

Section OB 1 Definitions

Notes

- This table has been prepared on the basis that the current section OB 1 will be amended consequentially on the changes made in rewritten Parts A to E.
- An italicised term indicates that the definition is new.

DEFINED TERM	COMMENT
absolute value	Replace by definition set out below.
accident compensation levy	Omit.
accident compensation payment	Insert new definition set out below.
accident insurance contract	Insert new definition set out below.
ACC levy or premium	Insert new definition set out below.
accounting period	Replace by definition set out below.
accounting profits method	Replace by definition set out below.
accounting year	Review utility of definition.
accrual accounting method	Insert new definition set out below.
accrual expenditure	Replace 'sections EF1 and' by 'section'.
accrual rules	Omit.
active miner	Omit.
active service area	Insert new definition set out below.
actuarial reserves	Replace by definition set out below.
actuary	Paragraph (d) – replace by paragraph (d) set out below.
additional tax	Replace by definition set out below.
additional transport costs	Replace by definition set out below.
adjusted income tax liability	Insert new definition set out below.
adjusted tax value	Replace by definition set out below.
adverse event	Omit.
adverse event deposit	Insert new definition set out below.
adverse event income equalisation account	Replace by definition set out below.
adverse event income equalisation scheme	Insert new definition set out below.
adverse event maximum deposit	Insert new definition set out below.
agreement for the sale and purchase of property or services	Replace by definition set out below.
air transport	Omit.

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air transport from New Zealand	Replace by definition set out below.
aircraft operator	Omit.
allowable deduction	Omit.
allowable rebates	Replace by definition set out below.
amalgamated company	Replace by definition set out below.
amalgamating company	Replace by definition set out below.
amalgamation	Replace by definition set out below.
amount	Replace by definition set out below.
amount of restitution	Insert new definition set out below.
annual allowable deductions	Omit.
annual depreciation rate	Omit.
annual gross income	Omit.
annual income tax balance date	Replace by definition set out below.
annual rate	Insert new definition set out below.
applicable basic tax rate	Paragraph (a) - at the least, replace 'taxpayer'. Paragraph (b) - at the least, replace 'taxpayer'.
applicable surcharges	Omit.
aquaculture	Omit.
arrangement for assistance entered into by the government of New Zealand	Replace by definition set out below.
asset	Insert new definition set out below.
assessable gain	Omit.
assigned percentage	Omit.
associated mining operations	Replace by definition set out below.
associated person	Paragraph (b) - update section references. Paragraph (c) – update references to current sections EL 7(3)(b) and EZ 11; omit reference to current section EZ 9; add references to draft sections DB 7 and EH 57. Paragraph (d) – update section and subpart references. Paragraph (e) – update section references. Paragraph (f) – add new paragraph (f) set out below. Paragraph (g) – add new paragraph (g) set out below. There are general issues as to what is meant by 'associated person', such as whether the Crown is an associated person. These issues are best addressed in the context of rewriting Part O, rather than in the context of rewriting Parts A to E.
attributed CFC income	Insert new definition set out below.
attributed CFC loss	Insert new definition set out below.
attributed CFC net loss	Insert new definition set out below.
attributed foreign income	Omit.

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attributed foreign loss	Omit.
attributed foreign net loss	Omit.
attributed repatriation	At the least, update section reference.
attributing interest	Insert new definition set out below.
author	Replace by definition set out below.
available capital distribution amount	Insert new definition set out below.
available net loss	Replace 'taxpayer'.
available subscribed capital	Replace by definition set out below.
available subscribed capital per share	Omit.
available subscribed capital per share cancelled	Omit.
average market value	Omit.
balloted loan right	Replace by definition set out below.
base premium for the 1998-99 premium year	Insert new definition set out below.
basic economic depreciation rate	Omit.
beneficiary	Replace by definition set out below.
beneficiary income	Replace by definition set out below.
benefit	Omit.
benefit from money advanced	Omit.
bloodstock	Replace by definition set out below.
bloodstock owner	Insert new definition set out below.
book value	Omit.
branch equivalent company	At the least, replace 'foreign investment fund income', 'foreign investment fund loss', and 'taxpayer', and update section reference.
branch equivalent income	Insert new definition set out below.
branch equivalent loss	Insert new definition set out below.
branch equivalent income or loss	Omit.
branch equivalent method	Replace by definition set out below.
breeding stock	Omit.
broadcaster	Omit.
building society	Replace by definition set out below.
business	Paragraph (b) - replace by paragraph (b) set out below.
business contacts	Replace by definition set out below.
business of farming	Omit.
business premises	Replace by definition set out below.
business purposes or business use	Omit.
business purposes	Insert new definition set out below.

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business use	Insert new definition set out below.
calculation method	Replace by definition set out below.
cancellation	Insert new definition set out below.
capital film expenditure	Insert new definition set out below.
capital gain amount	Omit.
capital improvement	Omit.
capital limitation	Insert new definition set out below.
capital property	Insert new definition set out below.
cash accounting method	Insert new definition set out below.
cash basis person	Replace by definition set out below.
cash basis profession	Insert new definition set out below.
category A income	At the least, replace 'gross income'.
category B income	At the least, replace 'gross income'.
CFC	Insert new definition set out below.
claim	Replace by definition set out below.
class	Replace by definition set out below.
closing stock	At the least, update subpart reference; replace 'taxpayer'.
closing value	Replace by definition set out below.
collective agreement	Omit.
commercial bill	Replace by definition set out below.
commercial production	Replace by definition set out below.
company	Replace by definition set out below.
comparative value method	Replace by definition set out below.
completed	Replace by definition set out below.
conduct	At the least, replace 'taxpayer'.
consideration	Paragraph (a) – omit. Paragraph (b) – update section references; add reference to current section DM 1A. Paragraph (c) – replace by paragraph (c) set out below. Paragraph (d) – add new paragraph (d) set out below.
contract of insurance	Omit.
contract of service	Replace by definition set out below.
contribution	Replace by definition set out below.
control	Insert new definition set out below.
control interest	Replace by definition set out below.
control interest category	Insert new definition set out below.
controlled foreign company	Replace by definition set out below.
controlled petroleum mining company	Replace by definition set out below.
controlled petroleum mining entity	Replace by definition set out below.
controlled petroleum mining holding company	Replace by definition set out below.

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controlled petroleum mining holding trust	Replace by definition set out below.
controlled petroleum mining trust	Replace by definition set out below.
convertible credit	At the least, replace ‘taxpayer’.
convertible note	At the least, update section references.
cooperative company	Update section reference.
copyright	Omit.
core acquisition price	Omit.
corpus	At the least, replace allowable deduction and ‘gross income’.
corresponding income year	Insert new definition set out below.
cost [, in subpart EE...]	Replace by definition set out below.
cost [in the definition of ‘cost of timber’...]	Omit.
cost of acquisition	Omit.
cost of production	Omit.
cost of timber	Replace by definition set out below.
cost price	Paragraph (a) – at the least, update section and subpart references; replace ‘taxpayer’; omit ‘specified writedown’ and reference to current section EZ 1. Paragraph (b) – at the least, replace ‘gross income’ and ‘all allowable deductions in respect of depreciation allowed...by the Commissioner’; omit reference to current section EZ 7.
cost price option	At the least, update section and subpart references; omit reference to current section EZ 1.
cost valuation method	Omit.
counted associate	Insert new definition set out below.
counted income	Insert new definition set out below.
date of first commercial production	Omit.
date the deposit ceases	Insert new definition set out below.
deductible excess	Omit.
deduction	Insert new definition set out below.
deemed rate of return method	Replace by definition set out below.
deferred military pay	Insert new definition set out below.
deposit	Insert new definition set out below.
depreciable intangible property	Replace by definition set out below.
depreciable property	Replace by definition set out below.
depreciating property	Opening words - at the least, replace ‘taxpayer’. Paragraph (a) - at the least, update section reference. Paragraph (b) – at the least, update section references.

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depreciation loss	Replace by definition set out below.
depreciation method	Insert new definition set out below.
depreciation percentage	Insert new definition set out below.
depreciation portion	Omit.
depreciation recovery income	Insert new definition set out below.
derived	Insert new definition set out below.
designated group investment fund	At the least, update section reference.
development expenditure	Omit.
development operations	Omit.
diminished value	Replace by definition set out below.
diminishing value equivalent	Replace by definition set out below.
diminishing value method	Replace by definition set out below.
diminishing value rate	Insert new definition set out below.
direct income interest	Insert new definition set out below.
direct market value interest	At the least, update section reference.
direct voting interest	At the least, update section reference.
disabled workshop payment	Insert new definition set out below.
discontinuance profit	Insert new definition set out below.
discontinuance profit formula	Insert new definition set out below.
discount payment date	Insert new definition set out below.
discounted selling price	Omit.
disposal	Replace by definition set out below.
disposal of land	Insert new definition set out below.
dispose	Omit.
disposition	Omit.
distinctive work clothing	Replace by definition set out below.
distribution	At the least, update section references.
dividend	Paragraph (a) – replace by paragraph (a) set out below. Paragraph (b) – at the least, update section references. Paragraph (ba) – at the least, update section references.
double head finecut stage of production	Omit.
double tax agreement	Replace by definition set out below.
economic rate	Replace by definition set out below.
education grant	Insert new definition set out below.
eligible company	Paragraph (b) - at the least, update section reference.
emergency call	Replace by definition set out below.
employee	Replace by definition set out below.
employee share loan	Insert new definition set out below.
employee share loan benefit	Omit.
employee share purchase scheme	Omit.
employer	Replace by definition set out below.

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employer contributions to superannuation savings	Omit.
employer's contributions to superannuation savings	Insert new definition set out below.
employer of an employee	Omit.
employers' premium	Omit.
employer's premises	Insert new definition set out below.
employer's superannuation contribution	Insert new definition set out below.
employer superannuation contribution	Omit
employing company	Replace by definition set out below.
employment	Replace by definition set out below.
employment income	Insert new definition set out below.
employment limitation	Insert new definition set out below.
employment related loan	Omit.
employment-related loan	Insert new definition set out below.
energy	Omit.
energy supply authority	Omit.
energy trading operator	Omit.
entitlement of the person to benefit	Omit.
estate	Replace by definition set out below.
estimated residual market value	Replace by definition set out below.
estimated useful life	Replace by definition set out below.
excepted financial arrangement	Replace by definition set out below.
excess expenditure	Insert new definition set out below.
excess return amount	Omit.
exchange variation	Replace by definition set out below.
excluded depreciable property	Replace by definition set out below.
excluded income	Insert new definition set out below.
exempt income	Insert new definition set out below.
exempt income limitation	Insert new definition set out below.
exempt interest	Paragraph (c) – update section references. Paragraph (f) - omit.
existing farmer	At the least, replace 'taxpayer'.
expenditure	Replace by definition set out below.
expenditure on account of an employee	Replace by definition set out below.
expenditure portion	Omit.
exploration expenditure	Omit.
exploration permit	Replace by definition set out below.

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exploratory material	Replace by definition set out below.
exploratory well	Replace by definition set out below.
exploratory well expenditure	Replace by definition set out below.
extra emolument	Omit.
extra pay	Replace by definition set out below.
farm vendor finance bond	Omit.
farm vendor mortgage	Omit.
farmer	Insert new definition set out below.
farm-in expenditure	Replace by definition set out below.
farm-out arrangement	Replace by definition set out below.
FBT rules	Replace by definition set out below.
feature film	Replace by definition set out below.
fee	Insert new definition set out below.
FIF	Insert new definition set out below.
FIF income	Insert new definition set out below.
FIF loss	Insert new definition set out below.
FIF net loss	Insert new definition set out below.
fifteen percent capital reduction	Replace by definition set out below.
fifteen percent interest reduction	Replace by definition set out below.
filing taxpayer	Insert new definition set out below.
film	Replace by definition set out below.
film expenditure	Omit.
film income	Insert new definition set out below.
film owner	Omit.
film production expenditure	Replace by definition set out below.
film reimbursement scheme	Insert new definition set out below.
film right	Insert new definition set out below.
final certificate	Omit.
finance lease	Replace by definition set out below.
financial arrangement	Replace by definition set out below.
financial arrangements rules	Insert new definition set out below.
financial statements	At the least, update subpart reference; replace 'taxpayer'.
first publication	Replace by definition set out below.
first year of commercial production	Omit.
fish	Omit.
fisher	Insert new definition set out below.
fishing	Omit.
fishing boat	Replace by definition set out below.
fishing business	Insert new definition set out below.
fixed life intangible property	Replace by definition set out below.
fixed rate share	Paragraph (a) - at the least, update section reference.

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flat-owning company	Replace by definition set out below.
foreign attributed income	At the least, replace ‘attributed foreign income’, ‘foreign investment fund income’, and ‘gross income’.
foreign company	Replace by definition set out below.
foreign entity	At the least, replace ‘policies of life insurance’ by ‘life insurance policies’.
foreign expenditure	Replace by definition set out below.
foreign investment fund	Replace by definition set out below.
foreign investment fund income	Omit.
foreign investment fund loss	Omit.
foreign investment fund net loss	Omit.
foreign source income	Replace by definition set out below.
foreign superannuation scheme	Replace by definition set out below.
foreign tax	At the least, update section reference.
forester	Insert new definition set out below.
forestry company	Replace by definition set out below.
forward contract	Replace by definition set out below.
fringe benefit	Omit.
fringe benefit tax rules	Insert new definition set out below.
full reinsurance	Insert new definition set out below.
full retail profit	Omit.
fully conduit tax relief credited	At the least, update section reference.
fully credited	Replace by definition set out below.
fund	Omit.
further processing	Omit.
gain	Omit.
gain or loss	Insert new definition set out below.
general insurance	Insert new definition set out below.
generally accepted accounting principles	Replace by definition set out below.
general limitation	Insert new definition set out below.
general permission	Insert new definition set out below.
geophysical prospecting	Omit.
goods	Replace by definition set out below.
goods and services tax	Replace by definition set out below.
goods and services tax charged	Replace by definition set out below.
goods and services tax payable	Replace by definition set out below.
government stock	Replace by definition set out below.
grant-related suspensory loan	Replace by definition set out below.
grey list	Insert new definition set out below.

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gross deduction	Insert new definition set out below.
gross income	Replace by definition set out below.
gross income from forestry	Omit.
gross income from life insurance	Omit.
gross income from mining	Omit.
gross proceeds	Replace by definition set out below.
gross receipts from carrying out thinning operations	Omit.
guaranteed residual value	At the least, replace 'lease term' by 'term of the lease'.
herd livestock	Replace by definition set out below.
herd scheme	At the least, update section reference.
herd value factor	Insert new definition set out below.
herd value ratio	Omit.
high-priced livestock	Replace by definition set out below.
holder	Replace by definition set out below.
holding company	Replace by definition set out below.
identical goods	Replace by definition set out below.
improvement	Replace by definition set out below.
improvements	Insert new definition set out below
income	Insert new definition set out below.
income from a film	Omit.
income from employment	Paragraph (b) - at the least, update section references.
income from forestry	Insert new definition set out below.
income from mining	Insert new definition set out below.
income interest	Replace by definition set out below.
income interest of 10% or greater	Omit.
income tax	Insert new definition set out below.
income tax liability	Replace by definition set out below.
income-tested benefit	At the least, check legislation referred to.
income year	Replace by definition set out below.
incurred	Insert new definition set out below.
indemnity limitation	Insert new definition set out below.
indirect income interest	Insert new definition set out below.
ineligible capital amount	Omit.
initial treatment	Replace by definition set out below.
input tax	Replace by definition set out below.
instalment date	At the least, replace 'taxpayer'.
instrument	Omit.
insurance	Omit.
insurance contract	Insert new definition set out below.
insured person	Replace by definition set out below.
insurer	Replace by definition set out below.

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interest	Paragraph (a) – replace by paragraph (a) set out below. Paragraph (c) - omit. Paragraph (ca) – add new paragraph (ca) set out below.
interest in a foreign investment fund	Omit.
interest in an employment-related foreign superannuation scheme	Omit.
international aircraft	Replace by definition set out below.
international organisation	Replace by definition set out below.
investment society dividend	Insert new definition set out below.
investment society dividends	Omit.
labour portion	Omit.
land	Paragraph (a) – update references to paragraphs (a) and (d) of the definition of ‘trading stock’ and current sections CD 4 and DJ 13; omit reference to current section CD 1. Paragraph (aa) – add new paragraph (aa) set out below. Paragraph (ab) – add new paragraph (ab) set out below. Paragraph (b) – replace by paragraph (b) set out below. Paragraph (d) – at the least, replace ‘permit specific asset’ by ‘permit-specific asset’.
larger area of land	Insert new definition set out below.
lease	Paragraph (b) – replace by paragraph (b) set out below. Paragraph (c) – replace by paragraph (c) set out below. Paragraph (e) – replace ‘accrual rules’ by ‘financial arrangements rules’. Paragraph (f) - at the least, update section references; replace ‘lease term’ by ‘term of the lease’.
lease payment	At the least, omit reference to current section DZ 1.
lease term	Omit.
legal defeasance	Replace by definition set out below.
legal life	Replace by definition set out below.
lessee	Replace by definition set out below.
lessee’s acquisition cost	Paragraph (a) - at the least, update section references.
lessee’s outstanding balance	At the least, update section references.
lessor	Paragraph (a) – at the least, update subpart reference.
lessor’s outstanding balance	At the least, update section references.
licence-specific assets	Insert new definition set out below.
life insurance	Replace by definition set out below.
Life Insurance Fund	Replace by definition set out below.
life insurance policy	Insert new definition set out below.
life insurance rules	Replace by definition set out below.
life insured	Replace by definition set out below.
life insurer	Replace by definition set out below.

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life reinsurance	Insert new definition set out below.
life reinsurance policy	Insert new definition set out below.
life reinsurer	Insert new definition set out below.
limitation rule	Insert new definition set out below.
limited recourse loan	Replace by definition set out below.
liquor licence holder	Omit.
liquor revaluation income	Omit.
listed livestock	Insert new definition set out below.
livestock	Insert new definition set out below.
livestock on the Chatham Islands	At the least, update section reference; replace 'herd value ratio' by 'herd value factor'.
livestock revaluation income	Omit.
living alone payment	At the least, check legislation referred to.
loan	Replace by definition set out below.
local authority	Replace by definition set out below.
long-term bailment	Insert new definition set out below.
loss	Replace by definition set out below.
low-turnover trader	Insert new definition set out below.
low value property	Omit.
lump sum payment	Replace by definition set out below.
main deposit	Insert new definition set out below.
main income equalisation account	Replace by definition set out below.
main income equalisation scheme	Insert new definition set out below.
main maximum deposit	Insert new definition set out below.
management fees	At the least, update section references.
Maori incorporation	At the least, check legislation referred to.
Maori investment company	Replace by definition set out below.
Maori land	At the least, check legislation referred to.
Maori owners	Replace by definition set out below.
market selling value	Omit.
market value	Paragraph (a) – at the least, update references to current section EM 1 and current subparts EE and EL; omit reference to current section EZ 2; replace 'taxpayer'. Paragraph (ba) – add new paragraph (ba) set out below. Paragraph (c) – replace by paragraph (c) set out below. Paragraph (d) – add new paragraph (d) set out below.
market value option	Omit.
maturity	Replace by definition set out below.
maximum deposit	Omit.
maximum pooling value	Replace by definition set out below.
measurement day	Omit.

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member	Paragraph (a) – at the least, update section reference. Paragraph (ab) – at the least, update subpart reference. Paragraph (b) – omit.
member contributions	Omit.
member’s contribution	Insert new definition set out below.
mineral	Replace by definition set out below.
mining company	Replace by definition set out below.
mining development expenditure	Insert new definition set out below.
mining exploration expenditure	Insert new definition set out below.
mining holding company	Replace by definition set out below.
mining licence	Replace by definition set out below.
mining operations	Replace by definition set out below.
mining or prospecting information	Omit.
mining or prospecting right	Replace by definition set out below.
mining outgoing excess	Replace by definition set out below.
mining prospecting information	Insert new definition set out below.
mining purposes	Replace by definition set out below.
mining share	Replace by definition set out below.
mining venture	Replace by definition set out below.
monetary remuneration	Omit.
money	Replace by definition set out below.
money advanced	Omit.
money lent	Replace by definition set out below.
monthly instalment plan	Insert new definition set out below.
mortality profit	Insert new definition set out below.
mortality profit formula	Insert new definition set out below.
mortality result	Omit.
mortgagee	Omit.
motorcar	Paragraph (a) – replace by paragraph (a) set out below. Paragraph (b) – replace by paragraph (b) set out below. Paragraph (c) – omit.
motor vehicle	Paragraph (a) – at the least, update section references. Paragraph (b) – replace by paragraph (b) set out below.
national average market value	At the least, update references to current sections EL 1 to EL 10 and EL 8; omit reference to current section EZ 1.
national standard cost scheme	At the least, update references to current sections EL 1 to EL 10 and EL 4; omit reference to current section EZ 1.
net gain	Replace by definition set out below.

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net income	Replace by definition set out below.
net loss	At the least, update section reference and replace 'taxpayer'.
net mining loss	Replace by definition set out below.
new	Omit.
new asset	Omit.
new item	Insert new definition set out below.
new or expanded production	Omit.
new start grant	Omit.
New Zealand	Paragraph (b) - at the least, update the title of the territorial sea legislation to the Territorial Sea, Contiguous Zone, and Exclusive Economic Zone Act 1977.
New Zealand business	Insert new definition set out below.
New Zealand film	Omit.
New Zealand group debt percentage	At the least, replace 'taxpayer'.
New Zealand-new asset	Omit.
New Zealand-new item	Insert new definition set out below.
New Zealand repatriation amount	Insert new definition set out below.
New Zealand resident	At the least, update reference to current section OE 3.
New Zealand superannuation	Paragraph (a) - at the least, check legislation referred to. Paragraph (b) - at the least, check legislation referred to. Paragraph (c) - at the least, check legislation referred to.
nominee	Replace by definition set out below.
non-cash dividend	Replace by definition set out below.
non-concessionary rate of interest	At the least, update section reference; replace 'employment related loan' by 'employment-related loan'.
non-contingent fee	Replace by definition set out below.
non-executive director	Insert new definition set out below.
non-executive director shareholder	Omit.
non-filing taxpayer	Paragraph (a) - replace by paragraph (a) set out below.
non-participating redeemable share	Replace by definition set out below.
non-recourse loan	Replace by definition set out below.
non-resident	Replace by definition set out below.
non-resident aircraft operator	Insert new definition set out below.
non-resident entertainer	Insert new definition set out below.
non-resident general insurer	Omit.
non-resident mining operator	Replace by definition set out below.
non-specified livestock	Omit.
non-standard accounting year	Insert new definition set out below.

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non-standard balance date	Insert new definition set out below.
non-standard income year	Insert new definition set out below.
non-taxable bonus issue	Replace by definition set out below.
normal gross profit margin	Insert new definition set out below.
normal retiring age	Replace by definition set out below.
notice	Replace by definition set out below.
offered or entered into in New Zealand	Insert new definition set out below.
off-market cancellation	Insert new definition set out below.
offshore development	Replace by definition set out below.
old financial arrangements rules	Insert new definition set out below.
on-market acquisition	Omit.
on-market cancellation	Insert new definition set out below.
onshore development	Replace by definition set out below.
opening stock	Omit.
opening value	Replace by definition set out below.
operational area	Insert new definition set out below.
ordering rule	Insert new definition set out below.
other amortisation provision	At the least, update section references.
other livestock	Insert new definition set out below.
output tax	Replace by definition set out below.
overseas pension	Insert new definition set out below.
owing	Omit.
owner	Insert new definition set out below.
owner of land	Omit.
paid	Omit.
Part E timing rules	Insert new definition set out below.
partial reinsurance	Insert new definition set out below.
participating share	Insert new definition set out below.
pay	Replace by definition set out below.
payable	Omit.
pay and allowances	Replace by definition set out below.
payment	Insert new definition set out below.
payment relating to incapacity for work	Insert new definition set out below.
pension	Insert new definition set out below.
pensions	Omit.
period of restriction	Insert new definition set out below.
permit	Replace by definition set out below.
permit area	Replace by definition set out below.
permit specific asset	Omit.
permit-specific asset	Insert new definition set out below.

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person	Paragraphs (c) to (f) – add new paragraphs (c) to (f) set out below.
petroleum development expenditure	Insert new definition set out below.
petroleum exploration expenditure	Insert new definition set out below.
petroleum exploration operations	Omit.
petroleum licence	Omit.
petroleum miner	Replace by definition set out below.
petroleum mining asset	Replace by definition set out below.
petroleum mining company	Omit reference to current section DZ 6.
petroleum mining development expenditure	Insert new definition set out below.
petroleum mining operations	Replace by definition set out below.
petroleum mining venture	At the least, omit reference to current section DZ 6.
petroleum permit	Replace by definition set out below.
petroleum-related depreciable property	Insert new definition set out below.
physical cost of production	Replace by definition set out below.
policy	Omit.
policy of life insurance	Omit.
policy of personal accident or sickness insurance	Omit.
policy of pension insurance	Omit.
policyholder	Replace by definition set out below.
policyholder base calculation	Omit.
policyholder base income tax liability	Replace by definition set out below.
policyholder income	Replace by definition set out below.
policyholder income formula	Insert new definition set out below.
policyholder net loss	Replace by definition set out below.
pool	Replace by definition set out below.
pool depreciation method	Omit.
poolable property	Replace by definition set out below.
pool method	Insert new definition set out below.
portable New Zealand superannuation	At the least, check legislation referred to.
portable veteran's pension	At the least, check legislation referred to.
pre-1983 mortgage repayment insurance policy	Insert new definition set out below.
pre-1993 depreciation rate	Omit.
premium	Replace by definition set out below.

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premium from employers	Omit.
premium from other earners	Omit.
premium loading	Insert new definition set out below.
premium loading formula	Insert new definition set out below.
prescribed activities	Omit.
prescribed amount	Replace by definition set out below.
prescribed interest	Replace by definition set out below.
prescribed period	Replace by definition set out below.
prescribed proportion	Replace by definition set out below.
prescribed rate of interest	Replace by definition set out below.
price	Replace by definition set out below.
primary producer cooperative company	Replace by definition set out below.
private limitation	Insert new definition set out below.
private or domestic agreement for the sale and purchase of property or services	Replace by definition set out below.
private use	Insert new definition set out below
private use or enjoyment	Omit.
pro rata cancellation	Replace by definition set out below.
produce transactions	Paragraph (a) – at the least, replace ‘sections HF 1 and ME 30 to ME 32’ by ‘section CD 21 (Payments corresponding to notional distributions of producer boards and cooperative companies), section HF 1 (Profits of mutual associations in respect of transactions with members), and sections ME 30 to ME 32’. Paragraph (b) – at the least, replace ‘sections ME 35 to ME 37’ by ‘section CD 21 (Payments corresponding to notional distributions of producer boards and cooperative companies) and sections ME 35 to ME 37’.
profit-sharing arrangement	Replace by definition set out below.
property	Replace by definition set out below.
proprietor	Omit.
prospecting expenditure	Replace by definition set out below.
prospecting licence	Replace by definition set out below.
prospecting permit	Replace by definition set out below.
protective right	Insert new definition set out below.
provisional certificate	Omit.
provisional rate	Insert new definition set out below.
public authority	Replace by definition set out below.
public entertainer	Insert new definition set out below.
public passenger transport system	Omit.
qualified control interests	Omit.

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qualified transitory property	Omit.
qualifying amalgamation	Paragraph (a) - at the least, update section reference.
qualifying asset	Omit.
qualifying capital value	Replace by definition set out below.
qualifying company election tax	Insert new definition set out below.
qualifying debenture	Replace by definition set out below.
qualifying foreign private annuity	Omit.
qualifying improvement	Replace by definition set out below.
qualifying item	Insert new definition set out below.
qualifying refund	Omit.
qualifying share premium	Replace by definition set out below.
qualifying trust	Paragraph (a) - at the least, update section reference.
recognised exchange	At the least, update section references.
redemption payment	Replace by definition set out below.
registered person	Update section references.
reinsurance contract	Insert new definition set out below.
reinvestment profit	Replace by definition set out below.
related person	Insert new definition set out below.
relative	Replace by definition set out below.
relinquishment	At the least, update section reference.
remaining deduction	Insert new definition set out below.
remote petroleum mining property	Omit.
removal or restoration operations	Replace by definition set out below.
rental vehicle	Omit.
rents, and renting	Omit.
(repealed) section 200	Insert new definition set out below.
replacement price	Replace by definition set out below.
replacement price option	Omit.
reserves	Omit.
resident mining operator	Replace by definition set out below.
residential purposes	Insert new definition set out below.
residual expenditure	Opening words - at the least, update section reference; replace 'development expenditure' by 'petroleum development expenditure' and 'exploration expenditure' by 'petroleum exploration expenditure'. Paragraph (a) – replace by paragraph (a) set out below. Paragraph (b) – at the least, replace 'accruals rules' by 'old financial arrangements rules'.
residual value	Omit.
restrictive period	Omit.

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return of income	At the least, replace ‘taxpayer’s’.
revenue account property	Replace by definition set out below.
revenue film expenditure	Insert new definition set out below.
revenue from land	Insert new definition set out below.
right	Replace by definition set out below.
right in a film	Insert new definition set out below.
right in the contracted property	Omit.
right to take timber	Replace by definition set out below.
rolling average value	Replace by definition set out below.
royalty	Replace by definition set out below.
salary or wages	Paragraph (a) – at the least, include paragraph (a)(iii) from current definition of ‘monetary remuneration’ without referring to definition of employment income. Paragraph (d) - at the least, update section references. Paragraph (e) - at the least, update section reference and replace ‘gross income’. Paragraph (j) – at the least, replace ‘extra emolument’ by ‘extra pay’. Paragraph (k) - at the least, replace ‘gross income’. Paragraph (l) – at the least, replace ‘employer superannuation contribution’ by ‘employer’s superannuation contribution’.
sale or other disposition	Omit.
schedular gross income	Omit.
schedular gross income subject to final withholding	Omit.
schedular income	Insert new definition set out below.
schedular income subject to final withholding	Insert new definition set out below.
schedular income tax liability	Replace by definition set out below.
schedular taxable income	At the least, replace ‘taxpayer’ and ‘schedular gross income’.
schedule depreciable property	Omit.
seal and abandonment	At the least, update subpart reference.
security arrangement	Replace by definition set out below.
security payment	Replace by definition set out below.
self-assessed adverse event	Replace by definition set out below.
series of transactions	Replace by definition set out below.
services	Replace by definition set out below.
serving employee	At the least, update section references.

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settlor	At the least, omit ‘the international tax rules,’; replace ‘sections CB 8 and HH 1’ by ‘section CW 43 (New Zealand companies operating in Niue), section HH 1 (Interpretation), and section OD 8(3)’.
share	Replace by definition set out below.
shareholder	Replace by definition set out below.
shareholder-employee	Paragraph (a) - at the least, update section references; replace ‘gross income’.
shares of the same class	At the least, update section references.
share purchase agreement	Insert new definition set out below.
share purchase scheme	Insert new definition set out below.
short-term agreement for the sale and purchase of property or services	Replace by definition set out below.
short-term bailment	Insert new definition set out below.
short-term option	Replace by definition set out below.
sick, accident, or death benefit fund	Replace by definition set out below.
significant financial hardship	Replace by definition set out below.
small taxpayer	Omit.
slice rule	Insert new definition set out below.
software	Omit.
source in New Zealand	Insert new definition set out below.
special corporate entity	Paragraph (f) - replace by paragraphs (f) and (fa) set out below.
special farm ownership account	At the least, replace ‘taxpayer’.
special home ownership account	At the least, replace ‘taxpayer’.
special rate	Insert new definition set out below.
specified base cost for 1983 income year property	Replace by definition set out below.
specified company	Omit.
specified cost	Omit.
specified deduction	Omit.
specified dividends	Paragraph (a) - at the least, update references to current sections CB 10 and current section CM 2; omit reference to current section CZ 4.
specified insurance premium	Replace by definition set out below.
specified livestock	Omit.
specified local authority	Omit.
specified mineral	Replace by definition set out below.
specified mortgage repayment insurance policy	Omit.

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specified option	Replace by definition set out below.
specified period	Paragraph (a) – replace by paragraphs (a) to (ab) set out below.
specified repatriations	Omit.
specified superannuation contribution	Replace by definition set out below.
specified suspensory loan	Omit.
specified trading stock	Omit.
specified writedown	Omit.
spreading method	Replace by definition set out below.
standard dividend	At the least, update section reference.
standard value	At the least, update section reference; omit ‘deductible excess’ and ‘non-specified livestock’.
standing timber	Replace by definition set out below.
straight-line method	Replace by definition set out below.
straight-line rate	Insert new definition set out below.
subsidised transport	Replace by definition set out below.
superannuation contribution	Replace by definition set out below.
superannuation fund	Replace by definition set out below.
superannuation fund administration costs	Omit.
superannuation policy	Replace by definition set out below.
superannuation scheme	Replace by definition set out below.
surplus rebates	At the least, update section reference; replace ‘taxpayer’.
surplus refundable credits	At the least, update section reference; replace ‘taxpayer’.
tangible property	Omit.
tax agent	At the least, replace ‘taxpayers’.
tax avoidance	At the least, update section references.
tax deduction	Paragraph (b) - omit.
tax saving	Omit.
taxable activity	Paragraph (b) – replace by paragraph (b) set out below.
taxable bonus issue	Replace by definition set out below.
taxable income	Replace by definition set out below.
taxable period	Replace by definition set out below.
taxable supply	Replace by definition set out below.
tax liability	Insert new definition set out below.
tax withheld	Insert new definition set out below.
taxpayer	A decision is to be made on the placement of the content of this definition. It could it be a substantive provision in Part B (Core provisions).
tax year	Insert new definition set out below.
temporary building	Replace by definition set out below.
ten percent capital reduction	Replace by definition set out below
term of the lease	Replace by definition set out below.

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terminal tax	Replace by definition set out below.
terminating share	At the least, update section reference.
thinning operations	Replace by definition set out below.
thinning operations deposit	Insert new definition set out below.
thinning operations income equalisation account	Insert new definition set out below.
thinning operations income equalisation scheme	Insert new definition set out below.
thinning operations maximum deposit	Insert new definition set out below.
this Act	Section AA 3(1) is subject to review. It is not, in principle, a desirable provision because of its breadth and uncertainty. References to ‘this Act’ in the draft sections will be checked with a view to ensuring that any necessary cross reference to the Tax Administration Act 1994 is made explicit. The term is not included in the list of defined terms at the end of the draft sections.
three shift plant and machinery	Omit.
timber	Replace by definition set out below.
time bar	Replace by definition set out below.
timing regime	Omit.
tracking account	At the least, replace ‘taxpayer’.
trading stock	Replace by definition set out below.
transfer of value	Insert new definition set out below.
transferee	Replace by definition set out below.
transferor	Replace by definition set out below.
transitional capital amount	Paragraph (b) – update references to current section CZ 4A and current section CZ 4B.
transitional year	At the least, replace ‘taxpayer’.
trustee	Paragraph (c) – replace by paragraph (c) set out below.
trustee income	At the least, update section reference.
trustee of the scheme	Omit.
turnover	Replace by definition set out below.
two shift plant and machinery	Omit.
type	Replace by definition set out below.
unadjusted income tax liability	Replace by definition set out below.
unclassified benefit	At the least, update section references.
underwriter	Omit.
underwriting loss	Omit.
underwriting result	Omit.
unlisted trust	Replace by definition set out below.
unlisted widely-held trust	Replace by definition set out below.
unreturned retail profit	Omit.

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value of breeding stock	Replace by definition set out below.
variable principal debt instrument	Replace by definition set out below.
veteran's pension	At the least, check legislation referred to.
wholly-owned group of companies	Paragraph (b) – at the least, update section references.
widely-held trust	Replace by definition set out below.
withdrawable share	Replace by definition set out below.
withdrawal	Insert new definition set out below.
withholding tax limitation	Insert new definition set out below.
working partner	Omit.
work-related vehicle	Replace by definition set out below.
worldwide group debt percentage	At the least, replace 'taxpayer'.
year	Omit.
year of adjustment	Omit.

Section OB 1

absolute value means the value irrespective of whether the value's sign is positive or negative

accident compensation payment is defined in section CF 1 (2) (Benefits, pensions, compensation, and government grants) for the purposes of that section

accident insurance contract is defined in section CW 27 (2) (Compensation payments) for the purposes of that section

ACC levy or premium is defined in section EL 3 (4) (ACC levies and premiums) for the purposes of that section

accounting period, for a foreign company, means—

- (a) its accounting year; or
- (b) the relevant period of other than 12 months, if a person's attributed CFC income or loss or FIF income or FIF loss from the foreign company is allowed or required to be calculated on the basis of the other period because of—
 - (i) the formation or liquidation of the foreign company (or similar circumstances); or
 - (ii) a change of residence of the foreign company; or
 - (iii) the adoption of a new accounting year, under section EI 26 (Change of CFC's balance date) or section EI 57 (Change of FIF's balance date)

accounting profits method means the method of calculating FIF income or FIF loss in section EI 42 (Accounting profits method)

accrual accounting method is defined in section EM 2 (7) (Adjustment for change to accounting practice) for the purposes of that section

active service area is defined in section CW 19 (2) (Deferred pay for active military service) for the purposes of that section

actuarial reserves has the meaning given to it by section EG 6 (Actuarial reserves)

actuary – replacement paragraph (d)—

- (d) the holder of an equivalent professional qualification approved by the Commissioner for the purposes of this definition

additional tax means additional tax charged under section 139 of the Tax Administration Act 1994 (as it applied immediately before the enactment of the Tax Administration Amendment Act (No 2) 1996)

additional transport costs is defined in section CW 14 (3) (Allowance for additional transport costs) for the purposes of that section

adjusted income tax liability means the amount calculated under section BC 6 (3) (Income tax liability of filing taxpayer)

adjusted tax value—

- (a) has the meaning given to it by sections EF 45 to EF 51;
- (b) for software acquired before 1 April 1993, has the meaning given to it by section EZ 15 (Adjusted tax value for software acquired before 1 April 1993):
- (c) in section FE 6 (Acquisition of property by amalgamated company on qualifying amalgamation), has the meaning given to it by paragraphs (a) and (b) and sections EF 21 to EF 23

adverse event deposit has the meaning given to it by section EN 62 (Definitions used in adverse event income equalisation scheme)

adverse event income equalisation account has the meaning given to it by section EN 62 (Definitions used in adverse event income equalisation scheme)

adverse event income equalisation scheme means the scheme referred to in section EN 1 (2)(b) (Income equalisation schemes)

adverse event maximum deposit has the meaning given to it by section EN 62 (Definitions used in adverse event income equalisation scheme)

agreement for the sale and purchase of property or services—

- (a) means a financial arrangement that is a conditional or unconditional agreement to—
 - (i) acquire or dispose of property; or
 - (ii) obtain or supply services; and
- (b) does not include a forward contract, a futures contract, an option, or a specified option

air transport from New Zealand is defined in section CW 41 (3) for the purposes of that section

allowable rebates—

- (a) means the total of the rebates and credits of tax that a person is allowed in an income year under Part K (Rebates) , excluding rebates allowed under section KC 4 (Rebate in certain cases for housekeeper) or section KC 5 (Rebate in respect of gifts of money); and
- (b) includes a rebate of tax a person is allowed under section EN 30 (When person allowed rebate of income tax) or section EN 79 (Sections of main income equalisation scheme that apply to thinning operations income equalisation scheme)

amalgamated company means the one company, which may be one of the amalgamating companies or a new company, that results from and continues after an amalgamation

amalgamating company means a company that amalgamates with one or more other companies under an amalgamation

amalgamation means an amalgamation that causes 2 or more companies to amalgamate and continue as one company and that occurs under—

- (a) Part XIII or Part XV of the Companies Act 1993; or
- (b) section 24A of the Co-operative Dairy Companies Act 1949; or
- (c) the law of a country or territory other than New Zealand that has the same effect as, or a similar effect to, the provisions referred to in paragraph (a) or paragraph (b)

amount—

- (a) includes an amount in money's worth:
- (b) in section CB 22 (Disposal of timber or right to take timber), section CB 23 (Disposal of land with standing timber), and section CB 27 (Disposal of minerals), includes the amount treated as—
 - (i) the price paid or realised under section FB 4 (Income derived from disposal of trading stock together with other assets of a business):
 - (ii) the consideration under section FF 7 (Disposal of timber under matrimonial agreement):
 - (iii) the price realised under section GD 1 (Sale of trading stock for inadequate consideration):
 - (iv) the price realised under section GD 2 (Distribution of trading stock to shareholders of company):

- (c) is defined in section ND 1G (3) (Subsidised transport: value of benefit) for the purposes of that section:
- (d) is defined in section ND 1L (2) (Contributions to superannuation schemes: value of benefit) for the purposes of that section:
- (e) is defined in section ND 1O (2) (Goods and services generally: value of services) for the purposes of that section:
- (f) is defined in section GD 13 (13) (Cross-border arrangement between associated persons) for the purposes of that section

Comment:	Current section FF 7 appears in a rewritten form in the consequential amendments in this volume. Draft sections ND 1A to ND 1X appear in the consequential amendments in this volume.
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amount of restitution is defined in section DB 33 (3) (Restitution of stolen property) for the purposes of that section

annual income tax balance date is defined in section EM 1 (11) (Election to use foreign tax balance date) for the purposes of that section

annual rate has the meaning given to it by section EF 52 (Annual rate)

arrangement for assistance entered into by the government of New Zealand is defined in section CW 17 (3) (Amounts derived by overseas experts and trainees in New Zealand by government arrangement) for the purposes of that section

asset is defined in section CU 11 ('Asset' defined for sections CU 3 to CU 10) for the purposes of sections CU 3 to CU 10

associated mining operations has the meaning given to it by section CU 25 (Other definitions)

associated person – added paragraph (f) and paragraph (g)—

- (f) is defined in section DT 3 (5) (Arrangement for petroleum exploration expenditure and sale of property) for the purposes of that section:
- (g) is defined in section DS 4 (4) (Clawback of deductions for film reimbursement schemes) for the purposes of that section

attributed CFC income has the meaning given to it by section CQ 2 (When attributed CFC income arises) and section CQ 3 (Calculation of attributed CFC income)

attributed CFC loss has the meaning given to it by section DN 2 (When attributed CFC loss arises) and section DN 3 (Calculation of attributed CFC loss)

attributed CFC net loss, for a person and an income year in which they have an attributed CFC loss, means the part of the loss that the person is not allowed to deduct because of section DN 4 (Ring-fencing cap on deduction), but must instead deal with under Part I (Treatment of net losses)

attributing interest means an attributing interest in a foreign investment fund as defined in sections EI 30 to EI 37

author is defined in section EJ 6 (6) (Assigning or granting copyright) for the purposes of that section

available capital distribution amount means the amount calculated for a share in a company under the rules set out in section CD 31 (Available capital distribution amount)

available subscribed capital means the amount calculated for a share in a company under the rules set out in section CD 30 (Available subscribed capital amount)

balloted loan right means a right arising from a ballot that—

- (a) is held by or on behalf of a building society; and
- (b) is of terminating shares; and
- (c) is held for the purpose of finding out which of the holders of the shares are entitled to receive an interest-free loan relating to their shares

base premium for the 1998-99 premium year is defined in section EZ 3 (Base premium for 1998-99 premium year under Accident Insurance Act 1998) for the purposes of that section

beneficiary is defined in section DX 1 (5) for the purposes of that section

beneficiary income, for a person who is a beneficiary of a trust, other than a unit trust, for an income year,—

- (a) means—
 - (i) income derived in the income year by a trustee of the trust to the extent to which it vests, in the income year, absolutely in interest in the beneficiary; or
 - (ii) income derived in the income year by a trustee of the trust to the extent to which the trustee pays or applies it to or for the benefit of the beneficiary in, or within 6 months after the end of, the income year; or
 - (iii) a foreign-sourced amount derived in the income year by a trustee of a trust that would have been income of the trustee had any settlor of the trust been resident in New Zealand at any time in the income year, to the extent to which it vests, in the income year, absolutely in interest in the beneficiary; or
 - (iv) a foreign-sourced amount derived in the income year by a trustee of a trust that would have been income of the trustee had any settlor of the trust been resident in New Zealand at any time in the income year, to the extent to which the trustee pays or applies it to or for the benefit of the beneficiary in, or within 6 months after the end of, the income year; and
- (b) does not include—
 - (i) income derived by a trustee in an income year in which the trust is a superannuation fund; or
 - (ii) management fees to which section DV 5 (Group investment funds) applies

bloodstock—

- (a) means a horse that is a member of the standardbred or thoroughbred breed of horses; and
- (b) includes a share or interest in such a horse

bloodstock owner is defined in section ED 36 (2) (Bloodstock) for the purposes of subpart ED (Valuation of livestock)

branch equivalent income, for a foreign company and an accounting period, means the amount of income for the accounting period calculated under section EI 21 (Branch equivalent income or loss: calculation rules)

branch equivalent loss, for a foreign company and an accounting period, means the amount of loss for the accounting period calculated under section EI 21 (Branch equivalent income or loss: calculation rules)

branch equivalent method means the method of calculating FIF income or FIF loss in section EI 43 (Branch equivalent method)

building society means a building society incorporated under the Building Societies Act 1965 or the Building Societies Act 1908

business – replacement paragraph (b)—

(b) is further defined in section DD 10 (Definitions for this subpart) for the purposes of sections DD 1 to DD 10

business contacts is defined in section DD 10 (Definitions for this subpart) for the purposes of sections DD 1 to DD 10

business premises is defined in section DD 10 (Definitions for this subpart) for the purposes of sections DD 1 to DD 10

business purposes has the same meaning as ***business use***

business use, in subpart DE (Motor vehicle expenditure), for a motor vehicle and a person, means travel undertaken by the vehicle wholly in deriving the person's income

calculation method, for the calculation of FIF income or FIF loss, means any of the accounting profits method, the branch equivalent method, the comparative value method, and the deemed rate of return method

cancellation, for a company and a share, means the acquisition, redemption, or other cancellation of the whole share by the company, including on the liquidation of the company

capital film expenditure is defined in section DS 10 (Definitions for this subpart) for the purposes of sections DS 6 to DS 10

capital limitation has the meaning given to it by section DA 2 (1) (General limitations)

capital property is defined in section CD 31 (17) (Available capital distributions amount) for the purposes of that section

cash accounting method is defined in section EM 2 (7) (Adjustment for change to accounting practice) for the purposes of that section

cash basis person has the meaning given to it by section EH 60 (Description of cash basis person)

cash basis profession means professional activity of a natural person as a—

- (a) barrister; or
- (b) medical doctor, including in any specialist field

CFC means a controlled foreign company as defined in section EI 1 (When a company is a controlled foreign company(CFC))

claim, for life insurance, has the meaning given to it by section EG 10 ('Claim' defined)

class, in the definition of **national average market value**, and in subpart ED (Valuation of livestock), means a category of livestock listed in schedule 8, column 2 and, when used for a particular type of livestock, means any of the categories listed for that particular type

closing value has the meaning given to it by section EB 1 (5) (Stock and excepted financial arrangements)

commercial bill—

- (a) includes—
 - (i) a document creating or securing a legal or equitable security over goods (as defined in section 16 of the Personal Property Securities Act 1999) for the payment of money owing or to become owing, whether or not the document is registered under an Act; and
 - (ii) a bill of exchange (as defined in section 3 of the Bills of Exchange Act 1908); and
 - (iii) a promissory note (as defined in section 84 of the Bills of Exchange Act 1908), other than a banknote; and
 - (iv) a Treasury Bill; and
 - (v) a document or agreement that has substantially the same purpose or effect as an item referred to in any of subparagraphs (i) to (iv); and
 - (vi) a share or interest in an item referred to in any of subparagraphs (i) to (v); and

- (b) does not include—
 - (i) a debenture or bond for the payment of a security issued by a body corporate; or
 - (ii) a security, whether legal or equitable, over an estate or interest in land

commercial production means the production of petroleum—

- (a) in a state suitable for delivery to a buyer, consumer, processor, refinery, or user; and
- (b) in commercial quantities; and
- (c) on a continuing basis

company—

- (a) means a body corporate or other entity that has a legal existence separate from that of its members, whether it is incorporated or created in New Zealand or elsewhere:
- (b) includes a unit trust:
- (c) includes a group investment fund that is not a designated group investment fund, but only to the extent to which the fund results from investments made into it that are neither—
 - (i) from a designated source (as defined in section HE 2 (3) (Group investment funds)); nor
 - (ii) made before 23 June 1983 (including an amount treated as invested at that date under paragraph (c) or (d) of the definition of **protected amount** in section HE 2 (3) (Group investment funds):
- (d) includes an airport operator:
- (e) includes a statutory producer board:
- (f) does not include a Maori Authority:
- (g) does not include a society registered under the Incorporated Societies Act 1908:
- (h) does not include a society registered under the Industrial and Provident Societies Act 1908:
- (i) does not include a friendly society:
- (j) is further defined in section EI 31 (7) (Direct income interest in a FIF) for the purposes of that section

Origin:	OB 1 'company'; OC 1(2)(a), (b); OC 3; LF 2(3); new.
Defined terms:	airport operator, designated group investment fund, designated source, friendly society, group investment fund, Maori authority, New Zealand, statutory producer board, unit trust.

Comment: The current paragraph (b)(ii) and (iii) references to 'group investment funds' are replaced by draft paragraph (c), which picks up the language in current section CF 2 (3) and applies it generally for the purposes of the Act. This is, conceivably, a change in the law, but the rewrite must inevitably conform the various ways in which the Act describes non-designated category A group investment funds.

An argument can be made that this definition and the definition of 'share' are so significant that—

- (a) a more generic term should be used; and
- (b) the definitions should not be located only in Part O.

The definitions apply so generally, however, that a Part O location is inevitable and 'company' is arguably as generic a term as any other. Sections HE 1 (a), OC 1 (a), OC 2 (5)(a), and OC 3 (a) could all be consequentially repealed.

The proposed exclusion of incorporated societies, industrial and provident societies, and friendly societies appears to be a sensible clarification. But, again, it might, conceivably, be a change in the law. (Building societies are not excluded, but their 'withdrawable shares' are excluded from the definitions of 'share' and 'shareholder'.)

comparative value method means the method of calculating FIF income or FIF loss in section EI 44 (Comparative value method)

completed, for a film, means the completion of the film to—

- (a) the stage of production at which the film has been completely edited, shot by shot, to its final length; or
- (b) a production stage equivalent to that described in paragraph (a)

consideration – replacement paragraph (c) and added paragraph (d)—

- (c) means an amount determined under the financial arrangements rules in—
 - (i) the financial arrangements rules;
 - (ii) the definitions of **lessee's acquisition cost** and **lessor's disposition value**;
 - (iii) section EI 21 (11) (Branch equivalent income or loss: calculation rules);
 - (iv) section FC 10 (8)(a) (Taxation of hire purchase agreements);
 - (v) section FD 10 (4A)(b)(i) (Special provisions relating to dispositions of property);
 - (vi) section FE 6 (6)(b)(i) (Acquisition of property by amalgamated company on qualifying amalgamation);

- (vii) section FE 7 (2)(b)(i) (Succession of obligations of amalgamating company under financial arrangement on amalgamation):
- (viii) section FE 10 (6) (Treatment of financial arrangements between amalgamating companies):
- (ix) section HH 5 (b) (Existing trusts becoming subject to tax):
- (d) for the purposes of section EF 36 (Application of sections EF 40 to EF 43), has the meaning given to it by section EF 37 (Consideration for purposes of section EF 36)

contract of service is defined in section DC 3 (5) (Payments to working partners) for the purposes of that section

contribution, in the fringe benefit tax rules, means a contribution made—

- (a) directly; or
- (b) indirectly by reimbursement through another person

control, for a company, has the meaning given to it by section OD 1 (Defining when a company is under the control of any persons)

control interest, for a foreign company, has the meaning given to it by section EI 2 (Four categories for calculating control interests) and section EI 7 (Indirect control interests)

control interest category means one of the categories of control interest listed in section EI 2 (Four categories for calculating control interests)

controlled foreign company has the meaning given to it by section EI 1 (When a company is a CFC)

controlled petroleum mining company means a company that is a petroleum miner if—

- (a) 90% or more in value of its outstanding shares are held, directly or indirectly, by or for 5 or fewer persons; and
- (b) the market value of any petroleum permit, including permit-specific assets attributable to that permit, held by the company is at least 75% of the value of its assets minus its liabilities, as specified in the company's audited financial statement or accounts prepared according to generally accepted accounting practice

controlled petroleum mining entity means—

- (a) a controlled petroleum mining company; or
- (b) a controlled petroleum mining holding company; or
- (c) a controlled petroleum mining trust; or
- (d) a controlled petroleum mining holding trust

controlled petroleum mining holding company means a company if—

- (a) 90% or more in value of its outstanding shares are held, directly or indirectly, by or for 5 or fewer persons; and
- (b) the total market value of the following shares and trust interests held by the company is at least 75% of the value of its assets minus its liabilities, as specified in the company's audited financial statement or accounts prepared according to generally accepted accounting practice:
 - (i) shares in petroleum mining companies;
 - (ii) shares in petroleum mining holding companies;
 - (iii) trust interests in petroleum miners that are trusts;
 - (iv) trust interests in petroleum mining holding trusts

controlled petroleum mining holding trust means a trust that is a petroleum miner if—

- (a) 90% or more in value of the trust is owned, directly or indirectly, by or for 5 or fewer persons; and
- (b) the total market value of the following shares and trust interests held by the trust is at least 75% of the value of its assets minus its liabilities, as specified in the trust's accounts prepared according to generally accepted accounting practice:
 - (i) trust interests in petroleum miners that are trusts;
 - (ii) trust interests in other petroleum mining holding trusts;
 - (iii) shares in petroleum miners that are companies;
 - (iv) shares in petroleum mining holding companies

controlled petroleum mining trust means a trust that is a petroleum miner if—

- (a) 90% or more in value of the trust is owned, directly or indirectly, by or for 5 or fewer persons; and

- (b) the market value of a petroleum permit, including permit-specific assets attributable to that permit, held by the trust is at least 75% of the value of its assets minus its liabilities, as shown in the trust's accounts prepared in accordance with generally accepted accounting practice

corresponding income year, for a tax year, means an income year that ends in the period starting on 1 October in the tax year and ending on 30 September immediately after the tax year

cost,—

- (a) in subpart EC (Valuation of trading stock (including dealer's livestock)), for trading stock, means costs incurred in the ordinary course of business to bring trading stock to its present location and condition, including purchase costs and costs of production, calculated under sections EC 5 to EC 7, section EC 13 (Cost for low-turnover traders), section EC 14 (Costs of manufacturing or producing trading stock), section EC 16 (Costs of acquiring trading stock), and section EC 20 (Valuing closing stock consistently):
- (b) is defined in section ND 1N (2) (Goods and services generally: value of goods) for the purposes of that section:
- (c) is defined in section ND 1U (Definitions for sections ND 15 and ND 17) for the purposes of section ND 1S (Low value goods: with staff discount) and section ND 1T (Low value goods: with special discount and staff discount)

Comment:	For the references to ND sections, see the comment on the definition of 'amount'.
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cost of timber has the meaning given to it by section DP 1 (Cost of timber)

counted associate is defined in section CD 12 (9) (Returns of capital: off-market share cancellations) for the purposes of that section

counted income has the meaning given to it by section BD 1 (4) (Income, exempt income, excluded income, and counted income)

date the deposit ceases,—

- (a) is defined in section EN 34 (Definitions used in main income equalisation scheme) for the purposes of the main income equalisation scheme:

- (b) is defined in section EN 62 (Definitions used in adverse event income equalisation scheme) for the purposes of the adverse event income equalisation scheme:
- (c) is defined in section EN 80 (Definitions used in thinning operations income equalisation scheme) for the purposes of the thinning operations income equalisation scheme

deduction, for a person, means an amount that is a deduction of the person under section BD 2 (Deductions)

deemed rate of return method means the method of calculating FIF income or FIF loss in section EI 45 (Deemed rate of return method)

deferred military pay is defined in section CW 19 (2) (Deferred pay for active military service) for the purposes of that section

deposit,—

- (a) is defined in section EN 34 (Definitions used in main income equalisation scheme) for the purposes of the main income equalisation scheme:
- (b) is defined in section EN 62 (Definitions used in adverse event income equalisation scheme) for the purposes of the adverse event income equalisation scheme:
- (c) is defined in section EN 80 (Definitions used in thinning operations income equalisation scheme) for the purposes of the thinning operations income equalisation scheme

depreciable intangible property has the meaning given to it by section EF 53 (Depreciable intangible property)

depreciable property has the meaning given to it by section EF 6 (What is depreciable property) and section EF 7 (What is not depreciable property)

depreciation loss—

- (a) means a loss that a person has in the circumstances set out in section EF 1 (2) (What this subpart does); and
- (b) includes an allowance for depreciation that a person was entitled to under the section BD 2 (1)(a) that was in this Act immediately before the section was repealed by the Income Tax Amendment Act 2002

Comment:	The reference in paragraph (b) to the Income Tax Amendment Act 2002 is a reference to the Act that will implement the rewrite of Parts A to E.
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depreciation method has the meaning given to it by section EF 58 (Other definitions)

depreciation percentage means a percentage set by the Commissioner under section ED 35 (Setting depreciation percentages)

depreciation recovery income means income that a person has in the circumstances set out in section EF 1 (3) (What this subpart does)

derived has the meaning given to it by section BD 3 (3) (Allocation of income to particular income years)

diminished value, for an income year, means expenditure on an improvement described in section DO 4 (Improvements to land), section DO 7 (Improvements), or section DP 5 (Improvements to land), reduced by the total of—

- (a) every amount allowed as a deduction for the expenditure to any person in any previous income year under this Act or the Income Tax Act 1976; and
- (b) every amount allowed as a deduction for the expenditure to any person in the income year under this Act, except an amount allowed as a deduction in the income year under section DO 4 (Improvements to land), section DO 7 (Improvements), or section DP 5 (Improvements to land)

diminishing value equivalent is defined in section ED 32 (6) (Closing value of high-priced livestock) for the purposes of that section

diminishing value method has the meaning given to it by section EF 58 (Other definitions)

diminishing value rate has the meaning given to it by section EF 58 (Other definitions)

direct income interest has the meaning given to it by section EI 9 (Direct income interests)

disabled workshop payment is defined in section CW 26 (2) (Allowances and benefits) for the purposes of that section

discontinuance profit means the amount worked out by a life insurer following the steps in section EG 33 (Discontinuance profit for income year)

discontinuance profit formula means the formula in section EG 34 (Discontinuance profit formula (existing business)) or the formula in section EG 35 (Discontinuance profit formula (new business))

discount payment date is defined in section EZ 3 (Base premium for 1998-99 premium year under Accident Insurance Act 1998) for the purposes of that section

disposal—

- (a) in section CB 22 (Disposal of timber or right to take timber), section CB 23 (Disposal of land with standing timber), and section GD 15 (Disposal of timber, or right to take timber, or standing timber to associated person), includes—
 - (i) the grant of a licence or easement:
 - (ii) the creation or grant of a right to take timber:
 - (iii) the creation of a forestry right under the Forestry Rights Registration Act 1983, other than a right in favour of the proprietor:
 - (iv) the distribution by a company of timber or a right to take timber that is treated by section GD 2 (Distribution of trading stock to shareholders of company) as if it were a sale of the timber or the right:
- (b) in section CB 27 (Disposal of minerals), includes—
 - (i) the grant of a licence or easement:
 - (ii) the grant of a right to take minerals from land:
- (c) in section CT 3, subpart DT, section EK 11, section EK 14, and section GC 12 (all of which are provisions dealing with petroleum mining),—
 - (i) means the sale or transfer of any asset, voluntarily or involuntarily; and
 - (ii) includes the loss or destruction of any asset

Comment:	Draft section GD 15 appears in the consequential amendments in this volume.
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disposal of land is defined in section CB 21 (Definitions for sections CB 5 to CB 20) for the purposes of sections CB 5 to CB 20

distinctive work clothing is defined in section CX 33 (2) (Distinctive work clothing) for the purposes of that section

dividend — replacement paragraph (a), paragraph (b)(i), and paragraph (ba)(i)—

- (a) is defined in sections CD 2 to CD 32 for the purposes of this Act, apart from the definition of **investment society dividend**:
- (b) in the NRWT rules,—
 - (i) includes a dividend withholding payment credit attached to the dividend; and
 - (ia) includes an amount paid to a shareholder that is a company and a related person under section CD 31 (14) to (16) (Available capital distribution amount) of the company paying the amount, if the amount is excluded from dividend treatment generally only as a result of section CD 16 (2)(b) (Capital distributions on liquidation) and section CD 31 (Available capital distribution amount):
- (ba) in subpart LE (Non-resident investors),—
 - (i) includes an amount paid to a shareholder that is a company and a related person under section CD 31 (14) to (16) (Available capital distribution amount) of the company paying the amount, if the amount is excluded from dividend treatment generally only as a result of section CD 16 (2)(b) (Capital distributions on liquidation) and section CD 31 (Available capital distribution amount):

double tax agreement has the meaning given to it by section BH 1 (Double tax agreements)

economic rate has the meaning given to it by section EF 58 (Other definitions)

education grant is defined in section CF 1 (2) (Benefits, pensions, compensation, and government grants) for the purposes of that section

emergency call has the meaning given to it by section CX 11 (1) (Private use of motor vehicle: ‘emergency call’ defined)

employee—

- (a) except in the provisions to which paragraph (c) or paragraph (e) applies, means a person who receives or is entitled to receive a source deduction payment:
- (b) in section CW 13 (Reimbursement of employees and expenditure for their benefit) and section CW 14 (Allowance for additional transport costs), includes a person to whom

section OB 2 (2) (Meaning of source deduction payment) applies:

- (c) is defined in section DC 6 (Definitions for sections DC 4 to DC 6) for the purposes of sections DC 4 to DC 6:
- (d) in section EA 1 (Matching rule for employment income of shareholder-employee) and section EB 3 (Prepayments and certain deferred payments), and in section OB 2 (Meaning of source deduction payment) as that section relates to sections EA 1 and EB 3, includes a director:
- (e) in paragraph (b) of the definition of **shareholder-employee** and in the fringe benefit tax rules, means a person who (whether in the past, present, or future) receives or is entitled to receive a source deduction payment, but this reference to a source deduction payment does not include—
 - (i) a payment of the kind described in any of paragraphs (d), (f), (g), (h), or (i) of the definition of **salary or wages**; or
 - (ii) a withholding payment of the kind specified in Part E of the Income Tax (Withholding Payments) Regulations 1979 for which the person is liable for income tax under section BB 1 (Imposition of tax)

employee share loan has the meaning given to it by section CX 16 (Employment-related loans: ‘employee share loan’ defined)

employer,—

- (a) except when paragraph (b) applies, means a person who pays or is liable to pay a source deduction payment, and includes—
 - (i) for an incorporated body of persons other than a partnership, the manager or other principal officer:
 - (ii) for a partnership, each partner:
 - (iii) for an estate of a deceased person, a trust, a company in liquidation, an assigned estate, or for any other property vested or controlled in a fiduciary capacity, each person in whom the property has become vested or to whom control of the property has passed:
 - (iv) for payments of New Zealand superannuation, veterans’ pensions, and income-tested benefits, the chief executive of the department that is currently responsible for administering the Social Security Act 1964:
- (b) in the fringe benefit tax rules, means a person who pays or is liable to pay (whether in the past, present, or future) a source deduction payment, and includes a person referred to in any of

paragraph (a)(i), (ii), or (iii), and also includes the Crown, but a payment under this paragraph does not include—

- (i) a payment of the kind described in any of paragraphs (d), (f), (g), (h), or (i) of the definition of **salary or wages**; or
- (ii) a withholding payment of the kind specified in Part E of the Income Tax (Withholding Payments) Regulations 1979

employer's contributions to superannuation savings means—

- (a) specified superannuation contributions made on or after 1 April 2000 other than—
 - (i) those on which specified superannuation contribution withholding tax has been paid at the rate specified in schedule 1, part A, clause 10(a); or
 - (ii) those that are treated as salary and wages under section NE 2A (Employee election that specified superannuation contributions be treated as salary or wages); and
- (b) any return on those specified superannuation contributions; and
- (c) reserves, that is, specified superannuation contributions made on or after 1 April 2000 that do not vest in a member of the superannuation fund and any return on the specified superannuation contributions, as follows:
 - (i) for a superannuation fund with 10 or more unassociated members, reserves that have been allocated to a member of the superannuation fund, other than those allocated to an account of the member's contributions for smoothing investment returns; or
 - (ii) for all other superannuation funds, reserves

employer's premises is defined in section CX 27 (2) (Benefits provided on the premises) for the purposes of that section

employer's superannuation contribution means a superannuation contribution provided by an employer for the benefit of an employee or employees of the employer

employing company is defined in section DC 6 (Definitions for sections DC 4 to DC 6) for the purposes of sections DC 4 to DC 6

employment,—

- (a) in the fringe benefit tax rules, means the activity that entitles, entitles, or will entitle a person performing it to receive a source deduction payment, not including, for this purpose, a payment described in any of paragraphs (d), (f), (g), (h), or (i) of the definition of **salary or wages** or a withholding payment specified in Part E of the Income Tax (Withholding Payments) Regulations 1979:
- (b) in the definitions of **full employment**, **full-time earner**, and **fully employed person**, and in subpart KD (Tax credits for Family Support and Family Plus) (except section KD 3 (Calculation of family tax credit)),—
 - (i) means the activity that entitles or will entitle a person performing it to receive a source deduction payment, not including, for this purpose, a payment described in any of paragraphs (d), (f), or (g) of the definition of **salary or wages** or a withholding payment specified in Part E of the Income Tax (Withholding Payments) Regulations 1979; and
 - (ii) includes non-activity on a day by a person who receives a source deduction payment for the day, because the person is treated as having performed the activity on the day to an extent determined by the Commissioner, having regard to the day, the pay period in which it occurs, the circumstances giving rise to the source deduction payment, and any other circumstances that the Commissioner considers relevant; and
 - (iii) includes activity on a day by a person who receives a source deduction payment for the day even though their activity is less than the activity that would normally give rise to the source deduction payment, because the person is treated as having performed the activity on the day to an extent determined by the Commissioner, having regard to the day, the pay period in which it occurs, the circumstances giving rise to the source deduction payment, and any other circumstances that the Commissioner considers relevant:
- (c) is defined in section KD 3 (1) (Calculation of family tax credit) for the purposes of that section

employment income has the meaning given to it by section CE 1 (Amounts derived in connection with employment)

employment limitation has the meaning given to it by section DA 2 (4) (General limitations)

employment-related loan means a loan that is a fringe benefit

estate, for land,—

- (a) means any estate or interest in land, whether legal or equitable, and whether vested or contingent, in possession, reversion, or remainder; and
- (b) includes any right, whether immediate or through a trustee or otherwise, to the possession of the land or to the receipt of the rents or profits from the land or to the proceeds of the disposal of the land; and
- (c) does not include a mortgage

estimated residual market value,—

- (a) for an item of depreciable property, has the meaning given to it by section EF 58 (Other definitions):
- (b) for high-priced livestock, means its market value at the end of its estimated useful life, estimated reasonably as at the date of acquisition and based upon an assumption of normal and reasonable maintenance over its estimated useful life

estimated useful life,—

- (a) for an item of depreciable property, has the meaning given to it by section EF 54 (Estimated useful life):
- (b) for high-priced livestock, means the period over which the livestock might reasonably be expected to be useful in deriving income or carrying on a business in New Zealand, taking into account—
 - (i) the passage of time, likely wear and tear, exhaustion, and obsolescence; and
 - (ii) an assumption of normal and reasonable maintenance

excepted financial arrangement,—

- (a) in the financial arrangements rules, has the meaning given to it by section EH 12 (What is an excepted financial arrangement):
- (b) in the old financial arrangements rules, has the meaning given to it by section EZ 41 (Definitions)

Comment:	Section EZ 41 is the current section EH 14. It does not appear in the exposure draft but will appear in the Act implementing the rewrite of Parts A to E.
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excess expenditure—

- (a) is defined in section CX 38 (3) (Farm-out arrangements for petroleum mining) for the purposes of that section:
- (b) is defined in section DT 12 (7) (Farm-out arrangements) for the purposes of that section

exchange variation is defined in section CZ 9 (4) (Repayment of loans: exchange variations) for the purposes of that section

excluded depreciable property has the meaning given to it by section EF 55 (Excluded depreciable property)

excluded income has the meaning given to it by section BD 1 (3) (Income, exempt income, excluded income, and counted income)

exempt income has the meaning given to it by section BD 1 (2) (Income, exempt income, excluded income, and counted income)

exempt income limitation has the meaning given to it by section DA 2 (3) (General limitations)

expenditure is defined in section DD 2 (7) (Limitation rule) for the purposes of that section

expenditure on account of an employee has the meaning given to it by section CE 2 ('Expenditure on account of an employee' defined)

exploration permit has the meaning given to it by section 2 of the Crown Minerals Act 1991

exploratory material means anything acquired with exploratory well expenditure or prospecting expenditure

exploratory well means a well drilled in a permit area to—

- (a) locate petroleum; or
- (b) confirm the existence, quantity, or composition of petroleum; or
- (c) ascertain whether petroleum is recoverable in commercial quantities

exploratory well expenditure—

- (a) means expenditure incurred by a petroleum miner in planning, drilling, testing, completing, and abandoning an exploratory well; and
- (b) does not include residual expenditure

extra pay—

- (a) means a payment that—
 - (i) is made to a person in connection with their employment; and
 - (ii) is not one regularly included in the salary or wages payable to the person for a pay period; and
 - (iii) is not overtime pay; and
 - (iv) is made in a lump sum; and
 - (v) is made in 1 lump sum or in 2 or more instalments; and
 - (vi) is made for a period of time or otherwise than for a period of time; and
- (b) includes a payment of the kind described in paragraph (a) made—
 - (i) as a bonus, gratuity, or share of profits; or
 - (ii) as a redundancy payment; or
 - (iii) when the person retires from employment; or
 - (iv) by a retrospective increase in salary or wages (the payment is included only to the extent to which the payment accrues from the start of the increase until the start of the first pay period in which the increase is included in salary or wages, and to the extent to which, when a week ends with a Saturday, the total of the increase for the week, and of the salary or wages for the week excluding the increase, and of any other salary or wages that the person earns for the week is more than \$4):
- (c) includes income that a person derives under section CE 9 (Restrictive covenants) or section CE 10 (Exit inducements) if the income was derived in connection with an employment relationship between the person and the person who paid the income:
- (d) does not include a payment of exempt income

farmer is defined in section EN 3 (Persons to whom main income equalisation scheme applies) for the purposes of the main income equalisation scheme

farm-in expenditure means expenditure of a kind specified in paragraph (a) of the definition of **farm-out arrangement**

farm-out arrangement—

- (a) means an arrangement between a person (farm-in party) and a petroleum miner (farm-out party) by which the farm-in party—
 - (i) after the arrangement is made, incurs expenditure in doing work or paying for work done in or for the area of the petroleum permit of the petroleum miner; or
 - (ii) acquires or receives a right or option to acquire, or becomes entitled in another way to, an interest in the petroleum permit of the petroleum miner; or
 - (iii) becomes entitled to a direct or indirect interest in petroleum from the permit area or the profits, however measured, from that petroleum, or a direct or indirect right to reimbursement from petroleum produced in the permit area or the profits, however measured, from that petroleum, or a royalty, rental, or other consideration of whatever nature calculated by reference to petroleum from the permit area or the profits, however measured, from that petroleum:
- (b) is defined in section CX 38 (3) (Farm-out arrangements for petroleum mining) for the purposes of that section:
- (c) is defined in section DT 12 (7) (Farm-out arrangements) for the purposes of that section

FBT rules has the same meaning as **fringe benefit tax rules**

feature film means a film that—

- (a) is produced mainly for exhibition in a cinema; and
- (b) is exhibited in 35mm gauge; and
- (c) has a continuous running time of no less than 75 minutes

fee is defined in section ND 10 (2) (Goods and service generally: value of services) for the purposes of that section

Comment:	For the reference to section ND 1, see the comment on the definition of 'amount'.
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FIF means a foreign investment fund as defined in section EI 29 (Foreign investment funds (FIFs))

FIF income has the meaning given to it by section CQ 5 (When FIF income arises)

FIF loss has the meaning given to it by section DN 6 (When FIF loss arises) and section DN 7 (Calculation of FIF loss)

FIF net loss, for a person and an income year in which the person has a FIF loss, means the part of the FIF loss that the person is not allowed to deduct because of section DN 8 (Ring-fencing cap on deductions: not branch equivalent method) and section DN 9 (Ring-fencing cap on deductions: branch equivalent method), but must instead deal with under Part I (Treatment of net losses)

fifteen percent capital reduction is defined in section CD 12 (9) (Returns of capital: off-market share cancellations) for the purposes of that section

fifteen percent interest reduction is defined in section CD 12 (9) (Returns of capital: off-market share cancellations) for the purposes of that section

filing taxpayer means a person who is not a non-filing taxpayer for the applicable income year

film—

- (a) means a recording on any medium from which a moving image may by any means be produced; and
- (b) includes a part of any such recording

film income means income of a person under section CC 12 (Films)

film production expenditure—

- (a) means—
 - (i) an expenditure or loss (other than a loss of a capital nature) incurred in producing a film:
 - (ii) an amount of depreciation loss on property used in producing the film:
 - (iii) an amount of depreciation loss from disposing of depreciable property used in producing the film allowed under section EF 40 (Effect of disposal or event); and

- (b) does not include an expenditure incurred—
 - (i) in acquiring an asset for which a depreciation loss is allowed;
 - (ii) in acquiring a right in a film after the film is completed;
 - (iii) directly in marketing or selling a film

film reimbursement scheme means an arrangement—

- (a) under which a person may incur expenditure in relation to which a deduction is allowed under section DS 2 (Acquiring rights in films) or section DS 3 (Film production expenditure) (or would be allowed if section DS 4 (Clawback of deductions for film reimbursement schemes) did not exist); and
- (b) that—
 - (i) enables the person or an associated person to dispose of property; or
 - (ii) gives a right to the person or an associated person to dispose of property; or
 - (iii) gives a right that creates an obligation for the person or an associated person that they may meet by disposing of property; and
- (c) that, in its application to an associated person,—
 - (i) means an associated person who is an associated person under section OD 7 (Defining when 2 persons are associated persons) or section OD 8 (3) (Further definitions of associated persons); and
 - (ii) includes the relationship of a loss attributing qualifying company to a shareholder in the loss attributing qualifying company; and
- (d) under which some or all of the consideration for the property would not be film income

film right has the same meaning as ***right in a film***

finance lease means a lease that—

- (a) is of a lease asset; and
- (b) provides for one of the following:
 - (i) the ownership of the lease asset to be transferred to the lessee or an associate of the lessee at the end of the lease term; or
 - (ii) the lessee or an associate of the lessee to have the option of acquiring the lease asset for an amount that is likely

- to be substantially lower than the lease asset's market value on the date of acquisition; or
- (iii) the lease term to be more than 75% of the lease asset's estimated useful life as that term is used in the formula in section EF 25 (4) (Economic rate); and
- (c) is entered into on or after 20 May 1999

financial arrangement,—

- (a) in the financial arrangements rules, has the meaning given to it by section EH 10 (What is a financial arrangement):
- (b) in the old financial arrangements rules, has the meaning given to it by section EZ 41 (Definitions)

Comment:	See the comment on the definition of 'excepted financial arrangement'.
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financial arrangements rules has the meaning given to it by section EH 1 (2) (What this subpart applies to)

first publication is defined in section EJ 6 (6) (Assigning or granting copyright) for the purposes of that section

fisher has the meaning given to it by section EN 3 (Persons to whom main income equalisation scheme applies)

fishing boat is defined in section EK 2 (6) (Spreading forward of deductions for repairs to fishing boats) for the purposes of that section

fishing business—

- (a) is defined in section EK 2 (6) (Spreading forward of deductions for repairs to fishing boats) for the purposes of that section:
- (b) is defined in section EN 34 (Definitions used in main income equalisation scheme) for the purposes of the main income equalisation scheme

fixed life intangible property has the meaning given to it by section EF 58 (Other definitions)

flat-owning company is defined in section CD 19 (2) (Flat-owning companies) for the purposes of that section

foreign company means a company that—

- (a) is not resident in New Zealand; or

- (b) is treated under a double tax agreement as not being resident in New Zealand

foreign expenditure is defined in section EM 1 (11) (Election to use foreign tax balance date) for the purposes of that section

foreign investment fund has the meaning given to it by section EI 29 (Foreign investment funds (FIFs))

foreign source income is defined in section EM 1 (11) (Election to use foreign tax balance date) for the purposes of that section

foreign superannuation scheme means a superannuation scheme constituted outside New Zealand

forester has the meaning given to it by section EN 3 (Persons to whom main income equalisation scheme applies)

forestry company means a company that is incorporated, under an agreement between the Crown, the Maori owners, and a holding company of the company, for the purposes of—

- (a) buying land partly from the Crown, partly from the Maori owners, and partly from a holding company of the company; and
- (b) carrying on a forestry business on the land

forward contract,—

- (a) in the financial arrangements rules, means—
- (i) an agreement that is a conditional or an unconditional agreement to acquire or dispose of property, or obtain or supply services, if the agreement can be settled without the property being delivered or the services being performed; or
- (ii) an agreement that is a conditional or an unconditional agreement to acquire or dispose of foreign exchange or a financial arrangement:
- (b) in the old financial arrangements rules, has the meaning given to it by section EZ 41 (Definitions)

Comment:	See the comment on the definition of 'excepted financial arrangement'.
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fringe benefit has the meaning given to it by section CX 2 (When sections CX 2 to CX 34 apply and relationship with subpart ND)

Comment:	For the reference to subpart ND, see the comment on the definition of 'amount'.
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fringe benefit tax rules means—

- (a) sections CX 2 to CX 34, sections GC 15 to GC 17, subpart ND, and schedule 2; and
- (b) sections 93 and 120S and Part VII of the Tax Administration Act 1994

Comment:	For the reference to subpart ND, see the comment on the definition of 'amount'.
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full reinsurance has the meaning given to it by section EG 4 (2) ('Life reinsurance' defined)

fully credited is defined in section CD 30 (24) (Available subscribed capital amount) for the purposes of that section

gain or loss is defined in section EH 13 (4) (Relationship between financial arrangements and excepted financial arrangements) for the purposes of that section

general insurance means insurance that is not life insurance

generally accepted accounting principles is defined in section EC 22 (Definitions for this subpart) for the purposes of subpart EC (Valuation of trading stock (including dealer's livestock))

general limitation means a rule described in any of section DA 2 (1) to (6) (General limitations)

general permission has the meaning given to it by section DA 1 (1) (General permission)

goods—

- (a) in section CX 1 (3) (Goods and services tax) and section DB 2 (Goods and services tax), has the meaning given to it by section 2 of the Goods and Services Tax Act 1985:

- (b) is defined in section EB 3 (11) (Prepayments and certain deferred payments) for the purposes of that section

goods and services tax mean goods and services tax charged under section 8 (1) of the Goods and Services Tax Act 1985

Origin:	ED 4(7)(e).
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goods and services tax charged mean goods and services tax charged under section 8 (1) of the Goods and Services Tax Act 1985

Origin:	ED 4(7)(e).
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goods and services tax payable—

- (a) in section CX 1 (3) (Goods and services tax) and section DB 2 (Goods and services tax), has the meaning given by the definition of **tax payable** in section 2 of the Goods and Services Tax Act 1985 (but does not include interest payable under Part VII of the Tax Administration Act 1994):
- (b) is defined in section DB 3 (3) (Determining tax liabilities) for the purposes of that section

government stock is defined in section DZ 3 (3) (Film reimbursement scheme: when clawback rule does not apply) for the purposes of that section

grant-related suspensory loan means a loan that is not a loan of the kind described in section CF 2 (1) (Remission of specified suspensory loans) and—

- (a) that—
- (i) is made by a public authority; and
 - (ii) includes the term that the liability of the borrower may be wholly or partly remitted; or
- (b) that is made by the Rural Banking and Finance Corporation of New Zealand as an irrigation suspensory loan and designated as such; or
- (c) that is made by the Rural Banking and Finance Corporation of New Zealand a West Coast drainage loan and designated as such

grey list means the list of countries in schedule 3, part A

gross deduction has the meaning given to it by section BC 3 (Gross deduction)

gross income has the meaning given to it by section BC 2 (Gross income)

gross proceeds is defined in section ED 43 (7) (Replacement breeding stock) for the purposes of that section

herd livestock means a type of listed livestock that a person chooses to value under the herd scheme, and that the person values for an income year under section ED 6 (Value of livestock on death of person), section ED 11 (Valuation under herd scheme), and section ED 15 (Herd livestock disposed of before values set)

herd value factor means—

- (a) the factor calculated or recalculated under section ED 12 (Herd value factor) or section ED 13 (Inaccurate herd value factor) for herd livestock other than livestock on the Chatham Islands:
- (b) the adjustment set by the Commissioner under section ED 14 (Chatham Islands adjustment to herd value) for herd livestock on the Chatham Islands

high-priced livestock has the meaning given to it by section ED 31 (High-priced livestock)

holder is defined in section EZ 41 (Definitions) for the old financial arrangements rules

Comment:	See the comment on the definition of 'excepted financial arrangement'.
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holding company,—

- (a) for a forestry company, means a company that has the forestry company under its control:
- (b) for a mining company, is defined in section CU 25 (Other definitions)

identical goods is defined in section ND 1R ('Identical goods' defined) for the purposes of the fringe benefit tax rules

Comment:	For the reference to section ND 1R, see the comment on the definition of 'amount'.
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improvement, for an item of depreciable property, has the meaning given to it by section EF 58 (Other definitions)

improvements is defined in section CB 8 (4) (Disposal within 10 years of improvement: building business) for the purposes of that section

income, for a person, means an amount that is income of the person under section BD 1 (1) (Income, exempt income, excluded income, and counted income)

income from forestry has the meaning given to it by section EN 34 (Definitions used in main income equalisation scheme)

income from mining has the meaning given to it by section CU 18 (Income from mining)

income interest,—

- (a) for a foreign company, has the meaning given to it by sections EI 8 to EI 13:
- (b) in the dividend withholding payment rules and the imputation rules and in subpart MF (Branch equivalent tax accounts), means an income interest of 10% or greater under the rules in sections EI 14 to EI 17

income tax is defined in section DB 1 (2) (Taxes and penalties (other than goods and services tax)) for the purposes of that section

income tax liability means an income tax liability for a tax year determined under subpart BC (Calculating and satisfying income tax liabilities)

income year means,—

- (a) for a person who has approval under section 38 or 39 of the Tax Administration Act 1994 to make a return for a period not ending on 31 March, the other approved period (which may be less than a year in some cases):
- (b) for any other person, the tax year

incurred has the meaning given to it by section BD 4 (3) (Allocation of deductions to particular income years) in the circumstances described in that section

indemnity limitation has the meaning given to it by section DA 2 (6) (General limitations)

indirect income interest has the meaning given to it by section EI 10 (Indirect income interests)

initial treatment has the meaning given to it by section CU 25 (Other definitions)

input tax—

- (a) has the meaning given to it by section 3A of the Goods and Services Tax Act 1985; and
- (b) includes, for a supply, GST levied on goods entered for home consumption under the Customs and Excise Act 1996

insurance contract includes a cover note and a renewal of an insurance contract

insured person is defined in section FC 13 (9) (Premiums derived by non-resident general insurers treated as being derived from New Zealand) for the purposes of sections FC 13 to FC 17

Comment:	Draft sections FC 13 to FC 17 appear in the consequential amendments in this volume.
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insurer is defined in section FC 13 (9) (Premiums derived by non-resident general insurers treated as being derived from New Zealand) for the purposes of sections FC 13 to FC 17

Comment:	See the comment on definition of 'insured person'.
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interest – replacement paragraph (a) and added paragraph (ca)—

- (a) for a person's income, resident withholding income, or non-resident withholding income,—
 - (i) means a payment made to the person by another person for money lent to any person, whether or not the payment is periodical and however it is described or computed; and
 - (ii) does not include a repayment of money lent or a redemption payment:
- (ca) in section DB 6 (Interest) and section DB 8 (Money borrowed to purchase shares in group companies), includes expenditure incurred under the financial arrangements rules:

international aircraft has the meaning given to it by section EF 58 (Other definitions)

international organisation is defined in section CW 17 (3) (Amounts derived by overseas experts and trainees in New Zealand by government arrangement) for the purposes of that section

investment society dividend means—

- (a) a dividend declared by a friendly society; or
- (b) a dividend declared by a registered society as defined in section 2 of the Industrial and Provident Societies Act 1908; or
- (c) for a building society,—
 - (i) a dividend declared by the society; or
 - (ii) some tangible or intangible benefit that a member or a shareholder receives for disposing to the society of a share in the society; the benefit may or may not be relief from an obligation and may or may not be convertible into money

land—added paragraphs (aa) and (ab) and replacement paragraph (b)—

- (aa) is defined in section CB 16 (3) (Business exclusion: land acquired for disposal or when certain businesses carried on) for the purposes of that section:
- (ab) is defined in section CB 21 (Definitions for sections CB 5 to CB 21) for the purposes of sections CB 5 to CB 21
- (b) is defined in section DC 3 (5) (Payments to working partners) for the purposes of that section

larger area of land is defined in section CB 14 (3) (Residential exclusion: land development) for the purposes of that section

lease—replacement paragraph (b) and paragraph (c)—

- (b) for the purposes of subpart EF (Depreciation), includes a licence to occupy:
- (c) is defined in section EZ 25 (5) (Premium paid for lease of land) for the purposes of that section:

legal defeasance means a defeasance in which the release of a party to a financial arrangement or an excepted financial arrangement from the primary obligation of the financial arrangement or the excepted financial arrangement is—

- (a) acknowledged formally by the creditor; or

- (b) acknowledged formally by a duly appointed trustee or agent of the creditor; or
- (c) established by legal judgment

legal life has the meaning given to it by section EF 58 (Other definitions)

lessee—

- (a) for a lease,—
 - (i) means a person who leases, hires, or bails a lease asset from a lessor; and
 - (ii) includes a trustee or assignee of the person; and
 - (iii) for the purposes of subpart EF (Depreciation), includes the holder of a licence to occupy:
- (b) for a hire purchase agreement, means the person who obtains the use or, or the right to use, the hire purchase asset under the agreement:
- (c) is defined in section GD 10 (4) (Leases for inadequate rent) for the purposes of that section

licence-specific assets is defined in section DT 12 (7) (Farm-out arrangements) for the purposes of that section

life insurance has the meaning given to it by section EG 2 ('Life insurance' defined) and section EG 5 (Life insurance and life reinsurance: how sections relate)

Life Insurance Fund means a Life Insurance Fund within the meaning of section 15 of the Life Insurance Act 1908 and, for a life insurer, means the life insurer's Life Insurance Fund

life insurance policy—

- (a) has the meaning given to it by section EG 2 (5) ('Life insurance' defined) and section EG 5 (Life insurance and life reinsurance: how sections relate); and
- (b) when referred to in relation to a life insurer, means a life insurance policy under which the life insurer is the insurer

life insurance rules means—

- (a) subpart CR (Income from life insurance), subpart DR (Life insurance business expenditure), section DZ 1 (Life insurers acquiring property before 1 April 1988), subpart EG (Life insurance rules), section EZ 21 (Life insurers acquiring property

before 1 April 1988), section GD 7 (Distribution of property to policyholders, etc.), section GD 8 (Superannuation schemes), and subpart II (Losses – life insurers); and

- (b) section 112 of the Tax Administration Act 1994

Origin:	CM 2; OZ 1(1) 'life insurance rules'.
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life insured means—

- (a) a human being on whose death or survival the payment of a benefit under a life insurance policy is contingent, including the payment of an annuity whose term is contingent on human life; and
- (b) a human being to whom an annuity whose term is not contingent on human life is payable under a life insurance policy

life insurer,—

- (a) in the life insurance rules, has the meaning given to it by section EG 3 ('Life insurer' defined) and section EG 5 (Life insurance and life reinsurance: how sections relate);
- (b) in the fringe benefit tax rules and section OD 5A (Modifications to measurement of voting and market value interests in cases of continuity provisions and demutualisation of insurers), means a person carrying on a business of providing life insurance;
- (c) is defined in section CX 17 (4) (Employment-related loans: loans by life insurers) for the purposes of that section

life reinsurance has the meaning given to it by section EG 4 ('Life reinsurance' defined) and section EG 5 (Life insurance and life reinsurance: how sections relate)

life reinsurance policy—

- (a) has the meaning given to it by section EG 4 (5) ('Life reinsurance' defined) and section EG 5 (Life insurance and life reinsurance: how sections relate); and
- (b) when referred to in relation to a life reinsurer, means a life reinsurance policy under which the life reinsurer is the reinsurer

life reinsurer has the meaning given to it by section EG 4 (4) ('Life reinsurance' defined) and section EG 5 (Life insurance and life reinsurance: how sections relate)

limitation rule has the meaning given to it by section DD 1 (2) (Entertainment expenditure generally)

limited recourse loan is defined in section DS 10 (Definitions for this subpart) for the purposes of sections DS 6 to DS 10

listed livestock—

- (a) means an animal that is, for any of the types of livestock set out in schedule 8, column 1, an animal of that type; and
- (b) does not include an animal that is high-priced livestock

livestock, in subpart ED (Valuation of livestock), has the meaning given to it by section ED 1 (Valuation of livestock) and section ED 3 (Summary of valuation methods)

loan—

- (a) in the fringe benefit tax rules, section CD 17 (Property made available intra-group), section CD 26 (Calculation of dividend amount of property made available), and subpart LF (Underlying foreign tax credits), includes—
 - (i) an amount of money that a person provides in some way, such as by depositing it in an account:
 - (ii) an amount of credit that a person gives, including by not enforcing a debt:
 - (iii) an amount of money that a person provides, or credit that a person gives, under an obligation or arrangement:
 - (iv) an amount of money that a person gives in return for a promissory note:
 - (v) any other amount that a person advances or gives as principal under a financial arrangement, but not an excepted financial arrangement:
- (b) for a holding company and a mining company, has the meaning given to it by section CU 25 (Other definitions):
- (c) is defined in section CZ 9 (4) (Repayment of loans: exchange variations) for the purposes of that section

local authority—

- (a) means—
 - (i) a local authority named in the First Schedule of the Local Government Act 1974; or

- (ii) a local authority of any of the classes specified in the schedule; and
- (b) includes Infrastructure Auckland as defined in section 707ZZI of the Act

long-term bailment has the meaning given to it by section ED 24 (Definitions for sections ED 21 to ED 23)

loss—

- (a) means an attributed CFC loss when used in the expression ‘attributed CFC income or loss’:
- (b) means a branch equivalent loss when used in the expression ‘branch equivalent income or loss’:
- (c) means a FIF loss when used in the expression ‘FIF income or loss’

low-turnover trader is defined in section EC 12 (3) (Low turnover valuation) for the purposes of subpart EC (Valuation of trading stock (including dealer’s livestock))

lump sum payment is defined in section EJ 6 (6) (Assigning or granting copyright) for the purposes of that section

main deposit has the meaning given to it by section EN 34 (Definitions used in main income equalisation scheme)

main income equalisation account has the meaning given to it by section EN 34 (Definitions used in main income equalisation scheme)

main income equalisation scheme means the scheme referred to in section EN 1 (2)(a) (Income equalisation schemes)

main maximum deposit has the meaning given to it by section EN 34 (Definitions used in main income equalisation scheme)

Maori investment company means a company that is incorporated for the purpose of acquiring shares or debentures issued by a forestry company for unpaid purchase money for Maori land bought by the forestry company from the Maori owners

Maori owners—

- (a) means the persons who have a beneficial interest in Maori land bought by a forestry company; and

- (b) includes every trustee for a Maori owner, the Maori Trustee, and every Maori incorporation that has a beneficial interest in the land

market value – replacement paragraph (c) and added paragraph (d)—

- (c) is defined in section EI 58 (Market value of life policy and superannuation entitlements) for certain purposes of the FIF rules in sections EI 29 to EI 60:
- (d) is defined in section ND 1Q ('Market value' defined) for the purposes of section ND 1N (Goods and services generally: value of goods) and section ND 1P (When value of fringe benefit cannot be ascertained)

Comment:	For the references to ND sections, see the comment on the definition of 'amount'.
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maturity means,—

- (a) in the financial arrangements rules,—
 - (i) for an agreement for the sale and purchase of property or services or an option, the date on which the agreement or option ends:
 - (ii) for any other financial arrangement, the date on which the last payment contingent on the arrangement is made:
- (b) in the old financial arrangements rules, has the meaning given to it by section EZ 41 (Definitions)

Comment:	See the comment on the definition of 'excepted financial arrangement'.
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maximum pooling value has the meaning given to it by section EF 56 (Maximum pooling value)

member's contribution—

- (a) means a member's contribution to a superannuation fund; and
- (b) includes any return on the contribution

mineral has the meaning given to it by section CU 25 (Other definitions)

mining company has the meaning given to it by section CU 19 (Mining company)

mining development expenditure has the meaning given to it by section CU 20 (Mining development expenditure)

mining exploration expenditure has the meaning given to it by section CU 21 (Mining exploration expenditure)

mining holding company has the meaning given to it by section CU 25 (Other definitions)

mining licence has the meaning given to it by section 2 of the Petroleum Act 1937

mining operations has the meaning given to it by section CU 22 (Mining operations)

mining or prospecting right has the meaning given to it by section CU 25 (Other definitions)

mining outgoing excess has the meaning given to it by section DU 11 (When mining company has mining outgoing excess)

mining prospecting information has the meaning given to it by section CU 25 (Other definitions)

mining purposes has the meaning given to it by section CU 25 (Other definitions)

mining share has the meaning given to it by section CU 25 (Other definitions)

mining venture has the meaning given to it by section CU 23 (Mining venture)

money,—

- (a) in the definition of **security payment**, and in the financial arrangements rules, includes—
 - (i) money's worth, whether or not convertible into money:
 - (ii) the right to money, including the deferral or cancellation of some or all of an obligation to pay money:
- (b) in the old financial arrangements rules, has the meaning given to it by section EZ 41 (Definitions)

Comment: See the comment on the definition of 'excepted financial arrangement'.

money lent means—

- (a) an amount of money that a person provides in some way, such as by depositing it in an account, whether or not the provision is secured or evidenced in writing;
- (b) an amount of credit that a person gives, including by not enforcing a debt, whether or not the giving of credit is secured or evidenced in writing;
- (c) an amount of money that a person provides, or credit that a person gives, under an obligation or arrangement, whether or not secured or evidenced in writing;
- (d) an amount of money that goes from person A to person B in consideration for person B's promise to pay person A an amount of money and that is less than the amount that person B promises to pay person A (and for the purposes of this paragraph,—
 - (i) money goes from person A when it is paid, distributed, or credited to, or dealt with in the interest or on behalf of, person B;
 - (ii) person B's promise is not required to be secured or evidenced in writing;
 - (iii) person B includes any other person with whom person B is an associated person)

monthly instalment plan is defined in section EZ 3 (Base premium for 1998-99 premium year under Accident Insurance Act 1998) for the purposes of that section

mortality profit means the amount worked out by a life insurer following the steps in section EG 23 (2) (When life insurers providing life insurance at start of income year) or section EG 24 (2) (When life insurers not providing life insurance at start of income year), as applicable

mortality profit formula means the formula in section EG 25 (Mortality profit formula)

motorcar – replacement paragraph (a) and paragraph (b)—

- (a) in the definition of **qualifying item** and in section EZ 11 (Additional depreciation loss for excluded depreciable property that is plant or machinery),—
 - (i) means a motor vehicle designed exclusively or mainly for carrying up to 9 people, including the driver; and

- (ii) includes such a motor vehicle that has rear doors and collapsible rear seats; and
- (iii) does not include a motor cycle or a moped:
- (b) in the definition of **work-related vehicle** and in the fringe benefit tax rules,—
 - (i) means a motor vehicle designed exclusively or mainly to carry people:
 - (i) includes such a motor vehicle that has rear doors or collapsible rear seats:
 - (iii) does not include a taxicab, a motor cycle, a moped, or a minibus

motor vehicle—replacement paragraph (b)—

- (b) in the definition of **motorcar**, and in the fringe benefit tax rules,—
 - (i) has the meaning given to it by section 2 (1) of the Land Transport Act 1998:
 - (ii) does not include a vehicle the gross laden weight of which is more than 3,500 kilograms

net gain is defined in section ED 43 (7) (Replacement breeding stock) for the purposes of that section

net income means net income for an income year determined under section BC 4 (Net income and net loss)

net mining loss means the amount by which a mining company's income from mining for an income year is less than the mining company's deductions that are for expenditure incurred in deriving income from mining and are allocated to the income year

new item has the meaning given to it by section EZ 16 (New item)

New Zealand business means the part of the business of a life insurer not resident in New Zealand that consists of the offering or being offered, or the entering into, in New Zealand, of life insurance policies or life reinsurance policies

New Zealand-new item has the meaning given to it by section EZ 17 (New Zealand-new item)

New Zealand repatriation amount has the meaning given to it by section CD 33 (New Zealand repatriation amount)

nominee is defined in section OD 9 (2) (Nominees are transparent) for the purposes of that section

Comment:	Draft section OD 9 appears in the consequential amendments in this volume.
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non-cash dividend means a dividend to the extent to which it does not consist of—

- (a) an unconditional payment in money; or
- (b) an unconditional credit in money to the balance of a shareholder's current or other form of account with the company

non-contingent fee means a fee that—

- (a) is for services provided for a person becoming a party to a financial arrangement; and
- (b) is payable whether or not the person becomes a party to the financial arrangement

non-executive director is defined in section CD 10 (4) (Non-cash benefits of shareholder-employees or directors) for the purposes of that section

non-filing taxpayer means—

- (a) a natural person to whom section 33A (1) of the Tax Administration Act 1994 applies and to whom one of the following applies:
 - (i) they do not receive an income statement for an income year; or
 - (ii) the Commissioner is not required to send them an income statement for an income year; or
 - (iii) the Commissioner is prohibited from sending them an income statement for an income year; or
- (b) a natural person who chooses not to file a return for an income year for specified payments derived in the person's capacity as a non-resident entertainer; or
- (c) a natural person who, in the relevant income year, derives only non-resident withholding income to which section NG 3 (Non-resident withholding tax to be final tax in certain cases) applies

non-participating redeemable share is defined in section CD 12 (9) (Returns of capital: off-market share cancellations) for the purposes of that section

non-recourse loan is defined in section DS 10 (Definitions for this subpart) for the purposes of sections DS 6 to DS 10

non-resident—

- (a) means a person who is not a New Zealand resident:
- (b) is further defined in section CW 17 (3) (Amounts derived by overseas experts and trainees in New Zealand by government arrangement) for the purposes of that section

non-resident aircraft operator is defined in section CW 41 (3) (Non-resident aircraft operators) for the purposes of that section

non-resident entertainer is defined in section CW 16 (4) (Amounts derived by visiting entertainers (including sportspersons)) for the purposes of that section

non-resident mining operator has the meaning given to it by section CU 25 (Other definitions)

non-standard accounting year has the meaning given to it by section OF 1 (2) (References to income years, and to non-standard accounting years, etc.)

non-standard balance date has the meaning given to it by section OF 1 (2) (References to income years, and to non-standard accounting years, etc.)

non-standard income year has the meaning given to it by section OF 1 (2) (References to income years, and to non-standard accounting years, etc.)

non-taxable bonus issue means a bonus issue that is not a taxable bonus issue

normal gross profit margin—

- (a) is defined in section EC 8 (4) (Discounted selling price) for the purposes of that section:
- (b) is defined in section EC 17 (4) (Discounted selling price for low-turnover traders) for the purposes of that section

normal retiring age is defined in section DC 6 (Definitions for sections DC 4 to DC 6) for the purposes of sections DC 4 to DC 6

notice has the meaning given to it by sections 14 to 14B of the Tax Administration Act 1994

Comment:	Draft sections 14 to 14B of the Tax Administration Act 1994 appear in the consequential amendments in this volume.
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offered or entered into in New Zealand, for an insurance contract or a reinsurance contract or a life insurance policy or a life reinsurance policy, means a contract or policy offered or entered into in New Zealand, whether or not—

- (a) the contract or policy is executed in New Zealand; or
- (b) the insurer under the contract or policy—
 - (i) is resident in New Zealand; or
 - (ii) has a fixed establishment in New Zealand; or
 - (iii) has an agent in New Zealand

Origin:	CM 12 (a) and (b); CM 13 (1) and (2); CM 16; CM 17 (1) and (2); CN 3 (1); DK 3D (a) and (b); OE 3 (1) and (3) (a); OE 4 (1) (o).
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off-market cancellation means a share cancellation that is not an on-market cancellation

offshore development is defined in section EK 16 ('Offshore development' defined) for the purposes of section EK 9 (Petroleum development expenditure)

old financial arrangements rules means sections EZ 26 to EZ 46

Comment:	Sections EZ 26 to EZ 46 are current sections EH A1 to EH 18 and EZ 10. Sections EZ 26 to EZ 46 do not appear in the exposure draft but will appear in the Act implementing the rewritten Parts A to E.
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on-market cancellation means an acquisition by a company of a share in the company if—

- (a) the company acquires the share in a transaction occurring on a recognised exchange, through a broker or some other similar agent independent of the company; and

- (b) before the transaction, no arrangement existed between the shareholder and the company for the company to acquire the share; and
- (c) the acquisition is not a treasury stock acquisition to which section CD 15 (Treasury stock acquisition) applies (but this paragraph does not limit the application of section CD 15 (3) to (7))

onshore development is defined in section EK 15 ('Onshore development' defined) for the purposes of section EK 9 (Petroleum development expenditure)

opening value, for livestock, means the value of livestock taken or to be taken into account at the start of an income year

operational area has the meaning given to it by section CW 18 (3) (Income for military service in operational area) for the purposes of that section

ordering rule means the rule set out in section CD 13 (1) and (2) (Ordering and slice rule) for calculating the amount of available subscribed capital per share

other livestock in sections ED 27 to ED 30, and in section FF 10 (Non-specified livestock), means livestock other than listed livestock, high-priced livestock, and bloodstock

Comment:	Current section FF 10 is to be amended in such a way that it will use 'other livestock' (see the note to this effect in the consequential amendments in this volume).
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output tax has the meaning given to it by section 2 of the Goods and Services Tax Act 1985

Origin:	ED 4(7)(a).
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overseas pension is defined in section CW 22 (2) (Pensions) for the purposes of that section

owner, for land, means—

- (a) a person who is the owner of an estate or interest in land, alone or jointly or in common with any other person; or

- (b) a person who is treated by this Act as the owner of an estate or interest in land, alone or jointly or in common with any other person

Part E timing rules means a set of provisions in Part E (Timing and quantifying rules) that allocates an amount of income or deduction to an income year and may also quantify the amount

partial reinsurance has the meaning given to it by section EG 4 (3) ('Life reinsurance' defined)

participating share is defined in section CD 12 (9) (Returns of capital: off-market share cancellations) for the purposes of that section

pay,—

- (a) for interest or a redemption payment that is income or non-resident withholding income derived by a person from money lent by them, includes—
 - (i) to distribute to them:
 - (ii) to credit to them:
 - (iii) to deal with in their interest or on their behalf in some way other than those described in subparagraphs (i) and (ii):
- (b) for an insurance contract or a reinsurance contract or a life insurance policy or a life reinsurance policy, includes, for a person,—
 - (i) to distribute to them:
 - (ii) to credit to them:
 - (iii) to deal with in their interest or on their behalf in some way other than those described in subparagraphs (i) and (ii):
- (c) in paragraph (b) of the definition of **dividends** and in the NRWT rules, includes, for a person,—
 - (i) to distribute to them:
 - (ii) to credit to them:
 - (iii) to deal with in their interest or on their behalf in some way other than those described in subparagraphs (i) and (ii):
- (d) in section OE 4 (Classes of income deemed to be derived from New Zealand), includes, for a person,—
 - (i) to distribute to them:
 - (ii) to credit to them:

- (iii) to deal with in their interest or on their behalf in some way other than those described in subparagraphs (i) and (ii):
- (e) in the definition of **specified dividends** and in the RWT rules, for resident withholding income, and in section ND 1I (2) (Employment-related loans: repayment), includes, for a person,—
 - (i) to distribute to them:
 - (ii) to credit to them:
 - (iii) to apply on their account:
 - (iv) to deal with in their interest or on their behalf in some way other than those described in subparagraphs (i) to (iii):
- (f) in section EA 1 (Matching rule for employment income of shareholder-employee) and section EB 3 (Prepayments and certain deferred payments), includes, for a person,—
 - (i) to credit in account, reinvest, accumulate, or capitalise for them:
 - (ii) to carry to a reserve, sinking, or insurance fund for them:
 - (iii) to deal with in their interest or on their behalf in some way other than those described in subparagraphs (i) or (ii):
- (g) in paragraph (c) of the definition of **dividend**, in the definitions of **benchmark dividend**, **combined imputation and dividend withholding payment ratio**, **dividend withholding payment**, **dividend withholding payment deduction**, **dividend withholding payment ratio**, **imputation ratio**, **shareholder dividend statement**, and **subsequent dividend**, and in the consolidation rules, the dividend withholding payment rules, the imputation rules, subpart CD (Income from equity), subpart HG (Qualifying companies), subpart ME (Imputation Credit Accounts), subpart MF (Branch Equivalent Tax Accounts), section GC 24 (Application of specific imputation provisions to consolidated groups), section KH 2 (Calculation of percentage of shareholders not resident), section MD 1 (Refund of excess tax), section MD 3 (Refund of income tax not to exceed amount of credit balance), section NH 7 (Reduction in liability under conduit tax relief), and section OB 6 (Meaning of ‘income tax’),—
 - (i) includes, for a person, to distribute or credit to them or deal with in some other way in their interest or on their behalf; and

- (ii) for a dividend that is a bonus issue, means to issue shares or to give credit for the shares comprising the bonus issue

Comment:	For the references to section ND 11, see the comment on the definition of 'amount'.
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pay and allowances is defined in section CW 18 (4) (Income for military service in operational area) for the purposes of that section

payment, in the cases described in paragraphs (a) to (g) of the definition of **pay**, has a meaning corresponding to the relevant paragraph

payment relating to incapacity for work is defined in section CW 27 (2) (Compensation payments) for the purposes of that section

pension is defined in section CF 1 (2) (Benefits, pensions, compensation, and government grants) for the purposes of that section

period of restriction is defined in section DC 6 (2) to (4) (Definitions for sections DC 4 to DC 6) for the purposes of sections DC 4 to DC 6

permit has the meaning given to it by section 2 of the Crown Minerals Act 1991

permit area means the area of land covered by a petroleum permit

permit-specific asset means an asset of the kind specified in section CT 8 (1)(a)(i) ('Petroleum mining asset' defined)

person — added paragraphs (c) to (f)—

- (c) in section CT 3 (Disposal of interests in controlled petroleum mining entities), includes persons associated with a person, and a person and persons associated with that person are treated as one person:
- (d) is defined in section EN 3 (Persons to whom main income equalisation scheme applies) for the purposes of the main income equalisation scheme:
- (e) is defined in section EN 38 (Persons to whom adverse event income equalisation scheme applies) for the purpose of the adverse event income equalisation scheme:
- (f) is defined in section EN 65 (Persons to whom thinning operations income equalisation scheme applies) for the purposes of the thinning operations income equalisation scheme

Origin of paragraph (a): CJ 6(3).

petroleum development expenditure—

- (a) means expenditure incurred by a petroleum miner that—
 - (i) directly concerns a permit area; and
 - (ii) is for acquiring, constructing, or planning petroleum mining assets; but
- (b) does not include—
 - (i) residual expenditure; or
 - (ii) exploration expenditure; or
 - (iii) other expenditure allowed as a deduction under any provision of the Act

petroleum exploration expenditure—

- (a) means—
 - (i) exploratory well expenditure; and
 - (ii) prospecting expenditure; and
 - (iii) expenditure to acquire a prospecting licence, a prospecting permit, or an exploration permit:
- (b) does not include—
 - (i) residual expenditure; and
 - (ii) expenditure that is required to be treated as petroleum development expenditure

petroleum miner has the meaning given to it by section CT 7 ('Petroleum miner' defined)

petroleum mining asset has the meaning given to it by section CT 8 ('Petroleum mining asset' defined)

petroleum mining development expenditure is defined in section DZ 4 (3) (Petroleum mining: development expenditure from 1 October 1990 or 15 December 1991) for the purposes of that section

petroleum mining operations—

- (a) means any of the following activities:
 - (i) developing a permit area for producing petroleum:
 - (ii) producing petroleum and treating it at the production facilities:

- (iii) processing, transmitting, or storing petroleum before its dispatch to a buyer, consumer, processor, refinery, or user:
- (iv) removal or restoration operations:
- (b) does not include treating crude oil, condensate, or natural gas (after the well stream has been separated and stabilised into those substances)—
 - (i) by liquefaction or compression:
 - (ii) for extraction of constituent products; or
 - (iii) for the production of derivative products

petroleum permit means—

- (a) a permit that relates to petroleum; and
- (b) a prospecting licence; and
- (c) a mining licence

petroleum-related depreciable property has the meaning given to it by section EF 58 (Other definitions)

physical cost of production is defined in section DZ 3 (3) (Film reimbursement scheme: when clawback rule does not apply) for the purposes of that section

policyholder means the person who is beneficially entitled to the rights of ownership of a life insurance policy

policyholder base income tax liability means the schedular income tax liability for an income year of a life insurer for the policyholder base, determined under section BC 7 (Income tax liability of person with schedular income)

policyholder income means a positive result of the application of the policyholder income formula

Origin:	CM 15(2)(a).
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policyholder income formula means the formula in section EG 40 (Policyholder income formula)

policyholder net loss means a negative result of the application of the policyholder income formula

Origin:	CM 15(2)(b).
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pool has the meaning given to it by section EF 58 (Other definitions)

poolable property has the meaning given to it by section EF 57 (Poolable property)

pool method has the meaning given to it by section EF 58 (Other definitions)

pre-1983 mortgage repayment insurance policy means a single premium non-profit life insurance policy issued on or before 31 March 1983, under which the amount assured is related to the amount outstanding on a mortgage of land

premium—

- (a) for life insurance,—
 - (i) means any consideration, however described, payable under a life insurance policy to a life insurer; and
 - (ii) does not include interest on an unpaid premium:
- (b) is defined in section FC 13 (9) (Premiums derived by non-resident general insurers treated as being derived from New Zealand) for the purposes of sections FC 13 to FC 17:
- (c) is defined in section EZ 25 (5) (Premium paid for lease of land) for the purposes of that section

Comment:	For the references to FC sections, see the comment on the definition of 'insured person'.
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premium loading means the amount worked out by a life insurer following the steps in section EG 13 (2) (When life insurers providing life insurance at start of income year) or section EG 14 (2) (When life insurers not providing life insurance at start of income year), as applicable

premium loading formula means the formula in section EG 15 (1) or the formula in section EG 15 (2) (Premium loading formulas)

prescribed amount has the meaning given to it by section DU 9 (4) (Resident mining operators)

prescribed interest is defined in section ND 1K (Employment-related loans: definitions for sections ND 1I and ND 1J) for the purposes of section ND 1I (Employment-related loans: repayment) and section ND 1J (Employment-related loans: regulations)

Comment: For the references to ND sections, see the comment on the definition of 'amount'.

prescribed period has the meaning given to it by section CU 25 (Other definitions)

prescribed proportion has the meaning given to it by section CU 25 (Other definitions)

prescribed rate of interest means the rate of interest declared by regulations made under section ND 1J to be the rate applying to employment-related loans

Comment: For the references to ND sections, see the comment on the definition of 'amount'.

price,—

- (a) in subpart EC (Valuation of trading stock (including dealer's livestock)), for the replacement of the trading stock of a person, does not include an amount of input tax for the supply of the replacement trading stock to the person:
- (b) is defined in section ND 1N (2) (Goods and services generally: value of goods) for the purposes of that section:
- (c) is defined in section ND 1O (2) (Goods and services generally: value of services) for the purposes of that section:
- (d) is defined in section ND 1U (Definitions for sections ND 1S and ND 1T) for the purposes of section ND 1S (Low-value goods: with staff discount) and section ND 1T (Low-value goods: with special discount and staff discount)

Comment: For the references to ND sections, see the comment on the definition of 'amount'.

primary producer cooperative company is defined in section CV 2 (4) (Primary producer cooperative companies) for the purposes of that section

private limitation has the meaning given to it by section DA 2 (2) (General limitations)

private or domestic agreement for the sale and purchase of property or services means an agreement for the sale and purchase of property or services entered into by a person, or a specified option granted to or by a person, to which all the following apply:

- (a) first,—
 - (i) the agreement is entered into by the person for a private or a domestic purpose; or
 - (ii) the option is granted to or by the person for a private or a domestic purpose; and
- (b) second, the subject matter of the agreement or option is—
 - (i) real property whose purchase price is less than \$1,000,000; or
 - (ii) any other property whose purchase price is less than \$400,000; or
 - (iii) services whose purchase price is less than \$400,000; and
- (c) third,—
 - (i) the agreement requires settlement of the property, or performance of the services, to take place on or before the 365th day after the date on which the agreement is entered into; or
 - (ii) the option requires settlement of the property, or performance of the services, if an agreement is entered into as a result of the exercise of the option, to take place on or before the 365th day after the date on which the option is granted

private use has the meaning given to it by section CX 10 (Private use of motor vehicle: ‘private use’ defined)

pro rata cancellation, for shares of the same class in a company, means the cancellation of—

- (a) all the shares in the class; or
- (b) part only of the shares in the class if the cancellation does not alter any person’s voting interest (or market value interest, if a market value circumstance exists at the time in relation to the company) in the company, determined as if no other class of shares existed; or
- (c) part only of the shares in the class if the cancellation results from an offer from the company to all shareholders in the class and the resulting cancellation would have met paragraph (b) if each shareholder who received the offer accepted it in full

profit-sharing arrangement means an arrangement under which—

- (a) a person (person A) makes listed livestock available, without specifying a fee for doing so, to another person (person B) who carries on a business in which the livestock are used; and
- (b) any return or compensation that person A receives for making the livestock available depends on the profits of the business; and
- (c) person A participates in the profits and losses of the business; and
- (d) if a partnership between person A and person B arises, person A is bound by the requirements of the Partnership Act 1908 for third parties

property,—

- (a) in sections CB 29 (Obtaining property by theft) and section DB 33 (Restitution of stolen property), includes money and money's worth:
- (b) in subpart EF (Depreciation), includes consents granted in or after the 1996-97 tax year under the Resource Management Act 1991:
- (c) in the life insurance rules, includes any real or personal property:
- (d) in the definitions of **agreement for the sale and purchase of property or services, forward contract, right, private or domestic agreement for the sale and purchase of property or services, short-term agreement for the sale and purchase of property or services, short-term option, and specified option**, and in the financial arrangements rules,—
 - (i) means any property, whether real or personal, legal or equitable, or tangible or intangible; but
 - (ii) does not include a financial arrangement or foreign exchange:
- (e) in the old financial arrangements rules, has the meaning given to it by section EZ 41 (Definitions)

Comment:	For the reference to section EZ 41, see the comment on the definition of 'excepted financial arrangement'.
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prospecting expenditure—

- (a) means expenditure to identify land likely to contain exploitable petroleum deposits or occurrences:

- (b) includes prospecting for petroleum by seismic, gravimetric, magnetic, electrical, radioactive, geochemical, or other geological methods:
- (c) does not include residual expenditure

prospecting licence has the meaning given to it by section 2 of the Petroleum Act 1937

prospecting permit has the meaning given to it by section 2 of the Crown Minerals Act 1991

protective right is defined in section CD 12 (9) (Returns of capital: off-market share cancellation) for the purposes of that section

provisional rate has the meaning given to it by section EF 58 (Other definitions)

public authority—

- (a) means the Public Trustee, the Maori Trustee, and every other department or instrument of the Executive Government of New Zealand; and
- (b) includes the Christmas Island Phosphate Commission, incorporated in Australia by the Christmas Island Agreement Act 1949 of the Parliament of Australia; and
- (c) is further defined in section CW 28 (5) (Public authorities) for the purposes of that section

public entertainer is defined in section CW 15 (2) (amounts derived during short-term visits) for the purposes of that section

qualifying capital value has the meaning given to it by section EZ 18 (Qualifying capital value)

qualifying company election tax has the meaning given to it by section HG 11 (Taxation on election to become qualifying company) and section HG 12 (Payment of qualifying company election tax)

qualifying debenture means—

- (a) a debenture issued by a forestry company for unpaid purchase money for land bought by the forestry company from the Crown or the Maori owners or a holding company of the forestry company; or
- (b) a debenture issued by a forestry company for capitalised interest derived from a debenture described in paragraph (a); or

- (c) a debenture issued by a forestry company for money lent to the forestry company by a holding company for any of the following purposes:
 - (i) financing expenditure by the forestry company on planting or maintaining trees; or
 - (ii) meeting administrative overheads, rates, rent, insurance premiums, or other expenses of the same kind; or
 - (iii) paying interest on money borrowed for the purposes of the forestry business and employed as capital in the business; or
- (d) a debenture issued by a forestry company for capitalised interest derived from a debenture described in paragraph (c); or
- (e) a debenture issued by a forestry company for capitalised interest derived from a debenture described in paragraph (b) or paragraph (d); or
- (f) a debenture issued by a Maori investment company to a shareholder of the company or a trustee for a shareholder

qualifying improvement has the meaning given to it by section EZ 19 (Qualifying improvement)

qualifying item has the meaning given to it by section EZ 20 (Qualifying item)

qualifying share premium is defined in section CD 30 (26) (Available subscribed capital amount) for the purposes of that section

redemption payment means the amount by which a payment made on the redemption of a commercial bill by the person who issued it is more than the money lent to the person ('issue', in this definition, having the meaning given to it by section 2 of the Bills of Exchange Act 1908)

reinsurance contract includes a cover note and a renewal of a reinsurance contract

reinvestment profit has the meaning given to it by section CU 25 (Other definitions)

related person is defined in section CD 31 (14) (Available capital distribution amount) for the purposes of that section

relative,—

- (a) in section EI 4 (Limits to requirement to include associated person interests), section GC 14B (Attribution rules for personal services), and section OD 8 (3) (Further definitions of associated persons), means a person connected with another person by—
 - (i) blood relationship, that is, one is within the second degree of relationship to the other; or
 - (ii) marriage, that is, one is married to the other or to a person who is connected by blood relationship to the other; or
 - (iii) adoption, that is, one has been adopted as a child of the other or as a child of a person who is within the first degree of relationship to the other:
- (b) except in section EI 4 (Limits to requirement to include associated person interests), section GC 14B (Attribution rules for personal services), section HH 3C (Source of beneficiary income), section HH 3D (Treatment of various settlements), and section OD 8 (3) (Further definitions of associated persons), means a person connected with another person by—
 - (i) blood relationship, that is, one is within the fourth degree of relationship to the other; or
 - (ii) marriage, that is, one is married to the other or to a person who is connected by blood relationship to the other; or
 - (iii) adoption, that is, one has been adopted as a child of the other or as a child of a person who is within the third degree of relationship to the other:
- (c) except in section EI 4 (Limits to requirement to include associated person interests), section GC 14B (Attribution rules for personal services), section HH 3C (Source of beneficiary income), section HH 3D (Treatment of various settlements), and section OD 8 (3) (Further definitions of associated persons), includes a trustee of a trust under which a relative has benefited or is eligible to benefit:
- (d) is defined in section HH 3F (Definitions of guardian, minor and relative) for the purposes of section HH 3C (Source of beneficiary income) and section HH 3D (Treatment of various settlements)

remaining deduction—

- (a) is defined in section EK 4 (6) (Expenditure incurred in acquiring rights in feature films) for the purposes of that section:
- (b) is defined in section EK 5 (4) (Expenditure incurred in acquiring rights in films other than feature films) for the purposes of that section:
- (c) is defined in section EK 8 (5) (Film production expenditure for films other than New Zealand films) for the purposes of that section

removal or restoration operations, for a petroleum miner, means removing permit-specific assets or restoring the site of petroleum mining operations because of the relinquishment of the petroleum permit relating to the permit-specific assets or the petroleum mining operations

(repealed) section 200 is defined in section CV 2 (4) (Primary producer cooperative companies) for the purposes of that section

replacement price in subpart ED (Valuation of livestock) means the price at which livestock can be replaced

resident mining operator has the meaning given to it by section CU 24 (Resident mining operator)

residential purposes is defined in section CB 15 (3) (Residential exclusion: land affected by changes in permitted use) for the purposes of that section

residual expenditure — replacement paragraph (a)—

- (a) expenditure for which a person is allowed a deduction under section DB 25 (Scientific research):

revenue account property, for a person, means—

- (a) property that is trading stock of the person; or
- (b) property that would produce income for the person if they disposed of it (not including income under section EF 40 (Effect of disposal or event))

revenue film expenditure is defined in section DS 10 (Definitions for this subpart) for the purposes of sections DS 6 to DS 10

revenue from land is defined in section CC 1 (2) (Revenue from land) for the purposes of that section

right, in the definitions of **short-term agreement for the sale and purchase of property or services** and **short-term option**, and for property to which section EH 38 (Consideration for agreement for sale and purchase of property or services, hire purchase agreement, specified option, or finance lease) and section EH 40 (Consideration in foreign currency) apply,—

- (a) means—
 - (i) a right to possess the property; or
 - (ii) a right to income derived from the property; or
 - (iii) a right to control or influence the disposal of income derived from the property; or
 - (iv) a right, directly or indirectly, to make a decision about the property; or
 - (v) a right, directly or indirectly, to influence a person making a decision about the property; or
 - (vi) any other right of a substantially similar nature; and
- (b) does not include the mere right to enforce an agreement for the sale and purchase of property or services or a specified option

right in a film—

- (a) means a right or interest of any kind (including a future or contingent right or interest) in or to—
 - (a) a film; or
 - (b) any tangible or intangible property in, or relating to, the film or other assets relating to a film; or
 - (c) film income:
- (b) is defined in section CC 12 (3) (Films) for the purposes of that section

right to take timber includes a licence or easement or right of taking profits or produce from the land to the extent to which the licence, easement, or right relates to timber

rolling average value is defined in section EZ 23 (5) for the purposes of that section

royalty has the meaning given to it by section CC 11 (2) and (3) (Royalties)

schedular income means income of any of the following types:

- (a) policyholder income under section CR 1 (4) (Income of life insurer):
- (b) income derived from a mining venture by a non-resident mining operator:
- (c) specified payments derived by a person in their capacity as a non-resident entertainer if the person does not choose to file a return for that income:
- (d) category A income derived by a trustee of a group investment fund:
- (e) income to which section FC 14 (Non-resident general insurers' income) applies:
- (f) income to which sections FC 18 to FC 20 apply (non-resident shippers):
- (g) income to which section FC 21 (Amounts derived by non-residents from renting films) applies:
- (h) schedular income subject to final withholding

Comment:	For the references to FC sections, see the comment on the definition of 'insured person'.
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schedular income subject to final withholding means non-resident withholding income to which section NG 3 (Non-resident withholding tax to be final in certain cases) applies

schedular income tax liability mean the amount determined under section BC 7 (Income tax liability of person with schedular income)

security arrangement,—

- (a) except in the old financial arrangements rules, means a financial arrangement that secures a party against another person failing to perform the person's obligations under a secured arrangement:
- (b) in the old financial arrangements rules, has the meaning given to it by section EZ 41 (Definitions)

Comment:	See the comment on the definition of 'excepted financial arrangement'.
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security payment means money received by a party to a security arrangement to the extent to which—

- (a) the money is received for a loss incurred because of non-performance of the secured arrangement; and
- (b) the money is income of the party

self-assessed adverse event,—

- (a) is defined in section EN 34 (Definitions used in main income equalisation scheme) for the purposes of the main income equalisation scheme:
- (b) is defined in section EN 62 (Definitions used in adverse event income equalisation scheme) for the purposes of the adverse event income equalisation scheme

series of transactions, in paragraph (b) of the definition of **settlor**, means any number of transactions, whether related, connected, or otherwise

services—

- (a) in section CX 1 (Goods and services tax) and section DB 2 (Goods and services tax), has the meaning given to it by section 2 of the Goods and Services Tax Act 1985:
- (b) is defined in section EB 3 (11) (Prepayments and certain deferred payments) for the purposes of that section

share—

- (a) includes any interest in the capital of a company:
- (b) includes a debenture to which section FC 1 (Floating rate of interest on debentures) or FC 2 (Interest on debentures issued in substitution for shares) applies:
- (c) includes a unit in a unit trust:
- (d) includes an investor's interest in a group investment fund if—
 - (i) the fund is not a designated group investment fund; and
 - (ii) the interest does not result from an investment from a designated source; and
 - (iii) the investor's interest does not result from an investment made in the fund on or before 22 June 1983 (including any amount deemed to be invested at that date under paragraph (c) or (d) of the definition of **protected amount** in section HE 2 (3) (Group investment funds)):

- (e) includes a convertible note to which section FZ 2 (2) (Amounts owing under convertible notes deemed to be share capital and holders deemed to be shareholders) applies:
- (f) does not include a withdrawable share in a building society, except in the definitions of **investment society dividend** and **withdrawable share**:
- (g) is further defined in section CE 7 ('Share' defined) for the purposes of sections CE 3 to CE 6:
- (h) is further defined in section DC 6 (Definitions for sections DC 4 to DC 6) for the purposes of sections DC 4 to DC 6

Origin:	CF 2(3); FC 12; FZ 2(2)(b); HE 1(a), (b), (c), (d); OB 1 'share'.
Defined terms:	company, convertible note, unit trust.
Comment:	This approach, together with the amendments to the definition of 'company' and 'shareholder', would enable the repeal of section FC 12 and section HE 1 (a) to (d). Section FZ 2 (2)(b) could also be repealed. It is proposed that current section CH 2 (8) also be repealed and that the only convertible notes that are shares for current section CH 2 purposes are the old 1960 to 1986 notes, which are generally treated as shares. This is a change in the law but seems to be a necessary and appropriate result of the rewrite. For further comments, see the comments on the definition of 'company'.

shareholder—

- (a) includes—
 - (i) a holder of a share; and
 - (ii) a member of a company, whether the company's capital is divided into shares or not:
- (b) does not include a holder of a withdrawable share in a building society, except in the definitions of **investment society dividends** and **withdrawable share**:
- (c) is further defined in section FC 2 (5) (Interest on debentures issued in substitution for shares) for the purposes of that section:
- (d) in the definition of **shareholder dividend statement** and in the dividend withholding payment rules, the imputation rules, subpart HG (Qualifying companies) and subpart MF Branch equivalent tax accounts), and sections ME 15 to ME 24, includes a sharemilker (as defined in section 2 of the Sharemilking Agreements Act 1937), in so far as the sharemilker derives payment for produce transactions directly from a cooperative dairy or milk company

Origin:	OB 1 'shareholder'.
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Defined terms:	company, dividend withholding payment rules, imputation rules, share, statutory producer board.
Comment:	<p>Current paragraph (c)(ii) is superfluous, given the definition of 'share', and current paragraph (c)(i) is superfluous, given the definition of 'company' (already in section OC 3) and paragraph (a)(ii) of the definition of 'shareholder'.</p> <p>Note the exclusion of withdrawable shares of building societies. The exclusion of withdrawable shares in building societies from the definition of 'share', and the equivalent change to the definition of 'shareholder', eliminate the possibility of 'dividends' on such shares being 'dividends' generally under the Act and accordingly should mean imputation credits cannot attach. This is not a policy shift (having regard to current section CE 1 (1)(a), which separately taxes such amounts, and current sections DI 1 (a) and NF 1 (4), which treat 'dividends' on withdrawable shares as interest for deductibility and RWT purposes) but might be argued to be a change in the law.</p>

share purchase agreement is defined in section CE 3 ('Share purchase agreement' defined) for the purposes of section CE 1 (Amounts derived in connection with employment) and sections CE 4 to CE 7

share purchase scheme means a scheme approved for the time being by the Commissioner for the purposes of section DC 4 (Loans to employees under share purchase schemes)

short-term agreement for the sale and purchase of property or services means an agreement for the sale and purchase of property or services of one of the following classes:

- (a) an agreement under which settlement must take place or the services must be performed on or before the 93rd day after the date on which the agreement is entered into:
- (b) if the date on which the agreement is entered into cannot be established, an agreement under which settlement must take place or the services must be performed on or before the 93rd day after the earlier of—
 - (i) the date on which the buyer first makes a payment to the seller; and
 - (ii) the date on which the first right in the property is transferred or the services are performed:
- (c) if the agreement is continuous and the seller renders periodic invoices for the property or services, an agreement under which settlement must take place or the services must be performed on or before the 93rd day after the date on which each invoice is rendered

short-term bailment has the meaning given to it by section ED 24 (Definitions for sections ED 21 to ED 23)

short-term option,—

- (a) in the financial arrangements rules, means a specified option of one of the following classes:
 - (i) an option under which settlement must take place or the services must be performed on or before the 93rd day after the date on which the option is entered into:
 - (ii) if the date on which the option is entered into cannot be established, an option under which settlement must take place or the services must be performed on or before the 93rd day after the earlier of the date on which the buyer first makes a payment to the seller and the date on which the first right in the property is transferred or the services are performed:
- (b) in the old financial arrangements rules, has the meaning given to it by section EZ 41 (Definitions)

Comment:	See the comment on the definition of 'excepted financial arrangement'.
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sick, accident, or death benefit fund means a fund approved by the Commissioner that is established for the benefit of employees, or the members of an incorporated society, or the surviving spouses and dependants of those employees or members

significant financial hardship has the meaning given to it by section CS 3 (2) (Exception for withdrawal on grounds of hardship)

slice rule means the rule set out in section CD 13 (3) and (4) (Ordering rule and slice rule) for calculating the amount of available subscribed capital per share

source in New Zealand, for income, is defined in section OE 4 (Classes of income deemed to be derived from New Zealand)

special corporate entity — replacement paragraphs (f) and (fa)—

- (f) a Life Insurance Fund:
- (fa) an entity that has not issued shares and is engaged mainly in the business of providing life insurance or other insurance to the public

special rate has the meaning given to it by section EF 58 (Other definitions)

specified base cost for 1983 income year property means, whether the property is real or personal, the greater of—

- (a) the cost price or acquisition value of the property; and
- (b) the market value of the property on the last day of the 1982-83 income year

specified insurance premium has the meaning given to it by section CX 21 ('Specified insurance premium' defined)

specified mineral has the meaning given to it by section CU 25 (Other definitions)

specified option,—

- (a) in the financial arrangements rules,—
 - (i) means an option to acquire or dispose of property or services; and
 - (ii) includes an agreement for the sale and purchase of property or services entered into as a result of the exercise of the option:
- (b) in the old financial arrangements rules, has the meaning given to it by section EZ 41 (Definitions)

Comment:	See the comment on the definition of 'excepted financial arrangement'.
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specified period — replacement paragraphs (a) to (ab)—

- (a) is defined in section EN 34 (Definitions used in main income equalisation scheme) for the purposes of the main income equalisation scheme:
- (aa) is defined in section EN 62 (Definitions used for adverse event income equalisation scheme) for the purposes of the adverse event income equalisation scheme:
- (ab) is defined in section EN 81 (Definitions used for thinning operations income equalisation scheme) for the purposes of the thinning operations income equalisation scheme:

specified superannuation contribution means a contribution that—

- (a) is an employer's superannuation contribution; and
- (b) is made in money; and
- (c) is made to a superannuation fund

spreading method means a method listed in section EH 20 (2) (What spreading methods do)

standard value, for other livestock, means the value set under section ED 30 (Setting standard values)

standing timber includes trees that would be standing timber if they were mature trees

straight-line method, for depreciation, has the meaning given to it by section EF 58 (Other definitions)

straight-line rate has the meaning given to it by section EF 58 (Other definitions)

subsidised transport has the meaning given to it by section CX 14 (3) (Subsidised transport in course of employer's business)

superannuation contribution—

- (a) means a disposition of property to or for the benefit of a superannuation scheme in consideration for which fully adequate consideration in money or money's worth does not pass from the scheme to a person; and
- (b) does not include a benefit that may pass from the scheme to a person under the terms of the scheme

superannuation fund—

- (a) means a superannuation scheme registered under the Superannuation Schemes Act 1989; and
- (b) when referring to a superannuation fund that is a trust, means the trustees of the fund

superannuation policy is defined in section DZ 1 (3) (Life insurers acquiring property before 1 April 1988) for the purposes of that section

superannuation scheme—

- (a) means—
 - (i) a trust or unit trust established by its trust deed mainly for the purposes of providing retirement benefits to beneficiaries who are natural persons or paying benefits to superannuation funds; or
 - (ii) a company that is not a unit trust, is not resident in New Zealand, and is established mainly for the purpose of

- providing retirement benefits to members or relatives of members who are natural persons; or
- (iii) an arrangement constituted under an Act of the Parliament of New Zealand, other than the Social Security Act 1964, mainly for the purpose of providing retirement benefits to natural persons; or
 - (iv) an arrangement constituted under the legislation of a country, territory, state, or local authority outside New Zealand mainly for the purpose of providing retirement benefits to natural persons; and
- (b) when referring to a superannuation scheme that is a trust, means the trustees of the scheme

taxable activity—replacement paragraph (b)—

- (b) is defined in section DB 3 (3) (Determining tax liabilities) for the purposes of that section

taxable bonus issue means—

- (a) a bonus issue in lieu; or
- (b) a bonus issue that the company chooses to treat as a dividend under section CD 7 (Elections to make bonus issue a dividend); or
- (c) in the case of a bonus issue made before the enactment of the Income Tax Amendment Act 2002, a bonus issue that the company chose to treat as a dividend under a repealed section of this Act or the Income Tax Act 1976 that corresponds to section CD 7 (Elections to make bonus issue a dividend)

Comment:	The reference in paragraph (c) to the Income Tax Amendment Act 2002 is a reference to the Act that will implement the rewrite of Parts A to E.
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taxable income means taxable income for an income year as determined under section BC 5 (Taxable income)

taxable period is defined in section DB 3 (Determining tax liabilities) for the purposes of that section

taxable supply has the meaning given to it by section 2 of the Goods and Services Tax Act 1985

Origin:	ED 4(7)(a).
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tax liability, in section CC 10 (Use of money interest payable by Commissioner) and sections EL 4 to EL 6, includes circumstances in which a person has no tax to pay or is entitled to a refund of tax

Origin:	ED 7(4).
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tax withheld means an amount of tax paid under the PAYE rules, the RWT rules, the NRWT rules, or regulations made under section 225 of the Tax Administration Act 1994

tax year means a period commencing on 1 April and ending on 31 March

temporary building means—

- (a) a building that—
 - (i) is erected under a permit issued by a local authority or a public authority; and
 - (ii) must be demolished or removed if the local authority or the public authority requires its demolition or removal; or
- (b) a building that—
 - (i) is erected at a construction site; and
 - (ii) is to be demolished or removed on or before the completion of the construction; or
- (c) a building that—
 - (i) was erected, and is used, to house specific plant or machinery; and
 - (ii) will have to be demolished to remove or replace the plant or machinery

ten percent capital reduction is defined in section CD 12 (9) for the purposes of that section

term of the lease, for a lease,—

- (a) means the period of time from the date on which the lease starts until it ends;
- (b) if the term is indefinite, means the period of time during which the lessee is unable, under the lease, to cancel, terminate, or withdraw from the lease without incurring a penalty;
- (c) if 2 or more consecutive leases are treated under paragraph (f) of the definition of **lease** as 1 lease of a lease asset, the term of

the lease runs from the start of the first lease term to the end of the last of the leases:

- (d) is defined in section EZ 25 (5) (Premium paid for lease of land) for the purposes of that section

terminal tax means an amount calculated for an income year under section BC 9 (Satisfaction of income tax liability)

thinning operations has the meaning given to it by section EN 80 (Definitions used in thinning operations income equalisation scheme)

thinning operations deposit has the meaning given to it by section EN 80 (Definitions used in thinning operations income equalisation scheme)

thinning operations income equalisation account has the meaning given to it by section EN 80 (Definitions used in thinning operations income equalisation scheme)

thinning operations income equalisation scheme means the scheme referred to in section EN 1 (2)(c) (Income equalisation schemes)

thinning operations maximum deposit has the meaning given to it by section EN 80 (Definitions used in thinning operations income equalisation scheme)

timber includes standing timber in—

- (a) section CB 31 (1)(c) (Receipts from insurance or other compensation):
- (b) section CG 8 (Recovered forestry expenditure),
- (c) section FB 4 (Income derived from disposal of trading stock together with other assets of a business):
- (d) section FF 7 (Standing timber):
- (e) section GD 1 (Sale of trading stock for inadequate consideration):
- (f) section GD 2 (Distribution of trading stock to shareholders of company):
- (g) the definition of **cost of timber**:
- (h) paragraph (c) of the definition of **disposal**:
- (i) the definition of **right to take timber**:

time bar means the provisions of sections 108 and 108B of the Tax Administration Act 1994

trading stock—

- (a) is defined in section EC 2 ('Trading stock' defined) for the purposes of subpart EC (Valuation of trading stock (including dealer's livestock)):
- (b) in the old financial arrangements rules, has the meaning given to it by section EZ 41 (Definitions)

Comment:	See the comment on the definition of 'excepted financial arrangement'.
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transfer of value, in subpart CD (Income from equity), means a transfer of value as defined in section CD 4 (What is a transfer of value?)

transferee—

- (a) is defined in section DT 12 (7) (Farm-out arrangements) for the purposes of that section:
- (b) in subpart FF (Matrimonial transfers), for property transferred under a matrimonial agreement, means the person to whom the property is transferred under the agreement

transferor—

- (a) is defined in section CX 38 (3) (Farm-out arrangements for petroleum mining) for the purposes of that section:
- (b) is defined in section DT 12 (7) (Farm-out arrangements) for the purposes of that section:
- (a) in subpart FF (Matrimonial transfers), for property transferred under a matrimonial agreement, means the person from whom the property is transferred under the agreement

trustee—replacement paragraph (c)—

- (c) is defined in section DC 6 (Definitions for sections DC 4 to DC 6) for the purposes of sections DC 4 to DC 6

turnover is defined in section EC 22 (Definitions for this subpart) for the purposes of subpart EC (Valuation of trading stock (including dealer's livestock))

type, in the definitions of **class**, **herd livestock**, **herd value factor**, and in subpart ED (Valuation of livestock) and subpart FF (Matrimonial transfers), for listed livestock, means a general category of livestock listed in schedule 8, column 1

unadjusted income tax liability means an unadjusted income tax liability for an income year as determined under section BC 6 (Income tax liability of filing taxpayer)

unlisted trust is defined in section CD 12 (9) (Returns of capital: off-market share cancellations) for the purposes of that section

unlisted widely-held trust means a widely-held trust the units or interests in which are not quoted on the official list of a recognised exchange

Origin:	CF 3(14).
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value of breeding stock is defined in section ED 43 (7) (Replacement breeding stock) for the purposes of that section

variable principal debt instrument,—

- (a) in the financial arrangements rules, means a financial arrangement that contemplates that 1 party may, on demand or call,—
 - (i) advance further amounts to the other party; or
 - (ii) require the return of all amounts advanced to the other party, if the other party's rights and obligations under the financial arrangement are expressed in a foreign currency:
- (b) in the old financial arrangements rules, has the meaning given to it by section EZ 41 (Definitions)

Comment:	See the comment on the definition of 'excepted financial arrangement'.
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widely-held trust means a unit trust or group investment fund that—

- (a) has at least 100 unitholders or investors (determined after treating all persons associated with each other as one person); or
- (b) does not meet the test in paragraph (a) but can still reasonably be regarded as a widely-held investment vehicle for direct investment by the public; or
- (c) does not meet the test in paragraph (a) but only because of unusual or temporary circumstances, such as the fact that the trust or fund was recently established or is to be terminated; or
- (d) does not meet the test in paragraph (a) but can reasonably be regarded as a vehicle mainly for investment by unit trusts, group investment funds, or superannuation funds that are widely-held vehicles for direct investment

Origin:	CF 3(14).
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withdrawable share—

- (a) means a share in a building society—
 - (i) that bears a rate of dividend specified on the issue of the share and that is redeemable at the end of a fixed term or at the option of the shareholder; or
 - (ii) that has been issued under section 31A of the Building Societies Act 1965; or
 - (iii) that is a terminating share; and
- (b) does not include a share in a building society that is irredeemable, or redeemable only at the society’s option, on which a dividend is declared and payable from the annual surplus revenue of the building society

withdrawal,—

- (a) in subpart CS (Superannuation funds), includes the direct transfer of an amount by a superannuation fund to another superannuation fund or a superannuation scheme:
- (b) in section CS 7 (Exception for withdrawal from defined benefit fund when member ends employment), means a withdrawal of amounts, and any return on amounts, contributed to a superannuation fund during the time a member is employed by the employer with whom the member is ending their employment:
- (c) in section CS 9 (Exception for withdrawal when member ends employment), means a withdrawal of amounts, and any return on amounts, contributed to a defined benefit fund during the time a member is employed by the employer with whom the member is ending their employment

Origin of paragraph (a):	CL 13.
Origin of paragraph (b):	CL 8(7).
Origin of paragraph (c):	CL 10(2).

withholding tax limitation has the meaning given to it by section DA 2 (5) (General limitations)

work-related vehicle has the meaning given to it by section CX 12 (Private use of motor vehicle: ‘work-related vehicle’ defined)