

EXPOSURE DRAFT - FOR COMMENT AND DISCUSSION ONLY

Deadline for comment: **17 June 2022**

Please quote reference: **ED00242**

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DETERMINATION > DEPRECIATION > GENERAL

Tax Depreciation Rates for hydrofraise rigs

Issued: DD MM YYYY

DEPXXX

This determination sets depreciation rates for hydrofraise rigs used in the ordinary course of business.

Note to Determination DEPXXX:

The Commissioner has been asked to consider what depreciation rate should apply for hydrofraise rigs, used to build diaphragm (water blocking) type retaining walls. Diaphragm walls are often constructed in wet areas where groundwater will tend to flood an excavated area. The construction of the wall must therefore keep water out, as well as being strong enough to stop surrounding ground from collapsing into the excavation.

A basic hydrofraise rig usually consists of a tracked "crawler" crane, suited to boggy unstable ground. The crane is designed to move the cutting head around the site and lower and raise it as required for cutting operations. It differs from a normal crane in several ways:

- It is purpose built for hydrofraise operations
- It includes computerised telemetry equipment that is linked to instruments on a guide frame. This equipment is used to monitor and control the direction of the cutting head to ensure that the wall design is adhered to;
- Has a large reel on the back to transport the slurry pipe which connects to the slurry plant and other reels for the smaller hydraulic hoses which connect to the cutting rig drive motors and adjusting mechanisms within the head.

Other components of equipment used for diaphragm wall construction (for example, slurry tanks, other storage tanks, mixing platform and separate pumping equipment) are viewed by the Commissioner as separate items of plant, not covered by the proposed depreciation rate for hydrofraise rigs.

Determination DEPXXX: Tax Depreciation Rates

General Determination Number XXX

This determination may be cited as "Determination DEPXXX Tax Depreciation Rates General Determination Number DEPXXX: Hydrofraise rigs available for use in the ordinary course of business.

1 Application

This determination applies to taxpayers who own items of depreciable property of the kind listed in the tables below:

This determination applies from XXXXX to the 2022/23 and subsequent income years.

2 Determination

Pursuant to section 91AAF of the Tax Administration Act 1994, the general determination will apply to the kind of items of depreciable property listed in the table below by:

- Adding into the "Contractors, Builders & Quarrying" industry category, the new asset class, estimated useful life, and general diminishing value and straight-line depreciation rates listed below:

Asset class	Estimated useful life (years)	DV rate (%)	SL rate (%)
Hydrofraise rig (crane unit and hydrofraise cutting head)	10	20	13.5

3 Interpretation

In this determination, unless the context otherwise requires, words and terms have the same meaning as in the Income Tax Act 2007 and the Tax Administration Act 1994.