

House of Representatives
Supplementary Order Paper

Tuesday, 26 July 2005

**Taxation (Depreciation, Payment Dates Alignment, FBT, and
Miscellaneous Provisions) Bill**

Proposed amendments

Hon Dr Michael Cullen, in Committee, to move the following:

Clause 53

To add to section EE 25(6) after paragraph (b) (page 36, after line 27) the following:

- (c) buildings for which a contract of purchase was entered before 19 May 2005.

Clause 54

To replace section EE 25B(2), other than the heading, (page 37, lines 7 to 9) with the following:

- (2) This section does not apply to buildings, fixed life intangible property, excluded depreciable property, or property for which an economic rate is given by **section EE 25D**.

To omit section EE 25C(6) (page 39, lines 4 to 8).

To insert after section EE 25C (page 39, after line 11) the following:

**EE 25D Economic rate for certain motor vehicles and aircraft
acquired on or after 1 April 2005**

What this section does

- (1) This section gives the economic depreciation rate for certain aircraft and motor vehicles.

Rate for certain aircraft

- (2) The economic rate for an aircraft is a diminishing value rate of 10% or a straight-line rate of 7% if the aircraft—
 - (a) is self-propelled; and

- (b) has fixed wings; and
- (c) is not an international aircraft; and
- (d) is not a helicopter:

Rate for certain motor vehicles

- (3) The economic rate for a motor vehicle having seats for no more than 12 persons is a diminishing value rate of 30% or a straight-line rate of 21% if the motor vehicle—
 - (a) is not available for hire;
 - (b) is available for hire for a hire period of more than 1 month;
 - (c) is a taxi;
 - (d) is a minibus.

Defined in this Act: economic rate, diminishing value rate, international aircraft, minibus, straight-line rate

Clause 55

To replace (page 39, line 27) “**sections EE 25B**” with “**section EE 25B or EE 25D**”.

Clause 58

To replace (page 41, line 3) “section EE 25, **25B, or 25C**” with “sections EE 25 to **EE 25D**”.

Explanatory note

This Supplementary Order Paper amends the Taxation (Depreciation, Payment Dates Alignment, FBT, and Miscellaneous Provisions) Bill to provide depreciation rates for some categories of assets that are estimated to have, at the end of their useful lives, residual values that are an unusually high percentage of acquisition cost. If the formula proposed in the bill were applied to such assets, the resulting depreciation rates would be anomalously high.

Clause 53 is amended to clarify that current *section EE 25* applies to a building for a person who, before 19 May 2005, enters a contract to purchase the building.

Clause 54 is consequentially amended: to exclude the application of *section EE 25B* to assets for which *section EE 25D* gives an economic depreciation rate; and to omit *section EE 25C(6)*, which is unnecessary as a result of the amendment to *clause 53*. New *section EE 25D* is added so as to specify economic depreciation rates for the categories of assets with high residual values.