
Review of

Taxation & Deferred Pay

of NZ Troops who Served in South Vietnam



Peter Cooke, BA(Hons) • May 2011

Background

In 2006 the Joint Working Group established to investigate the concerns of Vietnam veterans briefly touched on the subject of taxation of income. It concluded in its Report to the Government that the “tax issue requires resolution”.¹ The official historian Dr Ian McGibbon covered the matter as part of the “vexed issue of pay” in *New Zealand’s Vietnam War*, published in September 2010.² Early in 2011 the National Office of the Royal New Zealand Returned & Services Association contracted independent historian Peter Cooke to more fully investigate the archival record on the topic.

Terms of Reference

1. Review all available material relevant to the decision of the NZ Government of the day to adopt a system of payment of deferred pay to NZ servicemen and women who served in Vietnam.
2. Review all relevant Government legislative provisions relating to any pay including those relating to 2NZE and K-Force
3. Consult with any surviving officials who served in key posts at the time of the decision.
4. Consult with RNZRSA, Ex-Vietnam Services Assn and other individuals who are able to assist in providing information on the subject, including discussion at the Joint Working Group and other relevant meetings.
5. Deadline: Friday 20 May 2011

Early Precedents

By the 1960s a tradition had been established in NZ that when troops serve overseas they enjoy some measure of relief from income taxation. The instances of when this occurred, in the First and Second World War and Korea, are reviewed below.

First World War - NZEF

The Defence Act 1909 empowered the Governor to make regulations covering any NZ Military Force, including for provision of pay. This included any force serving outside NZ.³ Service personnel with NZEF were exempted from paying income taxation by regulation.

The provision to make regulations was included in the Expeditionary Forces Act 1915 which, though passed in 11 October 1915, was retrospectively applied to the forces raised and dispatched in 1914.⁴ Within the bounds of the regulations, this pay was to be at the discretion of the Minister of Defence. Deductions could be made for dependents (s31(1)) but the pay could not be subject to “any assignment or charge” (s32). Until 1916 only volunteers were accepted for NZEF, but with the Military Service Act 1916 conscription was applied.

Bonuses became payable at the Minister’s discretion under the Expeditionary Forces Amendment Act 1918 (s7). The bonus was not to be regarded “as a matter of right, but shall be deemed to be a free gift by the State in recognition of the honourable service of soldiers”. It could be withheld at the Minister’s discretion. This led to a ‘gratuity’ being paid after the conclusion of hostilities and the return home of the NZEF.

An ex-gunner from WWI said he earned 2/- a day in NZEF, with another 3/- going home to his next-of-kin. “In other words I was shot at for a cash payment of one penny an hour for the 24 hours a day.”⁵

Second World War - 2 NZEF

Government started by exempting called-up civil servants from paying their Social Security charge and National Security tax (in fact Government paid it for them). This was extended over the first 12 months of the war to members of the 2nd NZ Expeditionary Force and air and naval services, in lieu of a cost-of-living bonus. They were also exempted from paying their income tax and annual levy, but this was not extended to called-up Territorials serving at home until October 1941 and called-up NMR and Home Guardsmen until 1942. These moves were all enacted under emergency regulations, enabled under the Emergency Regulations Act 1939, or the Land & Income Tax Amendment Act 1939.

1 ‘Joint Working Group on Concerns of Viet Nam Veterans, Report to the Government, April 2006’. Part 3 Putting Things Right, Section 3.1 Reparation and Ongoing Support, sub-section 3.1.11, The Tax Issue, para (6).

2 McGibbon, 2010, p882

3 The Defence Act 1909, 9 Edw VII, 1909 No28, s4(b); s26(1)

4 The Expeditionary Forces Act 1915, 6 Geo V, 1915, No4. Section 30(1), (2).

5 *Evening Post*, letters to the editor by ‘Quo Fas Et Gloria Ducunt’. 6 Nov 1965

Section 3 of the last-named act said simply:⁶

“3. (1) In the case of persons engaged outside NZ in any of His Majesty’s Naval, Military, or Air Forces in connection with the present war, the pay and allowances earned by them outside NZ as members of such forces shall not be assessable for income-tax.”⁷

Korean War - K-Force

After committing itself to provide a force to serve alongside United Nations troops in Korea, the NZ Government passed the Emergency Forces Act 1950 (on 25 August, just as the main draft of volunteers had entered camp to train). In relation to the Army this act was considered part of and to be read in conjunction with the Defence Act 1909 (s3) and, for the air component, the Air Force Act 1937 (s9). Only volunteers were accepted for K-Force and their pay was authorized under the principal acts.

In 1951, following Australian precedent,⁸ legislation was passed to exempt members of K Force from paying tax on income.⁹ The tax exemption was extended in 1952 to men on furlough in NZ, which were for periods of 28 days, despite opposition to the idea from NZRSA. This was then built into the Land & Income Tax Act 1954 as Section 87, which states that a:

“person’s pay and allowances as relate to the period of his service in an operational area... shall not be assessable for income tax.” It applied to “any person engaged in any naval, military or air force raised in NZ or in any part of the Commonwealth [who] is in receipt of pay and allowances in respect of that engagement....”¹⁰

The ‘operational area’ was not defined, but Section 87(3, 4, 5) established a special committee of executive government ministers, comprising the Prime Minister, Minister of Defence and Minister in Charge of the Inland Revenue Dept, to “define any specified area to be an operational area for the purposes of this section”.¹¹ This act and its amendments were in force throughout NZ’s deployment to Vietnam, it being cited for instance in 1970 to remind NZ troops that Vietnam had *not* been defined as an operational area and that therefore they were still subject to taxation.¹²

The special committee in 1954 deemed Korea to be an operational area and exempted personnel serving there from paying tax on their income. This was backdated to the date of embarkation “following protests from members of the force, the RSA and other organizations at the time the unit [K-Force] was formed.”¹³ When NZ forces were sent to Malaya in 1955, however, they instead received a Location Allowance “and enjoyed better standards [of living] than those in Korea”, and were not granted exemption from paying tax on their income. Neither Malaya nor Borneo were deemed by the special committee to be operational areas for the purposes of the act, the service personnel instead being considered “to have all the advantages of Regular Force employment”.¹⁴

The tax concession was not to affect the war gratuity that had also developed as a tradition for service personnel at the conclusion of hostilities.¹⁵

South-East Asian Precedent

NZ troops had been serving in Malaya from 1955 without the taxation concession applying. There and in other postings the principle was that the Location Allowance compensated the personnel for any trouble caused by their environment. In instances where the Location Allowance was abated in 1964 for senior officers, a tax adjustment allowance was paid in lieu.¹⁶

The irksome conditions in South East Asia led to special attention being paid to allowances for any special force deployed. This started with the NZSAS unit and No.41 Squadron RNZAF sent to Thailand as Bridle Force/Tee Force in Operation Scorpion in 1962. For Army the question of allowances was

6 ‘Taxation-Armed Forces’, AAWR757 w3953 box15 26/64 (1939-70), Archives NZ, hereafter ANZ

7 Land & Income Tax Amendment Act 1939. s3(2) made the same provision for “special” forces.

8 ‘War Series-Forces for Korea-Financial Matters-Taxation of Pay and Allowances’ (1950-52), EA w2619 box 20 PM75/2/4, pt1, ANZ

9 Land & Income Tax Amendment Act 1951, No80, Section 7

10 s87(1), Land & Income Tax Act 1954. S87(2) applied to sickness, injury or disablement

11 s87(4(a)), Land & Income Tax Act 1954

12 *Evening Post*, 20 Jan 1970

13 LJ Rathgen, Commissioner of Inland Revenue to Minister of Finance, 3 August 1965, T1 box 487, 42/255/20/4/1, [pt 2] 1964-65, ANZ; Media Statement 9 February 1951, ‘War Series-Forces for Korea-Financial Matters-Taxation of Pay and Allowances’ (1950-52), EA w2619 box 20 PM75/2/4, pt1, ANZ

14 LJ Rathgen, Commissioner of Inland Revenue to Minister of Finance, 3 August 1965, T1 box 487, 42/255/20/4/1, [pt 2] 1964-65, ANZ

15 Media Statement 9 February 1951, ‘War Series-Forces for Korea-Financial Matters-Taxation of Pay and Allowances’ (1950-52), EA w2619 box 20 PM75/2/4, pt1, ANZ

16 AG to Dist List, 24 Aug 1965, Army ‘Pay-Regular Force-Policy File’, AALJ 7291 w3508 box 139, 231/2/1, pt13 (1965-66), ANZ. The tax adjustment allowance was only for senior officers, 1d to 10d a day, depending on rank and seniority.

relevant because, unlike units in Malaya since the mid-1950s, such forces were to operate away from Commonwealth bases and their well-established friendly logistic systems and recreational facilities. As well as the personal Location Allowance, troops were paid a Travelling Allowance and issued extra uniforms (or funds for officers to purchase same). No additional Messing Allowance was envisaged, as the Thailand force would be rationed by US forces. Air Force personnel qualified for Overseas Outfit Grants and, later, a Laundry Allowance, and the commanding officers for increased Representation Allowances.¹⁷

Underpinning this was an acknowledgement that “Thailand is a high cost area”.¹⁸ Another difficulty arose with Thailand not being in the Commonwealth zone: complicated arrangements had to be made for drawing currency (US dollars, favoured over the Thai baht) to make payments locally, both to pay the forces involved and make purchases from in-country suppliers.

These arrangements were in force when the first familiarization visit to South Vietnam by NZ personnel in Thailand was proposed later in 1962. The Americans invited allies to “observe the counter-insurgency measures being taken against the Viet Cong and to obtain first-hand knowledge of the country”.¹⁹ Cabinet had already discussed NZ’s possible participation in South Vietnam when the Minister of Defence declined to approve such a visit from its forces in Thailand. It nonetheless shows that, in the minds of the services, the conditions in force for Thailand would most likely be eventually duplicated in South Vietnam. NZ forces in Thailand embarked on training exercises with US forces before the NZSAS came home in late 1962.²⁰

The above experience applied when NZ Engineers were sent to Thailand in 1964 for Operation Crown. This time the force was to be rationed and fed by British Army messes, not US. The Laundry Allowance was extended to them, as was a Civilian Tropical Dress Grant (after initial Treasury resistance).²¹

Defence and Treasury at Peace

The policy for NZ forces in Thailand applied when another NZ Army engineer detachment was sent to the region in 1964 – this time to south Vietnam.²² Cabinet had authorized the 25-man construction detachment on 25 May (Cabinet Minute (64) 20). Saigon was also deemed to be a high-cost area. A schedule of allowances was proposed in advance of the detachment arriving. These included a Location Allowance, Meals Allowance, Laundry Allowance, Club Membership Allowance, Overseas Uniform Outfit Grant, Tropical Civilian Clothing Grant and a Travelling Allowance. These were based on the evidence collected by Col PHG Hamilton on a scouting visit to the country, and “on Australian practice”.²³ NZ paid close heed to Australian practice, and often followed it.²⁴

Many of these allowances were the same as paid to NZ Army Force FARELF in Malaya/Singapore, but with increases in the ‘married unaccompanied’ rates (married personnel whose wives and family have remained in NZ or Malaysia) over ‘single’ rates, despite both classes of personnel living in barrack accommodation. The first draft of these proposed allowances was submitted to the Minister of Defence for approval by Army Secretary ANV Dobbs, but the second four days later was given the authority of a more senior hand, the Secretary of Defence Jack Hunn. The second draft added direct comparisons with Australian rates for the Location Allowance, which showed the payments proposed for unaccompanied married personnel to be significantly higher than the Australian rate.²⁵

Despite the elevated authority of the proposer, the Minister of Defence did not approve these, and asked instead for an urgent Treasury report on them. While the 25 engineers were making their way

17 Sec of Treasury to Min of Finance, 21 May 1962, ‘Special Forces- South East Asia’, T1 box 487, 42/255/20/4/1, [pt 1] 1962-64, ANZ; App A to RNZAF HQ Administrative Instruction No25/1962, 25 May 1962, *ibid*, Sec Treasury to Minister of Finance, 13 July 1962, *ibid*; For a wider discussion of Operation Scorpion, see Pugsley, 2003, p65, 185

18 Mr Muir, Treasury Official, MS note, 6 June 1962, T1 box 487, 42/255/20/4/1, [pt 1] 1962-64, ANZ

19 CGS to Minister of Defence, 30 July 1962, *ibid*

20 *Evening Post*, 12 May 1962, 23 Aug 1962, 11 Sept 1962

21 Sec Treasury to ANV Dobbs, Army Secretary, 11 Feb 1964, T1 box 487, 42/255/20/4/1, [pt 1] 1962-64, ANZ; For a wider discussion of Operation Crown, see Pugsley, 2003, p188

22 In contrast, the engineer/workshops team sent to Thailand for the Feeder Road project was paid for from Colombo Plan funds, with the PM’s approval. Sec External Affairs to PM, 15 July 1965, T1 box 487, 42/255/20/4/1, [pt 2] 1964-65, ANZ

23 ANV Dobbs, Army Secretary to Minister of Defence, 18 June 1964, T1 box 487, 42/255/20/4/1, [pt 1] 1962-64, ANZ; ‘Pay and Allowances-NZ Personnel-South Vietnam-Policy’, AALJ7291 w3508 box141, 231/2/31, pt1 (1964-68); For a wider discussion of the NZ Army Engineer Detachment, see McGibbon, 2010, p50

24 ‘Pay-Comparative Rates as Between NZ & Aust[ralian] Military Forces’, AALJ7291 w3508 box 147, D231/51/8, pt 3 (1962-67) ANZ

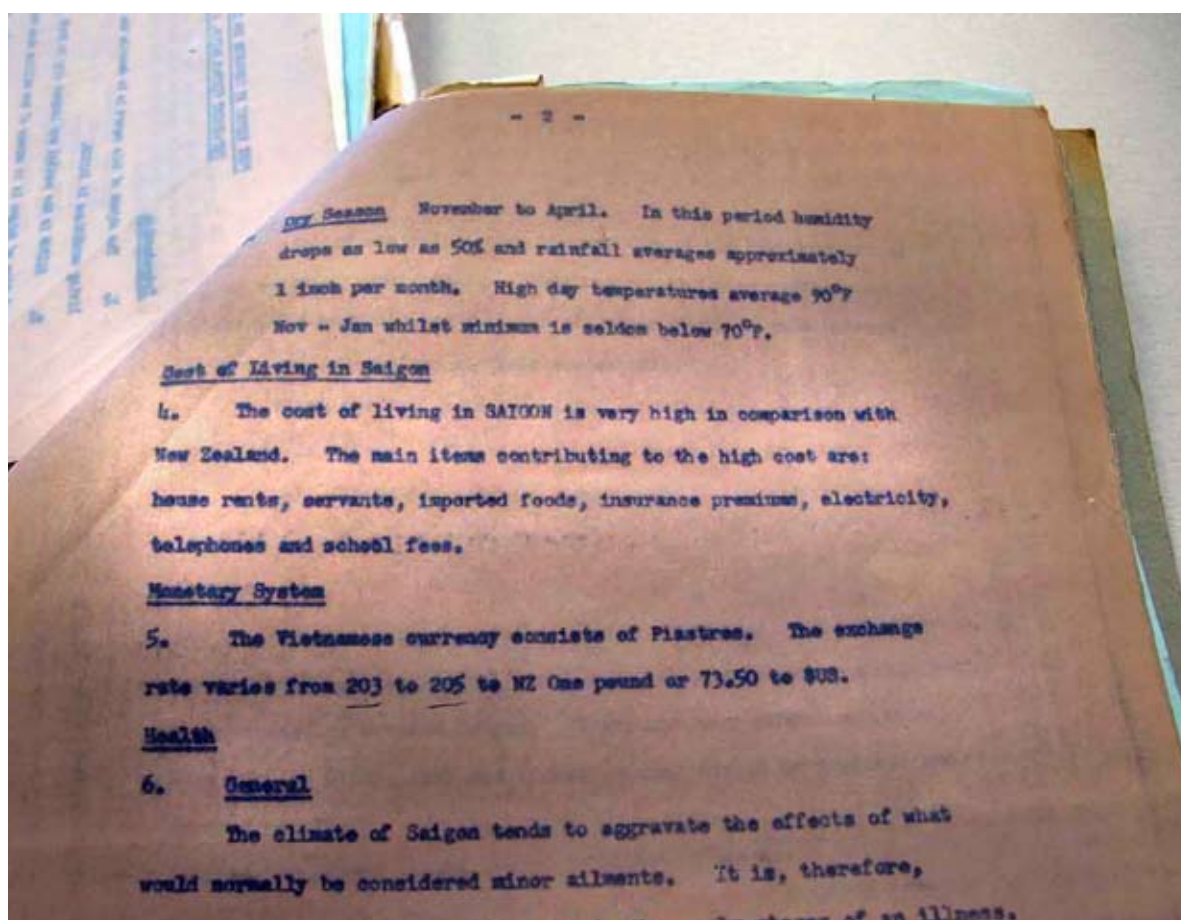
25 Secretary of Defence to Minister of Defence, 22 June 1964, T1 box 487, 42/255/20/4/1, [pt 1] 1962-64, ANZ

to Saigon (it was a 6-day journey), Treasury staff reviewed the proposals. Within four days the Secretary of Treasury²⁶ approved the proposed scale of allowances, suggesting only minor reviews in three- and six-months time. The commanding officer's Accompanied Location Allowance was to be set "when more information regarding the cost of living in Saigon was known".²⁷ Both Ministers (Defence and Finance) signed their approval on 29 June 1964, the day the engineer detachment arrived in Saigon.²⁸ Expenditures of this nature had been provided for in the 1964/65 Estimates under Vote: Defence, sub-division 'III-Army'.

It is clear with these arrangements that at this stage the two ministers were in accord over issues of remuneration for NZ forces in SE Asia even if the advice of officials differed.

As with the first detachment sent to Thailand, the engineers in south Vietnam were to be billeted and rationed by US forces. A financial arrangement was negotiated with the US, effective from 1 July 1964, which provided for the US forces victualing the NZ unit (at an agreed monthly capitation rate).

Again US dollars were favoured over the local currency, the piastre/đồng, and as in Thailand currency transfers were handled via the US embassy.²⁹ The US moved to using Military Payment Certificates ('scrip') in early September 1965, which also applied to New Zealanders at times.³⁰



Cost of living in Saigon. [T1 box 487, 42/255/20/4/1, [pt 2] 1964-65, ANZ]

Cost were already high early in 1965 for NZ forces stationed in SE Asia. Army units in Malaysia, Thailand, Borneo and Vietnam, with an Air Force squadron and a Navy frigate and minesweeper crews, cost over \$1 million per annum, excluding pay and allowances. This added to the "continuing and heavy pressure on finances available for overall defence needs" in NZ.³¹ An Armed Forces pay in-

26 Official correspondence went out ostensibly from the 'Secretary of Treasury' but was usually signed by whichever assistant secretary, divisional head or senior member of staff had been given or assumed the delegation for the subject. On this subject Chief Finance Officer Lou Durbin signed most correspondence.

27 Army Sec to Minister of Defence, draft 30 Sept 1964, T1 box 487, 42/255/20/4/1, [pt 2] 1964-65, ANZ

28 LG Durbin, Sec Treasury to Minister of Finance, 26 June 1964, T1 box 487, 42/255/20/4/1, [pt 1] 1962-64, ANZ. The two ministers also harmoniously approved the commanding officer's Accompanied Location Allowance in November 1964

29 'Summary of Agreements USA-NZ', n.d. [11 June 1964], attached to Sec Defence to Sec Treasury, 15 July 1964, T1 box 487, 42/255/20/4/1, [pt 1] 1962-64, ANZ

30 *Dominion*, 1 Sept 1965

31 Sec Treasury to Minister of Finance, 12 March 1965, T1 box 487, 42/255/20/4/1, [pt 2] 1964-65, ANZ

crease took effect on 26 August 1965, just after NZ had enlarged its troop commitment to Vietnam.³²

Cabinet approved the departure of an artillery battery to Vietnam, on 24 May 1965 (Cabinet Minute 65/18/53) and the Prime Minister announced it publicly three days later. This was to be the first combat unit of what was called V-Force, which included a small HQ and logistic support element. It was to be initially housed and rationed by US forces, and the 1964 financial arrangement with America was updated accordingly (including supply of ammunition). Allowances proposed for V Force were identical to those for the NZ Engineers team with the exception that the Location Allowance for single privates and corporals, who were expected to make up the majority of the force, would be reduced by 25% to 7/6. The reason for this was to leave a margin between them and senior NCOs, as an incentive to promotion. These allowances were “higher than those payable to operational personnel in Malaysia.”³³ Also the club membership for other ranks (paying their subscription to approved recreational clubs in Saigon) was still under review, and no proposal was made. This scale of allowances was approved by the Minister of Finance on 24 June 1965.

The NZ artillery battery, 161 Bty RNZA, travelled to Vietnam in July 1965.

To Tax or Not to Tax

The question of allowances is most likely to have been discussed with Australia before the deployment, when NZ entered negotiations with Australia on the possibility of supplying a NZ battery to support the Australian battalion being sent to Vietnam. Australia was very co-operative and supportive of such an arrangement.³⁴ Allowances may have been standardized by both forces, and both countries modified their Location Allowance to the same rate, 7/6 a day.

The Australians arrived in theatre first, and before the first NZ gunners had left NZ, newspapers carried stories from Saigon of Australian soldiers’ complaints over their Location Allowance (or Vietnam Allowance). While it was the same rate as proposed for NZ’s force, it was said to be half that paid to Australian troops in Malaysia. One unnamed Australian private in Vietnam was quoted saying “The yanks get four different kinds of allowance but all we get is an extra 7/6 a day just so some politicians back home can keep on the right side of the Americans.”³⁵

The NZ personnel also learned that American other ranks (‘enlisted men’) also paid no tax, but officers paid some taxes on a graduated scale (but paid no tax on all income up to \$200 a month).³⁶ At this stage, the Australians paid income taxes, as did the NZ troops.

At their first location, Bien Hoa airbase, the NZ battery was sandwiched between the Australian infantry and American airborne troops. Comparisons with these allies were inevitable under such conditions. NZ troops learnt that not only were their allies paid at a lower rate but that most paid no tax on their income, which they saw as an inequity. From this point arose the first NZ complaints of paying tax on income. Not only in matters of pay, but in equipment, the New Zealanders felt themselves the poorer in comparisons with Australian and US allies.

The NZ official correspondent embedded with the NZ battery relayed such stories home.³⁷ While at Bien Hoa on 1 August, NZ troops were reported saying that paying tax was an “injustice”. Several differing reasons for this claim were advanced, as reported by a NZPA Special Correspondent in the *Evening Post* (on 2 Aug 1965). One man said “they want[ed] the Government to remove it [income tax] as it was [removed] in Korea”. Another said it was because the Americans were about to get a rise in their general and combat pay. Another wanted to send more money home to his family. The story implies the claim for a tax concession was not to include the NZ troops in Malaysia, “the battery” being quoted saying that Vietnam “is a dirtier war and there is more danger.... We’re a special force here in Vietnam and we’re quite likely to be in the thick of it [in combat].”³⁸

A correspondent to the *Evening Post* compared the taxation issue with that in WWII, and repeated the Minister of Justice’s acknowledgement of the fact. ‘JWCS’ unwittingly put the issue into perspective

32 Adjutant General to Dist List, 24 Aug 1965, Army ‘Pay-Regular Force-Policy File’, AALJ 7291 w3508 box 139, 231/2/1, pt13 (1965-66), ANZ

33 Sec Treasury to Minister of Finance, 23 June 1965, T1 box 487, 42/255/20/4/1, [pt 2] 1964-65, ANZ

34 McGibbon, 2010, p74

35 *The Dominion*, 16 June 1965

36 *Evening Post*, 1 Nov 1965, p7

37 Turver interview. Chris R Turver was the journalist from NZ Press Association who accompanied the battery on its initial deployment to Vietnam. McGibbon, 2010, p92

38 *Evening Post*, 2 Aug 1965. *The Dominion* carried the story on 3 August 1965. The reporter was Chris Turver of NZ Press Association, sent with the initial deployment as an official embedded war correspondent. His airing of the disgruntlement about taxation liability rivals that of the battery illicitly using its fifth gun.

by saying Mr Lake was determined to have his “few miserable shillings of income tax”.³⁹

The Prime Minister’s response to these reports was that the troops in Vietnam “are not very unlike all other New Zealanders”, and repeated the fact that NZ troops in Malaysia paid income tax, so why not in Vietnam. He added, though, that the Minister of Finance Mr Lake “had initiated a study of the question”.⁴⁰

With such newspaper coverage this issue of fairness as applied to the boys in Vietnam entered the popular realm. For instance the battery’s “fair-haired blue eyed Levin pen friend” (Betty May Lee Browne) thought “the minister’s decision [on tax] was unjust”.⁴¹

While the idea of a tax concession without doubt migrated from allied to NZ personnel in Vietnam, it had been under discussion in NZ – in a slightly different domestic context. As well as its precedent-setting use in the world wars and the Korean War, the idea of exempting volunteer Territorial Force soldiers from tax had been discussed since 1959. Bernard Hoult of the Secretary of Defence office summed up the objection to it in the mid-1960s, saying he “doubt[ed] very much if the NZ public would accept the situation of tax free pay for volunteers among National Servicemen, with balloted National Servicemen paying tax.”⁴² Though it wasn’t applied to TFFVs, this illustrates the point that the idea of a tax concession as an inducement already existed in NZ and that parity among equals was vital.

Officials Discuss Taxation Relief

Responding to the media coverage of the subject on 2 August, the Minister of Finance requested a report from officials. On 3 August he received his first report on ‘Taxation of Pay and Allowances – V-Force’. Prepared by the Commissioner of Inland Revenue, it gave details of Section 87 of the Land & Income Tax Act 1954 in which a special ministerial committee was able to declare an area to be operational and therefore the soldiers there exempt from income tax. He detailed how this had been applied to Korea but not to Malaya or Borneo, where the Regular Force pay and the other allowances were thought to be remuneration enough. The Commissioner concluded that, “In view of the treatment adopted for Regular Force personnel in Malaya [Malaysia since 1963], I have no recommendation to make on the question of exemption from tax of the pay of the Vietnam unit.”⁴³ In his mind the status quo should reign, unless the special ministerial committee allowed for in the above act were to define Vietnam as an operational area.

A Treasury report followed a day later, by Lou G Durbin, Chief Finance Officer or divisional head (who signed most often for the Secretary of Treasury on this matter). This came to the same conclusion. Durbin added that K Force was the only force since WWII to have enjoyed tax exemption and because it was an Emergency Force it paid only basic rates and service in it did not count for superannuation. Regular Force pay, he said, “include[d] additional amounts to compensate for the disadvantages of service life” whether in NZ or overseas. The Treasury Secretary also saw the Location Allowance as compensation for regulars who pay tax: “the principle of not exempting personnel receiving location allowances was made abundantly clear” in the mid-1950s. This report was referred to the Prime Minister and Minister of Defence with the recommendation that no change be made.⁴⁴

Another concern if pay were to be exempted from taxation would be if the Vietnam war escalated and far larger numbers of NZ service personnel had to be sent there. “Any escalation of present hostilities would make such a scheme unduly expensive”, the Secretary of Treasury said.⁴⁵ Treasury told the Armed Services Pay Review that “any major [additional] effort required would impose a much greater financial strain on NZ’s economy than in the past. If the concession is granted in Vietnam it can be expected that it would be sought immediately for the battalion in Borneo and Malaysia.” Factored in to this was also the additional cost of modern military equipment and supplies which he added are “increasingly complex and more expensive than in WWII”.⁴⁶

39 *Evening Post*, 21 August 1965

40 *Evening Post*, 3 Aug 1965

41 *Evening Post*, 26 August 1965; Michael Subritzky ed, *‘With’ Our Boys in Vietnam* by Betty May Browne, Cloudy Bay Publishing, 1996

42 B Hoult to Sec Defence, note n.d. ‘Minister of Defence-Pay & Allowances-Service Pay Code-Taxation’, ABFK 7494 s4948 box 52, 33/1/17, pt1 (1959-74), ANZ

43 IRD to Minister of Finance, 3 August 1965, T1 box 487, 42/255/20/4/1, [pt 2] 1964-65, ANZ

44 Sec Treasury to Minister of Finance, Report 9314, 4 Aug 1965, T1 box 487, 42/255/20/4/1, [pt 2] 1964-65, ANZ

45 Sec Treasury submission to Armed Forces Pay Review, 3 September 1965, ‘Review of Armed Forces Pay Code and Conditions of Services as at 1.4.65’, T1 box 90 42/255/100, ANZ

46 Sec Treasury to Minister of Finance, 4 Aug 1965, T1 box 487, 42/255/20/4/1, [pt 2] 1964-65, ANZ

-4 AUG 1965

The Minister of Finance

TAXATION - NEW ZEALAND "V" FORCEPreamble

1. Press reports indicate that some members of New Zealand's Vietnam Force consider that they should be exempt from New Zealand taxation while serving in Vietnam, as was done for those serving in Korea with "K" Force.

Comment

2. Since World War II the only New Zealand Servicemen to receive an exemption from taxation were those serving in Korea ("K" Force). No other force e.g. those serving in Malaya at the time of the earlier emergency there, or those now serving in Malaysia and Borneo, have had this concession.

3. It is not considered that members of "V" Force should receive an exemption from taxation in comparison with "K" Force for the following reasons :-

- M. Sykes*
- (a) "V" Force is made up entirely of Regular Army men, who have signed up for service anywhere in the world. "K" Force was composed mainly of volunteers specifically recruited for that Force;
- W/N*
S
C. Mc
- (b) "V" Force personnel are paid at Regular Forces rates, which are intended to provide a full taxable rate, and their service counts for superannuation. The "K" Force volunteers were paid at the Emergency Forces rate which then and now are restricted to basic rates for each rank, thus "K" Force pay rates were generally lower than for regular force personnel and service, other than for regulars, did not count for superannuation;
- (c) Location allowances additional to ordinary pay have been approved for "V" Force and were not payable to members of "K" Force. Similarly the battalion in Malaysia are regular force men, receive regular force rates of pay and location allowances, but pay tax;
- Index*
File
- (d) Present proposals provide for a shorter term in Vietnam, particularly for married men, than applied for "K" Force men on their first period in Korea.

J. G.

4. On a comparison with "K" Force it is evident that there are considerable differences which clearly show that exemption from taxation for "V" Force is not supportable purely on the principle that "K" Force was exempt from taxation. In fact, at the time "K" Force was exempted, representations were made for members of the RNZAF then in Malaya to be exempted. In the ensuing negotiations the principle of not exempting personnel receiving location allowances was made abundantly clear. The RNZAF personnel did not receive a tax exemption as they were receiving a location allowance.

World War II servicemen who were exempted from taxation did receive a full taxable rate of pay or location allowances.

Current regular force rates of pay are aligned with comparable civilian wages and include additional amounts to compensate for the disadvantages of service life; and are based on the principle that pay would be subject to taxation whether the servicemen is in New Zealand or overseas. The same principle will apply in respect of the proposed new pay rates arising from the current pay review.

7. Comparison with other countries' forces in Vietnam is of little value unless all aspects of conditions and pay - both in Vietnam and in the home country are compared. It may be mentioned, however, that the Australian forces in Vietnam are subject to tax but receive special tax concessions which also apply in certain areas within Australia itself.

8. While taxation of only a small force in Vietnam is now under consideration, if the principle of not taxing servicemen while on active combat duties is adopted it would be difficult to change if the war in Vietnam should become more widespread and larger New Zealand forces were despatched. Modern military equipment and supplies are increasingly complex and more expensive than in World War II and any major effort required would impose a much greater financial strain on New Zealand's economy than in the past. Accordingly it is prudent to ensure that nothing is done now which would increase that strain. If the concession is granted for Vietnam, it can be expected that it would be sought immediately for the battalion in Borneo and Malaysia. British Forces on the other hand pay taxation in peace and war as was done throughout World War II.

9. In summary, therefore, Treasury considers that no taxation exemption should be granted to "V" Force, particularly in view of the already established principle of no taxation exemption where location allowances are payable.

Recommendation

10. It is recommended that no taxation exemption be granted to members of New Zealand's "V" Force in view of the above facts.

.. 11. Copies of this memorandum are attached for the Prime Minister and the Minister of Defence.

(Sgd.) L. G. DURBIN

The Minister of Defence

Secretary to the Treasury

Referred.

Minister of Finance
/8/65

The Prime Minister

Referred.

Minister of Finance
/8/65

Cabinet considered the Treasury and other reports, and on 9 August 1965 decided not to exempt V Force from taxation (CM65/29/6).⁴⁷ The Minister of Finance went public with this decision on the same day to say there was insufficient justification to do so. The relatively short duration of their tours (12 months) was another factor against exempting members of V Force.⁴⁸ The Minister also had a

47 CM65/29/6, 9 Aug 1965, T1 box 487, 42/255/20/4/1, [pt 2] 1964-65, ANZ

48 Evening Post, 10 Aug 1965; NZ Truth, 11 Aug 1965

'patsy' question asked in the House on "the correct position in regard to income tax liability in NZ servicemen in South East Asia...." His answer repeated that their Regular Force pay was higher than the untaxed pay received in Korea and that in addition the Location Allowance was tax-free.⁴⁹

N.Z. Gunners want no income tax
Special Correspondent
BIEN HOA, Monday.—The gunners of New Zealand's artillery battery believe it an injustice that they have to pay income tax. They want the Government to remove it, as was done during the Korean war.
The battery realises New Zealand's forces in Malaysia are paying income tax, but, as one gunner put it: "This is a dirtier war and there is more danger."
He added: "We're a special force here in Vietnam and we're quite likely to be in the thick of it."
He said that American servicemen in South Vietnam were to get a rise in combat pay. "The least the Government could do for us is to cut out income tax," he said.
Another gunner said he wanted income tax to be abolished so he could send more money back to his wife in New Zealand while he was away.

Men Serving In Vietnam Liable For Tax
10/8/65
THERE was insufficient justification to alter the tax liability of members of New Zealand's artillery battery in South Vietnam, the Minister of Finance (Mr. Lake) said yesterday.
Mr. Lake said the Government had given the matter careful consideration following reports that members of the V Force believed they should be exempt from taxation.
(The issue was first reported from Bien Hoa by the N.Z.P.A. correspondent in Vietnam, C. R. Turver, and drawn to the attention of the Minister.)
Differences
"There are essential differences between the pay and conditions of service of members of the V Force and of those who served in K Force which are relevant in considering whether members of the V Force should pay taxation," said Mr. Lake.
The Minister said members of the V Force were all Regular Army personnel who had enlisted for service with in New Zealand or overseas in peace or war.
They received rates of pay designed to provide fully taxable pay and include elements for the disadvantages of service life.
"K Force, however, was recruited especially for service in Korea and received only emergency force rates of pay, which were generally lower than the Regular Force rates.
"In addition, members of the V Force are being paid tax free location allowances in addition to their ordinary pay.
"Members of K Force, however, did not receive location allowances; nor indeed did New Zealand servicemen serving overseas in the Second World War. At that time service pay was lower and was also exempt from taxation."
Mr. Lake added: "In view of the non-exemption of other service personnel engaged on operations since the end of the Second World War, and the relative shortness of the planned period of individual postings to Vietnam, it is equitable that members of V Force should pay tax.
"For these reasons the Government has decided after careful consideration there is insufficient justification to alter the tax liability of members of V Force."

Gunners get a raw pay deal
11/8/65
From Jim Mahoney
SAIGON.—You would think New Zealand's artillery battery in South Vietnam wasn't in a war—the way our Government is paying them.
Whereas Americans and Australians in Vietnam receive financial recognition for being in a war zone, the New Zealanders get nothing extra.
Americans are particularly well off: As well as receiving 55 dollars a month combat allowance, enlisted men don't pay any tax, and officers get 200 dollars a month free of tax.
An American sergeant told me that it was worth an extra 200 dollars a month to him to serve in South Vietnam.
The Australians are not so well treated—they receive only a tax exemption of £270 a year.
The unfortunate New Zealanders get neither combat money nor tax concession.
What about it, Mr. Holyoake? Our men are in a war zone on call 24 hours a day and actually working 16 of them. Surely all that sweat and danger is worth financial recognition.

The news media kept the issue alive, but usually exaggerated for affect.

Cabinet's decision might have ended the matter had things across the Tasman not thrown it into turmoil. On 18 August Canberra announced that Australian troops in South Vietnam and Borneo were to be exempted from income tax, on both pay and allowances.⁵⁰ This was to apply only to areas deemed to be "isolated and of an uncongenial nature", and for which troops received an annual deduction from their taxable income (of £A270 in 1965) plus additions for dependents.⁵¹ This was to apply from 1 July 1965, with a special zone allowance to temporarily compensate them up to that date (and on-going in Malaysia). The exemption was only to apply while troops were in the vicinity of the enemy, which applied all year round in Vietnam but only in Borneo for Malaysian-based units of the BCSR, which were rotated through Borneo for four months a year. RAAF would qualify as per Army (only apply when on the ground in Vietnam or Borneo), and it applied for the RAAN personnel for all sea-time within 50 miles of Vietnamese or Borneo shores.

On the basis of this the Commissioner of Inland Revenue suggested that NZ get more details on the effects on NZ troops. He sought information including Australian and NZ comparative rates of pay, in Vietnam and in Borneo, and the effects of tax exemption on both. It was to include estimates of how much taxation income would be foregone if NZ troops were exempted. At the time V Force was 120 strong, with over 800 NZ men in Malaysia and Borneo.

⁴⁹ Mr Pickering (Rangiora) on behalf of Mr Thomson (Stratford) for Mr Lake (Minister of Finance). *NZ Parliamentary Debates*, Vol 343 p1763, 10 Aug 1965

⁵⁰ Hand-written notes on *The Dominion* clipping, 16 June 1965, T1 box 487, 42/255/20/4/1, [pt 2] 1964-65, ANZ; *Australian Financial Review*, 18 Aug 1965; *Evening Post*, 26 Aug 1965; 'Financial Instructions for ARA Units No.312, Income Tax Exemption Vietnam/Borneo', Paymaster in Chief, Army Headquarters Canberra, 19 Nov 1965, T1 box 487, 42/255/20/4/1, [pt 2] 1964-65, ANZ

⁵¹ s79B, Income Tax & Social Services Contribution Act, 1960. Note on T1 box 487, 42/255/20/4/1, [pt 2] 1964-65, ANZ

Treasury hurried off a report to the Minister of Finance on 27 August. It estimated that if NZ adopted the Australian rules (exempting V Force all year and the battalion in Malaysia for four months a year while it served in Borneo) the NZ tax income from them would fall from £115,000 pa to £66,000 pa. The loss would be on income tax and social security tax. Appendices showed comparisons with Australian rates.⁵²

The matter as raised again in Cabinet on 31 August 1965, orally, though by whom was not stated. From the discussion came the suggestion (probably not from the Minister of Defence or Finance) that “the liability of NZ servicemen on duty overseas should be aligned with that imposed on Australian servicemen in comparable situation”.⁵³ The Ministers were detailed to get more information and discussions between Treasury and the Minister of Defence were requested, in order to put another formal paper to Cabinet.

Armed Service Pay Review

Under way at the same time was a routine Review of Armed Services Pay Code. This had started in 1964 and no finality was expected in the near future. Questions were asked in Parliament over the delay, in September and October.⁵⁴ Treasury suggested the taxation issue wait until the pay review was completed. The pay review was also looking at allowances such as the overseas Location Allowance.⁵⁵ Possibly in response to the suggestion around the Cabinet table that NZ conditions be aligned with those for Australian troops, Treasury formulated the idea of a supplementary payment to compensate men for the tax they paid while in an operational area. This might be the best method if Government deemed such a course necessary. This was suggested to the Armed Services Pay Review by Treasury in its paper of 3 September 1965.⁵⁶ It argued:

In view of recent pressure for servicemen in Vietnam to be exempt from taxation and the comparison made with the Australians there who receive a taxation concession and the Americans who apparently receive combat pay, there may be some merit in providing scales of normal location allowances and a somewhat higher scale for those actually engaged in combat. Although the suggestion is made as some recognition for those actually risking their lives in combat, caution would be necessary as any escalation of present hostilities could make such a scheme unduly expensive. Also other benefits which could be applied would have to be taken into account, e.g. rehabilitation benefits, deferred pay, gratuities or pension rights.⁵⁷

The delay in finalizing the pay review made the news headlines, with some newspapers suggested it was producing “unrest in the services” and jeopardizing NZ’s ability to maintain its forces in Malaysia and Vietnam.⁵⁸

The Minister of Defence announced the conclusion of the pay review on 29 October, with the increases taking effect from 1 September 1965. He said pay rises totaled £1.2 million and each member of the services would receive an increment of between £25 and £260. From this it is not unreasonable to deduce that Government ministers believed that members of the services were being adequately financially recognized. “Everyone will receive more pay than he does at present,” Dean Eyre was quoted saying.⁵⁹

Compensation for Paying Tax?

Before the pay review was completed, Treasury’s Low Durbin claimed the complicated issue of soldiers’ remuneration and tax relief was not understood well by Cabinet members. Before it was completed, the pay review only added uncertainty to this, particularly how the new pay code would be applied overseas. It would also have implications for other NZ forces serving elsewhere and then there

52 Sec Treas to Minister of Finance, Report 9529, 27 Aug 1965, T1 box 487, 42/255/20/4/1, [pt 2] 1964-65, ANZ

53 Private Secretary to Sec Treasury, 1 Sept 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

54 NZPD, Vol 343, p2582, 9 Sept 1965; Vol 344, p3549, 14 Oct 1965

55 Sec Treas to Minister of Finance, 13 Sept 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

56 Sec Treas to Minister of Finance, Report 9887, 8 Oct 1965, para 11, p2, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

57 Sec Treas to Minister of Finance, 3 Sept 1965, Para 16, p22, ‘Pay and Allowances-Service Pay Code-Armed Forces Pay Review-Cabinet Committee Reports’ ABFK7494 w5563, 33/1/1 pt D, ANZ

58 *Dominion*, 20 Oct 1965; See also *Dominion* 17 Sept 1965, 7 Oct 1965, 21 Oct 1965, 22 Oct 1965, 1 Nov 1965, 1 Dec 1965; *Chch Press* 28 Sept 1965; *Evening Post*, 30 Oct 1965

59 Media release, 29 Oct 1965, ‘Minister of Defence: Councils, Boards & Committees: General-Combined Services Pay Committee’, ABFK 7494 w4948 box252, 57/1/5, pt1, (1965-74), ANZ

was the 'what if' question – what if the Vietnam War escalated. He instructed his staff to report along these lines, and “throw in a hint on the need to hold increases in NZ coming from Pay Review.”⁶⁰

Cabinet had discussed the matter again (on 13 Sept) and considered adopting the Australian taxation model, which applied only to troops who came into contact with the enemy. Cabinet did understand that whatever concessions were to be given to V Force would have to also apply to troops in Malaysia who were engaged in active operations.⁶¹ Cabinet called for further work on taxation relief.

It is clear that Ministers were being lobbied by other MPs. Donald McKay MP (Marsden, National) for instance was asked by his electorate organisation in September 1965 to ask the Minister of Finance for his views on taxing NZ troops in Vietnam. The minister replied on 1 October that “it was under review”.⁶²

Treasury came back with a major report on 8 October. In it the comparisons made between K Force and V Force were outlined, as were the dissimilarities. PAYE had only recently become operative so tax was taken from each pay packet (be it weekly or fortnightly), whereas during K Force's time tax was paid annually, requiring servicemen to save for this.

This report also voiced the administrative problems raised if the Australian model were adopted. This was “particularly in respect of Navy and to a greater extent with the Air Force where personnel may be in operational areas for short periods and in some cases only hours.” Under these circumstances the work involved in distinguishing taxed income from untaxed income would be considerable.⁶³

The tax paid in 1965 was estimated to be around 7/- per man per day. Treasury hinted in this 8 October report at the idea of compensating men for this tax, rather than obviating the soldiers from paying the tax in the first place. It suggested “an additional reward by way of an allowance of 7s per day....”⁶⁴ This would cost £128 per man per annum. The fear for Treasury was if a brigade group had to be sent as required under SEATO Plans, the cost (compared to that for 120 man on the ground at present) would rise to nearly half a million pounds; a division to nearly £1.3 million per annum.

Treasury concluded on 8 October that it “would prefer to avoid a tax exemption for forces overseas, because of its uneven incidence and the fact that Service pay is now calculated on a fully taxable basis. If some adjustment is considered necessary, however, then a preferable course would be to adjust location allowances (which are tax free) by a supplementary payment while in an operational area.”⁶⁵

NZRSA and the media kept the issue in the headlines. The *Sunday Times* on 10 October repeated NZRSA's pleas for a 'tax holiday' for NZ soldiers in Vietnam. It also published comparative rates of pay for NZ, Australian and US soldiers. For privates it said Americans and Australians were paid the equivalent of £NZ74 and £NZ92 respectively, compared to NZ privates at just over £71. For young officers it was around £282, £136 and £118 respectively. These figures were before tax, which was not paid by Americans and Australians.⁶⁶

Deferred Pay

By 15 October the supplementary allowance idea had evolved into the form of deferred pay, paid into a special bank account and available to the personnel involved only after they returned to NZ. This idea had “emerged” in the preceding week, but it is not stated from where or whom. It is assumed to be from internal Treasury discussions, staff in the small Defence Section under Ron Muir brainstorming the issue.⁶⁷ The advantages of it were that it made no call on overseas funds, had a compulsory savings benefit which could aid rehabilitation, and could replace the Location Allowance (which was paid at different rates to personnel in Vietnam and Borneo, causing some concern). Reflecting that the department was reacting to reports of disgruntlement, “it would introduce something different from the Australian and US Forces which would make comparisons between their conditions and those of New Zealanders less direct thus removing to a large extent any discontent which may arise from this source”.⁶⁸

60 LG Durbin to Mr Gyles, 14 Sept 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

61 Sec Cabinet to Minister of Finance, 14 Sept 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

62 BN McKay to Minister of Finance, 20 Sept 1965; and reply 1 October, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

63 Sec Treasury to Minister of Finance, Report 9887, 8 Oct 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

64 Para 8, Sec Treasury to Minister of Finance, Report 9887, 8 Oct 1965, p2, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

65 Para 10, Sec Treasury to Minister of Finance, Report 9887, 8 Oct 1965, p2, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

66 *Sunday Times*, 10 Oct 1965

67 Sec Treasury to Minister of Finance, Report 9937, 15 Oct 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

68 Sec Treasury to Minister of Finance, Report 9937, 15 Oct 1965, para 3(e), T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ



THE TREASURY

DEPARTMENTAL BUILDING, STOUT ST., WELLINGTON
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9887

The Minister of Finance.

8 October 1965

TAXATION OF "V" FORCE.

Introduction

1. You have requested a further report for the information of Cabinet on the question of taxation of "V" Force.

Background

2. Treasury report 9314 set out the differences between "Kayforce" and "V" Force which are sufficient to indicate that it is not necessarily appropriate to exempt "V" Force from taxation because Kayforce was exempt. The main differences are:

Kayforce was

- (a) composed basically of volunteers specifically recruited from civilian life for that force;
- (b) paid at Emergency Forces rates which were generally lower than Regular Force rates of pay (as are today's Territorial force rates); and
- (c) was not paid location allowances.

"V" Force is

- (a) composed entirely of Regular Army personnel who have signed on for service in New Zealand or overseas in peace or war;
- (b) paid at Regular Force rates which are higher than Emergency Forces or Territorial rates; and
- (c) paid tax free location allowances.

Regular Force rates of pay are designed to be fully taxable.

Taxation Problem

3. Adoption of the Australian proposals to exempt those in Borneo and Vietnam raises problems of administration, particularly in respect of Navy and to a greater extent with the Air Force where personnel may be in operational areas for short periods and in some cases only hours. It is not yet known how Australia proposes to overcome this problem.

4. More important however are the different benefits that accrue to different individuals according to their personal taxation circumstances and the period for which the tax exemption applied. This is illustrated in the following table:

Reduction in Amount of Tax Payable

	If exempted for full year	If exempted for 4 months	Exemption for 4 months as percentage of exemption of full year.
Private - single	£ 85	£ 51	60%
- married with 2 children	55	19	35%
Captain - single	280	141	50%
- married with 2 children	226	121	54%

This shows that the benefit to the married man in every case is less than that for a single man and the benefit for a four months' period of exemption is proportionately much greater than for a twelve months' period. The practical effect of this latter point is that a soldier serving in Borneo for the four months' tour would receive a much greater proportionate benefit than a soldier serving in Vietnam who it appears may be in greater danger.

6. Thus if the only intention in proposing an exemption from taxation is to relieve the serviceman of his ordinary obligations as a civilian while serving his country in combat the inequalities inherent in an exemption from taxation could be accepted. However, if the intention is to provide an additional reward to the serviceman for risking his life in the service of the country some more equitable basis than a suggested exemption from taxation appears to be warranted.

7. It is pertinent to note that the practical effect of an exemption from taxation now that P.A.Y.E. is operative is to increase the amount received each pay day whereas for Kayforce it relieved the serviceman of the need to provide a lump sum once per year to meet his income tax demand.

Cost Estimates

Forces

8. Total tax paid by Vietnam and Borneo/is estimated at £115,000 per annum. This is based on a present strength of 910 men, and averages approximately a daily rate of 7s per man. An additional reward by way of an allowance of 7s per day would involve £128 per annum. In the event of a Brigade Group going abroad, comprising about 3,500 men on operational duty for a year, cost increases would be of the order of £448,000 per annum. A division of 10,000 men would cost £1,280,000 per annum. This applies whether an allowance of 7s per day is given or a tax exemption is given.

9. A concession of this nature would also need to be considered for application to Navy and Air forces in operational areas; but in the absence of information from Australia on the treatment of these forces no estimate is available.

Recommendation

10. Treasury would prefer to avoid a tax exemption for forces overseas, because of its uneven incidence and the fact that Service pay is now calculated on a fully taxable basis. If some adjustment is considered necessary, however, then a preferable course would be to adjust location allowances (which are tax free) by a supplementary payment while in an operational area.

11. The above course of action was suggested in the Treasury report of 3 September 1965 on the current Armed Services Pay Review (page 23, paragraph 16).

12. Extra copies are supplied for Cabinet Members.

L. S. D. Macdonald
Secretary to the Treasury.

At short notice, the 'deferred pay' idea was put before with the Army Board (in the absence of its chair, the Minister). Its members did not support the idea of compulsory savings in NZ, saying that "the soldier wants the money in the theatre". It preferred the tax-free pay and allowances option for the reason that "it is financially to the advantage of most troops" and that "there has been so much pressure for tax free pay from the RSA and others that it may well have to be granted anyway". If tax-free pay were introduced, it should be "applied on a basis of 'when on active operations' not on a geographic basis". The Adjutant General (Brig Allan Andrews), QMG (Brig Harold Purcell), Army Secretary (Arthur Dobbs or successor) and DCGS (Brig RB Dawson?) all initialed these thoughts. CGS Maj Gen Walter McKinnon (who presumably penned the summary) added that they were happy for this to go to a "full Army Board with the Minister in the chair" to oversee the decision about when troops would be defined as being on active service.⁶⁹

Two members of the Air Board also saw the proposal but, without it going before the Navy Board, the idea was put to Cabinet in 26 October. But rather than the 7/- a day as earlier calculated, Treasury recommended a compromise rate of 5/- a day with no distinction for rank. This figure was "the actual reduction in taxation which Australian servicemen obtain on being given an exemption from taxation".⁷⁰ It was set in anticipation of the pay review adding a Field Allowance being paid in theatre (2/- per day to single men, 4/6 if married), bringing the total to a minimum of 7/- a day. Both were intended for the active operational areas of Vietnam and Borneo only, but defining the areas in which it was to apply was to be left to ministers.⁷¹

The Secretary of Defence Jack Hunn felt it difficult to support the concept of tax exemption because his Defence office had argued the pay round on the basis that pay for regular service was on a fully-taxed basis and the allowances were intended as compensation for the conditions in SE Asia. Three other things encouraged him to support the Deferred Pay compromise: there was a NZ tradition of tax concessions from previous wars; tax concessions were enjoyed by allies in Vietnam, and that machinery existed (in the Land & Income Tax Act 1954) for defining operational areas where tax could be exempted. Hunn supported the Deferred Pay on the understanding that Government was able to "assess the political decision to ensure that... [it] can be sustained". The decision to grant taxation exemption (or to compensate personnel accordingly) was "primarily a political matter and one for Government to decide".⁷²

Another reason for opposing tax exemption was the inequity with which it would apply. In explaining this, the Minister of Finance later explaining that "a married private would receive a very limited benefit in comparison with a single captain."⁷³

Cabinet on 26 October accepted this advice and formally approved the 'deferred pay' option (CM 65/40/14). It took the suggestion of 5/- a day, and set in train a process to determine the details. The Ministers of Finance and Defence were to define the areas in which it would apply and exactly how it would be calculated for Naval and Air Force personnel.⁷⁴

The Rate, the Timing and Where it Applied

But on 2 November the Minister of Finance was said to have held over his approval for the Deferred Pay, again in view of events across the Tasman. As a result of lobbying Australia had doubled its Location Allowance rates for Vietnam-based troops and also unified the allowance between Borneo and Vietnam. A single Australian private now got 12/5, compared to NZ's 7/6; for sergeants a married Australian got 15/6 compared to NZ's 12/6.⁷⁵ The new rate applied to anywhere in South East Asia and was backdated to 26 May, before the first infantry deployed to Vietnam.⁷⁶ Now, making the comparison with NZ was unfavourable.

Treasury then did more work on the rate of Deferred Pay, looking very closely at the recently-increased Australian figures. NZ High Commissioner in Canberra fed material directly to Lou Durbin,

69 'Treasury Proposals on Tax Free Pay and Rehab', Note for file, n.d [ca Oct 1965], Army 'Pay-Regular Force-Policy File', AALJ 7291 w3508 box 139, 231/2/1, pt13 (1965-66), ANZ

70 Sec Treas to Minister of Finance, Report 84, 8 Nov 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

71 Sec Defence to Minister of Defence, draft cabinet paper, 26 Oct 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

72 Sec Defence to Minister of Defence, 5 Nov 1965, para 6, p2, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

73 Minister of Finance to M Connelly MP, draft letter 16 Oct 1968, T1 w2666 box 28, 42/255/20/4/1 [pt 4] 1966-71, ANZ

74 CM 65/40/14, 26 Oct 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ. Based on a Treasury Report 9983 of 21 October 1965

75 Sec Def (Army) to CGS, AG, QMG, 2 Nov 1965, Army 'Pay-Regular Force-Policy File', AALJ 7291 w3508 box 139, 231/2/1, pt13 (1965-66), ANZ; *The Dominion*, 23 Oct 1965

76 *Evening Post*, 28 Oct 1965

CONFIDENTIAL



PRIME MINISTER'S OFFICE
WELLINGTON.

CM 65/40/14

Minister of Finance

Copies to:

Minister of Defence
Secretary to the Treasury
Controller and Auditor-General

DEFENCE - NEW ZEALAND "V" FORCE

At the meeting on 26 October 1965 Cabinet:

- (a) authorized you to announce that Government has approved the payment to servicemen in active service areas of a tax free allowance by way of deferred pay at the rate of 5/- per day payable on return to New Zealand; that details of the allowance are being further examined; and that legislation to exempt the allowance from tax will be introduced in the next Session;
- (b) invited you, in consultation with the Minister of Defence, to submit recommendations to Cabinet on the procedure to be adopted in order:
 - (i) to define the active service areas which qualify for payment of the allowance and the detailed rules which will govern its payment;
 - (ii) to determine the application of this allowance to Navy and Air Force personnel.

You will no doubt let us have your recommendations under paragraph (b) above in due course and will also include in your Legislative Programme for next year provision to exempt the allowance from tax.

CF (65) 958 and CF (65) 689 refer

Secretary of the Cabinet

approaching Australian Treasury officials “on your behalf”.⁷⁷

The Secretary of Defence’s office also introduced the question of a distinction for rank, suggested one rate of Deferred Pay for other ranks (at the rate of 7/6 per day) and another (10/-) for officers. This “more nearly approximated the tax paid by individuals”.⁷⁸

While the rate was being thrashed out, early in November both Treasury and the Defence Office recommended the Deferred Pay be backdated to 1 April 1965. This would equate it with the new rate of Location Allowance currently being finalized (and made uniform between Vietnam and Malaysia) in the pay review.⁷⁹

As controlling agency, the Treasury increased the proposed rate of Deferred Pay for NZ troops from 5/- to 7/- a day. This reflected that, in the just-completed pay negotiations, the Field Allowance was approved but was not to be paid at an even rate, and so was removed from being part of the calculations for the Deferred Pay. Treasury also recognized the increase in the Australian Location Allowances.

Treasury however stuck to one figure across the board, with no distinction for rank. The Minister of Finance took this proposal back to Cabinet. Cabinet delegated the matter to a ‘Cabinet Committee on Taxation and Location Allowances ‘V’ Force and Borneo’, comprising the Prime Minister (Keith Holyoake) and Ministers of Finance (Harry Lake, as convenor), Defence (Dean Eyre), Labour (Tom Shand) and Industries & Commerce (Jack Marshall).⁸⁰

The Cabinet Committee met on 26 November and between its discussion and that of the full Cabinet on the 29th, ministers agreed to two rates — 7/- a day for privates and 9/- a day for officers. It is not explicit but this presumably came through lobbying by Defence officials and through their minister. At this rate a private would return home to a lump sum of £128 after 12 months, an officer to about £164. Itinerant visitors would not qualify for Deferred Pay but personnel posted to any V Force unit for more than 14 days would (as would those deemed to be missing or POW, and for 28 days after death or medical evacuation).⁸¹

Cabinet kept its own counsel on the date of introduction. Rather than 1 April (or the 1 September date recommended by the cabinet committee, from when the new Location Allowances were to be payable) the Deferred Pay was backdated to 15 July 1965. The date of 15 July was the arrival in theatre of the first elements of the V Force combat unit, 161 Bty RNZA, and its first round being fired.⁸²

Along with their approval Cabinet asked for a review of pay and allowances for troops in South East Asia for as soon as it could be arranged. This was set up the following year. Regular reviews thereafter kept the pay and allowances of NZ troops at a relevant and appropriate level.

At the same time the Location Allowance was raised, but only for officers (to 10/-) and the married (to 12/6 for ORs and 15/- officers). The 2/- a day Field Allowance was also approved, to be paid when in field conditions.⁸³

In terms of where this applied, the Secretary of Defence earlier said it could “provisionally apply to service in Vietnam and Borneo only”, but this was not approved until later.⁸⁴ The Army Board added that it should encompass any area where troops “can be in combat with the enemy”, and Secretary of Defence Jack Hunn saying they “are by any test operational areas in fact today, so that the Ministerial Committee could scarcely avoid defining them as such.” The Chief of General Staff was with the Secretary of Defence on this, meaning that in this instance ministers ignored the advice of their specialist board, chief executive and operational manager.⁸⁵ It was however a discretion the law gave to them.

The Ministers chose not to define any areas as operational areas. In their joint media statement an-

77 EG Burnett to Durbin, 9, 11 and 23 Nov 1965, on Australian tax exemption. T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

78 Sec Defence to Minister of Defence, 5 Nov 1965, para 6, p2, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

79 Sec Defence to Minister of Defence, 5 Nov 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ; Sec Treas to Minister of Finance, Report 84, 8 Nov 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

80 Sec Treas to Minister of Finance, 24 Nov 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ. Shand did not attend the important cabinet committee meeting on 26 November, but two Treasury, three Defence and one Inland Revenue officials were in attendance. Mins of Mtg of 26 Nov, 30 Nov 1965. *ibid*

81 CM65/45/23, 29 November 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

82 CM65/45/23, 29 November 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ; ‘Conditions for Payment...’, 9 December 1965, *ibid*; Marginal Note on CM65/45/23 filed ca 9 December 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ; Cabinet on 6 December 1965, CM 65/46/19, set the implementation date at 15 July 1965; McGibbon, 2010, p88

83 CM65/45/23, 29 November 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

84 Sec Defence to Minister of Defence, 5 Nov 1965, Para 10(a)ii, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

85 Sec Defence to Minister of Defence, 5 Nov 1965, Para 9(a) p3, Para 2(a) p1, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ, Hunn added that if ministers did not define Vietnam as operational, “the Government would probably be in an untenable position once Section 87 become known (and I believe it is already known in some interested quarters).”



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T.42/255/20/4/1

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24 November 1965

The Minister of Finance

TAXATION AND LOCATION ALLOWANCES "V" FORCE AND BORNEO

Introduction

1. This memorandum summarises previous reports on this question and gives proposed measures to meet the position.

Previous Reports

2. In previous reports the following main points have been made:

- (a) There are significant differences between "V" Force and "Kayforce" which show that exempting "V" Force from taxation because "Kayforce" was exempt has not sufficient justification. *Second hand rates (Emergency Forces rates) no location & special allowances*
- (b) An exemption from taxation produces different benefits (between married and single and for different periods of service) which are not equitable.
- (c) Use of Section 87 of the Land and Income Tax Act 1954 which gives power to exempt servicemen in an operational area from taxation is quite discretionary and is not mandatory. It was enacted to deal with Kayforce. (Although servicemen may actually be in an operation area the section will only apply if the area is defined as an operational area for the purposes of the section by the Ministerial committee.)
- (d) A tax free allowance by way of deferred pay has distinct advantages for both the serviceman and Government and does not have the inequalities inherent in an exemption from taxation. *as between married & single and on relation to length of service (past years)*
- (e) The tax exemption granted to Australian servicemen was of no or little benefit to certain servicemen (e.g., a married private received nothing and a married W.O.II received only 1/8(A) per day).
- (f) The recent Australian announcement of new rates of location allowances for Vietnam and Borneo involved reductions for Borneo (except for privates where there is no change).
- (g) The effect of Treasury Report No. 84 of 8 November 1965 was to give the following extra remuneration to New Zealand servicemen in Vietnam:

- (i) Increase from Pay Review without abatement of allowances (from 1/5 to 7/6 per day depending on rank).
- (ii) Extra allowances (Field Allowance, adjustment Marriage Allowance and Separation Allowance) of 2/- per day single and 4/6 per day married.
- (iii) Deferred Pay (non-taxable) of 7/- per day.

Note : Totals for service in Borneo would be higher because of extra location allowance (tax free).

Ministry of Defence Proposals

3. Proposals made by the Secretary of Defence after the Australian announcement of increased location allowances were:

- (a) the allowance by way of deferred pay in lieu of exemption from taxation be 7/6d per day for other ranks and 10/- per day for officers; (5/- per day for all ranks was approved in CM 65/10/14);
- (b) location allowances for Vietnam and Borneo be made the same amount;
- (c) other operational location allowances for South East Asia remain unchanged with the introduction of the new pay code, and that these be subject to review by a committee from New Zealand;
- (d) field allowance under the new pay code be paid to personnel in South East Asia.

4. The only real point of difference between Treasury and Ministry of Defence is the amount of Deferred Pay recommended. The Secretary of Defence recommends:

7/6d per day for other ranks
10/- " " " officers

5. Treasury Report No. 84 (paragraphs 8 and 9) commented on this difference and recommended a flat amount of 7/- per day as Deferred Pay. Points which may be made are:

- (i) A similar amount should be payable as the risk is the same regardless of rank.
- (ii) 7/- a day (or £128 p.a.) exceeds the amount of tax relief granted (for service in Vietnam and Borneo only) by the Australian Government, except for single Captains and above.
- (iii) It has been argued that tax exemption should only apply to Income Tax and not Social Security tax - if so, then a much lower amount than 7/- a day would be appropriate.
- (iv) Social Security benefits continue for servicemen regardless of taxation.

*of 10/12/20
(any amount of special
allowance will be paid
when in New Zealand - which
already includes 19/11)*

6. Since the previous report was prepared Treasury has received details of Australian pay and allowances for Vietnam and Borneo, which indicate as follows:

(a) Total Pay and Allowances (if Treasury recommendations approved) expressed in New Zealand currency on an annual basis:

	<u>New Zealand</u>		<u>Australia</u>	
	<u>Single</u>	<u>Married</u>	<u>Single</u>	<u>Married</u>
	£	£	£	£
Private/Gunner (2 Star)	937	1,393 ¹²⁰	937	1,177
N.O.II (2 Star)	1,341	1,714	1,355	1,595
Captain (O/P)	1,404	1,796	1,787	2,027
Major (O/P)	1,651	2,053	2,347	2,587

(b) Increases Vietnam - Daily Rates:

	<u>Single</u>	<u>Married</u>	<u>Single</u>	<u>Married</u>
Private/Gunner	+ 10/5	+ 15/2	+ 8/7	+ 6/7
N.O.I (4 Star)	+ 16/6 ^{1/4} (X)	+ 19/-	+ 10/7	+ 6/7
Captain (O/P)	+ 10/6	+ 13/-	+ 16/1	+ 10/4
Major (O/P)	+ 11/1	+ 12/1	+ 23/9	+ 15/11

(c) Increases Borneo - Daily Rates:

	<u>Single</u>	<u>Married</u>	<u>Single</u>	<u>Married</u>
Private/Gunner	+ 15/7	+ 14/5	+ 2/7	+ 7d
N.O.I (4 Star)	+ 24/8 ^{1/4}	+ 22/-	+ 4/10	+ 10d
Captain (O/P)	+ 14/4	+ 16/-	+ 10/1	+ 4/3
Major (O/P)	+ 22/1	+ 20/1	+ 19/1	+ 11/3

7. The above information indicates that except for officers (where Australian pay rates rise faster than in New Zealand) the extent of the effective increase given to Australian Forces in Vietnam (and Borneo) including tax exemption is not as generous as first appeared in newspaper reports; and the proposed New Zealand increases in paragraph 2(g) above compare favourably.

Recommendations

8. It is recommended that the Cabinet Committee:

(a) (i) approve from 1 April 1965 a special tax free allowance by way of deferred pay, payable on return to New Zealand, at a rate of 7/- per day in lieu of an exemption from taxation;

(ii) authorise the Minister of Finance in conjunction with the Minister of Defence to define the areas which qualify for the allowance and the basis of application to Navy and Air Force personnel;

- (iii) approve the adjustment of location allowances for Borneo and Vietnam from 1 April 1965 on the basis proposed, but subject to adjustment, up or down, upon a review by a committee from New Zealand;
 - (iv) authorise introduction of legislation next session to exempt the allowance in (i) above from taxation;
 - (b) (i) approve the continuation of other location allowances for operational personnel in South East Asia without abatement on introduction of the new pay code, but all allowances to be subject to review by a committee from New Zealand as soon as this can be arranged;
 - (ii) approve the payment of Field Allowance under the new Pay Code to Army and Air Force personnel in service in South East Asia.
9. Additional copies are attached for reference to the Minister of Defence and for distribution to members of the Cabinet Committee.

L. G. Durbin
Secretary to the Treasury

nouncing the Deferred Pay, the Ministers of Finance (Lake) and acting Defence (David Seath MP) saved face by saying the Government had retained its position on not exempting personnel from taxation, but introduced the Deferred Pay option "in recognition of the service being given". This was "without recourse to a measure [a Section-87 exemption] which, although possibly appropriate in time of general war, was not suitable for the present type of hostilities." The association of the deferred pay with the fact of paying tax was implicit.⁸⁶

The detailed rules waited until March 1966 to be finalized.⁸⁷ The Ministers also waited until then on the question of defining the operational area where Deferred Pay would apply. They merely signed off (on 1 April 1966) a Treasury report of 31 March 1966 suggesting 'Vietnam and Borneo'.⁸⁸ (Borneo was removed from the approved operational areas after Confrontation ended later in 1966, with effect from 30 September, even though rear elements of the battalion were still there until 12 October.⁸⁹)

In the next session legislation was introduced to exempt the Deferred Pay from tax. The Land & Income Taxation Amendment Act 1966, passed on 4 October 1966, added to the principal act (the Land & Income Tax Act 1954) a section exempting from taxation any "income derived by any person from deferred pay" under the NZ Army Act 1950, RNZAF Act 1950 or Navy Act 1954. The date the amendment came into force was retrospectively applied to 1 April 1966. It specifically backdated the applicability of the measure to all deferred income earned since 15 July 1965, but only in the areas defined as "an active-service area", ie Vietnam and Borneo.⁹⁰

Navy and Air Force

Because the rules had yet to be formulated, no deferred payments had been made by early 1966, and the Principal Personnel Officers' Committee heard Army voice concerns about this in April.⁹¹

86 Ministerial media statement, 9 December 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

87 Acting Sec Defence to Minister of Defence, 21 March 1966, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

88 Sec Defence to Minister of Defence, 5 Sept 1966, 'Finance-Allowances-Naval-Borneo and Vietnam-Tax Free', ABFK7395 w4831 box 1, 61/2/39, pt1, ANZ

89 Sec Defence to Minister of Defence, 5 Sept 1966, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ. Mins Chiefs of Staff Committee, 12 Sept 1966, ABFK7395 w4831 box 1, 61/2/39, pt1, ANZ

90 Land & Income Taxation Amendment Act 1966, No28, Section 5. It added a paragraph 'JJ' to Section 86 (1) after para 'J'

91 Mins 5 April 1966, 'Finance-Allowances-Naval-Borneo and Vietnam-Tax Free', ABFK7395 w4831 box 1, 61/2/39, pt1, ANZ

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42/255/20/4/1
MINUTES OF MEETING
Copy No. 8
30 November 1965

CABINET
COMMITTEE ON TAXATION AND LOCATION ALLOWANCES
"V" FORCE AND BORNEO

MINUTES of a meeting of the Committee held in the Office of the Hon. H. R. Lake, Parliament Buildings, on Friday 26 November 1965, commencing at 3.00 p.m.

3/ ✓
4/ ✓
5/ ✓
7/ ✓
7A ✓
7B ✓
8/ ✓
9/ ✓
10/ ✓
11/ ✓
12/ ✓
13/ ✓
15/ ✓
17/ ✓
2/ ✓
PRESENT: Hon. H. R. Lake (in the Chair)
Rt. Hon. Keith Holyoake
Hon. J. R. Marshall
Hon. D. J. Eyre

IN ATTENDANCE: Mr Durbin } Treasury
Mr Gyles }

Mr Hault }
Lt. General } Ministry
Thornton } of
Air Commodore } Defence
O'Brien }

Mr Rogers } Inland Revenue
Department

SECRETARY: Mr D. M. Stracy } Cabinet Office

TAXATION AND LOCATION ALLOWANCES "V" FORCE AND BORNEO

TAXVB (65) 1
Previous references CP (65) 1020
CP (65) 958
CP (65) 689

Mr Durbin explained that the recommendations now submitted had been prepared on the basis that New Zealand's Other Ranks and lower-graded Officers should compare well, after allowing for taxation, with Australian servicemen. The differences in favour of Australian Officers above the level of Lieutenant were due primarily to the higher margins for rank provided for in the Australian Officers' salary scale. The main difference between Treasury and Ministry of Defence concerned the daily rate of Deferred Pay, including the question of a higher rate for Officers than for Other Ranks.

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Navy and Air Force offices set to work formulating the rules governing how the deferred pay applied to their personnel. The Acting Secretary of Defence suggested to the Minister on 21 March 1966 that the naval rules equate to those in force in Australia. This was that service within 50 miles of the coast of the declared operational areas (Vietnam and Borneo) would qualify for tax-free deferred pay. It applied to Royal Naval personnel on loan to RNZN. The Air Force suggested that RNZAF personnel who were in-country for more than 24 hours should qualify. As with Army both services stipulated that itinerant visitors would not qualify but that temporary attachments of more than 14 continuous days would.⁹²

These draft rules were signed off by ministers on 6 April 1966 and the detailed rules promulgated to the services from the 21st.⁹³ This was still before the first main relief of combat personnel in Vietnam. As the drafts started to returned to NZ, lists of those eligible for deferred payments and the qualifying dates were submitted by HQ NZ V Force. One of the first lists of 17 men, who returned to NZ in September 1966, showed 14 qualifying for over 400 days, and three for over 200 days.⁹⁴

Reckoning the deferred pay for Navy was not easy. For instance HMNZS *Taranaki* was deemed to be within 50 miles of the coast of Borneo from 29 November to 22 December 1965, and 27 February to 22 March 1966. So the deferred pay of personnel had to be calculated for those days but not for the intervening period. Some personnel served only part of these two periods, and others who were denied pay while in the brig would not qualify – but for those days only. HMNZS *Santon* and *Royalist* came in and out of the zone three times in the same period, sometimes for periods as short as four days. *Hickleton* dipped into the zone six times.⁹⁵

Other Issues

Another issue at the time would have added to the confusion about taxes paid by service personnel. In 1965 Government passed legislation to impose tax on gratuities paid over the preceding 15 years. Newspapers ran headlines such as ‘Tax Defect Now Remedied’.⁹⁶

NZ servicemen in Vietnam also faced increases in their life insurance policies, when NZ insurance companies added “war loadings”.⁹⁷ One man interviewed in Vietnam said he took out three policies “on the strength of his prospective salary increase” and after the disappointing pay increase later in 1965 added that he would be unable to keep up the premiums.⁹⁸ This was also happening in Australia for Australian personnel. It warranted a review by the NZ Government two years later, during which soldiers’ welfare bodies such as the NZ Army Assn (Auckland) and NZRSA lobbied to have the loading removed.⁹⁹ The loading then being applied to premiums was 2% for five years, but it was removed immediately a soldier came home. It also applied to civilians going to work in Vietnam, based on the dangers a tropical country presented: “There was no extra loading for military service”, the Minister in Charge of the Government Life Insurance Office told Parliament.¹⁰⁰ This would not stop personnel believing that their insurance premiums had been increased because of their profession.

Independent of the above lump-sum deferred-pay arrangement announced in November 1965, allowances were being review as part of the pay round. The Cabinet Committee examined tax-free allowances for servicemen overseas in the third week of November. Their decision was pending information from overseas.¹⁰¹

When the new service pay schedule was announced late in 1965, the Vietnam servicemen was described as a “disgruntled group”.¹⁰² They said they were getting “no allowance for being in the Vietnam fighting zone, pay was still taxable although American and Australian fighting men were exempt, the new scale was retrospective only to September 1 whereas it had been stated that it would go back

92 ‘Finance-Allowances-Naval-Borneo and Vietnam-Tax Free’, ABFK7395 w4831 box 1, 61/2/39, pt1, ANZ

93 Sec Defence to Ombudsman, 29 July 1966. ‘Pay and Allowances-NZ Personnel-South Vietnam-Policy’, AALJ7291 w3508 box141, 231/2/31, pt1 (1964-68)

94 HQ NZ V Force to Army HQ, 6 Sept 1966, ‘Pay and Allowances-NZ Personnel-South Vietnam-Policy’, AALJ7291 w3508 box141, 231/2/31, pt1 (1964-68)

95 ‘Finance-Allowances-Naval-Borneo and Vietnam-Tax Free’, ABFK7395 w4831 box 1, 61/2/39, pt1, ANZ

96 *Evening Post*, 27 Oct 1965, Land & Income Tax Amendment Bill (No.2), 1965

97 *Evening Post*, 18 Sept 1965

98 *Evening Post*, 1 Nov 1965, p7

99 *Evening Post*, 14 Dec 1967

100 *Evening Post*, 23 Aug 1967

101 *Evening Post*, 23 Nov 1965

102 *Evening Post*, 1 Nov 1965, p7

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PRIME MINISTER'S OFFICE,
WELLINGTON.

QM 65/45/23

Minister of Finance

Copies to:

Prime Minister
Minister of Defence
Secretary to the Treasury
Controller and Auditor-General
Law Draftsman

TAXATION AND LOCATION ALLOWANCES - 'V' FORCE
AND FORCES IN BORNEO

At the meeting on 29 November 1965 Cabinet:

- (a) approved the payment to servicemen in active service areas of a tax free allowance by way of deferred pay at the rate of 9/- per day for Officers and 7/- per day for Other Ranks payable on return to New Zealand, with effect from 1 September 1965; 15/ July 1965.
- (b) authorised you, in conjunction with the Minister of Defence, to define the areas which qualify for the allowance and the detailed rules which will govern its payment, and the basis of application to Navy and Air Force personnel;
- (c) approved the adjustment of location allowances for Borneo and Vietnam from 1 September 1965 as set out in the attached appendix, subject to adjustment up or down upon a review by a committee from New Zealand; 7
- (d) authorised the introduction of legislation next session to exempt the allowance in (a) above from taxation;
- (e) approved the continuation of other location allowances for operational personnel in South East Asia without abatement on introduction of the new Pay Code, but all allowances to be subject to review by a committee from New Zealand as soon as this can be arranged; MM

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2.

approved the payment of Field Allowance under the new Pay Code to Army and Air Force personnel in service in South East Asia.

I assume that you will arrange for the necessary instructions to be given to the Law Draftsman for the amending legislation referred to in (d) above.

~~CONFIDENTIAL~~
CONFIDENTIAL
SUPERVISING REGISTRAR

PRIME MINISTER'S OFFICE,
WELLINGTON.

CM 65/46/19

Minister of Defence

Copies to:

Prime Minister
Minister of Finance
Secretary to the Treasury
Controller and Auditor-General
Law Draftsman

TAXATION AND LOCATION ALLOWANCES - 'V' FORCE AND
FORCES IN BORNEO

At the meeting on 6 December 1965 Cabinet agreed that the effective date for the payment of a tax free allowance by way of deferred pay to servicemen in active service areas at the rate of 9/- per day for Officers and 7/- per day for other Ranks payable on return to New Zealand, approved by Cabinet on 29 November 1965 (CM 65/45/23 refers) should be amended from 1 September 1965 to 15 July 1965.

CP (65) 1020, CP (65) 958 and CP (65) 689 refer

(Sgd.) A.R. HENRY

Secretary of the Cabinet

The date is set for
Deferred Pay

RULES AND CONDITIONS FOR PAYMENT OF DEFERRED
PAY FOR SERVICE IN VIETNAM AND BORNEO

General Provisions

1. Deferred Pay at following rates will be payable to entitled personnel for service in Vietnam and Borneo with effect from 15 July 1965 -

Officers 9/- daily
Other Ranks 7/- "

2. Personnel Entitled

Army

- a. Personnel on the posted strength of units serving in Vietnam and Borneo.
- b. Itinerant visitors to these areas will not qualify for payment for such visits.
- c. Other personnel sent for temporary duty with a unit in Vietnam or Borneo for a continuous period of 14 days or more will qualify for payment.

Navy

- a. Personnel of RMNH and RM loan personnel in receipt of New Zealand rates of pay, serving on shore in Borneo and serving in ships during operations within 50 miles of the coast of Borneo and in the rivers of Sabah and Sarawak.

Note: Operations within 50 miles of the coast of Borneo do not include mere passage through these waters unless proceeding to or from a port in Borneo (Sabah or Sarawak).

- b. Itinerant visitors to the areas of Borneo or Vietnam will not qualify for payment for such visits.

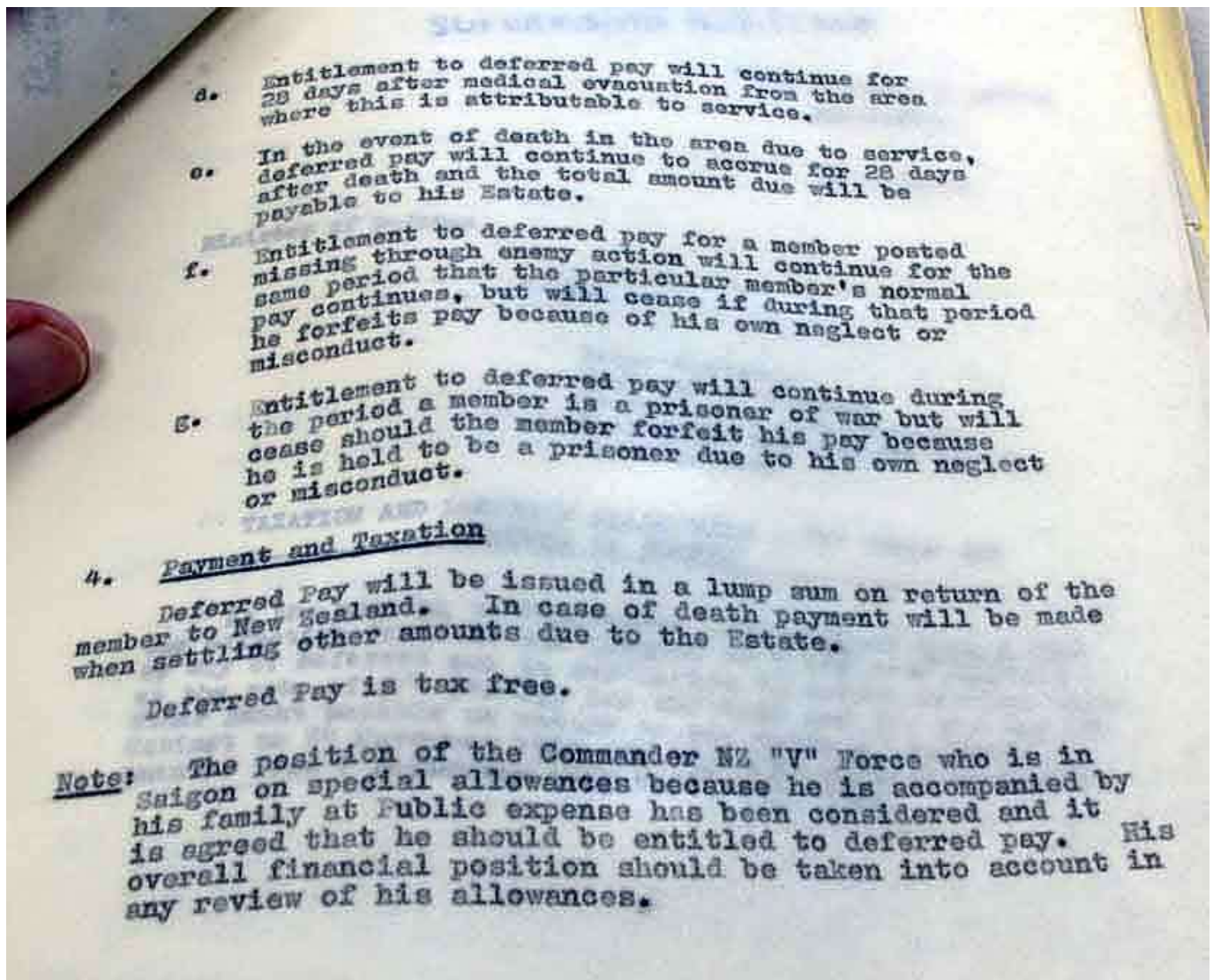
Air Force

- a. Personnel detached for operational duty in Borneo or Vietnam for more than 24 hours in that country will qualify for payment.
- b. Itinerant visitors to the areas of Borneo or Vietnam will not qualify for payment for such visits.
- c. Other personnel detached for temporary duty with a unit in Vietnam or Borneo for a continuous period of 14 days or more will qualify for payment.

3. Calculation of Entitlement

- a. Payment normally will commence from date of arrival and cease from date of departure from areas concerned.
- b. Entitlement to pay will cease during periods when pay is forfeited in whole or part for disciplinary reasons.
- c. For Army personnel on strength of Units serving in Vietnam and Borneo pay will continue for a maximum period of 14 days during periods of temporary absence including leave from Vietnam or Borneo.

/s.



to April 1, they would get very little more money in their pockets". The pay rises seemed to be unfair, with for instance a sergeant with two stars receiving an extra 5/7 a day whereas one more qualified (with four stars) only getting 2/11. The Ration Allowance (which was taxable) increased from 7/6 to 9-11/-. Despite the Marriage Allowance being reduced from 3/- to 2/3 a day, married men seemed to come out of the change better off, getting around 6/2 more a day. One man was quoted "Tell Holyoake if he wants to stay in the chair next year he'll have to give us taxation remission."¹⁰³

The allowances paid in Vietnam were reviewed in 1966. With decimalisation in July 1967, the 7/- deferred pay translated into 70 cents per day for other ranks and 90 cents for officers (from 9/-). The review initiated the year before suggested these rates rise to \$1.37 and \$1.82 respectively, which was approved in 1968 and backdated to 1 April 1967. While some other allowances were adjusted downwards, a special Overseas Separation Allowance was approved for married unaccompanied personnel, adding 62 cents per day for privates and increasing on a scale for NCOs and officers.¹⁰⁴

By now, combat operations had ceased in Borneo but the battalion based in Malaysia was tasked with sending companies of infantry to Vietnam, the first arriving in May 1967. Though only on 6-month tours, this increased markedly the numbers of personnel in theatre and also therefore the number who could potentially feel aggrieved at paying tax on their income.

Ongoing Concern

Over the years as new young troops arrived in theatre, they were brought up to speed with gripes over pay by the older veterans, some of whom might be on their second or third tour.¹⁰⁵

103 *Evening Post*, 1 Nov 1965, p7

104 Sec Treas to Sec Defence, 24 Oct 1968, T1 w2666 box 28, 42/255/20/4/1 [pt 4] 1966-71, ANZ

105 *Evening Post*, 23 Aug 1967; Mullane interview

In this way NZ troops maintained a concern at pay and being taxed. On his second visit to Vietnam in 1966, NZPA journalist Chris Turver was handed a hand-written petition from NZ soldiers which included complaints over pay and taxation. He said that since their first deployment they had been sandwiched between Australian and American troops, so comparisons were difficult to avoid.¹⁰⁶

Copies of an article from *The Bulletin* (dated 1 April 1967) comparing Australian and American rates of remuneration in Vietnam circulated among NZ troops.¹⁰⁷ An “anomaly” was claimed to exist resulting from changes in tax structures in NZ, Australia and the US, but was refuted.¹⁰⁸ The Armed Forces Pay Committee visited South Vietnam while deliberating on the subject of pay, and the Secretary of Defence kept his Minister informed of differences between NZ and Australian rates of pay.

There is also evidence that the link between the Deferred Pay and the tax exemption issue was lost in the minds of new troops. When an MP Mick Connelly (Labour, Riccarton) visited Vietnam in 1968 he claimed that soldiers thought of the Deferred Pay as “combat pay” and that they “objected to the argument that, in some way, combat pay can be regarded as a tax concession.”¹⁰⁹ That Deferred Pay was additional to their basic pay was not mentioned.

The comparisons with the untaxed nature of pay for 2 NZEF and K Force personnel arose again. This was occasioned in 1967 by a visit to NZ troops in Nui Dat by a NZ Parliamentary Delegation. One of them, Les Gandar MP (National, Manawatu) had not heard of the complaint about taxed pay before, probably because he had only come into Parliament the year before. Phil Amos, Labour MP for Manurewa, said the “taxation anomaly” was “by far the most important matter suffered by our servicemen in Vietnam.” Labour’s Arthur Faulkner (Mt Roskill) said people in a combat area “should be placed on the same taxation basis as they were in the Second World War”. In responding to this criticism in September, even the new Minister of Defence David Thomson to forget to mention that Deferred Pay was compensation for taxation. The gripes were not only about pay: Norm King MP (Labour, Waitemata) said the troops asked for better boots, NZ beer and “weedkiller for grass which obscures a defender’s view of the camp perimeter”.¹¹⁰

In August 1968 a Public Service ruling rate survey promised a pay rise to service personnel, but troops were denied the rise for over 18 months. Some rotations entered and left Vietnam while waiting for pay rises. Skills margin increases introduced in June 1969 had not been paid to NCOs and officers six months later (both these were announced in Jan 1970). And when these increases did come in, the Location Allowance was adjusted accordingly, for some people downwards. This was on the basis that cost of living had increased in NZ, but not in Vietnam. This was colloquially known as ‘on pay / off allowance’ - a balancing act designed to guarantee that income did not fall below a certain point.¹¹¹

Soldiers in Vietnam were not surprisingly “annoyed at Treasury” for these policies, probably agreeing that its staff had “hearts like cash registers”. “The soldiers believe they are being hit by Government efforts to conserve overseas funds.”¹¹²

A proposal arose from the Principal Personnel Officers’ Committee in March 1968 to split the deferred pay into three rates, rather than the current two. This was tied up with the complicated pay review, and the reason is presumed to have been to separate NCOs from privates, allowing NCOs a higher rate. The proposal came to nothing, and the two-tier regime remained.¹¹³

Hopes of taxation being lifted from the income of Vietnam-based soldiers were renewed when in October 1969 the Army asked Government to review their taxation status. A committee of the Prime Minister and Ministers of Defence (David Thomson) and Inland Revenue Dept (Pickering?) was formed, just before the election in November. The agreement to review the taxation issue (specifically Section 87 of the Income Tax Act) may have been an election ‘carrot’, but after the incumbent National administration was returned came the ‘stick’. The Government announced in 19 January 1970 that for

106 Turver interview

107 ‘Pay and Allowances-NZ Personnel-South Vietnam-Policy’, AALJ7291 w3508 box141, 231/2/31, pt2 (1968-72). Ironically this flier did not repeat that Australian and American pay was tax-free.

108 NZPD, vol 352, p2640, 29 Aug 1967

109 quote Connelly to Minister of Finance, 9 Oct 1968, and Minister of Finance to Connelly, draft 16 Oct 1968 and final letter 1 November 1968, T1 w2666 box 28, 42/255/20/4/1 [pt 4] 1966-71, ANZ; McGibbon, 2010, p176

110 *Evening Post*, 23 Aug 1967, *Evening Post*, 29 Sept 1967

111 Klitscher interview

112 first and third quote, *Evening Post*, 20 Jan 1970; McKinnon, 2003, p199

113 Mins PPO Ctee 18 March 1968, ‘Pay and Allowances-NZ Personnel-South Vietnam-Policy’, AALJ7291 w3508 box141, 231/2/31, pt1 (1964-68), ANZ

1028



T 42/255/20/4/1

THE TREASURY
DEPARTMENTAL BUILDING, STOUT ST., WELLINGTON
TELEPHONE 47 315



31 MAR 1966

The Minister of Finance

DEFERRED PAY - "V" FORCE AND FORCES IN BORNEO
RULES FOR PAYMENT

Proposal

1. The Acting Secretary of Defence has submitted for approval detailed rules for payment of deferred pay for forces serving in South Vietnam and Borneo in accordance with CM 65/45/23 as amended by CM 65/46/19.

Comment

2. The proposed rules were prepared after consultation with Treasury and generally follow the Australian rules for exemption from taxation.

9 3. For Army personnel the requirement is to be on the posted strength of a unit serving in Vietnam or Borneo or be on temporary duty with a unit in one of those countries for 14 days or longer, for Navy the requirement is to be on shore in Borneo or serving in a ship on operations within 50 miles of the coast of Borneo or in the rivers of Sabah and Sarawak while RNZAF personnel qualify when detached for operational duty in Borneo or Vietnam for periods of more than 24 hours.

4. Provision is made in the rules to cover temporary absences, sickness or injury, death, capture by the enemy or going missing, and for the deferred pay to cease if ordinary pay is forfeited for disciplinary reasons.

5. These rules appear satisfactory but it is considered that a direction should be given that the rules are to be reviewed on any happening which could give rise to a restriction or expansion of entitlement.

Recommendation

File 6. It is recommended that in conjunction with the Minister of Defence you approve the rules for payment of deferred pay for Borneo and Vietnam and direct that the rules are to be reviewed if there is any change in the present situation in South Vietnam or Borneo.

... 7. A copy of this memorandum is attached for the Minister of Defence.

Treasury Recommendation
Approved

(Sgd.) H. R. Lake

10 APR 1966

R R Carroll
Secretary to the Treasury.

"income tax purposes NZ troops in Vietnam are not in an 'operational area'."¹¹⁴ The media pointed to some disappointment among troops in Vietnam that they were going to have to continue paying

income tax while deployed. No mention is made at this time that tax-free Deferred Pay (\$1.37 a day for

other ranks and \$1.82 for officers) was compensation for paying income tax.¹¹⁵

To counter-balance this, however, an increase in allowances was announced two days later (21 January 1970). These were back-dated to 1 April 1969: the OR's Location Allowances moved from \$1.21 to \$2.81 a day; the married allowance from \$8.60 to \$9.99 a day; Messing Allowance (in Saigon only) up \$2.27 to \$7.93. The rate of Deferred Pay remained unchanged.¹¹⁶

In 1971 when NZ announced it was to withdraw its forces from South Vietnam, a single private soldiers in the combat zone was earning each day:¹¹⁷

Basic Pay	\$4.26 (paid seven days a week)
+ Location Allowance	\$2.56 (tax free, seven days a week)
+ Deferred Pay	<u>\$1.37</u> (tax free, seven days a week)
TOTAL	\$8.19

This Location Allowance was adjusted downwards over the 1970 figure when NZ reviewed the allowances after the South Vietnamese Government devalued its currency, the Piastre, in May 1971. The Location Allowance was a flexible measure, rising when living costs in Vietnam rose but it was lowered when NZ pay increases reduced the cost of living.¹¹⁸

Allowances were reviewed in May 1971 but not cut, but after another devaluation of the piaster later in the year they were cut (from 2 December) – but only for men stationed in Saigon.¹¹⁹ But by then the withdrawal of all units was only a matter of time.

This did not change the fact that by the end of the war, some NZ soldiers were there “for the money”.¹²⁰

Tax-free deferred pay for service in Vietnam was cancelled with effect from 27 January 1973. All references to it in Service Orders were requested to be deleted.¹²¹

Was Deferred Pay to Compensate for Taxation of Pay

Several instances on the documentary record show that Deferred Pay was wholly associated with the tax Vietnam personnel paid on their income. The following are several examples.

After the Cabinet decision approving Deferred Pay in principle in October 1965, the Minister of Finance was sent a draft press release to announce “the introduction of a tax free allowance in place of an exemption from taxation for servicemen serving in Vietnam and Borneo”.¹²² The media referred to it as “a taxation allowance”, as did members in the House.¹²³

Over four years later, the Minister of Defence was quoted saying “troops were compensated for their income tax payments by receiving a tax-free deferred pay allowance”.¹²⁴ The statement was echoed at the same time by an official, the Administrative Assistant Secretary at the Ministry of Defence. These show clearly that the deferred pay was directly associated with the taxed income, in both the political and public service mindset.¹²⁵

Adding detail to it, a Defence Dept spokesperson was paraphrased saying in 1971 that “deferred pay is about equivalent to the income tax paid on standard pay while on active service: this concession equates conditions with those of American and Australian servicemen, who do not pay income tax while on active service.”¹²⁶

Deferred pay was clearly intended to be recompense for ongoing taxation of the soldiers' income, both by being said to be “about equivalent” to the tax they had paid and “equat[ing]” conditions to those of untaxed allies.¹²⁷

115 The rate was published again in *Evening Post*, 21 Jan 1970

116 *Evening Post*, 22 Jan 1970

117 *Evening Post*, 11 May 1971. The reason for the Location Allowance here differing from that in 1970 above is not known.

118 *Evening Post*, 11 May 1971; *NZPD*, Vol 376 p4242, 2 Nov 1971

119 *Evening Post*, 7, 8 Dec 1971

120 Gnr Rodger Pirret of Murupara quoted, *Evening Post*, 23 March 1971

121 ACDS(Pers) to Distribution List, 26 June 1974, ABFK7395 w4831 box 1, 61/2/39, pt1, ANZ

122 Sec Treasury to Minister of Finance 29 Oct 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

123 *Evening Post*, 1 November 1965; Mr Riddiford to Mr Eyre, *NZPD*, Vol345 p4107, 1 Nov 1965

124 *Evening Post*, 22 Jan 1970

125 The Administrative Assistant Secretary at the Ministry of Defence was quoted in 1970 saying that soldiers in Vietnam were “compensated [for having to pay tax on their income]... with the payment of ‘deferred allowances.’” *Evening Post*, 21 Jan 1970

126 ‘Pay Packet’s The Thing in Vietnam’, *Evening Post*, 23 March 1971. The deferred pay at this time was \$1.37 a day for other ranks, and \$1.82 for officers. *Evening Post*, 22 Jan 1970

127 *Evening Post*, 23 March 1971

Conclusion

There was no hiding the fact that NZ 'Soldiers Don't Like Income Tax', as baldly stated by a Wellington newspaper.¹²⁸

The Government looked at this and, rather than exempt soldiers from taxation, it introduced an additional payment that was equivalent to the tax they paid on their income. It was called 'Deferred Pay' and was itself tax-free. It was not paid to soldiers directly, but calculated on a daily-rate basis and paid to them in a lump-sum upon return to NZ. It was compensation for the fact of paying taxes. At the beginning and throughout the war in Vietnam this deferred pay was in the minds of officials and most politicians inextricably linked with the tax the personnel paid, as compensation for income tax not being waived.

Service personnel in Vietnam were generally disgruntled about their income and rising costs, and the taxation issue was only one aspect contributing towards this disgruntlement. This was prominent in the early years but remained an issue throughout the war. It appears, though, that many soldiers did not understand that their deferred pay was compensation for their having to pay tax.

The fact that the theatre was deemed not to be an 'operational area' for tax purposes (as had been the case in Korea) added to this confusion and rankled with personnel in Vietnam who saw the theatre very much as operational.

Sometimes pay was slow in being processed, which added to frustrations. This was due to the "extremely complicated" calculations which had to be made for every individual.¹²⁹ This was even more complicated if a soldier's wife or family lived in Malaysia or Singapore. Army HQ also at times laid the blame for this on short-staffed District HQs, such as Northern District where pay staff were said to be working overtime to keep up.¹³⁰

Army Pay officials, such as the Paymasters at district HQ or HQ V Force, or the pay clerks with each unit, understood that Deferred Pay was accumulating in NZ for all soldiers.¹³¹ But as their Deferred Pay did not appear on pay-slips, soldiers can be forgiven for not knowing about it until their return to NZ. Then one day, without them having to apply for it, it appeared as a lump-sum, which many believed merely to be back pay or arrears of their basic pay or built-up allowances that were owed to them. To many it was "a pleasant surprise" and was usefully put towards the down-payment on a house, business or car.¹³²

Comparisons in pay and conditions were made with countries (Australia and America) where the cost of living was higher and therefore basic pay was higher than in NZ employment. The living standards achieved through pay were, however, "about equivalent".¹³³

Defence officials summarized the Deferred Pay issue as having arisen from "considerable pressure [placed] on Government to grant tax-free concessions to personnel serving in what NZ regards as combat areas, ie Vietnam and Borneo."¹³⁴ This arose for three main reasons:

- (a) tax-free provision had been made a tradition from the precedence of personnel serving in WWI, WWII and Korea. This tradition was referred to as early as 1951, based on the precedence of WWI and WWII, which were then just being applied to the Korean War.¹³⁵ To no longer offer something that was considered a traditional perk was regarded a withdrawal of privilege, a net loss.
- (b) tax exemption had been granted to allies in Vietnam (despite Britain not granting the same in Commonwealth zones such as Malaysia).
- (c) The existence of Section 87 of the Land & Income Tax Act 1954 which gave the Government the ability, should it so choose, to exempt personnel from taxation when serving in 'operational areas'. Despite Government not defining them as such, Jack Hunn said

128 *Evening Post*, 3 August 1965

129 *Evening Post*, 22 Jan 1970, quoting a Ministry of Defence official; Mullane interview

130 An example is the complaint of slow pay received by the Ombudsman, Guy Powles, in June 1966, and reply Sec Defence to Ombudsman, 29 July 1966. 'Pay and Allowances-NZ Personnel-South Vietnam-Policy', AALJ7291 w3508 box141, 231/2/31, pt1 (1964-68), ANZ

131 Day interview. Alan S Day, Paymaster V Force 1968-69, served in the NZ Army from 1960 to 1989, retiring as a major.

132 Mullane interview; Sqn Ldr Robin Klitscher received over \$600, worth now around \$8000, Reserve Bank NZ Inflation Calculator; www.rbnz.govt.nz

133 A claim made by the NZ Army, in *Evening Post*, 23 March 1971

134 Sec Defence Jack Hunn to Minister of Defence, 5 Nov 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

135 Media Statement 9 February 1951, 'War Series-Forces for Korea-Financial Matters-Taxation of Pay and Allowances' (1950-52), EA w2619 box 20 PM75/2/4, pt1, ANZ

"Vietnam and Borneo, at least, are by any test operational areas in fact today."¹³⁶

The Deferred Pay was not explained well as an instrument of compensation. It would have been mentioned in routine orders at the start of the war, in documentation at the start of every tour, and possibly by some commanders in their briefs to their men, but probably rarely repeated. Certainly it did not appear on their routine pay slips and poor communication about it led a number of personnel not being aware of it.¹³⁷ Those coming from Terendak or Singapore (most infantrymen from 1967) would have had less exposure to the media coverage of Deferred Pay in NZ. Some thought it was part of their basic pay that had been deducted as if a compulsory saving.¹³⁸ Some thought of it as "back pay" or confused it with their Location Allowance.¹³⁹ Those who knew it to be additional to their pay might not have associated it with being the compensation for taxation. As former president of RNZRSA John Campbell said after researching the taxation topic, "there was/is a lot of misconception out there".¹⁴⁰

The decision to compensate personnel for paying tax was "primarily a political matter and one for Government to decide".¹⁴¹ The method chosen, tax-free Deferred Pay issued in a lump sum after return to NZ, was, however, inadequately publicized. Despite being only one of a number of frustrations, this has contributed to Vietnam veterans harbouring a feeling that their service and sacrifices in Vietnam were poorly remunerated.

The fact remains, though, that the NZ Government compensated service personnel at the time for paying income tax while deployed in Vietnam.

Peter Cooke, 13 May 2011

FORTNIGHTLY PAY ENTITLEMENT			
ENTITLEMENT		ALLOTMENTS & DEDUCTIONS	
No: 42227	Rank: Lt Col	Name: MORIARTY	K. GERR.
Daily Basic	4.47	Tax	11.04
GCB		Superannuation	4.06
Marriage Allowance		Wife Allotment	
Hatien Allowance	1.00	Rent (in NZ)	
Separation Allowance		Rent (in Vietnam - Living out pers only)	
Overseas Separation Allowance		National Savings	
Location Allowance (less rent 8%)	5.00	Building Society	4.00
Parachutists Allowance		POL	15.00
TUI Allowance		Allotment to Bank in NZ	
Lt Col pay	33	Insurance	2.89
			4.18
			2.35
Gross Daily	NZ\$ 10.80	Total Allotments & deductions	\$ 43.52
Gross 14 days	= 151.20		
Less allotments & deductions	43.52		
	NZ\$ 107.68		
NZ\$ 107.68 = US\$ 120.60 at conversion rate of NZ\$1.00 = US\$1.12			
Ans 19.8 to 17.2 \$11.50			
27.2.69			
Sgt paymaster NZ V Force			

A sample pay slip, showing no reference to the Deferred Pay accumulating in NZ for the personnel. Thanks Kevin Moriarty.

136 Sec Defence to Minister of Defence, 5 Nov 1965, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

137 Day interview

138 Mullane interview

139 Culley email

140 Campbell email

141 Sec Defence to Minister of Defence, 5 Nov 1965, para 6, p2, T1 w2666 box 29, 42/255/20/4/1 [pt 3] 1965-66, ANZ

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The assistance of the Defence Force Historian and Office of the Auditor General in accessing restricted files, Malcolm McKinnon for former Treasury contacts, Kevin Moriarty for the payslip, and NZ Defence Force Library are acknowledged.

NZ V FORCE LEAVE AND DEFERRED PAY RETURN

RETURN NO : 2/67

NSL & DEPARTING VIETNAM ON 23 JUN 67

Ser No	No	Rank	Name	Corps	NOK & Address	Leave Address	Def PA	Curr PA	O/S	Lve Req	NZ Posting	Travel Reqs and O/Night acen req in AUCKLAND	Deferred Pay	
													To/From	Days
(a)	(b)				(c)	(d)	(e)	(f)	(g)	(h)	(j)	(k)	(l)	(m)
1.	541367	Lcpl	ARATAMA	AD	Mrs ED ARATAMA(W) 1 Murphy St PAPAKURA	As for NOK	18	18	4	22	1 Tpt Coy (GT) RNZASC PAPAKURA	Nil	20 Sep 66 22 Jun 67	276
2.	41886	Gnr	WIRONA	W	Mrs K MARSTERS(N) 20 Collett Rd East Tamaki AUCKLAND	7 Watson St WELLINGTON	18	18	6	24	16 Fd Regt PAPAKURA	Nil	9 Jun 66 22 Jun 67	379
3.	40403	Pte	AUGUST	B	Mrs R AUGUST(N) c/- Post Office Te Teko BAY OF PLENTY	As for NOK	18	18	6	24	1 Bn Depot BURNHAM	Nil	9 Jun 66 22 Jun 67	377
4.	39833	Lt	BROCKHALL	BN	Mrs H BROCKHALL(F) Puru Ave Otataru INVERCARGILL	As for NOK	17	18	6	23	RF Depot WAIKURU	Ty 381 Air to Wellington Ferry to Lyttelton (Return) Rail to Invercargill (Return) Rail Wellington - Waiouru	9 Jun 66 22 Jun 67	379
5.	626042	Lcpl	HAITANA	H	Mrs A HAITANA(N) P.O. Box 73 RAETIHI	As for NOK	18	18	6	24	2 Indep Tipper Pl WAIKURU	Rail to OHAKUNE Bus to RAETIHI	7 Jun 66 22 Jun 67	381
6.	39952	Lt	HOLLINGSWORTH	FX	Mrs M HOLLINGSWORTH(W) 11B Dittmer Place PAPAKURA	As for NOK	8	18	4	14	REU WAIKURU	Nil	16 Nov 66 22 Jun 67	219

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A sample Deferred Pay return from which payments of around \$380 to just under \$800 would have been made.
[Pay and Allowances-NZ Personnel-Sth Vietnam-Policy', AALJ7291 w3508 box 141, 231/2/31 pt2, ANZ]