# Tax Information Bulletin

Volume Three, No. 3 October 1991

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# Changes for Taxpayer Audit

Inland Revenue's Verification Unit has changed its name and refocussed its activities.

The Unit will be known as Income Tax Audit from 1 July 1991, and its new role will see it doing different types of audit.

Acting Director Taxpayer Audit, Joy Hames, said the changes should make the Unit's role clearer and make it more effective. There has been a shift from the examination of income details to a concentration on expenditure. During a recent review it was clear that the same taxpayers' tax returns were checked each year, and overall coverage was not being achieved.

## Name Change

The new name, Income Tax Audit, will help the public identify the Unit's work. It will also bring it into line with other divisions of Taxpayer Audit such as GST Audit and Payroll Inspectors. "We expect the new name will help raise the Unit's profile and make its work better understood," Ms Hames said.

## Purpose

Under Inland Revenue's Corporate Plan, the purpose of the Taxpayer Audit Programme is to "detect and bring to account those who do not pay the correct amount of tax".

Income Tax Audit's role is to carry out a balanced programme of checks concentrating on taxpayers whose income/turnover is under $1.5 million.

For the six months ended 31 December 1990 it assessed over $18 million extra tax by carrying out checks on 33,415 income tax returns. The discrepancies uncovered were five times the operating costs of the Unit. The new focus is expected to be even more effective.

## New Activities

Income Tax Audit continues two previous activities and has added three new functions. These are:

Routine Audit: this activity involves reviewing selected items from selected tax returns. If necessary, we will contact taxpayers or their agents and ask for the source documentation to substantiate expenses claimed.

Extended Audit: we will review full accounts from selected tax returns. This involves interviews with taxpayers, who will be questioned about their "operating procedures" such as the recording of sales, disposal of assets, payments of expenditure etc., as well as specific items contained in the accounts and tax return. Where a taxpayer has an agent we will also review the agent's working papers and questionnaire. The agent will be invited to attend the interview with the client.

The selection of returns for both types of audits is based on a variety of methods and does not mean that the return is incorrect.

Technical Checks: these checks will mainly revolve around specialist tax areas such as accruals, uneconomic ventures, share trading, new legislation and similar things. Interviews may not be necessary in all of these cases.

The Unit will continue its previous activities of:

- Checking for people outside the tax system who have not furnished returns, or people who omit untaxed income.
- Matching of: a) employer tax deduction certificates to employees' tax returns, and

  b) details of interest and dividends to taxpayers' tax returns.

## Training and Quality

We have introduced an extensive training programme for the staff on Income Tax Audit to give them the necessary skills to carry out their role efficiently and effectively. Quality standards are also being introduced for guidance of staff members conducting the reviews.

These changes have been made to increase the effectiveness of Inland Revenue's Audit activities in line with our continuing efforts to make improvements in all areas of our operation.

# Public Service Mileage Rates

## Use for Income Tax Purposes

In TIB Volume Three, No.2 of August 1991, we printed the following table to show the rates that employers can use instead of using the Public Service Mileage Rates.

Unfortunately, one sentence was left out, due to a printing error.

The sentence was to the effect that the rates apply to all vehicles, regardless of their c.c. rating.

<table>
<tr><th>Column</th><th>(i)</th><th>(ii)</th><th>(iii)</th></tr>
<tr><td>Kilometres</td><td>PSMR rate</td><td>Rate for 5,000 kms</td><td>Rate Overall</td></tr>
<tr><td>1 to 1600</td><td>65c</td><td rowspan="4">55c</td><td rowspan="5">41c</td></tr>
<tr><td>1601 to 3200</td><td>54c</td></tr>
<tr><td>3201 to 4800</td><td>49c</td></tr>
<tr><td>4801 to 5000</td><td>46c</td></tr>
<tr><td>over 5000</td><td colspan="2">34c</td></tr>
</table>

# Tax Free Allowances - Employment Contracts Act 1991

## Introduction

We have been asked to set out our policy on the tax treatment of allowances under the new employment contracts regime.

## Background

Section 73 of the Income Tax Act 1976 governs the income tax exemption of allowances paid to employees to cover expenditure they incur in gaining or producing assessable income. The theme of the Income Tax Act is that an allowance paid to an employee is taxable unless it is exempted from tax by the Commissioner of Inland Revenue. The Commissioner issues a determination stating the extent to which an allowance is exempt from tax.

In the past allowances contained in national awards or other similar documents did not need a fresh determination each time the agreement was renegotiated. Provided the allowance increased in the same proportion as the gross salary there was no need to seek Inland Revenue approval of the new level of the allowance.

## Ruling

With the introduction of the Employment Contracts Act 1991 there will be a phasing out of national awards. Where tax exempt allowances contained in national awards or other similar documents are transferred to employment contracts there is no need for a new determination provided the previous rules on increases are met.

Where the allowance increases in the same proportion as the gross salary the increase will be exempt without any need to apply for a fresh determination. This rule is to be applied for transfers from awards to contracts, to increases under contracts and to transfers from one contract to another for work and terms of employment that are substantially the same.

If the allowances in the new documents are increased by more than the same proportion as the gross salary, or the allowances are new or of a different type, approval for exemption should be sought from local Inland Revenue offices.

**Reference:** H.O. 10.A.8.4
Technical Rulings Chapter 57.5.3

# GST - Bloodstock Destined for Export

## Introduction

Before the 1990 annual yearling sales, Inland Revenue reconsidered its policy on zero rating of bloodstock for export from New Zealand. We ruled that where it was not possible for a yearling to be exported within 28 days of the time of supply due to the nature of the contract for the sale of the yearling, the supplier would be allowed a 6 month extension in which that yearling must be exported. This extension was provided under section 11(1C)(b) of the Goods and Services Tax Act 1985.

## Comment

Inland Revenue has reviewed its policy on the limitation to "yearling only". We have decided that the policy will equally apply to other age bloodstock.

This means that bloodstock sold at yearling sales which sales take place immediately after 1 August (the official birthdate of bloodstock) will also qualify for the consideration of the 6 months extension.

Apart from providing a consistent treatment, the new policy means that bloodstock sold at yearling sales taking place immediately after 1 August (the official birthdate of bloodstock) will also qualify for the 6 months extension.

No change has been made to the requirements that -

- Any request for an extension of time beyond the 28 day rule, but not exceeding 183 days, must be made in writing and accompanied by a copy of the contract of supply, and

- The animal has not and / or will not be used under the "consumption" principle, e.g., for breeding racing or entry into show in New Zealand.

# Tax Simplification - Recommendation 101 - GST Tax Invoices

## Introduction

The Tax Simplification Consultative Committee in its final report recommended:

> "That there should be a simple procedure by which purchasers, unable to get a correct tax invoice from a supplier within 28 days, may notify the IRD which should exercise its powers to force compliance with the law."

This item explains that procedure.

## Legal Duty

Section 24(1) of the GST Act requires a supplier to provide a GST tax invoice to a registered person who receives the supply. The invoice must be issued within 28 days of any request.

If a registered person does not provide a tax invoice, that person commits an offence under s.62(1)(l) of the GST Act.

They are then liable to:

(a) A fine up to $500 upon conviction on the first occasion;

(b) A fine up to $750 upon conviction on the second occasion;

(c) A fine up to $1000 upon conviction for a third or subsequent time

for each month of default.

## Inland Revenue Procedures

If a purchaser has not received a tax invoice within 28 days of request, they should contact the Taxpayer Services Unit of their local Inland Revenue Office. That unit will then contact the supplier and inform them of the obligations and penalties under the GST Act.

If the supplier still refuses to issue a tax invoice, the purchaser should again contact Inland Revenue. We will then consider a prosecution under s.62 of the GST Act.

## Going Concerns and Tax Invoices

After entering into an agreement, the parties may disagree whether the transaction was the supply of a going concern. The vendor may think the supply was a going concern (and taxed at zero percent) and the purchaser may think the supply was not a going concern (and taxed at 12.5 percent).

When this happens the purchaser usually obtains a tax invoice that shows tax has been charged at zero percent. Because the purchaser wants to claim an input tax credit, the purchaser contacts Inland Revenue and informs us that an incorrect invoice has been issued. We are then asked to make the vendor issue another invoice showing the supply was subject to GST at 12.5 percent. However, the vendor may refuse to issue a further tax invoice on the grounds the supply was a going concern.

We do not see our role as a referee of such disputes. Contracting parties should agree the going concern status of any transaction upon entering a sale and purchase agreement and draft the contract accordingly.

However, Inland Revenue has a responsibility to make sure registered persons comply with the obligations under the GST Act. In particular, Inland Revenue has a responsibility to make sure that correct tax invoices are issued and returns filed correctly.

If, therefore, a question of compliance arises, Inland Revenue has a responsibility to determine the facts and ensure the correct amount of tax is assessed.

Inland Revenue Procedures

Where the parties are unable to agree whether the supply was a going concern, contact should be made with the Taxpayer Services Unit of Inland Revenue. That section will clarify Inland Revenue's policy of what is the supply of a going concern. That policy is currently set out in TIB No.5 1989.

If the parties to the transaction still don't agree whether the supply was a going concern, and it appears that the vendor has not provided a correct tax invoice or may not have accounted for GST correctly, the matter will be referred to the GST Audit section.

The GST Audit section will then decide whether the supply was a going concern. To determine the matter the GST Audit section will usually obtain a copy of the sale and purchase agreement and interview the parties involved in the transaction.

After making a decision, Inland Revenue will inform both parties of that decision.

### Where the Assets are not sold as a Going Concern

Where it is decided that the sale was not a going concern and GST has not already been accounted for, we will assess the vendor for GST on the total consideration payable.

If the vendor has not already issued a tax invoice, we will ask the vendor to do so. It is then up to purchaser to follow up the issue of a correct tax invoice. If the vendor fails to issue a correct tax invoice, the purchaser should again contact the GST Audit section. We will then enforce the provisions of the GST Act.

When a tax invoice has already been issued but shows the incorrect rate of GST (zero instead of 12.5 percent) the GST Auditor will instruct the supplier to issue a debit note in terms of s.25 of the GST Act. If the vendor fails to do this, the purchaser should again contact Inland Revenue. Inland Revenue will then enforce the provisions of the GST Act.

### Where the Assets are sold as a Going Concern

If it is decided that the sale was a going concern, we will advise both parties of this. This usually ends Inland Revenue's involvement in the dispute.

**Reference** H.O. GST T.4.1

# Child Support Changes

The Child Support Bill 1991 was introduced to Parliament on 22 August 1991.

A number of taxpayers will be affected when the present liable parent contribution scheme is replaced by the child support scheme from 1 July next year. There are approximately 100,000 liable parents required to pay the liable parent contribution, and 28,000 required to pay court ordered maintenance.

At present, the Department of Social Welfare administers the liable parent contribution scheme and collects and pays out maintenance orders. The new scheme will be administered by the Child Support Agency, a part of Inland Revenue. Inland Revenue will assess non-custodial parents' liability, using an assessment formula based on their taxable income. Failure to pay will result in automatic deductions from wages, bank accounts, etc.

The Child Support Agency will also collect Court-ordered spousal maintenance and pay the amounts received to the qualifying spouse for orders of $10 a week or more.

Inland Revenue will automatically reassess liable parents who are currently paying under the liable parent scheme or a court order for maintenance. This will happen early next year. These parents will receive a notice of assessment for child support at that time, but will continue paying under the present scheme until the child support scheme starts on 1 July next year, to give them time to adjust their financial affairs.

A question and answer booklet on the Child Support Bill is available from all Inland Revenue offices. When the bill becomes law, we will send further information to tax practitioners, custodial and non-custodial parents and other interested groups.

# Tax Simplification Recommendations

The following two tables give a summary of the Tax Simplification Consultatitive Committee's recommendations. They show which of these have become law, and when the new payment dates apply from.

| Tax Type | | Old Due Date | New Due Date | New Date First Applies from | Legislation Passed |
|---|---|---|---|---|---|
| End-of-Year Tax to pay | | | | | |
| | Salary / wage earners and other PAYE Taxpayers | 7 February | 20 November | Income year commencing 1/4/91 | Yes |
| | Provisional Taxpayers | 7th day of month in Eighth Schedule | For natural person, 20th of 8th month after balance date | Income year commencing 1/4/91 | Yes |
| | | | Other than natural person, 7th of month in Eighth Schedule | Income year commencing 1/4/91 | |
| | Provisional or PAYE taxpayers with RIT < $2,500 in previous year, and non-prov taxpayers | 7th day of month in Eighth Schedule | For natural person, 20th of 8th month after balance date | Income year commencing 1/4/91 | Yes |
| | | | Other than natural person, 7th of month in Eighth Schedule | Income year commencing 1/4/91 | Yes |
| FBT, when PAYE and and SSCWT < $100,000 p.a. | | Quarterly | Annual 31 May | Income year commencing after 1/10/91 | Yes |
| | Employees | Quarterly | Annual 31 May | | Yes |
| | Shareholder Employees | Quarterly | Employer's End of Year Tax due date | Income years commencing on or after 1 October 1991 | Yes |
| GST | | First day of second month following | Last working day of month following | | Yes |
| Dividend Withholding Payment Penalty Tax | | 31 May | 20 June | Imputation Year starting on 1/4/91 | Yes |
| Imputation Penalty Tax | | 31 May | 20 June | Imputation Year starting on 1/4/91 | Yes |
| Resident Withholding | | 14th of month following deduction | 20th of month following deduction | 1 July 1992 | Yes |
| Non-Resident Withholding Tax | | 14th of month following deduction | 20th of month following deduction | 1 July 1992 | Yes |
| Resident Withholding Tax on Dividends | | 14th of month following deduction | 20th of month following deduction | 1 July 1992 | Yes |
| Foreign Dividend Withholding Payments | | 14 days after end of quarter | 20 days after end of quarter | 1 April 1992 | Yes |
| ACC Levy, where shareholder employee remuneration not determined by 31 May | | 30 November | 31 May of following year | 1 April 1991 | Yes |

| Tax Type | Old Due Date | New Due Date | New Date First Applies from | Legislation Passed |
|---|---|---|---|---|
| Provisional Tax Instalment | 7th day of month | 20th day of month | | No |
| Instalment Dates | 6th, 9th and 12th months | 4th, 8th and 13th months | | No |
| PAYE and SSCWT, where < $100,000 | Twice monthly | linked to pay date | | No |
| PAYE Reconciliation | 31 May | 20 May | | No |
| PAYE Penalty | 20 April | 31 May | | No |

# Woolgrowers and NZ Wool Board Supplementary Payments

## Introduction

This item outlines the Income Tax and GST treatment of supplementary payments payable to woolgrowers by the New Zealand Wool Board.

## Background

On 1 August 1991 the New Zealand Wool Board (the Board) announced that it will be making supplementary payments to woolgrowers for all wool sold between 6 February 1991 and 30 June 1991.

The payment to each woolgrower is to be made in two instalments; 50% on 1 October 1991 and the balance on 1 October 1992.

## Income Tax Ruling

Based on information presented it has been decided that these supplementary payments are to be treated as income in the year in which they are received.

For example, the payment to be received on 1 October 1991 should be returned in the 1992 income year, and the 1 October 1992 payment in 1993.

## GST Ruling

The GST treatment of supplementary payments is governed by section 25 of the Goods and Services Tax Act 1985.

Where a price is altered after a taxable supply is made an adjustment must be made to correct the amount of GST involved. An adjustment is by way of a debit or credit note if a tax invoice has been issued and that invoice is later found to be incorrect.

The Wool Board, or the Wool Board's agent, will produce the appropriate debit note.

The adjustment is to be made in the return period in which the price change became apparent. For people using the invoice accounting basis, this will be the earlier of the date of receipt of either the supplementary payment or the debit note.

If the woolgrower is on a payments basis of accounting then the adjustment will be made in the period in which the payment is received.

**Reference**: HO 10.W.5.1.

# Fringe Benefit Tax - Prescribed Rate of Interest

This item replaces that in Tax Information Bulletin Volume Three Number 1, July 1991.

The Minister of Revenue has advised that the prescribed rate of interest used to calculate the fringe benefit of low interest loans has been reduced to 12.4% for the quarter commencing 1 July 1991.

A recent law change allows us to reduce the rate so it better reflects the current market rate. This is being done for the first time this quarter.

Unless it is further amended, this new rate will also apply for the quarter commencing 1 October 1991 and subsequent quarters.

# Accrual Regime - The Acquisition Price of a Deferred Property Settlement

## Summary

This item discusses the accrual regime and the idea of lowest price and discounted value in relation to agreements for the sale and purchase of property. The lowest price and discounted values are alternative methods of calculating the acquisition price for the purposes of section 64B to 64M of the Income Tax Act 1976 ("the Act").

The item makes three main points:

(i) The accruals regime was intended to capture interest income or expenditure on debt and debt substitutes. It was not intended to impute interest where none existed.

(ii) The accruals regime, while diluting the capital / revenue distinction for certain financial arrangements, did not intend to tax changes in the capital values of properties traded on a deferred basis.

(iii) The determination of the lowest price and thus the interest component of a deferred property settlement is a matter for negotiation between the parties to an arrangement. The Commissioner can not impute interest where it is genuinely agreed between the parties that no interest will be paid. *However, where the objective facts indicate that interest is disguised or capitalised, Inland Revenue may challenge the lowest price stated by the parties.*

This item refers to sections 64B, 64BA, 64E, and 64F of the Act and Determinations G17A and G21.

## Background

Taxpayers and their agents have asked Inland Revenue to clarify the meaning of "lowest price" for deferred property settlements. In addition they question whether Inland Revenue can challenge the "lowest price" agreed between the parties to a deferred property settlement.

This item considers the intent of the accruals legislation towards property transactions, and the legislation as enacted. It draws on the *Report of Consultants on the Effect of the Accruals Regime on Property Transactions* published in July 1988 and provides examples to illustrate Inland Revenue's position. It commences by reviewing briefly the legislation applying to property settlements.

For the purposes of this discussion, deferred property settlements are agreements for the sale and purchase of property or a specified option where full payment is not made at the time that the first right (as defined in section 64B) in the property is transferred.

## Legislation

Financial arrangements include real and personal property transactions where there is a lapse between the time that the property is transferred and settlement. Where there is a deferral of consideration for a property transaction it is assumed that the transaction contains an interest element, whether capitalised or otherwise. This interest element must be spread according to the provisions of the accrual regime.

An agreement for the sale and purchase of property is defined in section 64B as an agreement entered into by a person to purchase, acquire, sell or dispose of property. Property is defined as any capital asset (excluding foreign exchange or a financial arrangement), trading stock (as defined in section 64B), consumable aids, and property acquired or sold for private or domestic purposes.

Certain agreements for the sale and purchase of property are excluded from the accrual regime for compliance reasons. They are:

(i) Private or domestic agreements for the sale and purchase of property; and

(ii) Short term agreements for the sale and purchase of property.

Both are defined in section 64B. These arrangements are excluded from the regime by the definition of an excepted financial arrangement. They are excluded to the extent that they do not form a part of another financial arrangement.

Specified options (as defined in section 64B) for the sale and purchase of property which do not lapse are treated for tax purposes in the same way as agreements for the sale and purchase of property.

Where a deferred property settlement is subject to the accrual rules, any interest component (whether implicit or explicit) in the agreement must be spread in accordance with section 64C and determinations over the term of the arrangement.

When the deferred property settlement matures the base price adjustment (section 64F) must be calculated. The base price adjustment ensures all income or expenditure from a financial arrangement is accrued. The critical variable in the base price adjustment is the acquisition price. The acquisition price is, in effect, the price agreed for the property less any interest component. Section 64BA defines the acquisition price for the purposes of the base price adjustment. There are two methods of determining the acquisition price.

First, the lowest price that would have been agreed between the buyer and seller at the time the contract was made, presuming payment in full at the point at which the first rights in the property are to be transferred.

Secondly, where the lowest price is not applicable, the acquisition price is the discounted value of the cash flows relating to the deferred property settlement. The method used to determine the discounted value is described in Determination G17A: *Deferred Property Settlements Denominated in New Zealand Currency* and Determination G21: *Deferred Property Settlements Denominated in a Foreign Currency*.

## Intention of the legislation

The *Report of Consultants on the Effect of the Accruals Regime on Property Transactions* discusses the intention of the accruals regime towards deferred property settlements. It says that:

(i) It was not intended that the capital/ revenue distinction be diluted to the extent that unrealised gains or losses on capital assets and accrued revenue gains and losses on revenue assets be brought to account for tax purposes; and

(ii) In relation to agreements for the sale and purchase of property (where the intention is to hold that property on either revenue or capital account) the intention of Parliament was only to bring to tax the interest component whether capitalized or not. Any change in the value of the property which is the subject of an agreement is to be disregarded; and

(iii) It was not intended that an interest component be deemed to exist as a matter of course where the parties agreed that interest was not payable.

The report says that:

> "It has been suggested that, where there is any delay in passing of consideration, there must be an interest component. This argument, we consider, can be dismissed on the basis that, although in pure economic terms there is a benefit delaying payment, the accruals regime does not seek to impute an interest component where the parties have agreed that no interest is to be charged.
>
> The courts have never sought to impute an interest component in a contract where there has not been one agreed between the parties. The courts have, however, intervened when an interest component within an agreement is disguised as something other than interest. ... The Commissioner of Inland Revenue and the courts cannot attempt to impose terms which interfere with the "free market system" and the ability of parties to negotiate their own terms. This is analogous to the fact that the courts will not generally question the adequacy of consideration in a contract. .." (Page 89).

## The lowest price

The legislative mechanism used to meet these objectives is the concept of lowest price. The *Report of Consultants on the Effect of the Accruals Regime on Property Transactions* says the definition of lowest price in section 64BA concentrates on:

(i) The intention of both the parties to the agreement for the sale and purchase of property or the specified option; and

(ii) The particular purchaser negotiating the price for the property rather than any purchaser. This is in contrast to the definition of cash price used in the Credit Contracts Act which concentrates on the price at which the property would be sold to any purchaser; and

(iii) The time at which the rights in the property the subject of the agreement are to be transferred. It is at the date of transfer that the lowest price should be determined.

The provision relies on the intention of both the buyer and the seller in determining the lowest price. It is thus a subjective test. This means that Inland Revenue cannot ignore a lowest price that has been genuinely agreed between the parties. If the parties have agreed to a lowest price which results in an interest rate of 9% Inland Revenue cannot ignore that because it feels that a rate of 15% is a more realistic market rate. The test however is the lowest price the parties would have agreed on, *not the lowest price the parties agree to state they agreed on*.

Inland Revenue may consider the objective facts to determine whether or not the parties have genuinely agreed to the price they assert. The situation is similar to that where a taxpayer asserts that he or she is in business. In that situation Inland Revenue can look to the objective facts for assistance in determining whether the taxpayer genuinely had a profit motive despite the taxpayer's assertion.

The fact that the test is a subjective one does not mean that it is decided purely on the claims of the taxpayer.

The test is what the taxpayers really agreed, not what they claimed to have agreed.

## Examples

(i) A taxpayer with accumulated losses of $400,000 sells a capital asset for a deferred payment of $500,000. The asset is valued at $450,000. Possession of the asset is to pass immediately and payment is to take place in 18 months. The parties state in the agreement for sale and purchase that the lowest price they would have agreed upon for immediate payment is $100,000. The objective facts however suggest the lowest price was asserted by the parties in order to transfer the advantage of the vendor's tax losses. In this situation, unless there is some compelling evidence Inland Revenue would not accept the taxpayers' assertions that $100,000 was the lowest price they would have agreed on.

(ii) One company sells another company a building for $10 million dollars with payment to take place 12 months after possession passes. In most circumstances Inland Revenue would not accept that $10 million was the lowest price that the parties would agree on if payment was made when first right in the property passed. The parties may assert this but in many cases the surrounding circumstances would not support the assertion. Assuming that the taxpayers are commercially sophisticated, it would be reasonable to assume that they had considered the time value of money. If the compensation in the nature of interest was disguised in the purchase price it would be open to the Commissioner to challenge the price agreed.

(iii) A parent sells a child a farm for $1,000,000 with the purchase price left outstanding for 10 years. The lowest price agreed between the parties when possession of the property passed was $1,000,000. The transaction is in substance a ten year interest free loan. In the case of such intra-family dealings Inland Revenue may accept that the $1,000,000 was the lowest price agreed. The extension of credit is based on the natural love and affection the parent has for the child. The parties have not turned their minds to the time value of money. It has no relevance in their relationship.

## Discounted value

Where the lowest price does not apply the acquisition price is the discounted value of the amounts payable for the property. The Commissioner of Inland Revenue has issued two determinations (G17A and G21) detailing the method of calculating the acquisition price. The discount rate used to calculate the acquisition price is the market interest rate on bank or treasury bills or government stock of a term similar to the term of the deferred property settlement.

Those determinations provide examples of the application of the discounting method.

## Conclusion

The parties to a deferred property settlement should identify the lowest price they would agree to pay and receive for the property which is the subject of the agreement. The lowest price must be determined at the date that the first rights in the property are transferred. The lowest price is a matter for negotiation between the parties to an arrangement. Inland Revenue cannot impute an interest component where it does not exist. *However, where the facts indicate that interest is disguised or capitalised Inland Revenue may challenge the lowest price stated by the parties.*

In the absence of agreement over the lowest price the discounted value method detailed in Determination G17B and G21A should be applied.

**Reference**: H.O. Accrual T 166-1

# Due Dates Reminder

## October

7 First instalment of 1992 Provisional Tax due for taxpayers with June balance dates.

Second instalment of 1992 Provisional Tax due for taxpayers with February balance dates.

Third instalment of 1992 Provisional Tax due for taxpayers with October balance dates.

1991 Terminal Tax due for taxpayers with November balance dates.

14 Interest PAYE deducted during September 1991 due for monthly payers.

Interest PAYE deducted 1 April 1991 to 30 September 1991 due for six-monthly payers.

Dividend PAYE deducted during September 1991 due.

Non-Resident Withholding Tax deducted during September 1991 due.

20 PAYE tax deductions for first 15 days of October 1991 due - "Large" employers.

20 PAYE tax deductions for September 1991 due - "Small" employers.

FBT return and payment for quarter ended 30 September 1991 due.

31 GST return and payment for period ended 30 September 1991 due.

## November

5 PAYE tax deductions for last 16 days of October 1991 due - "Large" employers.

7 First instalment of 1992 Provisional Tax due for taxpayers with July balance dates.

Second instalment of 1992 Provisional Tax due for taxpayers with March balance dates.

Third instalment of 1992 Provisional Tax due for taxpayers with November balance dates.

1991 Terminal Tax due for taxpayers with December balance dates.