Lincoln College
Farm Management and Rural Valuation Department

1980 Farm Budget Manual

Part 2 Financial (Volume 2)

1980 FARM BUDGET MANUAL

Part 2: FINANCIAL

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SECTION 6

TAXATION FOR PRIMARY PRODUCERS

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6.0 INCOME TAXATION

6.1 INTRODUCTION

The law relating to income tax in New Zealand is detailed in the Income Tax Act 1976, as amended by subsequent taxation legislation and budgets. It must be appreciated that for reasons of brevity, only selected aspects of the taxation law have been included in this section, and that caution must be exercised when applying those guidelines to a particular circumstance. If in doubt, the Inland Revenue Department, your accountant, or financial adviser should be consulted.

6.2 TAXATION IN NEW ZEALAND

6.2.1 Overview

Income tax is collected throughout the income year by either the P.A.Y.E. or Provisional tax systems. These monies are regarded as advance payments of tax for that year. After the income year has finished the taxpayer completes his Income Tax Return and files it with the Inland Revenue Department. The return is checked and the results notified to the taypayer – for example, a refund of tax overpaid or an assessment notice requiring more tax to be paid by a specified date. A penalty of 10% is charged if this tax is not paid within one month of the specified due date.

Any taxpayer can object to his income tax assessment where the substance or accuracy is disputed. The requirement for objections are stipulated in the Income Tax Act and any person contemplating such action would be well advised to seek professional advice. It should be noted, however, that the lodgement of an objection does not suspend the taxpayer's obligation to pay the tax assessed, or the right of the Commissioner to collect the tax.

6.2.2 P.A.Y.E. (Pay As You Earn) Tax System

The P.A.Y.E. system is where source deductions of tax are made by the employer. The P.A.Y.E. system applies to three types of payment:

(a) Salary and wages – where the amount of tax depends on the tax code on the employee's IR 12 (Tax Code Declaration). The rate of deduction for secondary employment is a flat rate of 18% up to 30 September, 1979, and 35% thereafter.

(b) Extra emoluments, such as back pay or bonuses where tax is deducted at a flat rate of 20% up to 30 September 1979, and 35% thereafter.

(c) Withholding payments, which basically refer to casual payments where there is not a strict employer-employee relationship e.g. labour only contractors, shearing contracts, agricultural contracts etc. Common types of payment and the appropriate tax rates are specified on the back of the "employee's" IR 13 (Withholding Payments Deduction Certificate).

The employer must pay the total tax deductions for a month to the Inland Revenue Department by the 20th of the following month. Each year he is required to

(a) complete the pay details on the IR 12's and/or IR 13's, and give the yellow (bottom) copy to the employee: and

(b) provide the Inland Revenue Department with an annual reconciliation of all P.A.Y.E. and Withholding Payments and tax deductions including the top copies of the IR 12's and IR 13's.

Relevant records, in English, must be kept for at least 7 years.

6.2.3. Provisional Tax System

Provisional tax is paid by all tax payers who receive income which is not taxed at source as P.A.Y.E. income. Therefore the following would be regarded as provisional taxpayers:

(a) Individuals who derive business or professional income e.g. farmers.

(b) Individuals where assessable income derived from rents, interest and/or dividends is in excess of $500. (Otherwise regarded as a P.A.Y.E. taxpayer).

(c) Companies.

(d) Trusts.

The provisional tax system works on the basis of advance payments of tax made by the taxpayer himself to the Inland Revenue Department. The amount of the provisional tax is either:

(a) the same as last year's tax: or

(b) based on estimated income for the current year.

Provisional tax may be re-estimated up to the due date for payment of the last instalment. However, a penalty may be payable if there is gross underestimation.

Provisional tax is generally payable in two instalments, the first being one third of the current year's provisional tax and the second being the balance of tax due. Dates for payment are detailed in Appendix I at the end of this section.

The situation may arise when the first instalment of provisional tax is payable before last year's return has been completed, and therefore last year's tax is not known. This is likely to occur when the balance date is between 7 June and 1 October. If the taxpayer has not estimated his provisional tax, the first instalment of tax is based on the last completed tax return (i.e. 2 years ago). The difference between last year's tax and the provisional tax already paid is the amount due as the remaining instalment.

6.2.4 Returns of Income

In general, every taxpayer must furnish a return of income each year setting out details of the assessable income derived by him during the preceding year, plus such supporting information, accounts etc. as may be required. Annual returns relate to an income year ending 31 March unless an alternative balance date has been approved.

Return forms are provided by the Inland Revenue Department as follows:

IR 3 – Individual return for self-employed and others who pay provisional tax.

IR 3B – Supplementary return of business income.

IR 3F – Supplementary return of farming income.

IR 4 – Companies and clubs.

IR 5 – Individual return for persons who receive income from salary, wages or superannuation, with or without net investment income (i.e. interest and dividends after exemptions, and net rents if not more than $500.).

IR 5A – Estate or Trust returns.

6.2.4 (i) Due Dates for Annual Returns

Annual returns for IR 5 taxpayers are due 7 June each year. Annual returns for all other taxpayers are due as follows:-

(a) Balance dates between 1 October and the following 7 June (inclusive) – return is due 7 August.

(b) Balance dates between 8 June and the following 30 September (inclusive) – return is due two months after balance date.

6.2.5 Assessment

The return of income requires the taxpayer to calculate his actual tax liability and compare this with the tax already paid during the income year. These details are checked by the Inland Revenue Department when the return is furnished, and the result of their assessment is notified to the taxpayer. Even if the result is a loss, the amount is still confirmed by the Department.

In general, the assessment usually results in:

1. A refund of tax (tax paid exceeds the actual liability): or
2. More tax to pay (tax paid is insufficient to meet the actual liability). The assessment notice usually stipulates the due date for payment. Provisional taxpayers, however, pay this "terminal tax" by 7 March in the following year, excepting companies whose due date depends upon their balance date. (Refer to Appendix I).

6.3 CALCULATING TAXABLE INCOME

Taxable income is calculated in the following way:-

	Income
less	Exempt Income
	Assessable Income
less	Special Exemptions
	TAXABLE INCOME

(a) Income is generally accepted to mean a gain in money or money's worth derived by a person as a reward for services rendered, the profits of a business or a profit-making enterprise, or from property.

(b) Exempt Income is income specified by the Income Tax Act to be wholly exempt from tax.

(c) Assessable Income is therefore income of any kind which is not exempted from income tax.

(d) Special Exemptions are specified types of expenditure which may be deducted from the assessable income of individuals. (See also the taxation of "Other" Trusts in section 6.7).

(e) Taxable Income is therefore the residue of assessable income after deducting the taxpayer's special exemptions.

6.4 TAXATION OF INDIVIDUALS

6.4.1 Overview

Individuals are required to file IR 5 or IR 3 returns depending on their sources of income (see section 5.2.4 – Returns of Income), and to pay tax at the rates specified by the Income Tax Act. These rates vary according to the level of income on the basis that the higher the income, the higher the marginal rate of tax. The rates of tax are detailed in Appendix II.

Tax is calculated according to the following relationship:

	Income			
less	Deductions			
	Assessable Income			
less	Special Exemptions			
	TAXABLE INCOME	– calculate –		Tax
			less	Rebates
				Tax Liability
			less	Tax paid during year (e.g. P.A.Y.E.)
				TERMINAL TAX or REFUND

Income, excluding exempt income, can be reduced by the deductions allowed to salary and wage earners and/or by appropriate special exemptions in order to obtain the taxable income. Tax is assessed using the appropriate rates and the allowable tax rebates deducted to obtain the actual tax liability. Tax paid during the income year is then credited to ascertain whether more tax is payable (i.e. terminal tax), a refund is due for tax overpaid, or the assessment is correct.

6.4.2 Exempt Income

The following items, amongst others, may be applicable to individuals and regarded as exempt income:

1. 50% of interest from Farm Vendor Finance Bonds or from money left in approved farms as Farm Vendor Mortgages. Such interest does not qualify for the general interest exemption or rebate.
2. Premiums on redemption of Inflation Adjusted Savings Bonds.
3. Up to $500 accumulated interest from Post Office National Development Bonds and/or New Zealand Savings Certificates. This interest again does not qualify for the general interest exemption.
4. Up to $200 interest and dividends from all sources.
5. Any educational scholarship or bursary.
6. Prize money from horse or dog racing, or trotting.
7. Prizes from Post Office Bonus Bonds.

It should be noted that gifts, legacies, capital gains and monies derived by chance i.e. gambling, are not regarded as income unless it can be fairly said to be the taxpayer's business.

6.4.3 Assessable Income

Includes, amongst others:

1. Profits or gains derived from any business.
2. Employment income, such as salary and wages, including allowances which benefit the individual e.g. food, board or lodgings supplied to employee. Allowances which reimburse the employee for work related expenditure are not assessable.
3. Earnings related Accident Compensation receipts.
4. National Superannuation receipts.
5. Profits or gains derived from the sale or disposition of property if it is the business of the taxpayer to deal in such property, or if the property was acquired for the purpose or intention of selling or otherwise disposing of it. Property refers to all personal property as well as land.

6. Revenues from land e.g. net rents received; profits from extraction, removal or sale of minerals, timber etc.
7. Royalties and know how payments.
8. Interests, dividends, annuities and pensions. (See also Exempt Income).
9. Unemployment benefits received after 30 September 1979 by persons without dependent children.

6.4.4 Deduction for Employment Related Expenses

Salary and wage-earners are permitted to deduct employment related expenses from their employment income. The allowable deduction is the greater of:

(a) \$52 or 2% of employment income, whichever is the smaller; or

(b) The actual amount of employment related expenditure or loss incurred in gaining assessable income. Details should be provided and all receipts or other documentary evidence kept in support of the claim. Allowable expenditures include:

- (i) Union fees and subscriptions.
- (ii) Reference books, journals and periodicals. (Maximum of \$20 for any one volume or issue).
- (iii) Special or protective clothing.
- (iv) Tools of trade and equipment. (Maximum of \$100 for any one item).
- (v) Self-education expenses where they relate to promotion, or for refresher courses, conferences, etc. (Maximum of \$400).
- (vi) Travelling expenses incurred in the course of employment, but not between home and work.
- (vii) Home office expenses, where a room is set aside wholly or principally for use in employment. (Maximum of 15% of total outgoings on the property).
- (viii) Other expenditure incurred for purposes of, and as a condition of employment.

These expenses should be reduced by the amount of reimbursement received from the employer, if any.

6.4.5 Special Exemptions

Only one special exemption is currently available, for

(a) Life, personal accident, or sickness insurance premiums on policies which cover the taxpayer, spouse, or children; and

(b) Contributions to specified funds, most commonly for superannuation.

The special exemption allowable is the lesser of the amount paid or $1,000 ($800 if a member of a subsidised superannuation scheme).

6.4.6 Tax Rebates

Rebates are deducted from the actual tax assessed, and give equal benefit to all taxpayers irrespective of their level of income. The total rebates claimed cannot exceed the assessed amount of tax payable. Rebates available to individuals include:

1. DEPENDENT SPOUSE
   $156, reduced by 20 cents for each complete dollar by which the spouse's personal income exceeds $520.

   This rebate, which applies equally to a husband or a wife, is therefore extinguished when the spouse's income reaches $1,300.

2. YOUNG FAMILY

   $468 reduced by 10 cents for each dollar that the taxpayer's income exceeds $9,360.

   This rebate is therefore extinguished when assessable income reaches $14,070.

   At least one child must be aged under 5 years at any time during the year, and be eligible for Family Benefit. Only one rebate per family can be claimed in a year and should be claimed by the principal earner, or the recipient of the Family Benefit if two people earn equal income.

3. SINGLE INCOME FAMILY

   $260, reduced by 20 cents for each dollar by which the income of any other person who also cares for the child exceeds $1,300.

   This rebate is therefore extinguished when the income of the other person reaches $2,600.

At least one child must be aged under 12 years at any time during the year, and be eligible for Family Benefit. Only one rebate per family can be claimed in any one year irrespective of the size of the family, and should be claimed by the principal earner, or the recipient of the Family Benefit if two people earn equal income.

4. HOUSEKEEPER/CHILD CARE

The lesser of $156 or 40% of payments made.

This rebate is allowable for the care of a dependent child (at or away from home) provided the services are deemed necessary or a housekeeper is required because of the taxpayer's disability.

5. DEPENDENT RELATIVE

The lesser of $60 or 40% of contributions made.

A rebate is allowed for each relative supported, but excluding any child for whom Family Benefit is payable.

Where a taxpayer supports a separated spouse, the larger of the dependent spouse or dependent relative rebates may be claimed.

6. DONATIONS AND SCHOOL FEES

The lesser of $175 or 50% of payments made.

Donations must be for a minimum of $2 and made to approved charities within New Zealand. School fees apply to fees paid for children under 18 years of age at the start of the income year and cover fees for private schools, activity fees paid to State schools, fees paid to schools for the handicapped or disabled, or fees paid to registered Pre-School organisations.

Receipts must be furnished in support of the rebate claimed.

7. BACK PAY

6 cents for every dollar of back pay received which relates to previous income years.

8. OVERTIME

10 cents per hour of paid overtime.

9. SHIFT WORK

40 cents for each qualifying shift worked.

10. RATES ON HOME

The lesser of $25 or the amount of rates paid.

This rebate is available to individuals for rates paid on an owner-occupied home which is the principal residence of the taxpayer.

11. INTEREST ON HOME VENDOR MORTGAGE

The lesser of $500 or 20% of such interest received.

This rebate applies to individuals who receive interest on a mortgage in respect of money left in on the sale of a home. The mortgage must be guaranteed by the Housing Corporation, and approved by them for this rebate.

12. HOME, FARM AND FISHING VESSEL OWNERSHIP SAVINGS.

45 cents for every dollar saved during the year.

These special accounts are run by the Savings Banks. Maximum rebates per year are:

(a)	Home Account	–	$ 900 ($2,000 savings)
(b)	Farm account	–	$1,800 ($4,000 savings)
(c)	Fishing Vessel account	–	$1,800 ($4,000 savings)

Maximum savings in any one account are:

(a)	Home account	–	$10,250
(b)	Farm account	–	$50,000
(c)	Fishing Vessel account	–	$50,000

If savings are withdrawn and used for purposes other than that specified, the tax rebate must be repaid i.e. withdrawal tax of 45%.

13. Other rebates are available for more than the standard number of pay periods in one year, visiting experts, war pensioners, and for hardship.

14. REBATE FOR CHILD TAXPAYERS.

$78 per year.

To qualify for this rebate the child taxpayer must be aged under 15 or attended a school at any time during the income year, and the family benefit must have been payable in respect of that child taxpayer.

This rebate allows the child to effectively earn $538 before becoming liable to income tax.

15. Visitors from overseas who work in New Zealand are allowed a proportion (based on time worked here) of the following rebates:

    Dependent Spouse
    Dependent Relative
    Young Family
    Single Income Family
    Housekeeper
    Dependent Relative
    Child Taxpayers

6.4.7 Example

A married man with 2 children aged 6 and 7 derived the following income during the year ended 31 March 1980.

Salary	$7,500
Mortgage interest	264
Trustee Savings Bank interest	220
Dividends from N.Z. companies	330

His wife earned $600 in the same year, and he paid:

Life assurance premiums	$ 480
Superannuation (subsidised scheme)	325
Donation to Red Cross	30
Activity fees to school	20
Rates for own home	152

Tax deductions from his salary as per his IR 12 were $1,550 and provisional tax paid on other income was $40.

His income tax assessment would be as follows:

Salary	$7,500	
less Standard Deduction	52	
		$7,448
Mortgage Interest	264	
Trustee Savings Bank Interest	220	
Dividends	330	
	814	
less exemption	200	
		614
ASSESSABLE INCOME		$8,062

Assessable Income		$8,062
less Special Exemptions		
Life Assurance Premiums	480	
Superannuation contributions	325	
	$805	
Exemption allowable		800
TAXABLE INCOME		$7,262

Income tax on $7,262		$1,660.63
less rebates:		
(a) Wife ($1,300-600) x 0.20	140.00	
(b) Single income family	260.00	
(c) Donations and school fees.		
Lesser of (i) $175 or (ii) 50% of (30 + 20)	25.00	
(d) Rates		
Lesser of (i) $25 or (ii) $152 (amount paid)	25.00	
Total rebates		450.00
INCOME TAX PAYABLE		$1,210.63
less tax already paid:		
P.A.Y.E. tax deductions	1550.00	
Provisional tax paid	40.00	
REFUND DUE		$379.37

6.5 TAXATION OF COMPANIES

A limited liability company pays tax in its own right (i.e. it is separate and distinct from its shareholders), and the basic rate of tax on income derived by New Zealand resident companies is 45 cents for every dollar. The basic rate for non-resident companies is 50 cents for every dollar of income. Taxable income generally means business profits (in the normal accounting sense), less any taxation incentives applicable to that company. Dividends received by a company are generally regarded as exempt income, and companies are not entitled to tax rebates or special exemptions.

Companies are provisional taxpayers: they generally pay provisional tax in two instalments, and may be required to pay terminal tax. (For further details refer to section 6.2.3. – The Provisional Tax System, and Appendix I – Dates for payment of provisional and terminal tax).

The IR 4 Company Return of Income is usually due by 7 September following the company balance date, although if the company balances between 8 June and the following 30 September (inclusive), the return is due two months after balance date. Returns must be filed, including accounts, irrespective of whether a profit or loss is disclosed for the year.

Losses can be carried forward and deducted from the first available assessable incomes until extinguished provided 40% of the shareholding is held by or on behalf of the same persons at the beginning and end of each year. This requirement is relaxed in the case of public companies listed on the Stock Exchange but not where one person or group of "associated" persons acquires more than 10% of the shareholding.

Special considerations apply where relatives (i.e. associated persons) of the shareholders or directors receive remuneration from the company. These may affect arrangements to split income between family members, and it would be advisable to seek professional advice under these circumstances.

6.6 TAXATION OF PARTNERSHIPS

6.6.1 Overview

A partnership is not a taxpaying entity and is not itself liable to pay tax. However, the partners must file a separate "partnership" return of income (IR 3) covering their joint income (irrespective of profit or loss) and detailing the distribution amongst the various partners. The partnership accounts or the supplementary return forms IR 3B or IR 3F should also be furnished.

Each partner is liable for tax as an individual and must add their share of the net partnership income to their income from other sources. Income from a partnership does preserve its identity in the hands of the recipient partners as interest and dividends (up to $200 exempt), and ordinary assessable income. (Refer to section 6.4. Taxation of Individuals). Partnership losses should always be allocated to the constituent partners and cannot be carried forward by the partnership itself.

6.6.2 Family Partnerships

The use of family partnerships, often including trusts for infants, has long been a common device for splitting income among family members, thereby avoiding the high tax brackets. To counteract loss of revenue through this type of income splitting, the Income Tax Act lays down five requirements before a family partnership is deemed to be acceptable for taxation purposes.

(a) There must be a contract of partnership in writing or by deed signed by all parties;

(b) No partner can be under 20 years of age;

(c) The agreement must bind the partners for at least three years;

(d) Each partner must have real and effective control of their remuneration; and

(e) No part of the remuneration or share of profits would be regarded as a gift and thereby subject to Gift Duty.

In determining whether a gift exists, consideration would be given to the following factors, amongst others:-

(i) The nature and amount of the capital contributions or the value of the services performed.

(ii) The proportions of such contributions to the remuneration or share of profit between partners.

(iii) Whether the arrangement would be acceptable under normal commercial standards; etc.

Where the above five requirements are not satisfied and the Commissioner of Inland Revenue believes that the remuneration or share of profits paid to the relative is excessive, he has the power to reallocate the partnership income for taxation purposes between the partners in such shares as he considers reasonable, having regard to the capital and services contributed by the partners and other relevant matters.

6.7 TAXATION OF TRUSTS

A trust is an equitable obligation binding on a person (who is called a trustee) to deal with property over which he has control (which is called the trust property), for the benefit of persons (who are called the beneficiaries) of whom he may himself be one, and any one of whom may enforce the obligation.

It is not necessary that a trust be in writing, as a valid trust can be created by an oral agreement or by the conduct of the parties concerned. It must be emphasised, however, that it is desirable to evidence a trust in writing by a Deed of Trust, or inclusion in a will, or by some other trust instrument.

6.7.1 Classification of Trusts

The Income Tax Act distinguishes between two types of trust:

(a) Specified Trusts

Generally speaking, these are trusts created during the lifetime of the settlor (i.e. an inter vivos trust) on or after 19 July 1968; and

(b) Other Trusts.

6.7.2 Liability for Income Tax

A trust is a separate legal entity, and as such all the income of a trust is liable for income tax in the hands of the trustee, either as "Trustees' Income" or as "Beneficiaries' Income" where the trustee acts as the agent of the beneficiary although the primary liability remains with the beneficiary.

In the case of "Beneficiaries' Income" (see section 6.7.3. below), the taxation liability is determined by providing for the special exemptions and rebates which the beneficiary himself is eligible for. Obviously, if the beneficiary derives additional income a personal return of income should be filed incorporating his trust income and the tax already paid by the trustee on his behalf.

"Trustees' Income" is any income other than Beneficiaries' Income, and the trustee is assessed for tax on the income in one sum as follows:

(i) Specified Trusts:-

Taxed at 35 cents per dollar of taxable income or at the basic rates applicable to individuals, whichever is the greater. No special exemptions are granted.

(ii) Other Trusts:-

Taxed at the basic rates applicable to individuals after deducting a special exemption of $100.

Tax on the income of a trust will normally be paid on a provisional basis, the return of income for the trust (IR 5A) being filed by the trustee(s). Trust income is taxed once only so that a distribution to a beneficiary is not taxed if the trustee has paid tax on the income previously.

6.7.3 Classification of Income

Income derived by a trustee during an income year is classified as Beneficiaries Income for the same year under any of the following conditions:

(a) Where an adult beneficiary of any trust is entitled to income under a specific provision of the trust deed or by the discretionary act of the trustee: or

(b) Where an under-age beneficiary of an 'other' trust is entitled to income under a specific provision of the trust: or:

(c) Where the trustee pays or applies income to or on behalf of the beneficiary of a trust during or within six months after the income year by a genuine transaction which places the income beyond the possession and control of the trustee in his capacity as trustee of that trust, provided that if the beneficiary of a specified trust is under-age, the income must remain out of the trust or any business in which the trust is interested whilst the beneficiary is under-age.

Any other income not coming within the above is then Trustees' Income.

It should be noted that the test for Beneficiaries' Income stresses the physical parting of possession and/or control over the funds.

6.8 TAXATION OF FARMERS

6.8.1 Liability for Income Tax

All farmers are liable for income tax as provisional taxpayers. The appropriate return form depends on the entity involved:

Individual	–	IR 3 plus either completed accounts or the supplementary return form IR 3F
Companies	–	IR 4
Trusts	–	IR 5A

Generally, provisional tax is paid in two instalments (for payment dates see Appendix I), although a farmer may pay in three equal instalments, the last days for payment being 7 September, 7 March and 7 June, in that order, provided all the following conditions are met:

(i) Balance date is between 1 April and 30 September (inclusive);

(ii) More than half of the assessable income regularly comes from farming or an agricultural business; and
(iii) Half or more of the gross cash income is regularly received after 7 February.

Certain features of the taxation system apply specifically to agriculture because of its place in the economy. These provisions are intended to encourage capital investment, development, increased stock numbers, etc., as well as providing facilities to smooth the large fluctuations in income which are inherent in the agricultural industry.

6.8.2 Farm Income

The assessable income of a farmer will include the following:

(i) Business profits from trading operations - i.e. the generally accepted accounting definition of profit, being SALES less PURCHASES, plus or minus CHANGES IN VALUE OF STOCK ON HAND at the end of the year (increases are added, decreases are subtracted).

(ii) The value of meat and produce consumed domestically.

(iii) Income from contracting.

(iv) Rents received for portion of the farm let.

(v) Stud fees received.

(vi) Net receipts from bailed livestock.

(vii) Prize money from A & P shows, less entrance fees and other related expenses.

(viii) Compensation for stock condemned.

(ix) Refunds from Income Equalisation scheme.

(x) Decreases in the number of livestock held at Nil Value (See section 6.8.4. Valuation of Livestock).

(xi) Net Income from the sale of timber.
Provisions relating to farm forestry are contained in section 5.8.8.

6.8.3 Farm Expenses

Private expenses in the nature of household stores, domestic wages, repairs to household equipment etc. are to be treated as private drawings, and must not be charged against farm income. Similarly, the private portion of domestic expenses, electricity and car depreciation should also be regarded as drawings.

In addition to the appropriate business expenses, farm expenses will include the following:-

(i) Legal expenses incurred in arranging finance for the purchase of, or in arranging for the lease or renewal of a lease of, income producing assets.

(ii) Legal expenses incurred in borrowing or renewing loan moneys employed as capital in the production of assessable income.

(iii) Telephone.

(iv) Proportion of car expenses (including depreciation) applicable to business use, on the basis of:

 (a) Half, where farmer has both car and truck.

 (b) Three-quarters, where farmer has a car only.

(v) Rations provided to employees: The actual cost is deductible if adequate records are kept, otherwise $2 per employee per week.

(vi) Lodgings provided to employees – Depreciation and outgoings (e.g. repairs) relating to the lodgings are deductible.

 Note that the value of non-cash benefits such as food and lodgings provided to an employee is regarded as assessable and should be added to wages and tax deducted accordingly.

(vii) Depreciation – see section 6.8.5 below.

(viii) One quarter of total expenditure on the farm dwelling if situated on the farm – e.g. repairs and maintenance, depreciation, domestic power etc.

(ix) Repairs and Maintenance costs on sheep yards, sheep dips and fencing. Depreciation may NOT be claimed on these assets, but the outlay costs on these items are usually claimed as development expenditure.

(x) Cost of papers and magazines containing farming information.

(xi) Wages paid to wife.

 (a) Payments for cooking duties in respect of permanent employees (including adult members of the farmer's family employed full-time) will be allowed on the basis of –

 1 permanent employee – $12 per week

 2 permanent employees – $18 per week

 and thereafter an additional $3 per employee per week.

 It is necessary that the requirements for the payment of wages from husband to wife are met i.e. declaration that the wages are for genuine services, IR 12 completed, regular cash payments, tax and Accident Compensation levy deducted and accounted for.

This payment is in addition to any special arrangements made in respect of seasonal or part-time employees, e.g. shearers.

(b) Payments for farm working duties may be deductible if the Commissioner of Inland Revenue has given his prior consent to such payments. Before consent is granted, the Commissioner must be satisfied that the payment is for genuine services rendered in producing assessable income for the year.

An application for approval must contain certain details (the Inland Revenue Department provides appropriate declaration forms), but subsequent to approval only written confirmation that wages are still being paid on the agreed basis is required. The declaration should be filed before (or at least as soon as possible after) the wife's employment commences.

(xii) Cost of transporting employees' children to school. The cost of transporting the farmer's own children is regarded as private and therefore not deductible.

(xiii) Accident Compensation Levy.

All persons who suffer injury by accident in New Zealand (and in certain cases, outside New Zealand) and who are employees or self-employed at the time of the accident, have cover under the Earners' Scheme of the Accident Compensation Act.

The scheme is funded by a levy paid by employers and self-employed persons. These levies are a tax-deductible expense.

LEVIES ON EMPLOYERS

Every employer, whether an individual, a partnership, trust, company or club, must pay an annual levy by 30 June each year, based on the amount of leviable earnings paid to employees during the year ended 31 March. Levy rates vary according to the industrial activity of the employer.

For example:

Industrial Activity	Class No	Levy Per $100
Agricultural Contracting (Fencing, sheep dipping, spraying, harvesting, haymaking, baling, hedge cutting)	104	1.70
Agricultural Contracting (Scrub cutting, grubbing, burning, stumping and clearing)	124	3.15
Shearing	105	1.75
Cereal growing	101	1.20
Drainage or Sewer System	104	1.70
Construction on agricultural land		
Non-mechanised	104	1.70
mechanised	507	1.90
Eel Farming	130	1.75
Fencing-erecting and repairing	104	1.70
General Farming	100	1.70
Fish Farming	130	1.75
Hop Growing	101	1.20
Market Gardening	101	1.20
Orchards-including berry fruit	101	1.20
Poultry Farming	101	1.20
Spraying- agricultural excluding aircraft	104	1.70
Stock Buying	831	0.60
Tobacco Growing	101	1.20

LEVIES ON THE SELF-EMPLOYED

Generally, all farm owners (whether owner/operators or partnerships) and sharemilkers are regarded as self-employed for accident compensation purposes. The levy payable is 1% of the years taxable business income, with a maximum of $187.20 and a minimum of $36 ($10 for part-time self-employed). Further considerations apply where dual earnings are received (i.e. a person is both self-employed and an employee). This levy must be paid by 7th March each year.

The above is a general introduction only, and queries regarding levies should be directed to the Inland Revenue Department. Queries regarding compensation claims should be directed to the State Insurance offices except in Dunedin where queries should be directed to the Accident Compensation Commission itself.

(xiv) **Energy Conservation Expenditure.**

The total cost of acquiring and installing new plant, machinery or equipment for the purpose of energy conservation may be written off in the year the expenditure is incurred. (This excludes expenditure of a private nature such as to the family residence.) In addition, the cost of improving or altering plant, as insulating such assets or buildings for the purposes of energy conservation will also qualify for the 100% first year write-off.

(xv) Various incentives, income levelling schemes etc. (see below).

6.8.4. Valuation of Trading Stock

1. General Principles

Trading stock includes any thing produced or manufacture; anything acquired or purchased for purposes of manufacture, sale or exchange; livestock; but excludes land.

In the case of any **business** owned or carried on by the taxpayer, the value of the trading stock at the beginning and at the end of every income year must be taken into account when calculating assessable income. Where the value of the trading stock at the end of the income year has increased over the value at the beginning, the amount of the increase is to be included in assessable income for that year. Conversely, where the value at the end of the year has decreased compared to the value at the beginning, the amount of the decrease is an allowable deduction against assessable income for that income year.

In general, the taxpayer has the option of valuing his trading stock at:

(i) cost price or;

(ii) market selling value; or

(iii) replacement price.

However, the Commissioner of Inland Revenue may approve a lower valuation for trading stock other than livestock where obsolescence or other special considerations materially affect its value.

2. Consumable Aids

Items consumed in the production of trading stock but which do not form part of the final product are regarded as consumable aids and not as trading stock. Therefore, expenditure on items such as fuel, farm chemicals, fertiliser held for spreading and hay held for winter use would be fully deductible in the year the expenditure is incurred, even although some unconsumed stocks may be held at the end of the year.

3. **Growing Crops, Fruit and Vegetables**

Crops, fruit and vegetables, standing timber and other products which grow from the land and are attached to the land are regarded as part of the land itself, i.e. a capital asset. Growing crops are not regarded as trading stock unless and until they are harvested or severed from the land.

4. **Valuation of Livestock**

Livestock is regarded as ordinary trading stock and the taxpayer has the following options:

1. Cost price, market selling value, or replacement price.

2. **Standard Value**

Standard value is the value adopted by a farmer for a particular class of livestock which is maintained over time irrespective of actual cost or market value.

It is necessary to obtain approval of the Commissioner to establish or alter the standard value, but in practice a note attached to the accounts is sufficient where an increase is still within market value. Over time, the market value of livestock will increase but generally the farmer does not have to revalue or adopt market value where there is a continuing operation.

Standard values are not available to dealers in livestock or for high priced stud stock (which should be valued at cost with annual revaluations downwards over its useful life).

In addition:

(a) Where new or additional property and livestock are purchased, the value of livestock may be progressively written down to standard value over a period of up to three years. A farmer is not bound to immediately adopt standard values. He may adopt cost price, market value or replacement value for a period not exceeding three years, and then elect to adopt standard values. However, once the write-down commences, it must take place over no more thant three consecutive years.

(b) Reliefs are available by allowing the spreading of resultant large incomes either forward or backward over three years in the event of a sale occasioned by death, retirement, adverse events, expiry of lease etc.

(c) For income tax purposes, gifts of livestock to children who are at least 18 years old and who use those stock in a farming operation, may be made at a reasonable standard value i.e. not unduly low. Note, however, that if gift duty is payable it is assessed on market value less consideration paid (if any).

3. **Nil Value Scheme**

The nil value scheme is an incentive scheme aimed at deferring the tax liability on increases in certain livestock numbers over a basic number until the stock is sold or otherwise disposed of, or revalued. The scheme is optional and applies to any taxpayer carrying on a farming business on land in New Zealand.

Main features of the scheme are as follows:

(a) Applies only to cattle, sheep, pigs, and deer.

(b) The "basic number" of the herd or flock is the greater number of a particular class of stock held in the two income years prior to the year when the farmer elects to join the scheme.

(c) At the end of each income year, all or part of the excess over the basic number in respect of each class may be valued at nil.

(d) Any decrease in livestock numbers below the basic number of one class can be offset against any increase over the basic number in the other classes on the basis of "specified equivalents", defined as

1 head of cattle = 6 sheep = 4 pigs = 4 deer

All categories within each class of livestock are regarded as equal e.g. ewes, lambs, wethers etc. all have the same equivalent rating.

(e) The Commissioner has power to make an equitable adjustment where there is a change in the basic nature of the farming operation, or an adverse event effects the farm, or other special circumstance.

Example:

A sheep and cattle farmer with a balance date of 30th June, elects to join the scheme at 1 July 1976. His year of first election is therefore the year ended 30 June 1977.

His basic number is established as follows:

	Stock on Hand 30/6/75	Stock on Hand 30/6/76	Basic Number	Standard Value
Sheep	3,100	4,000	4,000	$ 5
Cattle	160	140	160	$50

Year Ended 30/6/77

Closing Stock: Sheep 4,300, Cattle 160

Valued as:	Sheep – basic number at s.v.	4,000 @ $5
	increase over basic number	300 @ Nil
	Cattle – basic number at s.v.	160 @ $50

Year Ended 30/6/78

Closing Stock: Sheep 4,500, Cattle 120

The decrease in cattle below the basic number in this year will necessitate a reduction to the 'increase' in sheep numbers closing stock, the reduction being made at the specified equivalent of 1 head of cattle = 6 sheep.

Sheep numbers	4,500	
less decrease in cattle at specified equivalent 40 cattle x 6	240	Valued at s.v.
	4,260	
less basic number	4,000	Valued at s.v.
Net Increase over basic number	260	Valued at Nil

Valued as:	Sheep – number at s.v.	4,240 @ $5
	increase over basic number	260 @ Nil
	Cattle – number at s.v.	120 @ $50

Year Ended 30/6/79

Closing Stock: Sheep 5,000, Cattle 240

Valued as:	Sheep – basic number at s.v.	4,000 @ $5
	increase over basic number	1,000 @ Nil
	Cattle – basic number at s.v.	160 @ $50
	increase over basic number	80 @ Nil

If the farmer wished to value part of the increase over Basic Number at Nil Value, the number valued at standard value is the Basic Number plus the additional stock not valued at Nil. The Basic Number, however, is not altered.

6.8.5 Depreciation

Depreciation is an allowance for loss in value of a fixed asset due to fair wear and tear, obsolescence, etc. Not all assets are depreciable – for example, assets which are not used to produce assessable income, or assets which are not subject to wear and tear (such as land), and under no circumstances can depreciation extend beyond cost. Where an asset has a part business and part private use, depreciation is calculated at the schedule rate and then apportioned between business and private (e.g. car depreciation).

There are two basic types of depreciation:

1. FIRST YEAR DEPRECIATION ALLOWANCES

   A single first year allowance will be deductible in the year in which certain assets are first used in the production of assessable income, and include:-

   (a) New or used plant and machinery — 25%

   (b) New farm buildings, extensions and capital alterations (not dwellings) (40% prior to 22 June 1979) — 20%

   (c) Employee accommodation (22% prior to 22 June 1979) — 20%

2. ORDINARY DEPRECIATION ALLOWANCES

   In the second and subsequent years, ordinary depreciation will be allowed as a deduction from assessable income provided adequate records are maintained. Depreciation is usually calculated as a fixed percentage of either the cost price of the asset (CP method) or the diminishing book value (DV method), and the Inland Revenue Department specifies both the rate and method of depreciation. These schedule rates are the maximum allowable for income tax purposes, although a lesser rate may be claimed if desired.

Selected examples of Schedule Rates of Ordinary Depreciation.

ITEM	%	
Barns – loafing and wintering	10	CP
Bridges – wooden	2½	CP
other	2	CP
Buildings – reinforced concrete	1	CP
brick, stone, concrete	2	CP
wooden	2½	CP
"temporary buildings"	10	DV
Chainsaws	50	DV
Crates – sheep and cattle	15	DV
Dams and Reservoirs – reinforced concrete	1	CP
other	Maintenance	
Dips – shower type	10	DV
Effluent disposal units on farms	10	DV or Development
Electric Fences	10	DV
Ensilage Pits – concrete walls with sliding roof	10	DV
Feeding out units for cattle	4	CP
Freezers – for dog meat	10	DV
Glasshouses – wooden framed	5	CP
metal framed	3	CP
P.V.C. Tunnel House	7½	CP and Maintenance
Irrigation plant	10	DV or Development
Milking Sheds – built before1/4/66	4	CP
built after 1/4/66	10	CP
conversion to herringbone	10	CP
herringbone or rotary	10	CP
Motor Vehicles, trucks, bikes and scooters	20	DV
Pig Houses – all types	10	CP

Plant and machinery – motorised	20	DV
non-motorised	10	DV
Poultry		
Battery type cages	10	DV
Colony houses with wooden frames, iron roofs and netting sides and bases	10	DV
Fowl houses		
Steel framed	2½	CP
Wooden framed	5	CP
Silos – erected on farm	10	DV
Slaughterhouses on farms –		
concrete	5	CP
timber and concrete	6	CP
timber	10	CP
Tractor safety frames	100	CP
Trailers	At the rate of the towing vehicle.	

6.8.5 (i) Depreciation of Cars

For tax purposes, the depreciable cost of motorcars and station-wagons (excluding utility vehicles e.g. landrover, and vehicles of a "specialised nature" e.g. hearse) has been limited to:

$8,000 if purchased after 31 March 1978

$7,000 if purchased between 31 March 1977 and 31st March 1978.

$6,000 if purchased between 23 October 1974 and 31st March 1977.

Actual cost if purchased before 23 October 1974.

6.8.5. (ii) Beekeepers.

The cost of frames for supers and hives of a new apiarist or for additional supers and hives of an established apiarist is capital expenditure and not deductible. Ordinary depreciation is not allowable, but first year depreciation may be claimed. However, the full cost of repairs and the cost of replacement frames is a tax-deductable expense.

6.8.5. (iii) Assets Acquired During the Income Year:

(a) BUILDINGS – Depreciation should be claimed on the cost of the building only (excluding land) for each whole or part month used.

(b) OTHER ASSETS – A full years depreciation is allowable if the asset was used for more than 6 months of the year or more than half a season if used for seasonal work; otherwise half of the years depreciation is allowable.

6.8.5. (iv) Assets Sold During the Income Year.

(a) AT A LOSS (i.e. sales price is less than book value).

(i) Buildings: Any loss on sale is not tax deductible. However, if no depreciation has been previously claimed, then accumulated depreciation at schedule rates can be claimed in the year of sale.

(ii) Other Assets: Any loss on sale is deductible in the year of sale. If no depreciation has been previously claimed, the total loss (i.e. cost less sales price) can be claimed when the asset is sold.

(b) AT A PROFIT (i.e. sales price exceeds book value).

(i) Buildings: Ordinary depreciation recovered is not assessable, but if owned for less than 10 years, any write-back for tax purposes is merely to the extent that the disposal proceeds over and above book value represents a recovery of special, additional, or first year depreciation.

(ii) Other Assets: Any depreciation recovered is assessable in the year of sale, although it can be used to offset (i.e. reduce) the cost of a replacement asset. If the depreciation recovered exceeds $1,000, the taxpayer may elect to spread the amount recovered over the year of sale and up to three years back.

It should also be remembered that any excess of disposal proceeds above cost price represents a capital gain which is not taxable.

6.8.6 Farming Investment Allowance

20% of the cost of new plant and machinery used for farming or agricultural purposes may be deducted from assessableincome in the year the asset is first used. (The allowance was 40% prior to 22 June 1979).

The allowance is available to lessees provided the asset qualifies for the allowance, the lease period is not less than 3 years, and both the cost price and the residual value (viz: cost less depreciation at tax rates) are specified.

The allowance is not available for cars, office equipment or any asset which is secondhand, costs less than $500, has been claimed as development expenditure (see 6.8.7.), or where another investment allowance has been claimed for that asset.

The allowance does not affect first year or ordinary depreciation, and is in addition to depreciation claims. This means that the 20% investment allowance enables 120% of cost to be written off over the working life of the asset.

6.8.7 Development Expenditure

6.8.7. (i) Development Expenditure

Certain expenditures incurred during an income year which normally would be regarded as capital expenditures and therefore not deductible, may be treated as a tax-deductible expense.

Such expenditure may be deferred in whole or in part and claimed at the written election of the taxpayer in the year of expenditure and over not more than nine succeeding years. The types of expenditure which qualify are:

(a) Any expenditure incurred in any income year in:

(i) The eradication or extermination of animal or vegetable pests on the land;

(ii) The felling clearing, destruction, and removal of timber, stumps, scrub, or undergrowth on the land;

(iii) The destruction of weeds or plants detrimental to the land;

(iv) The preparation of the land for farming or agriculture including the cultivation and grassing thereof, but excluding items specified in (b) below;

(b) Any expenditure incurred on or before 31 March 1981, in:

(i) The draining of swamp or low-lying lands;

(ii) The construction of access roads or tracks to or on the land;

(iii) The construction of dams, stopbanks, irrigation or stream diversion channels, or other improvements for the purpose of conveying water for use on the land or for preventing or combating soil erosion;

(iv) The repair of flood or erosion damage;

(v) The sinking of bores or wells for the purpose of supplying water for use on the land;

(vi) The construction of aeroplane landing strips to facilitate aerial topdressing of the land;

(vii) The construction on the land of fences, including the purchase of wire or wire netting for the purpose of making new or existing fences rabbit proof;

(viii) The erection on the land of electric power lines or telephone lines;

(ix) The construction on the land of feeding platforms, feeding yards, plunge sheep dips, or self-feeding ensilage pits;

(xi) The construction on the land of supporting frames for growing crops;

(xi) The construction of earthworks, ponds, settling tanks, or other similar improvements primarily for the purpose of the treatment of waste products in order to prevent or combat pollution of the environment.

Such expenditure incurred after 31 March 1981 may be regarded as development expenditure provided the necessary steps have been taken before that date to enter into a binding contract involving substantial expenditure as part of a development plan which has been approved by the Commission of Inland Revenue.

Where the taxpayer ceases to cary on business before the total amount is deducted, the taxpayer has the option of:

(a) deducting the balance remaining in the year he ceased business, or

(b) reapportioning the amount over the year incurred, and the other years in which he carried on the farming business.

When farming or agricultural land is sold at a profit within five years after its acquisition any development expenditure which has been allowed as a tax deduction, can be recovered. Similarly, any development expenditure allowed on assets purchased can also be recovered if the asset is sold within five years of acquisition.

6.8.7. (ii) Fertiliser and Lime

Expenditure on the purchase and application of fertiliser and/or lime may be deferred in whole or in part, and claimed at the written election of the taxpayer in the year of expenditure and over not more than four succeeding years.

6.8.7. (ii) Tree Planting

Expenditure on planting or maintaining trees which have been planted to provide shelter or to prevent erosion or otherwise for agricultural or pastoral purposes, or in erecting or maintaining fences to protect any such trees, is tax-deductible in the year the expenditure is incurred.

6.8.8. Farm Forestry

1. Overview

The net profit from the sale of timber will be assessable income i.e. sale proceeds less the 'cost' of the timber. Where the actual cost is not known, the general position is as follows:

(a) The assessable profit is the value of the timber when sold less the estimated value of the timber when the land was purchased; or

(b) Where significant quantities of native timber are involved, the cost may be calculated as the difference in value between land with standing timber and the same land when cleaved.

For income tax purposes, a sale of land with standing timber on it will be regarded as a sale of timber. Under these circumstances, the Commissioner can determine the sale price of the timber and include that value in the vendors' assessable income. (The 'cost' of that timber is an allowable deduction, however). This provision does not apply:

(a) Where the trees on the land are used for the purpose of an agricultural or farming business to provide shelter or to prevent erosion: or:

(b) To trees planted or maintained under a forestry encouragement agreement under the Forestry Encouragement Act 1962.

Spreading the cost of timber.

The cost of timber is ordinarily deductible in the year the timber is sold. Where income from the sale of timber is derived in two or more financial years, the total cost of that timber may be apportioned and claimed over the years of sale.

Spreading income derived from timber.

Income from farm forestry qualifies for the Farm Income Equalisation scheme (refer section 6.8.8. (i)), except where the timber sold was from trees:

(a) planted to provide shelter or prevent erosion for an agricultural or farming business; or

(b) planted or maintained under the Forestry Encouragement Act 1962.

when the income may be spread over the year of sale and up to four succeeding years provided the taxpayer makes written application within 12 months after the end of the year of sale.

2. **Forestry Encouragement Loans**
(Made under the Forestry Encouragement Act 1962).

Under this scheme, farmers were granted loans to meet the cost of establishing and maintaining limited areas of plantations on farms for commercial purposes. The object of these loans was to encourage the planting of woodlots on "difficult" land with a view to ensuring an adequate supply of timber for the future. The incentives offered included low interest rates and the remission of half the loan moneys where all obligations are carried out successfully.

Tax implications are as follows:

1. Loan moneys when received are not assessable.
2. Tax-deductible costs allowable are:
   (a) Expenditures incurred in planting and maintaining trees in excess of any advance made under the agreement.
   (b) Interest paid under the agreement.
   (c) Repayments of principal of the loan/
   Any taxpayer can claim against income from salary, wages, business or farming, the difference between the amount spent on the woodlot and the advance obtained under the loan scheme.
3. The amount of the loan written off (i.e. remitted) is not assessable income, nor is it tax deductibe. However when the timber is eventually sold, the cost of timber is reduced by the amount written off.
4. Where the taxpayer has been relieved of his liability for unpaid interest and the interest has not been claimed as a tax deduction, the amount so relieved does not form part of his assessable income.

3. Forestry Encouragement Grants (1970)

The grants scheme has replaced the loan scheme with respect to farm woodlots under this scheme, the landholder receives a cash grant of 50% of the qualifying expenditure (which includes the labour of the landholder and his family) where trees are planted for commercial purposes in approved woodlots (Refer section 1.5).

Tax implications are as follows:

1. The amount received (if any) in respect of labour of the taxpayer and/or his family will be regarded as assessable income of that taxpayer for that year.
2. The amount received (if any) in respect of 'qualifying expenditure' will not be assessable income. Qualifying costs include:
   (a) Expenditures incurred in planting or maintaining trees on the land or in preparing or otherwise developing the land for forestry operations: or
   (b) Rent, rates, land tax, insurance premiums and other like expenses: or
   (c) Interest on money borrowed for forestry business.
3. Qualifying expenditure in excess of twice the amount of the grant can be claimed for tax purposes. This excess expenditure is not tax-deductible in the year the expenditure is incurred: it must be carried forward and deducted under the "cost of forest formula" which is a means whereby the costs of establishing, managing, and developing a forest are capitalised and carried forward until final yield or clear felling begins, when they can be progressively claimed as costs against income in proportion to the area felled each year.
   A forestry company has two other alternatives as well as carrying the cost forward — deduct from general income, if any, or carry forward as a loss.

Other costs not qualifying for a grant may nonetheless be tax deductible, such as:

(a) Depreciation of assets not directly associated with management of tree crop such as administration buildings and workshops.

(b) Repairs to and maintenance of permanent assets, including permanent roads, bridges, fences and buildings.

(c) Capital costs of assets other than land and roading, such as machinery and equipment directly associated with management of tree crop. (Treat under "cost of forest formula". Note that depreciation is unnecessary under this method).

The following items also represent costs, which do not qualify for the grant. Those of a capital nature will be added to the value of the appropriate asset, and may be depreciated for tax purposes (except land). Where alternative treatments may be available, the Inland Revenue Department or your accountant should be consulted. Examples of these costs are as follows:

(a) Land, as well as legal, survey and valuation fees and mortgage expenses.

(b) Initial consultancy fees relating to the feasibility of a forestry project.

(c) Permanent buildings erected or purchased.

(d) Machinery and equipment not directly associated with the management of the tree crop e.g. roading equipment.

(e) Permanent roads and bridges. (If road formation is on a permanent access route or is to be used during the life of the crop and for successive crops, it is a capital improvement to the land).

4. Conversion of 'Loan' to 'Grant"

Farmers who have established woodlots under a Forestry Encouragement Loan may convert to the Forestry Encouragement Grants Scheme. When converted the following provisions apply:

(a) The outstanding balance of the loan is written off. It is not regarded as assessable income, nor is it tax-deductible. However, when the timber is eventually sold, the cost of timber is reduced by the amount written off.

(b) Accumulated interest on the loan is written off.

  (i) Interest previously claimed as a tax deduction is added back to assessable income.

  (ii) Unpaid interest not claimed as a tax deduction is written off. it is not regarded as assessable income nor is it tax-deductible.

(c) Future expenditure on the woodlot qualifies for the cash grant under the normal provisions of the Grants scheme.

6.8.9 Income Levelling Schemes

Several schemes are available to taxpayers who derive income from agriculture which may serve to dampen the fluctuations inherent in farm incomes and subsequent taxation payments.

6.8.9 (i) Farm Income Equalisation Scheme

The scheme allows a farmer to smooth his income from year to year by permitting him to reduce his assessable income by the amounts which he deposits with the Inland Revenue Department. These deposits are retained in the Farm Income Equalisation Reserve Account in the farmer's name at the Reserve Bank. When amounts are withdrawn at a later date, they become assessable income.

Deposits.

(i) Assessable income is reduced by the amount deposited during a year. Deposits may, however, be used to reduce the income of the immediately preceding year upon the taxpayer's written election, provided the deposit is made with the shorter of:

- 6 months after balance date; or
- 1 month after the due date for filing the return of income.

(ii) The maximum amount of deposits in any one year is the assessable farm income for that year, and each deposit must be a minimum of $200 (except the last deposit to make up the maximum).

(iii) The minimum period of deposit is one year (able to be relaxed under certain circumstances) and the maximum period for any one deposit is five years.

(iv) Generally no deposit can be made in a year when the farmer voluntarily withdraws funds from his reserve account.

(v) 3% interest is paid on deposits held from 1/4/77 (except those withdrawn within one year), and credited to the appropriate deposit.

Refunds.

(i) Compulsory refunds are made if a deposit reaches the maximum term of five years, and voluntary refunds (withdrawals) can be made upon the taxpayers written application.

(ii) All refunds become assessable income in the income year when the application is made, or the immediately preceding year on the same conditions as for deposits.

(iii) A refund will not attract more tax than the deposit saved.

(iv) Refunds are made from the oldest deposits first.

(v) The minimum refund is $200 unless the account balance is smaller; the maximum is the account balance.

(vi) Special rules apply where the refund is due to the retirement, death, or bankruptcy of the farmer.

6.8.9. (ii) Deferral of Expenditures on Development and Fertiliser and lime.

– refer to section 6.8.7.

6.8.9. (iii) Nil Value of Livestock

– refer to section 6.8.4.

6.8.9. (iv) Livestock Incentive Scheme

The tax option provides limited flexibility for the smoothing of income – refer to Section 1 of this Manual.

6.8.9. (v) Estimates of Provisional Income

A provisional taxpayer can estimate his provisional income and pay provisional tax accordingly. Re-estimates can be made upto the due date of the last instalment of provisional tax – refer to Section 6.2.

6.9 HORTICULTURE

The following provisions relate specifically to horticulture, but readers should also familiarise themselves with the general farming provisions.

1. Purchase of land, including conveyancing fees, is capital expenditure, and is not deductible. However, legal fees incurred in arranging finance to purchase the land, or in arranging to lease the land, will be tax deductible.
2. Buildings are capital expenditure and subject to depreciation allowances as for a farm (refer section 6.8.5.)

i.e. New farm buildings and employee accommodation	First year and ordinary depreciation
Taxpayer's dwelling	¼ ordinary depreciation

3. Shelter belts.
   The cost of planting and maintaining shelter trees is tax deductible (refer section 6.8.7. (iii))

4. **Development expenditure.**

   The cost of preparing land for agricultural purposes, including the cost of original fencing, is tax deductible as development expenditure (refer section 6.8.7. (i)). Note that this applies to the preparation of the **land** only. Thus the cost of fruit trees and of planting them would be capital expenditure of a fruitgrower as it is not regarded as preparation of the land, but rather is part of the operation of fruit growing.

5. Recurring annual costs until production.

   Where there is a period between establishment and the production of the first crop, the annual recurring expenses would be tax deductible when incurred notwithstanding that they are incurred to earn profits in future years. For example, an orchardist would be entitled to deduct expenditure on cultivation, pruning, spraying, rates, insurance, depreciation, etc., until the trees reach fruit bearing age.

6. Hail Damage - compensation payments received by orchardists for hail damage made to fill a gap in the profits are assessable income in the year received.

7. Growing crops of fruit, vegetables etc, are a capital asset and are only regarded as trading stock when they are harvested or severed from the ground (refer section 6.8.4.)

8. Horticulturalists qualify for the Farm Income Equalisation Scheme (refer section 6.8.9. (i)) and the Farming Investment Allowance (refer section 6.8.6.)

9. **Schedule Rates of Depreciation**

ITEM	%
Agricultural plant, and equipment including tractor drawn implements.	10 DV
Self-propelled equipment	20 DV
Cloches	Replacement or Annual Revaluation or Standard Value
Irrigation/Frost protection plant - pumping unit, sprinklers, standards and pipelines.	10 DV or Development

Glass houses - wooden framed	5 CP
metal framed	3 CP
Hop frames	Replacement or Annual Revaluation or Standard Value or Development
Hop kilns	15 DV
Plastic pots for tomato growing	Standard Value (20c each)
P.V.C. Tunnel houses	7½ CP plus maintenance
Spray plant (orchardists) Self propelled and air-blast units	20 DV
Others	10 DV
Tomatoes-structure for shading plants	5 CP
Trickle irrigation equipment in glasshouses.	25 DV

6.10 FISHING INDUSTRY

The following provisions relate specifically to the fishing industry but readers should also familiarise themselves with the previous sections.
In general "fish" includes shellfish and crustaceans.

6.10.1. Spreading of Repair Costs on Fishing Boats.

Expenditure incurred in making repairs or alterations necessary to obtain a certificate of survey under the 'Shipping and Seamen Act 1952' may be deferred in whole or in part and claimed at the written election of the taxpayer in the year of expenditure and up to four succeeding years. The expenditure covers repairs and alterations to the hull, equipment or machinery, and must be ordinarily deductible as 'repairs and maintenance' (i.e. would not be regarded as capital expenditure).

6.10.2 Depreciation

1. **First Year Depreciation.**

   Allowances available to the fishing industry include:

   (a) New or used plant and machinery — 25%

(b) New buildings or building improvements required for fish export hygiene purposes. 30%

2. **Ordinary Depreciation**

In addition to the relevant items specified in section 6.8.5., the following schedule rates may apply.

ITEM	%
Cool stores and freezing chambers	3 CP
Buildings	
Plant	10 DV
Fishing Vessels	10 DV
Registered Hull, including fixed gear and refrigeration rooms.	
Deck machinery, winches and motors	15 DV
Main engine	20 DV
Fish Processing Buildings	4 CP
Fish Processing Plant	15 DV
Wooden fish boxes and plastic fish containers.	Replacement only or Standard Value or Annual Revaluation
Radio-Receivers	20 DV
Telephones	20 DV
Testing equipment	20 DV
Transmitters	20 DV

3. Additional Depreciation on Certain Capital Expenditure on Fishing Boats.

Capital expenditure arising from compulsory surveys of fishing boats carried out by the Marine Department may be written off at the rate of 25% of the expenditure in the year incurred and each of the following three income years. The expenditure includes the cpital cost of making alterations to the hull or in acquiring, installing or extending equipment or machinery for use in a fishing boat.

It is necessary that the taxpayer keeps full and satisfactory accounts.

6.10.3 Fishing Investment Allowance.

40% of the cost of new fishing boats (including a small boat belonging to a fishing boat), new plant and machinery permanently on a fishing boat, or new plant and machinery used in rock oyster farming, mussel farming, or fresh water fish farming, may be deducted from assessable income in the year the asset is first used. Expenditure on converting or making structural alterations to a fishing boat to enable it to be used or continue to be used as a fishing boat also qualifies.

The allowance is available to lessees provided the asset qualifies for the allowance, the lease period is not less than 3 years, and both the cost price and the residual value (viz: cost less depreciation at tax rates) are specified.

The allowance is not available for road vehicles, buildings, wharves, jetties and shore installations; office equipment; nets, baskets, ropes, buoys etc; containers, assets costing less than $500: any asset which is secondhand; where the expenditure has been claimed as development expenditure; or where another investment allowance has been climed for that asset.

The allowance does not affect first year or ordinary depreciation and is in addition to depreciation claims.

6.10.4. Development Expenditure - Fish Farming

Certain capital expenditure by rock oyster or mussel farmers or freshwater fish farmers may be claimed as a tax deduction if incurred prior to 31 March 1981. Such expenditure may be deferred in whole or in part and claimed at the written election of the taxpayer in the year of expenditure and up to nine succeeding years. The types of expenditure which qualify are:

(a) **Rock Oyster Farming**

- (i) Acquisition and preparation of spatting sticks; or
- (ii) Construction and erection of posts, rails, or other structures for the holding of spatting sticks during spat catching and maturing; or
- (iii) Construction of fences (including breakwater fences).

(b) **Mussel Farming**

- (i) Acquisition, preparation and mooring of pontoons, rafts, or other floating structures for collecting spat; or
- (ii) Acquisition, mooring and outfitting of moored floating platforms from which the collected spat is suspended for subsequent growth; or
- (iii) Collecting and depositing of shell or other suitable material on the sea bed to create spatting surfaces.

(c) Freshwater Fish Farming

- (i) Ground testing and drilling of water bores; or
- (ii) The draining of land and the excavating of sites for ponds tanks, and races; or

(iii) The construction of races, sluices, ponds settling ponds, and tanks of impervious materials to conduct and contain water; or

(iv) The supply and installation of pipes for water reticulation; or

(v) The construction of walls, embankments, walkways, service paths, and access paths; or

(vi) The supply and installation of baffles and screens for the containing or excluding of fish; or

(vii) The construction of fencing on the fish farm; or

(viii) The construction of effluent ponds and channels.

All provisions relating to deductibility of farm development expenditure apply similarly to this expenditure, including the position on termination of the qualifying period where the taxpayer has embarked on an approved "development plan" before that date, as well as recovery of developmental allowed if the area is sold within five years. (Refer section 6.8.7.)

6.10.5 Income Equalisation Scheme

Taxpayers engaged in the business of fishing are able to make deposits under the farm income equalisation scheme, and for this purpose "fishing" includes rock oyster farming, mussel farming, and freshwater fish farming. For details, refer to section 6.8.9. (i).

6.11 EXPORT INCENTIVES

The following section outlines the major incentives which could apply to primary producers who are involved in exporting. For reasons of brevity, only selected aspects have been included, and care must be exercised when applying these guidelines to any particular circumstance. Your accountant or the appropriate authority should be consulted regarding queries.

6.11.1 Export-Market Development Expenditure.

(a) Ordinary Claim.

This incentive allows 150% of specified costs incurred before 1 April 1980 to be deducted from assessable income. Thus for every $1 spent on approved export promotion, the taxpayer is entitled to deduct $1.50 from his assessable income. The maximum tax saving allowable is limited to 75c for each $1 of qualifying expenditure. This does not affect companies on the present rates of tax, but could affect individual taxpayers as their maximum rate of tax is greater than 50%.

In order to qualify for the incentive, the expenditure must:

(i) be tax-deductible under general taxation law (i.e. capital expenditure would not qualify); and

(ii) have been incurred primarily and principally for the purposes of seeking opportunities, or creating or increasing demand for the export of goods or services from New Zealand. In this context, "goods", means goods that have been manufactured, produced, assembled, processed, or packed, or graded and sorted in New Zealand, and includes live animals. "Services" means services in relation to construction projects, courses of educational training, and the furnishing of technical advice or assistance. These 'prescribed outgoings' are detailed in the legislation.

examples of qualifying expenditure include, amongst others:

- Advertising or other means of securing publicity or soliciting business.
- Market research.
- Research into methods of packaging or presenting export goods.
- Cost of free samples.
- Travelling and accommodation expenses where person is engaged on export market development work.
- The amount of any repayment of an export development grant. (refer section 6.11.2)

Examples of items which do not qualify for the incentive include, amonst others:

- Expenditures which are normally not tax-deductible, e.g. purchase of assets.
- Expenditures paid or reimbursed by another person.
- The amount of export market development expenses which have been reimbursed by an Export Market or New Markets Export Development Grant.
- Depreciation on assets employed in the export trade.

Example assessment:

An individual taxpayer has a taxable income of $19,500 before allowing any deductions relating to export market development expenditure of $1500.

Taxable income before deducting e.m.d. expenditure.		$19,500.00
less: Ordinary deduction for e.m.d. expenditure.	1,500.00	
Additional deduction for e.m.d. expenditure.	750.00	
	$2,250.00	
As the step rate of tax of 55% exceeds the maximum allowable deduction of 50%, the deduction for the e.m.d. expenditure must be reduced by the ratio of 50% to the step rate of tax i.e. $\$2,250 \times \frac{50}{55}$		2,045.45
		$17,454.55
Tax on $17,454.55 is	$6,275.00.	

(N.B. - Personal rebates have been ignored).

Where the taxpayer's highest rate of tax before allowing any deduction for export market development expenditure does not reach 50c in the $, no adjustment will be necessary.

(b) **Self-Employed Persons.**

Any taxpayer (not being a company) who is in business on his own account or as a member of a partnership who has engaged in market research, securing publicity or soliciting business, or supplying services outside New Zealand in relation to construction projects, educational training courses, or technical advice or assistance, may deduct 50% of the "value of time" spent on the above export market development activities. The allowance applies to activities undertaken before 1 April 1980.

The "value of time" is calculated as: (a x b) - c
where:

a is half the minimum hourly rate usually charged by the principal of a New Zealand firm for the particular profession or occupation of the taxpayer. If there is no customary rate the Commissioner may determine a reasonable rate.

b is the number of complete hours spent on export-market development activities in the income year.

c is the amount of any export market development grant received in respect of the time spent by the taxpayer in export-market development activities.

Example:
Assuming

(i) the minimum charge-out rate for the taxpayer's profession is $15 per hour;

(ii) the taxpayer spent 96 hours on export-market development activities during the income year; and

(iii) the taxpayer received a $300 export-market development grant in the income year.

then the value of time will be

$$(\$\frac{15}{2} \times 96) - \$300 = \$420$$

The deduction allowable to the taxpayer or his firm will then be

50% of $420 i.e. $210

6.11.2. Export-Market Development Grants.

Caution: Abolished as from 1 April 1980

This grant scheme provides a non-taxable cash grant of up to 40% of the estimated precontractual expenditure relating to exporters of professional and technical services.

For taxation purposes, these development grants are not regarded as assessable income, and the export-promotion expenditure covered by the grant is not allowable as a tax-deduction. The expenditure covered by the grant does not therefore qualify for the export market incentive deduction. However, any export-promotion expenditure over and above the grant can be claimed as a deduction plus the additional 50% incentive deduction.

If any repayments of this grant are made by the taxpayer, they are tax-deductible in that year. These repayments are also eligible for the export-market development incentive provided the other conditions are satisfied. However, no such deduction is allowed where the grant has been made to a self-employed taxpayer for time personally spent on export-market development activities (see (b) above).

6.11.3 New Markets Export Development Grants.

Caution: Abolished as from 1 April 1980.

This grant scheme provides a non-taxable cash grant of 40% of the expenditure incurred in developing a new market, and is intended to be a substitute for the tax deduction of 150% allowable under the Export Market Development Expenditure Incentive. Consequently it applies to the same items of expenditure as specified in subsection 1 (a) above.

For taxation purposes, new markets export development grants are not treated as assessable income when received. However, where the grant is made in respect of tax-deductible expenditures, the amount which is tax deductible is reduced by the amount of the grant.

6.11.4 Increased Exports Incentive

The increased exports incentive is intended to encourage the exporting of certain goods (other than the traditional basic primary products) by allowing a tax deduction based on the value of the increased export sales made in an income year up to the terminating date of 31March 1983.

The amount of the deduction is the greater of:

(i) 25% of the increase in export sales; or

(ii) an amount calculated as $\frac{X}{Y} \times Z$

where "X" is the value of export sales for the current year.
"Y" is the value of export sales for the preceding year.
"Z" is 25% of the previous years increase in export sales.

The "increase in export sales" for an income year is the excess of the value of the taxpayer's export sales in that income year over the average annual exports in his "base period". The base period is the first three years of the seven income years immediately preceding the income year under consideration.

The deduction may be claimed by any "exporter" or "export merchant" of "qualifying goods" except a co-operative dairy company, a co-operative milk marketing company, a co-operative pig marketing company, or a mineral or petroleum mining company.

An "exporter" is a manufacturer, producer or processor of qualifying goods who must have

(a) exported the goods fromNew Zealand; and

(b) sold or otherwise disposed of the goods to an overseas purchaser; and

(c) been the owner of the goods at the time of the sale or disposal.

He can engage a commission agent to export the goods on his behalf so long as he remains the owner of the goods up to the point of sale to the overseas purchaser; but if the goods are sold or otherwise disposed of to the agent then it is the agent and not the manufacturer who can claim the incentive deduction.

An "export merchant" is the person or firm that:

(a) purchases goods from the manufacturer or other supplier and directly contracts the sale of those goods with an overseas buyer; and

(b) is responsible to the overseas purchaser for the quality, quantity and delivery of the goods sold; and

(c) is entitled to receive payment for the goods from the overseas purchaser; and

(d) is actively engaged in seeking out export opportunities forNew Zealand products.

Qualifying Goods.

In general all manufactured goods (i.e., goods incorporating a significant degree of domestic processing) qualify for the incentive but there are specific exclusions.

These are:

(b) goods exported with the intention that they will be returned to New Zealand.

(c) goods imported and subsequently exported from New Zealand after being processed, packed, graded, sorted, or incorporated with another product in New Zealand unless the duty free selling price exceeds the original landed cost by at least 35%.

(d) goods re-exported from New Zealand without processing, packing, grading, or sorting in New Zealand.

(a) goods exported with the intention that they will be returned to New Zealand.

Goods derived from primary industries and unprocessed goods are excluded from the incentive under four categories.

(a) Animals and animal products and by-products (including fish, dairy produce, meat, meat products, wool, and their respective by-products).

(b) Agricultural and horticultural products and by-products.

(c) Forest products and by-products.

(d) All minerals, metals occurring in their natural state, metal ores, raw scrap metal, and primary aluminium and aluminium alloys.

There are however certain processed products which specifically qualify for the incentive despite their being excluded under one of the above general headings. These are listed in Appendix III.

Example:

An exporter has achieved export sales during the years ended 31 March as follows:

	Year	Export Sales	
	1971	$6,000	
Base period for 1979	1972	7,000	Base period 1978
	1973	8,000	
	1974	12,000	
	1975	14,000	7 years immediately preceding 1978.
7 years immediately preceding 1979.	1976	16,000	
	1977	18,000	
	1978	15,000	
	1979	12,000	

The value of export sales for 1979 is $12,000. The base period for the 1979 year is the 1972 to 1974 years, during which the total export sales were $27,000.
The increase in export sales for the 1979 year is therefore:

$$\$12,000 - \frac{27,000}{3} = 12,000 - 9,000$$
$$= \$3,000$$

The value of export sales for 1978 was $15,000. The base period for the 1978 year is the 1971 to 1973 years, during which the total export sales were $21,000. The increase in export sales for the 1978 year is therefore:

$$\$15,000 - \frac{21,000}{3} = 15,000 - 7,000$$
$$= \$8,000$$

The increased exports incentive deduction for 1979 will be the greater of the amounts calculated as follows:

(i) 25% of $3,000 = $750.00

or (ii) $\frac{12000}{15,000}$ x (25% of $8,000) = $1,600.00

The deduction is therefore $1,600

New Exporters

Where there have been no previous export sales, exporters qualify for the additional 25% deduction on all their qualifying export sales in an income year until a base period has been established, i.e. until the sixth year of export.

6.11.5. New Markets increased Exports Incentive.

Exporters who export qualifying goods in more than token quantities before 1 April 1981, to new markets as approved by the Department of Trade and Industry, will qualify for a 15% deduction from assessable income for increases in export sales to a new market in each of the first 2 years of the market development. The deduction is in **addition** to the basic 25% allowance for the increased exports incentive (above) and applies to the same exporters and range of goods that qualify for that incentive.

A "new market" is an area which the Department of Trade and Industry considers to be a district and separate market, and to which no New Zealand exporter has sent more than token quantities of similar goods in the previous 3 years. A new market can thus include:

- an existing product to a new market, or
- a new product to an existing market.

The allowable deductions are:

(i) For the first 12 consecutive month's export sales of particular kinds of goods to new markets, the deduction will be 15% of the value of those export sales, and should be claimed in the income year in which the first 12 months are completed.

(ii) For the second 12 month period, the deduction will be 15% of the **increase** in export sales of those goods over the export sales of the same goods in the first 12 month period, and should be claimed in the income year in which the second 12months are completed.

Example:
A taxpayer with a 31 march balance date.

Product	Approved New Market	Date of First Sale	1st 12 months ends	Sales 1st 12 months
A	X	1/8/75	31/7/76	$100,000
B	Y	1/12/75	30/11/76	$50,000
C	Z	1/6/76	31/5/77	$160,000

Product	2nd 12 months ends	Sales 2nd 12 months
A	31/7/77	$140,000
B	30/11/77	$40,000
C	31/5/78	$200,000

1977 Income Year.

The first 12 month's sales of products A and B expires within the 1977 income year. Therefore the incentive deduction allowable is:

Product	A	15% of	$100,000	=	15,000
	B	15% of	50,000	=	7,500
					$22,500

1978 Income Year.

The second 12 month's sales of products A and B expires during the 1978 income year, and the incentive deduction is based upon the increase in sales over the first 12 month period, for each product. The increase in sales for product A is $40,000, while the increase in sales for product B is nil.

Also, the first 12 month's sales for product C expires within the 1978 income year.

The allowable deduction is therefore.

Product	A	15% of	$40,000	=	6,000
	C	15% of	160,000	=	24,000
					$30,000

1979 Income Year.

The second 12 month's sales of product C expires during the 1979 income year. The incentive deduction is based on the increased sales of product C, and the deduction would be

Product C 15% of $40,000 = $6,000

6.11.6. Tax Credit Scheme for Exporters.

Where an exporter or export merchant is eligible for the increased exports incentive or the increased new markets exports incentive but is unable to receive the full tax saving because of a loss situation or having insufficient assessable income, the taxpayer can convert the lesser of the value of the incentives or the loss for the current income year into a refundable tax credit of 45c in the dollar. This tax credit is paid to the taxpayer as though it was refund of tax overpaid. Alternatively, the taxpayer can carry forward the loss in the normal manner.

6.11.7 Exports Incentive Scheme for Services

Any taxpayer who provides professional or technical services overseas is entitled to deduct 5% of the gross fees earned from his assessable income. In general the funds involved must either be remitted back to New Zealand or be paid out of funds held in New Zealand, and be within the time allowed to furnish the annual tax return. Qualifying services are defined and include advisory services relating to the establishment or development of any farming, agricultural, horticultural, fishing, or forestry project. This incentive terminates on 31 March 1980.

6.11.8. Export Performance Incentive for Qualifying Goods.

This incentive basically applies to the same goods and the same exporters and export merchants who qualify for the increased exports incentive and the new markets increased exports incentive. The incentive commences on 1 April 1980, and will allow exporters to choose between the 'new' export performance incentive and the existing increased exports and new markets export incentives (which terminate on 31 March 1983). Once made, the election to adopt the export performance incentive is irrevocable.

The incentive allowance is given as a refundable tax credit, the rate of which varies according to the local domestic content of the goods exported. The amount of tax credit is calculated by multiplying the total value of f.o.b. export sales for a particular product by the specified rate of tax credit. The specified rate of tax credit is found in a schedule prepared by the Department of Trade and Industry which lists export commodities and their associated value added band and the rate of tax credit. The following table shows the domestic value added bands and rates of incentive allowance:

Band	Domestic Value Added	Rate of Tax Credit
A	80 - 100%	11.9
B	70 - 80	10.5
C	60 - 70	9.1
D	50 - 60	7.7
E	40 - 50	6.3
F	20 - 40	4.2
G	0 - 20	1.4

Example:

Assume qualifying goods exported were:

Band	A	f.o.b. sales	$100,000
	B	"	$200,000
	C	"	$300,000

Export Performance Incentive is calculated as:

$100,000 x	11.9% =	11,900
200,000 x	10.5% =	21,000
300,000 x	9.1% =	27,300
Total incentive tax credit		$60,200

6.11.9 Export Performance Incentive for Qualifying Services.

As from 1 April 1980, any taxpayer who provided professional or technical services overseas will be entitled to a refundable tax credit of 11.9% of the net foreign currency earnings which are either remitted back to New Zealand or are paid out of funds held in New Zealand. Qualifying services are defined and include advisory services relating to the establishment or development of any farming, agricultural, horticultural, fishing, or forestry project. This incentive will replace the exports incentive scheme for services which terminates on 31 March 1980.

Example:

Gross fees from qualifying services.	$20,000
less overseas expenditure	5,000
Net foreign currency earnings	$15,000
Net foreign currency earnings transferred to New Zealand through the N.Z. banking system	$10,000
Tax Credit is 11.9% of $10,000 i.e.	$1,190

6.11.10 Export-Market Development Expenditure

As from 1 April 1980, any taxpayer who incurs qualifying export-market development expenditure will be entitled to refundable tax credit of 67.5% of such qualifying expenditure. This incentive will replace the ordinary incentive for export-market development expenditure which terminates on 31 March 1980.

To qualify for the incentive, the export promotion expenditure must.

(i) be tax-deductible under general taxation law (i.e. capital expenditure would not qualify); and

(ii) have been incurred primarily and principally for the purposes of seeking markets (including the retention of existing markets) or the obtaining of market information or market research, or creating or increasing demand for the export of goods that have been manufactured, produced, assembled, processed or packed or graded and sorted in New Zealand. "Services" means services in relation to construction projects, courses of educational training or the furnishing of technical advice or assistance.

Qualifying expenditures in general, are only those costs which are incurred outside New Zealand in promoting exports, and include, amongst others:

- Overseas travel and accommodation expenses.
- Salaries and wages paid to New Zealand based employees in respect of the time spent outside New Zealand.
- Expenses (including those incurred in New Zealand) of advertising outside New Zealand.
- Direct costs of providing samples or technical information to persons outside New Zealand, reduced by any consideration received.
- Costs incurred outside New Zealand in the preparation or submission of tenders or quotations, or in sales promotion activities or campaigns.
- Payments to overseas agents for the purposes of activities carried on outside New Zealand.

Expenditures which do not qualify for the incentive include:

- Entertainment expenses.
- Director's fees.
- Salaries and wages paid in respect of employee's time within New Zealand.
- Payments to agents for work carried out within New Zealand.
- Costs of advertising inside New Zealand.
- Commissions on sales.
- Expenditure in respect of which an Export Program Grant has been received. However, the proportion of expenditure not reimbursed by the grant will be allowed as an ordinary deduction from assessable income.

Where the tax incentive credit is allowed in respect of qualifying expenditure, the same expenditure can not be deducted from assessable income.

Example:

Assume that the taxpayer has received an export program grant (of $12,800) in respect of qualifying expenditure of $20,000.

Qualifying Expenditure:

Salaries and Wages	$17,000
Overseas travel and accommodation	5,250
Net cost of samples	750

Advertising overseas	2,000
Total qualifying expenditure	25,000
less Qualifying expenditure in respect of which a grant was made	20,000
Expenditure which qualifies for the tax credit.	$5,000
Tax Credit is 67.5% of $5,000 i.e.	$3,375

6.11.11 Export Market Development Activities Incentive for Self-Employed Taxpayers.

As from 1 April 1980, any taxpayer (not being a company) who is in business on his own account or as a member of a partnership who has engaged in market research, securing publicity or soliciting business, or supplying services outside New Zealand in relation to construction projects, educational training courses, or technical advice or assistance, will be entitled to a refundable tax credit of 67.5% of the "value of time" spent on these export-market development activities outside New Zealand. This incentive will replace the incentive for export-market development expenditure incentive for self-employed persons which terminates on 31 March 1980.

The "value of time" is calculated as:

$$\frac{(a \times b) - (c \times \frac{100}{64})}{2}$$

where:

a is half the minimum hourly rate usually charged by the principal of a New Zealand firm for the particular profession or occupation of the taxpayer. If there is no customary rate, the Commissioner may determine a reasonable rate.

b is the number of complete hours spent on export-market development activities in the income year.

c is the amount of any export program grant or export market development grant received in respect of the time spent by the taxpayer in export market development activities.

Example:

Assuming:

(i) the taxpayer spent 1,000 hours on qualifying export-market development activities;

(ii) the minimum charge-out rate for the taxpayer's profession is $20 per hour; and

(iii) during the year, the taxpayer received an Export Program Grant in respect of the value of time of $1,920, then the value of time will be:

$$\frac{(\frac{\$20}{2} \times 1{,}000) - (\$1{,}920 \times \frac{100}{64})}{2}$$

= $3,500

Tax Credit is 67.5% of $3,500 i.e. $2,362.50

6.11.12 Export Program Grants Scheme

This incentive scheme is to replace both the export-market development grants and the new markets export development grants schemes as from 1 April 1980. The export program grants scheme is formulated to encourage thorough and co-ordinated research into the development and marketing of New Zealand goods and services overseas.

The export program grants scheme provides a cash grant of 64% of the agreed amount of qualifying expenditure for the coming program year. The grant is not assessable for tax purposes, but will reduce the expenditure deductible for tax purposes. The remaining expenditure may be claimed as an ordinary tax deduction. Expenditure which is the subject of a grant does not qualify for the export market development taxastion incentive.

Eligible expenditure $100	
Export program grant	$64.00
Tax saving on balance (at normal company rates) is ($100–64) x .45	16.02
Overall level of assistance	$80.20

Grants will be available for a period of up to three years in respect of any one program with payments being made in annual instalments in advance. At the end of each program year an adjustment will be made to the amount of the following year's grant (or the final grant in the case of the last year in the program) in such a way that the total rate of the incentive on actual expenditure is maintained at 80.2 cents in the dollar.

Expenditure qualifying for the grant includes all expenditures eligible for the export market development taxation incentive, plus costs incurred within New Zealand such as salaries and wages and value of time in promoting overseas markets. To qualify under the grants scheme the overseas markets must be approved by the Department of Trade and Industry as having potential for future development.

6.12 APPENDICES

6.12.1 Appendix I

LAST DAYS FOR PAYMENTS BY PROVISIONAL TAXPAYERS

Balance Month		PROVISIONAL TAX 1st Instalment		PROVISIONAL TAX 2nd Instalment		TERMINAL TAX Companies		TERMINAL TAX Others	
Oct	19A1	7 Mar	19A1	7 Sept	19A1	7 Nov	19A2	7 Mar	19A3
Nov	19A1	7 Mar	19A1	7 Sept	19A1	7 Nov	19A2	7 Mar	19A3
Dec	19A1	7 Apr	19A1	7 Oct	19A1	7 Dec	19A2	7 Mar	19A3
Jan	19A2	7 May	19A1	7 Nov	19A1	7 Jan	19A3	7 Mar	19A3
Feb	19A2	7 Sept	19A1	7 Mar	19A2	7 Feb	19A3	7 Mar	19A3
Mar	19A2	7 Sept	19A1	7 Mar	19A2	7 Mar	19A3	7 Mar	19A3
Apr	19A2	7 Sept	19A1	7 Mar	19A2	7 Mar	19A3	7 Mar	19A3
May	19A2	7 Sept	19A1	7 Mar	19A2	7 Mar	19A3	7 Mar	19A3
June	19A2	7 Sept	19A1	7 Mar	19A2	7 Mar	19A3	7 Mar	19A3
July	19A2	7 Nov	19A1	7 May	19A2	7 Mar	19A3	7 Mar	19A3
Aug	19A2	7 Mar	19A2	7 Sept	19A2	7 Mar	19A3	7 Mar	19A3
Sept	19A2	7 Mar	19A2	7 Sept	19A2	7 Mar	19A3	7 Mar	19A3

6.12.2 Appendix II

RATES OF INCOME TAX FOR INDIVIDUALS

1979/80 INCOME YEAR

TAXABLE INCOME			AMOUNT AND RATE OF TAX				
$		$					
1	-	4,500	0	plus	14.5	of excess over	0
4,501	-	10,000	652.50	"	36.5	"	4,500
10,001	-	11,000	2,660.00	"	41.5	"	10,000
11,001	-	16,000	3,075.00	"	48.0	"	11,000
16,001	-	22,000	5,475.00	"	55.0	"	16,000
22,001		upwards	8,775.00	"	60.0	"	22,000

1980/81 INCOME YEAR

$		$					
1	-	4,900		plus	14.5	of excess over	0
4,901	-	11,500	710.50	"	35.0	"	4,900
11,501	-	16,000	3,020.50	"	48.0	"	11,500
16,001	-	22,000	5,180.50	"	55.0	"	16,000
22,000		upwards	8,480.50	"	60.0	"	22,000

6.12.3 Appendix III

GOODS WHICH SPECIFICALLY QUALIFY FOR THE INCREASED EXPORTS INCENTIVE

Reconditioned or rebuilt secondhand plant and machinery.

Any produce, being fruit, legumes, vegetables, or cereals (including extracts, fats, oils, concentrates, powders, soups, juices, jams, jellies, pastes or purees derived from fruit, legumes, vegetables, or cereals), which has been canned, dried, dehydrated, evaporated, individually quick frozen, or otherwise incorporates a significant degree of local processing.

Retail packet seeds.

Wine and grapejuice.

Prepared dinners containing either meat and vegetables or game and vegetables.

Fresh fruit (other than apples and pears).

Block frozen berry fruit.

Bulbs.

Fresh cut flowers.

Trees and shrubs.

Cholic acid, and products and by-products of cholic acid.

Fats and oils of fish, canned and bottled fish, prepared fish dinners, prepared consumer fish packs, fish paste, fish balls, fish cakes, fish fingers, fish sausages, fish extracts, fish soups, and fishmeal.

Sera derived from animal blood.

Lactose and products and by-products of lactose.

Denatured and processed lamb caeca.

Leather and leather products.

Pulp, paper (including newsprint), sawn timber, woodchips, and manufactured articles of wood and reconstituted wood.

Wool grease and products of wool grease.

Woollen and worsted yarns.

Refined beeswax.

Comb honey in consumer packs and honey dew.

Whole smoked eels and smoked eel fillets.

Spray-dried goat milk powder.

Fresh vegetables.

Beef powder.

Soup Stock

Catgut processed to a quality suitable for use for surgical, sporting, or musical purposes.

Kauri gum.
Fish and shellfish of the following species:
Barracouta, Kahawai, Kingfish, Mackerel, Mullet, Pilchard, Trevally,Black Bream, Creamfish (Leather Jacket), Blue Hake, Mao Mao, Moki, Monkfish, Red Cod, Warehou, Octopus, Squid, and Mussel, farmed or cultivated.
Smoked fish, excluding Snapper and Blue Cod.
Dried mucosa.
Processed cheese.
Pollen.
Propolis in cake form.
Pure dried vacuum salt.
Selected and tubed sausage casings derived from animals other than pigs.
Dried and processed deer by-products.
Flat galvanised steel products.
Animal gland or organ extracts and chemicals resulting from the same, for use in the pharmaceutical industry or for research purposes.
Chilled or frozen retail consumer packs principally comprising edible meat portions, which have been processed beyond the primal cut stage, have a minimum packing standard of clipped, tied, or sealed wrapping and are sold for retail consumption without further processing or packaging.
Chilled or frozen retail consumer packs comprising edible poultry portions only, which have a minimum packing standard of clipped, tied, or sealed wrapping and are sold for retail consumption without further processing or packaging.
Chilled or frozen portion controlled cuts of meat which have been processed beyond the primal cut stage, have been produced with an exacting weight tolerance and are sold for consumption without further processing or packaging.
Chilled or frozen edible fancy meats (including poultry fancy meats) which are sold for consumption without further processing or packaging.
Dried, concentrated, or evaporated meat or poultry products (other than canned goods) which are sold for consumption without further processing or packaging.
Manufactured meat or poultry smallgoods (other than canned goods).
Pet foods not fit for human consumption.
Pottery clay body.
Processed deep frozen semen.

Edible powders of, or edible powdered offal from, meat or poultry or fish.

Extracted honey in consumer packs, weighing 3 kilograms nett less.

Farmed salmon.

Fish and shellfish of the following species: Hoki (Whiptail), Ling, Pacific Oysters, Rock Oysters, and Southern Blue Whiting.

Frozen fertilised ova.

Precious and semi-precious stones (excluding greenstone) which have been fully worked and cut for use in jewellery or goldsmith's or silversmith's wares.

Processed bentonite.

Taxidermy products.

SECTION 7

ESTATE AND GIFT DUTY

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CONTENTS

7. ESTATE AND GIFT DUTY

7.1 INTRODUCTION

Both estate duty and gift duty are levied under the Estate and Gift Duty Act 1968 as amended. Both are administered by the Inland Revenue Department.

7.2. ESTATE DUTY

7.2.1. Introduction

In broad terms, estate duty is a tax on the total value of property that was owned by a person who has died as that passes from one person to another because of his death.

Estate duty is calculated according to the following general relationship:

	Estate Assets		
plus	Notional Estate		
less	Exempt Assets		
	Dutiable Estate		
less	Allowable Debts		
less	Matrimonial Home Allowance		
less	Charitable Allowance		
	FINAL BALANCE	– calculate –	Estate Duty
			less Reliefs
			NET DUTY

7.2.2. Property Liable to Estate Duty

1. All property situated in New Zealand. (Property is used in the widest sense to cover all assets including land, cash, proceeds of life insurance policies, etc.)
2. All property outside New Zealand if the deceased was domiciled in New Zealand at the date of death. A credit is allowed in respect of estate duty paid overseas.
3. "Notional Estate", being:-
   (a) Dutiable gifts (i.e. gifts which are or may be liable to gift duty) made within 3 years of death. Gifts which are exempt from gift duty are also exempt from estate duty - refer section 7.3.3.

(b) Gifts made before death where the donor has reserved an interest for his lifetime (i.e. gifts with strings attached.)

(c) Property disposed of before death where a benefit passes back to the estate upon his death.

(d) The deceased's share or interest in any property held jointly, other than a joint family home.

(e) Where all or part of the deceased's interest in a policy of life insurance on his life has been disposed of to a relative by the deceased within 3 years of death, a proportion of the gross benefits payable at death is included in the dutiable estate. This provision does not apply to a genuine disposition for full consideration to non-relatives.

The value to be included in the dutiable estate is calculated according to the following formula:

$$\frac{\text{Premiums up to disposition}}{\text{Total premiums to death}} \times \text{Gross Proceeds} \times \text{Proportion of interest disposed of}$$

Allowance is then made for any consideration paid to the deceased when the policy was assigned.

Example:

Policy taken out by deceased in 1968. Annual premium \$200. Assigned by way of sale to his wife in 1976 for the surrender value of \$2,000. Deceased dies in 1978, and the policy realises \$5,000.

Amount to be included in the dutiable estate is –

$$\frac{\text{Premiums to date of assignment}}{\text{Total premiums during term}} \times \text{Proceeds}$$

$= \dfrac{(8 \times \$200)}{(10 \times \$200)} \times \$5{,}500 =$	\$4,400
less consideration paid on assignment	2,000
Amount to be included	\$2,400

If the deceased has continued to pay the premiums after assignment, then the annual premiums so paid would be treated as gifts within three years of death and included in the notional estate – see (a) above.

(f) The value of any pensions payable to a survivor on the death of the deceased.

7.2.3. Exemptions

1. Non-dutiable gifts made absolutely.
2. The first $2,000 p.a. of any pension or annuity payable to the surviving spouse of the deceased from a group superannuation scheme.
3. The total of any such annuity payable to a child of the deceased until the child attains the age of twenty years.
4. Accrued War Pensions and Social Security benefits.
5. Personal chattels.

   The following exemptions apply to estates of all persons dying on or after 1 June 1978.

   (a) The total value of personal chattels which pass to the surviving spouse.

   (b) Up to $6,000 for personal chattels which pass to other beneficiaries.

   (Between 30 May 1974 and 1 June 1978, the maximum exemption for all personal chattels was $4,000.)
6. The deceased's share of a residence registered as a joint family home. (Applies to the estate of the first spouse to die.)

7.2.4. Allowable Debts

Debts which are owing by the deceased at the time of his death may be deducted from his estate. It does not matter whether the debt was incurred in New Zealand, or overseas.

Reasonable funeral expenses and income tax on income to date of death are regarded as allowable debts. However, no allowance should be made for any expenses of administering the estate or remuneration of the executor(s).

The amount of any debt owing under any mortgage, charge, or other encumbrance over the joint family home is not an allowable debt.

7.2.5. Matrimonial Home Allowance

In the case of a matrimonial home, the allowance is in respect of the value of the family residence (i.e. the matrimonial home), or other property if the home does not pass to the surviving spouse. The allowance is restricted to one home only, and does not apply to a joint family home.

Value of the Allowance:

(a) Where the matrimonial home passes to the surviving spouse, the value of the home is the matrimonial home allowance.

(b) Where property other than the matrimonial home passes to the surviving spouse, the allowance is the lesser of :-

  (i) the value of the matrimonial home; or

  (ii) the value of the other property passing.

  NOTE: Debts secured over the matrimonial home or equivalent property reduce the value of the allowance.

7.2.6. Charitable Allowance

The charitable allowance applies only to estates of persons dying on or after 21 June 1979. Estates of persons dying before that date do not qualify for the allowance, but qualify for the Charitable Succession Relief (refer section 7.2.10).
The level of exemption, however, is the same whichever method of calculation is followed.

Value of the Allowance:

The charitable allowance is the lesser of:
(i) The value off the charitable succession(s) or
(ii) $25,000

7.2.7. Valuation of Estate

All property included in the dutiable estate will be valued as at the date of death, except that gifts will be valued as at the date of gift. In general, the same principals apply to valuations for both estate duty and gift duty purposes. (Refer to section 7.3.2. – Valuation of Gift).

The value of land and buildings is determined by a special Government valuation, and specifically excludes the timber value of any growing trees. All other property should be valued by persons competent to value the assets concerned. However, it is not necessary to value personal chattels where they have all been exempted from duty. (Refer section 7.2.3.)

Special provisions aply regarding the valuation of annuities, pensions etc. for estate duty purposes, and care should be exercised in assessing such values, Calculation is necessary to establish the value of pensions etc. and reference must be made to the tables contained in the Second Schedule to the Estate and

Gift Duty Act. There are four tables in all, and these refer to life expectancies for males and females, expectancy of widowhood for females of various ages, and financial factors for specific time periods. These are reproduced as Tables A,B,C, and D, respectively, in Appendix II (section 7.4).

7.2.8 Valuation of Successions.

The whole of the estate is divided into various successions (i.e. inheritances) as at the date of death, and each succession, whether it be property, an annuity, or some other future interest, must be valued. The general rules of valuation are outlined in section 7.2.7. (above). Incalculating the value of each succession, no deduction should be made for administration expenses, the administrators' commission or remuneration, the estate duty payable, or any mortgage or encumbrance where the beneficiary has a right to be reimbursed in respect of such charge. Also, it should be noted that where a matrimonial home allowance has been made, the succession of the surviving spouse is reduced by the amount of that allowance.

Valuation of Amenities, Life Interests,etc.

Where an annuity or some other form of future interest is involved, the value of each inheritance is calculated using the tables in Appendix II and the total estate then apportioned between the beneficiaries. Thus if a widow is to receive an annuity for the rest of her life, the value of that annuity is calculated (based on her life expectancy), and this value is the widow's succession; the balance goes to the remainderman. The combined total of the two equals the value of the estate.

An annuity is a fixed sum of money payable each year for a number of years or for life. An annuity may commence as at date of death, or some time thereafter, such as after a certain number of years or upon the happening of some specific event.

Example:

Son aged 45 is left an annuity of $2,000 for life. Value of his succession would be:
Present value of $1 per annum for life of a male aged 45 (from Table A) is $14.92971.
Present value of $2,000 pa = $2,000 x 14.92971
= $29 859

A life interest is the right to receive the income for life from a certain fund, or specified assets, or to have the use of an asset for life. The successor entitled to this is the life tenant.

Example:

A dies on 18 November 1973 leaving a final balance of \$100,000. Under his will his widow (age 63) receives income for life and on her death estate assets pass to surviving children.

	Successions	
Widows:	Present value of income on capital of \$1 for life of a female age 63 (from Table B) is \$0.54800.	
	Present value of income on \$100,000 is	\$54,800
Remainderman:	Present value of interest	\$45,200
		\$100,000

Interests may terminate otherwise than on death. Common examples would include:

(1) Income from residue of estate during her widowhood. Table C should be used.

(2) Income from estate's farming activities to widow until the youngest child attains the age of 21. Table D should be used.

(3) Annuity of \$1,040 to son until he attains age of 25. Table D should be used.

7.2.9. Calculation of Estate Duty

Estate duty is assessed on the final balance of the estate at the rate set out in Appendix I (section 7.4). The allowable reliefs are then deducted in order to obtain the actual estate duty payable.

7.2.10 Reliefs

Reliefs are deducted from the estate duty assessed, where applicable. Available reliefs include the following:

1. **Widow or Widower Relief**

Caution: This relief has now been abolished and applies only to the estates of persons dying before 21 June 1979.

The duty otherwise payable at scale rates is reduced by an amount calculated as follows:

$$\frac{\text{The lesser of the succession or \$60,000}}{\text{Final Balance}} \times \text{Estate Duty}$$

2. **Children Under 20**

Caution: This relief has now been abolished, and applies only to the estates of persons dying before 21 June 1979.

The duty otherwise payable is reduced by an amount calculated as follows:

(a) On the death of one parent, the relief is:

$$\frac{\text{The lesser of the succession or \$1,000}}{\text{Final Balance}} \times \text{Estate Duty}$$

or (b) On the death of the last surviving parent (i.e. the child becomes an orphan), the relief is:

$$\frac{\text{The lesser of the succession or appropriate \% of \$10,000}}{\text{Final Balance}} \times \text{Estate Duty}$$

The "appropriate percentage of $10,000" is scaled according to the age of the orphan infant child, thus

Age under 5 years	$10,000
5 years but under 10 years	$ 7,500
10 years but under 15 years	$ 5,000
15 years but under 20 years	$ 2,500

3. **Charitable Successions**

Caution: This relief has now been abolished and applies only to the estates of persons dying before 21 June 1979. Estates of persons after that date qualify for the Charitable Allowance (refer section 7.2.6.)

Allowable Relief should be calculated as follows:

$$\frac{a}{b} \times c$$

where:
a = the lesser of the charitable succession(s) or $25 000
b = the Final Balance less item a
c = the Estate Duty on item b."

4. **Relief from Successive Estate Duties (i.e. Quick Succession).**

If the estate of a deceased person includes property which was inherited within 5 years of death, relief from duty may be given in the second estate in order to reduce the effect of a double impact of estate duty.

The reduction is applied to the lesser of the duty payable on the particular property in the first and second estates. The reduction is graduated according to the period which has passed between the two dates of death, as shown in the following table.

Period between Death of Successor and Predecessor	Duty Reduced by
0 - 4 months	75%
4 - 8 months	60%
8 - 12 months	50%
1 - 2 years	40%
2 - 3 years	30%
3 - 4 years	20%
4 - 5 years	10%

5. **Relief for Gift Duty Paid**

Where gifts have been included in the notional estate, the gift duty paid plus interest at 3% p.a. from the date the gift duty was paid to the date of death, will be refunded to the person who paid it. If the donor (i.e. the deceased) paid the gift duty, the amount of gift duty refunded (excluding any interest) is included in his dutiable estate. The total refund under these circumstances is first applied towards the payment of any estate duty and then any excess is refunded to the administrator of the deceased donor's estate.

7.2.11 Assessment and Collection

The administrator must file an Administrators' Statement together with various supporting forms within six months after the grant of administration. The forms prescribed for filing are available from the Inland Revenue Department.

An assessment is issued immediately after the accounts are filed, but this assessment may be amended as a result of the Department's examination or from further information received. After any queries have been satisfied, the Department then certifies the final balance and that duty is, or is not, payable.

Once this notice of assessment has been issued, any estate duty payable should be paid within three months after which a penalty of 5% of the unpaid duty is imposed.

Interest at 5% p.a. is charged on the amount of duty unpaid after six months from the date of death. Interest at 5% p.a. is also charged on any unpaid penalty on estate duty calculated from the date the penalty became payable.

7.2.12 Example of Estate Duty Assessment

Mr.Green died on 30 October 1979, and his estate included the following property (at market value):-

Matrimonial home	$45,000
Investments in shares	34,000
Personal chattels	7,000
Cash at P.O.S.B.	3,250
Interest accrued at P.O.S.B.	50
Car and boat	15,000
Mortgage over son's farm	80,000
Interest accrued on mortgage	700

His liabilities were:

Mortgage over home	15,000
Accounts payable	1,300
Income tax assessed to date of death	1,100
Funeral expenses	600

In May, 20 years ago, Green took out a policy of life assurance which has annual premiums of $300. In June 1977 he sold a half interest in the policy to his wife for $7,000 which was half the then surrender value. Green continued to pay the premium until his death. The gross proceeds at death were $20,000.

Green had also contributed to a superannuation scheme which, on his death, would provide his widow with $4,000 per annum for the remainder of her life.

In addition, Green had forgiven debts to his son as follows:-

1 January 1975	$10,000
1 January 1976	$10,000
1 January 1977	$10,000
1 January 1978	$10,000

Gift duty of $660, $660, $180, and $180 respectively had been paid by Green's son.

In his will, Green made the following bequests:

To son John, aged 25, debt forgiven	$25,000
To daughter Sue, aged 19, cash	$30,000
To St.John Ambulance Association	$5,000
To wife, aged 65 – the residue.	

The final balance on which duty would be assessed is calculated as follows:

		$	$
Estate Assets:			
Matrimonial home		45,000	
Investments		34,000	
Personal chattels		7,000 (1)	
P.O.S.B. – cash plus accrued interest		3,300	
Car and boat		15,000	
Mortgage and accrued interest		80,700	
Proceeds of insurance policy		10,000 (2)	
			195,000
Plus **Notional Estate:**			
Dutiable gifts to son		20,000 (3)	
Interest in life policy disposed of		2,091 (4)	
Superannuation payable to widow		20,605 (5)	
			42,696
			237,696
Less **Exempt Assets:**			
Personal Chattels to widow (1)			7,000
			230,696
Less **Allowable Debts:**			
Mortgage over home		15,000	
Accounts payable		1,300	
Income tax		1,100	
Funeral expenses		600	
		18,000	
Matrimonial Home Allowance:			
Matrimonial home	$45,000		
less Mortgage	15,000		
		30,000	
Charitable Allowance:			
Value of bequest		5,000	
			53,000
FINAL BALANCE			$177,696
Value of Successions:			
Final balance of estate			177,696
plus Matrimonial Home Allowance			30,000
plus Charitable Allowance			5,000
Net value of the estate			$212,696

Successions.			
Son (John)			
Gifts		20,000(3)	
Bequest		25,000	
			45,000
Daughter (Sue)			
Bequest			30,000
St.John Ambulance Association			5,000
Widow (Mrs.Green) - the residue			132,696
NET VALUE OF THE ESTATE			$212,696
Estate Duty on final balance of $177,696			$27,193.60
less **Reliefs:**			
Credit for gift duty paid (6)	180.00		
(i) Duty on $10,000 (1.177)			
Plus interest:	15.27		
3%pa on $180 for			
2 years 302 days			
		195.27	
(ii) Duty on $10,000 (1.1.78)	180.00		
Plus Interest:	9.87		
3% pa on $180 for			
1 year 302 days			
		189.87	
Total Reliefs			385.14
NET ESTATE DUTY PAYABLE			$26,808.46

NOTES:

1. The value of personal chattels passing to the widow is totally exempt from Estate Duty. Thus the $7,000 could be omitted from the calculation.
2. Green had sold a half interest in the insurance policy to his wife in 1976, so only half the proceeds belong to the estate.
3. Only dutiable gifts made within 3 years of death are included as notional estate.
4. Green's interest in the life policy is calculated as:

$\frac{20 \times 300}{22 \times 300} \times 20{,}000 \times \frac{1}{2} =$	$9,091
less consideration received	7,000
Amount to be included	$2,091

5. The value of the widow's superannuation is calculated as:

Superannuation	$4,000 p.a.
less exemption	2,000 p.a.
Dutiable	$2,000 p.a.

Life expectancy for a female aged 65 is 14.84 years, and the present value of $1 p.a. for her life is $10.3027 (from Table B). The value of the superannuation is therefore $2,000 x $10.3027 i.e. $20,605.

6. The gift duty paid is not included in the notional estate as it was paid by the son. The estate, however, does receive a credit for the gift duty paid to be offset against the estate duty payable. Similarly, the interest due by the Crown on the gift duty paid, although strictly payable tothe son, will be offset against the estate duty payable. The estate should account to the son, John, for these amounts.

7.3 GIFT DUTY

7.3.1. Definitions

A gift is any disposition of property made otherwise than by will, without fully adequate consideration in money or money's worth passing to the donor (the person making the gift).

"Disposition of property" is used in its widest sense to cover any alienation of property, such as any conveyance, transfer, settlement or assignment, including transactions which diminish the value of one estate to the betterment of another. It includes all gifts of property in New Zealand and all gifts of foreign property if the owner is domiciled in New Zealand.

"Consideration" is what one party in a transaction gives to the other party. The most common form is money, but it could be a promise to do or not to do something, or another form of property. Whatever form is involved, its value is calculated in monetary terms.

7.3.2. Valuation of Gift

The value of a gift is the monetary value of the property gifted less any consideration paid. The value of land and buildings is determined by agreement between the donor and the Commissioner of Inland Revenue, or by the Valuer-General. All other property is at market value as assessed by a competent valuer.

7.3.2.(i) Date of Valuation

A gift (and any consideration) is valued as at the date the gift is made, which is taken to mean the date at which the donor has put himself in the position where the gift cannot be revoked (i.e. the gift is complete).

The completion dates of some of the more common forms of gift are illustrated in the following chart:

Description of Gift	When Complete
Cash	On delivery to the beneficiary.
Cheques	When the cheque has been cashed. (Until then it can be revoked).
Land	Except where a valid trust is created, the earlier of the dates on which –

	(a) the instrument of transfer is registered in the Land Transfer Office; or (b) the beneficiary has possession of all the necessary documents to enable the registration to be effected.
Shares	As for land, except that the instrument of transfer is registered by the company.
Chattels	Where there has been effective delivery of the chattels or there has been a deed of assignment.
Release and forgiveness of debt	Normally the execution of a legally effective deed of release or forgiveness will be required.

7.3.3. Exemptions from Gift Duty

A dutiable gift is any gift which is or may be liable to gift duty. However, certain gifts are specifically excluded from gift duty, and include:

1. Small gifts, not exceeding an aggregate of $1,000 ($400 prior to 1 January 1979) to the same beneficiary in the same calendar year, are not taken into account if they are made in good faith as part of the normal expenditure of the donor.
2. Gifts made towards the maintenance or education of a relative provided the gift is not excessive having regard to the obligation of the donor.
3. Gifts made to charitable bodies.
4. Special exemptions including:-
   - certain superannuation elections
   - contributions by an employer to superannuation fund
   - certain gratuitous payments to employer to employee
   - settlement of a joint family home.

7.3.4. Calculation of Gift Duty

Gift duty does not become payable until the value of any dutiable gifts over any twelve month period exceeds $15,000 in total value. (Prior to 30 July 1976, $4,000 was exempt from gift duty: between 30 July 1979 and 21 June 1979 (inclusive), $8,000 was exempt). Rates of Gift Duty are detailed in Appendix III (section 7.4.)

If more than one dutiable gift is made within a twelve month period, the duty is apportioned to each dutiable gift involved in accordance with the following formula:

$$\frac{a}{b} \times c$$

where – (a) is the value of the dutiable gift.

(b) is the total value of this gift and all other dutiable gifts made within twelve months.

(c) is the amount of gift duty payable on item (b).

It should be noted that the 12 month period is chosen so as to **maximise** the amount of gift duty payable

7.3.5. Aggregation of Gifts

It is important to note that although gift duty is charged on each individual dutiable gift, the rate of gift duty charged on any such individual gift depends upon the aggregation of the value of all dutiable gifts made at the same time or within twelve months subsequently or previously by the same donor (not being a gift exempted from duty e.g. to a charity). The day the gift is made is included in the twelve month period, so that gifts completed on the same day each year cannot be aggregated. Furthermore, **all** dutiable gifts are aggregated, irrespective of the identity of the recipient (donee).

Example 1:

Gift to A of $12,000 made on 1 August 1980.
Gift to B of $13,000 made on 31 July 1981.

These gifts would be aggregated and be liable to gift duty of $750, even though each gift is below the exemption level of $15,000. Note that if the gift to Q was made on 1 August 1981, no aggregation would occur as the gifts are not **within** a twelve month period.

Example 2:

Gift to C of $18,000 made on 1 August 1980 - duty of $150 paid.
Gift to D of $15,000 made on 1 January 1981.

These gifts would be aggregated and duty of $1,850 on the sum of $33,000 would be payable, less the $150 already paid.

Special transitional provisions apply where the twelve month period includes gifts made before 22 June 1979. Where the aggregated figure does not exceed $15,000, the duty on these aggregated gifts will not change. Where the aggregated figure exceeds $15,000, the duty on the gift made prior to 22 June 1979 will be assessed at the rates applying at the time of the gift - i.e. at the old rates.

Example:
Dutiable gift made before 22 June 1979 aggregates with a gift made after that date, together totalling more than $15,000.

Gift of $10,000 made on 6 June 1979-duty of $180 paid.
Gift of $18,000 made on 24 December 1979.

Total gifts during 12month period	$28,000	
Duty on $28,000 at **old** rate is	$2,700	
Therefore duty on $10,000 is		
$\frac{\$10,000}{\$28,000} \times \$2,700 =$		$964.28
Duty on $28,000 at **new** rates is	$1,050	
Therefore duty on $18,000 is		
$\frac{\$18,000}{\$28,000} \times \$1,050 =$		$675.00
		$1,639.28
less duty paid		180.00
Duty Payable.		$1,459.29

7.3.6. Assessment and Collection

If the value of a gift exceeds $8,000 or if the aggregated value of this gift and all other gifts made over the previous twelve months exceeds $8,000, a Gift Statement (form IR 635 must be delivered to the Commissioner by the donor within three months of making the gift.

If the donor fails to deliver the Gift Statement within the specified time, the donee has an extra month to do so.

If gift duty remains unpaid within six months of making a dutiable gift, a penalty of 5% will be added to the unpaid duty.

Interest at 5% p.a. on the duty payable, and subsequently on any penalty levied, will be added to any duty unpaid within three months of making a dutiable gift.

The donor is primarily liable to pay gift duty, but the Inland Revenue can obtain payment from the donee. Unless the terms of the gift provide otherwise, the donee is entitled to recover such duty paid from the donor.

7.3.7. Example of Gift Duty Assessment:

Gift made to D on 14 August 1979 of $12,000
Gift made to E on 18 November 1979 of $12,000
Gift made to F on 31 October 1980 of $25,000
Duty assessment is as follows:
Gifts to D and E aggregated - $24,000
Gift to E and F aggregated - $37,000

Duty on gift to D is calculated as $\frac{12,000}{24,000} \times 650 =$ $325.00

Duty on gift to E yields more revenue when aggregated with gift to F, being charged with duty at a higher rate than if aggregated with gift to D.

Therefore, duty on gift to E is $\frac{12,000}{37,000}$ x 2,650 = $859.46

Duty on gift to F is $\frac{25,000}{37,000}$ x 2,650 = $1,790.54

Total gift duty for gifts to D,E, and F: $2,975.00

This calculation has been performed with hindsight, after all gifts are known. However, it must be realised that Gift Statements would be filed for each gift (as they exceed $8,000), and that gift duty would be assessed on those statements. On a progressive basis, therefore, the duty assessment is as follows:

14 August 1979

Total gifts	$12,000	
Gift Duty payable	Nil	

18 November 1979

Total gifts for previous 12 months.	$24,000	
Gift Duty payable apportioned:	$650.00	
Gift to D: $\frac{12,000}{24,000}$ x 650.00 =		$325.00
Gift to E: $\frac{12,000}{24,000}$ x 650.00 =		$325.00

31 October 1980

Total gifts for previous 12 months	37,000	
Gift Duty payable apportioned:	$2,650	
Gift to E: $\frac{12,000}{37,000}$ x 2,650.00 =		$859.46
less duty already paid =	325.00	
		534.46
Gift to F: $\frac{25,000}{37,000}$ x 2,650.00 =		1,790.54
Total gift duty for gifts to D,E, and F:		$2,975.00

As can be seen, the total gift duty is unaltered.

7.4 APPENDICES

Appendix I RATES OF ESTATE DUTY

PART A PERSONS DYING BEFORE 21 JUNE 1979

Final Balance of Estate	*Amount and Rate of Duty*
Up to $25,000	Nil
$25,000 - $27,000	7% of excess over $25,000
$27,000 - $29,000	$140 plus 8% of excess over $27,000
$29,000 - $31,000	$300 plus 9% of excess over $29,000
$31,000 - $33,000	$480 plus 10% of excess over $31,000
$33,000 - $35,000	$680 plus 11% of excess over $33,000
$35,000 - $37,000	$900 plus 12% of excess over $35,000
$37,000 - $39,000	$1,140 plus 13% of excess over $37,000
$39,000 - $41,000	$1,400 plus 14% of excess over $39,000
$41,000 - $43,000	$1,680 plus 15% of excess over $41,000
$43,000 - $45,000	$1,980 plus 16% of excess over $43,000
$45,000 - $47,000	$2,300 plus 17% of excess over $45,000
$47,000 - $49,000	$2,640 plus 18% of excess over $47,000
$49,000 - $51,000	$3,000 plus 19% of excess over $49,000
$51,000 - $53,000	$3,380 plus 20% of excess over $51,000
$53,000 - $55,000	$3,780 plus 21% of excess over $53,000
$55,000 - $57,000	$4,200 plus 22% of excess over $55,000
$57,000 - $59,000	$4,640 plus 23% of excess over $57,000
$59,000 - $61,000	$5,100 plus 24% of excess over $59,000
$61,000 - $63,000	$5,580 plus 25% of excess over $61,000
$63,000 - $65,000	$6,080 plus 26% of excess over $63,000
$65,000 - $75,000	$6,600 plus 27% of excess over $65,000
$75,000 - $85,000	$9,300 plus 28% of excess over $75,000
$85,000 - $95,000	$12,100 plus 29% of excess over $85,000
$95,000 - $105,000	$15,000 plus 30% of excess over $95,000
$105,000 - $115,000	$18,000 plus 31% of excess over $105,000
$115,000 - $125,000	$21,100 plus 32% of excess over $115,000
$125,000 - $135,000	$24,300 plus 33% of excess over $125,000
$135,000 - $145,000	$27,600 plus 34% of excess over $135,000
$145,000 - $155,000	$31,000 plus 35% of excess over $145,000
$155,000 - $175,000	$34,500 plus 36% of excess over $155,000
$175,000 - $195,000	$41,700 plus 37% of excess over $175,000
$195,000 - $225,000	$49,100 plus 38% of excess over $195,000
$225,000 - $255,000	$60,500 plus 39% of excess over $225,000
Over $255,000	$72,200 plus 40% of excess over $255,000

PART B

PERSONS DYING BETWEEN 21 JUNE 1979 AND 31 MARCH 1980 (INCLUSIVE).

Final Balance		Amount and Rate of Duty
Up to	$100,000	Nil
100,000 –	$250,000	$ 0 plus 35% of excess over $100,000
Over	$250,000	$52,000 plus 40% of excess over $250,00

PART C

PERSONS DYING BETWEEN 1 APRIL 1980 AND 31 MARCH 1981 (INCLUSIVE)

Final Balance		Amount and Rate of Duty
Up to	$150,000	Nil
$150,000–	$250,000	$ 0 plus 35% of excess over $150,000
Over	$250,000	$35,000 plus 40% of excess over $250,000

PART D

PERSONS DYING BETWEEN 1 APRIL 1981 AND 31 MARCH 1982 (INCLUSIVE)

Final Balance		Amount and Rate of Duty
Up to	$200,000	Nil
$200,000 –	$250,000	$ 0 plus 35% of excess over $200,000
Over	$250,000	$17,500 plus 40% of excess over $250,00

PART E

PERSONS DYING ON OR AFTER 1 APRIL 1982

Final Balance		Rate of Duty
Up to	$250,000	Nil
Over	$250,000	40% of excess over $250,000

Appendix II

TABLES FOR VALUATION OF PENSIONS ETC.

Table A

Present Value of Annuity or Other Interest for Life of MALE or Expectant on Death of MALE

Years of Age	Expectation of Life of Male	Present Value of $1 per Annum for Life	Present Value of $1 Payable on Death	Present Value of Income on Capital of $1 for Life
	Years	$	$	$
0	68.29	19.28531	0.03573	0.96427
1	69.03	19.31080	0.03446	0.96554
2	68.17	19.28117	0.03594	0.96406
3	67.27	19.24885	0.03756	0.96244
4	66.33	19.21357	0.03932	0.96068
5	65.39	19.17665	0.04117	0.95883
6	64.44	19.13758	0.04312	0.95688
7	63.48	19.09622	0.04519	0.95481
8	62.53	19.05334	0.04733	0.95267
9	61.56	19.00747	0.04963	0.95037
10	60.60	18.95988	0.05201	0.94799
11	59.63	18.90948	0.05453	0.94547
12	58.66	18.85664	0.05717	0.94283
13	57.69	18.80124	0.05994	0.94006
14	56.74	18.74441	0.06278	0.93722
15	55.79	18.68488	0.06576	0.93424
16	54.86	18.62391	0.06880	0.93120
17	53.92	18.55941	0.07203	0.92797
18	53.00	18.49340	0.07533	0.92467
19	52.07	18.42335	0.07883	0.92117
20	51.15	18.35084	0.08246	0.91754
21	50.23	18.27503	0.08625	0.91375
22	49.32	18.19663	0.09017	0.90983
23	48.40	18.11378	0.09431	0.90569
24	47.48	18.02716	0.09864	0.90136
25	46.56	17.93660	0.10317	0.89683
26	45.63	17.84085	0.10796	0.89204
27	44.70	17.74068	0.11297	0.88703
28	43.76	17.63473	0.11826	0.88174
29	42.83	17.52505	0.12375	0.87625
30	41.89	17.40904	0.12955	0.87045

TABLE A—*continued*

PRESENT VALUE OF ANNUITY OR OTHER INTEREST FOR LIFE OF MALE OR EXPECTANT ON DEATH OF MALE—*continued*

Years of Age	Expectation of Life of Male	Present Value of $1 per Annum for Life	Present Value of $1 Payable on Death	Present Value of Income on Capital of $1 for Life
	Years	$	$	$
31	40.96	17.28896	0.13555	0.86445
32	40.03	17.16314	0.14184	0.85816
33	39.10	17.03125	0.14844	0.85156
34	38.17	16.89325	0.15534	0.84466
35	37.24	16.74887	0.16256	0.83744
36	36.32	16.59947	0.17003	0.82997
37	35.40	16.44326	0.17784	0.82216
38	34.48	16.27992	0.18600	0.81400
39	33.57	16.11105	0.19445	0.80555
40	32.65	15.93259	0.20337	0.79663
41	31.74	15.74811	0.21259	0.78741
42	30.83	15.55535	0.22223	0.77777
43	29.92	15.35394	0.23230	0.76770
44	29.02	15.14570	0.24271	0.75729
45	28.13	14.92971	0.25351	0.74649
46	27.25	14.70681	0.26466	0.73534
47	26.38	14.47697	0.27615	0.72385
48	25.52	14.24019	0.28799	0.71201
49	24.67	13.99650	0.30018	0.69982
50	23.83	13.74593	0.31270	0.68730
51	23.00	13.48857	0.32557	0.67443
52	22.18	13.22161	0.33892	0.66108
53	21.38	12.95106	0.35245	0.64755
54	20.59	12.67399	0.36630	0.63370
55	19.82	12.39437	0.38028	0.61972
56	19.06	12.10793	0.39460	0.60540
57	18.32	11.81622	0.40919	0.59081
58	17.60	11.52338	0.42383	0.57617
59	16.89	11.22607	0.43870	0.56130
60	16.19	10.92067	0.45397	0.54603
61	15.50	10.60871	0.46956	0.53044
62	14.82	10.29307	0.48535	0.51465
63	14.16	9.97560	0.50122	0.49878
64	13.52	9.65621	0.51719	0.48281
65	12.90	9.34054	0.53297	0.46703
66	12.29	9.01705	0.54915	0.45085

TABLE A—*continued*

PRESENT VALUE OF ANNUITY OR OTHER INTEREST FOR LIFE OF MALE OR EXPECTANT ON DEATH OF MALE—*continued*

Years of Age	Expectation of Life of Male	Present Value of $1 per Annum for Life	Present Value of $1 Payable on Death	Present Value of Income on Capital of $1 for Life
	Years	$	$	$
67	11.71	8.70177	0.56491	0.43509
68	11.14	8.38437	0.58078	0.41922
69	10.59	8.06670	0.59666	0.40334
70	10.05	7.75097	0.61245	0.38755
71	9.53	7.43320	0.62834	0.37166
72	9.01	7.11396	0.64430	0.35570
73	8.51	6.79196	0.66040	0.33960
74	8.03	6.48255	0.67587	0.32413
75	7.57	6.17217	0.69139	0.30861
76	7.13	5.87436	0.70628	0.29372
77	6.71	5.58028	0.72099	0.27901
78	6.31	5.29600	0.73520	0.26480
79	5.92	5.01599	0.74920	0.25080
80	5.55	4.73990	0.76300	0.23700
81	5.19	4.47126	0.77644	0.22356
82	4.84	4.20411	0.78979	0.21021
83	4.51	3.94555	0.80272	0.19728
84	4.19	3.69482	0.81526	0.18474
85	3.89	3.45545	0.82723	0.17277
86	3.60	3.21687	0.83916	0.16084
87	3.33	2.99474	0.85026	0.14974
88	3.07	2.78084	0.86096	0.13904
89	2.83	2.57640	0.87118	0.12882
90	2.60	2.37771	0.88111	0.11889
91	2.39	2.19631	0.89018	0.10982
92	2.19	2.02354	0.89882	0.10118
93	2.01	1.86805	0.90660	0.09340
94	1.84	1.71429	0.91429	0.08571
95	1.68	1.56916	0.92154	0.07846
96	1.53	1.43311	0.92834	0.07166
97	1.39	1.30612	0.93469	0.06531
98	1.27	1.19728	0.94014	0.05986
99	1.15	1.08844	0.94558	0.05442
100	1.05	0.99773	0.95011	0.04989

Table B

Present Value of Annuity or Other Interest for Life of FEMALE or Expectant on Death of FEMALE

Years of Age	Expectation of Life of Female	Present Value of $1 per Annum for Life	Present Value of $1 Payable on Death	Present Value of Income on Capital of $1 for Life
	Years	$	$	$
0	72.43	19.41600	0.02920	0.97080
1	72.90	19.42934	0.02853	0.97147
2	72.05	19.40521	0.02974	0.97026
3	71.12	19.37756	0.03112	0.96888
4	70.18	19.34831	0.03258	0.96742
5	69.23	19.31737	0.03413	0.96587
6	68.26	19.28427	0.03579	0.96421
7	67.30	19.24994	0.03750	0.96250
8	66.33	19.21357	0.03932	0.96068
9	65.35	19.17505	0.04125	0.95875
10	64.37	19.13464	0.04327	0.95673
11	63.39	19.09226	0.04539	0.95461
12	62.41	19.04779	0.04761	0.95239
13	61.42	19.00067	0.04997	0.95003
14	60.44	18.95172	0.05241	0.94759
15	59.47	18.90092	0.05495	0.94505
16	58.50	18.84765	0.05762	0.94238
17	57.53	18.79180	0.06041	0.93959
18	56.56	18.73325	0.06334	0.93666
19	55.60	18.67252	0.06637	0.93363
20	54.64	18.60887	0.06956	0.93044
21	53.67	18.54147	0.07293	0.92707
22	52.71	18.47156	0.07642	0.92358
23	51.75	18.39830	0.08008	0.91992
24	50.79	18.32154	0.08392	0.91608
25	49.83	18.24110	0.08795	0.91205
26	48.87	18.15682	0.09216	0.90784
27	47.92	18.06947	0.09653	0.90347
28	46.96	17.97698	0.10115	0.89885
29	46.01	17.88108	0.10595	0.89405
30	45.06	17.78043	0.11098	0.88902
31	44.11	17.67502	0.11625	0.88375
32	43.16	17.56461	0.12177	0.87823
33	42.21	17.44898	0.12755	0.87245
34	41.26	17.32787	0.13361	0.86639
35	40.32	17.20238	0.13988	0.86012

Table B—*continued*

Present Value of Annuity or Other Interest for Life of FEMALE or Expectant on Death of FEMALE—*continued*

Years of Age	Expectation of Life of Female	Present Value of $1 per Annum for Life	Present Value of $1 Payable on Death	Present Value of Income on Capital of $1 for Life
	Years	$	$	$
36	39.38	17.07102	0.14645	0.85355
37	38.44	16.93352	0.15332	0.84668
38	37.50	16.78959	0.16052	0.83948
39	36.57	16.64058	0.16797	0.83203
40	35.64	16.48470	0.17576	0.82424
41	34.71	16.32162	0.18392	0.81608
42	33.79	16.15293	0.19235	0.80765
43	32.88	15.97856	0.20107	0.79893
44	31.97	15.79638	0.21018	0.78982
45	31.06	15.60540	0.21973	0.78072
46	30.17	15.40991	0.22950	0.77050
47	29.29	15.20817	0.23959	0.76041
48	28.41	14.99774	0.25011	0.74989
49	27.54	14.78078	0.26096	0.73904
50	26.68	14.55732	0.27213	0.72787
51	25.82	14.32456	0.28377	0.71623
52	24.98	14.08804	0.29560	0.70440
53	24.14	13.83998	0.30800	0.69200
54	23.31	13.58470	0.32077	0.67923
55	22.49	13.32253	0.33387	0.66613
56	21.67	13.05019	0.34749	0.65251
57	20.87	12.77449	0.36128	0.63872
58	20.08	12.49093	0.37545	0.62455
59	19.30	12.19839	0.39008	0.60992
60	18.53	11.89933	0.40503	0.59497
61	17.77	11.59402	0.42030	0.57970
62	17.02	11.28238	0.43588	0.56412
63	16.28	10.95993	0.45200	0.54800
64	15.56	10.63620	0.46819	0.53181
65	14.84	10.30270	0.48487	0.51513
66	14.14	9.96598	0.50170	0.49830
67	13.45	9.62085	0.51896	0.48104
68	12.77	9.27160	0.53642	0.46358
69	12.11	8.92159	0.55392	0.44608
70	11.46	8.56256	0.57187	0.42813
71	10.83	8.20702	0.58965	0.41035
72	10.22	7.85036	0.60748	0.39252

TABLE B—*continued*

PRESENT VALUE OF ANNUITY OR OTHER INTEREST FOR LIFE OF FEMALE OR EXPECTANT ON DEATH OF FEMALE—*continued*

Years of Age	Expectation of Life of Female	Present Value of $1 per Annum for Life	Present Value of $1 Payable on Death	Present Value of Income on Capital of $1 for Life
	Years	$	$	$
73	9.63	7.49459	0.62527	0.37473
74	9.07	7.15080	0.64246	0.35754
75	8.53	6.80486	0.65976	0.34024
76	8.01	6.46966	0.67652	0.32348
77	7.52	6.13833	0.69308	0.30692
78	7.05	5.82022	0.70899	0.29101
79	6.59	5.49499	0.72525	0.27475
80	6.16	5.18940	0.74053	0.25947
81	5.74	4.88168	0.75592	0.24408
82	5.34	4.58319	0.77084	0.22916
83	4.96	4.29814	0.78509	0.21491
84	4.59	4.00823	0.79959	0.20041
85	4.24	3.73400	0.81330	0.18670
86	3.91	3.47191	0.82640	0.17360
87	3.60	3.21687	0.83916	0.16084
88	3.31	2.97829	0.85109	0.14891
89	3.04	2.75616	0.86219	0.13781
90	2.78	2.53320	0.87334	0.12666
91	2.54	2.32588	0.88371	0.11629
92	2.32	2.13584	0.89321	0.10679
93	2.12	1.96307	0.90185	0.09815
94	1.93	1.79592	0.91020	0.08980
95	1.75	1.63265	0.91837	0.08163
96	1.59	1.48753	0.92562	0.07438
97	1.45	1.36054	0.93197	0.06803
98	1.31	1.23356	0.93832	0.06168
99	1.19	1.12472	0.94376	0.05624
100	1.07	1.01587	0.94921	0.05079

Table C

Present Value of Annuity or Other Interest for Widowhood or Expectant on Termination of Widowhood

Years of Age	Expectation of Widowhood	Present Value of $1 per Annum for Widowhood	Present Value of $1 Payable on Termination of Widowhood	Present Value of Income on Capital of $1 for Widowhood
	Years	$	$	$
Up to 20	7.5	6.12479	0.69376	0.30624
21	8.2	6.59213	0.67039	0.32961
22	8.9	7.04336	0.64783	0.35217
23	9.8	7.59895	0.62005	0.37995
24	10.7	8.13101	0.59344	0.40656
25	11.5	8.58483	0.57076	0.42924
26	12.2	8.96931	0.55153	0.44847
27	12.8	9.28751	0.53562	0.46438
28	13.3	9.54509	0.52275	0.47725
29	13.7	9.74712	0.51264	0.48736
30	14.1	9.94674	0.50266	0.49734
31	14.4	10.09104	0.49545	0.50455
32	14.9	10.33156	0.48342	0.51658
33	15.3	10.51709	0.47415	0.52585
34	15.8	10.74614	0.46269	0.53731
35	16.3	10.96866	0.45157	0.54843
36	16.9	11.23044	0.43848	0.56152
37	17.6	11.52338	0.42383	0.57617
38	18.2	11.76874	0.41156	0.58844
39	18.8	12.00617	0.39969	0.60031
40	19.5	12.27376	0.38631	0.61369
41	20.3	12.56989	0.37151	0.62849
42	20.9	12.78526	0.36074	0.63926
43	21.4	12.95789	0.35211	0.64789
44	21.8	13.09463	0.34527	0.65473
45	22.0	13.16300	0.34185	0.65815
46	22.1	13.19556	0.34022	0.65978
47	22.2	13.22811	0.33859	0.66141
48	22.2	13.22811	0.33859	0.66141
49	22.1	13.19556	0.34022	0.65978
50	22.0	13.16300	0.34185	0.65815
51	21.8	13.09463	0.34527	0.65473
52	21.6	13.02626	0.34869	0.65131
53	21.3	12.92370	0.35381	0.64619
54	20.9	12.78526	0.36074	0.63926
55	20.5	12.64168	0.36792	0.63208
56	20.0	12.46221	0.37689	0.62311
57	19.6	12.31145	0.38443	0.61557

TABLE C—*continued*

PRESENT VALUE OF ANNUITY OR OTHER INTEREST FOR WIDOWHOOD OR EXPECTANT ON TERMINATION OF WIDOWHOOD—*continued*

Years of Age	Expectation of Widowhood	Present Value of $1 per Annum for Widowhood	Present Value of $1 Payable on Termination of Widowhood	Present Value of Income on Capital of $1 for Widowhood
	Years	$	$	$
Up to 58	19.1	12.12301	0.39385	0.60615
59	18.5	11.88745	0.40563	0.59437
60	18.0	11.68959	0.41552	0.58448
61	17.4	11.44028	0.42799	0.57201
62	16.8	11.18681	0.44066	0.55934
63	16.1	10.88140	0.45593	0.54407
64	15.4	10.56290	0.47186	0.52814
65	14.6	10.18725	0.49064	0.50936

For widows 66 years of age or over, the expectations of life and widowhood are deemed to be identical, and Table B applies for both purposes.

Table D

Present Value of Annuity or Other Interest for Period Other Than Life or Expectant on Event Other Than Death

Years	Present Value of $1 Per Annum for Period	Present Value of $1 Payable After Period	Present Value of Income on Capital of $1 for Period
	$	$	$
1	0.95238	0.95238	0.04762
2	1.85941	0.90703	0.09297
3	2.72325	0.86384	0.13616
4	3.54595	0.82270	0.17730
5	4.32948	0.78353	0.21647
6	5.07569	0.74622	0.25378
7	5.78637	0.71068	0.28932
8	6.46321	0.67684	0.32316
9	7.10782	0.64461	0.35539
10	7.72173	0.61391	0.38609
11	8.30641	0.58468	0.41532
12	8.86325	0.55684	0.44316
13	9.39357	0.53032	0.46968
14	9.89964	0.50507	0.49493
15	10.37966	0.48102	0.51898
16	10.83777	0.45811	0.54189
17	11.27407	0.43630	0.56370
18	11.68959	0.41552	0.58448
19	12.08532	0.39573	0.60427
20	12.46221	0.37689	0.62311
21	12.82115	0.35894	0.64106
22	13.16300	0.34185	0.65815
23	13.48857	0.32557	0.67443
24	13.79864	0.31007	0.68993
25	14.09394	0.29530	0.70470
26	14.37518	0.28124	0.71876
27	14.64303	0.26785	0.73215
28	14.89813	0.25509	0.74491
29	15.14107	0.24295	0.75705
30	15.37245	0.23138	0.76862
31	15.59281	0.22036	0.77964
32	15.80268	0.20987	0.79013

TABLE D—*continued*

PRESENT VALUE OF ANNUITY OR OTHER INTEREST FOR PERIOD OTHER THAN LIFE OR EXPECTANT ON EVENT OTHER THAN DEATH—*continued*

Years	Present Value of $1 Per Annum for Period	Present Value of $1 Payable After Period	Present Value of Income on Capital of $1 for Period
	$	$	$
33	16.00255	0.19987	0.80013
34	16.19290	0.19035	0.80965
35	16.37419	0.18129	0.81871
36	16.54685	0.17266	0.82734
37	16.71129	0.16444	0.83556
38	16.86789	0.15661	0.84339
39	17.01704	0.14915	0.85085
40	17.15909	0.14205	0.85795
41	17.29437	0.13528	0.86472
42	17.42321	0.12884	0.87116
43	17.54591	0.12270	0.87730
44	17.66277	0.11686	0.88314
45	17.77407	0.11130	0.88870
46	17.88007	0.10600	0.89400
47	17.98101	0.10095	0.89905
48	18.07716	0.09614	0.90386
49	18.16872	0.09156	0.90844
50	18.25592	0.08720	0.91280
51	18.33898	0.08305	0.91695
52	18.41807	0.07910	0.92090
53	18.49340	0.07533	0.92467
54	18.56514	0.07174	0.92826
55	18.63347	0.06833	0.93167
56	18.69854	0.06507	0.93493
57	18.76052	0.06197	0.93803
58	18.81954	0.05902	0.94098
59	18.87575	0.05621	0.94379
60	18.92929	0.05354	0.94646
61	18.98027	0.05099	0.94901
62	19.02883	0.04856	0.95144
63	19.07508	0.04625	0.95375
64	19.11912	0.04404	0.95596
65	19.16107	0.04195	0.95805

Table D—*continued*

Present Value of Annuity or Other Interest for Period Other Than Life or Expectant on Event Other Than Death—*continued*

Years	Present Value of $1 Per Annum for Period	Present Value of $1 Payable After Period	Present Value of Income on Capital of $1 for Period
	$	$	$
66	19.20102	0.03995	0.96005
67	19.23907	0.03805	0.96195
68	19.27530	0.03623	0.96377
69	19.30981	0.03451	0.96549
70	19.34268	0.03287	0.96713
71	19.37398	0.03130	0.96870
72	19.40379	0.02981	0.97019
73	19.43218	0.02839	0.97161
74	19.45922	0.02704	0.97296
75	19.48497	0.02575	0.97425
76	19.50949	0.02453	0.97547
77	19.53285	0.02336	0.97664
78	19.55510	0.02225	0.97775
79	19.57628	0.02119	0.97881
80	19.59646	0.02018	0.97982
81	19.61568	0.01922	0.98078
82	19.63398	0.01830	0.98170
83	19.65141	0.01743	0.98257
84	19.66801	0.01660	0.98340
85	19.68382	0.01581	0.98419
86	19.69887	0.01506	0.98494
87	19.71321	0.01434	0.98566
88	19.72687	0.01366	0.98634
89	19.73987	0.01301	0.98699
90	19.75226	0.01239	0.98761
91	19.76406	0.01180	0.98820
92	19.77529	0.01124	0.98876
93	19.78599	0.01070	0.98930
94	19.79618	0.01019	0.98981
95	19.80589	0.00971	0.99029
96	19.81513	0.00924	0.99076
97	19.82394	0.00880	0.99120
98	19.83232	0.00838	0.99162
99	19.84030	0.00798	0.99202
100	19.84791	0.00760	0.99240

Appendix III

RATES OF GIFT DUTY

PART A

GIFTS MADE PRIOR TO 30 JULY 1976

Value of Dutiable Gifts made within 12 months.	Amount and Rate of Duty				
$ 1 - 4,000	Nil				
4,001 - 6,000	$ 0	plus	9%	of excess over	$4,000
6,001 - 8,000	180	”	11%	”	6,000
8,001 - 10,000	400	”	13%	”	8,000
10,001 - 12,000	660	”	15%	”	10,000
12,001 - 14,000	960	”	17%	”	12,000
14,001 - 16,000	1,300	”	19%	”	14,000
16,001 - 18,000	1,680	”	21%	”	16,000
18,001 - 20,000	2,100	”	23%	”	18,000
20,001 - 22,000	2,560	”	25%	”	20,000
22,001 - 24,000	3,060	”	27%	”	22,000
24,001 - 28,000	3,600	”	23%	”	24,000
28,001 - 32,000	4,520	”	25%	”	28,000
32,001 - 36,000	5,520	”	27%	”	32,000
36,001 - 40,000	6,600	”	29%	”	36,000
40,001 - 44,000	7,760	”	31%	”	40,000
44,001 - 48,000	9,000	”	33%	”	44,000
48,001 - 52,000	10,320	”	35%	”	48,000
52,001 - 56,000	11,720	”	37%	”	52,000
56,001 - 60,000	13,200	”	39%	”	56,000
60,001 - 64,000	14,760	”	31%	”	60,000
Over $64,000	25% of value of gift.				

RATES OF GIFT DUTY

PART B.

GIFTS MADE BETWEEN 30 JULY 1979 AND 21 JUNE 1979 (INCLUSIVE)

Value of Dutiable Gifts made within 12 months.	Amount and Rate of Duty				
$ 1 - 8,000	Nil				
8,001 - 10,000	$ 0	plus	9%	of excess over	$8,000
10,001 - 12,000	180	”	10%	”	10,000
12,001 - 14,000	380	”	11%	”	12,000
14,001 - 16,000	600	”	12%	”	14,000
16,001 - 18,000	840	”	13%	”	16,000
18,001 - 20,000	1,100	”	14%	”	18,000
20,001 - 22,000	1,380	”	15%	”	20,000
22,001 - 24,000	1,680	”	16%	”	22,000
24,001 - 26,000	2,000	”	17%	”	24,000
26,001 - 28,000	2,340	”	18%	”	26,000
28,001 - 30,000	2,700	”	19%	”	28,000
30,001 - 32,000	3,080	”	20%	”	30,000
32,001 - 34,000	3,480	”	21%	”	32,000
34,001 - 36,000	3,900	”	22%	”	34,000
36,001 - 38,000	4,340	”	23%	”	36,000
38,001 - 40,000	4,800	”	24%	”	38,000
Over $40,000	5,280	”	25%	”	40,000

PART C

GIFTS MADE ON OR AFTER 22 JUNE 1979

Value of Dutiable Gifts made within 12 months.	Amount and Rate of Duty				
$ 1 - 15,000	Nil				
15,001 - 20,000	$ 0	plus	5%	of excess over	15,000
20,001 - 30,000	250	”	10%	”	20,000
30,001 - 40,000	1,250	”	20%	”	30,000
Over $40,000	3,250	”	25%	”	40,000

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Purchase orders to: Accounts Office,
Lincoln College,
Canterbury,
New Zealand.