

House of Representatives

Supplementary Order Paper

Wednesday, 30 March 2016

Building (Earthquake-prone Buildings) Amendment Bill

Proposed amendment

Ron Mark, in Committee, to move the following amendment:

New clause 41C

After *clause 41B* (page 46, after line 25), insert:

41C Consequential amendment to Income Tax Act 2007

- (1) This section amends the Income Tax Act 2007.
- (2) In section DA 2(1), after “capital nature”, insert “, unless they are seismic works where an EPB notice has been issued for the building under **section 133AK** of the Building Act 2004”.

Explanatory note

This Supplementary Order Paper inserts *new clause 41C* to redress significant tax disadvantages faced by commercial, industrial, retail, and heritage property owners when looking to bring buildings above the earthquake-prone building threshold required by this Bill. Major chartered accountants (like KPMG and others), property owners, and even Local Government New Zealand have been outspoken in their belief that Inland Revenue is inconsistently treating the tax deductibility of business costs by considering seismic works to be a capital expense for tax purposes. As the Property Council of New Zealand noted in its April 2014 submission: “The expenditure required to remedy this will not increase the value of the building, on the basis that earthquake strengthening will not qualitatively change the function of the building (i.e. will generally not result in a higher rental stream)... . In short, expenditure on earthquake strengthening is largely made to mitigate a loss in economic value, not enhance to the value of a building”. Without this consequential amendment, many build-

ings may be demolished without replacement, creating blight in areas of lower capital value.
