New Zealand's only

Purchase Price Allocation specialists

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IRD ALLOW REASSESSMENT

Purchase Price Allocation: The overlooked chance to claim tax savings

If you bought a commercial property in New Zealand between 1 April 2020 and 31 March 2024 your Sale and Purchase Agreement may be hiding thousands of dollars in unclaimed depreciation.



A recent Inland Revenue concession lets you revisit the Purchase Price Allocation (PPA) and correct it. The concession will not remain open for long, so a quick review now can improve your cash flow for many years.

what is a PPA?

A Purchase Price Allocation (PPA) divides the total purchase price among land, building structure and every other asset that forms part of the transaction.

Each component then follows its own tax treatment. Land is not depreciable, building structure is no longer depreciable, and the remaining assets can still be depreciated at higher rates.

An example of items that are depreciable and therefore require a value and category listing of "DEPRECIABLE ASSETS" within the PPA are, Electrical, Plumbing, Partitions, Flooring, HVAC, Driveways, Fences and much more.

At a glance

- Between 2020 and early 2024 most Sale and Purchase Agreements allocated the entire price into land and building because at the time commercial buildings attracted depreciation.
- From 1 April 2024 building depreciation ended. Only where a value was allocated to "Depreciable Assets" within the PPA can you now claim depreciation. The full list of depreciable assets is extensive can make up 50% of the cost of a new build. The resulting tax savings are extensive.
- Inland Revenue is allowing owners who purchased in that four year window to amend their assessments, provided they supply a market valuation of the items that should have been listed.
- Valuit can prepare the valuation, handle the paperwork and liaise with your adviser, making the process straightforward and compliant.
- Over ninety-five per cent of PPAs we review are incomplete or incorrect, so the odds of a missed claim are high.

why it matters now

During the pandemic recovery the Government restored building depreciation, so advisers often placed the full value of the property in the building column and moved on. That approach is now out of date.

Inland Revenue withdrew building depreciation from 1 April 2024, which left many owners holding an allocation that no longer delivers deductions.

The department recognised the issue and, through section 113 of the Tax Administration Act, is prepared to amend prior year assessments when owners provide reliable valuations of the omitted assets.

The window to apply is open today. Acting sooner protects your claim and ensures time does not erode the benefit.

what can still be depreciated?

Many owners underestimate the range and value of assets that sit outside the building shell.

Typical items include:

- Electrical cabling, lighting and switchboards
- Plumbing and Plumbing fixtures
- Hot water systems
- Air conditioning plant and ducting
- Non-load bearing walls and Demountable partitions
- Carpets, vinyl and tiling
- Lifts, escalators and hoists
- Fire alarms, sprinklers and security systems
- Fencing, paving and car parks (YES, Land Improvements are Depreciable)
- Built in furniture, kitchens and specialised equipment



These items frequently add up to one fifth or more on older properties, and can exceed half of the Improvements cost in new construction. When they are not identified the entire amount becomes non-depreciable.

who is eligible to amend?

You qualify if all the following apply:

- You acquired a commercial property between 1 April 2020 and 31 March 2024.
- The PPA within your Sale and Purchase Agreement either shows no value for fit out, plant and other depreciable assets. (ONLY Land and Buildings specified)
- You have continued to hold the property after 1 April 2024.
- You obtain a market-based valuation that demonstrates the value of the assets that were omitted.

Owners of multiple properties can apply for each purchase separately.

how Valuit assists

Valuit is New Zealand's most experienced specialist in property depreciation and Purchase Price Allocation.

We have spent more than twenty-five years working alongside Inland Revenue, accountants, lawyers and property professionals. Our role is to make the technical work easy so you can focus on your business.

Our service provides:

- Free initial review of your Sale and Purchase Agreement to confirm eligibility.
- On site inspection to identify every depreciable asset.
- Detailed valuation report that meets Inland Revenue requirements and can be attached to the section 113 application.
- Coordination with your accountant or solicitor, keeping the process smooth and transparent.
- Guidance on future transactions including a plain English addendum you can include in the next agreement to avoid repeat issues.

success stories

Case Study One

A purchaser paid 5 million 250 thousand dollars for a warehouse. The original PPA listed only land and building. Valuit identified eight hundred thousand dollars of Depreciable Assets (fit out and equipment).

Year one depreciation claim rose by eighty-five thousand dollars, with further claims each year thereafter. The owner's cash flow improved, and no disputes arose.

Case Study Two

A retail property owner approached Valuit six months after settlement. The building value was understated, and no separate depreciable assets were listed or valued.

Our reassessment produced forty thousand dollars of additional depreciation in the first year alone. The owner's accountant filed an amended return and secured the ongoing benefits.

These outcomes are common because most agreements we see have similar omissions.



next steps

1. Locate your Sale and Purchase Agreement and check whether a value was set for Depreciable Assets (fit out or equipment).
2. Contact Valuit for a complimentary review. If the numbers stack up, we will prepare the valuation.
3. We can talk with your accountant or solicitor to confirm an amended assessment would benefit you.

Do not let Inland Revenue's concession period lapse while money remains unclaimed. A short review now could deliver significant savings for years to come.

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