the currency or commodity in which rights and obligations under the financial arrangement are fixed;

"Base currency expenditure" in relation to a person and a financial arrangement and an income year, means the amount of the expenditure of the person in respect of the financial arrangement and the income year, calculated in the base currency in relation to the financial arrangement but otherwise in accordance with the Act and determinations made under it (subject to clause 6 (4) of this determination regarding the application of Determination G2: Requirements as to Precision);

"Base currency income" in relation to a person and a financial arrangement and an income year, means the amount of the income of the person in respect of the financial arrangement and the income year, calculated in the base currency in relation to the financial arrangement but otherwise in accordance with the Act and determinations made under it (subject to clause 6 (4) of this determination regarding the application of Determination G2: Requirements as to Precision);

"Closing tax book value", in relation to an income year, means the value of a person's rights and obligations under a financial arrangement, calculated in accordance with the following formula—

$$e + f + g - h - i$$

where—

e is—

(i) Where the person was a party to the financial arrangement at the beginning of the income year, the opening tax book value of the person's rights and obligations under the financial arrangement; and

(ii) In every other case, nil; and

f is the sum of the value (expressed in the base currency in relation to the financial arrangement) of all consideration given during the income year by or on behalf of the person in relation to the financial arrangement; and

g is the base currency income of the person in respect of the financial arrangement; and

h is the sum of the value (expressed in the base currency in relation to the financial arrangement) of all consideration given during the income year to or for the benefit of the person in relation to the financial arrangement; and

i is the base currency expenditure of the person in relation to the financial arrangement;

"Currency" includes any commodity used as a medium of exchange or account, whether in general use or for the purpose of an arrangement;

"Exchange rate" means the price of one currency expressed in another currency;

"Financial arrangement" has the same meaning as in sections 64B to 64M of the Act;

provided that, where a financial arrangement creates obligations in two or more currencies and the consideration to be given and received in respect of the obligations in each of the currencies is separately identifiable, the consideration to be given and received in respect of the obligations in each currency shall be treated as relating to separate financial arrangements;

"NZD" means the currency of New Zealand;

"Opening tax book value" in relation to an income year and the rights and obligations of a person under a financial arrangement, means the closing tax book value of the person's rights and obligations under the financial arrangement at the end of the last preceding income year;

"Spot rate" means the exchange rate for a spot contract as defined in Determination G6: Foreign Currency Rates.

6. *Method*—(1) Determination G8: Financial Arrangements that are Denominated in a Currency or Commodity other than New Zealand dollars, is hereby rescinded with effect from the day on which this Determination G9: Financial Arrangements that are Determined in a Currency or Commodity Other Than New Zealand Dollars is signed.

(2) The income or expenditure of the person in respect of a financial arrangement and an income year shall be calculated in accordance with the following formula—

$$a + b - c - d$$

where—

a is the value in NZD of the closing tax book value; and

b is the sum of the value in NZD of all consideration given during the income year to or for the benefit of the person in relation to the financial arrangement; and

c is the value in NZD of the opening tax book value; and

d is the sum of the value in NZD of all consideration given during the income year by or on behalf of the person in relation to the financial arrangement—

and the amount so calculated shall—

(a) Where it is a positive amount be deemed to be income derived by the person in the income year;

(b) Where it is a negative amount be deemed to be expenditure incurred by the person in the income year.

(3) Where—

(a) An amount at any time is expressed in a currency other than NZD or the base currency in relation to a financial arrangement; and

(b) It is necessary to convert the amount to NZD or the base currency or otherwise to calculate the value of the amount in NZD or the base currency;

the exchange rate for the purpose of the calculation shall be—

(c) Where the matter is dealt with in a determination made by the Commissioner under section 64E (1) of the Act, the price or spot rate at the time and so determined;

(d) Where the exchange rate is not dealt with in a determination made by the Commissioner under section 64E (1) of the Act and the amount is expressed in a currency for which there is an accessible and active market in—

(i) NZD or the base currency, as the case may be; or

(ii) Another currency that satisfies the requirements of this sub-paragraph—

an exchange rate determined in a manner consistent with determinations made by the Commissioner for the purpose of ascertaining the price or rate for any currency.

(e) In any other circumstance, a price or spot rate at which an arm's length dealing would be expected to take place at the time.

(4) Determination G2: Requirements as to Precision, shall apply to the calculation of income and expenditure under clause 6 (2) of this determination.

7. *Examples*—

EXAMPLE 1. DISCOUNTED BOND

A NZ investor has a United States Treasury bond on its balance date of 30 June 1989. The bond has a term of 5 years and bears 10% interest payable semi-annually on 1 September and 1 March. It has a face value of USD10 million. The bond was purchased at issue for USD8,300,000 and matures on 1 September 1993.

For the purposes of this example USD refers to the currency of the United States of America and NZD refers to the