ANALYSIS

1998, No. 7

An Act to make remedial amendments respecting tax and other payments made under Inland Revenue Acts [*27 March 1998*

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

1. Short Title—This Act may be cited as the Taxation (Remedial Provisions) Act 1998.

PART 1

AMENDMENTS TO INCOME TAX ACT 1994

2. Income Tax Act 1994—The Income Tax Act 1994 is amended by this Part.

3. Non-profit bodies' and charities' exempt income—(1) After section CB 4 (2), the following is inserted:

"(3) The income exemptions under sections CB 4 (1)(c), (e), and (j) do not apply to—

"(a) A local authority trading enterprise; or

"(b) A local authority in respect of income derived from a local authority trading enterprise.".

(2) Subsection (1) applies to the 1999–2000 and subsequent income years.

4. Exemption income—dividends—(1) After section CB 10 (3), the following is added:

"(4) If a conduit tax relief holding company derives a dividend with a conduit tax relief credit attached, the dividend is exempt income to the extent it is fully conduit tax relief credited.

"(5) If a conduit tax relief holding company derives a conduit tax relief additional dividend, the conduit tax relief additional dividend is exempt income.".

(2) Subsection (1) applies to dividends paid on or after 1 April 1998.

5. Exemption income—dividends—In section DP 2, the following is added after subsection (1):

"(1A) In the application of subsection (1)(b), the aggregate amount of the foreign investment fund income derived by the person in previous years must be reduced by an amount equal to any amount allowed as a rebate against that income under section KH 1.

"(1B) For the purposes of subsection (1A), the amount of rebate allowed under section KH 1 for an income year in respect of FIF income must be calculated as follows:

$$\text{“} \frac{\text{FIF} - \text{FLC}}{\text{FAI} - \text{FALO}} \times \text{CTR}$$

"where—

"FIF is the company's foreign investment fund income calculated under the accounting profits method for the income year:

"FLC is the amount of any foreign investment fund losses calculated under the accounting profits method offset for the year under section DP 2 (1)(a):

"FAI is the company's foreign attributed income for the income year:

"FALO is the company's foreign attributed loss offsets for the income year; and

"CTR is the company's rebate for the income year under section KH 1.".

6. National standard cost scheme for specified livestock—Section EL 4 is replaced by:

"EL 3A. **Determination of national standard costs of specified livestock**—(1) For the purposes of section EL 4, the Commissioner must, from time to time, make a determination of national standard costs for each category of specified livestock listed in column 2 of Schedule 9 that takes into account, as the case may require,—

"(a) The average breeding, rearing, and growing costs for animals within that category; or

"(b) The average rearing and growing costs for animals within that category—

and any costs so determined in relation to any income year apply for the purposes of section EL 4, whether that income year commenced before, on, or after the date on which the determination is made.

"(2) A determination under this section must be published in the *Gazette* not later than 30 days after the date on which it is signed by the Commissioner.

"(3) If the Commissioner revokes a determination made under subsection (1) and substitutes a new determination, that new determination does not apply in relation to the income year of a taxpayer that ends on or before the day 30 days before the day on which that new determination is gazetted.

"EL 4. **National standard costs of specified livestock**—(1) If a taxpayer elects for an income year to value specified livestock under the national standard cost scheme, the closing value of that livestock at the end of that income year is the cost of that livestock calculated in accordance with a determination issued by the Commissioner under subsection (4).

"(2) No taxpayer may, for an income year, value bailed or leased specified livestock under the national standard cost scheme if that valuation would be in contravention of section EL 7 (2).

"(3) If the terms of a determination made under this section preclude any livestock from being valued under the national standard cost scheme in an income year, no taxpayer may, for that income year, value that livestock under the national standard cost scheme.

"(4) For the purposes of this section, the Commissioner must from time to time make determinations specifying the method or methods by which the cost of specified livestock is to be calculated under this section.

"(5) A method referred to in subsection (4) must, in general terms, take into account—

"(a) The numbers of homebred livestock, or of any other category of livestock listed in column 2 of Schedule 9, on hand at any time and the application of the national standard costs determined under section EL 3A to that livestock; and

"(b) The numbers of purchased livestock on hand at any time, and the application of any purchase costs associated with that livestock—

and, by a process of averaging or otherwise dealing with those costs, arrive at an average cost to be applied to all specified livestock of a taxpayer that are valued under the national standard cost scheme.

"(6) A determination under this section may provide for the following matters:

"(a) The method or methods by which the average cost of each type, class, or age grouping of livestock of a taxpayer on hand at the end of any income year is to be calculated, including how the costs in relation to homebred livestock and purchased livestock are to be incorporated in that average cost:

"(b) The age groupings of immature and mature livestock of each type to which average costs will apply:

"(c) The inventory control method or methods under which mature livestock must be accounted for, or the setting of minimum standards in respect of any such inventory control methods:

"(d) How the determination will apply where animals within the same type or class or other category are valued both in accordance with this section and under any of the market value option, the replacement price option, and the high-priced livestock valuation method:

"(e) The imposition of any conditions or limitations in relation to the valuation of livestock under this section, including—

"(i) Requirements that livestock of a particular type, class, or other category may not be valued under this section where livestock of the same type, class, or category are also being valued using another valuation method; and

"(ii) Any notice requirements to be met in respect of valuation method elections in relation to livestock affected by any condition or requirement imposed under subparagraph (i):

"(f) How any livestock is to be valued under this section where that livestock was previously valued using another valuation method:

"(g) The class or classes of taxpayers by whom the determination may be applied, and the income year or years for which it is to apply:

"(h) The extension, limitation, variation, or revocation of any earlier determination.

"(7) A determination made under this section must be published in the *Gazette* not later than 30 days after the date on which it is signed by the Commissioner.

"(8) If the Commissioner revokes a determination made under subsection (4) and substitutes a new determination made under that subsection, that new determination must not apply in relation to the income year of any taxpayer that ended on or before the day 30 days before the day on which that new determination is gazetted.".

7. Determination of national average market values for specified livestock—(1) In section EL 8 (1)—The words "The Governor-General shall from time to time, by Order in Council, declare" are replaced by the words "The Commissioner must from time to time make a determination as to".

(2) A determination under this section must be published in the *Gazette* not later than 30 days after the date on which it is signed by the Commissioner.

(3) If the Commissioner revokes a determination made under subsection (1) and substitutes a new determination, that new determination does not apply in relation to the income year of a taxpayer that ends on or before the day 30 days before the day on which that new determination is gazetted.

8. Rules for calculating New Zealand group debt percentage—(1) After section FG 4 (14D), the following is inserted:

"(14E) Notwithstanding subsections (12) to (14D), a company is a member of the taxpayer's New Zealand group if it is—

"(a) A conduit tax relief holding company, on the date on which the measurement is made under subsection (5), in respect of a conduit tax relief company in which it holds a direct ownership interest of more than 50%, and the conduit tax relief company is a member of the taxpayer's New Zealand group; or

"(b) A member of the New Zealand group of any company identified under paragraph (a) (determined under this section before applying this subsection).

"(14F) Subsection (14E) does not apply to the income year if, at the end of the income year, the total of all dividends to the extent fully conduit tax relief credited and previously derived by the conduit tax relief holding company does not exceed the total of all dividends to the extent fully conduit tax relief credited and previously paid by the conduit tax relief holding company.".

(2) Subsection (1) applies to tax on taxable income derived in the 1998-99 and subsequent income years.

9. New Subpart added—(1) After section FG 10, the following is added:

"SUBPART H—FOREIGN ATTRIBUTED INCOME EXCESS INTEREST ALLOCATION

"FH 1. **Circumstances in which group excess interest allocation required**—(1) Subject to subsection (2), the group excess interest allocation rules in sections FH 5 to FH 8 apply for an income year to a company that is a dividend withholding payment account company or a conduit tax relief company for the imputation year that corresponds with the income year, and in that income year derives foreign attributed income or is

paid a dividend from which the company must deduct an amount of dividend withholding payment (or would have to deduct an amount but for section NH 7).

"(2) The group excess interest allocation rules do not apply for an income year to—

"(a) A company, if the total of the rebates in the following subparagraphs is less than $50,000, calculated as if item EIA of the formula in section KH 1 (2) were in all cases nil:

"(i) Income tax rebates under section KH 1 and dividend withholding payment reductions under section NH 7 allowed to the company for the income year if it is a conduit tax relief company, or that would be allowed to the company if it had been a conduit tax relief company; and

"(ii) Income tax rebates under section KH 1 and dividend withholding payment reductions under section NH 7 allowed to all other conduit tax relief companies that are associated with the company; and

"(iii) Income tax rebates under section KH 1 and dividend withholding payment reductions under section NH 7 that would be allowed to all other companies that are not conduit tax relief companies and are associated with the company, had those other companies been conduit tax relief companies; or

"(b) A company whose New Zealand foreign attributed income group debt percentage for the income year is 66% or less.

"FH 2. **Rules for determining company's foreign attributed income group**—(1) If the thin capitalisation interest apportionment rule in section FG 8 can apply to a company by virtue of section FG 2, the company's foreign attributed income group is the same New Zealand group of companies that would be identified for thin capitalisation purposes under section FG 4 (10) to (14D).

"(2) If subsection (1) does not apply, the company's foreign attributed income group consists of—

"(a) The company; and

"(b) Every other company that is—

"(i) In the same group of companies as the company; and

"(ii) Resident in New Zealand or carrying on business in New Zealand through a fixed establishment in New Zealand.

"FH 3. **Rules for determining New Zealand foreign attributed income group debt percentage**—(1) Subject to subsections (2) and (3), the New Zealand foreign attributed income group debt percentage of a company for an income year is calculated under section FG 4 (excluding subsections (14E) and (14F) and modified, as relevant, under sections FG 6, FG 7, and FG 9) as if the company were the taxpayer calculating its New Zealand group debt percentage.

"(2) If a company and each company in the same New Zealand tax group are the company's foreign attributed income group under section FH 2 (2),—

"(a) Section FG 4 (10) to (14F) does not apply; and

"(b) The group of companies referred to in section FG 4 (9) is the group identified under section FH 2 (2); and

"(c) Section FG 4 (6) applies as if the company were the New Zealand parent.

"(3) The total assets of the group are reduced by the total of the amounts calculated for each member of the group as follows:

$$\text{"NRS} \times (\text{CFC} + \text{FIF})$$

"where—

"NRS is the percentage of the relevant group member's shareholders not resident in New Zealand, calculated under section KH 2 (3):

"CFC is the total value, at the relevant measurement time and determined under section FG 4 (3), of the assets of the relevant group member which are rights in respect of a controlled foreign company which result in the relevant group member having attributed foreign income or attributed foreign loss in the controlled foreign company for an accounting period which includes the relevant measurement time:

"FIF is the total value, at the relevant time and measured under section FG 4 (3), of any interests in foreign investment funds of the relevant group member for which the relevant group member is determining its foreign investment fund income or foreign investment fund loss under the accounting profits method or the branch equivalent method.

"FH 4. **Rules for determining consolidated foreign attributed income group debt percentage**—(1) A company may choose to calculate its consolidated foreign attributed income group debt percentage for the income year under this section if its New Zealand foreign attributed income group debt percentage for the income year is more than 66%.

"(2) Subject to subsections (3) to (8), the consolidated foreign attributed income group debt percentage is calculated under the rules set out in section FH 3 for calculating the New Zealand foreign attributed income group debt percentage.

"(3) A controlled foreign company or foreign investment fund of the type referred to in item CFC or FIF in section FH 3 (3) is consolidated with a foreign attributed income group if the foreign attributed income group—

"(a) Has a total income interest of 40% or more in the controlled foreign company for the accounting period in which the relevant measurement date under section FG 4 (5) falls; or

"(b) Would be treated, under section CG 5 if the foreign investment fund were a controlled foreign company, as having a total income interest of 40% or more in the foreign investment fund for the accounting period in which the relevant measurement date under section FG 4 (5) falls.

"(4) A controlled foreign company or foreign investment fund of the type referred to in item CFC or FIF in section FH 3 (3) is consolidated with a foreign attributed income group if the foreign attributed income group—

"(a) Has a total income interest of 5% or more, but less than 40% in the controlled foreign company for the accounting period in which the relevant measurement date under section FG 4 (5) falls; or

"(b) Would be treated, under section CG 5 if the foreign investment fund were a controlled foreign company, as having in total an income interest of 5% or more but less than 40% in the foreign investment fund for the accounting period in which the relevant measurement date under section FG 4 (5) falls.

"(5) A controlled foreign company or foreign investment fund's consolidation with a foreign attributed income group under subsection (4) applies only to the extent that the percentage of the controlled foreign company's or foreign investment fund's debts and assets equal the total percentage income interest of the foreign attributed income group in the controlled foreign company or foreign investment fund.

"(6) The consolidation required under subsections (3) and (4) is made—

"(a) As if the controlled foreign company or foreign investment fund were a member of the company's foreign attributed income group; and

"(b) On a basis for eliminating intra-group balances used under generally accepted accounting principles of New Zealand for consolidation of a group of companies; and

"(c) By calculating the amount of debts and assets of the controlled foreign company or foreign investment fund using the values shown in the financial accounts for the accounting period and to a financial reporting standard that is equivalent to generally accepted accounting principles of New Zealand.

"(7) No reduction from the amount of total assets is to be made under section FH 3 (3).

"(8) A reduction is to be made equal to the total value of assets (determined under section FG 4 (3)), of group members which are—

"(a) Referred to in items CFC or FIF of section FH 3 (3) for the accounting period in which the relevant measurement date falls; and

"(b) Not consolidated under subsections (3) or (4).

"FH 5. **Rule for calculating group excess interest allocation amount**—The group excess interest allocation amount for a company for an income year is calculated under the following formula (but cannot be less than nil):

$$\text{"(GI–IGI–GIFD)} \times \frac{\text{NCGDP} - \text{CGDP}}{\text{NCGDP}}$$

"where—

"GI is the total of deductions allowed for the income year to companies that are members of the company's foreign attributed income group at the end of the income year under—

"(a) Section DD 1 (b) (as modified by section FG 8); or

"(b) Sections FC 6 to FC 8 as lessee expenditure in respect of a specified lease:

"IGI is the total of amounts included in item GI for amounts payable to another company in the foreign attributed income group (excluding an amount included in item GIFD):

"GIFD is the total of amounts included in item GI for financial arrangements that are excluded, when applying sections FH 4 and FH 5, as a result of section FG 4 (2):

"NCGDP is the New Zealand foreign attributed income group debt percentage of the company for the income year calculated under section FH 3:

"CGDP is the greater of—

"(a) 66%; or

"(b) the New Zealand foreign attributed income group debt percentage that would be calculated for the company if section FH 3 (3) did not apply; or

"(c) the consolidated foreign attributed income group debt percentage of the company for the income year, calculated under section FH 4, if the company chooses to calculate that percentage.

"FH 6. **Rule for calculating company's excess interest allocation percentage**—If a company has a group excess interest allocation amount for an income year, the company's excess interest allocation percentage is the lesser of 1 and the amount calculated as follows:

$$\frac{\text{"GEIA} \times \text{TR}}{\text{TR} \times (\text{GFAI} - \text{GFALO}) - \text{GBC}}$$

"where—

"GEIA is the group excess interest allocation amount for the income year:

"GFAI is the total of the foreign attributed income for the income year of all companies (including the company) which are in the company's foreign attributed income group at the end of the income year:

"GFALO is the total of the foreign attributed loss offsets for the income year of all companies (including the company) that are in the company's foreign attributed income group at the end of the income year:

"GBC is the total of the amounts able to be credited against the income tax liability for the income year under section MF 5 (4) of all companies (including the company) that are in the company's foreign attributed income group at the end of the income year, determined as if the amount

of rebate calculated under section KH 1 were for all companies nil:

"TR is the rate of income tax stated in Schedule 1, Part A, clause 5 for the income year.

"FH 7. **Rule for calculating individual excess interest allocation amount**—The individual excess interest allocation for the company for the income year to be included in the formula in section KH 1 (2) is calculated as follows:

$$\text{"(FAI} - \text{FALO} - \frac{\text{BC)}}{\text{TR}} \times \text{EIAP}$$

"where—

"BC is the amount able to be credited against the company's income tax liability for the income year under section MF 5 (4), determined as if the amount of rebate calculated under section KH 1 were nil:

"TR is the rate of income tax stated in Schedule 1, Part A, clause 5 for the income year:

"FAI is the company's foreign attributed income for the income year:

"FALO is the company's foreign attributed loss offsets for the income year:

"EIAP is the company's excess interest allocation percentage calculated under section FH 6 for the income year.

"FH 8. **Rules for applying surplus group excess interest allocation amount to increase income tax and dividend withholding payment**—(1) If the total of individual excess interest allocations calculated under section FH 7 for the income year for all companies included in a company's foreign attributed income group at the end of the income year is less than the group excess interest allocation amount calculated under section FH 5, for all companies included in the company's foreign attributed income group, the difference is the surplus group excess interest allocation amount.

"(2) The company's surplus group excess interest allocation percentage for the income year is the lesser of 1 and the percentage calculated as follows:

$$\text{"}\frac{\text{SGEIA} \times \text{TR}}{\text{GDWP}}$$

"where—

"SGEIA is the surplus group excess interest allocation amount for the income year:

"TR is the rate of income tax stated in Schedule 1, Part A, clause 5 for the income year:

"GDWP is the total of dividend withholding payments (calculated after loss offsets are claimed under section NH 3 but before any reduction is allowed under section NH 7) that must be deducted from dividends paid during the income year to companies that are members of the company's foreign attributed income group at the end of the income year.

"(3) The company is deemed to derive, on the last day of the income year, an amount of gross income equal to the foreign dividend adjustment amount.

"(4) The company's foreign dividend adjustment amount is calculated as follows:

$$\text{"}\frac{\text{DWP} \times \text{SGEIP}}{\text{TR}}$$

"where—

"DWP is the total of dividend withholding payments (calculated after loss offsets are claimed under section NH 3 but before any reduction is allowed under section NH 7) that must be deducted by the company from dividends paid to the company during the income year:

"SGEIP is the surplus group excess interest allocation percentage calculated under subsection (2) for the company and the income year:

"TR is the rate of income tax stated in Schedule 1, Part A, clause 5 for the income year.

"(5) A conduit tax relief company will have a conduit tax relief account adjustment equal to the lesser of—

"(a) The total of reductions allowed under section NH 7 from dividend withholding payments that the company must deduct from dividends paid to it for the income year; and

"(b) The amount calculated as follows:

$$\text{"FDAA} \times \text{TR}$$

"where—

"FDAA is the company's foreign dividend adjustment amount for the income year:

"TR is the rate of income tax stated in Schedule 1, Part A, clause 5 for the income year.

"(6) A membership change that has only a temporary effect on the company's foreign attributed income group is disregarded when making calculations under this section, if a purpose or effect of the change is to defeat the intent and application of this section.".

(2) Subsection (1) applies to tax on taxable income derived in the 1998-99 and subsequent income years.

10. Rebate in respect of gifts of money—(1) After section KC 5 (1)(br), the following is added:

"(bs) New Zealand Viet Nam Health Trust.".

(2) Subsection (1) applies with respect to the tax on taxable income for the 1998-99 and subsequent income years.

11. New Subpart added—(1) After section KG 1, the following is added:

"SUBPART H—CONDUIT TAX RELIEF

"KH 1. **Conduit tax relief**—(1) A conduit tax relief company is allowed an income tax rebate as calculated under subsection (2), for an income year that corresponds with its imputation year.

"(2) The rebate amount is:

"NRS × ((TR × (FAI − FALO − EIA)) − FAC − BC)

"where—

"NRS is the percentage of the company's shareholders who are not resident in New Zealand calculated under section KH 2:

"TR is the rate of income tax stated in Schedule 1, Part A, clause 5 that applies to the income year:

"FAI is the company's foreign attributed income for the income year:

"FALO is the company's foreign attributed loss offsets for the income year:

"EIA is the excess interest allocation, if any, for the income year calculated under section FH 7:

"FAC is all tax credits that would be allowed against the company's income tax liability for the income year under sections LC 4 or LC 5, determined as if the amount of rebate calculated under this section were nil:

"BC is the amount able to be credited against the company's income tax liability for the income year under section MF 5 (4), determined as if the

amount of rebate calculated under this section were nil.

"(3) Notwithstanding subsection (2), the rebate amount cannot be—

"(a) Less than nil; or

"(b) Greater than the amount calculated as follows:

"NRS × (terminal tax + refundable credits)

"where—

"NRS	is the percentage of the company's shareholders who are not resident in New Zealand calculated under section KH 2:
"terminal tax	is the company's terminal tax (including a nil amount and calculated as if the rebate calculated under this section were nil) for the income year:
"refundable credits	are the company's refundable credits for the income year.

"KH 2. **Calculation of percentage of shareholders not resident**—(1) The percentage of shareholders of a conduit tax relief company not resident in New Zealand is calculated—

"(a) On the last date the company pays a dividend to all shareholders during the income year; or

"(b) At the end of the income year if the company does not pay a dividend to all shareholders during the year.

"(2) If a company to which subsection (1) applies is a listed company, the company may use the record date (the date on which entitlement to a dividend is determined) in respect of a dividend instead of the date of payment of the dividend.

"(3) The percentage of shareholders not resident in New Zealand is the lowest of—

"(a) The percentage of direct voting interests held in the company by non-residents at the relevant time; and

"(b) The percentage of direct market value interests (if a direct market value circumstance exists) held in the company by non-residents at the relevant time; and

"(c) The percentage of total dividends payable by the company (if the shares in the company are not all shares of the same class) that would be derived by non-residents, if the company were liquidated at the relevant time.

"(4) For the purposes of subsection (1)(a), a company with more than one class of shares that pays a dividend to all shareholders of each class of shares in an income year is treated as if a dividend had been paid to all shareholders on the

latest date on which it paid a dividend to all holders of shares of one of the classes.

"(5) For the purposes of determining direct voting interests under subsection (3)(a) or direct market value interests under subsection (3)(b)—

"(a) The relevant time is the date on which the company is treated as having paid a dividend to all shareholders under subsection (4); and

"(b) In relation to each class of shares, the company is treated as having the same shareholders on the relevant date in relation to that class that it had on the last date in the income year on which a dividend was paid to all shareholders of that class.

"(6) For the purposes of this section, Treasury stock is to be disregarded.

"(7) The rules for determining residence in sections OE 7 and OE 8 apply for the purposes of this section.".

(2) Subsection (1) applies to tax on taxable income derived in the 1998-99 and subsequent income years.

12. Foreign tax credits—controlled foreign companies—(1) In section LC 4 (4)(a), after "paid or was payable", is inserted ", determined as if the amount of any rebate under section KH 1 were nil".

(2) In section LC 4 (4)(b), after "paid or was payable", is inserted ", determined as if the amount of any rebate under section KH 1 were nil".

(3) Subsections (1) and (2) apply to tax on taxable income derived in the 1998-99 and subsequent income years.

13. New Subpart added—(1) After section LF 7, the following is added:

"SUBPART G—CONDUIT TAX RELIEF CREDITS

"LG 1. **Conduit tax relief additional dividends**—(1) If a conduit tax relief company pays a dividend to a non-resident and a conduit tax relief credit is attached to the dividend, the company must pay a conduit tax relief additional dividend at the same time.

"(2) The additional dividend must be—

"(a) Equal in amount to the conduit tax relief credit; and

"(b) Paid with respect to the first dividend; and

"(c) Derived by the same person.

"(3) Sections GC 22, ME 8, and MG 8 apply as if the company had never paid the additional dividend.

"(4) The payment of an additional dividend to all non-resident shareholders that hold shares of a particular class (that would otherwise be prohibited) does not contravene—

"(a) Section 53 of the Companies Act 1993; or

"(b) A provision of the company's articles of association or constitution, unless the provision expressly refers to this subsection; or

"(c) Another rule of law.

"(5) When a trustee derives the dividend and is required under the terms of the trust to distribute it to a beneficiary, the trustee's distribution of an additional dividend to the same beneficiary does not contravene the terms of the trust.

"(6) The rules for determining residence in sections OE 7 and OE 8 apply for the purposes of subsections (1) and (4).".

(2) Subsection (1) applies to dividends paid on or after 1 April 1998.

14. Amount of provisional tax payable—(1) In section MB 2 (1), paragraph (b) is replaced by:

"(aa) 100% of the residual income tax for the immediately preceding income year if—

"(i) The taxpayer is a natural person; and

"(ii) The taxable income of the taxpayer for the immediately preceding income year does not exceed $75,000; and

"(iii) None of paragraphs (ab), (b), (c), or (d) applies; or

"(ab) 105% of the residual income tax for the income year before the immediately preceding income year if—

"(i) The taxpayer is a natural person; and

"(ii) The taxpayer is required to furnish a return of income for the immediately preceding income year but, under section 37 of the Tax Administration Act 1994 or any extension granted under that section, is not required to furnish that return on or before the date the instalment is due; and

"(iii) The taxpayer has not in fact furnished that return on or before the date the instalment is due; and

"(iv) The instalment is not the instalment due on the third instalment date; and

"(v) The taxable income of the taxpayer for the income year before the immediately preceding income year does not exceed $75,000; and

"(vi) Neither paragraph (c) nor paragraph (d) applies; or

"(b) 110% of the residual income tax for the income year before the immediately preceding income year if—

"(i) The taxpayer is required to furnish a return of income for the immediately preceding income year, but, under section 37 of the Tax Administration Act 1994 or any extension granted under that section, the taxpayer is not required to furnish that return on or before the date the instalment is due; and

"(ii) The taxpayer has not furnished that return on or before the date the instalment is due; and

"(iii) The instalment is not the instalment due on the third instalment date; and

"(iv) None of paragraphs (ab), (c), or (d) applies; or".

(2) Subsection (1) applies to payments of provisional tax for the 1998-99 income year that are due on or after 7 July 1998.

15. Assessment and payment of terminal tax— (1) Section MC 1 (2) is replaced by:

"(2) Notwithstanding section NC 17 (2), terminal tax of a provisional taxpayer payable for an income year is due on the 7th of the month—

"(a) Specified by Column E of Schedule 13, if the provisional taxpayer's return of income giving rise to the terminal tax liability was linked to a tax agent, unless that tax agent did not have an extension of time for filing returns for that income year under section 37 (4) of the Tax Administration Act 1994 or the return referred to under section 37 (4A) of the Tax Administration Act 1994; or

"(b) Specified by Column D of Schedule 13, in any other case.".

(2) After section MC 1 (3), the following is inserted:

"(4) For the purpose of subsection (2), the month specified in Schedule 13, Part A for the payment of terminal tax is that—

"(a) Specified in Column E, if the provisional taxpayer's return of income giving rise to the terminal tax liability was linked to a tax agent, unless that tax agent did not have an extension of time for filing returns for that income year under section 37 (4) of the Tax Administration Act 1994 or the return referred to under section 37 (4A) of the Tax Administration Act 1994; or

"(b) Specified in Column D in any other case.".

(3) Subsection (1) is deemed to apply to the 1997–98 income year.

(4) Subsection (2) applies to the 1998–99 and subsequent income years.

16. Payment of tax—(1) Section MC 2 (1) is replaced by:

"(1) Terminal tax for an income year by a company that does not have a fixed establishment in New Zealand and is not deemed to be resident in New Zealand is due and payable on—

"(a) 7 February in the next income year; or

"(b) 7 April in the income year following the next income year, if the company's return of income giving rise to the terminal tax liability was linked to a tax agent, unless that tax agent did not have an extension of time for filing returns for that income year under section 37 (4) of the Tax Administration Act 1994 or the return referred to under section 37 (4A) of the Tax Administration Act 1994.".

(2) Section MC 2 (2) is replaced by:

"(2) Terminal tax for an income year by a person (other than a company to which subsection (1) applies) is due and payable on the 7th of the month—

"(a) Specified by Column E of Schedule 13, if the person's return of income giving rise to the terminal tax liability was linked to a tax agent, unless that tax agent did not have an extension of time for filing returns for that income year under section 37 (4) of the Tax Administration Act 1994 or the return referred to under section 37 (4A) of the Tax Administration Act 1994; or

"(b) Specified by Column D of Schedule 13, in any other case.".

(3) After section MC 2 (2), the following is inserted:

"(3) For the purpose of subsection (2), the month specified in Schedule 13, Part A for the payment of terminal tax is that—

"(a) Specified in Column E, if the person's return of income giving rise to the terminal tax liability was linked to a tax agent, unless that tax agent did not have an extension of time for filing returns for that income year under section 37 (4) of the Tax Administration Act 1994 or the return referred to under section 37 (4A) of the Tax Administration Act 1994; or

"(b) Specified in Column D, in any other case.".

(4) Subsection (1) is deemed to apply to the 1997–98 and subsequent income years.

(5) Subsection (2) is deemed to apply to the 1997–98 income year.

(6) Subsection (3) applies to the 1998–99 and subsequent income years.

17. Debits arising to imputation credit account— (1) After section ME 5 (1)(n), the following is added:

"(o) The amount calculated under subsection (6) or (7) for an income year and transferred to the company's dividend withholding payment account on account of net foreign attributed income.".

(2) After section ME 5 (2)(k), the following is added:

"(l) In the case of a debit to which paragraph (o) applies,—

"(i) On the last day of the imputation year that corresponds to the income year, to the extent that the debit does not exceed the amount of provisional tax payments made in relation to the income year on or before that day; and

"(ii) To the extent that subparagraph (i) does not apply, on the date the company files the return of income for the income year.".

(3) After section ME 5 (5), the following is added:

"(6) If a dividend withholding payment account company is also a conduit tax relief company for the whole of the imputation year corresponding with the income year and at the time of filing the return, the amount to be transferred under subsection (1)(o) from the company's imputation credit account to the company's dividend withholding payment account is calculated by applying sections KH 1 and KH 2 (as if the amount were conduit tax relief for the year) but substituting the percentage of resident shareholders for the quantity NRS in sections KH 1 (2) and KH 1 (3) and calculating the percentage of resident shareholders by deducting NRS from 100%.

"(7) If a dividend withholding payment account company for the whole of the imputation year corresponding with the income year is not a conduit tax relief company for the whole of the imputation year corresponding with the income year and at the time of filing the return, the amount to be transferred under subsection (1)(o) is calculated under section KH 1 as if the company were a conduit tax relief company and quantity NRS were 100%.

"(8) If neither subsection (6) nor (7) applies, no amount is transferred under subsection (1)(o).".

(4) Subsections (1) to (3) apply to the 1998–99 and subsequent imputation years.

18. Credits and debits arising to branch equivalent tax account of company—(1) In section MF 4 (1)(a), item "a" is replaced by:

"a is the amount of the company's income tax liability for the income year calculated as if the amount of any rebate under section KH 1 were nil; and".

(2) Section MF 4 (3)(a) is replaced by:

"(a) An amount of dividend withholding payment, calculated before any reduction is allowed under section NH 7, paid by the company in respect of a dividend derived from an income interest in a controlled foreign company, whether the amount is paid directly or by an election to reduce an amount of net loss:".

(3) Subsection (1) applies to tax on taxable income derived in the 1998–99 and subsequent income years.

(4) Subsection (2) applies to dividends paid on or after 1 April 1998.

19. Use of credit to reduce dividend withholding payment, or use of debit to satisfy income tax liability—(1) In section MF 5 (2)(a), after "provisional tax", "or has received a rebate under section KH 1" is inserted.

(2) In section MF 5 (6)(c), the words in brackets are replaced by "(whether directly or by way of an election to reduce an amount of a net loss or by means of a reduction of dividend withholding payment under section NH 7)".

20. Credits arising to dividend withholding payment account—(1) After section MG 4 (1)(b), the following is inserted:

"(ba) The amount debited to the company's imputation credit account under section ME 5 (1)(o) on account of net foreign attributed income:

"(bb) The amount of dividend withholding payment payable under section MI 10 (4) on account of a credit transferred from the company's conduit tax relief account under section MI 6 (2):

"(bc) The amount of dividend withholding payment paid by the company under section MI 10 (3):".

(2) After section MG 4 (2)(b), the following is inserted:

"(ba) In the case of the credit referred to in subsection (1) (ba), on the date the debit arises to the imputation credit account:

"(bb) In the case of the credit referred to in subsection (1) (bb), immediately before the end of the imputation year (whether or not the dividend withholding payment is paid by then):

"(bc) In the case of the credit referred to in subsection (1) (bc), on the date the dividend withholding payment is paid:".

(3) Subsections (1) and (2) apply to the 1998-99 and subsequent imputation years.

21. Debits arising to dividend withholding payment account—(1) Section MG 5 (1)(d) is replaced by:

"(ca) The amount of a credit transferred to the company's conduit tax relief account under section MI 6 (1):

"(d) The amount of a refund of dividend withholding payment paid to the company except—

"(i) To the extent that the refund is for a dividend withholding payment paid prior to the date that a debit arises under paragraph (i); and

"(ii) A debit will not arise for a refund paid under section MI 11:".

(2) After section MG 5 (2)(c), the following is inserted:

"(ca) In the case of the debit referred to in subsection (1) (ca), immediately before the end of the imputation year:".

(3) Subsections (1) and (2) apply to the 1998-99 and subsequent imputation years.

22. Company may attach dividend withholding payment credit to dividend—(1) Section MG 6 is replaced by:

"MG 6. (1) A dividend withholding payment account company may, on payment of a dividend by the company, attach a dividend withholding payment credit to the dividend.

"(2) A dividend withholding payment account company that is also a conduit tax relief company may attach a dividend withholding payment credit to a dividend derived by a non-resident, but only to the extent allowed under section MZ 4.

"(3) The rules for determining residence in sections OE 7 and OE 8 apply for the purpose of subsection (2).".

(2) Subsection (1) applies to dividends paid on or after 1 April 1998.

23. Transfer by life insurance company of credit balance to policyholder credit account—(1) In section MG 7 (1), after "policyholder credit account company", "but not a conduit tax relief company" is inserted.

(2) Subsection (1) applies to the 1998–99 and subsequent imputation years.

24. Transfer of credit balance to imputation credit account—(1) In section MG 11 (1), after "A company", ", which is not a conduit tax relief company," is inserted.

(2) Subsection (1) applies to the 1998–99 and subsequent imputation years.

25. New Subpart added—(1) After section MH 1, the following is added:

"SUBPART I—CONDUIT TAX RELIEF ACCOUNTS

"MI 1. **Balance of conduit tax relief account**—(1) The balance of a conduit tax relief account is the difference between the aggregate amounts of credits and debits existing in the account.

"(2) The account has—

"(a) A credit balance if credits exceed debits; or

"(b) A debit balance if debits exceed credits.

"MI 2. **Company may elect to be conduit tax relief company and maintain conduit tax relief account**—(1) A dividend withholding payment account company may elect to be a conduit tax relief company for an imputation year.

"(2) The company must notify the Commissioner of its election by the date the company must furnish its return of income for the income year corresponding with the imputation year.

"(3) An election is effective from the date it is notified to the Commissioner for the purposes of sections LG 1 (1), MG 6, MI 7, MZ 4, and NH 7, but otherwise from the start of the imputation year.

"(4) The company must maintain a conduit tax relief account from the beginning of the imputation year until revocation under subsection (5) takes effect.

"(5) The company may revoke its election.

"(6) Revocation is of no effect unless the company—

"(a) Furnishes the annual imputation return required for the imputation year in which the revocation election was made within the time limit in section 69 of the Tax Administration Act 1994; and

"(b) Has paid any dividend withholding payment payable in respect of that cessation under section MI 10 (3).

"(7) A company that revokes its election must maintain the account until the end of the imputation year in which the revocation is made.

"MI 3. **Conduit tax relief account**—(1) For each imputation year, a company must record the following in its conduit tax relief account:

"(a) The opening balance calculated under subsection (2):

"(b) Credits arising under section MI 4:

"(c) Debits arising under section MI 5.

"(2) The opening balance of the account is—

"(a) For the first imputation year the company is a conduit tax relief company, nil; and

"(b) For subsequent imputation years, the closing balance of the account at the end of the preceding imputation year.

"MI 4. **Credits arising to conduit tax relief account**—(1) In an imputation year, a company's conduit tax relief account must be credited by the following amounts:

"(a) An income tax rebate allowed to the company under section KH 1:

"(b) A dividend withholding payment reduction allowed to the company under section NH 7 for a dividend paid to the company during the imputation year:

"(c) A conduit tax relief credit attached to a dividend derived by the company:

"(d) The amount of a debit arising under section MI 5 (1)(d), to the extent it is subsequently established that the relevant conduit tax relief credit was not part of an arrangement to obtain a tax advantage:

"(e) A credit transferred from the company's dividend withholding payment account under section MI 6 (1).

"(2) The credits arise at the following times:

"(a) In the case of an income tax rebate credit,—

"(i) On the last day of the imputation year that corresponds to the income year, to the extent of the amount calculated under the following formula:

$$\text{"}\frac{\text{PROV} \times \text{CTR}}{\text{XFER}}$$

"where—

"PROV is the amount debited on the last day of the imputation year under section ME 5 (2)(l)(i):

"XFER is the total amount to be transferred from the imputation credit account to the dividend withholding payment account under section ME 5 (1)(o):

"CTR is the amount of income tax rebate to be credited under subsection (1)(a); and

"(ii) To the extent that subparagraph (i) does not apply, on the date the company files the return of income for the income year.

"(b) In the case of a dividend withholding payment reduction credit, on the date the company is required to pay the Commissioner the dividend withholding payment reduced by section NH 7:

"(c) In the case of a credit for a conduit tax relief credit attached to a dividend, on the date the dividend is paid:

"(d) In the case of the subsequent correction credit, on the date the relevant debit arose under section MI 5 (1)(d):

"(e) In the case of a transferred credit, immediately before the end of the imputation year.

"MI 5. **Debits arising to conduit tax relief account**—(1) In an imputation year, a company's conduit tax relief account must be debited by the following amounts:

"(a) A conduit tax relief credit attached to a dividend paid by the company during the imputation year:

"(b) The amount of conduit tax relief adjustment calculated under section FH 8 (5):

"(c) An allocation deficit debit arising under section MG 8, as applied by section MI 8:

"(d) A debit arising to the account under section GC 22, as applied by section MI 9:

"(e) A credit in the account at any time (that is not previously cancelled by a debit) if, since the time the credit arose, there has been an increase of 34 or more percentage points in the percentage of the company's shareholders who are resident in New Zealand, as measured under subsection (3):

"(f) A credit in the account at any time (that is not previously cancelled by a debit) if and to the extent that—

"(i) The credit arose under section MI 4 (1)(a) or (b); and

"(ii) The credit would not have arisen but for sections OE 7 and OE 8 (3)(b) applying to deem a conduit tax relief group member to be a non-resident; and

"(iii) The conduit tax relief group member ceases to be a conduit tax relief group member because section OE 7 (3)(c) is no longer satisfied:

"(g) A credit in the account at any time (that is not previously cancelled by a debit) if—

"(i) The company is a conduit tax relief group member in respect of another conduit tax relief company; and

"(ii) The credit arose under section MI 4 (1)(c) when the company received a dividend with a conduit tax relief credit attached from the other conduit tax relief company; and

"(iii) The company ceases at that time to be a conduit tax relief group member because section OE 7 (3)(c) is no longer satisfied:

"(h) The credit balance (if any) of the account if the company ceases to be a conduit tax relief company during the imputation year:

"(i) A credit transferred from the account to the company's dividend withholding payment account under section MI 6 (2).

"(2) The debits referred to in subsection (1) arise at the following times:

"(a) In the case of a dividend attachment debit, on the date the dividend is paid:

"(b) In the case of a further dividend withholding payment amount, on the date it is paid:

"(c) In the case of an allocation deficit debit, at the end of the imputation year in which the debit arises:

"(d) In the case of a tax advantage arrangement debit, at the end of the imputation year in which the arrangement commenced:

"(e) In the case of a resident shareholder percentage debit, at the time the 34 percentage point change threshold is first reached:

"(f) In the case of the chain break debits referred to in paragraphs (f) and (g) of subsection (1), at the time the group relationship ceases:

"(g) In the case of a termination debit, immediately before the company ceases to be a conduit tax relief company:

"(h) In the case of a credit transfer debit, immediately before the end of the imputation year.

"(3) The percentage of shareholders of a conduit tax relief company who are resident in New Zealand at the time is the highest of—

"(a) The percentage of direct voting interests held in the company by residents; and

"(b) The percentage of direct market value interests held in the company (if a direct market value circumstance exists) by residents; and

"(c) The percentage of total dividends payable by a company (if the shares in the company are not all shares of the same class) that would be derived by residents, if the company were liquidated at the relevant time.

"(4) Subsection (1)(e) does not apply to the extent that the increase in shareholders resident in New Zealand is solely because section OE 7 (1)(c) is not satisfied.

"(5) For the purposes of subsections (1)(e), (f), and (g), in determining whether a credit has been cancelled out by a subsequent debit,—

"(a) Section MI 3 (2)(b) does not apply; and

"(b) An amount of debit can only cancel out a credit once; and

"(c) A debit is offset against credits in the order in which the credits arise.

"(6) A debit arises under subsection (1)(e) if it would have arisen but for an arrangement that affects the shares in the company, if a purpose or effect of the arrangement is to defeat the intent and application of subsection (1)(e).

"(7) The rules for determining residence in sections OE 7 and OE 8 apply for the purposes of subsections (1)(f) and (2).

"MI 6. **End of year clearing transfer to or from dividend withholding payment account**—(1) If immediately before the end of the imputation year and before a transfer is made under this subsection (but after any transfer from the imputation credit account is credited under section ME 5 (2)(l)(i) and any amount is credited to the conduit tax relief account under section MI 4 (2)(a)(i)), a conduit tax relief company's dividend withholding payment account is in credit and its conduit tax relief account is in debit, the company must transfer from the dividend withholding

payment account to the conduit tax relief account the lesser of the 2 balances.

"(2) If immediately before the end of the imputation year and before a transfer is made under this subsection (but after any transfer from the imputation credit account is credited under section ME 5 (2)(l)(i) and any amount is credited to the conduit tax relief account under section MI 4 (2)(a)(i)), a conduit tax relief company's dividend withholding payment account is in debit and its conduit tax relief account is in credit, the company must transfer from the conduit tax relief account to the dividend withholding payment account the lesser of the 2 balances.

"MI 7. **Attachment of conduit tax relief credit to dividend**—(1) A conduit tax relief company may attach a conduit tax relief credit to a dividend when it pays the dividend to a non-resident.

"(2) The rules for determining residence in sections OE 7 and OE 8 apply for the purpose of subsection (1).

"MI 8. **Allocation rules for conduit tax relief credits**—(1) Sections MG 8 and MG 10 and the definitions of 'dividend withholding payment ratio' and 'combined imputation and dividend withholding payment ratio' apply as if a conduit tax relief credit were a dividend withholding payment credit.

"(2) To the extent that an allocation deficit debit arises under section MG 8 only as a result of subsection (1), the allocation deficit debit is debited to the conduit tax relief account and not the dividend withholding payment account.

"MI 9. **Arrangement to obtain tax advantage**—(1) Section GC 22 and the definitions of 'dividend withholding payment ratio' and 'combined imputation and dividend withholding payment ratio' apply as if a conduit tax relief credit were a dividend withholding payment credit.

"(2) To the extent that a further debit arises under section GC 22 only as a result of subsection (1), the further debit is debited to the conduit tax relief account and not the dividend withholding payment account.

"MI 10. **Further dividend withholding payment payable in respect of conduit tax relief account debits**—(1) If a debit arises to a company's conduit tax relief account under section MI 5 (1)(c), (d), or (e), the company must pay, to the Commissioner, a further amount of dividend withholding payment equal to that debit within 20 days of the end of the quarter in which the debit arises.

"(2) The further amount of dividend withholding payment does not give rise to a credit in the company's dividend withholding payment credit account.

"(3) If a debit arises to a company's conduit tax relief account under sections MI 5 (1)(f), (g), or (h), the company must pay the Commissioner an amount of dividend withholding payment equal to that debit within 20 days of the end of the quarter in which the debit arises.

"(4) If a credit balance is transferred from a company's conduit tax relief account to its dividend withholding payment account under section MI 6 (2), the company must pay the Commissioner an amount of dividend withholding payment equal to the amount transferred by 20 June after the imputation year for which the transfer is made.

"(5) Subject to this section and section 103A of the Tax Administration Act 1994, this Act and the Tax Administration Act 1994 (other than the dividend withholding payment rules), so far as they are applicable and with any necessary modifications, apply with respect to any dividend withholding payment for which a company is liable under this section as if it were income tax.

"MI 11. **Refund of tax in respect of transfer from dividend withholding payment account**—(1) If a credit balance is transferred to a company's conduit tax relief account from its dividend withholding payment account under section MI 6 (1), the company is entitled to a refund equal to the amount of the transfer.

"(2) The Commissioner must pay the refund to the company or apply the refund to satisfy an obligation of the company at that time to pay an amount to the Commissioner.

"*Credits and Debits Incorrectly Recorded*

"MI 12. **Correction by Commissioner of credits and debits**—(1) If the Commissioner considers that a credit or a debit in a company's conduit tax relief account is incorrectly recorded or determines that a debit or a credit has not been recorded at all, the Commissioner must determine the correct debit or credit amount and the date on which the debit or credit should be recorded.

"(2) As soon as is convenient after a determination is made (in this section and in section 92 of the Tax Administration Act 1994 referred to as a 'determination of incorrect entry'), the Commissioner must give notice of the determination of incorrect entry to the company.

"(3) Unless the company establishes, in proceedings challenging the determination of incorrect entry, that the Commissioner is wrong, the account must be corrected accordingly.

"(4) The notice may be included in a notice of assessment under section 111 (1) of the Tax Administration Act 1994 or a notice of determination of net loss under section 111 (2) of that Act.

"(5) Failure to give notice does not invalidate the Commissioner's determination of incorrect entry.

"MI 13. **Debits and credits arising to conduit tax relief account of amalgamated company on amalgamation—** (1) This section applies if an amalgamating company ceases to exist upon a qualifying amalgamation.

"(2) If as a result of applying the procedure under section MI 5 (5) and (6), there exists immediately before the amalgamation a credit or a debit in an amalgamating company's conduit tax relief account, the credit or debit must be treated from commencement of the amalgamation as a credit or debit in the conduit tax relief account of the amalgamated company.

"(3) If the amalgamated company has no conduit tax relief account, the credit or debit referred to in subsection (2) must be treated as a credit or debit in the amalgamated company's imputation credit account.

"(4) Section MI 5 (1)(e) applies to an amalgamated company as if, at all times prior to the amalgamation, the amalgamated company did not separately exist and was instead the amalgamating company with the same holders of shares and options over shares as the amalgamating company and with each holding the same number and class of shares and options over shares as they held in the amalgamating company.

"(5) If a credit or debit (not being a debit arising under section MI 5 (1)(e)) would have arisen and, but for the amalgamation, been recorded in the conduit tax credit account of the amalgamating company on a date after the date of amalgamation, the credit or debit must be recorded in the conduit tax relief account of the amalgamated company.

"(6) If the amalgamated company referred to in subsection (5) has no conduit tax relief account, the debit must instead be recorded in that company's imputation credit account.

"(7) If an amalgamated company does not have a conduit tax relief account after a qualifying amalgamation, and a credit is transferred to the imputation account of the amalgamated company under either of subsections (3) or (6),—

"(a) The amalgamated company must within 20 days of the end of the quarter in which the amalgamation occurs pay an amount of dividend withholding payment equal to the amount of the credit transferred; and

"(b) A payment required to be made under paragraph (a) does not give rise to a credit in the imputation credit account or the dividend withholding payment account of the amalgamated company.".

(2) Subsection (1) applies to the 1998–99 and subsequent imputation years.

26. New section added—(1) After section MZ 3, the following is added:

"MZ 4. **Attachment of dividend withholding payment credits to dividends to non-residents**—(1) Notwithstanding section MG 6 (2), but otherwise subject to this Act, a conduit tax relief company may attach a dividend withholding payment credit to a dividend derived by a non-resident to the extent allowed under this section.

"(2) The rules for determining residence in sections OE 7 and OE 8 apply for the purpose of subsection (1).

"(3) The dividend must be paid before 1 April 2001.

"(4) The credit attached to the dividend, when aggregated with all dividend withholding payment credits attached under subsection (1) to dividends previously paid or paid at the same time, must not exceed the greater of—

"(a) Nil; and

"(b) The amount calculated as follows:

"NRS × (DWPA balance + March DWP)

"where—

"NRS is the percentage of the company's shareholders not resident in New Zealand, as calculated under section NH 7 (2) as if that section applied to a dividend received on 31 March 1998:

"DWPA balance is the balance of the company's dividend withholding payment account at the end of the 1997–98 imputation year:

"March DWP is the amount of the credit that arises under section MG 4 (1)(a) after 31 March 1998 on account of dividends paid to the company in the quarter ended 31 March 1998.".

(2) Subsection (1) applies to dividends paid on or after 1 April 1998.

27. Tax deductions to be made by employers—(1) After section NC 2 (4), the following is inserted:

"(5) When an extra emolument is paid by an employer to an employee and the total of that extra emolument and the annualised value of all source deduction payments (except extra emoluments) paid to that employee by the employer in the previous four weeks (ending on the date the extra emolument is paid) is greater than $38,000, the employer must deduct tax from the extra emolument at the basic tax deduction rate specified in clause 8(b) of Schedule 19.".

(2) Subsection (1) applies to tax deducted from an extra emolument for a pay period ending on or after 1 July 1998.

28. Application of tax codes specified in tax code declarations or tax code certificates—(1) In section NC 8 (1)(d), "to which paragraph (da) does not apply" is added after "secondary employment earnings".

(2) After section NC 8 (1)(d), the following is inserted:

"(da) 'SH', signifying an employee in relation to whom the source deduction payment is a payment, other than a payment of the kind referred to in clauses 6 and 7 of Schedule 19, that is secondary employment earnings to which paragraph (d) does not apply:".

(3) After section NC 8 (1), the following is inserted:

"(1A) An employee may elect, by providing a tax code declaration to the employer, that an extra emolument be subject to the basic tax deduction rate specified in clause 8(b) of Schedule 19.".

(4) Subsections (1) to (3) apply to a tax deduction from a payment of salary or wages or extra emoluments for a pay period ending on or after 1 July 1998.

29. Assessment and payment of tax—(1) Section NC 17 (2) is replaced by:

"(2) Income tax payable under an assessment made under subsection (1) and not otherwise due and payable is due and payable on—

"(a) 7 February in the next income year; or

"(b) 7 April in the income year following the next income year, if the taxpayer's return of income to which the assessment relates was linked to a tax agent unless that tax agent did not have an extension of time for filing returns for that income year under section 37 (4) of the Tax Administration Act 1994 or the return referred to under section 37 (4A) of the Tax Administration Act 1994; or

"(c) An earlier date specified in a notice of assessment given to the taxpayer as long as the date specified is not less than 30 days after the date of that notice.".

(2) Subsection (1) applies to the 1997–98 and subsequent income years.

30. Non-resident withholding tax imposed—(1) Section NG 2 (1)(a) is replaced by:

"(a) At the rate of 30% on non-resident withholding income that is dividends, but not to the extent that those dividends are—

"(i) Investment society dividends; or

"(ii) Supplementary dividends payable as a result of Part LE; or

"(iii) Conduit tax relief additional dividends payable as a result of Part LG; or

"(iv) Fully imputed; or

"(v) Fully dividend withholding payment credited; or

"(vi) Fully conduit tax relief credited:".

(2) Subsections (1) and (2) apply to dividends paid on or after 1 April 1998.

31. New heading and section added—(1) After section NH 6, the following is added:

"*Conduit Tax Relief*

"NH 7. **Reduction in liability under conduit tax relief**—(1) A conduit tax relief company that receives a dividend subject to a dividend withholding payment may reduce the dividend withholding payment by the following amount:

"NR × DWP

"where—

"NR is the percentage of the company's shareholders not resident in New Zealand as calculated under subsections (2) and (4):

"DWP is the foreign dividend withholding payment that would need to be deducted but for this section, calculated after any loss offsets claimed under section NH 3.

"(2) The percentage of shareholders not resident in New Zealand is calculated at the most recent of—

"(a) The last date prior to the receipt on which the company paid a dividend to all shareholders; or

"(b) The end of the second income year before the year of receipt.

"(3) If the company to which subsection (2) applies is a listed company, the company may use the record date (the date on which entitlement to a dividend is determined) in respect of a dividend instead of the date of payment of the dividend.

"(4) The percentage is the lowest of—

"(a) The percentage of direct voting interests held in the company by non-residents at the relevant time; and

"(b) The percentage of direct market value interests (if a direct market value circumstance exists) held in the company by non-residents at the relevant time; and

"(c) The percentage of total dividends payable by a company (if the shares in the company are not all shares of the same class) that would be derived by non-residents, if the company were liquidated at the relevant time.

"(5) For the purposes of subsection (2)(a), a company with more than one class of shares that pays a dividend to all shareholders of each class of shares in an income year is treated as if a dividend had been paid to all shareholders on the latest date on which it paid a dividend to all holders of shares of one of the classes.

"(6) For the purposes of determining direct voting interests under subsection (4)(a) or direct market value interests under subsection (4)(b),—

"(a) The relevant time is the date on which the company is treated as having paid a dividend to all shareholders under subsection (5); and

"(b) In relation to each class of shares, the company is treated as having the same shareholders on the relevant date in relation to that class that it had on the last date in the income year on which a dividend was paid to all shareholders of that class.

"(7) For the purposes of this section, Treasury stock is to be disregarded.

"(8) The rules for determining residence in sections OE 7 and OE 8 apply in this section.".

(2) Subsection (1) applies to dividends paid on or after 1 April 1998.

32. Definitions—(1) In section OB 1, the following are inserted:

" 'Conduit tax relief account' means the account a conduit tax relief company must maintain under section MI 2:

" 'Conduit tax relief additional dividend' means a dividend paid under section LG 1:

" 'Conduit tax relief company' means a company that has made and not revoked an election under section MI 2:

" 'Conduit tax relief credit', means the credit attached to the dividend under section MI 7:

" 'Conduit tax relief group member' is defined in section OE 7:

" 'Conduit tax relief holding company' is defined in section OE 7:

" 'Foreign attributed income' means the company's gross income for the income year which is—

"(a) Attributed foreign income:

"(b) Foreign investment fund income calculated under the accounting profits method or the branch equivalent method:

" 'Foreign attributed loss offsets' means all deductions or offsets a company is allowed in the income year which are—

"(a) Attributed foreign losses:

"(b) Foreign investment fund losses calculated under the accounting profits method or the branch equivalent method:

"(c) Attributed foreign net losses:

"(d) Foreign investment fund net losses calculated under the accounting profits method or the branch equivalent method:

" 'Fully conduit tax relief credited', in sections CB 10 (4), FG 4 (14F), and NG 2 (1), means, in relation to a dividend, that part of the dividend calculated as follows:

$$\text{"}\frac{\text{CTRC} \times (1 - \text{T})}{\text{T}}$$

"where—

"CTRC is the amount of conduit tax relief credit attached to the dividend; and

"T is the rate of companies' tax, expressed as a percentage, stated in Schedule 1, Part A, clause 5 that applies to the income year in which the dividend is paid:

" 'Linked to a tax agent', in sections MC 1, MC 2, and NC 17, means an income tax return notified to the Commissioner as either a tax return that will be prepared by a tax agent or as a tax return that will be furnished by a tax agent:

" 'Tax agent' means a person who prepares the annual returns required to be furnished for 10 or more taxpayers and who—

"(a) Carries on a professional public practice; or

"(b) Carries on any business in which annual returns required to be furnished are prepared; or

"(c) Is the Maori Trustee."

(2) In section OB 1:

(a) In paragraph (d) of the definition of "associated person", "and" is replaced by "FH 1, and":

(b) In the definition of "direct market value circumstance", "OD 3 to OD 6" is replaced by "KH 2, NH 7, OD 3 to OD 6, OE 7, and OE 8":

(c) In the definitions of "direct market value interest" and "direct voting interest", insert "KH 2, MI 5, and NH 7" after "CH 3," and insert "and OE 7 and OE 8" after "OD 8 (3)":

(d) In paragraph (b) of the definition of "first business day", "ceased to derive" is replaced by "derived":

(e) The definition of "instalment date" is replaced by:

" 'Instalment date', in the provisional tax rules, in relation to a taxpayer, means the 7th of a month specified in Schedule 13 and the 15th of the month if the month is January, as a month in which payment of an instalment of provisional tax is payable by a taxpayer:":

(f) In the definition of "listed company", after "that section", insert "and sections KH 2 and NH 7":

(g) In paragraph (g) of the definition of "paid", "MD 3" is replaced by "KH 2, MD 3, and NH 7":

(h) In paragraph (d) of the definitions of "pay" and "payment", "section MD 1" is replaced by "sections KH 2, MD 1, and NH 7":

(i) In the definition of "sale or other disposition", the following is added after paragraph (c)(i):

"(ia) The creation of a forestry right under the Forestry Rights Registration Act 1983, other than a right in favour of the proprietor:":

(j) In the definition of "shares of the same class", "section FC 4" is replaced by "sections FC 4, KH 2, MI 5, and NH 7".

(3) Subsection (1), except the definition of "tax agent", and subsection (2) (b), (c), (g), (h), and (j) are deemed to have come into force on 1 October 1997.

(4) The definition of "tax agent" in subsection (1), and subsection (2) (i) are deemed to apply to the 1997–98 and subsequent income years.

33. Further definitions of associated persons—(1) In section OD 8 (3), in the portion before paragraph (a), "EZ 9, EZ 11, GD 13, and HK 11" is replaced by "EZ 9, EZ 11, FH 1 (2), GD 13, HK 11, KH 2, NH 7, OE 7, and OE 8".

(2) In section OD 8 (3)(a), in the proviso, after "Provided that," "except in" is inserted.

(3) In section OD 8 (3)(a), in the proviso, "CG 8, GD 13, and HK 11" is replaced by "CG 8, FH 1 (2), GD 13, HK 11, KH 2, NH 7, OE 7, and OE 8".

(4) Subsections (1) and (3) are deemed to have come into force on 1 October 1997.

(5) Subsection (2) is deemed to have come into force on 1 July 1997.

34. New sections added—(1) After section OE 6, the following is added:

"OE 7. **Conduit tax relief holding companies and group members**—(1) A company is a conduit tax relief holding company in respect of a conduit tax relief company in which it holds shares if—

"(a) It is itself a conduit tax relief company; and

"(b) A single person not resident in New Zealand has 100% of the direct voting interests in the conduit tax relief holding company (and 100% of the direct market value interests if a direct market value circumstance exists at the relevant time), disregarding a nominal shareholding held by a person to comply with company law requirements; and

"(c) The conduit tax relief holding company has a 10% or greater direct voting interest in the conduit tax relief company (and a 10% or greater direct market value interest, if a direct market value circumstance exists at the relevant time); and

"(d) The conduit tax relief holding company has previously given, and not revoked, a written notice to the conduit tax relief company that it is to be a conduit tax relief holding company for the conduit tax relief company.

"(2) Notwithstanding subsection (1)(b), a company is not a conduit tax relief holding company if the single person is a controlled foreign company or the trustee of a non-qualifying trust.

"(3) A company resident in New Zealand is a conduit tax relief group member in respect of a conduit tax relief company in which it holds shares if—

"(a) It is itself a conduit tax relief company; and

"(b) It has, in the conduit tax relief company,—

"(i) A 100% direct voting interest; and

"(ii) A 100% direct market value interest, if a market value circumstance exists at the time in respect of the conduit tax relief company; and

"(c) One or more non-residents have a direct voting interest, or a direct market value interest if a market value circumstance exists at the time in respect of the group member, in either the conduit tax relief group member or in another member of the same wholly-owned group of companies that is resident in New Zealand and that has a 100% voting interest (and, if such a market value circumstance exists, a 100% market value interest) (calculated as if the look-through rules in sections OD 3 (3)(d) and OD 4 (3)(d) did not apply to deem the other member's interests to be held by others) in the conduit tax relief company.

"(4) For the purposes of subsection (3)(b) and (c), a nominal shareholding held by a person solely to comply with company law requirements is disregarded.

"(5) For the purpose of subsection (3)(c), a non-resident is nevertheless resident in New Zealand if the person is—

"(a) Associated with the company or the conduit tax relief company; and

"(b) A controlled foreign company or the trustee of a non-qualifying trust.

"OE 8. **Residence of conduit tax relief company shareholders**—(1) The rules in this section apply only for the purposes of applying the conduit tax relief provisions in sections KH 2, LG 1 (1) and (4), MG 6 (2), MI 5 (1)(e) and (4), MI 7 (1), MZ 4 (1), NH 7, and OE 7 (3)(c).

"(2) A non-resident is nevertheless resident in New Zealand if the person is—

"(a) Associated with the conduit tax relief company; and

"(b) A controlled foreign company or the trustee of a non-qualifying trust.

"(3) A company resident in New Zealand holding shares in a conduit tax relief company is not resident in New Zealand if it is—

"(a) A conduit tax relief holding company in respect of the conduit tax relief company; or

"(b) A conduit tax relief group member in respect of the conduit tax relief company, but only to the extent described in subsection (4).

"(4) A conduit tax relief group member is not resident in New Zealand for the percentage of its direct voting interest, direct market value interest, and entitlement to derive dividends that is equal to the total percentage of direct voting interests (or direct market value interests if market value circumstances exist) referred to in section OE 7 (3)(c).".

(2) Subsection (1) is deemed to have come into force on 1 October 1997.

35. Schedule replaced—(1) Schedule 13 of the Income Tax Act 1994 is replaced by the new Schedule 13 set out in Schedule 1 of this Act.

(2) Subsection (1) is deemed to apply to the 1997–98 income year.

36. Schedule replaced—(1) Schedule 13 of the Income Tax Act 1994, as replaced by section 35 of this Act, is replaced by the new Schedule 13 set out in Schedule 2 of this Act.

(2) Section 62 of the Taxation (Remedial Provisions) Act 1997 is repealed.

(3) Subsection (1) applies to the 1998–99 and subsequent income years.

(4) Subsection (2) is deemed to apply on 23 September 1997.

37. Schedule 19—Basic Tax Deductions—(1) The following is inserted after Schedule 19, clause 5:

"5A. From every payment of secondary employment earnings for which the employee has delivered to the employer a tax code declaration under section NC 8 specifying the tax code 'SH', tax is deductible at the rate of 33 cents per $1 of secondary employment earnings.".

(2) Schedule 19, clause 8 is replaced by:

"8. From every extra emolument, tax is deductible at the rate of—

"(a) 21 cents per $1 of extra emolument; or

"(b) 33 cents per $1 of extra emolument if either section NC 2 (5) or NC 8 (1A) applies.".

(3) Subsections (1) and (2) apply to a tax deduction from a source deduction payment for a pay period ending on or after 1 July 1998.

PART 2

AMENDMENTS TO TAX ADMINISTRATION ACT 1994

38. Tax Administration Act 1994—The Tax Administration Act 1994 is amended by this Part.

39. Interpretation—(1) In section 3, after the definition of "tax", the following is inserted:

" 'Tax agent' means a person who prepares the returns of income required to be furnished for 10 or more taxpayers and who—

"(a) Carries on a professional public practice; or

"(b) Carries on any business in which returns of income are prepared; or

"(c) Is the Maori Trustee:".

(2) Subsection (1) applies to the 1997-98 and subsequent income years.

40. Shareholder dividend statement to be provided by company—(1) In section 29 (1), after "or a dividend withholding payment credit attached", "or a conduit tax relief amount attached" is inserted.

(2) Subsection (1) applies to dividends paid on or after 1 April 1998.

41. New section added—(1) After section 30, the following is inserted:

"30A. **Statement to shareholder when conduit tax relief credit attached to dividend**—Where a conduit tax relief company attaches a conduit tax relief credit to a dividend under section MI 7 of the Income Tax Act 1994, the company

must include the following information in the shareholder dividend statement required by section 29:

"(a) The amount of the conduit tax relief credit:

"(b) The amount of the conduit tax relief additional dividend paid under section LG 1 of the Income Tax Act 1994:

"(c) The aggregate of—

"(i) The dividend paid to the shareholder; and

"(ii) The conduit tax relief additional dividend paid to the shareholder.".

(2) Subsection (1) applies to dividends paid on or after 1 April 1998.

42. Annual income tax returns not required from taxpayers—(1) Section 33A (1) is amended by adding "; and" at the end of paragraph (i) and inserting, after paragraph (i), the following paragraph:

"(j) Is, notwithstanding paragraph (i), a person who, in an income year, had an IRD loan balance under the Student Loan Scheme Act 1992 and whose IRD loan balance on the last day of an income year was nil.".

(2) Subsection (1) applies to the 1998–99 and subsequent income years.

43. Dates by which annual returns need to be furnished—(1) Section 37 (4) is replaced by:

"(4) Subject to subsection (5), the Commissioner may extend a tax agent's time for furnishing a return of income for any taxpayer to a date the Commissioner thinks proper in the circumstances, if the Commissioner is satisfied that—

"(a) The tax agent is unable to furnish the return of income on or before the date set by subsection (1); or

"(b) It would be unreasonable, having regard to the circumstances of the tax agent preparing the return, to require the return to be furnished on or before the date set by subsection (1).

"(4A) The Commissioner may refuse to extend a tax agent's time for furnishing a taxpayer's return of income for an income year and may cancel an existing extension of time for furnishing such a return if the taxpayer has not furnished any required return of income for a prior income year and that return is not subject to an extension of time.".

(2) Subsection (1) applies to the 1997–98 and subsequent income years.

44. New section added—(1) After section 68, the following is inserted:

"68A. **Statement when conduit tax relief credit attached to dividend**—If a conduit tax relief company attaches a conduit tax relief credit to a dividend, the company must include the following information in the company dividend statement required by section 67:

"(a) The conduit tax relief additional dividend paid under section LG 1 of the Income Tax Act 1994:

"(b) The dividend withholding payment ratio (calculated as if the credit were a dividend withholding payment credit):

"(c) The combined imputation and dividend withholding payment ratio (calculated as if the credit were a dividend withholding payment credit), if an imputation credit has been attached to the dividend.".

(2) Subsection (1) applies to dividends paid on or after 1 April 1998.

45. Annual imputation return—(1) After section 69 (1)(e), the following is inserted:

"(ea) If the company is a conduit tax relief company for the imputation year,—

"(i) The opening and closing balances of the company's conduit tax relief account for the imputation year:

"(ii) The amount and source of all credits and debits that have arisen in the company's tax relief account in accordance with Part MI of the Income Tax Act 1994:".

(2) After section 69 (3), the following is added:

"(4) For the purposes of subsections (2) and (3), a conduit tax relief credit is treated as if it were a dividend withholding payment credit.".

(3) Subsections (1) and (2) apply to 1998–99 and subsequent income years.

46. Commissioner to make determinations—In section 92 (5), in the words before paragraph (a), after "section MG 12", "or MI 12" is inserted.

47. New section added—(1) After section 103, the following is inserted:

"103A. **Assessment of dividend withholding payment relating to conduit tax relief**—(1) The Commissioner may assess the amount of dividend withholding payment payable by a company under section MI 10 of the Income Tax Act 1994 that the Commissioner considers appropriate.

"(2) The company must pay the amount assessed unless the company establishes in proceedings challenging the assessment that the assessment is excessive or that the company is not chargeable with the dividend withholding payment.

"(3) The Commissioner's assessment can be challenged in the same way as income tax, and Part VIIIA of this Act applies accordingly.

"(4) Sections 109, 111, and 113 apply to an assessment as if—

"(a) The term 'taxpayer' included a company required to deduct a dividend withholding payment; and

"(b) The term 'tax already assessed' includes the dividend withholding payment already assessed under this section.".

(2) Subsection (1) applies to the 1998–99 and subsequent income years.

48. Remission or cancellation on written request—In section 183H, in the words before paragraph (a) , after "tax", "under section 183A or 183D" is inserted.

PART 3

AMENDMENTS TO GOODS AND SERVICES TAX ACT 1985

49. Goods and Services Tax Act 1985—The Goods and Services Tax Act 1985 is amended by this Part.

50. Application—Sections 51 and 52 are deemed to have come into force on 1 October 1996.

51. Short Title, etc—In section 1 (2), "sections 12 and 13" is replaced by "section 12".

52. Interpretation—In the definition of "input tax" in section 2, "Customs Act 1966" is replaced by "Customs and Excise Act 1996".

53. Zero-rating—(1) In section 11 (2)(ca)(i), "in relation to" is replaced by "directly in connection with".

(2) Subject to subsection (3), subsection (1) is deemed to have come into force on 1 October 1996.

(3) Subsection (1) is deemed to have come into force on 20 November 1997 if a person has furnished a return—

(a) In reliance on the words "in relation to"; and

(b) On or before 20 November 1997; and

(c) For a taxable period that ends on a date between 30 September 1996 and 21 November 1997.

PART 4

AMENDMENTS TO STAMP AND CHEQUE DUTIES ACT 1971

54. Stamp and Cheque Duties Act 1971—The Stamp and Cheque Duties Act 1971 is amended by this Part.

55. Interpretation—(1) In section 86A, before the definition of "cardholder", the following is inserted:

" 'Automatic withdrawal of funds' means obtaining through the use of a credit card a supply of goods, services, money or money's worth from an automatic teller machine (ATM) operated by a credit card agency, whether or not it is the credit card agency that issued the credit card and whether or not payment in respect of the supply is made by another credit card agency:".

(2) In section 86A, after the definition of "credit card agency", the following is inserted:

" 'Electronic transfer of funds' means using a credit card to make payment to a merchant by electronic means, or a process that temporarily replaces the electronic means, from an account of a cardholder, whether or not through an agent of either or both of them, for which the credit card agency does not assume liability for payment for goods, services, money, or money's worth, other than a liability that is not a primary liability but is in the nature of a guarantee, and includes an electronic funds transfer at point of sale (EFTPOS) and an automatic payment (AP):".

(3) In section 86A, in the definition of "liable transaction", after "issued by itself", insert "or an automatic withdrawal of funds or an electronic transfer of funds".

(4) Subsections (1) to (3) are deemed to have come into force on 10 July 1981.

(5) Notwithstanding subsection (4), subsections (1) to (3) do not apply with respect to a transaction that is a liable transaction (as defined in law before subsections (1) to (3) are enacted) entered into before 1 December 1997 if, before that date, details of the liable transaction have been forwarded to

the Commissioner in the manner prescribed under section 86D and the credit card transaction duty on the liable transaction has been paid.

56. Repeal—(1) Part VIA is repealed on 1 April 1998.

(2) Notwithstanding subsection (1), sections 86A to 86E continue to apply to liable transactions that occur before 1 April 1998.

PART 5

AMENDMENTS TO TAXATION (REMEDIAL PROVISIONS) ACT 1997

57. Taxation (Remedial Provisions) Act 1997—(1) The Taxation (Remedial Provisions) Act 1997 is amended by this Part.

(2) In section 31, "28" is replaced by "30".

(3) In section 37, "33" is replaced by "36".

(4) This section is deemed to have come into force on 23 September 1997.

SCHEDULES

SCHEDULE 1

Section 35

NEW SCHEDULE 13 OF INCOME TAX ACT 1994

"SCHEDULE 13

"MONTHS FOR PAYMENT OF PROVISIONAL TAX AND TERMINAL TAX

"1. Month for payment of instalments of provisional tax under section MB 5 and months for payment of terminal tax under sections MC 1 and MC 2:

Month of Balance Date	A Month for Payment of First Instalment of Provisional Tax being the Month Preceding the Balance Date	B Month for payment of Second Instalment of Provisional Tax being the Month Preceding the Balance Date	C Month for payment of Third Instalment of Provisional Tax being the Month Preceding the Balance Date	D Month for payment of Terminal Tax being the First Such Month Succeeding the Balance Date	E Month for payment of Terminal Tax being the Next Such Month Succeeding the month in Column D
October	February	June	October	September	November
November	March	July	November	October	December
December	April	August	December	November	January
January	May	September	January	December	February
February	June	October	February	January	March
March	July	November	March	February	April
April	August	December	April	February	April
May	September	January	May	February	April
June	October	February	June	February	April
July	November	March	July	February	April
August	December	April	August	February	April
September	January	May	September	February	April

"2. In this schedule, 'balance date', in relation to income tax payable by a taxpayer in an income year or other period, means the date of the annual balance of the taxpayer's accounts for that year or other period, being a year or other period for which the taxpayer is required by this Act or the Tax Administration Act 1994 to furnish a return of income.".

Section 36

SCHEDULE 2

NEW SCHEDULE 13 OF INCOME TAX ACT 1994

"SCHEDULE 13

"MONTHS FOR PAYMENT OF PROVISIONAL TAX AND TERMINAL TAX

"PART A

"1. Month for payment of instalments of provisional tax under section MB 5 (1), (2), and (3) and months for payment of terminal tax under sections MC 1 and MC 2, whether the income year is a transitional year or not:

Month of Balance Date	A Month for Payment of First Instalment of Provisional Tax being the Month Preceding the Balance Date	B Month for payment of Second Instalment of Provisional Tax being the Month Preceding the Balance Date	C Month for payment of Third Instalment of Provisional Tax being the Month Preceding the Balance Date	D Month for payment of Terminal Tax being the First Such Month Succeeding the Balance Date	E Month for payment of Terminal Tax being the Next Such Month Succeeding the month in Column D
October	February	June	October	September	November
November	March	July	November	October	December
December	April	August	December	November	January
January	May	September	January	December	February
February	June	October	February	January	March
March	July	November	March	February	April
April	August	December	April	February	April
May	September	January	May	February	April
June	October	February	June	February	April
July	November	March	July	February	April
August	December	April	August	February	April
September	January	May	September	February	April

"2. In Part A of this schedule, 'balance date', in relation to income tax payable by a taxpayer in an income year or other period, means the date of the annual balance of the taxpayer's accounts for that year or other period, being a year or other period for which the taxpayer is required by this Act or the Tax Administration Act 1994 to furnish a return of income.

SCHEDULE 2—*continued*

NEW SCHEDULE 13 OF INCOME TAX ACT 1994—*continued*

"SCHEDULE 13—*continued*

"PART B

"MONTHS FOR PAYMENTS OF INSTALMENTS UNDER SECTION MB 5A:

First column Length of transitional year	*Second column* Number of instalments in transitional year	*Third column* Month or months in which instalments, other than a final instalment, are due
0 to 4 months	1	Only final instalment payable
5 to 8 months	2	Instalment due in 4th month
9 to 12 months	3	Instalment due in 4th and 8th month
13 to 16 months	4	Instalments due in 4th, 8th, and 12th months
17 to 20 months	5	Instalments due in 4th, 8th, 12th, and 16th months
21 to 24 months	6	Instalments due in 4th, 8th, 12th, 16th, and 20th months

"Note: The third column refers to the month(s) following a taxpayer's balance date in the year before a transitional year.".

This Act is administered in the Inland Revenue Department.