

1975/185



THE STABILISATION OF PRICES REGULATIONS 1974,
AMENDMENT NO. 2

DENIS BLUNDELL, Governor-General
ORDER IN COUNCIL

At the Government House at Wellington this 7th day of July 1975

Present:

HIS EXCELLENCY THE GOVERNOR-GENERAL IN COUNCIL

PURSUANT to the Economic Stabilisation Act 1948, His Excellency the Governor-General, acting by and with the advice and consent of the Executive Council, hereby makes the following regulations.

REGULATIONS

1. Title and commencement—(1) These regulations may be cited as the Stabilisation of Prices Regulations 1974, Amendment No. 2, and shall be read together with and deemed part of the Stabilisation of Prices Regulations 1974* (hereinafter referred to as the principal regulations).

(2) These regulations shall come into force on the day after the date of their notification in the *Gazette*.

2. Depreciation allowance in calculation of pre-tax profit—(1) Regulation 4 (1) of the principal regulations (as substituted by regulation 4 of the Stabilisation of Prices Regulations 1974, Amendment No. 1) is hereby amended by omitting from the definition of the expression “pre-tax profit”, as defined in relation to any enterprise, the words “special depreciation and”.

(2) Regulation 4 (1) of the principal regulations (as so substituted) is hereby further amended by revoking paragraph (b) of the definition of the expression “pre-tax profit”, as defined in relation to any enterprise, and substituting the following paragraph:

“(b) Disallowing as a charge against revenue all depreciation in excess of the rates allowed by the Commissioner of Inland Revenue:

*S.R. 1974/175
Amendment No. 1: S.R. 1974/321

“Provided that in respect of any asset first used in the production of income (being assessable income pursuant to the Land and Income Tax Act 1954) on or after the 1st day of April 1975, the rate of depreciation allowable in the calculation of the pre-tax profit of the enterprise in any year ending after that date shall, notwithstanding anything in section 114F of that Act, not exceed—

“(i) The rate of ordinary depreciation for the time being allowed by the Commissioner of Inland Revenue pursuant to the first proviso to section 113 (1) of that Act in respect of assets of that kind used for the same purpose; and

“(ii) The rate of special depreciation that would have been allowed by the Commissioner of Inland Revenue in respect of assets of that kind if it had first been used for the same purpose in the production of income (being assessable income pursuant to that Act) before the 1st day of April 1975; and”.

(3) Regulation 4 (1) of the principal regulations (as so substituted) is hereby further amended by omitting from the definition of the expression “pre-tax profit”, as defined in relation to any financial enterprise, the words “special depreciation where applicable and”.

(4) Regulation 4 (1) of the principal regulations (as so substituted) is hereby further amended by adding to the definition of the expression “pre-tax profit”, as defined in relation to any financial enterprise, the following proviso:

“Provided that in respect of any asset first used in the production of income (being assessable income pursuant to the Land and Income Tax Act 1954) on or after the 1st day of April 1975, the rate of depreciation allowable in the calculation of the pre-tax profit of the financial enterprise in any year ending after that date shall, notwithstanding anything in section 114F of that Act, not exceed—

“(a) The rate of ordinary depreciation for the time being allowed by the Commissioner of Inland Revenue pursuant to the first proviso to section 113 (1) of that Act in respect of assets of that kind used for the same purpose; and

“(b) The rate of special depreciation that would have been allowed by the Commissioner of Inland Revenue in respect of assets of that kind if it had first been used for the same purpose in the production of income (being assessable income pursuant to the aforesaid Act) before the 1st day of April 1975.”

3. Admissible costs—(1) The principal regulations are hereby amended—

(a) By omitting from the heading to Part II the words “(CATEGORY B GOODS AND SERVICES)”:

(b) By omitting the heading to regulation 10, and substituting the heading “**Admissible costs (goods and services of Categories A and B)**”.

(2) Regulation 10 (a) of the principal regulations is hereby amended by omitting the heading “*Remuneration Payable Under any Instrument*”, and substituting the heading “*Remuneration Payable Under an Instrument (not being an agreement, whether in writing or not, made between a worker and an employer)*”.

(3) Regulation 10 (a) (i) of the principal regulations is hereby amended by inserting in the first proviso and also in the second proviso, after the words "the amount of that increase", the words "(not being an increase paid pursuant to regulation 4A or regulation 4B of the Wage Adjustment Regulations 1974)".

(4) Regulation 10 of the principal regulations is hereby further amended by revoking paragraph (b), and substituting the following paragraph:

"(b) *Remuneration Payable Under an Instrument (being an agreement, whether in writing or not, made between a worker and an employer) or otherwise than under an instrument to any person (other than a working proprietor)*—The remuneration lawfully being paid on the 30th day of June 1974, increased by the amount of any increase in that rate lawfully paid:

"Provided that where, in the case of remuneration payable under an instrument, the amount of that increase (not being an increase paid pursuant to regulation 4A or regulation 4B of the Wage Adjustment Regulations 1974) exceeds 9 percent of the rate of remuneration being paid on the 30th day of June 1974, the amount of the increase recoverable under this paragraph shall be reduced by the amount by which that increase exceeds 9 percent of the rate of remuneration lawfully being paid on the 30th day of June 1974 but does not exceed 11.25 percent of that rate:

"Provided also that where, in the case of remuneration paid otherwise than under an instrument to any person (other than a working proprietor), the amount of that increase exceeds 9 percent of the rate of remuneration being paid on the 30th day of June 1974, the amount of the increase recoverable under this paragraph shall be reduced by the amount by which that increase exceeds 9 percent of the rate of remuneration being paid on the 30th day of June but does not exceed 11.25 percent of that rate:".

(5) Regulation 10 of the principal regulations is hereby further amended by revoking paragraph (d), and substituting the following paragraph:

"(d) *Depreciation*—Depreciation shall be allowed in respect of any asset at the rate for depreciation for the time being allowed by the Commissioner of Inland Revenue pursuant to the Land and Income Tax Act 1954 in respect of assets of that kind used for the same purpose:

"Provided that in respect of any asset first used in the production of income (being assessable income pursuant to the Land and Income Tax Act 1954) on or after the 1st day of April 1975, the rate of depreciation allowable shall, notwithstanding anything in section 114F of that Act, not exceed—

"(i) The rate of ordinary depreciation for the time being allowed by the Commissioner of Inland Revenue pursuant to the first proviso to section 113 (1) of that Act in respect of assets of that kind used for the same purpose; and

“(ii) The rate of special depreciation that would have been allowed by the Commissioner of Inland Revenue in respect of assets of that kind if it had first been used for the same purpose in the production of income (being assessable income pursuant to that Act) before the 1st day of April 1975.”

(6) No person shall be entitled after the commencement of this regulation to claim or include in the calculation of, or, as the case may be, to continue to recover in, the prices of any goods or services, any allowance for depreciation, in respect of assets to which section 114F of the Land and Income Tax Act 1954 applies, at a rate inadmissible after the commencement of this regulation.

4. Prices of Group 2 services sold by suppliers in business on 14 July 1974 selling services of same kind—Regulation 19 (1) of the principal regulations is hereby amended by revoking paragraph (c), and substituting the following paragraph:

“(c) A profit allowance applied as a separate component item, or as part of some other component, calculated to give the same net percentage margin of profit as that included in the supplier’s price at the date of his last increase in price under the Stabilisation of Prices Regulations 1973* or, as the case may be, the Stabilisation of Prices Regulations 1972†.”

5. Reduction of price of Group 1 services—Regulation 18 of the principal regulations is hereby amended by adding, as subclause (2), the following subclause:

“(2) The provisions of this regulation, so far as they are applicable and with the necessary modifications, shall apply with respect to a reduction of the cost of materials or any other item of cost to any supplier of Group 1 services in the same way as they apply to a reduction of the cost of materials or any other item of cost to a manufacturer of Category B goods.”

6. Reduction of price of Group 2 services—The principal regulations are hereby further amended by inserting, after regulation 20, the following regulation:

“20A. Where the cost of any materials and any other item of cost to any supplier of Group 2 services is reduced, so that the total cost of supplying the Group 2 services is reduced,—

“(a) He shall as soon as reasonably practicable reduce his selling price of the Group 2 services to the extent necessary to reflect the cost saving and any profit allowance which is calculated thereon; and

*S.R. 1973/270

Amendment No. 1: S.R. 1973/282

Amendment No. 2: S.R. 1973/324

Amendment No. 3: S.R. 1974/15

Amendment No. 4: S.R. 1974/95

†S.R. 1972/60

Amendment No. 1: S.R. 1973/70

Amendment No. 2: S.R. 1973/74

Amendment No. 3: S.R. 1973/137

Amendment No. 4: S.R. 1973/153

Amendment No. 5: S.R. 1973/200

Amendment No. 6: S.R. 1973/201

Amendment No. 7: S.R. 1973/239

- “(b) If he is a supplier of Group 2 services to whom regulation 19 (2) (b) hereof applies, he shall forthwith forward to the Secretary notice in writing specifying the reduced price and giving details of the manner in which the reduction in price has been calculated; and
- “(c) If at the time when that reduction in the cost of materials or any other item of cost occurs he is about to increase the price of the Group 2 services pursuant to regulation 19 hereof by reason of an increase in other admissible costs, he shall ensure that the cost saving is offset against the increase in admissible costs, and only the balance (if any) of those admissible costs may be passed on in any price increase under that regulation.”

7. Matters to be considered by appropriate pricing authority in respect of Category A goods and services—Regulation 31 (b) (ii) is hereby amended—

- (a) By omitting the word “applicant”, and substituting the word “trader”;
- (b) By omitting the words “manufacturer or supplier of services”, and substituting the word “trader”.

A. C. McLEOD,

Acting for the Clerk of the Executive Council.

EXPLANATORY NOTE

This note is not part of the regulations, but is intended to indicate their general effect.

Regulation 2 amends the definitions of “pre-tax profit” for the purposes of Part I of the principal regulations (profit limitation provisions). The effect of the amendments is that first-year depreciation rates allowable for income-tax purposes under section 114F of the Land and Income Tax Act 1954 on new plant and equipment purchased on or after 1 April 1975 will be excluded in determining pre-tax profit. Instead, depreciation in respect of such plant and equipment will be admissible at the ordinary rate for the time being allowed under the Land and Income Tax Act 1954 for other assets of that kind used for the same purpose and at the special rate allowed under that Act before 1 April 1975.

Regulation 3 deals with items that may be claimed as admissible costs in calculating the prices of Category B goods and services.

Subclause (1) effects a formal amendment only.

Subclause (2) provides for a new subheading to regulation 10 (a) of the principal regulations to take account of the extended definition of the term “instrument” in the principal regulations. This change in the definition is effected by regulation 2 (1) of the Wage Adjustment Regulations 1974, Amendment No. 4. The term “instrument” now includes agreements made between an individual worker and an employer. The effect of the amendment is to make clear that paragraph (a) continues to relate only to remuneration payable under instruments as that term was previously defined in the principal regulations.

Subclause (3): This subclause makes it clear that no part of the cost of living adjustments provided by regulations 4A and 4B of the Wage Adjustment Regulations 1974 is required to be absorbed by those manufacturers of Category B goods and suppliers of Category B services who did not pay the negotiable 2½ percent wage increase in July 1974 permitted by regulation 5 of the Wage Adjustment Regulations 1974.

Subclause (4) parallels the consequential amendment effected by subclause (2) of this regulation. The effect of the amendment is to make clear that regulation 10 (b) of the principal regulations continues to relate to remuneration payable—

- (a) Under an agreement, whether in writing or not, made between an individual worker and an employer; or

- (b) To any other person (not being a working proprietor) pursuant to an arrangement or agreement not subject to the Wage Adjustment Regulations 1974.

Since remuneration payable under agreements of the kind described in paragraph (a) above is now restricted under the Wage Adjustment Regulations 1974 a similar amendment to that effected under subclause (3) of this regulation is made to make it clear that no part of the cost of living adjustments provided by regulations 4A and 4B of the Wage Adjustment Regulations 1974 is required to be absorbed.

Regulation 3 (5) replaces regulation 10 (d) of the principal regulations, under which depreciation may be allowed as an admissible cost in calculating the prices of Category B goods and services. The new paragraph (d) substantially follows those provisions of the amended definitions of "pre-tax profit" that relate to depreciation.

Regulation 4 relates to the calculation of charges for Group 2 services, and permits suppliers to calculate their allowable profit return by reference to the percentage of profit lawfully taken as at the date of their last lawful increase in price instead of as at 14 July 1974. This amendment places the profitability of suppliers of Group 2 services on the same basis as that of manufacturers of Category B goods and suppliers of Group 1 services.

Regulation 5 amends regulation 18 of the principal regulations (which requires manufacturers of Category B goods to reduce their selling prices and carry out certain other duties in cases where their total cost of production of the particular goods is reduced). The amendment now made imposes a similar requirement on the suppliers of Group 1 services.

Regulation 6 inserts a new regulation 20A (which imposes a similar requirement on suppliers of Group 2 services).

Regulation 7 makes minor drafting changes.

Issued under the authority of the Regulations Act 1936.

Date of notification in *Gazette*: 10 July 1975.

These regulations are administered in the Department of Trade and Industry.