LAND AND INCOME TAX AMENDMENT (No. 2) BILL

EXPLANATORY NOTE

This Bill amends the Land and Income Tax Act 1954.

Clause 1 relates to the Short Title.

Clause 2 provides that the Bill, except where otherwise provided therein, will apply with respect to tax on income derived in the income year that commenced on 1 April 1967, and in every subsequent year.

Clause 3 inserts a definition of "New Zealand" in section 2 of the principal Act declaring that the continental shelf (as defined in section 2 of the Continental Shelf Act 1964) forms part of New Zealand for the purposes of the principal Act.

The special provisions of the principal Act for the assessment of mineral mining companies and New Zealand petroleum mining companies and their holding companies are confined to mining activities in New Zealand, and do not extend to mining activities on the continental shelf. This definition will remedy that position.

Clause 4 re-enacts in amended form section 17 of the principal Act, relating to the making of assessments by the Commissioner. The new section omits the requirement that the assessment must be in a form prescribed by regulations or, in default of such regulations or so far as they do not extend, in such form as the Commissioner thinks fit, and will allow the Commissioner to decide the form in each case. The section also omits the present requirement that assessments are to be signed by the Commissioner.

Clause 5 amends section 28 of the principal Act, relating to the giving of notices of assessments to taxpayers. The section provides that after an assessment has been made by the Commissioner, he shall cause notice of the assessment to be given to the taxpayer.

This clause provides that it will not be necessary to show in the notice of assessment any particulars other than particulars of the amount of tax to be paid or the amount of tax to be refunded, as the case may require, in the following cases:

(a) Where in his return the taxpayer has calculated the amount on which tax is payable or the amount of the tax; or

(b) A default assessment is made on failure by the taxpayer to furnish a return for the year to which the assessment relates; or

(c) A separate statement is given to the taxpayer setting out the amount on which tax is payable and the amount of the tax.

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Clause 6 amends section 84B of the principal Act so far as it relates to the special exemption in respect of gifts of money, and extends those provisions to gifts made to the Commonwealth Foundation.

Clause 7 amends section 85 of the principal Act, which provides for a special exemption in respect of life insurance premiums and superannuation and insurance fund contributions. Under that section—

(a) The exemption in respect of insurance premiums may be claimed where the policy is on the life of the taxpayer, the life of the spouse of the taxpayer, the joint lives of the taxpayer and his or her spouse, or the life of a dependent child of the taxpayer, and is, in any such case, for the benefit of any such person.

(b) The exemption in respect of superannuation and insurance fund contributions may be claimed where the taxpayer is a contributor for the taxpayer's own benefit or for the benefit of the taxpayer's spouse or dependent child to the National Provident Fund, any superannuation fund, any insurance fund of a friendly society, or any similar fund approved by the Commissioner.

This clause makes the following amendments to those provisions:

(a) The exemption which is at present allowed in respect of life insurance premiums is extended to premiums paid under a policy of personal accident or sickness under which the benefits are payable in respect of personal accident, whether fatal or not, disease, or sickness to or of the taxpayer, the spouse of the taxpayer, or any dependent child of the taxpayer.

(b) The exemption in respect of superannuation or insurance fund contributions may be claimed in respect of contributions to the National Provident Fund, any superannuation fund, or any insurance fund of a friendly society, as at present, or to any fund which provides benefits solely in respect of personal accident, disease, sickness, or death and is approved by the Commissioner.

Subclause (5) adds a new provision declaring that an exemption may not be claimed under section 85 where a deduction in respect of the premium or contribution has been allowed under any other provision of the principal Act.

Clause 8 amends section 103 of the principal Act, relating to the spreading of excess income derived by a farmer on the sale of livestock where an unduly low standard value or a nil value has been adopted for income tax purposes. Under subsection (2A) of that section a taxpayer retiring from the business of farming may, as an alternative to spreading that excess income over the year of sale and the three preceding years, elect to spread that excess over the year of sale and the three succeeding years.

This clause makes the following amendments to these provisions:

(a) *Subclause (1)* defines certain circumstances that will not amount to a retirement from the business of farming for the purposes of subsection (2A), notwithstanding the sale or disposition of the farming business from which the taxpayer has derived assessable income. A taxpayer will not be regarded as having retired from the business of farming if, after the sale or disposition,—

(i) He carries on any farming or agricultural business on his own account or in partnership or otherwise beneficially; or

(ii) In the opinion of the Commissioner, he continues to be, or is, engaged full time or substantially full time as an employee, or as a sharefarmer within the meaning of the Workers' Compensation Act 1966, or otherwise, in the practical management or operation of any farming or agricultural business carried on by a relative or a specified private company (as defined in *subclause (2)*) or a specified *inter vivos* trust (as defined in that subclause).

(b) *Subclause (2)* is an interpretation provision.

Clause 9 enables a taxpayer carrying on any fishing business to spread any expenditure (allowed as a deduction under section 113 of the principal Act) incurred in making repairs or alterations to the hull, equipments, or machinery of any fishing boat for the purpose of obtaining a certificate of survey under Part IV of the Shipping and Seamen Act 1952. The taxpayer may allocate the whole or any part of that expenditure to the income year in which the expenditure was incurred or to any one or more of the four succeeding income years.

The clause will apply to expenditure incurred on or after 15 October 1965, the date on which smaller fishing boats became liable to compulsory survey.

Clause 10: Section 113 (2) of the principal Act confers a discretion on the Commissioner to refuse in whole or in part to allow a deduction in respect of the repair, maintenance, or depreciation of property where he is not satisfied that complete and satisfactory accounts have been kept by or on behalf of the taxpayer *and* that sufficient depreciation has been provided for in the taxpayer's accounts.

The effect of this amendment will be that the Commissioner will have such a discretion where he is not satisfied either that complete and satisfactory accounts have been kept by or on behalf of the taxpayer *or* that sufficient depreciation has been provided for in the taxpayer's accounts.

Clause 11 enables a taxpayer carrying on any fishing business who, for the purposes of the survey of any fishing boat, has incurred expenditure of a capital nature in making alterations to the hull or in acquiring, installing, or extending equipments or machinery to deduct depreciation in respect of that expenditure at an accelerated rate.

The clause will apply to expenditure incurred on or after 15 October 1965, the date when smaller fishing boats became liable to compulsory survey, and will enable the taxpayer to deduct depreciation at a rate of up to 25 percent in the income year in which the expenditure was incurred and in each of the three succeeding income years.

Clause 12 amends section 114A of the principal Act, which enables a taxpayer to claim a special depreciation allowance of 20 percent, in addition to ordinary depreciation rates, in respect of—

(a) Plant or machinery or buildings for the accommodation of employees of the taxpayer. At present, the plant or machinery must be acquired, installed, or extended, and the building for employees must be acquired, erected, or extended, not later than 31 March 1968:

(b) New farm buildings, or new extensions (other than residences). At present, the buildings must be erected or extended not later than 31 March 1968.

Subclause (1) of this clause extends the time in each case for a further year, until 31 March 1969.

Subclause (2) will enable a taxpayer carrying on an hotel business in New Zealand to claim a special depreciation allowance, in addition to ordinary depreciation rates, in respect of the cost of installing any private bathroom facilities, private shower-box facilities, or private water-closet facilities in existing hotel premises. The facilities must be installed on or after 1 April 1967 and not later than 31 March 1969. For the purposes of this provision, the term "hotel" is defined in *subclause (5)* as being premises in respect of which any hotel, provisional hotel, special hotel, extended hotel, or tourist-house premises licence under the Sale of Liquor Act 1962 is for the time being in force and similar premises conducted by a Licensing Trust (including the Masterton Licensing Trust and the Invercargill Licensing Trust).

Subclause (3) will enable a taxpayer who embarks on a development plan which extends over a number of years to claim a special depreciation allowance in certain cases under the existing subsections (1) and (1A) of section 114A or under the proposed new subsection (1B) (inserted by *subclause (2)* of this clause) in respect of an asset acquired, installed, erected, or extended after the end of the qualifying period.

In order to qualify under this provision—

(a) The taxpayer must, during the qualifying period, have acquired, installed, erected, or extended a substantial part of the assets included in the development plan or entered into, or taken the necessary preliminary steps for the purpose of entering into, a binding contract for their acquisition, installation, erection, or extension; and

(b) The asset acquired, installed, erected, or extended after the expiry of the qualifying period must be one which would have qualified for an allowance if it had been acquired, installed, erected, or extended during the qualifying period, and must have been acquired, installed, erected, or extended by the taxpayer in pursuance of that development plan; and

(c) The interval between the expiry of the qualifying period and the date of acquisition, installation, erection, or extension must be reasonable in the circumstances of the case; and

(d) The plan must, under the definition of "development plan" inserted by *subclause (5)*, be one approved by the Commissioner as a development plan for the purposes of section 114A on application made by the taxpayer before the expiry of the qualifying period.

Subclause (4) is a consequential amendment.

Subclause (5) is an interpretation provision.

Clause 13 extends the provisions of section 114B of the principal Act enabling a taxpayer engaged in the business of meat exporting and operating an export slaughterhouse or an export packing house to claim an additional depreciation allowance in respect of capital expenditure incurred in the erection, alteration, or extension of buildings to satisfy standards of hygiene and inspection. The expenditure must be incurred on or after 1 April 1963 and not later than 31 March 1968.

This clause extends that period for a further two years, until 31 March 1970.

Clause 14 provides for an additional depreciation allowance where a taxpayer engaged in the business of processing or storing fish or fish products has on or after 1 April 1967 incurred expenditure in erecting a new building or altering or extending an existing building which satisfies, or, as the case may be, when altered or extended will satisfy, standards of hygiene and inspection required in respect of fish or fish products exported from New Zealand.

The allowance is not to exceed 30 percent of that expenditure, or, where the new or altered or extended building is used only partly for the purpose of processing or storing fish or fish products in that business, 30 percent of so much of the expenditure as is attributable to that purpose. The deduction will generally be allowed as to two-thirds in the year in which the expenditure is incurred and one-third in the succeeding year.

Clause 15 amends section 116A of the principal Act, which enables a taxpayer to claim an initial depreciation allowance of 20 percent, in addition to ordinary depreciation rates, on—

(a) The cost of acquiring, erecting, or extending buildings for the accommodation of employees of the taxpayer. At present, the building must be acquired, erected, or extended on or after 1 April 1961 and not later than 31 March 1968, and must first be used for the purposes of the taxpayer's business during that period.

(b) The cost of erecting new buildings or new extensions (other than residences) for use wholly for the purposes of a farming or an agricultural business carried on by the taxpayer. At present, the building must be erected or extended on or after 1 April 1964 and not later than 31 March 1968, and must first be used for the purposes of the taxpayer's business during that period.

Subclause (1) of this clause extends that period in each case for a further year, until 31 March 1969.

Subclause (2) will enable a taxpayer who embarks on a development plan which extends over a number of years to claim the initial depreciation allowance in certain cases in respect of any building or extension of a building acquired, erected, or extended after the end of the qualifying period. In order to qualify under this provision—

(a) The taxpayer must, during the qualifying period, have acquired, erected, or extended a substantial part of the buildings included in the development plan or entered into, or taken the necessary preliminary steps for the purpose of entering into, a binding contract for their acquisition, erection, or extension; and

(b) The building or extension of a building acquired, erected, or extended after the expiry of the qualifying period must be one which would have qualified for an allowance if it had been acquired, erected, or extended during the qualifying period, and must have been acquired, erected, or extended by the taxpayer, and used by him, in pursuance of that development plan; and

(c) The interval between the expiry of the qualifying period and the date of acquisition, erection, or extension and between that date and the date when it is first used by the taxpayer must be reasonable in the circumstances of the case; and

(d) The plan must, under the definition of "development plan" inserted by *subclause (3)*, be one approved by the Commissioner as a development plan for the purposes of section 116A on application made by the taxpayer before the expiry of the qualifying period.

Subclause (3) is an interpretation provision. The existing meaning of "building" is amended by excluding any alteration or improvement of an existing building the cost of which has been allowed as a deduction under any other provision of the principal Act.

Clause 16: Section 117C of the principal Act enables a taxpayer to claim a special investment allowance on new or secondhand plant, machinery, and buildings and extensions of buildings for redevelopment projects on the West Coast of the South Island. The plant, machinery, or buildings must be acquired or installed by the taxpayer not later than 31 March 1968.

The allowance is—

(a) Ten percent in the case of plant or machinery acquired or installed after 16 June 1966 unless a binding contract for its acquisition or installation had been entered into on or before that date. In the latter case the allowance is 20 percent:

(b) Twenty percent in the case of buildings or extensions of buildings.

Subclause (1) extends the qualifying period for a further year, until 31 March 1969.

Subclause (2) will enable a taxpayer who embarks on a development plan which extends over a number of years to claim the special investment allowance in certain cases in respect of any plant or machinery or building or extension of a building acquired, installed, erected, or extended after the end of the qualifying period. In order to qualify under this provision—

(a) The taxpayer must, during the qualifying period, have acquired, installed, erected, or extended a substantial part of the plant or machinery or buildings or extensions of buildings included in the development plan or entered into, or taken the necessary preliminary steps for the purpose of entering into, a binding contract for their acquisition, installation, erection or extension; and

(b) The plant or machinery or building or extension of a building acquired, installed, erected, or extended after the expiry of the qualifying period must be such as would have qualified for an allowance if it had been acquired, installed, erected, or extended during the qualifying period, and must have been acquired, installed, erected, or extended by the taxpayer in pursuance of that development plan; and

(c) The interval between the expiry of the qualifying period and the date of acquisition, installation, erection, or extension must be reasonable in the circumstances of the case; and

(d) The plan must, under the definition of "development plan" inserted by *subclause (3)*, be one approved by the Commissioner as a development plan for the purposes of section 117C on application made by the taxpayer before the expiry of the qualifying period.

Subclause (3) is an interpretation provision.

Clause 17 amends section 119D of the principal Act, which enables a taxpayer engaged in any farming or agricultural business to claim a deduction in respect of—

(a) Expenditure incurred on development work (such as eradicating pests, clearing timber, scrub, stumps, and weeds, and the preparation of land for farming or agriculture).

(b) Expenditure incurred not later than the income year ending with 31 March 1968 on other development work (such as drainage, farm-access roads and tracks, irrigation, new fencing, and construction of landing strips).

(c) Expenditure incurred on or after 1 April 1965 and not later than the end of the income year ending with 31 March 1968, on the erection on the land of electric-power lines and telephone lines.

(d) Expenditure incurred on or after 1 April 1966 and not later than the end of the income year ending with 31 March 1968 on the construction of feeding platforms, feeding yards, plunge sheep dips, or self-feeding ensilage pits.

The taxpayer is entitled to elect to allocate the whole or any part of the expenditure to any one or more of the five income years succeeding the income year in which the expenditure is incurred.

Subclause (1) of this clause extends the time referred to in paragraphs (b), (c), and (d) of this note for a further year, until the end of the income year ending with 31 March 1969.

Subclause (2) will enable a taxpayer who embarks on a development project which extends over a number of years to claim the special deduction in certain cases in respect of expenditure of the kinds referred to in paragraphs (b) to (d) of this note incurred after the end of the qualifying period. In order to qualify under this provision—

(a) The taxpayer must, during the qualifying period, have incurred a substantial part of that expenditure in pursuance of the development plan or entered into, or taken the necessary preliminary steps for the purpose of entering into, a binding contract requiring him to incur a substantial part of that expenditure; and

(b) The expenditure incurred after the expiry of the qualifying period must have been incurred in pursuance of that development plan, and must be of a kind which would have qualified for a deduction if it had been incurred during the qualifying period; and

(c) The interval between the expiry of the qualifying period and the incurring of the further expenditure must be reasonable in the circumstances; and

(d) The plan must, under the definition of "development plan" inserted by *subclause (3)*, be one approved by the Commissioner as a development plan for the purposes of section 119D on application made by the taxpayer before the expiry of the qualifying period.

Subclause (3) is an interpretation provision.

Clause 18 amends section 129A of the principal Act enabling a taxpayer to claim a special deduction in relation to export-market development or tourist-promotion expenditure. At present, the taxpayer may deduct one and a half times the amount of any such expenditure incurred during the period commencing 1 April 1962 and ending 31 March 1968.

Subclause (1) is a formal amendment only of the definition of "the tax saving" in section 129A (1) for the purpose of clarification of that definition. The present definition refers to the deduction being made *from* the assessable income, whereas assessable income is ascertained after allowable deductions have been made.

Subclause (2) extends the qualifying period under section 129A for a further year, until 31 March 1969.

Clause 19: By section 129B of the principal Act, a taxpayer may claim a deduction in respect of income derived from the increased exports of goods during the five income years commencing on 1 April 1963. The deduction is available only in respect of goods which have been exported by the taxpayer and have been sold or disposed of by him and which were owned by the taxpayer at the time of the sale or disposal, and is available in respect of all such goods exported, with certain exceptions specified in the definition of the term "export goods" in section 129B (1).

The excess exports for an income year are ascertained in relation to a base period which is defined as the first three of the five income years immediately preceding the income year, and the amount of the deduction is 15 percent of the increase in export sales.

This clause makes the following two changes in these provisions:

(a) The provisions are extended for a further year, and will apply to income derived from the increased exports of goods during the income year commencing 1 April 1968.

(b) The rate of deduction for the current income year that commenced on 1 April 1967 is increased from 15 percent to 20 percent.

Clause 20 makes special provision where a forestry business is carried on by a forestry company as a joint venture by the Crown, Maori owners, and a holding company. The clause provides as follows:

(a) Interest payable under any debentures issued by the forestry company for unpaid purchase money in respect of land purchased from any of the partners in the joint venture or for money lent to it by a holding company for development purposes will be exempt from income tax so far as it is capitalised.

(b) Interest payable under any debentures issued by a Maori investment company (which is a company holding on behalf of Maori owners shares or debentures issued by the forestry company) will also be exempt from income tax so far as it is capitalised.

(c) Where capitalised interest is exempt from income tax under either paragraph (a) or paragraph (b) of this note, no deduction shall be allowed to the forestry company or Maori investment company in respect of that capitalised interest.

(d) A sale to the forestry company by any of the partners in the joint venture of land together with any standing timber thereon will not be deemed to be a sale of the timber for the purposes of section 91 (1A) of the principal Act (which relates to payment of income tax on profits derived from the sale of standing timber). For the purpose of assessing income tax payable by the forestry company, the cost of the timber to the company shall not exceed the cost of the timber to the person by whom the land was sold to the company.

Clause 21 amends section 167 of the principal Act, which defines the classes of income that are deemed to be derived from New Zealand. Among the classes so defined are income derived from money lent in New Zealand and, with certain exceptions, income derived from money lent outside New Zealand to a New Zealand resident or to a non-resident and used in the latter case for the purposes of a business carried on by him in New Zealand through a fixed establishment in New Zealand.

This clause extends the meaning of the term "money lent" in each of those provisions, so as to include money advanced, deposited, or otherwise let out, and also any credit given (including the forbearance of any debt).

Hon. Mr Muldoon

LAND AND INCOME TAX AMENDMENT (No. 2)

ANALYSIS

A BILL INTITULED

An Act to amend the Land and Income Tax Act 1954

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

1. Short Title—This Act may be cited as the Land and Income Tax Amendment Act (No. 2) 1967, and shall be read together with and deemed part of the Land and Income Tax Act 1954* (hereinafter referred to as the principal Act).

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

3. Interpretation—Section 2 of the principal Act is hereby amended by inserting, after the definition of the term "mortgagee", the following definition:

"'New Zealand' includes the continental shelf as defined in section 2 of the Continental Shelf Act 1964:".

4. Commissioner to make assessments—(1) The principal Act is hereby further amended by repealing section 17, and substituting the following section:

"17. From the returns made as aforesaid and from any other information in his possession the Commissioner shall in and for every year, and from time to time and at any time thereafter as may be necessary, make assessments in respect of every taxpayer of the amount on which tax is payable and of the amount of that tax."

(2) This section shall apply with respect to any assessment of tax for the year of assessment that commenced on the first day of April, nineteen hundred and sixty-seven, and for every other year of assessment commencing before or after that date.

5. Notice of assessment to taxpayer—(1) Section 28 of the principal Act is hereby amended by adding to subsection (1) the following proviso:

"Provided that where—

"(a) The taxpayer has, in his return to which the assessment relates, calculated the amount on which tax is payable or the amount of the tax; or

"(b) The assessment has been made on default by the taxpayer in furnishing any return for the year to which the assessment relates; or

*Reprinted, 1965, Vol. 4, p. 2265
Amendments: 1966, No. 28; 1967, No. 12

"(c) The Commissioner causes a separate statement in relation to the assessment to be given to the taxpayer setting forth the amount on which tax is payable and the amount of the tax,—

it shall not be necessary to set forth in the notice of the assessment any particulars other than particulars as to the amount of tax to be paid by the taxpayer or the amount of tax to be refunded, as the case may require."

(2) This section shall apply with respect to any notice of assessment of tax for the year of assessment that commenced on the first day of April, nineteen hundred and sixty-seven, and for every other year of assessment commencing before or after that date.

6. Special exemption in respect of gifts of money and payment of school fees—Section 84B of the principal Act (as inserted by section 4 of the Land and Income Tax Amendment Act (No. 2) 1962 and amended by section 22 (1) of the Land and Income Tax Amendment Act 1964) is hereby further amended by adding to subsection (2) the following paragraph:

"(j) The Commonwealth Foundation."

7. Special exemption in respect of life, personal accident, and sickness insurance premiums, and specified fund contributions—(1) Section 85 of the principal Act (as substituted by section 4 (1) of the Land and Income Tax Amendment Act 1966) is hereby amended by inserting in subsection (1), in their appropriate alphabetical order, the following definitions:

" 'Policy of personal accident or sickness insurance', in relation to a taxpayer, means a policy of insurance under the terms of which the benefits payable or distributable in consideration of the premiums paid by the taxpayer are solely in respect of personal accident, whether fatal or not, to, or the disease or sickness of, all or any of the following:

"(a) The taxpayer:

"(b) The spouse of the taxpayer:

"(c) Any child of the taxpayer:

" 'Specified fund' means—

"(a) The National Provident Fund; or

"(b) Any superannuation fund; or

"(c) Any insurance fund of a friendly society; or

"(d) Any fund which provides benefits solely in respect of personal accident, disease, sickness, or death, and which is approved by the Commissioner for the purposes of this section."

(2) Section 85 of the principal Act (as so substituted) is hereby further amended by repealing paragraph (c) of the definition of the term "policy of life insurance" in subsection (1), and substituting the following paragraph:

"(c) Under the terms of which no benefits other than—

"(i) Benefits payable or distributable as a result of the death of the life assured or, in the case of a joint policy, of either of the lives assured; or

"(ii) Benefits, being additional benefits under the policy, payable or distributable as a result of an accident to, or the disease or sickness of, the life assured or, in the case of a joint policy, either of the lives assured—

are payable or distributable earlier than the expiry of ten years after the commencement of the term of the policy or the maturity date of the policy, whichever is the sooner; and".

(3) Section 85 of the principal Act (as so substituted) is hereby further amended by repealing subsection (4), and substituting the following subsection:

"(4) Notwithstanding the provisions of subsections (2) and (3) of this section, no deduction by way of special exemption shall be allowed in any income year in respect of—

"(a) Any premiums paid by a taxpayer in respect of—

"(i) Any policy of life insurance on the life of any child of the taxpayer; or

"(ii) Any policy of personal accident or sickness insurance, being premiums paid in respect of personal accident, whether fatal or not, to, or the disease or sickness of, any child of the taxpayer; or

"(b) Any contributions made by a taxpayer, for the benefit of any child of the taxpayer, to a specified fund,—

unless the taxpayer is entitled to a deduction by way of special exemption under section 83A or section 84 of this Act in respect of that child in the same income year."

(4) Section 85 of the principal Act (as so substituted) is hereby further amended—

(a) By inserting in the definition of the term "benefit" in subsection (1), after the words "a policy of life insurance", the words "or a policy of personal accident or sickness insurance":

(b) By inserting in the definition of the term "policy of life insurance" in subsection (1), after the words "and includes any policy of insurance", the words "(not being a policy of personal accident or sickness insurance)":

(c) By inserting in subsection (2), after the words "a policy of life insurance", the words "or a policy of personal accident or sickness insurance":

(d) By omitting from subsection (3), and also from paragraph (b) of subsection (6), the words "the National Provident Fund, or to any superannuation fund, or to any insurance fund of a friendly society, or to any similar fund approved by the Commissioner for the purposes of this section", and substituting in each case the words "a specified fund".

(5) Section 85 of the principal Act (as so substituted) is hereby further amended by adding the following subsection:

"(7) This section shall not apply to any premium or contribution in respect of which a deduction has been allowed under any other provision of this Act."

8. Spreading of excess income derived on sale of livestock where unduly low standard values or nil value adopted—(1) Section 103 of the principal Act is hereby amended by inserting, after subsection (2A) (as inserted by section 26 of the Land and Income Tax Amendment Act 1964), the following subsection:

"(2B) For the purposes of subsection (2A) of this section, no taxpayer who has derived assessable income from any farming business, shall, notwithstanding the sale or other disposition of that business or, as the case may be, of the taxpayer's share or interest in that business, be regarded as having retired from the business of farming if, after that sale or disposition—

"(a) He continues to, or does, carry on any farming or agricultural business on his own account, or as a member of a partnership, or otherwise beneficially; or

"(b) In the opinion of the Commissioner, he continues to be, or is, engaged full time or substantially full time, as an employee, or as a sharefarmer within the meaning of the Workers' Compensation Act 1956, or otherwise, in the practical management or operation of any farming or agricultural business carried on by—

"(i) A relative of the taxpayer, whether on that relative's own account or as a member of a partnership or otherwise beneficially; or

"(ii) A specified private company; or

"(iii) A specified *inter vivos* trust."

(2) Section 103 of the principal Act is hereby further amended by repealing subsection (3), and substituting the following subsection:

"(3) For the purpose of this section—

"(a) The average assessable income of any taxpayer shall be deemed to be the average annual amount of the assessable income derived by the taxpayer from the farming business concerned during the three income years immediately preceding the year in which the sale or other disposition took place or during the period in which the taxpayer has derived assessable income from that business, whichever period is the shorter:

"(b) The term 'relative' means a husband or wife, or a child, step-child, or foster child:

"(c) The term 'specified private company' means a private company within the meaning of the Companies Act 1955, of which—

"(i) The taxpayer or a relative of the taxpayer or a nominee of the taxpayer or of any such relative; or

"(ii) The trustee of a specified *inter vivos* trust—

is a director or shareholder:

"(d) The term 'specified *inter vivos* trust' means an *inter vivos* trust under which the taxpayer or a relative of the taxpayer or a specified private company is a beneficiary."

(3) This section shall be deemed to have come into force on the twenty-seventh day of November, nineteen hundred and sixty-four (being the date of the passing of the Land and Income Tax Amendment Act 1964), and shall apply with respect to the tax on income derived during the income year that commenced on the first day of April, nineteen hundred and sixty-four, and in every subsequent year:

Provided that nothing in this section shall invalidate any assessment made before the passing of this Act.

9. Apportionment of certain expenditure for repairs or alterations to fishing boats—(1) Section 113 of the principal Act is hereby amended by inserting, after subsection (1), the following subsection:

"(1A) Notwithstanding anything in subsection (1) of this section, where a deduction is allowed under this section to any taxpayer, being a taxpayer carrying on in New Zealand any business of fishing (within the meaning of section 117D of this Act), in respect of expenditure incurred by him in any income year in making, pursuant to the requirements of Part IV of the Shipping and Seamen Act 1952 as to survey, any repairs or alterations to the hull, equipments, or machinery of any fishing boat (within the meaning of section 117D of this Act) that is used wholly and exclusively for the purposes of that business, the provisions of the proviso to subsection (1) of section 119D of this Act and of subsections (2) to (4) of that section (which provisions relate to the right of a taxpayer to allocate, for the purposes of deductions, certain classes of expenditure to income years succeeding the income year in which the expenditure is incurred) shall, with any necessary modifications, apply with respect to any expenditure as aforesaid allowed as a deduction under this section, as if the expenditure were expenditure incurred by the taxpayer in carrying on a business to which the said section 119D applies, and as if every reference in those provisions—

"(a) To expenditure allowable as a deduction under section 119D of this Act were a reference to expenditure allowed as a deduction under this section; and

"(b) To the five income years next succeeding the income year in which the expenditure is incurred were a reference to the four income years next succeeding the income year in which the expenditure is incurred."

(2) This section shall apply with respect to expenditure incurred on or after the fifteenth day of October, nineteen hundred and sixty-five, and shall be deemed to have come into force on that date, and shall apply with respect to the tax on income derived during the income year that commenced on the first day of April, nineteen hundred and sixty-five, and in every subsequent year.

10. Deductions for repair, maintenance, and depreciation—Section 113 of the principal Act is hereby further amended by omitting from subsection (2) the words "and that sufficient depreciation has been provided", and substituting the words "or that sufficient depreciation has been provided".

11. Additional depreciation allowance on certain capital expenditure in relation to fishing boats—The principal Act is hereby further amended by inserting, after section 113C (as inserted by section 9 (1) of the Land and Income Tax Amendment Act (No. 2) 1965), the following section:

"113D. (1) Where the Commissioner is satisfied that—

"(a) Any taxpayer carrying on in New Zealand any business of fishing (within the meaning of section 117D of this Act) has on or after the fifteenth day of October, nineteen hundred and sixty-five, incurred expenditure of a capital nature (not being expenditure that is allowed as a deduction under any other provision of this Act) in making any alterations to the hull of, or in acquiring, installing, or extending any equipments or machinery that are to be used in or, as the case may be, are being used in, a fishing boat (within the meaning of section 117D of this Act) that is used wholly and exclusively for the purposes of that business; and

"(b) That capital expenditure was incurred for the purpose of satisfying the requirements of Part IV of the Shipping and Seamen Act 1952 as to survey,—

the Commissioner may, in his discretion, subject to section 113A and also to section 117 of this Act, allow, in calculating the assessable income derived by the taxpayer from that business during the period comprising the income year in which the expenditure was incurred and the three income years next succeeding that income year, a deduction by way of depreciation (in addition to any deduction by way of depreciation allowed in respect of that capital expenditure under section 113 or section 114A of this Act in calculating the assessable income derived by the taxpayer during that period) of an amount that, together with the total of all deductions by way of depreciation allowed in respect of that capital expenditure under the said sections 113 and 114A in calculating the assessable income derived by the taxpayer during that period, is equal to the amount of that capital expenditure.

"(2) The amount of any deduction allowed under this section in the period aforesaid in respect of any capital expenditure shall be allowed in such proportions as will ensure that the proportion allowed in any income year comprised in that period, together with the total of all deductions by way of depreciation allowed in that income year under sections 113

and 114A of this Act in respect of that capital expenditure, shall not exceed one-quarter of the amount of that capital expenditure.

"(3) Without limiting the discretion of the Commissioner under this section, it is hereby declared that he may refuse in whole or in part to allow any deduction under this section in any case where he is not satisfied that complete and satisfactory accounts have been kept by or on behalf of the taxpayer or that sufficient depreciation has been provided for in the taxpayer's accounts.

"(4) Every reference in this section to an income year shall, where the taxpayer furnishes a return of income under section 8 of this Act for an accounting year ending with an annual balance date other than the thirty-first day of March, be deemed to be a reference to the accounting year corresponding with that income year, and, in every such case, the provisions of this section shall, with any necessary modifications, apply accordingly."

12. Special depreciation allowance on plant and machinery, on certain facilities installed in hotels, and on certain buildings—(1) Section 114A of the principal Act (as substituted by section 7 of the Land and Income Tax Amendment Act (No. 2) 1962) is hereby amended by omitting from paragraph (a) and from paragraph (b) of subsection (1) (as amended by section 15 (1) of the Land and Income Tax Amendment Act 1966), and also from subsection (1A) (as inserted by section 28 (4) of the Land and Income Tax Amendment Act 1964 and amended by section 15 (1) of the Land and Income Tax Amendment Act 1966), the words "nineteen hundred and sixty-eight", and substituting in each case the words "nineteen hundred and sixty-nine".

(2) Section 114A of the principal Act (as so substituted) is hereby further amended by inserting, after subsection (1A) (as so inserted), the following subsection:

"(1B) Where the Commissioner is satisfied that any taxpayer engaged in the business of operating an hotel in New Zealand has on or after the first day of April, nineteen hundred and sixty-seven, and before the first day of April, nineteen hundred and sixty-nine, installed any private bathroom facilities or any private shower-box facilities or any private water-closet facilities in any existing premises that are used wholly for the purposes of that business, the Commissioner may, in his discretion, subject to section 117 of this Act, in calculating the assessable income derived by the

taxpayer from the business allow, in addition to the depreciation allowed as a deduction under section 113 of this Act, such deduction by way of special depreciation in accordance with this section as he thinks fit."

(3) Section 114A of the principal Act (as so substituted) is hereby further amended by inserting, after subsection (1B) (as inserted by subsection (2) of this section), the following subsection:

"(1C) Where the Commissioner is satisfied that—

"(a) Before the specified terminating date a taxpayer has—

"(i) Acquired or, as the case may be, installed, extended, or erected; or

"(ii) Entered into, or taken such preliminary steps as are necessary for the purpose of entering into, a binding contract for the acquisition or, as the case may be, installation, extension, or erection of—

a substantial part of the assets included in a development plan in relation to the business of the taxpayer; and

"(b) On or after the specified terminating date the taxpayer has acquired or, as the case may be, installed, extended, or erected an asset, being an asset that is included in that development plan; and

"(c) The relevant provision of this section would have applied to that asset if it had been acquired or, as the case may be, installed, extended, or erected by the taxpayer before the specified terminating date; and

"(d) The period commencing on the specified terminating date and ending with the date on which that asset was acquired or, as the case may be, installed, extended, or erected did not exceed such period as, in the opinion of the Commissioner, is reasonable in the circumstances of the particular case,—

that asset shall be deemed for the purposes of this section to have been acquired or, as the case may be, installed, extended, or erected before the specified terminating date."

(4) Section 114A of the principal Act (as so substituted) is hereby further amended by inserting in paragraph (b) of subsection (3), after the words "or of a building", the words "or of private bathroom facilities, or of private shower-box facilities, or of private water-closet facilities".

(5) Section 114A of the principal Act (as so substituted) is hereby further amended by repealing subsection (6) (as substituted by section 28 (6) of the Land and Income Tax Amendment Act 1964), and substituting the following subsection:

"(6) For the purposes of this section—

" 'Building' includes an extension to an existing building and an alteration or improvement of a capital nature to an existing building, not being an alteration or improvement the cost of which is allowed as a deduction under any other provision of this Act:

" 'Cost', in relation to private bathroom facilities or to private shower-box facilities or to private water-closet facilities installed in hotel premises by a taxpayer, includes any expenditure of a capital nature (not being expenditure which is allowed as a deduction under any other provision of this Act) incurred by the taxpayer in making such alterations to those premises as, in the opinion of the Commissioner, are necessary for the purposes of the installation of such facilities:

" 'Development plan', in relation to the business of a taxpayer, means a plan, project, or scheme which—

"(a) In the opinion of the Commissioner, has been entered into by the taxpayer for the purpose of the development or expansion of that business, being development or expansion involving the acquisition or, as the case may be, installation, extension, or erection of fixed assets to be used wholly for the purposes of that business; and

"(b) Upon application in that behalf made in writing by or on behalf of the taxpayer before the specified terminating date, has been approved in writing by the Commissioner as a development plan for the purposes of this section:

" 'Hotel' means any premises in respect of which any of the following licences is for the time being in force under the Sale of Liquor Act 1962, namely:

"(a) An hotel premises licence:

"(b) A provisional hotel premises licence:

"(c) A special hotel premises licence:

"(d) An extended hotel premises licence:

"(e) A tourist-hotel premises licence;—

and includes any premises operated by any Licensing Trust (including the Masterton Licensing Trust and the Invercargill Licensing Trust) in which accommodation is provided for the travelling public:

" 'New' means not having previously been either used by any person or acquired or held by any person for use by that person:

" 'Plant or machinery' includes a motorcar or station wagon, as defined in subsection (1) of section 2 of the Transport Act 1962, which is a passenger-service vehicle as defined in that subsection; but does not include any other motorcar or station wagon:

" 'Private', in relation to bathroom facilities or to shower-box facilities or to water-closet facilities, means for the exclusive use of the occupant or occupants (being a lodger or lodgers) of one bedroom:

" 'The relevant provision of this section' means subsection (1), or subsection (1A), or subsection (1B), of this section, as the case requires:

" 'The specified terminating date' means the date of the termination of the period specified in paragraph (a) of subsection (1) of this section or, as the case requires, in paragraph (b) of that subsection or in subsection (1A) or subsection (1B) of this section."

(6) The following enactments are hereby consequentially repealed:

(a) Subsection (6) of section 28 of the Land and Income Tax Amendment Act 1964:

(b) Section 15 of the Land and Income Tax Amendment Act 1966.

13. Additional depreciation allowance on certain capital expenditure in erecting, altering, or extending buildings for use as meat export slaughterhouses or meat-packing houses—(1) Section 114B of the principal Act (as inserted by section 29 of the Land and Income Tax Amendment Act 1964 and amended by section 10 of the Land and Income Tax Amendment Act (No. 2) 1965) is hereby further amended by omitting from paragraph (a) of subsection (2) the words "nineteen hundred and sixty-eight", and substituting the words "nineteen hundred and seventy".

(2) Section 10 of the Land and Income Tax Amendment Act (No. 2) 1965 is hereby consequentially repealed.

14. Additional depreciation allowance on certain capital expenditure in erecting, altering, or extending buildings for use in the processing or storing of fish or fish products—The principal Act is hereby further amended by inserting, after section 114B (as inserted by section 29 of the Land and Income Tax Amendment Act 1964), the following section:

"114C. (1) For the purposes of this section—

" 'Fish' includes shellfish and crustaceans; and 'fish products' has a corresponding meaning:

" 'New' means not having previously been either used by any person or acquired or held by any person for use by that person.

"(2) Where the Commissioner is satisfied that—

"(a) Any taxpayer engaged in the business of processing or storing fish or fish products has on or after the first day of April, nineteen hundred and sixty-seven, incurred expenditure of a capital nature (not being expenditure that is allowed as a deduction under any other provision of this Act) in—

"(i) Erecting a new building that is to be used wholly or in part for the purpose of processing or storing fish or fish products in that business; or

"(ii) Altering or extending an existing building that is being, or is to be, used wholly or in part for that purpose; and

"(b) That new building, or, as the case may be, that existing building as so altered or extended satisfies the standards of hygiene and inspection required in respect of fish or fish products exported from New Zealand,—

the Commissioner, to the extent that he is satisfied that that new building or, as the case may be, that existing building as so altered or extended is to be or, as the case may be, is being used for that purpose, may, in his discretion, subject to section 113A and also to section 117 of this Act, in calculating the assessable income derived by the taxpayer from the business, allow, in addition to the depreciation allowed as a deduction under section 113 of this Act, such deduction by way of depreciation in accordance with this section as he thinks fit.

"(3) The amount of any deduction allowed under this section in respect of any capital expenditure shall not exceed in the aggregate—

"(a) Where the Commissioner is satisfied that that new building or, as the case may be, that existing building as so altered or extended is to be or, as the case may be, is being used wholly for the purpose of processing or storing fish or fish products in that business, thirty percent of the amount of that capital expenditure; or

"(b) Where the Commissioner is not so satisfied, thirty percent of so much of the amount of that capital expenditure as, in the opinion of the Commissioner, is attributable to such part of that new building or, as the case may be, of that existing building as so altered or extended as is to be or, as the case may be, is being used for that purpose.

"(4) Unless in any case the Commissioner otherwise determines, the amount of any deduction allowed under this section in respect of any capital expenditure shall be allowed as follows:

"(a) Two-thirds of that amount in respect of the income year in which the expenditure was incurred:

"(b) One-third of that amount in respect of the income year immediately succeeding the income year in which the expenditure was incurred.

"(5) Without limiting the discretion of the Commissioner under this section, it is hereby declared that the Commissioner may refuse in whole or in part to allow any deduction under this section in any case where he is not satisfied that such records as may be required by him have been kept by or on behalf of the taxpayer.

"(6) Every reference in this section to an income year shall, where the taxpayer furnishes a return of income under section 8 of this Act for an accounting year ending with an annual balance date other than the thirty-first day of March, be deemed to be a reference to the accounting year corresponding with that income year, and, in every such case, the provisions of this section shall, with any necessary modifications, apply accordingly."

15. Initial depreciation allowance on certain buildings—(1) Section 116A of the principal Act (as inserted by section 6 of the Land and Income Tax Amendment Act 1961) is hereby amended by omitting from subsection (1) (as amended by section 16 (1) of the Land and Income Tax Amendment Act 1966), and also from subsection (1A) (as inserted by section 30 (2) of the Land and

Income Tax Amendment Act 1964 and amended by section 16 (1) of the Land and Income Tax Amendment Act 1966), the words "nineteen hundred and sixty-eight", and substituting in each case the words "nineteen hundred and sixty-nine."

(2) Section 116A of the principal Act (as so inserted) is hereby further amended by inserting, after subsection (1A) (as so inserted), the following subsection:

"(1B) Where the Commissioner is satisfied that—

"(a) Before the specified terminating date a taxpayer has—

"(i) Acquired or, as the case may be, erected; or

"(ii) Entered into, or taken such preliminary steps as are necessary for entering into, a binding contract for the acquisition or, as the case may be, erection of—

a substantial part of the buildings included in a development plan in relation to the business of the taxpayer; and

"(b) On or after the specified terminating date a building (being a building that is included in that development plan) has been acquired or, as the case may be, erected by or for the taxpayer, and in either case used by him wholly for the purposes of that business; and

"(c) The relevant provisions of this section would have applied to that building if it had been acquired or, as the case may be, erected by or for the taxpayer, and in either case used by him, before the specified terminating date; and

"(d) Neither the period commencing on the specified terminating date and ending with the date on which that building was acquired or, as the case may be, erected nor the period commencing on the last-mentioned date and ending with the date on which that building was first used wholly for the purposes of that business exceeded such period as, in the opinion of the Commissioner, is reasonable in the circumstances of the particular case,—

that building shall be deemed for the purposes of this section to have been acquired or, as the case may be, erected, and in either case to have been used, before the specified terminating date."

(3) Section 116A of the principal Act (as so inserted) is hereby further amended by repealing subsection (4) (as added by section 30 (4) of the Land and Income Tax Amendment Act 1964), and substituting the following subsection:

"(4) For the purposes of this section—

" 'Building' includes an extension to an existing building and an alteration or improvement of a capital nature to an existing building, not being an alteration or improvement the cost of which is allowed as a deduction under any other provision of this Act:

" 'Development plan', in relation to the business of a taxpayer, means a plan, project, or scheme which—

"(a) In the opinion of the Commissioner, has been entered into by the taxpayer for the purpose of the development or expansion of that business, being development or expansion involving the acquisition or, as the case may be, erection of buildings to be used wholly for the purposes of that business; and

"(b) Upon application in that behalf made in writing by or on behalf of the taxpayer before the specified terminating date, has been approved in writing by the Commissioner as a development plan for the purposes of this section:

" 'New' means not having previously been either used by any person or acquired or held by any person for use by that person:

" 'The relevant provision of this section' means subsection (1) or subsection (1A) of this section, as the case requires:

" 'The specified terminating date' means the date of the termination of the period specified in subsection (1) or, as the case requires, in subsection (1A) of this section."

(4) The following enactments are hereby consequentially repealed:

(a) Subsection (4) of section 30 of the Land and Income Tax Amendment Act 1964:

(b) Section 16 of the Land and Income Tax Amendment Act 1966.

16. Investment allowance on plant, machinery, and buildings for use in redevelopment projects in the West Coast, South Island—(1) Section 117c of the principal Act (as inserted by section 13 of the Land and Income Tax Amendment Act (No. 2) 1963) is hereby amended by omitting from paragraph (a) and from paragraph (b) of subsection (2) (which paragraphs were substituted by section 33 (2) of the Land and Income Tax Amendment Act 1964 and amended by section 18 (1) of the Land and Income Tax Amendment Act 1966) the words "nineteen hundred and sixty-eight" wherever they occur, and substituting in each case the words "nineteen hundred and sixty-nine".

(2) Section 117c of the principal Act (as so inserted) is hereby further amended by inserting, after subsection (3), the following subsection:

"(3A) Where the Commissioner is satisfied that—

"(a) Before the specified terminating date a taxpayer has—

"(i) Acquired or, as the case may be, installed, erected, or extended; or

"(ii) Entered into, or taken such preliminary steps as are necessary for the purpose of entering into, a binding contract for the acquisition or, as the case may be, installation, erection, or extension of—

a substantial part of the plant or machinery or, as the case may be, buildings or extensions of buildings included in a development plan in relation to the business of the taxpayer; and

"(b) On or after the specified terminating date plant or machinery or a building or extension of a building (being plant or machinery or, as the case may be, a building or extension of a building that is included in that development plan) has been acquired or, as the case may be, installed, erected, or extended by the taxpayer; and

"(c) This section would have applied to that plant or machinery or, as the case may be, that building or extension of a building if it had been acquired or, as the case may be, installed, erected, or extended before the specified terminating date; and

"(d) The period commencing on the specified terminating date and ending with the date on which that plant or machinery or, as the case may be, that building or extension of a building was acquired or, as the case may be, installed, erected, or extended did

not exceed such period as, in the opinion of the Commissioner, is reasonable in the circumstances of the particular case,—

that plant or machinery or, as the case may be, that building or extension of a building shall be deemed for the purposes of this section to have been acquired or, as the case may be, installed, erected, or extended before the specified terminating date."

(3) Section 117c of the principal Act (as so inserted) is hereby further amended by inserting in subsection (1), in their appropriate alphabetical order, the following definitions:

" 'Development plan', in relation to the business of a taxpayer, means a plan, project, or scheme which—

"(a) In the opinion of the Commissioner, has been entered into by the taxpayer for the purpose of the development or expansion of that business, being development or expansion involving the acquisition or installation of plant or machinery or the acquisition, erection, or extension of a building to be used, in any such case, primarily and principally and directly for the purposes of a redevelopment project; and

"(b) Upon application in that behalf made in writing by or on behalf of the taxpayer before the specified terminating date, has been approved in writing by the Commissioner as a development plan for the purposes of this section:

" 'The specified terminating date' means the date of the termination of the period specified in subparagraph (i) of paragraph (a) of subsection (2) of this section or, as the case requires, in subparagraph (ii) of that paragraph or in subparagraph (i) or subparagraph (ii) of paragraph (b) of that subsection."

(4) Section 18 of the Land and Income Tax Amendment Act 1966 is hereby consequentially amended by repealing subsection (1).

17. Deduction of certain expenditure on land used for farming or agricultural purposes—(1) Section 119D of the principal Act (as inserted by section 16 (1) of the Land and Income Tax Amendment Act (No. 2) 1963) is hereby amended by omitting from paragraph (b) of subsection (1) (as amended by section 21 (1) of the Land and Income Tax

Amendment Act 1966), and also from paragraph (c) of that subsection (as inserted by section 22 (2) of the Land and Income Tax Amendment Act 1965 and amended by section 21 (1) of the Land and Income Tax Amendment Act 1966) and from paragraph (d) of that subsection (as inserted by section 21 (2) of that last-mentioned Act), the words "nineteen hundred and sixty-eight", and substituting in each case the words "nineteen hundred and sixty-nine".

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

"(1A) Where the Commissioner is satisfied that—

"(a) Before the specified terminating date a taxpayer has—

"(i) Incurred; or

"(ii) Entered into, or taken such preliminary steps as are necessary for the purpose of entering into, a binding contract requiring him to incur—

a substantial part of the expenditure (being expenditure of any of the kinds referred to in paragraph (b), or paragraph (c), or paragraph (d) of subsection (1) of this section) included in a development plan in relation to the business of the taxpayer; and

"(b) On or after the specified terminating date expenditure of any of the kinds referred to in paragraph (b), or paragraph (c), or paragraph (d) of subsection (1) of this section (being expenditure that is incurred in pursuance of that development plan) has been incurred by the taxpayer; and

"(c) The period commencing on the specified terminating date and ending with the date on which that expenditure was incurred did not exceed such period as, in the opinion of the Commissioner, is reasonable in the circumstances of the particular case,—

that expenditure shall be deemed for the purposes of this section to have been incurred before the specified terminating date."

(3) Section 119D of the principal Act (as so inserted) is hereby further amended by adding the following subsection:

"(5) For the purposes of this section—

"'Development plan', in relation to the business of a taxpayer, means a plan, project, or scheme which—

"(a) In the opinion of the Commissioner, has been entered into by the taxpayer for the purpose of the development or expansion of that business, being development or expansion involving expenditure of any of the kinds referred to in paragraph (b), or paragraph (c), or paragraph (d) of subsection (1) of this section; and

"(b) Upon application in that behalf made in writing by or on behalf of the taxpayer before the specified date, has been approved in writing by the Commissioner as a development plan for the purposes of this section:

"'The specified terminating date' means the date of the termination of the period specified in paragraph (b) of subsection (1) of this section or, as the case requires, paragraph (c) or paragraph (d) of that subsection."

(4) Section 21 of the Land and Income Tax Amendment Act 1966 is hereby consequentially amended by repealing subsection (1).

18. Deduction of export-market development expenditure and of tourist-promotion expenditure—(1) Section 129A of the principal Act (as inserted by section 11 of the Land and Income Tax Amendment Act (No. 2) 1962) is hereby amended as from its commencement by omitting from paragraph (a) of the definition of the expression "the tax saving" in subsection (1) the words "from the assessable income of which", and substituting the words "in the calculation of the assessable income of which".

(2) Section 129A of the principal Act (as so inserted) is hereby further amended by omitting from subsection (2) (as amended by section 24 (1) of the Land and Income Tax Amendment Act 1966) the words "nineteen hundred and sixty-eight", and substituting the words "nineteen hundred and sixty-nine".

(3) Section 18 of the Land and Income Tax Amendment Act (No. 2) 1963 is hereby consequentially amended by omitting from subsection (4) (as amended by section 24 (2) of the Land and Income Tax Amendment Act 1966) the words "nineteen hundred and sixty-eight", and substituting the words "nineteen hundred and sixty-nine".

(4) Section 24 of the Land and Income Tax Amendment Act 1966 is hereby consequentially repealed.

19. Deduction by reference to export of goods—(1) Section 129B of the principal Act (as inserted by section 20 of the Land and Income Tax Amendment Act (No. 2) 1963) is hereby amended by repealing subsection (5) (as substituted by section 25 (2) of the Land and Income Tax Amendment Act 1966), and substituting the following subsection:

"(5) Subject to the provisions of this section, where there is, in relation to an income year and to a taxpayer carrying on in New Zealand any business or businesses in which goods are sold or otherwise disposed of, an increase in export sales for the income year (being the income year that commenced on the first day of April, nineteen hundred and sixty-seven, or the income year commencing on the first day of April, nineteen hundred and sixty-eight), a deduction shall be allowed under this section in calculating the assessable income derived by the taxpayer in the income year from that business or, as the case may be, those businesses of an amount—

"(a) In the case of the income year that commenced on the first day of April, nineteen hundred and sixty-seven, equal to twenty percent of the increase in export sales for the income year:

"(b) In the case of the income year commencing on the first day of April, nineteen hundred and sixty-eight, equal to fifteen percent of the increase in export sales for the income year."

(2) Section 25 of the Land and Income Tax Amendment Act 1966 is hereby consequentially amended by repealing subsection (2).

(3) Section 25 of the Land and Income Tax Amendment Act 1966 is hereby further amended by omitting from subsection (6) the words "and in the income year next succeeding that income year", and substituting the words "and in each of the two income years next succeeding that income year".

(4) Subsections (1) and (2) of this section shall apply with respect to the tax on income derived in the income year that commenced on the first day of April, nineteen hundred and sixty-seven, and in the income year commencing on the first day of April, nineteen hundred and sixty-eight.

20. Special provisions relating to a forestry business carried on by a company on land acquired partly from the Crown, partly from Maori owners, and partly from a holding company—The principal Act is hereby further amended by inserting, after section 153c (as inserted by section 31 of the Land and Income Tax Amendment Act 1965), the following section:

"153D. (1) For the purposes of this section—

" 'Forestry company' means a company that, in the opinion of the Commissioner, has, pursuant to an agreement made between the Crown, the Maori owners, and a holding company, been incorporated for the purpose of carrying on a forestry business on any land in New Zealand, being land sold to the company in part by the Crown, in part by Maori owners, and in part by a holding company of the forestry company:

" 'Holding company', in relation to a forestry company, means a company which has the forestry company under its control:

" 'Maori corporation' means a body corporate incorporated under Part XXII of the Maori Affairs Act 1953:

" 'Maori investment company', in relation to a forestry company, means a company which, in the opinion of the Commissioner, has been incorporated for the purpose of acquiring shares or debentures issued by the forestry company in respect of any unpaid purchase money in respect of Maori land sold to the forestry company by Maori owners:

" 'Maori owners', in relation to any Maori land, means the persons whose beneficial interest in the land has been sold to a forestry company; and includes the Maori Trustee, any Maori corporation, and any trustee for a Maori owner:

" 'Qualifying debenture' means a debenture issued by—

"(a) A forestry company in respect of—

"(i) Any unpaid purchase money in respect of land acquired by the forestry company from the Crown, Maori owners, or a holding company; or

"(ii) Any money lent by a holding company to the forestry company for the purpose of financing any expenditure of any of the kinds referred to in the second proviso to paragraph (b) of subsection (1) of section 91 of this Act incurred by the forestry company; or

"(iii) Any capitalised interest, being interest derived from any debenture referred to in the foregoing provisions of this paragraph or in this subparagraph; or

"(b) A Maori investment company to a shareholder of the company or any trustee for him.

"(2) Notwithstanding anything to the contrary in this Act, the following provisions shall apply with respect to any forestry company or, as the case may require, to any Maori investment company, namely:

"(a) Interest payable under any qualifying debenture shall be exempt from income tax to the extent that that interest has been capitalised by the issue of further debentures:

"(b) Where any interest that is capitalised is exempt from income tax under paragraph (a) of this subsection,—

"(i) Where the qualifying debenture under which the interest is payable has been issued by the forestry company, then, for the purpose of assessing that company for income tax, that interest shall be deemed not to form part of the cost of timber for the purposes of paragraph (b) of subsection (1) of section 91 of this Act and no deduction shall otherwise be allowed under this Act in respect of that interest; and

"(ii) Where the qualifying debenture under which the interest is payable has been issued by the Maori investment company, then, for the purposes of assessing that company for income tax, no deduction shall be allowed under this Act in respect of that interest:

"(c) The provisions of sections 143 and 143A of this Act shall not apply with respect to any qualifying debenture:

"(d) Where any land sold as aforesaid to the forestry company by the Crown, Maori owners, or a holding company is so sold together with any standing timber thereon,—

"(i) The sale of that land shall not be deemed to be a sale of timber for the purposes of subsection (1A) of section 91 of this Act; and

"(ii) Notwithstanding subparagraph (i) of this paragraph, the part of the consideration attributable to the timber shall, for the purposes of this paragraph be determined by the Commissioner, and the part of the consideration so determined shall be deemed to be the consideration paid for the timber; and

"(iii) For the purpose of assessing the forestry company for income tax, the cost of the timber for the purposes of paragraph (b) of subsection (1) of section 91 of this Act shall not include any amount by which the consideration which under this paragraph is deemed to be paid for the timber exceeds the cost of that timber to the person by whom the land was sold to the company; and for the purposes of this subparagraph land sold to the company by the Maori Trustee or by any Maori corporation or by any trustee for any beneficial owners shall be deemed to be sold by the beneficial owners or, as the case may be, by the members of the corporation."

21. Classes of income deemed to be derived from New Zealand—(1) Section 167 of the principal Act is hereby amended by adding, as subsection (2), the following subsection:

"(2) For the purposes of paragraphs (j) and (jj) of subsection (1) of this section, the term 'money lent' includes—

"(a) Money advanced, deposited, or otherwise let out, whether on current account or otherwise:

"(b) Any credit given (including the forbearance of any debt), whether on current account or otherwise."

(2) Section 167 of the principal Act is hereby further amended—

(a) By omitting from subparagraph (i) of paragraph (jj) (as inserted by section 15 (1) of the Land and Income Tax Amendment Act 1964) and also from subparagraph (ii) the words "that money", and substituting in each case the words "the money lent":

(b) By omitting from the said subparagraph (ii) the words "not being money used", and substituting the words "not being money lent that is used".

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