

LAND AND INCOME TAX AMENDMENT BILL

EXPLANATORY NOTE

THIS Bill amends the Land and Income Tax Act 1954.

Clause 1 relates to the Short Title.

Clause 2 provides that the Bill, except where otherwise provided therein, will apply with respect to tax on income derived in the income year that commenced on 1 April 1969, and in every subsequent year.

Clause 3 amends the definition of "temporary building" in section 2 of the principal Act by including any building which was erected and is used for the purpose of housing specific plant or machinery and will necessarily require to be demolished in effecting the removal or replacement of that plant or machinery.

Clause 4: At present, the taxpayers who are required to make returns by 7 June include taxpayers whose only assessable income comprises income from employment and investment income consisting of interest, dividends, or rents not exceeding \$100. This clause increases that figure to \$200.

This amendment brings the section dealing with return dates into line with the section dealing with the liability to pay provisional tax.

Clause 5: Section 62 of the principal Act provides that if two or more companies consist substantially of the same shareholders, those companies shall be deemed for the purposes of land tax to be a single company, and shall be jointly assessed and jointly and severally liable.

This clause defines the circumstances in which two or more companies will be deemed to consist of substantially the same shareholders for the purposes of section 62, and prescribes tests similar to those prescribed by section 141 of the principal Act for determining for income tax purposes whether two or more companies are included in the same group of companies.

Clause 6 re-enacts in an amended form section 78F of the principal Act, which provides for certain rebates from income tax in respect of profits derived by non-resident companies from the carrying on in New Zealand of undertakings which are declared by Order in Council to be "special development projects" for the purposes of that section. In order to be declared a special development project, the undertaking must be one which consists of the processing of certain minerals to the primary metal stage and is, or will be, of primary importance in the development of New Zealand.

The changes in the new section 78F are—

- (a) *Subsection (1)* includes a definition of “primary metal”, which is defined as including primary metal alloys. This will extend the scope of the undertakings that may be declared to be special development projects for the purposes of the section.
- (b) *Subsection (1)* also includes a definition of “specified industrial undertaking”. Although in the main a drafting amendment for the purpose of assisting the drafting of later provisions in the section, the effect of paragraph (b) of the definition is to extend the scope of the section to cases where the actual processing operations are carried out not by the non-resident company itself but by another company on its behalf.
- (c) *Subsection (1)* also includes a definition of “taxable income”, the effect of which is to make it clear that the rebates of income tax will apply only to business profits arising from the industrial undertaking and will not apply to income in the form of dividends, interest, rents, royalties, payments for the supply of scientific, technical, industrial, or commercial knowledge, information, or assistance, or any payments of a similar nature.
- (d) The proviso to *subsection (4)* is new. The effect of this proviso is that the requirement in the subsection that the undertaking of the non-resident company must be carried on through a branch in New Zealand will not extend to activities which are carried on outside New Zealand and which the Governor-General is satisfied it would be impracticable for the company to carry on through its branch in New Zealand.
- (e) *Subsection (6)* is new. It declares that section 78F will not apply to a company to which section 152 of the principal Act applies. Section 152 applies to companies (whether resident or non-resident) whose sole or principal source of income is the business of mining in New Zealand any of the minerals specified in that section, and provides for special tax concessions for such companies.
- (f) The other changes are either consequential on the changes above referred to or are for the purposes of clarification or are of a drafting nature.

Clause 7 amends section 78H of the principal Act, relating to the rebate from tax payable on superannuation benefits under the Social Security Act 1964. This amendment removes the limit of \$48 on this rebate. It is to be \$4 for every pay period for which superannuation is paid. In a normal year of 13 pay periods, the rebate will be \$52.

Clause 8: At present, a special exemption may be claimed for gifts to charities, the limit being \$50, subject to an overall limit of \$100 for such gifts in conjunction with donations and fees paid to private schools.

This clause gives effect to the Budget announcement increasing to \$100 the maximum special exemption for gifts to charities, the present overall limit being retained at \$100. As a result, there will be a single limit of \$100 on the special exemption for all gifts to charities and donations and fees paid to private schools.

Clause 9 gives effect to the announcement in the Budget relating to the special exemption for life insurance premiums and superannuation deductions, which is at present limited to 85 percent of premiums and contributions paid, subject to a maximum of \$425 for a taxpayer who belongs to an employer-subsidised superannuation scheme and \$553 for other taxpayers.

The amendments in this clause are as follows:

- (a) The 85 percent limitation is removed.
- (b) The maximum, in the case of a taxpayer who belongs to an employer-subsidised superannuation scheme, is increased from \$425 to \$500.
- (c) The maximum, in the case of any other taxpayer, is increased from \$553 to \$650.

Clause 10 increases from \$60 to \$100 the exemption in respect of interest and investment society dividends received by individuals resident in New Zealand, as announced in the Budget. This does not include interest from Post Office National Development Bonds, as an additional exemption in respect of interest from such bonds is provided by *clause 11*.

Clause 11 provides an additional tax exemption in respect of the accumulated interest derived from Post Office National Development Bonds for the period from the date of issue to the date of maturity or earlier surrender of the bonds, subject to a maximum exemption of \$500, as announced in the Budget.

This exemption will be available only to individuals who are resident in New Zealand, and will be available to a trustee only if the trust arose on the death of any person and the bonds were owned by that person at his death.

Clause 12 exempts from income tax prizes in respect of Post Office Bonus Bonds. This provision gives effect to the announcement in the Budget relating to prizes received under the incentive savings bond scheme to be introduced by the Post Office.

Clause 13 provides, as announced in the Budget, that the assessable income of a taxpayer will include the amount received on the redemption of a Treasury Bill to the extent to which that amount exceeds the cost to the taxpayer of the Bill. Where it is not redeemed but is disposed of by the taxpayer, his assessable income will include the value of the Bill on the day of disposal to the extent to which that value exceeds the cost to him of the Bill.

Provision is made in the clause to meet the case where a taxpayer who owns a Treasury Bill dies. In such a case, his assessable income will include the value of the Bill at the date of his death to the extent to which that value exceeds the cost to the taxpayer of the Bill.

Clause 14 amends section 88B of the principal Act, relating to the taxation of a lump-sum payment received by way of a retiring allowance by a full-time employee on his retirement. That section provides that where a taxpayer retires on or after reaching the "appropriate retiring age" (as defined in subsection (3)), such a payment is assessable income to the extent of 5 percent only of the amount of the payment provided the payment does not exceed the amount of the "specified sum" (as defined in subsection (3)). Where it exceeds that amount, the payment is assessable income to the extent of 5 percent of the specified sum plus the full amount by which the amount of the payment exceeds the specified sum.

This clause amends the definition of "specified retiring age" in section 88B by making special provision in the case of members of the Regular forces. In the case of such members, the term is defined as being the age at which the member is discharged or transferred from regular service on completion of the term of his or her appointment or enlistment.

Clause 15 provides that the accumulated interest on a Post Office National Development Bond will be deemed to be derived in the income year in which the bond matures or, if it is sooner surrendered, in the income year in which it is surrendered.

As announced in the Budget, interest on such bonds will not be paid annually but will accumulate to be paid on maturity or on the surrender of the bonds.

Clause 16: Subclause (1) amends those provisions of section 114A of the principal Act which enable a taxpayer to claim a special depreciation allowance of 20 percent, in addition to ordinary depreciation, in respect of—

- (a) Plant or machinery, or buildings for the accommodation of employees of the taxpayer. At present, the plant or machinery must be acquired, installed, or extended, and the employee accommodation must be acquired, erected, or extended, not later than 31 March 1970.
- (b) New farm buildings, or new extensions (other than residences). At present, the buildings must be erected or extended not later than 31 March 1970.
- (c) Certain facilities installed in hotels not later than 31 March 1970.

The allowance may also apply to qualifying assets included in firm plans made before the expiry date and carried out within a reasonable time thereafter.

This subclause extends the time in each case for a further year, until 31 March 1971.

Subclause (2) amends section 114A (1BB), which enables a company engaged in New Zealand in the business of killing and processing stock for export to claim, in addition to ordinary depreciation, a special depreciation allowance in respect of the cost of erecting a new building or extensions to an existing building to provide, for the purposes of the business, storage for meat or meat products in a frozen state. The allowance is at the rate of 20 percent of the cost of the building or extensions spread over 4 or 5 years from the date on which the building or extensions are first used. The building or extensions must generally be completed on or after 1 April 1968 and before 1 April 1972.

This subclause extends this provision for a further year, so that it applies to buildings or extensions completed before 1 April 1973.

Clause 17 extends the provisions of section 114B of the principal Act enabling a taxpayer engaged in the business of operating an export slaughterhouse or a meat packing house to claim an additional depreciation allowance in respect of capital expenditure incurred in the erection, alteration, or extension of buildings to satisfy standards of hygiene and inspection for the export of meat or meat products. The expenditure must be incurred on or after 1 April 1963 and not later than 31 March 1970.

This clause extends that period for a further 2 years, until 31 March 1972.

Clause 18: Section 114D of the principal Act enables a special depreciation allowance to be claimed in respect of new hotels, or new extensions to existing hotels, erected to provide tourist accommodation.

The allowance that may be claimed is 20 percent of the cost price, and is additional to an allowance for ordinary depreciation. Provision is made for the spread of the 20 percent allowance over 4 years.

In order to qualify for an allowance under this section, the hotel must be erected or extended pursuant to a project approved for the purposes of the section by the Minister of Finance on or after 19 July 1968 and before 1 April 1972 and before any contract has been let for the erection of the hotel or extension.

This clause extends that period for a further year, until 1 April 1973.

Clause 19: Section 117C of the principal Act enables a taxpayer to claim an investment allowance on new or secondhand plant, machinery, and buildings and extensions of buildings for redevelopment projects on the West Coast of the South Island. The plant, machinery, or buildings must be acquired or installed by the taxpayer not later than 31 March 1970.

At present, the allowance is 10 percent in the case of plant or machinery and 20 percent in the case of buildings or extensions of buildings.

Subclause (1) of this clause extends the qualifying period for a further year, until 31 March 1971.

Subclause (2) increases the allowance on qualifying plant and machinery from 10 percent to 20 percent. This increased allowance applies to plant and machinery acquired or installed after 26 June 1969, the date on which this increase was announced in the Budget.

Clause 20 amends section 119D of the principal Act, which enables a taxpayer engaged in any farming or agricultural business to claim a deduction in respect of—

- (a) Expenditure incurred on development work (such as eradicating pests, clearing timber, scrub, stumps, and weeds, and the preparation of land for farming or agriculture).
- (b) Expenditure incurred before the end of the income year ending with 31 March 1970 on—
 - (i) Other development work (such as drainage, farm-access roads and tracks, irrigation, new fencing, and construction of landing strips).
 - (ii) The erection on the land of electric-power lines and telephone lines.
 - (iii) The construction of feeding platforms, feeding yards, plunge sheep dips, or self-feeding ensilage pits.

The taxpayer is entitled to elect to allocate the whole or any part of the expenditure to any one or more of the 5 income years succeeding the income year in which the expenditure is incurred.

This clause makes the following amendments to section 119D:

- (a) *Subclause (1)* extends the time referred to in paragraph (b) of this note for a further year, until the end of the income year ending with 31 March 1971.

- (b) *Subclause (2)* entitles a taxpayer to elect to allocate the whole or any part of the expenditure to any one or more of the 9 income years (instead of 5 income years) succeeding the income year in which the expenditure is incurred.
- (c) *Subclause (3)* is a minor drafting amendment, correcting an incorrect reference in section 119D (5).

Clause 21: Section 225 of the principal Act enables the Commissioner to grant relief to a taxpayer who has become liable for payment of additional tax under section 208, which prescribes a penalty for late payment. Relief in excess of \$200 may not be granted in any case except with the approval of the Minister of Finance.

This clause increases to \$500 the maximum amount of relief that may be granted by the Commissioner. The Minister's approval is required for the granting of relief where the additional tax is more than \$500, and his approval may relate to a specific case or to any class of cases.

Clause 22: Section 226 of the principal Act empowers the Commissioner to grant relief from tax in cases of serious hardship, but relief in excess of \$200 may not be granted in any case except with the approval of the Minister of Finance.

This clause increases to \$500 the maximum amount of relief that may be granted by the Commissioner without the necessity of obtaining the Minister's approval.

Hon. Mr Muldoon

LAND AND INCOME TAX AMENDMENT

ANALYSIS

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A BILL INTITULED

An Act to amend the Land and Income Tax Act 1954

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

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1. Short Title—This Act may be cited as the Land and Income Tax Amendment Act 1969, 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 1st day of April 1969 and in every subsequent year.

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3. Meaning of expression “temporary building”—Section 2 of the principal Act is hereby amended by adding to paragraph (b) of the definition of the expression “temporary building” (as inserted by section 21 (2) of the Land and Income Tax Amendment Act (No. 2) 1968) the word “or”, and by adding to that definition the following paragraph:

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“(c) In the opinion of the Commissioner—

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“(i) Was erected, and is used, for the purpose of housing specific plant or machinery; and

“(ii) Will necessarily require to be demolished in effecting the removal or replacement of that plant or machinery.”

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4. Dates by which annual returns to be furnished—
 (1) Section 14 of the principal Act (as substituted by section 3 (1) of the Land and Income Tax Amendment Act (No. 2) 1959) is hereby amended by omitting from paragraph (b) of subsection (1) (as substituted by section 11 of the Land and Income Tax Amendment Act 1965 and amended by section 7 (1) of the Decimal Currency Act 1964) the words “one hundred dollars”, and substituting the expression “\$200”.
 (2) This section shall apply with respect to the income derived in the income year that commenced on the 1st day of April 1969 and in every subsequent year.

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*Reprinted 1967, Vol. 3, p. 1749

Amendments: 1968, Nos. 4, 48, and 49

5. Two or more companies with substantially the same shareholders—(1) Section 62 of the principal Act is hereby amended by adding, as subsections (2) and (3), the following subsections:

5 “(2) For the purposes of this section, two or more companies shall, in relation to any year of assessment, be deemed to consist substantially of the same shareholders, if—

10 “(a) The aggregate of the prescribed proportions of the paid-up capital, or of the nominal value of the allotted shares, or of the voting power, in each of those companies which is held by the same persons at noon on the 31st day of March immediately preceding that year of assessment is not less than two-thirds of the paid-up capital, or of the nominal value of the allotted shares, or of the voting power, as the case may be, in each of those companies; or

15 “(b) The aggregate of the prescribed proportions of the undistributed profits of each of those companies to which the same persons would be entitled if those profits of each of those companies were distributed by way of dividend at noon on the 31st day of March immediately preceding that year of assessment is not less than two-thirds of those profits of each of those companies.

25 “(3) For the purposes of subsection (2) of this section, and notwithstanding anything in section 3 of this Act, subsection (3) of section 141 of this Act shall, with all necessary modifications, apply in the same manner as it applies for the purposes of section 141 of this Act.”

30 (2) Section 61 of the principal Act is hereby amended by omitting from subsection (2) the words “and section 62 of this Act”.

35 (3) This section shall apply with respect to the tax for the year of assessment that commenced on the 1st day of April 1969 and for every subsequent year.

6. Rebate from tax payable by non-resident companies in respect of income from special development projects—

40 (1) The principal Act is hereby further amended by repealing section 78F (as inserted by section 9 of the Land and Income Tax Amendment Act (No. 2) 1968), and substituting the following section:

“78f. (1) For the purposes of this section—

“‘Accounting year’, in relation to the income of a company that is not resident in New Zealand, means a year ending with the date of the annual balance of the company’s accounts in which that income has been derived by the company, being a year in respect of which the company is required by this Act to furnish a return of that income: 5

“‘Branch’, in relation to a company that is not resident in New Zealand, means a branch of that company that— 10

“(a) Is a fixed place of business of that company; and

“(b) So long as there is for the time being in force an agreement, as defined in subsection (1) of section 203c of this Act, made between the Government of New Zealand and the Government of the country or territory in which that company is resident, is a permanent establishment of that company within the meaning of that agreement: 15 20

“‘Effective rate of domestic income tax’, in relation to a company that is not resident in New Zealand and to an accounting year of that company, means the rate ascertained in accordance with the following formula: 25

$$\frac{a}{b}$$

where—

a is the total amount of income tax (expressed in terms of New Zealand currency at the rate of exchange in force on the last day of that accounting year) payable by that company in the country or territory in which it is resident, in respect of the total amount of income derived by it in that accounting year, being the total amount of income upon which the total amount of income tax is levied; and 30 35

b is that total amount of income (expressed in terms of New Zealand currency at the rate of exchange aforesaid): 40

“‘Income tax’ means,—

“(a) In respect of any country or territory outside New Zealand, any tax—

“(i) Which is payable to the central Government of that country or territory; and

“(ii) Which is, in the opinion of the Commissioner, substantially of the same nature as income tax imposed under this Part of this Act;—

being that tax as calculated before the allowance of any rebates in respect of any income or of any class or classes of income and before the allowance of any credits, including credits in respect of tax paid or payable in any other country or territory; but does not include any additional tax for late payment of tax, or any interest or any penalty or additional tax imposed under the penal provisions of the laws of the first-mentioned country or territory:

“(b) In respect of New Zealand, income tax imposed under this Part of this Act; but does not include any additional tax for late payment of tax, or any interest, or any penalty or additional tax imposed under this Act:

“‘Mineral’ means—

“(a) Any mineral referred to in section 152 of this Act (including any mineral declared by the Minister of Finance pursuant to that section to be a qualifying mineral for the purposes of that section), being a mineral which is capable of being processed to a primary metal; or

“(b) Bauxite or alumina; or

“(c) Any other mineral from time to time declared by the Governor-General, by Order in Council, to be a mineral for the purposes of this section:

“‘Primary metal’ includes primary metal alloys:

“‘Specified industrial undertaking’, in relation to a company (being a company that is not resident in New Zealand) which carries on that undertaking, means an industrial undertaking which comprises—

“(a) The purchase and supply by that company of a mineral (or, where that mineral is not purchased by that company, the supply by it of that mineral) for the purpose of the processing of that mineral as referred to in paragraph (b) of this definition; and

“(b) The processing in New Zealand by that company, or on behalf of that company by another company, of that mineral to the stage of primary metal; and

“(c) The marketing and disposal by that first-mentioned company of the primary metal produced from that mineral: 5

“‘Taxable income’ does not include income in the form of dividends, interest, rents, royalties, payments of any kind for the supply of scientific, technical, industrial, or commercial knowledge, information, or assistance, or any payments of a similar nature: 10

“‘The first specified period’, in relation to an Order in Council made under subsection (4) of this section and to a company that is not resident in New Zealand, means the period specified in that Order in Council as the first specified period, being a period— 15

“(a) Commencing with the accounting year of that company in respect of which that Order in Council first applies; and 20

“(b) Comprising such number of accounting years of that company, not exceeding 15, as are specified in that behalf in that Order in Council: 25

“Provided that where an undertaking which, pursuant to subsection (4) of this section, is declared to be a special development project for the purposes of this section is commenced during an accounting year of that company and later than 6 months after the commencement of that accounting year, the reference to 15 accounting years in paragraph (b) of this definition shall be deemed to be years additional to that accounting year in which that undertaking is commenced: 30

“‘The second specified period’, in relation to an Order in Council made under subsection (4) of this section and to a company that is not resident in New Zealand, means the period, if any, specified in that Order in Council as the second specified period, being a period— 40

“(a) Commencing with the accounting year of that company next succeeding the last accounting year of that company comprised in the first specified period in relation to that Order in Council; and

“(b) Comprising such number of accounting years of that company, not exceeding 10, as are specified in that behalf in that Order in Council.

5 “(2) Where the Commissioner is satisfied that, if this section had not been passed, the amount of income tax payable by a company (being a company that is not resident in New Zealand) in respect of the taxable income derived by it from any industrial undertaking (being an undertaking which is carried on by it and which, pursuant to an Order in
10 Council made under subsection (4) of this section, is a special development project for the purposes of this section) during any accounting year of that company which is comprised in the first specified period in relation to that Order in Council, would, after taking into account any rebate in respect of that
15 income tax under section 78E of this Act, exceed the sum of—

“(a) An amount ascertained in accordance with the following formula:

$$a \times b$$

where—

20 a is the amount of that taxable income; and
b is the company's effective rate of domestic income tax in relation to that accounting year; and

“(b) An amount equal to $7\frac{1}{2}$ percent of that taxable income,—

25 the Commissioner shall allow, from the amount of income tax that would be payable by the company in respect of that taxable income apart from the provisions of this section, a rebate of—

“(c) The amount of that excess; or
30 “(d) The amount by which that last-mentioned amount of income tax exceeds $42\frac{1}{2}$ percent of that taxable income,—

whichever is the less:

35 “Provided that no such rebate shall be allowed with respect to the income tax payable in respect of any taxable income to which that Order in Council does not apply by virtue of any terms or conditions specified in that Order in Council.

40 “(3) Where the Commissioner is satisfied that, if this section had not been passed, the amount of income tax payable by a company (being a company which is not resident in New Zealand) in respect of the taxable income derived by it from any industrial undertaking (being an undertaking which is carried on by it and which, pursuant to an Order
45 in Council made under subsection (4) of this section, is a

special development project for the purposes of this section) during any accounting year of that company which is comprised in the second specified period in relation to that Order in Council would, after taking into account any rebate in respect of that income tax under section 78E of this Act, exceed the amount of income tax that would be payable by the company in respect of that taxable income if the company were resident in New Zealand, the Commissioner shall allow the amount of that excess as a rebate from the amount of income tax that would be payable by the company in respect of that taxable income apart from the provisions of this section: 5 10

“Provided that no such rebate shall be allowed with respect to the income tax payable in respect of any taxable income to which that Order in Council does not apply by virtue of any terms or conditions specified in that Order in Council. 15

“(4) Where the Governor-General is satisfied that any specified industrial undertaking carried on, or to be carried on, by a company that is not resident in New Zealand, through a branch of that company situated therein, is, or will be, of major importance in the development of New Zealand, he may, subject to subsection (5) of this section, by Order in Council, declare, upon such terms and conditions as he thinks fit and specifies in that Order in Council, that specified industrial undertaking to be a special development project for the purposes of this section with respect to the taxable income derived by that company from that specified industrial undertaking during such accounting years of that company as he specifies in that Order in Council, being— 20 25 30

“(a) Such accounting years of that company, not exceeding 15 (but subject to the proviso to the definition of the expression ‘the first specified period’ in subsection (1) of this section), as he so specifies as comprising the first specified period in relation to that Order in Council; and 35

“(b) Such accounting years of that company, if any, but in no case exceeding 10, as he so specifies as comprising the second specified period in relation to that Order in Council: 40

“Provided that the requirement in the foregoing provisions of this subsection as to the said specified industrial undertaking being or, as the case may be, to be carried on through a branch, situated in New Zealand, of that company shall not extend to any activity (not being the processing of the 45

mineral to the stage of primary metal) comprised in that specified industrial undertaking, being an activity which is or, as the case may be, is to be carried on outside New Zealand and which the Governor-General is satisfied it would
5 be impracticable for that company to carry on through its branch situated in New Zealand and which the Governor-General specifies in that Order in Council.

“(5) For the purpose of exercising his discretion under sub-section (4) of this section in respect of any undertaking, the
10 Governor-General shall have regard especially to—

“(a) The magnitude or projected magnitude of that undertaking:

“(b) The extent to which he is satisfied that—

15 “(i) There are, or will be, assured long-term export markets for the products of that undertaking:

“(ii) Substantial overseas exchange earnings or savings are being, or will be, effected through that undertaking:

20 “(iii) Substantial New Zealand resources are being, or will be, utilised in that undertaking:

“(iv) Substantial contribution to the economic and social welfare of New Zealand through desired regional development will be made by that undertaking:

25 “(v) A substantial source of long-term capital will be provided from outside New Zealand by that undertaking.

“(6) This section shall not apply to any company to which
30 section 152 of this Act applies.”

(2) Section 9 of the Land and Income Tax Amendment Act (No. 2) 1968 is hereby consequentially repealed.

(3) This section shall be deemed to have come into force on the 11th day of December 1968 (being the date of the
35 passing of the Land and Income Tax Amendment Act (No. 2) 1968), and shall apply with respect to the tax on income derived in the income year that commenced on the 1st day of April 1968 and in every subsequent year.

7. Rebate from tax payable on superannuation benefit—
40 The principal Act is hereby further amended by repealing section 78H (as inserted by section 3 (1) of the Land and Income Tax Amendment Act (No. 3) 1968) as from its commencement, and substituting the following section:

“78H. Where the taxable income derived in any income year by any taxpayer includes a superannuation benefit under Part I of the Social Security Act 1964, there shall be allowed as a rebate from the total amount of income tax that would be payable by the taxpayer in respect of the income derived by him in the income year if this section had not been passed (after taking into account any rebate under section 78A or section 79 of this Act) an amount equal to the smaller of—

- “(a) The sum of \$4 for each pay period (as defined in the Social Security Act 1964) in respect of which that superannuation benefit is paid: 10
- “(b) The amount of that income tax.”

8. Special exemption in respect of gifts of money and payments of school fees—(1) Section 84B of the principal Act (as inserted by section 4 of the Land and Income Tax Amendment Act (No. 2) 1962) is hereby amended by repealing subsection (4) (as substituted by section 22 (3) of the Land and Income Tax Amendment Act 1964), and substituting the following subsection: 15

“(4) The deductions by way of special exemption provided for in this section shall not, in the case of any taxpayer, in any income year exceed in the aggregate \$100.” 20

(2) The following enactments are hereby consequentially repealed:

- (a) Subsection (3) of section 22 of the Land and Income Tax Amendment Act 1964: 25
- (b) Section 8 of the Land and Income Tax Amendment Act 1968.

9. Special exemption in respect of life insurance premiums and other specified contributions—(1) Section 85 of the principal Act (as substituted by section 4 (1) of the Land and Income Tax Amendment Act 1966 and amended by section 3 (1) of the Land and Income Tax Amendment Act (No. 3) 1968) is hereby further amended— 30

- (a) By omitting from subsection (2) the words “an amount equal to eighty-five percent of the amount of those premiums”, and substituting the words “the amount of those premiums”: 35
- (b) By omitting from subsection (3) the words “an amount equal to eighty-five percent of the amount of his or her contributions”, and substituting the words “the amount of his or her contributions”: 40

(c) By omitting from paragraph (a) of subsection (5) the words "four hundred and twenty-five dollars", and substituting the expression "\$500":

5 (d) By omitting from paragraph (b) of subsection (5) the words "five hundred and fifty-three dollars", and substituting the expression "\$650".

(2) Section 10 of the Income Tax Assessment Act 1957 (as amended by section 3 (2) of the Land and Income Tax Amendment Act (No. 3) 1968) is hereby consequentially
10 amended by omitting from subsection (1) the words "an amount equal to eighty-five percent of the amount of the regular current contributions", and substituting the words "the amount of the regular current contributions".

(3) The Land and Income Tax Amendment Act (No. 3)
15 1968 is hereby consequentially amended—

(a) By repealing so much of the First Schedule as relates to section 85 of the principal Act, except the first amendment to subsections (2) and (3):

20 (b) By repealing so much of the Second Schedule as relates to subsection (1) of section 10 of the Income Tax Assessment Act 1957.

(4) Subsection (2) of this section shall apply with respect to tax deductions made on or after the 1st day of October 1969.

25 **10. Exemption of certain interest and investment society dividends**—(1) Section 86 of the principal Act is hereby amended by repealing paragraph (ii) of subsection (1) (as substituted by section 12 (1) of the Land and Income Tax Amendment Act (No. 2) 1968), and substituting the follow-
30 ing paragraph:

"(ii) Income derived by any person (not being an absentee, or a company, or a public authority, or a Maori authority, or an unincorporated body, or a trustee assessable and liable for income tax under section
35 155A or section 155B or section 155C or section 155D of this Act) from interest (not being interest on Post Office National Development Bonds in respect of the period from the date of issue to the date of maturity or earlier surrender of those
40 bonds or interest that is exempt from income tax under any other provision of this section) or investment society dividends:

“Provided that the amount of the exemption under this paragraph in any income year shall not exceed \$100 of the aggregate of that income:”.

(2) Section 12 of the Land and Income Tax Amendment Act (No. 2) 1968 is hereby consequentially repealed. 5

11. Exemption of interest on Post Office National Development Bonds—Section 86 of the principal Act is hereby further amended by inserting in subsection (1), after paragraph (ii) (as substituted by section 10 of this Act), the following paragraph: 10

“(iii) Income derived by any person (not being an absentee, or a company, or a public authority, or a Maori authority, or an unincorporated body, or a trustee assessable and liable for income tax in respect of that income under section 155A of this Act) 15 from interest on Post Office National Development Bonds (being interest in respect of the period from the date of issue to the date of maturity or earlier surrender of those bonds):

“Provided that the amount of the exemption 20 under this paragraph in any income year shall not exceed \$500 of the aggregate of that income:

“Provided further that where that income is derived by the trustee of a trust who would otherwise be entitled to an exemption under this paragraph, that exemption shall not apply unless— 25

“(i) The trust arose on the death of any person; and

“(ii) Those bonds were owned by that person at his death:” 30

12. Exemption of prizes on Post Office Bonus Bonds—Section 86 of the principal Act is hereby further amended by adding to subsection (1) the following paragraph:

“(y) Prizes in respect of Post Office Bonus Bonds.”

13. Items included in assessable income—(1) Section 88 35 of the principal Act is hereby amended by inserting in subsection (1), after paragraph (f), the following paragraph:

“(ff) The amount received by a taxpayer on the redemption of a registered Treasury Bill owned by him to the extent to which that amount exceeds the cost 40

to him of that Bill, or, where the Bill is not redeemed by the taxpayer but is disposed of by him, whether by way of sale, gift, conversion, or otherwise howsoever, the value of that Bill on the day of disposal to the extent to which that value exceeds the cost to the taxpayer of that Bill.”

35 (2) Section 88 of the principal Act is hereby further amended by adding the following subsections:

10 “(3) For the purposes of paragraph (ff) of subsection (1) of this section—

“(a) Where a registered Treasury Bill is disposed of to a person by sale, gift, or otherwise howsoever, that person shall be deemed to have purchased it at a cost equal to its value on the day of disposal:

15 “(b) Where a person who owns a registered Treasury Bill dies,—

“*(i)* He shall be deemed to have sold the Bill on the day of his death; and

20 “*(ii)* The trustee of that person, or, where the Bill is owned by that person jointly with any other person or persons, the person or persons on whom it devolves by reason of the death, shall be deemed to have purchased it on the day of the death at a cost equal to its value on that day.

25 “(4) For the purposes of paragraph (ff) of subsection (1) of this section and of subsection (3) of this section, the terms ‘registered Treasury Bill’ and ‘Bill’ include an interest in any such Bill.”

(3) The principal Act is hereby consequentially amended—

30 (a) By omitting from—

(i) Subsection (1) of section 78c (as inserted by section 10 of the Land and Income Tax Amendment Act (No. 2) 1968); and

35 (ii) Subsection (1) of section 88b (as inserted by section 9 (1) of the Land and Income Tax Amendment Act 1968); and

(iii) Subsection (1) of section 88c (as inserted by section 14 (1) of the Land and Income Tax Amendment Act (No. 2) 1968); and

40 (iv) Section 89; and

(v) Paragraph (b) of subsection (4) and from subsection (5) of section 128b (as inserted by section 22 (1) of the Land and Income Tax Amendment Act 1968),—

the words “paragraph (b) of section 88”, and substituting in each case the words “paragraph (b) of subsection (1) of section 88”:

- (b) By omitting from section 88A (as inserted by section 12 of the Land and Income Tax Amendment Act 1964) the words “paragraph (ee) of section 88”, and substituting the words “paragraph (ee) of subsection (1) of section 88”: 5
- (c) By omitting from the proviso to paragraph (k) of section 112 (as added by section 21 (1) of the Land and Income Tax Amendment Act (No. 2) 1968) the words “paragraph (c) of section 88”, and substituting the words “paragraph (c) of subsection (1) of section 88”: 10
- (d) By omitting from paragraph (ll) of subsection (1) of section 167 (as inserted by section 15 (2) of the Land and Income Tax Amendment Act 1964) the words “paragraph (e) of section 88 of this Act and payments of any of the kinds referred to in paragraph (ee) of that section”, and substituting the words “paragraph (e) of subsection (1) of section 88 of this Act and payments of any of the kinds referred to in paragraph (ee) of that subsection”: 20
- (e) By omitting from paragraph (a) of subsection (2) of section 203s (as inserted by section 17 of the Land and Income Tax Amendment Act 1964) the words “paragraph (e) of section 88 of this Act, or payments of any of the kinds referred to in paragraph (ee) of that section”, and substituting the words “paragraph (e) of subsection (1) of section 88 of this Act, or payments of any of the kinds referred to in paragraph (ee) of that subsection”: 30
- (f) By omitting from paragraph (b) of section 203z (as substituted by section 40 (1) of the Land and Income Tax Amendment Act (No. 2) 1968) the words “paragraph (e) of section 88”, and substituting the words “paragraph (e) of subsection (1) of section 88”: 35
- (g) By omitting from subsection (1) of section 203ZA (as inserted by section 17 of the Land and Income Tax Amendment Act 1964) the words “paragraph (e) of section 88 of this Act (other than a royalty or other like payment referred to in paragraph (b) 40

5 of section 203z of this Act), or of a payment of any of the kinds referred to in paragraph (ee) of section 88 of this Act”, and substituting the words “paragraph (e) of subsection (1) of section 88 of this Act (other than a royalty or other like payment referred to in paragraph (b) of section 203z of this Act), or of a payment of any of the kinds referred to in paragraph (ee) of subsection (1) of section 88 of this Act”.

10 **14. Retiring allowances payable to employees**—Section 88b of the principal Act (as inserted by section 9 (1) of the Land and Income Tax Amendment Act 1968) is hereby amended as from its commencement by adding to paragraph (d) of the definition of the expression “appropriate retiring age” in
15 subsection (3) the word “or”, and by adding to that definition the following paragraph:

“(e) In relation to any bonus, gratuity, or retiring allowance payable to—

20 (i) A member of the Royal New Zealand Navy;
or

(ii) A member of the Regular Force of the New Zealand Army; or

25 (iii) A member of the Regular Air Force of the Royal New Zealand Air Force or of the Regular Section of the Women’s Royal New Zealand Air Force,—

30 the age at which that member was discharged or transferred from regular service on completion of the term for which he or she was appointed or enlisted.”

15. Income credited in account or otherwise dealt with—Section 92 of the principal Act is hereby amended by adding, as subsection (2), the following subsection:

35 “(2) Notwithstanding anything in subsection (1) of this section, accumulated interest on a Post Office National Development Bond (being interest in respect of the period from the date of issue of the bond to the date of its maturity or earlier surrender) shall for the purposes of this Act be deemed to be derived in the income year in which the bond
40 matures or, as the case may be, is surrendered.”

16. 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 and amended by section 14 (1) of the Land and Income Tax Amendment Act 1968 and earlier enactments) is hereby further amended by omitting from paragraph (a) and from paragraph (b) of subsection (1), from subsection (1A), and from subsection (1B) the words “before the first day of April, nineteen hundred and seventy”, and substituting in each case the words “before the 1st day of April 1971”.

(2) Section 114A of the principal Act (as so substituted) is hereby further amended by omitting from subsection (1BB) (as inserted by section 15 (1) of the Land and Income Tax Amendment Act 1968) the words “before the first day of April, nineteen hundred and seventy-two”, and substituting the words “before the 1st day of April 1973”.

(3) Section 14 of the Land and Income Tax Amendment Act 1968 is hereby consequentially repealed.

17. Additional depreciation allowance on certain capital expenditure in erecting, altering, or extending buildings for use as meat export slaughterhouses or meat-packing houses—

(1) Section 114B of the principal Act (as inserted by section 29 of the Land and Income Tax Amendment Act 1964 and amended by section 13 (1) of the Land and Income Tax Amendment Act (No. 2) 1967) is hereby further amended by omitting from paragraph (a) of subsection (2) the words “before the first day of April, nineteen hundred and seventy”, and substituting the words “before the 1st day of April 1972”.

(2) Section 13 of the Land and Income Tax Amendment Act (No. 2) 1967 is hereby consequentially repealed.

18. Special depreciation allowance on buildings providing tourist accommodation—Section 114D of the principal Act (as inserted by section 23 of the Land and Income Tax

Amendment Act (No. 2) 1968) is hereby amended by omitting from paragraph (a) of the definition of the term “approved project” in subsection (8) the words “the first day of April, nineteen hundred and seventy-two”, and substituting the words “the 1st day of April 1973”.

19. **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 and amended by section 17 (1) of the Land and Income Tax Amendment Act 1968 and earlier enactments) is hereby further amended by omitting from paragraph (a) and from paragraph (b) of subsection (2) the words “before the first day of April, nineteen hundred and seventy” wherever they occur, and substituting in each case the words “before the 1st day of April 1971”.

(2) Section 117c of the principal Act (as so inserted and amended) is hereby further amended—

(a) By omitting from paragraph (a) of the proviso to subsection (4) (which proviso was added by section 18 (2) of the Land and Income Tax Amendment Act 1966) the words “after the sixteenth day of June, nineteen hundred and sixty-six”, and substituting the words “after the 16th day of June 1966 and before the 27th day of June 1969”:

(b) By omitting from paragraph (b) of that proviso the words “on or before that date” and substituting the words “on or before the 16th day of June 1966”.

(3) Section 17 of the Land and Income Tax Amendment Act 1968 is hereby consequentially repealed.

20. **Deduction of certain expenditure on land used for farming or agricultural purposes**—(1) Section 119D of the principal Act (as inserted by section 16 (1) of the Land and Income Tax Amendment Act (No. 2) 1963 and amended by section 18 (1) of the Land and Income Tax Amendment Act 1968 and earlier enactments) is hereby further amended by omitting from paragraph (b), from paragraph (c), and from paragraph (d) of subsection (1) the words “the thirty-first day of March nineteen hundred and seventy”, and substituting in each case the words “the 31st day of March 1971”.

(2) Section 119b of the principal Act (as so inserted) is hereby further amended—

- (a) By omitting from the proviso to subsection (1) (as amended by section 22 (3) of the Land and Income Tax Amendment Act 1965) the words “five income years”, and substituting the words “9 income years”: 5
- (b) By omitting from subsection (2) (as substituted by section 21 (3) of the Land and Income Tax Amendment Act 1966) the words “five income years”, and substituting the words “9 income years”: 10
- (c) By omitting from the proviso to subsection (2) (as so substituted) the words “the four immediately succeeding years”, and substituting the words “the 8 immediately succeeding years”: 15
- (d) By omitting from the proviso to subsection (2) (as so substituted) the words “the fifth income year”, and substituting the words “the ninth income year”:
- (e) By omitting from subsection (3) (as substituted by section 21 (3) of the Land and Income Tax Amendment Act 1966) the words “the fifth income year”, and substituting the words “the ninth income year”. 20

(3) Section 119b of the principal Act (as so inserted) is hereby further amended by omitting from paragraph (b) of the definition of the expression “development plan” in subsection (5) (as added by section 17 (3) of the Land and Income Tax Amendment Act (No. 2) 1967) the words “the specified date”, and substituting the words “the specified terminating date”. 25

(4) Subsection (3) of this section shall be deemed to have come into force on the 5th day of September 1967 (being the date of the passing of the Land and Income Tax Amendment Act (No. 2) 1967), and shall apply with respect to the tax on income derived in the income year that commenced on the 1st day of April 1967 and in every subsequent year. 30 35

(5) The following enactments are hereby consequentially repealed:

- (a) Subsection (3) of section 22 of the Land and Income Tax Amendment Act 1965: 40
- (b) Section 18 of the Land and Income Tax Amendment Act 1968. 40

21. Relief from additional tax—(1) Section 225 of the principal Act is hereby amended by repealing subsection (2), and substituting the following subsection:

5 “(2) No amount of tax in excess of \$500 in any case shall be remitted or refunded under this section except with the approval of the Minister of Finance given either specifically with respect to that case, or generally with respect to a class of cases.”

10 (2) This section shall apply to tax for any year of assessment, whether before or after the commencement of this Act.

22. Relief in cases of serious hardship—(1) Section 226 of the principal Act (as amended by section 7 (1) of the Decimal Currency Act 1964) is hereby further amended by omitting from subsection (2) the words “two hundred
15 dollars”, and substituting the expression “\$500”.

(2) This section shall apply with respect to tax for any year of assessment, whether before or after the commencement of this Act.