

Yields as at the supply date—this interest rate is the interbank offer rate for the currency and term of the trade credit; or

(b) An implied foreign currency interest rate calculated by reference to appropriate forward and spot exchange rates and the New Zealand bank bill or New Zealand Government Stock rates appropriate to the term of the trade credit.

(6) The interest rate appropriate to the term of the trade credit is selected by the taxpayer, and once chosen the rate is required to be used in respect of every income year in which the taxpayer is a holder or an issuer of the trade credit.

(7) The amounts payable under the trade credit are discounted to the supply date using the interest rate so ascertained and present value calculation method A in Determination G10: Present Value Calculation Methods, or an alternative method producing not materially different results.

(8) The discounted value of the amounts payable is the amount "u" to be used for calculating the core acquisition price.

(9) The core acquisition price is used to determine the acquisition price of a trade credit in accordance with sections 64BA (2) or (3) of the Act.

(10) Once the acquisition price is known in the base currency, income derived or expenditure incurred in relation to a trade credit shall be calculated, as if the value of the specified goods or services were equal to the amount of the core acquisition price, using the yield to maturity method, and Determination G9A: Financial Arrangements that are Denominated in a Currency or Commodity other than New Zealand Dollars. The yield to maturity method chosen may be that determined in Determination G3: Yield to Maturity Method or Determination G11: Present Value Based Yield to Maturity Method or an alternative method producing a result that is not materially different.

(11) For purposes of the base price adjustment as defined in section 64F, the acquisition price must be converted to New Zealand dollars on the supply date of the specified goods or services.

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

3. *Scope of Determination*—This determination shall apply to every trade credit where any amount payable is denominated in a currency other than New Zealand dollars, but it shall not apply—

(a) To a trade credit to which paragraph (b) (i) or paragraph (b) (ii) of the definition of "core acquisition price" in section 64B (1) of the Act applies; or

(b) Where in relation to the trade credit any amount payable or the date on which any amount is payable is not known at the first balance date after supply date; or

(c) Where the term of the trade credit is not known at the first balance date after the supply date.

4. *Principle*—(1) The discounted value of amounts payable for the specified goods or services is calculated—

(a) In the base currency as if it were New Zealand currency;

(b) Using an interest rate appropriate for the currency, the rate being either—

(i) A rate ascertained using a method consistent with Determination G13: Prices or Yields that is the foreign interbank offer rate appropriate to the term of the trade credit; or

(ii) A rate calculated by reference to appropriate spot and forward exchange rates and the bank bill or New Zealand Government Stock rates appropriate to the term of the trade credit; and

(c) Using 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 goods or services enables the acquisition price of a trade credit to be ascertained for the purposes of determining income derived or expenditure incurred in any period and the base price adjustment. For the latter purpose the discounted value of the amounts payable is converted to New Zealand dollars on the supply date of the specified goods or services.

(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 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 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:

"Acceptable present value calculation method" means method A of Determination G10: Present Value Calculation Methods, or an alternative method producing not materially different results.

"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:

"Base currency" in relation to a financial arrangement means the currency in which rights and obligations under the financial arrangement are fixed:

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

"Final payment" in relation to a trade credit means the last payment required to be made by the issuer of the trade credit under the trade credit, other than any amount that is not material in relation to the total consideration required to be provided by the issuer under the financial arrangement:

"Forward exchange rate" means the price at which foreign currency can be bought or sold for delivery at a specified future time:

"Interbank offer rate" in relation to a term means the rate at which a bank makes funds available to another bank which is a highly reliable credit risk and a trader in the market for such funds and for such a term; and includes, according to the circumstance, the rates collectively referred to as "LIBOR" and "SIBOR":

"Specified goods and services" in relation to a trade credit means the goods and services to which the trade credit relates:

"Spot rate" means the price at which foreign currency can be bought or sold for delivery in 2 days:

"Supply date" means the day on which the specified goods or services are supplied:

"Term" in relation to a trade credit means the period commencing on and including the day after the supply date and ending on and including the day on which the final payment is required to be made.

(2) Any reference in this determination to another determination made by the Commissioner shall be construed