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This PUBLIC BILL originated in the HOUSE OF REPRESENTATIVES, and, having this day passed as now printed, is transmitted to the LEGISLATIVE COUNCIL for its concurrence.

*House of Representatives,
12th October, 1920.*

Right Hon. Mr. Massey.

LAND AND INCOME TAX AMENDMENT.

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A BILL INTITULED

AN ACT to amend the Land and Income Tax Act, 1916.

Title.

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

1. (1.) This Act may be cited as the Land and Income Tax Amendment Act, 1920, and shall be read together with and deemed part of the Land and Income Tax Act, 1916 (hereinafter referred to as the principal Act).

Short Title and commencement.

(2.) This Act shall come into operation on the first day of April, nineteen hundred and *twenty-one*.

Land-tax.

Rates of land-tax.

2. (1.) Unless otherwise expressly provided in the annual taxing Act for any year, land-tax shall be assessed, levied, and paid for the year commencing on the first day of April, nineteen hundred and twenty-one, and for each year thereafter, at the rates specified in Part I of the Schedule hereto. 5

(2.) Nothing in this section shall be so construed as to authorize the assessment or levy of land-tax for any year save pursuant to the provisions of the annual taxing Act for that year. 10

Increase of exemption from land-tax in respect of mortgages.

3. Section four of the Finance Act, 1917, is hereby amended by repealing paragraphs (a) and (b) of subsection two, and substituting the following paragraphs:—

“(a.) Where the total unimproved value aforesaid does not exceed *six thousand* pounds, the sum of *four thousand* pounds; or

“(b.) Where the total unimproved value aforesaid exceeds *six thousand* pounds, the sum of *four thousand* pounds diminished at the rate of two pounds for every one pound of that excess, so as to leave no deduction under this paragraph when that value amounts to or exceeds *eight thousand* pounds.” 20

Section 5 of Finance Act, 1917 (relating to exemptions from land-tax in cases of hardship) amended.

4. Section five of the Finance Act, 1917, is hereby amended by omitting the words “two hundred pounds,” and substituting the words “three hundred pounds”; and by omitting the words “two thousand pounds,” and substituting the words “two thousand five hundred pounds.” 25

Section 6 of Finance Act, 1917 (relating to exemption from land-tax of widows with dependent children) amended.

5. Section six of the Finance Act, 1917, is hereby amended by omitting the words “three thousand five hundred pounds,” and substituting the words “four thousand pounds.” 30

Special provisions as to land-tax on unimproved land.

6. (1.) For the purposes of this section “unimproved land” means land on which there are not, on the thirty-first day of March immediately preceding the year of assessment, improvements of a value equal to one pound an acre or equal to one-third of the unimproved value, whichever is the less, and which in the opinion of the Commissioner it is reasonable should have been improved to that extent. 35

(2.) This section shall not apply with respect to land situated in a borough. 40

(3.) This section shall apply separately to all lands of a taxpayer forming one continuous area or separated at their nearest points by a distance not exceeding three miles in a straight line.

(4.) Notwithstanding anything to the contrary in Part I of the Finance Act, 1917, no deductions by way of special exemption under section four of the Finance Act, 1917, shall be made in respect of any unimproved land of which the taxpayer has been the owner for three years or upwards. 45

(5.) In respect of any unimproved land of which the taxpayer has been the owner for three years or upwards the rate of land-tax shall be *fifty* per centum more than the rate fixed by the annual taxing Act in respect of other lands. 50

(6.) This section shall come into force on the first day of April, nineteen hundred and *twenty-three*.

7. Section thirteen of the Finance Act, 1917, is hereby amended by omitting from subsection two the words "three-fourths," and substituting the words "one-half."

Section 13 of Finance Act, 1917 (relating to companies with the same shareholders), amended.

8. Section twenty-six of the Finance Act, 1917, is hereby amended by adding the following subsections:—

"(5.) If any Native land is held by a trustee (not being a Native) in trust for the Native owner, the tax shall be payable on behalf of the Native owner by the trustee.

Section 26 of Finance Act, 1917 (relating to land-tax in case of Native land), amended.

"(6.) In all other cases the tax shall be payable on behalf of the Native owner by the occupier of the land."

Income-tax.

9. (1.) Unless otherwise expressly provided in the annual taxing Act for any year, income-tax shall be assessed, levied, and paid for the year commencing on the first day of April, nineteen hundred and twenty-one, and for each year thereafter, at the rates specified in Part II of the Schedule hereto.

Rates of income-tax

(2.) Nothing in this section shall be so construed as to authorize the assessment or levy of income-tax for any year save pursuant to the provisions of the annual taxing Act for that year.

10. Section eighty-one of the principal Act is hereby amended by adding to subsection two the following proviso:—

Definition of "absentee," for purposes of income-tax, limited.

"Provided that a taxpayer whose assessable income for the income-year does not exceed *three hundred* pounds shall not be deemed to be an absentee within the meaning of this Part of this Act if the Commissioner is satisfied that the absence of the taxpayer from New Zealand during the income-year has been for the sake of his or her health, or of the health of the husband or wife, as the case may be, or of any child of the taxpayer.

11. Subsection one of section eighty-two of the principal Act is hereby amended as follows:—

Increased exemptions from income-tax in respect of dependent children.

(a.) By omitting from subsection one the words "twenty-five pounds," and substituting the words "fifty pounds"; and

(b.) By omitting the words "sixteen years," and substituting the words "eighteen years."

12. Section eighty-three of the principal Act is hereby amended as follows:—

Increased exemptions from income-tax in respect of insurance premiums.

(a.) By omitting from subsection one the words "to the extent of not more than fifty pounds";

(b.) By omitting from subsection two the words "not exceeding in the aggregate the sum of one hundred pounds"; and

(c.) By adding the following subsection:—

"(3.) The deductions by way of special exemption provided for in this section shall not in any case exceed in the aggregate *fifteen* per centum of the earned income of the taxpayer; or, in cases where the total income of the taxpayer from all sources does not exceed two thousand pounds, then *fifteen* per centum of that income."

13. Every person, other than an absentee, shall be entitled to a deduction by way of special exemption from his assessable earned

Special exemption in respect of contributions towards support of widowed mother.

income of the amount contributed by him during the income-year (not exceeding in the aggregate *fifty* pounds) towards the support of his widowed mother :

Provided that where claims under this section are made by two or more persons for deductions by way of special exemption exceeding *fifty* pounds in the aggregate in respect of contributions towards the support of the same person the Commissioner shall not allow a greater exemption in the aggregate than *fifty* pounds, to be apportioned among the several taxpayers in such manner as the Commissioner thinks fit.

14. (1.) Section eighty-four of the principal Act is hereby amended as follows :—

(a.) By repealing paragraph (b), and substituting the following paragraph :—

“(b.) The income, other than income received in trust, of a local authority, or of any public authority other than the Public Trustee ;” and

(b.) By repealing paragraph (f) thereof.

15. Section eighty-five of the principal Act is hereby amended by adding thereto the following subsection :—

“(2.) For the purposes of this Act the term “ earned income ” shall be deemed to include—

“(a.) All income as defined in paragraph (b) of the foregoing provisions of this section ; and

“(b.) All other income derived from any source by a taxpayer (not being a company, or a public or local authority) by reason of his personal exertions.”

16. For the purpose of computing the taxable income of any taxpayer all deductions from the assessable income by way of special exemption (other than exemptions under section eighty-seven of the principal Act) shall to the extent of the earned income of the taxpayer be made from that income, and the balance (if any) shall be deducted from the unearned income.

17. Where, pursuant to the proviso to paragraph (b) of section eighty-six of the principal Act, the Commissioner has, for any year of assessment (whether before or after the passing of this Act), allowed a deduction in respect of the depreciation of any premises, implements, utensils, or machinery, and the taxpayer at any time afterwards sells such premises, implements, utensils, or machinery at a price in excess of the amount to which the value of those assets has been reduced by such allowance, the Commissioner may make a revised assessment for that or any subsequent year without allowing such deduction or without allowing such portion thereof as he thinks fit, and may recover the additional amount of income-tax accordingly.

18. Section eighty-eight of the principal Act is hereby amended by repealing the proviso to subsection one thereof.

19. Section ninety-six of the principal Act is hereby amended by inserting, before the words “ from investments of any kind ” in subsection one, the words “ from investments of any kind out of New Zealand held by or on behalf of its New Zealand branch, and.”

Section 84 of principal Act (exempting certain incomes from taxation) amended.

Definition of term “ earned income.”

Deductions by way of special exemption to be made in first place from earned income.

Tax may be recovered in respect of deduction allowed for depreciation of assets sold at enhanced price.

Repeal of provisions as to exemption from tax of income earned out of New Zealand by owners of shipping.

Amended provisions as to income of foreign insurance companies.

20. Section ninety-nine of the principal Act is hereby amended by inserting, after paragraph (b), the following proviso :—

Exemption in certain cases in respect of income from property held by trustees.

“ Provided that in any case where income is held by the trustee in trust for the maintenance and education of children the same deductions by way of special exemption shall be allowed under sections eighty-one and eighty-two of the principal Act as if the trustee were beneficially entitled and as if the children were the children of the trustee.”

21. (1.) If the Commissioner is satisfied with respect to two or more companies consisting substantially of the same shareholders or under the control of the same persons that the separate constitution of those companies is not *bona fide* for the purpose of more effectively carrying out their objects, but is for the purpose of reducing their taxation, the Commissioner may, for the purposes of income-tax, treat those companies as if they were a single company, and in any such case those companies shall be jointly assessed and jointly and severally liable, with such right of contribution or indemnity between themselves as is just.

For purposes of income-tax two or more companies with substantially the same shareholders may be treated as one company.

(2.) For the purposes of this section two companies shall be deemed to consist substantially of the same shareholders if not less than *one-half* of the paid-up capital of each of them is held by or on behalf of shareholders in the other. Shares in one company held by or on behalf of another company shall for this purpose be deemed to be held by the shareholders in the last-mentioned company.

22. (1.) When the Commissioner is satisfied that any person carrying on business in New Zealand (herein called the agent) is so far under the control of any other person carrying on business in New Zealand or elsewhere (herein called the principal) that the relation between them is in effect that of agent and principal, he may treat the first-mentioned business as that of the principal, and as being carried on by the agent on his behalf, and may require returns to be made, and may make assessments accordingly, and the principal and agent shall be liable for income-tax accordingly.

Provisions as to principal and agent in certain cases.

(2.) This section is in substitution for section one hundred and two of the principal Act, and that section is hereby repealed accordingly.

Consequential repeal.

23. (1.) Where any taxpayer in New Zealand enters into a contract of insurance or guarantee against loss, damage, or risk of any kind whatever (not being a contract of life insurance) with any person or foreign company not carrying on business in New Zealand, that person or company shall be liable to income-tax under the principal Act on the profits derived from such contract of insurance or guarantee.

Income-tax payable in respect of contracts of insurance effected with any persons or foreign companies not carrying on business in New Zealand.

(2.) For the purposes of this section the profits derived from every such contract shall be deemed to be an amount equal to ten per centum of the amount payable by the taxpayer as premiums in respect of such contract.

(3.) For the purpose of the principal Act every person who enters into a contract of insurance or guarantee as aforesaid shall be deemed to be the agent of the person or foreign company with whom such contract is made, and shall make returns and be assessable and liable for income-tax accordingly.

24. (1.) Every local or public authority which has, whether before or after the commencement of this Act, issued debentures shall for the purposes of the principal Act be the agent of all

Local and public authorities to be agent of debenture-holders.

debenture-holders, whether absentees or not, in respect of all income derived by them from those debentures, and shall make returns and be assessable and liable for income-tax on that income accordingly.

(2.) No deduction by way of special exemption or otherwise shall be allowed to any local or public authority as such agent, or to any debenture-holders, in respect of the income so derived from debentures. 6

(3.) Income so derived by the holders of debentures issued by a local or public authority shall be assessable and chargeable with income-tax separately from income derived by the debenture-holders from other sources, and, unless otherwise expressly provided in the annual taxing Act for any year, shall be assessed at the rate specified in that behalf in *Part II* of the Schedule hereto. 10

(4.) Nothing in this section shall be so construed as to render liable to income-tax any income that is exempt from taxation by virtue of section eighty-four of the principal Act. 15

Allowance by way of refund of tax to debenture-holders in certain cases.

25. Section thirty-seven of the Finance Act, 1917, is hereby amended by repealing subsection two, and substituting the following subsection :—

“(2.) If the Commissioner is satisfied with respect to the holder of any debenture or debentures issued by any local or public authority or by any company that the aggregate amount of income-tax paid or payable by or on behalf of the debenture-holder (including the tax paid in respect of interest on debentures) exceeds the amount of tax that would have been payable by him if the interest received by him on those debentures had formed part of his taxable income, the Commissioner shall, on application by the taxpayer, pay to him the amount of the excess.” 25

Special provisions as to floating-rate of interest on debentures.

26. (1.) Where in any debenture issued by a company, whether before or after the commencement of this Act, the rate of interest payable in respect thereof is not specifically determined, but is determinable from time to time by reference to the dividend payable by the company or otherwise howsoever, the interest paid on the debenture shall be computed as part of the assessable income of the company and not of the debenture-holder. 30 35

(2.) Section one hundred and twelve of the principal Act shall not apply with respect to any such debenture or to the interest paid or payable thereunder.

Special provisions with respect to income of co-operative dairy companies.

27. In calculating the assessable income of any co-operative cheese-factory or butter-factory company incorporated in New Zealand there shall be deductible from the gross income of the company an amount equal to the amount paid or payable by the company during the income year to suppliers of milk to the company, so far as such amount is apportioned among the suppliers in sums proportionate to the quantity of milk supplied by them. 40 45

Modification of provisions as to overdue tax.

28. Subsection one of section one hundred and twenty-seven of the principal Act is hereby amended as follows :—

(a.) By omitting the words “ten per centum,” and substituting the words “five per centum”;

(b.) By omitting the words “twelve and a half per centum,” and substituting the words “seven and a half per centum”; and 50

(c.) By omitting the words "fifteen per centum," and substituting the words "ten per centum."

29. Section one hundred and sixty of the principal Act is hereby amended by inserting, after the words "in excess," the words "of an assessment of the amount properly payable."

Refund of tax paid in excess.

30. (1.) Notwithstanding anything to the contrary in the principal Act, or in any other Act, income-tax shall not be deemed to be, or to have been, payable by any racing club for any year prior to the year of assessment commencing on the first day of April, nineteen hundred and *twenty*.

Special provision as to payment of income-tax by racing clubs.

(2.) For the purposes of this section the term "racing club" means any club, association, or other body of persons (whether incorporated or unincorporated) established for the purpose of promoting, conducting, or controlling the sport of horse-racing, and includes a hunt club or polo club.

SCHEDULE.

Schedule.

RATES OF LAND-TAX AND INCOME-TAX FOR THE YEAR COMMENCING ON THE 1ST APRIL, 1921, AND SUBSEQUENT YEARS.

Part I. Land-tax.

1. WHERE the unimproved value on which land-tax is payable does not exceed £1,000, the rate of land-tax shall be 1d. for every £1 thereof.

2. Where the unimproved value on which land-tax is payable exceeds £1,000, the rate of land-tax shall be 1d. for every £1 thereof increased by one-twenty-thousandth part of 1d. for every pound in excess of £1,000, but so as not to exceed in any case the rate of $7\frac{1}{2}$ d. in the £1.

3. In addition to the land-tax payable as provided in clause 1 or clause 2 of this Part of this Schedule, as the case may be, there shall in every case be payable by way of land-tax an amount equal to $33\frac{1}{3}$ per centum of the land-tax so payable.

Part II. Income-tax.

1. On income assessable under subsection (3) of section 112 of the Land and Income Tax Act, 1916, the rate of income-tax shall be 3s. for every £1 thereof.

2. On income assessable under subsection (3) of section 24 of this Act the rate of income-tax shall be 2s. 6d. for every £1 thereof.

3. On the taxable income of all taxpayers other than those referred to in clause 1 or clause 2 hereof the rates of income-tax shall be as follows:—

(a.) Where the income on which tax is payable does not exceed £400, the rate shall be 1s. for every £1 thereof.

(b.) Where such income exceeds £400, but does not exceed £6,000, the rate shall be 1s. for every £1 thereof increased by one-hundredth part of 1d. for every £1 in excess of £400.

(c.) Where such income exceeds £6,000 the rate shall be 5s. 8d. for every £1 thereof, increased by one two-hundredth part of 1d. for every £1 in excess of £6,000, but so as not to exceed in any case the rate of 7s. 4d. in the £1.

4. In addition to the income-tax payable as provided in clause 3 of this Part of this Schedule there shall be payable by way of income-tax, by taxpayers to whom that clause relates, an amount equal to 20 per centum thereof.

5. The income-tax payable by any taxpayer as hereinbefore provided shall be reduced by 10 per centum of so much thereof as is levied in respect of earned income:

Provided that if the earned income of a taxpayer for any year exceeds £2,000, the reduction provided for by this clause shall be made only in respect of the sum of £2,000.