

letters, but the absence of a capital letter shall not alone imply that the word or phrase is used with a meaning different from that given by its definition.

(2) In this determination unless the context otherwise requires—

“The Act” means the Income Tax Act 1976:

“Income Year” has the same meaning as in sections 64B to 64M of The Act:

“Period” and “Period Between Payments” in relation to a person means a term—

(a) Commencing immediately after—

(i) A Specified Date in relation to a financial arrangement; or

(ii) A date on which an amount is payable under a financial arrangement as the case may be; and

(b) Ending on the next succeeding date on which an amount is payable under a financial arrangement.

Provided that if a Period or a Period Between Payments exceeds one year it shall be deemed to comprise one or more Periods each of one year followed (or preceded, at the option of the person) by a Period of not more than one year:

“Specified Date” in relation to a financial arrangement means the date at which the present value of the financial arrangement is required to be calculated:

“Specified Discount Rate” in relation to a financial arrangement and a person means the annual rate of interest at which the present value of the financial arrangement is required to be calculated.

(2) The number of days in a Period calculated on a 365 day basis is the actual number of days in the Period including the ending date of the Period but excluding the starting date of the Period.

(3) The number of days in a Period calculated on a 360 day basis means the number of days falling within the Period including the ending date of the Period but excluding the starting date of the Period and calculated as if every calendar month of the Period had exactly 30 days;

Provided that if the ending date is the 31st day of the month and—

(a) The starting date of the Period is not the 30th or 31st of a month, the ending date shall be included in the number of days in the Period;

(b) The starting date of the Period is the 30th or 31st day of a month, the ending date shall be deemed to be the 30th day of the month.

(4) In this determination, unless the context otherwise requires, expressions used that are not defined in this clause have the same meaning as in sections 2 and 64B to 64M of The Act.

(5) Any reference in this determination to another determination made by the Commissioner shall be construed as referring to any fresh determination made by the Commissioner to vary, rescind, restrict, or extend that determination.

6. *Method*—(1) A person shall elect to use a method allowed under a determination made by the Commissioner under section 64E(1) (a) of the Act for the purpose of calculating a present value in relation to a financial arrangement, and shall apply that method consistently in respect of that financial arrangement, until it matures or is remitted, sold or otherwise transferred by the person unless the prior consent of the Commissioner (which may be given conditionally) to adopt another method is obtained.

(2) *Method A*—(a) For the purpose of applying clause 6 (2) (b) of this determination, in relation to any person N shall be calculated as follows:

(i) Where the greatest common divisor of all Periods Between Payments is—

(A) A year or 12 months, N shall be taken as 1;

(B) A “half-year” or 6 months, N shall be taken as 2;

(C) A quarter or 3 months, N shall be taken as 4;

(D) A month, N shall be taken as 12;

(E) A fortnight, N shall be taken as 26;

(F) A week, N shall be taken as 52;

Provided that where 1 or 2 of the Periods are shorter or longer than all the other Periods this fact shall be disregarded in determining the greatest common divisor, and for the shorter or longer Period or Periods N shall be, at the option of the person, taken as—

(G) 365 divided by the number of days in the Period calculated on a 365 day basis; or

(H) 360 divided by the number of days in the Period calculated on a 360 day basis.

(ii) Where N cannot be determined according to the foregoing subparagraph it shall be, at the option of the person, taken as—

(a) 365 divided by the number of days in the Period calculated on a 365 day basis—

(b) 360 divided by the number of days in the Period calculated on a 360 day basis—

for all of the Periods.

(b) The amount of the present value of a financial arrangement calculated according to Method A as at a date shall—

(i) Where the given date is a date on which an amount is payable under a financial arrangement, and the same amount is payable at the end of every period following the given date, be calculated according to the following formula:

$$\frac{E}{F};$$

(ii) In the other case, be calculated according to the following formula:

$$\frac{A + B - C}{I + F}$$

where—

A is the present value (if any) as at the end of the Period immediately following the given date; and

B is the sum of the amounts receivable by the holder or payable by the issuer at the end of the Period immediately following the date; and

C is the sum of the amounts payable by the holder or receivable by the issuer at the end of the Period immediately following the given date; and

E is the same amount receivable by the holder or payable by the issuer at the end of every Period following the given date; and

F is the amount calculated in relation to the financial arrangement and the person and the period immediately following the date according to the following formula:

$$\frac{R}{100 \times N}; \text{ and}$$

R is the Specified Discount Rate.

(3) *Method B*—(a) A person shall apply Method B only to financial arrangements which are debt instruments under which all payments after the issue or acquisition date are at regular half-yearly or quarterly intervals.

(b) For purposes of applying clause 6 (3) (c) of this determination in relation to any person—