HEAD OFFICE

INLAND REVENUE DEPARTMENT

WELLINGTON

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LAND AND INCOME TAX AMENDMENT ACT (NO. 2) 1963

EXPLANATORY NOTES

SECTION 1 - SHORT TITLE

SECTION 2 - APPLICATION

Provides that except where otherwise stated, the Act applies first to the income year commencing on 1 April 1963 (i.e. the income year ending 31 March 1964). In general, this includes the corresponding accounting year where the taxpayer balances to a date other than 31 March.

SECTION 3 - DUE DATE FOR FURNISHING LAND TAX RETURNS

At present, annual returns of land are required to be furnished not later than 7 April each year. This section extends the time to 7 May each year, commencing from 1964 - i.e. returns of land held at noon on 31 March 1964 will not be required to be furnished until 7 May 1964.

SECTION 4 - DONATIONS AND SCHOOL FEES

This section amends Section 84B (inserted by Section 4 of the Land and Income Tax Amendment Act (No. 2) 1962) by increasing the maximum allowable exemption from £25 to £50 in respect of school fees and donations to registered (non-profit) private schools or special schools for handicapped children. The present limit of £25 on all other qualifying donations remains. This means if a taxpayer does not pay school fees to a private school or a school for handicapped children, and does not make a donation to either of those types of school, the maximum allowable exemption is still £25.

Donations (as distinct from school fees) to private or handicapped children's schools will qualify for the £50 maximum exemption irrespective of whether or not the donor has a child attending either of those types of school.

In cases in which the £50 maximum applies, it is reducible by any amounts claimed in respect of qualifying donations to other than private schools or handicapped children's schools. Thus, if a person makes a qualifying donation (other than to the above types of school) amounting to £10, he could claim up to an additional £40 for school fees and/or donations to a private school or handicapped children's school.

The amendment applies commencing from the income year ending 31 March 1964 and may be illustrated as follows -

(A) School fees (tuition only) paid to a registered (non-profit) private school or to a special school for handicapped children.

(B) Donations to the above types of schools.

(C) Donations to other qualifying objects.

- Where the only claim is under (C) the maximum that may be claimed is £25.
- Where there is no claim under (C) (but there are claims under (A) or (B) or under both (A) and (B)) the maximum that may be claimed is £50.
- Where there is a claim under (A) or (B), or both, and there is also a claim under (C) the maximum that may be claimed is £50, subject to (C) not exceeding £25.

SECTION 5 - EXEMPTION FROM NEW ZEALAND TAX OF CERTAIN COMPANIES CARRYING ON BUSINESS IN COOK ISLANDS OR NIUE

The section applies to companies carrying on business in the Cook Islands (including Niue) and which are not under the control of persons resident in New Zealand. Companies owned and operated in the Cook Islands, and incorporated in New Zealand because of the lack of facilities for incorporating Companies in the Islands, pay Cook Islands tax. The section exempts them from paying New Zealand tax except on any income derived from sources in New Zealand.

The types of company to which this section relates are already exempt from excess retention tax under Section 172C(j) and (k) of the principal Act and likewise dividends flowing from those companies to shareholders who are resident in the Cook Islands or Niue are already exempt from New Zealand tax pursuant to Section 172A(7) of the principal Act.

Exemption does not apply, however, to dividends declared by such a company in favour of individual shareholders who are resident in New Zealand. Any such dividends will be assessable to New Zealand tax in the same manner and to the same extent as any other dividends flowing from a New Zealand company to its shareholders.

SECTION 6 - EXEMPTION FROM TAX OF COMPENSATION RECEIVED UNDER THE CRIMINAL INJURIES COMPENSATION ACT 1963

This section exempts from tax compensation received under the Criminal Injuries Compensation Act 1963. This brings the position of such compensation into line with payments received under the Workers' Compensation Act. The exemption also applies to social security tax.

SECTION 7 - EXEMPTION FROM NEW ZEALAND INCOME TAX AND EXCESS RETENTION TAX OF COMPANIES DERIVING INCOME FROM "DEVELOPMENT PROJECTS" IN COOK ISLANDS, OR NIUE

This is a further amendment dealing with companies operating in the Cook Islands (including Niue). Section 5, as has already been mentioned, deals with companies owned (or controlled) by residents of the Cook Islands. Section 7 concerns New Zealand owned (or controlled) companies the sole or principal source of income of which is from a business or enterprise in the Cook Islands which is of importance to the development of those Islands. The amendment relieves such companies from paying extra tax in New Zealand (over and above what they pay in the Cook Islands) in respect of income from Cook Islands, development projects declared to be such by Order-In-Council in New Zealand.

The section also provides for exemption from New Zealand excess retention tax.

However, dividends declared by such companies in favour of their shareholders will be assessable to New Zealand tax in their hands in the same manner and to the same extent as any other dividends flowing from a New Zealand company to its shareholders.

SECTION 8 - ADDITIONAL DEPRECIATION ON PLANT, MACHINERY AND EQUIPMENT USED EXCLUSIVELY FOR SCIENTIFIC RESEARCH

This new Section (113B of the principal Act) provides that where, on or after 1 April 1963, a taxpayer acquires, instals or extends any plant, machinery or equipment for use exclusively in scientific research directly relating to that taxpayer's business, the Commissioner may allow an additional deduction by way of depreciation so that the total cost price of the asset is written off over a period of five years.

In most cases this will simply mean a write-off at twenty per cent of cost for each year, in which case there will be no need to claim separate amounts for ordinary and special depreciation, or to furnish an IR 39 (special depreciation claim form). In some cases, however, it is possible that in the first year or two of an asset's life, the combined total of normal special depreciation and ordinary depreciation rates would exceed twenty per cent of cost, e.g. first year - special ten per cent, ordinary fifteen per cent. In such cases, if the taxpayer so desires, he may write off at normal rates in any year in which this would give him a greater benefit than the twenty per cent of cost basis. Where this is done, normal procedures (including furnishing form IR 39) will apply until such time within the five-

year period as the taxpayer ceases to obtain a greater advantage than under these new provisions. From there on, the new provisions would be applied on the basis of allowing an equal spread of the balance of cost price over the remaining years.

Example - Cost of research asset £10,000
Rate of ordinary depreciation 15% d.v.

		Normal		20% on cost
Cost		£10,000		£10,000
1st year's depreciation				
Special	£1,000			
Ordinary	£1,500	£2,500	20% cost	£ 2,000
Balance		£7,500		£ 8,000
2nd year's depreciation				
Special	£ 500			
Ordinary (15% of £7,500)	£1,125	£1,625		
Balance		£5,875		

In the first year normal depreciation gives £2,500, compared with £2,000 on the twenty per cent cost basis. The taxpayer could claim £2,500 if desired.

In the second year, if the book value (£7,500) is divided equally into the four remaining years it gives a write-off of £1,875 per annum. As this is greater than the normal write-off (£1,625) the taxpayer can change over and claim £1,875 per annum for each of the years two to five.

The additional deduction is subject to Section 117 of the principal Act; therefore it can be recovered in the same manner as ordinary and special depreciation if the asset is sold at a price in excess of the tax written-down value. Normal requirements apply as to writing off depreciation in the taxpayer's books of accounts.

Any higher rate of deduction allowed under this section will also be allowed as a deduction for excess retention tax purposes.

SECTION 9 SPECIAL DEPRECIATION

Extends the present special depreciation allowance on plant and machinery and buildings for employee accommodation for another year to 31 March 1965.

SECTION 10 INITIAL DEPRECIATION

Similarly extends the twenty per cent initial depreciation allowance on buildings for employee accommodation for a further year, to 31 March 1965. (This allowance is, of course, alternative to and not additional to special depreciation on such buildings.)

SECTION 11 INVESTMENT ALLOWANCE ON NEW MANUFACTURING PLANT AND MACHINERY

This section together with Section 12 gives effect to the Budget proposal to grant a special investment allowance of ten per cent on the cost of new manufacturing and agricultural plant and machinery. The taxpayer is allowed an additional deduction of ten per cent of cost price in the first year of use of the asset, so that, in effect, he can write off 110 per cent of the cost price of the asset over the term of its actual life, assuming it is then discarded.

If the asset is not scrapped, the allowance is greater than normal depreciation allowances by 10 per cent of the cost.

The investment allowance in no way affects the rates or amounts of ordinary or special depreciation; it is allowable in addition to those claims and is not recoverable if the asset is subsequently sold at a price in excess of book value or even in excess of cost.

The allowance must not be written off the asset account - it should be claimed

outside the books of account by adjustment on page 3 of the company return or on the IR 3B (business return) or the IR 3F (farming return) as the case may be. If, however, a taxpayer wished to keep his Profit and Loss Account net profit in line with his assessable income for taxation purposes, there would be no objection to the investment allowance being debited to Profit and Loss Account and credited to Profit and Loss Appropriation Account.

A full explanation of the terms of Section 11 is given in succeeding pages but in very general terms, the provisions may be summarised briefly as relating to plant or machinery which is -

(a) New - i.e., not second hand.

(b) Delivered to the taxpayer's premises on or after 1 August 1963 and on or before 31 March 1965 (subject to special provisions covering plant constructed on the taxpayer's premises).

(c) Used by the owner in carrying out any part of the processes of converting "goods" into "manufactured goods" or finishing off "manufactured goods" for sale or use.

(d) Used by the owner in certain specified processes which, although not strictly manufacturing processes, are listed as qualifying for the allowance.

(e) Used by the owner in certain specified ancillary processes, PROVIDED the owner of that plant also owns and uses other plant or machinery in one of the actual processes of manufacturing or finishing off.

The term "goods" (whether used alone or in conjunction with the term "manufactured") has its ordinary and generally accepted meaning. As, however, there may be some doubt whether the ordinary meaning would include "liquids, gases, substances and ships and aircraft" the inclusion of these has been specifically covered by definition.

Similarly, there may be some doubt whether the term "manufactured goods" would include goods manufactured for the purpose of use as parts or materials in the manufacture of other goods. Again this point has been specifically covered by definition.

Plan of the Legislation -

Section 11 inserts a new Section 117A in the principal Act. Subsection (4) is the operative provision which allows the deduction. The other subsections cover the following -

Subsection:

(1) General definitions. (Note that although a definition of "manufacturing plant or machinery" appears in subsection (1) this covers only a minor aspect of that term. The principal definitions of the types of plant or machinery to which the investment allowance applies are given in subsection (2) - see below.)

(2) (a) gives the main definition of "manufacturing plant or machinery";
(2) (b) adds to the (2)(a) definition by including plant or machinery for certain processes that might not otherwise be strictly manufacturing processes;
(2) (c) and (d) add certain ancillary plant.

(3) Defines certain plant which it is desired to exclude (e.g. types of plant which are not really manufacturing but which could possibly qualify if not specifically excluded.)

(4) Operative subsection.

(5) Plant used in producing exempt income.

(6) Commencing and ending dates.

(7) Operation of commencing and ending dates in relation to plant constructed on taxpayer's premises.

(8) Avoidance provision.

(9) Not to apply to expenditure on plant for which the taxpayer is re-imbursed.

(10) Deduction additional to depreciation.

(11) Excludes farm developmental expenditure.

Assets which qualify -

(a) The asset must be "new" plant or machinery (hereafter referred to as "the asset") - not second-hand or used. Thus the allowance is granted only once in respect of the same item, irrespective of how many times it may change hands.

(b) The asset must be owned by the taxpayer claiming the allowance. On this point, assets being acquired under hire-purchase agreements will be treated as owned by the person acquiring it. Any assets merely leased by the person carrying out the manufacturing process will not qualify for the allowance to either that person or the owner.

(c) The asset must be used by the owner primarily, principally and directly -

(i) In any part of the manufacturing process carried out by him either on his own behalf or on behalf of another person. (An example of the latter would be plant used by a taxpayer to apply chromium plating to metal sent to him by a manufacturer of metal goods.)

OR

(ii) In finishing off manufactured goods to bring them into the condition in which they are sold or used, whether or not the person applying the finishing process was also the manufacturer of the goods. ("Finishing off" includes processes such as polishing or painting the manufactured goods or the freezing of perishable manufactured goods but does not include packing, labelling, or placing in containers unless done by the actual manufacturer - see later paragraph. Note that an asset used for repairs, such as re-painting a used car, or re-treading tyres, or re-pairing shoes would not qualify although assets used in the original manufacture of such items would qualify.)

OR

(iii) In the following processes which are deemed to be manufacturing processes -

- concentration (see definitions in the section) of a metal or operations ancillary to that process. (Does not apply to a mining company assessable under section 152.);
- refining of petroleum (does not apply to a petroleum mining company assessable under section 153);
- scouring or carbonising wool. (Carbonising is a process whereby excessive seed content of wool is removed);
- milling timber;
- freezing primary products;
- operations of printing, lithographing or engraving in the course of carrying on the business of a publisher, printer, lithographer or engraver;
- curing meat or fish;
- production of chilled or frozen meat;
- pasteurising milk;
- canning foodstuffs;
- producing electric current, hydraulic power, steam, compressed air or gases (other than natural gas) for sale by the taxpayer or as a source of power etc., used primarily and principally for manufacturing plant operated by him.

OR

(iv) In the following ancillary operations carried out by the manufacturer (or partial manufacturer) of the goods. (Note - does not apply to assets used in these operations by an independent person who had nothing to do with the manufacture of the goods) -

- packing, placing in containers, or labelling goods;
- cleansing or sterilising bottles, vats or other containers used by the taxpayer for storage, delivery or marketing goods;
- transportation or storage of the goods within the manufacturing premises, e.g. fork lifts, tractors, conveyor belts, storage cranes etc., but NOT road vehicles such as trucks, cars, vans, station wagons

etc. even though such vehicles may be used wholly or partly in transporting goods within the manufacturing premises. ("Manufacturing premises" is not a defined term; it is used here merely for explanatory purposes and could be taken to mean the factory site or immediately adjacent premises. The intention is to cover initial transportation and storage to remove the goods from the "assembly line" (or other place where the manufacturing is done) but not subsequent transportation and storage which could be regarded as the start of the distribution process. Also to cover transportation of raw materials from the factory gate to the raw materials store and from the latter to the "assembly line" (or other place where the manufacturing is done).

- disposal of waste substances resulting from a manufacturing process;
- assembling, maintenance, cleansing, sterilising or repairing manufacturing plant or machinery.

Assets which do NOT qualify

(a) Assets used in mining or quarrying (except where in conflict with certain qualifying assets mentioned above).

(b) All road vehicles of the types ordinarily used for transporting people or transporting or delivering goods. (This includes cars, trucks and vans as well as vehicles designed especially to convey a particular type of goods, such as petrol trucks, beer tankers etc.)

(c) Assets used by a builder or other contractor to manufacture goods for use in the construction by him of roads, bridges, dams, buildings, and other structures. (This restriction applies where the owner of the plant is also the builder of the road, bridge, dam etc. If, for example, a taxpayer constructs a road and manufactures his own road sealing composition, the plant used in the manufacture of that composition would not qualify. Also, as the construction of a road is not the manufacture of goods, assets used in its construction would likewise not qualify.
If, however, a taxpayer manufacturing road sealing composition merely supplies it to roadbuilders the plant used in manufacturing the composition would qualify, because -
(i) the making of the composition is the manufacture of goods, and
(ii) the owner of that sealing manufacturing plant is not himself constructing the road.
The position is that one is a true manufacturer while the other is only partly so, and plant may be used for other purposes besides manufacture.

(d) Cooking appliances, or other plant and machinery used in the preparation of food or drink (on or off the premises) in hotels, boardinghouses, catering establishments, kitchens, cookhouses, restaurants, cafes, milk bars, coffee shops, retail shops or any similar establishments.

This exclusion does not apply, however, to plant used in the production of food or drink in premises other than hotels, boardinghouses etc. listed above. For example, plant used in a bakery to manufacture bread or in a factory to manufacture soft drinks or biscuits will qualify as also will plant used by a brewery in the manufacture of beer. Plant in a bakery would not be disqualified simply because there was a retail shop attached which sold a small part of the output to the public.

(e) All plant or machinery of a kind ordinarily used for office work. This excludes from the allowance such assets as typewriters, dictaphones, accounting machines etc. notwithstanding that those assets may be used in the office of a manufacturing business.

(f) Containers, spools or other articles in or on which goods are to be delivered - i.e. reels on which wire is delivered or spools on which cotton is delivered.

Note that although these items themselves do not constitute plant for the purposes of the allowance under any circumstances, the plant and machinery used in producing those containers etc. would qualify provided the plant is owned by the person manufacturing those items.

(g) Plant or machinery used in the production of electric current, hydraulic power, steam, compressed air, or gases UNLESS that current, power, steam etc. was used either -
(i) for sale by the taxpayer, or

(ii) for use by him primarily and principally to enable him to use other plant and machinery which qualifies for the allowance.

(h) Certain specified articles listed below UNLESS
  (i) the particular unit cost more than £30 AND
  (ii) depreciaton on that article is allowable under Section 113 - i.e. it is not an article on which maintenance or replacement only is allowable.

The list of items is:

Blocks, bolsters, core boxes, dies, driers, flasks, gauges, jigs, lasts, matrixes, moulds, patterns, saggars, stereotypes, templets and tooling (including work-holding fixtures, working heads, and tool holders), and similar articles used for similar purposes.

(i) Hand tools and other loose tools.

(j) Any unit of plant and machinery costing the taxpayer less than £30.

Special provisions regarding Plant and Machinery purchased or Under Construction at commencement and finishing dates.

(a) Asset Purchased by Taxpayer

(i) Position at 1 August 1963

"Purchased" means that it is not manufactured or constructed on the taxpayer's premises but is bought by him to his requirements from another person and is received or taken into his manufacturing premises (hereafter referred to as "delivered") on or after 1 August 1963 and before 1 April 1965.

Where the plant or machinery is delivered to the taxpayer's manufacturing premises within those dates, the asset qualifies for the allowance provided it does not form part of plant and machinery to be constructed on his premises by another person, the contract for which was made before 1 August 1963.

(ii) Position at 31 March 1965

Where plant and machinery purchased by the taxpayer is first delivered after the 31 March 1965, the asset will qualify for the allowance PROVIDED the Commissioner is satisfied that:

(1) a binding contract for purchase of the asset was entered into on or before 31 March 1965 AND
(2) the date on which the contract for purchase was completed and the date on which the asset is delivered does not exceed such period as, in the opinion of the Commissioner, is reasonable in the circumstances of the particular case.

(b) Asset Constructed by Taxpayer himself

(i) Position at 1 August 1963

Where, on 1 August 1963, a taxpayer was himself constructing a new unit of plant and machinery on his manufacturing premises, any goods delivered to him prior to 1 August 1963 for incorporation in that new plant and machinery will not qualify for the investment allowance. Only those goods delivered on or after 1 August 1963 for incorporation in that plant or machinery will qualify.

(ii) Position at 31 March 1965

Where, on 31 March 1965, a taxpayer is himself constructing a new unit of plant or machinery on his manufacturing premises (which he commenced to construct on or after 1 August 1963) any goods delivered to him after 31 March 1965 for incorporation in that plant or machinery will not qualify UNLESS the Commissioner is satisfied that -

- a binding contract was entered into by all necessary parties on or before 31 March 1965
- the period between the date on which the contract was completed and the date on which the goods concerned are incorporated in the unit of plant or machinery does not exceed such period as the Commissioner considers reasonable in the circumstances of the particular case.

(c) Asset Constructed for Taxpayer on his Premises by Another Person

(i) Position at 1 August 1963

Where (1) a unit of plant or machinery is supplied to the taxpayer by another person under a contract made before 1 August 1963, and
(2) that unit is to become an integral part of plant or machinery which that other person agreed to construct on the taxpayer's premises (under either that same contract or another contract made before 1 August 1963),

then any such units of plant or machinery will NOT qualify.

Where a unit of plant or machinery is constructed by another person on the taxpayer's premises partly under a contract made before 1 August 1963 and partly under a contract made between 1 August 1963 and 31 March 1965, only the work performed and materials supplied under that latter contract would qualify for the allowance.

(ii) Position at 31 March 1965

Where, between 1 August 1963 and 31 March 1965, a taxpayer enters into a contract with another person for the construction of a unit of plant and machinery on the taxpayer's premises, and the contract is not completed by 31 March 1965, any work performed or materials supplied after 31 March 1965 will NOT qualify UNLESS that work has been performed and materials supplied not later than the Commissioner considers reasonable in the circumstances of the particular case.

(Sub-section 8 covers the position where a contract was entered into with another person prior to 1 August 1963 for the construction of a unit or portion of a unit of plant or machinery on the taxpayer's premises and that contract is substituted by another (either with the same or a different person) so as to gain the advantage of the investment allowance. In such cases the Commissioner is empowered to either refuse to allow the whole allowance on the plant supplied under the substituted contract or may allow such part only as he thinks fit.)

Reimbursement of Cost Price of Asset

Where a taxpayer is reimbursed wholly or partly for expenditure he has incurred in acquiring new plant or machinery, the cost price for purposes of calculating the investment allowance is to be reduced by the amount of reimbursement.

Adjustment Where Asset Used only partly for Producing Assessable Income

In cases where a qualifying asset has, at any time during the income year (or accounting year), been used in producing exempt or non-assessable income, only that portion of the investment allowance relating to the use of the asset in producing assessable income is to be allowed as a deduction.

Losses

If a loss is sustained during the year in which the investment allowance is allowable as a deduction, the loss to be carried forward is to be increased by the amount of that allowance.

Excess Retention Tax

The amount of the allowance is permitted as a deduction in determining the distributable portion for excess retention tax purposes.

One Investment Allowance Only

Taxpayers entitled to an investment allowance in respect of farming and agricultural plant or machinery (Section 12) or a West Coast redevelopment project (Section 13) are not entitled to a further allowance under this section on that same plant and machinery.

Application

Note that the allowance relates to plant or machinery purchased on or after 1 August 1963. This means that taxpayers with balance dates between 1 August and 30 September can claim the investment allowance for their 1963 income year if they acquired new qualifying plant or machinery on or after 1 August 1963 and on or before their 1963 balance dates.

SECTION 12 - INVESTMENT ALLOWANCE ON PLANT AND MACHINERY USED FOR FARMING AND AGRICULTURAL PURPOSES

This section, with slight modifications, extends the terms of the previous section to plant and machinery used for any farming or agricultural business carried on by the owner in New Zealand or in performing services (such as agricultural contracting) involving the use of that plant or machinery. The type of assets on which the allowance is not granted are the same as those listed in the previous section, except that those which obviously cannot be classed as "farming or agricultural plant and machinery" are not stated.

In the case of "road vehicles", the same exclusions as under Section 11 apply. Tractors and implements qualify, but not trucks, landrovers etc. However, any vehicle designed and used exclusively

(i) for loading fertiliser or lime into topdressing aircraft, or
(ii) partly for carrying a vehicle designed and used for loading fertiliser or lime into topdressing aircraft and partly for carrying fuel for top-dressing aircraft in a permanently attached tank

can qualify for the allowance provided the other conditions are fulfilled.

General

Subject to the specific exclusions it applies over the whole range of farming and agricultural plant and machinery.

The Section 11 provisions apply regarding plant or machinery purchased or under construction at the commencement and termination dates (i.e. 1 August 1963 and 31 March 1965).

An allowance under this section cannot be given in addition to that provided in the preceding section or the succeeding section.

SECTION 13 - INVESTMENT ALLOWANCE ON ASSETS FOR USE IN RE-DEVELOPMENT PROJECTS ON THE WEST COAST

These provisions are aimed at encouraging the establishment of new industries on the West Coast of the South Island - the actual redevelopment areas are defined as being -

(a) the counties of Inangahua, Buller, Grey and Westland,

and

(b) the boroughs of Westport, Runanga, Brunner, Greymouth, Kumara, Hokitika and Ross.

To qualify for this allowance, it is essential that the particular project be declared a "Redevelopment Project" by the Minister of Finance.

There are several important differences between this investment allowance and that relating to manufacturing plant (Section 11) and farming and agricultural plant (Section 12). As this is an incentive allowance to encourage redevelopment of the West Coast, the provisions are somewhat broader and more relaxed than those relating to the other allowances, the principal differences being -

(i) The allowance is 20% of cost price instead of 10%, which means the tax-payer can write off up to 120% of cost over the life of the asset.

(ii) It applies to any plant or machinery (except those items in (v) below) owned by the taxpayer for use in any redevelopment project in the above areas, or in performing services in relation to any redevelopment project in those areas. It is not confined solely to manufacturing plant or machinery, but applies to all plant and machinery used in or in relation to that project irrespective of the functions which those assets perform.

(iii) It applies to 'new' plant acquired or installed by the taxpayer after 11 July 1963 (i.e. Budget date) and on or before 31 March 1967. Note that the wording is similar to that used for special depreciation and whereas the two preceding sections of this Act relate, in general, merely to plant or machinery delivered on or after 1 August 1963 and on or before 31 March 1965, the present section permits the 20% investment allowance in certain circumstances where new plant or machinery is purchased prior to 12 July 1963 but is installed on or after that date. 'New' has the same definition as for the 10% allowance.

(iv) In addition to plant or machinery, the allowance can (with the approval of the Minister of Finance) also apply to buildings or extensions of buildings owned by the taxpayer in the redevelopment area and erected or extended after 11 July 1963 and on or before 31 March 1967 PROVIDED that the buildings are for use primarily, principally and directly in any redevelopment project or in performing services in relation to that project.

(v) Assets which do not qualify

(a) Motor cars or station wagons as defined in subsection (1) of Section 2 of the Transport Act 1962 - unless they are used as a passenger-service vehicle as defined in that section.

The effect is that the investment allowance will apply to motor cars or station wagons <u>ONLY</u> if they are used as taxis, or service cars or are hired out by rental car firms (provided, of course, the particular activities are declared a redevelopment project by the Minister of Finance). Trucks, vans and other similar vehicles excluded from the other allowances can qualify under this section provided other necessary requirements are fulfilled.

(b) Blocks, bolsters, core boxes, dies, driers, flasks, gauges etc. and similar items in the same manner and to the same extent as the investment allowance on manufacturing plant and equipment.

(c) Non-depreciable assets - i.e., assets not subject to scale rates of depreciation.

(d) Hand tools and other loose tools.

(e) Any unit of plant or machinery costing less than £30.

The allowance does not apply to mining companies assessable under Section 152 or petroleum mining companies assessable under Section 153.

<u>Apportionment of Allowance</u> -

Provision is made for the apportionment of the 20% allowance in cases where the plant, machinery, buildings or extensions have been used -

(i) outside the redevelopment area and for purposes other than the redevelopment project <u>or</u>

(ii) partly in producing non assessable or exempt income.

<u>Recoupment of Loss</u> -

Where expenditure on plant, machinery or buildings is recouped by the owner, the investment allowance is correspondingly reduced. No allowance can be claimed under this section if an investment allowance has been claimed and allowed in respect of those same assets pursuant to Section 11 or 12 of this Act (the new Sections 117A or 117B of the principal Act.)

<u>SECTION 14</u> - <u>SPREADING COST OF FERTILISER AND LIME</u>

Under these provisions, persons conducting a farming or agricultural business in New Zealand may defer claiming a tax deduction for all or part of any expenditure on fertiliser and lime (including expenses of applying it to the land). The whole or any part of the expenditure may be allocated, in such manner as the taxpayer thinks fit, to any one or more of the four years next succeeding the year in which the expenditure is incurred.

Written notice of election to defer the deduction, and the basis on which it is proposed to spread it forward, must be given to the Department by the due date for furnishing the return of income for the year in which the expenditure is incurred (or such extended period as the Commissioner allows) and, once made, the election is irrevocable except in the event of sale or death. In such a case, any expenditure not already allowed may be claimed in full in the year of sale or death, or if desired, it may be apportioned equally over the year incurred and subsequent years up to and including the year of cessation of business, or death.

The section first applies in respect of expenditure incurred in the income year commencing on 1 April 1963 (i.e., the year ending 31 March 1964 or equivalent balance date).

<u>SECTION 15</u> - <u>DEDUCTION OF 150% OF INCREASED EXPENDITURE ON FERTILISER AND LIME</u>

This section applies <u>for a trial period of one year only</u> (i.e., the income year ending 31 March <u>1964</u> or equivalent balance date). It permits an additional deduction of 50% of the excess of the cost of fertiliser and lime <u>purchased and applied to the land during that year</u>, over the <u>average cost</u> of fertiliser and lime applied to that same land during the <u>five previous consecutive and full years</u> (or lesser number of full years during which the taxpayer has farmed that land). Note that the five year base period relates to <u>full</u> years; therefore if the farm was bought less than 12 months before the commencement of the year ending 31 March 1964 no additional deduction would be allowable.

The additional deduction must be claimed in the year in which the cost is incurred (i.e. the year ended 31 March 1964) and may not be deferred. The deduction

for the actual cost may, however, be deferred in terms of Section 14.

'Cost' is defined as being cost of the fertiliser and lime to the taxpayer at the supplier's store, plus transport costs to the taxpayer's premises as well as the costs of applying the fertiliser and lime to the taxpayer's land. Where the work is not done by outside contract, the latter could include vehicle running expenses (excluding depreciation) and labour costs (excluding the farmer's own labour). If, however, such costs are included for the year ending 31 March 1964 equivalent expenses must also be included in arriving at the base period costs.

The 'average' cost refers to the average annual cost of fertiliser or lime applied to the same land during complete years in the base period. If a taxpayer has changed his farm during the preceding five-year period, the average will be calculated on the basis of complete years in which he has owned the new farming property. On the other hand, where a taxpayer has owned two farms over the preceding five complete years, the total cost of fertiliser and lime in respect of both farms must be taken into account in arriving at the 'average cost' as well as the current year's 'cost' - i.e., the overall position counts in such cases, and not the respective positions relating to each farm separately.

Calculation of Additional Allowance -

An example showing the calculation of the additional allowance is -

1959	Cost	£400
1960	"	£450
1961	"	£400
1962	"	£500
1963	"	£450
		£2,200
Average:		£440

1964 cost is £600. Excess over average £160. Taxpayer, in addition to the ordinary deduction of £600, would receive an additional deduction of £80 for 1964 representing 50% of the excess of the 1964 figure over the average.

Tax Saving -

A provision has been introduced to ensure that the maximum tax saving as a result of this additional allowance does not exceed 17/- in the £1 - i.e., the net cost to the taxpayer must be not less than 3/- in the £1.

The limitation will have no practical effect for companies, because the maximum tax rate of 10/- in the £1 ensures that the maximum tax saving that can result will be 15/- in the £1.

However, as the maximum individual tax rate is 13/6 in the £1, the limitation of 17/- in the £1 can apply to individuals.

Calculation of Tax Saving -

The legislation provides that where the tax benefit will exceed 17/- in the £1, the deduction allowable under the section is to be reduced so that it does not result in a tax saving in excess of 17/- in the £1. (Similar to the provision in regard to export market development expenditure). However, to simplify the procedure and to afford the taxpayer a more ready method of checking the actual adjustment so made, it is proposed to adjust the tax saving, where necessary, by way of an additional debit on the notice of assessment.

The method to be used is -

(i) Determine the excess (if any) of cost for the year over the average for the previous five complete years (or lesser number of complete years, where applicable).

(ii) Calculate the tax payable by -
  (a) allowing the 'average cost' instead of the actual cost as the ordinary allowable deduction for the year.
  (b) allowing the 'average cost' plus 150% of the excess as an allowable deduction.

(iii) If the difference in tax represents more than 17/- in the £1 on the

excess of actual cost over 'average cost' a debit adjustment will be entered on the assessment notice, which will be accompanied by a statement showing how the adjustment has been calculated. No adjustment will be necessary where taxable income (before allowing the 150% deduction) plus any non-assessable income does not exceed £2,800. 'Taxable income' means the balance of assessable income after deducting personal and other exemptions.

Loss for Year Ended 31 March 1964 -

If the operations for the year ending 31 March 1964 (or equivalent balance date) result in a loss, any tax saving through carrying forward the 150% deduction to a subsequent year, is also restricted to 17/- in the £1.

SECTION 16 - FARM DEVELOPMENT EXPENDITURE

Under existing legislation certain types of farm development costs of a capital nature (such as clearing the land of scrub and stumps or eradicating pests and weeds) are fully deductible for tax purposes and, if the taxpayer so elects, he may spread the deduction equally over the year in which it is incurred and up to four subsequent years.

Also under existing legislation, further types of farm development costs (such as drainage, water conservation and channelling, landing strips, and fences) are deductible up to a limit of £400 per annum with a right to deduct the excess in following years (up to four) provided the limit of £400 per annum is not exceeded in any of those subsequent years.

The amendment does two things -

Firstly, it removes the £400 limit on the latter classes of expenditure for three years, including the current income year. Thus, those types of expenditure will be deductible in full for the period of three years.

Secondly, it permits the taxpayer to allocate, in such manner as he thinks fit, the whole or any part of both classes of expenditure to any one or more of the four years next succeeding the year in which the expenditure is incurred. This second provision is therefore along similar lines to the spreading forward of expenditure on fertiliser and lime as contained in Section 14 of this Act. (Previously, spreading of the unlimited deduction had to be in equal amounts.)

SECTION 17 - DEVELOPMENT EXPENDITURE ON FARMING LAND SOLD WITHIN FIVE YEARS OF ACQUISITION

This is consequential on the amendments contained in Section 16. Under a sub-section of the existing section relating to the deduction of farm development costs of a capital nature, provision is made for any profit on selling the land within five years of purchase to be subject to taxation if the selling price exceeds the original cost plus the value of any non-deductible improvements made. That sub-section has now been repealed and this amendment now authorises the taxation of any developmental expenditure in such cases irrespective of whether the deduction has been allowed under the previous provisions or the present amendment.

SECTION 18 - EXPORT MARKET DEVELOPMENT EXPENDITURE

This section widens the provisions introduced last year whereby certain costs incurred in promotion of exports were made deductible at the rate of 150% of the amounts spent. The amendments are -

(i) The amount of salary earned by a New Zealand employee of the taxpayer (including an employee/director in the case of a company) during the course of an overseas trip to promote exports will qualify for the additional fifty per cent deduction. Previously, the position in general was that the taxpayer could claim the extra deduction only in respect of the employee's fares, accommodation and sustenance costs. The amendment, as above, does not extend to directors who are not also employees; nor does it apply to directors' fees, as distinct from salaries, in the case of employee/directors.

(ii) Salaries paid to employee/directors stationed permanently overseas will also qualify for the additional allowance to the extent that they are engaged on export promotion work. Previously, the position in general was that the allowance applied only to salaries of ordinary employees

stationed permanently overseas (i.e., as distinct from New Zealand employees merely travelling overseas).

(iii) Payments to directors who are not also employees of the company and payments to associated companies carrying on business in New Zealand may now also qualify if the director or associated company is in business as a consultant or adviser on matters relating to export promotion. Previously, the position in general was that all payments to directors and to associated companies carrying on business in New Zealand were excluded.

(iv) Expenditure directly attributable to research into methods of packaging or presenting goods for export, or the development of special lines of goods not regularly produced or supplied by the taxpayer, also qualifies for the additional allowance.

The section also makes the extra 50% allowance deductible for excess retention tax purposes as from the commencement of the legislation. The amendments described above, however, apply only to such expenditure incurred from 1 April 1963 to 31 March 1965. In this regard it should be noted that the latter amendments apply as from a particular date (i.e. 1 April 1963) and not necessarily from the beginning of the income year, e.g. where the balance date is other than 31 March.

SECTION 19 - 150% DEDUCTION FOR TOURIST PROMOTION EXPENDITURE

This extends the 150 per cent. deduction for export market development expenditure to the tourist industry with application from the commencement of the legislation. The deduction relates to expenditure on encouraging tourists to New Zealand and has no application to expenditure on other aspects of the tourist trade.

SECTION 20 - INCREASED EXPORTS INCENTIVE DEDUCTION

General Description of the provisions -

This section is also concerned with the development of exports. Broadly stated, it gives a tax concession in respect of increased export sales of goods (other than our basic primary products), the concession being that the final exporter of goods receives a deduction of the net profit arising from the increased export sales. The increased export sales are arrived at by comparing export sales for the income year concerned with the average export sales in three earlier years (the base period) and the net income arising from those increased exports is calculated on the basis that each £1 of total sales (domestic and export) produces an equal share of the ultimate net profit for the year. Thus under the formula laid down the proportion of net profit attributable to the increased exports is as follows -

$$\frac{\text{Increased Export Sales}}{\text{Total Sales}} \quad \text{of} \quad \frac{\text{Net Profit}}{1}$$

The concession relates only to increases in exports of goods; therefore the "increased export sales" figure would not include any increase in services sold overseas. The "total sales" figure would, however, include gross income from the sale of services in New Zealand and overseas in cases where the taxpayer's business is a mixture of selling goods and services. Likewise, the "net profit" figure would include net income from services. The reason for this is that it would be impracticable to arrive at separate net profits for goods and services becuase of of expenditure being intermingled. The "total sales" and "net profit" figures would, however, exclude gross and net income respectively, from the following sources -

- Interest from lending money (except to the extent that the interest is derived from carrying on a business of money-lending or financing).
- Rents or dividends.
- Any other income from investments.
- Any income that is not liable to or is exempt from New Zealand tax.
- Proprietary income (in the case of a company).
- Any amounts included in export sales for some other year.

Although the original Bill as introduced defined the "base period" as being the "period comprising the three income years immediately preceding that income year" this was amended in the Committee stages of the Bill to read "the first three of the four income years immediately preceding that income year".

The three years ended 31 March 1960, 31 March 1961 and 31 March 1962 (or equivalent balance dates) will therefore form the base period for determining the increased export sales for the year ending 31 March 1964. There are, however, special provisions inserted to cover those cases in which a taxpayer purchases an existing business (which has been engaged in exporting goods) either during the above three year base period or in the next succeeding year or in the same year as he claims a deduction under this section.

The scheme is being introduced for an initial period of five years, commencing with the income year ending 31 March 1964 (or equivalent balance date) and as each year of that period expires, the base period will move forward one year. Thus, in determining the increased exports for the year ending 31 March 1965 (or equivalent balance date) the base period will be the three years ended 31 March 1963 (or equivalent balance dates) and so on, progressively over the five year period.

Goods imported into New Zealand and subsequently exported after processing, packing etc. in New Zealand must have at least fifteen per cent added to their imported cost before they can qualify as goods to which the concession applies.

There is also provision for the Commissioner to disallow all or part of the concession if he considers artificial arrangements have been made to obtain an unfair advantage under the Section. Another provision enables the taxpayer to apply for a reduction of the average sales for the base period if he considers they were influenced by abnormal trading conditions or other extraordinary circumstances.

A more detailed explanation of the section follows.

Export Goods which Qualify for the Deduction -

For the deduction to apply, the increase in sales must relate to "export goods". These are goods exported from New Zealand by the taxpayer and of which he was the owner at the time they were sold or disposed of. The definition specifically excludes:

(i) Goods exported by way of gift.

(ii) Goods taken or sent out of New Zealand with the intention that they will later be returned to New Zealand.

(iii) Goods imported into New Zealand and subsequently exported from New Zealand after being processed, packed, graded or sorted in New Zealand, or incorporated with another product in New Zealand, if the selling price is less than fifteen per cent greater than their original landed cost price (exclusive of New Zealand customs duty).

(iv) Goods imported into New Zealand and subsequently exported in the same form without any processing, packing, grading or sorting in New Zealand.

(v) Goods exported to the Cook Islands, Niue or Tokelau Islands.

(vi) Animals, animal products and by-products (including dairy produce, meat, meat produce, wool and their respective by products) newsprint, and minerals.

The Governor-General is empowered to add to or delete from this list by Order-in-Council from time to time.

The section does not apply to Co-operative Dairy Companies, Co-operative Milk Marketing Companies, Co-operative Pig Marketing Companies or any other marketing authority as defined in Section 154A of the Principal Act; nor does it apply to Mining Companies assessed under Section 152 or 153 of the principal Act.

Increased Export Sales -

Where a taxpayer's export sales for the year ending 31 March 1964 (or equivalent balance date), or for any of the income years up to 31 March 1968, show an increase over the average for the base period (i.e. the three years previously stated), the section provides for a deduction for income tax purposes (including social security tax) of an amount representing the increased net profit assumed to result from those increased export sales.

The Formula -

The formula for arriving at the increased net profit is laid down in Sub-section (5) and, expressed more precisely than under the general description on page 12, is as follows -

$$\frac{\text{Increased Export Sales (of goods)}}{\text{Total Sales (Goods \& Services)}} \text{ of } \frac{\text{Assessable income from sale of goods \& services}}{1}$$

The basis of calculating "Increased Export Sales" has been explained but see also under later headings dealing with the value of export sales and base period adjustments.

"Total Sales" will represent the actual gross sales from the business for the income year, including credit sales and sales of services but excluding any adjustment for the difference between opening and closing stocks. All exempt income, proprietary income and income from investments etc, (as already described) is excluded from the calculation, but gross interest will be included in "Total Sales" to the extent that it is derived from money-lending or financing in the course of the taxpayer's business. In addition, any amounts received during the income year relating to sales returned as income of another income year are to be excluded.

"Assessable income from sales of goods and services" is the net income from those activities and excludes net income from investments etc. (as already described). In other words, the term covers the gross sales of goods and services less all allowable deductions applicable thereto (except the deduction allowable under this Section). The allowable deductions referred to would include special tax deductions such as the extra fifty per cent allowance for export market development expenditure and the investment allowances provided for in this Amendment Act but would not include expenses applicable to excluded investment income etc.

Calculation of value of export sales -

In calculating the value of export sales (both for the base period and the income year for which the concession is allowable) the consideration received for the goods is to be taken as being the actual selling price on a "Free on Board" basis, i.e., exclusive of freight out of New Zealand, insurance and other charges attributable to events, etc, occurring or arising after placing the goods on a ship or aircraft for export. Where the sale of the export goods is part of a transaction involving also the sale of services or the sale of goods which do not qualify for the deduction, an apportionment of the total consideration is authorised.

Where a taxpayer is indemnified under an insurance policy or otherwise for loss of goods after they have been exported from New Zealand he is deemed to have sold them for the amount of the insurance or other recovery. In the case of indemnity for damage to the goods arising after they have been exported from New Zealand, if the taxpayer retained ownership of the goods subsequent to the damage they are deemed to have been sold at a price equal to the insurance recovery plus any actual realised price. If he did not retain ownership of the damaged goods they are deemed to have realised only the amount of the insurance or other recovery.

Calculation of Export Sales for Base Period -

In general, for the income year ending 31 March 1964 the export sales for the base period will be the average of the total export sales of qualifying goods for the three successive years ended 31 March 1962 calculated on the basis outlined under the preceding heading. However, specific provisions have been made to cover the cases of -

(a) persons acquiring an existing business either during the base period, or during the year immediately succeeding the base period, and

(b) persons acquiring an existing business in the year for which the special deduction under this Section is claimed, and

(c) persons selling a business either in the base period or the year immediately succeeding the base period or the year for which the incentive deduction is claimed.

Change of ownership provisions -

The object of these provisions is to make adjustments to the base period export sales so that the purchaser will not receive an undue advantage and so that the seller will not be penalised.

(a) Persons acquiring existing businesses during base period or in the year immediately succeeding the base period -

In calculating the average for the base period, the export sales in that base period by each previous owner of the business are to be added to any export sales made by the purchaser in the base period.

(b) Persons acquiring existing businesses in year for which incentive deduction claimed -

Two steps are necessary in this case -

(i) Find average base period export sales of previous owners.

(ii) Apply the following fraction to the answer in (i) -

$$\frac{\text{No. of days from date of purchase to end of year}}{\text{No. of days in the year}}$$

EXAMPLE

"A" sells business to "B" on 31 December 1963.

Average export sales by "A" for base period (three years ended 31 March 1962) are £3,000. In the three months period 1 January 1964 to 31 March 1964, export sales of "B" from that business total £1,000.

Instead of claiming a deduction of portion of the net profit based on increased export sales of £1,000 for the year, "B"'s claim would be limited to the extent to which the £1,000 sales for the three months exceeds three months' proportion of "A"'s average for the base period, (i.e., $\frac{1}{4}$ of £3,000 = £750). Therefore, the allowable deduction to "B" would be calculated on the basis of increased export sales of £250, i.e., £1,000 (export sales) less £750 (base period export sales).

(c) Persons selling businesses -

Sub-section 3(c) provides that the vendor's base export sales are to be reduced by an amount corresponding with the amount by which the purchaser's base export sales are increased in accordance with (a) and (b) above - e.g. in the case outlined in (b) above, the export sales of "A" would be reduced by £750 in determining his average for the base period.

Persons purchasing Existing Businesses which had no previous Export Sales -

Where a person purchases an existing business and there were no export sales in the base period the whole of any export sales in the income year concerned (i.e. the year for which the concession is allowable) would qualify as "increased export sales".

If the business was purchased before the end of the base period (with no previous export sales), but the purchaser commenced exporting before the end of the base period, the export sales for the whole of the base period would be those made by the new owner and they would still be averaged over the three years.

EXAMPLE

Business purchased 31 December 1961.
No previous export sales.
Export sales for period 1 January 1962 - 31 March 1962 total £1,500.
Average for base period (three years ended 31 March 1962) = £1,500 ÷ 3 = £500.
Any export sales in excess of £500 for the year ending 31 March 1964 would be taken into account in determining the deduction allowable under this section.

Persons establishing completely new businesses -

These persons will be in the same position as those outlined under the previous heading, i.e., base period export sales would be one-third of the total export sales in the base period even though the business was not established until after the commencement of the base period; if it was not established until after the end of the base period or, although established before that date was not exporting, the base period export sales would be "NIL".

Calculation of Net Profit Attributable to Increased Export Sales -

An example of the application of the formula is as follows -

	1960	1961	1962	1964
Total Sales	75,000	70,000	80,000	90,000
Export sales included therein	36,000	30,000	36,000	44,000
Net Trading Profit	15,000	14,000	18,000	27,000

Export sales for the base period (1960,1961 and 1962) = £102,000 average (÷ 3) = £34,000

Increased export sales = £44,000 (1964) less £34,000 (base period average) = £10,000

Net profit attributable to Increased Exports $= \frac{10,000 \text{ (Increased Exports)}}{90,000 \text{ (Total Sales 1964)}}$ of $\frac{£27,000 \text{ (net Profit 1964)}}{1}$ = £3,000

Tax on income derived during year ending 31 March 1964 would be assessed on £27,000
Less £3,000
= £24,000

Insufficient Evidence of Export Sales -

If a taxpayer cannot produce satisfactory information in support of his export sales figures for the base period he will not be entitled to a deduction under the section. However, in any case in which the Commissioner is satisfied that the base period export sales are not more than a particular amount he may accept that figure. Therefore, even though a taxpayer cannot put a precise figure on his base period export sales the Commissioner can accept a figure which represents the maximum possible export sales in the base period.

Abnormal Trading Conditions in Base Period -

Where a taxpayer considers that his export sales during the base period have been inflated through abnormal trading conditions or other extraordinary circumstances, thus placing him under an unfair disadvantage for the purposes of the section, he can make written application to the Commissioner (setting out particulars) to have the matter adjusted in such manner as the Commissioner thinks fit. Any such application should be lodged within the time the taxpayer is required to furnish his return or such extended period as the Commissioner may allow.

Special Arrangements to Gain Unfair Advantage -

The Commissioner has power under sub-section (6) to disallow any excess deduction when he is satisfied that arrangements have been made between the taxpayer and another person (including an associated company) to gain an unfair advantage under the legislation.

Excess Retention Tax -

Any deduction under this section is also to be allowed for Excess Retention Tax purposes.

Application Form -

It is proposed to establish a printed form which taxpayers will be asked to complete in support of applications for a concession under the section.

SECTION 21 - CO-OPERATIVE PIG MARKETING COMPANIES

Under this provision, co-operative pig marketing companies will be liable for tax in substantially the same manner as co-operative dairy companies and co-operative milk marketing companies.

As for the two latter types of companies, regulations will be promulgated in amplification of the provisions of this section.

SECTION 22 - REPEAL OF SECTION 154

Section 154 granted tax exemption to New Zealand companies carrying on business exclusively in non-Commonwealth islands in the Pacific except to the extent that the income was received in New Zealand.

This amendment follows the enactment of a new Section 170 in last year's No 2 Amendment Act, whereby relief for overseas taxation is given by way of credit for the overseas tax and not by exempting the income from New Zealand tax.

SECTION 23 - FISHING INDUSTRY BOARD

This provision is consequential on the establishment of a Fishing Industry Board.

Other marketing Authorities, such as the Dairy Board, the Apple and Pear Board and the Wool Commission are liable to tax on income from interest except bank-interest (or interest on loans made to dairy companies from the Dairy Industry Account).

The amendment puts the Fishing Industry Board on the same basis as other marketing authorities with regard to the taxation of interest.

SECTION 24 - CO-OPERATIVE PIG MARKETING COMPANIES - EXEMPTION FROM EXCESS RETENTION TAX

This amendment is consequential on Section 21 of this Act.

Co-operative pig marketing companies and any of their subsidiaries whose activities are classified as being of the same nature as those of the parent company, will be exempt from excess retention tax. This follows the treatment accorded co-operative dairy companies and co-operative milk marketing companies.

SECTION 25 - ASSESSMENT OF NON-RESIDENT TRADERS

This section re-enacts, in amended form, Section 201 of the principal Act. Section 201 imposes a liability for New Zealand tax on overseas principals for whom an agent in New Zealand is instrumental in procuring the purchase from the principal of goods which are in New Zealand or are to be imported because of that purchase. The agent is required to furnish tax returns and pay tax on behalf of the principal.

The amendment enables relief to be given by Order-in-Council where the country in which the overseas principal is resident does not seek to tax a New Zealand principal operating in similar circumstances in that other country.

SECTION 26 - DEPENDANTS FOR TAX CODE PURPOSES

The income limit for dependent relatives in respect of whom an allowance may be claimed in the taxpayer's PAYE tax code declaration has been increased from £260 to £275 per annum. This first applies from 1 April 1964.