



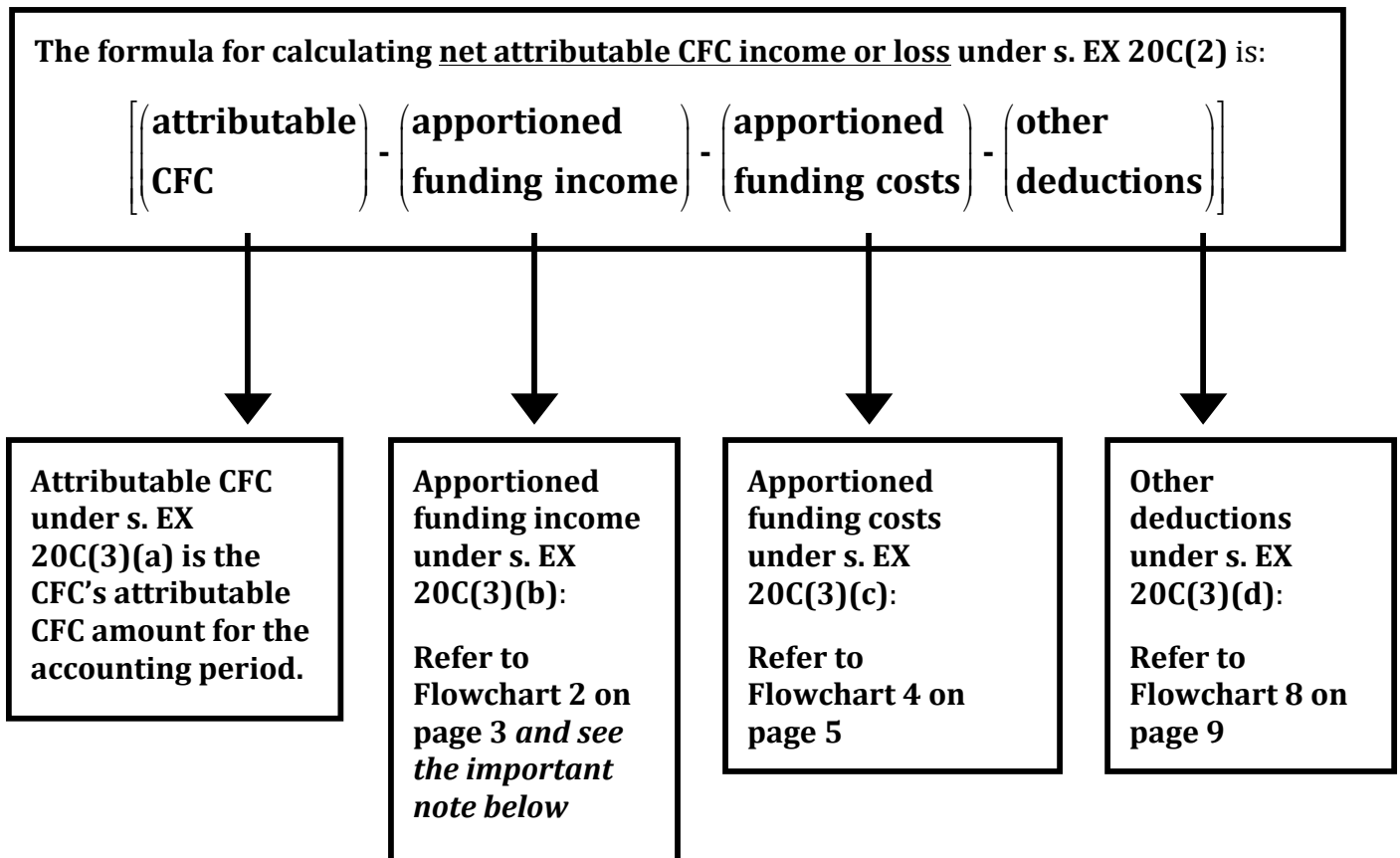
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NEW CALCULATION OF NET ATTRIBUTABLE CFC INCOME OR LOSS

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FLOWCHART 1: FORMULA



Important Note: Under s. EZ 32D Apportioned Funding Income is calculated in 2 parts when:

- (a) A CFC is excessively debt funded (see Flowchart 5 on page 52); and
- (b) The CFC entered into a financial arrangement before 21 June 2012 (an **old funding arrangement**) that provides funds for the CFC.

Part 1 - Old funding arrangements: The calculation rules in Flowchart 2 on page 50 are adjusted, so that:

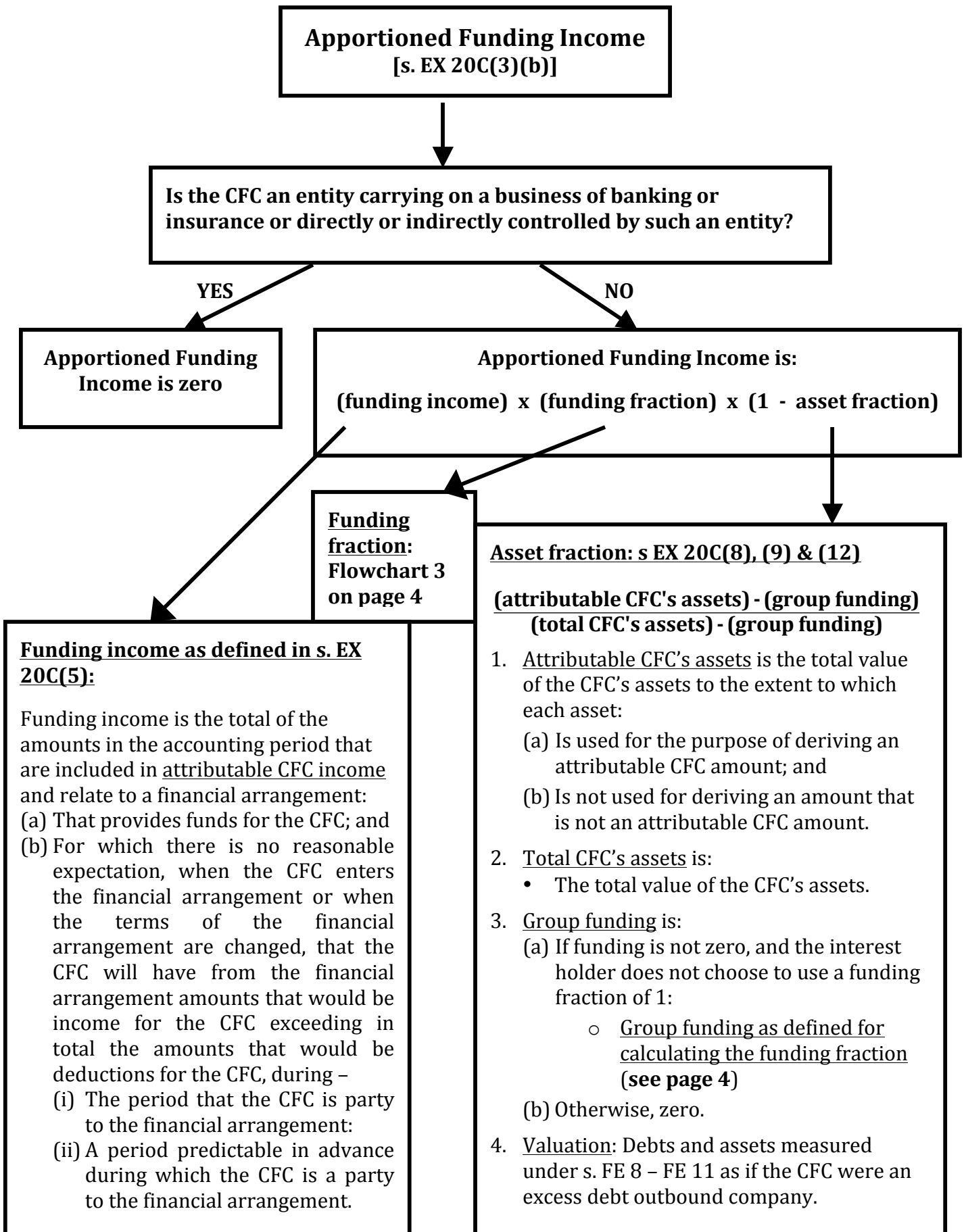
- (a) The value of **funding income** relates only to old funding arrangements (entered into before 21 June 2012); and
- (b) The value of **asset fraction** is the **cost fraction** calculated under s. EX 20D(10) – as set out in Flowchart 5 on page 53:

Cost fraction = (attributed foreign company assets)/(total foreign company assets).

Part 2 – Funding arrangements entered into on or after 21 June 2012: The calculation rules are exactly as set out in Flowchart 2 on page 50 with the value of funding income relating only to financial arrangements (entered into on or after 21 June 2012) that are not old funding arrangements.

[s. EZ 32D]

FLOWCHART 2: APPORTIONED FUNDING INCOME



FLOWCHART 3: FUNDING FRACTION

Funding Fraction
[s. EX 20C(6)]



Funding
Funding as defined in section EX 20C(7)(a) (under s. 42 of the Annual Rates Tax Act) is the sum of:
(a) Financial arrangements to which the CFC is a party and which provide funds for the CFC; and
(b) Shares issued by the CFC that:
(i) Are held by a NZ resident, or a CFC, or a FIF for which the interest holder uses the AFI method (for income years starting on or after 1/7/11); and
(ii) Are fixed rate foreign equity or shares giving rights to deductible foreign equity distributions



Is Funding zero?

YES

NO

Funding Fraction = 1
[Section EX 20C(6)(a)]

Calculating apportioned funding costs?

YES

YES

NO

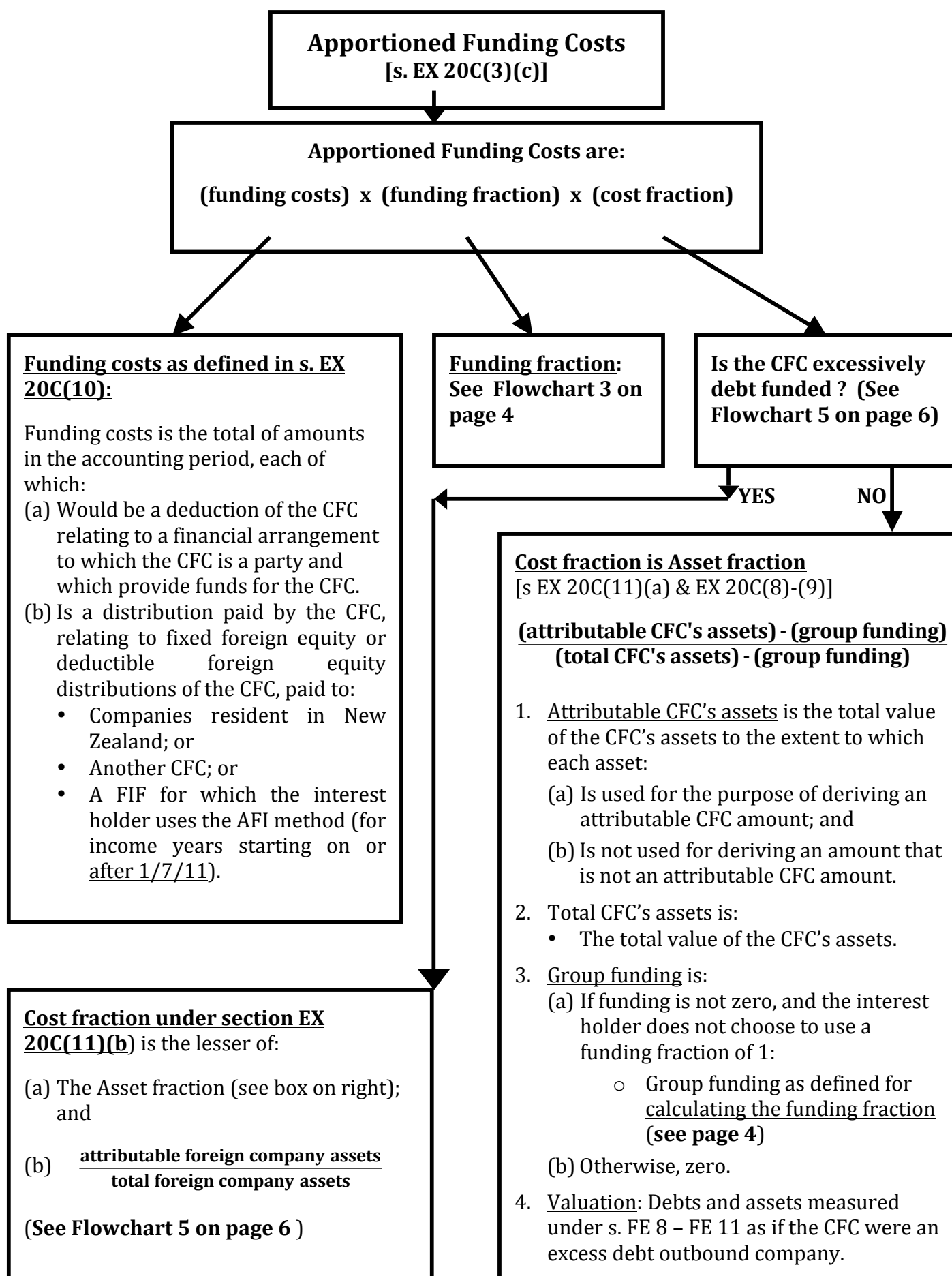
Does the interest holder choose to rely on section EX 20C(6)(b)?

NO

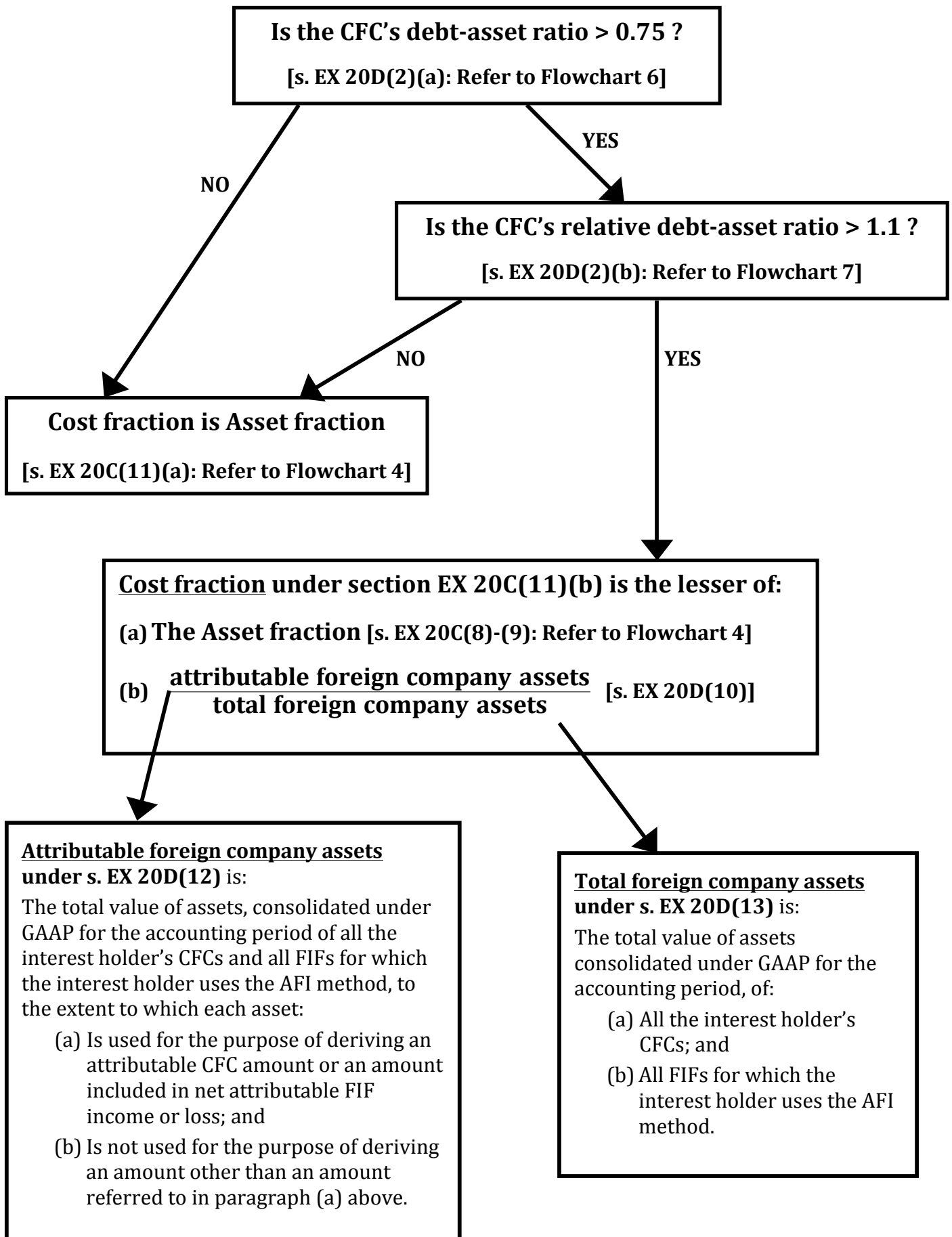
Funding Fraction = $\frac{\text{funding} - \text{group funding}}{\text{funding}}$

Funding = as defined in s. EX 20C(7)(a) – **see above**
Group funding in s. EX 20C(7)(b) is lesser of:
(a) Funding - as defined in s. EX 20C(7)(a) – **see above**; and
(b) The total of amounts, each of which is the outstanding balance for a financial arrangement:
(i) Under which the CFC provides funds: to a CFC associated with the CFC under s. YB 2 (when 2 companies are associated) or to a FIF for which the interest holder uses the AFI method and that is associated with the CFC under s. YB 2 (coming into force on 1/7/11); and
(ii) That produces for the CFC an amount included in “arrangement” under section EX 20B(4).

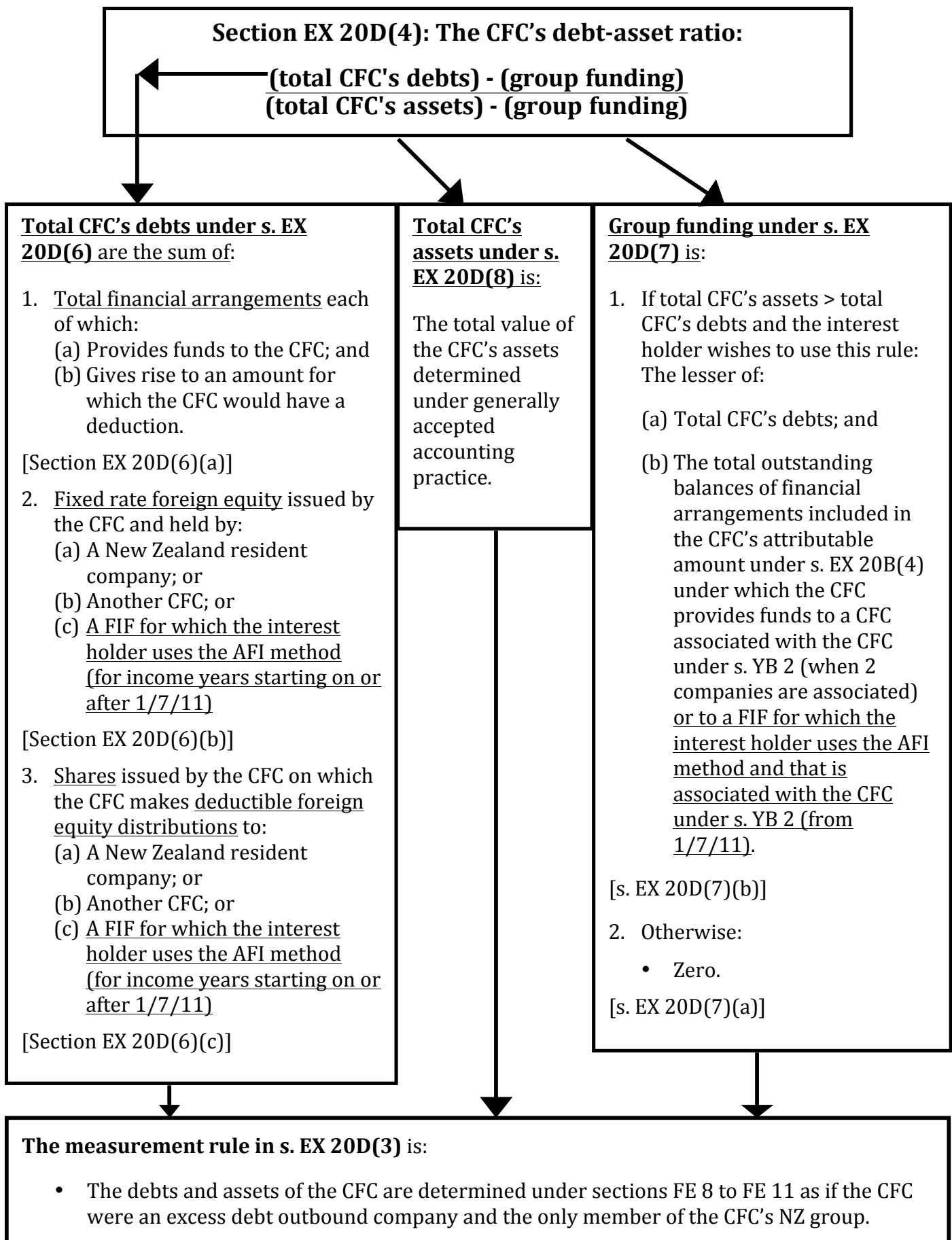
FLOWCHART 4: APPORTIONED FUNDING COSTS



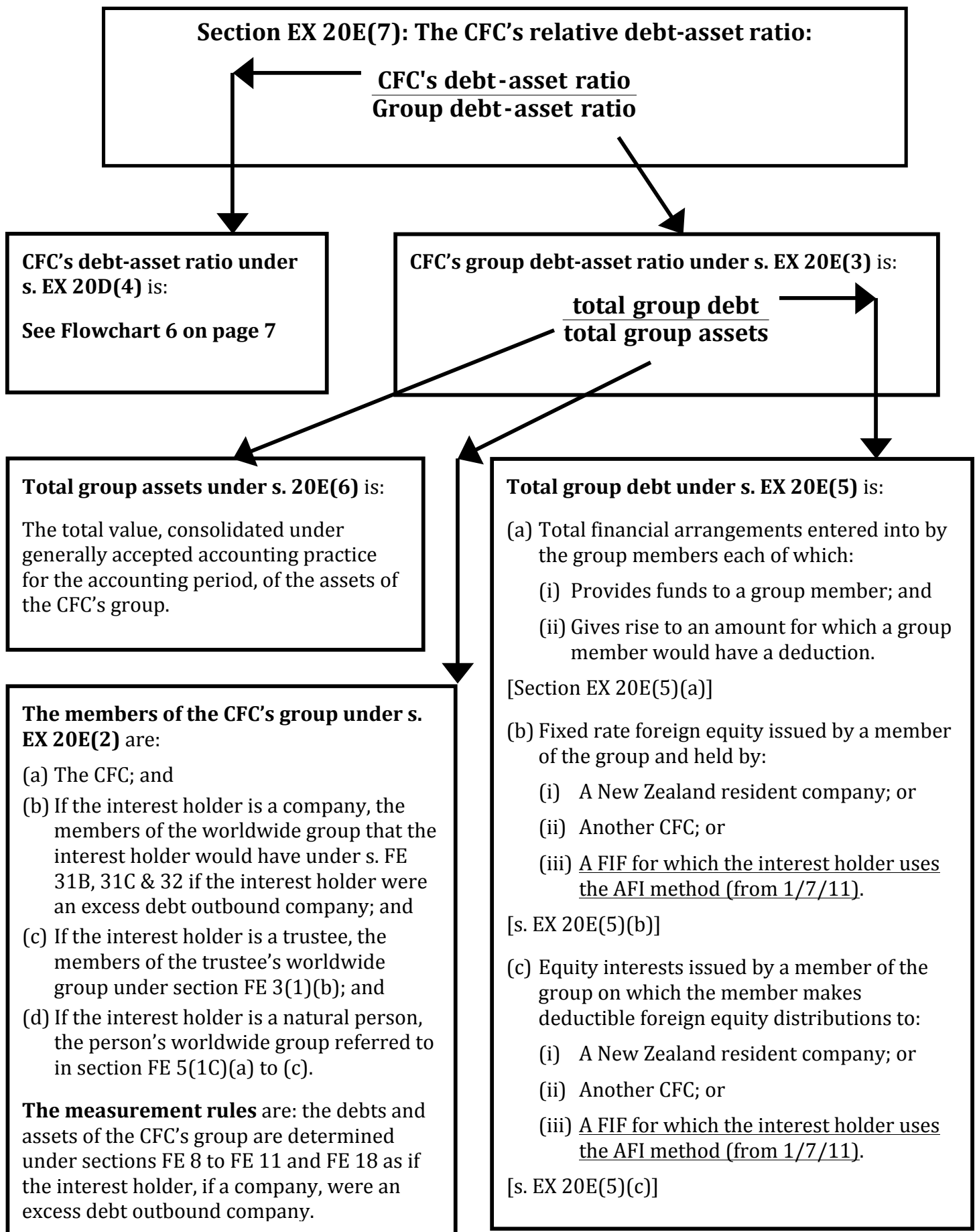
FLOWCHART 5: DETERMINING IF THE CFC IS EXCESSIVELY DEBT FUNDED



FLOWCHART 6: CFC's DEBT-ASSET RATIO



FLOWCHART 7: CFC's RELATIVE DEBT-ASSET RATIO



FLOWCHART 8: OTHER DEDUCTIONS

