



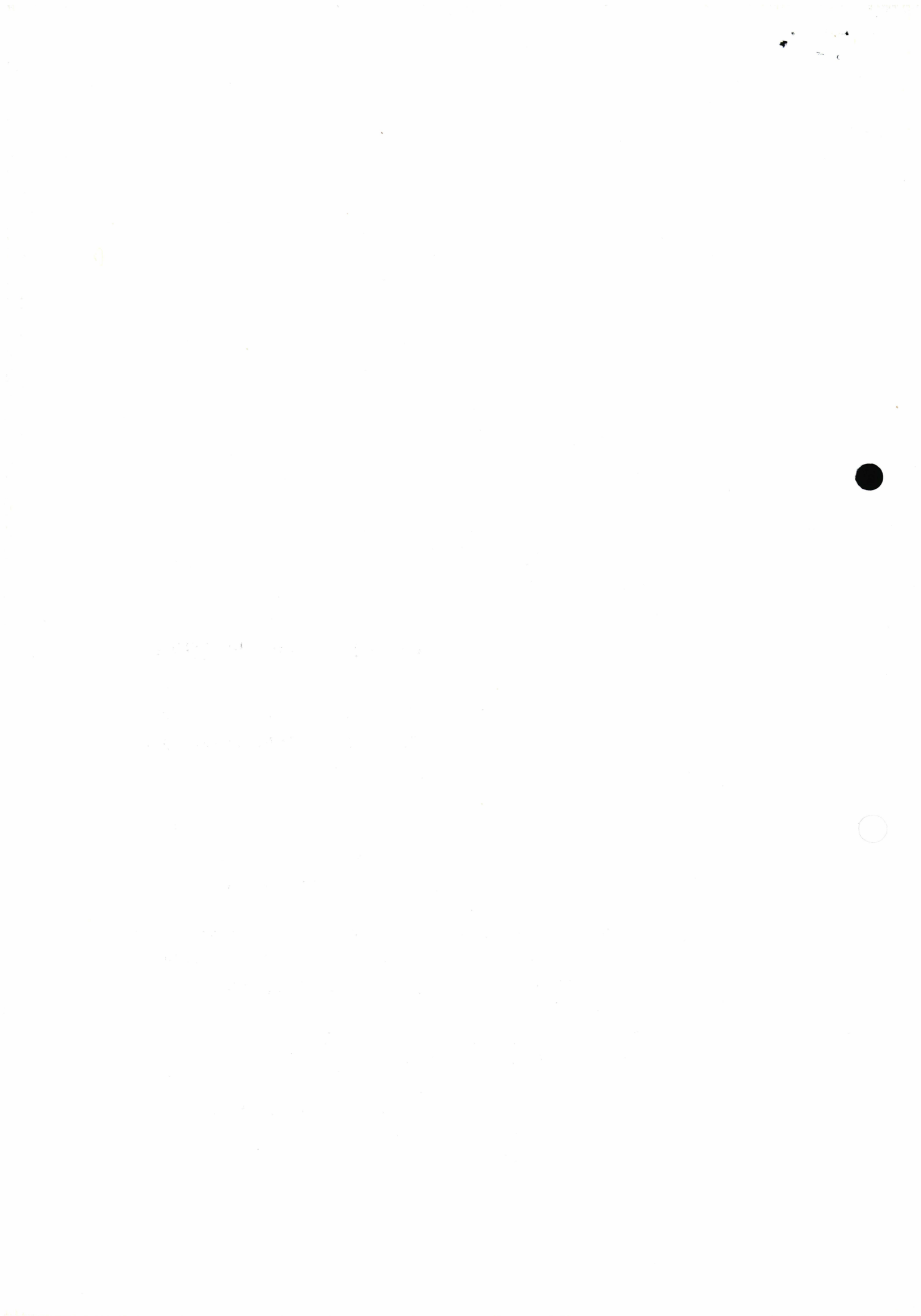
OFFICE OF THE COMMISSIONER OF INLAND REVENUE

Public Information Bulletin

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1970 Tax Legislation

INTRODUCTION

This bulletin gives explanatory notes on—

The Land and Income Tax (Annual) Act 1970.

The Land and Income Tax Amendment Act 1970.

These notes give only brief explanations of the amended sections and should be read together with the relevant Acts. You can get copies at the Government Bookshops in Auckland, Hamilton, Wellington, Christchurch and Dunedin.

If you want more information on any point, please get in touch with the nearest tax office. We will also send on request a copy of the working notes given to our staff. These notes give more detailed information.

LAND AND INCOME TAX (ANNUAL) ACT 1970

This Act fixes the rates of land tax, income tax, excess retention tax and bonus issue tax for the year ending 31 March 1971.

The 1970 Annual Act as originally enacted did not alter any of these rates from those applying in the previous year.

Following the announcement on 27 October 1970 the Act was amended to introduce the surcharge of 3½% on all "individual" rates of income tax.

LAND AND INCOME TAX AMENDMENT ACT 1970

APPLICATION OF THE ACT

Section 2. Except where otherwise stated the amendments apply to the income year that began on 1 April 1970.

RETURNS BY SUPERANNUATION FUNDS

Section 3 requires trustees of superannuation funds to make annual returns. Each fund has already been told of our requirements (See also sections 12, 13, 14 and 35).

FARMING LAND EXEMPT FROM LAND TAX

Section 4 exempts from land tax land used for farming or agricultural purposes. This is land used for—

- ◆ Animal husbandry (including land used for keeping poultry or bees or for horse breeding).
- ◆ Growing fruit, vegetables or other crops.
- ◆ Horticulture including plant nurseries.
- ◆ Grape growing.

The exemption does *not* extend to land used for—

- ◆ Forestry or silviculture.
- ◆ A racecourse or horse training establishment.
- ◆ Saleyards.
- ◆ Wineries.

DIVIDEND REBATE

Section 5. For the income year that begins on 1 April 1971 the dividend rebate applies to a taxpayer whose taxable income is less than \$4,000. Dividend income is taxed at the same rates as other income when the taxable income is \$4,000 or more.

BACKPAY REBATE

Section 6 removes the optional rebate previously granted in Section 78G(3). The rebate is now 6c in the dollar on the portion of the backpay applicable to an earlier year, or the amount of the taxable income whichever is the less.

VISITING EXPERTS

Section 7 authorises the payment of the fees, salary and allowances of the non-government member of the "Visiting Experts Advisory Committee".

SPECIAL EXEMPTION FOR WIFE/HUSBAND

Sections 8 and 9. The exemption for a dependent wife/husband is increased from \$240 to \$275. This reduces \$1 for \$1 when the wife's/husband's income for the year exceeds \$375. There is no exemption when the wife's/husband's income exceeds \$650.

HOUSEKEEPER EXEMPTION

Section 10 increases the exemption for a housekeeper from \$240 to \$275.

LIFE INSURANCE EXEMPTION

Section 11. The maximum exemption for life insurance premiums and superannuation contributions is increased from—

- ♦ \$500 to \$700 for a taxpayer who is a contributor to an employer-subsidised superannuation fund, and
- ♦ \$650 to \$950 for any other individual taxpayer.

LIABILITY OF SUPERANNUATION FUNDS

Section 12 repeals the absolute exemption which existed for superannuation funds.

INVESTMENT REQUIREMENTS BY SUPERANNUATION FUNDS

Sections 13 and 14 set out the requirements for investment in Government/Local Body securities which must be met before certain private superannuation funds will be exempt from income tax. The Department has explanatory notes on these sections.

SHARE OPTION OR PURCHASE SCHEMES

Section 15. The general rule for valuing benefits received is amended so that restrictions in dealing with shares are ignored unless they apply for at least eight years or earlier death. If however, there are certain restrictions on the sale of shares when an employee ceases employment before eight years these restrictions will be taken into account in valuing those shares.

FORESTRY ENCOURAGEMENT GRANTS

Section 16 deals with treatment for income tax purposes of Forestry Encouragement Grants.

- ♦ A grant made for the labour of a landowner and his family is assessable income.
- ♦ A grant for expenditure is not assessable income.
- ♦ No deduction is allowed for this expenditure unless and to the extent that it is more than twice the amount of the grant.

INCOME TAX AND PAYROLL TAX NOT DEDUCTIBLE

Section 17. Neither New Zealand nor foreign payroll or income taxes are allowable deductions from assessable income.

SPECIAL DEPRECIATION ALLOWANCES EXTENDED

Sections 18 and 19 extend the Special Depreciation allowance on-

Qualifying Assets	New Expiry Date Ending 31 March
♦ Plant and machinery	1972
♦ Employee accommodation	1972
♦ New farm buildings	1972
♦ Private bathrooms or showers installed in hotels	1972
♦ Export meat cool-storage buildings	1974
♦ Export slaughterhouses or meat-packing houses	1974

The allowance has also been extended to include from 1 April 1970 owner/lessors of all the above assets other than new farm buildings which already qualify.

SPECIAL DEPRECIATION ON FISH-PROCESSING BUILDINGS

Section 20 extends the special depreciation allowance to lessors of fish-processing buildings.

SPECIAL DEPRECIATION ON BUILDINGS PROVIDING TOURIST ACCOMMODATION

Section 21 extends until 31 March 1974 the special depreciation allowance granted to new 'approved' hotels or motels, or extensions of either, erected to provide tourist accommodation.

INVESTMENT ALLOWANCE WEST COAST SOUTH ISLAND

Section 24 extends to 31 March 1972 the investment allowance of 20% on plant, machinery and buildings for use in redevelopment projects on the West Coast of the South Island.

FARM DEVELOPMENTAL EXPENDITURE

Section 26 relates to expenditure on land used for farming and agricultural purposes.

- ♦ The allowance is extended to 31 March 1972.
- ♦ As from 1 April 1970 supporting frames constructed on the land for growing crops have been added to the items deductible under the section.

INVESTMENT ALLOWANCE

Sections 22, 23, and 25 reintroduce the investment allowance of 10% of the cost of certain plant and machinery.

The allowance is for new plant and machinery for—

- ♦ Manufacturing,
- ♦ Farming and agriculture,
- ♦ Fishing,

for which a binding contract was entered into on or after 26 June 1970 and before 31 March 1972, or for which on or after 26 June 1970 certain preliminary steps have been taken towards a binding contract for the purchase or construction of plant or machinery.

Basically the investment allowance is the same as that which lapsed after the 1966 financial year.

DEVELOPMENTAL EXPENDITURE BY ROCK OYSTER AND MUSSEL FARMERS

Section 27 extends the allowance for developmental expenditure to 31 March 1972.

INDUSTRIAL RESEARCH AND DEVELOPMENT GRANTS

Section 28 inserts a new section 125A in the tax Act.

The section provides for an exemption from income tax of grants made to any company under the Industrial Research and Developments Grants Act 1970.

When a grant is made for expenditure otherwise deductible under the tax Act, the amount that may be deducted is reduced by the grant.

EXPORT MARKET DEVELOPMENT AND TOURIST PROMOTION EXPENSES

Section 29.

- ♦ Extends to 31 March 1974 the 50% additional deduction for qualifying export market and tourist promotion expenses.
- ♦ Amends the tax Act to enable export agents who are rewarded by commissions to qualify for the incentive.

EXPORT MARKET DEVELOPMENT BY SELF-EMPLOYED TAXPAYERS

Section 30 inserts a new section 129AA in the tax Act.

Self-employed persons undertaking "export market development activities" to promote the supply of their services for reward can now get a deduction of 50% of "the value of the time" they were engaged in these activities.

DEDUCTION FOR EXPORTS

Section 31 extends to 31 March 1974 the 15% deduction for increased export sales.

INCOME EQUALISATION RESERVE

Section 32 is a drafting amendment to the provisions introduced in 1969, which extended the income equalisation reserve scheme to income derived by individuals from forestry.

PROPRIETARY PROVISIONS

Section 33 reinstates section 138 of the tax Act as it was before the amendments made by the Land and Income Tax Amendment Act (No. 2) 1968, so far as it concerns overseas subsidiaries

JOINT ASSESSMENTS OF COMPANIES

Section 34. If one company in a group is assessed with proprietary income from another company in the group this income is not used for rate purposes for the group. This applies from 1 April 1968.

ASSESSMENT OF SUPERANNUATION FUNDS

Section 35 sets out the liability of certain superannuation funds to income tax.

INCOME DERIVED OUTSIDE NEW ZEALAND

Section 36 makes it clear that tax is not payable where both the contractor and the contracted work are outside New Zealand.

NEW RATES OF INCOME TAX FROM 1 APRIL 1971

Sections 37 and 38. The new schedules introduced by these sections incorporate the changes in the individual rates of income tax announced in the 1970 Budget.

TEMPORARY INCREASE IN INCOME TAX

Sections 39, 40 and 41. These sections incorporate the temporary rate increase of 3½% for a full year and 10% for 4 months of each of the 1970/71 and 1971/72 years announced in October.

Employers - pay clerks - new PAYE tax tables

Please check you are using the correct tax tables.

New PAYE tax tables were recently issued to employers to apply—

- ♦ From and including the first payday in April 1971.

The tables include the 10% temporary surcharge introduced last year.

For more information on this see our Public Information Bulletin No. 59.

How to tax pay when pay period straddles two income years

If a pay period starts before and ends after 31 March 1971 do not split the pay. Show the wages earned and tax taken off for the whole pay period in the tax deduction certificate for the following income year. Use the tax tables which apply from 1 April 1971.

Example—

Employer pays wages weekly on the Friday following the end of the pay period. Employee's earnings \$80 a week. Code M2.

Pay Period Ending	Gross Wages	PAYE Tax	Net Wages	On certificate for year ending
	\$	\$	\$	
26/3/71	80.00	16.14	63.86	31/3/71
2/4/71	80.00	15.87	64.13	31/3/72

Annual payroll tax return and PAYE tax deductions reconciliation due by 15 May

A new form IR68P has been printed for the combined payroll tax return and PAYE tax deductions reconciliation. Employers paying payroll tax will be sent the form by 31 March. Please complete in duplicate - send the top copy to the tax office with the white copies of Tax Deduction Certificates and keep the other for your records.

REMEMBER THE PAYROLL TAX RETURN RELATES ONLY TO THE PERIOD 1 AUGUST 1970 TO 31 MARCH 1971

WHEN TO SEND IT IN

- ♦ By 15 May each year, or
- ♦ By the 15th of the second month after business sold or ceases.

WHAT TO SEND IN WITH IT

Payroll Tax -

- ♦ IR68F, if your 1% export rebate exceeds payroll tax payable and you intend to pass the excess to your suppliers.

PAYE Tax Deductions

The white copies of-

- ♦ Tax Deduction Certificates, IR12.
- ♦ Secondary Employment Notices, IR55.
- ♦ Withholding Payments Tax Deduction Certificates, IR13.
- ♦ Wage Certificates for Casual Agricultural Employees, IR121.
- ♦ Tax Code Certificates, IR23.
- ♦ Notices cancelling tax codes received from employees.

SPECIAL POINTS ABOUT THE RETURN OF PAYROLL TAX FOR THE PERIOD ENDED 31 MARCH 1971.

Payments Straddle 1 August 1970

In general only payments or the part of payments for the period commencing 1 August 1970 are subject to payroll tax.

Salary and wages paid for a pay period straddling 1 August 1970 should be apportioned on a factual basis, if the figures are available, or on a reasonable pro-rata basis.

Similar apportionments may be made for other payments which are for definite periods commencing before 1 August 1970. The payments must be made on or before 31 March 1971.

Here are examples.-

- ♦ Arrears of pay.
- ♦ Bonuses
- ♦ Directors' fees.
- ♦ Honoraria.

Examples of the type of payment made on or after 1 August 1970 but not liable for payroll tax are -

- ♦ Wages to Friday 31 July 1970 paid on Tuesday 4 August.
- ♦ Overtime earned up to 31 July 1970 but paid later.
- ♦ Bonuses or directors' fees, payments to shareholder/ employees paid after 1 August 1970 but for a period or part of a period before that date will be exempt to that extent provided they are made on or before 31 March 1971 or are declared to be payable on or before that date under an already established practice adopted for PAYE purposes.

Note - All holiday pay or payments for paid leave made on or after 1 August 1970 are liable to payroll tax without apportionment.

Partial Exemption for First Year - Period 1 August 1970 to 31 March 1971

For the period 1 August 1970 to 31 March 1971 the general exemption is \$5,200, that is, 8 months at \$650 a month.

However, if an employer paid the bulk of his chargeable wages for the year ended 31 March 1971 after 1 August 1970 he may claim an added exemption if, and to the extent, his payments for the first four months from 1 April 1970 to 31 July 1970 were less than \$2,600. An apportionment may be made if the activity commenced or ceased during the year.

New tax office for Otahuhu

We have opened a tax office in Otahuhu -

- ♦ It will give a tax service in the expanding South Auckland area.
- ♦ It is a further step in our programme to bring the tax office to the people.

The Minister of Finance the Hon. R. D. Muldoon officially opened the office on 12 March 1971.

Mr T. P. McKenna is the District Commissioner.

The following Post Offices come within the Otahuhu tax district.

ARDMORE COLLEGE	OPAHEKE ROAD
ASHLEY AVENUE	OTAHUHU
AUCKLAND AIRPORT	OTAHUHU EAST
BEACHLANDS	OTARA
BOMBAY	OTARA WEST
BUCKLANDS	OTAUA
BUCKLANDS BEACH	
CLARKS BEACH	PAERATA
CLEVEDON	PAKURANGA
COCKLE BAY	PAPAKURA
DRURY	PAPAKURA EAST
EAST TAMAKI	PAPAKURA M. CAMP
FLAT BUSH	PAPARIMU
HILL PARK	PAPATOETOE
HOMAI	PAPATOETOE EAST
HOWICK	PAPATOETOE NORTH
HOWICK WEST	PAPATOETOE SOUTH
HUNUA	PATUMAHOE
KAIAUA	POKENO
KARAKA	PUHINUI
KIMPTON	PUKEKOHE
LEABANK	
MANGATAWHIRI	RAMARAMA
MANGERE BRIDGE	RIVERSIDE
MANGERE CENTRAL	RUAKAWAKAWA
MANGERE EAST	
MANUREWA	SUTTON PARK
MANUREWA SOUTH	
MARAETAI	TAKANINI
MATAKAWAU	TUAKAU
MERCER	
MEREMERE	WAIUKU
MIDDLEMORE HOSPITAL	WEYMOUTH
	WHITFORD

If you live in this area please send all future returns and correspondence to

District Commissioner,
Inland Revenue Department,
Private Bag,
OTAHUHU

The address is - Cnr. Park Avenue and Victoria Street, OTAHUHU.

The telephone number is - OH62039.

Relief for farmers affected by adverse events

The Minister of Finance, the Hon. R. D. Muldoon has announced that the provisions of section 103 A of the Tax Act will be applied to farmers affected by-

- ♦ Flooding in early October 1970 in and adjoining the Whakatane and Opotiki Counties.
- ♦ Flooding in early October 1970 in the Waikato and Waipa Rivers areas. The areas affected are those in and adjoining the following survey districts-

Onewhero	Hapuakohe
Maoro	Newcastle
Maramarua	Alexandra
Rangiriri	

The Minister said that section 103A would apply to any case where the Commissioner was satisfied that a farmer had been forced to sell livestock because of shortage of fodder or other factors arising from the adverse event and the purchase of replacement stock had to be deferred until the first or second year after the year of sale.

ASSESSMENT OF INCOME DEFERRED

Under the section the assessment of income arising from the forced sale of livestock is deferred from the year of sale to the year in which livestock is replaced.

Public Information Bulletin No. 55 tells you more about relief offered on a forced sale of livestock. If you are not sure whether you can take advantage of the section ask at your local tax office.

The staff will be pleased to help you.

No certificate required to support claims for relief on forced sale of livestock

In Public Information Bulletin No. 55 page 3 we said that with applications for relief under section 103A of the Tax Act farmers should forward a certificate from the resident officer of the Agriculture Department.

The Commissioner has now decided to dispense with these certificates. Instead farmers should supply with their tax return, details to show that their properties are in areas declared by the Minister of Finance to be affected by adverse events.

Administrators - return of overseas property in estates simplified

To help administrators complete their estate duty statement in estates with overseas assets we have designed a form IR609A.

This form provides for--

- ♦ A summary of overseas property.
- ♦ The foreign value of that property at date of death.
- ♦ The conversion rate used.
- ♦ The New Zealand value of the property.

Stocks of this form can be obtained from any tax office.

Salary and wage earners - to get your refund quicker make sure your return is correct

Many refunds are held up because returns are incomplete or incorrect. Several weeks delay occurs if we have to raise queries.

Here's how you can make sure you get an early refund.

Item	Remember
Claim for Dependent Wife, Child or Relative	<ul style="list-style-type: none"> ◆ Show full details asked for on the return form . ◆ If anyone else is claiming for the same dependants please give the reasons for your claim and the amounts contributed.
Donations and Private School Fees	<ul style="list-style-type: none"> ◆ Attach receipts. ◆ Do not claim for activity fees, text books or tuition fees paid to State Schools, technical institutes or universities.
Life Insurance and Superannuation	<ul style="list-style-type: none"> ◆ Show the name of the Insurance company or superannuation fund.
Salary and Wages	<ul style="list-style-type: none"> ◆ If your certificates do not cover the full year please say why and give the periods that you were not working. ◆ Send in all Tax Deduction Certificates for the year ending 31 March 1971. ◆ Show any income earned from tips, gratuities and like payments.
Expenses	<ul style="list-style-type: none"> ◆ Give details of expenses claimed. If necessary attach a separate statement to your return.

Who completes statement when value of deceased's furniture and personal effects is unlikely to exceed \$2,000

In Public Information Bulletin 57 we said that the first \$2,000 in value of personal chattels is exempt from estate duty. Where the value is unlikely to exceed \$2,000 we will accept a statement to that effect from certain professional persons associated with the administration of the estate.

WHAT ARE PERSONAL CHATTELS

Includes	Does not include
<ul style="list-style-type: none"> ♦ Articles of household use or ornament ♦ Articles of personal use or enjoyment ♦ Books ♦ China ♦ Furniture ♦ Garden effects ♦ Glass ♦ Jewellery ♦ Linen ♦ Musical, sporting and scientific instruments and apparatus ♦ Pictures ♦ Plate, plated articles ♦ Prints ♦ Wines, liquors and consumable stores 	<ul style="list-style-type: none"> ♦ Aircraft and their accessories ♦ Boats ♦ Chattels used exclusively or principally for business purposes ♦ Convertible notes or securities for money ♦ Domestic animals ♦ Horses ♦ Horsedrawn vehicles ♦ Motor vehicles ♦ Money funds ♦ Shares ♦ Stable furniture and effects

WHO CAN COMPLETE STATEMENT

We will accept them from—

- ♦ Solicitors.
- ♦ Chartered or Licensed Accountants.
- ♦ Senior officers of the Public Trustee, Maori Trustee or a Trustee Company.

We are not able to accept them from executors (unless they are one of the above) or from beneficiaries.

Changes and additions to the tax incentives explained in Public Information Bulletin No. 52

Our Public Information Bulletin on Tax Incentives was not reprinted last year.

Here are the changes and additions made since Public Information Bulletin No. 52 was issued in October 1969. We suggest you file this page with your copy of Public Information Bulletin No. 52.

Incentive	New expiry Date 31 March
Special Depreciation Allowances on—	
♦ Plant and machinery	1972
♦ Employee Accommodation	1972
♦ Private bathrooms or showers installed in hotels	1972
♦ Export slaughterhouses or meat-packing houses	1974
♦ Fish-processing buildings	—
From 1 April 1970 the allowance for the above assets has been extended to include owner/lessors.	
♦ New farm buildings	1972
♦ Buildings providing tourist accommodation	1974
Investment Allowance, West Coast South Island.	1972
Developmental Expenditure on Farms	1972
As from 1 April 1970 the cost of supporting frames constructed on the land for growing crops such as—grapes, hops, raspberries, boysenberries, loganberries, tomatoes and beans are deductible.	
Export Market Development and Tourist Promotion Expenses	1974
♦ Export agents may now claim the incentive on any qualifying export promotion expenditure for which they have not been directly reimbursed.	
♦ Self employed persons undertaking “export market development activities” to promote the supply of their services for reward can now get a deduction of 50% of “the value of the time” they were engaged in these activities.	
Increased Exports	1974
Developmental Expenditure by Rock Oyster and Mussel Farmers	1972

YOU CAN GET A COPY OF PUBLIC INFORMATION BULLETIN NO. 52 AT ANY TAX OFFICE.

10 percent investment allowance

INCENTIVE	WHAT IT IS	HOW IT WORKS	WHAT TO CLAIM	HOW TO CLAIM
Investment Allowance	An incentive to encourage investment in new plant and machinery.	<p>Gives an allowance of 10% of cost price in addition to all other depreciation on qualifying assets—</p> <ul style="list-style-type: none"> ◆ Purchased under a binding contract entered into on or after 26 June 1970 and before 31 March 1972, or ◆ For which on or after 26 June 1970 certain preliminary steps have been taken towards a binding contract for the purchase or construction of plant or machinery. 	<p>10% of the cost price of assets which are—</p> <ul style="list-style-type: none"> –New, –Owned by the taxpayer making the claim, –Used by him primarily, principally and directly in— <ul style="list-style-type: none"> ◆ Manufacturing ◆ Other specified processes ◆ Certain ancillary operations ◆ Farming and agriculture ◆ Freezing, curing and processing fish ◆ Forestry operations. 	<ul style="list-style-type: none"> ◆ In the tax return of income for the year in which assets are first used. ◆ Make the claim outside books of account. ◆ Complete form IR39A and send this in with the tax return.