



● Please read the notes on the back to help you fill in this form. *Income Tax Act 1994 and Income Tax (Depreciation Determinations) Regulations 1993*

Applicant's details

Taxpayer's full name

IRD number

Address

Phone number () Fax number ()

Contact person for enquiries

Asset details (see note 1)

Date you acquired the asset

Describe the type of asset

Describe the industry

Describe the physical environment

day month year

General depreciation rate

Find the industry or asset category and the asset class which most closely describes this type of asset. Use the general depreciation determinations (such as determination DEP1 – see note 2).

Industry/asset category

Asset class

General depreciation rate % DV **or** % SL

Accounting depreciation rate (see note 3)

● If you are making this application for an individual business, show the asset description and the accounting depreciation rate as used for financial reporting by your business.

Accounting depreciation rate

Description of asset % DV **or** % SL

● If you are making this application for an industry group, please provide the following details for three business taxpayers who use this asset within the industry described above.

Accounting depreciation rate

Taxpayer's name % DV **or** % SL

Accounting depreciation rate

Taxpayer's name % DV **or** % SL

Accounting depreciation rate

Taxpayer's name % DV **or** % SL

Reasons for application (see note 4)

Depreciation rate requested (see note 5)

Cost of asset \$

Residual value (tick one) Less than or equal to 13.5% of cost Estimated residual market value (show percentage) % of cost

Estimated useful life of asset years Depreciation rate applied for % DV

From which income year do you wish this rate to apply? 199 / 200

Declaration The details contained in this application are true and correct.

I/We consent to the Commissioner referring the information contained in this application to a consultant to provide professional advice in order to make a determination under section EG12 of the Income Tax Act 1994.

Signature

Date

Notes

Provisional depreciation rates

You should apply for a provisional depreciation rate if the asset classes for the general rates (excluding the first default class in each category) do not appropriately cover your asset. Examples are, an asset which is new to the New Zealand economy (i.e. invented or imported), or an asset class which has been missed from the classes for general rates.

Provisional rates are set for classes of assets based on typical usage patterns within the industry. Please give details for several assets within the asset class, rather than for a specific asset, where possible.

A provisional rate is set for use by all taxpayers who own that class of asset. An individual business or industry group may apply for a provisional rate. There are no fees payable for this application.

Note 1 – Asset details

Asset – Name and describe the type of asset. Describe the design and construction, including the type and amount of materials of which it is made. Attach the manufacturer's specifications and illustrations (if available). Describe what the asset does and what it produces (if anything).

Industry – Name and describe the industry or industries which use this type of asset.

Physical environment – If this type of asset is likely to be exposed to sun, salt water, abrasives, chemicals and/or other environmental influences, describe what effect these influences might have on the asset over a specified period. Describe what steps the industry usually takes to protect and shelter this type of asset against these influences.

Note 2 – Determination DEP1

Determination DEP1: Tax Depreciation Rates General Determination Number 1 is published in the Appendix to *Tax Information Bulletin* Volume Four Number 9 (April 1993).

Note 3 – Accounting depreciation rate

Provide a copy of any evidence which shows the depreciation rate used in your financial accounts, such as accounting policy, notes to your accounts, extract from your fixed asset register.

Note 4 – Reasons for application

Explain why the closest asset class is not suitable. Examples of reasons are:

- the most applicable asset class is the default asset class
- the general asset class is too broad
- the asset class is not included in the appropriate industry or asset category.

Note 5 – Depreciation rate requested

General, provisional and special depreciation rates are calculated using the diminishing value formula:

$$DV \text{ rate} = 1 - \left(\left(\frac{\text{residual value}}{\text{cost}} \right)^{\frac{1}{n}} \right)$$

Where n = the estimated useful life

The three variables in the formula are estimated typical amounts for the class of asset.

Cost – estimate the typical cost of one asset in the class. Do not include GST in the cost.

Estimated useful life – State the estimated useful life of the asset in years. Estimated useful life is the length of time an asset might be used in a business in New Zealand, bearing in mind such factors as wear and tear, the passage of time, exhaustion and obsolescence. You must also take into account normal and reasonable maintenance over the expected life of the asset.

You must estimate the years the asset is expected to be owned by all businesses in New Zealand (first owner, plus second owner etc). For example, assuming your usual practice is to buy a new asset and use it for five years, and you expect another New Zealand business to buy it and use it for a further five years and then scrap it, then the estimated useful life is 10 years.

Estimated residual market value – The residual market value is an estimate made at the date of acquisition. It must be a reasonable estimate of the asset's GST-exclusive market value at the end of its estimated useful life. The estimate must take into account normal and reasonable maintenance.

Tick to indicate whether you estimate this is less than or equal to 13.5% of cost (GST-exclusive). If your estimated residual market value is greater than 13.5%, show the percentage.

Supporting evidence

Attach working papers and other evidence supporting your calculations.

- Provide summary data of cost, useful life and residual value to support your estimates in working out the depreciation rate. Provide data for assets which have been scrapped, and for assets which are in use and are part-way through their productive lives.
- Provide copies of any pamphlets, literature or other evidence on this asset from manufacturers, valuers, architects, engineers, or other consultants.

Withdrawal

You may withdraw an application at any time.

Notification

We will prepare a draft determination and send it to you. At the same time you will be invited to request a conference to discuss the draft determination. After the conference has been held, or if no conference is called, the determination will be finalised.

Within six months of receiving this application we will:

- issue the determination you have applied for, or
- notify you of our decision not to issue a determination.

Within 30 days of issuing or deciding not to issue a determination we will give written notice:

- that we have issued the determination you have applied for, and send you or your representative a copy of the determination, or
- of the reasons for not issuing the determination.

Please return the completed application form to: Assistant General Manager, Adjudication and Rulings, National Office, Inland Revenue Department, PO Box 2198, WELLINGTON.