PUBLIC INFORMATION BULLETIN

Office of the Commissioner of Inland Revenue
Wellington

*To tax and to please, no more than to love and to be wise,
is not given to men.*

— Edmund Burke

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BULLETIN
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UNITED KINGDOM: NEW ZEALAND DOUBLE TAX AGREEMENT

MINISTER'S STATEMENT

The Minister of Finance, the Honourable H.R. Lake announced that, following official discussions held in Wellington last month, agreement had been reached in principle on the terms of a double tax Agreement between the United Kingdom and New Zealand.

HERE IS THE TEXT OF THE MINISTER'S STATEMENT:

" Agreement has now been reached in principle on the terms of a new double taxation agreement between the United Kingdom and New Zealand. The text of the Agreement will be published shortly after it has been signed. The following is a brief account of the more important results which will follow if the agreement comes into force in the terms now proposed.

The new agreement will, in general, take effect from the date of expiration of the old one.

Apart from some variations, the new agreement substantially reproduces the provisions of the old one so that pensions will continue to be taxable only in the country in which the pensioners are resident.

The more important variations are:

The tax on dividends in the country of source will be limited to 15 per cent for both direct and portfolio investment apart from dividends payable by United Kingdom companies before 6 April 1966, which will be treated on the same lines as under the old agreement.

The tax on royalties in the country of source will be limited to 10 per cent.

The United Kingdom will no longer give relief for underlying tax for portfolio dividends but will give relief for underlying tax if the recipient of the dividends is a company which holds not less that 10 per cent of the voting power in the paying company.

The agreement will contain a non discrimination article which will, however, permit New Zealand to continue to charge a 5 per cent additional tax on profits earned in New Zealand by branches of United Kingdom companies.

Any refunds of tax resulting from the retrospective operation of the new agreement will be available after it comes into force".

We will be giving you more details about the Agreement in a later Bulletin.

TAX INCENTIVES CAN HELP EVERYONE

Most countries – United Kingdom, United States of America, Australia, Canada, Denmark and Eire to name but a few – have tax incentives of one kind or another. These incentives are, of course, brought in by the various Governments to encourage development of their respective country's economic resources in many ways.

To be effective though, tax incentives must be used. It is the job of the tax office to make sure that all members of the community know about the incentives available and when and how to use them.

In New Zealand too we have a wide range of tax incentives for many classes of people.

Our job, through our public information services, is to tell you what these incentives are, how to make best use of them and what benefits they can bring.

All of us benefit from tax incentives, some will benefit directly from tax savings, bigger turnover, higher wages or better jobs. Others will benefit indirectly from the improved living standards which tax incentives, through the use of better equipment and from increased production, can promote for the country as a whole.

SALARY AND WAGE EARNERS –

TAX RETURNS AND REFUNDS FOR 1966 TAX YEAR

As from next month employees will be getting their 1966 tax deduction certificates from their employers. Many employees will ask:

"WILL I GET A REFUND?"

"SHOULD I PUT IN A TAX RETURN?"

If you paid life insurance premiums, school fees or charitable donations or worked for only part of a year, you may be due for a refund. But, until you fill in a tax return and work out the tax, you will not really know what the true position is.

Next month's Public Information Bulletin will tell you

HOW REFUNDS MAY ARISE

AND

WHICH FORM TO FILL IN TO GET A REFUND.

NEW TAX CODES NEEDED BY 1 APRIL

ON 1 APRIL 1966 THE 1967 TAX YEAR BEGINS

During March, employees all over the country will be filling in tax code forms IR 12 and giving them to their employers. Employed people with two or more jobs at the same time will be filling in secondary employment notices IR 55 too. We tell you more about tax codes in the following paragraphs.

HOW DO YOU ESTABLISH A TAX CODE?

You can by –

- **filling in a Tax Code Declaration, IR 12.**

or

- **getting a Tax Code Certificate from your local tax office. We say more about this form later.**

and

- **by giving the completed IR 12 or the Tax Code Certificate to your employer.**

WHY FILL IN FORM IR 12 OR FORM IR 55?

By filling in form IR 12 you –

- **get the benefit of the special exemptions you are entitled to claim,**

and

- **you tell your employer what code to use to take off the correct amount of tax from your earnings.**

By filling in form IR 55 you let your employer know –

- **you already have a tax code;**
- **that he should take tax off your earnings at a flat rate of 4s 3d in the £1**

If you don't give your employer a tax code certificate, IR 12, or a secondary employment notice IR 55 he will have to take tax off your earnings at the higher "no declaration rate" of 5s 6d in the £1.

YOU DON'T NEED TO FILL IN FORM IR 12

If you are a School Child

- **delivering newspapers, parcels, telegrams and so on**
- **harvesting fruit or other products**

or

- **doing other odd jobs**

and you will earn less than £104 in the year.

TWO JOBS AT SAME TIME

If you have two or more jobs at the same time only one of your employers should be given a Tax Code Declaration, IR 12. The other(s) should be given a Secondary Employment Notice, IR 55. We suggest you give the IR 12 to the employer from whom you will get the most wages. But you may use more than one IR 12 at the same time if you:

- Change from one full time employment to another.
- Are engaged as a shearer, a shed hand or a casual agricultural worker.

SPECIAL TAX CODE TO IRON OUT VARIATIONS

Sometimes tax taken off your secondary earnings is too high or too low. **We can help you in these circumstances by giving you – on application – a special tax code.** This form has the effect of reducing – or increasing – the amount of tax taken from your wages so as to produce roughly the amount of tax that would be payable in an annual tax bill.

Housewives, students and pensioners who work part time or for short periods during the year will find a special tax code gives them an immediate tax saving.

There are other instances when a tax code certificate will give a taxpayer an immediate tax saving. They are:

- *If you pay:*
  - **life insurance premiums,**
  - **private-school fees for the education of your child(ren).**
  - **donations to approved charities or to registered private schools.**
- *If you get married during the year.*
- *If you have a:*
  - **child born during the year.**
  - **relation who is dependent on you.**

PAMPHLET TELLS YOU MORE

Your local tax office or main post office has a pamphlet entitled "*PAYE Taxation for the Salary and Wage earner*" which gives full details about –

- *filling in tax codes;*
- *getting a special tax code.*

There is also a pamphlet which tells you about the special exemptions you can claim.

We suggest you get a copy of these pamphlets now.

INITIAL DEPRECIATION ON

"OWN-YOUR-OWN" ACCOMMODATION FOR EMPLOYEES

In Public Information Bulletin No. 19 we told people who get income from renting own-your-own flats or offices –

- how to work out the cost of the building for depreciation purposes,

and

- what expenses they could claim

Initial Depreciation

Some employers who have taken up shares in "own-your-own" flat companies to get accommodation for employees have now asked us if, in those circumstances, they can get the initial depreciation allowance. The answer is – "*yes*", provided the building is *new* and is actually used for employee accommodation before 31 March 1967.

WHAT AND WHEN TO CLAIM

Employers, the amount to claim is 20% of the cost of your share of the building. Make your claim in the tax return for the year in which the building is first used to accommodate an employee.

EARLY WITHDRAWALS CAN BE MADE FROM FARM INCOME EQUALISATION SCHEME

In Public Information Bulletin No. 21 at page 3 we wrote –

> "Normally a farmer may withdraw his deposits after 12 months. However, the Commissioner may allow him to withdraw sooner if, for instance, holding the deposit caused hardship or the money is needed for urgent development."

The farm income equalisation scheme helps you to plan farm development and gives you tax savings as well. We are anxious to see it used to the best advantage. But we don't want farmers to hesitate from making deposits because they think it will be difficult to get an early withdrawal if they should need the money urgently.

FARMERS, the Commissioner wants you to know that applications for early withdrawals from the Farm Income Equalisation Reserve Account will be considered realistically and sympathetically. If you want an early refund write, giving your reasons, to your local tax office. **No reasonable request will be refused.**

"NON-PROFIT-MAKING" BODIES – NO TAX RETURNS IN SOME CASES

The Commissioner, Mr L.J. Rathgen, recently announced that social clubs, political organisations and similar "non profit-making" bodies need not put in a tax return IF their only "outside" income is from interest of less than £5, after taking off any share of administration expenses applying to that income.

If a tax return has to be put in, the "non-profit-making" body need not send in full financial statements as long as it gives us enough information to work out the taxable income.

NON-RESIDENT WITHHOLDING TAX – STOCKBROKERS CAN GET EARLY REFUNDS

Stockbrokers can get early refunds of non-resident withholding tax overpaid when shares are sold "cum dividend ".

HOW REFUND WILL ARISE

When a New Zealand resident buys New Zealand shares or securities "cum dividend" from a non-resident it is often found that non-resident withholding tax has been taken off the dividend.

Generally the buyer's sharebroker makes up the dividend by an amount equal to the tax taken off and then claims a refund from us.

HOW TO GET REFUND

Normally the stockbroker would be out of pocket until after the Agent who deducted the tax had reconciled the tax deductions at the end of the tax year.

An immediate refund will now be arranged if an application is made on Form IR 51 which is available from any tax office. The completed form should be sent to –

District Commissioner of Taxes,
Absentee Section,
Inland Revenue Department,
Private Bag,
DUNEDIN

PAYE RECONCILIATION STATEMENTS AND PAY-IN BOOKLETS –

NOW BEING SENT TO EMPLOYERS

During March we will be posting out Reconciliation Statements, IR 68 to employers. We are also sending new pay-in slip booklets IR 66 to employers who have been paying in tax deductions at least every month for the past two years.

Here are special points about these two items.

RECONCILATION STATEMENT, IR 68

This year you can get a copy for your records. All you do is, fold the IR 68 at the centre perforation, insert a piece of carbon paper, and then fill in the statement.

Our copy – the original – should be sent to the local tax office by 15 May along with the completed tax deduction certificates for your employees.

PAY-IN SLIP BOOKLETS, IR 66

These booklets are being posted from Wellington, but if you need one urgently before your new one arrives, you can get it from the local tax office.

Each new booklet has a re-order form so that in future you can order a new booklet just before you need it.

SCHOOL OF TAXATION –

In Public Information Bulletin No. 21 we wrote about our newly established School of Taxation. The first class of 25 students completed their studies at the end of November and have returned to their home offices.

The first class was a noteworthy success. A further group of 25 young people, including 2 young women, has now commenced at the School.

The syllabus is little changed, except that this year's students will be required to study Accountancy I as laid down for the Accountancy Professional examination. Those students eligible will be encouraged to sit the end of year exam, and we hope will continue their studies in later years.

OVERSEAS TAX NEWS

Here are some items of overseas news about eminent current and ex-taxonians which you may find of interest:

Australia – Recent promotions include

- *Mr James A. Howard,* Director (Valuations) Head Office, Canberra.
- *Mr Patrick J. Cogan,* Assistant Deputy Commissioner of Taxation, Central Tax Office, Melbourne.
- *Mr Ronald W. Porter,* Assistant Deputy Commissioner of Taxation, Central Tax Office, Melbourne
- *Mr Colin M. Costello,* Assistant Deputy Commissioner of Taxation, Central Tax Office, Melbourne.
- *Mr Paul G.W. Boyd,* Chief Investigation Officer, Central Tax Office, Melbourne.

Britain

- Many of you will have read *Sir Ernest Gower's* wise and witty revision of Fowlers, "*A Dictionary of Modern English Usage*". We were most interested to learn that Sir Ernest is a former (1927 – 30) Chairman of the United Kingdom Board of Inland Revenue.
- Two others in the overseas tax news were *Rt. Hon. James Callaghan M.P* the present Chancellor of the Exchequer and *Mr Stanley Raymond* who succeeded Dr Beeching as Chairman of the British Railways Board.

  Both gentlemen were former tax officers.

"Public Officers are the servants and agents of the people, to execute the laws which the people have made."

Grover Cleveland.