

DETERMINATION > FINANCIAL ARRANGEMENTS > GENERAL

Apportionment of Income and Expenditure on a Daily Basis

Issued: 4 December 1989

G1A

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

RESCINDS AND REPLACES

- **Determination G1: Apportionment of Daily Income and Expenditure,** made by the Commissioner on the 13th May 1987

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 Determination G1: Apportionment of Daily Income and Expenditure is hereby rescinded with effect from the day on which this Determination G1A is signed.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

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(l) 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 one 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 sections 64B to 64M of the Income Tax Act 1976;
- b) "Period" means the term, not exceeding one 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 -

$$61 \times \$294,000 = \$99,633.33$$

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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 its 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

About this document

General determinations set out the Commissioner's view on how the financial arrangements rules apply to a specific type of financial arrangement. All general determinations are binding on the Commissioner and some are also binding on taxpayers.