

[AS REPORTED FROM THE COMMITTEE OF THE WHOLE]

House of Representatives, 1 September 1967.

Words struck out by the Committee are shown with black rule at beginning and after last line; words inserted are shown in roman underlined with a double rule, or with double rule before first line and after last line.

Hon. Mr Muldoon

LAND AND INCOME TAX AMENDMENT (No. 2)

ANALYSIS

Title	
1. Short Title	13. Additional depreciation allowance on certain capital expenditure in erecting, altering, or extending buildings for use as meat export slaughterhouses or meat-packing houses
2. Application	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
3. Interpretation	15. Initial depreciation allowance on certain buildings
4. Commissioner to make assessments	16. Investment allowance on plant, machinery, and buildings for use in redevelopment projects in the West Coast, South Island
5. Notice of assessment to taxpayer	17. Deduction of certain expenditure on land used for farming or agricultural purposes
6. Special exemption in respect of gifts of money and payment of school fees	18. Deduction of export-market development expenditure and of tourist-promotion expenditure
7. Special exemption in respect of life, personal accident, and sickness insurance premiums, and specified fund contributions	19. Deduction by reference to export of goods
8. Spreading of excess income derived on sale of livestock where unduly low standard values or nil value adopted	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
9. Apportionment of certain expenditure for repairs or alterations to fishing boats	21. Classes of income deemed to be derived from New Zealand
10. Deductions for repair, maintenance, and depreciation	
11. Additional depreciation allowance on certain capital expenditure in relation to fishing boats	
12. Special depreciation allowance on plant and machinery, on certain facilities installed in hotels, and on certain buildings	

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,
5 as follows:

No. 59—2

Price 20c

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. 5

3. Interpretation—Section 2 of the principal Act is hereby amended by inserting, after the definition of the term “mortgagee”, the following definition: 10

“‘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: 15

“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.” 20

(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. 25

5. Notice of assessment to taxpayer—(1) Section 28 of the principal Act is hereby amended by adding to subsection (1) the following proviso: 30

“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 35

*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,—

5 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.”

10 (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.

15 **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
20 following paragraph:

“(j) The Commonwealth Foundation.”

25 **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:

30 “‘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
35 sickness of, all or any of the following:

“(a) The taxpayer:

“(b) The spouse of the taxpayer:

“(c) Any child of the taxpayer:

40 “‘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: 5

“(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 10

“(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— 15

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”. 20

(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— 25

“(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 30

“(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.” 35

(4) Section 85 of the principal Act (as so substituted) is hereby further amended— 40

(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."

New

(6) This section shall be deemed to have come into force on the fourth day of October, nineteen hundred and sixty-six (being the date of the passing of the Land and Income Tax Amendment Act 1966), and 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-six, and in every subsequent year.

30 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 and before the expiration of a period of three years after the end of the income year in which that sale or disposition took place—

- “(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.

New

5 “(e) 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.”

10 (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.

20 **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:

25 “(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 30 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) 35 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 40 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 5

“(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.” 10

(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. 15

Struck Out

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”. 20

New

10. Deductions for repair, maintenance, and depreciation—Section 113 of the principal Act is hereby further amended— 25

(a) By omitting from subsection (2) the words “any deduction under this section”, and substituting the words “any deduction under the first proviso to subsection (1) of this section”: 30

(b) 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”. 35

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.”

5 (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:

10 “(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
15 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

20 “(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

25 “(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

30 “(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,—

35 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.”

40 (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:

5

“(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: 10

“‘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: 20

“‘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 30

“(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: 35

“‘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: 40

“(c) A special hotel premises licence:

“(d) An extended hotel premises licence:

5 “(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:

10 “‘New’ means not having previously been either used
by any person or acquired or held by any person
for use by that person:

10 “‘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:

15 “‘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:

20 “‘The relevant provision of this section’ means subsection
(1), or subsection (1A), or subsection (1B), of this
section, as the case requires:

25 “‘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:

30 (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
35 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 Amend-
40 ment 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
45 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: 5

“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 10
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 15
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 20
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 25
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,— 30

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 35
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 40
section in respect of any capital expenditure shall not exceed in the aggregate—

5 “(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

10 “(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.

15 “(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:

20 “(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.

25 “(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.

30 “(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—

40 (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.” 5

(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— 10

“(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— 15

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 20 25

“(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 30

“(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,— 35

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.” 40

(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:

5 “(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:

10 “‘Development plan’, in relation to the business of a taxpayer, means a plan, project, or scheme which—

15 “(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

20 “(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:

25 “‘New’ means not having previously been either used by any person or acquired or held by any person for use by that person:

30 “‘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.”

35 (4) The following enactments are hereby consequentially repealed:

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

40 (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,—

5 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.”

10 (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:

15 “‘Development plan’, in relation to the business of a taxpayer, means a plan, project, or scheme which—

20 “(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

25 “(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:

30 “‘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.”

35 (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
40 **farming or agricultural purposes**—(1) Section 119b 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—

5 “(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 sub-

10 section (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:

15 “‘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.”

20 (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) 35 (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 40 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

“(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— 10

“(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: 20

“(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.” 25

(2) Section 25 of the Land and Income Tax Amendment Act 1966 is hereby consequentially amended by repealing subsection (2). 30

(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”. 35

(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. 40

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
5 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—

10 “‘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
15 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:

20 “‘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:

25 “‘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
30 forestry company by Maori owners:

35 “‘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—

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

45 “‘(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. 5

“(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: 10

“(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,— 15

“(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 20 25

“(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: 30

“(c) The provisions of sections 143 and 143A of this Act shall not apply with respect to any qualifying debenture: 35

“(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 40

5 “(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

10 “(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
15 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
20 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:
25

“(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:

30 “(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—

35 (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”:

40 (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”.