

Part Three - Assets Acquired During Transitional Period

Chapter Eight - Assets acquired after 31 March 1993 but before the end of the 1994-95 income year

8.1 Qualifying assets

Between 1 April 1993 and the end of your 1994-95 income year is a transitional period, where the previous depreciation rates are phased out and the new economic rates are introduced.

Generally for assets acquired during this period you have a choice of which rate to use to calculate depreciation.

If you have a late balance date (i.e. 1 April to 30 September) you may use the depreciation calculated under these rules in your 1992-93 return for assets purchased after 1 April 1993.

These rules also apply to assets which were depreciated in your 1992-93 income tax return using one of the following :

- Standard value method
- Replacement value method
- Annual revaluation method.

These assets are able to be depreciated in the 1993-94 and subsequent income years using the new rules. This is to minimise compliance costs and more specifically, to allow them to be pooled with similar assets acquired on or after 1 April 1993.

8.2 New assets acquired

These are either:

- New assets never used before in New Zealand or elsewhere
- Imported second hand assets used in New Zealand for the first time

Specific exclusions are:

- Imported used cars
- Buildings
- Software (see section 5.4)
- Intangible assets (see section 5.3)

The rates to be used are either one of the following:

- The rates shown in section 7.2 including the 25% loading, (i.e. columns 2 and 4), and including any shift allowance if applicable
- The economic rate as listed in section 10.5

8.3 Other assets acquired

Second hand assets, imported cars and buildings are to be depreciated using either:

- The rates list in section 7.2 excluding the 25% loading (i.e. columns 1 & 3), and including any shift allowance if applicable
- The economic rates as listed in section 10.5

Part Four - Rates for 1995-96 and Future Years

Chapter Nine - Assets acquired in the 1995-96 and future income years

9.1 New assets acquired

These are assets which are either:

- New assets never used before in New Zealand or elsewhere
- Imported second hand assets used in New Zealand for the first time, but excluding imported used cars, buildings, intangible assets (see section 5.3) or software (see section 5.4).

Assets in this category are depreciated at the economic rate plus a 20% loading. The banded economic rates including the 20% loading are listed opposite.

Banded DV rate %	with 20% loading %	Banded SL economic rate %	with 20% economic loading %
2.0	2.4	1.5	1.8
4.0	4.8	3.0	3.6
6.0	7.2	4.0	4.8
7.5	9.0	5.5	6.6
9.5	11.4	6.5	7.8
12.0	14.4	8.0	9.6
15.0	18.0	10.0	12.0
18.0	21.6	12.5	15.0
22.0	26.4	15.5	18.6
26.0	31.2	18.0	21.6
33.0	39.6	24.0	28.8
40.0	48.0	30.0	36.0
50.0	60.0	40.0	48.0
63.5	76.2	63.5	76.2

9.2 Other assets acquired

Second hand property, imported used cars and buildings acquired at any time after the start of your 1995-96 income year are depreciated at the new rates. These are listed in section 10.5.

9.3 International aircraft

The annual depreciation rate for passenger international aircraft acquired in the 1995-96 or future income years is 15% diminishing value or 10% straight line.

Chapter Ten - Schedule of rates

10.1 Organisation of the schedule

The schedule has two types of categories:

- Industry categories
- Asset categories.

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 (for example, tanks, boilers and heating), 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, as used in the formula for calculating the diminishing value rate (as explained in section 3.1)
- The banded diminishing value depreciation rate
- The equivalent banded straight line depreciation rate.

Where we've used a residual value other than 13.5% in calculating the depreciation rate, the asset has been marked with an asterisk. In these cases a residual value of 25% has been used in the calculations.

10.2 How to use the depreciation schedule

Generally the following rules apply:

Where there is an appropriate Industry Category for your industry and an asset is specifically listed, use that depreciation rate.

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 your main industry, you must use that depreciation rate if you use the asset in a similar way to how it is used in that industry.

Finding the right rate

Follow these steps to find the depreciation rate for an asset:

1. See the Industry Category index on page 26.
 - *If there is not an appropriate Industry Category, go to step 2.*
 - *If there is an appropriate Industry Category, go to the listed page.*
 - If the asset is specifically listed on that page, use the depreciation rate shown.
 - If the asset is not listed go to step 2 (don't use the rate for the default class at this stage).
2. See the Asset Category index on page 26.
 - *If there is no appropriate Asset Category, go to step 3.*
 - *If there is an appropriate Asset Category, go to the listed page.*
 - If the asset is specifically listed on that page, use the depreciation rate shown (do not use the rate for the default class at this stage).
 - if the asset is not listed on that page, go to step 3.
3. See the alphabetical listing of assets in section 10.6 on page 68.
 - *If the asset is not listed go to step 4.*
 - *If the asset is listed see the Industry Category for which the asset is listed, and use that rate. (If the asset is listed under more than one industry, use the industry which is most appropriate to your industry.)*
4. Refer back to the Asset Category index on page 26.
 - *If there is an appropriate Asset Category, use the rate for the default class.*
 - *If there is no appropriate Asset Category, go to step 5.*
5. See the Industry Category index on page 26.
 - *If there is an appropriate Industry Category, use the rate for the default class.*
 - *If there is no appropriate Industry Category, go to step 6.*
6. Apply for a provisional rate. See section 3.5 for details.

10.3 Index to Industry Categories

Industry Category	Page
Agriculture, horticulture and aquaculture	27
Audio and video recording studios, and professional photography	28
Bakeries	28
Battery manufacturing	28
Brewing, winemaking and distilleries	28
Cable making	30
Cement manufacturing	30
Chemical plant (including soap, detergent, paint, glue, starch, colour, personal products and fertiliser)	30
Cigarette manufacturing	31
Cleaning, refuse and recycling	32
Concrete and plaster	32
Contractors, builders and quarrying	32
Dairy plant	33
Electrical and electronic engineering (for test equipment, see also "scientific, medical and laboratory")	34
Engineering (including automotive	35
Fishing (see also "meat and fish processing")	36
Food processing	37
Footwear manufacturing	38
Glass	39
Hotels, motels, restaurants, cafes, taverns and takeaway bars	39
Laundry	40
Leisure	41
Manufacturers (not elsewhere specified)	43
Meat and fish processing	43
Metal industries (primary) and foundries	44
Milling (including grain handling and seed cleaning)	44
Mining (see also "contractors, builders and quarrying")	45
Oil and gas industry	46
Packaging (excluding plastic packaging)	46
Pharmaceuticals	47
Plastics	47
Pottery, tile and brick making	48
Power generation and electrical reticulation systems	48
Printing and photographic	49
Pulp and paper manufacturing	50
Rubber and tyre manufacturing	51
Shops	51
Tanning and fellmongering	52
Telecommunications (see also telephone systems under "office")	53
Textile, garment and carpet manufacturing	53
Timber and joinery industries	54

10.4 Index to Asset Categories

Industry Category	Page
Boilers and heaters (where not industry specified)	56
Books, music, manuscripts and works of art	56
Buildings and structures	56
Building fit-out (where in books separately from building cost)	57
Clothing	58
Compressed air plant (where not industry specified)	59
Computers	59
Factory and other sundries	59
Hire equipment	60
Lifting	61
Office equipment and furniture	61
Pumping sets (where not industry specified)	62
Refrigeration	62
Reticulation systems including power generation ..	63
Scientific, medical and laboratory equipment	63
Software	64
Tanks, vats and reservoirs (where not industry specified)	64
Transportation	65
Water and effluent treatment	67
Weighing machines (where not industry specified)	67

10.5 Economic depreciation rates

Determination DEP1

This determination may be cited as "Determination DEP1: Tax Depreciation Rates General Determination Number 1".

1. Application

This determination shall apply to every item of depreciable property acquired on or after 1 April 1993.

2. Determination

Pursuant to section 108C of the Income Tax Act 1976 I have determined the basic economic depreciation rates for all depreciable property other than fixed life intangible property or excluded depreciable property to be the rates specified in the schedule to this determination.

3. Interpretation

In this determination, unless the context otherwise requires, expressions have the same meaning as in the Income Tax Act 1976.

This determination is signed by me on the 5th day of April 1993.

D R Henry
Commissioner of Inland Revenue