Inland Revenue
Te Tari Taake

TECHNICAL DECISION SUMMARY > PRIVATE RULING

WHAKARĀPOPOTO WHAKATAU HANGARAU > WHAKATAUNGA TŪMATAITI

Excepted financial arrangement

Decision date | Rā o te Whakatau: 25 March 2026

Issue date | Rā Tuku: 24 July 2026

TDS 26/09

Subjects | Kaupapa

This item summarises a private ruling that considered whether an agreement for the supply of products is a “short-term agreement for sale and purchase” and therefore an excepted financial arrangement.

Taxation laws | Ture tāke

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

Summary of facts | Whakarāpopoto o Meka

1. The Arrangement involves a company that has entered into a supply agreement on a 10-year term (the Agreement).
2. Under the Agreement, the company receives a daily supply of products from the seller.
3. The seller issues invoices monthly on the last day of the month of delivery. The invoice will list the quantity of the products supplied with a statement of the sum due.
4. Payment is required on the 20th of the month following delivery of the products.

Issues | Take

5. The main issue considered in this ruling was whether the Agreement is an excepted financial arrangement and, therefore, not a financial arrangement.

Decisions | Whakatau

6. The Tax Counsel Office (TCO) decided that the Agreement is an excepted financial arrangement and, therefore, not a financial arrangement.

Reasons for decisions | Pūnga o ngā whakatau

Issue 1 | Take tuatahi: Excepted financial arrangement

7. Section EW 3 defines a "financial arrangement". It relevantly provides that a financial arrangement is an arrangement under which a person receives money in consideration

for another person providing money to any person at a future time. For the purposes of the financial arrangements rules, s YA 1 provides that "money" includes money's worth, whether or not it is convertible into money.

8. TCO considered the Agreement meets the definition in s EW 3 because:
   - the Agreement is an arrangement;
   - the company receives products (money's worth) under the Agreement;
   - the company pays money in consideration for the products to any person (the seller); and
   - the company pays money at a future time (payment is due on the 20th of the month following delivery).
9. However, s EW 4(3) provides that an excepted financial arrangement is not a financial arrangement. Section EW 5 provides that an "excepted financial arrangement" is an arrangement described in any of subss (2) to (25) of that section.
10. Section EW 5(22) is relevant to the Arrangement. It provides that a short-term agreement for sale and purchase is an excepted financial arrangement, except for a party who makes an election under s EW 8.
11. Section YA 1 defines a "short-term agreement for sale and purchase". Relevantly, para (c) of the definition provides that an agreement is a short-term agreement for sale and purchase if:
   - it is an agreement for the sale and purchase of property or services;
   - that is continuous;
   - the seller renders periodic invoices for the property or services; and
   - settlement must take place on or before the 93rd day after the date on which each invoice is rendered.
12. Section YA 1 relevantly defines an "agreement for the sale and purchase of property or services" as a financial arrangement that is a conditional or unconditional agreement to acquire property. The definition states such an agreement does not include a forward contract, a futures contract, an option or a specified option.
13. TCO considered the Agreement meets the definition of a "short-term agreement for sale and purchase" for the following reasons:
   - The Agreement is an agreement for the supply of products in consideration for payment the following month. It is not a forward contract, a futures contract, an

option or a specified option. Accordingly, it is an "agreement for the sale and purchase of property or services" as defined in s YA 1.

- The supply of products under the Agreement is "continuous" in the sense that the products are being supplied on an ongoing, daily basis and in an uninterrupted manner during the 10-year term, as opposed to discrete transactions or those with long intervals between supplies.
- The seller renders periodic invoices for the products because the invoices are issued monthly on the last day of the month of delivery.
- Payment of the invoices is due on the 20th of the following month. Settlement of an invoice is clearly required in less than the 93 days provided for in the definition of "short-term agreement for sale and purchase".

14. Accordingly, TCO concluded that the Agreement is an excepted financial arrangement under s EW 5(22), provided that the company does not make an election under s EW 8 that the Agreement is a financial arrangement. Therefore, the Agreement is not a financial arrangement.