



OFFICE OF THE COMMISSIONER OF INLAND REVENUE

# Public Information Bulletin

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All about

**SPECIAL  
DEVELOPMENT  
BONDS**

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# Special Development Bonds

## **MOST IMPORTANT FEATURE**

The most important feature of these bonds is that the amount invested can be taken off your income for ordinary income tax purposes. The maximum tax saving is 30 percent or 30¢ in the \$ of the amount invested. This saving is itself tax free. The bonds do not bear interest.

## **OTHER FEATURES**

Other features of the bonds are —

- 1) They will be issued for a limited period.
- 2) Investment may be made in multiples of \$10 with a maximum investment of \$2000 for any one investor in a year ending on 31 March.
- 3) They are non transferable.
- 4) They are redeemable at par after 6 years from the date of issue.
- 5) Earlier redemption is possible at specified discount rates in cases of death, bankruptcy, hardship or other special circumstances.
- 6) Companies or persons acting in a fiduciary capacity may not purchase bonds.

## **TAX SAVING COMPARED WITH INTEREST RATE**

By comparison the tax saving spread over the term of the investment equals a rate of interest of between 5  $\frac{3}{4}$  percent and 6  $\frac{1}{4}$  percent per annum *after tax*. Put another way, to an investor paying at maximum rates of income tax, the return is equivalent to one of between 17  $\frac{1}{4}$  percent to 18  $\frac{3}{4}$  percent *before tax*. The differences in rates of effective yield are mainly due to the period between investment and tax saving.

## **TAX OFFICES READY TO HELP**

Local tax offices are ready to see that investors get the early benefit of the tax savings.

### **For Provisional taxpayers**

Those taxpayers who pay provisional tax and buy bonds before 7 September can reduce their provisional tax payment by one third of the tax saving then: the other two thirds can be taken off the March instalment.

Here is an example of the tax saving.

If we take a businessman paying maximum rates of tax who invests \$2,000 before 7 September we find —

- He gets a tax saving of \$600 in total
- His provisional tax is reduced by \$200 at 7 September and \$400 at March 1968
- In six years time he redeems his full investment of \$2,000.
- The \$600 tax saving attracts no tax liability.

**For Salary and Wage Earners**

Salaried taxpayers who buy bonds may get a special tax code certificate from the local tax office. This will allow the employer to reduce the normal PAYE tax so that the investor gets the full benefit of the tax saving by 31 March 1968.

**WHAT'S IN IT FOR YOU**

Naturally prospective investors will ask "What's in the scheme for me?" To give you an idea we have worked out a range of examples. The chart is on the next page.

**DISCOUNT RATES**

The schedule is set out below

**DISCOUNT ON REPAYMENT OF SPECIAL DEVELOPMENT BONDS**

<i>Length of Period Between Purchase of Bond and Repayment</i>	<i>Rate of Discount per \$100 Repayment under Bonds</i>
Not exceeding 6 months	\$ 29.50
Exceeding 6 months and not exceeding 1 year	29.00
Exceeding 1 year and not exceeding 2 years	28.00
Exceeding 2 years and not exceeding 3 years	25.50
Exceeding 3 years and not exceeding 4 years	23.00
Exceeding 4 years and not exceeding 5 years	18.00
Exceeding 5 years and not exceeding 6 years	10.00

In the case of repayment of parts of \$100 the amount of discount will be apportioned.

**SPECIAL DEVELOPMENT BONDS**  
**EXAMPLES OF TAX SAVINGS TO THOSE BUYING BONDS ON (SAY) 1 SEPTEMBER 1967**

INCOME	EXEMPTIONS	AMOUNT INVESTED	TAX SAVING	WHEN AND HOW SAVED		
				<i>Provisional Taxpayers</i>		<i>Salary and Wage Earners</i>
				<i>Deduct from 1st Instalment</i>	<i>Deduct from 2nd Instalment</i>	<i>With Special Tax Code Certificate From 1 October 1967 to 31 March 1968</i>
\$		\$	\$	\$	\$	
10,000	Wife, two children, annual life assurance premiums of \$400.	2000.00	* 600.00	200.00	400.00	23.07 each week
7,500	Wife, two children, annual life assurance premiums of \$400.	2000.00	* 600.00	200.00	400.00	23.07 each week
6,000	Wife, two children, annual life assurance premiums of \$400.	2000.00	* 600.00	200.00	400.00	23.07 each week
5,000	Wife, two children, annual life assurance premiums of \$400.	2000.00	476.10	158.70	317.40	18.31 each week
4,400	Wife, annual life assurance premiums of \$400.	600.00	160.38	53.46	106.92	6.16 each week
4,000	Wife, annual life assurance premiums of \$400.	1000.00	230.22	76.74	153.48	8.85 each week
4,000	Wife, two children, annual life assurance premiums of \$400.	1500.00	272.25	90.75	181.50	10.47 each week
3,600	Wife, two children, annual life assurance premiums of \$400.	1000.00	165.60	55.20	110.40	6.36 each week
3,600	No dependent wife and annual life assurance premium of \$200.	2000.00	391.14	130.38	260.76	15.04 each week
3,200	No dependent wife and annual life assurance premium of \$200.	1500.00	274.95	91.65	183.30	10.57 each week
3,000	No dependent wife.	600.00	135.63	45.21	90.42	5.21 each week
2,400	No dependent wife and annual life assurance of \$200.	200.00	32.94	10.98	21.96	1.26 each week

\* Tax saving restricted to maximum of 30 cents in the \$.