

Hon. Mr. Forbes.

LAND AND INCOME TAX AMENDMENT.

ANALYSIS.

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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, 1930, 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.

2. (1) Sections two and three of the Land and Income Tax Amendment Act, 1929 (relating to the imposition of special land-tax), are hereby repealed. Repeal of provisions as to special land-tax.

10 (2) The repeal of the aforesaid provisions of the Land and Income Tax Amendment Act, 1929, as to special land-tax shall not affect the liability of any person to pay any special land-tax payable by him for the year commencing on the first day of April, nineteen hundred and twenty-nine, or affect any penalty incurred in respect of such special land-tax; and all such special land-tax and penalties may be recovered and enforced in the same manner in all respects as if this section had not been passed. Saving.

20 (3) Any cases of hardship that may arise in respect of an assessment of special land-tax for the year commencing on the first day of April, nineteen hundred and twenty-nine, made after the thirty-first day of March, nineteen hundred and thirty, may be dealt with by the Commissioner acting under the authority of section one hundred and sixty-nine of the principal Act, but, save as aforesaid, that section shall have 25 no application with respect to the liability of a taxpayer to pay special land-tax.

Additional provisions as to method of computing capital value of mortgages for purposes of land-tax.

3. Subsection four of section forty-nine of the principal Act, as contained in section six of the Land and Income Tax Amendment Act, 1929, is hereby amended, as from the passing of the last-mentioned Act, by repealing paragraph (b), and substituting the following paragraphs:—

“(b) In the case of a mortgage existing at the commencement of the year preceding the year of assessment, if the principal sum secured by such mortgage at noon on the thirty-first day of March preceding the year of assessment is greater than the principal sum secured thereby at any other time during the year, the capital value of the mortgage shall be the average of the principal sums secured thereby at noon on the last day of each month of the year preceding the year of assessment. 5 10

“(bb) In the case of any other mortgage existing at the commencement of the year preceding the year of assessment, the capital value shall be the principal sum secured thereby at noon on the thirty-first day of March preceding the year of assessment”. 15

4. (1) The assessable income of any person shall, for the purposes of the principal Act, be deemed to include— 20

(a) All profits or gains derived by any taxpayer from the use or occupation of lands used for agricultural or pastoral purposes if the total unimproved value of all estates or interests in such lands used or occupied by the taxpayer at any one time during the income-year was not less than *seven thousand five hundred pounds*: 25

(b) All profits or gains derived from the extraction, removal, or sale of minerals, timber, or flax, whether by the owner of the land or by any other person, reduced by an amount equal to the cost of the minerals, timber, or flax so extracted, removed, or sold by the taxpayer during the income year: 30

(c) All profits or gains derived from the use or occupation of any Crown land or other land administered by a Land Board and held as a small grazing-run or for pastoral purposes, or derived from the use or occupation of any other lands reserved, set apart, or granted by the Crown as endowments and occupied for pastoral purposes: 35

(d) All profits or gains derived from the business of dealing in live-stock, meat, butter, cheese, or wool, or in grain, fruit, or other crops, being the natural products of land, carried on by any person other than the owner of that land: 40

Provided that when the taxpayer is the owner of other land, which, being used for the purposes of the said business, is not in itself sufficient for the full sustenance of such live-stock or production of such other products, the Commissioner shall (except in cases to which paragraph (a) of this subsection is applicable) assess for income-tax only the profits derived from dealing in so much of such live-stock or products as is in excess of the capacity of the said land fully to sustain or produce. 45 50

(2) Except as is hereinbefore provided in this section, income derived by any person from his direct use or occupation of any land shall be exempt from taxation under the principal Act.

Defining the extent to which income derived from use or occupation of land is assessable under principal Act.

(3) Nothing in section eighty-one of the principal Act shall apply so as to entitle any taxpayer to whom paragraph (a) of subsection one of section eleven of the Land and Income Tax Amendment Act, 1929, related to have any losses made by him before the thirty-first day of 5 March, nineteen hundred and twenty-eight, in connection with his use or occupation of land for agricultural or pastoral purposes deducted or set off against his assessable income for the year of assessment commencing on the *first* day of *April*, nineteen hundred and *twenty-nine*, or any subsequent year of assessment; or shall apply so as to entitle any 10 other taxpayer to whom paragraph (a) of subsection one of this section relates to have any losses made by him before the *thirty-first* day of *March*, nineteen hundred and *twenty-nine*, in connection with his use or occupation of land for agricultural or pastoral purposes deducted or set off against his assessable income for the year of assessment commencing 15 on the *first* day of *April*, nineteen hundred and *thirty*, or any subsequent year of assessment.

(4) Sections eleven and twelve of the Land and Income-tax Amendment Act, 1929, are hereby repealed. Repeals.

5. Section seventy-eight of the principal Act is hereby amended by 20 inserting after paragraph (f) the following paragraph:—
“(ff) Income derived by any person from any pension granted in respect of his service in the South African War”.

Exemption from taxation of pensions granted in respect of South African War.

6. Section eighty of the principal Act is hereby amended by inserting the word “premises” before the word “implements” wherever 25 the last-mentioned word occurs in the provisos to paragraph (a) of subsection one.

Extension of taxpayer's right to deduction in respect of depreciation of premises.

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

Section 81 of principal Act amended.

30 “Provided also that no relief shall be given under this section in respect of a loss incurred in any business if, had any profits been derived therefrom in the year in which such loss was incurred, such profits would not have been assessable income”.

8. (1) Section eighty-three of the principal Act is hereby amended by omitting the word “capital” wherever it occurs and substituting in 35 each case the word “unimproved”.

Special exemption allowed in respect of income derived from use of land to be based on unimproved value.

(2) The said section eighty-three is hereby further amended as follows:—

(a) By adding to subsection one the following proviso:—

40 “Provided that if in respect of such land the taxpayer has received for the same year of assessment a special exemption under section forty-nine or section fifty hereof for the purposes of land-tax, the special exemption to which the taxpayer is entitled under this section shall be computed 45 by reference to the taxable balance of the unimproved value of such land, after such special exemption has been allowed, instead of by reference to the total unimproved value thereof”:

(b) By repealing subsection five thereof and substituting the following subsection:—

50 “(5) In this section the term ‘unimproved value’ means the unimproved value of the taxpayer's interest in the land as appearing in the district valuation roll in force for the

time being, during any such period of use, exclusive however of the value of the interest of the taxpayer in any minerals or trees."

Repeal.

(3) Section ten of the Land and Income Tax Amendment Act, 1924, is hereby repealed. 5

Special provisions with respect to assessment for income-tax of insurance companies.

9. (1) Notwithstanding anything to the contrary in the principal Act, every company engaged in carrying on in New Zealand the business of life insurance shall for the purposes of that Act be deemed to have derived and to derive profits from such business in accordance with the following provisions of this section, and such profits shall be deemed 10 accordingly to be assessable income of such company.

(2) In the case of any such company which makes to its policyholders, or to any class or classes of its policyholders, an annual allotment of surplus funds by way of reversionary bonuses, the profits deemed in accordance with this section to be derived by the company 15 in any year shall be not less than the amount of the surplus funds so allotted for the preceding year in respect of policies comprised in the New Zealand business of the company.

(3) In the case of any such company which makes to its policyholders, or to any class or classes of its policyholders, an allotment of 20 surplus funds by way of reversionary bonuses at periodical intervals greater than a year, the profits deemed in accordance with this section to be derived by the company in any year shall be not less than the average yearly amount of the surplus funds so allotted for the last preceding 25 period for which an allotment was made, in respect of policies comprised in the New Zealand business of the company.

(4) No company which carries on in New Zealand the business of life insurance shall hereafter be entitled to any exemption from income-tax under paragraph (h) of section seventy-eight of the principal Act in respect of interest payable out of New Zealand. 30

(5) Nothing in the foregoing provisions of this section shall be construed to exclude from the computation of profits or of assessable income any amounts that would be included therein independently of this section.

(6) For purposes of income-tax, the Government Life Insurance 35 Department shall be deemed to be a company carrying on in New Zealand the business of life insurance, and shall be assessable and chargeable with income-tax accordingly.

Repeal.

(7) This section is in substitution for section ninety-five of the principal Act, and that section is hereby accordingly repealed. 40