

LAND AND INCOME TAX AMENDMENT BILL

EXPLANATORY NOTE

THIS Bill makes two amendments to the Land and Income Tax Act, 1923, in relation to the rates of tax.

Clause 3 increases the special exemption from land tax from an unimproved value of £500 to an unimproved value of £1,000.

Clause 4 re-enacts Part A of the schedule of basic rates of income tax so as to give effect to the abolition of the addition of one third to the tax on unearned income. *Subclause (2)* repeals the provisions of the principal Act which distinguish between earned income and unearned income, and makes consequential amendments.

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,
1st September, 1950.*

Hon. Mr. Bowden

LAND AND INCOME TAX AMENDMENT

ANALYSIS

<p>Title. 1. Short Title. 2. Application of Act.</p>	<p style="text-align: center;"><i>Land Tax</i></p> <p>3. Increasing special exemption from £500 to £1,000.</p> <p style="text-align: center;"><i>Income Tax</i></p> <p>4. Amending basic rates so as to abolish additional tax on unearned income. Schedules.</p>
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A BILL INTITULED

AN ACT to Amend the Land and Income Tax Act, 1923. Title.

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

- 5 1. This Act may be cited as the Land and Income Tax Amendment Act, 1950, and shall be read together with and deemed part of the Land and Income Tax Act, 1923 (hereinafter referred to as the principal Act). Short Title.
See Reprint of Statutes, Vol. VII, p. 271
- 10 2. This Act shall apply with respect to the tax for the year of assessment that commenced on the first day of April, nineteen hundred and fifty, and for every subsequent year. Application of Act.

Land Tax

Increasing special exemption from £500 to £1,000.

3. Section forty-nine of the principal Act is hereby amended by repealing paragraphs (a) and (b) of subsection one, and substituting the following paragraphs:—

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“(a) Where that value does not exceed fifteen hundred pounds, a deduction of one thousand pounds:

“(b) Where that value exceeds fifteen hundred pounds, a deduction of one thousand pounds diminished at the rate of one pound for every pound of that excess, so as to leave no deduction when that value amounts to or exceeds two thousand five hundred pounds.”

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Income Tax

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Amending basic rates so as to abolish additional tax on unearned income.
1940, No. 3

4. (1) The Schedule to the Land and Income Tax Amendment Act, 1940, is hereby amended by repealing Part A, and substituting the Part A set out in the *First* Schedule to this Act.

(2) The enactments specified in the *Second* Schedule to this Act are hereby consequentially amended in the manner indicated in that Schedule.

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Schedules.

SCHEDULES

Section 4 (1)

FIRST SCHEDULE

NEW PART A OF SCHEDULE TO THE LAND AND INCOME TAX
AMENDMENT ACT, 1940

“PART A

“*Interpretation*

“1. For the purposes of this Schedule,—

“‘Taxable income’ means income on which income tax is payable:

“The effective rate of tax for any income shall be ascertained by computing tax on that income in accordance with the rates of tax specified in Part B of this Schedule and dividing the tax so computed by the number of pounds included in that income.

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“ Debentures Issued by Companies and Local and Public Authorities

“ 2. On income assessable under subsection (3) of section 116 or subsection (3) of section 118 of the principal Act, the basic rate of income tax for every £1 of the taxable income shall be as follows:—

“(a) Where the income has been derived from debentures issued by a company on terms providing for the payment of income tax by the company, as provided in section 171 of the principal Act, the basic rate shall be 8s. 8d.

“(b) In every other case, the basic rate shall be 12s.

“ Companies and Public Authorities

“ 3. On all income not included within clause 2 of this Schedule the basic rate of income tax for every £1 of the taxable income shall, in the case of companies and public authorities, be as follows:—

“(a) Where the taxable income does not exceed £6,300, the basic rate shall be 2s. 6d. increased by $\frac{1}{100}$ d. for every £1 of the taxable income.

“(b) Where the taxable income exceeds £6,300, the basic rate shall be 7s. 9d., increased by $\frac{1}{50}$ d. for every £1 of the taxable income in excess of £6,300, but so as not to exceed in any case the rate of 8s. 8d. in the £1.

“ Other Taxpayers

“ 4. (1) On all income not included within clause 2 of this Schedule the basic rates of income tax shall, in the case of all taxpayers other than companies and public authorities, be as provided in this clause.

“(2) Where the total income derived by the taxpayer during the income year did not include any non-assessable income to which section 6 of the Land and Income Tax Amendment Act, 1931, applies, the basic rate for every £1 of the taxable income shall be a rate equal to the effective rate of tax for the taxable income.

“(3) Where the total income derived by the taxpayer during the income year included non-assessable income to which section 6 of the Land and Income Tax Amendment Act, 1931, applies, then, notwithstanding anything to the contrary in that section, the basic rate for every £1 of the taxable income shall be ascertained by computing the amount by which tax at the effective rate on a taxable income equal in amount to the total of the taxable income and of the non-assessable income exceeds tax at the effective rate on a taxable income equal in amount to the non-assessable income, and dividing the amount of that excess by the number of pounds included in the taxable income.”

SECOND SCHEDULE

CONSEQUENTIAL AMENDMENTS

Section 4 (2)

Title of Enactment.	Number of Section Affected.	Nature of Amendment.
1923, No. 21— The Land and Income Tax Act, 1923 (Reprint of Statutes, Vol. VII, p. 299)	Section 73 Section 79 Section 81 (as amended by section 18 of the Land and Income Tax Amendment Act, 1945)	By repealing subsection (3). By repealing subsection (2). By repealing paragraphs (b) and (c) of the second proviso to subsection (3), and substituting the following paragraph :— “(b) Where, if a profit had been made as aforesaid, the amount of the profit would have been assessable income, the amount of the loss carried forward to any year shall be deducted from or set off against the taxpayer’s assessable income for that year so far as that income extends.”
1932-33, No. 40— The Land and Income Tax Amendment Act, 1932-33	Section 2	By repealing this section.
1939, No. 34— The Land and Income Tax Amendment Act, 1939	Section 23	By omitting from paragraph (i) of subsection (1) the words “and that portion of any proprietary income that is deemed to be assessable income shall, if derived from an investment company, be deemed to be unearned income of the shareholder, and in all other cases shall be deemed to be earned income of the shareholder”; by repealing paragraph (j) of that subsection.
1942, No. 2— The Finance Act, 1942 ..	Section 5	By repealing this section.
1943, No. 2— The Finance Act, 1943 ..	Section 3	By repealing subsection (5).
1944, No. 28— The Land and Income Tax Amendment Act, 1944	Section 6	By repealing subsection (9).
1945, No. 37— The Land and Income Tax Amendment Act, 1945	Section 11	By omitting from subsection (1) the words “Every such sum shall be deemed to be earned income”.