

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.

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

- 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

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<p>CU 13 Non-resident mining operators</p> <p>CU 14 Recovery of reinvestment profit on disposal of mining shares</p> <p>CU 15 Recovery of reinvestment profit not used for mining purposes</p> <p>CU 16 Recovery of reinvestment profit on repayment of loans</p> <p>CU 17 Repayment by mining company of amount written off</p> <p>CU 18 Amount treated as repayment for purposes of section CU 17: excess</p> <p>CU 19 Amount treated as repayment for purposes of section CU 17: net income</p> <p>CU 20 Mining company or mining holding company liquidated</p> <p style="text-align: center;"><i>Definitions</i></p> <p>CU 21 Income from mining</p> <p>CU 22 Mining company</p> <p>CU 23 Mining development expenditure</p> <p>CU 24 Mining exploration expenditure</p> <p>CU 25 Mining operations</p> <p>CU 26 Mining venture</p> <p>CU 27 Resident mining operator</p> <p>CU 28 Other definitions</p> <p style="text-align: center;">Subpart CV—Income specific to certain entities</p> <p>CV 1 Group companies</p> <p>CV 2 Crown Research Institutes</p> <p style="text-align: center;">Subpart CW—Exempt income</p> <p><i>Income from business or trade-like activities</i></p> <p>CW 1 Forestry companies buying land with standing timber from Crown, Maori owners, or holding company</p> <p>CW 2 Forestry encouragement agreements</p> <p>CW 3 Forestry companies and Maori investment companies</p> <p style="text-align: center;"><i>Income from holding property (excluding equity)</i></p> <p>CW 4 Annuities under life insurance policies</p> <p>CW 5 Payments of interest: post-war credits</p> <p>CW 6 Payments of interest: farm mortgages</p> <p>CW 7 Foreign-sourced interest</p> <p>CW 8 Money lent to government of New Zealand</p> <p style="text-align: center;"><i>Income from equity</i></p> <p>CW 9 Dividend derived by company from overseas</p> <p>CW 10 Dividend within New Zealand wholly-owned group</p>	<p>CW 11 Dividend of conduit tax relief holding company</p> <p style="text-align: center;"><i>Employee or contractor income</i></p> <p>CW 12 Income of Governor-General</p> <p>CW 13 Expenditure on account, and reimbursement, of employees</p> <p>CW 14 Allowance for additional transport costs</p> <p>CW 15 Amounts derived during short-term visits</p> <p>CW 16 Amounts derived by visiting entertainers (including sportspersons)</p> <p>CW 17 Amounts derived by overseas experts and trainees in New Zealand by government arrangement</p> <p>CW 18 Income for military service in operational area</p> <p>CW 19 Deferred military pay for active service</p> <p>CW 20 Value of board for religious society members</p> <p>CW 21 Jurors' and witnesses' fees</p> <p style="text-align: center;"><i>Income from living allowances, compensation, and government grants</i></p> <p>CW 22 Pensions</p> <p>CW 23 Annuities from Crown Bank Accounts</p> <p>CW 24 Maintenance payments</p> <p>CW 25 Scholarships and bursaries</p> <p>CW 26 Allowances and benefits</p> <p>CW 27 Compensation payments</p> <p style="text-align: center;"><i>Income of certain entities</i></p> <p>CW 28 Public authorities</p> <p>CW 29 Local authorities</p> <p>CW 30 Charities: non-business income</p> <p>CW 31 Charities: business income</p> <p>CW 32 Charitable bequests</p> <p>CW 33 Friendly societies</p> <p>CW 34 Sick, accident, or death benefit fund</p> <p>CW 35 Bodies promoting amateur games and sports</p> <p>CW 36 TAB and racing clubs</p> <p>CW 37 Local and regional promotion bodies</p> <p>CW 38 Bodies promoting scientific or industrial research</p> <p>CW 39 Veterinary services bodies</p> <p>CW 40 Herd improvement societies</p> <p style="text-align: center;"><i>Income from certain activities</i></p> <p>CW 41 Non-resident aircraft operators</p> <p>CW 42 Disposal of companies' own shares</p>
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<p>CW 43 New Zealand companies operating in Niue</p> <p>CW 44 Stake money</p> <p style="padding-left: 20px;"><i>Foreign-sourced income of non-residents</i></p> <p>CW 45 Foreign-sourced income of non-residents</p> <p style="padding-left: 20px;"><i>General exemption under other Acts</i></p> <p>CW 46 Exemption under other Acts</p> <p style="padding-left: 20px;"><i>Income exempt under Parts F to I</i></p> <p>CW 47 Exemption under Parts to be rewritten</p> <p style="padding-left: 20px;">Subpart CX—Excluded income</p> <p style="padding-left: 40px;"><i>Goods and services tax</i></p> <p>CX 1 GST</p> <p style="padding-left: 20px;"><i>Fringe benefits</i></p> <p><i>Introductory provisions</i></p> <p>CX 2 When sections CX 2 to CX 33 apply</p> <p>CX 3 Past, present, or future employment</p> <p>CX 4 Arrangement to provide benefits</p> <p>CX 5 Employment income: relationship with subpart CE</p> <p>CX 6 Exempt income: relationship with subpart CW</p> <p>CX 7 When fringe benefits arise</p> <p><i>Fringe benefits: motor vehicles</i></p> <p>CX 8 Private use of motor vehicle</p> <p>CX 9 Private use of motor vehicle: use of work-related vehicle</p> <p>CX 10 Private use of motor vehicle: use by more than 1 employee</p> <p><i>Fringe benefits: other matters</i></p> <p>CX 11 Subsidised transport in course of employer's business</p> <p>CX 12 Employment-related loans</p> <p>CX 13 Employment-related loans: loans by life insurers</p> <p>CX 14 Contributions to superannuation schemes</p> <p>CX 15 Contributions to sick, accident, or death benefit funds</p> <p>CX 16 Contributions to insurance funds</p> <p>CX 17 Benefits provided to employees who are shareholders or investors</p> <p><i>Exclusions and limitations</i></p> <p>CX 18 Benefits provided instead of allowances</p> <p>CX 19 Benefits to enable performance of duties</p> <p>CX 20 Benefits to non-executive directors</p>	<p>CX 21 Benefits provided on premises</p> <p>CX 22 Benefits provided by charitable organisations</p> <p>CX 23 Non-liable payments</p> <p>CX 24 Assistance with tax returns</p> <p>CX 25 Accommodation</p> <p>CX 26 Entertainment</p> <p>CX 27 Distinctive work clothing</p> <p>CX 28 Services provided to superannuation fund</p> <p><i>Definitions</i></p> <p>CX 29 Meaning of emergency call</p> <p>CX 30 Meaning of employee share loan</p> <p>CX 31 Meaning of private use</p> <p>CX 32 Meaning of unclassified benefit</p> <p>CX 33 Meaning of work-related vehicle</p> <p style="padding-left: 20px;"><i>Insurance</i></p> <p>CX 34 Life insurers and fully reinsured persons</p> <p>CX 35 Superannuation fund deriving amount from life insurance policy</p> <p>CX 36 Resident insurance underwriters</p> <p style="padding-left: 20px;"><i>Petroleum mining</i></p> <p>CX 37 Disposal of ownership interests in controlled petroleum mining entities</p> <p>CX 38 Farm-out arrangements for petroleum mining</p> <p style="padding-left: 20px;"><i>Mineral mining</i></p> <p>CX 39 Disposal of mining shares</p> <p>CX 40 Disposal of mining shares acquired with reinvestment profit</p> <p>CX 41 Repayment of loans made from reinvestment profit</p> <p style="padding-left: 20px;"><i>Government grants</i></p> <p>CX 42 Government grants to businesses</p> <p style="padding-left: 20px;"><i>Superannuation contributions</i></p> <p>CX 43 Employer's superannuation contributions</p> <p style="padding-left: 20px;"><i>Income equalisation schemes</i></p> <p>CX 44 Income equalisation schemes</p> <p style="padding-left: 20px;"><i>Inflation-indexed instruments</i></p> <p>CX 45 Credits for inflation-indexed instruments</p> <p style="padding-left: 20px;"><i>Income excluded under Parts F to I</i></p> <p>CX 46 Income excluded under Parts F to I</p> <p style="padding-left: 20px;">Subpart CY—Income under Parts F to I</p> <p>CY 1 Amounts that are income under Parts to be rewritten</p>
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<p style="text-align: center;">Subpart CZ—Terminating provisions</p> <p>CZ 1 Recovery of deductions for software acquired before 1 April 1993</p> <p>CZ 2 General insurance with risk period straddling 1 July 1993</p> <p>CZ 3 Exempt interest: overseas money lent to government or local or public authority before 29 July 1983</p> <p>CZ 4 Mineral mining: company making loan before 1 April 1979</p> <p>CZ 5 Mining company's 1970–71 tax year</p> <p>CZ 6 Farm-out arrangements for petroleum mining before 16 December 1991</p> <p>CZ 7 Disposal of ownership interests in controlled petroleum mining entities before 3 December 2001</p> <p>CZ 8 Treatment of superannuation fund interests in group investment funds on 1 April 1999</p> <p>CZ 9 Treatment of units and interests in unit trusts and group investment funds on issue as at 1 April 1996</p> <p>CZ 10 Exchange variations on 8 August 1975</p> <p>CZ 11 Transitional relief for calculation of attributed repatriation dividends: 2 July 1992</p> <p>CZ 12 Primary producer co-operative companies: 1987–88 income year</p> <p>CZ 13 Interest payable to exiting company: 2001</p> <p>CZ 14 Dividend of exiting company: 2001</p> <p>CZ 15 Available capital distribution amount: 1965 and 1985 to 1992</p> <p style="text-align: center;">Part D Deductions</p> <p style="text-align: center;">Subpart DA—General rules</p> <p>DA 1 General permission</p> <p>DA 2 General limitations</p> <p>DA 3 Effect of specific rules on general rules</p> <p>DA 4 Treatment of amount of depreciation loss</p> <p style="text-align: center;">Subpart DB—Specific rules for expenditure types</p> <p style="text-align: center;"><i>Taxes</i></p> <p>DB 1 Taxes and penalties (other than GST)</p> <p>DB 2 GST</p> <p>DB 3 Determining tax liabilities</p> <p>DB 4 Chatham Islands dues</p>	<p style="text-align: center;"><i>Financing costs</i></p> <p>DB 5 Transaction costs: borrowing money for use as capital</p> <p>DB 6 Interest: not capital expenditure</p> <p>DB 7 Interest: most companies need no nexus with income</p> <p>DB 8 Interest: money borrowed to acquire shares in group companies</p> <p style="text-align: center;"><i>Financial arrangements adjustments</i></p> <p>DB 9 Negative base price adjustment</p> <p>DB 10 Repayment of debt sold at discount to associate of debtor</p> <p>DB 11 Security payment</p> <p>DB 12 Sureties</p> <p style="text-align: center;"><i>Premises costs</i></p> <p>DB 13 Transaction costs: leases</p> <p>DB 14 Destruction of temporary building</p> <p>DB 15 Amount paid for non-compliance with covenant for repair</p> <p>DB 16 Lessors' offsetting deduction: amounts paid for non-compliance and change in use</p> <p style="text-align: center;"><i>Revenue account property</i></p> <p>DB 17 Cost of revenue account property</p> <p>DB 18 Acquiring commercial bills</p> <p>DB 19 Share losses</p> <p>DB 20 Undertakings or schemes involving property</p> <p>DB 21 Major land development begun after 10 years</p> <p>DB 22 Changes in permitted use of land</p> <p style="text-align: center;"><i>Bad debts</i></p> <p>DB 23 Bad debts</p> <p>DB 24 Bad debts owed to estates</p> <p style="text-align: center;"><i>Research and development</i></p> <p>DB 25 Scientific research</p> <p>DB 26 Research or development</p> <p>DB 27 Some definitions</p> <p>DB 28 Patent expenses</p> <p>DB 29 Patent rights: devising patented inventions</p> <p>DB 30 Patent rights acquired before 1 April 1993</p> <p>DB 31 Patent rights acquired on or after 1 April 1993</p> <p style="text-align: center;"><i>Marketing</i></p> <p>DB 32 Gifts of money by company</p> <p style="text-align: center;"><i>Theft and bribery</i></p> <p>DB 33 Property misappropriated by employees or service providers</p>
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<p>DB 34 Making good loss from misappropriation by partners</p> <p>DB 35 Restitution of stolen property</p> <p>DB 36 Bribes paid to public officials</p> <p style="text-align: center;"><i>Pollution control</i></p> <p>DB 37 Preventing pollution of environment</p> <p style="text-align: center;"><i>Repayments</i></p> <p>DB 38 Payments for remitted amounts</p> <p>DB 39 Restrictive covenant breached</p> <p style="text-align: center;"><i>Matching rules: revenue account property, prepayments, and deferred payments</i></p> <p>DB 40 Trading stock, livestock, and excepted financial arrangements</p> <p>DB 41 Adjustment for prepayments</p> <p>DB 42 Adjustment for deferred payment of employment income</p> <p style="text-align: center;"><i>Change to accounting practice</i></p> <p>DB 43 Adjustment for change to accounting practice</p> <p style="text-align: center;">Subpart DC—Employee or contractor expenditure</p> <p>DC 1 Lump sum payments on retirement</p> <p>DC 2 Pension payments to former employees</p> <p>DC 3 Pension payments to former partners</p> <p>DC 4 Payments to working partners</p> <p>DC 5 Contributions to employees' benefit funds</p> <p>DC 6 Contributions to employees' superannuation schemes</p> <p>DC 7 Attribution of personal services</p> <p>DC 8 Restrictive covenants or exit inducements</p> <p>DC 9 Sale of business: transferred employment income obligations</p> <p>DC 10 Transfers of employment income obligations to associates</p> <p>DC 11 Loans to employees under share purchase schemes</p> <p>DC 12 Criteria for approval of share purchase schemes: before period of restriction ends</p> <p>DC 13 Criteria for approval of share purchase schemes: when period of restriction ends</p> <p>DC 14 Some definitions</p> <p style="text-align: center;">Subpart DD—Entertainment expenditure</p> <p>DD 1 Entertainment expenditure generally</p> <p>DD 2 Limitation rule</p> <p>DD 3 When limitation rule does not apply</p> <p>DD 4 Employment-related activities</p>	<p>DD 5 Promoting businesses, goods, or services</p> <p>DD 6 Entertainment as business or for charitable purpose</p> <p>DD 7 Entertainment outside New Zealand</p> <p>DD 8 Entertainment that is income or fringe benefit</p> <p>DD 9 Relationship with fringe benefit tax rules</p> <p>DD 10 Interpretation: reimbursement and apportionment</p> <p>DD 11 Some definitions</p> <p style="text-align: center;">Subpart DE—Motor vehicle expenditure</p> <p style="text-align: center;"><i>Introductory provisions</i></p> <p>DE 1 What this subpart does</p> <p>DE 2 Deductions for business use</p> <p>DE 3 Methods for calculating proportion of business use</p> <p>DE 4 Default method for calculating proportion of business use</p> <p style="text-align: center;"><i>Actual records</i></p> <p>DE 5 Actual records</p> <p style="text-align: center;"><i>Logbook period</i></p> <p>DE 6 Using logbook for test period</p> <p>DE 7 Logbook requirements</p> <p>DE 8 Logbook term</p> <p>DE 9 Inadequate logbook</p> <p>DE 10 Variance during logbook term</p> <p>DE 11 Replacement vehicles</p> <p style="text-align: center;"><i>Mileage rates</i></p> <p>DE 12 Mileage rate method</p> <p>DE 13 Setting mileage rates</p> <p style="text-align: center;">Subpart DF—Government grants</p> <p>DF 1 Government grants to businesses</p> <p>DF 2 Repayment of grant-related suspension loans</p> <p style="text-align: center;">Subpart DN—Attributed losses from foreign equity</p> <p style="text-align: center;"><i>Attributed controlled foreign company loss</i></p> <p>DN 1 Attributed controlled foreign company loss</p> <p>DN 2 When attributed CFC loss arises</p> <p>DN 3 Calculation of attributed CFC loss</p> <p>DN 4 Ring-fencing cap on deduction</p> <p style="text-align: center;"><i>Foreign investment fund loss</i></p> <p>DN 5 Foreign investment fund loss</p> <p>DN 6 When FIF loss arises</p> <p>DN 7 Calculation of FIF loss</p> <p>DN 8 Ring-fencing cap on deduction: not branch equivalent method</p>
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<p>DN 9 Ring-fencing cap on deduction: branch equivalent method</p> <p style="padding-left: 20px;">Subpart DO—Farming and aquacultural business expenditure</p> <p style="padding-left: 40px;"><i>Farming</i></p> <p>DO 1 Enhancements to land, except trees</p> <p>DO 2 Shelter belts</p> <p>DO 3 Trees on farms</p> <p>DO 4 Improvements to farming land</p> <p>DO 5 Farming expenditure of lessor or sublessor</p> <p style="padding-left: 40px;"><i>Aquaculture</i></p> <p>DO 6 Improvements to aquacultural business</p> <p style="padding-left: 20px;">Subpart DP—Forestry expenditure</p> <p>DP 1 Cost of timber</p> <p>DP 2 Expenditure of forestry business</p> <p>DP 3 Plant or machinery</p> <p>DP 4 Improvements to forestry land</p> <p>DP 5 Forestry encouragement agreement: deductions</p> <p>DP 6 Forestry encouragement agreement: no deduction</p> <p>DP 7 Land contouring: no deduction</p> <p>DP 8 Forestry business on land bought from Crown, Maori owners, or holding company: no deduction</p> <p>DP 9 Cost of acquiring timber: forestry business on land bought from Crown, Maori owners, or holding company</p> <p>DP 10 Cost of acquiring timber or right to take timber: other cases</p> <p style="padding-left: 20px;">Subpart DQ—Income equalisation schemes</p> <p>DQ 1 Main income equalisation scheme</p> <p>DQ 2 Adverse event income equalisation scheme</p> <p>DQ 3 Thinning operations income equalisation scheme</p> <p style="padding-left: 20px;">Subpart DR—Life insurance business expenditure</p> <p>DR 1 Mortality profit formula: negative result</p> <p>DR 2 Disposal of property</p> <p>DR 3 Specific deductions denied to life insurers and fully reinsured persons</p> <p style="padding-left: 20px;">Subpart DS—Film industry expenditure</p> <p>DS 1 Acquiring film rights</p> <p>DS 2 Film production expenditure</p> <p>DS 3 Clawback of deductions for film reimbursement schemes</p> <p>DS 4 Reduction of deductions if limited recourse loan used</p>	<p>DS 5 Repayments of limited recourse loans</p> <p>DS 6 Meaning of film reimbursement scheme</p> <p>DS 7 Some definitions</p> <p>Subpart DT—Petroleum mining expenditure</p> <p style="padding-left: 20px;"><i>Petroleum exploration expenditure</i></p> <p>DT 1 Petroleum exploration expenditure</p> <p>DT 2 Arrangement for petroleum exploration expenditure and sale of property</p> <p>DT 3 Acquisition of licences and permits</p> <p>DT 4 Acquisition of exploratory material</p> <p style="padding-left: 20px;"><i>Petroleum development expenditure</i></p> <p>DT 5 Petroleum development expenditure</p> <p>DT 6 Expenditure on petroleum mining assets</p> <p>DT 7 Exploratory well expenditure</p> <p>DT 8 Acquisition of certain petroleum mining assets</p> <p>DT 9 Disposal of petroleum mining asset to associate</p> <p>DT 10 Disposal of petroleum mining asset outside association</p> <p>DT 11 Association ending</p> <p style="padding-left: 20px;"><i>Other expenditure</i></p> <p>DT 12 Disposal of ownership interests in controlled petroleum mining entities</p> <p>DT 13 Farm-out arrangements</p> <p>DT 14 Limited deduction for persons associated with petroleum miner</p> <p>DT 15 Removal or restoration operations</p> <p style="padding-left: 20px;"><i>General provisions</i></p> <p>DT 16 Attribution of expenditure</p> <p>DT 17 Replacement permits</p> <p>DT 18 Partnership interests and disposal of part of asset</p> <p>DT 19 Petroleum mining operations outside New Zealand</p> <p>Subpart DU—Mineral mining expenditure</p> <p>DU 1 When mining company has mining outgoing excess</p> <p>DU 2 Effect of mining company having mining outgoing excess</p> <p>DU 3 Mining exploration expenditure and mining development expenditure</p> <p>DU 4 Mining exploration expenditure or mining development expenditure on acquisition of asset</p> <p>DU 5 Replacing or repairing asset</p> <p>DU 6 Income appropriated to expenditure</p> <p>DU 7 Non-mining asset used to derive income from mining</p>
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<p>DU 8 Depreciation</p> <p>DU 9 Resident mining operators</p> <p>DU 10 Non-resident mining operators</p> <p>DU 11 Disposal of mining shares by company</p> <p>DU 12 Amount written off by holding company</p> <p>DU 13 Cost of non-specified mineral</p> <p style="padding-left: 20px;">Subpart DV—Expenditure specific to certain entities</p> <p style="padding-left: 40px;"><i>Superannuation funds</i></p> <p>DV 1 Publicising superannuation funds</p> <p>DV 2 Transfer of expenditure to master fund</p> <p>DV 3 Formula for calculating maximum deduction</p> <p>DV 4 Transfer of surplus expenditure</p> <p style="padding-left: 40px;"><i>Other entities</i></p> <p>DV 5 Investment funds: transfer of expenditure to master funds</p> <p>DV 6 Formula for calculating maximum deduction</p> <p>DV 7 Carry forward of expenditure of member fund</p> <p>DV 8 Group investment funds</p> <p>DV 9 Non-profit organisations</p> <p>DV 10 Trusts</p> <p>DV 11 Building societies</p> <p>DV 12 Maori authorities: donations</p> <p>DV 13 Group companies</p> <p>DV 14 Amalgamated company: expenditure on improvements for farming, aquacultural, and forestry businesses</p> <p style="padding-left: 20px;">Subpart DW—Expenditure specific to certain industries</p> <p style="padding-left: 40px;"><i>Airport operations</i></p> <p>DW 1 Airport operators</p> <p style="padding-left: 40px;"><i>Bloodstock racing</i></p> <p>DW 2 Bloodstock racing</p> <p style="padding-left: 20px;">Subpart DX—Other expenditure</p> <p>DX 1 Testamentary annuities</p> <p style="padding-left: 20px;">Subpart DY—Specific deduction rules in Parts F to I</p> <p>DY 1 Amounts that are deductions under Parts to be rewritten</p> <p>DY 2 Amounts that are not deductions under Parts to be rewritten</p> <p style="padding-left: 20px;">Subpart DZ—Terminating provisions</p> <p>DZ 1 Life insurers acquiring property before 1 April 1988</p> <p>DZ 2 General insurance with risk period straddling 1 July 1993</p>	<p>DZ 3 Film reimbursement scheme on or before 30 June 2001</p> <p>DZ 4 Petroleum mining: development expenditure from 1 October 1990 to 15 December 1991</p> <p>DZ 5 Expenditure on abandoned exploratory well before 16 December 1991</p> <p>DZ 6 Disposal of ownership interests in controlled petroleum mining entities before 3 December 2001</p> <p>DZ 7 Farm-out arrangements for petroleum mining before 16 December 1991</p> <p>DZ 8 Partnership interests and disposal of part of asset before 16 December 1991</p> <p>DZ 9 Petroleum mining operations outside New Zealand before 16 December 1991</p> <p>DZ 10 Mineral mining: 1954 to 2004</p> <p>DZ 11 Buying patent rights before 1 April 1993</p> <p>DZ 12 Premium paid on land leased before 1 April 1993</p> <p style="text-align: center;">Part E</p> <p style="text-align: center;">Timing and quantifying rules</p> <p style="padding-left: 20px;">Subpart EA—Matching rules: revenue account property, prepayments, and deferred payments</p> <p>EA 1 Trading stock, livestock, and excepted financial arrangements</p> <p>EA 2 Other revenue account property</p> <p>EA 3 Prepayments</p> <p>EA 4 Deferred payment of employment income</p> <p style="padding-left: 20px;">Subpart EB—Valuation of trading stock (including dealer's livestock)</p> <p style="padding-left: 40px;"><i>Introductory provisions</i></p> <p>EB 1 When this subpart applies</p> <p>EB 2 Meaning of trading stock</p> <p>EB 3 Valuation of trading stock</p> <p>EB 4 Summary of valuation methods</p> <p style="padding-left: 40px;"><i>Standard valuation</i></p> <p>EB 5 Cost of trading stock</p> <p>EB 6 Identifying trading stock</p> <p>EB 7 Cost-flow methods of assigning costs</p> <p>EB 8 Discounted selling price</p> <p>EB 9 Replacement price</p> <p>EB 10 Market selling value</p> <p>EB 11 Valuing closing stock consistently</p>
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<p style="text-align: center;"><i>Low-turnover valuation</i></p> <p>EB 12 Low-turnover valuation</p> <p>EB 13 Cost for low-turnover traders</p> <p>EB 14 Costs of manufacturing or producing trading stock</p> <p>EB 15 Allocation of costs for manufactured or produced trading stock</p> <p>EB 16 Costs of acquiring trading stock</p> <p>EB 17 Discounted selling price for low-turnover traders</p> <p>EB 18 Replacement price for low-turnover traders</p> <p>EB 19 Market selling value for low-turnover traders</p> <p>EB 20 Valuing closing stock consistently</p> <p style="text-align: center;"><i>Low-value trading stock</i></p> <p>EB 21 Valuing closing stock under \$5,000</p> <p style="text-align: center;"><i>Group company transfers</i></p> <p>EB 22 Transfers of trading stock within wholly-owned groups</p> <p style="text-align: center;">Subpart EC—Valuation of livestock</p> <p style="text-align: center;"><i>Introductory provisions</i></p> <p>EC 1 Valuation of livestock</p> <p>EC 2 General rule for valuation of livestock</p> <p>EC 3 Valuation methods</p> <p>EC 4 Interests in livestock</p> <p>EC 5 Changes in partnership interests</p> <p>EC 6 Value of livestock on death of person</p> <p>EC 7 Transfers of livestock within wholly-owned groups</p> <p style="text-align: center;"><i>Valuation of listed livestock</i></p> <p>EC 8 Application of sections EC 9 to EC 26</p> <p>EC 9 Valuation methods for listed livestock</p> <p style="text-align: center;"><i>Herd scheme</i></p> <p>EC 10 Herd scheme</p> <p>EC 11 Valuation under herd scheme</p> <p>EC 12 Herd value factor</p> <p>EC 13 Inaccurate herd value factor</p> <p>EC 14 Chatham Islands adjustment to herd value</p> <p>EC 15 Herd livestock disposed of before values set</p> <p>EC 16 Setting national average market values</p> <p style="text-align: center;"><i>National standard cost scheme</i></p> <p>EC 17 National standard cost scheme</p> <p>EC 18 Determination of national standard cost by Commissioner</p>	<p>EC 19 Methods for determining costs using national standard cost scheme</p> <p style="text-align: center;"><i>Cost price, market value, and replacement price options</i></p> <p>EC 20 Cost price, market value, or replacement price</p> <p style="text-align: center;"><i>Listed livestock under bailment, lease, or other arrangements</i></p> <p>EC 21 Bailee's treatment of livestock</p> <p>EC 22 Bailor's treatment of livestock</p> <p>EC 23 Profit-sharing arrangements for livestock</p> <p>EC 24 Some definitions</p> <p style="text-align: center;"><i>General provisions for listed livestock</i></p> <p>EC 25 Restrictions and limitations on use of valuation methods</p> <p>EC 26 Notices of election</p> <p style="text-align: center;"><i>Valuation of non-listed livestock</i></p> <p>EC 27 Application of sections EC 28 to EC 30</p> <p>EC 28 Closing value options</p> <p>EC 29 Enhanced production</p> <p>EC 30 Setting standard values</p> <p style="text-align: center;"><i>Valuation of high-priced livestock</i></p> <p>EC 31 Application of sections EC 32 to EC 35</p> <p>EC 32 Closing value of high-priced livestock</p> <p>EC 33 Livestock reaching national average market value</p> <p>EC 34 Livestock no longer used in breeding</p> <p>EC 35 Setting depreciation percentages</p> <p style="text-align: center;"><i>Valuation of bloodstock</i></p> <p>EC 36 Application of sections EC 37 to EC 46</p> <p>EC 37 First income year in breeding business</p> <p>EC 38 Later income years in breeding business</p> <p>EC 39 Reduction: bloodstock not previously used for breeding in New Zealand</p> <p>EC 40 Reduction: bloodstock previously used for breeding in New Zealand</p> <p>EC 41 Accident, birth deformity, or infertility</p> <p>EC 42 Other bloodstock</p> <p>EC 43 Residual value of bloodstock</p> <p>EC 44 Use of bloodstock for racing</p> <p>EC 45 Change of use of bloodstock in course of business</p>
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<p>EC 46 Replacement breeding stock</p> <p style="padding-left: 20px;">Subpart ED—Valuation of excepted financial arrangements</p> <p>ED 1 Valuation of excepted financial arrangements</p> <p>ED 2 Transfers of certain excepted financial arrangements within wholly-owned groups</p> <p style="padding-left: 20px;">Subpart EE—Depreciation</p> <p style="padding-left: 40px;"><i>Introductory provision</i></p> <p>EE 1 What this subpart does</p> <p style="padding-left: 40px;"><i>What ownership means</i></p> <p>EE 2 Nature of ownership of item</p> <p>EE 3 Ownership of goods subject to reservation of title</p> <p>EE 4 Ownership of lessee's improvements: lessee</p> <p>EE 5 Ownership of lessee's improvements: other person</p> <p style="padding-left: 40px;"><i>What is and is not depreciable property</i></p> <p>EE 6 What is depreciable property</p> <p>EE 7 What is not depreciable property</p> <p>EE 8 Election that property not be depreciable</p> <p style="padding-left: 40px;"><i>How amounts of depreciation loss and depreciation recovery income are calculated</i></p> <p>EE 9 Description of elements of calculation</p> <p>EE 10 Calculation rule: item temporarily not available</p> <p>EE 11 Calculation rule: income year in which item disposed of</p> <p style="padding-left: 40px;"><i>Methods</i></p> <p>EE 12 Depreciation methods</p> <p style="padding-left: 40px;"><i>Amount of depreciation loss under diminishing value method or straight-line method</i></p> <p>EE 13 Application of sections EE 14 to EE 19</p> <p>EE 14 Diminishing value or straight-line: calculating amount of depreciation loss</p> <p>EE 15 Amount of adjusted tax value</p> <p>EE 16 Amount resulting from standard calculation</p> <p>EE 17 Amount resulting from petroleum-related depreciable property calculation</p> <p>EE 18 Cost: change from diminishing value to straight-line method</p>	<p>EE 19 Cost: fixed life intangible property</p> <p style="padding-left: 40px;"><i>Amount of depreciation loss under pool method</i></p> <p>EE 20 Application of sections EE 21 to EE 24</p> <p>EE 21 Pool method: calculating amount of depreciation loss</p> <p>EE 22 Cases affecting pool</p> <p>EE 23 Combined pools</p> <p>EE 24 Property ceasing to qualify for pool</p> <p style="padding-left: 40px;"><i>Depreciation rates</i></p> <p>EE 25 Economic rate</p> <p>EE 26 Annual rate for item acquired in person's 1995–96 or later income year</p> <p>EE 27 Annual rate for fixed life intangible property</p> <p>EE 28 Special rate or provisional rate</p> <p>EE 29 Using economic or provisional rate instead of special rate</p> <p style="padding-left: 40px;"><i>Improvements, items of low value, or items no longer used</i></p> <p>EE 30 Improvements</p> <p>EE 31 Items of low value</p> <p>EE 32 Items no longer used</p> <p style="padding-left: 40px;"><i>Transfers of depreciable property between associated persons</i></p> <p>EE 33 Transfer of depreciable property on or after 24 September 1997</p> <p>EE 34 Transfer of radiocommunications licence right on or after 24 September 1997</p> <p>EE 35 Transfer of depreciable intangible property on or after 1 July 1997</p> <p style="padding-left: 40px;"><i>Disposals and similar events</i></p> <p>EE 36 Application of sections EE 40 to EE 43</p> <p>EE 37 Consideration for purposes of section EE 36</p> <p>EE 38 Items for purposes of section EE 36</p> <p>EE 39 Events for purposes of section EE 36</p> <p>EE 40 Effect of disposal or event</p> <p>EE 41 Amounts of depreciation recovery income and depreciation loss when items partly used for business</p> <p>EE 42 Amount of depreciation recovery income when lost or stolen items recovered</p> <p>EE 43 Amount of depreciation recovery income when compensation received</p>
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EE 44 Cost: GST

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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

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EE 52 Depreciable intangible property

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EE 54 Excluded depreciable property

EE 55 Maximum pooling value

EE 56 Poolable property

EE 57 Other definitions

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EF 2 Specified superannuation contribution withholding tax

EF 3 ACC levies and premiums

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EF 6 Different tax years

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EH 4 Main deposit

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<p>EH 32 Kind of person entitled to rebate of income tax</p> <p>EH 33 Amount of rebate of income tax</p> <p><i>Some definitions used in main income equalisation scheme</i></p> <p>EH 34 Some definitions used in main income equalisation scheme</p> <p>EH 35 Income from forestry: definition referred to in section EH 34</p> <p>EH 36 Main maximum deposit: definition referred to in section EH 34</p> <p>EH 37 Self-assessed adverse event: definition referred to in section EH 34</p> <p><i>Adverse event income equalisation scheme</i></p> <p><i>Application</i></p> <p>EH 38 Persons to whom adverse event income equalisation scheme applies</p> <p><i>Deposits and accounts</i></p> <p>EH 39 Adverse event deposit</p> <p>EH 40 Adverse event income equalisation account</p> <p><i>Interest</i></p> <p>EH 41 Interest on deposits in adverse event income equalisation account</p> <p><i>Deduction</i></p> <p>EH 42 Deduction of deposit</p> <p><i>Refunds: automatic</i></p> <p>EH 43 Refund of excess deposit</p> <p>EH 44 Income does not include excess deposit</p> <p><i>Refunds: on application</i></p> <p>EH 45 Application for refund by person, trustee of estate, Official Assignee, or liquidator</p> <p>EH 46 Refund on request</p> <p>EH 47 Income when refund given on request</p> <p>EH 48 Refund on retirement</p> <p>EH 49 Income when refund given on retirement, and election to allocate amount to earlier year</p> <p>EH 50 Refund on death</p> <p>EH 51 Income when refund given on death</p> <p>EH 52 Income when refund given on death, and election to allocate amount to earlier year</p> <p>EH 53 Income when refund given on death, and election to allocate amount to later year or years</p> <p>EH 54 Refund on bankruptcy</p> <p>EH 55 Income when refund given on bankruptcy</p>	<p>EH 56 Refund on liquidation</p> <p>EH 57 Income when refund given on liquidation</p> <p><i>Refunds: general provisions</i></p> <p>EH 58 Amendment of assessment</p> <p>EH 59 Minimum refund</p> <p>EH 60 Deposits from which refunds come</p> <p><i>Transfers</i></p> <p>EH 61 Transfer of deposit</p> <p><i>Some definitions used in adverse event income equalisation scheme</i></p> <p>EH 62 Some definitions used in adverse event income equalisation scheme</p> <p>EH 63 Adverse event maximum deposit: definition referred to in section EH 62</p> <p>EH 64 Self-assessed adverse event: definition referred to in section EH 62</p> <p><i>Thinning operations income equalisation scheme</i></p> <p><i>Application</i></p> <p>EH 65 Persons to whom thinning operations income equalisation scheme applies</p> <p><i>Deposits and accounts</i></p> <p>EH 66 Thinning operations deposit</p> <p>EH 67 Thinning operations income equalisation account</p> <p><i>Interest</i></p> <p>EH 68 Interest on deposits in thinning operations income equalisation account</p> <p><i>Deductions</i></p> <p>EH 69 Deduction of deposit</p> <p><i>Refunds: automatic</i></p> <p>EH 70 Refund of excess deposit</p> <p>EH 71 Income does not include excess deposit</p> <p><i>Refunds: on application</i></p> <p>EH 72 Application for refund by person or liquidator</p> <p>EH 73 Refund on request</p> <p>EH 74 Income when refund given on request</p> <p>EH 75 Refund for development or recovery</p> <p>EH 76 Income when refund given for development or recovery</p> <p>EH 77 Refund on liquidation</p> <p>EH 78 Income when refund given on liquidation</p>
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<p><i>Refunds: general provisions, and rebate of income tax</i></p> <p>EH 79 Sections of main income equalisation scheme that apply to thinning operations income equalisation scheme</p> <p><i>Some definitions used in thinning operations income equalisation scheme</i></p> <p>EH 80 Some definitions used in thinning operations income equalisation scheme</p> <p>EH 81 Thinning operations maximum deposit: definition referred to in section EH 80</p> <p>Subpart EI—Spreading of specific income</p> <p style="padding-left: 20px;"><i>Farming and forestry</i></p> <p>EI 1 Spreading backward of income from timber</p> <p style="padding-left: 20px;"><i>Land</i></p> <p>EI 2 Amount paid to lessor for non-compliance with covenant for repair</p> <p>EI 3 Amount paid for non-compliance: when lessor ceases to own land</p> <p>EI 4 Disposal of land to Crown</p> <p>EI 5 Leases: income derived in anticipation</p> <p style="padding-left: 20px;"><i>Intellectual property</i></p> <p>EI 6 Assigning or granting copyright</p> <p style="padding-left: 20px;"><i>Shareholder-employees</i></p> <p>EI 7 Matching rule for employment income of shareholder-employee</p> <p style="padding-left: 20px;"><i>Inflation-indexed instruments</i></p> <p>EI 8 Interest from inflation-indexed instruments</p> <p>Subpart EJ—Spreading of specific expenditure</p> <p style="padding-left: 20px;"><i>Farming and forestry</i></p> <p>EJ 1 Spreading backward of deductions for costs of timber</p> <p>EJ 2 Spreading forward of deductions for repairs to fishing boats</p> <p>EJ 3 Spreading forward of fertiliser expenditure</p> <p style="padding-left: 20px;"><i>Films</i></p> <p>EJ 4 Expenditure incurred in acquiring film rights in feature films</p> <p>EJ 5 Expenditure incurred in acquiring film rights in films other than feature films</p> <p>EJ 6 Film production expenditure for New Zealand films</p>	<p>EJ 7 Certification of New Zealand films</p> <p>EJ 8 Film production expenditure for films other than New Zealand films</p> <p>EJ 9 Interest on limited recourse loans</p> <p style="padding-left: 20px;"><i>Petroleum mining</i></p> <p>EJ 10 Petroleum development expenditure</p> <p>EJ 11 Relinquishing petroleum permit</p> <p>EJ 12 Disposal of petroleum mining asset</p> <p>EJ 13 Disposal of petroleum mining asset to associate</p> <p>EJ 14 Damaged assets</p> <p>EJ 15 Partnership interests and disposal of part of asset</p> <p>EJ 16 Petroleum mining operations outside New Zealand</p> <p><i>Definitions</i></p> <p>EJ 17 Meaning of offshore development</p> <p>EJ 18 Meaning of onshore development</p> <p style="padding-left: 20px;"><i>Leases</i></p> <p>EJ 19 Payment by lessee under personal property and operating leases</p> <p>EJ 20 Amount paid by lessee for non-compliance with covenant for repair</p> <p style="padding-left: 20px;"><i>Superannuation contributions</i></p> <p>EJ 21 Contributions to employees' superannuation schemes</p> <p>Subpart EW—Financial arrangements rules</p> <p style="padding-left: 20px;"><i>Introductory provisions</i></p> <p>EW 1 What this subpart applies to</p> <p>EW 2 Application of financial arrangements rules</p> <p>EW 3 Matters to which this subpart relates</p> <p style="padding-left: 20px;"><i>Persons to whom financial arrangements rules apply</i></p> <p>EW 4 New Zealand resident</p> <p>EW 5 Trustee not resident</p> <p>EW 6 Non-resident party becoming resident</p> <p>EW 7 Non-resident party carrying on business</p> <p>EW 8 Trustee of deceased's estate</p> <p>EW 9 Party changing from private or domestic purpose</p> <p style="padding-left: 20px;"><i>Financial arrangements to which financial arrangements rules apply: meaning of financial arrangement</i></p> <p>EW 10 What is a financial arrangement?</p> <p>EW 11 What is not a financial arrangement?</p> <p>EW 12 What is an excepted financial arrangement?</p>
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| <p>EW 13 Relationship between financial arrangements and excepted financial arrangements</p> <p>EW 14 Change from private or domestic purpose</p> <p>EW 15 Election to treat certain excepted financial arrangements as financial arrangements</p> <p style="text-align: center;"><i>Financial arrangements to which financial arrangements rules apply: date on and after which rules apply</i></p> <p>EW 16 Financial arrangements to which financial arrangements rules apply</p> <p style="text-align: center;"><i>Matters to which financial arrangements rules do not apply</i></p> <p>EW 17 What financial arrangements rules do not apply to</p> <p style="text-align: center;"><i>Calculation and allocation of income and expenditure over financial arrangement's term</i></p> <p>EW 18 When use of spreading method required</p> <p>EW 19 When use of spreading method not required</p> <p>EW 20 What spreading methods do</p> <p>EW 21 What is included when spreading methods used</p> <p>EW 22 Yield to maturity method or alternative</p> <p>EW 23 Straight-line method</p> <p>EW 24 Market valuation method</p> <p>EW 25 Choice among first 3 spreading methods</p> <p>EW 26 Determination method or alternative</p> <p>EW 27 Financial reporting method</p> <p>EW 28 Default method</p> <p>EW 29 Failure to use method for financial reporting purposes</p> <p>EW 30 Consistency of use of spreading method</p> <p>EW 31 Consistency of use of straight-line method and market valuation method</p> <p>EW 32 Change of spreading method</p> <p>EW 33 Spreading method adjustment formula</p> <p style="text-align: center;"><i>Calculation and allocation of income and expenditure when rights and obligations under financial arrangement cease</i></p> <p>EW 34 How base price adjustment calculated</p> <p>EW 35 When calculation of base price adjustment required</p> | <p>EW 36 When calculation of base price adjustment not required</p> <p>EW 37 Base price adjustment formula</p> <p style="text-align: center;"><i>Consideration when financial arrangement involves property or services</i></p> <p>EW 38 Consideration for agreement for sale and purchase of property or services, hire purchase agreement, specified option, or finance lease</p> <p>EW 39 Consideration for hire purchase agreement or finance lease</p> <p>EW 40 Consideration in foreign currency</p> <p>EW 41 Value relevant for non-financial arrangements rule</p> <p style="text-align: center;"><i>Consideration treated as paid to a person</i></p> <p>EW 42 Consideration when resident lender party ceases to be resident</p> <p>EW 43 Consideration when non-resident ceases to be party</p> <p>EW 44 Consideration when party dies</p> <p>EW 45 Consideration when financial arrangement distributed</p> <p>EW 46 Consideration affected by unfavourable factors</p> <p>EW 47 Consideration when disposal for no, or inadequate, consideration</p> <p>EW 48 Consideration when financial arrangement distributed in kind</p> <p style="text-align: center;"><i>Consideration treated as paid by a person</i></p> <p>EW 49 Consideration when resident debtor party ceases to be resident</p> <p>EW 50 Consideration when any of sections EW 5, EW 6, EW 8, and EW 9 applies</p> <p>EW 51 Consideration when acquisition for no, or inadequate, consideration</p> <p>EW 52 Consideration when debt sold at discount to associate of debtor</p> <p>EW 53 Consideration when debtor released from obligation</p> <p>EW 54 Consideration when debt forgiven for natural love and affection</p> <p>EW 55 Consideration when financial arrangement distributed in kind</p> <p style="text-align: center;"><i>Consideration when legal defeasance has occurred</i></p> <p>EW 56 Legal defeasance</p> <p style="text-align: center;"><i>Consideration when anti-avoidance provision applies</i></p> <p>EW 57 Anti-avoidance provisions</p> <p style="text-align: center;"><i>Income and deduction provisions specifically related to financial arrangements</i></p> |
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<p>EW 58 Income when debt forgiven to trustee</p> <p>EW 59 Income and deduction when debt sold at discount to associate of debtor</p> <p>EW 60 Deduction for security payment</p> <p style="padding-left: 40px;"><i>One kind of avoidance</i></p> <p>EW 61 Adjustment required</p> <p style="padding-left: 40px;"><i>Application of financial arrangements rules to cash basis persons</i></p> <p>EW 62 Description of cash basis person</p> <p>EW 63 Effect of being cash basis person</p> <p>EW 64 Natural person</p> <p>EW 65 Thresholds</p> <p>EW 66 Financial arrangements, income, and expenditure relevant to criteria</p> <p>EW 67 Exclusion by Commissioner</p> <p>EW 68 Trustee of deceased's estate</p> <p>EW 69 Election to use spreading method</p> <p>EW 70 When and how calculation of cash basis adjustment required</p> <p>EW 71 Cash basis adjustment formula</p> <p style="padding-left: 40px;">Subpart EX—Controlled foreign company and foreign investment fund rules</p> <p style="padding-left: 80px;"><i>Controlled foreign company rules</i></p> <p style="padding-left: 40px;"><i>When is a company a controlled foreign company?</i></p> <p>EX 1 When company is CFC</p> <p style="padding-left: 40px;"><i>Calculation of person's control interest</i></p> <p>EX 2 Four categories for calculating control interests</p> <p>EX 3 Control interest: total of direct, indirect, and associated person interests</p> <p>EX 4 Limits to requirement to include associated person interests</p> <p>EX 5 Direct control interests</p> <p>EX 6 Direct control interests include options and similar rights</p> <p>EX 7 Indirect control interests</p> <p style="padding-left: 40px;"><i>Calculation of person's income interest</i></p> <p>EX 8 Income interests: total of direct and indirect interests</p> <p>EX 9 Direct income interests</p> <p>EX 10 Indirect income interests</p> <p>EX 11 Options and similar rights in certain cases</p> <p>EX 12 Reduction of total income interests</p> <p>EX 13 Income interests of partners</p> <p style="padding-left: 40px;"><i>Ten percent threshold and variations in income interest level</i></p> <p>EX 14 Attribution: 10% threshold</p> <p>EX 15 Associates and 10% threshold</p>	<p>EX 16 Income interest on days of non-residence</p> <p>EX 17 Variations during accounting period: weighted average</p> <p style="padding-left: 40px;"><i>Calculation of attributed CFC income or loss</i></p> <p>EX 18 Formula for calculating attributed CFC income or loss</p> <p>EX 19 Taxable distribution from non-qualifying trust</p> <p>EX 20 Reduction in attributed CFC loss</p> <p style="padding-left: 40px;"><i>Calculation of branch equivalent income or loss</i></p> <p>EX 21 Branch equivalent income or loss: calculation rules</p> <p style="padding-left: 40px;"><i>Grey list exemption</i></p> <p>EX 22 Unqualified grey list CFCs</p> <p>EX 23 Qualified grey list CFCs</p> <p style="padding-left: 40px;"><i>Residence of companies</i></p> <p>EX 24 Residence in grey list country</p> <p>EX 25 Companies moving to or from New Zealand</p> <p style="padding-left: 40px;"><i>Change of CFC's balance date</i></p> <p>EX 26 Change of CFC's balance date</p> <p style="padding-left: 40px;"><i>Ownership measurement concession</i></p> <p>EX 27 Use of quarterly measurement</p> <p style="padding-left: 40px;"><i>Anti-avoidance rule: stapled stock</i></p> <p>EX 28 Anti-avoidance rule: stapled stock</p> <p style="padding-left: 80px;"><i>Foreign investment fund rules</i></p> <p style="padding-left: 40px;"><i>What is a foreign investment fund?</i></p> <p>EX 29 Foreign investment funds</p> <p style="padding-left: 40px;"><i>Attributing interests in FIFs</i></p> <p>EX 30 Attributing interests in FIFs</p> <p>EX 31 Direct income interests in FIFs</p> <p>EX 32 CFC rules exemption</p> <p>EX 33 Grey list exemption</p> <p>EX 34 Foreign exchange control exemption</p> <p>EX 35 Immigrant's 4 year exemption</p> <p>EX 36 Immigrant's exemption for accrued superannuation entitlement</p> <p>EX 37 Exemption for non-resident's pension or annuity</p> <p style="padding-left: 40px;"><i>Calculation of FIF income or loss</i></p> <p>EX 38 Four calculation methods</p> <p>EX 39 Exclusion of amounts of death benefit</p> <p>EX 40 Limits on choice of calculation methods</p> <p>EX 41 Default calculation method</p>
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<p>EX 42 Accounting profits method</p> <p>EX 43 Branch equivalent method</p> <p>EX 44 Comparative value method</p> <p>EX 45 Deemed rate of return method</p> <p><i>Additional FIF income or loss if CFC owns FIF</i></p> <p>EX 46 Additional FIF income or loss if CFC owns FIF</p> <p><i>Relationship with other provisions in Act</i></p> <p>EX 47 Codes: comparative value and deemed rate methods</p> <p>EX 48 Top-up FIF income: deemed rate of return method</p> <p>EX 49 Top-up FIF income: 1 April 1993 uplift interests</p> <p><i>Changing calculation method</i></p> <p>EX 50 Limits on changes of method</p> <p>EX 51 Consequences of changes in method</p> <p><i>Cases of entry into and exit from FIF rules</i></p> <p>EX 52 Migration of persons holding FIF interests</p> <p>EX 53 Changes in application of FIF exemptions</p> <p>EX 54 FIFs migrating from New Zealand</p> <p>EX 55 Death of persons holding FIF interests</p> <p><i>Measurement of cost</i></p> <p>EX 56 Measurement of cost</p> <p><i>Change of FIF's balance date</i></p> <p>EX 57 Change of FIF's balance date</p> <p><i>Market value rules</i></p> <p>EX 58 Market value of life policy and superannuation entitlements</p> <p>EX 59 Non-market transactions in FIF interests</p> <p><i>Commissioner's default assessment power</i></p> <p>EX 60 Commissioner's default assessment power</p> <p style="padding-left: 40px;">Subpart EY—Life insurance rules</p> <p style="padding-left: 80px;"><i>Introductory provisions</i></p> <p>EY 1 What this subpart applies to</p> <p>EY 2 Matters to which this subpart relates</p> <p>EY 3 Meaning of actuarial reserves</p> <p>EY 4 Actuarial reserves: calculation</p> <p>EY 5 Actuarial reserves: actuary's declaration</p> <p>EY 6 Actuarial reserves: powers of Commissioner</p> <p>EY 7 Meaning of claim</p> <p>EY 8 Meaning of life insurance</p> <p>EY 9 Meaning of life insurance policy</p>	<p>EY 10 Meaning of life insurer</p> <p>EY 11 Meaning of life reinsurance</p> <p>EY 12 Meaning of life reinsurance policy</p> <p>EY 13 Life insurance and life reinsurance: how sections relate</p> <p style="padding-left: 40px;"><i>Premium loading</i></p> <p>EY 14 How premium loading is calculated</p> <p>EY 15 Premium loading: when life insurers providing life insurance at start of income year</p> <p>EY 16 Premium loading: when life insurers not providing life insurance at start of income year</p> <p>EY 17 Premium loading formulas</p> <p>EY 18 Premium loading formulas: when life insurers not providing life insurance at start of income year</p> <p>EY 19 Premium loading formulas: option when more than 1 life insured</p> <p>EY 20 Premium loading formula (life): when annuity payable on death</p> <p>EY 21 Premium loading formulas: when annuity payable on survival to date or age specified in policy</p> <p>EY 22 Premium loading formula (life): when partial reinsurance exists</p> <p>EY 23 Premium loading formulas: individual result may never be negative</p> <p style="padding-left: 40px;"><i>Mortality profit</i></p> <p>EY 24 How mortality profit is calculated</p> <p>EY 25 Mortality profit: when life insurers providing life insurance at start of income year</p> <p>EY 26 Mortality profit: when life insurers not providing life insurance at start of income year</p> <p>EY 27 Mortality profit formula</p> <p>EY 28 Mortality profit formula: when life insurers not providing life insurance at start of income year</p> <p>EY 29 Mortality profit formula: option when more than 1 life insured</p> <p>EY 30 Mortality profit formula: when annuity payable on death</p> <p>EY 31 Mortality profit formula: when partial reinsurance exists</p> <p>EY 32 Mortality profit formula: individual result may be negative only in some cases</p> <p>EY 33 Mortality profit formula: negative result</p> <p style="padding-left: 40px;"><i>Discontinuance profit</i></p> <p>EY 34 How discontinuance profit is calculated</p>
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EY 35	Discontinuance profit for income year	EZ 7	Amounts of depreciation recovery income and depreciation loss for part business use in or before 1992–93 income year
EY 36	Discontinuance profit formula (existing policies)	EZ 8	Amount of depreciation loss for item acquired from associated person on or before 23 September 1997
EY 37	Discontinuance profit formula (new policies)	EZ 9	Annual rate for item acquired on or after 1 April 1993 and before end of person's 1994–95 income year
EY 38	Discontinuance profit formula (existing policies): when partial reinsurance exists	EZ 10	Pre-1993 depreciation rate
EY 39	Discontinuance profit formula (new policies): when partial reinsurance exists	EZ 11	Annual rate for excluded depreciable property: 1992–93 tax year
EY 40	Discontinuance profit formulas: individual result may never be negative	EZ 12	Amount of depreciation loss for plant or machinery additional to section EZ 11 amount
	<i>Policyholder income</i>	EZ 13	Additional amount of depreciation loss: between 16 December 1991 and 1 April 1994
EY 41	How policyholder income is calculated	EZ 14	Section EZ 13 amount of depreciation loss when items transferred between companies in wholly-owned group before 1 April 1993
EY 42	Policyholder income formula	EZ 15	Section EZ 13 amount of depreciation loss when person previously exempt from tax acquires item
EY 43	Policyholder income formula: when partial reinsurance exists	EZ 16	Adjusted tax value for software acquired before 1 April 1993
EY 44	Policyholder income formula: when life insurance business transferred	EZ 17	Sections EE 37 and EE 39: permanent removal: allowance before 1 April 1995
	<i>Disposal of property</i>	EZ 18	Base value and total deductions in section EE 46: before 1 April 1995
EY 45	Income from disposal of property		<i>Definitions</i>
EY 46	Deductions for disposal of property	EZ 19	New item
	<i>Non-resident life insurers</i>	EZ 20	New Zealand-new item
EY 47	Non-resident life insurers with life insurance policies in New Zealand	EZ 21	Qualifying capital value
EY 48	Non-resident life insurer may become resident	EZ 22	Qualifying improvement
	Subpart EZ—Terminating provisions	EZ 23	Qualifying item
	<i>Foreign investment fund rules</i>		<i>Life insurance</i>
EZ 1	FIF interests held on 1 April 1993	EZ 24	Deductions for disposal of property: 1982–83 and 1989–90 income years
	<i>Petroleum mining</i>	EZ 25	Life insurers acquiring property before 1 April 1988
EZ 2	Petroleum development expenditure from 1 October 1990 to 15 December 1991		<i>Superannuation funds</i>
	<i>Accident insurance</i>	EZ 26	Withdrawals on or between 14 and 30 September 2000 from late balance date superannuation funds
EZ 3	Base premium for 1998–99 premium year under Accident Insurance Act 1998		<i>Livestock</i>
EZ 4	Private insurers under Accident Insurance Act 1998	EZ 27	Valuation of livestock bailed or leased as at 2 September 1992
	<i>Depreciation</i>		
EZ 5	Pool method for items accounted for by globo method for 1992–93 income year		
EZ 6	Pool items accounted for by globo method for 1992–93 income year		

Income Tax

<p style="text-align: center;"><i>Patent rights</i></p> <p>EZ 28 Buying patent rights before 1 April 1993</p> <p style="text-align: center;"><i>Leases of land</i></p> <p>EZ 29 Premium paid on land leased before 1 April 1993</p> <p style="text-align: center;"><i>Old financial arrangements rules</i></p> <p>EZ 30 Application of old financial arrangements rules</p> <p>EZ 31 Election to apply financial arrangements rules in subpart EH</p> <p>EZ 32 Accruals in relation to income and expenditure in respect of financial arrangements</p> <p>EZ 33 Excepted financial arrangement that is part of financial arrangement</p> <p>EZ 34 Cash basis holder</p> <p>EZ 35 Income and expenditure where financial arrangement redeemed or disposed of</p> <p>EZ 36 Forgiveness of debt</p> <p>EZ 37 Accrued income written off</p> <p>EZ 38 Sale of debt to associate of debtor</p> <p>EZ 39 Post facto adjustment</p> <p>EZ 40 Variable principal debt instruments</p> <p>EZ 41 Relationship with rest of Act</p> <p>EZ 42 Application of old financial arrangements rules</p> <p>EZ 43 Election to treat short term trade credit as financial arrangement</p> <p>EZ 44 Election to continue to treat certain excepted financial arrangements as financial arrangements</p> <p>EZ 45 Definitions</p> <p>EZ 46 Determination of core acquisition price where consideration for property denominated in foreign currency</p> <p>EZ 47 Rules for non-market transactions</p> <p>EZ 48 Transitional adjustment when changing to financial arrangements rules</p> <p>EZ 49 References to new rules include old rules</p> <p style="text-align: center;">Part F</p> <p style="text-align: center;">Apportionment and recharacterised transactions</p> <p style="text-align: center;">Subpart FB—Apportionment</p> <p>FB 2 Apportionment of income derived partly in New Zealand and partly elsewhere</p> <p>FB 3 Disposal of trading stock</p> <p>FB 4 Income derived from disposal of trading stock together with other assets of business</p>	<p>FB 4A Land on revenue account</p> <p>FB 7 Depreciation: partial income-producing use</p> <p style="text-align: center;">Subpart FC—Recharacterisation</p> <p style="text-align: center;"><i>Debentures and notes</i></p> <p>FC 1 Floating rate of interest on debentures</p> <p>FC 2 Interest on debentures issued in substitution for shares</p> <p style="text-align: center;"><i>Shares</i></p> <p>FC 3 Share dealing</p> <p>FC 4 Valuation adjustments where company acquires its shares</p> <p style="text-align: center;"><i>Leases</i></p> <p>FC 5 Assets purchased and resold after deduction of payments under lease</p> <p>FC 6 Effect of specified lease on lessor and lessee</p> <p>FC 7 Income of lessor under specified lease</p> <p>FC 8 Deduction to lessee under specified lease</p> <p style="text-align: center;"><i>Finance leases</i></p> <p>FC 8A Lease of lease asset treated as sale</p> <p>FC 8B Rules for lease asset during term of finance lease</p> <p>FC 8C Termination of finance lease</p> <p>FC 8D Lessor's use of lease asset after finance lease ends</p> <p>FC 8E Purchase and sale of lease asset by lessee or associated person</p> <p>FC 8F Lessor's income</p> <p>FC 8G Deduction to lessee</p> <p>FC 8H Adjustment required for consecutive or successive leases</p> <p>FC 8I Adjustment</p> <p style="text-align: center;"><i>Hire purchase</i></p> <p>FC 9 Purpose</p> <p>FC 10 Taxation of hire purchase agreements</p> <p style="text-align: center;"><i>Non-resident general insurers</i></p> <p>FC 13 Premiums derived by non-resident general insurers treated as being derived from New Zealand</p> <p>FC 14 Non-resident general insurers' income</p> <p>FC 15 Non-resident general insurers' expenditure</p> <p>FC 16 Liability to make return and pay income tax</p> <p>FC 17 Premiums paid to residents of Switzerland and the Netherlands</p>
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<p style="text-align: center;"><i>Non-resident shippers</i></p> <p>FC 18 Non-resident shippers' income</p> <p>FC 19 Non-resident shippers' excluded income</p> <p>FC 20 Non-resident shippers' expenditure</p> <p style="text-align: center;"><i>Non-resident film renters</i></p> <p>FC 21 Amounts derived by non-residents from renting films</p> <p style="text-align: center;">Subpart FD—Consolidation of companies</p> <p>FD 1 Purpose and application of consolidated grouping provisions</p> <p>FD 2 Interpretation</p> <p>FD 3 Companies which may constitute consolidated group</p> <p>FD 4 Formation of consolidated group</p> <p>FD 5 Company may not be member of more than 1 consolidated group</p> <p>FD 6 Nominated companies</p> <p>FD 7 Joining existing consolidated group</p> <p>FD 8 Leaving consolidated group</p> <p>FD 9 Part income year accounts and part tax year income allocation</p> <p>FD 10 Special provisions relating to dispositions of property</p> <p>FD 11 Application of international tax rules</p> <p style="text-align: center;">Subpart FE—Amalgamation</p> <p>FE 1 Amalgamation of companies: purpose</p> <p>FE 2 Cancellation of shares held by amalgamating company on amalgamation</p> <p>FE 3 Deduction to amalgamated company for bad debts and expenditure</p> <p>FE 4 Amalgamated company to assume unexpired accrual expenditure and profits or gains of amalgamating company</p> <p>FE 5 Transfer of property or obligations under financial arrangements deemed to be at market value</p> <p>FE 6 Acquisition of property by amalgamated company on qualifying amalgamation</p> <p>FE 7 Succession of obligations of amalgamating company under financial arrangement on amalgamation</p> <p>FE 8 Amalgamated company to assume rights and obligations of amalgamating company</p> <p>FE 9 Amalgamation not to result in deemed income or remission of liabilities</p> <p>FE 10 Treatment of financial arrangements between amalgamating companies</p>	<p style="text-align: center;">Subpart FF—Matrimonial transfers</p> <p>FF 1 Shares or options</p> <p>FF 2 Financial arrangements</p> <p>FF 3 Business stock in hand</p> <p>FF 4 Personal property</p> <p>FF 5 Commercial bills</p> <p>FF 6 Land</p> <p>FF 7 Disposal of timber under matrimonial agreement</p> <p>FF 8 Patent rights</p> <p>FF 9 Listed livestock</p> <p>FF 10 Non-listed livestock</p> <p>FF 11 High-priced livestock</p> <p>FF 12 Bloodstock</p> <p>FF 13 Trading stock</p> <p>FF 14 Leased assets</p> <p>FF 15 Amount of depreciation loss for qualifying items</p> <p>FF 16 Depreciable property</p> <p>FF 17 Pensions</p> <p>FF 18 Land used in specified activity</p> <p>FF 19 Mining assets</p> <p style="text-align: center;">Subpart FG—Apportionment of interest costs</p> <p>FG 1 Purpose of this subpart</p> <p>FG 2 Entities to which apportionment rule potentially applies</p> <p>FG 3 Circumstances in which apportionment required</p> <p>FG 4 Rules for calculating New Zealand group debt percentage</p> <p>FG 5 Rules for calculating worldwide group debt percentage</p> <p>FG 6 Concession for on-lending</p> <p>FG 7 Concession for exchange rate fluctuations</p> <p>FG 8 Apportionment of interest deductions</p> <p>FG 9 Treatment of specified leases and interest expense</p> <p>FG 10 Mode of elections</p> <p style="text-align: center;">Subpart FH—Foreign attributed income excess interest allocation</p> <p>FH 1 Circumstances in which group excess interest allocation required</p> <p>FH 2 Rules for determining company's foreign attributed income group</p> <p>FH 3 Rules for determining New Zealand foreign attributed income group debt percentage</p> <p>FH 4 Rules for determining consolidated foreign attributed income group debt percentage</p>
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<p>FH 5 Rule for calculating group excess interest allocation amount</p> <p>FH 6 Rule for calculating company's excess interest allocation percentage</p> <p>FH 7 Rule for calculating individual excess interest allocation amount</p> <p>FH 8 Rules for applying surplus group excess interest allocation amount to increase income tax and dividend withholding payment</p> <p style="text-align: center;">Subpart FZ—Terminating provisions</p> <p>FZ 1 Deduction for dividends paid on certain preference shares</p> <p>FZ 2 Amounts owing under convertible notes deemed to be share capital and holders deemed to be shareholders</p> <p style="text-align: center;">Part G</p> <p style="text-align: center;">Avoidance and non-market transactions</p> <p style="text-align: center;">Subpart GB—Avoidance: general</p> <p>GB 1 Agreements purporting to alter incidence of tax to be void</p> <p style="text-align: center;">Subpart GC—Avoidance: specific</p> <p>GC 1 Arrangement to defeat application of cross-border arrangement provision</p> <p>GC 2 Arrangements to defeat application of net loss carry forward provisions</p> <p>GC 3 Effect on continuity provisions of change in beneficiaries of trust</p> <p>GC 4 Arrangement to defeat application of net loss offset provisions</p> <p>GC 5 Arrangement to defeat application of qualifying company provisions</p> <p>GC 6 Arrangement to defeat application of depreciation provisions</p> <p>GC 7 Arrangements in respect of CFCs</p> <p>GC 8 Arrangement to defeat application of CFC attributed repatriation provisions</p> <p>GC 9 Variations in control or income interests in foreign companies</p> <p>GC 10 Attributed CFC income and FIF income: arrangements in respect of elections</p> <p>GC 11A Non-market transactions to acquire film rights</p> <p>GC 11B Manipulation of arrangements to acquire film rights</p> <p>GC 12 Petroleum mining</p> <p>GC 14 Income assessable to beneficiaries</p> <p>GC 14A Sale or transfer of commercial bill to New Zealand resident</p> <p>GC 14B Attribution rule for personal services</p>	<p>GC 14C Definitions for use in section GC 14B</p> <p>GC 14D Attribution rule: calculation</p> <p>GC 14E Attribution rule: exception</p> <p>GC 14F Arrangement to avoid application of restrictive covenant rule</p> <p style="text-align: center;"><i>Fringe benefit tax</i></p> <p>GC 15 Benefit given to associated person of employee</p> <p>GC 16 Value of motor vehicle acquired from associated person</p> <p>GC 17 Fringe benefit tax: general</p> <p style="text-align: center;"><i>Deductions</i></p> <p>GC 18 Agreements not to make tax deductions to be void</p> <p>GC 19 Resident withholding tax</p> <p>GC 20 Agreements not to make resident withholding tax deductions to be void</p> <p style="text-align: center;"><i>Imputation</i></p> <p>GC 21 Imputation continuity requirements</p> <p>GC 22 Imputation: arrangement to obtain tax advantage</p> <p>GC 23 Imputation: dividend paid by another company</p> <p>GC 24 Application of specific imputation provisions to consolidated groups</p> <p>GC 25 Avoidance of dividend withholding payments</p> <p>GC 26 Arrangement to defeat application of branch equivalent tax account provisions</p> <p>GC 27 Arrangement to defeat application of dividend withholding payment account provisions</p> <p style="text-align: center;"><i>Tax credits for family support and family plus</i></p> <p>GC 28 Tax credits for family support and family plus</p> <p style="text-align: center;">Subpart GD—Non-market transactions</p> <p style="text-align: center;"><i>Trading stock</i></p> <p>GD 1 Sale of trading stock for inadequate consideration</p> <p>GD 2 Distribution of trading stock to shareholders of company</p> <p style="text-align: center;"><i>Remuneration</i></p> <p>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</p> <p>GD 4 Payments to taxpayer's spouse</p>
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<p>GD 5 Excessive remuneration by close company to shareholder, director, or relative</p> <p style="text-align: center;"><i>Superannuation and life insurance</i></p> <p>GD 6 Value of loans provided by superannuation fund deemed to be income of fund</p> <p>GD 7 Distribution of property to policyholders</p> <p>GD 8 Superannuation schemes</p> <p style="text-align: center;"><i>Land</i></p> <p>GD 9 Land transferred between associated persons</p> <p>GD 10 Leases for inadequate rent</p> <p style="text-align: center;"><i>Other non-market transactions</i></p> <p>GD 11 Financial arrangements rules</p> <p>GD 12 Non-market transactions for incurring film production expenditure</p> <p>GD 12A Film production expenditure if payments postponed or contingent</p> <p>GD 12B Manipulation of arrangements to incur film production expenditure</p> <p>GD 13 Cross-border arrangements between associated persons</p> <p>GD 14 Attributing interests in FIFs</p> <p>GD 15 Disposal of timber, or right to take timber, or standing timber to associated person</p> <p style="text-align: center;">Subpart GE—Non-market transactions: specific</p> <p>GE 1 New Zealand Raspberry Marketing Council</p> <p style="text-align: center;">Subpart GZ—Terminating provisions</p> <p>GZ 1 Pre-1974 agreements purporting to alter incidence of tax</p> <p style="text-align: center;">Part H</p> <p style="text-align: center;">Treatment of net income of certain entities</p> <p style="text-align: center;">Subpart HB—Consolidated groups of companies</p> <p>HB 1 Returns, assessments, and liability of consolidated group</p> <p>HB 2 Taxable income to be calculated generally as if group were single company</p> <p style="text-align: center;">Subpart HC—Special partnerships</p> <p>HC 1 Special partnerships</p> <p style="text-align: center;">Subpart HD—Partnerships</p> <p>HD 1 Assessment of partners, co-trustees, and joint venturers</p>	<p style="text-align: center;">Subpart HE—Unit trusts</p> <p>HE 1 Unit trusts</p> <p>HE 2 Group investment funds</p> <p style="text-align: center;">Subpart HF—Mutual associations</p> <p>HF 1 Profits of mutual associations in respect of transactions with members</p> <p style="text-align: center;">Subpart HG—Qualifying companies</p> <p>HG 1 Qualifying company regime</p> <p>HG 2 Determination of effective interest in company</p> <p>HG 3 Director elections, and revocation of director elections</p> <p>HG 4 Shareholder elections</p> <p>HG 5 Revocation of shareholder elections</p> <p>HG 6 Period of grace for new elections following death, revocation of shareholder election, or issue of new shares</p> <p>HG 7 Date on which non-complying company ceases to be qualifying company, and Commissioner's power to defer</p> <p>HG 8 Liability of electing shareholder for income tax of company</p> <p>HG 9 Taxation of shareholders in qualifying companies</p> <p>HG 10 Taxation of qualifying company</p> <p>HG 11 Taxation on election to become qualifying company</p> <p>HG 12 Payment of qualifying company election tax</p> <p>HG 13 Dividends from qualifying company</p> <p>HG 14 Loss attributing qualifying companies</p> <p>HG 14A Minority shareholders in loss attributing qualifying companies</p> <p>HG 15 Revocation of loss attribution elections</p> <p>HG 16 Net losses of loss attributing qualifying company to be attributed to shareholders</p> <p>HG 17 Attributed CFC losses and FIF losses</p> <p>HG 18 Company that ceases to be loss attributing qualifying company also ceases to be qualifying company</p> <p style="text-align: center;">Subpart HH—Trusts</p> <p>HH 1 Interpretation</p> <p>HH 1A Treatment of settlements on trust</p> <p>HH 2 Trusts settled by persons before becoming resident</p> <p>HH 3 Income assessable to beneficiaries</p>
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Income Tax

<p>HH 3A Beneficiary income of minors</p> <p>HH 3B Exemption for beneficiary income \$1,000 or less</p> <p>HH 3C Source of beneficiary income</p> <p>HH 3D Treatment of various settlements</p> <p>HH 3E Exceptions</p> <p>HH 3F Definitions of guardian, minor, and relative</p> <p>HH 4 Trustee income</p> <p>HH 5 Existing trusts becoming subject to tax</p> <p>HH 6 Distributions from trusts</p> <p>HH 7 Commissioner may determine amount of trustee income</p> <p>HH 8 Income received by trustee after death of deceased person</p> <p style="text-align: center;">Subpart HI—Maori authorities</p> <p>HI 1 Distributions and income of Maori authorities</p> <p>HI 1A Distribution by Treaty of Waitangi Fisheries Commission</p> <p>HI 3 Tax in respect of Maori authorities with more than 20 beneficiaries</p> <p>HI 4 Tax in respect of Maori authorities with 20 or fewer beneficiaries</p> <p>HI 5 Adjustments where section HI 3 or HI 4 ceases to apply by reason of change in number of beneficiaries</p> <p style="text-align: center;">Subpart HJ—Superannuation</p> <p>HJ 1 Government Superannuation Fund</p> <p style="text-align: center;">Subpart HK—Agency</p> <p style="text-align: center;"><i>Agents generally</i></p> <p>HK 1 Agent to make returns and be assessed as principal</p> <p>HK 2 Rate and amount of tax payable by agent</p> <p>HK 3 Liability of principal not affected</p> <p>HK 4 Agent may recover tax from principal</p> <p>HK 5 Agent may retain from money of principal amount required for tax</p> <p>HK 6 Assessment deemed authority for payment of tax by agent</p> <p>HK 7 Agents to be personally liable for payment of tax</p> <p>HK 8 Relation of principal and agent arising in effect</p> <p style="text-align: center;"><i>Special cases of agency</i></p> <p>HK 9 Guardian of person under disability to be agent</p> <p>HK 10 Liability of mortgagee in possession</p> <p>HK 11 Liability for tax payable by company left with insufficient assets</p>	<p>HK 12 Company deemed agent of debenture holders</p> <p>HK 13 Modification of agency provisions in respect of income from company debentures</p> <p>HK 14 Rents, royalties, or interest derived by Maori Trustee and not distributed</p> <p style="text-align: center;"><i>Agents of absentees and non-residents</i></p> <p>HK 16 Liability of agent of absentee principal for returns and tax</p> <p>HK 17 Partner of absentee deemed agent</p> <p>HK 18 Master of ship deemed agent of absentee owner</p> <p>HK 19 Tenant, mortgagor, or other debtor to be agent of absentee landlord, mortgagee, or other creditor</p> <p>HK 20 Person having disposal of income deemed agent</p> <p>HK 21 Company to be agent of absentee shareholders</p> <p>HK 22 Trustee of group investment fund to be agent of absentee investors</p> <p>HK 23 Banking company to be agent of absentee depositors</p> <p>HK 24 Liability as agent of employer of non-resident taxpayer and employer's agent</p> <p>HK 25 Non-resident trader to be agent of employees in New Zealand</p> <p>HK 26 Agents in New Zealand of principals resident abroad</p> <p style="text-align: center;">Subpart HZ—Terminating provisions</p> <p>HZ 1 Trust distributions</p> <p>HZ 2 Trusts that may become qualifying trusts</p> <p style="text-align: center;">Part I</p> <p style="text-align: center;">Treatment of net losses</p> <p style="text-align: center;">Subpart ID—Application of Part to schedular income</p> <p>ID 1 No offset in calculating some schedular income tax liabilities</p> <p style="text-align: center;">Subpart IE—Net losses</p> <p>IE 1 Net losses may be offset against future net income</p> <p>IE 2 Specified activity net losses</p> <p>IE 3 Attributed CFC net losses</p> <p>IE 4 FIF net losses</p> <p style="text-align: center;">Subpart IF—Net losses: companies</p> <p>IF 1 Net losses may be offset against future net income</p>
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Income Tax

<p>IF 2 Special provision in relation to net losses of companies for 1990–91 and 1991–92 income years</p> <p>IF 3 Attributed CFC net losses</p> <p>IF 4 Losses, attributed CFC net losses, and FIF net losses of amalgamating company</p> <p>IF 5 Ordering of losses of amalgamated company</p> <p>IF 6 Losses, attributed CFC net losses, and FIF net losses of amalgamated company</p> <p>IF 7 Offsetting supplementary dividend against net income</p> <p style="padding-left: 20px;">Subpart IG—Net losses: groups of companies</p> <p>IG 1 Companies included in group of companies</p> <p>IG 2 Net loss offset between group companies</p> <p>IG 3 Special provisions in relation to group companies for 1991–92 tax year</p> <p>IG 4 Group of companies attributed CFC net losses</p> <p>IG 5 Group of companies FIF net losses</p> <p>IG 6 Loss carry forward and grouping by consolidated group and consolidated group members</p> <p>IG 7 Attributed CFC net losses and FIF net losses of consolidated group members</p> <p>IG 8 Net losses, attributed CFC net losses, and FIF net losses of amalgamated company</p> <p>IG 9 Net losses, attributed CFC net losses, and FIF net losses offset against net income of amalgamated company</p> <p>IG 10 Net losses used to pay penalties</p> <p style="padding-left: 20px;">Subpart IH—Losses: miners</p> <p>IH 1 Losses of mining companies and petroleum miners</p> <p>IH 2 Companies engaged in exploring for, searching for, or mining petroleum</p> <p>IH 3 Loss carry back by petroleum miners</p> <p>IH 4 Companies engaged in exploring for, searching for, or mining certain minerals</p> <p>IH 5 Resident mining operators</p> <p style="padding-left: 20px;">Subpart II—Losses: life insurers</p> <p>II 1 Policyholder net losses</p>	<p>II 2 Policyholder net loss for tax year preceding 1990–91</p> <p>II 3 Carry forward of policyholder net loss</p> <p style="padding-left: 20px;">Subpart IZ—Withdrawal tax</p> <p>IZ 1 Application of this subpart</p> <p>IZ 2 Rate of withdrawal tax</p> <p>IZ 3 Withdrawal income</p> <p>IZ 4 Payment of withdrawal tax</p> <p>IZ 5 Evidence of liability in proceedings for recovery</p> <p>IZ 6 Relief in certain cases</p> <p>IZ 7 Application of other provisions to withdrawal tax</p> <p style="text-align: center;">Part K Rebates</p> <p style="padding-left: 20px;">Subpart KB—General</p> <p>KB 2 Proportionate adjustment to rebates on change of return date</p> <p>KB 3 Calculations of rebates producing negative amounts</p> <p style="padding-left: 20px;">Subpart KC—Individual rebates</p> <p>KC 1 Low income rebate</p> <p>KC 2 Rebate in certain cases for children</p> <p>KC 3 Transitional tax allowance</p> <p>KC 4 Rebate in certain cases for housekeeper</p> <p>KC 5 Rebate in respect of gifts of money</p> <p style="padding-left: 20px;">Subpart KD—Tax credits for family support and family plus</p> <p>KD A1 Calculation of tax credits under this subpart</p> <p>KD 1 Determination of net income</p> <p>KD 1A Family support and family plus</p> <p>KD 2 Calculation of subpart KD credit</p> <p>KD 2AA Rules for subpart KD credit</p> <p>KD 2AB Parental tax credit</p> <p>KD 2A Calculating net contributions to family support credit, child tax credit, and parental tax credit</p> <p>KD 3 Calculation of family tax credit</p> <p>KD 3A Rules for family tax credit</p> <p>KD 3B Applications for guaranteed minimum family tax credit</p> <p>KD 4 Allowance of credit of tax in end of year assessment</p> <p>KD 5 Credit of tax by instalments</p> <p>KD 5B Rates for interim instalments for period beginning on or after 1 July 1998</p> <p>KD 6 Chief executive to deliver credit of tax</p>
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<p>KD 7 Commissioner to deliver credit of tax by instalments</p> <p>KD 8 Credit of tax deemed to be excluded income</p> <p>KD 9 Advice</p> <p style="padding-left: 40px;">Subpart KE—Housing rebates</p> <p>KE 1 Rebate for interest on home vendor mortgages</p> <p style="padding-left: 40px;">Subpart KF—Rebates for non-residents</p> <p>KF 3 Rebates for absentees</p> <p style="padding-left: 40px;">Subpart KG—Industry-specific rebates</p> <p>KG 1 Rebate for savings in special farm, fishing vessel, and home ownership accounts</p> <p style="padding-left: 40px;">Subpart KH—Conduit tax relief</p> <p>KH 1 Conduit tax relief</p> <p>KH 2 Calculation of percentage of shareholders not resident</p> <p style="padding-left: 40px;">Subpart KZ—Terminating provisions</p> <p>KZ 1 Rebate from tax payable by persons receiving war pension</p> <p>KZ 2 Rebate in respect of loss not carried forward</p> <p>KZ 3 Continuation of rebates in respect of certain specified development projects</p> <p style="text-align: center;">Part L Credits</p> <p style="padding-left: 40px;">Subpart LB—Imputation credits: shareholders and imputation system</p> <p>LB 1 Determination of amount of credit in certain cases</p> <p>LB 1A Treatment of imputation credits of beneficiary minor</p> <p>LB 2 Credit of tax for imputation credit</p> <p style="padding-left: 40px;">Subpart LC—Foreign tax</p> <p>LC 1 Credits in respect of tax paid in country or territory outside New Zealand</p> <p>LC 1A Amendment of schedule 6 by Order in Council</p> <p>LC 2 Maximum credits</p> <p>LC 3 Recovery of excess credit allowed through not taking into account refund of foreign tax</p> <p>LC 4 Foreign tax credits: CFCs</p> <p>LC 5 Group of companies CFC tax credits</p> <p>LC 8 CFC tax credits of amalgamating company</p> <p>LC 9 Ordering of CFC tax credits of amalgamated company</p>	<p>LC 10 CFC tax credits of amalgamated company</p> <p>LC 11 CFC tax credits of amalgamated company credited against income tax liability of another company</p> <p>LC 12 CFC tax credits of company credited against income tax liability of amalgamated company</p> <p>LC 13 Information for credit to be furnished within 4 years</p> <p style="padding-left: 40px;"><i>Miscellaneous provisions</i></p> <p>LC 14 Ascertainment of New Zealand income tax liability</p> <p>LC 14A Source of dividends</p> <p>LC 15 United Kingdom tax on dividends</p> <p>LC 16 Foreign tax credits of consolidated group members</p> <p style="padding-left: 40px;">Subpart LD—Credit for tax paid or withheld</p> <p>LD 1 Tax deductions to be credited against tax assessed</p> <p>LD 2 Non-resident withholding tax: credit allowed</p> <p>LD 3 Resident withholding tax deductions to be credited against income tax assessed</p> <p>LD 6 Allowance for provisional tax paid by agent</p> <p>LD 7 Provisional tax to be credited against income tax liability</p> <p>LD 8 Credit of tax for dividend withholding payment credit in hands of shareholder</p> <p>LD 9 Refund to non-resident or exempt shareholders</p> <p style="padding-left: 40px;">Subpart LE—Non-resident investors</p> <p>LE 1 Purpose of subpart</p> <p>LE 2 Credits in respect of dividends to non-resident investors</p> <p>LE 3 Special rules for holding companies</p> <p>LE 4 Allocation of deductions by section LE 3 holding company</p> <p style="padding-left: 40px;">Subpart LF—Underlying foreign tax credits</p> <p>LF 1 Underlying foreign tax credits generally, and interpretation</p> <p>LF 2 Granting of underlying foreign tax credit</p> <p>LF 3 Amount of underlying foreign tax credit</p> <p>LF 4 Dividends from lower-tier companies</p> <p>LF 5 Dividends from grey list companies</p> <p>LF 6 Procedures with respect to underlying foreign tax credit</p>
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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

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AA 1	Purpose of Act
AA 2	Interpretation
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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