Inland Revenue
Te Tari Taake

**EXPOSURE DRAFT - FOR COMMENT AND DISCUSSION ONLY**

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**Notes:** As well as submitters' views on this interpretation statement, we are also interested in any comments on the usefulness of the associated worksheet and factsheet accompanying this item.

**INTERPRETATION STATEMENT**

# Cash basis persons under the financial arrangements rules

Issued: Issue date

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This Interpretation Statement explains when a person can account for income and expenditure from financial arrangements on a cash basis instead of an accrual basis. It also sets out the adjustment that must be made when a person ceases to be a cash basis person and must account for their financial arrangements using the accrual basis.

All legislative references are to the Income Tax Act 2007 unless otherwise stated.

**RELATED ITEM**

- **IS 22/XX WS:** Adjustments when changing from cash to accrual basis under the financial arrangements rules
- **Worksheet IS 22/XX WS:** Adjustments when changing from cash to accrual basis under the financial arrangements rules

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# Summary

1. This Interpretation Statement answers a specific question that arose from *IS 20/07: Income tax – Application of the financial arrangements rules to foreign currency loans used to finance foreign residential rental property*.[1] While IS 20/07 explains who qualifies as a cash basis person in detail, at [39] it states that the details of the cash basis adjustment calculation are beyond the scope of that statement. This Statement revisits the meaning of the cash basis person and covers the required calculations with examples.

2. Under the financial arrangements rules (FA rules), a cash basis person accounts for income when it is received and for expenditure when it is paid during the life of the arrangement. This approach is simpler than accounting for income and expenditure from a financial arrangement on the accrual basis. However, like a person on an

[1] *Tax Information Bulletin* Vol 32, No 7 (August 2020): 110.

accrual basis, at the end of the arrangement a cash basis person must do a wash-up calculation called a base price adjustment (BPA). IS 20/07 deals with BPAs in detail.

3. To be a cash basis person, a person must hold financial arrangements that have a value under certain legislative thresholds:

   - the income and expenditure threshold (s EW 57(1)); or
   - the financial arrangement threshold (s EW 57(2));

     **and**

   - the deferral threshold (s EW 57(3)).

4. If **both** the income and expenditure threshold and financial arrangement thresholds are exceeded, a person cannot be a cash basis person. If **neither** threshold **or only one** is exceeded, whether a person can be a cash basis person depends on whether the deferral threshold is exceeded. Determining whether the thresholds are exceeded involves adding the absolute values of income and expenditure and the value of the financial arrangement, ignoring whether the financial arrangement is an asset or liability. The person needs to meet the thresholds each year to remain a cash basis person. Excepted financial arrangements are not counted.

5. Exceeding the deferral threshold is not something one can tell at a glance. Where the financial arrangement is cross-border for example, fluctuations in the New Zealand Dollar foreign exchange rate against a foreign currency, or changes to the loan principal amount, can cause the deferral threshold to be exceeded. If this occurs, the person ceases to be a cash basis person and will have to perform a cash basis adjustment.

6. *IS 22/XX WS: Worksheet: Adjustments when changing from cash to accrual basis under the financial arrangements rules*, which sets out the detailed calculations in three of the examples in this Statement, is available to assist with understanding the formulae in the legislation. The worksheet is an Excel spreadsheet with all the calculations for *Example 5*, *Example 6* and *Example 7*.

7. This Statement applies to New Zealand tax residents, both natural persons and entities, with financial arrangements who are eligible to account for income and expenditure as a cash basis person. Note that New Zealand residents who are transitional residents are not subject to the FA rules until their transitional residency ends. The values a transitional resident must use on entering the FA rules are not addressed in this item. Financial arrangements of transitional residents are covered in IS 20/07.

# Introduction

8. This Interpretation Statement explains when a person can account for income and expenditure from financial arrangements on a cash basis instead of an accrual basis. It also sets out the adjustment that must be made when a person ceases to be a cash basis person and must account for their financial arrangements using the accrual basis.

## The financial arrangements rules

9. Generally, a financial arrangement occurs any time when money is received now in consideration for money to be paid later (such as with a loan), unless specifically excluded by the Act.[2] The tax treatment of financial arrangements is governed by the financial arrangements rules (FA rules).

10. The FA rules essentially require parties to a financial arrangement to spread the income or expenditure from the arrangement over its term. A key purpose of the rules is to prevent deductions for expenditure being accelerated and income recognition deferred.

11. This Statement follows and is consistent with *IS 20/07: Income tax – Application of the financial arrangements rules to foreign currency loans used to finance foreign residential rental property*.

12. Other related statements are *IS 20/06: Income tax – Tax issues arising from owning foreign residential rental property*[3] and *FX 20/01: Approval – foreign residential rental property amounts – currency conversion*.[4] This Statement is consistent with IS 20/06 and FX 20/01.

13. IS 20/07 considered how the FA rules apply to foreign currency loans used to finance foreign residential rental properties. In doing so, IS 20/07 covered several topics including:
    - the scope of the FA rules;
    - excepted financial arrangements (EFAs);
    - cash basis and non-cash basis persons;
    - income under the FA rules; and
    - expenditure under the FA rules.

[2] Section EW 3.
[3] *Tax Information Bulletin* Vol 32, No 7 (August 2020): 98.
[4] *Tax Information Bulletin* Vol 32, No 7 (August 2020): 28.

14. Although IS 20/07 explains who qualifies as a cash basis person in detail, at [39] it states that the details of the cash basis adjustment (CBA) calculation are beyond the scope of that statement. This Statement revisits the meaning of the cash basis person and covers the required calculations with examples.

15. This Statement explains, with examples:

- the requirements to be a cash basis person; and
- how to perform a CBA.

# Requirements to be a cash basis person

16. Before working through the requirements to be a cash basis person, it is useful to understand the effect of being a cash basis person.

## Effect of being a cash basis person

17. Income and expenditure from a financial arrangement must be accounted for on an accrual basis during the life of the arrangement unless the person is a cash basis person. A cash basis person accounts for income when it is received and for expenditure when it is paid. A cash basis person is not required to apply any of the spreading methods to their financial arrangements, unless they choose to do so.[5] This approach is simpler than accounting for financial arrangements on the accrual basis and reduces compliance costs.

18. A person accounting for income and expenditure from a financial arrangement on the accrual basis spreads income and expenditure over the term of the arrangement, regardless of when it has actually been received or paid. The accrual basis generally requires complex calculations to determine the amounts of income and expenditure allocated to each year. In this Statement, the term "non-cash basis person" refers to a person who accounts for their financial arrangements on the accrual basis.

19. However, both a cash basis person and a non-cash basis person must usually calculate a base price adjustment (BPA).[6] A BPA must be performed when a financial arrangement matures or ends – for example, a loan is repaid or has been refinanced, or the person ceases to be a New Zealand tax resident.[7] A BPA is different to the CBA. A

[5] Section EW 55(1).

[6] The BPA is covered in IS 20/07, from [51] to [64]. The formula for the BPA is in s EW 31.

[7] Under s EW 30(1).

CBA is performed when a person's status changes – from cash basis person to non-cash basis person, or vice versa.

## The four steps to determining cash basis person status

20. Determining a person's status as a cash basis person involves working through various requirements in the legislation. A person's status as a cash basis person needs to be reviewed each income year to determine whether they still meet the requirements. If a person ceases to qualify as a cash basis person, they need to make a CBA.

21. The four steps are outlined in the diagram below.

| | |
|---|---|
| Step 1 | Determine all financial arrangements held. |
| Step 2 | Exclude all excepted financial arrangements. |
| Step 3 | Consider the $100,000 income and expenditure threshold **and** the $1 million financial arrangement threshold. |
| Step 4 | If **neither** threshold in Step 3 **or only one of them** is exceeded, consider the $40,000 deferral threshold. |

### Step 1: Determine all financial arrangements held

22. The first step is to identify all financial arrangements the person holds. Generally, a financial arrangement occurs when money is received now in consideration for money to be paid later (such as with a loan), unless the Act specifically excludes it.[8] The tax treatment of financial arrangements is governed by the FA rules.

[8] Section EW 3.

23. IS 20/07 specifically considered foreign currency loans that had been taken out to finance a foreign rental property. Foreign currency loans are a "debt", which s EW 3(3)(a) uses as an example of a financial arrangement. In this Statement, the CBA calculation is considered in the context of a foreign currency loan. But in doing so, all the financial arrangements to which the person is a party need to be considered to determine whether the thresholds are exceeded.

24. Even though the initial definition of financial arrangement covers foreign currency loans, certain financial arrangements are excluded from the scope of the FA rules. These arrangements are referred to as excepted financial arrangements (ss EW 4 and EW 5).

## Step 2: Excepted financial arrangements

25. Section EW 4(3) provides that EFAs are not financial arrangements for the purposes of the FA rules. Section EW 5 describes the types of financial arrangements that are EFAs.

26. Explaining the full range of financial arrangements and EFAs is beyond the scope of this Statement and each person needs to consider their own circumstances. Loans denominated in New Zealand Dollars (NZD) are financial arrangements for the borrower, including when the borrower is using the loans for private or domestic purposes (such as mortgages on owner/occupier residences). However, the three main arrangements a person seeking to be a cash basis person may hold that may be EFAs are:

- variable principal debt instruments (VPDI);
- foreign loans for private and domestic purposes; and
- shares.

### Variable principal debt instruments

27. A "variable principal debt instrument" is defined in s YA 1 as:

> **variable principal debt instrument,—**
>
> (a) in the financial arrangements rules, means a financial arrangement that contemplates that 1 party may, on demand or call,—
>
> (i) advance further amounts to the other party; or
>
> (ii) require the return of all amounts advanced to the other party, if the other party's rights and obligations under the financial arrangement are expressed in a foreign currency:

(b) in the old financial arrangements rules, is defined in section EZ 48 (Definitions)

28. A VPDI may be an EFA and can be excluded from the cash basis person's calculations. VPDIs can be excluded if the total value on every day in an income year of all VPDIs to which the person is a party is $50,000 or less.[9] *Example 1* illustrates one such situation.

**Example 1: VPDI that is an excepted financial arrangement**

Manaia's only VPDI is his New Zealand credit card account with a limit of $10,000. This is an excepted financial arrangement because on every day of the income year the total value of the account is below $50,000.

29. VPDIs are also considered further from [43] of this Statement and at [19] to [21] of IS 20/07.

### Foreign loans for private and domestic purposes

30. A loan in a foreign currency used for a private or domestic purpose is an EFA for cash basis persons.[10] This means that, for instance, where a cash basis person has a loan denominated in Australian Dollars (AUD) to finance a holiday home on the Gold Coast that is used exclusively for private or domestic purposes, the loan is an EFA and does not need to be included for the purposes of the calculations.[11]

31. However, circumstances can change. It is possible that the foreign property that was used exclusively for private or domestic purposes could change its use – for example, it might become a rental property. Alternatively, the person may cease to be a cash basis person. At this point, the foreign currency loan will cease to be an EFA and become a financial arrangement that needs to be accounted for under the FA rules.

### Shares

32. Shares are another investment that a person who is considering whether they are a cash basis person may commonly own. A share is generally an excepted financial

[9] Sections EW 4(3) and EW 5(25).
[10] Section EW 5(18).
[11] Unless by election under s EW 8.

arrangement.[12] However, money borrowed to buy shares is likely to be a financial arrangement.[13]

## Summary

33. When considering the different thresholds, it is not necessary to include all financial arrangements. It is important to determine what is a financial arrangement and what is an EFA. While VPDIs, foreign loans for domestic purposes and shares are common examples of EFAs, loans denominated in NZD are financial arrangements for the borrower, including mortgages on owner/occupier residences.

34. *Example 2* illustrates what Jemima needs to consider in her portfolio of financial assets and liabilities before she can determine whether she is eligible to be a cash basis person.

**Example 2: Examples of financial arrangements and excepted financial arrangements**

Before determining whether she qualifies as a cash basis person, Jemima lists her financial assets and liabilities and determines which are financial arrangements:

- Jemima has a loan from a bank in the United Kingdom in British Pounds (GBP) that finances a rental property she owns in the UK – ***financial arrangement***.
- Jemima also has a loan from an Australian bank in AUD that finances a holiday home she owns on the Gold Coast and lives in during the New Zealand winter, so it is only used for her private purposes – ***excepted financial arrangement (assuming Jemima satisfies the criteria to be a cash basis person)***.
- Jemima also has a home loan from a New Zealand bank to finance her New Zealand residence – ***financial arrangement***.
- Jemima also owns a share portfolio[14] – ***excepted financial arrangement***.
- Jemima took out a loan from a New Zealand bank that she used to buy the share portfolio – ***financial arrangement***.
- Jemima recently acquired a New Zealand government bond that she inherited from her aunt – ***financial arrangement***.

[12] Subject to some limited exceptions in s EW 5(12) to (14).

[13] Section EW 3(2).

[14] Shares in foreign companies may be subject to the foreign investment fund rules. See IR461 *Guide to foreign investment funds and the fair dividend rate*.

So, in working through the following threshold calculations, Jemima needs to consider only her financial arrangements and not the excepted financial arrangements.

## Step 3: The income and expenditure and financial arrangement thresholds

35. A cash basis person is defined in s YA 1 by referring to the definition in s EW 54. A person can be a cash basis person if, for the income year, they satisfy either or both of[15] (but subject to the deferral threshold in Step 4):

- s EW 57(1) – the income and expenditure threshold; and
- s EW 57(2) – the absolute value ("financial arrangement") (threshold.

36. Section EW 57(1) and (2) states:

> **EW 57 Thresholds**
>
> *Income and expenditure threshold*
>
> (1) For the purposes of section EW 54(1)(a)(i), this subsection applies if the absolute value of the person's income and expenditure in the income year under all financial arrangements to which the person is a party is $100,000 or less.
>
> *Absolute value threshold*
>
> (2) For the purposes of section EW 54(1)(a)(ii), this subsection applies if, on every day in the income year, the absolute value of all financial arrangements to which the person is a party added together is $1,000,000 or less. The value of each arrangement is,—
>
> (a) for a fixed principal financial arrangement, its face value:
>
> (b) for a variable principal debt instrument, the amount owing by or to the person under the financial arrangement:
>
> (c) for a financial arrangement to which the old financial arrangements rules apply, the value determined under those rules.

37. To satisfy Step 3, the person must be under the income and expenditure threshold or the financial arrangement threshold or both thresholds. This requires:

- the absolute value of income and expenditure for the income year under all financial arrangements held by the person to be $100,000 or less; and/or

[15] Unless excluded by the Commissioner under s EW 59 (s EW 54(2)).

- on every day in the income year, the total absolute value of all financial arrangements held by the person to be $1,000,000 or less.

38. If the person does not meet this step (that is, both thresholds are exceeded), the person is not a cash basis person in that year and will have to use a spreading method. If the person is under one or both of the thresholds, they need to consider the deferral threshold in Step 4 before they can determine whether they are a cash basis person.

### Absolute value

39. The term "absolute value" is defined in s YA 1 as "the value irrespective of whether the value's sign is positive or negative". This means that income under one financial arrangement is not offset by expenditure under another financial arrangement. Rather, the two amounts are added together as though they were both positive numbers. Similarly, the values of financial arrangements are added together in absolute terms regardless of whether they are assets or liabilities.

### The income and expenditure threshold

40. *Example 3* shows how the income and expenditure threshold applies when a person has both income and expenditure from their financial arrangements.

**Example 3:Income and expenditure threshold**

Wei has a rental property on the Gold Coast that he financed with an AUD500,000 loan from an Australian bank. Wei has also made a business loan of NZD60,000 to Jake. Wei needs to consider both arrangements to determine whether he is eligible to be a cash basis person.

***Income and expenditure threshold***

Wei notes that the amount of annual interest expenditure payable to the Australian bank converted to NZD at the appropriate rate is NZD30,000. Wei also notes that Jake pays him NZD5,000 annually as interest income on the business loan. In adding the absolute values of these amounts, Wei must ignore the fact that one of them is income and the other expenditure. The absolute values of these amounts total $35,000, which is under the $100,000 income and expenditure threshold.

Having satisfied the income and expenditure threshold, there is no reason for Wei to consider the financial arrangement threshold as well, because he only needs to satisfy one of the thresholds in Step 3 before considering the deferral threshold in Step 4.

### The financial arrangement threshold

41. Under s EW 57(2), the value of each arrangement on any day is:

- for a fixed principal financial arrangement, its face value;
- for a VPDI, the amount owing by or to the person under the financial arrangement; or
- for a financial arrangement to which the old financial arrangements rules apply, the value determined under those rules.

#### *Fixed principal financial arrangement*

42. A "fixed principal financial arrangement" is defined in s YA 1 as a financial arrangement other than a VPDI. An example of a fixed principal financial arrangement would be a fixed sum loan repayable at the end of the agreed term.

#### *Variable principal debt instrument*

43. As noted at [27], VPDIs are financial arrangements that may need to be accounted for under the FA rules if they exceed the $50,000 threshold on any day in the year. An example of a VPDI is a revolving credit facility where the borrower can borrow or repay principal at any time. Other examples are credit card accounts and everyday bank accounts.

#### *Financial arrangements to which the old financial arrangements rules apply*

44. Section EZ 33 provides that the old FA rules apply for financial arrangements entered into before 20 May 1999. The old FA rules are essentially contained in ss EZ 33 to EZ 52D of the Act. For characterising financial arrangements as a fixed principal financial arrangement or VPDIs and valuing the financial arrangements, the provisions are essentially the same as the current rules. Therefore, this Statement will focus on the current FA rules.

#### *Threshold satisfied on every day of the income year*

45. Unlike the income and expenditure threshold, which considers the total for an income year, the financial arrangement threshold needs to be met **every day** of the income year. At first this requirement may seem onerous, but in most instances, it is easy to determine by calculating the threshold for a single day in the year. For fixed principal financial arrangements, it is the daily outstanding balance that needs to be considered. Generally, this means that the balance at the start of the period will be the relevant

amount because the balance often declines as repayments of principal and interest are made – meaning that the loan balance reduces. Therefore, if this is the only financial arrangement and the total is under the threshold at the start of the period, it is likely to be under the threshold for the whole year.

46. An exception to this general approach occurs when the financial arrangement is in a foreign currency and subject to exchange rate fluctuations. In these cases, identifying when the NZD is at its lowest point compared with the foreign currency and calculating the value at that time is likely to give the highest value of the financial arrangement if the principal does not change.

47. For VPDIs, the amount owing each day needs to be considered. Where the VDPI, such as an overdraft or credit card, has a limit, it may be possible to simplify the calculation by using the limit rather than the daily balance when the limit has not been exceeded.

48. *Example 4* and *Example 5* illustrate the approach to applying the financial arrangement threshold.

**Example 4: Financial arrangement threshold**

Carrying on from *Example 3*, Wei does not need to consider the financial arrangement threshold to be eligible to be a cash basis person because he was under the income and expenditure threshold. However, this example will consider the financial arrangement threshold to illustrate how it might be applied.

***The financial arrangement threshold***

Wei has a rental property on the Gold Coast that he financed with a loan of AUD500,000 from an Australian bank. Wei has also made a business loan of NZD60,000 to Jake.

Wei notes that loan with the Australian bank is a fixed principal financial arrangement, meaning that the value is determined by its face value each day. However, as it is denominated in AUD, the exchange rate also needs to be factored in. For the 2021 income year, Wei notes that the NZD/AUD exchange rates for 1 April 2020 and 31 March 2021 were as follows:

| Date | NZD/AUD rate | Maximum loan value |
|---|---:|---:|
| 1 April 2020 | 0.9710 | $514,933.06 |
| 31 March 2021 | 0.9182 | $544,543.67 |

However, Wei also notes that on 18 August 2020 the NZD/AUD rate was 0.9062. This was the lowest value for the year. Therefore, on this date the loan value peaked at

NZD551,754.58 (assuming that the principal value of the loan did not decrease over the course of the year).

The loan to Jake is also a fixed principal financial arrangement, meaning that its value is determined by its face value each day. As it is denominated in NZD, its value is $60,000 (once again, assuming that the principal value of the loan did not decrease over the course of the year).

In adding the absolute values of these amounts, Wei has to ignore the fact that one of them is a liability and the other is an asset to him. The absolute values of these amounts is $551,754.58 + $60,000 = $611,754.58, which is under the $1,000,000 financial arrangement threshold.

Therefore, Wei is under both the income and expenditure threshold and the financial arrangement threshold, meaning he needs to consider the deferral threshold to determine if he can be a cash basis person.

**Example 5: Income and expenditure and financial arrangement thresholds**

*The facts of this example are carried through to Example 6: The deferral threshold and Example 7: Cash basis adjustment calculation. These examples illustrate the deferral threshold calculations as well as the CBA. Adam has only one relevant financial arrangement in the examples. The financial arrangement spans two income years to illustrate the different treatment that can occur from year to year.*

*This Statement sets out the calculations for these three examples at a high level. For the detailed calculations for each of them, see the worksheet IS 22/XX WS.*

On 5 April 2015, Adam obtained a loan of GBP500,000 from a bank in the UK to finance his rental property in the UK.

This loan converts to NZD987,166.83 on 5 April 2015 (GBP500,000 divided by the NZD/GBP spot rate of 0.5065). He obtains the spot rates from Inland Revenue's website or the Reserve Bank of New Zealand.[16]

Adam receives rental income for this property and pays interest to the bank. Rental income is not financial arrangement income as it is taxed under s CC 1. Adam's interest payments are his financial arrangement expenditure for the purpose of

[16] Overseas currency - conversion to NZ dollars (ird.govt.nz) and Exchange rates and the Trade Weighted Index (B1) - Reserve Bank of New Zealand (rbnz.govt.nz)

determining whether he is a cash basis person.

***2015/16 income year***

The table below shows Adam's interest payments for the 2015/16 income year.

| Date | Interest GBP | Loan balance GBP | Exchange rate | Interest NZD | Loan balance NZD |
|---|---|---|---|---|---|
| 5 April 2015 | 0 | 500,000.00 | 0.5065 | 0 | 987,166.83 |
| 5 May 2015 | 1,250.00 | 498,477.01 | 0.4984 | 2,508.03 | 1,000,154.52 |
| 5 June 2015 | 1,246.19 | 496,950.22 | 0.4645 | 2,682.87 | 1,069,980.53 |
| 5 July 2015 | 1,242.38 | 495,419.60 | 0.4293 | 2,893.96 | 1,154,017.25 |
| 5 Aug 2015 | 1,238.55 | 493,885.17 | 0.4200 | 2,948.93 | 1,175,917.06 |
| 5 Sep 2015 | 1,234.71 | 492,346.89 | 0.4138 | 2,983.84 | 1,189,818.49 |
| 5 Oct 2015 | 1,230.87 | 490,804.77 | 0.4244 | 2,900.25 | 1,156,467.41 |
| 5 Nov 2015 | 1,227.01 | 489,258.79 | 0.4285 | 2,863.51 | 1,141,794.15 |
| 5 Dec 2015 | 1,223.15 | 487,708.95 | 0.4447 | 2,750.50 | 1,096,714.53 |
| 5 Jan 2016 | 1,219.27 | 486,155.24 | 0.4587 | 2,658.10 | 1,059.854.45 |
| 5 Feb 2016 | 1,215.39 | 484,597.64 | 0.4615 | 2,633.56 | 1,050,049.05 |
| 5 March 2016 | 1,211.49 | 483,036.24 | 0.4779 | 2,535.04 | 1,010,742.32 |
| **Total as at 31 March 2016** | **14,589.27** | | **0.4812** | **30,358.58** | |

Adam's interest payments amounted to the equivalent of NZD30,358.58. This is below the income and expenditure threshold of $100,000 and means Adam can be a cash basis person if he is also under the deferral threshold.

For completeness, in terms of the financial arrangement threshold, the exchange rate (ranging between 0.4138 and 0.5065) meant the value exceeded the $1,000,000 threshold during the year. Therefore, Adam exceeded the financial arrangement threshold.

***2016/17 income year***

The table below shows Adam's interest payments for the 2016/17 income year.

| Date | Interest GBP | Loan balance GBP | Exchange rate | Interest NZD | Loan balance NZD |
|---|---|---|---|---|---|
| 5 April 2016 | 1,207.59 | 481,470.75 | 0.4775 | 2,528.99 | 1,008,315.70 |
| 5 May 2016 | 1,203.68 | 479,901.43 | 0.4748 | 2,535.12 | 1,010,744.39 |
| 5 June 2016 | 1,199.75 | 478,328.20 | 0.4775 | 2,512.57 | 1,001,734.45 |
| 5 July 2016 | 1,195.82 | 476,751.03 | 0.5438 | 2,199.01 | 876,702.89 |
| 5 Aug 2016 | 1,191.88 | 475,169.92 | 0.5472 | 2,178.14 | 868,366.09 |
| 5 Sep 2016 | 1,187.92 | 473,584.86 | 0.5495 | 2,161.83 | 861,846.88 |

| | | | | | |
|---|---|---|---|---|---|
| 5 Oct 2016 | 1,183.96 | 471,995.83 | 0.5646 | 2,096.99 | 835.982.70 |
| 5 Nov 2016 | 1,179.99 | 470,402.83 | 0.5869 | 2,010.55 | 801,504.23 |
| 5 Dec 2016 | 1,176.01 | 468,805.85 | 0.5585 | 2,105.65 | 839,401.71 |
| 5 Jan 2017 | 1,172.01 | 467,204.88 | 0.5669 | 2,067.41 | 824,139.85 |
| 5 Feb 2017 | 1,168.01 | 465,599.90 | 0.5860 | 1,993,19 | 794,539.09 |
| 5 March 2017 | 1,164.00 | 463,990.92 | 0.5716 | 2,036,39 | 811,740.58 |
| **Total as at 31 March 2017** | **14,230.62** | | **0.5600** | **26,425.84** | |

In the 2016/17 income year, Adam's financial arrangement expenditure – that is, his interest payments – totalled NZD26,425.84. This is still below the $100,000 income and expenditure threshold.

The total absolute value of his financial arrangements exceeded the financial arrangement threshold of $1,000,000 between April to June 2016 (NZD1,008,315.70 in April 2016, NZD1,001,744.39 in May 2016, NZD1,001,734.45 in June 2016). However, it dropped below the financial arrangement threshold in all of the remaining months of that year. Because the total value of Adam's financial arrangements has not been at or below $1,000,000 on every day of the year, Adam does not satisfy the financial arrangement threshold for the 2016/17 income year.

***Both income years***

While Adam only meets the income and expenditure threshold in both the 2015/16 and 2016/17 income years, this is enough for him to meet Step 3. He does not need to satisfy the financial arrangement threshold as well. At this point, Adam still cannot be sure that he is eligible to be a cash basis person. To determine that, he needs to check that he has not breached the deferral threshold of $40,000 in Step 4.

## Step 4: The deferral threshold

49. To determine whether someone can be a cash basis person, Step 4 involves checking whether they meet the deferral threshold. The deferral threshold is set out in s EW 57:

> *Deferral threshold*
>
> (3) For the purposes of section EW 54(1)(b), this subsection applies if the result of applying the formula in subsection (4) to each financial arrangement to which the person is a party at the end of the income year and adding the outcomes together is $40,000 or less.
>
> *Formula*
>
> (4) The formula is—

(accrual income − cash basis income) + (cash basis expenditure − accrual expenditure).

*Definition of items in formula*

(5) The items in the formula are defined in subsections (6) to (9).

*Accrual income*

(6) **Accrual income** is the amount that would have been income derived by the person under the financial arrangement if the person had been required to use a spreading method in the period starting on the date on which they became a party to the arrangement and ending on the last day of the income year for which the calculation is made. It is calculated using 1 of the following methods, as chosen by the person:

(a) the yield to maturity method, whether or not the person may use it, or has chosen to use it, for their financial arrangement; or

(b) the straight-line method, whether or not the person may use it, or has chosen to use it, for their financial arrangement; or

(c) an alternative method approved by the Commissioner.

*Cash basis income*

(7) **Cash basis income** is the amount that would have been income derived by the person under the financial arrangement if the person had been a cash basis person in the period starting on the date on which they became a party to the arrangement and ending on the last day of the income year for which the calculation is made.

*Cash basis expenditure*

(8) **Cash basis expenditure** is the amount that would have been expenditure incurred by the person under the financial arrangement if the person had been a cash basis person in the period starting on the date on which they became a party to the arrangement and ending on the last day of the income year for which the calculation is made.

*Accrual expenditure*

(9) **Accrual expenditure** is the amount that would have been expenditure incurred under the financial arrangement if the person had been required to use a spreading method in the period starting on the date on which they became a party to the arrangement and ending on the last day of the income year for which the calculation is made. It is calculated using 1 of the following methods, as chosen by the person:

(a) the yield to maturity method, whether or not the person may use it, or has chosen to use it, for their financial arrangement; or

(b) the straight-line method, whether or not the person may use it, or has chosen to use it, for their financial arrangement; or

(c) an alternative method approved by the Commissioner.

50. Determining the deferral threshold requires comparing financial arrangement income and expenditure calculated on a cash basis with financial arrangement income and

expenditure calculated on an accrual basis. A person can remain a cash basis person if any income deferral from a cash versus accrual basis is less than $40,000. If the deferral is greater than $40,000, the person cannot be a cash basis person and must calculate a CBA and use a spreading method until they qualify again.

51. The cash and accrual income and expenditure are calculated from when the person became party to the financial arrangement up to the end of the income year for which the calculation is made. The effect of this is to determine the difference between accounting for the financial arrangement on a cash versus accrual basis over the period for which the person has been party to the financial arrangement. It means that if the person acquired the financial arrangement part way through Year 1, then to do the calculation for Year 2, the person must combine income and expenditure from Year 1 and Year 2.

## Applying the formula

52. The formula in s EW 57(4) is:

(accrual income − cash basis income) + (cash basis expenditure − accrual expenditure)

53. Working out whether a person has exceeded the deferral threshold involves calculating the income and expenditure under the financial arrangement on an accrual basis and comparing that with the income and expenditure determined on a cash basis. The formula adds the difference between the income calculated on an accrual versus cash basis to the difference between the expenditure calculated on a cash versus accrual basis.

### *Cash basis amounts*

54. Calculating the income and expenditure on a cash basis is generally straightforward. The cash basis focuses on actual cash flows under the financial arrangement. The essential step to remember is to include all cash basis income or expenditure from the start of the financial arrangement through to the end of the income year for which the calculation is being made. With that in mind, adding up the income or expenditure on a cash basis is generally not that complicated.

### *Accrual basis amounts*

55. Calculating the income and expenditure on an accrual basis is generally more complicated. The range of different financial arrangements is extensive. This Statement focuses on simpler financial arrangements of the sort that a person is likely

to hold if they are considering whether they are eligible to be a cash basis person and able to account for their financial arrangements on a cash basis.

56. For most persons trying to determine whether they qualify as a cash basis person, their New Zealand-based financial arrangements denominated in NZD are likely to be simple "loan" arrangements with maybe a VPDI in the form of a credit card or revolving credit facility. For any such person who has satisfied Step 3, the difference between cash and accrual accounting is likely to be only small amounts arising from the days between a payment being made and the end of the income year. This is because the cash basis focuses on cashflows while the accrual basis requires a daily calculation. But for New Zealand-based financial arrangements, there will be no foreign exchange gains or losses to consider.

57. However, where cross-border financial arrangements are involved, the calculations are more complex. This is because the accrual basis requires that foreign exchange gains and losses are accounted for as well as what might otherwise be regarded as "interest" under the financial arrangement. For financial arrangements denominated in a foreign currency, the Commissioner has approved a determination method in *Determination G9A: Financial arrangements that are denominated in a currency or commodity other than New Zealand dollars*.[17]

58. Determination G9A applies where it is necessary to calculate income or expenditure for a financial arrangement and any right or obligation is fixed or otherwise determined in a currency or commodity other than NZD. IS 20/07 explains at [40] to [49] how to apply Determination G9A and provides a worked example – see [50]. This method is also used in *Example 6: The deferral threshold* in this Statement.

59. Determination G9A follows what is known as a "mark to spot" methodology. This involves converting the NZD equivalent amount of all the foreign currency transactions that occur over the term of the arrangement, together with the end-of-year outstanding principal balances, at the relevant spot rate.

60. For the purposes of Determination G9A, *Determination G6D: Foreign currency rates*[18] sets out the relevant methods and sources of rates information to use when converting foreign currency amounts into NZD.

61. For the purposes of the FA rules and Determination G9A, accrual income or expenditure is a net amount, so that the result is either income or expenditure.[19] If applying Determination G9A results in a positive figure, that figure represents an

[17] Inland Revenue, 1989.
[18] Inland Revenue, 1991.
[19] Section EW 14.

amount of income that a person has deemed to have derived in the relevant income year.[20] In the context of a foreign currency loan, an increase in the value of the NZD can cause the borrower to be deemed to have derived an amount of income.

62. If applying Determination G9A results in a negative figure, this is an amount of financial arrangement expenditure a person is deemed to have incurred in the relevant income year. The deemed expenditure under the FA rules may be more or less than the actual expenditure on the loan, depending on the movement of foreign exchange rates. Deductibility is discussed from [81] of this Statement.

63. *Example 6* illustrates how the calculation in the formula in s EW 57(4) works.

**Example 6: The deferral threshold**

*This example follows on from Example 5. The detailed calculations are set out in IS 22/XX WS.*

Adam acquires a UK rental property in April 2015, which is financed with the UK loan of GBP500,000. He has no other financial arrangements. Adam wants to work out whether he is under the deferral threshold for the 2015/16 income year and the 2016/17 income year.

***2015/16 income year***

For the 2015/16 income year, Adam needs to calculate his cash basis income and expenditure and his accrual income and expenditure. He then needs to put these amounts into the formula in s EW 57(4) to determine whether he is under the deferral threshold.

Where Adam needs to convert foreign currency amounts and transactions to NZD, he uses the relevant spot rate obtained from Inland Revenue's website or the Reserve Bank of New Zealand.

*Cash basis income or expenditure*

Adam has no cash basis income. Rent received from his property is not subject to the FA rules as it is accounted for under s CC 1.

Adam pays interest to the bank, which is his cash basis expenditure. The table in *Example 5* shows Adam's cash basis expenditure for the 2015/16 income year. The interest Adam paid to the UK bank (his cash basis expenditure) is NZD30,358.58.

[20] Sections CC 3, EW 14(3) and EW 31(3).

*Accrual income or expenditure*

To work out his accrual income or expenditure each year, Adam uses the method in Determination G9A. Following this method, Adam must calculate interest on a daily basis. The table in *Example 5* shows the interest actually paid but does not show the interest payable for the period 6 to 31 March 2016. This amount is GBP1,032.28 (cell H27 in the first tab of IS 22/XX WS).

Applying Determination G9A involves two calculations. These are explained simply here but set out in detail in the worksheet IS 22/XX WS. First, Adam needs to calculate the closing tax book value of the loan at 31 March 2016 in GBP. Because this is the first year of the loan, the opening balance is zero. To this Adam must add the loan repayments he paid to the UK bank, but subtract both the principal amount of the loan and his expenditure calculated on an accrual basis. As a result, the closing balance is a negative amount.

Second, Adam needs to determine the income or expenditure in NZD, including foreign exchange gains or losses. Adam adds the closing balance (converted to NZD) to the amount borrowed (in NZD), and then subtracts the total of the loan repayments he made (principal and interest in NZD). The opening balance is zero. This results in accrual expenditure of NZD87,225.41 for Adam (cell G45 in tab 2 of the worksheet).

*The deferral threshold*

Adam's calculation for the 2015/16 income year to determine whether he exceeds the deferral threshold or can remain a cash basis person is:

$$(\text{accrual income} - \text{cash basis income}) + (\text{cash basis expenditure} - \text{accrual expenditure})$$

$$(0 - 0) + (30{,}358.58 - 87{,}225.41) = -56{,}866.83$$

As –56,866.83 is a negative amount, it is below NZD40,000, so Adam is a cash basis person in 2015/16. He will deduct NZD30,358.58 as his cash basis expenditure unless he elects to use a spreading method under s EW 61 (in which case he could deduct NZD87,225.41).

***2016/17 income year***

As noted above, a person must determine whether they are a cash basis person every year so Adam must repeat this calculation for the 2016/17 income year.

*Cash basis income and expenditure*

Adam's cash basis expenditure is the interest he pays to the bank. He has no cash basis income. As set out in the table in *Example 5*, the interest paid to the bank (cash basis expenditure) in 2016/17 is NZD26,425.84.

*Accrual income or expenditure*

To work out his accrual income or expenditure, Adam uses the method in Determination G9A. Following this method, he must calculate interest on a daily basis. The table in *Example 5* does not show the interest payable for the period 6 to 31 March 2017. This amount is GBP989.32 (cell H41 in the first tab of IS 22/XX WS).

As noted above, applying Determination G9A involves two calculations. Again these are explained simply here but also set out in detail in the worksheet IS 22/XX WS. First, Adam needs to calculate the closing tax book value of the loan at 31 March 2017 in GBP. The opening balance is the closing balance from the 2015/16 income year of GBP–484,086.40. To this Adam must add the loan repayments he paid to the UK bank, but subtract his expenditure calculated on an accrual basis. Under Determination G9A, the closing balance is GBP–464,972.93 (cell G66 in the second tab of IS 22/XX WS).

Second, Adam needs to determine the income or expenditure in NZD. As he did not borrow any further amounts, Adam subtracts the opening balance in NZD and loan repayments from the closing tax book value converted to NZD. Because the NZD appreciated against the GBP, this resulted in a foreign exchange gain and Adam has accrual income of NZD113,945.23.

*The deferral threshold*

In calculating the deferral threshold, the formula determines the difference between the accrual and cash bases over the life of the financial arrangement to date. As the loan has been in place for two years, Adam needs to include the amounts for both the 2015/16 and the 2016/17 income years. For ease of reference, the 2015/16 amounts are shown below in **bold** and the 2016/17 amounts in *italics*.

Therefore, Adam's calculation for the 2016/17 income year to determine whether he exceeds the deferral threshold or can remain a cash basis person is:

Difference between cash and accrual = (accrual income − cash basis income) + (cash basis expenditure − accrual expenditure)

Difference between cash and accrual = (*113,945.23* – 0) + ((**30,358.58** +*26,425.84*) – **87,225.41**)

Difference between cash and accrual = 83,504.24

The result of the deferral calculation for 2016/17 is NZD83,504.24, which is above the NZD40,000 threshold. Adam has breached the threshold and no longer qualifies to be a cash basis person. This means Adam has to perform the CBA for the 2016/17 income year and account for the loan on an accrual basis under the FA rules.

## Electing to use a spreading method

64. A cash basis person is also required to make a CBA if they elect to apply a spreading method to their financial arrangement. Under s EW 55(1), a cash basis person may elect to calculate their financial arrangement income or expenditure for each income year of their arrangement term using a spreading method. They make the election by calculating a CBA.[21] If this happens, the FA rules apply as if the person was a non-cash basis person.

65. A cash basis person who chooses to use a spreading method must then use a spreading method for:

- all financial arrangements they are a party to at the time of making the election; and
- all financial arrangements they enter into after the income year in which they make the election.[22]

66. A person can revoke the election by giving notice to the Commissioner, with a return of income and within the prescribed timeframe.[23] The revocation applies to all financial arrangements entered into afterwards.[24] In order to revoke the election and once again become a cash basis person, the person needs to make a CBA (s EW 62(2)).

67. Although the cash basis is generally seen as simpler, there are two alternative reasons why a person may elect to account for income and expenditure on an accrual basis even when they are eligible to use the cash basis. First, the person may want to claim accrual expenditure that they would not incur on the cash basis. Second, a person may expect to breach the thresholds in a subsequent year and decide to account for the financial arrangement on an accrual basis from the outset.

68. However, by making an election under s EW 55, the person needs to account on the accrual basis for all of the financial arrangements they are party to and will enter into later. If the person later wants to return to the cash basis (and they are eligible to do so), they will need to calculate the CBA in that year, from the first year when they entered into the financial arrangement. The CBA will take into account the deductions they claimed on the accrual basis for all of their current financial arrangements and will effectively reverse that effect.

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[21] Under s EW 62(1).

[22] Section EW 61(4).

[23] Under s 37 of the Tax Administration Act 1994 (s EW 61(5)).

[24] Section EW 61(6).

# Cash basis adjustment

69. If a cash basis person no longer satisfies the requirements, then they must make a CBA.

## When a CBA is required

70. A CBA is required when a person's status changes from a cash basis person to a non-cash basis person, or vice versa, and the financial arrangement has not ended. If the financial arrangement comes to an end or the person ceases to be a New Zealand tax resident, a BPA must usually be performed.[25]

71. Section EW 62 sets out when a person needs to make a CBA. A CBA is required when a person:

- elects to use a spreading method;[26] or
- becomes a cash basis person; or
- ceases to be a cash basis person.

72. If a person is using a spreading method but qualifies to be a cash basis person and does not make a CBA, the person is not a cash basis person.[27]

73. There are some limited exceptions to having to make a CBA. If a person qualifies to be a cash basis person in an income year, they must not calculate a CBA:[28]

- if they choose to continue to use a spreading method in that year; or
- for a financial arrangement that they already account for on the cash basis.

74. Likewise, if a person ceases to be a cash basis person, they must not calculate a CBA for a financial arrangement that is already subject to a spreading method.[29]

## Calculating the CBA

75. A CBA is calculated using the formula in s EW 63. The CBA results in income or expenditure for the income year. A positive CBA is income and a negative CBA is expenditure.

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[25] The formula for the BPA is in s EW 31. For detailed information on BPAs, see IS 20/07 from [51] to [64].

[26] Electing to use a spreading method is covered from [64].

[27] Section EW 62(6).

[28] Section EW 62(3).

[29] Section EW 62(5).

**EW 63 Cash basis adjustment formula**

*Formula*

(1) A person calculates a cash basis adjustment using the formula—

adjusted income − adjusted expenditure − previous income + previous expenditure.

*Definition of items in formula*

(2) The items in the formula are defined in subsections (3) to (6).

*Adjusted income*

(3) **Adjusted income** is,—

(a) for a person who becomes a cash basis person, the amount that would have been income derived by the person under the financial arrangement if the person had been a cash basis person in the period starting on the date on which they became a party to the arrangement and ending on the last day of the income year for which the calculation is made; and

(b) for a person who ceases to be a cash basis person, the amount that would have been income derived by the person under the financial arrangement if the person had been required to use a spreading method in the period starting on the date on which they became a party to the arrangement and ending on the last day of the income year for which the calculation is made.

*Adjusted expenditure*

(4) **Adjusted expenditure** is,—

(a) for a person who becomes a cash basis person, the amount that would have been expenditure incurred by the person under the financial arrangement if they had been a cash basis person in the period starting on the date on which they became a party to the arrangement and ending on the last day of the income year for which the calculation is made; and

(b) for a person who ceases to be a cash basis person, the amount that would have been expenditure incurred by the person under the financial arrangement if the person had been required to use a spreading method in the period starting on the date on which they became a party to the arrangement and ending on the last day of the income year for which the calculation is made.

*Previous income*

(5) **Previous income** is income derived by the person under the financial arrangement in earlier income years.

*Previous expenditure*

(6) **Previous expenditure** is expenditure incurred by the person under the financial arrangement in earlier income years.

76. The CBA formula is different depending on whether the person is ceasing to be a cash basis person or is becoming a cash basis person. Where the person qualifies to be a cash basis person and wants to make the CBA to become a cash basis person, the terms in the formula have the following meanings:[30]

- "adjusted income" means income they would have derived as a cash basis person from the start of the financial arrangement to the last day of the income year for which the CBA calculation is being made;
- "adjusted expenditure" means expenditure they would have incurred as a cash basis person from the start of the financial arrangement to the last day of the income year for which the CBA calculation is being made;
- "previous income" means the income they derived from the financial arrangement as a non-cash basis person in earlier income years; and
- "previous expenditure" means the income they incurred as a non-cash basis person under the financial arrangement in earlier income years.

77. If the person ceases to be a cash basis person, the terms in the formula mean the following:[31]

- "adjusted income" means income they would have derived as a non-cash basis person from the start of the financial arrangement to the last day of the income year for which the CBA calculation is being made;
- "adjusted expenditure" means expenditure they would have incurred as a non-cash basis person from the start of the financial arrangement to the last day of the income year for which the CBA calculation is being made;
- "previous income" means the income they derived as a cash basis person from the financial arrangement in earlier income years; and
- "previous expenditure" means the expenditure they incurred as a cash basis person in earlier income years.

78. *Example 7* carries on from *Example 6*. It shows the CBA that Adam would have to make at the end of the 2016/17 income year on ceasing to be a cash basis person.

**Example 7: Cash basis adjustment calculation**

*This example follows on from Example 5 and Example 6. The detailed calculations are*

[30] Section EW 63(3)(a), (4)(a), (5) and (6).
[31] Section EW 63(3)(b), (4)(b), (5) and (6).

*set out in IS 22/XX WS.*

At the end of *Example 6*, Adam discovered that he no longer qualified as a cash basis person in the 2016/17 income year. That means he needs to do the CBA for that year. Because Adam is ceasing to be a cash basis person, his adjusted income and adjusted expenditure are amounts calculated on an accrual basis since the start of the loan from the UK bank. The calculation is made in NZD.

***Adam's CBA calculation in 2016/17***

CBA = adjusted income − adjusted expenditure − previous income + previous expenditure

In working out whether Adam has adjusted income or adjusted expenditure from the GBP500,000 loan, the calculations need to be made from when Adam obtained the loan on 5 April 2015 through to 31 March 2017 (the end of the income year for which he must make the CBA). While he could make a separate calculation for this period, the result would be the same as adding together the separate calculations he has already undertaken for the 2015/16 and 2016/17 income years in *Example 6: The deferral threshold*. As Adam had accrual expenditure of NZD87,225.41 in the 2015/16 income year and accrual income of NZD113,945.23 in the 2016/17 year, he has adjusted income of NZD26,719.82 for the CBA. Adam has no adjusted expenditure.

The second half of the formula considers amounts Adam previously returned for tax purposes. Adam returned no previous income from the GBP500,000 loan, but had previous expenditure in the 2015/16 income year. This was the amount of NZD30,358.58 Adam incurred making interest payments on the loan as a cash basis person in 2015/16. This leads to the following result:

CBA = (113,945.23 – 87,225.41) – 0 + 30,358.58

CBA = 26,719.82 – 0 + 30,358.58

CBA = 57,078.40

Therefore, the cash basis adjustment for 2016/17 is income of NZD57,078.40.

Effectively, what has occurred is that Adam makes the CBA and puts himself in the same position as if he had accounted for the financial arrangement on an accrual basis from the start of the financial arrangement to the end of the 2016/17 year. The correct position under the accrual basis is that Adam should have returned income of NZD26,719.82 to the end of the 2016/17 income year. Instead, Adam had claimed expenditure of NZD30,358.58 in the 2015/16 income year. Accordingly, the CBA requires Adam to return income of NZD57,078.40 in the 2016/17 income to end up in that position.

The net result is income of NZD26,719.82 over two income years (2015/16 and

2016/17).

## Accounting for the cash basis adjustment

79. Once the CBA has been calculated, s EW 62 sets out the next steps. Section EW 62(8) provides that the only income or expenditure under a financial arrangement in an income year in which a CBA is made is the income or expenditure under the CBA.

80. Section EW 62(9) states that if the CBA is positive, then it is income under s CC 3(1) for the person in the year the CBA is calculated. If the CBA is negative, then it is expenditure incurred by the person in the year the calculation is made. It is still necessary to consider whether that expenditure is deductible. The relevant deductibility provision is s DB 6 because, for the purposes of s DB 6, financial arrangement expenditure is treated as "interest" under the definition in s YA 1.

81. Section DB 6 provides:

> **DB 6 Interest: not capital expenditure**
>
> *Deduction*
>
> (1) A person is allowed a deduction for interest incurred.
>
> *Exclusion*
>
> (2) Subsection (1) does not apply to interest for which a person is denied a deduction under section DB 1.
>
> …
>
> *Link with subpart DA*
>
> (3) This section overrides the capital limitation. The general permission must still be satisfied and the other general limitations still apply.

82. It is still necessary for the deemed interest expenditure to satisfy the general permission for deductibility in s DA 1. Where the financial arrangement in question is a foreign currency loan used to finance a foreign rental property, the general permission will likely be satisfied because of the nexus between the financial arrangement expenditure incurred and the rental income derived from the property that the loan finances.

83. Residential property deductions are generally "ring-fenced", meaning they can be used only against income from residential property, with any deductions in excess of the income being carried forward to the next income year the taxpayer derives income

from residential property. For further information on the residential ring-fencing rules, see "Ring-fencing of residential property deductions".[32] Also note that the Taxation (Annual Rates for 2021–22, GST, and Remedial Matters) Bill contains a proposed amendment to the definition of "residential income" in s EL 3 so that foreign exchange gains on a loan can be offset against deductions. For further explanation of the proposed amendment, see the Commentary on the Bill at 117.[33]

# References

## Legislative references

Income Tax Act 2007, ss CC 1, CC 3, DA 1, DB 6, EW 3, EW 4, EW 5, EW 8, EW 14, EW 31, EW 54, EW 55, EW 57, EW 59, EW 61, EW 62, EW 63, EZ 33 to EZ 52D and YA 1 ("absolute value", "cash basis person", "fixed principal financial arrangement", "interest" and "variable principal debt instrument")

Tax Administration Act 1994, s 37

## Other references

*Determination G6D: Foreign currency rates* (Inland Revenue, 1991). www.taxtechnical.ird.govt.nz/-/media/project/ir/tt/pdfs/determinations/financial-arrangements/financial-arrangements-general/determination-g6d.pdf

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[32] *Tax Information Bulletin* Vol 31, No 8 (September 2019): 53.

[33] *Taxation (Annual Rates for 2021–22, GST, and Remedial Matters) Bill – commentary on the Bill* (Inland Revenue, 2021).

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# About this document

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