New Zealand Currency is hereby rescinded with effect from the day on which this determination is signed.

3. *Scope of Determination*—This determination shall apply to any deferred property settlement in relation to which a person is a holder or an issuer, but shall not apply—

(a) To any deferred property settlement where any amount payable (other than the property that is the subject of the deferred property settlement) is not denominated in New Zealand dollars; or

(b) To any deferred property settlement where more than 20% of the amounts payable is required to be paid more than 31 days prior to the transfer date; or

(c) Where in relation to the deferred property settlement any amount payable or the date on which any amount is payable is not known at the first balance date after transfer date; or

(d) Where the credit term of the deferred property settlement is not known at the date of entry into the deferred property settlement.

4. *Principle*—(1) The discounted value of amounts payable for the specified property is calculated as at the transfer date using—

(a) The market yield to maturity available on traded debt securities of a similar term to the credit term of the deferred property settlement, ascertained in accordance with Determination G13: Prices or Yields; and

(b) Present value calculation method A provided in clause 6 (2) of Determination G10: Present Value Calculation Methods, or an alternative method producing not materially different results.

(2) The discounted value of the amounts payable for the specified property enables the acquisition price of a deferred property settlement to be ascertained for the purposes of determining income derived or expenditure incurred in any period and the base price adjustment.

(3) The discounted value so calculated is taken into account in determining the income or expenditure accruing from the trade credit in any income year, and where the discounted value and the amount of the future payments under the trade credit are known the yield to maturity method is to be applied.

5. *Interpretation*—(1) In this determination, unless the context otherwise requires—

Expressions used have the same meanings as in the Act and where a word or expression is given in 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:

"Bank bill" means an order to pay, denominated in New Zealand currency and drawn upon and accepted by—

(a) A registered bank as defined in section 2 (1) of the Reserve Bank of New Zealand Act 1964; or

(b) Any person referred to in part A of the first schedule to the Reserve Bank of New Zealand Act 1964:

"Credit term" means the period commencing on the day after the transfer date and ending on the day on which the final payment is required to be made:

"Deferred property settlement" means an agreement for the sale and purchase of property or a specified option under which any amount is payable after the date on which the first right in the specified property is transferred:

"Final payment" in relation to a deferred property settlement means the last payment required to be made by the issuer of a deferred property settlement under the agreement, other than any amount that is not material in relation to the total value of consideration required to be given by the issuer under the financial arrangement:

"Paid", in relation to any amount paid to or paid by any person, includes distributed, credited, or dealt with in the interests of or on behalf of or to the order of the person; and, in relation to any amount, "pay", "payable" and "payment" have corresponding meanings:

"Specified property" in relation to a deferred property settlement means the property that is the subject of the deferred property settlement:

"Transfer date" in relation to a deferred property settlement means the day on which the first right in the specified property is transferred.

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

6. *Method*—(1) For the purposes of subparagaph (ii) of the definition of "w" in section 64BA (1) (c) of the Act, the discounted value of the amounts payable for the specified property in relation to any person shall be calculated by summing—

(a) Every amount payable to or, as the case may be, by the person for the specified property on or before the transfer date; and

(b) The present value as at the transfer date of amounts payable to or, as the case may be, by the person for the specified property after the transfer date.

(2) For the purposes of this determination, the present value as at the transfer date of the amounts payable shall be calculated, subject to subclause (3) of this clause, using method A provided in clause 6 (2) of Determination G10: Present Value Calculation Methods, or an alternative method producing not materially different results.

(3) For the purposes of subclause (2) of this clause the annual rate of interest at which the present value of the amounts payable is required to be calculated shall be—

(a) Where the credit term is 12 months or less, the yield for bank bills of a similar term to the credit term:

(b) In any other case, the yield for Government stock of a similar term to the credit term—

determined as at the transfer date of the specified property and according to Determination G13: Prices or Yields.

(4) The present value of the amounts payable together with any deposit or amounts paid on or before the transfer date is the amount "w" to be used to calculate the core acquisition price.

(5) The core acquisition price is used to determine the acquisition price of a deferred property settlement in accordance with sections 64BA (2) or (3) of the Act.

(6) Income derived or expenditure incurred in relation to a deferred property settlement shall be calculated as if the value of the specified property were equal to the core acquisition price, using the yield to maturity method.

7. *Example*—(1) A commercial property is sold for $1,500,000 under a sale and purchase agreement, subject to certain planning consents being obtained.

A deposit of $150,000 is paid on 20 December 1988, when the agreement is entered into. The balance of $1,350,000 is payable in 2 equal instalments due 3 and 6 months after the date of possession.

Under the agreement, possession passes to the purchaser on the date the sale becomes unconditional; the purchaser has no other prior rights.

The seller's balance date is 31 March.

On 3 March 1989 the planning consents are obtained and the sale becomes unconditional.

The credit term of the agreement (3 March 1989 to