

**DETERMINATION** > DEPRECIATION > GENERAL

## **Tax Depreciation Rate for gaming machines (electronic)**

Issued: 8 September 2023

**DEP110**

This determination sets an updated depreciation rate for gaming machines (electronic) used in the ordinary course of business.

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## Note to Determination DEP110:

The Commissioner was asked to reconsider what depreciation rate should apply for gaming machines (electronic), used by the leisure industry. This asset class had an estimated useful life of 5 years and depreciation rates of 40% diminishing value and 30% straight line, set 30 years ago. Determination DEP110 extends the estimated useful life for these assets from 5 to 6.66 years, to reflect technology advancements and industry practice.

The determination does not extend to gambling machines that are covered by a separate asset class of "Gambling machines (electronic)" for depreciation purposes.

### What is the asset?

Gaming machines (electronic) include games ranging from electro-mechanical gaming machines (for example, pinball and air hockey) to the newer gaming machines with virtual reality features, large screens or that interact with the player physically. These games can be physically large, complex and have tangible/mechanical and intangible computerised/software aspects that can be updated to further improve player experience and prolong the life of the asset.

### Transition to proposed new depreciation rate

In response to these technological advancements as well as the ability to upgrade the game's incorporated software (that enable the life of the asset to be prolonged), it is the Commissioner's view that there is an increase to the estimated useful life for these assets including the incorporated software. This has the effect of decreasing the amount of depreciation loss able to be claimed on these assets by taxpayers. Where an amount of depreciation loss decreases, s 91AAF(3) of the Tax Administration Act 1994 applies and the Commissioner cannot express the new rate to apply to items that are already subject to the old rate, called a grandparenting provision (this is also subject to the acquisition rules in s 91AAF(3)(b)). The former rate will continue to apply to an asset acquired prior to the date of this determination.

# Determination DEP110: Tax Depreciation Rates

## General Determination Number 110

This determination may be cited as "Determination DEP110 Tax Depreciation Rates General Determination Number DEP110: Gaming machines (electronic) available for use in the ordinary course of business.

### 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 2023/24 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:

- Adding into the "Leisure" industry category, the amended 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 (%)
Gaming machines (electronic)	6.6	30	21

### 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.

Dated at Wellington on 8 September 2023.

Matthew Evans  
Technical Lead  
Technical Standards, Legal Services