under **subsection (2)** or (4).”
- (1B) Replace **section EY 15(1)(c)** with: 10
- “(c) is not a premium, or is a premium relating to income that is treated under **subsection (5)** as not relating to life risk components of premiums and claims; and”.
- (2) In section EY 15(2), replace the words before the formula with “If an amount of income meets the requirements of **subsection (1)(a) to (c)**, the amount of the income that is policyholder base income is calculated using the formula—” 15
- (2B) In section EY 15(2), replace the formula with:
- $$\text{investment} \times \frac{\text{average surrender value}}{\text{average savings assets}} + \text{de minimis amounts.}$$
- (3) Replace section EY 15(3)(a) with: 20
- “(a) **investment** is the amount of income that meets the requirements of **subsection (1)(a) to (c)**, other than income included in the item de minimis amounts:”.
- (3B) After section EY 15(3)(c), insert: 25
- “(d) **de minimis amounts** is the amount of income meeting the requirements of **subsection (1)(a) to (c)** that would be treated as relating to life risk components of premiums and life reinsurance claims in the absence of subsection (5).”
- (3C) In section EY 15(4), replace “for investment income described in subsection (2)” with “for income included in the item investment in the formula in **subsection (2)**”. 30
- (4) **Subsections (1) and (2)** apply—
- (a) on and after 1 July 2010, unless **paragraph (b)** applies:
 - (b) for an income year that includes 1 July 2010 and later income years, if the life insurer chose to apply the life 35

insurance rules in the Taxation (International Taxation, Life Insurance, and Remedial Matters) Act 2009 in a return of income for the tax year corresponding to the first relevant income year.

- 45B Section EY 16 amended (Policyholder base allowable deductions: non-participation policies)** 5
- (1) Replace section EY 16(1), other than the heading, with:
- “(1) For an income year, a life insurer’s deduction is included as their policyholder allowable deduction if it—
- “(a) relates to life insurance policies that are savings product policies and not profit participation policies; and 10
- “(b) relates to income meeting the requirements of **section EY 15(1)(a) to (c)**; and
- “(c) is included in the amount of policyholder base allowable deduction calculated under **subsection (2)**.” 15
- (2) Replace section EY 16(2), other than the heading, with:
- “(2) If a deduction meets the requirements of **subsection (1)(a) and (b)**, the amount of the deduction that is policyholder base allowable deduction is calculated using the basis for apportionment in— 20
- “(a) **section EY 15(2)** and (3) with necessary modifications; or
- “(b) section EY 15(4) with necessary modifications.”
- (3) In section EY 16, list of defined terms, delete “premium loading”, “premium loading formula”, “policyholder base income”, and “shareholder base allowable deduction”. 25
- (4) **Subsections (1) and (2)** apply—
- (a) on and after 1 July 2010, unless **paragraph (b)** applies:
- (b) for an income year that includes 1 July 2010 and later income years, if the life insurer chose to apply the life insurance rules in the Taxation (International Taxation, Life Insurance, and Remedial Matters) Act 2009 in a return of income for the tax year corresponding to the first relevant income year. 30

- 46 Section EY 17 amended (Policyholder base income: profit participation policies)**
- (1) In section EY 17(2)(c),—
- (a) replace “present value (net)” with “value” in each place where it appears: 5
- (b) replace “future bonus declarations” with “their portions of the future profits” in each place where it appears.
- (2) In section EY 17, list of defined terms, delete “present value (net)”.
- (3) **Subsection (1)** applies— 10
- (a) on and after 1 July 2010, unless **paragraph (b)** applies:
- (b) for an income year that includes 1 July 2010 and later income years, if the life insurer chose to apply the life insurance rules in the Taxation (International Taxation, Life Insurance, and Remedial Matters) Act 2009 in a return of income for the tax year corresponding to the first relevant income year. 15
- 47 Section EY 19 amended (Shareholder base income: non-participation policies)**
- (1) In section EY 19(1)(a), replace “paragraphs (b) to (d)” with “paragraphs (b) to **(db)**”. 20
- (2) In section EY 19(1)(d), replace “investment income” with “income meeting the requirements of **section EY 15(1)(a) to (c)**”.
- (3) After section EY 19(1)(d), insert: 25
- “(db) is income relating to annuities that would meet the requirements of **section EY 15(1)(a) to (c)** if the annuities were treated as being savings product policies.”.
- (4) In section EY 19(3), replace “EY 23 to EY 29” with “EY 23 to EY 27”. 30
- (5) **Subsections (1) to (3)** apply—
- (a) on and after 1 July 2010, unless **paragraph (b)** applies:
- (b) for an income year that includes 1 July 2010 and later income years, if the life insurer chose to apply the life insurance rules in the Taxation (International Taxation, Life Insurance, and Remedial Matters) Act 2009 in a 35

return of income for the tax year corresponding to the first relevant income year.

48 Section EY 20 amended (Shareholder base allowable deductions: non-participation policies)

- (1) Replace section EY 20(1)(d) with— 5
 - “(d) is a deduction that—
 - “(i) relates to income that is included in the item investment in the formula in **section EY 15(2)** or meets the requirements of **section EY 19(1)(db)**; and 10
 - “(ii) is not included in the life insurer’s policyholder base allowable deduction under section EY 16:”.
- (2) In section EY 20(2), replace “EY 23 to EY 29” with “EY 23 to EY 27”.
- (3) **Subsection (1)** applies— 15
 - (a) on and after 1 July 2010, unless **paragraph (b)** applies:
 - (b) for an income year that includes 1 July 2010 and later income years, if the life insurer chose to apply the life insurance rules in the Taxation (International Taxation, Life Insurance, and Remedial Matters) Act 2009 in a return of income for the tax year corresponding to the first relevant income year. 20

49 Section EY 21 amended (Shareholder base income: profit participation policies)

- (1) In section EY 21(2)(c),— 25
 - (a) replace “present value (net)” with “value” in each place where it appears:
 - (b) replace “future bonus declarations” with “their portions of the future profits” in each place where it appears.
- (2) In section EY 21, list of defined terms, delete “present value (net)”. 30
- (3) **Subsection (1)** applies—
 - (a) on and after 1 July 2010, unless **paragraph (b)** applies:
 - (b) for an income year that includes 1 July 2010 and later income years, if the life insurer chose to apply the life insurance rules in the Taxation (International Taxation, 35

Life Insurance, and Remedial Matters) Act 2009 in a return of income for the tax year corresponding to the first relevant income year.

- 52B Section EZ 23B amended (Property acquired after depreciable property affected by Canterbury earthquakes)** 5
- (1) Replace section EZ 23B(1) and (2) with:
“*When this section applies*
- “(1) This section applies for a person and an income year (the **current year**) before the 2019–20 income year when the person,— 10
- “(a) in or before the current year, receives insurance or compensation (the **earthquake compensation**) for items of depreciable property (the **affected property**), each of which is— 15
- “(i) not depreciable intangible property; and
- “(ii) included in 1 of the categories (an **affected class**) of the person’s depreciable property referred to in **subsection (10)(b)**; and
- “(iii) included in an affected class that is not linked with a replacement interest under **section EZ 23BB**; and 20
- “(b) is entitled to the earthquake compensation because each item of the affected property, as a result of a Canterbury earthquake as that term is defined in section 4 of the Canterbury Earthquake Recovery Act 2011, is affected by— 25
- “(i) damage meeting the requirements of section EE 47(4) (Events for purposes of section EE 44); 30
or
- “(ii) a disposal and reacquisition under section EZ 23C or **EZ 70**; and
- “(c) would have, in the absence of this section, from the earthquake compensation for the affected property in the affected class, depreciation recovery income under section EE 48 (Effect of disposal or event) in or before the current year; and 35

- “(d) has a total amount of depreciation loss under section EE 48 for the affected property in the affected class that, treated as a positive amount, is less than the total amount of depreciation recovery income referred to in **paragraph (c)** by an amount (the **excess recovery**); and 5
 - “(e) plans in the current year to acquire depreciable property (the **replacement property**) meeting the requirements of subsection (7); and
 - “(f) gives written notice to the Commissioner under subsection (9)— 10
 - “(i) specifying the affected property and affected class; and
 - “(ii) linking, for the purposes of this section, each item of acquired replacement property with an affected class. 15
- “*Suspended recovery income*
- “(2) For an affected class, the amount that may be depreciation recovery income of the person in or after the current year (the **suspended recovery income**) is the excess recovery that remains at the beginning of the current year after— 20
 - “(a) adjustment under subsections (3) and (6) for an earlier income year; and
 - “(b) attribution to an earlier income year by **subsection (8)**.
- “*Depreciation recovery income* 25
- “(2B) The person has an amount of depreciation recovery income for the current year equal to the amount of suspended recovery income that is attributed to the current year by **subsection (8)**.”
- (2) In section EZ 23B(3),— 30
 - (a) in the words before paragraph (a), insert “an affected class of” before “affected property”;
 - (b) in paragraph (b), replace “property” with “class”.
 - (3) In section EZ 23B(4),—
 - (a) in the words before paragraph (a), insert “an affected class of” before “affected property”: 35

- (b) in paragraph (a), replace “the affected property” with “the affected class” in each place where it appears appears, and delete “with or”.
- (4) In section EZ 23B(5)(a)(i), replace “the affected property” with “the affected class” in each place where it appears appears, and delete “with or”. 5
- (5) In section EZ 23B(6)—
 - (a) in the words before paragraph (a), insert “an affected class of” before “affected property”:
 - (ab) in paragraph (a), words before subparagraph (i), delete “with or”: 10
 - (b) in paragraph (a)(ii), replace “; and” with “; or”:
 - (c) in paragraph (b), replace “property” with “class”.
- (6) Repeal section EZ 23B(7)(a) and (b).
- (7) Replace section EZ 23B(8) with: 15

*“Attribution of suspended recovery income to income year:
other events*
- “(8) The person has, in the current year, an amount of depreciation recovery income for an affected class equal to the amount of suspended recovery income for the affected class— 20
 - “(a) at the end of the current year, if that year is the 2018–19 income year and neither of **paragraphs (b) and (c)** apply earlier; or
 - “(b) when in the current year the person decides not to acquire more replacement property, if neither of **paragraphs (a) and (c)** apply earlier; or 25
 - “(c) when in the current year the person goes into liquidation or becomes bankrupt, if neither of **paragraphs (a) and (b)** apply earlier.”
- (8) After section EZ 23B(11), insert: 30

“Removal of link by election under section EZ 23BB
- “(11B) If a person in the current year has an amount of suspended recovery income for an affected class of buildings or grandparented structures and has made an election under this section to link replacement property (the **linked property**) to the affected class and has not incurred expenditure in acquiring the linked property,— 35

“(a) the person may choose to make an election under **section EZ 23BB** linking the affected class with replacement property, which may include linked property:

“(b) a consequence of an election referred to in **paragraph (a)** is that the affected class and the linked property are treated as not being linked under this section for the current year. 5

“Order of acquisition for items acquired at same time

“(11C) If items of replacement property are acquired at the same time and the effect of this section depends on the order in which the items are acquired, the items are treated as being acquired in the order chosen by the person in the first return of income for which the order of acquisition is taken into account.” 10

52C New section EZ 23BB inserted (Interest in property acquired after depreciable property affected by Canterbury earthquakes) 15

After section EZ 23B, insert:

“**EZ 23BB Interest in property acquired after depreciable property affected by Canterbury earthquakes** 20

“When this section applies

“(1) This section applies for a person and an income year (the **current year**) before the 2019–20 income year when the person,—

“(a) in or before the current year, receives insurance or compensation (the **earthquake compensation**) for items of depreciable property (the **affected property**), each of which is— 25

“(i) not depreciable intangible property; and

“(ii) not property for which the person uses the pool method; and 30

“(iii) included in 1 of the categories (an **affected class**) of the person’s depreciable property referred to in **subsection (1)(b)**; and

“(iv) not linked with replacement property under **section EZ 23B** or has a link with replacement 35

- property that may be removed under **section EZ 23B(11B)**; and
- “(b) is entitled to the earthquake compensation because each item of the affected property, as a result of a Canterbury earthquake as that term is defined in section 4 of the Canterbury Earthquake Recovery Act 2011, is affected by—
- “(i) damage meeting the requirements of section EE 47(4) (Events for purposes of section EE 44); or
- “(ii) a disposal and reacquisition under section EZ 23C or **EZ 70**; and
- “(c) would have, in the absence of this section, from the earthquake compensation for the affected class, depreciation recovery income under section EE 48 (Effect of disposal or event) in or before the current year; and
- “(d) has a total amount of depreciation loss under section EE 48 for the affected class that, treated as a positive amount, is less than the total amount of depreciation recovery income referred to in **paragraph (c)** by an amount (the **excess recovery**); and
- “(e) has in the current year an interest (a **replacement interest**) in a voting interest in a company (the **owning company**) having the purpose of acquiring depreciable property (the **replacement property**) meeting the requirements of **subsection (6)**; and
- “(f) holds the voting interest in the owning company or is the settlor of a trust of which the trustee holds the voting interest; and
- “(g) gives written notice to the Commissioner under **subsection (10)**.
- “(2) For a replacement interest, the amount that may be depreciation recovery income of the person in or after the current year (the **suspended recovery income**) is the excess recovery, for the affected property with which the replacement interest is linked under **subsections (10) and (11)**, that remains at the beginning of the current year after—

- “(a) adjustment under **subsections (3), (8), and (9)** for an earlier income year; and
 - “(b) attribution to an earlier income year by **subsections (8) to (10)**.
- “*Effect of acquiring interest in replacement property if suspended recovery income from affected class* 5
- “(3) If the person acquires a replacement interest and links the replacement interest with an affected class, the amount calculated using the formula in **subsection (4)**—
 - “(a) is an amount of suspended recovery income for the replacement interest; and 10
 - “(b) is a reduction in the amount of the depreciation recovery income for the affected class.
- “*Suspended recovery income for replacement interest and reduction of suspended recovery income for affected class* 15
- “(4) The amount under **subsection (3)(a) and (b)** for a replacement interest and affected class is—
 - “(a) zero, if the cost of the affected property in the affected class equals or is less than the total of the fractional interest values for other replacement interests acquired by the person ~~with or~~ before the replacement interest; or 20
 - “(b) the amount calculated using the formula—

$$\frac{\text{limited replacement cost} \times \text{excess}}{\text{affected cost.}}$$
- “*Definition of items in formula*
- “(5) In the formula,—
 - “(a) **limited replacement cost** is the lesser of— 25
 - “(i) the fractional interest value of the replacement interest:
 - “(ii) the amount by which the total cost for the person of the affected property in the affected class exceeds the total amount of the fractional interest values of other replacement interests acquired by the person ~~with or~~ before the replacement interest: 30
 - “(b) **excess** is the excess recovery for the affected class:

“(c) **affected cost** is the total cost for the person of the affected property in the affected class.

“Requirements for replacement property

“(6) An item of replacement property for a person or owning company must— 5

“(a) be included in the same category under **subsection (11)(b)** as the affected class with which the person links the item, if the affected class is described in **subsection (11)(b)(i) or (ii)**; and

“(b) be located in greater Christchurch as that term is defined in section 4 of the Canterbury Earthquake Recovery Act 2011, if the item is a building or commercial fit-out. 10

“Depreciation recovery income and suspended recovery income

“(7) The amount of suspended recovery income for a person’s replacement interest is not depreciation recovery income for the person arising from the replacement interest unless it is attributed to an income year by **subsections (8) and (9)**. 15

“Depreciation recovery income: disposal of replacement property by owning company 20

“(8) If the owning company in which a person has a replacement interest disposes of the replacement property in an income year, and **subsection (9)** does not apply earlier,—

“(a) the person has, in the income year for the replacement interest, an amount of depreciation recovery income equal to the fractional interest value of the replacement interest calculated under **subsection (12)**; and 25

“(b) the suspended recovery income for the replacement interest is reduced by the amount referred to in **paragraph (a)**. 30

“Depreciation recovery income: other events

“(9) The person has, in an income year, an amount of depreciation recovery income equal to the suspended recovery income for a replacement interest and affected property, and the suspended recovery income for the replacement interest and affected property is reduced to zero,— 35

“(a) at the end of the income year, if—

“(i) the income year is the 2018–19 income year; and

- “(ii) the owning company does not acquire the replacement property relating to the replacement interest and the affected property before the end of the income year; and
 - “(iii) neither of **paragraphs (b) and (c)** apply earlier; 5
or
 - “(b) when in the income year the person disposes of the replacement interest, if neither of **paragraphs (a) and (c)** apply earlier; or
 - “(c) when in the income year the person goes into liquidation 10
or becomes bankrupt, if neither of **paragraphs (a) and (b)** apply earlier.
- “Notice of election for affected property*
- “(10) A person choosing to rely on this section to suspend in a current year the recognition of suspended recovery income from 15
earthquake compensation must give written notice under this section, or under **section EZ 23B** for years before the current year, to the Commissioner—
 - “(a) for the earliest income year (the **estimate year**) in which 20
the amount of the earthquake compensation for the affected property can be reasonably estimated, by the later of 31 January 2012 and the date on which the return of income is filed for the estimate year; and
 - “(b) if the current year is after the estimate year,—
 - “(i) for each income year between the estimate year 25
and the current year, by the date on which the return of income is filed for that income year; and
 - “(ii) for the current year, by the date on which the return of income is filed for the current year.
- “Contents of notice of election* 30
- “(11) A notice under **subsection (10)** for the current year must—
 - “(a) describe the affected property; and
 - “(b) indicate in which of the following categories each item of affected property is included:
 - “(i) a building or grandparented structure: 35
 - “(ii) commercial fit-out:
 - “(iii) depreciable property not referred to in **subparagraphs (i) and (ii)**; and

- “(c) indicate which items of affected property were linked with replacement property under **section EZ 23B** before the current year; and
 - “(d) give details of each item of replacement property in which a replacement interest is held in the current year, and the affected class to which the person is linking the replacement interest; and 5
 - “(e) for each replacement interest held in the current year, give the amount of the expenditure by the owning company on the replacement property, the shareholding of the person’s holding entity in the owning company, and the shareholding of the person in, or the fraction of the trust corpus that has been settled by the person on, the person’s holding entity; and 10
 - “(f) for each category of replacement property, give the amount of the suspended recovery income at the end of the current year; and 15
 - “(g) for each category of replacement property, give the amount of depreciation recovery income for the current year. 20
- Formula for calculating fractional interest value*
- “(12) For a person with a replacement interest in replacement property, the fractional interest value of the replacement interest for the purposes of this section is the value calculated using the formula— 25
- person’s fractional interest × replacement expenditure.
- Definition of items in formula*
- “(13) In the formula,—
- “(a) **person’s fractional interest** is—
 - “(i) the voting interest of the person in the owning company; or 30
 - “(ii) the fraction calculated by multiplying the voting interest in the owning company held by the trustee of a trust of which the person is a settlor by the fraction of the trust corpus that has been settled by the person: 35

“(b) **replacement expenditure** is the amount of the expenditure by the owning company on the replacement property.

“Order of acquisition for items acquired at same time

“(13B) If items of replacement property are acquired at the same time and the effect of this section depends on the order in which the items are acquired, the items are treated as being acquired in the order chosen by the person in the first return of income for which the order of acquisition is taken into account. 5 10

“Relationship to subpart EE

“(14) This section overrides subpart EE (Depreciation).

“Defined in this Act: adjusted tax value, amount, assessable income, building, commercial building, commercial fit-out, depreciable property, depreciation loss, depreciation recovery income, grandparented structure, income year, liquidation, notice, return of income”. 15

52D Sections EZ 23C to EZ 23G repealed

- (1) Repeal sections EZ 23C to EZ 23G.
- (2) **Subsection (1)** applies for the 2016–17 and later income years. 20

55 New heading and section EZ 69 inserted (IFRS financial reporting method: interest-free and low-interest loans)

- (1) After section EZ 68, insert:

“IFRS financial reporting method

“**EZ 69 IFRS financial reporting method: interest-free and low-interest loans** 25

“When this section applies

- “(1) This section applies when—

- “(a) **section EW 15D(2)(ac) or (ad)** (IFRS financial reporting method) modifies an IFRS rule so that the person does not allocate interest for a financial arrangement for the 2014–15 income year; and 30

- “(b) the person has allocated, for the financial arrangement for the 2013–14 income year, an amount that the person would not be allowed to allocate if **section** 35

EW 15D(2)(ac) and (ad) applied for the 2013–14 income year.

“Change of spreading method

“(2) The change from the allocation treatment described in **subsection (1)(b)** (the **old method**) to the non-allocation treatment described in **subsection (1)(a)** (the **new method**) is treated as a change for the 2014–15 income year under section EW 26(2). Sections EW 26(3), (4) and EW 27 apply accordingly, but section EW 26(6) does not apply. 5

“Defined in this Act: financial arrangement, IFRS, income year”. 10

(2) **Subsection (1)** applies for the 2014–15 and later income years.

55B New heading and sections EZ 70 to EZ 74 inserted

(1) After **section EZ 69**, insert:

“Damage from Canterbury earthquakes 15

“EZ 70 Insurance for Canterbury earthquake damage of property: deemed sale and purchase

“When this section applies

“(1) This section applies for a person and an item of depreciable property and an income year before the 2019–20 income year when— 20

“(a) the item is damaged by a Canterbury earthquake as that term is defined in section 4 of the Canterbury Earthquake Recovery Act 2011; and

“(b) the person is entitled to an amount of insurance or compensation for the damage to the item; and 25

“(c) the item is assessed by the payer of the insurance or compensation (the **insurer**) as uneconomic to repair; and

“(d) the damage does not meet the requirements of section EE 47(4) (Events for purposes of section EE 44). 30

“Deemed sale and repurchase of item

“(2) The person is treated as, on the date of the Canterbury earthquake,—

“(a) disposing of the item for the amount of insurance or compensation; and 35

“(b) reacquiring the item for zero consideration.

“*Relationship with section EE 52*

“(3) This section overrides section EE 52 (Amount of depreciation recovery income when compensation received).

“Defined in this Act: amount, depreciable property, income year 5

“**EZ 71 Insurance for Canterbury earthquake damage of property: limit on depreciation recovery income**

“*When this section applies*

“(1) This section applies for a person and an item of depreciable property and an income year before the 2019–20 income year when— 10

“(a) the item is damaged by a Canterbury earthquake as that term is defined in section 4 of the Canterbury Earthquake Recovery Act 2011; and

“(b) the person is entitled to an amount of insurance or compensation for the damage to the item; and 15

“(c) the damage does not meet the requirements of section EE 47(4) (Events for purposes of section EE 44); and

“(d) **section EZ 70** does not apply for the item.

“*Limit on depreciation recovery income under section EE 52* 20

“(2) If the person would derive depreciation recovery income under section EE 52 (Amount of depreciation recovery income when compensation received) in an income year for the item in the absence of this section, the person derives in the income year an amount of depreciation recovery income equal to the lesser of— 25

“(a) the amount of depreciation recovery income under section EE 52 that the person would derive in the income year for the item in the absence of this section:

“(b) the total of the amounts of depreciation loss for which the person has been allowed deductions for the item. 30

“*Relationship with section EE 52*

“(3) This section overrides section EE 52.

“Defined in this Act: amount, deduction, depreciable property, depreciation loss, depreciation recovery income, income year 35

“EZ 72 Item treated as available for use if access restricted due to Canterbury earthquake

An item of depreciable property is treated for an income year as being available for use while access to the item is affected by a restriction imposed due to the effects of a Canterbury earthquake (as defined in section 4 of the Canterbury Earthquake Recovery Act 2011), if—

- “(a) the item was used or available for use immediately before the restriction was imposed; and
- “(b) the item would be used or available for use in the absence of the restriction; and
- “(c) the income year is the 2018–19 or an earlier income year.

“Defined in this Act: depreciable property, income year

“EZ 73 Insurance for Canterbury earthquake damage causing disposal: optional timing rule for income, deductions

“When this section applies

“(1) This section applies for a person and an item of depreciable property when—

- “(a) the item is damaged by a Canterbury earthquake as that term is defined in section 4 of the Canterbury Earthquake Recovery Act 2011; and
- “(b) the damage—
 - “(i) results in the item being affected by a disposal and reacquisition under **section EZ 70**; or
 - “(ii) meets the requirements of section EE 47(4) (Events for purposes of section EE 44); and
- “(c) the person is entitled to an amount of insurance or compensation for the damage to the item; and
- “(d) the person chooses to apply this section for all items of depreciable property meeting the requirements of **paragraphs (a) to (c)**.

“Attribution of income from insurance and disposal

“(2) If the amount of insurance or compensation for the damage (the **insurance receipt**) is derived or able to be reasonably estimated before the end of the 2018–19 income year, the person’s income from the insurance receipt and the consideration

derived from the disposal of the item is attributed to the earlier of—

- “(a) the 2018–19 income year:
- “(b) the first income year in which—
 - “(i) the amount of the cost of disposing of the item (the **disposal cost**) is or has been incurred or able to be reasonably estimated; and 5
 - “(ii) the insurance receipt is or has been derived or able to be reasonably estimated; and
 - “(iii) the consideration from the disposal of the item is or has been derived or able to be reasonably estimated. 10

“Attribution of deductions

- “(3) If the disposal cost is incurred or able to be reasonably estimated before the end of the 2018–19 income year, the person’s deductions for the disposal cost and for depreciation loss under section EE 48 (Effect of disposal or event) are attributed to the earlier of— 15
 - “(a) the 2018–19 income year:
 - “(b) the first income year in which— 20
 - “(i) the disposal cost is or has been incurred or able to be reasonably estimated; and
 - “(ii) the insurance receipt is or has been derived or able to be reasonably estimated; and
 - “(iii) the consideration from the disposal of the item is or has been derived or able to be reasonably estimated. 25

“Relationship with other sections

- “(4) This section overrides sections EE 1, EE 22, and EE 48 (which state when depreciation loss and depreciation recovery income arise) in relation to the timing of the person’s— 30
 - “(a) income from the insurance receipt and consideration from the disposal of the item:
 - “(b) deductions for the disposal cost and depreciation loss.

“Defined in this Act: amount, deduction, grandparented structure, income, income year 35

“EZ 74 Insurance for repairs of Canterbury earthquake damage: optional timing rule for income, deductions

“When this section applies

- “(1) This section applies for a person and an item of depreciable property when— 5
- “(a) the item is damaged by a Canterbury earthquake as that term is defined in section 4 of the Canterbury Earthquake Recovery Act 2011; and
- “(b) the damage— 10
- “(i) does not result in the item being subject to a disposal and reacquisition under **section EZ 70**; and
- “(ii) does not meet the requirements of section EE 47(4) (Events for purposes of section EE 44); and 15
- “(c) the person is entitled to an amount of insurance or compensation for the damage to the item; and
- “(d) the person chooses to apply this section for all items of depreciable property meeting the requirements of **paragraphs (a) to (c)**. 20

“Attribution of income from insurance

- “(2) If the amount of insurance or compensation for the damage (the **insurance receipt**) is derived or able to be reasonably estimated before the end of the 2018–19 income year, the person’s income from the insurance receipt is attributed to the earlier of— 25
- “(a) the 2018–19 income year:
- “(b) the first income year in which— 30
- “(i) the amount of expenditure for total repair of the damage (the **repair cost**) is or has been incurred or able to be reasonably estimated; and
- “(ii) the insurance receipt is or has been derived or able to be reasonably estimated.

“Attribution of deductions for repairs

- “(3) If the repair cost is incurred or able to be reasonably estimated before the end of the 2018–19 income year, the person’s deductions for the repair cost are attributed to the earlier of— 35
- “(a) the 2018–19 income year:

<p>“(b) the first income year in which—</p> <p> “(i) the repair cost is or has been incurred or able to be reasonably estimated; and</p> <p> “(ii) the insurance receipt is or has been derived or able to be reasonably estimated.</p> <p> <i>“Relationship with other sections</i></p> <p>“(4) This section overrides sections CG 4, EE 22, and EE 52 (which provide for receipts of insurance or indemnity payments) in relation to the timing of the person’s—</p> <p> “(a) income from the insurance receipt:</p> <p> “(b) deductions for the repair cost.</p> <p> “Defined in this Act: amount, deduction, income, income year”.</p> <p>(2) Subsection (1) applies for the 2016–17 and later income years.</p>	<p>5</p> <p>10</p>
<p>56 Section FB 20 repealed (Mining assets)</p> <p>Repeal section FB 20.</p>	<p>15</p>
<p>57 Section FB 21 amended (Depreciable property)</p> <p>(1) Repeal section FB 21(2).</p> <p>(2) In section FB 21, list of defined terms, delete “resident mining operator”.</p>	<p>20</p>
<p>57B Section FE 41 amended (Treatment of associated persons’ interests)</p> <p>(1) In section FE 41(1), replace “section FE 39” with “section FE 40”.</p> <p>(2) In section FE 41(2), replace “sections FE 38 to FE 40” with “section FE 38 or FE 40, as applicable”.</p> <p>(3) Subsections (1) and (2) apply for the 2008–09 and later income years.</p>	<p>25</p>
<p>58 Section FM 31 amended (Eligibility rules)</p> <p>(1A) <u>After section FM 31(1)(e), insert:</u></p> <p> <u>“(eb) it is a member of the same wholly-owned group of companies as the other members of the consolidated group; and”.</u></p>	<p>30</p>

- (1) Replace section FM 31(2)(b) with:
“(b) a mineral miner that is a company.”
- (2) In section FM 31, list of defined terms,—
 - (a) insert “mineral miner”;
 - (b) delete “mining company”. 5
- (3) In section FM 31, list of defined terms, insert “wholly-owned group of companies”.
- (4) **Subsection (1A)** applies for the 2008–09 and later income years.

- 59 Section FN 4 amended (Eligibility rules)** 10
- (1A) Replace section FN 4(1)(d) with:
“(d) it is required to maintain an imputation credit account under section OB 1 (General rules for companies with imputation credit accounts) or because of an election under **section OB 2** (Australian companies choosing to have imputation credit accounts); and”. 15
- (1) Replace section FN 4(3)(b) with:
“(b) a mineral miner that is a company.”
- (2) In section FN 4, list of defined terms,—
 - (a) insert “mineral miner”;
 - (b) delete “mining company”. 20
- (3) **Subsection (1A)** applies for the 2008–09 and later income years.

- 59BA Section FM 40 amended (Losing eligibility or entitlement to be part of consolidated group)** 25
- (1) In section FM 40(5), replace “on the date on which” with “at the beginning of the tax year in which”.
- (2) In section FM 40, list of defined terms, insert “tax year”.
- (3) **Subsection (1)** applies for the 2008–09 and later income years. 30

- 59BAB Section FN 12 amended (Company no longer eligible or entitled to membership)**
- (1) In section FN 12(5), replace “on the date on which” with “at the beginning of the tax year in which”.

(2) **Subsection (1)** applies for the 2008–09 and later income years.

59B Section FZ 7 replaced (Valuation of group assets: insurance proceeds from Canterbury earthquake)

Replace section FZ 7 with: 5

“FZ 7 Valuation of group assets: insurance proceeds from Canterbury earthquake

“When this section applies

“(1) This section applies for the purposes of sections FE 16 (Total group assets) and FE 18 (Measurement of debts and assets of worldwide group) and a person if— 10

“(a) an asset of the person’s New Zealand group is damaged as a result of a Canterbury earthquake, as that term is defined in section 4 of the Canterbury Earthquake Recovery Act 2011; and 15

“(b) the asset is impaired or derecognised, under generally accepted accounting practice as a result of the damage; and

“(c) insurance for the damage is recognised at a later date under generally accepted accounting practice. 20

“Optional treatment of insurance

“(2) The person may choose to include an amount of the insurance, corresponding to the amount of the impairment or the derecognised value of the asset, in the value of the total group assets of the person’s New Zealand group during the period— 25

“(a) beginning with the impairment or derecognition of the asset; and

“(b) ending before the earlier of—

“(i) the recognition of the amount of insurance:

“(ii) the beginning of the 2019–20 income year. 30

“Corresponding treatment for worldwide group

“(3) If a person includes an amount under **subsection (2)** in the value of the total group assets of the person’s New Zealand group for a period, the person must include the amount in the value of the total group assets of the person’s worldwide group for the period. 35

“Notice to Commissioner

- “(4) A person choosing to apply **subsection (2)** for an income year must give to the Commissioner—
- “(a) notice that the person has applied this section for the income year; and 5
 - “(b) the amount of income that would arise under section CH 9 (Interest apportionment: excess debt entity) for the income year in the absence of this section; and
 - “(c) the amount of income that arises under section CH 9 for the income year after the application of this section; and 10
 - “(d) further information required by the Commissioner.

“Form and timing of notice

- “(5) The information required by **subsection (4)** must be given—
- “(a) in the form and by the means prescribed by the Commissioner; and 15
 - “(b) no later than the later of 30 November 2012 and the day by which the person is required to make a return of income for the corresponding tax year.

“Defined in this Act: Commissioner, generally accepted accounting practice, income year, return of income, total group assets”. 20

60 Heading before section GB 20 replaced (Arrangements involving petroleum mining)
 Replace the cross heading before section GB 20 with “*Arrangements involving petroleum and mineral mining*”.

61 Section GB 20 replaced (Arrangements involving petroleum mining) 25

(1) Replace section GB 20 with:

“GB 20 Arrangements involving petroleum and mineral mining

“When this section applies

- “(1) This section applies when— 30
- “(a) an arrangement includes—
 - “(i) the disposal of a petroleum mining asset or a mineral mining asset (the **mining asset**); or
 - “(ii) the incurring of petroleum exploration expenditure or 1 or more of the classes of mineral mining expenditure referred to in **section DU 9** (Classes 35

- of mineral mining expenditure) (the **mining expenditure**):
- “(iii) a farm-out arrangement; and
 - “(b) the arrangement has a purpose or effect of tax avoidance. 5
- “*Applying section GA 1*
- “(2) The Commissioner may apply section GA 1 (Commissioner’s power to adjust) to adjust the taxable income of a person affected by the arrangement so as to counteract a tax advantage obtained by the person. 10
- “*Examples*
- “(3) Without limiting the generality of **subsection (1)**, arrangements having the effect of tax avoidance include the arrangements described in **subsections (4) to (8)**.
- “*Person acquiring asset relieved or compensated* 15
- “(4) An arrangement has the effect of tax avoidance if it involves the disposal of a mining asset and it is probable that, at the time the arrangement is entered into, the person acquiring the mining asset—
 - “(a) will, through a related arrangement, not have to suffer some or all of the expenditure of acquiring the mining asset; or 20
 - “(b) will be effectively compensated in some way for some or all of the expenditure.
- “*Person incurring expenditure relieved or compensated* 25
- “(5) An arrangement has the effect of tax avoidance if it involves the incurring of mining expenditure and it is probable that, at the time the arrangement is entered into, the person who is to incur the mining expenditure—
 - “(a) will, through a related arrangement, not have to suffer some or all of the mining expenditure; or 30
 - “(b) will be effectively compensated in some way for some or all of the mining expenditure.
- “*Farm-in party relieved or compensated*
- “(6) An arrangement has the effect of tax avoidance if it involves a farm-out arrangement and it is probable that, at the time the arrangement is entered into,— 35

“(a) the farm-in party will, through a related arrangement, not have to suffer some or all of the farm-in expenditure attributable to the proportionate interest acquired by the farm-in party under the farm-out arrangement; or

“(b) the farm-in party or an associated person will be effectively compensated in some way for some or all of the farm-in expenditure. 5

“Disposal of asset to associated person for over-value

“(7) An arrangement has the effect of tax avoidance if it involves a petroleum miner or mineral miner disposing of a mining asset to an associated person for a purpose of ensuring that the associated person has a greater deduction than would have been allowed if the asset had been disposed of for its market value. 10

“Farm-out arrangement with associate person for over-value

“(8) An arrangement has the effect of tax avoidance if it involves a petroleum miner or a mineral miner entering into a farm-out arrangement with an associated person for the purpose of ensuring that the associated person has a greater deduction than would have been allowed if the farm-out arrangement had been entered into on substantially the same terms as those on which it would have been entered into with a person who is not associated. 15 20

“Miners operating offshore

“(9) This section applies, with the necessary modifications to a petroleum miner or a mineral miner who undertakes mining operations or that are— 25

“(a) outside New Zealand and undertaken through a branch or CFC; and

“(b) substantially the same as the mining activities governed by this Act. 30

“Treatment of partners

“(10) For the purposes of this section, a partner is treated as having a share or interest in a petroleum permit, exploration permit, prospecting permit, or mining permit, as applicable, or other property of a partnership to the extent of their income interest in the partnership. 35

“Disposal of part of asset

“(11) For the purposes of this section, references to the disposal of an asset apply equally to the disposal of part of an asset.

“Defined in this Act: arrangement, associated person, CFC, deduction, dispose, farm-in expenditure, farm-out arrangement, mineral miner, mineral mining asset, mining permit, New Zealand, petroleum exploration expenditure, petroleum mining asset, petroleum permit, tax avoidance, taxable income”.

(2) **Subsection (1)** applies for the 2014–15 and later income years.

62 Section GB 32 amended (Benefits provided to employee’s associates) 10

Replace section GB 32(2B)(a)(i) with:

“(i) a look-through company (an LTC):”.

63 Section GB 44 amended (Arrangements involving tax credits for families) 15

(1) Replace section GB 44(1)(a) with:

“(a) a person enters into an arrangement:”.

(2) In section GB 44(1)(b), delete “for the claimant”.

(3) In section GB 44(2), replace “The claimant’s” with “A”.

64 Section GZ 1 amended (Limitation on section GB 20: petroleum mining arrangements) 20

(1) In the heading to section GZ 1, after “petroleum”, insert “and mineral”.

(2) In section GZ 1, replace “(Arrangements involving petroleum mining)” with “(Arrangements involving petroleum and mineral mining)”.

65 Section HA 4 amended (Conditions applying)

(1) In section HA 4(2), replace “Sections HA 11 and HA 12 apply” with “Section HA 11 applies”.

(2) **Subsection (1)** applies for the 2008–09 and later income years. 30

- 66 Section HC 15 amended (Taxable distributions from non-complying and foreign trusts)**
- (1) After section HC 15(4)(c), insert:
“(cb) a foreign superannuation withdrawal; or
“(cc) a pension; or” 5
- (2) In section HC 15, list of defined terms, insert “foreign superannuation withdrawal”.
- 67 Section HC 27 amended (Who is a settlor?)**
After section HC 27(3B), insert:
“*Contributions to foreign superannuation scheme* 10
“(3C) Despite subsection (2), a person who makes a contribution to a trust that is a foreign superannuation scheme is not a settlor of the trust.”
- 68 Section HM 8 amended (Residence in New Zealand)**
In section HM 8, in the list of defined terms, insert “foreign investment zero-rate PIE” 15
- 69 Section HM 11 amended (Investment types)**
In section HM 11, in the list of defined terms, insert “foreign investment variable-rate PIE” and “foreign investment zero-rate PIE” 20
- 70 Section HM 12 amended (Income types)**
In section HM 12, in the list of defined terms, insert “foreign investment variable-rate PIE” and “foreign investment zero-rate PIE”.
- 71 Section HM 13 amended (Maximum shareholdings in investments)** 25
In section HM 13, in the list of defined terms, insert “foreign investment variable-rate PIE”.
- 71B Section HM 36 amended (Calculating amounts attributed to investors)** 30
- (1) Replace section HM 36(3)(a) with:

- “(a) **percentage** is the percentage of the investor’s entitlement for the day to a distribution by the PIE to the investor class for the period.”
- (2) **Subsection (1)** applies for the 2010–11 and later income years. 5
- 72 Section HM 50 amended (Attributing credits to investors)**
- (1) In section HM 50(5)(a), replace “section LP 2(1)(a)” with “section LP 2(1)(c)”.
- (2) **Subsection (1)** applies for the 2013–14 and later income years. 10
- 73 Section HM 55FB amended (Notified foreign investors and tax credits for supplementary dividends)**
- (1) In section HM 55FB(1)(b), replace “section LP 2(1)(a)” with “section LP 2(1)(c)”.
- (2) **Subsection (1)** applies for the 2013–14 and later income years. 15
- 74 Section HM 72 amended (When elections take effect)**
In section HM 72(1), replace “applicable” with “applicable,”.
- 75 Section HR 8 amended (Transitional residents)**
In section HR 8(1)(a), insert “CF 3,” after “CE 2,”. 20
- 76 Section IA 7 amended (Restrictions relating to ring-fenced tax losses)**
- (1) In section IA 7(7),—
- (a) replace “a mining company, a resident mining operator, or a non-resident mining operator” with “a mineral miner”:
- (ab) replace “mining permit area” with “permit area”:
- (b) replace “mining companies’ tax losses” with “mineral miner’s tax losses”.
- (2) In section IA 7, in the list of defined terms,— 30
- (a) delete “mining company”, “mining permit area”, “non-resident mining operator”, and “resident mining operator”:

(b) insert “mineral miner”.

77 Section ID 1 amended (Treatment of tax losses by consolidated groups)

- (1) In section ID 1(2), replace “mining companies” with “mining companies or mineral miners”. 5
- (2) In section ID 1, list of defined terms, insert “mineral miner”.

78 Heading to subpart IS replaced (Mining companies’ and petroleum miners’ tax losses)

Replace the heading to subpart IS with “Mineral miners’ and petroleum miners’ tax losses”. 10

79 Section IS 1 amended (General treatment of mining companies’ net losses)

- (1) Replace the heading to section IS 1 with “**General treatment of mineral miners’ net losses**”.
- (2) In section IS 1(1), replace “mining company” with “mineral miner”. 15
- (3) In section IS 1(2), replace “mining company” with “mineral miner”.
- (4) Replace section IS 1(3), other than the heading, with:
 - “(3) For the purposes of this subpart, a **net mining loss** means that part of a net loss of a mineral miner that is described in section IA 7(7) (Restrictions relating to ring-fenced tax losses).” 20
- (5) In section IS 1, in the list of defined terms,—
 - (a) delete “mining company”;
 - (b) insert “mineral miner”. 25

80 Section IS 2 amended (Treatment of net losses resulting from certain expenditure)

- (1) In section IS 2(1), replace “a mining company, or a resident mining operator, or a non-resident mining operator” with “a mineral miner that is a company”. 30
- (1B) In section IS 2(1)(a), replace “mining exploration expenditure or mining development expenditure” with “mining prospecting expenditure, mining exploration expenditure, mining development expenditure, or operational expenditure”.

- (1C) After section IS 2(1), insert—
“What this section does not apply to
“(1B) This section does not apply to an amount of net mining loss to the extent to which it gives rise to a tax credit under **section LU 1** (Tax credits for mineral miners).” 5
- (2) In section IS 2(3), replace “the mining company’s” with “the mineral miner’s”.
- (3) In section IS 2, in the list of defined terms,—
(a) delete “mining company”, “non-resident mining operator” and “resident mining operator”: 10
(b) insert ~~“mineral miner”~~ “mineral miner” and “operational expenditure”.
- 81 Section IS 3 repealed (Holding companies’ tax losses)**
Repeal section IS 3.
- 82 Section IS 4 repealed (Adjustments in certain circumstances)** 15
Repeal section IS 4.
- 83 Section IS 6 amended (When company stops being mining company)**
(1) In the heading to section IS 6, replace “**mining company**” with **“mineral miner”**. 20
(2) In section IS 6,—
(a) replace “sections IS 1 to IS 5” with “sections IS 1 and IS 2”:
(b) replace “mining company” with “mineral miner” in each place where it appears: 25
(c) replace “the company” with “the mineral miner”.
(3) In section IS 6, in the list of defined terms,—
(a) delete “mining company”:
(b) insert “mineral miner”. 30
- 85 Section LA 6 amended (Remaining refundable credits: PAYE, RWT, and certain other items)**
(1) After section LA 6(1)(i), insert:
“(j) **section LU 1** (Tax credits for mineral miners).”

- (2) **Subsection (1)** applies for the 2014–15 and later income years.

85B Section LD 3 amended (Meaning of charitable or other public benefit gift)

In section LD 3(1)(a), replace “gift” with “monetary gift”. 5

86 New section LE 8B inserted (Dividends from certain FIF interests)

After section LE 8, insert:

“LE 8B Dividends from certain FIF interests

“When this section applies 10

- “(1) This section applies when a person has assessable income for the purposes of section LE 1 because section LE 1(4B) applies (the **LE 1(4B) income**), and the LE 1(4B) income includes an imputation credit.

“Tax credit limited 15

- “(2) The person’s tax credit for the imputation credit is limited to the lesser of the imputation credit and the following amount:

$$\text{imputation ratio} \times \text{FIF income.}$$

“Definition of items in formula

- “(3) In the formula,—

“(a) **imputation ratio** is the imputation ratio referred to in section OB 60 (Imputation credits attached to dividends) if the relevant amount of LE 1(4B) income is treated as a dividend, and the imputation credit is attached to it. 20

“(b) **FIF income** is the person’s FIF income for the income year in which the imputation credit is received, to the extent to which the FIF income is for the attributing interest for which the imputation credit is received. 25

“Defined in this Act: assessable income, attributing interest, dividend, FIF income, imputation credit, imputation ratio, income year, tax credit”. 30

87 Subpart LR repealed (Tax credits for policyholder income)

- (1) Repeal subpart LR.

(2) **Subsection (1)** applies for the 2014–15 and later income years.

88 New subpart LU inserted (Tax credits for mineral miners)

(1) After section LS 4, insert:

“Subpart LU—Tax credits for mineral miners 5

“**LU 1 Tax credits for mineral miners**

“When this section applies

“(1) This section applies for an income year when—

“(a) either— 10

“(i) a mineral miner incurs an amount of mining rehabilitation expenditure in relation to a mining permit area; or

“(ii) a mineral miner derives an amount under **section CU 2** (Treatment of mining land) from the disposal of land or an interest in land in a mining permit area, and the amount the mineral miner derives from the disposal is less than the consideration that the mineral miner paid to acquire the land or interest in land; or 15 20

“(iii) a mineral miner incurs an amount of mining development expenditure in relation to a mining permit area for which the mining permit has been relinquished, has expired, has been revoked or surrendered, as those terms are used in the Crown Minerals Act 1991, and the miner has no existing privilege for the permit area; and 25

“(b) the mineral miner has a net mining loss for the mining permit area for the income year that is greater than the net income of the mineral miner for the income year from all other sources (the difference being the excess amount), calculated as follows: 30

“(i) the mineral miner’s net mining loss is treated as if their only income were income derived from the mining permit area: 35

“(ii) the net income of the mineral miner from other sources is treated as if there were no income from the mining permit area.

“Tax credit

“(2) The mineral miner has a tax credit for the tax year corresponding to the income year for an amount calculated using the formula—

expenditure or loss \times tax rate.

“Definition of items in formula

“(3) In the formula,—

“(a) **expenditure or loss** is the excess amount referred to in **subsection (1)(b)** to the extent to which it consists of the amounts referred to in **subsection (1)(a)(i) to (iii)**:

“(b) **tax rate** is the basic rate of income tax set out in schedule 1, part A (Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits). 15

“Maximum

“(4) Despite **subsection (2)**, the maximum amount of the credit must not be more than the lesser of—

“(a) the result of the formula; and

“(b) the amount of income tax paid by the mineral miner on net mining income derived for all earlier tax years to the extent to which it relates to the mining permit area, calculated on a year-by-year basis and aggregated. 20

“Treatment of trustees

“(4B) For the purposes of **subsection (4)**, if the mineral miner is a trustee of a trust, the amount of tax paid for each earlier tax year is determined— 25

“(a) first, by reference to the amount of income tax paid under the obligations of a trustee under section HC 32 (Liability of trustee as agent); and 30

“(b) secondly, by reference to the amount of tax paid on trustee income; and

“(c) calculated on a year-by-year basis and aggregated.

“Treatment of individuals

“(4C) For the purposes of **subsection (4)**, if the mineral miner is an individual, the amount of tax paid for earlier tax years is calculated on a year-by-year basis and aggregated, as if their only income were income derived from the mining permit area. 5

“Calculated on a year-by-year basis

“(4D) In **subsections (4)(b), (4B)(c) and (4C)(a) (4C)**, a reference to a calculation on a year-by-year basis refers to a calculation starting with the immediately preceding tax year and working backwards to earlier tax years until the amount of tax paid is equal to or more than the amount referred to in **subsection (4)(a)**. 10

“Treatment of tax loss

“(5) To the extent to which the mineral miner has a tax credit under this section, the amount of the net mining loss giving rise to the credit does not form part of either a tax loss component or a net mining loss for the mineral miner. 15

“Nature of tax credit

“(6) The tax credit is available for use under section LA 6(2) (Remaining refundable credits: PAYE, RWT, and certain other items). 20

“Relationship with other sections

“(7) **Subsection (5)** overrides sections IA 2 and IA 7 (which relate to losses generally) and IS 1, IS 2, and IS 6 (which relate to tax losses for mineral mining). 25

“Defined in this Act: amount, income, income year, interest, land, mineral miner, mining development expenditure, mining rehabilitation expenditure, net mining income, net mining loss, pay, permit area, tax credit, tax loss, tax loss component, tax year”.

(2) **Subsection (1)** applies for the 2014–15 and later income years. 30

89 Section MA 8 amended (Some definitions for family scheme)

(1) In section MA 8, in the definition of **family scheme income**, replace “an amount calculated under subpart MB (Adjustment of net income for family scheme)” with “the amount, described in section MB 1 (Adjustments for calculation of family scheme) 35

income), based on a person’s net income and adjusted as provided by subpart MB (Adjustment of net income for family scheme),”.

- (2) **Subsection (1)** applies for the 2014–15 and later income years. 5

90 Section MB 1 amended (Adjustments for calculation of family scheme income)

- (1) Replace the heading of section MB 1(1) and the words before the paragraphs in MB 1(1) with:

“Family scheme income: derivation 10

- “(1) The calculation of an entitlement and tax credit under the family scheme is based on a person’s family scheme income. A person’s family scheme income is an amount based on their net income, and is adjusted as provided by this subpart. The following paragraphs apply in relation to assessable income derived by the person in a relationship period in an income year.” 15

- (2) **Subsection (1)** applies for the 2014–15 and later income years.

91 Section MB 4 replaced (Family scheme income of major shareholders in close companies) 20

- (1) Replace section MB 4 with:

“MB 4 Family scheme income of major shareholders in close companies

“When this section applies 25

- “(1) This section applies for the purposes of determining the amount that is included in the family scheme income of a person for an income year when the person is a major shareholder in a close company (the **company**) on the last day of the company’s income year. 30

“Income amount

- “(2) The amount included in the person’s family scheme income is the greater of zero and the amount calculated using the formula in **subsection (3)**.

“First formula: family scheme income

“(3) For the purposes of **subsection (2)**, the relevant amount is calculated using the formula—

$$(\text{person's interest} + \text{attributed interest}) \times (\text{income} - \text{dividends}).$$

“Definition of items in formula in subsection (3)

“(4) In the formula in **subsection (3)**,— 5

“(a) **person’s interest** is the percentage voting interests for the company held, on the last day of the company’s income year, by the person:

“(b) **attributed interest** is the amount calculated using the formula in **subsection (5)**: 10

“(c) **income** is the net income of the company for the company’s income year:

“(d) **dividends** is the total dividends paid by the company for the company’s income year.

“Second formula: attributed interest 15

“(5) For the purposes of the item attributed interest in **subsection (4)(b)**, the relevant amount is calculated using the formula—

$$\frac{\text{dependent child interest}}{\text{relevant major shareholders}}.$$

“Definition of items in formula in subsection (5)

“(6) In the formula in **subsection (5)**,—

“(a) **dependent child interest** is the total percentage voting interests for the company held, on the last day of the company’s income year, by— 20

“(i) the person’s dependent children:

“(ii) dependent children of the person’s spouse, civil union partner, or de facto partner: 25

“(b) **relevant major shareholders** is the total number of the following people who are major shareholders of the company on the last day of the company’s income year:

“(i) the person:

“(ii) the person’s spouse, civil union partner, or de facto partner: 30

“(iii) principal caregivers of the dependent children described in **paragraph (a)(i) and (ii)**, but ignor-

ing principal caregivers already counted under
subparagraphs (i) and (ii) of this paragraph.

“Defined in this Act: amount, civil union partner, close company, de facto partner, dependent child, dividend, family scheme income, income year, major shareholder, net income, principal caregiver, share, spouse, voting interest”.

5

- (2) **Subsection (1)** applies for the 2014–15 and later income years.

92 Section MB 7 amended (Family scheme income of settlor of trust)

- (1) Replace section MB 7(3) and (4) with: 10

“*First formula: family scheme income*

- “(3) The person’s family scheme income for the income year includes the amount calculated using the formula—

$$\frac{\text{trustee income} + \text{companies income}}{\text{settlor number}}$$

“*Definition of items in formula in subsection (3)*

- “(4) In the formula in **subsection (3)**,— 15

“(a) **trustee income** is the net income of the trustee of the person’s trust for the income year reduced, to not less than zero, by the amount of the trustee’s income that vests or is paid by the trustee as beneficiary income for the income year: 20

“(b) **companies income** is the greater of zero and the amount given by totalling the amounts calculated by applying the formula in **subsection (5)** to each company in which the trustee of the person’s trust and associated persons hold, on the last day of the income year, voting interests of 50% or more: 25

“(c) **settlor number** is the number of settlors of the person’s trust who are alive at any time in the income year, including the person, for which this section applies.

“*Second formula: companies income* 30

- “(5) For the purposes of the item **companies income** in **subsection (4)(b)**, an amount to be totalled is, for each relevant company, calculated using the formula—

$$\text{trustee’s interest} \times (\text{income} - \text{dividends}).$$

“Definition of items in formula in subsection (5)

- “(6) In the formula in **subsection (5)**,—
- “(a) **trustee’s interest** is the percentage voting interests for the relevant company held, on the last day of the company’s income year, by the trustee: 5
 - “(b) **income** is the net income of the relevant company for the company’s income year:
 - “(c) **dividends** is the total dividends paid by the relevant company for the company’s income year.”
- (2) In section MB 7, list of defined terms, delete “market value”, “market value circumstance”, and “market value interest”. 10
- (3) **Subsection (1)** applies for the 2014–15 and later income years.

92B Section MB 8 amended (Family scheme income from fringe benefits: controlling shareholders) 15

- (1) Replace section MB 8(1)(a) with:
- “(a) the person is an employee of a company in which the person and associated person hold, on the last day of the income year, voting interests of 50% or more; and”.
- (2) In section MB 8, list of defined terms, delete “market value circumstance” and “market value interest”. 20
- (3) **Subsection (1)** applies for the 2014–15 and later income years.

92C Section MB 9 amended (Family scheme income from deposits in main income equalisation accounts) 25

- (1) Replace section MB 9(d) with:
- “(d) a company in which a trustee referred to in paragraph (c) and associated persons hold, on the last day of the income year, voting interests of 50% or more.”
- (2) In section MB 9, list of defined terms, delete “market value circumstance” and “market value interest”. 30
- (3) **Subsection (1)** applies for the 2014–15 and later income years.

- 93 Section MC 6 amended (When person does not qualify)**
In section MC 6, in the list of defined terms, delete “veteran’s pension”.
- 94 Section MD 1 amended (Abating WFF tax credit)**
Replace section MD 1(3)(d)(i) with: 5
“(i) a family credit abatement calculated using the formula in section MD 13(2); and”.
- 95 Section MD 2 amended (Calculating net contributions to credits)**
Repeal section MD 2(3). 10
- 96 Section MD 12 amended (Calculation of parental tax credit)**
(1) Replace section MD 12(3)(b) with:
“(b) **days** is the number of days in the parental entitlement period for which the person meets the requirements of section MD 11.” 15
(2) In section MD 12, list of defined terms, delete “civil union partner”, “de facto partner”, “income-tested benefit”, “social assistance payment”, and “spouse”.
(3) **Subsection (1)** applies for the 2014–15 and later income 20 years.
- 97 Section MD 13 amended (Calculation of family credit abatement)**
In section MD 13(4), in the words before the paragraphs, delete “fortnightly”. 25
- 98 Section MD 16 amended (Calculation of parental tax credit abatement)**
(1) Replace section MD 16(1)(b) and (c) with:
“(b) the credit is paid in a lump sum for the tax year of the birth; and 30
“(c) the birth occurs less than 56 days before the end of the tax year; and

- “(d) a day in an entitlement period is in the parental entitlement period.”
- (2) Replace sections MD 16(2) and (3) with:
- “*Amount of additional abatement*
- “(2) An additional amount of abatement for the parental tax credit is calculated for the tax year of the birth using the formula: 5
- daily parental tax credit abatement × extra entitlement days.
- “*Definition of items in formula*
- “(3) In the formula,—
- “(a) **daily parental tax credit abatement** is the amount by which the person’s parental tax credit would be reduced by a family credit abatement calculated as if for the person and an entitlement period consisting of— 10
- “(i) the last day of the last entitlement period in the part of the parental entitlement period in the tax year of the birth, if there is an entitlement period in that part of the parental entitlement period: 15
- “(ii) the first day of the first entitlement period in the part of the parental entitlement period in the tax year after the tax year of the birth, if **subparagraph (i)** does not apply: 20
- “(b) **extra entitlement days** is the number of days, each of which is— 25
- “(i) in the parental entitlement period; and
- “(ii) in an entitlement period in the tax year following the tax year of the birth.”
- (3) **Subsection (1)** applies for the 2014–15 and later income years.
- 99 Section OB 1 amended (General rules for companies with imputation credit accounts)**
- (1) In section OB 1(1), replace the first sentence with “A company that is resident in New Zealand is a company (an **ICA company**) that must establish and maintain an imputation credit account for a tax year.” 30
- (2) **Subsection (1)** applies for the 2008–09 and later income years. 35

99B Section OB 2 amended (Australian companies with imputation credit accounts)

- (1) Replace the heading to section OB 2 with “**Australian companies choosing to have imputation credit accounts**”.
- (2) Replace section OB 2(1) with: 5
“Election to be Australian ICA company
 “(1) A company that is resident in Australia may choose, by notifying the Commissioner, to be obliged to establish and maintain an imputation credit account.”
- (3) Replace the heading to section OB 2(3) with “*When electing company becomes Australian ICA company*”. 10
- (4) In section OB 2(3), replace the words before paragraph (a) with “A company making an election under **subsection (1)** must maintain an imputation credit account from the following date, as applicable:”. 15
- (5) Replace section OB 2(7)(a) with:
 “(a) the company ceases to be resident in Australia or meets a requirement of subsection (2)(a) or (b); or”.
- (6) **Subsections (1) to (5)** apply for the 2008–09 and later income years. 20

100 Section OB 47 amended (Debit for policyholder base imputation credits)

- (1) Replace section OB 47(1), other than the heading, with:
 “(1) An ICA company has an imputation debit for the amount of an imputation credit attached to a dividend derived by the company, to the extent to which it is— 25
 “(a) derived by it as a life insurer; and
 “(b) apportioned to their policyholder base; and
 “(c) not affected by a debit under section OB 41.”
- (2) **Subsection (1)** applies— 30
 (a) on and after 1 July 2010, unless **paragraph (b)** applies:
 (b) for an income year that includes 1 July 2010 and later income years, if the life insurer chose to apply the life insurance rules in the Taxation (International Taxation, Life Insurance, and Remedial Matters) Act 2009 in a 35
 return of income for the tax year corresponding to the first relevant income year.

101 Section OP 44 amended (Consolidated ICA debit for policyholder base imputation credits)

- (1) Replace section OP 44(1), other than the heading, with:
- “(1) A consolidated imputation group has an imputation debit for the amount of an imputation credit attached to a dividend derived by a group company, to the extent to which it is—
- “(a) derived by a group company that is a life insurer; and
 - “(b) apportioned to that life insurer’s policyholder base; and
 - “(c) not affected by a debit under section OP 42.”
- (2) **Subsection (1)** applies—
- (a) on and after 1 July 2010, unless **paragraph (b)** applies;
 - (b) for an income year that includes 1 July 2010 and later income years, if the life insurer chose to apply the life insurance rules in the Taxation (International Taxation, Life Insurance, and Remedial Matters) Act 2009 in a return of income for the tax year corresponding to the first relevant income year.

102 Section RD 5 amended (Salary or wages)

- (1) In section RD 5(5B), insert as the subsection heading “*Sum payable after office of Governor-General becomes vacant*”.
- (2) In section RD 5, list of defined terms, insert “employee”.

102B Section RD 10 amended (Amounts of tax for PAYE income payments)

- (1) In section RD 10(3)(b), words before subparagraph (i), replace “payment” with “payment, other than GST”.
- (2) **Subsection (1)** applies for the 2008–09 and later income years.

102C Section RE 4 amended (Persons who have withholding obligations)

- (1) In section RE 4(1), replace “must” with “meets the requirements of this section for an obligation to withhold an amount of tax if they”.
- (2) Replace section RE 4(4)(a) and (b) with:
- “(a) for an amount payable in relation to money lent or to shares issued by another person,—

- “(i) the payment is attributable to or effectively connected with a fixed establishment of the person outside New Zealand; and
 - “(ii) all amounts payable in relation to the money lent or to the shares are payable in a currency other than New Zealand currency: 5
- “(b) for dividends payable in relation to shares issued by the person, the person is not required by generally accepted accounting practice to express its financial statements in New Zealand currency.” 10
- (3) **Subsections (1) and (2)** apply for a person and a payment made in the 2008–09 or a later income year, except if—
 - (a) the person makes the payment before the date on which the Taxation (Annual Rates, Foreign Superannuation, and Remedial Matters) Act 2013 receives the Royal assent; and 15
 - (b) the person withholds from the payment an amount required by the law that would apply to the payment in the absence of **subsection (2)**.

- 102D Section RM 13 amended (Limits on refunds for ICA companies)** 20
 - (1) In section RM 13(3), first sentence, after “a tax year”, insert “and files the return within the extended time allowed”.
 - (2) **Subsection (1)** applies for the 2008–09 and later income years. 25

- 103 Section YA 1 amended (Definitions)**
 - (1) This section amends section YA 1.
 - (2) Replace the definition of **asset** with—
 - “**asset**—
 - “(a) is defined in section DG 3 (Meaning of asset for this subpart) for the purposes of subpart DG (Expenditure related to use of certain assets) and sections CC 1(2B) and CW 8B (which relate to the treatment of certain income): 30

- “(b) is defined in **section EZ 68** (Definitions) for the purposes of **sections EZ 64 to EZ 67** (which relate to New Zealand Railways Corporation restructure)”.
- (3) In the definition of **associated mining operations**, replace “section CU 29 (Other definitions)” with “**section CU 7(2)** (Some definitions)” 5
- (4) Replace the definition of **Australian ICA company** with:
 “**Australian ICA company** is a company that must establish and maintain an imputation credit account because of an election under section OB 2 (Australian companies choosing to have imputation credit accounts)” 10
- (5) Replace the definition of **commercial production** with:
 “**commercial production**—
 (a) for petroleum mining, means the production in commercial quantities on a continuing basis of petroleum in a state suitable for delivery to a buyer, consumer, processor, refinery, or user: 15
 (b) for mineral mining, means the extraction of a listed industrial mineral from a permit area and the production of the mineral in commercial quantities on a continuing basis to a stage at which it is in a saleable form and suitable location for delivery to a buyer, consumer, processor, or user” 20
- (5B) Replace the definition of **corpus** with:
 “**corpus** is defined in section HC 4 (Corpus of trust)” 25
- (6) In the definition of **dispose**,—
 (a) in paragraph (c), replace “non-specified mineral” with “certain minerals”:
 (b) in paragraph (e), delete “petroleum”.
- (7) Replace the definition of **farm-out arrangement** with: 30
 “**farm-out arrangement**—
 (a) means an arrangement between a petroleum miner or a mineral miner (the **farm-out party**) and a person (the **farm-in party**) under which the farm-in party agrees that they will incur expenditure in doing work or paying for work done in or for the permit area of the farm-out party’s petroleum permit, exploration permit, prospecting permit, or mining permit, as applicable, 35

- (the **permit**), after the arrangement is made and, in return, they—
- “(i) acquire an interest in the farm-out party’s permit:
 - “(ii) receive a right or option to acquire an interest in the farm-out party’s permit: 5
 - “(iii) become entitled in another way to acquire an interest in the farm-out party’s permit:
 - “(iv) become entitled to a direct or indirect interest in petroleum or a listed industrial mineral, as applicable, from the permit area of the farm-out party’s permit: 10
 - “(v) become entitled to a direct or indirect interest in the profits, however measured, from petroleum or a listed industrial mineral, as applicable, from the permit area of the farm-out party’s permit: 15
 - “(vi) become entitled to a direct or indirect right to reimbursement from petroleum or a listed industrial mineral, as applicable, from the permit area of the farm-out party’s permit:
 - “(vii) become entitled to a direct or indirect right to reimbursement from the profits, however, measured from petroleum or a listed industrial mineral, as applicable, from the permit area of the farm-out party’s permit: 20
 - “(viii) become entitled to a rental, royalty, or other consideration of whatever nature calculated by reference to petroleum or a listed industrial mineral, as applicable, from the permit area of the farm-out party’s permit: 25
 - “(ix) become entitled to a rental, royalty, or other consideration of whatever nature calculated by reference to the profits, however, measured, from petroleum or a listed industrial mineral, as applicable, from the permit area of the farm-out party’s permit: 30
 - “(b) is defined in section CZ 8(2) (Farm-out arrangements for petroleum mining before 16 December 1991) for the purposes of that section: 35

- “(c) is defined in section DZ 5(6) (Farm-out arrangements for petroleum mining before 16 December 1991) for the purposes of that section”.
- (9) Insert, in the appropriate alphabetical order:
- “**FIF superannuation interest** means, for a person and an income year (the **current year**), an interest held by the person, in a foreign superannuation scheme as a beneficiary or member, that—
- 5
- “(a) the person acquires, or is treated as acquiring, when a resident of New Zealand other than—
- 10
- “(i) from a person who acquired the interest when a non-resident; and
- “(ii) by a transaction described in **section CF 3(18)(d)**:
- “(b) the person acquires, or is treated as acquiring, when a non-resident and that—
- 15
- “(i) is an attributing interest for an income year (the **qualifying year**) ending before 1 April 2014; and
- “(ii) is treated by the person as an attributing interest in a return of income for the qualifying year filed
- 20
- before 20 May 2013; and
- “(iii) is held by the person for the period (the **qualifying period**) from the end of the qualifying year to the beginning of the current year; and
- “(iv) is treated by the person as an attributing interest
- 25
- in returns of income for the income years in the qualifying period”.
- (10) Insert, in the appropriate alphabetical order:
- “**foreign defined contribution scheme** means a foreign superannuation scheme that operates on the principle of allocating
- 30
- contributions to the scheme on a defined basis to individual members”.
- (11) Insert, in the appropriate alphabetical order:
- “**foreign superannuation withdrawal** means a benefit for a person from a foreign superannuation scheme to which **section CF 3** (Withdrawals from foreign superannuation scheme) applies”.
- 35
- (12) In the definition of **holding company**, repeal paragraph (b).

- (13) Replace the definition of **ICA company** with:
 “**ICA company** means a company that must establish and maintain an imputation credit account,—
 “(a) as a New Zealand resident company, under section OB 1 (General rules for companies with imputation credit accounts): 5
 “(b) as an Australian ICA company, because of an election under section OB 2 (Australian companies choosing to have imputation credit accounts)”.
- (14) Repeal the definition of **income from mining**. 10
- (15) In the definition of **initial treatment**, replace “section CU 29 (Other definitions)” with “**section CU 7(3)** (Some definitions)”.
- (16) Insert, in the appropriate alphabetical order:
 “**limited-recourse arrangement** is defined in **section DB 31(5B)** (Bad debts) for the purposes of that section”. 15
- (17) Insert, in the appropriate alphabetical order:
 “**listed industrial mineral** is defined in **section CU 8** (Meaning of listed industrial mineral)”.
- (18) In the definition of **loan**, repeal paragraph (c). 20
- (18B) In the definition of **major shareholder**,—
 (a) in paragraph (c), delete “and market value”.
 (b) in paragraph (d), delete “and market value”.
- (19) Insert, in the appropriate alphabetical order:
 “**mineral mining asset** is defined in **section CU 9** (Some definitions)”. 25
- (20) Repeal the definition of **mining company**.
- (21) In the definition of **mining development expenditure**, replace “section CU 23 (Meaning of mining development expenditure)” with “**section DU 12** (Meaning of mining development expenditure)”. 30
- (22) In the definition of **mining exploration expenditure**, replace “section CU 24 (Meaning of mining exploration expenditure)” with “**section DU 11** (Meaning of mining exploration expenditure)”. 35
- (23) Repeal the definition of **mining holding company**.

- (24) In the definition of **mining operations**, replace “section CU 25 (Meaning of mining operations)” with “**section CU 7(1)** (Some definitions)”.
- (25) In the definition of **mining or prospecting right**, replace “section CU 29 (Other definitions)” with “**section CU 9(4)** (Some definitions)” 5
- (26) Repeal the definition of **mining outgoing excess**.
- (27) Replace the definition of **mining permit** with:
“**mining permit** is defined in section 2 of the Crown Minerals Act 1991”. 10
- (28) Repeal the definition of **mining permit area**.
- (29) Insert, in the appropriate alphabetical order:
“**mining prospecting expenditure** is defined in **section DU 10** (Some definitions)”.
- (30) In the definition of **mining prospecting information**, replace 15
“section CU 29 (Other definitions)” with “**section DU 10(2)** (Some definitions)”.
- (31) Repeal the definition of **mining purposes**.
- (32) Insert, in the appropriate alphabetical order:
“**mining rehabilitation expenditure** is defined in **section DU 13** (Meaning of mining rehabilitation expenditure)” 20
- (33) Repeal the definition of **mining share**.
- (34) Repeal the definition of **mining venture**.
- (35) In the definition of **net mining loss**, replace “(General treatment of mining companies’ net losses) for the purposes of 25
subpart IS (Mining companies’ and petroleum miners’ tax losses)” with “(General treatment of mineral miners’ net losses) for the purposes of subpart IS (Mineral miners’ and petroleum miners’ tax losses)”.
- (36) Repeal the definition of **non-resident mining operator**. 30
- (37) In the definition of **NZIAS 28**, replace “by the Accounting Standards Review Board” with “or issued under the Financial Reporting Act 1993”.
- (38) In the definition of **NZIAS 31**, replace “by the Accounting Standards Review Board” with “or issued under the Financial 35
Reporting Act 1993”.
- (38B) Insert, in the appropriate alphabetical order:

- “**operational expenditure** is defined in **section DU 12(4)** (Meaning of mining development expenditure) for the purposes of that section and **section IS 2** (Treatment of net losses resulting from certain expenditure)”.
- (39) In the definition of **partnership share**, replace “partner has the partnership it” with “partner has in the partnership” 5
- (40) Replace the definition of **permit area** with:
 “**permit area** means an area of land, and may include more than 1 area, of, as applicable,—
 “(a) a petroleum permit: 10
 “(b) a mining permit or an existing privilege referred to in paragraphs (a) and (b) of the definition of existing privilege in section 106 of the Crown Minerals Act 1991”.
- (41) Repeal the definition of **prescribed amount**.
- (42) Repeal the definition of **prescribed period**. 15
- (43) Repeal the definition of **prescribed proportion**.
- (47) Repeal the definition of **reinvestment profit**.
- (48) Repeal the definition of **resident mining operator**.
- (49) In the definition of **residual expenditure**, replace paragraph (b)(i) with: 20
 “(i) an application fee payable to the Crown for a petroleum permit, exploration permit, mining permit, or prospecting permit; or”.
- (50) In the definition of **schedular income**, repeal paragraph (b).
- (50B) In the definition of **settlement**, replace the words before paragraph (a) with “**settlement—**”. 25
- (50C) In the definition of **settlor**, replace paragraph (a) with:
 “(a) is defined in section HC 27 (Who is a settlor?):”.
- (51) Repeal the definition of **specified mineral**.
- (51B) In the definition of **superannuation scheme**, paragraph (a)(v), after “natural persons”, insert “other than retirement benefits resembling New Zealand superannuation”. 30
- (52) **Subsections (4), (13), and (39)** apply for the 2008–09 and later income years.
- (55) **Subsections (5), (7), (18B), and (49)** apply for the 2014–15 35
 and later income years.

- 104 Schedule 1 amended (Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits)**
- (1) In schedule 1, part A, clause 1, replace the words before the formula with “To the extent to which a person does not have a basic rate under clauses 2 to 10, the basic rate of income tax for the person on each dollar of the person’s taxable income is calculated using the formula—”. 5
- (2) **Subsection (1)** applies for the 2011–12 and later income years.
- 105 Schedule 32 amended (Recipients of charitable or other public benefit gifts)** 10
- (1) In schedule 32, insert, in the appropriate alphabetical order, “Kailakuri Health Care Project – New Zealand Link”, “Marama Global – Education”, and “Marama Global – Health”. 15
- (2) **Subsection (1)** applies for the 2014–15 and later income years.
- 106 New schedule 33 inserted (Default fractions of foreign superannuation withdrawals)**
- After schedule 32, insert the schedule 33 in schedule 1 of this Act. 20
- 107 Removal of redundant headings and readers’ aids**
- The items in column 2 of schedule 2 are deleted or repealed from the locations given by the corresponding row in column 1 of schedule 2. 25

Part 3
Amendments to other Acts
Tax Administration Act 1994

- 108 Tax Administration Act 1994**
- Sections 109 to 114** amend the Tax Administration Act 1994. 30

109 Section 17 amended (Information to be furnished on request of Commissioner)

- (1) Section 17(2) is repealed.
- (2) **Subsection (1)** applies for the income year after the income year in which the Financial Reporting Act 1993 is repealed, and later income years. 5

110 New sections 21B and 21C inserted

- (1) Before section 22 and after the heading “*Taxpayer’s obligations to keep records*”, insert:

“21C Preparing financial statements: Orders in Council” 10

- “(1) The Governor-General may from time to time, by Order in Council made on the recommendation of the Minister of Revenue, prescribe, for the purposes of **section 21B**,—

- “(a) minimum requirements for preparing financial statements: 15

- “(b) classes of taxpayers to whom the minimum requirements apply:

- “(c) classes of companies that are exempt from the minimum requirements:

- “(d) the period for which financial statements must be prepared. 20

- “(2) Before recommending the making or amending of an Order in Council under this section, the Minister of Revenue must, whether before or after the date on which the Taxation (Annual Rates, Foreign Superannuation, and Remedial Matters Act **2013** receives the Royal assent, consult with professional accounting bodies that the Minister decides it is reasonable to consult for the purposes of this section.” 25

- (2) Before **section 21C**, as inserted by **subsection (1)**, and after the heading “*Taxpayer’s obligations to keep records*”, insert: 30

“21B Preparing financial statements”

- “(1) A company must prepare financial statements in accordance with the applicable minimum requirements prescribed in an Order in Council made under **section 21C**, unless the company is of a class specified as exempt from the minimum requirements in an Order in Council made under **section 21C**. 35

- “(2) A taxpayer of a class specified in an Order in Council under **section 21C** must prepare financial statements in accordance with the applicable minimum requirements prescribed in an Order in Council made under **section 21C**.
- “(3) If an enactment other than this one provides applicable minimum requirements for preparing financial statements for a company or taxpayer, the company or taxpayer must prepare financial statements using those minimum requirements and **subsection (1) and (2)** do not apply. 5
- “(4) Section 22 applies to keeping and retaining the financial statements.” 10
- (3) **Subsection (2)** applies for the income year after the income year in which the Financial Reporting Act 1993 is repealed, and later income years.
- 111 Section 22 amended (Keeping of business and other records) 15**
- (1) Before section 22(1)(a), insert:
“(aa) the financial statements required to be prepared by **section 21B**; and”.
- (2) **Subsection (1)** applies for the income year after the income year in which the Financial Reporting Act 1993 is repealed, and later income years. 20
- 112 Section 24O amended (Certain information required from agricultural, horticultural, or viticultural employers)**
- (1) In section 24O(4), replace paragraphs (d) to (f) with: 25
“(d) the gross amount of the payment.”
- (2) **Subsection (1)** applies for the 2008–09 and later income years.
- 112B Section 83 amended (Disclosure of information for purposes of entitlement card) 30**
- (1) In section 83(2)(e), replace “expected net income” with “expected family scheme income” in each place where it appears.
- (2) In section 83(2)(f), replace “net income” with “family scheme income” in each place where it appears.

112C Section 84 amended (Disclosure of information for family support double payment identification)

In section 84, in the heading, replace “family support” with “WFF tax credit”.

114 Section 108 amended (Time bar for amendment of income tax assessment) 5

(1) In section 108(1), replace “increase the amount assessed” with “increase the amount assessed or decrease the amount of a net loss”.

(2) **Subsection (1)** applies for the 2002–03 and later income 10 years.

KiwiSaver Act 2006

115 Schedule 1 amended (KiwiSaver scheme rules)

(1) In the KiwiSaver Act 2006, schedule 1, after clause 14B, insert: 15

“14C Withdrawal to meet tax liability on foreign superannuation withdrawal

“(1) A member may, on application to the trustees (in the case of a restricted KiwiSaver scheme) or the manager (in the case of any other KiwiSaver scheme), withdraw an amount for the payment of the member’s liability for— 20

“(a) tax, other than interest or penalties, arising under the Income Tax Act 2007 from the member’s withdrawal of an interest in a foreign superannuation scheme and conversion of the interest into an interest in a KiwiSaver scheme: 25

“(b) repayment obligations arising under the Student Loan Scheme Act 2011 from the member’s withdrawal of an interest in a foreign superannuation scheme and conversion of the interest into an interest in a KiwiSaver scheme. 30

“(2) The amount withdrawn under—

“(a) **subclause (1)(a)** may not exceed the lesser of—

“(i) the member’s liability for tax referred to in that paragraph: 35

- “(ii) the member’s liability for terminal tax in the tax year to which the tax relates:
- “(b) **subclause (1)(b)** may not exceed the member’s repayment obligations referred to in that paragraph.
- “(2A) An amount withdrawn under **subclause (1)** may not exceed the value at the time of the withdrawal of the member’s accumulation less the amount of the Crown contribution. 5
- “(3) An application under **subclause (1)** must—
- “(a) be made within the period of 24 months beginning from the end of the month in which the liability of the member for tax or student loan repayments is assessed; and 10
- “(b) be in the form required by the trustees or manager (as the case may be); and
- “(c) must include a completed statutory declaration giving the relevant details of the foreign superannuation withdrawal, the reinvestment, and the resulting liability of the member for tax under the Income Tax Act 2007; and 15
- “(d) must include any documents and other information that may be required by the trustees or manager (as the case may be) in support of the statutory declaration. 20
- “(4) The trustees (in the case of a restricted KiwiSaver scheme) or the manager (in the case of any other KiwiSaver scheme) must—
- “(a) provide to the Commissioner of Inland Revenue, in a form satisfactory to the Commissioner, the details of any withdrawal made by a member under **subclause (1)**; and 25
- “(b) if payment to a person other than the member is possible, pay to the Commissioner the amount of the withdrawal.” 30
- (2) In the KiwiSaver Act 2006, schedule 1, clause 17, replace “rules 4 to 14” with “rules 4 to **14C**”.

Income Tax Act 2004

- 116 New section CF 3 inserted (Optional treatment of withdrawals from foreign superannuation schemes not included in return or assessed before 1 April 2014)** 35
- After section CF 2 of the Income Tax Act 2004, insert:

“CF3 Optional treatment of withdrawals from foreign superannuation schemes not included in return or assessed before 1 April 2014

“When this section applies

- “(1) This section applies when a person— 5
- “(a) derives an amount, other than a pension or annuity, as a withdrawal from a foreign superannuation scheme in the period beginning with the beginning of the 2005–06 income year and ending with the end of the 2007–08 income year; and 10
 - “(b) does not include all or part of the withdrawal (the **omitted withdrawal**) in a return of income for the income year in which the amount was derived; and
 - “(c) is not assessed before 1 April 2014 for income included in the omitted withdrawal; and 15
 - “(d) chooses to include in a return of income for an income year (the **return year**) that is the 2013–14 or 2014–15 income year an amount of assessable income as relating to all omitted withdrawals from the foreign superannuation scheme. 20

“Law applying at time of withdrawal overridden

- “(2) In the circumstances described in **subsection (1)**, the provisions of this Act applying to the taxation of the omitted withdrawal when the person derived the omitted withdrawal, and of the person’s interest in the foreign superannuation scheme for the period ending by 31 March 2014 in which the person had the interest, are overridden by **section CZ 21B** (Optional treatment of withdrawals from foreign superannuation schemes not included in return or assessed before 1 April 2014) of the Income Tax Act 2007. 25 30

“Defined in this Act: amount, assessable income, income, income year, return of income, superannuation fund”.

116B Definitions

In section OB 1 of the Income Tax Act 2004, definition of **superannuation scheme**, paragraph (a)(iv), after “natural persons”, insert “other than retirement benefits resembling New Zealand superannuation”. 35

Income Tax Act 1994

**117 New section CC 4 inserted (Optional treatment of
withdrawals from foreign superannuation schemes not
included in return or assessed before 1 April 2014)**

After section CC 3 of the Income Tax Act 1994, insert: 5

**“CC 4 Optional treatment of withdrawals from foreign
superannuation schemes not included in return or
assessed before 1 April 2014**

“(1) This section applies when a person—

“(a) derives an amount, other than a pension or annuity, as 10
a withdrawal from a foreign superannuation scheme in
the period beginning with the 1 January 2000 and end-
ing with the end of the 2004–05 income year; and

“(b) does not include all or part of the withdrawal (the **omit-
ted withdrawal**) in a return of income for the income 15
year in which the amount was derived; and

“(c) is not assessed before 1 April 2014 for income included
in the omitted withdrawal; and

“(d) chooses to include in a return of income for an income 20
year (the **return year**) that is the 2013–14 or 2014–15
income year an amount of assessable income as relating
to all omitted withdrawals from the foreign superannu-
ation scheme.

“(2) In the circumstances described in **subsection (1)**, the pro- 25
visions of this Act applying to the taxation of the omitted
withdrawal when the person derived the omitted withdrawal,
and of the person’s interest in the foreign superannuation
scheme for the period ending by 31 March 2014 in which the
person had the interest, are overridden by **section CZ 21B** 30
(Optional treatment of withdrawals from foreign superannu-
ation schemes not included in return or assessed before 1 April
2014) of the Income Tax Act 2007.”

Health Entitlement Cards Regulations 1993

117B Regulation 2 amended (Interpretation)

In regulation 2(1) of the Health Entitlement Cards Regulations 35
1993,—

- (a) in the definition of **family assistance credit**, replace “Part M of the Income Tax Act 2007, excluding any family tax credit” with “subparts MA to MF, and MZ of the Income Tax Act 2007, excluding any minimum family tax credit”: 5
- (b) in the definition of **family credit income**, replace “net income” with “family scheme income”.

118 Regulation 8 amended (Eligibility for community services cards)

In regulation 8(4)(a) of the Health Entitlement Cards Regulations 1993, delete “fortnightly interim”. 10

Child Support Act 1991

119 Child Support Act 1991

Sections 120 to 122 amend the Child Support Act 1991.

120 Section 3A amended (Transitional and savings provisions relating to amendments to this Act) 15

In section 3A, replace “1 April 2014” with “1 April 2015”.

121 Section 276 amended (Transitional and savings provisions relating to amendments to Act)

In section 276, replace “1 April 2014” with “1 April 2015”. 20

122 Schedule 1 amended (Transitional and savings provisions relating to amendments to Act made on or after 1 April 2014)

(1) In the heading to Schedule 1, replace “1 April 2014” with “1 April 2015”. 25

(2) In Schedule 1, clause 1, definition of **commencement date**,—

(a) replace “1 April 2014” with “1 April 2015”:

(b) replace “sections 6, 31” with “sections 6, 18, 19, 19A, 31”.

(3) In Schedule 1, clause 1, definition of **new assessment**, replace “31 March 2015” with “31 March 2016”. 30

(4) In Schedule 1, clause 2(1), replace “1 April 2014” with “1 April 2015”.

- (5) In Schedule 1, clause 8(4), replace “1 April 2016” with “1 April 2017”.

Child Support Amendment Act 2013

- 123** **Child Support Amendment Act 2013**
Sections 124 to 137 amend the Child Support Amendment Act 2013. 5

- 124** **Section 2 amended (Commencement)**
Replace section 2(2) and (3) with:
“(2) Sections 18, 19, and 19A come into force on 1 April 2014.
“(3) Sections in Part 1 not referred to in subsection (1) or (2) come into force on 1 April 2015. 10
“(4) Part 2 comes into force on 1 April 2016.”

- 125** **Section 9 amended (Children who qualify for child support)**
In section 9(2), subsection (4), replace “1 April 2014” with “1 April 2015”. 15

- 126** **Section 12 amended (New headings and sections 29 to 36D substituted)**
In section 12, section 35(2), replace “1 April 2014” with “1 April 2015”. 20

- 127** **New section 19A inserted (Section 89F amended)**
After section 19, insert:
“19A Section 89F amended (Exemption does not apply at any time during child support year if income criteria not met at any time during relevant period) 25
“(1) In section 89F(1)(a)(i), after ‘income’, insert ‘(subject to section 89C(1A))’.
“(2) In section 89F(1)(a)(ii), after ‘income’, insert ‘(subject to sections 89C(1A) and 89D(1A))’.”

- 128 Section 38 amended (New heading and sections 129 to 131B substituted)**
- (1) In section 38, section 129(1), replace “1 April 2015” with “1 April 2016”.
- (2) In section 38, section 129(4)(b), replace “1 April 2015” with “1 April 2016”. 5
- (3) In section 38, section 129(6), replace “1 April 2015” with “1 April 2016”.
- (4) In section 38, section 130, words before paragraph (a), replace “1 April 2015” with “1 April 2016”. 10
- 129 Section 39 amended (New sections 134 to 134B substituted)**
- In section 39, section 134(1), replace “1 April 2015” with “1 April 2016” in each place where it appears.
- 130 Section 40 amended (Interpretation for purposes of sections 135A to 135O)** 15
- In section 40(2), defined terms, replace “1 April 2015” with “1 April 2016” in each place where it appears.
- 131 Section 43 amended (New section 135FA inserted)**
- (1) In section 43, section 135FA, heading, replace “1 April 2015” with “1 April 2016”. 20
- (2) In section 43, section 135FA(1), replace “1 April 2015” with “1 April 2016”.
- 132 Section 46 amended (New sections 135GB and 135H inserted)** 25
- (1) In section 46, section 135GB, heading, replace “1 April 2015” with “1 April 2016”.
- (2) In section 46, section 135GB(1), replace “1 April 2015” with “1 April 2016” in each place where it appears.
- (3) In section 46, section 135H, heading, replace “1 April 2015” with “1 April 2016”. 30
- (4) In section 46, section 135H(1), replace “1 April 2015” with “1 April 2016” in each place where it appears.

133 Section 52 amended (Overpayments to payees)

- (1) In section 52(1), replace “1 April 2015” with “1 April 2016”.
(2) In section 52(2), replace “1 April 2015” with “1 April 2016”.

134 Section 53 amended (New section 151AA inserted)

- (1) In section 53, section 151AA, heading, replace “1 April 2015” with “1 April 2016”. 5
(2) In section 53, section 151AA(1), replace “1 April 2015” with “1 April 2016”.

135 Section 62 amended (New section 276 substituted)

- (1) In section 62, words before section 276, after “this Act”, insert “and amended by the Taxation (Annual Rates, Foreign Superannuation, and Remedial Matters) Act 2013”. 10
(2) In section 62, section 276(1), replace “1 April 2014” with “1 April 2015”.
(3) In section 62, section 276(2), table, column 1, row 1, replace “6, 31” with “6, 18, 19, 19A, 31”. 15

136 Section 63 amended (Schedule 1 amended)

- (1) In section 63(1), heading, replace “1 April 2014” with “1 April 2015”.
(2) In section 63(2), heading, replace “1 April 2015” with “1 April 2016”. 20
(3) In section 63(2), clause 9, words before paragraph (a), replace “1 April 2015” with “1 April 2016” in each place where it appears.
(4) In section 63(2), clause 10, heading, replace “1 April 2015” with “1 April 2016”. 25
(5) In section 63(2), clause 10(1), replace “1 April 2015” with “1 April 2016” in each place where it appears.
(6) In section 63(2), clause 10(2), replace “1 April 2015” with “1 April 2016” in each place where it appears. 30
(7) In section 63(2), clause 10(3),—
(a) replace “1 April 2015” with “1 April 2016” in each place where it appears:
(b) replace “25 March 2015” with “25 March 2016”.

- (8) In section 63(2), clause 10(4),—
(a) replace “1 April 2015” with “1 April 2016” in each place where it appears:
(b) replace “1 March 2015” with “1 March 2016”.
- (9) In section 63(2), clause 10(5),— 5
(a) replace “1 April 2015” with “1 April 2016” in each place where it appears:
(b) replace “1 March 2015” with “1 March 2016”.
- (10) In section 63(2), clause 10(6), replace “1 April 2015” with “1 April 2016” in each place where it appears. 10

137 Schedule 3 amended (Consequential amendments to principal Act)

In schedule 3, repeal the amendment to section 89F(1)(a)(ii).

Schedule 1 **s 106**
New schedule 33 inserted
Schedule 33 **s CF 3**
Default fractions of foreign superannuation withdrawals 5

<i>Column 1</i> schedule year	<i>Column 2</i> schedule year fraction (%)
1	4.76
2	9.45
3	14.06
4	18.60
5	23.07
6	27.47
7	31.80
8	36.06
9	40.26
10	44.39
11	48.45
12	52.45
13	56.39
14	60.27
15	64.08
16	67.84
17	71.53

**Taxation (Annual Rates, Foreign
Superannuation, and Remedial Matters) Bill**

Schedule 1

18	75.17
19	78.75
20	82.28
21	85.74
22	89.16
23	92.58
24	95.83
25	99.08
26 or more	100.00

Schedule 2
**Removal of redundant headings and
readers' aids**

s 107

Location in Income Tax Act 2007	Delete / Repeal
After subpart LP	the subpart heading “Subpart LQ—Tax credits of conduit tax relief companies”.
After Table O22	the cross-heading “ <i>CTR debits of consolidated groups</i> ”.
After section RC 35	the heading “ <i>Disaster relief</i> ”.
Section RZ 5D, list of defined terms	the words “provisional tax liability”.

Legislative history

20 May 2013	Introduction (Bill 112–1)
11 June 2013	First reading and referral to Finance and Expenditure Committee
28 November 2013	Reported from Finance and Expenditure Committee (Bill 112–2)
5 December 2013	Second reading
18 February 2014	Committee of the whole House (Bill 112–3)
