

In substitution for Supplementary Order Paper No. 33.

Supplementary Order Paper.

HOUSE OF REPRESENTATIVES.

Tuesday, the 12th Day of October, 1920.

LAND AND INCOME TAX AMENDMENT BILL.

AMENDMENTS proposed by His Excellency the Governor-General:—

Clause 2: To add the following subclause:—

(2.) Nothing in this section shall be so construed as to authorize the assessment or levy of land-tax for any year save pursuant to the provisions of the annual taxing Act for that year.

Clause 9: To add the following subclause:—

(2.) Nothing in this section shall be so construed as to authorize the assessment or levy of income-tax for any year save pursuant to the provisions of the annual taxing Act for that year.

Clause 11: To omit paragraph (b) with the exception of the word "and" in line 28.

Clause 12: To omit paragraph (a); to omit the word "twenty" in line 42, and substitute the word "fifteen"; and to add, after the word "taxpayer" in line 43, the words "or, in cases where the total income of the taxpayer from all sources does not exceed two thousand pounds, then fifteen per centum of that income."

Clause 14: To omit this clause, and substitute the following new clause:—

Section 84 of principal Act (exempting certain incomes from taxation) amended.

14A. (1.) Section eighty-four of the principal Act is hereby amended as follows:—

(a.) By repealing paragraph (b), and substituting the following paragraph:—

"(b.) The income, other than income received in trust, of a local authority, or of any public authority other than the Public Trustee;" and

(b.) By repealing paragraph (f) thereof.

Clause 15: To omit the word "subsections" in line 8, and substitute the word "subsection."

Clause 15: To omit the proposed new subsection (3) of section 85 of the principal Act.

Clause 20, subclause (1): To omit this subclause, and substitute the following subclause:—

(1A.) If the Commissioner is satisfied with respect to two or more companies consisting substantially of the same shareholders or under the control of the same persons that the separate constitution of those companies is not *bona fide* for the purpose of more effectively carrying out their objects, but is for the purpose of reducing their taxation, the Commissioner may, for the purposes of income-tax, treat those companies as if they were a single company, and in any such case those companies shall be jointly assessed and jointly and severally liable, with such right of contribution or indemnity between themselves as is just.

Clause 22: To omit this clause.

Clause 23: To omit this clause, and substitute the following new clause:—

Local and public authorities to be agent of debenture-holders.

23A. (1.) Every local or public authority which has, whether before or after the commencement of this Act, issued debentures shall for the purposes of the principal Act be the agent of all debenture-holders, whether absentees or not, in respect of all income derived by them from those debentures, and shall make returns and be assessable and liable for income-tax on that income accordingly.

(2.) No deduction by way of special exemption or otherwise shall be allowed to any local or public authority as such agent, or to

any debenture-holders, in respect of the income so derived from debentures.

(3.) Income so derived by the holders of debentures issued by a local or public authority shall be assessable and chargeable with income-tax separately from income derived by the debenture-holders from other sources, and, unless otherwise expressly provided in the annual taxing Act for any year, shall be assessed at the rate specified in that behalf in Part II of the Schedule hereto.

(4.) Nothing in this section shall be so construed as to render liable to income-tax any income that is exempt from taxation by virtue of section eighty-four of the principal Act.

To add the following new clauses :—

Deductions by way of special exemption to be made in first place from earned income.

15A. For the purpose of computing the taxable income of any taxpayer all deductions from the assessable income by way of special exemption (other than exemptions under section eighty-seven of the principal Act) shall to the extent of the earned income of the taxpayer be made from that income, and the balance (if any) shall be deducted from the unearned income.

Income-tax payable in respect of contracts of insurance effected with any persons or foreign companies not carrying on business in New Zealand.

21A. (1.) Where any taxpayer in New Zealand enters into a contract of insurance or guarantee against loss, damage, or risk of any kind whatever (not being a contract of life insurance) with any person or foreign company not carrying on business in New Zealand, that person or company shall be liable to income-tax under the principal Act on the profits derived from such contract of insurance or guarantee.

(2.) For the purposes of this section the profits derived from every such contract shall be deemed to be an amount equal to ten per centum of the amount payable by the taxpayer as premiums in respect of such contract.

(3.) For the purpose of the principal Act every person who enters into a contract of insurance or guarantee as aforesaid shall be deemed to be the agent of the person or foreign company with whom such contract is made, and shall make returns and be assessable and liable for income-tax accordingly.

Allowance by way of refund of tax to debenture-holders in certain cases.

23B. Section thirty-seven of the Finance Act, 1917, is hereby amended by repealing subsection two, and substituting the following subsection :—

“(2.) If the Commissioner is satisfied with respect to the holder of any debenture or debentures issued by any local or public authority or by any company that the aggregate amount of income-tax paid or payable by or on behalf of the debenture-holder (including the tax paid in respect of interest on debentures) exceeds the amount of tax that would have been payable by him if the interest received by him on those debentures had formed part of his taxable income, the Commissioner shall, on application by the taxpayer, pay to him the amount of the excess.”

Special provisions as to floating-rate of interest on debentures.

23C. (1.) Where in any debenture issued by a company, whether before or after the commencement of this Act, the rate of interest payable in respect thereof is not specifically determined, but is determinable from time to time by reference to the dividend payable by the company or otherwise howsoever, the interest paid on the debenture shall be computed as part of the assessable income of the company and not of the debenture-holder.

(2.) Section one hundred and twelve of the principal Act shall not apply with respect to any such debenture or to the interest paid or payable thereunder.

Schedule : To insert, after clause 1 of Part II (Income-tax), the following new clause :—

1A. On income assessable under subsection (3) of section 23A of this Act the rate of income-tax shall be 2s. 6d. for every £1 thereof.

To insert, after the reference to clause 1 (in clause 2), the words “or clause 1A.”

To add to clause 4 of Part II the following proviso :—

Provided that if the earned income of a taxpayer for any year exceeds £2,000, the reduction provided for by this clause shall be made only in respect of the sum of £2,000.