

# Inland Revenue

## Income Tax Act 1976

### Determination G7A: Futures Market

This determination may be cited as "Determination G7A: Futures Market".

1. *Explanation* (which does not form part of the determination).

(1) This determination rescinds and replaces Determination G7: Futures Market, made by the Commissioner on 30 September 1987. Apart from minor amendments, this determination differs from Determination G7 by the addition of the New Zealand Dollar Futures contract to the list of approved markets, and the deletion of the New Zealand Crossbred Wool Contract from the list of approved markets.

(2) This determination applies where, for the purpose of calculating the income or expenditure of a person in respect of a futures contract, it is necessary to determine the price of a futures contract.

(3) This determination sets out the approved markets, sources of information and method, used for determining the prices for futures contracts.

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

(2) This determination rescinds and replaces Determination G7: Futures Market, made on 30 September 1987.

3. *Scope of Determination*—This determination applies where, for the purpose of calculating the income or expenditure of a person in respect of a futures contract, it is necessary to determine the price of a futures contract.

4. *Principle*—(1) Markets are approved having regard to the following criteria—

- (a) The number of participants in the market or having access to the market:
- (b) Frequency of trading in the market:
- (c) The nature of trading in the market—how the rate is determined and how the financial assets are traded on the market:
- (d) The potential or demonstrated capacity of a person or group of persons to significantly influence the market:
- (e) Significant barriers to entry:
- (f) Discrimination on the basis of the quantity bought and sold unless based on the risks involved or the transaction costs or economies of scale.

(2) Sources of information are approved having regard to the following criteria—

- (a) Reliance on the sources of information by the market:
- (b) The accessibility of the sources of information by participants in the market.

(3) A method of obtaining a price for a futures contract is approved if it is determined by an independent source and is adopted by participants in the market.

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

Expressions used, except the expression "income year", have the same meanings as in the Act and where a word or expression is given a particular meaning for the purposes of sections 64B to 64M of the Act it shall have the same meaning as in the said sections 64B to 64M:

"The Act" means the Income Tax Act 1976;

"Futures contract" means a contract traded on the New Zealand futures market;

"Income year" means—

(a) 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 commencing on the day after the end of the immediately preceding accounting year and ending on that balance date;

(b) In respect of the income of any other person, the year in which that income has been derived by that person.

"New Zealand futures market" means the market in futures contracts administered by the New Zealand Futures Exchange Limited.

6. *Method*—(1) Determination G7: Futures Market is hereby rescinded with effect from the day on which this determination is signed.

(2) The New Zealand futures markets in the following contracts are approved:

Five Year Government Stock Futures contract  
New Zealand Dollar Futures contract  
United States Dollar Futures contract  
Barclays Share Price Index Futures contract  
90 Days Bank Accepted Bill Futures contract.

(3) (a) The following source of information is approved for Trading Members of The New Zealand Futures Exchange and Clearing Members of the International Commodities Clearing House Limited—

The Statement of Open Position compiled by the International Commodities Clearing House Limited.

(b) The following source of information is approved for persons other than Trading Members of the New Zealand Futures Exchange or Clearing Members of the International Commodities Clearing House—

Advice as to the price for a futures contract given to that person by a Trading Member of the New Zealand Futures Exchange or Clearing Member of the International Commodities Clearing House which price shall be obtained from a source approved in clause 6 (3) (a) of this determination.

(4) 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 price for a futures contract as at the end of an income year. The price for the futures contract shall be the market price for that contract, at the close of trading on the last permitted day for trading in the income year, as determined by the International Commodities Clearing House.

7. *Example*—The following are examples of advice as to the market price of futures contracts provided by the International Commodities Clearing House.