

HOUSE OF REPRESENTATIVES

Supplementary Order Paper

Thursday, 10 September 1981

INCOME TAX AMENDMENT

Proposed Amendments

HON. MR TEMPLETON, in Committee, to move the following amendments:

Clause 4: To omit from pages 5 and 6 paragraphs (a), (b), and (c) of the definition of the term "mortgage", and substitute the following paragraphs:

"(a) An unconditional agreement for the sale and purchase of real property or a leasehold estate consisting, in either case, of land and a home thereon:

"(b) A mortgage of shares in a company where the owner of those shares is exclusively entitled, by virtue of that ownership, to the occupation of a specified residential unit in a multi-unit building owned by that company:

"(c) An unconditional agreement for the sale and purchase of shares in a company where the purchaser of those shares is exclusively entitled, by virtue of that agreement, to the occupation of a specified residential unit in a multi-unit building owned by that company:

"(d) Any deed which creates an occupation right,—

To insert, after the definition of the term "mortgage" on page 6, the following definitions:

"Occupation right", in relation to any home, means the right to reside in and occupy the home, granted, pursuant to the terms of a deed or other instrument in writing entered into between an employer and, as the case may be, an employee of that employer, or an employee of that employer and the spouse of that employee (that deed or, as the case may be, that instrument in writing being referred to in this section as the deed, and that employee or, as the case may be, that spouse being referred to hereafter in this definition as the signatory), to the signatory, where—

“(a) The Commissioner is satisfied that at the time of the execution of the deed there are special circumstances by reason of which the signatory is unable to obtain title to the land on which the home is situated; and

“(b) The terms of the deed provide that—

“(i) In consideration for an agreed price in relation to the home the signatory has the right to reside in and occupy the home for the duration of the term of the right; and

“(ii) To the extent that any amount of the agreed price remains unpaid the signatory is required to pay interest to the employer in respect of that amount unpaid; and

“(iii) On the cessation of the said right the employer is required to pay to the signatory an amount equal to the fair market value of the home at the time of the cessation, reduced by the aggregate of the amounts (if any) of the said agreed price and the said interest that are unpaid at that time:

To insert, after line 8 on page 7, the following subclause:

“(1A) For the purposes of this section, where any person is—

“(a) The owner of specified shares in a company; or

“(b) The purchaser of specified shares in a company, under an unconditional agreement for the sale and purchase of those shares,—

and that person is, by virtue of that ownership or that purchase of those shares, entitled to the exclusive occupation of a specified residential unit in a multi-unit building owned by that company, that person shall be deemed to own that residential unit.

To insert, after subclause (6) on page 8, the following subclause:

“(6A) Where, in relation to any home, any person is granted an occupation right, this section shall apply as if, pursuant to the deed which created that right and on the date of the execution of that deed,—

“(a) That person acquired that home; and

“(b) In relation to that home, that person acquired and became the holder of an interest in a home; and

“(c) The equitable ownership of that home were given to, and taken by, that person.

Clause 8: To insert, after line 10 on page 9, the following subclause:

“(1A) Section 56A (2) of the principal Act (as so inserted and amended) is hereby further amended by adding the following paragraph:

“(t) New Zealand Sports Foundation (Incorporated).”

To insert in line 11, before the words “This section”, the words “Sub-section (1) of”.

Clause 13: To omit paragraph (b) from lines 5 to 16 on page 11, and substitute the following paragraph:

“(b) An amount equal to the smaller of—

“(i) The aggregate of the amounts of the expenditure and losses (being expenditure and losses incurred by the taxpayer in gaining or producing that assessable income) of any of the kinds specified in the Fourth Schedule to this Act, reduced by every amount received (whether before or after the incurring of that expenditure and those losses), by or on behalf of the taxpayer, in respect of or in relation to that expenditure and those losses:

“(ii) The said aggregate, reduced by every amount that, in relation to the said expenditure and losses so incurred, is (in accordance with the said Fourth Schedule, and by reason of the maximum or, as the case may be, the maxima specified therein in respect of the said expenditure and losses) not a deductible amount.”

Clause 14: To omit subclause (5) in lines 15 to 17 on page 12, and substitute the following subclause:

(5) Subsection (3) of this section shall apply with respect to the tax on income derived in any income year, whether commencing before or after the day on which this Act receives the Governor-General's assent.

Clause 15: To omit subclause (3) in lines 46 and 47 on page 12.

Clause 27 (2): To omit from line 12 on page 22 the words “come into force on”, and substitute the words “apply on and after”.

Clause 31: To add, after line 31 on page 23, the following subclause:

(4) Section 6 (2) (b) of the Income Tax Amendment Act (No. 2) 1980 is hereby further amended, from its commencement, by inserting, after the word “area”, the words “the word ‘Kapiti’ and also”.

EXPLANATORY NOTE

Clause 4: These amendments provide that where any person has an occupation right, (as defined) to a home, the first home mortgage interest rebate provisions are to apply in the same manner as if the person owned the home.

Clause 8: This amendment adds the New Zealand Sports Foundation (Incorporated) to the list of organisations donations to which qualify for the rebate of income tax under section 56A of the principal Act.

Clause 13 makes a drafting change but does not alter the original intent of the amendment to section 105.

Clauses 14, 15, and 27 make drafting changes to the application dates of the various clauses.

Clause 31: This amendment makes a consequential amendment to the Wellington area for the purpose of regional development allowances, following the establishment of the Horowhenua area.
