

LAND AND INCOME TAX AMENDMENT BILL

EXPLANATORY NOTE

THIS Bill makes various amendments to the Land and Income Tax Act 1923.

Clause 2: Except as otherwise provided, the Bill is to apply to the tax for the current year of assessment, commencing on 1 April 1953, and for every subsequent year.

Clause 3 increases the personal exemption for each taxpayer from £200 to £230. *Subclause (2)* applies the increase to cases in which the incomes of a husband and wife are aggregated.

Clause 4 increases from £50 to £65 the amount of the special exemption for each dependent child or other dependent relative.

Clause 5 provides that a foster-child of a taxpayer is to be a dependent relative for the purposes of the special exemption of £65.

Clause 6 extends the special exemption for the wife or husband of a taxpayer so that it will be £100 diminished at the rate of £1 for every complete £1 of the income of the wife or husband over £100 instead of £100 diminished at the rate of £2 for every complete £1 of the income of the wife or husband over £50.

Clause 7 increases from £150 to £175 the maximum amount of the special exemption in respect of life insurance premiums and contributions to superannuation schemes.

Clause 8 allows losses to be set off against income for the six following years, instead of the three following years. The clause does not apply to any loss incurred before 1 April 1949. *Paragraph (b)* of *subclause (1)* amends section 81 (4) of the principal Act by reducing from three-quarters to two-thirds the proportion of the paid up capital and nominal value of the allotted shares of a company that must be held by the same persons in order to enable the company to carry forward its losses under the section.

Clause 9 extends for a further year the operation of section 15 of the Land and Income Tax Amendment Act 1945 (relating to the special depreciation allowance in respect of premises, plant, or machinery). This extension will enable the depreciation allowance to be granted in the case of premises, plant, or machinery acquired, erected, installed, or extended up to 31 March 1955.

Clause 10 extends for a further year (to 31 March 1955) the operation of section 8 of the Land and Income Tax Amendment Act (No. 2) 1950, which provides for an initial depreciation allowance of thirty per cent of the cost of farm equipment and accommodation for farm workers. *Subclause (2)* amends subsection (4) (c) of section 8, which enables the Commissioner of

Inland Revenue, in his discretion, to disallow the initial depreciation allowance where the accommodation is for the taxpayer or the wife or a child of the taxpayer. The amendment extends this provision to cases where the accommodation is for the husband of the taxpayer or, in the case of a company, is for a shareholder or the wife or husband or a child of a shareholder.

Clause 11 amends the said section 8 of the Land and Income Tax Amendment Act (No. 2) 1950 (referred to in *clause 10*), as from its commencement, by giving the Commissioner of Inland Revenue a discretionary power to make a revised assessment so as to cancel an initial depreciation allowance wholly or partly in any case where the assets concerned have been sold by the taxpayer at a price in excess of the amount to which the value of the assets has been reduced by the allowance.

Clause 12 provides for an initial depreciation allowance of thirty per cent of the cost of new buildings erected by or for a taxpayer engaged in business otherwise than as a farmer in order to provide accommodation for persons employed in that business. The accommodation must not be for the taxpayer or the wife or husband or a child of the taxpayer or, in the case of a company, for a shareholder or the wife or husband or a child of a shareholder. The clause applies to new buildings erected between 31 March 1953 and 1 April 1955, and with respect to the tax for the years of assessment commencing on 1 April 1954 and 1 April 1955. In other respects the clause is similar to section 8 of the Land and Income Tax Amendment Act (No. 2) 1950, relating to the initial depreciation allowance for farmers, as amended by *clause 11*.

Clause 13: Section 22 (1) (c) of the Land and Income Tax Amendment Act 1939 includes within the definition of the term "dividends" the excess of the value of any shares allotted by a company over the value of the consideration for the shares. *Clause 13* amends this provision so as to refer to the paid up value of the shares.

Clause 14 gives effect to the terms of the prospectus for the 1953 Development Loan (including the second issue) by providing that the income tax on interest from the loan, together with social security charge (if payable), is not to exceed 9s. 4d. in the pound. The effect of this provision is that the minimum net return on the face value of the 3 $\frac{3}{4}$ per cent stock after payment of income tax and social security charge is to be not less than 2 per cent.

Clause 15 amends section 78 (b) of the principal Act by making the New Zealand Broadcasting Service (in respect of the commercial activities of that Service) liable for income tax instead of the "National Commercial Broadcasting Service".

Clause 16 repeals section 10 of the Land and Income Tax Amendment Act 1932-33, which requires the Commissioner of Inland Revenue to keep a register of bearer debentures and other securities.

Clause 17 extends the exemption from land tax of the Cornwall Park Trustees so as to make it uniform with the exemption of the Masterton Trust Lands Trustees and the Greytown Trust Lands Trustees under section 3 of the Land and Income Tax Amendment Act 1935. Their present exemption is from one-half of the tax payable on the land in Cornwall Park. This is extended so as to reduce the rate of land tax on all the lands vested in the trustees to one-fourth of the ordinary rate or to $\frac{1}{2}$ d. in the pound of the unimproved value, whichever is the greater.

Hon. Mr Bowden

LAND AND INCOME TAX AMENDMENT

ANALYSIS

Title.	
1. Short Title.	10. Extending period for allowance of initial depreciation on farm equipment and accommodation for farm workers.
2. Application of Act.	11. Revised assessment where assets sold after deduction of initial depreciation allowance.
3. Personal exemption increased to £230.	12. Initial depreciation allowance on accommodation for business workers.
4. Special exemption for dependent relatives increased to £65.	13. Definition of term "dividends" amended.
5. Special exemption for dependent relatives extended to foster-children.	14. Rate of income tax on interest from 1953 Development Loans.
6. Special exemption where taxpayer is married.	15. Commercial income of New Zealand Broadcasting Service subject to income tax.
7. Special exemption for life insurance premiums, etc., increased to £175.	16. Abolition of register of bearer debentures and other securities.
8. Extending period for setting off losses against future profits to six years.	17. Extending exemption of Cornwall Park Trustees from land tax.
9. Extending period for allowance of special depreciation on buildings and plant.	

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:

1. This Act may be cited as the Land and Income Tax Amendment Act 1953, 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

Application
of Act.

2. Except as otherwise provided herein, this Act shall apply with respect to the tax for the year of assessment that commenced with the first day of April, nineteen hundred and fifty-three, and for every subsequent year. 5

Personal
exemption
increased to
£230.

1936, No. 34
1939, No. 3

3. (1) Section seventy-four of the principal Act is hereby amended by omitting from subsection one (as substituted by paragraph (a) of subsection one of section six of the Land and Income Tax Amendment Act 1936 and amended by section thirteen of the Finance Act 1939) the words "two hundred pounds", and substituting the words "two hundred and thirty pounds". 10

1939, No. 34

(2) Section thirteen of the Land and Income Tax Amendment Act 1939 is hereby consequentially amended as follows: 15

(a) By omitting from paragraph (a) and from paragraph (b) of subsection three the words "two hundred pounds", and substituting in each case the words "two hundred and thirty pounds": 20

1949, No. 29

(b) By omitting from subsection five (as substituted by subsection one of section four of the Land and Income Tax Amendment Act 1949) the words "four hundred pounds", and substituting the words "four hundred and sixty pounds": 25

(c) By omitting from paragraph (a) of subsection six (as substituted by subsection two of section four of the Land and Income Tax Amendment Act 1949) the words "two hundred pounds", and substituting the words "two hundred and thirty pounds": 30

(d) By omitting from subsections nine and ten the words "two hundred pounds" wherever they occur, and substituting in each case the words "two hundred and thirty pounds". 35

(3) Section thirteen of the Finance Act 1939 is hereby consequentially repealed.

Special
exemption
for dependent
relatives
increased
to £65.

4. (1) Section eleven of the Land and Income Tax Amendment Act 1939 is hereby amended by omitting from subsection one the words "fifty pounds", and substituting the words "sixty-five pounds". 40

(2) The said section eleven is hereby consequentially further amended by omitting from subsection three the words "fifty pounds" wherever they occur, and substituting in each case the words "sixty-five pounds".

5 5. Section eleven of the Land and Income Tax Amendment Act 1939 is hereby amended by inserting in subsection two, after the words "and includes a former wife of the taxpayer", the words "and also includes any child, not being a child or stepchild of the taxpayer, who is supported by the taxpayer as a foster-child".

Special exemption for dependent relatives extended to foster-children. 1939, No. 34

15 6. (1) Section four of the Land and Income Tax Amendment Act 1932-33 is hereby amended by omitting from subsection one (as amended by paragraph (a) of section three of the Land and Income Tax Amendment Act 1945) the words "one hundred pounds diminished at the rate of two pounds for every complete pound of the excess of the income derived by his wife during the income year over fifty pounds", and substituting the words "one hundred pounds diminished at the rate of one pound for every complete pound of the excess of the income derived by his wife during the income year over one hundred pounds".

Special exemption where taxpayer is married. 1932-33, No. 40 1945, No. 37

25 (2) The said section four is hereby consequentially further amended by omitting from subsection two (as amended by paragraph (c) of the said section three of the Land and Income Tax Amendment Act 1945) the words "one hundred pounds", and substituting the words "two hundred pounds".

30 (3) Section two of the Land and Income Tax Amendment Act 1933 is hereby amended by omitting from subsection one (as amended by paragraph (a) of section four of the Land and Income Tax Amendment Act 1945) the words "one hundred pounds diminished at the rate of two pounds for every complete pound of the excess of the income derived by her husband during the income year over fifty pounds", and substituting the words "one hundred pounds diminished at the rate of one pound for every complete pound of the excess of the income derived by her husband during the income year over one hundred pounds".

1933, No. 43

(4) The said section two is hereby consequentially further amended by omitting from subsection two (as amended by paragraph (c) of the said section four of the Land and Income Tax Amendment Act 1945) the words "one hundred pounds", and substituting the words "two hundred pounds". 5

(5) The Land and Income Tax Amendment Act 1945 is hereby consequentially amended by repealing paragraphs (a) and (c) of section three and paragraphs (a) and (c) of section four. 10

Special exemption for life insurance premiums, etc., increased to £175. 1939, No. 34

7. Section seventy-seven of the principal Act is hereby amended by omitting from subsection three (as substituted by section twelve of the Land and Income Tax Amendment Act 1939) the words "one hundred and fifty pounds", and substituting the words "one hundred and seventy-five pounds". 15

Extending period for setting off losses against future profits to six years.

8. (1) Section eighty-one of the principal Act is hereby amended as follows:

(a) By omitting from subsection three the word "three" wherever it occurs, and substituting in each case the word "six": 20

(b) By omitting from subsection four (as added by section nine of the Land and Income Tax Amendment Act 1936) the word "three-fourths" wherever it occurs, and substituting in each case the word "two-thirds". 25

1936, No. 34

(2) This section shall not apply with respect to any loss incurred before the income year that commenced with the first day of April, nineteen hundred and forty-nine. 30

Extending period for allowance of special depreciation on buildings and plant. 1945, No. 37 1952, No. 80

9. (1) Section fifteen of the Land and Income Tax Amendment Act 1945 (as amended by section six of the Land and Income Tax Amendment Act 1952) is hereby further amended by omitting from subsection one the words "nineteen hundred and fifty-four", and substituting the words "nineteen hundred and fifty-five". 35

(2) Section six of the Land and Income Tax Amendment Act 1952 is hereby consequentially repealed. 40

10. (1) Section eight of the Land and Income Tax Amendment Act (No. 2) 1950 (as amended by section seven of the Land and Income Tax Amendment Act 1952) is hereby further amended by omitting from subsection five the words "nineteen hundred and fifty-four" wherever they occur, and substituting in each case the words "nineteen hundred and fifty-five".
- (2) The said section eight is hereby further amended by omitting from paragraph (c) of subsection four the words "or a child of the taxpayer", and substituting the words "or husband or a child of the taxpayer or, in the case of a company, for the accommodation of a shareholder of the company or the wife or husband or a child of a shareholder of the company".
- (3) Section seven of the Land and Income Tax Amendment Act 1952 is hereby consequentially repealed.
11. (1) Section eight of the Land and Income Tax Amendment Act (No. 2) 1950 is hereby amended by adding to subsection one the following proviso:
- "Provided that where the Commissioner has for any year of assessment allowed an initial depreciation allowance in respect of any plant, machinery, equipment, or building, and the taxpayer at any time afterwards sells the plant, machinery, equipment, or building at a price in excess of the amount to which the value of those assets has been reduced by the allowance, the Commissioner may make a revised assessment for that or any subsequent year without allowing that initial depreciation allowance or without allowing such portion thereof as he thinks fit, and may recover the additional amount of income tax accordingly. Subsection one of section ten of the Finance Act (No. 2) 1948 is hereby extended to apply for the purposes of this proviso."
- (2) This section shall be deemed to have come into force on the passing of the Land and Income Tax Amendment Act (No. 2) 1950, and shall apply with respect to the tax for every year of assessment to which section eight of that Act applies.
12. (1) Where the Commissioner is satisfied that any new building has, during any income year within the period specified in subsection *five* of this section, been erected by or for a taxpayer engaged in any business in New Zealand other than a farming or agricultural business in order to provide accommodation for any person employed by the taxpayer in connection

Extending period for allowance of initial depreciation on farm equipment and accommodation for farm workers.

1950, No. 87
1952, No. 80

Revised assessment where assets sold after deduction of initial depreciation allowance.

1950, No. 87

1948, No. 78

Initial depreciation allowance on accommodation for business workers.

with that business, the Commissioner may in his discretion, subject to the provisions of this section, allow as a deduction in calculating the assessable income derived by that taxpayer from the business in the year in which the building is erected or first used for the purposes of that business an initial depreciation allowance of thirty per cent of the cost of the building: 5

1948, No. 78

Provided that where the Commissioner has for any year of assessment allowed an initial depreciation allowance in respect of any building, and the taxpayer at any time afterwards sells the building at a price in excess of the amount to which the value of the building has been reduced by the allowance, the Commissioner may make a revised assessment for that or any subsequent year without allowing that initial depreciation allowance or without allowing such portion thereof as he thinks fit, and may recover the additional amount of income tax accordingly. Subsection one of section ten of the Finance Act (No. 2) 1948 is hereby extended to apply for the purposes of this proviso. 10 15 20

(2) The initial depreciation allowance authorized by this section shall be in addition to any deduction which may be allowed under paragraph (a) of subsection one of section eighty of the principal Act.

1945, No. 37

(3) Where the taxpayer elects to receive an initial depreciation allowance under this section in respect of any building, he shall not be entitled to any special depreciation allowance in respect of that building under section fifteen of the Land and Income Tax Amendment Act 1945. 25 30

(4) 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 respect of any building— 35

(a) 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:

(b) In any case where he is satisfied that the building has been erected for the accommodation of the taxpayer or the wife or husband or a child of the taxpayer or, in the case of a company, for the accommodation of a shareholder of the company or the wife or husband or a child of a shareholder of the company. 40 45

(5) This section shall apply only where the building was erected after the thirty-first day of March, nineteen hundred and fifty-three, and before the first day of April, nineteen hundred and fifty-five, but shall not apply with respect to tax for any year of assessment commencing before the first day of April, nineteen hundred and fifty-four, or later than the first day of April, nineteen hundred and fifty-five.

13. Section twenty-two of the Land and Income Tax Amendment Act 1939 is hereby amended by omitting from paragraph (c) of subsection one the words "The value", and substituting the words "The paid up value".

Definition of term "dividends" amended. 1939, No. 34

14. (1) This section applies to New Zealand Government stock issued in respect of—

Rate of income tax on interest from 1953 Development Loans.

(a) The 1953 National Development Loan, maturing on the fifteenth day of May, nineteen hundred and sixty-two, with interest at the rate of three and three-quarters per cent per annum on the nominal amount thereof; or

(b) The 1953 National Development Loan (Second Issue), maturing on the fifteenth day of May, nineteen hundred and sixty-two, with interest at the rate of three and three-quarters per cent per annum on the nominal amount thereof.

(2) Where the total income derived by any taxpayer in any income year includes interest on any stock to which this section applies and, if this section had not been passed, the amount of income tax payable in respect of that interest, together with the amount of social security charge (if any) payable in respect of that interest or any part thereof, would exceed an amount calculated at the rate of nine shillings and fourpence on each pound of that interest, the amount of the excess shall be allowed as a rebate from the total amount of income tax that would be payable by the taxpayer apart from the provisions of this section.

(3) For the purposes of this section the amount of income tax payable in respect of any such interest included in the total income of any taxpayer shall be deemed to be an amount equal to the difference between the income tax payable by that taxpayer on his taxable income and the income tax that would be payable by him if his taxable income were reduced by the amount of so much of that interest as is included in the taxable income.

(4) For the purpose of calculating the amount of interest on any stock to which this section applies that is included in the taxable income of any taxpayer—

(a) Any expenditure or loss exclusively incurred in the production of that interest shall be deducted from that interest: 5

(b) Any other expenditure or loss exclusively incurred in the production of the taxpayer's assessable income, and any losses which may be carried forward by the taxpayer under section eighty-one of the principal Act, and all special exemptions to which the taxpayer is entitled shall be deducted from the taxpayer's assessable income other than that interest so far as that other income extends and the balance (if any) shall be deducted from that interest. 10 15

Commercial income of New Zealand Broadcasting Service subject to income tax. 1940, No. 3

15. Section seventy-eight of the principal Act is hereby amended by omitting from paragraph (b) (as amended by subsection one of section four of the Land and Income Tax Amendment Act 1940) the words "National Commercial Broadcasting Service", and substituting the words "New Zealand Broadcasting Service (in respect of the commercial activities of that Service)". 20

Abolition of register of bearer debentures and other securities. 1932-33, No. 40 1940, No. 7

16. (1) Section ten of the Land and Income Tax Amendment Act 1932-33 is hereby repealed. 25

(2) Section fifteen of the National Savings Act 1940 is hereby consequentially amended by repealing subsection one.

Extending exemption of Cornwall Park Trustees from land tax. 1929, No. 29

17. Section twenty-eight of the Finance Act 1929 is hereby amended by repealing subsection two, and substituting the following subsection: 30

"(2) For the year of assessment commencing on the first day of April, nineteen hundred and fifty-three, and for every year thereafter, the Trustees of Cornwall Park shall, in respect of lands vested in them, be assessed and liable for land tax at one-fourth of the rate (if any) that would be chargeable in respect thereof if this section had not been passed, or at the rate of one halfpenny in the pound of the unimproved value on which land tax is payable, whichever is the greater." 35 40