Boost introduced

The government's Budget 2025 was dubbed The Growth Budget and designed to get the economy rolling, so what did it offer the commercial and industrial property sector?

Budget 2025 was underpinned by the government's mantra of "growing the economy to help Kiwis get ahead". After years of budget announcements offering no significant tax relief measures for businesses, the introduction of a new Investment Boost incentive took the market by surprise.

Effectively an accelerated depreciation measure, Investment Boost allows businesses to claim 20 percent of a qualifying new business asset's cost as an expense against taxable income in the first year, then claim depreciation as usual on the remaining 80 percent. The Boost is available for new assets available for use on or after 22 May 2025 and there is no cap on the cost.

> "Investment Boost will provide quantifiable benefit to building owners meeting the eligibility criteria, and could be the stimulus the market has been looking for.
>
> **TONY PRATT**
> BAYLEYS VALUATIONS NATIONAL DIRECTOR PLANT, EQUIPMENT AND INFRASTRUCTURE

Intended to provide an immediate tax benefit and improve cash flow for businesses, the scope of the Boost goes beyond new plant and equipment. It also applies to the purchase of new commercial and industrial property assets, new capital improvements, and seismic, or other upgrade works to depreciable property, with the proviso that the property must have been available for use on or after 22 May 2025.

Bayleys Valuations national director plant, equipment and infrastructure Tony Pratt says Investment Boost will be a welcome tax deduction for businesses looking to acquire new plant and equipment, and for owners of qualifying commercial and industrial buildings – both new and existing.

"While commercial and industrial buildings are deemed depreciable assets, the tax depreciation rate reverted to zero percent from the beginning of the 2024 tax year, so Investment Boost will provide quantifiable benefit to building owners meeting the eligibility criteria, and could be the stimulus the market has been looking for.

"The benefits will apply to developers constructing a new commercial or industrial building for their own business use, owner-occupiers purchasing a new commercial or industrial building for their business, and other capital improvement works, including significant seismic strengthening, to an existing commercial or industrial building.

"The work needs to be completed on or after 22 May 2025 to benefit and that date is critical. For buildings or plant that is constructed, it's deemed to be new (and tax-depreciable) from the date that it is ready to be used and start generating income. For buildings, this is usually practical completion date."

Pratt says an owner-occupier looking to purchase a premises for their business could buy a new building and claim the 20 percent investment boost in the first year, along with getting the benefit for any new plant or equipment purchased.

Applying Investment Boost

EXAMPLE:

An existing building, owned by an investor, is seismically strengthened and refitted internally with new fit-out at a total cost of $20m. The structural and seismic work cost $12m and the new fit-out cost $8m, so $20m total. The project started in 2024, and the building was reopened on 24 July 2025. The investor's next tax year end is 31 March 2026. The cost is an "improvement to depreciable property", so it qualifies for the Investment Boost.

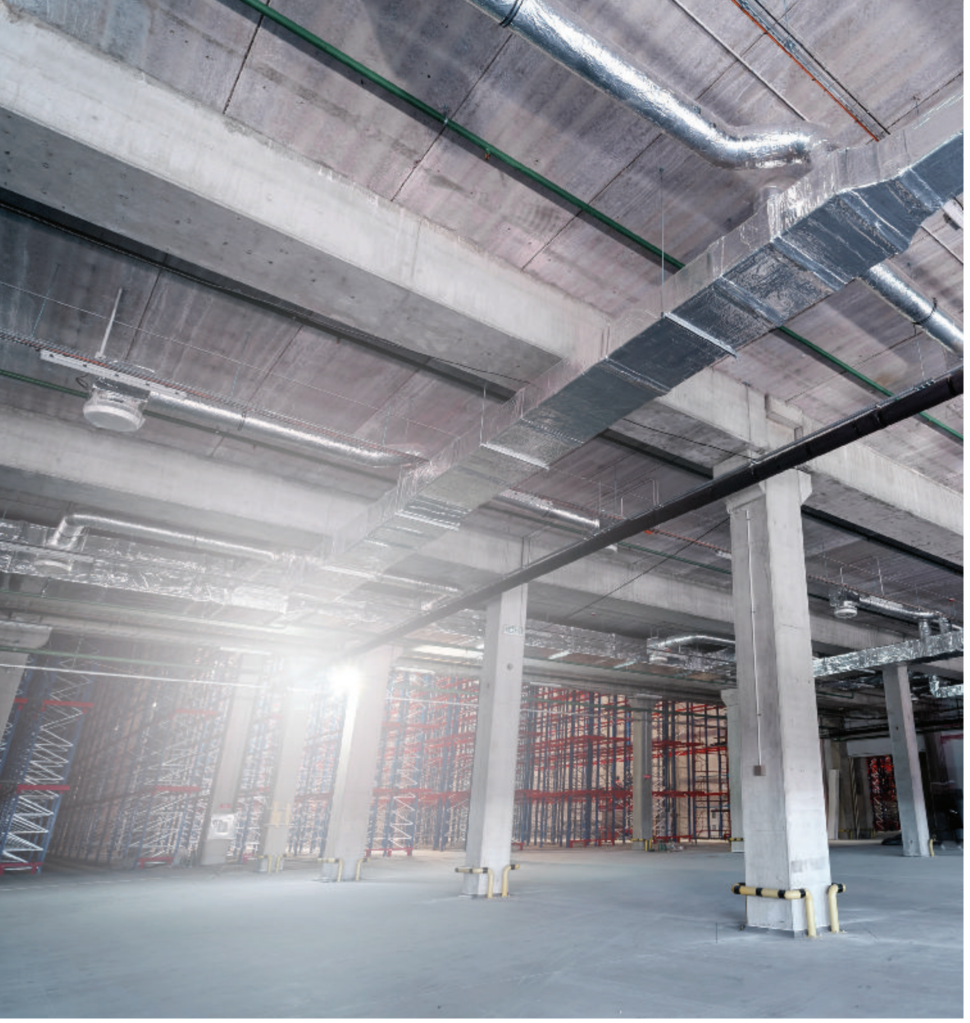
For the financial year to 31 March 2026, the investor claims a deduction at 20 percent of the total $20m refurbishment cost for the investment boost. That's $4m.

The investor also claims tax depreciation at the normal rates on the fit-out. (For simplicity we will assume it's Straight-Line method and 10 percent depreciation rate averaged over all the different categories).

The fit-out cost $8m and they'd normally claim for 9 months depreciation on that at 10 percent per annum. However, 20 percent of the fit-out cost was part of the investment boost claim, so the claim is based on 80 percent of the $8m ($6.4m). They claim $640k depreciation x 9/12 (as it's not for a full year), which is $480k. The balance of the fit-out (tax book value) is now $5.92m. The total deductions available on 1 April 2026 are $4.48m ($1.254m after tax). It's more than 20 percent with the normal fit-out depreciation added.

For the next full tax year to 31 March 2027, the investor claims 10 percent depreciation or $592k depreciation for the fit-out and this carries on annually for 10 years until the book value reaches zero.

If the investor hadn't got the fit-out separated in the books prior to the first tax return (simply entering the project cost as buildings in the asset register), they'd still get the 20 percent boost amount, but not the extra $640k fit-out depreciation in the first tax return, nor any further fit-out depreciation in future tax years. Inland Revenue will not allow retrospective reallocations.



"For those that were marginal about becoming owner-occupiers, Investment Boost could be the incentive to get them into a property and to make the dollars work.

"The government wants businesses to open their wallets and get spending so it will be interesting to see how the initiative unfolds in practical terms."

The devil will be in the detail, and Investment Boost has not had much publicity post-Budget announcement, with many owners and investors potentially still unaware of it. Investment Boost deduction is optional so Pratt says business owners should seek advice from trusted professionals for clarification to maximise any benefit, and ensure that accounting software packages can handle the new calculations.

"It does appear to be a simple process, however it is key that building owners and investors ensure that they separate the cost of the fit-out from the building structure itself shortly after sale completion and before the end of the first tax year to ensure they get the normal fit-out depreciation for year 1 and annually thereafter, as well as the boost.

"It would also be useful to have more clarity around some of the terms used, and there could be some complexities with staged projects and eligibility-related arguments about completion dates."

> "Ultimately, it's a smart lever to support growth, enhance the quality of our building stock, and lift overall productivity.
>
> **LEONIE FREEMAN**
> PROPERTY COUNCIL
> CHIEF EXECUTIVE

ADVOCACY IN ACTION

Sector advocate, Property Council New Zealand welcomes the Investment Boost initiative saying the upfront tax deduction for new asset purchases – with no cap – is a significant incentive that's likely to drive tangible outcomes across the commercial property sector.

Property Council chief executive Leonie Freeman says they'll continue to advocate for clear, practical guidance to ensure the sector can take full advantage of this opportunity, but it's already seeing the initiative's potential impact, citing reported comments from listed property entities that hold depreciable properties on capital account.

"Kiwi Property has indicated the scheme could deliver savings of $2 million to $2.5 million for its 2025 financial year, while Property for Industry (PFI) estimates a benefit of $1.5 million to $2 million. These are real numbers that could make a meaningful difference.

"For many in our sector, this isn't just a line item on a balance sheet. It's a strong signal to invest, whether in new developments or by reinvesting those savings into improving existing buildings. Ultimately, it's a smart lever to support growth, enhance the quality of our building stock, and lift overall productivity."

Given the initiative is yet to be truly tested, and with Inland Revenue expected to release more detailed guidance on Investment Boost over the coming months, Property Council will be watching closely and has identified some areas requiring clarity.

"This includes whether all new capital investments related to building projects will be eligible under the scheme. For example, initial Inland Revenue commentary referred to 'significant' seismic strengthening upgrades, which raised concerns due to the ambiguity of that term. Our worry was that this might unintentionally discourage much-needed investment in seismic resilience," explains Freeman.

"Tax experts have since advised that all seismic strengthening work is expected to qualify, which is a positive development for the sector. However, it's critical that businesses seek tailored advice to confirm eligibility for their specific projects."

Residential buildings and other forms of rental accommodation are currently excluded from accessing Investment Boost, and while there are carve-outs for hotels, motels, hospitals and rest homes, Property Council believes it's time to add the emergent build-to-rent (BTR) asset class to the list, says Freeman.

"This sector is gaining real momentum in New Zealand and typically attracts large-scale institutional investment. For many of these projects, Investment Boost could be the factor that tips a development from unfeasible to viable, unlocking much-needed housing supply in our urban centres.

"Under current settings, BTR falls into the excluded category of rental accommodation, and we've already begun advocating for a broader definition that recognises the unique role BTR plays in addressing New Zealand's housing needs."

Freeman says like any government policy, Investment Boost's future isn't guaranteed and there's already speculation that future governments may look to scale it back or introduce a cap.

"For businesses considering capital investment, timing is key. We encourage those looking to leverage the incentive to act while the window of opportunity remains open.

"Certainty and continuity are critical to long-term investment planning and as sector advocates, we'll be drawing on member experience and real-world examples of how businesses are leveraging Investment Boost to deliver wider economic and community benefits.

"We're focused on demonstrating the tangible benefits of Investment Boost to help build the cross-party support needed to keep this policy in place, and ideally, broaden its reach."

ESTABLISHING VALUE

Bayleys Valuations provides wide-ranging valuation services for mortgage security, rent review and insurance assessment purposes, and asset tax allocations, consulting across a broad range of asset classes including office, retail, industrial, residential, rural and development land.

As the only New Zealand real estate company to have specialist plant, equipment and infrastructure valuers in the three main centres – Auckland, Wellington and Christchurch – and an experienced team of eight dedicated plant and equipment valuers around the country, Bayleys is at the forefront of the sector and has a diverse client base.

"Our largest clients are spread across New Zealand and Australia and include dairy companies, major building product manufacturers, and many of the major food production companies," says Pratt.

"We also value large fleets and mobile plant, and in the infrastructure sector we've recently been engaged by port authorities in Australia and New Zealand, airports, and a liquid natural gas plant in the Northern Territory."

Investment incentive

According to Inland Revenue, Investment Boost is a new tax deduction for all businesses. From 22 May 2025, businesses can claim 20 percent of the cost of new assets as an expense, then claim depreciation as usual on the remaining 80 percent.

WHAT YOU CAN CLAIM

Businesses can claim 20 percent deductions for the costs of new (or new to New Zealand) business assets that they bought – or finished constructing – on or after 22 May 2025.

To claim Investment Boost, the asset must be:
- new or new to New Zealand
- available for the business to use on or after 22 May 2025, and
- depreciable for tax purposes.

You can also claim for:
- new commercial and industrial buildings
- improvements to depreciable property (but not residential buildings)
- primary sector land improvements
- assets arising from petroleum development expenditure and mineral mining development expenditure incurred on or after 22 May 2025 (except rights, permits or privileges)
- mixed-use assets.

You cannot claim Investment Boost for:
- second-hand assets that are sourced from New Zealand
- residential rental buildings
- most fixed-life intangible assets (such as patents).

HOW TO CLAIM

You can claim Investment Boost in your income tax return for the year you buy a new asset.

The Investment Boost amount should be recorded the same as depreciation and included in your Financial statements summary - IR10, or financial accounts.

There is no limit to the value of new investments you can claim Investment Boost for.

Source: IRD website ird.govt.nz/investment-boost