



ANALYSIS

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1966, No. 28

An Act to amend the Land and Income Tax Act 1954

[4 October 1966]

BE IT ENACTED by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:

1. Short Title—This Act may be cited as the Land and Income Tax Amendment Act 1966, and shall be read together with and deemed part of the Land and Income Tax Act 1954 (hereinafter referred to as the principal Act).

2. Application—Except where this Act otherwise provides, this Act shall apply with respect to the tax on income derived in the income year that commenced on the first day of April, nineteen hundred and sixty-six, and in every subsequent year.

PART I

AMENDMENTS OF PRINCIPAL ACT

3. Special exemption in certain cases for a taxpayer employing a housekeeper—Section 83 of the principal Act (as substituted by section 13 (1) of the Land and Income Tax Amendment Act 1965) is hereby amended by omitting from subsection (3) the words “or part of a month”.

4. Special exemption in respect of life insurance premiums and superannuation and insurance fund contributions—(1) The principal Act is hereby further amended by repealing section 85, and substituting the following section:

“85. (1) For the purposes of this section—

“‘Benefit’, in relation to a policy of life insurance, means a benefit that is specified in or is ascertainable from the terms of the policy:

“‘Child’ includes a step-child and a foster child:

“‘Policy of life insurance’, in relation to a taxpayer, means a policy of insurance—

“(a) Which has been effected—

“(i) On the life of the taxpayer; or

“(ii) On the life of the spouse of the taxpayer;
or

“(iii) On the joint lives of the taxpayer and the spouse of the taxpayer; or

“(iv) On the life of a child of the taxpayer; and

“(b) Which, except in the case of a whole of life policy, has a minimum term of—

“(i) At least ten years in any case to which subparagraph (ii) of this paragraph does not apply; or

“(ii) At least five years in any case where the maturity date of the policy is not earlier than the date on which the life assured, or, in the case of a joint policy, either of the lives assured, attains the age of sixty years, if male, or fifty-five years, if female; and

“(c) Under the terms of which no benefits (other than benefits payable or distributable as a result of the death of the life assured or, in the case of a joint policy, of either of the lives assured) are payable or distributable earlier than the expiry of ten years after the commencement of the term of the policy or the maturity date of the policy, whichever is the sooner; and

“(d) Which—

“(i) Provides for the payment or distribution, as a result of the death of the life assured, or, in the case of a joint policy, of either of the lives assured, of a benefit (not being a return of premiums with or without interest) which, in the opinion of the Commissioner, consists substantially of a capital benefit and is not, irrespective of the date of death during the currency of the policy.

materially less than the total benefit payable or distributable under the policy otherwise than as a result of death as aforesaid; or

“(ii) Is a child’s deferred life assurance policy; or

“(iii) The taxpayer proves, to the satisfaction of the Commissioner, is on the life of a person who, owing to ill health or physical disability is unable to effect at ordinary rates a policy of insurance of the kind referred to in subparagraph (i) of this paragraph;—

and includes any policy of insurance effected before the twenty-sixth day of August, nineteen hundred and sixty-six, the premiums in respect of which were allowable as a deduction by way of special exemption under the provisions of the section for which this section was substituted by section 4 of the Land and Income Tax Amendment Act 1966.

“(2) For the purpose of assessing ordinary income tax every taxpayer, other than an absentee, who in any income year pays premiums in respect of a policy of life insurance for the taxpayer’s own benefit, or for the benefit of the taxpayer’s spouse or children, shall be entitled to a deduction by way of special exemption from his or her assessable income for that income year of the amount of those premiums.

“(3) For the purpose of assessing ordinary income tax every taxpayer, other than an absentee, who is a contributor for the taxpayer’s own benefit or for the benefit of the taxpayer’s spouse or children to the National Provident Fund, or to any superannuation fund, or to any insurance fund of a friendly society, or to any similar fund approved by the Commissioner for the purposes of this section, shall be entitled to a deduction by way of special exemption from his or her assessable income for any income year of the amount of his or her contributions during the same income year.

“(4) Notwithstanding the provisions of subsections (2) and (3) of this section, no deduction by way of special exemption shall be allowed in any income year in respect of the premiums paid by a taxpayer in respect of any policy of life insurance on the life of any child, or in respect of contributions for the benefit of any child to the National Provident Fund or to any superannuation fund or to any insurance fund of a friendly society or to any similar fund approved by the

Commissioner for the purposes of this section, unless the taxpayer is entitled to a deduction by way of special exemption under section 83A or section 84 of this Act in respect of that child in the same income year.

“(5) The deductions by way of special exemption provided for in this section—

“(a) In the case of any taxpayer who is a contributor to the Government Superannuation Fund, or who is a member of a superannuation fund to which any person employing or engaging the taxpayer or contracting for the services of the taxpayer is liable to contribute in respect of the income year, shall not in any year exceed in the aggregate the sum of two hundred and fifty pounds:

“(b) In the case of any taxpayer to whom paragraph (a) of this subsection does not apply, shall not in any year exceed in the aggregate the sum of three hundred and twenty-five pounds.

“(6) The Commissioner may, in his discretion, disallow or decline to allow a deduction by way of special exemption—

“(a) Under subsection (2) of this section in respect of premiums paid in respect of any policy of life insurance which is surrendered within five years after the commencement of the term of that policy; or

“(b) Under subsection (3) of this section in respect of contributions to the National Provident Fund or to any superannuation fund or to any insurance fund of a friendly society or to any similar fund approved by the Commissioner for the purposes of this section which are withdrawn within five years after the date on which they were made, unless there is a regular pattern of contributions by the taxpayer to that fund over the whole of the period of five years immediately preceding the date on which the contributions are withdrawn—

and may accordingly make or amend any assessment or assessments of the taxpayer for any year without allowing that deduction. For the purpose of giving effect to this subsection, the Commissioner may amend any assessment or assessments of the taxpayer at any time, notwithstanding the provisions of section 24 of this Act.”

(2) The following enactments are hereby consequentially repealed:

- (a) Section 5 of the Land and Income Tax Amendment Act (No. 2) 1957:
- (b) So much of the Third Schedule to the Income Tax Assessment Act 1957 as relates to section 85 of the principal Act:
- (c) Section 11 of the Land and Income Tax Amendment Act (No. 2) 1959:
- (d) Section 23 of the Land and Income Tax Amendment Act 1964.

5. Certain deferred pay of servicemen exempt from taxation—Section 86 of the principal Act is hereby amended by inserting in subsection (1), after paragraph (j), the following paragraph:

“(jj) Income derived by any person from deferred pay, being pay—

“(i) Granted or paid to him, pursuant to the Navy Act 1954 or the New Zealand Army Act 1950 or the Royal New Zealand Air Force Act 1950, in respect of his service on or after the fifteenth day of July, nineteen hundred and sixty-five, as a member of the New Zealand armed forces in any area outside New Zealand declared to be an active-service area for the purposes of this paragraph by the Minister of Defence, by notice in the *Gazette*, given with the consent of the Minister of Finance; and

“(ii) Declared to be deferred pay for the purpose of this paragraph by the Minister of Defence, by notice in the *Gazette*, given with the concurrence of the Minister of Finance:”.

6. Income exempt from social security income tax—(1) Section 86A of the principal Act (as inserted by section 83 of the Income Tax Assessment Act 1957) is hereby amended by repealing paragraph (a) of subsection (1), and substituting the following paragraph:

“(a) Income assessable for ordinary income tax under section 149 of this Act:”.

(2) Section 86A of the principal Act (as so inserted) is hereby further amended by repealing paragraph (b) of subsection (1) (which paragraph was substituted by section 25 (1) of the Land and Income Tax Amendment Act (No. 2) 1958), and substituting the following paragraph:

“(b) The income derived from interest (other than interest to which section 150A of this Act applies) by any non-resident investment company:”.

(3) Section 25 of the Land and Income Tax Amendment Act (No. 2) 1958 is hereby consequentially amended by repealing subsection (1).

7. Value of livestock—(1) Section 98 of the principal Act is hereby amended by inserting, after subsection (1), the following subsection:

“(1A) For the purposes of this subsection and of subsection (9A) of this section—

“‘Basic number’, in relation to any class of livestock and to any taxpayer carrying on any farming business on any land in New Zealand, means the number (if any) of that class of livestock (being livestock used by the taxpayer in that business or used by any other person in any farming business carried on by that other person on that land) that was on hand at the end of either of the two income years immediately preceding that taxpayer’s year of first election, whichever number is the greater:

“‘Increase over the basic number for the income year’, in relation to any class of livestock and to any income year and to any taxpayer carrying on any farming business on any land in New Zealand, means any excess of the number of that class of livestock (being livestock used by that taxpayer in that business) on hand at the end of that income year over the taxpayer’s basic number of that class of livestock, reduced, on the basis of the specified equivalent, by any decrease in the number of any other class of livestock (being livestock used by that taxpayer in that business) on hand at the end of that income year below that taxpayer’s basic number of that other class of livestock:

“‘Livestock’ means cattle, sheep, or pigs:

“‘Specified equivalent’, in relation to livestock, means that one head of cattle is equivalent to six sheep or four pigs, and three sheep are equivalent to two pigs:

“‘Year of first election’, in relation to any taxpayer carrying on any farming business on any land in New Zealand, means the first income year in respect of which that taxpayer makes an election under subsection (9A) of this section.”

(2) Section 98 of the principal Act is hereby further amended by inserting in subsection (9), after the words "income from livestock", the words "(other than livestock used in dealing operations)".

(3) Section 98 of the principal Act is hereby further amended by inserting, after subsection (9), the following subsection:

"(9A) Notwithstanding anything to the contrary in subsection (4) or subsection (9) of this section, where there is, in relation to any income year and to any taxpayer carrying on any farming business on any land in New Zealand, an increase over the basic number for the income year in relation to any class of livestock (other than livestock used in dealing operations), the taxpayer may, if he so elects, adopt a nil value in respect of the whole or part of that increase over the basic number for the income year to be taken into account at the end of the income year:

"Provided that where, by reason of any change in the pattern of the taxpayer's farming operations or the acquisition of additional land for the purposes of the farming business or the sale or other disposal of land that has been used for the purposes of that business or for any other reason, the Commissioner is of the opinion that the taxpayer is at an unfair advantage or disadvantage for the purposes of this subsection, the Commissioner may make such adjustment for the purposes of this subsection as he considers equitable to meet the special circumstances of the case."

(4) Section 98 of the principal Act is hereby further amended by repealing subsection (10), and substituting the following subsection:

"(10) Notwithstanding anything to the contrary in the foregoing provisions of this section, the executor or administrator of any deceased taxpayer who at the date of his death was deriving income from livestock shall, in the return of income for the period ending with the date of death of the deceased taxpayer, adopt as the value of any livestock on hand at that date the value of that livestock as determined for the purposes of the Estate and Gift Duties Act 1955, unless he elects in respect of any class of livestock (other than livestock used in dealing operations) to adopt instead thereof a lower value, being—

"(a) Where the deceased taxpayer had adopted a standard value in respect of that class of livestock (whether or not he had adopted, under subsection (9A)

of this section, a nil value in respect of any part of that class of livestock)—

“(i) The standard value last adopted by the deceased taxpayer and for the time being in force under subsection (9) of this section; or

“(ii) A new standard value, being higher than the standard value referred to in subparagraph (i) of this paragraph; or

“(b) Where the deceased taxpayer had not adopted a standard value in respect of that class of livestock—

“(i) Such standard value as the Commissioner considers reasonable, having regard to the standard values generally adopted in respect of livestock of the same type and quality; or

“(ii) A standard value higher than the standard value referred to in subparagraph (i) of this paragraph,—

in which event the standard value so adopted in respect of any class of livestock shall be deemed to have been adopted with the concurrence of the Commissioner, and shall be taken into account for the purpose of calculating the assessable income derived by the deceased taxpayer for the period ending with the date of his death and (subject to the provisions of subsections (9) and (9A) of this section) for the purpose of calculating the assessable income derived by the executor or administrator for any period or periods after the date of the death of the deceased taxpayer. In any case in which a standard value is adopted under this subsection, the amount of income tax (if any) required to be allowed as a debt under section 9 of the Estate and Gift Duties Act 1955 in respect of the income of the deceased taxpayer for the period ending with the date of his death shall be calculated in accordance with this subsection.”

(5) Section 98 of the principal Act is hereby further amended by omitting from subsection (4) the words “Subject to the provisions of subsection (9) of this section”.

8. Value of trading stock reduced by obsolescence or other special circumstances—Section 98 of the principal Act is hereby further amended by inserting, after subsection (4), the following subsection:

“(4A) Notwithstanding anything to the contrary in subsection (4) of this section, where the Commissioner is satisfied that, by reason of obsolescence of, or any other special

circumstances relating to, any trading stock (not being live-stock) of any taxpayer, the value of that trading stock to be taken into account at the end of any income year should be an amount (being less than the amount that is the lowest value that could be applicable under that subsection) determined by the Commissioner to be the fair and reasonable value of that trading stock, having regard to—

- “(a) The quantity of that trading stock on hand at the end of that income year; and
- “(b) The quantity of that trading stock sold, exchanged, or used in manufacture by the taxpayer after the end of that income year and the prospects of sale, exchange, or use in manufacture of further quantities of that trading stock; and
- “(c) The quantity of trading stock of the same kind sold, exchanged, or used in manufacture by the taxpayer during that income year and preceding income years; and
- “(d) Such other matters as the Commissioner considers relevant,—

the value of that trading stock to be so taken into account shall, notwithstanding any exercise of the option of the taxpayer under subsection (4) of this section, be the value so determined by the Commissioner:

“Provided that this subsection shall not apply in relation to any taxpayer, unless, by written notice signed by or on behalf of the taxpayer and given to the Commissioner within the time within which the taxpayer is required to furnish a return of his income for the income year at the end of which the value of the trading stock is to be taken into account, or within such further time as the Commissioner, in his discretion, may allow, the taxpayer notifies the Commissioner that he desires this subsection to apply.”

9. Share or interest in trading stock disposed of during income year—Section 98 of the principal Act is hereby further amended by adding to subsection (7) the words “The foregoing provisions of this subsection shall, with the necessary modifications, apply in any case where a share or interest in any trading stock is sold or otherwise disposed of by any taxpayer.”

10. Sale of a share or interest in trading stock together with other assets of a business—Section 101 of the principal Act is hereby amended by inserting, after subsection (2), the following subsection:

“(2A) The foregoing provisions of this section shall, with the necessary modifications, apply in any case where a share or interest in any trading stock is sold or otherwise disposed of together with other assets of a business or with a share or interest in other assets of a business.”

11. Sale of a share or interest in trading stock for inadequate consideration—Section 102 of the principal Act is hereby amended by inserting, after subsection (1), the following subsection:

“(1A) The foregoing provisions of this section shall, with the necessary modifications, apply in any case where a share or interest in any trading stock is sold or otherwise disposed of without consideration in money or money’s worth or for a consideration that is less than the true value of the share or interest at the date of the sale or other disposition.”

12. Spreading of excess income derived on sale of livestock where unduly low standard values or nil value adopted—Section 103 of the principal Act is hereby amended—

- (a) By inserting in subsection (1), after the words “the true value thereof at the date of the sale or other disposition”, the words “or by reason of the adoption of a nil value under subsection (9A) of section 98 of this Act in respect of the livestock”:
- (b) By omitting from subsection (2) and also from subsection (2A) (as inserted by section 26 of the Land and Income Tax Amendment Act 1964) the words “standard value” wherever they occur, and substituting in each case the word “value”.

13. Excess income on sale of livestock where farmer forced to quit farm, or farming business adversely affected by fire, flood, etc.—(1) Section 103A of the principal Act (as substituted by section 27 (1) of the Land and Income Tax Amendment Act 1964) is hereby amended by inserting in subparagraph (ii) of paragraph (a) of subsection (1), after the words “for the purposes of this section”, the words “or by reason of sickness or disease among livestock”.

(2) Section 103A of the principal Act (as so substituted) is hereby further amended by repealing paragraph (c) of subsection (1), and substituting the following paragraph:

- “(c) The price realised, or deemed for the purposes of this Act to have been realised, by the taxpayer for the livestock and taken into account in calculating

the assessable income of the taxpayer was in excess of the standard value last adopted, or, as the case may be, of the nil value adopted under subsection (9A) of section 98 of this Act, in respect of the livestock; and”.

(3) Section 103A of the principal Act (as so substituted) is hereby further amended by adding to paragraph (d) of subsection (1) the following proviso:

“Provided that where, before the end of that second income year, the farming business is affected by a further occurrence of any of the kinds referred to in paragraph (a) of this subsection, the period for acquiring other livestock or retaining progeny of livestock shall be extended to the end of the third income year after the income year in which the livestock was sold or otherwise disposed of.”

(4) Section 103A of the principal Act (as so substituted) is hereby further amended by repealing the definition of the term “assessable excess” in subsection (2), and substituting the following definition:

“‘Assessable excess’, in relation to any taxpayer, means the difference, referred to in paragraph (c) of subsection (1) of this section, between the price taken into account in calculating the assessable income of the taxpayer in respect of the livestock sold or otherwise disposed of by him and the standard value last adopted, or, as the case may be, the nil value adopted under subsection (9A) of section 98 of this Act, in respect of the livestock.”

14. Certain deductions not permitted—Section 112 of the principal Act is hereby amended by adding the following paragraph:

“(h) Any expenditure incurred, directly or indirectly, in advertising over any radio-broadcasting or television station transmitting from any vessel (whether or not a ship within the meaning of the Shipping and Seamen Act 1952), whether the vessel is within or outside the territorial limits of New Zealand.”

15. Special depreciation allowance on plant and machinery and buildings—(1) Section 114A of the principal Act (as substituted by section 7 of the Land and Income Tax Amendment Act (No. 2) 1962) is hereby amended by omitting from paragraph (a) and from paragraph (b) of subsection (1)

(as amended by section 16 (1) of the Land and Income Tax Amendment Act 1965), and also from subsection (1A) (as inserted by section 28 (4) of the Land and Income Tax Amendment Act 1964 and amended by section 16 (1) of the Land and Income Tax Amendment Act 1965), the words “nineteen hundred and sixty-seven”, and substituting in each case the words “nineteen hundred and sixty-eight”.

(2) Section 16 of the Land and Income Tax Amendment Act 1965 is hereby consequentially repealed.

16. Initial depreciation on buildings—(1) Section 116A of the principal Act (as inserted by section 6 of the Land and Income Tax Amendment Act 1961) is hereby amended by omitting from subsection (1) (as amended by section 17 (1) of the Land and Income Tax Amendment Act 1965), and also from subsection (1A) (as inserted by section 30 (2) of the Land and Income Tax Amendment Act 1964 and amended by section 17 (1) of the Land and Income Tax Amendment Act 1965), the words “nineteen hundred and sixty-seven”, and substituting in each case the words “nineteen hundred and sixty-eight”.

(2) Section 17 of the Land and Income Tax Amendment Act 1965 is hereby consequentially repealed.

17. Investment allowance on plant and machinery for use for manufacturing, farming, or agricultural purposes—(1) Section 117A of the principal Act (as inserted by section 11 of the Land and Income Tax Amendment Act (No. 2) 1963 and amended by section 20 (1) of the Land and Income Tax Amendment Act 1965) is hereby further amended by omitting from paragraph (a) of subsection (6), and also from subparagraph (ii) of paragraph (b), paragraph (d), paragraph (e), paragraph (f), and subparagraph (i) of paragraph (g) of subsection (7), the words “the first day of April, nineteen hundred and sixty-seven”, and substituting in each case the words “the seventeenth day of June, nineteen hundred and sixty-six”.

(2) Section 20 of the Land and Income Tax Amendment Act 1965 is hereby consequentially repealed.

18. Investment allowance on plant, machinery, and buildings for use in redevelopment projects in the West Coast, South Island—(1) Section 117c of the principal Act (as inserted by section 13 of the Land and Income Tax Amendment Act (No. 2) 1963) is hereby amended by omitting from

paragraph (a) and from paragraph (b) of subsection (2) (which paragraphs were substituted by section 33 (2) of the Land and Income Tax Amendment Act 1964) the words "nineteen hundred and sixty-seven" wherever they occur, and substituting in each case the words "nineteen hundred and sixty-eight".

(2) Section 117C of the principal Act (as so substituted) is hereby further amended by adding to subsection (4) the following proviso:

"Provided that where—

"(a) The plant or machinery was acquired or installed after the sixteenth day of June, nineteen hundred and sixty-six; and

"(b) The Commissioner is not satisfied that a binding contract for the acquisition or installation of the plant or machinery was completed by all the necessary parties thereto on or before that date,—

the deduction to be allowed under this section in respect of that expenditure shall be of an amount equal to one-tenth of that expenditure."

19. Investment allowance on plant and machinery for use for the purposes of fishing business—Section 117D of the principal Act (as inserted by section 21 (1) of the Land and Income Tax Amendment Act 1965) is hereby amended by repealing subsection (2), and substituting the following subsection:

"(2) Subject to subsection (4) of this section, this section shall apply to any plant or machinery owned by a taxpayer that is for use wholly and exclusively in and for the purposes of any business of fishing carried on in New Zealand by the taxpayer, and that has been acquired or constructed by the taxpayer—

"(a) On or after the first day of April, nineteen hundred and sixty-four, and not later than the sixteenth day of June, nineteen hundred and sixty-six; or

"(b) After the sixteenth day of June, nineteen hundred and sixty-six, if the Commissioner is satisfied that—

"(i) On or before that date a binding contract for the acquisition or construction of the plant or machinery was completed by all the necessary parties thereto; and

"(ii) The period between the date on which the contract was completed and the date on which the plant or machinery was acquired or constructed

did not exceed such period as, in the opinion of the Commissioner, is reasonable in the circumstances of the particular case.”

20. Apportionment of expenditure incurred in purchase of fertiliser and lime and application to land used for farming or agricultural purposes—Section 119B of the principal Act (as inserted by section 14 (1) of the Land and Income Tax Amendment Act (No. 2) 1963) is hereby amended by repealing subsections (2) and (3), and substituting the following subsections:

“(2) Every notice under subsection (1) of this section by which the whole or any part of the expenditure is allocated to any one of the four income years next succeeding the income year in which the expenditure was incurred shall be in writing, and shall be given to the Commissioner within the time within which the taxpayer is required to furnish a return of his income for the year to which the expenditure is so allocated, or within such further time as the Commissioner, in his discretion, may allow in any case or class of cases:

“Provided that where any part of the total amount of the expenditure is not claimed as a deduction for the year in which the expenditure is incurred and is not allocated to any one or more of the three immediately succeeding years by an election under that subsection, that part shall be deducted from the income of the fourth income year following the year in which the expenditure was incurred.

“(3) Where any taxpayer who has made an election or elections under subsection (1) of this section ceases to carry on that business before the expiry of the fourth income year following the income year in which the expenditure as aforesaid was incurred, the total amount of that expenditure or, as the case may be, so much of that total amount as has not previously been allowed as a deduction shall, as the taxpayer (or, where the taxpayer is deceased, his personal representative) elects, either—

“(a) Be allowed as a deduction in calculating the assessable income derived by the taxpayer from that business in the income year in which he ceased to carry on that business; or

“(b) Be allocated equally to the income year in which that total amount was incurred and the succeeding income years in which the taxpayer has continued to carry on that business, and any amount or, as the case may be, additional amount so allocated

to any such year shall be allowed as a deduction or, as the case may be, a further deduction in calculating the assessable income derived by him from that business in that last-mentioned year."

21. Deduction of certain expenditure on land used for farming or agricultural purposes—(1) Section 119D of the principal Act (as inserted by section 16 (1) of the Land and Income Tax Amendment Act (No. 2) 1963) is hereby amended by omitting from paragraph (b) of subsection (1) (as amended by section 22 (1) of the Land and Income Tax Amendment Act 1965), and also from paragraph (c) of that subsection (as inserted by section 22 (2) of that last-mentioned Act), the words "nineteen hundred and sixty-seven", and substituting in each case the words "nineteen hundred and sixty-eight".

(2) Section 119D of the principal Act (as so inserted and amended) is hereby further amended by inserting, after paragraph (c) of subsection (1) (as so inserted) the following paragraph:

"(d) Any expenditure incurred in that business on or after the first day of April, nineteen hundred and sixty-six, and not later than the end of the income year ending with the thirty-first day of March, nineteen hundred and sixty-eight, and not deductible otherwise than under this section, in the construction on the land of feeding platforms, feeding yards, plunge sheep dips, or self-feeding ensilage pits:"

(3) Section 119D of the principal Act (as so inserted) is hereby further amended by repealing subsections (2) and (3), and substituting the following subsections:

"(2) Every notice under the proviso to subsection (1) of this section by which the whole or any part of the expenditure is allocated to any one of the five income years next succeeding the income year in which the expenditure was incurred shall be in writing, and shall be given to the Commissioner within the time within which the taxpayer is required to furnish a return of his income for the year to which the expenditure is so allocated, or within such further time as the Commissioner, in his discretion, may allow in any case or class of cases:

"Provided that where any part of the total amount of the expenditure is not claimed as a deduction for the year in which the expenditure is incurred and is not allocated to any one or more of the four immediately succeeding years by an election

under that proviso, that part shall be deducted from the income of the fifth income year following the year in which the expenditure was incurred.

“(3) Where any taxpayer who has made an election or elections under the proviso to subsection (1) of this section ceases to carry on that business before the expiry of the fifth income year following the income year in which the expenditure as aforesaid was incurred, the total amount of that expenditure or, as the case may be, so much of that total amount as has not previously been allowed as a deduction shall, as the taxpayer (or, where the taxpayer is deceased, his personal representative) elects, either—

“(a) Be allowed as a deduction in calculating the assessable income derived by the taxpayer from that business in the income year in which he ceased to carry on that business; or

“(b) Be allocated equally to the income year in which that total amount was incurred and the succeeding income years in which the taxpayer has continued to carry on that business, and any amount or, as the case may be, additional amount so allocated to any such year shall be allowed as a deduction or, as the case may be, a further deduction in calculating the assessable income derived by him from that business in that last-mentioned year.”

(4) Section 22 of the Land and Income Tax Amendment Act 1965 is hereby consequentially amended by repealing subsection (1).

22. Deduction of gifts of money made by companies to universities and approved research institutes—(1) Section 126A of the principal Act (as inserted by section 24 (1) of the Land and Income Tax Amendment Act 1965) is hereby amended by repealing subsection (1), and substituting the following subsection:

“(1) Subject to the provisions of this section, any company shall, in calculating the assessable income derived by it during any income year, be entitled to a deduction of the amount of any gift of money of the amount of one pound or more (being an amount that is not deductible otherwise than under this section) made by it during that income year to—

“(a) Any university within the meaning of the Universities Act 1961; or

“(b) The Medical Research Council of New Zealand established under the Medical Research Council Act 1950; or

“(c) Any research society, association, or institute, whether incorporated or not, which is approved by the Minister of Finance for the purposes of this section on the recommendation of the said Medical Research Council of New Zealand or of the National Research Advisory Council established under the National Research Advisory Council Act 1963—
for the purposes of research which is of importance in the general economy of New Zealand.”

(2) This section shall apply with respect to gifts made on or after the seventeenth day of June, nineteen hundred and sixty-six.

23. Pensions payable by employers to former employees—
The principal Act is hereby further amended by inserting, after section 128, the following section:

“128A. (1) Subject to the provisions of this section, the Commissioner may, in calculating the assessable income derived in any income year by any taxpayer from any business, allow a deduction in respect of any amount (being an amount which is not deductible otherwise than under this section and which is, in the opinion of the Commissioner, reasonable in the particular circumstances of the case) paid by the taxpayer in that income year by way of a pension to any former employee of the taxpayer in that business, or to the widow of any such employee, in consideration of the past services of that employee in that business of the taxpayer, where the Commissioner is satisfied that—

“(a) The pension is receivable by the recipient as of right under a deed for a fixed period or for life, or, in the case of a pension receivable by a widow, for a fixed period or for life or until she remarries; and

“(b) Except in the case of the death of the employee while in the employment of the taxpayer, or the early retirement of the employee from that employment by reason of his serious illness or permanent disability, the employee did not retire from that employment before attaining the normal retiring age, not being less than the age of sixty years, in the case of a male employee, or fifty-five years, in the case of a female employee, or such earlier age as the Commissioner considers reasonable, having regard to the nature of the business of the taxpayer in which the employee was employed.

“(2) This section shall not apply where the taxpayer is a company and the employee was or is a director thereof, and either—

“(a) The employee was not employed as a full-time permanent employee by the taxpayer; or

“(b) The employee or, as the case may be, the widow of the employee has in the opinion of the Commissioner sufficient income or capital for his or her own support whether by reason of his or her shareholding in the company or otherwise.”

24. Deduction of export-market development and tourist promotion expenditure—(1) Section 129_A of the principal Act (as inserted by section 11 of the Land and Income Tax Amendment Act (No. 2) 1962 and amended by section 25 (1) of the Land and Income Tax Amendment Act 1965) is hereby further amended by omitting from subsection (2) the words “nineteen hundred and sixty-seven”, and substituting the words “nineteen hundred and sixty-eight”.

(2) Section 18 of the Land and Income Tax Amendment Act (No. 2) 1963 is hereby consequentially amended by omitting from subsection (4) (as amended by section 25 (2) of the Land and Income Tax Amendment Act 1965) the words “nineteen hundred and sixty-seven”, and substituting the words “nineteen hundred and sixty-eight”.

(3) Section 25 of the Land and Income Tax Amendment Act 1965 is hereby consequentially repealed.

25. Deduction by reference to export of goods—(1) Section 129_B of the principal Act (as inserted by section 20 of the Land and Income Tax Amendment Act (No. 2) 1963) is hereby amended by omitting from the definition of the expression “base period” in subsection (1) the words “four income years”, and substituting the words “five income years”.

(2) Section 129_B of the principal Act (as so inserted) is hereby further amended by repealing subsection (5) (as substituted by section 36 (2) of the Land and Income Tax Amendment Act 1964), and substituting the following subsection:

“(5) Subject to the provisions of this section, where there is, in relation to an income year and to a taxpayer carrying on in New Zealand any business or businesses in which goods are sold or otherwise disposed of, an increase in export sales for the income year (being the income year that commenced on the first day of April, nineteen hundred and sixty-six, or

the income year next succeeding that income year), a deduction shall be allowed under this section in calculating the assessable income derived by the taxpayer in the income year from that business or, as the case may be, those businesses of an amount equal to fifteen percent of the increase in export sales for the income year."

(3) Section 129B of the principal Act (as so inserted) is hereby consequentially amended by omitting from paragraph (a) of subsection (3), and also from paragraph (c) of that subsection, the words "during the income year immediately succeeding the base period", and substituting in each case the words "during either of the two income years immediately succeeding the base period".

(4) Section 129B of the principal Act (as so inserted) is hereby further consequentially amended by repealing the definition of the expression "gross receipts for the income year" in subsection (1) (as amended by section 36 (1) of the Land and Income Tax Amendment Act 1964).

(5) Section 36 of the Land and Income Tax Amendment Act 1964 is hereby consequentially repealed.

(6) Subject to subsection (7) of this section, this section shall apply with respect to the tax on income derived in the income year that commenced on the first day of April, nineteen hundred and sixty-six, and in the income year next succeeding that income year.

(7) Notwithstanding the amendments made to section 129B of the principal Act by subsections (1) to (4) of this section, the amount of the deduction to which a taxpayer shall be entitled under the said section 129B in calculating the assessable income derived by him in the income year that commenced on the first day of April, nineteen hundred and sixty-six, shall not be less than the amount of the deduction to which he would have been so entitled if those amendments had not been made.

26. Deduction of trade union fees, etc.—The principal Act is hereby further amended by inserting, after section 129c (as inserted by section 26 of the Land and Income Tax Amendment Act 1965), the following section:

"129cc. Any taxpayer who is in the employment of any employer shall, in calculating the assessable income derived by him in any income year, be entitled to a deduction of the amount of any periodical subscriptions, fees, or levies which are paid by him in the income year to any trade or professional

union or association and which are directly related to that employment:

“Provided that the deductions provided for in this section shall not, in the case of any taxpayer, in any income year exceed in the aggregate the sum of ten pounds.”

27. Income equalisation reserve deposits—Section 136c of the principal Act (as inserted by section 29 (2) of the Land and Income Tax Amendment Act 1965) is hereby amended as from its commencement by adding to the second proviso to subsection (1) the words “except where the Commissioner is satisfied that the amount of the refund has, before the making of the subsequent payment by way of deposit, been wholly applied for the purposes of the development or expansion of the business”.

28. Refunds from income equalisation reserve accounts—Section 136E of the principal Act (as inserted by section 29 (2) of the Land and Income Tax Amendment Act 1965) is hereby amended as from its commencement by inserting in the proviso to subsection (3), after the words “in relation to an accounting year”, the words “or within such later time as the Commissioner, in his discretion, may allow in any case or class of cases”.

29. General provisions as to refunds from income equalisation accounts—Section 136K of the principal Act (as inserted by section 29 (2) of the Land and Income Tax Amendment Act 1965) is hereby amended as from its commencement by adding the following subsections:

“(3) Where—

“(a) An assessment made in respect of the income derived by any taxpayer in any accounting year includes any refunds made under sections 136E to 136J of this Act (not being refunds or parts of refunds that are, in accordance with subsection (1) of this section, attributable to deposits or parts of deposits made in respect of that accounting year); and

“(b) The additional tax payable in respect of the aggregate amount of those refunds exceeds the total tax saving in respect of the deposits or parts of deposits to which that aggregate amount of those refunds is attributable in accordance with subsection (1) of this section (not being deposits or parts of deposits to which any refunds or parts of refunds made in

respect of that accounting year are attributable in accordance with that subsection)—
the Commissioner shall allow a rebate equal to the amount of that excess.

“(4) For the purpose of subsection (3) of this section—

“(a) The term ‘additional tax’, in respect of the aggregate amount of refunds made to any taxpayer under sections 136E to 136J of this Act in respect of any accounting year and included in the assessable income derived by the taxpayer in that accounting year (not being refunds or parts of refunds that are, in accordance with subsection (1) of this section, attributable to deposits or parts of deposits made in respect of that accounting year), means the amount by which the income tax payable by the taxpayer under this Part of this Act in respect of that assessable income is greater than the amount that would have been payable but for the inclusion of that aggregate amount of those refunds:

“(b) The term ‘tax saving’, in respect of the aggregate amount of deposits made by any taxpayer under section 136c of this Act in respect of any accounting year (not being deposits or parts of deposits to which any refunds or parts of refunds made in respect of that accounting year are attributable in accordance with subsection (1) of this section), being an aggregate amount in respect of which a deduction has been allowed under section 136D of this Act in calculating the assessable income derived by the taxpayer in that accounting year, means the amount by which the income tax payable by the taxpayer under this Part of this Act in respect of that assessable income is less than the amount that would have been payable but for the allowance of that deduction in respect of that aggregate amount of deposits:

“(c) The tax saving in respect of any deposit or part of a deposit that has been allowed as a deduction under section 136D of this Act in respect of any accounting year shall bear to the tax saving in respect of the aggregate amount of the deposits that have been allowed as a deduction under that section in respect of that accounting year the same proportion that that deposit or part of a deposit bears to that aggregate amount.”

30. Assessment of life insurance companies—(1) The principal Act is hereby further amended by repealing section 149, and substituting the following section:

“149. (1) This section applies to every company engaged in carrying on in New Zealand the business of life insurance (being a company the greater proportion of whose business of life insurance in New Zealand consists, in the opinion of the Commissioner, of issuing policies of life insurance upon human life in New Zealand and the investment and management of money received by way of premiums in respect of such policies).

“(2) Notwithstanding anything to the contrary in this Act, every company to which this section applies shall for the purposes of assessing ordinary income tax be deemed to have derived and to derive profits from its business of life insurance in New Zealand in accordance with the following provisions of this section, and all such profits shall be deemed accordingly to be assessable income of the company.

“(3) In the case of any such company which makes to its policyholders, or to any class or classes of its policyholders, an annual allotment of surplus funds by way of reversionary bonuses or otherwise, the amount of the surplus funds so allotted for any income year in respect of policies comprised in the New Zealand business of the company shall be deemed to be profits derived by the company in that year from its business of life insurance in New Zealand.

“(4) In the case of any such company which makes to its policyholders, or to any class or classes of its policyholders, an allotment of surplus funds by way of reversionary bonuses or otherwise at periodical intervals greater than a year, the amount of the surplus funds allotted for any period in respect of policies comprised in the New Zealand business of the company shall be deemed to be profits derived by the company during that period from its business of life insurance in New Zealand, and the average annual amount thereof shall be deemed to have been derived in each of the income years wholly or partly included in that period.

“(5) If any company to which this section applies has for any income year or other period paid any dividends to shareholders out of profits derived from its business of life insurance, whether carried on in New Zealand or elsewhere, there shall be added to its profits computed in the manner provided by subsection (3) or subsection (4) of this section, as the case

may be, an amount calculated in accordance with the following formula:

$$\frac{a}{b} \times c$$

where—

- a is the amount of the surplus funds allotted by way of reversionary bonuses or otherwise for that income year or that period, as the case may be, in respect of policies comprised in the New Zealand business of the company; and
- b is the amount of the surplus funds allotted by way of reversionary bonuses or otherwise for that income year or that period, as the case may be, in respect of all policies comprised in the business of life insurance of the company, whether carried on in New Zealand or elsewhere; and
- c is the amount of the dividends,—

both a and b being calculated on the same basis of valuation.

“(6) The assessable income for any income year, computed in accordance with the foregoing provisions of this section, of any company to which this section applies shall, notwithstanding anything to the contrary in this Act, be the taxable income of the company for that year derived from its business of life insurance in New Zealand. No such company shall, in respect of its business of life insurance in New Zealand, be assessable for ordinary income tax otherwise than as provided in this section.

“(7) If for any year of assessment any company to which this section applies is unable to furnish returns as to the profits derived or deemed to have been derived by it in accordance with the foregoing provisions of this section during—

“(a) That year, in any case where the company is not a subsisting company; or

“(b) The preceding year, in any case where the company is a subsisting company—

its profits for that year or, as the case may be, that preceding year shall in either case be deemed to be not less than the profits derived by it in accordance with this section during the last preceding year for which returns are available, and ordinary income tax shall be assessed and payable thereon accordingly, and any adjustments, whether by way of the payment of additional tax or the refund of tax, shall be made as soon as practicable thereafter.

“(8) For the purposes of this section—

“(a) The expression ‘policies comprised in the New Zealand business’, in relation to a company to which this section applies, means policies of life insurance upon human life in New Zealand issued by the company; and includes the whole or, as the case may be, part of every policy of life insurance upon human life in New Zealand issued by any other person, being a policy in respect of the whole or, as the case may be, part of which the company as reinsurer has entered into a contract of reinsurance with that other person (not being a contract under which the liability of the company as reinsurer is limited to meeting claims to the extent only of death strain at risk); but does not include the whole or, as the case may be, part of any policy of life insurance upon human life in New Zealand issued by the company, being a policy in respect of the whole or, as the case may be, part of which the company has entered into a contract of reinsurance with any other person as reinsurer (not being a contract under which the liability of that other person as reinsurer is limited to meeting claims to the extent only of death strain at risk) :

“(b) The amount of the surplus funds allotted by way of reversionary bonuses shall be deemed to be the value of those bonuses on the basis of the A 1949–52 Tables for Assured Lives published for the Institute of Actuaries and the Faculty of Actuaries with interest at the rate of four and a half percent per annum.

“(9) Every reference in this section to an income year shall, where the company furnishes a return of income under section 8 of this Act for an accounting year ending with an annual balance date other than the thirty-first day of March, be deemed to be a reference to the accounting year corresponding with that income year, and, in every such case, the provisions of this section shall, with any necessary modifications, apply accordingly.

“(10) For the purposes of this section, the Government Insurance Commissioner shall be deemed to be a company carrying on in New Zealand the business of life insurance, and shall accordingly, in respect of that business, be assessable and liable for ordinary income tax as provided in this section.

“(11) For the purposes of this section, any company which carries on in New Zealand the business of life reinsurance (being a company the greater proportion of whose business of life reinsurance in New Zealand consists, in the opinion of the Commissioner, of entering into contracts of reinsurance in respect of the whole or, as the case may be, part of policies of life insurance on human life in New Zealand issued by other persons and the investment and management of money received by way of premiums in respect of such contracts of reinsurance) shall, in respect of that business, be deemed to be carrying on in New Zealand the business of life insurance, and, in any such case, the provisions of subsections (2) to (9) of this section, with the necessary modifications, shall apply as if—

“(a) References in those provisions to a company to which this section applies were references to a company which carries on in New Zealand the business of life reinsurance as aforesaid; and

“(b) References in those provisions to surplus funds allotted by way of reversionary bonuses or otherwise in respect of policies comprised in the New Zealand business of a company to which this section applies were references to funds so allotted in respect of the whole or, as the case may be, part of policies of life insurance on human life in New Zealand in respect of which a company which carries on in New Zealand the business of life reinsurance as aforesaid has entered into contracts of reinsurance as aforesaid (not being contracts under which the liability of the company as reinsurer is limited to meeting claims to the extent only of death strain at risk),—

and the company shall, in respect of that business, be assessable and liable for ordinary income tax accordingly.”

(2) Section 78D of the principal Act (as inserted by section 5 (1) of the Land and Income Tax Amendment Act 1964) is hereby consequentially amended by omitting the words “by virtue of subsection (4) of that section”, and substituting the words “by virtue of subsection (5) of that section”.

(3) The following enactments are hereby consequentially repealed:

(a) So much of the Third Schedule to the Income Tax Assessment Act 1957 as relates to section 149 of the principal Act:

(b) Subsection (2) of section 8 and section 14 of the Land and Income Tax Amendment Act 1964.

(4) Subject to subsections (5) and (6) of this section, subsection (1) of this section shall apply and, where necessary, be deemed to have applied—

(a) In the case of every company to which section 149 of the principal Act (as substituted by subsection (1) of this section) applies, with respect to the tax on income derived in the income year that commenced on the first day of April, nineteen hundred and sixty-six (which income year is hereinafter in this section referred to as the year of transition), and in every subsequent year:

(b) In the case of any company to which subsection (4) of section 149 of the principal Act (as so substituted) applies, with respect to the tax on income derived in any income year before the year of transition, if that income year is included in any period (being a period for which the company allots surplus funds by way of reversionary bonuses or otherwise) which also includes the year of transition, whether or not it also includes any subsequent year.

(5) Where any company to which section 149 of the principal Act (as so substituted) applies derives in any income year (being the year of transition or the income year commencing on the first day of April, nineteen hundred and sixty-seven, or the income year commencing on the first day of April, nineteen hundred and sixty-eight) any dividends, being—

(a) Where the company is resident in New Zealand, dividends derived by the company from companies, other than from companies that are exempt from income tax:

(b) Where the company is not resident in New Zealand, dividends derived by the company from New Zealand companies, other than from companies that are exempt from income tax (not being dividends which, but for section 9 of the Land and Income Tax Amendment Act 1965, would not, by virtue of the amendments made to section 4 of the principal Act by subsection (1) of section 5 of the Land and Income Tax Amendment Act 1965, be dividends for the purposes of the principal Act),—

the taxable income of the company for that income year derived from its business of life insurance in New Zealand shall be the amount which, but for this subsection, would be the amount of that taxable income, reduced to the extent following:

- (c) In the case of the year of transition, by an amount equal to the total amount of those dividends derived by the company in that year:
- (d) In the case of the income year commencing on the first day of April, nineteen hundred and sixty-seven, by an amount equal to two-thirds of the total amount of those dividends derived by the company in that year:
- (e) In the case of the income year commencing on the first day of April, nineteen hundred and sixty-eight, by an amount equal to one-third of the total amount of those dividends derived by the company in that year.

(6) Where any company to which subsection (4) of section 149 of the principal Act (as so substituted) applies has derived in any income year before the year of transition (being an income year to which paragraph (b) of subsection (4) of this section applies) any dividends, being—

- (a) Where the company is resident in New Zealand, dividends derived by the company from companies, other than from companies that are exempt from income tax:
- (b) Where the company is not resident in New Zealand, dividends derived by the company from New Zealand companies, other than from companies that are exempt from income tax (not being dividends which, but for section 9 of the Land and Income Tax Amendment Act 1965, would not, by virtue of the amendments made to section 4 of the principal Act by subsection (1) of section 5 of the Land and Income Tax Amendment Act 1965, be dividends for the purposes of the principal Act),—

the taxable income of the company for that income year derived from its business of life insurance in New Zealand shall be the amount which, but for this subsection, would be the amount of that taxable income, reduced by an amount equal to the total amount of those dividends derived by the company in that year.

(7) For the purposes of section 149 of the principal Act (as in force before the passing of this Act) the amount of the surplus funds allotted by way of reversionary bonuses—

- (a) In the case of any company to which subsection (2) of that section (as so in force) applied, for the income year that ended with the thirty-first day of March, nineteen hundred and sixty-six; or

- (b) In the case of any company to which subsection (3) of that section (as so in force) applied, for any period that ended with the income year that ended with the thirty-first day of March, nineteen hundred and sixty-six,—

shall, notwithstanding anything to the contrary in that section (as so in force), be deemed to be the value of those bonuses on the basis of the A 1949–52 Tables for Assured Lives published for the Institute of Actuaries and the Faculty of Actuaries with interest at the rate of four and a half percent per annum.

(8) Section 149 of the principal Act (as in force before the passing of this Act) shall be deemed to have been amended as from the commencement of section 5 of the Land and Income Tax Amendment Act 1965 by inserting in subsection (3A) (as inserted by section 14 of the Land and Income Tax Amendment Act 1964), after the words “companies that are exempt from taxation”, the words “(not being dividends which, but for section 9 of the Land and Income Tax Amendment Act 1965, would not, by virtue of the amendments made to section 4 of this Act by subsection (1) of section 5 of the Land and Income Tax Amendment Act 1965, be dividends for the purposes of this Act)”.

(9) Every reference in this section to an income year shall, where the company furnishes a return of income under section 8 of the principal Act for an accounting year ending with an annual balance date other than the thirty-first day of March, be deemed to be a reference to the accounting year corresponding with that income year, and, in every such case, the provisions of this section shall, with any necessary modifications, apply accordingly.

31. Partial exemption of life insurance companies—

(1) Section 150 of the principal Act is hereby amended by repealing subsection (1), and substituting the following subsection:

“(1) Unless otherwise provided in the annual taxing Act for any year, the amount of ordinary income tax payable by any company that is assessable for ordinary income tax under section 149 of this Act (other than income tax payable in respect of income derived otherwise than from the business of life insurance) shall be nine-twentieths of the amount that would be payable by the company (after taking into account any rebate under section 78D of this Act and any rebate from ordinary income tax under section 78E of this Act) if this section had not been passed.”

(2) The following enactments are hereby consequentially repealed:

- (a) So much of the Third Schedule to the Income Tax Assessment Act 1957 as relates to section 150 of the principal Act:
- (b) Subsection (4) of section 6 of the Land and Income Tax Amendment Act 1964.

32. Partial exemption in respect of interest derived from certain debentures—(1) The principal Act is hereby further amended by inserting, after section 150, the following section:

“150A. (1) For the purposes of this section—

“ ‘Development project’ means any undertaking, scheme, or work that, pursuant to an Order in Council made under subsection (3) of section 86A of this Act, is a development project for the purposes of that section:

“ ‘Amount’, in relation to a debenture, means the principal sum expressed to be secured by or owing under the debenture.

“(2) Where any company which is not resident in New Zealand and which carries on the business of life insurance (not being a company that is assessable for ordinary income tax under section 149 of this Act) derives interest from any debenture, being a debenture—

“(a) That was issued to the company before the twenty-sixth day of August, nineteen hundred and sixty-six; and

“(b) The amount of which has been used wholly or principally for the purposes of a development project; and

“(c) The interest from which that was derived during any income year before the income year that commenced on the first day of April, nineteen hundred and sixty-six, has been assessed for ordinary income tax pursuant to the provisions of subsection (1) of section 150 of this Act (as in force before the commencement of this section),—

the amount of ordinary income tax payable by the company in respect of any interest derived by it from that debenture in any income year shall, unless otherwise provided in the annual taxing Act for any year, be nine-twentieths of the amount that would be payable by the company (after taking into account any rebate from ordinary income tax under section 78c or section 78E of this Act in respect of that interest) if this section had not been passed.

“(3) For the purposes of this section, the provisions of subsection (2) of section 150 of this Act shall apply as far as they are applicable.”

(2) Section 78B of the principal Act (as inserted by section 4 of the Land and Income Tax Amendment Act 1959 and amended by section 6 (1) (a) of the Land and Income Tax Amendment Act 1964) is hereby further amended by omitting from subsection (2) the words “(other than dividends)”, and substituting the words “(other than interest to which section 150A of this Act applies or dividends)”.

(3) Section 6 of the Land and Income Tax Amendment Act 1964 is hereby consequentially amended by repealing paragraph (a) of subsection (1).

33. Insurance companies other than life insurance companies—Section 151 of the principal Act is hereby amended by adding to paragraph (a) of subsection (1) the words “to the extent that the income so derived consists of income other than income of the kinds referred to in paragraph (c), paragraph (d), paragraph (e), paragraph (f), paragraph (i), paragraph (j), or paragraph (jj) of section 167 of this Act”.

34. Assessment of taxable income derived by non-residents from the carriage by sea outside New Zealand of merchandise, goods, livestock, mails, or passengers shipped or embarked in New Zealand—(1) The principal Act is hereby further amended by inserting, after section 154A (as inserted by section 10 of the Land and Income Tax Amendment Act 1956), the following heading and section:

“Overseas Shipping Freight and Passage Money

“154B. (1) Notwithstanding anything to the contrary in this Act, where a ship belonging to or chartered by any person, being resident in a country or territory outside New Zealand and not being resident in New Zealand, carries outside New Zealand merchandise, goods, livestock, mails, or passengers shipped or embarked in New Zealand, five percent of the gross amount paid or payable to that person in respect of that carriage, whether that amount is payable in or outside New Zealand, shall be deemed to be taxable income derived by him from New Zealand. No person to whom this subsection applies shall, in respect of carriage as aforesaid, be assessable for income tax otherwise than as provided in this subsection.

“(2) For the purposes of this section—

“(a) Merchandise, goods, livestock, mails, or passengers shipped or embarked on any ship at any port in New Zealand for carriage outside New Zealand shall be deemed to be carried outside New Zealand from that port notwithstanding that the ship calls at any one or more other ports in New Zealand before finally leaving New Zealand on that voyage:

“(b) ‘Income tax’, in respect of any country or territory outside New Zealand, means any tax which, in the opinion of the Commissioner, is substantially of the same nature as income tax imposed under this Part of this Act.

“(3) The Commissioner may exempt in whole or in part from his liability, pursuant to subsection (1) of this section, to pay income tax in New Zealand any person, or any class or classes of persons, being resident in a country or territory outside New Zealand and not being resident in New Zealand, if and so far as he is satisfied that in corresponding circumstances the like person or, as the case may be, the like class or classes of persons, being resident in New Zealand, are not liable to or are exempt from income tax imposed by the laws of that country or territory.”

(2) This section shall apply with respect to the tax for the year of assessment that commenced on the first day of April, nineteen hundred and sixty-six, and for every subsequent year.

(3) Any assessment heretofore made for the year of assessment that commenced on the first day of April, nineteen hundred and sixty-five, or for any prior year of assessment, on any person who is not resident in New Zealand shall, in so far as it includes as taxable income any amount equal to a proportion of the gross amount paid or payable to that person (whether that amount was payable in or outside New Zealand) in respect of the carriage by sea outside New Zealand of merchandise, goods, livestock, or passengers shipped or embarked in New Zealand shall be deemed to have been validly and lawfully made.

35. Classes of income deemed to be derived from New Zealand—(1) Section 167 of the principal Act is hereby amended by inserting, after paragraph (a), the following paragraph:

“(aa) Income derived from any business carried on out of New Zealand to the extent that that income consists of income of the kinds referred to in

paragraph (c) or paragraph (d) or paragraph (e) or paragraph (f) or paragraph (i) or paragraph (j) or paragraph (jj) of this section:".

(2) Section 167 of the principal Act is hereby further amended as from its commencement by inserting in paragraph (m), after the word "merchandise", the words "goods, livestock".

36. Reciprocal arrangements for exemption of non-resident traders—(1) Section 171 of the principal Act is hereby repealed.

(2) Section 224 of the principal Act is hereby consequentially amended by omitting the words "section 171 or under".

(3) Section 51 of the Income Tax Assessment Act 1957 is hereby consequentially amended by omitting the words "section 171 or".

(4) All Orders in Council in force immediately before the passing of this Act made for the purpose of giving effect to arrangements with the Government of any country or territory outside New Zealand with a view to affording relief from double taxation of income and purporting to have been made under sections 171 and 172 of the principal Act, or the corresponding provisions of any former Act, shall be deemed to have been validly made under section 172 of the principal Act, or, as the case may be, the corresponding provisions of that former Act, and shall continue to have effect accordingly.

37. Excess retention tax payable by privately controlled companies only—(1) The principal Act is hereby further amended by repealing section 172^{BB} (as inserted by section 9 (1) of the Land and Income Tax Amendment Act 1961), and substituting the following section:

"172^{BB}. (1) In this Part of this Act the term 'privately controlled company' means any company which is a proprietary company, other than a proprietary company in which all the shares are beneficially held by or on behalf of one or more other companies none of which is a proprietary company:

"Provided that nothing in this definition shall be deemed to render liable to excess retention tax any company (whether incorporated before or after the commencement of this section) which would not have been a privately controlled company within the meaning of the section for which this section was substituted by section 37 of the Land and Income Tax Amendment Act 1966.

“(2) For the purposes of subsection (1) of this section, where shares in any proprietary company are beneficially held by or on behalf of another proprietary company and all the shares in the last-mentioned proprietary company are held by one or more other companies none of which is a proprietary company, the shares in the first-mentioned proprietary company shall be deemed to be held on behalf of that other company or companies.

“(3) In this section the term ‘proprietary company’ has the same meaning as in paragraph (a) of subsection (1) of section 138 of this Act.”

(2) Section 9 of the Land and Income Tax Amendment Act 1961 is hereby consequentially amended by repealing subsection (1).

(3) This section shall apply with respect to the tax for the year of assessment that commenced on the first day of April, nineteen hundred and sixty-six, and for every subsequent year.

38. Special allowance for excess retention tax purposes of income required for essential development or expansion—

(1) The principal Act is hereby further amended by repealing section 172KK (as inserted by section 22 (1) of the Land and Income Tax Amendment Act 1960), and substituting the following section:

“172KK. (1) In any case where the Commissioner is satisfied that—

“(a) The whole or any part of the insufficient distribution of the income derived by a company in any accounting year has been retained by the company for the purposes of essential development or expansion involving—

“(i) The acquisition, erection, installation, or extension of fixed assets; or

“(ii) An increase in current assets; and

“(b) The resources of the company and the amount of the retention allowance in relation to the income derived by the company in that accounting year are insufficient to meet that development or expansion,—

the Commissioner may, in his discretion, upon application in that behalf made in writing by or on behalf of the company within the prescribed period in relation to that accounting year, or within such further period as the Commissioner, in his discretion, may allow in any case or class of case, release

the company wholly or in part from its liability to pay excess retention tax upon the amount of the insufficient distribution that is retained by the company for such purposes, and the excess retention tax on that insufficient distribution may be assessed or reassessed accordingly.

“(2) Where under this section any company is released in whole or in part from its liability to pay any excess retention tax upon the amount of any insufficient distribution of the income derived by the company in any accounting year—

“(a) On the grounds referred to in subparagraph (i) of paragraph (a) of subsection (1) of this section, and the Commissioner is not satisfied that before the expiration of three years after the end of that accounting year—

“(i) The whole amount of the insufficient distribution in respect of which relief was so given has been expended by the company in the acquisition, erection, installation, or extension of fixed assets; or

“(ii) A binding contract for the acquisition, erection, installation, or extension of fixed assets requiring the payment by the company of the whole amount of that insufficient distribution is completed by all the necessary parties thereto; or

“(iii) The company has dealt with the whole amount of that insufficient distribution partly in the manner specified in subparagraph (i) and partly in the manner specified in subparagraph (ii) of this paragraph; or

“(b) On the grounds referred to in subparagraph (ii) of paragraph (a) of subsection (1) of this section, and the Commissioner is satisfied that at the expiration of three years after the end of that accounting year there has been a reduction in the current assets of the company, not being a reduction in the ordinary course of business of the company,—

the Commissioner may reassess the excess retention tax on the amount of that insufficient distribution in such manner and to such extent as he considers reasonable to meet the circumstances of that particular case.

“(3) For the purposes of this section the term ‘current assets’ means—

“(a) Trading stock; and

“(b) Book debts arising from the sale or other disposition of trading stock; and

“(c) Consumable aids or assets of a similar nature.”

(2) The following enactments are hereby consequentially repealed:

(a) Section 22 of the Land and Income Tax Amendment Act 1960:

(b) Section 46 of the Land and Income Tax Amendment Act 1964.

(3) This section shall apply with respect to the tax for the year of assessment that commenced on the first day of April, nineteen hundred and sixty-six, and for every subsequent year.

39. Repealing agency provisions as to debentures issued by local or public authorities—The principal Act is hereby further amended by repealing sections 188 and 189.

40. Agents in New Zealand of principals resident abroad—
(1) The principal Act is hereby further amended by repealing section 201 (as substituted by section 25 of the Land and Income Tax Amendment Act (No. 2) 1963), and substituting the following section:

“201. (1) For the purposes of this section, the term ‘income tax’, in respect of any country or territory outside New Zealand, means any tax which, in the opinion of the Commissioner, is substantially of the same nature as income tax imposed under Part VI of this Act.

“(2) Subject to the provisions of this section, when any person in New Zealand, on behalf of a principal who is resident in a country or territory outside New Zealand and is not resident in New Zealand, is instrumental in procuring the purchase from that principal of goods or merchandise which are in New Zealand or are to be imported into New Zealand in pursuance of or in consequence of that purchase, whether the contract of purchase is made in New Zealand or elsewhere, the principal shall in respect of the sale by him of the goods or merchandise be deemed to be carrying on business in New Zealand through the agency of that person; and the income derived from that business shall be deemed to be derived from New Zealand, in the same manner and to the same extent as if the contract had been made in New Zealand, and shall be assessable for income tax accordingly, and the agent shall make returns and pay tax accordingly.

“(3) The Commissioner may exempt in whole or in part from his liability, pursuant to subsection (2) of this section, to pay income tax in New Zealand any principal or class or classes of principals, being resident in a country or territory

outside New Zealand and not being resident in New Zealand, if and so far as he is satisfied that in corresponding circumstances the like principal or, as the case may be, the like class or classes of principals, being resident in New Zealand, are not liable to or are exempt from income tax imposed by the laws of that country or territory.

“(4) Every exemption granted under subsection (3) of this section to a principal shall extend to exempt from income tax in New Zealand (in his capacity of agent, but not otherwise) the agent of that principal.”

(2) Section 51 of the Income Tax Assessment Act 1957 is hereby amended by inserting, after the words “section 170”, the words “or subsection (3) or subsection (4) of section 201”.

(3) Section 25 of the Land and Income Tax Amendment Act (No. 2) 1963 is hereby consequentially repealed.

41. Refund of excess tax—(1) The principal Act is hereby further amended by repealing section 223, and substituting the following section:

“223. (1) In any case where the Commissioner is satisfied that tax has been paid in excess of the amount properly payable, he shall refund the amount paid in excess:

“Provided that, subject to subsection (2) of this section, no refund shall be made under this section after the expiration of the period of six years immediately after the end of the year in which the assessment was made or, in any case where the original assessment has been altered (whether once or more than once), after the end of the year in which the original assessment was made, unless written application for the refund is made by or on behalf of the taxpayer before the expiration of that period.

“(2) In any case where an assessment has been altered so as to increase the amount of tax payable and the Commissioner is satisfied that by reason of that alteration tax has been paid in excess of the amount properly payable, he shall, notwithstanding that the time limited in accordance with the provisions of subsection (1) of this section for the making of a refund may have expired, refund the amount so paid in excess by reason of that alteration:

“Provided that, in any such case, no refund shall be made under this section after the expiration of the period of six years immediately after the end of the year in which the alteration was made, unless written application for the refund is made by or on behalf of the taxpayer before the expiration of that period.”

(2) Section 223A of the principal Act (as inserted by section 36 of the Land and Income Tax Amendment Act (No. 2) 1958) is hereby consequentially amended by omitting from subsection (1) the words “time specified for making an application for the refund”, and substituting the words “time limited for the making of a refund”.

(3) Section 89 of the Income Tax Assessment Act 1957 is hereby consequentially amended by repealing paragraph (e).

(4) This section shall come into force on the date of the passing of this Act.

42. Relief in cases of serious hardship—(1) Section 226 of the principal Act is hereby amended by omitting from subsection (1A) (as inserted by section 37 of the Land and Income Tax Amendment Act (No. 2) 1958) the words “a widow or widower”, and substituting the words “a widow, a widower, a divorced person, or a separated person”.

(2) Section 226 of the principal Act is hereby further amended by adding the following subsection:

“(3) For the purposes of this section, the expression ‘separated person’ has the same meaning as in section 83 of this Act.”

PART II

AMENDMENTS OF INCOME TAX ASSESSMENT ACT 1957

43. Relatives as dependants for purposes of tax code—

(1) Section 14 of the Income Tax Assessment Act 1957 (as amended by section 34 (1) of the Land and Income Tax Amendment Act 1965) is hereby further amended by omitting from paragraph (a) of subsection (8), and also from paragraph (b) of that subsection and from paragraph (a) of subsection (9), the words “three hundred pounds”, and substituting in each case the words “three hundred and twenty-five pounds”.

(2) Section 34 of the Land and Income Tax Amendment Act 1965 is hereby consequentially repealed.

(3) This section shall come into force on the first day of April, nineteen hundred and sixty-seven.

44. Adjustment of excessive tax deductions—(1) The Income Tax Assessment Act 1957 is hereby further amended by repealing section 25 (as substituted by section 39 of the Land and Income Tax Amendment Act 1959), and substituting the following section:

“25. In any case where—

“(a) The amount of income tax for which a pay-period taxpayer is liable in respect of the income derived by him in any year is determined exclusively and finally, pursuant to the provisions of subsection (1) of section 23 of this Act, by the total amount of the tax deductions required under this Part of this Act to be made from that income; and

“(b) The Commissioner is satisfied that the total amount of the tax deductions made from payments of that income to the taxpayer is in excess of the total amount of the tax deductions required under this Part of this Act to be made from that income,—
the Commissioner shall pay to the taxpayer the amount of that excess or, at the option of the Commissioner, credit that amount in payment of any tax due by the taxpayer and unpaid:

“Provided that no payment shall be made or credit given under this section after the expiration of the period of six years immediately after the end of the year in which that income was derived, except where written application for the payment or credit is made by or on behalf of the taxpayer before the expiration of that period.”

(2) Section 39 of the Land and Income Tax Amendment Act 1959 is hereby consequentially repealed.

(3) This section shall come into force on the date of the passing of this Act.

45. Refund of tax deductions—(1) Section 28 of the Income Tax Assessment Act 1957 is hereby amended by repealing subsection (5A) (as inserted by section 43 of the Land and Income Tax Amendment Act 1959 and amended by section 2 (2) of the Land and Income Tax Amendment Act 1960).

(2) The following enactments are hereby consequentially repealed:

(a) Section 43 of the Land and Income Tax Amendment Act 1959:

(b) So much of the Schedule to the Land and Income Tax Amendment Act 1960 as relates to section 28 of the Income Tax Assessment Act 1957.

(3) This section shall come into force on the date of the passing of this Act.

46. Refund of provisional tax—(1) Section 57 of the Income Tax Assessment Act 1957 is hereby amended by repealing subsection (2A) (as inserted by section 48 of the Land and Income Tax Amendment Act 1959 and amended by section 2 (2) of the Land and Income Tax Amendment Act 1960).

(2) The following enactments are hereby consequentially repealed:

(a) Section 48 of the Land and Income Tax Amendment Act 1959:

(b) So much of the Schedule to the Land and Income Tax Amendment Act 1960 as relates to section 57 of the Income Tax Assessment Act 1957.

(3) This section shall come into force on the date of the passing of this Act.

This Act is administered in the Inland Revenue Department.
