



**National Council of
Women of New Zealand**

Te Kaunihera
Wahine O Aotearoa

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**Submission to the Finance and Expenditure Select Committee
on the Taxation (Beneficiary Income relating to Minors, Service-related
Payments and Remedial Matters) Bill**

Introduction

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 43 nationally organised societies. It has 34 branches spread throughout the country to which women from some 150 societies are affiliated. Its purpose is to work for the well being of women, families and society through research, discussion and action.

This Submission, prepared by members of the Economics Standing Committee of NCWNZ, concentrates on the section relating to the taxation of beneficiary income of minors in the Taxation (Beneficiary Income of Minors, Service-related payments and Remedial Matters) Bill.

General Comments

Overall NCWNZ supports the spirit of the proposed rule, which would ensure that distributions of beneficiary income to children under the age of 16 years were taxed at a final rate of 33%. If parents and guardians are placing income-earning assets in a trust, distributing income to children as beneficiary income taxed at a lower marginal rate and using the income to meet family expenses, then this is a clear example of tax avoidance and should be discouraged. In addition, members support the treatment of tax on minor beneficiary income as a final tax and agree that income earned from inherited property be exempt.

However several respondents were concerned at the taxing of beneficiary income of minors at a higher rate if the use of that income was to fund education and training. Respondents also questioned the \$200 threshold exemption level.

Specific Comment

Part 1 Amendments to Income Tax Act 1994

Clause 13 New sections HH 3A and HH 3B inserted

HH 3A Beneficiary income of minors

(1) (b)

In the interests of tax simplification and reduced compliance costs, NCWNZ agrees that the tax on minor beneficiary income be a final tax and therefore excluded from the calculation of the minor's final tax liability.

(2) Subsection (1)

NCWNZ questions the level of the \$200 threshold exemption believing that the level should be raised. An annual amount of \$200 equates to less than \$5 per week. This brings into question costs of paperwork and effort required for amounts slightly greater than \$200. A more suitable threshold level would be \$1,000 equating to approximately \$20 per week.



HH 3B Source of beneficiary income and particular distributions

(2) (C)

NCWNZ agrees that the proposed rule, of taxing beneficiary income of minors at a rate of 33%, should not apply where the income is derived from inherited property under the terms of a will, codicil or intestacy. It is believed inequitable that children's inheritance be taxed at a higher marginal rate.

Conclusion

NCWNZ appreciates the opportunity to contribute to the section of this Bill concerning the taxation of beneficiary income of minors. In general, it is believed that the Bill is appropriate and timely.

Barbara Glenie
National President

Gillian Leigh
Convener, Economics Standing Committee