

determination made by the Commissioner under section 64E (1) (f) of this Act”.

(6) This determination requires an interest rate to be ascertained in accordance with Determination G13: Prices or Yields, as at the supply date of the specified goods or services. This interest rate is the market yield applying to bank bills of a similar term to the term of the trade credit; if the term of the trade credit is longer than 12 months the market yield on New Zealand Government securities must be used.

(7) The amounts payable are then discounted to the supply date using the yield so ascertained and the present value calculation method A in Determination G10: Present Value Calculation Methods, or an alternative method producing not materially different results. The present value so calculated is the amount of “u” to be used for calculating the core acquisition price.

(8) 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.

(9) Once the acquisition price is known, 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 which could 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. The acquisition price is also required for the base price adjustment.

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

(2) Determination G16: Discounted Value of Amounts Payable in Relation to Trade Credits Denominated in New Zealand Currency is hereby rescinded with effect from the day on which this determination is signed.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 every trade credit denominated in New Zealand currency in relation to which a person is a holder or an issuer, but it shall not apply—

- (a) To a short-term trade credit; or
- (b) To a trade credit to which paragraph (b) (i) or paragraph (b) (ii) of the definition of “core acquisition price” in section 64BA (1) of the Act applies; or
- (c) 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
- (d) Where the term of the trade credit is not known at the first balance date after supply date.

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

- (a) The market yield to maturity available on traded debt securities of a similar term to the term of the trade credit, 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 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.

(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:

“Bank bill” means an order to pay, denominated in New Zealand currency to pay 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:

“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 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 goods and services” in relation to a trade credit means the goods and services to which the trade credit relates:

“Supply date” means the day on which the specified goods or services are supplied under the trade credit:

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

(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 subparagraph (iii) of the definition of “u” in section 64BA (1) (b) of the Act, the discounted value of the amounts payable for the specified goods or services in relation to any person shall be the present value as at supply date of amounts payable to or, as the case may be, by the person for the specified goods or services after the supply date.

(2) For the purposes of this determination, the present value as at supply date of 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. The present value so calculated is the amount “u” to be used to determine the core acquisition price.

(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 term of the trade credit is 12 months or less, the yield for bank bills of a similar term to the term of the trade credit;
- (b) In any other case, the yield for New Zealand Government Stock of a similar term to the term of the trade credit—

determined as at the supply date of the specified goods or services and according to determination G13: Prices or Yields.

(4) The core acquisition price is used to determine the