

# House of Representatives

# Supplementary Order Paper

Tuesday, 4 August 2009

## Taxation (International Taxation, Life Insurance, and Remedial Matters) Bill

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*Proposed amendments*

Hon Peter Dunne, in Committee, to move the following amendments:

*Clause 2*

*Subclause (7):* to omit “**485, 616, 617**” (line 34 on page 42) and substitute “**616, 617, 617B**”.

*Subclause (12):* to omit “**613(4C)**” (line 15 on page 43) and substitute “**613(4C), (4EB)**”.

*Subclause (14):* to omit “**449, 540, 541B(2)**” (line 18 on page 43) and substitute “**533, 540, 541B(2) and (3B)**”.

*Subclause (15):* to omit “**460**” (line 20 on page 43) and substitute “**449, 460**”.

*Subclause (21):* to omit “**23,**” (line 37 on page 43).

*Subclause (21):* to omit “**39,**” (line 2 on page 44).

*Subclause (21):* to omit “**61C**” (line 3 on page 44) and substitute “**61B, 61C**”.

*Subclause (21):* to omit “**101(1), 102(1), (2)**” (line 7 on page 44) and substitute “**101(1) and (3), 102(1), (2), (2B)**”.

*Subclause (21):* to omit “**105D**” (line 8 on page 44) and substitute “**105D, 106B**”.

*Subclause (21):* to omit “**148B**” (line 13 on page 44) and substitute “**148B, 148C**”.

*Subclause (21):* to omit “**151B**” (line 13 on page 44) and substitute “**151B(1) and (3)**”.

*Subclause (21):* to omit “**206, 207**” (lines 19 and 20 on page 44) and substitute “**206, 206B, 207(1), (3), and (4)**”.

*Subclause (21):* to omit “**214B**” (line 21 on page 44) and substitute “**214B, 214BB**”.

*Subclause (21):* to omit “**249**” (line 25 on page 44) and substitute “**249(1), (3), (5), and (6)**”.

*Subclause (21):* to omit “**258**” (line 28 on page 44) and substitute “**258, 259**”.

*Subclause (21):* to omit “**281**” (line 30 on page 44) and substitute “**280(2) and (3), 281**”.

*Subclause (21):* to omit “**388B**” (line 38 on page 44) and substitute “**388, 388B**”.

*Subclause (21):* to omit “**405, 406, 407,**” (lines 3 and 4 on page 45).

*Subclause (21):* to omit “**407C**” (line 4 on page 45) and substitute “**407C, 407D**”.

*Subclause (21):* to omit “**(28)**” (line 5 on page 45) and substitute “**(28), (28B)**”.

*Subclause (21):* to omit “**(42)**” (line 6 on page 45) and substitute “**(42), (42B)**”.

*Subclause (21):* to omit “**(107C), (110C), (111), (111B)**” (lines 9 and 10 on page 45) and substitute “**(110C)**”.

*Subclause (21):* to omit “**(128)**” (line 10 on page 45) and substitute “**(123C), (125BA), (128)**”.

*Subclause (21):* to omit “**(145B)**” (line 12 on page 45) and substitute “**(145B), (147B)**”.

*Subclause (21):* to omit “**182(1), 201(1), 410**” (lines 12 and 13 on page 45) and substitute “**410**”.

*Subclause (21):* to omit “**446**” (line 17 on page 45) and substitute “**436(1), 446**”.

*Subclause (21):* to omit “**451(2)**” (line 17 on page 45) and substitute “**451(2), 454(2), (3), (6), and (7)**”.

*Subclause (21):* to omit “**483(1)**” (line 19 on page 45) and substitute “**483(1) and (3)**”.

*Subclause (21):* to omit “**490B**” (line 20 on page 45) and substitute “**490B, 491**”.

*Subclause (21):* to omit “**496B,**” (line 20 on page 45).

*Subclause (21):* to omit “**510,**” (line 21 on page 45).

*Subclause (23):* to omit “**48**” (line 28 on page 45) and substitute “**48, 186B, 187**”.

*Subclause (25):* to omit “**61B,**” (line 32 on page 45).

*Subclause (25):* to omit “**133B, 134(1), 186B, 187,**” (line 33 on page 45).

*Subclause (25):* to omit “**(85)**” (line 34 on page 45) and substitute “**(85), (88B)**”.

*Subclause (26):* to omit “**8B**” (line 37 on page 45) and substitute “**8B, 23, 39, 50B**”.

*Subclause (26):* to omit “**101(2) to (6)**” (line 37 on page 45) and substitute “**101(2), (4), (5), and (6)**”.

*Subclause (26):* to omit “**132(9) and (11)**” (lines 37 and 38 on page 45) and substitute “**132(9)**”.

*Subclause (26):* to omit “**148C,**” (line 38 on page 45).

- Subclause (26)*: to omit “**206B**” (line 39 on page 45) and substitute “**207(2)**”.
- Subclause (26)*: to omit “**255B**” (line 39 on page 45) and substitute “**255B(1)**”.
- Subclause (26)*: to omit “**288(1), (3), and (4)**,” (line 1 on page 46).
- Subclause (26)*: to omit “**408(62)**” (line 4 on page 46) and substitute “**408(62), (107C), (111), (111B)**”.
- Subclause (26)*: to omit “**422**,” (line 4 on page 46).
- Subclause (26)*: to omit “**454, 458, 528**” (line 5 on page 46) and substitute “**454(1), (4), and (5), 458**”.
- Subclause (27)*: to omit “**13(2) to (5)**” (line 7 on page 46) and substitute “**11B, 13(2), (3), and (4)**”.
- Subclause (27)*: to omit “**116B**” (line 9 on page 46) and substitute “**116(2) and (3), 116B**”.
- Subclause (27)*: to omit “**138(2) to (4), 147**” (line 10 on page 46) and substitute “**133B, 138(2) to (4), 147, 151B(2) and (4)**”.
- Subclause (27)*: to omit “**317**,” (line 20 on page 46).
- Subclause (27)*: to omit “**362**,” (line 23 on page 46).
- Subclause (27)*: to omit “**497**” (line 31 on page 46) and substitute “**497, 499BA**”.
- Subclause (29)*: to omit “**13(1)**” (line 38 on page 46) and substitute “**13(1) and (5)**”.
- Subclause (29)*: to omit “**50B**,” (line 39 on page 46).
- Subclause (29)*: to omit “**120**” (line 4 on page 47) and substitute “**120, 120B, 120C**”.
- Subclause (29)*: to omit “**132(4) and (13)**” (line 5 on page 47) and substitute “**132(4), (9B), (11), and (13)**”.
- Subclause (29)*: to omit “**241**” (line 10 on page 47) and substitute “**241, 249(2), (4), and (7), 255B(2)**”.
- Subclause (29)*: to omit “**276**” (line 10 on page 47) and substitute “**276, 288(1), (3), and (4)**”.
- Subclause (29)*: to omit “**431**” (line 17 on page 47) and substitute “**431, 436(2)**”.
- Subclause (29)*: to omit “**524(3)**” (line 18 on page 47) and substitute “**524(3), 528**”.
- Subclause (31)*: to omit “**146**” (line 22 on page 47) and substitute “**146, 146B**”.

*Clause 5*

*Subclause (2)*: to omit *subclause (2)* (lines 26 and 27 on page 48) and substitute the following:

- (2) Section BE 1(5) is replaced by the following:  
“*Employer’s superannuation cash contributions*”
- “(5) A person who makes an employer’s superannuation cash contribution must pay ESCT under the ESCT rules.”

*Subclause (8)*: to omit *subclause (8)* (lines 7 to 11 on page 49) and substitute the following:

- (8) **Subsection (3)** applies for all income years beginning on or after 1 July 2009.

*Clause 6*

*Subclause (3)*: to omit *subclause (3)* (lines 18 to 22 on page 49) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 8B*

*Heading to clause 8B*: to omit “27” (line 5 on page 51) and substitute “27B”.

*Subclause (1)*: to omit “27” (line 6 on page 51) and substitute “27B”.

*Clause 9*

*Section CB 36(8)*: to omit “a Kyoto emissions unit under the Climate Change Response Act 2002” (lines 6 and 7 on page 54) and substitute “a Kyoto unit as defined in section 4(1) of the Climate Change Response Act 2002”.

*New clause 11B*

To insert, after *clause 11* (after line 13 on page 56), the following:

**11B Section CD 21 repealed**

- (1) Section CD 21 is repealed.  
(2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 13*

*New subclause (3B)*: to insert, after *subclause (3)* (after line 27 on page 57), the following:

- (3B) **Subsection (1)** applies for the 2010–11 and later income years.

*Subclause (4)*: to omit *subclause (4)* (lines 30 to 34 on page 57) and substitute the following:

- (4) **Subsection (2)** applies for all income years beginning on or after 1 July 2009.

*Clause 17*

*Subclause (4)*: to omit *subclause (4)* (line 34 on page 59 to line 2 on page 60) and substitute the following:

- (4) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 18B*

*Subclause (2)*: to omit *subclause (2)* (lines 11 to 15 on page 61) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 19*

*Subclause (4)*: to omit *subclause (4)* (lines 31 to 35 on page 61) and substitute the following:

- (4) **Subsections (1) and (2)** apply for all income years beginning on or after 1 July 2009.

*Clause 20*

*Subclause (5)*: to omit “**Subclauses**” (line 22 on page 62) and substitute “**Subsections**”.

*Clause 23*

*New subclause (2)*: to add, as *subclause (2)* (after line 4 on page 64), the following:

- (2) **Subsection (1)** applies for the 2009–10 and later income years.

*Clause 25*

*New subclause (3B)*: to insert, after *subclause (3)* (after line 26 on page 65), the following:

- (3B) Section CQ 2(4) is repealed.

*Subclause (5)*: to omit *subclause (5)* (lines 32 to 36 on page 65) and substitute the following:

- (5) **Subsections (1) to (3B)** apply for all income years beginning on or after 1 July 2009.

*Clause 26*

*Subclause (3)*: to omit *subclause (3)* (lines 14 to 18 on page 66) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 30*

*Subclause (2)*: to omit *subclause (2)* (lines 3 to 7 on page 72) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 32*

*Subclause (6)*: to omit *subclause (6)* (lines 34 to 38 on page 74) and substitute the following:

- (6) **Subsection (3)** applies for all income years beginning on or after 1 July 2009.

*Clause 34*

*Subclause (1)*: *section CW 17(5)*: to omit “meals” (line 7 on page 79) and substitute “meals and certain other allowances”.

*Clause 39*

*New subclause (2)*: to add, as *subclause (2)* (after line 8 on page 86), the following:

- (2) **Subsection (1)** applies for the 2009–10 and later income years.

*New clause 45BA*

To insert, after *clause 45* (after line 23 on page 89), the following:

**45BA Amounts remitted as condition of new start grant**

- (1) Section CX 48(1), other than the heading, is replaced by the following:

- “(1) This section applies when in an income year of a person—
- “(a) the person carries on a business of—
    - “(i) animal husbandry;
    - “(ii) poultry-keeping;
    - “(iii) beekeeping;
    - “(iv) breeding horses other than bloodstock;
    - “(v) horticulture;
    - “(vi) cropping; and
  - “(b) the person is paid a new start grant for the business for an event that is declared to be an emergency event; and
  - “(c) the person in carrying on the business—
    - “(i) incurs a liability for expenditure or loss before the declaration of the emergency event; and
    - “(ii) before the date that is 3 months after the end of the period for which the declaration applies, takes the liability into account in calculating the person’s taxable income for an income year; and
  - “(d) the liability referred to in **paragraph (c)(i)** is forgiven or otherwise remitted—
    - “(i) as a prerequisite for the payment of the new start grant; and
    - “(ii) before the date that is 18 months after the end of the period for which the declaration applies; and
  - “(e) the amount of the remitted liability is income of the person under section CG 2 (Remitted amounts).”

- (2) In section CX 48, in the list of defined terms,—
  - (a) “qualifying event” is omitted:
  - (b) “emergency event” is inserted.

*Clause 50B*

*Subclause (2):* to omit *subclause (2)* (lines 8 and 9 on page 94).

*Clause 53*

*Subclause (2):* to omit *subclause (2)* (lines 9 to 13 on page 99) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 54*

*Subclause (2):* to omit *subclause (2)* (lines 18 to 22 on page 99) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 55*

*Subclause (2):* to omit *subclause (2)* (lines 28 to 32 on page 99) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 60*

*Subclause (3):* to omit *subclause (3)* (lines 1 to 5 on page 104) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 61B*

*Heading to clause 61B:* to omit “**61 added**” (line 4 on page 105) and substitute “**60B inserted**”.

*Subclause (1): heading to section DB 61:* to omit “**61**” (line 6 on page 105) and substitute “**60B**”.

*Clause 65*

*Section DF 5(1)(e):* to omit “**section CX 48B**” (line 20 on page 107) and substitute “**section CX 48C**”.

*Clause 66*

*Subclause (3):* to omit “**section DN 2(g)**” (line 1 on page 109) and substitute “**section DN 2(i)**”.

*Subclause (5)*: to omit *subclause (5)* (lines 20 to 24 on page 109) and substitute the following:

- (5) **Subsections (2) and (3)** apply for all income years beginning on or after 1 July 2009.

*Clause 67*

*Subclause (3)*: to omit *subclause (3)* (lines 1 to 5 on page 110) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 78*

*Subclause (1): section DV 5(7B)*: to omit, in each place where it appears, “superannuation” (lines 27 and 29 on page 123).

*Subclause (2): section DV 5(7B)*: to omit, in each place where it appears, “superannuation” (lines 9 and 11 on page 124).

*Clause 80*

*Subclause (2)*: to omit *subclause (2)* (lines 13 to 17 on page 129) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 81*

*Subclause (2)*: to omit *subclause (2)* (lines 34 and 35 on page 129) and substitute the following:

- (2) Section EB 2(3)(i) is replaced by the following:
- “(i) an emissions unit:
  - “(j) a non-Kyoto greenhouse gas unit.”

*Subclause (3)(b)*: to omit *subclause (3)(b)* (line 3 on page 130) and substitute the following:

- (b) “emissions unit” and “non-Kyoto greenhouse gas unit” are inserted.

*Clause 84*

*Subclause (1)*: to omit “Subsection ED 1(5)” (line 13 on page 133) and substitute “Section ED 1(5B)”.

*Clause 98*

*Subclause (2)*: to omit *subclause (2)* (lines 18 to 20 on page 149) and substitute the following:

- (2) Section EW 5(3B) is replaced by the following:
- “*Emissions unit*
- “(3B) An emissions unit is an excepted financial arrangement.



*“Non-Kyoto greenhouse gas unit*

“(3C) A non-Kyoto greenhouse gas unit is an excepted financial arrangement.”

*Subclause (4)(b)*: to omit *subclause (4)(b)* (line 26 on page 149) and substitute the following:

(b) “emissions unit” and “non-Kyoto greenhouse gas unit” are inserted.

*Clause 100*

*New subclause (2B)*: to insert, after *subclause (2)* (after line 9 on page 151), the following:

(2B) After section EW 15D(2), the following is inserted:

*“Fair value method not used for certain financial arrangements*

“(2B) A person must not use the fair value method for a financial arrangement if—

“(a) the financial arrangement is treated under IFRSs by the person as a hedge of another financial arrangement; and

“(b) the person uses a method other than the IFRS financial reporting method for the other financial arrangement.”

*Clause 101*

*Subclause (1)*: to omit *subclause (1)* (lines 1 to 16 on page 152) and substitute the following:

(1) Section EW 15E(1)(c) is replaced by the following:

“(c) the financial arrangement—

“(i) is not treated under IFRSs by the person as a hedge; or

“(ii) is treated under IFRSs by the person as a hedge of other financial arrangements, for each of which the person does not use the fair value method.”

*Subclause (3)*: *section EW 15E(2)(aa)*: to omit “instrument:” (line 24 on page 152) and substitute “instrument. When applying *Determination G3, Determination G25: Variation in the terms of a financial arrangement* must be used:”.

*Subclause (6)*: to omit “**Subsections (2) to (4)**” (line 34 on page 152) and substitute “**Subsections (2) and (4)**”.

*Clause 102*

*Subclause (1)*: to omit *subclause (1)* (lines 11 to 27 on page 153) and substitute the following:

(1) Section EW 15F(1)(c) is replaced by the following:

“(c) the financial arrangement—

“(i) is not treated under IFRSs by the person as a hedge; or

“(ii) is treated under IFRSs by the person as a hedge of other financial arrangements, for each of which

the person does not use the fair value method;  
and”.

*Subclause (2): section EW 15F(1)(d):* to omit the *second sentence and subparagraphs* (line 32 on page 153 to line 3 on page 154).

*New subclause (2B):* to insert, after *subclause (2)* (after line 3 on page 154), the following:

(2B) After section EW 15F(1), the following is inserted:

*“Exception for some group members and financial arrangements*

“(1B) A person who is a member of a group of companies and has notified an election under **subsection (1)(d)** is not required under this section to use the expected value method for a financial arrangement if—

“(a) the person does not have a business of a substantially similar nature to a business of another company in the group; and

“(b) the financial arrangement is with other parties, of which—

“(i) none are associated with the person or a member of the group; or

“(ii) all are associated with the person and use the method used by the person for the arrangement.”

### *Clause 103*

*Subclause (1):* to omit *subclause (1)* (lines 18 to 34 on page 154) and substitute the following:

(1) Section EW 15G(1)(c) is replaced by the following:

“(c) the financial arrangement—

“(i) is not treated under IFRSs by the person as a hedge; or

“(ii) is treated under IFRSs by the person as a hedge of other financial arrangements, for each of which the person does not use the fair value method; and”.

*Subclause (2): section EW 15G(1)(d):* to omit the *second sentence and subparagraphs* (lines 2 to 10 on page 155).

*New subclause (2B):* to insert, after *subclause (2)* (after line 10 on page 155), the following:

(2B) After section EW 15G(1), the following is inserted:

*“Exception for some group members and financial arrangements*

“(1B) A person who is a member of a group of companies and has notified an election under **subsection (1)(d)** is not required under this section to use the modified fair value method for a financial arrangement if—

- “(a) the person does not have a business of a substantially similar nature to a business of another company in the group; and
- “(b) the financial arrangement is with other parties, of which—
  - “(i) none are associated with the person or a member of the group; or
  - “(ii) all are associated with the person and use the method used by the person for the arrangement; and
- “(c) **subsection (3)** does not require the person to use the modified fair value for the financial arrangement.”

*Subclause (3):* to omit *subclause (3)* (lines 11 to 13 on page 155) and substitute the following:

- (3) Section EW 15G(2), other than the heading, is replaced by the following:
  - “(2) The person must use the fair value method, modified so that the following are not required to be allocated to an income year:
    - “(a) an amount allocated by the person to equity reserves under IFRSs for the financial arrangement;
    - “(b) an amount not allocated by the person to equity reserves under IFRSs for the financial arrangement, if—
      - “(i) the person and another person (the **other person**) are members of the same wholly-owned group; and
      - “(ii) the person and the other person are members of the same group consolidated under IFRSs; and
      - “(iii) the financial arrangement is related to an arrangement (the **other arrangement**) of the other person; and
      - “(iv) the other person does not use the fair value method for the other arrangement; and
      - “(v) the group consolidated under IFRSs makes an allocation, to equity reserves under IFRSs, corresponding to the amount.”
- (4) After section EW 15G(2), the following is inserted:
  - “*Some financial arrangements with amounts allocated to equity reserves*
  - “(3) A person who is a member of a wholly-owned group and of a group consolidated under IFRSs (the **consolidated group**) must use the modified fair value method for a financial arrangement if—
    - “(a) the person or the consolidated group allocates an amount to equity reserves under IFRSs for the financial arrangement; and

- “(b) a member of the consolidated group, under **sub-section (2)(b)**, does not allocate to the income year an amount for a financial arrangement.”
- (5) In section EW 15G, in the list of defined terms, “wholly-owned group” is inserted.

*Clause 103B*

*Subclause (1)*: to omit “G9B” (line 17 on page 155) and substitute “G9C”.

*Clause 106B*

To omit *clause 106B* (lines 7 to 13 on page 157) and substitute the following:

**106B Consistency of use of IFRS method**

- (1) In section EW 25B(3), the last sentence is replaced by the following:  
However, those sections do not apply if the change is—  
“(a) from the fair value method; and  
“(b) in respect of a financial arrangement that is not subject to a creditor workout.”
- (2) After section EW 25B(3), the following is added:  
“*Modification*  
“(4) **Section EZ 52B** (Consistency of use of IFRS method: *Determination G3* change allowed) modifies subsection (2).”
- (3) In section EW 25B, in the list of defined terms, “creditor workout” is inserted.

*Clause 107*

*Subclause (3)*: to omit *subclause (3)* (lines 27 to 34 on page 157) and substitute the following:

- (3) Section EW 26(6), other than the heading, is replaced by the following:  
“(6) **Section EW 29(13)** applies, and subsections (3) and (4) do not apply, to a financial arrangement, if the person’s change of spreading method involves a change—  
“(a) from the fair value method and the financial arrangement is not subject to a creditor workout:  
“(b) from the market value method to a method for IFRS under section EW 15B.”

*New subclause (5)*: to add, as *subclause (5)* (after line 3 on page 158), the following:

- (5) In section EW 26, in the list of defined terms, “creditor workout” is inserted.

*Clause 108*

To omit *clause 108* (lines 4 to 15 on page 158) and substitute the following:

**108 When calculation of base price adjustment required**

- (1) Section EW 29(13), other than the heading, is replaced by the following:
  - “(13) A party to a financial arrangement must calculate a base price adjustment, at the date of a change for the financial arrangement, where that change involves a change—
    - “(a) from the fair value method and the financial arrangement is not subject to a creditor workout:
    - “(b) from the market value method to a method for IFRS under section EW 15B.”
- (2) In section EW 29, in the list of defined terms, “creditor workout” is inserted.

*New clause 108C*

To insert, after *clause 108B* (after line 23 on page 158), the following:

**108C Consideration when debtor released as condition of new start grant**

- (1) Section EW 46(1), other than the heading, is replaced by the following:
  - “(1) This section applies when in an income year of a person—
    - “(a) the person carries on a business of—
      - “(i) animal husbandry:
      - “(ii) poultry-keeping:
      - “(iii) beekeeping:
      - “(iv) breeding horses other than bloodstock:
      - “(v) horticulture:
      - “(vi) cropping; and
    - “(b) the person is paid a new start grant for the business for an event that is declared to be an emergency event; and
    - “(c) the person incurs a liability to make a payment under a financial arrangement—
      - “(i) in carrying on the business; and
      - “(ii) before the declaration of the emergency event; and
    - “(d) the liability is forgiven or otherwise remitted—
      - “(i) as a prerequisite for the payment of the new start grant; and
      - “(ii) before the date that is 18 months after the end of the period for which the declaration applies; and
    - “(e) in the absence of this section, the amount of the remitted liability would be income of the person.”
- (2) In section EW 46, in the list of defined terms,—
  - (a) “qualifying event” is omitted:
  - (b) “emergency event” is inserted.

*Clause 116*

*Subclause (3)*: to omit *subclause (3)* (lines 11 to 15 on page 161) and substitute the following:

- (3) **Subsection (2)** applies for all income years beginning on or after 1 July 2009.

*Clause 116B*

*Subclause (2)*: to omit *subclause (2)* (lines 34 to 38 on page 162) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 117*

*Subclause (3)*: to omit *subclause (3)* (lines 9 to 13 on page 163) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 118*

*Subclause (5)*: to omit *subclause (5)* (lines 25 to 29 on page 163) and substitute the following:

- (5) **Subsections (1) to (3)** apply for all income years beginning on or after 1 July 2009.

*Clause 119*

*Subclause (1): section EX 20B(11)*: to omit “amount CFC” (line 29 on page 182) and substitute “CFC amount”.

*Subclause (1): section EX 20C(6)(c)(i)*: to omit “Two companies” (line 20 on page 186) and substitute “Two companies with common control”.

*Subclause (1): section EX 20D(7)(b)(i)*: to omit “Two companies” (line 6 on page 190) and substitute “Two companies with common control”.

*Subclause (1): section EX 20D(9)*: to omit “**section EX 20C(8)**” (line 15 on page 190) and substitute “this section”.

*Subclause (1): section EX 20E(2)(a)(iv)*: to omit “**FE 5(1C)(a) to (c)**” (line 33 on page 191) and substitute “**FE 5(1C)(a) to (c)** (Thresholds for application of interest apportionment rules)”.

*Subclause (2)*: to omit *subclause (2)* (lines 10 to 14 on page 193) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*New clauses 120B and 120C*

To insert, after clause 120 (after line 34 on page 193), the following:

**120B Net attributable CFC income or loss**

- (1) In **section EX 20C(6)(c)(i)**, “with common control” is omitted.

- (2) **Subsection (1)** applies for the 2010–11 and later income years.

**120C Adjustment of fraction for excessively debt funded CFC**

- (1) In **section EX 20D(7)(b)(i)**, “with common control” is omitted.
- (2) **Subsection (1)** applies for the 2010–11 and later income years.

*Clause 122*

*Subclause (18)*: to omit *subclause (18)* (lines 23 to 27 on page 197) and substitute the following:

- (18) **Subsections (1) to (8) and (11) to (15)** apply for all income years beginning on or after 1 July 2009.

*Subclause (19)*: to omit “the purposes of” (line 35 on page 197).

*Clause 123*

*Subclause (1)*: *section EX 21D(9)(d)*: to omit “with purpose of” (line 2 on page 212).

*Subclause (2)*: to omit *subclause (2)* (lines 9 to 13 on page 227) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 124*

*Subclause (1)*: *section EX 22(2)*: to omit “Sections CQ 2(1)(g) (When attributed CFC income arises) and DN 2(g)” (lines 15 and 16 on page 228) and substitute “Sections CQ 2(1)(i) (When attributed CFC income arises) and DN 2(1)(i)”.

*Subclause (2)*: to omit *subclause (2)* (lines 28 to 32 on page 228) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 125*

*Subclause (2)*: to omit *subclause (2)* (lines 1 to 5 on page 229) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 126*

*Subclause (3)*: to omit *subclause (3)* (lines 14 to 18 on page 229) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 132*

*Subclause (9)*: to omit *subclause (9)* (lines 5 to 15 on page 232) and substitute the following:

- (9) After section EX 46(10)(c), the following is inserted:
- “(cb) an interest in a non-resident if—
- “(i) the non-resident holds directly or indirectly assets of which 80% or more by value at a time in the income year consist of fixed-rate shares or financial arrangements providing funds to a person ignoring financial arrangements between the non-resident and other members of a group of companies that it is a member of; and
- “(ii) the non-resident is not listed on a recognised exchange or is listed on a recognised exchange but is a foreign investment vehicle, ignoring section HL 10(4) (Further eligibility requirements relating to investments) for the purposes of this subparagraph; and
- “(iii) the interest is, under NZIAS 39, a hedged item having a value in New Zealand dollars governed by a hedging instrument that is highly effective:”.
- (9B) In **section EX 46(10)(cb)(ii)**, “foreign investment vehicle” is replaced by “foreign PIE equivalent”.

*Subclause (13)*: to omit “**Subsection (4)** applies” (line 24 on page 232) and substitute “**Subsections (4) and (9B)** apply”.

*Subclause (14)*: to omit *subclause (14)* (lines 26 to 30 on page 232) and substitute the following:

- (14) **Subsection (8)** applies for all income years beginning on or after 1 July 2009.

*Clause 133B*

To omit *clause 133B* (lines 8 to 13 on page 233) and substitute the following:

**133B Branch equivalent method**

- (1) In section EX 50(3), “section EX 21 of the CFC rules” is replaced by “section EX 21 of the CFC rules as that provision reads ignoring **section 122(1) to (8), (11) to (15), (17), and (18)** of the Taxation (International Taxation, Life Insurance, and Remedial Matters) Act 2009”.
- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 136*

*New subclause (1AB)*: to insert, after *subclause (1A)* (after line 5 on page 236) the following:

- (1AB) In section EX 53(1B)(a), “or loss” is omitted.



*Subclause (3): section EX 53(5B):* to omit “person” (line 20 on page 236) and substitute “interest holder”.

*Subclause (5): section EX 53(8):* to omit “FIF has a unit valuation period of more than 1 day and the person, in the unit valuation period” (lines 33 and 34 on page 236) and substitute “interest holder has a unit valuation period of more than 1 day and, in the unit valuation period”.

*Clause 138*

*Subclause (4):* to omit *subclause (4)* (lines 7 to 11 on page 239) and substitute the following:

- (4) **Subsections (2) and (3)** apply for all income years beginning on or after 1 July 2009.

*Clause 139*

*Subclause (3B): heading to section EX 59(2B):* to omit “or deduction” (line 32 on page 239).

*Clause 139D*

*Subclause (1): the formula in section EX 66B(3):* to omit “before” (line 31 on page 241) and substitute “after”.

*Subclause (1): section EX 66B(4)(b):* to omit “**days before change** is the number of complete days in the period before” (lines 4 and 5 on page 242) and substitute “**days after change** is the number of complete days in the period after”.

*Clause 140*

*Subclause (1): section EY 5(2):* to omit “the income year that includes 1 July 2010” (lines 20 and 21 on page 249) and substitute “the tax year that corresponds to the income year that includes 1 July 2010”.

*Subclause (1): section EY 5(2):* to omit “an income year as if they are references to 2 separate income years (the **part-years**) within the first income year” (lines 24 and 25 on page 249) and substitute “an income year or a tax year as if they are references to 2 separate tax years and corresponding income years (the **part-years**) within that first tax year”.

*Clause 142*

*Subclause (2): the heading to section EY 12(4):* to omit “general insurance” (line 33 on page 252) and substitute “financial arrangements and general insurance”.

*Subclause (2): section EY 12(4):* to omit “insurance secures” (line 34 on page 252) and substitute “a contract is a financial arrangement or is insurance that secures”.

*Subclause (2): section EY 12(4):* to omit “that insurance” (line 1 on page 253) and substitute “that contract”.

*Subclause (2): section EY 12(5):* to omit, in each place where it appears, “**section EY 12**” (lines 6 and 7 on page 253) and substitute, in each place, “**subsection**”.

*Subclause (3)*: to omit ““financial risk”” (line 25 on page 253) and substitute ““financial arrangement’, ‘financial risk’”.

*Clause 143*

*Subclause (1): section EY 23(5)*: to omit “a choice has been made as to which reserving amount will be used” (lines 5 and 6 on page 283) and substitute “the premium smoothing reserving amount is used”.

*Subclause (1): section EY 28(8)(b)(i)*: to omit “participation policies” (line 36 on page 291) and substitute “profit participation policies”.

*Clause 145*

*Subclause (1): section EY 43C(1)(a)(i)*: to omit “invested indirectly” (line 9 on page 302) and substitute “invested in directly”.

*New clause 146B*

To insert, after *clause 146* (after line 35 on page 303), the following:

**146B Deductions for disposal of property: 1982–83 and  
1989–90 income years**

- (1) In the heading to section EZ 2(1), “*Section EY 47(2)(b)*” is replaced by “*Deduction*”.
- (2) In section EZ 2(1), “section EY 47(2)(b) (Deductions for disposal of property)” is replaced by “this Act”.
- (3) In the heading to section EZ 2(2), “*Section EY 47(2)(c)*” is replaced by “*Deduction*”.
- (4) In section EZ 2(2), “section EY 47(2)(c)” is replaced by “this Act”.
- (5) **Subsections (1) to (4)** apply—
  - (a) on and after 1 July 2010, unless **paragraph (b)** applies:
  - (b) for an income year that includes 1 July 2010 and later income years, if the life insurer chooses to apply the new life insurance rules in this Act in a return of income for the tax year corresponding to the first relevant income year.

*Clause 147*

*Subclause (2)*: to omit *subclause (2)* (lines 5 to 9 on page 304) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009

*Clause 148C*

To omit *clause 148C* (lines 18 to 29 on page 304) and substitute the following:

**148C New section EZ 52B added**

After section EZ 52, the following is added:

**“EZ 52B Consistency of use of IFRS method: *Determination G3* change allowed**

*“When this section applies*

- “(1) This section applies to a financial arrangement of a person—
- “(a) for the 2009–10 income year, unless **paragraph (b) or (c)** applies:
  - “(b) for the 2008–09 or the 2009–10 income year (a **retrospective year**) if—
    - “(i) the financial arrangement is subject to a creditor workout in a retrospective year; and
    - “(ii) the person notifies the Commissioner in writing of their election to apply this section to the financial arrangement for a retrospective year:
  - “(c) for an income year after the 2009–10 income year, if—
    - “(i) the financial arrangement is subject to a creditor workout in the relevant income year; and
    - “(ii) the person notifies the Commissioner in writing of their election to apply this section to the financial arrangement for the relevant income year before the last day for filing a return of income for that income year.

*“Exception modified*

- “(2) For the purposes of the exception in section EW 25B(2) (Consistency of use of IFRS method), the person may change a method for IFRS for the financial arrangement if—
- “(a) the method they change to or from is *Determination G3* under **section EW 15E(2)(aa)** (Determination alternatives); and
  - “(b) that method is available to them to use.

“Defined in this Act: creditor workout, financial arrangement, IFRS, income year”.

*Clause 149*

*Subclause (1): section EZ 59(2):* to omit “**section EY 30(3)** (Annuities)” (lines 33 and 34 on page 309) and substitute “**section EY 31(3)** (Annuities)”.

*Subclause (1): section EZ 59(2):* to omit “**section EY 30**” (line 5 on page 310) and substitute “**section EY 31**”.

*Clause 151B*

*Subclause (1): section FA 2B(6):* to omit “, and is not an associated person of a widely-held company” (lines 4 and 5 on page 320).

*Subclause (4):* to omit *subclause (4)* (lines 15 and 16 on page 320) and substitute the following:

- (4) **Subsection (2)** applies for all income years beginning on or after 1 July 2009.

*Clause 154*

*Subclause (3)*: to omit *subclause (3)* (lines 9 to 13 on page 322) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 155*

*Subclause (3)*: to omit *subclause (3)* (lines 1 to 5 on page 323) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 156*

*Subclause (2)*: to omit *subclause (2)* (lines 23 to 27 on page 324) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 157*

*Subclause (4)*: to omit *subclause (4)* (lines 9 to 13 on page 325) and substitute the following:

- (4) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 158*

*Subclause (3)*: to omit *subclause (3)* (lines 16 to 20 on page 326) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 159*

*Subclause (7)*: to omit *subclause (7)* (lines 7 to 11 on page 328) and substitute the following:

- (7) **Subsections (1), (2), and (4)** apply for all income years beginning on or after 1 July 2009.

*Clause 160*

*Subclause (6)*: to omit *subclause (6)* (lines 7 to 11 on page 329) and substitute the following:

- (6) **Subsections (1) to (4)** apply for all income years beginning on or after 1 July 2009.

*Clause 161*

*Subclause (5)*: to omit *subclause (5)* (lines 9 to 13 on page 330) and substitute the following:

- (5) **Subsection (3)** applies for all income years beginning on or after 1 July 2009.

*Clause 162*

*Subclause (3):* to omit *subclause (3)* (line 37 on page 330 to line 4 on page 331) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 163*

*Subclause (5):* to omit *subclause (5)* (line 36 on page 332 to line 2 on page 333) and substitute the following:

- (5) **Subsection (2)** applies for all income years beginning on or after 1 July 2009.

*Clause 164*

*Subclause (3):* to omit *subclause (3)* (lines 11 to 15 on page 334) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 165*

*Subclause (6):* to omit *subclause (6)* (lines 20 to 24 on page 335) and substitute the following:

- (6) **Subsections (1) to (4)** apply for all income years beginning on or after 1 July 2009.

*Clause 166*

*Subclause (5):* to omit *subclause (5)* (lines 21 to 25 on page 337) and substitute the following:

- (5) **Subsection (2)** applies for all income years beginning on or after 1 July 2009.

*Clause 167*

*Subclause (4):* to omit *subclause (4)* (lines 3 to 7 on page 338) and substitute the following:

- (4) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 168*

*Subclause (12):* to omit *subclause (12)* (lines 5 to 9 on page 340) and substitute the following:

- (12) **Subsections (1) to (9)** apply for all income years beginning on or after 1 July 2009.

*Clause 169*

*Subclause (2):* to omit *subclause (2)* (lines 1 to 5 on page 342) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 170*

*Subclause (2)*: to omit *subclause (2)* (lines 24 to 28 on page 342) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 171*

*Subclause (4)*: to omit *subclause (4)* (lines 25 to 29 on page 343) and substitute the following:

- (4) **Subsections (1) and (2)** apply for all income years beginning on or after 1 July 2009.

*Clause 172*

*Subclause (4)*: to omit *subclause (4)* (lines 9 to 13 on page 344) and substitute the following:

- (4) **Subsections (1) and (2)** apply for all income years beginning on or after 1 July 2009.

*Clause 173*

*Subclause (2)*: to omit *subclause (2)* (lines 20 to 24 on page 345) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 174*

*Subclause (2)*: to omit *subclause (2)* (lines 22 to 26 on page 346) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 175*

*Subclause (2)*: to omit *subclause (2)* (lines 21 to 25 on page 347) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 176*

*Subclause (2)*: to omit *subclause (2)* (lines 31 to 35 on page 347) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 177*

*Subclause (7)*: to omit *subclause (7)* (lines 21 to 25 on page 348) and substitute the following:

- (7) **Subsections (1) to (3) and (5)** apply for all income years beginning on or after 1 July 2009.

*Clause 178*

*Subclause (2)*: to omit *subclause (2)* (lines 30 to 34 on page 348) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 180B*

*Subclause (2)*: to omit *subclause (2)* (lines 31 to 35 on page 351) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 181*

*Subclause (5)*: to omit *subclause (5)* (lines 26 to 30 on page 352) and substitute the following:

- (5) **Subsection (2)** applies for all income years beginning on or after 1 July 2009.

*Clause 184*

*Subclause (2)*: to omit *subclause (2)* (line 35 on page 353 to line 4 on page 354) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 186B*

*Subclause (2)*: to omit *subclause (2)* (lines 30 and 31 on page 354) and substitute the following:

- (2) In section GC 1, in the list of defined terms,—
  - (a) “qualifying event” is omitted;
  - (b) “emissions unit” and “surrender” are inserted.

*Clause 189*

*Subclause (2)*: to omit *subclause (2)* (line 31 on page 355 to line 2 on page 356) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 190*

*Subclause (2)*: to omit *subclause (2)* (lines 8 to 12 on page 356) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 191*

*Subclause (3)*: to omit *subclause (3)* (lines 27 to 31 on page 356) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 192*

*Subclause (2)*: to omit *subclause (2)* (lines 9 to 13 on page 357) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 193*

*Subclause (1)*: *section GZ 2(1)(a)(i)*: to omit “tax year” (line 34 on page 357) and substitute “income year”.

*Subclause (2)*: to omit *subclause (2)* (lines 14 to 18 on page 358) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 195*

*Subclause (2)*: to omit *subclause (2)* (lines 7 to 11 on page 359) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 199*

*Subclause (4)*: to omit *subclause (4)* (lines 1 and 2 on page 362) and substitute the following:

- (4) **Subsections (1) and (2)** apply for all income years beginning on or after 1 July 2009.

*Clause 200*

*Subclause (4)*: to omit *subclause (4)* (lines 9 and 10 on page 362) and substitute the following:

- (4) **Subsections (1) and (2)** apply for all income years beginning on or after 1 July 2009.

*Clause 203D*

*Heading to clause 203D*: to omit “**Disposal upon final dissolution**” (line 16 on page 365) and substitute “**Section HG 4 replaced**”.

*Clause 206B*

To omit *clause 206B* (lines 18 and 19 on page 371) and substitute the following:

**206B Meaning of investor and portfolio investor class**

- (1) In section HL 5B(1)(a) “and paragraph (d) does not apply” is omitted.



- (2) In section HL 5B(1)(b) “paragraphs (c) and (d) do not apply” is replaced by “paragraph (c) does not apply”.
- (3) In section HL 5B(1)(c) “and paragraph (d) does not apply” is omitted.
- (4) Section HL 5B(1)(d) is repealed.

*Clause 207*

*Subclause (3B): section HL 6(3B):* to omit “that includes an investor” (line 4 on page 372) and substitute “that is, or includes an investor”.

*New subclause (5):* to add, as *subclause (5)* (after line 26 on page 372), the following:

- (5) **Subsection (2)** applies for the 2009–10 and later income years.

*Clause 208*

*Subclause (2): section HL 9(4):* to omit “if the investor” (line 16 on page 373) and substitute “if the investor or the class”.

*Clause 214*

*Subclause (1): heading to section HM 13(2):* to omit “that” (line 25 on page 384) and substitute “than”.

*Subclause (1): compare note to section HM 31:* to omit *the compare note to section HM 31* (line 8 on page 395).

*Subclause (1): compare note to section HM 32:* to omit *the compare note to section HM 32* (line 24 on page 395).

*Subclause (1): compare note to section HM 35:* to omit “HL 19” (line 8 on page 399). and substitute “EG 3, HL 19”.

*New clause 214BB*

To insert, after *clause 214B* (after line 35 on page 432), the following:

**214BB New heading and sections HR 9 and HR 10 added**

- (1) After section HR 8, the following is added:

***“RMBS special purpose vehicles***

**“HR 9 RMBS special purpose vehicles are transparent**

For the purposes of the liabilities and obligations under an Inland Revenue Act of a registered bank described in the definition of **RMBS special purpose vehicle**, paragraph (b), and the relevant RMBS special purpose vehicle,—

- “(a) the registered bank is treated as carrying on an activity carried on by the RMBS special purpose vehicle, and having a status, intention, and purpose of the RMBS special purpose vehicle, and the RMBS special purpose vehicle is treated as not carrying on that activity or having that status, intention, or purpose:

- “(b) the registered bank is treated as holding property that the RMBS special purpose vehicle holds, and the RMBS special purpose vehicle is treated as not holding that property:
- “(c) the registered bank is treated as being party to any arrangement to which the RMBS special purpose vehicle is a party, and the RMBS special purpose vehicle is treated as not being that party to that arrangement:
- “(d) the registered bank is treated as doing a thing and being entitled to a thing that the RMBS special purpose vehicle does or is entitled to, and the RMBS special purpose vehicle is treated as not doing that thing or being entitled to that thing.

“Defined in this Act: arrangement, Inland Revenue Acts, registered bank, RMBS special purpose vehicle

**“HR 10 What happens when vehicle stops being RMBS special purpose vehicle?**

*“Property transferred and parties reconstituted*

- “(1) When a company or a trustee of a trust (the **vehicle**) stops being an RMBS special purpose vehicle for any reason, other than on unwind, the following apply:
  - “(a) the relevant registered bank is treated as disposing of its property (the **property**) that has been subject to **section HR 9(b)** in relation to the vehicle immediately before the vehicle stops being an RMBS special purpose vehicle:
  - “(b) the vehicle is treated as acquiring the property immediately after the vehicle stops being an RMBS special purpose vehicle:
  - “(c) the relevant registered bank is treated as not being a party to an arrangement (the **arrangement**) that it was treated as being a party to under **section HR 9(c)** in relation to the vehicle immediately before the vehicle stops being an RMBS special purpose vehicle:
  - “(d) the vehicle is treated as being a party to the arrangement immediately after the vehicle stops being an RMBS special purpose vehicle.

*“Property transferred: market value*

- “(2) The disposition of property in **subsection (1)(a)** and the acquisition of property in **subsection (1)(b)** are treated as occurring with a single third party for a payments equal to the property’s market value.

*“Parties reconstituted: consideration*

- “(3) At the time the registered bank or the vehicle becomes a party to an arrangement under **subsection (1)(c) or (d)**, the market value, at that time, of consideration that has been paid, or is or will be payable, to or by the registered bank or vehicle (as applicable) for or under the arrangement, ignoring **section HR 9(c)**, is treated as consideration that has been paid, or is or will be payable, to or by the registered bank or vehicle for or under the arrangement.

*“Definition*

- “(4) In this section, **unwind** means a process, ignoring **section HR 9**, by which—
- “(a) residential mortgage back securities held by the relevant registered bank or the Reserve Bank of New Zealand are cancelled; and
  - “(b) interests described in the definition of **RMBS special purpose vehicle**, paragraph (b), are transferred to the registered bank; and
  - “(c) the vehicle is terminated, by liquidation or otherwise.

“Defined in this Act: arrangement, company, consideration, dispose, liquidation, registered bank, residential mortgage backed securities, RMBS special purpose vehicle, trustee, unwind”.

- (2) **Subsection (1)** applies for the 2008–09 and later income years.

*Clause 220*

*Subclause (2):* to omit *subclause (2)* (lines 8 to 12 on page 441) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 220B*

*Subclause (2):* to omit *subclause (2)* (lines 4 to 8 on page 447) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 221*

*Subclause (2):* to omit *subclause (2)* (lines 10 to 14 on page 448) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 222*

*Subclause (1): section IT 1(2)(a) to (d):* to omit *paragraphs (a) to (d)* (lines 23 to 29 on page 450) and substitute the following:

- “(a) is removed from the life insurer’s available tax loss for the tax year, except as provided by **section EY 5(2)** (Part-year tax calculations) for the first part-year; and
- “(b) must not be subtracted from the life insurer’s net income under section BC 5 (Taxable income) for the tax year, except as provided by **section EY 5(2)** for the first part-year; and
- “(c) is not a tax loss component on and after 1 July 2010; and
- “(d) is cancelled on and after 1 July 2010.”

*Subclause (1): section IT 2, list of defined terms:* to omit “base deduction” (line 18 on page 451 and substitute “base allowable deduction”

*Clause 228B*

*Subclause (2): section LB 4(2):* to omit “Overpayment of tax credit” (line 35 on page 456) and substitute “Overpayment or underpayment of tax credit”

*Clause 236*

*Heading to clause 236:* to omit “**LD 7**” (line 14 on page 459) and substitute “**LD 8**”.

*Clause 245B*

*Subclause (1): section LH 5(4)(c)(ii):* to omit *section LH 5(4)(c)(ii)* (line 34 on page 470 to line 2 on page 471) and substitute the following:

- “(ii) the expenditure is described in schedule 21, part A, clause 1, 3, or 9, and is incurred solely in activities described in section LH 7(1)(a), and is not incurred directly in the construction of tangible property; and”.

*Clause 249*

*Subclause (3): section LJ 2(7):* to omit “the amount of” (line 4 on page 475).

*Subclause (7):* to omit “2009–10” (line 17 on page 475) and substitute “2010–11”.

*Clause 250*

*Subclause (2):* to omit “should apply” (line 17 on page 479) and substitute “applies”.

*Clause 251*

*Subclause (6):* to omit *subclause (6)* (lines 7 to 11 on page 482) and substitute the following:

- (6) **Subsection (2)** applies for all income years beginning on or after 1 July 2009.

*Clause 253*

*Subclause (2)*: to omit *subclause (2)* (lines 1 to 5 on page 488) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 254*

*Subclause (2)*: to omit *subclause (2)* (lines 10 to 14 on page 488) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 255*

*Subclause (2)*: to omit *subclause (2)* (lines 5 to 9 on page 489) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 255B*

*Subclause (1)*: *section LS 2(1)(a)*: to omit “section CX 56(1)(b)” (line 17 on page 489) and substitute “section CX 56(1)(b) (Portfolio investor allocated income and distributions of income by portfolio investment entities)”.

*Subclause (2)*: to omit *subclause (2)* (lines 20 and 21 on page 489) and substitute the following:

- (2) In **section LS 2(1)(a)** “section CX 56(1)(b) (Portfolio investor allocated income and distributions of income by portfolio investment entities)” is replaced by “**section CX 56(1)(b)** (Attributed income of certain investors in multi-rate PIEs)”.

*Clause 269*

*Subclause (2)*: to omit *subclause (2)* (lines 9 to 13 on page 506) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 273*

*Subclause (4)*: to omit *subclause (4)* (lines 15 and 16 on page 508).

*Clause 277*

*Subclause (2)*: to omit *subclause (2)* (line 34 on page 510 to line 4 on page 511) and substitute the following:

- (2) **Subsection (1)** applies for dividends received in all income years beginning on or after 1 July 2009.

*Clause 281*

*Subclause (3)(c)*: to omit “clause” (line 2 on page 514) and substitute “section”.

*New clause 284C*

To insert after *clause 284B* (after line 4 on page 516) the following:

**284C Section OB 39 repealed**

- (1) Section OB 39 is repealed.
- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 286*

*Subclause (7)*: to omit *subclause (7)* (lines 3 to 7 on page 518) and substitute the following:

- (7) **Subsection (3)** applies for all income years beginning on or after 1 July 2009.

*Clause 287*

*Subclause (7)*: to omit *subclause (7)* (lines 7 to 11 on page 519) and substitute the following:

- (7) **Subsection (3)** applies for all income years beginning on or after 1 July 2009.

*Clause 288*

*Subclause (4)*: to omit “2009–10” (line 23 on page 519) and substitute “2010–11”.

*Subclause (5)*: to omit *subclause (5)* (lines 25 to 29 on page 519) and substitute the following:

- (5) **Subsection (2)** applies for all income years beginning on or after 1 July 2009.

*Clause 290*

*Subclause (2)*: to omit *subclause (2)* (lines 21 to 25 on page 520) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 291*

*Subclause (2)*: to omit *subclause (2)* (lines 32 to 36 on page 520) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 292*

*Subclause (2)*: to omit *subclause (2)* (lines 5 to 9 on page 521) and substitute the following:

- (2) **Subsection (1)** applies for dividends received in all income years beginning on or after 1 July 2009.

*Clause 293*

*Subclause (2):* to omit *subclause (2)* (lines 14 to 18 on page 521) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 294*

*Subclause (2):* to omit *subclause (2)* (lines 23 to 27 on page 521) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 295*

*Subclause (2):* to omit *subclause (2)* (line 32 on page 521 to line 2 on page 522) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 300*

*Subclause (5):* to omit *subclause (5)* (lines 6 to 10 on page 524) and substitute the following:

- (5) **Subsections (1) to (3)** apply for all income years beginning on or after 1 July 2009.

*Clause 301*

*Subclause (5):* to omit *subclause (5)* (line 34 on page 524 to line 2 on page 525) and substitute the following:

- (5) **Subsections (1) to (3)** apply for all income years beginning on or after 1 July 2009.

*Clause 302*

*Subclause (4):* to omit *subclause (4)* (lines 16 to 20 on page 525) and substitute the following:

- (4) **Subsections (1) and (2)** apply for all income years beginning on or after 1 July 2009.

*Clause 303*

*Subclause (2):* to omit *subclause (2)* (lines 11 to 15 on page 526) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 304*

*Subclause (2):* to omit *subclause (2)* (lines 3 to 7 on page 527) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 306*

*Subclause (2)*: to omit *subclause (2)* (lines 24 to 28 on page 527) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 308*

*Subclause (2)*: to omit *subclause (2)* (lines 19 to 23 on page 528) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 308C*

*Subclause (2)*: to omit *subclause (2)* (lines 22 to 26 on page 529) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 309*

*Subclause (2)*: to omit *subclause (2)* (lines 31 to 35 on page 529) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 310*

*Subclause (2)*: to omit *subclause (2)* (lines 5 to 9 on page 530) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 311*

*Subclause (2)*: to omit *subclause (2)* (lines 14 to 18 on page 530) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 312*

*Subclause (2)*: to omit *subclause (2)* (lines 27 to 31 on page 530) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 313*

*Subclause (2)*: to omit *subclause (2)* (lines 3 to 7 on page 531) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.



*Clause 314*

*Subclause (2):* to omit *subclause (2)* (lines 12 to 16 on page 531) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 315*

*Subclause (2):* to omit *subclause (2)* (lines 24 to 28 on page 531) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 316*

*Subclause (2):* to omit *subclause (2)* (line 33 on page 531 to line 4 on page 532) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 317*

To omit *clause 317* (lines 5 to 8 on page 532).

*Clause 319*

*Subclause (2):* to omit *subclause (2)* (lines 4 to 8 on page 533) and substitute the following:

- (2) **Subsection (1)** applies for dividends received in all income years beginning on or after 1 July 2009.

*Clause 319B*

*Subclause (2):* to omit *subclause (2)* (lines 11 to 15 on page 533) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 320*

*Subclause (1): heading before section OE 16B:* to omit “**tax year**” (line 2 on page 534) and substitute “**income year**”.

*Subclause (1): heading to section OE 16B:* to omit “**tax year**” (line 4 on page 534) and substitute “**income year**”.

*Subclause (1): section OE 16B:* to omit “tax year” (line 6 on page 534) and substitute “income year”.

*Subclause (1): section OE 16B, list of defined terms:* to omit “tax year” (line 11 on page 534) and substitute “income year”.

*Subclause (2):* to omit *subclause (2)* (lines 12 to 16 on page 534) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 321*

*Subclause (2)*: to omit *subclause (2)* (lines 21 to 25 on page 534) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 322*

*Subclause (2)*: to omit *subclause (2)* (lines 30 to 34 on page 534) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 330*

*Subclause (4)*: to omit *subclause (4)* (lines 1 and 2 on page 538) and substitute the following:

- (4) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 332*

*Subclause (2)*: to omit *subclause (2)* (lines 31 to 35 on page 540) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 340*

*Subclause (2)*: to omit *subclause (2)* (lines 18 to 22 on page 545) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 342*

*Subclause (3)*: to omit *subclause (3)* (line 34 on page 547 to line 2 on page 548) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 343*

*Subclause (8)*: to omit *subclause (8)* (lines 8 to 12 on page 549) and substitute the following:

- (8) **Subsection (3)** applies for all income years beginning on or after 1 July 2009.

*Clause 344*

*Subclause (3)*: to omit *subclause (3)* (lines 27 to 31 on page 549) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 345*

*Subclause (2):* to omit *subclause (2)* (lines 7 to 11 on page 550) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 346*

*Subclause (2):* to omit *subclause (2)* (lines 16 to 20 on page 550) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 347*

*Subclause (2):* to omit *subclause (2)* (lines 25 to 29 on page 550) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 348*

*Subclause (2):* to omit *subclause (2)* (lines 1 to 5 on page 551) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 352*

*Subclause (2):* to omit *subclause (2)* (lines 22 to 26 on page 552) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 353*

*Subclause (3):* to omit *subclause (3)* (lines 30 and 31 on page 552) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 354*

*Subclause (2):* to omit *subclause (2)* (lines 21 to 25 on page 553) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 355*

*Subclause (2):* to omit *subclause (2)* (lines 30 to 34 on page 553) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 356*

*Subclause (2)*: to omit *subclause (2)* (lines 5 to 9 on page 554) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 357*

*Subclause (2)*: to omit *subclause (2)* (lines 14 to 18 on page 554) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 358*

*Subclause (2)*: to omit *subclause (2)* (lines 23 to 27 on page 554) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 359*

*Subclause (2)*: to omit *subclause (2)* (line 33 on page 554 to line 2 on page 555) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 360*

*Subclause (2)*: to omit *subclause (2)* (lines 8 to 12 on page 555) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 361*

*Subclause (2)*: to omit *subclause (2)* (lines 15 and 16 on page 555) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 362*

To omit *clause 362* (lines 17 to 20 on page 555).

*Clause 364*

*Subclause (2)*: to omit *subclause (2)* (lines 20 to 24 on page 556) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 365*

*Subclause (1): heading before section OP 108B: to omit “tax year” (line 9 on page 557) and substitute “income year”.*

*Subclause (1): heading to section OP 108B: to omit “tax year” (line 11 on page 557) and substitute “income year”.*

*Subclause (1): section OP 108B: to omit “tax year” (line 13 on page 557) and substitute “income year”.*

*Subclause (1): section OP 108B, list of defined terms: to omit “tax year” (line 18 on page 557) and substitute “income year”.*

*Subclause (2): to omit subclause (2) (lines 19 to 23 on page 557) and substitute the following:*

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 366*

*Subclause (2): to omit subclause (2) (lines 29 to 33 on page 557) and substitute the following:*

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 367*

*Subclause (2): to omit subclause (2) (lines 3 to 7 on page 558) and substitute the following:*

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 370*

*Subclause (2): to omit subclause (2) (lines 1 and 2 on page 559) and substitute the following:*

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 373*

*Subclause (3): to omit subclause (3) (lines 18 to 22 on page 560) and substitute the following:*

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 374*

*Subclause (4): to omit subclause (4) (lines 15 to 19 on page 561) and substitute the following:*

- (4) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 375*

*Subclause (6)*: to omit *subclause (6)* (lines 4 to 8 on page 562) and substitute the following:

- (6) **Subsection (2)** applies for all income years beginning on or after 1 July 2009.

*Clause 376*

*Subclause (4)*: to omit *subclause (4)* (lines 5 and 6 on page 563) and substitute the following:

- (4) **Subsection (2)** applies for all income years beginning on or after 1 July 2009.

*New clause 378BA*

To insert, after *clause 378* (after line 28 on page 564), the following:

**378BA Estimation method**

- (1) Section RC 7(7) is repealed.
- (2) In section RC 7, in the list of defined terms, “qualifying event” and “self-assessed adverse event” are omitted.

*New clause 378C*

To insert, after *clause 378B* (after line 19 on page 566), the following:

**378C Section RC 36 repealed**

Section RC 36 is repealed.

*Clause 384B*

*Subclause (1)*: to omit “‘the sum of the extra pay and’ is omitted” (line 19 on page 570) and substitute “‘the sum of the extra pay and the annualised value of all PAYE income payments made’ is replaced by ‘the annualised value of all PAYE income payments, excluding the extra pay, made’”.

*Clause 391*

*Subclause (3)*: to omit *subclause (3)* (lines 18 to 22 on page 579) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 392*

*Subclause (3)*: to omit *subclause (3)* (line 36 on page 579 to line 4 on page 580) and substitute the following:

- (3) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 396*

*Subclause (3)*: to omit *subclause (3)* (lines 5 to 9 on page 586) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*New clause 407D*

To insert, after *clause 407C* (after line 15 on page 593), the following:

**407D New section RZ 11 added**

After section RZ 10, the following is added:

**“RZ 11 Refunds for life insurers**

The Commissioner must refund an amount of tax that a life insurer has paid to the extent to which—

- “(a) the tax paid gave rise to imputation credits; and
- “(b) for a tax year corresponding to an income year before the income year that includes 1 July 2010, the life insurer would be entitled to a refund under section RM 2(1) (Refunds for overpaid tax) or any provision corresponding to it in an earlier Act, treating section RM 2(1)(a) and any corresponding provision as modified so as to exclude the amount of the life insurer’s policyholder base income tax liability from the tax required to be paid by them; and
- “(c) all other relevant requirements for a refund are met.

“Defined in this Act: amount of tax, Commissioner, imputation credit, income year, life insurer, pay, policyholder base income tax liability, tax”.

*Clause 408*

*New subclause (28B)*: to insert, after *subclause (28)* (after line 20 on page 599), the following:

(28B) After the definition of **creditable membership**, the following is inserted:

“**creditor workout** means, in relation to financial arrangements,—

- “(a) a compromise (as that term is defined in section 227 of the Companies Act 1993) that is binding under Part 14 or 15 of that Act, to the extent to which the compromise does not cancel all of a debt:
- “(b) an executed deed of company arrangement under Part 15A of the Companies Act 1993, to the extent to which it is a compromise (as that term is defined in section 227 of that Act) that does not cancel all of a debt:
- “(c) a suspension in part of the repayment of any deposit, the payment of any debt, or the discharge of any obligation, under section 44 of the Corporations (Investigation and Management) Act 1989”.

*New subclause (35D)*: to insert, after *subclause (35C)* (after line 13 on page 602), the following:

(35D) After the definition of **emergency call**, the following is inserted:

“**emergency event** means an event that was declared by the Governor-General to be an emergency event by Order in

Council under **section 183ABA** of the Tax Administration Act 1994”.

*New subclause (42B)*: to insert, after *subclause (42)* (after line 33 on page 605), the following:

(42B) The definition of **fair value method** is replaced by the following:

“**fair value method** means a method under section EW 15D (IFRS financial reporting method) of calculating income or expenditure for an income year that takes into account movements in fair value as determined under IFRSs”.

*Subclause (49)(a)*: the definition of **fixed-rate share**, paragraph (f): to omit “, this paragraph,” (lines 22 and 23 on page 607).

*Subclause (63)*: the definition of **IFRS**: to omit “4” (line 27 on page 610) and substitute “NZ IFRS 4”.

*Subclause (68B)*: to omit *subclause (68B)* (lines 24 and 25 on page 611) and substitute the following:

(68B) In the definition of **international tax rules**, paragraph (b), “sections 61 and 183” is replaced by “section 61”.

*Subclause (71)*: to omit *subclause (71)* (lines 18 to 20 on page 612) and substitute the following:

(71) The definition of **Kyoto unit** is repealed.

*New subclause (83C)*: to insert, after *subclause (83B)* (after line 28 on page 616), the following:

(83C) The definition of **new start grant** is replaced by the following:

“**new start grant** means a grant of money that is—

- “(a) designated by the Minister of Agriculture as a new start grant; and
- “(b) paid by the Government of New Zealand to a person in relation to an emergency event”.

*New subclause (88B)*: to insert, after *subclause (88)* (after line 15 on page 617), the following:

(88B) After the definition of **non-integral fee**, the following is inserted:

“**non-Kyoto greenhouse gas unit** means a unit that is—

- “(a) issued by reference to the sequestration, reduction, or avoidance of emission, of human induced greenhouse gases; and
- “(b) verified to an internationally recognised standard; and
- “(c) not an emissions unit”.

*Subclause (101)*: the definition of **PIE rules**, paragraph (a)(x): to omit “ICA-company allocated imputation credit with income from PTRE” (lines 8 and 9 on page 621) and substitute “ICA attributed PIE income with imputation credit”.



*Subclause (102): the definition of **policy liabilities***: to omit “of **section EY 29(8)**” (line 20 on page 621) and substitute “of **section EY 29**”.

*New subclause (115D)*: to insert, after *subclause (115C)* (after line 4 on page 627), the following:

(115D) The definition of **qualifying event** is repealed.

*New subclause (123C)*: to insert, after *subclause (123B)* (after line 15 on page 629), the following:

(123C) After the definition of **resident passive income**, the following is inserted:

“**residential mortgage backed security** means a security that is backed by New Zealand-originated first mortgages on New Zealand residential property”.

*New subclause (125BA)*: to insert, after *subclause (125)* (after line 27 on page 629), the following:

(125BA) After the definition of **right**, the following is inserted:

“**RMBS special purpose vehicle** means a company or a trustee of a trust that, ignoring **section HR 9**,—

“(a) derives no exempt income; and

“(b) has interests in New Zealand-originated residential mortgages, or in loans secured by New Zealand-originated residential mortgages, that are treated, for financial reporting purposes, by a registered bank as held by the registered bank; and

“(c) the only provision of funds by financial arrangements is in respect of—

“(i) residential mortgage backed securities it has issued; and

“(ii) financial arrangements incidental to its operations; and

“(d) has residential mortgage backed securities it has issued—

“(i) held by the registered bank with the intention of participating in the Reserve Bank of New Zealand’s domestic liquidity operations:

“(ii) held by the Reserve Bank of New Zealand and accepted in that bank’s domestic liquidity operations:

“(iii) transferred by the Reserve Bank of New Zealand, after acceptance in that bank’s domestic liquidity operations, to a person who is resident in New Zealand, or who is not resident in New Zealand but is not associated with the registered bank”.

*Subclause (132)(b)*: to omit *subclause (132)(b)* (lines 14 and 15 on page 631).

*New subclause (147B):* to insert, after *subclause (147)* (after line 20 on page 635), the following:

(147B) After the definition of **unlisted widely-held trust**, the following is inserted:

“**unwind** is defined in **section HR 10** (What happens when vehicle stops being RMBS special purpose vehicle?)”.

*Clause (148):* to omit “**unlisted widely-held trust**” (line 25 on page 635) and substitute “**unwind**”.

*Subclause (150): the definition of widely-held GIF, paragraph (a):* to omit “comprised of” (line 7 on page 636) and substitute “consisting of”.

*Subclause (151): the definition of widely-held superannuation fund, paragraph (a):* to omit “comprised of” (line 17 on page 636) and substitute “consisting of”.

*Subclause (155):* to omit “**(27C), (28), (32), (37)**” (line 9 on page 637) and substitute “**(28), (32)**”.

*Subclause (155):* to omit “**(129B)**” (line 12 on page 637) and substitute “**(123C), (125BA), (129B)**”.

*Subclause (155):* to omit “**and (145B)**” (line 12 on page 637) and substitute “**(145B), and (147B)**”.

*Subclause (157):* to omit “**(68B), (73), 78B)**” (line 26 on page 637) and substitute “**(73), (78B)**”.

*Subclause (159):* to omit *subclause (159)* (lines 8 to 16 on page 638) and substitute the following:

(159) **Subsections (8), (9), (10), (13), (15), (20), (21), (24), (27), (29), (30), (31), (33), (39), (43), (44), (47), (48), (50), (51), (52), (53), (60), (64), (65), (70B), (80), (83), (86), (87), (123), (123B), (124), (137), (140B), (143), (144), (145), (146), and (147)** apply for all income years beginning on or after 1 July 2009.

*Clause 409*

*Subclause (2):* to omit *subclause (2)* (lines 21 to 25 on page 638) and substitute the following:

(2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 414*

*Subclause (1): heading to section YB 2(4):* to omit “*Aggregation*” (line 15 on page 641) and substitute “*General aggregation*”.

*Subclause (1): new section YB 2(4B):* to insert, after *section YB 2(4)* (after line 19 on page 641), the following:

“*Aggregation rule for land provisions*

“(4B) For the purposes of **subsections (1) to (3)**, if a person (**person A**) and another person (**person B**) are associated under any of **sections YB 4(1)(b) and (2) to (4), YB 7, YB 8, and**

**YB 10 to YB 14**, person A is treated as holding anything held by person B.

*Subclause (1): section YB 3(5):* to omit “For the purposes of the land provisions” (line 2 on page 643) and substitute “For the purposes of **subsections (2) and (3)**”.

*Subclause (1): heading to section YB 12(3):* to omit “Aggregation rule for limited partnerships” (line 21 on page 647) and substitute “*Limited partnerships: general aggregation rule*”.

*Subclause (1): new section YB 12(4):* to add, after *section YB 12(3)* (after line 25 on page 647), the following:

*“Limited partnerships: aggregation rule for land provisions*  
“(4) For the purposes of **subsection (2)**, if a person (**person A**) and another person (**person B**) are associated under any of **sections YB 2, YB 3, YB 4(1)(b) and (2) to (4), YB 7, YB 8, YB 10, YB 11, and YB 14**, person A is treated as holding anything held by person B.

*Clause 421*

*Subclause (4):* to omit *subclause (4)* (lines 18 to 22 on page 658).

*Clause 425*

*Subclause (2):* to omit *subclause (2)* (lines 23 to 27 on page 662).

*Clause 426C*

*Heading to clause 426C:* to omit “**excepted**” (line 15 on page 663) and substitute “**listed**”.

*Clause 433*

*Subclause (7):* to omit *subclause (7)* (lines 3 to 7 on page 670) and substitute the following:

(7) **Subsection (4)** applies for all income years beginning on or after 1 July 2009.

*Clause 434*

*Subclause (6):* to omit *subclause (6)* (lines 23 to 27 on page 670) and substitute the following:

(6) **Subsections (1) to (3) and (5)** apply for all income years beginning on or after 1 July 2009.

*Clause 442*

*Subclause (4):* to omit *subclause (4)* (lines 9 and 10 on page 693) and substitute the following:

(4) **Subsection (2)** applies for all income years beginning on or after 1 July 2009.

*Clause 452*

*Subclause (2)*: to omit *subclause (2)* (lines 24 to 28 on page 698) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 460*

*Subclause (1)*: *section 57B(3B)(a)*: to omit “**paragraphs (b) and (c) do**” (lines 24 and 25 on page 702) and substitute “**paragraph (b) does**”.

*Clause 463*

*Subclause (3)*: *section 61(1C)*: to omit “*section 57B(7)*” (line 31 on page 705) and substitute “*section 57B(6)*”.

*Clause 468*

*Subclause (2)*: to omit *subclause (2)* (lines 27 to 31 on page 708) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 469*

*Subclause (2)*: to omit *subclause (2)* (lines 1 to 5 on page 709) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 483*

*Subclause (5)*: to omit *subclause (5)* (lines 29 to 33 on page 717) and substitute the following:

- (5) **Subsection (2)** applies for all income years beginning on or after 1 July 2009.

*Clause 484*

*Section 91AAQ(2)(a)(ii)*: to omit *subparagraph (ii)* (lines 32 to 36 on page 719) and substitute the following:

“(ii) is in the same group of companies as a company resident in New Zealand that has a business of insurance registered and rated under that Act; and

*Section 91AAQ(2)(b) and (c)*: to omit *paragraphs (b) and (c)* (lines 37 on page 719 to line 5 on page 720) and substitute the following:

- “(b) the CFC has, in a country or territory outside New Zealand, a business of insurance that is registered under the laws of the country or territory relating to the business of insurance; and
- “(c) the CFC or a company in the group of companies to which the CFC belongs, before and after 30 June 2009,—

- “(i) was controlled by a New Zealand resident; and
- “(ii) had the business in the country or territory.

*Section 91AAQ(3)*: to omit *subsection (3)* (lines 6 to 28 on page 720) and substitute the following:

- “(3) A group of CFCs satisfies this subsection if—
  - “(a) the group is a group of companies that, before and after 30 June 2009,—
    - “(i) was controlled by a New Zealand resident; and
    - “(ii) had, in a country or territory outside New Zealand, a business of insurance that is registered under the laws of the country or territory relating to the business of insurance; and
  - “(b) each CFC is—
    - “(i) controlled by a company resident in New Zealand that has a business of insurance registered and rated under the Insurance Companies (Ratings and Inspection) Act 1994 or that is in the same group of companies as such a company; and
    - “(ii) is incorporated in the same country or territory as the other CFCs; and
    - “(iii) is subject to the laws of the country or territory; and
    - “(iv) is liable in the country or territory to income tax on its income; and
    - “(v) derives its income mainly from the country or territory; and
    - “(vi) has a main business that is insurance or is related to insurance.

*Section 91AAQ(6)*: to omit “tax years” (line 21 on page 721) and substitute “income years”.

*Clause 485*

*Subclause (2)*: to omit *subclause (2)* (lines 32 and 33 on page 722).

*Clause 486*

*Subclause (2)*: to omit *subclause (2)* (lines 7 to 11 on page 723) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 487*

*Subclause (2)*: to omit *subclause (2)* (lines 16 to 20 on page 723) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 488*

*Subclause (2)*: to omit *subclause (2)* (lines 25 to 29 on page 723) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 489*

*Subclause (2)*: to omit *subclause (2)* (lines 1 to 5 on page 724) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 492*

*The definition of tax paid, paragraph (c)*: to omit “credit” (line 29 on page 725) and substitute “credited”.

*Clause 496*

*Subclause (2)*: to omit *subclause (2)* (lines 25 to 29 on page 726) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 497*

*Subclause (2)*: to omit *subclause (2)* (lines 10 to 14 on page 727) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*New clause 499BA*

To insert, after *clause 499* (after line 35 on page 728), the following:

**499BA Imputation penalty tax payable where end of year debit balance**

- (1) In section 140B(1), “section OB 65” is replaced by “section OB 65 or OC 30”.
- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 499B*

*New subclauses (1B) and (1C)*: to insert, after *subclause (1)* (after line 4 on page 729), the following:

- (1B) In section 140BB(1), “as only having—” is replaced by “as having only the balances and adjustments referred to in **subsections (1B) and (1C)**”.
- (1C) Section 140BB(1)(a) and (b) are repealed.

*Subclause (2)*: *section 140BB(1B), before the paragraphs*: to omit “subsection (1)(a)” (line 6 on page 729) and substitute “subsection (1)”.

*Subclause (2): section 140BB(1B), before the paragraphs:* to omit “company’s 2007–08 income year” (lines 8 and 9 on page 729) and substitute “company’s 2007–08 income year for transactions occurring after the end of that income year”.

*Subclause (2): section 140BB(1C), before the paragraphs:* to omit “subsection (1)(b)” (line 21 on page 729) and substitute “subsection (1)”.

*Subclause (2): section 140BB(1C), before the paragraphs:* to omit “transitional period” (line 23 on page 729) and substitute “transitional period for transactions occurring after the end of the company’s 2007–08 income year”.

*Subclause (3):* to omit *subclause (3)* (line 34 on page 729 to line 3 on page 730) and substitute the following:

- (3) After section 140BB(3), the following is added:
- “(4) Despite subsection (2), the company is not liable for imputation penalty tax for the transitional period unless it pays a dividend with imputation credits attached when—
  - “(a) the imputation ratio is greater than 30/70; and
  - “(b) the payment is made after the earlier of—
    - “(i) the date on which the company’s 2007–08 return of income was filed; or
    - “(ii) 25 March 2009.”

#### *Clause 500*

*Subclause (2):* to omit *subclause (2)* (lines 8 to 12 on page 730) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

#### *Clause 500B*

*New subclauses (1B) and (1C):* to insert, after *subclause (1)* (after line 15 on page 730), the following:

- (1B) In section 140CA(1), “as only having—” is replaced by “as having only the balances and adjustments referred to in **subsections (1B) and (1C)**.”
- (1C) Section 140CA(1)(a) and (b) are repealed.

*Subclause (2): section 140CA(1B), before the paragraphs:* to omit “subsection (1)(a)” (line 17 on page 730) and substitute “subsection (1)”.

*Subclause (2): section 140CA(1B), before the paragraphs:* to omit “company’s 2007–08 income year” (lines 19 and 20 on page 730) and substitute “company’s 2007–08 income year for transactions occurring after the end of that income year”.

*Subclause (2): section 140CA(1B)(a):* to omit “income tax” (line 22 on page 730) and substitute “FDP”.

*Subclause (2): section 140CA(1B)(c):* to omit “income tax paid” (line 29 on page 730) and substitute “payment of FDP”.

*Subclause (2): section 140CA(1C), before the paragraphs:* to omit “subsection (1)(b)” (line 32 on page 730) and substitute “subsection (1)”.

*Subclause (2): section 140CA(1C), before the paragraphs:* to omit “transitional period” (line 34 on page 730) and substitute “transitional period for transactions occurring after the end of the company’s 2007–08 income year”.

*Subclause (3):* to omit *subclause (3)* (lines 11 to 19 on page 731) and substitute the following:

- (3) After section 140CA(3), the following is added:
- “(4) Despite subsection (2), the company is not liable for FDP penalty tax for the transitional period unless it pays a dividend with FDP credits attached when—
  - “(a) the FDP ratio is greater than 30/70; and
  - “(b) the payment is made after the earlier of—
    - “(i) the date on which the company’s 2007–08 return of income was filed; or
    - “(ii) 25 March 2009.”

#### *Clause 501*

*Subclause (2):* to omit *subclause (2)* (lines 24 to 28 on page 731) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

#### *Clause 505*

*Subclause (3):* to omit *subclause (3)* (lines 16 to 20 on page 733) and substitute the following:

- (3) **Subsections (1) and (2)** apply for all income years beginning on or after 1 July 2009.

#### *Clause 506*

*Subclause (2):* to omit *subclause (2)* (lines 25 to 29 on page 733) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

#### *Clause 507*

*Subclause (2):* to omit *subclause (2)* (lines 1 to 5 on page 734) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

#### *New clause 511B*

To insert, after *clause 511* (after line 21 on page 735), the following:

##### **511B Relief to taxpayers to whom new start grants payable**

In section 177D(3), “qualifying event, as defined by section OB 1 of the Income Tax Act 1994” is replaced by “emergency



event, as declared by the Governor-General by Order in Council under **section 183ABA**".

*Clause 512*

*Subclause (2)*: to omit *subclause (2)* (lines 26 to 30 on page 735) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*Clause 514*

*Subclause (2)*: to omit *subclause (2)* (lines 1 and 2 on page 736) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*New clause 514BA*

To insert, after *clause 514* (after line 2 on page 736), the following:

**514BA Section 183ABA replaced**

Section 183ABA is replaced by the following:

**"183ABA Remission in circumstances of emergency event**

- "(1) This section applies for a taxpayer if—
- "(a) an emergency event physically prevents the taxpayer from making a payment required by a tax law on or before the due date for the payment; and
  - "(b) the taxpayer is charged with interest under Part 7 for failing to make the payment by the due date; and
  - "(c) the taxpayer is a member of a class of persons to whom a remission under this section is available, if such a class of persons is described in the Order in Council declaring the emergency event.
- "(2) The taxpayer may ask the Commissioner to remit the interest.
- "(3) The Commissioner may remit the interest if the Commissioner is satisfied that—
- "(a) it is equitable that the interest be remitted; and
  - "(b) the taxpayer asked for the relief as soon as practicable; and
  - "(c) the taxpayer made the payment as soon as practicable.
- "(4) The Governor-General may from time to time by Order in Council—
- "(a) declare an event that meets the requirements of paragraphs (a) and (b) of the definition of **emergency** in section 4 of the Civil Defence Emergency Management Act 2002, to be an emergency event;
  - "(b) describe a class or classes of persons to whom a remission under this section is available in relation to the emergency event.

- “(5) An Order in Council (the **Order**) made under **subsection (4)** or this subsection—
- “(a) may relate to an event that occurred after the commencement of this Act and before the commencement of the Order:
- “(b) expires, if not renewed under **paragraph (c)**, after—
- “(i) the period given in the Order, if such a period is given; or
- “(ii) if no such period is given, 6 months from the promulgation of the Order:
- “(c) may be renewed or replaced from time to time by an Order in Council made before or after the date on which the Order would otherwise expire.”

*Clause 515*

*Subclause (2)*: to omit *subclause (2)* (lines 23 to 27 on page 736) and substitute the following:

- (2) **Subsection (1)** applies for all income years beginning on or after 1 July 2009.

*New clause 533C*

To insert, after *clause 533B* (after line 31 on page 743), the following:

**533C Interest rate**

In section 86(1), in the item **lowest tax rate**, “column 2” is replaced by “column 3”.

*Clause 541B*

*New subclause (3B)*: to insert, after *subclause (3)* (after line 28 on page 748), the following:

- (3B) In schedule 1, clause 17, paragraph (a) is replaced by the following:
- “(a) before the member, the personal representative, or the relevant person under section 65 of the Administration Act 1969 (as the case may be) gives the **fund provider** (as defined in the Income Tax Act 2004) a statutory declaration stating, to the best of their knowledge, the periods for which the member has their principal place of residence in New Zealand; and”.

*Clause 564*

*New subclause (1A)*: to insert, before *subclause (1)* (before line 14 on page 779), the following:

- (1A) After section EW 15C(2), the following is inserted:

*“Fair value method not used for certain financial  
arrangements*

- “(2B) A person must not use the fair value method for a financial arrangement if—
- “(a) the financial arrangement is treated under IFRSs by the person as a hedge of another financial arrangement; and
  - “(b) the person uses a method other than the IFRS method for the other financial arrangement.”

*Subclause (4)*: to omit “**(1) and (2)**” (line 27 on page 779) and substitute “**(1A) to (2)**”.

*Clause 565*

*Subclause (1)*: to omit *subclause (1)* (lines 5 to 20 on page 781) and substitute the following:

- (1) Section EW 15D(1)(d) is replaced by the following:
  - “(d) the financial arrangement—
    - “(i) is not treated under IFRSs by the person as a hedge; or
    - “(ii) is treated under IFRSs by the person as a hedge of other financial arrangements, for each of which the person does not use the fair value method.”

*Clause 566*

*Subclause (1)*: to omit *subclause (1)* (lines 8 to 24 on page 782) and substitute the following:

- (1) Section EW 15E(1)(c) is replaced by the following:
  - “(c) the financial arrangement—
    - “(i) is not treated under IFRSs by the person as a hedge; or
    - “(ii) is treated under IFRSs by the person as a hedge of other financial arrangements, for each of which the person does not use the fair value method; and”.
- (1B) Section EW 15E(1)(f) is replaced by the following:
  - “(f) the person and all companies in a group of companies to which the person belongs have chosen to use the modified fair value method described in subsection (2) or the equity-free fair value method described in subsection (3), and have notified the Commissioner at the time of filing a return of income. This paragraph may be ignored in whole or in part if the person carries on a business that is not of a substantially similar nature to other companies in the group, and—
    - “(i) the person and the other parties to the financial arrangement are not associated; or

“(ii) the person and the other parties to the financial arrangement are associated and use the same method for the arrangement.”

*Clause 578D*

*Subclause (1): section FC 2B(3)(c):* to omit “**subsection (1)(c)**” (line 29 on page 791) and substitute “**subsection (1)(b)**”.

*Subclause (1): section FC 2B(6):* to omit “, and is not an associated person of a widely-held company” (lines 13 and 14 on page 792).

*Clause 613*

*New subclause (4EB):* to insert, after *subclause (4E)* (after line 12 on page 803), the following:

(4EB) The definition of **fair value method** is replaced by the following:

“**fair value method** means a method under section EW 15B (IFRS taxpayer method) of calculating income or expenditure for an income year that takes into account movements in fair value as determined under IFRSs”.

*Subclause (4F):* to omit “-” (line 13 on page 803).

*Schedule 1*

*New row:* to insert, in the first column, as *the first column of a new row* (in the appropriate order on page 819), the following:

EX 21 Branch equivalent income or loss: calculation

*New row:* to insert, in the second column, as *the second column of the new row* (in the appropriate order, on page 819, matching the first column of the new row inserted by this SOP), the following:

1973 version provisions, 1988 version provisions, 1990 version provisions

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### Explanatory note

This SOP amends the Taxation (International Taxation, Life Insurance, and Remedial Matters) Bill.

Apart from correcting drafting and technical issues, there are 5 substantive matters provided for in this SOP, all intended to be taxpayer-friendly. They are as follows:

- Allowing finance companies and other IFRS-reporting companies that enter into “workout” arrangements with their creditors to use the “yield to maturity” method to remove the volatility that IFRS financial reporting causes. This change was announced in December as a means of preventing unanticipated tax liabilities arising for troubled finance companies that enter into creditor workout agreements.

- Allowing companies to recognise for tax purposes hedges that are recognised only upon the preparation of consolidated financial statements. Under current law, these hedges reduce volatility for financial reporting but not for tax.
  - Treating as transparent for tax purposes the special-purpose vehicles that issue residential mortgage backed securities that enable banks to borrow from the Reserve Bank, thus removing volatility.
  - Extending the range of circumstances under which Inland Revenue can remit use of money interest to include events such as pandemics.
  - Clarifying the policy intent of current provisions that allow life insurance companies to access refunds of overpaid tax in particular circumstances.
-