

INCOME TAX AND SOCIAL SERVICES CONTRIBUTION ASSESSMENT (No. 2).

No. 69 of 1963.

An Act relating to Income Tax.

[Assented to 31st October, 1963.]

BE it enacted by the Queen's Most Excellent Majesty, the Senate, and the House of Representatives of the Commonwealth of Australia, as follows:—

1.—(1.) This Act may be cited as the *Income Tax and Social Services Contribution Assessment Act (No. 2) 1963*. Short title
and citation.

(2.) The *Income Tax and Social Services Contribution Assessment Act 1936–1962*,* as amended by the *Income Tax and Social Services Contribution Assessment Act 1963*,† is in this Act referred to as the Principal Act.

(3.) Section one of the *Income Tax and Social Services Contribution Assessment Act 1963* is amended by omitting subsection (3.).

* Act No. 27, 1936, as amended by No. 88, 1936; No. 5, 1937; No. 46, 1938; No. 30, 1939; Nos. 17 and 65, 1940; Nos. 58 and 69, 1941; Nos. 22 and 50, 1942; No. 10, 1943; Nos. 3 and 28, 1944; Nos. 4 and 37, 1945; No. 6, 1946; Nos. 11 and 63, 1947; No. 44, 1948; No. 66, 1949; No. 48, 1950; No. 44, 1951; Nos. 4, 28 and 90, 1952; Nos. 1, 28, 45 and 81, 1953; No. 43, 1954; Nos. 18 and 62, 1955; Nos. 25, 30 and 101, 1956; Nos. 39 and 65, 1957; No. 55, 1958; Nos. 12, 70 and 85, 1959; Nos. 17, 18, 58 and 108, 1960; Nos. 17, 27 and 94, 1961; and Nos. 39 and 98, 1962.

† Act No. 34, 1963.

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(4.) The Principal Act, as amended by this Act, may be cited as the *Income Tax and Social Services Contribution Assessment Act 1936–1963*.

Commencement.

2.—(1.) Subject to this section, this Act shall come into operation on the day on which it receives the Royal Assent.

(2.) The amendment made by section five of this Act shall be deemed to have come into operation on the ninth day of May, One thousand nine hundred and sixty-three.

(3.) The amendment made by paragraph (a) of section six of this Act shall be deemed to have come into operation on the twelfth day of December, One thousand nine hundred and fifty-seven.

Parts.

3. Section five of the Principal Act is amended—

(a) by omitting the words—

“ Subdivision B.—Concessional Deductions (Sections 82AA–82J).”

and inserting in their stead the words—

“ Subdivision B.—Concessional Deductions (Sections 82AA–82K).”; and

(b) by omitting the words—

“ Division 10.—Mining (Sections 122–124DA).

Division 10A.—Timber Operations (Sections 124E–124J).”

and inserting in their stead the words—

“ Division 10.—Mining (Sections 122AA–124DA).

Division 10AA.—Prospecting and Mining for Petroleum (Sections 124DB–124DN).

Division 10A.—Timber Operations and Timber Mill Buildings.

Subdivision A.—Timber Operations (Sections 124E–124J).

Subdivision B.—Timber Mill Buildings (Sections 124JA–124JC).”

Definitions.

4. Section six of the Principal Act is amended—

(a) by inserting in sub-section (1.), after the definition of “ assessable income ”, the following definition:—

“ ‘ assessable income from petroleum ’, in relation to a taxpayer, means assessable income derived by the taxpayer from the sale of petroleum obtained from mining operations

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carried on by him in Australia or in the Territory of Papua and New Guinea or of the products of petroleum so obtained;”;

(b) by inserting in sub-section (1.), after the definition of “exempt income”, the following definition:—

“ ‘exempt income from petroleum’, in relation to a taxpayer, means exempt income derived from sources out of Australia by the taxpayer from the sale of petroleum obtained from mining operations carried on by him in Australia or in the Territory of Papua and New Guinea or of the products of petroleum so obtained;”;

(c) by inserting in sub-section (1.), after the definition of “fishing operations”, the following definition:—

“ ‘forest operations’ means the planting or tending in a plantation or forest of trees intended for felling or the felling of trees in a plantation or forest, and includes the transport by a person who has felled trees in a plantation or forest of those trees or parts of those trees from the plantation or forest to a place where they are to be first subjected to milling or processing (including processing for the production of posts, poles or railway sleepers) or to a place from which they are to be transported to such a place, but does not include operations conducted otherwise than in the course of, or for the purposes of, a business;”;

(d) by inserting in sub-section (1.), after the definition of “income from personal exertion” or “income derived from personal exertion”, the following definition:—

“ ‘income from petroleum’ means assessable income from petroleum or exempt income from petroleum;”;

(e) by inserting in sub-section (1.), after the definition of “person”, the following definitions:—

“ ‘petroleum’ means naturally occurring hydrocarbons in a free state, whether solid, liquid or gaseous, but does not include coal or shale or any substance that has been or may be extracted from coal, shale or other rock by the application of heat or by a chemical process;

‘petroleum exploration company’ means a company carrying on as its principal business prospecting or mining operations for the purpose of discovering or obtaining petroleum in Australia or in the Territory of Papua and New Guinea;

‘petroleum prospecting or mining information’ means geological, geophysical or technical information, being information that relates to the presence, absence or extent of deposits of petroleum in an area or is likely to be of assistance in determining the presence, absence or extent of such deposits in an area, and has been obtained from prospecting or mining for petroleum;

‘petroleum prospecting or mining right’ means an authority, licence, permit or right under a law of a State or a Territory of the Commonwealth to prospect or mine for petroleum in a particular area, or a lease under such a law by virtue of which the lessee is entitled to prospect or mine for petroleum on land included in the lease, and includes an interest in such an authority, licence, permit, right or lease;”;

(f) by omitting from paragraph (b) of the definition of “primary production” in sub-section (1.) the word “or” (last occurring); and

(g) by inserting after paragraph (c) of the definition of “primary production” in sub-section (1.) the following word and paragraph:—

“; or (d) forest operations,”.

5. After section twenty-three of the Principal Act the following section is inserted:—

Income of persons connected with certain projects of United States Government.

“ 23AA.—(1.) In this section, unless the contrary intention appears—

‘Australia’ includes the Territories of the Commonwealth;

‘civilian accompanying the United States Forces’ means a person (not being a member of the United States Forces, an Australian citizen or a person ordinarily resident in Australia) who—

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(a) is an employee—

(i) of the United States Forces;
or

(ii) of, or of a body conducting, a club or other facility established for the benefit or welfare of members of the United States Forces or of persons accompanying those Forces and which is recognized by the Government of the United States of America as a non-appropriated fund activity; or

(b) is serving with an organization that, with the approval of the Government of the Commonwealth, accompanies the United States Forces in Australia;

‘ dependant ’, in relation to a person, means—

(a) the spouse of that person; or

(b) a relative, other than the spouse, of that person who is wholly or mainly dependent for support on that person,

but, in the case of a person who, immediately before becoming such a spouse or relative, was ordinarily resident in Australia, does not include that person so long as that person continues to be ordinarily resident in Australia;

‘ foreign contractor ’ means a person who is a party to a prescribed contract and is not—

(a) a company incorporated in Australia;

(b) an Australian citizen; or

(c) a person, other than a company, who is ordinarily resident in Australia;

‘ foreign employee ’ means a person who—

(a) is an employee of a foreign contractor;
or

(b) is a director of a company that is a foreign contractor,

and is not an Australian citizen or ordinarily resident in Australia;

‘ prescribed contract ’ means—

- (a) a contract to which the Government of the United States of America is a party in connexion with the establishment, maintenance or operation of the North West Cape naval communication station; or
- (b) a contract made for purposes connected with the performance of a contract referred to in the last preceding paragraph;

‘ prescribed purposes ’ means—

- (a) in relation to a foreign contractor or foreign employee—purposes relating to the performance of a prescribed contract; and
- (b) in relation to a member of the United States Forces or a civilian accompanying the United States Forces—purposes relating to the carrying on of activities agreed upon between the Government of the Commonwealth and the Government of the United States of America;

‘ the North West Cape naval communication station ’ means the naval communication station the establishment of which is provided for by the agreement approved by the *United States Naval Communication Station Agreement Act 1963*;

‘ the United States Forces ’ means the armed forces of the Government of the United States of America.

“(2.) For the purposes of this section, a foreign contractor or a foreign employee who is in Australia, or is carrying on business in Australia, solely for prescribed purposes does not cease to be in Australia solely for those purposes, or to be carrying on business in Australia solely for those purposes, by reason of anything undertaken or done by him in connexion with a project in Australia of the Government of the United States of America, other than the North West Cape naval communication station, agreed upon between the Government of the Commonwealth and the Government of the United States of America.

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“(3.) Where a person—

- (a) has been in Australia, or has carried on business in Australia, solely for prescribed purposes during a period when he was a foreign contractor or foreign employee;
- (b) has been in Australia solely for prescribed purposes during a period when he was a member of the United States Forces or a civilian accompanying the United States Forces; or
- (c) has been in Australia during a period when he was a dependant of such a contractor, employee, member or civilian who was in Australia solely for prescribed purposes,

that person shall, for the purposes of the provisions of this Act other than Subdivision B of Division 3 of this Part, be deemed not to have been a resident of Australia during that period, and the presence of that person in Australia during that period shall be disregarded in determining, for the purposes of those provisions, whether the person was a resident of Australia at any other time.

“(4.) The last preceding sub-section does not apply in respect of, or of a part of, a period when a person was, or was a dependant of, a foreign contractor, a foreign employee or a civilian accompanying the United States Forces if the person—

- (a) being a company—was not a domestic corporation for the purposes of the law of the United States of America relating to income tax; or
- (b) not being a company—was not a resident of the United States of America for the purposes of that law or a citizen of the United States of America,

during that period or that part of that period, as the case may be.

“(5.) Where—

- (a) a foreign contractor or a foreign employee has derived income wholly and exclusively from, or from employment in connexion with, the performance in Australia of a prescribed contract;
- (b) the income is not exempt from income tax imposed by Chapter One of Subtitle A of the Internal Revenue Code of 1954 of the United States of America; and
- (c) the foreign contractor or foreign employee was, at the time the income was derived, in Australia, or carrying on business in Australia, solely for prescribed purposes,

the income shall, for the purposes of this Act, be deemed to have been derived from sources out of Australia.

“(6.) Where—

(a) a person has derived income in respect of service as a civilian accompanying the United States Forces during a period when he was in Australia solely for prescribed purposes; and

(b) the income is not exempt from income tax imposed by Chapter One of Subtitle A of the Internal Revenue Code of 1954 of the United States of America,

the income shall, for the purposes of this Act, be deemed to have been derived from sources out of Australia.”.

Certain items
of assessable
income.

6. Section twenty-six of the Principal Act is amended—

(a) by inserting in paragraph (g), after the word “business” (first occurring), the words “(other than subsidy received under an agreement entered into under an Act relating to the search for petroleum)”;

(b) by omitting from paragraph (i) the word “and”; and

(c) by adding at the end thereof the following paragraphs:—

“(k) any amount received by the taxpayer by way of insurance, indemnity, recoupment, recovery or reimbursement in respect of the whole or part of a loss that has been allowed or is allowable under section seventy-one of this Act as a deduction from the assessable income of the taxpayer of any year of income; and

“(l) any amount referred to in section fifty-three AA of this Act received by a person who is or was the grantor, or a successor in title of the grantor, of a lease.”.

7. Section thirty-one of the Principal Act is repealed and the following section inserted in its stead:—

Value at
end of year
of income.

“31.—(1.) Subject to this section, the value of each article of trading stock (not being live stock) to be taken into account at the end of the year of income shall be, at the option of the taxpayer, its cost price or market selling value or the price at which it can be replaced.

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“(2.) Where the Commissioner is satisfied, in relation to any trading stock of a taxpayer, that, by reason of obsolescence of, or any other special circumstances relating to, the trading stock, the value of the trading stock to be taken into account at the end of the year of income should be an amount, being less than the amount that is the lowest value that could be applicable under the last preceding sub-section, determined by the Commissioner to be the fair and reasonable value of the trading stock having regard to—

- (a) the quantity of the trading stock on hand at the end of the year of income;
- (b) the quantity of the trading stock sold, exchanged or used in manufacture by the taxpayer after the end of the year of income and the prospects of sale, exchange or use in manufacture of further quantities of that trading stock;
- (c) the quantity of trading stock of the same kind sold, exchanged or used in manufacture by the taxpayer during the year of income and preceding years of income; and
- (d) such other matters as the Commissioner considers relevant,

the value of the trading stock to be so taken into account shall, notwithstanding any exercise of the option of the taxpayer under that sub-section, be the value so determined by the Commissioner.

“(3.) The last preceding sub-section does not apply in relation to a taxpayer unless, by written notice signed by or on behalf of the taxpayer and lodged with the Commissioner on or before the last day for the furnishing of the return of income of the taxpayer for the year of income, or within such further time as the Commissioner allows, the taxpayer notifies the Commissioner that he wishes that sub-section to apply.”

8. Section forty-four of the Principal Act is amended—

Dividends.

- (a) by omitting from sub-section (2.) the words “The assessable income of a shareholder” and inserting in their stead the words “Subject to the succeeding provisions of this section, the assessable income of a shareholder”;
- (b) by inserting in sub-paragraph (iii) of paragraph (b) of sub-section (2.), before the word “re-valuation”, the words “sale or”;

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(c) by omitting paragraph (d) of sub-section (2.) and inserting in its stead the following paragraph:—

“(d) paid by a company wholly and exclusively out of—

(i) income that the company has derived from the sale of petroleum obtained from mining operations carried on by the company in Australia or in the Territory of Papua and New Guinea or from the sale of products of petroleum so obtained, or that the company is deemed for the purposes of Division 10AA of this Part to have so derived, if the sum of those dividends and any dividends previously or simultaneously paid or payable by the company wholly and exclusively out of such income does not exceed the sum of the deductions allowed or allowable under sub-section (1.) of section one hundred and twenty-four DG of this Act from assessable income of the company of the year of income of the company in which those dividends were paid or a preceding year of income; or

(ii) the amount remaining after deducting from any income that the company has received as dividends, being dividends that are, by reference to the provisions of this paragraph other than this sub-paragraph, not included in the assessable income of the company, all outgoings (other than outgoings of a capital nature) incurred in gaining or producing that income.”; and

(d) by adding at the end thereof the following sub-sections:—

“(5.) A reference in paragraph (c) of sub-section (2.) of this section to income derived by a company from the working of a mining property in Australia or in the Territory of Papua and New Guinea does not include a reference to income that the company

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has derived from the sale of petroleum obtained from mining operations carried on by the company in Australia or in the Territory of Papua and New Guinea, or from the sale of products of petroleum so obtained, or that the company is deemed for the purposes of Division 10AA of this Part to have so derived.

“(6.) For the purposes of the application of paragraph (d) of sub-section (2.) of this section in respect of a dividend paid by a company—

(a) if the company derived exempt income from petroleum during the year of income in which the dividend was paid or any preceding year of income, the reference in sub-paragraph (i) of that paragraph to the deductions allowed or allowable under sub-section (1.) of section one hundred and twenty-four DG of this Act from assessable income of the company shall be read as a reference to the deductions that would have been so allowed or allowable if that exempt income from petroleum had been assessable income from petroleum; and

(b) if any amount has been, or is to be, included, by virtue of section one hundred and twenty-four DK or section one hundred and twenty-four DL of this Act, in the assessable income of the company of any year of income from and including the first year of income in which the company derived, or is deemed for the purposes of Division 10AA of this Part to have derived, income from petroleum to and including the year of income in which the dividend was paid, the sum of the deductions referred to in sub-paragraph (i) of that paragraph shall be deemed to be reduced by the amount so included, or to be included, in the assessable income of the company.”.

9. After section fifty-three of the Principal Act the following section is inserted:—

“ 53AA. Where—

(a) a taxpayer (in this section referred to as ‘ the lessee ’) holds or has held a lease of land that is or was used by him for the purpose of producing assessable income or carrying on a business for that purpose;

Payment for
non-compliance
with covenant
to repair.

- (b) under the lease, the lessee is or was under an obligation to make repairs (including repairs by way of painting) to any improvements on the leased land;
- (c) by reason of non-performance of that obligation the lessee has become liable to pay to the person, or a successor in title of the person, who granted the lease (in this section referred to as 'the lessor') an amount of money by way of indemnity, compensation or damages; and
- (d) that amount, or a part of that amount, is paid to the lessor by, or recovered by the lessor from, the lessee,

the amount so paid or recovered shall be an allowable deduction to the lessee in respect of the year of income in which it is paid or recovered.”.

Depreciation.

10. Section fifty-four of the Principal Act is amended—

- (a) by inserting in paragraph (b) of sub-section (2.), after the word “pursuits” (first occurring), the words “, structural improvements (not including an improvement that is an access road as defined by section one hundred and twenty-four E of this Act) completed after the year of income that ended on the thirtieth day of June, One thousand nine hundred and sixty-three, on land that is used for the purposes of forest operations”; and
- (b) by inserting in sub-paragraph (ii) of that paragraph, after the words “section seventy-five”, the words “, or section seventy-six,”.

Calculation of depreciation.

11. Section fifty-six of the Principal Act is amended by inserting in sub-section (3.), after the words “section sixty-two AA”, the words “, section sixty-two AB or section seventy”.

Special depreciation allowance to primary producers.

12. Section fifty-seven AA of the Principal Act is amended—

- (a) by inserting in paragraph (a) of sub-section (2.), after the word “pursuits”, the words “, forest operations”;
- (b) by inserting in sub-paragraph (i) of paragraph (b) of sub-section (2.), after the word “pursuits”, the words “or forest operations”; and
- (c) by omitting paragraph (b) of sub-section (3.) and inserting in its stead the following paragraph:—
 - “(b) to a unit of property, not being a structural improvement, unless the unit was first used

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by the taxpayer for the purpose of producing assessable income or was first installed ready for use for that purpose—

- (i) in the case of a unit used during the year of income wholly and exclusively for the purposes of agricultural or pastoral pursuits—after the thirtieth day of June, One thousand nine hundred and fifty-one;
- (ii) in the case of a unit used during the year of income wholly and exclusively for the purposes of fishing operations—after the thirtieth day of June, One thousand nine hundred and fifty-eight; or
- (iii) in the case of a unit used during the year of income wholly and exclusively for forest operations—after the thirtieth day of June, One thousand nine hundred and sixty-three,

and before the first day of July, One thousand nine hundred and sixty-seven; or ”.

13. After section fifty-seven AB of the Principal Act the following section is inserted:—

“ 58.—(1.) Subject to the next succeeding sub-section, this section applies to a unit of property in respect of which depreciation is allowable under section fifty-four of this Act in the assessment of the income of the taxpayer of the year of income, being—

Depreciation
on pipe-lines
for transporting
petroleum.

- (a) a pipe-line constructed for use, and during the year of income used, wholly and exclusively for the purpose of transporting petroleum obtained from mining operations carried on in Australia or in the Territory of Papua and New Guinea from the place where the mining operations are carried on to a petroleum refinery or a wharf or other terminal; or
- (b) plant (including pumping apparatus, a storage tank or a wharf or other terminal facility) used, during the year of income, primarily and principally, and

directly, in connexion with the operation of such a pipe-line, not being a ship, a unit of railway rolling-stock or a road vehicle.

“(2.) This section does not apply—

- (a) to a unit of property being a pipe-line unless the construction of the pipe-line was commenced on or before the thirtieth day of June, One thousand nine hundred and sixty-eight, and completed on or before the thirty-first day of December, One thousand nine hundred and sixty-nine; or
- (b) to a unit of property being plant used in connexion with the operation of a pipe-line unless the construction of the pipe-line was commenced on or before the thirtieth day of June, One thousand nine hundred and sixty-eight, and the construction of the pipe-line and the installation of the unit of property were completed on or before the thirty-first day of December, One thousand nine hundred and sixty-nine.

“(3.) For the purposes of this section—

- (a) where, in the year of income, a pipe-line is installed ready for use for the purpose referred to in paragraph (a) of sub-section (1.) of this section but is not used for that purpose or for any other purpose, the pipe-line shall be deemed to be used during the year of income wholly and exclusively for that purpose; and
- (b) where, in the year of income, plant is installed ready for use, and is intended to be used primarily and principally, and directly, in connexion with the operation of a pipe-line but is not used for any purpose, the plant shall be deemed to be used during the year of income primarily and principally, and directly, in connexion with the operation of that pipe-line.

“(4.) Where this section applies to a unit of property and the cost of the unit exceeds the sum of the deductions for depreciation in respect of the unit allowed or allowable (whether in accordance with this section or otherwise) from the assessable income of the taxpayer of years of income preceding the year of income, the amount of the depreciation allowable as a deduction under section fifty-four of this Act from the assessable income of the

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taxpayer of the year of income is, notwithstanding anything contained in sections fifty-five, fifty-six and fifty-seven of this Act—

(a) twenty per centum of the cost of the unit or such lesser percentage of the cost of the unit as is specified in an election made by the taxpayer in respect of the unit under the next succeeding sub-section; or

(b) the amount of that excess,
whichever is the less.

“(5.) An election for the purposes of the last preceding sub-section—

(a) shall be in writing signed by or on behalf of the taxpayer; and

(b) shall be delivered to the Commissioner on or before the last day for the furnishing of the return of income of the taxpayer of the year of income during which the unit of property first became a unit of property to which this section applies, or on or before such later date as the Commissioner allows.

“(6.) For the purposes of this section, the cost of a unit of property includes—

(a) capital expenditure incurred by the taxpayer in obtaining a licence, permit or right to construct or install the unit, or a part of the unit, on land owned or leased by another person; and

(b) capital expenditure incurred by the taxpayer in paying compensation in respect of any damage or loss caused by the construction or installation of the unit, or a part of the unit, on such land,

but does not include a premium as defined by sub-section (1.) of section eighty-three of this Act paid or payable for a lease of land for the purpose of constructing or installing the unit, or a part of the unit, on the land.”.

14. Section sixty-two AA of the Principal Act is amended by inserting in paragraph (b) of sub-section (10.), after the word “under”, the words “section sixty-two AB or”.

Special
deduction for
investment in
manufacturing
plant.

15. After section sixty-two AA of the Principal Act the following section is inserted:—

Special
deduction for
investment in
plant used
in primary
production.

“ 62AB.—(1.) In this section—

‘ goods ’ includes live stock;

‘ new ’ means not having previously been either used by any person or acquired or held by any person for use by that person.

“ (2.) Subject to the next succeeding sub-section, this section applies in relation to units of property being plant or articles owned by the taxpayer and for use by the taxpayer wholly and exclusively for the purpose of carrying on in Australia a business of primary production.

“ (3.) This section does not apply in relation to—

- (a) buildings, wharves, fences, dams, earth tanks, bores, wells or other structural improvements;
- (b) road vehicles, wherever or however used, of the kinds ordinarily used for the transport of persons or goods (including the transport of goods of a particular kind) and caravans, wherever or however used;
- (c) plant or articles of a kind ordinarily used for office work;
- (d) household furniture, furnishings and appliances;
- (e) wireless receivers and transmitters and television receivers and antennae;
- (f) containers or other articles in or on which goods are to be delivered by the taxpayer;
- (g) cooking appliances or other plant or articles for use for or in connexion with the preparation of food or drink;
- (h) anchors, baskets, batteries, boxes, buoys, buttermilk tanks, cables, chains, covers, crockery, cutlery, guns, harness, hooks, hoses, lanterns, lines, nets, pulleys, rods, ropes, rugs, running gear, sails, shackles, tackle blocks, tents, tins, traps and trays, and articles of a description, or having a use, similar to that of any of those articles; or
- (i) hand implements and hand tools and other loose tools, including articles referred to in paragraph (i) of sub-section (3.) of section sixty-two AA of this Act.

“ (4.) Subject to this section, where the taxpayer has, on or after the fourteenth day of August, One thousand nine hundred and sixty-three, incurred expenditure of a capital nature (not being expenditure incurred in pursuance of a contract entered

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into before that date) on a new unit of property to which this section applies, there shall be allowed as a deduction from his assessable income of the first year of income during which that unit is either used for the purpose of producing assessable income or installed ready for use for that purpose and held in reserve an amount equal to one-fifth of that expenditure.

“(5.) Where the Commissioner is satisfied that—

- (a) a contract was entered into by a taxpayer before the fourteenth day of August, One thousand nine hundred and sixty-three, for the acquisition by the taxpayer of a unit of property;
- (b) on or after that date, the taxpayer has entered into a contract (whether with the same or another person) for the acquisition of the same unit of property or of another unit of property identical with, or having a purpose similar to that of, the unit of property to which the earlier contract related and intended by the taxpayer to be in lieu of that unit; and
- (c) the taxpayer entered into the later contract for the purpose of obtaining a deduction under this section or a greater deduction under this section than the deduction to which he would otherwise have been entitled,

the Commissioner may refuse to allow a deduction under this section in relation to the expenditure of the taxpayer in pursuance of the later contract, or may allow such a deduction in relation to such part only of that expenditure as he thinks fit.

“(6.) Where—

- (a) a taxpayer sells or otherwise disposes of a unit of property in respect of which a deduction has been allowed or is allowable under this section in any assessment in respect of the taxpayer; and
- (b) the Commissioner is satisfied that the unit was acquired by the taxpayer for the purpose of selling or otherwise disposing of the unit after becoming entitled to that deduction,

there shall, if the Commissioner so determines, be included in the assessable income of the taxpayer of the year of income in which the sale or disposal takes place such amount, not exceeding the amount of that deduction, as the Commissioner determines.

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“(7.) A deduction under this section is not allowable in respect of expenditure that has been allowed or is allowable as a deduction under section seventy-five of this Act.

“(8.) Subject to the last preceding sub-section but notwithstanding the provisions of section eighty-two of this Act, the deduction allowable under this section in respect of expenditure on a unit of property is allowable in addition to any deduction that is allowable in respect of that unit of property under any other provision of this Act.

“(9.) Where expenditure on a unit of property to which this section applies has been incurred by a taxpayer and the taxpayer has been recouped or is entitled to be recouped for the whole or a part of that expenditure by any government, authority or person, the expenditure in respect of which a deduction is allowable under this section shall not include the amount for which the taxpayer has been, or is entitled to be, so recouped, unless that amount is or will be included in the taxpayer’s assessable income.”.

Bad debts.

16. Section sixty-three of the Principal Act is amended by omitting from sub-section (1.) the words “and no other bad debts,”.

17. After section sixty-four of the Principal Act the following section is inserted:—

Legal expenses.

“64A.—(1.) In this section, ‘legal expenses’ means expenditure incurred by the taxpayer—

- (a) for the services of a barrister or solicitor;
- (b) for the registration or deposit in a public register or a public office, or the stamping, of a document; or
- (c) in connexion with proceedings before a court, board, commission or similar tribunal,

not being expenditure to which section sixty-seven, section sixty-seven A, section sixty-eight, section sixty-eight A or section sixty-nine of this Act applies.

“(2.) Legal expenses incurred in the year of income in carrying on a business for the purpose of gaining or producing assessable income shall, except to the extent to which they are expenses of a private or domestic nature, be allowable deductions.

“(3.) The deduction allowable under this section shall not be greater than the amount (if any) by which Twenty-five pounds exceeds any amount allowable as a deduction under sub-section (1.) of section fifty-one of this Act in respect of legal expenses.”.

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18. Section sixty-seven of the Principal Act is repealed and the following sections are inserted in its stead:—

“ 67.—(1.) Subject to this section, so much of the expenditure incurred by the taxpayer in borrowing money used by him for the purpose of producing assessable income as bears to the whole of that expenditure the same proportion as the part of the period for which the money was borrowed that is in the year of income bears to the whole of that period shall be an allowable deduction. Expenses of borrowing.

“ (2.) Where the period for which money was borrowed is not fixed, or exceeds five years, the period of five years from the date on which the money was borrowed shall, for the purposes of the last preceding sub-section, be deemed to be the period for which the money was borrowed.

“ (3.) Where the total expenditure incurred in the year of income by the taxpayer in borrowing money used by him for the purpose of producing assessable income does not exceed Fifty pounds, the whole of that expenditure shall be an allowable deduction in the year of income.

“ 67A. Where a taxpayer incurs expenditure (not including payments of principal or interest) in the year of income in connexion with the discharge of a mortgage given by him as security for the repayment of money borrowed by him or the payment by him of the whole or a part of the purchase price of property purchased by him— Expenses of discharge of mortgage.

(a) if the money or property was used by him wholly for the purpose of producing assessable income—the whole of the expenditure; or

(b) if the money or property was used by him only partly for that purpose—such part of the expenditure as the Commissioner determines,

shall be an allowable deduction.”.

19. Section sixty-eight of the Principal Act is amended by omitting the words “ of property to be held ” and inserting in their stead the words “, or of an assignment or surrender of a lease, of property that is to be, or has been, held ”. Expenses relating to lease documents.

20. After section sixty-eight A of the Principal Act the following section is inserted:—

“ 69.—(1.) Expenditure incurred by the taxpayer in the year of income for the preparation by a registered tax agent of a return required by or under this Act to be furnished to the Commissioner in respect of income of the taxpayer shall be an allowable deduction. Expenses of preparing income tax returns.

“(2.) Where a taxpayer dies during a year of income, expenditure incurred by a trustee for the preparation by a registered tax agent of a return required by or under this Act to be furnished to the Commissioner in respect of income derived by the taxpayer during his lifetime shall, for the purposes of this section, be deemed to be expenditure incurred by the taxpayer during that year of income.

“(3.) In this section, ‘ registered tax agent ’ means a registered tax agent as defined by section two hundred and fifty-one A of this Act or a person exempted under section two hundred and fifty-one L of this Act from the operation of that last-mentioned section.”.

21. Before section seventy-one of the Principal Act the following section is inserted:—

Cost of
extending
telephone lines.

“ 70.—(1.) In this section—

‘ telephone line ’ does not include any part of a telephone line the cost of which part has been allowed or is allowable as a deduction, or has been or is to be taken into account in ascertaining the amount of an allowable deduction, under a provision of this Act other than this section, in any assessment in respect of any taxpayer or in calculating in accordance with section ninety of this Act the net income of any partnership or any partnership loss in respect of any year of income; and

‘ the cost of a telephone line ’ means capital expenditure incurred after the year of income that ended on the thirtieth day of June, One thousand nine hundred and sixty-three, on a telephone line extending to or situated on land on which a person was, at the time when the expenditure was incurred, carrying on a business of primary production, being expenditure incurred by—

- (a) the owner of the land;
- (b) a lessee, tenant or other person having an interest in the land; or
- (c) a share-farmer carrying on a business of primary production on the land.

“(2.) An amount equal to one-tenth of the cost of a telephone line shall be an allowable deduction from the assessable income of the taxpayer of the year of income in which the relevant expenditure was incurred and of each of the succeeding nine years of income.

“(3.) This section does not apply in relation to the calculation of the net income of a partnership, or a partnership loss, in accordance with section ninety of this Act, but where a partnership

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has incurred the cost of a telephone line, then, for the purposes of the application of the last preceding sub-section in respect of a partner in the partnership, the cost of the telephone line shall be taken to be—

- (a) so much of the amount that would be the cost of the telephone line in relation to the partnership if the partnership were a taxpayer as the partners have agreed is to be borne by that partner; or
- (b) if the partners have not agreed as to the part of that amount that is to be borne by that partner—so much of that amount as bears to that amount the same proportion as the individual interest of the partner in the net income of the partnership of the year of income in which the relevant expenditure was incurred bears to that net income or, as the case requires, as the individual interest of the partner in the partnership loss for that year of income bears to that partnership loss.

“(4.) Where any part of the cost of a telephone line has been allowed or is allowable as a deduction under this section in an assessment of a taxpayer of any year of income, no amount shall, in respect of that telephone line, be an allowable deduction, or be taken into account in ascertaining the amount of an allowable deduction, under a provision of this Act other than this section in any assessment of any taxpayer or in calculating in accordance with section ninety of this Act the net income of any partnership or any partnership loss in respect of any year of income.”.

22. Section seventy-one of the Principal Act is repealed and the following section inserted in its stead:—

“ 71. Where a loss incurred by the taxpayer through embezzlement, larceny, defalcation or misappropriation by a person, including an agent, employed by the taxpayer, not being a person employed solely for private or domestic purposes, of, or in respect of, money that is or has been included in the assessable income of the taxpayer is ascertained in the year of income, that loss shall be an allowable deduction.”.

Losses by
embezzlement,
&c.

23. Section seventy-two of the Principal Act is amended—

- (a) by inserting after sub-section (1.) the following sub-section:—

“(1A.) Where, in the year of income, a taxpayer, being a person who has, under a sub-divided residence scheme, a proprietary right in respect of a flat or home

Rates and
taxes.

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unit, makes, in accordance with the scheme, a payment which, or a part of which, the Commissioner is satisfied is in respect of, or of a share of, an amount of rates or land tax of a kind to which the last preceding sub-section applies that has been paid or will be paid, in respect of, or of a part of, the sub-divided residence or the parcel of land on which the sub-divided residence is erected, by a person other than the taxpayer—

(a) that payment, or that part of that payment, as the case may be, is an allowable deduction; and

(b) any deduction that would, but for this sub-section, have been allowable under the last preceding sub-section, in an assessment of the income of any person of any year of income, in respect of the payment of that amount of rates or land tax shall be reduced by the amount of the deduction allowable under the last preceding paragraph.”; and

(b) by adding at the end thereof the following sub-sections:—

“(3.) Where a refund is made by a government or authority of an amount paid for rates or land tax and a deduction has been allowed or is allowable under sub-section (1A.) of this section in an assessment of a person by reason of a payment made by that person in respect of the whole or a part of that amount of rates or land tax—

(a) the assessable income of that person of the year of income of that person in which the refund is made shall include so much of the amount of the refund as the Commissioner considers to be reasonable in the circumstances; and

(b) any amount that would, but for this sub-section, have been included under the last preceding sub-section in the assessable income of any other person of the year of income of that other person in which the refund is made shall be reduced by the amount included under the last preceding paragraph in the assessable income of the first-mentioned person in respect of the refund.

“(4.) In this section—

‘proprietary right’, in relation to a flat or home unit, includes rights of occupancy arising by virtue of the holding of shares or by virtue of a contract to purchase shares in a company that owns the sub-divided residence that contains the flat or home unit;

‘sub-divided residence’ means a building in respect of which there is a sub-divided residence scheme; and

‘sub-divided residence scheme’ means a scheme or arrangement having the purpose of enabling or facilitating the holding or enjoyment of proprietary rights by different persons in respect of different flats or home units contained in the one building in Australia or in the Territory of Papua and New Guinea.”.

24. Section seventy-six of the Principal Act is amended—

Expenditure
on fences.

(a) by inserting in paragraph (a), after the word “pursuits”, the words “or forest operations”;

(b) by omitting from paragraph (b) the words “expended for” and inserting in their stead the words “incurred expenditure on”;

(c) by omitting from paragraphs (b), (c) and (d) the words “wire or wire netting” (wherever occurring) and inserting in their stead the words “wire, wire netting, posts or other materials”;

(d) by omitting from paragraphs (c) and (d) the words “on the fence” and inserting in their stead the words “as part of the fence”; and

(e) by adding at the end thereof the following sub-section:—

“(2.) Where a taxpayer carries on for the purpose of producing assessable income a business of primary production on land any part of which is adversely affected by naturally occurring deposits of mineral salt, expenditure incurred by him during the year of income in the construction or alteration of a fence on that land by reason of those deposits shall be an allowable deduction.”.

25. Section seventy-seven A of the Principal Act is amended—

Moneys paid
on shares for
the purposes
of petroleum
exploration.

(a) by omitting from sub-section (1.) the definitions of “petroleum” and “petroleum exploration company”;

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(b) by inserting after sub-section (1.) the following sub-section:—

“(1A.) A reference in this section to expenditure or proposed expenditure of moneys in carrying on prospecting or mining operations in Australia for the purpose of discovering or obtaining petroleum or on plant necessary for carrying on such operations shall be read as including a reference to expenditure or proposed expenditure of a kind referred to in paragraph (a), (c) or (d) of section one hundred and twenty-four DD of this Act but as not including a reference to—

(a) expenditure or proposed expenditure of a capital nature that is not allowable capital expenditure for the purposes of Division 10AA of this Part; or

(b) expenditure or proposed expenditure in the acquisition of a petroleum prospecting or mining right or petroleum prospecting or mining information.”;

(c) by omitting from sub-section (3.), paragraphs (d) and (e) of sub-section (6.), paragraph (a) of sub-section (8.), paragraph (a) of sub-section (9.) and paragraph (c) of sub-section (12.) the words “in mining or prospecting for petroleum in Australia or in plant necessary for the treatment of that petroleum” and inserting in their stead the words “in carrying on prospecting or mining operations in Australia for the purpose of discovering or obtaining petroleum or on plant necessary for carrying on such operations”; and

(d) by omitting from sub-section (3.), paragraph (b) of sub-section (5.), sub-section (6.), paragraph (a) of sub-section (8.), sub-section (12.), paragraph (e) of sub-section (13.) and sub-section (15.) the words “section one hundred and twenty-three A of this Act” and inserting in their stead the words “Division 10AA of this Part”.

Gifts, calls on
mining shares,
pensions, &c.

26. Section seventy-eight of the Principal Act is amended—

(a) by inserting in sub-paragraph (iii) of paragraph (a) of sub-section (1.), after the word “established”, the words “before the twenty-third day of October, One thousand nine hundred and sixty-three,”;

(b) by inserting in that sub-paragraph, after the word “or” (last occurring), the words “a public fund established and maintained”; and

(c) by adding at the end of paragraph (a) of sub-section (1.) the following sub-paragraphs and words:—

“ (xxxix) the Australian Institute of International Affairs;

(xl) the Australian National Travel Association;

(xli) the National Safety Council of Australia,

or to a public fund established and maintained under a will or instrument of trust exclusively for the purpose of providing money, property or benefits to or for funds, authorities or institutions referred to, and for the purposes (if any) referred to, in any of the sub-paragraphs of this paragraph, or for the establishment of such funds, authorities or institutions, being a public fund as to which the Commissioner is satisfied that the terms of the will or instrument of trust are such that any moneys (including income derived from investments and proceeds of the realization of investments) paid or accrued to the fund as a direct or indirect result of the particular gift and not applied for the purposes of the fund may not be invested by the trustee otherwise than in a manner in which trustees are permitted by an Act, a State Act or a law of a Territory of the Commonwealth to invest trust moneys without special authorization;”.

27. Section seventy-nine A of the Principal Act is amended— Deduction for residents of isolated areas.

(a) by omitting from sub-paragraph (ii) of paragraph (a) of sub-section (2.) the words “, eighty-two c ”; and

(b) by omitting from sub-paragraph (ii) of paragraph (b) of sub-section (2.) the words “, eighty-two c ”.

28. Section seventy-nine B of the Principal Act is amended— Deductions for members of Defence Force serving overseas.

(a) by omitting from sub-paragraph (ii) of paragraph (a) of sub-section (2.) the words “, eighty-two c ”; and

(b) by omitting from paragraph (b) of sub-section (4.) the words “, eighty-two c ”.

29. Section seventy-nine c of the Principal Act is amended by omitting the words “ Division 10 of this Part ” and inserting in their stead the words “ Division 10 or Division 10AA of this Part ”. Limitation on certain deductions.

30. Section eighty of the Principal Act is amended— Losses of previous years.

(a) by inserting after sub-section (3.) the following sub-section:—

“ (3A.) For the purposes of the last preceding sub-section, the exempt income of a taxpayer does not include exempt income that is a dividend paid wholly

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and exclusively out of profits referred to in subparagraph (iii) of paragraph (b) of sub-section (2.) of section forty-four of this Act.”; and

- (b) by inserting before sub-section (4.) the following sub-section:—

“(3B.) For the purposes of sub-section (3.) of this section, the net exempt income of a taxpayer, being a resident, of a year of income does not include so much of any net exempt income from petroleum within the meaning of Division 10AA of this Part derived by the taxpayer in that year of income as does not exceed the amount that would be the unrecouped capital expenditure of the taxpayer within the meaning of that Division as at the end of that year of income if the taxpayer had not derived that net exempt income from petroleum.”.

Deductions for dependants.

31. Section eighty-two B of the Principal Act is amended—

- (a) by adding at the end of the table in sub-section (2.) the following:—

“6 | Parent of the taxpayer or of his spouse | £143”;

- (b) by omitting sub-section (3.) and inserting in its stead the following sub-section:—

“(3.) The amount of a deduction otherwise allowable under the preceding provisions of this section in respect of a dependant shall be reduced by the amount, if any, by which the separate net income derived by the dependant in the year of income exceeds Sixty-five pounds.”;

- (c) by omitting from the definition of “invalid relative” in sub-section (5.) the words “*Social Services Consolidation Act 1947–1950*” and inserting in their stead the words “*Social Services Act 1947–1963*”; and

- (d) by omitting from sub-section (5.) the definition of “separate net income” and inserting in its stead the following definition:—

“‘separate net income’, in relation to a dependant—

- (a) does not include child endowment paid under the *Social Services Act 1947–1963*; and

- (b) in the case of a dependant included in class 3 or class 4 in the table in sub-section (2.) of this section—

- (i) includes the value or amount of any assistance (other than child endowment) provided to the dependant or any

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other person by the Commonwealth or a State by way of, or for the purpose of, maintenance or accommodation of the dependant in connexion with the education of the dependant; and

- (ii) does not include the value or amount of any scholarship, bursary, exhibition or prize, except to the extent that it consists of assistance referred to in the last preceding sub-paragraph;”.

32. Section eighty-two c of the Principal Act is repealed.

Parents of
taxpayer and
his spouse.
Housekeeper.

33. Section eighty-two d of the Principal Act is amended—

- (a) by omitting paragraphs (a) and (b) of sub-section (1.) and inserting in their stead the following paragraphs:—

“ (a) a child of the taxpayer less than sixteen years of age;

“ (b) a dependant included in class 3 or class 5 in the table in sub-section (2.) of section eighty-two b of this Act in respect of whom the taxpayer is entitled to a deduction under that section; or

“ (c) the spouse of the taxpayer, where the spouse is in receipt of an invalid pension under the *Social Services Act 1947–1963*;”;

- (b) by inserting in sub-section (3.), after the word “ Act ”, the words “, not being a dependant specified in paragraph (c) of sub-section (1.) of this section ”;

- (c) by inserting in sub-section (4.), after the word “ married ”, the words “ and the housekeeper is not, during the year of income, engaged in caring for the spouse of the taxpayer, being a spouse in receipt of an invalid pension under the *Social Services Act 1947–1963* ”; and

- (d) by omitting from sub-section (5.) the words “ or dependant ” and inserting in their stead the words “, dependant or spouse ”.

34. Section eighty-two e of the Principal Act is amended by omitting the words “, eighty-two c ”.

Double
concessional
deductions.

35. Section eighty-two F of the Principal Act is repealed and the following section inserted in its stead:—

Medical expenses.

“ 82F.—(1.) An amount paid by the taxpayer in the year of income as medical expenses in respect of himself, or in respect of a dependant who is a resident, less any amount paid to the taxpayer or any other person, and any amount which the taxpayer or any other person is entitled to be paid, in respect of those medical expenses by a government or public authority or by a society, association or fund (whether incorporated or not) shall be an allowable deduction.

“(2.) Where an amount is paid in the year of income by the trustee of a trust estate out of income of the trust estate as medical expenses in respect of a beneficiary who is a resident, that amount, less any amount paid to the trustee or any other person, and any amount that the trustee or any other person is entitled to be paid, in respect of those medical expenses by a government or public authority or by a society, association or fund (whether incorporated or not) shall be an allowable deduction—

- (a) where the trustee is liable to be assessed under section ninety-eight of this Act in respect of income of the year of income to which that beneficiary is presently entitled—in the assessment of the trustee in respect of that income; and
- (b) where that beneficiary is liable to be assessed in respect of any income of the year of income—in the assessment of that beneficiary in respect of that income.

“(3.) In this section—

‘ dependant ’ means—

- (a) the spouse of the taxpayer;
- (b) a child of the taxpayer less than twenty-one years of age; or
- (c) a person in respect of whom the taxpayer is entitled to a deduction under section eighty-two B of this Act;

‘ medical expenses ’ means payments—

- (a) to a legally qualified medical practitioner, nurse or chemist, or a public or private hospital, in respect of an illness or operation;
- (b) to a legally qualified dentist for dental services or treatment or the supply, alteration or repair of artificial teeth;
- (c) to a person registered under a law of a State or Territory of the Commonwealth as a dental mechanic in respect of charges lawfully made by that person for the supply, alteration or repair of artificial teeth;

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- (d) for therapeutic treatment administered by direction of a legally qualified medical practitioner;
- (e) in respect of an artificial limb (or part of a limb), artificial eye or hearing aid;
- (f) in respect of a medical or surgical appliance (not otherwise specified in this definition) prescribed by a legally qualified medical practitioner;
- (g) for—
 - (i) the testing of eyes or the prescribing of spectacles by a person legally qualified to perform those services; or
 - (ii) the supply of spectacles in accordance with any such prescription;
- (h) as remuneration of a person for services rendered by him as an attendant of a person who is blind or permanently confined to a bed or invalid chair; or
- (i) for the maintenance of a dog used for the guidance of a blind person, being a dog that the Commissioner is satisfied is properly trained in the guidance of the blind by a public institution.”.

36. Section eighty-two G of the Principal Act is amended by omitting sub-section (2.) and inserting in its stead the following sub-sections:— Funeral expenses.

“ (2.) The deductions allowable under this section in respect of any one deceased person shall not exceed Fifty pounds.

“ (2A.) Where, in the year of income, two or more taxpayers have paid amounts to which this section refers in relation to funeral, burial or cremation expenses of a person who, at the time of his death, was a dependant of each of those taxpayers and the total of the amounts that would, but for this sub-section, be allowable as deductions in respect of those expenses exceeds Fifty pounds, those taxpayers shall be entitled to such deductions, amounting in the aggregate to Fifty pounds, as, in the opinion of the Commissioner, are reasonable in the circumstances.”.

37. Section eighty-two J of the Principal Act is amended— Education expenses.

(a) by omitting from sub-section (2.) the words “ One hundred pounds ” and inserting in their stead the words “ One hundred and fifty pounds ”; and

(b) by adding at the end thereof the following sub-section:—
“ (3.) Where, in respect of the year of income, two or more taxpayers would, but for this sub-section, be entitled to deductions under this section, amounting in the aggregate to more than One hundred and fifty pounds, for amounts paid by them in respect of the

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one person, those taxpayers shall be entitled, in respect of those amounts, to such deductions, amounting in the aggregate to One hundred and fifty pounds, as, in the opinion of the Commissioner, are reasonable in the circumstances.”.

38. After section eighty-two J of the Principal Act the following section is inserted in Subdivision B of Division 3 of Part III. :—

Amounts paid by trustee after death of a taxpayer.

“ 82K. Where the trustee of the estate of a deceased person pays an amount in respect of a liability incurred by the deceased person in his lifetime, being an amount that would have been an allowable deduction under the provisions of section eighty-two F, section eighty-two G or section eighty-two J of this Act if it had been paid by the deceased person during his lifetime, that amount shall be an allowable deduction in the assessment of the trustee upon the assessable income derived by the deceased person during the year of income in which he died.”.

39. After section one hundred and five A of the Principal Act the following section is inserted:—

Additional period for making sufficient distribution.

“ 105AA.—(1.) Where—

- (a) a notice of assessment in respect of the income of a company of a year of income has not been served on the company before the prescribed time;
- (b) before the prescribed time there was served on a company a notice of assessment in respect of the income of the company of a year of income on the basis of which the company would not have had a distributable income in respect of that year of income and after the prescribed time there has been served on the company a notice of amended assessment in respect of that income on the basis of which the company has a distributable income in respect of that year of income; or
- (c) after the prescribed time there has been served on a company a notice of amended assessment in respect of the income of the company of a year of income on the basis of which the distributable income of the company in respect of that year of income is greater than it would have been on the basis of the assessment before it was amended,

the company may, by writing signed by the public officer of the company, request the Commissioner to determine a further period in which the company may pay dividends for the purpose of making a sufficient distribution in relation to that year of income.

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“(2.) On receipt of the request the Commissioner may grant the request and determine such a further period or he may refuse the request.

“(3.) The Commissioner shall serve, by post, on the company that made the request, a notice in writing of his decision on the request and, where the request is granted, the notice shall be so served before the commencement of the further period determined by the Commissioner.

“(4.) In deciding whether to grant or refuse the request, the Commissioner shall have regard to—

- (a) the date on which the company lodged a return of its income of the year of income to which the request relates;
- (b) if the company did not make a full and true disclosure in its return of all the material facts necessary for an assessment of the taxable income of the company of that year of income—the date on which such a full and true disclosure was made; and
- (c) any other matters that he thinks relevant.

“(5.) If the Commissioner determines a further period in relation to a company in relation to a year of income and dividends (other than special fund dividends) are paid by the company during the further period, so much (if any) of the amount of those dividends as—

- (a) is specified in a notice in writing signed by the public officer of the company and lodged with the Commissioner not later than thirty days after the end of the further period; and
- (b) does not exceed—
 - (i) in a case to which paragraph (c) of sub-section (1.) of this section applies—the excess of the amount that is the undistributed amount in relation to the company in relation to that year of income over the amount that would have been that undistributed amount on the basis of the assessment before it was amended; or
 - (ii) in any other case—the undistributed amount in relation to the company in relation to that year of income,

shall, for the purposes of this Division, be deemed to have been paid during the prescribed period in relation to that year of income.

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“(6.) In this section, ‘ the prescribed time ’, in relation to a company in relation to a year of income, means—

(a) in the case of a year of income preceding the year of income that ended on the thirtieth day of June, One thousand nine hundred and sixty-three—the end of that last-mentioned year of income; or

(b) in the case of any other year of income—the time of expiration of the fifteenth day before the end of the prescribed period in relation to that year of income.”.

Retention allowance.

40. Section one hundred and five B of the Principal Act is amended by omitting paragraphs (a), (b) and (c) and inserting in their stead the following paragraphs—

“(a) fifty per centum of so much of the reduced distributable income as does not exceed Five thousand pounds;

“(b) forty-five per centum of so much of the reduced distributable income as exceeds Five thousand pounds but does not exceed Ten thousand pounds;

“(c) forty per centum of so much of the reduced distributable income as exceeds Ten thousand pounds; and ”.

41. Before section one hundred and twenty-two of the Principal Act the following section is inserted in Division 10 of Part III. :—

Application of Division.

“ 122AA. This Division does not apply to, or to moneys appropriated for, expenditure in carrying on prospecting or mining operations in Australia or in the Territory of Papua and New Guinea for the purpose of discovering or obtaining petroleum.”.

Exploration and prospecting expenditure.

42. Section one hundred and twenty-three AA of the Principal Act is amended by omitting from sub-section (1.) the words “, or for petroleum (as defined in the next succeeding section) ”.

Deduction of unrecouped capital expenditure on prospecting or mining for petroleum.

43. Section one hundred and twenty-three A of the Principal Act is repealed.

Deductions not allowable under other provisions.

44. Section one hundred and twenty-four C of the Principal Act is amended by adding at the end thereof the following sub-section :—

“(2.) The last preceding sub-section does not prevent a deduction for depreciation being allowed to a taxpayer in respect of a unit of property the use of which for the purpose of mining operations or for the purposes of housing and welfare has been

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terminated and, where such a unit of property is used by the taxpayer for the purpose of gaining or producing assessable income other than assessable income from mining operations, then, for the purposes of sections fifty-six, fifty-seven AA, fifty-seven AB, fifty-eight and sixty-two of this Act—

- (a) the unit shall be deemed to have been acquired by the taxpayer at a cost equal to the amount that, in the opinion of the Commissioner, was the value of the unit at the date on which it commenced to be used for that purpose; and
- (b) no part of the cost of the unit shall be taken to have been allowed or to be allowable under this Division as a deduction from the assessable income of the taxpayer of any year of income.”.

45. Section one hundred and twenty-four DA of the Principal Act is amended by omitting from paragraph (a) of the definition of “prescribed deduction” in sub-section (1.) the words “or section one hundred and twenty-three A”.

Reduction
of certain
allowable
deductions.

46. After Division 10 of Part III. of the Principal Act the following Division is inserted:—

“Division 10AA.—Prospecting and Mining for Petroleum.

“124DB.—(1.) In this Division—

Interpretation.

‘net exempt income from petroleum’, in relation to a taxpayer in relation to a year of income, means the amount remaining after deducting from the exempt income from petroleum derived by the taxpayer during that year of income all expenses (other than expenses of a capital nature) incurred in gaining or producing that exempt income and any taxes paid during that year of income in respect of exempt income from petroleum derived by the taxpayer during that year of income or a preceding year of income;

‘prescribed petroleum operations’ means prospecting or mining operations in Australia or in the Territory of Papua and New Guinea for the purpose of discovering or obtaining petroleum.

“(2.) In this Division, a reference to an amount receivable by a taxpayer as consideration in respect of the disposal, loss or destruction of property shall be read as a reference—

- (a) in the case of a sale of the property—to the sale price less the expenses of the sale;

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- (b) in the case where the property has been sold with other assets and no separate value was allocated to the property—to such part of the sale price as is determined by the Commissioner;
- (c) in the case of a disposal of the property otherwise than by sale—to the value, if any, of the property at the date of the disposal; and
- (d) in the case of loss or destruction of the property—to the amount or value received or receivable by the taxpayer under a policy of insurance or otherwise in respect of the loss or destruction.

“(3.) For the purposes of this Division, where the expenses (other than expenses of a capital nature) incurred in gaining or producing exempt income from petroleum derived by a taxpayer in a year of income and any taxes paid during that year of income in respect of exempt income from petroleum derived by the taxpayer during that year of income or a preceding year of income exceed the first-mentioned exempt income, a loss equal to the amount of the excess shall be deemed to be incurred by the taxpayer in that year of income in relation to exempt income from petroleum.

Transactions
between
persons not
at arm's
length.

“ 124DC. Where—

- (a) a person has purchased from another person a unit of property (other than a petroleum prospecting or mining right)—
 - (i) in respect of which the vendor had incurred allowable capital expenditure; or
 - (ii) the expenditure in acquiring which is allowable capital expenditure of the purchaser;
- (b) the Commissioner is satisfied that, having regard to any connexion between the vendor and the purchaser or to any other relevant circumstances, those persons were not dealing with each other at arm's length; and
- (c) the purchase price is greater or less than the amount that, in the opinion of the Commissioner, was the value of the unit at the time of the purchase,

the purchase price shall, for all purposes of the application of this Act in relation to the vendor or the purchaser, be deemed to have been that amount.

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“ 124DD. For the purposes of this Division, allowable capital expenditure of a taxpayer is capital expenditure incurred (whether before or after the commencement of this Division) by the taxpayer in carrying on prescribed petroleum operations and on plant necessary for carrying on such operations, and includes—

Allowable
capital
expenditure.

- (a) where the taxpayer is a company formed solely or principally for the purpose of carrying on prescribed petroleum operations or providing capital (whether by investment in shares or otherwise) to petroleum exploration companies—
 - (i) expenditure of the company in respect of the formation and incorporation of the company; and
 - (ii) so much of the expenditure incurred by the company in issuing, or making calls on, shares in the company as the Commissioner thinks reasonable having regard to the extent to which the moneys received by the company in relation to the issue of the shares, or the making of the calls, has been or, in the opinion of the Commissioner, will be expended in carrying on prescribed petroleum operations or on plant necessary for carrying on such operations;
- (b) so much of any expenditure that the taxpayer has incurred in acquiring from another person a petroleum prospecting or mining right or petroleum prospecting or mining information as is specified in a notice under the next succeeding section duly given to the Commissioner by the taxpayer and that other person;
- (c) capital expenditure incurred by the taxpayer in providing residential accommodation for the use of employees of the taxpayer engaged in, or in connexion with, prescribed petroleum operations, or for the use of dependants of those employees, being accommodation situated on or adjacent to the site of the operations; and
- (d) capital expenditure incurred by the taxpayer in providing health, educational, recreational or other similar facilities, or facilities for the supply of meals, on or adjacent to the site of prescribed petroleum operations, being facilities that—

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(i) are provided principally for the welfare of employees referred to in the last preceding paragraph or of dependants of those employees; and

(ii) are not conducted for the purpose of profit-making by the taxpayer or any other person,

but does not include expenditure incurred in relation to—

(e) pipe-lines constructed for the purpose of transporting petroleum obtained from prescribed petroleum operations from the place where the operations are carried on to a petroleum refinery or a wharf or other terminal, or plant (including pumping apparatus, storage tanks, wharves and other terminal facilities) for use primarily and principally, and directly, in connexion with the operation of such a pipe-line;

(f) ships, railway rolling-stock and road vehicles for use for the purpose of transporting petroleum obtained from prescribed petroleum operations from the place where the operations are carried on or from a wharf or other terminal to which the petroleum has been transported; and

(g) plant for use in the refining of petroleum or of the products of petroleum.

Purchase of
prospecting
or mining
rights or
information.

“ 124DE.—(1.) Where a person (in this section referred to as ‘ the purchaser ’) has incurred expenditure in acquiring from another person (in this section referred to as ‘ the vendor ’) a petroleum prospecting or mining right or petroleum prospecting or mining information, the purchaser and the vendor may give notice to the Commissioner that they have agreed to the inclusion in the allowable capital expenditure of the purchaser of an amount specified in the notice, being the whole or a part of that expenditure.

“(2.) If the amount specified in a notice given under this section in respect of a transaction exceeds the amount that would, but for the notice and any notice under this section given in respect of the acquisition by any person of rights or information from the vendor under a transaction entered into after the first-mentioned transaction, have been the unrecovered capital expenditure of the vendor as at the end of the year of income of the vendor during which the first-mentioned transaction occurred, the amount specified in the notice shall be deemed to be the amount in fact so specified, reduced by the amount of the excess.

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“(3.) A notice under this section shall be deemed not to have been duly given where the notice relates to a lease in relation to the grant, assignment or surrender of which the persons giving the notice have (whether before or after the lodging of the notice with the Commissioner) made an election under sub-section (5.) of section eighty-eight B of this Act.

“(4.) A notice under this section shall be in writing signed by or on behalf of the persons giving the notice and shall be lodged with the Commissioner not later than two months after the end of the year of income of the purchaser in which the transaction occurred, or within such further time as the Commissioner allows.

“124DF. For the purposes of this Division, the unrecouped capital expenditure of a taxpayer as at the end of a year of income is the amount, if any, remaining after deducting from the total amount of the allowable capital expenditure incurred by the taxpayer before or during that year of income the sum of the following amounts:—

Unrecouped
capital
expenditure.

- (a) the sum of the deductions allowed or allowable under sub-section (1.) of the next succeeding section from assessable income of the taxpayer of years of income preceding that year of income;
- (b) the total net exempt income from petroleum derived by the taxpayer in that year of income and preceding years of income, reduced by the sum of—
 - (i) where, but for the net exempt income from petroleum derived by the taxpayer in any of those preceding years of income, a loss would have been incurred by the taxpayer for the purposes of section eighty of this Act in any of those preceding years of income or the amount of a loss incurred by the taxpayer for the purposes of that section in any of those preceding years of income would have been greater—the amount that would have been the amount of that loss or the amount by which that loss would have been greater, as the case may be;
 - (ii) where, but for the net exempt income from petroleum derived by the taxpayer in any of those preceding years of income, a deduction would have been allowable under section eighty of this Act from the assessable income of the taxpayer of any of those preceding years of income, or the amount of a deduction allowed or allowable under that section from the assessable income of the taxpayer

of any of those preceding years of income would have been greater—the amount that would have been the amount of that deduction or the amount by which that deduction would have been greater, as the case may be; and

- (iii) the amount of any loss incurred by the taxpayer in that year of income or in any of those preceding years of income in relation to exempt income from petroleum;
- (c) the sum of the moneys received by the taxpayer before or during that year of income and specified in declarations lodged by the taxpayer under sub-section (3.) or sub-section (6.) of section seventy-seven A of this Act other than moneys specified in declarations lodged by the taxpayer under sub-section (6.) of that section and expended before or during that year of income in making payments referred to in paragraph (e) of that sub-section;
- (d) the sum of the amounts of subsidy received by the taxpayer before or during that year of income under agreements entered into under an Act relating to the search for petroleum, reduced by any amounts of such subsidy repaid by the taxpayer before or during that year of income;
- (e) the sum of any amounts specified in notices duly given to the Commissioner under the last preceding section in relation to the acquisition from the taxpayer, before or during that year of income, of petroleum prospecting or mining rights or petroleum prospecting or mining information;
- (f) the sum of any amounts that were the respective values of units of property in respect of which allowable capital expenditure has been incurred by the taxpayer before or during that year of income and the use of which by the taxpayer in carrying on prescribed petroleum operations has, before or during that year of income, been terminated (otherwise than by disposal, loss or destruction), reduced by the sum of any amounts that, by virtue of section one hundred and twenty-four DK of this Act, have been or are to be included in the assessable income of the taxpayer of that year of income or preceding years of income;
- (g) the sum of any amounts receivable by the taxpayer as consideration in respect of the disposal, loss or destruction before or during that year of income of any property (other than petroleum prospecting or

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mining rights) in respect of which allowable capital expenditure has been incurred by the taxpayer before or during that year of income, reduced by the sum of any amounts that, by virtue of section one hundred and twenty-four DL of this Act, have been or are to be included in the assessable income of the taxpayer of that year of income or preceding years of income.

“ 124DG.—(1.) Where, in a year of income, a taxpayer derives assessable income from petroleum, so much of the amount of the unrecouped capital expenditure of the taxpayer as at the end of that year of income as does not exceed the amount remaining after deducting from that assessable income from petroleum all deductions allowable otherwise than under this section in respect of that assessable income shall be an allowable deduction. Deductions of unrecouped capital expenditure.

“ (2.) The reference in the last preceding sub-section to all deductions allowable otherwise than under this section in respect of the assessable income from petroleum derived by a taxpayer in a year of income shall be read as a reference to—

- (a) any deductions allowable from the assessable income of the taxpayer of that year of income that relate exclusively to that assessable income from petroleum; and
- (b) so much of any other deduction allowable from the assessable income of the taxpayer of that year of income as, in the opinion of the Commissioner, may appropriately be related to that assessable income from petroleum.

“ 124DH.—(1.) For the purposes of this Division, where the holder of a petroleum prospecting or mining right has, for a consideration provided or to be provided by him, not being a payment of a share of income derived by him from the sale of petroleum or of the products of petroleum or a consideration by way of an assignment or sub-lease of a petroleum prospecting or mining right, procured the performance of work which, if it had been performed by him, would have constituted prospecting or mining operations— Prospecting or mining by contractors, profit-sharing arrangements, &c.

- (a) the work shall constitute prospecting or mining operations carried on by him and shall not constitute prospecting or mining operations carried on by the person by whom the work was performed; and
- (b) any such consideration shall be deemed to be expenditure incurred by him in the carrying on of those operations.

“ (2.) Where a person who derives income from the sale of petroleum obtained from mining operations carried on by him

in an area in Australia or in the Territory of Papua and New Guinea, or from the sale of products of petroleum so obtained, pays to another person a share of the income so derived in pursuance of an agreement under which—

- (a) that other person has carried on in that area, prospecting or mining operations for the purpose of discovering or obtaining petroleum; or
- (b) the first-mentioned person has acquired, or has agreed or has an option to acquire, from that other person a petroleum prospecting or mining right or petroleum prospecting or mining information in relation to that area,

the amount so paid to that other person shall, for the purposes of this Division—

- (c) be deemed to be income derived by that other person from the sale of petroleum obtained from the carrying on by him of mining operations in that area; and
- (d) be deemed not to be allowable capital expenditure of the first-mentioned person.

“(3.) Notwithstanding section twenty-one of this Act, where a person has assigned or sub-let a petroleum prospecting or mining right in respect of an area in Australia or in the Territory of Papua and New Guinea to another person in pursuance of an agreement under which that other person has carried on, or is carrying on, in that area or in another area in respect of which the first-mentioned person holds or has held a petroleum prospecting or mining right, prospecting or mining operations for the purpose of discovering or obtaining petroleum, the first-mentioned person shall not be deemed for the purposes of this Division to have incurred allowable capital expenditure by virtue of the assignment or sub-lease.

Petroleum or petroleum products used in manufacturing other goods.

“124DJ. Where a taxpayer uses petroleum obtained from mining operations carried on by him in Australia or in the Territory of Papua and New Guinea, or a product of petroleum so obtained, for the purpose of manufacturing other goods, an amount equal to the market value of the petroleum or petroleum product at the time it is used for that purpose shall, for the purposes of this Division, be deemed to be assessable income from petroleum derived by the taxpayer during the year of income in which it is used for that purpose.

Assessable income to include excess values of property the use for which in prescribed petroleum operations has been terminated.

“124DK. Where the sum of the amounts that were the respective values of any units of property in respect of which allowable capital expenditure has been incurred by the taxpayer before or during the year of income and the use of which by the taxpayer in carrying on prescribed petroleum operations has,

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during the year of income, been terminated (otherwise than by disposal, loss or destruction) exceeds the amount that would be the unrecouped capital expenditure of the taxpayer as at the end of the year of income if—

- (a) the use of those units of property had not been so terminated; and
- (b) no amounts were receivable by the taxpayer as consideration in respect of the disposal, loss or destruction during the year of income of property (other than a petroleum prospecting or mining right) in respect of which allowable capital expenditure has been incurred by the taxpayer before or during the year of income,

there shall be included in the assessable income of the taxpayer of the year of income—

- (c) if he has not derived exempt income from petroleum before or during the year of income—an amount equal to the excess; or
- (d) if he has derived exempt income from petroleum before or during the year of income—an amount equal to so much of the excess as the Commissioner considers reasonable in the circumstances.

“ 124DL.—(1.) Where—

- (a) a taxpayer who has not, before the year of income, derived income from petroleum derives such income during the year of income; and
- (b) the sum of any amounts receivable by the taxpayer as consideration in respect of the disposal, loss or destruction before or during the year of income of property (other than a petroleum prospecting or mining right) in respect of which allowable capital expenditure has been incurred by the taxpayer before or during the year of income exceeds the amount that would be the unrecouped capital expenditure of the taxpayer as at the end of the year of income if no such amounts had been so receivable,

Assessable
income to
include excess
consideration
on disposal,
loss or
destruction of
property.

there shall be included in the assessable income of the taxpayer of the year of income—

- (c) if he has not derived exempt income from petroleum during the year of income—an amount equal to the excess; or

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- (d) if he has derived exempt income from petroleum during the year of income—an amount equal to so much of the excess as the Commissioner considers reasonable in the circumstances.

“(2.) Where—

- (a) a taxpayer has, before the year of income, derived income from petroleum; and
- (b) the sum of any amounts receivable by the taxpayer as consideration in respect of the disposal, loss or destruction during the year of income of property (other than a petroleum prospecting or mining right) in respect of which allowable capital expenditure has been incurred by the taxpayer before or during the year of income exceeds the amount that would be the unrecouped capital expenditure of the taxpayer as at the end of the year of income if no such amounts had been so receivable,

there shall be included in the assessable income of the taxpayer of the year of income—

- (c) if he has not derived exempt income from petroleum before or during the year of income—an amount equal to the excess; or
- (d) if he has derived exempt income from petroleum before or during the year of income—an amount equal to so much of the excess as the Commissioner considers reasonable in the circumstances.

Property
recommended
to be used in
prospecting
or mining
for petroleum

“ 124DM.—(1.) Where—

- (a) a taxpayer has commenced to use in carrying on prescribed petroleum operations a unit of property in respect of which the taxpayer had, otherwise than in carrying on such operations, incurred expenditure of a capital nature that would have been allowable capital expenditure if it had been incurred in carrying on such operations; or
- (b) a taxpayer has recommenced to use in carrying on prescribed petroleum operations a unit of property that he had previously so used but which use had been terminated, and in respect of which he had, before recommencing so to use the unit, incurred allowable capital expenditure,

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the taxpayer shall be deemed to have incurred, in respect of that unit, during the year of income in which he commenced or recommenced so to use it, allowable capital expenditure of such amount as the Commissioner considers reasonable in the circumstances.

“(2.) Nothing contained in section one hundred and twenty-four C of this Act prejudices the operation of the last preceding sub-section.

“124DN.—(1.) Where an amount of expenditure incurred by a taxpayer is allowable capital expenditure, no part of that amount shall be an allowable deduction, or be taken into account in ascertaining the amount of an allowable deduction, from the assessable income of the taxpayer of any year of income under a provision of this Act other than this Division. Double deductions.

“(2.) The last preceding sub-section does not prevent a deduction being allowed to a taxpayer under a provision of this Act other than this Division in respect of a unit of property the use of which by the taxpayer in carrying on prescribed petroleum operations has been terminated and, where such a unit of property is used by the taxpayer for the purpose of gaining or producing assessable income other than assessable income from petroleum, then, for the purposes of sections fifty-six, fifty-seven AA, fifty-seven AB, fifty-eight and sixty-two of this Act and Division 10 of this Part and notwithstanding sub-section (6.) of section one hundred and twenty-two of this Act—

- (a) the unit shall be deemed to have been acquired by the taxpayer at a cost equal to the amount that, in the opinion of the Commissioner, was the value of the unit at the date on which it commenced to be used for that purpose; and
- (b) no part of the cost of the unit shall be taken to have been allowed or to be allowable under this Division as a deduction from the assessable income of the taxpayer of any year of income.”.

47. The heading to Division 10A of Part III. of the Principal Act is repealed and the following headings are inserted in its stead:— Headings.

“Division 10A.—Timber Operations and Timber Mill Buildings.
“*Subdivision A.—Timber Operations.*”.

48. Section one hundred and twenty-four E of the Principal Act is amended by omitting the word “Division ” and inserting in its stead the word “Subdivision ”. Definitions.

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Deduction of
expenditure.

49. Section one hundred and twenty-four F of the Principal Act is amended by omitting from sub-sections (1.) and (5.) the word “Division” and inserting in its stead the word “Subdivision”.

Acquisition of
property.

50. Section one hundred and twenty-four H of the Principal Act is amended by omitting from sub-section (1.) the word “Division” and inserting in its stead the word “Subdivision”.

51. After section one hundred and twenty-four J of the Principal Act the following Subdivision is inserted in Division 10A of Part III. :—

“ Subdivision B.—Timber Mill Buildings.

Deduction of
expenditure.

“ 124JA.—(1.) Where a person has incurred expenditure of a capital nature (not being expenditure in respect of which a deduction has been allowed or is allowable under a provision of this Act, other than a provision of this Subdivision, or which has been or is to be taken into account in ascertaining the amount of an allowable deduction under such a provision) in respect of the construction or purchase of a building—

- (a) for use primarily and principally in carrying on a business of milling timber for the purpose of gaining or producing assessable income, including a building for use primarily and principally as residential accommodation by employees of the person who are engaged in, or in connexion with, that business, or by dependants of those employees; and
- (b) situated in a forest and in or adjacent to the area where timber milled in the course of that business is or is to be felled,

deductions in respect of the expenditure are allowable in accordance with this section.

“ (2.) The deduction allowable in respect of a year of income is the amount ascertained by dividing the residual capital expenditure in respect of the building, as at the end of that year of income, ascertained in accordance with the next two succeeding sub-sections, by—

- (a) a number equal to the number of whole years, as at the end of that year of income, in the estimated period during which the building will be used for the purpose for which it was primarily and principally constructed or purchased; or

- (b) twenty-five,

whichever number is the less.

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“(3.) For the purposes of this section but subject to the next succeeding sub-section, the residual capital expenditure in respect of a building as at the end of a year of income, or as at any time during a year of income, shall be ascertained by deducting from the amount of expenditure specified in sub-section (1.) of this section incurred in respect of the building any part of that expenditure that has been allowed or is allowable as a deduction under this section from assessable income of a year of income before that year of income.

“(4.) Where any expenditure specified in sub-section (1.) of this section was incurred in respect of a building in a year of income prior to the year of income that commenced on the first day of July, One thousand nine hundred and sixty-three, the residual capital expenditure in respect of that building at any time shall be deemed to be the amount that would have been the residual capital expenditure in respect of that building at that time if the provisions of this Subdivision had applied to assessments in respect of income of that first-mentioned year of income and to assessments in respect of income of each subsequent year of income.

“(5.) Where a building has been disposed of or destroyed, a deduction is not allowable under this section in respect of expenditure in respect of that building from the assessable income of the taxpayer of the year of income in which the disposal or destruction took place or of any succeeding year of income.

“(6.) Where the use of a building by a taxpayer for the purpose for which it was primarily and principally constructed or purchased has been terminated otherwise than by disposal or destruction, a deduction is not allowable under this section in respect of expenditure in respect of that building from the assessable income of the taxpayer of the year of income in which the termination of use took place or of any succeeding year of income in which the building was not used by the taxpayer for that purpose.

“124JB.—(1.) This section applies where deductions have been allowed or are allowable under the last preceding section in respect of expenditure of a capital nature on a building and, in the year of income, the building has been disposed of or destroyed, or the use by the taxpayer of the building for the purpose for which it was primarily and principally constructed or purchased has been otherwise terminated.

Disposal,
destruction or
termination of
use of building.

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“(2.) Where—

- (a) the consideration receivable in respect of the disposal or destruction of the building; or
- (b) in the case of other termination of the use of the building, the value of the building at the date of the termination of use,

exceeds the residual capital expenditure in respect of the building immediately before the time of the disposal, destruction or termination of use, so much of the amount of the excess as does not exceed the sum of the deductions allowed or allowable under the last preceding section in respect of expenditure in respect of the building shall be included in the assessable income.

“(3.) Where the residual capital expenditure in respect of the building immediately before the time of the disposal, destruction or termination of use exceeds—

- (a) the consideration receivable in respect of the disposal or destruction of the building; or
- (b) in the case of other termination of the use of the building, the value of the building at the date of the termination of use,

the amount of the excess shall be an allowable deduction.

“(4.) In this section, ‘ the consideration receivable in respect of the disposal or destruction ’ means—

- (a) in the case of a sale of the building—the sale price less the expenses of the sale of the building;
- (b) in the case of destruction of the building—the amount or value received or receivable under a policy of insurance or otherwise in respect of the destruction;
- (c) in the case where the building is sold with other property and no separate value is allocated to the building—the amount determined by the Commissioner; and
- (d) in the case where the building is disposed of otherwise than by sale—the value, if any, of the building at the date of disposal,

but does not include an amount that is included, or will, when received, be included, in the assessable income of any year of income under Division 4 of this Part.

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“ 124JC.—(1.) Where a person has purchased a building from another person carrying on a business of milling timber for the purpose of gaining or producing assessable income, so much (if any) of the purchase price as exceeds the sum of— Acquisition of building.

- (a) the amount that, if the building had not been sold, would have been, at the end of the year of income in which the sale took place, the residual capital expenditure of the vendor in respect of the building; and
- (b) any part of the purchase price that is included in the assessable income of the vendor in pursuance of the last preceding section,

shall not, for the purposes of this Subdivision, be included in the expenditure of the purchaser in respect of the building.

“ (2.) Where a person has purchased from another person a building in respect of which depreciation has been allowed or is allowable under this Act, so much (if any) of the purchase price as exceeds the sum of—

- (a) the depreciated value of the building immediately before the time of the purchase; and
- (b) any part of the purchase price that is included in the assessable income of the vendor in pursuance of section fifty-nine of this Act,

shall not, for the purposes of this Subdivision, be included in the expenditure of the purchaser in respect of the building.

“ (3.) This section does not apply where the Commissioner is of opinion that the circumstances are such that it should not apply.”

52. Section one hundred and twenty-five of the Principal Act is amended by omitting from paragraph (ii) of sub-section (1.) the words “One hundred and four pounds ” and inserting in their stead the words “ Two hundred and eight pounds ”. Interest paid by a company to a non-resident.

53. Section one hundred and seventy of the Principal Act is amended— Amendment of assessments.

- (a) by inserting after sub-section (9.) the following sub-section:—

“ (9A.) Nothing in this section prevents the amendment, for the purpose of giving effect to section eighty-two K of this Act, of an assessment of a trustee of the estate of a deceased person upon the assessable income derived by the deceased person during the

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year of income in which he died if the trustee has, within three years from the date of death of that person—

- (a) applied in writing to the Commissioner for an amendment of that assessment for the purpose of giving effect to that section; and
 - (b) supplied to the Commissioner all the information needed by the Commissioner for the purpose of deciding the application.”; and
- (b) by inserting in sub-section (10.), after the words “ section seventy-seven AA ”, the words “, section one hundred and five AA, sub-section (2.) of section one hundred and twenty-four DE ”.

Deductions by employer from salary or wages.

54. Section two hundred and twenty-one c of the Principal Act is amended—

- (a) by omitting sub-section (1.) and inserting in its stead the following sub-sections:—

“(1.) For the purpose of enabling the collection by instalments from employees of income tax, the regulations may prescribe rates of deductions to be made by employers from payments of salary or wages that employees receive or are entitled to receive in respect of a week or part of a week.

“(1A.) Where an employer pays to an employee salary or wages, the employer shall, at the time of paying the salary or wages, make a deduction from the salary or wages at such rate (if any) prescribed in accordance with the last preceding sub-section as is applicable.

Penalty: Twenty pounds.”; and

- (b) by inserting in sub-section (2.), after the word “ section ”, the words “ and of the regulations made for the purposes of this section ”.

Amount of provisional tax.

55.—(1.) Section two hundred and twenty-one YC of the Principal Act is amended by omitting from sub-section (4.) the words “ One hundred and four pounds ” (wherever occurring) and inserting in their stead the words “ Two hundred and eight pounds ”.

(2.) Notwithstanding sub-section (1.) of section two hundred and twenty-one YC of the *Income Tax and Social Services Contribution Assessment Act 1936–1963*, where the provisional income

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of a taxpayer of the year of income that commenced on the first day of July, One thousand nine hundred and sixty-three, does not exceed Two hundred and eight pounds, no provisional tax is payable by the taxpayer in respect of income of that year of income.

(3.) Where the provisional income of a taxpayer of the year of income that commenced on the first day of July, One thousand nine hundred and sixty-three, exceeds Two hundred and eight pounds but does not exceed Two hundred and fourteen pounds, the amount of provisional tax payable by the taxpayer in respect of income of that year of income by virtue of subsection (1.) of section two hundred and twenty-one YC of the *Income Tax and Social Services Contribution Assessment Act 1936-1963* shall be deemed to be an amount equal to the income tax that would be payable by the taxpayer by virtue of the *Income Tax and Social Services Contribution Act 1963* in respect of a taxable income equal to that provisional income.

56.—(1.) The amendments made by paragraphs (c) and (g) of section four, paragraph (c) of section six, section seven, paragraph (b) of section eight, sections nine and ten, sections sixteen to twenty (inclusive), sections twenty-two to twenty-four (inclusive), sections twenty-six to twenty-eight (inclusive), paragraph (a) of section thirty, sections thirty-one to thirty-eight (inclusive) and section fifty-one of this Act apply to assessments in respect of income of the year of income that commenced on the first day of July, One thousand nine hundred and sixty-three, and in respect of income of all subsequent years of income.

Application
of
amendments.

(2.) The amendment made by section forty of this Act applies to assessments in respect of income of the year of income that commenced on the first day of July, One thousand nine hundred and sixty-two, and in respect of income of all subsequent years of income.

(3.) The amendments made by paragraphs (c) and (d) of section eight, section thirteen, paragraph (b) of section thirty and section forty-six of this Act apply to assessments made after the day on which this Act receives the Royal Assent in respect of income of any year of income.

(4.) The amendments made by paragraphs (b) and (c) of section twenty-five of this Act apply in relation to moneys paid on shares after the twelfth day of June, One thousand nine hundred and sixty-three.