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Vice Regal

Ombudsmen Act 1975

Reappointment of Chief Ombudsman

Pursuant to section 3 of the Ombudsmen Act 1975, His Excellency the Governor-General has been pleased to reappoint

John Fraser Robertson, C.B.E. of Wellington

as Chief Ombudsman.

Dated at Wellington this 14th day of December 1989.

GEOFFREY PALMER, Prime Minister.

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Government Notices

Fisheries Act 1983

Fisheries (Rock Lobster Prohibition) Notice 1989, No. 4953

Pursuant to section 65 (1) of the Fisheries Act 1983, the Minister of Fisheries hereby gives the following notice:

Notice

1. Title and commencement—(1) This notice may be cited as the Fisheries (Rock Lobster Prohibition) Notice 1989.

(2) This notice shall come into effect on the 21st day of December 1989.

2. Restrictions on fishing—It shall be a condition of all fishing permits issued or renewed during the period, commencing with the 21st day of December 1989 and ending with the close of the 31st day of March 1990 that any holder of a permit to take red rock lobster (*Jasus edwardsii*) and packhorse rock lobster (*Jasus verreauxi*) is prohibited from fishing in the following areas:

(a) *Rock Lobster Management Area 2*—Bay of Plenty

All that area of New Zealand fisheries waters enclosed by a line commencing at the mean high-water mark at Te Arai Point on the East Coast of the North Island (at 36° 09.8'S and 174° 39'E); and then proceeding along a straight line on a true bearing of 045°; to the outer limits of the exclusive economic zone to a point 33° 25'S and 177° 58'E; and then proceeding in a generally south-easterly direction along the outer limits of the exclusive economic zone to a point 34° 22.1'W and 179° 29.6'E; then proceeding in a straight line to a point 34° 34.3'S and 179° 51.0'W; then proceeding in a generally south-easterly direction along the outer limits of the exclusive economic zone to a point 35° 20.0'S and 178° 30.0'W; and then proceeding along a straight line on a true bearing of 225°; to East Cape on the east coast of the North Island (at 37° 41.5'S and 178° 32.9'E); then proceeding in a generally westerly and north-westerly direction along the line of the mean high-water mark of the east coast of the North Island to the point of commencement.

(b) *Rock Lobster Management Area 3*—Gisborne

All that area of New Zealand fisheries waters enclosed by a line commencing at the mean high-water mark at East Cape on the east coast of the North Island (at 37° 41.5'S and 178° 32.9'E); and then proceeding along a straight line on a true bearing of 45°; to the outer limits of the exclusive economic zone to a point 35° 20.0'S and 178° 30.0'W; and then proceeding in a generally southerly direction along the outer limits of the exclusive economic zone to a point 40° 21'S and 177° 56'W; then proceeding in a straight line to a point 44° 08'S and 178° 23'E; then proceeding along a straight line on a true bearing of 352°; to the mouth of the Wairoa River on the east coast of the North Island (at 39° 03.5'S and 177° 25.5'E); then proceeding in a generally northerly direction along the line of the mean high-water mark of the east coast of the North Island to the point of commencement.

Dated at Wellington this 18th day of December 1989.

COLIN MOYLE, Minister of Fisheries.

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Income Tax Act 1976

Determination G1A: Apportionment of Income and Expenditure on a Daily Basis

This determination may be cited as "Determination G1A: Apportionment of Income and Expenditure on a Daily Basis".

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

(1) This determination rescinds and replaces Determination G1: Apportionment of Daily Income and Expenditure, made by the Commissioner on the 13th day of May 1987. This determination differs from Determination G1 in the interpretation of a 360 day basis for calculating the number of days between two given dates.

(2) This determination requires that income derived or expenditure incurred in respect of a period shall be apportioned on a straight line basis among the income years in which the period falls, according to the number of days in the period calculated on either a 365 or a 360 day basis.

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

(2) This determination is required to be applied in circumstances referred to in other determinations.

(3) Determination G1: Apportionment of Daily Income and Expenditure is hereby rescinded with effect from the day on which this Determination G1A is signed.

3. *Scope of Determination*—Unless its application is specifically excluded in another determination, this determination applies to all amounts of income derived or expenditure incurred in respect of a period where the amount of the income or expenditure has been calculated pursuant to any other determination made pursuant to paragraph (a) or (b) of section 64E (1) of the Income Tax Act 1976.

4. *Principle*—The apportionment of income and expenditure on a daily straight line basis in respect of a period of not more than 1 year permits the allocation of income and expenditure to income years within the period on a simple basis. It assumes that income and expenditure accrue at a flat dollar rate over each day in the period.

5. *Interpretation*—In this determination—

(a) Unless the context otherwise requires, expressions used have the same meanings as in section 64B to 64M of the Income Tax Act 1976;

(b) "Period" means the term, not exceeding 1 year, commencing immediately after a payment is payable or receivable and ending when the next payment is payable or receivable;

(c) The number of days in a period calculated on a 365 day basis means the actual number of days in the period including the ending date of the period but excluding the starting date of the period; and

(d) The number of days in a period calculated on a 360 day basis means the number of days falling within the period including the ending date of the period but excluding the starting date of the period and calculated as if every calendar month of the period had exactly 30 days;

Provided that if the ending date is the 31st day of the month and—

(i) The starting date of the period is not the 30th or 31st day of a month, the ending date shall be included in the number of days in the period;

(ii) The starting date of the period is the 30th or 31st day of a month, the ending date shall be deemed to be the 30th day of the month.

6. *Method*—For the purposes of section 64C of the Income Tax Act 1976, the income derived or expenditure incurred by a holder or an issuer of a financial arrangement in respect of a period shall be apportioned among the income years of the holder or issuer in which that period falls pro rata with the number of days in the period within each income year calculated (at the option of the holder or the issuer) on a 360 or 365 day basis.

7. *Example*—On 29 January 1987 a company issues a 180 day bill for $3,000,000, at a discount of $294,000.

The company's balance date is 31 March, and it elects to recognise the interest expense on a 365 day basis.

There are 61 days from 29 January to 31 March 1987.

Therefore—

$$\frac{61}{180} \times \$294,000 = \$99,633.33$$

This will be brought into account as expenditure in the company's 1986–87 income year, and the balance of $194,366.67 will be brought into account in its 1987–88 income year for income tax purposes pursuant to section 64F of the Income Tax Act 1976.

If the company had elected to recognise the interest expense on a 360 day basis, then the number of days from 29 January to 31 March 1987 would have been 62, and amounts of $101,266.67 and $192,733.33 would have been brought into account in this 1986–87 and 1987–88 income years respectively.

This determination is signed by me on the 4th day of December in the year 1989.

R. D. ADAIR, Deputy Commissioner of Inland Revenue. 6

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Determination G18: International Futures and Option Markets

This determination may be cited as "Determination G18: International Futures and Option Markets".

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

(1) This determination applies where for the purpose of calculating the income or expenditure of a person in respect of a futures or option contract denominated in a foreign currency, it is necessary to determine the price of that contract.

(2) This determination sets out the approved markets, sources of information and method for determining the prices for futures and option contracts denominated in a foreign currency.

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

3. *Scope of Determination*—This determination applies where, for the purpose of calculating the income or expenditure of a person in respect of futures or option contract traded in foreign markets, it is necessary to determine the price of the futures or option contract.

4. *Principle*—(1) Markets are approved having regard to the following criteria—

(a) The number of participants in the market or having access to the market:

(b) Frequency of trading in the market:

(c) The nature of trading in the market—how the price is determined and how the financial assets are traded on the market:

(d) The potential or demonstrated capacity of a person or group of persons to significantly influence the market:

(e) Significant barriers to entry:

(f) Discrimination on the basis of the quantity bought and sold unless based on the risks involved or the transaction costs or economies of scale.

(2) Sources of information are approved having regard to the following criteria—

(a) Reliance on the sources of information by the market:

(b) The accessability of the sources of information by participants in the market.

(3) A method of obtaining a price for a futures or option contract is approved if it is determined by an independent source and is adopted by the participants of the market.

5. *Interpretation*—(1) In this determination, unless the context otherwise requires—

Expressions used, except the expression "income year", 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:

"Futures contract" means a contract traded on a futures market outside New Zealand:

"Option contract" means a contract traded on an organised and regulated option market outside New Zealand:

"Multicontributor page" means a multicontributor page of information that is displayed on a screen provided by—

(a) Reuters New Zealand Limited; or
(b) Telerate New Zealand Limited—

or any firm that is associated with either of those firms and provides similar services:

"Income year means—

(a) Where a taxpayer furnishes a return of income under section 15 of the Income Tax Act 1976 for an accounting year ending with an annual balance date other than the 31st day of March, the period commencing on the day after the end of the immediately preceding accounting year and ending on that balance date:

(b) In respect of the income of any other person, the year in which that income has been derived by that person.

(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) The following futures and option markets are approved:

New York Commodities Exchange
- Gold Futures contract
- Silver Futures contract
- Copper Futures contract
- Gold Option contract
- Silver Option contract
- Copper Option contract

New York Mercantile Exchange
- Heating Oil Futures contract
- Gasoline Futures contract
- Crude Oil Futures contract

New York Coffee, Sugar, Cocoa Exchange
- Coffee Futures contract
- Sugar Futures contract
- Cocoa Futures contract

New York Futures Exchange
- NYSE Composite Stock Index Futures contract

New York Cotton Exchange
- Cotton Futures contract

Chicago Board of Trade
- US Treasury Note (5 year) Futures contract
- US Treasury Bonds (15 year) Futures contract
- Gold Futures contract
- Silver Futures contract
- Wheat Futures contract
- Corn Futures contract
- Soya Bean Futures contract
- Soya Bean Oil Futures contract
- Soya Bean Meal Futures contract
- Oats Futures contract
- US Treasury Notes (5 year) Option contract
- US Treasury Bonds (15 year) Option contract
- Silver Option contract
- Wheat Option contract
- Corn Option contract
- Soya Bean Option contract

Chicago Mercantile Exchange
- Gold Futures contract
- S & P 500 Stock Index Futures contract
- Eurodollars Futures contract
- US Treasury Bills (90 day) Futures contract
- Swiss Francs Futures contract
- Australian Dollars Futures contract
- Deutschmark Futures contract
- Canadian Dollars Futures contract
- British Pounds Futures contract
- Japanese Yen Futures contract
- French Franc Futures contract
- Live Cattle Futures contract
- Live Hogs Futures contract
- Pork Bellies Futures contract
- S & P 500 Stock Index Option contract
- Eurodollars Option contract
- US Treasury Bills (90 day) Option contract
- Swiss Francs Option contract
- Australian Dollar Option contract
- Deutschmark Option contract
- British Pounds Option contract
- Japanese Yen Option contract
- Canadian Dollars Option contract

London International Financial Futures Exchange

FTSE 100 Index Futures contract
Eurodollars Futures contract
Japanese Government Bonds Futures contract
German Bund Futures contract
Short Gilt Futures contract
Long Gilt Futures contract
British Pounds Futures contract
Deutschmark Futures contract
Japanese Yen Futures contract
Swiss Francs Futures contract
FTSE-100 index Option contract
Eurodollars Option contract
British Pounds Option contract

London Future and Options Exchange
Cocoa Futures contract
Sugar Futures contract
Coffee Futures contract
Cocoa Option contract
Sugar Option contract
Coffee Option contract

Baltic Futures Exchange
Baltic Freight Index Futures contract
Potatoe Futures contract
Soya Bean Meal Futures contract

International Petroleum Exchange
Gas Oil Futures contract
Brent Crude Futures contract

Marche a Terme d'instruments Financiers (MATIF)
French Treasury Bond Futures contract
French Treasury Bills Futures contract
3-month Interbank (PIBOR) Futures contract
French Treasury Bond Options contract

Sydney Futures Exchange
Gold Futures contract
All-Ordinaries Stock Index Futures contract
90-day Bank Bill Futures contract
Eurodollars Futures contract
US Dollar Futures contract
All-Ordinaries Stock Index contract
90-day Bank Bill Option contract

Singapore International Monetary Exchange
Deutschmark Futures contract
Japanese Yen Futures contract
Eurodollar Futures contract
Nikkei Stock Index Futures contract
Deutschmark Option contract
Japanese Yen Option contract
Eurodollar Option contract
Nikkei Stock Index Option contract

Hong Kong Futures Exchange
Sugar Futures contract
Soya Bean Futures contract
Hang Seng Index Futures contract

(2) The following sources of information for futures and options prices are approved:

(a) A multicontributor page that quotes prices for futures and option contracts;

(b) Where a person does not have access to a multicontributor page, advice as the the price of a futures or option contract from a member of the exchange at which the contract is traded. The price shall be derived from a source approved in 6 (2) (a) and shall be the price at which the member would buy or sell the futures or option contract.

(3) Where, for the purposes of determining the income or expenditure of a person in respect of a financial arrangement, it is necessary to determine the price for a futures or option contract at the end of an income year the price for the futures or option contract shall be the market price for that contract in the market in which it is traded, as advised by an approved source of information, at the close of trading on the last permitted day for trading in the persons income year.

(4) Where, for the purposes of determining income or expenditure of a person in respect of a financial arrangement, it is necessary to determine the New Zealand dollar value of the futures or option contract at the end of the income year, the spot rate for the currency in which the futures or option contract is quoted shall be ascertained in accordance with Determination G6A: Foreign Currency Rates, and used to convert the value of the futures or option contract to New Zealand dollars.

7. *Example*—The following is an example of a multicontributor page provided by Reuters New Zealand Limited. it shows market prices for a Eurodollar Futures contract maturing in December 1989 as traded on the London International Financial Futures Market.

The market price of the contract is 91.70. The closing price is previous trading day is 91.68.

FSEZ9	EURODOLLAR DEC9	0		LIF USD		15NOV89 02:58
LAST	LAST 1	LAST 2	LAST 3	LAST 4	BID	ASK
91.70	91.70	91.70	91.70	91.69	91.69	91.70
NET.CHNG	CLS:14NOV89	OPEN	HIGH	LOW	OPE.BID	OPE.ASK
−0.02	91.68	91.69	91.71	91.69	91.69	91.70
SETTLE	VOLUME	OPEN.INT	CNT.HIGH	CNT.LOW	RTR.NEWS	N.TIME
91.70	1674	24459	130.01	71.24		
CNT.XPRY	LOT.SIZE	LIMIT	STATUS			BKGRND
18DEC89	1M USD		OCL/			****

This determination is signed by me on the 4th day of December in the year 1989.

R. D. ADAIR, Deputy Commissioner of Inland Revenue. 4
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Determination G9A: Financial Arrangements That are Denominated in a Currency or Commodity Other than New Zealand Dollars

This determination may be cited as "Determination G9A: Financial Arrangements that are Denominated in a Currency or Commodity other than New Zealand Dollars"

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

(1) This determination rescinds and replaces Determination G9: Financial Arrangements that are Denominated in a Currency or Commodity other than New Zealand Dollars made on the 28th July 1988. This determination differs from Determination G9: Financial Arrangements Denominated in a Currency or Commodity other than New Zealand Dollars in that agreements for sale and purchase of property are included in the scope of this determination.

(2) This determination sets out a method for calculating the income or expenditure in respect of a financial arrangement where any rights and obligations of the parties are expressed in a "base currency" other than New Zealand dollars; this base currency may be a foreign currency or a commodity.

(3) The method used is essentially the base price method set out in Chapter 9 of the Consultative Document on Accrual Tax Treatment of Income and Expenditure. Income or expenditure is calculated for each income year in accordance with the Act and other determinations where appropriate (for example G3), in the base currency.

(4) This income or expenditure, together with the opening tax book value and adjusted for amounts paid or received during the income year, is used to calculate the closing tax book value of the financial arrangement as at year end. In the case of a conventional loan, this closing tax book value is equivalent to the outstanding principal and accrued interest under the loan as at year end, in the base currency. This closing tax book value is converted to New Zealand dollars at the spot rate applicable at that date.

(5) The income or expenditure in New Zealand dollars is determined from:

(a) The amounts paid and/or received during the income year, converted to New Zealand dollars on the dates of payment; together with

(b) The net change in the amount of closing tax book values in New Zealand dollars during the income year.

This brings to account for income tax purposes all accrued gains and losses on the financial arrangement, including gains and losses arising from currency translation.

(6) This determination requires that where a financial arrangement involves or is expressed in more than one currency or commodity, each separate currency or commodity tranche is to be treated as a separate financial arrangement.

(7) Where—

(a) A facility provides for the rollover of a financial arrangement; and

(b) No payment under any arrangement arising from the rollover is material to or contingent upon the financial arrangement—

the financial arrangement matures when the rollover occurs. However, where a payment under an arrangement arising from the rollover is material to or contingent upon the financial arrangement, any arrangement that includes the payment is a part of the financial arrangement.

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

(2) Determination G9: Financial Arrangements that are Denominated in a Currency or Commodity other than New Zealand Dollars is hereby rescinded with effect from the day on which this Determination G9A is signed.

3. *Scope of Determination*—(1) This determination shall apply where it is necessary to calculate the income or expenditure of a person in respect of a financial arrangement and any right or obligation of the person in relation to the financial arrangement is fixed or otherwise determined in a currency or commodity other than New Zealand dollars (NZD) and is not fixed in NZD.

(2) This determination shall not apply to—

(a) A forward or future contract:

(b) A futures contract:

(c) A swap contract:

(d) An option:

(e) A security arrangement.

4. *Principle*—(1) Income or expenditure shall be calculated in the base currency or commodity in accordance with the Act and determinations, as if the base currency or commodity were NZD.

(2) Amounts paid or received during an income year shall be converted to NZD at spot rates at the time of the payment or receipt.

(3) At the end of each income year the closing tax book value is calculated in the base currency equal to—

(a) The closing tax book value (if any) in relation to the previous income year;

Plus (b) Amounts paid by the holder or received by the issuer (as the case may be) during the income year and in relation to the financial arrangement;

Plus (c) Income or expenditure calculated as in clause 4 (1) of this determination;

Less (d) Amounts received by the holder or paid by the issuer (as the case may be) during the income year in relation to the financial arrangement.

(4) The closing tax book value is converted to NZD at the then spot rate and the net change from the previous income year is brought into income or expenditure for the income year.

(5) The total income or expenditure is the sum of the amounts calculated in clauses 4 (2) and 4 (4) of this Determination.

(6) For the purpose of determining the income deemed to be derived or expenditure deemed to be incurred in respect of a financial arrangement that involves separate amounts expressed in more than one currency or commodity and in respect of an income year, the financial arrangements shall be treated as separate financial arrangements in relation to each separate amount.

5. *Interpretation*—In this Determination, unless the context otherwise requires,—

Expressions used have the same meanings as in the Act, except that where there is a conflict between the meaning of an expression in sections 64B to 64M of the Act and the meaning of the expression elsewhere in the Act the expression shall have the same meaning as in the said sections 64B to 64M:

"The Act" means the Income Tax Act 1976:

"Base currency" in relation to a financial arrangement means the currency or commodity in which rights and obligations under the financial arrangement are fixed:

"Base currency expenditure" in relation to a person and a financial arrangement and an income year, means the amount of the expenditure of the person in respect of the financial arrangement and the income year, calculated in the base currency in relation to the financial arrangement but otherwise in accordance with the Act and determinations made under it (subject to clause 6 (4) of this Determination regarding the application of Determination G2: Requirements as to Precision):

"Base currency income" in relation to a person and a financial arrangement and an income year, means the amount of the income of the person in respect of the financial arrangement and the income year, calculated in the base currency in relation to the financial arrangement but otherwise in accordance with the Act and determinations made under it (subject to clause 6 (4) of this Determination regarding the application of Determination G2: Requirements as to Precision):

"Closing tax book value", in relation to an income year means the value of a person's rights and obligations under a financial arrangement, calculated in accordance with the following formula:

$$e + f + g - h - i$$

where—

e is—

(i) Where the person was a party to the financial arrangement at the beginning of the income year, the opening tax book value of the person's rights and obligations under the financial arrangement; and

(ii) In every other case, nil; and

f is the sum of the value (expressed in the base currency in relation to the financial arrangement) of all consideration given during the income year by or on behalf of the person in relation to the financial arrangement; and

g is the base currency income of the person in respect of the financial arrangement; and

h is the sum of the value (expressed in the base currency in relation to the financial arrangement) of all consideration given during the income year to or for the benefit of the person in relation to the financial arrangement; and

i is the base currency expenditure of the person in relation to the financial arrangement:

"Currency" includes any commodity used as a medium of exchange or account, whether in general use or for the purpose of an arrangement:

"Exchange rate" means the price of one currency expressed in another currency:

"Financial arrangement" has the same meaning as in section 64B to 64M of the Act:

Provided that, where a financial arrangement creates obligations in two or more currencies and the consideration to be given and received in respect of the obligations in each of the currencies is separately identifiable, the consideration to be given and received in respect of the obligations in each currency shall be treated as relating to separate financial arrangements:

"NZD" means the currency of New Zealand:

"Opening tax book value", in relation to an income year and the rights and obligations of a person under a financial arrangement, means the closing tax book value of the person's rights and obligations under the financial arrangement at the end of the last preceding income year:

"Spot rate" means the exchange rate for a spot contract as defined in Determination G6A: Foreign Currency Rates.

6. *Method*—(1) The income or expenditure of the person in respect of a financial arrangement and an income year shall be calculated in accordance with the following formula:

$$a + b - c - d$$

Where—

a = the value of NZD of the closing tax book value; and

b = the sum of the value in NZD of all consideration given during the income year to or for the benefit of the person in relation to the financial arrangement; and

c = the value in NZD of the opening tax book value; and

d = the sum of the value in NZD of all consideration given during the income year by or on behalf of the person in relation to the financial arrangement—

and the amount so calculated shall,—

(a) where it is a positive amount be deemed to be income derived by the person in the income year:

(b) Where it is a negative amount be deemed to be expenditure incurred by the person in the income year.

(2) Where—

(a) An amount at any time is expressed in a currency other than NZD or the base currency in relation to a financial arrangement; and

(b) It is necessary to convert the amount to NZD or the base currency or otherwise to calculate the value of the amount in NZD or the base currency—

the exchange rate for the purpose of the calculation shall be,—

(c) Where the matter is dealt with in a determination made by the Commissioner under section 64E (1) of the Act, the price or spot rate at the time and so determined:

(d) Where the exchange rate is not dealt with in a determination made by the Commissioner under section 64E (1) of the Act and the amount is expressed in a currency for which there is an accessible and active market in—

(i) NZD or the base currency, as the case may be; or

(ii) Another currency that satisfies the requirements of this sub-paragraph,—

an exchange rate determined in a manner consistent with determinations made by the Commissioner for the purpose of ascertaining the price or rate for any currency.

(e) In any other circumstance, a price or spot rate at which an arm's-length dealing would be expected to take place at the time.

(3) Determination G2: Requirements as to Precision shall apply to the calculation of income and expenditure under clause 6 (2) of this Determination.

7. *Examples*—

EXAMPLE 1. DISCOUNTED BOND

A NZ investor has a United States Treasury bond on its balance date of 30 June 1989. The bond has a term of 5 years and bears 10% interest payable semi-annually on 1 September and 1 March. It has a face value of USD $10 million. The bond was purchased at issue for USD $8,300,000 and matures on 1 September 1993.

For the purposes of this example USD refers to the currency of the United States of America and NZD refers to the currency of New Zealand. Suppose the spot rates on important dates in this example are:

Date	*Rate (1NZD =USD)*
1 September 1988	.6310
1 March 1989	.6455
30 June 1989	.6580
1 September 1989	.6500
1 March 1990	.6550
30 June 1990	.6500
1 September 1990	.6570
1 March 1991	.6580
30 June 1991	.6460
1 September 1991	.6400
1 March 1992	.6380
30 June 1992	.6200
1 September 1992	.6150

The accrued income in USD associated with the bond is given in the following table—this is calculated in accordance with Determination G3: Yield to Maturity Method and allocated to income years according to Determination G1.

ALL ITEMS IN USD

Date	*Cashflows*	*Income*	*Year Ending*	*Accrued Income*
01-Sep-88	(8,300,000)			
01-Mar-89	500,000	620,316		
01-Sep-89	500,000	629,308	30-Jun-89	1,034,154
01-Mar-90	500,000	638,972		
01-Sep-90	500,000	649,358	30-Jun-90	1,281,465
01-Mar-91	500,000	660,521		
01-Sep-91	500,000	672,518	30-Jun-91	1,325,110
01-Mar-92	500,000	685,411		
01-Sep-92	500,000	699,268	30-Jun-92	1,375,520
01-Mar-93	500,000	714,161		
01-Sep-93	10,500,000	730,167	30-Jun-93	1,433,748
			30-Jun-94	250,003
	6,700,000	6,700,000		6,700,000

Y-T-M 14.9474 p.a.

At first balance date—30 June 1989

The Closing Tax Book Value (CTBV) is given by:

$e + f + g - h - i.$

e is 0 since the investor was not a party to this financial arrangement at the beginning of this income year.

f is USD 8.3m the price paid for the bond on 1 September 1988, being the sum of all consideration given by the investor during the income year.

g is USD 1,034,154 the base currency income accruing to the person in this income year calculated in accordance with the provisions of sections 64B to 64M of the Act.

h is USD 500,000 (the interest payment of 1 March 1989) the sum of all consideration given to the person in the income year.

i is 0 as there is no expenditure incurred by the investor.

The formula gives a CTBV of:

$0 + 8,300,000 + 1,034,154 - 500,000 - 0 =$ USD 8,834,154.

The income or expenditure in respect of the bond for the income year is calculated according to $a + b - c - d$.

Where:

a is the NZD value of the CTBV = 8,834,154 / .658 = $13,425,766.

b is the NZD value of all consideration given to the person during the income year = 500,000 / .6455 = $774,593.

c is the opening tax book value and has a nil value.

d is the NZD value of all consideration given by the person during the income year = 8,300,000 / .6310 = $13,153,724.

The income or expenditure is thus $1,046,635 NZD. This positive amount is income derived by the investor.

At the second balance date—30 June 1990.

The CTBV is:

e 8,834,154 the opening tax book value equal to the CTBV of the previous year.

f is 0 since no consideration is given by the investor in this income year.

g is USD 1,281,465 the base currency income accruing to the person in this income year calculated in accordance with the provisions of section 64B to 64M of the Act.

h is USD 1,000,000 (the interest payments on 1 September 1989 and 1 March 1990) the sum of all consideration given to the person in the income year.

i is 0 as there is not expenditure incurred by the investor.

The CTBV (e + f + g − h − i) is then equal to USD 9,115,619.

The income or expenditure associated with the bond on this date is calculated according to a + b − c − d.

Where:

a is 9,115,619 / .6500 = $14,024,029

b is 500,000 / .6500 + 500,000 / .6550 = $1,532,590

c is USD 8,834,154 / .6580 = NZD 13,425,766

d is nil.

This equates to $2,130,853 NZD. As this is a positive amount it is income derived by the investor.

At the end of the third income year—30 June 1991.

The CTBV (USD) = 9,115,619 + 1,325,110 − 1,000,000
= 9,440,729.

The income derived/expenditure incurred in NZD is therefore:

	9,440,729 / .6460
plus	500,000 / .6570 + 6570 + 500,000 / .6580
minus	9,115,619 / .6500
equals	2,111,016 NZD

as this is a positive amount it is income derived by the investor.

On 30 September 1991 the bond is sold for USD 10 million (i.e. an approximate yield of 16% p.a.) At this date the USD/NZD spot rate was .6320.

At this date the investor is subject to the base price adjustment of section 64F: a − (b + c)

Where:

a is all consideration that has been paid to the investor: 500,000 / .6455 + 500,000 / .6500 + 500,000 / .6550 + 500,000 / .6570 + 500,000 / .6580 + 500,000 / .6400 + 10,000,000 / .6320
= 20,432,131 NZD

b is the acquisition price of the bond: 8,300,000 / .6310 = 13,153,724 NZD

c is all amounts of income derived under section 64C: 1,046,635 + 2,130,853 + 2,111,016 (as calculated above) = 5,288,504 NZD

So the Base Price Adjustment is

a − (b + c)

= 20,432,131 − (13,153,724 + 5,288,504)

= 1,989,903 NZD.

Since this is a positive amount it is income derived by the holder of the bond in this income year.

EXAMPLE 2. MULTICURRENCY LOAN FACILITY WITH EARLY REPAYMENT.

A corporate borrower has a multi-currency loan facility that allows funds to be drawn down in any of three currencies—US Dollars (USD), Sterling (GBP) and Deutchmarks (DM). The total initial amount of the loan is $100 million USD and may be taken in any combination of the three currencies. The term of the loan is 10 years and any tranche may be repaid at any time by payment of the principal outstanding. The mixture of currencies can be changed at each 6-monthly interest payment date. Interest is payable in the currency of the principal amount at rates depending on the currency as shown below.

The loan is initially drawn down on 1 October 1988 in the configuration below. Interest is payable six monthly in arrears on 1 February and 1 August.

The corporate borrower has a 31 March balance date. Its base currency is New Zealand dollars (NZD).

INITIAL DRAWDOWN CONFIGURATION.

Currency	*Amount*	*Spot Rate (against USD)*	*USD Equivalent*	*Interest Rate*
USD	$55m		$55m	9%
GBP	STG36m	.55	$19,8m	11%
DM	DM60m	2.45	$24,5m	5%
			$99.3m	

For taxation purposes each of these tranches is treated as a separate financial arrangement.

For example, with respect to the Sterling (GBP) tranche the expenditure incurred as at 31 March 1989 is calculated as follows:

The base currency is GBP. The interest payment for the four months ended 1 February 1989 in GBP 1.32 m.

The CTBV is equal to e + f + g − h − i.

e is 0 since the corporate borrower is not a party to this financial arrangement at the beginning of this income year.

f is GBP 1.32m the interest payment paid on 1 February 1989.

g is 0 since there is no base currency income accruing to the person in this income year.

h is GBP 36m (the amount drawn down) the sum of all consideration given to the corporate borrower in the income year.

i is GBP 1.98m the base currency expenditure of the corporate borrower calculated in accordance with the provisions of sections 64B to 64M of the Act.

The CTBV is then equal to GBP − 36.66m at 31 March 1989.

Suppose that the spot rates for the conversion of GBP to NZD were:

.3300 GBP to 1 NZD on 1 October 1988 and
.3345 GBP to 1 NZD on 1 February 1989 and
.3350 GBP to 1 NZD on 31 March 1989.

The income or expenditure of the corporate borrower for the year ended 31 March 1989 in respect of this financial arrangement is given by:

a + b − c − d, where

a is the CTBV in NZD = −36.66m / .3350 = NZD −109,432,836

b is the sum of all consideration given to the person during the financial year i.e. the amount drawn down. In NZD this is equal to 36m / 0.3300 = NZD 109.090,909.

c is the value of the opening tax book value and has nil value.

d is the sum of all consideration given by the corporate in the financial year. i.e. the interest payment = 1.32m / .3345 = 3,946,188.

The income or expenditure is then NZD −4,288,155. For the corporate borrower this negative amount is expenditure incurred in this income year.

At the corporate's second balance date—31 March 1990.

The CTBV is equal to e + f + g − h − i.

Where:

e is GBP −36.66m the CTBV of the previous year.

f is GBP 3.96m the interest payments paid on 1 August 1989 and 1 February 1990.

g is nil.

h is nil.

i is GBP 3.96m the base currency expenditure of the corporate borrower.

The CTBV is then equal to GBP − 36.66m at 31 March 1990.

Suppose that during the year the relevant spot rates for the conversion of GBP to NZD were:

.3340 GBP to 1 NZD on 1 August 1989 and
.3310 GBP to 1 NZD on 1 February 1990 and
.3280 GBP to 1 NZD on 31 March 1990.

The income or expenditure of the corporate borrower for the year ended 31 March 1990 in respect of this financial arrangement is given by:

a + b − c − d, where

a is −36.66m / .3280 = NZD − 111,768,292

b is nil

c is NZD − 109,432,836

d is 1.98m / .3340 + 1.98m / .3310 = NZD 11,910,017

The income or expenditure of the corporate borrower is then NZD −14,245,473. This negative amount is expenditure incurred in this income year.

On 1 June 1990 the corporate borrower decides to switch out of GBP and borrow more USD. For the purposes of calculating the corporate's income or expenditure the GBP tranche is deemed to be repaid and is subject to the Base Price Adjustment in this income year. The spot rate GBP to NZD was .3200 on the date of repayment.

The Base Price Adjustment is given in section 64F of the Act. It calculates an amount by application of the formula:

a − (b + c); where

a is all consideration that has been paid by the corporate borrower. This is the interest payments made plus the deemed principle repayment amount.

This amount is equal to:
1.32m / .3345 + 1.98m / .3340 + 1.98m / .3310 = NZD 15,856,205 in respect of the interest amounts plus 36m / .3200 = NZD 112,500,000 in respect of the deemed principle repayment.

So "a" then equals NZD 128,356,205

b is the acquisition price of the facility. This is equal to the amount of GBP drawn down i.e. 36m / .3300 = NZD 109.090,909

c is the amounts of expenditure incurred less the amounts of income derived as calculated under section 64C. The expenditure calculated for the previous two years of the loan facility were:

For the year ended 31 March 1989	4,288,115
For the year ended 31 March 1990	14,245,473
The total expenditure therefore is NZD	18,533,588

In this case there is no income to the corporate borrower.

The Base Price Adjustment is therefore:

128,356,205 − (109.090,909 + 18,533,588) = NZD 731,708

This positive amount is deemed to be expenditure incurred by the issuer in this income year in accordance with Section 64F (4) (b) of the Act.

This determination is signed by me on the 4th day of December in the year 1989.

R. D. ADAIR, Deputy Commissioner of Inland Revenue. 4
b597

Determination G19: Exchange Traded Option Contracts

This determination may be cited as "Determination G19: Exchange Traded Option Contracts"

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

(1) This determination is available for persons unable to use section 64C (4).

(2) An option gives its owner the right, but not the obligation to buy or sell an underlying financial instrument, at a predetermined price at any time during a predetermined future period. For this right the owner of the option has to pay a premium, which is quoted on the exchange in points, to the seller/writer of the option. The owner of the option has the right to exercise the option at any date during the term of the option. The person who has the rights to exercise the option is the grantee of the option while the writer of the option is the grantor.

(3) Markets, sources of information, and prices for an option contract are determined by reference to Determination G7B: New Zealand Futures and Options Markets, and Determination G18: International Futures and Option Markets.

(4) The income derived or expenditure incurred in relation to an option contract in an income year is the change in option value, taking account of transaction costs, as determined by the change in price of the option contract obtained in accordance with clause 6 (3) of Determination G7B: New Zealand Futures and Options Markets, and Determination G18: International Futures and Option Markets.

(5) This determination only applies to options traded on markets approved in Determination G7B: New Zealand Futures and Options Markets, or Determination G18: International Futures and Option Markets. Options outside the accruals regime, for example options on shares, are outside the scope of this determination.

2. *Reference*—This determination is made pursuant to section 64E (1) (b) of the Income Tax Act 1976.

3. *Scope of Determination*—This determination shall apply where it is necessary to calculate the income deemed to be derived or expenditure deemed to be incurred by a person in respect of a call option contract or a put option contract, traded on approved markets, to which the person becomes a party after the day on which this determination is signed.

4. *Principle*—(1) An option that is exercised gives rise to a net gain or loss if the value at the exercise date of the underlying asset to which the option relates is different from the exercise price plus the premium. Similarly a net gain or loss will be made where a person closes out at a different price than that paid to acquire the option. A gain or loss will also be made where the option is allowed to lapse.

(2) The net gain or loss on an option at balance date is the difference between:

(a) The—

(i) Purchase price of the option plus transaction costs incurred in acquiring the option, in the case of the person acquiring the option, if the option has been purchased since last balance date; or

(ii) Sale price of the option less transaction costs incurred in writing the option, in the case of the writer of the option, if the option has been written since last balance date; or

(iii) Net realisable value of the option as on the immediately preceding balance date, where the option contract had not been entered into in that income year; and

(b) The net realisable value of the option as at balance date.

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:

"Approved markets" are those markets approved in Determination G7B: New Zealand Futures and Options Markets, and Determination G18: International Futures and Option Markets:

"Call options" are an option to buy the underlying financial instrument, which in the case of option contracts approved in Determination G7B: New Zealand Futures and Options Markets and Determination G18: International Futures and Option Markets, will be a futures contract:

"Exchange traded option contract" means an option contract traded on an approved market:

"Exercise price" means the price at which the option may be exercised on the underlying futures contract:

"Net realisable value" means the market value of the option, as ascertained in accordance with Determination G7B: New Zealand Futures and Options Markets, and Determination G18: International Futures and Option Markets, less the direct costs associated with closing out, exercising, or lapsing the option. In the case of the writer of the option the net realisable value may be a negative value:

"Put options" are an option to sell the underlying financial instrument, which in the case of option contracts approved in Determination G7B: New Zealand Futures and Options Markets, and Determination G18: International Futures and Option Markets, will be a futures contract:

"Transaction costs" are those direct costs incurred in the purchase or sale of the option including, but not limited to, brokers fees and clearing house fees.

(2) Any reference in this determination to another determination made by the Commissioner shall be construed as referring to any fresh determination made by the Commissioner to vary, rescind or extend that determination.

6. *Method*—(1) The income derived or expenditure incurred in respect of an exchange traded option contract in any income year (other than an income year to which section 64F of the Act applies) is calculated using the following formula:

a − b

where—

a is—

(i) In the case of the grantee of the option, the purchase price of the option, plus transaction costs incurred in entering into the option contract, if the option has been acquired in that income year; or

(ii) In the case of the grantor of the option, the sale price of the option, less transaction costs incurred in entering into the option contract, if the option was written in that income year, which amount shall be deemed to be a negative value; or

(iii) The net realisable value of the option as on the immediately preceding balance date, if the option contract had not been entered into in that income year; and

b is the net realisable value of the option as at balance date.

(2) Where the amount calculated using the above formula is a positive amount it shall be deemed to be expenditure incurred in that income year.

(3) Where the amount calculated using the above formula is a negative amount it shall be deemed to be income derived in that income year.

7. *Examples*—

EXAMPLE A:

On 10 July 1989, a taxpayer believes that there will be a rise in interest rates. The taxpayer is not completely certain that this will happen so the taxpayer decides to purchase put options, so as to limit the risk.

On that day the futures price for a September 1989 90 Day Bank Bill Contract is 8700.

The taxpayer purchases five put options on 90 Day Bank Bill Option Contracts with a strike price of 8700. The option premiums for the five contracts total $2,024.75 (11.57 [$ value per point] × 35 [premium value in points] = 404.95 [premium value per contract] × 5 [no. of contracts]).

Commission and Clearing House fees for the five contracts total $200.

The taxpayer has a 31 July balance date. On that date the price of a 90 Day Bank Accepted Bill Futures Contract has fallen, reflecting a rise in interest rates, to 8625.

The value of the five September 8700 put options has risen to $4,628.00, reflecting a 45 point gain in the value of the put options. Transaction costs of closing out the contracts at the present value are $230.

Income or expenditure is calculated as follows:

Using a − b
a = $2,224.75 (2,024,75 + 200)
b = $4,398.00 (4,628.00 − 230)

Therefore:

2,224.75 − 4,398.00

= −$2,173.25 which is deemed to be income derived in the 1989 income year.

EXAMPLE B:

On 24 January 1990 a taxpayer believes there will be a drop in interest rates. The taxpayer decides to write put options over 12 Five Year Government Stock Futures Contracts, which were trading at 8750, at an exercise price of 8775.

The option premiums for the 12 contracts total $12,531.60 (34.81 [$ value per point] × 30 [premium value in points] = $1,044.30 [premium value per contract] × 12 [no. of contracts]).

Commission and Clearing House fees for the 12 contracts total $430.

The taxpayer has a 28 February balance date. At the close of trading on that day Five Year Government Stock Futures Contracts are trading at 8700, reflecting a rise in interest rates.

The value of the twelve March 1990 8775 put options has risen to $30,911.28 reflecting a 44 point loss in the value of the written put options. Transaction costs, if the contracts were closed out, are $420.

Income or expenditure is calculated as follows:

Using a − b

a = −$12,101.60 (12,531,60 − 430 = 12,101.60 deemed a negative)

b = −$31,331.28 (−30,911.28 [this is a negative because it is a liability to the writer in this case] −420)

Therefore:

−12,101.60 − −31,331.28

= 19,229,68 which is deemed to be expenditure incurred in the 1990 income year.

EXAMPLE C:

On 22 May 1989 a taxpayer believes that the Barclays Share Index will increase in value over the next few months. The taxpayer decides to purchase 6 call options on September 1989 Barclays Share Index Futures Contracts, which were trading at 1930, at an exercise price of 1950.

The option premiums for the 6 contracts total $12,600.00 (20 [$ value per point] × 105 [premium value in points] = $2,100.00 [premium value per contract] × 6 [no. of contracts]).

Commission and Clearing House fees for the 6 contracts total $210.

The taxpayer has a 30 June balance date. At the close of trading on that day Barclays Share Index Option Contracts are trading at 1850, reflecting a drop in share values.

The value of the six September 1989 1950 call options has fallen to $6,240.00 reflecting a drop in the premium value to $52.00 points. Transaction costs, if the contracts were closed out, are $210.

Income or expenditure is calculated as follows:

Using a − b

a = $12,810.00 (12,600.00 + 210)

b = $6,030.00 (6.240.00 − 210)

Therefore:

12,810.00 − 6,030.00

= $6,780.00 which is deemed to be expenditure incurred in the 1989 income year.

EXAMPLE D:

On 20 December 1989 a taxpayer believes that the New Zealand Dollar is going to fall in value. The taxpayer writes 10 call options over March 1990 New Zealand Dollar Futures Contracts, which are trading at 5600, at an exercise price of 5650.

The option premiums for the 10 contracts total $14,300.00 (10 [$ value per point] × 143 [premium value in points] = $1,430.00 [premium value per contract] × 10 [no. of contracts]).

Commission and Clearing House fees for the 10 contracts total $400.

The taxpayer has a 31 December balance date. At the close of trading on the 29th December (last day of trading before balance date) New Zealand Dollar Futures Contracts are trading as 5550, reflecting a drop in the New Zealand Dollar.

The value of the ten March 1990 5650 call options has fallen to $11,000.00 reflecting a drop in the point value of $110.00. This is a gain in the value of the written call options. Transaction costs, if the contracts were to be closed out, are $400.

Income or expenditure is calculated as follows:

Using a − b

a = −$13,900.00 (14,300.00 − 400 = 13,900.00 deemed a negative)

b = −$11,400.00 (−11,000.00 − 400 = −$11,400.00) [The $11,000 is a negative because it is a liability to the writer in this case]

Therefore:

−13,900.00 − −11,400.00

= −2,500.00 which is deemed to be income derived in the 1990 income year.

Note: In the income year in which the option is closed out, lapse or is exercised a base price adjustment, in terms of section 64F, is required instead of the above calculation.

This determination is signed by me on the 4th day of December in the year 1989.

R. D. ADAIR, Deputy Commissioner of Inland Revenue. 4

b599

Determination G7B: New Zealand Futures and Options Markets

This determination may be cited as "Determination G7B: New Zealand Futures and Options Markets".

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

(1) This determination rescinds and replaces Determination G7A: Futures Market, made by the Commissioner on 11 May 1989. This determination differs from Determination G7A by the addition of option contracts to the scope of the determination, and in the list of approved markets.

(2) This determination applies where, for the purpose of calculating the income or expenditure of a person in respect of a futures or option contract, it is necessary to determine the price of that contract.

(3) This determination sets out the approved markets, sources of information, and method, used for determining the prices for futures and options contracts traded on the New Zealand Futures Exchange.

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

(2) This determination rescinds and replaces Determination G7A: Futures Market, made on 11 May 1989.

3. *Scope of Determination*—This determination applies where, for the purpose of calculating the income or expenditure of a person in respect of a futures or option contract, it is necessary to determine the price of that contract.

4. *Principle*—(1) Markets are approved having regard to the following criteria—

(a) The number of participants in the market or having access to the market;

(b) Frequency of trading in the market;

(c) The nature of trading in the market—how the rate is determined and how the financial assets are traded on the market;

(d) The potential or demonstrated capacity of a person or group of persons to significantly influence the market;

(e) Significant barriers to entry;

(f) Discrimination on the basis of quantity bought and sold unless based on the risks involved or the transaction costs or economies of scale.

(2) Sources of information are approved having regard to the following criteria—

(a) Reliance on the sources of information by the market;

(b) The accessibility of the sources of information by participants in the market.

(3) A method of obtaining a price for a futures or option contract is approved if it is determined by an independent source and is adopted by participants in the market.

5. *Interpretation*—In this determination, unless the context otherwise requires—

Expressions used, except the expression "income year", 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:

"Futures contract" means a futures contract traded on the New Zealand futures and options market:

"Income year" means—

(a) Where a taxpayer furnishes a return of income under section 15 of the Income Tax Act 1976 for an accounting year ending with an annual balance date other than the 31st day of March, the period commencing on the date after the end of the immediately preceding accounting year and ending on that balance date;

(b) In respect of the income of any other person, the year in which that income has been derived by that person.

"New Zealand futures and options market" means the market in futures and options contracts administered by the New Zealand Futures Exchange Limited.

"Options contract" means an option contract traded on the New Zealand futures and options market.

5. *Method*—(1) Determination G7A: Futures Market is hereby rescinded with effect from the day on which this determination is signed.

(2) The New Zealand futures and options markets in the following contracts are approved:

Barclays Share Price Index Futures Contract
Barclays Share Price Index Option Contract
Five Year Government Stock Futures Contract
Five Year Government Stock Option Contract
New Zealand Dollar Futures Contract
New Zealand Dollar Option Contract
Three Year Government Stock Futures Contract
Three Year Government Stock Option Contract
United States Dollar Futures Contract
90 Day Bank Accepted Bill Futures Contract
90 Day Bank Accepted Bill Option Contract.

(3) (a) The following source of information is approved for Trading Members of the New Zealand Futures Exchange and Clearing Members of International Commodities Clearing House Limited:

The Statement of Open Position complied by the International Commodities Clearing House Limited.

(b) The following source of information is approved for persons other than Trading Members of the New Zealand Futures Exchange of Clearing Members of the International Commodities Clearing House:

Advice as to the price for a future or option contract given to that person by Trading Member of the New Zealand Futures Exchange or Clearing Member of the International Commodities Clearing House which price shall be obtained from a source approved in clause 6 (3) (a) of this determination.

(4) Where, for the purpose of determining the income or expenditure of a person in respect of a financial arrangement, it is necessary to determine the price for a futures contract or an option contract as at the end of an income year, the price for the futures contract or the option contract shall be the market price for that contract, at the close of trading on the last permitted day for trading in the income year, as determined by the International Commodities Clearing House on that day.

7. *Example*—The following schedules to this determination provide examples of advice as to the market price of futures and option contracts provided by the International Commodities Clearing House.

SCHEDULE 1

MERCHANT BANK LIMITED
18TH FLOOR, MERCHANT BANK HOUSE
105 SYMONDS STREET
AUCKLAND
Tel: (09) 123456 Telex: NZ65432

OPEN POSITION STATEMENT

TO

Money Market Trading Account No. 1

ACCOUNT No. 2001

PAGE No. : 1 DATE: 14/07/87

MARKET : N.Z. FUTURES EXCHANGE LIMITED

LOT SIZE & CONTRACT : NZ$500,000 FACE VALUE
90 DAY BANK ACCEPTED BILL

PRICE/RATE ** : INDEXED YIELD PER ANNUM

DELIVERY MONTH	No. OF LOTS SOLD/ GRANTED	BOUGHT/ TAKEN	TRADE TYPE	DATE OF TRADE	PRICE **	REFERENCE NUMBER	PREMIUM RATE **	DECLARATION DATE	DEPOSIT	MARKET PRICE **	MARGIN	PREMIUM VALUE
AUG 87		10	Open	10/07/87	83.30				6500	83.77	5351.20 CR	
AUG 87		12	Open	10/07/87	83.30				7800	83.77	6421.44 CR	
AUG 87		5	Open	14/07/87	83.40				3250	83.77	2106.85 CR	
AUG 87		10	Open	14/07/87	83.50				6500	83.77	3075.60 CR	
AUG 87	0	37	Total						24050		16955.09 CR	
DEC 87	5		Open	14/07/87	84.00				3250	84.00	.00	
DEC 87	5	0	Total						3250			
	5	37	Account Total						27300		16955.09 CR	

THIS STATEMENT LISTS ALL CONTRACTS AND/OR OPTIONS HELD OPEN BY US ON YOUR ACCOUNT ON THE MARKET INDICATED AS AT THE CLOSE OF BUSINESS ON THE DATE HEREON. THE MARKET PRICE IS THE QUOTATION FOR THE APPROPRIATE MONTH(S) FIXED ON THE DATE HEREON.
ISSUED SUBJECT TO THE CORRECTION OF ERRORS AND OMISSIONS.

SCHEDULE 2

INTERNATIONAL COMMODITIES CLEARING HOUSE LIMITED
(INCORPORATED IN ENGLAND)

STATEMENT OF OPEN POSITION

MARKET : N.Z. FUTURES EXCHANGE LIMITED
CONTRACT : 90 DAY BANK ACCEPTED BILL
REGISTRATION BRANCH : NEW ZEALAND

NEW ZEALAND TRADING MEMBER
105 SYMONDS STREET
AUCKLAND

I.C.C.H SERVICE BRANCH : NEW ZEALAND

NO. 8880 PAGE 1 DATE 14/07/87

*PRICE INDEXED YIELD PER ANNUM
**EACH LOT OF NZ$500,000 FACE VALUE

'S' INDICATES AN OPENING STRADDLE CONTRACT

DATE OF TRADE	** LOTS		DELIVERY MONTH	MEMBER THROUGH	VALUE	CONTRACT PRICE *	MARKET PRICE *	MARGIN
10/07/87	10	BUYER	AUG 87		4802252.50	83.30	83.77	5351.20 CR
10/07/87	12	BUYER	AUG 87		5762703.00	83.30	83.77	6421.44 CR
14/07/87	5	BUYER	AUG 87		2401695.00	83.40	83.77	2106.85 CR
14/07/87	10	BUYER	AUG 87		4804528.10	83.50	83.77	3075.60 CR
14/07/87	5	SELLER	DEC 87		2405113.35	84.00	84.00	.00
	37	BUYER	AUG 87		17771178.60			16955.09 CR
	0	SELLER	AUG 87		.00			.00
	0	BUYER	DEC 87		.00			.00
	5	SELLER	DEC 87		2405113.35			.00
TOTAL	37	BUYER			17771178.60			16955.09 CR
	5	SELLER			2405113.35			.00
					20176291.95		OVERALL MARGIN	16955.09 CR

SCHEDULE 3

M E R C H A N T   B A N K   L I M I T E D
18TH FLOOR, MERCHANT BANK HOUSE
105 SYMONDS STREET
AUCKLAND
TEL: (09)123456   TELEX:NZ65432

OPEN POSITION STATEMENT

PAGE No. : 2   DATE: 12/10/89

TO

FOREX TRADING ACCOUNT

MARKET : N.Z. FUTURES EXCHANGE LIMITED

ACCOUNT No. 2002

LOT SIZE & CONTRACT : NZ$ VALUE OF 20 X INDEX
BARCLAYS SHARE INDEX

PRICE/RATE ** : SHARE PRICE INDEX

DELIVERY MONTH	No. OF LOTS		TRADE TYPE	DATE OF TRADE	PRICE **	REFERENCE NUMBER	PREMIUM RATE **	DECLARATION DATE	DEPOSIT	MARKET PRICE **	MARGIN	PREMIUM VALUE
	SOLD/ GRANTED	BOUGHT/ TAKEN										
DEC 89		2	CALL OPTION	12/10/89	1800		530	28/12/89		535	200.00 CR	
DEC 89		1	PUT OPTION	12/10/89	1850		2	28/12/89		1	20.00	
DEC 89	2		CALL OPTION	12/10/89	1800		530	28/12/89	2000	535	200.00	120.00
DEC 89	1		PUT OPTION	12/10/89	1850		2	28/12/89	1000	1	20.00 CR	40.00
DEC 89	3	3	TOTAL						3000			160.00

THIS STATEMENT LISTS ALL CONTRACTS AND/OR OPTIONS HELD OPEN BY US ON YOUR ACCOUNT ON THE MARKET INDICATED AS AT THE CLOSE OF BUSINESS ON THE DATE HEREON. THE MARKET PRICE IS THE QUOTATION FOR THE APPROPRIATE MONTH(S) FIXED ON THE DATE HEREON.

SCHEDULE 4

INTERNATIONAL COMMODITIES CLEARING HOUSE LIMITED

(INCORPORATED IN ENGLAND)

STATEMENT OF OPEN POSITION

MARKET : N.Z. FUTURES EXCHANGE LIMITED

CONTRACT : BARCLAYS SHARE PRICE INDEX
REGISTRATION BRANCH : NEW ZEALAND I.C.C.H. SERVICE BRANCH : NEW ZEALAND

TEST TRADING MEMBER NO. 0010 PAGE 1 DATE 12/10/89
105 SYMONDS STREET
*PRICE SHARE PRICE INDEX
AUCKLAND, NEW ZEALAND **EACH LOT OF NZ$ VALUE OF 20 X INDEX

'S' INDICATES AN OPENING STRADDLE CONTRACT

DATE OF TRADE	** LOTS		DELIVERY MONTH	MEMBER THRU	VALUE	CONTRACT PRICE *	MARKET PRICE*	MARGIN	BALANCE
12.10.89	2B	1800 C	DEC 89		120.00	530	535	200.00 CR	
12.10.89	1B	1850 P	DEC 89		40.00	2	1	20.00	
12.10.89	2S	1800 C	DEC 89		120.00	530	535	200.00	
12.10.89	1S	1850 P	DEC 89		40.00	2	1	20.00 CR	
	3 BUYER		DEC 89		160.00			220.00 CR	
	3 SELLER		DEC 89		160.00			220.00	
TOTAL	3 BUYER				160.00			220.00 CR	
	3 SELLER				160.00			220.00	
							OVERALL MARGIN	.00	

Schedules 1 and 2:

The futures portfolio of a Merchant Bank on the 14th July 1987 was 42 open 90 day Bank Accepted Bill contracts. The contracts were bought at various times over the year and related to various delivery times. The portfolio consisted of 37 buy contracts and 5 sell contracts. The market price of those contracts on 14th July 1987 is as given in the following excerpts from the International Commodities Clearing House statements.

The market price at 14th July 1987 of the buy contracts is 83.77 and the market price of the sell contract is 84.00.

Schedules 3 and 4:

The options portfolio of Merchant Bank on 12 October 1989 was 2 open Barclays Share Index bought call options, 2 open Barclays Share Index sold (ie written) call options, 2 open Barclays Share Index bought put options and 2 open Barclays Share Index sold put options.

The market price at 12 October 1989 for December 1989 1800 series call options was 535 and for December 1989 1850 put options the market price was 1.

This determination is signed by me on the 4th day of December in the year 1989.

R. D. ADAIR, Deputy Commissioner of Inland Revenue. 4
b596

Transport Act 1962

The Transport (Driver Logbooks Exemption) Notice 1989

Pursuant to section 70c (10) of the Transport Act 1962, the Secretary for Transport hereby gives the following notice.

Notice

1. Title and commencement—(1) This notice may be cited as the Transport (Driver Logbooks Exemption) Notice 1989.

(2) This notice shall come into force on the day after the date of notification in the *Gazette*.

2. Interpretation—In this notice, unless the context otherwise requires, "the Act" means the Transport Act 1962.

3. Exemption from driver logbook requirements—The vehicles and classes of vehicles specified in Part A of the Schedule to this notice, and the services specified in Part B of that Schedule, are hereby declared to be exempt from the provisions of subsections (1) to (9) of section 70c of the Act.

Schedule

PART A

Vehicles and Classes of Vehicles Declared to be Exempt from Section 70c of Act

1. Every vehicle (other than a passenger service vehicle) owned and operated by a territorial authority, a telecommunication authority, an electrical supply authority, or

an energy supply authority, and driven by an employee for whom driving is secondary to their principal employment.

2. Every harvesting machine travelling between harvesting sites a distance not exceeding 10 kilometres.

3. Every vehicle owned by the owner or manager of a farm and used in an agricultural operation related directly to the management of that farm within a 50 kilometre distance of that farm; including a vehicle used on a road to transport farm products, farm implements, stock, or farm requisites of any kind within such a distance.

4. Every vehicle driven for the purpose of obtaining a warrant of fitness, a certificate of fitness, or a permit under section 79 (3) of the Act, if the vehicle is being driven to the nearest place at which such a warrant or certificate or permit is obtainable; and every vehicle driven from that place to the driver's usual place of residence, whether or not such a warrant or certificate or permit has been obtained.

5. Every goods service vehicle that has 2 axles and is towing a trailer having more than 1 axle, where, on journeys not exceeding 100 kilometres, the total combined gross laden weight of the vehicle and trailer does not exceed 3,500 kilograms.

6. Every logstacker, forklift, and straddle carrier used exclusively in off-road areas to which the public does not have access as of right.

7. Every aircraft refuelling vehicle operating within a 3 kilometre radius of the control tower of the international airport at Auckland or Wellington or Christchurch.

8. Every vehicle operated by any person recognised by the Secretary for Transport as a person who suffers from a medical condition that results in a physical inability to keep logbooks.

9. Every vehicle operated by any person recognised by the Secretary for Transport as a person whose principal employment does not involve the driving of vehicles to which section 70B of the Act applies, and which is used within a 50 kilometre radius of that person's principal place of work, and where adequate records of the hours of work of each person using that vehicle are kept and are available for inspection by any enforcement officer.

Services Declared to be Exempt from Section 70C of the Act

1. Every service engaged solely in the manufacture, mechanical repair, road testing, sales, servicing, demonstration, or delivery of new or used vehicles within a 15 kilometre radius of the service organisation's workshop.

2. Every transport service operated in Chatham Island or Great Barrier Island or Stewart Island.

Signed at Wellington this 19th day of December 1989.

MARGARET BAZLEY, Secretary for Transport.

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