



CCH

a Wolters Kluwer business

New Zealand

Depreciation Rates

2011





CCH

a Wolters Kluwer business

New Zealand

Depreciation Rates

2011

常州大学图书馆
藏书章

CCH New Zealand Limited
PO Box 2378, Shortland Street
Auckland 1140
Telephone: 0800 500 224
www.cch.co.nz

About CCH

CCH New Zealand Limited is a leading provider of information services to accountants, lawyers and other business professionals. It is the preferred supplier of tax and company law information to the Inland Revenue Department. A trusted publisher and provider of workflow productivity tools, the company is focused on keeping its customers in touch with their changing legal obligations and helping them to succeed in the competitive business environment.

CCH is part of the global information services company, Wolters Kluwer NV, and has provided legal compliance resources to professional advisers for over 40 years. From its solid foundations in tax law, CCH has expanded over the years to publish in a wide range of legal areas, including company, business, employment, property and trusts. These resources are available online and in a variety of other formats, including CDs, books and loose-leaf binders.

If you would like to know more about CCH, please contact us on 0800 500 224, visit our Website at www.cch.co.nz or email nzsales@cch.co.nz.

IMPORTANT DISCLAIMER. No person should rely on the contents of this publication without first obtaining advice from a qualified professional person. This publication is sold on the terms and understanding that (1) the authors, consultants and editors are not responsible for the results of any actions taken on the basis of information in this publication, nor for any error in or omission from this publication; and (2) the publisher is not engaged in rendering legal, accounting, professional or other advice or services. The publisher, and the authors, consultants and editors, expressly disclaim all and any liability and responsibility to any person, whether a purchaser or reader of this publication or not, in respect of anything, and of the consequences of anything, done or omitted to be done by any such person in reliance, whether wholly or partially, upon the whole or any part of the contents of this publication. Without limiting the generality of the above no author, consultant or editor shall have any responsibility for any act or omission of any other author, consultant or editor.

©2011 CCH NEW ZEALAND LIMITED

Included within the copyrights vested in the publisher is copyright in the typography of the publication. All rights reserved. No part of this work covered by copyright may be reproduced or copied in any form or by any means (graphic, electronic or mechanical, including photocopying, recording, recording taping, or information retrieval systems) without the written permission of the publisher.

This edition published January 2011

ISBN: 978-0-86475-824-8

Foreword

CCH's *New Zealand Depreciation Rates* lists the depreciation rates used for calculating the depreciation of assets for tax purposes.

A review of the tax depreciation regime resulted in the enactment of the Taxation (Depreciation, Payment Dates Alignment, FBT, and Miscellaneous Provisions) Act 2006, which made significant changes to the regime. These changes applied for the 2005/06 and subsequent income years.

This book contains two sets of depreciation rates, for:

- assets acquired on or after 1 April 2005
- assets acquired before 1 April 2005

The Tax Working Group released papers proposing ways to increase revenue in New Zealand. One proposal was to make changes to the way property is taxed. This resulted in the removal of the tax depreciation allowance on buildings that do not in fact depreciate. The Taxation (Budget Measures) Act 2010 enacted a rate of depreciation of 0% for buildings with an estimated useful life of 50 years or more, and removed the 20% loading on certain assets acquired on or after 21 May 2010. Please read the "Update" section in this book for more details on these important changes.

In this edition, formatting enhancements enable easier location of categories within the tables. The alphabetical index to assets now incorporates page numbers for quick access to required items.

As always, new depreciation determinations will be issued after the publication of this book. Draft determinations that have been released, but not yet finalised, are not included in this edition. The rates contained in this edition are current as at 1 January 2011.

January 2011

CCH New Zealand Limited

Contents

	Page
Foreword	vii
Update	1
Commissioner's Table of Depreciation Rates	
Depreciation rates from 2005/06 income year	
— Industry categories.....	9
Depreciation rates from 2005/06 income year	
— Asset categories	101
Depreciation rates prior to 2005/06 income year	
— Industry categories.....	141
Depreciation rates prior to 2005/06 income year	
— Asset categories	217
Alphabetical listing of assets	249
Alphabetical index	253
Expenditure on land improvements — Schedule 20	331
Amortisation rates for listed horticultural plants	337
Amortisation rates for landfill cell construction expenditure	339

Update

The Commissioner's Table of Depreciation Rates lists the general economic and provisional depreciation rates set by the Commissioner. It includes all the current depreciation determinations made by the Commissioner since the original schedule of economic depreciation rates was issued as *Determination DEP1: Tax Depreciation Rates General Determination Number 1* by the Commissioner of Inland Revenue in *Tax Information Bulletin* Vol 4, No 9, Appendix, April 1993, pp 26–104 and Vol 4, No 11, Appendix C, June 1993. This schedule was substantially amended by *Determination DEP54: Tax Depreciation Rates General Determination Number 54*, issued by the Commissioner of Inland Revenue on 27 April 2006. See *Tax Information Bulletin* Vol 18, No 5, June 2006 at p 35.

For the purposes of this publication, CCH has prepared two consolidated schedules of depreciation rates. One schedule is for assets acquired before 1 April 2005 (or 19 May 2005 for buildings, including contracts of purchase entered into before 19 May 2005) (headed **Depreciation rates prior to 2005/06 income year**) while the other schedule is for assets acquired on or after 1 April 2005 and buildings acquired on or after 19 May 2005 (headed **Depreciation rates from 2005/06 income year**) and includes notes indicating the 2010 changes.

Taxation (Budget Measures) Act 2010

Depreciation changes contained in the May 2010 Budget were enacted in the Taxation (Budget Measures) Act 2010. These changes are as follows:

Depreciation rate for buildings

The rate of depreciation for buildings with an estimated useful life of 50 years or more (as set out in the Commissioner's depreciation determinations), such as rental housing and office buildings, will reduce to 0%, irrespective of when they were acquired. This change comes into effect from the 2011/12 income year.

Buildings that were previously considered to be structures, and were purchased on or before 30 July 2009, will continue to be treated as structures for tax depreciation purposes. Any improvements to these buildings made after 30 July 2009 will not receive the grand-parented treatment.

Depreciation loading for assets

Under the previous rules, depreciation loading increased the depreciation rate by 20% for qualifying items. This concession was available for items purchased during or after the 1995/96 year. Depreciation loading was introduced as an incentive to encourage New Zealand businesses to invest in new capital equipment. Because this concession was inconsistent with a broad-based low-rate tax system, the 20% depreciation loading has been removed for assets purchased after 20 May 2010. The economic rate of depreciation will apply.

Qualifying assets purchased or with binding contracts for purchase entered into on or before 20 May 2010 can continue to use the economic rate with loading.

Building fit-out

Accelerated depreciation may be claimed on the fit-out of commercial and industrial buildings.

Commercial fit-outs

At the time of Budget 2010 the Government announced a review of the tax treatment of commercial building fit-outs to ensure that depreciation allowances applied to commercial and industrial building fit-outs. Following this review, new rules in the Taxation (GST and Remedial Matters) Act 2010 have been enacted to ensure that the fit-out of commercial and industrial buildings continues to be depreciable (s DB 65). The law relating to residential fit-outs remains unchanged.

Residential fit-out is generally non-depreciable as set out in the Commissioner's interpretation statement IS 10/01, "Residential rental properties — depreciation of items of depreciable property". Items of fit-out that are shared between commercial and residential purposes — for example, lifts, electrical cabling, fire protection, sewerage and water reticulation in a mixed purpose building — are depreciable if the dominant purpose of the building is commercial. Fit-out used only for commercial purposes will be depreciable property.

The new rules recognise that there are commercial buildings that provide residential-type accommodation by excluding a number of these types of buildings from the meaning of "dwelling". This ensures that fit-outs associated with these buildings will continue to be depreciable. The types of buildings that are specifically excluded from the meaning of "dwelling" are hospitals, hotels, motels, inns, hostels or boarding houses, certain serviced apartments, convalescent homes, nursing homes or hospices, rest homes or retirement villages (from hospital care through to residential care facilities) and camping grounds.

A new rule allows commercial building owners who did not itemise building fit-out separately from the building at the time of acquisition to amortise up to 15% of the building's adjusted tax book value at 2% straight-line per year until the building is disposed of.

Section EE 47(2) has been consequentially amended. The definition of "building" in s YA 1 has been replaced, and definitions for "commercial building", "commercial fit-out", "dwelling", "independent living" and "plant" have been inserted. The amendments are effective on 1 April 2011 and apply from the 2011/12 income year.

Draft determination on campervans and motor homes

The Inland Revenue Department (IRD) released a draft depreciation determination ED0131, "Draft determination: Tax depreciation rates general determination" in October 2010. The draft determination proposes a general depreciation rate for campervans and motorhomes. It proposes the addition of two new asset classes of "Campervans acquired during or after the 2010/11 income year" and "Motorhomes acquired during or after the 2010/11 income year" to the "Leisure" industry category and the "Hire Equipment" and "Transportation" asset categories. In addition, the draft determination amends the existing general asset classes for "Campervans" in the "Leisure" industry category and the "Transportation" asset category to clarify that the general depreciation rate for campervans also applies to motorhomes acquired on or after 1 April 2005 but before the 2010/11 income year. The deadline for comment was 30 November 2010.

Meaning of "building"

On 30 April 2010, the IRD released interpretation statement IS 10/02, "Meaning of 'building' in the depreciation provisions". The interpretation statement sets out the Commissioner's view on the meaning of the term "building" for the purposes of the depreciation provisions contained in the Income Tax Act 2007.

For depreciation purposes, buildings are treated differently from other items of depreciable property. If an item of depreciable property is a building:

- a different depreciation rate may apply
- the 20% loading that applies to certain depreciation rates does not apply, and
- a deduction for a loss on items no longer used, or a deduction for a loss on disposal, cannot be claimed except in limited circumstances.

Case law indicates that a building within the ordinary or conventional meaning of that term generally has the following characteristics:

- A building is a structure of considerable size.
- A building is permanent in the sense that it is intended to last a considerable time.
- A building is permanent in the sense that it is designed to be located permanently on the site where it stands. A building is fixed to the land on which it stands. However, a building need not be legally part of the land on which it stands.
- A building is enclosed by walls and a roof.
- A building can function independently of any other structure. However, a building is not necessarily a physically separate structure.

The Commissioner's view is that the term "building" for the purposes of the depreciation provisions is the ordinary or conventional meaning without modification to exclude certain types of buildings.

Previously some items of depreciable property that are considered to be buildings under this interpretation statement may not have been treated as buildings for depreciation purposes.

As a result of this statement some asset classes in the Commissioner's Table of Depreciation Rates will be reviewed including the asset classes for carports (building and pads), buildings (portable) and site huts. Any changes to these asset classes will involve the issuing of new depreciation determinations. Any new depreciation determinations for economic rates will be issued in draft form for consultation.

Grandparenting certain buildings as structures

Following the release of the Commissioner's interpretation statement IS 10/02, "Meaning of 'building' in the depreciation provisions", legislation was enacted in the Taxation (Budget Measures) Act amending s YA 1 of the Income Tax Act 2007 to introduce a definition for buildings. This definition of "building" excludes "grandparented structures" (structures that were formerly not classified as buildings) from the common law meaning of "building". This definition is not intended to detract from the Commissioner's interpretation statement but is intended to grandparent investments, made before 30 July 2009, in certain types of structures from the depreciation rules applying to buildings. This means that certain buildings that have been treated as structures and were purchased on or before 30 July 2009 will continue to be treated as structures for tax depreciation purposes. Any improvements to these buildings made after 30 July 2009 will not receive this grandparented treatment.

Residential rental properties

Interpretation statement IS 10/01, "Residential rental properties — Depreciation of items of depreciable property", issued on 31 March 2010, contains guidelines on whether certain items may be depreciated separately or whether they form part of a building. The Commissioner concludes that:

...the approach to determine whether a particular item is part of or separate from the building, is to apply the following three-step test:

- Step 1:** Determine whether the item is in some way attached or connected to the building. If the item is completely unattached, then it will not form a part of the building. An item will not be considered attached for these purposes, if its only means of attachment is being plugged or wired into an electrical outlet (such as a freestanding oven), or attached to a water or gas outlet. If the item is attached to the building, go to step 2.

Step 2: Determine whether the item is an integral part of the residential rental property such that a residential rental property would be considered incomplete or unable to function without the item. If the item is an integral part of the residential rental property, then the item will be a part of the building. If the item is not an integral part of the residential rental property, go to step 3.

Step 3: Determine whether the item is built-in or attached or connected to the building in such a way that it is part of the "fabric" of the building. Consider factors such as the nature and degree of attachment, the difficulty involved in the item's removal, and whether there would be any significant damage to the item or the building if the item were removed. If the item is part of the fabric of the building, then it is part of the building for depreciation purposes."

Computer software

The cost of software is a capital expense and must be depreciated. The cost includes paying for rights to use, purchasing upgrades and developing in-house packages (see "Depreciation" in the "Business income tax" section on the IRD website www.ird.govt.nz).

Certain aircraft and motor vehicles

The rule covering the setting of depreciation rates for certain aircraft and motor vehicles in s EE 25D(2)(cb) and (3) of the Income Tax Act 2004 was clarified by amendments in the Taxation (Savings Investment and Miscellaneous Provisions) Act 2006 and in *Tax Information Bulletin* Vol 19, No 3, April 2006, which states:

The changes were necessary because they arguably applied to a broader class of motor vehicles and aircraft than was intended. These amendments ensure that only motor vehicles and aircraft that previously had residual values above 13.5 percent of cost can set their depreciation rates under section EE 25D.

Section EE 25D(2)(cb) excludes aircraft used for top-dressing or spraying. It is now clear that depreciation rates for aircraft used for these purposes is set under section EE 25B.

Section EE 25D(3) clarifies that the type of motor vehicle that this section applies to are vehicles designed exclusively or mainly to carry people, with seats for no more than 12 people.

The rules apply from the 2005–06 and later income years.

As a point of clarification, the Commissioner remains of the view that the estimated useful life of motor vehicles where the depreciation rate is set under section EE 25D remains five years. For aircraft where the depreciation rate is set under section EE 25D the estimated useful life remains 15 years. The clarification is necessary because estimated useful life is important when taxpayers are having to determine whether a lease is a finance or operating lease.

Expense items

“Expense” items were included in the determinations for completeness. However, there is no legislative basis for non-capital items to be included in determinations. Consequently, to ensure that the table is correct in terms of the legislation, these items have been removed by the Commissioner. The Commissioner stresses that correcting the table by removing these expense items does not affect the income tax treatment of their cost. They will continue to be fully deductible, subject to the usual deductibility tests that require a sufficient connection with an income-earning activity or business.

The items were removed from the table for one (or more) of the following reasons:

1. they are consumables and fully deductible for income tax purposes, or
2. the replacement of these items, when they are part of a larger item, would qualify as repairs and maintenance, or
3. the items are no longer in general use in the respective industries.

Note that if the “replacement” items in number 2 are first purchased as part of a larger capital asset, their cost will generally be included in the cost of the larger item and depreciated at the rate set for that larger item. In such cases the item is only expensed when it is later replaced.

The Commissioner is considering whether to update the “Computer” asset category in view of the length of time since the depreciation rates for this industry were set (1992) and the advancement in technology since then. If the update proceeds, the Commissioner will be consulting with the industry and, before any new rates (if any) are set, all taxpayers will have the opportunity to comment through the IRD’s public consultative process.

Source: *Tax Information Bulletin* Vol 20, No 8, September/October 2008.

Organisation of the schedules

There are two types of schedules — the industry categories schedule and asset categories schedule.

When assets are peculiar to one or two specific industries, they have been listed under that industry. When an asset is typically used in a variety of different industries (eg tanks, boilers and heaters), they have been listed under the general asset categories.

Within each category, the assets have been ordered so that:

- the depreciation rate at the beginning of each category is for assets which are not specifically listed in the category (default class)
- the assets specified within each category are listed alphabetically.

Some assets are listed under two or more industry categories. In some of these cases the depreciation rate is the same, and in other cases the depreciation rates are different, which reflects the different industrial environment in which the asset is used.

For each asset the following details are shown:

- The estimated useful life (EUL).
- The banded diminishing value depreciation rate.
- The equivalent banded straight line depreciation rate.

Where the IRD has used a residual value other than 13.5% in calculating the depreciation rate, a residual value of 25% has been used in the calculations.

Depreciation rates from the 2005/06 income year

For a schedule of current depreciation rates, see **Depreciation rates from 2005/06 income year** at p 9.

Depreciation rates prior to the 2005/06 income year

For the schedule of depreciation rates listed in *Determination* DEP1 that must be used for assets acquired before 1 April 2005 (or 18 May 2005 for buildings, including contracts of purchase entered into before 19 May 2005), see the schedule labelled **Depreciation rates prior to 2005/06 income year** at p 141.

How to use the depreciation schedules

Generally, the following rules apply:

- Where there is an appropriate industry category for your industry and an asset is specifically listed, then that depreciation rate is to be used.
- Where there is an appropriate asset category and the asset is specifically listed, use that depreciation rate.
- Where the asset is specifically listed under an industry category which is not the person's main industry, then that depreciation rate must be used if the asset in question is used in a similar way to how it is used in that industry.

Provisional determinations

Where there is no appropriate listing, an application may be made for a provisional depreciation rate. To apply to the Commissioner for a provisional depreciation rate, download the "Application for a provisional depreciation rate" form. Details on how to apply to the Commissioner for a provisional depreciation rate are available on Inland Revenue's website www.ird.govt.nz.

Depreciation rates from 2005/06 income year — Industry categories

Note: The 20% uplift does not apply for assets acquired on or after 21 May 2010.

Industry Categories	Est useful life	DV deprn rate (%)	DV +20% loading (%) (for assets acquired before 21 May 2010)	SL deprn rate (%)	SL +20% loading (%) (for assets acquired before 21 May 2010)
AGRICULTURE, HORTICULTURE AND AQUACULTURE					
Agricultural and horticultural machinery (default class)	15.5	13	15.6	8.5	10.2
Aeroplanes (top dressing and spraying) and specialised attachments	10	20	24	13.5	16.2
Automated dairy drafting systems	6.6	30	36	21	25.2
Beekeeping equipment	12.5	16	19.2	10.5	12.6
Bush cutters	5	40	48	30	36
Chainsaws	3	67	80.4	67	80.4
Cherrypickers	12.5	16	19.2	10.5	12.6
Cleaning machinery	15.5	13	15.6	8.5	10.2
Compressor (refrigerant)	12.5	16	19.2	10.5	12.6
Crates (cattle)	10	20	24	13.5	16.2
Crates (pig)	10	20	24	13.5	16.2
Crates (sheep)	10	20	24	13.5	16.2
Cultivators (rotary)	5	40	48	30	36
Dairy shed and yard (including pipe work bails, railings and gates)	33.3	6		4	
Egg crates	3	67	80.4	67	80.4
Equestrian Arena consisting of permanent construction materials (excluding the base course)	12.5	16	19.2	10.5	12.6
Feeders (forage)	12.5	16	19.2	10.5	12.6
Grader (capsicums)	8	25	30	17.5	21
Graders (tomatoes)	8	25	30	17.5	21

Note: The 20% uplift does not apply for assets acquired on or after 21 May 2010.

Industry Categories	Est useful life	DV deprn rate (%)	DV +20% loading (%) (for assets acquired before 21 May 2010)	SL deprn rate (%)	SL +20% loading (%) (for assets acquired before 21 May 2010)
Grading machinery	15.5	13	15.6	8.5	10.2
Harness	5	40	48	30	36
Harvesters	15.5	13	15.6	8.5	10.2
Haybalers	12.5	16	19.2	10.5	12.6
Hi-trim shelter trimmer (including sub-frame)	10	20	24	13.5	16.2
Hop kilns	15.5	13	15.6	8.5	10.2
Irrigation piping (above ground)	15.5	13	15.6	8.5	10.2
Irrigation pumps (above ground)	15.5	13	15.6	8.5	10.2
Irrigators (travelling)	10	20	24	13.5	16.2
Isolating transformers	8	25	30	17.5	21
Kennels (dogs)	5	40	48	30	36
Lawnmowers (domestic type used by lawnmowing contractors)	2	100	100	100	100
Lawnmowers (non-domestic type used by lawnmowing contractors)	5	40	48	30	36
Milk storage vat/silo	15.5	13	15.6	8.5	10.2
Milking plant	12.5	16	19.2	10.5	12.6
Mowers (gang and PTO type)	12.5	16	19.2	10.5	12.6
Mulchers (commercial)	4	50	60	40	48
Pig feeding plant	8	25	30	17.5	21
Pig watering systems	20	10	12	7	8.4
Plant supports (hanging retractable wire)	5	40	48	30	36
Plant trolleys	5	40	48	30	36
Post hole borers (except PTO type)	5	40	48	30	36

Note: The 20% uplift does not apply for assets acquired on or after 21 May 2010.

Industry Categories	Est useful life	DV depn rate (%)	DV +20% loading (%) (for assets acquired before 21 May 2010)	SL depn rate (%)	SL +20% loading (%) (for assets acquired before 21 May 2010)
Post hole borers (PTO type)	12.5	16	19.2	10.5	12.6
Poultry equipment	12.5	16	19.2	10.5	12.6
Rifles (less than 10,000 rounds per year)	6.6	30	36	21	25.2
Rifles (greater than 10,000 rounds per year)	2	100	100	100	100
Rollers	12.5	16	19.2	10.5	12.6
Rotary dairy shed milking platforms (turntables)	25	8	9.6	6	7.2
Saddlery	5	40	48	30	36
Shearing equipment	8	25	30	17.5	21
Shellfish nets	4	50	60	40	48
Shellfish ropes	4	50	60	40	48
Shellfish stakes	4	50	60	40	48
Shotguns (greater than 50,000 rounds per year)	2	100	100	100	100
Shotguns (less than 50,000 rounds per year)	6.66	30	36	21	25.2
Sorting machinery	15.5	13	15.6	8.5	10.2
Sprayers (backpack)	5	40	48	30	36
Sprayers (mobile crop)	12.5	16	19.2	10.5	12.6
Sprayers (mobile weed)	12.5	16	19.2	10.5	12.6
Spreaders	12.5	16	19.2	10.5	12.6
Teat sprayers (automatic)	6.66	30	36	21	25.2
Tools (hand)	3	67	80.4	67	80.4
Tools (power)	3	67	80.4	67	80.4
Tractor drawn implements ..	15.5	13	15.6	8.5	10.2
Tractors (wheeled)	15.5	13	15.6	8.5	10.2
Trough covers (polyethylene)	5	40	48	30	36
Wash-down unit	10	20	24	13.5	16.2

Note: The 20% uplift does not apply for assets acquired on or after 21 May 2010.

Industry Categories	Est useful life	DV depr rate (%)	DV +20% loading (%) (for assets acquired before 21 May 2010)	SL depr rate (%)	SL +20% loading (%) (for assets acquired before 21 May 2010)
Wash-down unit (portable) .	3	67	80.4	67	80.4
Water heaters	12.5	16	19.2	10.5	12.6
Wintering pads (rubber)	6.66	30	36	21	25.2
Woven reflective mulch	3	67	80.4	67	80.4
AUDIO AND VIDEO RECORDING STUDIOS AND PROFESSIONAL PHOTOGRAPHY					
Audio and video recording and photographic equipment (default class)	5	40	48	30	36
Amplifiers	5	40	48	30	36
Autocue machines	5	40	48	30	36
Cassettes	2	100	100	100	100
Compact disc players	5	40	48	30	36
Compact discs	2	100	100	100	100
Copyright in sound recordings produced or purchased on or after 1 July 1997	1	100	100	100	100
Digital versatile disc players (DVD) players	5	40	48	30	36
Digital versatile discs (DVDs)	2	100	100	100	100
Editing equipment	5	40	48	30	36
Equalisers	5	40	48	30	36
Lighting and accessories	5	40	48	30	36
Masters	2	100	100	100	100
Media	2	100	100	100	100
Microphones	5	40	48	30	36
Mixers	5	40	48	30	36
Monitors	5	40	48	30	36
Photography equipment (professional)	5	40	48	30	36
Receivers	5	40	48	30	36