

## FARM AND FISHING VESSEL OWNERSHIP SAVINGS SCHEMES (CLOSURE) BILL

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### EXPLANATORY NOTE

#### *General Policy Statement*

This Bill provides for the winding up by 30 June 2001 of the farm and fishing vessel ownership savings schemes maintained under the Farm Ownership Savings Act 1974 and the Fishing Vessel Ownership Savings Act 1977. These Acts provide for subsidies on savings going towards first farm or fishing vessel ownership.

Subsidisation of savings for first farm and fishing vessel ownership is no longer consistent with the Government's economic policy. Formation of new farm ownership accounts was stopped on 19 June 1987, while formation of new fishing vessel ownership accounts was stopped on 1 January 1985.

Under schemes as they stand, the maximum subsidised savings levels are often no longer enough to purchase a farm or fishing vessel. As a result many people with savings want to withdraw from the schemes.

This Bill completes the closure of these schemes. It provides that all farm and fishing vessel ownership savings accounts be closed on 30 June 2001, at which point remaining account holders will be entitled to their savings and outstanding subsidies without restriction. It also allows those who wish to close their accounts between 30 June 1998 and 30 June 2001 to do so free of restrictions and in full receipt of outstanding subsidies, so long as they make no further deposits after 30 June 1998. These subsidies will be calculated on account balances as at 14 May 1998 to ensure that subsidies paid under the special withdrawal provisions reflect those outstanding when the ability to withdraw is announced.

#### *Clause by Clause Analysis*

*Clause 1* is the Short Title and commencement clause. The Bill comes into force on the day it receives the Royal assent.

*Part 1* of the Bill amends the Farm Ownership Savings Act 1974.

*Clause 3* makes a series of amendments to sections 12 and 14C of the Act that remove the ability to transfer the balance of a home ownership account maintained under the Home Ownership Savings Act 1977 into a farm ownership account.

*Clause 4* adds to the Act a new *Part IV* that provides for the wind-up of farm ownership accounts by 30 June 2001.

The new *section 19* provides that all farm ownership accounts in existence on 30 June 2001 are to be closed and their balances paid to their depositors.

Holders of ordinary farm ownership accounts will also be paid the appropriate purchase grant on their eligible savings at that date, even though they may not comply with the normal requirement that a withdrawal can only be made for the purpose of acquiring a farm or becoming a sharefarmer. None of the normal clawback provisions will apply to such grants.

Holders of special farm ownership accounts will similarly be issued with withdrawal certificates, notwithstanding any failure to comply with the normal conditions for such certificates. This means that any amount withdrawn at the time of the closure of their account will not be treated as withdrawal income, and thus subject to withdrawal tax, under Part IZ of the Income Tax Act 1994.

The new *section 20* allows for earlier closure of accounts, with the same benefits as apply under *section 19*, for persons who do not make further deposits into their accounts on or after 30 June 1998. Entitlements to purchase grants payable to depositors with ordinary farm ownership accounts are to be calculated as at 14 May 1998, ignoring any deposits made after that date but on or before 30 June 1998. While any deposits paid into special farm ownership accounts in the period 14 May 1998 to 30 June 1998 will continue to attract a rebate under section KG 1 of the Income Tax Act 1994, the amount of the rebate will be claimed back as withdrawal tax once the account is closed under the new *section 20*.

The new *section 21* provides that the full provisions of the existing Act (including restrictions on withdrawals, clawback of purchase grants, and tax consequences under Part IZ of the Income Tax Act 1994) continue to apply to persons who make further deposits into their accounts after 30 June 1998.

Any such person who makes a withdrawal for the purpose of acquiring a farm or becoming a sharefarmer will be subject to the normal 5-year restriction period during which clawback of purchase grants or the imposition of withdrawal tax may arise if the restrictions are breached.

If no such withdrawal is made before 30 June 2001 the person's account will then be closed under *section 19*, and attract the benefits of that section.

*Part 2* of the Bill amends the Fishing Vessel Ownership Savings Act 1977. The amendments are in identical terms to those to the Farm Ownership Savings Act 1974 in *Part 1*, with only minor variations for cross-references and different nomenclature.

*Clause 6* amends sections 12 and 17 of the Act to remove the ability to transfer the balance of a home ownership account into a fishing vessel ownership account.

*Clause 7* adds a new *Part III* to the Act that provides for the wind-up of fishing vessel ownership accounts by 30 June 2001.

The new *section 30* provides for closure of all existing fishing vessel ownership accounts as at 30 June 2001, with the same benefits as under the new *section 19* in *Part 1*.

The new *section 31* provides for earlier closure of accounts, with benefits, by persons who do not make further deposits into their accounts on or after 30 June 1998.

The new *section 32* provides for persons who do make further deposits to continue to be subject to the restrictive provisions of the existing Act.

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*Rt Hon W F Birch*

**FARM AND FISHING VESSEL OWNERSHIP SAVINGS  
SCHEMES (CLOSURE)**

ANALYSIS

| Title                                                                                                      |                                                                                                            |
|------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| 1. Short Title and commencement                                                                            |                                                                                                            |
|                                                                                                            | <b>PART 1</b>                                                                                              |
|                                                                                                            | AMENDMENTS TO FARM OWNERSHIP SAVINGS<br>ACT 1974                                                           |
| 2. Part to be part of Farm Ownership<br>Savings Act 1974                                                   | 5. Part to be part of Fishing Vessel Owner-<br>ship Savings Act 1977                                       |
| 3. Balance in Home Ownership Account<br>no longer transferable to Farm<br>Ownership Account                | 6. Balance in Home Ownership Account<br>no longer transferable to Fishing<br>Vessel Ownership Account      |
| 4. New Part IV added                                                                                       | 7. New Part III inserted                                                                                   |
|                                                                                                            | <b>PART III</b>                                                                                            |
|                                                                                                            | CLOSURE OF FISHING VESSEL<br>OWNERSHIP ACCOUNTS BY 30 JUNE<br>2001                                         |
|                                                                                                            | 30. All existing accounts to be<br>closed as at 30 June 2001                                               |
| 19. All existing accounts to be<br>closed as at 30 June 2001                                               | 31. Unrestricted withdrawals may<br>be made by persons making<br>no further deposits after<br>30 June 1998 |
| 20. Unrestricted withdrawals may<br>be made by persons making<br>no further deposits after<br>30 June 1998 | 32. Parts I and II to continue to<br>apply to persons making<br>deposits after 30 June 1998                |
| 21. Parts I to III to continue to<br>apply to persons making<br>deposits after 30 June 1998                |                                                                                                            |

A BILL INTITULED

**An Act to close the savings schemes provided for by the  
Farm Ownership Savings Act 1974 and the Fishing  
Vessel Ownership Savings Act 1977**

5 BE IT ENACTED by the Parliament of New Zealand as follows:

1. **Short Title and commencement**—(1) This Act may be cited as the Farm and Fishing Vessel Ownership Savings Schemes (Closure) Act 1998.

10 (2) This Act comes into force on the day on which it receives the Royal assent.

PART 1

AMENDMENTS TO FARM OWNERSHIP SAVINGS ACT 1974

**2. Part to be part of Farm Ownership Savings Act 1974**—This Part is part of the Farm Ownership Savings Act 1974\* (in this Part referred to as the principal Act).

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\*R.S. Vol. 34, p. 497

**3. Balance in Home Ownership Account no longer transferable to Farm Ownership Account**—The principal Act is amended—

(a) By omitting from section 12 (1) the words “an Ordinary Home Ownership Account or”:

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(b) By omitting from section 14C (1) the words “in a Special Home Ownership Account or”:

(c) By omitting from the proviso to section 14C (1) the words “the Special Home Ownership Account or”:

(d) By omitting from section 14C (2) the words “Special Home Ownership Account or the”.

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**4. New Part IV added**—The principal Act is amended by adding the following Part:

“PART IV

“CLOSURE OF FARM OWNERSHIP ACCOUNTS BY 30 JUNE 2001 20

**“19. All existing accounts to be closed as at 30 June 2001**—(1) All Farm Ownership Accounts in existence on 30 June 2001 are to be closed as at that date and their balances paid to their depositors.

“(2) Where an Ordinary Farm Ownership Account is closed under **subsection (1)**— 25

“(a) The Corporation must pay to the depositor a purchase grant under either section 7 or section 7A (whichever is applicable) in respect of the depositor’s eligible savings on the close of 30 June 2001, notwithstanding that the depositor would not otherwise be entitled to receive a purchase grant under Part I; and 30

“(b) Nothing in sections 14I to 14L (which impose certain restrictions where a purchase grant has been paid, and may require its repayment for breach of those restrictions) applies in respect of that purchase grant. 35

“(3) Where a Special Farm Ownership Account is closed under **subsection (1)**— 40

5 “(a) The Corporation must issue to the depositor a withdrawal certificate under section 14F for the balance of the Account as at the close of 30 June 2001, notwithstanding that the depositor would not otherwise be entitled to receive a withdrawal certificate under Part II; and

10 “(b) Nothing in sections 14I to 14L (which impose certain restrictions where a withdrawal certificate has been issued, and may require the payment of withdrawal tax under Part I of the Income Tax Act 1994 if those restrictions are breached) applies in respect of the withdrawal for which the withdrawal certificate is issued.

15 **“20. Unrestricted withdrawals may be made by persons making no further deposits after 30 June 1998—**(1) A Farm Ownership Account depositor may withdraw the balance of the Account and close the Account if the depositor has made no deposits in the Account after 30 June 1998.

20 “(2) If a depositor with an Ordinary Farm Ownership Account closes his or her Account under this section—

25 “(a) The Corporation must pay to the depositor a purchase grant under either section 7 or section 7A (whichever is applicable) in respect of the depositor’s eligible savings on the close of 14 May 1998, notwithstanding that the depositor would not otherwise be entitled to receive a purchase grant under Part I; and

30 “(b) Nothing in sections 14I to 14L (which impose certain restrictions where a purchase grant has been paid, and may require its repayment for breach of those restrictions) applies in respect of that purchase grant.

35 “(3) If a depositor with a Special Farm Ownership Account closes his or her Account under this section—

40 “(a) The Corporation must issue to the depositor a withdrawal certificate under section 14F for the balance of the Account (less the amount of any deposit referred to in **subsection (4)**) as at the time of its closure, notwithstanding that the depositor would not otherwise be entitled to receive a withdrawal certificate under Part II; and

“(b) Nothing in sections 14I to 14L (which impose certain restrictions where a withdrawal certificate has been

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issued, and may require the payment of withdrawal tax under Part I of the Income Tax Act 1994 if those restrictions are breached) applies in respect of the withdrawal for which the withdrawal certificate is issued.

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“(4) If a person with a Special Farm Ownership Account makes any deposit into that Account during the period 15 May 1998 to 30 June 1998 (both dates inclusive), the amount of the deposit, to the extent that it is not subsequently withdrawn in accordance with section 14D (2) before the closure of the Account under this section,—

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“(a) Is to be excluded from the withdrawal certificate given under **subsection (3) (a)**; and

“(b) Falls to be treated as withdrawal income subject to withdrawal tax in accordance with Part IZ of the Income Tax Act 1996.

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“**21. Parts I to III to continue to apply to persons making deposits after 30 June 1998**—If a depositor with a Farm Ownership Account makes any deposit into that Account on or after 30 June 1998, the provisions of Parts I to III continue to apply to that depositor and that Account, unless and until the Account is closed under **section 19.**”

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PART 2

CLOSURE OF FISHING VESSEL OWNERSHIP SAVINGS SCHEME

**5. Part to be part of Fishing Vessel Ownership Savings Act 1977**—This Part is part of the Fishing Vessel Ownership Savings Act 1977\* (in this Part referred to as the principal Act).

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\*R.S. Vol. 34, p. 545

**6. Balance in Home Ownership Account no longer transferable to Fishing Vessel Ownership Account**—The principal Act is amended—

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(a) By omitting from section 12 (1) the words “or in an Ordinary Home Ownership Account”;

(b) By omitting from section 17 (1) the words “or in a Special Home Ownership Account”;

(c) By omitting from the proviso to section 17 (1) the words “or the Special Home Ownership Account”;

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(d) By omitting from section 17 (2) the words “or Special Home Ownership Account”.

**7. New Part III inserted**—The principal Act is amended by inserting, after section 29, the following Part:

“PART III

“CLOSURE OF FISHING VESSEL OWNERSHIP ACCOUNTS BY  
30 JUNE 2001

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**“30. All existing accounts to be closed as at 30 June 2001**—(1) All Fishing Vessel Ownership Accounts in existence on 30 June 2001 are to be closed as at that date and their balances paid to their depositors.

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“(2) Where an Ordinary Fishing Vessel Ownership Account is closed under **subsection (1)**—

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“(a) The Corporation must pay to the depositor a purchase grant under section 7 in respect of the depositor’s eligible savings on the close of 30 June 2001, notwithstanding that the depositor would not otherwise be entitled to receive a purchase grant under Part I; and

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“(b) Nothing in sections 23 to 25 (which impose certain restrictions where a purchase grant has been paid, and may require its repayment for breach of those restrictions) applies in respect of that purchase grant.

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“(3) Where a Special Fishing Vessel Ownership Account is closed under **subsection (1)**—

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“(a) The Corporation must issue to the depositor a withdrawal certificate under section 20 for the balance of the Account as at the close of 30 June 2001, notwithstanding that the depositor would not otherwise be entitled to receive a withdrawal certificate under Part II; and

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“(b) Nothing in sections 23 to 25 (which impose certain restrictions where a withdrawal certificate has been issued, and may require the payment of withdrawal tax under Part I of the Income Tax Act 1994 if those restrictions are breached) applies in respect of the withdrawal for which the withdrawal certificate is issued.

**“31. Unrestricted withdrawals may be made by persons making no further deposits after 30 June 1998**—(1) A Fishing Vessel Ownership Account depositor may withdraw the balance of the Account and close the Account if the depositor has made no deposit in the account after 30 June 1998.

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“(2) If a depositor with an Ordinary Fishing Vessel Ownership Account closes his or her Account under this section—

“(a) The Corporation must pay to the depositor a purchase grant under section 7 in respect of the depositor’s eligible savings on the close of 14 May 1998, notwithstanding that the depositor would not otherwise be entitled to receive a purchase grant under Part I; and 5

“(b) Nothing in sections 23 to 25 (which impose certain restrictions where a purchase grant has been paid, and may require its repayment for breach of those restrictions) applies in respect of that purchase grant. 10

“(3) If a depositor with a Special Fishing Vessel Ownership Account closes his or her Account under this section— 15

“(a) The Corporation must issue to the depositor a withdrawal certificate under section 20 for the balance of the Account (less the amount of any deposit referred to in subsection (4)) as at the time of its closure, notwithstanding that the depositor would not otherwise be entitled to receive a withdrawal certificate under Part II; and 20

“(b) Nothing in sections 23 to 25 (which impose certain restrictions where a withdrawal certificate has been issued, and may require the payment of withdrawal tax under Part I of the Income Tax Act 1994 if those restrictions are breached) applies in respect of the withdrawal for which the withdrawal certificate is issued. 25 30

“(4) If a person with a Special Fishing Vessel Ownership Account makes any deposit into that Account during the period 15 May 1998 to 30 June 1998 (both dates inclusive), the amount of the deposit, to the extent that it is not subsequently withdrawn in accordance with section 18 (2) before the closure of the Account under this section,— 35

“(a) Is to be excluded from the withdrawal certificate given under subsection (3) (a); and

“(b) Falls to be treated as withdrawal income subject to withdrawal tax in accordance with Part IZ of the Income Tax Act 1996. 40

**“32. Parts I and II to continue to apply to persons making deposits after 30 June 1998—**If a depositor with a



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Fishing Vessel Ownership Account makes any deposit into that Account on or after 30 June 1998, the provisions of Parts I and II continue to apply to that depositor and that Account, unless and until the Account is closed under **section 30.**”