

Independence without compromise



We are now offering Commercial and Industrial Property Depreciation Analysis

Reintroduction of Commercial and Industrial Building Depreciation- From 1 April 2020

From the 2020-21 the Inland Revenue Department (IRD) will recognise income year tax depreciation deductions claimed for commercial and industrial buildings, but not on residential buildings. Any seismic strengthening costs are also eligible to be included in the depreciable value. Previously, tax depreciation on all buildings was 0% because of 2011 tax changes.

The definition of residential buildings include dwellings, houses, apartments that are re owner-occupied, rented or used primarily as a place of residence, and short-term accommodation which has less than four units on the property.

Darroch are well placed to assist owners with depreciation analysis. We have national reach to enable us to assist clients throughout the country.

As depreciation is a deduction from taxable income a property depreciation analysis report can provide direct cash flow benefits which will continue every year until the property is sold.

How the Depreciation will work ?

From 1 April 2020 commercial and industrial buildings will be depreciable at 2% on a diminishing value basis and 1.5% on a straight line basis.

How can Darroch assist my depreciation claim ?

Our qualified valuers will carry out a detailed inspection of the property and separately apportion the cost of the building according to asset categories and depreciation rates prescribed by the IRD.

Does the building have to be new ?

No. Darroch can carry out the analysis on new, old and refurbished buildings.

How much will the analysis cost ?

Every building is unique – in each case Darroch will provide a no-obligation quotation. This is a once only expenditure which will provide benefits year after year until the property is sold.

What happens when the building is sold?

When the building is sold the depreciation claimed may then be assessable depending upon the sale price and how it is apportioned.

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Set out below is a simplified example:

Depreciation claim *without* a Darroch analysis:

The purchase price (cost) of the property including land	\$3,500,000
Total cost of improvements (building, structure, services and fitout)	\$2,500,000
Total first year depreciation claim (2%)	\$50,000

Depreciation claim *with* a Darroch analysis:

The purchase price (cost) of the property including land	\$3,500,000
Total cost of improvements (building, structure, services and fitout)	\$2,500,000
Structure (proportion)	\$1,500,000
First year depreciation on structure (2% depreciation)	\$50,000
Services and fitout (proportion)	\$1,000,000
First year depreciation on services and fitout (say 12% average)	\$80,000
Total first year depreciation claim with cost apportionment	\$110,000

Increased first year depreciation claim (\$110,000 - \$50,000)	\$60,000
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This example illustrates that for a property purchased for \$3,500,000, a depreciation analysis can increase the depreciation claim in the first year from \$50,000 to \$110,000.

The amount of depreciation expense claimable will be in proportion to the value of the building and the amount of building fitout and services.

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Darroch Overview

Darroch is a leading property valuation firm that has been operating across the New Zealand market for over 40 years with offices nationally.

Personnel

Darroch personnel are professionally qualified and experienced specialist valuers and research analysts, who provide a leading professional real estate and asset valuation service to our clients. We have an in-house capability for any property related matter.

Client We understand each client has individual requirements and we aim to focus on providing a tailored solution to support your property needs. We want to maintain enduring relationships with our property partners and we can only achieve this by focussing on your requirements. We listen, engage and deliver in a timely and efficient manner

Reporting

In consultation with you we will provide a reporting format which best suits your requirements. We will make every effort to ensure that our valuation reports meet the highest industry standard by constantly monitoring and innovating our formats and analysis.

Areas of expertise

- Market valuations for mortgage finance, sale and purchase purposes etc;
- Portfolio and individual asset valuations for financial reporting purposes;
- Rental assessments for reviews and consultancy;
- Reinstatement insurance valuations;
- Leasehold - Lessee's and lessor's interest valuations;
- Feasibility analysis and studies;
- Unit Entitlement Assessments;
- Tax depreciation apportionments and schedules.

Darroch welcome an opportunity to discuss your requirements

To find out more about our full range of property, investment and business solutions, please contact an office near you.

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