Depreciation allowances

Depreciation allows for the wear and tear on a fixed asset and must be deducted from your income.

Generally, you must claim depreciation on fixed assets used in your business that have a lifespan of more than 12 months. However, in special circumstances you can elect not to depreciate an asset by applying to Inland Revenue.

Not all fixed assets can be depreciated. Land is a common example of a fixed asset that cannot be depreciated. From 1 April 2011, depreciation allowances on most building structures could no longer be claimed, although depreciation could still be claimed on a wide range of commercial and industrial building fit-out assets.

Changes in 2020 reintroduce depreciation deductions for non-residential buildings for the 2021 and subsequent income years. For more information, please click here.

Keep a fixed asset register to show assets you will be depreciating. This should show the depreciation claimed and adjusted tax value of each asset. The adjusted tax value is the asset's cost price, less all depreciation calculated since purchase.

To view the depreciation rates and the methods for calculating depreciation, please refer to the Inland Revenue Depreciation Guide.

To find out more on how to calculate depreciation on a business asset please give us a call or refer to the Inland Revenue Depreciation Rate Finder on the Inland Revenue website.