

PAYROLL TAX REPEAL BILL

EXPLANATORY NOTE

This Bill gives effect to the Budget announcement that payroll tax is to be abolished.

Clause 1 relates to the Short Title and the commencement. The Bill is to come into force on 1 October 1973.

Clause 2 repeals the Payroll Tax Act 1970, and revokes the Payroll Tax (Export Incentive) Order 1971, and the Payroll Tax (Export Incentive) Order 1971, Amendment No. 1. It also substitutes this Act for the Payroll Tax Act 1970 in the list of Inland Revenue Acts set out in the First Schedule to the Inland Revenue Department Act 1952, and makes several consequential amendments to other Acts.

Clause 3 is the savings clause.

Clause 4 contains the transitional provisions, the principal ones being—

- (a) The Payroll Tax Act 1970 is not to apply to wages paid and payable after the terminating date, 30 September 1973.
- (b) Any wages paid on or before the terminating date, to the extent to which they relate to a period after that date, are deemed to have been paid after that date and are therefore exempt from payroll tax.
- (c) Any wages paid after the terminating date, to the extent to which they relate to a period before that date are deemed to have been paid on that date and are therefore liable to payroll tax.

Where wages are paid after 31 March 1974, those wages are only to be deemed to have been paid before the terminating date if, pursuant to a regular practice in relation to similar payments in previous years, they are, for the purposes of income tax, deemed to relate to a period ending with or before that date, or if they are so paid for the purpose of avoiding the payment of payroll tax.

- (d) The amount to be deducted by way of general exemption from wages paid during the period from 1 April 1973 to the terminating date is to be \$3,900, reduced proportionately in the case of a person who was not an employer for the whole of the period. At present the deduction is \$7,800 in respect of the wages paid in any year.

Hon. Mr Rowling

PAYROLL TAX REPEAL

ANALYSIS

Title	2. Abolition of payroll tax
1. Short Title and commencement	3. Savings
	4. Transitional provisions

A BILL INTITLED

An Act to abolish Payroll Tax

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

1. **Short Title and commencement**—(1) This Act may be cited as the Payroll Tax Repeal Act 1973.

(2) Except where this Act otherwise provides, this Act shall come into force on the 1st day of October 1973.

10 2. **Abolition of payroll tax**—(1) The Payroll Tax Act 1970 is hereby repealed.

(2) The following enactments are hereby consequentially repealed:

(a) Subsection (2) of section 21 of the Testing Laboratory Registration Act 1972;

(b) Subsection (4) of section 42 of the Accident Compensation Act 1972;

(c) Subsection (3) of section 31 of the Pacific Islands Polynesian Education Foundation Act 1972.

(3) The Inland Revenue Department Act 1952 is hereby amended by omitting from the First Schedule the reference to the Payroll Tax Act 1970, and substituting a reference to this Act.

(4) The Accident Compensation Act 1972 is hereby consequentially amended by omitting from subsection (8) of section 83, as from the commencement of that section, the words "shall apply for the purposes of this Act as if", and substituting the words "shall, notwithstanding the repeal thereof, apply for the purposes of this Act as if the said Part 10 and said section had not been repealed, and as if".

(5) The Payroll Tax (Export Incentive) Order 1971 and the Payroll Tax (Export Incentive) Order 1971, Amendment No. 1, are hereby revoked.

3. Savings—(1) For all purposes whatsoever in respect of any payroll tax which at the commencement of this Act has been already assessed or paid or is still assessable or payable in accordance with the provisions of any enactment hereby repealed, that enactment and all the provisions thereof, including its penal provisions, and all Orders in Council, warrants, and other acts of authority originating thereunder, shall, notwithstanding the repeal thereof, be deemed to remain in full force and effect; and all proceedings under any such enactment, including proceedings for the recovery of any fine or penalty in respect of any offence committed, whether before or after the commencement of this Act, may be instituted or continued accordingly as if the enactment concerned had not been repealed.

(2) All proceedings in respect of offences committed or alleged to be committed, whether before or after the commencement of this Act, against any enactment hereby repealed may be instituted or continued as if this Act had not been passed.

4. Transitional provisions—(1) For the purposes of this section, unless the context otherwise requires,—

(a) The expression "terminating date" means the 30th day of September 1973:

(b) The expression "terminating period" means the period commencing on the 1st day of April 1973 and ending with the terminating date:

(c) Expressions defined in the Payroll Tax Act 1970 have the meanings so defined.

- (2) Notwithstanding anything in the Payroll Tax Act 1970 or in the foregoing provisions of this Act, the following transitional provisions shall apply, namely:
- (a) Subject to this subsection, the Payroll Tax Act 1970 shall not apply to wages which are paid and payable after the terminating date;
- (b) Any wages paid on or before the terminating date shall, to the extent to which they are paid in respect of a period after the terminating date, be deemed to have been paid and payable after that date;
- (c) Any wages (not being wages of any of the kinds which are exempt from payroll tax under section 7 of the Payroll Tax Act 1970) paid after the terminating date shall, to the extent to which they are paid in respect of a period on or before the terminating date, be deemed to have been paid and payable on that date:
- Provided that, subject to paragraph (d) of this subsection, nothing in this paragraph shall apply to any wages paid after the 31st day of March 1974:
- (d) The proviso to paragraph (c) of this subsection shall not apply to any wages—
- (i) Which are paid after the 31st day of March 1974 and which, pursuant to a regular pattern or practice in relation to similar payments of wages in previous years, are, for the purposes of income tax, deemed to relate to a period ending with or before that date; or
- (ii) Which are paid after the 31st day of March 1974 for the purpose, or for purposes including the purpose, of enabling the employer to meet the requirements of the said proviso:
- (e) Instead of the deduction provided for in subsection (1) of section 6 of the Payroll Tax Act 1970 there shall be deducted from the total amount of chargeable wages paid or payable, or deemed to be paid and payable, by an employer in the terminating period—
- (i) In the case of a person who was an employer during the whole of the terminating period, the amount of \$3,900; or
- (ii) In the case of a person who was an employer during part only of the terminating period, an amount which bears to \$3,900 the same proportion

as the number of months in that part of the terminating period (being months during which he was an employer or is deemed to be, or treated as, an employer by virtue of paragraph (f) of this subsection) bears to 6:

- (f) Subsections (2) and (4) of section 6 of the Payroll Tax Act 1970 shall apply, with any necessary modifications, with respect to any deduction allowed under paragraph (e) of this subsection: 5
- (g) The definition of the term "export goods" in subsection (1) of section 8 of the Payroll Tax Act 1970 shall be deemed to apply only to goods falling within that definition, being goods—
 - (i) Which were exported from New Zealand on or before the terminating date by a person; and 10
 - (ii) Which were sold or disposed of on or before that date by that person; and
 - (iii) Of which that person was the owner at the time of the sale or disposal:
- (h) Sections 9, 10 and 11 of the Payroll Tax Act 1970 20 shall apply as if every reference in those sections to a year (not being a reference to the year immediately preceding the specified year) or to a specified year were a reference to the terminating period:
- (i) An employer shall not be required to include in any return furnished under section 12 or section 13 of the Payroll Tax Act 1970 any wages to which, pursuant to paragraph (a) of this subsection, that Act does not apply: 25
- (j) Where—
 - (i) On or before the terminating date the Commissioner, under subsection (2) of section 12 of the Payroll Tax Act 1970, varies the periods in respect of which an employer is required to furnish returns pursuant to subsection (1) of that section; and 35
 - (ii) Under the variation, a period commences on or before, but ends after, the terminating date,— that part of the period that occurs after the terminating date shall, subject to paragraph (c) 40 of this subsection, be disregarded.
- (k) Section 24 of the Payroll Tax Act 1970 shall apply as if the terminating period were a year. 40