

Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Bill

Government Bill

Explanatory note

General policy statement

This taxation omnibus Bill introduces amendments to the following enactments:

- Income Tax Act 2007
- Tax Administration Act 1994
- KiwiSaver Act 2006
- Student Loan Scheme Act 2011
- Goods and Services Tax Act 1985
- Child Support Act 1991
- Accident Compensation Act 2001
- Income Tax Act 2004
- Anti-Money Laundering and Countering Financing of Terrorism (Class Exemptions) Notice 2014

This Bill also revokes the Income Tax (Payroll Subsidy) Regulations 2006.

Broadly, the policy proposals in this Bill fall into 2 categories. The first of these categories is proposals aimed at modernising and improving the settings for the administration of the tax system as part of the Government's programme of transforming the revenue system through business process and technology change (Inland Revenue's business transformation programme). This includes measures relating to employment and investment income information, the electronic filing threshold for goods and services tax (GST), amendments to the pay as you earn (PAYE) rules, and amendments to penalty and interest rules.

The second category is proposals aimed at improving the current tax settings within a broad-base, low rate (BBLR) framework. Under this framework, the tax treatment of

alternative forms of income and expenditure is intended to be as even as possible. This ensures that overall tax rates can be kept low, while also minimising the biases that taxation introduces into economic decisions. This framework underpins the Government's Revenue Strategy and helps maintain confidence that the tax system is broadly fair, which is crucial to encouraging voluntary compliance.

Although New Zealand has relatively strong tax settings, it is important to maintain the tax system and ensure that it continues to be fit for purpose. Changes in the economic environment, business practice, or interpretation of the law can mean that the tax system becomes unfair, inefficient, complex, or uncertain. The tax system needs to be responsive to accommodate these concerns.

The main policy measures within this Bill have been developed in accordance with the Generic Tax Policy Process (GTPP). This is a very open and interactive process between the public and private sectors, which helps ensure that tax and social policy changes are well thought through. This process is designed to ensure better, more effective policy development through early consideration of all aspects, and likely impacts, of proposals, and increased opportunities for public consultation.

The GTPP means that major tax initiatives are subject to public scrutiny at all stages of their development. As a result, Inland Revenue and Treasury officials have the opportunity to develop more practical options for reform by drawing on information provided by the private sector and the people who will be affected.

The final stage is a post-implementation review of new legislation and identification of remedial issues that need correcting for the new legislation to have its intended effect. Further information on the GTPP can be found at <http://taxpolicy.ird.govt.nz/how-we-develop-tax-policy>.

The following is a brief summary of the policy measures contained in this Bill. A comprehensive explanation of all the policy items will be included in a Commentary on the Bill. The Commentary will be available shortly after this Bill is introduced, at <http://taxpolicy.ird.govt.nz/publications/type/bill-commentary>.

Employment income information

The Bill proposes to reform the administration of PAYE. The proposals are part of the Government's plans to modernise the revenue system through business process and technology change. The proposed changes are intended to reduce compliance costs for employers by integrating the fulfilment of tax obligations into their normal business processes (for example, enabling employers to use their payroll software to meet their PAYE reporting obligations at the time they pay their employees), reduce administrative costs for Inland Revenue, enable more timely interventions by Inland Revenue to improve the accuracy of withholding and help prevent individuals getting into social policy debt, and create opportunities for Government to subsequently redesign social policies.

Requiring employers to provide PAYE information to Inland Revenue on a payday basis

The Bill proposes requiring employers to provide Inland Revenue with information about their employees' income and deductions on a payday basis, rather than on the current monthly basis. The Bill proposes that employers over the threshold for mandatory electronic filing, employers using payroll software, and payroll intermediaries will have to provide this information within 2 working days of payday, with employers below the threshold for mandatory electronic filing not using payroll software having 7 working days from payday. The Bill proposes that reporting on a payday basis become mandatory from 1 April 2019, but permissible from 1 April 2018.

PAYE thresholds

The Bill proposes lowering the threshold for mandatory electronic filing of PAYE information from \$100,000 of PAYE and employer's superannuation contribution tax (ESCT) in the preceding tax year to \$50,000 from 1 April 2019. The Bill proposes that those employers above the threshold who are unable to access digital services will be able to apply for an exemption from the requirement to file PAYE information electronically. The Bill proposes to allow future changes to this threshold, and the threshold above which employers are required to remit PAYE and other deductions twice-monthly, to be made by Order in Council following consultation.

Information about new and departing employees

The Bill proposes that employers be required to provide Inland Revenue with information about new and departing employees no later than the next return of payday information. Employers using payroll software will be able to provide the information about new and departing employees direct from their software at the time the employee is added or removed. This is intended to help ensure that new employees are set up correctly from the beginning of their employment. To help ensure that identity is correctly assigned, the Bill proposes requiring employers to obtain date of birth information from new employees and pass it on to Inland Revenue. The Bill also proposes requiring employers to pass on to Inland Revenue contact details for all new employees.

Error correction

The Bill contains an empowering provision that would allow regulations to be made by Order in Council, following consultation, relating to the correction of errors in employment income information, including the nature and type of errors that may be corrected, the manner in which corrections may be made, and the periods to which corrections may relate.

Consequential changes to reporting of employee share scheme benefit information

From 1 April 2017, employers will be required under the Income Tax Act 2007 and Tax Administration Act 1994 to disclose the value of share benefits employees receive under employee share schemes (and any tax they choose to withhold under the

PAYE rules). This disclosure is to be captured on the employer monthly schedule as part of PAYE information reporting.

To ensure that employers are able to meet their employee share scheme benefit information reporting obligations in the proposed new PAYE reporting environment, the Bill proposes to defer the recognition of benefits derived by an employee under an employee share scheme by 20 days from when the employee receives the benefit, with effect from 1 April 2019, in order to provide all employers with sufficient time to compile information to support the required disclosures and deduction of tax, if to be withheld. The Bill also proposes to require early adopters of payday PAYE information reporting to apply the modified employee share scheme rules early.

Abolition of the payroll subsidy

The Bill proposes abolishing the existing payroll subsidy from 1 April 2018. This subsidy is paid to listed PAYE intermediaries that carry out PAYE and related payroll functions on behalf of employers who are only required to remit PAYE deductions monthly. It is paid for up to 5 employees per employer at \$2 per pay day per employee to subsidise the voluntary use of PAYE intermediaries. The subsidy incentivises only 1 model of digital provision of employment income information, potentially distorting employers' choice given that a range of payroll products and services exist in the market.

Investment income information

The Bill proposes a number of changes to the collection of investment income information. The proposals are part of the Government's plans to modernise the revenue system through business process and technology change. The proposed changes are intended to reduce compliance costs for recipients of investment income by enabling Inland Revenue to pre-populate their tax returns with their investment income information, enable Inland Revenue to improve the accuracy of withholding and help prevent individuals getting into debt, and create opportunities for Government to subsequently redesign social policies. The investment income information changes will apply from 1 April 2020 unless otherwise stated.

More frequent and comprehensive collection of investment income information

The Bill proposes that payers of interest, dividends and taxable Māori authority distributions will be required to provide detailed recipient information to Inland Revenue on a monthly basis, or for the months in which payments are made, if the payment frequency is less than monthly. The Bill proposes that payers may choose to file monthly from 1 April 2019, with monthly filing to become mandatory from 1 April 2020. Currently, payers of interest subject to withholding tax provide detailed recipient information to Inland Revenue, but only after the end of the tax year. No detailed recipient information is currently required to be provided to Inland Revenue for other types of investment income, such as dividends and Māori authority distributions.

The Bill proposes that payers of investment income that is exempt from withholding be required to report detailed recipient information yearly, or monthly, at the payer's

preference. The Bill proposes that portfolio investment entities (PIEs) be required to provide detailed recipient information to Inland Revenue following the end of the tax year by 15 May instead of 31 May (applying from the tax year beginning 1 April 2018), and to report investors' prescribed investor rates 6 monthly.

To help ensure that identity is correctly assigned, the Bill proposes requiring investment income payers to provide the recipient's date of birth to Inland Revenue as part of the detailed recipient information reporting, if it is held.

To enable jointly earned income to be split between the joint owners, the Bill proposes requiring investment income payers to provide detailed recipient information regarding each of the owners of jointly owned investments, if it is held.

The Bill proposes requiring investment income payers to file their withholding tax returns, including the detailed recipient information, electronically unless they receive an exemption from Inland Revenue.

Increase in the non-declaration rate for interest income

The Bill proposes to increase the non-declaration tax rate for interest subject to resident withholding tax (RWT) from 33% to 45%, in order to encourage non-declared interest recipients to provide their IRD number to their interest payer.

Requiring new investors in PIEs to provide their IRD number

The Bill proposes requiring investors opening new investments in PIEs to provide their IRD number (unless they are non-resident, do not have an IRD number, and provide their foreign tax identification number) within 6 weeks of making the initial investment if they are to remain a member of the PIE. This requirement will apply from 1 April 2018.

RWT exempt status

Taxpayers holding a certificate of exemption from RWT are entitled to be paid interest and dividends without having any tax deducted by the payer. The existing certificate of exemption process involves compliance costs for payers as they need to receive exemption certificates from taxpayers, check the appropriate *New Zealand Gazette* to see if the taxpayer's certificate has been cancelled, and assess whether the customer can appropriately claim to be exempt under non-tax legislation.

The Bill proposes requiring Inland Revenue to make a source of information available to investment income payers that would enable them to confirm whether or not recipients have RWT exempt status. To ensure that all exempt recipients are included in this information source, the Bill proposes that recipients that are tax exempt under Acts other than the Income Tax Act 2007 be required to have RWT exempt status, in order to be treated as exempt by investment income payers.

Removal of requirement to provide end of year withholding tax certificates

The Bill proposes removing the requirement for interest payers to provide end of year withholding tax certificates to recipients of interest income who have provided their

IRD number to the interest payer. If Inland Revenue receives recipients' investment income information throughout the year and pre-populates the information for the recipients in their tax records, this will make the end of year withholding tax certificate requirement unnecessary, and removing it is intended to reduce compliance costs for interest payers.

Error correction

In order to reduce compliance and administration costs, the Bill proposes that investment income payers will be allowed to correct errors in previous withholding tax returns in their next return without incurring penalties or interest, subject to restrictions for errors being corrected in the following income year.

Taxation of employee share schemes

The Bill proposes a number of changes to the taxation of employee share schemes (ESS), which are intended to modernise and improve the taxation of ESS so that it is simple, efficient, and fair. The general objective of the proposed reforms is to achieve neutral tax treatment of ESS benefits – that is, to the extent possible, the tax position of both the employer and the employee are the same whether remuneration for labour is paid in cash or shares. In other words, the policy intent underlying the proposed reforms is that ESS are not at a tax advantage or disadvantage compared to cash salary. This is consistent with New Zealand's BBLR tax policy framework and is intended to ensure employees are remunerated in the most economically efficient (rather than the most tax efficient) form.

Value and timing of benefits under ESS

Broadly, the Bill proposes aligning the income tax treatment of employees receiving ESS benefits with the tax treatment of other forms of employment income. This means that employees would be taxable on the value of their shares when they have done everything they need to earn them and hold them like any other shareholder (for example, they are not protected from suffering a loss if there is any drop in share price). The proposed changes are intended to address the concern that, under current law, ESS can be used to give employees tax-free remuneration. In particular, an employee can be given what is economically a valuable share option without being taxed on that benefit, whereas the provision of an actual option is taxable (when the option is exercised).

Allowing deductions for employers' costs

The Bill proposes allowing employers a tax deduction for the amount of the employee's income, at the same time as the employee is taxable, in order to align the tax treatment of employers providing ESS benefits with the tax treatment of paying other types of employment income. There is currently no statutory deduction for the cost of providing ESS benefits, though employers have found various ways to structure so that a deduction is available.

Changes for tax-exempt widely offered schemes

To minimise compliance costs, it is proposed that the tax-exempt widely-offered ESS are retained; however, the Bill proposes some amendments to modernise the rules and to close certain loopholes that are currently being used to obtain unintended deductions.

The Bill proposes to remove the 10% deemed interest deduction (with some grandparenting), and remove the requirement for Inland Revenue to approve schemes, but require the schemes to be registered with Inland Revenue. The Bill also proposes that value of the shares when granted to the employee or trustee on their behalf must not exceed \$5,000 per annum, and that the difference between the value of the shares at that time and their cost to the employee must not exceed \$2,000 per annum.

Transitional rules

The Bill contains proposed transitional rules that would, generally speaking, allow businesses 6 months after the enactment of the reforms to amend their ESS, if necessary.

PAYE rules amendments

In addition to the proposed reforms to improve the timeliness and quality of employment income information received by Inland Revenue, the Bill proposes several changes to the rules relating to the calculation of PAYE and related deductions.

To strike a balance between the desire for more accurate withholding of PAYE and the impact on compliance costs, the Bill proposes to give employers the option to tax holiday pay paid in advance (and salary or wages paid in advance) as if the lump sum payment was paid over the pay periods to which it relates, or under the existing extra pay method.

To reduce complexity and confusion for employers, the Bill proposes to align the rules in the Inland Revenue Acts about how legislated rate or threshold changes are applied across the different types of PAYE income payments and social policy initiatives administered through the PAYE system. The rates and thresholds to be applied would be those in force on the date the payment is made.

The Bill also proposes to repeal a redundant de minimis provision in relation to the tax treatment of a retrospective increase in salary or wages.

Petroleum mining decommissioning

At the end of production, a petroleum miner must incur significant decommissioning costs. This includes expenditure on the plugging of wells, and the removal of installations, pipelines and equipment. In the absence of specific rules, this expenditure would result in a loss carried forward that may be of limited or no value to the petroleum miner unless they had income from another source. The tax rules for petroleum mining currently include a spread-back mechanism, which allows returns for prior income tax periods to be reopened to include losses arising from decommissioning expenditure incurred in the current year. As the existing spread-back mechanism re-

quires amendments to assessments for previous periods, it involves significant compliance and administration costs. To reduce compliance and administration costs, the Bill proposes to replace the existing spread-back mechanism for petroleum mining decommissioning expenditure with a refundable tax credit. This will be similar to other refundable tax credits already included in the Income Tax Act 2007, most relevantly the refundable tax credit for mineral mining rehabilitation expenditure, which was introduced in 2014.

The current spread-back results in a refund of tax paid in previous years. It was never intended that these refunds should be eligible for credit use of money interest. However, there is no provision that confirms this. To ensure that no credit use of money interest is paid before the refundable tax credit applies, the Bill also contains an amendment confirming that use of money interest will not be paid on a petroleum mining spread-back in a return filed after the introduction of the Bill.

Demergers

Under current legislation, the full value of the shares in a demerged company is treated as a dividend for the shareholder. This is problematic because a demerger is, in substance, the division of a corporate group rather than a distribution of income. The problem is particularly acute for demergers by listed Australian companies. The Bill proposes an amendment to create an exclusion from the meaning of the term “transfer of value” under the dividend rules in relation to company demergers. The proposed exclusion is limited to demergers by listed Australian companies.

Bank account requirement for IRD numbers

Since 1 October 2015, tax legislation has required offshore persons to provide evidence of a functioning New Zealand bank account before Inland Revenue is able to issue them with an IRD number. Some offshore persons have encountered practical difficulties with the requirement. The compliance costs of obtaining a New Zealand bank account can be significant for offshore persons, and there can be delays. To address these problems, the Bill proposes an amendment that would provide Inland Revenue with a discretion to issue IRD numbers to offshore persons without a New Zealand bank account if satisfied with their identity and background. This is intended to give Inland Revenue sufficient flexibility to deal on a timely basis with a range of different cases.

Lloyd’s of London tax compliance simplification

Lloyd’s of London has regulatory approval to write term-life insurance business in New Zealand. Lloyd’s is an insurance market, not an insurance company. It is an institution where Members of the Society of Lloyd’s, both corporate and individual, join together in syndicates to insure risk. Members are required to be United Kingdom residents under Lloyd’s governance rules. Lloyd’s unique structure means that any amount of business in New Zealand would require its non-resident syndicate members to file tax returns in New Zealand, which would have material compliance and administrative implications. As a tax compliance simplification measure for

Lloyd's, the Bill proposes to create a special presumptive tax on premiums received by Lloyd's in connection with sales of term-life insurance in New Zealand. Tax would be calculated and paid by Lloyd's authorised New Zealand agents. The tax would work on the basis that 10% of premiums received by Lloyd's on its New Zealand business would be taxable income. The company tax rate (28%) would apply to the deemed taxable income.

GST treatment of Pharmac rebates

Owing to the unique way pharmaceuticals are publicly purchased in New Zealand, associated rebates paid by suppliers to Pharmac under an agreement for listing on the Pharmaceutical Schedule can have different GST treatment depending on whether the pharmaceuticals are purchased in the community setting or the hospital setting. Currently, community rebates are not subject to GST, while hospital rebates are subject to GST. This gives rise to uncertainty and compliance costs for Pharmac and their suppliers in having to differentiate, for GST purposes, between community and hospital rebates. The Bill proposes to align the treatment of community and hospital rebates paid to Pharmac for products supplied under the Pharmaceutical Schedule by excluding these rebates from being an alteration of the previously agreed consideration under the Goods and Services Tax Act 1985.

Electronic filing threshold for GST returns

GST-registered persons can currently choose to file their GST returns on paper or in electronic form. Processing of paper returns is slower and more expensive, and paper returns are more prone to errors compared with electronically filed returns. To enable further encouragement of electronic uptake, if necessary in the future, the Bill contains an empowering provision that would allow for a threshold for mandatory electronic filing of GST returns to be set by Order in Council following consultation. The Bill proposes that GST-registered persons above the threshold who are unable to access digital services will be able to apply for an exemption from the requirement to file their GST returns electronically. In addition, the Bill proposes a \$250 penalty for GST-registered persons who are required to file their GST returns electronically but fail to do so.

Penalties and interest amendments

The Bill proposes several amendments that would modify the current rules around penalties and interest for taxpayers. They deal with when tax credits arise, the date use of money interest starts and the due date for default assessments. The proposed amendments are intended to simplify the rules and encourage voluntary compliance.

A taxpayer who has paid excess tax may request to transfer the excess credit to another period or another tax type. The Bill proposes to alter the time that an excess credit arises for GST purposes, in order to address voluntary compliance issues that exist under current legislation. The amendment will more appropriately deal with a situation where a taxpayer who files their return early or late has access to the credit.

The date interest starts for a GST refund is determined by the latest of several dates, one of which can be the 15th working day after the taxpayer provides a tax return for the return period to which the GST refund relates. The Bill proposes to change the date interest starts for a GST refund by reducing the number of working days after a return is filed from 15 to 10, to reflect the shorter time period that will be required to process returns with the introduction of Inland Revenue's new computer system, START.

Currently, electronic default assessments (EDAs) and non-electronic default assessment (NDAs) have different due dates for payment, and also different treatments for when any tax payable from a subsequent amendment is payable. For one type a new due date is set, while for the other the original due date applies until an amendment is made to that default assessment, in which case the taxpayer is given a new due date. In both cases a non-compliant taxpayer gets a benefit over a compliant one, which is not conducive to voluntary compliance. To address this, for taxes that have been migrated to the new START system and where incremental penalties have been removed from the particular tax type, the Bill proposes to align the treatment of default assessments so that they are due and payable at the original due date for the tax as under the current treatment for an EDA, and change the treatment for all default assessments that are reassessed so that any subsequent reassessment of the default assessment when the taxpayer files their tax return is also due at the original due date.

Trustee capacity amendments resulting from recent cases on corporate trustees

Two recent High Court decisions, *Concepts 124 Ltd v Commissioner of Inland Revenue* [2014] NZHC 2140 and *Staithe Drive Development Ltd v Commissioner of Inland Revenue* [2015] NZHC 2593, have changed how the voting interest test, which is used to measure the ownership of companies, including their association, is applied to corporate trustees. The Court decisions may result in overreach of the application of the associated person rules. This comes about because the Court held that the voting interests in the relevant companies were held by the legal owner of shares, and effectively ignored the capacity in which those shares were held. This means that the voting rights attached to shares owned by a corporate trustee are attributed to that corporate trustee's natural person shareholders in their personal capacity. Applying this approach, if a solicitor holds shares in a trustee company, which in turn holds shares on trust in a number of unrelated client companies, the client companies would be associated for tax purposes, which would be contrary to the policy intent. The Bill proposes an amendment to align the legislation with the original policy intent, which is that a corporate trustee should not be looked through when testing association. The proposed amendments address this by introducing a general rule for trustee capacity and some consequential changes to defined terms and operative provisions.

Schedule 32 donee status

The Bill proposes to amend the Income Tax Act 2007 by adding 5 charities to the list of donee organisations in schedule 32. New Zealand charities that support activities overseas must be listed in schedule 32 in order for their donors to be eligible for tax

benefits (in particular, the donations tax credit). The proposed new additions to schedule 32 are Beyond Disaster Relief New Zealand, Flying for Life Charitable Trust, Médecins Sans Frontières New Zealand Charitable Trust, Tony McClean Nepal Trust, and Zimbabwe Rural Schools Library Trust.

Confirmation of annual rates of income tax for the 2017–18 tax year

The Bill sets the annual rates of income tax for the 2017–18 tax year at the same rates that apply for the 2016–17 tax year.

Remedial amendments

A number of remedial matters are addressed in the Bill. In addition to fixing minor faults of expression, readers' aids, and incorrect cross-references, the following specific issues are dealt with by:

- clarifying the meaning of “employer’s workplace” for the purposes of the exemption from income tax for payments made to employees for certain work-related meals when the employee is required to work away from their employer’s workplace;
- clarifying that the PAYE rule that requires multiple payments of salary or wages made to an employee in a week to have the same total amount of tax withheld as if 1 combined payment had been made only applies to payments made by the same employer;
- ensuring that extra pays paid to non-resident seasonal workers and employees on non-notified tax codes have tax withheld at rates of 10.5% and 45% respectively, consistent with the policy intent for these classes of employees;
- clarifying that non-resident investment funds are exempt from tax on their gains made on the sale of New Zealand securities;
- providing taxpayers with a foreign tax credit in relation to attributable controlled foreign company (CFC) income when the foreign income tax is paid by the taxpayer’s parent or another member of the taxpayer’s group;
- allowing taxpayers to use part-year accounts in the year of acquisition or disposal to calculate a CFC’s ratio of passive income to total income under the accounting standards test, provided that other standard requirements for the accounting standards test are met;
- removing the 30 June 2009 ownership requirement from the Tax Administration Act 1994, allowing taxpayers with insurance company CFCs acquired after 30 June 2009 to apply to Inland Revenue for a determination that the insurance company CFC passes the active business test;
- ensuring that a non-cash dividend derived from a non-resident company by an intermediary on behalf of natural persons resident in New Zealand is not over-taxed when the dividend is on-paid to that shareholder;
- adding notification requirements to the Tax Administration Act 1994 for when a PIE elects a calculation methodology;

- requiring a provisional tax PIE that is carrying forward losses before electing to use the quarterly or exit calculation method to treat those losses as a formation loss;
- restricting PIEs from holding investments with a market value over 20% rather than just voting interests over 20%;
- removing the “trust that would be a unit trust” entrance criteria for collective schemes and foreign PIE equivalents;
- adding Animal Control Products Limited and Kordia Group Limited to the list of State enterprises in part A of schedule 36 of the Income Tax Act 2007;
- clarifying that donation tax credits for donations made to community housing entities can only be claimed for the period the entity qualifies for the income tax exemption for community housing entities;
- clarifying that the net assets tax relating to charities applies to the accumulated assets and income of non-registered entities with an income tax exemption that cease being charitable at law;
- clarifying that entities that cease to be charitable at law must transfer their accumulated income and assets for charitable purposes;
- correcting an inadvertent drafting error to reinstate the prohibition on local authorities from being eligible to form or join a consolidated group;
- repealing the largely spent rules relating to specified activity net losses (which arose prior to 1992), and incorporating residual specified activity net losses into the general loss use and carry-forward rules;
- ensuring that the memorandum account provisions work as intended for the carrying forward of the balance of a memorandum account from year to year;
- clarifying the relationship between dividends and gains relating to attributing interests in a foreign investment fund, which are disregarded in calculating assessable income, and the core provisions of the Income Tax Act 2007;
- ensuring that the provisions in the Income Tax Act 2007 that limit the use of pre-consolidation imputation credits, and that set out the eligibility requirements to form or join a consolidated group, or to continue to be part of a consolidated group, reflect the pre-rewrite law set out in the Income Tax Act 2004;
- correcting an unintended change to the reciprocal shipping exemption in the Income Tax Act 2007 that arose during the process of rewriting the Act;
- clarifying that incentive payments to prisoners who participate in prisoner employment activities are not treated as income for the purpose of granting the exemption for prisoners from payment of financial support under the Child Support Act 1991;
- denying a deduction for an excepted financial arrangement (EFA) acquired on revenue account by a company that forms a consolidated group with the issuer of the EFA and subsequently the EFA is cancelled.

Departmental disclosure statement

Inland Revenue is required to prepare a disclosure statement to assist with the scrutiny of this Bill. The disclosure statement provides access to information about the policy development of the Bill and identifies any significant or unusual legislative features of the Bill.

A copy of the statement can be found at <http://legislation.govt.nz/disclosure.aspx?type=bill&subtype=government&year=2017&no=249>

Regulatory impact statements

Inland Revenue produced regulatory impact statements on 2 and 22 June 2016, 17 October 2016, 8, 28, and 30 November 2016 to help inform the main policy decisions taken by the Government relating to the contents of this Bill.

Copies of the regulatory impact statements can be found at—

- <http://taxpolicy.ird.govt.nz/publications/type/ris>
- <http://www.treasury.govt.nz/publications/informationreleases/ris>

Clause by clause analysis

Clause 1 gives the title of the Act.

Clause 2 gives the dates on which the clauses come into effect.

Part 1

Annual rates of income tax

Clause 3 provides that income tax for the 2017–18 tax year is to be paid at the basic rates specified in schedule 1 of the *Income Tax Act 2007*.

Part 2

Amendments to Income Tax Act 2007

Clause 4 sets out the clauses that affect the Income Tax Act 2007.

Clause 5 amends section BF 1 to correct the list of defined terms.

Clause 6 amends section CD 15 to clarify that the section applies to include in the amount of a dividend any RWT or NRWT paid or withheld for that dividend.

Clause 7 amends section CD 25 to ensure that in certain circumstances a company's shares, if acquired by the company and allocated under an employee share scheme, are not subject to cancellation treatment under section CD 25(4) to (6).

Clause 8 inserts *new section CD 29C*. Under the new section, if an ASX-listed Australian company transfers the shares in a subsidiary to the shareholders of the ASX-listed Australian company, the transfer is not a dividend in the circumstances given by section ED 2B. The effect of the new section corresponds to the tax effect of such a transfer for Australian-resident shareholders.

Clause 9 amends section CD 36, which relates to foreign investment fund income, to provide an additional requirement for determining when an amount is not a dividend, namely when it is excluded income under *new section CX 57B*.

Clause 10 amends section CD 43 to ensure that available subscribed capital is adjusted when a deduction is allowed to or income is derived by a company in relation to an employee share scheme.

Clause 11 amends section CE 1 to provide for a cross-reference as part of the new employee share scheme rules.

Clause 12 replaces sections CE 2 to CE 4 to provide the new employee share scheme rules. *New section CE 2* calculates the amount of income and deduction an employee may have under an employee share scheme. Apportionment for non-resident employees, and timing rules for reporting, are also proposed.

Clause 13 amends section CE 2, from 1 April 2019, in relation to the treatment of benefits under employee share schemes. The amendments insert a new defined term, *ESS deferral date*, for the date on which the employee is treated as deriving employment income in relation to the benefit, and otherwise updates cross-references and the list of defined terms.

Clause 14 replaces sections CE 6 and CE 7 to provide definitions for the new employee share scheme rules. *New section CE 6* provides that trusts are nominees of employee share scheme companies. *New section CE 7* provides a definition of *employee share scheme*. *New section CE 7B* provides a definition of *share scheme taxing date*, to provide the date on which the relevant tax calculations under the new employee share scheme rules are performed. *New section CE 7C* provides a definition of *employee share scheme beneficiary*. *New section CE 7D* provides a definition of *replacement employee share scheme*.

Clause 15 amends section CQ 5 consequentially to update the section title to a cross-referenced provision.

Clause 16 inserts *new section CR 3B* to provide that 10% of the gross premium of a life insurance policy derived by Lloyd's of London is income.

Clause 17 amends section CT 5 to insert a reference to the definition of *decommissioning* in the tax rules for petroleum mining.

Clause 18 inserts *new section CT 5B* to provide that certain amounts are treated as income of a petroleum miner when commercial production is resumed after a deduction has been received for permanently ceasing petroleum mining operations.

Clause 19 amends section CT 6 to insert a reference to the definition of *decommissioning* in the tax rules for petroleum mining.

Clause 20 amends section CT 6B to remove, in the tax rules for petroleum mining, a reference to the definition of *removal or restoration operations* which is being repealed.

Clause 21 amends section CT 7 to replace, in the tax rules for petroleum mining, the reference to the definition of *removal or restoration operations* which is being repealed with a reference to the definition of *decommissioning*.

Clause 22 amends section CV 17, consequentially to amend the reference to the section title.

Clause 23 inserts a *new section CV 20* consequentially to provide that a person has income under the new employee share scheme rules.

Clause 24 amends section CW 17CB, which relates to payments for work-related meals, to insert a definition of *employer's workplace* which clarifies that, for the purposes of a meal allowance, the relevant workplace is the base at which the employee normally works.

Clause 25 inserts *new sections CW 26B to CW 26G* to provide a tax exemption for benefits provided under share purchase schemes. *New section CW 26B* provides that amounts derived from share purchase schemes are exempt income. *New section CW 26C* provides a definition of *share purchase scheme*. *New section CW 26D* provides a definition of *employee* for the share purchase scheme exemption. *New section CW 26E* provides a definition of *normal retiring age* for the share purchase scheme exemption. *New section CW 26F* provides a definition of *share* for the share purchase scheme exemption. *New section CW 26G* provides a definition of *trustee* for the share purchase scheme exemption.

Clause 26 inserts *new section CX 55B* to provide for the treatment of proceeds from the disposal of shares and financial arrangements by a foreign PIE equivalent. The amount derived is excluded income.

Clause 27 inserts a *new cross-heading* and *new section CX 57B* relating to amounts derived by a person from certain disposals during a period when the person uses a specified calculation method for FIF income or loss. The amount is excluded income.

Clause 28 replaces section CZ 1, as part of the new employee share scheme rules, to provide a grandparenting rule in relation to certain shares granted or acquired before 12 May 2016.

Clause 29 inserts *new section DB 23B* to deny a company a deduction in relation to the acquisition or value of an excepted financial arrangement, such as shares, held on revenue account when the shares are cancelled and, at the time of the cancellation, the issuer of the shares and the holder of the financial arrangement are part of the same consolidated group.

Clause 30 inserts *new section DB 54C* to deny a foreign PIE equivalent a deduction for expenditure or loss incurred in deriving excluded income under *new section CX 55B*.

Clause 31 repeals sections DC 12 to DC 15, as part of the new share purchase scheme exemption.

Clause 32 amends section DN 6 consequentially to update the section title to a cross-referenced provision.

Clause 33 amends section DT 7 to align the drafting of the provision, which appears in the tax rules for petroleum mining, with *new section DT 7B*.

Clause 34 inserts *new section DT 7B* to provide that amounts treated as income of a petroleum miner under *new section CT 5B* are also to be treated as petroleum development expenditure.

Clause 35 amends section DT 15 to insert a reference to the definition of *decommissioning* in the tax rules for petroleum mining.

Clause 36 amends section DT 16 to replace, in the tax rules for petroleum mining, the reference to the definition of *removal or restoration operations*, which is being repealed, with a reference to the definition of *decommissioning*.

Clause 37 amends section DT 17 to remove , in the tax rules for petroleum mining, a cross reference to section IS 5 which is being repealed.

Clause 38 amends section DT 20 to insert a reference to the definition of *decommissioning* in the tax rules for petroleum mining.

Clause 39 amends section DU 7 as a remedial matter, to clarify that the section does not apply to mining outgoing excess of a loss-attributing qualifying company.

Clause 40 amends section DV 2, as a remedial matter, to correct a defined term.

Clause 41 inserts a *new cross-heading* and *new section DV 27*, which provides for deductions and income a person may have under an employee share scheme.

Clause 42 inserts *new section DV 28*, which allows deductions in relation to a share purchase scheme for administrative or management services.

Clause 43 inserts *new section DW 3B* to prevent Lloyd's of London claiming a deduction for expenditure incurred in deriving income under *new section CR 3B*.

Clause 44 amends section EA 2, which deals with revenue account property, to clarify in a particular case the nature of the property to which the section applies. The amendment also updates cross-references related to petroleum mining.

Clause 45 inserts *new section ED 2B*, which applies to situations in which an ASX-listed Australian company transfers the shares in a subsidiary to the shareholders of the ASX-listed Australian company. The new shareholdings in the subsidiary must be in the same proportions as the shareholdings in the parent company and the share transfer must not be a dividend under the Income Tax Assessment Act 1936 (Aust). The new section gives the costs and the available subscribed capital amounts for the shares in the parent and subsidiary after the transfer. The section also defines the term *ASX-listed Australian company*. *Subclause (1)*, which inserts the new section, comes into force on 1 April 2016. *Subclause (2)* provides for an amendment to the definition and comes into force on 1 April 2017.

Clause 46 amends section EE 7, as a remedial matter, to remove a reference to assets to which section DU 6(4) applies, as that subsection no longer exists.

Clause 47 amends section EE 34, as a remedial matter, to correct a fault in expression.

Clause 48 amends section EJ 12 to remove, in the tax rules for petroleum mining, a cross reference to section IS 5 which is being repealed.

Clause 49 replaces section EJ 13 to allow for a deduction for petroleum development expenditure, which has not been allocated to an earlier income year, to be allocated to the income year in which petroleum mining operations permanently cease.

Clause 50 repeals section EJ 14, which allows for deductions for petroleum development expenditure to be spread to earlier tax years when a permit is relinquished. A refundable credit, which is provided in *new subpart LT*, will allow a deduction for this expenditure to be realised in the year in which petroleum mining operations permanently cease.

Clause 51 amends section EJ 18 to insert a reference to the definition of *decommissioning* in the tax rules for petroleum mining.

Clause 52 amends section EJ 20 to replace the reference to the definition of *removal or restoration operations*, which is being repealed, with a reference to the definition of *decommissioning*.

Clause 53 amends section EJ 22, as a remedial matter, to remove a cross-reference.

Clause 54 amends section EW 13, as a remedial matter, to correct a cross-reference.

Clause 55 amends section EW 15H, as a remedial matter, to correct cross-references.

Clause 56 amends section EW 31, which provides the calculation for a base price adjustment, by clarifying that non-integral fees are ignored when the modified fair value method is used.

Clause 57 amends section EX 21 to remove, in the tax rules for petroleum mining, a cross reference to section IS 5 which is being repealed.

Clause 58 amends section EX 21B consequentially to insert a reference to part-period calculations under *new section EX 21F*.

Clause 59 inserts *new section EX 21F*, which deals with part-period calculations when an interest holder holds an income interest for only part of an accounting period. It provides that the holder may determine that a CFC is a non-attributing CFC if certain requirements are met.

Clause 60 amends section EX 38 to update the FIF rules exemption for employee share schemes, as part of the new employee share scheme rules.

Clause 61 amends section EX 59 to clarify the relationship with *new section CX 57B*, which relates to certain amounts derived by a person during a period when they use a specified calculation method for FIF income or loss.

Clause 62 amends section EY 10 to clarify that, apart from the reference to life insurer in *section EY 8*, Lloyd's of London is treated as not being a life insurer for its life insurance business that is taxed under *new section CR 3B*.

Clause 63 amends section FC 2 to include *new section ED 2B* in the list of provisions that override the general rule for transfers at market value.

Clause 64 amends section FM 31, which contains the eligibility rules for membership of consolidated groups. The amendment clarifies that a company is not eligible if it is a local authority.

Clauses 65 to 68 amend sections FM 36, FM 37, FM 38, and FM 40 to replace outdated terminology. Section FM 40 is also amended to clarify that local authorities are not eligible to be members of a consolidated group.

Clause 69 amends section FN 4, as a remedial matter, to correct a fault in expression.

Clause 70 inserts a *new cross-heading* and *new section GB 49B* to provide a specific anti-avoidance provision for the new employee share scheme rules.

Clause 71 amends section GB 52, as a remedial matter, to correct a fault in expression.

Clause 72 amends section HA 19 to update a cross-reference.

Clause 73 amends section HC 2 consequentially to replace a cross-reference.

Clause 74 amends section HC 27 as part of the new employee share scheme rules.

Clause 75 amends section HC 33, as a remedial matter, to remove redundant words.

Clause 76 amends section HD 3 to clarify the obligations of agents for Lloyd's of London in relation to life insurance.

Clause 77 amends section HD 15 to provide a definition of *company* that includes a company that is acting in the capacity of trustee for the purposes of the section, including the voting interest and market value interest tests, as the tests apply for the definitions of *controlling shareholder* and *interested shareholder*.

Clause 78 inserts *new section HD 17B*, which describes the liability of agents for Lloyd's of London in relation to life insurance.

Clause 79 amends section HF 1 consequentially to update cross-references.

Clause 80 amends section HM 3, which relates to foreign PIE equivalents, to repeal subsection (1)(b)(iii), relating to trusts that would be unit trusts if they had more than 1 beneficiary.

Clause 81 amends section HM 4 by inserting a new subsection setting out the consequences when an investor does not provide a tax file number to the PIE.

Clause 82 amends section HM 9 by repealing paragraph (c), which relates to trusts that would be unit trusts if they had more than 1 beneficiary.

Clause 83 amends section HM 13 relating to maximum shareholdings in investments. It clarifies that the investment must not carry voting interests or market value interests of more than 20%.

Clause 84 amends section HM 30, as a remedial matter, to correct a cross-reference.

Clause 85 amends section HM 62, which deals with exit levels for investors, to set out the consequences when an investor does not provide a tax file number to the PIE.

Clauses 86 to 88 amend sections HM 67, HM 68, and HM 69, which relate to the treatment of formation losses, to include multi-rate PIEs that calculate their tax liabil-

ity under the provisional tax calculation option or change from that option to the exit calculation or quarterly calculation option.

Clause 89 amends section HR 10, as a remedial matter, to correct a fault in expression.

Clause 90 replaces section HR 12, which relates to non-exempt charities and the treatment of tax-exempt accumulations. The section applies to charities that become deregistered after deriving exempt income and also to persons who derive exempt income under section CW 42. It sets out how to determine the amount of taxable income derived and provides for the assets that are not counted in determining that income.

Clause 91 inserts a *new cross-heading* and *new section HR 13* to provide that, in relation to the life insurance business of Lloyd's of London, all underwriters of Lloyd's of London who derive premium income in an income year are jointly and severally liable for each other's tax obligations for the income year.

Clause 92 amends section IA 2 to allow a person to include an unused specified activity net loss in their tax loss for the tax year, to the extent to which the amount has not been subtracted under section IA 4.

Clause 93 amends section IA 4 to provide that an unused specified activity net loss must first be subtracted from net income for a tax year before the remaining portion of the unused specified activity net loss can be included under section IA 2 in a tax loss for the tax year.

Clause 94 repeals amendments, which relate to unused specified activity net losses, made to section IA 4 by *clause 92*, with application for the 2019–20 and later income years.

Clause 95 amends section IA 7 to repeal consequentially subsection (8) when sections IS 5, IZ 2, and IZ 3, which deal with a petroleum mining company's net losses, are repealed.

Clause 96 amends section IA 8, as a remedial matter, to correct the list of defined terms.

Clause 97 amends section IA 9 to provide an order for the tax loss component that relates to an unused specified activity net loss under section IA 2(4)(g), for the purposes of the continuity and commonality rules.

Clause 98 amends section IC 3, which provides the test for common ownership, by replacing subsection (3) to update the cross-references to voting interests in subpart YC.

Clause 99 amends section IS 5 to correct a cross reference in the tax rules for petroleum mining, from 1 April 2008.

Clause 100 repeals section IS 5, which allows for certain deductions of petroleum miners to be spread to earlier tax years. A refundable credit, which is provided in *new subpart LT* and *new section LA 6(1)(ib)*, will allow these deductions to be realised.

Clause 101 repeals section IZ 1, which provides rules for the use of specified activity net losses.

Clause 102 repeals section IZ 2, which is a redundant provision concerning petroleum mining companies.

Clause 103 repeals section IZ 3, which is a redundant provision concerning petroleum mining companies.

Clause 104 amends section LA 6 to allow a tax credit under *new subpart LT*, which provides for tax credits for petroleum miners, to be a refundable credit.

Clause 105 amends section LB 1 as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule.

Clause 106 amends section LB 3 to clarify that the amount of tax includes a payment of RWT for a non-cash dividend.

Clause 107 amends section LB 7 to update a cross-reference related to the new investment income information provisions.

Clause 108 amends section LB 8 to update a cross-reference related to the replacement of certain provisions related to tax codes and tax rates.

Clause 109 amends section LD 3 to clarify that donation tax credits are available only for donations made to community housing entities during the period in which they qualify for the income tax exemption in section CW 42B.

Clause 110 amends section LD 4 as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule.

Clause 111 amends section LD 5 as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule.

Clause 112 amends section LK 1 to clarify the treatment of tax credits related to attributed CFC income for parent companies and group companies.

Clause 113 inserts *new subpart LT* to allow a tax credit for petroleum miners or farm-in parties relating to certain expenditure for decommissioning or certain expenditure that has not been allocated to an income year when petroleum mining operations permanently cease.

Clauses 114 and 115 amend sections MX 1 and MX 4, as a remedial matter, to correct formatting faults.

Clause 116 amends section OA 2, which relates to memorandum accounts, to clarify that the section applies for a tax year and for each subsequent tax year.

Clause 117 amends section OA 7, which relates to opening balances of memorandum accounts. The amendment clarifies the treatment of an amount of a credit or debit that forms part of an opening balance. It also clarifies the treatment of existing credits

when companies form an imputation group, or consolidated imputation group, or become associated with imputation groups.

Clauses 118 and 119 amend sections OP 3 and OP 4 to clarify how an opening balance of an imputation credit account is determined.

Clause 120 amends section OP 22, which relates to a consolidated ICA group company's credit, to clarify the limit of an amount of a credit for a group company.

Clause 121 provides a table setting out the tables of credits and debits from which rows are repealed following the amendments proposed related to opening balances of memorandum accounts.

Clause 122 amends section RA 11, which relates to adjustments to correct underpayment errors, to provide a threshold for underpayments of RWT and NRWT in relation to which a person may make an adjustment in the tax year after the year in which the error was made. The adjustment is treated as made on the due date for the amount of tax and a requirement to notify the Commissioner of an adjustment that falls within the threshold amount is added.

Clause 123 amends section RA 12, which relates to adjustments to correct overpayment errors, to replace references to repealed provisions, include the new investment income information requirements, and to add a requirement for notification to the Commissioner and the payee.

Clause 124 amends section RA 15, which provides payment dates for interim and other tax payments, to clarify the treatment of discrepancies in investment income information.

Clauses 125 and 126 amend sections RA 16 and RA 17, which relate to payment dates, to remove references to the repealed RWT exemption certificate.

Clause 127 amends section RC 3 to delete a reference to a certificate as a consequence of the introduction of the new employment income information provisions.

Clause 128 amends section RC 19, as a remedial matter, to correct a fault in expression.

Clause 129 amends section RD 2, which lists the PAYE rules, to update cross-references related to the repeal of the provisions for listed PAYE intermediaries and to the new employment income information and tax code provisions.

Clause 130 replaces section RD 4, which relates to the payment of amounts of tax to the Commissioner, to include all the provisions relating to the payment of amounts of tax for PAYE income payments, separating the payment requirements from the new information requirements in replaced section RD 22.

Clause 131 amends section RD 6 as a consequence of the introduction of the new employee share scheme rules.

Clause 132 amends section RD 6, from 1 April 2019, to provide for the new reporting requirements for benefits under employee share schemes.

Clause 133 amends section RD 7 as a consequence of the introduction of the new employee share scheme rules.

Clause 134 amends section RD 7, from 1 April 2018, to remove a redundant threshold relating to the tax treatment of a retrospective increase in salary or wages.

Clause 135 amends section RD 7B as a consequence of the introduction of the new employee share scheme rules.

Clause 136 amends section RD 7B, from 1 April 2019, to provide for the new reporting requirements for benefits under employee share schemes.

Clause 137 amends section RD 8 to update a cross-reference related to the replacement of certain provisions for tax codes and tax rates.

Clause 138 amends section RD 10 to clarify the rate at which an extra pay for a non-resident seasonal worker is taxed and the rate of tax for an extra pay when an employee has not notified their employer of their tax code.

Clause 139 amends section RD 10B consequentially to take account of the replacement provisions for the rates of tax on schedular payments and the requirements for persons who make schedular payments.

Clause 140 inserts *new section RD 10C* to provide for the calculation of amounts of tax for PAYE income payments following changes to tax rates or thresholds in the Income Tax Act 2007 or the Tax Administration Act 1994.

Clause 141 replaces section RD 12, which provides the tax treatment of multiple payments of salary or wages, to provide that the payments are treated as 1 payment made by the employer for the week.

Clause 142 replaces section RD 13 to provide a new option for the tax treatment of advance payments of salary or wages, or holiday pay. The employer may choose to treat the payment either as a lump sum spread over pay periods or as an extra pay.

Clause 143 amends section RD 13B as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule.

Clause 144 repeals section RD 14, which provides how to determine the amount of tax for a payment of salary or wages when there is a change to tax rates. The section is replaced by *new section RD 10C*.

Clause 145 amends section RD 17 to exclude non-resident seasonal workers and employees who have not notified their employer of their tax code from the ambit of the section.

Clause 146 amends section RD 18 to update a cross-reference related to the reorganised tax code and tax rate provisions.

Clause 147 amends section RD 21 to update cross-references as a consequence of the introduction of the new rules for employment income information.

Clause 148 replaces section RD 22 in relation to the reporting of employment income information and to separate the payment requirements from the reporting requirements.

Clauses 149 and 150 amend sections RD 23 and RD 24 to update the terminology and cross-references as a consequence of the introduction of the new rules for employment income information.

Clause 151 amends section RD 64 to update cross-references for the repeal of the provisions related to listed PAYE intermediaries.

Clause 152 inserts *new section RD 67B* to provide for the calculation of amounts of tax for employers' superannuation cash contributions following changes to tax rates or thresholds in the Income Tax Act 2007 or the Tax Administration Act 1994.

Clauses 153 to 158 amend sections RE 2, RE 4, RE 5, RE 7, RE 8, and RE 10 to remove references to the repealed RWT exemption certificate. In section RE 5, a remedial requirement is inserted to provide that no obligation arises under the section in relation to non-cash dividends. In section RE 10, an adjustment is also made to correct a numerical lapse.

Clause 159 amends section RE 14 to include a reference to a dividend under *new section RE 14B* for non-cash dividends distributed through intermediaries.

Clause 160 inserts *new section RE 14B* to clarify the treatment of non-cash dividends that are distributed through intermediaries in the same income year in which the dividend is derived.

Clause 161 amends a cross-heading and section RE 27 to update the section in relation to the repeal of the RWT exemption certificate, and to add a notification requirement for persons with RWT-exempt status.

Clause 162 amends section RE 28 to remove references to the repealed RWT exemption certificate.

Clause 163 replaces section RE 29 to provide that a person may establish that another person has RWT-exempt status by a search of a database provided by the Commissioner.

Clause 164 amends section RE 30 to remove references to the repealed RWT exemption certificate.

Clause 165 amends section RL 4 to update a reference to a *licensed non-bank deposit taker*, which is defined in section YA 1.

Clause 166 amends section RM 8 to update the terminology and cross-references as a consequence of the introduction of the new rules for investment income information.

Clause 167 amends section RP 2 to update the terminology for the repeal of the provisions related to listed PAYE intermediaries.

Clause 168 repeals sections RP 3, RP 4, and RP 5 as part of the repeal of the provisions related to listed PAYE intermediaries.

Clause 169 replaces section RP 8 to remove references to record-keeping which have been reorganised with the new rules for employment income information, and to retain the requirement that an employer must provide the information sought by a PAYE intermediary in the time agreed by them.

Clause 170 amends section RP 14 to update the terminology and cross-references as a consequence of the introduction of the new rules for employment income information.

Clause 171 inserts *new section RZ 13* to provide a transitional provision for the repeal of the provisions related to listed PAYE intermediaries.

Clause 172 amends section YA 1.

Subclause (2) amends the definition of *asset* for a new definition in section HR 12, which relates to the treatment of tax exempt accumulations by non-exempt charities.

Subclause (3) inserts a new definition of *ASX-listed Australian company* by cross-reference to *new section ED 2B*.

Subclause (4) amends the definition of *charitable purpose*, as a remedial matter, to clarify the language.

Subclause (5) amends the definition of *company* to clarify that, in most cases, the term does not include a company that is acting in the capacity of trustee. A slight change to the wording of paragraph (c) of the definition, which concerns group investment funds, is made and a reference to the definition of *company* for the purposes of section HD 15 is also inserted.

Subclause (6) amends the definition of *company dividend statement* to update a cross-reference to the new investment income information provisions.

Subclause (7) repeals the reference to *conduct*, a redundant term which is defined in section IZ 1, a provision concerning specified activity net losses, that is being repealed.

Subclause (8) inserts a definition of *decommissioning*, which replaces the repealed definition of *removal or restoration operations*, as a result of changes to the tax rules for petroleum mining.

Subclause (9) amends the definition of *dispose* as a consequence of the introduction of the new employee share scheme rules.

Subclause (10) amends the definition of *distinctive work clothing* to remove an incorrect cross-reference.

Subclause (11) amends the definition of *dwelling*, as a remedial matter, to correct the punctuation.

Subclause (12) amends the definition of *employee* as a consequence of the introduction of the new share purchase scheme exemption.

Subclause (13) inserts definitions of *employee share scheme* and *employee share scheme beneficiary* as a consequence of the introduction of the new employee share scheme rules.

Subclause (14) repeals the definition of *employer monthly schedule* as a consequence of the introduction of the new rules for employment income information.

Subclause (15) inserts a reference to the new definition of *employer's workplace* in relation to the provision for payments for certain work-related meals.

Subclause (16) repeals the definition of *employing company* as a consequence of the introduction of the new share purchase scheme exemption.

Subclause (17) inserts a reference to the new definition of *employment income information* as a consequence of the introduction of the new rules for employment income information.

Subclause (18) replaces the definition of *end date* to take account of a reference to a new definition in section HR 12, which relates to the treatment of tax-exempt accumulations by non-exempt charities.

Subclause (19) inserts a reference to the new definition of *ESS deferral date* which relates to the reporting of benefits under employee share schemes.

Subclause (20) repeals the reference to *established activity*, a redundant term which is defined in section IZ 1, a provision concerning specified activity net losses, that is being repealed.

Subclause (21) amends the definition of *exempt interest* as a consequence of the introduction of the new rules for investment income information, and the creation of a database of persons with RWT-exempt status.

Subclause (22) repeals the definition of *exemption certificate* as a consequence of the introduction of the new rules for employment income information.

Subclause (23) repeals the reference to *existing farmer*, a redundant term which is defined in section IZ 1, a provision concerning specified activity net losses, that is being repealed.

Subclause (24) inserts a new definition of *farm-in party*, which is used in the tax rules for petroleum mining.

Subclause (25) replaces the definition of *formation loss* as part of the remedial amendments relating to PIEs.

Subclause (26) amends the definition of *goods*, as a remedial matter, for grammatical accuracy.

Subclause (27) amends the definition of *high-priced livestock*, as a remedial matter, for grammatical accuracy.

Subclause (28) repeals the reference to *income from personal exertion*, a redundant term which is defined in section IZ 1, a provision concerning specified activity net losses, that is being repealed.

Subclause (29) repeals paragraph (e) of the definition of *land*, a redundant provision which refers to a definition in section IZ 1, a provision concerning specified activity net losses, that is being repealed.

Subclause (30) replaces the definition of *liabilities* for a new definition in section HR 12, which relates to the treatment of tax exempt accumulations by non-exempt charities.

Subclause (31) inserts a new definition of *licensed non-bank deposit taker*, a term defined by reference to the Non-Bank Deposit Takers Act 2013, which is used in section RL 4 and *new section HD 17B*.

Subclause (32) repeals the definition of *listed PAYE intermediary* as part of the repeal of the provisions related to listed PAYE intermediaries.

Subclause (33) inserts a new definition of *Lloyd's of London*, which is used in *new sections CR 3B, DW 3B, HD 17B, HR 13, and YD 8B, schedule 1, part A, clause 11*, and other tax rules relating to the life insurance business of Lloyd's of London.

Subclause (34) amends the definition of *member* to remove references to the repealed RWT exemption certificate.

Subclause (35) replaces the definition of *natural person* to clarify that the term, in most cases, does not include a natural person who is acting in the capacity of trustee.

Subclause (36) amends the definition of *net assets* consequentially to update a section reference.

Subclause (37) replaces the definition of *normal retiring age* as a consequence of the introduction of the new share purchase scheme exemption.

Subclause (38) amends the definition of *offered or was offered or entered into* to insert a reference to *new sections CR 3B and YD 8B* where the defined term is used. The amendment is a result of the introduction of new tax rules relating to the life insurance business of Lloyd's of London.

Subclause (39) amends the definition of *pay* consequentially to update a cross-reference.

Subclause (40) inserts a reference to the new definition of *payday* as a consequence of the introduction of the new rules for employment income information.

Subclause (41) repeals the definitions of *PAYE income payment form* and *PAYE income payment form period* as a consequence of the introduction of the new rules for employment income information.

Subclause (42) amends the definition of *PAYE intermediary* consequentially to remove a cross-reference.

Subclause (43) repeals the definition of *period of restriction* as a consequence of the introduction of the new share purchase scheme exemption.

Subclause (44) amends the definition of *petroleum development expenditure* to exclude from the definition expenditure that relates to an amount for which a deduction is allowed under *new section DT 7B*.

Subclause (45) repeals the definition of *petroleum mining company*, which is referred to in sections IA 7(8), IS 5, IZ 2, and IZ 3 that are to be repealed.

Subclause (46) amends the definition of *profit distribution plan* as a consequence of the introduction of the new employee share scheme rules.

Subclause (47) replaces the definition of *refundable tax credit* to include within the definition a tax credit under *new subpart LT*. The amendment is a result of changes to the tax rules for petroleum mining.

Subclause (48) repeals the reference to *related activity*, a redundant term which is defined in section IZ 1, a provision concerning specified activity net losses, that is being repealed.

Subclause (49) repeals the definition of *removal or restoration operations*, which has been replaced by the new definition of *decommissioning*. The repeal is a result of changes to the tax rules for petroleum mining.

Subclause (50) inserts a new definition of *replacement employee share scheme* as a consequence of the introduction of the new employee share scheme rules.

Subclause (51) inserts a new definition of *RWT-exempt status* as a consequence of the removal of the RWT exemption certificate.

Subclause (52) repeals the definition of *RWT exemption certificate* as a consequence of the changes to the provisions relating to investment income information.

Subclause (53) amends the definition of *RWT withholding certificate* consequentially to update a cross-reference.

Subclause (54) amends the definition of *savings product policy*, as a remedial matter, for grammatical accuracy.

Subclause (55) amends the definition of *schedular income* to include within the definition income of Lloyd's of London under *new section CR 3B*.

Subclause (56) amends the definition of *settlement of relationship property*, as a remedial matter, to improve readability.

Subclause (57) amends the definition of *share* by repealing paragraph (f), as a consequence of the introduction of the new employee share scheme rules.

Subclause (58) amends the definition of *share* by replacing paragraph (g), as a consequence of the introduction of the new share purchase scheme exemption.

Subclause (59) repeals the definition of *share purchase agreement* as a consequence of the introduction of the new employee share scheme rules.

Subclause (60) replaces the definition of *share purchase scheme* as a consequence of the introduction of the new share purchase scheme exemption.

Subclause (61) inserts a new definition of *share scheme taxing date* as a consequence of the introduction of the new employee share scheme rules.

Subclause (62) replaces the definition of *shareholder-employee* as a consequence of the introduction of the new employee share scheme rules.

Subclause (63) repeals the definitions of *specified activity*, *specified activity net income*, and *specified activity net loss*, redundant terms defined in section IZ 1, a provision concerning specified activity net losses, that is being repealed.

Subclause (64) repeals the definition of *subsidy claim form* as part of the repeal of the provisions related to listed PAYE intermediaries.

Subclause (65) amends the definition of *tax file number* as a consequence of the removal of the RWT exemption certificate.

Subclause (66) amends the definition of *time bar*, as a remedial matter, to update cross-references.

Subclause (67) amends the definition of *trustee* as a consequence of the introduction of the new share purchase scheme exemption.

Subclause (68) inserts a new definition of *unused specified activity net loss*, which is used in the amendments to sections IA 2, IA 4, and IA 9.

Clause 173 inserts *new section YA 5* to clarify that a person who is acting as a trustee of a trust is acting in capacity that is separate from their other capacities.

Clause 174 amends section YC 4, as a remedial matter, for grammatical accuracy.

Clause 175 amends section YD 1 to clarify that the test for residence in the section applies to trustees who are natural persons, a change that is consequential to the amendments to the definition of *natural person*, which now does not include a natural person who is acting as a trustee.

Clause 176 amends section YD 2 to clarify that the test for residence in the section which applies to companies also applies to trustees that are companies, a change that is consequential to the amendments to the definition of *company*, which now does not include a company that is acting as a trustee.

Clause 177 amends the compare note to section YD 4, as a remedial matter, for accuracy.

Clause 178 amends section YD 6 to insert a requirement for a reduction by the Commissioner that the amount is exempt from, or not liable to, income tax in the other country. The omission of the phrase “or not liable to” was made during the rewriting of the legislation in 2007.

Clause 179 inserts *new section YD 8B*, which provides that 10% of the gross premium from the life insurance policies of Lloyd’s of London has a source in New Zealand.

Clause 180 amends schedule 1 to provide the basic rate of income tax for Lloyd’s of London for income under *new section CR 3B*, and to provide for rates for non-notification of tax file numbers and tax codes, and to update cross-references.

Clause 181 amends schedule 2 to provide tax rates for non-resident seasonal workers, and for employees who have not notified their employers of their tax code, and consequentially to update cross-references.

Clause 182 amends schedule 25 by inserting a cross-reference to *new section ED 2B* in the list of empowering provisions.

Clause 183 amends schedule 32 to insert entities into the list of recipients of charitable and other public benefit gifts.

Clause 184 amends schedule 36 to insert entities into the list of government enterprises.

Clause 185 enacts a schedule of consequential amendments to the Income Tax Act 2007 relating to changes to the definitions of *natural person* and *company*, which now do not include a person who is acting as a trustee.

Part 3

Amendments to Tax Administration Act 1994

Clause 186 sets out the clauses that affect the Tax Administration Act 1994.

Clause 187 amends section 3.

Subclause (2) repeals the definition of *dividend treated as interest* to avoid duplication.

Subclause (3) amends the definition of *employee* consequentially to update a cross-reference.

Subclause (4) inserts a definition of *employment income information* as a consequence of the introduction of the new rules for employment income information.

Subclause (5) inserts a new definition of *ESS deferral date* as a consequence of the introduction of the new rules for employment income information relating to benefits under employee share schemes.

Subclause (6) amends the definition of *exempt person*, as a remedial matter, to correct a cross-reference.

Subclause (7) repeals the definition of *exempt person* as a consequence of the introduction of the new rules for investment income information.

Subclause (8) amends the definition of *gift-exempt body* as a consequence of the removal of the RWT exemption certificate.

Subclause (9) inserts new definitions of *investment income* and *investment income information* as a consequence of the introduction of the new rules for investment income information.

Subclause (10) inserts a new definition of *natural person*, which aligns with the new definition of *natural person* in the Income Tax Act 2007, which now does not include a natural person who is acting as a trustee. However, the term *natural person* is defined to include a natural person who is acting in the capacity of trustee for the purposes of the definition of *qualifying resident foreign resident trustee* and in sections 177 and 177A.

Subclause (11) repeals the definition of *non-exempt person* as a consequence of the introduction of the new rules for investment income information.

Subclause (12) inserts a new definition of *payday* as a consequence of the introduction of the new rules for employment income information.

Subclause (13) amends the definition of *payment* as a consequence of the introduction of the new rules for employment income information.

Subclause (14) inserts a new definition of *payroll software* as a consequence of the introduction of the new rules for employment income information.

Subclause (15) repeals the definition of *reconciliation statement* as a consequence of the introduction of the new rules for investment income information.

Subclause (16) amends the definition of *record* consequentially to update a cross-reference.

Subclause (17) amends the definition of *record holder* consequentially to remove a cross-reference to a repealed section.

Subclause (18) replaces the definition of *registered person* to ensure the general application of the definition for the purposes of the Act.

Subclause (19) amends the definition of *responsible department* consequentially to update a cross-reference.

Subclause (20) repeals the definition of *RWT exemption certificate* as a consequence of the introduction of the new rules for investment income information.

Subclause (21) repeals the definitions of *special tax code certificate* and *special tax code notification* as a consequence of the introduction of the new rules for employment income information.

Subclause (22) amends the definition of *tax* to repeal a paragraph relating to subsidies payable to listed PAYE intermediaries as part of the repeal of the provisions related to listed PAYE intermediaries.

Subclause (23) inserts a new definition of *tax code* as a consequence of the introduction of the new rules for employment income information.

Subclause (24) repeals the definitions of *tax code certificate* and *tax code notification* as a consequence of the introduction of the new rules for employment income information.

Subclause (25) amends the definition of *tax position* to repeal a paragraph relating to subsidies payable to listed PAYE intermediaries as part of the repeal of the provisions related to listed PAYE intermediaries.

Subclause (26) replaces the definition of *tax shortfall*, to provide that an employer has a penalty for failing to correctly report employee share scheme amounts, calculated by reference to the shortfall that they failed to report.

Clause 188 amends section 15C to remove a reference to listed PAYE intermediaries in the heading and to repeal subsection (2) as part of the repeal of the provisions related to listed PAYE intermediaries.

Clause 189 amends section 15F, as a remedial matter, for grammatical accuracy.

Clause 190 repeals sections 15G, 15H, and 15I as part of the repeal of the provisions related to listed PAYE intermediaries.

Clause 191 amends section 15J, repealing subsection (4), as part of the repeal of the provisions related to listed PAYE intermediaries.

Clause 192 amends section 15L to update the terminology as a consequence of the introduction of new rules for employment income information.

Clause 193 repeals section 15M as part of the repeal of the provisions related to listed PAYE intermediaries.

Clauses 194 and 195 insert *new subpart headings* to bring some order to the list of provisions in Part 3.

Clause 196 amends section 22 consequentially to update a cross-reference.

Clause 197 inserts *new section 22AA*, which provides record-keeping requirements for employment income and replaces existing section 24.

Clause 198 inserts *new section 22AAB*, which provides record-keeping requirements for investment income that is resident passive income and replaces existing section 26.

Clause 199 amends section 23 to clarify the records that the section does not require to be kept for employment income purposes.

Clause 200 inserts *new subpart 3C*, which contains the requirements for employment income information. The provisions establish what is meant by employment income information for reporting purposes, when and how it must be provided to the Commissioner, and the information that must be provided for new and departing employees. The subpart also provides for the correction of errors, the setting of electronic and non-electronic filing requirements, and payroll software.

Clause 201 repeals a cross-heading and section 24. *Clause 196* inserts an amended version of that provision in a more appropriate location in the Act as *new section 22AA*. The amendment is made as a consequence of the introduction of the new rules for employment income information.

Clause 202 repeals a cross-heading and section 24BA. *Clause 243* inserts an amended version of that provision in a more appropriate location in the Act as *new section 55B*.

Clause 203 amends section 24B by removing a cross-reference to repealed section 24BA and inserting *new subsection (3C)*, which corresponds to former section 24BA(1D).

Clause 204 inserts *new subpart 3D* replacing sections 24B to 24IB. The subpart contains the rules for tax codes and schedular tax rates. The provisions define what is meant by tax code, and provide for notified codes, codes provided by the Commissioner for certain income, and for non-notified codes. The rates of tax for schedular payments are set out as standard rates, elected rates, and rates set by the Commissioner, and special tax rates.

Clause 205 repeals a cross-heading and section 24J as a consequence of the introduction of new rules for employment income information.

Clause 206 amends section 24K by renumbering the section, placing it in a more appropriate location. It also updates a cross-reference as a consequence of the changes brought about by the new investment income information provisions.

Clause 207 repeals sections 24L, 24M, 24N, and 24P as a consequence of the changes brought about by the new employment income information provisions.

Clause 208 amends a cross-heading and section 24Q by renumbering the section, placing it in a more appropriate location.

Clause 209 inserts a *new subpart heading* to bring some order to the list of provisions in Part 3.

Clause 210 amends section 25A by renumbering the section, placing it in a more appropriate location.

Clause 211 amends section 25 by renumbering the section, placing it in a more appropriate location. It also amends the section to take account of the new rules for investment income information, the replacement of the RWT exemption certificate, and the requirement to provide tax file numbers.

Clause 212 inserts *new subpart 3E* containing *new sections 25B to 25S* for investment income information. The provisions establish what is meant for reporting purposes by investment income and investment income information, who is required to provide the information and how it must be provided. The amendments detail what information is required in relation to income types and by certain persons. Provisions are also inserted for the correction of errors and what information may be filed in non-electronic form.

Clause 213 repeals section 26, whose content related to the records to be kept for RWT purposes has been moved to *new section 22AAB*. The amendment is made as a consequence of the introduction of the new rules for investment income information.

Clause 214 amends section 27 as a consequence of the introduction of the new rules for investment income information and the replacement of the RWT exemption certificate.

Clause 215 replaces section 28B. The amendment excludes non-residents from the requirement to notify a PIE of their tax file number.

Clause 216 inserts *new subpart heading* to bring some order to the list of provisions in Part 3.

Clause 217 amends section 31B to extend the notification requirements for certain multi-rate PIEs.

Clause 218 amends section 32E to take account of the new rules for investment income information and the replacement of the RWT exemption certificate. The amendments include a remedial amendment to include a reference to section CW 64 related to exemptions under other Acts.

Clause 219 amends section 32G to take account of the new rules for investment income information and the replacement of the RWT exemption certificate. The provision requires a person with RWT-exempt status to provide evidence to the Commissioner annually to confirm their eligibility for that status.

Clause 220 replaces section 32H to take account of the new rules for investment income information and the replacement of the RWT exemption certificate. The new

provision requires the Commissioner to add the name of a person with RWT exempt status to an electronic register.

Clause 221 amends section 32I to take account of the new rules for investment income information and the replacement of the RWT exemption certificate. The provision concerns persons who have RWT-exempt status despite not meeting the requirements.

Clause 222 replaces section 32J to take account of the new rules for investment income information and the replacement of the RWT exemption certificate. The provision concerns unincorporated bodies that have RWT-exempt status.

Clause 223 amends section 32K to take account of the new rules for investment income information and the replacement of the RWT exemption certificate. The provision concerns the failure to meet the requirements for RWT-exempt status.

Clause 224 replaces section 32L to take account of the new rules for investment income information and the replacement of the RWT exemption certificate. The provision concerns revocation of RWT-exempt status.

Clause 225 inserts a *new subpart heading* to bring some order to the list of provisions in Part 3. It also amends section 33 for returns of income made by trustees to whom section HC 2 of the Income Tax Act 2007 applies to clarify the position for trusts.

Clause 226 amends section 33AA to update cross-references to take account of the new rules for investment income information and the replacement of the RWT exemption certificate.

Clause 227 amends section 36 to repeal the reference to registered persons. An amendment is also proposed to insert a general definition of *registered person* for the purposes of the Act, see *clause 186(18)*.

Clause 228 repeals section 36A relating to the electronic format of the employer monthly schedule and the PAYE income payment form. The amendment is made as a consequence of the introduction of the new rules for employment income information.

Clause 229 repeals section 36AB relating to the electronic return requirements for multi-rate PIEs. The content of this section has been moved to section 57B.

Clause 230 repeals section 36B relating to the electronic format of the employer monthly schedule and the PAYE income payment form. The amendment is made as a consequence of the introduction of the new rules for employment income information.

Clause 231 inserts *new section 36BD* to provide the electronic filing requirements for registered persons, with a threshold to be set by Order in Council.

Clause 232 amends section 36C consequentially to include a cross-reference to *new section 36BD*.

Clause 233 repeals sections 36CA, 36D, and 36E, from 1 April 2019. The content is now included in the employment income information provisions in *new subpart 3C*.

Clause 234 inserts a *new cross-heading* to provide some order to the list of provisions in Part 3.

Clause 235 amends section 46 as a consequence of the introduction of the new employee share scheme rules.

Clause 236 repeals section 46, from 1 April 2019. The section provides for employer's returns in relation to their employees. The rules are contained in the employment income information provisions in *new subpart 3C*.

Clause 237 amends section 47 to take account of the new rules for employment income information in *new subpart 3C*. The section provides for ESCT statements provided by employers.

Clause 238 repeals section 48, which contains special arrangements for the supply of information by an employer. The rules are moved to the employment income information provisions in *new subpart 3C*.

Clause 239 amends section 49 to replace certain filing dates for NRWT withholding certificates and annual reconciliations from 1 April 2018. The date changes from 30 May to 15 May, and is made as part of the new rules for investment income information.

Clause 240 repeals sections 49 and 50, from 1 April 2020 when the new rules for investment income information in *new subpart 3E* take effect.

Clause 241 amends section 51, which relates to RWT withholding reconciliation statements, to provide a date by which the person must provide the information. The amendment which is related to the new rules for investment income information, applies from 1 April 2018.

Clause 242 repeals sections 51 to 54, from 1 April 2020, as the content is included in the new investment income information provisions in *new subpart 3E*.

Clause 243 amends section 55 consequentially to update cross-references to the new investment income information provisions in *new subpart 3E*.

Clause 244 inserts *new section 55B*, which is an amended version of repealed section 24BA. *Subsection (1)(b)* provides the Commissioner with a discretion to issue a tax file number to an offshore person who does not provide a current bank account number. The Commissioner must be satisfied that the information available provides equivalent assurance concerning the offshore person's identity and background. The new section does not include former section 24BA(1D), which is inserted as section 24B(3C) by *clause 203*.

Clause 245 amends section 57 to provide a signpost to the new investment income provisions under which a Maori authority must deliver information to the Commissioner.

Clause 246 amends section 57B by removing the information requirements that are contained in the new investment income information in *new subpart 3E*. The provision relates to the requirements placed on PIEs to provide returns and to pay their tax

liability for investors. An amendment also provides for the Commissioner to prescribe the forms in which a return must be filed.

Clause 247 amends section 61 to update cross-references as a consequence of the introduction of the new rules for investment income information.

Clause 248 inserts *new section 63B*, to provide appropriate disclosure requirements for the new share purchase scheme exemption.

Clause 249 repeals section 67 relating to company dividend statements when ICA companies declare dividends. The content is now included in the new rules for investment income information in *new subpart 3E*.

Clause 250 amends section 68 to update a cross-reference as a consequence of the introduction of the new investment income information provisions.

Clause 251 repeals section 68B, which relates to the distribution statements required for Maori authority distributions. The content is now included in the new rules for investment income information in *new subpart 3E*.

Clause 252 amends section 70, as a remedial matter, to correct a defined term.

Clause 253 amends section 74, as a remedial matter, to improve grammatical accuracy.

Clause 254 amends section 80A, as a remedial matter, to correct a cross-reference.

Clause 255 amends section 80D as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule.

Clause 256 amends section 80F consequentially to update a cross-reference.

Clause 257 amends section 80KT as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule.

Clause 258 amends section 85, as a remedial matter, to improve grammatical accuracy.

Clause 259 amends section 85H, as a remedial matter, to correct a defined term.

Clause 260 amends section 91AAQ to delete references to 30 June 2009 relating to the ability of an active insurance business CFC to qualify for an active income exemption determination. The amendment provides that the determination facility is no longer a transitional measure by removing the requirement that the CFC must have been controlled by a New Zealand resident and had the insurance business in the country before and after that date.

Clause 261 amends section 91FD, as a remedial matter, to improve grammatical accuracy.

Clause 262 amends section 110 consequentially to update a cross-references.

Clause 263 amends section 120C in relation to the definition of *date interest starts*, as a consequence of the amendment to section 173L to alter the time that a credit arises

for GST purposes. The number of working days after the return is filed is reduced from 15 to 10.

Clause 264 amends section 120KE. *Subclause (1)* amends section 120KE(1)(a), as a consequence of changes to the definition of *natural person*, which now does not include a person who is acting as a trustee. *Subclause (2)* replaces section 120KE(1)(e), as a consequence of the introduction of the new rules for investment income information and the repeal of the RWT exemption certificate.

Clause 265 inserts *new section 120X* to provide that, for the purposes of calculating use of money interest, an amount allocated under section EJ 14 to an earlier tax year does not reduce the taxpayer's tax payable for that year.

Clause 266 repeals section 120X to reflect the repeal of section EJ 14.

Clause 267 amends section 125 to update cross-references as a consequence of the introduction of the new employment income information provisions.

Clause 268 amends section 139A, from 1 April 2019, as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule. The section provides a late filing penalty for certain returns.

Clause 269 amends section 139AA, which relates to the non-electronic filing penalty. The amendments relate to the new rules for employment income information and investment income information, and the changes made for registered persons.

Clause 270 amends section 141AA as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule in relation to shortfall penalties for non-resident contractors.

Clause 271 amends section 141ED, which relates to the penalty for not paying an employer monthly schedule amount. The penalty is renamed the employers' withholding payment penalty and other changes are made as a consequence of the new rules for employment income information.

Clause 272 amends section 142, which sets the due dates for the payment of late filing penalties. The amendments are a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule.

Clause 273 amends section 142A, which sets a new due date for a payment of tax that is not a penalty. Different due dates apply for an electronic default assessment and a non-electronic default assessment and the amendment limits the application of the current rule to a period that ends on a date set by Order in Council for the last tax type to which the section applies. *New section 142AB* aligns the treatment.

Clause 274 inserts *new section 142AB* to set a new due date for new and increased assessments. The treatment of all default assessments is changed so that subsequent reassessment resulting in an increase when the return is filed is treated as due at the original due date. Because this is the correct outcome once a tax type has been migra-

ted to the new software system, the application of the section to particular tax types is to be brought in by Order in Council.

Clause 275 replaces section 142G, which provides the due date for payment of non-electronic filing penalties as a consequence of the introduction of the new rules for employment income information in *new subpart 3C*, investment income information in *new subpart 3E*, and for GST purposes.

Clause 276 amends section 173L. The section provides for the transfer of excess tax within a taxpayer's accounts and the amendment proposes to take account of taxpayers who file GST returns early or late, setting out the date on which the credit arises.

Clause 277 amends section 183A as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule. The section relates to remission of certain penalties.

Clause 278 amends section 183D as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule. The section relates to remission consistent with collection of highest net revenue over time.

Clause 279 amends section 183F as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule. The section relates to small amounts of penalties and interest.

Clause 280 amends section 185 consequentially by removing a reference to repealed section RP 4 of the Income Tax Act 2007, see *clause 168*.

Clause 281 repeals sections 185C and 185D as a consequence of the repeal of the provisions related to listed PAYE intermediaries.

Clause 282 inserts *new sections 227C and 227D* as transitional measures for the application of the new employment income information provisions. The provisions allow employers to use the new provisions for the delivery of the information for the year before the commencement date subject to certain restrictions. The provisions also extend the transitional year for obligations arising in the last month, with an exception for information on benefits under employee share schemes.

Clause 283 inserts *new section 227E* as a transitional measure for the application of the new investment income information provisions. The section allows persons who pay investment income to use the new provisions for the delivery of information in the year before commencement date.

Clause 284 inserts a schedule containing *4 new schedules* related to record-keeping requirements, reporting of employment income information, codes and rates, and reporting of investment income information.

Part 4 Amendments to other enactments

KiwiSaver Act 2006

Clause 285 sets out the clauses that amend the KiwiSaver Act 2006.

Clause 286 amends section 4 to repeal the definitions of *employer monthly schedule*, *KiwiSaver deduction notice*, and *remittance certificate* and to insert a definition of *employment income information*.

Clause 287 amends section 17 as a consequence of the introduction of the new rules for employment income information.

Clause 288 amends section 22 as a consequence of the removal of the KiwiSaver deduction notice. The section relates to employees giving information to their employer.

Clause 289 amends section 23 as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule.

Clause 290 amends section 34 as a consequence of the introduction of the new rules for employment income information, the replacement of the employer monthly schedule and the removal of the KiwiSaver deduction notice. The section provides for certain persons to opt in to KiwiSaver.

Clause 291 amends section 42 as a consequence of the removal of the KiwiSaver deduction notice. The section relates to employer's information packs.

Clause 292 amends section 60 concerning the application of the subpart as a consequence of the removal of the KiwiSaver deduction notice.

Clause 293 amends section 64 to take into account a change to a tax rate or threshold that affects the calculation of employee KiwiSaver contributions.

Clause 294 amends section 67 consequentially to update cross-references.

Clause 295 amends section 73 as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule. The section provides for deductions to be entered in and paid out of holding accounts.

Clause 296 amends section 93 as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule and PAYE income payment form. The section provides for employers' contributions paid via the Commissioner.

Clause 297 replaces section 97, which provides that the Commissioner must give notice if employer contributions are not remitted. The amendments are made as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule.

Clause 298 amends section 98, which relates to short payments by employers, as a consequence of the introduction of the new rules for employment income informa-

tion, the replacement of the employer monthly schedule, and the removal of the remittance certificate.

Clause 299 amends section 98A, which relates to the quantifying of short payments, as a consequence of the introduction of the new rules for employment income information and the replacement of the employer monthly schedule and PAYE income payment form.

Clause 300 amends section 99, which relates to short payments if insufficient employer contributions are remitted, as a consequence of the introduction of the new rules for employment income information, the replacement of the employer monthly schedule, and the removal of the remittance certificate.

Clause 301 amends section 101D, which provides the general rule for compulsory employer contributions to amend the CEC rate.

Student Loan Scheme Act 2011

Clause 302 sets out the clauses that amend the Student Loan Scheme Act 2011.

Clause 303 amends section 34 to update a cross-reference.

Clause 304 amends section 37 relating to deduction rates to take into account a change to a rate that affects the amount of a deduction from employment earnings.

Clause 305 amends section 202 to update a cross-reference.

Clause 306 amends schedule 2 to update a cross-reference.

Goods and Services Tax Act 1985

Clause 307 sets out the clauses that amend the Goods and Services Tax Act 1985.

Clause 308 amends section 2 by inserting references to the new definitions of *Pharmac*, *Pharmac agreement*, and *pharmaceutical*, which are used in *new section 25(1B)*.

Clause 309 amends section 2A, which defines which persons are associated, to provide that a trustee and a person with the power to appoint or remove that trustee are associated.

Clause 310 amends section 25 to ensure that certain rebates to Pharmac do not require credit notes to be issued.

Clause 311 amends section 53, as a remedial matter, to correct a cross-reference.

Child Support Act 1991

Clause 312 sets out the clauses that amend the Child Support Act 1991.

Clause 313 amends section 89D, by replacing subsection (1)(a), so that income earned from employment under section 66 of the Corrections Act 2004 does not affect a person's eligibility for exemption from the payment of financial support.

Clause 314 amends section 89F, consistently with the amendment to section 89D.

Accident Compensation Act 2001

Clause 315 amends schedule 4, clause 9 of the Accident Compensation Act 2001 to update cross-references.

Income Tax Act 2004

Clause 316 amends section EA 2 of the Income Tax Act 2004 to insert cross-references and, as a remedial matter, replaces section EA 2(1)(f) for consistency.

Regulations and notices

Clause 317 revokes the Income Tax (Payroll Subsidy) Regulations 2006 as a consequence of the repeal of the provisions related to listed PAYE intermediaries.

Clause 318 amends the Anti-Money Laundering and Countering Financing of Terrorism (Class Exemptions) Notice 2014 as a consequence of the repeal of the provisions related to listed PAYE intermediaries.

Hon Judith Collins

Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Bill

Government Bill

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The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act **2017**.

2 Commencement

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- (1) This Act comes into force on the date on which it receives the Royal assent, except as provided in this section.
- (2) **Section 187(6)** is treated as coming into force on 1 April 1995.
- (3) **Section 253** is treated as coming into force on 1 April 2003.
- (4) **Section 258** is treated as coming into force on 21 December 2004. 10
- (5) **Section 316** is treated as coming into force on 1 April 2005.
- (6) **Section 259** is treated as coming into force on 26 April 2005.
- (7) **Sections 39, 40, 44, 53, 56, 65, 66, 67, 68(1) to (5), 69, 73, 75, 96, 98, 99, 116, 117, 118, 119, 120, 121, 128, 172(4), 174, 177, 178, 181(6), 189, 211(1), 218(3), 225(2), and 252** are treated as coming into force on 1 April 2008. 15
- (8) **Section 54** is treated as coming into force on 1 April 2009.
- (9) **Sections 58(2) and (3), 59, and 112** are treated as coming into force on 1 July 2009.
- (10) **Section 254** is treated as coming into force on 9 December 2009. 20
- (11) **Section 89** is treated as coming into force on 1 June 2010.
- (12) **Section 172(54)** is treated as coming into force on 1 July 2010.
- (13) **Section 261** is treated as coming into force on 7 September 2010.
- (14) **Sections 55 and 172(11) and (56)** are treated as coming into force on 1 April 2011. 25
- (15) **Sections 26 and 30** are treated as coming into force on 1 April 2012.
- (16) **Section 172(10)** is treated as coming into force on 1 July 2013.
- (17) **Section 46** is treated as coming into force on 1 April 2014.

- (18) **Sections 22, 90, 109, and 172(2), (18), (30), and (36)** are treated as coming into force on 14 April 2014.
- (19) **Sections 24, 47, 114, 115, and 172(15), (26), and (27)** are treated as coming into force on 1 April 2015.
- (20) **Section 71** is treated as coming into force on 1 October 2015. 5
- (21) **Sections 8, 29, 45(1), 63, 172(3), and 182** are treated as coming into force on 1 April 2016.
- (22) **Section 42** is treated as coming into force on the date of introduction of the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act **2017**. 10
- (23) **Sections 5, 149(2), and 181(3)** are treated as coming into force on 2 June 2016.
- (24) **Sections 16, 43, 45(2), 62, 76, 78, 91, 155(2) and (3), 159, 160, 172(31), (33), (38), and (55), 179, 180(1), 183, 260, 313, and 314** come into force on 1 April 2017. 15
- (25) **Sections 7, 10, 11, 12, 14, 15, 23, 28, 32, 41, 60, 70, 74, 131, 133, 135, 172(9), (13), (46), (50), (57), (59), (61), and (62), and 235** come into force 6 months after the date of Royal assent.
- (26) **Sections 17, 18, 19, 20, 21, 33, 34, 35, 36, 37, 38, 48, 49, 50, 51, 52, 57, 81, 85, 92, 93, 95, 97, 100, 101, 102, 103, 104, 113, 129(1), 134, 140, 142, 144, 151(1), 152, 167, 168, 171, 172(7), (8), (20), (23), (24), (28), (29), (32), (42), (44), (45), (47), (48), (49), (63), (64), and (68), 187(22) and (25), 188, 190, 191, 193, 215, 239, 241, 246(4), 266, 280, 281, 282, 293, 294(1), 301, 304, 306(1), 317, and 318** come into force on 1 April 2018. 25
- (27) **Sections 308 and 310** come into force on 1 July 2018.
- (28) **Sections 13, 94, 105, 107, 108, 110, 111, 127, 129(2), 130, 132, 136, 137, 138(3), 139, 141, 143, 145(2) and (3), 146, 147, 148, 149(1), (3), and (4), 150, 151(2), 169, 170, 172(14), (17), (19), (22), (39), (40), (41), 181(1), (2), (4), (5), and (7), 187(3), (4), (5), (12), (14), (19), (21), (23), and (24), 192, 194, 195, 196, 197, 199, 200, 201, 204, 205, 206(1), 207, 208, 209, 216, 225(1), 226(1), 228, 230, 233, 234, 236, 237, 238, 255, 257, 262, 267, 268, 269(1), (5), and (6), 270, 271, 272, 275(2), 277, 278, 279, 283, 284(1)(a) to (c), 286, 287, 288, 289, 290, 291, 292, 294(2), 295, 296, 297, 298, 299, 300, 303, 305, 306(2), and 315** come into force on 1 April 2019. 35
- (29) **Sections 72, 79, 122, 123, 124(2) and (3), 125, 126, 153, 154, 155(1) and (4), 156, 157, 158, 161, 162, 163, 164, 166, 172(6), (21), (34), (51), (52), (53), and (65), 180(2), 187(2), (7), (8), (9), (11), (13), (15), (16), (17), and (20), 198, 206(2), 210, 211(2) to (5), 212, 213, 214, 218(1) and (2), 219, 220, 221, 222, 223, 224, 226(2) and (3), 229, 240,** 40

242, 243, 245, 246(1) to (3), (5) and (6), 247, 249, 250, 251, 256, 264(2), 269(2) and (8), 275(3), and 284(1)(d) and (2) come into force on 1 April 2020.

	Part 1	
	Annual rates of income tax	5
3	Annual rates of income tax for 2017–18 tax year	
	Income tax imposed by section BB 1 (Imposition of income tax) of the Income Tax Act 2007 must, for the 2017–18 tax year, be paid at the basic rates specified in schedule 1 of that Act.	
	Part 2	10
	Amendments to Income Tax Act 2007	
4	Income Tax Act 2007	
	Part 2 amends the Income Tax Act 2007.	
5	Section BF 1 amended (Other obligations)	
	In section BF 1, in the list of defined terms, delete “withdrawal tax”.	15
6	Section CD 15 amended (Tax credits linked to dividends)	
(1)	Replace section CD 15(1) with:	
	<i>Imputation credits and withholding taxes</i>	
(1)	The amount of a dividend is increased by—	
	(a) an imputation credit attached to the dividend:	20
	(b) an amount of RWT or NRWT, as applicable, withheld from or paid in relation to the dividend.	
(2)	In section CD 15, in the list of defined terms, insert “NRWT”, “pay”, and “RWT”.	
7	Section CD 25 amended (Treasury stock acquisitions)	25
(1)	Replace section CD 25(1)(a) with:	
	(a) the shares acquired by the company are held by the company in itself, including shares acquired by the company as the result of the application of section CE 6 (Trusts are nominees) and, in the case of shares acquired other than as result of the application of section CE 6 , section 67A(1) of the Companies Act 1993 or section 24 of the Co-operative Companies Act 1996 apply to provide that the shares are not deemed to be cancelled; and	30
(2)	Replace section CD 25(2)(b) with:	

- (b) at the first anniversary, the company has failed to transfer a share of the same class in an arm’s length transfer and has failed to allocate a share or right to a share, of the same class to an employee share scheme beneficiary under an employee share scheme, except if the company is established under New Zealand co-operative company legislation; or 5
- (3) After section CD 25(6), insert:
Employee share schemes
- (7) For the purposes of **subsection (2)**, if the company has, before the first anniversary, allocated a share or right to a share to an employee share scheme beneficiary under an employee share scheme but subsequently the allocation is cancelled, the shares acquired under **subsection (1)** by the company are treated as acquired by the company on the date of cancellation for the amount the company paid for their acquisition under **subsection (1)**. 10
- (4) In section CD 25, in the list of defined terms, insert “employee share scheme” and “employee share scheme beneficiary”. 15
- 8 New section CD 29C inserted (Transfers to shareholders by ASX-listed Australian company of shares in subsidiary)**
- (1) After section CD 29B, insert:
CD 29C Transfers to shareholders by ASX-listed Australian company of shares in subsidiary 20
When an ASX-listed Australian company makes a transfer to shareholders of shares in a subsidiary company, the transfer is not a dividend if **section ED 2B** (Transfers to shareholders by ASX-listed Australian company of shares in subsidiary) applies to the transfer.
Defined in this Act: ASX-listed Australian company, company, dividend, share, shareholder 25
- (2) **Subsection (1)** applies for the 2016–17 and later income years.
- 9 Section CD 36 amended (Foreign investment fund income)**
- (1) In section CD 36(1)(b)(iv), replace “method.” with “method; and”.
- (2) After section CD 36(1)(b)(iv), insert:
(d) the amount is excluded income under **section CX 57B** (Amounts derived during periods covered by calculation methods). 30
- (3) In section CD 36, in the list of defined terms, insert “excluded income”.
- 10 Section CD 43 amended (Available subscribed capital (ASC) amount)**
- (1) Before section CD 43(7), insert:
Subscriptions amount increase: employee share scheme 35
- (6E) The subscriptions amount includes, when the company is part of an employee share scheme, the following amounts:

- (a) if the company has a deduction under **section DV 27(6)** (Employee share schemes) (the **employer company**) for the employee share scheme and employee, then the subscriptions amount includes the positive amount calculated using the formula in **subsection (6F)**, and the subscriptions amount is— 5
- (i) for shares of the same class as the shares issued under the employee share scheme by the employer company; or
- (ii) if the employer company does not issue shares under the employee share scheme, for shares of the class most similar to the shares issued under the employee share scheme: 10
- (b) the subscriptions amount for shares of the same class as the shares issued by the company under the employee share scheme (the **issuer company**) includes the amount of the employer company’s deduction under **section DV 27(6)** for the employee share scheme and employee, if,—
- (i) the issuer company is not the employer company; and 15
- (ii) the company is a member of a wholly-owned group of companies of which the employer company is a member; and
- (iii) before the application of section YC 4 (Look-through rule for corporate shareholders), no member of the wholly-owned group has a voting interest in the issuer company. 20
- Formula: employer companies*
- (6F) For the purposes of **subsection (6E)(a)**, the amount is calculated using the formula—
- $$\text{subscription amount} - \text{consideration paid.}$$
- Definition of items in formula* 25
- (6G) In the formula in **subsection (6F)**,—
- (a) **subscription amount** is the amount of the company’s deduction under **section DV 27(6)** for the employee share scheme and employee:
- (b) **consideration paid** is the amount of consideration paid by the company to another company that is a member of the same-wholly owned group of companies (the **payee company**) for the issue of the shares to the employee under the employee share scheme. 30
- Employer companies’ negative amounts*
- (6H) If the amount calculated using the formula in **subsection (6F)** is negative, then the absolute value of the amount is subtracted from the company’s subscriptions amount for the issue of shares of the class most similar to the shares issued under the employee share scheme. 35

<i>Formula: employer companies' negative amounts</i>	
(6I)	If the amount calculated using the formula in subsection (6F) is negative, then a positive amount calculated using the formula in this subsection is a dividend paid by the company to the payee company— <div style="text-align: right; margin-right: 20px;">formula amount – ASC.</div>
	5
<i>Definition of items in formula</i>	
(6J)	In the formula in subsection (6I) ,—
	(a) formula amount is the absolute value of the amount calculated using the formula in subsection (6F) :
	(b) ASC is the amount of available subscribed capital under this section, before the application of subsection (6H) , for shares of the class most similar to the shares issued under the employee share scheme.
	10
(2)	After section CD 43(20), insert:
<i>Subscriptions amount exclusion: employee share scheme</i>	
(20B)	The subscriptions amount does not include an amount of consideration that the company received for the issue of shares, if the payer of the consideration for the issue of shares is a member of the same wholly-owned group of companies as the company, and the company has, before the application of section YC 4 to the company, voting interests in the payer.
	15
(3)	After section CD 43(28), insert:
<i>Subscriptions amount decrease: employee share scheme</i>	
(29)	An amount equal to the amount of the company's income under section CV 20 (Employee share schemes) or equal to the amount of income under section CV 20 for another company in the same wholly-owned group of companies, as the case may be, is subtracted from the subscriptions amount—
	(a) for shares of the same class as the shares issued under the employee share scheme by the company; or
	(b) if the company does not issue shares under the employee share scheme, for shares of the class most similar to the shares issued under the employee share scheme.
	25
	30
(4)	In section CD 43, in the list of defined terms, insert “deduction”, “employee”, “employee share scheme”, “voting interest” and “wholly-owned group of companies”.
	30
11	Section CE 1 amended (Amounts derived in connection with employment)
(1)	In section CE 1(1)(d), replace “share purchase agreement” with “employee share scheme”.
	35
(2)	In section CE 1, in the list of defined terms,—
	(a) insert “employee share scheme”:

- (b) delete “share purchase agreement”.

12 Sections CE 2 to CE 4 replaced

Replace sections CE 2 to CE 4 with:

CE 2 Benefits under employee share schemes

Benefit

- (1) A person who is an employee share scheme beneficiary described in **section CE 7(a)(i) or (ii)** receives a benefit for the purposes of **section CE 1(1)(d)** in relation to shares or related rights under the employee share scheme equal to the positive amount calculated on the share scheme taxing date using the formula—

$\text{share value} - \text{consideration paid} + \text{consideration received} - \text{previous income}.$

Definition of items in formula

- (2) In the formula in **subsection (1)**,—
- (a) **share value** is the market value of the shares or related rights owned by an employee share scheme beneficiary on the share scheme taxing date, if the share scheme taxing date is not triggered by a transfer or cancellation of the shares or related rights:
- (b) **consideration paid** is the amount of consideration paid or payable by an employee share scheme beneficiary in relation to the transfer of the shares or related rights under the employee share scheme:
- (c) **consideration received** is the amount of consideration paid or payable to an employee share scheme beneficiary in relation to a transfer or cancellation of the shares or related rights under the employee share scheme, not including relevant shares or related rights under a replacement employee share scheme:
- (d) **previous income** is the total amount of income under section CE 1(1)(d) that the employee share scheme beneficiary has in relation to the shares or related rights before the date that is 6 months after the date of Royal assent for the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act **2017**.

Negative amount: deduction

- (3) A negative amount calculated using the formula in **subsection (1)** is a deduction of the person.

Positive and negative amount: cost of revenue account property

- (4) A positive or negative amount calculated using the formula in **subsection (1)** is added to the consideration paid by the person for acquiring the shares, for the purposes of section DB 23 (Cost of revenue account property).

Apportionment

- (5) For the person’s benefit under **subsection (1)**, the portion of that benefit calculated using the formula is treated as non-residents’ foreign-sourced income—

$$\text{benefit before reduction} \times \text{offshore period} \div \text{earning period.} \quad 5$$

Definition of items in formula

- (6) In the formula in **subsection (5)**,—

(a) **benefit before reduction** is the amount of the benefit under **subsection (1)**:

(b) **offshore period** is the number of days in the item **earning period** on which— 10

- (i) the person is not resident in New Zealand; and
- (ii) any services the person performs for the relevant employer give rise to an amount of income that is a foreign sourced amount:

(c) **earning period** is the period ending with the vesting of shares or relevant rights in the employee share scheme beneficiary and starting with the earlier of— 15

- (i) the first date used to measure the person’s right in relation to the vesting of shares or relevant rights:
- (ii) the first date that the person has a right in relation to the vesting of shares or relevant rights. 20

When subsection (8) applies

- (7) **Subsection (8)** applies when an employer to whom section RD 22(2B) (Returns for amounts of tax paid to Commissioner) and section 46(1) of the Tax Administration Act 1994 apply— 25

(a) has made an election under section RD 7B (Treatment of certain benefits under employee share schemes) to withhold and pay an amount of tax in relation to a benefit received by an employee share scheme beneficiary under this section; or

(b) is required to furnish an employer monthly schedule under section 46(6B) of the Tax Administration Act 1994 in relation to a benefit received by an employee share scheme beneficiary under this section. 30

Deferral of income recognition

- (8) Despite **section CE 1(1)(d)**, the employee share scheme beneficiary is treated as deriving employment income in relation to the benefit in the PAYE income payment form period after the 1 in which they receive the benefit. 35

Defined in this Act: amount, amount of tax, consideration, deduction, employee, employee share scheme, employee share scheme beneficiary, employer, employer monthly schedule, employment income, foreign-sourced amount, income, market value, non-residents’ foreign-sourced income, pay,

PAYE income payment form period, replacement employee share scheme, resident in New Zealand, share, share scheme taxing date

13 Section CE 2 amended (Benefits under employee share schemes)

- (1) Replace **section CE 2(7)**, other than the heading, with:
- (7) **Subsection (8)** applies when an employer is required to provide employment income information under **sections RD 22(2)** (Providing employment income information to Commissioner) and **23E to 23H** of the Tax Administration Act 1994, as modified by **section 23J** of that Act, in relation to a benefit received under an employee share scheme. 5
- (2) In **section CE 2(8)**, replace “in the PAYE income payment form period after the 1 in which they receive the benefit” with “on the ESS deferral date”. 10
- (3) After **section CE 2(8)**, insert:
- Meaning of ESS deferral date*
- (9) For the purposes of this section and **sections RD 6 and RD 7B** (which relate to employee share schemes), the **ESS deferral date** is the 20th day after the share scheme taxing date for the employee share scheme beneficiary. 15
- (4) In section CE 2, in the list of defined terms,—
- (a) insert “employment income information” and “ESS deferral date”:
- (b) delete “employer monthly schedule” and “PAYE income payment form period”. 20

14 Sections CE 6 and CE 7 replaced

Replace sections CE 6 and CE 7 with:

CE 6 Trusts are nominees

A trust is treated as the nominee of a company (**company A**) to the extent to which the trust’s activities relate to an employee share scheme and— 25

- (a) shares or related rights in company A are issued or transferred under the scheme:
- (b) shares or related rights are issued or transferred to company A’s employees, shareholder-employees, or associates of them, under the scheme. 30

Defined in this Act: associated person, company, employee, employee share scheme, share, shareholder-employee

CE 7 Meaning of employee share scheme

Employee share scheme means—

- (a) an arrangement with a purpose or effect of issuing or transferring shares in a company (**company A**) to a person— 35

- (i) who will be, is, or has been an employee of company A or of another company that is a member of the same group of companies as company A:
- (ii) who will be, is, or has been a shareholder-employee in relation to company A or in relation to another company that is a member of the same group of companies as company A: 5
- (iii) who is an associate of a person described in **subparagraph (i) or (ii) (person A)**, if the arrangement is connected to person A's employment or service; but
- (b) does not include an arrangement that— 10
 - (i) is a share purchase scheme:
 - (ii) requires market value consideration to be paid by a person described in **paragraph (a)** for the transfer of shares in the company on the share scheme taxing date:
 - (iii) requires a person described in **paragraph (a)** to put shares, acquired by them for market value, at risk if the arrangement provides no protection against a fall in the value of the shares. 15

Defined in this Act: arrangement, associated person, company, consideration, employee, employment, group of companies, market value, share, share purchase scheme, share scheme taxing date, shareholder-employee 20

CE 7B Meaning of share scheme taxing date

Meaning

- (1) **Share scheme taxing date** means, in relation to shares or related rights under an employee share scheme, the earlier of the following dates:
 - (a) the first date when the shares are held by or for the benefit of an employee share scheme beneficiary (**beneficial ownership**) and after which, under the provisions of the scheme,— 25
 - (i) there is no real risk that beneficial ownership may change or that a right or requirement in relation to the transfer or cancellation of the shares may operate; and 30
 - (ii) there is no benefit accruing to the employee share scheme beneficiary in relation to a fall in value of the shares; and
 - (iii) there is no real risk that there will be a change in the terms of the shares affecting the value of the shares:
 - (b) the date when the shares or related rights of an employee share scheme beneficiary are cancelled or are transferred to a person who is not associated with a beneficiary described in **section CE 7(a)(i) or (ii)**. 35

Exclusions

- (2) For the purposes of applying **subsection (1)**, the following requirements and rights are ignored: 40

- (a) a right or requirement in relation to transfer by the employee share scheme beneficiary for market value consideration at the time of the transfer:
- (b) a right or requirement that is not contemplated by the employee share scheme’s provisions: 5
- (c) a right or requirement that, at the time it came into existence, had no real risk of operating or no real commercial significance:
- (d) a right or requirement in relation to the transfer of shares, if the right or requirement is 1 that also applies to shares not under the employee share scheme. 10

Defined in this Act: associated person, consideration, employee share scheme, employee share scheme beneficiary, market value, share

CE 7C Meaning of employee share scheme beneficiary

Employee share scheme beneficiary means, for an employee share scheme,—

- (a) a person (**person A**) who is described in **section CE 7(a)**: 15
- (b) a person who is an associate of person A.

Defined in this Act: associated person, employee share scheme

CE 7D Meaning of replacement employee share scheme

Replacement employee share scheme means, for an employee share scheme (the **old scheme**), another employee share scheme to which members of the old scheme are transferred. 20

Defined in this Act: employee share scheme

15 Section CQ 5 amended (When FIF income arises)

In section CQ 5(1)(c)(viii), replace “(Exemption for employee share purchase scheme of grey list company)” with “(Exemptions for employee share schemes)”. 25

16 New section CR 3B inserted (Lloyd’s of London: income from life insurance premiums)

- (1) After section CR 3, insert:

CR 3B Lloyd’s of London: income from life insurance premiums 30

What this section applies to

- (1) This section applies to a premium a portion of which is treated as having a source in New Zealand under **section YD 8B** (Apportionment of life insurance premiums derived by Lloyd’s of London) if—
 - (a) the policyholder pays the premium for a life insurance policy to Lloyd’s of London or an agent of Lloyd’s of London; and 35
 - (b) the life insurance policy is described in **subsection (3)**; and

<p>(c) the life insurance policy is offered or was offered or entered into within New Zealand.</p> <p><i>Amount of income</i></p> <p>(2) Ten percent of the gross premium derived by Lloyd’s of London is income of Lloyd’s of London.</p> <p><i>Types of life insurance policies</i></p> <p>(3) The life insurance policy referred to in subsection (1) is a life insurance policy that—</p> <p>(a) is made available to the general public; and</p> <p>(b) is not a profit participation policy or a savings product policy or both; and</p> <p>(c) does not provide for a benefit that is an annuity.</p> <p>Defined in this Act: income, life insurance policy, Lloyd’s of London, offered or was offered or entered into, pay, premium, profit participation policy, savings product policy, source in New Zealand</p>	<p>5</p> <p>10</p> <p>15</p>
<p>17 Section CT 5 amended (Petroleum mining operations outside New Zealand)</p>	
<p>(1) In section CT 5, replace “petroleum mining operations that are” with “petroleum mining operations that are, or decommissioning that is”.</p> <p>(2) In section CT 5, in the list of defined terms, insert “decommissioning”.</p> <p>(3) Subsection (1) applies for the 2018–19 and later income years.</p>	<p>20</p> <p>20</p>
<p>18 New section CT 5B inserted (Resuming commercial production)</p>	
<p>(1) After section CT 5, insert:</p>	
<p>CT 5B Resuming commercial production</p>	
<p><i>When this section applies</i></p>	
<p>(1) This section applies when a petroleum miner or a farm-in party undertakes commercial production in a permit area when a petroleum miner, or a farm-in party, has received a deduction under section EJ 13 (Permanently ceasing petroleum mining operations) for permanently ceasing petroleum mining operations in the permit area.</p> <p><i>Income</i></p>	<p>25</p> <p>30</p>
<p>(2) An amount described in subsection (3) is treated as income of the petroleum miner who, at any time after the petroleum mining operations have ceased under section EJ 13,—</p> <p>(a) undertakes commercial production (the resumed commercial production) in the permit area:</p>	<p>35</p>

- (b) arranges for a farm-in party to undertake the resumed commercial production in the permit area.
- Amount treated as income*
- (3) The amount referred to in **subsection (2)** that is treated as income is an amount that is equal to the amount of the deduction allowed under **section EJ 13** to the extent to which it relates to a petroleum mining asset that is used or is to be used in the resumed commercial production. 5
- Allocation of income*
- (4) The amount is allocated to the income year in which the resumed commercial production in the permit area begins. 10
- Defined in this Act: amount, commercial production, deduction, farm-in party, farm-out arrangement, income, income year, permit area, petroleum development expenditure, petroleum miner, petroleum mining asset, petroleum mining operations, petroleum permit
- (2) **Subsection (1)** applies for the 2018–19 and later income years.
- 19 Section CT 6 amended (Meaning of petroleum miner)** 15
- (1) In section CT 6(1), replace “petroleum mining operations” with “petroleum mining operations or decommissioning”.
- (2) In section CT 6(2), replace “petroleum mining operations” with “petroleum mining operations or decommissioning”.
- (3) In section CT 6, in the list of defined terms, insert “decommissioning”. 20
- (4) **Subsections (1) and (2)** apply for the 2018–19 and later income years.
- 20 Section CT 6B amended (Meaning of petroleum mining operations)**
- (1) Repeal section CT 6B(2)(e).
- (2) In section CT 6B, in the list of defined terms, delete “removal or restoration operations”. 25
- (3) **Subsection (1)** applies for the 2018–19 and later income years.
- 21 Section CT 7 amended (Meaning of petroleum mining asset)**
- (1) In section CT 7(3)(d), replace “removal or restoration operations” with “decommissioning”.
- (2) In section CT 7, in the list of defined terms— 30
- (a) insert “decommissioning”;
- (b) delete “removal or restoration operations”.
- (3) **Subsection (1)** applies for the 2018–19 and later income years.
- 22 Section CV 17 amended (Non-exempt charities: taxation of tax-exempt accumulation)** 35
- In section CV 17, replace “charities: taxation” with “charities: treatment”.

23 New section CV 20 inserted (Employee share schemes)

After section CV 19, insert:

CV 20 Employee share schemes

An amount of income that has person has under **section DV 27(9)** (Employee share schemes) is income of the person.

5

Defined in this Act: amount, employee share scheme, income

24 Section CW 17CB amended (Payments for certain work-related meals)

(1) After section CW 17CB(7), insert:

Meaning of employer’s workplace

(7B) In this section, **employer’s workplace** means the workplace of the employer at which the employee normally works.

10

(2) In section CW 17CB, in the list of defined terms, insert “employer’s workplace”.

25 New sections CW 26B to CW 26G inserted

After section CW 26, insert:

15

CW 26B Share purchase schemes

An amount derived from a share purchase scheme is exempt income.

Defined in this Act: amount, exempt income, share purchase scheme

CW 26C Meaning of share purchase scheme

Share purchase scheme

20

(1) **Share purchase scheme** means—

(a) a scheme that had the Commissioner’s approval under **section DC 12** (Loans to employees under share purchase schemes) before that section’s repeal by the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act **2017**:

25

(b) an arrangement of which the Commissioner has been notified under **section 63B(1)** of the Tax Administration Act 1994, and for which the requirements in **section 63B(2)** of that Act are met, if the arrangement meets the criteria in **subsections (2) to (9)**.

Purchase of shares

30

(2) The arrangement must provide that—

(a) the shares are available for no more than their market value at the date of purchase or subscription; and

(b) the market value of the shares purchased or subscribed for by an employee, or a trustee for an employee, under the arrangement is less than or equal to \$5,000 in a year; and

35

(c)	the difference between the market value of the shares purchased or subscribed for by an employee or a trustee and the amount that an employee spends on buying shares under the arrangement is less than or equal to \$2,000 in a year.	
	<i>Eligibility</i>	5
(3)	The arrangement must provide that—	
(a)	a full-time permanent employee to whom an offer under the arrangement is made is eligible to participate in the arrangement, on an equal basis with 90% or more of other full-time permanent employees to whom an offer under the arrangement is not subject to foreign security disclosure rules; and	10
(b)	if it applies to part-time employees, those employees to whom an offer under the arrangement is made are eligible to participate in the arrangement, on an equal basis with 90% or more of other part-time employees to whom an offer under the arrangement is not subject to foreign security disclosure rules; and	15
(c)	if it applies to seasonal workers, those employees to whom an offer under the arrangement is made are eligible to participate in the arrangement, on an equal basis with 90% or more of other seasonal workers to whom an offer under the arrangement is not subject to foreign security disclosure rules; and	20
(d)	if it requires that an employee spend a minimum amount on buying shares, it requires no more than \$1,000 to be spent in a year; and	
(e)	if it requires that an employee must have a minimum period of employment or service before the employee is eligible to participate, it requires—	25
	(i) no more than 3 years full-time work, for full-time employees; and	
	(ii) no more than an accumulated period that is equivalent of 3 years full-time work, for other employees.	
	<i>Loans to employees</i>	30
(4)	The arrangement must provide that—	
(a)	if it requires that an employee must buy the shares for more than nominal consideration,—	
	(i) a loan for the cost of the shares is available to the employee; or	
	(ii) the employee may pay for the shares using regular instalments of a month or less, and that the regular instalments are subject to paragraph (d)(ii) and subsection (5) ; and	35
(b)	any loan to an employee to buy shares is free of interest and other charges; and	

(c)	any loan or regular instalments have a maximum term of 60 months and a minimum term of 36 months; and	
(d)	any loan to an employee to buy shares is repayable by regular instalments of a month or less, but—	
(i)	the loan is repayable early in full or in part at the employee’s discretion; and	5
(ii)	in the case of an employee who is on unpaid or maternity leave for more than a month, the regular instalments are suspended while on leave and the term of the loan is extended as appropriate.	
	<i>Serious hardship</i>	10
(5)	The arrangement must provide, in the case of serious hardship that results or may result from an employee’s continued participation in the share purchase scheme, that, with the employee’s agreement,—	
(a)	any regular instalments and any other terms related to payment by the employee may be varied; or	15
(b)	the employee may withdraw from the arrangement, and any shares are bought from the employee for their market value on the day of withdrawal, subject to the repayment of any outstanding loan.	
	<i>Withdrawal</i>	
(6)	The arrangement must provide that the employee may withdraw from the arrangement on giving 1 month’s notice to the relevant party. Any shares must be bought from the employee for the lesser of their market value on the day of withdrawal and their cost to the employee, subject to the repayment of any outstanding loan.	20
	<i>Period of restriction</i>	25
(7)	The arrangement must provide that,—	
(a)	if the employee has not acquired the shares for market value, there is a period of restriction during which the shares must not be disposed of and that period of restriction is no longer than the shorter of—	
(i)	a period of 3 years starting on the date the employee acquired the shares, or the period of repayment of a loan made to them under the scheme for this purpose, whichever is longer; and	30
(ii)	a period starting on the date the employer acquired the shares and ending on the date the employee ends their employment with the company that employs them, or a company in the same group of companies if the employee is transferred; or	35
(b)	if the employee has acquired the shares for market value, there is a period of restriction during which the shares must not be disposed of and that period of restriction is no longer than the shorter of—	
(i)	the shortest period in paragraph (a)(i) and (ii) ; and	40

(ii)	any period of restriction provided by the arrangement, if that period finishes on or after the date on which the employee has no further repayment obligations for a loan made to them under the scheme.	
	<i>End of period of restriction: general rule</i>	5
(8)	When the period of restriction provided by subsection (7) ends, the arrangement must provide that—	
(a)	the shares are transferred to the employee if the employee is still employed by the relevant company and they have not already been transferred; or	10
(b)	if the employee chooses, the shares are purchased for the lesser of—	
(i)	the cost of the shares to the employee:	
(ii)	the market value of the shares on the date the period of restriction ends.	
	<i>End of period of restriction: certain cases</i>	15
(9)	Despite subsection (8) , when a period of restriction ends because the employee’s employment ends through their death, accident, sickness, redundancy, or retirement at normal retiring age, the arrangement must provide that—	
(a)	the shares are transferred to the former employee if they have not already been transferred, or transferred to the legal representative of the employee’s estate, as appropriate; or	20
(b)	if the employee chooses, the shares are purchased for the lesser of—	
(i)	the cost of the shares to the employee:	
(ii)	the market value of the shares on the date the period of restriction ends.	25
	Defined in this Act: amount, arrangement, Commissioner, company, employee, employer, employment, group of companies, interest, loan, market value, normal retiring age, notice, pay, share, share purchase scheme, trustee, year	
CW 26D Meaning of employee		
	For the purposes of section CW 26C , employee —	30
(a)	means a person that is employed by a company; but	
(b)	does not include person who,—	
(i)	is a director of the company, unless they are employed by the company:	
(ii)	is a corporation sole, a body corporate, or an unincorporated body:	35
(iii)	with any associated person, holds 10% or more of the issued capital of the company.	
	Defined in this Act: associated person, company, director, employment	

CW 26E Meaning of normal retiring age

For the purposes of **section CW 26C**, **normal retiring age** means—

- (a) for an employee other than 1 to whom **paragraph (b)** applies, no less than 60 years of age;
- (b) for a female employee who is entitled under a contract of employment entered into before 1 April 1978 with the company that employs her to retire before 60 years of age, no less than 55 years of age; 5
- (c) for any employee, an age that is earlier than the age referred to in **paragraph (a) or (b)** and that the Commissioner considers reasonable given the nature of the employment or the general terms of employment in the business or occupation of the employee. 10

Defined in this Act: business, Commissioner, company, employee, employment, normal retiring age

CW 26F Meaning of share

For the purposes of **section CW 26C**, **share** means, for a company whose shares are made available under a share purchase scheme, a fully paid ordinary share that ranks equally with, and has the same designation as, an existing ordinary voting share in the company. 15

Defined in this Act: company, share, share purchase scheme

CW 26G Meaning of trustee

For the purposes of **section CW 26C**, **trustee** means a group of persons appointed to administer a share purchase scheme of a company that employs an employee, and to hold shares under that scheme on trust for the employee during any period of restriction described in **section CW 26(7)**. 20

Defined in this Act: company, employee, group of persons, share, share purchase scheme, trustee

26 New section CX 55B inserted (Proceeds from disposal of certain shares and financial arrangements) 25

- (1) After section CX 55, insert:

CX 55B Proceeds from disposal of certain shares and financial arrangements

Disposal of shares

- (1) An amount that a foreign PIE equivalent derives for an income year from the disposal of a share is excluded income of the foreign PIE equivalent for the income year. 30

Disposal of financial arrangements

- (2) An amount that a foreign PIE equivalent derives for an income year from the disposal of a financial arrangement is excluded income of the foreign PIE equivalent for the income year. 35

	<i>Exclusion</i>	
(3)	Subsection (2) does not apply to an amount of interest referred to in schedule 6, table 1, row 6 (Prescribed rates: PIE investments and retirement scheme contributions). Defined in this Act: amount, excluded income, financial arrangement, foreign PIE equivalent, income year, interest, share	5
(2)	Subsection (1) applies for the 2012–13 and later income years.	
27	New cross-heading and section CX 57B inserted After section CX 57, insert:	
	<i>Foreign investment income</i>	10
	CX 57B Amounts derived during periods covered by calculation methods	
	<i>When this section applies</i>	
(1)	This section applies when a person derives an amount from an attributing interest in a FIF, including a gain from the disposal of the interest, in a period for which they have used a calculation method referred to in section EX 59(2) (Codes: comparative value method, deemed rate of return method, fair dividend rate method, and cost method) to calculate their FIF income or loss.	15
	<i>Excluded income</i>	
(2)	The amount derived is excluded income of the person. Defined in this Act: amount, attributing interest, calculation method, excluded income, FIF, FIF income, FIF loss	20
28	Section CZ 1 replaced (Share purchase agreement income before 19 July 1968) Replace section CZ 1 with:	
	CZ 1 Grandparented shares under employee share schemes	25
	<i>When this section applies</i>	
(1)	This section applies when, for shares under an employee share scheme,—	
(a)	the shares were granted or acquired under the employee share scheme before the date that is 6 months after the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act 2017 receives the Royal assent, and—	30
(i)	the shares were granted or acquired for purposes not including the purpose of avoiding the future application of the employee share scheme provisions in that Act (the new ESS provisions); and	
(ii)	the share scheme taxing date for the shares is before 1 April 2022:	35
(b)	the shares were granted or acquired under the employee share scheme before 12 May 2016.	

Grandparenting

- (2) The new ESS provisions do not apply for the shares. Instead, the provisions of this Act that would apply ignoring the enactment of the new ESS provisions apply for the shares.

Defined in this Act: employee share scheme, income, share, share scheme taxing date

5

29 New section DB 23B inserted (Revenue account property: certain intra-group transactions)

- (1) After section DB 23, insert:

DB 23B Revenue account property: certain intra-group transactions

When this section applies

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- (1) This section applies when—

- (a) a company that is part of a consolidated group at a time during an income year derives an amount of income from a transaction or arrangement with another company in the consolidated group at the same time; and

15

- (b) the transaction or arrangement relates to an excepted financial arrangement that—

- (i) is revenue account property; and

- (ii) ceases to exist, whether through redemption or cancellation, or on amalgamation or liquidation, or otherwise; and

20

- (c) the amount is excluded income under section FM 8 (Transactions between group companies: income).

No deduction for expenditure incurred

- (2) Despite section DB 23, the company is denied a deduction for expenditure incurred in relation to the excepted financial arrangement as the cost of revenue account property.

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No deduction for closing value

- (3) Despite section DB 49, the company is denied a deduction for the value that the excepted financial arrangement had at the end of the previous income year.

Link with subpart DA

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- (4) This section overrides the general permission. The other general limitations still apply.

Defined in this Act: amalgamation, amount, arrangement, cancellation, company, consolidated group, deduction, excepted financial arrangement, excluded income, general permission, income, income year, liquidation, revenue account property

35

- (2) **Subsection (1)** applies for the 2016–17 and later income years.

- 30 New section DB 54C inserted (Certain expenditure incurred by foreign PIE equivalents)**
- (1) After section DB 54B, insert:
- DB 54C Certain expenditure incurred by foreign PIE equivalents** 5
- When this section applies*
- (1) This section applies for an income year when a foreign PIE equivalent incurs expenditure or loss in deriving an amount to which **section CX 55B** (Proceeds from disposal of certain shares and financial arrangements) applies. 5
- No deduction*
- (2) The foreign PIE equivalent is denied a deduction for the amount of the expenditure or loss. 10
- Link with subpart DA*
- (3) This section overrides the general permission. 10
- Defined in this Act: amount, deduction, foreign PIE equivalent, general permission, income year
- (2) **Subsection (1)** applies for the 2012–13 and later income years. 15
- 31 Sections DC 12 to DC 15 repealed**
- Sections DC 12 to DC 15 are repealed.
- 32 Section DN 6 amended (When FIF loss arises)**
- In section DN 6(1)(c)(viii), replace “(Exemption for employee share purchase scheme of grey list company)” with “(Exemptions for employee share schemes)”. 20
- 33 Section DT 7 amended (Exploratory well expenditure)**
- (1) Replace section DT 7(2), other than the heading, with:
- (2) An amount equal to the amount that is treated as income is treated as petroleum development expenditure— 25
- (a) incurred by the petroleum miner in the income year in which commercial production from the well starts; and
- (b) allocated as provided by section DT 5(2).
- (2) **Subsection (1)** applies for the 2018–19 and later income years.
- 34 New section DT 7B inserted (Resuming commercial production: petroleum development expenditure)** 30
- (1) After section DT 7, insert:

DT 7B Resuming commercial production: petroleum development expenditure

When this section applies

- (1) This section applies when a petroleum miner has had an amount of petroleum development expenditure treated as income under **section CT 5B** (Resuming commercial production). 5

Amount of income treated as petroleum development expenditure

- (2) An amount equal to the amount that is treated as income under **section CT 5B** is treated as petroleum development expenditure—
- (a) incurred by the petroleum miner in the income year referred to in **section CT 5B**; and 10
- (b) allocated as provided by section DT 5(2).

Defined in this Act: amount, deduction, income, income year, petroleum development expenditure, petroleum miner

- (2) **Subsection (1)** applies for the 2018–19 and later income years.

35 Section DT 15 amended (Persons associated with petroleum miner) 15

- (1) In section DT 15(1)(b)(i), replace “petroleum mining operations” with “petroleum mining operations or decommissioning”.
- (2) In section DT 15(1)(b)(iii), replace “petroleum mining operations” with “petroleum mining operations or decommissioning”.
- (3) In section DT 15(2), replace “petroleum mining operations” with “petroleum mining operations or decommissioning”. 20
- (4) In section DT 15(3), replace “petroleum mining operations” with “petroleum mining operations or decommissioning”.
- (5) In section DT 15, in the list of defined terms, insert “decommissioning”.

- (6) **Subsections (1) to (4)** apply for the 2018–19 and later income years. 25

36 Section DT 16 amended (Removal or restoration operations)

- (1) In the section heading of section DT 16, replace “**Removal or restoration operations**” with “**Decommissioning**”.
- (2) In section DT 16(1), replace “removal or restoration operations” with “decommissioning”. 30
- (3) In section DT 16, in the list of defined terms,—
- (a) insert “decommissioning”;
- (b) delete “removal or restoration operations”.

- (4) **Subsections (1) and (2)** apply for the 2018–19 and later income years.

37 Section DT 17 amended (Attribution of expenditure) 35

- (1) In section DT 17(3), replace the subsection heading with “*Relationship between subpart and section GB 20*”.

- (2) In section DT 17(3), delete “and IS 5 (Petroleum miners’ tax losses),” .
- (3) **Subsections (1) and (2)** apply for the 2018–19 and later income years.
- 38 Section DT 20 amended (Petroleum mining operations outside New Zealand)**
- (1) In section DT 20, replace “petroleum mining operations that are” with “petroleum mining operations that are or decommissioning that is” . 5
- (2) In section DT 20, in the list of defined terms, insert “decommissioning”.
- (3) **Subsection (1)** applies for the 2018–19 and later income years.
- 39 Section DU 7 amended (Deduction for certain mining expenditure spread on basis of units of production)** 10
- (1) After section DU 7(1), insert:
- What this section does not apply to*
- (1B) This section does not apply to an amount of mining outgoing excess of a loss-attributing qualifying company.
- (2) **Subsection (1)** applies for the 2008–09, 2009–10, and 2010–11 income years. 15
- 40 Section DV 2 amended (Transfer of expenditure to master fund)**
- In section DV 2(8B), in the subsection heading, replace “*portfolio tax rate entity*” with “*multi-rate PIE*”.
- 41 New cross-heading and section DV 27 inserted** 20
- After section DV 26 insert:
- Employee share schemes***
- DV 27 Employee share schemes**
- When this section applies*
- (1) This section applies when a person is party to an employee share scheme.
- No deduction except as provided by this section* 25
- (2) Except as provided by this section, the person is denied a deduction for an amount of expenditure or loss for an income year, other than in relation to any loan or interest, incurred in relation to the employee share scheme.
- Deduction under section CE 2(3)*
- (3) The person is allowed a deduction for the amount of the deduction they are allowed under **section CE 2(3)** (Benefits under employee share schemes) for the income year. 30

	<i>Deduction for administrative or management services</i>	
(4)	The person is allowed a deduction for an amount of expenditure or loss to the extent to which the amount is for administrative or management services provided in relation to the employee share scheme for the income year.	
	<i>Employment income</i>	5
(5)	The person is allowed a deduction for an amount of expenditure or loss incurred on employment income other than under section CE 1(1)(d) (Amounts derived in connection with employment).	
	<i>Deduction for benefit</i>	
(6)	If the person is the employing or contracting company for an employee share scheme beneficiary described in section CE 7(a)(i) or (ii) (Meaning of employee share scheme) (the employee), the person has an amount of expenditure or loss calculated using the formula in subsection (7) .	10
	<i>Formula</i>	
(7)	For the purposes of subsection (6) , the amount of the expenditure or loss is the positive amount calculated using the formula— employee amount – previous deductions.	15
	<i>Definition of items in formula</i>	
(8)	In the formula,—	
	(a) employee amount is the amount for the employee calculated under the formula in section CE 2(1) :	20
	(b) previous deductions is the total amount of deductions that have been allowed to a party to the employee share scheme or an associate in relation to the shares, related rights, or employee share scheme before the date that is 6 months after the date of Royal assent for the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act 2017 .	25
	<i>Income</i>	
(9)	A negative amount calculated using the formula in subsection (7) is an amount of income of the person.	30
	<i>Link with subpart DA</i>	
(10)	Subsection (3) supplements the general permission. Subsection (3) overrides the employment limitation.	
	Defined in this Act: amount, associated person, company, deduction, employee share scheme, employee share scheme beneficiary, employment income, employment limitation, general permission, income, income year, interest, loan, share	35

42 New section DV 28 inserted (Share purchase schemes)

Before the heading to subpart DW, insert:

DV 28 Share purchase schemes*When this section applies*

- (1) This section applies when a person is party to a share purchase scheme.

No deduction

- (2) The person is denied a deduction for expenditure or loss in relation to the share purchase scheme, except to the extent to which the expenditure or loss is for administrative or management services provided in relation to the employee share scheme. 5

Defined in this Act: deduction, share purchase scheme

43 New section DW 3B inserted (Lloyd’s of London: deductions for life insurance business) 10

- (1) After section DW 3, insert:

DW 3B Lloyd’s of London: deductions for life insurance business*No deductions*

- (1) Lloyd’s of London is denied a deduction for expenditure incurred in deriving income under section **CR 3B** (Lloyd’s of London: income from life insurance premiums). 15

Link with subpart DA

- (2) This section overrides the general permission.

Defined in this Act: deduction, general permission, income, Lloyd’s of London, premium 20

- (2) **Subsection (1)** applies in relation to a life insurance premium that is derived on or after 1 April 2017 by Lloyd’s of London.

44 Section EA 2 amended (Other revenue account property)

- (1) Replace section EA 2(1)(e) with:

(e) property under a specified lease or a lease to which section EJ 10 (Personal property lease payments) applies: 25

- (2) In section EA 2(1)(f), replace “sections EJ 12 to EJ 20” with “sections DT 1, DT 5, and EJ 12 to EJ 20”.

45 New section ED 2B inserted (Transfers to shareholders by ASX-listed Australian company of shares in subsidiary) 30

- (1) After section ED 2, insert:

ED 2B Transfers to shareholders by ASX-listed Australian company of shares in subsidiary*When this section applies*

- (1) This section applies when— 35

- (a) a company (the **splitting company**) is an ASX-listed Australian company under **subsection (7)**; and
- (b) the splitting company transfers the shares in a company (the **subsidiary**) owned by the splitting company to the shareholders of the splitting company; and 5
- (c) after the transfer of shares (the **share transfer**), each shareholder has a proportion of the shares in the subsidiary equal to the proportion of the shareholder's shares in the splitting company immediately before the share transfer; and
- (d) the share transfer is not a dividend under the Income Tax Assessment Act 1936 (Aust). 10
- Cost of shares in splitting company after transfer*
- (2) The cost for a shareholder of the shares in the splitting company that are held by the shareholder after the share transfer is the amount calculated using the formula— 15
- $$\text{cost before transfer} \times \text{value after transfer} \div (\text{value acquired shares} + \text{value after transfer}).$$
- Cost of shares in new company*
- (3) The cost for a shareholder of the shares acquired in the share transfer is the amount calculated using the formula— 20
- $$\text{cost before transfer} \times \text{value acquired shares} \div (\text{value acquired shares} + \text{value after transfer}).$$
- Definition of items in formulas*
- (4) In the formulas in **subsections (2) and (3)**,—
- (a) **cost before transfer** is the cost for the shareholder, immediately before the share transfer, of the shares in the splitting company held by the shareholder immediately after the share transfer: 25
- (b) **value after transfer** is the market value of the shares in the splitting company held by the shareholder immediately after the share transfer:
- (c) **value acquired shares** is the market value of the shares in the subsidiary held by the shareholder immediately after the share transfer. 30
- Available subscribed capital amounts*
- (5) Immediately after the share transfer, the available subscribed capital,—
- (a) for the shares in the splitting company held immediately after the share transfer, equals the amount, immediately before the share transfer, of the available subscribed capital for the shares; and 35
- (b) for the shares in the subsidiary, is zero.

- Not dividend*
- (6) The transfer of the shares in the subsidiary to the shareholders in the splitting company is not a dividend.
- Meaning of ASX-listed Australian company*
- (7) **ASX-listed Australian company** means a company that— 5
- (a) is resident in Australia; and
- (b) is treated as resident in no tax jurisdiction other than Australia under each agreement that—
- (i) is between Australia and another tax jurisdiction; and
- (ii) would be a double tax agreement if negotiated between New Zealand and the other tax jurisdiction; and 10
- (c) has shares included in an index that is an approved index under the ASX Operating Rules; and
- (d) is not an entity described in schedule 25, part B (Foreign investment funds); and 15
- (e) is required under the Income Tax Assessment Act 1997 (Aust) and Income Tax Assessment Act 1936 (Aust) to maintain a franking account.
- Defined in this Act: amount, ASX-listed Australian company, available subscribed capital, company, dividend, double tax agreement, market value, resident in Australia, share, shareholder
- (2) Replace **section ED 2B(7)(c)** with: 20
- (c) is included on the official list of ASX Limited, a market licensee under Chapter 7 of the Corporations Act 2001 (Aust); and
- (3) **Subsection (1)** applies for the 2016–17 and later income years.
- (4) **Subsection (2)** applies for the 2017–18 and later income years.
- 46 Section EE 7 amended (What is not depreciable property?)** 25
- In section EE 7(j), delete “, except for an asset to which section DU 6(4) (Depreciation) applies”.
- 47 Section EE 34 amended (Annual rate for patent granted in 2005–06 or later income year)**
- In section EE 34(7), replace “do not to the patent” with “do not apply to the patent”. 30
- 48 Section EJ 12 amended (Petroleum development expenditure: default allocation rule)**
- (1) In section EJ 12(3), replace the “DT 16, and IS 5” with “and DT 16”.
- (2) **Subsection (1)** applies for the 2018–19 and later income years. 35

49 Section EJ 13 replaced (Relinquishing petroleum mining permit)

- (1) Replace section EJ 13 with:

EJ 13 Permanently ceasing petroleum mining operations

When this section applies

- (1) This section applies when a petroleum miner and each farm-in party to a farm-out arrangement, if any, to which the petroleum miner is a party, permanently ceases petroleum mining operations— 5
- (a) in a permit area for which the petroleum miner holds a petroleum permit; and
 - (b) for which petroleum development expenditure has been incurred. 10

Amount of deduction for petroleum miner

- (2) The amount of the deduction that the petroleum miner is allowed is the difference between—
- (a) the amount of the deduction allowed for the petroleum miner under section DT 5 (Petroleum development expenditure) and attributable to— 15
 - (i) the permit; or
 - (ii) an asset of the kind described in section CT 7(1)(b) or (c) (Meaning of petroleum mining asset) held solely in connection with the permit; and
 - (b) any part of the deduction for the petroleum miner allocated to, or treated as allocated to, earlier income years under section EJ 12(2) or EJ 12B(3). 20

Amount of deduction for farm-in party

- (3) The amount of the deduction that the farm-in party is allowed is the difference between—
- (a) the amount of the deduction allowed for the farm-in party under section DT 14 (Farm-out arrangements) for petroleum development expenditure, and attributable to— 25
 - (i) the permit; or
 - (ii) an asset of the kind described in section CT 7(1)(b) or (c) held solely in connection with the permit; and 30
 - (b) any part of the deduction for the farm-in party allocated to, or treated as allocated to, earlier income years under section EJ 12(2) or EJ 12B(3).

Timing of deduction

- (4) The deduction is allocated to the income year in which petroleum mining operations permanently cease. 35

Defined in this Act: amount, deduction, farm-in party, farm-out arrangement, income year, permit area, petroleum development expenditure, petroleum miner, petroleum mining operations, petroleum permit

- (2) **Subsection (1)** applies for the 2018–19 and later income years.
- 50 Section EJ 14 repealed (Spreading deduction backwards)**
- (1) Repeal section EJ 14.
- (2) **Subsection (1)** applies for the 2018–19 and later income years.
- 51 Section EJ 18 amended (Petroleum mining operations outside New Zealand)** 5
- (1) In section EJ 18, replace “petroleum mining operations that are” with “petroleum mining operations that are, or decommissioning that is”.
- (2) In section EJ 18, in the list of defined terms, insert “decommissioning”.
- (3) **Subsection (1)** applies for the 2018–19 and later income years. 10
- 52 Section EJ 20 amended (Meaning of petroleum mining development)**
- (1) In section EJ 20(2)(d), replace “removal or restoration operations” with “decommissioning”.
- (2) In section EJ 20, in the list of defined terms,—
- (a) insert “decommissioning”: 15
- (b) delete “removal or restoration operations”.
- (3) **Subsection (1)** applies for the 2018–19 and later income years.
- 53 Section EJ 22 amended (Deductions for market development: product of research, development)**
- (1) In section EJ 22(1), delete “under section DB 34 (Research or development)”. 20
- (2) **Subsection (1)** applies for the 2008–09 and later income years.
- 54 Section EW 13 amended (When use of spreading method not required)**
- In section EW 13(2), replace “Accident Insurance Act 1988, any” with “Accident Insurance Act 1998, any”.
- 55 Section EW 15H amended (Mandatory use of some determinations)** 25
- (1) In section EW 15H(1)(e), replace “paragraphs (a) to (d)” with “paragraphs (a) to (c)” in each place where it appears.
- (2) In section EW 15H(2), replace “subsection (1)(a), (c), and (d)” with “subsection (1)(a) and (c)”.
- (3) **Subsections (1) and (2)** apply for a financial arrangement entered into by a person— 30
- (a) in the 2014–15 income year and later income years, unless **paragraph (b)** applies:
- (b) in an income year (the **first income year**) and later income years, if the person files a return of income for the first income year on the basis that 35

this section applies to a financial arrangement entered into in the first income year, and the first income year is the 2011–12, 2012–13, 2013–14, or 2014–15 income year, and the person uses IFRSs to prepare financial statements or to report for financial arrangements for the first income year.

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56 Section EW 31 amended (Base price adjustment formula)

(1) Replace section EW 31(7)(b) with:

(b) non-integral fees, if the relevant method is—

(i) the IFRS financial reporting method in section EW 15D:

(ii) the modified fair value method in section EW 15G.

10

(2) In section EW 31, in the list of defined terms, insert “fair value method”.

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

(1) In section EX 21(29), replace “DT 17 to DT 19, and IS 5” with “and DT 17 to DT 19”.

15

(2) **Subsection (1)** applies for the 2018–19 and later income years.

58 Section EX 21B amended (Non-attributing active CFCs)

(1) In section EX 21B(2)(b), replace “EX 21E” with “section EX 21E” in each place where it appears.

(2) After section EX 21B(4), insert:

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Part-period calculations

(5) **Section EX 21F** sets out the requirements for a non-attributing active CFC when an interest holder holds an income interest for only part of an accounting period.

(3) In section EX 21B, in the list of defined terms, insert “income interest”.

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59 New section EX 21F inserted (Part-period calculations)

After section EX 21E, insert:

EX 21F Part-period calculations

When this section applies

(1) This section applies for the purposes of **sections EX 21B**, EX 21C, and EX 21E when an interest holder holds an income interest for only part of an accounting period (the **part-period**).

30

Requirements

(2) The interest holder may determine that a CFC is a non-attributing active CFC if—

35

(a)	the CFC meets the requirements of section EX 21C for the use of applicable accounting standard in the application of section EX 21E; and	
(b)	the person chooses to use the applicable accounting standard in EX 21E; and	
(c)	the CFC meets the requirements of section EX 21E, having regard to the accounts for the part-period; and	5
(d)	the person, or a company that is part of the person’s group of companies, holds an income interest in the CFC for the part-period.	
	<i>Determination for interest holders</i>	
(3)	A determination under subsection (2) applies for the interest holder and no other person.	10
	<i>Alternative default method</i>	
(4)	If the requirements of subsection (2) are not met, the interest holder must use the default test set out in section EX 21D, applying the test to the full accounting period.	15
	Defined in this Act: accounting period, CFC, company, group of companies, income interest, non-attributing active CFC	
60	Section EX 38 amended (Exemption for employee share purchase scheme of grey list company)	
(1)	In the heading to section EX 38, replace “ Exemption for employee share purchase scheme of grey list company ” with “ Exemptions for employee share schemes ”.	20
(2)	In section EX 38, insert after the section title, “ <i>Grey list companies</i> ” as a subsection heading.	
(3)	In section EX 38(f) replace “share purchase agreement” with “employee share scheme”.	25
(4)	In section EX 38(g) replace “share purchase agreement” with “employee share scheme”.	
(5)	In section EX 38, insert as a new subsection:	
	<i>Share scheme taxing date</i>	
(2)	A person’s rights in a FIF in an income year are not an attributing interest to the extent to which—	30
(a)	the rights are a direct income interest; and	
(b)	section EX 30(1)(c) does not apply; and	
(c)	the person acquires the shares or related interests under an employee share scheme; and	35
(d)	at the beginning of the year, the share scheme taxing date for the shares or related interests has not passed.	

- (6) In section EX 38, in the list of defined terms,—
- (a) insert “employee share scheme” and “share scheme taxing date”;
 - (b) delete “share purchase agreement”.
- 61 Section EX 59 amended (Codes: comparative value method, deemed rate of return method, fair dividend rate method, and cost method) 5**
- (1) Replace section EX 59(2), other than the heading, with:
 - (2) The person is treated as not having any income from the interest for the period other than FIF income and any amount derived in the period from the interest, including a gain from the disposal of the interest, is excluded income under **section CX 57B** (Amounts derived during periods covered by calculation methods). 10
 - (2) In section EX 59, in the list of defined terms,—
 - (a) insert “excluded income”;
 - (b) delete “dividend”.
- 62 Section EY 10 amended (Meaning of life insurer) 15**
- (1) After section EY 10(2), insert:
Exclusion: Lloyd’s of London
 - (2B) Except for the reference to life insurer in section EY 8 where Lloyd’s of London is treated as a life insurer, Lloyd’s of London is treated as not being a life insurer in relation to its business of providing life insurance, the premium from which is income of Lloyd’s of London under **section CR 3B** (Lloyd’s of London: income from life insurance premiums). 20
 - (2) In section EY 10, in the list of defined terms, insert “Lloyd’s of London”, “life insurance policy”, and “premium”.
 - (3) **Subsection (1)** applies in relation to a life insurance premium that is derived on or after 1 April 2017 by Lloyd’s of London. 25
- 63 Section FC 2 amended (Transfer at market value)**
- In section FC 2(3), after “Sections”, insert “**ED 2B** (Transfers to shareholders by ASX-listed Australian company of shares in subsidiary) and”.
- 64 Section FM 31 amended (Eligibility rules) 30**
- (1) After section FM 31(1)(c), insert:
(cb) it is not a local authority; and
 - (2) In section FM 31, in the list of defined terms, insert “local authority”.
- 65 Section FM 36 amended (Joining existing consolidated group)**
- In section FM 36(2), replace “section FM 31 and entitled to join the consolidated group, it may choose” with “section FM 31, it may choose”. 35

- 66 Section FM 37 amended (Leaving consolidated group)**
In section FM 37(c), replace “it is no longer entitled to be in the same consolidated group” with “it is not eligible to continue as part of the same consolidated group”.
- 67 Section FM 38 amended (Notice requirements on forming or joining consolidated group)** 5
In section FM 38(2), replace “entitled” with “eligible”.
- 68 Section FM 40 amended (Losing eligibility or entitlement to be part of consolidated group)**
- (1) In section FM 40, in the section heading, delete “or entitlement”. 10
- (2) In section FM 40(1), replace “the nominated company, when it is no longer entitled to be in the same consolidated group” with “the nominated company, when it is not eligible to continue as part of the same consolidated group”.
- (3) In section FM 40(2)(b), replace “entitled to be in the same consolidated group” with “eligible to continue as part of the same consolidated group”. 15
- (4) In section FM 40(3) replace “eligible or entitled” with “eligible”.
- (5) In section FM 40(4) replace “eligibility or entitlement” with “eligibility” in each place where it appears.
- (6) After section FM 40(4), insert:
- Treatment of local authorities* 20
- (4B) Despite subsections (1) to (4), a local authority that is part of a consolidated group before the date on which the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act **2017** receives the Royal assent but is no longer eligible to continue as part of the consolidated group is treated as leaving the consolidated group on the earlier of— 25
- (a) the start of the income year following that date:
- (b) a date notified under subsection (4).
- (7) In section FM 40, in the list of defined terms, insert “local authority”.
- 69 Section FN 4 amended (Eligibility rules)**
- In section FN 4(2)(a), replace “are part of” with “are part of or would be part of”. 30
- 70 New cross-heading and section GB 49B inserted**
After section GB 49, insert:

Arrangements involving employee share schemes

GB 49B Employee share schemes

When this section applies

- (1) This section applies when a person enters into an arrangement and the purpose or effect of the arrangement is to defeat the intent and application of the definition of **share scheme taxing date** in relation to an employee share scheme. 5

Reconstruction

- (2) The shares or related rights under the employee share scheme have the share scheme taxing date that the Commissioner considers appropriate to counteract a tax advantage obtained by the person from or under the arrangement. 10

Defined in this Act: arrangement, Commissioner, employee share scheme, share, share scheme taxing date

71 Section GB 52 amended (Arrangements involving residential land: companies' shares)

In section GB 52(1)(a), replace “relevant date in sections” with “relevant date in section”. 15

72 Section HA 19 amended (Credit accounts and dividend statements)

In section HA 19(3)(a), replace “section 67(1)” with “**section 25G(2)**”.

73 Section HC 2 amended (Obligations of joint trustees for calculating income and providing returns)

In section HC 2(2)(b), replace “section 42(1)(a)” with “**section 33(1D)**”. 20

74 Section HC 27 amended (Who is a settlor?)

- (1) Repeal section HC 27(3B).
(2) In section HC 27, in the list of defined terms, delete “share purchase agreement”. 25

75 Section HC 33 amended (Choosing to satisfy income tax liability of trustee)

- (1) In section HC 33(1), replace “liability of the trustee of the trust as described in subsection (2)” with “liability of the trustee of the trust”.
(2) **Subsection (1)** applies for the 2008–09 and later income years. 30

76 Section HD 3 amended (Agents' duties and liabilities)

- (1) After section HD 3(2), insert:

Assessments, returns, and payments of tax by agents for Lloyd's of London

- (2B) An agent described in section **HD 17B(2)** (Lloyd's of London: agents for life insurance)— 35

<p>(a) is not subject to subsection (2) for income derived under section CR 3B (Lloyd’s of London: income from life insurance premiums); and</p> <p>(b) must meet the obligations described in sections HR 13(3)(a) and (b) (Lloyd’s of London: life insurance) but only to the extent described in section HD 17B(3).</p>	5
<p>(2) Subsection (1) applies in relation to a life insurance premium that is derived on or after 1 April 2017 by Lloyd’s of London.</p>	
<p>77 Section HD 15 amended (Asset stripping of companies)</p>	
<p>(1) After section HD 15(8), insert:</p>	
<p><i>Meaning of company in voting interest or market value interest tests</i></p>	
<p>(8B) When applying sections YC 2 to YC 6 (which relate to voting and market value interests) for the purposes of the definitions of controlling shareholder and interested shareholder in subsection (9), the reference to company in sections YC 2 to YC 6 includes a company that is acting in the capacity of trustee.</p>	10
<p>(2) In section HD 15(9), insert in appropriate alphabetical order:</p>	
<p>company includes a company that is acting in the capacity of trustee</p>	
<p>(3) In section HD 15(9), in the definition of controlling shareholder, paragraph (b), delete “(Disregarding certain securities)”.</p>	
<p>(4) In section HD 15, in the list of defined terms, insert “trustee”.</p>	
<p>78 New section HD 17B inserted (Lloyd’s of London: agents for life insurance)</p>	
<p>(1) After section HD 17, insert:</p>	
<p>HD 17B Lloyd’s of London: agents for life insurance</p>	
<p><i>When this section applies</i></p>	
<p>(1) This section applies when Lloyd’s of London derives income from the payment of a premium under section CR 3B (Lloyd’s of London: income from life insurance premiums).</p>	25
<p><i>Agents paying premium or providing funds</i></p>	
<p>(2) The person treated as agent for Lloyd’s of London is—</p>	
<p>(a) a person, including a broker or agent, who pays the premium to Lloyd’s of London; or</p>	30
<p>(b) a person described in subsection (4)(b).</p>	
<p><i>Liability of agents</i></p>	
<p>(3) The person liable as agent is only liable to calculate the taxable income, provide the return and pay the income tax in relation to the premium the person pays to Lloyd’s of London and not in relation to all the premium income of Lloyd’s of London for the tax year.</p>	35

<i>Banks or non-bank deposit takers</i>		
(4)	If a premium is paid by a registered bank, or a licensed non-bank deposit taker, on behalf of a person to Lloyd’s of London or to some other person, acting on behalf of Lloyd’s of London, not carrying on a business in New Zealand through a fixed establishment in New Zealand,—	5
(a)	the bank or licensed non-bank deposit taker is not an agent of Lloyd’s of London; and	
(b)	the person who provides the bank or licensed non-bank deposit taker with the funds from which the premium is paid is an agent of Lloyd’s of London.	10
	Defined in this Act: agent, business, deduction, fixed establishment, general permission, income, income tax, licensed non-bank deposit taker, life insurance policy, Lloyd’s of London, New Zealand, pay, premium, registered bank, return of income, tax year, taxable income	
(2)	Subsection (1) applies in relation to a life insurance premium that is derived on or after 1 April 2017 by Lloyd’s of London.	15
79	Section HF 1 amended (Maori authorities and the Maori authority rules)	
	In section HF 1(2)(g), replace “sections 31, 57, 68B,” with “sections 251 , 31, 57,”.	
80	Section HM 3 amended (Foreign PIE equivalents)	
(1)	In section HM 3(1)(b)(ii), replace “scheme:” with “scheme; and”.	20
(2)	Repeal section HM 3(1)(b)(iii).	
(3)	In section HM 3, in the list of defined terms, delete “trustee” and “unit trust”.	
81	Section HM 4 amended (Who is an investor?)	
(1)	In section HM 4, after the section title, insert “ <i>Meaning of investor</i> ” as a subsection heading.	25
(2)	In section HM 4, insert:	
<i>Consequences of not providing tax file number</i>		
(2)	An investor in a multi-rate PIE who is required under section 28B of the Tax Administration Act 1994 to provide a tax file number to the PIE and fails to do so within the time limit set out in that section is treated as an investor whose interest has reached the exit level.	30
(3)	In section HM 4, in the list of defined terms, insert “exit level”, “multi-rate PIE”, and “tax file number”.	
(4)	Subsections (1) and (2) apply for the 2018–19 and later income years.	
82	Section HM 9 amended (Collective schemes)	35
	Repeal section HM 9(c).	

83 Section HM 13 amended (Maximum shareholdings in investments)

- (1) Replace section HM 13(2) with:

Voting and market interests: companies other than unit trusts

- (2) The investment must not carry voting interests or market value interests of more than 20%. This subsection does not apply to a unit trust. Subsection (5) overrides this subsection. 5

- (2) In section HM 13, in the list of defined terms, insert “market value interest”.

84 Section HM 30 amended (When foreign PIE equivalent no longer meets requirements)

In section HM 30(2), replace “section HM 3(b) to (e)” with “section HM 3(1)(b) to (e)”. 10

85 Section HM 62 amended (Exit levels for investors)

- (1) In section HM 62, insert after the section title, “
- When tax liability and investor interests equal*
- ” as a subsection heading.

- (2) In section HM 62, insert as new subsections: 15

Consequences of not providing tax file number

- (2) An investor in a multi-rate PIE is treated as reaching the exit level when they fail to provide a tax file number to the PIE by the date set out in
- section 28B**
- of the Tax Administration Act 1994.

Treatment of investors when tax file numbers not provided 20

- (3) The account of an investor to whom
- subsection (2)**
- applies is treated as closed on the date referred to in that subsection. The PIE must refund the amount of the investor’s investment and calculate and pay tax for the exiting investor for the exit period using the exit calculation option under section HM 42. 25

- (3) In section HM 62, in the list of defined terms, insert “amount” and “tax file number”.

86 Section HM 67 amended (Formation losses carried forward to first quarter)

- (1) In section HM 67(1), replace “when an entity becomes a multi-rate PIE that” with “when an entity either becomes a multi-rate PIE or is a multi-rate PIE that has calculated and paid tax under the provisional tax calculation option under section HM 44 that”. 30

- (2) In section HM 67(2), replace “the entity becomes a PIE” with “the entity either becomes a PIE or changes its calculation option from the provisional tax calculation option to the exit calculation or quarterly calculation option”. 35

- (3) In section HM 67, in the list of defined terms, insert “provisional tax”.

87	Section HM 68 amended (When formation losses carried forward are less than 5% of formation investment value)	
(1)	In section HM 68, replace “at the time it becomes a PIE” with “at the time it either becomes a PIE or changes its calculation option from the provisional tax calculation option to the exit calculation or quarterly calculation option”.	5
(2)	In section HM 68, in the list of defined terms, insert “provisional tax”.	
88	Section HM 69 amended (When formation losses carried forward are 5% or more of formation investment value: 3-year spread)	
(1)	In section HM 69(1), replace “from the date the entity becomes a PIE” to “from the date the entity either becomes a PIE or changes its calculation option from the provisional tax calculation option to the exit calculation or quarterly calculation option”.	10
(2)	In section HM 69, in the list of defined terms, insert “provisional tax”.	
89	Section HR 10 amended (What happens when vehicle stops being financial institution special purpose vehicle?)	15
	In section HR 10(1), replace “an financial institution special purpose vehicle” with “a financial institution special purpose vehicle” in each place where it appears.	
90	Section HR 12 replaced (Non-exempt charities: taxation of tax-exempt accumulations)	20
(1)	Replace section HR 12 with:	
	HR 12 Non-exempt charities: treatment of tax-exempt accumulations	
	<i>Who this section applies to</i>	
(1)	This section applies to—	
(a)	a person (person A) who—	25
(i)	is registered on the register of charitable entities under the Charities Act 2005 for a period; and	
(ii)	derives exempt income under section CW 41 or CW 42 (which relate to charities) in the same period; and	
(iii)	is deregistered as a charitable entity on the end date:	30
(b)	a person (person B) who derives exempt income under section CW 42 for a period that comes to an end on the end date.	
	<i>When this section does not apply</i>	
(2)	This section does not apply if—	
(a)	for person A, they are re-registered on the register of charitable entities within 1 year of the end date:	35

- (b) for person B, they meet the requirements of section CW 42(1) within 1 year of the end date.
- Treatment of income*
- (3) Person A or person B, as applicable, has an amount of income derived on the day that is 1 year after the end date that is equal to the value of assets that the person held on the end date less the liabilities of the person on that date, but ignoring— 5
- (a) assets that are disposed of or transferred within 1 year of the end date, together with any rights and obligations, to another person— 10
- (i) for charitable purposes:
- (ii) in accordance with the person’s rules described in **subsection (4)**:
- (b) assets received from the Crown— 15
- (i) to settle a Treaty of Waitangi claim:
- (ii) in accordance with the Maori Fisheries Act 2004:
- (c) assets other than money gifted or left to the person when they met the requirements to derive exempt income under section CW 41 or CW 42.
- Person’s rules*
- (4) In **subsection (3)(a)(ii)**, the person’s rules are, as appropriate— 20
- (a) for person A, the person’s rules set out in the register of charitable entities immediately before the person’s removal from the register:
- (b) for person B, the governing instrument that applies immediately before the end date.
- Negative amounts*
- (5) For the purposes of the calculation in **subsection (3)**, if the amount is negative, it is treated as zero. 25
- References to assets and liabilities*
- (6) In this section, references to **assets** and **liabilities**, as applicable,— 30
- (a) mean the assets and liabilities owned, controlled, or held, wholly or in part, immediately before the end date; and
- (b) include—
- (i) all assets of any kind, whether in the form of real or personal property, money, shares, securities, rights, or interests; and
- (ii) all liabilities, including debts, charges, duties, contracts, or other obligations, whether present, future, actual, contingent, payable, or to be observed or performed in New Zealand or elsewhere. 35
- Meaning of end date*
- (7) In this section, **end date** means—

<p>(a) for person A, the day of final decision:</p> <p>(b) for person B, the day on which the requirements of section CW 42(1) are no longer met.</p> <p>Defined in this Act: amount, asset, charitable purpose, day of final decision, end date, exempt income, income, liabilities, New Zealand, real property, share, year</p>	5
<p>(2) Subsection (1) does not apply to a person and an income year in relation to a tax position taken by the person—</p> <p>(a) in a return of income filed before the date of introduction of the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act 2017; and</p> <p>(b) relating to the derivation of exempt income to which subsection (1) applies; and</p> <p>(c) relying on section HR 12 as it was before the amendment made by subsection (1).</p>	10
<p>91 New cross-heading and section HR 13 inserted</p> <p>(1) After section HR 12, insert:</p> <p style="text-align: center;"><i>Lloyd’s of London: life insurance</i></p> <p>HR 13 Lloyd’s of London: life insurance</p> <p><i>What this section applies to</i></p> <p>(1) This section applies for the purposes of the obligations imposed by section BB 2 (Main obligations) on underwriters of Lloyd’s of London who derive income (premium income) under section CR 3B (Lloyd’s of London: income from life insurance premiums) in an income year in relation to that income.</p> <p><i>Lloyd’s of London single person</i></p> <p>(2) All underwriters of Lloyd’s of London who derive premium income in the income year are treated as if they were a notional single person, and are jointly and severally liable for meeting the obligations of the notional single person for the income year.</p> <p><i>Taxable income and return of income</i></p> <p>(3) Subject to section HD 17B (Lloyd’s of London: agents for life insurance), the underwriters of Lloyd’s of London must—</p> <p>(a) calculate the taxable income that relates to the premium income for the notional single person described in subsection (2) for the corresponding tax year; and</p> <p>(b) for that tax year, provide a joint return of income and satisfy the income tax liability that relates to the premium income for the notional single person.</p>	15
<p>(1) This section applies for the purposes of the obligations imposed by section BB 2 (Main obligations) on underwriters of Lloyd’s of London who derive income (premium income) under section CR 3B (Lloyd’s of London: income from life insurance premiums) in an income year in relation to that income.</p>	20
<p>(2) All underwriters of Lloyd’s of London who derive premium income in the income year are treated as if they were a notional single person, and are jointly and severally liable for meeting the obligations of the notional single person for the income year.</p>	25
<p>(3) Subject to section HD 17B (Lloyd’s of London: agents for life insurance), the underwriters of Lloyd’s of London must—</p> <p>(a) calculate the taxable income that relates to the premium income for the notional single person described in subsection (2) for the corresponding tax year; and</p> <p>(b) for that tax year, provide a joint return of income and satisfy the income tax liability that relates to the premium income for the notional single person.</p>	30
<p>(b) for that tax year, provide a joint return of income and satisfy the income tax liability that relates to the premium income for the notional single person.</p>	35

	<i>Underwriters of Lloyd's of London</i>	
(4)	In this section, underwriters of Lloyd's of London has the same meaning as Lloyd's of London. Defined in this Act: income, income tax liability, income year, Lloyd's of London, New Zealand, return of income, tax year, taxable income	5
(2)	Subsection (1) applies in relation to a life insurance premium that is derived on or after 1 April 2017 by Lloyd's of London.	
92	Section IA 2 amended (Tax losses)	
(1)	Replace section IA 2(4)(g) with:	
	(g) a person with an unused specified activity net loss: the amount of the unused specified activity net loss to the extent to which the amount has not been subtracted under section IA 4(1)(a) from net income for a tax year.	10
(2)	In section IA 2, in the list of defined terms,—	
	(a) insert “unused specified activity net loss”:	
	(b) delete “specified activity net loss”.	15
(3)	Subsection (1) applies for the 2018–19 and later income years.	
93	Section IA 4 amended (Using loss balances carried forward to tax year)	
(1)	In section IA 4(1), after “tax year,” insert “and a person's unused specified activity net loss,”.	
(2)	In section IA 4(1)(b), after “section IA 2(2),” insert “or the amount of unused specified activity net loss referred to in section IA 2(4)(g) ,”.	20
(3)	After section IA 4(1), insert:	
	<i>Unused specified activity net losses subtracted before loss balance</i>	
(1B)	In subsection (1)(a) , the unused specified activity net loss is subtracted from net income before the loss balance.	25
	<i>Order for unused specified activity net losses</i>	
(1C)	In subsection (1)(a) , the unused specified activity net loss is subtracted in the order in which it arose. The order in which it arose is to be determined by applying section IA 9(4) to the unused specified activity net loss as if it were a tax loss component referred to in that section.	30
(4)	In section IA 4, in the list of defined terms, insert “tax loss component” and “unused specified activity net loss”.	
(5)	Subsections (1), (2), and (3) apply for the 2018–19 and later income years.	
94	Section IA 4 amended (Using loss balances carried forward to tax year)	
(1)	In section IA 4(1) , after “tax year,” delete “and a person's unused specified activity net loss,”.	35

- (2) In **section IA 4(1)(b)**, after “section IA 2(2),” delete “or the amount of unused specified activity net loss referred to in **section IA 2(4)(g)**”.
- (3) Repeal **section IA 4(1B) and (1C)**.
- (4) In **section IA 4**, in the list of defined terms, delete “tax loss component” and “unused specified activity net loss”. 5
- (5) **Subsections (1), (2), and (3)** apply for the 2019–20 and later income years.
- 95 Section IA 7 amended (Restrictions relating to ring-fenced tax losses)**
- (1) Repeal section IA 7(8).
- (2) In section IA 7, list of defined terms, delete “petroleum mining company”.
- (3) **Subsection (1)** applies for the 2018–19 and later income years. 10
- 96 Section IA 8 amended (Restrictions relating to schedular income)**
- In section IA 8, in the list of defined terms, delete “non-resident entertainer”.
- 97 Section IA 9 amended (Ordering rules)**
- (1) After section IA 9(3), insert:
- Order for tax loss component from unused specified activity net loss* 15
- (4) For the purposes of subsection (1), the tax loss component under **section IA 2(4)(g)** arose when the specified activity net loss, that is referred to in the definition of unused specified activity net loss and that makes up the tax loss component, arose.
- (2) In section IA 9, in the list of defined terms, insert with “unused specified activity net loss”. 20
- (3) **Subsection (1)** applies for the 2018–19 and later income years.
- 98 Section IC 3 amended (Common ownership: group of companies)**
- (1) Replace section IC 3(3), other than the heading, with:
- (3) In subsection (1)(a) and section IC 4(1)(a), a person’s common voting interest in the relevant companies at a particular time is the percentage of their voting interests under sections YC 2, YC 4(1) to (3), YC 5, and YC 6 (which relate to voting interests) in each of the companies at the time. 25
- (2) In section IC 3(4), replace “section YC 3 (Market value interests)” with “sections YC 3, YC 4(1) to (3), YC 5, and YC 6 (which relate to market value interests)”. 30
- (3) **Subsection (1)** applies for the 2008–09 and later income years.
- 99 Section IS 5 amended (Petroleum miners’ tax losses)**
- (1) In section IS 5(1)(a), replace “section DT 7 (Exploratory well expenditure)” with “section DT 5 (Petroleum development expenditure)”. 35
- (2) **Subsection (1)** applies for the 2008–09 and later income years.

- 100 Section IS 5 repealed (Petroleum miners’ tax losses)**
- (1) Repeal **section IS 5**.
 - (2) **Subsection (1)** applies for the 2018–19 and later income years.
- 101 Section IZ 1 repealed (Use of specified activity net losses)**
- (1) Repeal section IZ 1. 5
 - (2) **Subsection (1)** applies for the 2018–19 and later income years.
- 102 Section IZ 2 repealed (Petroleum mining companies: treatment of payments from shareholders)**
- (1) Repeal section IZ 2.
 - (2) **Subsection (1)** applies for the 2018–19 and later income years. 10
- 103 Section IZ 3 repealed (Petroleum mining companies: use of loss balances)**
- (1) Repeal section IZ 3.
 - (2) **Subsection (1)** applies for the 2018–19 and later income years.
- 104 Section LA 6 amended (Remaining refundable credits: PAYE, RWT, and certain other items)** 15
- (1) After section LA 6(1)(i), insert:
 - (ib) **subpart LT** (Tax credits for petroleum miners):
 - (2) **Subsection (1)** applies for the 2018–19 and later income years.
- 105 Section LB 1 amended (Tax credits for PAYE income payments)**
- (1) In section LB 1(1), replace “an employer monthly schedule” with “employment income information”. 20
 - (2) In section LB 1(3)(c), replace “the employer monthly schedule” with “their employment income information”.
 - (3) In section LB 1(4), replace “an employer monthly schedule” with “employment income information”. 25
 - (4) In section LB 1, in the list of defined terms,—
 - (a) insert “employment income information”:
 - (b) delete “employer monthly schedule”.
- 106 Section LB 3 amended (Tax credits for resident withholding tax)**
- In section LB 3(1) replace “are met.” with “are met. The amount of tax includes a payment of RWT for a non-cash dividend.” 30
- 107 Section LB 7 amended (Tax credits related to personal service rehabilitation payments: providers)**
- In section LB 7(4)(b)(ii) replace “section 24N” with “**section 24G**”.

- 108 Section LB 8 amended (Tax credits related to personal service rehabilitation payments: payers)**
In section LB 8(3)(c)(ii) replace “section 24N” with “**section 24G**”.
- 109 Section LD 3 amended (Meaning of charitable or other public benefit gift)**
In section LD 3(2)(ac), replace “entity, if the gift is made in a tax year that the entity meets the requirements to derive exempt income” with “entity that is eligible to derive exempt income”. 5
- 110 Section LD 4 amended (Tax credits for payroll donations)**
- (1) In section LD 4(1)(a)(i) replace “files by electronic means an employer monthly schedule and a PAYE income payment form” with “provides employment income information by electronic means”. 10
- (2) In section LD 4(7) replace “24Q” with “**15X**”.
- (3) In section LD 4, in the list of defined terms,—
- (a) insert “employment income information”;
- (b) delete “employer monthly schedule” and “PAYE income payment form”. 15
- 111 Section LD 5 amended (Calculating amount of tax credit and filing particulars)**
- (1) In section LD 5(2)(a), replace “an employer monthly schedule and a PAYE income payment form for” with “the employment income information relating to”. 20
- (2) In section LD 5, in the list of defined terms,—
- (a) insert “employment income information”;
- (b) delete “employer monthly schedule” and “PAYE income payment form”.
- 112 Section LK 1 amended (Tax credits relating to attributed CFC income)**
- (1) After section LK 1(1), insert: 25
- Credits for parent companies and group companies*
- (1B) For the purposes of this section and section LK 6, a parent of the person referred to in subsection (1)(d), or a company that is part of the person’s group of companies, has a tax credit for the tax year corresponding to the income year of an amount that is equal to an amount of foreign income tax paid in relation to the CFC from which the income is derived. 30
- (2) In section LK 1, in the list of defined terms, insert “group of companies”.
- 113 New subpart LT inserted (Tax credits for petroleum miners)**
- (1) After section LS 4, insert:
- Subpart LT—Tax credits for petroleum miners 35

LT 1 Tax credits for petroleum miners*When this section applies*

- (1) This section applies for an income year if a petroleum miner or a farm-in party—
- (a) has—
 - (i) been allocated under **section EJ 13(4)** (Permanently ceasing petroleum mining operations) a deduction for the income year: 5
 - (ii) incurred expenditure for which they are entitled to a deduction under **section DT 16** (Decommissioning); and
 - (b) notifies the Commissioner before they file the return of income for the income year in a manner prescribed by the Commissioner; and 10
 - (c) has a net loss for the tax year corresponding to the income year.

Tax credits

- (2) The petroleum miner or farm-in party has a tax credit for the tax year corresponding to the income year for an amount calculated using the formula— 15
- amount of loss × tax rate.

Definition of items in formula

- (3) In the formula,—
- (a) **amount of loss** is the amount of the net loss described in **subsection (1)(c)** to the extent to which the amount does not exceed the total of the amounts for the deductions referred to in **subsection (1)(a)(i) and (ii)**: 20
 - (b) **tax rate** is the basic rate of income tax set out in schedule 1, part A (Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits).

Maximum amounts

- (4) Despite **subsection (2)**, the maximum amount of the credit must not be more than the lesser of— 25
- (a) the result of the formula; and
 - (b) the amount of income tax paid by—
 - (i) for a petroleum miner, the petroleum miner and any consolidated group of which they are a member on net income derived for all earlier tax years, calculated on a year-by-year basis and aggregated: 30
 - (ii) for a farm-in party, the farm-in party and any consolidated group of which they are a member on net income derived for all earlier tax years, calculated on a year-by-year basis and aggregated. 35

	<i>Consolidated groups</i>	
(5)	For the purposes of subsection (4)(b) , the amount of income tax paid by the consolidated group includes income tax paid on net income derived for tax years before the petroleum miner or farm-in party joined the group.	
	<i>Treatment of trustees</i>	5
(6)	For the purposes of subsection (4) , if the petroleum miner or farm-in party is a trustee of a trust, the amount of tax paid for each earlier tax year is determined—	
	(a) first, by reference to the amount of income tax paid under the obligations of a trustee under section HC 32 (Liability of trustee as agent); and	10
	(b) secondly, by reference to the amount of tax paid on trustee income; and	
	(c) calculated on a year-by-year basis and aggregated.	
	<i>Calculations on year-by-year basis</i>	
(7)	In subsections (4)(b) and (6)(c) a reference to a calculation on a year-by-year basis refers to a calculation starting with the immediately preceding tax year and working backwards to earlier tax years until the amount of tax paid is equal to or more than the amount referred to in subsection (4)(a) .	15
	<i>Treatment of tax losses</i>	
(8)	To the extent to which the petroleum miner or farm-in party has a tax credit under this section, the amount of the net loss giving rise to the credit does not form part of a tax loss component for the petroleum miner or farm-in party.	20
	<i>Nature of tax credits</i>	
(9)	The tax credit is available for use under section LA 6(2) (Remaining refundable credits: PAYE, RWT, and certain other items).	
	<i>Relationship with other sections</i>	25
(10)	Subsection (9) overrides section IA 2 (Tax losses).	
	Defined in this Act: amount, amount of tax, Commissioner, consolidated group, decommissioning, deduction, farm-in party, income, income tax, income year, interest, net income, net loss, pay, permit area, petroleum miner, petroleum mining operations, petroleum permit, notify, return of income, tax credit, tax loss, tax loss component, tax year, trustee, trustee income	30
LT 2 Petroleum mining operations outside New Zealand		
	<i>Section LT 1 applies with modifications</i>	
(1)	Section LT 1 applies as modified by this section to a petroleum miner undertaking petroleum mining operations outside New Zealand through a branch or a controlled foreign company in relation to those operations outside New Zealand.	35

	<i>Net losses</i>	
(2)	The net loss referred to in section LT 1(1)(c) for the petroleum miner is the net loss the petroleum miner would have if section DT 1A(4) (Ring-fenced allocations) did not apply.	
	<i>Maximum amounts</i>	5
(3)	The maximum amount of the credit referred to in section LT 1(4) for the petroleum miner in relation to the petroleum mining operations outside New Zealand must not be more than the lesser of—	
	(a) the result of the formula in section LT 1(2) ; and	
	(b) the amount of income tax paid by the petroleum miner and any consolidated group of which the petroleum miner is a member on net income derived for all earlier tax years that relates to the petroleum mining operations outside New Zealand, calculated on a year-by-year basis and aggregated.	10
	<i>Consolidated groups, trustees, calculations on year-by-year basis</i>	15
(4)	Section LT 1(5), (6), and (7) applies, with any necessary modifications, for the purposes of subsection (3) .	
	Defined in this Act: amount, consolidated group, controlled foreign company, farm-in party, income tax, net income, net loss, New Zealand, pay, petroleum miner, petroleum mining operations, tax credit, tax year	20
(2)	Subsection (1) applies for the 2018–19 and later income years.	
114	Section MX 1 amended (When subpart applies)	
	In section MX 1, before subsection (1), insert “ <i>When this subpart applies</i> ” as a subsection heading.	
115	Section MX 4 amended (R&D loss tax credits)	25
	In section MX 4, before subsection (1), insert “ <i>Amount of tax credit</i> ” as a subsection heading.	
116	Section OA 2 amended (Memorandum accounts)	
	In section OA 2(3), replace “a tax year” with “a tax year and each subsequent tax year”.	30
117	Section OA 7 amended (Opening balances of memorandum accounts)	
(1)	Replace section OA 7(2) with:	
	<i>Credits and debits forming opening balances</i>	
(2)	The amount of each credit or debit that forms part of the opening balance of a memorandum account is treated as recorded in the relevant memorandum account on the date on which it was originally recorded.	35
(2)	Replace section OA 7(3), other than the heading, with:	

(3)	If a consolidated group, company, or person starts a memorandum account during a tax year, the treatment of existing credits and debits is set out as follows:	
(a)	when the companies of 2 or more consolidated imputation groups choose to combine to form, or to join, an imputation group, <i>see</i> section OP 3(2) (Changes in consolidated imputation groups):	5
(b)	when the companies that are part of an imputation group choose to convert their status to that of a consolidated group that is a consolidated imputation group, <i>see</i> section OP 3(3):	
(c)	for a resident imputation subgroup associated with a trans-Tasman imputation group, <i>see</i> section OP 4 (Resident imputation subgroups).	10
(3)	In section OA 7, replace the list of defined terms with “amount, company, consolidated group, consolidated imputation group, imputation group, income year, memorandum account, resident imputation subgroup, tax year, trans-Tasman imputation group”.	
118	Section OP 3 amended (Changes in consolidated imputation groups)	15
(1)	Replace section OP 3(4), other than the heading, with:	
(4)	The opening balance for a tax year for the imputation credit account of the consolidated imputation group is determined as follows:	
(a)	for an imputation group to which subsection (2) applies, the opening balance is equal to the amount that is the sum of the opening balances of each imputation group that is part of the consolidated imputation group:	20
(b)	for an imputation group to which subsection (3) applies, the opening balance is the amount that is the sum of the opening balances of the imputation groups that chose to convert their status.	
(2)	In section OP 3, in the list of defined terms, insert “amount” and “tax year”.	25
119	Section OP 4 amended (Resident imputation subgroups)	
(1)	After section OP 4(2), insert:	
	<i>Opening balances</i>	
(3)	The opening balance of the imputation credit account is an amount equal to the sum of the opening balances of each company that is part of the resident imputation subgroup.	30
(2)	In section OP 4, in the list of defined terms, insert “amount”.	
120	Section OP 22 amended (Consolidated ICA group company’s credit)	
	After section OP 22(1), insert:	
	<i>Amount of credit</i>	35
(1B)	The amount of the credit referred to in subsection (1) is limited to the lesser of—	

- (a) the amount of the debit referred to in subsection (1)(b); or
- (b) the amount of the debit referred to in subsection (1)(b) that is not offset by a credit as described in subsection (1)(c).

121 Tables of credits and debits in memorandum accounts amended

The tables of credits and debits in memorandum accounts are amended by re- 5
pealing the row number in column 2 from the table in column 1.

Table reference	Repeal row number
Table O1: imputation credits	row 1
Table O2: imputation debits	row 1
Table O3: FDP credits	row 1
Table O4: FDP debits	row 1
Table O5: conduit tax relief credits	row 1
Table O6: conduit tax relief debits	row 1
Table O9: person's branch equivalent tax credits	row 1
Table O10: person's branch equivalent tax debits	row 1
Table O11: ASC credits	row 1
Table O12: ASC debits	row 1
Table O17: Maori authority credits	row 1
Table O18: Maori authority debits	row 1
Table O19: imputation credits of consolidated imputation groups	row 1
Table O20: imputation debits of consolidated imputation groups	row 1
Table O21: FDP credits of consolidated FDP groups	row 1
Table O22: FDP debits of consolidated FDP groups	row 1
Table O26: branch equivalent tax debits of consolidated BETA groups	row 1

122 Section RA 11 amended (Adjustment to correct errors: certain underpayments)

- (1) Replace section RA 11(1), other than the heading, with:
 - (1) This section applies when—
 - (a) a person (the **payer**) is required to withhold an amount of tax for resident passive income or non-resident passive income in relation to a payment to another person (the **payee**); and
 - (b) the payer, through an error, does not withhold some or all of the amount.

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- (2) In section RA 11(2), replace “The payer may” with “To correct the error, the payer may”.
- (3) Replace section RA 11(3), other than the heading, with:
- (3) For the purposes of subsection (2)(a),—
- (a) the later payment must be a payment made by the payer in the same tax year as the year in which the error is made; or 5
- (b) if the later payment is made in the next tax year, the adjustment must be no more than the greater of—
- (i) \$2,000; or
- (ii) 5% of the payer’s withholding liability for RWT or NRWT, as applicable, for the tax year in which the first payment is made to the payee. 10
- (4) After section RA 11(3), insert:
- Requirements when recovering amounts from payees*
- (4) For the purposes of subsection (2)(b), the recovery action must be taken in the same tax year as the year in which the error is made. 15
- When adjustments made*
- (5) An adjustment that meets the requirements set out in **subsection (3) or (4)** is treated as made on the due date for the amount of tax referred to in **subsection (1)(a)**. 20
- Notifying Commissioner of adjustments*
- (6) The payer must notify the Commissioner at the earliest possible opportunity of an adjustment to which **subsection (3)(b)** applies, or otherwise by the next relevant date for the type of investment income referred to in **section 25C(a) and (b)** of the Tax Administration Act 1994, including in their notification— 25
- (a) the information in **schedule 6, table 1, rows 1 to 7, 10, 16, and 29** of that Act; and
- (b) adjustments to the items referred to in **schedule 6, table 1, rows 8, 9, 11, 14, and 15** of that Act. 30
- (5) In section RA 11, in the list of defined terms,—
- (a) insert “amount of tax”, “investment income”, and “notify”;
- (b) delete “dividend treated as interest” and “interest”.
- 123 Section RA 12 amended (Adjustment to correct errors: certain excess amounts)**
- (1) Replace section RA 12(2), other than the heading, with: 35
- (2) For a payment of resident passive income, the payer may pay the excess amount to the payee at any time before the 20th of April after the end of the tax year in which the amount is withheld if the payer has not reported to the payee

- under section **26C**, 29, or 31 of the Tax Administration Act 1994, providing the details set out in those provisions.
- (2) Replace section RA 12(4), other than the heading, with:
- (4) If the payer has not refunded the amount to the payee, the payer must notify the following of the excess amount by the date referred to in **subsection (2)**: 5
- (a) the payee:
- (b) the Commissioner.
- (3) In section RA 12(6)(a), replace “noting the action in the statement required under section 50 of the Tax Administration Act 1994” with “noting the action in the investment income information required under **subpart 3E** of the Tax Administration Act 1994”. 10
- (4) In section RA 12, in the list of defined terms,—
- (a) insert “notify”:
- (b) delete “dividend”, “dividend treated as interest”, “interest”, “Maori authority”, “notice”, “RWT withholding certificate”, “shareholder dividend statement”, and “taxable Maori authority distribution”. 15
- 124 Section RA 15 amended (Payment dates for interim and other tax payments)**
- (1) In section RA 15(4), replace “subsection (3)” with “subsection (3)(a)(ii)”. 20
- (2) Replace section RA 15(5) and (6) with: 20
- Discrepancies*
- (5) When a discrepancy arises in relation to investment income information for resident passive income or non-resident passive income, and an amount of RWT or NRWT remains unpaid, the person required to withhold the amount must pay it to the Commissioner by the later of— 25
- (a) 20 April after the end of the tax year in which the information was provided:
- (b) the last date for providing the information.
- Assessed amounts*
- (6) **Subsection (5)** does not apply to an unpaid amount that the Commissioner assesses for a particular return period. 30
- (3) In section RA 15, in the list of defined terms, insert “amount” and “investment income information”.
- 125 Section RA 16 amended (Payment date when taxable activity ends)**
- (1) In section RA 16(3), replace “if the person continues to hold an RWT exemption certificate” with “if the person’s RWT-exempt status continues”. 35
- (2) In section RA 16, in the list of defined terms,—

- (a) insert “RWT-exempt status”:
 - (b) delete “RWT exemption certificate”.
- 126 Section RA 17 amended (Payment date when RWT exemption certificate expires)**
- (1) In section RA 17, in the section heading, replace “**when RWT exemption certificate expires**” with “**when RWT-exempt status ends**”. 5
 - (2) In section RA 17(1), replace “when an RWT exemption certificate of a person expires” with “when a person’s RWT-exempt status ends”.
 - (3) In section RA 17(2), replace “the certificate expires” with “the status ends”.
 - (4) In section RA 17, in the list of defined terms,— 10
 - (a) insert “RWT-exempt status”:
 - (b) delete “RWT exemption certificate”.
- 127 Section RC 3 amended (Who is required to pay provisional tax?)**
- (1) In section RC 3(2)(c), delete “certificate”.
 - (2) In section RC 3, in the list of defined terms, delete “exemption certificate”. 15
- 128 Section RC 19 amended (Disposal of assets)**
- In section RC 19(2)(a), replace “of that Act” with “of the Goods and Services Tax Act 1985”.
- 129 Section RD 2 amended (PAYE rules and their application)**
- (1) In section RD 2(1)(e), replace “sections 15C to 15M” with “sections 15C to 15F, 15J to 15L”. 20
 - (2) Replace section RD 2(1)(e) with:
 - (e) sections 15C to 15F, 15J to 15L, **22AA, subparts 3C and 3D**, section 133, Part 9, sections 167 to 169, and **schedules 4 and 5** of the Tax Administration Act 1994. 25
- 130 Section RD 4 replaced (Payment of amounts of tax to Commissioner)**
- Replace section RD 4 with:
- RD 4 Payment of amounts of tax to Commissioner**
- Payments monthly or twice-monthly*
- (1) An employer or PAYE intermediary who withholds an amount of tax for a PAYE income payment paid to an employee must pay the amount to the Commissioner as follows: 30
 - (a) on a monthly basis, if they are an employer to whom **subsection (2)** applies:
 - (b) for 2 payment periods in a month, if **paragraph (a)** does not apply. 35

Monthly payments

- (2) For the purposes of **subsection (1)(a)**, an employer must pay the amount of tax withheld by the 20th day of the month following the month in which the amount is withheld if they are—
- (a) an employer who— 5
- (i) is not a new employer; and
- (ii) has, for the preceding tax year, gross amounts of tax of less than \$500,000 withheld under section RA 5(1)(a) and (c) (Tax obligations for employment-related taxes):
- (b) a new employer who has, for the current tax year, gross amounts of tax withheld under section RA 5(1)(a) and (c) that total less than \$500,000. 10

Twice-monthly payments

- (3) An employer to whom **subsection (1)(b)** applies must pay the amount of tax withheld to the Commissioner by the dates referred to in section RA 15(3)(a) (Payment dates for interim and other tax payments). 15

Liability when amount not withheld

- (4) If some or all of the amount of tax for a PAYE income payment is not withheld and paid under **subsection (1)**, the employee in relation to whom the payment is required to have been made must pay to the Commissioner under **section RD 21** an amount equal to the amount of tax by the 20th day of the month following the month in which the amount is withheld. 20

Amounts aggregated for threshold purposes

- (5) For the purposes of determining whether a threshold referred to in **subsection (2)(a)(ii) and (b)** is reached, if the employer ends their business and starts a new business, or operates 2 or more businesses at the same time, all amounts of tax withheld must be aggregated. 25

Persons treated as single employers

- (6) For the purposes of this section, the following are treated as 1 employer:
- (a) 2 or more companies if they are part of a group of companies at a time in the relevant tax year: 30
- (b) all partners in a partnership:
- (c) all persons in whom property has become vested, or to whom the control of property has passed in the case of—
- (i) an estate of a deceased person; or
- (ii) a trustee of a trust; or 35
- (iii) a company in liquidation; or
- (iv) an assigned estate; or
- (v) another fiduciary relationship.

Threshold changes by Order in Council

- (7) The Governor-General may, on the recommendation of the Minister of Revenue, make an Order in Council amending the threshold amount referred to in **subsection (2)**. Before making the recommendation, the Minister must undertake consultation on the proposed amendment that is appropriate and reasonable for the purposes of this section. 5

Defined in this Act: amount, amount of tax, business, Commissioner, company, employee, employer, gross, group of companies, partner, partnership, pay, PAYE income payment, PAYE intermediary, payment period, tax year, trustee

131 Section RD 6 amended (Certain benefits and payments) 10

- (1) In section RD 6(1)(d), replace “section CE 2(2) and (4) (Value and timing of benefits under share purchase agreements)” with “**section CE 1(1)(d)** (Amounts derived in connection with employment)”.
 (2) In section RD 6(3)(a),—
 (a) in subparagraph (i), replace “CE 2(10) (Value and timing of benefits under share purchase agreements)” with “**CE 2(7)** (Benefits under employee share schemes)”; 15
 (b) in subparagraph (i), replace “CE 2(11) (Value and timing of benefits under share purchase agreements)” with “**CE 2(8)**”;
 (c) in subparagraph (ii), replace “CE 2(10)” with “**CE 2(7)**”. 20

132 Section RD 6 amended (Certain benefits and payments)

- (1) Replace **section RD 6(3)(a)** with:
 (a) for a benefit referred to in subsection (1)(d), on the ESS deferral date on which the employee is treated as deriving the benefit under **section CE 2(8)** (Benefits under employee share schemes); or 25
 (2) In section RD 6, in the list of defined terms,—
 (a) insert “ESS deferral date”;
 (b) delete “PAYE income payment form period”.

133 Section RD 7 amended (Extra pay)

In section RD 7(1)(bb), replace “section CE 2(2) and (4) (Value and timing of benefits under share purchase agreements)” with “**section CE 1(1)(d)** (Amounts derived in connection with employment)”. 30

134 Section RD 7 amended (Extra pay)

- (1) Replace **section RD 7(1)(b)(iv)** with:
 (iv) as a result of a retrospective increase in salary or wages, but only to the extent to which it accrues from the start of the increase until the start of the first pay period in which the increase is included in salary or wages; and 35

- (2) Repeal **section RD 7(2)**.
- 135 Section RD 7B amended (Treatment of certain benefits under employee share agreements)**
- (1) In the heading to section RD 7B, replace “**agreements**” with “**schemes**”.
- (2) Replace section RD 7B(1) and (2) with: 5
- When this section applies*
- (1) This section applies for an employee or a former employee who receives a benefit under **section CE 1(1)(d)** (Amounts derived in connection with employment) in relation to an employee share scheme.
- (3) In section RD 7B(3), replace “share purchase agreement” with “employee share scheme”. 10
- (4) In section RD 7B, in the list of defined terms,—
- (a) insert “employee share scheme”;
- (b) delete “share purchase agreement”.
- 136 Section RD 7B amended (Treatment of certain benefits under employee share agreements)** 15
- (1) Replace **section RD 7B(3)(b) and (c)**, with:
- (b) including the value of the benefit in their employment income information under **subpart 3C** of the Tax Administration Act 1994, treating the ESS deferral date as the relevant payday. 20
- (2) In **section RD 7B**, in the list of defined terms,—
- (a) insert “employment income information”, “ESS deferral date”, and “payday”;
- (b) delete “employer monthly schedule”.
- 137 Section RD 8 amended (Schedular payments)** 25
- (1) Replace section RD 8(1)(b)(iv) with:
- (iv) a payment to which **section 24G(2)** of the Tax Administration Act 1994 applies; or
- (2) In section RD 8, in the list of defined terms, delete “exemption certificate”.
- 138 Section RD 10 amended (Amounts of tax for PAYE income payments)** 30
- (1) In section RD 10(1), replace “Subsections (2) and (3)” with “Subsections (2), (2B), **(2C)**, **(2D)**, and (3)”.
- (2) After section RD 10(2B), insert:
- Rates for extra pays: non-resident seasonal workers*
- (2C) The amount of tax for an extra pay that is paid to a non-resident seasonal worker is calculated at the rate set out in **schedule 2, part B, table 1, row 1B** 35

<p>(Basic tax rates for PAYE income payments). This rate applies for both a worker who has notified their employer under section 24B of the Tax Administration Act 1994 of their tax code under schedule 2, part A, clause 8, and a worker to whom section 24B(3C) of that Act applies. This subsection overrides subsection (2).</p> <p><i>Rates for extra pays: non-notified tax codes</i></p> <p>(2D) The amount of tax for an extra pay that is paid to an employee who has not notified their employer of their tax code, is calculated at the rate set out in schedule 2, part B, table 1, row 5.</p> <p>(3) In section RD 10(2C),—</p> <p style="padding-left: 20px;">(a) replace “section 24B” with “section 24C”;</p> <p style="padding-left: 20px;">(b) replace “section 24B(3C)” with “schedule 5, part B, clause 3”.</p> <p>(4) In section RD 10, in the list of defined terms, insert “non-resident seasonal worker”.</p> <p>139 Section RD 10B amended (Amounts of tax for schedular payments)</p> <p>(1) Replace section RD 10B(2) to (4) with:</p> <p style="padding-left: 20px;"><i>Basic rates</i></p> <p>(2) When the person making the schedular payment has been notified of the payee’s name and tax file number under section 24F(5) of the Tax Administration Act 1994, the person must withhold an amount of tax for the payment that is at—</p> <p style="padding-left: 20px;">(a) the payee rate, for a payee, other than a payee referred to in paragraph (b), who chooses a tax rate under section 24F(3) of that Act;</p> <p style="padding-left: 20px;">(b) the tax rate set by the Commissioner, for a payee who has been provided with a special tax rate under section 24G of that Act;</p> <p style="padding-left: 20px;">(c) in other cases, the applicable tax rate set out in schedule 4 (Standard rates of tax for schedular payments).</p> <p style="padding-left: 20px;"><i>Rates set by Commissioner</i></p> <p>(3) Despite subsection (2), if the Commissioner has set a tax rate under section 24F(4), the person making the schedular payment must use that rate in relation to the payment, subtracting the amount notified or the percentage prescribed and paying it to the Commissioner.</p> <p style="padding-left: 20px;"><i>Default rates</i></p> <p>(4) Subject to subsections (2) and (3), the person must withhold an amount of tax for the payment that is—</p> <p style="padding-left: 20px;">(a) for a payee that is a company that is a non-resident contractor, 20% of the amount of the payment;</p> <p style="padding-left: 20px;">(b) in all other cases, 45% of the amount of the payment.</p>	<p>5</p> <p>10</p> <p>15</p> <p>20</p> <p>25</p> <p>30</p> <p>35</p>
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- (2) In section RD 10B, in the list of defined terms, insert “amount” and “Commissioner”.

140 New section RD 10C inserted (Calculating amounts of tax following changes to rates or thresholds)

After section RD 10B, insert:

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RD 10C Calculating amounts of tax following changes to rates or thresholds

When a change occurs to a rate or threshold in this Act or the Tax Administration Act 1994 affecting the amount of tax for a PAYE income payment, the calculation of the amount of tax must be made using the rate applying on the day on which the PAYE income payment is paid or is otherwise under this Act treated as paid.

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Defined in this Act: amount of tax, pay, PAYE income payment

141 Section RD 12 replaced (Multiple payments of salary or wages)

Replace section RD 12 with:

RD 12 Multiple payments of salary or wages

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When this section applies

- (1) This section applies when an employee receives more than 1 payment of salary or wages from their employer in a week or part of a week. The employment may relate to 1 or more employment situations with that employer.

What this section does not apply to

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- (2) This section does not apply to salary or wages from employment as a casual agricultural employee, election-day worker, or non-resident seasonal worker.

Treatment as 1 payment

- (3) The total amount of tax for all payments of salary or wages is the amount that would be required to be withheld if all the payments were treated as 1 payment made by the employer for the week.

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Defined in this Act: amount of tax, casual agricultural employee, election-day worker, employee, employer, employment, non-resident seasonal worker, pay, salary or wages

142 Section RD 13 replaced (Advance payments of salary or wages)

Replace section RD 13 with:

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RD 13 Advance payments

When this section applies

- (1) This section applies when an employee receives from their employer—
- (a) an advance payment of salary or wages referred to in section RA 5(1)(a) and (c) (Tax obligations for employment-related taxes):
 - (b) an amount of holiday pay that is paid—

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(i)	in a lump sum before the employee takes their holiday; and	
(ii)	when the employee’s employment is continuing.	
	<i>Employers’ elections</i>	
(2)	The employer may choose to treat the amount as—	
(a)	an extra pay; or	5
(b)	a lump sum paid and spread over the pay period or periods to which it relates.	
	<i>Choosing to treat amounts as lump sum payments</i>	
(3)	Subsections (4) and (5) apply when an employer chooses under subsection (2)(b) to treat the amount as a lump sum.	10
	<i>Calculating amounts of tax for lump sum payments</i>	
(4)	The amount of tax for the lump sum payment is determined by—	
(a)	apportioning the lump sum to the pay period or pay periods to which it relates based on the employee’s usual hours of work; and	
(b)	calculating the amount of tax for each portion of the lump sum, treating the portion as if it were the only payment of salary or wages paid by the employer to the employee for the particular pay period; and	15
(c)	adding together the amounts of tax for each portion.	
	<i>Calculating amounts of tax for salary or wages</i>	
(5)	The amount of tax for a payment of salary or wages for a pay period referred to in subsection (4)(a) that is made after the payment of the lump sum, is found by—	20
(a)	adding together—	
(i)	the amount of the payment of salary or wages for the pay period; and	25
(ii)	the portion of the lump sum that relates to the pay period as determined under subsection (4)(a) ; and	
(b)	calculating the amount of tax that must be withheld for the total amount referred to in paragraph (a) , treating that amount as if it were a single payment of salary or wages paid by the employer to the employee for the pay period; and	30
(c)	subtracting the amount of tax for the portion of the lump sum that relates to the pay period as described in subsection (4)(b) .	
	Defined in this Act: amount, amount of tax, employee, employer, employment, extra pay, pay, pay period, salary or wages	35

143 Section RD 13B amended (Adjustments for payroll donations)

- (1) In section RD 13B(2) replace “record the information in the relevant employer monthly schedule” with “include in their employment income information the

- items described in **schedule 4, table 1, row 5(a)** of the Tax Administration Act 1994”.
- (2) In section RD 13B, in the list of defined terms,—
- (a) insert “employment income information”:
- (b) delete “employer monthly schedule”. 5
- 144 Section RD 14 repealed (Changes to tax rates for salary or wages)**
Repeal section RD 14.
- 145 Section RD 17 amended (Payment of extra pay with other PAYE income payments)**
- (1) After section RD 17(1B), insert: 10
Exclusion: non-resident seasonal workers and non-notified tax codes
- (1C) This section does not apply to—
- (a) a non-resident seasonal worker who—
- (i) has a tax code under **section 24B(3C)** of the Tax Administration Act 1994; or 15
- (ii) has notified their employer of their tax code under section 24B(3)(gb) of that Act:
- (b) an employee who has a no notification tax code under section 24B(3B) of that Act.
- (2) Replace **section RD 17(1C)**, other than the heading, with: 20
- (1C) This section does not apply to —
- (a) a non-resident seasonal worker—
- (i) who has notified their employer of their tax code, for which *see* **section RD 10(2C)**: 25
- (ii) to whom **schedule 5, part B, clause 3** of the Tax Administration Act 1994 applies:
- (b) an employee who has a non-notified tax code referred to in **schedule 2, part A, clause 3**.
- (3) In section RD 17(3), replace “section 24B(3)(bb), (c), (d), or (e)” with “**schedule 5 part A, clause 4, rows 3 to 6**”. 30
- (4) In section RD 17, in the list of defined terms, insert “non-resident seasonal worker” and “tax code”.
- 146 Section RD 18 amended (Schedular payments without notification)**
In section RD 18(1), replace “section 24L” with “**section 24F(5)**”.

147 Section RD 21 amended (When amounts of tax not withheld or payment insufficient)

- (1) Replace section RD 21(1)(a) with:
 - (a) provide the relevant employment income information under **section 23I** of the Tax Administration Act 1994 to the Commissioner; and 5
- (2) In section RD 21(3), replace “section RD 4(2)” with “**section RD 4(4)**”.
- (3) In section RD 21, in the list of defined terms,—
 - (a) insert “employment income information”;
 - (b) delete “employer monthly schedule”.

148 Section RD 22 replaced (Returns for amounts of tax paid to Commissioner) 10

Replace section RD 22 with:

RD 22 Providing employment income information to Commissioner

Employment income information

- (1) An employer or PAYE intermediary who withholds an amount of tax for a PAYE income payment must provide the relevant employment income information to the Commissioner under **sections 23E to 23H** of the Tax Administration Act 1994 by the dates set out in those provisions. 15

Benefits under employee share schemes

- (2) For a benefit that an employee or former employee of an employer receives under an employee share scheme, the employer or PAYE intermediary must provide the relevant employment income information to the Commissioner under **sections 23E to 23H** of that Act as modified by **section 23J** of that Act. 20
- (3) **Subsection (2)** does not apply— 25
 - (a) when the employee share scheme beneficiary is a former employee for whom the employer has not chosen under **section RD 7B** to withhold an amount of tax;
 - (b) to a benefit under share purchase scheme.

Defined in this Act: amount of tax, Commissioner, employee share scheme, employee share scheme beneficiary, employer, employment income information, pay, PAYE income payment, PAYE intermediary, share purchase scheme 30

149 Section RD 23 amended (Bonds given by employers of certain non-resident employees)

- (1) In section RD 23(3)(b), replace “an employer monthly schedule” with “employment income information”. 35
- (2) In section RD 23(3)(c), replace “section 24B(3)(h)” with “**section 24B(3B)**”.

- (3) In **section RD 23(3)(c)**, replace “the **no notification** rate referred to in **section 24B(3B)**” with “a non-notified tax code under **section 24E**”.
- (4) In section RD 23, in the list of defined terms,—
- (a) insert “employment income information”;
 - (b) delete “employer monthly schedule”. 5
- 150 Section RD 24 amended (Exemption certificates for non-resident contractors)**
- (1) In section RD 24, in the section heading, replace “**Exemption certificates**” with “**Exemptions**”.
- (2) In section RD 24(2),— 10
- (a) replace the subsection heading with “*Exemptions*”;
 - (b) replace “an exemption certificate under section 24M” with “an exemption under **section 24G(2)**”.
- (3) In section RD 24, in the list of defined terms, delete “exemption certificate”.
- 151 Section RD 64 amended (ESCT rules and their application)** 15
- (1) In section RD 64(1)(c), replace “sections 15C to 15M” with “sections 15C to 15F, 15J to 15L”.
- (2) Replace section RD 64(1)(c) with:
- (c) sections 15C to 15F, 15J to 15L, **22AA, subparts 3C and 3D**, section 47, Part 9, and **schedules 4 and 5** of the Tax Administration Act 1994. 20
- 152 New section RD 67B inserted (Calculating amounts of tax following changes to rates or thresholds)**
- After section RD 67, insert:
- RD 67B Calculating amounts of tax following changes to rates or thresholds** 25
- When a change occurs to a rate or threshold in this Act or the Tax Administration Act 1994 affecting the amount of tax for an employer’s superannuation cash contribution, the calculation of the amount of tax must be made using the rate applying on—
- (a) the day on which the PAYE income payment to which the contribution relates is paid or is otherwise under this Act treated as paid; or 30
 - (b) for a contribution that is not tied to a particular PAYE income payment, the day on which the contribution is paid.
- Defined in this Act: amount of tax, employer’s superannuation cash contribution, pay, PAYE income payment

- 153 Section RE 2 amended (Resident passive income)**
- (1) In section RE 2(3)(b), replace “who holds an RWT exemption certificate issued” with “who has RWT-exempt status”.
 - (2) Repeal section RE 2(5)(a)(iii).
 - (3) In section RE 2(5)(d), replace “who holds an RWT exemption certificate issued” with “who has RWT-exempt status”. 5
 - (4) In section RE 2, in the list of defined terms,—
 - (a) insert “RWT-exempt status”:
 - (b) delete “RWT exemption certificate”.
- 154 Section RE 4 amended (Persons who have withholding obligations) 10**
- (1) In section RE 4(3)(a), replace “holds an RWT exemption certificate” with “has RWT-exempt status under **section RE 27**”.
 - (2) In section RE 4, in the list of defined terms,—
 - (a) insert “RWT-exempt status”:
 - (b) delete “RWT exemption certificate”. 15
- 155 Section RE 5 amended (No withholding obligation in certain circumstances)**
- (1) In section RE 5(2), replace “holds an RWT exemption certificate issued” with “has RWT-exempt status”.
 - (2) After section RE 5(2), insert: 20

No obligation in relation to non-cash dividends
 - (2B) Section RE 4 does not apply in relation to a dividend referred to in **section RE 14B**.
 - (3) In section RE 5, in the list of defined terms, insert “dividend”.
 - (4) In section RE 5, in the list of defined terms,— 25
 - (a) insert “RWT-exempt status”:
 - (b) delete “RWT exemption certificate”.
 - (5) **Subsection (2)** applies for the 2017–18 and later income years.
- 156 Section RE 7 amended (When resident passive income paid to trustees)**
- (1) In section RE 7(1)(c)(i), replace “does not hold an RWT exemption certificate” with “does not have RWT-exempt status under **section RE 27**”. 30
 - (2) In section RE 7, in the list of defined terms,—
 - (a) insert “RWT-exempt status”:
 - (b) delete “RWT exemption certificate”.

- 157 Section RE 8 amended (When resident passive income paid to nominees)**
- (1) In section RE 8(1)(c)(i), replace “holds an RWT exemption certificate” with “has RWT-exempt status under **section RE 27**”.
- (2) In section RE 8, in the list of defined terms,—
- (a) insert “RWT-exempt status”: 5
- (b) delete “RWT exemption certificate”.
- 158 Section RE 10 amended (Special rule relating to payments of interest)**
- (1) Replace section RE 10(1)(b) and (c) with:
- (b) either does not have RWT-exempt status under **section RE 27** at the time of the payment or is a person described in section 32E(2)(k) or (l) of the Tax Administration Act 1994 or is a person with RWT-exempt status under **section 32I** of that Act; and 10
- (c) has paid an amount of resident passive income consisting of interest that is equal to or less than \$5,000 in the tax year before the tax year in which the payment is made; and 15
- (2) In section RE 10, in the list of defined terms,—
- (a) insert “RWT-exempt status”:
- (b) delete “RWT exemption certificate”.
- 159 Section RE 14 amended (Non-cash dividends other than certain share issues)** 20
- (1) After section RE 14(1)(b), insert:
- (c) a dividend referred to in **section RE 14B**.
- (2) **Subsection (1)** applies for the 2017–18 and later income years.
- 160 New section RE 14B inserted (Non-cash dividends distributed through intermediaries)** 25
- (1) After section RE 14, insert:
- RE 14B Non-cash dividends distributed through intermediaries**
- Sections RE 5 and RE 14** do not apply in relation to a non-cash dividend when—
- (a) a company or trustee of a trust— 30
- (i) derives the dividend from a foreign company; and
- (ii) distributes the dividend to a shareholder in the company or to a beneficiary of the trust, as applicable, who is in either case a natural person; and
- (iii) acts as an intermediary in relation to the distribution of the dividend; and 35

- (b) the distribution is made in the same income year in which the dividend is derived.
- Defined in this Act: company, foreign company, income year, non-cash dividend, shareholder, trustee
- (2) **Subsection (1)** applies for the 2017–18 and later income years.
- 161 Cross-heading and section RE 27 amended** 5
- (1) Replace the cross-heading before section RE 27 with “*Persons with RWT-exempt status*”.
- (2) In section RE 27, replace the section heading with “**RWT-exempt status**”.
- (3) Replace section RE 27(1), other than the heading, with:
- (1) A person may apply to the Commissioner for RWT-exempt status if they are a person listed in section 32E(2) of the Tax Administration Act 1994. 10
- (4) Replace section RE 27(2) with:
- When status ends*
- (2) A person ceases to have RWT-exempt status if—
- (a) they no longer meet the requirements in **subsection (1)**; or 15
- (b) the Commissioner revokes the status under **section 32L** of the Tax Administration Act 1994.
- (5) In section RE 27(3), replace “the holder of an RWT exemption certificate” with “a person who has RWT-exempt status”.
- (6) After section RE 27(3), insert: 20
- Notifying investment providers*
- (4) A person who has RWT-exempt status must notify their investment provider of their status and of a change in their status.
- (7) In section RE 27, in the list of defined terms,—
- (a) insert “RWT-exempt status”: 25
- (b) delete “RWT exemption certificate”.
- 162 Section RE 28 amended (When certificates expire)**
- (1) In section RE 28, replace the section heading with “**When RWT-exempt status ends**”.
- (2) In section RE 28(1), replace “a person’s RWT exemption certification expires” with “a person’s RWT-exempt status ends”. 30
- (3) In section RE 28(2), replace “the certificate expired” with “the status ends”.
- (4) In section RE 28, in the list of defined terms,—
- (a) insert “RWT-exempt status”:
- (b) delete “RWT exemption certificate”. 35

163 Section RE 29 replaced (Establishing whether person holds certificate)

Replace section RE 29 with:

RE 29 Establishing whether persons have RWT-exempt status

For the purposes of **section RE 5(2)**, person A may establish by a search of the electronic register that the Commissioner provides on which persons with RWT-exempt status are listed that— 5

- (a) person B is a person who has RWT-exempt status; and
- (b) the status has not ended.

Defined in this Act: Commissioner, RWT-exempt status

164 Section RE 30 amended (When unincorporated bodies hold certificates) 10

- (1) In section RE 30, in the section heading replace “**hold certificates**” with “**have RWT-exempt status**”.
- (2) In section RE 30(1)(a), replace “holds an RWT exemption certificate” with “has RWT-exempt status”.
- (3) In section RE 30, in the list of defined terms,— 15
 - (a) insert “RWT-exempt status”:
 - (b) delete “RWT exemption certificate”.

165 Section RL 4 amended (How much RLWT?)

- (1) In section RL 4(8)(b), replace “NBDT, as defined in section 4 of the Non-bank Deposit Takers Act 2013” with “non-bank deposit taker”. 20
- (2) In section RL 4, in the list of defined terms, insert “licensed non-bank deposit taker”.

166 Section RM 8 amended (Overpaid RWT or NRWT)

- (1) Replace section RM 8(5)(c) with: 25
 - (c) they provide, in relation to the amount, a statement that they will not include particulars in their investment income information under **section 25F to 25H** and make disclosure under **section 25N** of the Tax Administration Act 1994.
- (2) In section RM 8, in the list of defined terms, insert “investment income information”. 30

167 Section RP 2 amended (PAYE intermediaries)

- (1) In section RP 2(1),—
 - (a) delete “or 15G”:
 - (b) delete “or a listed PAYE intermediary”.
- (2) In section RP 2(2), delete “or listed PAYE intermediary”. 35

(3) In section RP 2(3), replace “or a listed PAYE intermediary for an employer has the rights and obligations under the PAYE rules and ESCT rules of a PAYE intermediary or listed PAYE intermediary, as applicable,” with “for an employer has the rights and obligations under the PAYE rules and ESCT rules of a PAYE intermediary”.

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(4) In section RP 2, in the list of defined terms, delete “listed PAYE intermediary”.

168 Sections RP 3, RP 4, and RP 5 repealed

Repeal sections RP 3, RP 4, and RP 5.

169 Section RP 8 replaced (Information required from employers)

Replace section RP 8 with:

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RP 8 Information for PAYE intermediaries

An employer must provide the information sought by a PAYE intermediary within the time agreed by the employer and intermediary.

Defined in this Act: employer, PAYE intermediary

170 Section RP 14 amended (Collection, payment, and information requirements)

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(1) In section RP 14(ab), replace “section 24Q” with “**section 15X**”.

(2) Replace section RP 14(b) with:

(b) provide the relevant employment income information to the Commissioner under **subpart 3C** of that Act in electronic form and by means of an electronic communication as prescribed by the Commissioner; and

20

(3) Repeal section RP 14(c).

(4) In section RP 14(d), replace “section 24 of the Tax Administration Act 1994” with “**section 22AA** of that Act”.

(5) In section RP 14, in the list of defined terms,—

25

(a) insert “employment income information”;

(b) delete “employer monthly schedule” and “PAYE income payment form”.

171 New section RZ 13 inserted (Listed PAYE intermediaries: transitional provision)

After section RZ 12, insert:

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RZ 13 Listed PAYE intermediaries: transitional provision

Despite the repeal of **sections RP 4 and RP 5, sections 15H, 15G, 15I, 15M, 185C, and 185D** of the Tax Administration Act 1994, and the Income Tax (Payroll Subsidy) Regulations 2006 (which relate to the payment of subsidies to certain PAYE intermediaries) by the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act **2017**,

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those provisions continue to apply in relation to the payment of an amount of a subsidy or a claim for a subsidy to which a listed PAYE intermediary becomes entitled before the date of the repeal.

Defined in this Act: amount, pay, PAYE intermediary

- 172 Section YA 1 amended (Definitions)** 5
- (1) This section amends section YA 1.
- (2) In the definition of **asset**, insert after paragraph (b):
- (c) is defined in **section HR 12(6)** (Non-exempt charities: treatment of tax exempt accumulations) for the purposes of that section
- (3) Insert, in appropriate alphabetical order: 10
- ASX-listed Australian company** is defined in **section ED 2B(7)** (Transfers to shareholders by ASX-listed Australian company of shares in subsidiary)
- (4) In the definition of **charitable purpose**, paragraph (b)(ii), replace “or not used for a purpose that is a charitable purpose other than under this paragraph” with “or are used for a purpose that is a charitable purpose”. 15
- (5) In the definition of **company**,—
- (a) after paragraph (abb), insert:
- (abc) does not include a company that is acting in the capacity of trustee:
- (b) in paragraph (c), replace “includes a group investment fund” with “includes a trustee of a group investment fund”: 20
- (c) after paragraph (j), insert:
- (k) is defined in **section HD 15(9)** (Asset stripping of companies) for the purposes of that section:
- (6) In the definition of **company dividend statement**, replace “section 67” with “**section 25G(2)**”. 25
- (7) Repeal the definition of **conduct**.
- (8) Insert, in appropriate alphabetical order:
- decommissioning**, for a petroleum miner or farm-in party, means—
- (a) dismantling, demolishing, or removing equipment or structures used in petroleum mining operations other than those referred to in section CT 6B(2)(a) (Meaning of petroleum mining operations): 30
- (b) plugging and abandoning the following wells on a site, or former site, of petroleum mining operations—
- (i) a well (a **commercial well**), including any associated processing facility connected to the well, used for the commercial production of petroleum: 35
- (ii) an exploratory well that has been abandoned in a permit area as part of an arrangement that includes the plugging and abandoning

- of a well described in **subparagraph (i)** in an area that is geologically contiguous to the permit area:
- (c) restoring a site, or former site, of petroleum mining operations other than a part of the site that has been used only for an activity referred to in section CT 6B(2)(a): 5
- (d) the ongoing monitoring of a commercial well or exploratory well referred to in **paragraph (b)** that has been plugged and abandoned
- (9) In the definition of **dispose**, repeal paragraph (d).
- (10) In the definition of **distinctive work clothing**, replace “clothing) and section CW 17CC (Payment for distinctive work clothing)” with “clothing)”. 10
- (11) In the definition of **dwelling**,—
- (a) in paragraph (a), replace “place; but” with “place:”;
- (b) in paragraph (b)(vi), replace “ground” with “ground:”.
- (12) In the definition of **employee**, replace paragraph (d) with:
- (d) is defined in **section CW 26D** (Meaning of employee) for the purposes of **section CW 26C** (Meaning of share purchase scheme) 15
- (13) Insert, in appropriate alphabetical order:
- employee share scheme** is defined in **section CE 7** (Meaning of employee share scheme)
- employee share scheme beneficiary** is defined in **section CE 7C** (Meaning of employee share scheme beneficiary) 20
- (14) Repeal the definition of **employer monthly schedule**.
- (15) Insert, in the appropriate alphabetical order:
- employer’s workplace** is defined in **section CW 17CB(7B)** (Payments for certain work-related meals) for the purposes of that section 25
- (16) Repeal the definition of **employing company**.
- (17) Insert, in the appropriate alphabetical order:
- employment income information** is defined in **section 23C** of the Tax Administration Act 1994
- (18) Replace the definition of **end date** with: 30
- end date**—
- (a) is defined in **section HR 12(7)** (Non-exempt charities: treatment of tax-exempt accumulations) for the purposes of that section:
- (b) is defined in section RA 15(3) (Payment dates for interim and other tax payments) for the purposes of that section 35
- (19) Insert, in the appropriate alphabetical order:
- ESS deferral date** is defined in **section CE 2(9)** (Benefits under employee share schemes) for the purposes of that section and **sections RD 6 and**

- RD 7B** (which relate to amounts of tax for benefits under employee share schemes)
- (20) Repeal the definition of **established activity**.
- (21) In the definition of **exempt interest**, in paragraph (c), delete “or CW 64 (Exemption under other Acts)”. 5
- (22) Repeal the definition of **exemption certificate**.
- (23) Repeal the definition of **existing farmer**.
- (24) Insert, in appropriate alphabetical order:
farm-in party, in relation to petroleum miner, means the person referred to in the definition of farm-out arrangement who has an arrangement as described in that definition with the petroleum miner 10
- (25) Replace the definition of **formation loss** with:
formation loss, for a PIE,—
(a) means an amount of tax loss or a loss balance arising from a period before the entity became a PIE as described in sections HM 66 to HM 70 (which relate to the treatment of formation losses); and 15
(b) includes a loss balance of a multi-rate PIE when the loss balance is carried forward under section HM 44(3) (Provisional tax calculation option) because the PIE—
(i) has chosen for an income year to calculate its income tax liability using the provisional tax calculation option under section HM 44; and 20
(ii) for the next corresponding tax year, chooses to use either the exit calculation option under section HM 42 (Exit calculation option) or the quarterly calculation option under section HM 43 (Quarterly calculation option) to calculate its income tax liability 25
- (26) In the definition of **goods**, replace “and of **services**” with “and **services**”.
- (27) In the definition of **high-priced livestock**, in paragraph (a), replace “for an acquisition price” with “for an acquisition price”.
- (28) Repeal the definition of **income from personal exertion**. 30
- (29) In the definition of **land**, repeal paragraph (e).
- (30) Replace the definition of **liabilities** with:
liabilities—
(a) is defined in section EZ 68 (Definitions) for the purposes of sections EZ 64 to EZ 67 (which relate to New Zealand Railways Corporation re-structure); 35
(b) is defined in **section HR 12(6)** (Non-exempt charities: treatment of tax exempt accumulations) for the purposes of that section

- (31) Insert, in appropriate alphabetical order:
licensed non-bank deposit taker means a licensed NBDT as defined in section 4 of the Non-bank Deposit Takers Act 2013
- (32) Repeal the definition of **listed PAYE intermediary**.
- (33) Insert, in appropriate alphabetical order: 5
Lloyd’s of London means a person who is a Lloyd’s underwriter who carries on insurance business referred to in section 200 of the Insurance (Prudential Supervision) Act 2010 under a licence issued to Lloyd’s under section 205 of that Act
- (34) In the definition of **member**, paragraph (d), replace “When unincorporated bodies hold certificates” with “When unincorporated bodies have RWT-exempt status”. 10
- (35) Replace the definition of **natural person** with:
natural person—
(a) does not include a natural person who is acting in the capacity of trustee: 15
(b) is further defined in section FE 4 (Some definitions) for the purposes of subpart FE (Interest apportionment on thin capitalisation)
- (36) In the definition of **net assets**, replace “charities: taxation” with “charities: treatment”.
- (37) Replace the definition of **normal retiring age** with: 20
normal retiring age is defined in **section CW 26E** (Meaning of normal retiring age) for the purposes of **section CW 26C** (Meaning of share purchase scheme)
- (38) In the definition of **offered or was offered or entered into**, replace “in sections EY 12 (Meaning of life reinsurance) and EY 48 (Non-resident life insurers with life insurance policies in New Zealand)” with “in **sections CR 3B**, EY 12, EY 48, and **YD 8B** (which relate to life insurance and life reinsurance)”. 25
- (39) In the definition of **pay**, in paragraph (bb), replace “section 24Q” with “**section 15X**”. 30
- (40) Insert, in the appropriate alphabetical order:
payday has the meaning given in section 3(1) of the Tax Administration Act 1994
- (41) Repeal the definitions of **PAYE income payment form** and **PAYE income payment form period**. 35
- (42) In the definition of **PAYE intermediary**, in paragraph (a)(i), delete “or 15G”.
- (43) Repeal the definition of **period of restriction**.
- (44) In the definition of **petroleum development expenditure**, after paragraph (b)(ii), insert:

- (iii) expenditure that relates to an amount for which a deduction is allowed under **section DT 7B** (Resuming commercial production: petroleum development expenditure), except as provided in that section
- (45) Repeal the definition of **petroleum mining company**. 5
- (46) In the definition of **profit distribution plan**, in paragraph (b), replace “share purchase agreement” with “employee share scheme”.
- (47) Replace the definition of **refundable tax credit** with:
refundable tax credit means a tax credit under a provision that is listed in section LA 6(1)(a) to (j) (Remaining refundable credits: PAYE, RWT, and certain other items) 10
- (48) Repeal the definition of **related activity**.
- (49) Repeal the definition of **removal or restoration operations**.
- (50) Insert, in appropriate alphabetical order:
replacement employee share scheme is defined in **section CE 7D** (Meaning of replacement employee share scheme) 15
- (51) Insert, in the appropriate alphabetical order:
RWT-exempt status means the status of an eligible person under **section RE 27** (RWT-exempt status) relating to the treatment of resident passive income derived by the person 20
- (52) Repeal the definition of **RWT exemption certificate**.
- (53) In the definition of **RWT withholding certificate**, replace “section 25” with “**section 26C**”.
- (54) In the definition of **savings product policy**, paragraph (b), replace “payback of a” with “payback of”. 25
- (55) In the definition of **schedular income**, after paragraph (i), insert:
(j) income under **section CR 3B** (Lloyd’s of London: income from life insurance premiums)
- (56) In the definitions of **settlement of relationship property**, delete the second and third versions of the definition and retain only the definition that contains the reference to section FB 1B(a). 30
- (57) In the definition of **share**, repeal paragraph (f).
- (58) In the definition of **share**, replace paragraph (g) with:
(g) is further defined in **section CW 26F** (Meaning of share) for the purposes of **section CW 26C** (Meaning of share purchase scheme) 35
- (59) Repeal the definition of **share purchase agreement**.
- (60) Replace the definition of **share purchase scheme** with:

- share purchase scheme** is defined in **section CW 26C** (Meaning of share purchase scheme)
- (61) Insert, in appropriate alphabetical order:
share scheme taxing date is defined in **section CE 7B** (Meaning of share scheme taxing date) 5
- (62) Replace the definition of **shareholder-employee** with:
shareholder-employee means a person who receives or is entitled to receive salary, wages, or other income to which section RD 3B(2) or RD 3C(3) (which relate to income other PAYE) apply
- (63) Repeal the definitions of **specified activity**, **specified activity net income**, and **specified activity net loss**. 10
- (64) Repeal the definition of **subsidy claim form**.
- (65) In the definition of **tax file number**, replace paragraph (b) with:
 (b) specifically for the purposes of RWT-exempt status under **section RE 27** (RWT-exempt status) 15
- (66) In the definition of **time bar**, replace “sections 108 and 108B” with “sections 108, 108A, and 108B”.
- (67) In the definition of **trustee**, replace paragraph (f) with:
 (f) is defined in **section CW 26G** (Meaning of trustee) for the purposes of **section CW 26C** (Meaning of share purchase scheme) 20
- (68) Insert, in appropriate alphabetical order:
unused specified activity net loss is the amount of specified activity net loss, under section IZ 1 as that section was immediately before its repeal by **section 100** of the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act **2017**, that— 25
- (a) existed at the close of the 2017–18 income year; and
- (b) had not been included in the tax loss for the 2017–18 tax year or for an earlier tax year:
- (69) **Subsections (31), (33), (38), and (55)** apply for a life insurance premium that is derived on or after 1 April 2017 by Lloyd’s of London. 30
- (70) **Subsections (7), (8), (20), (23), (24), (28), (29), (44), (45), (47), (48), (49), (63), and (68)** apply for the 2018–19 and later income years.
- 173 **New section YA 5 inserted (General rule: capacity of trustees)**
 After section YA 4, insert:

YA 5 General rule: capacity of trustees*Trustees acting in separate capacity*

- (1) A person who is acting as a trustee of a trust is acting in a capacity that is separate from their other capacities.

Other capacities

- (2) The other capacities of the person referred to in **subsection (1)** may include—

- (a) their personal capacity:
 (b) their capacity as a body corporate that is a legal person:
 (c) their capacity as a trustee of another trust or as an agent.

Defined in this Act: agent, trustee

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

- (1) In section YC 4(1), 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.

175 Section YD 1 amended (Residence of natural persons)

- (1) In section YD 1(1), replace “person who is not a company” with “natural person”.
- (2) In section YD 1(2), replace “person” with “natural person”.
- (3) In section YD 1(3), replace “person” with “natural person”.
- (4) In section YD 1(4), replace “person” with “natural person” in each place where it appears.
- (5) In section YD 1(5), replace “person” with “natural person”.
- (6) In section YD 1(6), replace “person” with “natural person”.
- (7) In section YD 1(7), replace “person” with “natural person”.
- (8) In section YD 1(8), replace “person” with “natural person”.
- (9) After section YD 1(11), insert:

Treatment of trustees

- (12) In this section, a natural person includes a natural person who is acting in the capacity of trustee.
- (10) In section YD 1, in the list of defined terms,—
- (a) insert “natural person” and “trustee”:
 (b) delete “company”.

176 Section YD 2 amended (Residence of companies)

- (1) After section YD 2(1), insert:

<i>Treatment of trustees</i>	
(1B)	In this section, a company includes a company that is acting in the capacity of trustee.
(2)	In section YD 2, in the list of defined terms, insert “trustee”.
177	Section YD 4 amended (Classes of income treated as having New Zealand source) 5
	In section YD 4, in the compare note, replace “ss FB 2(2)” with “s FB 2(2)”.
178	Section YD 6 amended (Apportionment of income from sea transport)
(1)	In section YD 6(3)(b), replace “exempt from income tax” with “exempt from, or not liable to, income tax”. 10
(2)	Subsection (1) applies for the 2008–09 and later income years.
179	New section YD 8B inserted (Apportionment of life insurance premiums derived by Lloyd’s of London)
(1)	After section YD 8, insert:
YD 8B	Apportionment of life insurance premiums derived by Lloyd’s of London 15
	<i>What this section applies to</i>
(1)	This section applies when—
(a)	a premium is paid under a life insurance policy; and
(b)	the premium is derived by Lloyd’s of London; and
(c)	the life insurance policy is described in subsection (4) ; and 20
(d)	the life insurance policy is offered or was offered or entered into within New Zealand.
	<i>Ten percent of premium from source in New Zealand</i>
(2)	Ten percent of the gross premium is treated as having a source in New Zealand and the remainder of the gross premium is treated as not having a source in New Zealand. 25
	<i>Special rules</i>
(3)	The following provisions apply in relation to taxation of the 10% amount:
(a)	Lloyd’s of London is denied a deduction for expenditure or loss incurred, under section DW 3B (Lloyd’s of London: deductions for life insurance business): 30
(b)	sections HD 3 (Agents’ duties and liabilities), HD 17B (Lloyd’s of London: agents for life insurance), and section HR 13 (Lloyd’s of London: life insurance) impose certain obligations to provide a return of income and pay income tax on the income. 35

	<i>Types of life insurance policies</i>	
(4)	The life insurance policy referred to in subsection (1) is a life insurance policy that—	
	(a) is made available to the general public; and	
	(b) is not a profit participation policy or a savings product policy or both; and	5
	(c) does not provide for a benefit that is an annuity.	
	Defined in this Act: deduction, income, income tax, life insurance policy, Lloyd’s of London, offered or was offered or entered into, pay, premium, profit participation policy, return of income, savings product policy, source in New Zealand	10
(2)	Subsection (1) applies in relation to a life insurance premium that is derived on or after 1 April 2017 by Lloyd’s of London.	
180	Schedule 1 amended (Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits)	
(1)	In schedule 1, part A, after clause 10, insert:	15
11	Schedular taxable income: life insurance premiums derived by Lloyd’s of London	
	The basic rate of income tax for a person on each dollar of the person’s schedular taxable income that is income under section CR 3B (Lloyd’s of London: income from life insurance premiums) is 0.28.	20
(2)	In schedule 1, part D,—	
	(a) in clause 3, table 1, rows 2 to 8, replace “section 25A” with “ section 26B ” in each place where it appears:	
	(b) in clause 3, table 2, row 1, replace “0.330” with “0.450”:	
	(c) in clause 4, table 3, row 4, replace “0.33” with “0.45”.	25
(3)	Subsection (1) applies in relation to a life insurance premium that is derived on or after 1 April 2017 by Lloyd’s of London.	
181	Schedule 2 amended (Basic tax rates for PAYE income payments)	
(1)	In schedule 2, in the shoulder references, delete “RD 14,”.	
(2)	In schedule 2, part A, clause 2, replace “under section 24B(3)” with “referred to in schedule 5, part A, clause 4, row 1 or 2 ”.	30
(3)	In schedule 2, part A, clause 3, replace “section 24B(3)” with “ section 24B(3B) ”.	
(4)	Replace schedule 2, part A, clause 3 with:	

3	Non-notified tax code	If an employee’s tax code is a non-notified tax code under section 24E of the Tax Administration Act 1994, the basic tax rate amount for a payment of salary or wages is set by applying the rate of 0.45 for each dollar of the payment.										
(5)	In schedule 2, clauses 4 to 8, replace “section 24B(3)” with “ section 24C ” in each place where it appears.		5									
(6)	In schedule 2, clause 7, replace “casual agricultural worker” with “casual agricultural employee”.											
(7)	In schedule 2, clause 9, replace “section 24B(3)(bb)” with “ section 24C ”.											
(8)	In schedule 2, part B, table 1, insert in correct numerical order:		10									
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Row</th> <th style="text-align: left;">Condition</th> <th style="text-align: left;">Tax rate</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">1B</td> <td style="vertical-align: top;">Section RD 10(2C) applies.</td> <td style="vertical-align: top;">0.105</td> </tr> <tr> <td style="vertical-align: top;">5</td> <td style="vertical-align: top;">Section RD 10(2D) applies.</td> <td style="vertical-align: top;">0.450</td> </tr> </tbody> </table>	Row	Condition	Tax rate	1B	Section RD 10(2C) applies.	0.105	5	Section RD 10(2D) applies.	0.450		
Row	Condition	Tax rate										
1B	Section RD 10(2C) applies.	0.105										
5	Section RD 10(2D) applies.	0.450										
182	Schedule 25 amended (Foreign investment funds)	In schedule 25, in the shoulder references, after “DN 6,” insert “ ED 2B, ”.										
183	Schedule 32 amended (Recipients of charitable or other public benefit gifts)											
(1)	In schedule 32, insert, in appropriate alphabetical order, “Beyond Disaster Relief New Zealand”, “Flying for Life Charitable Trust”, “Médecins Sans Frontières New Zealand Charitable Trust”, “Tony McClean Nepal Trust”, and “Zimbabwe Rural Schools Library Trust”.		15									
(2)	Subsection (1) applies for the 2017–18 and later income years.											
184	Schedule 36 amended (Government enterprises)	In schedule 36, part A, insert, in appropriate alphabetical order, “Animal Control Products Limited” and “Kordia Group Limited”.	20									
185	Consequential amendments to Income Tax Act 2007 related to trustee capacity	The Income Tax Act 2007 is amended as set out in schedule 1 .	25									

Part 3

Amendments to Tax Administration Act 1994

186	Tax Administration Act 1994	Part 3 amends the Tax Administration Act 1994.	
187	Section 3 amended (Interpretation)		30
(1)	This section amends section 3(1).		

- (2) Repeal the definition of **dividend treated as interest**.
- (3) In the definition of **employee**, replace “section 46(7)” with “**section 23K(6)**”.
- (4) Insert, in appropriate alphabetical order:
employment income information is defined in **section 23C** for the purposes of **subpart 3C, sections 15L, 23, 36, 47, 80D, 139A, 139AA(4), 141AA, 141ED, 142, 142G, and 227C, and schedules 3 and 4** 5
- (5) Insert, in appropriate alphabetical order:
ESS deferral date has the meaning given by **section CE 2(9)** of the Income Tax Act 2007
- (6) In the definition of **exempt person**, replace “section 27(1)” with “section 27(2)” 10
- (7) Repeal the definition of **exempt person**.
- (8) In the definition of **gift-exempt body**, replace paragraph (b) with:
 (b) any other person who has RWT-exempt status following an application made under section 32E(2)(k) or (l) in relation to a tax year in which they have that status 15
- (9) Insert, in appropriate alphabetical order:
investment income is defined in **section 25C** for the purposes of **subpart 3E, sections 32H, 142G, and 227E, schedule 6, and sections RA 12, and RM 8** of the Income Tax Act 2007 20
investment income information is defined in **section 25D** for the purposes of **subpart 3E, sections 57, 57B, 139AA, and 227E, schedule 6, and section RA 15** of the Income Tax Act 2007
- (10) Insert, in appropriate alphabetical order:
natural person— 25
 (a) does not include a natural person who is acting in the capacity of trustee:
 (b) for the purposes of sections 177 and 177A, includes a natural person who is acting in the capacity of trustee
- (11) Repeal the definition of **non-exempt person**.
- (12) Insert, in appropriate alphabetical order: 30
payday in **subpart 3C and schedule 4**, means the day on which an employer makes a PAYE income payment to an employee
- (13) In the definition of **payment**, replace “in sections 67 and 120U” with “in section 120U, and for the purposes of **section 25G(2)** and **schedule 6, table 1 row 18**,”. 35
- (14) Insert, in appropriate alphabetical order:
payroll software is defined in **section 230** for the purposes of that section and **section 23F**

- (15) Repeal the definition of **reconciliation statement**.
- (16) In the definition of **record**, paragraph (b), replace “section 26” with “**section 22AAB**”.
- (17) In the definition of **record holder**, delete “and section 26”.
- (18) Replace the definition of **registered person** with: 5
registered person has the meaning given by section 2(1) of the Goods and Services Tax Act 1985
- (19) In the definition of **responsible department**, in paragraph (b), replace “sections 24F and 24IB” with “**section 24D**”.
- (20) Repeal the definition of **RWT exemption certificate**. 10
- (21) Repeal the definitions of **special tax code certificate** and **special tax code notification**.
- (22) In the definition of **tax**, repeal paragraph (a)(xiii).
- (23) Insert, in appropriate alphabetical order: 15
tax code is defined in **section 24B(1)**
- (24) Repeal the definitions of **tax code certificate** and **tax code notification**.
- (25) In the definition of **tax position**, repeal paragraph (o).
- (26) Replace the definition of **tax shortfall** with: 20
tax shortfall, for a return period, means—
- (a) the difference between the tax effect of a taxpayer’s tax position for the return period and the correct tax position for that period, when the taxpayer’s tax position— 20
- (i) results in too little tax paid or payable by the taxpayer or another person:
- (ii) overstates a tax benefit, credit, or advantage of any type or description whatever for the taxpayer or another person; but 25
- (b) for a person that has taken a tax position for **section 46(6B)** (the **tax position**) and has not made an election under **section RD 7B** of the Income Tax Act 2007, the amount of tax that they would have been liable to pay, if they had made an election under **section RD 7B** of that Act for the period, for the difference between the tax position and the correct tax position. 30
- 188 Section 15C amended (PAYE intermediaries and listed PAYE intermediaries)**
- (1) In section 15C, replace the section heading with “**PAYE intermediaries**”. 35
- (2) Repeal section 15C(2).

- 189 Section 15F amended (Fitness of applicants)**
In section 15F(2), replace “; or” with “; and” in each place where it appears.
- 190 Sections 15G, 15H, and 15I repealed**
Repeal sections 15G, 15H, and 15I.
- 191 Section 15J amended (Employers’ arrangements with PAYE intermediaries)** 5
Repeal section 15J(4).
- 192 Section 15L amended (Amended monthly schedules)**
- (1) In section 15L, replace the section heading with “**Amended employment income information**”. 10
- (2) In section 15L, replace “make an amended monthly schedule relating to the employee and a pay period” with “provide the amended employment income information relating to the employee and a payday”.
- 193 Section 15M repealed (Subsidy claim forms)** 15
Repeal section 15M.
- 194 New subpart heading inserted (Commissioner’s powers to obtain information)**
Replace the cross-heading before section 16 with “Subpart 3A—Commissioner’s powers to obtain information”.
- 195 New subpart heading inserted (Taxpayers’ obligations to keep records)** 20
Replace the cross-heading before section 21B with “Subpart 3B—Taxpayers’ obligations to keep records”.
- 196 Section 22 amended (Keeping of business and other records)**
In section 22(2)(ke), replace “section 24Q” with “**section 15X**”.
- 197 New section 22AA inserted (Records to be kept by employers and PAYE intermediaries)** 25
After section 22, insert:
- 22AA Records to be kept by employers and PAYE intermediaries**
- (1) An employer who makes a PAYE income payment to an employee must keep proper records in English relating to the payment, the amount of tax withheld for the payment, and the other items of information set out in **schedule 3, table 1**, as required under this Act, the Child Support Act 1991, the KiwiSaver Act 2006, or the Student Loan Schemes Act 2011. 30

- (2) A person acting as a PAYE intermediary for an employer must keep proper records relating to their activity as a PAYE intermediary in relation to an employee of the employer.
- (3) An employer or PAYE intermediary must take reasonable steps to ensure the safe-keeping of their records for a period of not less than 7 years after the making of the payments to which the records relate, except to the extent to which—
 - (a) the Commissioner has notified the employer or PAYE intermediary that retention is not required; or
 - (b) the employer or PAYE intermediary is required by this Act or the Income Tax Act 2007 to deliver the records to the Commissioner.
- (4) On application by the person, the Commissioner may authorise the keeping of records under this section in a language other than English.

198 New section 22AAB inserted (Records to be kept by payers of passive income)

Before section 22A, insert:

22AAB Records to be kept by payers of passive income

- (1) This section applies when a person—
 - (a) is liable under the RWT rules to withhold RWT for resident passive income paid to or derived by another person:
 - (b) is liable under the NRWT rules to withhold NRWT for non-resident passive income paid to or derived by another person.
- (2) The person must keep proper records in English relating to the income paid by them, and RWT or NRWT withheld by them, or liable to be withheld by them, sufficient to enable the Commissioner to ascertain readily at any time the information set out in **schedule 3, table 2**.
- (3) A person referred to in **subsections (1) and (2)** must take reasonable steps to ensure the safe-keeping of their records for a period of not less than 7 years after the making of the payments to which the records relate, except to the extent to which—
 - (a) the Commissioner has notified the person that retention of the records is not required; or
 - (b) the records are required by law to be delivered to a person other than the Commissioner; or
 - (c) the person is a company that has been liquidated.
- (4) The Commissioner may, before the end of the 7-year period referred to in **subsection (3)**, notify the person that they are required to retain records specified by the Commissioner for a further period of up to 3 years after the end of the 7-year period if—

<ul style="list-style-type: none"> (a) the affairs of the person are or have been under audit or investigation by the Commissioner; or (b) the affairs of a person to whom the records relate are or have been under audit or investigation by the Commissioner; or (c) the Commissioner intends to conduct, or is actively considering, an audit or investigation before the end of the extended retention period. <p>(5) On application by the person, the Commissioner may authorise the keeping of records under this section in a language other than English.</p>	5
<p>199 Section 23 amended (Keeping of returns where information transmitted electronically)</p> <p>Replace section 23(2) with:</p> <ul style="list-style-type: none"> (2) This section does not require the retention of— <ul style="list-style-type: none"> (a) a return for which the Commissioner has given notice that retention is not required; or (b) a return of a company that has been liquidated; or (c) employment income information that has been provided to the Commissioner. 	10 15
<p>200 New subpart 3C inserted (Employment income information)</p> <p>After section 23, insert:</p> <p style="text-align: center;">Subpart 3C—Employment income information</p> <p>23B Employment income information: outline of provisions</p> <ul style="list-style-type: none"> (1) This subpart sets out— <ul style="list-style-type: none"> (a) what is meant by employment income information for reporting purposes: (b) when employment income information must be provided to the Commissioner and how it must be delivered: (c) the information that must be provided for new and departing employees: (d) the correction of errors: (e) what employment records must be kept. (2) For the purposes of this subpart, an employer includes a PAYE intermediary, as the context requires. (3) For the provisions related to— <ul style="list-style-type: none"> (a) the making of regulations, <i>see</i> section RA 21 of the Income Tax Act 2007: (b) late filing penalties, <i>see</i> section 139A: (c) non-electronic filing penalties, <i>see</i> section 139AA: 	20 25 30 35

- (d) employers' withholding payment penalties, *see* section 141ED:
- (e) the application of the penalties provisions to PAYE intermediaries, *see* section 141JB:
- (f) the recovery of tax from employers or PAYE intermediaries, *see* sections 167 to 169.

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23C Meaning of employment income information

- (1) **Employment income information**, for the purposes of the Inland Revenue Acts, means the items of information that are listed in **schedule 4, tables 1 to 3**, as applicable, and that—
 - (a) an employer to whom **section RD 22** of the Income Tax Act 2007 applies, must provide to the Commissioner under **sections 23E to 23H and 23J to 23L**; or
 - (b) an employee to whom **section RD 4(4)** of that Act applies, must provide to the Commissioner under **section 23I**.
- (2) The Commissioner must prescribe 1 or more electronic forms and 1 or more means of electronic communication in which employment income information must be delivered by an employer for the purposes of this subpart. The requirements may relate to an employer or a class of employers, and is subject to the conditions specified by the Commissioner, whether generally or in a specific case.

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23D Employers' groups for delivery of information

- (1) For the delivery of employment income information to the Commissioner, an employer is included in 1 of the following groups of employer, according to the circumstances applying to the employer:
 - (a) the online group; or
 - (b) the threshold group, if they meet the requirements in **section 23F**; or
 - (c) the electronic-exempt group, if they meet the requirements of **section 23G**; or
 - (d) the new group, if they meet the requirements of **section 23H**.
- (2) For the delivery of employment income information, a PAYE intermediary is included in the online group.
- (3) Despite **sections 23E to 23H and 23K**, an employer may deliver their employment income information at any time before the dates set out in those sections.
- (4) Despite **sections 23F to 23H**, an employer in the threshold group, electronic-exempt group, or new group who is not required to deliver employment income information electronically may choose to deliver their employment income information in electronic form and by means of an electronic communication as prescribed by the Commissioner.

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- (5) Despite **subsections (1) and (2)** and the means of delivery set out in **sections 23E to 23H**, an employer may ask the Commissioner for approval to deliver employment income information in another way. For this purpose, the Commissioner may—
- (a) give consent with terms and conditions: 5
 - (b) vary the terms and conditions:
 - (c) cancel the consent at any time.
- 23E Online group of employers**
- (1) An employer is included in the **online group** if the employer is not included in— 10
- (a) the threshold group; or
 - (b) the electronic-exempt group; or
 - (c) the new group.
- (2) An employer in the online group must deliver their employment income information for a payday— 15
- (a) in electronic form and by means of an electronic communication as prescribed by the Commissioner; and
 - (b) within 2 working days after payday.
- 23F Threshold group of employers**
- (1) An employer is included in the **threshold group** if the employer— 20
- (a) meets either of the requirements set out in **subsection (3)**; and
 - (b) does not use payroll software; and
 - (c) is not included in—
 - (i) the electronic-exempt group; or
 - (ii) the new group. 25
- (2) An employer in the threshold group must deliver their employment income information for a payday—
- (a) in a format prescribed by the Commissioner; and
 - (b) within 7 working days after payday.
- (3) The requirements are that, for a tax year and an amount of tax for a PAYE income payment and an employer’s superannuation contribution,— 30
- (a) an employer other than an employer referred to in **paragraph (b)**, must have gross amounts of tax payable for the preceding tax year that are below the threshold amount:
 - (b) a new employer must have total accumulated amounts of tax that are below the threshold amount. 35

- (4) The threshold amount referred to in **subsection (3)** is—
- (a) \$50,000; or
 - (b) the amount set by the Governor-General by Order in Council under **subsection (6)**.
- (5) If the accumulated amount referred to in **subsection (3)(b)** reaches the threshold amount during a tax year, the employer is included in the new group for the remaining months of the 6-month period referred to in **section 23H(2)** and, following that period, is included in the online group of employers. 5
- (6) The Governor-General may, on the recommendation of the Minister of Revenue, make an Order in Council setting or amending the threshold amount referred to in **subsection (4)(b)**. Before making the recommendation, the Minister must undertake consultation on the proposed amendment that is appropriate and reasonable for the purposes of this section. 10
- 23G Electronic-exempt group of employers**
- (1) An employer is included in the **electronic-exempt group** if— 15
- (a) the Commissioner exempts the employer from the online group requirements because the employer is unable to access digital services that are suitable for the purpose; and
 - (b) the employer is not included in—
 - (i) the threshold group; or 20
 - (ii) the new group.
- (2) An employer in the electronic-exempt group must deliver their employment income information for a payday—
- (a) in a format prescribed by the Commissioner; and
 - (b) within 7 working days after payday. 25
- (3) In determining whether to exempt an employer under **subsection (1)(a)**, the Commissioner must have regard to—
- (a) the nature and availability of digital services to the employer; and
 - (b) the costs that the employer would incur in complying with the requirements if those costs would be unreasonable in the circumstances. 30
- 23H New group of employers**
- (1) An employer is included in the **new group** if the employer is an employer who starts employing employees in a tax year and is an employer who would, in the absence of this section, be included in the online group.
- (2) The new-employer period is the 6-month period that starts on the date in the tax year on which the employer starts employing employees. 35
- (3) An employer in the new group may choose to deliver their employment income information for a payday in the new-employer period—

(a)	in a format prescribed by the Commissioner; and	
(b)	within 7 working days after payday.	
(4)	If an employer in the new group chooses to use payroll software to deliver their employment income information, the employer is included in the online group. Similarly, after the end of the new-employer period, the employer is included in the online group.	5
23I	Employment income information requirements for employees	
	An employee who is required to provide employment income information relating to a PAYE income payment to the Commissioner under section RD 21(1)(a) of the Income Tax Act 2007, must deliver the information in the prescribed format within 7 working days after the end of the month in which the payment is made.	10
23J	Employment income information requirements relating to employee share schemes	
(1)	For the purposes of sections 23E to 23H and a benefit under an employee share scheme, the ESS deferral date is treated as the payday.	15
(2)	For reporting purposes,—	
(a)	employment income information does not include information on—	
(i)	a benefit under an employee share scheme received by a former employee if the employer has not chosen to withhold an amount of tax in relation to the benefit:	20
(ii)	a benefit arising under a share purchase scheme:	
(b)	for a benefit that an employee receives under an employee share scheme, employment income information includes the value of the benefit, and if the employer has chosen under section RD 7B of the Income Tax Act 2007 to withhold an amount of tax for the benefit, the amount of tax withheld.	25
23K	Employment income information for new and departing employees	
(1)	When an employee starts employment with an employer, the employer must provide the information referred to in schedule 4, table 2 to the Commissioner.	30
(2)	When an employee’s employment ends, the employer must provide the information referred to in schedule 4, table 3 to the Commissioner.	
(3)	The information referred to in subsection (1) about new employees must be delivered to the Commissioner by the date on which the employer is required to deliver employment information for the employee’s first payday or, if the employer chooses, at an earlier time.	35
(4)	The information referred to in subsection (2) about departing employees must be delivered to the Commissioner by the date on which the employer is	

required to deliver employment income information for the payday on which the employee was last paid or, if the employer chooses, at an earlier time.

- (5) Despite **subsections (1) to (4)**, if information about the relevant employee is delivered to the Commissioner as part of electronic payday reporting that includes income information about the employee, the only additional information required from the employer is— 5
- (a) for a new employee, **schedule 4, table 2, rows 5, 6, 7, and 10**;
 - (b) for a departing employee, **schedule 4, table 3, row 5**.
- (6) In this section, **employee** includes a person who receives or is entitled to receive a payment that would, but for section RD 3(2) to (4) of the Income Tax Act 2007, be a PAYE income payment. 10

23L Employment income information when employment ended

An employer who stops employing employees, intending that the cessation is permanent, must notify the Commissioner that employment has ended within 30 working days after the date on which they stop employing employees. 15

23M Correction of errors

- (1) This section provides a regulation-making power for matters relating to the correction of errors in employment income information and the manner in which corrections may be made.
- (2) The Governor-General may, by Order in Council on the recommendation of the Minister of Revenue, make regulations, providing— 20
- (a) the nature and type of errors that are able to be corrected by an employer;
 - (b) the manner in which, and the specifications for, the correction of particular errors in employment income information: 25
 - (c) the periods to which corrections may relate, including past periods and future periods.
- (3) Before making a recommendation under **subsection (2)**, the Minister must undertake consultation on the proposed amendment that is appropriate and reasonable for the purposes of this section. 30

23N Setting electronic and non-electronic filing requirements

- (1) For the delivery of employment income information by an employer or a class of employers, the Commissioner—
- (a) must prescribe— 35
 - (i) an electronic form and means of electronic communication:
 - (ii) a form or mode of delivery other than by electronic means:
 - (b) may from time to time set specifications for payroll software for use in the delivery of that information.

(2)	To enable the processing of a payment made to the Commissioner by an employer in relation to an employee, the Commissioner may notify an employer, or a class of employers, that certain items of employment income information must accompany the payment.	
23O	Employment income information: payroll software	5
	For the purposes of sections 23H(4) and 23N , payroll software means a commercially available computer application or service, or another bespoke equivalent, that enables the calculation of amounts of salary or wages and amounts that are required to be withheld under the PAYE rules.	
23P	Employment income information: variation of requirements	10
	The Commissioner may vary the requirements set out in this subpart and schedule 4 for an employer or a class of employers, and the requirements apply as varied.	
201	Cross-heading and section 24 repealed	
	Repeal the cross-heading before section 24 and section 24.	15
202	Cross-heading and section 24BA repealed	
	Repeal the cross-heading before section 24BA and section 24BA.	
203	Section 24B amended (PAYE tax codes)	
(1)	In section 24B(3), words before paragraph (a), replace “section 24BA(1D)” with “ subsection (3C) ”.	20
(2)	After section 24B(3B), insert:	
(3C)	Despite subsections (3) and (3B) , an employee who is a non-resident seasonal worker under the recognised seasonal employer (RSE) instructions has a tax code of NSW for the first month of a period of employment in New Zealand.	25
204	Sections 24B to 24IB replaced	
	Replace sections 24B to 24IB with:	
	Subpart 3D—Tax codes and tax rates for certain payments	
24B	PAYE tax codes	
(1)	For the purposes of the PAYE rules, a tax code means—	30
(a)	a code applying to an employee’s earnings set out in the table in schedule 5, part A as notified by the employee under section 24C :	
(b)	a tax code provided by the Commissioner under section 24D :	
(c)	a tax code provided under schedule 5, part B, clause 3 :	
(d)	a non-notified tax code under section 24E .	35

<p>(2) A tax code does not apply in relation to—</p> <p style="padding-left: 20px;">(a) a schedular payment, <i>see</i> sections 24F and 24G;</p> <p style="padding-left: 20px;">(b) an extra pay, <i>see</i> sections RD 7 and RD 17 of the Income Tax Act 2007.</p> <p>(3) The amount of tax for a payment of an income-tested benefit is determined under section RD 11(3) of the Income Tax Act 2007.</p> <p>(4) The basic tax rates for payments of salary or wages for particular tax codes, including a non-notified tax code, are set out in the Income Tax Act 2007, schedule 2, part A.</p> <p>24C Notified tax codes</p> <p>(1) An employee must notify their employer of the tax code applicable to their circumstances or of a change in their tax code. However, this subsection does not apply in relation to—</p> <p style="padding-left: 20px;">(a) a tax code provided by the Commissioner to the employer under schedule 5, part A, clause 2(2);</p> <p style="padding-left: 20px;">(b) a tax code for a non-resident seasonal worker under schedule 5, part B, clause 3.</p> <p>(2) The notification must include an employee’s statement of their entitlement under the Immigration Act 2009 to work for their employer.</p> <p>24D Tax codes provided by the Commissioner</p> <p>An employee may apply to the Commissioner for—</p> <p style="padding-left: 20px;">(a) a special tax code under schedule 5, part B, clause 1 to apply to either—</p> <p style="padding-left: 40px;">(i) their New Zealand superannuation income or veteran’s pension income; or</p> <p style="padding-left: 40px;">(ii) their other employment income from 1 or more employers;</p> <p style="padding-left: 20px;">(b) a tax code under schedule 5, part B, clause 2 for their employment as a private domestic worker.</p> <p>24E Non-notified tax codes</p> <p>An employee, other than a person referred to in section 24D, has a non-notified tax code if—</p> <p style="padding-left: 20px;">(a) the employee has not notified their employer of—</p> <p style="padding-left: 40px;">(i) their name; and</p> <p style="padding-left: 40px;">(ii) their tax file number; and</p> <p style="padding-left: 40px;">(iii) their tax code; and</p> <p style="padding-left: 20px;">(b) the Commissioner has not provided the employer with a tax code or change in tax code under schedule 5, part A, clause 3; and</p>	<p>5</p> <p>10</p> <p>15</p> <p>20</p> <p>25</p> <p>30</p> <p>35</p>
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(c)	the employee is not a non-resident seasonal worker referred to in schedule 5, part B, clause 3 .	
24F	Rates of tax for schedular payments: standard, payee, and set rates	
(1)	In this section, and section 24G , and in schedule 5, part C, clauses 1 to 7 ,—	5
(a)	a person who is making a schedular payment is referred to as the payer :	
(b)	a person who is entitled to receive a schedular payment is referred to as the payee .	
(2)	The standard rates of tax for schedular payments are set out in schedule 4 of the Income Tax Act 2007.	10
(3)	A payee may choose the rate of tax for the payment under schedule 5, part C, clause 4 . Minimum rates apply, <i>see</i> clause 4(1) .	
(4)	If a payee has a liability under the Inland Revenue Acts that has not been met, the Commissioner may, from time to time, set a rate of tax for a schedular payment of the payee under schedule 5, part C, clause 5 . The Commissioner must notify both the payee and the payer of the rate.	15
(5)	A payee, other than a non-resident entertainer, must notify the payer of their name and tax file number, and of the tax rate applying to the payment.	
24G	Special tax rates for schedular payments	
(1)	A payee, may apply to the Commissioner under schedule 5, part C, clause 6 for a special rate of tax applying to some or all of a schedular payment	20
(2)	The Commissioner may notify a payee that 1 or more schedular payments that they are entitled to receive are payments for which no amount of tax is to be withheld. However, this subsection does not apply to a payment referred to in schedule 4, part J of the Income Tax Act 2007 to a New Zealand resident.	25
(3)	This section does not apply to a payment to a non-resident entertainer.	
24H	Variation of requirements	
	The Commissioner may vary the requirements of section 24B and schedule 5, part A, clause 4 , for a person or class of persons at any time.	
205	Cross-heading and section 24J repealed	30
	Repeal the cross-heading before section 24J and section 24J.	
206	Section 24K amended (Certain information required in returns)	
(1)	Renumber section 24K as section 56B .	
(2)	In section 56B ,—	
(a)	in subsection (3)(a), replace “section 67” with “ section 25G(2) ”:	35
(b)	in subsection (5), replace “section 68B” with “ section 25I(2) ”.	

- 207 Sections 24L, 24LB, 24LC, 24M, 24N, and 24P repealed**
 Repeal sections 24L, 24LB, 24LC, 24M, 24N, and 24P.
- 208 Cross-heading and section 24Q amended**
 Renumber section 24Q as **section 15ZB** and insert the cross-heading “*Payroll donations*” before it. 5
- 209 New heading inserted (RWT rates, certificates, and records)**
 Replace the cross-heading before section 25A, with “Subpart 3E—RWT rates, certificates, and records”.
- 210 Section 25A amended (Use of inconsistent RWT rates)**
 Renumber section 25A as **section 26B**. 10
- 211 Section 25 amended (RWT withholding certificates)**
- (1) In section 25(2), replace “the tax deduction certificate” with “the RWT withholding certificate”.
 - (2) Renumber section 25 as **section 26C**.
 - (3) Replace **section 26C(1)** with: 15
 - (1) Subsection (1B) applies for a tax year when a payer withholds RWT for resident passive income for the following amounts paid to or derived by a payee who has not provided the payer with their tax file number—
 - (a) interest:
 - (b) a dividend treated as interest: 20
 - (c) a dividend to which section RE 9(2) of the Income Tax Act 2007 applies.
 - (4) In **section 26C(4)**, replace “a person who continues to hold an RWT exemption certificate issued to that person” with “a person with RWT-exempt status”.
 - (5) In **section 26C(5)**,— 25
 - (a) replace “a person holding an RWT exemption certificate issued to that person” with “a person with RWT-exempt status”:
 - (b) replace “notwithstanding such cessation in holding an RWT exemption certificate” with “despite the ending of the person’s RWT-exempt status”.
- 212 New subpart 3E inserted (Investment income information)** 30
 Insert before section 26, replacing the subpart heading:

Subpart 3E—Investment income information

25B Investment income information: outline of provisions

- (1) This subpart sets out the information that a person who makes a payment of investment income is required to provide to the Commissioner and, in particular,— 5
- (a) what is meant for reporting purposes by investment income and investment income information:
 - (b) who must provide investment income information to the Commissioner:
 - (c) when investment income information must be provided and how it must be delivered: 10
 - (d) when information is required in relation to certain types of investment:
 - (e) the correction of errors:
 - (f) when information may be filed in non-electronic form.
- (2) In this subpart, and in **schedule 6**,—
- (a) a person who makes a payment of investment income is called the **payer**: 15
 - (b) a person who derives or receives a payment of investment income is called the **payee**.
- (3) For the provisions related to—
- (a) the use of inconsistent RWT rates, *see* **section 26B**: 20
 - (b) RWT withholding certificates, *see* **section 26C**:
 - (c) shareholder dividend statements, *see* **section 29**:
 - (d) Maori authority notices, *see* section 31:
 - (e) notification requirements for multi-rate PIEs, *see* section 31C:
 - (f) further requirements for multi-rate PIEs, *see* section 57B: 25
 - (g) late filing penalties, *see* **section 139A**:
 - (h) non-electronic filing penalties, *see* **section 139AA**.

25C Investment income

For the purposes of this subpart and **sections RA 11** of the Income Tax Act 2007, **227E**, and **schedule 6**, **investment income** means— 30

- (a) resident passive income under section RE 2(1)(a) to (c), (3)(b), and (5)(d) of the Income Tax Act 2007:
- (b) non-resident passive income under section RF 2(1) of that Act:
- (c) attributed income of investors in portfolio investment entities under sections CP 1, CX 56, and CX 56B of that Act. 35

25D	Investment income information	
(1)	Investment income information means the items of information listed in schedule 6, table 1 relating to an amount of investment income, that a payer referred to in section 25E must either provide to the Commissioner under this subpart or retain under section 22AAB .	5
(2)	If an investment is owned jointly by 2 or more investors, and the payer of the investment income holds the relevant information, the payer must include in their investment income information the information set out in schedule 6, table 1, row 16 in relation to each owner.	
25E	Who must provide investment income information to Commissioner	10
(1)	The persons who must provide their investment income information to the Commissioner by the relevant date set out in this subpart are—	
(a)	a person who is required to withhold an amount of tax for a payment of interest, <i>see</i> section 25F :	
(b)	a person who chooses under section 32M to pay approved issuer levy in relation to domestic debt:	15
(c)	a company that pays a dividend to a person, including a dividend described in section RE 9 of the Income Tax Act 2007, <i>see</i> section 25G :	
(d)	a person who pays a royalty to a non-resident person, <i>see</i> section 25H :	
(e)	a Maori authority that makes a taxable distribution to a member of the authority, other than a retirement scheme contribution, <i>see</i> section 25I :	20
(f)	a multi-rate PIE, other than a superannuation fund or retirement savings scheme, that attributes income to an investor or a proxy for an investor, <i>see</i> section 25J :	
(g)	a multi-rate PIE that is a superannuation fund or retirement savings scheme that attributes income to an investor or a proxy for an investor, <i>see</i> section 25K :	25
(h)	an emigrating company that is treated under section FL 2 of the Income Tax Act 2007 as paying a dividend to shareholders, <i>see</i> section 25L :	
(i)	a person who would be liable to pay an amount referred to in paragraphs (a), (c), or (e) but the payment is made to a person who has RWT-exempt status under section RE 27 of the Income Tax Act 2007:	30
(j)	a person who would be liable to pay an amount referred to in paragraph (a) but for the circumstances described in subsection (2) .	
(2)	The circumstances referred to in subsection (1)(j) are that a person who pays interest for which RWT is not required to be withheld because—	35
(a)	the amount—	
(i)	is not paid by the person in the course or furtherance of a taxable activity; or	

(ii)	is an amount to which section RE 10 of the Income Tax Act 2007 applies; and	
(b)	the amount is allowed as a deduction under that Act; and	
(c)	the amount is paid to a person other than a person with RWT-exempt status.	5
25F	Information on interest	
	A payer referred to in section 25E(1)(a) and (b) must deliver the investment income information for the payment of interest as set out in schedule 6, table 1, rows 1 to 11, 16, and 29 , as applicable, to the Commissioner—	
(a)	in electronic form and by means of an electronic communication as prescribed by the Commissioner; and	10
(b)	by the 20th of the month following the month in which the amount of investment income is paid to or derived by the payee.	
25G	Information on dividends	
(1)	A payer referred to in section 25E(1)(c) must deliver the investment income information for the payment of the dividend as set out in schedule 6, table 1, rows 1 to 14, 16, and 29 , as applicable, to the Commissioner—	15
(a)	in electronic form and by means of an electronic communication as prescribed by the Commissioner; and	
(b)	by the 20th of the month following the month in which the amount of investment income is paid to or derived by the payee.	20
(2)	A payer that is an ICA company must, at the time it declares a dividend, complete and retain a company dividend statement containing the information set out in schedule 6, table 1, rows 17 to 22 and 29 . The information must be delivered as required under subsection (1) .	25
25H	Information on royalties paid to non-residents	
	A payer referred to in section 25E(1)(d) must deliver the investment income information for the payment of the royalty as set out in schedule 6, table 1, rows 1 to 11, 16, and 29 , as applicable, to the Commissioner—	
(a)	in electronic form and by means of an electronic communication as prescribed by the Commissioner; and	30
(b)	by 31 May after the end of the tax year.	
25I	Information on Maori authority distributions	
(1)	A payer referred to in section 25E(1)(e) must deliver the investment income information for the Maori authority distribution as set out in schedule 6, table 1, rows 1 to 11, 15, 16, and 29 , as applicable, to the Commissioner—	35

- (a) in electronic form and by means of an electronic communication as prescribed by the Commissioner; and
 - (b) by the 20th of the month following the month in which the amount of investment income is paid to or derived by the payee.
- (2) A payer that makes a distribution to a member must, at the time of making the distribution, complete and retain a distribution statement containing the information set out in **schedule 6, table 1, rows 23 to 26**. The information must be delivered as required under **subsection (1)**. 5
- 25J Information on attributed PIE income: non-locked-in funds**
- (1) A payer referred to in **section 25E(1)(f)** must deliver the investment income information for the relevant attributed PIE income as set out in **schedule 6, table 1, rows 1 to 10, 12, 13, 16, and 29**, as applicable, for a tax year to the Commissioner— 10
- (a) in electronic form and by means of an electronic communication as prescribed by the Commissioner; and 15
 - (b) by the following relevant date:
 - (i) 15 May after the end of the tax year, if the PIE has a corresponding income year that does not end after the end of the tax year:
 - (ii) the end of the second month after that in which the PIE’s corresponding income year ends, if the PIE has a corresponding income year that ends after the end of the tax year: 20
 - (iii) the end of the third month after that in which the PIE loses PIE status, if the cessation occurs in the corresponding income year.
- (2) The payer must deliver the investment income information set out in **schedule 6, table 1, rows 1 to 7 and 12** for a tax year— 25
- (a) in electronic form and by means of an electronic communication as prescribed by the Commissioner; and
 - (b) as at 30 September in the tax year; and
 - (c) by 20 October in the tax year.
- 25K Information on attributed PIE income: locked-in funds** 30
- (1) A payer referred to in **section 25E(1)(g)** must deliver the investment income information for the relevant attributed PIE income as set out in **schedule 6, table 1, rows 1 to 10, 12, 13, 16, and 29**, as applicable, for a tax year to the Commissioner—
- (a) in electronic form and by means of an electronic communication as prescribed by the Commissioner; and 35
 - (b) by the following relevant date:

<ul style="list-style-type: none"> (i) 30 June after the end of the tax year, if the PIE has a corresponding income year that does not end after the end of the tax year: (ii) the end of the second month after that in which the PIE’s corresponding income year ends, if the PIE has a corresponding income year that ends after the end of the tax year: (iii) the end of the third month after that in which the PIE loses PIE status, if the cessation occurs in the corresponding income year. 	5
<p>(2) The payer must deliver the investment income information set out in schedule 6, table 1, rows 1 to 7 and 12 for a tax year—</p> <ul style="list-style-type: none"> (a) in electronic form and by means of an electronic communication as prescribed by the Commissioner; and (b) as at 30 September in the tax year; and (c) by 20 October in the tax year. 	10
25L Information from emigrating companies	
<p>A payer referred to in section 25E(1)(h) must deliver the investment income information set out in schedule 6, table 1, rows 1 to 11, 14, 16, and 29, as applicable, for a tax year to the Commissioner—</p> <ul style="list-style-type: none"> (a) in electronic form and by means of an electronic communication as prescribed by the Commissioner; and (b) within 3 months after the time of emigration. 	15 20
25M Information in relation to persons with RWT-exempt status	
<p>(1) A payer referred to in section 25E(1)(i) must deliver the investment income information set out in schedule 6, table 1, rows 1 to 11, 16, and 29, as applicable, for a tax year to the Commissioner—</p> <ul style="list-style-type: none"> (a) in electronic form and by means of an electronic communication as prescribed by the Commissioner; and (b) by 20 April after the end of the tax year. 	25
<p>(2) Despite subsection (1), the payer may choose to deliver their investment income information to the Commissioner—</p> <ul style="list-style-type: none"> (a) in electronic form and by means of an electronic communication as prescribed by the Commissioner; and (b) by the 20th of the month following the month in which the amount of investment income is paid. 	30
25N Information from payers with no withholding obligation	
<p>A payer referred to in section 25E(1)(j) must deliver the investment income information described in schedule 6, table 1, rows 4 to 8, 16, and 29, as applicable, for a tax year to the Commissioner—</p>	35

(a)	in electronic form and by means of an electronic communication as prescribed by the Commissioner; and	
(b)	with their return of income for the corresponding income year.	
25O	Certain information on financial arrangements	
(1)	This section applies when—	5
(a)	a person (person A) who has RWT-exempt status acquires a financial arrangement from, or disposes of a financial arrangement to, another person (person B); and	
(b)	person B is neither a party to the financial arrangement nor a person who has RWT-exempt status; and	10
(c)	interest payable under the financial arrangement would have been subject to RWT but for the fact of person A’s RWT-exempt status.	
(2)	This section also applies when person A makes a redemption payment to person B from which RWT has not been withheld under section RE 6 of the Income Tax Act 2007.	15
(3)	Person A must deliver the investment income information described in schedule 6, table 1, rows 4 to 7, 16, and 27 to 29 for a tax year to the Commissioner—	
(a)	in electronic form and by means of an electronic communication as prescribed by the Commissioner; and	20
(b)	with their return of income for the tax year.	
25P	Correction of errors in investment income information	
	An adjustment may be made under section RA 11 or RA 12 of the Income Tax Act 2007 to correct certain errors that a payer has made in relation to an amount of tax for RWT or NRWT.	25
25Q	Non-electronic filing of investment income information	
(1)	Despite sections 25F to 25N , the Commissioner may discharge a payer from the requirement to deliver their investment income information in electronic form and by means of an electronic communication.	
(2)	In determining whether to discharge a payer under subsection (1) , the Commissioner must have regard to—	30
(a)	the capability of the payer; and	
(b)	the nature and availability of digital services to the payer; and	
(c)	the compliance costs that would be incurred by the payer in meeting the delivery requirements.	35
25R	Setting electronic and non-electronic filing requirements	
	For the delivery of investment income information, the Commissioner—	

<ul style="list-style-type: none"> (a) must prescribe— <ul style="list-style-type: none"> (i) an electronic form and means of electronic communication: (ii) a form or mode of delivery other than by electronic means: (b) may from time to time set specifications for software for use in the delivery of that information. 	5
25S Investment income information: variation of requirements	
The Commissioner may vary the requirements set out in subpart 3E and schedule 6 for a person or a class of persons, and the requirements apply as varied.	
213 Section 26 repealed (Records to be kept for RWT purposes)	10
Repeal section 26.	
214 Section 27 amended (Provision of tax file numbers)	
Replace section 27(2) with:	
<ul style="list-style-type: none"> (2) Subsection (3) applies in the circumstances set out in section 250 when a person who has a tax file number— <ul style="list-style-type: none"> (a) acquires a financial arrangement from a person with RWT-exempt status; or (b) disposes of a financial arrangement to a person with RWT-exempt status; or (c) receives a redemption payment that is a payment from which RWT has not been withheld from a person with RWT-exempt status. (3) The person must, if notified by the person with RWT-exempt status, provide their tax file number to that person within 10 working days of being notified. 	15
20	
215 Section 28B replaced (Notification of investors' tax rates)	
Replace section 28B with:	
28B Notification of investors' tax file numbers	
<ul style="list-style-type: none"> (1) An investor in a multi-rate PIE must notify the PIE of their tax file number within 6 weeks of the date on which they become an investor in the PIE. (2) Subsection (1) does not apply to an investor who— <ul style="list-style-type: none"> (a) is non-resident; and (b) does not have a tax file number; and (c) provides the equivalent of their tax file number for the country or territory where they reside for tax purposes, or a declaration if they are unable to provide this number. 	30

216	New subpart heading inserted (Statements, notices, and certificates)	
	Before section 29, insert a new heading “Subpart 3F—Statements, notices, and certificates”.	
217	Section 31B amended (Notification requirements for PIEs)	
	After section 31B(1), insert:	5
(1B)	A multi-rate PIE choosing to calculate and pay its income tax liability under an option set out in section HM 42, HM 43, or HM 44 of the Income Tax Act 2007 must comply with the notice requirements for making the election set out in the relevant provision. The notice must be in the prescribed electronic form.	
218	Section 32E amended (Applications for RWT exemption certificates)	10
(1)	In section 32E, in the section heading, replace “RWT exemption certificates” with “RWT-exempt status”.	
(2)	In section 32E(1) replace “an RWT exemption certificate” with “RWT-exempt status”.	
(3)	In section 32E(2)(k), replace “and CW 63” with “and CW 64”.	15
(4)	Subsection (3) applies for the 2008–09 and later income years.	
219	Section 32G amended (Evidence of annual gross income and consequences of failure to meet threshold)	
(1)	In section 32G(1), replace “an RWT exemption certificate” with “RWT-exempt status”.	20
(2)	In section 32G(4), replace “had they not held an RWT exemption certificate” with “had they not had RWT-exempt status”.	
(3)	In section 32G(7), replace “provide an RWT exemption certificate to, or allow it to be retained by” with “provide RWT-exempt status to, or allow RWT-exempt status to be retained by,”.	25
220	Section 32H replaced (Providing RWT exemption certificate when person meets requirements)	
	Replace section 32H with:	
32H	RWT-exempt status when persons meet requirements	
(1)	When a person who meets the requirements of section 32E applies to the Commissioner for RWT-exempt status, the Commissioner must—	30
(a)	add the person’s name, tax file number, and other relevant details including the start date and, if applicable or appropriate, the end date to the electronic register of persons with RWT-exempt status; and	
(b)	notify the person of the issue of the status, and the start and end date, as applicable .	35

- (2) A person’s RWT-exempt status takes effect on the start date provided in the electronic register.
- (3) For the purposes of the provisions relating to investment income information, if a person has been issued with, or holds, or retains, or is allowed to retain, an RWT exemption certificate that remains current, they are treated as having RWT-exempt status if their name appears on the electronic register referred to in **subsection (1)**. 5
- 221 Section 32I amended (Providing RWT exemption certificate to person who does not meet requirements)**
- (1) In section 32I, in the section heading, replace “**RWT exemption certificate**” with “**RWT-exempt status**”. 10
- (2) In section 32I(1), replace “provide an RWT exemption certificate for a period, including an unlimited period, to a person who does not meet the requirements” with “provide RWT-exempt status to the person when they do not meet the requirements”. 15
- (3) In section 32I(2), replace “may not provide an RWT exemption certificate to a person” with “may not provide RWT-exempt status to a person”.
- (4) Repeal section 32I(4) and (5).
- 222 Section 32J replaced (RWT exemption certificates for unincorporated bodies)** 20
- Replace section 32J with:
- 32J RWT-exempt status for unincorporated bodies**
- (1) When the Commissioner provides RWT-exempt status under **section 32I** to an unincorporated body described in section RE 30 of the Income Tax Act 2007,— 25
- (a) the named body has the RWT-exempt status; and
- (b) no member of the body may have RWT-exempt status in relation to a taxable activity carried on by the body.
- (2) For the purposes of the RWT rules and RWT-exempt status, a notice to the body is treated as served on the body and on each member of the body. 30
- 223 Section 32K amended (Failing to meet basis of exemption)**
- (1) In section 32K(1), replace “a holder of an RWT exemption certificate” with “a person who has RWT-exempt status”.
- (2) Replace section 32K(2) with:
- (2) If the person becomes aware that they no longer meet the requirements, they must notify the Commissioner within a period of 5 days after the day on which they become aware. 35

- (3) In section 32K(3), replace “the holder to provide the full name and last known address of all persons to whom they have shown the certificate” with “the person to provide the full name and last known address of all persons to whom they have advised their RWT-exempt status”.

224 Section 32L replaced (Cancellation of RWT exemption certificates) 5

Replace section 32L with:

32L Revocation of RWT-exempt status

- (1) The Commissioner may revoke a person’s RWT-exempt status at any time if—
- (a) the Commissioner reasonably believes that the person no longer meets the requirements on which their exemption is based; or 10
 - (b) the person did not meet the requirements on which their exemption was based, having acquired the status through misleading information; or
 - (c) the person should not have been provided with RWT-exempt status; or
 - (d) the person’s RWT-exempt status was based on a ground set out in section 32E(2)(i) or (j), and the evidence provided under **section 32G**— 15
 - (i) shows the person did not meet the threshold; or
 - (ii) is unsatisfactory; or
 - (iii) is materially incorrect or misleading; or
 - (e) the person is liable for income tax that remains unpaid by the due date for payment. 20
- (2) The Commissioner must notify the person whose status has been revoked within 30 working days of the revocation. The Commissioner may also make a request under section 32K(3) with which the person must comply.
- (3) Despite **subsection (1)**, if the Commissioner considers that a person referred to in **subsection (1)(a) to (d)** is a person to whom **section 32G** applies and has a further basis for RWT-exempt status, the Commissioner must not revoke the status. 25
- (4) A person referred to in **subsection (2)** must, within 5 days of being notified by the Commissioner, notify every person that they have advised of their RWT-exempt status and from whom they expect to receive further payments of resident passive income that their status has been revoked. 30
- (5) The Commissioner must publish on an electronic register, a list of all persons whose RWT-exempt status has been revoked.

225 Section 33 amended (Returns of income)

- (1) Replace the heading before section 33 with “Subpart 3G—Returns”. 35
- (2) After section 33(1C), insert:

- (1D) A trustee of a trust that must calculate the trust’s taxable income under **section HC 2** of the Income Tax Act 2007 must provide a return of income for the trust for a tax year unless section 43B applies in relation to the trust.
- (3) **Subsection (2)** applies for the 2008–09 and later income years.
- 226 Section 33AA amended (Exceptions to requirement for return of income)** 5
- (1) In section 33AA(1)(b), replace “issued under section 24F” with “notified by the Commissioner under **schedule 5, part B, clause 1**”.
- (2) In section 33AA(1)(l), replace “holds an RWT exemption certificate” with “has RWT-exempt status”.
- (3) In section 33AA(3)(c), replace “section 25(7)” with “**section 26C(7)**”. 10
- 227 Section 36 amended (Commissioner may approve furnishing of return information by electronic means)**
- Repeal section 36(4).
- 228 Section 36A repealed (Electronic format of employer monthly schedule and PAYE payment form)** 15
- Repeal section 36A.
- 229 Section 36AB repealed (Electronic return requirements for multi-rate PIEs)**
- Repeal section 36AB.
- 230 Section 36B repealed (Other formats of employer monthly schedule)** 20
- Repeal section 36B.
- 231 New section 36BD inserted (Electronic filing requirements for registered persons)**
- After section 36BC, insert:
- 36BD Electronic filing requirements for registered persons** 25
- (1) The Commissioner must prescribe 1 or more electronic forms or means of electronic communication that—
- (a) a registered person may use to file a return required under the Goods and Services Tax Act 1985; or
- (b) a registered person whose taxable supplies exceed the threshold set out in **subsection (2)**, must use to file a return under that Act. 30
- (2) The Governor-General may, on the recommendation of the Minister of Revenue, make an Order in Council setting a threshold for the value of taxable supplies of a registered person that mean the person is required to use an electronic form or means of electronic communication for filing a return under that Act. 35
- Before making the recommendation, the Minister must undertake consultation

	on the proposed threshold that is appropriate and reasonable for the purposes of this section.	
(3)	The Commissioner may exempt a registered person, or a class of registered persons, whose taxable supplies exceed the threshold from the requirement to file in the prescribed electronic form or by the prescribed means of electronic communication. In determining whether to exempt the person or class of persons, the Commissioner must have regard to—	5
	(a) the nature and availability of digital services to the person; and	
	(b) the costs that the person would incur in complying with the requirements if those costs would be unreasonable in the circumstances.	10
232	Section 36C amended (Particulars furnished in electronic format) In section 36C(1) replace “36BB, or 36BC” with “36BB, 36BC, or 36BD ”.	
233	Sections 36CA, 36D, and 36E repealed Repeal sections 36CA, 36D, and 36E.	
234	New cross-heading inserted before section 37 (Returns and return dates) Before section 37, insert “ <i>Returns and return dates</i> ” as a cross-heading.	15
235	Section 46 amended (Employer to make returns as to employees) (1) In section 46(6B) replace “section CE 2(2) or (4)” with “ section CE 1(1)(d) ”. (2) In section 46(6B)(b)(i), replace “share purchase agreement” with “employee share scheme”.	20
236	Section 46 repealed (Employers to make returns as to employees) Repeal section 46 .	
237	Section 47 amended (ESCT statements provided by employers and others) Replace section 47(2) with:	
(2)	The employer, person, or PAYE intermediary must deliver their employment income information to the Commissioner by the relevant dates set out in sections 23E to 23H showing the amount of the employer’s superannuation contribution, the amount of ESCT relating to the contribution, and any other particulars required by the Commissioner.	25
238	Section 48 repealed (Special arrangements for supply of information by employer or PAYE intermediary to Commissioner) Repeal section 48.	30
239	Section 49 amended (NRWT withholding certificates and annual reconciliations) (1) In section 49(1B), replace “31 May” with “15 May”.	35

- (2) In section 49(4C)(a), replace “31 May” with “15 May”.
- (3) **Subsections (1) and (2)** apply for the 2018–19 and 2019–20 income years.
- 240 Sections 49 and 50 repealed**
Repeal **sections 49** and 50.
- 241 Section 51 amended (RWT withholding reconciliation statements)** 5
(1) In section 51(1B), replace “RWT.” with “RWT by 15 May after the end of the tax year in which the amount is withheld”.
(2) **Subsection (1)** applies for the 2018–19 and 2019–20 income years.
- 242 Sections 51, 52, 53, and 54 repealed** 10
Repeal **sections 51**, 52, 53, and 54.
- 243 Section 55 amended (Consequence of inability to provide tax file numbers)**
In section 55(a), replace “in accordance with section 52 or section 53 or section 54” with “under the reporting requirements in **sections 25F to 25I and 25M to 25O**”.
- 244 New section 55B inserted (Information relating to offshore persons and tax file numbers)** 15
After section 55, insert:
- 55B Information relating to offshore persons and tax file numbers**
- (1) The Commissioner must not allocate a tax file number requested by an offshore person until the Commissioner— 20
- (a) receives a current bank account number for the offshore person:
- (b) is satisfied that the information available to the Commissioner relating to the offshore person provides the Commissioner with an assurance of the identity and background of the offshore person.
- (2) **Subsection (1)** does not apply to a person— 25
- (a) who needs a tax file number solely because they are a non-resident supplier of goods and services under the Goods and Services Tax Act 1985:
- (b) who is registered, or has applied to be registered, under section 54B of that Act:
- (c) for whom a reporting entity under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 has conducted the procedures for customer due diligence required under that Act and regulations made under that Act. 30
- (3) Despite **subsection (1)**, a non-resident seasonal worker under the recognised seasonal employer (RSE) instructions is not required to provide the Commis- 35

	<p>sioner with a current bank account number for the first month of a period of employment in New Zealand.</p> <p>(4) A person who has a tax file number and a current bank account must immediately provide the person’s current bank account number to the Commissioner if the person,—</p> <p>(a) after 1 October 2015, becomes an offshore person under paragraph (b) of the definition of offshore person; and</p> <p>(b) has not previously provided the person’s current bank account number to the Commissioner.</p>	5
245	<p>Section 57 amended (Maori authority to make returns of income)</p> <p>After section 57(1), insert:</p> <p>(1B) Section 25I sets out how and when investment income information for a Maori authority distribution must be delivered to the Commissioner.</p>	10
246	<p>Section 57B amended (Return requirements for multi-rate PIEs)</p> <p>(1) In section 57B, in the section heading, replace “Return requirements” with “Requirements”.</p> <p>(2) Replace section 57B(1) with:</p> <p>(1) This section sets out the responsibilities for a multi-rate PIE or a proxy for an investor in the PIE. Sections 25J and 25K set out how and when investment income information on attributed PIE income must be delivered to the Commissioner.</p> <p>(3) Replace section 57B(2)(a) with:</p> <p>(a) to file a return in the prescribed form—</p> <p>(i) showing the amount of the tax liability of the entity for the period; and</p> <p>(ii) providing the investment income information required under sections 25J and 25K, as applicable; and</p> <p>(iii) providing further information that the Commissioner considers relevant; and</p> <p>(4) In section 57B(7)(a), replace “31 May” with “15 May”.</p> <p>(5) Repeal section 57B(7).</p> <p>(6) After section 57B(6), insert:</p> <p>(8) The Commissioner must prescribe 1 or more electronic forms and means of electronic communication in which or by which a return must be provided under this section. The Commissioner may specify conditions relating to the format, either general or in a particular case.</p>	15 20 25 30 35

- 247 Section 61 amended (Disclosure of interest in foreign company or foreign investment fund)**
In section 61(1C), replace “section 57B(7)” with “**section 25J or 25K**, as applicable”.
- 248 New section 63B inserted (Disclosure requirements for share purchase schemes)** 5
After section 63, insert:
- 63B Disclosure requirements for share purchase schemes**
- (1) A company must notify the Commissioner, in the form prescribed by the Commissioner, that it has a share purchase scheme for its employees that meets the criteria in **section CW 26C(2) to (9)** of the Income Tax Act 2007. 10
- (2) A company that has a share purchase scheme for its employees must notify the Commissioner, in the form prescribed by the Commissioner,—
- (a) when a grant of shares is made to an employee:
- (b) any other information required by the Commissioner. 15
- 249 Section 67 repealed (Company dividend statement when ICA company declares dividend)**
Repeal section 67.
- 250 Section 68 amended (Statement when FDP credit attached to dividend)**
In section 68, replace “section 67” with “**section 25G(2)**”. 20
- 251 Section 68B repealed (Distribution statement required when Maori authority makes distribution)**
Repeal section 68B.
- 252 Section 70 amended (Annual ICA return to be furnished if: required by Commissioner; requirement for imputation credit account ceases; or balance retrospectively reduced to debit or to less than refund)** 25
In section 70(2), replace “an imputation return” with “an annual ICA return”.
- 253 Section 74 amended (Annual ICA return to be furnished in respect of consolidated imputation group)**
In section 74(1)(b)(iii), replace “an imputation group:” with “an imputation group; and”. 30
- 254 Section 80A amended (Application)**
- (1) In section 80A(1)(b) replace “section 80C(4)” with “section 80C”.
- (2) **Subsection (1)** applies for the 2009–10 and later income years.

- 255 Section 80D amended (Commissioner must issue income statement)**
In section 80D(1)(c)(iii), replace “section RD 4(2) of the Income Tax Act 2007 to provide to the Commissioner an employer monthly schedule” with “**section RD 22(1)** of the Income Tax Act 2007 to provide to the Commissioner employment income information”. 5
- 256 Section 80F amended (Taxpayer obligations and assessment on receipt of income statement)**
In section 80F(5), replace “section 25(7)” with “**section 26C(7)**”.
- 257 Section 80KT amended (Details of payments of tax credits)**
- (1) In section 80KT(2), replace “give the Commissioner details of the payment in an employer monthly schedule.” with “provide details of the payment at a time and in a manner agreed by the chief executive and the Commissioner.” 10
- (2) Repeal section 80KT(3) and (4).
- 258 Section 85 amended (Disclosure of address information in relation to debtors)** 15
In section 85(6), in the definition of **debtor**, paragraph (c), replace “Child Support Act 1991.” with “Child Support Act 1991; or”.
- 259 Section 85H amended (Disclosure of information for purposes of Parental Leave and Employment Protection Act 1987)**
In section 85H(2), replace “spouse” with “spouse, civil union partner, or de facto partner”. 20
- 260 Section 91AAQ amended (Determination on insurer as non-attributing active CFC)**
In section 91AAQ(2)(c) and (3)(a), delete “, before and after 30 June 2009,” in each place where it appears. 25
- 261 Section 91FD amended (Disclosure requirements)**
In section 91FD(1)(bb), replace “correct.” with “correct; and”.
- 262 Section 110 amended (Evidence of returns and assessments)**
In section 110(2), delete “, or section 36A,”.
- 263 Section 120C amended (Definitions)** 30
In section 120C(1), in the definition of **date interest starts**, paragraph (c)(i)(A), replace “the 15th working day” with “the 10th working day”.
- 264 Section 120KE amended (Provisional tax and rules on use of money interest)**
- (1) In section 120KE(1)(a), delete “, other than in their capacity as trustee.” 35

- (2) Replace section 120KE(1)(e) with:
- (e) they are not, at any time in the tax year, a person who has RWT-exempt status.
- 265 New section 120X inserted (Petroleum miners’ tax losses)**
- (1) After section 120W, insert: 5
- 120X Petroleum miners’ tax losses**
- If a taxpayer allocates an amount to an earlier tax year under section EJ 14 of the Income Tax Act 2007, the amount allocated does not reduce the taxpayer’s tax payable for that year for the purpose of this Part.
- (2) **Subsection (1)** applies for a taxpayer and to a tax position— 10
- (a) taken by the taxpayer in a tax return filed after the date of introduction of the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act **2017**; and
- (b) with regard to a reduction under section IS 5(2) of the Income Tax Act 2007 in their tax loss. 15
- 266 Section 120X repealed (Petroleum miners’ tax losses)**
- (1) Repeal **section 120X**.
- (2) **Subsection (1)** applies for the 2018–19 and later income years.
- 267 Section 125 amended (Certain rights of objection not conferred)**
- In section 125(j)(iv), replace “36 to 46” with “**23B to 23P**, 36 to 44D”. 20
- 268 Section 139A amended (Late filing penalty for certain returns)**
- (1) In section 139A(1) replace “and the employer monthly schedule required to be provided under section RD 22(1) to (5) of the Income Tax Act 2007” with “and the employment income information required to be provided under **sections 23E to 23I**”. 25
- (2) In section 139A(2)(a)(iv), replace “an employer monthly schedule” with “their employment income information”.
- (3) In section 139A(4), replace “employer monthly schedule” with “employment income information”.
- (4) In section 139A(5) in the words before paragraph (a), replace “an employer monthly schedule” with “employment income information”. 30
- (5) Replace section 139A(6) and (7) with:
- (6) **Subsection (7)** applies in relation to a late filing penalty when a taxpayer fails to provide employment income information to the Commissioner by a due date when, for the 12-month period before the due date, the taxpayer has delivered on time all the required income information. 35

- (7) The Commissioner must notify the taxpayer—
 - (a) first, that a late filing penalty will be payable for a further failure to provide income information on time:
 - (b) secondly, that the penalty is payable when a breach occurs after the notice referred to in **paragraph (a)** has been given. 5
- (8) For employment income information, the maximum penalty that may be imposed on the taxpayer for a month, regardless of the number of failures to provide employment income information, is \$250.

269 Section 139AA amended (Non-electronic filing penalty)

- (1) In section 139AA(1)(a), replace “section RD 22(2) and (2B) of the Income Tax Act 2007” with “**section 23E**”. 10
- (2) After section 139AA(1)(a), insert:
 - (aba) a person who is required to provide investment income information to the Commissioner under **sections 25F to 25O**; and
- (3) After section 139AA(1)(ac), insert: 15
 - (ad) a registered person; and
- (4) In section 139AA(2), replace “A person who is an employer, a portfolio investment entity, a portfolio investor proxy, or a PAYE intermediary” with “The person”.
- (5) In section 139AA(3), replace “under section 36B(1) to furnish the employer monthly schedule” with “under **sections 23D(5) and 23G** to provide their employment income information”. 20
- (6) Replace section 139AA(4) with:
 - (4) For employment income information, the maximum penalty that may be imposed for a month, regardless of the number of failures to provide employment income information, is the greater of \$250 or \$1 for each employee whose employment income information is not in the prescribed electronic form or delivered by means of the prescribed electronic communication at any time in the month. 25
- (7) After section 139AA(4), insert: 30
 - (5) For GST purposes, the non-electronic filing penalty is \$250.
- (8) After **section 139AA(5)**, insert:
 - (6) For investment income information, the non-electronic filing penalty is \$250.

270 Section 141AA amended (Shortfall penalty if non-resident contractor relieved from all liability to pay tax on contract payment) 35

In section 141AA(1) and (3),—

- (a) replace “each return period” with “each month” in each place where it appears:

- (b) replace “an employer monthly schedule” with “employment income information” in each place where it appears.

271 Section 141ED amended (Not paying employer monthly schedule amount)

- (1) In section 141ED, replace the section heading with “**Penalty for unpaid amounts of employers’ withholding payments**”. 5
- (2) Replace section 141ED(1) with:
- (1) A taxpayer is liable to pay a shortfall penalty (the **employers’ withholding payment penalty**) if—
- (a) the taxpayer—
- (i) provides employment income information to the Commissioner under **subpart 3C**; and 10
- (ii) is required to pay to the Commissioner an amount of tax (the **required amount**) under **section RD 4(1)** of the Income Tax Act 2007; and
- (iii) fails to pay some or all of the required amount (the **unpaid amount**) to the Commissioner by the due date; and 15
- (b) the Commissioner, after the due date for the payment of the required amount, gives the taxpayer notice (the **Commissioner’s notice**)—
- (i) that the taxpayer is liable to pay a penalty for failing to pay the unpaid amount by the due date and of how the penalty is calculated; and 20
- (ii) of the circumstances in which further penalties will be imposed and of how a further penalty will be calculated; and
- (iii) of actions that the taxpayer may take to avoid the imposition of further penalties; and 25
- (c) **subsection (3)** does not apply to the taxpayer.
- (3) In section 141ED(2), replace “the returned amount” with “the required amount”.
- (4) In section 141ED(3),—
- (a) replace “a penalty for not paying employer monthly schedule amount” with “an employers’ withholding payment penalty”: 30
- (b) replace paragraph (a)(i) with:
- (i) appointed after the end of the month in which the employment income information is provided to the Commissioner; and
- (5) In section 141ED(4),— 35
- (a) replace “A penalty payable for not paying employer monthly schedule amount” with “An employers’ withholding payment penalty payable”:

- (b) in paragraph (a), replace “the returned amount” with “the required amount”.
- (6) In section 141ED(5), replace “the penalty for not paying employer monthly schedule amount” with “the employers’ withholding payment penalty”.
- (7) In section 141ED(5B),— 5
- (a) replace “the returned amount” with “the required amount”;
- (b) replace “the employer monthly schedule” with “the employment income information”.
- (8) In section 141ED(6), replace “1 penalty for not paying employer monthly schedule amount arising from an employer monthly schedule ” with “1 employers’ withholding payment penalty arising from the employment income information”. 10
- (9) In section 141ED(7), replace “the returned amount” with “the required amount”.
- 272 Section 142 amended (Due date for payment of late filing penalty)** 15
- (1) In section 142(1), replace “an employer monthly schedule” with “employment income information”.
- (2) Replace section 142(1A) with:
- (1A) The due date for the payment of a late filing penalty for employment income information is 30 days after the end of the month in which the employer is required to deliver their employment income information to the Commissioner. 20
- (3) In section 142(2), delete “, **employer monthly schedule**,”.
- 273 Section 142A amended (New due date for payment of tax that is not a penalty)**
- (1) In section 142A(1), replace “This section applies” with “This section applies for the transitional period described in **subsection (6)**”. 25
- (2) After section 142A(5), insert:
- (6) For the purposes of **subsection (1)**, the transitional period is the period of co-existence of 2 Inland Revenue software platforms, as described in section 227B, that starts on the date on which the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act **2017** receives the Royal assent and ends on the date by which the last Order in Council made under **section 142AB(5)** brings that section into force for a particular tax type. 30
- (7) **Section 142AB** overrides this section, but this section continues to apply for an amount of tax in relation to which an incremental late payment penalty is payable under section 139B. 35

274 New section 142AB inserted (New due date for new and increased assessments)

After section 142A, insert:

142AB New due date for new and increased assessments

- (1) This section applies, subject to the particular commencement dates for different tax types described in **subsection (5)**, when the Commissioner makes either of the following assessments for a taxpayer, other than an assessment (a **default assessment**) made in the absence of a return and to which section 106(1) applies: 5
- (a) an assessment (the **new assessment**) of tax for the taxpayer, if they have not been assessed earlier for the tax: 10
- (b) an amended assessment (the **increased assessment**)— 15
- (i) of an amount of tax that is more than the amount for which the taxpayer is liable immediately before the increased assessment; and
- (ii) made less than 30 days before, or on or after, the due date for the tax for which the taxpayer is liable immediately before the increased assessment; and
- (iii) that is not an increased assessment to a default assessment. 20
- (2) The Commissioner must— 20
- (a) fix a date that is 30 or more days after the date of the notice of the assessment for the payment of—
- (i) the tax under a new assessment:
- (ii) the increase of tax under an increased assessment; and 25
- (b) notify the taxpayer of the date in the notice of assessment. 25
- (3) **Subsection (2)** does not apply—
- (a) to an amount of provisional tax that remains unpaid on an instalment date; or
- (b) in relation to a tax type for which an incremental late payment penalty under section 139B is payable; or 30
- (c) when the Commissioner has notified the taxpayer before the due date for the payment of the tax that **subsection (2)** will not apply to the tax as calculated by the taxpayer or to an amount of tax estimated by the taxpayer; or
- (d) when the Commissioner considers that setting a new due date may prejudice the Commissioner’s ability to recover the tax or increased tax. 35
- (4) In this section, **tax** does not include a civil penalty.

- (5) This section comes into force on a date appointed by the Governor-General by Order in Council, and 1 or more orders may be made appointing different dates for different tax types and for different purposes.
- (6) For a tax type in relation to which an order is made under **subsection (5)**, this section applies to a new assessment for the tax type or an increased assessment for the tax type and **section 142A** does not apply for that tax type.

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275 Section 142G replaced (Due date for payment of non-electronic filing penalty)

- (1) In section 142G, insert as subsection (2):
- (2) For GST purposes, a non-electronic filing penalty is due and payable 30 days after the end of the month in which the registered person is required to provide the GST information to the Commissioner.

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- (2) Replace **section 142G** with:

142G Due date for payment of non-electronic filing penalties

A non-electronic filing penalty under **section 139AA** is due and payable,—

15

- (a) for employment income information, 30 days after the end of the month in which the employer is required to provide to the Commissioner the information in the prescribed electronic form or by means of the prescribed electronic communication:
- (b) for GST purposes, 30 days after the end of the month in which the registered person is required to provide to the Commissioner the GST information in the prescribed electronic form or by means of the prescribed electronic communication.

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- (3) After **section 142G(b)**, insert:

- (c) for investment income information, 30 days after the end of the month in which the payer of investment income is required to provide to the Commissioner the information in the prescribed electronic form or by means of the prescribed electronic communication.

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276 Section 173L amended (Transfer of excess tax within taxpayer’s accounts)

- (1) In section 173L(2)(a), replace “a day after the end of the GST return period in which the refund arose” with “the applicable date set out in **subsection (2B)**”.

30

- (2) After section 173L(2), insert:

(2B) For the purposes of **subsection (2)(a)**, the applicable date is—

- (a) when the taxpayer files their return before the due date, the earlier of—
 - (i) the day after date on which the return is filed:
 - (ii) the day after the end of the GST return period in which the refund arose:

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	(b) when the taxpayer files their return on the due date, the day after the end of the GST period in which the refund arose:	
	(c) when the taxpayer files their return after the due date, the day after the date on which the return is filed.	
277	Section 183A amended (Remission for reasonable cause)	5
(1)	In section 183A(1)(i), replace “a penalty for not paying employer monthly schedule amount” with “an employers’ withholding payment penalty”.	
(2)	In section 183A(1A)(b), replace “the tax return or an employer monthly schedule, or not furnishing an employer monthly schedule” with “the tax return or their employment income information, or not furnishing their employment income information”.	10
278	Section 183D amended (Remission consistent with collection of highest net revenue over time)	
	In section 183D(1)(bd), replace “a penalty for not paying employer monthly schedule amount” with “an employers’ withholding payment penalty”.	15
279	Section 183F amended (Small amounts of penalties and interest not to be charged)	
	In section 183F(1)(c), replace “a penalty for not paying employer monthly schedule amount” with “an employers’ withholding payment penalty”.	
280	Section 185 amended (Payment out of Crown Bank Account)	20
(1)	In section 185(1)(f), replace “Act; or” with “Act—”.	
(2)	Repeal section 185(1)(g).	
281	Sections 185C and 185D repealed	
	Repeal sections 185C and 185D.	
282	New sections 227C and 227D inserted	25
	After section 227B, insert:	
227C	Transitional provision: voluntary application of employment income information provisions	
(1)	This section applies for the purposes of this Act and the Income Tax Act 2007, when an employer or PAYE intermediary is required to provide an employer monthly schedule and a PAYE income payment form in the period that starts on 1 April 2018 and ends on 31 March 2019 (the transitional period).	30
(2)	Despite the commencement provisions in the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act 2017 (the amendment Act) relating to the provision of employment income information, the application of new thresholds, and the consequential amend-	35

ments to the KiwiSaver Act 2006, the employer may choose to apply the provisions in the amendment Act for the transitional period, or a part of it, in place of the provisions in this Act and the Income Tax Act 2007 for the delivery of the employer monthly schedule and PAYE income payment form.

- (3) When an employer makes an election under **subsection (2)**, they must include in their employment income information the required items relating to a benefit received by an employee or former employee under **section CE 1(1)(d)** of the Income Tax Act 2007, applying the provisions of the amendment Act in relation to all benefits under employee share schemes, as defined in the amendment Act, received by employees or former employees on or after the date that is 20 days before the date of their election. 5
10
- (4) For the purposes of **subsections (2) and (3)**, an employer who chooses to report their employment income information using the provisions of the amendment Act must also apply the other relevant provisions relating to the delivery of that information or to the treatment of that benefit, as applicable. 15
- (5) For the purposes of the application of a late filing penalty under **section 139A(6) to (8)**, the rules relating to further failures apply for the transitional period as if it were a continuation of the previous period or periods.
- (6) For the purposes of **subsections (2) and (3)**, and despite the relevant commencement provisions in **section 2**,— 20
 - (a) **sections 13, 104, 109, 110, 131, 135, 142, 146 to 148, 169, 171(19), 191, 198, 199, 227, 236, 254, 267 to 271, 274, 276, 283(a) to (c), 286 to 291, and 295 to 299** of the amendment Act are treated as having a commencement date of 1 April 2018:
 - (b) the due dates for employment income information under **sections 23E to 23I** do not apply in the transitional period for the purposes of determining a penalty under **section 139A(6) to (8) or 142**. 25
- (7) An employer who makes an election under **subsection (2)** may not revert to the provisions for the delivery of the employer monthly schedule and PAYE income payment form under this Act or the Income Tax Act 2007, and must continue to apply the provisions of the amendment Act for the remainder of the transitional period unless the employer and Commissioner agree otherwise. 30

227D Transitional provision for certain filing requirements of employers

- (1) For the purposes of this Act and the Income Tax Act 2007, when an employer or PAYE intermediary is required to provide an employer monthly schedule and a PAYE income payment form in the last month of the transitional period referred to in **section 227C(1)**, the period for providing the schedule and form is extended to 30 April 2019. This subsection does not apply in relation to an obligation referred to in **subsection (2)**. 35
- (2) For the purposes of this Act and the Income Tax Act 2007, in relation to a benefit received by an employee or former employee under an employee share 40

	scheme for the period that starts on 16 March 2019 and ends on 31 March 2019, an employer to whom section RD 4(1)(b) of the Income Tax Act 2007 applies must—	
	(a) apply the provisions in the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act 2017 in relation to the tax treatment of the benefit; and	5
	(b) provide their employment income information in relation to the benefit under the provisions in subpart 3C rather than including the information in the employer monthly schedule and PAYE income payment form.	
283	New section 227E inserted (Transitional provision: application of investment income information provisions)	10
	After section 227D insert:	
227E	Transitional provision: application of investment income information provisions	
(1)	This section applies for the purposes of this Act and the Income Tax Act 2007 to a person who pays an amount of investment income in the period that starts on 1 April 2019 and ends on 31 March 2020 (the transitional period).	15
(2)	Despite the commencement provisions in the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act 2017 (the amendment Act) for the provision of investment income information, a person may choose to apply the provisions of the amendment Act relating to the delivery of investment income information under subpart 3E and the correction of errors under section 25P for the transitional period or a part of it.	20
(3)	A person who makes an election under subsection (2) may not revert to the provisions in this Act and the Income Tax Act 2007 relating to the returns of income, and must continue to apply the relevant provisions of the amendment Act for the remainder of the transitional period, unless the person and Commissioner agree otherwise.	25
284	New schedules inserted	30
(1)	After schedule 2 in the Tax Administration Act 1994, insert as set out in schedule 2 of this Act the following schedules:	
	(a) schedule 3 (Record-keeping requirements):	
	(b) schedule 4 (Reporting of employment income information):	
	(c) schedule 5 (Certain codes and rates):	35
	(d) schedule 6 (Reporting of investment income information).	
(2)	In schedule 3 , in the empowering provisions, replace “25, 26, 49, 51” with “ 22AAB ”.	

Part 4
Amendments to other enactments

KiwiSaver Act 2006

- 285 KiwiSaver Act 2006**
Sections 286 to 301 amend the KiwiSaver Act 2006. 5
- 286 Section 4 amended (Interpretation)**
- (1) In section 4(1),—
- (a) repeal the definition of **employer monthly schedule**;
- (b) insert, in appropriate alphabetical order:
- employment income information** has the meaning set out in **section 23C** of the Tax Administration Act 1994 10
- (2) In section 4(1), repeal the definition of **KiwiSaver deduction notice**.
- (3) In section 4(1), repeal the definition of **remittance certificate**.
- 287 Section 17 amended (How to opt out)**
Replace section 17(5) with: 15
- (5) An employer who receives an opt-out notice must give notice of that opt-out to the Commissioner no later than the time that their employment income information for payday reporting is required to be provided to the Commissioner under **section RD 22** of the Income Tax Act 2007 and **sections 23E to 23I** of the Tax Administration Act 1994. 20
- 288 Section 22 amended (Employees giving information to employers)**
- (1) Replace section 22(1)(c)(i) with:
- (i) notify his or her employer of their KiwiSaver status; or
- (2) In section 22(3), replace “may give their temporary employer a KiwiSaver deduction notice” with “may notify their temporary employer of their KiwiSaver status”. 25
- 289 Section 23 amended (Employers must give information to Commissioner)**
In section 23(2),—
- (a) replace “an employer monthly schedule” with “their employment income information for payday reporting”: 30
- (b) replace “sections 24J and 24P” with “**sections 23E to 23I**”.
- 290 Section 34 amended (Opting in by person 18 years or more)**
- (1) In section 34(1)(b), replace “give his or her employer a KiwiSaver deduction notice” with “notify his or her employer of a change in their KiwiSaver status”.

- (2) In section 34(2), replace “by giving his or her employer a KiwiSaver deduction notice” with “by notifying his or her employer of a change in their KiwiSaver status”.
- (3) In section 34(4),—
- (a) replace “an employer monthly schedule” with “their employment income information for payday reporting”:
- (b) replace “sections 24J and 24P” with “**sections 23E to 23I**”.
- 291 Section 42 amended (Employer must supply information pack to certain employees)**
- In section 42(1)(b), replace “giving the employer the KiwiSaver deduction notice” with “notifying his or her employer of a change in their KiwiSaver status”.
- 292 Section 60 amended (Application of subpart)**
- In section 60(1)(b), replace “has given the employer a KiwiSaver deduction notice” with “has notified his or her employer of their KiwiSaver status and of any changes in that status”.
- 293 Section 64 amended (Contribution rate)**
- Insert after section 64(3):
- (3B) For a contribution rate under subsection (1)(a), when a change occurs to a rate in this Act, or in regulations made under this Act, affecting the contribution that must be deducted from a payment of salary or wages, the calculation of the amount of the contribution must be made at the rate applying on the day on which the salary or wages are paid.
- 294 Section 67 amended (PAYE rules apply to deductions)**
- (1) In section 67(3)(a), replace “RD 10, RD 16” with “RD 10, **RD 13**, RD 16”.
- (2) In section 67(3)(a), replace “sections 24B to 24P” with “**subpart 3D and schedule 5**”.
- 295 Section 73 amended (Deductions entered in and paid out of holding account)**
- (1) In section 73(1)(b), replace “shown on an employer monthly schedule” with “included in employment income information”.
- (2) In section 73(2), replace “that monthly schedule” with “that employment income information”.
- (3) In section 73(6), replace “entered on an employer monthly schedule” with “included in employment income information”.

296	Section 93 amended (Employer contributions paid via Commissioner)	
(1)	In section 93(2) replace “a PAYE payment form” with “the relevant employment income information”.	
(2)	In section 93(5), replace “on the employer monthly schedule” with “in their employment income information”.	5
297	Section 97 replaced (Commissioner must give notice if employer contributions not remitted)	
	Replace section 97 with:	
97	Commissioner must give notice if employer contributions not remitted	
(1)	This section applies for a PAYE period when—	10
(a)	an employer is required to provide a return in relation to an amount of employer contribution under this subpart, and includes a reference to the payment in their employment income information under the Tax Administration Act 1994; and	
(b)	the Commissioner does not receive the payment in full by the due date for the payment.	15
(2)	The Commissioner must notify the employer that the payment has not been received.	
298	Section 98 amended (Short payments by employers if not enough money remitted to Commissioner to cover all of employees’ deductions and employer contributions)	20
(1)	In section 98(1),—	
(a)	in paragraph (a), replace “on either or both of a remittance certificate or an employer monthly schedule” with “in their employment income information”:	25
(b)	in paragraph (b), replace “on either or both of the remittance certificate or employer monthly schedule” with “in the employment income information”.	
(2)	In section 98(2), replace “on the remittance certificate and employer monthly schedule” with “in their employment income information”.	30
299	Section 98A amended (Quantifying short payments for the purposes of Income Tax Act 2007 and Tax Administration Act 1994)	
	In section 98A(b), replace “shown on either or both of a PAYE payment form and an employer monthly schedule” with “included in their employment income information”.	35

300 Section 99 amended (Short payments if not enough employer contribution remitted to cover all employees)

- (1) In section 99(1),—
- (a) in paragraph (a), replace “on a remittance certificate or employer monthly schedule” with “in their employment income information”: 5
 - (b) in paragraph (b), replace “on the remittance certificate and employer monthly schedule” with “in the employment income information”.
- (2) In section 99(2), replace the items in the formula with:
- a is the total employer contributions received by the Commissioner under this subpart for all of the employer’s employees for the month: 10
 - b is the employer contribution included in their employment income information for the relevant employee for the month referred to in item a:
 - c is the total employer contributions included in their employment income information for all the employer’s employees for the month referred to in item a. 15

301 Section 101D amended (Compulsory employer contribution amount: general rule)

- (1) Replace section 101D(4) with:
- (4) **CEC rate** is 3%. 20
- (2) After section 101D(4), insert:
- (4B) When a change occurs to the CEC rate affecting the amount of a compulsory employer contribution, the calculation of the amount of the contribution must be made at the rate applying on the day on which the salary or wages are paid.

*Student Loan Scheme Act 2011***302 Student Loan Scheme Act 2011** 25

Sections 303 to 306 amend the Student Loan Scheme Act 2011.

303 Section 34 amended (Repayment codes for New Zealand-based borrowers who derive salary or wages)

In section 34(2)(a), replace “section 24F” with “**section 24D(a)** and **schedule 5, part B, clause 1**”. 30

304 Section 37 amended (Deduction rates that apply to standard deductions from salary or wages)

Insert after section 37(3):

- (3B) When a change occurs to a rate in this Act, or in regulations made under this Act, affecting the deduction from primary employment earnings paid to the borrower or secondary employment earnings paid to the borrower, the calcula- 35

tion of the amount of the deduction must be made at the rate applying on the day on which the employment earnings are paid to the borrower.

- 305 Section 202 amended (Provisions of Tax Administration Act 1994 and Income Tax Act 2007 to apply to this Act)** 5
- In section 202,—
- (a) replace “24F, 24H” with “**section 24D(a)**”;
 - (b) replace “and 114” with “114, and **schedule 5, part A, clause 4 and part B, clause 1**”.
- 306 Schedule 2 amended (Application of PAYE rules for purposes of section 70)** 10
- (1) In schedule 2, clause 2(a)(i), replace “RD 8 to RD 10, RD 13B” with “RD 8 to RD 10, **RD 13**, RD 13B”.
 - (2) In schedule 2, clause 2(a)(ii), replace “sections 24K to 24M and 24O” with “**sections 24F, 24G, and 56B**”.
- Goods and Services Tax Act 1985*** 15
- 307 Goods and Services Tax Act 1985**
- Sections 308 to 311** amend the Goods and Services Tax Act 1985.
- 308 Section 2 amended (Interpretation)**
- In section 2(1), insert in appropriate alphabetical order:
- Pharmac** is defined in section 25 for the purposes of that section 20
 - Pharmac agreement** is defined in section 25 for the purposes of that section
 - pharmaceutical** is defined in section 25 for the purposes of that section
- 309 Section 2A amended (Meaning of associated persons)**
- After section 2A(1)(h), insert:
- (hb) A trustee of a trust and a person who has a power of appointment or of removal of the trustee, except if the person— 25
 - (i) holds the power as a provider of professional services; and
 - (ii) is subject to a professional code of conduct, and disciplinary process intended to enforce compliance with the code, of an approved organisation as that term is defined in section 3(1) of the Tax Administration Act 1994, for such providers of professional services; and 30
 - (iii) has not benefited from the trust; and
 - (iv) is not eligible to benefit from the trust:

310 Section 25 amended (Credit and debit notes)

- (1) In section 25(1)(b), after “has been altered”, insert “(except as provided in **subsection (1B)**)”.
- (2) After section 25(1), insert:
- (1B) For the purposes of subsection (1)(b), the previously agreed consideration for the supply of a pharmaceutical is not altered 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) After section 25(6), insert:
- (7) In this section— 10
- Pharmac** means the Pharmaceutical Management Agency established by section 46 of the New Zealand Public Health and Disability Act 2000
- Pharmac agreement** means an agreement to which Pharmac is a party and under which Pharmac agrees to list a pharmaceutical on the pharmaceutical schedule as defined in section 6 of the New Zealand Public Health and Disability Act 2000 15
- pharmaceutical** means a pharmaceutical as defined in section 6 of the New Zealand Public Health and Disability Act 2000.
- (4) **Subsections (1), (2), and (3)** apply in relation to a rebate that is paid on or after 1 July 2018. 20

311 Section 53 amended (Registered person to notify change of status)

Replace section 53(1)(ca) with:

- (ca) any change whereby that registered person now satisfies the conditions of section 15(4):

Child Support Act 1991 25

312 Child Support Act 1991

Sections 313 and 314 amend the Child Support Act 1991.

313 Section 89D amended (Exemption for long-term prisoners)

Replace section 89D(1)(a) with:

- (a) the person’s income for the whole period, or that part, will be or was nil or will include or included no income other than income from— 30
- (i) investments:
- (ii) employment under section 66 of the Corrections Act 2004; and

314 Section 89F amended (Exemption does not apply at any time during child support year if income criteria not met at any time during relevant period)

In section 89F(1)(a)(ii), replace “investments” with “investments, or employment under section 66 of the Corrections Act 2004,”.

Accident Compensation Act 2001

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315 Schedule 4 amended (Deductions on account of earner levies)

In schedule 4, clause 9, replace “sections 24B to 24P” with “**subpart 3D** and **schedule 5**”.

Income Tax Act 2004

316 Section EA 2 of the Income Tax Act 2004 amended (Other revenue account property) 10

(1) In section EA 2(1)(e) of the Income Tax Act 2004, replace “sections EJ 11 to EJ 18” with “sections DT 1, DT 5, and EJ 11 to EJ 18”.

(2) Replace section EA 2(1)(f) of the Income Tax Act 2004 with:

(f) property under a specified lease or a lease to which section EJ 9 (Personal property lease payments) applies: 15

Regulations

317 Income Tax (Payroll Subsidy) Regulations 2006

Revoke the Income Tax (Payroll Subsidy) Regulations 2006.

318 Anti-Money Laundering and Countering Financing of Terrorism (Class Exemptions) Notice 2014 20

In the schedule to the Anti-Money Laundering and Countering Financing of Terrorism (Class Exemptions) Notice 2014, part 3, clause 2, in the definition of **PAYE intermediary**, delete “(and includes a PAYE intermediary who is approved as a listed PAYE intermediary under section 15G of that Act)”. 25

Schedule 1
**Consequential amendments to Income Tax Act 2007 related to
trustee capacity**

s 185

Section CQ 5 amended (When FIF income arises)	5
In section CQ 5(1)(d), delete “and not acting as a trustee”.	
Section DG 3 amended (Meaning of asset for this subpart)	
In section DG 3(3), delete “and, for the purposes of this subpart, a reference in the definition of close company to a natural person includes a reference to a trustee”.	
Section DG 14 amended (Interest expenditure: non-corporate shareholders)	10
In section DG 14(1)(b)(i), delete “, other than a company acting as a trustee”.	
In section DG 14, in the list of defined terms, delete “trustee”.	
Section DN 6 amended (When FIF loss arises)	
In section DN 6(1)(d), delete “and not acting as a trustee”.	
Section EX 68 amended (Measurement of cost)	15
In section EX 68(1)(a), delete “natural person”.	
Section FE 3 amended (Interest apportionment for individuals)	
In section FE 3(1)(a), delete “other than a trustee”.	
Section FE 4 amended (Some definitions)	
In section FE 4(1), in the definition of excess debt entity , paragraph (c), delete “other than a person acting as a trustee”.	
In section FE 4(1), replace the definition of natural person with:	
natural person , for an income year, is a natural person who meets the requirements of section FE 2 in the income year	
Section HA 7 amended (Shareholding requirements)	25
In section HA 7(1)(a), delete “other than a trustee”.	
Section MA 1 amended (What this Part does)	
In section MA 1, replace “person” with “natural person”.	
Section OB 1 amended (General rules for companies with imputation credit accounts)	30
Repeal section OB 1(2)(a)(ii).	

Section OB 2 amended (Australian companies choosing to have imputation credit accounts)

In section OB 2(2)(a)(i), replace “section OB 1(2)(a)(ii) to” with “section OB 1(2)(a)(iii) or”.

Section RE 11 amended (Notification by companies)

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In section RE 11(1), delete “a trustee or”.

In section RE 11, in the list of defined terms, delete “trustee”.

Section RE 12 amended (Interest)

In section RE 12(5)(a)(ii), delete “a trustee or”.

In section RE 12, in the list of defined terms, delete “trustee”.

10

Section YA 1 amended (Definitions)

In the definition of **close company**, replace paragraphs (a)(i) and (ii) with:

(i) at the time there are 5 or fewer natural persons or trustees the total of whose voting interests in the company is more than 50% (treating all natural persons or trustees associated at the time as 1 person); or

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(ii) at the time a market value circumstance exists for the company and there are 5 or fewer natural persons or trustees the total of whose market value interests in the company is more than 50% (treating all natural persons or trustees associated at the time as 1 person); and

20

In the definition of **initial provisional tax liability**, in paragraph (a), delete “or a person who is a natural person and a trustee of a trust”.

In the definition of **initial provisional tax liability**, in paragraph (b), delete “and not a trustee of a trust”.

25

In the definition of **look-through counted owner**, repeal paragraph (a)(i).

In the definition of **look-through interest**, in paragraph (c), delete “corporate”.

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

Repeal section YB 3(5).

Section YC 9 amended (Shares or options held by trustees)

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After section YC 9(3), insert:

Company acting as trustee

(3B) A reference to company in subsection (3)(b) includes a company that is acting in the capacity of trustee.

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

In schedule 1, part D, replace clause 4 with:

4 Interest: most companies

- (1) The payment rate for a payment of resident passive income that consists of interest is set out in table 3 if the recipient of the payment is a company that is not a Maori authority. 5
- (2) For the purposes of **subclause (1)**, a company includes a company that is acting in the capacity of trustee for a portfolio investment entity.

Schedule 2
New schedules 3 to 6 inserted

s 284

Schedule 3
Record-keeping requirements

5

ss **22AA**, 25, 26, 49, 51

Table 1—Record-keeping requirements for employers and PAYE intermediaries

Row	Records
1	The amount of a PAYE income payment
2	The amount of tax for a PAYE income payment
3	The amount of an advance pay
4	The amount of a payroll donation
5	The amount of employer’s superannuation contribution
6	The amount of a benefit under an employee share scheme
7	The amount of personal service rehabilitation payment
8	The amount of tax credits under section LD 4 of the Income Tax Act 2007
9	The amount of child support deductions
10	The amount of salary or wage deductions under the Student Loan Scheme Act 2011
11	The amount of employer KiwiSaver contributions made under the KiwiSaver Act 2006
12	The amount of employee KiwiSaver contribution deductions under the KiwiSaver Act 2006
13	The name, tax file number, tax code, date of birth, and contact details of every person who derives or receives an amount in rows 1 to 11
14	The records, receipts, certificates, notifications, declarations relating to the items in rows 1 to 13

Table 2—Record-keeping requirements for passive income

Row	Records
1	The name of every person who derives or is paid resident passive income or non-resident passive income
2	The tax file number of every person who derives or is paid resident passive income or non-resident passive income
3	The contact details of every person who derives or is paid resident passive income or non-resident passive income

4	The date of birth of very person who derives or is paid resident passive income or non-resident passive income, if supplied by them
5	The type and amount of resident passive income and the amount of RWT withheld
6	The tax rate applying to the resident passive income
7	The date on which RWT was withheld, and if there is more than 1 instance, the year in which the amounts were withheld
8	The type and amount of non-resident passive income and the amount of NRWT withheld
9	The tax rate applying to the non-resident passive income
10	The date on which NRWT was withheld, and if there is more than 1 instance, the year in which the amounts were withheld
11	The details of all financial arrangements under which interest has been paid, including any number used to identify the financial arrangement
12	Other information required by the Commissioner

**Schedule 4
Reporting of employment income information**

ss 3, 23C, 23D, 23K, 23L, 47, 227C

Table 1—Employment income information for payday reporting

Row	Items
1	The name of the employer
2	The tax file number of the employer
3	The date of the applicable payday
4	Particulars of the following for every person who is an employee of the employer and who receives a PAYE income payment or benefit under an employee share scheme that is treated as derived on the payday:
	a the name
	b the tax file number, if supplied to the employer
	c the tax code for a PAYE income payment that is not an extra pay
	d the amount of gross earnings, including the value of a benefit arising under an employee share scheme
	e the identity of an employee who receives an extra pay at a rate less than the rate set out in schedule 2, part B, table 1, row 3 of the Income Tax Act 2007
	f the total amount of tax withheld before any tax credits are taken into account
	g the amount of earnings not liable to the earner premium, including the value of a benefit arising under an employee share scheme

5	Particulars of the following amounts for every person who is an employee, as applicable:	
	a	the amount of any tax credit under section LD 4 of the Income Tax Act 2007
	b	the amount of child support deductions
	c	the amount of salary or wage deductions made under the Student Loan Scheme Act 2011
	d	the amount of employer KiwiSaver contributions made under the KiwiSaver Act 2006, part 3, subpart 3 less ESCT
	e	the amount of employee KiwiSaver contribution deductions under the KiwiSaver Act 2006, part 3, subpart 1
6	The amount of ESCT payable	
7	Particulars of the following for every former employee who is treated as deriving a benefit under an employee share scheme on a payday when the employer has chosen under section RD 7B of the Income Tax Act 2007 to withhold an amount of tax for the benefit:	
	a	the name of the employee
	b	the tax file number, if supplied to the employer
	c	the value of the benefit
	d	the amount of tax withheld

Table 2—Information about new employees

Row	Items
1	The name of the employer
2	The tax file number of the employer
3	The contact details of the employer
4	The name of the employee
5	The contact details of the employee
6	The date of birth of the employee, if supplied to the employer
7	The date on which the employee starts being an employee of the employer
8	The tax file number of the employee, if supplied to the employer
9	The tax code supplied by the employee
10	The KiwiSaver status of the employee under section 22 of the KiwiSaver Act 2006

Table 3—Information about departing employees

Row	Items
1	The name of the employer
2	The tax file number of the employer

3	The contact details of the employer
4	The name of the employee
5	The date on which the employee stops being an employee of the employer
6	The tax file number of the employee, if supplied to the employer

Schedule 5 Certain tax codes and rates

ss 3, 24B to 24H

Part A PAYE tax codes for general use

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1 Tax codes generally

- (1) The basic tax rates for PAYE income payments are set out in schedule 2 of the Income Tax Act 2007.
- (2) The table in **clause 4** lists the tax codes from which an employee must choose the code that applies to their circumstances unless they have a special tax code under **part B, clauses 1 to 3**. 10
- (3) An employee who receives a PAYE income payment of an income-tested benefit and a PAYE income payment that does not consist of an income-tested benefit may choose, for their non-benefit income, a secondary tax code set out in the table in **clause 4, rows 3 to 6**, that applies to their circumstances. 15
- (4) If another Act requires an employer to withhold the amount of tax for a PAYE income payment to an employee and pay the amount to the Commissioner, the tax code may be combined with another code applying under that Act.

2 Changes to tax codes

- (1) An employee must advise their employer of a change in their tax code, including in the advice, their name and tax file number, unless the Commissioner has provided a code to the employer under **clause 3**. 20
- (2) If an employee finds it difficult or impractical to notify their employer of a change in their tax code, they may notify the Commissioner who must then advise the employer of the employee's new tax code. 25
- (3) The employee's new tax code under **subclause (1) or (2)** applies to a PAYE income payment that the employer pays to the employee from—
- (a) the first day of a pay period to which the payment relates until the date on which the employee is no longer entitled to use the tax code if—
- (i) the employer has no earlier tax code for the employee; or 30
- (ii) the change to the tax code is provided before the date on which the employer calculates their payroll for the period:

- (b) the first day of the pay period following that to which the payment relates if the change to the tax code is provided after the date on which the employer calculates their payroll for the period.

3 Use of incorrect tax codes

- (1) If the Commissioner considers that an employer or PAYE intermediary has used an incorrect tax code in relation to a PAYE income payment made to an employee, the Commissioner may—
 - (a) notify the employee of the incorrect tax code; and
 - (b) advise the employer or PAYE intermediary of the incorrect code; and
 - (c) provide the tax code that should apply to the PAYE income payment.
- (2) The employer or PAYE intermediary must use the tax code provided by the Commissioner after being notified. However, the tax code does not apply if the employee notifies their employer that their circumstances have changed and, as a result, a different tax code should apply.

4 When entitlement to use tax code ends

- (1) If an employee is no longer entitled to use a particular tax code, they must notify their employer within 4 days after the date on which they become aware that they are no longer entitled to use the code. The employee must give the reason why the tax code no longer applies and the date on which their entitlement to use the tax code ended.
- (2) The tax code does not apply to a PAYE income payment made to the employee after the date on which the entitlement ends, unless the payment is salary or wages for a current pay period.
- (3) For the purposes of **subclause (1)**, if the employee notifies the Commissioner that their entitlement has ended, they must similarly provide the reason and the date described in that subclause to the Commissioner.
- (4) If an employer has not been notified that the employee’s entitlement to use the tax code has ended, the employer is not required to change the amount of tax for a payment made to an employee.

Tax code table

Row	Tax code	Circumstances for use of tax code
1	M	for primary employment earnings when the employee is not entitled to a tax credit under section LC 13 of the Income Tax Act 2007
2	ME	for primary employment earnings when the employee is entitled to a tax credit under section LC 13 of the Income Tax Act 2007
3	SB	for secondary employment earnings for an employee whose annual income is not more than \$14,000

4	S	for secondary employment earnings for an employee whose annual income is not more than \$48,000
5	SH	for secondary employment earnings for an employee whose annual income is more than \$48,000 but not more than \$70,000
6	ST	for secondary employment earnings for an employee whose annual income is more than \$70,000
7	CAE	for salary or wages for employment as a casual agricultural employee
8	EDW	for salary or wages for employment as an election day worker
9	NSW	for salary or wages for employment as a non-resident seasonal worker

Part B

Special and particular tax codes

1 Special tax codes

- (1) On application by an employee, the Commissioner may provide a special tax code for either— 5
- (a) their New Zealand superannuation income or veteran’s pension income; or
 - (b) their other employment income from 1 or more employers.
- (2) A special tax code may— 10
- (a) set out a tax code for a payment of salary or wages to an employee by 1 or more of their employers for a stated period:
 - (b) require that no amount of tax is withheld from, or a particular rate of tax applied to, a proportion of a PAYE income payment of the employee, as if it were the whole payment.
- (3) The Commissioner must calculate, for the PAYE income payments and the period to which the tax code applies, the amount of tax for the payments or the rate of tax applying to them,— 15
- (a) having regard to the amount of tax for the payments that would be required under sections RD 9 to RD 11 of the Income Tax Act 2007:
 - (b) disregarding an entitlement under subparts MA to MF and MZ of that Act. 20
- (4) For a special tax code under **subclause (1)(a)**, the Commissioner must, as soon as practicable, notify the responsible department of the special tax code together with the information described in **subclauses (2) and (3)**. The department must use the special tax code for a PAYE income payment made to 25

	the employee after the date on which the department is notified, or if that payment has already been calculated, for the next payment.	
(5)	A special tax code overrides the provisions of this Act and the Income Tax Act 2007 other than the employee’s duties under sections RA 8, RA 10 , and RD 4(2) of that Act and subclause (6) and part A, clauses 3 and 4 .	5
(6)	The Commissioner may cancel a special tax code at any time, notifying the employee or responsible department, as applicable. Once notified, the employee must then notify their employer that their entitlement to use a special tax code has ended.	
2	Tax codes for private domestic workers An employee may notify the Commissioner that they wish to have a tax code for their employment as a private domestic worker.	10
3	Tax codes for non-resident seasonal workers A non-resident seasonal worker under the recognised seasonal employer (RSE) instructions has a tax code set out in the table in part A, row 9 , for the first month of a period of employment in New Zealand.	15
 Part C Rates of tax for schedular payments		
1	Rates of tax for schedular payments	
(1)	Clauses 2 to 7 apply to determine the rate of tax to be applied to a schedular payment to which sections RD 8 and RD 10B of the Income Tax Act 2007 and sections 24F and 24G apply.	20
(2)	In this schedule—	
	(a) a person who is making a schedular payment is referred to as the payer ;	
	(b) a person who is entitled to receive a schedular payment is referred to as the payee .	25
2	Standard rates of tax The standard rates of tax for schedular payments are set out in schedule 4 of the Income Tax Act 2007.	
3	Non-standard rates of tax: payee rates and set rates A payee may choose a rate of tax other than a standard rate to apply to a schedular payment. Before receiving the payment, the payee must notify the payer of—	30
	(a) their name; and	
	(b) their tax file number; and	35

<p>(c) either—</p> <p style="padding-left: 2em;">(i) the rate chosen by them under clause 4 that is to apply to the payment:</p> <p style="padding-left: 2em;">(ii) the rate set and notified by the Commissioner under clause 5.</p>		
4	Choosing rates of tax	5
(1)	A payee may choose a rate of tax that is to apply to a schedular payment for the purposes of section RD 10B(3)(a) of the Income Tax Act 2007. The minimum rates that a payee may choose are—	
(a)	for a payee who is a non-resident or a holder of a temporary entry class visa as defined in section 4 of the Immigration Act 2009, 15%:	10
(b)	for all other payees, 10%.	
(2)	If a payee notifies a payer of 2 different rates of tax within 12 months, the last notified rate is the payee rate that must be applied to the payment, and the payee may not choose another rate of tax in relation to the same payer within a 12-month period of the first notified rate unless both the payer and payee agree.	15
(3)	For the purposes of this clause, the rate of tax must be a percentage counted to no more than 1 decimal place.	
5	Rates of tax or percentages set by Commissioner	
(1)	The Commissioner may, from time to time, set a rate of tax for the payee's schedular payments if a payee has a liability under the Inland Revenue Acts that has not been met. The Commissioner must notify both the payee and the payer of the rate.	20
(2)	The payee may ask the Commissioner to cancel the setting of a rate under subclause (1) , and the Commissioner must cancel the setting of the rate, notifying the payee of the cancellation, if—	25
(a)	the Commissioner is satisfied that all the payee's liabilities under the Inland Revenue Acts have been met; and	
(b)	the Commissioner is reasonably satisfied that all the payee's liabilities under the Inland Revenue Acts will be met in the future.	
(3)	In addition to the setting of a rate under subclause (1) , the Commissioner may, from time to time, set a percentage of the amount of 1 or more schedular payments that are to be made by a payer to a payee and the payer must subtract the amount that is the percentage from the schedular payment and pay to the Commissioner.	30
(4)	An amount paid to the Commissioner under subclause (3) is credited against the payee's liabilities under the Inland Revenue Acts and is not a tax credit under Part L of the Income Tax Act 2007.	35
(5)	The payee may ask the Commissioner to cancel the setting of a percentage under subclause (3) . The Commissioner must cancel the setting of the per-	

- centage and notify the payee of the cancellation if the Commissioner is satisfied that the payee has paid all tax that is due and payable by them.
- (6) A rate of tax or percentage set under this section must not be more than 50%.
- (7) For the purposes of **subclause (1)**, the requirement to notify the payee does not have to be met if, after making reasonable inquiries, the Commissioner can find no contact address as described in section 14G for the payee. 5
- 6 Exemptions and special rates**
- (1) The payee may apply to the Commissioner—
- (a) in relation to 1 or more schedular payments for a period, for notification that they are entitled to receive payment for which no amount of tax is to be withheld, *see section 24G*: 10
- (b) for a special rate of tax applying to some or all of a schedular payment other than a payment referred to in schedule 4, part J of the Income Tax Act 2007 to a New Zealand resident.
- (2) **Subclause (1)** does not apply to a payment to a non-resident entertainer. 15
- (3) The Commissioner may cancel a rate referred to in **subclause (1)** at any time, notifying the payee of the cancellation.
- 7 Use of incorrect rates of tax**
- (1) If the Commissioner considers that a payer has used an incorrect rate of tax for a schedular payment made to a payee, the Commissioner may— 20
- (a) notify the payee of the incorrect rate; and
- (b) advise the payer of the incorrect rate; and
- (c) provide the rate that should apply to the schedular payment.
- (2) After being notified, the payer must use the rate provided by the Commissioner. However, the rate does not apply if the payee notifies the payer that their circumstances have changed and, as a result, a different rate should apply. 25
- 8 General notification requirements**
- A payee must notify the payer of their name and tax file number.

Schedule 6

Reporting of investment income information 30

ss 3, 22AAB, 25B to 25S, 57B, 227E

Table 1—Reporting of investment income information

Row	Items
1	The name of the payer
2	The tax file number of the payer

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3	The contact details of the payer
4	The name of the investor
5	The tax file number of the investor, if held by the payer
6	The contact details of the investor
7	The date of birth of the investor, if held by the payer
8	The amount and type of income of the investor for the period
9	The tax withheld on behalf of, or approved issuer levy paid in relation to, the investor for the period
10	The date on which or period in which the tax was withheld or levy paid
11	The tax rate of the investor for the period, if applicable
12	The prescribed investor rate of the investor, if applicable
13	Whether the PIE is a superannuation fund or a retirement savings scheme or not
14	The imputation credits attached, if applicable
15	The Maori authority credits attached, if applicable
16	The names, tax file numbers, tax rates, and contact details of persons who are joint owners, if held by the payer
17	The number of shares for which the dividend is declared, or in the case of a dividend that is a bonus issue, the number of shares included in the bonus issue
18	The date on which the dividend is declared and the payment date of the dividend
19	The total amount paid as dividends in relation to the shares, or in the case of a dividend that is a bonus issue, the amount of the bonus issue as determined under section CD 7 or CD 8 of the Income Tax Act 2007
20	The total amount of imputation credits attached to the dividend, or nil if no credits are attached
21	The imputation ratio of the dividend
22	If the dividend is paid in Australian currency by an Australian ICA company, the exchange rate between the NZ dollar and the Australian dollar that was used to calculate the imputation ratio
23	The date on which the Maori authority distribution is made
24	The total amount of Maori authority distributions made
25	The total amount of Maori authority credits attached to the distributions, or nil if no credits are attached
26	The Maori authority credit ratio of the distribution
27	For a financial arrangement, the date of acquisition or disposal and the amount of the consideration

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Schedule 2

28	For a redemption payment, the date on which the payment is made, and the amount of the consideration
29	Further information as required by the Commissioner