



# **REPAIRS & MAINTENANCE OR CAPITAL?**

**Presented by**

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**Continuing Professional Development - Receive up to 3 Continuing Professional Development hours for attending this course.**

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# Introduction

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The last time TEO did a course on this issue was 2006. Since that time things have changed. The traditional problem revolving around the distinction between capital and revenue expenditure hasn't changed and is still an area of great uncertainty to many people.

The current income tax rules provide that expenditure on the maintenance or repair of an asset used to derive assessable income can be deducted for income tax purposes under the general deductibility rules. This is provided that the expenditure is not a capital item. The rules provide a lack of certainty in distinguishing between capital and deductible expenditure. In addition there is no specific provision that addresses the deduction to be allowed for repairs and maintenance.

Recently there have been specific changes that affect deductibility of expenditure on buildings. Remedial legislation was introduced as a result of the removal of depreciation on buildings. Further, the IRD has issued interpretation statements on what is commercial and residential fit out, which also helps us more clearly identify "the asset". These changes clarify "the asset", which then enables us to work through whether our expenditure is in relation to a repair to that asset, or whether it becomes an improvement.

The course will review the income tax treatment of expenditure on existing capital items, including a review of:

- The tests established by the courts to distinguish between capital and revenue expenditure
- The process developed by the courts to determine the deductibility of repairs and maintenance expenditure
- The relevant court cases
- Repair of recently acquired assets
- The treatment of demolition costs
- The IRD position on repairs and maintenance expenditure
- The treatment of expenditure on existing buildings

In each area we will review the law and its application as well as a working through practical examples to illustrate the issues.

I look forward to your attendance at the course and I trust it will be of benefit to you.

Mike Hadwin  
Director, Symmetry Advisory Ltd  
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