



FORMAT

This issue begins an alternative style of Public Information Bulletin.

The change from the previous booklet form to a single sheet two page presentation, or, where sufficient material is available, to a four page edition, has been adopted in the interests of economy and publishing timetables.

It is hoped to publish the Bulletin more frequently to provide a regular and current information service.

WHAT HAPPENED TO P.I.B. NO.94?

Public Information Bulletin No.94 is currently being printed. It deals exclusively with the full range of tax incentives presently available and will be issued as soon as printing is completed.

HUBODOMETERS – DEDUCTION FOR COST OF PURCHASE AND FITTING

Under the Road User Charges Act 1977, certain vehicles are required to be fitted with hub distance recorders or hubodometers as they are officially known.

The fitting of these devices is being introduced in stages from 1 April 1978 to 1 January 1979. In general all road vehicles with a manufacturer's gross laden weight of more than 3.5 tonnes will be required to be fitted with an approved hubodometer.

The device has a total cost, including fitting, of around \$50.00.

As the devices do not add to the capital value of the assets to which they are attached it has been decided to allow the full cost of purchase and fitting hubodometers as a deduction in the year in which they are fitted. The deduction will of course only apply to business vehicles.

LABOUR ONLY CONTRACTORS – DEDUCTION OF WITHHOLDING TAX

As from 1 April 1977 payments for work done or services rendered by all labour only contractors in respect of the building industry, including payments made for:

- fixing of steel and roofs
- erection of fences
- laying concrete, bricks, blocks, tiles, etc.
- plastering, painting and paperhanging
- installation of insulating material, interior lining and floor coverings
- work by carpenters (excluding those on wages who are subject to PAYE deductions)

are liable, under the Income Tax (Withholding Payments) Regulations 1975, to a withholding tax of 20 percent on payments made to them.

A labour only contract is one where the work done or services rendered under the contract or arrangement are wholly or substantially for the supply of labour.

Payments made to companies and those covered by a certificate of exemption are not liable to the 20 percent withholding tax. Payments that are in the nature of salary or wages are subject to tax deductions in accordance with the amounts specified in the PAYE Tables.

INCOME TAX AMENDMENT ACT, 1978

Details of amendments to the principal Act which this year cover a wide variety of subject matter and contained in about 40 clauses will not be reproduced in this or future issues of the Bulletin.

Instead, clause by clause explanatory notes will be made available on request from all District Offices of the Department after the Amendment Act has been assented to. The expected availability date of the explanatory notes will be notified in a later Public Information Bulletin.

ACCIDENT COMPENSATION SELF-EMPLOYED LEVY

The self-employed Accident Compensation Levy is no longer payable by 30 November each year; nor is the Annual Levy Statement to be delivered by that date.

The Self-Employed Annual Levy Statement is now incorporated as part of the IR 3 Return form (page 1) and the self-employed annual levy is now payable, along with provisional tax payments, on 7 March each year.

SUPERANNUATION AND PENSION FUND CONTRIBUTIONS EXCEED ALLOWABLE LIMIT

In Public Information Bulletin No.89 we advised that if your insurance premiums exceeded the allowable limit the excess could be allowed as a special exemption to your spouse provided certain criteria were met. The question has been raised whether this measure can also apply to superannuation and pension fund contributions.

On the basis of existing legislation only the member of the superannuation or pension fund is eligible for the special exemption. Accordingly, any excess of superannuation or pension fund contributions cannot be transferred from one spouse to the other.

QUALIFYING DONATIONS

As from 1 April 1978 donations made to the New Zealand National Commission for "International Year of the Child" will qualify for an income tax rebate for individuals in terms of section 56A of the tax Act and as a deduction for public companies in terms of section 147.

The normal limits imposed by those sections apply.

ACCOUNTING FOR FARM ESTATES – TAX TREATMENT OF FARM SUNDRIES

In PIB No.93 we told you what our policy is in relation to depreciation on farm assets following the death of the owner. This item sets out our policy regarding the treatment of farm sundries.

What are Farm Sundries:

They are materials or items ---

- purchased to meet ordinary and continuous farming requirements.

Specific examples are:

- Fertiliser held ready for spreading
- Stock feed purchased or held for winter/summer use
- Stock drenches

Farm Sundries Compared with Trading Stock:

Farm sundries differ from trading stock in that sundries are not held for resale.

How to Treat in Accounts:

- Claim cost in year of purchase – provided payment or delivery occurs before balance date.
- Exclude farm sundries from stock in trade. Sundries need not be brought into account for income tax purposes at the end of the income year or on death, even though a deduction has been allowed for them.