



HEAD OFFICE

INLAND REVENUE DEPARTMENT

WELLINGTON

PUBLIC INFORMATION BULLETIN NO. 4

SPECIAL AND INITIAL DEPRECIATION

Statement by Minister of Finance

Companies -

In accordance with a statement made by the Minister of Finance on 3 December 1963 companies will be allowed special and initial depreciation in future (commencing from the income year ending 31 March 1964, or equivalent balance date) without the former requirement that the amounts be written off in the company's books of account.

A condition imposed is that the Department is to be satisfied that the company's accounts adequately disclose the position. This could be met either by -

- a note to the company's balance sheet that special (and/or initial) depreciation of £x has not been written off in the company's accounts but has been taken into account in calculating the tax provision, which has accordingly been reduced by £y or,
- a certificate from the company's auditor attached to the company's return of income that there has been an adequate disclosure of the effect of not writing off the depreciation.

Ordinary depreciation -

The position regarding ordinary depreciation for companies is unchanged i.e. the allowance on all assets (including buildings) is dependent upon a write-off in double entry accounts.

Depreciation Schedules -

Depreciation schedules furnished with company returns will be required to show depreciation (including special and initial) and diminishing values of assets on the same basis as formerly.

Individual taxpayers -

Individual taxpayers are not affected by the change and the existing position is maintained, as follows:

- Ordinary depreciation on buildings - Double entry accounts not required. Allowable if claim is made on appropriate part of return form.
- Initial depreciation (or alternative special depreciation) on buildings for employee accommodation - Same as for ordinary depreciation on buildings except that where double entry books are not kept an adequate record or memorandum account must be kept showing the date of purchase, cost price, and description of the building.
- Other Assets - Allowance subject to writing off in double entry accounts except where the taxpayer operates a single asset e.g. a taxi owner with one taxi.

Minister's Comment -

In his statement the Minister of Finance said the decision implemented a recommendation of the Export Development Conference and that it was expected that the proposal would enable companies to take full advantage of the Government's incentives for development and growth without unduly distorting their current trading results.

December 1963.

Inland Revenue Department.