

- (d) "Cut-off time", in relation to a person and an income year, means the time at the end of the income year when all financial arrangements held or issued by the person are valued in order to determine the assessable income of the person for the income year;
- (e) "Forward contract" means a contract, other than a contract traded on any futures market or a spot contract, for the sale or purchase of a foreign currency for delivery at a specified future time;
- (f) "Futures contract" means a contract traded on the New Zealand Futures Exchange;
- (g) "Income year" means—
- (i) Where a taxpayer furnishes a return of income under section 15 of the Income Tax Act 1976 for an accounting year ending with an annual balance date other than the 31st day of March, the period of twelve months ending on that balance date;
 - (ii) In respect of the income of any other person, the year in which that income has been derived by that person;
- (h) "New Zealand foreign currency market" means the market in spot contracts and forward contracts;
- (i) "Spot contract" means a contract for the sale or purchase of a foreign currency for delivery in 2 days;
- (j) "Multicontributor page" means a multicontributor page of information that is displayed on a screen provided by Reuters New Zealand Limited or Telerate N.Z. Limited.

6. Method—

(1) *Approved Markets*—The New Zealand foreign currency market in European Currency Units and in the currencies of the following countries and territories are approved—

Japan	The Independent State of
Canada	Papua New Guinea
French Republic	Republic of Ireland
The Territory of Hong Kong	Portuguese Republic
Commonwealth of Australia	Republic of Austria
Republic of Singapore	Kingdom of Sweden
The Swiss Confederation	Kingdom of Denmark
Federal Republic of Germany	Republic of Italy
The United States of America	Kingdom of Norway
Kingdom of the Netherlands	Kingdom of Spain
United Kingdom of Great Britain	Republic of Turkey
and Northern Ireland	The Hellenic Republic
The Federation of Malaysia	Finland

(2) *Sources of Information*—The following sources of information for foreign currency rates are approved—

- (a) In relation to spot contracts, a multicontributor page that quotes rates for spot contracts;
- (b) In relation to forward contracts, a multicontributor page or a contributor page that quotes rates for forward contracts;
- (c) Where a person does not have access to a multicontributor page or a contributor page or where the rates for a forward contract are not available from a multicontributor page, advice as to the buy and sell rates for a forward contract or spot contract given to that person by an authorised foreign exchange dealer, which rates shall be derived from an approved source and shall be the rates at which the authorised foreign exchange dealer would perform the foreign exchange transaction.

(3) *Spot Contracts*—

- (a) Where, for the purposes of determining the income or expenditure of a person in respect of a financial arrangement, it is necessary to determine the rate for a spot contract as at the end of an income year, the rate for the spot contract shall be the midpoint between the buy and sell rates for that spot contract.
- (b) Where, for the purposes of determining the income or expenditure of a person in respect of a financial arrangement, it is necessary to ascertain in New Zealand currency the value of a cashflow paid or received in a foreign currency, the rate of exchange to be applied shall be—
- (i) Where the cashflow is not converted to New Zealand currency on the day it is paid or received, the midpoint between the buy and sell rates for a spot contract for that currency at any time on that day; or
 - (ii) Where the cashflow is converted to New Zealand currency on the day it is paid or received, the rate of exchange obtained in relation to the cashflow.
- (c) Where a buy and sell rate for a spot contract is not quoted on a multicontributor page, the rate for the spot contract shall be the cross rate calculated by reference to:
- (i) The rate quoted on a multicontributor page for the foreign currency against the United States Dollar, and

(ii) The rate quoted on a multicontributor page for the United States Dollar against the New Zealand Dollar.

(4) *Forward Contracts*—Where, for the purposes of determining the income or expenditure of a person in respect of a financial arrangement, it is necessary to determine the rate for a forward contract at the end of the income year, and—

- (a) Where the buy and sell points for the forward contract are quoted on a multicontributor page, the rate for the forward contract shall be the midpoint between the buy and sell rates for that forward contract obtained by reference to the multicontributor page;
- (b) Where the buy and sell points for the forward contract are not quoted on a multicontributor page, but the buy and sell points for similar forward contracts of shorter term ("the shorter contract") and of longer term ("the longer contract") are quoted on a multicontributor page, then the rate shall be the rate obtained by reference to the multicontributor page using straight line interpolation of the midpoints between the buy and sell rates for the shorter contract and the longer contract which have terms closest to the term of the forward contract;
- (c) Where the rate cannot be obtained by reference to points on a multicontributor page and where the rate for that forward contract is available by reference to contributor pages, then the rate shall be the arithmetic mean of the midpoints of not less than 3 buy and sell rates for that forward contract obtained from contributor pages;
- (d) Where the rate cannot be obtained by reference to paragraphs 6 (4) (a) to (c) of this determination, the rate shall be the arithmetic mean of not less than three rates being any of—

(i) the midpoints of the buy and sell rates quoted for the forward contract by one or more authorised foreign exchange dealers, or

(ii) Where the points for similar forward contracts of shorter term ("the shorter contract") and of longer term ("the longer contract") are quoted on a contributor page, then the rate shall be the rate obtained by reference to the contributor page using straight line interpolation of the midpoints between the buy and sell rates for the shorter contract and the longer contract which have terms closest to the forward contract.

(5) A person applying paragraphs 6 (3) (a) or 6 (4) of this determination may obtain the rate for a spot contract or forward contract using the method prescribed in those paragraphs at any time on the last day of the income year:

Provided that—

- (a) The rate applied is the rate obtained at the cut-off time in relation to the person and the income year; and
- (b) The method for determining the cut-off time adopted by that person is consistently applied in respect of each income year;

Provided further that where there is no market at the cut-off time, the rate shall be—

- (c) The rate obtained at the later of—

(i) The end of trading in forward contracts or spot contracts by that person in the income year;

(ii) 3.00 p.m. New Zealand Time on the last day in the income year on which there was a market; or

- (d) The rate for the earlier of—

(i) The commencement of trading in forward contracts or spot contracts by that person in the following income year;

(ii) 7.30 a.m. New Zealand Time on the first day in the following income year on which there was a market.

7. Example—

This is an example of the application of the averaging process and straight line interpolation required for certain forward foreign exchange contracts under the determination.

On its balance date of 30 June 1987 a New Zealand corporate had a forward foreign exchange contract for delivery of \$1.2 million New Zealand Dollars for \$612,000 United States Dollars on the 1st of August 1988.

The contract therefore is to be fulfilled in approximately 13 months time.

At the balance date the foreign exchange quotations for the New Zealand Dollar against the United States Dollar were (from the multicontributor page ASAP on the Reuters system):

	Buy	Sell
Spot Rate	0.6095	0.6100