

year, converted to New Zealand dollars on the dates of payment; together with

- (b) The net change in the amount of closing tax book values in New Zealand dollars during the income year.

This brings to account for income tax purposes all accrued gains and losses on the financial arrangement, including gains and losses arising from currency translation.

(6) This determination requires that where a financial arrangement involves or is expressed in more than one currency or commodity, each separate currency or commodity tranche is to be treated as a separate financial arrangement.

(7) Where—

- (a) A facility provides for the rollover of a financial arrangement; and

- (b) No payment under any arrangement arising from the rollover is material to or contingent upon the financial arrangement—

the financial arrangement matures when the rollover occurs. However, where a payment under an arrangement arising from the rollover is material to or contingent upon the financial arrangement, any arrangement that includes the payment is a part of the financial arrangement.

2. *Reference*—(1) This determination is made pursuant to section 64E (1) (b) and 64E (6) of the Income Tax Act 1976.

(2) Determination G9: Financial Arrangements that are Denominated in a Currency or Commodity other than New Zealand Dollars is hereby rescinded with effect from the day on which this Determination G9A is signed.

3. *Scope of Determination*—(1) This determination shall apply where it is necessary to calculate the income or expenditure of a person in respect of a financial arrangement and any right or obligation of the person in relation to the financial arrangement is fixed or otherwise determined in a currency or commodity other than New Zealand dollars (NZD) and is not fixed in NZD.

(2) This determination shall not apply to—

- (a) A forward or future contract;
 (b) A futures contract;
 (c) A swap contract;
 (d) An option;
 (e) A security arrangement.

4. *Principle*—(1) Income or expenditure shall be calculated in the base currency or commodity in accordance with the Act and determinations, as if the base currency or commodity were NZD.

(2) Amounts paid or received during an income year shall be converted to NZD at spot rates at the time of the payment or receipt.

(3) At the end of each income year the closing tax book value is calculated in the base currency equal to—

- (a) The closing tax book value (if any) in relation to the previous income year;

Plus (b) Amounts paid by the holder or received by the issuer (as the case may be) during the income year and in relation to the financial arrangement;

Plus (c) Income or expenditure calculated as in clause 4 (1) of this determination;

Less (d) Amounts received by the holder or paid by the issuer (as the case may be) during the income year in relation to the financial arrangement.

(4) The closing tax book value is converted to NZD at the then spot rate and the net change from the previous income year is brought into income or expenditure for the income year.

(5) The total income or expenditure is the sum of the amounts calculated in clauses 4 (2) and 4 (4) of this Determination.

(6) For the purpose of determining the income deemed to be derived or expenditure deemed to be incurred in respect of a financial arrangement that involves separate amounts expressed in more than one currency or commodity and in respect of an income year, the financial arrangements shall be treated as separate financial arrangements in relation to each separate amount.

5. *Interpretation*—In this Determination, unless the context otherwise requires,—

Expressions used have the same meanings as in the Act, except that where there is a conflict between the meaning of an expression in sections 64B to 64M of the Act and the meaning of the expression elsewhere in the Act the expression shall have the same meaning as in the said sections 64B to 64M:

“The Act” means the Income Tax Act 1976:

“Base currency” in relation to a financial arrangement means 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: