

with certainty at the first balance date after the Transfer Date; and

(d) In the use of the Specified Rate. This determination uses the method prescribed in Determination G23: Specified Rate. Determination G17A used the market yield ascertained in accordance with Determination G13: Prices or Yields.

(2) In this determination an agreement for the sale and purchase of property or a specified option, where Payment in full is not made at the time at which the first right in the Specified Property is to be transferred, will be called a "Deferred Property Settlement".

(3) This determination does not apply—

(a) To short term agreements for the sale and purchase of property; or

(b) To short term options; or

(c) To private or domestic agreements for the sale and purchase of property; or

(d) To deferred property settlements where any amount Payable is denominated in foreign currency; or

(e) To deferred property settlements where the total deposits and other amounts Payable more than 31 days prior to the Transfer Date exceeds 20% of the total purchase price.

(4) Short term agreements for the sale and purchase of property and short term options are agreements or options under which settlement is required within—

(a) 93 days of entry into the contract in the case of real property; or

(b) 63 days of entry into the contract in the case of other property.

Such short term agreements or options are excepted from the accruals provisions of the Act. A private or domestic agreement for the sale and purchase of property as defined in section 64B (1) is also an excepted financial arrangement.

(5) For all deferred property settlements, a core acquisition price must be determined as at the date on which the first right in the property is transferred; for ease of reference, this date is called the "Transfer Date" in this determination. Sections 64BA (2) and (3) of the Act define "acquisition price" in terms of the "core acquisition price", which is itself defined in section 64BA (1). In section 64BA (1) (c) (i) an amount "w" is defined as the lowest price that the buyer and seller would have agreed upon for the property on the basis of Payment in full at the time at which the first right in the Specified Property is to be transferred. If there is no such lowest price, then paragraph (c)(ii) provides that "w" shall be "the discounted value of the amounts Payable for the Specified Property as determined pursuant to a determination made by the Commissioner under section 64E (1) (f) of this Act".

(6) As indicated in subclause 1(1) above, this determination requires the discounted value of the amounts Payable to be calculated at an interest rate ascertained in accordance with Determination G23: Specified Rate, as at the Transfer Date of the Specified Property. The Specified Rate is the market yield applying to Bank Bills of a similar term to the Credit Term; if the Credit Term is longer than twelve months the market yield on New Zealand Government Securities must be used.

(7) The amounts Payable are then discounted to the Transfer Date, using the yield so ascertained and the present value calculation Method A in Determination G10B: Present Value Calculation Methods, or an alternative method producing not materially different results. The sum of the discounted amounts and any deposit or other amounts Paid on or before the Transfer Date is the amount of "w" to be used for calculating the core acquisition price.

(8) 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.

(9) Once the acquisition price is known, income derived or expenditure incurred in relation to a Deferred Property Settlement, shall be calculated as if the value of the Specified Property was 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 G11A: Present Value Based Yield to Maturity Method or an alternative method producing a result which is not materially different.

(10) For the purposes of determining the income derived or expenditure incurred of a Deferred Property Settlement the yield to maturity method (or an alternative method producing not materially different results) will not apply:

(a) 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

(b) Where the Credit Term of the Deferred Property Settlement is not known at the date of entry into the Deferred Property Settlement.

(11) Where the yield to maturity method can not be applied as the amounts Payable or the dates on which those amounts are Payable are not known the "best estimate method" of determining income derived or expenditure incurred is to be used. The method requires each party to the arrangement to estimate the unknown variables (the Credit Term or the amounts Payable or dates on which amounts are Payable) in relation to the Deferred Property Settlement. The estimates should be fair and reasonable given the facts known in relation to the arrangement. The discounted value of the amounts estimated may be used as the basis for a yield to maturity accrual to determine income derived or expenditure incurred over the term of the Deferred Property Settlement.

(12) If estimates of the credit term of cash flows or the dates on which amounts are payable change an adjustment must be made using the method specified in Determination G26: Variations in the Terms of a Financial Arrangement in the income year in which the change occurs.

That method requires an adjustment to be made in the year the estimates change. The effect of the adjustment is that the total income or expenditure up to the end of the year in which the estimates change is equal to what it would have been had the timing and exact details of the new estimates been known at the first balance date after the Transfer Date.

The adjustment must be made on the basis of fair and reasonable re-estimates of the unknown variables, which re-estimates are required to be undertaken by the parties for these purposes at the end of any year when actual cashflows and/or factual circumstances have rendered the original estimate (or previous re-estimate) no longer fair and reasonable.

(13) Where any party to a Deferred Property Settlement fails to undertake any such estimate or re-estimate or to communicate such estimate or re-estimate to the Commissioner in the income tax return for the relevant year, or where any party adopts an estimate or re-estimate which is in the Commissioner's opinion not or no longer fair and reasonable, the Commissioner shall determine his own estimates and the method below shall be applied. Such estimates or re-estimates by the Commissioner may also be subject to change, so as to reflect different actual cashflows and/or factual circumstances, in the manner contemplated in subclause 1(12) and this subclause 1(13) of this determination.

(14) When settlement takes place the acquisition price should be recalculated using the discounting provisions of this determination for the purposes of the base price adjustment.

2. *Reference*—(1) This determination is made pursuant to