

# Supplementary Order Paper

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## HOUSE OF REPRESENTATIVES

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Tuesday, the 21st Day of September 1954

LAND AND INCOME TAX BILL

AMENDMENTS proposed by His Excellency the Governor-General:

Clause 2: To insert, after the definition of the term "New Zealand company" (page 10), the following definition:

"Non assessable income" means income of any of the following classes:

(a) Income derived from securities issued by the Government of New Zealand subject to the condition that the income derived therefrom shall be exempt from income tax:

(b) Income derived from debentures issued by companies on terms providing for the payment of income tax by those companies, as provided by section one hundred and *thirteen* of this Act, and income derived from debentures to which section one hundred and *forty-six* of this Act applies:

(c) Dividends or other profits derived from shares or other rights of membership in companies:

(d) Income that is exempted from income tax under section one hundred and *seventy-three* of this Act:

Clause 3, subclause (4): To omit the word "Act" in line 41, and substitute the word "section".

Clause 14, subclause (1): To omit the words "above-mentioned returns" in line 18, and substitute the words "annual returns required under this Act".

Clause 54, subclause (1): To omit paragraphs (a) and (b), and substitute the following paragraphs:

(a) Where that value does not exceed three thousand pounds, a deduction of three thousand pounds:

(b) Where that value exceeds three thousand pounds, a deduction of three thousand pounds, diminished at the rate of one pound for every two pounds of that excess, so as to leave no deduction when that value amounts to or exceeds nine thousand pounds.

Clause 57: To omit this clause.

Clause 70, subclause (2): To omit this subclause.

Clause 74: To omit this clause.

Clause 75, subclause (1): To omit from paragraph (b) the words "private pecuniary profit" in line 13, and substitute the words "the private pecuniary profit of any individual"; to omit from paragraph (h) the words "private pecuniary profit" in line 38, and substitute the words "the private pecuniary profit of any individual"; to omit from paragraph (i) the words "private pecuniary profit" in lines 3 and 4 (page 47), and substitute the words "the private pecuniary profit of any individual".

Clause 76: To omit this clause.

Clause 77: To omit this clause.

To insert, after clause 77, the following new clause:

Reduction of  
tax in certain  
cases.  
1954, No. 23,  
s. 6.

77A. (1) Notwithstanding anything in the foregoing provisions of this Part of this Act, the amount of the land tax chargeable for any year in respect of any land to which this section applies, in so far as that land is not exempt from land tax by virtue of section *seventy-five* of this Act, shall be the greater of the following amounts:

(a) One-fourth of the amount that would be chargeable in respect thereof if this section did not apply; or

(b) The amount that would be chargeable in respect thereof if the rate of land tax were one half-penny for every pound of the unimproved value on which land tax is payable.

(2) This section applies to the following classes of land:

(a) Land owned or occupied by or in trust for any society or association of persons, whether incorporated or not, if the land is used for games or sports other than horse racing or trotting, and is not used for the private pecuniary profit of any individual:

(b) Land owned by or in trust for any religious society, if the land or the rents or profits thereof are used exclusively for charitable purposes, and if the principal purpose for which the society is established is the teaching, maintenance, or advancement of religion:

(c) Land vested in the Masterton Trust Lands Trustees:

(d) Land vested in the Greytown Trust Lands Trustees:

(e) Land vested in the Trustees of Cornwall Park, Auckland.

Clause 82: To omit this clause.

Clause 83, subclause (1): To add the following paragraph:

or

(c) The 1954 National Development Loan.

Clause 84: To omit this clause.

Clause 85: To omit this clause, and substitute the following new clause:

Special  
exemption of  
£375 (or £420  
if over 65).  
1923, No. 21,  
s. 74 (1)  
1954, No. 23,  
s. 9 (1)

85A. From the yearly assessable income of every person, other than a company or a public authority or an unincorporated body, there shall, for the purpose of assessing income tax on that income, be deducted by way of special exemption the sum of three hundred and seventy-five pounds:

Provided that, in the case of a taxpayer (other than an absentee) who has attained the age of sixty-five years before the commencement of the year of assessment, the amount to be so deducted shall be the sum of four hundred and twenty pounds.

Clause 86, subclause (1): To insert, after the word "hundred" in line 6, the words "and twenty-five"; to insert, after the word "hundred" in line 9, the words "and twenty-five"; to omit the proviso.

Clause 86, subclause (2): To insert, after the words "two hundred" in line 16, the words "and fifty".

Clause 87, subclause (1): To insert, after the words "one hundred" in line 30, the words "and twenty-five"; to insert after the words "one hundred" in line 33, the words "and twenty-five"; to omit the proviso.

Clause 87, subclause (2): To insert, after the words "two hundred" in line 40, the words "and fifty".

Clause 88, subclause (2): To omit this subclause, and substitute the following subclause:

(2) Every taxpayer (other than an absentee) who is a widow, a widower, a divorced person, or an unmarried person shall, subject to the provisions of this section, be entitled in respect of a housekeeper, as hereinbefore defined, employed by that taxpayer, to a deduction by way of special exemption from his or her assessable income of one hundred and twenty-five pounds:

Provided that in no case shall the special exemption allowed under this section in respect of any year exceed the aggregate amount paid by the taxpayer during that year by way of salary or wages to a housekeeper or housekeepers.

Clause 89, subclause (1): To omit the word "sixty-five" in line 4, and substitute the word "seventy-five".

Clause 89, subclause (3): To omit the word "sixty-five" in line 15, and substitute the word "seventy-five"; to omit the word "sixty-five" in line 18, and substitute the word "seventy-five".

Clause 89, subclause (5): To omit this subclause.

To insert, after *clause 103*, the following new clause:

103A. (1) Where any livestock is leased or bailed by a taxpayer to any other person the following provisions of this section shall apply.

(2) Notwithstanding the lease or bailment, the livestock shall be deemed to be and to have continued to be livestock used by the taxpayer in a business carried on by him, and the provisions of this Act shall apply accordingly, subject to the following provisions of this section.

(3) Notwithstanding anything to the contrary in section *one hundred and three* of this Act, the taxpayer may, as at the date of the lease or bailment, elect to adopt as the standard value of the livestock comprised in the lease or bailment—

- (a) The market price of the livestock at the date of the lease or bailment; or
- (b) The standard value last adopted by the taxpayer and in force at the date of the lease or bailment in respect of that livestock; or
- (c) A new standard value, being less than the market price referred to in paragraph (a) of this subsection, and being greater than the standard value referred to in paragraph (b) of this subsection.

Alternative standard values for livestock leased or bailed. 1954, No. 23, s. 13

(4) Any standard value adopted under subsection *three* of this section shall have the same effect as if it had been adopted under subsection nine of section *one hundred and three* of this Act.

(5) For the purposes of this section the livestock comprised in a lease or bailment made by a taxpayer means the livestock to which the taxpayer is entitled under the lease or bailment, whether it is the livestock originally leased or bailed or any livestock substituted therefor.

Clause 104, subclause (6): To omit this subclause, and substitute the following subclause:

(6) For the purposes of this section the term "child" includes a stepchild and a grandchild, but does not include any child, stepchild, or grandchild under the age of eighteen years at the date of the sale or other disposition.

Clause 108, subclause (1): To omit the definition of the term "non-assessable income"; to insert, after the definition of the term "aggregate assessment", the following definitions:

"First portion of the aggregable income" means the first five hundred pounds of the aggregable income, consisting wholly of aggregable assessable income, unless the total amount of the aggregable assessable income derived in the income year is less than five hundred pounds, in which case the balance of the five hundred pounds shall consist of aggregable non-assessable income:

"Second portion of the aggregable income" means the balance of the aggregable income derived in the income year over and above the first portion of the aggregable income:

Clause 108, subclause (3): To omit from paragraph (a) the words "two hundred and thirty" in lines 16 and 17, and substitute the words "five hundred"; to omit from paragraph (b) the words "two hundred and thirty" in line 24, and substitute the words "five hundred".

Clause 108, subclauses (5) and (6): To omit these subclauses, and substitute the following subclauses:

(5) For the purposes of an aggregate assessment, instead of the deductions under section *one hundred and forty-one* of this Act and the special exemptions provided for in this Act, the Commissioner shall allow the following deductions and special exemptions in the order and manner following:

(a) Firstly, a special exemption of three hundred and seventy-five pounds shall be allowed only against the first portion of the aggregable income:

Provided that, where the taxpayer's wife (not being an absentee) has attained the age of sixty-five years before the commencement of the year of assessment, the amount to be so allowed shall be four hundred and twenty pounds:

(b) Secondly, any loss which the taxpayer's wife would have been entitled to deduct under section *one hundred and forty-one* of this Act if she had been assessed otherwise than in accordance with this section shall be deducted from any assessable income included in the second portion of the aggregable income so far as that income extends, and any balance of the loss shall be deducted from any assessable income included in the first portion of the aggregable income:

- (c) Thirdly, all other special exemptions to which the taxpayer's wife would have been entitled if she had been assessed otherwise than in accordance with this section shall be allowed firstly against any assessable income included in the first portion of the aggregable income so far as that income extends and, as to the balance (if any), against any assessable income included in the second portion of the aggregable income:
- (d) Fourthly, a special exemption of three hundred and seventy-five pounds shall be allowed firstly against the taxpayer's assessable income (excluding aggregable income) and, as to the balance (if any), against his non-assessable income (excluding aggregable income):  
 Provided that, where the taxpayer (not being an absentee) has attained the age of sixty-five years before the commencement of the year of assessment, the amount to be so allowed shall be four hundred and twenty pounds:
- (e) Fifthly, any loss which the taxpayer would have been entitled to deduct under section *one hundred and forty-one* of this Act if he had been assessed otherwise than in accordance with this section shall be deducted from his assessable income:
- (f) Sixthly, all other special exemptions to which the taxpayer would have been entitled if he had been assessed otherwise than in accordance with this section shall be allowed against his assessable income, so far as that income extends.
- (6) Subject to subsection *five* of this section, for the purposes of an aggregate assessment,—
- (a) The tax payable in respect of the taxable income included in the first portion of the aggregable income shall be calculated at the rate that would have been applicable if the taxpayer had derived no income except the first portion of the aggregable income:
- (b) The second portion of the aggregable income shall be aggregated with the other income derived by the taxpayer, and so much as is aggregable assessable income shall be deemed to form part of his total assessable income, and so much as is aggregable non-assessable income shall be deemed to form part of his total non-assessable income.

Clause 108, subclause (7): To omit from paragraph (a) the words "two hundred and thirty" in lines 30 and 31 (page 78), and substitute the words "three hundred and seventy-five pounds or, in the case of a husband or wife (other than an absentee) who has attained the age of sixty-five years before the commencement of the year of assessment, four hundred and twenty"; to omit paragraph (c), and substitute the following paragraph:

- (c) Any deductions under section *one hundred and forty-one* of this Act and the special exemptions provided for in this Act shall be allowed in the same order and manner as in an aggregate assessment; and the tax payable in respect of the taxable income included in the first portion of the aggregable income, and in respect of the other income separately assessed to the wife, and in respect of the income separately assessed to the married

man shall be calculated at the respective rates that would have been applicable if the income had been assessed wholly to the married man by an aggregate assessment:

Clause 108, subclause (10): To omit the words "two hundred and thirty" in line 27 (page 79), and substitute the words "three hundred and seventy-five"; to omit the words "two hundred and thirty" in lines 29 and 30, and substitute the words "three hundred and seventy-five".

Clause 108, subclause (11): To omit the words "two hundred and thirty" in lines 36 and 37, and substitute the words "three hundred and seventy-five"; to omit the words "two hundred and thirty" in lines 38 and 39, and substitute the words "three hundred and seventy-five".

Clause 118, subclause (1): To omit the word "fifty-five" in line 6, and substitute the word "fifty-six".

Clause 119, subclause (5): To omit the word "fifty-five" in line 14 (page 92), and substitute the word "fifty-six"; to omit the word "fifty-five" in line 17, and substitute the word "fifty-six".

Clause 120, subclause (5): To omit the word "fifty-five" in line 19 (page 93), and substitute the word "fifty-six"; to omit the word "fifty-five" in line 23, and substitute the word "fifty-six".

Clause 123, subclause (1): To omit from the proviso to paragraph (b) the word "two" in line 4 (page 99), and substitute the word "three".

Clause 142, subclause (1): To omit from paragraph (e) the words "to which section *eighty-two* of this Act applies" in lines 9 and 10 (page 113), and substitute the words "as defined in section *two* of this Act".

Clause 142, subclause (6): To omit the words "Notwithstanding the provisions of section *eighty-two* of this Act" in lines 16 and 17 (page 117).

Clause 143, subclause (2): To omit the word "computing" in lines 32 and 33, and substitute the word "calculating".

Clause 149, subclause (1): To omit the word "computing" in line 8, and substitute the word "calculating".

To insert, after clause 149, the following new clause:

Assessment of  
co-operative  
dairy  
companies.  
1954, No. 23,  
s. 20

149A. (1) Subparagraph (i) of paragraph (f) of subsection *one* of section *ninety-one* of this Act shall not apply with respect to the tax for the year of assessment commencing on the first day of April, nineteen hundred and fifty-six, or for any subsequent year.

(2) Any assessment made on a co-operative dairy company in respect of income derived by it during the income year ending with the thirty-first day of March, nineteen hundred and fifty-five, or during any prior income year, shall, in so far as it excludes as being exempt income any income derived by that company from the treatment, manufacture, and sale of products of milk, be deemed to have been validly and lawfully made in accordance with the law for the time being in force.

(3) The following provisions of this section shall apply with respect to the tax for the year of assessment commencing on the first day of April, nineteen hundred and fifty-six, and for every subsequent year.

1949, No. 22

(4) Subject to the following provisions of this section and to the provisions of any regulations made for the purposes of this section, the income of any co-operative dairy company that is registered as such under the Co-operative Dairy Companies Act 1949 shall be exempt from taxation in so far only as the Commissioner is satisfied that the income is derived—

(a) From the collection, handling, manufacture, treatment, sale, and distribution of butter, cheese, casein, dried milk, evaporated milk, and any other dairy produce:

- (b) From rent obtained from employees of the company engaged in the activities referred to in paragraph (a) of this subsection:
- (c) As a shareholder or supplier of a company the income of which is exempt under paragraph (g) of subsection *one* of section *ninety-one* of this Act.
- (5) Regulations may be made under section *two hundred and forty-eight* of this Act for all or any of the following purposes:
  - (a) Authorizing the Commissioner to classify as assessable income of any company to which subsection *four* of this section applies the whole or any part of any payment made or expenditure incurred by the company for any purpose other than the collection, handling, manufacture, treatment, sale, and distribution of butter, cheese, casein, dried milk, evaporated milk, and any other dairy produce:
  - (b) Authorizing the Commissioner to classify as assessable income of any shareholder of a company to which subsection *four* of this section applies the whole or any part of any amount paid to him on the surrender of any share in the company, or on the winding up of the company, in excess of the paid up value of the share surrendered or of his shares in the company, as the case may be:
  - (c) Authorizing the Commissioner to allocate any amount so classified as assessable income to such income year or years as he thinks fit:
  - (d) Conferring on the Commissioner such discretionary powers as may be deemed necessary for the purposes of the regulations:
  - (e) Providing for the appointment and prescribing the powers and procedure of an appeal authority consisting of—
    - (i) The Secretary to the Treasury:
    - (ii) The Director of the Dairy Division of the Department of Agriculture:
    - (iii) A person to be nominated by the New Zealand Dairy Board:
  - (f) Conferring such rights of objection and appeal to the appeal authority from decisions made by the Commissioner under this section or the regulations as may be deemed necessary or desirable.

Clause 150, subclause (1): To omit the word "computing" in line 1, and substitute the word "calculating".

Clause 158: To omit from paragraph (b) the words "and that the trustee shall not be entitled to any deduction by way of special exemption, and that no tax shall be payable if the income does not exceed fifty pounds, and that the amount of tax payable in any case shall, where necessary, be reduced so as not to exceed the amount by which the income exceeds fifty pounds" in lines 34 to 42, and substitute the words "and that the trustee shall be entitled to a deduction by way of special exemption of two hundred pounds, and shall not be entitled to any further deduction by way of special exemption"; to insert in paragraph (f), before the word "income" in line 42 (page 136), the words "whole of the"; to insert in paragraph (f), after the word "trusts" in line 42, the words "whenever derived".

Clause 161, subclause (1): To omit the words "a Maori Land Board" in line 7.

Clause 163, subclause (3): To omit the words "at the minimum rate prescribed by the appropriate annual taxing Act for income derived by individual taxpayers during that income year" in lines 27 to 29, and substitute the word "accordingly".

Clause 163, subclause (4): To omit the word "computing" in line 34, and substitute the word "calculating".

Clause 216: To omit this clause.

Clause 217: To omit this clause.

Clause 234: To insert, after the words "summary prosecution" in line 6, the words "before a Magistrate".

Clause 251, subclause (3): To omit the word "taken" in line 24 (page 177), and substitute the words "instituted or continued".

First Schedule, Part A: To insert, after clause 2, the following heading and clause:

*Maori Authorities*

2A. On all undistributed income assessable to a Maori Authority under section 163 of this Act the basic rate of income tax for every £1 of the taxable income shall be 2s. 6d.

First Schedule, clause 3: To insert, after the words "clause 2", the words "or clause 2A".

First Schedule, clause 4: To insert in subclause (1), after the words "clause 2", the words "or clause 2A"; to omit from subclause (2) the words "to which section 82 of this Act applies"; to omit subclause (3), and substitute the following subclause:

(3) Where the total income derived by the taxpayer during the income year included non-assessable income, the basic rate for every £1 of the taxable income shall be a rate equal to the effective rate for an income equal in amount to the total of the taxable income and of that non-assessable income.

First Schedule: To omit Part B, and substitute the following Part B:

PART B

*Rates Referred to in Clause 1 of Part A*

		The rate of tax for every £1 shall be—	
On so much of the income as—		s.	d.
Does not exceed	£100 .....	3	0
Exceeds	£100 but does not exceed £200 .....	3	3
"	£200 .....	3	6
"	£300 .....	3	9
"	£400 .....	4	0
"	£500 .....	4	3
"	£600 .....	4	6
"	£700 .....	4	9
"	£800 .....	5	0
"	£900 .....	5	3
"	£1,000 .....	5	6
"	£1,100 .....	5	9
"	£1,200 .....	6	0
"	£1,300 .....	6	3
"	£1,400 .....	6	6
"	£1,500 .....	6	9
"	£1,600 .....	7	0
"	£1,700 .....	7	3
"	£1,800 .....	7	6
"	£1,900 .....	7	9
"	£2,000 .....	8	0
"	£2,100 .....	8	3
"	£2,200 .....	8	6
"	£2,300 .....	8	9
"	£2,400 .....	9	0
"	£2,500 .....	9	3
"	£2,600 .....	9	6
"	£2,700 .....	9	9
"	£2,800 .....	10	0
"	£2,900 .....	10	3
"	£3,000 .....	10	6
"	£3,100 .....	10	9
"	£3,200 .....	11	0
"	£3,300 .....	11	3
"	£3,400 .....	11	6
"	£3,500 .....	11	9
"	£3,600 .....	12	0

Second Schedule: To add the following words—

1954, No. 23—

The Land and Income Tax Amendment Act 1954.



## EXPLANATORY NOTE

The above amendments incorporate in the Bill the provisions of the Land and Income Tax Amendment Act 1954.

In addition, the amendments marked by a line in the margin are new, and are explained in the following notes.

*Clause 2:* The new definition of the term "non-assessable income" is the same as that contained in *clause 82 (2)* of the Bill. It is transferred to *clause 2* because *clause 82 (1)* is being omitted and incorporated in the First Schedule, which prescribes the basic rates of income tax.

*Clause 3, subclause (4):* This amendment substitutes the word "section" for the word "Act", in order to restore the present position, as the word "section" appears in the existing provision.

*Clause 14, subclause (1):* The amendment makes it clear that the clause is limited to annual returns.

*Clause 70, subclause (2):* The subclause omitted is a special provision which is now spent.

*Clause 75, subclause (1):* These are drafting amendments to substitute the words "the private pecuniary profit of any individual" for the words "private pecuniary profit".

*Clause 82:* This clause is to be omitted because subclause (1) is incorporated in the First Schedule, and subclause (2) is to appear as the new definition of the term "non-assessable income" in *clause 2*.

*Clause 108, subclause (1):* The definition of the term "non-assessable income" is omitted as the term is to be defined in *clause 2*.

*Clause 142, subclause (1):* The definition of the term "non-assessable income" is transferred from *clause 82* to *clause 2*.

*Clause 142, subclause (6):* The reference to *clause 82* is omitted as that clause is itself to be omitted.

*Clause 143, subclause (2):* This is a drafting amendment to make the wording uniform, as the word "calculating" is used instead of the word "computing" throughout the Bill.

*Clause 149, subclause (1):* This is a drafting amendment as in the case of *clause 143 (2)*.

*Clause 150, subclause (1):* This is a drafting amendment, as in the case of *clause 143 (2)*.

*Clause 158:* The amendments to paragraph (f) are to make it clear that two separate trusts are not to be treated as one trust unless the whole of the income of the trusts accrues to the same beneficiaries.

*Clause 161, subclause (1):* The words "a Maori Land Board" are omitted as Maori Land Boards have been abolished.

*Clause 163, subclause (4):* This is a drafting amendment, as in the case of *clause 143 (2)*.

*Clause 234:* This amendment requires prosecutions for fines under the Act to be taken before a Magistrate.

*Clause 251, subclause (3):* This amendment is to enable proceedings for past offences to be continued as well as instituted after the new Act comes into force.