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1988, No. 14

An Act to amend the Income Tax Act 1976
[24 March 1988]

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

1. Short Title and commencement—(1) This Act may be cited as the Income Tax Amendment Act (No. 2) 1988, and shall be read together with and deemed part of the Income Tax Act 1976 (hereinafter referred to as the principal Act).
   (2) Except where this Act otherwise provides, this Act shall come into force on the 17th day of March 1988.

2. Rebate for support of dependent relatives—(1) The principal Act is hereby amended by repealing section 55.
   (2) The following enactments are hereby consequentially repealed:
      (a) Section 57 (2) (k) of the principal Act:
(b) Section 15 of the Income Tax Amendment Act 1982:
(c) Section 8 of the Income Tax Amendment Act 1984:
(d) So much of the Fourth Schedule to the Income Tax Amendment Act (No. 2) 1977 as relates to section 55 of the principal Act.

(3) This section shall apply with respect to the tax on income derived in the income year commencing on the 1st day of April 1988 and in every subsequent year.

3. Rebate in respect of gifts of money and payment of school fees—(1) Section 56A (3) of the principal Act (as inserted by section 9 of the Income Tax Amendment Act (No. 2) 1977) is hereby amended by inserting, after the words “paid by the taxpayer in the income year”, the words “, being an income year commencing on or before the 1st day of April 1987, ”.

(2) This section shall apply to the tax on income derived in the income year commencing on the 1st day of April 1988 and in every subsequent year.

4. Special exemption in respect of life insurance premiums, and other specified contributions—(1) Section 59 (5) of the principal Act is hereby amended by omitting the words “in any income year”, and substituting the words “in any income year that commenced on or before the 1st day of April 1986”.

(2) Section 59 of the principal Act is hereby further amended by inserting, after subsection (5), the following subsection:
“(5A) The deductions by way of special exemption provided for in this section in respect of any taxpayer in the income year which commenced on the 1st day of April 1987 shall not exceed in the aggregate the sum of $1,200, increased by $23 for each month in the period from the 1st day of April 1987 to the 31st day of December 1987, being a month during the whole of which the taxpayer is neither a contributor to the Government Superannuation Fund nor a member of a subsidised superannuation scheme:
“Provided that in no case shall the deduction provided for in this section in respect of any taxpayer in that income year—
“(a) Exceed in the aggregate the sum of $1,400:
“(b) Exceed in the aggregate in respect of contributions to the Government Superannuation Fund or to a subsidised superannuation scheme the sum of $1,200.”
Section 59 of the principal Act is hereby further amended by adding the following subsection:

"(9) Subsection (3) and subsection (4) of this section shall not apply with respect to—

(a) Any premium paid by any taxpayer on or after the 17th day of December 1987 in respect of—

(i) Any policy of life insurance; or

(ii) Any policy of pension insurance; or

(iii) Any policy of personal accident or sickness insurance; or

(b) Any contribution made by any taxpayer on or after the 17th day of December 1987 to—

(i) A specified fund; or

(ii) A designated superannuation scheme; or

(iii) A specified medical fund."

5. Incomes wholly exempt from tax—(1) Section 61 (20) of the principal Act (as amended by section 3 (3) of the Income Tax Amendment Act 1983) is hereby repealed.

(2) The Income Tax Amendment Act 1983 is hereby consequentially amended by repealing section 3 (3).

(3) This section shall be deemed to have come into force on the 16th day of March 1988, and shall apply to interest paid from 5 p.m. New Zealand Standard Time on the 16th day of March 1988.

6. Standard value of livestock—(1) Section 86 (1) of the principal Act (as amended by section 20 of the Income Tax Amendment Act (No. 2) 1987) is hereby amended by repealing the definition of the term "standard value", and substituting the following definition:

"Standard value", in relation to any income year, means—

(a) In relation to any specified livestock, the lesser of—

(i) The amount of the average market value declared for that income year, pursuant to section 86d of this Act, in relation to the class of livestock (being any one of the classes of livestock set out in column 2 of the Twelfth Schedule to this Act) in which that specified livestock is able to be classified at the end of that income year; or

(ii) An amount calculated in accordance with the following formula:
Value $\times \frac{70}{100}

Where—

"Value" is the sum of the following amounts:

"(A) The amount of the average market value declared for that income year, pursuant to section 86D of this Act, in relation to the class of livestock (being any one of the classes of livestock set out in column 2 of the Twelfth Schedule to this Act) in which that specified livestock is able to be classified at the end of that income year:

"(B) The amount of the average market value of the said class of livestock so declared for the income year (that income year being referred to hereafter in this paragraph as the previous income year) immediately preceding the income year first mentioned in this definition:

"(C) The amount of the average market value of the said class of livestock so declared for the income year immediately preceding the previous income year; and

"(b) In relation to any livestock that is not specified livestock, such value as is agreed to by the Commissioner."

(2) This section shall apply with respect to the tax on income derived in the income year that commenced on the 1st day of April 1987 and in every subsequent year.

7. Valuation of high-priced livestock—(1) Section 86c of the principal Act (as inserted by section 8 of the Income Tax Amendment Act (No. 4) 1986) is hereby amended by inserting in the definition of the term "high-priced livestock"—

(a) After the words “during any income year where”, the words “the livestock was, at the time of purchase, capable of being used for breeding or expected to be capable of being used for breeding upon reaching maturity and”; and

(b) After the words “livestock is a sheep”, the words “or a goat”.

(2) This section shall apply with respect to the tax on income derived in the income year that commenced on the 1st day of April 1987 and in every subsequent year.
8. Transitional provisions in relation to livestock revaluation—(1) Section 86c (2) of the principal Act (as inserted by section 8 (1) of the Income Tax Amendment Act (No. 4) 1986) is hereby amended by adding the following proviso:

“Provided that this subsection shall not apply to any notice of election made by any taxpayer, in respect of the value of any type of specified livestock, that is to first apply to an income year in which the taxpayer commences or recommences to derive income from that type of specified livestock where the taxpayer has not owned livestock of that type at any time in the period commencing with the commencement of the income year that commenced with the 1st day of April 1986 and ending with the day immediately preceding the day on which there commences the income year in which the notice of election is to so first apply.”

(2) Section 86c (8) of the principal Act (as inserted by section 8 (1) of the Income Tax Amendment Act (No. 4) 1986) is hereby amended by repealing paragraph (b), and substituting the following paragraph:

“(b) The income year that ends with the 31st day of March 1988, means the lesser of—

“(i) The amount of the average market value declared for that income year, pursuant to section 86d of this Act, in relation to the class of livestock (being any one of the classes of livestock set out in column 2 of the Twelfth Schedule to this Act) in which that specified livestock is able to be classified at the end of that income year:

“(ii) An amount calculated in accordance with the following formula:

\[
\frac{\text{Value}}{2} \times \frac{70}{100}
\]

Where—

“Value” is the sum of the following amounts:

“(A) The amount of the average market value declared for that income year, pursuant to section 86d of this Act, in relation to the class of livestock (being any one of the classes of livestock set out in column 2 of the Twelfth Schedule to this Act) in which that specified livestock is able to be classified at the end of that income year:

“(B) The amount of the average market value for the said class of livestock so declared for
the income year immediately preceding that income year.”

(3) This section shall apply with respect to the tax on income derived in the income year that commenced on the 1st day of April 1987 and in every subsequent year.

9. Deduction for expenditure or loss incurred in production of income from employment—(1) The principal Act is hereby amended by repealing section 105 (as substituted by section 15 (1) of the Income Tax Amendment Act (No. 2) 1985), and substituting the following section:
   “105. (1) For the purposes of this section the term “income from employment” means—
   “(a) Income from employment as defined in section 2 of this Act:
   “(b) Any salary, wages, or other income to which section 6 (2) of this Act applies:
   “(2) Notwithstanding anything in section 104 of this Act, in calculating the assessable income derived by any taxpayer, no deduction shall, except as expressly provided by this Act, be made in respect of any expenditure or loss to the extent to which it is incurred in gaining or producing income from employment.
   “(3) Notwithstanding anything in section 108 of this Act, in calculating the assessable income derived by any taxpayer no deduction shall be allowed in respect of the depreciation of any asset to the extent to which it is used in gaining or producing income from employment.”

(2) Section 336A of the principal Act (as inserted by section 17 of the Income Tax Amendment Act 1984) is hereby consequentially amended—
   (a) By repealing the definition of the term “income from employment”:
   (b) By repealing the definition of the term “standard deduction entitlement” (as amended by section 28 (1) (c) and (2) of the Income Tax Amendment Act 1986).

(3) Section 336B (1) of the principal Act (as inserted by section 17 (1) of the Income Tax Amendment Act 1984 and amended by section 2 (2) and (3) of the Income Tax Amendment Act 1985) is hereby consequentially amended—
(a) By omitting the formula "\(a-(b-c)-d\)" and substituting the formula "\(a-b-d\)".
(b) By repealing item c of the formula.
(4) The Fourth Schedule to the principal Act is hereby repealed.
(5) The following enactments are hereby consequentially repealed:
(a) Section 38 of the Income Tax Amendment Act (No. 2) 1977;
(b) Section 27 (1) of the Income Tax Amendment Act 1982;
(c) Section 15 of the Income Tax Amendment Act (No. 2) 1983;
(d) Section 2 (2) of the Income Tax Amendment Act 1985;
(e) Sections 15 and 48 of the Income Tax Amendment Act (No. 2) 1985;
(f) Section 28 (1) (c) and (2) of the Income Tax Amendment Act 1986.
(6) This section shall apply with respect to the tax on income derived in the income year commencing on the 1st day of April 1988 and in every subsequent year.

10. Gifts of money by medical practitioners to New Zealand Medical Education Trust—Section 145 of the principal Act is hereby amended by inserting, after subsection (1), the following subsection:
"(1A) This section shall not apply to any gift of money made on or after the 1st day of April 1988."

11. Gifts of money by companies to universities, approved institutes, and individuals for education or research—Section 146 of the principal Act is hereby amended by inserting, after subsection (1), the following subsection:
"(1A) This section shall not apply to any gift of money made on or after the 1st day of April 1988."

12. Contributions to employees' superannuation schemes—Section 150 of the principal Act is hereby amended by repealing subsection (4), and substituting the following subsection:
"(4) Notwithstanding anything in this section, in calculating the assessable income of any private company (as defined in section 2 of the Companies Act 1955) for any income year, no deduction shall be allowed of any amount paid on or after the 1st day of April 1988 by way of contributions by the company to any subsidised employee superannuation scheme in respect
of any employee who, in relation to that company, is a major shareholder (as defined in section 336N (1) of this Act).

   (a) By omitting from subsection (2b) the expression “58 percent”, and substituting the expression “42 percent”;
   (b) By omitting from subsection (2c) the expression “53 percent”, and substituting the expression “35 percent”.

14. Export-market development activities incentive for self-employed taxpayers—Section 156c of the principal Act (as inserted by section 18 of the Income Tax Amendment Act 1979 and amended by section 22 (2) of the Income Tax Amendment Act 1986) is hereby amended—
   (a) By omitting from subsection (2b) the expression “58 percent”, and substituting the expression “42 percent”;
   (b) By omitting from subsection (2c) the expression “53 percent”, and substituting the expression “35 percent”.

15. Partial exemption of mining companies—(1) The principal Act is hereby amended by repealing section 217.

16. Income derived by non-resident mining operators from mining ventures—(1) Section 221 (3) of the principal Act is hereby amended by omitting the expression “clause 4”, and substituting the expression “clause 8”.

17. Interpretation—(1) Section 336N (1) of the principal Act (as inserted by section 34 of the Income Tax Amendment Act (No. 2) 1985 and amended by section 34 of the Income Tax Amendment Act 1986) is hereby amended by inserting, after paragraph (d) of the definition of the term “fringe benefit”, the following paragraphs:
“(da) Any contribution to a designated fund:
“(db) Any specified insurance premium or superannuation contribution to a non-designated fund.”.

(2) Section 336N (1) of the principal Act (as so inserted and amended) is hereby further amended by inserting in the definition of the term “fringe benefit”, after the words “availability for private use or enjoyment, a loan, subsidised transport,”, the words “a contribution to a designated fund, a specified insurance premium or a contribution to a non-designated fund, “.

(3) Section 336N (1) of the principal Act (as so inserted and amended) is hereby further amended by repealing subparagraph (ii) of paragraph (j) of the definition of the term “fringe benefit”, and substituting the following subparagraph:
“(ii) It is income of the employee that is exempt from tax in accordance with Part IV of this Act, not being—
“(A) Income that consists of an allowance that, or such part of an allowance as, is exempt from tax in terms of a determination made by the Commissioner under section 73 (2) of this Act where and to the extent that the allowance or, as the case may be, the part thereof so exempted was provided by the employer of the employee to enable the employee to provide a benefit to any person other than the employee:
“(B) Income that consists of a payment by an employer of any life insurance premium on any policy of life insurance that is excluded from the definition of the term “expenditure on account of an employee” in section 2 of this Act by reason of the application of the provisions of any of subparagraphs (i), (ii), and (iii) of paragraph (b) of that definition.”.

(4) Section 336N (1) of the principal Act (as so inserted and amended) is hereby further amended by repealing subparagraph (ix) of paragraph (j) of the definition of the term “fringe benefit”.

(5) Section 336N (1) of the principal Act (as so inserted and amended) is hereby further amended by repealing paragraphs (l) and (m) of the definition of the term “fringe benefit”.

(6) Section 336N (1) of the principal Act (as so inserted and amended) is hereby further amended by inserting, after the definition of the term "benefit", the following definitions:

"Contribution to a designated fund", in relation to an employer of an employee, means any contribution made on or after the 17th day of December 1987 to—

"(a) Any superannuation category 1 scheme which was approved or deemed to be approved for the time being by the Government Actuary under Part II of the Superannuation Schemes Act 1976 on or before the 17th day of December 1987; or

"(b) Any sick, accident, or death benefit fund (as defined in section 60 (1) of this Act) which was in existence on the 17th day of December 1987 and which had been approved by the Commissioner for the purposes of section 61 (41) of this Act on or before that date:

"Contribution to a non-designated fund", in relation to an employer of an employee, means any contribution made on or after the 17th day of December 1987 to—

"(a) Any superannuation category 1 scheme to which paragraph (a) of the definition of the term 'contribution to a designated fund' does not apply; or

"(b) Any superannuation category 2 scheme; or

"(c) Any sick, accident, or death benefit fund (as defined in section 60 (1) of this Act) which has been approved by the Commissioner for the purposes of section 61 (41) of this Act, not being a fund to which the provisions of paragraph (b) of the definition of the term 'contribution to a designated fund' applies; or

"(d) Any insurance fund of a friendly society not being a fund to which paragraph (b) of the definition of the term 'contribution to a designated fund' applies:"

(7) Section 336N (1) of the principal Act (as so inserted and amended) is hereby further amended by inserting, after the definition of the term "quarter", the following definition:

"Specified insurance premium", in relation to an employer of an employee, means any premium paid on or after the 17th day of December 1987 in respect of a policy of life insurance (within the meaning of section 59 of this Act) or a policy of pension insurance (within the meaning of section 59 of this Act) or a
policy of personal accident or sickness insurance (within the meaning of section 59 of this Act) for the benefit of the employee or for the benefit of the spouse or any child of the employee:”.

(8) Subsections (1), (2), (3), (5), (6), and (7) of this section shall apply with respect to fringe benefit tax on fringe benefits provided on or after the 17th day of December 1987.

(9) Subsection (4) of this section shall apply with respect to fringe benefit tax on fringe benefits provided on or after the 1st day of April 1988.

18. Value of fringe benefit—(1) Section 3360 of the principal Act (as inserted by section 34 of the Income Tax Amendment Act (No. 2) 1985 and amended by section 37 of the Income Tax Amendment Act (No. 4) 1986) is hereby amended by inserting, after subsection (3), the following subsections:

“(3A) For the purposes of this Part of this Act, the value of any fringe benefit, being a benefit that consists of a specified insurance premium paid in any quarter by an employer, shall be an amount equal to the amount that, in relation to that specified insurance premium, is the amount of the insurance premium paid by the employer.

“(3B) For the purposes of this Part of this Act, the value of any fringe benefit, being a benefit that consists of a contribution to a designated fund or a contribution to a non-designated fund made in any quarter by an employer, shall be an amount equal to the amount that, in relation to the contribution to a designated fund or, as the case may be, the contribution to a non-designated fund, is the amount of the contribution made by the employer.”

(2) Subsection (1) of this section shall apply with respect to fringe benefit tax on fringe benefits provided on or after the 17th day of December 1987.

19. Fringe benefit tax imposed—(1) Section 336s of the principal Act (as inserted by section 34 of the Income Tax Amendment Act (No. 2) 1985 and amended by section 3 of the Income Tax Amendment Act (No. 4) 1985) is hereby amended by omitting the words “fringe benefit tax at the rate of 48 percent of the taxable value of that fringe benefit:”, and substituting the following words and paragraphs:

“fringe benefit tax at the rate of,—

“(a) In relation to any fringe benefit other than a fringe benefit that consists of a benefit of any of the kinds
referred to in paragraphs (da) and (db) of the definition of the term "fringe benefit" in section 336N (1) of this Act, 48 percent of the taxable value of that fringe benefit:

"(b) In relation to any fringe benefit that consists of a benefit of the kind referred to in paragraph (da) of the definition of the term 'fringe benefit' in section 336N (1) of this Act, 24 percent of the taxable value of that fringe benefit:

"(c) In relation to any fringe benefit that consists of a benefit of the kind referred to in paragraph (db) of the definition of the term 'fringe benefit' in section 336N (1) of this Act, 35 percent of the taxable value of that fringe benefit:"

(2) This section shall apply with respect to fringe benefit tax on fringe benefits provided on or after the 17th day of December 1987.

20. Payment of fringe benefit tax every quarter—For the purposes of section 336T (1) of the principal Act (as substituted by section 37 (1) of the Income Tax Amendment Act 1986), any fringe benefit that consists of a benefit of the kinds referred to in paragraphs (da) and (db) of the definition of the term "fringe benefit" in section 336N (1) of this Act received or enjoyed by any employee of an employer on or after the 17th day of December 1987 and on or before the 30th day of June 1988 shall be deemed to have been received or enjoyed by that employee during the quarter ending with the last day of June 1988.

21. Amount of salary or wages where ordinary payments to superannuation fund are made—(1) The principal Act is hereby amended by repealing section 341 (as amended by section 35 (1) of the Income Tax Amendment Act (No. 2) 1985 and section 10 (2) of the Income Tax Amendment Act (No. 2) 1986).

(2) The following enactments are hereby consequentially repealed:

(a) Section 35 of the Income Tax Amendment Act (No. 2) 1985;

(b) Section 10 (2) of the Income Tax Amendment Act (No. 2) 1986.

(3) This section shall come into force on the 1st day of April 1988.
22. Basic rates of income tax—(1) Part A of the First Schedule to the principal Act (as amended by section 4 (1) of the Income Tax Amendment Act (No. 4) 1985) is hereby amended—

(a) By omitting from clause 2 the expression "53c", and substituting the expression "33c":

(b) By omitting from clause 4 the expression "48c", and substituting the expression "33c":

(c) By omitting from clause 5 the expression "53c", and substituting the expression "33c":

(d) By omitting from clause 7 the expression "48c", and substituting the expression "28c":

(e) By omitting from clause 8 the expression "53c", and substituting the expression "33c":

(f) By omitting from clause 9c the expression "48c", and substituting the expression "28c".

(2) The amount of provisional tax payable after the 17th day of March 1988 by any taxpayer, being a taxpayer that is a person of any of the kinds referred to in clauses 2, 4, 5, and 8 of Part A of the First Schedule to the Income Tax Act 1976, in respect of the income of the income year commencing on the 1st day of April 1988 shall, where that provisional tax is calculated in accordance with the provisions of section 387 of the principal Act, be the amount that would be determined under that section if the basic rate of income tax for every $1 of taxable income were 33c for the income year that commenced on the 1st day of April 1987.

(3) The amount of provisional tax payable after the 17th day of March 1988 by any taxpayer, being a taxpayer that is a person of any of the kinds referred to in clauses 7 and 9c of Part A of the First Schedule to the Income Tax Act 1976, in respect of the income of the income year commencing on the 1st day of April 1988 shall, where that provisional tax is calculated in accordance with the provisions of section 387 of the principal Act, be the amount that would be determined under that section if the basic rate of income tax for every $1 of taxable income were 28c for the income year that commenced on the 1st day of April 1987.

(4) This section shall apply with respect to tax on income derived in the income year commencing on the 1st day of April 1988 and in every subsequent year.

23. Twelfth Schedule—(1) The Twelfth Schedule to the principal Act (as substituted by section 40 of the Income Tax Amendment Act (No. 2) 1987) is hereby amended—
(a) By omitting from column 2, the class “Mixed age ewes (three-year and four-year old ewes)”, and substituting the class “Mixed age ewes (rising three-year old and four-year old ewes)”:

(b) By omitting from column 2 and column 3, the class “Five-year and six-year old ewes”, and substituting in each place the class “Rising five-year and older ewes”:

(c) By omitting the subheading “Angora and Angora Crosses—Purebred and G1 to G4”, and substituting the subheading “Angora and Angora Crosses—Mohair producing including Purebred and G1 to G3”:

(d) By adding to the subheading “Other fibre and meat producing goats” the words “—including Cashmere or Cashgora producing and G4”.

(2) This section shall apply with respect to the tax on income derived in the income year that commenced on the 1st day of April 1987 and in every subsequent year.

This Act is administered in the Inland Revenue Department.