

**EXPOSURE DRAFT - FOR COMMENT AND DISCUSSION ONLY**

Deadline for comment: **29 February 2024**

Please quote reference: **ED00253**

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**DETERMINATION** > DEPRECIATION > GENERAL

# **Tax Depreciation Rate for metal (scrap) recovery plant**

Issued: DD MM YYYY

**DEPXXX**

This determination proposes a revised depreciation rate for metal (scrap) recovery plant and a change to the asset class description.

## Note to Determination DEPXXX:

The Commissioner has been asked to consider a depreciation rate for a scrap metal shredder including sorting plant components, used to process larger items of scrap metal that do not represent recycled general household waste material.

### What is the asset?

A metal (scrap) recovery plant (now replaced by a new asset class for “scrap metal shredder including sorting plant”) likely includes a number of components in a plant process used to recover recycled scrap metal. A shredder or hammer-mill is only one of the important early-stage components. A “scrap metal shredder including sorting plant” may include other components which have the purpose of sorting the different streams of metal and removing unwanted rubbish. The purpose of a shredder or hammer-mill (when used) is to break scrap metal down into small pieces of a suitable size for smelting, whereas the wider plant operation may include other components to separate the various types of metals from the scrap source and dispose of the unrecyclable materials. The other components of the plant process, for example, may include electromagnets to sort ferrous materials and eddy current generators to sort non-ferrous metals, vibrating screens, conveyors, blowers, dust collection systems or any of the other components of the sorter. It operates as a system, and “scrap metal shredder including sorting plant” is an accurate description of its purpose and what it is.

### Industry category

The Cleaning, Refuse and Recycling industry category asset category in the Commissioner’s Table of Depreciation Rates, simply groups together different industry activities that may employ similar assets, to avoid repetition of the assets and rates elsewhere. The grouping does not imply that a business in one activity is necessarily engaged in all of the varied activities grouped under the industry category. For example, a waste collection operator may only be engaged with processing metal scrap for sale to another industry (manufacturer or metal smelter operators) but not involved with the collection of household refuse that is sent to a general waste landfill.

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# Determination DEP XXX: Tax Depreciation Rates

## General Determination Number XXX

This determination may be cited as “Determination DEPXXX Tax Depreciation Rates General Determination Number DEPXXX: Scrap metal shredder including sorting plant.

### 1 Application

This determination applies to taxpayers who own items of depreciable property of the kind listed in the table below:

This determination applies for the 2024 and subsequent income years.

### 2 Determination

Pursuant to section 91AAF of the Tax Administration Act 1994, the general determination will apply to the kind of items of depreciable property listed in the table below by:

- Delete from to the “Cleaning, Refuse and Recycling” industry category, the estimated useful life, and general diminishing value and straight-line depreciation rates for the asset class listed below:

Asset class	Estimated useful life (years)	DV rate (%)	SL rate (%)
“Metal (scrap) recovery plant”, from the 2024 income year.	20	10	7

Add to the “Cleaning, Refuse and Recycling” industry category, the estimated useful life, and general diminishing value and straight-line depreciation rates for the asset class listed below:

Asset class	Estimated useful life (years)	DV rate (%)	SL rate (%)
“Scrap metal shredder including sorting plant”, from the 2024 income year, - previously described as “metal (scrap) recovery plant”.	15.5	13	8.5

### 3 Interpretation

In this determination, unless the context otherwise requires, words and terms have the same meaning as in the Income Tax Act 2007 and the Tax Administration Act 1994.

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