



PUBLIC INFORMATION BULLETIN

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WOOL PROCEEDS RETENTION

INTRODUCTION

On 17 December 1963 the Prime Minister announced a voluntary wool proceeds retention scheme for wool sold in the season 1 July 1963 to 30 June 1964. For tax purposes moneys deposited by growers for the required period are not to be included in income until released. The deposits are non-interest bearing.

REGULATIONS

The Wool Proceeds Retention Regulations 1963 have since been promulgated under authority contained in the Wool Proceeds Retention Act 1950. Main features of the Regulations are -

- . they relate to wool sold in the period of one year from 1 July 1963 to 30 June 1964.
- . minimum deposit - one-fifth of sale value.
- . maximum deposit - one-third of sale value. ('Sale value' means the price for which the wool is sold i.e. before deducting wool levy, broker's fees etc).
- . wool sold before 1 January 1964 - at least one-fifth of sale value to be deposited by 31 January 1964.
- . wool sold in the period 1 January 1964 to 30 June 1964 - at least one-fifth of sale value to be deposited within one month after the proceeds are received by the grower or by any person on his behalf.
- . deposit to be at least £100 (where the sale value is less than £500 provision is made for the amount to be added to the proceeds of a subsequent sale by the grower until a total of £500 or more is reached).
- . provided at least one-fifth has been deposited within the required time a further amount to bring the total to one-third may be deposited in July 1964. (The original deposit may, however, be up to one-third).
- . all deposits to be in whole pounds.
- . deposits for crediting to the grower's wool retention account to be made to a branch of a bank or to a branch of a stock and station agency company at which the grower has a current account.
- . in special circumstances the Minister of Finance may authorise payments out of a grower's wool retention account.

WOOL PROCEEDS RETENTION ACT 1950

This Act, as amended in 1951, governed the compulsory retention scheme which operated in 1950/51. Provision was, however, made (Section 4) for amounts to be deposited voluntarily, whether or not the grower was required to make compulsory deposits and Section 4 is now used, in conjunction with the 1963 Regulations, to initiate the present voluntary scheme. Previous Regulations have been revoked.

The Prime Minister stated that new legislation will be introduced to deal with releases of retention moneys and features mentioned by him were -

- growers to be allowed to make one release application a year in each of the three years beginning August 1964.
- minimum release to be £100 per application; maximum release on the first or subsequent application to be the full amount in the deposit account.
- provided the amount released has been in the grower's wool retention account for at least six months it would be included in income for tax purposes only when released and not before.
- early releases in cases of death of a grower or to meet other exceptional circumstances would be permissible.
- if in July 1964 a grower feels he has frozen too much he would be allowed to withdraw any part of the previously frozen funds. In such case, the amount released would be treated, for tax purposes, as if it had not been frozen.

INCOME TAX RETURNS

Farmers' supplementary return forms (Form IR 3F) for the year ending 31 March 1964 (or equivalent balance date) have already been printed and no space has been provided for growers to show particulars of amounts deposited in wool retention accounts. To save correspondence, growers (or agents completing returns of income on their behalf) are asked to show the following particulars either on return form IR 3F (in the space below the "sales" heading near the top of the form) or in accompanying accounts or schedules -

Sale of wool - gross proceeds	£
Less wool retention account deposits	£

Balance (included in income for the year)	£
	=====

(In addition, the number of bales sold and the name of the person or organisation to whom the wool was sold should be stated, as required by the return form).

No deduction should, of course, be made for frozen funds withdrawn in July 1964 or where they have not been left on deposit for the required period. If the tax return has already been furnished showing a deduction for such retention moneys an amended return would be necessary.

WOOL ON HAND AT BALANCE DATE

Where there are unsold stocks of wool on hand at the grower's balance date and retention moneys are deposited out of the proceeds received when the wool is subsequently sold, the grower may adjust the value of wool on hand for taxation purposes to take account of the retention moneys deposited, or an appropriate part thereof.

If the wool on hand is valued at its subsequently realised sale price, the full amount of the retention moneys deposited from the proceeds may be deducted but if the valuation is lower than the realised price (being a basis of valuation acceptable to the Inland Revenue Department) only the appropriate proportion may be deducted. Thus, if one-fifth of the proceeds was deposited, one-fifth of the valuation of wool on hand would be deductible; or if one-third of the proceeds was deposited, the deduction would be one-third of the valuation of wool on hand.

To save correspondence relevant details to be shown on the return form IR 3F or in accompanying accounts or schedules would be -

Value of wool on hand (No. of bales....)	£
at balance date	
Less adjustment for wool retention accounts	£
deposits	
Balance (included in income for the year)	£

In addition the percentage of subsequently realised gross proceeds paid into the retention account should be stated.

As referred to under the preceding heading no deduction would be available for retention moneys withdrawn in July 1964 or before the expiry of the qualifying period. Amended tax returns would be necessary if a return had already been furnished claiming the deduction.

WOOL SOLD AT BALANCE DATE BUT RETENTION DEPOSITS MADE AFTER BALANCE DATE

In such cases treatment would be similar to that outlined above for stocks of wool on hand at balance date which are valued at the subsequently realised price.

A similar procedure would also apply where a one-fifth or larger deposit is made by balance date and a further deposit is made later (up to one-third of the gross proceeds).

MORE THAN ONE SALE

If a grower does not sell all of his wool at the one sale he is not obliged to freeze at least one-fifth of the gross proceeds of all sales. Subject to the cumulative provisions for sales of less than £500, each sale is taken separately. However, if the grower does not make a deposit of at least one-fifth of the gross proceeds of a particular sale within the stipulated time he cannot subsequently elect to come into the scheme in respect of that sale. He could, of course, increase his deposits (in July 1964) up to one-third of gross proceeds of sales for which he had previously deposited at least one-fifth within the required time.

POSITION ON DEATH

As indicated under a preceding heading early releases in the case of a grower's death would be permissible.

Under Section 7 of the Wool Proceeds Retention Amendment Act 1951 moneys paid out of the deceased grower's wool retention account to his personal representative are deemed, for income tax purposes, to be derived by the personal representative of the deceased when they are paid out. Tax is, therefore, assessable to the trustee on such moneys in terms of Section 155(b) of the Land and Income Tax Act 1954.

For estate duty purposes, income tax assessed to the deceased's personal representative within three years of death on wool retention moneys which formed part of the deceased's dutiable estate is deductible in computing the final balance of the estate of the deceased grower. Where a refund of estate duty is involved the refund application must be made within three years of the final payment of estate duty.

Inland Revenue Department