ANALYSIS

1963, No. 140

An Act to amend the Land and Income Tax Act 1954

[*25 October 1963*

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 (No. 2) 1963, 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-three, and in every subsequent year.

3. Date by which annual return of land to be furnished—(1) Section 14 of the principal Act (as substituted by subsection (1) of section 3 of the Land and Income Tax Amendment Act (No. 2) 1959) is hereby amended by omitting from subsection (3) the word "April", and substituting the word "May".

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

4. Special exemption in respect of gifts of money and payments of school fees—Section 84B of the principal Act (as inserted by section 4 of the Land and Income Tax Amendment Act (No. 2) 1962) is hereby amended by repealing subsection (4), and substituting the following subsection:

"(4) The deductions by way of special exemption provided for in this section—

"(a) In respect of any gifts to which subparagraph (i) of paragraph (b) of this subsection does not apply, shall not, in the case of any taxpayer, in any income year exceed in the aggregate the sum of twenty-five pounds:

"(b) In respect of—

"(i) Any gifts made exclusively for the purposes of any school of any of the kinds referred to in subsection (3) of this section; and

"(ii) Any fees to which that subsection applies,—

shall not, in the case of any taxpayer, in any income year exceed in the aggregate the amount by which the sum of fifty pounds exceeds the aggregate amount of the deductions allowed in that year under paragraph (a) of this subsection."

5. Exemption from income tax of certain companies carrying on business in the Cook Islands—Section 86 of the principal Act is hereby amended by inserting in subsection (1), after paragraph (gg) (as inserted by subsection (1) of section 7 of the Land and Income Tax Amendment Act 1955), the following paragraph:

"(ggg) The income of a New Zealand company, being a company the income of which is derived exclusively or principally from the Cook Islands (including Niue) and which the Commissioner is satisfied is under the control of persons none of whom is resident in New Zealand:

"Provided that the exemption under this paragraph shall not extend to any income derived by the company from sources in New Zealand:".

6. Exemption from income tax of compensation received under the Criminal Injuries Compensation Act 1963—(1) Section 86 of the principal Act is hereby further amended by inserting in subsection (1), after paragraph (v), the following paragraph:

"(vv) Income derived by any person from any compensation received by him under the Criminal Injuries Compensation Act 1963, whether as a lump sum or by periodical payments:".

(2) This section shall come into force on the first day of January, nineteen hundred and sixty-four.

7. Exemption from income tax and excess retention tax of New Zealand companies deriving income from development projects in the Cook Islands—(1) The principal Act is hereby further amended by inserting, after section 86A (as inserted by section 83 of the Income Tax Assessment Act 1957), the following section:

"86B. (1) For the purposes of this section, the term 'Cook Islands' includes Niue.

"(2) Where the income of a New Zealand company is derived exclusively or principally from any business or enterprise (being a business or enterprise that pursuant to an Order in Council made under subsection (3) of this section is a development project for the purposes of this section) carried on by that company in the Cook Islands, the

income derived by that company from sources in the Cook Islands from that business or enterprise, being income so derived while that Order in Council remains in force, shall be exempt from income tax.

"(3) Where the Governor-General is satisfied that any business or enterprise is or is to be entered upon wholly or principally for the purpose of developing the Cook Islands or is or will be of importance in the development of the Cook Islands, he may, by Order in Council, declare that business or enterprise to be a development project for the purposes of this section.

"(4) Every Order in Council under subsection (3) of this section may be at any time in like manner revoked."

(2) Section 172C of the principal Act (as enacted by section 15 of the Land and Income Tax Amendment Act (No. 2) 1958) is hereby amended by adding the following paragraph:

"(l) A company, the income of which is derived exclusively or principally from any business or enterprise (being a business or enterprise in respect of which an Order in Council made under subsection (3) of section 86B of this Act is in force at the end of the accounting year of the company) carried on by the company in the Cook Islands (including Niue)."

8. Additional deduction for depreciation of plant, machinery, and equipment used for scientific research—The principal Act is hereby further amended by inserting, after section 113A (as inserted by subsection (1) of section 14 of the Land and Income Tax Amendment Act 1959), the following section:

"113B. (1) Where the Commissioner is satisfied that any taxpayer engaged in any business has on or after the first day of April, nineteen hundred and sixty-three, acquired, installed, or extended any asset, being plant, machinery, or equipment to be used exclusively for the purposes of scientific research directly relating to that business, the Commissioner may, in his discretion, subject to section 113A and also to section 117 of this Act, allow, in respect of the income derived by the taxpayer during the period of five years from the date on which he has commenced to use that asset for the purposes of research as aforesaid, a deduction by way of depreciation (in addition to any deduction by way of depreciation in respect of that asset under section 113 or section 114A of this

Act in that period) of an amount that, together with the total of all deductions by way of depreciation in respect of that asset under the said sections 113 and 114A in that period, is equal to the cost of that asset.

"(2) The amount of any deduction allowed under this section shall be allowed in such of the years comprised in the period of five years as aforesaid as the Commissioner determines and be of such sum in respect of any such year as the Commissioner thinks fit.

"(3) Without limiting the discretion of the Commissioner under this section, it is hereby declared that he may refuse in whole or in part to allow any deduction under this section in any case where he is not satisfied that complete and satisfactory accounts have been kept by or on behalf of the taxpayer or that sufficient depreciation has been provided for in the taxpayer's accounts."

9. Special depreciation allowance on plant and machinery, and on accommodation for employees—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) of subsection (1) and also from paragraph (b) of that subsection the words "nineteen hundred and sixty-four", and substituting in each case the words "nineteen hundred and sixty-five".

10. Initial depreciation allowance on accommodation for employees—(1) Section 116A of the principal Act (as inserted by section 6 of the Land and Income Tax Amendment Act 1961 and amended by subsection (1) of section 8 of the Land and Income Tax Amendment Act (No. 2) 1962) is hereby further amended by omitting from subsection (1) the words "nineteen hundred and sixty-four", and substituting the words "nineteen hundred and sixty-five".

(2) Section 8 of the Land and Income Tax Amendment Act (No. 2) 1962 is hereby amended by repealing subsection (1).

11. Investment allowance on plant and machinery for use for manufacturing purposes—The principal Act is hereby further amended by inserting, after section 117, the following section:

"117A. (1) For the purposes of this section—

" 'Concentration', in relation to a metal, means the separation of the metal from its ore by any process; but does not include crushing, grinding, breaking, screening, or sizing in order to enable or facilitate the carrying out of any process:

" 'Goods' includes—

"(a) Liquids, gases, and substances; and

"(b) Ships and aircraft:

" 'Manufactured goods' includes goods manufactured for the purpose of use as parts or materials in the manufacture of other goods:

" 'Manufacturing plant or machinery' means a unit of plant or machinery to which this section applies:

" 'Metal' includes a compound of a metal:

" 'New' means not having previously been either used by any person or acquired or held by any person for use by that person.

"(2) Subject to subsection (3) of this section, this section shall apply to—

"(a) Any plant or machinery owned by a taxpayer that is for use by the taxpayer, primarily and principally and directly, in any part of the operations by means of which—

"(i) Manufactured goods are derived from other goods (including other manufactured goods) by the taxpayer or by any other person on whose behalf the taxpayer performs services involving the use of that plant or machinery; or

"(ii) Manufactured goods manufactured by the taxpayer or by any other person are (otherwise than by packing, placing in containers, or labelling) brought into or maintained in the form or condition in which they are sold or used by the taxpayer or that other person, as the case may be:

"(b) Any plant or machinery owned by a taxpayer that is for use by the taxpayer, primarily and principally and directly, in—

"(i) The concentration of a metal or the treatment or processing of a metal after its concentration, or, in the case of a metal not requiring concentration, the application to the metal of a treatment or process which, if the metal had required

concentration, would not have been applied until after the concentration:

"Provided that this subparagraph shall not apply in any case where the taxpayer is a company that is assessable for income tax under section 152 of this Act:

"(ii) The refining of petroleum:

"Provided that this subparagraph shall not apply in any case where the taxpayer is a company that is assessable for income tax under section 153 of this Act:

"(iii) The scouring or carbonising of wool:

"(iv) The milling of timber:

"(v) The freezing of primary products:

"(vi) The operations of printing, lithographing, or engraving in the course of the carrying on of business as a publisher, printer, lithographer, or engraver:

"(vii) The curing of meat or fish:

"(viii) The production of chilled or frozen meat:

"(ix) The pasteurising of milk:

"(x) The canning of foodstuffs:

"(xi) The production of electric current, hydraulic power, steam, compressed air or gases (other than natural gas), being production for the purposes of sale by the taxpayer or of use by the taxpayer primarily and principally for the purposes of the use of other plant or machinery to which this section applies:

"Provided that this paragraph shall not extend or restrict, by implication, the operation of paragraph (a) of this subsection:

"(c) Any plant or machinery owned by a taxpayer that, in relation to any goods (being goods in relation to which any other plant or machinery to which this section applies by virtue of paragraph (a) or paragraph (b) of this subsection is also to be or has also been used by the taxpayer), is for use by the taxpayer, primarily and principally and directly, in—

"(i) The packing, placing in containers, or labelling of the goods:

"(ii) The cleansing or sterilising of bottles, vats, or other containers used by the taxpayer for the storage or delivery or marketing of the goods:

"(iii) The transportation of the goods within premises in which that other plant or machinery is to be or has been used:

"(iv) The storage of the goods within premises in which that other plant or machinery is to be or has been used or within premises contiguous to such premises:

"(d) Any plant or machinery owned by the taxpayer that is for use by the taxpayer, primarily and principally and directly, in—

"(i) The disposal of waste substances resulting from the use of any plant or machinery to which this section applies, being plant or machinery owned by the taxpayer:

"(ii) The assembly, maintenance, cleansing, sterilising, or repair of any plant or machinery to which this section applies, being plant or machinery owned by the taxpayer.

"(3) This section shall not apply to—

"(a) Plant or machinery for use in mining or quarrying operations, but not including operations referred to in subparagraph (i) or subparagraph (ii) of paragraph (b) of subsection (2) of this section:

"(b) Road vehicles, wherever or however used, of the kinds ordinarily used for the transport of persons or the transport or delivery of goods (including the transport or delivery of goods of a particular kind):

"(c) Plant or machinery for use by a taxpayer, primarily and principally, for the purposes of the manufacture of goods to be used as materials, parts, or fittings in the construction by the taxpayer of roads, bridges, dams, buildings, or other structures:

"(d) Cooking appliances, or other plant or machinery for use for or in connection with the preparation of food or drink (whether for consumption on the premises where it is prepared or elsewhere) in, or in premises occupied in connection with, hotels, boardinghouses, catering establishments, kitchens,

cookhouses, restaurants, cafes, milk bars, coffee shops, retail shops, or establishments similar to any of those establishments:

"(e) Plant or machinery of a kind ordinarily used for office work:

"(f) Containers, or spools, or other articles in or on which goods are to be delivered:

"(g) Plant or machinery for use in the production of electric current, hydraulic power, steam, compressed air, or gases, being production for purposes other than those specified in subparagraph (xi) of paragraph (b) of subsection (2) of this section:

"(h) Blocks, bolsters, core boxes, dies, driers, flasks, gauges, jigs, lasts, matrixes, moulds, patterns, saggars, stereotypes, templets, and tooling (including work-holding fixtures, working heads, and tool holders), and articles of a description, or having a use, similar to that of any of those articles, except where—

"(i) In respect of any unit of plant or machinery (being of any of the kinds referred to in this paragraph), a deduction by way of depreciation is, by arrangement with the Commissioner, allowed to the taxpayer under section 113 of this Act; and

"(ii) Paragraph (j) of this subsection does not apply:

"(i) Hand tools and other loose tools:

"(j) Any unit of plant or machinery where the cost to the taxpayer of that unit is less than thirty pounds.

"(4) Subject to the provisions of this section, where a taxpayer has incurred expenditure of a capital nature on new manufacturing plant or machinery for use by him in New Zealand in the production of assessable income, a deduction shall be allowed under this section of an amount equal to one-tenth of that expenditure, in calculating the assessable income derived by the taxpayer in the income year in which that manufacturing plant or machinery is first used as manufacturing plant or machinery by the taxpayer in the production of assessable income.

"(5) Where any manufacturing plant or machinery in relation to which a taxpayer is entitled to a deduction in accordance with subsection (4) of this section in respect of an income year has, at any time during that year, or, as the case may be, the accounting year corresponding with that

year, been used for the purpose of producing income that is not liable to or is exempt from taxation, only such part of the deduction otherwise allowable under this section in relation to that plant or machinery as, in the opinion of the Commissioner, is proper shall be allowed as a deduction.

"(6) Subject to subsection (7) of this section, a deduction shall not be allowed under this section in relation to a unit of plant or machinery owned by a taxpayer, unless—

"(a) In the case of a unit purchased by the taxpayer, it was first received or taken, on or after the first day of August, nineteen hundred and sixty-three, and before the first day of April, nineteen hundred and sixty-five, into the premises of the taxpayer at which it has been used:

"(b) In the case of a unit manufactured or constructed by the taxpayer, the manufacture or construction commenced within the period specified in paragraph (a) of this subsection:

"(c) In the case of a unit constructed for the taxpayer by another person on the premises of the taxpayer, the contract for the construction of the unit was entered into within the period specified in paragraph (a) of this subsection.

"(7) For the purposes of subsection (6) of this section—

"(a) A unit of plant or machinery shall be deemed to have been purchased by the taxpayer from another person if it has been manufactured by that other person to the order of the taxpayer (otherwise than by construction on the premises of the taxpayer):

"(b) Where—

"(i) On the first day of August, nineteen hundred and sixty-three, a unit of plant or machinery, being new manufacturing plant or machinery, was under construction by the taxpayer on the premises of the taxpayer; and

"(ii) On or after that date and before the first day of April, nineteen hundred and sixty-five, goods purchased by the taxpayer have been first received or taken into those premises and have been incorporated in that unit of plant or machinery,—

that unit of plant or machinery shall, to the extent only that it includes those goods, be deemed to be

covered by paragraph (a) of subsection (6) of this section:

"(c) A unit of plant or machinery supplied to the taxpayer by another person under a contract made before the first day of August, nineteen hundred and sixty-three, shall be deemed not to be included in paragraph (a) of subsection (6) of this section, if, under that contract, it was to be supplied for the purpose of becoming an integral part of a unit of plant or machinery which that other person had, by the same contract or by another contract made before that date, agreed to construct on the premises of the taxpayer:

"(d) Where a unit of plant or machinery has been constructed for the taxpayer on the premises of the taxpayer by another person partly under a contract made before the first day of August, nineteen hundred and sixty-three, in respect of a portion or portions of the construction and partly under a contract made on or after that date and before the first day of April, nineteen hundred and sixty-five, in respect of the remainder of the construction, that unit of plant or machinery, to the extent only that it is attributable to the work performed and materials supplied under that last-mentioned contract shall, subject to paragraph (g) of this subsection, be deemed to be covered by paragraph (c) of subsection (6) of this section:

"(e) Where a unit of plant or machinery, being new manufacturing plant or machinery, purchased by the taxpayer was first received or taken, on or after the first day of April, nineteen hundred and sixty-five, into the premises of the taxpayer at which it has been used, that unit of plant or machinery shall be deemed to be covered by paragraph (a) of subsection (6) of this section, if the Commissioner is satisfied that—

"(i) Before that date a binding contract for the purchase of the unit of 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 the unit of plant or machinery was first received

or taken into those premises did not exceed such period as, in the opinion of the Commissioner, is reasonable in the circumstances of the particular case:

"(f) Where the taxpayer, on or after the first day of August, nineteen hundred and sixty-three, commenced the construction of a unit of plant or machinery on the premises of the taxpayer and the construction was not completed before the first day of April, nineteen hundred and sixty-five, and on or after that last-mentioned date goods purchased by the taxpayer were first received or taken into those premises for the purpose of being incorporated in that unit of plant or machinery, that unit of plant or machinery shall, to the extent that it includes those goods, be deemed not to be covered by paragraph (a) or paragraph (b) of subsection (6) of this section, except to the extent that the Commissioner is satisfied that—

"(i) Before that last-mentioned date a binding contract for the purchase of those goods 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 those goods were incorporated in that unit of plant or machinery did not exceed such period as, in the opinion of the Commissioner, is reasonable in the circumstances of the particular case;—

and, in any such case, the Commissioner may accordingly, in his discretion, refuse to allow in whole or in part, a deduction under this section:

"(g) Where—

"(i) A contract was entered into by the taxpayer on or after the first day of August, nineteen hundred and sixty-three, and before the first day of April, nineteen hundred and sixty-five, for the construction by another person of a unit of plant or machinery for the taxpayer on the premises of the taxpayer; and

"(ii) The construction of that unit of plant or machinery was not completed before the last-mentioned date,—

that unit of plant or machinery, to the extent that it is attributable to work performed and materials supplied on or after that last-mentioned date, shall be deemed not to be covered by paragraph (c) of subsection (6) of this section, except to the extent that the Commissioner is satisfied that that work has been performed and those materials have been supplied not later than the Commissioner considers reasonable in the circumstances of the particular case, and, in any such case, the Commissioner may accordingly, in his discretion, refuse to allow, in whole or in part, a deduction under this section.

"(8) Where the Commissioner is satisfied that—

"(a) A contract was entered into by a taxpayer before the first day of August, nineteen hundred and sixty-three, for the construction by another person of a unit or portion of a unit of plant or machinery for the taxpayer on the premises of the taxpayer; and

"(b) On or after that date and before the construction of that unit or portion of a unit of plant or machinery was completed (whether or not it had been commenced at that date) the taxpayer has entered into a contract for the construction for the taxpayer (whether by the same or by another person and whether with or without other plant or machinery) of a unit or portion of a unit of plant or machinery (that unit or portion being referred to in this section as the substituted unit), being identical with, or having a purpose similar to that of, the unit or portion of a unit of plant or machinery to which the earlier contract related and intended by the taxpayer to be in place of that unit or portion of a unit of plant or machinery; and

"(c) The taxpayer entered into the later contract for the purpose of obtaining a deduction under this section or a greater deduction under this section than the deduction to which he would otherwise have been entitled,—

the Commissioner may refuse to allow a deduction under this section in relation to the expenditure of the taxpayer on the substituted unit, or may allow such a deduction in respect of such part only of that expenditure as he thinks fit.

"(9) Where expenditure on new manufacturing plant or machinery has been incurred by the taxpayer and the taxpayer has been recouped or is entitled to be recouped for the whole or a part of that expenditure, the expenditure in respect of which a deduction is allowable under this section shall not include the amount for which the taxpayer has been, or is entitled to be, so recouped.

"(10) The deduction allowable under this section in respect of expenditure on any plant or machinery shall be in addition to any deduction that is allowed by way of depreciation in respect of that plant or machinery under section 113 or section 114A of this Act.

"(11) This section shall not apply to any expenditure in respect of which a deduction has been allowed under section 117B or section 117C of this Act."

12. Investment allowance on plant and machinery for use for farming or agricultural purposes—The principal Act is hereby further amended by inserting, after section 117A (as inserted by section 11 of this Act), the following section:

"117B. (1) For the purposes of this section—

"'Farming or agricultural plant or machinery' means a unit of plant or machinery to which this section applies:

"'New' means not having previously been either used by any person or acquired or held by any person for use by that person.

"(2) Subject to subsection (3) of this section, this section shall apply to any plant or machinery owned by a taxpayer that is for use by the taxpayer, primarily and principally and directly,—

"(a) In and for the purposes of any farming or agricultural business carried on by the taxpayer on any land in New Zealand; or

"(b) In performing services involving the use of that plant or machinery in and for the purposes of any farming or agricultural business carried on by any other person on any land in New Zealand.

"(3) This section shall not apply to—

"(a) Road vehicles, wherever or however used, of the kinds ordinarily used for the transport of persons or the transport or delivery of goods (including the transport or delivery of goods of a particular kind), not being any vehicle designed and used—

"(i) Exclusively for the purpose of loading fertiliser or lime into topdressing aircraft; or

"(ii) Partly for carrying a vehicle designed and used exclusively for loading fertiliser or lime into topdressing aircraft and partly for carrying aviation fuel in a permanently attached tank for use in topdressing aircraft, and for no other purpose:

"(b) Cooking appliances, or other plant or machinery for use for or in connection with the preparation of food or drink (whether for consumption on the premises where it is prepared or elsewhere) in, or in premises occupied in connection with, catering establishments, kitchens, or cookhouses, or establishments similar to any of those establishments:

"(c) Plant or machinery of a kind ordinarily used for office work:

"(d) Containers or other articles in or on which goods are to be delivered:

"(e) Plant or machinery for use in the production of electric current or hydraulic power, being production for purposes other than use by the taxpayer primarily and principally for the purposes of the use of other plant or machinery to which this section applies:

"(f) Hand tools and other loose tools:

"(g) Any unit of plant or machinery where the cost to the taxpayer of that unit is less than thirty pounds.

"(4) Subject to the provisions of this section, where a taxpayer has incurred expenditure of a capital nature on new farming or agricultural plant or machinery for use by him in the production of assessable income, a deduction shall be allowed under this section of an amount equal to one-tenth of that expenditure, in calculating the assessable income derived by the taxpayer in the income year in which that farming or agricultural plant or machinery is first used as farming or agricultural plant or machinery by the taxpayer in the production of assessable income.

"(5) Where any farming or agricultural plant or machinery in relation to which a taxpayer is entitled to a deduction in

accordance with subsection (4) of this section in respect of an income year has, at any time during that year, or, as the case may be, the accounting year corresponding with that year, been used for the purpose of producing income that is not liable to or is exempt from taxation, only such part of the deduction otherwise allowable under this section in relation to that plant or machinery as, in the opinion of the Commissioner, is proper shall be allowed as a deduction.

"(6) The provisions of subsections (6) to (10) of section 117A of this Act shall apply with respect to every claim for a deduction under this section, as if references in those subsections to manufacturing plant or machinery or to plant or machinery were references to farming or agricultural plant or machinery to which this section applies.

"(7) This section shall not apply to any expenditure in respect of which a deduction has been allowed under section 117A or section 117C of this Act."

13. Investment allowance on plant, machinery, and buildings for use in redevelopment projects in the West Coast, South Island—The principal Act is hereby further amended by inserting, after section 117B (as inserted by section 12 of this Act), the following section:

"117C. (1) For the purposes of this section—

" 'New' means not having previously been either used by any person or acquired or held by any person for use by that person:

" 'The redevelopment region' means the area comprising—

"(a) The counties of Inangahua, Buller, Grey, and Westland; and

"(b) The boroughs of Westport, Runanga, Brunner, Greymouth, Kumara, Hokitika, and Ross:

" 'Redevelopment project' means an undertaking, scheme, or work which—

"(a) In the opinion of the Minister of Finance, has as its sole or principal purpose the redevelopment of the redevelopment region or is or will be of importance in the redevelopment of that region; and

"(b) Has been approved by the Minister of Finance as a redevelopment project for the purposes of this section.

"(2) Subject to subsection (3) of this section, this section shall apply to—

"(a) Any plant or machinery owned by the taxpayer that has been acquired or installed by the taxpayer after the eleventh day of July, nineteen hundred and sixty-three, and before the first day of April, nineteen hundred and sixty-seven, and that is for use in the redevelopment region by the taxpayer, primarily and principally and directly,—

"(i) In and for the purposes of any redevelopment project carried on by the taxpayer; or

"(ii) In performing services involving the use of that plant or machinery in and for the purposes of any redevelopment project carried on by any other person:

"(b) Any building in the redevelopment region owned by the taxpayer or any extension of an existing building in that region owned by the taxpayer that has been erected or, as the case may be, extended by the taxpayer after the eleventh day of July, nineteen hundred and sixty-three, and before the first day of April, nineteen hundred and sixty-seven, and that is for use by the taxpayer, primarily and principally and directly,—

"(i) In and for the purposes of any redevelopment project carried on by the taxpayer; or

"(ii) In performing services involving the use of that building or, as the case may be, that extension, in and for the purposes of any redevelopment project carried on by any other person.

"(3) This section shall not apply—

"(a) To a motorcar or station wagon, as defined in subsection (1) of section 2 of the Transport Act 1962, other than a motorcar or station wagon which is a passenger-service vehicle as defined in that subsection:

"(b) To blocks, bolsters, core boxes, dies, driers, flasks, gauges, jigs, lasts, matrixes, moulds, patterns, saggars, stereotypes, templets, and tooling (including workholding fixtures, working heads, and tool holders), and articles of a description, or having a use, similar to that of any of those articles, except where—

"(i) In respect of any unit of plant or machinery (being of any of the kinds referred to in this paragraph), a deduction by way of depreciation is, by

arrangement with the Commissioner, allowed to the taxpayer under section 113 of this Act; and

"(ii) Paragraph (d) of this subsection does not apply:

"(c) To hand tools and other loose tools:

"(d) To any unit of plant or machinery where the cost to the taxpayer of that unit is less than thirty pounds:

"(e) In any case where the taxpayer is a company that is assessable for income tax under section 152 or section 153 of this Act.

"(4) Subject to the provisions of this section, where a taxpayer has incurred expenditure of a capital nature in the acquisition or installation of new plant or machinery to which this section applies, for use by him in the production of assessable income, a deduction shall be allowed under this section of an amount equal to one-fifth of that expenditure, in calculating the assessable income derived by the taxpayer in the income year in which that plant or machinery is first used, in and for the purposes of a redevelopment project, in the production of assessable income.

"(5) Subject to the provisions of this section, where a taxpayer has incurred expenditure of a capital nature in the erection of a new building to which this section applies or in an extension to which this section applies of an existing building, a deduction shall be allowed under this section of an amount equal to one-fifth of such amount (if any) of that expenditure as the Minister of Finance, in his discretion, determines, in calculating the assessable income derived by the taxpayer in the income year in which that building or, as the case may be, that extension is first used, in and for the purposes of a redevelopment project, in the production of assessable income.

"(6) Where any plant or machinery or, as the case may be, any building or extension of a building in relation to which a taxpayer is entitled to a deduction in accordance with subsection (4) or, as the case may be, subsection (5) of this section in respect of an income year has, at any time during that year, or, as the case may be, the accounting year corresponding to the year, been used—

"(a) Otherwise than in the redevelopment region in and for the purposes of a redevelopment project; or

"(b) For the purpose of producing income that is not liable to or is exempt from taxation,—

only such part of the deduction otherwise allowable under this section in relation to that plant or machinery or, as the case may be, that building or extension as, in the opinion of the Commissioner, is proper shall be allowed as a deduction.

"(7) Where expenditure on new plant or machinery or, as the case may be, a new building or extension of a building to which this section applies has been incurred by the taxpayer and the taxpayer has been recouped or is entitled to be recouped for the whole or a part of that expenditure, the expenditure in respect of which a deduction is allowable under this section shall not include the amount for which the taxpayer has been, or is entitled to be, so recouped.

"(8) The deduction allowable under this section in respect of expenditure on any plant or machinery or, as the case may be, any building or extension of a building shall be in addition to any deduction that is allowed by way of depreciation in respect of that plant or machinery or, as the case may be, that building or extension under section 113 or section 114A or section 116A of this Act.

"(9) This section shall not apply to any expenditure in respect of which a deduction has been allowed under section 117A or section 117B of this Act."

14. Apportionment of expenditure incurred in purchase of fertiliser and lime and application to land used for farming or agricultural purposes—(1) The principal Act is hereby further amended by inserting, after section 119A (as inserted by section 9 of the Land and Income Tax Amendment Act (No. 2) 1962), the following section:

"119B. (1) Any taxpayer engaged in any farming or agricultural business on any land in New Zealand who has in any income year commencing after the thirty-first day of March, nineteen hundred and sixty-three, incurred in that business any expenditure (being expenditure that is deductible under this Act) in purchasing or in applying to the whole or any part of that land fertiliser within the meaning of the Fertilisers Act 1960 or lime shall, if he so elects by notice in accordance with subsection (2) of this section (which election shall, subject to subsection (3) of this section, be irrevocable), instead of claiming a deduction for the income year in which the expenditure is incurred of the total amount of that expenditure, be entitled to allocate, in such manner as he specifies in the notice, the whole or any part

of that total amount to any one or more of the four income years (being a year or years in which the taxpayer continues to carry on that business) next succeeding the income year in which the expenditure is incurred and to deduct the amount so allocated to any such income year in calculating the assessable income derived by him from that business in that year; and any amount so allocated shall not be allowed as a deduction in calculating the assessable income derived by the taxpayer from that business in the income year in which the expenditure is incurred.

"(2) Every notice under subsection (1) of this section 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 income year in which the expenditure is incurred, or within such further time as the Commissioner, in his discretion, may allow in any case or class of cases.

"(3) Where any taxpayer who has made an election under subsection (1) of this section ceases to carry on that business before the commencement of any income year to which the whole or any part of the total amount of expenditure as aforesaid has been so allocated, that total amount 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) Every reference in this section to expenditure incurred in any income year shall, where the taxpayer 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 expenditure incurred in 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."

(2) Section 119A of the principal Act (as so inserted) is hereby consequentially amended by adding the following subsection:

"(8) The foregoing provisions of this section shall not apply to any expenditure to which section 119B of this Act applies."

15. Deduction of expenditure incurred in the purchase of fertiliser and lime—The principal Act is hereby further amended by inserting, after section 119B (as inserted by section 14 of this Act), the following section:

"119C. (1) For the purposes of this section—

" 'Cost', in relation to fertiliser or lime, means the cost thereof to the taxpayer at the supplier's premises, together with any expenditure incurred by the taxpayer in respect of the transport of the fertiliser or lime from those premises to the taxpayer's land and in respect of the application thereof to the land:

" 'Fertiliser' has the same meaning as in the Fertilisers Act 1960:

" 'The tax saving', in relation to the amount of any excess in respect of which a deduction has been allowed or is allowable under this section, means—

"(a) In relation to the income year ending with the thirty-first day of March, nineteen hundred and sixty-four, the amount by which the income tax payable by the taxpayer under this Part of this Act (including this section) for the year of assessment is less than the amount that would have been payable but for the allowance of—

"(i) The deduction under this section in respect of the amount of that excess; and

"(ii) The deduction allowed or allowable in respect of that income year under this Act, otherwise than under this section, in respect of the amount of that same excess.

"(b) In relation to a subsequent income year, the amount, if any, by which the income tax payable by

the taxpayer under this Part of this Act (including this section) for the year of assessment is less than the amount that would have been payable but for the taking into account of the deductions referred to in paragraph (a) of this definition in ascertaining, for the purposes of section 137 of this Act, the amount of a loss incurred in the income year ending with the thirty-first day of March, nineteen hundred and sixty-four.

"(2) Subject to the succeeding provisions of this section, where—

"(a) Any taxpayer engaged in any farming or agricultural business on any land in New Zealand has in the income year ending with the thirty-first day of March, nineteen hundred and sixty-four, incurred in that business any expenditure (being expenditure that is allowable as a deduction under this Act otherwise than under this section) in respect of the cost of fertiliser or lime that has during that income year been applied to that land; and

"(b) The aggregate cost of that fertiliser and lime is in excess of the average annual aggregate cost of fertiliser and lime applied to that land by the taxpayer during such of the five income years immediately preceding that income year as are years in which the taxpayer has carried on that business on that land during the whole of the year,—

a deduction shall be allowed under this section of an amount equal to half of the amount of that excess in calculating the assessable income derived by the taxpayer from that business in that income year.

"(3) The amount of the deduction otherwise allowable to a taxpayer under this section in the income year ending with the thirty-first day of March, nineteen hundred and sixty-four, in respect of the amount of any excess as aforesaid shall be reduced to such extent (if any) as is necessary to ensure that the amount of the tax saving for that income year in relation to the amount of that excess does not exceed seventeen shillings for every one pound of that excess.

"(4) Where—

"(a) A deduction has been allowed or is allowable to a taxpayer under this section in the income year ending with the thirty-first day of March, nineteen

hundred and sixty-four, in respect of the amount of any excess as aforesaid; and

"(b) The taxpayer has incurred a loss in that income year,—

the deduction otherwise allowable to the taxpayer under section 137 of this Act in respect of a subsequent income year shall be reduced to such extent (if any) as is necessary to ensure that the amount of the tax saving for that subsequent income year in relation to the amount of that excess, together with the tax saving for any previous year or years in relation to the amount of that same excess, does not exceed seventeen shillings for every one pound of that excess.

"(5) The deduction allowable under this section in respect of the amount of any excess as aforesaid shall be in addition to the deduction allowable in respect of the amount of that excess under this Act otherwise than under this section.

"(6) The references in subsection (2) of this section to expenditure incurred in the income year ending with the thirty-first day of March, nineteen hundred and sixty-four, and to fertiliser or lime applied to land during that income year shall, where the taxpayer 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 references to expenditure incurred in the accounting year corresponding with that income year and to fertiliser or lime applied during that accounting year, respectively, and in every such case the provisions of this section shall, with any necessary modifications, apply accordingly."

16. Deduction of certain expenditure on land used for farming or agricultural purposes—(1) The principal Act is hereby further amended by inserting, after section 119C (as inserted by section 15 of this Act), the following section:

"119D. (1) Subject to section 119E of this Act, any taxpayer engaged in any farming or agricultural business on any land in New Zealand shall, in calculating the assessable income derived by him from that business, be entitled to deduct—

"(a) Any expenditure incurred in that business in any income year commencing after the thirty-first day of March, nineteen hundred and sixty-three, and not deductible otherwise than under this section, in—

"(i) The eradication or extermination of animal or vegetable pests on the land:

"(ii) The felling, clearing, destruction, and removal of timber, stumps, scrub, or undergrowth on the land:

"(iii) The destruction of weeds or plants detrimental to the land:

"(iv) The preparation of the land for farming or agriculture, including the cultivation and grassing thereof, but excluding expenditure incurred in respect of any of the items specified in paragraph (b) of this subsection:

"(b) Any expenditure incurred in that business in any income year commencing after the thirty-first day of March, nineteen hundred and sixty-three, and ending not later than the thirty-first day of March, nineteen hundred and sixty-six, and not deductible otherwise than under this section, in—

"(i) The draining of swamp or low-lying lands:

"(ii) The construction of access roads or tracks to or on the land:

"(iii) The construction of dams, stopbanks, irrigation or stream diversion channels, or other improvements for the purpose of conserving or conveying water for use on the land or for preventing or combating soil erosion:

"(iv) The repair of flood or erosion damage:

"(v) The sinking of bores or wells for the purpose of supplying water for use on the land:

"(vi) The construction of aeroplane landing strips to facilitate aerial topdressing of the land:

"(vii) The construction on the land of fences, including the purchase of wire or wire netting for the purpose of making new or existing fences rabbit proof:

"Provided that, instead of claiming a deduction for the income year in which the expenditure is incurred of the total amount of the expenditure allowable as a deduction under the foregoing provisions of this subsection, the taxpayer shall, if he so elects by notice in accordance with subsection (2) of this section (which election shall, subject to subsection (3) of this section, be irrevocable), be entitled to allocate, in such manner as he specifies in the notice, the whole or any part of that total amount to any one or more of the four

income years (being a year or years in which the taxpayer continues to carry on that business) next succeeding the income year in which the expenditure is incurred and to deduct the amount so allocated to any such income year in calculating the assessable income derived by him from that business in that year; and any amount so allocated shall not be allowed as a deduction in calculating the assessable income derived by the taxpayer from that business in the income year in which the expenditure is incurred.

"(2) Every notice under subsection (1) of this section 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 income year in which the expenditure is incurred, or within such further time as the Commissioner, in his discretion, may allow in any case or class of cases.

"(3) Where any taxpayer who has made an election under subsection (1) of this section ceases to carry on that business before the commencement of any income year to which the whole or any part of the total amount of expenditure as aforesaid has been so allocated, that total amount 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) Every reference in this section to expenditure incurred in any income year shall, where the taxpayer 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 expenditure incurred in 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."

(2) Section 119 of the principal Act (as substituted by section 7 of the Land and Income Tax Amendment Act 1961) is hereby amended by inserting, after subsection (5), the following subsection:

"(5A) The foregoing provisions of this section shall not apply to any expenditure to which section 119D of this Act applies."

17. Expenditure on farming or agricultural land sold within five years after acquisition—(1) The principal Act is hereby further amended by inserting, after section 119D (as inserted by section 16 of this Act), the following section:

"119E. Where any land together with the improvements thereon is sold by a taxpayer within five years from the date of his acquisition of that land, and the taxpayer has been allowed as a deduction in calculating his assessable income expenditure in respect of that land which, but for section 119 of this Act (or the corresponding provisions of this Act that were in force before the commencement of section 7 of the Land and Income Tax Amendment Act 1961) or section 119D of this Act, would not have been allowable as a deduction, the amount by which the selling price of the land and improvements exceeds the aggregate amount consisting of the original purchase price and any expenditure on improvements for which no deduction has been allowed under this Act in calculating his assessable income shall be deemed to be assessable income derived by the taxpayer in the year in which the property is sold, to the extent of the total deductions allowed under section 119 of this Act (or the corresponding provisions of this Act as aforesaid) or section 119D of this Act since the acquisition of the land:

"Provided that, if the taxpayer so elects, the Commissioner may, notwithstanding anything to the contrary in section 24 of this Act, make a revised assessment or assessments in respect of any year in which a deduction has been allowed under section 119 of this Act (or the corresponding provisions of this Act as aforesaid) or section 119D of this Act without allowing that deduction or without allowing such portion thereof as he thinks fit, and may recover the additional amount of tax accordingly."

(2) Section 119 of the principal Act (as substituted as aforesaid) is hereby consequentially further amended—

(a) By omitting from subsection (1) and also from subsection (2) the words "Subject to subsection (6) of this section", and substituting in each case the words "Subject to section 119E of this Act":

(b) By repealing subsection (6).

18. Deduction of export-market development expenditure—(1) Section 129A of the principal Act (as inserted by section 11 of the Land and Income Tax Amendment Act (No. 2) 1962) is hereby amended by repealing subparagraphs (iii) to (vi) of paragraph (a) of the definition of the term "prescribed outgoings" in subsection (1), and substituting the following subparagraphs:

"(iii) A person (not being a director or a member of the governing body where the taxpayer is a company or an unincorporated body, and not being a director of an associated company) who is ordinarily employed in New Zealand by the taxpayer or by an associated company, except to the extent that the Commissioner is satisfied that the amounts paid or payable are in respect of services performed by that person (as an employee) in the course of a visit from New Zealand to a place or places outside New Zealand; or

"(iv) A person (being a director or a member of the governing body where the taxpayer is a company or an unincorporated body, or a director of an associated company) who is ordinarily employed in New Zealand by the taxpayer or by an associated company, except to the extent that the Commissioner is satisfied that the amounts paid or payable are in respect of services performed by that person (as an employee) in the course of a visit from New Zealand to a place or places outside New Zealand; or

"(v) A person (being a director or a member of the governing body where the taxpayer is a company or an unincorporated body, or a director of an associated company) who is ordinarily employed outside New Zealand by the taxpayer or by an associated company, except to the

extent that the Commissioner is satisfied that the amounts paid or payable are in respect of services performed by that person (as an employee) outside New Zealand; or

"(vi) A person (being a director or a member of the governing body where the taxpayer is a company or an unincorporated body, or a director of an associated company, but not being a person who is ordinarily employed by the taxpayer or by an associated company), except to the extent that the Commissioner is satisfied that those amounts are paid or payable in respect of services performed by that person in his capacity of a person ordinarily carrying on a business which includes any of the activities referred to in subparagraph (i) or subparagraph (ii) of this paragraph; or

"(vii) An associated company carrying on business in New Zealand, except to the extent that the Commissioner is satisfied that those amounts are paid or payable in respect of services performed by that company in carrying on a business which includes any of the activities referred to in subparagraph (i) or subparagraph (ii) of this paragraph:".

(2) Section 129A of the principal Act (as so inserted) is hereby further amended by inserting in the definition of the term "prescribed outgoings" in subsection (1), after paragraph (c), the following paragraph:

"(cc) Expenses directly attributable to—

"(i) Research directly relating to methods of packaging of goods or of their presentation for sale; or

"(ii) Research directly relating to the production or supply of goods that are not of the same kind or specification as goods that are being regularly produced or supplied by the taxpayer,—".

(3) Section 129A of the principal Act is hereby further amended as from its commencement by repealing subsection (8).

(4) Subject to subsection (3) of this section, this section shall apply with respect to expenditure incurred by a taxpayer after the thirty-first day of March, nineteen hundred and sixty-three, and before the first day of April, nineteen hundred and sixty-five.

19. Deduction for tourist-promotion expenditure—(1) Section 129A of the principal Act (as inserted by section 11 of the Land and Income Tax Amendment Act (No. 2) 1962) is hereby further amended as from its commencement by adding to subsection (1) the following definition:

" 'Tourist-promotion expenditure' means prescribed outgoings incurred primarily and principally for the purpose of attracting tourists to New Zealand from countries or territories outside New Zealand; but does not include so much of any outgoings incurred by a person as—

"(i) Has been, or is to be, paid or reimbursed to him by another person; or

"(ii) Is incurred in or in connection with services or doing any thing for which he has been, or is to be, paid by another person."

(2) Section 129A of the principal Act (as so inserted) is hereby further amended as from its commencement by repealing paragraph (g) of the definition of the term "prescribed outgoings" in subsection (1), and substituting the following paragraph:

"(g) Commission or other remuneration in respect of—

"(i) Particular sales of goods, supplies of services, or grants or assignments of rights; or

"(ii) Services performed in relation to tourist business; or".

(3) Section 129A of the principal Act (as so inserted) is hereby further amended as from its commencement—

(a) By inserting in paragraph (b) of the definition of the term "permanent employee" in subsection (1), after the words "export market development", the words "or, as the case may be, tourist promotion":

(b) By inserting in subsection (2), after the words "any export-market development expenditure", the words "or any tourist-promotion expenditure":

(c) By inserting in subsection (5), after the words "any export-market development expenditure", the words "or, as the case may be, any tourist-promotion expenditure":

(d) By inserting in subsection (5), after the words "goods, services, or rights", the words "or, as the case may be, for the tourist promotion".

20. Deduction by reference to export of goods—The principal Act is hereby further amended by inserting, after section 129A (as inserted by section 11 of the Land and Income Tax Amendment Act (No. 2) 1962), the following section:

"129B. (1) For the purposes of this section—

" 'Base period', in relation to an income year, means the period comprising the first three of the four income years immediately preceding that income year:

" 'Consideration receivable', in relation to a sale or other disposal of goods, means—

"(a) In the case of a sale or disposal other than one to which paragraph (b) of this definition applies, the amount or value of the consideration for the sale or disposal:

"(b) Where the sale or disposal is part of, or is connected with, a transaction in which any other assets, or any services, are sold, disposed of, or supplied, such part of the amount or value of the consideration or considerations as the Commissioner is satisfied is attributable to the sale or disposal of the goods,—

reduced by any amounts paid or payable (otherwise than as an agent) by the person selling or disposing of the goods, by way of freight for carriage of the goods outside New Zealand or by way of insurance or other outgoings in relation to the goods attributable to events or contingencies occurring or arising, or services performed, after the placing of the goods upon a ship or aircraft for export from New Zealand:

" 'Export goods' means goods exported from New Zealand by a taxpayer, being goods—

"(a) Which were sold or disposed of by the taxpayer; and

"(b) Of which the taxpayer was the owner at the time of the sale or disposal;—

but does not include—

"(c) Goods exported by way of gift:

"(d) Goods taken or sent out of New Zealand with the intention that they will at some later time be brought or sent back to New Zealand:

"(e) Goods imported into New Zealand and subsequently exported from New Zealand after being processed, packed, graded, or sorted in New Zealand or incorporated with another product in New Zealand, if the consideration receivable for the sale or disposal of the goods so exported is less than fifteen per cent greater than the cost of all imported goods included in the goods so exported, such cost being the landed cost of those imported goods (exclusive of New Zealand customs duty) at the time when they were imported into New Zealand:

"(f) Goods imported into New Zealand and subsequently exported from New Zealand in the same form without processing, packing, grading, or sorting thereof in New Zealand:

"(g) Goods exported to the Cook Islands (including Niue) or to the Tokelau Islands:

"(h) Animals, animal products and by-products (including dairy produce, meat, meat products, wool, and their respective by-products), newsprint, and minerals:

"Provided that the Governor-General may from time to time, by Order in Council, exclude any such goods or any specified class or classes of such goods from the operation of this paragraph:

"(i) Any other goods specified by the Governor-General from time to time by Order in Council:

" 'Gross receipts for the income year', in relation to a taxpayer and an income year, means the sum of—

"(a) The amount of gross income (without taking into account the value of trading stock at the beginning or at the end of the income year, and before the allowance of any deductions under this Act) that was derived by that taxpayer during that income year from carrying on business in New Zealand, other than—

"(i) Interest from lending money, except to the extent that the interest is derived from

carrying on a business of moneylending or financing:

"(ii) Rents or dividends:

"(iii) Income that is not liable to or is exempt from taxation in New Zealand:

"(iv) Proprietary income as defined in section 138 of this Act:

"(v) Any other income from investments:

"(vi) Any amounts that are included in the value of export sales in relation to that taxpayer for another income year,—

reduced by any amounts paid or payable by him (otherwise than as an agent) in relation to export goods exported during that income year by way of freight for carriage of the goods outside New Zealand, or by way of insurance or other outgoings attributable to events or contingencies occurring or arising, or services performed, after the placing of the goods upon a ship or aircraft for export from New Zealand; and

"(b) Any other amounts that are included in the value of export sales in relation to that taxpayer for that income year:

" 'Increase in export sales for the income year', in relation to a taxpayer and an income year, means any excess of the value of export sales of that taxpayer for that income year over one-third of the value of export sales for the base period of that taxpayer:

" 'Value of export sales', in relation to a period, means, in relation to a taxpayer, the amounts of consideration receivable by that taxpayer in respect of the sale or other disposal of export goods that have been sold or otherwise disposed of by him during that period.

"(2) For the purposes of this section, where a taxpayer has received or is entitled to receive an amount under a policy of insurance or otherwise in respect of loss, destruction, or damage that has occurred, after their export from New Zealand, in respect of export goods owned by him,—

"(a) In the case of loss or destruction, the taxpayer shall be deemed to have sold those goods, at the time of the loss or destruction, for a consideration equal to that amount:

"(b) In the case of damage—

"(i) If the taxpayer has sold or disposed of the goods for a consideration, the consideration shall be deemed to be increased by that amount:

"(ii) If the taxpayer ceased to be the owner of the goods in any other manner, he shall be deemed to have sold the goods, at the time when he so ceased, for a consideration equal to that amount.

"(3) For the purposes of this section, where—

"(a) During the base period or during the income year immediately succeeding the base period, a taxpayer acquired, whether by purchase or otherwise, an existing business, the value of export sales of the taxpayer for the base period shall, in relation to a claim for a deduction under this section in respect of an income year, be increased by an amount or amounts equal to so much of the value of export sales for the base period of each other person who owned the business at any time during the base period as is attributable to the business:

"(b) During an income year in respect of which a deduction may be claimed under this section, a taxpayer acquired, whether by purchase or otherwise, an existing business, the value of export sales of that taxpayer for the base period shall, in relation to a claim for a deduction under this section by that taxpayer in respect of that income year, be increased by an amount or amounts arrived at by—

"(i) Determining, in respect of each person who owned the business at any time during the base period, the part of the value of export sales of that person for the base period that is attributable to the business; and

"(ii) Ascertaining, in respect of each amount determined under subparagraph (i) of this paragraph, the amount that bears the same proportion to that amount as the number of days from the date of the acquisition to the end of that income year bears to the number of days in the whole of that income year:

"(c) During the base period or during the income year immediately succeeding the base period or during an income year in respect of which a deduction may be claimed under this section, any person (in

this paragraph referred to as the vendor) has disposed of a business to another person (in this paragraph referred to as the purchaser), the value of export sales of the vendor for the base period shall, in relation to a claim for a deduction under this section by the vendor in respect of any income year, be reduced by any amount, or the sum of any amounts, that would, by reason of the disposal, be required under the preceding provisions of this subsection to be added to the value of export sales of the purchaser for the base period in relation to any claim for a deduction under this section by the purchaser in respect of that income year.

"(4) For the purposes of subsection (3) of this section—

"(a) Every reference in that subsection to the value of export sales of a taxpayer shall be deemed to be a reference to the value of export sales of that taxpayer apart from any reduction under subsection (9) of this section:

"(b) Every reference in the said subsection (3) to a business shall be deemed to include a reference to a part of a business.

"(5) Subject to the provisions of this section, where there is, in relation to a taxpayer and an income year, 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-three, or any of the four income years next succeeding that income year), a deduction shall be allowed under this section of an amount calculated in accordance with the following formula:

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

where—

a is the increase in export sales for the income year:

b is the gross receipts for the income year:

c is the assessable income (after the allowance of all deductions under this Act otherwise than under this section) derived by the taxpayer, otherwise than from the sources specified in subparagraphs (i) to (vi) of paragraph (a) of the definition of the term 'gross receipts for the income year' in subsection (1) of this section.

"(6) Where the Commissioner is satisfied that arrangements have been made between a taxpayer and another person with a view to the affairs of the taxpayer and of that other person being so arranged or conducted that this section would,

but for this subsection, have effect more favourably in relation to that taxpayer than would otherwise have been the case, the amount of any deduction to which the taxpayer is entitled shall not exceed the amount of the deduction to which that taxpayer would, in the opinion of the Commissioner, have been entitled if those arrangements had not been made.

"(7) Subject to subsection (8) of this section, if, in relation to a claim by a taxpayer for a deduction under this section in respect of an income year, the Commissioner is not satisfied, upon consideration of the information furnished or otherwise available to him, as to the value of export sales for the base period of that taxpayer in relation to that claim, the Commissioner shall not be required to determine that value, and the taxpayer shall not be entitled to a deduction in respect of that income year.

"(8) Where, in a case to which subsection (7) of this section would otherwise apply, the Commissioner is satisfied that the value of export sales of the taxpayer for the base period does not exceed a particular amount, but is not satisfied that that value is less than that amount, that amount shall be taken to be the value of export sales for the base period in relation to the claim for the deduction under this section.

"(9) Where a taxpayer makes application in writing to the Commissioner within the time within which he is required to furnish a return of his income for an income year, or within such further time as the Commissioner, in his discretion, may allow in any case, for a reduction of the amount or amounts that would otherwise be the value of export sales for the base period in respect of that taxpayer for the purposes of a deduction under this section in respect of that income year on the ground that, by reason of abnormal trading conditions or other extraordinary circumstances during the base period, the value of export sales for the base period as ascertained in accordance with the preceding provisions of this section is greater than it would otherwise have been and he is, by reason of that fact, under an unfair disadvantage for the purposes of this section, the Commissioner may, for the purposes of this section, make such adjustment in respect of the value of export sales for the base period as he thinks fit.

"(10) Every reference in this section to an income year shall, where the taxpayer 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.

"(11) For the purposes of this section, all amounts shall be ascertained in terms of New Zealand currency.

"(12) This section shall not apply to—

"(a) A company that is assessable for income tax under section 146 or section 146A or section 146B or section 152 or section 153 of this Act:

"(b) A marketing authority as defined in section 154A of this Act."

21. Assessment of cooperative pig marketing companies—(1) The principal Act is hereby further amended by inserting, after section 146A (as inserted by subsection (1) of section 32 of the Land and Income Tax Amendment Act (No. 2) 1958), the following section:

"146B. (1) For the purposes of this section—

" 'Cooperative pig marketing company' means a company that is a cooperative pig marketing company as defined in section 2 of the Cooperative Companies Act 1956 and is registered as a cooperative company under that Act:

" 'Bobby calf' means a calf that is intended for slaughter for the production of boneless bobby veal; and includes any other calf that has a live weight of less than one hundred pounds and is intended for slaughter at a meat-export slaughterhouse or an abattoir:

" 'Cull cattle' means cattle that have been removed from a dairy herd on account of old age, disability, or other like reason, and are intended for slaughter for the production of beef.

"(2) Subject to the following provisions of this section and to the provisions of any regulations made for the purposes of this section, the income of any cooperative pig marketing company shall be exempt from taxation in so far only as the Commissioner is satisfied that the income is derived—

"(a) From the collection, handling, or slaughtering of pigs, bobby calves, or cull cattle, or from the treatment or marketing of any product thereof which the Commissioner determines is the produce of any such stock for the purposes of this section:

"(b) From rent obtained from employees of the company engaged in the activities referred to in paragraph (a) of this subsection.

"(3) Regulations may be made under section 243 of this Act for all or any of the following purposes:

"(a) Authorising the Commissioner to classify as assessable income of any company to which subsection (2) of this section applies the whole or any part of any payment made or expenditure incurred by the company for any purpose other than the collection, handling, or slaughtering of pigs, bobby calves, or cull cattle, or the treatment or marketing of any product thereof which the Commissioner determines is the produce of any such stock for the purposes of this section:

"(b) Authorising the Commissioner to classify as assessable income (other than as a dividend) of any shareholder of a company to which subsection (2) of this section applies the whole or any part of any amount paid to him on the surrender of any share in the company, or on the winding up of the company, in excess of the paid-up value of the share surrendered or of his shares in the company, as the case may be:

"(c) Authorising the Commissioner to allocate any amount so classified as assessable income to such income year or years as he thinks fit:

"(d) Conferring on the Commissioner such discretionary powers as may be deemed necessary for the purposes of the regulations:

"(e) Providing for the appointment and prescribing the powers and procedure of an appeal authority consisting of—

"(i) The Secretary to the Treasury:

"(ii) The Director of the Meat Division of the Department of Agriculture:

"(iii) Such other person as the Governor-General, on the recommendation of the Minister of Finance, appoints:

"(f) Conferring such rights of objection and appeal to the appeal authority from decisions made by the Commissioner under this section or the regulations as may be deemed necessary or desirable.

"(4) The provisions of this section shall apply with respect to the tax on income derived in the income year commencing on the first day of April, nineteen hundred and sixty-four, and in every subsequent year."

(2) Subparagraph (iii) of paragraph (f) of subsection (1) of section 86 of the principal Act shall not apply with respect to the tax on income derived in the income year commencing on the first day of April, nineteen hundred and sixty-four, or in any subsequent income year.

(3) The income derived by any cooperative pig marketing company during the income year ending with the thirty-first day of March, nineteen hundred and sixty-four, or during any prior income year, shall be deemed to be and to have been exempt from ordinary income tax, and also from social security income tax or, as the case may be, social security charge.

22. Repealing provisions as to companies carrying on business in Pacific islands—Section 154 of the principal Act is hereby repealed.

23. Interest on loans made by Fishing Industry Board—Section 154A of the principal Act (as inserted by section 10 of the Land and Income Tax Amendment Act 1956) is hereby amended by inserting in subsection (1), after paragraph (e), the following paragraph:

"(ee) The Fishing Industry Board:".

24. Income of certain companies exempted from excess retention tax—(1) Section 172C of the principal Act (as enacted by section 15 of the Land and Income Tax Amendment Act (No. 2) 1958) is hereby further amended by repealing paragraph (b), and substituting the following paragraph:

"(b) A company to which section 146 or section 146A or section 146B of this Act applies:".

(2) Section 172C of the principal Act (as so enacted) is hereby further amended by omitting from subparagraph (iv) of paragraph (f) the words "paragraph (a) of subsection five of section one hundred and forty-six or of paragraph (a) of subsection three of section one hundred and forty-six A", and substituting the words "paragraph (a) of subsection (5) of section 146 or paragraph (a) of subsection (3) of section 146A or paragraph (a) of subsection (3) of section 146B".

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

25. Agents in New Zealand of principals resident abroad—The principal Act is hereby further amended by repealing section 201, and substituting the following section:

"201. (1) Subject to the provisions of this section, when any person in New Zealand, on behalf of a principal resident out of 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.

"(2) The Governor-General may from time to time, by Order in Council, exempt in whole or in part from their liability pursuant to this section to pay income tax in New Zealand any principals or any class or classes of principals, being resident in a country or territory specified in the order, if and so far as he is satisfied that in corresponding circumstances the like principals 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 in that country or territory.

"(3) Every Order in Council under subsection (2) of this section shall, whether so expressed therein or not, extend to exempt from income tax in New Zealand (in their capacity of agents, but not otherwise) the agents of any principals to whom the Order in Council applies.

"(4) Every Order in Council under subsection (2) of this section shall have effect according to its tenor, anything to the contrary in this Act notwithstanding.

"(5) Every Order in Council under subsection (2) of this section may be at any time in like manner varied or revoked."

26. Dependants for purposes of tax codes—(1) Section 14 of the Income Tax Assessment Act 1957 (as amended by section 11 of the Land and Income Tax Amendment Act 1961) 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 "two hundred and sixty pounds", and substituting in each case the words "two hundred and seventy-five pounds".

(2) Section 11 of the Land and Income Tax Amendment Act 1961 is hereby consequentially repealed.

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

This Act is administered in the Inland Revenue Department.