

Taxation (Personal Tax Cuts, Annual Rates, and Remedial Matters) Bill 2008

Government Bill

Explanatory note

General policy statement

Personal tax cuts

This bill provides for personal income tax cuts, starting from 1 October 2008, and phased in over 3½ years. The first table below shows the current personal income tax rates and thresholds, and the subsequent 3 tables show the new rates and thresholds over 3½ years, starting from 1 October 2008:

Table 1—Current rates

Row	Range of dollar in taxable income	Tax rate
1	\$0 – \$9,500	0.150
2	\$9,501 – \$38,000	0.210
3	\$38,001 – \$60,000	0.330
4	\$60,001 upwards	0.390

Table 2—Rates from 1 October 2008 to 31 March 2010

Row	Range of dollar in taxable income	Tax rate
1	\$0 – \$14,000	0.125
2	\$14,001 – \$40,000	0.210
3	\$40,001 – \$70,000	0.330
4	\$70,001 upwards	0.390

Table 3—Rates from 1 April 2010 to 31 March 2011

Row	Range of dollar in taxable income	Tax rate
1	\$0 – \$17,500	0.125
2	\$17,501 – \$40,000	0.210
3	\$40,001 – \$75,000	0.330
4	\$75,001 upwards	0.390

Table 4—Rates from 1 April 2011 to 31 March 2012 and beyond

Row	Range of dollar in taxable income	Tax rate
1	\$0 – \$20,000	0.125
2	\$20,001 – \$42,500	0.210
3	\$42,501 – \$80,000	0.330
4	\$80,001 upwards	0.390

The majority of this bill proposes the necessary amendments to give effect to the tax cut policy outlined above. The tax credit for low income earners is repealed from 1 April 2008 to accommodate the new personal income tax structure.

To ensure that the effects of the tax cuts flow through the tax system appropriately, amendments to the tax Acts are needed. Provisional tax calculations, fringe benefit tax rates and thresholds, employee tax codes, secondary earning code thresholds, superannuation contribution withholding and withdrawal income rates, ACC attendant care

withholding rates, tax return filing thresholds, and child income tax credits are therefore consequentially amended.

Annual rates

This bill confirms the annual rates of income tax for the 2008–09 tax year. A composite rate structure is proposed to reflect changes in the personal income tax structure part-way through the tax year (i.e. 1 October 2008).

Working for Families

Working for Families tax credit amounts and abatement thresholds are increased to reflect consumer price index (CPI) rises. CPI indexation is a current feature of the *Working for Families* package; however the proposed changes in this bill bring forward to 1 October 2008 the anticipated 1 April 2009 rises due to CPI indexation.

Remedial matters

Charities registration

This bill proposes to clarify the tax status of state and state-integrated schools and tertiary education institutions that are not run for private pecuniary profit. Their income tax exemption, donee status, and gift duty exemption has been called into question due to tax-exempt status being linked to the new requirement in the Charities Act 2005 for registration with the Charities Commission. Proposals in this bill preserve the tax-exempt status.

The requirement to register with the Charities Commission is removed for certain currently tax-exempt non-resident charities. If the requirement to register is not removed, the tax-exempt status of the non-resident charities will lapse, and they will lose their current income tax exemption and gift duty exemption. Instead of registration with the Charities Commission, it is proposed that the Commissioner of Inland Revenue may approve a non-resident charity as a tax charity, which will ensure the preservation of their current tax-exempt status.

Also, certain organisations that are currently New Zealand charities may lose their tax-exempt status because of difficulties in meeting the 1 July 2008 deadline for registering with the Charities Commission.

It is proposed that these organisations may preserve their current tax-exempt status if they have made efforts towards registering before 1 July 2008, and intend to register in the future.

The changes related to charities are not retrospective. They apply from 1 July 2008.

Urgent drafting matters

It is proposed to correct a small number of cross-reference errors arising from earlier tax legislation amendments, as a matter of urgency, to give certainty to taxpayers. Most are retrospective, to 1 April 2008. Also, corrections of a slightly more substantive nature are proposed. The corrections all reflect policy decisions drafted for in earlier tax legislation amendments. For various reasons, the drafting did not fully reflect the policy intentions. They correct a mathematical error in the formula for determining the credit for supplementary dividends, correct the default portfolio investor tax rate for investors in portfolio investor tax rate entities who do not notify the entity of their tax file number, exempt portfolio investment entities from resident withholding tax on dividends paid, require portfolio tax rate entities to request their investors' tax file numbers, ensure that employers do not have to include accommodation provided to employees in the base amount for calculating contributions, and delay the repeal of penalty provisions for KiwiSaver, thereby ensuring that KiwiSaver penalties apply, rather than Tax Administration Act 1994 penalties. Most of these provisions are retrospective.

Clause by clause analysis

Clause 1 gives the title of the Act.

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

Part 1

Personal tax cuts and Working for Families tax credit increase: 2008–09 start

Clause 3 gives appropriate application dates for the provisions in *Part 1*.

Amendments to Income Tax Act 2007

Clauses 5 to 8 amend the *Income Tax Act 2007*.

Clause 5 amends *section MD 3*, and provides for a CPI-linked increase to family tax credits for 2008–09 and later years, giving half of the increase in the 2008–09 year due to the increase being effective 1 October 2008 (i.e. halfway through the 2008–09 year).

Clause 6 amends *section MD 13*, and provides for a CPI-linked increase to the threshold for abatement of family tax credits for 2008–09 and later years, giving half of the increase in the 2008–09 year due to the increase being effective 1 October 2008 (i.e. halfway through the 2008–09 year).

Clause 7 amends *schedule 1, part A*, and provides tax cuts for individuals, phased in over 3½ years, starting from 1 October 2008, with composite rates being used in the 2008–09 year due to the tax cuts being effective halfway through that year.

Clause 8 amends *schedule 1, part C*, and provides cuts to attributed fringe benefit tax rates for individuals, phased in over 3½ years, starting from 1 October 2008, with composite rates being used in the 2008–09 year due to the tax cuts being effective halfway through that year.

Amendments to Tax Administration Act 1994

Clauses 10 and 11 amend the *Tax Administration Act 1994*.

Clause 10 amends *section 33A*, and changes the general non-filing rules consequential to the tax cuts for individuals.

Clause 11 amends *section 33C*, and changes the non-filing rules for attendant care providers, consequential to the cuts to the withholding rate for such individuals.

Part 2

Personal tax cuts: 1 October 2008 start

Amendments to Income Tax Act 2007

Clauses 13 to 16 amend the *Income Tax Act 2007*.

Clause 13 amends *section CS 1*, and changes the superannuation fund withdrawal tax regime consequential to the tax cuts for individuals.

Clause 14 amends *section RD 10*, and changes the ability, for certain employees, to choose the amounts of tax deductions for an extra pay consequential to the tax cuts for individuals.

Clause 15 amends *section RD 17*, and changes the amounts of deductions for an extra pay consequential to the tax cuts for individuals.

Clause 16 amends *schedule 1, part D*, and changes the ESCT rate threshold amounts consequential to the tax cuts for individuals.

Amendments to Tax Administration Act 1994

Clause 18 amends the *Tax Administration Act 1994*.

Clause 18 amends *section 24B*, and changes the PAYE tax code threshold amounts consequential to the tax cuts for individuals.

Part 3

Annual rates, consequential personal tax cuts amendments, and remedial matters

Amendments to Income Tax Act 2007

Clauses 20 to 52 amend the *Income Tax Act 2007*.

Clause 20 amends *section CW 41*, and gives charitable tax status to certain charities despite them not registering under the *Charities Act 2005*.

Clause 21 amends *section CW 42*, and gives charitable tax status to certain businesses carried on for charities despite them not registering under the *Charities Act 2005*.

Clause 22 amends *section CW 43*, and makes changes to charitable bequest taxation consequential to giving charitable tax status to certain charities despite them not registering under the *Charities Act 2005*.

Clause 23 inserts a new *section CW 55BA*, to preserve the tax-exempt status of tertiary education institutions.

Clause 24 repeals *section LC 1*, to remove the tax credit for low income persons consequential to the tax cuts for individuals.

Clause 25 repeals *section LC 2*, to remove the tax credit for low income persons consequential to the tax cuts for individuals.

Clause 26 amends *section LC 3*, to change childrens' tax credits consequential to the tax cuts for individuals.

Clauses 27 amends *section LC 9*, to change cross-references to the tax credit for low income persons consequential to the tax cuts for individuals.

Clause 28 amends *section LC 10*, to change cross-references to the tax credit for low income persons consequential to the tax cuts for individuals.

Clause 29 amends *section LC 11*, to change cross-references to the tax credit for low income persons consequential to the tax cuts for individuals.

Clause 30 amends *section LC 12*, to change cross-references to the tax credit for low income persons consequential to the tax cuts for individuals.

Clause 31 amends *section LD 3*, to preserve the availability of a tax credit for charitable and other public benefit gifts to state and state-integrated schools, and tertiary education institutions.

Clause 32 amends *section LP 2*, to correct a drafting error that introduced a numerical inconsistency into the regime for tax credits for supplementary dividends.

Clause 33 inserts *new sections MF 4B and MF 4C*, to provide, for the first half of the 2008–09 year, that instalments relating to family tax credits are paid at the pre-increase rate, and that for the second half of that year (starting 1 October 2008) and beyond, instalments are paid at the increased rate, consequential to the CPI-linked increase to family tax credits and thresholds for 2008–09 and later years.

Clauses 34 amends *section ME 3*, to change cross-references to the tax credit for low income persons consequential to the tax cuts for individuals.

Clauses 35 amends *section MF 7*, to reset the CPI indexation for family tax credits consequential to the CPI-linked increase to family tax credits and thresholds for 2008–09 and later years.

Clause 36 amends *section OA 18*, to correct a drafting error that occurred in the process of rewriting the Income Tax Act.

Clause 37 amends *section OZ 12*, to correct a drafting error that introduced a numerical inconsistency into the regime for tax credits for supplementary dividends.

Clause 38 amends *section RA 13*, to correct a drafting error that occurred in the process of rewriting the Income Tax Act.

Clauses 39 amends *section RC 5*, to insert cross-references to provisions that decrease provisional tax liability for individuals consequential to the tax cuts for individuals.

Clauses 40 amends *section RC 8*, to insert cross-references to provisions that decrease provisional tax liability for individuals consequential to the tax cuts for individuals.

Clauses 41 amends *section RC 10*, to insert cross-references to provisions that decrease provisional tax liability for individuals consequential to the tax cuts for individuals.

Clauses 42 amends *section RC 11*, to insert cross-references to provisions that decrease provisional tax liability for individuals consequential to the tax cuts for individuals.

Clauses 43 amends *section RD 51*, to change cross-references to the tax credit for low income persons consequential to the tax cuts for individuals.

Clauses 44 amends *section RE 2*, to exempt portfolio investment entities from resident withholding tax on dividends paid.

Clause 45 amends *section RE 13*, to correct a drafting error that occurred in the process of rewriting the Income Tax Act.

Clause 46 amends *section RE 19*, to correct a drafting error that occurred in the process of rewriting the Income Tax Act.

Clauses 47 inserts *new sections RZ 5B and RZ 5C*, to provide a decrease in provisional tax liability for individuals consequential to the tax cuts for individuals.

Clauses 48 amends *section YA 1*, which contains the definitions of terms used in the *Income Tax Act 2007*. *Subclause (2)* inserts a definition of *new personal tax rate person*, as part of providing a decrease in provisional tax liability for individuals consequential to the tax cuts for individuals. *Subclause (3)(a)* corrects a drafting error in the definition of *portfolio investor rate* that occurred in the process of rewriting the Income Tax Act. *Subclause (3)(b)* amends the definition of *portfolio investor rate* as part of correcting the default portfolio investor rate for investors in portfolio investor tax rate entities who do not notify the entity of their tax file number. *Subclause (4)* repeals the definition of *registered as a charitable entity* as part of giving charitable tax status to certain charities despite them not registering under the *Charities Act 2005*. *Subclause (5)* inserts a definition of

tax charity, as part of giving charitable tax status to certain charities despite them not registering under the *Charities Act 2005*.

Clauses 49 amends *section YA 3*, to change cross-references to the tax credit for low income persons consequential to the tax cuts for individuals.

Clause 50 amends *schedule 1*. *Subclause (1)* repeals *part B* as part of removing the tax credit for low income persons consequential to the tax cuts for individuals. *Subclauses (2) to (4)* correct drafting errors that occurred in the process of rewriting the Income Tax Act.

Clauses 51 amends *schedule 4*, to change the withholding tax rate for attendant caregivers consequential to the tax cuts for individuals.

Clauses 52 amends *schedule 31*, to change the annualised equivalent amounts for *Part M* consequential to the CPI-linked increase to family tax credits and thresholds for 2008–09 and later years.

Amendments to Tax Administration Act 1994

Clauses 54 to 56 amend the *Tax Administration Act 1994*.

Clause 54 amends *section 31B*, as part of correcting the default portfolio investor tax rate for investors in portfolio investor tax rate entities who do not notify the entity of their tax file number.

Clause 55 amends *section 32E*, to preserve the availability of an RWT exemption certificate for state and state-integrated schools, and tertiary education institutions.

Clause 56 amends *section 33A*, to correct drafting errors that occurred in the process of rewriting the Income Tax Act.

Amendments to Estate and Gift Duties Act 1968

Clause 57 amends the *Estate and Gift Duties Act 1968*.

Clause 57 amends *section 73*, to provide an exemption from gift duty for certain charities despite them not registering under the *Charities Act 2005*, and for state and state-integrated schools, and tertiary education institutions.

Amendment to KiwiSaver Act 2006

Clause 58 amends the *KiwiSaver Act 2006*.

Clause 58 amends the definition of *salary or wages* in *section 4*, to ensure that employers do not have to include accommodation provided to employees in the base amount for calculating contributions.

Amendment to Taxation (KiwiSaver) Act 2007

Clause 59 changes the effect of the *Taxation (KiwiSaver) Act 2007*.

Clause 59 delays the repeal of penalty provisions for KiwiSaver, thereby ensuring that KiwiSaver penalties apply, rather than *Tax Administration Act 1994* penalties.

*Amendment to Taxation (Business Taxation and
Remedial Matters) Act 2007*

Clause 60 changes the effect of the *Taxation (Business Taxation and Remedial Matters) Act 2007*.

Clause 60 brings back, to 1 April 2008, the commencement of *section 554(3)*, with the effect that the schedule for RSCT comes into force on 1 April 2008, not 1 July 2008.

Annual rates of income tax for 2008–09 tax year

Clause 61 sets the rates for income tax imposed by *section BB 1 of the Income Tax Act 2007* for the 2008–09 tax year, to confirm the tax cuts which start from 1 October 2008, being the middle of that tax year.

Regulatory impact statement

This bill is intended to be introduced and passed under budget day urgency, and consequently a regulatory impact statement is not required.

Hon Dr Michael Cullen

**Taxation (Personal Tax Cuts,
Annual Rates, and Remedial
Matters) Bill 2008**

Government Bill

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The Parliament of New Zealand enacts as follows:

- 1 Title**
This Act is the **Taxation (Personal Tax Cuts, Annual Rates, and Remedial Matters) Act 2008**.
- 2 Commencement** 5
 - (1) This Act comes into force on the date on which it receives the Royal assent, except as provided in this section.
 - (2) In **Part 1**, other than **sections 3, 4, 9 and 11**,—
 - (a) the **subsections (1)** of the sections are treated as coming into force on 1 April 2008: 10
 - (b) the **subsections (2)** of the sections come into force on 1 April 2009:
 - (c) the **subsections (3)** of the sections come into force on 1 April 2010:
 - (d) the **subsections (4)** of the sections come into force on 1 April 2011. 15
 - (3) In **Part 1**, **section 11**,—
 - (a) **subsection (1)** comes into force on 1 July 2008:
 - (b) **subsection (2)** comes into force on 1 April 2009:
 - (c) **subsection (3)** comes into force on 1 April 2010: 20
 - (d) **subsection (4)** comes into force on 1 April 2011.
 - (4) In **Part 2**, other than **sections 12 and 17**,—
 - (a) the **subsections (1)** of the sections come into force on 1 October 2008:
 - (b) the **subsections (2)** of the sections come into force on 1 April 2010: 25

- (c) the **subsections (3)** of the sections come into force on 1 April 2011.
- (5) In **Part 3**,—
 - (a) **Sections 59 and 60** are treated as coming into force on 19 December 2007: 5
 - (b) **Sections 24, 25, 26(1), 27, 28, 29, 30, 32, 33, 34, 35, 36, 37, 38, 43, 44, 45, 46, 48(2) and (3)(a), 49, 50, 56, and 58** are treated as coming into force on 1 April 2008:
 - (c) **Sections 20, 21, 22, 23, 31, 48(4) and (5), 55, and 57** come into force on 1 July 2008: 10
 - (d) **Sections 39, 40, 41, 42, 47, 51, and 52** come into force on 1 October 2008:
 - (e) **Section 26(2)** comes into force on 1 April 2009.

Part 1

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Personal tax cuts and Working for Families tax credit increase: 2008–09 start

3 Application

In **this Part**, other than **sections 4 and 9**,—

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- (a) the **subsections (1)** of the sections apply for the 2008–09 income year and later income years:
- (b) the **subsections (2)** of the sections apply for the 2009–10 income year and later income years:
- (c) the **subsections (3)** of the sections apply for the 2010–11 income year and later income years: 25
- (d) the **subsections (4)** of the sections apply for the 2011–12 income year and later income years.

Amendments to Income Tax Act 2007

4 Income Tax Act 2007

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Sections 5 to 8 amend the Income Tax Act 2007.

5 Calculation of family tax credit

(1) In section MD 3(4),—

- (a) in paragraph (a)(i), “\$4,264” is replaced by “\$4,376”:

- (b) in paragraph (a)(ii), “\$4,940” is replaced by “\$5,069”:
- (c) in paragraph (b)(i), “\$2,964” is replaced by “\$3,042”:
- (d) in paragraph (b)(ii), “\$3,380” is replaced by “\$3,469”:
- (e) in paragraph (b)(iii), “\$4,420” is replaced by “\$4,536”.
- (2) In section MD 3(4),— 5
 - (a) in paragraph (a)(i), “\$4,376” is replaced by “\$4,487”:
 - (b) in paragraph (a)(ii), “\$5,069” is replaced by “\$5,198”:
 - (c) in paragraph (b)(i), “\$3,042” is replaced by “\$3,119”:
 - (d) in paragraph (b)(ii), “\$3,469” is replaced by “\$3,557”:
 - (e) in paragraph (b)(iii), “\$4,536” is replaced by “\$4,651”. 10

6 Calculation of family credit abatement

- (1) In section MD 13(3)(a)(i) and (ii), “\$35,000” is replaced by “\$35,914” in both places in which it appears.
- (2) In section MD 13(3)(a)(i) and (ii), “\$35,914” is replaced by “\$36,827” in both places in which it appears. 15

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

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

Table 1

Row	Range of dollar in taxable income	Tax rate
1	\$0 – \$9,500	0.1375
2	\$9,501 – \$14,000	0.1675
3	\$14,001 – \$38,000	0.2100
4	\$38,001 – \$40,000	0.2700
5	\$40,001 – \$60,000	0.3300
6	\$60,001 – \$70,000	0.3600
7	\$70,001 upwards	0.3900
How to use this table: Find the range in the second column for each dollar in the person’s taxable income, and apply the relevant rate for the dollar in the third column.		

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

Table 1

Row	Range of dollar in taxable income	Tax rate
1	\$0 – \$14,000	0.125
2	\$14,001 – \$40,000	0.210
3	\$40,001 – \$70,000	0.330
4	\$70,001 upwards	0.390
How to use this table: Find the range in the second column for each dollar in the person's taxable income, and apply the relevant rate for the dollar in the third column.		

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

Table 1

Row	Range of dollar in taxable income	Tax rate
1	\$0 – \$17,500	0.125
2	\$17,501 – \$40,000	0.210
3	\$40,001 – \$75,000	0.330
4	\$75,001 upwards	0.390
How to use this table: Find the range in the second column for each dollar in the person's taxable income, and apply the relevant rate for the dollar in the third column.		

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

Table 1

Row	Range of dollar in taxable income	Tax rate
1	\$0 – \$20,000	0.125
2	\$20,001 – \$42,500	0.210
3	\$42,501 – \$80,000	0.330

Row	Range of dollar in taxable income	Tax rate
4	\$80,001 upwards	0.390

How to use this table:

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

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

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

Table 1

Row	Range of dollar in all-inclusive pay	Tax rate
1	\$0 – \$8,194	0.1594
2	\$8,195 – \$11,940	0.2012
3	\$11,941 – \$30,900	0.2658
4	\$30,901 – \$32,360	0.3699
5	\$32,361 – \$45,760	0.4925
6	\$45,761 – \$52,160	0.5625
7	\$52,161 upwards	0.6393

How to use this table:

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

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

Table 1

Row	Range of dollar in all-inclusive pay	Tax rate
1	\$0 – \$12,250	0.1429
2	\$12,251 – \$32,790	0.2658

Row	Range of dollar in all-inclusive pay	Tax rate
3	\$32,791 – \$52,890	0.4925
4	\$52,891 upwards	0.6393

How to use this table:

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

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

Table 1

Row	Range of dollar in all-inclusive pay	Tax rate
1	\$0 – \$15,312	0.1429
2	\$15,313 – \$33,087	0.2658
3	\$33,088 – \$56,537	0.4925
4	\$56,538 upwards	0.6393

How to use this table:

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

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

Table 1

Row	Range of dollar in all-inclusive pay	Tax rate
1	\$0 – \$17,500	0.1429
2	\$17,501 – \$35,275	0.2658
3	\$32,276 – \$60,400	0.4925

Row	Range of dollar in all-inclusive pay	Tax rate
4	\$60,401 upwards	0.6393

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

Amendments to Tax Administration Act 1994

9 Tax Administration Act 1994

Sections 10 and 11 amend the Tax Administration Act 1994.

10 Annual returns of income not required

- (1) In section 33A(1)(b),— 5
- (a) before subparagraph (iv)(A), the following is inserted:
 “(AA) schedule 1, part D, table 2, row 1, 2 or 3
 of the Income Tax Act 2007 if that person's
 annual gross income is more than \$38,000
 but not more than \$40,000; or”: 10
- (b) in subparagraph (iv)(A), “more than \$38,000 but not
 more than \$60,000” is replaced by “more than \$40,000
 but not more than \$60,000”:
- (c) after subparagraph (iv)(A), the following is inserted:
 “(BA) schedule 1, part D, table 2, row 3, 4, or 5 15
 of the Income Tax Act 2007 if that person's
 annual gross income is more than \$60,000
 but not more than \$70,000; or”:
- (d) in subparagraph (iv)(B), “more than \$60,000” is re-
 placed by “more than \$70,000”: 20
- (e) before subparagraph (v)(A), the following is inserted:
 “(AA) schedule 2, part B, table 1, row 1 or 2 of
 the Income Tax Act 2007 if that person's
 annual gross income is more than \$38,000
 but not more than \$40,000; or”: 25
- (f) in subparagraph (v)(A), “more than \$38,000 but not
 more than \$60,000” is replaced by “more than \$40,000
 but not more than \$60,000”:

- (g) after subparagraph (v)(A), the following is inserted:
 “(BA) schedule 2, part B, table 1, row 2 or 3 of
 the Income Tax Act 2007 if that person’s
 annual gross income is more than \$60,000
 but not more than \$70,000; or”:

5
- (h) in subparagraph (v)(B), “more than \$60,000” is re-
placed by “more than \$70,000”:
- (i) before subparagraph (vi)(A), the following is inserted:
 “(AA) schedule 2, part A, clause 4 or 5 of the In-
 come Tax Act 2007 if that person’s annual
 gross income is more than \$38,000 but not
 more than \$40,000; or”:

10
- (j) in subparagraph (vi)(A), “more than \$38,000 but not
more than \$60,000” is replaced by “more than \$40,000
but not more than \$60,000”:

15
- (k) after subparagraph (vi)(A), the following is inserted:
 “(BA) schedule 2, part A, clause 5 or 6 of the In-
 come Tax Act 2007 if that person’s annual
 gross income is more than \$60,000 but not
 more than \$70,000; or”:

20
- (l) in subparagraph (vi)(B), “more than \$60,000” is re-
placed by “more than \$70,000”:
- (m) in subparagraph (via), “more than \$60,000” is replaced
by “more than \$70,000”:
- (n) in subparagraph (vib), “more than \$38,000” is replaced
by “more than \$40,000”.

25
- (2) In section 33A(1)(b),—
- (a) subparagraph (iv)(AA) is repealed:
- (b) in subparagraph (iv)(A), “more than \$40,000 but not
more than \$60,000” is replaced by “more than \$40,000
but not more than \$70,000”:

30
- (c) subparagraph (iv)(BA) is repealed:
- (d) subparagraph (v)(AA) is repealed:
- (e) in subparagraph (v)(A), “more than \$40,000 but not
more than \$60,000” is replaced by “more than \$40,000
but not more than \$70,000”:

35
- (f) subparagraph (v)(BA) is repealed:
- (g) subparagraph (vi)(AA) is repealed:

- (h) in subparagraph (vi)(A), “more than \$40,000 but not more than \$60,000” is replaced by “more than \$40,000 but not more than \$70,000”:
 - (i) subparagraph (vi)(BA) is repealed.
- (3) In section 33A(1)(b),— 5
 - (a) in subparagraph (iv)(A), “more than \$40,000 but not more than \$70,000” is replaced by “more than \$40,000 but not more than \$75,000”:
 - (b) in subparagraph (iv)(B), “more than \$70,000” is replaced by “more than \$75,000”: 10
 - (c) in subparagraph (v)(A), “more than \$40,000 but not more than \$70,000” is replaced by “more than \$40,000 but not more than \$75,000”:
 - (d) in subparagraph (v)(B), “more than \$70,000” is replaced by “more than \$75,000”: 15
 - (e) in subparagraph (vi)(A), “more than \$40,000 but not more than \$70,000” is replaced by “more than \$40,000 but not more than \$75,000”:
 - (f) in subparagraph (vi)(B), “more than \$70,000” is replaced by “more than \$75,000”: 20
 - (g) in subparagraph (via), “more than \$70,000” is replaced by “more than \$75,000”.
- (4) In section 33A(1)(b),—
 - (a) in subparagraph (iv)(A), “more than \$40,000 but not more than \$75,000” is replaced by “more than \$42,500 but not more than \$80,000”: 25
 - (b) in subparagraph (iv)(B), “more than \$75,000” is replaced by “more than \$80,000”:
 - (c) in subparagraph (v)(A), “more than \$40,000 but not more than \$75,000” is replaced by “more than \$42,500 but not more than \$80,000”: 30
 - (d) in subparagraph (v)(B), “more than \$75,000” is replaced by “more than \$80,000”:
 - (e) in subparagraph (vi)(A), “more than \$40,000 but not more than \$75,000” is replaced by “more than \$42,500 but not more than \$80,000”: 35
 - (f) in subparagraph (vi)(B), “more than \$75,000” is replaced by “more than \$80,000”:

- (g) in subparagraph (via), “more than \$75,000” is replaced by “more than \$80,000”:
- (h) in subparagraph (vib), “more than \$40,000” is replaced by “more than \$42,500”.

11 Returns not required for certain providers of personal services 5

- (1) In section 33C,—
 - (a) in paragraph (b), “\$9,500” is replaced by “\$14,000”:
 - (b) in paragraph (c), “rate of 15% from” is replaced by “rate of 15% or 12.5% from”. 10
- (2) In section 33C(c), “rate of 15% or 12.5% from” is replaced by “rate of 12.5% from”.
- (3) In section 33C(b), “\$14,000” is replaced by “\$17,500”.
- (4) In section 33C(b), “\$17,500” is replaced by “\$20,000”.

Part 2

15

Personal tax cuts: 1 October 2008 start

Amendments to Income Tax Act 2007

12 Income Tax Act 2007

Sections 13 to 16 amend the Income Tax Act 2007.

13 Withdrawals

20

- (1) In section CS 1(7)(b), “\$60,000” is replaced by “\$70,000”.
- (2) In section CS 1(7)(b), “\$70,000” is replaced by “\$75,000”.
- (3) In section CS 1(7)(b), “\$75,000” is replaced by “\$80,000”.

14 Amounts of tax for PAYE income payments

- (1) In section RD 10(2)(a), “\$60,000” is replaced by “\$70,000”. 25
- (2) In section RD 10(2)(a), “\$70,000” is replaced by “\$75,000”.
- (3) In section RD 10(2)(a), “\$75,000” is replaced by “\$80,000”.

15 Payment of extra pay with other PAYE income payments

- (1) Section RD 17(2) and (3) are replaced by the following:

“Between \$40,000 and \$70,000

- “(2) If the sum of the amounts referred to in subsection (1) is more than \$40,000 but no more than \$70,000, the amount of tax for the extra pay that must be withheld is the amount determined using the basic amounts of tax for PAYE income payments set out in schedule 2, part B, table 1, row 2 (Basic tax rates for PAYE income payments). 5

“Over \$70,000

- “(3) If the sum of the amounts referred to in subsection (1) is more than \$70,000, the amount of tax for the extra pay that must be withheld is the amount determined using the basic amounts of tax for PAYE income payments set out in schedule 2, part B, table 1, row 3.” 10

- (2) Section RD 17(2) and (3) are replaced by the following:

“Between \$40,000 and \$75,000

- “(2) If the sum of the amounts referred to in subsection (1) is more than \$40,000 but no more than \$75,000, the amount of tax for the extra pay that must be withheld is the amount determined using the basic amounts of tax for PAYE income payments set out in schedule 2, part B, table 1, row 2 (Basic tax rates for PAYE income payments). 15 20

“Over \$75,000

- “(3) If the sum of the amounts referred to in subsection (1) is more than \$75,000, the amount of tax for the extra pay that must be withheld is the amount determined using the basic amounts of tax for PAYE income payments set out in schedule 2, part B, table 1, row 3.” 25

- (3) Section RD 17(2) and (3) are replaced by the following:

“Between \$42,500 and \$80,000

- “(2) If the sum of the amounts referred to in subsection (1) is more than \$42,500 but no more than \$80,000, the amount of tax for the extra pay that must be withheld is the amount determined using the basic amounts of tax for PAYE income payments set out in schedule 2, part B, table 1, row 2 (Basic tax rates for PAYE income payments). 30 35

“Over \$80,000

- “(3) If the sum of the amounts referred to in subsection (1) is more than \$80,000, the amount of tax for the extra pay that must be withheld is the amount determined using the basic amounts of tax for PAYE income payments set out in schedule 2, part B, table 1, row 3.”

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

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

Table 1

Row	ESCT rate threshold amount	Tax rate
1	\$0 – \$16,800	0.125
2	\$16,801 – \$48,000	0.210
3	\$48,001 upwards	0.330
How to use this table: Find the range in the second column for the last dollar of the amount of salary or wages under section RD 69(1), and apply the relevant rate in the third column.		

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

10

Table 1

Row	ESCT rate threshold amount	Tax rate
1	\$0 – \$21,000	0.125
2	\$21,001 – \$48,000	0.210
3	\$48,001 upwards	0.330
How to use this table: Find the range in the second column for the last dollar of the amount of salary or wages under section RD 69(1), and apply the relevant rate in the third column.		

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

Table 1

Row	ESCT rate threshold amount	Tax rate
1	\$0 – \$24,000	0.125
2	\$24,001 – \$51,000	0.210
3	\$51,001 upwards	0.330
How to use this table: Find the range in the second column for the last dollar of the amount of salary or wages under section RD 69(1), and apply the relevant rate in the third column.		

Amendments to Tax Administration Act 1994

17 Tax Administration Act 1994

Section 18 amends the Tax Administration Act 1994.

18 PAYE tax codes

- (1) Section 24B(3)(c) to (e) is replaced by the following: 5
 - “(c) ‘S’ for secondary employment earnings for an employee whose annual income is not more than \$40,000:
 - “(d) ‘SH’ for secondary employment earnings for an employee whose annual income is more than \$40,000 but is not more than \$70,000: 10
 - “(e) ‘ST’ for secondary employment earnings for an employee whose annual income is more than \$70,000:”.
- (2) Section 24B(3)(d) and (e) is replaced by the following:
 - “(d) ‘SH’ for secondary employment earnings for an employee whose annual income is more than \$40,000 but is not more than \$75,000: 15
 - “(e) ‘ST’ for secondary employment earnings for an employee whose annual income is more than \$75,000:”.
- (3) Section 24B(3)(c) to (e) is replaced by the following:
 - “(c) ‘S’ for secondary employment earnings for an employee whose annual income is not more than \$42,500: 20

- “(d) ‘SH’ for secondary employment earnings for an employee whose annual income is more than \$42,500 but is not more than \$80,000:
- “(e) ‘ST’ for secondary employment earnings for an employee whose annual income is more than \$80,000:”.

Part 3

Annual rates, consequential personal tax cuts amendments, and remedial matters

Amendments to Income Tax Act 2007

- 19 **Income Tax Act 2007** 10
Sections 20 to 52 amend the Income Tax Act 2007.
- 20 **Charities: non-business income**
 - (1) In section CW 41(2), “registered as a charitable entity” is replaced by “a tax charity”.
 - (2) After section CW 41(4), the following is added: 15
“Definition
“(5) In this section and sections CW 42 and CW 43, **tax charity** means,—
“(a) a trustee or trustees of a trust, a society, or an institution, registered as a charitable entity under the Charities Act 20 2005:
“(b) a trustee or trustee of a trust, a society, or an institution (the **entity**), that—
“(i) has started, before 1 July 2008, to take reasonable steps in the process of preparing an application 25 for registering the entity as a charitable entity under the Charities Act 2005; and
“(ii) intends to complete the process of preparing an application described in **subparagraph (i)**; and
“(iii) has not been notified by the Commissioner that 30 the entity is not a tax charity:
“(c) a trustee or trustee of a trust, a society, or an institution, that is or are non-resident and carrying out its or their charitable purposes outside New Zealand, and which is approved as a tax charity by the Commissioner in 35

- circumstances where registration as a charitable entity under the Charities Act 2005 is unavailable.”
- (3) In section CW 41, in the list of defined terms, “registered as a charitable entity” is omitted, and “tax charity” is inserted.
- 21 Charities: business income** 5
- (1) In section CW 42(1)(b), “registered as a charitable entity” is replaced by “a tax charity”.
- (2) In section CW 42, in the list of defined terms, “tax charity” is inserted.
- 22 Charitable bequests** 10
- (1) In section CW 43(4), “registered as a charitable entity” is replaced by “a tax charity”.
- (2) In section CW 43(5), “registered as a charitable entity” is replaced by “a tax charity”.
- (3) In section CW 43(6), “registered as a charitable entity” is replaced by “a tax charity”. 15
- (4) In section CW 43, in the list of defined terms, “registered as a charitable entity” is omitted, and “tax charity” is inserted.
- 23 New section CW 55BA**
- After section CW 55, the following is inserted: 20
- “CW 55BA Tertiary education institutions**
- An amount of income derived by a tertiary education institution that is established under Part 14 of the Education Act 1989 and is not carried on for the private pecuniary profit of any individual is exempt income. 25
- “Defined in this Act: exempt income, income”.
- 24 Heading and section LC 1 repealed**
- (1) The heading before the heading to section LC 1 is omitted, and section LC 1 is repealed.
- (2) **Subsection (1)** applies for the 2008–09 income year and later income years. 30

- 25 Section LC 2 repealed**
 - (1) Section LC 2 is repealed.
 - (2) **Subsection (1)** applies for the 2008–09 income year and later income years.

- 26 Child’s income** 5
 - (1) In section LC 3,—
 - (a) in subsection (3)(a), “\$351” is replaced by “\$321.75”:
 - (b) in subsection (4), in the formula, “15” is replaced by “13.75”.
 - (2) In section LC 3,— 10
 - (a) in subsection (3)(a), “\$321.75” is replaced by “\$292.50”:
 - (b) in subsection (4), in the formula, “13.75” is replaced by “12.5”.
 - (3) **Subsection (1)** applies for the 2008–09 income year and later income years. 15
 - (4) **Subsection (2)** applies for the 2009–10 income year and later income years.

- 27 Tax credits for absentees**
 - (1) In section LC 9(1)(b), “sections LC 2” is replaced by “sections LC 3”. 20
 - (2) **Subsection (1)** applies for the 2008–09 income year and later income years.

- 28 Adjustment for change in return date**
 - (1) In section LC 10(3)(a), “sections LC 1” is replaced by “sections LC 3”. 25
 - (2) **Subsection (1)** applies for the 2008–09 income year and later income years.

- 29 Adjustment when person is non-resident for part of tax year** 30
 - (1) In section LC 11(1)(a), “sections LC 1, LC 2, and” is replaced by “section”.
 - (2) **Subsection (1)** applies for the 2008–09 income year and later income years.

30 Adjustment when person is non-resident

- (1) In section LC 12(1)(a), “sections LC 1, LC 2, and” is replaced by “section”.
- (2) In section LC 12(3)(c), “LC 1, LC 2, or” is omitted.
- (3) **Subsections (1) and (2)** apply for the 2008–09 income year and later income years. 5

31 Meaning of charitable or other public benefit gift

In section LD 3(2), the following is inserted:

- “(bb) a Board of Trustees that is constituted under Part 9 of the Education Act 1989 and is not carried on for the private pecuniary profit of any individual: 10
- “(bc) a tertiary education institution that is established under Part 14 of the Education Act 1989 and is not carried on for the private pecuniary profit of any individual.”.

32 Tax credits for supplementary dividends 15

In section LP 2(2), the item “7/10” in the formula is replaced by “7/17”.

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

33 New sections MF 4B and MF 4C 20

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

“MF 4B Calculation of instalments: 1 April 2008 to 30 September 2008

“When this section applies

- “(1) This section applies for calculating the amount of an instalment by way of tax credit under section MD 1, or as applicable, sections MD 1 and ME 1 for the period starting on 1 April 2008 and finishing on 30 September 2008. 25

“Family tax credit formula: section MD 3

- “(2) The instalments for the relevant tax credit are calculated using, for the calculation of the **family tax credit**, the following formula: 30

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

“Definition of items in formula

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

“Prescribed amount

- “(4) **Prescribed amount** is the sum of the following amounts: 5
- “(a) for the eldest dependent child for whom the person is a principal caregiver during the entitlement period, 1 of the following, as applicable:
- “(i) \$4,264, if the child is younger than 16: 10
- “(ii) \$4,940, if the child is 16 or older: 10
- “(iii) a weighted average of the amounts in **subparagraphs (i) and (ii)** that reflects the proportion of the period for which those subparagraphs apply to the child, if the child turns 16 during the entitlement period; and 15
- “(b) for each dependent child for whom the person is a principal caregiver during the entitlement period, other than the eldest dependent child, 1 of the following, as applicable:
- “(i) \$2,964, if the child is younger than 13: 20
- “(ii) \$3,380, if the child is 13, 14, or 15: 20
- “(iii) \$4,420, if the child is 16 or older: 20
- “(iv) a weighted average of the amounts in **subparagraphs (i) and (ii)** that reflects the proportion of the period for which those subparagraphs apply to the child, if the child turns 13 during the entitlement period: 25
- “(v) a weighted average of the amounts in **subparagraphs (ii) and (iii)** that reflects the proportion of the entitlement period for which those subparagraphs apply to the child, if the child turns 16 during the entitlement period. 30

“Days

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

“When another person cares for dependent child

- “(6) A family tax credit must be reduced in proportion to the time in the entitlement period that a dependent child spends in the exclusive care of another person who qualifies under section MC 2. 5

“Family credit abatement formula: section MD 13

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

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

“Definition of items in formula

- “(8) In the formula,— 10

“(a) **full-year abatement** is,—

“(i) if the person has no spouse, civil union partner, or de facto partner during the entitlement period, and the person’s family scheme income for the relationship period containing the entitlement period is more than \$35,000, 20 cents for each complete dollar of the excess; or 15

“(ii) if the person has a spouse, civil union partner, or de facto partner during the entitlement period, and the person’s family scheme income, the family scheme income of their spouse, civil union partner, or de facto partner, or the sum of those incomes for the relationship period containing the entitlement period is more than \$35,000, 20 cents for each complete dollar of the excess: 25

“(b) **days** is the number of days in the entitlement period excluding the days of any calendar months in which the person receives protected family tax credit as described in section MD 14. 30

“When 56-day period includes 31 March

- “(9) If a person who qualifies under section MC 2 (Who qualifies for entitlements under family scheme?) receives instalments

of the parental tax credit in a 56-day period that includes 31 March, the formula is applied so that—

- “(a) instalments of the parental tax credit received in the first tax year are abated against the person’s family scheme income, the family scheme income of their spouse, civil union partner, or de facto partner, or the sum of those incomes for that tax year; and 5
- “(b) instalments of the parental tax credit received in the second tax year are abated against the person’s family scheme income, the family scheme income of their spouse, civil union partner, or de facto partner, or the sum of those incomes for that tax year. 10

“Relationship with subject matter

- “(10) Sections MD 14 to MD 16, with necessary modifications, apply to the calculation of the **family credit abatement in sub-section (7)**. 15

“Defined in this Act: amount, child, civil union partner, de facto partner, dependent child, entitlement period, family credit abatement, family scheme income, family tax credit, parental tax credit, principal caregiver, protected family tax credit, relationship period, spouse, tax year 20

“MF 4C Calculation of instalments: 1 October 2008 to 31 March 2009

“When this section applies

- “(1) This section applies for calculating the amount of an instalment by way of tax credit under section MD 1, or as applicable, sections MD 1 and ME 1 for the period starting on 1 October 2008 and finishing on 31 March 2009. 25

“Family tax credit formula: section MD 3

- “(2) The instalments for the relevant tax credit are calculated using, for the calculation of the **family tax credit**, the following formula: 30

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

“Definition of items in formula

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

“Prescribed amount

- “(4) **Prescribed amount** is the sum of the following amounts: 5
- “(a) for the eldest dependent child for whom the person is a principal caregiver during the entitlement period, 1 of the following, as applicable:
- “(i) \$4,487, if the child is younger than 16: 10
- “(ii) \$5,198, if the child is 16 or older: 15
- “(iii) a weighted average of the amounts in **subparagraphs (i) and (ii)** that reflects the proportion of the period for which those subparagraphs apply to the child, if the child turns 16 during the entitlement period; and
- “(b) for each dependent child for whom the person is a principal caregiver during the entitlement period, other than the eldest dependent child, 1 of the following, as applicable:
- “(i) \$3,119, if the child is younger than 13: 20
- “(ii) \$3,557, if the child is 13, 14, or 15: 25
- “(iii) \$4,651, if the child is 16 or older: 30
- “(iv) a weighted average of the amounts in **subparagraphs (i) and (ii)** that reflects the proportion of the period for which those subparagraphs apply to the child, if the child turns 13 during the entitlement period:
- “(v) a weighted average of the amounts in **subparagraphs (ii) and (iii)** that reflects the proportion of the entitlement period for which those subparagraphs apply to the child, if the child turns 16 during the entitlement period.

“Days

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

“When another person cares for dependent child 35

- “(6) A family tax credit must be reduced in proportion to the time in the entitlement period that a dependent child spends in the

exclusive care of another person who qualifies under section MC 2.

“Family credit abatement formula: section MD 13

- “(7) The instalments for the relevant tax credit are calculated using, for the calculation of the **family credit abatement**, the following formula: 5

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

“Definition of items in formula

- “(8) In the formula,—

“(a) **full-year abatement** is,—

“(i) if the person has no spouse, civil union partner, or de facto partner during the entitlement period, and the person’s family scheme income for the relationship period containing the entitlement period is more than \$36,827, 20 cents for each complete dollar of the excess; or 15

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

“(b) **days** is the number of days in the entitlement period excluding the days of any calendar months in which the person receives protected family tax credit as described in section MD 14. 25

“When 56-day period includes 31 March

- “(9) If a person who qualifies under section MC 2 (Who qualifies for entitlements under family scheme?) receives instalments of the parental tax credit in a 56-day period that includes 31 March, the formula is applied so that— 30

“(a) instalments of the parental tax credit received in the first tax year are abated against the person’s family scheme

- income, the family scheme income of their spouse, civil union partner, or de facto partner, or the sum of those incomes for that tax year; and
- “(b) instalments of the parental tax credit received in the second tax year are abated against the person’s family scheme income, the family scheme income of their spouse, civil union partner, or de facto partner, or the sum of those incomes for that tax year. 5
- “*Relationship with subject matter*
- “(10) Sections MD 14 to MD 16, with necessary modifications, apply to the calculation of the **family credit abatement in subsection (7)**. 10
- “Defined in this Act: amount, child, civil union partner, de facto partner, dependent child, entitlement period, family credit abatement, family scheme income, family tax credit, parental tax credit, principal caregiver, protected family tax credit, relationship period, spouse, tax year”. 15
- (2) **Subsection (1)** applies for the 2008–09 income year.
- 34 Meaning of net family scheme income**
- (1) In section ME 3(3)(c)(i), “; and” is replaced by “:”, and section ME 3(3)(c)(ii) is repealed. 20
- (2) **Subsection (1)** applies for the 2008–09 income year and later income years.
- 35 Orders in Council**
- In section MF 7(2)(a), “1 April 2007” is replaced by “1 October 2008”. 25
- 36 Calculation of maximum permitted ratios**
- (1) In section OA 18(3), “corresponding to the tax year” is omitted.
- (2) **Subsection (1)** applies for the 2008–09 income year and later income years. 30
- 37 Tax credits for non-resident investors**
- (1) In sections OZ 12(2), “treating 7/10 as 67/120” is replaced by “treating 7/17 as 67/187”.

- (2) In sections OZ 12(3), “treating 7/10 as 67/120” is replaced by “treating 7/17 as 67/187”.
 - (3) **Subsections (1) and (2)** apply for the 2008–09 income year and later income years.

- 38 Payment dates for terminal tax** 5
 - (1) In section RA 13(1)(b), “December” is replaced by “January”.
 - (2) **Subsection (1)** applies for the 2008–09 income year and later income years.

- 39 Methods for calculating provisional tax liability** 10

In section RC 5(4), “Section RZ 3 (Standard method: 2008–09 and 2009–10 income years) modifies subsection (3)” is replaced by “Sections RZ 3 and RZ 5B (which relate to tax rate changes) modify subsections (2) and (3)”.

- 40 GST ratio method** 15

In section RC 8(9), “Section RZ 4 (GST method: 2008–09 and 2009–10 income years) modifies this section” is replaced by “Sections RZ 4 and RZ 5C (which relate to tax rate changes) modify this section”.

- 41 Calculating amount of instalment under standard and estimation methods** 20

In section RC 10,—

 - (a) in subsection (3)(a)(i), “section RZ 5 (Calculating amounts under standard method: 2008–09 and 2009–10 income years)” is replaced by “sections RZ 5 and RZ 5B (which relate to tax rate changes)”: 25
 - (b) in subsection (3)(a)(ii), “section RZ 5” is replaced by “sections RZ 5 and RZ 5B”.

- 42 Calculating amount of instalment using GST ratio** 30

In section RC 11(4), “Section RZ 4 (GST method: 2008–09 and 2009–10 income years) modifies this section” is replaced by “Sections RZ 4 and RZ 5C (which relate to tax rate changes) modify this section”.

43 Calculation of all-inclusive pay

- (1) In section RD 51(3)(b)(i), “; and” is replaced by “:”, and section RD 51(3)(b)(ii) is repealed.
- (2) In section RD 51(4)(b)(i), “; and” is replaced by “:”, and section RD 51(4)(b)(ii) is repealed. 5
- (3) **Subsections (1) and (2)** apply for the 2008–09 income year and later income years.

44 Resident passive income

- (1) After section RE 2(5)(b), the following is inserted:
“(bb) a dividend from a portfolio investment entity:”. 10
- (2) In section RE 2, in the list of defined terms, “portfolio investment entity” is inserted.
- (3) **Subsections (1) and (2)** apply for the 2008–09 income year and later income years.

45 Dividends other than non-cash dividends 15

In section RE 13(3)(a), “schedule 1, part D, clause 6” is replaced by “schedule 1, part D, clause 5”.

46 Choosing higher rates

In section RE 19,—

- (a) in subsection (2), “clause 2” is replaced by “clause 3”: 20
- (b) in subsection (3), “clause 3” is replaced by “clause 4”.

47 New sections RZ 5B and RZ 5C

- (1) After section RZ 5, the following is inserted:

**“RZ5B Standard method: new personal tax rate persons from
1 October 2008 to end 2012–13 income year** 25

“When this section applies

- “(1) This section applies for a new personal tax rate person to the calculation of their provisional tax liability from 1 October 2008 to the end of the 2012–13 income year.

*“Standard method modified: RIT reduction from 1 October
2008 to end 2008–09* 30

- “(2) For the purpose of the person’s provisional tax liability calculation from 1 October to the end of the 2008–09 income year,

under section RC 5(2) and (3), and RC 10(3)(a)(i) and (ii), the following amounts are reduced by \$730:

“(a) the person’s residual income tax for the preceding tax year:

“(b) the person’s residual income tax for the tax year before the preceding tax year. 5

“Standard method modified: RIT reduction 2009–10

“(3) For the purpose of the person’s provisional tax liability calculation for the 2009–10 income year,—

“(a) under section RC 5(2) and RC 10(3)(a)(i), the amount of the person’s residual income tax for the preceding tax year is reduced by \$730: 10

“(b) under section RC 5(3) and RC 10(3)(a)(ii), the amount of the person’s residual income tax for the tax year before the preceding tax year is reduced by \$1,460. 15

“Standard method modified: RIT reduction 2010–11

“(4) For the purpose of the person’s provisional tax liability calculation for the 2010–11 income year,—

“(a) under section RC 5(2) and RC 10(3)(a)(i), the amount of the person’s residual income tax for the preceding tax year is reduced by \$597.50: 20

“(b) under section RC 5(3) and RC 10(3)(a)(ii), the amount of the person’s residual income tax for the tax year before the preceding tax year is reduced by \$1,327.50.

“Standard method modified: RIT reduction 2011–12 25

“(5) For the purpose of the person’s provisional tax liability calculation for the 2011–12 income year,—

“(a) under section RC 5(2) and RC 10(3)(a)(i), the amount of the person’s residual income tax for the preceding tax year is reduced by \$812.50: 30

“(b) under section RC 5(3) and RC 10(3)(a)(ii), the amount of the person’s residual income tax for the tax year before the preceding tax year is reduced by \$1,410.

“Standard method modified: RIT reduction 2012–13

“(6) For the purposes of the person’s provisional tax liability calculation for the 2012–13 income year, under section RC 5(3) and RC 10(3)(a)(ii), the amount of the person’s residual income 35

tax for the tax year before the preceding tax year is reduced by \$812.50.

“Defined in this Act: amount, income year, new personal tax rate person, provisional tax liability, residual income tax, tax year

“RZ5C GST ratio method: new personal tax rate persons from 1 October 2008 to end 2013–14 income year 5

“When this section applies

- “(1) This section applies for a new personal tax rate person to the calculation of their provisional tax liability from 1 October 2008 to the end of the 2013–14 income year. 10

“GST method modified: RIT reduction from 1 October 2008 to end 2008–09

- “(2) For the purposes of the person’s provisional tax liability and GST ratio calculation from 1 October 2008 to the end of the 2008–09 income year, under section RC 8(2) to (3B), and (7) 15 to (7B), the following amounts are reduced by \$730:

- “(a) the person’s residual income tax for the preceding tax year:
- “(b) the person’s income tax assessment or residual income tax for the tax year before the preceding tax year or the 20 transitional year, as applicable:
- “(c) the person’s income tax assessment for the year that is 2 years before the preceding tax year or the transitional year, as applicable.

“GST method modified: RIT reduction 2009–10 25

- “(3) For the purposes of the person’s provisional tax liability and GST ratio calculation for the 2009–10 income year,—

- “(a) under section RC 8(2), the amount of the person’s residual income tax for the preceding tax year is reduced by \$730: 30
- “(b) under section RC 8(3) and (7), the amount of the person’s income tax assessment or residual income tax for the tax year before the preceding tax year or the transitional year, as applicable, is reduced by \$1,460:
- “(c) under section RC 8(3B) and (7B), the amount of the 35 person’s income tax assessment for the year that is 2

years before the preceding tax year or the transitional year, as applicable, is reduced by \$1,460.

“GST method modified: RIT reduction 2010–11

- “(4) For the purposes of the person’s provisional tax liability and GST ratio calculation for the 2010–11 income year,— 5
- “(a) under section RC 8(2), the amount of the person’s residual income tax for the preceding year is reduced by \$597.50:
- “(b) under section RC 8(3) and (7), the amount of the person’s income tax assessment or residual income tax for the tax year before the preceding year or the transitional year, as applicable, is reduced by \$1,327.50: 10
- “(c) under section RC 8(3B) and (7B), the amount of the person’s income tax assessment for the year that is 2 years before the preceding tax year or the transitional year, as applicable, is reduced by \$2,057.50. 15

“GST method modified: RIT reduction 2011–12

- “(5) For the purposes of the person’s provisional tax liability and GST ratio calculation for the 2011–12 income year,—
- “(a) under section RC 8(2), the amount of the person’s residual income tax for the preceding year is reduced by \$812.50: 20
- “(b) under section RC 8(3) and (7), the amount of the person’s income tax assessment or residual income tax for the tax year before the preceding year or the transitional year, as applicable, is reduced by \$1,410: 25
- “(c) under section RC 8(3B) and (7B), the amount of the person’s income tax assessment for the year that is 2 years before the preceding tax year or the transitional year, as applicable, is reduced by \$2,140. 30

“GST method modified: RIT reduction 2012–13

- “(6) For the purposes of the person’s provisional tax liability calculation for the 2012–13 income year,—
- “(a) under section RC 8(3) and (7), the amount of the person’s income tax assessment or residual income tax for the tax year before the preceding year or the transitional year, as applicable, is reduced by \$812.50: 35

- “(b) under section RC 8(3B) and (7B), the amount of the person’s income tax assessment for the year that is 2 years before the preceding tax year or the transitional year, as applicable, is reduced by \$1,410.
- “*GST method modified: RIT reduction 2013–14* 5
- “(7) For the purposes of the person’s provisional tax liability calculation for the 2013–14 income year, under section RC 8(3B) and (7B), the amount of the person’s income tax assessment for the year that is 2 years before the preceding tax year or the transitional year, as applicable, is reduced by \$812.50. 10
- “Defined in this Act: amount, assessment, GST ratio, income tax, income year, new personal tax rate person, provisional tax liability, residual income tax, tax year, transitional year”.
- (2) **Subsection (1)** applies for provisional tax instalments payable on or after 1 October 2008. 15
- 48 Definitions**
- (1) This section amends section YA 1.
- (2) After the definition of **new asset**, the following is inserted:
- “**new personal tax rate person** means a person whose basic rate of income tax is calculated under schedule 1, part A, clause 1 for the 2008–09 income year or a later income year”. 20
- (3) In the definition of **portfolio investor rate**,—
- (a) in paragraph (a), “33%” is replaced by “30%”;
- (b) paragraph (b) is replaced by the following:
- “(b) if paragraph (c) does not apply, the rate that an investor who has provided their tax file number to the entity under section 28B of the Tax Administration Act 1994 notifies— 25
- “(i) to the entity as the prescribed investor rate for the investor and the period; and 30
- “(ii) in the latest notice before the time; or”.
- (4) The definition of **registered as a charitable entity** is repealed.
- (5) After the definition of **tax-base property**, the following is inserted:
- “**tax charity** is defined in **section CW 41(5)** for the purposes of that section and sections CW 42 and CW 43”. 35

- (6) **Subsections (2) and (3)(a)** apply for the 2008–09 income year and later income years.

49 Treatment of qualifying company election tax, FBT, FDP penalty tax, imputation penalty tax, and withdrawal tax

- (1) In section YA 3(2)(i), “LC 1” is replaced by “LC 3”. 5
- (2) **Subsection (1)** applies for the 2008–09 income year and later income years.

50 Schedule 1—Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits

- (1) Schedule 1, part B is repealed. 10
- (2) In schedule 1, part D, clause 1, table 1,—
- (a) in row 2, “\$9,501” is replaced by “\$11,401”;
 - (b) in row 3, “\$45,600” is replaced by “\$45,601”;
 - (c) in the table instructions, “RD 69(2)” is replaced by “RD 69(1)”. 15
- (3) In schedule 1, part D, clause 3, “If clause 5 does not apply” is replaced by “If clause 4 does not apply”.
- (4) In schedule 1, part D, clause 7, table 5, row 4, “1 and 2” is replaced by “1, 2, and 3”.

51 Schedule 4—Rates of tax for schedular payments: part I 20

In schedule 4, part I, clause 1, “0.15” is replaced by “0.125”.

52 Schedule 31—Annualised equivalent amount for Part M

In schedule 31, in the table,—

- (a) in columns 1 and 2, in the first row under the heading, “\$35,000” is replaced by “\$36,827” in both places in which it appears: 25
- (b) in column 1, in the second row under the heading, “Amount exceeds \$35,000 but does not exceed \$36,500” is replaced by “Amount exceeds \$36,827 but does not exceed \$38,000”: 30
- (c) in column 2, in the second row under the heading, “\$36,500” is replaced by “\$38,000”;
- (d) in columns 1 and 2, the third row under the heading is omitted.

Amendments to Tax Administration Act 1994

53 Tax Administration Act 1994

Sections 54 to 56 amend the Tax Administration Act 1994.

54 Portfolio tax rate entity to give statement to investors and request information 5

After section 31B(4), the following is added:

- “(5) A portfolio tax rate entity must, as soon as practicable after an investor joins, give a notice to the investor requesting that the investor provide the entity with the investor’s tax file number.”

55 Applications for RWT exemption certificates 10

After section 32E(2)(k), the following is inserted:

“(kb) a Board of Trustees that is constituted under Part 9 of the Education Act 1989 and is not carried on for the private pecuniary profit of any individual:

“(kc) a tertiary education institution that is established under Part 14 of the Education Act 1989 and is not carried on for the private pecuniary profit of any individual.” 15

56 Annual returns of income not required

In section 33A(1)(b),—

- (a) in subparagraph (iv)(A), “table 1” is replaced by “table 2”;
- (b) in subparagraph (iv)(B), “table 1” is replaced by “table 2”.
- 20

Amendments to Estate and Gift Duties Act 1968

57 Estate and Gift Duties Act 1968 25

(1) This section amends the Estate and Gift Duties Act 1968.

(2) In section 73(1), “registered as a charitable entity under the Charities Act 2005” is replaced by “a **tax charity**, as that term is defined under **section CW 41(5) of the Income Tax Act 2007**”.

30

(3) After section 73(2)(j), the following is inserted:

“(jb) any gift to a Board of Trustees that is constituted under Part 9 of the Education Act 1989 and is not carried on for the private pecuniary profit of any individual:

“(jc) any gift to a tertiary education institution that is established under Part 14 of the Education Act 1989 and is not carried on for the private pecuniary profit of any individual.”.

Amendment to KiwiSaver Act 2006 5

58 KiwiSaver Act 2006

- (1) This section amends the KiwiSaver Act 2006.
- (2) In section 4(1), in the definition of **salary or wages**, after paragraph (a)(i), the following is inserted:
“(ib) allowances paid in place of a benefit under section CE 10
1(c) of that Act; and”.

Amendment to Taxation (KiwiSaver) Act 2007

59 Taxation (KiwiSaver) Act 2007

- (1) This section changes the effect of the Taxation (KiwiSaver) Act 2007. 15
- (2) The reference to section 94 in section 2(7) is treated as never existing, with the effect that section 94 does not come into force on 1 April 2008. Consequently, section 94 comes into force, as provided by section 2(8), on 1 April 2009.

Amendment to Taxation (Business Taxation and Remedial Matters) Act 2007 20

60 Taxation (Business Taxation and Remedial Matters) Act 2007

- (1) This section changes the effect of the Taxation (Business Taxation and Remedial Matters) Act 2007. 25
- (2) The reference to section 554(3) in section 2(21) is treated as never existing, with the effect that section 554(3) does not come into force on 1 July 2008. A reference to section 554(3) is treated as inserted into section 2(20), with the consequence that section 554(3) comes into force, as provided by section 30
2(20), on 1 April 2008.

Annual rates of income tax for 2008–09 tax year

61 Rates of income tax for 2008–09 tax year

- (1) Income tax imposed by section BB 1 of the Income Tax Act 2007 must, for the 2008–09 tax year, be paid at the basic rates specified in schedule 1 of that Act. 5
 - (2) The Taxation (Annual Rates of Income Tax 2007–08) Act 2007 is repealed.
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