



INLAND REVENUE DEPARTMENT

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PUBLIC RELATIONS
THE COMMISSIONER REPORTS TO THE MINISTER
OF FINANCE

Here is an extract from a report to the Hon. Mr H. R. Lake, which shows the two-fold approach being adopted towards improving Public Relations in the Department:

FIRSTLY – By the provision of information services and the liberalisation of rulings and procedures, the Department seeks to remove any *mysteries* of taxation and thereby improve public understanding in this field.

SECONDLY – By making staff aware that the prime function of a public servant is to serve the public in a courteous, prompt and effective manner.

Changing Attitudes

"On the matter of changing the attitudes of staff to the public which forms so vital a part of the public relations programme of Inland Revenue, not only is this being developed through staff training concerning points of contact, such as counter, phone and correspondence, but *through a planned, sustained and determined effort to eliminate unreasonable and petty small-minded interpretation of both the law and Departmental instructions.*"

Speed Essential

"Encouragement is being given to staff to handle cases with speed, with reasonableness, and with every possible courtesy and consideration. Officers are advised that attempts are not to be made to strain the law purely in order to protect the revenue."

**THE COMMISSIONER ADVISES AN
IMPROVED SERVICE TO COMPANY SECRETARIES
PRODUCTION OF PROBATES AND LETTERS OF ADMINISTRATION**

Probate and Letters of Administration Made Available

Before the processing of estate accounts for estate duty purposes is completed, the estate solicitors can make arrangements for the Duties Division to make the Probate or Letters of Administration available for noting by banks and other companies so that funds may be obtained for payment of estate duty or other purposes.

Messenger Service in Some Centres

In some centres it has been possible for the Duties Division to provide a messenger service to deliver the Probates or Letters of Administration to companies concerned. In other districts representatives of the companies have had to call at the Duties Division office and note the Probate or Letters of Administration there.

Service to be Extended

The Commissioner has announced that as from 1 October 1964 this existing service will be extended.

Here is an extract from Mr L. J. Rathgen's letter to the Secretary, Wellington Stock Exchange—

"I am pleased to tell you that the messenger service for production of probate already given to some extent in Auckland, Christchurch, Dunedin and Hamilton will now be extended in these centres and also instituted in Wellington. Petone and Lower Hutt will be included in the service.

The general procedure will be for a messenger to wait for the probate to be noted so that he may then take it away. In the event of an emergency arising which causes a breakdown in the service, an officer will telephone the company concerned so that other arrangements can be made."

District Offices in smaller centres will also provide a messenger service where staffing and other conditions make it possible.

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**HELP FOR STUDENTS FROM
COOK ISLANDS, NIUE AND WESTERN SAMOA
NO TAX IN SOME CASES**

The Commissioner has considered the question of liability for New Zealand tax of *scholarship students* and *in-service trainees* from the Cook Islands, Niue and Western Samoa on income derived in New Zealand.

To place these students in the same position for taxation purposes as Colombo Plan and other similar overseas students an exemption under the provisions of section 86 (1) (SS) of the Land and Income Tax Act 1954 has been granted. The effect of this decision is shown below.

SCHOLARSHIP STUDENTS

TYPE OF SCHOLARSHIP	NO NEW ZEALAND TAX ON	NEW ZEALAND TAX ON
Secondary school training	Boarding and other fees, or pocket money paid by the New Zealand Government or the Administrator of the Local Territory.	Any income derived from New Zealand during vacations.
Full time university	Bursaries to cover maintenance while at university.	Any income derived from New Zealand during vacations.

IN-SERVICE TRAINEES

TYPE OF TRAINEE	NO NEW ZEALAND TAX ON	NEW ZEALAND TAX ON
Short term trainees	Payments from Government or Administrator of the trainees' Local Territory.	Any additional income derived from New Zealand.
Career trainees	First £9 per week from primary employment.	Excess over £9 a week from primary employment and secondary earnings.
Long term trainees	Payments made by trainees' Government or Administrator. First £9 per week from primary employment in New Zealand.	Additional income derived from New Zealand sources. Excess over £9 a week from primary employment.

An employer of a trainee who is liable for New Zealand tax on his primary earnings should endorse the IR 12 in the "for office use" panel "In-service' trainee from (state country concerned)"

SUBSCRIPTIONS AND DONATIONS TAX POSITION EXPLAINED

SUBSCRIPTIONS

Subscriptions paid during the income year are allowable as a deduction if they relate exclusively to the business of the taxpayer. Salaried taxpayers are not entitled to a deduction for subscriptions paid.

Here is a schedule showing examples of deductible and non-deductible subscriptions.

DEDUCTIBLE	NON-DEDUCTIBLE
Associated Chambers of Commerce	Citizens and Ratepayers Associations
A & P Associations (Stock & Station Agents and Farmers)	Clubs (<i>See Note 3</i>)
Automobile Associations and Commercial Travellers Associations (<i>See Note 1</i>)	Industrial Unions
Employer Associations	Licensed Victuallers Fighting Fund
Federated Farmers of N.Z.	Provincial Development Councils
N.Z. Institute of Economic Research. (Subject to certain limitations)	Public Relations Offices
National Safety Association of N.Z.	Constitutional Society
N.Z. Mill Owners Research Association	
Professional Societies in the case of Professional Men	
Trade Associations and Journals (<i>See Note 2</i>)	
Training Within Industry—Fees for Training Supervisors	
Farm Forestry Associations	

Note 1 Allowable if paid by an employer on behalf of salesmen employees.

Note 2 Payments made to a trade association for the purpose of maintaining prices are deductible, but payments made to ensure protection of trade are not allowable.

Note 3 An exception is sometimes made in the case of a large public company where it is considered that membership of a club is essential.

DONATIONS

Donations are not allowable as taxation deductions as they are a disposition of income and not an expense incurred in earning income. However, in certain circumstances, donations may be claimed as a *SPECIAL EXEMPTION*. (See Information Pamphlet – *Donations and School Fees*, IR 5D, which is available at your local tax office.)

NEW ARRANGEMENTS WITH FARMERS SOME FURTHER DEDUCTIONS

Farmers will welcome the following new arrangements made between representatives of the Federated Farmers of New Zealand and the Commissioner. The main features of the arrangement are—

Wife Cooking for Permanent Employees

From 1 April 1964 a deduction for payments to farmers' wives who cook for *permanent* employees will be allowed on the following basis—

- * one permanent employee — £2 0 0 per week
- * two permanent employees — £3 0 0 per week
- * three permanent employees — £3 10 0 per week and
thereafter an additional 10s. each week for each
additional employee

This basis does not cover special arrangements that might arise in certain circumstances, for example, in relation to shearers or seasonal workers, where the employee is *temporarily* engaged.

The deduction will be allowed where wages are actually paid in cash or by cheque and a proper record kept with appropriate PAYE deducted and accounted for. It will also be necessary to file a statutory declaration and meet the other requirements where payments are made between a husband and wife as mentioned in Public Information Bulletin No. 9.

Rations Apportioned

The cost of rations may be apportioned between family and employees (on a per person basis and having regard to the number of weeks worked by the employees) where an accurate record of the total rations for employees, the farmer and his family is kept. The expenditure to be apportioned should exclude the cost of items of a personal nature in which the employees would not normally share. If the detailed record gives a reasonable result the per person basis could be used in the future. In some circumstances, however, the Department may require full records to be kept.

Domestic Power Allowed

From 1 April 1964 a deduction of one quarter of domestic power will be allowed on the same basis as the existing deductions for repairs and maintenance and depreciation on farm dwellings.

DROUGHT RELIEF FOR FARMERS

The Minister of Finance has announced that the provisions of section 103A of the Land and Income Tax Act 1954 will be applied by the Inland Revenue Department to farmers in—

(a) the *Counties of*

Ashburton	Mangonui
Bay of Islands	Whangarei
Hokianga	Whangaroa

(b) *certain areas of the Counties of*

Hobson	Rodney
Otamatea	Wairoa

who were affected by the recent droughts in those areas.

Section Applies

Section 103A will apply to any case in which the Commissioner of Inland Revenue is satisfied that a farmer has been forced to sell livestock because of shortage of fodder or other factors arising from the drought and has had to defer purchase of replacement stock until the first or second year after the year of sale.

Assessment of Income Deferred

In the operation of the section the assessment of income arising from the forced sale of livestock is deferred from the year of sale to the year in which the replacement stock is purchased.

Local offices of the Inland Revenue Department will answer any inquiries relating to this decision or to the procedures to be followed when lodging a claim.

NEW SERVICE FOR PUBLIC ACCOUNTANTS CONSOLIDATION OF PUBLIC INFORMATION BULLETINS

The Department is to consolidate the technical items which have appeared in Public Information Bulletins. The consolidation will be printed in the form and style of the New Zealand Society of Accountants Members Handbook.

This decision stems from mutual discussions between representatives of the Society and the Department and should greatly assist members of the accountancy profession.

ESTIMATED CREDIT FOR TAX ON OVERSEAS INCOME NOW ACCEPTABLE FOR PROVISIONAL TAX CALCULATION

Where income is derived from, and tax deducted by an overseas country the furnishing of a New Zealand return of income and the calculation of provisional tax can become complex. The main difficulty experienced to date is in arriving at the amount of credit for the overseas tax payable to be allowed against the provisional tax calculated.

To assist in the furnishing of annual returns and the calculating of provisional tax where credits for overseas tax are involved taxpayers or their agents may now ESTIMATE the amount of overseas credit involved.

The Commissioner has asked all his District Commissioners to accept taxpayers' calculation of provisional tax where an estimated credit for tax payable on overseas income is used. The final adjustment will be made when actual details are available.

REVIEWING PAST RULINGS COMMISSIONER WILL STAND BY DECISIONS

Where a taxpayer acting in good faith has placed all the facts clearly before the Department and the specific decision on the particular point has been properly conveyed, the Commissioner advised that he will not reverse that decision retrospectively if it is later considered it was incorrect. The amended decision would be applied only in future.

Changed Department rulings as well as rulings in specific cases and other rulings which were sufficiently obscure to mislead the taxpayer come within the scope of this new practice. The test of application is, of course, one of the Department's integrity.

ACCOMMODATION PROVIDED FOR SHAREMILKERS MAY QUALIFY FOR INITIAL DEPRECIATION

Sharemilker an "employee"

A sharemilker may be regarded, for taxation purposes, as a person employed by the taxpayer for the purposes of allowance of initial depreciation. This applies whether the sharemilker owns the herd or merely supplies services.

Initial Depreciation Allowable

The same rules as apply for "employee" accommodation therefore apply as regards accommodation provided for sharemilkers.

QUESTIONS AND ANSWERS

SPECIAL AND INITIAL DEPRECIATION

Question

My company proposes to claim special depreciation and not write the amount off the asset account in the books. When this is done are we correct in calculating ordinary depreciation on the diminishing value of the asset without reference to the special depreciation.

Answer

The statement by the Minister of Finance on this subject was set out in Public Information Bulletin No. 4. In that article reference was made to depreciation schedules showing all depreciation and diminishing value of assets on the *same basis as formerly*. This means that although Special or Initial Depreciation is not shown in the asset account it does affect the written down value of the asset for the calculation of ordinary depreciation.

PROVISIONAL TAX – SECTION 103A RELIEF

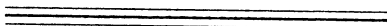
Question

I qualify for drought relief under Section 103A. Is it in order for me to estimate my 1965 Provisional Tax.

Answer

Yes, you may estimate your provisional tax for 1965 on the basis that the excess profits of the disaster year are placed in suspense.

It should be understood that if it is apparent by the due date of the second instalment that no replacement stock will be bought during the year you should recalculate the provisional tax on the basis of no relief in that year.



CORRECTION – PUBLIC INFORMATION BULLETIN NO. 13

READY REFERENCE TO FORMS

Included in the list of forms was "Schedule of Shearing Contractors' Employees (IR 12C)".

This form is used only within the Department and should therefore be deleted from this list.

CORRESPONDENCE WITH A DIFFERENCE

In this bulletin is an extract from the Commissioner's report to the Minister of Finance on Public Relations.

An important feature of this campaign is a *NEW LOOK* at the style of correspondence sent out by this Department. To this end special training is being given to members of our staff who will be engaged on this work.

The following *efforts* have been noted from exercises during training programmes for new correspondence clerks. We are now sure that "howlers" do not occur in school classrooms only.

1. This was to be a request for further details of a *discarded* car.

"Please now advise—

1. *The reason why the car was sold.*
2. *The date and manner of its disposal.*
3. *Was the car offered for sale for spare parts or as a going concern."*

2. *"It is noted that Mrs . . . 's share of the partnership loss is £163. 14. 2. This amount may be considered excessive in terms of Section 106 of the Land and Income Tax Act 1954 . . . "*

3. *"I regret to advise that the organisation of this Department is such that at the present time your 1964 return cannot be located."*

4. The Department has frequently to consider claims for exemption for dependents on the one hand and claims for depreciation on the other. A confusion in terms led to the following request.

"Please advise full details of the claim for depreciation on your wife".