Income Tax Bill

Government Bill

Explanatory note

General policy statement

This bill is the third stage of a project to rewrite New Zealand’s income tax legislation. The objective of the rewrite project is to make the legislation clear. Clear legislation makes an important contribution to increasing voluntary compliance with tax laws, because taxpayers can more easily identify and observe their income tax obligations.

Stages of rewrite project

The first stage of the rewrite project involved the reordering and renumbering of the Income Tax Act 1976. Core provisions were set out in Part B, like provisions were grouped, and an alphanumeric numbering system was introduced. This stage was completed with the enactment of the Income Tax Act 1994 (“the current Act”).

The second stage was the enactment of the Taxation (Core Provisions) Act 1996. This stage rewrote the core provisions in Part B to provide an overview of the scheme and purpose of the Act and to change the structure of the Act so that it operated on a gross basis for the determination of income and deductions.

The third stage involves the rewriting of Parts A to E and Y of the current Act. This bill does that and also reproduces Parts F to O and the schedules. The result will be a complete new Act (“the new Act”).

The stages necessary to complete the project involve the rewriting of Parts F to O and the schedules.
Policy changes

Making the law clear is to be achieved by using plain language within a consistent structure. The objective is to do this without substantively changing the policy content, and associated compliance requirements, of the current Act. However, some minor policy changes have been made. They are of 2 kinds, ie,—

- changes made in the interests of clarity or simplicity
- changes approved under the generic tax policy process. For example, the bill omits several of the terminating provisions in subparts CZ, DZ, and EZ of the current Act because they are spent or are unlikely to be relevant in future.

Reconstruction of Parts B to E

The bill reconstructs Parts B to E of the current Act so that they identify the relationship of Parts C to E with the core provisions in Part B. Part B provides the framework for calculating net income for a tax year. Parts C, D, and E then go on to define the elements of net income. In Parts C and D, subparts CA and DA set out general rules that identify how each Part interacts with the core provisions. Part E does not have a similar set of general rules because it contains a disparate set of regimes. Part B itself clarifies how Part E interacts with the core provisions.

Reorganisation of provisions in Parts B to E

The bill reorganises individual provisions into a more logical scheme.

Each Part, subpart, and section generally begins with more widely used rules and concludes with less widely used rules.

Provisions are grouped on the basis of like with like to provide a context for the rules.

General rules overarch specific rules. The general deductibility provision in subpart DA is an example. The provision helps to identify the relationship between the general provisions and specific deduction provisions.

Repetition of rules is reduced through applying common sets of rules where appropriate. An example is the common recovery provision in subpart CG. The provision means the bill is able, without changing the law, to omit a number of current provisions that have a similar effect.
Explanatory note

**Government undertaking**

Care has been taken in the development of the bill to ensure that it has the same outcomes as the current Act. Some minor policy changes have been made, but these have been subject to consultation before approval was given to their inclusion.

If, in the initial years of the new Act’s operation, it is found that the Act produces a different result from that which would have been produced under the current Act, the Government will promote a remedial amendment to correct the position from the date of the commencement of the new legislation.

**Part by Part analysis**

*Clause A 1* is the title clause.

*Clause A 2* deals with commencement. The new Act comes into force on 1 April 2004 and applies with respect to the tax on income derived in the 2004–05 tax year and later tax years or derived in the corresponding income years.

**Part A**

*Purpose and application*

*Part A* contains *clauses AA 1 to AA3*. They deal with the purpose of the new Act and rules on its interpretation and use of definitions.

**Part B**

*Core provisions*

*Part B* sets out the core provisions in *subparts BA to BH*. The subparts deal with the imposition of income tax, the obligations that flow from the imposition of income tax, calculating and satisfying income tax liabilities, what constitutes income and deductions, the timing of income and deductions, withholding liabilities, tax avoidance, and double tax agreements.

**Part C**

*Income*

*Part C* deals with income. The general rules are stated in *subpart CA* and the following 13 subparts deal with specific income-earning areas. *Subpart CW* then describes exempt income and *subpart CX* describes excluded income. *Subpart CY* notes that there are provisions in other, unrewritten, Parts of the current Act that make...
amounts income. The subpart will be repealed when those Parts are rewritten and any income arising under them is defined or cross-referred to in Part C. Subpart CZ contains terminating provisions.

There is a gap in the numbering of the subparts between subpart CH and subpart CQ. The reason is to allow flexibility in the future insertion of subparts. As the first cluster of subparts, subparts CB to CH, applies widely to any taxpayers and the second cluster, subparts CQ to CV, applies to specific avenues of investment in industries, a new subpart of broad application can be added at the end of the first group and a more specific subpart can be added at the start of the second group, without causing difficulties in the sequence.

**Part D**

**Deductions**

Part D deals with deductions. The general rules are stated in subpart DA and the following 15 subparts deal with specific areas in which deductions are allowed or denied. Each clause in these subparts concludes with a subclause, headed Link with subpart DA, that explains how the clause relates to the general rules. Subpart DY notes that there are provisions in other, unrewritten, Parts of the current Act that make amounts deductions. The subpart will be repealed when those Parts are rewritten. Subpart DZ deals with terminating provisions.

For the same reasons as in Part C, there is a gap in the numbering of the subparts between subparts DF and DN.

**Part E**

**Timing and quantifying rules**

Part E contains sets of rules that deal with allocation amongst tax years and, in some cases, with quantification of income and deductions.

Some sets of rules are in Part E because they focus on the allocation of income and deductions. They are the rules on matching (subparts EA and EB), trading stock (subparts EC and ED), depreciation (subpart EE), taxes and levies (subpart EF), recognition of accounting treatment (subpart EG), income equalisation schemes (subpart EH), and spreading income or deductions (subparts EI and EJ).

Other sets of rules are in Part E because they produce a net amount that is either income or a deduction and rewriting them on a gross
basis is not feasible. They are the financial arrangements rules (subpart EW), the international rules (subpart EX), and the life insurance rules (subpart EY).

Subpart EZ deals with terminating provisions. Clauses EZ 30 to EZ 49 are in the current Act as Division 1 of Part EH, which deals with financial arrangements.

The gap in the numbering of the subparts allows flexibility in the future insertion of subparts.

*Parts F to O*

These Parts of the current Act have been reformatted in the modern legislative style. However, their language has not been altered, except for essential consequential changes. Nor has their numbering been updated—for example, clause OB 3 is followed by clause OB 6 because sections OB 4 and OB 5 have been repealed and do not appear in the current Act.

*Part Y*

Part Y has been rewritten because it deals with the transition between the current and the new Acts. It contains clauses on the repeal of superseded enactments, consequential amendments to other enactments, and savings.

*Schedules*

As in the current Act, there are 23 schedules. They have not been rewritten or renumbered, but essential consequential changes have been made.

**Regulatory impact and business compliance cost statement**

*Nature and magnitude of problem*

The problem that needs to be addressed is the way in which traditional tax drafting has dealt with the complexity of tax law. The structure on which the current Act is based dates back to 1916 when the Act comprised 43 pages and 169 sections. Since that time layers and layers of major changes and new regimes have been added to the legislation with the result that the legislation now comprises over 2000 pages. The 1916 structure was not able to support the increased volume and sophistication of the legislation that was added, with the result that it is difficult to discern a cohesive scheme and purpose
within the legislation. In addition, the language that has been used by drafters to deal with complex policy objectives is very difficult for most readers to understand.

The problem was discussed in detail in the report *Organisational Review of the Inland Revenue Department*, presented to the Minister of Revenue in 1994. The report said—

“Currently the legislation attempts to deal with the complexity and to provide certainty and precision through the detailed expression of policies in the variety of complex circumstances in which they operate. As a result the intent is often blurred in a torrent of convoluted language in sentences of an average length, measured by a 1992 study, of 135 words. Tax practitioners, Treasury and IRD agree that the legislation is difficult to read and understand. That must have a direct bearing on the difficulties and the cost of administering the legislation and the difficulties and the cost for taxpayers of complying with the legislation.” (page 79)

**Public policy objective**

The public policy objective is to ensure that New Zealand’s income tax legislation is clear.

**Feasible options**

The only feasible option to make tax legislation clear is to rewrite it. However, the income tax statute is too large to be rewritten all at once. This was recognized by the Consultative Committee on the Taxation of Income from Capital, whose 1992 report recommended rewriting the tax legislation progressively. The Committee’s view was that a reorganisation and rewrite of the entire Act was likely to be bigger than the rewrite of the Companies Act 1955 and was too large an undertaking to be completed in one step. It felt a progressive approach would make the task more achievable, and recommended an immediate reordering and formatting of the Act, to be followed by a progressive review and rewrite over several years.

The Government accepted the recommendation and established the working party on the reorganisation of the Income Tax Act 1976. The working party’s second report recommended 3 phases for the rewrite, ie, the resequencing phase, the core provisions phase, and the progressive rewrite phase. The first 2 phases occurred in 1994 and 1996. The bill is in the third phase of the process.

The options for the bill were,—

- first, to amend the current Act by replacing Parts A to E and Y with rewritten Parts
Explanatory note

Income Tax

- second, to produce a new Act containing rewritten Parts A to E and Y and reproduced Parts F to O and the schedules.

The second option has the advantage for users that it minimises confusion over the numbering of sections. For example, in the current Part C, section CB 1 is about the exempt income status of interest. In the rewritten Part C, clause CB 1 is about the income status of amounts derived from business. If the current Act were amended, users referring to section CB 1 of the Income Tax Act 1994 would need to make it clear whether the reference is to section CB 1 of the Act before it was amended or section CB 1 as inserted by the amendment. If there is a new Act, the reference can be identified as section CB 1 of the Income Tax Act 1994 or section CB 1 of the Income Tax Act 2002.

Net benefit

As with any new law, the new Act will initially cause increased costs to the community. This is because existing users will need to update their knowledge of the legislation to take into account the new placement of provisions and the language used in the rewritten Parts. In addition, the new terminology will have some impact on existing case law.

The benefit of clear legislation will be felt in the longer term. The 1994 report Organisational Review of the Inland Revenue Department observed that—

“In a 1994 study by Tan and Tooley, 69 percent of tax practitioners surveyed considered tax legislation difficult to read. In commenting to the review committee on those findings, IRD agreed that tax legislation was very difficult to read and understand.

It is obvious that those comprehension problems must have a direct bearing on the difficulties and so the cost of administering the legislation and the cost of complying with the legislation.” (Appendix H of the report)

Making the law clearer will result in an overall reduction in business compliance costs. The reorganisation of material into a consistent structure, and its rewrite in plain language, will make it easier for readers to locate all the material they need to read and to understand what they read. As a result, taxpayers will not need to consult tax professionals as often as they do now, and tax advisers will be able to understand and apply the law more quickly. For similar reasons, it will also lower the costs for Inland Revenue Department staff and for the courts.
**Consultation**

The rewriting of the legislation contained in the bill has been subject to consultation at various points over the last 5 years. A discussion document outlining proposals encompassing structure, language, and presentation for this stage of the rewrite project was released in 1997. This was followed in 1998 by the release of 2 issues papers which sought comment on minor issues relating to policy intent or clarification of the legislation that arose from the rewrite.

The final document in the consultation process was the exposure draft of the rewritten Parts A to E which was published in September 2001. Several submissions were made and their comments have been taken into account in the development of the bill. Submissions pointed out aspects of the draft legislation that they felt did not produce the same outcomes as existing law. Changes were made as a result of these submissions to ensure that the rewritten legislation does not change the law. Some submitters commented on plain language aspects of the legislation. These were considered in consultation with a private sector plain language adviser, and changes were made to the draft where appropriate. Some proposed policy changes in the draft were opposed by submissions and have not been pursued in the bill.

**Business compliance cost statement**

*Sources of compliance costs*

The rewritten legislation will increase compliance costs in the short term. It reorganises the legislation in the current Act into a more consistent framework and rewrites it in plain language. As a result, users of the legislation will incur increased compliance costs during the transitional period in relearning its structure and language and coming to grips with the impact on case law.

*Parties likely to be affected*

All taxpayers and their tax advisers will be affected by the new Act. However, the persons most affected will be advisers on taxation matters.

*Estimated compliance costs of the proposal*

During the transition from the current Act to the new Act, there will be an increase in compliance costs for existing users. They will need to update their knowledge of the legislation to take into account the
new placement of provisions and the language used in the rewritten Parts, and to deal with any impacts these changes have on existing case law. It is not possible to quantify this increase because there is no way of estimating the behavioural responses of users or the issues they will face. Practical experience with the new legislation is the only way to determine the size of the increase in compliance costs.

**Longer term implications of the compliance costs**

In the longer term, the bill will have a positive impact on compliance costs. The reorganisation of material into a consistent structure, and its rewrite in plain language, will make it easier for readers to locate all the material they need to read and to understand what they read. As a result, taxpayers will not need to consult tax professionals as often as they do now, and tax advisers will be able to understand and apply the law more quickly.

**Level of confidence of compliance cost estimates**

Although care has been taken in the development of the bill to ensure that it has the same outcomes as the current Act, it may produce a different result from that which would have been produced under the current Act. This risk may cause compliance costs to be higher than estimated. However, if this situation arises, the Government will promote a remedial amendment to correct the position from the date of the commencement of the new Act.

**Key compliance cost issues identified in consultation**

Two key compliance costs issues were identified in submissions on the exposure draft. The first was the potential impact of the new terminology in the rewritten Parts on existing case law, binding rulings, and determinations. The second concern was the difficulties that existing users will face during the transitional period in updating their knowledge.

**Overlapping compliance requirements**

The Inland Revenue Department is the only agency that assesses and collects income tax. There are no compliance requirements that overlap with those of other agencies.
Steps taken to minimise compliance costs

The publication of the exposure draft of the rewritten Parts A to E in September 2001 enabled tax practitioners to advise the department of instances in which the proposed legislation made inadvertent changes to the law. The necessary corrections have been made in the bill. Compliance costs that users of the new Act would otherwise have faced have been avoided.

The new Act will not change the compliance costs associated with the underlying policy of the current Act. This is because it will not alter existing policy content or regulatory requirements, apart from a small number of minor policy modifications.

Users of the new Act will have a complete statute but will not have to relearn all of it. Parts A to E and Y will be written in modern language but Parts F to O and the schedules will still be in the existing language of tax legislation.

Part E will contain the current Division 1 of Part EH, which deals with financial arrangements. Division 1 was superseded by a new regime on 20 May 1999, but is to be reproduced in the new Act for the convenience of users.

Parts F to O will be numbered exactly as they are in the current Act. The reason for this approach is to minimise inconvenience for users who are familiar with the numbering of Parts F to O of the current Act.

Part Y will contain transitional provisions that will assist in dealing with the compliance costs that arise in the initial period of the new Act’s operation.
Hon Dr Michael Cullen

Income Tax Bill

Government Bill

Contents

A 1 Title
A 2 Commencement

Part A
Purpose and interpretation
AA 1 Purpose of Act
AA 2 Interpretation
AA 3 Definitions

Part B
Core provisions
Subpart BA—Purpose
BA 1 Purpose
Subpart BB—Income tax and resulting obligations
BB 1 Imposition of tax
BB 2 Principal obligations
BB 3 Overriding effect of certain matters
Subpart BC—Calculating and satisfying income tax liabilities
BC 1 Non-filing and filing taxpayers
BC 2 Annual gross income
BC 3 Annual total deduction
BC 4 Net income and net loss
BC 5 Taxable income
BC 6 Income tax liability of filing taxpayer
BC 7 Income tax liability of person with schedular income
BC 8 Surplus rebates
BC 9 Satisfaction of income tax liability
BC 10 Surplus credits
Subpart BD—Income, deductions, and timing
BD 1 Income, exempt income, excluded income, and counted income
BD 2 Deductions
BD 3 Allocation of income to particular income years
BD 4 Allocation of deductions to particular income years

Subpart BE—Withholding liabilities
BE 1 Withholding liabilities
Subpart BF—Other obligations
BF 1 Other obligations
Subpart BG—Avoidance
BG 1 Tax avoidance
Subpart BH—Double tax agreements
BH 1 Double tax agreements

Part C
Income
Subpart CA—General rules
CA 1 Amounts that are income
CA 2 Amounts that are exempt or excluded income
Subpart CB—Income from business or trade-like activities
Business generally
CB 1 Amounts derived from business
Schemes for profit
CB 2 Carrying on or carrying out schemes for profit
Personal property
CB 3 Personal property acquired for purpose of disposal
CB 4 Business of dealing in personal property
Land
CB 5 Disposal of land acquired for purpose or with intention of disposal
CB 6 Disposal: land acquired for business purposes
CB 7 Disposal within 10 years: land dealing business
CB 8 Disposal within 10 years: land development or subdivision business
| CB 9 | Disposal within 10 years of improvement: building business |
| CB 10 | Disposal: schemes for development or division begun within 10 years |
| CB 11 | Disposal: major development or division begun after 10 years |
| CB 12 | Disposal of land affected by changes in permitted use |
| CB 13 | Transactions between associated persons |

**Exclusions for residential land**

- CB 14 Residential exclusion from sections CB 5 to CB 9
- CB 15 Residential exclusion from sections CB 10 and CB 11
- CB 16 Residential exclusion from section CB 12

**Exclusions for business premises**

- CB 17 Business exclusion from sections CB 5 to CB 9
- CB 18 Business exclusion from section CB 10

**Exclusions for farmland**

- CB 19 Farmland exclusion from sections CB 10 and CB 11
- CB 20 Farmland exclusion from section CB 12

**Exclusion for investment land**

- CB 21 Investment exclusion from section CB 10

**Definitions**

- CB 22 Some definitions
  - Timber
  - Farming, forestry, or fishing
  - Minerals
  - Intellectual property
- CB 23 Disposal of timber or right to take timber
- CB 24 Disposal of land with standing timber
- CB 25 Refunds under income equalisation scheme
  - Minerals
- CB 26 Disposal of minerals
  - Intellectual property
- CB 27 Sale of patent rights
  - Transfer of business
- CB 28 Sale of business: transferred employment income obligations

**Stolen property**

- CB 29 Obtaining property by theft

**Subpart CC—Income from holding property (excluding equity)**

- CC 1 Land
- CC 2 Non-compliance with covenant for repair

**Land use**

- CC 3 Financial arrangements
- CC 4 Payments of interest
- CC 5 Annuities
- CC 6 Commercial bills
- CC 7 Prizes received under Building Societies Act 1965
- CC 8 Consideration other than in money
- CC 9 Use of money interest payable by Commissioner

**Financial instruments**

- CC 10 Royalties
- CC 11 Films
  - Subpart CD—Income from equity
  - Royalties
  - Income
  - CD 1 Income
    - What is a dividend?
  - CD 2 What is a dividend?
  - CD 3 Transfers of value generally
  - CD 4 What is a transfer of value?
  - CD 5 When is a transfer caused by a shareholding relationship?
  - CD 6 Bonus issues in lieu of dividend
  - CD 7 Elections to make bonus issue into dividend
  - CD 8 Notional distributions of producer boards and co-operative companies
  - CD 9 Tax credits linked to dividends
  - CD 10 Certain dividends not increased by tax credits
  - CD 11 Foreign tax credits and refunds linked to dividends
  - CD 12 Benefits of shareholder-employees or directors
  - CD 13 Attributed repatriations from controlled foreign companies
    - What is not a dividend?
  - CD 14 Returns of capital: off-market share cancellations
  - CD 15 Ordering rule and slice rule
Income Tax

CD 16 Returns of capital: on-market share cancellations
CD 17 Treasury stock acquisitions
CD 18 Capital distributions on liquidation
CD 19 Property made available intra-group
CD 20 Transfers of certain excepted financial arrangements within wholly-owned groups
CD 21 Non-taxable bonus issues
CD 22 Flat-owning companies
CD 23 Employee benefits
CD 24 Payments corresponding to notional distributions of producer boards and co-operative companies
CD 25 Qualifying amalgamations
CD 26 Foreign investment fund income
CD 27 Group investment fund management fees

Calculation rules
CD 28 General calculation rule for transfers of value
CD 29 Calculation of amount of dividend when property made available
CD 30 Adjustment if dividend recovered by company
CD 31 Adjustment if amount repaid later
CD 32 Adjustments if additional consideration paid
CD 33 Available subscribed capital amount
CD 34 Available capital distribution amount

CFC attributed repatriation calculation rules
CD 35 When does a person have attributed repatriation from a CFC?
CD 36 New Zealand repatriation amount
CD 37 New Zealand property amount
CD 38 Cost of tangible property
CD 39 Cost of associated party equity
CD 40 Outstanding balances of financial arrangements
CD 41 Property transfers between associated persons
CD 42 Unrepatriated income balance

Prevention of double taxation
CD 43 Prevention of double taxation of share cancellation dividends

Subpart CE—Employee or contractor income

Employment income
CE 1 Amounts derived in connection with employment

Value and timing of benefits under share purchase agreements
CE 2
Restrictions on disposal of shares
CE 3
Adjustments to value of benefits under share purchase agreements
CE 4

Definitions
CE 5 Meaning of expenditure on account of an employee
CE 6 Meaning of share
CE 7 Meaning of share purchase agreement

Attributed income
CE 8 Attributed income from personal services

Restrictive covenants and exit inducement payments
CE 9 Restrictive covenants
CE 10 Exit inducements

Subpart CF—Incomes from living allowances, compensation, and government grants
CF 1 Benefits, pensions, compensation, and government grants
CF 2 Remission of specified suspensory loans

Subpart CG—Recoveries
CG 1 Amount of depreciation recovery income
CG 2 Remitted amounts
CG 3 Bad debt repayment
CG 4 Recovered expenditure or loss
CG 5 Recoveries or receipts by employers from superannuation schemes
CG 6 Receipts from insurance or other compensation for trading stock

Subpart CH—Adjustments

Matching rules: revenue account property, prepayments, and deferred payments
CH 1 Trading stock, livestock, and excepted financial arrangements
CH 2 Adjustment for prepayments
CH 3 Adjustment for deferred payment of employment income

Change to accounting practice
CH 4 Adjustment for change to accounting practice

GST adjustments
CH 5 GST Adjustments
### Income Tax

Subpart CQ—Attributed income from foreign equity

**Attributed controlled foreign company income**

- **CQ 1** Attributed controlled foreign company income
- **CQ 2** When attributed CFC income arises
- **CQ 3** Calculation of attributed CFC income

**Foreign investment fund income**

- **CQ 4** Foreign investment fund income
- **CQ 5** When FIF income arises
- **CQ 6** Calculation of FIF income

Subpart CR—Income from life insurance

- **CR 1** Income of life insurer
- **CR 2** Amount of income of life insurer

Subpart CS—Superannuation funds

**Withdrawals**

- **CS 1** Withdrawals
- **CS 2** Exclusions of withdrawals of various kinds
- **CS 3** Exclusion of withdrawal on grounds of hardship
- **CS 4** Exclusion of withdrawal to settle division of relationship property
- **CS 5** Exclusion of withdrawal paid as annuity or pension
- **CS 6** Exclusion of withdrawal on partial retirement
- **CS 7** Exclusion of withdrawal when member ends employment
- **CS 8** Exclusion of withdrawal when member ends employment: lock-in rule
- **CS 9** Exclusion of withdrawal from defined benefit fund when member ends employment
- **CS 10** When member treated as not ending employment

**Transfers to or from superannuation funds and superannuation schemes**

- **CS 11** Transfer by superannuation fund to another superannuation fund
- **CS 12** Transfer from superannuation scheme to superannuation fund
- **CS 13** Investment by superannuation fund in another superannuation fund

**Treatment of amounts when superannuation fund becomes superannuation scheme or vice versa**

- **CS 14** Superannuation fund becomes superannuation scheme
- **CS 15** Superannuation fund becomes foreign superannuation scheme
- **CS 16** Superannuation scheme becomes superannuation fund

**Treatment of distributions when superannuation fund wound up**

- **CS 17** Superannuation fund wound up

Subpart CT—Income from petroleum mining

- **CT 1** Disposal of exploratory material or petroleum mining asset
- **CT 2** Damage to assets
- **CT 3** Exploratory well used for commercial production
- **CT 4** Partnership interests and disposal of part of asset
- **CT 5** Petroleum mining operations outside New Zealand

**Definitions**

- **CT 6** Meaning of petroleum miner
- **CT 7** Meaning of petroleum mining asset

Subpart CU—Income from mineral mining

**Introductory provision**

- **CU 1** Mining company’s 2 kinds of income
- **Income from mining**

- **CU 2** Mining company that processes or manufactures
- **CU 3** Disposal of assets
- **CU 4** Compensation for lost, destroyed, or damaged assets
- **CU 5** Compensation and scrap payment: income from mining
- **CU 6** Compensation and scrap payment: use to replace or repair asset
- **CU 7** Compensation and scrap payment: not income from mining
- **CU 8** Compensation and scrap payment: more than expenditure
- **CU 9** Previous deduction for income appropriated
- **CU 10** Mining asset used to derive income other than income from mining
- **CU 11** Meaning of asset for sections CU 3 to CU 10
- **CU 12** Resident mining operators
Income Tax

CU 13 Non-resident mining operators
CU 14 Recovery of reinvestment profit on disposal of mining shares
CU 15 Recovery of reinvestment profit not used for mining purposes
CU 16 Recovery of reinvestment profit on repayment of loans
CU 17 Repayment by mining company of amount written off
CU 18 Amount treated as repayment for purposes of section CU 17: excess
CU 19 Amount treated as repayment for purposes of section CU 17: net income
CU 20 Mining company or mining holding company liquidated

Definitions

CU 21 Income from mining
CU 22 Mining company
CU 23 Mining development expenditure
CU 24 Mining exploration expenditure
CU 25 Mining operations
CU 26 Mining venture
CU 27 Resident mining operator
CU 28 Other definitions

Subpart CV—Income specific to certain entities
CV 1 Group companies
CV 2 Crown Research Institutes

Subpart CW—Exempt income

Income from business or trade-like activities

CW 1 Forestry companies buying land with standing timber from Crown, Maori owners, or holding company
CW 2 Forestry encouragement agreements
CW 3 Forestry companies and Maori investment companies

Income from holding property (excluding equity)

CW 4 Annuities under life insurance policies
CW 5 Payments of interest: post-war credits
CW 6 Payments of interest: farm mortgages
CW 7 Foreign-sourced interest
CW 8 Money lent to government of New Zealand

Income from equity

CW 9 Dividend derived by company from overseas
CW 10 Dividend within New Zealand wholly-owned group

CW 11 Dividend of conduit tax relief holding company

Employee or contractor income

CW 12 Income of Governor-General
CW 13 Expenditure on account, and reimbursement, of employees
CW 14 Allowance for additional transport costs
CW 15 Amounts derived during short-term visits
CW 16 Amounts derived by visiting entertainers (including sportspersons)
CW 17 Amounts derived by overseas experts and trainees in New Zealand by government arrangement

Income for military service in operational area

CW 18 Income for military service in operational area
CW 19 Deferred military pay for active service
CW 20 Value of board for religious society members
CW 21 Jurors’ and witnesses’ fees

Income from living allowances, compensation, and government grants

Subpart CW—Exempt income

CW 22 Pensions
CW 23 Annuities from Crown Bank Accounts
CW 24 Maintenance payments
CW 25 Scholarships and bursaries
CW 26 Allowances and benefits
CW 27 Compensation payments

Income of certain entities

CW 28 Public authorities
CW 29 Local authorities
CW 30 Charities: non-business income
CW 31 Charities: business income
CW 32 Charitable bequests
CW 33 Friendly societies
CW 34 Sick, accident, or death benefit fund
CW 35 Bodies promoting amateur games and sports
CW 36 TAB and racing clubs
CW 37 Local and regional promotion bodies
CW 38 Bodies promoting scientific or industrial research
CW 39 Veterinary services bodies
CW 40 Herd improvement societies

Income from certain activities

CW 41 Non-resident aircraft operators
CW 42 Disposal of companies’ own shares

5
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax</td>
<td></td>
</tr>
<tr>
<td>CW 43 New Zealand companies operating in Niue</td>
<td></td>
</tr>
<tr>
<td>CW 44 Stake money</td>
<td></td>
</tr>
<tr>
<td><strong>Foreign-sourced income of non-residents</strong></td>
<td></td>
</tr>
<tr>
<td>CW 45 Foreign-sourced income of non-residents</td>
<td></td>
</tr>
<tr>
<td><strong>General exemption under other Acts</strong></td>
<td></td>
</tr>
<tr>
<td>CW 46 Exemption under other Acts</td>
<td></td>
</tr>
<tr>
<td>CX 21 Benefits provided on premises</td>
<td></td>
</tr>
<tr>
<td>CX 22 Benefits provided by charitable organisations</td>
<td></td>
</tr>
<tr>
<td>CX 23 Non-liable payments</td>
<td></td>
</tr>
<tr>
<td>CX 24 Assistance with tax returns</td>
<td></td>
</tr>
<tr>
<td>CX 25 Accommodation</td>
<td></td>
</tr>
<tr>
<td>CX 26 Entertainment</td>
<td></td>
</tr>
<tr>
<td>CX 27 Distinctive work clothing</td>
<td></td>
</tr>
<tr>
<td>CX 28 Services provided to superannuation fund</td>
<td></td>
</tr>
<tr>
<td><strong>Definitions</strong></td>
<td></td>
</tr>
<tr>
<td>CX 29 Meaning of emergency call</td>
<td></td>
</tr>
<tr>
<td>CX 30 Meaning of employee share loan</td>
<td></td>
</tr>
<tr>
<td>CX 31 Meaning of private use</td>
<td></td>
</tr>
<tr>
<td>CX 32 Meaning of unclassified benefit</td>
<td></td>
</tr>
<tr>
<td>CX 33 Meaning of work-related vehicle</td>
<td></td>
</tr>
<tr>
<td><strong>Income exempt under Parts F to I</strong></td>
<td></td>
</tr>
<tr>
<td>CX 34 Life insurers and fully reinsured persons</td>
<td></td>
</tr>
<tr>
<td>CX 35 Superannuation fund deriving amount from life insurance policy</td>
<td></td>
</tr>
<tr>
<td>CX 36 Resident insurance underwriters</td>
<td></td>
</tr>
<tr>
<td><strong>Petroleum mining</strong></td>
<td></td>
</tr>
<tr>
<td>CX 37 Disposal of ownership interests in controlled petroleum mining entities</td>
<td></td>
</tr>
<tr>
<td>CX 38 Farm-out arrangements for petroleum mining</td>
<td></td>
</tr>
<tr>
<td><strong>Mineral mining</strong></td>
<td></td>
</tr>
<tr>
<td>CX 39 Disposal of mining shares</td>
<td></td>
</tr>
<tr>
<td>CX 40 Disposal of mining shares acquired with reinvestment profit</td>
<td></td>
</tr>
<tr>
<td>CX 41 Repayment of loans made from reinvestment profit</td>
<td></td>
</tr>
<tr>
<td><strong>Government grants</strong></td>
<td></td>
</tr>
<tr>
<td>CX 42 Government grants to businesses</td>
<td></td>
</tr>
<tr>
<td><strong>Superannuation contributions</strong></td>
<td></td>
</tr>
<tr>
<td>CX 43 Employer’s superannuation contributions</td>
<td></td>
</tr>
<tr>
<td><strong>Income equalisation schemes</strong></td>
<td></td>
</tr>
<tr>
<td>CX 44 Income equalisation schemes</td>
<td></td>
</tr>
<tr>
<td><strong>Inflation-indexed instruments</strong></td>
<td></td>
</tr>
<tr>
<td>CX 45 Credits for inflation-indexed instruments</td>
<td></td>
</tr>
<tr>
<td><strong>Income excluded under Parts F to I</strong></td>
<td></td>
</tr>
<tr>
<td>CX 46 Income excluded under Parts F to I</td>
<td></td>
</tr>
<tr>
<td>Subpart CY—Income under Parts F to I</td>
<td></td>
</tr>
<tr>
<td>CY 1 Amounts that are income under Parts to be rewritten</td>
<td></td>
</tr>
</tbody>
</table>
Income Tax

Subpart CZ—Terminating provisions

CZ 1 Recovery of deductions for software acquired before 1 April 1993
CZ 2 General insurance with risk period straddling 1 July 1993
CZ 3 Exempt interest: overseas money lent to government or local or public authority before 29 July 1983
CZ 4 Mineral mining: company making loan before 1 April 1979
CZ 5 Mining company’s 1970–71 tax year
CZ 6 Farm-out arrangements for petroleum mining before 16 December 1991
CZ 7 Disposal of ownership interests in controlled petroleum mining entities before 3 December 2001
CZ 8 Treatment of superannuation fund interests in group investment funds on 1 April 1999
CZ 9 Treatment of units and interests in unit trusts and group investment funds on issue as at 1 April 1996
CZ 10 Exchange variations on 8 August 1975
CZ 11 Transitional relief for calculation of attributed repatriation dividends: 2 July 1992
CZ 12 Primary producer co-operative companies: 1987–88 income year
CZ 13 Interest payable to exiting company: 2001
CZ 14 Dividend of exiting company: 2001
CZ 15 Available capital distribution amount: 1965 and 1985 to 1992

Part D Deductions

Subpart DA—General rules
DA 1 General permission
DA 2 General limitations
DA 3 Effect of specific rules on general rules
DA 4 Treatment of amount of depreciation loss

Subpart DB—Specific rules for expenditure types

Taxes
DB 1 Taxes and penalties (other than GST)
DB 2 GST
DB 3 Determining tax liabilities
DB 4 Chatham Islands dues

Financing costs
DB 5 Transaction costs: borrowing money for use as capital
DB 6 Interest: not capital expenditure
DB 7 Interest: most companies need no nexus with income
DB 8 Interest: money borrowed to acquire shares in group companies

Financial arrangements adjustments
DB 9 Negative base price adjustment
DB 10 Repayment of debt sold at discount to associate of debtor
DB 11 Security payment
DB 12 Sureties

Premises costs
DB 13 Transaction costs: leases
DB 14 Destruction of temporary building
DB 15 Amount paid for non-compliance with covenant for repair
DB 16 Lessors’ offsetting deduction: amounts paid for non-compliance and change in use

Revenue account property
DB 17 Cost of revenue account property
DB 18 Acquiring commercial bills
DB 19 Share losses
DB 20 Undertakings or schemes involving property
DB 21 Major land development begun after 10 years
DB 22 Changes in permitted use of land

Bad debts
DB 23 Bad debts
DB 24 Bad debts owed to estates

Research and development
DB 25 Scientific research
DB 26 Research or development
DB 27 Some definitions
DB 28 Patent expenses
DB 29 Patent rights: devising patented inventions
DB 30 Patent rights acquired before 1 April 1993
DB 31 Patent rights acquired on or after 1 April 1993

Marketing
DB 32 Gifts of money by company

Theft and bribery
DB 33 Property misappropriated by employees or service providers
Income Tax

DB 34 Making good loss from misappropriation by partners
DB 35 Restitution of stolen property
DB 36 Bribes paid to public officials

Pollution control
DB 37 Preventing pollution of environment

Repayments
DB 38 Payments for remitted amounts
DB 39 Restrictive covenant breached

Matching rules: revenue account property, prepayments, and deferred payments
DB 40 Trading stock, livestock, and excepted financial arrangements
DB 41 Adjustment for prepayments
DB 42 Adjustment for deferred payment of employment income

Change to accounting practice
DB 43 Adjustment for change to accounting practice
Subpart DC—Employee or contractor expenditure

DC 1 Lump sum payments on retirement
DC 2 Pension payments to former employees
DC 3 Pension payments to former partners
DC 4 Payments to working partners
DC 5 Contributions to employees’ benefit funds
DC 6 Contributions to employees’ superannuation schemes
DC 7 Attribution of personal services
DC 8 Restrictive covenants or exit inducements
DC 9 Sale of business: transferred employment income obligations
DC 10 Transfers of employment income obligations to associates
DC 11 Loans to employees under share purchase schemes
DC 12 Criteria for approval of share purchase schemes: before period of restriction ends
DC 13 Criteria for approval of share purchase schemes: when period of restriction ends
DC 14 Some definitions
Subpart DD—Entertainment expenditure

DD 1 Entertainment expenditure generally
DD 2 Limitation rule
DD 3 When limitation rule does not apply
DD 4 Employment-related activities

DD 5 Promoting businesses, goods, or services
DD 6 Entertainment as business or for charitable purpose
DD 7 Entertainment outside New Zealand
DD 8 Entertainment that is income or fringe benefit
DD 9 Relationship with fringe benefit tax rules
DD 10 Interpretation: reimbursement and apportionment
DD 11 Some definitions

Subpart DE—Motor vehicle expenditure

Introductory provisions
DE 1 What this subpart does
DE 2 Deductions for business use
DE 3 Methods for calculating proportion of business use
DE 4 Default method for calculating proportion of business use

Actual records
DE 5 Actual records

Logbook period
DE 6 Using logbook for test period
DE 7 Logbook requirements
DE 8 Logbook term
DE 9 Inadequate logbook
DE 10 Variance during logbook term
DE 11 Replacement vehicles

Mileage rates
DE 12 Mileage rate method
DE 13 Setting mileage rates
Subpart DF—Government grants
DF 1 Government grants to businesses
DF 2 Repayment of grant-related suspensory loans

Subpart DN—Attributed losses from foreign equity
Attributed controlled foreign company loss
DN 1 Attributed controlled foreign company loss
DN 2 When attributed CFC loss arises
DN 3 Calculation of attributed CFC loss
DN 4 Ring-fencing cap on deduction

Foreign investment fund loss
DN 5 Foreign investment fund loss
DN 6 When FIF loss arises
DN 7 Calculation of FIF loss
DN 8 Ring-fencing cap on deduction: not branch equivalent method
<table>
<thead>
<tr>
<th>Subpart</th>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DN 9</td>
<td>Ring-fencing cap on deduction: branch equivalent method</td>
<td></td>
</tr>
<tr>
<td>Subpart DO—Farming and aquacultural business expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DO 1</td>
<td>Enhancements to land, except trees</td>
<td></td>
</tr>
<tr>
<td>DO 2</td>
<td>Shelter belts</td>
<td></td>
</tr>
<tr>
<td>DO 3</td>
<td>Trees on farms</td>
<td></td>
</tr>
<tr>
<td>DO 4</td>
<td>Improvements to farming land</td>
<td></td>
</tr>
<tr>
<td>DO 5</td>
<td>Farming expenditure of lessor or sublessor</td>
<td></td>
</tr>
<tr>
<td>Subpart DT—Petroleum mining expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DT 1</td>
<td>Petroleum exploration expenditure</td>
<td></td>
</tr>
<tr>
<td>DT 2</td>
<td>Arrangement for petroleum exploration expenditure and sale of property</td>
<td></td>
</tr>
<tr>
<td>DT 3</td>
<td>Acquisition of licences and permits</td>
<td></td>
</tr>
<tr>
<td>DT 4</td>
<td>Acquisition of exploratory material</td>
<td></td>
</tr>
<tr>
<td>Subpart DT—Petroleum mining expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DT 5</td>
<td>Petroleum development expenditure</td>
<td></td>
</tr>
<tr>
<td>DT 6</td>
<td>Expenditure on petroleum mining assets</td>
<td></td>
</tr>
<tr>
<td>DT 7</td>
<td>Exploratory well expenditure</td>
<td></td>
</tr>
<tr>
<td>DT 8</td>
<td>Acquisition of certain petroleum mining assets</td>
<td></td>
</tr>
<tr>
<td>DT 9</td>
<td>Disposal of petroleum mining asset to associate</td>
<td></td>
</tr>
<tr>
<td>DT 10</td>
<td>Disposal of petroleum mining asset outside association</td>
<td></td>
</tr>
<tr>
<td>DT 11</td>
<td>Association ending</td>
<td></td>
</tr>
<tr>
<td>Subpart DQ—Income equalisation schemes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DQ 1</td>
<td>Main income equalisation scheme</td>
<td></td>
</tr>
<tr>
<td>DQ 2</td>
<td>Adverse event income equalisation scheme</td>
<td></td>
</tr>
<tr>
<td>DQ 3</td>
<td>Thinning operations income equalisation scheme</td>
<td></td>
</tr>
<tr>
<td>Subpart DR—Life insurance business expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DR 1</td>
<td>Mortality profit formula: negative result</td>
<td></td>
</tr>
<tr>
<td>DR 2</td>
<td>Disposal of property</td>
<td></td>
</tr>
<tr>
<td>DR 3</td>
<td>Specific deductions denied to life insurers and fully reinsured persons</td>
<td></td>
</tr>
<tr>
<td>Subpart DS—Film industry expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DS 1</td>
<td>Acquiring film rights</td>
<td></td>
</tr>
<tr>
<td>DS 2</td>
<td>Film production expenditure</td>
<td></td>
</tr>
<tr>
<td>DS 3</td>
<td>Clawback of deductions for film reimbursement schemes</td>
<td></td>
</tr>
<tr>
<td>DS 4</td>
<td>Reduction of deductions if limited recourse loan used</td>
<td></td>
</tr>
<tr>
<td>Subpart DU—Mineral mining expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DU 1</td>
<td>When mining company has mining outgoing excess</td>
<td></td>
</tr>
<tr>
<td>DU 2</td>
<td>Effect of mining company having mining outgoing excess</td>
<td></td>
</tr>
<tr>
<td>DU 3</td>
<td>Mining exploration expenditure and mining development expenditure</td>
<td></td>
</tr>
<tr>
<td>DU 4</td>
<td>Mining exploration expenditure or mining development expenditure on acquisition of asset</td>
<td></td>
</tr>
<tr>
<td>DU 5</td>
<td>Replacing or repairing asset</td>
<td></td>
</tr>
<tr>
<td>DU 6</td>
<td>Income appropriated to expenditure</td>
<td></td>
</tr>
<tr>
<td>DU 7</td>
<td>Non-mining asset used to derive income from mining</td>
<td></td>
</tr>
</tbody>
</table>
Income Tax

DU 8 Depreciation
DU 9 Resident mining operators
DU 10 Non-resident mining operators
DU 11 Disposal of mining shares by company
DU 12 Amount written off by holding company
DU 13 Cost of non-specified mineral

Subpart DV—Expenditure specific to certain entities

Superannuation funds
DV 1 Publicising superannuation funds
DV 2 Transfer of expenditure to master fund
DV 3 Formula for calculating maximum deduction
DV 4 Transfer of surplus expenditure

Other entities
DV 5 Investment funds: transfer of expenditure to master funds
DV 6 Formula for calculating maximum deduction
DV 7 Carry forward of expenditure of member fund
DV 8 Group investment funds
DV 9 Non-profit organisations
DV 10 Trusts
DV 11 Building societies
DV 12 Maori authorities: donations
DV 13 Group companies
DV 14 Amalgamated company: expenditure on improvements for farming, aquacultural, and forestry businesses

Subpart DW—Expenditure specific to certain industries

Airport operations
DW 1 Airport operators
DW 2 Bloodstock racing

Bloodstock racing

Subpart DX—Other expenditure

Testamentary annuities
DX 1 Testamentary annuities

Subpart DY—Specific deduction rules in Parts F to I
DY 1 Amounts that are deductions under Parts to be rewritten
DY 2 Amounts that are not deductions under Parts to be rewritten

Subpart DZ—Terminating provisions

DZ 1 Life insurers acquiring property before 1 April 1988
DZ 2 General insurance with risk period straddling 1 July 1993

DZ 3 Film reimbursement scheme on or before 30 June 2001
DZ 4 Petroleum mining: development expenditure from 1 October 1990 to 15 December 1991
DZ 5 Expenditure on abandoned exploratory well before 16 December 1991
DZ 6 Disposal of ownership interests in controlled petroleum mining entities before 3 December 2001
DZ 7 Farm-out arrangements for petroleum mining before 16 December 1991
DZ 8 Partnership interests and disposal of part of asset before 16 December 1991
DZ 9 Petroleum mining operations outside New Zealand before 16 December 1991
DZ 10 Mineral mining: 1954 to 2004
DZ 11 Buying patent rights before 1 April 1993
DZ 12 Premium paid on land leased before 1 April 1993

Part E
Timing and quantifying rules

Subpart EA—Matching rules: revenue account property, prepayments, and deferred payments
EA 1 Trading stock, livestock, and excepted financial arrangements
EA 2 Other revenue account property
EA 3 Prepayments
EA 4 Deferred payment of employment income

Subpart EB—Valuation of trading stock (excluding dealer’s livestock)

Introductory provisions

EB 1 When this subpart applies
EB 2 Meaning of trading stock
EB 3 Valuation of trading stock
EB 4 Summary of valuation methods

Standard valuation

EB 5 Cost of trading stock
EB 6 Identifying trading stock
EB 7 Cost-flow methods of assigning costs
EB 8 Discounted selling price
EB 9 Replacement price
EB 10 Market selling value
EB 11 Valuing closing stock consistently
Low-turnover valuation
EB 12 Low-turnover valuation
EB 13 Cost for low-turnover traders
EB 14 Costs of manufacturing or producing trading stock
EB 15 Allocation of costs for manufactured or produced trading stock
EB 16 Costs of acquiring trading stock
EB 17 Discounted selling price for low-turnover traders
EB 18 Replacement price for low-turnover traders
EB 19 Market selling value for low-turnover traders
EB 20 Valuing closing stock consistently
Low-value trading stock
EB 21 Valuing closing stock under $5,000
Group company transfers
EB 22 Transfers of trading stock within wholly-owned groups
Subpart EC—Valuation of livestock
Introductory provisions
EC 1 Valuation of livestock
EC 2 General rule for valuation of livestock
EC 3 Valuation methods
EC 4 Interests in livestock
EC 5 Changes in partnership interests
EC 6 Value of livestock on death of person
EC 7 Transfers of livestock within wholly-owned groups
Valuation of listed livestock
EC 8 Application of sections EC 9 to EC 26
EC 9 Valuation methods for listed livestock
Herd scheme
EC 10 Herd scheme
EC 11 Valuation under herd scheme
EC 12 Herd value factor
EC 13 Inaccurate herd value factor
EC 14 Chatham Islands adjustment to herd value
EC 15 Herd livestock disposed of before values set
EC 16 Setting national average market values
National standard cost scheme
EC 17 National standard cost scheme
EC 18 Determination of national standard cost by Commissioner
EC 19 Methods for determining costs using national standard cost scheme
Cost price, market value, and replacement price options
EC 20 Cost price, market value, or replacement price
Listed livestock under bailment, lease, or other arrangements
EC 21 Bailee’s treatment of livestock
EC 22 Bailor’s treatment of livestock
EC 23 Profit-sharing arrangements for livestock
EC 24 Some definitions
General provisions for listed livestock
EC 25 Restrictions and limitations on use of valuation methods
EC 26 Notices of election
Valuation of non-listed livestock
EC 27 Application of sections EC 28 to EC 30
EC 28 Closing value options
EC 29 Enhanced production
EC 30 Setting standard values
Valuation of high-priced livestock
EC 31 Application of sections EC 32 to EC 35
EC 32 Closing value of high-priced livestock
EC 33 Livestock reaching national average market value
EC 34 Livestock no longer used in breeding
EC 35 Setting depreciation percentages
Valuation of bloodstock
EC 36 Application of sections EC 37 to EC 46
EC 37 First income year in breeding business
EC 38 Later income years in breeding business
EC 39 Reduction: bloodstock not previously used for breeding in New Zealand
EC 40 Reduction: bloodstock previously used for breeding in New Zealand
EC 41 Accident, birth deformity, or infertility
EC 42 Other bloodstock
EC 43 Residual value of bloodstock
EC 44 Use of bloodstock for racing
EC 45 Change of use of bloodstock in course of business
Income Tax

EC 46 Replacement breeding stock
Subpart ED—Valuation of excepted financial arrangements

ED 1 Valuation of excepted financial arrangements
ED 2 Transfers of certain excepted financial arrangements within wholly-owned groups

Subpart EE—Depreciation

Introductory provision

EE 1 What this subpart does

  What ownership means
EE 2 Nature of ownership of item
EE 3 Ownership of goods subject to reservation of title
EE 4 Ownership of lessee’s improvements: lessee
EE 5 Ownership of lessee’s improvements: other person

  What is and is not depreciable property
EE 6 What is depreciable property
EE 7 What is not depreciable property
EE 8 Election that property not be depreciable

  How amounts of depreciation loss and depreciation recovery income are calculated
EE 9 Description of elements of calculation
EE 10 Calculation rule: item temporarily not available
EE 11 Calculation rule: income year in which item disposed of

  Methods
EE 12 Depreciation methods

  Amount of depreciation loss under diminishing value method or straight-line method
EE 13 Application of sections EE 14 to EE 19
EE 14 Diminishing value or straight-line: calculating amount of depreciation loss
EE 15 Amount of adjusted tax value
EE 16 Amount resulting from standard calculation
EE 17 Amount resulting from petroleum-related depreciable property calculation
EE 18 Cost: change from diminishing value to straight-line method

EE 19 Cost: fixed life intangible property

  Amount of depreciation loss under pool method
EE 20 Application of sections EE 21 to EE 24
EE 21 Pool method: calculating amount of depreciation loss
EE 22 Cases affecting pool
EE 23 Combined pools
EE 24 Property ceasing to qualify for pool

  Depreciation rates
EE 25 Economic rate
EE 26 Annual rate for item acquired in person’s 1995–96 or later income year
EE 27 Annual rate for fixed life intangible property
EE 28 Special rate or provisional rate
EE 29 Using economic or provisional rate instead of special rate

  Improvements, items of low value, or items no longer used
EE 30 Improvements
EE 31 Items of low value
EE 32 Items no longer used

  Transfers of depreciable property between associated persons
EE 33 Transfer of depreciable property on or after 24 September 1997
EE 34 Transfer of radiocommunications licence right on or after 24 September 1997
EE 35 Transfer of depreciable intangible property on or after 1 July 1997

  Disposals and similar events
EE 36 Application of sections EE 40 to EE 43
EE 37 Consideration for purposes of section EE 36
EE 38 Items for purposes of section EE 36
EE 39 Events for purposes of section EE 36
EE 40 Effect of disposal or event
EE 41 Amounts of depreciation recovery income and depreciation loss when items partly used for business
EE 42 Amount of depreciation recovery income when lost or stolen items recovered

EE 43 Amount of depreciation recovery income when compensation received
Interpretation provisions
EE 44 Cost: GST
EE 45 Adjusted tax value
EE 46 Formula
EE 47 Base value in section EE 46 when none of sections EE 48, EE 49, and EZ 18(1) applies
EE 48 Base value in section EE 46 when no previous deduction
EE 49 Base value in section EE 46 when property is petroleum-related depreciable property
EE 50 Total deductions in section EE 46

Definitions
EE 51 Annual rate
EE 52 Depreciable intangible property
EE 53 Estimated useful life
EE 54 Excluded depreciable property
EE 55 Maximum pooling value
EE 56 Poolable property
EE 57 Other definitions

Subpart EF—Taxes and levies
EF 1 Fringe benefit tax
EF 2 Specified superannuation contribution withholding tax
EF 3 ACC levies and premiums
EF 4 Use of money interest payable by Commissioner
EF 5 Use of money interest payable by person
EF 6 Different tax years

Subpart EG—Recognition of accounting treatment
EG 1 Election to use balance date used in foreign country
EG 2 Adjustment for changes to accounting practice

Subpart EH—Income equalisation schemes
Introductory provisions
EH 1 Income equalisation schemes
EH 2 Income Equalisation Reserve Account

Main income equalisation scheme
Application
EH 3 Persons to whom main income equalisation scheme applies

Deposits and accounts
EH 4 Main deposit
EH 5 Main income equalisation account

Interest
EH 6 Interest on deposits in main income equalisation account

Deduction
EH 7 Deduction of deposit

Refunds: automatic
EH 8 Refund of excess deposit
EH 9 Income does not include excess deposit
EH 10 Refund at end of 5 years
EH 11 Income when refund given at end of 5 years

Refunds: on application
EH 12 Application for refund by person, trustee of estate, Official Assignee, or liquidator
EH 13 Refund on request
EH 14 Income when refund given on request
EH 15 Refund for development or recovery
EH 16 Income when refund given for development or recovery
EH 17 Refund on retirement
EH 18 Income when refund given on retirement, and election to allocate amount to earlier year
EH 19 Refund on death
EH 20 Income when refund given on death
EH 21 Income when refund given on death, and election to allocate amount to earlier year
EH 22 Income when refund given on death, and election to allocate amount to later year or years
EH 23 Refund on bankruptcy
EH 24 Income when refund given on bankruptcy
EH 25 Refund on liquidation
EH 26 Income when refund given on liquidation

Refunds: general provisions
EH 27 Amendment of assessment
EH 28 Minimum refund
EH 29 Deposits from which refunds come

Rebate of income tax
EH 30 When person entitled to rebate of income tax
EH 31 Kind and amount of refund that entitles person to rebate of income tax
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>EH 32</td>
<td>Kind of person entitled to rebate of income tax</td>
</tr>
<tr>
<td>EH 33</td>
<td>Amount of rebate of income tax</td>
</tr>
<tr>
<td>EH 34</td>
<td>Some definitions used in main income equalisation scheme</td>
</tr>
<tr>
<td>EH 35</td>
<td>Income from forestry: definition referred to in section EH 34</td>
</tr>
<tr>
<td>EH 36</td>
<td>Main maximum deposit: definition referred to in section EH 34</td>
</tr>
<tr>
<td>EH 37</td>
<td>Self-assessed adverse event: definition referred to in section EH 34</td>
</tr>
<tr>
<td>EH 38</td>
<td>Persons to whom adverse event income equalisation scheme applies</td>
</tr>
<tr>
<td>EH 39</td>
<td>Adverse event deposit</td>
</tr>
<tr>
<td>EH 40</td>
<td>Adverse event income equalisation account</td>
</tr>
<tr>
<td>EH 41</td>
<td>Interest on deposits in adverse event income equalisation account</td>
</tr>
<tr>
<td>EH 42</td>
<td>Deduction of deposit</td>
</tr>
<tr>
<td>EH 43</td>
<td>Refund of excess deposit</td>
</tr>
<tr>
<td>EH 44</td>
<td>Income does not include excess deposit</td>
</tr>
<tr>
<td>EH 45</td>
<td>Application for refund by person, trustee of estate, Official Assignee, or liquidator</td>
</tr>
<tr>
<td>EH 46</td>
<td>Refund on request</td>
</tr>
<tr>
<td>EH 47</td>
<td>Income when refund given on request</td>
</tr>
<tr>
<td>EH 48</td>
<td>Refund on retirement</td>
</tr>
<tr>
<td>EH 49</td>
<td>Income when refund given on retirement, and election to allocate amount to earlier year</td>
</tr>
<tr>
<td>EH 50</td>
<td>Refund on death</td>
</tr>
<tr>
<td>EH 51</td>
<td>Income when refund given on death</td>
</tr>
<tr>
<td>EH 52</td>
<td>Income when refund given on death, and election to allocate amount to earlier year</td>
</tr>
<tr>
<td>EH 53</td>
<td>Income when refund given on death, and election to allocate amount to later year or years</td>
</tr>
<tr>
<td>EH 54</td>
<td>Refund on bankruptcy</td>
</tr>
<tr>
<td>EH 55</td>
<td>Income when refund given on bankruptcy</td>
</tr>
<tr>
<td>EH 56</td>
<td>Refund on liquidation</td>
</tr>
<tr>
<td>EH 57</td>
<td>Income when refund given on liquidation</td>
</tr>
<tr>
<td>EH 58</td>
<td>Amendment of assessment</td>
</tr>
<tr>
<td>EH 59</td>
<td>Minimum refund</td>
</tr>
<tr>
<td>EH 60</td>
<td>Deposits from which refunds come</td>
</tr>
<tr>
<td>EH 61</td>
<td>Transfer of deposit</td>
</tr>
<tr>
<td>EH 62</td>
<td>Some definitions used in adverse event income equalisation scheme</td>
</tr>
<tr>
<td>EH 63</td>
<td>Adverse event maximum deposit: definition referred to in section EH 62</td>
</tr>
<tr>
<td>EH 64</td>
<td>Self-assessed adverse event: definition referred to in section EH 62</td>
</tr>
<tr>
<td>EH 65</td>
<td>Persons to whom thinning operations income equalisation scheme applies</td>
</tr>
<tr>
<td>EH 66</td>
<td>Thinning operations deposit</td>
</tr>
<tr>
<td>EH 67</td>
<td>Thinning operations income equalisation account</td>
</tr>
<tr>
<td>EH 68</td>
<td>Interest on deposits in thinning operations income equalisation account</td>
</tr>
<tr>
<td>EH 69</td>
<td>Deduction of deposit</td>
</tr>
<tr>
<td>EH 70</td>
<td>Refund of excess deposit</td>
</tr>
<tr>
<td>EH 71</td>
<td>Income does not include excess deposit</td>
</tr>
<tr>
<td>EH 72</td>
<td>Application for refund by person or liquidator</td>
</tr>
<tr>
<td>EH 73</td>
<td>Refund on request</td>
</tr>
<tr>
<td>EH 74</td>
<td>Income when refund given on request</td>
</tr>
<tr>
<td>EH 75</td>
<td>Refund for development or recovery</td>
</tr>
<tr>
<td>EH 76</td>
<td>Income when refund given for development or recovery</td>
</tr>
<tr>
<td>EH 77</td>
<td>Refund on liquidation</td>
</tr>
<tr>
<td>EH 78</td>
<td>Income when refund given on liquidation</td>
</tr>
</tbody>
</table>
Refunds: general provisions, and rebate of income tax

EH 70 Sections of main income equalisation scheme that apply to thinning operations income equalisation scheme

Some definitions used in thinning operations income equalisation scheme

EH 80 Some definitions used in thinning operations income equalisation scheme

EH 81 Thinning operations maximum deposit: definition referred to in section EH 80

Subpart EI—Spreading of specific income

Farming and forestry

EI 1 Spreading backward of income from timber

Land

EI 2 Amount paid to lessor for non-compliance with covenant for repair

EI 3 Amount paid for non-compliance: when lessor ceases to own land

EI 4 Disposal of land to Crown

EI 5 Leases: income derived in anticipation

Intellectual property

EI 6 Assigning or granting copyright

Shareholder-employees

EI 7 Matching rule for employment income of shareholder-employee

Inflation-indexed instruments

EI 8 Interest from inflation-indexed instruments

Subpart EJ—Spreading of specific expenditure

Farming and forestry

EJ 1 Spreading backward of deductions for costs of timber

EJ 2 Spreading forward of deductions for repairs to fishing boats

EJ 3 Spreading forward of fertiliser expenditure

Films

EJ 4 Expenditure incurred in acquiring film rights in feature films

EJ 5 Expenditure incurred in acquiring film rights in films other than feature films

EJ 6 Film production expenditure for New Zealand films

EJ 7 Certification of New Zealand films

EJ 8 Film production expenditure for films other than New Zealand films

EJ 9 Interest on limited recourse loans

Petroleum mining

EJ 10 Petroleum development expenditure

EJ 11 Relinquishing petroleum permit

EJ 12 Disposal of petroleum mining asset

EJ 13 Disposal of petroleum mining asset to associate

EJ 14 Damaged assets

EJ 15 Partnership interests and disposal of part of asset

EJ 16 Petroleum mining operations outside New Zealand

Definitions

EJ 17 Meaning of offshore development

EJ 18 Meaning of onshore development

Leases

EJ 19 Payment by lessee under personal property and operating leases

EJ 20 Amount paid by lessee for non-compliance with covenant for repair

Superannuation contributions

EJ 21 Contributions to employees’ superannuation schemes

Subpart EW—Financial arrangements rules

Introductory provisions

EW 1 What this subpart applies to

EW 2 Application of financial arrangements rules

EW 3 Matters to which this subpart relates

Persons to whom financial arrangements rules apply

EW 4 New Zealand resident

EW 5 Trustee not resident

EW 6 Non-resident party becoming resident

EW 7 Non-resident party carrying on business

EW 8 Trustee of deceased’s estate

EW 9 Party changing from private or domestic purpose

Financial arrangements to which financial arrangements rules apply: meaning of financial arrangement

EW 10 What is a financial arrangement?

EW 11 What is not a financial arrangement?

EW 12 What is an excepted financial arrangement?
Income Tax

EW 13 Relationship between financial arrangements and excepted financial arrangements

EW 14 Change from private or domestic purpose

EW 15 Election to treat certain excepted financial arrangements as financial arrangements

EW 16 Financial arrangements to which financial arrangements rules apply: date on and after which rules apply

EW 17 What financial arrangements rules do not apply to

EW 18 When use of spreading method required

EW 19 When use of spreading method not required

EW 20 What spreading methods do

EW 21 What is included when spreading methods used

EW 22 Yield to maturity method or alternative

EW 23 Straight-line method

EW 24 Market valuation method

EW 25 Choice among first 3 spreading methods

EW 26 Determination method or alternative

EW 27 Financial reporting method

EW 28 Default method

EW 29 Failure to use method for financial reporting purposes

EW 30 Consistency of use of spreading method

EW 31 Consistency of use of straight-line method and market valuation method

EW 32 Change of spreading method

EW 33 Spreading method adjustment formula

EW 34 How base price adjustment calculated

EW 35 When calculation of base price adjustment required

EW 36 When calculation of base price adjustment not required

EW 37 Base price adjustment formula

EW 38 Consideration when financial arrangement involves property or services

EW 39 Consideration for agreement for sale and purchase of property or services, hire purchase agreement, specified option, or finance lease

EW 40 Consideration in foreign currency

EW 41 Value relevant for non-financial arrangements rule

EW 42 Consideration treated as paid to a person

EW 43 Consideration when resident lender party ceases to be resident

EW 44 Consideration when party dies

EW 45 Consideration when financial arrangement distributed

EW 46 Consideration affected by unfavourable factors

EW 47 Consideration when disposal for no, or inadequate, consideration

EW 48 Consideration when financial arrangement distributed in kind

EW 49 Consideration treated as paid by a person

EW 50 Consideration when resident debtor party ceases to be resident

EW 51 Consideration when any of sections EW 5, EW 6, EW 8, and EW 9 applies

EW 52 Consideration when debt sold at discount to associate of debtor

EW 53 Consideration when debtor released from obligation

EW 54 Consideration when debt forgiven for natural love and affection

EW 55 Consideration when financial arrangement distributed in kind

EW 56 Legal defeasance

EW 57 Anti-avoidance provisions
EW 58 Income when debt forgiven to trustee
EW 59 Income and deduction when debt sold at discount to associate of debtor
EW 60 Deduction for security payment
EW 61 Adjustment required
Application of financial arrangements rules to cash basis persons
EW 62 Description of cash basis person
EW 63 Effect of being cash basis person
EW 64 Natural person
EW 65 Thresholds
EW 66 Financial arrangements, income, and expenditure relevant to criteria
EW 67 Exclusion by Commissioner
EW 68 Trustee of deceased’s estate
EW 69 Election to use spreading method
EW 70 When and how calculation of cash basis adjustment required
EW 71 Cash basis adjustment formula
Subpart EX—Controlled foreign company and foreign investment fund rules
Controlled foreign company rules
When is a company a controlled foreign company?
EX 1 When company is CFC
Calculation of person’s control interest
EX 2 Four categories for calculating control interests
EX 3 Control interest: total of direct, indirect, and associated person interests
EX 4 Limits to requirement to include associated person interests
EX 5 Direct control interests
EX 6 Direct control interests include options and similar rights
EX 7 Indirect control interests
Calculation of person’s income interest
EX 8 Income interests: total of direct and indirect interests
EX 9 Direct income interests
EX 10 Indirect income interests
EX 11 Options and similar rights in certain cases
EX 12 Reduction of total income interests
EX 13 Income interests of partners
Ten percent threshold and variations in income interest level
EX 14 Attribution: 10% threshold
EX 15 Associates and 10% threshold
EX 16 Income interest on days of non-residence
EX 17 Variations during accounting period: weighted average
Calculation of attributed CFC income or loss
EX 18 Formula for calculating attributed CFC income or loss
EX 19 Taxable distribution from non-qualifying trust
EX 20 Reduction in attributed CFC loss
Calculation of branch equivalent income or loss
EX 21 Branch equivalent income or loss: calculation rules
Grey list exemption
EX 22 Unqualified grey list CFCs
EX 23 Qualified grey list CFCs
Residence of companies
EX 24 Residence in grey list country
EX 25 Companies moving to or from New Zealand
Change of CFC’s balance date
EX 26 Change of CFC’s balance date
Ownership measurement concession
EX 27 Use of quarterly measurement
Anti-avoidance rule: stapled stock
EX 28 Anti-avoidance rule: stapled stock
Foreign investment fund rules
What is a foreign investment fund?
EX 29 Foreign investment funds
Attributing interests in FIFs
EX 30 Attributing interests in FIFs
EX 31 Direct income interests in FIFs
EX 32 CFC rules exemption
EX 33 Grey list exemption
EX 34 Foreign exchange control exemption
EX 35 Immigrant’s 4 year exemption
EX 36 Immigrant’s exemption for accrued superannuation entitlement
EX 37 Exemption for non-resident’s pension or annuity
Calculation of FIF income or loss
EX 38 Four calculation methods
EX 39 Exclusion of amounts of death benefit
EX 40 Limits on choice of calculation methods
EX 41 Default calculation method
EX 42 Accounting profits method
EX 43 Branch equivalent method
EX 44 Comparative value method
EX 45 Deemed rate of return method

Additional FIF income or loss if CFC owns FIF

EX 46 Additional FIF income or loss if CFC owns FIF

Relationship with other provisions in Act
EX 47 Codes: comparative value and deemed rate methods
EX 48 Top-up FIF income: deemed rate of return method
EX 49 Top-up FIF income: 1 April 1993 uplift interests

Changing calculation method
EX 50 Limits on changes of method
EX 51 Consequences of changes in method

Cases of entry into and exit from FIF rules
EX 52 Migration of persons holding FIF interests
EX 53 Changes in application of FIF exemptions
EX 54 FIFs migrating from New Zealand
EX 55 Death of persons holding FIF interests

Measurement of cost
EX 56 Measurement of cost

Change of FIF’s balance date
EX 57 Change of FIF’s balance date

Market value rules
EX 58 Market value of life policy and superannuation entitlements
EX 59 Non-market transactions in FIF interests

Commissioner’s default assessment power
EX 60 Commissioner’s default assessment power

Subpart EY—Life insurance rules

Introductory provisions

EY 1 What this subpart applies to
EY 2 Matters to which this subpart relates
EY 3 Meaning of actuarial reserves
EY 4 Actuarial reserves: calculation
EY 5 Actuarial reserves: actuary’s declaration
EY 6 Actuarial reserves: powers of Commissioner
EY 7 Meaning of claim
EY 8 Meaning of life insurance
EY 9 Meaning of life insurance policy

EY 10 Meaning of life insurer
EY 11 Meaning of life reinsurer
EY 12 Meaning of life reinsurance policy
EY 13 Life insurance and life reinsurance: how sections relate

Premium loading
EY 14 How premium loading is calculated
EY 15 Premium loading: when life insurers providing life insurance at start of income year
EY 16 Premium loading: when life insurers not providing life insurance at start of income year
EY 17 Premium loading formulas
EY 18 Premium loading formulas: when life insurers not providing life insurance at start of income year
EY 19 Premium loading formulas: option when more than 1 life insured
EY 20 Premium loading formula (life): when annuity payable on death
EY 21 Premium loading formulas: when annuity payable on survival to date or age specified in policy
EY 22 Premium loading formula (life): when partial reinsurance exists
EY 23 Premium loading formulas: individual result may never be negative

Mortality profit
EY 24 How mortality profit is calculated
EY 25 Mortality profit: when life insurers providing life insurance at start of income year
EY 26 Mortality profit: when life insurers not providing life insurance at start of income year
EY 27 Mortality profit formula
EY 28 Mortality profit formula: when life insurers not providing life insurance at start of income year
EY 29 Mortality profit formula: option when more than 1 life insured
EY 30 Mortality profit formula: when annuity payable on death
EY 31 Mortality profit formula: when partial reinsurance exists
EY 32 Mortality profit formula: individual result may be negative only in some cases
EY 33 Mortality profit formula: negative result

Discontinuance profit
EY 34 How discontinuance profit is calculated
Income Tax

EY 35 Discontinuance profit for income year
EY 36 Discontinuance profit formula (existing policies)
EY 37 Discontinuance profit formula (new policies)
EY 38 Discontinuance profit formula (existing policies): when partial reinsurancce exists
EY 39 Discontinuance profit formula (new policies): when partial reinsurancce exists
EY 40 Discontinuance profit formulas: individual result may never be negative

Policyholder income
EY 41 How policyholder income is calculated
EY 42 Policyholder income formula
EY 43 Policyholder income formula: when partial reinsurance exists
EY 44 Policyholder income formula: when life insurance business transferred

Disposal of property
EY 45 Income from disposal of property
EY 46 Deductions for disposal of property

Non-resident life insurers
EY 47 Non-resident life insurers with life insurance policies in New Zealand
EY 48 Non-resident life insurer may become resident

Subpart EY—Terminating provisions

Foreign investment fund rules
EY 1 FIF interests held on 1 April 1993

Petroleum mining
EY 2 Petroleum development expenditure from 1 October 1990 to 15 December 1991

Accident insurance
EY 4 Private insurers under Accident Insurance Act 1998

Depreciation
EY 5 Pool method for items accounted for by globo method for 1992–93 income year
EY 6 Pool items accounted for by globo method for 1992–93 income year

EZ 7 Amounts of depreciation recovery income and depreciation loss for part business use in or before 1992–93 income year
EZ 8 Amount of depreciation loss for item acquired from associated person on or before 23 September 1997
EZ 9 Annual rate for item acquired on or after 1 April 1993 and before end of person’s 1994–95 income year
EZ 10 Pre-1993 depreciation rate
EZ 11 Annual rate for excluded depreciable property: 1992–93 tax year
EZ 12 Amount of depreciation loss for plant or machinery additional to section EZ 11 amount
EZ 13 Additional amount of depreciation loss: between 16 December 1991 and 1 April 1994
EZ 14 Section EZ 13 amount of depreciation loss when items transferred between companies in wholly-owned group before 1 April 1993
EZ 15 Section EZ 13 amount of depreciation loss when person previously exempt from tax acquires item
EZ 16 Adjusted tax value for software acquired before 1 April 1993
EZ 17 Sections EE 37 and EE 39: permanent removal: allowance before 1 April 1995
EZ 18 Base value and total deductions in section EE 46: before 1 April 1995

Definitions
EY 19 New item
EY 20 New Zealand-new item
EY 21 Qualifying capital value
EY 22 Qualifying improvement
EY 23 Qualifying item

Life insurance
EY 25 Life insurers acquiring property before 1 April 1988

Superannuation funds
EY 26 Withdrawals on or between 14 and 30 September 2000 from late balance date superannuation funds

Livestock
EY 27 Valuation of livestock bailed or leased as at 2 September 1992
Income Tax

**Patent rights**

EZ 28 Buying patent rights before 1 April 1993

**Leases of land**

EZ 29 Premium paid on land leased before 1 April 1993

**Old financial arrangements rules**

EZ 30 Application of old financial arrangements rules

EZ 31 Election to apply financial arrangements rules in subpart EH

EZ 32 Accruals in relation to income and expenditure in respect of financial arrangements

EZ 33 Excepted financial arrangement that is part of financial arrangement

EZ 34 Cash basis holder

EZ 35 Income and expenditure where financial arrangement redeemed or disposed of

EZ 36 Forgiveness of debt

EZ 37 Accrued income written off

EZ 38 Sale of debt to associate of debtor

EZ 39 Post facto adjustment

EZ 40 Variable principal debt instruments

EZ 41 Relationship with rest of Act

EZ 42 Application of old financial arrangements rules

EZ 43 Election to treat short term trade credit as financial arrangement

EZ 44 Election to continue to treat certain excepted financial arrangements as financial arrangements

EZ 45 Definitions

EZ 46 Determination of core acquisition price where consideration for property denominated in foreign currency

EZ 47 Rules for non-market transactions

EZ 48 Transitional adjustment when changing to financial arrangements rules

EZ 49 References to new rules include old rules

**Part F**

**Apportionment and recharacterised transactions**

Subpart FB—Apportionment

FB 2 Apportionment of income derived partly in New Zealand and partly elsewhere

FB 3 Disposal of trading stock

FB 4 Income derived from disposal of trading stock together with other assets of business

FB 4A Land on revenue account

FB 7 Depreciation: partial income-producing use

**Subpart FC—Recharacterisation**

**Debentures and notes**

FC 1 Floating rate of interest on debentures

FC 2 Interest on debentures issued in substitution for shares

**Shares**

FC 3 Share dealing

FC 4 Valuation adjustments where company acquires its shares

**Leases**

FC 5 Assets purchased and resold after deduction of payments under lease

FC 6 Effect of specified lease on lessee and lessor

FC 7 Income of lessor under specified lease

FC 8 Deduction to lessee under specified lease

**Finance leases**

FC 8A Lease of lease asset treated as sale

FC 8B Rules for lease asset during term of finance lease

FC 8C Termination of finance lease

**Hire purchase**

FC 9 Purpose

FC 10 Taxation of hire purchase agreements

**Non-resident general insurers**

FC 13 Premiums derived by non-resident general insurers treated as being derived from New Zealand

FC 14 Non-resident general insurers’ income

FC 15 Non-resident general insurers’ expenditure

FC 16 Liability to make return and pay income tax

FC 17 Premiums paid to residents of Switzerland and the Netherlands
Non-resident shippers

FC 18 Non-resident shippers’ income
FC 19 Non-resident shippers’ excluded income
FC 20 Non-resident shippers’ expenditure

Non-resident film renters

FC 21 Amounts derived by non-residents from renting films

Subpart FD—Consolidation of companies

FD 1 Purpose and application of consolidated grouping provisions
FD 2 Interpretation
FD 3 Companies which may constitute consolidated group
FD 4 Formation of consolidated group
FD 5 Company may not be member of more than 1 consolidated group
FD 6 Nominated companies
FD 7 Joining existing consolidated group
FD 8 Leaving consolidated group
FD 9 Part income year accounts and part tax year income allocation
FD 10 Special provisions relating to dispositions of property
FD 11 Application of international tax rules

Subpart FE—Amalgamation rule potentially applies

FE 1 Amalgamation of companies: purpose
FE 2 Cancellation of shares held by amalgamating company on amalgamation
FE 3 Deduction to amalgamated company for bad debts and expenditure
FE 4 Amalgamated company to assume unexpired accrual expenditure and profits or gains of amalgamating company
FE 5 Transfer of property or obligations under financial arrangements deemed to be at market value
FE 6 Acquisition of property by amalgamated company on qualifying amalgamation
FE 7 Succession of obligations of amalgamating company under financial arrangement on amalgamation
FE 8 Amalgamated company to assume rights and obligations of amalgamating company
FE 9 Amalgamation not to result in deemed income or remission of liabilities
FE 10 Treatment of financial arrangements between amalgamating companies

Subpart FF—Matrimonial transfers

FF 1 Shares or options
FF 2 Financial arrangements
FF 3 Business stock in hand
FF 4 Personal property
FF 5 Commercial bills
FF 6 Land
FF 7 Disposal of timber under matrimo-nial agreement
FF 8 Patent rights
FF 9 Listed livestock
FF 10 Non-listed livestock
FF 11 High-priced livestock
FF 12 Bloodstock
FF 13 Trading stock
FF 14 Leased assets
FF 15 Amount of depreciation loss for qualifying items
FF 16 Depreciable property
FF 17 Pensions
FF 18 Land used in specified activity
FF 19 Mining assets

Subpart FG—Apportionment of interest costs

FG 1 Purpose of this subpart
FG 2 Entities to which apportionment rule potentially applies
FG 3 Circumstances in which apportionment rule required
FG 4 Rules for calculating New Zealand group debt percentage
FG 5 Rules for calculating worldwide group debt percentage
FG 6 Concession for on-lending
FG 7 Concession for exchange rate fluctuations
FG 8 Apportionment of interest deductions
FG 9 Treatment of specified leases and interest expense
FG 10 Mode of elections

Subpart FH—Foreign attributed income excess interest allocation

FH 1 Circumstances in which group excess interest allocation required
FH 2 Rules for determining company’s foreign attributed income group
FH 3 Rules for determining New Zealand foreign attributed income group debt percentage
FH 4 Rules for determining consolidated foreign attributed income group debt percentage
Income Tax

FH 5 Rule for calculating group excess interest allocation amount
FH 6 Rule for calculating company’s excess interest allocation percentage
FH 7 Rule for calculating individual excess interest allocation amount
FH 8 Rules for applying surplus group excess interest allocation amount to increase income tax and dividend withholding payment
Subpart FZ—Terminating provisions
FZ 1 Deduction for dividends paid on certain preference shares
FZ 2 Amounts owing under convertible notes deemed to be share capital and holders deemed to be shareholders

Part G
Avoidance and non-market transactions
Subpart GB—Avoidance: general
GB 1 Agreements purporting to alter incidence of tax to be void
Subpart GC—Avoidance: specific
GC 1 Arrangement to defeat application of cross-border arrangement provision
GC 2 Arrangements to defeat application of net loss carry forward provisions
GC 3 Effect on continuity provisions of change in beneficiaries of trust
GC 4 Arrangement to defeat application of net loss offset provisions
GC 5 Arrangement to defeat application of qualifying company provisions
GC 6 Arrangement to defeat application of depreciation provisions
GC 7 Arrangements in respect of CFCs
GC 8 Arrangement to defeat application of CFC attributed repatriation provisions
GC 9 Variations in control or income interests in foreign companies
GC 10 Attributed CFC income and FIF income: arrangements in respect of elections
GC 11A Non-market transactions to acquire film rights
GC 11B Manipulation of arrangements to acquire film rights
GC 12 Petroleum mining
GC 14 Income assessable to beneficiaries
GC 14A Sale or transfer of commercial bill to New Zealand resident
GC 14B Attribution rule for personal services
GC 14C Definitions for use in section GC 14B
GC 14D Attribution rule: calculation
GC 14E Attribution rule: exception
GC 14F Arrangement to avoid application of restrictive covenant rule
Fringe benefit tax
GC 15 Benefit given to associated person of employee
GC 16 Value of motor vehicle acquired from associated person
GC 17 Fringe benefit tax: general
Deductions
GC 18 Agreements not to make tax deductions to be void
GC 19 Resident withholding tax
GC 20 Agreements not to make resident withholding tax deductions to be void
Imputation
GC 21 Imputation continuity requirements
GC 22 Imputation: arrangement to obtain tax advantage
GC 23 Imputation: dividend paid by another company
GC 24 Application of specific imputation provisions to consolidated groups
GC 25 Avoidance of dividend withholding payments
GC 26 Arrangement to defeat application of branch equivalent tax account provisions
GC 27 Arrangement to defeat application of dividend withholding payment account provisions
Tax credits for family support and family plus
GC 28 Tax credits for family support and family plus
Subpart GD—Non-market transactions
Trading stock
GD 1 Sale of trading stock for inadequate consideration
GD 2 Distribution of trading stock to shareholders of company
Remuneration
GD 3 Payment of excessive salary or wages, or allocation of excessive share of profits or losses, to relative employed by or in partnership with taxpayer
GD 4 Payments to taxpayer’s spouse
GD 5 Excessive remuneration by close company to shareholder, director, or relative

Superannuation and Life Insurance
GD 6 Value of loans provided by superannuation fund deemed to be income of fund
GD 7 Distribution of property to policyholders
GD 8 Superannuation schemes

Land
GD 9 Land transferred between associated persons
GD 10 Leases for inadequate rent

Other Non-Market Transactions
GD 11 Financial arrangements rules
GD 12 Non-market transactions for incurring film production expenditure
GD 12A Film production expenditure if payments postponed or contingent
GD 12B Manipulation of arrangements to incurr film production expenditure
GD 13 Cross-border arrangements between associated persons
GD 14 Attributing interests in FIFs
GD 15 Disposal of timber, or right to take timber, or standing timber to associated person

Subpart GE—Non-market transactions: specific
GE 1 New Zealand Raspberry Marketing Council

Subpart GZ—Terminating provisions
GZ 1 Pre-1974 agreements purporting to alter incidence of tax

Part H
Treatment of net income of certain entities
Subpart HB—Consolidated groups of companies
HB 1 Returns, assessments, and liability of consolidated group
HB 2 Taxable income to be calculated generally as if group were single company

Subpart HC—Special partnerships
HC 1 Special partnerships
Subpart HD—Partnerships
HD 1 Assessment of partners, co-trustees, and joint venturers

Income Tax

Subpart HE—Unit trusts
HE 1 Unit trusts
HE 2 Group investment funds
Subpart HF—Mutual associations
HF 1 Profits of mutual associations in respect of transactions with members
Subpart HG—Qualifying companies
HG 1 Qualifying company regime
HG 2 Determination of effective interest in company
HG 3 Director elections, and revocation of director elections
HG 4 Shareholder elections
HG 5 Revocation of shareholder elections
HG 6 Period of grace for new elections following death, revocation of shareholder election, or issue of new shares
HG 7 Date on which non-complying company ceases to be qualifying company, and Commissioner’s power to defer
HG 8 Liability of electing shareholder for income tax of company
HG 9 Taxation of shareholders in qualifying companies
HG 10 Taxation of qualifying company
HG 11 Taxation on election to become qualifying company
HG 12 Payment of qualifying company election tax
HG 13 Dividends from qualifying company
HG 14 Loss attributing qualifying companies
HG 14A Minority shareholders in loss attributing qualifying companies
HG 15 Revocation of loss attribution elections
HG 16 Net losses of loss attributing qualifying company to be attributed to shareholders
HG 17 Attributed CFC losses and FIF losses
HG 18 Company that ceases to be loss attributing qualifying company also ceases to be qualifying company

Subpart HH—Trusts
HH 1 Interpretation
HH 1A Treatment of settlements on trust
HH 2 Trusts settled by persons before becoming resident
HH 3 Income assessable to beneficiaries
Income Tax

HH 3A Beneficiary income of minors
HH 3B Exemption for beneficiary income $1,000 or less
HH 3C Source of beneficiary income
HH 3D Treatment of various settlements
HH 3E Exceptions
HH 3F Definitions of guardian, minor, and relative
HH 4 Trustee income
HH 5 Existing trusts becoming subject to tax
HH 6 Distributions from trusts
HH 7 Commissioner may determine amount of trustee income
HH 8 Income received by trustee after death of deceased person
Subpart HI—Maori authorities
HI 1 Distributions and income of Maori authorities
HI 1A Distribution by Treaty of Waitangi Fisheries Commission
HI 3 Tax in respect of Maori authorities with more than 20 beneficiaries
HI 4 Tax in respect of Maori authorities with 20 or fewer beneficiaries
HI 5 Adjustments where section HI 3 or HI 4 ceases to apply by reason of change in number of beneficiaries
Subpart HJ—Superannuation
HJ 1 Government Superannuation Fund
   Subpart HK—Agency
      Agents generally
      HK 1 Agent to make returns and be assessed as principal
      HK 2 Rate and amount of tax payable by agent
      HK 3 Liability of principal not affected
      HK 4 Agent may recover tax from principal
      HK 5 Agent may retain from money of principal amount required for tax
      HK 6 Assessment deemed authority for payment of tax by agent
      HK 7 Agents to be personally liable for payment of tax
      HK 8 Relation of principal and agent arising in effect
         Special cases of agency
      HK 9 Guardian of person under disability to be agent
      HK 10 Liability of mortgagor in possession
      HK 11 Liability for tax payable by company left with insufficient assets
      HK 12 Company deemed agent of debenture holders
      HK 13 Modification of agency provisions in respect of income from company debentures
      HK 14 Rents, royalties, or interest derived by Maori Trustee and not distributed
         Agents of absentees and non-residents
      HK 16 Liability of agent of absentee principal for returns and tax
      HK 17 Partner of absentee deemed agent
      HK 18 Master of ship deemed agent of absentee owner
      HK 19 Tenant, mortgagor, or other debtor to be agent of absentee landlord, mortgagee, or other creditor
      HK 20 Person having disposal of income deemed agent
      HK 21 Company to be agent of absentee shareholders
      HK 22 Trustee of group investment fund to be agent of absentee investors
      HK 23 Banking company to be agent of absentee depositors
      HK 24 Liability as agent of employer of non-resident taxpayer and employer’s agent
      HK 25 Non-resident trader to be agent of employees in New Zealand
      HK 26 Agents in New Zealand of principals resident abroad
Subpart HZ—Terminating provisions
HZ 1 Trust distributions
HZ 2 Trusts that may become qualifying trusts

Part I
Treatment of net losses
Subpart ID—Application of Part to schedular income
ID 1 No offset in calculating some schedular income tax liabilities
Subpart IE—Net losses
IE 1 Net losses may be offset against future net income
IE 2 Specified activity net losses
IE 3 Attributed CFC net losses
IE 4 FIF net losses
Subpart IF—Net losses: companies
IF 1 Net losses may be offset against future net income
Income Tax

IF 2 Special provision in relation to net losses of companies for 1990–91 and 1991–92 income years
IF 3 Attributed CFC net losses
IF 4 Losses, attributed CFC net losses, and FIF net losses of amalgamating company
IF 5 Ordering of losses of amalgamated company
IF 6 Losses, attributed CFC net losses, and FIF net losses of amalgamated company
IF 7 Offsetting supplementary dividend against net income
Subpart IG—Net losses: groups of companies
IG 1 Companies included in group of companies
IG 2 Net loss offset between group companies
IG 3 Special provisions in relation to group companies for 1991–92 tax year
IG 4 Group of companies attributed CFC net losses
IG 5 Group of companies FIF net losses
IG 6 Loss carry forward and grouping by consolidated group and consolidated group members
IG 7 Attributed CFC net losses and FIF net losses of consolidated group members
IG 8 Net losses, attributed CFC net losses, and FIF net losses of amalgamated company
IG 9 Net losses, attributed CFC net losses, and FIF net losses offset against net income of amalgamated company
IG 10 Net losses used to pay penalties
Subpart IH—Losses: miners
IH 1 Losses of mining companies and petroleum miners
IH 2 Companies engaged in exploring for, searching for, or mining petroleum
IH 3 Loss carry back by petroleum miners
IH 4 Companies engaged in exploring for, searching for, or mining certain minerals
IH 5 Resident mining operators
Subpart II—Losses: life insurers
II 1 Policyholder net losses
II 2 Policyholder net loss for tax year preceding 1990–91
II 3 Carry forward of policyholder net loss
IZ 1 Application of this subpart
IZ 2 Rate of withdrawal tax
IZ 3 Withdrawal income
IZ 4 Payment of withdrawal tax
IZ 5 Evidence of liability in proceedings for recovery
IZ 6 Relief in certain cases
IZ 7 Application of other provisions to withdrawal tax

Part K

Rebates
Subpart KB—General
KB 2 Proportionate adjustment to rebates on change of return date
KB 3 Calculations of rebates producing negative amounts
Subpart KC—Individual rebates
KC 1 Low income rebate
KC 2 Rebate in certain cases for children
KC 3 Transitional tax allowance
KC 4 Rebate in certain cases for housekeeper
KC 5 Rebate in respect of gifts of money
Subpart KD—Tax credits for family support and family plus
KD A1 Calculation of tax credits under this subpart
KD 1 Determination of net income
KD 1A Family support and family plus
KD 2 Calculation of subpart KD credit
KD 2A Rules for subpart KD credit
KD 2AB Parental tax credit
KD 2A Calculating net contributions to family support credit, child tax credit, and parental tax credit
KD 3 Calculation of family tax credit
KD 3A Rules for family tax credit
KD 3B Applications for guaranteed minimum family tax credit
KD 4 Allowance of credit of tax in end of year assessment
KD 5 Credit of tax by instalments
KD 5B Rates for interim instalments for period beginning on or after 1 July 1998
KD 6 Chief executive to deliver credit of tax

25
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>KD 7</td>
<td>Commissioner to deliver credit of tax by instalments</td>
</tr>
<tr>
<td>KD 8</td>
<td>Credit of tax deemed to be excluded income</td>
</tr>
<tr>
<td>KD 9</td>
<td>Advice</td>
</tr>
<tr>
<td>KE 1</td>
<td>Rebate for interest on home vendor mortgages</td>
</tr>
<tr>
<td>KE F</td>
<td>Rebates for non-residents</td>
</tr>
<tr>
<td>KG 1</td>
<td>Rebate for savings in special farm, fishing vessel, and home ownership accounts</td>
</tr>
<tr>
<td>KH 1</td>
<td>Conduit tax relief</td>
</tr>
<tr>
<td>KH 2</td>
<td>Calculation of percentage of shareholders not resident</td>
</tr>
<tr>
<td>KZ 1</td>
<td>Rebate from tax payable by persons receiving war pension</td>
</tr>
<tr>
<td>KZ 2</td>
<td>Rebate in respect of loss not carried forward</td>
</tr>
<tr>
<td>KZ 3</td>
<td>Continuation of rebates in respect of certain specified development projects</td>
</tr>
<tr>
<td>LC 10</td>
<td>CFC tax credits of amalgamated company</td>
</tr>
<tr>
<td>LC 11</td>
<td>CFC tax credits of amalgamated company credited against income tax liability of another company</td>
</tr>
<tr>
<td>LC 12</td>
<td>CFC tax credits of company credited against income tax liability of amalgamated company</td>
</tr>
<tr>
<td>LC 13</td>
<td>Information for credit to be furnished within 4 years</td>
</tr>
<tr>
<td>LC 14</td>
<td>Ascertainment of New Zealand income tax liability</td>
</tr>
<tr>
<td>LC 14A</td>
<td>Source of dividends</td>
</tr>
<tr>
<td>LC 15</td>
<td>United Kingdom tax on dividends</td>
</tr>
<tr>
<td>LC 16</td>
<td>Foreign tax credits of consolidated group members</td>
</tr>
<tr>
<td>LD 1</td>
<td>Tax deductions to be credited against tax assessed</td>
</tr>
<tr>
<td>LD 2</td>
<td>Non-resident withholding tax: credit allowed</td>
</tr>
<tr>
<td>LD 3</td>
<td>Resident withholding tax deductions to be credited against income tax assessed</td>
</tr>
<tr>
<td>LD 6</td>
<td>Allowance for provisional tax paid by agent</td>
</tr>
<tr>
<td>LD 7</td>
<td>Provisional tax to be credited against income tax liability</td>
</tr>
<tr>
<td>LD 8</td>
<td>Credit of tax for dividend withholding payment credit in hands of shareholder</td>
</tr>
<tr>
<td>LD 9</td>
<td>Refund to non-resident or exempt shareholders</td>
</tr>
<tr>
<td>LE 1</td>
<td>Purpose of subpart</td>
</tr>
<tr>
<td>LE 2</td>
<td>Credits in respect of dividends to non-resident investors</td>
</tr>
<tr>
<td>LE 3</td>
<td>Special rules for holding companies</td>
</tr>
<tr>
<td>LE 4</td>
<td>Allocation of deductions by section</td>
</tr>
<tr>
<td>LF 1</td>
<td>Underlying foreign tax credits</td>
</tr>
<tr>
<td>LF 2</td>
<td>Granting of underlying foreign tax credit</td>
</tr>
<tr>
<td>LF 3</td>
<td>Amount of underlying foreign tax credit</td>
</tr>
<tr>
<td>LF 4</td>
<td>Dividends from lower-tier companies</td>
</tr>
<tr>
<td>LF 5</td>
<td>Dividends from grey list companies</td>
</tr>
<tr>
<td>LF 6</td>
<td>Procedures with respect to underlying foreign tax credit</td>
</tr>
</tbody>
</table>
## Income Tax

**Subpart LF—Interest paid in conduit financing arrangements**

- LF 7 Interest paid in conduit financing arrangements

**Subpart LG—Conduit tax relief credits**

- LG 1 Conduit tax relief additional dividends

### Part M

#### Tax payments

**Subpart MB—Provisional tax**

- MB 1A Special rules for 2000-01 and 2001-02 tax years
- MB 2 Amount of provisional tax payable
- MB 2AB Amount of provisional tax payable in 2001–02 tax year
- MB 2A Election to be provisional taxpayer
- MB 2B Amount of provisional tax based on 1997–98 or earlier tax year
- MB 3 Estimated provisional tax
- MB 4 Provisional tax payable in 1, 2, or 3 instalments
- MB 5 Amount of provisional tax instalments
- MB 5A Amount of provisional tax instalments in transitional year
- MB 6 Voluntary payments
- MB 7 Provisional tax of consolidated group members
- MB 8 Refund of overpaid provisional tax
- MB 9 Payments to be set off within wholly-owned group
- MB 9A Provisional tax and attribution rule for services
- MB 10 Offset of further income tax
- MB 11 Calculation of residual income tax of amalgamated company
- MB 12 Application of other provisions to provisional tax

**Subpart MC—Terminal tax**

- MC 1 Payment of terminal tax by provisional taxpayer
- MC 2 Payment of tax
- MC 3 Payment of tax by instalments

**Subpart MD—Refunds**

- MD 1 Refund of excess tax
- MD 2 Limits on refunds of tax
- MD 2A Limits on refunds of tax for certain qualifying unit trusts and group investment funds
- MD 3 Refund of income tax not to exceed amount of credit balance
- MD 4 Application of income tax or dividend withholding payments not refunded

**Subpart ME—Imputation credit accounts**

#### Imputation credit accounts: general

- ME 1 Companies required to maintain imputation credit account
- ME 2 Balance of imputation credit account
- ME 3 Imputation credit account
- ME 4 Credits arising to imputation credit account
- ME 5 Debits arising to imputation credit account
- ME 5A Amount of provisional tax instalments in transitional year
- ME 6 Company may attach imputation credit to dividend
- ME 7 Transfer by life insurance company of credit balance to policyholder credit account
- ME 8 Allocation rules for imputation credits
- ME 9 Further tax payable where end of year debit balance, or when company ceases to be imputation credit account company

##### Consolidated groups

- ME 10 Consolidated group to maintain separate imputation credit account
- ME 11 Credits arising to imputation credit account of group
- ME 12 Debits arising to imputation credit account of group
- ME 13 Debiting and crediting between consolidated group and individual companies
- ME 14 Application of specific imputation provisions to consolidated groups

##### Policyholder credit accounts

- ME 15 Resident life insurance companies to maintain policyholder credit account
- ME 16 Calculation of balance of policyholder credit account
- ME 17 Policyholder credit account of company
- ME 18 Credits and debits arising to policyholder credit account of company
- ME 19 Use of credit balance to credit against company’s policyholder base income tax liability, or transfer of credit balance to company’s imputation credit account
- ME 19A Credit balance may be transferred on transfer of life insurance business
Income Tax

ME 20 Determinations by Commissioner as to credits and debits arising to policyholder credit account

ME 21 Person may elect to maintain policyholder credit account

ME 22 Policyholder credit account of person

ME 23 Credits and debits arising to policyholder credit account of person

ME 24 Use of credit balance to reduce income tax

Policyholder credit accounts: consolidated groups

ME 25 Policyholder credit accounts and consolidated groups

ME 26 Credits and debits arising to group policyholder credit account

ME 27 Debiting and crediting between group and individual policyholder credit accounts

ME 28 Application of policyholder credit account provisions to consolidated group

Imputation credit accounts and policyholder credit accounts: amalgamated companies

ME 29 Debits and credits arising to imputation credit account or policyholder credit account on amalgamation

Imputation credit accounts: statutory producer boards

ME 30 Statutory producer board may determine to attach imputation credit to certain distributions

ME 31 Amount of imputation credit to be attached to cash distribution

ME 32 Amount of imputation credit to be attached to notional distribution

ME 33 Notional distribution deemed to be dividend

ME 34 Statutory producer boards and dividend withholding payments

Imputation credits: co-operative companies

ME 35 Co-operative company may make annual determination to attach imputation credit to certain distributions

ME 36 Amount of imputation credit to be attached to cash distribution

ME 37 Amount of imputation credit to be attached to notional distribution

ME 38 Notional distribution deemed to be dividend

ME 39 Co-operative companies and dividend withholding payments

Imputation credit accounts: credits and debits incorrectly recorded

ME 40 Determinations by Commissioner as to credits and debits arising to imputation credit account

Imputation credit accounts: unit trusts and group investment funds

ME 41 Special debits arising to imputation credit account of unit trust or group investment fund

Subpart MF—Branch equivalent tax accounts

Branch equivalent tax accounts of companies

MF 1 Company may elect to maintain branch equivalent tax account

MF 2 Balance of branch equivalent tax account

MF 3 Branch equivalent tax account of company

MF 4 Credits and debits arising to branch equivalent tax account of company

MF 5 Use of credit to reduce dividend withholding payment, or use of debit to satisfy income tax liability

MF 6 Determinations by Commissioner as to credits and debits arising to branch equivalent tax account

Consolidated groups

MF 7 Branch equivalent tax accounts and consolidated groups

MF 8 Debits and credits arising to group branch equivalent tax account

MF 9 Debiting and crediting between group and individual branch equivalent tax accounts

MF 10 Use of consolidated group credit to reduce dividend withholding payment, or use of group or individual debit to satisfy income tax liability

Branch equivalent tax accounts of persons

MF 11 Person may elect to maintain branch equivalent tax account

MF 12 Branch equivalent tax account of person

MF 13 Credits and debits arising to branch equivalent tax account of person

MF 14 Debit election to offset income tax payable in respect of foreign dividend

MF 15 Extension of branch equivalent tax account provisions to certain FIF income
Amalgamated companies

Subpart MH—Payment of tax by public authorities

MH 1 Payment of tax by public authorities

Subpart MI—Conduit tax relief accounts

MI 1 Balance of conduit tax relief account

MI 2 Company may elect to be conduit tax relief company and maintain conduit tax relief account

MI 3 Conduit tax relief account

MI 4 Credits arising to conduit tax relief account

MI 5 Debits arising to conduit tax relief account

MI 6 End of imputation year clearing transfer to or from dividend withholding payment account

MI 7 Attachment of conduit tax relief credit to dividend

MI 8 Allocation rules for conduit tax relief credits

MI 9 Arrangement to obtain a tax advantage

MI 10 Further dividend withholding payment payable in respect of conduit tax relief account debit

MI 11 Refund of tax in respect of transfer from dividend withholding payment account

Credits and debits incorrectly recorded

MI 12 Correction by Commissioner of credits and debits

MI 13 Debits and credits arising to conduit tax relief account of amalgamated company on amalgamation

Consolidated groups

MI 14 Consolidated group to maintain separate conduit tax relief account

MI 15 Consolidated group conduit tax relief account

MI 16 Consolidated group member is conduit tax relief company

MI 17 Credits arising to group conduit tax relief account

MI 18 Debits arising to group conduit tax relief account

MI 19 Debits and credits arising to dividend withholding payment account of individual conduit tax relief accounts

MI 20 End of imputation year clearing transfer to or from dividend withholding payment account

Consolidated groups

MI 12A Application of specific dividend withholding provisions to consolidated groups

Amalgamated companies

MG 1 Balance of dividend withholding payment account

MG 2 Company may elect to maintain dividend withholding payment account

MG 3 Dividend withholding payment account

MG 4 Credits arising to dividend withholding payment account

MG 5 Debits arising to dividend withholding payment account

MG 6 Company may attach dividend withholding payment credit to dividend

MG 7 Transfer by life insurance company of credit balance to policyholder credit account

MG 8 Allocation rules for dividend withholding payment credits

MG 9 Further dividend withholding payment payable by company

MG 10 Dividend with both imputation credit and dividend withholding payment credit attached

MG 11 Transfer of credit balance to imputation credit account

Credits and debits incorrectly recorded

MG 12 Determinations by Commissioner as to credits and debits arising to dividend withholding payment credit account

Consolidated groups

MG 13 Dividend withholding payment accounts and consolidated groups

MG 14 Credits arising to group dividend withholding payment account

MG 15 Debits arising to group dividend withholding payment account

MG 16 Debiting and crediting between group and individual dividend withholding payment accounts

MG 16A Application of specific dividend withholding provisions to consolidated groups

Amalgamated companies

MG 17 Debits and credits arising to dividend withholding payment account of amalgamated company on amalgamation

MF 16 Debits and credits arising to branch equivalent tax account of amalgamated company on amalgamation

Subpart MG—Dividend withholding payment accounts

MG 1 Balance of dividend withholding payment account

MG 2 Company may elect to maintain dividend withholding payment account

MG 3 Dividend withholding payment account

MG 4 Credits arising to dividend withholding payment account

MG 5 Debits arising to dividend withholding payment account

MG 6 Company may attach dividend withholding payment credit to dividend

MG 7 Transfer by life insurance company of credit balance to policyholder credit account

MG 8 Allocation rules for dividend withholding payment credits

MG 9 Further dividend withholding payment payable by company

MG 10 Dividend with both imputation credit and dividend withholding payment credit attached

MG 11 Transfer of credit balance to imputation credit account

Credits and debits incorrectly recorded

MG 12 Determinations by Commissioner as to credits and debits arising to dividend withholding payment credit account

Consolidated groups

MG 13 Dividend withholding payment accounts and consolidated groups

MG 14 Credits arising to group dividend withholding payment account

MG 15 Debits arising to group dividend withholding payment account

MG 16 Debiting and crediting between group and individual dividend withholding payment accounts

MG 16A Application of specific dividend withholding provisions to consolidated groups

Amalgamated companies

MG 17 Debits and credits arising to dividend withholding payment account of amalgamated company on amalgamation

Subpart MH—Payment of tax by public authorities

MH 1 Payment of tax by public authorities

Subpart MI—Conduit tax relief accounts

MI 1 Balance of conduit tax relief account

MI 2 Company may elect to be conduit tax relief company and maintain conduit tax relief account

MI 3 Conduit tax relief account

MI 4 Credits arising to conduit tax relief account

MI 5 Debits arising to conduit tax relief account

MI 6 End of imputation year clearing transfer to or from dividend withholding payment account

MI 7 Attachment of conduit tax relief credit to dividend

MI 8 Allocation rules for conduit tax relief credits

MI 9 Arrangement to obtain a tax advantage

MI 10 Further dividend withholding payment payable in respect of conduit tax relief account debit

MI 11 Refund of tax in respect of transfer from dividend withholding payment account

Credits and debits incorrectly recorded

MI 12 Correction by Commissioner of credits and debits

MI 13 Debits and credits arising to conduit tax relief account of amalgamated company on amalgamation

Consolidated groups

MI 14 Consolidated group to maintain separate conduit tax relief account

MI 15 Consolidated group conduit tax relief account

MI 16 Consolidated group member is conduit tax relief company

MI 17 Credits arising to group conduit tax relief account

MI 18 Debits arising to group conduit tax relief account

MI 19 Debits and credits arising to dividend withholding payment account of individual conduit tax relief accounts

MI 20 End of imputation year clearing transfer to or from dividend withholding payment account

Consolidated groups

MI 12A Application of specific dividend withholding provisions to consolidated groups

Amalgamated companies

MG 17 Debits and credits arising to dividend withholding payment account of amalgamated company on amalgamation

MF 16 Debits and credits arising to branch equivalent tax account of amalgamated company on amalgamation

Subpart MG—Dividend withholding payment accounts

MG 1 Balance of dividend withholding payment account

MG 2 Company may elect to maintain dividend withholding payment account

MG 3 Dividend withholding payment account

MG 4 Credits arising to dividend withholding payment account

MG 5 Debits arising to dividend withholding payment account

MG 6 Company may attach dividend withholding payment credit to dividend

MG 7 Transfer by life insurance company of credit balance to policyholder credit account

MG 8 Allocation rules for dividend withholding payment credits

MG 9 Further dividend withholding payment payable by company

MG 10 Dividend with both imputation credit and dividend withholding payment credit attached

MG 11 Transfer of credit balance to imputation credit account

Credits and debits incorrectly recorded

MG 12 Determinations by Commissioner as to credits and debits arising to dividend withholding payment credit account

Consolidated groups

MG 13 Dividend withholding payment accounts and consolidated groups

MG 14 Credits arising to group dividend withholding payment account

MG 15 Debits arising to group dividend withholding payment account

MG 16 Debiting and crediting between group and individual dividend withholding payment accounts

MG 16A Application of specific dividend withholding provisions to consolidated groups

Amalgamated companies

MG 17 Debits and credits arising to dividend withholding payment account of amalgamated company on amalgamation

Subpart MH—Payment of tax by public authorities

MH 1 Payment of tax by public authorities

Subpart MI—Conduit tax relief accounts

MI 1 Balance of conduit tax relief account

MI 2 Company may elect to be conduit tax relief company and maintain conduit tax relief account

MI 3 Conduit tax relief account

MI 4 Credits arising to conduit tax relief account

MI 5 Debits arising to conduit tax relief account

MI 6 End of imputation year clearing transfer to or from dividend withholding payment account

MI 7 Attachment of conduit tax relief credit to dividend

MI 8 Allocation rules for conduit tax relief credits

MI 9 Arrangement to obtain a tax advantage

MI 10 Further dividend withholding payment payable in respect of conduit tax relief account debit

MI 11 Refund of tax in respect of transfer from dividend withholding payment account

Credits and debits incorrectly recorded

MI 12 Correction by Commissioner of credits and debits

MI 13 Debits and credits arising to conduit tax relief account of amalgamated company on amalgamation

Consolidated groups

MI 14 Consolidated group to maintain separate conduit tax relief account

MI 15 Consolidated group conduit tax relief account

MI 16 Consolidated group member is conduit tax relief company

MI 17 Credits arising to group conduit tax relief account

MI 18 Debits arising to group conduit tax relief account

MI 19 Debits and credits arising to dividend withholding payment account of individual conduit tax relief accounts

MI 20 End of imputation year clearing transfer to or from dividend withholding payment account

Consolidated groups

MI 12A Application of specific dividend withholding provisions to consolidated groups

Amalgamated companies

MG 17 Debits and credits arising to dividend withholding payment account of amalgamated company on amalgamation

Subpart MH—Payment of tax by public authorities

MH 1 Payment of tax by public authorities

Subpart MI—Conduit tax relief accounts

MI 1 Balance of conduit tax relief account

MI 2 Company may elect to be conduit tax relief company and maintain conduit tax relief account

MI 3 Conduit tax relief account

MI 4 Credits arising to conduit tax relief account

MI 5 Debits arising to conduit tax relief account

MI 6 End of imputation year clearing transfer to or from dividend withholding payment account

MI 7 Attachment of conduit tax relief credit to dividend

MI 8 Allocation rules for conduit tax relief credits

MI 9 Arrangement to obtain a tax advantage

MI 10 Further dividend withholding payment payable in respect of conduit tax relief account debit

MI 11 Refund of tax in respect of transfer from dividend withholding payment account

Credits and debits incorrectly recorded

MI 12 Correction by Commissioner of credits and debits

MI 13 Debits and credits arising to conduit tax relief account of amalgamated company on amalgamation

Consolidated groups

MI 14 Consolidated group to maintain separate conduit tax relief account

MI 15 Consolidated group conduit tax relief account

MI 16 Consolidated group member is conduit tax relief company

MI 17 Credits arising to group conduit tax relief account

MI 18 Debits arising to group conduit tax relief account

MI 19 Debits and credits arising to dividend withholding payment account of individual conduit tax relief accounts

MI 20 End of imputation year clearing transfer to or from dividend withholding payment account
MI 21 Further dividend withholding payment payable in respect of conduit tax relief account debits

MI 22 Application of specific conduit tax relief account provisions to consolidated groups

Subpart MJ—Supplementary available subscribed capital accounts

MJ 1 Qualifying unit trust or group investment fund may elect to maintain supplementary available subscribed capital account

MJ 2 Balance of supplementary available subscribed capital account

MJ 3 Supplementary available subscribed capital account

MJ 4 Supplementary available subscribed capital account—opening balance

MJ 5 Credits arising to supplementary available subscribed capital account

MJ 6 Debits arising to supplementary available subscribed capital account

Liquidation of qualifying unit trust or group investment fund

MJ 7 Special rule for certain qualifying unit trusts and group investment funds

Credits and debits incorrectly recorded

MJ 8 Correction by Commissioner of credits and debits

Subpart MZ—Terminating provisions

MZ 1 Savings for certain credits arising in relation to overpayment of income tax or dividend withholding payment

MZ 2 Ordering rule for purposes of section MZ 1

MZ 3 Transfers of dividend withholding payment credit balance to imputation credit account

MZ 4 Attachment of dividend withholding payment credits to dividends to non-residents

MZ 5 Application of excess tax to nil period

MZ 6 Application of excess tax for 2001–02 tax year

MZ 7 Application of allocation debit rules to certain dividends

Part N

Withholding taxes and taxes on income of others

Subpart NB—General

NB 1 Withholding tax obligations of consolidated group members

Subpart NC—Withholding of tax by employers: PAYE

Tax deductions

NC 1 Application of PAYE rules

NC 2 Tax deductions to be made by employers

NC 3 Tax deductions from amounts credited to or applied for employees

NC 4 Benefits and superannuation and other payments deemed to be salary or wages

NC 5 Payment to be made by employee where tax deduction exceeds source deduction payment

Amounts of tax deductions

NC 6 Amounts of tax deductions

Reduced deductions

NC 7 Delivery of withholding declaration

NC 8 Application of tax codes specified in tax code declarations or tax code certificates

NC 8A Entitlement to undertake employment

NC 9 Cessation of transitional tax allowance for purposes of tax code

NC 10 Amount of total tax deduction where several deductions made for 1 week

NC 11 Increased deductions to cover deficiency in deductions from advance payments

NC 12 Amount of tax deductions for pay period current when tax deductions altered

NC 12A Employee using incorrect tax code

NC 13 Power of Commissioner to reduce tax deductions

NC 14 Special tax code certificates

Duties of employer as to deductions

NC 15 Payment of tax deductions to Commissioner

Employee’s duties where deductions not made

NC 16 Employee to pay deductions to Commissioner
Income Tax

Assessment and payment of tax
NC 17 Assessment and payment of tax

Miscellaneous provisions
NC 18 Bond in lieu of tax deductions in case of certain non-resident employees
NC 19 Amount of tax deductions deemed to be received by employee
NC 20 Application of other provisions to amounts payable under PAYE rules
NC 21 Regulations
Subpart ND—Fringe benefit tax
ND 1 Employer’s liability for fringe benefit tax

Value of fringe benefits
ND 1A Private use of motor vehicle: value of benefit
ND 1B Private use of motor vehicle: test period to establish private use
ND 1C Subsidised transport: value of benefit
ND 1D Employment-related loans: value of benefit
ND 1E Employment-related loans: repayment
ND 1F Employment-related loans: regulations
ND 1G Meaning of prescribed interest
ND 1H Contributions to superannuation schemes: value of benefit
ND 1I Insurance contributions: value of benefit
ND 1J Goods: value of benefit
ND 1K Services: value of benefit
ND 1L When value of fringe benefit cannot be ascertained
ND 1M Meaning of identical goods
ND 1N Goods at staff discount
ND 1O Goods on special with staff discount
ND 1P Definitions for sections ND 1N and ND 1O
ND 1Q Unclassified benefits
ND 1R Adjustments for unclassified benefits on amalgamation

Taxable value of fringe benefits
ND 1S Payments towards fringe benefits
ND 1T Private use of motor vehicle: determining taxable value in cases of part ownership
ND 1U Private use of motor vehicle: when schedular value not used
ND 1V Private use of motor vehicle: when schedular value used

Application
ND 1W Application

Payment of fringe benefit tax
ND 2 Election to pay fringe benefit tax per quarter
ND 3 Attributed fringe benefits
ND 4 Attributed fringe benefits: exception for subsidised transport
ND 5 Multi-rate calculation for attributed fringe benefits
ND 5A Special rule for fringe benefits attributed to shareholder-employees or employees receiving attributed income

ND 6 Calculation of fringe benefit tax on non-attributed fringe benefits
ND 7 Definition of cash remuneration
ND 7A Timing of certain cash remuneration
ND 8 Special rule for employer who stops employing staff during tax year
ND 9 Payment of fringe benefit tax: first 3 quarters of tax year
ND 10 Payment of fringe benefit tax: final quarter of tax year
ND 11 Payment of fringe benefit tax: no fringe benefit provided during quarter
ND 12 Special filing rule for employer who stops employing staff during tax year
ND 13 Payment of fringe benefit tax on annual basis for employees who are not shareholder-employees
ND 14 Payment of fringe benefit tax on income year basis for shareholder-employees
ND 15 Change in period for which fringe benefit tax payable
ND 16 Amendment to thresholds for fringe benefit categories by Order in Council

Subpart NE—Specified superannuation contribution withholding tax
NE 1 Application
NE 2 Specified superannuation contribution withholding tax imposed
NE 2AA Employee election that specified superannuation contributions be subject to higher rate of specified superannuation contribution withholding tax
NE 2A Employee election that specified superannuation contributions be treated as salary or wages
Income Tax

NE 3 Specified superannuation contribution withholding tax to be deducted
NE 4 Period for payment
NE 5 Failure to deduct tax
NE 6 Tax deemed for certain purposes to have been received by superan-
nuation fund
NE 7 Application of other provisions to specified superannuation con-
tribution withholding tax
Subpart NEA—Tax on certain withdrawals from superannuation funds
NEA 1 Recovery of tax paid by superannua-
tion fund
Subpart NF—Resident withholding tax
NF 1 Application of RWT rules
NF 2 Deduction of resident withholding tax
NF 2A Election to apply higher rate of deduction
NF 2B Companies to notify interest payer
NF 2C Transitional rule: notifications by companies between 1 April 2001 and 31 May 2001 (both dates inclusive)
NF 2D Election rates of deduction for companies
NF 3 Requirements for agents or trustees to make resident withholding tax deductions on receipt of payments
NF 4 Payment of deductions of resident withholding tax
NF 5 Non-resident withholding tax deducted in substitution for resident withholding tax
Miscellaneous provisions
NF 6 Resident withholding tax deductions varied to correct errors
NF 7 Refunds of deductions
NF 8 Resident withholding tax deductions from dividends deemed to be dividend withholding payment credits
NF 9 Certificates of exemption
NF 10 Unincorporated bodies
NF 11 Cancellation of certificates of exemption
NF 12 Amount of resident withholding tax deduction deemed to have been received
NF 13 Application of other provisions in relation to resident withholding tax
Subpart NG—Non-resident withholding tax
General
NG 1 Application of NRWT rules
NG 2 Non-resident withholding tax imposed
NG 3 Non-resident withholding tax to be final tax in certain cases
NG 4 Non-resident withholding tax to be minimum tax in certain cases
NG 5 Persons who may apply for approval
NG 6 Approval of person as approved issuer
NG 7 Revocation of approval
Deduction of non-resident withholding tax
NG 8 Deduction of non-resident withholding tax
NG 9 Non-resident withholding tax on dividends not paid in money
NG 10 Power of Commissioner to grant relief from or vary amount of deductions
Payment of non-resident withholding tax
NG 11 Payment of deductions of non-resident withholding tax to Commissioner
NG 12 Person deriving non-resident withholding income to pay non-resident withholding tax to Commissioner
NG 13 Failure to make deductions of non-resident withholding tax or to make payments to Commissioner
Miscellaneous provisions
NG 14 Non-resident withholding tax on dividends paid to company under control of non-resident
NG 15 Deductions of non-resident withholding tax deemed to be received by person entitled to payment
NG 16 Non-resident withholding tax deducted in error
NG 16A Variation in non-resident withholding tax deductions to correct errors
NG 17 Application of other provisions to non-resident withholding tax
Subpart NH—Dividend withholding payments
### Income Tax

<table>
<thead>
<tr>
<th>NH 1</th>
<th>Liability to make deduction in respect of foreign withholding payment dividend</th>
</tr>
</thead>
<tbody>
<tr>
<td>NH 2</td>
<td>Amount of dividend withholding payment to be deducted</td>
</tr>
<tr>
<td>NH 3</td>
<td>Payment and recovery of dividend withholding payment</td>
</tr>
<tr>
<td>NH 4</td>
<td>Refund for overpayment and to company in loss</td>
</tr>
<tr>
<td></td>
<td>Consolidated groups</td>
</tr>
<tr>
<td>NH 5</td>
<td>Dividend withholding payments and consolidated groups</td>
</tr>
<tr>
<td>NH 6</td>
<td>Application of specific dividend withholding payment provisions to consolidated groups</td>
</tr>
<tr>
<td></td>
<td>Conduit tax relief</td>
</tr>
<tr>
<td>NH 7</td>
<td>Reduction in liability under conduit tax relief</td>
</tr>
<tr>
<td></td>
<td>Subpart NZ—Terminating provisions</td>
</tr>
<tr>
<td>NZ 1</td>
<td>Adjustment of dividends payable to preference shareholders</td>
</tr>
<tr>
<td></td>
<td><strong>Part O</strong> Definitions and related matters</td>
</tr>
<tr>
<td>Subpart OB—General definitions</td>
<td></td>
</tr>
<tr>
<td>OB 1</td>
<td>Definitions</td>
</tr>
<tr>
<td>OB 2</td>
<td>Meaning of source deduction payment: shareholder-employees of close companies</td>
</tr>
<tr>
<td>OB 3</td>
<td>Meaning of qualifying company</td>
</tr>
<tr>
<td>OB 4</td>
<td>Meaning of income tax</td>
</tr>
<tr>
<td></td>
<td>Subpart OC—Special entities subject to tax</td>
</tr>
<tr>
<td>OC 1</td>
<td>Airport operators</td>
</tr>
<tr>
<td>OC 2</td>
<td>Statutory producer boards</td>
</tr>
<tr>
<td>OC 3</td>
<td>Co-operative marketing companies: regulations</td>
</tr>
<tr>
<td></td>
<td>Subpart OD—Control interests, associated parties, and nominees</td>
</tr>
<tr>
<td>OD 1</td>
<td>Defining when company is under control of persons</td>
</tr>
<tr>
<td></td>
<td>Measurement of control and ownership interests</td>
</tr>
<tr>
<td>OD 2</td>
<td>Purpose of provisions governing measurement of voting and market value interests</td>
</tr>
<tr>
<td>OD 3</td>
<td>Voting interests</td>
</tr>
<tr>
<td>OD 4</td>
<td>Market value interests</td>
</tr>
<tr>
<td>OD 5</td>
<td>Modifications to measurement of voting and market value interests in case of continuity provisions</td>
</tr>
<tr>
<td></td>
<td>OD 5A Modifications to measurement of voting and market value interests in cases of continuity provisions and demutualisation of insurers</td>
</tr>
<tr>
<td></td>
<td>OD 5B Modifications to measurement of voting and market value interests in cases of continuity provisions and legislative conversion of companies of proprietors</td>
</tr>
<tr>
<td></td>
<td>OD 6 Modifications to measurement of voting and market value interests in case of credit account continuity provisions</td>
</tr>
<tr>
<td></td>
<td>Associated persons</td>
</tr>
<tr>
<td></td>
<td>OD 7 Defining when 2 persons are associated persons</td>
</tr>
<tr>
<td></td>
<td>OD 8 Further definitions of associated persons</td>
</tr>
<tr>
<td></td>
<td>Nominees</td>
</tr>
<tr>
<td></td>
<td>OD 9 Nominees are transparent</td>
</tr>
<tr>
<td></td>
<td>Subpart OE—Source of income and residence</td>
</tr>
<tr>
<td></td>
<td>OE 1 Determination of residence of person other than company</td>
</tr>
<tr>
<td></td>
<td>OE 2 Determination of residence of company</td>
</tr>
<tr>
<td></td>
<td>OE 3 Classes of income treated as having source in New Zealand</td>
</tr>
<tr>
<td></td>
<td>OE 4 Commission agency contracts performed out of New Zealand</td>
</tr>
<tr>
<td></td>
<td>OE 5 Conduit tax relief holding companies and group members</td>
</tr>
<tr>
<td></td>
<td>OE 6 Residence of conduit tax relief company shareholders</td>
</tr>
<tr>
<td></td>
<td>Subpart OF—References to balance dates and years</td>
</tr>
<tr>
<td></td>
<td>OF 1 References to balance dates and years generally</td>
</tr>
<tr>
<td></td>
<td>OF 2 References to years in particular provisions</td>
</tr>
<tr>
<td></td>
<td><strong>Part Y</strong> Repeals, amendments, and savings</td>
</tr>
<tr>
<td></td>
<td>YA 1 Repeals</td>
</tr>
<tr>
<td></td>
<td>YA 2 Consequential amendments to other enactments</td>
</tr>
<tr>
<td></td>
<td>YA 3 Transitional provisions</td>
</tr>
<tr>
<td></td>
<td>YA 4 Saving of binding rulings</td>
</tr>
<tr>
<td></td>
<td>YA 5 Saving of accrual determinations</td>
</tr>
</tbody>
</table>

33
The Parliament of New Zealand enacts as follows:

A 1 Title

This Act is the Income Tax Act 2002. Compare: 1994 No 164 s A 1(1)

A 2 Commencement

1 April 2004

(1) This Act comes into force on 1 April 2004.

Act effective for 2004–05 tax year and later
(2) However, except when the context requires otherwise, this Act applies only—
   (a) with respect to the tax on income derived in the 2004–05 tax year and later tax years, in the case of a person whose income year is the same as the tax year; and
   (b) with respect to the tax on income derived in the corresponding income years, in the case of a person whose income year is not the same as the tax year.

Deﬁned: corresponding income year, income, income year, tax, tax year

Compare: 1994 No 164 s A 1(2), (3)

Part A
Purpose and interpretation

Index
AA 1 Purpose of Act
AA 2 Interpretation
AA 3 Deﬁnitions

AA 1 Purpose of Act
The main purposes of this Act are—
   (a) to deﬁne, and impose tax on, net income:
   (b) to impose obligations concerning tax:
   (c) to set out rules for calculating tax and for satisfying the obligations imposed.

Deﬁned: net income, tax

Compare: 1994 No 164 s AA 1

AA 2 Interpretation

Aids to interpretation
(1) Diagrams, ﬂowcharts, readers’ notes, and the lists of deﬁned terms following sections are included in this Act only as interpretational aids. If there is conﬂict between an interpretational aid and a provision of this Act, the provision prevails.

Deﬁned terms