

LAND AND INCOME TAX AMENDMENT BILL

EXPLANATORY NOTE

THIS Bill amends the Land and Income Tax Act 1954. It deals with the provisions necessary to give effect to the announcement in the Budget that the rates of tax deductions from salaries and wages will generally be reduced by 10 percent and also provides that the special exemptions for children and dependent relatives will be eliminated for tax code purposes.

Clause 1 relates to the Short Title.

Clause 2 provides that the Bill is to apply to deductions of tax from payments of salaries and wages (other than those paid to casual agricultural employees) for periods commencing on or after 1 July 1972.

Clause 3 amends section 13 of the Income Tax Assessment Act 1957, which deals with tax codes, by eliminating all references to dependants, other than a spouse or a housekeeper. This leaves only 3 tax codes, i.e., "M" (having a spouse or housekeeper as a dependant), "S" (not having a spouse or housekeeper as a dependant), and "No declaration" (no tax code declaration completed).

Clause 4 is consequential upon *clause 3* and amends section 14 of the Income Tax Assessment Act 1957, which deals with dependants for the purpose of tax codes, by repealing the provisions which relate to children and dependent relatives.

Clause 5 provides for the amendment of existing tax codes and reduces them to "M" or "S" as from the first pay period commencing on or after 1 July 1972.

Clause 6 makes similar changes in respect of payments to shearers to those provided in *clause 3* of the Bill.

Clause 7 amends the tax deduction tables appended to the Income Tax Assessment Act 1957 by omitting all tax deduction tables other than "M", "S", and "No Declaration".

Clause 8 provides that the amounts of the tax deductions specified in the remaining tax deduction tables are to be reduced by 10 percent for pay periods commencing on or after 1 July 1972. This clause also provides for reductions of approximately the same amount in tax deductions from payments for secondary employment and payments to shearers.

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,
5 as follows:

1. **Short Title**—This Act may be cited as the Land and Income Tax Amendment Act 1972, and shall be read together with and deemed part of the Land and Income Tax Act 1954* (hereinafter referred to as the principal Act).

10 2. **Application**—This Act shall apply with respect to every tax deduction from payments of salary or wages (not being salary or wages included in clause 7 of the First Schedule to the Income Tax Assessment Act 1957)—

15 (a) For every pay period commencing on or after the 1st day of July 1972:

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- (b) Where such payments are not made for pay periods, for every period commencing on or after that date.

3. Application of tax codes specified in tax code declarations or tax code certificates—(1) Section 13 of the Income Tax Assessment Act 1957 is hereby amended by repealing subsection (1), and substituting the following subsection: 5

“(1) For the purposes of this Part of this Act the tax code of any employee in relation to any source deduction payment shall be such one of the following codes as applies to the employee in respect of that source deduction payment in accordance with this section, namely: 10

“‘No declaration’, signifying an employee who has not delivered to the employer a tax code declaration or a tax code certificate:

“‘S’, signifying an employee who has no spouse or house-keeper as a dependant: 15

“‘M’, signifying an employee who has a spouse or house-keeper as a dependant.”

(2) The said section 13 is hereby further amended by omitting from subsection (2) the words “in relation to the employee’s dependants”. 20

(3) The said section 13 is hereby further amended by omitting from subsection (4) the words “some or all of the dependants included in the tax code declaration are not dependants”, and substituting the words “a spouse or house-keeper is not a dependant”. 25

(4) The said section 13 is hereby further amended by omitting from the proviso to subsection (7) the word “dependants”, and substituting the words “tax code”.

4. Dependants for purposes of tax codes—(1) Section 14 of the Income Tax Assessment Act 1957 is hereby amended by repealing subsections (6) to (9). 30

(2) The following enactments are hereby consequentially repealed:

(a) Section 35 of the Land and Income Tax Amendment Act 1959: 35

(b) Subsection (3) of section 34 of the Land and Income Tax Amendment Act (No. 2) 1968:

- (c) So much of the Second Schedule to the Land and Income Tax Amendment Act (No. 3) 1968 as relates to subsections (8) and (9) of section 14 of the Income Tax Assessment Act 1957:
- 5 (d) Section 30 of the Land and Income Tax Amendment Act 1971.

5. Continuation of tax codes delivered in current year—

(1) Where a tax code "S" with a number thereafter is applicable to an employee immediately before the commencement of his first pay period commencing on or after the 1st day of July 1972, that tax code shall, on the commencement of that pay period, be deemed to be changed to a tax code "S" without a number thereafter, and that tax code as so changed shall, subject to the provisions of the Income Tax Assessment Act 1957, apply to that employee until it ceases to apply to him in accordance with the provisions of that Act.

(2) Where a tax code "M" with a number thereafter is applicable to an employee immediately before the commencement of his first pay period commencing on or after the 1st day of July 1972, that tax code shall, on the commencement of that pay period, be deemed to be changed to a tax code "M" without a number thereafter, and that tax code as so changed shall, subject to the provisions of the Income Tax Assessment Act 1957, apply to that employee until it ceases to apply to him in accordance with the provisions of that Act.

6. Tax deduction from shearers' earnings—(1) The First Schedule to the Income Tax Assessment Act 1957 (as substituted by section 22 (1) of the Land and Income Tax Amendment Act (No. 2) 1959) is hereby amended by 30 repealing paragraph (b) of subclause (3) of clause 6, and substituting the following paragraph:

"(b) An amount calculated on the excess of the payment over \$8—
 "(i) In any case where the employee's tax code is 'S', at the rate of 23c for each \$1 of that excess:
35 "(ii) In any case where the employee's tax code is 'M', at the rate of 21c for each \$1 of that excess:
 "(iii) In any case where the employee's tax code is 'No declaration', at the rate of 28c for each \$1 of that excess."

(2) The following enactments are hereby consequentially 40 repealed:

- (a) Appendix B of the First Schedule to the Income Tax Assessment Act 1957;
- (b) Section 5 of the Land and Income Tax Amendment Act (No. 3) 1968.

7. Tax deductions—Appendix A of the First Schedule to the Income Tax Assessment Act 1957 (as substituted by section 38 (1) of the Land and Income Tax Amendment Act 1970) is hereby amended by omitting so much as relates to tax codes S1 to S12 and M1 to M12.

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8. Reduction in amount of tax deductions—(1) Appendix A of the First Schedule to the Income Tax Assessment Act 1957 (as amended by section 7 of this Act) shall have effect as if—

(a) The amount of every tax deduction specified in any column thereof bearing the heading “S” and in any column thereof bearing the heading “M” had been reduced by an amount equal to 10 percent of that first-mentioned amount; and

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(b) The amount of each tax deduction, specified in any column thereof bearing the heading “No Declaration”, in relation to an amount of weekly earnings, had been reduced to an amount equal to the amount of the tax deduction specified in the column thereof bearing the heading “S” (reduced as provided in paragraph (a) of this subsection) in relation to that amount of weekly earnings:

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Provided that the foregoing provisions of this paragraph shall not operate so as to reduce the amount of any tax deduction specified in any column bearing the heading “No Declaration” below an amount equal to 25 percent of the amount of the weekly earnings to which it relates.

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(2) Subclause (2) of clause 5 of the First Schedule to the Income Tax Assessment Act 1957 shall have effect as if for the expression “21c”, there were substituted the expression “19c”.

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(3) Paragraph (b) of subclause (3) of clause 6 of the First Schedule to the Income Tax Assessment Act 1957 (as substituted by section 6 of this Act) shall have effect as if—

(a) For the expression “23c” specified in subparagraph (i), there were substituted the expression “20c”; and

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(b) For the expression “21c” specified in subparagraph (ii), there were substituted the expression “18c”; and

(c) For the expression “28c” specified in subparagraph (iii), there were substituted the expression “25c”.

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