

(12) For the purposes of the base price adjustment, as defined in section 64F of the Act, the acquisition price must be converted to New Zealand dollars on the transfer date.

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

3. *Scope of Determination*—This determination shall apply to any agreement for the sale and purchase of property and to any specified option held or issued by a person, where payments are expressed in a “base currency” other than New Zealand dollars. This determination shall not apply—

- (a) To any deferred property settlement where the amounts payable are denominated in New Zealand currency; or
- (b) To any deferred property settlement where more than 20% of the sum of all the amounts payable is due before 31 days prior to the transfer date; or
- (c) Where in relation to any deferred property settlement any amount payable, or the date on which any amount is payable, is not known at the first balance date of the person after the transfer date; or
- (d) Where the term of the deferred property settlement is not known at the first balance date after the transfer date.

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

- (a) In the base currency as if it were New Zealand dollars;
- (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 deferred property settlement; 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 deferred property settlement; and
- (c) Using present value calculation Method A specified 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 property or specified option 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. For the latter purpose the discounted value of the amounts payable is converted to New Zealand dollars on the transfer date of the specified property.

(3) The discounted value so calculated is taken into account in determining the income or expenditure accruing from the deferred property settlement in any income year, and where the discounted value and the amount of future payments under the deferred property settlement 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 calculation Method A in 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:

“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 property is transferred:

“Final payment” in relation to a deferred property settlement means the last payment required to be made by the issuer under the deferred property settlement, 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 property” means property that is acquired or sold pursuant to a deferred property settlement:

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

“Term” in relation to a deferred property settlement is the period from the transfer date to the date on which final payment is required to be made under the deferred property settlement:

“Transfer date” of a deferred property settlement means the date 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 paragraph (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 expressed in New Zealand dollars; and

(b) The amount of New Zealand dollars equal in value to 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 transfer date of amounts payable shall be calculated, using the interest rate determined under subclause (2) (a) or (b) as appropriate and an acceptable present value calculation method.

(3) In the first income year in which a person is a party to and derives income or incurs expenditure in respect of a deferred payment settlement, the annual rate of interest at which the present value of the amounts payable is required to be calculated shall be, at the option of the person, either—

- (a) The interbank offer rate for the base currency and the term of the deferred property settlement at transfer date,