# TAX INFORMATION BULLETIN

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Inland Revenue

Te Tari Taake

This is an Inland Revenue service to people with an interest in New Zealand taxation.

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# Legislation and determinations

This section of the TIB covers items such as recent tax legislation, accrual and depreciation determinations, livestock values and changes in FBT and GST interest rates.

# Determination S7: Morgan Stanley OPALS – Financial Arrangement Income or Expenditure from Morgan Stanley OPALS

This Determination may be cited as "Determination S7: Morgan Stanley OPALS – Financial Arrangement Income or Expenditure from Morgan Stanley OPALS."

## 1. Explanation (which does not form part of this determination)

(1) This Determination applies to Optimised Portfolios as Listed Securities ("OPALS") issued by Morgan Stanley Capital (Cayman Islands) Limited ("MSC").

(2) OPALS is a financial arrangement in which the holder of the OPALS provides money to MSC and the obligation is discharged at a future date by the issue of shares (or stock) in any company or companies. The holder is also entitled to an Income Stream which is based on the dividends derived from the shares and income earned by the party which holds the shares prior to the shares being transferred to the holder.

(3) Pursuant to section EH 2 of the Income Tax Act 1994, the amount of the gross income deemed to be derived or the expenditure deemed to be incurred by a person in respect of a financial arrangement under the qualified accruals rules shall not include the amount of any income, gain or loss, or expenditure that is solely attributable to an excepted financial arrangement that is part of a financial arrangement.

(4) As a share is an excepted financial arrangement under section OB 1 of the Income Tax Act 1994, only the Income Stream and amount attributed to those payments by this Determination are regarded as income or expenditure for the purposes of calculating accrual income or expenditure.

(5) This Determination prescribes the method to be used when calculating for accrual purposes the income derived or expenditure incurred in respect of OPALS. It also details which amounts are to be included for this calculation, and which are attributable to an excepted financial arrangement.

(6) This Determination does not provide for, negate or vary the application of the Foreign Investment Fund regime to the excepted financial arrangement component of an OPALS, in respect of those series of OPALS which relate to shares in countries not listed in Part A of Schedule 3 of the Income Tax Act 1994.

## 2. Reference

This Determination is made pursuant to sections 90(l)(c) and (g) of the Tax Administration Act 1994.

## 3. Scope of Determination

(1) This Determination shall apply to the issue, as more particularly set out in the relevant Offering Circular and Pricing Supplement, by Morgan Stanley Capital (Cayman Islands) Limited, of series of an investment product called OPALS.

(2) OPALS are hybrid securities issued by a special purpose Cayman Island's company (Morgan Stanley Capital (Cayman Islands) Limited, the "Issuer"), and listed on the Luxembourg Stock Exchange. OPALS are not shares in the Issuer. They are unsecured obligations ranking pari passu with all other unsecured obligations of the Issuer.

(3) OPALS provide investors with a return which tracks within agreed parameters the movement in a specified equity index (such as the S&P 500). This return is provided as follows. The issue proceeds from OPALS are indirectly invested in shares of companies making up the relevant index. The dividends received on these share baskets (net of any applicable withholding taxes) plus a percentage of any fees generated from the lending of the shares are paid to the OPALS holder as an annual coupon. Similarly any gains made through adjusting the composition of the share baskets are paid out as a component of this coupon. These adjustments are made without the intention of attempting to outperform the relevant index.

(4) OPALS have a stated maturity of between one and seven years. Redemption is effected by the delivery to the investor of the physical shares then comprising the basket. In certain circumstances investors with a prescribed minimum holding of OPALS can elect to redeem early, but redemption is always by delivery of shares and never by cash.

(5) The actual hedging mechanism involves the holding of the share baskets in a Morgan Stanley group company resident in Luxembourg ("Counterparty"). The Counterparty issues an equity linked note to the Issuer thus hedging the Issuer's position. Therefore, the balance sheet of the Issuer is composed of Counterparty notes on the asset side and the OPALS on the liability side balanced by share capital. The notes issued by the Counterparty are redeemable in cash or through the delivery of shares.

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*from page 1*

(6) Except where its application is specifically excluded in another determination, this Determination applies to every OPALS which:

(a) Are acquired in the 1998 or later income years; and

(b) Meet the following criteria:

(i) Are issued at a price which is between 95% and 105% of the market value of the Underlying Shares. Any discrepancy between the price and the market value of the Underlying Shares will be due to transactional costs relating to the acquisition of the Underlying Shares, e.g. stamp duty and brokerage; and

(ii) Income Stream payments are payable at regular intervals of not more than 12 months; and

(iii) Income Stream payments are equal to or greater than the amount of all dividends received by the Issuer in respect of the Underlying Shares less all fees, taxes, charges, duties and expenses which are permitted to be deducted under the terms and conditions of the OPALS; and

(iv) Those Income Stream payments are based on amounts which cannot be predicted at the time the financial arrangement is entered into; and

(v) The OPALS are not part of another financial arrangement.

## 4. Principle

(1) OPALS have both debt and equity components. They can be regarded alternatively as:

(a) a loan to the Issuer with repayment in shares and interest payable at a variable rate (debt component); or

(b) a forward purchase of shares (in which case the holder of the OPALS is buying shares in businesses and has equity in them).

The accruals rules are not intended to deal with equity, and therefore classify a share (equity) as an excepted financial arrangement (see section OB 1).

(2) As OPALS have this dual character, when calculating income/expenditure in relation to the OPALS it is first necessary to separate the debt and equity components of the OPALS.

(3) This Determination specifies that, apart from the Income Stream and amounts attributed to those payments by this Determination, all amounts relate to the Underlying Shares (equity component), and will not be included when calculating gross income or expenditure under the qualified accruals rules.

(4) Income from OPALS in any income year will be the sum of the Income Stream actually received and the Accrued Income. The Accrued Income is to be ascertained from the relevant Reuters or Bloomberg financial information service page for the balance date of the holder.

(5) For the purposes of this Determination it is assumed that any change in the market value of the shares between the issue date of OPALS and the conversion into shares is due to the equity component. Therefore the difference in share price can be ignored when calculating income and expenditure under the qualified accruals rules.

## 5. Interpretation

In this Determination, unless the context otherwise requires:

(1) Expressions used, except the expression “Income Year”, have the same meaning as in section OB 1 of the Income Tax Act 1994.

(a) “Accrued Income”, in relation to any date, means the product of (a) the number of OPALS held by the holder and (b) the amount showing on the Reuters Multicontributor page “OPALS” or the Bloomberg Multicontributor page “OPAL” as “coupon” at the close of trading in relation to that date.

(b) the “Act” means the Income Tax Act 1994.

(c) “Income Stream” means any amount payable on the OPALS by the issuer to the holder and includes both cash received and Accrued Income, but does not include payments relating to the redemption or conversion of OPALS.

(d) “Income Year”

(i) when a taxpayer furnishes a return of income under section 38 of the Tax Administration Act 1994 for an accounting year ending with a balance date other than the 31st day of March, “Income Year” means the period of twelve months ending on that balance date;

(ii) for any other person, “Income Year” means the year ending on the 31st day of March in which the income has been derived or expenditure has been incurred by that person.

(e) “OPALS” means the hybrid financial arrangements issued by Morgan Stanley Capital (Cayman Islands) Limited called Optimised Portfolios as Listed Securities.

(f) “Underlying Shares” in relation to an OPALS means the shares or stock into which the OPALS is convertible, or in which it may be redeemed or paid.

(2) A determination to which this Determination refers may be changed or rescinded by a new determination made by the Commissioner. In such a case, a reference to the old determination is taken to be extended to the new determination.

(3) For convenience, words and phrases defined in this Determination are indicated by initial capital letters, but the absence of a capital letter shall not alone

imply that the word or phrase is used with a meaning different from that given by its definition.

## 6. Method

(1) Amounts to be included when calculating income or expenditure with regard to OPALS to which this Determination applies:

(a) in respect of income, gain or loss, or expenditure, and also of any other consideration receivable by the holder or payable by the issuer, the amounts taken into account to calculate income or expenditure consist of:

(i) Income Stream Payments;

(ii) Accrued Income:

(b) in respect of the acquisition price, the amounts to be included when calculating income or expenditure are those attributed to Income Stream Payments as set out in subclause 6(3).

(2) The income derived or expenditure incurred in any Income Year, in respect of OPALS to which this Determination applies shall be calculated using the formula:

a – b + c where:

a is the amount of cash received in the Income Year;

b is the amount of Accrued Income included as item c in this calculation for the preceding Income Year, if the OPALS in relation to which this calculation is carried out were held at the end of that year, or the amount of Accrued Income as at the date of acquisition of the OPALS, if the OPALS were acquired in that Income Year; and

c is the amount of Accrued Income as at the last day of the Income Year.

(3) For the purposes of the base price adjustment, the amount of the acquisition price of each OPALS shall be determined in accordance with the acquisition price definition as provided in section OB 1 of the Act, with no part of the core acquisition price being attributable to the excepted financial arrangement component of that OPALS.

(4) If the OPALS on which an Income Stream is payable are sold part way through an Income Stream period, then it is necessary to apportion the income amount between the seller and the purchaser. The seller's income will include Accrued Income as at the date of sale.

## 7. Examples

### *Example A*

On 13 September 1997, OPALS are issued for $100 with rights to a variable Income Stream payable half-yearly in arrears. The OPALS will mature on 13 September 1998.

The market value of the share basket at issue date is $90.00. By conversion date this has risen to $150.00.

Both the issuer and the holder use a 31 March balance date.

The Income Stream payments are made as follows:

| | |
|---|---|
| 13 March 1998 | $6.00 |
| 13 September 1998 | $6.00 |

*Year Ended 31 March 1998*

On 31 March 1998 the Reuters financial information service page shows that to date the Accrued Income on the OPALS is $0.59.

The income derived in respect of the OPALS is to be calculated using the formula in subclause 6(2):

a – b + c

a = $6.00 (amount received on 13 March 1998)

b = $0.00 (OPALS were only issued in the current financial year)

c = $0.59 (Accrued Income)

| | |
|---|---|
| Income/Expenditure | $6.59 |

The aggregate amount, if the OPALS run full term, attributable to the debt component of the OPALS and therefore to be taken into account under the accruals rules, is $12, comprised of the Income Stream Payments. All fluctuations in the value of the Underlying Shares relate to the equity component of the OPALS and should not be taken into account in calculating income or expenditure.

### *Example B*

On 13 November 2002, OPALS are issued for $100 with a variable income amount payable half-yearly in arrears. The first period is only for 5 months. The OPALS will mature on 13 October 2004.

The market value of the basket of shares at issue date is $90.00. By conversion date this has risen to $150.00.

Both the issuer and the holder use a 31 March balance date.

The Income Stream Payments are made as follows:

| | |
|---|---|
| 13 April 2003 | $4.15 |
| 13 October 2003 | $5.00 |
| 13 April 2004 | $5.00 |
| 13 October 2004 | $5.00 |

*(a) Year Ended 31 March 2003*

On 31 March 2003 the Reuters financial information service page shows that to date the Accrued Income on the OPALS is $3.79.

The income derived in respect of the OPALS is to be

*continued on page 4*

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calculated using the formula in subclause 6(2):

a – b + c

a = $0.00 (no Income Stream yet received)

b = $0.00 (OPALS were only issued in the current financial year)

c = $3.79 (Accrued Income)

Income/Expenditure $3.79

*(b) Year Ended 31 March 2004*

On 31 March 2004 the Reuters financial information service page shows that to date the Accrued Income on the OPALS is $4.64.

The income derived in respect of the OPALS is to be calculated using the formula in subclause 6(2):

a – b + c

a = $9.15 ($4.15 received 13 April 2003 + $5.00 received 13 October 2003)

b = $3.79 (amount of Accrued Income in previous Income Year)

c = $4.64 (Accrued Income)

Income/Expenditure $10.00

*(c) Year Ended 31 March 2005*

The aggregate amount, if the OPALS run full term, attributable to the debt component of the OPALS and therefore to be taken into account under the accruals rules, is $19.15, comprised of the Income Stream Payments. All fluctuations in the value of the underlying shares relate to the equity component of the OPALS and should not be taken into account in calculating income or expenditure. As $13.79 has already been taken into account in previous income years, when undertaking the base price adjustment, the holder will be left with $5.36 to taken into account in the last year of the OPALS.

### Example C

On 20 December 2002, the original holder of the OPALS described in Example B sells the OPALS for $120 to a new holder who holds the OPALS to maturity. The sale of the OPALS takes place part way through an interest period, so it is necessary to apportion the Income Stream Payment between the seller and the purchaser.

On 20 December, the Reuters financial information service page shows that to date the Accrued Income on the OPALS is $1.01. This amount of $1.01 is income to the original holder and acquisition price to the new holder and will have to be taken into account under the accruals rules. The original holder would be considered to have sold the equity portion of the OPALS for $118.99.

*Income for the New Holder Year Ended 31 March 2003*

On 31 March 2003 the Reuters financial information service page shows that to date the Accrued Income on the OPALS is $3.79.

The income derived in respect of the OPALS is to be calculated using the formula in subclause 6(2):

a – b + c

a = $0.00 (No Income Stream yet received)

b = $1.01 (amount of Accrued Income as at the date of acquisition)

c = $3.79 (Accrued Income)

Income/Expenditure $2.78

*Year Ended 31 March 2004*

As for Example B.

Income $10.00

*Year Ended 31 March 2005*

The aggregate amount, if the OPALS run full term, attributable to the debt component of the OPALS, and therefore to be taken into account under the accruals rules, is $19.15 comprised of the Income Stream Payments. All fluctuations in the value of the underlying shares relate to the equity component of the OPALS and should not be taken into account in calculating income or expenditure. As $13.79 has already been taken into account in previous income years ($1.01 by the original holder and $12.78 by the new holder), when undertaking the base price adjustment, the new holder will be left with $5.36 to be taken into account in the last year of the OPALS.

This Determination is signed by me on the 10th day of October 1997

Martin Smith
General Manager (Adjudication & Rulings)

# Transfer pricing – draft guidelines

The appendix to this TIB contains the first of a series of draft guidelines on the application of New Zealand's transfer pricing rules. The draft provides a general overview of the framework within which transfer pricing operates, including a discussion on documentation taxpayers should prepare if they are to evidence compliance with the arm's length principle.

Transfer pricing is not an exact science. For this reason, the guidelines have been drafted as a practical guide, rather than as prescriptive rules. Inland Revenue does not propose to issue the final guidelines as a binding public ruling.

Inland Revenue welcomes submissions on the material in the draft guidelines. Please make these by 27 February 1998, addressed to:

General Manager
Policy Advice Division
Inland Revenue Department
PO Box 2198
WELLINGTON

Inland Revenue proposes to follow these guidelines in administering the transfer pricing rules until such time as final guidelines are issued. On matters not addressed in this draft, Inland Revenue will continue to follow the OECD guidelines.

# Questions we've been asked

This section of the TIB sets out the answers to some day-to-day questions that people have asked. We have published these as they may be of general interest to readers.

These items are based on letters we've received. A general similarity to items in this package will not necessarily lead to the same tax result. Each case will depend on its own facts.

# Income Tax Act 1994

## Tax sparing – Fijian tax credits

We have recently received an enquiry about the availability of tax sparing credits under the New Zealand / Fiji double tax agreement (DTA). Under Article 20 of that DTA, a New Zealand resident is allowed a tax credit for Fijian tax which has not in fact been paid because of Fijian tax concessions. However, a tax sparing credit may only be allowed in relation to those concessions specifically listed in Article 20(3)(a) or which have been incorporated into the DTA by way of agreement between the New Zealand and Fijian Governments under Article 20(3)(b). To date, no additional concessions have been so incorporated. The Fijian tax concession, which was the subject of the enquiry, was not listed in Article 20(3)(a); accordingly no credit would be allowed by New Zealand for tax spared by that concession.

The Third Protocol to the New Zealand / Fiji DTA also allows the Commissioner to deny a tax sparing credit in certain circumstances. This protocol is intended to prevent misuse of tax sparing. Similar protocols have been incorporated into New Zealand's DTAs with Singapore, Malaysia and India.

A tax sparing credit is not available under the controlled foreign company (CFC) regime in relation to a tax concession of a foreign country utilised by a CFC. This is because a New Zealand resident taxpayer is allowed a credit under section LC 4 (the CFC tax credit provision) for income tax actually paid or payable by a CFC only, and the benefit of a tax sparing provision in a DTA is not extended to the CFC. A DTA allows a credit for tax paid (or deemed to be paid under a tax sparing provision) by a New Zealand resident only.

Any person claiming a tax sparing credit under a DTA must separately disclose the claim in the prescribed tax sparing disclosure return form (IR 4TS).

# Goods and Services Tax Act 1985

## GST and advertising purchased from a non-resident publisher

**Section 8(2) - Supply in New Zealand:** An Australian company is considering selling advertising space in a magazine that is published in Australia. Several New Zealand companies subscribe to the magazine, and they have shown an interest in advertising in it. The manager of the Australian publishing firm has asked whether the company must charge GST on the advertising services performed for the New Zealand companies.

Section 51 governs when a person must register for GST. In brief, a person must register when the total value of *supplies made in New Zealand*, in the course of carrying on all taxable activities, has exceeded or is likely to exceed $30,000 in a 12-month period.

To determine whether a supply is made in New Zealand, section 8(2) must be considered. It states:

...goods and services shall be deemed to be supplied in New Zealand if the supplier is resident in New Zealand, and shall be deemed to be supplied outside New Zealand if the supplier is not resident in New Zealand:

Provided that -

(a) Goods and services shall be deemed to be supplied in New Zealand if the supplier is not resident in New Zealand and either-

(i) The goods are in New Zealand at the time of supply; or

(ii) The services are physically performed in New Zealand by any person who is in New Zealand at the time the services are performed:

(b) Where goods and services that are deemed to be supplied in New Zealand pursuant to paragraph (a) of this proviso are supplied to a registered person for the purposes of carrying on that person's taxable activity, those goods and services shall be deemed to be supplied outside New Zealand unless the supplier and the recipient agree that this paragraph shall not apply to that supply.

In this case, the advertising services will be performed outside New Zealand by a non-resident, and will be deemed to have been supplied outside New Zealand under section 8(2). Accordingly, Inland Revenue advised the manager that there is no requirement for the Australian publishing firm to register for GST or to charge GST on its advertising services.

## Collection of rents by an agent from domestic households

**Section 14 - Exempt supplies:** A GST registered person provides a management/maintenance service as an agent for the landlords of commercial properties. She intends to extend this service to domestic rental properties and wonders if this will necessitate an apportionment of taxable and exempt supplies, given that the supply of a dwelling is an exempt supply.

Under section 8, GST is charged on the supply of goods and services made by a registered person in the course or furtherance of a taxable activity. Section 6 (1) defines a "taxable activity" as any activity which is carried on continuously or regularly, whether or not for a profit, and involves, or is intended to involve, the supply of goods or services. Section 6(3)(d) excludes from the definition of a taxable activity:

Any activity to the extent to which the activity involves the making of exempt supplies.

The renting of a dwelling for use as a private residence is an exempt supply under section 14(c) and is not subject to GST. However, the provision of management and maintenance services to landlords is a supply provided in the course of a taxable activity.

In this case the registered person is supplying a service to the landlords and should account for GST on the fees she receives from them in the normal manner. The rents received from the lessees are not included in her GST return as she is merely receiving them as an agent for the landlords and passing them on.

# Legal decisions - case notes

This section of the TIB sets out brief notes of recent tax decisions made by the Taxation Review Authority, the High Court, the Court of Appeal and the Privy Council.

We've given full references to each case, including the citation details where it has already been reported. Details of the relevant Act and section will help you to quickly identify the legislation at issue. Short case summaries and keywords deliver the bare essentials for busy readers. The notes also outline the principal facts and grounds for the decision. Where possible, we have indicated if an appeal will be forthcoming.

These case reviews do not set out Inland Revenue policy, nor do they represent our attitude to the decision. These are purely brief factual reviews of decisions for the general interest of our readers.

## Section 25 time limitation on assessments

**Case:** Hutchison Brothers Limited v CIR

**Decision date:** 8 September 1997

**Forum:** Court of Appeal

**Act:** Income Tax Act 1976 – sections 25, 76

**Keywords:** *rebates, limitation period*

**Summary:** The Court held that section 25 controls the exercise of section 76 due to the basic character of section 25 in the scheme of the legislation.

**Facts:** The Taxpayer operates supermarkets and is a member of Foodstuffs Limited.

Foodstuffs declared member rebates for the taxpayer of $1,642,987 for the 1987 to 1991 income years (inclusive). Until 1987, the taxpayer had treated those rebates as part of its income in the year of declaration.

In February 1987, the taxpayer considered that these rebates should have been assessable in the income year in which they were paid. The taxpayer accordingly calculated what it saw as an overpayment of tax for the four years from 1982 to 1985 and sought an equivalent reduction of its next amount payable.

The Commissioner agreed with that change and credited the adjustment against the tax payable on 7 March 1987.

After 1987, the taxpayer treated the rebates as income in the year they were paid.

Inland Revenue reviewed the matter in 1992 and decided that the rebates should be recognised as part of the taxpayer's income in the year they were declared. In October 1993, the Commissioner issued an amended assessment for the 1991 income year. This included the rebates for the 1987 to 1991 income years (inclusive). That date is more than four years after the end of the year in which the original assessments for the 1987 and 1988 income years were made.

**Decision:** The issue was whether section 76 of the Income Tax Act 1976 is subject to section 25 so as to prevent the Commissioner assessing rebates declared in the 1987 and 1988 year.

Section 25 of the Income Tax Act 1976 placed a general limitation on the power of the Commissioner to amend an original assessment. Section 76 of the Income Tax Act confers a power of adjustment on the Commissioner

The Court held that in both sections, the wording is strong and plain, but the character of section 25 gives it priority over section 76.

Also, there are many provisions currently in force which explicitly allow the Commissioner to act, notwithstanding section 25. This has been omitted from section 76, which must be seen as significant.

## Judicial Review – whether Disputes Tribunal can hear tax cases

**Case:** CIR v The Disputes Tribunal & Jason David Platt

**Decision date:** 10 September 1997

**Forum:** High Court

**Act:** Disputes Tribunal Act 1988 - sections 10(1)(b), 18(b)

**Keywords:** *Family Support*

**Summary:** The High Court declared that the Disputes Tribunal has no jurisdiction to determine the correctness of an assessment issued by the Commissioner.

**Facts:** The Commissioner had reassessed Mr Platt for Family Support in March 1996, for the debit amount of $1,178.77 in the income year ending 31 March 1995.

Mr Platt refused to pay the amount and lodged a claim under the Disputes Tribunal Act, alleging that it was unfair to require him to pay it.

The Commissioner advised the Disputes Tribunal that he did not consider that the Disputes Tribunal had jurisdiction to consider the claim.

The Disputes Tribunal ruled that it did have jurisdiction under section 10(1)(b) of the 1988 Act to hear the claim. It also ordered that under section 18(b) of that Act, (and in accordance with the substantial merits and justice of the case), Mr Platt did not have to pay the Commissioner the sum of $1,178.77

The Commissioner lodged a Judicial Review application in the High Court seeking a declaration that the Disputes Tribunal had no jurisdiction to hear the claim.

**Decision:** The High Court declared that the Disputes Tribunal had no jurisdiction to hear the claim lodged by Mr Platt and ordered that the decision be quashed.

Salmon J stated that the Court of Appeal recently confirmed in *Golden Bay Cement Company Limited v CIR*[1996] 2 NZLR 665, that once an assessment has been made, its correctness can only be challenged in proceedings on objection. It is clear therefore that the Income Tax Act restricts the method by which assessments may be disputed. Thus, the limit to the Disputes Tribunals' jurisdiction is clear both from its own Act and from the Income Tax Act.

## Leasing by builder – activity other than making taxable supplies?

**Case:** CIR v John David Morris

**Decision date:** 16 September 1997

**Forum:** High Court

**Act:** Goods and Services Act 1985 – section 14, 21(1)

**Keywords:** *Taxable activity, principle purpose, adjustment*

**Summary:** The Court found in favour of the Commissioner and held that the letting of the properties was a subsequent application for a purpose other than that of making taxable supplies. As such, it was a deemed supply by the objector under

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section 21(1) of the Act.

**Facts:** The taxpayer, a builder and developer, built two flats which he intended to sell. Although they were rented out, they remained on the market for sale.

The taxpayer claimed input tax credits in respect of the construction of the flats. He regarded the letting as subsidiary to the main object of selling.

The Commissioner considered that the letting of the flats was an exempt supply under section 14 of GST Act. Inland Revenue assessed the taxpayer under section 21 of the Act on the basis that goods and services originally acquired by the taxpayer for the purpose of making taxable supplies had been subsequently applied by the taxpayer for the purpose of making exempt supplies.

**Decision:** The Court found in favour of the Commissioner and held that the letting of the properties was a subsequent application for a purpose other than that of making taxable supplies. As such, it was a deemed supply by the objector under section 21(1) of the Act.

The Court held that section 21(1) requires a purpose which need not be the principal purpose. There must however be a new purpose that is separate and distinct from the principle purpose. Here the letting of the flats was a separate and distinct purpose to selling them.

The letting was not merely an incidental purpose but part of the overall principle purpose. The flats were acquired for the principal purpose of making taxable supplies. The purpose continued, but simultaneously the flats were used for another purpose, namely to make non-taxable supplies by way of residential accommodation.

## Motel vacant when transferred – sale of a going concern?

**Case:** Douglas Carrick Belton v CIR

**Decision date:** 23 September 1997

**Forum:** High Court

**Act:** Goods and Services Act 1985 – sections 33, 11

**Summary:** The Court held that after weighing the totality of relevant factors, although the substance of the transaction had the potential to be the transfer of a going concern, on an objective view what actually happened was the sale of land, buildings and chattels.

**Facts:** The Objector, who was registered for GST, was the owner and operator of the Huremoa Motel.

In January 1994, the Objector purchased another motel known as Moturemu Springs. Contractually, the Objector was entitled to receive the land, building and chattels, therefore he could not enforce any rights for anything else. The agreement also specifically provided for vacant possession.

At the date of settlement, the motel was closed down and transferred with vacant possession. However, from the first week of May the premises were again used as a motel business and have continued to be so used to this day.

**Decision:** The Court held that although the substance of the transaction had the potential to be the transfer of the motel as a going concern, on an objective view what actually happened was the sale of land, buildings and chattels, not the sale and purchase of a going concern. The motel did not continue in its operation uninterrupted and vacant possession was a contractual obligation.

The essence of a going-concern is that during the transfer of ownership, the business must be operating, or left in such a state that it may be carried on by the transferee.

Here, it was held to be uncontraverted that at the date of settlement, the motel was closed down and there were no future bookings. The Objector received only the business's assets, and not the business activity itself.

The Court held that although at the time of the sale the motel was capable of being run as a going concern, that was not enough to, in fact, make it the sale of a going concern as section 11(1) (c) of the GST Act contemplates.

# Depreciation determinations issued since last update of IR 260 Depreciation booklet

This list shows the contents of all depreciation determinations we've issued since the last update of our Depreciation booklet (IR 260). We've published it so you can quickly check whether you need to review any determinations when calculating depreciation for tax purposes.

Some determinations cover a large number of assets which will concern relatively few taxpayers. For these determinations we've simply listed a cross-reference to the original TIB article rather than reproduce several pages of figures here.

This list is essentially a summary; if you're claiming depreciation on any of these assets we recommend that you refer to the original TIB article to make sure you get the full context of the determination, including the relevant industry categories.

| Asset | Estimated useful life (years) | DV banded depreciation rate (%) | SL equivalent banded dep'n rate (%) | Determ-ination number | Appears in TIB |
|---|---|---|---|---|---|
| Aquariums | 4 | 40 | 30 | DEP22 | 9.2:1 |
| Bin (wool storage, live bottom) | 15.5 | 12 | 8 | DEP11 | 7.3:20 |
| Bulkheads (insulated, removable) | 4 | 40 | 30 | DEP13 | 7.10:26 |
| CCH Electronic NZ Essential Tax Package, designed for a specific tax year | 1 | 100 | 100 | PROV4 | 7.3:19 |
| CCH Electronic NZ Master Tax Guide, designed for a specific tax year | 1 | 100 | 100 | PROV4 | 7.3:19 |
| Combing machines (wool) | 15.5 | 12 | 8 | DEP11 | 7.3:20 |
| Containers (insulated, below 8m$^3$) | 5 | 33 | 24 | DEP13 | 7.10:26 |
| Containers (shipping) | 20 | 9.5 | 6.5 | DEP13 | 7.10:26 |
| Crown Health Enterprise assets *(half a page of various assets - see TIB article)* | | | | | 6.5:3 |
| Drilling machines (horizontal directional) | 6.66 | 26 | 18 | DEP24 | 9.3:3 |
| Drilling machine components, underground (horizontal directional) | 2 | 63.5 | 63.5 | DEP24 | 9.3:3 |
| Electronic article surveillance systems | 5 | 33 | 24 | DEP26 | 9.6:3 |
| Fastening guns (explosive) | 3 | 50 | 40 | DEP20 | 8.10:1 |
| Firearms (Leisure industry category) | 10 | 18 | 12.5 | DEP20 | 8.10:1 |
| Gas cylinders – LPG (incl. propane and butane) | 8 | 22 | 15.5 | DEP16 | 8.1:10 |
| Gas cylinders – other | 12.5 | 15 | 10 | DEP16 | 8.1:10 |
| Gill machines (wool) | 20 | 9.5 | 6.5 | DEP11 | 7.3:20 |
| Golf ball placing machine and sensor | 3 | 50 | 40 | DEP10 | 7.3 :18 |
| Golf driving ranges, netting (for golf driving nets) | 5 | 33 | 24 | DEP10 | 7.3 :18 |
| Golf driving ranges, poles (for golf driving nets) | 20 | 9.5 | 6.5 | DEP10 | 7.3 :18 |
| Golf mats (stance and base, at golf driving/practice ranges) | 2 | 63.5 | 63.5 | DEP10 | 7.3 :18 |
| Hand soap dispensers | 2 | 63.5 | 63.5 | DEP7 | 6.7:16 |
| Ink mixing systems, computerised | 3 | 50 | 40 | DEP27 | 9.8:2 |
| "Kiwiplus" – kiwifruit packhouse software | 1 | 100 | 100 | PROV6 | 9.6:8 |
| Lawnmowers (domestic type in use by lawnmowing contractors) | 2 | 63.5 | 63.5 | DEP15 | 7.13:22 |
| Lawnmowers (non-domestic type in use by lawnmowing contractors | 5 | 33 | 24 | DEP15 | 7.13:22 |
| Machine centre, CNC (timber/joinery industry) | 8 | 22 | 15 | DEP28 | 9.9:1 |
| Marquees *(half a page of various assets – see TIB article)* | | | | DEP18 | 8.6:8 |
| Medical and medical laboratory equipment *(3 pages of various assets – see TIB article)* | | | DEP8 | 6.7:17 | |
| Mulchers (commercial) | 4 | 40 | 30 | DEP25 | 9.6:6 |
| Paintball firearms | 2 | 63.5 | 63.5 | DEP20 | 8.10:1 |
| Pallet covers (insulated) | 2 | 63.5 | 63.5 | DEP13 | 7.10:26 |
| Paper towel dispensers | 2 | 63.5 | 63.5 | DEP7 | 6.7:16 |
| Pistols, Air (Leisure industry category) | 10 | 18 | 12.5 | DEP20 | 8.10:1 |
| Plant trolleys | 5 | 33 | 24 | DEP23 | 9.3:2 |

*continued on page 12*

| | | | | | |
|---|---|---|---|---|---|
| Psychological testing sets | 10 | 18 | 12.5 | PROV2 | 6.10:6 |
| Rifles, Air (Leisure industry category) | 10 | 18 | 12.5 | DEP20 | 8.10:1 |
| Rifles (less than 10,000 rounds per year) | 6.66 | 26 | 18 | DEP20 | 8.10:1 |
| Rifles (more than 10,000 rounds per year) | 2 | 63.5 | 63.5 | DEP20 | 8.10:1 |
| Scaffolding (aluminium) | 8 | 22 | 15.5 | DEP19 | 8.8:3 |
| Scaffolding (other than aluminium) | 15.5 | 12 | 8 | DEP19 | 8.8:3 |
| Scientific and laboratory equipment (not medical laboratory equipment) *(2 pages of various assets – see TIB article)* | | | | DEP8 | 6.7:17 |
| Shotguns (less than 50,000 rounds per year) | 6.66 | 26 | 18 | DEP20 | 8.10:1 |
| Shotguns (more than 50,000 rounds per year) | 2 | 63.5 | 63.5 | DEP20 | 8.10:1 |
| Speed humps (metal) | 5 | 33 | 24 | PROV3 | 6.13:13 |
| Static delimbers (timber industry) | 5 | 33 | 24 | DEP9 | 6.11:16 |
| Tags (security) | 3 | 50 | 40 | DEP21 | 9.1:1 |
| Toilet roll dispensers | 2 | 63.5 | 63.5 | DEP7 | 6.7:16 |
| Tomato graders | 8 | 22 | 15.5 | DEP14 | 7.13:23 |
| Tooling machine, CNC (timber/joinery industry) | 8 | 22 | 15 | DEP28 | 9.9:1 |
| Undersea maintenance equipment *(1 page of various assets – see TIB article)* | | | | DEP17 | 8.2:9 |
| Wintering pads (rubber) | 6.66 | 26 | 18 | PROV5 | 8.2:7 |
| Yachts (international ocean-going) | 6 | 15 | 10 | DEP12 | 7.10:25 |
| Yachts (other than international ocean-going) | 15.5 | 12 | 8 | DEP12 | 7.10:25 |

# Booklets available from Inland Revenue

This list shows all of Inland Revenue's information booklets as at the date of this Tax Information Bulletin. There is also a brief explanation of what each booklet is about.

Some booklets could fall into more than one category, so you may wish to skim through the entire list and pick out the booklets that you need. To order any of these booklets, call the forms and stationery number listed under "Inland Revenue" in the blue pages at the front of your phone book. This is an automated service, and you'll need to have your IRD number handy when you call.

The TIB is always printed in a multiple of four pages. We will include an update of this list at the back of the TIB whenever we have enough free pages.

## General information

**Binding rulings (IR 115G) - May 1995:** *Explains binding rulings, which commit Inland Revenue to a particular interpretation of the tax law once given.*

**Cash assistance for your growing family (FS 4) - Mar 1997:** *Information about Family Assistance and how to apply.*

**Disputing a notice of proposed adjustment (IR 210K) - Oct 1996:** *If we send you a notice to tell you we're going to adjust your tax liability, you can dispute the notice. This booklet explains the process you need to follow.*

**Disputing an assessment (IR 210J) - Oct 1996:** *Explains the process to follow if you want to dispute our assessment of your tax liability, or some other determination.*

**How to tell if you need a special tax code (IR 23G):** *Information about getting a special "flat rate" of tax deducted from your income, if the regular deduction rates don't suit your particular circumstances.*

**If you disagree with us (IR 210Z) - Sep 1996:** *This leaflet summarises the steps involved in disputing an assessment.*

**Income from a Maori Authority (IR 286A) - Feb 1996:** *For people who receive income from a Maori authority. Explains which tax return the individual owners or beneficiaries fill in and how to show the income.*

**Independent Family Tax Credit (FS 3) - Sep 1996:** *Introducing extra help for families, applying from 1 July 1996.*

**Inland Revenue audits (IR 297) - May 1995:** *For business people and investors. It explains what is involved if you are audited by Inland Revenue; who is likely to be audited; your rights during and after the audit, and what happens once an audit is completed.*

**Koha (IR 278) - Aug 1991:** *A guide to payments in the Maori community - income tax and GST consequences.*

**Maori Community Officer Service (IR 286) - Apr 1996:** *An introduction to Inland Revenue's Maori Community Officers and the services they provide.*

**New Zealand tax residence (IR 292) - Jun 1997:** *An explanation of who is a New Zealand resident for tax purposes.*

**Overseas private pensions (IR 258A) - Oct 1996:** *Explains the tax obligations for people who have interests in a private superannuation scheme or life insurance annuity policy that is outside New Zealand.*

**Overseas social security pensions (IR 258) - Jun 1997:** *Ex*

*continued on page 14*

*plains how to account for income tax in New Zealand if you receive a social security pension from overseas.*

**Problem Resolution Service (IR 287) - Nov 1993:** *An introduction to Inland Revenue's Problem Resolution Service. You can use this service if you've already used Inland Revenue's usual services to sort out a problem, without success.*

**Provisional tax (IR 289) - Jun 1997:** *People whose end-of-year tax bill is $2,500 or more must generally pay provisional tax for the following year. This booklet explains what provisional tax is, and how and when it must be paid.*

**Putting your tax affairs right (IR 282) - Jun 1997:** *Explains the advantages of telling Inland Revenue if your tax affairs are not in order, before we find out in some other way. This book also sets out what will happen if someone knowingly evades tax, and gets caught.*

**Rental income (IR 264) - Apr 1995:** *An explanation of taxable income and deductible expenses for people who own rental property. This booklet is for people who own one or two rental properties, rather than larger property investors.*

**Reordered Tax Acts (IR 299) - Apr 1995:** *In 1994 the Income Tax Act 1976 and the Inland Revenue Department Act 1974 were restructured, and became the Income Tax Act 1994, the Tax Administration Act 1994 and the Taxation Review Authorities Act 1994. This leaflet explains the structure of the three new Acts.*

**Self-employed or an employee? (IR 186) - Jun 1997:** *Sets out Inland Revenue's tests for determining whether a person is a self-employed contractor or an employee. This determines what expenses the person can claim, and whether s/he must pay ACC premiums.*

**Stamp duty and gift duty (IR 665) - Feb 1995:** *Explains what duty is payable on transfers of real estate and some other transactions, and on gifts. Written for individual people rather than solicitors and legal firms.*

**Student Loans - how to get one and how to pay one back (SL 5) - 1997:** *We've published this booklet jointly with the Ministry of Education, to tell students everything they need to know about getting a loan and paying it back.*

**Superannuitants and surcharge (IR 259) - Jun 1997:** *A guide to the surcharge for national superannuitants who also have other income.*

**Tax facts for income-tested beneficiaries (IR 40C) - Aug 1997:** *Vital information for anyone who receives an income-tested benefit and also has some other income.*

**Taxes and duties (IR 295) - May 1995:** *A brief introduction to the various taxes and duties payable in New Zealand.*

**Taxpayer obligations, interest and penalties (IR 240) - Jan 1997:** *A guide to the new laws dealing with interest, offences and penalties applying from 1 April 1997.*

**Trusts and estates - (IR 288) - May 1995:** *An explanation of how estates and different types of trusts are taxed in New Zealand.*

**Visitor's tax guide - (IR 294) - Nov 1995:** *A summary of New Zealand's tax laws and an explanation of how they apply to various types of visitors to this country.*

## Business and employers

**ACC premium rates - Mar 1997:** *There are two separate booklets, one for employer premium rates and one for self-employed premium rates. Each booklet covers the year ended 31 March 1997.*

**Depreciation (IR 260) - Apr 1994:** *Explains how to calculate tax deductions for depreciation on assets used to earn assessable income.*

**Direct selling (IR 261) - Aug 1996:** *Tax information for people who distribute for direct selling organisations.*

**Electronic payments to Inland Revenue (IR 87A) - May 1995:** *Explains how employers and other people who make frequent payments to Inland Revenue can have these payments automatically deducted from their bank accounts.*

**Employer's guide (IR 184) - 1996:** *Explains the tax obligations of anyone who is employing staff, and explains how to meet these obligations. Anyone who registers as an employer with Inland Revenue will receive a copy of this booklet.*

**Entertainment expenses (IR 268) - May 1995:** *When businesses spend money on entertaining clients, they can generally only claim part of this expenditure as a tax deduction. This booklet fully explains the entertainment deduction rules.*

**First-time employer's guide (IR 185) - April 1996:** *Explains the tax obligations of being an employer. Written for people who are thinking of taking on staff for the first time.*

**Fringe benefit tax guide (IR 409) - Nov 1994:** *Explains fringe benefit tax obligations of anyone who is employing staff, or companies which have shareholder-employees. Anyone who registers as an employer with Inland Revenue will receive a copy of this booklet.*

**GST - do you need to register? (GST 605) - May 1997:** *A basic introduction to goods and services tax, which will also tell you if you have to register for GST.*

**GST guide (GST 600) - 1994 Edition:** *An in-depth guide which covers almost every aspect of GST. Everyone who registers for GST gets a copy of this booklet. It is quite expensive for us to print, so we ask that if you are only considering GST registration, you get the booklet "GST - do you need to register?" instead.*

**IR 56 taxpayer handbook (IR 56B) - Mar 1997:** *A booklet for part-time private domestic workers, embassy staff, nannies, overseas company reps and Deep Freeze base workers who make their own PAYE payments.*

**Making payments (IR 87C) - Nov 1996:** *How to fill in the various payment forms to make sure payments are processed quickly and accurately.*

**PAYE deduction tables - 1998**
**- Weekly and fortnightly (IR 184X)**
**- Four-weekly and monthly (IR 184Y)**
*Tables that tell employers the correct amount of PAYE to deduct from their employees' wages from 1 July 1996.*

**Retiring allowances and redundancy payments (IR 277) - Aug 1997:** *An explanation of the tax treatment of these types of payments.*

**Smart Business (IR 120) - Jul 1996:** *An introductory guide to tax obligations and record keeping, for businesses and non-profit organisations.*

**Surcharge deduction tables (IR 184NS) - 1998:** *PAYE deduction tables for employers whose employees are having NZ Super* *surcharge deducted from their wages.*

**Taxes and the taxi industry (IR 272) - Feb 1996:** *An explanation of how income tax and GST apply to taxi owners, drivers, and owner-operators.*

## Resident withholding tax and NRWT

**Approved issuer levy (IR 291A) - May 1995:** *For taxpayers who pay interest to overseas lenders. Explains how you can pay interest to overseas lenders without having to deduct NRWT.*

**Non-resident withholding tax guide (IR 291) - Mar 1995:** *A guide for people or institutions who pay interest, dividends or royalties to people who are not resident in New Zealand.*

**Resident withholding tax on dividends (IR 284) - Oct 1993:** *A guide for companies, telling them how to deduct RWT from the dividends that they pay to their shareholders.*

**Resident withholding tax on interest (IR 283) - Jul 1996:** *A guide to RWT for people and institutions which pay interest.*

**Resident withholding tax on investments (IR 279) - Jun 1996:** *An explanation of RWT for people who receive interest or dividends.*

## Non-profit bodies

**Charitable organisations (IR 255) - May 1993:** *Explains what tax exemptions are available to approved charities and donee organisations, and the criteria which an organisation must meet to get an exemption.*

**Clubs and societies (IR 254) - Jun 1993:** *Explains the tax obligations which a club, society or other non-profit group must meet.*

**Education centres (IR 253) - Jun 1994:** *Explains the tax obligations of schools and other education centres. Covers everything from kindergartens and kohanga reo to universities and polytechnics.*

**Gaming machine duty (IR 680A) - Jun 1997:** *An explanation of the duty which must be paid by groups which operate gaming machines.*

**Grants and subsidies (IR 249) - Jun 1994:** *An guide to the tax obligations of groups which receive a subsidy, either to help pay staff wages, or for some other purpose.*

## Company and international issues

**Company amalgamations (IR 4AP) - Feb 1995:** *Brief guidelines for companies considering amalgamation. Contains an IR 4AM amalgamation declaration form.*

**Consolidation (IR 4E) - Mar 1993:** *An explanation of the consolidation regime, which allows a group of companies to be treated as a single entity for tax purposes.*

**Controlled foreign companies (IR 275) - Nov 1994:** *Information for NZ residents with interests in overseas companies. (More for larger investors, rather than those with minimal overseas investments)*

**Foreign dividend withholding payments (IR 274A) - Mar 1995:** *Information for NZ companies that receive dividends from overseas companies. This booklet also deals with the attributed repatriation and underlying foreign tax credit rules.*

**Foreign investment funds (IR 275B) - Oct 1994:** *Information for taxpayers who have overseas investments, but who don't have a controlling interest in the overseas entity.*

**Imputation (IR 274) - Feb 1990:** *A guide to dividend imputation for New Zealand companies.*

**Qualifying companies (IR 4PB) Oct 1992:** *An explanation of the qualifying company regime, under which a small company with few shareholders can have special tax treatment of dividends, losses and capital gains.*

## Child Support booklets

**A guide for parents who pay child support (CS 71A) - May 1997:** *Information for parents who live apart from their children.*

**Child support - a custodian's guide (CS 71B) - Nov 1995:** *Information for parents who take care of children for whom Child Support is payable.*

**Child support - a guide for bankers (CS 66) - Aug 1992:** *An explanation of the obligations that banks may have to deal with for Child Support.*

**Child support administrative reviews - how to apply (CS 69A) - Apr 1997:** *How to apply for a review of the amount of Child Support you receive or pay, if you have special circumstances.*

**Child support administrative reviews - how to respond (CS 69B) - Apr 1997:** *Information about the administrative review process, and how to respond if you are named in a review application.*

**Child support and the Family Court (CS 51) - Apr 1997:** *Explains what steps people need to take if they want to go to the Family Court about their Child Support.*

**Child support - does it affect you? (CS 50):** *A brief introduction to Child Support in Maori, Cook Island Maori, Samoan, Tongan and Chinese.*

**Child support - estimating your income (CS 107G) - Aug 1997:** *Explains how to estimate your income so your Child Support liability reflects your current circumstances.*

**Child support - how the formula works (CS 68) - Dec 1996:** *Explains the components of the formula and gives up-to-date rates.*

**Problems with our child support service? (CS 287) - Jul 1997:** *Explains how our Problem Resolution Service can help if our normal services haven't resolved your Child Support problems.*

# Due dates reminder

## November 1997

5 Large employers: PAYE deductions and deduction schedules for period ended 31 October 1997 due.

7 Provisional tax and/or Student Loan interim repayments: first 1998 instalment due for taxpayers with July balance dates.

Second 1998 instalment due for taxpayers with March balance dates.

Third 1998 instalment due for taxpayers with November balance dates.

Annual income tax returns due to be filed for all non-IR 5 taxpayers with July balance dates.

1997 end of year payments due (income tax, Student Loans, ACC premiums) for taxpayers with December balance dates.

QCET payment due for companies with December balance dates, if election is to be effective from the 1998 year.

20 Large employers: PAYE deductions and deduction schedules for period ended 15 November 1997 due.

Small employers: PAYE deductions and deduction schedules for period ended 31 October 1997 due.

Gaming machine duty return and payment for month ended 31 October 1997 due.

RWT on interest deducted during October 1997 due for monthly payers.

RWT on dividends deducted during October 1997 due.

Non-resident withholding tax (or approved issuer levy) deducted during October 1997 due.

28 GST return and payment for period ended 31 October 1997 due.

## December 1997

5 Large employers: PAYE deductions and deduction schedules for period ended 30 November 1997 due.

7 Provisional tax and/or Student Loan interim repayments: first 1998 instalment due for taxpayers with August balance dates.

Second 1998 instalment due for taxpayers with April balance dates.

Third 1998 instalment due for taxpayers with December balance dates.

Annual income tax returns due to be filed for all non-IR 5 taxpayers with August balance dates.

1997 end of year payments due (income tax, Student Loans, ACC premiums) for taxpayers with January balance dates.

QCET payment due for companies with January balance dates, if election is to be effective from the 1998 year.

20 Large employers: PAYE deductions and deduction schedules for period ended 15 December 1997 due.

Small employers: PAYE deductions and deduction schedules for period ended 30 November 1997 due.

Gaming machine duty return and payment for month ended 30 November 1997 due.

RWT on interest deducted during November 1997 due for monthly payers.

RWT on dividends deducted during November 1997 due.

Non-resident withholding tax (or approved issuer levy) deducted during November 1997 due.

31 Third instalment of 1998 Student Loan non-resident assessment due.

This is an illustration of the four-step process for setting or reviewing transfer prices between associated enterprises. If this process is properly undertaken, the taxpayer should have a lower risk of audit adjustment or penalty.

**Step 1: Understand the cross-border dealings between the associated enterprises in the context of the taxpayer's business**

Identify cross-border dealing with associated enterprises and collect or maintain relevant documentation to explain the nature of those dealings in the context of the taxpayer's business. For example:

- nature and extent of dealing with associates
- business lines and the size, scope, value and types of dealings
- nature of the industry
- nature of the competition it experiences
- business strategies and processes.

Undertake a preliminary functional analysis of the functions undertaken, risks assumed and the assets employed to assist in understanding the business and selecting and applying a methodology.

**Step 2: Select the methodology or methodologies**

Broadly identify any comparable uncontrolled dealings. Assess the reliability of data on comparable dealings or comparable enterprises.

Determine the most appropriate methodology or methodologies based on the facts and circumstances of the particular case. Ensure that sufficient documentation and data is available to support the application.

**Step 3: Apply the methodology or methodologies**

Use the detailed data to extend and improve the functional analysis of the taxpayer and of any comparables.

Refine, examine and organise the data to enable comparability to be assessed properly.

To improve comparability, it may be necessary to:

- Extend the analysis over a number of years
- adjust the data to account for material differences in comparability
- apply several methods.

Data points or a range of results may emerge.

**Step 4: Determine the arm's length outcome and implement support processes. Instal review process to ensure adjustment for material changes.**

Decide on the arm's length outcome. Record practical considerations such as:

- Any judgments made
- how data points or ranges were interpreted
- how results from different methods were used.

If the data used to establish the outcome changes then review process and methodology.

Put system in place to support chosen method with a review mechanism to ensure adjustment if material changes occur.

It may be necessary to review earlier steps if the approach initially adopted is unsuitable or produces an outcome that does not reflect commercial or economic reality. Document each step.

Inland Revenue
Te Tari Taake

# Tax Information Bulletin mailing list update form

IR 596

☐ **I would like to be included on the TIB mailing list.**

Mr.Mrs.Miss.Ms

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Position

Company

Address

Number of copies required

Member of the Institute of Chartered Accountants of New Zealand? Yes ☐ No ☐

☐ **I am currently on the TIB mailing list. Change of name/address required.**

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**Attach mailing label from TIB here (preferable), or fill in previous details below.**

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