OFFICE OF THE COMMISSIONER OF INLAND REVENUE

Public Information Bulletin

No. 46 AUGUST 1968

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Property has its duties as well as its rights

—Benjamin Disraeli

Tempus fugit!

IR3 RETURNS DUE SOON

There is still time, but if you are a taxpayer who sends in an IR3 return, you should start to do something about it. For instance, have you had your savings bank interest made up yet?

WHO USES THE IR3 RETURN

You do — if your income was from—

- Salary or wages or superannuation with more than $200* in total from dividends — net rents — interest (after the $60 exemption).
- Universal Superannuation.
- Investments.
- Business — Farming — a Profession.
- Withholding payments.
- An Estate or a Partnership.

*The return forms IR3 and IR5 and the pamphlets already printed show $100. This limit has been increased to $200 under the Budget proposals.

PROVISIONAL TAX PAYABLE

Send the return in by 7 September or earlier if you wish,and pay the first instalment of provisional tax at the same time. You can work out your tax on the return form.

Exemption increased

The legislation at present before the House exempts non-business taxpayers whose only provisional income consists of dividends, net rents or interest (after the $60 exemption) totalling $200 or less from payment of provisional tax. This includes, of course, the instalment of provisional tax due by 7 September 1968.
If you are one of these people, you can now use the green IR5 return.

Here are some other points that may help you.

OVERSEAS INCOME — EFFECT OF DEVALUATION

If you have income such as interest, dividends or a pension from overseas convert it to New Zealand currency at the rate of exchange ruling when the income was derived — i.e., available for collection. This may be different from the rate in force when the income was remitted to New Zealand.

Tempus Fugit—Continued

SPECIAL DEVELOPMENT BONDS

If you bought Special Development Bonds during the year send in your counterfoils with the return. We will work out your tax for you.

REMEMBER

There are pamphlets to help you at any tax or post office.

If you are still not sure on any point, ask at the tax office. The staff will be glad to help you.

Dividends and interest from Australia

New Zealand residents getting dividends or interest from Australia may be affected by recent Australian tax changes.

DIVIDENDS

The withholding tax of 15% on dividends still applies but from 1 July 1967 this tax became the final liability for Australian tax. This means that a New Zealand taxpayer cannot now, as in the past, ask for a refund of tax if the rate of withholding tax is too high.

INTEREST

As from 1 January 1968 a withholding tax of 10% will be deducted from interest paid from Australian sources. Here too the tax withheld will be the final liability for Australian tax and no refunds will be made.

NEW ZEALAND ALLOWS CREDIT

New Zealand residents are liable for New Zealand tax on the Australian dividends or interest but credit is allowed for the Australian tax paid. The credit allowed is the lesser of—

- the Australian tax withheld or
- the New Zealand tax on the dividends or interest.

New Zealand residents cannot be allowed a credit for the Australian tax withheld if there is no New Zealand tax payable on the dividends or interest.

Any New Zealand resident who wants more details of the Australian tax provisions should write to—

The Commissioner of Taxation,
Canberra,
Australian Capital Territory 2600,
AUSTRALIA.

Company donations for research

Here are more organisations which have been approved for the purpose of section 126A of the tax Act.

Organisation	Donations allowed if given for
Combined Beef Breeders' Research Committee	General Research
National Heart Foundation of New Zealand	Medical Research
Research Fund of the Dominion Committee of the Royal Australasian College of Physicians	Medical Research

Companies may claim a deduction for cash donations made to these organisations for the research purposes mentioned. Other approved organisations are listed in Public Information Bulletins 37, 40, 43 and 45.

The maximum amount allowable each year for total donations made to approved organisations is the smaller of $1,000 or 5 percent of the company's assessable income.

Thought for the Month

The world — a big ball that revolves on its taxes.

''Woman and Home''

1968 Budget proposals for Land and Income Tax

The Minister of Finance, the Hon. R. D. Muldoon, has announced major tax proposals in his 1968 Budget. They will not become law until validating legislation is passed.

Here are brief details—

INDIVIDUALS

New Income Tax Rates and Exemptions from 1 April 1969

1) Ordinary and social security income taxes will be merged into one income tax.

2) New special exemptions will apply to the composite income tax.

	$
Personal exemption	275
Wife exemption	240
Child exemption—	
For each of the first four	135
For each child after the fourth	140
Insurance and superannuation	85% of present entitlement

3) Income tax on each step of taxable income will be—

Steps in Taxable Income				Proposed Tax Percent
From	1	to	650	7.850
"	651	"	1700	21.000
"	1701	"	2000	24.500
"	2001	"	2500	27.500
"	2501	"	3000	33.000
"	3001	"	3500	34.000
"	3501	"	4000	37.000
"	4001	"	4500	40.000
"	4501	"	5000	43.000
"	5001	"	5500	45.000
"	5501	"	6000	49.000
"	6001	"	6500	50.000
"	6501	"	7000	54.000
"	7001	"	7500	60.000
"	7501	"	8000	65.000
"	8001	"	10000	66.000
"	10001	"	12000	67.000
	over		12000	67.500

4) A new rebate on dividends. The average rate of tax on the dividends, after the rebate, will not exceed 32.5%.

5) A special tax rebate for Universal Superannuitants.

Provisional Tax

The legislation at present before the House provides that non-business taxpayers will not be required to pay provisional tax so long as their only provisional income consists of dividends, net rents or interest (after the $60 exemption) totalling $200 or less. The exemption applies in respect of 1969 provisional tax, that is the provisional tax currently payable, of which the first instalment would have been payable on 7 August 1968 with the last day for payment on 7 September 1968.

Retrospective Pay Increases

A special rebate will be granted on application to offset any additional tax arising from the assessment of arrears of pay for earlier years in the year of receipt. The rebate will first apply to arrears received in the current year.

Stock Options and Stock Purchase Schemes

Benefits conferred on employees through the granting of stock options and share buying privileges are to be taxed as income.

COMPANIES

All Companies

1) Ordinary and social security income taxes merged into one tax but no change in rates.

2) Excess retention tax abolished except for private investment companies.

3) The income or loss of two or more companies wholly owned or controlled by the same interests will be aggregated.

4) Closely connected companies will be assessed on a group basis. Subvention payments will be allowed among such companies.

5) Trading stock sold between companies in a group may be valued at the option of the purchasing company at the actual cost of the stock to the vendor company.

6) Non-deductible expenditure (other than donations) incurred by a private company for the benefit of a shareholder or his wife will be deemed to be a dividend to the shareholder.

Co-operatives

1) No change in the taxation of dairy, milk marketing and pig marketing co-operatives.

2) Other co-operatives will not be allowed to deduct rebates paid out of profits from trading with non-members.

Mining Companies

1) Holding companies of mineral mining companies will be allowed to deduct amounts written off loans they have made to finance the activities of the mineral mining companies. Holding companies of petroleum mining companies are already allowed to do this.

2) Mining companies subject to the special bases of assessment, who hold surplus funds not required for development for longer than 6 years, will be treated as having declared appropriate dividends.

BUSINESS TAXPAYERS

Incentives Extended

The following incentives which would otherwise expire on 31 March 1969 will be extended—

To 31 March 1972

1) The 150% deduction for export market development and tourist promotion expenditure.

2) The 15% additional deduction for increased exports.

To 31 March 1970

1) The Special and Initial Depreciation allowances of 20 percent.

2) The West Coast Investment Allowance.

3) Farm Development Expenditure.

Chatham Islands Import/Export Levy

The levy paid on goods imported into or exported from the Chathams for business purposes will be deductible.

Depreciation — Accounting Procedures

Business taxpayers will be able to provide in their accounts whatever depreciation is considered necessary for the business but depreciation allowances claimed for tax purposes will continue to be on the bases and rates laid down by the Commissioner. The tax claim will no longer need to coincide with the provision in the accounts.

Goodwill Paid

Legislation will be introduced to validate the present practice of allowing a deduction for certain goodwill payments made on the grant or transfer of a lease.

Losses

The time limit of 6 years for the carrying forward of losses for taxation is to be removed except for losses consisting of debts discharged under the Bankruptcy Act.

The new provisions will apply to future losses and also to losses incurred in previous years to the extent that they are still available for set-off. Losses already beyond the present six-year limitation will not be revived.

Meat Industry

A special depreciation allowance of 20% of the cost of new and additions to existing cool stores will be introduced this year.

Rock Oyster Farming

A tax incentive for rock oyster farming is to be introduced. The incentive will be on the lines of the deduction now granted for farm development expenditure and granted in respect of specified items.

Tourist Industry

A special depreciation allowance is to be granted at the rate of 20% on new hotels, motels and additions thereto which are approved by the Minister of Finance on the recommendation of the Tourist Accommodation Development Committee. The concession will operate until 31 March 1972.

Wine Industry

Winemakers will be allowed to adopt a standard value basis of valuation in respect of maturing stocks of wine.

TRUSTS

New provisions will apply to *inter vivos* trusts created after 18 July 1968.

1) The trustee's special exemption will not be allowed.

2) A flat rate income tax on trustee's income.

3) Trustee's income will include, in respect of infant beneficiaries, any income not actually paid or applied for their benefit.

"Paid and applied" is to be defined with application to all trusts. Six months after balance date is to be allowed to trustees in which to "pay and apply" income.

GENERAL

Deductible Expenditure

A less restrictive statutory definition of deductible expenditure is to be adopted. This will enable some claims to be made by salary and wage earners as well as business taxpayers.

Fraud or Evasion

The 10-year limitation on the time in which assessments may be altered in cases of fraud or evasion is to be removed.

Interest Paid to Non-residents

The 15% withholding tax is to be made a final tax except when—

1) the parties are not at arm's length or

2) the investor has a fixed establishment in New Zealand.

The annual exemption of the first $60 of interest will no longer apply to non-residents.

Interest paid to an overseas pension fund will be exempt if the fund is exempt from tax in its own country.

Retiring Allowances to Employees

1) Employers will be able to deduct genuine retiring allowances paid to full time employees who have reached the age of 60 years (males) or 55 years (females).

2) The present exemption of 95% of the retiring allowances in the hands of employees will apply only to the extent that the allowance does not exceed 1 year's salary and provided that the employee has had at least 10 years' service. If the employee has had less than 10 years' service the exemption will be reduced proportionately.

Rights of Objection

There are at present a few instances where the discretionary power of the Commissioner is not open to objection. Taxpayers are to be given a right of objection in three instances involving special cases of agent and principal.

LAND TAX

The ordinary exemption is to be increased from $12,000 to $60,000 graduated as at present to reduce to zero at an unimproved value of $120,000. The increased exemption will apply to land held at 31 March 1968. There will no longer be any mortgage exemption.

Estate and Gift Duties Bill 1968

ESTATE AND GIFT DUTIES BILL 1968

The Minister of Finance, the Hon. R. D. Muldoon, introduced the Estate and Gift Duties Bill to the House on 4 July 1968.

The Statutes Revision Committee is now examining the Bill.

In general it follows the principles of existing legislation but has been arranged in a more logical order and written in simpler language. It is intended to apply from 1 January 1969.

The main changes proposed by the Bill are—

ESTATE DUTY

Dutiable Estate

Foreign realty is no longer excluded from the dutiable estate, but credit for overseas duty paid on the asset will be allowed up to the amount of the New Zealand duty.

A new method is provided for treating certain types of life insurance policies on deceased's life, where he disposed of the policy within three years of death.

Valuations

Partnership interests and certain debts owing to deceased by relatives and controlled companies are to be valued in the manner set out in the Bill.

A new table for calculating the value of widowhood interests has been added to the Schedules of the Bill.

Payment

The time in which to pay estate duty without interest has been extended from four months to six months from date of death. The rate of interest is 5%.

Provision is made for relief in cases of hardship.

Allowances

The order of the various allowances has been fixed. At present, the order in which allowances are granted can make a difference in the overall estate duty payable.

Allowances—Continued

Allowances for estate duty paid outside New Zealand have been extended to cover all overseas duty. At present relief is given only from duty imposed by the country in which the assets are domiciled.

The quick succession allowance has been extended and simplified by basing the allowance on the total value of successions rather than individual assets.

A new method for making allowance for gift duty paid or payable. on gifts included in the dutiable estate is set out in the Bill.

Notices to the Commissioner

Notice to the Commissioner of payments made to the estate of a deceased person without administration, does not have to be made unless the amount is $500 or more. At present, notice of all payments must be given.

GIFT DUTY

Dutiable Gifts

Gifts of foreign realty are to be liable to gift duty if the donor is domiciled in New Zealand.

Gifts made by a controlled company are to be treated in a special manner.

The time in which to file a gift statement has been extended from one month to three months from date of gift.

Payment

The penalty on unpaid gift duty is reduced from 10% to 5%. It accrues six months from the date of gift. Interest on unpaid gift duty has also been introduced, applying three months from the date of gift at 5%.

A right of objection to the Commissioner against an assessment of either estate or gift duty has been provided. At present, the only right of objection is direct to a Court.

CHANGE IN RATES OF GIFT DUTY — BUDGET PROPOSALS

The Minister of Finance announced changes in the rates of gift duty payable on gifts made on or after 19 July 1968—

- The amount which can be gifted without duty in any 12-month period has been increased from $2,000 to $4,000.
- A new scale of rates has been introduced. The scale is set out below.
- Where gifts made before 19 July 1968 aggregate with gifts made after the change gift duty on the earlier gifts will not be increased unless the value of the aggregated gift is more than $4,000.

Gift statements must still be filed where the value of gifts made in any 12-month period is more than $2,000.

SCALE OF RATES FOR GIFTS MADE ON OR AFTER 19 JULY 1968

Value of Gift (Together with value of all Aggregated Gifts)			Rate NOTE—'Excess' means excess of the value
Not exceeding $4,000			Nil
Exceeding		Not Exceeding	
$ 4,000	—	$ 6,000	9% of excess over $4,000
$ 6,000	—	$ 8,000	$ 180 + 11% of excess over $ 6,000
$ 8,000	—	$10,000	$ 400 + 13% of excess over $ 8,000
$10,000	—	$12,000	$ 660 + 15% of excess over $10,000
$12,000	—	$14,000	$ 960 + 17% of excess over $12,000
$14,000	—	$16,000	$ 1,300 + 19% of excess over $14,000
$16,000	—	$18,000	$ 1,680 + 21% of excess over $16,000
$18,000	—	$20,000	$ 2,100 + 23% of excess over $18,000
$20,000	—	$22,000	$ 2,560 + 25% of excess over $20,000
$22,000	—	$24,000	$ 3,060 + 27% of excess over $22,000
$24,000	—	$28,000	$ 3,600 + 23% of excess over $24,000
$28,000	—	$32,000	$ 4,520 + 25% of excess over $28,000
$32,000	—	$36,000	$ 5,520 + 27% of excess over $32,000
$36,000	—	$40,000	$ 6,600 + 29% of excess over $36,000
$40,000	—	$44,000	$ 7,760 + 31% of excess over $40,000
$44,000	—	$48,000	$ 9,000 + 33% of excess over $44,000
$48,000	—	$52,000	$10,320 + 35% of excess over $48,000
$52,000	—	$56,000	$11,720 + 37% of excess over $52,000
$56,000	—	$60,000	$13,200 + 39% of excess over $56,000
$60,000	—	$64,000	$14,760 + 31% of excess over $60,000
Exceeding		$64,000	25% of value of gift.

Stamp Duties amendment Bill 1968

This Bill abolishes the exemptions from stamp duty previously given by section 131 of the Building Societies Act 1965.

No need to pay tax to the public account

Now that inland exchange on cheques is no longer payable there is no benefit in paying tax into the Public Account at a branch of the Bank of New Zealand.

We suggest that you send cheques direct to us and so save yourself the form filling needed for Public Account payments.

Remember, you do not have to add the 3-cent collection fee to your cheque.

Error in tax tables

There is a printing error in the tax table insert in all return forms. The error only affects those whose taxable income is $6,543, $6,544 or $6,545.

The tax shown in the table is exactly $1,000 too much. This is how the table should read—

Amount to be Taxed	Tax Payable
6543	2038.65
6544	2039.20
6545	2039.75

If your income is in this range please note this alteration when working out your tax. If you have already sent in your return we will show the correct tax when we send out your assessment.