

House of Representatives

Supplementary Order Paper

Thursday, 16 March 2006

Taxation (Depreciation, Payment Dates Alignment, FBT, and Miscellaneous Provisions) Bill

Proposed amendments

Rt Hon Winston Peters, in Committee, to move the following:

New clause 2(13)

To insert into *clause 2* after *subclause (12)* (page 18, after line 27), the following:

- (13) **Sections 49BA to 49BAD, and 76BA** come into force on 1 August 2006.

New clauses 49BA to 49BAD

To insert after *clause 49* (page 72, after line 6), the following:

49BA First income year in breeding business

In section EC 39(4), “section EC 41 or EC 42” is replaced by “section EC 41, EC 42, **EZ 4B or EZ 4C**”.

49BAB Later income years in breeding business

In section EC 40(4), “section EC 41 or EC 42” is replaced by “section EC 41, EC 42, **EZ 4B or EZ 4C**”.

49BAC Reduction: bloodstock not previously used for breeding in New Zealand

In section EC 41,—

- (a) in subsection (2), “25%” is replaced by “50%”:
- (b) in subsection (3) “37.5%” is replaced in both places it appears by “75%”:
- (c) subsections (4) and (5) are repealed:
- (d) in subsection (6), in the formula, “11” is replaced by “9”:
- (e) after subsection (7), the following is added:

“Relationship with subject matter

“(8) This section is overridden by **section EZ 4B.**”

49BAD Reduction: bloodstock previously used for breeding in New Zealand

In section EC 42,—

- (a) subsections (2) and (3) are repealed;
- (b) in subsection (4), in the formula, “11” is replaced by “9”;
- (c) after subsection (5), the following is added:

“Relationship with subject matter

“(6) This section is overridden by **section EZ 4C.**”

New clause 76BA

To insert after *clause 76* (page 108, after line 8), the following:

76BA New sections EZ 4B and EZ 4C

After section EZ 4, the following is inserted

“EZ 4B Reduction: bloodstock not previously used for breeding in New Zealand: pre-1 August 2006

“Bloodstock to which this section applies

- “(1) This section applies to bloodstock that—
- “(a) was not used for breeding in New Zealand before 16 December 1991; and
 - “(b) before a person (**person A**) acquired it, was not used for breeding in New Zealand by any other person, unless—
 - “(i) the other person transferred the bloodstock to person A under a matrimonial agreement to which section FF 12 (Bloodstock) applies; or
 - “(ii) the other person and person A were companies in the same wholly-owned group at the time person A acquired the bloodstock from the other person; and
 - “(c) section EC 39(1) or (2) applies to,—
 - “(i) before 1 August 2006; or
 - “(ii) for an income year ending on or after 1 August 2006, if a requirement in paragraphs (a) to (c) of section EC 39(1) or (2) is first met before 1 August 2006.

“Stallion

- “(2) For the purposes of sections EC 39 and EC 40, the reduction applying to the value of a stallion is 25% of the cost price of the stallion unless person A chooses to value the stallion by the reducing value method.

“Stallion valued by reducing value method

- “(3) When person A chooses to value the stallion by the reducing value method, the reduction applying to the value of the stallion is 37.5% of its cost price in the first income year and 37.5% of its opening value in each later income year. Person A must give notice to the Commissioner of their election in their return of income for the first income year.

“Broodmare when first used before 1 April 2001

- “(4) For the purposes of sections EC 39 and EC 40, the reduction applying to the value of a broodmare is calculated using the formula—

$$\frac{1.25 \times \text{cost price of broodmare}}{15 - \text{age of broodmare.}}$$

“Definition of item in formula

- “(5) In the formula, **age of broodmare** is—
“(a) 12 years of age; or
“(b) the actual age in years, if the broodmare is 11 years of age or less at the end of the income year.

“Broodmare when first used on or after 1 April 2001 but before 1 August 2006

- “(6) For the purposes of sections EC 39 and EC 40, the reduction applying to the value of a broodmare to which section EC 39(2) applies is calculated using the formula—

$$\frac{1.25 \times \text{cost price of broodmare}}{11 - \text{age of broodmare.}}$$

“Definition of item in formula

- “(7) In the formula, **age of broodmare** is—
“(a) 8 years of age; or
“(b) the actual age in years, if the broodmare is 7 years of age or less at the end of the income year.

“Defined in this Act: bloodstock, broodmare, Commissioner, company, cost price, income year, matrimonial agreement, New Zealand, notice, return of income, stallion, wholly-owned group, year

“EZ 4C Reduction: broodmare previously used for breeding in New Zealand: pre-1 August 2006

“Broodmare to which this section applies

- “(1) This section applies to a broodmare that section EC 39(1) or (2) applies to,—
“(a) before 1 August 2006; or
“(b) for an income year ending on or after 1 August 2006, if a requirement in paragraphs (a) to (c) of section EC 39(1) or (2) is first met before 1 August 2006.

“Broodmare when first used before 1 April 2001

- “(2) For the purposes of sections EC 39 and EC 40, the reduction applying to the value of a broodmare to which section EC

39(1) applies and sections EC 41 and **EZ 4B** do not apply is calculated using the formula—

$$\frac{\text{cost price of broodmare}}{15 - \text{age of broodmare.}}$$

“Definition of item in formula

- “(3) In the formula, **age of broodmare** is—
- “(a) 12 years of age; or
 - “(b) the actual age in years, if the broodmare is 11 years of age or less at the end of the income year.

“Broodmare when first used on or after 1 April 2001 but before 1 August 2006

- “(4) For the purposes of sections EC 39 and EC 40, the reduction applying to the value of a broodmare to which section EC 39(2) applies and sections EC 41 and **EZ 4B** do not apply is calculated using the formula—

$$\frac{\text{cost price of broodmare}}{11 - \text{age of broodmare.}}$$

“Definition of item in formula

- “(5) In the formula, **age of broodmare** is—
- “(a) 8 years of age; or
 - “(b) the actual age in years, if the broodmare is 7 years of age or less at the end of the income year.

“Defined in this Act: broodmare, cost price, income year, year”.

Explanatory note

This Supplementary Order Paper amends the *Taxation (Depreciation, Payment Dates Alignment, FBT, and Miscellaneous Provisions) Bill*, to increase the writedown rates for bloodstock.

Proposed changes to the Income Tax Act 2004 provide that the writedown period for stallions not previously used for breeding in New Zealand is 2 years. Also, for broodmares not previously used for breeding in New Zealand, it is proposed that the writedown period is between 1 and 6 years, depending on the age of the broodmare when first bought or used for breeding. For broodmares previously used for breeding in New Zealand, it is proposed that the writedown period is between 1 and 7 years.

New *clause 2(13)* provides the commencement date for the proposed changes. New *clauses 49BA to 49BAD* amend cross-references and relevant writedown rates, and remove old writedown rates.

New *clause 76BA* re-enacts old writedown rates as terminating provisions.
