

# Income Tax Assessment

No. 50 of 1966

An Act to amend the *Income Tax Assessment Act* 1936–1965.

[Assented to 26 October 1966]

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

Short title  
and citation.

1.—(1.) This Act may be cited as the *Income Tax Assessment Act* 1966.

(2.) The *Income Tax Assessment Act* 1936–1965\* is in this Act referred to as the Principal Act.

(3.) The Principal Act, as amended by this Act, may be cited as the *Income Tax Assessment Act* 1936–1966.

Commence-  
ment.

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

(2.) Section 17 of this Act shall come into operation on the day on which the *Bankruptcy Act* 1966 comes into operation.

\* 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; Nos. 39 and 98, 1962; Nos. 34 and 69, 1963; Nos. 46, 68, 110 and 115, 1964; and Nos. 33, 103 and 143, 1965.

3. Section 5 of the Principal Act is amended by omitting the words—

“ Division 16.—Averaging of Incomes (Sections 149—158A).”  
and inserting in their stead the words—

“ Division 16.—Averaging of Incomes (Sections 149—158AC).”.

4. Section 26BA of the Principal Act is repealed and the following section inserted in its stead:—

“ 26BA.—(1.) This section applies to the year of income that ended on the thirtieth day of June, One thousand nine hundred and sixty-five, and to the year of income that ended on the thirtieth day of June, One thousand nine hundred and sixty-six.

Double wool  
clips in  
1964-65 and  
1965-66  
income years.

“ (2.) Where—

- (a) during a year of income to which this section applies, a taxpayer carried on a business of primary production in Australia;
- (b) the assessable income of the taxpayer of that year of income includes—
  - (i) proceeds of the sale of wool that was shorn in that year of income from sheep being assets of that business;
  - (ii) proceeds of the sale of wool that was shorn in the last preceding year of income from sheep being assets of that business but was on hand at the beginning of the first-mentioned year of income and the value of which is taken into account for the purposes of section twenty-eight of this Act at the beginning of the first-mentioned year of income at its cost price; or
  - (iii) an amount in respect of wool shorn in the last preceding year of income, being an amount included in the assessable income of the taxpayer of the first-mentioned year of income by reason of the operation of this section;
- (c) by reason of drought in an area in Australia in which the taxpayer carried on that business, another shearing of any sheep being assets of that business took place at a time earlier than the time at which, but for the drought, that shearing would ordinarily have taken place; and
- (d) the assessable income of the taxpayer of the first-mentioned year of income includes proceeds of the sale of wool that was shorn at that other shearing,

the succeeding sub-sections of this section have effect.

“(3.) The taxpayer may elect that this section shall apply in relation to the profit on the sale of the wool that was shorn at that other shearing and the proceeds of the sale of which are included in the assessable income of the taxpayer of the year of income first referred to in the last preceding sub-section (in the succeeding sub-sections of this section referred to as ‘the year of income to which the election relates’).

“(4.) Where any sheep were assets of a partnership and, if the sheep had been owned by a partner in the partnership, that partner would be entitled to make an election under the last preceding sub-section in relation to the profit on the sale of wool shorn from the sheep, that partner may make an election under that sub-section in relation to the part of the profit on the sale of the wool that is included in his individual interest in the net income of the partnership.

“(5.) Where any sheep referred to in paragraph (c) of sub-section (2.) of this section were assets of a business carried on by the trustee of a trust estate—

(a) the trustee may make an election under sub-section (3.) of this section in relation only to the part of the profit on the sale of the wool that is included in the net income of the trust estate in respect of which the trustee is liable to be assessed and to pay tax under the provisions of Division 6 of this Part; and

(b) any beneficiary in the trust estate who—

(i) is not under a legal disability;

(ii) is presently entitled to a share of the net income of the trust estate, being a share that includes a part of the profit on the sale of the wool; and

(iii) would, if the sheep had been owned by him, be entitled to make an election under sub-section (3.) of this section in relation to the profit on the sale of the wool,

may make an election under sub-section (3.) of this section in relation to that part of that profit.

“(6.) Where a taxpayer makes an election under sub-section (3.) of this section—

(a) the assessable income of the taxpayer of the year of income to which the election relates shall be reduced by an amount equal to the profit on the sale of the wool, or the part of the profit on the sale of the wool, to which his election relates; and

(b) there shall be included in the assessable income of the taxpayer of the next succeeding year of income an amount equal to that profit or that part of that profit, and the amount so included shall, for the purposes of

this Act, be deemed to be derived by the taxpayer during that succeeding year of income from the carrying on by him in Australia, during that year of income, of a business of primary production.

“(7.) Where a taxpayer, other than a trustee, who would have been entitled to make an election under sub-section (3.) of this section in relation to a year of income has died before the end of that year of income, the election may be made by the trustee of his estate and, where such an election is made, paragraph (b) of the last preceding sub-section does not apply but there shall be included in the assessable income of the estate of the deceased taxpayer of the next succeeding year of income an amount equal to the profit on the sale of the wool, or the part of the profit on the sale of the wool, to which the election relates, and, for the purposes of this Act, the amount so included shall be deemed to be derived by the trustee during that next succeeding year of income from the carrying on by him in Australia, during that year of income, of a business of primary production and shall be deemed to be income to which no beneficiary is presently entitled.

“(8.) An election under sub-section (3.) of this section shall be made in writing and lodged with the Commissioner on or before—

- (a) where the election relates to the year of income that ended on the thirtieth day of June, One thousand nine hundred and sixty-five—the thirty-first day of December, One thousand nine hundred and sixty-five; or
- (b) where the election relates to the year of income that ended on the thirtieth day of June, One thousand nine hundred and sixty-six—the thirty-first day of December, One thousand nine hundred and sixty-six,

or the date of lodgment of the return of income of the taxpayer, or, if the taxpayer has died and the election is made under the last preceding sub-section by the trustee of his estate, the date of lodgment of the return of income of the deceased taxpayer, of the year of income to which the election relates, whichever is the later, or on or before such later date as the Commissioner allows.

“(9.) In this section, a reference to the profit on the sale of any wool shall be read as a reference to the amount remaining after deducting from the proceeds of the sale of the wool the expenses directly attributable to the shearing and sale of the wool that were incurred by the taxpayer in the year of income in which those proceeds were included in the assessable income of the taxpayer.

“(10.) Notwithstanding anything in any other provision of this Act, the Commissioner may amend an assessment for the purpose of giving effect to this section.”.

**Disposal of trading stock.**

5. Section 36 of the Principal Act is amended by omitting from sub-section (3B.) the words “to the purchase of live stock in replacement of the live stock disposed of” and inserting in their stead the words “to the purchase of live stock, or to the maintenance of breeding stock, for the purpose of replacing the live stock disposed of”.

**Depreciation.**

6. Section 54 of the Principal Act is amended by omitting from sub-paragraph (ii) of paragraph (b) of sub-section (2.) the words “paragraph (g), (h), (i) or (j)” and inserting in their stead the words “paragraph (g), (ga), (h), (i) or (j)”.

**Certain expenditure on land used for primary production.**

7. Section 75 of the Principal Act is amended—

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

“(ga) the erection of fences on the land to exclude live stock from areas affected by soil erosion, where the purpose of excluding the live stock is to prevent or limit any extension or aggravation of soil erosion in those areas and to assist in the reclamation of those areas;” and

(b) by omitting from sub-section (2.) the words “paragraph (g), (h), (i), (j) or (k)” and inserting in their stead the words “paragraph (g), (ga), (h), (i), (j) or (k)”.

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

8. Section 78 of the Principal Act is amended—

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

“(xxvi) The National Trust of Australia (New South Wales), the National Trust of Australia (Victoria), The National Trust of Queensland, The National Trust of South Australia, The National Trust of Australia (W.A.), the National Trust of Australia (Tasmania), the Northern Territory National Trust and the Australian Council of National Trusts;”;

(b) by inserting after sub-paragraph (xlii) of paragraph (a) of sub-section (1.) the following sub-paragraphs:—

“(xliii) a prescribed institution of advanced education, where the gift is for certified purposes of the institution or for the provision of certified facilities for the institution;

“(xliv) the Australian Conservation Foundation Incorporated;” and

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

“ (5.) For the purposes of sub-paragraph (xliii) of paragraph (a) of sub-section (1.) of this section—

(a) ‘ certified purposes ’, in relation to a prescribed institution of advanced education, means purposes of the institution that have been certified by the Prime Minister, or by a person authorized in writing by him to act for the purposes of that sub-paragraph, to relate exclusively to tertiary education; and

(b) ‘ certified facilities ’, in relation to a prescribed institution of advanced education, means facilities that the Prime Minister, or a person authorized in writing by him to act for the purposes of that sub-paragraph, has certified that he is satisfied are, or are to be, used wholly or principally for purposes of the institution that are certified purposes within the meaning of that sub-paragraph.”.

9. Section 80 of the Principal Act is amended—

(a) by inserting in sub-section (1.), after the words “ under this section ”, the words “ or the next succeeding section ”;

(b) by inserting after sub-section (2.) the following sub-section:—

“ (2A.) Where a taxpayer has incurred a loss in any of the seven years next preceding the year of income and, for the purposes of the next succeeding section, a loss in engaging in primary production is to be deemed to have been incurred by him in that preceding year, so much only of the first-mentioned loss as exceeds the second-mentioned loss shall be taken into account for the purposes of the last preceding sub-section.”;

(c) by omitting from sub-section (4.) the words “ the *Bankruptcy Act* 1924 or that Act as amended ” and inserting in their stead the words “ an Act relating to bankruptcy ”; and

(d) by omitting paragraphs (a) to (c), inclusive, of sub-section (4B.) and inserting in their stead the following paragraphs:—

“ (a) the deductions, if any, allowed under the last preceding sub-section from his income of a year or years of income before the year of

Losses of  
previous years.

income in relation to the payment of other amounts in respect of debts incurred by the taxpayer in the year of loss;

- “(b) so much, if any, of the loss as has been allowed under sub-section (2.) of this section as a deduction or deductions from his income (including his net exempt income) of a year or years of income before the year of income;
- “(c) so much, if any, of the loss as, but for sub-section (4.) of this section, would have been allowed or allowable under sub-section (2.) of this section as a deduction or deductions from his net exempt income of the year of income or of a year or years of income before the year of income;
- “(d) so much, if any, of a loss that, for the purposes of the next succeeding section, is to be deemed to have been incurred by him in the year of loss as has been allowed under sub-section (4.) of that section as a deduction or deductions from his income (including his net exempt income) of a year or years of income before the year of income; and
- “(e) so much, if any, of a loss that, for the purposes of the next succeeding section, is to be deemed to have been incurred by him in the year of loss as, but for sub-section (6.) of that section, would have been allowed or allowable under sub-section (4.) of that section as a deduction or deductions from his net exempt income of the year of income or of a year or years of income before the year of income.”

10. After section 80 of the Principal Act the following sections are inserted:—

Losses of  
previous years  
incurred in  
engaging in  
primary  
production.

“80AA.—(1.) This section applies to losses incurred by a taxpayer in engaging in primary production in the year of income that commenced on the first day of July, One thousand nine hundred and fifty-seven, and subsequent years.

“(2.) For the purposes of this section, a taxpayer who has engaged in primary production in any year shall be deemed to have incurred a loss in engaging in primary production in that year if—

- (a) the deductions (other than the concessional deductions and the deductions allowable under this section or the last preceding section) allowable from so much of

the assessable income of that year as was derived from engaging in primary production exceed that assessable income; and

- (b) for the purposes of the last preceding section, a loss was incurred by the taxpayer in that year,

and the amount of the loss that the taxpayer is to be deemed to have incurred in engaging in primary production in that year shall be deemed to be—

- (c) if the amount of the excess referred to in paragraph (a) of this sub-section is equal to the amount of the loss referred to in paragraph (b) of this sub-section—the amount of that excess; or
- (d) in any other case—the amount of the excess referred to in paragraph (a) of this sub-section or the amount of the loss referred to in paragraph (b) of this sub-section, whichever is the less.

“(3.) The reference in the last preceding sub-section to the deductions allowable from so much of the assessable income of a year as was derived from engaging in primary production shall be read as a reference to—

- (a) any deductions allowable from the assessable income of that year that relate exclusively to engaging in primary production; and
- (b) any other deductions allowable from the assessable income of that year to the extent to which they relate to engaging in primary production.

“(4.) So much of the losses to which this section applies incurred by a taxpayer in any of the years preceding the year of income as has not been allowed as a deduction from his income of any of those years under this section is allowable as a deduction in accordance with the following provisions:—

- (a) where he has not in the year of income derived exempt income, the deduction shall be made from the assessable income;
- (b) where he has in that year derived exempt income, the deduction shall be made successively from the net exempt income and from the assessable income;
- (c) where a deduction is allowable under this section in respect of two or more losses, the losses shall be taken into account in the order in which they were incurred.

“(5.) In this section, ‘net exempt income’ has the same meaning as in the last preceding section.



“(6.) Notwithstanding any other provision of this section, where, before the year of income, a taxpayer has become a bankrupt, or, not having become a bankrupt, has been released from any debts by the operation of an Act relating to bankruptcy, no loss to which this section applies that was incurred by him before the date on which he became a bankrupt or the date on which he was so released, as the case may be, is an allowable deduction.

“(7.) Where, in the year of income, a taxpayer pays an amount in respect of a debt incurred by him in the course of engaging in primary production in a year in which he incurred a loss to which the last preceding sub-section applies, being a year not later than the eighth year next preceding the year of income, the amount paid by the taxpayer in respect of the debt is, subject to the next succeeding sub-section, an allowable deduction to the extent to which it does not exceed so much of the debt as the Commissioner is satisfied was taken into account in ascertaining the amount of the loss.

“(8.) The aggregate of the deductions allowable under the last preceding sub-section from the income of the taxpayer of the year of income in relation to the payment of amounts in respect of debts incurred by the taxpayer in a year in which he incurred a loss to which this section applies (in this sub-section referred to as ‘the year of loss’) shall not exceed the amount of that loss less the sum of—

- (a) the deductions, if any, allowed under the last preceding sub-section or under sub-section (4A.) of the last preceding section from his income of a year or years of income before the year of income in relation to the payment of other amounts in respect of debts incurred by the taxpayer in the course of engaging in primary production in the year of loss;
- (b) so much, if any, of the loss as has been allowed under sub-section (4.) of this section as a deduction or deductions from his income (including his net exempt income) of a year or years of income before the year of income;
- (c) so much, if any, of the loss as, but for sub-section (6.) of this section, would have been allowed or allowable under sub-section (4.) of this section as a deduction or deductions from his net exempt income of the year of income or of a year or years of income before the year of income; and
- (d) the amount, if any, by which the sum of—
  - (i) the deductions, if any, allowed under sub-section (4A.) of the last preceding section from his income of a year or years of income before the year of income in relation to the

payment of amounts in respect of debts (other than debts incurred in the course of engaging in primary production) incurred by the taxpayer in the year of loss;

- (ii) the deductions, if any, allowed under sub-section (2.) of the last preceding section from his income (including his net exempt income) of a year or years of income before the year of income in respect of a loss that, for the purposes of that section, is to be deemed to have been incurred by him in the year of loss; and
- (iii) the deductions, if any, that, but for sub-section (4.) of the last preceding section, would have been allowed or allowable in respect of that loss under sub-section (2.) of that section from his net exempt income of the year of income or of a year or years of income before the year of income,

exceeds the difference, if any, between the amount of the loss that, for the purposes of the last preceding section, is to be deemed to have been incurred by him in the year of loss and the amount of the loss to which this section applies that was incurred by him in that year.

“ 80AB. Where deductions are allowable from the income of a taxpayer of the year of income under both sub-section (2.) of section eighty, and sub-section (4.) of section eighty AA, of this Act, any deductions allowable under sub-section (2.) of section eighty of this Act shall be taken into account before any deductions allowable under sub-section (4.) of section eighty AA of this Act.

Order in which deductions allowable in respect of losses of previous years are to be taken into account.

“ 80AC.—(1.) Where, but for this section, the net exempt income of a taxpayer of the year of income would be taken into account both for the purpose of paragraph (b) of sub-section (2.) of section eighty of this Act and for the purpose of paragraph (b) of sub-section (4.) of section eighty AA of this Act, the amount of that net exempt income to be taken into account for the last-mentioned purpose shall not exceed the amount (if any) of that net exempt income that remains after deducting so much of that net exempt income as has been taken into account for the first-mentioned purpose.

Limitations on net exempt income to be taken into account in respect of deductions under section 80AA.

“ (2.) Where, but for this section, the net exempt income of a taxpayer of the year of income would be taken into account both for the purpose of paragraph (c) of sub-section (4B.) of section

eighty of this Act and for the purpose of paragraph (c) of sub-section (8.) of section eighty AA of this Act, the amount of that net exempt income to be taken into account for the last-mentioned purpose shall not exceed the amount (if any) of that net exempt income that remains after deducting so much of that net exempt income as has been taken into account for the first-mentioned purpose.”.

Additional tax on undistributed amount.

11. Section 104 of the Principal Act is amended by omitting from sub-section (1.) the words “imposing income tax” and inserting in their stead the words “declaring the rates of income tax”.

Election that this Division shall not apply.

12. Section 158A of the Principal Act is amended by omitting from sub-section (3.) the word “Where” and inserting in its stead the words “Subject to the next two succeeding sections, where”.

13. After section 158A of the Principal Act the following sections are inserted:—

Election that this Division shall apply.

“158AA.—(1.) This section applies to a taxpayer who has made an election under the last preceding section that this Division shall not apply to him for the purposes of tax upon his taxable income of a year of income earlier than the year of income that commenced on the first day of July, One thousand nine hundred and sixty-six, and of all subsequent years of income.

“(2.) Subject to the next succeeding sub-section, a taxpayer to whom this section applies may elect that this Division shall apply to him for the purposes of tax upon his taxable income of a year of income specified in the election and of all subsequent years of income.

“(3.) An election under the last preceding sub-section does not have any effect unless the year of income specified in the election is—

- (a) if the taxpayer is not a primary producer in the year of income that commenced on the first day of July, One thousand nine hundred and sixty-six, and the next three succeeding years of income—the first subsequent year of income in which he is a primary producer; or
- (b) in any other case—the year of income that commenced on the first day of July, One thousand nine hundred and sixty-six, or one of the next three succeeding years of income, being a year of income in which the taxpayer is a primary producer.

“(4.) In this section, ‘primary producer’ has the same meaning as in section one hundred and fifty-seven of this Act.

“(5.) An election under sub-section (2.) of this section shall be made in writing and lodged with the Commissioner on or

before the date of lodgment of the return of income of the taxpayer for the year of income specified in the election or within such further time as the Commissioner allows.

“(6.) Where a taxpayer has made an election under sub-section (2.) of this section, this Division has effect for the purposes of tax upon his taxable income of the year of income specified in the election and of all subsequent years of income as if he had not made an election under sub-section (1.) of the last preceding section.

“158AB. Where a taxpayer has made an election under the last preceding section, he is not entitled to make another election under section one hundred and fifty-eight A of this Act.

No further election that this Division not to apply.

“158AC.—(1.) This section applies to a taxpayer in relation to a year of income (in this sub-section referred to as ‘the relevant year of income’) if—

Ascertainment of average income in certain cases.

- (a) this Division applied to him for the purposes of tax upon his taxable income of the year of income that ended on the thirtieth day of June, One thousand nine hundred and sixty-six, and of each subsequent year of income to and including the relevant year of income, or would have so applied if he had had a taxable income in each of those years of income;
- (b) the taxable income of the taxpayer of the relevant year of income is less than his average income of that year of income and is also less than Sixteen thousand dollars;
- (c) the average income of the taxpayer of the relevant year of income is greater than Eight thousand dollars; and
- (d) this section applied to the taxpayer in relation to every year of income (if any) preceding the relevant year of income, being a year of income that was not earlier than the year of income that ended on the thirtieth day of June, One thousand nine hundred and sixty-seven, but not being a year of income in respect of which—
  - (i) both the taxable income of the taxpayer and his average income were not more than Eight thousand dollars or were not less than Sixteen thousand dollars;
  - (ii) the taxable income of the taxpayer was equal to his average income; or
  - (iii) the taxpayer did not have a taxable income.

“(2.) A reference in the last preceding sub-section to the average income of a taxpayer of a year of income shall be read as

a reference to the average income of the taxpayer by reference to which the rate of tax applicable to the taxable income of the taxpayer of that year of income would, but for this section, be calculated.

“(3.) Where this section applies to a taxpayer in relation to a year of income, the average income of the taxpayer shall, for the purpose only of determining the rate of tax payable in respect of the taxable income of the taxpayer of that year of income, be deemed to be—

- (a) if that taxable income is greater than Eight thousand dollars—the amount of that taxable income; and
- (b) in any other case—Eight thousand dollars.”.

**Rebate in case of disposal of assets of a business of primary production.**

**14.** Section 160 of the Principal Act is amended—

- (a) by omitting from sub-paragraph (i) of paragraph (a) of sub-section (3.) the words “declared by the Act imposing tax” and inserting in their stead the words “set out in the Act declaring the rates of tax”; and
- (b) by omitting from sub-paragraph (i) of paragraph (b) of sub-section (3.) the words “the Act imposing tax” and inserting in their stead the words “the Act declaring the rates of tax”.

**Interpretation.**

**15.** Section 160AE of the Principal Act is amended by omitting from paragraph (a) of the definition of “the average rate of Australian tax” in sub-section (1.) the words “the Act” and inserting in their stead the words “an Act”.

**Credit in respect of tax paid in the Territory of Papua and New Guinea.**

**16.** Section 160AF of the Principal Act is amended by omitting from paragraph (b) of sub-section (2.) the words “the Act” and inserting in their stead the words “an Act”.

**Payment of tax to have priority in case of liquidation.**

**17.—(1.)** Section 221 of the Principal Act is amended—

- (a) by omitting sub-paragraph (i) of paragraph (b); and
- (b) by omitting the words “the person, trustee or liquidator, as the case may be, to pay to the Commissioner a sum not exceeding double the amount of tax due by him, or by the bankrupt estate or company in liquidation, as the case may be,” and inserting in their stead the words “the liquidator to pay to the Commissioner a sum not exceeding double the amount of tax due by the company in liquidation”.

(2.) The amendments made by the last preceding sub-section do not require the repayment of any amount paid under sub-paragraph (i) of paragraph (b) of section 221 of the Principal Act before the commencement of this section.

(3.) Notwithstanding sub-section (1.) of this section, section 221 of the Principal Act continues to apply in relation to the estate of a person who became a bankrupt before the commencement of this section if, by virtue of sub-section (3.) of section 287 of the *Bankruptcy Act* 1966, the administration and distribution of the property of the bankrupt are to be completed, and the provisions of the *Bankruptcy Act* 1924–1965 are to apply in relation to the administration and distribution of the property of the bankrupt, as if the *Bankruptcy Act* 1966 had not been passed.

18. Section 221yc of the Principal Act is amended by omitting from sub-section (2.) the words “ Where the rates of income tax declared by the Parliament (other than the rates of income tax payable by a company) for any financial year are higher or lower than the rates declared for the next preceding financial year ” and inserting in their stead the words “ Where any of the rates of income tax declared by the Parliament for a financial year are higher or lower than the corresponding rates declared for the immediately preceding financial year ”.

Amount of  
provisional tax.

19. The Principal Act is amended as set out in the Schedule to this Act.

Additional  
amendments.

20.—(1.) The amendments made by sections 5, 9, 10 and 19 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-five, and in respect of income of all subsequent years of income.

Application of  
amendments.

(2.) The amendments made by sections 6, 7, 8, 12 and 13 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-six, and in respect of income of all subsequent years of income.

21.—(1.) This section applies for the purposes of the making of an assessment in respect of income of a taxpayer of the year of income that commenced on the first day of July, One thousand nine hundred and sixty-five, or of a succeeding year of income.

Transitional  
provision in  
relation to  
losses of  
previous years.

(2.) Where, in assessments in respect of income of the taxpayer of years of income preceding the year of income that commenced on the first day of July, One thousand nine hundred and sixty-five, deductions (in this section referred to as “ the actual deductions ”) have been allowed under section 80 of the *Income Tax and Social Services Contribution Assessment Act* 1936–1957, or of that Act as amended, in respect of losses of previous years other than losses incurred before the year of income that commenced on the first day of July, One thousand nine hundred and fifty-seven, such deductions (in this section referred to as “ the

notional deductions”) shall be deemed to have been allowed in those assessments, in lieu of the actual deductions, as would have been allowed if—

- (a) the amendments made by sections 9 and 10 of this Act had been in force in relation to assessments in respect of income derived during those preceding years of income; and
- (b) each amendment made by section 19 of this Act to a provision of the Principal Act had been in force in relation to assessments to which that provision applied in respect of income derived during those preceding years of income,

but no amount shall be so deemed to have been allowed as a deduction where, if it were so deemed to have been allowed, the total of the notional deductions would exceed the total of the actual deductions.

(3.) In this section—

- (a) a reference to a deduction that has been, or would have been, allowed shall be read as including a reference to a deduction that is, or would be, allowable; and
- (b) a reference to a deduction shall be read as including a reference to a deduction from net exempt income.

### THE SCHEDULE ADDITIONAL AMENDMENTS

Section 19.

Section amended	Amendments
51AC	After “ section eighty ” in paragraph (b) of the definition of “ the tax saving ” in sub-section (1.), insert “ or section eighty AA ”.
79C	After “ section eighty ” in sub-section (8.), insert “ or section eighty AA ”.
80A	Omit “ the deduction of losses ”, insert “ deductions allowable under section eighty or section eighty AA of this Act in respect of losses ”.
80B	Omit from sub-section (1.) “ Notwithstanding the last preceding section ”, insert “ Notwithstanding sections eighty and eighty AA of this Act ”.
80C	Omit from sub-sections (1.) and (2.) “ for the purposes of the last preceding section ”, insert “ for the purposes of section eighty or section eighty AA of this Act ”.
80D	After “ section eighty ” in paragraph (c) of sub-section (5.), insert “ or section eighty AA ”.
80E	After “ Notwithstanding sections eighty ” in sub-section (1.), insert “, eighty AA ”.
	After “ for the purposes of section eighty ” in sub-section (1.), insert “ or section eighty AA ”.
	Omit from sub-section (2.) “ section eighty of this Act ”, insert “ section eighty or section eighty AA of this Act, as the case requires.”.
	After “ section eighty ” in sub-section (4.), insert “ or section eighty AA ”.
	After “ section eighty ” in sub-section (1.), insert “ or section eighty AA ”.
	After “ section eighty ” in paragraph (a) of sub-section (1.), insert “ or section eighty AA ”.
	After “ section eighty ” in paragraph (b) of sub-section (2.), insert “ or section eighty AA ”.

THE SCHEDULE—*continued*  
 ADDITIONAL AMENDMENTS—*continued*

Section amended	Amendments
90	Before " losses " in the definition of " net income ", insert " deductions allowable under section eighty or section eighty AA of this Act in respect of ".
	Before " losses " in the definition of " partnership loss ", insert " deductions allowable under section eighty or section eighty AA of this Act in respect of ".
95	Omit " the deduction of such of the losses ", insert " the deductions allowable under section eighty or section eighty AA of this Act in respect of such of the losses ".
124D <sup>F</sup>	<p>After " section eighty " in sub-paragraph (i) of paragraph (b), insert " or section eighty AA ".</p> <p>Omit from sub-paragraph (i) of paragraph (b) " that section ", insert " either of those sections ".</p> <p>After " section eighty " in sub-paragraph (ii) of paragraph (b), insert " or section eighty AA ".</p> <p>Omit from sub-paragraph (ii) of paragraph (b) " that section ", insert " either of those sections ".</p>