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TAXATION (INCOME TAX RATES) BILL

AS REPORTED FROM THE COMMITTEE OF THE WHOLE
HOUSE

No. 2—3

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KEY TO SYMBOLS USED IN REPRINTED BILL

AS REPORTED FROM A SELECT COMMITTEE

Struck Out (Majority)

Subject to this Act,

Text struck out by a majority

New (Majority)

Subject to this Act,

Text inserted by a majority

<Subject to this Act,>

Words inserted by a majority

AS REPORTED FROM THE COMMITTEE OF THE WHOLE HOUSE

Struck Out

Subject to this Act,

Text struck out

New

Subject to this Act,

Text inserted

((*Subject to this Act,*))

Words struck out

Subject to this Act,

Words inserted

Rt. Hon. Bill Birch

TAXATION (INCOME TAX RATES)

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A BILL INTITULED

**An Act to amend individual rates of income tax <and to
fix the rates of income tax for the 1997–98 income
year>**

BE IT ENACTED by the Parliament of New Zealand as follows: 5

1. Short Title—This Act may be cited as the Taxation (Income Tax Rates) Act 1997.

PART 1

AMENDMENTS TO INCOME TAX ACT 1994 AMENDMENT ACT
1996 10

2. Income Tax Act 1994 Amendment Act 1996—This Part amends the Income Tax Act 1994 Amendment Act 1996.

3. Basic tax deductions—In section 32 (3), “1 July 1997” is replaced by “1 July 1998”.

4. Low income rebate—(1) In section 35 (1), “(as substituted by section 18 (1) of this Act),” is omitted. 15

(2) In section 35 (2), “the 1997–98 income year” is replaced by “the 1998–99 income year”.

(3) Section 35 (3) is deemed to have been repealed on 31 March 1997. 20

5. Guaranteed minimum family income credit of tax—(1) In section 37 (1) and (2), “(as substituted by section 21 (1) of this Act)” is omitted.

(2) In section 37 (3), “the 1997–98 income year” is replaced by “the 1998–99 income year”. 25

6. Basic rates of income tax for individuals and certain other taxpayers—(1) In section 38 (1), “(as substituted by section 30 (1) of this Act),” is omitted.

(2) In section 38 (2), “the 1997–98 income year” is replaced by “the 1998–99 income year”. 30

(3) Section 38 (3) is deemed to have been repealed on 31 March 1997.

7. Heading repealed—The division heading immediately preceding section 39 is repealed.

8. Commencement—(1) In section 39, subsection (1) is replaced by the following: 35

“(1) Sections 40 and 43 come into force on 1 July 1998.

“(1A) Sections 41, 42 and 44 to 46 of, and the Fourth Schedule to, this Act come into force on 1 July 1997.”.

New

(2) Section 39 (2) is repealed.

- 5 **9. Rates for interim instalments for period beginning on or after 1 July 1998**—(1) Section KD 5B of the Income Tax Act 1994 as it is enacted by section 42 is amended in subsection (1) by replacing “1 July 1997” with “1 July 1998”.

New

- 10 (2) Section 42 is amended by adding the following subsection:

15 “(2) Notwithstanding section 39 (1) and (1A), the Commissioner of Inland Revenue may issue, before 1 July 1998, a certificate of entitlement under the Income Tax Act 1994 for a period commencing on or after 1 July 1998 as if sections 40 to 43 had come into force on the day on 10 May 1996.”.

10. Director-General to deliver credit of tax—In section 43, “(as inserted by section 24 (1) of this Act)” is omitted.

- 20 **11. Resident withholding tax deductions**—In section 45 (2) and (3), wherever it occurs, “1 July 1997” is replaced by “1 July 1998”.

12. Basic tax deductions—(1) In sections 46 (3) and (4), wherever it appears, “1 July 1997” is replaced by “1 July 1998”.

- 25 **13. Heading repealed**—The division heading immediately preceding section 47 is repealed.

14. Section repealed—Section 47 is repealed.

- 30 **15. Low income rebate**—(1) In section 49 (2), “the 1998–99 income year” is replaced by “the 1999–2000 income year”.

(2) In section 49 (3), “1 April 1998” is replaced by “1 April 1999”.

16. Guaranteed minimum family income credit of tax—(1) In section 51 (1) and (2), “(as substituted by section 37 (1) of this Act),” is omitted.

(2) In section 51 (3), “the 1998–99 income year” is replaced by “the 1999–2000 income year”.

(3) In section 51 (4), “1 April 1998” is replaced by “1 April 1999”.

17. Definitions—Section 52 is renumbered as section 52 (1) and the following is added:

“(2) Subsection (1) of this section comes into force on 1 April 1999.”

18. Basic rates of income tax for individuals and certain other taxpayers—(1) In section 53 (2), “the 1998–99 income year” is replaced by “the 1999–2000 income year”.

(2) In section 53 (3), “1 April 1998” is replaced by “1 April 1999”.

PART 2

AMENDMENTS TO INCOME TAX ACT 1994

19. Income Tax Act 1994—This Part amends the Income Tax Act 1994.

20. Basic rates of income tax for individuals and certain other taxpayers—(1) Schedule 1 is amended by repealing Part B, and substituting the new Part B set out in the Schedule to this Act.

(2) Subsection (1) is deemed to apply to the 1997–98 income year.

21. Low income rebate—(1) Section KC 1 (1) is replaced by:

“KC 1 (1) In the assessment of every taxpayer, being a natural person other than an absentee, there shall be allowed as a rebate of income tax,—

“(a) Where the net income derived in the income year by that taxpayer, being a New Zealand superannuitant, is less than \$9,500, a rebate of an amount equal to 6.5 cents for each complete dollar of that net income:

“(b) Where the net income of that taxpayer (not being a taxpayer to whom paragraph (a) applies) is less than \$9,500 for the income year, a rebate of 6.5 cents for

each complete dollar of the amount determined under the formula in subsection (4):

“(c) Where the net income of that taxpayer amounts to, or exceeds, \$9,500 for the income year, an amount calculated in accordance with the following formula:

$$“x - y$$

“where—

“x is—

“(i) \$617.50, where the taxpayer is a New Zealand superannuitant:

“(ii) The lesser of \$617.50 and an amount equal to 6.5 cents for each complete dollar of the amount determined under the formula in subsection (4), in all other cases; and

“y is an amount equal to 2.5 cents for each complete dollar of the net income that exceeds \$9,500.”.

(2) Subsection (1) is deemed to apply to the 1997–98 income year.

22. Guaranteed minimum family income credit of tax—(1) In section KD 3(2) and (3), wherever it appears, “x is \$14,690” is replaced by “x is \$14,768”.

(2) Subsection (1) is deemed to apply to the 1997–98 income year.

23. Credit of tax by instalments—(1) In section KD 5 (6A), after paragraph (a), the following is inserted:

“(ab) Section KD 5AB, for a calculation period beginning on or after 1 July 1997 and ending on or before 30 June 1998; or”

(2) In section KD 5 (6A) (b), “1 July 1997” is replaced by “1 July 1998”.

24. Transitional rates for interim instalments during period 1 July 1997 to 30 June 1998—After section KD 5A, the following is inserted:

“KD 5AB (1) For the purposes of section KD 5 (6), the amount of the estimated entitlement of a person to a credit of tax for a period beginning on or after 1 July 1997 and ending on or before 30 June 1998, shall be calculated in accordance with the following formula:

$$“a + b$$

“where—

“a is the estimated entitlement of the person to a family credit for the period, calculated under subsection (2); and

“b is the estimated entitlement of the person to a guaranteed minimum family income for the period, calculated under subsection (6). 5

“(2) For the purposes of this section, the estimated entitlement of a person to a family credit for a period shall be calculated in accordance with the following formula:

$$“x + y - z \quad 10$$

“where—

“x is the amount of the family support credit under subsection (3); and

“y is the amount of the independent family tax credit under subsection (4); and 15

“z is the amount of the family credit abatement under subsection (5).

“(3) The amount of the family support credit under this subsection shall be calculated using the following formula:

$$“a \times \frac{d}{364} \quad 20$$

“where—

“a is an amount equal to the sum of—

“(a) For the eldest dependent child of whom the person is a principal caregiver during the period, one of the following: 25

“(i) \$2,444, if the child is under the age of 13 years;

“(ii) \$2,444, if the child is 13 or more years of age;

“(iii) A weighted average of the amounts in subparagraphs (i) and (ii) that reflects the proportion of the period that those subparagraphs apply to the child if the child attains 13 years of age during the period; and 30

“(b) For each dependent child of whom the person is a principal caregiver during the period, other than the eldest dependent child, one of the following: 35

“(i) \$1,664, if the child is under the age of 13 years;

“(ii) \$2,080, if the child is 13 or more years of age;

“(iii) A weighted average of the amounts in subparagraphs (i) and (ii) that reflects the proportion of the period that those subparagraphs apply to the child if the child attains 13 years of age during the period; and 40

“d is the number of days in the period.

“(4) The amount of the independent family tax credit under this subsection shall be calculated using the following formula:

$$“\$780 \times c \times \frac{e}{364}$$

5 “where—

“c is the number of dependent children for whom the person is a principal caregiver during the period; and

10 “e is the number of days in the period that the person and any spouse of the person does not receive a specified payment and does not have a suspended entitlement to an income-tested benefit.

“(5) The amount of the family credit abatement under this subsection shall be calculated in accordance with the following formula:

15
$$“f \times \frac{d}{364}$$

“where—

“f is—

“(a) If the qualifying person has no spouse during the period, and—

20 “(i) The specified income of the person for the period does not exceed \$20,000, nil:

“(ii) The specified income of the person for the period exceeds \$20,000 but does not exceed \$27,000, 18 cents for each complete dollar of that excess:

25 “(iii) The specified income of the person for the period exceeds \$27,000, the amount of \$1,260 increased by 30 cents for each complete dollar of the excess; or

30 “(b) If the person has a spouse during the period and—

35 “(i) The specified income of the person, or the specified income of the spouse, or the sum of those specified incomes, as the case may be, for the period does not exceed \$20,000, nil:

40 “(ii) The specified income of the person, or the specified income of the spouse, or the sum of those specified incomes, as the case may be, for the period exceeds \$20,000 but does not exceed \$27,000, 18 cents for every complete dollar of that excess:

“(iii) The specified income of the person, or the specified income of the spouse, or the sum of those specified incomes, as the case may be, for the period exceeds \$27,000, the amount of \$1,260 increased by 30 cents for every complete dollar of the excess; and 5

“d is the number of days in the period.

“(6) For the purposes of this section, the estimated entitlement of the person to a guaranteed minimum family income shall be calculated,— 10

“(a) For a person who has no spouse, in accordance with the following formula:

$$“(x - y) \times \frac{z}{52}$$

“where—

“x is \$14,768; and 15

“y is the net specified income in relation to that person and to the period; and

“z is the number (if any) of periods of one week in the period in relation to each of which the person is a full-time earner; and 20

“(b) If a person has a spouse, for each of the person and the spouse, 50% of the amount calculated in accordance with the following formula:

$$“(x - y) \times \frac{z}{52}$$

“where— 25

“x is \$14,768; and

“y is the net specified income in relation to the person and to the period, or the net specified income in relation to the spouse and to the period, or the aggregate of the net specified income in relation to the person and to the spouse and to the period; and 30

“z is the number (if any) of periods of one week in the period in relation to each of which the person is a full-time earner. 35

New

“(7) The Commissioner of Inland Revenue may issue, before 1 July 1997, a certificate of entitlement under the Income Tax Act 1994 for a period commencing on or after 1 July 1997.”.

5 **25. Director-General to deliver credit of tax**—(1) In section KD 6 (1A), after subparagraph (i), the following is inserted:

10 “(ia) Section KD 5AB, for a period beginning on or after 1 July 1997 and ending on or before 30 June 1998; or”.

(2) In section KD 6(1A) (b)(ii), “1 July 1997” is replaced by “1 July 1998”.

26. Definitions—(1) Section OB 1 is amended as follows:

15 (a) In paragraph (a) of the definition of “family credit”, “or section KD 5AB(2)” is inserted after “section KD 5A(2)”;

(b) In paragraph (a) of the definition of “family credit abatement”, “or section KD 5AB(5)” is inserted after “section KD 5A(5)”;

20 (c) In paragraph (a) of the definition of “family support credit”, “or section KD 5AB(3)” is inserted after “section KD 5A(3)”;

(d) In paragraph (a) of the definition of “guaranteed minimum family income”, “or section KD 5AB(6)” is inserted after “section KD 5A(6)”;

25 (e) In paragraph (a) of the definition of “independent family tax credit”, “or section KD 5AB(4)” is inserted after “section KD 5A(4)”.

(2) Subsection (1) comes into force on 1 July 1997.

30

PART 3

AMENDMENTS TO TAX ADMINISTRATION ACT 1994

27. Tax Administration Act 1994—This Part amends the Tax Administration Act 1994.

35 **28. Annual income tax returns for 1996–97 income year**—(1) *(After section 33, the following is inserted:)* Section 33A is replaced by:

“33A. Annual income tax returns not required from taxpayers—(1) For the purposes of this Act, subject to subsections (2) and (3), a natural person shall not be required to furnish a return of income in relation to a year if, in the year, the person—

“(a) Is not a New Zealand superannuitant; and

“(b) Does not derive income other than—

“(i) Income from employment from which a tax deduction is liable to be made in accordance with the PAYE rules:

“(ii) Interest or dividends from which resident withholding tax is liable to be deducted in accordance with the RWT rules; and

“(c) Has total income which does not exceed \$34,200; and

“(d) Does not derive income as a shearer or as a shearing shed hand; and

“(e) Is not an absentee; and

“(f) Is not issued with a family certificate of entitlement for any part of the year; and

“(g) Does not have a spouse who is issued with a family certificate of entitlement for any part of the year; and

“(h) Is not required to pay any financial support under the Child Support Act 1991; and

“(i) Does not have any IRD loan balance (as defined in section 2 of the Student Loan Scheme Act 1992).

“(2) Notwithstanding anything in subsection (1), a person who is a New Zealand superannuitant shall not be required to furnish a return of income in relation to a year if, in the year, the person—

“(a) Satisfies paragraphs (b) to (i) of subsection (1); and

“(b) Receives payments of which the following amounts do not exceed \$3,412.50 in aggregate—

“(i) Income from employment other than New Zealand superannuation:

“(ii) Interest and dividends:

“(iii) 50% of any pension from a superannuation fund:

“(iv) 50% of any annuity to which section CB 9 (f) applies.

“(3) Notwithstanding anything in subsections (1) and (2), a person shall be required to furnish a return of income in relation to a year if, in the year,—

“(a) The person receives income from employment from which a tax deduction is made and the amount of the tax deduction is determined wholly or partly by a special tax code certificate issued under section NC 14 of the Income Tax Act 1994:

5

“(b) The Director-General of Social Welfare pays to the person or to the person’s spouse a family credit under section KD 6 of the Income Tax Act 1994 for which the amount of family credit abatement (as given by section KD 2(4) of the Income Tax Act 1994) is greater than nil.

10

“(4) For the purposes of subsections (1) and (2), resident withholding tax is deemed to be deducted from a dividend if application of the formula in section NF 2(1)(b) of the Income Tax Act 1994 results in the payer of the dividend being required to deduct a nil amount.”

15

(2) Subsection (1) applies with respect to the 1996–97 income year.

20

(3) Subsections (1) and (2) are deemed to have come into force on 1 April 1996.

New

28A. Repeal—Section 28 (1) of this Act is repealed on 1 April 1998.

29. Annual income tax returns for 1997–98 income year—(1) *(After section 33, the following is inserted:)* Section 33A (as replaced by section 28 of this Act) is replaced by:

25

“33A. Annual income tax returns not required from taxpayers—(1) For the purposes of this Act, subject to subsections (2) and (3), a natural person shall not be required to furnish a return of income in relation to a year if, in the year, the person—

30

“(a) Is not a New Zealand superannuitant; and

“(b) Does not derive gross income other than—

35

“(i) Income from employment from which a tax deduction is liable to be made in accordance with the PAYE rules:

“(ii) Interest or dividends from which resident withholding tax is liable to be deducted in accordance with the RWT rules; and

- “(c) Derives annual gross income that does not exceed \$34,200; and
- “(d) Does not derive gross income as a shearer or as a shearing shed hand; and
- “(e) Is not an absentee; and 5
- “(f) Is not issued with a family certificate of entitlement for any part of the year; and
- “(g) Does not have a spouse who is issued with a family certificate of entitlement for any part of the year; and 10
- “(h) Is not required to pay any financial support under the Child Support Act 1991; and
- “(i) Does not have any IRD loan balance (as defined in section 2 of the Student Loan Scheme Act 1992).
- “(2) Notwithstanding anything in subsection (1), a person who is a New Zealand superannuitant shall not be required to furnish a return of income in relation to a year if, in the year, the person— 15
- “(a) Satisfies paragraphs (b) to (i) of subsection (1); and
- “(b) Receives payments of which the following amounts do not exceed \$7,722 in aggregate— 20
- “(i) Income from employment other than New Zealand superannuation:
- “(ii) Interest and dividends:
- “(iii) 50% of any pension from a superannuation fund: 25
- “(iv) 50% of any annuity to which section CB 9 (f) applies.
- “(3) Notwithstanding anything in subsections (1) and (2), a person shall be required to furnish a return of income in relation to a year if, in the year,— 30
- “(a) The person receives income from employment from which a tax deduction is made and the amount of the tax deduction is determined wholly or partly by a special tax code certificate issued under section NC 14 of the Income Tax Act 1994: 35
- “(b) The Director-General of Social Welfare pays to the person or to the person’s spouse a family credit under section KD 6 of the Income Tax Act 1994 for which the amount of family credit abatement (as given by section KD 2(4) of the Income Tax Act 1994) is greater than nil. 40
- “(4) For the purposes of subsections (1) and (2), resident withholding tax is deemed to be deducted from a dividend if application of the formula in section NF 2(1)(b) of the Income 45

Tax Act 1994 results in the payer of the dividend being required to deduct a nil amount.”.

(2) Subsection (1) applies with respect to the 1997-98 and subsequent income years.

5 (3) Subsections (1) and (2) are deemed to have come into force on 1 April 1997.

New (Majority)

(4) Part II of the Taxation (Superannuitant Surcharge Reduction) Act 1996 is repealed.

10 (5) Subsection (4) is deemed to have come into force on 2 September 1996.

30. Annual income tax returns for 1998-99 and subsequent income years—(1) In section 33A (as substituted by section 29 (1)), “\$34,200” is replaced by “\$38,000”.

15 (2) Subsection (1) applies with respect to the 1998-99 and subsequent income years.

(3) This section comes into force on 1 April 1998.

PART 4

AMENDMENTS TO TAX ADMINISTRATION AMENDMENT ACT 1996

20 **31. Tax Administration Amendment Act 1996**—This Part amends the Tax Administration Amendment Act 1996.

32. Commencement—This Part is deemed to come into force on 1 April 1996.

33. Sections repealed—Sections 5 and 6 are repealed.

25 **34. Annual income tax returns for 1997-98 income year**—Sections 7 (1), (3) and (4) are repealed.

PART 5

ANNUAL RATES OF INCOME TAX FOR 1997-98

35. Rates of income tax for 1997-98 income year—

30 *Struck Out (Majority)*

(1) For the 1997-98 income year, income tax must be imposed and paid under Part B of the Income Tax Act 1994 at the basic rates specified in Schedule 1 to the Income Tax Act 1994.

New (Majority)

(1) The income tax imposed by section BB 1 of the Income Tax Act 1994 must, in respect of the 1997-98 income year, be paid at the basic rates specified in Schedule 1 of that Act.

(2) The Taxation (Annual Rates of Income Tax 1996/97) Act 1996 is repealed. 5

Section 20 (1)

SCHEDULE

NEW PART B OF SCHEDULE 1 TO INCOME TAX ACT 1994

"PART B

Rates referred to in Clause 9 of Part A

On so much of the taxable income as—				The rate of tax for every \$1 of taxable income shall be Cents
Does not exceed \$34,200	21.5
Exceeds \$34,200	33.0."