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Government Notices

Commerce

Commerce Act 1986

Appointment of Associate Member of the Commerce Commission

Pursuant to section 11 of the Commerce Act 1986, Her Excellency the Governor-General has been pleased to appoint

Tolmie Alexander Scoular of Wellington

to be an associate member of the Commerce Commission with a full range of statutory functions for a period of 2 years commencing on 30 July 1991.

Dated at Wellington this 30th day of July 1991.

PHILIP BURDON, Minister of Commerce.

go7837

Inland Revenue

Income Tax Act 1976

Determination G24: Straight Line Method

This determination may be cited as "Determination G24: Straight Line Method".

1. *Explanation* (which does not form part of the determination)

(1) Under section 64C (2A) of the Income Tax Act 1976 ("the Act"), a taxpayer may use the straight line method to account for financial arrangements. The method may be used when the total value of all financial arrangements issued and held by that taxpayer is less than $1,000,000 at all times during the income year. "Value" in relation to a financial arrangement is:

(a) For a fixed principal financial arrangement the nominal or face value of the arrangement; and

(b) For a variable principal debt instrument the amount owing by or to the person.

(2) This determination sets out two methods for applying the straight line method to calculate income derived or expenditure incurred. Both methods refer to Total Finance Charges. The Total Finance Charges are the amount that will be spread over the term of the arrangement.

(3) Total Finance Charges include interest, any premium or discount, and fees (excluding those deductible at the commencement of the loan). Interest payable under a Variable Rate Financial Arrangement is, however, excluded from the Total Finance Charges to be apportioned because it is not known in advance.

(4) *Method A* applies only where the loan is for a fixed amount of principal with interest, if any, payable at regular intervals. All Periods Between Payments must be of equal length. Method A allocates the Total Finance Charges equally to each Period in the term of the arrangement.

Method B applies where the principal outstanding may vary, and the payments may be at irregular intervals. It allocates the Total Finance Charges to each period in the term of the arrangement in proportion to the principal outstanding in each Period and the length of that Period.

(5) A Variable Rate Financial Arrangement is one where the interest rate is linked to an external indicator price or index. In this case the actual interest payable in respect of a Period is added to the Total Finance Charges excluding interest that