

# **Taxation (Budget Measures) Bill**

Government Bill

## **Explanatory note**

### **General policy statement**

This bill gives effect to tax reforms announced in Budget 2010. As a package, the reforms are intended to boost economic growth by improving incentives to work, save and invest; to improve the fairness, coherence and integrity of the tax system by reducing opportunities to avoid tax and gain unfair access to social assistance; and to make the tax system more supportive of New Zealand's international competitiveness.

To this end, the reforms re-balance the tax mix, decreasing personal income tax rates and company tax rates while increasing the rate of GST. Accompanying these changes are others intended to facilitate fairness in the process of re-balancing. Still other changes strengthen the tax system, to ensure that everyone pays the correct amount of tax.

### ***Personal tax cuts***

This bill reduces personal income tax rates from 1 October 2010. Table 1 shows the current personal income tax rates and thresholds, and Table 2 shows the new rates starting from 1 October 2010. Note that because the new rates start halfway through the tax year, they

are provided as composite annual tax rates in the text of the bill for the first year (1 April 2010–31 March 2011):

**Table 1—Current rates**

Row	Range of dollar in taxable income	Tax rate
1	\$0 – \$14,000	0.125
2	\$14,001 – \$48,000	0.210
3	\$48,001 – \$70,000	0.330
4	\$70,001 upwards	0.380

**Table 2—Rates from 1 October 2010**

Row	Range of dollar in taxable income	Tax rate
1	\$0 – \$14,000	0.105
2	\$14,001 – \$48,000	0.175
3	\$48,001 – \$70,000	0.300
4	\$70,001 upwards	0.330

To ensure that the effects of the tax cuts flow through the tax system appropriately, consequential amendments to the tax Acts are needed. The bill therefore amends extra pay rates, fringe benefit tax rates, PAYE earning codes, ESCT rates, PIE rates, RWT rates, RSCT rates, ACC attendant care withholding rates, rates for some Maori authority distributions, child income tax credits, and transitional circumstances tax credits. Transitional provisional tax rules are provided. Redundancy payment tax credits are removed from 1 October 2010, and fund withdrawal tax is also phased out from that date.

### ***Company tax cuts***

The rate of company tax is reduced from 30% to 28%, for the 2011–12 and later income years. Provisional tax, supplementary dividend tax credit, and imputation credit account transitional amendments are made, to ensure the effect of the tax cuts flow through the tax system. A transitional period and rules, substantially the same as for the last company tax rate change, is provided, to

allow the use of existing imputation credits at the old rate of 30/70, before moving fully over to the new rate of 28/72.

### ***GST rate increase***

The rate of GST is increased from 12.5% to 15%, for supplies made on or after 1 October 2010, and for goods imported on and after 1 October 2010. Consequential changes to give effect to the increase are also made. Separately from the bill, there will be a special temporary compensation payment for superannuitants, pensioners, and beneficiaries as a result of the GST increase.

### ***Working for Families***

To compensate Working for Families recipients for the increased cost of living expected to result from the GST rate increase, the bill increases the Minimum Family Tax Credit, and the Family Tax Credit. The increases apply on and after 1 October 2010. Subsequent automatic indexation increases will not include these 1 October 2010 increases. The bill amends the *Social Security Act 1964* to prevent the increase in the Family Tax Credit and Minimum Family Tax Credit from impacting on the amount of Accommodation Supplement that a person is able to receive between 1 October 2010 and 31 March 2011.

The threshold at which Working for Families tax credits begin to abate will no longer be automatically indexed to inflation. However, the ability to increase the abatement threshold by Order in Council remains.

The bill also tightens the “family scheme income” test for Working for Families entitlements, to prevent investment losses lowering that income. Consequently, some Working for Families tax credits may be reduced for people who have such losses.

### ***Government Superannuation Fund and National Provident Fund***

The bill amends the *Government Superannuation Fund Amendment Act 1969* and the *National Provident Fund Restructuring Act 1990* to compensate for the increased cost of living expected to result from the increase in the rate of GST. Payments within these schemes which are subject to an annual Consumer Price Index (CPI) adjustment will

be increased to compensate for the increase in GST from 1 October 2010. Subsequent automatic indexation increases will not include these 1 October 2010 increases.

### ***CPI adjustments for tobacco price increases***

The bill amends the *New Zealand Superannuation and Retirement Income Act 2001*, the *Income Tax Act 2007*, and the *War Pensions Act 1954* to exclude tobacco price increases from the CPI adjustments to New Zealand Superannuation payments, veterans' pensions, and Working for Families tax credit rates, for 3 years. These amendments help ensure fairness by allowing the impact of the tax changes, including the personal income tax cuts, to flow through the fiscal package in a way consistent with wider Government policies.

### ***Depreciation***

The bill removes the current economic loading of 20% in annual depreciation rates for depreciable property acquired, or otherwise contracted for, after 20 May 2010. Buildings with long estimated useful lives, which generally increase in value rather than depreciate, will have a 0% depreciation rate for the 2011–12 and later income years. Buildings with estimated useful lives of 50 years or more are considered as having “long estimated useful lives”. Also, the ability to get special rates of depreciation for buildings is removed.

Some grandparenting of certain types of buildings acquired before 30 July 2009 will be implemented, as announced by the Government last year. That grandparenting will not extend to improvements to those grandparented buildings.

### ***Thin capitalisation***

The bill lowers one of the debt-to-asset safe harbour ratios used to determine whether or not a foreign controlled investment into New Zealand is treated as “excessively debt-loaded”. If a foreign controlled investment into New Zealand is outside the safe harbour, and is “excessively debt loaded”, deductions against the New Zealand tax base may be disallowed. The safe harbour ratio changes from 75% to 60%. Consequently, relatively less debt will take a foreign investment outside the safe harbour, and, potentially, into “excessively debt-loaded” treatment (i.e. disallowance of deductions).

**Minister of Finance's statement on  
consultation on proposed amendment to New  
Zealand Superannuation and Retirement  
Income Act 2001**

***Introduction***

Section 73 of the *New Zealand Superannuation and Retirement Income Act 2001* (the **Act**) provides that the Minister must, on the introduction into the House of Representatives of a government bill that proposes an amendment to the Act, bring to the attention of the House the consultation process that was followed in the formulation of the proposed amendment. The term “Minister”, for the purposes of section 73, is defined in section 5 of the Act as the Minister of Finance. That statement must include (without limitation)—

- (a) whether consultation has taken place with the parties that are in agreement with the Part proposed to be amended (as listed in Schedule 4 of the Act);
- (b) whether consultation has taken place with the Guardians (to the extent that the amendment relates to Part 2 of the Act);
- (c) the results of the consultation.

The Taxation (Budget Measures) Bill (the **bill**) proposes one amendment to Part 1 of the Act. It does not propose to amend Part 2, Part 3, Part 4 or any of the schedules of the Act. Consultation with the Guardians of New Zealand Superannuation is therefore not required.

The bill will amend section 15 of the Act. Under section 15, the rates of New Zealand superannuation must be adjusted, by Order in Council, as at 1 April each year so that in each case the new rate is adjusted by any percentage movement upwards in the CPI between 31 December one year prior and the 31 December immediately prior. The bill will amend section 15 so that the CPI measure used to index New Zealand Superannuation payments in 2011, 2012, and 2013 is, generally, the CPI-all groups published by Statistics New Zealand excluding cigarettes and tobacco products. This change is consistent with changes being made to the *Income Tax Act 2007* for Working for Families tax credits, and to the *War Pensions Act 1954* in relation to veterans' pensions.

### ***Consultation***

The parties listed in Schedule 4 of the Act are the Green Party, New Zealand Labour Party, New Zealand National Party, Progressive Coalition Party, and United Future New Zealand. All parties were aware of this proposed amendment following media publicity on 30 April 2010. On 8 April 2010, the Minister of Finance consulted the Leader of United Future New Zealand on the government's intention to amend section 15 of the Act. The results of the consultation were that United Future New Zealand indicated it would support the bill. No consultation has taken place with the Green Party, the New Zealand Labour Party, and the Progressive Coalition Party.

### **Clause by clause analysis**

*Clause 1* gives the title of the Act.

*Clause 2* gives appropriate commencement dates for the provisions in *Parts 1 to 3*.

## **Part 1**

### **Personal tax cuts, company tax cuts, and GST rate increase: 1 October 2010 start**

#### *Amendments to Income Tax Act 2007*

*Clauses 4 to 40* amend the *Income Tax Act 2007*.

*Clause 4* amends *section CS 1*, and provides for the sunset of the superannuation fund withdrawal tax regime and the removal of some contributions from the calculation of the income on which fund withdrawal tax is payable.

*Clause 5* amends *section CX 56*, consequential to the reduction in multi-rate PIE notified investor rates as part of the personal tax cuts.

*Clause 6* amends *section HM 47*, consequential to the reduction in multi-rate PIE notified investor rates as part of the personal tax cuts.

*Clause 7* amends *section HM 52*, consequential to the reduction in multi-rate PIE notified investor rates as part of the personal tax cuts.

*Clause 8* replaces *section HM 58*, and provides a transition for multi-rate PIE notified investor rates as part of the personal tax cuts.

*Clause 9* amends *section HM 60*, and provides that the correct notified investor rate applies for the correct part of the year, consequential

to the reduction in multi-rate PIE notified investor rates as part of the personal tax cuts.

*Clause 10* amends *section ML 1*, and provides that redundancy payments derived after 1 October 2010 do not qualify for the redundancy payment tax credit.

*Clause 11* amends *section ML 2*, and provides that redundancy payments derived after 1 October 2010 do not qualify for the redundancy payment tax credit.

*Clause 12* amends *section OB 61*, to insert a cross-reference to the memorandum account and imputation transitional provisions as part of the company tax rate cut.

*Clause 13* amends *section OC 28*, to insert a cross-reference to the memorandum account and imputation transitional provisions as part of the company tax rate cut.

*Clause 14* replaces *section OZ 7*, to ensure that the memorandum account and imputation transitional provisions apply for the correct period as part of the company tax rate cut.

*Clause 15* amends *section OZ 8*, to ensure that the memorandum account and imputation transitional provisions use the correct rate as part of the company tax rate cut.

*Clause 16* amends *section OZ 9*, to ensure that the memorandum account and imputation transitional provisions use the correct rate as part of the company tax rate cut.

*Clause 17* amends *section OZ 10*, to ensure that the memorandum account transitional provisions use the correct rate as part of the company tax rate cut.

*Clause 18* amends *section OZ 11*, to ensure that the memorandum account and imputation transitional provisions use the correct rate as part of the company tax rate cut.

*Clause 19* amends *section OZ 12*, to ensure that the memorandum account transitional provisions use the correct rate and apply for the correct period as part of the company tax rate cut.

*Clause 20* amends *section OZ 13*, to ensure that the memorandum account transitional provisions use the correct rate as part of the company tax rate cut.

*Clause 21* amends *section OZ 14*, to ensure that the memorandum account transitional provisions use the correct rate as part of the company tax rate cut.

*Clause 22* amends *section OZ 15*, to ensure that the memorandum account transitional provisions use the correct rate as part of the company tax rate cut.

*Clause 23* amends *section OZ 16*, to ensure that the memorandum account transitional provisions use the correct rate as part of the company tax rate cut.

*Clause 24* amends *section OZ 17*, to ensure that the memorandum account transitional provisions use the correct rate as part of the company tax rate cut.

*Clause 25* amends *section RC 5*, to amend a cross-reference to the provisional tax transitional measures as part of the individual and company tax cuts.

*Clause 26* amends *section RC 8*, to amend a cross-reference to the provisional tax transitional measures as part of the individual and company tax cuts.

*Clause 27* amends *section RC 10*, to amend a cross-reference to the provisional tax transitional measures as part of the individual and company tax cuts.

*Clause 28* amends *section RC 11*, to amend a cross-reference to the provisional tax transitional measures as part of the individual and company tax cuts.

*Clause 29* replaces *sections RZ 3 to RZ 5C*, to provide transitional measures that reduce provisional tax as part of the individual and company tax cuts.

*Clause 30* amends *section YA 1*. *Subclause (2)* replaces the definition of *new personal tax rate person* with 2 new definitions, *new company tax rate person* and *new personal tax rate person* as part of the individual and company tax cuts. *Subclause (3)* repeals the definition of *new tax rate person* as part of the individual and company tax cuts. *Subclause (4)* amends the definition of *notified investor rate*, consequential to the reduction in multi-rate PIE notified investor rates as part of the personal tax cuts. *Subclause (5)* amends the definition of *old company tax rate* as part of the company tax rate cut.

*Clause 31* replaces *schedule 1, part D, table 1*, and provides tax cuts for individuals on 1 October 2010 in respect of ESCT liability on superannuation contributions paid.



*Clause 32* replaces *schedule 1, part D, table 2*, and provides tax cuts for individuals on 1 October 2010 in respect of RWT liability on interest received.

*Clause 33* replaces *schedule 1, part D, table 3, rows 3 and 4*, and provides a company RWT rate on 1 October 2010, consequential to tax cuts for individuals.

*Clause 34* amends *schedule 1, part D, table 4*, and provides tax cuts for individuals on 1 October 2010 in respect of some taxable Maori authority distributions.

*Clause 35* replaces *schedule 1, part D, table 5*, and provides tax cuts for individuals on 1 October 2010 in respect of RSCT.

*Clause 36* amends *schedule 2, part A*, and provides tax cuts for individuals on 1 October 2010 in respect of PAYE for salary or wages.

*Clause 37* replaces *schedule 2, part B, table 1*, and provides tax cuts for individuals from 1 October 2010, with composite rates being used in the 2010–11 year due to the individual tax cuts being effective halfway through that year.

*Clause 38* amends *schedule 4, part I*, to reduce the rate of withholding for personal services rehabilitation payments from 1 October 2010.

*Clause 39* amends *schedule 6, table 1*, and provides a reduction in multi-rate PIE notified investor rates as part of the personal tax cuts.

*Clause 40* amends *schedule 6, table 2*, and provides tax cuts for individuals on 1 October 2010 in respect of RSCT.

#### *Amendments to Tax Administration Act 1994*

*Clauses 42 and 43* amend the *Tax Administration Act 1994*.

*Clause 42* amends *section 28C*, and changes the rate at which a person may advise a retirement savings scheme of their retirement scheme prescribed rate, consequential to the tax cuts for individuals.

*Clause 43* replaces *section 140BB*, to give relief for penalties as part of the memorandum account and imputation transitional provisions, consequential on the company tax rate cut.

#### *Amendments to Goods and Services Tax Act 1985*

*Clauses 45 to 53* amend the *Goods and Services Tax Act 1985*.

*Clause 45* amends *section 8*, to increase the rate of GST to 15%, from 12.5%, on 1 October 2010.

*Clause 46* amends *section 10*, to increase the value of certain supplies relating to long-term accommodation, consequential to the increase in the headline rate to 15%, from 12.5%.

*Clause 47* amends *section 12*, to increase the rate of GST to 15%, from 12.5%, on 1 October 2010.

*Clause 48* inserts a *new section 21CB*, to ensure output tax attributed to a change of use is charged at the old GST rate, if the change of use occurs before 1 October 2010.

*Clause 49* amends *section 21F*, to ensure a deduction from output tax for a change of use is at the old GST rate, if the change of use occurs before 1 October 2010.

*Clause 50* amends *section 21I*, to ensure that the time of supply for entertainment expense incurred before 1 October 2010 is effectively 30 September 2010, so as to ensure the use of the old GST rate for the entertainment expense.

*Clause 51* amends *section 46*, to insert a cross-reference to allow refunds as part of the transition to the new GST rate.

*Clause 52* amends *section 78*, as a technical matter, for the transition to the new GST rate.

*Clause 53* amends *section 78B*, to allow refunds as part of the transition to the new GST rate.

#### *GST-related amendments to Tax Administration Act 1994*

*Clauses 55 and 56* amend the *Tax Administration Act 1994*.

*Clause 55* amends *section 139B*, and provides that penalties charged, but remitted as part of the transitional rules to the new GST rate, do not restart the grace period for late payment penalties.

*Clause 56* amends *section 183AA*, and provides that penalties and interest charged may be remitted as part of the transitional rules to the new GST rate, if the transition caused the penalties and interest.

## **Part 2**

### **Personal tax cuts: 2010–11 start**

*Clause 57* gives application dates for the provisions in *Part 2*.

*Amendments to Income Tax Act 2007*

*Clauses 59 to 72 amend the Income Tax Act 2007.*

*Clause 59* amends *section LC 3*, and provides that the correct rate of tax credit is available for a child's income, as part of the tax cuts for individuals. Composite credit rates are used for the 2010–11 year, because the increase is effective 1 October 2010.

*Clause 60* amends *section LC 4*, and provides that the correct rate of tax credit is available in transitional circumstances, as part of the tax cuts for individuals. Composite credit rates are used for the 2010–11 year, because the increase is effective 1 October 2010.

*Clause 61* amends *section MD 3*, and provides an increase in family tax credits, as part of the tax reform package. Composite credit rates are used for the 2010–11 year, because the increase is effective 1 October 2010.

*Clause 62* amends *section ME 1*, and provides an increase in minimum family tax credits, as part of the tax reform package. Composite credit rates are used for the 2010–11 year, because the increase is effective 1 October 2010.

*Clause 63* inserts *new sections MF 4D and MF 4E*, and repeals *sections MF 4B and MF 4C*, to increase Working for Families instalments in line with the headline tax credit increases (for family tax credits and minimum family tax credits. The increase starts on 1 October 2010.

*Clause 64* amends *section RD 50*, and provides cuts to attributed fringe benefit tax rates for individuals, with composite rates being used in the 2010–11 year due to the individual tax cuts being effective halfway through that year.

*Clause 65* amends *section RD 52*, and provides cuts to attributed fringe benefit tax rates for individuals, with composite rates being used in the 2010–11 year due to the individual tax cuts being effective halfway through that year.

*Clause 66* amends *section RD 53*, and provides cuts to attributed fringe benefit tax rates for individuals, with composite rates being used in the 2010–11 year due to the individual tax cuts being effective halfway through that year.

*Clause 67* amends *section RD 58*, and provides cuts to attributed fringe benefit tax rates for individuals, with composite rates being

used in the 2010–11 year due to the individual tax cuts being effective halfway through that year.

*Clause 68 amends section RD 59, and provides cuts to attributed fringe benefit tax rates for individuals, with composite rates being used in the 2010–11 year due to the individual tax cuts being effective halfway through that year.*

*Clause 69 amends section RD 60, and provides cuts to attributed fringe benefit tax rates for individuals, with composite rates being used in the 2010–11 year due to the individual tax cuts being effective halfway through that year.*

*Clause 70 amends section RD 61, and provides cuts to attributed fringe benefit tax rates for individuals, with composite rates being used in the 2010–11 year due to the individual tax cuts being effective halfway through that year.*

*Clause 71 amends schedule 1, part A, table 1, and provides tax cuts for individuals, effective from 1 October 2010, with composite rates being used in the 2010–11 year due to the individual tax cuts being effective halfway through that year.*

*Clause 72 amends schedule 1, part C, table 1, and provides cuts to attributed fringe benefit tax rates for individuals, with composite rates being used in the 2010–11 year due to the individual tax cuts being effective halfway through that year.*

#### *Amendment to Tax Administration Act 1994*

*Clause 73 amends section 33C, to adjust the rate in the test of non-filing for certain providers of personal services.*

### **Part 3** **Other measures**

#### *Amendments to Income Tax Act 2007*

*Clauses 75 to 99 amend the Income Tax Act 2007.*

*Clause 75 inserts a new section CG 8, to provide that a recipient of a capital contribution has the option to spread the contribution as income over 10 years, as an alternative to reducing their depreciation base.*

*Clause 76 inserts a new heading and new section DB 64, to provide that a recipient of a capital contribution has the option to reduce their*

depreciation base by the amount of the contribution, as an alternative to spreading the contribution as income over 10 years.

*Clause 77* amends *section EE 31*, and removes 20% economic loading for items acquired after 20 May 2010. Also, the rate of depreciation for most buildings is set to 0% for the 2011–12 income year and later.

*Clause 78* amends *section EE 35*, to remove the ability to set special rates for buildings, effective on 20 May 2010.

*Clause 79* amends *section EE 37*, to, first, ensure that improvements to certain grandparented buildings are treated as separate depreciable property after 30 July 2009, and, second, to ensure that improvements to items still eligible for economic loading are treated as separate depreciable property after 20 May 2010.

*Clause 80* amends *section EE 48*, and provides that capital contributions are added to depreciation deductions for the purposes of calculating income or deductions on disposal of a relevant item of depreciable property.

*Clause 81* amends *section EE 61*, as part of setting the rate of depreciation for most buildings to 0% for the 2011–12 income year and later.

*Clause 82* amends *section EE 64*, to exclude certain buildings from the definition of *excluded depreciable property*, as part of setting the rate of depreciation for most buildings to 0% for the 2011–12 income year and later.

*Clause 83* amends *section EE 67*, to insert the definition of *provisional rate* as part of setting the rate of depreciation for most buildings to 0% for the 2011–12 income year and later. That definition is used in *section EE 64*.

*Clause 84* amends *lists of defined terms in subparts EE and EZ*, as part of grandparenting certain buildings to ensure that their depreciation treatment is undisturbed by the common law definition of “building”.

*Clause 85* amends *section EZ 13*, as part of setting the rate of depreciation for most buildings to 0% for the 2011–12 income year and later.

*Clause 86* amends *section EZ 14*, as part of setting the rate of depreciation for most buildings to 0% for the 2011–12 income year and later.

*Clause 87* amends *section FE 5*, and lowers the threshold for 1 of the tests for the extent to which a foreign controlled entity may take deductions against the New Zealand tax base.

*Clause 88* amends *section FE 6*, and lowers the threshold for 1 of the tests for the extent to which a foreign controlled entity may take deductions against the New Zealand tax base.

*Clause 89* amends *section FE 12*, and lowers the threshold for 1 of the tests for the extent to which a foreign controlled entity may take deductions against the New Zealand tax base.

*Clause 90* amends *section FE 18*, and lowers the threshold for 1 of the tests for the extent to which a foreign controlled entity may take deductions against the New Zealand tax base.

*Clause 91* amends *section LP 2*, and changes the rate of tax credit for supplementary dividends, as part of the company tax rate cut.

*Clause 92* replaces *section MB 3*, to remedy an error in the rewrite of the *Income Tax Act 2004*, as a prelude to the later change, in *clause 93*, to discount, for the 2011–12 income year and later, investment losses for the purposes of income-testing Working for Families tax credits.

*Clause 93* replaces *section MB 3*, to discount, for the 2011–12 income year and later, investment losses for the purposes of income-testing Working for Families tax credits.

*Clause 94* amends *section MF 7*, which is about orders increasing amounts relating to tax credits and credit abatements.

*Clause 94(1) and (3)* amend *section MF 7(1)(a) and (c)* to remove the ability to increase the amount of the threshold set out in *section MD 13(3)* by CPI adjustment, but allow an increase by way of Order in Council.

*Clause 94(2), (4), and (5)* amend *sections MF 7(1)(a)(i) and MF 7(2)(a) and (b)*, and insert a new heading and *new section MF 7(2B)*. The amendments relate to movements in the New Zealand Consumers Price Index that affect when and how much amounts relating to tax credits are increased. They ensure those movements are determined disregarding tobacco products price changes on or after 29 April 2010 (including the price impact of 29 April 2010, 1 January 2011, and 1 January 2012 increases in excise duties and excise-equivalent duties on tobacco products).

*Clause 95* repeals *subpart ML*, to remove redundancy tax credits from 1 April 2012.

*Clause 96* amends *section YA 1*. *Subclause (2)* inserts a new definition of *building* as part of grandparenting certain buildings to ensure that their depreciation treatment is undisturbed by the common law definition of “building”. *Subclause (3)* replaces the definition of *capital contribution*. *Subclause (4)* inserts a new definition of *grandparented structure* as part of grandparenting certain buildings to ensure that their depreciation treatment is undisturbed by the common law definition of “building”. *Subclause (5)* inserts a new definition of *investment activity*, to discount, for the 2011–12 income year and later, investment losses for the purposes of income-testing Working for Families tax credits. *Subclause (6)* repeals the definition of *redundancy payment*, to remove redundancy tax credits from 1 April 2012. *Subclause (7)* inserts a new definition of *special excluded depreciable property*, as part of setting the rate of depreciation for most buildings to 0% for the 2011–12 income year and later. *Subclause (8)* repeals the definition of *temporary building, paragraph (a)*.

*Clause 97* amends *schedule 1, part A*, to cut the company tax rate.

*Clause 98* amends *schedule 1, part D, table 3, rows 1 and 2*, and provides a company RWT rate, consequential to the company tax rate cut.

*Clause 99* inserts a *new schedule 39*, as part of setting the rate of depreciation for most buildings to 0% for the 2011–12 income year and later.

#### *Amendment to Tax Administration Act 1994*

*Clause 100* amends *section 177C*, and requires the Commissioner to write off small amounts of tax owing to the Commissioner under the Working for Families changes.

#### *Amendment to Government Superannuation Fund Amendment Act 1969*

*Clause 101* amends the Government Superannuation Fund Amendment Act 1969 (the **Amendment Act**), which amended the Government Superannuation Fund Act 1956 (the **principal Act**). *New section 3A(1)* is inserted in the Amendment Act. *New section 3A* applies to a person entitled to receive any retiring allowance, annual

allowance, or annuity under the principal Act and that is described in section 3 of the Amendment Act. The Amendment Act requires such allowances and annuities to be adjusted for increases in the New Zealand Consumers Price Index (**CPI**). *New section 3A* ensures that the person is entitled to be paid by the Government Superannuation Fund Authority an additional amount equal to 2.02% of any amount of the allowance or annuity payable to him or her under the principal Act in respect of the period commencing on 1 October 2010 and ending on the close of 27 April 2011. After that period, the allowance or annuity will be subject to an annual CPI adjustment (which must be calculated disregarding the additional payment).

*Amendment to National Provident Fund  
Restructuring Act 1990*

*Clause 102* amends the National Provident Fund Restructuring Act 1990 by inserting *new section 44A*. *New section 44A* applies to a person entitled to receive any allowance, annuity, or pension under a specified scheme, which is defined by *new section 44A(3)* as a defined benefit scheme whose trust deed requires adjustment of the amounts of the allowances, annuities, or pensions payable under it for increases in the New Zealand Consumers Price Index (**CPI**). *New section 44A* ensures that the person is entitled to be paid by the National Provident Fund Board an additional amount equal to 2.02% of any amount of the allowance, annuity, or pension payable to him or her under the specified scheme in respect of the period commencing on 1 October 2010 and ending on the close of 27 April 2011. After that period, the allowance, annuity, or pension will be subject to an annual CPI adjustment (which must be calculated disregarding the additional payment).

*Amendment to Social Security Act 1964*

*Clause 103* amends the Social Security Act 1964. The amendments relate to accommodation supplement paid in accordance with Schedule 18. They ensure that, on and after 1 October 2010 and until the close of 31 March 2011, increases made by *clauses 61 to 63* in the applicable annual rate or, as the case requires, maximum annual rate of family tax credit are disregarded when determining the base rate for accommodation supplement.



*Amendment to War Pensions Act 1954*

*Clause 104* amends the War Pensions Act 1954. The amendment relates to annual adjustments of veterans' pensions reflecting movements in the New Zealand Consumers Price Index. It ensures those movements are determined disregarding tobacco products price changes on or after 29 April 2010 (including the price impact of 29 April 2010, 1 January 2011, and 1 January 2012 increases in excise duties and excise-equivalent duties on tobacco products).

*Amendment to New Zealand Superannuation and Retirement Income Act 2001*

*Clause 105* amends the New Zealand Superannuation and Retirement Income Act 2001. The amendment relates to annual adjustments of New Zealand superannuation reflecting movements in the New Zealand Consumers Price Index. It ensures those movements are determined disregarding tobacco products price changes on or after 29 April 2010 (including the price impact of 29 April 2010, 1 January 2011, and 1 January 2012 increases in excise duties and excise-equivalent duties on tobacco products).

**Regulatory impact statement**

The regulatory impact statement for the bill is available at:

<http://taxpolicy.ird.govt.nz/publications/2010-ris-btm-bill/overview>

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*Hon Bill English*

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**The Parliament of New Zealand enacts as follows:**

**1 Title**

This Act is the **Taxation (Budget Measures) Act 2010**.

**2 Commencement**

- (1) This Act comes into force on 20 May 2010, except as provided in this section. 5
- (2) In **Part 1**, other than **sections 3, 41, 44, and 54**, the sections come into force on 1 October 2010.
- (3) In **Part 2**, other than **sections 57 and 58**,—
  - (a) the **subsections (1)** of the sections are treated as coming into force on 1 April 2010: 10
  - (b) the **subsections (2)** of the sections come into force on 1 April 2011.
- (4) In **Part 3**,—
  - (a) **section 92** is treated as coming into force on 1 April 2008: 15
  - (b) **sections 79(1), (3), and (4), 84, and 96(2) and (4)** are treated as coming into force on 30 July 2009:
  - (c) **section 100** is treated as coming into force on 1 April 2010: 20
  - (d) **section 94(2), (4), (5), and (6)** are treated as coming into force on 29 April 2010:
  - (e) **sections 77(4) to (6), 81(3) to (6), 82, 83, 85 to 91, 93, 96(5), (7), (8), and (9), 97, 98, and 99** come into force on 1 April 2011: 25
  - (f) **sections 95 and 96(6)** come into force on 1 April 2012.

**Part 1**

**Personal tax cuts, company tax cuts, and  
GST rate increase: 1 October 2010 start** 30

*Amendments to Income Tax Act 2007*

**3 Income Tax Act 2007**

**Sections 4 to 40** amend the Income Tax Act 2007.



**4 Withdrawals**

- (1) In section CS 1(1), in the words before the paragraphs, “from a superannuation fund” is replaced by “from a superannuation fund before 1 October 2015”.
- (2) In section CS 1(2), in the formula, “other contributions” is replaced by “other contributions – 2011 amount”.
- (3) Section CS 1(5) is replaced by the following:  
*“Other contributions*  
 “(5) **Other contributions** is the part of the withdrawal that the trustee of the superannuation fund (the **trustee**) establishes,—  
 “(a) is not employer-sourced superannuation savings:  
 “(b) is employer-sourced superannuation savings contributed for a pay period ending on or after 1 October 2010.  
*“2011 amount*
- “(5B) **2011 amount** is the amount that is 50% of the part of the withdrawal that the trustee establishes is employer-sourced superannuation savings contributed for the 2010–11 tax year, but only to the extent to which the trustee can not establish that the relevant contributions were made for a pay period ending before, on or after 1 October 2010.”
- (4) In section CS 1, in the list of defined terms, “pay period” is inserted.

**5 Attributed income of certain investors in multi-rate PIEs**

- (1) In section CX 56(1)(b), “tax rate notified under section HM 60 (notified rates)” is replaced by “notified investor rate”.
- (2) In section CX 56, in the list of defined terms, “notified investor rate” is inserted.

**6 Calculation of tax liability or tax credit of multi-rate PIEs**

- (1) In section HM 47(4)(a)(i), “section HM 60 relating to the investor for the period” is replaced by “**section HM 58** or HM 60, as applicable, that relates to the investor for each day for the period”.
- (2) In section HM 47(4)(a)(ii), “30” is replaced by “28”.

**7 Use of foreign tax credits by zero-rated and certain exiting investors**

(1) In section HM 52(3)(b), in the words before the subparagraphs, “tax year” is replaced by “tax year or exit period, as applicable”.

5

(2) In section HM 52(3)(b)(i), “for the attribution period before their exit period” is replaced with “that the PIE would have used had the period not been an exit period”.

**8 Section HM 58 replaced**

Section HM 58 is replaced by the following:

10

**“HM 58 Transition of rate for certain investors**

*“When this section applies*

“(1) This section applies to a multi-rate PIE in relation to a person who is an investor in the PIE, and the person has, on 30 September 2010, a notified investor rate of 12.5%, 21% or 30%.

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*“Rate applying on and after 1 October 2010*

“(2) On and after 1 October 2010, the person’s notified investor rate is—

“(a) 10.5%, if it was 12.5% on 30 September 2010:

“(b) 17.5%, if it was 21% on 30 September 2010:

20

“(c) 28%, if it was 30% on 30 September 2010.

*“Exception: new notified rate*

“(3) **Subsection (2)** does not apply if the person advises the PIE of a different notified investor rate.

“Defined in this Act: multi-rate PIE, notified investor rate, notify”.

25

**9 Notified investor rates**

(1) Section HM 60(3) is replaced by the following:

*“Application of rate*

“(3) For an investor for an income year, a multi-rate PIE must apply the most recent notified investor rate to every day in every period for the income year. However, for the 2010–11 income year, the most recent notified investor rate on or after 1 October 2010 is applied only to every day on or after 1 October 2010. For a day before 1 October 2010, the multi-rate PIE must apply

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the notified investor rate that would have applied ignoring the Taxation (Budget Measures) Act **2010**.”

- (2) In section HM 60(6), “30” is replaced by “28”.

**10 What this subpart does**

In section ML 1(1), “redundancy payment” is replaced by “redundancy payment before 1 October 2010”. 5

**11 Tax credit for redundancy payments**

In section ML 2(1), in the words before the paragraphs, “redundancy payment has a tax credit of an amount equal to 6 cents for every complete dollar of total redundancy payments derived by them” is replaced by “redundancy payment before 1 October 2010 has a tax credit of an amount equal to 6 cents for every complete dollar of total redundancy payments derived by them before 1 October 2010”. 10

**12 ICA benchmark dividend rules**

In section OB 61(4), “This subsection is modified by **section OZ 9** (Benchmark dividends: ratio change).” is added as the second sentence. 15

**13 FDPA benchmark dividend rules**

In section OC 28(4), “This subsection is modified by **section OZ 9** (Benchmark dividends: ratio change).” is added as the second sentence. 20

**14 Section OZ 7 replaced**

Section OZ 7 is replaced by the following:

**“OZ 7 Memorandum accounts in transitional period**

Unless the context otherwise requires, **sections OZ 8 to OZ 15** apply for a period (the **transitional period**)—

“(a) beginning the first day of a person’s 2011–12 income year; and

“(b) ending on 31 March 2013. 30

“Defined in this Act: income year”.

**15 Attaching imputation credits and FDP credits: maximum permitted ratio**

In section OZ 8(2), “33” is replaced by “30”.

**16 Benchmark dividends: ratio change**

- (1) In section OZ 9(1)(c)(ii), “33/67” is replaced by “30/70”. 5
- (2) In section OZ 9(3)(b), “30/70” is replaced by “28/72”.

**17 Modifying ratios for imputation credits and FDP credits**

- (1) In section OZ 10(1)(a), “1 October 2007 to 31 March 2010” is replaced by “1 October 2010 to 31 March 2013”.
- (2) In section OZ 10(1)(b)(i) to (iii),— 10
- (a) “30/70” is replaced, in each place in which it appears, by “28/72”; and
- (b) “33/67” is replaced, in each place in which it appears, by “30/70”.
- (3) In section OZ 10(2), “33/67” is replaced by “30/70”. 15

**18 Tax credits for imputation credits and FDP credits**

- (1) Section OZ 11(1)(a) is replaced by the following:
- “(a) a person—
- “(i) derives a dividend in the transitional period, if the person is a new company tax rate person that is not a multi-rate PIE: 20
- “(ii) derives a dividend in the period from 1 October 2010 to 31 March 2013, if the person is a new company tax rate person that is a multi-rate PIE; and” 25
- (2) In section OZ 11(1)(b)(i) to (iii),—
- (a) “30/70” is replaced, in each place in which it appears, by “28/72”; and
- (b) “33/67” is replaced, in each place in which it appears, by “30/70”. 30
- (3) In section OZ 11(1)(c), “new tax rate person” is replaced by “new company tax rate person”.
- (4) In section OZ 11(2), in the formula, “0.30” is replaced by “0.28”.

- (5) In section OZ 11(4), in the formula, “0.30” is replaced by “0.28”.
- (6) In section OZ 11, in the list of defined terms, “multi-rate PIE” and “new company tax rate person” are inserted.

## **19 Tax credits for non-resident investors** 5

- (1) In section OZ 12(1)(b)(i) and (ii),—
  - (a) “30/70” is replaced, in each place in which it appears, by “28/72”; and
  - (b) “33/67” is replaced, in each place in which it appears, by “30/70”. 10
- (2) In section OZ 12(2), —
  - (a) “33/67” is replaced by “30/70”; and
  - (b) “7/17 as 67/187” is replaced by “24/53 as 7/17”.
- (3) In section OZ 12(3), —
  - (a) “33/67” is replaced, in each place in which it appears, by “30/70”; and 15
  - (b) “7/17 as 67/187” is replaced by “24/53 as 7/17”.
- (4) In section OZ 12(4), “33/67” is replaced by “30/70”.
- (5) In section OZ 12(5), “33” is replaced by “30”.

## **20 Fully credited dividends: modifying actual ratio** 20

- (1) In section OZ 13(1),—
  - (a) “30/70” is replaced by “28/72”; and
  - (b) “33/67” is replaced by “30/70”.
- (2) In section OZ 13(2), “30/70” is replaced by “28/72”.

## **21 Dividends from qualifying companies** 25

In section OZ 14(2), “0.33” is replaced by “0.30”.

## **22 Attaching imputation credits and notional distributions: modifying amounts**

In section OZ 15,—

- (a) in subsection (2), “33” is replaced by “30”; and 30
- (b) in subsection (3), “33” is replaced by “30”; and
- (c) in subsection (4), “33” is replaced by “30”; and
- (d) in subsection (5), “33” is replaced by “30”.

**23 BETA reductions**

- (1) In section OZ 16(1),—
- (a) in paragraph (a), “2008–09” is replaced by “2011–12”; and
  - (b) in paragraph (b),—
    - (i) “2008–09” is replaced by “2011–12”; and
    - (ii) “2007–08” is replaced by “2010–11”.
- (2) In section OZ 16(2), “30/33” is replaced by “28/30”.

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**24 CTRA reductions**

- (1) In section OZ 17(1),—
- (a) in paragraph (a), “2008–09” is replaced by “2011–12”; and
  - (b) in paragraph (b),—
    - (i) “2008–09” is replaced by “2011–12”; and
    - (ii) “2007–08” is replaced by “2010–11”.
- (2) In section OZ 17(2), “30/33” is replaced by “28/30”.

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**25 Methods for calculating provisional tax liability**

In section RC 5(4), “Sections RZ 3 and RZ 5B (which relate to tax rate changes) modify” is replaced by “**Section RZ 3** (Standard method: 2010–11 to 2012–13 income years) modifies”.

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**26 GST ratio method**

In section RC 8(9), “Sections RZ 4 and RZ 5C (which relate to tax rate changes) modify” is replaced by “**Section RZ 4** (GST ratio method: 2010–11 to 2013–14 income years) modifies”.

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**27 Calculating amount of instalment under standard and estimation methods**

In section RC 10(3)(a),—

- (a) in subparagraph (i), “sections RZ 5 and RZ 5B (which relate to tax rate changes)” is replaced by “**section RZ 5** (Calculating amounts under standard method: 2010–11 to 2012–13 income years)”; and
- (b) in subparagraph (ii), “sections RZ 5 and RZ 5B” is replaced by “**section RZ 5**”.

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**28 Calculating amount of instalment using GST ratio**

In section RC 11(4), “Sections RZ 4 and RZ 5C (which relate to tax rate changes) modify” is replaced by “**Section RZ 4** (GST ratio method: 2010–11 to 2013–14 income years) modifies”.

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**29 Sections RZ 3 to RZ 5C replaced**

Sections RZ 3 to RZ 5C are replaced by the following:

**“RZ 3 Standard method: 2010–11 to 2012–13 income years**

*“When this section applies*

“(1) This section applies to the calculation of a person’s provisional tax liability, when **section RC 5** (Methods for calculating provisional tax liability) applies,—

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“(a) for instalments payable on or after 1 October 2010 for the 2010–11 income year and for instalments for the 2011–12 and 2012–13 income years, if the person is a new personal tax rate person:

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“(b) for instalments payable for the 2011–12 and 2012–13 income years, if the person is a new company tax rate person.

*“Standard method modified: for 5% uplift*

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“(2) The standard method under section RC 5(2) is modified so that—

“(a) for instalments payable on or after 1 October 2010 for the 2010–11 income year, instead of using 105%, the amount of provisional tax payable is calculated using 95%, if the person is a new personal tax rate person:

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“(b) for the 2011–12 income year, instead of using 105%, the amount of provisional tax payable is calculated using—

“(i) 95%, if the person is a new personal tax rate person; or

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“(ii) 100%, if the person is a new company tax rate person.

*“Standard method modified: for 10% uplift*

“(3) The standard method under section RC 5(3) is modified so that—

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“(a) for instalments payable on or after 1 October 2010 for the 2010–11 income year, instead of using 110%, the

- amount of provisional tax payable is calculated using 95%, if the person is a new personal tax rate person:
- “(b) for the 2011–12 income year, instead of using 110%, the amount of provisional tax payable is calculated using—
- “(i) 95%, if the person is a new personal tax rate person; or 5
- “(ii) 105%, if the person is a new company tax rate person:
- “(c) for the 2012–13 income year, instead of using 110%, the amount of provisional tax payable is calculated using— 10
- “(i) 100%, if the person is a new personal tax rate person; or
- “(ii) 105%, if the person is a new company tax rate person.
- “Defined in this Act: amount, income year, new company tax rate person, new personal tax rate person, pay, provisional tax 15

#### “RZ 4 GST ratio method: 2010–11 to 2013–14 income years

“*When this section applies*

- “(1) This section applies to the calculation of a person’s provisional tax liability, when section RC 8 (GST ratio method) applies 20 and requires an amount of residual income tax or an assessment of income tax for the calculation of the GST ratio,—
- “(a) for instalments payable on or after 1 October 2010 for the 2010–11 income year and for instalments for the 2011–12, 2012–13, and 2013–14 income years, if the 25 person is a new personal tax rate person:
- “(b) for instalments payable for the 2011–12, 2012–13, and 2013–14 income years, if the person is a new company tax rate person.
- “(2) The GST ratio method under section RC 8 is modified so 30 that—
- “(a) for instalments payable on or after 1 October 2010 for the 2010–11 income year, and for the 2011–12 income year, if the person is a new personal tax rate person,—
- “(i) the amount of residual income tax or the amount 35 of an assessment of income tax for the preceding year, as applicable, is reduced by multiplying the amount by 0.90:



- “(ii) the amount of residual income tax or the amount of an assessment of income tax for the tax year before the preceding year or the transitional year, as applicable, is reduced by multiplying the amount by 0.85: 5
- “(iii) the amount of residual income tax or the amount of an assessment of income tax for the year that is 2 years before the preceding year or the transitional year, as applicable, is reduced by multiplying the amount by 0.80: 10
- “(b) for instalments payable for the 2012–13 income year, if the person is a new personal tax rate person,—
  - “(i) the amount of residual income tax or the amount of an assessment of income tax for the tax year before the preceding year or the transitional year, as applicable, is reduced by multiplying the amount by 0.90: 15
  - “(ii) the amount of residual income tax or the amount of an assessment of income tax for the year that is 2 years before the preceding year or the transitional year, as applicable, is reduced by multiplying the amount by 0.85: 20
- “(c) for instalments payable for the 2013–14 income year, if the person is a new personal tax rate person, the amount of residual income tax or the amount of an assessment of income tax for the year that is 2 years before the preceding year or the transitional year, as applicable, is reduced by multiplying the amount by 0.90: 25
- “(d) for instalments payable for the 2011–12 income year, if the person is a new company tax rate person,— 30
  - “(i) the amount of residual income tax or the amount of an assessment of income tax for the preceding year, as applicable, is reduced by multiplying the amount by 0.95:
  - “(ii) the amount of residual income tax or the amount of an assessment of income tax for the tax year before the preceding year or the transitional year, as applicable, is reduced by multiplying the amount by 0.95: 35

- “(iii) the amount of residual income tax or the amount of an assessment of income tax for the year that is 2 years before the preceding year or the transitional year, as applicable, is reduced by multiplying the amount by 0.95: 5
- “(e) for instalments payable for the 2012–13 income year, if the person is a new company tax rate person,—
- “(i) the amount of residual income tax or the amount of an assessment of income tax for the tax year before the preceding year or the transitional year, as applicable, is reduced by multiplying the amount by 0.95: 10
- “(ii) the amount of residual income tax or the amount of an assessment of income tax for the year that is 2 years before the preceding year or the transitional year, as applicable, is reduced by multiplying the amount by 0.95: 15
- “(f) for instalments payable for the 2013–14 income year, if the person is a new company tax rate person, the amount of residual income tax or the amount of an assessment of income tax for the year that is 2 years before the preceding year or the transitional year, as applicable, is reduced by multiplying the amount by 0.95. 20
- “Defined in this Act: amount, assessment, GST ratio, income tax, income year, new company tax rate person, new personal tax rate person, pay, provisional tax, residual income tax 25

**“RZ5 Calculating amounts under standard method: 2010–11 to 2012–13 income years**

*“When this section applies*

- “(1) This section applies to the calculation of a person’s provisional tax liability, when section RC 10 (Calculating amount of instalment under standard and estimation methods) applies,— 30
- “(a) for instalments payable on or after 1 October 2010 for the 2010–11 income year and for instalments for the 2011–12 and 2012–13 income years, if the person is a new personal tax rate person: 35

- “(b) for instalments payable for the 2011–12 and 2012–13 income years, if the person is a new company tax rate person.

*“Calculation modified: for 5% uplift*

- “(2) In the calculation of the amount of an instalment, in section 5  
RC 10(3)(a), subparagraph (i) is modified so that—
- “(a) for instalments payable on or after 1 October 2010 for  
the 2010–11 income year, instead of using a 5% uplift,  
a 5% reduction is used, if the person is a new personal  
tax rate person: 10
- “(b) for the 2011–12 income year, instead of using a 5% up-  
lift, the amount of provisional tax payable is calculated  
using—
- “(i) a 5% reduction, if the person is a new personal  
tax rate person; or 15
- “(ii) no uplift, if the person is a new company tax rate  
person.

*“Calculation modified: for 10% uplift*

- “(3) In the calculation of the amount of an instalment, in section 20  
RC 10(3)(a), subparagraph (ii) is modified so that—
- “(a) for instalments payable on or after 1 October 2010 for  
the 2010–11 income year, instead of using a 10% uplift,  
a 5% reduction is used, if the person is a new personal  
tax rate person:
- “(b) for the 2011–12 income year, instead of using a 10% 25  
uplift, the amount of provisional tax payable is calcu-  
lated using—
- “(i) a 5% reduction, if the person is a new personal  
tax rate person; or
- “(ii) a 5% uplift, if the person is a new company tax 30  
rate person:
- “(c) for the 2012–13 income year, instead of using a 10%  
uplift, the amount of provisional tax payable is calcu-  
lated using—
- “(i) no uplift, if the person is a new personal tax rate 35  
person; or

“(ii) a 5% uplift, if the person is a new company tax rate person.

“Defined in this Act: amount, income year, new company tax rate person, new personal tax rate person, pay, provisional tax”.

### 30 Definitions

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(1) This section amends section YA 1.

(2) The definition of **new personal tax rate person** is replaced by the following:

“**new company tax rate person**,—

“(a) means a person who uses a 28% basic tax rate for the 2011–12 income year or later income years: 10

“(b) includes, for the purposes of **subpart OZ** (Terminating provisions), a multi-rate PIE:

“(c) does not include, for the purposes of **subpart RZ** (Terminating provisions), a multi-rate PIE 15

“**new personal tax rate person** means a person whose basic rate of income tax is calculated under schedule 1, part A, clause 1 for the 2010–11 income year or a later income year”.

(3) The definition of **new tax rate person** is repealed.

(4) In the definition of **notified investor rate**, “section HM 60 (Notified rates)” is replaced by “section HM 60 (Notified investor rates) or a notified investor rate under **section HM 58** (Transition of rate for certain investors)”. 20

(5) In the definition of **old company tax rate**, “33” is replaced by “30”. 25

### 31 Schedule 1—Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits: part D, table 1

Schedule 1, part D, table 1 is replaced by the following:

**Table 1**

Row	ESCT rate threshold amount	Tax rate
1	\$0 – \$16,800	0.105
2	\$16,801 – \$57,600	0.175
3	\$57,601 – \$84,000	0.300

Row	ESCT rate threshold amount	Tax rate
4	\$84,001 upwards	0.330
<p>How to use this table:</p> <p>Find the range in the second column for the last dollar of the amount of salary or wages under section RD 69(1), and apply the relevant rate in the third column.</p>		

- 32 Schedule 1—Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits: part D, table 2**  
Schedule 1, part D, table 2 is replaced by the following:

**Table 2**

Row	Conditions	Payment rate
1	The payer of the interest has not been supplied with the tax file number of a person who is paid the interest.	0.330
2	<p>The payer of the interest—</p> <p>(a) has been supplied with the tax file number of a person who opens a new account after 31 March 2010 and who is paid the interest; and</p> <p>(b) has not received a payment rate election from the recipient of the interest:</p> <p>(c) is not required to use a rate notified by the Commissioner under section 25A of the Tax Administration Act 1994</p>	0.330
3	<p>The payer of the interest—</p> <p>(a) has been supplied with the tax file number of a person who is paid the interest; and</p> <p>(b) has received a payment rate election from the recipient of the interest—</p> <p>(i) before 1 October 2010, choosing the 0.390 or 0.380 payment rate, and the payer is not required to use a rate notified by the Commissioner under section 25A of the Tax Administration Act 1994:</p> <p>(ii) on or after 1 October 2010, choosing the 0.330 payment rate.</p>	0.330

Row	Conditions	Payment rate
4	<p>The payer of the interest—</p> <p>(a) has been supplied with the tax file number of a person who is paid the interest; and</p> <p>(b) has received a payment rate election from the recipient of the interest—</p> <p>(i) before 1 October 2010, choosing the 0.330 payment rate, and the payer is not required to use a rate notified by the Commissioner under section 25A of the Tax Administration Act 1994;</p> <p>(ii) on or after 1 October 2010, choosing the 0.300 payment rate.</p>	0.300
5	<p>The payer of the interest—</p> <p>(a) has been supplied with the tax file number of a person who has not opened a new account after 31 March 2010 and who is paid the interest; and</p> <p>(b) has not received a payment rate election from the recipient of the interest; and</p> <p>(c) is not required to use a rate notified by the Commissioner under section 25A of the Tax Administration Act 1994</p>	0.175
6	<p>The payer of the interest—</p> <p>(a) has been supplied with the tax file number of a person who is paid the interest; and</p> <p>(b) has received a payment rate election from the recipient of the interest—</p> <p>(i) before 1 October 2010, choosing the 0.195 or 0.210 payment rate, and the payer is not required to use a rate notified by the Commissioner under section 25A of the Tax Administration Act 1994;</p> <p>(ii) on or after 1 October 2010, choosing the 0.175 payment rate.</p>	0.175
7	<p>The payer of the interest—</p> <p>(a) has been supplied with the tax file number of a person, other than a trustee, who is paid the interest; and</p>	

Row	Conditions	Payment rate
	<ul style="list-style-type: none"> <li>(b) has received a payment rate election from the recipient of the interest— <ul style="list-style-type: none"> <li>(i) before 1 October 2010, choosing the 0.125 payment rate, and the payer is not required to use a rate notified by the Commissioner under section 25A of the Tax Administration Act 1994;</li> <li>(ii) on or after 1 October 2010, choosing the 0.105 payment rate; and</li> </ul> </li> <li>(c) the recipient has a reasonable expectation at the time of the election that their income for the income year will be \$14,000 or less.</li> </ul>	0.105
8	<p>The payer of the interest—</p> <ul style="list-style-type: none"> <li>(a) has been supplied with the tax file number of a person who is paid the interest as a trustee of a testamentary trust to which section HC 37 applies; and</li> <li>(b) has received a payment rate election from the recipient of the interest— <ul style="list-style-type: none"> <li>(i) before 1 October 2010, choosing the 0.125 payment rate, and the payer of the interest is not required to use a rate notified by the Commissioner under section 25A of the Tax Administration Act 1994;</li> <li>(ii) on or after 1 October 2010, choosing the 0.105 payment rate.</li> </ul> </li> </ul>	0.105
<p>How to use this table: Find the applicable condition in the second column, in order to find the relevant rate to apply, in the third column.</p>		

**33 Schedule 1—Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits: part D, table 3**  
In schedule 1, part D, table 3, rows 3 and 4 are replaced by the following:

3	<p>The payer of the interest—</p> <ul style="list-style-type: none"> <li>(a) has been supplied with the tax file number of a person who is paid interest; and</li> </ul>
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	(b) has received a payment rate election from the recipient of the interest,—	
	(i) on or after 1 October 2010, choosing the 0.33 payment rate:	
	(ii) before 1 October 2010, choosing the 0.39 or 0.38 payment rate.	0.33
4	The payer of the interest has not been supplied with the tax file number of a person who is paid the interest.	0.33

**34 Schedule 1—Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits: part D, table 4**  
In schedule 1, part D, table 4, row 2, “0.38” is replaced by “0.33”.

**35 Schedule 1—Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits: part D, table 5** 5  
Schedule 1, part D, table 5 is replaced by the following:

Table 5

Row	Conditions	Payment rate
1	The person responsible for withholding RSCT—	
	(a) has been notified under section 28C of the Tax Administration Act 1994 that 12.5 or 10.5 cents in the dollar is the person’s retirement scheme prescribed rate; and	
	(b) has been supplied with the tax file number of the person.	0.105
2	The person is a non-resident and a distribution of no more than \$200 is made to them by a retirement scheme contributor that is a Maori authority.	0.105
3	The person responsible for withholding RSCT—	
	(a) has been notified under section 28C of the Tax Administration Act 1994 that 21 or 17.5 cents in the dollar is equal to or greater than the person’s retirement scheme prescribed rate; and	
	(b) has been supplied with the tax file number of the person.	0.175
4	The person responsible for withholding RSCT—	



Row	Conditions	Payment rate
	(a) has been notified under section 28C of the Tax Administration Act 1994 that 33 or 30 cents in the dollar is equal to or greater than the person's retirement scheme prescribed rate; and	
	(b) has been supplied with the tax file number of the person.	0.300
5	When none of rows 1 to 4 apply.	0.330
How to use this table: Find the applicable condition in the second column, in order to find the relevant rate to apply, in the third column.		

**36 Schedule 2—Basic tax rates for PAYE income payments: part A**

In schedule 2, part A,—

- (a) in clause 4, “0.21” is replaced by “0.175”; and
- (b) in clause 5, “0.33” is replaced by “0.300”; and
- (c) in clause 6, “0.38” is replaced by “0.330”; and
- (d) in clause 7, “0.21” is replaced by “0.175”; and
- (e) in clause 9, “0.125” is replaced by “0.105”.

**37 Schedule 2—Basic tax rates for PAYE income payments: part B, table 1**

Schedule 2, part B, table 1 is replaced by the following:

**Table 1**

Row	Condition	Tax rate
1	Section RD 17(2)(a) applies and the sum is \$14,000 or less.	0.105
2	Section RD 10(2)(a) or RD 17(2)(b) applies.	0.175
3	Section RD 10(2)(b) or RD 17(2)(c) applies.	0.300

Row	Condition	Tax rate
4	Section RD 10(2)(c) or RD 17(2)(d) applies.	0.330

How to use this table:

Find the applicable condition in the second column, in order to find the relevant rate to apply, in the right column.

- 38 Schedule 4—Rates of tax for schedular payments: part I**  
In schedule 4, part I, clause 1, “0.125” is replaced by “0.105”.

- 39 Schedule 6—Prescribed rates: PIE investments and retirement scheme contributions: table 1**

In schedule 6, table 1,—

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- (a) in row 1, “0.300” is replaced by “0.280”; and
- (b) in row 2, “0.300” is replaced by “0.280”; and
- (c) in row 3, “0.300” is replaced by “0.280”; and
- (d) in row 4, “0.210” is replaced by “0.175”; and
- (e) in row 5, “0.210” is replaced by “0.175”; and
- (f) in row 6, “0.125” is replaced by “0.105”; and
- (g) in row 7, “0.125” is replaced by “0.105”.

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- 40 Schedule 6—Prescribed rates: PIE investments and retirement scheme contributions: table 2**

In schedule 6, table 2,—

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- (a) in row 1, “0.380” is replaced by “0.330”; and
- (b) in row 2, “0.330” is replaced by “0.300”; and
- (c) in row 3, “0.210” is replaced by “0.175”; and
- (d) in row 4, “0.125” is replaced by “0.105”; and
- (e) in row 5, “0.125” is replaced by “0.105”; and
- (f) in row 6, “0.125” is replaced by “0.105”.

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*Amendments to Tax Administration Act 1994*

- 41 Tax Administration Act 1994**  
**Sections 42 and 43** amend the Tax Administration Act 1994.

**42 Person advising retirement savings scheme of retirement scheme prescribed rate**

In section 28C, “38” is replaced by “33”.

**43 Section 140BB replaced**

Section 140BB is replaced by the following:

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**“140C Transitional imputation penalty tax payable in some circumstances**

- “(1) This section applies when a company has an end of year debit balance under section OA 3(3) and (4) of the Income Tax Act 2007 for its imputation credit account as at 31 March 2013, if the company is treated, for the purposes of this section, as having only the balances and adjustments referred to in **subsections (2) and (3)**. 10
- “(2) For the purposes of **subsection (1)**, for the transitional period, the following adjustments must be made to the company’s ICA balance at the end of the company’s 2010–11 income year for transactions occurring after the end of that income year: 15
- “(a) first, the company must subtract any overpayment of income tax for the 2010–11 or earlier income year in which the company was an ICA company: 20
- “(b) secondly, the company must subtract—
- “(i) any payment for an income year after the 2010–11 income year: 25
- “(ii) any amount that is or would be refundable for an income year after the 2010–11 income year: 25
- “(c) thirdly, the company must add any income tax paid for the 2010–11 or earlier income year in which the company was an ICA company. 30
- “(3) For the purposes of **subsection (1)**, the company must include in its ICA balance the ICA credits and debits for transactions occurring after the end of the company’s 2010–11 income year to the extent to which those credits and debits relate to memorandum account debits, credits, and balances dealt with, arising, or calculated using an old company tax rate, but excluding any amount taken into account under **subsection (2)**. 35
- “(4) The company is liable for a special tax known as imputation penalty tax.

- “(5) The amount of imputation penalty tax is 10% of the positive difference between zero and the end of year debit balance described in **subsection (1)**.”

*Amendments to Goods and Services Tax Act  
1985*

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**44 Goods and Services Tax Act 1985**

**Sections 45 to 53** amend the Goods and Services Tax Act 1985.

**45 Imposition of goods and services tax on supply**

- (1) In section 8(1), “12.5” is replaced by “15”. 10  
(2) **Subsection (1)** applies to supplies made on or after 1 October 2010.

**46 Value of supply of goods and services**

- (1) In section 10(6), “7.5” is replaced in each place in which it appears by “9”. 15  
(2) **Subsection (1)** applies to supplies made on or after 1 October 2010.

**47 Imposition of goods and services tax on imports**

- (1) In section 12(1), “12.5” is replaced by “15”.  
(2) **Subsection (1)** applies to the importation of goods on or after 1 October 2010. 20

**48 New section 21CB**

After section 21C, the following is inserted:

**“21CB Rate for change of use before 1 October 2010**

For a registered person who is treated as supplying goods and services as described in sections 21 and 21D, the rate of goods and services tax used for attributing output tax under section 21C for the supply of those goods and services is the rate that applied for the supply of goods and services immediately before 1 October 2010 if,— 25

- “(a) before 1 October 2010, the goods and services are applied for a purpose other than making taxable supplies; and 30

“(b) the registered person chooses to apply this section.”

**49 Deductions from output tax for goods and services applied for making taxable supplies**

(1) In section 21F(1), “tax fraction” is replaced by “COU tax fraction”.

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(2) After section 21F(2), the following is inserted:

“(4) For the purposes of this section, **COU tax fraction** means—

“(a) the tax fraction, if **paragraph (b)** does not apply:

“(b) the tax fraction that applied at the time that the goods and services referred to in section 21E were acquired by the person, if, before 1 October 2010, the goods and services are applied in a taxable period for a purpose of making taxable supplies either by the person or, if the person is a member of a partnership, by the partnership.”

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**50 Fringe benefits and entertainment expenses**

(1) In section 21I(4)(b), “the time of the supply” is replaced by “unless **subsection (4B)** applies, the time of the supply”.

(2) After section 21I(4), the following is inserted:

“(4B) Despite **subsection (4)(b)**, for a registered person who is treated as supplying entertainment as described in subsection (4), the time of supply for that entertainment is treated as being 30 September 2010 if—

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“(a) the relevant expenditure or loss for the entertainment is incurred before 1 October 2010; and

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“(b) the registered person chooses to apply this section.”

**51 Commissioner’s right to withhold payments**

In section 46(6), “45” is replaced by “45 or **78B(5)(c)**”.

**52 Effect of imposition or alteration of tax**

In section 78(2), in the words before the paragraphs, “or where the alteration in the law has been taken into account,” is omitted.

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**53 Adjustments to tax payable for persons furnishing returns on payments basis following change in rate of tax**

- (1) Section 78B(2)(b) is repealed.
- (2) In section 78B(4), “for the return referred to in subsection (2)(b) of this section.” is replaced by “for,—”, and the following is added:
  - “(a) the person’s part 1 return furnished under section 78A of this Act; or
  - “(b) the return for the taxable period ending with the day preceding the date on which the new rate of tax comes into force, if the person is not required to furnish a part 1 return.”
- (3) In section 78B(5), paragraph (c) and the words following paragraph (c) are replaced by the following:
  - “(c) to the extent that it cannot be so set off, refunded to the person, subject to **section 46(6)**.”

*GST-related amendments to Tax Administration Act 1994*

**54 Tax Administration Act 1994**

**Sections 55 and 56** amend the Tax Administration Act 1994. 20

**55 Late payment penalty**

- (1) In section 139B(1)(b), “the taxpayer has failed” is replaced by “ignoring any failure to pay for which a penalty is remitted under **section 183AA**, the taxpayer has failed”.
- (2) In section 139B(1)(c), “the taxpayer has paid on time” is replaced by “ignoring any failure to pay for which a penalty is remitted under **section 183AA**, the taxpayer has paid on time”. 25

**56 New section 183AA**

Before section 183A, the following is inserted:

**“183AA Remission for GST transitional taxable periods 30**

- “(1) This section applies to—
  - “(a) a late filing penalty imposed under section 139AAA in respect of a GST return required to be furnished for a GST transitional taxable period:

- “(b) a late payment penalty imposed under section 139B in respect of unpaid tax for a GST transitional taxable period:
- “(c) interest payable under Part 7 in respect of unpaid tax for a GST transitional taxable period. 5
- “(2) The Commissioner must remit a taxpayer’s penalty or interest to the extent to which, objectively, the penalty or interest are imposed because of the taxpayer’s acts or omissions in respect of the change in the rate of goods and services tax on 1 October 2010. 10
- “(3) **Subsection (2)** does not apply if the taxpayer is liable for a shortfall penalty in respect of a GST transitional taxable period, if the liability is attributable wholly or in part to the taxpayer’s acts or omissions in respect of the change in the rate of goods and services tax on 1 October 2010. 15
- “(4) In this section, **GST transitional taxable period** means, for a taxpayer,—
- “(a) a taxable period, as defined in the Goods and Services Tax Act 1985 (a **GST taxable period**), that includes 1 October 2010: 20
- “(b) a GST taxable period that includes 1 October 2010 and a later GST taxable period, if that later GST taxable period ends on or before 31 December 2010.”

## Part 2

### Personal tax cuts: 2010–11 start

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#### 57 Application

In **this Part**, other than **section 58**,—

- (a) the **subsection (1)** of the sections apply for the 2010–11 income year and later income years:
- (b) the **subsection (2)** of the sections apply for the 2011–12 income year and later income years. 30

#### *Amendments to Income Tax Act 2007*

#### 58 Income Tax Act 2007

**Sections 59 to 72** amend the Income Tax Act 2007.

**59 Child's income**

- (1) In section LC 3,—
- (a) in subsection (3)(a), “\$292.50” is replaced by “\$269.10”; and
  - (b) in subsection (4), in the formula, “12.5” is replaced by “11.5”. 5
- (2) In **section LC 3**,—
- (a) in subsection (3)(a), “\$269.10” is replaced by “\$245.70”; and
  - (b) in subsection (4), in the formula, “11.5” is replaced by “10.5”. 10

**60 Tax credits for transitional circumstances**

- (1) In section LC 4,—
- (a) in subsection (3)(a)(i), “\$728” is replaced by “\$669.76”; and 15
  - (b) in subsection (4), in the formula,—
    - (i) “\$728” is replaced by “\$669.76”; and
    - (ii) “0.20” is replaced by “0.184”.
- (2) In **section LC 4**,—
- (a) in subsection (3)(a)(i), “\$669.76” is replaced by “\$611.52”; and 20
  - (b) in subsection (4), in the formula,—
    - (i) “\$669.76” is replaced by “\$611.52”; and
    - (ii) “0.184” is replaced by “0.168”.

**61 Calculation of family tax credit**

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- (1) In section MD 3(4),—
- (a) in paragraph (a)(i), “\$4,487” is replaced by “\$4,532”;
  - (b) in paragraph (a)(ii), “\$5,198” is replaced by “\$5,251”;
  - (c) in paragraph (b)(i), “\$3,119” is replaced by “\$3,151”;
  - (d) in paragraph (b)(ii), “\$3,557” is replaced by “\$3,593”; 30
  - (e) in paragraph (b)(iii), “\$4,651” is replaced by “\$4,698”.
- (2) In **section MD 3(4)**,—
- (a) in paragraph (a)(i), “\$4,532” is replaced by “\$4,578”;
  - (b) in paragraph (a)(ii), “\$5,251” is replaced by “\$5,303”;
  - (c) in paragraph (b)(i), “\$3,151” is replaced by “\$3,182”; 35
  - (d) in paragraph (b)(ii), “\$3,593” is replaced by “\$3,629”;
  - (e) in paragraph (b)(iii), “\$4,698” is replaced by “\$4,745”.



**62 Minimum family tax credit**

- (1) In section ME 1(3)(a), “\$20,800” is replaced by “\$21,008”.  
 (2) In **section ME 1(3)(a)**, “\$21,008” is replaced by “\$21,216”.

**63 New sections MF 4D and MF 4E**

- (1) After section MF 4C, the following is inserted: 5

**“MF 4D Calculation of instalments: 1 April 2010 to 30 September 2010**

*“When this section applies*

- “(1) This section applies for calculating the amount of an instalment by way of tax credit under section MD 1 (Abating WFF tax credit), or as applicable, sections MD 1 and ME 1 (Minimum family tax credit) for the period starting on 1 April 2010 and finishing on 30 September 2010. 10

*“Family tax credit formula: section MD 3*

- “(2) The instalments for the relevant tax credit are calculated using, for the calculation of the **family tax credit**, the following formula: 15

$$\text{prescribed amount} \times \frac{\text{days}}{365}.$$

*“Definition of items in formula in subsection (2)*

- “(3) The items in the formula are defined in **subsections (4) and (5)**. 20

*“Prescribed amount*

- “(4) **Prescribed amount** is the sum of the following amounts:

- “(a) for the eldest dependent child for whom the person is a principal caregiver during the entitlement period, 1 of the following, as applicable: 25

“(i) \$4,487, if the child is younger than 16:

“(ii) \$5,198, if the child is 16 or older:

“(iii) a weighted average of the amounts in **subparagraphs (i) and (ii)** that reflects the proportion of the period for which those subparagraphs apply to the child, if the child turns 16 during the entitlement period; and 30

- “(b) for each dependent child for whom the person is a principal caregiver during the entitlement period, other than the eldest dependent child, 1 of the following, as applicable:
- “(i) \$3,119, if the child is younger than 13: 5
  - “(ii) \$3,557, if the child is 13, 14, or 15:
  - “(iii) \$4,651, if the child is 16 or older:
  - “(iv) a weighted average of the amounts in **subparagraphs (i) and (ii)** that reflects the proportion of the period for which those subparagraphs apply to the child, if the child turns 13 during the entitlement period: 10
  - “(v) a weighted average of the amounts in **subparagraphs (ii) and (iii)** that reflects the proportion of the entitlement period for which those subparagraphs apply to the child, if the child turns 16 during the entitlement period. 15
- “*Days*
- “(5) **Days** is the number of days in the entitlement period.
- “*When another person cares for dependent child* 20
- “(6) A family tax credit must be reduced in proportion to the time in the entitlement period that a dependent child spends in the exclusive care of another person who qualifies under section MC 2 (Who qualifies for entitlements under family scheme?).
- “*Family credit abatement formula: section MD 13* 25
- “(7) The instalments for the relevant tax credit are calculated using, for the calculation of the **family credit abatement**, the following formula:
- $$\text{full-year abatement} \times \frac{\text{days}}{365}.$$
- “*Definition of items in formula in subsection (7)*
- “(8) In the formula,— 30
- “(a) **full-year abatement** is,—
  - “(i) if the person has no spouse, civil union partner, or de facto partner during the entitlement period, and the person’s family scheme income

for the relationship period containing the entitlement period is more than \$36,827, 20 cents for each complete dollar of the excess; or

- “(ii) if the person has a spouse, civil union partner, or de facto partner during the entitlement period, and the person’s family scheme income, the family scheme income of their spouse, civil union partner, or de facto partner, or the sum of those incomes for the relationship period containing the entitlement period is more than \$36,827, 20 cents for each complete dollar of the excess: 5 10

- “(b) **days** is the number of days in the entitlement period excluding the days of any calendar months in which the person receives protected family tax credit as described in section MD 14 (Person receiving protected family tax credit). 15

*“When 56-day period includes 31 March*

- “(9) If a person who qualifies under section MC 2 receives instalments of the parental tax credit in a 56-day period that includes 31 March, the formula is applied so that— 20

- “(a) instalments of the parental tax credit received in the first tax year are abated against the person’s family scheme income, the family scheme income of their spouse, civil union partner, or de facto partner, or the sum of those incomes for that tax year; and 25

- “(b) instalments of the parental tax credit received in the second tax year are abated against the person’s family scheme income, the family scheme income of their spouse, civil union partner, or de facto partner, or the sum of those incomes for that tax year. 30

*“Relationship with subject matter*

- “(10) Sections MD 14 to MD 16 (which relate to family credit abatement), with necessary modifications, apply to the calculation of the **family credit abatement** in **subsection (7)**.

*“Minimum family tax credit formula: section ME 1 35*

- “(11) The instalments for the relevant tax credit are calculated using, for the calculation of the **minimum family tax credit**, the following formula:

$$\text{prescribed amount} - \text{net family scheme income} \times \frac{\text{weekly periods}}{52}.$$

*“Definition of items in formula in subsection (11)*

“(12) In the formula,—

“(a) **prescribed amount** is \$20,800:

“(b) **net family scheme income** is the net family scheme income, calculated using the formula in section ME 3 (Meaning of net family scheme income), for a relationship period containing the entitlement period, of—

“(i) the person; or

“(ii) their spouse, civil union, or de facto partner; or

“(iii) the person and their spouse, civil union, or de facto partner:

“(c) **weekly periods** is the number of periods of 1 week in the entitlement period for which the person is a full-time earner.

*“Relationship with subject matter*

“(13) Sections ME 2 (Meaning of employment for this subpart) and ME 3, with necessary modifications, apply to the calculation of the **minimum family tax credit** in **subsection (11)**.

“Defined in this Act: amount, child, civil union partner, de facto partner, dependent child, entitlement period, family credit abatement, family scheme income, family tax credit, full-time earner, minimum family tax credit, net family scheme income, parental tax credit, principal caregiver, protected family tax credit, relationship period, spouse, tax credit, tax year

**“MF 4E Calculation of instalments: 1 October 2010 to 31 March 2011**

*“When this section applies*

“(1) This section applies for calculating the amount of an instalment by way of tax credit under section MD 1 (Abating WFF tax credit), or as applicable, sections MD 1 and ME 1 (Minimum family tax credit) for the period starting on 1 October 2010 and finishing on 31 March 2011.

*“Family tax credit formula: section MD 3*

- “(2) The instalments for the relevant tax credit are calculated using, for the calculation of the **family tax credit**, the following formula:

$$\text{prescribed amount} \times \frac{\text{days}}{365}.$$

*“Definition of items in formula in subsection (2)*

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- “(3) The items in the formula are defined in **subsections (4) and (5)**.

*“Prescribed amount*

- “(4) **Prescribed amount** is the sum of the following amounts:

- “(a) for the eldest dependent child for whom the person is a principal caregiver during the entitlement period, 1 of the following, as applicable:

“(i) \$4,578, if the child is younger than 16:

“(ii) \$5,303, if the child is 16 or older:

“(iii) a weighted average of the amounts in **subparagraphs (i) and (ii)** that reflects the proportion of the period for which those subparagraphs apply to the child, if the child turns 16 during the entitlement period; and

- “(b) for each dependent child for whom the person is a principal caregiver during the entitlement period, other than the eldest dependent child, 1 of the following, as applicable:

“(i) \$3,182, if the child is younger than 13:

“(ii) \$3,629, if the child is 13, 14, or 15: 25

“(iii) \$4,745, if the child is 16 or older:

“(iv) a weighted average of the amounts in **subparagraphs (i) and (ii)** that reflects the proportion of the period for which those subparagraphs apply to the child, if the child turns 13 during the entitlement period: 30

“(v) a weighted average of the amounts in **subparagraphs (ii) and (iii)** that reflects the proportion of the entitlement period for which those sub-

paragraphs apply to the child, if the child turns 16 during the entitlement period.

*“Days*

“(5) **Days** is the number of days in the entitlement period.

*“When another person cares for dependent child* 5

“(6) A family tax credit must be reduced in proportion to the time in the entitlement period that a dependent child spends in the exclusive care of another person who qualifies under section MC 2 (Who qualifies for entitlements under family scheme?).

*“Family credit abatement formula: section MD 13* 10

“(7) The instalments for the relevant tax credit are calculated using, for the calculation of the **family credit abatement**, the following formula:

$$\text{full-year abatement} \times \frac{\text{days}}{365}.$$

*“Definition of items in formula in subsection (7)*

“(8) In the formula,— 15

“(a) **full-year abatement** is,—

“(i) if the person has no spouse, civil union partner, or de facto partner during the entitlement period, and the person’s family scheme income for the relationship period containing the entitlement period is more than \$36,827, 20 cents for each complete dollar of the excess; or 20

“(ii) if the person has a spouse, civil union partner, or de facto partner during the entitlement period, and the person’s family scheme income, the family scheme income of their spouse, civil union partner, or de facto partner, or the sum of those incomes for the relationship period containing the entitlement period is more than \$36,827, 20 cents for each complete dollar of the excess: 25 30

“(b) **days** is the number of days in the entitlement period excluding the days of any calendar months in which the person receives protected family tax credit as described

in section MD 14 (Person receiving protected family tax credit).

*“When 56-day period includes 31 March*

- “(9) If a person who qualifies under section MC 2 receives instalments of the parental tax credit in a 56-day period that includes 31 March, the formula is applied so that—
- “(a) instalments of the parental tax credit received in the first tax year are abated against the person’s family scheme income, the family scheme income of their spouse, civil union partner, or de facto partner, or the sum of those incomes for that tax year; and
- “(b) instalments of the parental tax credit received in the second tax year are abated against the person’s family scheme income, the family scheme income of their spouse, civil union partner, or de facto partner, or the sum of those incomes for that tax year.

*“Relationship with subject matter*

- “(10) Sections MD 14 to MD 16 (which relate to family credit abatement), with necessary modifications, apply to the calculation of the **family credit abatement** in **subsection (7)**.

*“Minimum family tax credit formula: section ME 1*

- “(11) The instalments for the relevant tax credit are calculated using, for the calculation of the **minimum family tax credit**, the following formula:

$$\text{prescribed amount} - \text{net family scheme income} \times \frac{\text{weekly periods}}{52}.$$

*“Definition of items in formula in subsection (11)*

- “(12) In the formula,—
- “(a) **prescribed amount** is \$21,216;
- “(b) **net family scheme income** is the net family scheme income, calculated using the formula in section ME 3 (Meaning of net family scheme income), for a relationship period containing the entitlement period, of—
- “(i) the person; or
- “(ii) their spouse, civil union, or de facto partner; or

- “(iii) the person and their spouse, civil union, or de facto partner:
- “(c) **weekly periods** is the number of periods of 1 week in the entitlement period for which the person is a full-time earner. 5
- “*Relationship with subject matter*
- “(13) Sections ME 2 (Meaning of employment for this subpart) and ME 3, with necessary modifications, apply to the calculation of the **minimum family tax credit** in **subsection (11)**. 10
- “Defined in this Act: amount, child, civil union partner, de facto partner, dependent child, entitlement period, family credit abatement, family scheme income, family tax credit, full-time earner, minimum family tax credit, net family scheme income, parental tax credit, principal caregiver, protected family tax credit, relationship period, spouse, tax credit, tax year”.
- (2) Sections MF 4B and MF 4C are repealed. 15
- 64 Employer’s liability for attributed benefits**
- (1) In section RD 50,—
- (a) in subsection (4), “49” is replaced by “45.99”; and
- (b) in subsection (5), “61.29” is replaced by “55.04”.
- (2) In **section RD 50**,— 20
- (a) in subsection (4), “45.99” is replaced by “42.86”; and
- (b) in subsection (5), “55.04” is replaced by “49.25”.
- 65 Calculation for certain employees when information lacking**
- (1) In section RD 52(3),— 25
- (a) in paragraph (a), “49” is replaced by “45.99”; and
- (b) in paragraph (b), “61.29” is replaced by “55.04”.
- (2) In **section RD 52(3)**,—
- (a) in paragraph (a), “45.99” is replaced by “42.86”; and
- (b) in paragraph (b), “55.04” is replaced by “49.25”. 30
- 66 Pooling non-attributed benefits**
- (1) In section RD 53(4),—
- (a) in paragraph (a), “61” is replaced by “55.04”; and
- (b) in paragraph (b), “49” is replaced by “45.99”.
- (2) In **section RD 53(4)**,— 35
- (a) in paragraph (a), “55.04” is replaced by “49.25”; and



(b) in paragraph (b), “45.99” is replaced by “42.86”.

#### **67 Single rate option**

(1) Section RD 58(1), other than its heading, is replaced by the following:

“(1) An employer who chooses to pay their FBT liability under the single rate option must pay FBT at the rate of—

“(a) 61% of the taxable value of a fringe benefit for each of the first 2 quarters of a tax year:

“(b) 49.25% of the taxable value of a fringe benefit for each of the last 2 quarters of a tax year.”

(2) **Section RD 58(1)**, other than its heading, is replaced by the following:

“(1) An employer who chooses to pay their FBT liability under the single rate option must pay FBT at the rate of 49.25% of the taxable value of a fringe benefit for each of the 4 quarters of a tax year.”

#### **68 Alternate rate option**

(1) In section RD 59,—

(a) in subsection (2), “first 3 quarters of a tax year at 49% of” is replaced by “first 2 quarters of a tax year at 49% of, and, for the 3rd quarter, at 43% of,”; and

(b) subsection (3), other than its heading, is replaced by the following:

“(3) The employer must pay FBT at the rate of—

“(a) 61% of the taxable value of a fringe benefit for any of the first 2 quarters of a tax year for which they do not pay at the rate of 49% under **subsection (2)**:

“(b) 49% of the taxable value of a fringe benefit for the 3rd quarter of a tax year for which they do not pay at the rate of 43% under **subsection (2)**.”

(2) In **section RD 59**,—

(a) in subsection (2), “first 2 quarters of a tax year at 49% of, and, for the 3rd quarter, at 43% of,” is replaced by “first 3 quarters of a tax year at 43% of”; and

(b) subsection (3), other than its heading, is replaced by the following:

- “(3) The employer must pay FBT at the rate of 49% of the taxable value of a fringe benefit for any of the first 3 quarters of a tax year for which they do not pay at the rate of 43% under **subsection (2)**.”

**69 Close company option**

5

- (1) In section RD 60(3)(a), “61” is replaced by “55.04”.  
 (2) In **section RD 60(3)(a)**, “55.04” is replaced by “49.25”.

**70 Small business option**

- (1) In section RD 61(3)(a), “61” is replaced by “55.04”.  
 (2) In **section RD 61(3)(a)**, “55.04” is replaced by “49.25”. 10

**71 Schedule 1—Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits: part A, table 1**

- (1) Schedule 1, part A, table 1 is replaced by the following:

**Table 1**

Row	Range of dollar in taxable income	Tax rate
1	\$0 – \$14,000	0.1150
2	\$14,001 – \$48,000	0.1925
3	\$48,001 – \$70,000	0.3150
4	\$70,001 upwards	0.3550

How to use this table:

Find the range in the second column for each dollar in the person’s taxable income, and apply the relevant rate for the dollar in the third column.

- (2) **Schedule 1, part A, table 1** is replaced by the following:

**Table 1**

Row	Range of dollar in taxable income	Tax rate
1	\$0 – \$14,000	0.105
2	\$14,001 – \$48,000	0.175

Row	Range of dollar in taxable income	Tax rate
3	\$48,001 – \$70,000	0.300
4	\$70,001 upwards	0.330

How to use this table:

Find the range in the second column for each dollar in the person's taxable income, and apply the relevant rate for the dollar in the third column.

**72 Schedule 1—Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits: part C, table 1**

- (1) Schedule 1, part C, table 1 is replaced by the following:

**Table 1**

Row	Range of dollar in all-inclusive pay	Tax rate
1	\$0 – \$12,390	0.1299
2	\$12,391 – \$39,845	0.2384
3	\$39,846 – \$54,915	0.4599
4	\$54,916 upwards	0.5504

How to use this table:

Find the range in the second column for each dollar in the person's all-inclusive pay under section RD 51, and apply the relevant rate for the dollar in the third column.

- (2) **Schedule 1, part C, table 1** is replaced by the following:

**Table 1**

Row	Range of dollar in all-inclusive pay	Tax rate
1	\$0 – \$12,530	0.1173
2	\$12,531 – \$40,580	0.2121
3	\$40,581 – \$55,980	0.4286

Row	Range of dollar in all-inclusive pay	Tax rate
4	\$55,981 upwards	0.4925

How to use this table:

Find the range in the second column for each dollar in the person's all-inclusive pay under section RD 51, and apply the relevant rate for the dollar in the third column.

### *Amendment to Tax Administration Act 1994*

#### **73 Returns not required for certain providers of personal services**

- (1) In section 33C(c) of the Tax Administration Act 1994, “rate of 12.5% from” is replaced by “rate of 10.5% or 12.5% from”. 5
- (2) In **section 33C(c)** of the Tax Administration Act 1994, “rate of 10.5% or 12.5% from” is replaced by “rate of 10.5% from”.

### **Part 3**

#### **Other measures**

#### *Amendments to Income Tax Act 2007*

10

#### **74 Income Tax Act 2007**

**Sections 75 to 99** amend the Income Tax Act 2007.

#### **75 New section CG 8**

- (1) After section CG 7, the following is added:

#### **“CG 8 Capital contributions**

15

*“When this section applies*

- “(1) This section applies for the income year (the **first year**) in which a person derives a capital contribution and for the 9 income years after that first year.

*“Income*

20

- “(2) For an income year, the amount given by the following formula is income of the person derived in that income year:

capital contribution

10.

*“Definition of item in formula*

- “(3) In the formula, **capital contribution** is the capital contribution that the person derives in the first year.

*“Exception*

- “(4) This section does not apply for the capital contribution if the person has chosen, in accordance with **section DB 64(1)(c)** (Capital contributions), to apply **section DB 64** instead.

“Defined in this Act: amount, capital contribution, income, income year, return of income”.

- (2) **Subsection (1)** applies for capital contributions derived after 20 May 2010.

**76 New heading and section DB 64**

- (1) Before the heading to subpart DC, the following is added to subpart DB:

*“Capital contributions* 15**“DB 64 Capital contributions***“When this section applies*

- “(1) This section applies if,—

“(a) a person has derived a capital contribution after 20 May 2010; and 20

“(b) in the absence of this section, the person would be allowed a deduction for an amount of depreciation loss for an item of depreciable property for which the capital contribution is a contribution (*see*: definition of **capital contribution**); and 25

“(c) the person has chosen to apply this section in a return of income for the income year in which the capital contribution is derived.

*“Deduction*

- “(2) For the purposes of quantifying the amount of depreciation loss for the income year under subpart EE (Depreciation), the item’s adjusted tax value, base value, cost, or value, as applicable, is reduced by the amount of the capital contribution. 30

*“Links with subpart DA*

“(3) This section overrides the general permission.

“Defined in this Act: adjusted tax value, amount, capital contribution, deduction, general permission, income, income year, return of income”.

(2) **Subsection (1)** applies for capital contributions derived after 5  
20 May 2010.

**77 Annual rate for item acquired in person’s 1995–96 or  
later income year**

(1) In section EE 31(1), the following is added as the second sentence: “**Subsection (2)** specifies the annual rate for the item 10  
if the person acquires it, or enters into a binding contract for the purchase or construction of it, on or before 20 May 2010, and **subsection (3)** specifies the annual rate for the item if **subsection (2)** does not apply and the person acquires it, or enters into a binding contract for the purchase or construction 15  
of it, after 20 May 2010.”

(2) In section EE 31(2),—

(a) in the heading, “Rate” is replaced by “Rate for item acquired on or before 20 May 2010”; and

(b) “The rate is” is replaced by “The rate, if the person 20  
acquires the item, or enters into a binding contract for the purchase or construction of the item, on or before 20 May 2010, is”.

(3) After section EE 31(2), the following is added:

“Rate for item acquired after 20 May 2010 25

“(3) The rate, if **subsection (2)** does not apply and the person acquires the item, or enters into a binding contract for the purchase or construction of the item, after 20 May 2010, is 1 of the following:

“(a) the item’s economic rate, special rate, or provisional 30  
rate, for an item not described in **paragraph (b)**:

“(b) a diminishing value rate of 15% or a straight-line rate of 10% for an international aircraft.”

(4) In **section EE 31**, as amended,—

(a) in subsection (2)(a), “either paragraph (b) or (c)” is re- 35  
placed by “paragraph (b), (c), **or (d)**”; and

(b) in subsection (2)(c), “aircraft.” is replaced by “aircraft:”, and the following is added:

- “(d) 0% for a building that has an economic rate or provisional rate of more than 0% due to an estimated useful life of 50 years or more.
- (c) in subsection (3)(a), “**paragraph (b)**” is replaced by “either **paragraph (b) or (c)**”; and 5
- (d) in subsection (3)(b), “aircraft.” is replaced by “aircraft.”, and the following is added:
- “(c) 0%, for a building that has an economic rate or provisional rate of more than 0% due to an estimated useful life of 50 years or more. 10
- (5) In section EE 31, in the list of defined terms, “estimated useful life” is inserted.
- (6) **Subsections (4) and (5)** apply for the 2011–12 and later income years.
- 78 Special rate or provisional rate 15**
- (1) Section EE 35(2) is replaced by the following:
- “*No special rate for excluded depreciable property, special excluded depreciable property, or building*
- “(2) A special rate may not be set for an item of excluded depreciable property, an item of special excluded depreciable property, or a building.” 20
- (2) In section EE 35, in the list of defined terms, “special excluded depreciable property” is inserted.
- 79 Improvements**
- (1) Section EE 37(3)(a) is replaced by the following: 25
- “(a) a person who uses the diminishing value method or the straight-line method for the item that was improved may choose to apply subsection (4) or (5), if **paragraph (ab)** does not apply:
- “(ab) a person who uses the diminishing value method or the straight-line method for the item that was improved must use **subsection (3B)** if— 30
- “(i) the person makes the improvement, or enters into a binding contract for the purchase or construction of the improvement, after 30 July 2009; and 35

- “(ii) the item that was improved is a grandparented structure:”.
- (2) **Section EE 37(3)(a) and (ab)** are replaced by the following:
- “(a) a person who uses the diminishing value method or the straight-line method for the item that was improved may choose to apply subsection (4) or (5), if **paragraph (ab)** does not apply: 5
- “(ab) a person who uses the diminishing value method or the straight-line method for the item that was improved must use **subsection (3B)** if— 10
- “(i) the person makes the improvement, or enters into a binding contract for the purchase or construction of the improvement, after 20 May 2010; and
- “(ii) the item that was improved is a grandparented structure, or is not a building, is not a used import car, is not an international aircraft, or has not been used or held for use in New Zealand as an item of depreciable property before the date on which the person acquires it:” 15
- (3) After section EE 37(3), the following is inserted: 20
- “*Improvement compulsorily treated as separate item*
- “(3B) For the purposes of **subsection (3)(ab)**, a person must treat the improvement as a separate item of depreciable property.”
- (4) In section EE 37, in the list of defined terms, “grandparented structure”, “international aircraft”, and “New Zealand” are inserted. 25

## 80 Effect of disposal or event

- (1) Section EE 48(1)(b) is replaced by the following:
- “(b) the amount given by **subsections (1B) and (1C)**.”
- (2) After section EE 48(1), the following is inserted: 30
- “*Amount for subsection (1)(b)*
- “(1B) The amount for the purposes of **subsection (1)(b)** is given by the following formula:

$$\begin{aligned} &\text{item depreciation loss} + \text{CZ 11 item amount} \\ &\quad + \text{DB 64 item amount.} \end{aligned}$$



*“Definition of items in formula*

“(1C) In the formula in **subsection (1B)**,—

- “(a) **item depreciation loss** is the total of the amounts of depreciation loss for which the person has been allowed deductions for the item: 5
- “(b) **CZ 11 item amount** is the amount of any deduction allowed for the acquisition of the item, for the person, if the item is one to which section CZ 11 (Recovery of deductions for software acquired before 1 April 1993) applies: 10
- “(c) **DB 64 item amount** is the amount of the capital contribution for the item, for the person, if the item is one to which **section DB 64** (Capital contributions) applies.”

(3) In section EE 48, in the list of defined terms, “capital contribution” is inserted. 15

**81 Meaning of annual rate**

(1) In section EE 61(2), “The rate is the rate set by section EE 31(2)(a) or (b) if” is replaced by “The rate is the rate set by **section EE 31(2)(a) or (b), or by section EE 31(3)(a)**, as applicable, if”. 20

(2) In section EE 61(3), “The rate is the rate set by section EE 31(2)(c) if” is replaced by “The rate is the rate set by **section EE 31(2)(c), or by section EE 31(3)(b)**, as applicable, if”.

(3) After section EE 61(3), the following is inserted:

*“1995–1996 income year or later: buildings with estimated useful lives of 50 years or more* 25

“(3B) The rate is the rate set by **section EE 31(2)(d), or by section EE 31(3)(c)**, as applicable, if the item is a building that—

- “(a) has an economic rate or provisional rate of more than 0% due to an estimated useful life of 50 years or more; 30
- and
- “(b) the person acquires in their 1995–96 income year or a later income year.”

(4) After section EE 61(7), the following is inserted:

*“Special excluded depreciable property* 35

“(7B) The rate is 0% for all depreciation methods, if the item is an item of special excluded depreciable property that would be

an item of excluded depreciable property but for the exclusion in **section EE 64(3)**.”

- (5) In section EE 61, in the list of defined terms, “economic rate”, “estimated useful life”, “provisional rate”, and “special excluded depreciable property” are inserted. 5
- (6) **Subsections (3) to (5)** apply for the 2011–12 and later income years.

## **82 Meaning of excluded depreciable property**

- (1) After section EE 64(2), the following is added: 10  
*“Another exclusion*
- “(3) **Excluded depreciable property** does not include special excluded depreciable property.”
- (2) In section EE 64, in the list of defined terms, “special excluded depreciable property” is inserted.
- (3) **Subsections (1) and (2)** apply for the 2011–12 and later income years. 15

## **83 Other definitions**

- (1) In section EE 67, after the definition of **provisional rate**, the following is inserted: 20  
*“special excluded depreciable property means all buildings that are items not specified in **schedule 39** (Items for purposes of definition of special excluded depreciable property)”*.
- (2) In section EE 67, in the list of defined terms, “special excluded depreciable property” is inserted.
- (3) **Subsections (1) and (2)** apply for the 2011–12 and later income years. 25

## **84 Subparts EE and EZ: list of defined terms**

In sections EE 7, EE 11, EE 26, EE 27, EE 28, EE 30, EE 31, EE 32, EE 35, EE 37, EE 39, EE 48, EE 58, EE 61, EE 66, EE 67, EZ 13, and EZ 14, in the lists of defined terms, “building” 30  
 is inserted.

**85 Annual rate for item acquired on or after 1 April 1993 and before end of person's 1994–95 income year**

- (1) Section EZ 13(2) is replaced by the following:

*“Rate*

- “(2) The rate is— 5
- “(a) the item's economic rate, if the item is not a building that has an economic rate or provisional rate of more than 0% due to an estimated useful life of 50 years or more; or
- “(b) the pre-1993 depreciation rate described in section EZ 14, if the person chooses under that section; or 10
- “(c) 0%, for a building that has an economic rate or provisional rate of more than 0% due to an estimated useful life of 50 years or more.”
- (2) In section EZ 13, in the list of defined terms, “estimated useful life”, and “provisional rate” are inserted. 15
- (3) **Subsections (1) and (2)** apply for the 2011–12 and later income years.

**86 Pre-1993 depreciation rate**

- (1) In section EZ 14(1) “1994–95 income year” is replaced by “1994–95 income year excluding buildings that have an economic rate or provisional rate of more than 0% due to an estimated useful life of 50 years or more”. 20
- (2) In section EZ 14, in the list of defined terms, “economic rate”, “estimated useful life”, and “provisional rate” are inserted. 25
- (3) **Subsections (1) and (2)** apply for the 2011–12 and later income years.

**87 Thresholds for application of interest apportionment rules**

- (1) Section FE 5(1), other than its heading, is replaced by the following: 30
- “(1) An excess debt entity must apportion its interest expenditure for an income year under section FE 6 if,—
- “(a) the excess debt entity is not a trustee and not an excess debt outbound company, or is a trustee who is not described in section FE 2(1)(g), and— 35

- “(i) the debt percentage of its New Zealand group for the income year is more than 60%; and
  - “(ii) for a company or a trustee, the debt percentage of its New Zealand group for the income year is more than 110% of the debt percentage of the worldwide group; or
- “(b) the excess debt entity is an excess debt outbound company, or is a trustee who is described in section FE 2(1)(g), and—
  - “(i) the debt percentage of its New Zealand group for the income year is more than 75%; and
  - “(ii) for a company or a trustee, the debt percentage of its New Zealand group for the income year is more than 110% of the debt percentage of the worldwide group.”
- (2) Section FE 5(3), other than its heading, is replaced by the following:
- “(3) A natural person must apportion their interest expenditure for an income year under section FE 6 if,—
  - “(a) they are not described in section FE 2(1)(g), and the debt percentage of their New Zealand group for the income year is more than 60%; or
  - “(b) they are described in section FE 2(1)(g), and the debt percentage of their New Zealand group for the income year is more than 75%.”
- (3) **Subsections (1) and (2)** apply for the 2011–12 and later income years.

## 88 Apportionment of interest by excess debt entity

- (1) Section FE 6(3)(e) is replaced by the following:
  - “(e) **threshold amount** is, as applicable,—
    - “(i) if the excess debt entity is not a trustee and not an excess debt outbound company, or is a trustee who is not described in section FE 2(1)(g), the greater of 60% and 110% of the debt percentage of their worldwide group:
    - “(ii) if the person is a natural person who is not described in section FE 2(1)(g), 60%:

- “(iii) if the excess debt entity is an excess debt out-bound company, or is a trustee who is described in section FE 2(1)(g), the greater of 75% and 110% of the debt percentage of their worldwide group: 5
- “(iv) if the person is a natural person who is described in section FE 2(1)(g), 75%.”
- (2) In section FE 6, in the list of defined terms, “excess debt out-bound company” is inserted.
- (3) **Subsections (1) and (2)** apply for the 2011–12 and later income years. 10
- 89 Calculation of debt percentages**
- (1) In section FE 12(2), “is more than 75% as described in section FE 5(1)(a), the” is replaced by “is, as applicable, more than 60% as described in section FE 5(1)(a), or more than 75% as described in section FE 5(1)(b), then the”. 15
- (2) **Subsection (1)** applies for the 2011–12 and later income years.
- 90 Measurement of debts and assets of worldwide group**
- (1) Section FE 18(5), other than its heading, is replaced by the following: 20
- “(5) The debt percentage of the worldwide group of an excess debt entity is treated as,—
- “(a) 54.5454%, if the excess debt entity is not a trustee and not an excess debt outbound company, or is a trustee who is not described in section FE 2(1)(g), and— 25
- “(i) the entity is unable to calculate the percentage and does not ask the Commissioner to make an estimate under subsection (4):
- “(ii) the Commissioner cannot reasonably estimate the debt percentage under subsection (4): 30
- “(iii) no member of the entity’s worldwide group, other than the entity, is not resident in New Zealand; or
- “(b) 68.1818%, if the excess debt entity is an excess debt outbound company, or is a trustee who is described in section FE 2(1)(g), and— 35

- 
- “(i) the entity is unable to calculate the percentage and does not ask the Commissioner to make an estimate under subsection (4):
- “(ii) the Commissioner cannot reasonably estimate the debt percentage under subsection (4): 5
- “(iii) no member of the entity’s worldwide group, other than the entity, is not resident in New Zealand.”
- (2) **Subsection (1)** applies for the 2011–12 and later income years.
- 91 Tax credits for supplementary dividends 10**
- (1) In section LP 2(2), in the formula, “7/17” is replaced by “24/53”.
- (2) **Subsection (1)** applies for the 2011–12 and later income years.
- 92 Section MB 3 replaced 15**
- (1) Section MB 3 is replaced by the following:
- “MB 3 When person carries on 1 or more businesses**
- “When this section applies*
- “(1) This section applies when a person carries on 1 or more businesses in the income year (each separate business, a single 20 **family scheme activity**).
- “Ignore income and deductions for a net loss activity*
- “(2) The income and deductions for a person’s family scheme activity for an income year are ignored when calculating the person’s family scheme income for the year if, treating the person 25 as having only the income and deductions of that activity, the person would have a net loss for that year.
- “Modification of what counts as 1 family scheme activity*
- “(3) For the purposes of applying **subsection (2)**, and despite **subsection (1)**, 2 or more family scheme activities may be treated 30 as a single business activity, if the Commissioner considers that the 2 or more activities are of the kind that are normally carried on in association with each other.

*“Apportionment of deductions between family scheme activities*

- “(4) For the purposes of applying **subsection (2)** as modified by **subsection (3)**, deductions that relate to an asset used in carrying on 2 or more family scheme activities must be appropriately apportioned between the activities on the basis of the use of that asset in those 2 or more activities. 5
- “Defined in this Act: business, deduction, family scheme income, income, income year, net loss
- “Compare: 2004 No 35 s KD 1(1)(f), (2)”. 10
- (2) **Subsection (1)** applies for the 2008–09 and later income years.

**93 Section MB 3 replaced**

- (1) **Section MB 3** is replaced by the following:
- “**MB 3 When person carries on 1 or more businesses or investment activities** 15
- “When this section applies*
- “(1) This section applies when a person carries on 1 or more businesses in the income year, or has or carries on 1 or more investment activities in the income year (each separate business or investment activity, a single **family scheme activity**). 20
- “Ignore income and deductions for a net loss activity*
- “(2) The income and deductions for a person’s family scheme activity for an income year are ignored when calculating the person’s family scheme income for the year if, treating the person as having only the income and deductions of that activity, the person would have a net loss for that year. 25
- “Modification of what counts as 1 family scheme activity*
- “(3) For the purposes of applying **subsection (2)**, and despite **subsection (1)**, 2 or more family scheme activities may be treated as a single family scheme activity, if the Commissioner considers that the 2 or more activities are of the kind that are normally carried on in association with each other. 30

*“Apportionment of deductions between family scheme activities*

- “(4) For the purposes of applying **subsection (2)** as modified by **subsection (3)**, deductions that relate to an asset used in carrying on 2 or more family scheme activities must be appropriately apportioned between the activities on the basis of the use of that asset in those 2 or more activities. 5

*“Definition*

- “(5) In this section, **investment activity** includes passive holding of an investment asset, other than a variable principal debt instrument. 10

“Defined in this Act: business, deduction, family scheme income, income, income year, investment activity, net loss, variable principal debt instrument”.

- (2) **Subsection (1)** applies for the 2011–12 and later income years. 15

#### 94 Orders in Council

- (1) In section MF 7(1)(a), in the words before the paragraphs “and the amount of the threshold set out in section MD 13(3) (Calculation of family credit abatement)” is omitted.
- (2) In section MF 7(1)(a)(i), “quarterly all groups index number of the” is omitted. 20
- (3) After section MF 7(1)(c), the following is inserted:  
 “(cb) increase the amounts appearing as the amount of the threshold set out in section MD 13(3):”.
- (4) In section MF 7(2)(a) and (b), “movements in the quarterly all groups index number of” is replaced with “movement in”. 25
- (5) After section MF 7(2), the following is inserted:  
*“How movement in CPI determined*
- “(2B) For the purposes of subsections (1)(a)(i) and (2)(a) and (b), a movement in the New Zealand Consumers Price Index over a period is determined by comparing the following numbers: 30
- “(a) the number that, when the period started, was the most recent quarterly index number of—
- “(i) the New Zealand Consumers Price Index all groups, if the period starts before 29 April 2010; 35
- and



- “(ii) the New Zealand Consumers Price Index all groups excluding cigarettes and other tobacco products, if the period starts after 28 April 2010:
- “(b) the number that, when the period ended, was the most recent quarterly index number of— 5
- “(i) the New Zealand Consumers Price Index all groups, if the period ends before 29 April 2010; and
- “(ii) the New Zealand Consumers Price Index all groups excluding cigarettes and other tobacco products, if the period ends after 28 April 2010.” 10
- (6) **Subsections (2), (4), and (5)** apply for Working for Families entitlements for the 2011–12, 2012–13, and 2013–14 tax years.
- 95 Subpart ML repealed** 15  
Subpart ML is repealed.
- 96 Definitions**
- (1) This section amends section YA 1.
- (2) After the definition of **broodmare**, the following is inserted:  
“**building**, in subparts EE and EZ, does not include a grandparented structure” 20
- (3) The definition of **capital contribution** is replaced by the following:  
“**capital contribution**—
- “(a) in **sections CG 8, DB 64, and EE 48** (which relate to capital contributions), means an amount that— 25
- “(i) is paid by a person (the **payer**) to a person (the **recipient**) under an agreement between them that is not a contract of insurance; and
- “(ii) is paid by the payer other than in their capacity of settlor, partner, or shareholder of the recipient; and 30
- “(iii) is not income of the recipient, ignoring **section CG 8**; and

- “(iv) is paid, under the express terms and conditions of the agreement, as a contribution for depreciable property owned or to be acquired by the recipient:
- “(b) is defined in section HG 11(12) (Limitation on deductions by partners in limited partnerships) for the purposes of that section”.
- (4) After the definition of **grandparented consolidated company**, the following is inserted:
- “**grandparented structure** means, for a person, any item on the following list, if the person acquired the item, or entered into a binding contract for the purchase or construction of the item, on or before 30 July 2009:
- “(a) barns, including barns (drying):
- “(b) carpark (buildings):
- “(c) chemical works:
- “(d) fertiliser works:
- “(e) powder drying buildings:
- “(f) site huts”.
- (5) After the definition of **international tax rules**, the following is inserted:
- “**investment activity** is defined in **section MB 3** (When person carries on 1 or more businesses or investment activities) for the purpose of that section”.
- (6) The definition of **redundancy payment** is repealed.
- (7) After the definition of **special corporate entity**, the following is inserted:
- “**special excluded depreciable property** is defined in **section EE 67** (Other definitions)”.
- (8) In the definition of **temporary building**, paragraph (a) is repealed.
- (9) **Subsections (5), (7), and (8)** apply for the 2011–12 and later income years.
- 97 Schedule 1—Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits: part A**
- (1) In schedule 1, part A, clause 2, “0.30” is replaced by “0.28”.
- (2) In schedule 1, part A, clause 5, “0.30” is replaced by “0.28”.
- (3) In schedule 1, part A, clause 6, “0.30” is replaced by “0.28”.

- (4) In schedule 1, part A, clause 8, “0.30” is replaced by “0.28”.
- (5) **Subsections (1) to (4)** apply for the 2011–12 and later income years.

**98 Schedule 1—Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits: part D, table 3** 5

In schedule 1, part D, table 3, rows 1 and 2 are replaced by the following:

1	The payer of the interest—	
(a)	has been supplied with the tax file number of a person who is paid interest; and	
(b)	has not received a payment rate election from the recipient of the interest, ignoring the receipt of an election for the 0.33 payment rate before 1 October 2010 (if any).	0.28
2	The payer of the interest—	
(a)	has been supplied with the tax file number of a person who is paid interest; and	
(b)	has received a payment rate election from the recipient of the interest, choosing the 0.28 payment rate.	0.28

**99 New schedule 39**

- (1) After schedule 37, the following is inserted:

**Schedule 39**

**s EE 67** 10

**Items for purposes of definition of special excluded depreciable property**

Carports (hired out to householders)	
Portable huts	
Cool-stores and freezing chambers	15
Slaughterhouses on farms	
Fowl houses	
Plastic hothouses and PVC tunnel houses	
Glasshouses	
Buildings affected by acid	20
Milking sheds	
Roofed livestock yards	

Wintering barns and simple loafing barns  
Milk powder buildings  
Temporary buildings”.

- (2) **Subsection (1)** applies for the 2011–12 and later income years. 5

*Amendment to Tax Administration Act 1994*

**100 Write-off of tax by Commissioner**

After section 177C(1C) of the Tax Administration Act 1994, the following is inserted:

- “(1D) The Commissioner must write off an amount, not exceeding 10  
\$30, of outstanding tax to the extent to which the amount—  
“(a) is outstanding from the 2010–11 tax year; and  
“(b) is tax payable under section MF 5(2) or MF 6(2) of the  
Income Tax Act 2007, or is otherwise the result of WFF  
tax credit overpayment or overcrediting.” 15

*Amendment to Government Superannuation  
Fund Amendment Act 1969*

**101 New section 3A**

The following section is inserted after section 3 of the Government Superannuation Fund Amendment Act 1969: 20

**“3A Additional payments for period 1 October 2010 to 27 April 2011**

- “(1) Every person entitled to receive any retiring allowance, annual allowance, or annuity described in section 3 is entitled to be paid by the Government Superannuation Fund Authority, from 25  
any money paid to the Authority by the Crown for the purpose, an additional amount equal to 2.02% of any amount of the allowance or annuity payable to him or her under the principal Act in respect of the period commencing on 1 October 2010 and ending on the close of 27 April 2011. 30
- “(2) An additional amount payable to a person under **subsection (1)**—  
“(a) must be paid by the Authority on the date or dates the Authority in its discretion decides; and  
“(b) must be disregarded for the purpose of calculating an 35  
annual adjustment under this Act; but

- “(c) must for all other purposes be treated as a payment of the person’s retiring allowance, annual allowance, or annuity.”

*Amendment to National Provident Fund  
Restructuring Act 1990*

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**102 New section 44A**

The following section is inserted after section 44 of the National Provident Fund Restructuring Act 1990:

**“44A Additional payments for period 1 October 2010 to 27 April 2011**

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- “(1) Every person entitled to receive any allowance, annuity, or pension under a specified scheme is entitled to be paid by the Board, from any money paid to the Board by the Crown for the purpose, an additional amount equal to 2.02% of any amount of the allowance, annuity, or pension payable to him or her under the specified scheme in respect of the period commencing on 1 October 2010 and ending on the close of 27 April 2011. 15
- “(2) An additional amount payable to a person under **subsection (1)**— 20
- “(a) must be paid by the Board on the date or dates the Board in its discretion decides; and
- “(b) must be disregarded for the purpose of calculating any adjustment for increases in the New Zealand Consumers Price Index under the specified scheme; but 25
- “(c) must for all other purposes be treated as a payment of the person’s allowance, annuity, or pension under the specified scheme.
- “(3) In this section, **specified scheme** means a defined benefit scheme whose trust deed requires adjustment of the amounts of the allowances, annuities, or pensions payable under it for increases in the New Zealand Consumers Price Index.” 30

*Amendment to Social Security Act 1964***103 Schedule 18—Accommodation supplement: Part 1**

- (1) The definition of **base rate** in clause 1 of Part 1 of Schedule 18 of the Social Security Act 1964 is amended by inserting “, subject to **clause 4A**,” after “means”. 5
- (2) Part 1 of Schedule 18 of the Social Security Act 1964 is amended by inserting the following clause after clause 4:
- “4A In determining the base rate in relation to a person in respect of any period that is wholly or partly within the period commencing on 1 October 2010 and ending on the close of 31 March 10 2011, the chief executive must, under paragraph (b) or (d) or (e)(ii) or (g)(ii) of the definition of base rate in clause 1, use the applicable annual rate, or as the case requires, the maximum annual rate of family tax credit in force immediately before 1 October 2010 as if **sections 61 to 63** of the Taxation (Budget 15 Measures) Act **2010** had not been enacted.”

*Amendment to War Pensions Act 1954***104 Annual adjustment of rates of veterans’ pensions**

- Section 74C of the War Pensions Act 1954 is amended by inserting the following subsection after subsection (2): 20
- “(2A) The adjustments (by any percentage movements upwards in the CPI) required under subsection (2) as at 1 April 2011, 1 April 2012, and 1 April 2013 must, despite subsections (1) and (2), be calculated,—
- “(a) if, and insofar as, they relate to movements during quarters that end before 29 April 2010, using index numbers for those quarters of the consumers price index—all groups published by Statistics New Zealand; and 25
- “(b) if, and insofar as, they relate to movements during quarters that end after 28 April 2010, using index numbers for those quarters of the consumers price index—all groups excluding cigarettes and other tobacco products published by Statistics New Zealand.” 30

*Amendment to New Zealand Superannuation  
and Retirement Income Act 2001*

**105 Annual adjustment of standard rates of New Zealand  
superannuation**

- (1) Section 15(1) of the New Zealand Superannuation and Retirement Income Act 2001 is amended by omitting “the Department of Statistics” and substituting “Statistics New Zealand”. 5
- (2) Section 15 of the New Zealand Superannuation and Retirement Income Act 2001 is amended by inserting the following subsection after subsection (2): 10
- “(2A) The adjustments (by any percentage movement upwards in the CPI) required under subsection (2) as at 1 April 2011, 1 April 2012, and 1 April 2013 must, despite subsections (1) and (2), be calculated,—
- “(a) if, and insofar as, they relate to movements during quarters that end before 29 April 2010, using index numbers for those quarters of the consumers price index—all groups published by Statistics New Zealand; and 15
- “(b) if, and insofar as, they relate to movements during quarters that end after 28 April 2010, using index numbers for those quarters of the consumers price index—all groups excluding cigarettes and other tobacco products published by Statistics New Zealand.” 20
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