



INLAND REVENUE DEPARTMENT

**PUBLIC INFORMATION BULLETIN**

---

JUNE 1965

No. 23

---

	Page
• JULY ASSISTANCE DRIVE FOR FARMERS	2
• MAY ASSISTANCE DRIVE A TREMENDOUS SUCCESS	3
• 1965 BUDGET PROPOSALS	4
• REPRINT OF THE TAXES AND DUTIES ACTS AVAILABLE NOW	6
• APPORTIONMENT OF INVESTMENT INCOME ON DEATH – POSITION EXPLAINED	7
• A SIMPLER WAY TO FILE ACCOUNTS IN SMALL ESTATES	8
• HOW TRUST INCOME IS TAXED	9
• MORE SHAREHOLDER EMPLOYEES NOW QUALIFY IN SUPERANNUATION SCHEMES	9
• SHOULD YOU DEDUCT TAX FROM PAYMENTS TO CONTRACTORS?	10
• POST DATED CHEQUES TO PAY TAX – SERVICE NOW EXTENDED	10
• WHERE TAXES AND DUTIES OFFICES ARE LOCATED	11
• BEFORE OUR TIME	12

## JULY ASSISTANCE DRIVE FOR FARMERS

Our staff have joined forces with the Department of Agriculture in an all-out effort to see that farmers know and fully understand –

- the various tax saving incentives designed to encourage increased production;
- other special tax allowances available to them;
- interpretations of present tax law affecting the farming industry;
- the importance of reaching the production targets set by the Agricultural Development Conference;
- how they can best plan their farm development programme to achieve those targets.

### Start has been Made

To encourage farmers to meet the production targets regional conferences of farmers have been arranged by the Department of Agriculture and District Committees are being set up. At these regional conferences all aspects of farming are discussed, including finance, employee recruitment, taxation and similar topics. We have made our tax specialists available to tell farmers at these conferences what their tax rights and entitlements are.

### Growing Service

This service is growing rapidly. While several important regional conferences will be held in June and July the programme of assistance by both Departments will continue throughout the year. The Federated Farmers of New Zealand (Inc) and other farmer organisations will help to see that the greatest number of farmers profit by the scheme.

### Tax Guidance Month

July has been set aside by the Commissioner as "Farmers' Tax Guidance Month"

In this drive –

- our information pamphlet prepared especially for farmers will be distributed to many farmers. It will be a ready-reference to the tax saving incentives and a host of other items of particular interest to farmers;
- agencies will be set up in the more remote areas to encourage farmers and their agents to call and personally discuss their tax problems;
- members of our staff will be available, on request, to speak to meetings of farmers groups and discuss, generally, tax problems affecting them.

Watch your newspapers for more details of this assistance programme.

This spirit of friendly co-operation between the two Departments began when, the Commissioner of Inland Revenue and the Director General of Agriculture got together to see what could be done to help farmers. One of the first steps was when, by arrangement, Mr J (John) Rodgers - a former Wellington senior rugby player and now an Investigating Officer of Inland Revenue Department – addressed the Waipukurau Farmers' Conference at the end of April. The man largely responsible for the success of this joint venture is, however, Mr R. (Bob) C. Stuart, – former All Black captain and now Economist and Senior Advisory Officer with the Department of Agriculture.

### MAY ASSISTANCE DRIVE A TREMENDOUS SUCCESS

You will probably have -

- read in the local newspaper, or
- heard on the radio , or
- seen on television, or
- talked to our staff

about the May Public Assistance Drive.

During this campaign our staff met people in large departmental stores, in Post Offices, in factories and freezing works and in agencies in small towns throughout the country to help them to -

- understand their tax rights;

AND

- get refunds of tax overpaid;

AND

- fill in the simple tax return forms

This drive was so successful that we thought we should tell you the results. Topping off 18 months of intensive publicity and assistance it has made sure that taxpayers understand the tax system. It has made sure, too, that all taxpayers are getting any refunds which are available to them. The new simple tax forms have proved their worth here. This is borne out by the heavy influx of salary and wage earner returns to date. This doesn't mean though that we are letting up on our efforts to keep people informed.

Here is an interesting table showing some results of the drive.

INFORMATION CENTRES		
<i>Location</i>	<i>No. of Centres</i>	<i>No. of People Helped</i>
Stores	16	3106
Post Offices	15	1020
Small Town Agencies	104	7510

Although the assistance drive was mainly to help salary and wage-earners and answer their queries our staff found that only two-thirds of the enquiries came from these taxpayers. The other queries came from employers, pensioners, farmers and other business and professional men. We know you will want more assistance drives.

The May drive was just a beginning. There will be more. For instance July is set down as "Tax Guidance month For Farmers" - see p. 2 of the Bulletin. We are also planning another public assistance drive during August /September when the matter of filing business returns will get wide publicity. Many of our staff will play a part in this campaign. Feature articles and advertisements will appear in local newspapers and the small town and stores enquiry service which has been so popular will be continued.

## 1965 BUDGET PROPOSALS

The Minister of Finance Hon. H. R. Lake announced several tax proposals in his 1965 Budget statement. They will require validating legislation to have the force of law.

Here are brief details of the Budget proposals

### INCOME TAX.

#### Incentives Extended

The following incentive deductions will continue for another year to 31 March 1967. This will bring them into line with the 20% West Coast, South Island, investment allowance and the incentive deduction for increased export sales:

- The 150% deduction for *export market* and *tourist promotion* expenditure.
- The 10% *investment allowances* on *manufacturing* and *agricultural* plant and machinery.
- *Special depreciation* of 20% on plant, machinery and accommodation for employees.
- *Initial Depreciation* of 20% on accommodation for employees and farm buildings.
- The deduction in full of "Class B" *farm development expenditure* previously limited to £400.

The incentive deduction for the *increased use of fertiliser and lime* ended on 31 March 1965 or equivalent balance date. This is being replaced by a subsidy on the transport of fertiliser. In appropriate cases the increased fertiliser and lime incentive deduction will be allowed in the 1966 income year. The circumstances were stated on page 11 of Public Information Bulletin No. 21.

#### Farm Income Equalisation Scheme

Legislation will be introduced to confirm the scheme which began shortly before 31 March 1965. Details of this scheme were given in Public Information Bulletin No. 21.

#### Farm Development Incentives

There are three more proposals.

- Lessors of farm properties will be entitled to claim farm development expenditure and initial, or the alternative special, depreciation.
- The cost of erecting power and telephone lines on farming properties will be deductible.
- Farmers may elect to spread forward the cost of development expenditure over the year the work is done and any one or more of the next five income years.

#### Incentive Allowances for Other Industries

- *Fishing*

The 10% investment allowance can be claimed on plant and machinery used in catching fish for sale, and purchased after 1.4.1964. This will include cost of fishing vessels, structural alterations to fishing vessels and also conversion costs of a vessel for fishing. The cost of second hand fishing vessels will qualify in certain circumstances. Refrigerated trucks used to carry fish will also qualify.

- *Forestry*

Forestry companies will be able to claim the cost of development against current assessable income from any source.

- *Mining*

The special provisions for assessing companies which mine certain specified minerals will be extended to include those companies mining all minerals which are shown to be important to the development of New Zealand.

Taxpayers will be allowed to deduct from their assessable income  $\frac{1}{3}$  of calls paid on shares in any such mining company.

#### **Donation to Universities for Research Purposes**

Companies making such donations will be allowed a deduction of the smaller of 5% of assessable income or £500.

#### **Housekeeper Exemption**

This special exemption will be allowed when

- married persons employ a housekeeper because of the incapacity of either spouse;
- separated or deserted spouses employ a housekeeper to care for children so the spouse can earn a living;
- when an incapacitated single person, widow or widower employs a housekeeper to tend the house and care for the person.

#### **Bonus Shares**

Companies making an assessable bonus issue after 10 June 1965 will pay  $\frac{3}{6}$  in the £1 on it. The shareholder will have no further tax to pay on the shares. Some safeguards will be introduced.

#### **Streamlining Procedures**

From 1. 4. 1966 salary and wage earners with provisional income of under £50 from interest rent or dividends will not be asked to pay provisional tax. Tax will be assessed in an end of year assessment.

#### **Ordinary Income Tax Rebates**

The 10% rebate, maximum £100 will apply for the year ending 31 March 1966.

### **AMUSEMENT TAX**

This will be abolished and the Amusement Tax Act 1960 repealed.

### **DUTIES PAID BY RACING CLUBS**

- *Totalisator Tax.*

The rebate will be increased from  $2\frac{1}{2}\%$  of the first £20,000 of gross investment on the totalisator to  $2\frac{1}{2}\%$  on the first £50,000.

- *Stake Duty.*

This will be abolished from 1 August 1965.

## ESTATE DUTY

The increased exemptions announced in the budget will apply to the estates of all persons who die on or after 10 June 1965.

The value of the succession of a widow for which an exemption is given will be increased from ~~£20,000~~ to £15,000 and that of a widower from £5,000 to £7,000.  
12,000

The effect of the increased exemptions is shown in the following charts.

## WHOLE ESTATE TO WIDOW

<i>Value of Estate</i>	<i>Duty Before Budget</i>	<i>Duty after Budget</i>	<i>Saving</i>
£	£	£	£
15000	286	Nil	286
20000	960	600	360
25000	1888	1452	436
30000	3060	2550	510
40000	6160	5500	660
50000	10138	9338	800
60000	14400	13500	900

## WHOLE ESTATE TO WIDOWER

<i>Value of Estate</i>	<i>Duty Before Budget</i>	<i>Duty after Budget</i>	<i>Saving</i>
£	£	£	£
7000	60	Nil	60
10000	300	180	120
15000	953	763	190
20000	1800	1560	240
25000	2904	2614	290
30000	4250	3910	340
40000	7700	7260	440
50000	12006	11472	534
60000	16500	15900	600

## REPRINT OF THE TAX AND DUTIES ACTS AVAILABLE NOW

## Taxes

The 1965 reprint of the Land and Income Tax Act includes all amendments up to the end of the 1964 session of Parliament and has a complete index.

## Duties

The Stamp Duties and the Estate and Gift Duties Acts were reprinted as on the 31 December 1964 and also include all amendments up to the end of the 1964 session of Parliament.

Copies are available now from the Government Printer's retail shops at Auckland, Hamilton, Wellington, Christchurch and Dunedin. The price of each reprint is -

- Tax Act 32/-
- Stamp Duties 2/6
- Estate and Gift Duties 2/6

## APPORTIONMENT OF INVESTMENT INCOME ON DEATH -

### POSITION EXPLAINED

Income accrued at date of death but received later by the trustees is part of the capital of the estate. As it is not income of the deceased in his lifetime we assess it as trustees income under section 155 (b) of the tax Act. Tax on this income is certified as a debt for estate duty purposes - provided the assessment is made within 3 years after death - and is allowed as a deduction in working out the final balance of the estate. Tax on income for a period after death is not certifiable as a debt for estate duty purposes.

#### Apportionment Under Property Law Act

When investment income received after death relates to a fixed period of time which started before and ended after the date of death the trustees may apportion it, under the Property Law Act, between -

- the period up to death,

AND

- the period after death

The proportion relating to the period up to death is, as stated above, assessed as trustees income and the tax is allowed as a debt for estate duty purposes. This is how we treat income from dividends, interest and rent belonging to either of those periods.

### DIVIDENDS

- *Trustees' Income or Beneficiaries' Income*

When dividends are actually derived in the period after death no apportionment should be made under the Property Law Act unless the dividend resolution states that it is for a fixed period of time which started before and ended after death. If it does, the income for the period up to death will be assessed as trustees' income under S. 155 (b), while income for the period after death will be assessed, depending on the terms of the will, either as beneficiaries' income under S. 155 (a) or trustees' income under S. 155 (b)

- *Apportionment Accepted*

The Commissioner announces that, provided the trustees follow the relevant sections of the property Law Act, he will generally accept an apportionment made by them. For instance, he will not usually ask for dividend resolutions to support the trustees' apportionment.

- *Position for Estate Duty Purposes*

Although a dividend, treated by the trustees as accrued to date of death but received later, is not included as a separate asset in the final balance of the estate for duty purposes, it will, in many cases, be reflected in an increased value of the particular shares at date of death.

## APPORTIONMENT OF INVESTMENT INCOME Cont'd

In these circumstances we treat the tax assessed to the trustees on that portion of the dividends relating to the period up to date of death, as a debt owing by the deceased, and issue a certificate to this effect for estate duty purposes.

### INTEREST

This kind of income may fall into one of three categories

- *Interest Treated as Income Received During Deceased's Lifetime*

Certain interest, for example P.O.S.B interest, is considered to be receivable on a day to day basis. Interest of this type up to date of death is treated in the same way as other income received by the deceased during his lifetime. The tax on it is certified as a debt for estate duty purposes.

- *Accrued Interest*

Other interest accrues over a period of time and cannot be uplifted at will. This interest is not income until it is actually received or credited in account. In these circumstances the income accrued at date of death is not income to which the deceased was entitled during his life time but represents income derived later by the trustees. It is treated as trustees' income and assessed under S. 155 (b) of the tax Act. The tax is certified as a debt for estate duty purposes.

- *Interest Derived After Date of Death and Relating to a Period After Death*

This interest will be assessed – depending on the terms of the will – either as

- beneficiaries income under S. 155 (a)

OR

- trustees income under S. 155 (b)

The tax on it is not a debt for estate duty purposes.

### RENT

Rent is treated in the same way as interest and the rules above apply.

---

## A SIMPLER WAY TO FILE ACCOUNTS IN SMALL ESTATES

In future, accounts filed for "not liable" estates may be accepted in the form of completed Administrators Statements together with balance sheets setting out details of the estate's assets and liabilities. The only supporting papers we need are copies of –

- bank accounts and other similar statements sent in with Form 1;
- existing Government Valuation Certificates and certificates of improvements, for real property.

Although in the odd case we may need to ask for a specific schedule, we feel sure practitioners will find the new procedure well worth while.



## HOW TRUST INCOME IS TAXED

People who put in tax returns for estates and trusts will know the difference made when 'trustees income' and 'beneficiaries income' is assessed.

Some beneficiaries have a vested interest in trust income and their right to it is not dependent on any act of the trustees. Other beneficiaries have only a contingent interest in a discretionary trust and they are not entitled to trust income until it is paid to them or actually applied for their benefit by the trustees.

### **Beneficiary has a Vested Interest**

When there is a *vested interest* in income it will be treated as 'beneficiaries income' and the trustees are not required to determine or appropriate the beneficiary's income in the year that it was derived. They may determine it at the time the annual accounts are completed.

### **Beneficiary has a contingent interest**

When a beneficiary has only a *contingent interest* in the trust income the amount to be treated as beneficiary's income is limited to:

- the amount actually paid to him or applied for his benefit

*AND then*

- only to the extent that the income was applied in the year it was derived.

Such income is assessed under section 155 (a) of the tax Act and any amount accumulated is assessed under section 155 (b). However should the share become vested during the income year the whole of his share of the trust income for that year will be assessed under section 155 (a) of the tax Act.

---

## MORE SHAREHOLDER EMPLOYEES NOW QUALIFY IN SUPERANNUATION SCHEMES

In the past a company could not claim what it contributed, to a staff superannuation scheme, for any shareholder-employee who had a beneficial interest in 10% or more of the shares issued by the company.

The Commissioner is pleased to say that from the 1 April 1965 this limit is raised to 20% or more of the issued shares

Although this is the general rule, regard will still be had to the shareholder's control in the company's affairs so that a different percentage or either more or less, may be applied in particular cases.

When a company's contributions for a shareholder, having a 10% interest or more, have previously been disallowed the new limit of 20% may be used from the 1 April 1965 without first applying to the tax office.

## SHOULD YOU DEDUCT TAX FROM PAYMENTS TO CONTRACTORS?

Many farmers employ contractors or other persons who are not their normal employees to do their shearing, fencing or scrub cutting. When the person doing the job does not himself employ labour or use his own plant the payment should be treated as ordinary salary and wages and PAYE tax deducted according to the tax code given.

This item refers however to payments to contractors who do employ labour or who use their own plant. In these cases the contract payments are "withholding Payments" and the farmer should deduct withholding tax unless the contractor shows him a certificate of exemption stating that tax deductions are not to be made.

- *When Tax is Deducted*

Details of the work done and the tax deducted should be filled in on a Tax Deduction Certificate, IR 13, on the back of which is a list of rates of tax applying to various kinds of contract work.

An example is—

"Agricultural maintenance, development or other work on farming or agricultural land".

This work includes fencing and scrub-cutting and the flat rate of tax is 2/- in the £.

- *When a Certificate of Exemption is Produced*

You should check that it is current and has been signed by the contractor. Usually, a certificate is valid for one year, although sometimes it is issued for an unlimited period.

Remember, if a valid certificate is not held, deduct tax. If you are doubtful, the staff of your nearest Tax Office will be pleased to help you.

---

## POST DATED CHEQUES TO PAY TAX – SERVICE NOW EXTENDED

In Bulletin No. 19 we said, post dated cheques would be accepted for payment of tax deductions at any time up to the date for payment of the month's deductions.

Taxpayers and their agents have found this scheme worthwhile. The Commissioner has announced that cheques post dated up to the last day for payment will now be accepted at any time for –

- Provisional Tax
- Terminal Tax
- Land Tax

If payment is made in this way please send your notice of assessment in with the post dated cheque.

WHERE TAXES AND DUTIES OFFICES ARE LOCATED

This list shows where Taxes and Duties district offices are situated, their postal address and telephone number. We think that this will help those taxpayers who wish to call at, 'phone, or write to their local office

<i>DISTRICT</i>	<i>LOCATION</i>	<i>POSTAL ADDRESS</i>	<i>'PHONE NO.</i>
AUCKLAND Taxes	Central Methodist Mission Building, Cnr. Queen and Wakefield Sts.	Private Bag	49.700
Duties	N.M.L. Buildings, Cnr. Chancery St. and Fields Lane.	P.O. Box 2202	20.044
BLLENHEIM Taxes and Duties	Hipkins' Building, High Street.	Private Bag	4040
CHRISTCHURCH Taxes	Government. Life Building, The Square	Private Bag	71.869
Duties	" " "	P.O. Box 1481.	71.869
DUNEDIN Taxes	Marshall Chambers, 399 Moray Place East	Private Bag	70.400
Duties	5th Floor, C.P.O.	P.O. Box 899.	88.840
GISBORNE Taxes and Duties	Government. Life Buildings, Cnr. Gladstone Rd and Grey Street.	Private Bag	6742
GREYMOUTH Taxes and Duties	MacFarlane's Building, 118 Mackay Street	Private Bag	7129
HAMILTON Taxes	Defence Building, Knox Street	Private Bag	83.099
Duties	Ariki Chambers Victoria Street	P.O. Box 954	31.680
INVERCARGILL Taxes and Duties	J.E. Watson's Building, Tay Street	Private Bag	82.599
LOWER HUTT Taxes only	Marlow's Building, High Street	Private Bag	65.083
MASTERTON Taxes and Duties	Academy Building, Cnr. Queen and Church Streets.	Private Bag	3089
NAPIER Taxes and Duties	E & D Building, Cnr. Emerson and Dalton streets.	Private Bag	4349
NELSON Taxes and Duties	Bradshaw's Building, Halifax Street	Private Bag	81.164

WHERE TAXES AND DUTIES OFFICES ARE LOCATED Cont'd

DISTRICT	LOCATION	POSTAL ADDRESS	'PHONE NO.
NEW PLYMOUTH			
Taxes	Newton King's Building, Devon street	Private Bag	6539
Duties	Victoria Insurance Building; 37 King Street.	P.O. Box 240	6825
OAMARU			
Taxes only	Farmers Mutual Insurance, Building, Eden Street.	Private Bag	49.870
PALMERSTON NORTH			
Taxes and Duties	Government Buildings, Cnr. Cuba and George Streets.	Private Bag	82.199
ROTORUA			
Taxes only	Dwyer's Building, 114 Tutanekei Street	Private Bag	2002
TAURANGA			
Taxes and Duties	Public Trust Office, Building Grey Street	Private Bag	85.049
Te AROHA			
Taxes only	Smith's Building, 223 Whitaker Street	Private Bag	420
TIMARU			
Taxes and Duties	Ford Building, Sophia Street	Private Bag	80.164
WANGANUI			
Taxes and Duties	Trafalgar Building, 36 Ridgeway Street.	Private Bag	4044
WELLINGTON			
Taxes	Inland Revenue Building Cnr. Taranaki and Manners Streets.	Private Bag	56.450
Duties	" " "	P.O. Box 2493	56.450
WHANGAREI			
Taxes and Duties	Fletcher Trust Building, Rathbone Street.	Private Bag	82.539

BEFORE OUR TIME

"The hardest thing in the world to understand is income taxes."

Albert Einstein