

Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill

Government Bill

As reported from the Finance and Expenditure Committee

Commentary

Recommendation

The Finance and Expenditure Committee has examined the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill and recommends by majority that it be passed. We recommend all amendments unanimously.

Introduction

The bill is an omnibus bill that seeks to amend the following Acts:

- Income Tax Act 2007
- Tax Administration Act 1994
- Goods and Services Tax Act 1985
- KiwiSaver Act 2006
- Gaming Duties Act 1971
- Stamp and Cheque Duties Act 1971
- Income Tax Act 2004
- Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Act 2023
- Child Support Act 1991
- Local Government Act 2002
- Accident Compensation Act 2001.

The policy proposals within the bill include:

- setting the annual rates of income tax for the 2024–25 tax year

- creating a generic set of response measures, which can be activated by Order in Council, to provide tax relief to people affected by emergency events such as earthquakes, cyclones, and flooding
- introducing the Crypto-asset Reporting Framework to implement New Zealand’s OECD obligations.

Legislative scrutiny

As part of our consideration of the bill, we have examined its consistency with the principles of legislative quality. We have no issues regarding the legislation’s design to bring to the attention of the House.

Proposed amendments

In this commentary, we discuss only the main changes we recommend to the bill. We have organised our comments by topic, rather than by following the order of the clauses as they appear in the bill.

The recommendations that we discuss in this commentary cover the following topics:

- Generic response to emergency events
- Qualifying recognised overseas pension schemes (QROPS)
- Approved issuer levy (AIL) retrospective registration
- New Zealand Business Number information sharing
- GST remedials
- Trust remedials
- Land rules remedials
- International tax remedials
- FamilyBoost remedials
- Other remedials
- Deemed source of income rules.

Remedial and minor amendments

The bill would make several remedial amendments designed to ensure that tax legislation works as intended. We have recommended further changes of a similar nature. We do not discuss minor and technical amendments in this commentary.¹

Generic response to emergency events

Historically, New Zealand governments have provided some form of tax relief to people affected by emergency events. This usually requires Parliament to pass amend-

¹ For a list of all changes we are recommending, refer to Inland Revenue’s Departmental Report, pp 289–298.

ments to tax legislation, often at pace. Using primary legislation to provide tax relief during and after an emergency event can be slow, inefficient, and create uncertainty for taxpayers, which may hinder their recovery.

Clause 53 of the bill as introduced would insert new subpart FP into the Income Tax Act 2007. Subpart FP contains several generic response measures that aim to provide tax relief to affected groups following an emergency event. Clause 118 would insert new section 6J into the Tax Administration Act 1994, enabling these tax relief measures to be activated by Order in Council when necessary.

The proposed measures would allow the government to provide tax relief to affected groups without the need to amend primary legislation. They are based on past government responses to emergency events, including:

- the Canterbury and Kaikōura earthquakes
- the 2023 North Island severe weather events
- the *Mycoplasma bovis* outbreak in 2017
- the COVID-19 pandemic response.

We recommend four key changes to the bill’s emergency response provisions. Note that one involves redrafting clause 53 as clause 53B.

When does an emergency occur

We agree with submitters that “the first day of the emergency event” would not necessarily be the date that a state of emergency was declared. Some emergency events, such as earthquakes, have a clearly identifiable start date. Other emergency events, such as cyclones, flooding, and coastal erosion, may have less obvious start dates.

We recommend amending clause 118 (proposed new section 6J(1)) to require the relevant Order in Council to specify the start date of the emergency event.

Build in ability to declare extension to end date of emergency

Proposed new subpart FP would provide a five-year window for resolving insurance and recovery activities. However, submitters noted that some emergency events (such as the Canterbury earthquakes) take much longer than five years to resolve insurance and recovery activities.

We recommend amending clause 117, which amends section 3 of the Tax Administration Act 1994, to specify that the end of an “emergency event period” refers to the last day of the income year that is 5 income years after the period begins unless a later date is specified by Order in Council (new subclause (6B), paragraph (b)). This would remove the potential complications and time pressures that could arise from trying to enact an extension through primary legislation.

Income spreading for destroyed livestock

Proposed new section FP 16, inserted by clause 53, would enable the income arising from culling livestock destroyed by an emergency event to be spread over six years.

For clarity, we recommend defining “mixed-age female breeding animals” (new clause 53B, section FP 23(8)).

New clause 53B: simplification of legislation

In our view, the original drafting of clause 53 was complex and difficult to understand. We have recommended redrafting it (as new clause 53B) to simplify the provisions relating to tax relief for emergencies. Although the changes look substantial, most are just simplifying the drafting.

However, in considering this redrafting, four new issues arose:

- We considered whether to add a “purpose” clause for this regime in proposed new section FP 1. We ultimately decided that it would be difficult to codify a purpose and be sufficiently prescriptive while allowing flexibility and ministerial discretion. However, we want to reiterate that the purpose of this regime is to provide tax relief to people affected by emergency events and help them recover.
- We considered whether taxpayer’s “intangible property” should be included in proposed section FP 1. We did not have time to reach a conclusion on this and recommend that Inland Revenue consider, in future legislation if necessary, how the regime accounts for intangible property.
- Proposed new section FP 14 sets out when a property would be deemed uneconomic to repair. This might require time and judgement, with the potential for income to be backdated to an earlier income year. Inland Revenue assured us that it would act in a taxpayer-friendly way when applying interest and penalties if the “uneconomic” decision is made in a later income year.
- Inland Revenue has looked at the land, buildings, and depreciable property provisions set out in section FP 4(5) and notified us that a minor drafting change is necessary. We recommend amending section FP 4(5) to include the underlined wording:

When the replacement property is subsequently disposed of, the extent to which the difference between the cost for tax purposes and the sale proceeds is taxable is determined by normal tax rules.

Taxation of transfers from overseas pension schemes

The bill as introduced would amend the Income Tax Act 2007 and the Tax Administration Act 1994 to address an issue with the payment of New Zealand tax on transfers of money from an overseas pension fund to a “qualifying recognised overseas pension scheme” (QROPS) or KiwiSaver fund in New Zealand. The provisions primarily address issues concerning the transfer of funds from the United Kingdom, which has strict rules for taxing pensions. QROPS are schemes that meet these UK obligations.

The bill would also amend the KiwiSaver Act 2006 to address an issue with some historically transferred UK pension funds being “locked in” to KiwiSaver schemes.

Making “scheme pays” optional for KiwiSaver providers

When transferring their UK pension to a New Zealand QROPS, some migrants need to pay the tax on the transfer in New Zealand by withdrawing funds from their pension. However, this results in UK tax charges. The bill proposes a “scheme pays” option that would allow a migrant in this situation to elect to have their QROPS provider pay the New Zealand taxes on the transfer. This avoids UK tax charges because the scheme is then obligated to withhold and pay the tax, and no funds would flow to the migrant personally.

For equity reasons, the bill also proposes that “scheme pays” would be available when transferring pension funds from countries other than the UK. Importantly, the bill as introduced would mandate that QROPS and KiwiSaver schemes are required to provide a “scheme pays” option.

We note that the policy intent for requiring QROPS to offer “scheme pays” is to address a problem with tax on UK pension transfers. However, requiring KiwiSaver providers whose target market is not migrants to offer “scheme pays” could impose unnecessary regulation and compliance costs that are then passed on to the client, for minimal benefit. We therefore recommend amending clause 105(33) to make “scheme pays” optional for KiwiSaver providers.

Notification requirements for foreign superannuation withdrawals

Under “scheme pays”, the QROPS provider would report monthly to Inland Revenue on its overseas pension transfers. To help this reporting, the bill proposes that migrants would be responsible for providing accurate information to their QROPS. This includes a requirement to calculate and notify the QROPS provider of the “assessable withdrawal amount” (in other words, the taxable part of the funds transferred) under proposed new section 31D of the Tax Administration Act 1994.

Submitters noted that the New Zealand Dollar value of the transfer (and therefore the taxable amount in New Zealand) would only be known on the date that the funds are transferred into the QROPS. Some were concerned that migrants would not have enough time to accurately assess their tax liability.

We accept this point and recommend amending clause 124 to extend the time frame for an individual to notify the QROPS provider of the assessable withdrawal amount to 10 working days from the date of transfer.

Include transfer scheme withholding tax under withholding tax “knowledge offences” exception

We propose a further amendment to the transfer rules, in new clause 145B, to ensure they work correctly.

Under section 143A of the Tax Administration Act 1994, it is an offence for a person to knowingly not withhold or pay tax to the Commissioner. However, there is an exception in section 143A(4) for circumstances where the person failed to pay the tax to the Commissioner within the prescribed time period due to factors beyond the person’s control. Section 143A(5) lists the taxes that are within the exception.

We recommend adding transfer scheme withholding tax to the list of taxes in section 143A(5) to ensure that the exception would apply to QROPS and KiwiSaver scheme providers in the relevant circumstances.

Approved issuer levy (AIL) retrospective registration

The approved issuer levy (AIL) is designed to lower the cost of capital for New Zealand borrowers to whom foreign lenders would otherwise pass on the full cost of the non-resident withholding tax (NRWT). The bill as introduced proposes that borrowers can, at the Commissioner’s discretion, retrospectively register a security so that AIL can be applied to interest paid. This would allow borrowers to pay a 2 percent AIL rather than a 10 or 15 percent NRWT. The proposal would take effect from 1 April 2025 and the backdated date of registration could not be before that date.

Two-year time frame for retrospective registration

Clause 199 of the bill as introduced would amend section 86H of the Stamp and Cheque Duties Act 1971 to allow the Commissioner to backdate registration of a security when a delay in applying for registration is caused by an oversight. It outlines the factors the Commissioner could consider.

Submitters told us that the two-year limit for retrospective registration should be removed. We agree, given that retrospective registration is granted at the Commissioner’s discretion and not guaranteed, it would still be important to register promptly. However, the amount of time between the borrower’s first interest payment and their application for retrospective registration is still a relevant consideration.

We recommend amending the bill to remove the two-year time frame for retrospective registration. Instead, we recommend inserting “duration of the delay in applying for the registration” as a factor that the Commissioner may consider when determining whether the delay was caused by an oversight.

Delays in registration other than due to “oversight”

Submitters told us that the ability to accept retrospective AIL registrations should be extended to borrowers who have attempted to register on time but were unable to do so for reasons other than “oversight”, such as administrative delays on Inland Revenue’s part. They suggested that widening the provision would ensure borrowers who mistakenly failed to comply with their obligations do not receive more favourable treatment than borrowers who were unable to comply with their obligations for reasons beyond their control.

We recommend amending proposed section 86H(3) and (4), amended by clause 199, to expand the Commissioner’s discretion to allow retrospective registration so that it covers cases when the borrower made reasonable efforts to register the security on time but failed to do so.

“Natural person” factor

One of the factors in proposed section 86H(4) is whether the applicant for retrospective registration is a “natural person”. We accept that this factor may not meaningfully help the Commissioner discern whether the borrower’s delay in registration was likely to have been unintentional. Genuine errors can occur regardless of whether the person is a natural person or an entity. We recommend removing “whether the person is a natural person” from the list of factors the Commissioner may consider in determining whether the delay was caused by an oversight.

Tax pooling at Commissioner’s discretion

Submitters suggested adding AIL to the list of taxes in section RP 17B(14) of the Income Tax Act 2007 so that tax pooling can be used to settle an AIL liability that arises when the Commissioner grants retrospective registration.

We agree that the Commissioner should have discretion to allow a borrower who is granted retrospective registration to use tax pooling to settle the resulting AIL liability. In our view, the Commissioner must be satisfied that the taxpayer was not deliberately non-compliant and did not show a lack of reasonable care. Also, the taxpayer must voluntarily disclose the new liability within a reasonable time after becoming aware of it.

We recommend inserting clause 104C, which would amend section RP 17B to add AIL to the list of taxes for which the Commissioner has the discretion to allow tax pooling to be used to satisfy new liabilities.

New Zealand Business Number information sharing

Clause 153 would amend schedule 7 of the Tax Administration Act 1994 by inserting clause 25(3B) into the schedule to allow the disclosure of information held on unincorporated bodies for purposes relating to the administration of the New Zealand Business Number Act 2016.

Language proposed presents privacy risks

The Office of the Privacy Commissioner told us that, to uphold the requirements of the Privacy Act 2020 and ensure that the privacy regulator can provide effective oversight, agencies should collect data for a particular purpose and only use, retain, and share it in ways connected with that purpose. Its view is that clause 153, as introduced, is too broad and could enable Inland Revenue to share any contact information or tax file numbers of an unincorporated body with the Ministry of Business, Innovation and Employment (MBIE) to support any of that agency’s duties and functions. MBIE is the agency responsible for administration of New Zealand Business Numbers.

We understand that the purpose of this provision is to facilitate a single transfer of data between agencies and that it would be repealed automatically by 1 April 2026. We recommend amending clause 153 to specify that the sharing and use of this infor-

mation is limited to specific duties and functions of MBIE and that the sharing would be carried out as a single transfer of data (clause 153, section 23C(3B)).

GST remedials

The bill as introduced contains several changes to the Goods and Services Tax Act 1985 (GST Act) that are intended to align the rules with policy intent and make GST compliance easier.

Zero-rating rules for international vessels exempt from import entries

Clause 159 would amend section 11A of the GST Act, which lists situations in which a supply of services must be taxed at 0 percent.

Extend zero-rating rules

Submitters advocated for broadening the amendment to also apply to regulation 25(1)(a), (bb), (d), (da), (g), and (h) of the Customs and Excise Regulations 1996. This would allow services provided in connection with a wider range of temporarily imported goods and commercial vessels to be zero-rated for GST purposes. For example, it would include aircraft that are temporarily in New Zealand as part of an international voyage, military craft performing duties on behalf of a foreign country, and certain goods associated with export.

In our view, this is consistent with the policy intent to extend the zero-rating rule to services provided directly in connection with the types of craft and goods set out in the Customs and Excise Regulations 1996. The services will be provided in relation to goods or vessels that will ultimately be exported and consumed outside New Zealand. This is consistent with the GST destination principle that aims to assign the right to tax goods and services to the country in which those goods and services are destined to be consumed.

We therefore recommend amending clause 159 to include regulations 25(1)(a), (bb), (d), (da), (g), and (h) of the Customs and Excise Regulations 1996.

Treatment on disposal of land: retirement village operators are not considered property developers

Clause 173 as introduced would amend section 21F of the GST Act to clarify that section 21F(6) applies to property developers that deal in land or erect buildings.

Submitters told us that this proposed amendment could potentially capture retirement village operators who develop their own villages. We understand that the policy intention is for the amendment to apply only to typical property developers. We recommend amending the provision to clarify that it would only apply to typical property development activities.

Trust remedials

The proposed amendments to sections HC 35 and HC 38 of the Income Tax Act 2007 (clauses 59 and 60) would clarify that income subject to the minor or corporate bene-

fiary rules is subject to a 39 percent tax rate, regardless of whether the trust is eligible for an exclusion from the 39 percent tax rate. The minor beneficiary rule in section HC 35 of the Income Tax Act limits the tax benefits that could otherwise be achieved by distributing the income of a trust to a minor beneficiary. This is intended to prevent parents and guardians from unnecessarily setting up additional trusts to benefit from a lower tax rate. The corporate beneficiary rule in section HC 38 ensures that trustees cannot shelter income from the 39 percent trustee tax rate in a trust with a company as a beneficiary (which would otherwise be taxed at 28 percent).

Disabled beneficiaries and minor beneficiary rule

The proposed amendment that clause 59 would make to section HC 35 of the Income Tax Act would ensure that beneficiary income derived from a disabled beneficiary trust is not subject to the minor beneficiary rule. Disabled beneficiary trusts are excluded from the 39 percent trustee tax rate under section HC 39 and are subject to the 33 percent tax rate on trustee income.

A “disabled beneficiary” means a beneficiary of a trust who receives one or more relevant support payments in a tax year (a disability allowance or child disability allowance, a supported living payment, or at least six months of JobSeeker Support Health and Disability). For a trust to be taxed at the 33 percent rate, all beneficiaries must derive an eligible government support payment for the relevant income year.

Applying disabled beneficiary trust rules to shared trusts

Submitters advocated for extending the proposed amendment so that the minor beneficiary rule would not apply to beneficiary income that a minor derives from any discretionary trust, provided they meet the disabled beneficiary trust definition. We heard that this would address situations where a disabled minor beneficiary shares a trust with other siblings. Under the current proposal, a special purpose trust would have to be established, imposing additional compliance and administrative costs on families of disabled children. We understand that it is not always practical for families to establish a separate trust to meet the disabled beneficiary trust requirements.

We recommend amending clause 59 to ensure the minor beneficiary rule does not apply to beneficiary income derived from any discretionary trust, provided they otherwise meet the disabled beneficiary trust definition.

Corporate beneficiary rule

Clause 10 as introduced would amend section CD 44 of the Income Tax Act 2007. This amendment would apply when a company is a beneficiary of a trust and derives income that is subject to the corporate beneficiary rule in section HC 38 of the Act. It would ensure that the amount the company can distribute to shareholders tax-free on liquidation is limited to the after-tax amount of the beneficiary income they receive.

Over-taxation of non-residents' foreign-sourced income

Submitters told us that if a trust earns foreign-sourced income and allocates it as beneficiary income to a non-resident corporate beneficiary (for example, an Austral-

ian company owned by a family member living in Australia), the distribution still falls within the corporate beneficiary rule and is taxable in New Zealand as trustee income at 39 percent. This is despite this money being a non-resident's foreign-sourced income, which would typically not be taxed in New Zealand.

We agree that there is an issue with the interaction of the corporate beneficiary rule and how a non-resident's foreign-sourced income is taxed under the core provisions of the Income Tax Act 2007.

We recommend amending clause 60 so that the corporate beneficiary rule excludes foreign-sourced amounts of beneficiary income derived by a non-resident company if the company does not have a New Zealand-resident shareholder. We recommend that the exclusion is based on the residence of the shareholders of the company, rather than the residence of the company, so that New Zealand residents are not able to avoid the rule by incorporating a company in a foreign jurisdiction and having the trust distribute income to that company. The corporate beneficiary rule should not apply to foreign-sourced amounts of income derived by non-resident companies that do not have a New Zealand resident shareholder.

Partnership remedials

The bill as introduced contains amendments to the partnership income tax rules. The changes aim to better align legislation with current practice and remove unnecessary compliance costs.

We recommend several amendments to these provisions. Most are aimed at improving the legislation's consistency or workability. They include the following:

- Adding clause 98B to remove the requirement for a limited partnership to carry out a "taxable activity" for it to be eligible for resident withholding tax exempt status. This would better align the rules for partnerships with the rules for companies.
- Amending clause 105 to make it clear that the amendments to the definition of "voting interest" apply specifically for the purposes of particular associated persons tests in subpart YB of the Income Tax Act. This is consistent with how similar changes to the definition of "market value interest" in the bill have been drafted.

Land rules remedials

The bill as introduced contains changes to the land rules with different effective dates.

Bright-line start date when land partitioned or subdivided

Clause 16 as introduced would amend section CW 3C of the Income Tax Act 2007 to ensure that the bright-line period is not restarted when a co-owner acquires land from another co-owner on a partition or subdivision. Instead, the transferee's bright-line start date is deemed to be the same as the transferor's.

Submitters suggested that the start date of a co-owner acquiring land should be taken from the date that they acquired their first interest in the undivided land, rather than the date the transferor first acquired an interest in the land.

We agree that it is not appropriate for the transferee to take on the transferor's bright-line start date if person A acquired the land, person B bought in as co-owner, and the land was subsequently partitioned. It is our view that person B's bright-line start date should be the date they bought in as co-owner.

We recommend amending the bright-line start date on partition to the date the co-owner acquired their first interest in the undivided land.

Adding savings provision for income-spreading rule on disposal of land to the Crown

We are aware that the Commissioner issued some binding rulings, before the bill was introduced, in relation to income spreading for disposals of land to the Crown. The bill seeks to amend the law relating to income spreading. To avoid retrospective application, we consider that the Income Tax Act should permit people who have relied on a binding ruling made before 26 August 2024 (the date of the bill's introduction) to continue relying on those binding rulings. We recommend including a savings provision in section EZ 8B of the Income Tax Act 2007, as inserted by new clause 43B.

International tax remedials

Interaction between transfer pricing rule and deemed dividend rule

The bill as introduced would clarify that a dividend can arise from a transfer pricing adjustment without taxpayers requesting a corresponding adjustment. A transfer pricing adjustment is based on market value and will generate a deemed dividend as there is a transfer of value. The party to the transaction can request an adjustment that can reduce their taxable income. However, the dividend should arise and be maintained whether a corresponding adjustment is requested or not.

Submitters maintain that the proposed amendment to clarify that the transfer pricing and dividend rules apply concurrently, regardless of the matching treatment application, should not apply retrospectively or should at least protect positions taken under the current law. Given that this issue has been subject to several disputes in recent years, they think retrospective application would be inappropriate.

It is our understanding that the changes were initially proposed to apply retrospectively because they were intended merely to clarify the provisions and confirm the policy intent. Further, operationally Inland Revenue has been interpreting and applying the rule in a way that is consistent with the proposed amendment.

To address submitter concerns, we recommend amending the effective date of the amendment to the standard commencement date of the day after the Act receives the Royal assent (clause 2(1) and (5)).

FamilyBoost remedials

FamilyBoost is a childcare payment to help eligible households pay for the cost of early childhood education, introduced in Budget 2024. We recommend several remedial amendments to ensure that the FamilyBoost regime is fit for purpose.

We recommend that the following changes apply when Inland Revenue is determining and calculating eligibility:

- allowing late filers who have subsequently filed a return to access the FamilyBoost tax credit (clause 91C, section MH 3(5) of the Income Tax Act 2007)
- ensuring that the intended income calculation applies to individuals who derive income from schedular payments (clause 91B, section MH 2 and clause 105, section YA 1 of that Act)
- clarifying the annual return used to determine a person’s tax credit income so that a person’s eligibility for the FamilyBoost tax credit is not determined by outdated information (clause 91D, section MH 4(4) of that Act)
- clarifying the “greater of” test used to determine tax credit income for people who derive both reportable income and non-reportable income (clause 91D, section MH 4 (5) of that Act).

For cases relating to overpayments, underpayments, and late payments, we recommend the following changes:

- ensuring debit interest applies to FamilyBoost tax credit overpayments when they are not repaid by the due date (clause 130B(3), section 41C(7) of the Tax Administration Act 1994)
- ensuring credit interest does not apply to underpayment or backdated payments of the FamilyBoost tax credit (clause 140B, section 120VE of that Act)
- ensuring late payment penalties do not apply to people who receive overpayments of the FamilyBoost tax credit when they are not repaid by the due date (clause 143B, section 139B(2C) of that Act).

Publishing significant overpayment and underpayment thresholds

In most cases a person’s FamilyBoost tax credit is full and final based on the information at hand when the claim is processed and paid. Instances when reassessment may occur are when the Commissioner considers the FamilyBoost tax credit amount to be a significant overpayment or a significant underpayment, taking account of resources required. The legislation requires these thresholds to be published. This was an approach used with student loan repayments. However, as Inland Revenue began processing claims, it became apparent that people could use the published thresholds to game the system.

We recommend removing the requirement to publish underpayment and overpayment thresholds for reassessment, to improve the integrity of FamilyBoost payments (clause 130B(2), section 41C(6)(b) of the Tax Administration Act 1994).

Other remedials

We propose several other remedial amendments aimed at improving the bill's provisions and the general workability of the Income Tax Act 2007. They include:

- Inserting clause 7B, which would extend section CB 36 of the Act to clarify that any forestry emissions units that are surrendered to meet a deregistration obligation are deemed to be disposed of for nil value.
- Amending clause 19, which would insert new section CW 17D, to ensure that reimbursement payments from an employer (to or on behalf of an employee) for an influenza vaccination are exempt income to the employee, despite being cash benefits. Usually, health and safety benefits are exempt from fringe benefit tax (FBT) if they are provided to employees as a non-cash benefit. We see no rationale for limiting the reimbursing exemption only to influenza vaccinations and recommend extending the exemption to similar cash payments relating to health and safety benefits that would be subject to the FBT exemption if they were non-cash.
- Inserting clause 33B, which would amend section DP 1(1)(e), to remove the words “excluding releasing”. This would ensure that forestry releasing costs (costs to clear weeds and undergrowth to encourage young trees to grow) are immediately deductible.
- Amending clause 34, which would insert new section EA 5 into the Act, to defer income derived from share-lending arrangements to the following income year (when the share user deducts expenditure for acquiring an identical share). We propose making this optional for greater commercial flexibility.

Deemed source of income rule for New Zealand–India double tax agreement

We recommend inserting clause 112B to replace section YD 4(17D)(b) of the Income Tax Act 2007 to support New Zealand's obligations under its double tax agreement (DTA) with the Republic of India. The effect of our proposed amendment would be that technical services fees that are subject to Article 12 of the New Zealand–India DTA are not taxed in New Zealand (because the provision of the services in India do not have the required connection to New Zealand). We recommend that the amendment apply retrospectively from 1 July 2018 when section YD 4(17D) was enacted.

Appendix

Committee process

The Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill was referred to the committee on 29 August 2024.

We called for submissions on the bill with a closing date of 9 October 2024. We received and considered 28 written submissions from interested groups and individuals. We heard oral evidence from 16 submitters in person in Wellington and online via videoconference.

Advice on the bill was provided by the Inland Revenue Department and our independent specialist adviser, John Cantin. The Office of the Clerk provided advice on the bill's legislative quality.

Committee membership

Cameron Brewer (Chairperson) (from 29 January 2025)

Jamie Arbuckle

Dan Bidois (from 29 January 2025)

Hon Barbara Edmonds

Ryan Hamilton

Nancy Lu

Hon Dr Deborah Russell

Stuart Smith (Member and Chairperson until 29 January 2025)

Todd Stephenson

Chlöe Swarbrick

Rawiri Waititi

Catherine Wedd (until 29 January 2025)

Hon Dr Megan Woods

Related resources

The documents we received as advice and evidence are available on the Parliament website.

**Taxation (Annual Rates for 2024–25, Emergency
Response, and Remedial Measures) Bill**

Key to symbols used in reprinted bill

As reported from a select committee

text inserted unanimously

~~text deleted unanimously~~

Hon Simon Watts

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The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act **2024**.

2 Commencement

- (1) This Act comes into force on the day after the date on which it receives the Royal assent, except as provided in this section.
- (2) **Section 196(2)** comes into force on 20 December 1991.
- (3) ~~Section 200~~ comes **Sections 200B and 200C** come into force on 1 April 2005. 10
- (4) **Sections 9, 15(1) and (3B), 25, 31, 32, 33(1) and (3B), 33B, 35, 54, 61, 62(1), 63(3), 64(2), 65(2), 66(2), 67(2), 68(2), 95(2), 98(1), (2), (3), (4), (6), (7), (8), (2B) and (9), 98B, 99, 100, 101, 102, 103, 105(3), (7), (12), (22), and (23), 112, 125B, 126, 127B, 128(1) and (2), and 131, and 198** come into force on 1 April 2008. 15
- (4B) **Section 7B** comes into force on 1 January 2009.
- (5) ~~Sections 55 and 56~~ come into force on 1 July 2009.
- (6) **Sections 105(9), (20), (26), and (35), and 109(1) and (3), and 110B** come into force on 1 April 2010.
- (6B) **Section 35B** comes into force on 1 July 2010. 20
- (7) **Sections 24, 49(7) and (8), 106(1), 110(1), (2), and (3), and 158(2)** come into force on 1 April 2011.
- (8) **Section 39** comes into force on 1 July 2011.
- (9) **Sections 15(3) and (4) and 33(3) and (4)** come into force on 1 April 2014.
- (10) **Section 105(14)** comes into force on 1 April 2015. 25
- (11) ~~Sections 40 and 49(1), (2), (3), (4), (5), and (6), 49B, and 112B~~ come into force on 1 July 2018.
- (12) **Sections 42, 143, and 172** come into force on 18 March 2019.
- (13) ~~Section 92~~ comes **Sections 92, 129B(2), 134(1C) and (4), 134B(2) and (3), and 140(2)** come into force on 1 April 2019. 30
- (14) **Section 157(5)** comes into force on 1 December 2019.

- (15) **Section 173** comes into force on 24 February 2020.
- (16) **Section 174** comes into force on 1 April 2020.
- (17) **Sections 6 and 16(1) and (3)(a), 15B, 15C, and 16B(1)** come into force on 27 March 2021.
- (17B) **Sections 129B(1), 134(1B), and 134B(1)** come into force on 1 April 2021. 5
- (17C) **Section 115(6)** comes into force on 25 May 2021.
- (18) **Sections 156, 160(1) and (2), 161, 162, 163, 164, 165, and 170(1), and 180(2B)** come into force on 30 March 2022.
- (19) ~~Section 26~~ comes **Sections 26 and 115(7)** come into force on 1 April 2022.
- (20) **Section 27(2)** comes into force on 8 January 2023. 10
- (21) **Sections 58, 155(2), (3), and (5), 158B, 159(3), 167B, 168, 170(4), 175, 176, 180(3), 184, and 201** come into force on 1 April 2023.
- (22) **Sections 90 and 91** come into force on 27 November 2023.
- (22B) **Section 149B** comes into force on 1 January 2024.
- (23) **Sections 10, 14, 23, 29, 57B, 59, 60, 79, 97, 105(18), and (31), and (31B), 113(1A), (1), and (1B), 115(2), 155(4), 159(2), 166, 167, 169(2), 170(3), 181, 182(1), (2)(a) and (b), and (3), and 183(1), 202C, and 202D** come into force on 1 April 2024. 15
- (23B) **Section 115(5)** comes into force on 8 May 2024.
- (24) **Sections 5, 16 (2) and (3)(b), 16B(2) and (3), 47B, and 48(2) and (3) 48B, 91B, 91C, 91D, 91E, 105(25B), (30D), and (32E), 117(6C), (7B), and (8E), 130B, 140B, and 143B** come into force on 1 July 2024. 20
- (24B) **Sections 36, 38, 43B, 51, 105(10), (21), and (36B), 109(2), and 111** come into force on 26 August 2024.
- (24C) **Section 21B** comes into force on 1 December 2024. 25
- (24D) **Sections 73B, 105(32B), and 134C** come into force on 1 January 2025.
- (25) **Sections 8, 11, 11B, 17, 18, 18B, 19, 20, 21, 23B, 27(1), 28, 30, 33C, 44, 45, 50, 53B, 57, 57D, 70, 71(1), 72(1), (2), and (4)(a), 73, 89, 91F, 91G, 92B, 92C, 96, 104C, 105(2), (2C), (2D), (2E), (2F), (2G), (2H), (2I), (8), (10B), (10C), (11), (11B), (11C), (13), (13B), (13C), (15), (16), (17), (29), and (30), (30B), (30C), (32D), (32F), and (36C), 117(1B), (1C), (1D), (1F), (5B), (6), (6B), (8B), (8C), and (8D), 118, 128(3), 129, 134(1), (2), and (3), 141, 147, 151B, 153(1), 170(1A), (1AB), (1AC), and (2), 171, 188, 190, 191, and 199** come into force on 1 April 2025. 30
- (26) **Section 189** comes into force on 1 July 2025. 35
- (27) **Sections 13, 86B, 87, 93, 94, 95(1), (3), and (4), 104, 104B, 105(4), (24), (27), (32), (32C), (33), and (34), 113(2), 117(2), (3), (4), (5), (7), and (8), (9), and (10), 119, 120, 121, 122, 123, 124, 133, 135(2), 137,**

138, 139, 140(1), 144, 145, 145B, 148, 149, 150, 151, and 152, and 153(2B) and (4) come into force on 1 April 2026.

- (28) **Section 115(4)** comes into force on 1 April 2029.
- (29) **Sections 36, 38, 43, 51, 105(10), (21), and (36), 109(2), and 111** come into force on the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill. 5
- (30) **Sections 71(2) and 72(3) and (4)(b)** come into force on the date on which section 10 of the Deposit Takers Act 2023 comes into force.

Part 1

Annual rates of income tax 10

3 Annual rates of income tax for 2024–25 tax year

Income tax imposed by section BB 1 (Imposition of income tax) of the Income Tax Act 2007 must, for the 2024–25 tax year, be paid at the basic rates specified in schedule 1 of that Act.

Part 2 15

Amendments to Income Tax Act 2007

4 Amendments to Income Tax Act 2007

This Part amends the Income Tax Act 2007.

5 Section CB 6A amended (Disposal within 2 years: bright-line test for residential land) 20

- (1A) In the table in section CB 6A(2), after row 5, insert:

Row	Condition to be satisfied	Bright-line start date for person's disposal of residential land
5B	The land results from the person subdividing land they co-own	The date given by section CW 3C (Certain partitions or subdivisions of land)

- (1) Replace section CB 6A(5), other than the heading, with:
- (5) This section does not apply—
- (a) to a disposal of land by—
- (i) an executor or administrator who acquired the land in the circumstances described in section FC 1(1)(a) (Disposals to which this subpart applies): 25
- (ii) a beneficiary who acquired the land in the circumstances described in section FC 1(1)(b):
- (b) if— 30

- (i) any of sections CB 6 to CB 12 apply:
 - (ii) section CB 16A applies:
 - (iii) section FC 9 (Residential land transferred to executor, administrator, or beneficiary on death of person) applies.
- (2) **Subsection (1)** applies to a person’s disposal of residential land if the bright-line end date for the land is on or after 1 July 2024. 5
- 6 Section CB 15E amended (Disposals of land subject to section CW 3C)**
- (1) ~~In section CB 15E(1)(a), replace “CB 10(2)” with “CB 10(1) or (2)”.~~
- (1B) Replace section CB 15E(1)(a) with:
- (a) the person derives income from the disposal under section CB 15(1); and 10
- (2) Replace section CB 15E(1)(b) with:
- (b) ~~at the time the person originally acquired their interest in the land that was partitioned or subdivided, the person was not —~~
 - (i) ~~carrying on a business of developing land or dividing land into lots; or~~ 15
 - (ii) ~~associated with a person that carried on a business of developing land or dividing land into lots.~~
 - (b) had the person disposed of their interest in the land that was partitioned or subdivided immediately before the partition or subdivision, section CB 15(1) would not have applied to the disposal. 20
- (2B) Replace the heading to section CB 15E(2) with:
- Exempt income when no or minor acquisition of land on partition or subdivision*
- (3) ~~In section CB 15E(2), replace “CB 10(2)” with “CB 10(1) or (2)”.~~
- (3B) In section CB 15E(2), delete “CB 10(2) or”. 25
- (3C) Replace the heading to section CB 15E(3) with:
- Partially exempt income when more than minor acquisition of land on partition or subdivision*
- (4) ~~In section CB 15E(3), in the words before the formula, replace “CB 10(2)” with “CB 10(1) or (2)” and replace “reduced by the amount calculated” with “exempt income to the extent given”.~~ 30
- (4B) In section CB 15E(3), in the words before the formula, delete “CB 10(2) or”, and replace “reduced by the amount calculated” with “exempt income to the extent given”.
- (5) In section CB 15E, list of defined terms, insert “acquisition proportion” and “end value proportion”. 35

7 New cross-heading above section CB 23B inserted

Above section CB 23B, insert:

*Partial or multiple disposals of land***7B Section CB 36 amended (Disposal of emissions units)**

- (1) In section CB 36(4), after “land”, insert “, including for ceasing an activity in relation to post-1989 forest land”. 5
- (2) After section CB 36(6)(b), insert:
- (c) for ceasing an activity in relation to post-1989 forest land.

8 New sections CC 2B and CC 2C inserted

After section CC 2, insert:

10

**~~CC 2B Income—insurance or compensation for land or buildings affected by emergency event and replaced~~
Compensation for land or buildings affected by emergency events**

An amount derived by a person under **section FP 3(5)5(2)** (~~Land or buildings as revenue account property affected by an emergency event and replaced—insurance or compensation~~Replacement property for land or buildings affected by emergency events) is income of the person.

15

Defined in this Act: amount, income

**~~CC 2C Insurance or compensation—improvements to farmland and horticultural plants affected by an emergency event and replaced~~
Compensation for improvements to land affected by emergency events**

20

An amount derived by a person under **section FP 5(3) or (6)12(2) or (4)** (~~Improvements to farmland and horticultural plants affected by an emergency event and replaced—insurance or compensation~~Replacement property for improvements to land affected by emergency events) is income of the person.

25

Defined in this Act: amount, income

9 Section CD 43 amended (Available subscribed capital (ASC) amount)

- (1) In section CD 43(2)(c), replace “(22) and (23)” with “(22) to (25)”.
- (2) **Subsection (1)** applies for the 2008–09 and later income years. 30

10 Section CD 44 amended (Available capital distribution amount)

- (1) Replace section CD 44(7)(dc) with:
- (dc) an amount is derived by the company that is subject to section HC 38(3) (Beneficiary income of certain close companies), in which case the capital gain amount is this amount less the tax paid by the trustee in respect of the amount under section HC 24 (Trustees’ obligations); or 35

- (2) **Subsection (1)** applies for the 2024–25 and later income years.
- 11 Section CE 1 amended (Amounts derived in connection with employment)**
- (1) In section CE 1(2), in the words before the paragraphs,—
- (a) after “CW 17CB,” insert “CW 19B,”; and
- (b) replace “and CZ 29 to CZ 30” with “CZ 29 to CZ 30, and **FP 4522**”. 5
- (2) In section CE 1(3)(a) and (b), replace “and CZ 29 to CZ 30” with “CZ 29 to CZ 30, and **FP 4522**”.
- 11B Section CE 5 amended (Meaning of expenditure on account of an employee)**
- After section CE 5(3)(b)(v), insert: 10
- (vb) **section CW 17D** (Payments related to health or safety):
- 12 Section CE 9 amended (Restrictive covenants)**
- (1) In section CE 9(4)(a), after “all the shares in the company”, insert “held by person A or an associated person”.
- (2) **Subsection (1)** applies for amounts derived on or after the day after the day the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill **Act 2024** receives the Royal assent. 15
- 13 Section CF 3 amended (Withdrawals from foreign superannuation scheme)**
- (1) In section CF 3(7), replace “The part (the **assessable withdrawal amount**) of a foreign superannuation withdrawal that is treated as not being exempt income of the person” with “The assessable withdrawal amount of the person, being the amount of a foreign superannuation withdrawal that is treated as not being exempt income.”. 20
- (2) In section CF 3, list of defined terms, insert “assessable withdrawal amount”. 25
- 14 New section CH 5B inserted (Adjustments for certain flat-rate credits under platform economy rules)**
- (1) After section CH 5, insert:
- CH 5B Adjustments for certain flat-rate credits under platform economy rules**
- Who this section applies to* 30
- (1) This section applies to a person who, under the Goods and Services Tax Act 1985,—
- (a) is an underlying supplier of goods and services; and
- (b) has an amount of a flat-rate credit, as defined in section 2(1) of that Act, that they include in their assessable income for an income year. 35

	<i>Income</i>	
(2)	The amount of the credit received by the person is income of the person for the income year. Defined in this Act: amount, assessable income, income, income year	
(2)	Subsection (1) applies for the 2024–25 and later income years.	5
15	Section CQ 5 amended (When FIF income arises)	
(1)	After section CQ 5(1)(c)(vii), insert: (viib) the exemption for shares in a grey list company acquired under a venture investment agreement in section EX 37B (Share in grey list company acquired under venture investment agreement):	10
(2)	Repeal section CQ 5(1)(c)(ix) and (x).	
(3)	Before section CQ 5(1)(c)(xiv), insert: (xiva) the exemption for an interest in a foreign superannuation scheme that is not a FIF superannuation interest in section EX 42B (Interests in foreign superannuation scheme other than FIF superannuation interests):	15
(3B)	<u>In section CQ 5, list of defined terms, insert “venture investment agreement”.</u>	
(4)	<u>In section CQ 5, list of defined terms, insert “FIF superannuation interest”.</u>	
15B	Section CV 1 amended (Group companies)	
(1)	<u>In the heading to section CV 1(2), replace “<i>section CB 15D</i>” with “<i>sections CB 15D and CB 15E</i>”.</u>	20
(2)	<u>In section CV 1(2), replace “<i>section CB 15D (Kāinga Ora–Homes and Communities and wholly-owned group)</i>” with “<i>sections CB 15D (Kāinga Ora–Homes and Communities and wholly-owned group) and CB 15E (Disposals of land subject to section CW 3C)</i>”.</u>	25
15C	Section CV 2 amended (Consolidated groups: income of company in group)	
(1)	<u>In the heading to section CV 2(3), replace “<i>and CB 15D</i>” with “<i>to CB 15E</i>”.</u>	
(2)	<u>In section CV 2(3), after “<i>Communities)</i>”, insert “, and <i>CB 15E (Disposals of land subject to section CW 3C)</i>”.</u>	30
16	Section CW 3C amended (Certain partitions or subdivisions of land)	
(1)	After section CW 3C(8), insert: <i>Bright-line acquisition date</i>	
(9)	The transferee’s bright-line acquisition date for the land is the transferor’s bright-line acquisition date for the undivided land.	35
(2)	Replace section CW 3C(9) with:	

Bright-line start date

- (9) ~~The transferee’s bright-line start date for the land is the transferor’s bright-line start date for the undivided land.~~
- (3) In section CW 3C, list of defined terms,—
 - (a) insert “bright-line acquisition date”;
 - (b) delete “bright-line acquisition date” and insert “bright-line start date”.

5

16B Section CW 3C replaced and amended (Certain partitions or subdivisions of land)

- (1) Replace section CW 3C with:

CW 3C Certain partitions or subdivisions of land

10

Exempt income when no more than minor economic disposal of land

- (1) An amount that a person who is a co-owner of land derives from disposing of land to another co-owner on a partition or subdivision is exempt income if the person’s end value proportion is no less than 95% of their acquisition proportion.

15

Partially exempt income when more than minor economic disposal of land

- (2) If **subsection (1)** does not apply, an amount that a person who is a co-owner of land derives from disposing of land to another co-owner on a partition or subdivision is exempt income to the extent given by the following formula:

$$\text{amount derived} - (\text{total land value} \times (\text{acquisition proportion} - \text{end value proportion})).$$

20

Acquisition date for land provisions when no more than minor acquisition of land

- (3) For the purposes of the land provisions and sections CB 12 to CB 14 (which relate to income from disposals of land), if the person’s end value proportion is no more than 105% of their acquisition proportion, they are treated as acquiring the land they receive on the partition or subdivision on the date they acquired their interest in the undivided land or the date they are treated by section CB 15(2) (Transactions between associated persons) as acquiring their interest in the undivided land, whichever is earlier.

25

30

Acquisition date for land provisions when more than minor acquisition of land

- (4) For the purposes of the land provisions and sections CB 12 to CB 14, if the person’s end value proportion is more than 105% of their acquisition proportion, they are treated as acquiring the land they receive on the partition or subdivision as follows:

35

- (a) for the original land, being the proportion of land remaining after the calculation in **paragraph (b)**, on the date they acquired their interest in the undivided land or the date they are treated by section CB 15(2) as acquiring their interest in the undivided land, whichever is earlier:

- (b) for the additional land, being the proportion of the land calculated using the following formula, on the date the person became entitled to the additional land or, to the extent the additional land is acquired from an associated person, the date they are treated by section CB 15(2) as acquiring the additional land: 5
- $(\text{end value proportion} - \text{acquisition proportion}) \div \text{end value proportion}.$
- Bright-line acquisition date when no more than minor acquisition of land*
- (5) If the person's end value proportion is no more than 105% of their acquisition proportion, their bright-line acquisition date for the land they receive on the partition or subdivision is their bright-line acquisition date for the undivided land. 10
- Bright-line acquisition date when more than minor acquisition of land*
- (6) If the person's end value proportion is more than 105% of their acquisition proportion, their bright-line acquisition date for the land they receive on the partition or subdivision is as follows: 15
- (a) for the original land, being the proportion of land remaining after the calculation in **paragraph (b)**, their bright-line acquisition date for the undivided land:
- (b) for the additional land, being the proportion of the land calculated using the following formula, the date the person became entitled to the additional land: 20
- $(\text{end value proportion} - \text{acquisition proportion}) \div \text{end value proportion}.$
- Meaning of end value proportion*
- (7) **End value proportion** is the person's proportion of the value of the land they receive, whether alone or jointly or in common with another person, on the partition or subdivision out of the total value of the land still held by persons who were co-owners. 25
- Meaning of acquisition proportion*
- (8) **Acquisition proportion** is the person's contribution to the cost of the land, including costs to subdivide, develop, and build on the land, as a proportion of total cost. 30
- Meaning of co-owner*
- (9) **Co-owner**, in relation to land, includes a company in which the person is a shareholder, a person acting in their personal capacity, or a person acting in their capacity as a trustee of a trust, a partner in a partnership, or an owner of a look-through company, even if they became a co-owner of the land in a different one of those capacities. 35
- Definition of items in formulas*
- (10) In the formulas in **subsections (2), (4), and (6)**,—

- (a) **amount derived** is the amount a co-owner receives from the disposal of their interest in the land to another co-owner on a partition or subdivision:
- (b) **total land value** is the total value of the land held by all persons who were co-owners, whether alone or jointly or in common with another person, at the end of the partition or subdivision: 5
- (c) **acquisition proportion** has the same meaning as in **subsection (8)**:
- (d) **end value proportion** has the same meaning as in **subsection (7)**.

Example

Everly acquires land on 1 October 2024. Her friend Daniel comes on as a co-owner (50:50 shares) of the land on 5 February 2025. Everly and Daniel subdivide the land and construct a house each. The subdivision is complete and new titles are issued on 15 June 2026. Daniel's title ends up being 60% of the value of both titles. As Everly and Daniel go from owning a half share in the undivided land to being the sole owner of their parcel of land, they are disposing of their share in the parcel of land they did not keep to the other. Everly has disposed of some of her share in the land by more than a minor amount (more than the 5% safe-harbour) so only some of her income will be exempt, and she must calculate this under section CW 3C(2). All of Daniel's income will be exempt. However, because he has made a more than minor acquisition of land (more than the 5% safe-harbour), his acquisition date for the land will be as follows – 5/6ths of Daniel's property will be treated as being acquired on 5 February 2025 under section CW 3C(4)(a) (as it relates to what he held originally), and the remaining 1/6th will be treated as being acquired on 15 June 2026 under section CW 3C(4)(b). 10 15 20

Defined in this Act: acquisition proportion, amount, bright-line acquisition date, co-owner, company, dispose, end value proportion, exempt income, land, land provisions, look-through company, partner, partnership, shareholder, trustee 25

- (2) In section CW 3C (as replaced by **subsection (1)**), replace **subsections (5) and (6)** with:

Bright-line start date when no more than minor acquisition of land 30

- (5) If the person's end value proportion is no more than 105% of their acquisition proportion, their bright-line start date for the land they receive on the partition or subdivision is their bright-line start date for the undivided land.

Bright-line start date when more than minor acquisition of land

- (6) If the person's end value proportion is more than 105% of their acquisition proportion, their bright-line start date for the land they receive on the partition or subdivision is as follows: 35

- (a) for the **original land**, being the amount of land remaining after the calculation in **paragraph (b)**, their bright-line start date for the undivided land: 40
- (b) for the **additional land**, being the proportion of the land calculated using the following formula, the date the person became entitled to the additional land:

	(end value proportion – acquisition proportion) ÷ end value proportion.	
	<i>Transitional rule for change in terminology</i>	
(6B)	For the purposes of subsections (5) and (6) , if the undivided land was acquired before 1 July 2024, the bright-line acquisition date for the land is treated as the bright-line start date.	5
(3)	In section CW 3C (as replaced by subsection (1)), list of defined terms, insert “bright-line start date”.	
17	Section CW 16B amended (Accommodation expenditure: out-of-town secondments and projects)	
	In section CW 16B(5), replace “and CZ 29 to CZ 30” with “CZ 29 to CZ 30, and FP 4522 ”.	10
18	Section CW 16C amended (Time periods for certain accommodation expenditure)	
	In section CW 16C(6), replace “CW 16B, CZ 29 (Accommodation expenditure: Canterbury earthquake relief), or CZ 29B (Accommodation expenditure: North Island flooding events)” with “CW 16B, CZ 29, CZ 29B, or FP 4522 (which relate to accommodation expenditure)”.	15
18B	Section CW 17 amended (Expenditure on account, and reimbursement, of employees)	
	In section CW 17(5), replace “or CW 18” with “CW 17D, or CW 18”.	20
19	New section CW 17D inserted (Payments for influenza vaccinations related to health or safety)	
(1)	After section CW 17CC, insert:	
	CW 17D Payments related to health or safety	
	<i>When this section applies</i>	25
(1)	This section applies when an employer pays an amount to, or on behalf of, an employee that is related to the employee’s health or safety and is aimed at managing the risks to health and safety in the workplace as provided for under the Health and Safety at Work Act 2015.	
	<i>Exempt income</i>	30
(2)	The amount paid by the employer is exempt income of the employee to the extent to which the payment is for a benefit that would be excluded by section CX 24 from being a fringe benefit if the benefit was a non-cash benefit provided to the employee.	
	Defined in this Act: amount, employee, employer, exempt income, fringe benefit, pay	35

CW-17D Payments for influenza vaccinations

An amount that an employer pays to or on behalf of an employee for an influenza vaccination is exempt income of the employee.

Defined in this Act: amount, employee, employer, exempt income, pay

(2) **Subsection (1)** applies for the 2025–26 and later income years. 5

20 New section CW 19B inserted (~~Employee benefits for emergency event~~Certain amounts derived by employees during emergency events: exempt income)

After section CW 19, insert:

CW 19B ~~Employee benefits for emergency event~~Certain amounts derived by employees during emergency events: exempt income 10

Income that satisfies **section FP 4320** (~~Employee benefits for emergency event~~Certain amounts derived by employees during emergency events) is exempt income to the extent to which the income is—

- (a) accommodation: 15
- (b) less than or equal to \$5,000 in total, if the income is in a form other than accommodation.

Defined in this Act: accommodation, exempt income, income

21 Section CW 26C amended (Meaning of exempt ESS)

(1) In section CW 26C(2),— 20

- (a) in paragraph (b), replace “\$5,000” with “\$7,500”;
- (b) in paragraph (c), replace “\$2,000” with “\$3,000”.

(2) **Subsection (1)** applies for the 2025–26 and later income years in relation to offers of shares made through an exempt ESS on or after 1 April 2025.

21B Section CW 52B amended (Disability support services) 25

In section CW 52B(1), replace “Ministry for Disabled People” with “Ministry of Disabled People”.

22 Section CW 55BAB amended (Rebate of fees paid by FIF)

Above section CW 55BAB(2), insert the subsection heading “*Exempt income*”.

23 Section CX 1B amended (Treatment of flat-rate credits under platform economy rules) 30

(1) In section CX 1B, after the section heading, insert “*Excluded income*” as a subsection heading.

(2) In section CX 1B, after the words “registered person.”, insert:

When credits not excluded income

- (2) Subsection (1) does not apply to a person who, for an income year,—
- (a) is an underlying supplier; and
 - (b) receives a flat-rate credit for which they are not required to make an adjustment under section 20(4E) of the Goods and Services Tax Act 1985; and
 - (c) includes the amount of the credit in their income as described in **section CH 5B** (Adjustments for certain flat-rate credits under platform economy rules) for the income year.
- (3) In section CX 1B, list of defined terms, insert “income” and “income year”. 10
- (4) **Subsection (2)** applies for the 2024–25 and later income years.

23B Section CX 19 amended (Benefits provided instead of allowances)

In section CX 19(1)(c), replace “and CW 17CC (which relate to certain expenditure of an employer on an employee’s accommodation, work-related meals, relocation, and clothing)” with “CW 17CC, and CW 17D (which relate to certain expenditure of an employer on an employee’s accommodation, work-related meals, relocation, clothing, and health and safety)”. 15

24 New section CX 63B inserted (Amounts of excluded income for owners)

- (1) After section CX 63, insert:

CX 63B Amounts of excluded income for owners 20

A person who has an effective look-through interest for a look-through company has an amount of excluded income to the extent to which an amount of excluded income results from the application of subpart HB (Look-through companies).

Defined in this Act: amount, effective look-through interest, excluded income, look-through company 25

- (2) **Subsection (1)** applies for income years beginning on or after 1 April 2011.

25 New cross-heading and section CX 65 inserted

- (1) After section CX 64, insert:

*Tax credits paid in cash***CX 65 Tax credits paid in cash** 30

An amount paid as a tax credit under Part M (Tax credits paid in cash) is excluded income of the person deriving the amount.

Defined in this Act: amount, excluded income, tax credit

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

26	Section CZ 25D amended (Improvements to farmland and horticultural plants affected by North Island flooding events and replaced—insurance or compensation)	
	In section CZ 25D(1)(d)(ii), replace “(4)” with “(5)”.	
27	Section CZ 29B amended (Accommodation expenditure: North Island flooding events)	5
(1)	In section CZ 29B(5), in the words before the paragraphs, after “section”, insert “and section FP 1522 (Accommodation expenditure: emergency event reliefAccommodation expenditure incurred during emergency events)”.	
(2)	After section CZ 29B(6), insert:	10
	<i>Secondary legislation</i>	
(7)	An Order in Council under subsection (4) is secondary legislation (<i>see</i> Part 3 of the Legislation Act 2019 for publication requirements).	
28	Section CZ 37 amended (Income equalisation schemes)	
	In section CZ 37(1), after “section EZ 4B”, insert “or FP 1623” in each place.	15
29	Section DB 2 amended (Goods and services tax)	
(1)	In section DB 2(2B), replace “listed services.” with “listed services. However, this subsection does not apply if the underlying supplier has received a flat-rate credit, as defined in section 2(1) of that Act, in an income year and has chosen as described in section CH 5B (Adjustments for certain flat-rate credits under platform economy rules) to include the amount of the credit in their income for the income year.”	20
(2)	In section DB 2, list of defined terms, insert “income year”.	
(3)	Subsection (1) applies for the 2024–25 and later income years.	
30	New cross-heading and section DB 69 inserted	25
	After section DB 68, insert:	
	<i>Emergency events</i>	
	DB 69 Deduction for certaininterruption expenditure due to emergency event	
	<i>Deduction</i>	
(1)	A person is allowed a deduction for expenditure incurred while their income-earning activity is interrupted by an emergency event if they meet the requirements of section FP 613 (Expenditure incurred while income-earning activity interrupted by emergency event Treatment of expenditure when income-earning activity interrupted).	30

Link to with subpart DA

- (2) This section supplements the general permission.

Defined in this Act: deduction, emergency event, general permission, supplement

31 Section DC 3 amended (Pension payments to former partners)

- (1) After section DC 3(3), insert: 5

Relationship with section HG 2

- (3B) Section HG 2 (Partnerships are transparent) does not apply for the purposes of this section.

- (2) For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, **subsection (1)** applies for income years commencing on or after 1 April 2008. However, **subsection (1)** does not apply to a person in relation to a tax position taken by the person— 10

- (a) in the period that starts on 1 April 2008 and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~; and 15
- (b) that is inconsistent with the amendment made to section DC 3 by **subsection (1)**.

32 Section DC 4 amended (Payments to working partners)

- (1) After section DC 4(4), insert:

Relationship with section HG 2 20

- (4B) Section HG 2 (Partnerships are transparent) does not apply for the purposes of this section.

- (2) For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, **subsection (1)** applies for income years commencing on or after 1 April 2008. However, **subsection (1)** does not apply to a person in relation to a tax position taken by the person— 25

- (a) in the period that starts on 1 April 2008 and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~; and
- (b) that is inconsistent with the amendment made to section DC 4 by **subsection (1)**. 30

33 Section DN 6 amended (When FIF loss arises)

- (1) After section DN 6(1)(c)(vii), insert:

(viib) the exemption for shares in a grey list company acquired under a venture investment agreement in section EX 37B (Share in grey list company acquired under venture investment agreement): 35

- (2) Repeal section DN 6(1)(c)(ix) and (x).

- (3) Before section DN 6(1)(c)(xiv), insert:
- (xiva) the exemption for an interest in a foreign superannuation scheme that is not a FIF superannuation interest in section EX 42B (Interests in foreign superannuation scheme other than FIF superannuation interests):
- (3B) In section DN 6, list of defined terms, insert “venture investment agreement”.
- (4) In section DN 6, list of defined terms, insert “FIF superannuation interest”.
- 33B Section DP 1 amended (Expenditure of forestry business)**
- (1) In section DP 1(1)(e), delete “(excluding releasing)”.
- (2) **Subsection (1)** does not apply for a tax position taken on or before the day after the date on which the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act **2024** receives the Royal assent, if the tax position is not in accordance with section DP 1(1)(e) as it would apply after the application of **subsection (1)**.
- 33C Section EA 3 amended (Prepayments)**
- In section EA 3(7), replace “and CW 18” with “CW 17D, and CW 18”.
- 34 New section EA 5 inserted (Income from disposal of original shares under share-lending arrangements)**
- (1) After section EA 4, insert:
- EA 5 Income from disposal of original shares under share-lending arrangements**
- When this section applies*
- (1) This section applies when a person—
- (a) is a share user under a share-lending arrangement; and
- (b) derives an amount of income in an income year from the disposal of an original share under the share-lending arrangement to a person other than the share supplier or a person associated with the share supplier; and
- (c) has a deduction in the following income year (the **later income year**) for expenditure incurred on acquiring an identical share.
- Allocation of income*
- (2) The amount of income derived by the person is~~may be~~ allocated to the later income year.
- Defined in this Act: amount, associated person, deduction, identical share, income, income year, original share, share-lending arrangement, share supplier, share user
- (2) **Subsection (1)** applies to the disposal of an original share under a share-lending arrangement entered into on or after the day after the date the Taxation

(Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act **2024** receives the Royal assent.

35 Section EC 1 amended (Application of this subpart)

- (1) Replace section EC 1(1), other than the heading, with:
- (1) ~~This subpart applies to the valuation of livestock when a person who owns or carries on a farming business, other than a livestock dealing business, holds livestock for the purposes of farming that livestock in the ordinary course of carrying on the farming business. —~~ 5
- (a) a person who owns or carries on a farming business, other than a livestock dealing business, holds livestock for the purposes of farming that livestock in the ordinary course of carrying on the farming business: 10
- (b) a person who owns livestock bails that livestock to another person under a bailment, lease, or other agreement.
- (2) **Subsection (1)** applies for the 2008–09 and later income years. However, **subsection (1)** does not apply to a person in relation to a tax position taken by the person— 15
- (a) in the period that starts on the first day of the 2008–09 income year and ends on ~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~ 26 August 2024; and 20
- (b) relating to the valuation of livestock; and
- (c) that is inconsistent with the amendment made to section EC 1 by **subsection (1)**.

35B Section ED 1 amended (Valuation of excepted financial arrangements)

After section ED 1(7B)(a), insert: 25

- (ab) a forest land emissions unit transferred under section 64 of the Climate Change Response Act 2002 in an income year for no payment of a price, and to which section ED 1B does not apply, has a value of zero for the period beginning with the transfer and ending before the end of the income year: 30

36 Section EI 8 repealed (Disposal of land to the Crown)

Repeal section EI 8.

37 Section EX 20B amended (Attributable CFC amount)

Repeal section EX 20B(3)(a)(vi).

38 Section EX 21 amended (Attributable CFC amount and net attributable CFC income or loss: calculation rules) 35

Repeal section EX 21(20).

39	Section EX 46 amended (Limits on choice of calculation methods)	
	Replace section EX 46(9), other than the heading, with:	
(9)	A person may use the cost method to calculate FIF income or loss from an attributing interest in a FIF if—	
(a)	the attributing interest is a share in a foreign company for which the fair dividend rate method is allowed; and	5
(b)	the market value of the attributing interest is not readily available at the start of the income year.	
40	Section EX 48 amended (Default calculation method)	
(1)	In section EX 48(1)(b), after “EX 47,”, insert “EX 47B,”.	10
(2)	Subsection (1) applies for income years beginning on or after 1 July 2018.	
41	Section EX 63 amended (Consequences of changes in method)	
(1)	In the heading to section EX 63(1), replace “ <i>look-through methods</i> ” with “ <i>attributable FIF income method</i> ”.	
(2)	Replace section EX 63(1)(b) with:	15
(b)	from the attributable FIF income method to 1 of the 4 cost-based calculation methods.	
(3)	In section EX 63, list of defined terms, delete “accounting profits method”.	
42	Section EX 72 amended (Commissioner’s default assessment power)	
	In section EX 72(1)(b), replace “17” with “17B”.	20
43	New cross-heading and section EZ 8B inserted	
	After section EZ 8, insert:	
	<i>Disposal of land to the Crown</i>	
	EZ 8B Disposal of land to the Crown	
	<i>When this section applies</i>	25
(1)	This section applies when a person derives income from disposing of their land to the Crown and the disposal occurs before the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill.	
	<i>Timing of income</i>	30
(2)	The person may choose to—	
(a)	divide the income into 4 equal portions; and	
(b)	allocate a portion to the income year in which they derive the amount; and	
(c)	similarly allocate a portion to each of the next 3 income years.	35

Timing of deduction

- (3) If the person allocates income under **subsection (2)**, they must allocate part of any deduction allowed for the cost of the land to the same income years. The part must bear the same proportion to the total deduction as the allocated income bears to the total amount of income.

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Application

- (4) The following provisions apply to an allocation for the purposes of **subsection (2)**:

- (a) the person, or another person for them, must apply to the Commissioner;
- (b) the application must be made within 1 year after the end of the tax year in which the person derives the income or within a longer period if the Commissioner agrees;
- (c) the person must arrange to meet all income tax liabilities relating to the income;
- (d) the Commissioner may cancel the allocation at any time.

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Cancellation of allocation

- (5) If the Commissioner cancels the allocation,—
- (a) the whole of the income or deduction, as applicable, is allocated to the income year before the income year in which the cancellation occurs;
- (b) the cancellation does not affect income or a deduction that has been allocated to an earlier income year.

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Defined in this Act: amount, apply, Commissioner, deduction, income, income tax liability, income year, tax year, year

43B New cross-heading and section EZ 8B inserted

After section EZ 8, insert:

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Transitional rule: treatment of income from disposal of land to the Crown**EZ 8B Disposal of land to the Crown**

Despite the repeal of **section EI 8** (Disposal of land to the Crown) by the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act **2024**, **section EI 8** continues to have effect on or after 26 August 2024 for a person who derives income from disposing of any of their land to the Crown if—

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- (a) the disposal occurs before 26 August 2024;
- (b) the person has relied on a binding ruling made by the Commissioner before 26 August 2024 involving allocation of income under **section EI 8** as it was before its repeal by **section 36** of that Act.

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Defined in this Act: binding ruling, Commissioner, dispose, income, land

- 44 Section EZ 80 amended (Refund of excess deposit in main income equalisation account as consequence of election under section EZ 4B)**
- (1) In the heading to section EZ 80, after “EZ 4B”, insert “or **FP 1623**”.
- (2) In section EZ 80(1)(a), after “*Mycoplasma bovis*: spreading)”, insert “or **FP 1623(3)** (Livestock destroyed because of emergency events: spreading)”. 5
- 45 Section EZ 81 amended (Refund of excess deposit in adverse event income equalisation account as consequence of election under section EZ 4B)**
- (1) In the heading to section EZ 81, after “EZ 4B”, insert “or **FP 1623**”.
- (2) In section EZ 81(1)(a), after “*Mycoplasma bovis*: spreading)”, insert “or **FP 1623(3)** (Livestock destroyed because of emergency events: spreading)”. 10
- 46 Section FB 3A amended (Residential land)**
- (1) Replace section FB 3A(3) with:
- Bright-line start date*
- (3) The transferee’s bright-line start date for the land is the transferor’s bright-line start date. 15
- (2) In section FB 3A, list of defined terms, insert “bright-line start date”.
- 47 Section FC 9 amended (Residential land transferred to executor, administrator, or beneficiary on death of person)**
- In section FC 9(2), replace “CB 6A(5)(b)” with “CB 6A(5)(c)”.
- 47B Section FC 9 amended (Residential land transferred to executor, administrator, or beneficiary on death of person)** 20
- In section FC 9(2),—
- (a) delete “, including any intervening transfer to an executor or administrator”; and
- (b) replace “CB 6A(5)(b)” with “CB 6A(5)(c)”. 25
- 48 Section FD 1 amended (Relief from bright-line test for transfers between associated persons)**
- (1) In section FD 1(1)(a), after “YB 13”, insert “(which relate to associated persons)”.
- (2) In section FD 1(1)(b)(i),— 30
- (a) after “due to marriage”, insert “, civil union, de facto relationship,”; and
- (b) after “birth, marriage,”, insert “civil union, de facto relationship,”.
- (3) After section FD 1(4), insert:

Relationship with sections HB 1 and HG 2

- (4B) For the purposes of determining association under subsection (1)(a) and a transfer between an owner of an effective look-through interest for a look-through company and the look-through company or a partner and a partnership, sections HB 1 (Look-through companies are transparent) and HG 2 (Partnerships are transparent) are ignored and association is determined under section YB 12 or YB 13. 5
- (4) In section FD 1, list of defined terms:
- (a) replace “associated,” with “associated,”; and
- (b) insert “effective look-through interest”, “look-through company”, “partner”, and “partnership”. 10
- (5) **Subsections (2) and (3)** apply to a person’s disposal of residential land if the bright-line end date for the land is on or after 1 July 2024.

48B Subpart FD replaced (Rollover relief from the bright-line test)

- (1) Replace subpart FD with: 15

Subpart FD—Rollover relief from the bright-line test**FD 1 Relief from bright-line test for transfers between associated persons***When this section applies*

- (1) This section applies for the purposes of sections CB 6A and CB 16A (which relate to the bright-line test for residential land) and Part D (Deductions) when residential land is disposed of by a person (**person A**) to another person (**person B**) who is— 20
- (a) a person associated with person A under any of sections YB 2 to YB 13 (which relate to associated persons) at the date of the disposal and for at least 2 years before that date; or 25
- (b) a trustee of a trust in which all beneficiaries, other than person A in their capacity as a beneficiary, are—
- (i) associated with person A at the date of disposal and for at least 2 years before that date, except for beneficiaries aged less than 2 years and persons who have become associated with person A due to adoption, marriage, civil union, or de facto relationship who must be associated with person A since birth, adoption, marriage, civil union, or the start of the de facto relationship, as applicable; or 30
- (ii) an association, club, institution, society, organisation, or trust not carried on for the private profit of any person whose funds are applied wholly or principally to any civic, community, charitable, philanthropic, religious, benevolent, or cultural purpose, whether in New Zealand or elsewhere. 35

Disposal at cost

- (2) The disposal is treated as a disposal and acquisition, at the date of disposal, for an amount that equals the cost of the residential land to person A.

Bright-line start date

- (3) Person B’s bright-line start date for the land is person A’s bright-line start date. 5

Transitional rule for change in terminology

- (4) For the purposes of **subsection (3)**, person B’s bright-line start date is—
 (a) the date of person A’s bright-line acquisition date, if person A acquired the land before 1 July 2024 and on or after 27 March 2021;
 (b) 27 March 2021, if person A acquired the land before 27 March 2021. 10

Use of property

- (5) For the purposes of determining whether section CB 16A (Main home exclusion for disposal within 2 years) applies, person A’s use of the property is attributed to person B (for example, if person A used the property as a main home for 1 year, this is attributed to person B). 15

Relationship with sections HB 1 and HG 2

- (6) For the purposes of determining association under **subsection (1)(a)** and a disposal between a person who has an effective look-through interest for a look-through company and the look-through company or a person and a partnership, sections HB 1 (Look-through companies are transparent) and HG 2 (Partnerships are transparent) are ignored and association is determined under section YB 12 or YB 13. 20

When this section does not apply

- (7) This section does not apply to a disposal of residential land if the section has already been applied to a disposal (the **first disposal**) of the residential land and 2 years have not passed from the date of the first disposal. 25

Defined in this Act: amount, associated, bright-line end date, bright-line period, bright-line start date, charitable purpose, dispose, effective look-through interest, look-through company, main home, New Zealand, partnership, residential land, year

FD 2 Relief from bright-line test for Māori rollover trusts 30

When this section applies

- (1) This section applies for the purposes of sections CB 6A and CB 16A (which relate to the bright-line test for residential land) and Part D (Deductions) when residential land is disposed of as described in the following table:

Row	Disposal	Conditions to be satisfied
1	Disposal to a Māori rollover trust	The transferor is a settlor and beneficiary of a Māori rollover trust; and the transferee is a trustee of the Māori rollover trust.

2	<u>Disposal from one Māori rollover trust to another</u>	<u>The transferor is a trustee of a Māori rollover trust; and the transferee is a trustee of another Māori rollover trust; and the beneficiaries for both trusts are the same.</u>	
3	<u>Disposal by a Māori rollover trust</u>	<u>The transferor is the trustee of a Māori rollover trust; and the transferee is a settlor of the Māori rollover trust; and the settlors—</u> <u>a) originally transferred the land to the trustee; and</u> <u>b) acquired proportionally the same amount of land back from the trustee as they had originally transferred or, when one of the settlors has died, the settlors receive at least the same proportion of the land back from the trustee as they had originally transferred; and</u> <u>c) are beneficiaries of the trust.</u>	
How to use this table: Read the columns from left to right according to the row that fits the situation. If the parties to the disposal meet the relevant conditions, then this section applies to them.			
<i>Other capacities</i>			
(2)	<u>For the purposes of subsection (1), the transferors and transferees may have different capacities in relation to the different conditions in that subsection (for example, a transferee may be a settlor in their personal capacity and a beneficiary as an owner of a look-through company).</u>		5
<i>Transfer at greater of cost or consideration derived</i>			
(3)	<u>The disposal is treated as a disposal and acquisition, at the date of disposal, for an amount that equals the greater of the cost of the residential land to the transferor or the consideration paid by the transferee.</u>		
<i>Bright-line start date</i>			
(4)	<u>The transferee's bright-line start date for the land is the transferor's bright-line start date.</u>		10
<i>Transitional rule for change in terminology</i>			
(5)	<u>For the purposes of subsection (4), if the transferor acquired the land before 1 July 2024, the transferor's bright-line acquisition date is treated as a bright-line start date.</u>		15
<i>Meaning of Māori rollover trust</i>			
(6)	<u>Māori rollover trust means, at the time of a relevant transfer to or from a relevant trust, a trust in which—</u> <u>(a) a trustee of the trust is a Maori authority or eligible to elect to be a Maori authority; and</u>		20

- (b) all beneficiaries are—
 - (i) members of the same iwi or hapū;
 - (ii) descendants of the same tipuna; and
- (c) the land is subject to Te Ture Whenua Maori Act 1993.

Defined in this Act: bright-line period, bright-line start date, dispose, look-through company, Maori authority, Māori rollover trust, residential land, settlor, trustee

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FD 3 Certain transfers of residential land included in settlement of claim under Treaty of Waitangi

When this section applies

- (1) This section applies for the purposes of sections CB 6A and CB 16A (which relate to the bright-line test for residential land) and Part D (Deductions) to a disposal of residential land that is—

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- (a) subject to Te Ture Whenua Maori Act 1993; and
- (b) made as part of the settlement of a claim under the Treaty of Waitangi; and
- (c) disposed of to a trustee of a trust that is a Maori authority or is eligible to be a Maori authority under section HF 2(3)(e)(i) (Who is eligible to be a Maori authority?).

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Transfer by transferor

- (2) The transferor is treated as transferring the land at the greater of the cost of the land to them or the consideration they derive from the disposal.

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Transfer to transferee

- (3) The transferee is treated as acquiring the land at its market value at the time the land was transferred from the Crown.

Bright-line start date

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- (4) The transferee’s bright-line start date for the land is the transferor’s bright-line start date.

Transitional rule for change in terminology

- (5) For the purposes of **subsection (4)**, if the transferor acquired the land before 1 July 2024, the transferor’s bright-line acquisition date is treated as a bright-line start date.

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Defined in this Act: bright-line period, bright-line start date, dispose, Maori authority, residential land, trust, trustee

- (2) **Subsection (1)** applies to a person’s disposal of residential land if the bright-line end date for the land is on or after 1 July 2024.

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- 49 Section FE 5 amended (Thresholds for application of interest apportionment rules)**
- (1) In section FE 5(1)(a)(i), replace “more than 60%” with “either more than 60% or, because the New Zealand group’s non-debt liabilities exceed its assets, equal to zero under section FE 12(3)”. 5
- (2) In section FE 5(1)(a)(ii), replace “more than 110% of the debt percentage of the worldwide group” with “either more than 110% of the debt percentage of the worldwide group or, because the New Zealand group’s non-debt liabilities exceed its assets, equal to zero under section FE 12(3)”. 5
- (3) In section FE 5(1)(ab)(i), replace “more than 60%” with “either more than 60% or, because the New Zealand group’s non-debt liabilities exceed its assets, equal to zero under section FE 12(3)”. 10
- (4) In section FE 5(1)(ab)(ii), replace “more than 100% of the debt percentage of the worldwide group” with “either more than 100% of the debt percentage of the worldwide group or, because the New Zealand group’s non-debt liabilities exceed its assets, equal to zero under section FE 12(3)”. 15
- (5) In section FE 5(1)(b)(i), replace “more than 75%” with “either more than 75% or, because the New Zealand group’s non-debt liabilities exceed its assets, equal to zero under section FE 12(3)”. 15
- (6) In section FE 5(1)(b)(ii), replace “more than 110% of the debt percentage of the worldwide group” with “either more than 110% of the debt percentage of the worldwide group or, because the New Zealand group’s non-debt liabilities exceed its assets, equal to zero under section FE 12(3)”. 20
- (7) In section FE 5(3)(a), replace “more than 60%” with “either more than 60% or, because the New Zealand group’s non-debt liabilities exceed its assets, equal to zero under section FE 12(3)”. 25
- (8) In section FE 5(3)(b), replace “more than 75%” with “either more than 75% or, because the New Zealand group’s non-debt liabilities exceed its assets, equal to zero under section FE 12(3)”. 25
- 49B Section FE 6 amended (Apportionment of interest by excess debt entity)** 30
- In section FE 6(1), replace “under this section” with “under this section or the entity or person has a debt percentage equal to zero under section FE 12(3) because the relevant New Zealand group’s non-debt liabilities equal or exceed its assets”.
- 50 Section FE 16B amended (Total group non-debt liabilities)** 35
- (1A) In section FE 16B(1)(b), in the words before the subparagraphs, replace “a shareholder” with “a shareholder of a company that is a member of the group”.
- (1) After section FE 16B(1)(b), insert:

- (ba) under a financial arrangement, other than an agreement for the sale and purchase of property or services, entered into by a trustee of a trust that is a member of the group with a settlor of the trust, if—
- (i) the financial arrangement provides funds to the trust; and
 - (ii) the settlor has made settlements on the trust totalling 10% or more of the value of total settlements on the trust: 5
- (2) Replace section FE 16B(3) with:
- Equity group treated as single shareholder and provider of funds*
- (3) If a shareholder is a company,—
- (a) for the purposes of subsection (1)(b)(i) and (c)(i), the shareholder’s equity group is treated as the shareholder for all the shares held by members of the equity group; and 10
 - (b) for the purposes of subsection (1)(b), the shareholder’s equity group is treated as the provider of all the funds that are provided by members of the equity group. 15
- Trustee treated as single shareholder and provider of funds*
- (4) If a shareholder is a trustee of a trust,—
- (a) for the purposes of subsection (1)(b)(i) and (c)(i), the trustee is treated as the shareholder for all the shares held by a settlor of the trust and relatives of the settlor, if the settlor and relatives have~~has~~ made 100% at least ~~100%~~ 90% of the settlements made on the trust; and 20
 - (b) for the purposes of subsection (1)(b), the trustee is treated as the provider of all the funds that are provided by a settlor of the trust and relatives of the settlor, if the settlor and relatives have~~has~~ made 100% at least ~~100%~~ 90% of the settlements made on the trust. 25
- Meaning of equity group*
- (5) In this section, for a shareholder, **equity group**—
- (a) means the members of the wholly-owned group if the shareholder is a member of the wholly-owned group, or the shareholder company itself: 30
 - (b) includes—
 - (i) ~~a person (person A) who holds 100% of the voting interests in a member of the wholly-owned group or in the shareholder company itself, as the case may be:~~
 - (ii) ~~if person A is a trustee of a trust, a settlor of the trust if the settlor has made 100% of the settlements made on the trust.~~ 35
 - (i) the group of persons (the **natural group**) who are relatives and that holds 100% of the voting interests in a member of the wholly-owned group or in the shareholder company itself, as the case may be:

(ii)	<u>if a member of the natural group is a trustee of a trust, a settlor of the trust and relatives of the settlor if the settlor and relatives have made at least 90% of the settlements made on the trust.</u>	
(3)	In section FE 16B, list of defined terms, insert “equity group”, “ <u>relative</u> ”, “settlement”, “settlor”, and “trustee”.	5
(4)	Subsections (1), (2), and (3) apply for the 2025–26 and later income years.	
51	Section FH 15 amended (Definitions)	
(1)	In section FH 15(1), definition of control group , paragraph (b), after “are companies”, insert “; or limited partnerships that are treated as companies under section YB 16B (Limited partnerships treated as companies), or a combination of them;”.	10
(2)	In section FH 15(1), definition of related , paragraph (a), after “companies”, insert “; or limited partnerships that are treated as companies under section YB 16B , or a combination of them;”.	
52	Section FN 6 amended (Nominated companies)	15
	In section FN 6(4), replace “company.” with “company. The date specified must be prospective.”	
53	New subpart FP inserted	
	After subpart FO, insert:	
	Subpart FP—Tax relief for emergencies	20
	<i>General provisions</i>	
FP 1	Outline of subpart	
	<i>Outline</i>	
(1)	This section applies for the purposes of this subpart to outline the provisions of this subpart that may be brought into effect to provide tax relief to a person in response to an emergency event.	25
	<i>Purpose</i>	
(2)	The provisions are intended to provide—	
(a)	taxation rollover relief for certain property affected by an emergency event that is—	30
(i)	land or buildings held on revenue account, <i>see</i> section FP 3;	
(ii)	depreciable property, <i>see</i> section FP 4;	
(iii)	improvements to farmland and listed horticultural plants, <i>see</i> section FP 5;	
(b)	relief when—	35

- (i) income-earning activities are interrupted, *see* **section FP 6**;
- (ii) depreciable property is damaged, *see* **sections FP 7 and FP 8**;
- (iii) access to depreciable property is restricted, *see* **section FP 9**;
- (e) some optional timing rules for the treatment of—
 - (i) depreciable property, *see* **sections FP 10 and FP 11**: 5
 - (ii) group assets, *see* **section FP 12**;
- (d) employment-related relief relating to exempt income, fringe benefits, and accommodation expenditure, *see* **sections FP 13 to FP 15**;
- (e) spreading rules when certain livestock are destroyed because of an emergency event, *see* **section FP 16**: 10
- (f) some relief from land sales rules timing tests, *see* **section FP 17**.

Defined in this Act: depreciable property, emergency event, exempt income, farmland, fringe benefit, land, listed horticultural plant

FP 2 Application to emergency events

This subpart applies when there is an emergency event and the Governor-General has made regulations under **section 6J** of the Tax Administration Act 1994 declaring that 1 or more of the provisions in this subpart apply in relation to the emergency event. 15

Defined in this Act: emergency event

Rollover relief—property 20

FP 3 Land or buildings as revenue account property affected by an emergency event and replaced—insurance or compensation

When this section applies

- (1) This section applies for a person and an income year (the **current year**) that is the income year in which an emergency event first occurs or an income year up to 5 income years after the income year in which the emergency event first occurs, when the person,— 25
 - (a) in or before the current year, derives for buildings or land (the **affected property**), all of which is revenue account property under section CB 6, CB 7, CB 12, or CB 13 (which relate to income from certain disposals of land), insurance, a government or local authority buy-out or other compensation, or a combination of these, if the emergency event damages the land or the building, or the neighbourhood of the building, causing the building to be useless for the purpose of deriving income and consequently to be demolished or abandoned for later demolition; and 30
 - (b) in the absence of this section, would have, in or before the current year, a total amount of income (the **insurance income**) under section CB 6, CB 7, CB 12, CB 13, or CG 6 (Receipts from insurance, indemnity, or compensation for trading stock) from the compensation or insurance for 35

- the affected property that exceeds the total amount of deductions under section DB 23 (Cost of revenue account property) for the affected property; and
- (e) plans, in the current year, to acquire property (the **replacement property**)— 5
- (i) replacing the affected property; and
- (ii) meeting the requirements of **subsection (4)**; and
- (iii) having a cost exceeding the total amount of deductions under section DB 23 for the affected property; and
- (d) notifies the Commissioner under **subsection (6)** in relation to the affected property. 10
- Suspended recovery income*
- (2) The amount (the **excess recovery**) by which the insurance income referred to in **subsection (1)(b)** exceeds the deductions referred to in **subsection (1)(b)** is not income of the person except to the extent of the amount (the **suspended recovery income**) remaining after adjustment under **subsection (3)** that is attributed to an income year by **subsection (5)**. 15
- Effect of purchase of replacement property*
- (3) If the person incurs expenditure (the **replacement cost**) to acquire replacement property,— 20
- (a) for the purposes of determining the value of the replacement property for section EA 2 (Other revenue account property), the amount of the person's expenditure on the replacement property is reduced by—
- (i) the amount calculated by dividing the replacement cost by the total amount of deductions under section DB 23 for the affected property and multiplying the result by the excess of the insurance income over the replacement cost, if the insurance income exceeds the replacement cost and the calculated amount is less than or equal to the amount of insurance income; or 25
- (ii) the amount of the excess recovery, if the insurance income does not exceed the replacement cost or is less than the amount calculated in **subparagraph (i)**; and 30
- (b) the amount of the suspended recovery income immediately before the expenditure is reduced by an amount equal to the reduction of expenditure under **paragraph (a)** for the purposes of section EA 2. 35
- Requirements for replacement property*
- (4) For an item of affected property, replacement property must be a building or land that is revenue account property—
- (a) acquired in or before the income year that is 5 income years after the income year in which the emergency event first occurs; and 40

- (b) located in New Zealand.
Amount remaining at end of fifth income year or when person changes intentions, is liquidated, or becomes bankrupt
- (5) The person has an amount of income under **section GC 2B** (Income—insurance or compensation for land or buildings affected by emergency event and replaced) for the affected property in the current year equal to the amount of suspended recovery income when— 5
- (a) the current year ends, if the current year is 5 income years after the income year in which the emergency event first occurs;
- (b) in the current year, the person decides not to replace the affected property: 10
- (e) in the current year, the person goes into liquidation or becomes bankrupt.
Notice of election for affected property
- (6) A person choosing to rely on this section to suspend in a current year the recognition of suspended recovery income from the insurance for the affected property must notify the Commissioner— 15
- (a) by the later of 30 April after the income year in which the emergency event first occurs and the date on which the return of income is filed for the earliest income year (the **estimate year**) in which the amount of the insurance for the affected property can be reasonably estimated; and 20
- (b) if the current year is after the estimate year,—
- (i) for each income year between the estimate year and the current year, by the date on which the return of income is filed for that income year; and
- (ii) for the current year, by the date on which the return of income is filed for the current year. 25
- Later deadline for notice of election*
- (7) The Commissioner may allow the person to file the notice under **subsection (6)** at a later time if the Commissioner considers there are exceptional circumstances. 30
- Contents of notice of election*
- (8) A notice under **subsection (6)** must—
- (a) describe the affected property; and
- (b) give details of the replacement property acquired in the current year to replace, in full or in part, the affected property; and 35
- (c) give the cost of the replacement property and the reduction under **subsection (3)** of that cost for the purposes of section EA 2; and

(d)	give the amount, for the affected property, of the income from insurance or compensation remaining suspended under this section at the end of the current year.	
	<i>Relationship to other sections</i>	
(9)	This section overrides sections CB 6, CB 7, CB 12, CB 13, and CG 6.	5
	<small>Defined in this Act: amount, Commissioner, deduction, emergency event, income, income year, land, liquidation, New Zealand, notice, notify, return of income, revenue account property</small>	
	FP 4 Property acquired after depreciable property affected by an emergency event	
	<i>When this section applies</i>	10
(1)	This section applies for a person and an income year (the current year) that is the income year in which an emergency event first occurs or an income year up to 5 income years after the income year in which the emergency event first occurs, when the person,—	
(a)	in or before the current year, receives insurance or compensation (the compensation) for items of depreciable property (the affected property), each of which is—	15
(i)	not depreciable intangible property; and	
(ii)	included in 1 of the categories (an affected class) of the person's depreciable property referred to in subsection (12)(b) ; and	20
(b)	is entitled to the compensation because each item of the affected property, as a result of the emergency event, is affected by—	
(i)	damage meeting the requirements of section EE 47(4) (Events for purposes of section EE 44); or	
(ii)	a disposal and reacquisition under section FP 7 ; and	25
(c)	would have, in the absence of this section, from the compensation for the affected property in the affected class, depreciation recovery income under section EE 48 (Effect of disposal or event) in or before the current year; and	
(d)	has a total amount of depreciation loss under section EE 48 for the affected property in the affected class that, treated as a positive amount, is less than the total amount of depreciation recovery income referred to in paragraph (c) by an amount (the excess recovery); and	30
(e)	plans in the current year to acquire depreciable property (the replacement property) meeting the requirements of subsection (8) ; and	35
(f)	notifies the Commissioner under subsection (10) —	
(i)	specifying the affected property and affected class; and	
(ii)	linking, for the purposes of this section, each item of acquired replacement property with an affected class.	

Suspended recovery income

- (2) For an affected class, the amount that may be depreciation recovery income of the person in or after the current year (the **suspended recovery income**) is the excess recovery that remains at the beginning of the current year after—
- (a) adjustment under **subsections (4) and (7)** for an earlier income year; and
 - (b) attribution to an earlier income year by **subsection (9)**.

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Depreciation recovery income

- (3) The person has an amount of depreciation recovery income for the current year equal to the amount of suspended recovery income that is attributed to the current year by **subsection (9)**.

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Effect of acquiring item of replacement property if suspended recovery income from affected property not in pool

- (4) If the person acquires an item of replacement property (the **replacement item**) and links the replacement item with an affected class of affected property for which the person does not use the pool method, the amount given by **subsection (5)**—
- (a) is treated as not being included in the amount of the person’s expenditure on the replacement item for the purposes of determining,—
 - (i) under section EE 16(4) (Amount resulting from standard calculation), the item value or cost for the replacement item, if the person uses the diminishing value method or straight-line method for the replacement item; or
 - (ii) under section EE 22 (Cases affecting pool), the cost of the replacement item, if the person uses the pool method for the replacement item; and
 - (b) is a reduction in the amount of the suspended recovery income for the affected class.

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Amount of reduction: expenditure on replacement item and suspended recovery income

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- (5) The amount of the reduction under **subsection (4)(a) or (b)** for a replacement item and an affected class of affected property for which the person does not use the pool method is—
- (a) zero, if the cost of the affected class equals or is less than the person’s total expenditure in acquiring, before the replacement item, other replacement property linked with the affected class; or
 - (b) the amount calculated using the formula—

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limited replacement cost × excess ÷ affected cost.

Definition of items in formula

- (6) In the formula in **subsection (5)**,—
- (a) **limited replacement cost** is the lesser of—
- (i) the amount by which the cost of the affected class exceeds the total expenditure in acquiring, before the replacement item, other replacement property linked with the affected class: 5
- (ii) the amount of the expenditure on the replacement item:
- (b) **excess** is the excess recovery for the affected class:
- (c) **affected cost** is the total cost for the person of the affected class.
- Effect of acquiring item of replacement property if suspended recovery income from affected property in pool* 10
- (7) If the person acquires a replacement item and links the replacement item with an affected class of affected property for which the person uses the pool method,—
- (a) the amount of the person's expenditure on the replacement item is treated as being reduced by the amount equal to the lesser of the amount of expenditure on the replacement item and the amount of suspended recovery income for the affected property after the acquisition of other replacement property before the replacement item for the purposes of determining— 15
- (i) the adjusted tax value of the replacement item, if **subparagraph (ii) or (iii)** does not apply; or
- (ii) the cost of the replacement item for the straight-line method, if that method is used to determine depreciation loss for the replacement item; or 20
- (iii) the adjusted tax value of the pool of the replacement item, if the person uses the pool method for the replacement item; and
- (b) the amount of the suspended recovery income for the affected class is reduced by the amount of the treated reduction under **paragraph (a)**. 25
- Requirements for replacement property* 30
- (8) An item of replacement property for a person must—
- (a) be included in the same category under **subsection (12)(b)** as the affected class with which the person links the item if the affected class is described in **subsection (12)(b)(i), (ii), (v), or (vi)**; and
- (b) be located in New Zealand, if the item is a building or commercial fit-out. 35

Attribution of suspended recovery income to income year: other events

- (9) The person has, in the current year, an amount of depreciation recovery income for an affected class equal to the amount of suspended recovery income for the affected class—
- (a) at the end of the current year, if that year is 5 income years after the income year in which the emergency event first occurs and neither of **paragraphs (b) and (c)** apply earlier; or 5
 - (b) when in the current year the person decides not to acquire more replacement property, if neither of **paragraphs (a) and (c)** apply earlier; or
 - (c) when in the current year the person goes into liquidation or becomes bankrupt, if neither of **paragraphs (a) and (b)** apply earlier. 10

Notice of election for affected property

- (10) A person choosing to rely on this section to suspend in a current year the recognition of suspended recovery income from the insurance or compensation for the affected property must notify the Commissioner,— 15
- (a) for the earliest income year (the **estimate year**) in which the amount of the insurance or compensation for the affected property can be reasonably estimated, by the later of 30 April after the income year in which the emergency event first occurs and the date on which the return of income is filed for the estimate year; and 20
 - (b) if the current year is after the estimate year,—
 - (i) for each income year between the estimate year and the current year, by the date on which the return of income is filed for that income year; and
 - (ii) for the current year, by the date on which the return of income is filed for the current year. 25

Later deadline for notice of election

- (11) The Commissioner may allow the person to file the notice under **subsection (10)** at a later time if the Commissioner considers there are exceptional circumstances. 30

Contents of notice of election

- (12) A notice under **subsection (10)** must—
- (a) describe the items of affected property; and
 - (b) indicate in which of the following categories each item of affected property is included: 35
 - (i) a building not referred to in **subparagraph (iii)**;
 - (ii) commercial fit-out not referred to in **subparagraph (iv)**;
 - (iii) buildings for which the person uses the pool method;
 - (iv) commercial fit-out for which the person uses the pool method:

<ul style="list-style-type: none"> (v) depreciable property for which the person uses the pool method, other than a building or commercial fit-out; (vi) depreciable property not referred to in subparagraphs (i) to (v); and 	5
<ul style="list-style-type: none"> (e) give details of each item of replacement property acquired in the current year and the affected class to which the person is linking the item; and (d) give the amount of the expenditure on the replacement item and the reduction under subsection (4) or (7) of that expenditure for the purposes of determining adjusted tax value or depreciation loss; and (e) give the amount, for each affected class, of the suspended recovery income at the end of the current year. 	10
<i>Disposal of replacement property: reduction in cost treated as depreciation loss</i>	
<p>(13) For the purposes of section EE 48, the amount by which a person's expenditure on a replacement item is treated as being reduced under subsection (4) or (7) is an amount of depreciation loss for the item for which the person has been allowed a deduction.</p>	15
<i>Order of acquisition for items acquired at same time</i>	
<p>(14) If items of replacement property are acquired at the same time and the effect of this section depends on the order in which the items are acquired, the items are treated as being acquired in the order chosen by the person in the first return of income for which the order of acquisition is taken into account.</p>	20
<i>Relationship to subpart EE</i>	
<p>(15) This section overrides subpart EE (Depreciation).</p>	25
<p>Defined in this Act: acquire, adjusted tax value, amount, commercial fit-out, Commissioner, deduction, depreciable intangible property, depreciable property, depreciation loss, depreciation recovery income, diminishing value method, dispose, emergency event, income year, liquidation, New Zealand, notice, notify, pool, pool method, return of income, straight-line method</p>	
FP 5 Improvements to farmland and horticultural plants affected by an emergency event and replaced—insurance or compensation	
<i>When this section applies</i>	
<p>(1) This section applies for a person and an income year (the current year) that is the income year in which the emergency event first occurs or an income year up to 5 income years after the income year in which the emergency event first occurs, when the person,—</p>	35
<ul style="list-style-type: none"> (a) in or before the current year, receives an amount of insurance or compensation for improvements to land subject to section DO 4 or DO 5 (which relate to improvements to land) (the affected property) that was damaged or destroyed by an emergency event; and 	

- (b) in the absence of this section, would have, in or before the current year, a total amount of income (the **insurance income**) under section CG 4 (Receipts for expenditure or loss from insurance, indemnity, or otherwise) from the compensation or insurance for the affected property; and
- (e) has claimed deductions for the affected property under 1 or more of section DO 4, DO 5, or DO 11 (which relate to improvements to land); and 5
- (d) plans, in the current year, to acquire property (the **replacement property**)—
- (i) replacing the affected property; and
- (ii) meeting the requirements of **subsection (5)**; and 10
- (e) notifies the Commissioner under **subsection (7)** in relation to the affected property.
- Insurance or compensation not income*
- (2) The amount of the insurance or compensation is not income unless **subsection (3) or (6)** applies. 15
- Income where insurance or compensation proceeds exceed replacement cost*
- (3) When the person incurs expenditure (the **replacement cost**) in the current year to acquire replacement property and the amount of the insurance or compensation exceeds the replacement cost,—
- (a) the amount of the insurance or compensation is income under **section CC 2C** (Insurance or compensation—improvements to farmland and horticultural plants affected by an emergency event and replaced) in the current year to the extent to which it exceeds the replacement cost; but 20
- (b) the amount of that income is reduced to the extent to which the amount of the insurance or compensation is also greater than the original cost of the affected property. 25
- Value of replacement property*
- (4) If the person acquires replacement property, the value attributed to the expenditure to acquire the replacement property for the purposes of section DO 4 or DO 5, as applicable, is,— 30
- (a) if the insurance income is equal to or greater than the replacement cost, zero;
- (b) if the insurance income is less than the replacement cost, the extent to which the replacement cost exceeds the insurance income. 35
- Requirements for replacement property*
- (5) For an item of affected property, replacement property must be an improvement to farmland as described in schedule 20, part A (Expenditure on farming, horticultural, aquacultural, and forestry improvements) or a listed horticultural plant—

- (a) ~~acquired in or before the income year that is 5 income years after the income year in which the emergency event first occurred; and~~
- (b) ~~located in New Zealand.~~
- Income if replacement property not acquired by end of fifth income year or when person changes intentions, is liquidated, or becomes bankrupt* 5
- (6) ~~The person has an amount of income under **section 6C 2C** for the affected property in the current year equal to the insurance income when—~~
- (a) ~~the current year ends, if the current year is the income year that is 5 income years after the income year in which the emergency event first occurred:~~ 10
- (b) ~~in the current year, the person decides not to replace the affected property;~~
- (c) ~~in the current year, the person goes into liquidation or becomes bankrupt.~~
- Notice of election for affected property*
- (7) ~~A person choosing to rely on this section to suspend in a current year the recognition of income from the insurance for affected property must notify the Commissioner—~~ 15
- (a) ~~by the later of 30 April after the income year in which the emergency event first occurred and the date on which the return of income is filed for the earliest income year (the **estimate year**) in which the amount of the insurance for the affected property can be reasonably estimated; and~~ 20
- (b) ~~if the current year is after the estimate year,—~~
- (i) ~~for each income year between the estimate year and the current year, by the date on which the return of income is filed for that income year; and~~ 25
- (ii) ~~for the current year, by the date on which the return of income is filed for the current year.~~
- Later deadline for notice of election*
- (8) ~~The Commissioner may allow the person to file the notice under **subsection (7)** at a later time if the Commissioner considers there are exceptional circumstances.~~ 30
- Contents of notice of election*
- (9) ~~A notice under **subsection (7)** must—~~
- (a) ~~describe the affected property; and~~
- (b) ~~give details of the replacement property acquired in the current year to replace, in full or in part, the affected property; and~~ 35
- (c) ~~give the cost of the replacement property and the value attributed to that cost under **subsection (4)** for the purposes of section DO 4 or DO 5, as applicable; and~~

- (d) give the amount, for the affected property, of the income from insurance or compensation remaining suspended under **subsection (2)** at the end of the current year.

Relationship to section CG 4

- (10) This section overrides section CG 4. 5

Defined in this Act: amount, Commissioner, deduction, emergency event, farmland, income, income year, land, liquidation, listed horticultural plant, New Zealand, notice, notify, return of income

Rollover relief—deductions and depreciation

- FP 6 Expenditure incurred while income-earning activity interrupted by emergency event** 10

When this section applies

- (1) This section applies for a person and an income year (the **current year**), which is the income year in which the emergency event first occurs or an income year up to 5 income years after the income year in which the emergency event first occurs, when— 15
- (a) the person has an income-earning activity in New Zealand immediately before an emergency event; and
 - (b) the activity is interrupted for a period (the **period of interruption**) as a result of the emergency event; and
 - (c) in the current year, during the period of interruption, the person incurs expenditure or loss (the **interruption expenditure**) in meeting an obligation relating to the income-earning activity; and 20
 - (d) the interruption expenditure does not meet the requirements of the general permission for the person and the income-earning activity but would do so but for the interruption; and 25
 - (e) the person resumes the income-earning activity in an income year (the **resumption year**) before the income year that is 5 income years after the income year in which the emergency event first occurs.

Deduction for interruption expenditure

- (2) The person is allowed a deduction for the interruption expenditure under **section DB 69** (Deduction for certain expenditure due to emergency event). 30

Timing of deduction

- (3) The deduction is allocated to the resumption year. 35
- Defined in this Act: deduction, emergency event, general limitation, general permission, income year, loss, New Zealand

FP 7 Insurance for damage of property caused by emergency event: treatment as disposal and reacquisition*When this section applies*

- (1) This section applies for a person and an item of depreciable property when —
- (a) the item is damaged by an emergency event; and 5
 - (b) the person is entitled to an amount of insurance or compensation for the damage to the item; and
 - (c) the person reasonably assesses that the item is uneconomic to repair; and
 - (d) the damage does not meet the requirements of section EE 47(4) (Events for purposes of section EE 44). 10

Treatment as disposal and reacquisition of item

- (2) The person is treated as, on the date of the relevant emergency event, —
- (a) disposing of the item for the amount of insurance or compensation; and
 - (b) reacquiring the item for zero consideration. 15

Relationship with section EE 52

- (3) This section overrides section EE 52 (Amount of depreciation recovery income when compensation received). 15

Defined in this Act: amount, depreciable property, dispose, emergency event

FP 8 Insurance for damage of property caused by emergency event: limit on depreciation recovery income*When this section applies*

- (1) This section applies for a person and an item of depreciable property when —
- (a) the item is damaged by an emergency event; and
 - (b) the person is entitled to an amount of insurance or compensation for the damage to the item; and 25
 - (c) the damage does not meet the requirements of section EE 47(4) (Events for purposes of section EE 44); and
 - (d) **section FP 9** does not apply for the item. 25

Limit on depreciation recovery income under section EE 52

- (2) If the person would derive depreciation recovery income under section EE 52 (Amount of depreciation recovery income when compensation received) in an income year for the item in the absence of this section, the person derives in the income year an amount of depreciation recovery income equal to the lesser of —
- (a) the amount of depreciation recovery income under section EE 52 that the person would derive in the income year for the item in the absence of this section: 30 35

(b) the total of the amounts of depreciation loss for which the person has been allowed deductions for the item.

Relationship with section EE 52

(3) This section overrides section EE 52.

Defined in this Act: amount, deduction, depreciable property, depreciation loss, depreciation recovery income, emergency event, income year

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FP 9 Item treated as available for use if access restricted due to emergency event

An item of depreciable property is treated for an income year as being available for use while access to the item is affected by a restriction imposed due to the effects of an emergency event if—

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- (a) the item was used or available for use immediately before the restriction was imposed; and
- (b) the item would be used or available for use in the absence of the restriction; and
- (c) the income year is the income year that is 5 income years after the income year in which the emergency event first occurred, or an earlier income year.

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Defined in this Act: depreciable property, emergency event, income year

FP 10 Insurance for emergency event damage causing disposal: optional timing rule for income, deductions

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When this section applies

(1) This section applies for a person and an item of depreciable property when—

- (a) the item is damaged by an emergency event; and
- (b) the damage—
 - (i) results in the item being affected by a disposal and reacquisition under **section FP 7**; or
 - (ii) meets the requirements of section EE 47(4) (Events for purposes of section EE 44); and
- (c) the person is entitled to an amount of insurance or compensation for the damage to the item; and
- (d) the person chooses to apply this section for all items of depreciable property meeting the requirements of **paragraphs (a) to (c)**.

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Attribution of income from insurance and disposal

(2) If the amount of insurance or compensation for the damage (the **insurance receipt**) is derived or able to be reasonably estimated before the end of the income year that is 5 income years after the income year in which the emergency event first occurred, the person's income from the insurance receipt and

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~~the consideration derived from the disposal of the item are attributed to the earlier of—~~

- ~~(a) the income year that is 5 income years after the income year in which the emergency event first occurred:~~
- ~~(b) the first income year in which—~~ 5
 - ~~(i) the amount of the cost of disposing of the item (the **disposal cost**) is, or has been, incurred or able to be reasonably estimated; and~~
 - ~~(ii) the insurance receipt is, or has been, derived or able to be reasonably estimated; and~~
 - ~~(iii) the consideration from the disposal of the item is, or has been, derived or able to be reasonably estimated.~~ 10

Attribution of deductions

- ~~(3) If the disposal cost is incurred or able to be reasonably estimated before the end of the income year that is 5 income years after the income year in which the emergency event first occurred, the person's deductions for the disposal cost and for depreciation loss under section EE 48 (Effect of disposal or event) are attributed to the earlier of—~~ 15
 - ~~(a) the income year that is 5 income years after the income year in which the emergency event first occurred:~~
 - ~~(b) the first income year in which—~~ 20
 - ~~(i) the disposal cost is, or has been, incurred or able to be reasonably estimated; and~~
 - ~~(ii) the insurance receipt is, or has been, derived or able to be reasonably estimated; and~~
 - ~~(iii) the consideration from the disposal of the item is, or has been, derived or able to be reasonably estimated.~~ 25

Relationship with other sections

- ~~(4) This section overrides sections EE 1, EE 22, and EE 48 (which state when depreciation loss and depreciation recovery income arise) in relation to the timing of the person's—~~ 30
 - ~~(a) income from the insurance receipt and consideration from the disposal of the item:~~
 - ~~(b) deductions for the disposal cost and depreciation loss.~~

~~Defined in this Act: amount, deduction, depreciable property, depreciation loss, dispose, emergency event, income, income year~~ 35

FP 11 Insurance for repairs of emergency event damage: optional timing rule for income, deductions

When this section applies

- ~~(1) This section applies for a person and an item of depreciable property when—~~

<ul style="list-style-type: none"> (a) the item is damaged by an emergency event; and (b) the damage— <ul style="list-style-type: none"> (i) does not result in the item being subject to a disposal and reacquisition under section FP 7; and (ii) does not meet the requirements of section EE 47(4) (Events for purposes of section EE 44); and (c) the person is entitled to an amount of insurance or compensation for the damage to the item; and (d) the person chooses to apply this section for all items of depreciable property meeting the requirements of paragraphs (a) to (c). 	<p>5</p> <p>10</p>
<p><i>Attribution of income from insurance</i></p>	
<ul style="list-style-type: none"> (2) If the amount of insurance or compensation for the damage (the insurance receipt) is derived or able to be reasonably estimated before the end of the income year that is 5 income years after the income year in which the emergency event first occurred, the person's income from the insurance receipt is attributed to the earlier of— <ul style="list-style-type: none"> (a) the income year that is 5 income years after the income year in which the emergency event first occurred; (b) the first income year in which— <ul style="list-style-type: none"> (i) the amount of expenditure for total repair of the damage (the repair cost) is, or has been, incurred or able to be reasonably estimated; and (ii) the insurance receipt is, or has been, derived or able to be reasonably estimated. 	<p>15</p> <p>20</p>
<p><i>Attribution of deductions for repairs</i></p>	
<ul style="list-style-type: none"> (3) If the repair cost is incurred or able to be reasonably estimated before the end of the income year that is 5 income years after the income year in which the emergency event first occurred, the person's deductions for the repair cost are attributed to the earlier of— <ul style="list-style-type: none"> (a) the income year that is 5 income years after the income year in which the emergency event first occurred; (b) the first income year in which— <ul style="list-style-type: none"> (i) the repair cost is, or has been, incurred or able to be reasonably estimated; and (ii) the insurance receipt is, or has been, derived or able to be reasonably estimated. 	<p>25</p> <p>30</p> <p>35</p>

<i>Relationship with other sections</i>	
(4)	This section overrides sections CG 4, EE 22, and EE 52 (which provide for receipts of insurance or indemnity payments) in relation to the timing of the person's—
	(a) income from the insurance receipt: 5
	(b) deductions for the repair cost.
	Defined in this Act: amount, deduction, depreciable property, dispose, emergency event, income, income year
FP 12 Valuation of group assets: insurance proceeds from emergency event	
	<i>When this section applies</i> 10
(1)	This section applies for the purposes of sections FE 16 (Total group assets) and FE 18 (Measurement of debts and assets of worldwide group) and a person if—
	(a) an asset of the person's New Zealand group is damaged as a result of an emergency event; and
	(b) the asset is impaired or derecognised under generally accepted accounting practice as a result of the damage; and 15
	(c) insurance for the damage is recognised at a later date under generally accepted accounting practice.
	<i>Optional treatment of insurance</i>
(2)	The person may choose to include an amount of the insurance, corresponding to the amount of the impairment or the derecognised value of the asset, in the value of the total group assets of the person's New Zealand group during the period— 20
	(a) beginning with the impairment or derecognition of the asset; and
	(b) ending before the earlier of— 25
	(i) the recognition of the amount of insurance;
	(ii) the beginning of the income year that is 5 income years after the income year in which the emergency event first occurred.
	<i>Corresponding treatment for worldwide group</i>
(3)	If a person includes an amount under subsection (2) in the value of the total group assets of the person's New Zealand group for a period, the person must include the amount in the value of the total group assets of the person's worldwide group for the period. 30
	<i>Notice to Commissioner</i>
(4)	A person choosing to apply subsection (2) for an income year must give notice to the Commissioner of the following: 35
	(a) that the person has applied this section for the income year; and

- (b) a reasonable estimate of the amount of income that would arise under section CH 9 (Interest apportionment: excess debt entity) for the income year in the absence of this section; and
- (e) the amount of income that arises under section CH 9 for the income year after the application of this section; and
- (d) any further information required by the Commissioner.

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Form and timing of notice

(5) The information required by **subsection (4)** must be given—

- (a) in the form and by the means prescribed by the Commissioner; and
- (b) no later than the day by which the person is required to make a return of income for the corresponding tax year, or at a later time if the Commissioner considers there are exceptional circumstances.

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Defined in this Act: amount, Commissioner, emergency event, generally accepted accounting practice, income, income year, New Zealand, notice, return of income, tax year

Employment-related relief

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FP 13 Employee benefits for emergency event

Income derived by an employee from an employer is exempt income to the extent given by **section CW 19B** (Employee benefits for emergency event: exempt income) if the income—

- (a) would be assessable income in the absence of this section; and
- (b) is provided by the employer for the purpose of relief of employees from the adverse effects of an emergency event; and
- (c) is derived in the period of 8 weeks beginning on the first day of the relevant emergency event; and
- (d) does not replace a PAYE income payment; and
- (e) does not depend on the seniority of the employee; and
- (f) is available to another employee, who is not an associated person of the employer and is, or was immediately before an emergency event, in full-time employment with the employer, if the employee is an associated person of the employer; and
- (g) is treated by the employer as being exempt income for the employee.

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Defined in this Act: assessable income, associated person, emergency event, employee, employer, employment, exempt income, income, PAYE income payment

FP 14 Employee benefits for emergency: not fringe benefit

When this section applies

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(1) This section applies when an employee receives from an employer a benefit that—

- (a) would be a fringe benefit in the absence of this section; and

(b)	is for the purpose of the relief of employees from the adverse effects of an emergency event; and	
(c)	is received in the period of 8 weeks beginning on the first day of the emergency event; and	
(d)	does not replace a PAYE income payment; and	5
(e)	does not depend on the seniority of the employee; and	
(f)	is available to another employee, who is not an associated person of the employer and is, or was immediately before the emergency event, in full-time employment with the employer, if the employee is an associated person of the employer; and	10
(g)	is treated by the employer as not being a fringe benefit.	
	<i>Benefits with known value for employee</i>	
(2)	Benefits satisfying subsection (1) that would, in the absence of this section, be fringe benefits having a value for the employee that the employer could estimate are not fringe benefits to the extent to which their total value as fringe benefits for the period would be less than or equal to the amount by which \$5,000 exceeds the income that is—	15
(a)	exempt under section CW 19B(b) (Employee benefits for emergency event: exempt income); and	
(b)	derived by the employee from the employer in the same period.	20
	<i>Benefits without known value for employee</i>	
(3)	Benefits satisfying subsection (1) that would, in the absence of this section, be fringe benefits having a value for the employee that the employer could not estimate are not fringe benefits.	
	Defined in this Act: associated person, emergency event, employee, employer, employment, exempt income, fringe benefit, income, PAYE income payment	25
FP 15 Accommodation expenditure: emergency event relief		
	<i>When this section applies</i>	
(1)	This section applies for the purposes of section CW 16B (Accommodation expenditure: out-of-town secondments and projects) when—	30
(a)	the employment duties of an employee require them to work on a project of limited duration for rebuilding or recovery, including the repair and reconstruction of land, infrastructure, and other property in the areas affected by an emergency event; and	
(b)	the distant workplace is a workplace in the areas affected by the emergency event.	35

Exempt income

- (2) ~~The value provided or expenditure incurred by the employer of the employee for or in relation to the accommodation is exempt income of the employee under section CW 16B as modified by this section.~~

Modified definition of project of limited duration

- (3) ~~Despite paragraph (c)(iii) of the definition of **project of limited duration** and section CW 16C(2)(d) (Time periods for certain accommodation expenditure), for the purposes of this section, the 3-year limit is ignored and is replaced by 5 years, if the employee starts work at the distant workplace in the period commencing on the date the emergency event first occurs and ending 5 years after that date.~~

How time limit determined

- (4) ~~For the purposes of this section and section CW 16C, the time limit is determined by whether the actual period of continuous work of the employee at the distant workplace is for a period of no more than 5 years.~~

~~Defined in this Act: accommodation, distant workplace, emergency event, employee, employer, exempt income, land, period of continuous work, project of limited duration, rebuilding, recovery~~

Income spreading for forced livestock sales

FP 16 Livestock destroyed because of emergency event: spreading

When this section applies

- (1) ~~This section applies when—~~
- (a) ~~a person who owns or carries on a business has livestock on hand at the start of an income year (the **cull year**) before the income year that is 5 income years after the income year in which the emergency event referred to in **paragraph (b)** first occurs that they—~~
 - (i) ~~use for breeding in the ordinary course of carrying on the business; and~~
 - (ii) ~~valued under the national standard cost scheme or the cost price method in the previous income year; and~~
 - (b) ~~in the cull year, some or all of the person’s livestock are destroyed, because of an emergency event, pursuant to—~~
 - (i) ~~a power exercised under section 121 of the Biosecurity Act 1993;~~
 - (ii) ~~a direction given under section 122 of that Act; and~~
 - (c) ~~the number of mixed-age female breeding animals for the type of livestock valued under the national standard cost scheme or the cost price method that the person expects to have on hand at the end of the income year following the cull year is at least 75% of the number of mixed-age female breeding animals for the type of livestock valued under the~~

national standard cost scheme or the cost price method that the person had on hand at the start of the cull year.

How this section applies

- (2) This section applies per type of livestock, being a livestock type listed in schedule 17 (Types and classes of livestock). Where regulations made under **subsection (18)** provide that this section applies to more than 1 type of livestock, a person choosing to apply this section must— 5

- (a) apply the formulas in this section separately to each type of livestock; and
(b) notify the Commissioner in their election made under **subsection (3)** as to the type of livestock to which the election applies. 10

Timing of income

- (3) The person may choose to allocate the amount of income calculated using the formula in **subsection (6)** equally between the 6 income years following the cull year. 15

Timing of deduction

- (4) When a person makes an election under **subsection (3)**, part of any deduction that the person is allowed for the value that their livestock valued under subpart EC (Valuation of livestock) had at the end of the income year before the cull year, as calculated under section EC 2 (Valuation of livestock), is allocated equally between the 6 income years following the cull year. The part must reflect the value, as calculated under that section at the end of the income year before the cull year using whichever of the national standard cost scheme or the cost price method the person used in the income year before the cull year, of the same number of each class of livestock to which the amount of income allocated under **subsection (3)** relates. 20 25

Business ceasing

- (5) If the person stops owning or carrying on the business in an income year (the **cessation year**) before the seventh income year following the cull year, to the extent to which it has not been allocated to income years before the cessation year,— 30
- (a) the amount of income calculated using the formula in **subsection (6)** is allocated to the cessation year; and
(b) the part of any deduction allocated under **subsection (4)** is allocated to the cessation year. 35

First formula

- (6) The formula referred to in **subsections (3) and (5)** is—
$$\Sigma(\text{number} \times (\text{sale proceeds} + \text{compensation}) \div \text{culled stock}).$$

Definition of items in formula

(7) The items in the formula in **subsection (6)** are defined in **subsections (8) to (13)**.

Σ

(8) Σ is the symbol for the summation of the amounts calculated using the formula in the brackets that follow that symbol for each of the classes of livestock. 5

Number

(9) **Number**, for a class of livestock, is the number that is the lesser of the following 2 numbers, or the first number if they are the same:

(a) the number that is the greater of zero and the number calculated using the formula in **subsection (13)**: 10

(b) the number of livestock of that class that—

(i) were breeding stock or stock that the person expected to be capable of, and intended to be used for, breeding upon reaching maturity; and 15

(ii) the person valued under the national standard cost scheme or the cost price method in the income year before the cull year.

Sale proceeds

(10) **Sale proceeds**, for a class of livestock, is the amount of income the person derives as consideration for the disposal of livestock of that class, including their carcasses, that are part of the destroyed livestock. 20

Compensation

(11) **Compensation**, for a class of livestock, is the amount of income the person derives that is compensation to which the person is entitled under section 162A of the Biosecurity Act 1993 and that the person receives by the end of the income year following the cull year, but only to the extent to which that compensation is for— 25

(a) any excess of the value of the destroyed livestock that belong to that class used in the calculation of that compensation over the amount of income described in **subsection (9)** for that class; and 30

(b) any excess of the cost of replacement livestock of the same class that the person acquires and intends to be used for breeding over the amount of income that would, in the absence of this paragraph, be described in this subsection.

Culled stock

(12) **Culled stock**, for a class of livestock, is the number of livestock of that class that are part of the destroyed livestock. 35

Second formula

(13) The formula referred to in **subsection (9)** is—

valuation method breeding stock + culled stock – opening stock.

Definition of items in second formula

- (14) In the formula in **subsection (13)**, for a class of livestock,—
- (a) **valuation method breeding stock** is the number of livestock of that class that—
- (i) were breeding stock or stock that the person expected to be capable of, and intended be used for, breeding upon reaching maturity; and
- (ii) the person valued under the national standard cost scheme or the cost price method in the income year before the cull year:
- (b) **culled stock** is the number of livestock of that class that are part of the destroyed livestock:
- (c) **opening stock** is the number of livestock of that class that the person had on hand at the start of the cull year.

How elections made

- (15) A person makes an election under **subsection (3)** by notifying the Commissioner by the date of filing their return of income for the cull year.

Elections irrevocable

- (16) An election made under **subsection (3)** cannot be revoked.

When election treated as never having been made

- (17) A person who makes an election under **subsection (3)** is treated as never having made the election if the number of mixed-age female breeding animals for the type of livestock valued under the national standard cost scheme or the cost price method that the person has on hand at the end of the income year following the cull year is less than 75% of the number of mixed-age female breeding animals for the type of livestock valued under the national standard cost scheme or the cost price method that the person had on hand at the start of the cull year.

Classes of livestock

- (18) For the purposes of this section, the Governor-General may, by Order in Council made on the recommendation of the Minister of Revenue, make regulations specifying 1 or more types of livestock set out in schedule 17, as well as classes of livestock within those types, to which this section applies.

Application of regulations

- (19) Regulations made under this section may be expressed to come into force on a day that is before, on, or after the date on which they are made, but not earlier than the first day of the relevant emergency event, and the regulations come into force or, as the case may be, are deemed to have come into force accordingly.

Retrospective

- (20) Regulations made under this section may be retrospective only to the extent provided for in **subsection (19)**.

Secondary legislation

- (21) Regulations made under this section are secondary legislation (see Part 3 of the Legislation Act 2019 for publication requirements). 5

Relationship with sections CG 6 and DB 49

- (22) This section overrides sections CG 6 (Receipts from insurance, indemnity, or compensation for trading stock) and DB 49 (Adjustment for opening values of trading stock, livestock, and excepted financial arrangements). 10

Defined in this Act: amount, business, class, Commissioner, cost price, deduction, emergency event, income, income year, national standard cost scheme, notify, return of income

Relief from bright-line test and other land sale rules

FP 17 Land and buildings affected by emergency event—sections CB 6A and CB 9 to CB 11 overridden for local authority and Crown purchases 15

Sections CB 6A and CB 9 to CB 11 (which relate to income from disposals of land) do not apply to a person and land or buildings, or both, purchased by the Crown or a local authority from the person if the land or buildings, or both, were damaged by an emergency event.

Defined in this Act: emergency event, land, local authority 20

53B New subpart FP inserted

After subpart FO, insert:

Subpart FP—Tax relief for emergencies

General provisions

FP 1 Outline of subpart 25

General outline

- (1) This section outlines the provisions of this subpart that may be brought into effect to provide tax relief to a person in response to an emergency event.

Specific provisions

- (2) The provisions in this subpart provide— 30

- (a) rollover relief for certain affected property that is—

- (i) land or buildings held on revenue account, see **sections FP 5 to FP 7**:

- (ii) depreciable property, see **sections FP 8 to FP 11**:

- (iii) improvements to land, see **section FP 12**: 35

(b)	<u>relief when—</u>	
	(i) <u>income-earning activities are interrupted, see section FP 13:</u>	
	(ii) <u>depreciable property is damaged, see sections FP 14 and FP 15:</u>	
	(iii) <u>access to depreciable property is restricted, see section FP 16:</u>	5
(c)	<u>some optional timing rules for the treatment of—</u>	
	(i) <u>depreciable property, see sections FP 17 and FP 18:</u>	
	(ii) <u>group assets, see section FP 19:</u>	
(d)	<u>employment-related relief relating to exempt income, fringe benefits, and accommodation expenditure, see sections FP 20 to FP 22:</u>	10
(e)	<u>spreading rules when livestock are destroyed because of an emergency event, see sections FP 23 to FP 26:</u>	
(f)	<u>some relief from land sales rules, see section FP 27.</u>	
	<i>Definitions</i>	
(3)	Section FP 3 contains the definitions relevant for this subpart.	15
	<u>Defined in this Act: affected property, depreciable property, emergency event, exempt income, fringe benefit, land</u>	
	FP 2 Application to emergency events	
	<u>This subpart applies when there is an emergency event and the Governor-General has made regulations under section 6J of the Tax Administration Act 1994 declaring that 1 or more of the provisions in this subpart apply in relation to the emergency event.</u>	20
	<u>Defined in this Act: emergency event</u>	
	FP 3 Definitions for the purposes of subpart FP	
	<u>In subpart FP, —</u>	25
	<u>affected class means 1 of the following classes of the person’s depreciable property that the affected depreciable property is included in:</u>	
	(a) <u>buildings:</u>	
	(b) <u>commercial fit-out not referred to in paragraph (c):</u>	
	(c) <u>commercial fit-out for which the person uses the pool method:</u>	30
	(d) <u>depreciable property for which the person uses the pool method, other than commercial fit-out:</u>	
	(e) <u>depreciable property not referred to in paragraphs (a) to (d)</u>	
	<u>affected depreciable property means depreciable property that—</u>	
	(a) <u>is not depreciable intangible property; and</u>	35
	(b) <u>is included in an affected class; and</u>	

- (c) as a result of an emergency event, is affected by—
- (i) damage that meets the requirements of section EE 47(4) (Events for purposes of section EE 44); or
 - (ii) a disposal and reacquisition under **section FP 14**

affected depreciation loss means, for an affected class,—

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- (a) the total amount of depreciation loss under section EE 48(2) (Effect of disposal or event), treated as a positive amount, that the person has for all items of affected depreciable property in the affected class for which the compensation received for the item is less than the adjusted tax value of that item; or

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- (b) in any other case, zero

affected depreciation recovery income means, for an affected class, the total amount of depreciation recovery income the person would have, in the absence of this subpart, from the compensation received for each item of affected depreciable property in the affected class under section EE 48(1)

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affected improvement to land means an improvement to land subject to section DO 4 or DO 5 (which relate to improvements to farmland and expenditure on horticultural plants) that has been damaged or destroyed in an emergency event

affected property means—

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- (a) affected depreciable property;
- (b) affected improvements to land;
- (c) affected revenue property

affected revenue property means a person's land or building that is—

- (a) revenue account property under section CB 6, CB 7, CB 12, or CB 13 (which relate to income from certain disposals of land); and
- (b) damaged by an emergency event; and
- (c) useless for the purposes of deriving income as a result of that event; and
- (d) if it is a building, required to be demolished or abandoned for later demolition due to the damage to the land, building, or the neighbourhood of the building

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compensation means—

- (a) insurance or another amount in recognition of loss;
- (b) for affected revenue property, an amount that a person derives from insurance, a government or local authority buy-out, or other amount in recognition of loss, or a combination of these, that would be income of the person under section CB 6, CB 7, CB 12, CB 13, or CG 6 (Receipts from insurance, indemnity, or compensation for trading stock) in the absence of this subpart

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cost deductions means, for affected revenue property, the total amount of a person's deductions under section DB 23 (Cost of revenue account property) for that property

current year means an income year that falls within the emergency event period in relation to which a person may apply a provision in this subpart

emergency event period means the period—

- (a) beginning with the start of the income year in which the emergency event first occurs; and
- (b) ending with either—
 - (i) the last day of the income year that is 5 income years after the income year referred to in **paragraph (a)**; or
 - (ii) a later date specified by the Governor-General by Order in Council made under **section 6J** of the Tax Administration Act 1994

replacement cost means the amount of expenditure a person incurs to acquire replacement property

replacement property means property that replaces affected property and is,—

- (a) for affected revenue property, a building or land that is revenue account property located in New Zealand;
- (b) for affected depreciable property, property—
 - (i) included in the same class, as described in the definition of affected class, as the affected depreciable property; and
 - (ii) located in New Zealand;
- (c) for an affected improvement to land, an improvement to farmland as described in schedule 20, part A (Expenditure on farming, horticultural, aquacultural, and forestry improvements) or a listed horticultural plant located in New Zealand

suspended recovery income —

- (a) is defined in **section FP 6** for the purposes of affected revenue property;
- (b) is defined in **section FP 9** for the purposes of an affected class of depreciable property;
- (c) is defined in **section FP 12(3)** for the purposes of affected improvements to land.

Defined in this Act: acquire, adjusted tax value, affected class, affected depreciable property, affected depreciation loss, affected depreciation recovery income, affected improvement to land, affected property, affected revenue property, amount, commercial fit-out, compensation, cost deductions, current year, deduction, depreciable intangible property, depreciable property, depreciation loss, depreciation recovery income, dispose, emergency event, emergency event period, farmland, income, income year, land, listed horticultural plant, local authority, New Zealand, pool method, replacement cost, replacement property, revenue account property, suspended recovery income

Rollover relief: property

FP 4 Summary of property rollover relief provisions

Guidance

- (1) This section is intended to provide guidance on **sections FP 5 to FP 12**. If a conflict arises between this section and another provision of this subpart, that other provision prevails. 5

Summary of provisions

- (2) **Sections FP 5 to FP 12** are intended to defer any unanticipated tax liability arising from the receipt of compensation for certain assets destroyed by an emergency event. In general, the sections do this by suspending the recognition of the amount of that compensation as income that exceeds the cost of the assets and rolling it over to use it to reduce the acquisition cost of replacement property. Any amount unused at the end of the emergency event period will be income of the person at that time. The amount will also be income of the person if they decide not to acquire replacement property or they go into liquidation or become bankrupt before the end of the emergency event period. 10 15

Suspended recovery income

- (3) The definition of suspended recovery income differs depending on the type of property. For land and buildings under **section FP 5**, suspended recovery income is the amount by which the compensation for the damaged property exceeds the cost of the property. For depreciable property under **section FP 8**, suspended recovery income is the total depreciation recovery income for the affected class of depreciable property. This is the extent to which the compensation exceeds the adjusted tax value for each item of affected depreciable property in the class, capped at the amount of depreciation deductions claimed for the relevant item. For items when the compensation received is less than the adjusted tax value, the difference is deducted from the class total. For improvements to land under **section FP 12**, suspended recovery income is the amount of compensation that would have been income under section CG 4 (Receipts for expenditure or loss from insurance, indemnity, or otherwise), absent this subpart. Section CG 4 limits the amount of income to the deduction for the land improvement. 20 25 30

Reduction of suspended recovery income

- (4) Suspended recovery income is reduced when a person acquires replacement property. The reduction occurs each time an item is replaced. The amount that remains at the end of the income year that is 5 income years after the income year in which the emergency event first occurs, or at the point the person decides not to acquire any more replacement property, or goes into liquidation or becomes bankrupt, is income of the person. 35

Impact on asset values

- (5) For land, buildings, and depreciable property, spent suspended recovery income reduces the cost of the replacement property for tax purposes (see **sections FP 7 and FP 11**). When the replacement property is subsequently disposed of, the extent to which the difference between the cost for tax purposes and the sale proceeds is taxable is determined by normal tax rules. For land improvements, the value attributed to the replacement is zero unless the replacement cost exceeds the amount of suspended recovery income, in which case the excess is attributed. 5

Defined in this Act: acquire, adjusted tax value, affected class, affected depreciable property, amount, compensation, deduction, depreciable property, depreciation recovery income, dispose, emergency event, emergency event period, income, income year, land, liquidation, replacement cost, replacement property, suspended recovery income 10

*Replacements: revenue account property***FP 5 Replacement property for land or buildings affected by emergency events** 15*When this section applies*

- (1) This section applies for a person and a current year when the person—
- (a) owns affected revenue property; and
 - (b) receives an amount of compensation in or before the current year for the affected revenue property that exceeds their cost deductions for that property; and 20
 - (c) plans in the current year to acquire replacement property, and the replacement cost exceeds their cost deductions for the affected revenue property; and
 - (d) notifies the Commissioner of their decision to suspend recognition of the amount of their suspended recovery income in accordance with **section 226H** of the Tax Administration Act 1994. 25

Suspended recovery income

- (2) The person has an amount of income under **section CC 2B** (Compensation for land or buildings affected by emergency events) for the amount of the suspended recovery income for the affected revenue property for the current year when— 30
- (a) the current year ends, if the current year is the final income year of the emergency event period; or
 - (b) in the current year, the person decides not to replace the affected revenue property; or 35
 - (c) in the current year, the person goes into liquidation or becomes bankrupt.

Relationship to other sections

- (3) This section overrides sections CB 6, CB 7, CB 12, and CB 13 (which relate to income from certain disposals of land), and CG 6 (Receipts from insurance, indemnity, and compensation for trading stock).

Defined in this Act: acquire, affected revenue property, amount, Commissioner, compensation, cost deductions, current year, emergency event period, income, income year, liquidation, notify, replacement cost, replacement property, suspended recovery income

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FP 6 Meaning of suspended recovery income for affected revenue property

Suspended recovery income

- (1) Subject to **subsection (2)**, the amount of suspended recovery income a person has for their affected revenue property is the amount by which the compensation received by the person exceeds their cost deductions for that property.

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When property replaced

- (2) When a person replaces their affected revenue property, the amount of their suspended recovery income under **subsection (1)** is reduced by the amount of the replacement cost adjustment calculated under **subsection (3) or (5)**, as applicable.

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Replacement cost adjustment: compensation exceeds replacement cost

- (3) If the compensation received by the person for the affected revenue property exceeds the replacement cost of the replacement property and is equal to or exceeds the amount calculated under this subsection, the replacement cost adjustment is the amount calculated under the following formula:

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$(\text{replacement cost} \div \text{cost deductions}) \times (\text{compensation} - \text{replacement cost})$.

Definition of items in formula

- (4) In the formula in **subsection (3)**,—
- (a) **replacement cost** is the replacement cost, as defined in **section FP 3**, of the replacement property:
- (b) **cost deductions** is the cost deductions, as defined in **section FP 3**, of the affected revenue property:
- (c) **compensation** is the compensation, as defined in **section FP 3**, received for the affected revenue property.

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Replacement cost adjustment: compensation less than replacement cost

- (5) If the compensation received by the person for the affected revenue property is less than or equal to the replacement cost or the compensation is less than the amount calculated under **subsection (3)**, the replacement cost adjustment is the amount of the suspended recovery income under **subsection (1)**.

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Defined in this Act: affected revenue property, amount, compensation, cost deductions, replacement cost, replacement property, suspended recovery income

FP 7 Cost of replacement property for section DB 23

For the purposes of section DB 23 (Cost of revenue account property) and determining the amount of a person’s expenditure incurred as the cost of replacement property that a person acquires to replace affected revenue property, the person’s replacement cost is reduced by the amount of the replacement cost adjustment determined under **section FP 6(3) or (5)**, as applicable.

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Defined in this Act: acquire, affected revenue property, amount, replacement cost, replacement property

*Replacements: depreciable property***FP 8 Replacement property for depreciable property affected by emergency events**

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When this section applies

- (1) This section applies for a person and a current year when the person—
- (a) owns 1 or more items of affected depreciable property that are in the same affected class; and
 - (b) in or before the current year receives compensation for the items of affected depreciable property; and
 - (c) has an amount of affected depreciation recovery income; and
 - (d) has an amount of affected depreciation loss that is less than the amount of affected depreciation recovery income; and
 - (e) plans in the current year to acquire replacement property; and
 - (f) notifies the Commissioner of their decision to suspend recognition of their suspended recovery income in accordance with **section 226H** of the Tax Administration Act 1994.

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Depreciation recovery income

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- (2) The person has, in the current year, an amount of depreciation recovery income under section CG 1 (Amount of depreciation recovery income) for an affected class equal to the amount of suspended recovery income for the affected class—
- (a) at the end of the current year, if the current year is the final income year of the emergency event period; or
 - (b) when, in the current year, the person decides not to acquire any more replacement property for the affected class; or
 - (c) when, in the current year, the person goes into liquidation or becomes bankrupt.

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Relationship to subpart EE

- (3) This section overrides subpart EE (Depreciation).

Defined in this Act: acquire, affected class, affected depreciable property, affected depreciation loss, affected depreciation recovery income, amount, Commissioner, compensation, current year, depreci-

ation recovery income, emergency event period, income year, liquidation, notify, replacement property, suspended recovery income

FP 9 Meaning of suspended recovery income for affected class

Suspended recovery income

(1) Subject to **subsection (2)**, the amount of suspended recovery income a person has for an affected class is the amount by which the affected depreciation recovery income for that class exceeds the affected depreciation loss for that class. 5

When property replaced

(2) When the person replaces an item of their affected depreciable property, the amount of their suspended recovery income for the affected class under **subsection (1)** is reduced by the amount of the replacement reduction calculated under **section FP 10**. 10

Defined in this Act: affected class, affected depreciable property, affected depreciation loss, affected depreciation recovery income, amount, suspended recovery income 15

FP 10 Replacement reduction for affected depreciable property

When this section applies

(1) This section applies for the purposes of **sections FP 9 and FP 11** to determine the amount of the replacement reduction when affected depreciable property is replaced. 20

Replacement property for which person does not use pool method

(2) If the person acquires an item of replacement property and links it with an affected class of affected depreciable property for which the person does not use the pool method, the amount of the replacement reduction is—

(a) zero, if the cost of the affected class is equal to or less than the person's total replacement costs in acquiring, before that item, other replacement property linked with the affected class; or 25

(b) in any other case, calculated using the formula—
limited replacement cost × class excess recovery ÷ affected class cost. 30

Definition of items in formula

(3) In the formula in **subsection (2)**,— 30

(a) **limited replacement cost** is the lesser of—

(i) the amount by which the cost of the affected class exceeds the total replacement costs in acquiring, before the item of replacement property, other replacement property linked with the affected class; and 35

(ii) the replacement cost of that item:

- (b) **class excess recovery** is the amount by which the affected depreciation recovery income for an affected class exceeds the affected depreciation loss for that class:
- (c) **affected class cost** is the total cost for the person of the affected class.
- Replacement property for which person uses pool method* 5
- (4) If the person acquires an item of replacement property and links it with an affected class of affected depreciable property for which the person uses the pool method, the amount of the replacement reduction is the lesser of—
- (a) the replacement cost of the item; and
- (b) the amount of suspended recovery income that remains for the class of affected property after the acquisition of other replacement property but before the acquisition of the item of replacement property. 10
- Order of acquisition for items acquired at same time*
- (5) If items of replacement property are acquired at the same time and the effect of this section depends on the order in which the items are acquired, the items are treated as being acquired in the order chosen by the person in their first return of income in which the acquisition is taken into account. 15
- Defined in this Act: acquire, affected class, affected depreciable property, affected depreciation loss, affected depreciation recovery income, amount, pool method, replacement cost, replacement property, return of income, suspended recovery income* 20
- FP 11 Effect of replacing affected depreciable property on subpart EE**
- When this section applies*
- (1) This section applies for the purposes of subpart EE (Depreciation) when a person—
- (a) acquires an item of replacement property (**replacement item**) to replace affected depreciable property: 25
- (b) disposes of the replacement item.
- Replacement property linked to affected class for which person does not use pool method*
- (2) If the person acquires the replacement item and links it with an affected class for which the person does not use the pool method, the amount of the replacement reduction in **section FP 10(2)** is treated as not being included in the replacement cost of the replacement item for the purposes of determining,—
- (a) under section EE 16(4) (Amount resulting from standard calculation), the item **value or cost** for the replacement item, if the person uses the diminishing value method or straight-line method for that item; or 35
- (b) under section EE 22 (Cases affecting pool), the cost of the replacement item, if the person uses the pool method for the replacement item.

Replacement property linked to affected class for which person uses pool method

(3) If the person acquires a replacement item and links the item with an affected class for which the person uses the pool method, the replacement cost of the replacement item is treated as being reduced by the replacement reduction in **section FP 10(4)** for the purposes of determining—

- (a) the adjusted tax value of the replacement item, if **paragraph (b) or (c)** does not apply; or
- (b) the cost of the replacement item for the straight-line method, if that method is used to determine depreciation loss for the replacement item; or
- (c) the adjusted tax value of the pool of the replacement item, if the person uses the pool method for the replacement item.

Disposal of replacement property: reduction in cost treated as depreciation loss

(4) For the purposes of section EE 48 (Effect of disposal or event), when a person disposes of a replacement item, the amount by which the replacement cost on the replacement item is treated as being reduced under **subsection (2) or (3)** is an amount of depreciation loss for the replacement item for which the person has been allowed a deduction.

Defined in this Act: acquire, adjusted tax value, affected class, affected depreciable property, amount, deduction, depreciation loss, diminishing value method, dispose, pool method, replacement cost, replacement property, straight-line method

Replacements: improvements to land

FP 12 Replacement property for improvements to land affected by emergency events

When this section applies

- (1) This section applies for a person and a current year when the person—
- (a) receives an amount of compensation in or before the current year for an affected improvement to land; and
 - (b) would have, in the absence of this section, in or before the current year, a total amount of income under section CG 4 (Receipts for expenditure or loss from insurance, indemnity, or otherwise) from the compensation for the affected improvement to land; and
 - (c) has had deductions for the affected improvement to land under 1 or more of section DO 4, DO 5, or DO 11 (which relate to improvements to land); and
 - (d) plans in the current year to acquire replacement property; and

- (e) notifies the Commissioner of their decision to suspend recognition of their suspended recovery income for the affected improvement to land in accordance with **section 226H** of the Tax Administration Act 1994.
- Suspended recovery income*
- (2) The person has an amount of income under **section CC 2C** (Compensation for improvements to land affected by emergency events) for the amount of the suspended recovery income for the affected improvement to land for the current year when— 5
- (a) the current year ends, if the current year is the final income year of the emergency event period and the person has not acquired replacement property: 10
- (b) in the current year, the person decides not to replace the affected improvement to land:
- (c) in the current year, the person goes into liquidation or becomes bankrupt.
- Meaning of suspended recovery income* 15
- (3) The amount of suspended recovery income a person has for their affected improvement to land is the amount of compensation received for that affected improvement to land that would have been income under section CG 4 in the absence of this section.
- When compensation more than replacement cost* 20
- (4) If the person acquires replacement property in the current year and the compensation received for the affected improvement to land exceeds the replacement cost, the person has an amount of income under **section CC 2C** for the amount, if any, by which the original cost for the affected improvement to land exceeds the replacement cost. 25
- Value of replacement property*
- (5) If the person acquires replacement property, the value attributed to the replacement cost of the affected improvement to land for the purposes of section DO 4, DO 5, or DO 11, as applicable, is,—
- (a) if the suspended recovery income is equal to or greater than the replacement cost, zero: 30
- (b) if the suspended recovery income is less than the replacement cost, the amount by which the replacement cost exceeds the suspended recovery income.
- Relationship to section CG 4* 35
- (6) This section overrides section CG 4.
- Defined in this Act: acquire, affected improvement to land, amount, Commissioner, compensation, current year, deduction, emergency event period, income, income year, liquidation, notify, replacement cost, replacement property, suspended recovery income

Deductions and depreciation

Interruption expenditure

FP 13 Treatment of expenditure when income-earning activity interrupted

When this section applies

- (1) This section applies for a person and the current year when— 5
- (a) the person has an income-earning activity in New Zealand immediately before an emergency event; and
 - (b) the activity is interrupted for a period (the **period of interruption**) as a result of the emergency event; and
 - (c) in the current year, during the period of interruption, the person incurs expenditure or loss (the **interruption expenditure**) in meeting an obligation relating to the income-earning activity; and 10
 - (d) the interruption expenditure does not meet the requirements of the general permission for the person and the income-earning activity, but would do so but for the interruption; and 15
 - (e) the person resumes the income-earning activity in the emergency event period.

Deduction for interruption expenditure

- (2) The person is allowed a deduction for the interruption expenditure under **section DB 69** (Deduction for interruption expenditure due to emergency event). 20

Timing of deduction

- (3) The deduction is allocated to the income year in which the person resumes the income-earning activity.

Defined in this Act: current year, deduction, emergency event, emergency event period, general permission, income year, loss, New Zealand 25

When certain items of depreciable property damaged

FP 14 When property uneconomic to repair

When this section applies

- (1) This section applies for a person and an item of depreciable property when—
- (a) the item is damaged by an emergency event; and 30
 - (b) the person is entitled to an amount of compensation for the damage to the item; and
 - (c) the person reasonably assesses that the item is uneconomic to repair; and
 - (d) the damage does not meet the requirements of section EE 47(4) (Events for purposes of section EE 44). 35

Treatment as disposal and reacquisition of items

- (2) The person is treated as, on the date of the emergency event,—
- (a) disposing of the item for the amount of compensation; and
 - (b) reacquiring the item for zero consideration.

Relationship with section EE 52

- (3) This section overrides section EE 52 (Amount of depreciation recovery income when compensation received).

Defined in this Act: amount, compensation, depreciable property, dispose, emergency event

FP 15 Insurance for damage of property caused by emergency event: limit on depreciation recovery income

When this section applies

- (1) This section applies for a person and an item of depreciable property when—
- (a) the item is damaged by an emergency event; and
 - (b) the person is entitled to an amount of compensation for the damage to the item; and
 - (c) the person would, in the absence of this section, derive depreciation recovery income under section EE 52 (Amount of depreciation recovery income when compensation received) in an income year for the item; and
 - (d) the damage does not meet the requirements of section EE 47(4) (Events for purposes of section EE 44); and
 - (e) **section FP 14** does not apply in relation to the item.

Limit on depreciation recovery income under section EE 52

- (2) The person derives an amount of depreciation recovery income in the income year that is equal to the lesser of—
- (a) the amount of depreciation recovery income that the person would derive in the income year for the item under section EE 52 in the absence of this section; and
 - (b) the total amount of depreciation loss for which the person has a deduction for the item.

Relationship with section EE 52

- (3) This section overrides section EE 52.

Defined in this Act: amount, compensation, deduction, depreciable property, depreciation loss, depreciation recovery income, emergency event, income year

FP 16 Item treated as available for use if access restricted due to emergency event

An item of depreciable property is treated as being available for use in a current year when access to the item is affected by a restriction imposed due to the effects of an emergency event if—

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- (a) the item was used or available for use immediately before the restriction was imposed; and
- (b) the item would be used or available for use in the absence of the restriction.

Defined in this Act: current year, depreciable property, emergency event

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Certain optional timing rules for depreciable property

FP 17 Insurance for emergency event damage causing disposal: optional timing rule for income, deductions

When this section applies

(1) This section applies for a person and an item of depreciable property when—

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- (a) the item is damaged by an emergency event; and
- (b) the damage—
 - (i) results in the item being affected by a disposal and reacquisition under **section FP 14**; or
 - (ii) meets the requirements of section EE 47(4) (Events for purposes of section EE 44); and
- (c) the person is entitled to an amount of compensation for the damage to the item; and
- (d) the person chooses to apply this section for all items of depreciable property to which **paragraphs (a) to (c)** apply.

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Timing of income from compensation and consideration from disposals

(2) When the amount of compensation for the damage is derived or able to be reasonably estimated before the end of the emergency event period, the person's income from the compensation and the consideration derived from the disposal of the item are attributed to the earlier of—

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- (a) the first income year in which—
 - (i) the amount of the cost of disposing of the item (the **disposal cost**) is, or has been, incurred or able to be reasonably estimated; and
 - (ii) the amount of compensation is, or has been, derived or able to be reasonably estimated; and
 - (iii) the consideration from the disposal of the item is, or has been, derived or able to be reasonably estimated; and
- (b) the final income year in the emergency event period.

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Timing of deductions for disposal costs and depreciation loss

(3) When the disposal cost is incurred or able to be reasonably estimated before the end of the emergency event period, the person’s deductions for the disposal cost and for depreciation loss under section EE 48 (Effect of disposal or event) are attributed to the earlier of—

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(a) the first income year in which—

(i) the disposal cost is, or has been, incurred or able to be reasonably estimated; and

(ii) the amount of compensation is, or has been, derived or able to be reasonably estimated; and

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(iii) the consideration from the disposal of the item is, or has been, derived or able to be reasonably estimated; and

(b) the final income year in the emergency event period.

Relationship with other sections

(4) This section overrides sections EE 1, EE 22, and EE 48 (which relate to the timing of depreciation loss and depreciation recovery income) in relation to the timing of the person’s—

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(a) income from the compensation and consideration from the disposal of the item:

(b) deductions for the disposal cost and depreciation loss.

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Defined in this Act: amount, compensation, deduction, depreciable property, depreciation loss, dispose, emergency event, emergency event period, income, income year

FP 18 Insurance for repairs of emergency event damage: optional timing rule for income, deductions*When this section applies*

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(1) This section applies for a person and an item of depreciable property when—

(a) the item is damaged by an emergency event; and

(b) the damage—

(i) does not result in the item being affected by a disposal and reacquisition under **section FP 14**; and

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(ii) does not meet the requirements of section EE 47(4) (Events for purposes of section EE 44); and

(c) the person is entitled to an amount of compensation for the damage to the item; and

(d) the person chooses to apply this section for all items of depreciable property to which **paragraphs (a) to (c)** apply.

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Timing of income from compensation

(2) When the amount of compensation for the damage is derived or able to be reasonably estimated before the end of the emergency event period, the person's income from the compensation is attributed to the earlier of—

- (a) the first income year in which—
 - (i) the amount of expenditure for total repair of the damage (the **repair cost**) is, or has been, incurred or able to be reasonably estimated; and
 - (ii) the amount of compensation is, or has been, derived or able to be reasonably estimated; and
- (b) the final income year in the emergency event period.

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Timing of deductions for repair costs

(3) If the repair cost is incurred or able to be reasonably estimated before the end of the emergency event period, the person's deduction for that cost is attributed to the earlier of—

- (a) the first income year in which—
 - (i) the cost is, or has been, incurred or able to be reasonably estimated; and
 - (ii) the amount of compensation is, or has been, derived or able to be reasonably estimated; and
- (b) the final income year in the emergency event period.

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Relationship with other sections

(4) This section overrides sections CG 4, EE 22, and EE 52 (which provide for receipts of insurance or indemnity payments) in relation to the timing of the person's—

- (a) income from the compensation;
- (b) deduction for the repair cost.

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Defined in this Act: amount, compensation, deduction, depreciable property, dispose, emergency event, emergency event period, income, income year

Optional rule for valuation of group assets

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FP 19 Optional rules for valuation of group assets

When this section applies

(1) This section applies for the purposes of sections FE 16 (Total group assets) and FE 18 (Measurement of debts and assets of worldwide group) and a person when—

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- (a) an asset of the person's New Zealand group is damaged as a result of an emergency event; and

- (b) the asset is impaired or derecognised under generally accepted accounting practice as a result of the damage; and
- (c) insurance for the damage is recognised at a later date under generally accepted accounting practice; and
- (d) the person has notified the Commissioner in the manner provided by **section 226I** of the Tax Administration Act 1994 that they have chosen to apply this section.

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Optional treatment of insurance

- (2) The person may choose to include an amount of the insurance, corresponding to the amount of the impairment or the derecognised value of the asset, in the value of the total group assets of the person’s New Zealand group during the period—
 - (a) beginning with the impairment or derecognition of the asset; and
 - (b) ending before the earlier of—
 - (i) the recognition of the amount of compensation; and
 - (ii) the beginning of the final income year in the emergency event period.

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Corresponding treatment for worldwide group

- (3) If a person includes an amount under **subsection (2)** in the value of the total group assets of the person’s New Zealand group for a period, they must include the amount in the value of the total group assets of their worldwide group for the period.

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Defined in this Act: amount, Commissioner, emergency event, emergency event period, generally accepted accounting practice, income year, New Zealand, notify, total group assets

Employment-related relief

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FP 20 Certain amounts derived by employees during emergency events

Income derived by an employee from an employer is exempt income to the extent given by **section CW 19B** (Certain amounts derived by employees during emergency events: exempt income) if the income—

- (a) would be assessable income in the absence of this section; and
- (b) is provided by the employer for the purpose of relief of employees from the adverse effects of an emergency event; and
- (c) is derived in the period of 8 weeks starting on the date the emergency event begins, as specified by regulations made under **section 6J** of the Tax Administration Act 1994; and
- (d) does not replace a PAYE income payment; and
- (e) does not depend on the seniority of the employee; and

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- (f) if the employee is associated with the employer, is available to another employee who—
 - (i) is not associated with the employer; and
 - (ii) is, or was immediately before an emergency event, in full-time employment with the employer; and
- (g) is treated by the employer as being exempt income for the employee.

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Defined in this Act: assessable income, associated, emergency event, employee, employer, employment, exempt income, income, PAYE income payment

FP 21 Employee benefits for emergency: not fringe benefit

When this section applies

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- (1) This section applies when an employee receives from an employer a benefit that—

- (a) would be a fringe benefit in the absence of this section; and
- (b) is for the purpose of the relief of employees from the adverse effects of an emergency event; and
- (c) is derived in the period of 8 weeks starting on the date the emergency event begins, as specified by regulations made under **section 6J** of the Tax Administration Act 1994; and
- (d) does not replace a PAYE income payment; and
- (e) does not depend on the seniority of the employee; and
- (f) if the employee is associated with the employer, is available to another employee who—
 - (i) is not associated with the employer; and
 - (ii) is, or was immediately before an emergency event, in full-time employment with the employer; and
- (g) is treated by the employer as not being a fringe benefit.

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Benefits with known value for employee

- (2) Benefits satisfying **subsection (1)** that would, in the absence of this section, be fringe benefits having a value for the employee that the employer could estimate are not fringe benefits to the extent to which their total value as fringe benefits for the period would be less than or equal to the amount by which \$5,000 exceeds the income that is—

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- (a) exempt income under **section CW 19B(b)** (Certain amounts derived by employees during emergency events: exempt income); and
- (b) derived by the employee from the employer in the same period.

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Benefits without known value for employee

- (3) Benefits satisfying **subsection (1)** that would, in the absence of this section, be fringe benefits having a value for the employee that the employer could not estimate are not fringe benefits.

Defined in this Act: associated, emergency event, employee, employer, employment, exempt income, fringe benefit, income, PAYE income payment

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FP 22 Accommodation expenditure incurred during emergency events*When this section applies*

- (1) This section applies for the purposes of section CW 16B (Accommodation expenditure: out-of-town secondments and projects) when—

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(a) the employment duties of an employee require them to work on a project of limited duration for rebuilding or recovery, including the repair and reconstruction of land, infrastructure, and other property in an area affected by an emergency event; and

(b) the distant workplace is a workplace in an area affected by the emergency event.

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Exempt income

- (2) The value provided or expenditure incurred by the employer of the employee for or in relation to the accommodation is exempt income of the employee under section CW 16B as modified by this section.

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Modified definition of project of limited duration

- (3) For the purposes of this section, paragraph (c)(iii) of the definition of **project of limited duration** and section CW 16C(2) (Time periods for certain accommodation expenditure) are modified by replacing the words “3 years” with the words “5 years” wherever they appear if the employee starts work at the distant workplace in the emergency event period.

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Defined in this Act: accommodation, distant workplace, emergency event, emergency event period, employee, employer, exempt income, land, project of limited duration, rebuilding, recovery, workplace

Income spreading for forced livestock sales

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FP 23 Livestock destroyed because of emergency events*When this section applies*

- (1) This section applies to an income year (the **cull year**) that falls within an emergency event period when—

(a) a person who owns or carries on a business has livestock on hand at the start of the cull year that they—

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(i) use for breeding in the ordinary course of carrying on the business; and

<ul style="list-style-type: none"> <li style="margin-left: 40px;">(ii) <u>have valued under the national standard cost scheme or the cost price method in the previous income year; and</u> (b) <u>in the cull year, some or all of the person’s livestock are destroyed, because of the relevant emergency event, pursuant to—</u> <ul style="list-style-type: none"> (i) <u>a power exercised under section 121 of the Biosecurity Act 1993:</u> (ii) <u>a direction given under section 122 of that Act; and</u> (c) <u>the number of mixed-age female breeding animals that the person expects to have on hand at the end of the income year following the cull year, for the type of livestock listed in schedule 17 (Types and classes of livestock), some or all of which were destroyed because of the relevant emergency event, is at least 75% of the number of mixed-age female breeding animals of that type that the person had on hand at the start of the cull year.</u> 	<p>5</p> <p>10</p>
<i>How this section applies</i>	
<ul style="list-style-type: none"> (2) <u>When regulations made under section FP 26 provide that this section applies to more than 1 type or class of livestock listed in schedule 17, a person choosing to apply this section must—</u> <ul style="list-style-type: none"> (a) <u>apply the formulas in sections FP 24 and FP 25 separately to each type of livestock; and</u> (b) <u>notify the Commissioner in their election made under subsection (3) as to the type of livestock to which the election applies.</u> 	<p>15</p> <p>20</p>
<i>Timing of income</i>	
<ul style="list-style-type: none"> (3) <u>The person may choose to allocate the amount of income calculated using the formula in section FP 24 equally between the 6 income years following the cull year.</u> 	<p>25</p>
<i>Timing of deductions</i>	
<ul style="list-style-type: none"> (4) <u>When a person makes an election under subsection (3), the amount of the deduction they would have had under section DB 49(3) (Adjustment for opening values of trading stock, livestock, and excepted financial arrangements) at the beginning of the cull year for their livestock that was destroyed is allocated equally between the 6 income years following the cull year.</u> 	<p>30</p>
<i>When business ceases</i>	
<ul style="list-style-type: none"> (5) <u>If the person stops owning or carrying on the business in an income year (the cessation year), any income and deductions that have not yet been allocated to an income year under subsections (3) and (4) are allocated to the cessation year.</u> 	<p>35</p>
<i>Elections</i>	
<ul style="list-style-type: none"> (6) <u>A person makes an election under subsection (3) by notifying the Commissioner by the date of filing their return of income for the cull year. The election cannot be revoked.</u> 	<p>40</p>

When election treated as never having been made

- (7) A person who makes an election under **subsection (3)** is treated as never having made the election if the number of mixed-age female breeding animals the person has on hand at the end of the income year following the cull year, for the type of livestock listed in schedule 17, some or all of which were destroyed because of the relevant emergency event, is less than 75% of the number of mixed-age female breeding animals that the person had on hand at the start of the cull year. 5

Meaning of mixed-age female breeding animals

- (8) In this section, **mixed-age female breeding animals** means, as applicable,— 10
- (a) mixed-age cows:
 - (b) mixed-age hinds:
 - (c) mixed-age ewes:
 - (d) mixed-age does:
 - (e) breeding sows. 15

Relationship with sections CG 6 and DB 49

- (9) This section overrides sections CG 6 (Receipts from insurance, indemnity, or compensation for trading stock) and DB 49.

Defined in this Act: amount, business, class, Commissioner, cost price, deduction, emergency event, emergency event period, income, income year, mixed-age female breeding animals, national standard cost scheme, notify, return of income 20

FP 24 Calculation of income for section FP 23*What this section does*

- (1) When a person chooses to allocate their income under **section FP 23(3)**, this section provides the formula to calculate the amount of that income. 25

Calculation of income

- (2) The amount of income is calculated under the following formula:

$$\Sigma(\text{number} \times (\text{sale proceeds} + \text{livestock compensation}) \div \text{culled stock}).$$

Definition of items in formula

- (3) The items in the formula in **subsection (2)** are defined in **subsections (4) to (8)**. 30

Σ

- (4) Σ is the symbol for the summation of the amounts calculated using the formula in the brackets that follow that symbol for each of the classes of livestock.

Number

- (5) **Number**, for a class of livestock, is the number that is the lesser of the following 2 numbers, or the first number if they are the same: 35

- (a) the number that is the greater of zero and the number calculated using the formula in **section FP 25(2)**; and
- (b) the number of livestock of that class that—
 - (i) were breeding stock or stock that the person expected to be capable of, and intended to be used for, breeding upon reaching maturity; and
 - (ii) the person valued under the national standard cost scheme or the cost price method in the income year before the cull year.

5

Sale proceeds

- (6) **Sale proceeds**, for a class of livestock, is the amount of income the person derives as consideration for the disposal of livestock of that class, including their carcasses, that are part of the destroyed livestock referred to in **section FP 23(1)(b)** (the destroyed livestock).

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Compensation

- (7) **Livestock compensation**, for a class of livestock, is the amount of income the person derives as compensation to which they are entitled under section 162A of the Biosecurity Act 1993 and that they receive by the end of the income year following the cull year, but only to the extent to which the compensation relates to—

15

- (a) an excess of the value of the destroyed livestock that belong to that class used in the calculation of that compensation over the amount of income described in **subsection (6)** for that class; and
- (b) an excess of the cost of replacement livestock of the same class that the person acquires and intends to be used for breeding over the amount of income that would, in the absence of this paragraph, be described in this subsection.

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Culled stock

- (8) **Culled stock**, for a class of livestock, is the number of livestock of that class that are part of the destroyed livestock.

Defined in this Act: acquire, amount, class, compensation, income, income year, national standard cost scheme

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FP 25 Livestock number for section FP 24

What this section does

- (1) When a person calculates an amount of income under the formula in **section FP 24**, this section provides the formula to calculate the number for a class of livestock that is referred to in **subsection (5)(a)** of that section.

35

Calculation of number

- (2) The number for a class of livestock is calculated under the following formula:
valuation method breeding stock + culled stock – opening stock.

Definition of items in formula

- (3) In the formula in **subsection (2)**, for a class of livestock,—
- (a) **valuation method breeding stock** is the number of livestock of that class that—
- (i) were breeding stock or stock that the person expected to be capable of, and intended be used for, breeding upon reaching maturity; and
- (ii) the person valued under the national standard cost scheme or the cost price method in the income year before the cull year:
- (b) **culled stock** is the number of livestock of that class that are part of the destroyed livestock referred to in **section FP 23(1)(b)**:
- (c) **opening stock** is the number of livestock of that class that the person had on hand at the start of the cull year.

Defined in this Act: amount, class, income, income year, national standard cost scheme

FP 26 Livestock specified by regulations*Types and classes of livestock*

- (1) The Governor-General may, by Order in Council made on the recommendation of the Minister of Revenue, make regulations specifying 1 or more types or classes of livestock set out in schedule 17 (Types and classes of livestock) to which **sections FP 23 to FP 25** apply.

Application

- (2) Regulations made under this section may be expressed to come into force on a day that is before, on, or after the date on which they are made, but not earlier than the date the emergency event begins, as specified by regulations made under **section 6J** of the Tax Administration Act 1994, and the regulations come into force or, as the case may be, are deemed to have come into force accordingly.

Retrospective

- (3) Regulations made under this section may be retrospective only to the extent provided for in **subsection (2)**.

Secondary legislation

- (4) Regulations made under this section are secondary legislation (*see* Part 3 of the Legislation Act 2019 for publication requirements).

Defined in this Act: class, emergency event

Relief from bright-line test and other land sale rules**FP 27 Certain land and buildings affected by emergency event**

Sections CB 6A and CB 9 to CB 11 (which relate to income from disposals of land) do not apply to a person and land or buildings, or both, purchased by the

Crown or a local authority from the person if the land or buildings, or both, were damaged by an emergency event.

Defined in this Act: emergency event, land, local authority

54 Section GC 5 amended (Leases for inadequate rent)

- (1) In section GC 5(2)(d), after “lease by a partnership”, insert “, ignoring section HG 2 (Partnerships are transparent),”.
- (2) **Subsection (1)** applies for income years commencing on or after 1 April 2008. However, **subsection (1)** does not apply to a person in relation to a tax position taken by the person—
 - (a) in the period that starts on 1 April 2008 and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~; and
 - (b) that is inconsistent with the amendment made to section GC 5 by **subsection (1)**.

55 Section GC 11 amended (Applications for matching treatment)

- (1) After section GC 11(1)(b), insert:
 - (bb) the difference between the arm’s length amount and either the consideration payable in the absence of section GC 7 or the consideration receivable in the absence of section GC 8, as the case may be, is not a dividend; and
- (2) Repeal section GC 11(2)(a).

56 Section GC 12 amended (Effect on person’s withholding obligations)

In section GC 12, delete “other than to the extent to which section GC 11(2) applies”.

57 Section GC 13 amended (Calculation of arm’s length amounts)

- (1) In section GC 13(6),—
 - (a) replace “an assessment for a tax year” with “a taxpayer’s assessment for a tax year”; and
 - (b) replace “the taxpayer that a tax audit or investigation has commenced” with “the taxpayer or another taxpayer that a relevant tax audit or investigation affecting them has commenced”.

- (2) After section GC 13(6), insert:

Further amendment of assessment

- (7) Despite the time bar, at any time in the period of 7 tax years after the return year for an amendment (a **transfer pricing amendment**) that was made under subsection (6), the Commissioner may amend an assessment if such amendment is related to the transfer pricing amendment.

- (3) **Subsections (1) and (2)** apply for an arrangement and income years beginning on or after 1 April 2025.
- 57B Section HC 8B amended (Trustee income in income year of person’s death and following 3 income years)**
- (1) In the heading to section HC 8B, replace “Trustee income” with “Income”. 5
- (2) In section HC 8B(2), replace “trustee income” with “income”.
- (3) **Subsections (1) and (2)** apply for the 2024–25 and later income years.
- 57C Section HC 14 amended (Distributions from trusts)**
- In the heading to section HC 14(2B), delete “at rate above market rate not distribution”. 10
- 57D Section HC 26 amended (Foreign-sourced amounts: resident trustees)**
- (1) Replace section HC 26(1)(e) with:
- (e) the amount is not beneficiary income derived by a minor that is treated as if it were trustee income under section HC 35(2); and
- (f) the amount is not beneficiary income derived by a close company that is treated as if it were trustee income under section HC 38(3). 15
- (2) **Subsection (1)** applies for the 2025–26 and later income years.
- 58 Section HC 33 amended (Choosing to satisfy income tax liability of trustee)**
- In section HC 33(1B)(c)(ii), replace “resident foreign trustee” with “trustee of a foreign exemption trust”. 20
- 59 Section HC 35 amended (Beneficiary income of minors)**
- (1) In section HC 35(2)(e), after “clause 3”, insert “, ignoring clauses 4 to 6B”.
- (1B) In section HC 35(2)(c), replace “clause 3” with “**clause 15**”.
- (2) Replace section HC 35(4), other than the heading, with: 25
- (4) This section does not apply to—
- (a) a minor who, for the income year, derives 1 or ~~both~~ more of the following:
- (i) beneficiary income from the trust of \$1,000 or less:
- (ii) a child disability allowance paid under the Social Security Act 2018: 30
- (iii) a disability allowance paid under the Social Security Act 2018:
- (b) beneficiary income derived from the trust if the trust is—
- (i) settled in a way described in section HC 36:
- (ii) a testamentary trust described in section HC 37: 35

(iii)	a disabled beneficiary trust described in section HC 39:	
(iv)	a Maori authority:	
(v)	a group investment fund.	
(3)	Subsections (1B) and (2) apply for the 2024–25 and later income years.	
60	Section HC 38 amended (Beneficiary income of certain close companies)	5
(1A)	<u>Replace section HC 38(2), other than the heading, with:</u>	
(2)	<u>This section does not apply to—</u>	
(a)	<u>a close company that is a—</u>	
(i)	<u>Maori authority:</u>	
(ii)	<u>tax charity:</u>	10
(iii)	<u>securitisation trust beneficiary:</u>	
(b)	<u>non-residents’ foreign-sourced income derived by a close company of which all shareholders are non-resident.</u>	
(1)	<u>In section HC 38(3)(e), after “clause 3”, insert “, ignoring clauses 4 to 6B”.</u>	
(1B)	<u>In section HC 38(3)(c), replace “clause 3” with “clause 16”.</u>	15
(1C)	<u>In section HC 38, list of defined terms, insert “non-resident”, “non-residents’ foreign-sourced income”, and “shareholder”.</u>	
(2)	Subsections (1A) to (1C) applies <u>apply</u> for the 2024–25 and later income years.	
61	Section HG 3 amended (General provisions relating to disposals)	20
(1)	Replace section HG 3(1) with:	
	<i>No disposal safe harbours when disposal upon dissolution</i>	
(1)	Sections HG 5 to HG 10 do not apply for the partners of a partnership when the partnership is finally dissolved by agreement of the partners, court order, or otherwise and the partnership’s business, ignoring section HG 2, will not continue to be carried on in partnership.	25
(2)	In section HG 3, list of defined terms, insert “exiting partner”.	
(3)	For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, subsection (1) applies for income years commencing on or after 1 April 2008. However, subsection (1) does not apply to a person in relation to a tax position taken by the person—	30
(a)	in the period that starts on 1 April 2008 and ends on <u>26 August 2024</u> the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill ; and	
(b)	that is inconsistent with the amendment made to section HG 3 by subsection (1) .	35

- 62 Section HG 4 amended (Disposal upon final dissolution)**
- (1) Repeal section HG 4(6).
 - (2) In section HG 4, list of defined terms, insert “limited partnership”.
 - (3) For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, **subsection (1)** applies for income years commencing on or after 1 April 2008. However, **subsection (1)** does not apply to a person in relation to a tax position taken by the person—
 - (a) in the period that starts on 1 April 2008 and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~; and
 - (b) that is inconsistent with the amendment made to section HG 4 by **subsection (1)**.
- 63 Section HG 5 amended (Disposal of partner’s interests)**
- (1) In section HG 5(1),—
 - (a) replace “a person” with “an exiting partner”; and
 - (b) after “partnership”, insert “to an entering partner”.
 - (2) In section HG 5(2)(c),—
 - (a) in subparagraph (i), delete “, or financial arrangements”; and
 - (b) in subparagraph (ii), delete “or financial arrangements”.
 - (3) Replace section HG 5(8) with:

Exclusion: final dissolution
 - (8) This section does not apply for the partners of a partnership if section HG 3(1) applies.
 - (4) In section HG 5, list of defined terms, insert “amount”, “income”, “income year”, “pay”, and “small partnership”.
 - (5) For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, **subsection (3)** applies for income years commencing on or after 1 April 2008. However, **subsection (3)** does not apply to a person in relation to a tax position taken by the person—
 - (a) in the period that starts on 1 April 2008 and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~; and
 - (b) that is inconsistent with the amendment made to section HG 5 by **subsection (3)**.
- 64 Section HG 6 amended (Disposal of trading stock)**
- (1) In section HG 6(1),—
 - (a) replace “a person” with “an exiting partner”; and

- (b) after “in a partnership”, insert “to an entering partner”.
- (2) Replace section HG 6(7) with:
- Exclusion: final dissolution*
- (7) This section does not apply for the partners of a partnership if section HG 3(1) applies. 5
- (3) In section HG 6, list of defined terms, insert “amount”, “income year”, and “pay”.
- (4) For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, **subsection (2)** applies for income years commencing on or after 1 April 2008. However, **subsection (2)** does not apply to a person in relation to a tax position taken by the person— 10
- (a) in the period that starts on 1 April 2008 and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~; and
- (b) that is inconsistent with the amendment made to section HG 6 by **subsection (2)**. 15
- 65 Section HG 7 amended (Disposal of depreciable property)**
- (1) In section HG 7(1),—
- (a) replace “a person” with “an exiting partner”; and
- (b) after “in a partnership”, insert “to an entering partner”. 20
- (2) Replace section HG 7(7) with:
- Exclusion: final dissolution*
- (7) This section does not apply for the partners of a partnership if section HG 3(1) applies.
- (3) In section HG 7, list of defined terms, insert “amount”, “income year”, and “pay”. 25
- (4) For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, **subsection (2)** applies for income years commencing on or after 1 April 2008. However, **subsection (2)** does not apply to a person in relation to a tax position taken by the person— 30
- (a) in the period that starts on 1 April 2008 and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~; and
- (b) that is inconsistent with the amendment made to section HG 7 by **subsection (2)**. 35
- 66 Section HG 8 amended (Disposal of financial arrangements and certain excepted financial arrangements)**
- (1) In section HG 8(1), in the words before the paragraphs,—

- (a) replace “a person” with “an exiting partner”; and
- (b) after “partnership”, insert “to an entering partner”.
- (2) Replace section HG 8(7) with:
- Exclusion: final dissolution*
- (7) This section does not apply for the partners of a partnership if section HG 3(1) applies. 5
- (3) In section HG 8, list of defined terms,—
- (a) insert “amount”, “income year”, and “pay”; and
- (b) replace “disposal” with “dispose”.
- (4) For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, **subsection (2)** applies for income years commencing on or after 1 April 2008. However, **subsection (2)** does not apply to a person in relation to a tax position taken by the person— 10
- (a) in the period that starts on 1 April 2008 and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~; and 15
- (b) that is inconsistent with the amendment made to section HG 8 by **subsection (2)**.
- 67 Section HG 9 amended (Disposal of short-term agreements for sale and purchase) 20**
- (1) In section HG 9(1),—
- (a) replace “a person” with “an exiting partner”; and
- (b) after “partnership”, insert “to an entering partner”.
- (2) Replace section HG 9(7) with:
- Exclusion: final dissolution* 25
- (7) This section does not apply for the partners of a partnership if section HG 3(1) applies.
- (3) In section HG 9, list of defined terms, insert “amount”, “income year”, and “pay”.
- (4) For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, **subsection (2)** applies for income years commencing on or after 1 April 2008. However, **subsection (2)** does not apply to a person in relation to a tax position taken by the person— 30
- (a) in the period that starts on 1 April 2008 and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~; and 35
- (b) that is inconsistent with the amendment made to section HG 9 by **subsection (2)**.

68 Section HG 10 amended (Disposal of livestock)

- (1) In section HG 10(1), replace “a person (the **exiting partner**)” with “an exiting partner”.
- (2) After section HG 10(2), insert:
 - Exclusion: final dissolution* 5
- (3) This section does not apply for the partners of a partnership if section HG 3(1) applies.
- (3) In section HG 10, list of defined terms, insert “exiting partner” and “partnership”.
- (4) For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, **subsection (2)** applies for income years commencing on or after 1 April 2008. However, **subsection (2)** does not apply to a person in relation to a tax position taken by the person—
 - (a) in the period that starts on 1 April 2008 and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~; and 15
 - (b) that is inconsistent with the amendment made to section HG 10 by **subsection (2)**.

69 Section HG 11 amended (Limitation on deductions by partners in limited partnerships) 20

- (1) In section HG 11(5), replace paragraphs (b) and (c) with:
 - (b) the amount paid by the partner as an entering partner for the assignment of an interest in partnership property to them: 25
 - (c) the secured amounts to the extent to which they are not already included in paragraph (a) as a loan made to the partnership by another partner. 25
- (2) In section HG 11(6), replace paragraph (b) with:
 - (b) the amount paid to the partner as an exiting partner for the assignment of an interest in partnership property by them: 30
 - (c) amounts included in paragraph (a) of subsection (5) to the extent to which they are capital contributions under paragraph (b) of the definition of **capital contribution** in subsection (12) for which the limited partnership is no longer debtor in relation to the partner. 30
- (3) In section HG 11(7),—
 - (a) replace paragraph (ab) with:
 - (ab) if the partner has FIF income or a FIF loss in the income year and previous income years, amounts under subsection (7B) for those years: 35
 - (b) repeal paragraph (c).
- (4) In section HG 11(7B),—

- (a) replace “The” with “An”; and
- (b) replace “dividend” with “dividends”.
- (5) In section HG 11(7C)(a),—
- (a) replace “dividend” with “dividends” in each place; and
- (b) replace “section CD 36(1) (Foreign investment fund income)” with “sections CD 36 (Foreign investment fund income) and HG 2(2)”. 5
- (6) Repeal section HG 11(8)(c).
- (7) Repeal section HG 11(10).
- (8) In section HG 11(12), definition of **secured amounts**,—
- (a) in the words before the paragraphs, after “partner,”, insert “the total of, 10
for each amount of the limited partnership’s debt ignoring section HG 2
(the **secured debt**) for which the partner is a guarantor,”; and
- (b) replace paragraph (a) with:
- (a) the amount of the secured debt divided by the total number of guarantors
for that debt: 15
- (9) In section HG 11, list of defined terms, insert “company”, “general partner”,
“limited partner”, and “wholly-owned group”.
- 70 Section HM 7 amended (Requirements)**
- In section HM 7(1)(a), replace “HM 10” with “HM 10B”.
- 71 New section HM 10B inserted and replaced (Exclusion: banks and licensed 20
non-bank deposit takers)**
- (1) After section HM 10, insert:
- HM 10B Exclusion: banks and licensed non-bank deposit takers**
- The entity must not be a registered bank or a licensed non-bank deposit taker.
Defined in this Act: licensed non-bank deposit taker, registered bank 25
- (2) Replace **section HM 10B** with:
- HM 10B Exclusion: licensed deposit takers**
- The entity must not be a licensed deposit taker.
Defined in this Act: licensed deposit taker
- 72 Section HM 12 amended (Income types) 30**
- (1) In section HM 12(1)(b)(iii), replace “entity:” with “entity, other than an amount
of excluded interest:”.
- (2) After subsection HM 12(1), insert:

Meaning of excluded interest

- (1B) For the purposes of subsection (1)(b)(iii), **excluded interest** means interest derived from a person associated with the entity other than under section YB 2(3) (Two companies), but does not include interest derived from the person if— 5
- (a) the person is a registered bank or a licensed non-bank deposit taker:
 - (b) the person is ~~a PIE, or an entity that qualifies for PIE status:—~~
 - (i) a PIE; or
 - (ii) a foreign PIE equivalent; or
 - (iii) an entity that qualifies for PIE status: 10
 - (c) the interest is on funds the entity loaned to the person that were loaned to the entity by a third party, and the interest rate is either—
 - (i) the same for both loans; or
 - (ii) the weighted average of interest rates incurred by the entity under all active loans from third parties. 15
- (3) Replace **section HM 12(1B)(a)** with:
(a) the person is a licensed deposit taker:
- (4) In section HM 12, list of defined terms,—
(a) insert “foreign PIE equivalent”, “licensed non-bank deposit taker”, “PIE”, and “registered bank”: 20
(b) replace “licensed non-bank deposit taker” with “licensed deposit taker”, and delete “registered bank”.
- (5) **Subsections (1) and (2)** apply from—
(a) 1 April 2025, if the loan was entered into on or after that date; or
(b) 1 April 2030, if the loan was entered into, renewed, extended, or renegotiated before 1 April 2025. 25

73 Section HM 71 amended (Choosing to become PIE)

In section HM 71, replace “HM 10” with “HM 10B”.

73B Section HP 1 amended (Liability for multinational top-up tax)

- (1) In section HP 1(1), replace “A constituent entity” with “A constituent entity, other than a securitisation entity.” 30
- (2) In section HP 1(2), replace “Each constituent entity” with “Each constituent entity, other than a securitisation entity.”
- (3) In section HP 1, list of defined terms, insert “securitisation entity”.

74 Section HR 9 replaced (Debt funding special purpose vehicles are transparent if election made by originator)

Replace section HR 9 with:

HR 9 Debt funding special purpose vehicles are transparent if election made by originator	5
<i>What this section applies to</i>	
(1) This section applies for the purposes of establishing the liabilities and obligations under an Inland Revenue Act when an originator of a debt funding special purpose vehicle has made an election under section HR 9BA or HZ 9 (Elections to treat existing debt funding special purpose vehicles as transparent) in relation to—	10
(a) an asset transferred to the special purpose vehicle by the originator (the transferred asset); or	
(b) an asset held by the special purpose vehicle that is attributed to the originator as described in section HR 9BAA(3) (the attributed asset).	15
<i>What this section does not apply to</i>	
(2) Despite subsection (1) , this section does not apply to liabilities and obligations arising under sections EW 24 to EW 25B (which relate to the consistency of use of spreading methods for financial arrangements).	
<i>Treatment of originators</i>	20
(3) <u>For the purposes of this section,</u> tThe originator is treated as—	
(a) carrying on an activity carried on by the special purpose vehicle to the extent to which the activity relates to a transferred asset or an attributed asset, as applicable; and	
(b) having a status, intention, and purpose of the special purpose vehicle to the extent to which the status, intention, or purpose relates to a transferred asset or an attributed asset, as applicable; and	25
(c) holding property that the special purpose vehicle holds if the property is a transferred asset or an attributed asset, as applicable; and	
(d) being a party to an arrangement to which the special purpose vehicle is party if—	30
(i) the arrangement is a transferred asset or an attributed asset, as applicable; or	
(ii) the arrangement relates to a transferred asset or an attributed asset, as applicable; and	35
(e) doing a thing and being entitled to a thing that the special purpose vehicle does or is entitled to if the thing relates to a transferred asset or an attributed asset, as applicable.	

Treatment of special purpose vehicles

- (4) For the purposes of ~~this section~~ calculating the income tax liability of the special purpose vehicle and an originator for an income year, the special purpose vehicle is treated as not carrying on the activity, not having the status, intention, or purpose, not holding the property, not being party to the arrangement, and not doing the thing or being entitled to the thing. 5

Defined in this Act: arrangement, debt funding special purpose vehicle, income tax liability, income year, Inland Revenue Acts, originator

75 New section HR 9BAA inserted (Meaning of originator)

After section HR 9, insert: 10

HR 9BAA Meaning of originator

Meaning

- (1) In relation to a debt funding special purpose vehicle, **originator** means a person who is a New Zealand resident who— 15
- (a) has transferred an asset to the special purpose vehicle and the person otherwise meets the requirements set out in **subsection (2)**; or
 - (b) is a beneficiary or shareholder of the special purpose vehicle ~~that has an asset transferred to it by a trustee of a trust~~ and the person otherwise meets the requirements of **subsection (3)**. 20

When assets transferred by companies 20

- (2) For the purposes of **subsection (1)(a)**, the person must be a company that has transferred assets to the special purpose vehicle and all the transferred assets are— 25
- (a) treated for financial reporting purposes as the person's assets; or
 - (b) are included in consolidated financial statements prepared by the person or by a member of a wholly-owned group of companies that includes them person. 25

~~When assets transferred from trusts~~ *Other assets*

- (3) For the purposes of **subsection (1)(b)**, the person must be a beneficiary or shareholder of the special purpose vehicle and a person who— 30
- (a) is treated for financial reporting purposes as holding assets of the debt funding special purpose vehicle to which **subsection (1)(a)** does not apply ~~that have been transferred to that special purpose vehicle~~; or
 - (b) is a member of the same wholly-owned group of companies as another person who prepares consolidated financial statements that include the assets referred to in **paragraph (a)**. 35

Group members

- (4) For the purposes of ~~subsections (1)(b) and (3)~~ this section, a beneficiary or shareholder includes a member of the same wholly-owned group of companies as a beneficiary or shareholder.

Defined in this Act: company, debt funding special purpose vehicle, financial statements, New Zealand resident, originator, shareholder, trustee, wholly-owned group of companies

5

76 Section HR 9BA amended (Elections to treat debt funding special purpose vehicles as transparent)

- (1) In section HR 9BA(1)(a), replace “that the debt funding special purpose vehicle would have” with “that the special purpose vehicle would have”.

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- (2) Replace section HR 9BA(2)(b) with:

(b) has effect from the date on which—

- (i) the originator first transferred an asset to the special purpose vehicle; or
- (ii) an asset first becomes an attributed asset for the originator as described in **section HR 9BAA(3)**; and

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- (3) In section HR 9BA(2)(c), replace “a debt funding special purpose vehicle” with “a special purpose vehicle”.

- (4) After section HR 9BA(2), insert:

Sole originators for attributed assets

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- (2B) When an originator makes an election under subsection (1) or section HZ 9 (Elections to treat existing debt funding special purpose vehicles as transparent) in relation to an attributed asset referred to in **section HR 9(1)(b)**, no other originator may make an election in relation to that asset.

Relationship with section HR 10B

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- (2C) Section HR 10B overrides **subsection (2B)**.

- (5) In section HR 9BA(3), delete “(Elections to treat existing debt funding special purpose vehicles as transparent)”.

77 Section HR 10 amended (What happens when vehicle stops being transparent debt funding special purpose vehicle?)

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In section HR 10(1),—

- (a) in the words before paragraph (a), replace “that relates to the debt funding special purpose vehicle, the following apply” with “that relates to the special purpose vehicle, the following apply”:

- (b) in paragraphs (a), (b), (c), and (d), replace “stops being a debt funding special purpose vehicle” with “stops being a special purpose vehicle”.

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78 New section HR 10B inserted (What happens when persons stop being originators?)

After section HR 10, insert:

HR 10B What happens when persons stop being originators?

When subsections (2), (2B), and (3) apply

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(1) **Subsections (2), (2B), and (3)** apply for an income year when, in relation to a debt funding special purpose vehicle and an asset referred to in **section HR 9(1)(b)**,—

(a) an originator (the **first originator**) stops being an originator at a particular date in the income year (the **breach date**); and

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(b) another person (the **second originator**)—

(i) is or becomes a beneficiary or shareholder of the special purpose vehicle; and

(ii) ~~both before and immediately after~~ immediately before the breach date, is a member of the wholly-owned group of companies of which the first originator is part; and

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(iii) immediately after the breach date, holds the assets of the first originator as attributed assets described in **section HR 9BAA(3)**.

Treatment of second originators

(2) For the purposes of **section HR 9**, and ~~for calculating the income tax liability of~~ the special purpose vehicle and an originator for the income year and later income years, the second originator is treated as if—

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(a) they acquired and held the assets of the first originator on the same basis as the first originator:

(b) they ~~paid or received~~ paid or received the amounts of consideration originally paid ~~or received~~ by the first originator for or under an asset of the first originator that is a financial arrangement or excepted financial arrangement;

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(c) ~~they received the amount of consideration originally received by the first originator for or under an asset of the first originator that is a financial arrangement or excepted financial arrangement.~~

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Treatment of first originators

(2B) For the purposes of **section HR 9**, and for the special purpose vehicle and an originator for the income year and later income years, the first originator is treated as if they were not an originator for the assets and arrangements referred to in **subsection (2)**.

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Treatment of first originators

(3) For the purposes of **subsection (2)(a)**, the first originator is treated as not having acquired or held the assets.

Base price adjustments

- (4) In relation to a special purpose vehicle and an asset referred to in **section HR 9(1)(a)**, for the income year that includes the breach date, the first originator is treated as a party that is not required to calculate a base price adjustment, despite section EW 29 (When calculation of base price adjustment required). 5

Relationship with section HR 10

- (5) Section HR 10 overrides this section.

Group members

- (6) For the purposes of this section, a beneficiary or shareholder includes a member of the same wholly-owned group of companies as a beneficiary or shareholder. 10

Defined in this Act: amount, debt funding special purpose vehicle, excepted financial arrangement, financial arrangement, income tax liability, income year, originator, shareholder, wholly-owned group of companies 15

79 Section HR 12 amended (Non-exempt charities: treatment of tax-exempt accumulations)

- (1) In section HR 12(3)(a)(ii), replace “or CW 64” with “and CW 64”.
 (2) **Subsection (1)** applies to a person that is removed from the register of charitable entities on or after 1 April 2024. 20

80 Section HZ 9 amended (Elections to treat existing debt funding special purpose vehicles as transparent)

- (1) Replace section HZ 9(1), other than the heading, with:
 (1) This section applies when an originator transferred any of their assets to a debt funding special purpose vehicle or an originator has attributed assets as described in **section HR 9BAA(3)** before the day after the date on which the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act 2024 receives the Royal assent. 25
 (2) In section HZ 9(2), replace “incurred by the debt funding special purpose vehicle” with “incurred by the special purpose vehicle”. 30
 (3) In section HZ 9(3)(c), replace “stops being a debt funding special purpose vehicle” with “stops being a special purpose vehicle”.

81 Section HZ 10 amended (What happens when election is made under section HZ 9?)

In section HZ 10(1)(b) and (2), replace “debt funding special purpose vehicle” with “special purpose vehicle” in each place. 35

82 Section IA 7 amended (Restrictions relating to ring-fenced tax losses)

In section IA 7(6), delete “, IQ 5,”.

- 83 Section IE 4 amended (Group companies’ treatment of tax losses on amalgamation)**
 In section IE 4(1)(c), replace “IC 5, IQ 4, or IQ 5” with “IC 5 or IQ 4”.
- 84 Section IE 5 amended (Applying the continuity provisions when companies amalgamate)** 5
 In section IE 5(b) and (c), replace “IC 5, IQ 4, or IQ 5” with “IC 5 or IQ 4”.
- 85 Section IQ 6 amended (Pre-consolidation losses: general treatment)**
 In section IQ 6(5)(b), delete “or IQ 5”.
- 86 Section IQ 7 amended (When group membership lacking in loss period)** 10
 In section IQ 7(2)(b), delete “or IQ 5, as applicable”.
- 86B Section LA 5 amended (Treatment of remaining credits)**
 In section LA 5(2), after “credits”, insert “or to a tax credit for TSWT refundable under **section RM 8B** (Overpaid TSWT)”.
- 87 New section LB 6BA inserted (Tax credits for TSWT)** 15
 After section LB 6, insert:
- LB 6BA Tax credits for TSWT**
- When this section applies*
- (1) This section applies in a tax year when a transfer scheme provides the Commissioner with investment income information that shows an amount of TSWT withheld from a ~~foreign superannuation withdrawal derived by an assessable withdrawal amount of~~ a person. 20
- Amount of credit*
- (2) The person has a tax credit for the tax year equal to the amount of TSWT shown as withheld. 25
- Use of credit*
- (3) The person must only use the tax credit to satisfy their income tax liability on the assessable withdrawal amount. 25
- Defined in this Act: amount, assessable withdrawal amount, Commissioner, ~~foreign superannuation withdrawal~~, income tax liability, tax credit, tax year, transfer scheme, TSWT
- 87B Section LC 13 amended (Tax credits for independent earners)** 30
- (1) In section LC 13(1)(d), replace “not entitled to” with “not entitled to or is not receiving”.
- (2) In section LC 13(1)(e), replace “entitled to” with “entitled to and is receiving”.

- 88 Section LE 4B amended (Trustees for certain close companies)**
In section LE 4B(1), delete “(the tax credit)”.
- 89 Section LJ 5 amended (Calculation of New Zealand tax)**
- (1) After section LJ 5(6), insert:
- Deductions for beneficiaries* 5
- (7) If the person is a beneficiary of a trust and has a segment of foreign-sourced income (the **foreign income**) that was received by the trust and ~~distributed to the person as beneficiary income~~ is beneficiary income of the person, the person is treated for the purposes of this section as having the amount of deductions relating to the foreign income that a trustee of the trust would have had if the trustee were calculating their New Zealand tax for the foreign income under this section. 10
- (2) In section LJ 5, list of defined terms, insert “beneficiary income” and “trustee”.
- 90 Section LY 9 amended (Orders in Council)**
In section LY 9(2), replace “Research, Science, and Innovation” with “Science, Innovation, and Technology”. 15
- 91 Section LY 10 amended (Evaluation)**
In section LY 10, replace “Research, Science, and Innovation” with “Science, Innovation, and Technology” in each place.
- 91B Section MH 2 amended (Some definitions)** 20
- (1) In section MH 2, insert, in appropriate alphabetical order:
other income means a person’s income that is not reportable income but also includes a PAYE income payment that is a schedular payment under section RD 8 (Schedular payments)
- (2) In section MH 2, insert, in appropriate alphabetical order: 25
reportable income has the meaning set out in section 22D(3) of the Tax Administration Act 1994, but does not include a PAYE income payment that is a schedular payment under section RD 8
- (3) In section MH 2, insert, in appropriate alphabetical order:
tax credit quarter means the quarter for which a person is entitled to a FamilyBoost tax credit under section MH 4. 30
- (4) In section MH 2, list of defined terms, insert “other income”, “PAYE income payment”, “quarter”, “reportable income”, “schedular payment”, and “tax credit quarter”.
- 91C Section MH 3 replaced (FamilyBoost tax credit)** 35
Replace section MH 3 with:

MH 3 FamilyBoost tax credit

Entitlement to FamilyBoost tax credit

(1) A natural person is entitled to a FamilyBoost tax credit for a tax credit quarter for the amount calculated under **subsections (2) and (3)** if, during that quarter, the person—

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(a) is a caregiver of 1 or more children enrolled with a licensed early childhood service; and

(b) incurs licensed early childhood service fees for that child or children; and

(c) is resident in New Zealand.

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Amount of credit

(2) Subject to **subsection (3)**, the FamilyBoost tax credit for a tax credit quarter is equal to 25% of the licensed early childhood service fees payable by the person for that quarter up to a maximum credit amount of \$975.

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Abatement of credit

(3) If the person’s tax credit income calculated under **section MH 4** is greater than \$35,000 for the tax credit quarter, the FamilyBoost tax credit for the tax credit quarter is the lesser of—

(a) the amount of the FamilyBoost tax credit determined under **subsection (2)**; and

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(b) \$975 less the abatement amount.

Person may apply for refund

(4) A person entitled to a FamilyBoost tax credit for a tax credit quarter may apply for a refund of that credit under section 41C of the Tax Administration Act 1994 if, subject to **subsection (5)**,—

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(a) the person has met their obligation to file a return of income by the due dates set out in section 37 of that Act; and

(b) the person’s spouse, civil union partner, or de facto partner (**relationship partner**), if applicable, has also met their obligation to file a return of income by the due dates set out in section 37 of that Act.

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Late filing of income tax return

(5) If a person or their relationship partner has failed to meet their obligation to file a return of income by the due dates set out in section 37 of the Tax Administration Act 1994, the person may be treated as complying with that section for the purposes of **subsection (4)** once they have filed the outstanding return or returns that would enable the Commissioner to assess their tax credit income under **section MH 4**.

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One tax credit per couple

- (6) If a person entitled to a FamilyBoost tax credit under **subsection (1)** has a relationship partner, the relationship partner is not also entitled to a FamilyBoost tax credit for the tax credit quarter, regardless of whether the licensed early childhood service fees are incurred by both the person and their relationship partner.

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Separated persons

- (7) **Subsection (6)** does not apply for a tax credit quarter if the person is separated from their relationship partner and does not have a relationship partner at the end of that quarter.

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Deceased estate

- (8) Despite **subsection (4)**, when a person entitled to a FamilyBoost tax credit dies before applying for a refund of that credit, the trustee of that person's estate may apply for a refund of the FamilyBoost tax credit to which the deceased person was entitled under **subsection (1)** as if they were that person.

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Defined in this Act: abatement amount, amount, caregiver, Commissioner, de facto partner, FamilyBoost tax credit, licensed early childhood service, licensed early childhood service fees, natural person, pay, resident in New Zealand, return of income, tax credit income, tax credit quarter, trustee

91D Section MH 4 replaced (Meaning of tax credit income)

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Replace section MH 4 with:

MH 4 Meaning of tax credit income*Meaning of tax credit income*

- (1) The tax credit income of a person entitled to a FamilyBoost tax credit under **section MH 3** is the amount determined under **subsections (2) to (8)**.

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Person has only reportable income

- (2) Subject to **subsection (5)**, when the person has only reportable income in a tax credit quarter, the person's tax credit income for the tax credit quarter is the same amount as their reportable income for that quarter.

Person has only other income for income year including tax credit quarter

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- (3) Subject to **subsection (5)**, the person's tax credit income for a tax credit quarter is 25% of the person's taxable income for an income year when—

- (a) the person has filed a return of income for that income year; and
 (b) that income year includes the tax credit quarter; and
 (c) the person has only other income for that income year.

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Person has only other income for income year not including tax credit quarter

- (4) If the person has not yet filed a return of income for an income year that includes a tax credit quarter, the Commissioner may determine the person's tax

credit income based on the person's most recent return. Subject to **subsection (5)**, the person's tax credit income for that quarter is 25% of the person's taxable income for an income year when—

- (a) the most recent return has been filed in either of the 2 income years preceding the tax credit quarter; and
- (b) the person has complied with the due dates for filing under section 37 of the Tax Administration Act 1994 or is treated as doing so under **section MH 3(5)**.

Person has both reportable income and other income

(5) If the person has both reportable income and other income during an income year that includes the person's tax credit quarter, the Commissioner may determine the person's tax credit income based on the person's most recent return of income. The person's tax credit income for that quarter is the greater of—

- (a) the amount under **subsection (2)**, calculated as if the person has only reportable income for that income year; and
- (b) the amount under **subsection (3)**, calculated as if the person has only other income for that income year.

Neither reportable nor other income

(6) Despite **subsections (2), (3), (4), and (5)**, a person's tax credit income is zero if, throughout the 2-year period preceding the income year that includes the person's tax credit quarter, the person has not had an obligation to file a return of income by the dates required under section 37 of the Tax Administration Act 1994 and has not derived reportable income for the tax credit quarter.

Combined tax credit incomes

(7) If the person has a spouse, civil union partner, or de facto partner (**relationship partner**) for the tax credit quarter, the person's tax credit income for the tax credit quarter is the combined total of the person's tax credit income and the tax credit income of their relationship partner for that quarter. For these purposes, their relationship partner's tax credit income is determined under **subsections (2) to (6)** as if their relationship partner were the person referred to in those subsections.

Separated persons

(8) **Subsection (7)** does not apply for a tax credit quarter if the person is separated from their relationship partner and does not have a relationship partner at the end of that quarter.

Defined in this Act: amount, de facto partner, FamilyBoost tax credit, other income, income year, quarter, reportable income, return, return of income, tax credit income, tax credit quarter, taxable income

- 91E Section MH 5 amended (FamilyBoost tax credit abatement)**
- (1) In section MH 5(1), replace “a quarter” with “a tax credit quarter”, and replace “the quarter” with “that quarter”.
 - (2) In section MH 5(2) and (3), replace “quarter” with “tax credit quarter”.
 - (3) In section MH 5, list of defined terms, insert “tax credit quarter” and delete “quarter”. 5
- 91F Section OB 6 amended (ICA transfer from tax pooling account)**
In section OB 6, list of defined terms, insert “transfer”.
- 91G Section OB 35 amended (ICA transfer within tax pooling account)**
In section OB 35, list of defined terms, insert “transfer”. 10
- 92 Section OB 37 amended (ICA refund of tax credit)**
- (1) In section OB 37(1C), in the words before the paragraphs, replace “a refundable tax credit” with “a refundable tax credit or a research and development tax credit”.
 - (2) In section OB 37(1C)(b), delete “refundable”. 15
 - (3) In section OB 37, list of defined terms, insert “research and development tax credit”.
- 92B Section OP 9 amended (Consolidated ICA transfer from tax pooling account)**
In section OP 9, list of defined terms, insert “transfer”. 20
- 92C Section OP 33 amended (Consolidated ICA transfer within tax pooling account)**
In section OP 33, list of defined terms, insert “transfer”.
- 93 New section RA 6BB inserted (Withholding and payment obligations for ~~foreign superannuation withdrawals~~ assessable withdrawal amounts)** 25
After section RA 6B, insert:
- RA 6BB Withholding and payment obligations for ~~foreign superannuation withdrawals~~ assessable withdrawal amounts**

A transfer scheme must withhold and pay TSWT to the Commissioner under **subpart RI** (Transfer scheme withholding tax) by the due date. 30

Defined in this Act: Commissioner, pay, transfer scheme, TSWT
- 94 Section RA 10 amended (When obligations not met)**
- (1) In section RA 10(1)(a), after “retirement scheme contribution,”, insert “~~a foreign superannuation withdrawal~~, an assessable withdrawal amount.”

- (2) In section RA 10, list of defined terms, insert “~~foreign superannuation withdrawal~~ assessable withdrawal amount”.
- 95 Section RA 15 amended (Payment dates for interim and other tax payments)**
- (1) After section RA 15(1)(c), insert: 5
 (cb) to withhold and pay under **section RA 6BB** an amount of tax to the Commissioner for a ~~foreign superannuation withdrawal~~ an assessable withdrawal amount; or
- (2) In section RA 15(3)(b), replace “RH 2(2)” with “RH 2(4)”.
- (3) In section RA 15(3)(b),— 10
 (a) after “RSCT,”, insert “TSWT,” in each place; and
 (b) after “RH 2(4),”, insert “RI 5,”.
- (4) In section RA 15, list of defined terms, insert “~~foreign superannuation withdrawal~~ assessable withdrawal amount” and “TSWT”.
- 96 Section RD 17 amended (Payment of extra pay with other PAYE income payments)** 15
 In section RD 17(1BA), replace “arises” with “includes an amount that arises”.
- 97 Section RD 20B amended (Payments of accident compensation for period of more than 1 year)**
- (1) In section RD 20B, replace the section heading with “**Treatment of certain support payments made for period of more than 1 year**” 20
- (2) In section RD 20B(1),—
 (a) replace “(the **multi-year compensation payment**)” with “(the **multi-year support payment**)”:
 (b) in paragraph (b), replace “applies.” with “applies; or”: 25
 (c) after paragraph (b), insert:
 (c) a lump sum support payment made under the Veterans’ Support Act 2014, except to the extent to which the payment is—
 (i) a pension referred to in section CW 28 (Pensions):
 (ii) an impairment payment relating to incapacity to work referred to 30
 in section CW 34 (Compensation payments).
- (3) In section RD 20B(2), (3)(c), (4), and (6), replace “multi-year compensation payment” with “multi-year support payment”.

- 98 Section RE 30 amended (When unincorporated bodies have RWT-exempt status)**
- (1) ~~In the heading to section RE 30, after “bodies”, insert “or limited partnerships”.~~
- (2) ~~In section RE 30(1)(a), after “body”, insert “or a limited partnership (the body)”.~~ 5
- (2B) After section RE 30(1), insert:
- When this section does not apply*
- (1B) This section does not apply to a limited partnership.
- (3) ~~In the heading to section RE 30(2) and (3), delete “unincorporated”.~~ 10
- (4) ~~In section RE 30(4), after “body.”, insert “However, this subsection does not apply to limited partners of a limited partnership.”~~
- (5) ~~Replace section RE 30(4), other than the heading, with:~~
- (4) A person is jointly and severally liable for the RWT that the body is required to pay if the person was a member of the body when the body incurred the RWT liability. However, this subsection does not apply to limited partners of a limited partnership. 15
- (6) ~~In section RE 30(6), replace “an unincorporated” with “a”.~~
- (7) ~~In section RE 30(8), after “subsection.”, insert “This subsection does not apply to limited partners of a limited partnership.”~~ 20
- (8) ~~In section RE 30(9), delete “unincorporated”.~~
- (9) ~~In section RE 30, list of defined terms, insert “limited partner” and “limited partnership”.~~
- (9) In section RE 30, list of defined terms, insert “limited partnership”.
- (10) **Subsections (1), (2), (3), (4), (6), (7), (8), (2B) and (9)** apply for the 2008– 25
09 and later income years.
- 98B New section RE 31 inserted (When limited partnerships have RWT-exempt status)**
- (1) After section RE 30, insert:
- RE 31 When limited partnerships have RWT-exempt status** 30
- When this section applies*
- (1) This section applies when a limited partnership has RWT-exempt status.
- Treatment of payments made by limited partnerships*
- (2) For the purposes of the RWT rules, a payment that the limited partnership makes is treated as a payment made by the partnership and not by a limited partner of the partnership. 35

	<i>Treatment of payments to partners of limited partnerships</i>	
(3)	<u>For the purposes of the RWT rules, a payment made to a limited partner of the limited partnership in their capacity as a partner is treated as a payment made to the partnership and not to the partner.</u>	
	<i>Joint and several liability for amounts of tax</i>	5
(4)	<u>A general partner is jointly and severally liable for the RWT that the limited partnership is required to pay if the general partner was a partner in the partnership when the partnership incurred the RWT liability.</u>	
	<i>General partner</i>	
(5)	<u>For the purposes of subsection (4), a general partner continues as a partner until the date the Commissioner is notified that they are no longer a partner.</u>	10
	<small>Defined in this Act: Commissioner, general partner, limited partner, limited partnership, notify, pay, RWT, RWT-exempt status, RWT rules</small>	
(2)	Subsection (1) applies for the 2008–09 and later income years.	
99	Section RF 3 amended (Obligation to withhold amounts of tax for non-resident passive income)	15
(1)	After section RF 3(1), insert:	
	<i>Obligation on limited partnerships Payments derived by non-resident partners</i>	
(1B)	<u>For the purposes of subsection (1), when a payment of non-resident passive income, being interest that has a New Zealand source, is derived by a non-resident as a limited partner in a limited partnership, the limited partnership may choose to be treated as the person who makes the payment of that non-resident passive income to the extent of that payment.</u>	20
	<i>Payments made by limited partners</i>	
(1BB)	<u>For the purposes of subsection (1), when a person makes a payment of non-resident passive income that consists of interest as a limited partner in a limited partnership, the limited partnership may choose to be treated as the person who makes the payment of that non-resident passive income to the extent of that payment.</u>	25
	<i>Election by limited partnerships</i>	30
(1C)	A limited partnership is treated as having made an election under subsection (1B) or (1BB) if the limited partnership withholds and pays the tax to the Commissioner under subsection (1) in relation to that payment.	
	<i>Election before payment made</i>	
(1D)	<u>Despite subsection (1C), a limited partnership is also treated as having made an election under subsection (1B) if the limited partnership notifies the Commissioner before a payment of non-resident passive income referred to in that subsection is made that the limited partnership chooses to be treated as the person who makes that payment.</u>	35

- (2) In section RF 3, list of defined terms, insert “interest”, “limited partner”, “limited partnership”, “New Zealand”, and “non-resident”.
- (3) For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, **subsection (1)** applies for income years commencing on or after 1 April 2008. However, **subsection (1)** does not apply to a person in relation to a tax position taken by the person— 5
- (a) in the period that starts on 1 April 2008 and ends on 26 August 2024; and
- (b) that is inconsistent with the amendments made to section RF 3 by **subsection (1)**. 10
- 100 Section RF 6 amended (When amounts of tax not withheld or partly withheld)**
- (1) In section RF 6(1), replace “a person” with “a person (**person A**)”.
- (2) In section RF 6(1), replace “the person” with “the person (**person B**)”.
- (3) In section RF 6(2), replace “the person” with “person A”. 15
- (4) In section RF 6(4), replace “the person in default or liable to pay” with “person A or person B”.
- (5) After section RF 6(4), insert:
- Recovery of NRWT payable by person but paid by another person*
- (5) Section 165 of the Tax Administration Act 1994 applies if NRWT payable by person B is, in fact, paid by another person. 20
- 101 Section RF 12 amended (Interest paid by approved issuers or transitional residents)**
- (1) In section RF 12(1)(a)(ii), after “group”, insert “or a limited partnership”.
- (2) After section RF 12(1)(a)(ii), insert: 25
- (iib) if the approved issuer is a limited partnership that has chosen to be treated as the person making the payment under **section RF 3(1B)**, is derived by a non-resident as a limited partner in the limited partnership and the limited partner is not associated with the borrower other than as a beneficiary of a security trust; and 30
- (iic) if the approved issuer is a limited partnership that has chosen to be treated as the person making the payment under **section RF 3(1BB)**, is derived by a person not associated with the limited partner referred to in that section other than as a beneficiary of a security trust; and 35
- (3) In section RF 12(1)(a)(iv), after “security trust”, insert “or as a partner of a partnership that is a beneficiary of a security trust”.

- (4) ~~In section RF 12, list of defined terms, insert “limited partner” and “limited partnership”.~~
- (4B) In section RF 12, list of defined terms, insert “limited partner”, “limited partnership”, “partner”, and “partnership”.
- (5) For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, **subsections (1), (2), and (3)** apply for income years commencing on or after 1 April 2008. However, **subsections (1), (2), and (3)** do not apply to a person in relation to a tax position taken by the person—
- (a) in the period that starts on 1 April 2008 and ends on 26 August 2024; and
- (b) that is inconsistent with the amendments made to section RF 12 by **subsections (1), (2), and (3)**.

102 Section RF 12B amended (Interest derived jointly with residents)

- (1) After section RF 12B(3), insert: 15
- Interest derived by partners of partnerships*
- (4) Interest derived by 2 or more persons jointly includes interest derived by partners in a partnership.
- Exclusion*
- (5) Despite subsection (1), this section does not apply to a payment of non-resident passive income that consists of interest derived by a non-resident as a limited partner in a limited partnership when 1 or more of the partners in that partnership is a New Zealand resident. 20
- (2) In section RF 12B, list of defined terms, insert “limited partner”, “limited partnership”, “non-resident”, “partner”, and “partnership”. 25
- (3) For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, **subsection (1)** applies for income years commencing on or after 1 April 2008. However, **subsection (1)** does not apply to a person in relation to a tax position taken by the person—
- (a) in the period that starts on 1 April 2008 and ends on 26 August 2024; and 30
- (b) that is inconsistent with the amendment made to section RF 12B by **subsection (1)**.

103 Section RF 15 amended (Commissioner’s power to vary amounts of tax)

- (1) In section RF 15(2), replace “RF 12(1)” with “RF 12B(1)”. 35
- (2) **Subsection (1)** applies for the 2008–09 and later income years.

104 New subpart RI inserted

After subpart RH, insert:

Subpart RI—Transfer scheme withholding tax

RI 1 Transfer scheme withholding tax

This subpart imposes an obligation on a transfer scheme to pay a tax called transfer scheme withholding tax (TSWT).

Defined in this Act: pay, transfer scheme, TSWT

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RI 2 Withholding tax on foreign superannuation ~~withdrawals~~ assessable withdrawal amounts

When this subpart applies

(1) This subpart applies when—

- (a) a person derives a foreign superannuation withdrawal that is income in the form of a benefit under section CF 3(2)(b) (Withdrawals from foreign superannuation scheme) from an interest in a foreign superannuation scheme that is withdrawn and reinvested as an interest in a superannuation scheme in New Zealand; and 10
- (b) the superannuation scheme in New Zealand is a transfer scheme; and 15
- (c) all or part of the foreign superannuation withdrawal is an assessable withdrawal amount for the person.

Election for transfer scheme to withhold tax

(2) ~~No later than the time~~ Within 10 working days of the day the person derives the foreign superannuation withdrawal, the person may choose for the transfer scheme to withhold the amount of TSWT from the assessable withdrawal amount under this subpart by notifying the transfer scheme of their election. 20

Election under subsection (2) irrevocable

(3) An election made under **subsection (2)** cannot be revoked.

Defined in this Act: amount, assessable withdrawal amount, foreign superannuation scheme, foreign superannuation withdrawal, income, New Zealand, notify, superannuation scheme, transfer scheme, TSWT 25

RI 3 Obligation to withhold TSWT

When a person chooses under **section RI 2** to have the transfer scheme withhold the amount of TSWT, the transfer scheme must withhold the TSWT calculated under **section RI 4** from the person's ~~foreign superannuation withdrawal~~ assessable withdrawal amount and pay it to the Commissioner in accordance with **section RI 5**. The obligation to withhold arises at the time the person derives the foreign superannuation withdrawal. 30

Defined in this Act: amount, assessable withdrawal amount, Commissioner, ~~foreign superannuation withdrawal~~, pay, transfer scheme, TSWT 35

RI 4 Rate of TSWT

The amount of TSWT that the transfer scheme must withhold and pay to the Commissioner for a person is calculated by multiplying the person’s assessable withdrawal amount by 0.28.

Defined in this Act: amount, assessable withdrawal amount, Commissioner, pay, transfer scheme, TSWT

5

RI 5 Payment of tax

The transfer scheme must pay the amount of TSWT calculated under **section RI 4** to the Commissioner on a monthly basis under section RA 15 (Payment dates for interim and other tax payments).

Defined in this Act: amount, Commissioner, pay, transfer scheme, TSWT

10

104B New section RM 8B inserted (Overpaid TSWT)

After section RM 8, insert:

RM 8B Overpaid TSWT

When this section applies

15

(1) This section applies when a transfer scheme withholds and pays to the Commissioner an amount of TSWT and that amount is more than the amount required to be paid under this Part.

Refund to transfer scheme

(2) The Commissioner must refund the amount of the overpayment to the transfer scheme.

20

Defined in this Act: amount, Commissioner, transfer scheme, TSWT

104C Section RP 17B amended (Tax pooling accounts and their use)

Before section RP 17B(14)(a), insert:

(aa) approved issuer levy:

25

105 Section YA 1 amended (Definitions)

(1) This section amends section YA 1.

(2) In the definition of **accommodation**, paragraph (b), after “CW 17CB,” insert “**CW 19B**,” and replace “and CZ 29 to CZ 30” with “CZ 29 to CZ 30, and **FP 15**”.

30

(2B) Insert, in appropriate alphabetical order:

acquisition proportion is defined in **section CW 3C** (Certain partitions or subdivisions of land)

(2C) Insert, in appropriate alphabetical order:

affected class is defined in **section FP 3** (Definitions for the purposes of subpart FP) for the purposes of **subpart FP**

35

- (2D) Insert, in appropriate alphabetical order:
affected depreciable property is defined in **section FP 3** (Definitions for the purposes of subpart FP) for the purposes of **subpart FP** (Tax relief for emergencies)
- (2E) Insert, in appropriate alphabetical order: 5
affected depreciation loss is defined in **section FP 3** (Definitions for the purposes of subpart FP) for the purposes of **subpart FP** (Tax relief for emergencies)
- (2F) Insert, in appropriate alphabetical order: 10
affected depreciation recovery income is defined in **section FP 3** (Definitions for the purposes of subpart FP) for the purposes of **subpart FP** (Tax relief for emergencies)
- (2G) Insert, in appropriate alphabetical order: 15
affected improvement to land is defined in **section FP 3** (Definitions for the purposes of subpart FP) for the purposes of **subpart FP** (Tax relief for emergencies)
- (2H) Insert, in appropriate alphabetical order:
affected property is defined in **section FP 3** (Definitions for the purposes of subpart FP) for the purposes of **subpart FP** (Tax relief for emergencies)
- (2I) Insert, in appropriate alphabetical order: 20
affected revenue property is defined in **section FP 3** (Definitions for the purposes of subpart FP) for the purposes of **subpart FP** (Tax relief for emergencies)
- (3) In the definition of **ancillary tax**, paragraph (d), replace “penalty” with “distribution penalty”, and replace “140DB” with “140CB”. 25
- (4) Insert, in appropriate alphabetical order:
assessable withdrawal amount, for a person, means the ~~part~~amount of a foreign superannuation withdrawal derived by the person that is treated as not being exempt income of the person under section CF 3 (Withdrawals from foreign superannuation scheme) 30
- (5) In the definition of **building**, after “subpart EE”, insert “(Depreciation)”, and after “EZ”, insert “(Terminating provisions)”.
- (6) In the definition of **business premises**, after “DD”, insert “(Entertainment expenditure)”.
- (7) In the definition of **business use**, replace “wholly” with “wholly and exclusively”. 35
- (8) In the definition of **class**, after “relating to livestock),”, insert “~~section FP 16subpart FP (Tax relief for emergencies)Livestock destroyed because of emergency event: spreading)~~”.

- (9) In the definition of **company**, replace paragraph (ab) with:
- (ab) does not include a limited partnership, other than—
- (i) a listed limited partnership or foreign corporate limited partnership:
- (ii) a limited partnership treated as a company under section YB 14(4) (Tripartite relationship) for the purposes of section YB 14(4):
- (10) In the definition of **company**, **paragraph (ab)**, after “YB 14(4)”, insert “or under **section YB 16B** (Limited partnerships treated as companies) for the purposes of sections YB 2, YB 3, YB 12(2), (3) and (4) (which relate to associated persons), and YC 4 (Look-through rule for corporate shareholders)”.
- (10B) Insert, in appropriate alphabetical order:
- compensation** is defined in **section FP 3** (Definitions for the purposes of subpart FP) for the purposes of **subpart FP** (Tax relief for emergencies)
- (10C) Insert, in appropriate alphabetical order:
- cost deductions** is defined in **section FP 3** (Definitions for the purposes of subpart FP) for the purposes of **subpart FP** (Tax relief for emergencies)
- (11) In the definition of **cost price**, paragraph (a), after “FB 17,”, insert “**FP 46 23**”.
- (11B) Insert, in appropriate alphabetical order:
- current year** is defined in **section FP 3** (Definitions for the purposes of subpart FP) for the purposes of **subpart FP** (Tax relief for emergencies)
- (11C) In the definition of **deposit**, paragraph (d), after “EZ 4B”, insert “or **FP 23**”.
- (12) In the definition of **dispose**, paragraph (h)(ii), replace “section HG 4 (Disposal upon final dissolution) applies” with “the partnership is finally dissolved by agreement of the partners, court order, or otherwise, and the partnership’s business, ignoring section HG 2 (Partnerships are transparent), will not continue to be carried on in partnership:”.
- (13) Insert, in appropriate alphabetical order:
- emergency event**—
- (a) is defined in section 3(1) of the Tax Administration Act 1994 for the purposes of **subpart FP** (Tax relief for emergencies):
- (b) for the purposes of section MB 13 (Family scheme income from other payments), means an event declared to be an emergency event by the Commissioner in a determination under section 91AAS of the Tax Administration Act 1994
- (13B) Insert, in appropriate alphabetical order:
- emergency event period** is defined in **section FP 3** (Definitions for the purposes of subpart FP) for the purposes of **subpart FP** (Tax relief for emergencies)

- (13C) In the definition of **employee**, in paragraph (b), replace “and CW 18” with “CW 17D, and CW 18”.
- (14) In the definition of **employer**, replace paragraph (db) with:
- (db) is defined in section CE 1(3)(a) (Amounts derived in connection with employment) for the purposes of that section and sections CE 1B, CW 16B to CW 16F, and CZ 29 to CZ 30 (which relate to accommodation provided in connection with employment): 5
- (dc) is defined in section CE 1(3)(b) for the purposes of sections CW 16B to CW 16F, and CZ 29 to CZ 30:
- (15) In the definition of **employer**, in paragraphs (db) and (dc), replace “and CZ 29 to CZ 30” with “CZ 29 to CZ 30, and **FP 1522**”. 10
- (15B) Insert, in appropriate alphabetical order:
- end value proportion** is defined in **section CW 3C** (Certain partitions or subdivisions of land) 15
- (16) Insert, in appropriate alphabetical order:
- equity group** is defined in **section FE 16B(5)** (Total group non-debt liabilities) for the purposes of that section 15
- (17) Insert, in appropriate alphabetical order:
- excluded interest** is defined in **section HM 12** (Income types) for the purposes of that section 20
- (18) In the definition of **lines trust**, replace paragraph (b) with:
- (b) continues to hold shares described in paragraph (a) or continues to have the same class of beneficiaries for which the trust was established
- (19) In the definition of **listed horticultural plant**, after “horticultural plants”, insert “and **sections FP 1 and FP 512** (which relate to tax relief for emergencies)”. 25
- (20) In the definition of **market value interest**, after paragraph (a), insert:
- (ab) means, for a person and a limited partnership that is treated as a company under section YB 14(4) (Tripartite relationship) and a time, and for the purposes of determining whether the limited partnership is associated under section YB 2(2) (Two companies) with a company for which a market value circumstance exists, the partnership share the person has in a right, obligation, or other property, status, or thing of the limited partnership: 30
- (21) In the definition of **market value interest**, in paragraph (ab), after “(Tripartite relationship)”, insert “or **YB 16B** (Limited partnerships treated as companies)”. 35
- (22) ~~In the definition of **member**, in paragraph (d), after “bodies”, insert “or limited partnerships”.~~
- (22B) Insert, in appropriate alphabetical order:

- mixed-age female breeding animals** is defined in **section FP 23(8)** (Live-stock destroyed because of emergency events) for the purposes of that section
- (23) In the definition of **non-listed horticultural plant**, replace “item 8” with “item 9”.
- (24) In the definition of **non-refundable tax credit**, after paragraph (f), insert: 5
(fba) a tax credit under **section LB 6BA** (Tax credits for TSWT):
- (25) Replace the definition of **originator** with:
originator is defined in **section HR 9BAA** (Meaning of originator) for the purposes of **sections HR 9**, HR 9BA, HR 9B, HR 10, **HR 10B**, HZ 9, and ~~HZ 10~~**HZ 10** (which relate to debt funding special purpose vehicles), and the definition of **debt funding special purpose vehicle** 10
- (25B) Insert, in appropriate alphabetical order:
other income is defined in **section MH 2** (Some definitions) for the purposes of subpart MH (FamilyBoost tax credits)
- (26) In the definition of **partnership share**, replace “partner” with “person”. 15
- (27) Insert, in appropriate alphabetical order:
QROPS means a superannuation scheme in New Zealand that is a qualifying recognised overseas pension scheme for the purposes of the Finance Act 2004 (UK)
- (28) Repeal the definition of **qualifying resident foreign trustee**. 20
- (29) Replace the definition of **rebuilding** with:
~~**rebuilding** is defined in—~~
(a) ~~is defined in~~ section CZ 29(5) (Accommodation expenditure: Canterbury earthquake relief) for the purposes of that section:
(b) ~~is defined in~~ section CZ 29B (Accommodation expenditure: North Island flooding events) for the purposes of that section; ~~and~~ ~~**section FP 15**~~ (Accommodation expenditure: emergency event relief) 25
(c) ~~for the purposes of~~ **subpart FP** (Tax relief for emergencies), ~~includes—~~
(i) ~~extending, repairing, improving, subdividing, or converting any land, infrastructure, or other property; and~~ 30
(ii) ~~rebuilding communities~~
- (30) Replace the definition of **recovery** with:
~~**recovery** is defined in—~~
(a) ~~is defined in~~ section CZ 29(5) (Accommodation expenditure: Canterbury earthquake relief) for the purposes of that section: 35
(b) ~~is defined in~~ section CZ 29B (Accommodation expenditure: North Island flooding events) for the purposes of that section; ~~and~~ ~~**section FP 15**~~ (Accommodation expenditure: emergency event relief)

- (c) for the purposes of **subpart FP** (Tax relief for emergencies), includes restoration and enhancement
- (30B) Insert, in appropriate alphabetical order:
replacement cost is defined in **section FP 3** (Definitions for the purposes of subpart FP) for the purposes of **subpart FP** (Tax relief for emergencies) 5
- (30C) Insert, in appropriate alphabetical order:
replacement property is defined in **section FP 3** (Definitions for the purposes of subpart FP) for the purposes of **subpart FP** (Tax relief for emergencies)
- (30D) Replace the definition of **reportable income** with: 10
reportable income is defined in section 22D(3) of the Tax Administration Act 1994, except as provided for in **section MH 2** (Some definitions) for the purposes of subpart MH (FamilyBoost tax credits)
- (31) In the definition of **schedular income**, paragraph (l), replace “(Payments of accident compensation for period of more than 1 year)” with “(Treatment of certain support payments made for period of more than 1 year)”. 15
- (31B) In the definition of **schedular income**, after paragraph (m), insert:
- (n) income to which section HC 35 (Beneficiary income of minors) applies:
- (o) income to which section HC 38 (Beneficiary income of certain close companies) applies 20
- (32) In the definition of **schedular income**, after paragraph (m), insert:
- (np) income that is an assessable withdrawal amount to which for which a person chooses to have a transfer scheme pay an amount of TSWT under **subpart RI** (Transfer scheme withholding tax) applies
- (32B) Insert, in appropriate alphabetical order: 25
securitisation entity means—
- (a) a securitisation entity as defined for or in the OECD’s publication *Tax Challenges Arising from the Digitalisation of the Economy – Consolidated Commentary to the Global Anti-Base Erosion Model Rules* or any replacement: 30
- (b) a securitisation trust:
- (c) a debt funding special purpose vehicle
- (32C) In the definition of **securitisation trust**,—
- (a) in the words before the paragraphs, delete “, from the establishment of the trust to the end of the relevant income year, only has one beneficiary and that beneficiary is a company, and”: 35
- (b) in paragraph (e), replace “is” with “has a trustee that is”:
- (c) replace paragraph (f) with:

- (f) for the purposes of section HC 38 (Beneficiary income of certain close companies) has, from the establishment of the trust to the end of the relevant income year, only 1 beneficiary and that beneficiary is a company, and—
- (i) the beneficiary is a lending person: 5
- (ii) the trust has its assets included in financial statements that are prepared using IFRSs
- (32D) Insert, in appropriate alphabetical order:
- suspended recovery income is defined in **section FP 3** (Definitions for the purposes of subpart FP) for the purposes of **subpart FP** (Tax relief for emergencies) 10
- (32E) Insert, in appropriate alphabetical order:
- tax credit quarter is defined in **section MH 2** (Some definitions) for the purposes of subpart MH (FamilyBoost tax credits)
- (32F) Replace the definition of **transfer** with: 15
- transfer,—
- (a) for the purposes of sections HZ 4B and HZ 4D (which relate to the transition of a qualifying company into a partnership or sole tradership), means a sale, purchase, disposal, acquisition, cessation, assumption, discharge, assignment, vesting, divesting, gift, supply, or other transfer in relation to liabilities and assets, and associated legal rights and obligations: 20
- (b) for the purposes of sections OB 6, OB 35, OP 9, and OP 33 (which relate to transfers from and within a tax pooling account), includes a transfer that occurs upon enforcement of a security interest but does not include a transfer by way of security 25
- (33) Insert, in appropriate alphabetical order:
- transfer scheme means—~~a QROPS or KiwiSaver scheme~~
- (a) a QROPS; or
- (b) a KiwiSaver scheme that chooses to withhold and pay TSWT under **subpart RI** (Transfer scheme withholding tax) 30
- (34) Insert, in appropriate alphabetical order:
- TSWT means transfer scheme withholding tax that is payable under **subpart RI** (Transfer scheme withholding tax)
- (35) In the definition of **voting interest**, after paragraph (b), insert: 35
- (bb) means, for a person and a limited partnership that is treated as a company under section YB 14(4) (Tripartite relationship) and a time, and for the purposes of section YB 14, the partnership share the person has in a

- right, obligation, or other property, status, or thing of that limited partnership:
- (36) In the definition of **voting interest**, in **paragraph (bb)**, after “(Tripartite relationship)”, insert “or **YB 16B** (Limited partnerships treated as companies)”.
- (36B) In the definition of **voting interest**, after **paragraph (bb)**, insert: 5
- (bc) means, for a person and a limited partnership that is treated as a company under **section YB 16B** (Limited partnerships treated as companies) and a time, and for the purposes of sections YB 2 and YB 3 (which relate to associated persons) and YC 4 (Look-through rule for corporate shareholders), the partnership share the person has in a right, obligation, or other property, status, or thing of that limited partnership: 10
- (36C) Replace the definition of **workplace** with:
workplace is defined in section CW 16B(5) (Accommodation expenditure: out-of-town secondments and projects)
- (37) **Subsections (3), (7), (22), and (23)** apply for the 2008–09 and later income years. 15
- (38) Subject to **subsection (41), subsections (9), (20), (26), and (35)** apply, for the purposes of—
- (a) provisions other than the land provisions, for the 2010–11 and later income years: 20
- (b) the land provisions other than section CB 11 (Disposal within 10 years of improvement: building business), for land acquired on or after 6 October 2009:
- (c) section CB 11, for land on which improvements are begun on or after 6 October 2009. 25
- (39) For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, **subsection (12)** applies for income years commencing on or after 1 April 2008. However, **subsection (12)** does not apply to a person in relation to a tax position taken by the person—
- (a) in the period that starts on 1 April 2008 and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~; and 30
- (b) that is inconsistent with the amendment made to section YA 1 by **subsection (12)**.
- (40) **Subsections (18) and (31B)** ~~applies~~ apply for the 2024–25 and later income years. 35
- (41) **Subsection (26)** does not apply to a person in relation to a tax position taken by the person—
- (a) in the period that,—

- (i) for the purposes of provisions other than the land provisions, starts on the first day of the 2010–11 income year and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~: 5
- (ii) for the purposes of the land provisions, starts on 6 October 2009 and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~; and
- (b) that is inconsistent with the amendment made to section YA 1 by **sub-section (26)**. 10

106 Section YB 1 amended (What this subpart does)

- (1) After section YB 1(3)(j), insert:
 - (jb) a look-through company and a holder of an interest, ~~see section YB 13~~see section YB 13: 15
- (2) In section YB 1, list of defined terms,—
 - (a) insert “look-through company”, “partner”, and “partnership”:
 - (b) delete “shareholder” and “supplementary dividend holding company”.

107 Section YB 2 amended (Two companies)

- (1) In section YB 2(4), after “(3),”, insert “and if subsection (5) does not apply,”. 20
- (2) In section YB 2(5), after “(3)”, insert “and the land provisions”.
- (3) Replace section YB 2(8), other than the heading, with:
- (8) For the purposes of the land provisions, 2 companies are not associated persons if either or both are—
 - (a) a portfolio investment entity: 25
 - (b) an entity that qualifies for PIE status:
 - (c) a foreign PIE equivalent.
- (4) In section YB 2, list of defined terms, insert “foreign PIE equivalent”.

108 Section YB 3 amended (Company and person other than company)

- (1) In section YB 3(3), after “(2),”, insert “and if subsection (4) does not apply,”. 30
- (2) In section YB 3(4), after “subsections (1) and (2)”, insert “and the land provisions”.

109 Section YB 12 amended (Partnership and partner)

- (1) Replace section YB 12(1) and (2) with:

- Partnerships other than limited partnerships*
- (1) For a partnership other than a limited partnership, the partnership and a partner in the partnership are associated persons.
- Limited partnerships and general partners*
- (1B) A limited partnership and a general partner in the limited partnership are associated persons. 5
- Limited partnerships and holders of 25% partnership shares*
- (2) A limited partnership and a person, other than a general partner in the limited partnership, are associated persons if the person has a partnership share of 25% or more in a right, obligation, or other property, status, or thing of the limited partnership. 10
- (2) In section YB 12(2), replace “A” with “If **section YB 16B** does not apply, a”.
- (3) In the heading to section YB 12(3) and (4), replace “*Limited partnerships*” with “*Holders of 25% partnership shares*”.
- (4) In section YB 12(3), after “subsection (2),”, insert “and if subsection (4) does not apply,”. 15
- (5) In section YB 12(4), after “subsection (2)”, insert “and the land provisions”.
- (6) In section YB 12, list of defined terms,—
- (a) insert “general partner”, “land provisions”, and “partner”;
- (b) replace “share” with “partnership share”. 20
- (7) Subject to **subsection (8)**, **subsections (1) and (3)** apply, for the purposes of—
- (a) provisions other than the land provisions, for the 2010–11 and later income years:
- (b) the land provisions other than section CB 11 (Disposal within 10 years of improvement: building business), for land acquired on or after 6 October 2009: 25
- (c) section CB 11, for land on which improvements are begun on or after 6 October 2009.
- (8) **Subsections (1) and (3)** do not apply to a person in relation to a tax position taken by the person— 30
- (a) in the period that,—
- (i) for the purposes of provisions other than the land provisions, starts on the first day of the 2010–11 income year and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~: 35
- (ii) for the purposes of the land provisions, starts on 6 October 2009 and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~.

~~tion (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill; and~~

- (b) that is inconsistent with the amendments made to section YB 12 by **subsections (1) and (3)**.

110 Section YB 13 amended (Look-through companies and owners of interests) 5

- (1) In the heading to section YB 13, replace “owners” with “holders”.

- (2) Replace section YB 13(1) and (2) with:

Look-through companies and directors or employees holding interests

- (1) A look-through company and a person who has a look-through interest for the look-through company and is a director or employee of that company are associated persons. 10

Look-through companies and holders of 25% interests

- (2) A look-through company and a person who has an effective look-through interest of 25% or more in a right, obligation, or other property, status, or thing of the look-through company are associated persons. 15

- (3) In the heading to section YB 13(3) and (4), replace “Some owners” with “Holders of 25% interests”.

- (4) In section YB 13(3), after “subsection (2),”, insert “and if subsection (4) does not apply,”.

- (5) In section YB 13(4), after “subsection (2)”, insert “and the land provisions”. 20

- (6) In section YB 13, list of defined terms, insert “land provisions”.

- (7) **Subsections (1), (2), and (3)** apply on 1 April 2011 for income years beginning on or after that date. However, **subsections (1), (2), and (3)** do not apply to a person in relation to a tax position taken by the person—

- (a) in the period that starts on 1 April 2011 and ends on 26 August 2024~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~; and 25

- (b) that is inconsistent with the amendments made to section YB 13 by **subsections (1), (2), and (3)**.

110B Section YB 14 amended (Tripartite relationship) 30

- (1) In section YB 14(4), replace “subsection (1)” with “subsections (1) and (2)”.

- (2) Subject to **subsection (3), subsection (1)** applies, for the purposes of—

- (a) provisions other than the land provisions, for the 2010–11 and later income years:

- (b) the land provisions other than section CB 11 (Disposal within 10 years of improvement: building business), for land acquired on or after 6 October 2009: 35

- (c) section CB 11, for land on which improvements are begun on or after 6 October 2009.
- (3) **Subsection (1)** does not apply to a person in relation to a tax position taken by the person—
- (a) in the period that,— 5
- (i) for the purposes of provisions other than the land provisions, starts on the first day of the 2010–11 income year and ends on the day after the date the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act 2024 receives the Royal assent: 10
- (ii) for the purposes of the land provisions, starts on 6 October 2009 and ends on the day after the date the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act 2024 receives the Royal assent; and
- (b) that is inconsistent with the amendments made to section YB 14 by **subsection (1)**. 15

110C Section YB 16 amended (Exceptions for certain trusts and charitable organisations)

- (1) After section YB 16(2), insert:
- Securitisation trusts* 20
- (3) A person that is a party to a financial arrangement with a securitisation trust and is also a beneficiary of a trust (the **security trust**) established for the main purpose of securing to the security trust’s beneficiaries rights and obligations in relation to the securitisation trust is not associated with the securitisation trust if, but for this subsection, the person and the securitisation trust are associated due to 1 or more of the following reasons: 25
- (a) the person is a settlor of the securitisation trust or of the security trust, because the person is a party to the financial arrangement:
- (b) the person has the power of appointment or removal for trustees of the securitisation trust or for trustees of the security trust, because the person is a party to the financial arrangement. 30
- (2) In section YB 16, list of defined terms, insert “financial arrangement”, “securitisation trust”, “settlor”, and “trustee”.

111 New section YB 16B inserted (Limited partnerships treated as companies)

After section YB 16, insert: 35

YB 16B Limited partnerships treated as companies

Notwithstanding anything else in this subpart, a limited partnership is treated as a company for the purposes of the tests of association in sections YB 2, YB 3,

and YB 12(2), (3), and (4) and for section YC 4 (Look-through rule for corporate shareholders) if—

- (a) ~~a company has a partnership share in a right, obligation, or other property, status, or thing~~ is a limited partner of the limited partnership:
- (b) the limited partnership ~~has a partnership share in a right, obligation, or other property, status, or thing~~ is a limited partner of another limited partnership: 5
- (c) another limited partnership ~~has a partnership share in a right, obligation, or other property, status, or thing~~ is a limited partner of the limited partnership: 10
- (d) the limited partnership has a voting interest in a company or, if a market value circumstance exists for the company, a market value interest in the company.

Defined in this Act: company, limited partner, limited partnership, market value circumstance, market value interest, ~~partnership share~~, voting interest 15

112 Section YC 4 amended (Look-through rule for corporate shareholders)

- (1) In section YC 4(4), replace “is or is treated as having” with “has or is treated as having”.
- (2) **Subsection (1)** applies for the 2008–09 and later income years.

112B Section YD 4 amended (Classes of income treated as having New Zealand source) 20

Replace section YD 4(17D)(b) with:

- (b) fees for technical, management, or similar services that are—
 - (i) treated as royalties under a double tax agreement:
 - (ii) subject to article 12 of the double tax agreement between New Zealand and the Republic of India: 25

113 Schedule 1 amended (Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits)

- (1A) In schedule 1, part A, clause 6B, replace “Trustee income” with “Income”.
- (1) In schedule 1, part A, clause 13, replace “(Payments of accident compensation for periods of more than 1 year)” with “(Treatment of certain support payments made for period of more than 1 year)”.
- (1B) In schedule 1, part A, after clause 14, insert:

15 Schedular taxable income: beneficiary income of minors

The basic rate of income tax for a person on each dollar of the person’s schedular taxable income that is income from a trust to which section HC 35 (Beneficiary income of minors) applies is 0.39. 35

- 16** **Schedular taxable income: beneficiary income of certain close companies**
The basic rate of income tax for a person on each dollar of the person’s schedu-
lar taxable income that is income from a trust to which section HC 38 (Benefi-
ciary income of certain close companies) applies is 0.39.
- (2) In schedule 1, part A, after clause ~~14~~16, insert: 5
- 1517** **Schedular taxable income: assessable withdrawal amounts**
The basic rate of income tax for a person on each dollar of the person’s schedu-
lar taxable income that is an assessable withdrawal amount for which the per-
son chooses to have a transfer scheme pay an amount of TSWT under **subpart**
RI (Transfer scheme withholding tax) is 0.28. 10
- 114** **Schedule 25 amended (Foreign investment funds)**
In the schedule 25 heading,—
(a) after “EX 29,” insert “EX 30,”; and
(b) replace “EX 35–EX 39, EX 46, EZ 32” with “EX 36, EX 37, EX 38”.
- 115** **Schedule 32 amended (Recipients of charitable or other public benefit gifts)** 15
- (1) This section amends schedule 32.
(2) Insert, in appropriate alphabetical order:
(a) “Altus Resource Trust”; and
(b) “Kapuna Education Charitable Trust”; and 20
(c) “Kiwi Trust for Palestinian Children Relief”; and
(d) “ReliefAid”; and
(e) “Rescue and Prevent Trust”; and
(f) “Support Services for Humanity”.
(3) ~~Delete “Help a Child Foundation New Zealand” and “SpinningTop Trust”.~~ 25
(3B) ~~Delete:~~
(a) ~~“Help a Child Foundation New Zealand”; and~~
(b) ~~“Operation Vanuatu Charitable Trust”; and~~
(c) ~~“Sampoerna Foundation Limited”; and~~
(d) ~~“SpinningTop Trust”; and~~ 30
(e) ~~“The Food Bank of New Zealand”; and~~
(f) ~~“Together for Uganda”.~~
(4) Delete “Support Services for Humanity”.
(5) Replace “Altus Resource Trust” with “Altus Pacific Aid”.
(6) Replace “Community Action Overseas (Oxfam NZ)” with “Oxfam Aotearoa”. 35

- (7) Replace “Cotton On Foundation Limited” with “Cotton On Foundation New Zealand Limited”.

Part 3

Amendments to Tax Administration Act 1994

- 116 Amendments to Tax Administration Act 1994** 5
This Part amends the Tax Administration Act 1994.
- 117 Section 3 amended (Interpretation)**
- (1) This section amends section 3(1).
- (1B) Insert, in appropriate alphabetical order:
affected class means 1 of the following classes of the person’s depreciable property that the affected depreciable property is included in: 10
- (a) buildings:
 - (b) commercial fit-out not referred to in **paragraph (c)**:
 - (c) commercial fit-out for which the person uses the pool method:
 - (d) depreciable property for which the person uses the pool method, other than commercial fit-out: 15
 - (e) depreciable property not referred to in **paragraphs (a) to (d)**
- (1C) Insert, in appropriate alphabetical order:
affected depreciable property means depreciable property that— 20
- (a) is not depreciable intangible property; and
 - (b) is included in an affected class; and
 - (c) as a result of an emergency event, is affected by—
 - (i) damage that meets the requirements of section EE 47(4) of the Income Tax Act 2007; or
 - (ii) a disposal and reacquisition under **section FP 14** of that Act 25
- (1D) Insert, in appropriate alphabetical order:
affected improvement to land means an improvement to land subject to section DO 4 or DO 5 of the Income Tax Act 2007 that has been damaged or destroyed in an emergency event
- (1E) Insert, in appropriate alphabetical order: 30
affected property means—
- (a) affected depreciable property:
 - (b) affected improvements to land:
 - (c) affected revenue property

- (1F) Insert, in appropriate alphabetical order:
affected revenue property means a person’s land or building that is—
- (a) revenue account property under section CB 6, CB 7, CB 12, or CB 13 of the Income Tax Act 2007; and
 - (b) damaged by an emergency event; and 5
 - (c) useless for the purposes of deriving income as a result of that event; and
 - (d) if it is a building, required to be demolished or abandoned for later demolition due to the damage to the land, building, or the neighbourhood of the building
- (2) Insert, in appropriate alphabetical order: 10
assessable withdrawal amount has the same meaning as in section YA 1 of the Income Tax Act 2007
- (3) Insert, in appropriate alphabetical order:
CARF document means *International Standards for Automatic Exchange of Information in Tax Matters: Crypto-Asset Reporting Framework and 2023 update to the Common Reporting Standard*, as amended from time to time, which is a standard— 15
- (a) developed by the Organisation for Economic Co-operation and Development and the Group of Twenty countries; and
 - (b) adopted by the Council for the Organisation for Economic Co-operation and Development 20
- (4) In the definition of **civil penalty**, paragraph (cc), replace “or 142K” with “142K, **142L, or 142M**”.
- (4B) Insert, in appropriate alphabetical order:
compensation means— 25
- (a) insurance or another amount in recognition of loss:
 - (b) for affected revenue property, an amount that a person derives from insurance, a government or local authority buy-out, or other amount in recognition of loss, or a combination of these, that would be income of the person under section CB 6, CB 7, CB 12, CB 13, or CG 6 of the Income Tax Act 2007 in the absence of **subpart FP** of that Act 30
- (5) Insert, in appropriate alphabetical order:
crypto-asset reporting framework means Part I of the CARF document, as amended from time to time
- (5B) Insert, in appropriate alphabetical order: 35
current year means an income year that falls within the emergency event period
- (6) Insert, in appropriate alphabetical order:

emergency event—

- (a) means an emergency as defined in section 4 of the Civil Defence Emergency Management Act 2002 that is—
 - (i) declared as a state of emergency under that Act:
 - (ii) subject to a power exercised under section 121 of the Biosecurity Act 1993: 5
 - (iii) subject to a direction given under section 122 of the Biosecurity Act 1993:
- (b) for the purposes of section 91AAS, means an event declared to be an emergency event by the Commissioner in a determination under that section 10

(6B) Insert, in appropriate alphabetical order:

emergency event period means the period—

- (a) beginning with the start of the income year in which the emergency event first occurs; and 15
- (b) ending with either—
 - (i) the last day of the income year that is 5 income years after the income year referred to in **paragraph (a)**; or
 - (ii) a later date specified by the Governor-General by Order in Council made under **section 6J** 20

(6C) Insert, in appropriate alphabetical order:

FamilyBoost tax credit has the same meaning as in **section MH 2** of the Income Tax Act 2007

(7) Insert, in appropriate alphabetical order:

foreign superannuation withdrawal has the same meaning as in section YA 1 of the Income Tax Act 2007 25

(7B) Insert, in appropriate alphabetical order:

licensed early childhood service has the same meaning as in **section MH 2** of the Income Tax Act 2007

(8) In the definition of **passive income**,— 30

- (a) in the words before the paragraphs, replace “financial assets” with “financial assets, including relevant crypto-assets,”:
- (b) after paragraph (d), insert:
 - (db) income derived from relevant crypto-assets:
- (c) in paragraph (f), replace “for financial assets” with “for financial assets, including relevant crypto-assets,”: 35
- (d) in paragraph (g), replace “financial assets” with “financial assets, including relevant crypto-assets,”.

- (8B) Insert, in appropriate alphabetical order:
replacement cost means the amount of expenditure a person incurs to acquire replacement property
- (8C) Insert, in appropriate alphabetical order:
replacement property means property that replaces affected property and is,— 5
 (a) for affected revenue property, a building or land that is revenue account property located in New Zealand;
 (b) for affected depreciable property, property—
 (i) included in the same class, as described in the definition of affected class, as the affected depreciable property; and 10
 (ii) located in New Zealand;
 (c) for an affected improvement to land, an improvement to farmland as described in schedule 20, part A of the Income Tax Act 2007 or a listed horticultural plant located in New Zealand 15
- (8D) Insert, in appropriate alphabetical order:
suspended recovery income—
 (a) is defined in **section FP 6** of the Income Tax Act 2007 for the purposes of affected revenue property;
 (b) is defined in **section FP 9** of that Act for the purposes of an affected class of depreciable property; 20
 (c) is defined in **section FP 12(3)** of that Act for the purposes of affected improvements to land
- (8E) Insert, in appropriate alphabetical order:
tax credit quarter has the same meaning as in **section MH 2** of the Income Tax Act 2007 25
- (9) Insert, in appropriate alphabetical order:
transfer scheme has the same meaning as in section YA 1 of the Income Tax Act 2007
- (10) Insert, in appropriate alphabetical order: 30
TSWT has the same meaning as in section YA 1 of the Income Tax Act 2007
- 118 New section 6J inserted (Tax relief for emergencies)**
 After section 6I, insert:
- 6J Tax relief for emergencies**
 (1) If there is an emergency event, the Governor-General may, by Order in Council made on the recommendation of the Minister of Revenue, make regulations specifying— 35

- (a) that 1 or both of the following apply:
 - (i) any 1 or more of **sections FP 3 to FP 17**~~FP 5 to FP 27~~ of the Income Tax Act 2007:
 - (ii) **schedule 7, part C, subpart 1, clause 23C**, if the emergency event has been declared a state of national emergency under section 66 of the Civil Defence Emergency Management Act 2002: 5
- (b) the period for which a section or clause referred to in **paragraph (a)** applies: 5
- (c) the start date of the emergency event:
- (d) the end date of the emergency event period. 10
- (2) Regulations made under this section may be expressed to come into force on a day that is before, on, or after the date on which they are made, but not earlier than the date specified as the beginning of the emergency event~~first day of the relevant emergency event~~, and the regulations come into force or, as the case may be, are deemed to have come into force accordingly. 15
- (3) Regulations made under this section may be retrospective only to the extent provided for in **subsection (2)**.
- (4) If regulations made under **subsection (1)** specify that **section FP 4522** applies, the time limit imposed by **section FP 4522(3)** may be extended by Order in Council made— 20
 - (a) on the recommendation of the Minister of Revenue; and
 - (b) before the expiry of the relevant time limit in **section FP 4522(3)** that applies immediately before the Order in Council comes into force.
- (5) Regulations made under this section are secondary legislation (*see* Part 3 of the Legislation Act 2019 for publication requirements). 25

118B Section 22C amended (Outline of subpart)

In section 22C(3)(d), replace “sections 89C(1) and 89D” with “Part 4A”.

119 Section 22D amended (Key terms)

- (1) After section 22D(3)(a)(v), insert:
 - (vi) an assessable withdrawal amount for which the individual has not chosen to have a transfer scheme pay an amount of TSWT under **subpart RI** of the Income Tax Act 2007; and 30
- (2) After section 22D(3)(c)(ii), insert:
 - (iii) for the item referred to in **paragraph (a)(vi)**, the date referred to in **section 25LB**. 35
- (3) After section 22D(3), insert:

	<i>Reportable income: assessable withdrawal amounts</i>	
(3B)	For the purposes of subsection (3)(b), a transfer scheme is treated as the person paying an assessable withdrawal amount.	
120	Section 25B amended (Investment income information: outline of provisions)	5
	After section 25B(4), insert:	
	<i>Transfer schemes</i>	
(5)	For the purposes of subsection (2), a transfer scheme is treated as the payer of an assessable withdrawal amount <u>a foreign superannuation withdrawal</u> .	
121	Section 25C amended (Investment income)	10
	After section 25C(c), insert:	
(d)	assessable withdrawal amounts that are part of foreign superannuation withdrawals that are income under section CF 3(2)(b) of that Act if the superannuation scheme in New Zealand is a transfer scheme.	
122	Section 25E amended (Who must provide investment income information to Commissioner)	15
	After section 25E(1)(h), insert:	
(hb)	a transfer scheme that pays an assessable withdrawal amount <u>a foreign superannuation withdrawal</u> , see section 25LB :	
123	New section 25LB inserted (Information on assessable withdrawal amounts <u>foreign superannuation withdrawals</u>)	20
	After section 25L, insert:	
25LB	Information on assessable withdrawal amounts <u>foreign superannuation withdrawals</u>	
	A payer referred to in section 25E(1)(hb) must deliver the investment income information for an assessable withdrawal amount <u>a foreign superannuation withdrawal</u> as set out in schedule 6, table 1, rows 1, 2, 5, 8, 9, and 22, as applicable, to the Commissioner—	25
(a)	in electronic form and by means of an electronic communication as prescribed by the Commissioner; and	30
(b)	by the 20th of the month following the month in which the amount of investment income is derived by the payee.	
124	New section 31D inserted (Notification requirements for assessable withdrawal amounts <u>foreign superannuation withdrawals</u>)	
	After section 31C, insert:	35

31D Notification requirements for assessable withdrawal amounts foreign superannuation withdrawals

- (1) This section applies when—
- (a) a person derives a foreign superannuation withdrawal that is income in the form of a benefit under section CF 3(2)(b) of the Income Tax Act 2007 from an interest in a foreign superannuation scheme that is withdrawn and reinvested as an interest in a superannuation scheme in New Zealand; and
 - (b) the superannuation scheme in New Zealand is a transfer scheme; and
 - (c) all or part of the foreign superannuation withdrawal is an assessable withdrawal amount for the person.
- (2) ~~No later than the time~~ Within 10 working days of the day the person derives the foreign superannuation withdrawal, the person must notify the transfer scheme of—
- (a) the amount of the assessable withdrawal amount; and
 - (b) the information the transfer scheme requires to enable it to provide the investment income information under **section 25LB**; and
 - (c) whether the person has made an election under **subpart RI** of the Income Tax Act 2007 for the transfer scheme to pay the amount of TSWT.

125 Section 32 amended (Records of specified charitable, benevolent, philanthropic, or cultural bodies)

- (1) In section 32(1), replace “in the English language” with “in English or te reo Māori”.
- (2) After section 32(1), insert:
- (1B) For the purposes of subsection (1), a gift-exempt body must take reasonable steps to ensure the safe-keeping of their records relating to donations received or applied by them for a period of not less than 7 years after receiving a donation or applying an amount from their funds, except to the extent to which the Commissioner has notified them that retention of the records is not required or they have delivered the records to the Commissioner.
- (3) In section 32(2), replace “English” with “English or te reo Māori”.

125B Section 32F amended (Calculation of annual gross income when threshold met)

- (1) In section 32F, insert as subsection (2):
- (2) For the purposes of this section, a group of companies includes a limited partnership that would be a member of the group of companies if the partnership were treated as being a company and each partner were treated as holding a proportion of the total shares in the company equal to the proportion of the

	<u>partnership share the partner has in a right, obligation, or other property, status, or thing of the partnership.</u>	
(2)	<u>Subsection (1) applies for income years commencing on or after 1 April 2008.</u>	
126	New section 32IB inserted (Calculation of amounts for limited partnerships)	5
(1)	After section 32I, insert:	
32IB	Calculation of amounts for limited partnerships	
	For the purposes of sections 32E(2)(f), (i), and (j) and 32I, when the person is a limited partnership, the following amounts are determined ignoring section HG 2 of the Income Tax Act 2007:	10
(a)	the person’s annual gross income:	
(b)	the person’s—	
(i)	total amount of assessable income:	
(ii)	total deductions:	15
(iii)	tax credits for resident passive income:	
(iv)	income tax liability.	
(2)	For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, Subsection (1) applies for income years commencing on or after 1 April 2008.	20
127	Section 32J amended (RWT-exempt status for unincorporated bodies)	
(1)	In the heading to section 32J, after “bodies”, insert “and limited partnerships”.	
(2)	In section 32J(1), in the words before the paragraphs, after “body”, insert “or limited partnership (the body)”.	25
(3)	Subsections (1) and (2) apply for the 2008–09 and later income years.	
127B	New section 32JB inserted (RWT-exempt status for limited partnerships)	
(1)	After section 32J, insert:	
32JB	RWT-exempt status for limited partnerships	
(1)	<u>When the Commissioner provides RWT-exempt status to a limited partnership described in section RE 31 of the Income Tax Act 2007,—</u>	30
(a)	<u>the limited partnership has the RWT-exempt status; and</u>	
(b)	<u>no limited partner of the limited partnership may have RWT-exempt status in their capacity as a limited partner of the limited partnership.</u>	

(2) For the purposes of the RWT rules and RWT-exempt status, a notice to the limited partnership is treated as served on the limited partnership and on each of its partners.

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

128 Section 32M amended (Persons with approved issuer status) 5

(1) After section 32M(1), insert:

(1B) A limited partnership that borrows or lends money, ignoring section HG 2 of the Income Tax Act 2007, is also a person who is eligible to elect to pay approved issuer levy in relation to a security for the purposes of—

- (a) the NRWT rules: 10
- (b) an exemption under a double tax agreement.

(2) In section 32M(2), replace “subsection (1)” with “subsections (1) and **(1B)**”.

(3) After section 32M(2B), insert:

(2C) Despite subsection (2B), if the Commissioner backdates a person’s date of registration of a security under **section 86H(3)** of the Stamp and Cheque Duties Act 1971, the person is treated as being an approved issuer from that backdated date of registration. 15

(4) **Subsections (1) and (2)** apply for the 2008–09 and later income years.

129 Section 33 amended (Returns of income)

In section 33(1), after “person”, insert “, other than a person who derives only exempt income,”. 20

129B Section 33G repealed and new section 33G inserted (Research and development tax credits: extension of time if approval corrected)

(1) Repeal section 33G, as inserted by section 41 of the Taxation (Budget Measures) Act 2024. 25

(2) Before section 34, insert:

33G Research and development tax credits: extension of time if approval corrected

(1) An extension of time is available for a person to file a supplementary return under section 33E if— 30

- (a) the person applies to the Commissioner under **section 68CB(3C) or 68CC(4C)**; and
- (b) the Commissioner approves the person’s application.

(2) The time for a person to file a supplementary return under **subsection (1)** is extended to the day that is 30 days after the Commissioner amends the approval. 35

130 Section 41 amended (Annual returns by persons who receive credit under family scheme)

In section 41(6), replace “of that Act” with “of the Income Tax Act 2007”.

130B Section 41C amended (Application for refund of FamilyBoost tax credit)

(1) In section 41C(1), (2), (9), and (10), replace “quarter” with “tax credit quarter”. 5

(2) Replace section 41C(6)(b) with:

(b) any exercise of the Commissioner’s discretion under paragraph (a) must be carried out having regard to the resources available to the Commissioner.

(3) Replace section 41C(7) with: 10

(7) If the Commissioner considers the amount of a FamilyBoost tax credit refunded to a person is a significant overpayment, the Commissioner may recover the overpayment, to the extent to which it is more than the correct amount of refund, as an excess tax credit under section 142D.

131 Section 42 amended (Returns by joint venturers, partners, and partnerships) 15

(1) After section 42(3)(b), insert:

(c) for the purposes of paragraph (b), if the partnership has a non-standard balance date, each partner may choose to make a return of, or include in a return, the income derived by the partner as a member of the partnership and the partner’s deductions as if they also had that non-standard balance date and any such election is irrevocable while the partner remains a member of the partnership unless the partnership changes its balance date: 20

(d) despite paragraph (b) does not apply to, a non-resident partner in a partnership does not have to make a separate return of income under section 33 when the partner— 25

(i) does not derive income from any source in New Zealand; or
(ii) derives only non-resident passive income to which section RF 2(3) and (4) of the Income Tax Act 2007 applies; or 30

(iii) derives only income from a source in New Zealand that is fully relieved from tax under a double tax agreement.

(2) ~~For a person who is a partner of a limited partnership registered under the Limited Partnerships Act 2008, **subsection (1)** applies for income years commencing on or after 1 April 2008. However, **subsection (1)** does not apply to a person in relation to a tax position taken by the person—~~ 35

(a) in the period that starts on 1 April 2008 and ends on ~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~ 26 August 2024; and

- (b) that is inconsistent with the amendment made to section 42 by **subsection (1)**.

132 Section 46C amended (FBT returns for years)

Repeal section 46C(3B).

133 New section 57C inserted (Return by transfer scheme withholding TSWT) 5

After section 57B, insert:

57C Return by transfer scheme withholding TSWT

- (1) This section applies when a transfer scheme withholds in a period an amount of TSWT from a person’s ~~foreign superannuation withdrawal~~ assessable withdrawal amount in accordance with **subpart RI** of the Income Tax Act 2007. 10
- (2) The transfer scheme must, at the time of payment of the TSWT, file a return in the prescribed form—
- (a) showing the total amount of TSWT withheld for the period; and
- (b) showing the total amount of ~~foreign superannuation withdrawal~~ assessable withdrawal amount from which TSWT has been withheld for the period; and 15
- (c) providing further information that the Commissioner considers relevant.

134 Section 68CB amended (Research and development tax credits: general approval)

- (1) In section 68CB(2), replace “the 7th day of the 2nd month” with “the last day of the 3rd month”. 20
- (1B) Repeal section 68CB(3C), as inserted by section 42 of the Taxation (Budget Measures) Act 2024.
- (1C) Before section 68CB(4), insert:
- (3C) Upon application, the Commissioner may amend an approval if— 25
- (a) the amendment is only to correct the name of the person named in the approval; and
- (b) both the person named in the original approval and the person applying for the amendment are members of the same wholly-owned group.
- (2) In section 68CB(7), replace “the 7th day of the 2nd month” with “the last day of the 3rd month”. 30
- (3) In section 68CB(7B), replace “the 7th day of the 14th month” with “the last day of the 15th month”.
- (4) **Subsection (1C)** applies for the 2019–20 and later income years.

134B Section 68CC amended (Research and development tax credits: greater than \$2 million approval)

(1) Repeal section 68CC(4C), as inserted by section 43 of the Taxation (Budget Measures) Act 2024.

(2) Before section 68CC(5), insert: 5

(4C) Upon application, the Commissioner may amend an approval if—

(a) the amendment is only to correct the name of the person named in the approval; and

(b) both the person named in the original approval and the person applying for the amendment are members of the same wholly-owned group. 10

(3) **Subsection (2)** applies for the 2019–20 and later income years.

134C Section 78J amended (Annual multinational top-up return)

After section 78J(1), insert:

(1B) This section does not apply to a constituent entity that is a securitisation entity if— 15

(a) another constituent entity is located in New Zealand in the fiscal year; and

(b) that other constituent entity is not a securitisation entity.

135 Section 89C amended (Notices of proposed adjustment required to be issued by Commissioner) 20

(1) In section 89C, after paragraph (ka), insert:

(kb) the taxpayer, who is a qualifying individual, has provided information to the Commissioner under section 22F or 22G and the assessment is made following the subsequent failure by the taxpayer to respond within 2 months to a request by the Commissioner for additional information; or 25

(2) In section 89C(1ba), replace “or 142K” with “142K, **142L, or 142M**”.

136 Section 89M amended (Disclosure notices)

After section 89M(6BA), insert:

(6BAB) If the Commissioner does not respond to the disputant’s statement of position as required by subsection (6BA) within the response period, the Commissioner is treated as having accepted the disputant’s statement of position. 30

137 Section 94A amended (Assessment of shortfall penalties)

In section 94A(1), replace “or 142K” with “142K, **142L, or 142M**”.

138 New section 94E inserted (Assessment of penalties related to crypto-asset reporting framework) 35

After section 94D, insert:

94E Assessment of penalties related to crypto-asset reporting framework

- (1) The Commissioner may make an assessment of the amount of a penalty under **sections 142L and 142M** that, in the Commissioner’s opinion, ought to be imposed on a person, and the person is liable to pay the penalty assessed.
- (2) This section does not apply to the extent to which the person establishes in proceedings challenging the assessment that the assessment is excessive or that they are not chargeable with the penalty.

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139 New section 98C inserted (Assessment of transfer scheme withholding tax)

After section 98B, insert:

98C Assessment of transfer scheme withholding tax

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- (1) The Commissioner may, for any person who is liable to withhold and pay TSWT under **section RI 3** of the Income Tax Act 2007, make an assessment of the amount of TSWT that is payable ~~the assessable withdrawal amount on which, in the Commissioner’s judgment, TSWT ought to be imposed and an assessment of that tax.~~
- (2) The person is liable to pay the tax so assessed except to the extent to which the person establishes in proceedings challenging the assessment that the assessment is excessive or that the person is not chargeable with the tax assessed.
- (3) Sections 111 and 113 apply, so far as may be, with respect to an assessment made under **subsection (1)** of this section as if—
 - (a) the term **taxpayer** in sections 111 and 113 included a person who is assessed or liable to be assessed under **subsection (1)** of this section; and
 - (b) the term **tax already assessed** in section 113 included TSWT already assessed under **subsection (1)** of this section.
- (4) An assessment made under this section is subject to challenge in the same manner as an assessment of income tax imposed under section BB 1 of the Income Tax Act 2007, and Part 8A of this Act applies accordingly.

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140 Section 108 amended (Time bar for amendment of income tax assessment)

- (1) After section 108(1C)(a)(ii), insert:
 - (iib) provides a return under **section 57C** in relation to an amount of TSWT withheld for a period which, for the purposes of this section, is treated as the making of an assessment of the amount of TSWT by the taxpayer:
- (2) Before section 108(1E)(a), insert:
 - (aa) a supplementary return filed using an extension of time under **section 33G**:

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140B New section 120VE inserted (Interest on FamilyBoost tax credits)

After section 120VD, insert:

120VE Interest on FamilyBoost tax credits

No interest shall be payable by the Commissioner under section 120D(3) on an amount of FamilyBoost tax credit calculated under subpart MH of the Income Tax Act 2007.

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141 Section 138E amended (Certain rights of challenge not conferred)

After section 138E(1)(e)(ii), insert:

(iib) ~~section 86H(3)~~**section 86H(3)** of the Stamp and Cheque Duties Act 1971; or

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142 Section 138L amended (Challenging civil penalties)

(1) In section 138L(1),—

(a) in the words before the paragraphs, replace “taxpayer” with “person”;

(b) in paragraph (a), replace “taxpayer” with “person”;

(e) after paragraph (a), insert:

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~~(ab) may challenge a penalty relating to a reporting obligation or otherwise unrelated to an assessment of tax by following the requirements of section 138B(3), treating the denial of liability for the penalty, whether in whole or in part, as an adjustment proposed by the person; and~~

(1B) After section 138L(1), insert:

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(1B) A person assessed by the Commissioner for a civil penalty that is unrelated to an assessment of tax may challenge the assessment by commencing proceedings in a hearing authority if—

(a) the assessment was the subject of an adjustment proposed by the person which the Commissioner rejected by notice within the applicable response period; and

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(b) the Commissioner has issued a challenge notice to the person; and

(c) the person files the proceedings in accordance with the Taxation Review Authorities Regulations 1998 or the High Court Rules 2016 within 2 months.

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~~(2) In section 138L(2), replace “taxpayer” with “person”.~~

(2B) Replace section 138L(2) with:

(2) Despite **subsections (1) and (1B)**, a person has no right to challenge—

(a) a civil penalty that is a late filing penalty; or

(b) a civil penalty for the late payment of tax; or

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(c) a civil penalty imposed under section 215 of the KiwiSaver Act 2006; or

(d) the percentage applicable to the civil penalty.

143 Section 139AB amended (Penalty for member of large multinational group failing to provide information)

In section 139AB(1)(a), replace “section 17” with “section 17B”.

143B Section 139B amended (Late payment penalty)

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After section 139B(2B), insert:

(2C) Despite subsection (2), a taxpayer is not liable to pay a late payment penalty or an incremental late payment penalty to the extent to which the relevant tax to pay is the repayment of an overpaid FamilyBoost tax credit calculated under subpart MH of the Income Tax Act 2007.

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144 New sections 142L and 142M inserted

After section 142K, insert:

142L Non-compliance with crypto-asset reporting framework: reporting crypto-asset service providers

(1) This section applies when a reporting crypto-asset service provider does not comply with the requirements they have in New Zealand under **section 185U**.

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(2) The reporting crypto-asset service provider is liable to pay a penalty of \$300 for each occasion on which they do not comply.

(3) Despite **subsection (2)**, the reporting crypto-asset service provider is not liable if their non-compliance is due to circumstances outside of their control. However, they are still liable if a circumstance relates to a crypto-asset user’s failure to provide a valid self-certification to them.

20

(4) If the reporting crypto-asset service provider does not take reasonable care to comply with the requirements, and no penalty is imposed under **subsection (2)**, they are liable to pay a penalty of—

25

(a) \$20,000 for the first occasion on which they do not comply:

(b) \$40,000 for each further occasion on which they do not comply.

(5) The total amount of penalties for a tax year must not be more than—

(a) \$10,000 for penalties under **subsection (2)**:

(b) \$100,000 for penalties under **subsection (4)**.

30

(6) The due date for payment of a penalty imposed under this section is the later of—

(a) 30 days after the date on which the Commissioner makes the assessment for the penalty:

(b) the date set out by the Commissioner in the notice of assessment for the penalty as being the due date for the payment of the penalty.

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142M Non-compliance with crypto-asset reporting framework: crypto-asset users	
(1) A crypto-asset user is liable to pay a penalty of \$1,000 for a failure to provide to a person (person A) information that the crypto-asset user holds in relation to themselves or a person related to them if the information is necessary for person A to comply with the requirements of the crypto-asset reporting framework.	5
(2) The due date for payment of a penalty imposed under this section is the later of—	
(a) 30 days after the date on which the Commissioner makes the assessment for the penalty:	10
(b) the date set out by the Commissioner in the notice of assessment for the penalty as being the due date for the payment of the penalty.	
145 Section 143 amended (Absolute liability offences and strict liability offences)	15
In section 143(2C), replace “the CRS applied standard” with “the CRS applied standard or the crypto-asset reporting framework.”.	
145B Section 143A amended (Knowledge offences)	
After section 143A(5)(g), insert:	
(gb) an amount of TSWT withheld:	20
146 Section 157 amended (Deduction of tax from payments due to defaulters)	
In section 157(10), definition of amount payable ,—	
(a) in paragraph (cb), delete “;—”:	
(b) in the words before paragraph (d), delete “but does not include money deposited in any account that is—”:	25
(c) repeal paragraph (d).	
147 Section 183ABA replaced (Remission in circumstances of emergency event)	
Replace section 183ABA with:	
183ABA Remission in circumstances of emergency event	30
(1) This section applies for a taxpayer if—	
(a) the taxpayer fails to make a payment required by a tax law (the required payment) on or before the due date for the required payment; and	
(b) the failure is a consequence of an emergency event that significantly adversely affects the ability of the taxpayer to do either or both of—	35

<ul style="list-style-type: none"> (i) make a reasonably accurate forecast, on 1 or more provisional tax instalment dates for a tax year, of the taxpayer’s residual income tax for the tax year: (ii) make the required payment on or before the due date for the required payment; and (c) the taxpayer is charged with interest under Part 7 for failing to make the payment by the due date. 	5
(2) The taxpayer may ask the Commissioner to remit the interest.	
(3) The Commissioner may remit the interest if the Commissioner is satisfied that—	10
<ul style="list-style-type: none"> (a) it is equitable that the interest be remitted; and (b) the taxpayer asked for the relief as soon as practicable; and (c) the taxpayer made the required payment as soon as practicable. 	
(4) Despite the definition of emergency event, the Governor-General may from time to time by Order in Council—	15
<ul style="list-style-type: none"> (a) declare an event that meets the requirements of paragraphs (a) and (b) of the definition of emergency in section 4 of the Civil Defence Emergency Management Act 2002 to be an emergency event: (b) describe a class or classes of persons to whom a remission under this section is available in relation to the emergency event; (c) <u>declare a start date for the emergency event.</u> 	20
(5) An Order in Council made under subsection (4) —	
<ul style="list-style-type: none"> (a) may be expressed to come into force on a day that is before, on, or after the date on which it is made, but not earlier than the first day<u>start date</u> of the relevant emergency event referred to in subsection (4), and the Order in Council comes into force or, as the case may be, is deemed to have come into force accordingly: (b) expires after— <ul style="list-style-type: none"> (i) the period given in the Order in Council, if such a period is given; or (ii) if no such period is given, 6 months from the promulgation of the Order in Council. 	25
(6) An Order in Council made under this section is secondary legislation (<i>see</i> Part 3 of the Legislation Act 2019 for publication requirements).	
148 Section 185E amended (Purpose)	35
After section 185E(5), insert:	
(6) Section 185U imposes requirements on a person in relation to the crypto-asset reporting framework.	

149 Section 185N amended (Requirements for financial institution)

- (1) After section 185N(7)(b), insert:
- (c) 30 June 2027, if the financial account is identified before that date as being a reportable account that is a pre-existing individual account or pre-existing entity account solely by virtue of the amendments to the Common Reporting Standard. 5
- (2) In section 185N(12), replace “subparagraph D(1)” with “subparagraph E(1)”.

149B Section 185S amended (Requirements for reporting platform operators and sellers: model reporting standard)

Replace section 185S(3) with: 10

- (3) The seller operating on the digital platform must comply with all the requirements to provide information to the platform operator to enable the platform operator to comply with its requirements under the model reporting standard for digital platforms.

150 New cross-heading and section 185U inserted 15

After section 185T, insert:

*Crypto-asset reporting framework***185U Requirements for reporting crypto-asset service providers and crypto-asset users**

- (1) For the purposes of this Act, unless the context otherwise requires, terms used in this Act in provisions that relate to the crypto-asset reporting framework have the same meanings as they have in the crypto-asset reporting framework. 20
- (2) A reporting crypto-asset service provider must comply with the requirements of the crypto-asset reporting framework.
- (3) A crypto-asset user must provide to a person (**person A**) information that the crypto-asset user holds in relation to themselves or a person related to them if the information is necessary for person A to comply with the requirements of the crypto-asset reporting framework. 25
- (4) In the crypto-asset reporting framework,—
- (a) the “Jurisdiction” is New Zealand, unless the context otherwise requires: 30
- (b) the “effective date” is 1 April 2026:
- (c) the “reporting period” for Section II is a tax year, not a calendar year (*refer*: Section II, paragraph A):
- (d) despite Section II, paragraph G, the information pursuant to Section II, paragraph A must be reported within 3 months of the end of the tax year to which the information relates: 35

- (e) despite Section III, paragraph D, subparagraph 3, a reporting crypto-asset service provider must maintain all documentation and data for a period of not less than 7 years after the end of the period within which the reporting crypto-asset service provider must report the information required to be reported pursuant to Section II: 5
- (f) the relevant date for the definition of “Preexisting Individual Crypto-Asset User” is 31 March 2026 (*refer*: Section IV, paragraph D, subparagraph 4):
- (g) the relevant date for the definition of “Preexisting Entity Crypto-Asset User” is 31 March 2026 (*refer*: Section IV, paragraph D, subparagraph 6). 10

151 Section 226E amended (Application of changes to CRS standard)

- (1) In the heading to section 226E, replace “CRS standard” with “CRS standard and crypto-asset reporting framework”. 15
- (2) In section 226E(1), in the words before the paragraphs, replace “the CRS standard or the CRS publication” with “the CRS standard, the CRS publication, or the crypto-asset reporting framework”. 15
- (3) After section 226E(1)(a), insert:
 - (ab) the effect or lack of effect of the change on the application of the crypto-asset reporting framework under this Act: 20
- (4) After section 226E(1)(c), insert:
 - (cb) the effect or lack of effect of a change to the application of the crypto-asset reporting framework under this Act on the obligations and liabilities of a person or entity or class of persons or entities.

151B New sections 226H and 226I inserted 25

After section 226G, insert:

226H Notification requirements relating to tax relief for emergencies: affected property

Affected revenue property

- (1) A person who chooses to suspend the recognition of suspended recovery income for affected revenue property for a current year under **section FP 5** of the Income Tax Act 2007 must notify the Commissioner. The notice must— 30
 - (a) describe the affected revenue property; and
 - (b) give details of replacement property acquired in the current year to replace, in full or in part, the affected revenue property; and 35
 - (c) provide the replacement cost of that replacement property and the amount of the replacement cost adjustment under **section FP 7** of that Act for the purposes of section DB 23 of that Act; and

(d) provide the amount, for the affected revenue property, of the suspended recovery income at the end of the current year.

Affected depreciable property

(2) A person who chooses to suspend the recognition of suspended recovery income for affected depreciable property for a current year under **section FP 8** of the Income Tax Act 2007 must notify the Commissioner. The notice must— 5

(a) describe the items of affected depreciable property; and

(b) indicate in which affected class each item of affected depreciable property is included; and 10

(c) give details of each item of replacement property acquired in the current year and the affected class to which the person is linking the item; and

(d) provide the amount of the replacement cost of each replacement item and the amount of the replacement reduction under **section FP 11** of that Act from that replacement cost for the purposes of determining adjusted tax value or depreciation loss; and 15

(e) provide the amount, for each affected class, of the suspended recovery income at the end of the current year.

Affected improvements to land

(3) A person who chooses to suspend the recognition of suspended recovery income for affected improvements to land for a current year under **section FP 12** of the Income Tax Act 2007 must notify the Commissioner. The notice must— 20

(a) describe the affected improvements to land; and

(b) give details of replacement property acquired in the current year to replace, in full or in part, the affected improvements to land; and 25

(c) give the replacement cost of the replacement property and the value attributed to that cost under **section FP 12(5)** for the purposes of section DO 4, DO 5, or DO 11 of that Act, as applicable; and

(d) give the amount, for the affected improvements to land, of the suspended recovery income at the end of the current year. 30

Due dates for providing notice

(4) A person providing notice under this section must notify the Commissioner—

(a) by the later of—

(i) 30 April in the year immediately after the income year in which the emergency event occurs; and 35

(ii) the date on which their return of income is filed for the earliest income year in which the amount of the compensation for the

affected property can be reasonably estimated (the estimate year); and

- (b) when the current year is after the estimate year,—
 - (i) for each income year between the estimate year and the current year, by the date on which the return of income is filed for that income year; and
 - (ii) for the current year, by the date on which the return of income is filed for the current year.

Later deadlines in exceptional circumstances

- (5) The Commissioner may allow the person to file a notice under this section at a later time if the Commissioner considers there are exceptional circumstances.

226I Notification requirements relating to tax relief for emergencies: group assets

Group assets

- (1) A person who chooses to include an amount of the compensation in the value of the total group assets of the person’s New Zealand group for an income year under **section FP 19** of the Income Tax Act 2007 must notify the Commissioner of the following:
 - (a) that the person has made the election for the income year; and
 - (b) a reasonable estimate of the amount of income that would arise under section CH 9 of that Act for the income year in the absence of **section FP 19**; and
 - (c) the amount of income that arises under section CH 9 for the income year after the application of **section FP 19**; and
 - (d) any further information required by the Commissioner.

Form and timing of notice

- (2) The information required under **subsection (1)** must be given—
 - (a) in the form and by the means prescribed by the Commissioner; and
 - (b) no later than the day by which the person is required to make a return of income for the corresponding tax year, or at a later time if the Commissioner considers there are exceptional circumstances.

152 Schedule 2 amended (Application of CRS standard)

- (1) In schedule 2, part 1, replace items 2 to 10 with:
 - 2 The CRS standard is treated as modified by the *Wider Approach to the Common Reporting Standard* in Annex 5 of the CRS publication, subject to the amendments to the CRS in the CARF document. However, despite the *Wider Approach to the Common Reporting Standard*, Section I, paragraph C of the

	CRS standard only applies to a Reportable Account that is a Preexisting Account.	
3	Section I, paragraph F is disregarded.	
4	Section III, subparagraph C(6) is replaced by:	
	6. The Reporting Financial Institution must complete the enhanced review procedures described in paragraph C with respect to an account of the type described in subparagraphs a) or b) within the 12-month period ending with 31 March following the year in which the account becomes a High Value Account. If based on this review the account is identified as a Reportable Account, the Reporting Financial Institution must report the required information about the account with respect to the year in which it is identified as a Reportable Account and subsequent years on an annual basis, unless the Account Holder ceases to be a Reportable Person. The types of accounts are—	5 10 15
	a) a Preexisting Individual Account that is treated as a Financial Account solely by virtue of the amendments to the Common Reporting Standard and is not a High Value Account as of 31 March 2026, but becomes a High Value Account as of the last day of a subsequent 12-month period ending with 31 March:	20
	b) a Preexisting Individual Account that is not a High Value Account as of 30 June 2017, but becomes a High Value Account as of the last day of a subsequent 12-month period ending with 31 March.	25
5	Section III, paragraph D is replaced by:	
D.	Review of Preexisting Individual Accounts must be completed by 30 June 2018, for preexisting individual accounts that are High Value Accounts, or 30 June 2019 for preexisting individual accounts that are Lower Value Accounts. However, the review of Preexisting Individual Accounts that are treated as Financial Accounts solely by virtue of the amendments to the Common Reporting Standard must be completed by 31 March 2027.	30
6	In Section V, paragraph A, “a Preexisting Entity Account with an aggregate account balance or value that does not exceed USD 250 000 as of 31 December [xxxx]” is replaced by “a Preexisting Entity Account with an aggregate account balance or value that does not exceed USD 250 000 as of 30 June 2017 or, in the case of a Preexisting Entity Account that is treated as a Financial Account solely by virtue of the amendments to the Common Reporting Standard, does not exceed USD 250 000 as of 31 March 2026”.	35 40
7	Section V, paragraph B, is replaced by:	

- B. **Entity Accounts Subject to Review.** The following accounts must be reviewed in accordance with the procedures set forth in paragraph D:
1. A Preexisting Entity Account that has an aggregate account balance or value that exceeds USD 250 000 as of 30 June 2017:
 2. A Preexisting Entity Account that does not exceed USD 250 000 as of 30 June 2017 but the aggregate account balance or value of which exceeds USD 250 000 as of the last day of any subsequent 12-month period ending with 31 March: 5
 3. A Preexisting Entity Account that is treated as a Financial Account solely by virtue of the amendments to the Common Reporting Standard and that has an aggregate account balance or value that exceeds USD 250 000 as of 31 March 2026: 10
 4. A Preexisting Entity Account that is treated as a Financial Account solely by virtue of the amendments to the Common Reporting Standard and that does not exceed USD 250 000 as of 31 March 2026 but the aggregate account balance or value of which exceeds USD 250 000 as of the last day of any subsequent 12-month period ending with 31 March. 15
- 8 In Section V, subparagraph E(1), the first date reference is replaced by 30 June 2017 and the second date reference is replaced by 30 June 2019.
- 9 In Section V, subparagraph E(2), the first date reference is replaced by 30 June 2017 and the second date reference is replaced by 31 March. 20
- 10 After section V, subparagraph E(2), insert:
- 2A. Review of Preexisting Entity Accounts that are treated as Financial Accounts solely by virtue of the amendments to the Common Reporting Standard with an aggregate account balance or value that exceeds USD 250 000 as of 31 March 2026 must be completed by 31 March 2027: 25
 - 2B. Review of Preexisting Entity Accounts that are treated as Financial Accounts solely by virtue of the amendments to the Common Reporting Standard with an aggregate account balance or value that does not exceed USD 250 000 as of 31 March 2026 but exceeds USD 250 000 as of 31 March of a subsequent year must be completed within the 12-month period ending with 31 March following the year in which the aggregate account balance or value exceeds USD 250 000. 30 35
- (2) In schedule 2, part 1, replace item 17 with:
- 17 In Section VIII, subparagraph C(9), the definition of the term **Preexisting Account** is the replacement definition given in paragraph 82 of the Commentary on Section VIII, with the first date reference in subparagraph (a) of the 40

- replacement definition being 30 June 2017 and the second date reference in that subsubparagraph being 31 March 2026.
- (3) In schedule 2, part 1, replace items 19 and 20 with:
- 19 Section ~~VH~~VIII, subparagraphs C(14) and (15) are replaced by:
14. The term “**Lower Value Account**” means— 5
- a)* a Preexisting Individual Account with an aggregate balance or value that does not exceed USD 1 000 000 as of 30 June 2017:
- b)* a Preexisting Individual Account that is treated as a Financial Account solely by virtue of the amendments to the Common Reporting Standard with an aggregate account balance or value that does not exceed USD 1 000 000 as of 31 March 2026. 10
15. The term “**High Value Account**” means—
- a)* a Preexisting Individual Account with an aggregate balance or value that exceeds USD 1 000 000 as of 30 June 2017 or 31 March of any subsequent year: 15
- b)* a Preexisting Individual Account that is treated as a Financial Account solely by virtue of the amendments to the Common Reporting Standard with an aggregate account balance or value that exceeds USD 1 000 000 as of 31 March 2026 or 31 March of any subsequent year. 20
- (4) In schedule 2, part 1, after item 25, insert:
- 26 In Section X, paragraph A, the date reference is replaced by 1 April 2026. 25
- 27 In Section X, paragraph B, the date reference is replaced by 31 March 2026.
- 28 The “effective date of the amended CRS” is 1 April 2026.
- 29 References to “amendments to the CRS”, “amendments to the Common Report Standard”, and other similar references are references to the amendments to the CRS standard in the CARF document. 30
- (5) In schedule 2, part 2, after item 1, insert:
- 2 In the application of the Commentary, the “effective date of the amended CRS” is 1 April 2026.
- 153 Schedule 7 amended (Disclosure rules)**
- (1) In schedule 7, part C, subpart 1, after clause 23B, insert: 35

- 23C Government agencies: ~~Disclosures for responding to emergency event response purposes~~**
- (1) This section applies when regulations made under **section 6J** declare that it applies in relation to an emergency event.
- (2) Section 18 does not prevent the Commissioner disclosing to a government agency information about a person or entity for the purpose of enabling the government agency to provide or fulfil any duty, obligation, or other thing in relation to any person or entity in connection with an emergency event if—
- (a) the Commissioner is satisfied it is reasonable, practical, and not undesirable to do so; and
- (b) the information is readily available; and
- (c) the Commissioner and the government agency have entered into a written agreement that specifies the information that will be shared.
- (2) Replace schedule 7, part C, subpart 1, clause 25(1)(b) with:
- (b) is information communicated for a purpose set out in subclauses (2) to **(3B)**.
- (2B) Replace schedule 7, part C, subpart 1, clause 25(1)(b) with:
- (b) is information communicated for the purposes of subclauses (2) and (3).
- (3) After schedule 7, part C, subpart 1, clause 25(3), insert:
- (3B) For the purposes of subclause (2), theThe Commissioner may disclose to an authorised officer of the department for the time being responsible for the administration of the New Zealand Business Number Act 2016, by way of a single transfer of data, information held by the Commissioner related to the contact address or tax file number of an unincorporated body for the purpose of enabling the department to carry out the duties or functions of the department under that Act.
- (4) Repeal schedule 7, part C, subpart 1, **clause 25(3B)**.

Part 4

Amendments to Goods and Services Tax Act 1985

- 154 Amendments to Goods and Services Tax Act 1985** 30
- This Part amends the Goods and Services Tax Act 1985.
- 155 Section 2 amended (Interpretation)**
- (1) This section amends section 2(1).
- (2) Repeal the definition of **credit note**.
- (3) Repeal the definition of **debit note**. 35
- (4) Insert, in appropriate alphabetical order:

- listing intermediary** has the meaning set out in section 60CB(8)
- (5) In the definition of **name**, paragraph (b), replace “tax invoices and credit or debit notes” with “taxable supply information and supply correction information”.
- 156 Section 3A amended (Meaning of input tax)** 5
- (1) Replace section 3A(3)(a)(i) with:
- (i) the tax fraction of the original purchase price of the goods when they were received by the supplier or, if **subsection (3BB)** applies, the tax fraction given by **subsection (3BB)**; and
- (2) After subsection (3B), insert: 10
- (3BB) For the purposes of **subsection (3)(a)(i)**, if the supplier received the goods from an associated person, the amount of input tax for the recipient is,—
- (a) to the extent to which **paragraph (b)** does not apply, the tax fraction of the purchase price of the goods when they were last supplied by a person who is not associated with the supplier; or 15
- (b) if, after the supply referred to in **paragraph (a)** but before the supply referred to in subsection (2), the goods were supplied by a registered person (**person A**) associated with the supplier and all or part of the supply made by person A was a taxable supply and the registered person accounted for output tax on the supply, the amount of output tax accounted for by person A that relates to the taxable supply. 20
- (3) **Subsections (1) and (2)** apply to goods acquired by a person on and after 30 March 2022. However, **subsections (1) and (2)** do not apply to a person if the person has taken a tax position in respect of the goods before ~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~ 26 August 2024 and that tax position relied on section 3A(3)(a)(i) of the Goods and Services Tax Act 1985 as it was before the amendments made by **subsections (1) and (2)**. 25
- 157 Section 5 amended (Meaning of term supply)**
- (1) In section 5(3C), replace “financial service” with “financial service or the transfer of an emissions unit”. 30
- (2) Replace section 5(6E) with:
- (6E) For the purposes of subsection (6D), a **payment in the nature of a grant or subsidy**—
- (a) includes a suspensory loan or advance when the loan or advance becomes non-repayable by reason of its conditions for non-repayment being satisfied: 35
- (b) does not include—
- (i) a non-taxable amount referred to in **schedule 2**:

- (ii) a payment that is declared by the Governor-General by Order in Council to be a non-taxable amount for the purposes of subsection (6D) and listed in **schedule 2**.
- (3) In section 5(6EB), replace “subsection (6E)(a)(ii) or (b)(iii)” with “**subsection (6E)(b)(ii)**”. 5
- (4) In section 5(6ED)(a), replace “the schedule” with “schedule 1”.
- (5) In section 5(11GA), replace “(a)” with “(b)(i)”.
- (6) After section 5(13B), insert:
- (13C) **Subsection (13D)** applies when— 10
- (a) a registered person is a member of a unit title body corporate; and
- (b) the unit title body corporate pays a distribution to the registered person for which the unit title body corporate is allowed a deduction under **section 20(3)(j)**.
- (13D) A distribution the registered person referred to in **subsection (13C)** receives from the unit title body corporate is deemed to be consideration received for a supply of services performed by the registered person— 15
- (a) to the extent to which the registered person is using the unit to make taxable supplies; and
- (b) on the day the registered person receives the distribution; and
- (c) in the course or furtherance of the registered person’s taxable activity. 20
- (7) In section 5(15), replace “either” with “any”.
- 158 Section 6 amended (Meaning of term taxable activity)**
- (1) In section 6(3)(c)(iia), after “1919”, insert “, subject to subsection (4)”.
- (2) In section 6(3)(e), in the words before the subparagraphs, replace “by way of sale” with “, including a deemed supply under section 5(3),”. 25
- (3) In section 6(4), after “(3)(b)”, insert “, (c)(iia),”.
- (4) **Subsection (2)** applies to supplies made on or after 1 April 2011. However, **subsection (2)** does not apply to supplies for which an assessment has been made prior to 30 August 2022.
- 158B Section 8 amended (Imposition of goods and services tax on supply)** 30
- (1) After section 8(4F), insert:
- (4G) Despite subsections (4D) and (4E), if an election is made under section 19K(9) to provide taxable supply information for a supply in circumstances when the supply was incorrectly treated as being made in New Zealand when the supply should have been treated as being made outside New Zealand, the supply is treated as being made in New Zealand. 35
- (2) **Subsection (1)** applies for taxable periods starting on or after 1 April 2023.

159 Section 11A amended (Zero-rating of services)

- (1) After section 11A(1)(i), insert—:
- (iba) the services are supplied directly in connection with goods referred to in regulation 25(1)(b), ~~(ba)~~, or ~~(c)~~ 25(1)(a), (b), (ba), (bb), (c), (d), (da), (g), or (h) of the Customs and Excise Regulations 1996; or 5
- (2) Replace section 11A(1)(jc) with:
- (jc) the services are a supply of services to which section 60(1C)(a) applies, being a supply from an underlying supplier to—
- (i) an operator of a marketplace; or
- (ii) for the purposes of section 60CB(7), a listing intermediary; or 10
- (3) In section 11A(7), replace “section 24(5B)” with “section 19K(9)”.

160 Section 15 amended (Taxable periods)

- (1) In section 15(1), delete “or a period described in section 15E(2) that is equivalent to one of the following”.
- (2) In section 15(5)(a), delete “and described in section 15E(2)”. 15
- (3) In section 15(6),—
- (a) replace “whose only supplies are supplies of” with “whose only supplies in New Zealand are supplies of”;
- (b) replace “distantly taxable goods or remote services to which section 8(3)(c) applies, or listed services referred to in section 8C,,” with “distantly taxable goods, or remote services to which section 8(3)(c) applies, or listed services referred to in section 8C,,”. 20

161 Section 15B amended (Taxable periods aligned with balance dates)

- (1) In section 15B(4), replace “person’s GST cycle” with “person’s cycle of taxable periods”. 25
- (2) Replace section 15B(4B) with:
- (4B) For the purposes of subsection (4), a person’s cycle of taxable periods is aligned with their balance date if the person’s last taxable period before the balance date ends on a date approved by the Commissioner under **section 15EB(2)**. 30

162 Section 15C amended (Changes in taxable periods)

- (1) In section 15C(1) and (3C), delete “, or to an equivalent period described in section 15E(2),”.
- (2) In section 15C(3) and (3B), delete “, or to an equivalent period described in section 15E(2)”. 35
- (3) After section 15C(4), insert:

(4B) **Subsection (4C)** applies when a non-resident person who has a 3-month taxable period makes supplies in New Zealand that do not meet the requirements of section 15(6).

(4C) The person must apply to the Commissioner for a change to 1 of the taxable periods set out in section 15(1) and determined under section 15(2) to (5). The person must make the change at the end of the first taxable period in which their supplies do not meet the requirements of section 15(6). 5

163 Section 15D amended (When change in taxable period takes effect)

- (1) In section 15D, replace the section heading with “**When changes in basis of taxable periods take effect**”. 10
- (2) In section 15D(1)(a), delete “to a period consisting of calendar months”.
- (3) Repeal section 15D(1)(ab), (2B), and (3B).

164 Section 15E amended (Meaning of end of taxable period)

Replace section 15E(2) to (2C) with:

- (2) Despite subsection (1), a taxable period may have an end date that is not the last day of a month if the Commissioner approves a change in end date for a registered person under **section 15EB**. However, a registered person who has a change of end date approved under **section 15EB(2)** may subsequently choose to use the default end date under subsection (1). 15
- (2B) A person who chooses to use the default end date as described in **subsection (2)** must notify the Commissioner of the change. 20

165 Section 15EB replaced (Approval of taxable period not consisting of whole calendar months)

Replace section 15EB with:

15EB Commissioner’s approval for changes in end dates of taxable periods 25

- (1) Despite section 15E(1), the Commissioner may give approval under **subsection (2)** for a change in end date of a registered person’s taxable period in order to reduce the compliance costs that would arise if the person’s taxable period was required to end on the last day of a month. For example, they may have accounting systems that are not aligned with the cycle of calendar months, or they may intend to become a member of a GST group or leave a group during a taxable period. 30
- (2) On application by the person, the Commissioner may approve a change in the end date of their taxable period to a day that is not the last day of a month if the Commissioner is satisfied that— 35
 - (a) the person has good commercial reasons for the change of end date; and
 - (b) making the change is consistent with the purpose set out in **subsection (1)**.

- (3) The Commissioner may withdraw an approval of change of end date given under **subsection (2)** at any time if the Commissioner considers a requirement set out in **subsection (2)(a) or (b)** is not met.
- (4) **Subsection (5)** applies—
- (a) to a registered person other than—
 - (i) a person whose taxable period is a 6-month period under section 15(1)(a);
 - (ii) a non-resident supplier whose taxable period is a 3-month period under section 15(6); and
 - (b) when the person—
 - (i) has an accounting cycle that consists of 13 periods in a 12-month period that are each 4 weeks, or approximately 4 weeks, in length; and
 - (ii) in relation to the accounting cycle, has a change of end date approved under **subsection (2)**.
- (5) For the purposes of **subsections (1) and (2)**, the Commissioner may prescribe a method that the person may use to determine an approved taxable period end date for their circumstances. The method must provide—
- (a) a system of deciding the end dates for the person’s taxable periods; and
 - (b) a way to enable the person to determine the corresponding due dates for the person’s filing and payment obligations under this Act.
- 15EC When changes in end dates of taxable periods take effect: initial approval**
- (1) When a registered person has approval under **section 15EB(2)** to change the end date of their taxable period, the change takes effect at—
- (a) the end of the taxable period in which they make the application; or
 - (b) the end of a later taxable period nominated by them and approved by the Commissioner; or
 - (c) ~~the date of their registration under this Act if they have applied for the change before the end of their first taxable period.~~
- (1B) Despite **subsection (1)**, the Commissioner may approve a change in the end date of the person’s taxable period to take effect at the start of the taxable period in which they apply for the change but only if they can show that it was not practicable for them to apply for the change before the start of the period in which the change is to take effect.
- (2) The approval of the change in end date continues to have effect until—
- (a) the Commissioner withdraws the approval under **section 15EB(3)**; or
 - (b) the person chooses to have the taxable period end date determined under section 15E(1); or

- (c) the Commissioner approves a new end date for the taxable period under **section 15EB(2)**.

15ED When changes in end dates of taxable periods take effect: post-approval changes

- (1) This section applies when a registered person, who has approval to change the end date of their taxable period under **section 15EB(2)**, subsequently—
 - (a) chooses to use the default end date set out in section 15E(1):
 - (b) is required to use the default end date set out in section 15E(1) because—
 - (i) the Commissioner has withdrawn approval for the person’s change in end date under **section 15EB(3)**; and
 - (ii) no other end date has been approved for the person’s taxable period under **section 15EB(2)**.
- (2) The later change in end date takes effect at—
 - (a) the end of the taxable period in which, as applicable,—
 - (i) the person chooses to use the default end date; or
 - (ii) the Commissioner withdraws approval for the change in end date under **section 15EB(3)**; or
 - (b) the end of a later taxable period nominated by the person and approved by the Commissioner.

166 Section 19 amended (Accounting basis)

In section 19(1), replace “19D” with “**19DB**”.

167 New section 19DB inserted (Optional accounting rule for supplies of taxable accommodation through electronic marketplaces)

After section 19D, insert:

19DB Optional accounting rule for supplies of taxable accommodation through electronic marketplaces

- (1) This section applies in relation to a supply of listed services described in **subsection (2)** for which a registered person must account, as applicable, for—
 - (a) output tax on the supply:
 - (b) input tax for a flat-rate credit related to the supply referred to in sections 8C(3)(b)(ii) and 20(3)(de) that is passed on to an underlying supplier.
- (2) The services referred to in **subsection (1)** are—
 - (a) a listed service referred to in section 8C(2)(a) supplied through an electronic marketplace; and

- (b) other services that are closely connected to the listed service as described in section 8C(7).
- (3) The person may choose to account for tax payable on the supply in or before the taxable period ~~in which that~~ includes the date that is 7 days after the performance of the services is completed. 5
- (4) When the person chooses to account for tax payable on the supply under **subsection (3)**, the accounting rules in section 19(1) to (3) do not apply in relation to the supply.

167B Section 19K amended (Taxable supply information: supplies by registered person) 10

- (1) Replace section 19K(9)(b) with:
- (b) the supply of goods or services was incorrectly treated—
- (i) as being made in New Zealand when the supply should have been treated as being made outside New Zealand under section 8(4D) or (4E); or 15
- (ii) as not being zero-rated when the supply should have been zero-rated under section 11A(1)(x); and
- (2) **Subsection (1)** applies for taxable periods starting on or after 1 April 2023.

168 Section 19N amended (Supply correction information)

- Replace section 19N(7)(b) with: 20
- (b) if the supply gives rise to an overpayment of tax that is described in section 45(1), (2), or (3) and the Commissioner is satisfied that the overpayment is a result of a clear mistake or simple oversight of the registered person, the date that is 4 years from the end of the 4-year period referred to in the subsection that describes the overpayment: 25

169 Section 19NB amended (Taxable supply information and supply correction information for listed services)

- (1) In section 19NB, replace “to the recipient of the supply without the need for a request” with “to the recipient of the supply within 28 days of the time of supply and without the need for a request”. 30
- (2) In section 19NB, replace “For the avoidance of doubt, when section 60CB(7) applies to treat a listing intermediary as if they were the operator of an electronic marketplace, the responsibility for providing the information remains with the operator of the electronic marketplace.” with “Section 60CB(7) and **(7B)** provide for the circumstances in which the responsibility for providing the information falls on either the operator of the electronic marketplace or a listing intermediary.” 35

170 Section 20 amended (Calculation of tax payable)

(1A) In section 20(2)(b), replace “; and; and” with “; and”.

(1AB) After section 20(2)(b), insert:

(bb) for a supply in relation to which a registered person intends to claim a deduction under subsection (3)(de), have obtained the information referred to in section 60H(1); and

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(1AC) In section 20(3)(de), replace “has not notified the operator of the electronic marketplace that they are” with “is not”.

(1) After section 20(3)(de), insert:

(df) in relation to a supply of distantly taxable goods to which section 8(1) applies, an amount included in the consideration for the supply that the supplier repays to a recipient under section 12B(2); and

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(2) After section 20(3)(i), insert:

(j) the amount equal to the tax fraction of a payment by a unit title body corporate where the payment is a monetary distribution to its members to reimburse the members for a levy or other amount that is treated as consideration for a taxable supply under section 5(8A) or (8AB); and

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(3) After section 20(4)(d), insert:

(e) in the case of a registered person who has chosen under **section 19DB(3)** to account for output tax on a supply of listed services made through an electronic marketplace, the taxable period in which the person chooses to account for the tax which may be no later than the taxable period ~~in which~~ that includes the date that is 7 days after the performance of the services is completed.

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(4) In section 20(4C) replace “section 24(5B) or (5BB)” with “section 19K(8) or (9)”.

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(5) **Subsections (1A), (1AB), and (1AC)** apply for taxable periods starting on or after 1 April 2025.

171 Section 20F replaced (Election that sections 11A(1)(q) and (r) and 20C apply)

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(1) Replace section 20F, other than the heading, with:

A person may choose to apply the rules in sections 11A(1)(q) and (r) and 20C in relation to certain supplies of financial services. The person makes the election by taking a tax position in a return for the taxable period.

(2) **Subsection (1)** applies to taxable periods starting on or after 1 April 2025.

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172 Section 21 amended (Adjustments for apportioned supplies)

In section 21(2), replace “Despite subsection (1),” with “Despite subsection (1) but subject to subsections (4) and (4B),”.

172B Section 21B amended (Adjustments when person or partnership becomes registered after acquiring goods and services)

In section 21B(2), replace “21, or 21A if the registered user meets the requirements of subsection (3) for the supply,” with “21, 21A if the registered user meets the requirements of subsection (3) for the supply, or 21FB.”

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173 Section 21F amended (Treatment on disposal)

(1) ~~In section 21F(6), replace “developing land or dividing land into lots” with “developing land, dividing land into lots, dealing in land, or erecting buildings”.~~

(1B) In section 21F(6), replace the words before the paragraphs with “If either of the requirements in **subsection (6B)** are met, the final adjustment given by subsection (4) must not exceed—”.

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(1C) After section 21F(6), insert:

(6B) For the purposes of subsection (6), the requirements are either—

(a) the disposal is of land that the person uses in the course or furtherance of a taxable activity that is—

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(i) the main activity of the person out of all activities undertaken by the person that involve the supply of goods and services to another person for consideration, including activities that are not taxable activities (for example, making exempt supplies); and

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(ii) developing land, dividing land into lots, dealing in land, or erecting buildings; or

(b) section 5(16B) applies.

(2) **Subsections (1B) and (1C)** ~~applies~~apply to a disposal of land on or after 24 February 2020. However, **subsections (1B) and (1C)** does not apply to a disposal of land if the person has taken a tax position in respect of the disposal of the land before ~~the date of introduction of the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Bill~~26 August 2024.

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174 Section 21G amended (Definitions and requirements for apportioned supplies and adjustment periods)

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After section 21G(1), insert:

(1B) In the definition of **percentage actual use** in subsection (1), when the registered person is a non-resident person, the calculation of actual use is based on the total supplies made by the person, treating all those supplies as if they are made and received in New Zealand.

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175 Section 25 amended (Adjustments for inaccuracies)

(1) In section 25(1), replace “a tax invoice, credit note, or debit note” with “taxable supply information or supply correction information”.

- (2) After section 25(1), insert:
- (1B) For the purposes of subsection (1)(d), the previously agreed consideration for the supply of a pharmaceutical is not an incorrect amount of consideration if part of the consideration for the supply has been rebated to Pharmac (acting on its own account or as an agent for a public authority) under a Pharmac agreement. 5
- (3) **Subsection (2)** applies for taxable periods starting on or after 1 April 2023.
- 176 Section 25AA amended (Consequences of change in contract for imported goods and services)**
- In section 25AA(1)(a)(v), replace “section 24(5B) or (5BB)” with “section 19K(8) or (9)”. 10
- 177 Section 43 amended (Deduction of tax from payment due to defaulters)**
- In section 43(1), definition of **amount payable**,—
- (a) paragraph (c), in the words after the subparagraphs, replace “the money,—” with “the money”: 15
- (b) in the words before paragraph (d), delete “but does not include money deposited in any account that is—”:
- (c) repeal paragraphs (d) and (e).
- 178 Section 51 amended (Persons making supplies in course of taxable activity to be registered)** 20
- In section 51(2), after “subsection (1)” insert “or **section 51B(4)**”.
- 179 Section 51B amended (Persons treated as registered)**
- (1) Replace section 51B(4) with:
- (4) A person to whom either section 5(16C) or (23B) applies— 25
- (a) becomes liable to be registered from the date of the supply under section 5(16C) or (23B), as applicable; and
- (b) must provide the Commissioner with the particulars the Commissioner may require to register the person as if the person were applying for registration under section 51(2).
- (2) In section 51B(5), replace— 30
- (a) “is treated as registered” with “becomes liable to be registered”; and
- (b) “section 5(23B)” with “section 5(16C) or (23B), as applicable”.
- (3) In section 51B(6)(a), replace “section 5(23B)” with “section 5(16C) or (23B), as applicable”.
- 180 Section 55 amended (GST groups)** 35
- (1) Replace section 55(1AC) with:

- (1AC) Subsections (1AD) to (1AI) apply to the members of a GST group except in relation to a supply of services that is treated by section 8(4B) as being made in New Zealand.
- (2) In section 55(1AF), after “is a supply”, insert “made as a registered person”.
- (2B) In section 55(1AK), replace “15E” with “15ED”. 5
- (3) In section 55(1AO)(b)(i), replace “24” with “19J, 19L”.
- (4) **Subsection (3)** applies for taxable periods starting on or after 1 April 2023.
- 181 Section 60 amended (Agents and auctioneers)**
- (1) In section 60(1C), in the words before the paragraphs,—
- (a) replace “sections 60C and 60D” with “sections 60C, 60CB(7), and 60D”:
- (b) replace “an operator of a marketplace or a supplier who” with “an operator of a marketplace or an underlying supplier who”.
- (2) In section 60(1D), replace “and 60CB” with “and 60CB(2)”.
- 182 Section 60CB amended (Listing intermediaries and supply of listed services)** 15
- (1) In section 60CB(4), replace “subsection (2)(b) or (3)(a)” with “subsection (2)(a), (2)(b), or (3)(a)”.
- (1B) In section 60CB(5), replace “, and 60H” with “, 60H, and schedule 7, part A, clause 3B of the Tax Administration Act 1994”. 20
- (2) In section 60CB(7),—
- (a) replace “sections 8C, 20(3)(de)” with “sections 8C, **11A(1)(jc)**, 20(3)(de)”:
- (ab) replace “, and 85E” with “, 85E, and schedule 7, part A, clause 3B of the Tax Administration Act 1994”: 25
- (b) replace “other than the provision of taxable supply information and supply correction information, as applicable, to the recipient as required under section 19NB.” with “other than, in the absence of an agreement under **subsection (7B)**, the provision of taxable supply information and supply correction information as required under section 19NB.” 30
- (3) After section 60CB(7), insert:
- (7B) When a listing intermediary and an operator of the electronic marketplace have made an agreement described in subsection (6)(c), the intermediary and the operator may also agree that the intermediary is required to provide the taxable supply information and supply correction information, as applicable, to the recipient as required under section 19NB. In these circumstances, despite subsection (7), the intermediary is treated as the supplier for the purposes of the provision of the information. 35

- 183 Section 60H amended (Information requirements for underlying suppliers operating through electronic marketplaces)**
- (1) In section 60H(1B),—
- (a) replace “underlying supplier must also treat” with “underlying supplier must treat”: 5
- (b) replace “subsections (1), (2), and (4)” with “subsections (1) and (2) to (4)”. 5
- (2) In section 60H(3), replace “of the election.” with “of the election. Similarly, when the underlying supplier has notified a listing intermediary that they have chosen to be liable for the payment of tax on a supply of listed services, the listing intermediary must notify the operator of the electronic marketplace of the election when the operator would otherwise have been liable for the output tax on the supply.” 10
- 184 Section 75 amended (Keeping of records)**
- Repeal section 75(8). 15
- 185 Section 89 repealed (COVID-19-related payments made before commencement of Goods and Services Tax (Grants and Subsidies) Amendment Order 2020)**
- Repeal section 89.
- 186 New schedule 2 inserted (Government grants and subsidies: non-taxable amounts)** 20
- After the schedule, insert ~~schedule 2~~**schedule 2** set out in ~~schedule 1~~**schedule 1** of this Act.

Part 5

Amendments to other enactments 25

Amendments to KiwiSaver Act 2006

- 187 Amendments to KiwiSaver Act 2006**
- Sections 188 to 191** amend the KiwiSaver Act 2006.
- 188 Section 4 amended (Interpretation)**
- (1) This section amends section 4(1). 30
- (2) Insert, in appropriate alphabetical order:
- foreign superannuation withdrawal** has the same meaning as in section YA 1 of the Income Tax Act 2007
- (3) In the definition of **net value**, paragraph (b),—

- (a) after “a member’s accumulation,”, insert “a member’s QROPS accumulation,”:
- (b) after “the member’s accumulation”, insert “, the member’s QROPS accumulation,”.
- (4) Insert, in appropriate alphabetical order: 5
QROPS has the same meaning as in section YA 1 of the Income Tax Act 2007
- (5) Insert, in appropriate alphabetical order: 10
QROPS accumulation, in relation to a member of a KiwiSaver scheme, means the net value of the amount of the foreign superannuation withdrawal derived by the member from an interest in a superannuation scheme constituted in the United Kingdom and reinvested in the KiwiSaver scheme in accordance with section CF 3(2)(b) of the Income Tax Act 2007 before 17 June 2015, whether directly or through 1 or more of the following:
- (a) a KiwiSaver scheme:
- (b) a QROPS: 15
- (c) a superannuation scheme constituted outside New Zealand that is a qualifying recognised overseas pension scheme for the purposes of the Finance Act 2004 (UK)
- 189 Section 35 amended (Opting in by persons under 18)**
- In section 35(2), replace “all their guardians contract” with “a guardian contracts”. 20
- 190 New cross-heading and sections 220C and 220D inserted**
- After section 220B, insert:
- Transfers of QROPS accumulation*
- 220C Members may transfer QROPS accumulations to QROPS** 25
- (1) A member may, at any time during that person’s membership of a KiwiSaver scheme, give notice to the provider of the scheme to transfer the member’s QROPS accumulation to a QROPS.
- (2) On notification by a member, the provider must, if the member has obtained the written consent of the QROPS to accept that transfer,— 30
- (a) transfer the member’s QROPS accumulation to the QROPS; and
- (b) give notice to the member of the amount so transferred.
- 220D Providers may transfer QROPS accumulations to QROPS**
- (1) A provider of a KiwiSaver scheme may, at any time during a person’s membership of that scheme, transfer the member’s QROPS accumulation to a QROPS in accordance with this section. 35

- (2) The provider must obtain the written consent of—
- (a) the member to the transfer of the member’s QROPS accumulation to the QROPS; and
 - (b) the QROPS to receive the transfer of the member’s QROPS accumulation.

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191 Schedule 1 amended

In schedule 1, after clause 16, insert:

16B Transfer of QROPS accumulation

- (1) A member may, at any time during that person’s membership of a KiwiSaver scheme, give notice to the provider of the scheme to transfer the member’s QROPS accumulation to a QROPS.
- (2) On notification by a member, the provider must, if the member has obtained the written consent of the QROPS to accept that transfer, transfer the member’s QROPS accumulation to the QROPS in accordance with **section 220C**.
- (3) A member’s QROPS accumulation may, at any time during that person’s membership of a KiwiSaver scheme, be transferred to a QROPS by the provider in the circumstances provided for in **section 220D**.

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Amendments to Gaming Duties Act 1971

192 Amendments to Gaming Duties Act 1971

Sections 193 to 196 amend the Gaming Duties Act 1971.

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193 Section 12B amended (Interpretation)

In section 12B, definition of **gaming machine operator**, replace “12D to 12F and section 12K” with “12D, 12E, and 12K”.

194 Section 12FA amended (Power of Commissioner in respect of small amounts)

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Repeal section 12FA(b).

195 Section 12G amended (Assessment of duty)

In section 12G(1), in the words after the paragraphs, delete “and, if appropriate, the amount of any interest payable under section 12F”.

196 Section 12R amended (Assessments, objections, and recovery of duty)

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- (1) In the heading to section 12R, replace “**objections**” with “**challenges**”.
- (2) After section 12R(b), insert:
 - (bb) every reference in those provisions to gaming machine profits were a reference to casino wins; and
- (3) Repeal section 12R(e).

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*Amendments to Stamp and Cheque Duties Act 1971***197 Amendments to Stamp and Cheque Duties Act 1971**

Sections 198 and 199 amend the Stamp and Cheque Duties Act 1971.

198 Section 86G amended (Application to register securities)

- (1) In section 86G, insert as subsection (2): 5
- (2) For the purposes of subsection (1), an approved issuer that is a limited partnership eligible to elect to pay approved issuer levy in relation to a security under **section 32M(1B)** of the Tax Administration Act 1994 may also apply for registration of any transaction or class of transactions involving money lent by that approved issuer. 10
- (2) **Subsection (1)** applies for the 2008–09 and later income years.

199 Section 86H amended (Registration of securities by Commissioner)

After section 86H(2), insert:

- (3) ~~Despite subsections (1) and (2), if~~ If a person has not duly completed an application for registration of a security in accordance with section 86G by the date **(the first interest date)** that the first interest payment is made for which an NRWT liability arises under a transaction or class of transactions, the Commissioner may backdate the date of registration if the Commissioner is satisfied that the delay in making the application— 15
- (a) ~~the application for registration is made within 2 years of the date that the first interest payment was made for which an NRWT liability arose; and was caused by an oversight; or~~ 20
- (b) ~~the Commissioner is satisfied that the delay in making the application was caused by an oversight occurred despite reasonable efforts by the person to make the application by the first interest date.~~ 25
- (4) ~~For the purposes of~~ Without limiting the Commissioner’s discretion under **subsection (3)(b)**, the Commissioner may consider any of the following factors when determining whether the delay was caused by an oversight or occurred despite the person’s reasonable efforts: 30
- (a) the explanation and evidence that the person has provided as to the cause of the error: 30
- (b) the person’s history of compliance with their tax obligations:
- (c) whether the documentation recording the money lent includes a clause dealing with approved issuer levy:
- (d) whether the person has already paid an amount that would have been approved issuer levy if the security or securities had been registered and the person had been an approved issuer: 35
- (e) the tax residence of the person over the term of the security:

- (f) ~~whether the person is a natural person:~~ the duration of the delay in applying for the registration:
- (g) whether the person has made a voluntary disclosure of the error.
- (5) The backdated date of registration referred to in **subsection (3)** must not be earlier than 1 April 2025.

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Amendments to Income Tax Act 2004

200 Amendments to Income Tax Act 2004

- (1) ~~This section~~ **Sections 200B and 200C** amends the Income Tax Act 2004.
- (2) ~~In section OB 1, definition of business use, replace “wholly” with “wholly and exclusively”.~~
- (3) **Subsection (2)** applies for the ~~2005–06 and later income years.~~

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200B Section DP 1 amended (Expenditure of forestry business)

- (1) ~~In section DP 1(1)(e), delete “(excluding releasing)”.~~
- (2) **Subsection (1)** does not apply for a tax position taken on or before the day after the date on which the Taxation (Annual Rates for 2024–25, Emergency Response, and Remedial Measures) Act **2024** receives the Royal assent, if the tax position is not in accordance with section DP 1(1)(e) as it would apply after the application of **subsection (1)**.

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200C Section OB 1 amended (Definitions)

- (1) ~~In section OB 1, definition of business use, replace “wholly” with “wholly and exclusively”.~~
- (2) **Subsection (1)** applies for the ~~2005–06 and later income years.~~

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Amendment to Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Act 2023

201 Amendment to Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Act 2023

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- (1) This section amends the Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Act 2023.
- (2) Replace section 143(3) with:
- (3) Subsection (2) applies to a registered person’s adjustments made in returns for taxable periods starting on or after 1 April 2023.

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Amendment to Child Support Act 1991

202 Amendment to Child Support Act 1991

- (1) This section amends the Child Support Act 1991.

- (2) In section 276(2), after the last item in the table, insert the following items:

Part heading	Part of Schedule 1
Taxation (Annual Rates for 2019–20, GST Offshore Supplier Registration, and Remedial Matters) Act 2019	3
Provisions relating to Child Support Amendment Act 2021	4
Provisions relating to Taxation (Budget 2021 and Remedial Measures) Act 2021	5
Provisions relating to Taxation (Annual Rates for 2021–22, GST, and Remedial Matters) Act 2022	6
Provisions relating to Child Support (Pass On) Acts Amendment Act 2023	7
Provisions relating to Taxation (Annual Rates for 2023–24, Multinational Tax, and Remedial Matters) Act 2024	8

Amendments to Accident Compensation Act 2001

202B Amendments to Accident Compensation Act 2001

Sections 202C and 202D amend the Accident Compensation Act 2001.

202C Section 11 amended (Earnings as an employee: what it does not include) 5

- (1) In section 11(1)(cb), delete “when the employer makes an election under section RD 7B of that Act to withhold and pay tax in relation to the benefit”.
- (2) **Subsection (1)** applies for the 2024–25 and later income years.

202D Section 15 amended (Earnings as a shareholder-employee)

- (1) In section 15(7), replace “under section CE 2(2) or (4) of the Income Tax Act 2007 in relation to which an employer has made an election under section RD 7B to withhold an amount of tax” with “from an employee share scheme under section CE 2 of the Income Tax Act 2007”. 10
- (2) **Subsection (1)** applies for the 2024–25 and later income years.

Amendment to Local Government Act 2002 15

203 Amendment to Local Government Act 2002

- (1) This section amends the Local Government Act 2002.
- (2) In schedule 9, clause 6(1) and (2), replace “CB 6 to CB 23” with “CB 6A to CB 23B”.

Goods and Services Tax (Grants and Subsidies) Order 1992 20

204 Goods and Services Tax (Grants and Subsidies) Order 1992 revoked

Revoke the Goods and Services Tax (Grants and Subsidies) Order 1992.

Schedule 1
New Schedule 2 inserted into Goods and Services Tax Act 1985

s 186

Schedule 2		
<u>Government grants and subsidies: non-taxable amounts</u>		
<u>s 5(6D), (6E)</u>		
<u>1</u>	<u>General</u>	5
	<u>Clauses 2 to 8</u> set out the amounts that are, under <u>section 5(6E)</u> , excluded from being a payment in the nature of a grant or subsidy for the purposes of <u>section 5(6D)</u> .	10
<u>2</u>	<u>Benefits</u>	
	<u>An amount of a benefit paid under the Social Security Act 2018.</u>	
<u>3</u>	<u>Payments for personal use and benefit</u>	
	<u>An amount paid to a person when the payment is for the personal use and benefit of the person or a relative (as defined in paragraph (a) of the definition of that term in section YA 1 of the Income Tax Act 2007) of the person.</u>	15
<u>4</u>	<u>Suspensory loans or advances</u>	
	<u>An amount that is a suspensory loan or advance made on behalf of the Crown or by a public authority before 1 January 1993, other than a suspensory loan or advance that, at the time it was made, was explicitly stated to include the amount of any goods and services tax payable by the person to whom or for whose benefit the loan or advance was made.</u>	20
<u>5</u>	<u>Payments made by NZ Agency for International Development</u>	
	<u>An amount paid by the New Zealand Agency for International Development to a New Zealand organisation to the extent to which, as a condition of the payment, it is—</u>	25
	(a) <u>transferred outside New Zealand; and</u>	
	(b) <u>transferred to an organisation that is operating outside New Zealand at the time the payment is received by that organisation; and</u>	
	(c) <u>used to acquire goods or services outside New Zealand.</u>	30
<u>6</u>	<u>Commissioner's tax credits</u>	
	<u>An amount that is a tax credit under the Income Tax Act 2007, the Income Tax Act 2004, or the Tax Administration Act 1994 that the Commissioner credits, transfers, refunds, deals with, or otherwise pays, when the entitlement arises under—</u>	35

	(a) <u>subpart MK of the Income Tax Act 2007 or subpart KJ of the Income Tax Act 2004: or</u>	
	(b) <u>section LH 2 of the Income Tax Act 2007; or</u>	
	(c) <u>section MX 4 of the Income Tax Act 2007.</u>	
7	<u>Earthquake support payments</u>	5
	<u>An amount that is an earthquake support subsidy payment—</u>	
	(a) <u>made on or before 30 June 2011 on behalf of the Crown in relation to the Canterbury earthquake aftershock centred in Lyttelton on 22 February 2011; or</u>	
	(b) <u>made on or before 26 May 2017 on behalf of the Crown in relation to the earthquakes that occurred on 14 November 2016 in Hurunui and Kaikōura or any of their aftershocks.</u>	10
8	<u>COVID-19 payments</u>	
	<u>An amount paid on or after 17 March 2020 by the Ministry of Social Development on behalf of the Crown in relation to—</u>	15
	(a) <u>wages or other income as a consequence of COVID-19; or</u>	
	(b) <u>leave taken as a consequence of COVID-19.</u>	

Schedule 2

~~Government grants and subsidies: non-taxable amounts~~

	5(6D), (6E)	20
1	General	
	Clauses 2 to 8 set out the amounts that are, under section 5(6E), excluded from being a payment in the nature of a grant or subsidy for the purposes of section 5(6D).	
2	Benefits	25
	An amount of a benefit paid under the Social Security Act 2018.	
3	Payments for personal use and benefit	
	An amount paid to a person when the payment is for the personal use and benefit of the person or a relative (as defined in paragraph (a) of the definition of that term in section YA 1 of the Income Tax Act 2007) of the person.	30
4	Suspensory loans or advances	
	An amount that is a suspensory loan or advance made on behalf of the Crown or by a public authority before 1 January 1993, other than a suspensory loan or advance that, at the time it was made, was explicitly stated to include the	

amount of any goods and services tax payable by the person to whom or for whose benefit the loan or advance was made.

5 Payments made by NZ Agency for International Development

An amount paid by the New Zealand Agency for International Development to a New Zealand organisation to the extent to which, as a condition of the payment, it is— 5

- (a) transferred outside New Zealand; and
- (b) transferred to an organisation that is operating outside New Zealand at the time the payment is received by that organisation; and
- (c) used to acquire goods or services outside New Zealand. 10

6 Commissioner's tax credits

An amount that is a tax credit under the Income Tax Act 2007, Income Tax Act 2004, or the Tax Administration Act 1994 that the Commissioner credits, transfers, refunds, deals with, or otherwise pays, when the entitlement arises under— 15

- (a) subpart MK of the Income Tax Act 2007 or subpart KJ of the Income Tax Act 2004; or
- (b) section LH 2 of the Income Tax Act 2007; or
- (c) section MX 4 of the Income Tax Act 2007.

7 Earthquake support payments 20

An amount that is an earthquake support subsidy payment—

- (a) made on or before 30 June 2011 on behalf of the Crown in relation to the Canterbury earthquake aftershock centred in Lyttelton on 22 February 2011; or
- (b) made on or before 26 May 2017 on behalf of the Crown in relation to the earthquakes that occurred on 14 November 2016 in Hurunui and Kaikōura or any of their aftershocks. 25

8 COVID-19 payments

An amount paid on or after 17 March 2020 by the Ministry of Social Development on behalf of the Crown in relation to— 30

- (a) wages or other income as a consequence of COVID-19; or
- (b) leave taken as a consequence of COVID-19.

**Taxation (Annual Rates for 2024–25, Emergency
Response, and Remedial Measures) Bill**

Legislative history

26 August 2024

29 August 2024

Introduction (Bill 73–1)

First reading and referral to Finance and Expenditure Committee