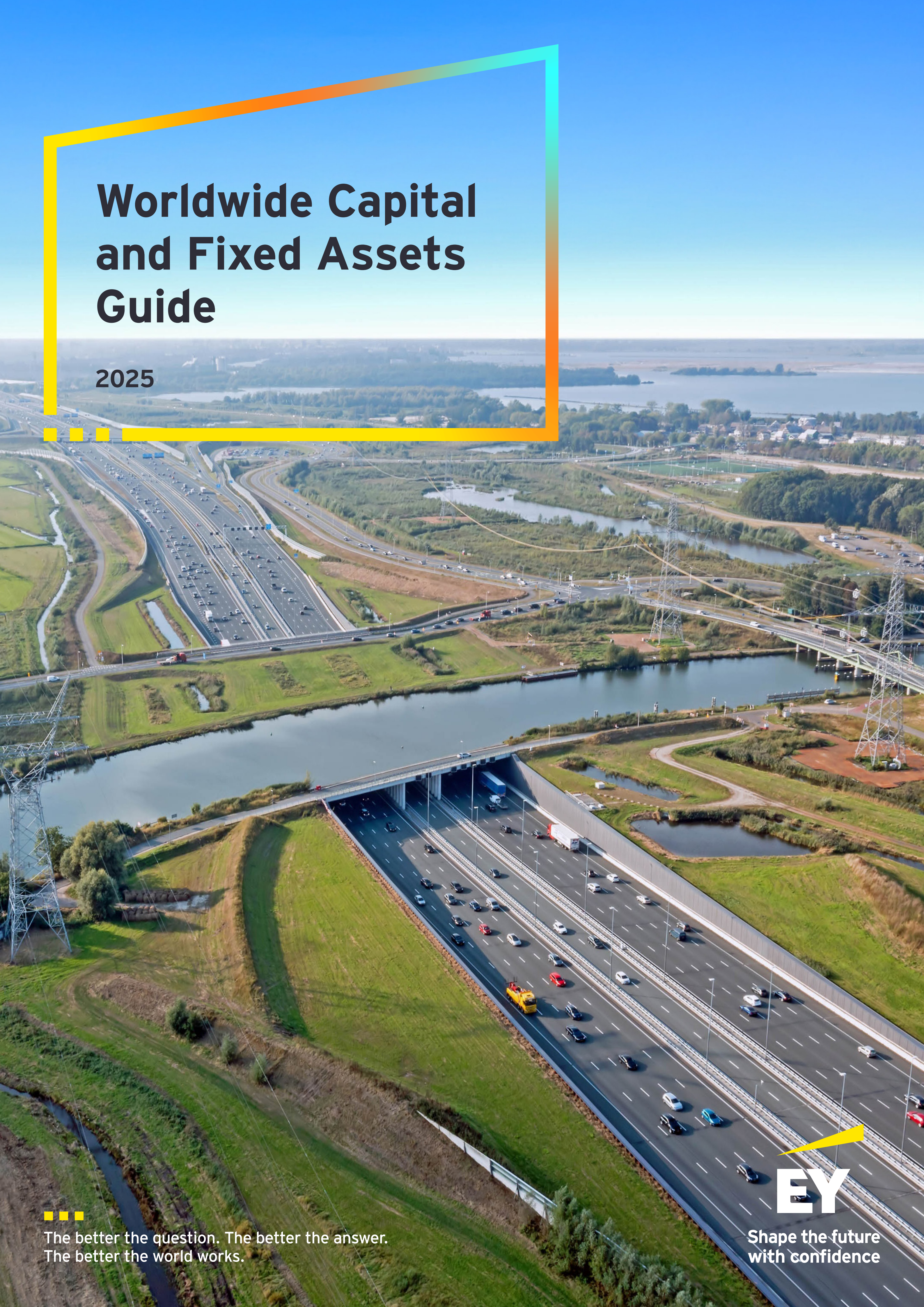
Worldwide Capital and Fixed Assets Guide

2025



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Preface

Investment in capital assets continues to represent one of the largest items on a company's balance sheet. This guide helps you reference key tax factors needed to better understand the complex rules relating to tax relief on capital expenditure in 41 jurisdictions and territories.

The content is based on information current as of February 2025, unless otherwise indicated in the text of the chapter. The tax rules related to capital expenditure across the world are constantly being updated and refined. This guide is designed to provide an overview. To learn more or to discuss a particular situation, please contact one of the country representatives listed in the guide.

The *Worldwide Capital and Fixed Assets Guide 2025* provides information on the regulations relating to fixed assets and depreciation in each jurisdiction, including sections on the types of tax depreciation, applicable depreciation rates, tax depreciation lives, qualifying and non-qualifying assets, availability of immediate deductions for repairs, depreciation and calculation methods, preferential and enhanced depreciation availability, accounting for disposals, how to submit a claim, and relief for intangible assets.

For the reader's reference, the names and symbols of the foreign currencies that are mentioned in the guide are listed at the end of the publication.

This is the ninth publication of the *Worldwide Capital and Fixed Assets Guide*. For many years, the Guide has been published annually, along with two companion guides on broad-based taxes: the *Worldwide Personal Tax and Immigration Guide* and the *Worldwide VAT, GST and Sales Tax Guide*. In recent years, those three have been joined by additional tax guides on more specific topics, including the *Worldwide Estate and Inheritance Tax Guide*, the *Worldwide Transfer Pricing Reference Guide*, and *Worldwide R&D Incentives Reference Guide*.

Each of the guides reflects many hours of tax research. They are available free online, along with timely Global Tax Alerts and other publications, on ey.com or in the EY Global Tax Guides app for tablets.

You can also keep up with the latest updates at ey.com/GlobalTaxGuides.

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Range of rates used

0%–33%

Depreciation method used to calculate tax deduction

Straight-line, although other methods can be used with supported technical reasons

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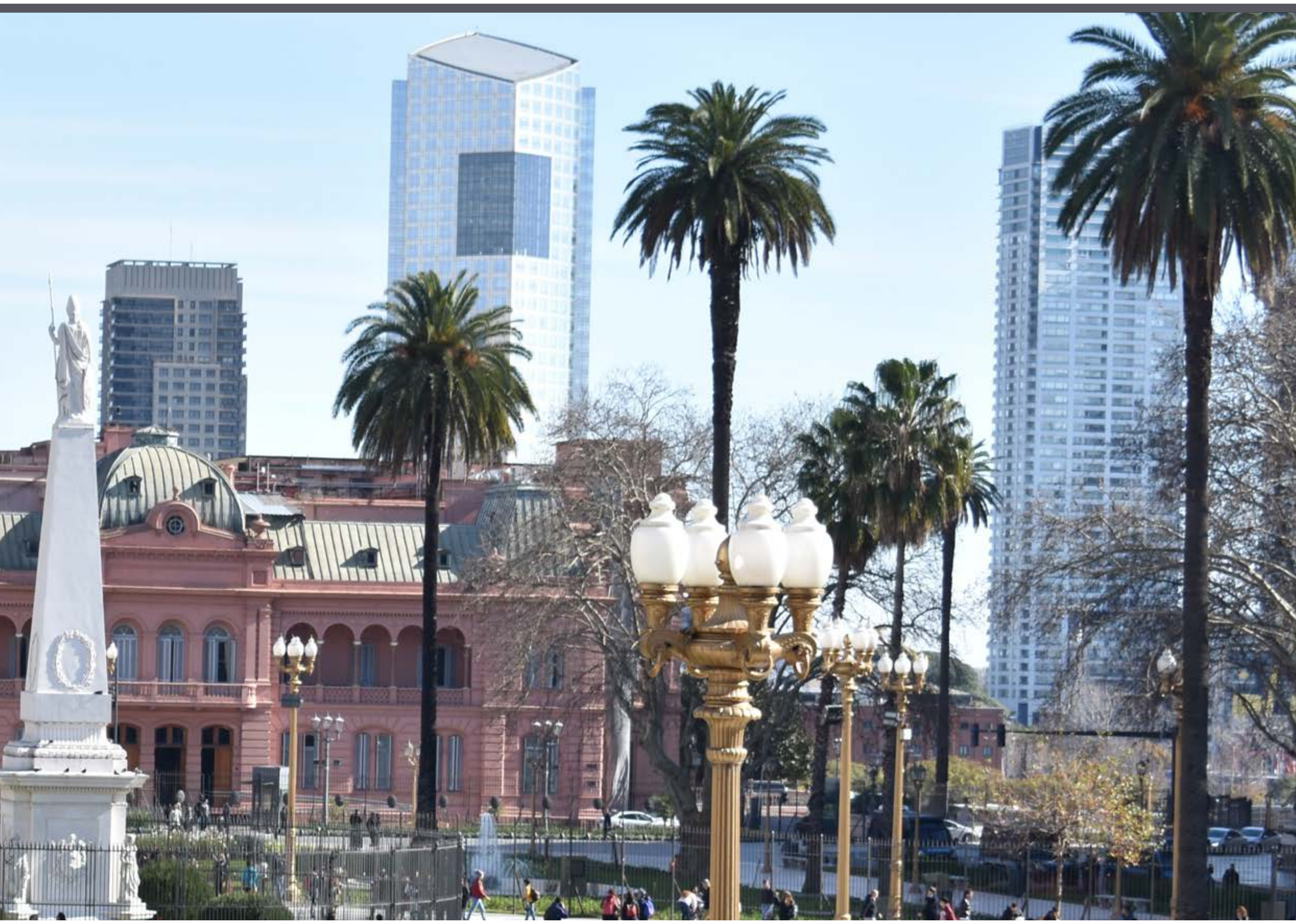

1. Entitlement to claim

Legal ownership (or a particular leasing modality) is required for a claim to tax depreciation.

2. Allocation of tangible assets to tax depreciation lives and rates

Several tax opinions have expressed that if a movable asset is part of a building but does not constitute a sole unit with the building in terms of functionality, a different tax depreciation method applies (e.g., machinery and equipment).

The tax legislation only provides a 2% rate of tax depreciation per year for immovable property (except for land). Calculations must be performed quarterly.

For other assets, the tax legislation does not provide any lives or rates. In general terms, accounting criteria are followed to calculate tax depreciation. However, other criteria could be adopted if there are technical reasons that support such adoption.

In General Instruction (SDG ASJ-AFIP) 7/2012, the tax authorities expressed that given the lack of particular rules, to calculate the tax depreciation of movable assets, the probable useful life refers to a reasonable estimation. In this regard, the concepts of obsolescence and efficient useful life should be considered when making the calculation.

2.1 Assets that qualify for tax depreciation

Specific fact patterns may determine different depreciation rates. The useful lives and depreciation rates indicated below are a general indicator. As noted, the tax legislation only provides a determined depreciation rate for immovable property (except for land). For the rest of the asset types indicated in the table below, the depreciation rates are based on fact patterns and should be re-evaluated for each case.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment	10 years (except for industrial plants, which may be regarded as buildings)	Straight-line method	10%	Other methods could be used, e.g., units of production depreciation method or units of time depreciation method, and other depreciation rates could be applied if supported by technical reasons.
Buildings	50 years	Straight-line method	2%	A higher rate could be applied if a lower useful life could be proved.
Furniture, fittings or fixtures	10 years	Straight-line method	10%	Other methods and rates could be used if supported by technical reasons.
Computer hardware	3 years	Straight-line method	33%	Other methods and rates could be used if supported by technical reasons.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Computer software	3 years	Straight-line method	33%	Other methods and rates could be used if supported by technical reasons.
Aircraft	5 years	Straight-line method	20%	Other methods and rates could be used if supported by technical reasons.
Transport other than motor cars	5 years	Straight-line method	20%	Other methods and rates could be used if supported by technical reasons.
Motor cars	5 years	Straight-line method	20%	Other methods and rates could be used if supported by technical reasons.
Car parks	50 years	Straight-line method	2%	A higher rate could be applied if a lower useful life could be proved.
Office equipment (including office furniture and fixtures)	10 years	Straight-line method	10%	Other methods and rates could be used if supported by technical reasons.
Agricultural machinery and equipment	8 years	Straight-line method	12.5%	A higher rate could be applied if a lower useful life could be proved.

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	In general, certain costs may be added to the value of land. The specific case should be reviewed.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Preliminary costs (entity startup costs) can be deducted in the year in which they were incurred or amortized over a maximum term of five years, at the taxpayer's option.

Land remediation — removing asbestos, Japanese knotweed

According to some interpretations, if the cost is considerable, it should be added to the cost of the land. Otherwise, it could be added to the cost of the assets to be depreciated located on such land.

Own labor capitalized

Own labor capitalized should be depreciated according to the type of asset.

2.4 Availability of immediate deductions

Description	Detail
Repairs	Not considered an asset; in this regard, they are deducted in the fiscal year they are accrued.
Items of a revenue nature	N/A

The tax legislation provides for repairs and defines the concept of "improvements." In this regard, repairs of the asset are expenditures and therefore are deductible as expenses.

On the other hand, improvements that involve the simple maintenance of the asset do not qualify as ordinary repairs. They imply an increase in the value of the good by at least 20%. In addition, doctrine has expressed that, to qualify as improvement, this expense should increase the useful life of the asset.

Pursuant to Income Tax Law, improvements are not deductible as expenses in the year of accrual. They would be capitalized and depreciated over the remaining life of the asset.

Tax depreciation may differ from the accounting depreciation used in the financial statements.

3. Depreciation and calculation methods

Methods used	Straight-line is the preferred method, but the other methods can be used if supported by technical reasons.
Frequency	Daily, monthly or annual basis. The tax legislation is only specific regarding the tax depreciation calculation for immovable property. For other assets, accounting criteria are followed or other criteria could be adopted if there are technical reasons that support it. Therefore, tax depreciation could be calculated daily, monthly or annually, depending on the case.
Year of acquisition	The Income Tax Law provides, in the case of immovable property only, that tax depreciation must be calculated on a quarterly basis. As no provisions are stated to calculate the tax depreciation for other assets, accounting criteria or any other criteria according to each case could be adopted.
Year of disposal	A balancing change or allowance may arise to make accurate adjustments to the capital assets; the residual tax value of the corresponding asset should be deducted from the sale price.
Ability to use different methods for different assets	It is not necessary, but uniformity in the criteria adopted is preferable. In this regard, different methods may be used for different classes of assets, but within the same group of assets, it is preferable to apply the same method. However, each case should be analyzed on its own merits.
Ability to switch methods	Yes. The methods applied could be changed from one year to another if technical reasons justified the change, but authorization from the tax authorities may need to be obtained.

4. Preferential and enhanced depreciation availability

Commonly, the introduction of benefits for investments in certain industries is linked with the approval of the Annual Budget Law.

Asset used in	Comment on specific application and benefits available
Production of biofuels, oil and gas exploration, production of electric energy, production of bioethanol, employment of renewable energy sources for the obtainment of electric energy	Law 25,924 states the corresponding quotas of tax depreciation. The use of this benefit is subject to the condition that the asset remains in the equity for three years from the start of its utilization. In addition, Law 27,191 provides accelerated depreciation benefits related to the purchase of new fixed assets or infrastructure services performed to develop projects based on the use of renewable energy sources.

Asset used in	Comment on specific application and benefits available
Mining	Law 24,196 provides the corresponding quotas of tax depreciation for each asset. The tax authorities and other corresponding authorities should be informed of the method of tax depreciation adopted.
Forestry	Law 25,080 provides the corresponding quotas of tax depreciation for each asset. In addition, it states that the tax depreciation of each fiscal year should not surpass the income arising from the development of forestry activities.
Production of modern biotechnology and nanotechnology	Law 26,270. The accelerated tax depreciation may be performed from the moment the asset starts being utilized. The applicable depreciation rate should be analyzed in each specific case.
Incentive Regime for Large Investments (RIGI), including sectors such as energy, mining, infrastructure, technology, forestry, tourism, among others	According to Law 27,742, this regime offers benefits and legal certainty to projects that qualify as "Large Investments" in strategic sectors. The rules provide for accelerated depreciation for eligible assets and projects, as follows: ■ Fixed assets acquired, produced, manufactured or imported would be depreciated at least in two equal and consecutive annual quotas. ■ Mines, quarries, forests, and similar assets or infrastructure works would be depreciated at least in the number of equal and consecutive annual quotas that result from considering their useful life reduced to 60% of the estimated life.

5. Accounting for disposals

For tax purposes, to make the accurate adjustments to the capital asset, the residual tax value of the corresponding asset should be deducted from the sale price.

In case of disposal of an asset, it is considered the difference between the original cost of the asset and the accumulated tax depreciation.

There are no provisions in the tax legislation for the case that an asset is scrapped because it has no salable value. According to some interpretations, the residual tax value should be deducted in the fiscal year the asset is scrapped. It is furthermore advisable to possess supporting documents to prove the destruction of the assets, e.g., minutes drawn up by a notary public stating the destruction of the asset.

As per the tax treatment of the disposal pursuant to Argentine law, if gains arise from the disposal of a movable asset (by deducting the residual tax value from the sale price), the taxpayer would be subject in principle to pay the income tax. This should be analyzed in each specific case.

6. Making a claim

Deductions corresponding to tax asset depreciations should be claimed within the income tax return, at the regular corporate income tax rate (currently progressive rates at 25%, 30% and 35%).

It is advisable to maintain supporting documents, such as a report with an expert's opinion that may back up the adopted tax depreciation criteria, to be shown to the tax authorities if necessary.

7. Intangible assets

Tax depreciation for purchases of intangible assets would only be available if they involve a right with a determined useful life.

Type of asset	Rates/lives
Trademarks	Not deductible
Patents, copyright, design, know-how or similar item	Will depend on the period of time for which the right of use was granted, and depreciation applies to purchased intangibles only (not to internally generated ones)
Goodwill	Not deductible
License or permit	Will depend on the period of time for which the right of use was granted

8. Adjustment for inflation

According to the provisions of the Income Tax Law, amended by Tax Reform Law 27,430, the depreciation of assets purchased and investments performed after 1 January 2018 would be adjusted based on the percentage variations of the General Consumer Price Index published by the National Institute of Statistics and Census. Such adjustment is not applicable to the depreciation of assets acquired or investments performed before 1 January 2018.

In addition to the adjustment of the assets mentioned above, according to rules in force, an integral inflation adjustment calculation for tax purposes would be based on the Consumer Price Index if it exceeds 100% during the 36-month period prior to each fiscal year-end.

For tax years 2022 and 2023, Law 27,701 established an optional regime to defer the effect of a positive adjustment for inflation (i.e., more taxable gain), imputing only one-third in that fiscal year and the remaining two-thirds, in equal parts, in the following two years. Eligible taxpayers for this optional regime were those that made certain investments in fixed assets. This option is not available at present.

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At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Capital allowances

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

0%–100%

Depreciation method used to calculate tax deduction

Straight-line/prime cost, double diminishing value (declining) method

1. General entitlement to claim

A taxpayer who "holds" the depreciating asset — typically the owner (legal owner or equitable) — may claim depreciation for income tax purposes. A taxpayer who "holds" an asset may include the following:

- A lessee who has the right to use a luxury car
- A lessor who has the right to recover an asset that is subject to a lease and is fixed to land
- A partnership asset, if held by the partnership and not the individual partners
- An entity that has the information can hold mining or prospecting information (mining information is geological, geophysical or technical information that relates to the presence, absence or extent of deposits of minerals in an area, or is likely to help in determining this)
- Where it is a joint ownership of the assets (but not a partnership), each taxpayer is considered to hold assets jointly, and consequently, each taxpayer's share of the asset is treated as a separate depreciating asset

Whether an asset (rather than its components) is a depreciating asset is a question of fact and degree, determined in light of all the circumstances (see section 3.1 below for more information). A "functionality test" is usually applied to identify a "unit of plant," in that the function of the asset need only be separately identifiable, rather than be self-contained or isolated. This means that if assets have a number of separate working parts, they may be identifiable as individual assets and depreciated accordingly. A fixture on land, whether removable or not, and any improvements to the land or fixtures are treated as separate depreciating assets. The Australian Taxation Office's (ATO) finalized view in relation to this is set out in Taxation Ruling TR 2024/1 Income tax: composite items — identifying the relevant depreciation asset for capital allowances.

Assuming a taxpayer satisfies the general entitlement to claim a capital allowance deduction, deductions must be determined by an amortizing deduction over a period of years (usually the effective life of the asset). These traditional amortizing provisions are referred to in Sections 3 to 9 below and will prevail in all other situations and beyond the application of the temporary relief concessions noted in Section 2.

2. Temporary relief concessions

Largely as an economic stimulus, in 2020, the Australian government introduced a number of temporary relief concessions that allowed the availability of an immediate 100% deduction or accelerated depreciation for the full capital expenditure in the year incurred. These concessions only applied to eligible depreciating assets up to the year ended 30 June 2023 and included:

1. Immediate write-off (100% deduction) — instant asset write-off
2. Backing business investment (accelerated depreciation)
3. Temporary full expensing (100% deduction)

Following the expiration of the temporary relief concession period after 30 June 2023, eligible depreciating assets will be depreciated under the usual rules (refer to Sections 3 to 9). No further deductions will be available for any depreciating assets that were subject to these temporary relief concessions.

3. Allocation of tangible assets to tax depreciation lives and rates

The general depreciation rules for depreciating assets are contained in Division 40 of the *Income Tax Assessment Act 1997* (ITAA 1997). The decline in value of a depreciating asset is calculated based on the effective life of the asset. Taxpayers may calculate either their own estimate of the effective life (self-assessed) of a depreciating asset or rely on the Commissioner's published rates (see below). The choice must be made for the year in which the asset is first used. There are exceptions for which the taxpayer is obliged to work out depreciation using a prescribed statutory rate (e.g., buildings and structural improvements, certain intangible assets, capped-life assets).

Self-assessed effective life

The self-assessed effective life adopted must consider the total estimated period the asset can be used by any entity for the purposes of producing income, exploration or prospecting, mining site rehabilitation or environmental protection activities, or conducting research and development (R&D) activities, depending on the asset's expected use.

Commissioner's determination of effective life

The Commissioner regularly publishes recommended effective lives for many depreciating assets that taxpayers may adopt, which can be found at ato.gov.au. The Commissioner's current effective lives are included in Taxation Ruling TR 2022/1 — income tax: effective life of depreciating assets (applicable from 1 July 2022) — and are updated periodically. There is also a "statutory cap" to the effective lives of specific assets where the taxpayer has otherwise chosen the effective life determined by the Commissioner.

Changing effective life

A taxpayer may choose to recalculate the effective life of a depreciating asset if the nature of use of the asset changes and those changed circumstances make the current estimate inaccurate. A taxpayer can only make a new estimate of the effective life after the end of the income year in which the taxpayer first started to use the asset.

A taxpayer is required to recalculate the effective life of a depreciating asset if:

- The asset's cost increases by at least 10% in an income.
- The taxpayer either has self-assessed the effective life or has used the Commissioner's determination of effective life and adopted the straight-line method.

3.1 Assets that qualify for tax depreciation

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment	There is a wide range	Prime cost (PC)/straight-line or diminishing value (DV)	There is a wide range	The rate varies depending upon the industry and the particular asset type. Refer to the Commissioner's Taxation Ruling (as mentioned above) for particular assets. Foundations for plant and machinery (integral to operation, but not incorporated into plant and machinery itself) – 40 years.
Buildings	25 years or 40 years	PC	2.5% or 4%	Buildings and foundations Construction expenditure (and not the acquisition cost) on buildings is typically deductible under the capital works provisions (Division 43 of the ITAA 1997). The deduction is at the rate of 2.5% or 4% depending on the date the work begins and the use of the building. Components such as air conditioning systems, lifts and escalators would be considered plant and depreciable at faster rates. Relief under plant, machinery and equipment rules would be available where the plant and building become so integrated that the building is treated as part of the plant. For example, a building would form an integral part of the plant when it is absolutely essential to support the working plant. Where the whole building is plant, concrete foundations or footings in which the uprights of the structure are embedded may also qualify as plant. The cost of excavating foundations may be part of the depreciable cost but not general site preparation. If only a part of a building is plant, the cost of the building is apportioned between plant and capital works (Division 43). Indirect construction costs having a link to both the plant and non-plant building components may be allocated in proportion to direct costs.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Improvement of nonresidential buildings	40 years	PC	2.5%	
Construction of buildings		PC		
Hotel	25 years		4%	
Industrial	25 years		4%	
Other building (e.g., office premises)	40 years		2.5%	
Furniture, fittings or fixtures	10–50 years	PC/DV	There is a wide range.	
Computer hardware	4 years	PC/DV	25%-100%	
Computers, generally laptops	2–4 years	PC/DV		
In-house computer software (includes acquired software)	5 years (4 years for assets first used between 13 May 2008 and July 2015)	PC	If pooled: Year 1 = 0% Year 2 = 30% Year 3 = 30% Year 4 = 30% Year 5 = 10% Acquired and if not pooled: prime cost	Software is only depreciable if it is "in-house software." In-house software is software you acquire or develop, or have another entity develop, that is mainly for you to use. Expenditures on developing in-house software may be pooled. A separate software development pool must be created for each income year in which expenditure on such software is incurred. Acquired software must use the prime cost method and be depreciated over five years on a daily basis.
Aircraft – general use	8 or 10 years	PC/DV	10%-25%	If the plane or helicopter is used predominantly for agricultural spraying or agricultural dusting, then capped effective life of 8 years is applied. Otherwise, capped effective life of 10 years may apply.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Transport: Motor cars (load of less than one ton and less than nine passengers) Buses Taxis Light commercial Motorcycles Trucks	 8 years 15 years (*7.5 years, if carries more than 9 people) 4 years 12 years (*7.5 years, may also apply if GVM less than 3.5 tons and carries more than 1 ton) 7 years 15 years (*7.5 years if GVM more than 3.5 tons, other than certain trucks used in mining operations)	PC/DV	There is a wide range.	Lives quoted are the current lives set out in the Commissioner's list. *Capped effective lives may also apply, depending on the gross vehicle mass (GVM) of the asset. Note: The depreciable cost of motor cars is capped at AUD69,674 per car for the income year of 2024–25. The limit is indexed annually.
Car park assets Sealed car parks	5–20 years (assets) 40 years (buildings)	PC/DV PC	There is a wide range. 2.5%	Car parks would typically include structural improvement depreciated under Division 43 (2.5% PC).

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Office equipment Chairs Desks Reception assets Screens Tables Workstations Printers/copiers Whiteboards	 10 years 20 years 20 years 10 years 20 years 5 years 10 years	PC/DV	There is a wide range.	Lives quoted are the current lives set out in the Commissioner's list.
Land improvements	Varies depending on the types of improvements made	PC/DV	There is a wide range.	A land improvement can be a separate depreciating asset, depreciable over its effective life. Some land improvements may merely form part of the non-depreciable cost of the land.
Agricultural machinery and equipment	3–40 years	PC/DV	There is a wide range.	Effective life largely depends on the asset type and the agricultural sector where it is used.
Property used in R&D	See above. Refer to section 6 for further information.	See above. Refer to section 6 for further information.	See above. Refer to section 6 for further information.	Effective lives as noted above apply.

3.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Land is specifically not depreciable. Any gain or loss is generally only recognized on disposal as a Capital Gains Tax (CGT) event. Fixtures or land improvements may be depreciable.
Trading stock	This is specifically not depreciable for Australian tax purposes.
Goodwill	This is not depreciable for Australian tax purposes. Any gain or loss is recognized on disposal as a CGT event.

Types of assets	Explanation
Telecommunications	Expenditures incurred on rights to use an international telecommunication system before 22 September 1999 and domestic telecommunication systems before 12 May 2004 do not qualify as being a depreciating asset. Therefore, any decline in value attributable to such expenditure was not deductible under the capital allowance provisions. In certain circumstances, a deduction may have been available for such expenditures under other provisions contained in the Tax Acts. This would be factually specific to the circumstances. Expenditures on rights to use international and domestic telecommunication systems incurred on and after these dates are intangible depreciating assets, and a depreciation deduction should be available for their decline in value.

3.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Amounts paid to buy or create an asset (labor and materials) or to bring the asset to its current location and conditions are capitalized to the cost of the asset. This can include the following costs: incidental, site preparation, professional fees, testing asset functionality prior to installation and repair of asset.

Land remediation, dismantling, restoration

When an entity uses an asset, it may incur a contractual, statutory or constructive obligation to dismantle and remove the item or restore the site to minimum standards at the end of an asset's life. These costs may only be deducted in the period when incurred, and not merely when the liability is provided for.

Own labor capitalized — work on developing software, for example, or carrying out work on property

Employee costs in relation to initial acquisition (including installation and construction) of an asset are generally capitalized. This includes costs incurred to repair an asset to its original functional working condition immediately following or soon after acquisition (i.e., "initial repairs"). All other ongoing costs associated with maintaining the asset in its original functional working condition may be expensed in the year incurred (see below).

This is consistent with the ATO's finalized view set out in Taxation Ruling TR 2023/2 Income tax: application of paragraph 8-1(2)(a) of the ITAA 1997 to labor costs related to the construction or creation of capital assets.

3.4 Availability of immediate deductions

In certain circumstances, expenditure that is capital in nature may be immediately deductible (see table below for qualifying expenditures).

Description	Detail
Assets below a certain value	An immediate 100% deduction applies for depreciating assets costing AUD300 or less, subject to satisfying all the following conditions: ■ The asset was not part of a set of assets where the total cost exceeded AUD300. ■ The total cost of the asset and any identical item started to be held in that year did not exceed AUD300. ■ The asset was used for producing assessable income that is not income from carrying on a business. For example, minor assets used to derive salaries and wages may be immediately deductible. In practice, the ATO also accepts that assets acquired by a business with a cost less than AUD100, which have not been included in the asset register, to be revenue in nature and immediately deductible (as set out in PS LA 2003/8).
Repairs	Repairs and maintenance to maintain the asset in a functional working condition (and they are not initial repairs).
Environmental protection activities (EPA)	An immediate deduction can be claimed for expenditures incurred for the sole or dominant purpose of carrying on EPA. These are activities undertaken to prevent, fight or remedy pollution or to treat, clean up, remove and store waste from earning activities.
Land care operations	The deduction is available as long as the land is used for a primary production business or for carrying on a business for a taxable purpose from the use of rural land. The deduction may be claimed even when the taxpayer is the lessee of the land.
Exploring or prospecting	Capital expenditures for exploring or prospecting for minerals are immediately deductible. Note: the costs of mining rights and information acquired from a nongovernment third party are not immediately deductible but may be deducted over the shorter of 15 years or the life of the mine/permit.

An immediate deduction can usually be claimed for repairs to machinery, tools or premises used to produce assessable business income.

"Repairs" is not defined but adopts its ordinary meaning. Taxation Ruling TR 97/23 discusses the meaning of "repair" and considers that repairs remedy or make good of defects. A repair involves restoration of the efficiency of function of the asset without changing its character. A repair merely replaces a part of something or corrects something that is already there and has become worn out or dilapidated. The treatment of repairs could be different for accounting and tax purposes.

The work may go beyond "repairs" if it (a) changes the character of the property or (b) does more than restore its efficiency of function.

An expenditure is considered capital when it is for work that is a renewal or reconstruction of the entirety of the asset. Here, "entirety" means that the asset is identified separately as a principal item of capital equipment or that it is an integral part, but only a part, of the entire premises and can provide a useful function without regard to any other part of the premises or that it is a separate and distinct item of plant in itself from the thing or structure that it serves.

3.5 Small-business concessions

Small businesses can access a range of concessions including payment and reporting options. From 1 July 2016, a small business tax concession is available to all businesses with turnover less than AUD10 million. This applies to sole traders, partnerships, companies or trusts.

Small-business concessions include simplified depreciation rules, as described below; accelerated depreciation for primary producers; deductions for professional expenses for startups; immediate deductions for prepaid expenses; lower company tax rate; simplified trading stock rules; and others.

An immediate write-off is ordinarily available for depreciating assets costing less than AUD1,000 (low-cost assets) per asset. This threshold increased to AUD20,000 for assets first used or installed ready for use during 1 July 2023 to 30 June 2025.

Simple pooling facility is available for the business portion of most higher cost assets (those with a cost equal to or more than the relevant instant asset write-off thresholds as outlined above) and claim: (a) 15% deduction in the first year and (b) 30% deduction per year thereafter; and deduct the balance of the small business pool at the end of the income year if the balance at that time (before applying the depreciation deductions) is less than the instant asset write-off threshold. Buildings are specifically excluded from the pooling arrangements unless they would qualify for deduction under Division 40.

4. Depreciation and calculation methods

Methods used	Straight-line/prime cost, double diminishing value (declining) method
Frequency	Annually An annual calculation is required based on the days held and used. For example, diminishing value is calculated as opening written-down value (WDV) x (days held/365) x (2/effective life).
Year of acquisition	Where a depreciating asset is held and used for only part of the income year, the decline in value is calculated based on the number of days the asset is held and used or installed ready for use — i.e., cost x (days held/365).
Year of disposal	Assets continue to depreciate until disposal. When the asset is disposed of, any gain (or loss) on disposal is treated as assessable (or deductible).
Ability to use different methods for different assets	The choice of method is exercised on an asset-by-asset basis, and a different method can be used for identical assets.
Ability to switch methods	The choice of method for a particular asset applies for that income year and all later years in which the taxpayer claims a deduction in decline in value of that asset.

Taxpayers may use either of two methods to calculate the decline in value of a depreciating asset: **prime cost (straight-line)** or the **diminishing value (double diminishing)** method. The choice must be made before submitting the income tax return for the income year to which the choice relates. The choice is deemed to have been made from the taxpayer's capital allowances disclosures within the income tax return.

The choice is exercised on an asset-by-asset basis. The choice of straight-line or double diminishing cannot be changed once the choice is made (i.e., after submitting the income tax return for a particular year).

For a limited number of assets, however, no choice of method is available, and the taxpayer must use the prime cost method. This includes intangible depreciating assets, such as in-house software, intellectual property (IP), spectrum licenses and data-casting transmitter licenses.

5. Other preferential and enhanced depreciation availability

Tax depreciation method	Comment on specific application and benefits available
Primary producers	A primary production business includes, *inter alia*, (a) cultivating plants, fungi seeds, etc.; (b) maintaining animals for sale; (c) manufacturing dairy produce from raw material produced; (d) catching fish, mollusks, etc.; (e) culturing pearls; (f) planting or tending trees; (g) felling trees; and (h) transporting trees. Primary producers may be entitled to concessional depreciation deductions: ■ Annual deductions over 10 years for the cost of telephone lines ■ Accelerated write-off for new horticultural plants and grapevines ■ Three-year write-off for expenditure on water facilities ■ Outright deduction for land-care operations ■ Special deduction for timber depletion and other timber industry concessions ■ Outright deduction for fodder storage assets Primary producers are entitled to immediately deduct the cost of fencing (except for stockyard, pen and portable fence) and water facilities such as dams, tanks, bores, irrigation channels, pumps, water towers and windmills incurred from 7:30 p.m. (AEST) on 12 May 2015.
Exploration or prospecting expenditure	Capital expenditure on exploration or prospecting for minerals (including petroleum) or quarry materials obtainable by "mining or quarrying operations" is deductible in the year in which it is incurred. Examples include transport, materials, labor and administrative costs incurred in carrying out exploration or prospecting activities. The cost of depreciating assets that are first used for exploration purposes is also immediately deductible (excluding the costs of mining rights and information acquired from a nongovernment third party).

Tax depreciation method	Comment on specific application and benefits available
Project pools	Certain mining project expenditures and transport expenditures or other capital project expenditures may be deductible over the estimated life of the project (called "project amounts"). The deduction is not limited to expenditures relating to mining projects and can include certain costs of infrastructure projects. Project amounts only include a capital expenditure that is not otherwise deductible and does not form part of the cost of a depreciating asset held by the taxpayer. That is, this covers those capital amounts that may not otherwise be deductible. Project amounts that are not mining capital expenditures and transport capital expenditures may also be deductible. Cost must be directly connected with a project and must be one of the following types of expenditures: ■ An amount to create or upgrade community facilities associated with the project ■ An amount for site preparation costs for a depreciating asset ■ An amount for feasibility studies for the project ■ An amount for environmental assessments for the project ■ An amount incurred to obtain information associated with the project ■ An amount incurred to obtain a right to IP ■ An amount incurred for ornamental trees or shrubs These amounts are deductible on a double diminishing value basis over the life of the project.
Site rehabilitation expenditure	An immediate deduction is available for current and capital expenditures on the rehabilitation of sites that have been used for "mining, quarrying or petroleum operations" (including exploration activities). "Rehabilitation" involves the restoration of the site to a reasonable approximation of its "pre-mining condition." An immediate write-off of capital expenditures incurred on "environmental protection activities" is also available for a broader range of expenditures (e.g., a preventive expenditure) than under the mine site rehabilitation measures.
Environmental protection	An expenditure, whether capital or revenue, that is incurred for the sole or dominant purpose of carrying on an environmental protection activity is deductible in the income year in which it was incurred. This immediate deduction is not available if environmental protection is only a residual or subsidiary purpose.

Tax depreciation method	Comment on specific application and benefits available
Carbon sink forests	An immediate deduction is available for capital expenditures on establishing trees in carbon sink forests in the 2007–08 income year and in later income years up to and including the 2011–12 income year. From 1 July 2012, a deduction may be claimed for a period of 14 years and 105 days at a write-off rate of 7%. The deduction is only available if the following conditions are met: The primary and principal purpose for establishing the trees is carbon sequestration by the trees. The expenditure is not incurred under a managed investment scheme (MIS). The trees meet certain forest characteristics and adhere to certain environmental resource management guidelines.

6. Deductions for assets used in R&D

Research and development tax incentive

To encourage companies to conduct R&D activities in Australia, an entity is entitled to a tax offset, referred to as the R&D tax incentive, for eligible R&D expenditures from 1 July 2011. The entity must satisfy both the R&D tax and depreciating asset provisions to obtain concessional deductions for assets that are used for conducting R&D activities.

For years of income commencing after 1 July 2021, the R&D Tax Incentive rates were amended for both the refundable and nonrefundable tax offset, and the cap on R&D expenditure that can be claimed per financial year was increased to AUD150 million from AUD100 million. For eligible activities, an entity may claim one of the following three types of R&D tax offsets:

1. If the R&D entity's aggregated turnover for the income year is less than AUD20 million, the entity will be entitled to the refundable tax offset (currently at 43.5%, resulting in a net uplift of up to 18.5% from the standard deductions).
2. If the R&D entity's aggregated turnover for the income year is equal to or exceeds AUD20 million but is less than AUD50 million, the R&D entity will be entitled to a nonrefundable tax offset based on incremental intensity of R&D expenditure as a proportion of total expenditure for the year. This may be used to reduce the current year tax liability or carried forward and utilized in a future income year. The rate of the tax offset will be:
   - For R&D intensity between 0% and 2%, a 33.5% offset (resulting in a net uplift of up to 8.5% from the standard deductions)
   - For R&D intensity above 2%, a 41.5% offset (resulting in a net uplift of up to 16.5% from the standard deductions)
3. If the R&D entity's aggregated turnover for the income year is equal to or exceeds AUD50 million, the R&D entity will be entitled to a nonrefundable tax offset based on incremental intensity of R&D expenditure as a proportion of total expenditure for the year. This may be used to reduce the current year tax liability or carried forward and utilized in a future income year. The rate of the tax offset will be:
   - For R&D intensity between 0% and 2%, a 38.5% offset (resulting in a net uplift of up to 8.5% from the standard deductions)
   - For R&D intensity above 2%, a 46.5% offset (resulting in a net uplift of up to 16.5% from the standard deductions)

The offset for notional R&D deductions will be capped at AUD150 million per year.

For tangible depreciating assets used in R&D activities, a notional R&D depreciation is calculated by reference to the ordinary tax depreciation rules in the Income Tax Assessment Act. To the extent that the tangible depreciating asset is used in R&D activities, the tax depreciation can be claimed as R&D expenditure. The expenditure that is included in the cost base of a tangible depreciating asset cannot be claimed as R&D expenditure, as there is a specific exclusion in the R&D Provisions.

The R&D expenditure incurred on intangible depreciating assets (e.g., software) can be claimed as an R&D expenditure. Where eligible R&D deductions have been claimed, cost base adjustments must be made to the relevant asset(s) in the tax asset register to prevent a duplication of the deduction at a future time.

7. Tax treatment of disposals

When a depreciable asset is disposed of, a "balancing adjustment event" occurs. The difference between the asset's tax written-down value on the date of disposal (i.e., cost less accumulated depreciation) and any proceeds received on disposal is recognized as assessable income or a deductible expense (as a revenue deduction). No additional tax deduction is claimed after the disposal. The proceeds received may be deemed to be equal to the market value of the asset at that time.

If an asset is scrapped, then provided a taxpayer stops using it, or having it installed ready for use, and the taxpayer expects to never use it again, this may give rise to a balancing adjustment event.

8. Making a claim

A claim for depreciation is made in the income tax return. The tax system is a self-assessment, where minimal disclosures are required in the income tax return for capital allowances. For the 30 June 2025 income year, these include tax depreciation disclosures, adjustable values of depreciating assets, information on disposal of depreciating assets and termination value of depreciating assets.

Record-keeping requirements

A taxpayer must keep the following information for a depreciating asset:

- The first[1] and second element of cost[2]
- The opening adjustable value for the income year
- Any adjustments made to cost or adjustable value
- The date the taxpayer started to hold the asset
- The rate or effective life used to work out the decline in value and any reduction for use of the asset for nontaxable purposes
- The adjustable value at the end of the income year
- Any recoupment of cost included in assessable income
- If a balancing adjustment event occurs, e.g., a disposal or scrapping, the date of the balancing adjustment event, termination value (i.e., proceeds), adjustable value at that time, the balancing adjustment amount, any reduction of the balancing adjustment amount and details of any rollover or balancing adjustment relief

The following must also be kept:

- Details of how the effective life of a depreciating asset was worked out if the Commissioner's effective life was not adopted
- If the taxpayer has recalculated the effective life of an asset, the income year of the recalculation, the recalculated effective life, the reason for the recalculation and details of how the recalculated life was worked out
- Original documents such as suppliers' invoices and receipts for expenditure on the depreciating asset

These documents are not required to be submitted to the ATO but must be retained for five years.

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[1] The first element of cost is generally the amount paid to hold the asset. Market value substitution rules or other "deeming rules" may also apply.

[2] The second element of cost is amounts incurred after starting to hold the asset to bringing the asset to its present condition and location (e.g., capital improvements) and expenditures incurred that are reasonably attributable to the asset when a taxpayer stops holding this asset or will never use it again.

9. Intangible assets

Intellectual property

Depreciating assets include items of IP, such as a patent, a registered design or a copyright (or as licensee of any of these items). Trademarks are not depreciating assets.

The decline in value of such items is calculated over the statutory effective life using the prime cost method (refer to below).

Computer software

In-house software is computer software, or a right to use computer software, that is acquired or developed mainly for you to use in performing the functions for which it was developed. The expenditure on in-house software will be deducted in the following ways:

- The decline in value of acquired in-house software is determined using an effective life of five years (apply to expenditures incurred on or after 1 July 2015) and the prime cost method.
- An expenditure incurred in developing in-house software may be allocated to a software development pool (see below).
- If the above expenditure is not pooled, it can be capitalized into the cost of a resulting unit of in-house software, and its decline in value is determined using an effective life of five years and the prime cost method.

Computer software developed mainly for others to use (e.g., to license to third parties) is not considered in-house software and hence is not considered a depreciating asset. Nonetheless, any copyright in the software may be a depreciating asset.

Software development pool

A taxpayer may choose to allocate to a software development pool expenditure incurred on developing in-house software if its intended use is strictly for a taxable purpose. Once an expenditure is allocated to a pool, all such expenditures in that year or a later year must be allocated to a software development pool. A deduction for an expenditure in a software development pool is not claimed in the income year in which it is incurred. Rather, a deduction is allowed at a 30% rate in each of the following three years and 10% in the final year (year five) (for expenditures incurred from 1 July 2015).

Other intangible assets

Type of asset	Rates/lives
Standard patent	20 years
Innovation patent	8 years
Petty patent	6 years
Registered design	15 years
Copyright (other than film copyright)	Shorter of 25 years from the acquisition of copyright or the period until copyright ends
License (not relating to copyright or in-house software)	License term
License relating to copyright (except film copyright)	Shorter of 25 years from when taxpayer became licensee, and the period until license ends
In-house software	5 years (from 1 July 2015)
Spectrum license	License term
Data-casting transmitter license	15 years
Telecommunications site access right	Term of the right

A film copyright (acquired on or after 1 July 2004) is specifically excluded from general treatment for ordinary copyright, and deductions for its decline in value are available on the basis of effective life, using either prime cost or diminishing value.

The effective life of an indefeasible right to use a telecommunications cable system is the effective life of the cable over which the right is granted. The taxpayer may self-assess such effective life, or the Commissioner can determine this.

An intangible asset (other than a copyright, a license related to a copyright and in-house software) acquired from a former holder of the asset is depreciable over the remaining number of years that are yet to elapse at the start of the year when the asset was acquired.

Effective life of intangible depreciating assets: mining, quarrying or prospecting rights

Type of asset	Rates/lives
A mining, quarrying or prospecting right relating to mining operations (except for obtaining petroleum or quarry materials)	The life of the mine or proposed mine or, if there is more than one, the life of the mine that has the longest life
A mining, quarrying or prospecting right relating to mining operations to obtain petroleum	The life of the petroleum field or proposed petroleum field, or, if there is more than one, the life of the petroleum field that has the longest life
A mining, quarrying or prospecting right relating to mining operations to obtain quarry materials	The life of the quarry or proposed quarry or, if there is more than one, the life of the quarry that has the longest estimated life

Brazil

At a glance

Terminology used by the jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

4%-100%

Depreciation method used to calculate the tax deduction

Straight-line method

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1. Entitlement to claim

The taxpayer that owns and uses fixed assets is entitled to claim depreciation costs (proof of ownership, possession or effective use of the assets may be required).

2. Allocation of tangible assets to tax depreciation lives and rates

Segregation of assets is mandatory to control the depreciation individually, as different assets may have different rates, and taxpayers need to demonstrate that no asset has been over-depreciated (i.e., exceeding its purchase value).

The Brazilian Internal Revenue Service (IRS) is the authority responsible for publishing the useful life and the depreciation rates accepted for tax purposes. For accounting purposes, there is no consolidated table of assets and correspondent useful life; thus, it varies by industry, and proof, through an expert's report, is required to support the case to use different depreciation rates from the ones set forth in the tax regulation.

2.1 Assets that qualify for tax depreciation

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment (general)	10 years	Annual	10%	The rate of depreciation may vary according to details and the Brazilian IRS ruling. The depreciation rate varies by industry. 3, 4, 5 or 10 years; 10%, 20%, 25% or 33%.
Automobiles	5 years	Annual	20%	The rate of depreciation may vary according to details and the Brazilian IRS ruling. The depreciation rate varies by industry. 4 or 5 years; 20% or 25%.
Buildings	25 years	Annual	4%	
Furniture, fittings or fixtures (general)	10 years	Annual	10%	The rate of depreciation may vary according to details and the Brazilian IRS ruling. The depreciation rate varies by industry. 5, 10 or 25 years; 4%, 10% or 20%.
Computer hardware	5 years	Annual	20%	
Computer software	5 years	Annual	20%	
Aircraft	10 years	Annual	10%	
Transportation other than automobiles or aircraft				The rate of depreciation may vary according to details of the asset and the Brazilian IRS rules. Depreciation will only be permitted if the asset is related to production or commercialization of goods and services. The depreciation rate varies by industry. 4, 5, 10 or 20 years; 5%, 10%, 20% or 25%.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Car parks				Parking buildings may apply for depreciation according to general building depreciation rules.
Office equipment (including office furniture and fixtures)	10 years	Annual	10%	
Qualified improvements in leasehold properties	1 year or more/less than 1 year	May vary	May vary	Improvements that enhance the useful life of the property in more than one year may be depreciated with the remaining value of the asset. Improvements that do not enhance the useful life in more than one year must be recognized as an expenditure in the period. Improvements in leasehold properties may be amortized if related to the manufacturing or commercialization of goods and services. The amortization rate varies as per the remaining years of the right or according to the period in which they will be enjoyed, if related to an intangible asset.
Machinery and equipment used for agricultural purposes	1 year	Annual	100%	Assets may be depreciated at 100% annual rate (accelerated depreciation).
Property used in R&D	No specific rate for R&D	No specific rate for R&D; it follows the regular asset depreciation.	No specific rate for R&D; it follows the regular asset depreciation.	Assets must be depreciated separately and might be subject to accelerated depreciation as a tax incentive in the first fiscal year.

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Long-term investment
Buildings rented or used for purposes other than manufacturing or commercialization of goods and services	Not an operational asset
Assets with value that usually increases over time (e.g., art/antiques)	Not an operational asset
Assets to which exhaustion quote applies	Exhaustion has the same tax and accounting impacts as depreciation. Exhaustion quotes are specific to the mining and forest assets' useful life, as these resources are exhausted, not depreciated. Although it is a different terminology, the principle is the same.

2.3 Noteworthy items

Pre-operational costs

Pre-operational costs and expenses must integrate into fixed-asset or intangible costs. If not related to fixed assets or intangibles, they must be written off as an expense. Intangibles might be subject to amortization.

Pre-operational expenditures, such as training programs, administrative and sales, cannot integrate into the value of intangibles; thus, they must be written off as expenses.

Leased assets

According to IRS Ordinance 1.700/2017, the deduction of depreciation, amortization, exhaustion and financial expenses generated for leased assets is prohibited for corporate income tax purposes.

However, any consideration paid or credited under the leasing contract may be deducted on the computation of corporate income tax.

Land remediation — removing asbestos

Depending on the specifics of the situation, the corresponding costs can be integrated to the fixed asset or written off as an expense.

Labor costs applied to software design

If the company is a service provider and develops specific software to improve the performance of its services, the corresponding labor costs can be integrated into the intangible value. Intangibles might be subject to amortization.

Other relevant matters

Repairs or improvements that do not enhance the useful life of an asset in more than one year must be written off as expenses in the same fiscal year.

Tax depreciation can differ from the accounting depreciation of the financial statements while not imposing restrictions. However, taxpayers might opt to use accounting over tax depreciation, if it is more tax beneficial.

2.4 Availability of immediate tax deduction for depreciation

For tax purposes, it is possible to depreciate the following assets in the same year of acquisition:
- Fixed assets used in agricultural activity
- New machinery, equipment, apparatus and instruments used solely in activities of technological research and development (R&D incentive)

However, it is necessary to have a management control that demonstrates the differences in the accounting values as compared to the tax depreciations, considering the different rates applied. In the accounting bookkeeping, the accounting depreciation values should remain.

3. Depreciation and calculation methods

Methods used	The method referred to the tax legislation is the straight-line method. Nevertheless, there are different tax rates (not methods) related to specific regulations or based on expert reports (e.g., accelerated depreciation of machinery and industrial equipment used in two or three shifts).
Frequency	The depreciation rate is set on an annual basis. However, tax depreciation is calculated on a monthly basis.
Year of acquisition	The depreciation rate is calculated upon the acquisition date. However, if the asset is assembled and installed after the beginning of the tax year, the depreciation rate is apportioned to the remaining months of the tax year.
Year of disposal	N/A
Ability to use different methods for different assets	Both tax and accounting methods apply to different types of assets. For tax purposes, there must be an expert's report to support the case to use different depreciation rates from the ones set forth in the tax regulation. There are different methods only for accounting purposes.
Ability to switch methods	There are no different methods for tax purposes. Different rates may apply if there is an expert's report to validate the use of machinery and industrial equipment in two or three shifts (i.e., accelerated depreciation).

4. Preferential and enhanced depreciation availability

Two kinds of accelerated depreciation are set forth by tax law:
- Related to machinery and industrial equipment used in two or three daily production shifts
- Accelerated depreciation for very specific machinery, equipment and vehicles set forth by tax law

Specific legislation has created certain tax benefits related to accelerated depreciation for very specific years, regions and types of equipment.

Tax depreciation method	Comment on specific application and benefits available
Straight-line and accelerated depreciation	Agricultural machinery
Straight-line and accelerated depreciation	R&D — new machinery, equipment, apparatus and instruments, used solely for activities of technological research and development (R&D incentive)
Straight-line and accelerated depreciation	Fixed assets acquired or constructed by companies (e.g., public concessions)
Straight-line and accelerated depreciation	Vehicles for the transportation of goods, wagons and locomotives

5. Accounting for disposals

The residual value (i.e., the difference between the original cost of the asset and its depreciation) of an asset that is disposed must be considered to determine the capital gain. If the asset's sale price is higher than the residual amount, the capital gain is subject to corporate income tax. However, if it results in a capital loss, it is treated as a deductible expense for corporate income tax purposes.

Supporting documentation is necessary to prove the disposal of the asset (e.g., minutes drawn up by a notary public office).

6. Making a claim

Tax deductions corresponding to asset depreciation should be claimed when filing the income tax return.

Companies are required to keep supporting documentation to prove that the tax depreciation calculation is being done properly and separately by asset.

7. Intangible assets

Intangible assets are subject to amortization. There is specific legislation for every kind of intangible asset, such as goodwill, trademarks and licenses. The amortization rates of trademarks and licenses are related to the contracts/rights duration.

Goodwill is no longer subject to accounting amortization.

Type of asset	Rates/lives
Trademarks	Contingent on the contract/right duration
Patents, copyrights, design, know-how or similar items	Contingent on the contract/right duration
Goodwill	In-house goodwill is not deductible for tax purposes.
Licenses or permits	Contingent on the contract/right duration
Other (please provide details)	N/A

The deductible cost of amortization is related to the contract period. Additionally, in-house trademarks, patents and copyrights are not deductible.

8. Depreciation rates tax vs. accounting purposes — adjustments in taxable income

If the company adopts an accounting depreciation rate different from those accepted by the Brazilian IRS, and the measured value is less than that measured by tax depreciation rates, the difference of value may be adjusted in the taxable income, up to the limit of the value of the asset (according to IRS Ordinance 1.700/2017, article 124).

Canada

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At a glance

Terminology used by a jurisdiction to describe the recovery of capital and fixed assets

Capital cost allowance (CCA)

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

4%-100%

Depreciation method used to calculate the tax deduction

Declining-balance, straight-line

1. Entitlement to claim

Corporate and personal taxpayers, as well as partnerships that generate business or property income, are entitled to claim the CCA.

2. Allocation of tangible assets to tax depreciation lives and rates

Details and descriptions of various CCA classes, including the applicable declining-balance depreciation rate or straight-line depreciation life, and the properties that qualify for them are listed in Schedule II of the Income Tax Regulations (Canada). Assets that are purchased solely in support of equipment may be considered part of that equipment and classified as such (e.g., heating, ventilation and air conditioning (HVAC); plumbing; electrical). This is not required but typically results in more advantageous depreciation rates for the particular supporting assets/costs. In manufacturing and processing (M&P) situations, costs specifically related to equipment required for the M&P activities and processes may be classified separately from the building.

Federal Budget 2023 and 2024 — tax depreciation/CCA measures

Canada's Department of Finance introduced the 2024 Federal Budget and Fall Economic Statement with further updates to the measures announced in the 2022 and 2023 federal budget, as well as newly announced measures.

(1) Investment tax credit (ITC) for clean hydrogen:
Bill C-69, enacted in June 2024, established a refundable investment tax credit in respect of the cost of purchasing and installing eligible equipment for projects that produce hydrogen from electrolysis or projects that produce hydrogen from eligible hydrocarbons, as long as emissions are abated using carbon capture, utilization and storage (CCUS) process. The tax credit rate varies from 15% to 40% depending on the carbon intensity of the hydrogen produced for eligible property that is acquired and available for use on or after 28 March 2023 and becomes available for use before 2034. The credit will be phased out by 50% for property that becomes available for use in 2034 and is fully phased out after 2034.

This legislation includes a 15% tax credit for equipment used to convert clean hydrogen into clean ammonia as part of a clean hydrogen project if the hydrogen produced meets certain carbon intensity thresholds. Clean ammonia property must be acquired and available for use on or after 28 March 2023 and before 2034 to be eligible for this credit.

The tax credit rate is reduced by 10% if certain labor requirements are not met (see "Labor requirements related to certain investment tax credits" below).

(2) Clean Technology Investment Tax Credit:
Bill C-59, enacted in June 2024, established a refundable ITC available to qualifying taxpayers that make eligible investments in clean technology property on or after 28 March 2023 and before 2035. The tax credit rate varies depending on the year in which the property is acquired and becomes available for use. Eligible equipment includes certain property described in capital cost allowance (CCA) Classes 43.1, 43.2 and 56, which have 30%, 50% and 30% declining-balance-basis CCA rates, respectively, and include:

- Equipment used in generating electricity through solar, wind and water sources described in Class 43.1 (d)(ii), (iii.1), (v), (vi) or (xiv)
- Stationary electricity storage equipment described in Class 43.1 (d)(xviii) or (xix) that does not use any fossil fuel in its operation
- Active solar heating equipment and air and ground source heat pumps described in Class 43.1(d)(i)
- Zero-emission vehicles designed for non-road use (described in Class 56) and the related charging/refueling equipment described in Class 43.1 (d)(xxi) or Class 43.2(b)(ii) that is used primarily for such vehicles (such as hydrogen or electric heavy-duty equipment used in mining or construction)
- Equipment used exclusively to produce electrical or heat energy solely through the use of geothermal sources described in Class 43.1 (d)(vii), but excluding any equipment that is part of a system that extracts fossil fuel for sale or use
- Concentrated solar energy equipment
- Small modular nuclear reactors

The 2023 federal *Fall Economic Statement* also provided the proposed expansion of the eligibility for the Clean Technology Investment Tax Credits to include systems that use specified waste materials solely to generate electricity or both electricity and heat. The expansion would apply to eligible equipment that is acquired and available for use on or after the day of the 2023 *Fall Economic Statement*.

The phase-out of the credit will start in 2034. The credit will be phased out by 50% for property that becomes available for use in 2034 and will be unavailable after 2034.

The tax credit rate is reduced by 10% if certain labor requirements are not met (see "Labor requirements related to certain investment tax credits" below).

(3) Investment tax credit for clean technology manufacturing:
The refundable investment tax credit for clean technology manufacturing and processing, and critical mineral extraction and processing received royal assent on 20 June 2024. This credit is equal to 30% of the capital cost of new machinery and equipment used to manufacture clean technologies (e.g., manufacturing of clean energy equipment), and extract, process or recycle key critical minerals (lithium, cobalt, nickel, graphite, copper and rare earth elements).

Eligible equipment will include certain property described in capital cost allowance (CCA) Classes 53, 43, 43.1, 43.2, 8, 10, 12, 41, 38, 43, 43.1, 43.2, 53 and 56, which have declining-balance-basis CCA rates ranging between 20% and 100%. Eligible equipment included in these CCA classes will also be eligible for enhanced first-year depreciation under the accelerated investment incentive, if acquired and available for use before 2028.

The ITC will be refundable and available to qualifying taxpayers that make eligible investments in certain clean technology manufacturing property that is acquired and available for use on or after 1 January 2024 and before 2035 for eligible clean technology manufacturing use. The credit will gradually phase out starting with property that is available for use in 2032 and will be no longer in effect for property that becomes available for use after 2034.

(4) Updates to the investment tax credit for carbon capture, utilization and storage (CCUS):
As outlined below in "Investment tax credit for carbon capture, utilization and storage, Budget 2022 introduced a refundable investment tax credit of between 18.75% and 60% for businesses that incur eligible expenditures related to CCUS. These measures included in Bill C-59 received royal assent in June 2024.

The updated legislation incorporated various changes that were announced in the 2023 federal budget, including the separation of the credit into a cumulative CCUS development tax credit (for qualified CCUS expenditures incurred before the first day of commercial operations of a CCUS project) and a CCUS refurbishment tax credit (for qualified CCUS expenditures incurred during the total CCUS project review period). Other changes announced in the 2023 federal budget and draft legislative proposals include:

- The expansion of eligible equipment to include dual-use equipment that produces heat or electrical power (or a combination of the two) or uses water and is used in support of a CCUS project, as well as another process (provided it otherwise meets the conditions of the credit)
- The addition of British Columbia to the list of designated jurisdictions for dedicated geological storage
- Validation of concrete storage requirements by an accredited third party
- Changes relating to recovery of the credit
- Clarification of the interaction of the credit with other government assistance

Rules related to knowledge sharing and climate risk disclosure were also included (with some legislative modifications since their initial release on 28 March 2023).

The tax credit rate is reduced by 10% if certain labor requirements are not met (see "Labor requirements related to certain investment tax credits" below).

(5) Labor requirements related to certain investment tax credits:
Initially announced as part of the 2022 Fall Economic Statement, additional details were provided on labor requirements for the carbon capture, utilization and storage investment tax credit; the clean technology investment tax credit; the clean hydrogen investment tax credit; and the clean electricity investment tax credit. Wage and apprenticeship requirements are included for these tax credits as part of this legislation to qualify for the full ITC rate. The wage requirements set out that the prevailing wage paid to workers on a project must be in line with a collective agreement or equivalent to what they would be under a comparable collective agreement, if no collective agreement exists. The apprenticeship requirements set out that at least 10% of the overall hours worked by Red Seal trades or equivalent must be performed by a registered Red Seal trades apprentice or equivalent. If these requirements are not met, the amount of the relevant tax credits would be reduced by 10%.

Federal Budget 2022 — tax depreciation/CCA measures

Canada's Department of Finance introduced the 2022 federal Budget and 2022 federal Fall Economic Statement with key measures expanding the definition of property that is eligible for Class 43.1 and Class 43.2 and creating four CCA classes as a part of the Carbon Capture, Utilization and Storage (CCUS) legislative proposals, a CCUS investment tax credit and several other measures applicable to fixed assets.

(1) Capital cost allowance (CCA) for clean energy equipment:
The 2022 federal budget expanded CCA Classes 43.1 and 43.2 to include certain equipment that is part of an air-source heat pump system that is primarily used for space or water heating, applicable for eligible property that is acquired and becomes available for use on or after 7 April 2022 (and that has not been used or acquired for use for any purpose before 7 April 2022). Amendments were also made to include the manufacturing or processing of air-source heat pumps designed for space or water heating as a qualified zero-emission technology manufacturing activity for purposes of the zero-emission technology manufacturing rate reduction, effective as of 1 January 2022.

(2) Investment tax credit for carbon capture, utilization and storage:
Budget 2022 introduced a refundable investment tax credit of between 18.75% and 60% for businesses that incur eligible expenditures related to CCUS. The rate of the tax credit depends on the type of property acquired and the date it is acquired. Specifically, eligible expenses are those for the cost of purchasing and installing eligible equipment used in an eligible CCUS project. The rate of the credit will vary depending on the type of eligible equipment and when the expenditure is incurred. The investment tax credit will be refundable and available to businesses that incur qualified CCUS expenditures after 2021 and before 2041. This equipment will be included in new CCA Classes 57 and 58, which will have 8% and 20% declining-balance-basis CCA rates, respectively, and will be eligible for enhanced first-year depreciation under the accelerated investment incentive.

Qualified CCUS expenditures are further reduced for any expenditure amount that:

- Is nongovernment assistance that the taxpayer received, is entitled to receive or can reasonably be expected to receive
- Is incurred before 2022 or after 2040
- Is incurred to acquire property that was previously used by any person or partnership, or for which a CCUS tax credit was previously deducted or claimed (or sought to be deducted or claimed) by any person
- Represents a pre-feasibility or feasibility study, or a front-end engineering study
- Is capitalized with respect to the cost of borrowed money under section 21 of the Act
- Remains unpaid 180 days after the year end of the tax year in which the expenditure was incurred
- An expenditure that is incurred by a taxpayer on or after the first day of commercial operations of the CCUS project to the extent that the total of all such amounts exceeds 10% of the total of all qualified CCUS expenditures incurred by the taxpayer before the first day of commercial operations of the CCUS project

To be eligible for the CCUS investment tax credit, a qualified CCUS project must meet the following conditions:

- It is expected to support the capture of carbon dioxide (CO2) in Canada.
- An initial project evaluation has been completed by the Minister of Natural Resources based on a submitted CCUS project plan.
- In each of the first 20 years of the project, at least 10% of the quantity of captured carbon is utilized in an "eligible use."
- If the project is undertaken on a facility that existed prior to 7 April 2022, the project was not undertaken for the purpose of complying with emission standards regulations that apply to coal-fired energy generation facilities.

CCUS expenditures are qualified expenditures for the purposes of the CCUS investment tax credit if they are incurred after 1 January 2022, and qualify under one of the four following categories:

- Qualified carbon capture expenditure — property included in paragraph (a) of CCA Class 57
- Qualified carbon transportation expenditure — property included in paragraph (b) of CCA Class 57
- Qualified carbon storage expenditure — property included in paragraph (c) of CCA Class 57
- Property included in paragraphs (d), (e) or (f) of CCA Class 57, if related to equipment in paragraphs (a), (b) or (c)
- Qualified carbon-use expenditure — property included in CCA Class 58

(3) Class 57 (8% declining balance CCA rate):
The Budget 2022 legislative proposals also introduced Class 57, which has been amended. Property acquired on or after 1 January 2022, that is part of a CCUS project includes:

- Equipment used solely to capture CO_2 that would otherwise be released into the atmosphere or directly from the ambient air, equipment used to prepare or compress the captured carbon for transportation, power or heat production, transmission equipment solely supporting CCUS project, and equipment that delivers, collects, recovers treats, recirculates water or a combination of those activities solely supporting CCUS project
- Equipment used solely for transportation of captured carbon, including any related monitoring and control equipment
- Equipment used solely for storage of captured carbon in a geological formation (other than for enhanced oil recovery), including any related monitoring and control equipment
- Equipment used solely to support the CCUS process (including any related monitoring and control equipment, but excluding any equipment that is required for hydrogen production, natural gas processing or acid gas injection)
- property that is physically and functionally integrated with the equipment described above
- Buildings and other structures, all or substantially all of which (i.e., 90% or more), are used for the installation or operation of any of the equipment described above
- Property used solely to convert another property to a property that is used for carbon capture, transportation or storage, or to refurbish any of the properties described above

In addition to the computation of capital cost allowance, Class 57 is relevant for determining whether a property is eligible for the proposed CCUS investment tax credit [see (2) above].

(4) Class 58 (20% declining balance CCA rate):
The Budget 2022 legislative proposals also introduced Class 58. Property acquired on or after 1 January 2022, that is part of a CCUS project includes:

- Equipment (including related monitoring and control equipment) employed solely for using CO_2 in industrial production (including for enhanced oil recovery)
- Property that is physically and functionally integrated with the equipment described above
- Buildings and other structures all or substantially all of which (i.e., 90% or more) are used for the installation or operation of equipment described above that is used for applying CO_2 in industrial production
- Property used solely to convert another property to a property employed for using CO_2 in industrial production, or to refurbish any of the properties described above

In addition to the computation of capital cost allowance, Class 58 is relevant for determining whether a property is eligible for the proposed CCUS investment tax credit.

(5) Class 59 (100% CCA rate):
Class 59 generally includes intangible exploration expenses and development expenses relating to CCUS that are incurred for the purpose of determining the existence, location, extent or quality of a geological formation to permanently store captured carbon in Canada, including expenses for environmental studies or community consultations.

Included are expenditures incurred on or after 1 January 2022, as follows:

- Geological, geophysical or geochemical expenses for determining the existence, location, extent or quality of a geological formation to permanently store captured carbon (other than for enhanced oil recovery) in Canada
- Expenses for environmental studies or community consultations, including those undertaken to obtain a right, license or privilege for determining the existence, location, extent or quality of a geological formation to permanently store captured carbon (other than for enhanced oil recovery) in Canada

The following expenses are specifically excluded:

- Expenses incurred in drilling or completing an oil or gas well
- Expenses incurred in building a temporary access road to an oil or gas well
- Expenses incurred in preparing a site in respect of an oil or gas well

(6) Class 60 (30% declining-balance rate):
Class 60 generally includes development expenses with respect to CCUS (similar in nature to those included in Canadian development expenses under ITA s. 66.2(5) in the context of mining and oil or gas).

This includes the following expenditures incurred on or after 1 January 2022:

- Expenses incurred in drilling or converting a well in Canada for the permanent storage of captured carbon (other than for enhanced oil recovery)
- Expenses incurred in drilling or completing a well for the permanent storage of captured carbon (other than for enhanced oil recovery) in Canada, building a temporary access road to the well or preparing a site in respect of the well
- Expenses incurred in drilling or converting a well in Canada to monitor pressure changes or other phenomena in respect of the permanent storage of captured carbon in a geological formation (other than for enhanced oil recovery)
- A right, license or privilege for determining the existence, location, extent or quality of a geological formation (other than for enhanced oil recovery) or to permanently store captured carbon in geological formation

(7) Critical mineral exploration tax credit:
A new 30% tax credit was introduced for eligible exploration expenditures with respect to critical minerals that are renounced to flow-through share investors who are individuals, applicable for expenditures renounced under eligible flow-through share agreements entered into after 7 April 2022, and on or before 31 March 2027. Critical minerals for the purpose of the credit will include copper, nickel, lithium, cobalt, graphite, rare earth elements, scandium, titanium, gallium, vanadium, tellurium, magnesium, zinc, platinum group metals and uranium. For expenses to be eligible for the credit, a qualified engineer or geoscientist will be required to certify that the expenditures to be renounced will be incurred as part of an exploration plan that primarily targets critical minerals. Expenditures claimed under the new tax credit will not be eligible for the existing mineral exploration tax credit. Budget 2023 proposed the expansion of the critical mineral exploration tax credit and flow-through share regime to include eligible expenses related to exploration and development activities for lithium from brines. Eligible expenses related to lithium from brines made on or after 28 March 2023 qualify as Canadian exploration expenses and Canadian development expenses.

(8) Immediate expensing incentive:
Bill C-19, Budget Implementation Act, 2022, No. 1 contains certain tax measures announced in the 2022 federal budget and the 2021 federal budget. The immediate expensing incentive, as first announced in the 2021 federal budget, was further expanded during 2022 to include immediate expensing of eligible property acquired by a Canadian-resident individual (other than a trust) or a Canadian partnership, where all the members are CCPCs or Canadian-resident individuals (other than trusts) for property acquired after 31 December 2021, that becomes available for use before 1 January 2025 (or before 1 January 2024, for partnerships where not all the members are individuals). The 2021 federal budget proposed to implement measures to temporarily allow for immediate expensing of up to CAD1.5 million per taxation year for certain classes of property acquired by a CCPC on or after 19 April 2021 that becomes available for use before 1 January 2024.

Eligible person or partnership:
Eligible persons or partnerships (EPOPs) include CCPCs, individuals (other than trusts) resident in Canada or Canadian partnerships where all the members are CCPCs, Canadian-resident individuals (other than a trust) or a combination thereof. To qualify as an EPOP, the person or partnership must satisfy the qualifications and maintain their status throughout the taxation year. Multitiered partnerships do not meet the definition of an EPOP.

Immediate expensing property (IEP) is property acquired by an EPOP and includes all property subject to the CCA rules, but excludes property included in the following CCA classes (generally long-lived asset classes):

- Classes 1 to 6 (e.g., buildings, greenhouses, structures)
- Class 14.1 (e.g., goodwill)
- Class 17 (e.g., surface construction, such as roads)
- Class 47 (e.g., transmission or distribution equipment and structures used for transmission or distribution of electrical energy)
- Class 49 (e.g., pipelines, including monitoring devices, valves used for the transmission of oil and gas)
- Class 51 (e.g., pipelines, including control and monitoring devices, valves used to distribute natural gas)

To qualify as an IEP, the property must be:

- Acquired after 18 April 2021, and becomes available for use before 1 January 2024, if the EPOP is a CCPC
- Acquired after 31 December 2021, and becomes available for use before 1 January 2025, if the EPOP is a Canadian-resident individual or a partnership where all the members are individuals
  Or
- Acquired after 31 December 2021, and becomes available for use before 1 January 2024, if the EPOP is a partnership where not all members are individuals

(9) Rate reduction for zero-emission technology manufacturers:
This is a temporary reduction in the corporate income tax rate for qualifying zero-emission technology manufacturers, applicable for taxation years beginning after 2021. Specifically, a reduced tax rate of 7.5% applies to eligible zero-emission technology M&P income that would otherwise be subject to the 15% general corporate income tax rate, and a reduced tax rate of 4.5% applies to eligible zero-emission technology M&P income that would otherwise be subject to the 9% small business corporate income tax rate. The reduced tax rates will be gradually phased out for taxation years beginning in 2029 and fully phased out for taxation years beginning after 2031. Budget 2023 proposed to extend this measure so that the reduced rates will begin to be phased out for tax years beginning in 2032 and will be fully phased out for tax years beginning after 2034 (instead of being phased out from 2029 to 2031 under the existing schedule).

Eligible zero-emission technology M&P activities (from which eligible income must be derived) are activities such as the manufacturing of energy conversion equipment (e.g., solar, wind, water and geothermal equipment), most manufacturing activities related to zero-emission vehicles (e.g., batteries, fuel cells and charging stations), and activities in connection with the production of hydrogen by electrolysis of water or the production of gaseous, liquid or solid biofuel.

Accelerated Investment Incentive tax measures

On 19 March 2019, Canada's Department of Finance introduced the 2019-20 federal budget with three key CCA measures that were previously announced in the 2018 Fall Economic Statement. These measures are now enacted and are known as the Accelerated Investment Incentive (AII) rules:

(1) Full expensing for manufacturing and processing machinery and equipment:
Full expensing of M&P machinery and equipment is allowed by providing an enhanced first-year allowance for M&P machinery and equipment acquired after 20 November 2018, that becomes available for use before 2028. The enhanced first-year allowance will provide taxpayers with an immediate write-off of the full cost of M&P machinery and equipment if the property becomes available for use before 2024 (the half-year rule, discussed below, will not apply). The enhanced first-year allowance will be phased out as follows:

- For property that becomes available for use in 2024 and 2025, the enhanced first-year allowance is reduced to 75% of the cost of the M&P machinery and equipment.
- For property that becomes available for use in 2026 and 2027, the enhanced first-year allowance is reduced to 55% of the cost of the M&P machinery and equipment.
- The enhanced first-year allowance is eliminated for property that becomes available for use after 2027. M&P machinery and equipment that becomes available for use after 2027 will be included in Class 43 and subject to a 30% CCA rate (subject to the half-year rule discussed below).

(2) Full expensing for clean energy equipment:
Full expensing of clean energy equipment included in Class 43.1 or 43.2 is now allowed on a temporary basis. As with the rules for M&P machinery and equipment, these rules provide an enhanced first-year allowance for clean energy equipment acquired after 20 November 2018, that becomes available for use before 2028. The enhanced first-year allowance will provide taxpayers with an immediate write-off of the full cost of clean energy equipment if that property becomes available for use before 2024 (the half-year rule, discussed below, will not apply). The enhanced first-year allowance will then be phased out in the same manner described above for M&P machinery and equipment.

Clean energy equipment that becomes available for use after 2027 will be included in Class 43.1 and subject to a 30% CCA rate.

(3) Accelerated investment incentive (applies to most other properties including buildings):
For essentially any property subject to the existing tax depreciation/CCA rules, excluding property subject to the full expensing measures discussed above, there is an accelerated investment incentive to write off a larger share of the costs of newly acquired assets in the year the asset becomes available for use.
In general, the accelerated investment incentive has two elements:

- A 50% increase of the net capital cost addition to a class with respect to property acquired after 20 November 2018, that becomes available for use before 2024
- The suspension of the existing CCA half-year rule (discussed below) with respect to property acquired after 20 November 2018, that becomes available for use before 2028

Property that is eligible for this additional first-year allowance will be eligible for CCA of 150% of the standard CCA rate or deduction in the year that the property becomes available for use if acquired after 20 November 2018, and available for use before 2024. Properties acquired after 2023 and before 2028 will be eligible for 100% of the standard CCA rate or deduction in the year that the property becomes available for use.
This first-year enhanced allowance is not available where:

- The property was previously owned or acquired (before 21 November 2018) by the taxpayer or a person or partnership with which the taxpayer did not deal at arm's length.
- The property was transferred to the taxpayer on a tax-deferred rollover basis.

Overall, the all rules significantly accelerate tax depreciation in the first year of asset ownership, but other eligibility requirements for the asset class remain the same. If a property eligible for the accelerated investment incentive is available for use in a short taxation year (see Section 3 for further details), the additional CCA claim will be calculated in accordance with the short tax year rules, and no further incentive is available for this property in future tax years.

2.1 Assets that qualify for tax depreciation

Asset type	Useful life for tax	Type of tax depreciation method	First-year tax depreciation rate under AII rules	Applicable tax depreciation rate – regular rate before AII rules	Comments
Plant, machinery and equipment (PME)	N/A	Declining-balance (DB)	20% DB – Class 8 (general equipment) 75% – Class 53 (M&P equipment)	Various – see comments	There are many CCA classes for PME, the most common of which are Class 8 (general equipment – 20% DB CCA rate) and Class 53 (M&P equipment – 50% DB CCA rate).
Automobiles	N/A	DB	30%	30%	Luxury passenger vehicles (those that cost more than CAD30,000, excluding pickup trucks, vans and similar vehicles that are used more than 90% for business) are limited to a maximum CAD30,000 addition to CCA Class 10.1 and must be placed in a separate class for each asset. Passenger vehicles costing less than CAD30,000 or pickup trucks, vans and similar vehicles used more than 90% for business are recorded in one class and depreciated at a rate of 30%. Zero-emissions vehicles acquired after 1 March 2020 and available for use before 2024 are eligible for a 100% depreciation rate.

Asset type	Useful life for tax	Type of tax depreciation method	First-year tax depreciation rate under AII rules	Applicable tax depreciation rate – regular rate before AII rules	Comments
Buildings	N/A	DB	4%/6%/10%	4%/6%/10%	Buildings initially qualify for 4% DB CCA rate. Buildings with more than 90% nonresidential usage (by square footage) are depreciated at a 6% DB CCA rate; buildings with more than 90% M&P usage (by square footage) are depreciated at a 10% DB CCA rate. Corrugated metal buildings with no footings or base support below ground level are depreciated at a 10% DB CCA rate.
Furniture, fittings	N/A	DB	20%	20%	
Computer hardware	N/A	DB	55%	55%	Includes general-purpose electronic data processing equipment, systems software, and ancillary data processing equipment
Computer software	N/A	DB	100%	55%/100% (half-year rule)	System software is classified with the related computer hardware as noted above. Application software is depreciated at a 100% DB CCA rate, but half-year rule is applicable (see below).
Aircraft	N/A	DB	25%	25%	Includes furniture and fittings attached to aircraft
Transport other than automobiles	N/A	DB	30% – general automotive equipment 40% – tractors for hauling freight	Various	Most automotive equipment is depreciated at a 30% DB CCA rate. Tractors designed for hauling freight with a GVWR >11,788kg are depreciated at a 40% DB CCA rate.
Car parking lots	N/A	DB	8%	8%	Surface-constructed parking lots are depreciated at an 8% DB CCA rate.

Asset type	Useful life for tax	Type of tax depreciation method	First-year tax depreciation rate under AII rules	Applicable tax depreciation rate — regular rate before AII rules	Comments
Office equipment (including office furniture and fixtures)	N/A	DB	20%	20%	
Land improvements	N/A	DB or immediate deduction	Various DB rates or expense	Various DB rates or expense	Landscaping is immediately deductible in the year incurred. Other land improvements incurred because of the installation of another asset (parking lot drainage, drainage for building, utility service trenching, etc.) would follow the classification of the asset that required the land improvement to be incurred.
Qualified leasehold improvement property	Initial lease term plus first renewal period/ option	Straight-line (SL) depreciation method with half-year rule in the first year	100% of standard straight-line depreciation	Initial lease term plus one renewal period	This applies to leasehold improvement costs incurred by a tenant.
Agricultural machinery and equipment	N/A	DB	20%/30%	20%/30%	Automotive agricultural equipment has a 30% CCA rate. Most other equipment will be considered general equipment and have a 20% CCA rate.
Property used in R&D	N/A	DB	Various	Various	No special rules apply for R&D equipment. Equipment type will dictate depreciation rate. If R&D activity supports M&P, the R&D property could be considered M&P property. Other equipment would follow classifications set out above.

2.2 Assets that do not qualify for tax depreciation

Type of asset	Explanation
Land	Land does not qualify for CCA deduction as it is not depreciable property. See also land improvements above.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

These fees are generally considered to be included in the capital cost of an asset put into use. If they relate to more than one asset, they would be allocated among the properties.

Land remediation — removing asbestos, Japanese knotweed

No specific treatment for these items is given in legislation. See general principles set out in the repair discussion below. If a taxpayer has owned land for a period of time and discovers it has become contaminated, and the taxpayer remediates the land (restoring it to its original "clean" state), the related remediation costs would be deductible. If the taxpayer acquires land that was already contaminated (known or unknown to the taxpayer) and remediates the land, the related costs would be added to the cost of the property/land.

Own labor capitalized — work on developing software, for example, or carrying out work on property

When a taxpayer manufactures or produces a property for his or her own use, the capital cost of the property includes material, labor and overhead costs reasonably attributable to the property. The capital cost excludes any profit that might have been earned if the property had been sold.

2.4 Availability of immediate deductions

Description	Detail
Chinaware, cutlery or other tableware	100% DB CCA rate (not subject to half-year rule)
Kitchenware utensils costing less than CAD500	100% DB CCA rate (not subject to half-year rule)
Medical or dental instruments costing less than CAD500	100% DB CCA rate (not subject to half-year rule)
Linens	100% DB CCA rate (not subject to half-year rule)
Tools costing less than CAD500	100% DB CCA rate (not subject to half-year rule)
Uniforms	100% DB CCA rate (not subject to half-year rule)
Apparel or costumes used for the purpose of earning income	100% DB CCA rate (not subject to half-year rule)
M&P machinery and equipment acquired after 20 November 2018 and available for use before 2024	100% CCA rate in the year of acquisition (not subject to half-year rule)

Description	Detail
Clean energy equipment in Class 43.1 or 43.2 acquired after 20 November 2018 and available for use before 2024	100% CCA rate in the year of acquisition (not subject to half-year rule)
Application software acquired before 2028	100% CCA rate in the year of acquisition (not subject to half-year rule)
Repairs and maintenance expenditures	Repairs and maintenance expenditures that restore an asset to its original condition and do not create an enduring benefit to the taxpayer — replacing a component part of a larger asset, etc. — can be immediately deductible for tax purposes.

No legislation details what a repair is; however, this has been addressed through much case law. Administrative positions also have been published by the Canada Revenue Agency (CRA). The courts have held that the determination of capital vs. expense is based on ordinary commercial principles and must be evaluated on a case-by-case basis. CRA's administrative guidelines with respect to the determination of what constitutes a capital or current (repair) expenditure is indicated in the following key factors/criteria:

- Enduring benefit — does the expenditure bring into existence an asset or advantage?
- Maintenance or betterment — does it result in more than the restoration of an asset to its original condition?
- Integral part or separate asset — is the expenditure a repair or an acquisition of a separate asset?

The CRA guidelines/administrative position have been developed from the extensive body of case law that addresses whether an expenditure is on account of capital or an immediately deductible repair.

There are different guidelines/criteria for repairs and maintenance for tax purposes (based on case law principles) and accounting purposes (based on accounting standards). Any differences are reconciled in the calculation of taxable income for a period. Case law also indicates that when evaluating an expenditure as capital or current in nature for tax purposes, the accounting treatment can be looked to as an interpretive aid and no more.

If a business adopts a capitalization threshold, such as an asset below CAD1,000, it will be expensed for accounting purposes. CRA would typically accept this practice for tax purposes provided it is aligned with the accounting treatment.

3. Depreciation and calculation methods

Methods used	Declining-balance, straight-line
Frequency	CCA is calculated for each taxation year when the annual tax/partnership return is filed. For short taxation years, the depreciation/CCA claim is prorated on the number of days in the taxation year out of 365. For assets eligible for the AII rules discussed in Section 2, the proration of this claim will also apply based on the number of days in the tax year out of 365, and no further incentive allowance will be available in the following tax year in respect of that property. Assets that are classified in the same CCA class are typically grouped together in one pool (other than specific classes, such as some automotive equipment, rental properties costing more than CAD50,000, 6%/10% buildings where the taxpayer files an election, etc.), and CCA is claimed on the entire pool of assets.

Year of acquisition	In the year of acquisition, most properties are subject to a half-rate rule, i.e., 50% of the class regular CCA rate. Accelerated Investment Incentive properties, as noted above, generally have a first-year CCA rate of 150% of the regular/normal CCA rate, up to a maximum of 100%. CCA is only calculated on the assets remaining in the CCA class/pool at year-end, so in the year of disposal, no CCA is calculated on an asset that is disposed of.
Ability to use different methods for different assets	Yes. The method is laid out by tax legislation (regulations).
Ability to switch methods	Yes, misclassified property can be reclassified, although when moving misclassified property in a taxation year subsequent to the year of acquisition there is no ability to claim any AII benefit that would have been available if the property was initially classified correctly. Also, there are rules that allow classes to be combined when a certain property was acquired under one class, more additions were made under a new legislated class and assets are sold from both classes.

4. Preferential and enhanced depreciation availability

Type of asset	Comment on specific application and benefits available
M&P machinery and equipment	Depreciated on a three-year, straight-line basis (25%/50%/25%) for assets purchased before 2016. Assets purchased after 2015 and before 2026 will be depreciated on a 50% declining-balance basis. M&P machinery and equipment subject to the AII rules discussed above that are acquired after 20 November 2018 and before 2024 are eligible for a 100% deduction in the year the property is available for use. The rate falls to 75% for both 2024 and 2025 calendar years.
Energy-efficient assets, such as solar, wind, large-scale hydro, geothermal projects, etc.	Available to be depreciated at a 50% declining-balance rate if purchased after 22 February 2005 and before 2025. Under the AII rules, such clean energy equipment acquired after 20 November 2018 and available for use before 2024 is eligible for a 100% deduction in the year the property is available for use. The rate falls to 75% for both 2024 and 2025 calendar years. The types of property applicable to these classes continue to expand and now include assets such as: ■ Pumped hydroelectric energy storage equipment ■ Hydroelectric energy generation equipment ■ Active solar heating systems, ground source heat pump systems and geothermal energy systems ■ Air-source heat pump systems ■ Equipment used to produce solid or liquid biofuels ■ Equipment used to produce hydrogen by electrolysis of water ■ Equipment used to dispense hydrogen for use in hydrogen-powered automotive equipment
Computer hardware	Computer hardware (electronic data processing equipment) and peripheral equipment (ancillary data processing equipment) is depreciated at a 55% DB CCA rate. Under the AII rules, such property will be eligible for an 82.5% deduction in the year the property is available for use.
Computer software	System software is depreciated at a 55% DB CCA rate. Application software is depreciated at a 100% DB CCA rate, but half-year rule is applicable. Under the AII rules, system software will be eligible for a 55% deduction in the year the property is available for use and application software will be eligible for a 100% deduction in the year the property is available for use.

Investments in qualified M&P equipment in certain areas of the country are eligible for either a provincial or federal investment tax credit (typically 4%–40% of the cost of the asset). Examples of various investment tax credits available provincially across the country include:

- Quebec credit for investments and innovation (C3i) — The C3i provides a credit of up to 20% to qualified corporations that invest in certain property after 10 March 2020, and before 2025. The province's 2021 budget further enhanced this credit by temporarily doubling its rate to up to 40% for certain acquisitions after 25 March 2021, and before 1 January 2024. Beginning 1 January 2024 this credit has been modified to have a maximum rate of 25%, and ensure it is refundable for all corporations beginning in 2024. It has been extended to apply to property that is acquired before 1 January 2030.
- Saskatchewan manufacturing and processing tax credit — This is a fully refundable credit equal to 6% of the capital cost of a qualified property that is used in Saskatchewan mainly for manufacturing or processing goods for lease or sale.
- Ontario regional opportunities investment tax credit — A 10% refundable income tax credit applies to capital investments. A Canadian-controlled private corporation that invests in capital property that becomes available for use on or after 25 March 2020, in designated regions of Ontario. The credit rate is temporarily doubled to 20% for property that becomes available for use in the corporation's tax year, in the period beginning on 24 March 2021, and ending before 1 January 2023.
- Ontario-made manufacturing investment tax credit — 10% refundable income tax credit for eligible Canadian-controlled private corporations on qualifying investments in buildings, machinery and equipment for use in manufacturing or processing in Ontario up to a maximum credit of $2 million a year.
- Manitoba manufacturing investment tax credit — Qualified property includes new and used buildings, machinery and equipment made available for use in Manitoba mainly for manufacturing or processing goods for sale or lease. The nonrefundable part of the credit is 1% of the cost of qualified property. For property acquired before 12 April 2017, the rate is 2%. The refundable part of the credit is 7% of the cost of qualified property. For property acquired before 1 July 2019, the rate is 8%.
- Nova Scotia capital investment tax credit — The capital investment tax credit is a refundable corporate tax credit that can be claimed for capital costs directly related to acquiring qualified property for use in Nova Scotia. The tax credit is 15% of the capital cost of acquired qualified property minus related government assistance acquired before 1 October 2022. The maximum tax credit available for each approved project prior to 1 October 2022, is CAD30 million across the duration of the project. The tax credit is 25% of the capital cost of acquired qualified property minus related government assistance acquired on or after 1 October 2022. The maximum tax credit available for each approved project is USD100 million across the duration of the project from 1 October 2022, onward.
- Atlantic investment tax credit — Investments in newly acquired qualified property that will be used mainly in Atlantic Canada and Atlantic Region are calculated using a specified percentage of 10%. Qualified property means new assets acquired primarily for use in Atlantic Canada and Atlantic Region mainly used for farming or fishing, logging, manufacturing and processing, storing grain or harvesting peat.
- Newfoundland and Labrador — Investments in newly acquired qualified property that will be used Newfoundland and Labrador are calculated using a specified percentage of 10% and mirrors the Atlantic investment tax credit criteria.
- Prince Edward Island Corporate Investment Tax Credit — This is a 10% nonrefundable corporate investment tax credit for acquisitions of new manufacturing and processing machinery and equipment for use in the province.
- Alberta Petrochemicals Incentive Program — 12% grant on eligible capital costs for capital investments of at least $50 million. Facility must use natural gas, natural gas liquids or petrochemical intermediaries such as ethylene, propylene, benzene, etc., in the manufacturing of its own products.
- Alberta Carbon Capture Incentive Program — 12% grant on eligible capital costs for capital investments CCUS projects that capture, prepare, compress, transport, store or utilize carbon dioxide in the province of Alberta. The program is designed to align with the federal CCUS ITC.

5. Accounting for disposals

As discussed above, most property/asset CCA classes are made up of pools of similar assets. When an asset is disposed of, the pool value is reduced by the lesser of the original cost of the asset or the proceeds of disposition. CCA is then calculated on the resulting net/adjusted pool balance after this reduction.

If the last asset in a pool/class is disposed of, there is an income inclusion if the resulting pool balance is negative (called "recapture") or an additional deduction if the resulting pool balance is positive (called a "terminal loss") after deducting the lesser of the original cost or proceeds from the pool value.

No adjustments/deductions are available if a company scraps an asset for no value.

6. Making a claim

Depreciation/CCA claims are made by filling out Schedule 008 of the Corporation Income Tax or Partnership Return. This schedule calculates the current year CCA claim by factoring in opening pool balances, additions, disposals and adjustments. This amount is then deducted in calculating net income for tax purposes/taxable income elsewhere in the return.

Supporting documentation must be retained by the taxpayer for all tax returns filed (whether electronically or on paper) for a period of seven years after the end of the tax year, although there is no supporting documentation required to be sent along with the tax return when it is filed.

7. Intangible assets

Unless specifically permitted to be deducted in Part I of the Income Tax Act (Canada), all amounts on account of capital are nondeductible. Specific CCA classifications/deductions for some limited-life intangible assets are detailed in the table below.

There is also a deduction available for eligible capital expenditures (ECEs), which are expenditures made with respect to a business, made on account of capital, for the purpose of gaining or producing income not otherwise deductible under a specific provision of the Income Tax Act (Canada) and not included in the cost of tangible, corporeal, intangible or incorporeal property of the taxpayer. Examples of ECEs include goodwill, customer lists, trademarks, farm quotas, franchises, concessions and licenses of indeterminate duration.

Prior to 2017, ECEs were deducted by adding 75% of the capital cost of the ECE to a pool that was depreciated at a 7% declining-balance depreciation rate. Since 1 January 2017, 100% of these expenditures are added to CCA Class 14.1 and deducted at a 5% declining-balance depreciation rate with transitional rules applying for the transfer of the pre-2017 ECE pool to Class 14.1.

Under the AII rules, for ECEs acquired after 20 November 2018 and before 2024, the first year of CCA is calculated using a 7.5% DB CCA rate (an additional 50%); for such property acquired after 2023 and before 2028, an additional 25% CCA deduction is available in the first year.

Type of asset	Rates/lives (Note: These rates do not reflect the AII rules, which provide 150% of the CCA rate in the first year as discussed above)
Trademarks	CCA Class 14.1 — as noted above, 5% DB CCA rate.
Patents, copyrights, design, know-how or similar items	Patents are depreciated over the useful life of the asset (SL depreciation) — Class 14 (limited life). Patents may also be Class 44 property — 25% DB CCA rate.
Goodwill	CCA Class 14.1 — as noted above, 5% DB CCA rate.
Licenses or permits	Licenses are depreciated over the useful life of the asset (SL depreciation) — Class 14 (limited life).

Chile

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At a glance

Terminology used by a jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

No, differences between statutory/book accounting depreciation are expected

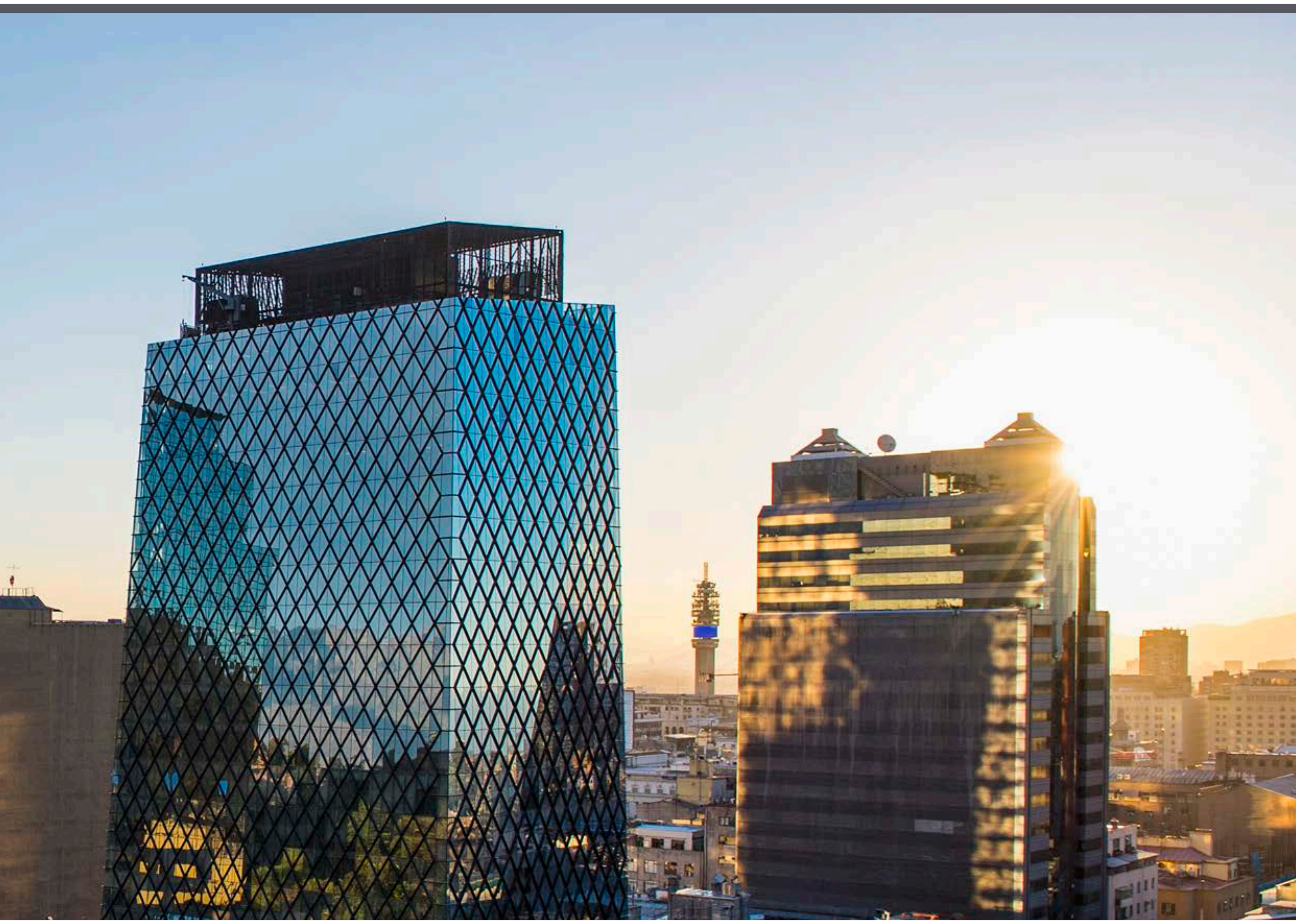
Range of rates used

1.25%–100%[1]

Depreciation method used to calculate the tax deduction

Useful life; straight-line method/accelerated (1/3 of useful life) depreciation method

[1] The depreciation percentages indicated were determined by applying the straight-line method to the useful lives determined by the Chilean Internal Revenue Service (IRS). The 100% rate is applicable only in the case of taxpayers authorized to apply immediate depreciation (see section 2.4).



1. Entitlement to claim

Article 31(5) of the Chilean Income Tax Law (ITL) allows taxpayers to reflect the normal wear and tear of fixed tangible assets used in their businesses through a depreciation allowance. Such depreciation allowance is computed at a fixed yearly rate using the straight-line method and from the time such assets are utilized. For these purposes, the useful life is set on an asset-by-asset basis by Chilean IRS guidelines.

Exceptionally, a tax-accelerated depreciation benefit is available for new or imported fixed tangible assets. Under the accelerated depreciation method, the useful life of the asset is reduced to one-third of its normal value.

Taxpayers that are owners of fixed assets are entitled to claim tax deductions for depreciation. Legal ownership and utilization of the goods are required.

Based on the wording of the law, the Chilean IRS has consistently understood that intangible assets cannot be deducted, amortized or depreciated, unless they expire or totally lose their value.

2. Allocation of tangible assets to tax depreciation lives and rates

According to the law, an annual depreciation rate of the fixed assets is deductible as an expense for tax purposes, provided the general requirements established in Article 31 for tax deductible expenses are met. The depreciation percentage is determined by applying the straight-line method to the useful life determined by the Chilean IRS.

The annual depreciation expense that can be deducted is calculated based on the net value of the assets as of the date of the respective balance sheet and the useful life of the fixed assets determined by the Chilean IRS. The annual depreciation rates must be applied after the revaluation of fixed assets according to the rules of monetary correction pursuant to Article 41 of the ITL.

The values recorded for fixed assets should include all costs directly related to their acquisition or construction, including those necessary for the assets to be in a condition to be used by the purchaser. Likewise, the value of the asset should also include the value of improvements made to the asset when their purpose is to improve or remodel the asset, improving its operation, adding significant value to it, and increasing its durability and productivity.

On the other hand, the accumulated depreciation of the asset, which represents the tax depreciation made in previous years, must be discounted in such determination.

2.1 Assets that qualify for tax depreciation

Only the physical goods of fixed assets can be depreciated. As noted, the annual depreciation expense that can be deducted will relate to the useful life years established by the Chilean IRS. To date, the Chilean IRS has issued Resolution No. 43 of 2002, which establishes a long list of assets and their useful lives. The following table highlights some of the assets considered by the Chilean IRS:

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate[2]
Machinery	15 years	Straight-line method	6.6%
Heavy tools	8 years	Straight-line method	12.5%
Light tools	3 years	Straight-line method	33.3%
General installations	10 years	Straight-line method	10%
Trucks	7 years	Straight-line method	14.3%
Cars, pickups, station wagons and buses	7 years	Straight-line method	14.3%
Computers, computer systems, peripherals and similar items	6 years	Straight-line method	16.6%
Solid buildings	80 years	Straight-line method	1.25%
Semisolid buildings	20 to 50 years	Straight-line method	2%–5%
Buildings of light materials	10 years	Straight-line method	10%

[2] The depreciation percentages indicated are for reference only. Please note that according to Chilean law, the annual depreciation percentage is determined by applying the straight-line method to the useful life determined by the Chilean IRS.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate[2]
Bulldozers, tractors, Caterpillars and other machines employed in heavy construction	8 years	Straight-line method	12.5%
Drilling equipment, internal combustion engines, soldering equipment and similar equipment	6 years	Straight-line method	16.6%
Machines employed in mining activities (general rate)	9 years	Straight-line method	11.1%

Additionally, and in the case of real estate, the Chilean IRS has stated that the price paid for its acquisition may be deducted in the business year in which the property is purchased for that part that can be depreciated according to the ITL rules, that is, without considering the value of the land. The value of the land can only be deducted in the year in which the property ceases to belong to the taxpayer due to its alienation or any other cause.

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Land is not subject to depreciation since it does not deteriorate (lose value) through use. Buildings and constructions assembled on the land are depreciable.
Intangibles	Intangibles are not physical assets according to Chilean Civil Code and so cannot be deducted, amortized or depreciated, unless they expire or totally lose their value.[3]
Mineral deposit	Depreciation for depletion of the natural resources contained in the mining property is not allowed. In this case, the loss of value of the mining property due to mineral depletion is part of the cost of the minerals extracted.
Works of art and sculptures	They are assets that do not depreciate, as they are deemed to increase value over time.

2.3 Noteworthy items

Assets not specifically assigned a useful life for tax purposes

In the event the tangible assets are not assigned with a useful life for tax purposes, the Chilean IRS has stated that it is the taxpayer, in principle, that must set the useful life of said assets, assimilating them to those that have the same characteristics or are similar to those contained in the table of useful life issued by the tax authority.

[3] Nonetheless, an interim rule passed in 2020 as part of the emergency tax measures adopted by the Chilean government as a response to the COVID-19 pandemic allows taxpayers to exceptionally amortize certain intangibles acquired until December 2022, to the extent certain requirements were fulfilled.

If the assets, due to their special characteristics, cannot be assimilated to the assets included in the table because they are totally different or distinct assets, the Chilean IRS has established that it will be the taxpayer who must request the Director of the Chilean IRS to set the useful life or probable duration of said assets, providing sufficient background information supporting the request. Among others, the taxpayer shall provide technical reports issued by third parties or specialized institutions on the subject or any other background information that is deemed necessary — documents which, in addition to indicating the characteristics of the aforementioned assets, shall indicate a proposal for their probable useful life, in accordance with their technical specifications and the functions for which they will be used.

Startup costs — architect, legal fees, planning

Chilean law treats startup expenditures as a regular expense, although the law provides special rules to amortize these expenses. In particular, Article 31(9) of the ITL allows the deduction of startup expenses in one, two or more years, with a maximum of six consecutive years, as elected by the taxpayer. This means that taxpayers can choose to amortize these expenses in a single year or, alternatively, allocate them up to six consecutive years, counted from the generation of the expense or from the year in which the company begins to generate income from its main activity when that date is later.

Generally, startup expenses can be deducted during the year in which they are incurred (either in full or the relevant pro rata amount). However, if the company starts generating income from its core business activities at a later period, the expenses can only be amortized from the year in which such income is generated.

That said, payments made for the acquisition of a right or a contractual position in the context of a new business venture have been considered as a deductible expense in several Chilean IRS rulings, particularly, those expenses that have been categorized as startup expenses pursuant to Article 31(9) of the ITL.

Land remediation — removing asbestos, Japanese knotweed

As noted, land is not depreciable nor are the improvements made to it.

Own labor capitalized

From an accounting point of view, the value of fixed assets should include all costs directly related to their acquisition or construction, including those necessary to prepare the assets for operation, such as the cost of design, transportation expenses, installation costs, etc. Therefore, labor directly employed in the construction or installation of fixed assets could be considered part of the cost for tax depreciation purposes.

2.4 Availability of immediate deductions

Only taxpayers subject to the rules incorporated in the regime for small and medium-sized companies (the so-called “Pro Pyme” tax regime)[4] apply immediate depreciation of their fixed assets.

In general terms, there is no current immediate depreciation deductibility regimes in Chile for big companies.

[4] Companies fall within the Pro Pyme tax regime when their effective capital at the beginning of their activities is less than CLF85,000 (circa USD3.4 million) and their gross annual income received or accrued, including income with related parties, is less than CLF75,000 (circa USD3 million).

3. Depreciation and calculation methods

Methods used	Depreciation must be calculated using the useful life straight-line method. However, taxpayers can choose from various types of depreciation (not methods) provided by law. Among the main types are normal useful life straight-line and accelerated useful life depreciation.
Frequency	Annual basis.
Year of acquisition	Depreciation must be determined proportionally to the number of months in which the assets were effectively used in the company, considering for these purposes any fraction of days as a full month.
Year of disposal	There will be no depreciation in the year of disposal.
Ability to use different methods for different assets	Yes, since the chosen depreciation type is for each specific asset.
Ability to switch methods	If the legal requirements are met, it is possible to change the type of depreciation, but if the switch is from accelerated depreciation to normal depreciation, the switch would be permanent (unable to accelerate anymore because the asset is not considered to be new).

It is important to keep in mind that to support the tax depreciation deduction, the local taxpayer must maintain a tax ledger containing detailed information such as the acquisition cost, depreciation calculations and remaining tax basis. Additionally, the taxpayer should retain all supporting documentation related to the asset's acquisition cost, as this may be requested during a tax audit.

4. Preferential and enhanced depreciation availability

Taxpayers that are not subject to the Pro Pymetax regime may benefit from accelerated depreciation only.

Accelerated depreciation involves assigning to fixed assets a useful life equivalent to one-third of the life set by the Chilean IRS, thereby allowing an increase in the depreciation expense for certain assets. This accelerated depreciation can only be used for new assets or those imported directly by the taxpayer (regardless of whether they are new or not) that, according to the determination of the Chilean IRS, have a useful life of at least three years.

In recent years, and with the purpose to stimulate the Chilean economy during the COVID-19 pandemic, a super-accelerated depreciation authorization was authorized during the period ranging from 1 October 2019 to 31 December 2022. These rules allowed taxpayers an instant amortization of 50% or 100% of the value of the property, plant and equipment imported or acquired, under certain and specific circumstances and requirements.

It should be noted that accelerated depreciation may only be deducted as a tax expense for the calculation of the taxable income for corporate income tax (called "first category tax"). On the other hand, for purposes of the application of taxes to withdrawals or distributions made by final taxpayers, only the normal depreciation regime will be considered. Consequently, the difference between the accelerated depreciation and the normal depreciation must be recorded in the register of differences between normal and accelerated depreciation (DDAN). This difference recorded must be considered in the order of imputation established to apply the final taxes on withdrawals, remittances or distributions.

5. Accounting for disposals

When a fixed asset is disposed, the residual tax value of the corresponding asset should be deducted from the sale price. In the event of disposal of an asset, for tax purposes, to assess the gain on disposal, the tax value of the asset is the difference between the original cost of the asset less the accumulated tax depreciation (net book value) recorded in the accounts at the date of the last balance sheet, without applying the depreciation rules in the tax year in which the disposal of the assets takes place.

If fixed assets are fully depreciated, their residual value is 1 Chilean Peso.

Per the tax treatment of the disposal pursuant to Chilean law, if gains are obtained from the disposal of fixed assets (both movable and immovable) by deducting the residual tax value from the sale price, the taxpayer would be subject, in principle, to the payment of income tax and, under certain circumstances, VAT might be applicable. This should be analyzed in each specific case.

6. Making a claim

Depreciation is claimed on an annual basis through the annual income tax return as a tax expense deduction in the tax determinations of the respective entity.

7. Intangible assets

Intangible assets cannot be deducted, amortized or depreciated, unless they expire or totally lose their value.

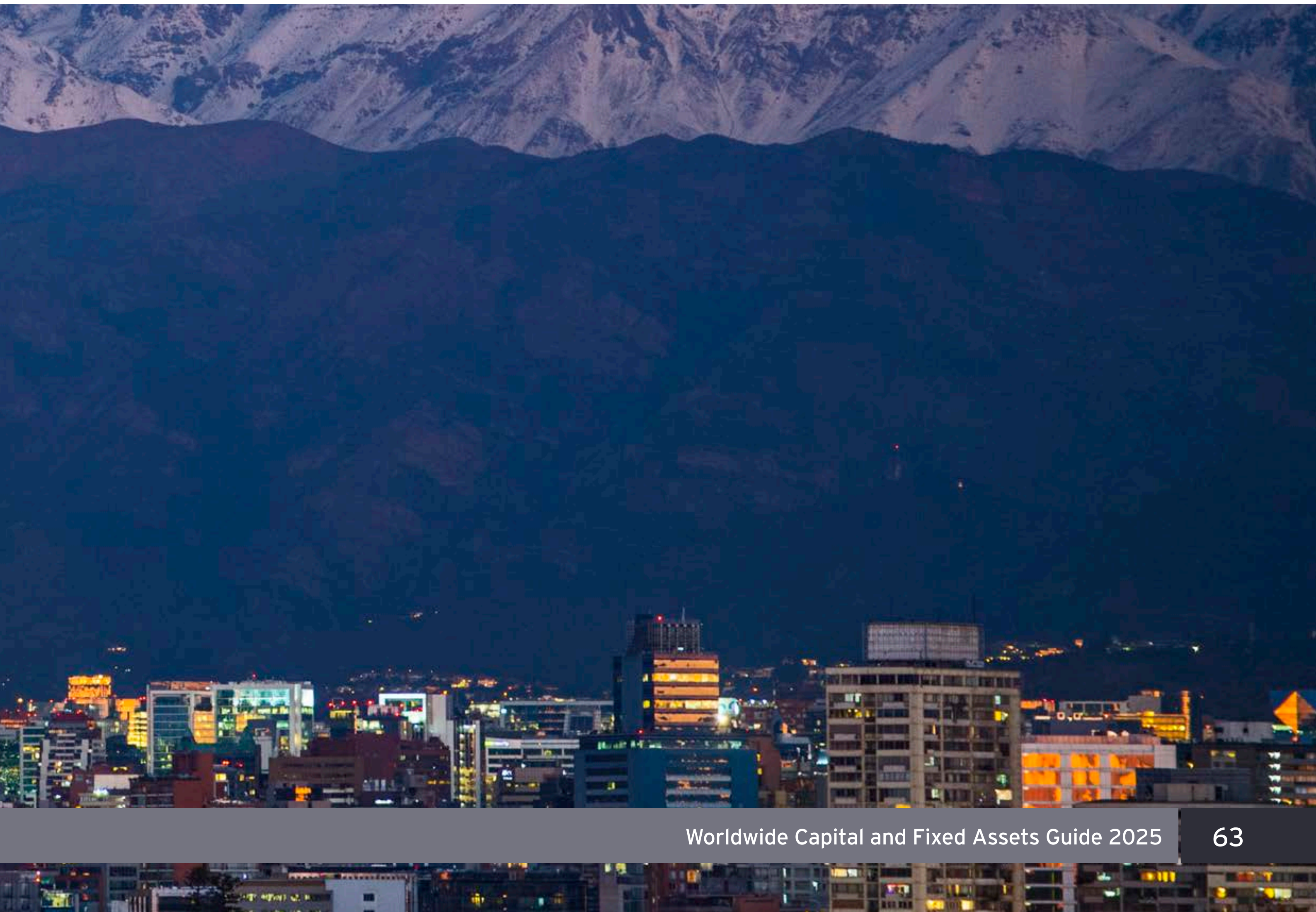
Payments made for the acquisition of a right or a contractual position in the context of a new business venture have been considered as a deductible expense in several Chilean IRS rulings. Particularly, those expenses have been categorized by the Chilean IRS as startup expense pursuant to Article 31(9) of the ITL.

Between 1 June 2020 and 31 December 2022, and with the purpose to stimulate the Chilean economy during the COVID-19 pandemic, a super-accelerated depreciation authorization was accepted in respect to certain intangibles. These rules allowed taxpayers an instant amortization of 100% of certain intangibles: (i) industrial property rights, (ii) intellectual property rights and (iii) new plant varieties.

8. Adjustment for inflation

In accordance with Article 41 of the ITL, taxpayers must annually adjust the value of their assets and liabilities based on the variations reflected in the Chilean consumer price index to reflect the effects of inflation on book values.

The annual depreciation expense that can be deducted is calculated based on the net value of the assets as of the date of the respective balance sheet. The net value of the fixed assets must include the mandatory revaluation of the assets, in accordance with the rules of monetary correction pursuant to Article 41 of the ITL. It is important to note that no inflation adjustment is required when the company has obtained authorization from the tax authority to maintain its accounting records in United States dollars. The reasons to request this authorization are listed in the Chilean Tax Code and shall be demonstrated before the tax authority when filing the authorization request.



China Mainland

At a glance

This chapter relates to the mainland China tax jurisdiction.

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

5.00%–33.33%

Does the tax treatment follow book/statutory accounting depreciation?

Straight–line method

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1. Entitlement to claim

Legal owners or lessees of a finance lease

2. Allocation of tangible assets to tax depreciation lives and rates

Accounting Standards for Business Enterprises No. 4 — fixed assets

The component parts of a fixed asset have different useful lives or provide economic benefits for the enterprise in different forms, and different depreciation rates or depreciation methods apply. As such, they are recognized as fixed assets on an individual component part basis.

The cost of a purchased fixed asset includes the purchase price, relevant taxes, freight, loading and unloading fees, professional service fees and other disbursements that bring the fixed asset to the expected conditions for use and that may be attributed to the fixed asset.

If a payment is made for purchasing several fixed assets that are not priced separately, the price of each fixed asset shall be determined by allocating the payment according to the proportion of fair value of each fixed asset to the total cost of all assets acquired.

If a payment for a fixed asset is delayed beyond the normal credit conditions, and it is of financing nature in effect, the cost of the fixed asset shall be determined based on the current value of the purchase price. The difference between the actual payment and the current value of the purchase price shall be recorded in the current profits and losses within the credit period, unless it shall be capitalized under Accounting Standards No. 17 — *Borrowing Costs*.

Unless otherwise prescribed in the regulations of the competent finance and taxation departments under the State Council, the minimum terms of calculating the depreciation of the fixed assets are as follows.

2.1 Assets that qualify for tax depreciation

Generally speaking, if the amount of accounting depreciation is less than the tax depreciation, the tax depreciation is limited to the amount of accounting depreciation calculated by asset.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Houses and buildings	20 years	Straight-line method	5%	
Airplanes, locomotives, ships, machines and other production facilities	10 years	Straight-line method	10%	
Apparatus, tools and furniture in connection with the production operation	5 years	Straight-line method	20%	
Transportation facilities other than airplanes, locomotives and ships	4 years	Straight-line method	25%	
Electronic equipment	3 years	Straight-line method	33.33%	
Land and buildings	20 years	Straight-line method	5%	Land is usually considered an intangible asset in form of land use right in China.
Plant, machinery and equipment	10 years	Straight-line method	10%	
Motor cars	4 years	Straight-line method	25%	
Buildings	20 years	Straight-line method	5%	
Furniture, fittings or fixtures	5 years	Straight-line method	20%	
Computer hardware	3 years	Straight-line method	33.33%	

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Computer software	10 years	Straight-line method	10%	
Aircraft	10 years	Straight-line method	10%	
Transport other than motor cars	4 or 10 years	Straight-line method	25% or 10%	Depending on the type of transportation facility
Car parks	20 years	Straight-line method	5%	Assuming it is a building
Office equipment (including office furniture and fixtures)	3 or 5 years	Straight-line method	33.33% or 20%	Depending on whether such office equipment could be considered as electronic equipment
Land improvements				Depending on accounting treatment; if treated as land cost, such improvement shall be amortized based on the remaining land-use term.
Qualified leaseholder improvement property	Based on remaining lease term	Straight-line method	Depends	The improvement shall have the effect of changing building structure or prolonging useful life.
Agricultural machinery and equipment	5 years	Straight-line method		
Property used in R&D		Straight-line method		May be qualified for super deduction (see below)

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Fixed assets, other than houses and buildings, that have not yet been used	
Fixed assets leased from other parties by means of operating lease	
Fixed assets leased to other parties by means of finance lease	
Fixed assets that have been depreciated in full but are still in use	
Fixed assets that are unrelated to business operations	
The land, which is separately evaluated and entered into account as an item of fixed asset	

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Follow accounting treatment

Land remediation — removing asbestos, Japanese knotweed

Follow accounting treatment

Own labor capitalized — e.g., work on developing software or carrying out work on property

Follow accounting treatment

Accounting Standards for Business Enterprises No. 4 — Fixed Assets

According to Article 8, the cost of a purchased fixed asset includes the purchase price, relevant taxes, freight, loading and unloading fees, professional service fees and other disbursements that bring the fixed asset to the expected conditions for use and that may be attributed to the fixed asset.

If several fixed assets are purchased for a combined price, the price of each fixed asset will be determined by allocating the payment according to the proportion of fair value of each fixed asset to the total cost of all assets acquired.

If the payment for a fixed asset is delayed beyond the normal credit conditions (e.g., through a finance arrangement), the cost of the fixed asset will be determined by the basis of the current value of the purchase price. The difference between the actual payment and the current value of the purchase price will be recorded in the current profits and losses within the credit period, unless it is capitalized under Accounting Standards No. 17 — ***Borrowing Costs***.

2.4 Availability of immediate deductions for repairs

According to Article 13 of the Enterprise Income Tax Law, in the computation of taxable income, the following expenses incurred by an enterprise as long-term deferred expenses and computed in accordance with relevant provisions may be deducted:

- Expenditures for rebuilding a fixed asset, for which depreciation has been fully allocated
- Expenditures for rebuilding a rented fixed asset
- Expenditures for heavily repairing a fixed asset
- Other expenditures, which shall be deemed as long-term deferred expenditures

According to Article 68, the expenditures arising from reconstructing the fixed assets mean the expenditures that the enterprise has paid for changing the structure of a house or building and extending the lifetime of a house or building.

Expenditures relating to owned assets will be amortized in stages as per the estimated lifetime of the fixed assets. Expenditures relating to leased assets will be amortized by stages as per the remaining lease term stipulated in the lease contract. If the reconstruction of fixed assets extends their lifetime, besides being subject to the provisions of Item 1 and Item 2 of Article 13 of Enterprise Income Tax Law, their term of depreciation shall be extended.

According to Article 69, expenditures arising from overhauling fixed assets, as indicated in Item 3 of Article 13 of the Enterprise Income Tax Law, mean expenditures that meet the following conditions:
- A repair expenditure reaching 50% or more of the taxation basis of acquiring the fixed assets
- An extension of over two years of the lifetime of the overhauled fixed assets

The expenditure prescribed in Item 3 of Article 13 of the Enterprise Income Tax Law will be amortized by stages as per the remaining lifetime of the fixed assets.

The deductions will be consistent with the accounting treatments adopted in financial information, e.g., tax deduction cannot be taken for items that have been capitalized on book.

3. Depreciation and calculation methods

Methods used	Straight-line method, unit-of-production method, double-declining-balance method and sum-of-the-years'-digits method could be eligible for qualified accelerated depreciation (see below).
Frequency	Monthly
Year of acquisition	The depreciation of fixed assets can be calculated from the month after the fixed assets are put into use.
Year of disposal	The calculation of the depreciation stops from the month following when the fixed assets cease to be used.
Ability to use different methods for different assets	Subject to qualified accelerated depreciation (see below)
Ability to switch methods	No

Law of China on Enterprise Income Tax

According to Article 32, where the fixed assets of enterprises require accelerated depreciation due to technology advancement, the years of depreciation may be shortened or the accelerated depreciation method may be adopted.

Circular of the State Administration of Taxation on Issues Concerning the Treatment of Income Tax on Accelerated Depreciation of Enterprise Fixed Assets (Guoshuifa [2009] No. 81)

According to Article 1, in accordance with the relevant provisions of Article 32 of the Enterprise Income Tax Law and Article 98 of the Implementing Regulations, if the major or key fixed assets of an enterprise possessed and used for production and operation by the enterprise need to be depreciated in an accelerated rate due to the following reasons, it may curtail the term of depreciation or adopt a method for accelerated depreciation:
- Where the products are replaced and upgraded due to technological progress
  Or
- Where the fixed assets are in a state of vibration and are being exposed to a high degree of erosion

Notice regarding the Improvement of Corporate Income Tax (CIT) Policies on Accelerated Depreciation of Fixed Assets (Caishui [2014] No. 75)

Accelerated depreciation treatments are applicable to six industries. Enterprises engaging in the following six industries may adopt a shortened depreciation life or accelerated depreciation methods for CIT purposes for fixed assets acquired on or after 1 January 2014:

- Manufacturing of biopharmaceuticals
- Manufacturing of special equipment
- Manufacturing of transportation equipment for railway, shipping, aviation, aerospace and other conveying units
- Manufacturing of computers, telecommunication and other electronic equipment
- Manufacturing of instruments and meters
- Information transmission, software and information technology services

Small and micro-sized enterprises engaging in the above six industries can claim a deduction for CIT purposes all at once for devices and equipment with unit value not exceeding RMB1 million that are acquired on or after 1 January 2014 and used for research and development (R&D), as well as production and business operations. These enterprises would no longer be required to depreciate the aforesaid fixed assets over their useful lives. For those fixed assets with unit value exceeding RMB1 million, the above enterprises may adopt a shortened depreciation life or accelerated depreciation methods for CIT purposes.

For fixed assets with a unit value not exceeding RMB5,000, enterprises are permitted to deduct the full amount as a current cost in calculating taxable income, without the need for annual depreciation, in accordance with Article 3 of Caishui [2014] No. 75, effective from 1 January 2014.

For the above enterprises that can adopt a shortened depreciation life applicable to the six specific industries and R&D projects, the applicable minimum depreciation period shall not be shorter than 60% of the depreciation period stipulated in Article 60 of the Implementation Regulations on the CIT Law (CITLIR) as mentioned above. Enterprises that can adopt accelerated depreciation methods can adopt the double-declining-balance method and sum-of-years'-digits method.

Notice regarding the further improvement of CIT policies on accelerated depreciation of fixed assets (Caishui [2015] No. 106)

Enterprises engaging in four key industries — textile, machinery, automobile and light — may adopt a shortened depreciation life or accelerated depreciation method for CIT purposes for fixed assets acquired on or after 1 January 2015.

Small and micro-sized enterprises engaging in the above four industries can claim a 100% up-front deduction with respect to depreciation for CIT purposes for devices and equipment with a unit value not exceeding RMB1 million that were acquired on or after 1 January 2015 and used for R&D, as well as production and business operations. These enterprises would no longer be required to depreciate the aforesaid fixed assets over their useful lives.

For fixed assets with a unit value exceeding RMB1 million, the above enterprises may choose to adopt a shortened depreciation life or apply an accelerated depreciation method for CIT purposes.

For eligible enterprises that choose to adopt a shortened depreciation life applicable to the four key industries mentioned above, the minimum depreciation period shall not be shorter than 60% of the depreciation period stipulated in CITLIR. Enterprises that choose to adopt accelerated depreciation methods can use either the double-declining-balance method or the sum-of-years'-digits method.

Announcement regarding the further improvement of CIT policies on accelerated depreciation of fixed assets (SAT [2019] No. 66)

From 1 January 2019, the preferential policy for accelerated depreciation of fixed assets as provided in Circular 75 and Caishui [2015] No. 106 shall be expanded to the whole manufacturing industry.

Where any manufacturing enterprise has not been entitled to the preferential policy for accelerated depreciation of fixed assets prior to the issuance of this Announcement, it may be entitled to such preferential policy when declaring the monthly (quarterly) prepayment of enterprise income tax or making the final settlement of enterprise income tax for 2019 after the Announcement is released.

Circular on preferential corporate income tax policies for the Hainan Free Trade Port (Caishui [2020] No. 31)

From 1 January 2020 to 31 December 2024, an enterprise established in the Hainan Free Trade Port may claim a CIT deduction all at once for newly acquired (including self-constructed and self-developed) fixed assets and intangible assets if the unit value does not exceed RMB5 million.

If the unit value of newly acquired (including self-constructed and self-developed) fixed assets or intangible assets exceeds RMB5 million, the depreciation or amortization period can be shortened or an accelerated depreciation or amortization method can be adopted.

The term "fixed assets" as used in this article refers to fixed assets other than houses and buildings.

Announcement regarding CIT policies on deductions for equipment and devices (Caishui [2023] No. 37)

It is further prescribed in Circular 37 that, from 1 January 2024 to 31 December 2027, an enterprise may claim a CIT deduction all at once for any newly acquired device or equipment (except for real estate or construction) if the unit value of the device or equipment does not exceed RMB5 million.

Where an enterprise acquires any device or equipment with unit value exceeding RMB5 million, the taxpayers should still refer to Caishui [2014] No. 75 (Circular 75, i.e., Notice regarding the improvement of CIT policies on accelerated depreciation of fixed assets) and Caishui [2015] No. 106 (Circular 106, i.e., Notice regarding the further improvement of CIT policies on accelerated depreciation of fixed assets).

4. Preferential and enhanced depreciation availability

Investment in R&D equipment may be rewarded by an enhanced depreciation of 200% of the original cost for enterprises in the eligible industries.

If an enterprise is engaged in qualified R&D activities, it may qualify for a super deduction (enhanced depreciation by increasing the calculation base) for devices and facilities used specifically for R&D activities.

R&D activities refer to activities with clearly defined purposes continuously and systematically carried out to obtain new science/technology knowledge, including:

- Applying new science/technology knowledge in an innovative manner
  Or
- Improving current technologies, products/services or techniques substantially

The following industries are not eligible for the super deduction:

- Tobacco
- Accommodation and catering
- Wholesale and retail
- Real estate
- Leasing and commercial service
- Entertainment
- Other industries as specified by the Ministry of Finance (MOF) or State Administration of Taxation (SAT)

The following seven types of activities are excluded from applicable scope of the super deduction policy:

- Routine upgrades of products/services
- Simple application of R&D results, such as direct application of public techniques, materials, devices, products, services, knowledge, etc.
- Technical support to customers after the commoditization
- Repeated or simple changes made to existing products, services, technologies, materials or processes
- Research on market, efficiency or management
- Regular quality control, test and analysis, repairs and maintenance
- Research on social sciences, arts or humanities

5. Accounting for disposals

Asset losses incurred by an enterprise due to normal abandonment and disposal of fixed assets reaching or exceeding the service life could be claimed as a deduction. Companies only need to fill out related forms for asset losses as part of the annual income tax returns and keep the supporting documents for further possible tax inspection. A gain on disposal of an asset will be subject to CIT as part of taxable income.

6. Making a claim

Tax depreciation is incorporated into the tax return. No special procedures are required for a deduction.

Form A105080 of annual CIT filing return shows the calculation for tax and accounting depreciations. For accelerated depreciation, Appendix 1 of quarterly CIT filing return shall be submitted. No other documentation is required by the tax authority. However, supporting documents such as invoices should be kept by management for further examination.

7. Intangible assets

Implementing regulations of the law of China on enterprise income tax

Amortized expenses calculated as per the straight-line method for intangible assets may be deducted. The term of amortization for the intangible assets shall be no less than 10 years.

For the intangible assets used as investment or transferred intangible assets, if the term of validity is prescribed by the relevant laws or the agreement/contract, the amortization may be calculated in stages based on the term of validity.

For purchased software, the term could be shortened to two years subject to specific application.

Type of asset	Rates/lives
Trademarks	10 years or actual term of validity
Patents, copyright, design, know-how or similar item	10 years or actual term of validity
Goodwill	Cannot be amortized
License or permit	10 years or actual term of validity
Other	Depends on the details

According to Article 65, the intangible assets indicated in Article 12 of the Enterprise Income Tax Law mean the nonmaterial and non-currency long-term assets that the enterprise has possessed for producing the commodities; providing labor service; leasing; or managing, including the patent right, the trademark privileges, the copyright, the land-use right, the non-patent technology and the credit.

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At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

The tax treatment follows the depreciation of the book/statutory accounting, the foregoing when said treatment does not exceed the depreciation set by tax law.

Range of rates used

2.22%–20.00% depending on the asset.

Depreciation method used to calculate tax deduction

The depreciation methods of depreciable assets will be those established in the accounting technique.

1. Entitlement to claim

Income taxpayers who are required to keep accounting books are entitled to claim the tax deduction for depreciation.

2. Allocation of tangible assets to tax depreciation lives and rates

Generally, depreciation rates are assigned following the accounting treatment as long as it does not exceed the fiscal limits.

Book and tax lives might be different depending on use of the asset or the period of the economic benefits from the asset.

2.1 Assets that qualify for tax depreciation

For income tax purposes, the following are treated as depreciable tangible assets: (i) property, plant and equipment; (ii) investment properties; and (iii) the tangible assets generated in the exploration and evaluation of nonrenewable natural resources.

Tax regulation (Colombian Tax Code) provides a complete list of rates that may be applied to assets.

Asset type	Useful life for tax	Type of tax depreciation method	Maximum tax depreciation rates (limits)	Comments
Constructions and buildings	Book and tax lives might be different depending on use of the asset or the period of the economic benefits from the asset		2.22%	Depreciation tax rates are assigned following the accounting treatment if it does not exceed the fiscal limits. Consequently, tax depreciation rate will not necessarily coincide with the accounting depreciation rate.
Aqueduct, plant and networks			2.50%	
Communication routes			2.50%	
Air fleet and equipment			3.33%	
Railway fleet and equipment			5.00%	
River fleet and equipment			6.67%	
Armaments and surveillance equipment			10.00%	
Electrical equipment			10.00%	
Land transport fleet and equipment			10.00%	
Machinery and equipment			10.00%	
Furniture and fixtures			10.00%	
Scientific medical equipment			12.5%	
Containers, packaging and tools			20.00%	
Computer equipment			20.00%	
Data processing networks			20.00%	
Communication equipment			20.00%	

For general rule, the tax depreciation rate will be determined in accordance with the accounting technique, if the annual rate does not exceed rates (%) in the table above. Nondeductible depreciation expenses that exceed the rates (%) above, in the taxable year or period, will generate a difference (excess) that will be deductible in the periods following the end of the useful life of the asset. The deductibility of the excess will be limited each taxable year to the same rate (%) limit included in the table above.

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Movable assets that are in the stock	Movable assets, such as raw materials, goods in production and inventories, and securities are not depreciable.
Lands	The tax regulations prohibit the depreciation of land.
Assets not used	Assets not used during the taxable year.

2.3 Noteworthy items

Assets that have rendered service in the taxable year or period

For income tax purposes, the tax depreciation applies exclusively to assets (i) that are used in the income-producing activity; and (ii) that have provided service in the taxable year or period.

The tax basis (cost) of a depreciable asset will include the VAT paid on its acquisition or importation if this VAT is treated as a general tax. The taxpayer might also treat such VAT as a corporate income tax credit if certain requirements are met. For income tax and complementary tax purposes, a taxpayer will depreciate the tax cost of depreciable assets, less their residual value over their useful life.

Also, depreciable fixed assets with an acquisition value equal to or less than USD615 (Approx), may be depreciated in the same year they are acquired, regardless of their useful life. This amount must be established considering the total value of the asset (without fractioning its parts or elements).

Taxable base for tax depreciation

Tax base for tax depreciation is the tax cost of depreciable assets, less their residual value throughout their useful life. For income tax purposes, the residual value and the useful life will be determined according to the accounting technique.

3. Depreciation and calculation methods

Methods used	The depreciation methods of depreciable assets will be those established in the accounting technique. In Colombia we have adopted International Financial Reporting Standards (IFRS) principles to run the accounting. NIC 16 is usually followed for depreciation of fixed assets.
Frequency	Annually
Year of acquisition	Depreciation is calculated from the date of acquisition of the corresponding asset, during its useful life, on an annual basis (tax year) or for the fraction of a year
Year of disposal	Depreciation is calculated under the same rules, but only up to the moment the asset ceases to provide services to the entity (fraction of a year).
Ability to use different methods for different assets	Tax depreciation method follows the accounting technique. Therefore, it may be possible to use different methods for different assets if the IFRS rules allow that.
Ability to switch methods	The ability to change methods is not subject to a special condition.

4. Preferential and enhanced depreciation availability

The taxpayer may increase the depreciation rate determined in the tax law by twenty-five percent (25%), if the depreciable asset is used daily for 16 hours and proportionally in higher fractions, as long as this is proven. The treatment provided herein will not be applicable with respect to real estate.

5. Accounting for disposals

The profit that results at the time of the disposal of a depreciable fixed asset must be allocated, first, to net income for recapture of prior depreciation deductions from the income tax; and then, if there is any uncovered profit, it will be charged to the capital gains tax

6. Making a claim

Claims are self-assessed. Deductions corresponding to tax asset depreciations should be claimed within the income tax return.

Working papers must be prepared with the tax calculation of the tax depreciation from the date of the acquisition of the assets until the last month of the tax year in which the deduction is carried out.

It is a tax obligation to keep track of the differences between tax and accounting depreciations.

7. Intangible assets

For general rule, necessary investments in intangible assets made for the purposes of the business or activity are deductible. Necessary investments in intangible assets are understood to be the disbursements made or accrued for the purposes of the business or activity susceptible to impairment and which, according to the accounting technique, must be recognized as assets, for their amortization.

<table>
<tr><th>Type of asset</th><th>Rates/lives</th></tr>
<tr><td>Intangible assets acquired separately</td><td rowspan="5">For general rule, the method for the amortization of the intangible will be determined in accordance with the accounting technique, as long as the annual rate does not exceed 20% of the fiscal cost.

If the intangible is acquired by contract, and this establishes a term, its amortization will be made in a straight line, in equal proportions, for the time of the same. In any case, the annual rate may not exceed 20% of the fiscal cost.

Nondeductible amortization expenses that exceed the 20% limit, in the taxable year or period, will generate a difference that will be deductible in the periods following the end of the useful life of the intangible asset, without exceeding 20% of the tax cost of the asset per year or taxable period.

There are special and particular rules for certain types of intangibles.</td></tr>
<tr><td>Intangible assets acquired as part of a business combination</td></tr>
<tr><td>Intangible assets originated by State subsidies</td></tr>
<tr><td>Intangible assets originated in the improvement of assets subject to operating lease</td></tr>
<tr><td>Internally formed intangible assets (e.g.: trademarks, copyrights and invention patents)</td></tr>
</table>

8. Adjustment for inflation

The tax law in Colombia does not establish inflation adjustments in tax depreciation.

To determine the cost of sale, Colombian legislation allows the readjustment of movable and immovable fixed assets based on the decrees issued by the national government.

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At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Capital allowances

Does the tax treatment follow book/statutory accounting depreciation?

Typically, the accounting treatment (in terms of recognizing the asset) is the basis for the tax treatment thereof, however, the rates of accounting depreciation and capital allowance rates for tax purposes may differ.

Range of rates used

3%–33 1/3%

Depreciation method used to calculate tax deduction

Straight-line method

1. Entitlement to claim

Taxpayers are entitled to (but not obliged to) claim capital allowances on assets which are owned and recognized as assets on the balance sheet.

2. Allocation of tangible assets to tax depreciation lives and rates

Capital allowances are claimed for fixed assets on an asset-by-asset basis. Therefore, taxpayers must distinguish amongst different kinds of assets applying a specific depreciation rate on the acquisition or construction cost per asset as per the table below.

2.1 Assets that qualify for capital allowances

Capital allowances per asset type are depicted in the below table.

Asset type	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Industrial buildings	Straight-line method	4%	(2, 5)
Hotel buildings	Straight-line method	4%	(2, 5)
Agricultural buildings	Straight-line method	4%	(4, 5)
Commercial buildings	Straight-line method	3%	(5)
Machinery, plant and furniture	Straight-line method	10%	(3)
Computer hardware and operating software	Straight-line method	20%	
Tractors, excavators, trenches, cranes, bulldozers	Straight-line method	25%	
Tools	Straight-line method	33 1/3%	
Motor vehicles (except saloons) and motorcycles	Straight-line method	20%	
New cargo ships, new airplanes and new helicopters	Straight-line method	8%	
New passenger ships and motor yachts	Straight-line method	6%	
Armored vehicles used by security services	Straight-line method	20%	
Technical systems for energy efficiency of buildings, renewable energy systems and electric energy storage systems.	Straight-line method	20%	
Specialized machinery for the laying of railroads (e.g., locomotive engines, ballast wagons, container wagons and container sleeper wagons)	Straight-line method	20%	
Secondhand cargo and passenger ships and additional capital expenditure	Straight-line method	The cost is written off over the expected useful life of the ship based on the certificates issued by the Shipping Registry Organization	
Electric vehicles and charging stations	Straight-line method	33 1/3%	

Notes:

2 For additions during the years 2012–18, a deduction for wear and tear at 7% per annum is allowed.

3 For additions during the years 2012–18, a deduction for wear and tear at 20% per annum is allowed.

4 For additions during the years 2017–18, a deduction for wear and tear at 7% per annum is allowed.

5 For additions made during the years 2023–26, to improve the energy efficiency, a deduction for wear and tear at 7% per annum is allowed.

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Private motor vehicles	For the purposes of Cypriot capital allowances, private motor vehicles are not considered ‘plant and machinery’ eligible for claiming capital allowances for Cypriot income tax purposes.

3. Preferential and enhanced depreciation availability

Please see the notes to the table at Section 2.1 above.

4. Accounting for disposals

In ascertaining the chargeable income of a taxpayer upon disposal/transfer of an asset, a balancing statement shall be prepared, i.e., a deduction (hereinafter referred to as a ″balancing deduction“) shall be allowed or, as the case may be, an addition (hereinafter referred to as a ″balancing addition“) shall be made, and such balancing deduction or balancing addition shall be calculated by reference to the balancing statement or statements rendered by the person in respect of the year of assessment as follows:

(a) The amount of a balancing deduction shall be the amount by which the amount of the cost of the asset (item (i)) of the balancing statement exceeds the sum of the amounts of the capital allowances claimed for the asset (item (ii)) and the sale proceeds of the disposal of the asset (item (iii)) of that statement

(b) The amount of the balancing addition shall be the amount by which the sum of the amounts of item (ii) and item (iii) of the balancing statement exceeds the amount of item (i) of that statement

Provided that in no case shall the balancing addition exceed the aggregate amount of any deductions previously allowed under the provisions of this section and included in item (ii) of the balancing statement.

5. Making a claim

Capital allowances are claimed via the submission of annual income tax returns (e.g., Form T.D. 4 for companies).

6. Intangible assets

The cost of the acquisition or development of intangible assets of a capital nature is amortized in a reasonable manner over its useful economic life based on accounting standards with a maximum period of 20 years.

Type of asset	Rates/lives
Intangible assets	Based on reasonable useful economic life with a maximum period of 20 years.

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At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

No for tangible assets, yes for intangible assets and low-value tangible movable assets (acquisition costs below or equal to tax capitalization limit (currently CZK80,000))

Range of rates used

Rate for linear depreciation method: 1.02%–40%

Coefficient for accelerated depreciation method: 3–50

Depreciation method used to calculate tax deduction

Linear depreciation method, accelerated depreciation method, accounting depreciation for intangible assets and low-value tangible movable assets

Linear depreciation method

In the case of the linear depreciation method, the tax depreciation is calculated by multiplying the acquisition costs of the asset by the corresponding tax depreciation rate as stated in the table below. Rates lower than the maximum tax depreciation rates can be used.

Tax depreciation group	Tax depreciation rate in the first year (%)	Tax depreciation rate in the following years (%)	Tax depreciation rate in the case of a technical improvement (%)
1	20	40	33.3
2	11	22.25	20
3	5.5	10.5	10
4	2.15	5.15	5
5	1.4	3.4	3.4
6	1.02	2.02	2

Accelerated depreciation method

In the case of the accelerated depreciation method, the acquisition costs in the first year should be divided by the coefficient stated in the table below. In the following years, double of the tax residual value should be divided by the coefficient reduced by the number of years when the asset was already depreciated.

Tax depreciation group	Tax depreciation coefficient in the first year	Tax depreciation rate in the following years	Tax depreciation rate in the case of a technical improvement
1	3	4	3
2	5	6	5
3	10	11	10
4	20	21	20
5	30	31	30
6	50	51	50

Accounting depreciation

Accounting depreciation charges of low-value tangible movable assets (acquisition costs and intangible assets acquired after 1 January 2021) represent tax deductible costs, with no tax depreciation to be calculated.

1. Entitlement to claim

Generally, the legal owners of assets who put the assets into use are entitled to claim tax depreciation.

In the case of a technical improvement of a leased asset, the lessee is entitled to claim tax depreciation only if the lessee has the consent of landlord with depreciation of technical improvement performed on the leased asset for tax purposes at its disposal.

In specific cases, the entitlement to tax depreciation can be different.

2. Allocation of tangible assets to tax depreciation lives and rates

Tax depreciation is governed by the Income Taxes Act. To calculate the tax depreciation of assets, the assets need to be correctly classified into tax depreciation groups. The Income Taxes Act defines six depreciation groups of assets, with each depreciation group setting a minimum depreciation period.

2.1 Assets that qualify for tax depreciation

The table below lists the six tax depreciation groups and examples of assets belonging to the respective tax depreciation groups.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Computers, phones, PC equipment	3 years	Linear method, accelerated method	20%, 40%, 33.3%	3, 4, 3
Machines, cars, furniture	5 years	Linear method, accelerated method	11%, 22.25%, 20%	5, 6, 5
Vaults, air conditioning	10 years	Linear method, accelerated method	5.5%, 10.5%, 10%	10, 11, 10
Buildings made of wood, fences	20 years	Linear method, accelerated method	2.15%, 5.15%, 5%	20, 21, 20
Buildings except for buildings belonging to depreciation group 6, highways	30 years	Linear method, accelerated method	1.4%, 3.4%	30, 31, 30
Administrative buildings, certain shopping malls, hotels	50 years	Linear method, accelerated method	1.02%, 2.02%, 2%	50, 51, 50

2.2 Assets that do not qualify for tax depreciation

Assets that do not qualify for tax depreciation are specified in the Income Taxes Act. The most common examples of such assets are listed in the table below.

Types of assets	Explanation
Land	Land is excluded from tax depreciation.
Artwork	Artworks that are considered as fixed assets and not part of any building are excluded from tax depreciation.
Low-value assets; intangible assets acquired after 1 January 2021	For low-value tangible movable assets and intangible assets acquired after 1 January 2021, the accounting treatment is followed for tax purposes. Low-value tangible movable assets are assets with useful life longer than one year and acquisition costs below or equal to tax capitalization limit (currently CZK80,000). For intangible assets acquired before 1 January 2021, but technically improved after 1 January 2021, the regime valid before 1 January 2021 should be followed.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Any costs directly connected to the acquisition of an asset prior to putting it into use should be capitalized, i.e., included in the asset's acquisition value. Examples include costs for project preparatory work, consultancy services fees, customs duties, transportation costs, and installation costs, costs of licenses, patents or other rights used in the acquisition of the assets.

Costs of constructions liquidated in connection with new construction should be capitalized.

Land remediation

Costs of land remediation, e.g., land assessment and preparation, exploration and geological work, vegetation removal, and landscaping connected with the acquisition of the asset, should be capitalized, i.e., included in the asset's acquisition value.

Own labor capitalized

Costs of own labor involved in the development of an asset, e.g., development of own software prior to putting it into use, should be capitalized, i.e., included in the asset's acquisition value.

2.4 Availability of immediate deductions

Description	Detail
Repairs	Removal of any physical wear, obsolescence or damage over the years in order to restore the asset to its original or serviceable condition. The repair can be done using different materials, parts or components, provided that it does not result in a technical improvement. The costs incurred for repairs are treated as tax deductible in the year when the repair was performed.
Maintenance	Periodic activities aimed at slowing down physical wear and preventing any breakdowns and defects of an asset. The costs incurred for maintenance are treated as tax deductible in the year when the maintenance was performed.
Technical improvement	Technical improvements made to an asset that result in a change in the asset's functionality, performance or technical parameters, provided that the total costs of such enhancements performed during the accounting period exceed the capitalization limit. Accounting capitalization limit should be stated by the accounting entity. Tax capitalization limit amounts to CZK80,000.

3. Depreciation and calculation methods

Methods used	Linear, accelerated, accounting depreciation
Frequency	Annual
Year of acquisition	Tax depreciation is calculated for the first time in the year when the asset was put into use.
Year of disposal	In the year of disposal, only half of the annual tax depreciation can be claimed.
Ability to use different methods for different assets	Yes, the accounting entity can decide to depreciate assets that are in the same tax depreciation group using linear or accelerated method.
Ability to switch methods	It is not possible to switch the tax depreciation method of an asset from one to another once the tax depreciation of the asset has been initiated.

4. Preferential and enhanced depreciation availability

Asset used in	Comment on specific application and benefits available
Increase of tax depreciation in the first year when the asset was put into use	The tax depreciation of assets categorized into tax depreciation groups 1, 2 and 3 can be increased in the first year when the asset was put into use. The increase can be by 10%, 15% or 20% of the acquisition price of the asset. The most common increase is by 10% as the 15% or 20% increase is designated for specific accounting entities or assets (e.g., machines for agricultural or forestry production, machines for water treatment). Depending on the increase, the tax depreciation in the following years changes accordingly.
Extraordinary depreciation method	Fixed assets categorized into tax depreciation group 1 and acquired from 1 January 2020 to 31 December 2023 can be fully depreciated over the period of 12 months, provided the assets have never been depreciated yet. Fixed assets categorized into tax depreciation group 2 and acquired from 1 January 2020 to 31 December 2023 can be fully depreciated over the period of 24 months, provided the assets have never been depreciated yet. During the first 12 months, the tax depreciation is claimed up to 60% of the acquisition price; in the following 12 months, the remaining 40% of the acquisition price is claimed. The tax depreciation charges are determined with precision to whole months. The tax depreciation can be claimed for the first time in the month following the month during which the asset was put into use. In the case of technical improvement performed on an asset that is depreciated using the extraordinary depreciation method, the technical improvement does not increase the acquisition price of the asset. Instead, it is categorized into the respective tax depreciation group of the asset on which the technical improvement was performed and depreciated as a fixed asset. Zero-emission vehicles acquired from 1 January 2024 to 31 December 2028 can be fully depreciated over the period of 24 months, provided the vehicles have never been depreciated yet. During the first 12 months, the tax depreciation is claimed up to 60% of the acquisition price; in the following 12 months, the remaining 40% of the acquisition price is claimed.

Asset used in	Comment on specific application and benefits available
Depreciation of technical improvement on cultural heritage assets	Technical improvement performed on a cultural heritage immovable asset is depreciated over the period of 15 years. The annual tax depreciation charges are calculated as one-fifteenth of the acquisition price and are determined with precision to days or whole months, and the depreciation cannot be interrupted.
Depreciation of assets used for generating electricity from solar radiation	Movable assets used for generating electricity from solar radiation are depreciated over the period of 240 months. The tax depreciation charges are determined with precision to whole months, and the depreciation cannot be interrupted. The tax depreciation can be claimed for the first time in the month following the month during which the asset was put into use.
Limitation of tax depreciation charges of category M1 vehicles	M1 vehicles are passenger cars with a maximum of eight seats excluding the driver's seat, and multipurpose vehicles. Effective from 1 January 2024, a provision limiting tax deductible expenses for M1 vehicles has been implemented. The limitation applies to M1 vehicles that have been put into use since 1 January 2024 and restricts the tax depreciation charges that can be claimed as tax deductible expenses to CZK2,000,000. If the purchase price exceeds CZK2,000,000, only a proportional part of the tax depreciation can be included in tax-deductible expenses. Such part is calculated as the ratio of the limitation amount (CZK2,000,000) to the purchase price of the vehicle. This limit also applies to subsequent technical improvement or additional increases of the purchase price.
Depreciation of assets acquired with a subsidy or grant	In case a subsidy or grant was provided for the acquisition of an asset or its technical improvement, the acquisition costs of the asset shall be reduced by the amount of the subsidy or grant. The tax depreciation of the asset is then calculated based on the reduced acquisition cost.

5. Accounting for disposals

When disposing of an asset, there are different methods of disposal, the most common being sale, liquidation, shortages/ damages or gift. Depending on the method of disposal, a different tax regime regarding the residual value of the disposed asset applies.

In the case of a sale, liquidation (provided that a liquidation protocol exists and the asset was actually physically liquidated), theft with confirmation of unknown offender or natural disaster, the tax residual value of the asset is considered as tax deductible.

In the case of shortages and damages, gift, or liquidation without a liquidation protocol, the tax residual value of the asset is considered as tax nondeductible.

6. Making a claim

Accounting depreciation charges claimed for each period must be booked in compliance with Czech accounting rules.

Tax depreciation charges must be substantiated and sufficiently documented.

7. Intangible assets

The tax depreciation of intangible assets acquired prior to 1 January 2021 was determined based on the type of intangible asset, with a minimum depreciation period set at 18 months.

For intangible assets acquired after 1 January 2021, no tax depreciation is calculated as the accounting treatment is followed for tax purposes, and the accounting depreciation is claimed as a tax deductible expense.

For intangible assets acquired before 1 January 2021 but technically improved after 1 January 2021, the regime valid before 1 January 2021 should be followed.

8. Adjustment for inflation

N/A

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At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

0%–100%

Depreciation method used to calculate tax deduction

Declining-balance, straight-line (acquisition cost)

1. Entitlement to claim

The legal owners are generally entitled to claim.

2. Allocation of tangible assets to tax depreciation lives and rates

Taxpayers are required to specify buildings and leasehold improvements per asset and acquisition year. In addition, if a building is constructed or purchased, the company can distinguish between parts of the building and segregate these into the depreciation classes defined in the Tax Depreciation Act. The treatment of buildings and associated assets (such as installations or operating equipment) depends on the use of the building.

Depreciation classes for fully depreciable buildings in use for commercial purposes:

Type of building	Yearly deduction percentage
Buildings	3% (straight-line) 4% (straight-line) on acquisitions before 1 January 2023
Associated buildings	3% (straight-line) 4% (straight-line) on acquisitions before 1 January 2023
Installations	3% (straight-line) 4% (straight-line) on acquisitions before 1 January 2023
Operating equipment	25% (declining-balance)
Installations serving the specific business activity of the user qualify as operating equipment	25% (declining-balance)
Fees paid for connection to public and privately held facilities, e.g., water	20% (straight-line)

Depreciation classes for non-depreciable buildings in use for commercial purposes:

Type of building	Yearly deduction percentage
A building cannot be depreciated if it is used for: ■ Offices ■ Residential (hotels are depreciable) ■ Health care ■ A business in the financial sector, such as banking, insurance, stockbroking, etc.	0%
Installations	3% (straight-line) 4% (straight-line) on acquisitions before 1 January 2023
Buildings and installations with a useful life of > 25 years (acquisitions before 1 January 2023)	100%/expected economic life + 3%
Buildings and installations with a useful life of > 33 years (acquisitions after 1 January 2023)	100%/expected economic life
Operating equipment (increased depreciation basis of 116% for "green equipment" — environmental incentive valid in the period from 23 November 2020–31 December 2022)	25% (declining-balance)
Installations serving the specific business activity of the user qualify as operating equipment	25% (declining-balance)
Fees paid for connection to public and privately held facilities, e.g., water	20% (straight-line)

Depreciation classes for mixed-use buildings that are partly depreciable and in use for commercial purposes:

Type of building	Yearly deduction percentage
Buildings ■ Minimum usage for 25% depreciable purpose or at least 300 square meters	3% (straight-line) Depreciation according to proportionate usage of total square meters Additions and disposals for depreciable square meters and not depreciable square meters are handled as separate balances 4% (straight-line) on acquisitions before 1 January 2023
Installations	3% (straight-line) 4% (straight-line) on acquisitions before 1 January 2023
Installations with a useful life of > 25 years within non-depreciable element of building (acquisitions before 1 January 2023)	100%/economic life + 3% Depreciation according to proportionate usage of total square meters
Installations with a useful life of > 33 years within non-depreciable element of building (acquisitions after 1 January 2023)	100%/economic life Depreciation according to proportionate usage of total square meters
Operating equipment	25% (declining-balance)
Installations serving the specific business activity of the user qualify as operating equipment	25% (declining-balance)
Fees paid for connection to public and privately held facilities, e.g., water	20% (straight-line) Depreciation according to proportionate usage for commercial purposes

2.1 Assets that qualify for tax depreciation

Asset type	Applicable tax depreciation rate	Comments
Infrastructure equipment	7% (declining-balance)	Transport, telecommunication, oil and gas, rail, etc.
Certain other fixed assets (*visse faste anlæg*)	15% (declining-balance)	Ships with a gross tonnage of more than 20 tons, airships, trains, etc.
Other operating equipment	25% (declining-balance)	
Leasing assets (for lessor)	Year 1: 0% Year 2: 50% (straight-line) Year 3: 25% (declining-balance)	

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Land does not qualify because the value is not decreasing.

2.3 Noteworthy items

None

2.4 Availability of immediate deductions

Description	Detail
Assets with life of less than three years	Equipment with a general life-span of less than three years, typically mobile phones, etc.
Assets below a certain value	Below standardized amount, DKK33,100 in 2024, DKK34,400 in 2025
Repairs	Repairs to conserve the original condition
Software	As of 2025, immediate deduction is no longer applicable for software. Software acquired from 1 January 2025 and onward can be depreciated for tax purposes using the declining-balance method at up to 25%, similar to other operating assets, and there will no longer be an option for immediate depreciation. However, it will still be possible to immediately depreciate expenses for software if the acquisition cost does not exceed DKK34,400 in 2025 level. Software is considered acquired when it is delivered to an ongoing business and completed to such an extent that it can be included in operations. Companies with a staggered fiscal year must assess expenses for software incurred before and after 1 January 2025 according to both the old and new rules in this fiscal year. The depreciation basis constitutes the total acquisition cost, including trade and delivery costs, costs for setup or preparation, and in some cases, wages for own employees. Therefore, companies must henceforth assess whether expenses for software, including related expenses such as wages for employees, are deductible operating expenses, improvement expenses that must be capitalized and depreciated, or maintenance expenses that can be deducted. This distinction is expected to present several challenges in practice, particularly in relation to, for example, the distinction between new/improved systems vs. maintenance, and whether wage expenses relate to the acquisition of new/improved systems, including the monetary determination of how much of the wage expense, if any, should be capitalized. This can have significant implications for companies, as the implementation of, for example, a new ERP system requires substantial internal and external resources and can take several years to implement.

Description	Detail
	In addition, it is important to keep in mind that expenses for software covered by the rules in the Depreciation Act are typically perpetual licenses with usage rights to the software. If, instead, payment is made for the right to use software via an annual subscription, such as for an online accounting program, Microsoft Office suite, Adobe, etc., this is typically not covered by the above rules. Therefore, it will still be possible to deduct these expenses in the year in which they are incurred.

3. Depreciation and calculation methods

Methods used	Declining-balance, straight-line/prime cost
Frequency	Annually
Year of acquisition	Timing of the acquisition is not relevant for the level of depreciation.
Year of disposal	No depreciation is available if not held at year-end.
Ability to use different methods for different assets	Yes
Ability to switch methods	No

4. Preferential and enhanced depreciation availability

There is additional tax depreciation available for assets relating to research and development.

There is an increased depreciation basis of 116% for green operating equipment acquired during the period from 23 November 2020–31 December 2022.

5. Accounting for disposals

Gains or losses are assessed on the tax base and are taxable or fully deductible, respectively.

6. Making a claim

Depreciation is claimed on an annual basis to the tax authority through the income tax return.

7. Intangible assets

Acquired intangible assets, including goodwill on activities, can be depreciated over seven years. From 2025, this also applies for expenses in relation to acquisition of know-how, patent rights, license and usage rights to know-how, and patent rights.

Self–generated intangible assets, excluding development costs and goodwill generated from mergers, cannot be depreciated.

Finland

At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

N/A

Does the tax treatment follow book/statutory accounting depreciation?

Not directly, but it is not possible to make larger depreciations in taxation than for accounting. However, some repairs can be deducted for tax purposes as annual costs, although costs would be activated in accounting.

Range of rates used:

0%–100%

Depreciation method used to calculate tax deduction:

Straight-line method, declining-balance method and depletion allowance method for extractable soil resource areas.

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1. Entitlement to claim

All companies and other entities subject to the Business Tax Act are entitled but not required to claim depreciation from their taxable business income for the financial year. Entities can apply changes afterward to their depreciation deductions if the depreciation method has been incorrect by submitting an appeal to the Tax Administration. An appeal must be filed with the Tax Administration within three years from the beginning of the calendar year following the assessment.

2. Allocation of tangible assets to tax depreciation lives and rates

2.1 Assets that qualify for tax depreciation

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment	N/A	Declining-balance	Maximum 25% (Maximum 50%: accelerated depreciations for tax years 2020-2025)	Can be deducted immediately if useful life of the asset is maximum three years or acquisition cost is maximum EUR1,200 (total maximum EUR3,600 per tax year) For accelerated depreciations see 2.2
Buildings	N/A	Declining-balance	Maximum 7%: stores, warehouses, factories, agricultural buildings, power stations and other similar buildings Maximum 4%: residential buildings, offices and other similar buildings Maximum 20%: fuel and acid containers and other similar metal constructed storages or other structures Maximum 20% if building is used only for research activities aiming to promote business activities	
Furniture, fittings or fixtures	N/A	Declining-balance	Maximum 25%	Can be deducted immediately if useful life of the asset is maximum three years or acquisition cost is maximum EUR1,200 (total maximum EUR3,600 per tax year); included in plant, machinery and equipment when depreciated

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Computer hardware	N/A	Declining-balance	Maximum 25%	Can be deducted immediately if useful life of the asset is maximum three years or acquisition cost is maximum EUR1,200 (in total maximum EUR3,600 per tax year). Computer hardware is included in plant, machinery and equipment when depreciated.
Computer software	Maximum 10 years	Straight-line		Can be deducted immediately if useful life of the asset is maximum three years
Aircraft	N/A	Declining-balance	Maximum 25%	Included in plant, machinery and equipment
Transport other than motor cars	N/A	Declining-balance	Maximum 25%	Included in plant, machinery and equipment
Motor cars	N/A	Declining-balance	Maximum 25%	Included in plant, machinery and equipment
Car parks	N/A	Declining-balance		Included in buildings Applicable tax depreciation rate is assessed based on case-specific factors.
Office equipment (including office furniture and fixtures)	N/A	Declining-balance	Maximum 25%	Included in plant, machinery and equipment
Agricultural machinery and equipment	N/A	Declining-balance	Maximum 25%	Included in plant, machinery and equipment

2.2 Depreciation level increased for machine and device investment during 2020-2025

A taxpayer having business or agricultural activity can make a depreciation of 50% instead of 25% from the acquisition cost of the machine or device within the scope of the Act (the Act regarding increased depreciations for machines, devices and other comparable movable fixed assets). According to the Business Income Tax Act (EVL, elinkeinoverolaki) 30 § the maximum tax depreciation of machines, devices or other comparable movable fixed assets is 25% of the residue tax basis. According to the Agricultural Income Tax Act (MVL, maatilatalouden tuloverolaki) 8 § the maximum tax depreciation of machines, equipment and devices is 25% of the residue tax basis. Under the new legislation, the taxpayer can make double depreciations compared with the regular depreciations from the acquisition cost of the applicable machines, equipment and devices. The Act will be applied during the fiscal years 2020-2025. The Act is applied to all taxpayers regardless of the company form.

According to the new Act the increased depreciation can be made from a machine or a device used in business activity as described in the EVL or in agricultural activity as described in the MVL. According to the Act, to make the increased depreciation the machine or device must be new. Thus, increased depreciation cannot be made from the acquisition cost of a used machine or device. Sometimes, the acquisition of a new machine or device may be connected to the repairing or renewing of a machine or device purchased before the Act has taken effect. In case of substantial investment that constitutes part of a machine or device taken into use earlier, the increased depreciations can be made from the acquisition cost of the new investment.

The right to make the increased depreciation only applies to machines and devices that have been put into use during the time the Act is applied. Thus, the increased depreciation is possible, if a machine or device has been put in use on 1 January 2020 at the earliest or during fiscal year 2025 at the latest. For the implementation of taxation, the taxpayer must be able to prove credibly when the asset has been taken into use. Ordering a machine or device, or its delivery before 1 January 2020, does not rule out the increased depreciation if the actual use in business or agriculture begins on 1 January 2020 or later. Merely installation or test run is not considered as putting the asset into use.

The maximum amount of the depreciation is 50% of the undepreciated acquisition cost of the machine or device purchased. A prerequisite for deducting the increased depreciation in taxation is that the corresponding amount of depreciation is also deducted as cost in bookkeeping.

2.3 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Is classified as non-wearing fixed asset
Securities	Are classified as non-wearing fixed assets

2.4 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Expenses that will accumulate income for three or more years are activated and depreciated using the straight-line method for a maximum of 10 years.

Land remediation — removing asbestos, Japanese knotweed

Upgrading, alteration, extension, reforming and other similar costs are included in asset's residual value. Expenses from smaller repairs are deducted immediately.

Own labor capitalized

If own labor is used in upgrading, alteration, extension or reforming, costs are included in residual value.

2.5 Availability of immediate deductions for repairs

Description	Detail
Repairs	If not upgrading, alteration, extension or reforming, repair costs are deducted immediately. Also, fairly big repair costs can be deducted in taxation immediately if requested by taxpayer even though they were activated in accounting.
Items of a revenue nature	If not upgrading, alteration, extension or reforming, repair costs are deducted immediately.

3. Depreciation and calculation methods

Methods used	Straight-line method, declining-balance method and depletion allowance method for soil resource areas.
Frequency	Once per tax year. Tax year equals calendar year. If taxpayer's accounting period differs from tax year, the tax year is the accounting period or periods that have ended during that calendar year.
Year of acquisition	Asset starts to depreciate when it is put in use.
Year of disposal	When asset is put out of use.
Ability to use different methods for different assets	The asset class determines the applicable depreciation method in taxation.
Ability to switch methods	The asset class determines the applicable depreciation method in taxation.

4. Preferential and enhanced depreciation availability

Asset used in	Comment on specific application and benefits available
Production of biofuels, oil and gas exploration, production of electric energy, production of bioethanol, employment of renewable energy sources for the obtainment of electric energy	No benefits.
Mining	No benefits — depletion allowance method for depreciation of extractable soil resource areas.
Forestry	Private investors and jointly owned forests both get preferential treatment. Corporations do not get preferential treatment.
Production of biotechnology	No benefits.
Environmental investments	If considered as qualifying investments, they can be depreciated in four years.

5. Accounting for disposals

When an asset is disposed, its value is reduced to zero in the company's accounting. If disposing includes higher write-downs than maximum depreciation in taxation, the taxpayer must prove that the asset would not have had any resale or operating value to be able to deduct the write-down in taxation. (Movable assets form a pool for tax purposes.) If the asset were part of machinery and fixtures, the whole amount of this asset class's (movable assets) value should be zero to justify a write-down to zero in taxation.

6. Making a claim

Taxpayers can apply alterations afterward to their taxation by submitting an appeal to Tax Administration. As of tax year 2018, the period to appeal is three years from the beginning of the calendar year following the assessment.

7. Intangible assets

Type of asset	Rates/lives
Trademarks	Straight-line method in its useful life; in maximum 10 years
Patents, copyright, design, know-how or similar item	Straight-line method in its useful life; in maximum 10 years
Goodwill	Straight-line method in its useful life; in maximum 10 years
License or permit	Straight-line method in its useful life; in maximum 10 years

France

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At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation or depreciation for tax purposes

Does the tax treatment follow book/statutory accounting depreciation?

Yes

Range of rates used

4%–50%

Depreciation method used to calculate tax deduction

Declining-balance (amortissement dégressif), straight-line, other accelerated or exceptional methods

1. Entitlement to claim

As a matter of principle, the taxpayer is entitled to claim depreciation on assets that are owned. In case of the lease of the asset, the legal owner (the lessor) is entitled to claim depreciation.

An asset can be depreciated from its entry into service/use under the straight-line method and from its acquisition/construction date under the declining-balance method.

2. Allocation of tangible assets to tax depreciation lives and rates

The depreciation of fixed assets must be carried out component by component if these components have different lifetimes or if they provide economic benefits to the owner over different time scales. In this situation, they have to be depreciated separately, according to the lifetime of each (e.g., heating system or roofing, which are both by nature and their use intended to be replaced at regular intervals).

The French tax authorities have provided — for informational purposes only — a list of the most commonly accepted depreciation rates for some assets (see below).

2.1 Assets that qualify for tax depreciation

The French tax authorities provide a list of the most commonly accepted depreciation rates for the most common asset types. This list is for informational purposes only.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment	5-10 years	Straight-line basis	10%-20%	
Motor cars	4-5 years	Straight-line basis	20%-25%	
Industrial buildings	20 years	Straight-line basis	5%	
Furniture	5-10 years	Straight-line basis	10%-20%	
Computer hardware	3 years	Straight-line basis	33.33%	41.67% rate can be applied if declining-balance method is used.
Computer software	Life of the software	Straight-line basis	Depends on life of the software	
Office building	20-50 years	Straight-line basis	2%-5%	
Transport other than motor cars (materiel roulant)	4-5 years	Straight-line basis	20%-25%	
Tools/equipment	5-10 years	Straight-line basis	10%-20%	If used for scientific and technical research, tools/ equipment may be depreciated on an accelerated declining-balance basis. The acceleration multiples in this case range from 1.5 to 2.5.
Office equipment (including office furniture and fixtures)	5-10 years	Straight-line basis	10%-20%	To be immediately deducted as expenses if the acquisition price of the equipment does not exceed EUR500.
Property used in R&D (patents)	5 years	Straight-line basis	20%	

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Land does not qualify for any tax depreciation because there is no foreseeable limit to the period during which the land will provide economic benefits to the company.
Goodwill (Fond commercial)	In principle, it is not subject to any decrease in value by the effect of time.[1]
Leasehold right	It is not subject to any decrease in value by the effect of time.
Ongoing (Fonds de commerce)	In principle, it is not subject to any decrease in value by the effect of time.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

The preliminary cost (frais d'établissement) and in particular legal fees, notary fees and legal formalities expenses can either be immediately deducted for tax purposes or be amortized over a five-year period.

Removing asbestos

These may be amortized.

Own labor capitalized — work on developing software, for example, or carrying out work on property

These may be amortized.

2.4 Availability of immediate deductions for repairs

As a matter of principle, expenditures that are not aimed at replacing identified components, that are not the subject of a multiannual program of major maintenance, that do not result from compliance for security reasons or that are not specific spare parts of a fixed asset can be immediately deducted for tax purposes. Otherwise, the expenditures must be recorded as an asset and be amortized (e.g., carpentry works, masonry).

[1] The French General Chart of Accounts allows small businesses and any other companies that can prove that the benefits deriving from their goodwill would cease at a certain date to amortize goodwill for French GAAP purposes over a 10-year period for small businesses and over its useful life (or over a 10-year period when such useful life cannot be determined accurately) for other companies. However, the Finance Law of 2022 provides that this tax deduction is prohibited. As an exception and a temporary measure, the law does provide for the possibility to deduct, for tax purposes, the amortization made in accordance with the abovementioned French GAAP rules, for goodwill acquired between 1 January 2022 and 31 December 2025.

3. Depreciation and calculation methods

Methods used	Straight-line is the typical method. Declining-balance (amortissement dégressif) is allowed for certain types of new or recovered assets (e.g., handling equipment, central heating, plants). The assets must have a useful life in excess of three years.
Frequency	Annually
Year of acquisition	Straight-line depreciation is calculated proportionately in the year of acquisition, from the date the asset enters into use. The computation is based on the number of days in use. If the declining-balance method is used, depreciation is calculated from the first day of the month in which the asset was purchased.
Year of disposal	Depreciation is prorated in the year of disposal from the beginning of the financial period to the date of disposal. The calculation is based on the number of days. For declining-balance, depreciation is prorated from the beginning of the financial period to the beginning of the month of the disposals.
Ability to use different methods for different assets	The decision made by a company to depreciate an asset on a straight-line, declining–balance or exceptional method constitutes a binding management decision. As a result, after having made that choice, the company cannot ask to substitute one method for another. Depreciation is prorated in the year of disposal from the beginning of the financial period to the date of disposal. The calculation is based on the number of days.
Ability to switch methods	No

Declining-balance method rate

The constant rate of the declining balance is obtained by multiplying the straight-line rate by a coefficient that varies according to the depreciation duration. The coefficients are 1.25 for a depreciation duration of three or four years, 1.75 for a depreciation duration of five or six years and 2.25 for a depreciation duration longer than six years.

4. Preferential and enhanced depreciation availability

Equipment and tools mainly used for R&D operations may benefit from an accelerated depreciation. The depreciation is increased with reference to coefficients. The applicable coefficients are 1.5, 2 and 2.5, depending on the standard duration of amortization of the equipment or the tools for tax purposes. Equipment designed to save energy and equipment for the production of renewable energies can benefit from an accelerated depreciation. The applicable coefficients are 2, 2.5 and 3, depending on the standard duration of amortization of the equipment or the tools for tax purposes.

Small and medium-sized companies that built commercial or industrial real estate in specific urban zones before 1 January 2016 may depreciate the asset by 25% the first year after the construction is finished. The subscription to the capital of innovative small and medium-sized companies allows the depreciation of the shares on a five-year period.

Small and medium-sized companies that purchase, manufacture, order or rent specific goods in robotic and digital transformation between 1 January 2019 and 31 December 2020 can claim an additional special super-deduction on the original value of these goods. The tax deduction is equal to 40% of the original value of the good and is allocated over the normal period of use. This deduction is applicable to goods acquired after 31 December 2020 with three conditions: the good has to be ordered before this date, the purchaser provides a 10% deposit at the date of the order and the good has to be acquired within 24 months of the order. The special deduction reduces the base of the CIT.

Some sectorial super-deductions of 20% to 60% of the original value, depending on the goods, are available under certain conditions for investments in energy-efficient vessels or trucks made between 1 January 2019 and 31 December 2024.

5. Accounting for disposals

On disposal, the company must remove the asset from the balance sheet.

When preparing the computation, the capital gain should be equal to the difference between the sale price of the asset and the amount of its net book value. There are no specific consequences from an accounting standpoint if a loss arises.

In this case, no adjustment can be made if the asset is scrapped for no value.

6. Making a claim

From a practical standpoint, the decision regarding the choice of the depreciation method results from the statements made in the depreciation Form No. 2055 attached to the CIT return.

Supporting documentation is needed to book the asset in the balance sheet for it to be amortized later (for example, the purchase contract).

7. Intangible assets

Tax depreciation is available for purchases of software and patents, or goodwill under certain conditions.

Type of asset	Rates/lives
Trademarks	N/A
Patents, copyright, design, know-how or similar item	N/A, but by exception, patents may be amortized over a period of at least five years (since they will fall into the public domain).
Goodwill	N/A, but by exception, goodwill acquired between 1 January 2022 and 31 December 2025 may be amortized over a 10-year period by small businesses or its useful life for other companies, only if French GAAP rules allow this amortization.
License or permit	N/A

Germany

At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Depreciation deduction for wear (*Absetzung für Abnutzung or Abschreibung*)

Does the tax treatment follow book/statutory accounting depreciation?

Yes

Range of rates used

1.25%–100%

Depreciation method used to calculate tax deduction

Straight-line (prime cost), occasionally the reducing balance method is optional for specific assets

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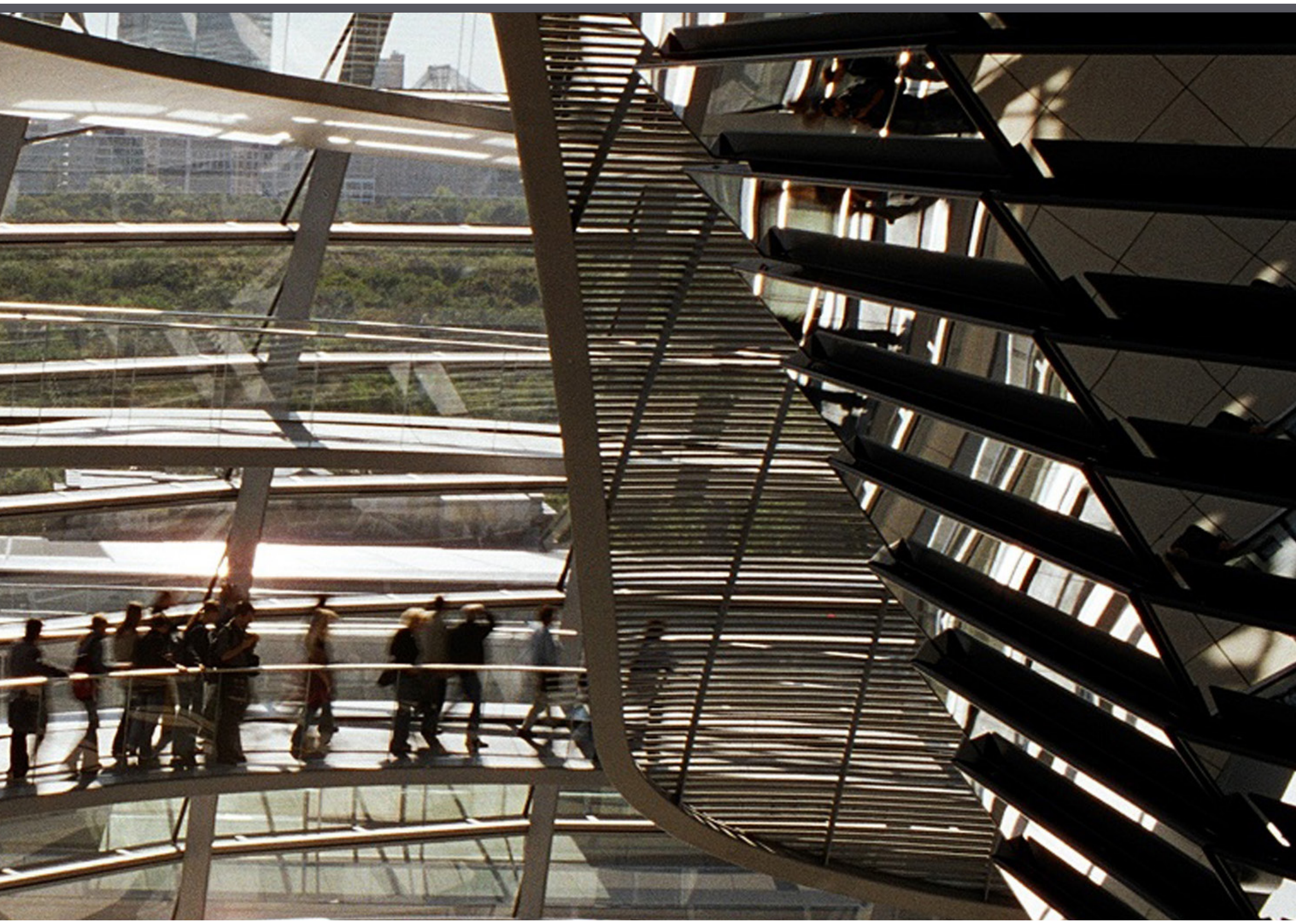

1. Entitlement to claim

The legal owner (any natural or legal person) may generally claim depreciation.

When beneficial owners take ownership rights, benefits, obligations and risks of an asset from the legal owner (e.g., by renting or leasing), they are entitled to claim depreciation. Ownership conditions are not given equal weight and do not have to be completed at the same time. When all conditions are not completed by the balance sheet date, beneficial ownership is determined based on foreseeable risks and changes of the asset.

The German tax authorities have set out general guidelines on identifying who (legal or beneficial owner) is entitled to capitalize and depreciate the respective asset.

2. Allocation of tangible assets to tax depreciation lives and rates

Tax depreciation is based on accounting depreciation. Special tax rules are then applied and given priority. Assets are assessed on a "unit of use" basis. In other words, individual parts that are connected have to be allocated to that unit. When determining the depreciation amount for a building, the calculation is based on the total amount of acquisition costs or production costs of the whole building. The valuation of depreciation on individual parts, such as heating systems, windows or walls, is normally not permitted. However, using different useful lives for different parts is permitted in special cases — for example, when solar panels have been placed on the top of buildings or if a specific part of a building was built separately.

Guidelines are provided by the tax authorities.

2.1 Assets that qualify for tax depreciation

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment*	See comments	Straight-line/depreciation according to performance	See comments	Depends on the industry in which the asset is used, such as use in shift work. Machine types within any particular industry denote its useful life. For example, packaging machines — 13 years, whereas office equipment (e.g., computers) — 3 years.
Motor cars*	6 years	Straight-line method	16.7%	N/A
Buildings (general)* Buildings as business assets not used for residential purposes and building applications after 31 March 1985	33 years	Straight-line method	3%	Regarding the useful life, several exemptions exist. This is not the complete list but serves as an indication of possible cases.
In all other cases, completion of building after 31 December 2022	33 years	Straight-line method	3%	
In all other cases, completion of building prior to 1 January 2023 and after 31 December 1924	50 years	Straight-line method	2%	

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
In all other cases, building permit applications prior to 1 January 1925	40 years	Straight-line method	2.5%	
If useful life is less than 33/40/50 years	Proven shorter useful life becomes depreciation period	Straight-line method		
Fittings or fixtures*	8 years	Straight-line method	12.5%	N/A
Computer hardware*	3 years (1 year)**	Straight-line method	33%	N/A; see Section 3
Computer software*	3 years (1 year)**	Straight-line method	33%	Only in the case of standard software. Depreciation periods for anything other than standard software have to be determined on a case-by-case basis (e.g., the useful life for business management software is typically five years; but in some cases, one year is accepted by Federal Ministry of Finance**). See Section 3.
Aircraft*	21 years	Straight-line method	4.7%	N/A
Transport other than cars/trucks*		Straight-line method		Depends on specific vehicle (e.g., campers – eight years).
Cars/trucks*	6/9 years	Straight-line method	16.7%/11.1%	N/A
Office equipment, including office furniture and fixtures*		Straight-line method		Depends on the type of equipment (e.g., office furniture – 13 years).
Land improvements		N/A		
Qualified leaseholder improvement property/tenant fixtures		Straight-line method		May be qualified as single-standing assets or parts of buildings. Hence, rules regarding buildings may apply, if the asset is qualified as part of a building for tax purposes.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Agricultural machinery and equipment*		Straight-line method		Depends on the type of machine/ equipment (e.g., tractor — 12 years).
Property used in R&D*		Straight-line method		Depends on the type of property or contractual period (e.g., laboratory equipment — 13 years).

* Extraordinary depreciation is applicable besides the abovementioned depreciation method.

** In some cases, the useful life of certain digital assets (hardware, software and peripherals) is deemed to be one year (see Section 3).

2.2 Assets that do not qualify for tax depreciation

Any type of asset capitalized on the balance sheet may be subject to tax depreciation (depreciation rules in generally accepted accounting principles (GAAP) may differ from tax depreciation rules), whether it is classified as tangible or intangible. Local GAAP and tax GAAP generally distinguish between "depreciable" and "non-depreciable" assets. Depreciable assets qualify for regular depreciation, which reflects the impairment of assets (e.g., due to use). Non-depreciable assets do not qualify for regular depreciation, but extraordinary depreciations due to impairments are possible. Both depreciable and non-depreciable assets can be depreciated in case of an extraordinary impairment (e.g., land does not qualify for a straight-line impairment but will be written off in case of impairment).

2.3 Noteworthy items

The treatment of the following expenditures depends on the individual case — the following comments cannot be seen as individually applicable.

Preliminary costs — architect fees, legal fees, planning

As far as they are related to the acquisition or manufacturing of assets, the expenditures must be capitalized and amortized at the same rate as the assets to which they relate.

Land remediation

As far as they are related to the acquisition of properties, the expenditures must be capitalized together with the land, which will typically be treated as not depreciable. Non-depreciable assets will not be depreciated regularly. If the land is impaired, the expenditures would also be impaired pro rata.

Own labor capitalized — work on developing software, for example, or carrying out work on property

As far as they are related to the acquisition of software or similar, the expenditures must be capitalized. If the software or similar is not acquired, a capitalization of assets in general is prohibited.

When a building is purchased, the expenditures for repairs and modernization incurred within three years after acquisition must be capitalized if the total amount of the expenditures (without value-added tax) exceeds 15% of the purchase price of the building.

2.4 Availability of immediate deductions for repairs and low-value assets

Description	Detail
Low-value assets	Low-value assets with acquisition or production costs up to EUR800 (total net amount) can be written off entirely in the year of acquisition. Tangible assets between EUR250 and EUR1,000 (net amount) can be stated as a collective item to be depreciated on an annual basis over a period of five years. For example, for office chairs, a useful life of 13 years has to be considered. If the taxpayer purchases office chairs for EUR500 (net amount) each, he or she can accelerate the depreciation by depreciating totally within 5 years by opting for the pooling method.
Repairs/ maintenance costs	A repair is the re-enabling of the asset's functions or the maintaining of the asset's condition. For tax purposes, the expenditures for repairs and maintenance can generally be fully deducted, as long as the repair/maintenance does not lead to a significant improvement of the item to be repaired.

3. Depreciation and calculation methods

Methods used	Straight-line/prime cost, performance-related disposals (in case of economic reasons). The declining-balance method was applicable for movable tangible assets acquired or produced after 31 December 2019 and before 1 January 2023 or after 31 March 2024 and before 1 January 2025. For the assets acquired or produced before 1 January 2023, a maximum of 2.5 times the straight-line depreciation rate could be written off, capped at 25% per year. In case of the assets purchased or manufactured after 31 March 2024, the maximum depreciation rate is two times the straight-line depreciation rate, capped at 20%. A decreasing depreciation in the trade balance is not permissible in either case, so deferred taxes may arise. Furthermore, the Federal Ministry of Finance issued a circular in February 2021 (updated in February 2022) that stipulates the useful life of certain digital assets (hardware, software and peripherals) to be one year, leading to immediate write-offs. In April 2022, the Federal Ministry of Finance provided a response letter to business associations clarifying that the tax authorities will accept consequent deviations between the trade balance and the tax balance with regard to the useful life. Due to legal uncertainties, the immediate write-offs could be challenged by tax courts in the future.
Frequency	Generally, depreciation is calculated on a monthly basis for simplification purposes.
Year of acquisition	Depreciation is generally calculated on an exact monthly basis (*pro rata temporis*). For example, if an asset is acquired in mid-November, the depreciation will be 2/12 of the year amount (year amount is derived from the acquisition costs divided through the years of standard useful life). In asset pooling (acquisition costs EUR250–EUR1,000 (net amount)), the "depreciation" is calculated on a yearly basis. In the year of acquisition, the respective assets are written down with one-fifth of the acquisition costs.
Year of disposal	In the year of disposal of capitalized assets, the asset will be derecognized out with the tax book value without any further adjustment. In case of disposal of pooling assets, the company continues to write off until the end of the five-year period.

Ability to use different methods for different assets	No. Generally, each asset requires an individual assessment. When valuing similar current assets, the depreciation method has to be applied to all like-minded assets within one class. Furthermore, if asset pooling is chosen for low-value assets, this method has to be applied across the board to all these assets purchased within this fiscal year.
Ability to switch methods	With regard to the change of valuation methods, the principle of consistency has to be followed. A deviation is only permitted for a switch from declining-balance to straight-line depreciation. A change from straight-line to declining-balance depreciation is not allowed.

4. Preferential and enhanced depreciation availability

Under certain conditions, small companies (companies with up to EUR200,000 in profits in the year of the deduction) can claim "investment deductions" of up to 50% of the estimated future investment, provided they are made within a three-year period. Such deductions have to be reversed upon investment. These types of businesses are also allowed to write off up to 40% of the total effective investment costs in the year of the investment and in the following four years if they were acquired or manufactured after 31. December 2023. For assets acquired or manufactured before the 1. January 2024 the allowance remains at 20%. The aforementioned "investment deductions" are only applicable for movable tangible assets.

5. (Temporary) degressive depreciation for new rental/ residential apartments and buildings

With the Growth Opportunities Act, a temporary declining balance depreciation (AfA) for residential buildings was introduced. Accordingly, as an alternative to straight-line depreciation, buildings whose construction began after 30 September 2023 and before 1 October 2029, or whose acquisition is based on a legally binding contract concluded within the aforementioned period, can be depreciated in declining depreciation amounts, provided they are used for residential purposes. Another requirement is that the eligible residential buildings are located in an EU/EEA state. The depreciation rate is a constant 5% annually of the respective residual value. In accordance with the declining balance depreciation for movable assets, deductions for extraordinary technical and economic wear and tear are not permitted. The transition to the straight-line depreciation is possible.

6. Special depreciation rule for new rental/residential apartments and buildings

For new rental apartments and buildings, a special depreciation of 5% of acquisition or production costs in the year of acquisition or production and the following three years is available, in addition to the regular straight-line depreciation or the temporary degressive depreciation for residential buildings. The special depreciation can be claimed by a taxpayer if he or she acquired/produced a new rental apartment or building and acquisition or production costs are not higher than either:

(i) EUR3,000 per m² if the building application or construction notification was submitted after 31 August 2018 and before 1 January 2022

(ii) EUR5,200 per m^2 if the building application or construction notification was submitted after 31 December 2022 and before 1 October 2029 and the building fulfills certain energy efficiency standards

Further, the new apartment or building must be rented out for residential purposes against payment for the following 10 years. The assessment basis for the special depreciation is capped at EUR2,000 per m² (i) or EUR4,000 per m² (ii).

7. Special depreciation rule for new electric delivery vehicles

A special depreciation of 50% of acquisition costs in the year of purchase of new electric delivery vehicles was introduced in 2019 but is still subject to EU state aid approval (entry into force will be announced). It is questionable if the rule will ever apply. It was planned to be available in addition to the regular straight-line depreciation and to apply to new electric delivery vehicles purchased after 31 December 2019 and before 1 January 2031.

8. Accounting for disposals

In the case of disposal, capitalized assets will be derecognized. Only pooling assets will be depreciated until they are written off (within the five-year period).

9. Making a claim

Depreciation must be reported in the profit and loss statement.

In general, and not just for claims, German bookkeeping documentation requirements apply. For example, in cases of extraordinary depreciation, additional documents or a valuation report may be required.

10. Intangible assets

Acquired intangible assets are generally depreciated. The depreciation period depends on the (standard) useful life, contract periods, etc. Goodwill that has been acquired is depreciated within a period of 15 years for tax purposes. Intangible assets that have not been acquired cannot be capitalized in the tax balance sheet and, therefore, are not subject to depreciation.

Type of asset	Rates/lives
Trademarks	Depends on useful life
Patents, copyright, design, know-how or similar item	Depends on terms of use, terms of contract, etc.
Goodwill	15 years
License or permit	Depends on terms of use, terms of contract, etc.

Greece

At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation or depreciation for tax purposes

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

4%-100%

Depreciation method used to calculate tax deduction

Straight-line method

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1. Entitlement to claim

As a rule, the taxpayer (generally an individual or legal person) may claim depreciation on assets that are owned. In the case of a finance lease, the lessee may claim tax depreciation on leased fixed assets, for which the lease contracts have been concluded after 1 January 2020. For tax depreciation purposes, the meaning of a finance lease must be defined either by reference to the Greek Generally Accepted Accounting Principles (GAAP) (L. 4308/2014) or the International Financial Reporting Standards (IFRS), depending on each case.

Annual depreciation is obligatory, and it begins in the month following the month when the asset is put into use.

2. Allocation of tangible assets to tax depreciation lives and rates

Depreciation of fixed assets should be applied item by item. Therefore, companies must distinguish among assets, such as parts of a building, and apply different rates to each part (e.g., furniture, computers). Depreciation is claimed by applying a specific depreciation rate on the acquisition or construction cost per asset class of a business.

The Greek authorities have released a detailed list, which includes the depreciation rate of each asset type (see below).

2.1 Assets that may qualify for tax depreciation

The tax depreciation rates per asset type are depicted in the below table.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Buildings, construction, industrial and special installations, warehouses, etc.	25 years	Straight-line method	4%	
Quarries and special mining land pieces, except for those used for ancillary mining activities	20 years	Straight-line method	5%	
Airplanes, trains, ships and vessels (excluding public transportation that is zero-emission or low emission up to 50 g/CO_2/km)	20 years	Straight-line method	5%	
Machinery and equipment, except for computers and software	10 years	Straight-line method	10%	
Means of transportation for people (exceeding emission 50 g/CO_2/km)	6, 25 years	Straight-line method	16%	
Means of transportation for goods (exceeding emission 50 g/CO_2/km)	8, 33 years	Straight-line method	12%	

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
PC equipment, principal and ancillary, and software	5 years	Straight-line method	20%	
Equipment used for research and development (R&D)	2, 5 years	Straight-line method	40%	
Other fixed assets*	10 years	Straight-line method	10%	

* Any asset not included in the above table is subject to a 10% depreciation rate as "other fixed assets."

The aforementioned coefficients are increased by 100% for costs related to the upgrade of recycling sorting centers and energy efficiency, water saving or investments identified as contributing significantly to climate change mitigation, in accordance with Article 10 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 "establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088" (L 198). Where the initial depreciation rate is higher than 10%, the increased rate may not exceed 10 percentage points. Note that airplanes, trains, ships and vessels, means of transportation for people and means of transportation for goods are excluded.

The tables below depict the indicative eligible categories of such expenses per asset type aiming at enhancing the energy efficiency and water conservation:

Asset type	Eligible expenses for energy efficiency
Buildings, construction, industrial and special installations, warehouses, etc.	Thermal insulation Airtightness Frames Glazing
Machinery and equipment, except for computers and software	Replacement of heating/cooling/air conditioning/ mechanical ventilation systems Thermostatic heads Natural gas condensing boiler High-efficiency cogeneration of electricity and heat Energy production systems from renewable energy sources to meet the energy needs of the business: ■ High-efficiency heat pumps ■ Energy-efficient biomass boilers ■ Solar thermal systems ■ Photovoltaic and other renewable energy systems for electricity production, under a net metering or self-production scheme Lighting (lighting upgrade by replacing with high-energy-efficient lamps, e.g., LED) Energy management systems and automation

Asset type	Eligible expenses for water conservation
Buildings, construction, industrial and special installations, warehouses, etc.	Installations of rainwater collection and usage systems Installations of liquid waste management systems aimed at their reuse/recycling Installations of water quality enhancement systems aimed at conservation Construction/replacement of water transport networks aimed at reducing leaks (or conserving) water Any other installation serving the purpose of water conservation
Machinery and equipment, except for computers and software	Mechanical or other equipment that contributes to water conservation or is connected to the installations mentioned above in the category "Buildings, construction, industrial and special installations, warehouses, etc." Systems for controlling and reducing leaks

A specific process should be followed for the relevant expenses to be characterized as eligible for energy efficiency or water conservation purposes and fall under the increased depreciation coefficients.

For tax years as of 1 January 2020, more favorable tax depreciation rates apply for zero- or low-emission means of transportation, as follows:

Asset type	Applicable tax depreciation rate
Zero-emission means of transportation for people	50%
Low emission (up to 50 g/CO_2/km) means of transportation for people	25%
Zero-emission means of transportation for goods	50%
Low-emission (up to 50 g/CO_2/km) means of transportation for goods	25%
Zero-emission means of public transportation	50%
Low-emission (up to 50 g/CO_2/km) means of public transportation	25%
Constructions and facilities for the charging of zero-emission or low-emission (up to 50 g/CO_2/km) vehicles	100%

It is also provided that where a 50% or 100% depreciation rate is offered, the enterprise is entitled to use a lower straight-line rate for all years of depreciation. Moreover, for the tax depreciation expense in relation to company cars of zero emissions with a retail price before taxes up to EUR40,000, the company is granted the right to an income tax deduction at increased rates by 50%, whereas increased depreciation rates by 25% are offered for the part of the price exceeding EUR40,000. Also, for such low emission cars (up to 50 g/CO_2/km) with a retail price before taxes up to EUR40,000, a company is granted the right to an income tax deduction at increased rates by 30% for the part of the price up to EUR40,000 and by 15% for the part of the price exceeding the EUR40,000 threshold. Especially for companies operating in Greek islands, these rates are increased even more to 75% and 35%, respectively, for zero-emission cars and to 35% and 20%, respectively, for low-emission (up to 50 g/CO_2/km) ones.

For expenses relating to the construction and operation of publicly available charging points of zero-emission or low-emission (up to 50 g/CO_2/km) vehicles, the company is granted the right to an income tax deduction at increased rates by 50%.

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land, artwork, antiques, jewelry and other	The related assets are not subject to any wear or obsolescence over the years. In other words, these respective assets are not devalued over time.
Fixed assets under construction	Expenditures aggregated in fixed assets under construction accounts should be transferred to relevant fixed asset accounts once the construction is complete and the asset becomes ready for use.
Inactive/idle assets	The assets that are not used under the company's regular activity are characterized as inactive/idle assets for tax purposes. Therefore, said assets are not subject to any depreciation.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Any costs incurred by a company that are directly linked to the acquisition of an asset and are necessary for the asset to become usable should be included in the asset's value. Additionally, any development cost that is directly linked with a specific asset should be included in that asset's cost and, therefore, should be depreciated as per the tax rate provided for the asset.

2.4 Availability of immediate deductions for bonus depreciation property and for eligible tangible property repairs

Description	Detail
Low-value assets	Tangible assets worth EUR1,500 can be depreciated one-off in the year of acquisition.
Repair/ maintenance costs	The expenditure for repairs and maintenance can generally be fully deducted, as long as the repair/maintenance does not constitute the acquisition cost or lead to improvement of the item.

3. Depreciation and calculation methods

Methods used	Straight-line
Frequency	Annually
Year of acquisition	Straight-line depreciation is calculated proportionately in the year of acquisition, following the month when the asset is put into use.
Year of disposal	Depreciation is prorated in the year of disposal from the beginning of the financial period to the month of disposal. The calculation is based on the number of months.
Ability to use different methods for different assets	No
Ability to switch methods	No

4. Preferential and enhanced depreciation availability

New companies may postpone their assets' tax depreciation for the first three tax years of their operations. It should be noted that the related benefit is not mandatory.

5. Accounting for disposals

If a business asset (tangible or intangible) is disposed of, the difference between the disposal value and the tax book value is considered a taxable gain. If the proceeds are lower than the book value, the taxpayer will be taking a tax-deductible loss.

6. Making a claim

Depreciation should be reported in the tax balance sheet as well as in the tax fixed-asset register.

7. Intangible assets

Intangible assets, rights (in general), and other long-term depreciable assets, including rights over the broadcasting of audiovisual content, are generally depreciated at a rate of 10%. In cases in which a different economic life is provided by the agreement concluded for the specific asset, the depreciation rate would be adjusted based on the lifetime of the intangible (once per lifetime of the asset as provided by the agreement).

Type of asset	Rates/lives
Intangibles	10% (10 years)

Hong Kong

At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Depreciation allowances/building allowances

Does the tax treatment follow book/statutory accounting depreciation?

No

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Range of rates used

	Initial allowance	Annual allowance	Tax deduction
Plant and machinery under pooling system	60% on the capital expenditure	10% to 30% on the reducing value of each class of machinery or plant	–
Industrial building or structure	20% on the capital expenditure	4% on the capital expenditure	–
Commercial building or structure	–	4% on the capital expenditure	–
Environmental protection machinery or installation/ environmentally friendly vehicle	–	–	100% of the capital expenditure in the year when the expenditure is incurred
Expenditure on building refurbishment	–	–	Deductible by five equal installments, one for the year when the expenditure is incurred; and the remaining four in each of the next succeeding four years of assessment

	Initial allowance	Annual allowance	Tax deduction
Prescribed fixed asset	–	–	100% of the capital expenditure in the year when the expenditure is incurred
Patent right or right to know-how	–	–	100% of the capital expenditure in the year when the expenditure is incurred
Specified intellectual property right (SIPR)	–	–	Deductible by five equal installments, one for the year when the expenditure is incurred; and the remaining four in each of the next succeeding four years of assessment

Depreciation method used to calculate tax deduction

Depreciation allowance or tax deduction on reducing balance or straight-line basis depending on type of asset.

1. Entitlement to claim

- Depreciation allowances are made in respect of capital expenditures incurred on the provision of machinery or plant and are available to every person carrying on a trade, profession or business in respect of which the person is chargeable to profits tax in Hong Kong.
- Building allowances are granted to any person who is entitled to an interest in a building and structure, where that interest is the relevant interest in relation to the capital expenditure incurred on the construction of that building and structure.
- "Capital expenditure" includes interest and commitment fees incurred in respect of a loan made for the purpose of financing the provision of machinery or plant, industrial building or commercial building. It excludes expenditure that is reimbursed by way of or is attributable to any grant, subsidy or similar financial assistance.
- Depreciation allowances/building allowances cannot be claimed if the expenditure is qualified for deduction in ascertaining the assessable profits.

2. Allocation of tangible assets to tax depreciation lives and rates

2.1 Assets that qualify for tax depreciation

A. Depreciation allowances rates for plant and machinery

The Board of Inland Revenue specifies the rates of depreciation for certain classifications of machinery and plant in a list. For those not specifically itemized in the list, it lays down a general rate of 20%. A taxpayer is eligible to claim initial allowance in the year of assessment in which the expenditure is incurred and annual allowance in every year of assessment after the asset has been in use. Asset types that are commonly seen are listed out below:

Asset type	Initial allowances (IA)	Annual allowances (AA)
Air-conditioning plant excluding room air-conditioning units	60% of capital expenditure	10% of reducing value

Asset type	Initial allowances (IA)	Annual allowances (AA)
Cables (electric)	60% of capital expenditure	10% of reducing value
Lifts and escalators (electric)	60% of capital expenditure	10% of reducing value
Domestic appliances	60% of capital expenditure	20% of reducing value
Furniture (excluding soft furnishings)	60% of capital expenditure	20% of reducing value
Room air-conditioning units	60% of capital expenditure	20% of reducing value
Aircraft (including engines)	60% of capital expenditure	30% of reducing value
Electronic data processing equipment	60% of capital expenditure	30% of reducing value
Electronics manufacturing machinery and plant	60% of capital expenditure	30% of reducing value
Motor vehicles	60% of capital expenditure	30% of reducing value
Shipping — ships, junks, sampans, lighters and tugs	60% of capital expenditure	10% of reducing value
Shipping — launches, ferry vessels and hydrofoils	60% of capital expenditure	20% of reducing value
Shipping — outdoor motors	60% of capital expenditure	30% of reducing value
Any other machinery or plant not specified	60% of capital expenditure	20% of reducing value

B. Building allowances

Claims for annual allowances for an industrial or commercial building or structure are subject to a maximum limit of 25 years, starting from the year of assessment in which the building or structure was first used (usage period).

B1. Industrial building allowance (IBA)

Definition of industrial building or structure

An Industrial building or structure means any building or structure or part of any building or structure used:

(1) For the purposes of a trade carried on in a mill, factory or other similar premises
(2) For the purposes of a transport, tunnel, dock, water, gas or electricity undertaking or a public telephonic or public telegraphic service
(3) For the purposes of a trade, which consists of the manufacture of goods or materials or the subjection of goods or materials to any process
(4) For the purposes of a trade, which consists in the storage:
   a. Of goods or materials that are to be used in the manufacture of other goods or materials
   b. Of goods or materials that are to be subjected in the course of a trade to any process
   c. Of goods or materials on their arrival into Hong Kong
(5) For the purposes of the business of farming
(6) For the purposes of scientific research in relation to any trade, profession or business
(7) **But excludes** any building or structure used as a dwelling house (other than as a dwelling house for the housing of manual workers), retail shop, showroom, hotel or office.

Capital expenditures that qualify for IBA

- The IBA is based on the capital expenditure incurred on the construction of the industrial building or structure. Such expenditure does not include the cost of the site or that of the preparation and levelling of the land. However, it can include expenditure on ordinary work done preparatory to laying foundations, and on laying drains, sewers and water mains to serve the building or structure.

Computation of IBA

- For an industrial building or structure (with an unexpired usage period) that is first used by the buyer for a year of assessment before 2024/25, a 20% initial allowance of the capital expenditure incurred on the construction of the building or structure is granted in the year of acquisition; and a 4% annual allowance thereof will be granted for each year of use.
- For an industrial building or structure (with an unexpired usage period) that is sold and used by the buyer (i.e., a secondhand property) for a year of assessment before 2024/25, an annual allowance granted is calculated by dividing the residue of expenditure immediately after sale by the remaining unexpired usage period. In other words, the denominator is the difference between (i) the 25th year after the year of assessment in which the building was first used and (ii) the number of years of assessment comprised in the period that begins with the first year of assessment for which the buyer is entitled to an annual allowance
- For (i) an industrial building or structure (with an expired usage period) that is sold and used by the buyer before the year of assessment 2024/25; or (ii) an industrial building or structure (whether the usage period has expired) is sold and used by the buyer in the year of assessment 2024/25 and thereafter, an annual allowance of 4% on the residue of expenditure immediately after sale will be granted to the buyer starting from the year of assessment 2024/25 onward, until the residue of expenditure immediately after sale has been fully claimed.

B2. Commercial building allowance (CBA)

Definition of commercial building or structure

- A commercial building or structure means "any building or structure or part of any building or structure used by the person entitled to the relevant interest for the purposes of his trade, profession or business other than an industrial building or structure."

Capital expenditures that qualify for CBA

- The CBA is based on the capital expenditure incurred on the construction of the commercial building or structure. Such expenditure does not include the cost of the site or that of the preparation and levelling of the land. However, it can include expenditure on ordinary work done preparatory to laying foundations, and on laying drains, sewers and water mains to serve the building or structure.

Computation of CBA

- For a commercial building or structure that is first used by the buyer for a year of assessment before 2024/25, an annual allowance equal to 4% of the capital expenditure incurred on the construction of the building or structure is granted. No initial allowance is granted.
- For a commercial building or structure (with an unexpired usage period) that is sold and used by the buyer (i.e., a secondhand property) for a year of assessment before 2024/25, the annual allowance is computed by dividing the residue of expenditure immediately after sale by the number of years of assessment comprised in the period that begins with the year of assessment in which the sale occurred and ends with the year of assessment, which is the 25th year after the year of assessment in which the building was first used.
- For a commercial building or structure (regardless of whether the usage period has expired) that is acquired and used by the buyer for the year of assessment 2024/25 and thereafter, a 4% annual allowance on the residue of expenditure immediately after sale is granted to the buyer starting from the year of assessment 2024/25 onwards, until the residue of expenditure immediately after the sale has been fully claimed.

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Cost of acquiring land is capital in nature and nondeductible in Hong Kong. Building allowances are intended to only enable tax depreciation of the costs of construction of buildings to be claimed.

Types of assets	Explanation
First-used implements, utensils and articles (e.g., linen and soft furnishings)	Implements, utensils and articles are deemed not to be included in the expression "machinery or plant," thus not eligible to claim depreciation allowances. Replacements of implements, utensils and articles could however be eligible to claim immediate deduction.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Interest paid and commitment fees incurred in respect of a loan made for the sole purpose of financing the provision of an industrial building or structure or commercial building or structure or machinery or plant qualify for IBA or CBA.

Land remediation — removing asbestos, Japanese knotweed

Do not qualify for IBA or CBA. However, expenditure on ordinary work done preparatory to laying foundations, and on laying drains, sewers and water mains to serve the building or structure would qualify for IBA or CBA.

Own labor capitalized

Labor costs for the construction of a building or structure would qualify for IBA or CBA.

2.4 Availability of immediate deductions for repairs

Description	Detail
Repairs and maintenance	Repair expenses that are incurred in the production of the company's assessable profits are generally tax deductible in the year when the expenses are incurred, provided that no capital items are included.

3. Depreciation and calculation methods

Plant and machinery	
Initial allowance	■ An initial allowance of 60% on the capital expenditure on the provision of machinery or plant is given when the expenditure is incurred. ■ There is no requirement that the asset must be in use in the basis period, but the allowance is subject to the asset eventually being acquired and used in the trade carried on.
Annual allowance	■ An annual allowance calculated at the appropriate rate (i.e., 10%/20%/30%) on the reducing value of each class or pool of machinery or plant is given for each year of assessment. ■ There is no requirement under the pooling system to the effect that the asset must be owned and in use at the end of the basis period.
Building and structure	
IBA	■ An initial allowance of 20% on the qualifying capital expenditure would be granted when the expenditure is incurred. ■ An annual allowance of 4% on the qualifying capital expenditure would also be granted if the building is in use at the end of the basis period.
CBA	■ An annual allowance of 4% on the qualifying capital expenditure would be granted if the building is in use at the end of the basis period.

4. Preferential and enhanced depreciation availability

Asset used in	Comment on specific application and benefits available
Environmental protection machinery or installation/environment-friendly vehicle	■ Capital expenditure for the provision of any environmental protection machinery or environment-friendly vehicle is allowable in full in the basis period for the year of assessment in which it was incurred.
Prescribed fixed asset	■ Includes (i) computer hardware, (ii) computer software and systems, and (iii) specified machinery or plant used specifically and directly for manufacturing process ■ Capital expenditure for the provision of any prescribed fixed assets is allowable in full in the basis period for the year of assessment in which it was incurred.
Expenditure on building refurbishment	■ Excludes capital expenditures incurred: (a) For a building that is used or intended to be used as a domestic building (i.e., any building or structure used for habitation, but does not include any building or structure used as a hotel or guesthouse) (b) To enable a building to be first used substantially by the person to produce chargeable profits (c) To enable a building to be used for a purpose different from that for which it was used immediately before the capital expenditure was incurred. ■ Capital expenditure on building refurbishment is allowed as a deduction by five equal installments, the first of which is allowed in the basis period during which the expenditure was incurred and the remaining four installments in the basis periods for the next succeeding four years of assessment.

5. Accounting for disposals

Building and structure

- A balancing charge or allowance may arise when a building or structure is sold, destroyed or put out of use as being worn out or obsolete or otherwise useless or no longer required.
- If the residue of expenditure immediately before the building or structure is sold, destroyed or put out of use as being worn out or obsolete or otherwise useless or no longer required exceeds the sale, insurance, salvage or compensation moneys (if any) arising from the event, a balancing allowance shall be made.
- Where the amount of the sale, insurance, salvage or compensation moneys exceeds the residue of expenditure immediately before the event, a balancing charge will be made in respect of the excess. The balancing charge is, however, limited to the total amount of the initial and annual allowances previously granted.
- No balancing allowance is to be made where the building in question is demolished for purposes unconnected with or not in the ordinary course of conduct of the trade, profession or business of the person in relation to which the building was used to qualify for an annual allowance.

Assets under the pooling system (for plant and machinery)

- Where a person ceases to trade and the disposal moneys received for the machinery or plant are less than the reducing value in the pool, a balancing allowance equal to the difference is to be made. A balancing charge arises whenever disposal proceeds exceed the reducing value of the pool.

Prescribed fixed asset

- Where the prescribed fixed asset in respect of which a deduction has been allowed is sold, the sale proceeds, not otherwise chargeable to profits tax and not exceeding the amount of deduction previously allowed, shall be treated as a trading receipt. The deemed trading receipt shall accrue and be assessable in the year when the prescribed fixed asset is sold.

Environmental protection machinery or installation/environmentally friendly vehicle

- Where an environmental protection machinery or installation or an environment-friendly vehicle in respect of which a deduction has been allowed is sold, the relevant proceeds of sale, not otherwise chargeable to profits tax and not exceeding the amount of deduction previously allowed, shall be treated as a trading receipt.

Expenditure on building refurbishment

- If the relevant property or renovation is sold before the installments are fully granted, the person entitled to the installments is still granted the installments as if the property has not yet been sold.

6. Making a claim

Taxpayers shall lodge the deduction/allowance claims in their profits tax returns.

7. Intangible assets

Type of asset	Rates/lives
Patent right or right to know-how	■ Capital expenditure for the purchase of patent rights is allowable in full in the basis period for the year of assessment in which it was incurred.
SIPR	■ I.e., copyright, performer's economic right, protected layout-design (topography) right, protected plant variety right, registered design or registered trademark ■ Capital expenditure for the purchase of SIPRs is allowable, deducted by 5 equal installments, one for the year of assessment in the basis period for which the specified capital expenditure is incurred; and one for each of the next succeeding 4 years of assessment.

Accounting for disposals

Patent right or right to know-how

- Where a patent right or right to know-how in respect of which a deduction has been allowed is sold, the relevant proceeds of sale, not otherwise chargeable to profits tax and not exceeding the amount of deduction previously allowed, will be treated as a trading receipt arising in or derived from Hong Kong.

Specified intellectual property right

- If the unallowed amount of the SIPR exceeds the relevant proceeds of sale, the excess will be deducted for the year of assessment in the basis period for which the sale occurs
  Or
- If the relevant proceeds of sale exceed the unallowed amount of the SIPR, or if there is not an unallowed amount, the excess or the relevant proceeds of sale not otherwise chargeable to profits tax and not exceeding the amount of deduction previously allowed, will be treated as a trading receipt arising in or derived from Hong Kong.

8. Adjustment for inflation

No adjustment for inflation is available.

Hungary

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At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation, depreciation for tax purposes

Does the tax treatment follow book/statutory accounting depreciation?

The tax law generally prescribes depreciation rates for different asset types. However, taxpayers could follow the accounting depreciation as well (with some limitations).

Range of rates used

1%–50% (assets under the acquisition value of HUF200k — approx. EUR500 — can be fully depreciated in the year of acquisition)

Depreciation method used to calculate tax deduction

Straight-line (fixed percentage of the acquisition cost), extraordinary depreciation for certain asset types (with certain limitation other methods can be used as well)

1. Entitlement to claim

Tax depreciation can generally be claimed by the taxpayer who records the asset in its books.

In general, depreciation is deductible in accordance with Annexes 1 and 2 to the Act LXXXI of 1996 on Corporate Income Tax and Dividend Tax (Act on CIT).

2. Allocation of tangible assets to tax depreciation lives and rates

Tax depreciation can be accounted for from the date of the capitalization of asset until the date of its disposal, similar to accounting regulations. The basis for depreciation is the acquisition cost of the asset (unlike accounting regulations, where the basis generally is the acquisition cost reduced by the residual value). If the Annexes of the Act on CIT prescribe multiple rules or depreciation rates for the same asset, the taxpayer may choose which one to apply. In any case, a lower rate than those listed in the Act on CIT can also be chosen, with the restriction that the depreciation applied in this way cannot be less than the depreciation recorded for accounting purposes.

Depreciation cannot be accounted for — as a general rule (some exceptions apply) — on assets for which, according to the Accounting Act, depreciation cannot be accounted for or should not be accounted for as planned depreciation. The rule does not apply if the asset's book value is zero or if the asset has already reached its residual value for accounting purposes. This means that if a company, for example, can no longer account for further depreciation on an asset in accounting because the book value has reached zero or its residual value, the company should still be entitled to depreciate the asset for CIT purposes up to tax book value of zero.

2.1 Assets that qualify for tax depreciation

Asset type*	Applicable tax depreciation rate
Buildings used in hotel or catering businesses	3
Commercial and industrial buildings	2 to 6
Leased-out buildings	5
Motor vehicles	20
Plant and machinery	
■ General rate	14.5
■ Automation equipment, equipment for environmental protection, medical equipment and other specified items	33
Computers	50
Intellectual property and film production equipment	50

* The table above does not contain all types of assets, so the CIT law may prescribe other rates as well.

2.2 Assets that do not qualify for tax depreciation

Types of assets
Land (except for land used for mining or storing waste)
Forests
Investments not yet put into use
Works of art, archaeological findings or assets the value of which does not decrease or increase over the years of use

2.3 Noteworthy items

Preliminary costs

From a tax depreciation perspective, the treatment of the preliminary costs follows their accounting treatment. It means that if the respective costs can be individually attributed to the asset, incurred for the purpose of acquiring or capitalizing it up to the capitalization or delivery to the warehouse, such costs should be included in the acquisition costs and, therefore, should be depreciated based on the rates prescribed by the tax law.

2.4 Availability of immediate deductions

Description	Detail
Repairs/ maintenance	Repair and maintenance costs generally cannot be considered as part of the acquisition costs and hence cannot be depreciated. However, from a tax perspective, such costs should be deductible.

3. Depreciation and calculation methods

Methods used	Generally straight-line However, from the perspective of accounting, several methods are accepted (linear, degressive, units of production etc.). The tax depreciation method can follow the accounting method if it complies with the rules set by the Act on CIT each year.
Frequency	The depreciation is calculated annually.
Year of acquisition	Depreciation starts when the asset is available and ready for use. Depreciation should be prorated for the days in the given year from its capitalization.
Year of disposal	Depreciation should be prorated and accounted until the day of disposal. The calculation is based on the number of days.
Ability to use different methods for different assets	Yes with certain limitations.
Ability to switch methods	Yes The depreciation rates can generally change even annually (e.g., for leased properties). Furthermore, methods can also be changed provided that the reason for a change can be supported properly.

4. Preferential and enhanced depreciation availability

The taxpayer can create a development reserve by allocating a certain amount from its retained earnings to its tied-up reserves within the equity of the company.

Development reserve is practically an advanced tax depreciation for tangible assets to be acquired by the taxpayer in the future.

The company can decrease its CIT base by the amount of the development reserve up to the annual pretax profit.

The development reserve must be utilized for the acquisition of tangible assets within four tax years after the creation of the reserve; otherwise the taxpayer becomes liable to pay back the tax benefit applied upon creation with late payment interest.

The tax value of assets acquired by the utilization of development reserve is decreased by the amount of the development reserve utilized. This practically means that these assets cannot be depreciated until the value of the development reserve created for tax purposes (i.e., the creation of a development reserve creates a deferred tax liability for the company).

Additionally, the acquisition cost of low value assets — under the value of HUF200,000 (approx. EUR500) — can, depending on the company's decision, be depreciated as a onetime expense.

5. Accounting for disposals

If an intangible asset or tangible asset is removed from the books for any reason, its book value at the time of removal must be derecognized among other expenses, and the corporate tax base must be increased by the book value, while the tax base can be decreased by the tax value (acquisition cost less tax depreciation).

6. Making a claim

Depreciation is reported to the tax authority annually via the income tax return.

7. Intangible assets

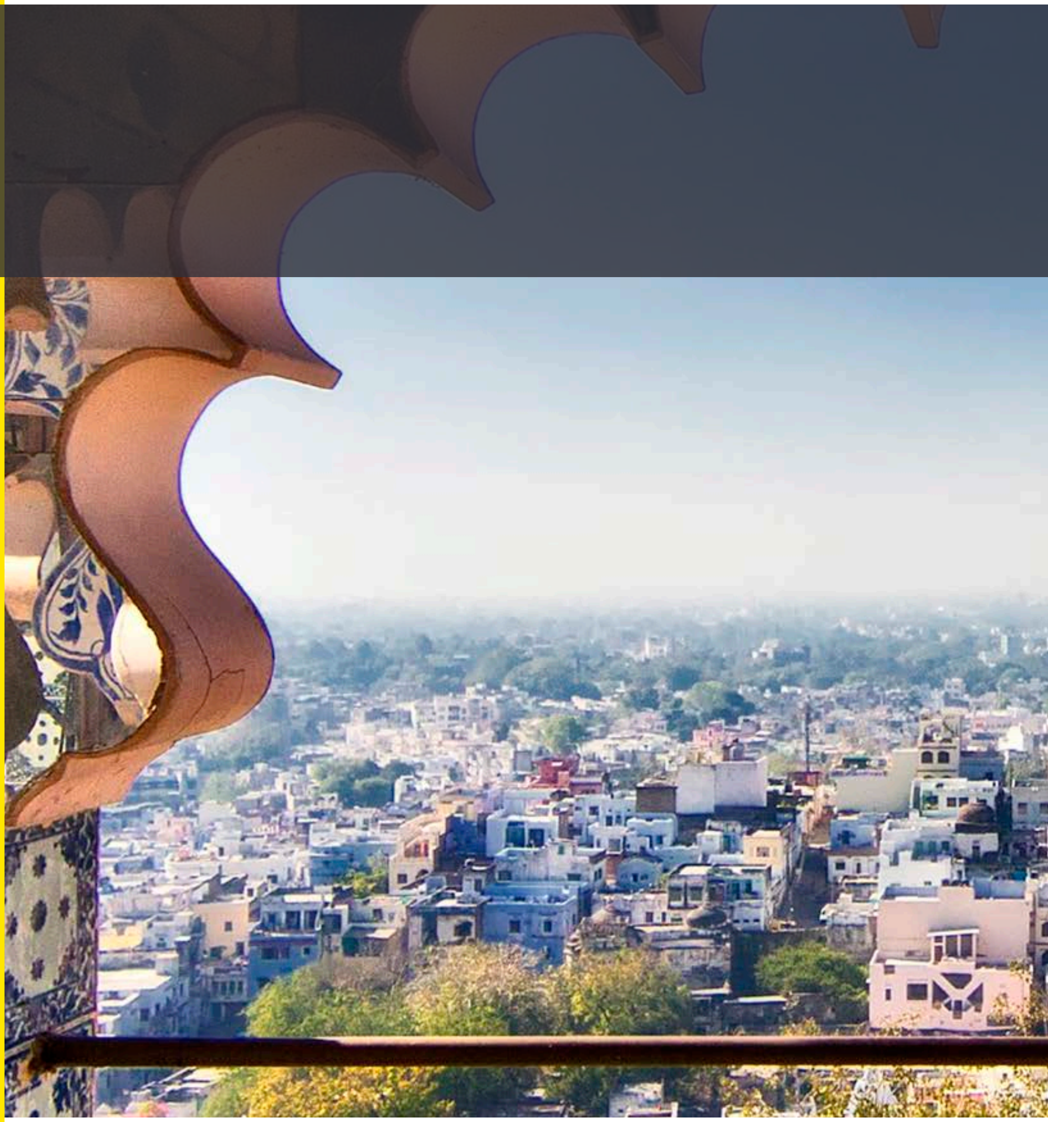
For tax purposes, companies can apply the same depreciation (including extraordinary depreciation if certain conditions are met) as for accounting purposes or the below rates.

Type of asset	Applicable tax depreciation rate
Goodwill	10*
Know-how, trademark	30**
Intellectual products	50

* Merger goodwill cannot be depreciated for tax purposes.

**If it is leased out.

India



At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

5%–40%

Depreciation method used to calculate tax deduction

Declining-balance, straight-line

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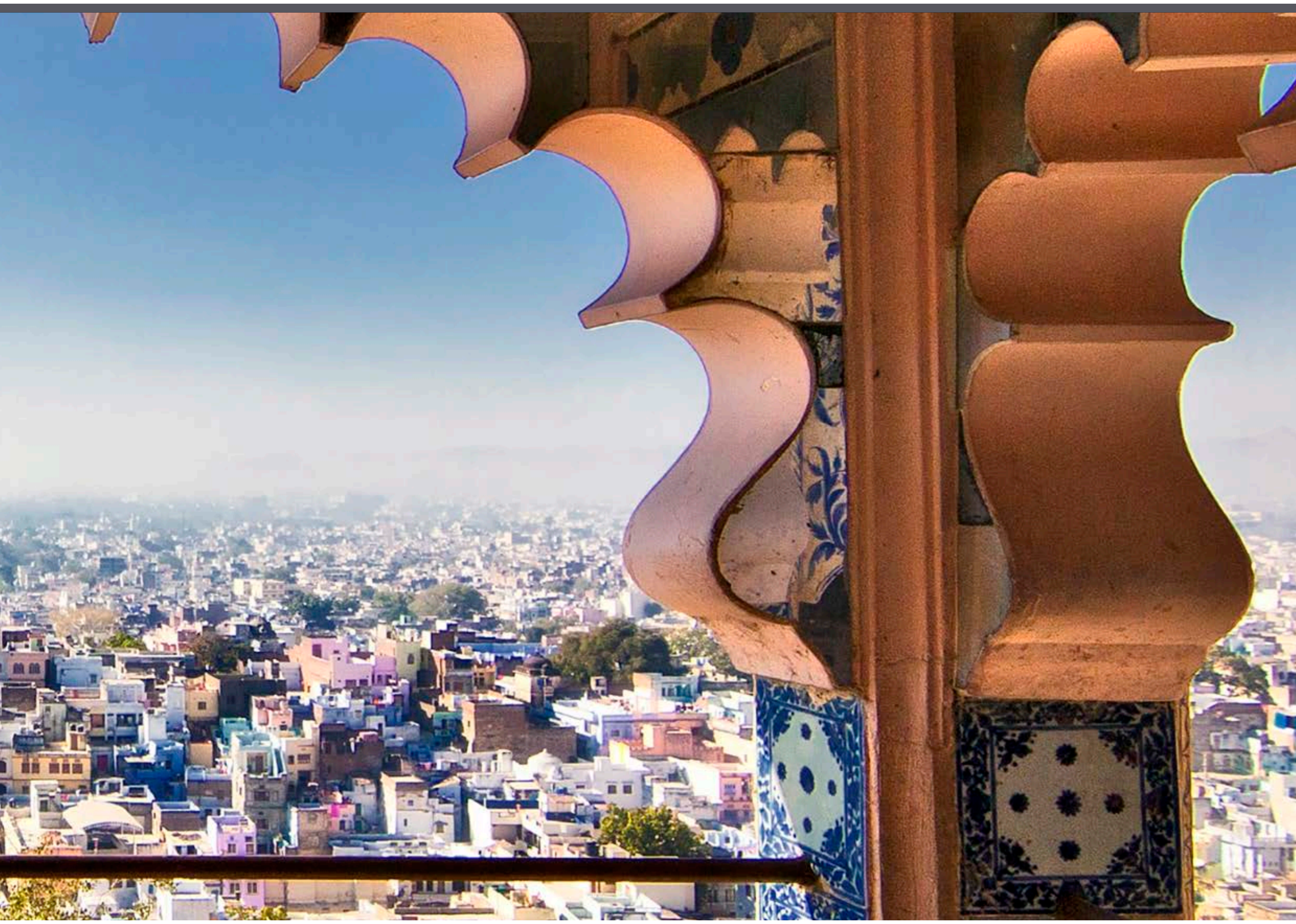

1. Entitlement to claim

Generally, legal owners are entitled to claim depreciation subject to certain conditions, such as:

- The asset must be used for business.
- The asset must be used during the year.

However, in the case of a finance lease transaction, the lessor would be eligible to claim depreciation as long as the transaction is not re-characterized as a loan, and the lessor is accepted to be the person responsible for the risks and rewards of ownership.

2. Allocation of tangible assets to tax depreciation lives and rates

Accounting depreciation is not relevant for making a claim for tax depreciation.

Assets are classified as either tangible or intangible.

The classification is further divided into different categories. Accordingly, rates applicable to the relevant category shall be applied to claim depreciation.

2.1 Assets that qualify for tax depreciation — tangible asset

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment	–	Declining-balance	15%	List of rates of depreciation is mentioned in Income Tax Rules, 1962, available at incometaxindia.gov.in.
Motor cars	–	Declining-balance	15%	Motor cars and motor buses/lorries/taxis used in a business of running them on hire acquired between 23 August 2019 and 31 March 2020 and put to use before 1 April 2020 are eligible for a higher rate of depreciation of 30% and 45%, respectively, as mentioned in Income Tax Rules, 1962, available at incometaxindia.gov.in.
Buildings – other than used for residential purpose Used for residential purpose		Declining-balance	10% 5%	List of rates of depreciation is mentioned in Income Tax Rules, 1962, available at incometaxindia.gov.in.
Furniture, fittings or fixtures	–	Declining-balance	10%	–
Computer hardware	–	Declining-balance	40%	–
Computer software	–	Declining-balance	40%	–
Aircraft	–	Declining-balance	40%	–

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Transport other than motor cars	–	Declining-balance	Various rates	List of rates of depreciation is mentioned in Income Tax Rules, 1962, available at incometaxindia.gov.in.
Car parks	–	Declining-balance	10%	Rate applicable for buildings
Office equipment (including office furniture and fixtures)	–	Declining-balance	10%	List of rates of depreciation is mentioned in Income Tax Rules, 1962, available at incometaxindia.gov.in.
Land improvements	–	–	–	Not eligible for depreciation unless the classification falls under any category mentioned in the Income Tax Rules, 1962, available at incometaxindia.gov.in
Qualified leaseholder improvement property	–	–	–	Not eligible for depreciation unless the classification falls under any category mentioned in the Income Tax Rules, 1962, available at incometaxindia.gov.in
Agricultural machinery and equipment	–	Declining-balance	Various rates	List of rates of depreciation is mentioned in Income Tax Rules, 1962, available at incometaxindia.gov.in.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Property used in R&D	–	–	–	Separate deduction is given on all capital expenditures (except land) in the form of expenditures in the year in which they are incurred (subject to fulfillment of certain conditions/ approvals – refer to Section 4). However, if capital expenditure is not claimed, depreciation under normal provisions is available.
Ships	–	Declining-balance	20%	List of rates of depreciation is mentioned in Income Tax Rules, 1962, at incometaxindia.gov.in.

Assets of the same class and rate of depreciation are pooled together in a "block." As a result, the individual identity of the asset is lost once it becomes part of the block.

If the asset is used for more than 180 days, depreciation at the prescribed rate can be claimed. However, if the asset is used for less than 180 days, the depreciation would be restricted to 50% of the prescribed rate.

2.2 Assets that qualify for tax depreciation — intangible asset

Depreciation is allowed on know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature on written-down value basis at 25%. Based on various judicial precedents, depreciation was eligible on goodwill. However, effective 1 April 2020 onward, depreciation will not be admissible on goodwill irrespective of its source of acquisition. Furthermore, wherever depreciation was allowed in the past years, Rule 8AC has been prescribed for carving out goodwill from the block of assets. As per the rule, where the stand-alone Written Down Value (WDV) of goodwill is higher than aggregate of the opening WDV of entire intangible block of asset and actual cost of any intangible asset acquired during the tax year (TY) 2020–21, then the excess shall be deemed to be capital gain arising from transfer of the capital asset.

There was ambiguity that a reduction of goodwill from the block of the assets does not constitute a "transfer" to trigger capital gains tax. The Finance Act, 2022 has inserted an explanation to clarify effective from TY 20-21 reduction of WDV of goodwill from the block of intangible shall be deemed to be an event of transfer for charging capital gains. With respect to other intangible assets, earlier grouped as part of goodwill, such as customer databases, right to use, there is uncertainty about whether they would fall under "any other business or commercial rights of similar nature" and could, therefore, be considered as an intangible asset for income tax purposes. Hence, a detailed evaluation is required based on the facts of each case to determine whether an intangible asset exists.

An amendment has been made in The Finance Act, 2023 to define the "cost of improvement" or "cost of acquisition" of a capital asset that is an intangible asset or any other right to be "nil." This amendment applies from TY 2023–24.

2.3 Assets that do not qualify for tax depreciation

This includes any asset that does not fall under the categories mentioned in Sections 2.1 and 2.2 above (e.g., land). Assets acquired in cash exceeding INR10,000 shall not be eligible for depreciation with effect from 1 April 2018.

Types of assets	Explanation
Land	Land does not qualify, as it does not fall under any tangible asset subcategory.

2.4 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

It may be possible to add the expenditure to the cost of the asset. Depreciation is allowed at the rates applicable to the asset (except land) based on the category in which the asset is classified.

Furthermore, certain expenses, such as expenditures incurred on the preparation of a feasibility report or project report, incurred at the time of incorporation or extension of the undertaking, can be amortized over a period of five years, subject to certain conditions.

2.5 Availability of immediate deductions for repairs

Typically, expenses that do not alter the useful life of an asset or expenses that are incurred to maintain the working condition of the asset are considered as repairs and are deductible as revenue expenditures.

The treatment from a tax perspective could differ from the accounting treatment.

3. Depreciation and calculation methods

Methods used	Declining-balance (straight-line is available for undertakings engaged in the generation and/or distribution of power)
Frequency	Annually
Year of disposal	Assets sold during the year are not eligible for depreciation.
Ability to use different methods for different assets	Not applicable
Ability to switch methods	Not applicable
Whether depreciation is optional/mandatory	Mandatory

4. Preferential and enhanced depreciation availability

Particulars	Comment on specific application and benefits available
Scientific expenditure on in-house approved research and development facility	A company engaged in the business of biotechnology or in any business of manufacture or production of any article or thing, not being an article or thing specified in the list of the Eleventh Schedule of the Income Tax Act, 1961, is eligible for deduction of specified revenue and capital expenditure on scientific research (except land) of 100%.
Additional depreciation on asset used in the business of manufacture or production of any article or thing or in the business of generation, transmission or distribution of power	Additional depreciation at the rate of 20% on the cost of the asset in the first year. If the asset is used for less than 180 days, additional depreciation will be available at 10% in the first year and the balance of 10% will be allowed in the next year.

The Government of India had notified* corporate tax rates scheme of 22% for existing domestic companies and 15% for new domestic companies incorporated on or after 1 October 2019 and commencing manufacturing on or before 31 March 2023, subject to satisfaction of certain prescribed conditions. If a company opts for the concessional tax rate, it shall not be permitted to claim preferential and enhanced additional deprecation as mentioned in table above. Such companies shall also not be permitted to claim setoff of any loss carried forward from any earlier year if the same is attributable to any of the benefits claimed in the past as summarized in table above.

* Vide Taxation Laws (Amendment) Act, 2019 with effect from 20 September 2019.

5. Accounting for disposals

The sale value reduces the value of the "block of assets." If the asset block ceases to exist or the sale value exceeds the block value, a capital gain or loss is computed. There is no impact on previously claimed depreciation.

In undertakings in which depreciation is allowed on actual cost, a deduction is allowed in respect of the amount by which the sale price falls short of the written-down value of the asset. The difference should be written off in the books of accounts. Where the sale price is higher than the written-down value of the asset disposed of, the difference is chargeable as business income.

6. Making a claim

Generally, no separate books of accounts are maintained for income tax. Separate calculations are prepared to calculate tax depreciation; however, companies and assessees having turnover of more than the specified amount are required to have a tax audit. In the tax audit report, the tax auditor must certify the depreciation computed by the assessee for income tax. Based on the tax audit report, a claim needs to be made in the return of income. The return of income provides for specific schedules where the depreciation details are to be filled in.

Documents justifying the ownership, the use in the business or profession, cost of acquisition and the date put to use must be maintained.

7. Introduction of Income-tax Bill, 2025

The government of India has introduced Income-tax Bill, 2025 (proposed bill) to replace the existing Income-tax Act, 1961 which would be effective from 1 April 2026 upon enactment by Indian Parliament. Accordingly, the aforementioned provisions would apply for the year up to 31 March 2026.

Currently, the proposed bill has been referred to a specific select committee by the Indian Parliament to examine the bill and provide recommendations. The provisions of the proposed bill may have an impact on future claims. We have not captured the impact of the proposed bill, if any.

Ireland

At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Capital allowances

Does the tax treatment follow book/statutory accounting depreciation?

Tangible assets — no (other than capitalized repairs)

Intangible assets — yes (for certain assets)

Range of rates used

0%-100%

Depreciation method used to calculate tax deduction

Straight-line basis

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1. Entitlement to claim

Capital allowances are a form of tax relief that enable a taxpayer to write off the cost of qualifying assets against taxable profits over time at a predetermined rate. A taxpayer must satisfy the relevant criteria in the legislation to be eligible to make a claim. In the case of a taxpayer claiming capital allowances against taxable profits, capital allowances can be claimed if the taxpayer:

- Has incurred capital expenditure
- Uses the plant for the purposes of the trade at the end of the taxpayer’s accounting period
- Bears the economic burden of wear and tear on the machinery, plant, fixtures and fittings installed
- Has ownership of the qualifying assets

2. Allocation of tangible assets to tax depreciation lives and rates

Claimants are required to break down assets into individual items to allow them to be categorized for capital allowances. It is necessary, therefore, to have a detailed cost breakdown of all capital expenditures incurred, particularly with respect to buildings.

All depreciation of tangible fixed assets is disallowed when calculating taxable profit. Ireland then provides a system of capital allowances to obtain tax relief on qualifying expenditures. The main type of capital allowance is known as wear and tear allowances, which are available for expenditure on plant and machinery. There is no statutory definition of what constitutes a plant for capital allowances purposes, nor is there an approved list of qualifying items of expenditure for capital allowances. Therefore, the capital allowances treatment on various assets has been discussed and agreed through years of case law, and this identification can be particularly complex as a result.

2.1 Assets that qualify for tax depreciation

The writing-down allowances (WDAs) identified in the table below are calculated per year on a straight-line basis. Building works such as leasehold improvements should be analyzed so allowances are allocated to the correct asset type.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment Furniture, fittings or fixtures Office equipment (including office furniture and fixtures)	8 years	Straight-line basis	12.5% per year WDA	Expenditure incurred on or after 4 December 2002 on plant and machinery, fixtures and fittings, etc.
Industrial buildings – broadly defined and includes a mill, factory or other similar premises	25 years	Straight-line basis	4% per year WDA	Industrial building allowances (IBAs) are available on assets that meet the definition of an industrial building.
Energy-efficient equipment	1 year	Straight-line basis	100% year one	The equipment must be approved and listed by the Minister for Climate, Environment and Energy. Accelerated capital allowances of 100% of the capital expenditure incurred can be claimed for the year in which the equipment is provided and used.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Motor cars	8 years	Straight-line basis	12.5% per year WDA; however, the expenditure qualifying for the allowances depends on the CO_2 emissions of the car. For expenditures incurred prior to 1 January 2027, the actual cost of the car for the purposes of the wear and tear allowance is modified in the following way: ■ Cars in category A or B, EUR24,000 ■ Cars in category C, the lesser of EUR12,000 or half the cost of the car and ■ Cars in category D, E or F, zero Category A vehicles: 0g/km–120g/km Category B vehicles: 121g/km–140g/km Category C vehicles: 141g/km–155g/km Category D vehicles: 156g/km–170g/km Category E vehicles: 171g/km–190g/km Category F vehicles: 191g/km and above	Certain electric cars get a 100% allowance in year one, but remain subject to the EUR24,000 limit. Cars are categorized by reference to CO_2 emissions. There are effectively three groups of cars to which different capital allowances arrangements apply: ■ The first group covers cars with emissions of up to and including 140 grams of CO_2 per kilometer driven. From 1 January 2027 this group is limited to cars with emissions of up to 120 grams of CO_2 per kilometer driven. ■ The second group is for cars with emissions of over 140 grams and up to and including 155 grams of CO_2 per kilometer driven. From 1 January 2027 this group includes cars with emissions of over 120 grams and up to and including 140 grams of CO_2 per kilometer driven. ■ The third group includes cars with emissions of over 155 grams of CO_2. From 1 January 2027 this group includes cars with emissions of over 140 grams of CO_2 per kilometer driven. For the purposes of capital allowances, cars in the first group have a car value threshold or limit of EUR24,000, which applies regardless of the cost of the car. This means that in the case of low-emissions cars, capital allowances of EUR24,000 are available even if the car costs less than that.
Computer hardware and software	8 years	Straight-line basis	12.5% per year WDA	
Aircraft	8 years	Straight-line basis	12.5% per year WDA	

2.2 Assets that do not qualify for tax depreciation

Asset type	Explanation
Land	All costs relating to land
Dwellings	Usually no capital allowances if the expenditure is on a private dwelling

2.3 Noteworthy items

Energy-efficient equipment

Accelerated capital allowances (ACAs) provide 100% tax relief in the first year and are available to companies for expenditure on certain energy-efficient equipment. The equipment must meet the following criteria:

- The claimant is a company operating in Ireland and paying Irish tax.
- The equipment purchased is new.
- The equipment was bought on or after 31 January 2008.
- The equipment was purchased for use in a trade.
- The equipment is not leased, let or hired to any person.
- The equipment (unique product code) is included on the Sustainable Energy Authority of Ireland (SEAI) "specified list" in the year it is first provided and brought into use.

Capital allowances may be claimed at the accelerated rate of 100% in year one for the accounting period in which the expenditure is incurred and the energy-efficient equipment is first brought into use.

Preliminary costs — architect fees, legal fees, planning

Preliminaries and professional fees should be added to the cost of the asset to which they directly relate and may be assessed for capital allowances if they relate to plant and machinery. If the fees relate to a number of assets as part of a scheme of works, it is reasonable to apportion the costs over both qualifying and non-qualifying assets to which the fee relates.

Fees regarding obtaining a legal interest in the property could be deemed to be too far removed from plant and machinery and are not likely to qualify for capital allowances.

Own labor capitalized

The treatment of such costs according to Irish Revenue is that "costs attributable to a person's own labor where the person carries out work themselves" are non-allowable in computing expenditure qualifying for IBAs. However, capitalized labor costs relating to plant and machinery can be apportioned over both qualifying and non-qualifying assets to which the fee relates.

2.4 Availability of immediate deductions for repairs

The general position is that:

- The cost of a repair is normally an allowable expenditure.
- The cost of replacing an asset is allowable as a deduction provided the nearest modern equivalent is used as the replacement.

A deduction for expenditure on repairs is given when the cost of the repair is deducted in the profit and loss account in line with generally accepted accounting practice (GAAP) (whether that is Irish GAAP or International Accounting Standards (IAS)). As a result, if a repair is capitalized for accounting purposes, the tax deduction will generally be given in line with the accounting depreciation charge over the life of the asset.

Repairs do not include the cost of replacing the entirety of an asset or of making an improvement to an existing asset. There is a body of case law and tax authority guidance around this subject. There is a concept of nearest modern equivalent for tax purposes when considering whether an asset has been improved. It is necessary to consider whether the asset's character has changed because of the work in determining whether an expenditure is a repair.

3. Depreciation and calculation methods

Methods used	Straight-line basis
Frequency	WDAs calculated annually
Year of acquisition	Full capital allowances available; WDAs calculated as per balance at year-end
Year of disposal	Disposal proceeds deducted from capital allowances claimed; a balancing adjustment may occur in the year of disposal

4. Accounting for disposals

When an asset is disposed of, a balancing charge or allowance (i.e., an adjustment to the quantum of the allowances given) may arise in a chargeable period where any of the following events occurs in relation to any machinery or plant with respect to which capital allowances have been obtained by a person carrying on a trade:

- The machinery or plant ceases to belong to the person, whether on a sale or otherwise.
- The machinery or plant ceases to be used for the purposes of the trade.
- The trade permanently ceases.
- In the case of machinery or plant consisting of a specified intangible asset, computer software or the right to use or otherwise deal with computer software, the granting to another person of a right to use or otherwise deal with all or part of the software concerned.

A balancing allowance arises where the tax written-down value in respect of the machinery or plant is less than the sale, insurance, salvage or compensation moneys received for the machinery or plant.

A balancing charge arises when the amount of the sale, insurance, salvage or compensation moneys received exceed the unused capital allowances remaining with respect to the machinery or plant, except (other than where the machinery or plant is disposed of to a connected person) when the amount of those moneys is less than EUR2,000. A balancing charge is a way of ensuring that a business does not claim more tax relief than it was entitled to on the purchase of a business asset and effectively claws back any overclaimed capital allowances. The balancing charge works in the opposite way as a capital allowance and increases the amount of profit on which tax is due.

Special apportionment rules apply when the balancing event arises as a result of granting a right to use or otherwise deal with all or part of machinery or plant that consists of computer software or the right to use or otherwise deal with computer software.

5. Making a claim

A claim is made in a person's/company's tax return that operates on a system of self-assessment. A claim can be made, amended and withdrawn in most cases within two years of the end of the accounting period. There are occasions in which a claim could be made after this point; however, this will depend on the specific circumstances.

A claim should provide sufficient supporting information to substantiate the tax relief claimed and enable Irish Revenue to determine whether this has been calculated correctly. Should insufficient supporting information be provided, the window in which Irish Revenue could formally inquire into the tax computation could be extended.

6. Intangible assets

A company may claim capital allowances for capital expenditure incurred on specified intangible assets against the income from "relevant activities" of a company. Examples of specified intangible assets include patents, registered designs, copyrights, inventions and trademarks, as well as goodwill directly attributable to these assets. Intangible assets are treated as plant and machinery for capital allowances purposes. The normal wear-and-tear rules apply. A company may claim the amount of amortization or any impairment charged in the Statement of Comprehensive Income in each accounting period. Alternatively, a company may elect to claim capital allowances over a fixed write-down period of 15 years at:

- 7% per annum of qualifying expenditure
- 2% in the final year

The Finance Act 2017 introduced a cap on the amount of relief that may be claimed in an accounting period. This cap applies to claims in respect of capital expenditure on specified intangible assets on or after 11 October 2017. The level of deduction cannot exceed 80% of the trading income of the relevant trade for the accounting period.

7. Childcare and fitness facilities

ACAs are available for expenditures incurred on the construction of facilities used by employers to provide employees with childcare or fitness facilities. The relief will not be available to commercial childcare or fitness businesses or to passive investors, rather where employers provide such facilities for their employees. The aim of the measure is to remove barriers to work, to promote more affordable and convenient childcare, and to promote the health of employees. The scheme has two rates of relief:

- 100% accelerated capital allowances in the year of expenditure for plant and machinery
- Accelerated relief over seven years for expenditure on buildings/structures (claimed at 15% per annum for six years and 10% in year seven)

Italy

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At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

Yes, up to specific rates provided by the tax law

Range of rates used

1%-50%

Depreciation method used to calculate tax deduction

Straight-line (prime cost)

1. Entitlement to claim

In general, the person entitled to claim accounting depreciation is the legal owner of the asset. This rule also applies for financial lease agreements[1] and rentals. Tax rules follow the abovementioned accounting approach.

An exception to this rule may apply for the lease of a going concern (affitto d'azienda). In this case, the economic owner is entitled to perform the depreciation of the assets representing the going concern, to the extent that the agreement does not provide that such right is in the hands of the legal owner.

[1] Note that, for IAS/IFRS adopters, the economic owner (i.e., the lessee) also books in the income statement and depreciates for tax purposes the right of use obtained with the leasing agreement whether specific requirements are met.

2. Allocation of tangible assets to tax depreciation lives and rates

According to accounting rules, an item can be capitalized if its use can be spread over several years and it constitutes part of the business organization of the entity.

Assets that consist of several items should be capitalized identifying the cost of each component (certain exceptions may apply for IAS/IFRS adopters). Moreover, assets with different useful estimated lives must be recorded and tracked individually.

With reference to real estate assets, certain items (e.g., heating, telecommunications and alarm systems) can be accounted as separate assets and depreciated accordingly.

2.1 Assets that qualify for tax depreciation

Fixed assets may be depreciated for tax purposes only using the straight-line method. In general, depreciation may be taken in every fiscal year, regardless of whether the entity incurred in losses or made profits.

Italian generally accepted accounting principles (GAAP) do not set out a comprehensive table of assets and useful lives/rates to be applied. For tax purposes, the depreciation is set out by the Italian Tax Code and for fixed tangible assets is determined applying special rates set out by the Ministerial Decree issued on 31 December 1988, which is generally followed for accounting purposes.

An exception may apply in case of assets with a unit cost not higher than EUR516.46, for which the full depreciation of the acquisition cost in the year of purchase shall be allowed in the fiscal year during which such cost has been incurred. The mentioned rule is not mandatory.

The Ministerial Decree issued on 31 December 1988 defines rates to be applied for determining the yearly tax depreciation quota of tangible assets and is divided into 22 groups of industries, further divided into subcategories.

For instance, the Group 4, Subpart 4, related to the oil and gas industry (exploration and production sector), provides the following rates:

Asset type	Useful life for tax	Applicable tax depreciation rate
Buildings	33.33 years/18.18 years	3%/5.5%
Lightweight construction	10 years	10%
Generic plants	12.5 years	8%
Wells	6.67 years	15%
Specific plants	4 years	25%
Sensors and recorders for geophysical surveys	4 years	25%
Equipment and small tools	2.86 years	35%

Asset type	Useful life for tax	Applicable tax depreciation rate
Plants for the processing and purification of water, harmful fumes, etc., using chemical reagents	6.67 years	15%
Furniture and office machinery	8.33 years	12%
Electrical and electronic office equipment, including computers and telephone systems	5 years	20%
Transport vehicles (e.g., general heavy vehicles, forklifts, vehicles for internal transport)	5 years	20%
Cars, vehicles and similar	4 years	25%

Tax depreciation cannot exceed the accounting depreciation. Any excess of tax depreciation can be recovered only at the end of the accounting depreciation life.

Starting from fiscal year 2023 until fiscal year 2027, the Budget Law for 2023, Law n. 197/2022, increased the tax depreciation rate for buildings used by companies whose business activity consists in trade of consumer products.

The tax depreciation rate for these types of assets becomes 6%, instead of 3%, and can be applied by companies with activities identified by a specific "ATECO" code (Italian classification code to identify economic sectors and activities) provided by article 1 paragraph 66 of the Budget Law for 2023.[2]

The increased tax depreciation rate can also be applied by real estate management companies with respect to buildings leased to the abovementioned companies, provided that the companies involved are part of the same tax consolidation regime (so-called "Consolidato fiscale").

Tax reform

In Law n. 111/2023, the Italian Parliament approved a set of general principles and criteria enabling the government to implement a full reform of the Italian tax system (Enabling Law). The Enabling Law came into force on 29 August 2023. From the date of entry into force, the government will have approximately 24 months to execute the reform through one or more Legislative Decrees.

Among the new provisions set forth by the tax reform is a simplification of the criteria for determining the taxable base for corporate income tax purposes. Regarding the depreciation rules, the new provisions should align the taxable base of assets to their book value. However, implementing decrees detailing the new rules have not yet been issued.

[2] The new provision applies for the following ATECO codes: 47.11.10 (Hypermarkets); 47.11.20 (Supermarkets); 47.11.30 (Discount grocery stores); 47.11.40 (Minimarkets and other non-specialized miscellaneous food stores); 47.11.50 (Retail trade of frozen food); 47.19.10 (Department stores); 47.19.20 (Retail sale in non-specialized stores of computers, peripherals, telecommunications equipment, consumer electronics audio and video, household appliances); 47.19.90 (Emporiums and other non-specialized stores of various non-food products); 47.21 (Retail sale of fruit and vegetables in specialized stores); 47.22 (Retail sale of meat and meat products in specialized stores); 47.23 (Retail sale of fish, crustaceans and shellfish in specialized stores); 47.24 (Retail sale of bread, cakes, pastries and confectionery in specialized stores); 47.25 (Retail sale of beverages in specialized stores); 47.26 (Retail sale of tobacco products in specialized stores); 47.29 (Retail sale of other food products in specialized stores).

2.2 Super depreciation and hyper depreciation

Benefit: super depreciation regime

Italian entities investing in certain tangible assets (excluding some vehicles, real estate and assets with low depreciation rates) starting from 15 October 2015 to 31 December 2019, can increase the purchase value relevant for tax depreciation purposes of an amount resulting from the application of the following percentages, differentiated for the relevant purchasing period:

Relevant purchasing period[3]	Extra depreciation	Investment limit
15 October 2015–31 December 2015	40%	N/A
1 January 2016–31 December 2016	40%	N/A
1 January 2017–31 December 2017	40%	N/A
1 January 2018–31 December 2018	30%	N/A
1 April 2019–31 December 2019	30%	Up to EUR2.5 million

The extra depreciation quota is deductible for CIT purposes starting from the fiscal year in which the assets entered into operation and applied for every fiscal year in which the asset is used. In addition, the extra depreciation quota does not impact the entity's earnings before interest and taxes or the calculation of the future taxable capital gains/losses in case of disposal.

Benefit: hyper depreciation regime

Under the so-called hyper depreciation regime, the abovementioned extra deduction is furtherly increased for certain qualified assets linked to digital and technological transformation processes promoted by the Italian government within its Industry Plan 4.0 (qualifying assets are specifically listed in annex A to the Italian Budget Law for 2017, Law n. 232/2016). The table below shows the extra depreciation quotas depending on the relevant purchasing period.

Relevant purchasing period[4]	Extra depreciation
1 January 2017–31 December 2017	150%
1 January 2018-31 December 2018	150%
1 January 2019-31 December 2019	170% for investments up to EUR2.5 million 100% for investments from EUR2.5 million to EUR10 million 50% for investments from EUR10 million to EUR20 million

[3] A 6- to 12-month extension from the deadline listed in the column may apply, provided that the relevant purchase orders are accepted by the seller by 31 December of the relevant year and at least 20% of their price is paid by the same date.

[4] A 6- to 12-month extension from the deadline listed in the column may apply, provided that the relevant purchase orders are accepted by the seller by 31 December of the relevant year and at least 20% of their price is paid by the same date.

The purchase of certain eligible intangible assets[5] also benefits from an extra depreciation for tax purposes equal to 40%.

In case of assets having purchase costs higher than EUR500,000, the entity must obtain a technical sworn appraisal by a certified expert attesting that the assets purchased met the law requirements, including that the assets must have been integrated in the business operation/supply chain of the entity.

The hyper depreciation benefit starts as of the fiscal year in which the assets have met all the law requirements as highlighted above.

For assets purchased after 14 July 2018, the tax benefit is subject to recapture if the qualifying assets are disposed or transferred outside of Italy. In this case, the taxpayer must perform a positive tax adjustment within the tax return of the fiscal year in which the disposal or the transfer occurs, equal to the total amount of the extra depreciations benefitted during the previous fiscal years. Exceptions may apply to this general rule, particularly if the assets are replaced or if the transfer occurs from the sale of a business.

Benefit: tax credit

Starting from fiscal year 2020, the abovementioned tax deduction regimes were replaced by a tax credit regime. The new incentive applies to the purchase of new tangible assets and certain intangible assets (for qualifying assets, refer to the ones previously covered by the super and hyper depreciation regimes), regardless of whether the taxpayer is in a tax loss position or not. While the super depreciation and hyper depreciation represent an actual tax benefit to the extent that the taxpayer has sufficient taxable base to be offset, the tax credit regime can allow a tax cash saving resulting from the offsetting with other taxes and/or social security contributions, even if it cannot be transferred to other entities.

The tax credits are calculated as follows depending on the different kind of assets purchased and the period in which the purchase occurred.

Assets	Tax credit (percentage of the purchase cost)	Utilization	Relevant purchasing period[6]
New qualifying tangible assets (see above former super depreciation regime)	6% with a maximum investment equal to EUR2 million	Five annual equal installments, as of the year following the one in which the assets enter into operation	1 January 2020–31 December 2020
	10% (or 15% in case of assets qualifying for smart working) with a maximum investment equal to EUR2 million	Single annual installment	16 November 2020–31 December 2021
	6% with a maximum investment equal to EUR2 million	Three annual equal installments as of the year in which the assets enter into operation	1 January 2022–31 December 2022

[5] Qualifying assets are specifically listed in annex B to the Italian Budget Law for 2017.

[6] A 6- to 12-month extension from the deadline listed in the column may apply, provided that the relevant purchase orders are accepted by the seller by 31 December of the relevant year and at least 20% of their price is paid by the same date.

Assets	Tax credit (percentage of the purchase cost)	Utilization	Relevant purchasing period[6]
New qualifying intangible assets (excluding the ones listed in Annex B to the Italian Budget Law for 2017)	10% (or 15% in case of assets qualifying for smart working) with a maximum investment equal to EUR1 million	Three annual equal installments, as of the year in which the assets enter into operation Single annual installment for companies whose turnover is lower than EUR5 million	16 November 2020–31 December 2021
	6% with a maximum investment equal to EUR1 million	Three annual equal installments as of the year in which the assets enter into operation	1 January 2022–31 December 2022
New qualifying high-tech assets related to the Industry Plan 4.0 (as listed in Annex A to the Italian Budget Law for 2017)	40% for investments up to EUR2.5 million 20% for investments from EUR2.5 million to EUR10 million	Five annual equal installments, as of the year following the one in which the assets meet all the law requirements	1 January 2020–31 December 2020
	50% for investments up to EUR2.5 million 30% for investments from EUR2.5 million to EUR10 million 10% for investments from EUR10 million to EUR20 million	Three annual equal installments as of the year in which the assets meet all the law requirements Single annual installment for companies whose turnover is lower than EUR5 million	16 November 2020–31 December 2021
	40% for investments up to EUR2.5 million 20% for investments from EUR2.5 million to EUR10 million 10% for investments from EUR10 million to EUR20 million	Three annual equal installments as of the year in which the assets meet all the law requirements	1 January 2022–31 December 2022
	20% for investments up to EUR2.5 million 10% for investments from EUR2.5 million to EUR10 million 5% for investments from EUR10 million to EUR20 million	Three annual equal installments as of the year in which the assets meet all the law requirements	1 January 2023–31 December 2025
New qualifying intangible assets connected to investments related to the Industry Plan 4.0 (as listed in Annex B to the Italian Budget Law for 2017)	15% with a maximum investment equal to EUR700,000	Three annual equal installments as of the year following the one in which the assets meet all the law requirements	1 January 2020–31 December 2020
	20% with a maximum investment equal to EUR1 million	Three annual equal installments as of the year in which the assets meet all the law requirements	16 November 2020–31 December 2021
	50% with a maximum investment equal to EUR1 million	Three annual equal installments as of the year in which the assets meet all the law requirements	1 January 2022–31 December 2022
	20% with a maximum investment equal to EUR1 million	Three annual equal installments as of the year in which the assets meet all the law requirements	1 January 2023–31 December 2023
	15% with a maximum investment equal to EUR1 million	Three annual equal installments as of the year in which the assets meet all the law requirements	1 January 2024–31 December 2024

The Italian Budget Law for 2025 establishes that the 4.0 tax credit for intangible assets is limited to investments made by 31 December 2024.

The Budget Law also introduces a maximum spending cap of EUR2.2b for investments in tangible assets made from 1 January 2025 to 31 December 2025. To comply with the spending cap, Italian businesses must submit a communication to the Ministry of Enterprises and Made in Italy regarding the amount of expenses incurred and the corresponding tax credit accrued, based on a specific form published by the Ministry.

To benefit from the mentioned regime, adequate documentation must be kept demonstrating the actual expenditure and correct calculation of the eligible costs. Among others, the relevant invoices and other supporting documentation related to the purchase of eligible assets must contain explicit reference to the relevant tax credit law.

Taxpayers are entitled to offset the tax credit against other taxes if, as of the utilization date, they have correctly fulfilled their obligations to pay social security and welfare contributions for the employees. In this regard, the obtaining of the "Documento Unico di Regolarità Contributiva" (DURC) may represent adequate proof of the correct compliance with the contributory and social security obligations required by the law.

The tax credit is subject to recapture if the qualifying assets are disposed or transferred outside of Italy within the second year following the one in which the assets entered operation.[7] In this case, the tax credit must be recomputed, excluding from the original computation base the costs of the assets sold or that have been relocated abroad. In addition, where the taxpayer has already used the tax credit (wholly or partially) to offset other taxes, such amount must be paid back.

In case of extraordinary transactions that lead to the transfer of the eligible assets, the recipient of the mentioned assets will continue to benefit from the tax credit according to the rules determined by the original grantor.

A third-party technical certified report[8] is required in the case of any Industry Plan 4.0 purchase (high-tech and intangible assets related) with a value higher than EUR300,000.

Benefit: Industry 5.0 tax credit

Based on the Industry 5.0 policy, qualified Italian companies are eligible to benefit from a tax credit for investments made in 2024 and 2025 in new qualifying tangible and intangible assets (qualifying assets are specifically listed in annex A and B to the Italian Budget Law for 2017, Law n. 232/2016) used in manufacturing facilities situated in Italy.

To qualify for the tax credit, the investments must be part of projects that achieve energy savings of at least 3% for facilities or 5% for production processes.

In addition to tangible and intangible assets, expenses related to employee training in digital and energy transition technologies may also qualify for the tax credit, subject to specific conditions. The tax credit covers up to 10% of eligible training expenses, with a maximum limit of EUR300,000. Eligible training costs include instructor fees, training materials, software and equipment used exclusively for training, consulting fees related to training projects, and wages of employees attending training sessions. Training must be provided by certified external entities, and only in fields directly related to energy efficiency and digital transition technologies.

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[7] For Industry Plan 4.0 assets, the two-year period should be computed starting from the fiscal year in which the requirements provided by the Industry Plan 4.0 Law have been met.

[8] The technical certified report must provide specific information on the 4.0 digital innovation and/or ecological transition objectives pursued or implemented through the projects undertaken. In particular, the technical certified report must provide a description of the initial situation and relevant elements for defining and understanding the innovation project, the future situation that will be determined through the development of project activities and the relevant qualitative/quantitative criteria for evaluating the concrete achievement of expected innovation objectives.

Eligible investments are capped at EUR50 million per year per beneficiary, based on the completion date of the innovation project. The tax credit is granted based on the level of energy savings achieved:

Energy savings	Investment up to EUR10m	Investment between EUR10m-EUR50m
Facilities: 3%–6%/Process: 5%–10%	35%	5%
Facilities: 6%–10%/Process: 10%–15%	40%	10%
Facilities: >10%/Process: >15%	45%	15%

For renewable energy investments meeting specific efficiency requirements, the credit applies at increased rates (130%, 140% or 150% of the eligible cost).

The credit is nontransferable, cannot be sold or assigned, and is not included in taxable income for corporate or regional tax purposes. It can only be used in compensation, without being subject to annual offset limits.

To benefit from the mentioned regime, adequate documentation must be kept demonstrating the actual expenditure and correct calculation of the eligible costs. Among others, the relevant invoices and other supporting documentation related to the purchase of eligible assets must contain explicit reference to the relevant tax credit law. Investments also must be supported by an ex ante certification (before implementation) estimating the expected energy savings and an ex post certification (after completion) verifying the actual energy savings achieved. In addition, the correctness of the reported expenses must be certified by a statutory auditor.

A third-party technical report is required for investment in qualifying assets listed in Annexes A and B of the Italian Budget Law 2017, Law No. 232/2016, with a value exceeding EUR300,000.

The tax credit is subject to a recapture mechanism if certain conditions are not maintained for at least five years from the completion of the investment. If the beneficiary transfers or disposes of the asset, relocates it to a non-eligible facility, or fails to maintain the required energy savings levels, the tax credit will be proportionally reduced. In addition, where the taxpayer has already used the tax credit (wholly or partially) to offset other taxes, such amount must be paid back.

The Industry 5.0 tax credit cannot be combined, in relation to the same eligible costs, with the tax credits for investments in new assets (art. 1 co. 1051 ff. of L. 178/2020).

2.3 Assets that do not qualify for tax depreciation

Type of assets	Explanation
Land	Under Italian tax rules, land cannot be depreciated either for accounting or for tax purposes. Land is deemed to have an undefined useful life. If the historical cost (i.e., the purchase cost) of the building includes the value of the land, accounting and tax depreciation must be adjusted to identify the depreciation quota virtually attributable to land. The mentioned adjustment is equal to a lump-sum reduction of 20% or 30% of the accounting depreciation.

2.4 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

These represent costs that can be directly computed, increasing the historical cost of the related asset, and consequently depreciated for the useful life period of the principal item. Ancillary costs can be defined as the whole of costs sustained by the purchaser to make the asset available and ready for use.

For tax purposes, ancillary costs follow the same approach described for accounting purposes. Indeed, they increase the historical cost of the related asset and consequently are subject to the depreciation process. Such costs can be deducted under the ordinary rules related to the depreciation process (using depreciation rates provided by the tax law).

Land remediation

Such costs are generally accounted for in profit and loss (P&L) as provisions for future risks and charges. The annual accrual of the mentioned provisions cannot be deducted for corporate income tax (CIT) purposes; thus, the deductibility is postponed to the fiscal year in which the costs are actually sustained.

Own labor capitalized

Own labor can be capitalized if it refers to internal realization of assets (e.g., in the case of patents, buildings, machines). In this case, it can be depreciated for the useful-life period of the principal item (both from an accounting and tax standpoint). Such costs can be deducted under the ordinary rules related to the depreciation process (using depreciation rates provided by the tax law).

2.5 Availability of immediate deductions for repairs

Under Italian legislation, repair expenses can be classified into two categories: routine maintenance and improvements.

Routine maintenance cannot be accounted for as an increase in the historical cost of the item, but it is recognized in the P&L of the financial year in which it is sustained.

Improvements represent costs that trigger a significant and tangible increase in productivity or useful life of the asset. Such costs must be accounted for as an increase of the historical cost and, therefore, they must be capitalized.

From a tax perspective, routine maintenance recognized in the P&L of the financial year in which it is sustained can be deducted for CIT purposes only up to 5% of the value of fixed tangible assets, according to the record of depreciable assets at the beginning of the financial year. Any excess can be deducted in equal quotas in the following five fiscal years.

Maintenance expenses in connection with a contract with third parties providing periodic maintenance of the company's assets are fully deductible, and the value of the asset is not considered in determining the above limit.

Improvements accounted for as an increase of the historical cost and, therefore, capitalized can be deducted for CIT purposes applying the general tax rules provided above.

3. Depreciation and calculation methods

Methods used	Straight-line/prime cost
Frequency	The depreciation is calculated on an annual basis.
Year of acquisition	Accounting depreciation starts when the asset is available and ready for use. The yearly quota is computed using a pro rata time. The term "ready for use" means that the asset is properly working and is, from a juridical point of view, at the disposal of the purchaser. For tax purposes, the depreciation starts from the fiscal year during which the asset enters into operation. The tax rate for the first year of depreciation is reduced by 50%.
Year of disposal	In the year of disposal, accounting and tax depreciation is calculated following the ordinary rules described above.
Ability to use different methods for different assets	From an accounting perspective, the same method and depreciation rates must be used for the same class of assets.
Ability to switch methods	Italian GAAP n. 29 allows, respecting certain conditions, a change in accounting criteria. From a tax perspective, the only available depreciation method is the straight–line approach.

4. Accounting for disposals

In case of disposal, the company will recognize a capital gain or loss in the P&L of the financial year in which the operation takes place, comparing the historical cost of the asset (including the depreciation quota computed until the date in which the asset is removed from the production process) and the consideration received.

From a bookkeeping perspective, the asset is written off from the accounting ledgers. In principle, no adjustments should be made to the capital asset and previously claimed depreciations.

From a tax perspective, capital gains are taxed and capital losses can be deducted in the year in which the disposal takes place.

In case of the scrap of an asset, the company will recognize a capital loss equal to the residual historical cost of the asset (including the depreciation quota computed until the date in which the asset is removed from the production process) in the P&L of the financial year in which the operation takes place.

From a bookkeeping perspective, the asset is written off from the accounting ledgers. In principle, no adjustments should be made to the capital asset and previously claimed depreciations.

In case of the scrap of the assets previously booked, the company must be able to be compliant with specific provisions (e.g., communications to be filed with the relevant tax authorities) concerning the documental proof to overcome the legal "presumption of sale" for CIT and value-added tax purposes.

5. Making a claim

No specific claim is required for implementing the depreciation process. Compulsory rules are provided by the law with reference to bookkeeping procedures.

Among the required documentation, accounting ledgers related to the depreciation are the asset book and the book of inventories. However, all the relevant accounting documents (e.g., purchase invoices, agreements) related to the enterprise must be stored for 10 years or longer, depending on the statute of limitation provided by tax law.

6. Intangible assets

Tax depreciation is available for intangible assets.

From an accounting perspective, the depreciation starts when the asset is ready for use or when it starts to produce its benefits for the entity. Under Italian law, the depreciation period for goodwill is related to its useful life or for a maximum 10-year period. Goodwill can be capitalized only if a price was paid for it[9] and with the formal authorization of the internal auditors committee. The depreciation of the goodwill must be properly documented in the explanatory notes of the financial statements.

From a tax perspective, tax law expressly identifies a defined useful life for each category of intangible asset, determining the maximum depreciation quota of each fiscal year (see Article 103, Italian Tax Code).

Type of asset	Rates/lives
Trademarks	Costs for purchased trademarks can be deducted in at least 18 years in equal installments. Longer length of the amortization process is allowed.
Patents, copyright, design, know-how or similar item	Costs for patents, copyright, design and know-how can be deducted in at least two years in equal installments. A longer length of the amortization process is allowed.
Goodwill	Goodwill may be capitalized and depreciated for tax purposes only if a price was paid for it (e.g., goodwill arising from mergers cannot be deducted). Costs for goodwill can be deducted in at least 18 years in equal installments. A longer length of the amortization process is allowed.
License or permit	Licenses and permits can be deducted for a period equal to their contractual duration.

6.1 Deferral of the deductibility of depreciation quotas for certain intangible assets

With reference to goodwill, trademarks and other intangible assets, the Italian Budget Law for 2019 (Art. 1, par. 1079, Law no. 145/2018) and the Italian Budget Law for 2020 (Art. 1, par. 714, Law no. 160/2019) modified their tax depreciation plan that is usually 18 years for goodwill and trademarks. In particular, the residual tax value to be depreciated as of 31 December 2017, is deducted as follows:

- 0% of the value for fiscal years 2018 and 2019
- 3% of the value for fiscal year 2020
- 10% of the value for fiscal year 2021

[9] In principle, mergers, demergers and asset contributions are tax-neutral transactions, and consequently the depreciation related to higher value of goodwill or other assets arising from such transactions are not relevant for tax purposes. However, different kinds of step-up elections are available allowing the recognition of the higher accounting value (if any) for tax purposes by paying a substitutive tax at rates ranging from 12% to 16%.

- 12% of the value from fiscal year 2022 to fiscal year 2024
- 13% of the value from fiscal year 2025 to fiscal year 2027
- 6% of the value for fiscal years 2028 and 2029

The Italian Budget Law for 2025 has introduced further modifications to this regime. For the tax amortization quotas of goodwill and other intangible assets that have resulted in the recognition of DTA, the 13% quota for FY2025 will now be spread over the following four FYs and the 13% quota for FY2026 will be spread over the following three FYs.

7. Revaluation of assets

In principle, both the accounting and the tax value of the assets (that represent the amount to be depreciated) is equal to the acquisition cost and such amount cannot be stepped-up, unless a specific law is enacted by the Italian government.

Article 110 of Law Decree n. 104/2020 introduced an optional step-up regime allowing companies to increase the accounting value of their business assets (excluding goodwill) as resulting from the financial statements in progress as of 31 December 2019 (FY2019 in case of calendar year companies) up to their fair market value (so called "step-up election"). The step-up election can also be recognized for tax purposes by paying a 3% substitute tax (which can be paid up to three annual installments). In case of payment of the mentioned substitutive tax, the higher depreciation quota is therefore recognized for IRES and IRAP purposes as of fiscal year 2021 (in case of calendar year companies).

The step-up election triggers the recognition of a dedicated net equity reserve for a total amount equal to the higher book value attributed to the assets (reduced by the 3% substitute tax — if paid). The net equity reserve has the nature of a tax-deferred reserve, meaning that it is subject to tax in case of its subsequent distribution to the company's shareholders, unless an additional 10% substitute tax is paid for releasing the abovementioned tax constrain as provided by the law.

The step-up election also provides for a specific claw-back clause to the extent that the company disposes the step-up assets before the beginning of the fourth year following the one in which the election has taken place (i.e., before 2024 in case of calendar year companies).

Article 110 of Law Decree n. 104/2020 also allows companies to eliminate existing differences between the accounting and the tax value of the business assets by paying a 3% substitute tax (so called "realignment election"). In addition, this election is applicable also for goodwill and other intangible assets. Law Decree n. 73/2021 amended the mentioned rule, introducing (see new par. 4-bis) the possibility to opt in the financial statements in progress as of 31 December 2021 for the step-up election of the business assets as resulting from the financial statements in progress as of 31 December 2019 (fiscal year 2019 for calendar year companies), but in that case the higher values are recognized only for accounting purposes.

The Budget Law for 2022 (Law n. 234/2021) provides for major changes in the step-up election previously introduced by the abovementioned article 110, Law Decree n. 104/2020. In particular, the IRES and IRAP depreciation period for (only) goodwill and trademarks stepped up (or realigned) by paying the 3% substitutive tax is extended by law from the ordinary 18 years (as provided by article 103, Italian Tax Code) up to 50 years and such extension applies retroactively to all (and only) the step-up elections previously made according to article 110, Law Decree n. 104/2020.

In case of subsequent disposal of the intangible assets subject to step-up election also after the claw-back period of four years the following applies:

- Any capital loss incurred by the transferor, up to the amount of the step-up value not depreciable anymore, will be deductible on a straight-line basis over the residual depreciation period.
- The transferee will be allowed to depreciate the step-up value, reduced by any capital loss deducted by the transferor, on a straight-line basis over the residual depreciation period.

Companies wanting to maintain the ordinary 18-year depreciation period may pay an additional substitute tax at a rate of 12% on the amount of the higher values within EUR 5 million, 14% on the amount that exceeds EUR 5 million and up to EUR 10 million and 16% on the amount that exceeds EUR 10 million, depending on the step-up value. The substitute tax payment is due within the ordinary deadline for the fiscal year 2021 IRES balance payment (i.e., 30 June 2022 in case of calendar year companies). The mentioned substitute tax payment can be optionally split into two installments — due by the deadline for the fiscal year 2021 and fiscal year 2022 IRES balance payments, respectively.

Companies that opted for the 3% step-up election or realignment election can renounce the regime, being able to recover the substitutive tax already paid either by way of a tax refund or by transforming such amount into a tax credit.

The Budget Law for 2025 introduces, as a permanent measure, the election for the step-up in value of land (both agricultural and buildable) held by nonresidents as of 1 January of each year through the payment of an 18% substitute tax.

This substitute tax is levied on the value of the land as of 1 January of each year, which must be certified by a sworn appraisal prepared by 30 November of the step-up year. The substitute tax may either be paid in full by 30 November of the step-up year or through three annual installments beginning 30 November of the step-up year (with the second and third installments subject to an annual 3% interest surcharge).

This regime is incompatible with the "participation exemption" regime applicable to nonresidents.

Japan

At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Depreciation

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

1.3%–100%

Depreciation method used to calculate tax deduction

Declining-balance, straight-line/prime cost, units of production, straight-line for over lease periods

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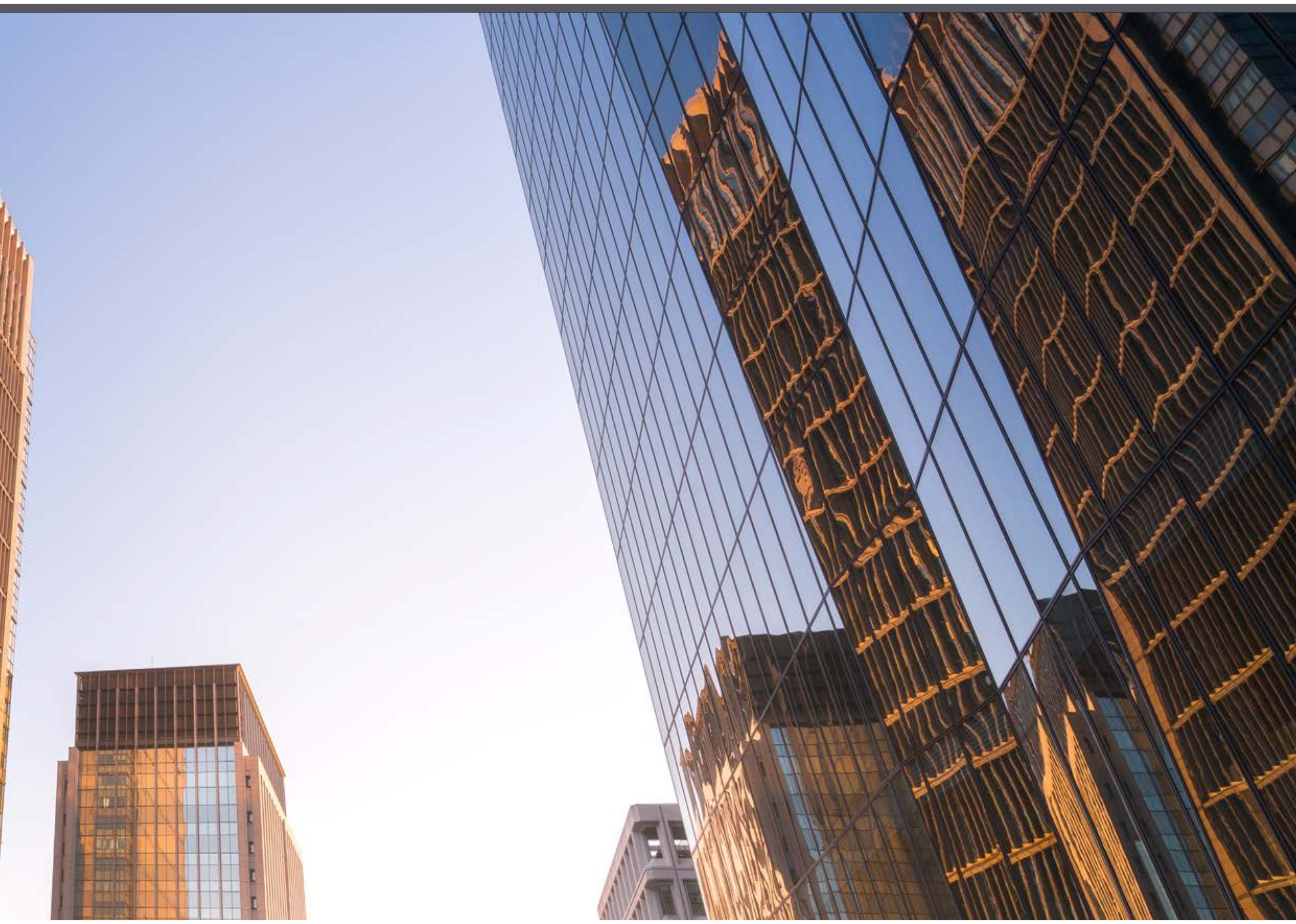

1. Entitlement to claim

Economic owners, including finance leasing holders under certain conditions, are entitled to claim depreciation when they capitalize an asset in the books of account.

2. Allocation of tangible assets to tax depreciation lives and rates

Companies are required to break down assets by the following categories for Japanese tax purposes: buildings, building improvements, other structures, machinery, equipment, vessels, aircraft and vehicles.

2.1 Assets that qualify for tax depreciation

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Buildings and building improvements	3-50 years	Straight-line	2%-33.4%	
Car parks	10–50 years	Declining-balance Straight-line	4%–20% 2%–10%	For items regarded as buildings, only the straight-line method may be used.
Other structures (e.g., dam, tunnel, bridge, railway)	3-80 years	Straight-line	1.3%-33.4%	
Plant, machinery and equipment	2–22 years	Declining-balance Straight-line	9.1%–100% 4.6%–50%	For items regarded as buildings, only the straight-line method may be used.
Property used in research and development	4-7 years	Declining-balance Straight-line	28.6%–50% 14.3%–25%	
Agricultural machinery and equipment	7 years	Declining-balance Straight-line	28.6% 14.3%	
Furniture, fittings or fixtures	2-20 years	Declining-balance Straight-line	10%–100% 5%–50%	
Office equipment (including office furniture and fixtures)	2-20 years	Declining-balance Straight-line	10%–100% 5%–50%	
Computer hardware	4 or 5 years	Declining-balance Straight-line	40% or 50% 20% or 25%	
Computer software	3 or 5 years	Straight-line	20% or 33.4%	
Motor cars	3-6 years	Declining-balance Straight-line	33.3%-66.7% 16.7%-33.4%	
Aircraft	5, 8 or 10 years	Declining-balance Straight-line	20%, 25% or 40% 10%, 12.5% or 20%	
Vessel	4-15 years	Declining-balance Straight-line	13.3%-50% 6.7%-25%	
Other transportation (e.g., train)	2-20 years	Declining-balance Straight-line	10%-100% 5%-50%	
Art object	8 or 15 years	Declining-balance Straight-line	13.3% or 25% 6.7% or 12.5%	If the acquisition cost is JPY1m or more, the art object cannot be recognized as a tax depreciation expense.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Finance lease asset	Lease periods	Straight-line method over the lease periods	Depends on lease periods	
Land improvements	N/A	N/A	N/A	

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Land does not qualify because the value of land (theoretically) does not decrease over time.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Add the expenditure to the acquisition costs of the fixed asset.

Own labor capitalized — work on developing software, for example, or carrying out work on property

Add the expenditure to the acquisition cost of the fixed asset.

2.4 Availability of immediate deductions for repairs

Description	Detail
Assets below a certain value	Assets with a value of less than JPY100,000 need to be included in the expenses.
Repairs	Repairs are ordinarily included in the current expenses.

Repair expenses are ordinarily included in the current expenses. However, repairs that extend the useful life or enhance the value of the property are included in the acquisition cost. The following expenses are treated as repair expenses:

- Expenses for the restoration of an asset damaged by a disaster
- A small amount of expenses (under JPY200,000) or short-term (within three years) periodic maintenance
- Expenses amounting to less than JPY600,000 or 10% of the acquisition cost of the asset, unless such expenses are clearly recognized as capital expenditure

3. Depreciation and calculation methods

Methods used	Declining-balance, straight-line/prime cost, units of production, replacement
Frequency	Annually Depreciation is calculated on annual basis due in conjunction with the annual tax return.
Year of acquisition	Depreciation is calculated from the (full) month in which the asset has been used for the business for the first time (i.e., acquisition alone is not sufficient) and then if held at year-end.
Year of disposal	In case of disposal depreciation, in principle, it is only possible if the asset is held and disposed of at year-end.
Ability to use different methods for different assets	Different methods can be applied to the same assets by each business place if the business place meets certain requirements (e.g., the company has two factories in different places). In that case, the company can select different methods, factory by factory, for the same category of assets.
Ability to switch methods	Yes, an application must be filed with the tax office with jurisdiction over the individual or corporation to change the depreciation method before the beginning of the tax year for which the change is to be effective. Once changed, individuals and corporations cannot change the depreciation method again for three years unless there are extraordinary circumstances, such as a corporate merger.

4. Preferential and enhanced depreciation availability

There are some important special depreciation regimes to note.

Asset used in	Comment on specific application and benefits available
Building improvement, machinery and equipment for enhancement of disaster countermeasure	Building improvement: 15% special depreciation (18% for small and medium-sized corporations) Machinery: 30% special depreciation (36% for small and medium-sized corporations)
Machinery, etc., acquired by small and medium-sized enterprises (SMEs)	30% special depreciation
Machinery, etc., acquired in Local Economic Traction Business Area	Machinery, equipment and fixtures: 40% special depreciation (50% for business approved by the competent minister) Buildings and other structures: 20%
Equipment for enhancement of business productivity for SMEs	Immediate 100% depreciation
Building, etc., specifically in the local operation reinforcement plan under the Local Revitalization Act	25% or 15% special depreciation
Machinery and equipment related to 5G system acquired by telecom carriers or local 5G approvers	30% special depreciation

Asset used in	Comment on specific application and benefits available
Medium to long-term environmentally adaptable facilities acquired by companies whose "plan for medium to long term environmental adaption" are certified under the Amended Industrial Competitiveness Enhancement Act (carbon neutrality tax incentive)	50% special depreciation
Assets that are acquired by companies whose plan for business adaption are certificated under the Amended Industrial Competitiveness Enhancement Act (digital transformation tax incentive)	30% special depreciation
Assets that are acquired by SMEs that have a Business Continuity Enhancement Plan or a Coordinated Business Continuity Enhancement Plan for business adaption that is certificated under the Small and Medium-sized Companies Management Improvement Act	18% special depreciation (acquisition after 1 April 2025 – 16%)

In many cases, tax credits are provided as tax incentives in certain time periods instead of special depreciation.

5. Accounting for disposals

No adjustments are made when a company disposes of an asset.

6. Making a claim

A claim is made in the tax return.

Corporations should attach Schedule 16 (the form of computing depreciation) to the tax return.

7. Intangible assets

The following intangible assets are also amortized:

- Goodwill
- Patents
- Trademark
- Utility model rights (industrial property rights)
- Design model rights
- Rights regarding intangible assets such as: mining; fishing; water use; use of railway property; use of electrical or gas supply facilities; and use of heat supply, water supply, or telegraph or telephone facilities, and many more other industrial specific assets

Type of asset	Rates/lives
Goodwill	20%/5 years
Patents	12.5%/8 years
Trademark	10%/10 years
Utility model rights	20%/5 years
Design rights	14.3%/7 years

Kuwait

At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

4%-33.3%

Depreciation method used to calculate tax deduction

Straight-line

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1. Entitlement to claim

Only legal owners of the assets are entitled to claim depreciation.

2. Allocation of tangible assets to tax depreciation lives and rates

The Kuwait tax law provides for depreciation rates for different classes of fixed assets, to be applied on a straight-line basis. The taxpayer chooses the classification in the tax declaration, and tax depreciation is computed and claimed accordingly. If a depreciation rate is not specifically provided for a class of assets, the taxpayer has a right to choose the closest classification. In case of a dispute between the taxpayer and the tax authority, as per the general practice, the tax authority classifies the fixed asset in a category that provides a lower depreciation rate. The adjusted amount of tax depreciation is reflected in the tax assessment.

2.1 Assets that qualify for tax depreciation

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment	5 years	Straight-line	20%	Depreciation rate for drilling equipment is 25% (useful life of 4 years).
Motor cars	5 years	Straight-line	20%	
Buildings	25 years	Straight-line	4%	Depreciation rate for prefabricated building is 15% (useful life of 6.67 years).
Furniture, fittings or fixtures	6.67 years	Straight-line	15%	
Computer hardware	3 years	Straight-line	33.3%	
Computer software	4 years	Straight-line	25%	
Aircraft		Straight-line		The law does not specify a depreciation rate. The tax authorities may apply the rate applicable for plant, machinery and equipment.
Transport other than motor cars	5–6.67 years	Straight-line	15%–20%	Depreciation rate for trucks and lorries is 15% (useful life of 6.67 years) and for buses is 20% (useful life of 5 years).
Office equipment	6.67 years	Straight-line	15%	This would also include electric and electronic devices.
Land improvements				The law does not specify a depreciation rate. The tax authorities may apply the rate applicable for buildings.
Qualified leaseholder improvement property				The law does not specify a depreciation rate. The tax authorities may apply the rate applicable for buildings.
Agricultural machinery and equipment				The law does not specify a depreciation rate. The tax authorities may apply the rate applicable for plant, machinery and equipment.
Property used in research and development (R&D)				The law does not specify a depreciation rate. The tax authorities may apply the rate applicable for buildings.

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Excluded by the Kuwait tax law

2.3 Noteworthy items

Preliminary costs

The Kuwait tax law does not explicitly provide a treatment for preliminary costs. However, based on the practice of the Kuwait Tax Authority (KTA), any costs incurred until the asset is ready for use may be capitalized and depreciated.

Land remediation

No specific provisions are provided in the Kuwait tax law.

Own labor capitalized

No specific provisions are provided in the Kuwait tax law. However, labor cost on development of any asset may be capitalized on case-by-case basis.

2.4 Availability of immediate deductions for repairs

The treatment of repairs is determined by the taxpayer's accounting method. Generally, current repairs are allowed as a deduction for tax purposes, while the repairs that result in the increase in capital value or effective life of the asset are added to the value of the asset and depreciated.

3. Depreciation and calculation methods

Methods used	Straight-line
Frequency	Daily
Year of acquisition	The depreciation charge is calculated based on the carrying cost of the asset from the date of acquisition.
Year of disposal	Depreciation can be calculated until the disposal date.
Ability to use different methods for different assets	No
Ability to switch methods	N/A

4. Preferential and enhanced depreciation availability

There are no specific provisions in the Kuwait tax law that grant enhanced deductions for assets.

5. Accounting for disposals

For depreciable assets, taxable gain or loss on disposal of assets is computed by comparing the sales proceeds against the tax written-down value of such assets. For non-depreciable assets, the sale proceeds are compared against the cost of acquisition, and deduction for any expenses incurred in connection with the transfer is allowed. Capital gains are subject to tax as normal business income, while capital losses are allowed as a deduction.

Executive Regulation No. 31 of 2013 provides that the disposal of asset(s) is not permitted unless a prior notification of disposal is given to the KTA. The KTA has recently issued a formal communication to clarify the below:

- The notification to the KTA (notifying the date, time and place of the disposal of fixed assets) should be given **at least one month prior to the proposed date of disposal**.
- The notification letter to the KTA should include the list of asset(s) to be disposed along with the dates of purchase and book value of assets.

6. Intangible assets

There are no specific provisions for tax relief for intangible assets. As a result, expenditure on intangibles does not attract any tax relief.

Lithuania

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At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Tax amortization

CIT — corporate income tax

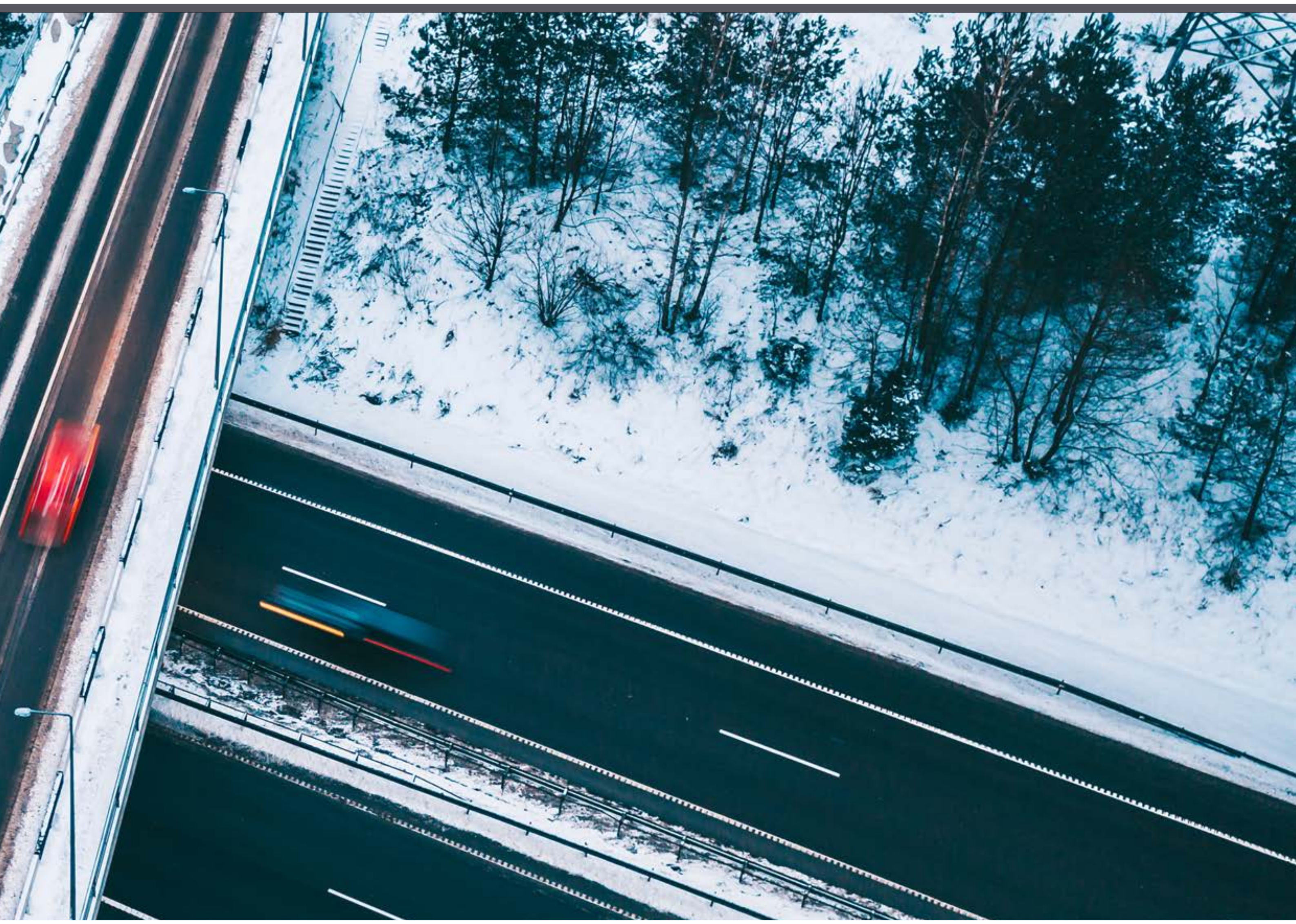
Law on CIT — the Lithuanian law on corporate income tax

Does the tax treatment follow book/statutory accounting depreciation?

The tax treatment may differ from book/statutory accounting depreciation. However, any differences must be eliminated in the CIT return for CIT purposes.

Range of rates used

The entity can depreciate the fixed asset by 90% to 100% of its acquisition price, as the liquidation value of the fixed asset should not exceed 10% of its acquisition price.



Depreciation method used to calculate tax deduction

Straight-line method, double-declining balance method, units of production method.

1. Entitlement to claim

The taxpayer entitled to claim tax depreciation/amortization is the legal owner of the asset in use. Tax depreciation/amortization can be calculated if the fixed asset is used in the taxpayer's economic activities and for the purpose of generating economic benefits for a period exceeding one year and the acquisition price whereof is not less than the price set by the entity according to the class of fixed assets listed in Appendix 1 to the Law on CIT. Tax depreciation/amortization is calculated based on the acquisition value of the asset, which may differ from the asset's fair value reported in the financial accounting. Additionally, certain exceptions apply to asset depreciation under lease agreements.

If long-term tangible assets are used under a lease agreement where ownership does not transfer to the lessee upon full payment of the asset's value, or under a loan-for-use agreement, the lessee or loan-for-use recipient can deduct from their income the reconstruction or repair costs in equal parts over the lease or loan-for-use period, starting from the month following the completion of the work. In case where the agreement is indefinite, these costs are deductible over the period specified in the Law on CIT, but not less than three years.

If the reconstruction or repair of leased or loan-for-use long-term tangible assets, which extends the useful life of the asset or improves its beneficial properties, has been carried out, the lessor or loan-for-use provider shall increase the acquisition cost of the long-term tangible asset by the value of these reconstruction or repair works in the tax period during which the repair or reconstruction was fully completed, and shall tax it in accordance with the Law on CIT.

If the agreement is terminated early, the remaining not deducted costs cannot be deducted by the lessee or loan-for-use recipient.

2. Allocation of tangible assets to tax depreciation lives and rates

The acquisition price of tangible assets shall be charged to costs and deducted from income in portions over the depreciation period of such assets.

Classes of tangible assets and their minimum depreciation rates (in years) are set out in the Law on CIT. Tangible assets that are registered in the respective property register may be attributed to a certain class of tangible assets, taking into consideration solely the purpose of use of such assets. The entity itself shall determine (select) the depreciation periods for its tangible assets, which may not be less than the depreciation rates (in years) for tangible assets set out in the Law on CIT, and their liquidation value, which may not exceed 10% of the acquisition price.

2.1 Assets that qualify for tax depreciation

The detailed depreciation rates for different types of assets (in years) are set out in the table below:

Asset type	Minimal useful life for tax (in years)*	Type of tax depreciation method	Applicable tax depreciation rate	Comments
New buildings used for business and renovations of buildings listed in the Register of Immovable Cultural Property of the Republic of Lithuania where such buildings were constructed or renovated after 1 January 2002	8	Straight-line or double-declining balance	The entity can depreciate the fixed asset by 90% to 100% of its acquisition price, depending on the liquidation value selected by the entity, which should not exceed 10% of the fixed asset's acquisition price.	The entity determines the useful life for the depreciation or amortization of fixed assets, which cannot be shorter than the minimum depreciation or amortization norms (in years) established in this table. The entity must also determine the liquidation value, which should not exceed 10% of the fixed asset's acquisition price.
Residential buildings	20	Straight-line		
Buildings other than listed above	15	Straight-line		
Plant and machinery	5	Straight-line or double-declining balance		

Asset type	Minimal useful life for tax (in years)*	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Installations (structures, wells, etc.)	8	Straight-line		
Power transmission and communications facilities (except for computer networks)	8	Straight-line		
Rolling stock (locomotives, rail wagons, rail tankers), ships	8	Straight-line		
Pipelines, aircraft, weapons	15	Straight-line		
Furniture (other than used for hotel business)	6	Straight-line		
Inventory, furniture used for hotel business	6	Straight-line or double-declining balance		
Computer and communications equipment (computers, computer networks and software)	3	Straight-line or double-declining balance		
Passenger cars:				
1) Used for short-term car rentals, driving school services or transport services, not older than 5 years	4	Straight-line or double-declining balance		
2) Other passenger cars, not older than 5 years	6	Straight-line		
3 Other passenger cars	10	Straight-line		
Trucks, trailers and semitrailers, buses, not older than 5 years	4	Straight-line or double-declining balance		
Other trucks, trailers and semitrailers, buses	4	Straight-line		
Tangible assets other than listed above	4 (except when applying the units of production method)	Straight-line or units of production		

* This is the minimum useful life set out in the Law on CIT.

2.2 Assets that do not qualify for tax depreciation/amortization

Types of assets	Explanation
Land	The depreciation or amortization of land acquired under a leasing (financial lease) contract providing for the transfer of the ownership right and under a purchase and sale or a lease contract providing for the transfer of the ownership right to the buyer after the total value of the assets has been paid up shall not be calculated.
Library stocks and fixed assets listed in the Register of Cultural Property	The depreciation or amortization of transferred fixed assets, library stocks and fixed assets listed in the Lithuanian Register of Cultural Property shall not be calculated, except for the depreciation of renovations completed in buildings listed in the Register of Immovable Cultural Property of the Republic of Lithuania.
Intangible fixed assets generated by the entity itself	The amortization of intangible fixed assets generated by the entity itself and listed in classes of assets specified in the Law on CIT, i.e., acquired rights, other intangible assets and goodwill, shall not be calculated.
Assets not in use, held in reserve or in conservation	The depreciation or amortization of fixed assets not in use, held in reserve or in conservation, as well as the depreciation or amortization of the revaluation results of fixed assets shall not be calculated.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Based on the Law on CIT, if the asset is acquired:

The acquisition price of assets shall comprise:
(1) Expenses incurred while acquiring the assets
(2) Commissions
(3) Taxes (levies) paid, except for VAT, relating to the acquisition of the assets

The acquisition cost of an asset when purchased from other persons must be determined by including any additional expenses provided below:
(4) All related taxes (customs duties, registration fees, etc.)
(5) Transportation
(6) Inspection
(7) Installation costs
(8) Other direct expenses

Based on the Law on CIT, if the asset is manufactured, its acquisition cost must be determined by adding direct and indirect costs provided below:
(1) Labor costs
(2) Indirect production costs
(3) Raw materials
(4) Supplies
(5) Components used in production

The acquisition cost of such an asset does not include operating expenses for the reporting period (sales, general and administrative expenses).

Based on the business accounting standards:

The acquisition (production) cost of tangible assets consists of:
(1) The amount of money paid or payable (or the value of other consumed assets) for acquiring the asset
(2) Transportation costs
(3) Customs duties, excise taxes and other nonrefundable taxes
(4) Design work costs
(5) Installation costs
(6) Costs of preparing the asset for use
(7) Costs of repairs carried out before the asset is put into use
(8) Testing costs
(9) Infrastructure and asset registration costs
(10) Costs of preparing the land plot and construction site
(11) Estimated dismantling, removal and site restoration costs, if they meet the definition of liabilities or provisions
(12) Other costs directly related to the acquisition of the asset

Recoverable VAT, interest; and sales, general and administrative expenses, are not included in the acquisition cost of tangible assets for CIT purposes.

Land remediation, dismantling, restoration

Land plot preparation costs are included in tangible asset value, please see above.

Own labor capitalized

Own labor capitalized is included in the tangible asset value, please see above.

2.4 Availability of immediate deductions for repairs

Under the Law on CIT, expenses related to the repair of tangible fixed assets used by an entity shall be attributed to the costs of repair and deducted from income for the tax period during which they are actually incurred. However, there are specific conditions that distinguish when tangible assets are renovated or repaired, thereby increasing their value.

For detailed information, refer to the table below:

Description	Detail
Renovation or repair that prolonged useful life or improved useful characteristic	Under the Law on CIT, where tangible fixed assets used by an entity are renovated or repaired, resulting in a prolonged useful life of such assets or improvement of their useful characteristics, the acquisition price of the repaired or renovated tangible fixed assets shall be increased by the value of the repair or renovation. This increased cost is included in the entity's expenses over the remaining useful life of the asset.
Repair	In other cases, not mentioned above, expenses related to the repair of tangible fixed assets used by an entity shall be attributed to the costs of repair and deducted from income for the tax period during which they are actually incurred.
Costs of operation and repair for assets owned by partnerships and individual enterprises	The costs of operation and repair of tangible fixed assets that belong by the right of ownership to members of partnerships and owners of individual enterprises and to their family members and that are used in the activities of such entities shall be deducted from income in accordance with the procedure established by the Minister of Finance.

3. Depreciation and calculation methods

Methods used	Straight-line method, double-declining balance method and units of production method.
Frequency	Depreciation and amortization are calculated on a monthly basis; however, they may be calculated annually. Companies can choose one of two methods for starting the calculation of long-term asset depreciation/amortization: 1. The half-year method 2. The following month method
Year of acquisition	**The half-year method:** Under the half-year method, the deductibility of depreciation for long-term assets in the year of acquisition depends on when the asset is used. If the asset is used before the last day of the sixth month of the tax period, the full annual depreciation can be deducted. If used after that date, no depreciation can be deducted in that tax year, and it begins in the next tax period. Companies using this method must apply the straight-line depreciation method or double-declining balance method for all asset groups. **Depreciation/amortization from the following month:** An entity may choose to calculate the total depreciation or amortization of long-term assets starting from the first day of the month following the commencement of use of the long-term asset, according to the minimum depreciation rates (in years) provided above. Companies using this method must apply only the straight-line depreciation method for all asset groups.
Year of disposal	Assets continue to depreciate until disposal. If the asset is sold, gains from asset sale are included in taxable profit and are subject to tax at the regular CIT rate of 16%. Gains and losses are calculated by subtracting residual value after depreciation/amortization of the asset and related expenses from sales proceeds.
Ability to use different methods for different assets	Yes, detailed information can be observed in section 2.1.
Ability to switch methods	The selected depreciation method must be applied for all assets of the same type. To change the depreciation method, companies must obtain the approval of the local tax authorities.

4. Preferential and enhanced depreciation availability

Certain fixed assets used in R&D activity may be depreciated with accelerated terms. Depending on the type of fixed asset, the depreciation period might be shortened from eight, five, four or three years to two years. The depreciation and/or amortization period shall not be shorter than stipulated by the Law on CIT. The amount of tax losses resulting from the accelerated depreciation may be carried forward for an unlimited period, if the entity carries out the activity due to which the losses were incurred; however, loss carryback is not permitted under current tax legislation.

The incentive applies only with respect to R&D costs incurred during the current period. The accelerated depreciation is claimed in the annual CIT return for the tax period during which R&D costs were incurred. The statutory period for adjusting the annual CIT returns includes the current and three preceding tax periods.

Asset type	Comment on specific application and benefits available
TANGIBLE ASSETS	
Plant and machinery	The straight-line or double-declining balance method is used. The accelerated depreciation rate is two years, except when applying the double-declining balance method.
Installations (structures, wells, etc.)	Straight-line method is used, accelerated depreciation rate is two years.
Computer and communications equipment (computers, computer networks and software)	The straight-line or double-declining balance method is used. The accelerated depreciation rate is two years, except when applying the double-declining balance method.

Asset type	Comment on specific application and benefits available
Tangible assets other than listed above	The straight-line or units of production method is used. The accelerated depreciation rate is two years, except when applying the units of production method.
INTANGIBLE ASSETS	
Software	The straight-line or double-declining balance method is used. The accelerated depreciation rate is two years, except when applying the double-declining balance method.
Acquired rights	The straight-line or double-declining balance method is used. The accelerated depreciation rate is two years, except when applying the double-declining balance method.
Other intangible assets	Straight-line method is used. The accelerated depreciation rate is two years.

5. Accounting for disposals

The acquisition value of assets for tax purposes is their value in financial accounting. However, asset revaluation is disregarded for tax purposes (treated as nontaxable income or nondeductible expenses).

Upon the sale of an asset, the taxable profit or loss are calculated by subtracting the residual value after depreciation/amortization of the asset and related expenses from sales proceeds. This profit is categorized as capital gains and is subject to CIT at 16% rate.

However, when an asset is written off, it is considered not used to generate income or economic benefit. Consequently, the undepreciated portion of the acquisition cost should be treated as nondeductible expenses.

6. Making a claim

The annual depreciation is included in the calculation of CIT and is reported in the annual CIT return, which must be submitted to the state tax inspectorate by the 15th day of June each year.

7. Intangible assets

Type of asset	Rates/lives
Software	The straight-line or double-declining balance method is used, and the asset can be amortized over three years.
Acquired rights	The straight-line or double-declining balance is used, and the asset can be amortized over three years.
Other intangible assets	The straight-line method is used, and the asset can be amortized over four years.
Goodwill	The straight-line method is used, and the asset can be amortized over 15 years.

8. Adjustment for inflation

None.

Malaysia

At a glance

Terminology used by the jurisdiction to describe the recovery of capital and fixed assets

Capital allowances

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

3%–100%

Depreciation method used to calculate the tax deduction

Straight-line

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1. Entitlement to claim

A taxpayer is entitled to claim capital allowance if:

- The capital expenditure is incurred in the basis period.[1]
- The taxpayer is the owner of the asset at the end of the basis period.
- The asset is used for the business.

For assets acquired by hire-purchase, the amount paid as the down payment and the capital portion of each installment payment would qualify for capital allowance claims as and when the relevant amounts are incurred.

2. Allocation of tangible assets to tax depreciation lives and rates

The taxpayer must identify what costs are incurred on different assets.

[1] Tax basis period refers to calendar year or accounting period. For a first year basis period, the period will start on the date of commencement of the business operation.

Generally, rates of capital allowances are as follows:

A. Capital allowances rates for plant and machinery

Standard rates

Type of plant and machinery	Initial allowance (IA)	Annual allowance (AA)
Heavy machinery and motor vehicles[2]	20%	20%
Computer and information and communication technology (ICT) equipment[3]	40%	20%
Plant[4] and machinery (general)	20%	14%
Others	20%	10%
Small-value assets[5]	0%	100%

B. Industrial building allowance (IBA)

A building is an industrial building if it is used for business purposes and is used:

- As a factory
- As a dock, wharf, jetty or other similar building
- As a warehouse, and the business consists or mainly consists of the hire of storage space to the public
- For the business of a water or electricity undertaking that supplies water or electricity for consumption by the public
- For the business of a telecommunication undertaking that provides telecommunication services to the public
- In connection with the working of a farm
- In connection with the working of a mine

A taxpayer is entitled to claim the following IBA for the year of assessment in which the taxpayer incurs the capital expenditure for an industrial building:

[2] Qualifying expenditure on private motor vehicles is restricted to MYR50,000. However, if the vehicle is new and the total cost does not exceed MYR150,000, the qualifying expenditure will be restricted to MYR100,000.

[3] Effective from year of assessment 2024, an accelerated rate of 40% initial allowance and 20% annual allowance is given for expenditure incurred on the purchase of ICT equipment and computer software packages as well as the development of customized computer software consisting of consultation fee, payment for rights of software ownership and incidental fee relating to the development of customized computer software. A proposal has been made to revise the rate for initial allowance (from 40% to 20%) and annual allowance (from 20% to 40%) for qualifying expenditures incurred for the purpose of the implementation of e-invoicing, effective for the year of assessment 2024 and 2025. This proposal has yet to be legislated and is only applicable to taxpayers who will not utilize the six-month interim relaxation period offered by the government for the implementation of e-invoicing.

[4] Effective from year of assessment 2023, "plant" means an apparatus used by a person for carrying on his business but does not include a building, or any asset used and that functions as a place within which a business is conducted. The Minister of Finance may also prescribe any other assets as assets that are excluded from the definition of "plant."

[5] Effective from the year of assessment 2020, small-value assets refer to assets in which the value of each does not exceed MYR2,000 and the total value of such assets for each year of assessment does not exceed MYR20,000. However, such limit is not applicable to a company that is resident and incorporated in Malaysia with paid-up ordinary share capital of MYR2.5 million or less at the beginning of the basis period of the year of assessment and is not otherwise related directly or indirectly to another company that has a paid-up capital of more than MYR2.5 million and its business income from one or more sources does not exceed MYR50 million for the relevant year of assessment (a small and medium enterprise, or SME). Effective from the year of assessment 2024, an additional condition has been imposed for the MYR20,000 limit not to apply. The condition is that not more than 20% of the paid-up capital with respect to ordinary shares of the company at the beginning of the basis period for a year of assessment can be directly or indirectly owned or contributed by foreign-incorporated companies or individuals who are not Malaysian citizens.

Types of assets	IA	AA
Industrial buildings	10%	3%

Other types of buildings that do not fall within the above can also be deemed industrial buildings. In certain cases, conditions must be met for such structures to be considered industrial buildings, and all provisions that apply to industrial buildings generally also apply to them. The IBA rates for these special buildings may differ from the above. The rates are summarized below:

Types of assets	IA	AA
Buildings used for welfare/living accommodation of employees of a farm	10%	3%
Constructed buildings used as living accommodation of employees (employee does not include a director, an individual having control of that business or an individual who is a member of the management, administrative or clerical staff)	40%	3%
Buildings (constructed or purchased) used for living accommodation of employees for manufacturing, hotel or tourism business*	0%	10%
Buildings used for a childcare center provided by employer*	0%	10%
Buildings used as a childcare center or kindergarten registered with the relevant authority	0%	10%
Approved buildings for a school or an educational institution*	0%	10%
Buildings for industrial, technical or vocational training*	0%	10%
Approved licensed private hospitals, maternity homes and nursing homes*	10%	3%
Buildings used for approved research*	10%	3%
Buildings used for storage of goods for import and export*	0%	10%
Buildings used for an approved service project*	10%	3%
Public roads and ancillary structures recoverable through toll collection, buildings constructed on a build-lease-transfer basis, buildings constructed under approved privatization projects	10%	6%
Buildings used for registered hotels*	10%	3%
Airports (buildings, runway or ancillary structures)*	10%	3%

Types of assets	IA	AA
Approved motor racing circuits*	10%	3%
Approved buildings used as senior centers	0%	10%
Approved buildings used for BioNexus status companies	0%	10%
Approved buildings in Cyberjaya Flagship Zone	0%	10%
Commercial buildings (constructed or purchased) used for specific businesses by Tun Razak Exchange marquee status company**	0%	10%

* As of the year of assessment 2016, taxpayers who own such a building and operate the relevant business in that building are entitled to claim industrial building allowances. If part of the building is used for letting property and it is not more than one-tenth of the floor area of the whole building, the whole building qualifies as an industrial building. However, if it is more than one-tenth of the floor area of the whole building, that part of the building that is let out will not be treated as an industrial building for claiming the industrial building allowance.
** Effective from year of assessment 2014 and applies to qualifying building expenditure incurred until 31 December 2025.

C. Agriculture allowances

When a taxpayer has incurred a capital expenditure on a qualifying agriculture expenditure, the taxpayer is entitled to an agriculture allowance as follows:

Types of qualifying agriculture expenditures	Rates
Clearing and preparation of land	50%
Planting (but not replanting) of crops on land cleared for planting	50%
Construction of a road or bridge on a farm	50%
Building used as living accommodation or welfare for employee of a farm	20%
Any other building on a farm	10%

D. Forest allowances

When a person (which includes a company, a body of persons, a limited liability partnership and a corporation sole) who has a concession or license to extract timber has incurred a capital expenditure on the construction of certain roads or buildings in a forest, such person is entitled to a forest allowance as follows:

Types of qualifying forest expenditures	Rates
Road or building	10%
Building used as living accommodation or for the welfare of employee	20%

2.1 Assets that qualify for tax depreciation

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Heavy machinery	4 years	Straight-line	IA=20%; AA=20%	
Plant and machinery	6 years	Straight-line	IA=20%; AA=14%	
Motor vehicle (licensed for commercial transportation of goods or passengers)	4 years	Straight-line	IA=20%; AA=20%	Must be licensed by appropriate authority
Motor vehicle	4 years	Straight-line	IA=20%; AA=20%	Qualifying expenditure on a private motor vehicle is restricted to MYR50,000. However, if the vehicle is new and the total cost does not exceed MYR150,000, the qualifying expenditure will be restricted to MYR100,000.
Buildings (industrial buildings)	30 years	Straight-line	IA=10%; AA=3%	See Section 2B for further details.
Furniture, fittings or fixtures	8 years	Straight-line	IA=20%; AA=10%	
Computer hardware Computer software	3 years 3 years	Straight-line Straight-line	IA=40%; AA=20% IA=40%; AA=20%	This accelerated capital allowance (ACA) rate applies if certain conditions have been met. See Section 2A for further details.
Aircraft	4 years	Straight-line	IA=20%; AA=20%	
Transport other than motor vehicle	4 years	Straight-line	IA=20%; AA=20%	
Car parks	6 years	Straight-line	IA=20%; AA=14%	Previously, car park buildings may be eligible for capital allowances under certain circumstances. However, as of year of assessment 2021, car parks will not be eligible for capital allowances as the "plant" definition does not include a building or any asset used and that functions as a place within which a business is carried on.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Office equipment (including office furniture and fixtures)	8 years	Straight-line	IA=20%; AA=10%	
Agricultural machinery and equipment	2 years	Straight-line	IA=20%; AA=40%	This rate applies if certain conditions have been met.
Building used for research	30 years	Straight-line	IA=10%; AA=3%	Research must be approved by the Minister of Finance.

2.2 Assets that do not qualify for tax depreciation

Building structures will not qualify for capital allowance claims unless they are industrial buildings. Industrial buildings are specifically defined in Income Tax Act 1967 (the Act). See Section 2B for further details.

2.3 Noteworthy items

Land remediation, dismantling, restoration

As of year of assessment 2009, the cost of dismantling and removing plant and machinery and restoring the site on which the plant and machinery is located can be claimed as a capital allowance on that cost and is part of the residual expenditure in computing the balancing adjustments (i.e., balancing allowance and balancing charge). To qualify for this, the requirement to dismantle and restore the site must be pursuant to a written law/agreement and the asset that has been dismantled must not be used for any business of the person (which includes a company, a body of persons, a limited liability partnership and a corporation sole).

Own labor capitalized

Capital allowance can be claimed on labor costs incurred in connection with the provision and installation of qualifying plant and machinery. Labor costs incurred by the company's own employees would qualify as a revenue deduction.

2.4 Availability of immediate deductions for repairs

Description	Detail
Assets with a life of less than two years	To claim as revenue expenditure on a replacement basis.
Assets not exceeding MYR2,000 each and not exceeding a total value of MYR20,000	To claim AA=100%. However, such a limit is not applicable to SMEs (see Section 2A).

The expenses incurred for repair of premises, plant and machinery, or fixtures employed in the production of gross income are tax-deductible. Generally, repairs are activities undertaken merely to maintain assets in good and efficient operating condition. Thus, the objective of a repair is to preserve the asset rather than to alter or improve it.

Tax deductions for repairs are given on an incurred basis and are not limited by reference to turnover or depreciation in the financial statements.

3. Capital allowance calculation methods

Methods used	Straight-line/prime cost
Frequency	Annually
Year of acquisition	A capital allowance is calculated starting from the year of acquisition. If the expenditure is incurred and the asset is put into use (and other conditions, if relevant, are met) at any time during the basis period for a year of assessment, a full capital allowance claim is available for that year — no apportionment is necessary. If an asset is acquired before the commencement of business, it is deemed to be acquired (and capital allowances will start to be claimed) on the date that business commences.
Year of disposal	A balancing allowance or balancing charge adjustment is made in the year of disposal.
Ability to use different methods for different assets	No
Ability to switch methods	N/A

4. Availability of accelerated capital allowance (ACA)

To encourage modernization, selected business and purchasers of selected equipment and certain categories of plant and machinery may qualify for higher rates of capital allowances (i.e., ACA). In Malaysia, various types of ACAs are granted under separate tax gazette orders. Conditions stipulated in the respective order must be met by the taxpayer for the ACA to be claimed on the capital expenditure.

Types of assets	Initial allowance	Annual allowance
Machinery and equipment determined by the Minister of Finance used in agriculture sector	20%	40%
Prescribed equipment and facility for collecting wastes	40%	20%
Imported prescribed heavy machinery used in construction, plantation and timber industries	10%	10%

Types of assets	Initial allowance	Annual allowance
Machinery and plant (other than imported heavy machinery) used in: ■ Building and construction ■ Timber and tin mining	 30%* 60%*	 20%/14%[6] 20%/14%[6]
Molds for industrialized building system	40%	20%
Natural gas for bus transport and buses using natural gas	40%	20%
Qualifying plant expenditure used to control the quality of electric power	20%	40%
Plant and machinery used for recycling wastes	40%	20%
Plant and machinery used for qualifying project in respect of a promoted activity	40%	20%
Renovation cost incurred on building located in Tun Razak Exchange[7]	20%	40%
Qualifying plant expenditure incurred for carrying out petroleum operation[8]	25%	15%
Automation equipment:[9] i) Up to MYR4 million — for a qualifying project relating to rubber, plastic, wood, furniture and textile (Category 1) ii) Up to MYR2 million — other than Category 1, as determined by the Minister of Finance (Category 2)	20%	80%

5. Accounting for disposals

6 Depending on whether the machinery or plant is heavy machinery (20%) or not (14%).

7 Effective from 1 January 2014 to 31 December 2025.

8 Effective from the years of assessment 2010 to 2024.

9 Effective from the years of assessment 2015 to 2023. Furthermore, the following were proposed:

- Retabled Budget 2023: It was proposed that the accelerated capital allowance for automation equipment be enhanced to include the adaptation of Industry 4.0 elements within the automation scope and to include the agriculture sector. The capital expenditure threshold will also be aligned and increased to MYR10 million. This applies for applications received by the Malaysian Investment Development Authority (MIDA) and the Ministry of Agriculture and Food Security between 1 January 2023 and 31 December 2027.
- Budget 2024: It was proposed that this be expanded to include the commodity sector under the Ministry of Plantation and Commodities (KPK). This applies for applications received by KPK from 14 October 2023 until 31 December 2027.

These proposals have not been legislated.

* Taxpayer may elect in writing to claim the initial allowance at 20% of the qualifying expenditure.

When a company disposes of an asset, the disposal price or the market value of the asset (whichever is higher) will be used to calculate a balancing allowance (BA) or balancing charge (BC). BA arises when the tax written-down value exceeds the disposal price/market value (as the case may be). The BA is an additional allowance that is available to the taxpayer. BC arises when the disposal price exceeds the tax written-down value — a BC will increase taxable income.

If a disposal takes place within two years of the date of acquisition of the assets, a balancing charge equal to any allowance claimed must be made.

Different rules apply for transfers between parties that have control over one another or that are both controlled by another party.

If a company scraps an asset for no value (and assuming there is, in fact, no market value for the asset), BA can be claimed if there is still a tax written-down value for the asset. However, if the asset has been scrapped within two years of the date of acquisition of the asset, a balancing charge equal to any allowance claimed may apply.

6. Making a claim

Capital allowance claims should be submitted in the income tax return form. All the supporting documents are to be kept by the claimant for tax audit purposes.

Documentation required will be a fixed asset register, sales and purchase agreements of the assets, statements of account, invoices, receipts for services rendered for installation, stamp duty, expenditure in improving the asset and evidence that the asset is in use for the business.

7. Intangible assets

Generally, intangible assets do not qualify for capital allowance except for computer software (subject to certain conditions being met).

Mexico

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At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

3%-100%

Depreciation method used to calculate tax deduction

Straight-line (prime cost)

1. Entitlement to claim

All taxpayers who legally own a fixed asset or incur the investment, such as preoperative expenses, are entitled to claim depreciation.

2. Allocation of tangible assets to tax depreciation lives and rates

Varied lives and rates can be applied to different assets depending on the limits and percentages mentioned in tax law. Although it is not required, it is possible to consider parts of a building separately.

2.1 Assets that qualify for tax depreciation

Tax legislation provides a complete list of rates that may be applied to assets.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Machinery and equipment (M&E) for energy generation from renewable sources	1 year	Straight-line	5%–100%	M&E must be used and functioning for a minimum five-year period from the immediate year after the 100% deduction; otherwise, apply the general rule.
M&E Please note the tax legislation also establishes other percentages to depreciate other machinery and equipment according to the industry in which the asset is used.	2–20 years	Straight-line	25%	Construction industry; agriculture, livestock, forestry and fishing activities
			35%	Machinery and equipment used directly for research on new products or developing technology in Mexico
			16%	Air transport; transmission of communications services provided by telegraphs and by radio and television stations
			8%	Manufacturing of motor vehicles and parts thereof; construction of railways and ships; manufacture of metal products, machinery, and professional and scientific instruments; processing of food and beverages, etc.
Other M&E			5%–50%	Percentage applicable to other M&E not specified in this document (depending on each industry)
Motor cars	4 years	Straight-line	25%	Limit of USD8,750 on traditional motor cars and limit of USD12,500 on electric automobiles
Bicycles, electric bicycles and motorcycles	4 years	Straight-line	25%	
Buildings	10–20 years	Straight-line	5% or 10%	10% on historical buildings or 5% in other cases, including installations, additions, repairs, improvements and constructions in mining lots
Furniture, fittings or fixtures	10 years	Straight-line	10%	
Computer hardware	3 years	Straight-line	30%	
Computer software	3 years	Straight-line	30%	

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Aircraft	4–10 years	Straight-line	10% or 25%	25% on crop dusters
Ships	15 years	Straight-line	6%	
Car parks	20 years	Straight-line	5%	Car parks are considered as buildings.
Usufruct rights on real estate property	20 years	Straight-line	5%	
Office equipment (including office furniture and fixtures)	10 years	Straight-line	10%	
Qualified leaseholder improvement property	20 years	Straight-line	5%	Qualified leaseholder improvement property is considered to be part of the building and is subject to the same depreciation rate.
Agricultural M&E	4 years	Straight-line	25% (if applicable)	
M&E used in research and development (R&D)	2.8 years	Straight-line	35%	M&E used for R&D purposes
Preoperative expenses	10 years	Straight-line	10%	Expenditures corresponding to intangible assets that allow the exploration or exploitation of public property are not included.
Technical assistance	1 or 7 years	Straight-line	100% or 15%	When the benefit is obtained in one year, the depreciation can be taken at the rate of 100%, as long as detailed analysis is provided. If, however, the benefit is taken after one year, then the depreciated rate shall be taken at 15% per year.
Deferred expenses Intangible assets represented by goods or rights that make it possible to reduce operating costs, improve quality or acceptance of a product, or use or enjoy a good for a limited time that is shorter than the duration of the activity of the legal entity; deferred expenses are also intangible assets that make it possible to exploit public property or provide a public service under concession.	7 years	Straight-line	15%	Detailed analysis is required to qualify the asset as a deferred expense.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Deferred charges Deferred charges are those that meet the aforementioned requirements, except those regarding the exploitation of public property or the provision of a public service under concession. The benefit of the charges is for unlimited time that will depend on the duration of the legal entity's activity.	20 years	Straight-line	5%	Detailed analysis is required to qualify the asset as a deferred charge.

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	The value of this kind of asset increases every year for inflationary restatement.
Goodwill	Goodwill is not deductible in Mexico.
Purchase price allocation (PPA)	PPA is not deductible in Mexico for tax purposes. However, when shareholders sell their shares, the cost of the shares sold is subject to being deducted until such shares are sold.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

If these costs are strictly necessary for the operation of entities and if certain tax formalities are met, then entities can claim the deduction of the full amount paid in the corresponding tax year. These concepts require analysis to determine deductibility, as there could be different interpretations from case to case.

Land remediation — removing asbestos, Japanese knotweed

The deduction can be fully claimed in the year the expense is incurred if it is strictly necessary for the operation of the corresponding entity and certain tax formalities are met (case-by-case analysis is required).

Own labor capitalized — work on developing software, for example, or carrying out work on property

Case-by-case analysis is required, as much of the initial investments could be treated as yearly expenses not subject to capitalization.

Original investment amount

Since FY22, the definition of the original investment amount (MOI) was modified to include additional concepts. Please take into account the previous one already included, in addition to the price of the good and the taxes actually paid on the acquisition or importation of the good, except for VAT, the expenses for duties, compensatory quotes, freight, transportation, insurance covering any transportation risk, handling, commissions on purchases and fees to agents. On this matter, the inclusions made for 2022 onward were the preparation of the location, installation, assembly, handling and delivery, as well as those related to the services contracted for the operation of the investment.

Tax incentives in new fixed assets in the Northern and Southern Border Region

On 31 December 2018, the president of the United Mexican States issued a tax incentive decree published in the Official Gazette for the Northern Border Region (NBR) that states that taxpayers who receive income exclusively in the NBR may apply a tax credit equivalent to one-third of the income tax generated in such region during the year or the advanced payments, against the tax caused during the same year or its estimated payments.

To apply this incentive, taxpayers must prove that they have their tax domicile in the NBR for at least 18 months. If that entity is starting its activities in the NBR, it can also apply such benefit, but it must comply with specific requirements to prove that the envisioned activities will be carried out using new fixed assets and their annual income attributable to that region represents at least 90% of their total annual income, among other requirements.

The decree also clarifies what a new fixed asset means, commenting that it has to be used for the first time in Mexico, or if it has already been used in Mexico, the taxpayer must acquire the fixed asset from a person who is not a related party of the taxpayer.

It is important to note that this tax incentive was only given for two years and cannot be applied by hydrocarbon contractors. However, the Mexican Tax Authorities extended the term of the incentive until 31 December 2024 to encourage the economy on the NBR, stimulate and increase investment, promote production, and contribute to the creation of employment.

The extension published included some modifications, mentioning that taxpayers who intend to apply for these benefits should file a notice by 31 March 2021 to be registered in the Registry of Incentive Beneficiaries for the NBR and should not be in the procedure of temporary restriction of the use of digital stamps for the issuance of digital tax invoices, nor have the certificates issued by the Tax Administration Service (SAT) for the issuance of digital tax receipts canceled. In addition,on 30 December 2020 the Mexican Tax Authorities published a new tax incentive for the Southern Border Region (SBR) to grant the same incentive, subject to comply with the already mentioned requirements to all the taxpayers who carry out business activities in such region. It is important to mention that the SBR is made up of certain municipalities in the states of Quintana Roo, Chiapas, Campeche and Tabasco. This incentive would also be in force until 31 December 2024.

Tax incentives for taxpayers performing certain activities within the Corridor of the Isthmus of Tehuantepec

On 5 June 2023, a Presidential Decree was published in Mexico’s Federal Official Gazette granting tax benefits to taxpayers who are domiciled in and carry out productive economic activities within specific locations in the Isthmus of Tehuantepec, designated by the government as a Welfare Development Corridor.

The tax benefits granted by the decree in connection with fixed assets include the accelerated depreciation of 100% of the investments made during the first six years in qualified new fixed assets used for the performance of productive economic activities; this benefit does not apply for office furniture and equipment, automobiles, and other non-individually identifiable assets.

Tax benefits are available to taxpayers involved in performing productive economic activities in the following industries: (i) electricity and electronics, (ii) semiconductors, (iii) automotive (electro-mobility), (iv) auto parts and transportation equipment, (v) medical devices, (vi) pharmaceutical, (vii) agro-industry, (viii) electric power generation and distribution equipment (clean energy), (ix) machinery and equipment, (x) information and communication technologies, and (xi) metals and petrochemicals, among others.

Benefits from these tax incentives may commence when a taxpayer obtains a certificate issued by the Ministry of Finance and Public Credit certifying compliance with certain requirements and submits documentation to support the investment project.

Tax incentives for key sectors of the export industry consist of an immediate deduction for investment in new fixed assets and an additional deduction for training expenses (often referred to as "nearshoring").

On 11 October 2023, a Presidential Decree was published in Mexico's Federal Official Gazette granting tax benefits to taxpayers engaged in economic activities in key sectors of the export industry, as follows:

- Products destined for human and animal consumption
- Fertilizers and agrochemical products
- Raw materials for the pharmaceutical industry
- Certain electronics components
- Machinery for watches, measurement control and navigation instruments, and medical equipment
- Batteries and certain electricity components
- Petrol, hybrid and alternative-fuel engines for cars, vans and trucks
- Electricity and electronic equipment, steering, suspension, transmission, and brake systems (among other components) for cars, vans, trucks, ships and aircraft
- Internal combustion engines, turbines and transmissions for aircraft
- Nonelectronic equipment and devices for medical health and dental use, disposable medical material, and optical products of ophthalmic use

Additionally, the incentives are applicable for taxpayers engaged in the production of cinematographic and audiovisual content that is protected by copyright and to the extent that the content is exported.

The incentives include accelerated tax depreciation for investments in new fixed assets acquired from 12 October 2023 through 31 December 2024, and the benefit would be allowed for assets that are used for the first time in Mexico. The accelerated depreciation is in the form of a single-year deduction of a percentage of the asset's acquisition cost, in the year of acquisition, by applying the deduction percentages established in the decree.

These percentages range from 56% to 89%, depending on the type of assets and the main business activity of the taxpayer. The remaining amount of the cost is generally not deductible unless the asset is sold or written off within a certain period, in which case additional cost recovery is permitted based on a schedule in the decree. This incentive will apply only to investments that are used for a minimum of two years after the fiscal year in which the accelerated depreciation is applied.

Furthermore, the immediate deduction would not be available for investments in office furniture and equipment, automobiles (including armor), other non-individually identifiable assets and aircraft other than those used for agricultural fumigation; it is important to bear in mind that such decree benefits would be applicable when taxpayers estimate that income arising from the export of these goods will represent at least 50% of their total income for fiscal years 2023 and 2024.

It is important to verify the correct requirements to be accomplished, case by case.

2.4 Availability of immediate deductions for repairs

Mexican income tax law states that repairs of and adaptations to facilities shall be considered investments, provided they entail additions or improvements to the fixed asset. Income tax law establishes that repairs or adaptations that entail additions or improvements to fixed assets are deemed to be those that increase the productivity or the useful life thereof, as well as those that allow such assets to be used in a different manner.

Mexican income tax law states that expenses for conservation, maintenance and repair made to keep facilities in good operating condition are not to be considered as investments. If such expenses are capitalized for accounting purposes, it would be considered a non-book tax deduction in the year (case-by-case analysis is required).

3. Depreciation and calculation methods

Methods used	Straight-line (prime cost)
Frequency	Annually; depreciation should be added with inflationary adjustment.
Year of acquisition	Depreciation is calculated from the date of acquisition of the corresponding asset and for complete months on an annual basis (tax year). The deduction can be restated by inflation from the acquisition date to the last month of the half of the period in which the asset was used in the year (e.g., if the asset was used the whole year, the inflationary restatement should be from the acquisition date to June of the year in which it will be deducted).
Year of disposal	It depends on the use and full life of the asset (applicable depreciation rate) for tax purposes.
Ability to use different methods for different assets	Only the straight–line method can be used.
Ability to switch methods	No; however, the taxpayer can use lower rates than the maximum limit rates established for each kind of asset. Any change should be made for at least a five-year period.

4. Preferential and enhanced depreciation availability

The depreciation rate for energy generation machinery and equipment from renewable sources or cogeneration systems of efficient electricity is 100%.

The depreciation rate for adaptations and improvements to facilitate the use of installations to people with different physical capabilities is 100%.

The contractors, according to the Mexican Law of Hydrocarbons, will be subject to different rates for machinery and equipment as follows:

Type of assets	Rates
Original amount of the investments made for exploration, secondary and improved recovery, and non-capitalized maintenance, in the fiscal year in which they occur	100%
Original amount of the investments made for the development and exploitation of oil or natural gas deposits, in each fiscal year	25%

Type of assets	Rates
Original amount of the investments made in storage and transport infrastructure essential for the execution of the contract, such as pipelines, gas pipelines, terminals, transport or storage tanks necessary to take the contractual production to the points of delivery, measurement or inspection determined in each contract, in each fiscal year	10%

A contractor, for purposes of the Mexican Law of Hydrocarbons, is Petróleos Mexicanos, or any other production company of the state or company that signs with the National Hydrocarbons Commission an agreement for exploration and extraction, either individually or in consortium or association in participation.

The depreciation rate for R&D purposes regarding M&E is 35%.

Mexico has not introduced any bonus provisions for investments during any specific time periods.

5. Accounting for disposals

When an asset is disposed of only because it is no longer required to generate income or it is obsolete, it can be deducted in one year for the remaining tax basis. Since 2022, taxpayers are obliged to file a notice with respect to those assets that are no longer useful to generate income, to be able to deduct the remaining tax basis.

6. Making a claim

Claims are self-assessed.

Working papers must be prepared with the tax calculation of the tax depreciation from the date of the acquisition of the assets until the last month of the tax year in which the deduction is carried out. A statement should also be included to show the depreciation has been shared with the tax authorities.

7. Intangible assets

Maximum rates apply according to the type of asset and specific analysis that is required to determine the type of the intangible asset. In the case of royalties, they can be amortized at 100% in one year if the benefit is obtained in one year. However, if the benefit is obtained in more than one year, it should be amortized at 15% annually, and a deeper analysis is required to determine if the idea qualifies as a royalty for tax purposes.

Type of asset	Rates/lives
Trademarks	5% or 15% (further analysis is required)
Patents, copyright, design, know-how or similar item	5% or 15% for patents and copyright (further analysis is required) 15% for know-how (further analysis is required) 10% for design of products and services that qualify as preoperative expenses
Goodwill	Nondeductible
License or permit	If we are considering "license or permits" as the intangible assets that make it possible to exploit public property or provide a public service under concession, the rate would be determined in accordance with the number of years for which the concession was granted.

8. Mandatory disclosure obligations

The Tax Reform of 2020 included a new obligation to make mandatory disclosures on a wide range of transactions that generate a benefit in Mexico. It is important to mention that this new reportable obligation is applicable from 1 January 2021, considering the transactions carried out during fiscal year 2020 or earlier.

Reportable transactions are broad and cover, among others, certain operations involving assets, as foreseen by the Federal Fiscal Code. Please note that there are additional cases that should be analyzed in order to determine whether it is a reportable transaction or not. For this particular matter, Article 199 of the Federal Fiscal Code foresees the following:

"A reportable transaction shall be deemed to be any that generates or may generate, either directly or indirectly, a tax benefit in Mexico, and has any of the following features:

[...]

VI. It involves transactions between related parties where:

(a) hard-to-value intangibles are transferred, in accordance with the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, approved by the Council of the Organisation for Economic Co-operation and Development in 1995 or those that replace them. Hard-to-value intangibles shall be when at the moment of execution of the transactions, there are no reliable comparable or projections of flows or future income that the intangible concerned is expected to yield; or when the hypothesis for valuation thereof are uncertain and therefore, it is hard to anticipate the final success of the intangible at the moment in which it is transferred;

(b) entrepreneurial reorganizations take place, where there is no consideration for transferring assets, functions and risks; or whereas a result of such reorganization, taxpayers subject to tax under Title II of the Income Tax Law, reduce operating profits in more than 20%. Entrepreneurial reorganizations are those described in the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, approved by the Council of the Organisation for Economic Co-operation and Development in 1995 or those that replace them.

[...]

VIII. Whenever it involves the transmission of an asset totally or partially depreciated that allows depreciation thereof by a related party.

[...]

XIV. It involves transactions whose accounting and tax records present differences greater than 20%, except when they arise from differences in the calculation of depreciation."

The abovementioned subsections are the main transactions that should be subject to report that involve assets; nevertheless, other subsections of Article 199 could apply. This is why it is important to analyze case by case and define the obligation of mandatory disclosure rules (MDR).

9. Mergers and spin-offs

According to the Tax Reform 2022, mergers and spin-offs will be taxable transactions to the extent said transaction does not have a valid business reason. This means that legal transactions with no business reason that generate a direct or indirect tax benefit will be taxed upon the value of the assets transferred within the respective merger or spin-off. It is important to mention that the tax authorities will take into consideration, for the evaluation of the business reason, relevant operations related to the change of control, carried out within the five immediately preceding years and after its completion. In addition, the definition of spin-off included in the Federal Fiscal Code was modified, specifying that the transfer to be made in a spin-off is of the capital stock and not just the equity.

10. Tax incentives to support the national strategy called "Plan Mexico"

On 21 January 2025, the decree granting tax incentives as part of the "Plan Mexico" (the Decree) was published in Mexico's Federal Official Gazette, based on the national strategy presented on 13 January 2025, by the president of the Republic. The Decree became effective from the day following its publication in Mexico's Federal Official Gazette and is primarily aimed at promoting new investments, encouraging dual training programs and fostering innovation.

Given that these tax incentives may be applied generally, the Decree highlights the need for an "evaluation committee." This entity will oversee evaluating investment projects, as well as verifying that they comply with the guidelines and necessary documentation that allows companies to join local and regional supply chains, as well as issuing the aforementioned guidelines.

Through the Decree, a tax incentive is granted consisting of an option to make the immediate deduction of investment in new fixed assets, acquired from the entry into force of the Decree until 30 September 2030, allowing deduction in the fiscal year at different percentages than those established in the Income Tax Law. It is noteworthy that the depreciation percentages indicated in the Decree vary according to the type of fixed asset or, in the case of machinery and equipment, according to the activity in which they are used.

Additionally, regarding the incentive that allows the immediate deduction of new fixed assets, it is established that it will only be applicable to those investments that taxpayers keep in use for a minimum period of two years immediately following the fiscal year in which their immediate deduction is made.

In addition, a tax incentive is granted, applicable to the annual tax returns for fiscal years 2025, 2026, 2027, 2028, 2029 and 2030, consisting of an additional deduction equivalent to 25% of the increase in training expenses (providing related technical or scientific knowledge) received by each of its employees in the fiscal year in question or for expenses incurred for innovation.

These incentives will be applicable to corporations taxed under Title II (On Corporations) or Title VII, Chapter XII (Simplified Trust Regime for Corporations), as well as to individuals taxed under Title IV, Chapter II, Section I (On Individuals with Business and Professional Activities) of the Income Tax Law, if they comply with the following general requirements:

- Be registered in the Federal Taxpayers Registry and have the tax mailbox enabled
- Have a positive opinion of compliance
- Present the investment project; the collaboration agreement celebrated with the Ministry of Public Education in the matter of dual education; or the investment project for the development of the invention or for the initial certification, as the case may be
- Have the certificate of compliance issued by the evaluation committee to apply the fiscal incentives of the Decree
- Comply with the guidelines issued by the evaluation committee

Likewise, among the most important aspects introduced with the implementation of this measure are the following:

- There are some limitations regarding the type of fixed assets that may be subject to the tax incentive of the immediate deduction of investments.
- From the application of such incentives, there are modifications to the calculation of the profit coefficient of the provisional payments made during the fiscal year immediately following the fiscal year in which the incentives of the Decree have been applied.
- In the case of the application of the immediate deduction of fixed assets, the taxpayer will not be able to deduct the excess of the percentage allowed for immediate deduction until such time as the asset is disposed of.
- Taxpayers must keep a specific record of the investments for which they opted to apply the immediate deduction under the terms of the Decree, in which supporting documentation must be kept, including the relationship with their main line of business or activity, the specific process or activity in which the asset was used, and the percentage that corresponds to the deduction, among others.
- The deduction percentages allowed according to the Decree consist of two different ranges — the first one for the years 2025 and 2026 and the second one for the years 2027 to 2030.
- There are additional considerations regarding the deduction of new fixed assets in the case of taxpayers engaged in two or more of the activities indicated in Section II of the second article of the Decree.
- There are specific cases in which taxpayers will not be able to apply the tax incentives provided for in the Decree.

Netherlands

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At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

In principle, yes; however, adjustments (may) need to be made with respect to the following:

- Goodwill
- Minimum depreciation period
- Buildings
- Low-cost assets
- Capitalized production costs relating to immaterial assets

Depreciation method used to calculate tax deduction

Various depreciation methods may be followed, if in accordance with the "sound business" practice concept.

1. Entitlement to claim

Every taxpayer with business activities and every company subject to corporate income tax is entitled to claim tax depreciation.

A taxpayer with business assets may depreciate such assets if their value diminishes over time. Business assets are assets that are:

- Part of the fixed assets of the company
- Used within the conduct of business of the company

2. Allocation of tangible assets to tax depreciation lives and rates

For tax purposes, a business asset and all of its constituent parts are deemed to be one single asset and are depreciated as such. However, when calculating annual depreciation, in some cases, the different useful lives of separate parts may be considered.

General rule — all assets

Assets that make up more than one component/item should be capitalized as one asset if these components/items together form a separate functioning asset for the company (functional analysis). This should be assessed on the basis of the function and the place of that asset within the business of the company.

Separate business assets of low value (i.e., below EUR450) are depreciated in the year of purchase for the full-cost price amount.

Specific rules — buildings

All assets (e.g., plumbing) that are integral and inseparable parts of a building should be depreciated together with that building as one asset (subject to the limitations applicable to buildings).

Specific rules — revision of arm’s-length principle upon transfer of assets

In the case of an asset transfer between related companies at transfer prices that are below the fair market value, capitalization on the balance sheets against the higher fair market value will only be allowed if and to the extent there is a corresponding adjustment at the level of the transferor of such asset. This measure impacts cross-border transfer of assets, for example, goodwill, if the transfer prices are below their fair market value.

Transfers of assets that have taken place in fiscal years commencing on or after 1 July 2019 will also be in scope of this rule, in such a way that depreciation of such assets will be adjusted as of 1 January 2022, if this rule would have led to a lower value of capitalization on the balance sheets compared to the book value on 1 January 2022. The depreciation still may take place in line with the general rules but is calculated on the basis of the lower balance sheets value. The provision does not, however, force a retroactive direct adjustment of the balance sheet value for assets acquired and capitalized prior to 1 January 2022.

Specific rules — revision of tax book values of assets upon capital transactions

In the case of an asset transfer between related companies in connection with a capital transaction (e.g., capital contribution, profit distribution, repayment of paid-up capital, liquidation payment or a similar capital transaction, such as a merger) at a transfer price that is higher than the value included in the taxable basis of a profit tax at the transferor level, the latter value shall be taken into account as the tax balance sheet value at the receiving company level. The tax book balance sheet value can be nil if the asset transferred upon the capital transaction is not included in the taxable basis of a profit tax at the level of the transferor.

2.1 Assets that qualify for tax depreciation

Dutch tax law maximizes depreciation for business assets to at most 20% of the cost price per year (at most 10% for goodwill), considering residual value, meaning that the minimum period for depreciation is 5 years (10 years for goodwill). Taxpayers may not depreciate business assets across a period of less than five years. However, if certain conditions are met — if the value of the asset has decreased permanently, for example — a business asset could be impaired to its lower "business value."

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Tangible business assets	Useful life, with a minimum of five years	Under the "sound business" practice concept, various depreciation methods may be followed, provided that the method is in accordance with sound business practice and is consistently applied.	Depreciation is maximized to 20% of historical cost per year.	If certain conditions are met — if the value of the asset has decreased permanently, for example — a business asset could be impaired to its lower "business value."

Specific rules for buildings

Depreciation of a building is only allowed if the tax book value of a building is higher than a defined minimum value (*bodemwaarde*), whereby the tax book value may not drop below the *bodemwaarde*. The *bodemwaarde* has been determined at 100% of the Waardering Onroerende Zaken (WOZ) value of the building.

The WOZ value is determined (annually) by the administration of the municipality in which the building is located and should approximate the estimated fair market value. Furthermore, the unit determination of what constitutes a building has become a relevant consideration because of this measure.

Note that as of 1 January 2024 this rule also applies to buildings in "own use" and owned by a taxpayer who is a natural person. For this category of taxpayers, temporary relief, however, is provided for buildings that:

- Could have been depreciated before 1 January 2024
- The taxpayer was not able to depreciate for three full years because of the new rules (in essence, this applies to buildings acquired and in own use between 1 January 2021 and 1 January 2024)

For these cases, depreciation may still be claimed for Dutch income tax purposes until three full years of depreciation have been deducted.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Buildings	Useful life	Sound business practice concept	Various, but subject to a restriction that the tax book value may not drop below the *bodemwaarde* of 100% of the WOZ value	

Specific rules for selected tangible assets

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Building improvements	Not depreciable, immediately deductible (exceptions may apply, see below)			
Maintenance cost		N/A	N/A	Provisions for maintenance costs are, in principle, allowed.
Improvement cost	N/A	N/A	N/A	Further analysis is required as to whether the building improvements are subject to wear and tear.
Qualified leaseholder improvement	Useful life, with a minimum of five years	Sound business practice concept	At most, 20% of the cost price per year	

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Agricultural machinery and equipment	Specific rules are applicable; however, in general, useful life for tax is at least five years	Sound business practice concept	Specific rules are applicable; however, in general, at most, 20% of the cost price per year	

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Business assets not subject to wear and tear, such as land, are not depreciable. However, if land is purchased to extract valuable minerals, etc., then depreciation is possible.
Right-of-use asset (IFRS 16)	The lease accounting method according to IFRS 16 is not followed for Dutch tax purposes. A right-of-use is not recognized as an asset.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Fees and costs should be capitalized if they are directly connected to an investment in an asset, i.e., when incurred in connection with the acquisition or improvement of an identifiable asset of the business (e.g., premises or plant). The general rule is that the tax book value of the fixed asset equals the cost price of the asset plus the costs related to the acquisition (or manufacturing).

Lease improvement

A "lease improvement" is also considered an asset.

Own labor capitalized — work on developing software, for example, or carrying out work on property

If an asset is manufactured or created in-house, all direct expenses and costs (*voortbrengingskosten*) should be capitalized, including in-house salary and wage costs. The taxpayer should also capitalize a part of the overhead costs, although no clear guidelines are provided on how the allocation should take place.

Production costs relating to intangible fixed assets (e.g., the development costs for software) may be depreciated at once in the financial year in which these costs are incurred.

2.4 Availability of immediate deductions

Description	Detail
Assets below a certain value	An asset with a value below EUR450 is fully depreciated in the year of purchase, unless the asset is part of a "complex of assets."
Repairs	Maintenance or repair costs are, in principle, immediately tax deductible in the year that they occur.
Production costs of self-produced intangible assets	Yes

In the case of expenses whereby both repairs and improvement expenses are incurred, taxpayers should, in principle, be able to split the expenses between maintenance and improvements. However, should the expenses be considered for the purposes of a radical improvement, a split between repair and improvement should not be made and all expenses should be capitalized as improvement costs. Whether there is a radical improvement should be considered (objectively) from the perspective of the asset, and it should be assessed whether in essence a new asset has been created.

If there are no radical improvements, it is relevant to make a proper distinction between repair and improvement, as the tax treatment is significantly different. Repair costs should, in principle, be deductible for tax purposes, while improvement costs should be capitalized. The distinction is as follows:

- Repair costs are costs incurred to restore an asset to its usable condition and repair deterioration (i.e., bring a business asset back to its original state).
- Improvement costs are costs incurred to make a material change to the asset, relating to the structure, nature or volume. Further, it should be considered an improvement if the expenditure leads to an increase in the overall performance of the asset.

When reviewing whether the costs should be qualified as repair or improvement, taxpayers should review:

- The nature of the activities
- The condition of the asset at time of the creation or after any subsequent change

Furthermore, we note that repair costs related to a newly acquired business asset are not tax deductible to the extent that the repair costs are connected to a deterioration of the business asset in the period prior to the acquisition. Those costs are capitalized instead.

3. Depreciation and calculation methods

Methods used	Declining-balance, straight-line/prime cost, other
Frequency	Annually
Year of acquisition	Depreciation is applied from the date the asset comes into use. A business asset is only depreciated during the period the asset is used for business activities. Example: a machine is ordered on 1 May, delivered on 1 July and used as per that date. Depreciation then is 6/12 of the normal annual depreciation (assuming that the financial year is a calendar year).

Year of disposal	Depreciation is only available for the months during the period the asset is used for business activities.
Ability to use different methods for different assets	There is a choice of method that can apply for different business assets. For every single business asset, taxpayers may assess what they think is the optimal method of depreciation. The taxpayers are free in their choice, provided that the depreciation method chosen is in accordance with the sound business principle. However, in some cases, similar assets are aggregated into one single asset.
Ability to switch methods	In principle, a change of depreciation scheme is permitted (e.g., commercial depreciation has changed) if it is not aimed at realizing an incidental tax benefit. A taxpayer must pursue consistent behavior in tax accounting. The transition from one depreciation method to another depreciation method is a system change that goes against this consistent behavior. Nevertheless, a transition to another depreciation method is permitted if this new method is in line with the sound business principle and the transition is not motivated by gaining an incidental tax advantage.

4. Preferential and enhanced depreciation availability

Dutch tax law provides for various facilities:

Accelerated depreciation of several specific assets

Accelerated depreciation applies to:

- Investments in assets that are in the interest of the protection of the environment in the Netherlands and that appear on the so-called VAMIL (*Vervroegde Afschrijving Milieu-investeringen*) list.
- Seagoing vessels.
- Assets that are a part of the fixed assets of a startup (not available for companies subject to corporate income tax).
- Assets that are of direct importance to economic development, whereby many categories of assets are excluded; the parliamentary history refers to equipment, means of transport and fixed installations in the open air as examples of assets that qualify. In 2025, only specific assets will qualify for this facility.

Accelerated depreciation of qualifying assets is available if certain conditions are met. Restrictions may apply. Note that the conditions/restrictions can change on a year-by-year basis, so additional monitoring is required.

Investment allowances

The investment allowances include:

- Small-scale investment allowance
- Energy investment allowance (EIA: *energie-investeringaftrek*)
- Environmental investment allowance (MIA: *milieu-investeringsaftrek*)

These allowances are calculated as a percentage of the amount of an investment in a business asset and may be deducted in the year of investment. The EIA and MIA are available for investments in not previously used business assets that have been designated as investments that are important for efficient use of energy or designated as investments that are important for protecting the Netherlands environment.

Research and development facility

The WBSO (R&D tax credit) provides for a payroll tax benefit for R&D costs and expenditures.

5. Accounting for disposals

If a tangible or intangible business asset is disposed of, the difference between the disposal value (the proceeds) and the tax book value is considered a taxable gain. If the proceeds are lower than the book value, the taxpayer will be taking a tax-deductible loss.

The taxation of the gain may be deferred by creating a "reinvestment" reserve. The reinvestment reserve is not obligatory and is subject to strict rules. For example:

- The reserves can only be formed if and as long as the taxpayer has the intention to reinvest the proceeds in new assets. If the divested asset is not depreciable (e.g., land) or is usually depreciated over a period of more than 10 years (e.g., buildings), it is required that the new asset have the same economic function as the divested asset.
- The required reinvestment should not occur later than three years after the year in which the reserve was formed. If no reinvestment occurred within the three-year period, the original gain will be added to the taxable profit and taxed at the ordinary rate.
- The (proportional) tax book value of the new asset may not be lower than the (proportional) tax book value of the divested asset for which the reinvestment reserve was created.

In some cases, previous investment allowances are required to be undone by adding a disinvestment addition to the taxable profit of the year of disposal of the asset.

If an asset is scrapped, the tax asset value may be reduced to zero.

6. Making a claim

The claim for depreciation and devaluation is made within the corporate income tax return.

For some tax facilities, additional procedures need to be followed. An application needs to be filed with the *Rijksdienst voor Ondernemend Nederland* (RVO, a special government agency) if a taxpayer would like to apply for:

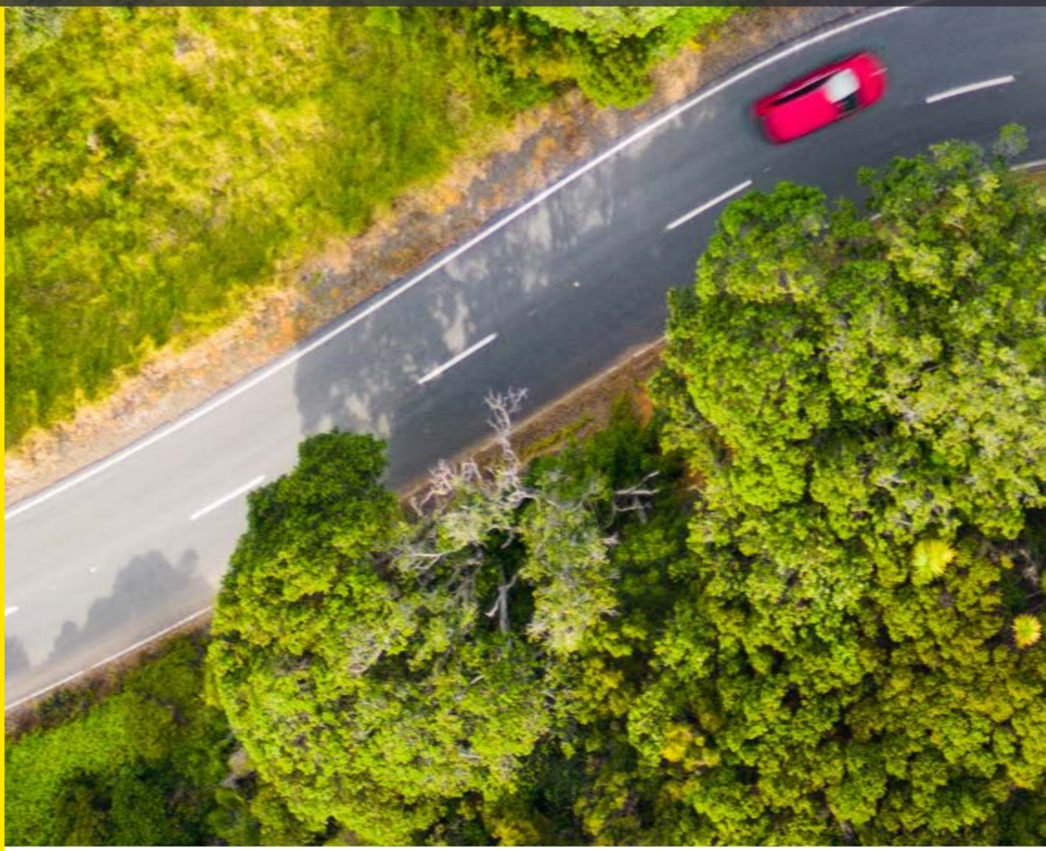
- Accelerated depreciation
- Energie-investeringsaftrek (EIA)
- Milieu-investeringsaftrek (MIA)
- Research and development payroll tax credit (WBSO)

7. Intangible assets

For tax purposes, a business asset (intangible or tangible) is considered to be present if this asset is considered to be part of the fixed assets of the company, is used within the conduct of business of the company and fulfills an independent role with the company. Dutch tax law caps depreciation at 20% per year (10% for goodwill), considering residual value, meaning that the minimum period for depreciation is 5 years (10 years for goodwill).

Type of asset	Rates/lives
Trademarks	No guidelines, case-by-case analysis
Patents, copyright, design, know-how or similar item	No guidelines, case-by-case analysis
Goodwill	Depreciation of goodwill is only allowed if the goodwill has been acquired from another party. Self-created goodwill cannot be capitalized and depreciated. Goodwill included in the acquisition price of shares forms part of the fiscal cost price value of the shares and cannot be depreciated for Dutch tax purposes. Dutch tax law restricts depreciation for goodwill to 10% of the cost price per year, meaning that the minimum period for depreciation for goodwill is at least 10 years.
License or permit	No guidelines, case-by-case analysis

New Zealand



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At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Depreciation

Does the tax treatment follow book/statutory accounting depreciation?

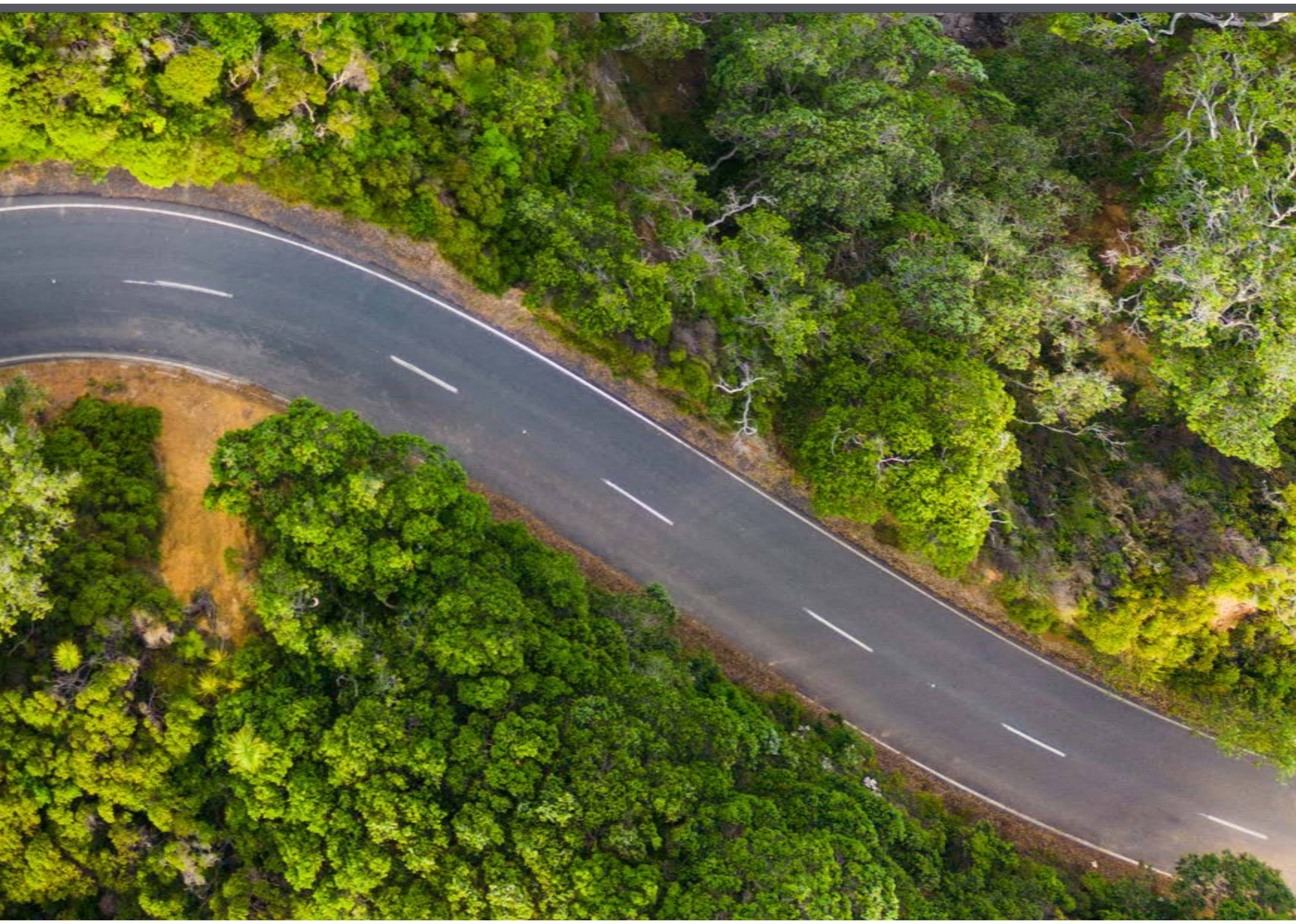
No

Range of rates used

0%–100%

Depreciation method used to calculate tax deduction

Diminishing value (DV) and straight line (SL), chosen on an asset-by-asset basis.



1. Entitlement to claim

A taxpayer who "owns" depreciable property may claim a depreciation deduction for the asset, if the asset is used or is available for use in deriving the taxpayer's gross income or in carrying on a business that aims to generate gross income.

- "Ownership" for tax purposes can include a taxpayer leasing an asset under a finance lease (defined for tax) or acquiring it under a hire purchase agreement
- The asset must be expected to decline in value through use (wear and tear or obsolescence)

2. Allocation of tangible assets to tax depreciation lives and rates

In New Zealand, the depreciation of tangible assets is governed by Subpart EE of Income Tax Act 2007 (ITA). Inland Revenue (IR) prescribes rates based on the specific asset type and industry. These rates are updated periodically and can be found on the IR website in their guide entitled General Depreciation Rates (IR 265).

To take a deduction for depreciation, the taxpayer must first identify an item of depreciable property, then depreciate based on a table of depreciation rates set by the Commissioner.

There is no ability in New Zealand to self-assess depreciation rates outside of determining the best-fit rate from the IR prescribed asset and industry types.

Application for a special depreciation rate

A taxpayer may apply for a special depreciation rate if they believe that the applicable depreciation rate set by the Commissioner is not appropriate because of the way in which the item is used in a business.

2.1 Assets that qualify for tax depreciation

In New Zealand, depreciation can be claimed on various assets that are used or available for use in deriving gross income or in carrying on a business aimed at generating income. These assets must be expected to reduce in value over time due to wear and tear or obsolescence. The following categories of assets qualify for depreciation:

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Land improvements	Varies	Straight-line or diminishing value	Varies by asset type	Land improvements listed in Schedule 13 of the ITA qualify for depreciation.
Intangible property	Self-assessed	Straight-line (or diminishing value for the right to use software)	Self-assessed by owner (1/ legal life)	Only intangible property listed in schedule 14 of the ITA qualifies for depreciation.
General depreciable assets (e.g., plant, machinery, equipment)	Varies by asset type	Straight-line or diminishing value	Varies by asset type (refer to IR 265)	Any asset used in a business that is expected to decline in value qualifies for depreciation.
Residential buildings and commercial buildings with a useful life of 50 years or over	N/A	N/A	N/A	From 1 April 2024 depreciation on commercial buildings has been reduced to 0%. This has implications for deferred tax.

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Non-depreciable assets	Assets that have been elected to be treated as non-depreciable.
Trading stock	Assets held for sale in the ordinary course of business.
Land	Generally, land does not depreciate, except for fixtures, or land improvements as specified in Schedule 13 of the Income Tax Act 2007.
Financial arrangements	Assets classified under the accrual rules that do not qualify for depreciation.
Intangible assets (e.g., goodwill)	Any intangible asset type that is not listed as depreciable in Schedule 14 of the Income Tax Act 2007.

Types of assets	Explanation
Buildings	Residential building depreciation was removed from 2011-12 and later income years. Commercial building depreciation has been removed from the 2024–25 and later income years. Certain commercial buildings with a useful life of less than 50 years, as identified in the Commissioner’s Depreciation Rate Schedule (IR265), will continue to be depreciable.
Low-value assets	Assets that are fully written off in the year of acquisition, based on specified thresholds. The current threshold is NZD1,000.
Assets not declining in value	Assets that do not decline in economic value due to compensation for loss or damage.

2.3 Noteworthy items

Consultation with the listed contacts on the below noteworthy items is highly recommended due to recent tax authority activity and case law developments in these areas.

Feasibility expenditure

In New Zealand, certain feasibility expenditure on a project that is not completed/ is abandoned may be allowed as a deduction over five years. From 2020–21 and later income years, amounts not exceeding $10,000 in total for the income year are immediately deductible. Recent case law *Trustpower Ltd v C of IR* (2016) 27 NZTC has found that feasibility expenditure with sufficient connection to obtaining capital assets is not deductible as feasibility expenditure, which departed from previous IR guidance.

Abandoned software projects

An immediate deduction for the costs associated with unsuccessful software development is allowable where the expenditure was incurred on development of software for use in the taxpayer’s business but is then later abandoned. This is deductible in the year that the project is abandoned.

Software as a service (SaaS) costs

Subscription fees under a SaaS arrangement are typically revenue expenses, deductible as incurred where no capital asset is acquired. However, a recent IR interpretation guideline on deductibility of software as a service (SaaS) configuration and customization costs (IG 23/01) sets out the limited scenarios where SaaS customization and configuration costs may be immediately deductible for tax vs. creating a distinct software asset that is depreciable as depreciable intangible property (e.g., the right to use software). The guidance emphasizes the complexity of tax treatment due to variations in the commercial contractual arrangements and nature of the services provided.

2.4 Availability of immediate deductions for repairs

Description	Detail
Repairs and maintenance	Costs that restore an asset to its original condition or maintain its existing function are usually immediately deductible. If the work **enhances** or **extends** the asset’s useful life, function, performance or capability, it is capital and must be depreciated.

3. Depreciation and calculation methods

Methods used	Diminishing value (DV) and straight line (SL)
Frequency	Claimed annually (part-year calculations from acquisition date).
Year of acquisition	Depreciation is calculated from the month of acquisition of the corresponding asset, for the whole year or for the fraction of a year (total months/12)
Year of disposal	Assets continue to depreciate until disposed or fully depreciated. When the asset is disposed of, a loss on disposal is generally deductible (excluding commercial buildings). While there is no general tax on capital gains in New Zealand, a gain on disposal will trigger depreciation recovery income. No depreciation claim is available in the year of disposal, however, in practice this generally will increase the loss on disposal available or decrease the depreciation recovery income.
Ability to use different methods for different assets	Yes
Ability to switch methods	Yes, a taxpayer can switch between DV and SL methods, however, when switching to SL it requires resetting the basis of depreciation to the assets' adjusted tax value at the end of year instead of depreciating based on cost. No double deductions are permitted.

4. Preferential and enhanced depreciation availability

There are no specific provisions in the New Zealand tax law that grant enhanced deductions for assets. However, a taxpayer may apply to the Commissioner for using a special depreciation rate if they believe that the applicable depreciation rate for an item of depreciable property is not appropriate because of the way in which it is used.

Historically there have been concessions available in New Zealand that are no longer available for new assets, including a 20% depreciation loading, and treatment of assets impacted by natural disasters (for example, earthquakes).

5. Accounting for disposals

In New Zealand, a tax "disposal" of a depreciable asset is broader than simply selling it — it can include events such as compulsory acquisition, permanent removal from New Zealand, certain changes in use or location, termination of intangible rights, irreparable damage, loss or theft not recovered within the same income year, the cessation of deemed ownership of fixtures, or a transfer (e.g., distribution to owners, contribution to a partnership). Insurance proceeds received for the destruction or damage of an asset are treated as disposal proceeds and should be distinguished from insurance proceeds received for business interruption (loss of profits).

Tax effects of disposal

Gain on disposal: If the sale (or deemed disposal) proceeds exceed the adjusted tax value, a taxpayer must recognize the lesser of the total depreciation claimed on the asset since acquisition, or the amount by which the disposal proceeds exceed the adjusted tax value. This amount is included as depreciation recovery income. Where sale proceeds exceed original cost, a non-assessable capital gain may arise.

Loss on disposal: A deduction is generally available, except for on disposals of commercial buildings, which is specifically prohibited in most circumstances.

If assets are disposed of below market value (e.g., to a related party), tax law may require market value to be substituted.

6. Making a claim

Depreciation is claimed on an annual basis through the income tax return which operates on a system of self-assessment.

7. Intangible assets

Intangible assets can be depreciated under the general rules applicable to other depreciable assets, provided they are listed in Schedule 14 of the Income Tax Act 2007 and if they reduce in value over time. Examples include patents, registered designs, resource consents or software copyright — but not goodwill or indefinite-life assets.

Below is a simplified Schedule 14 table, showing key categories of depreciable intangible property (check the ITA for detailed definitions):

Type of asset	Rates/lives
1. Right to use a copyright	SL over legal or remaining life
2. Right to use a design/model/plan/secret formula/process	SL over legal or remaining life
3. A patent or right to use a patent	SL over legal life
4. Patent application (with complete specification)	SL over legal or remaining life
5. Right to use land	SL over term of the right
6. Right to use plant or machinery	SL over term of the right
7. Copyright in software or right to use software	SL or DV
8. Right to use a trademark	SL over legal or remaining life
9. Management/license rights under Radiocommunications Act 1989	SL over legal term
10. Certain Resource Management Act consents	SL
11. Copyright in a sound recording	SL over life
12 and 13. Plant variety rights	SL over term of the right
14. A design registration	SL over legal life
15. A design registration application	SL over expected legal life
16. Industrial artistic copyright	SL over legal life

8. Adjustment for inflation

New Zealand tax legislation does not permit inflation adjustments for depreciation. All deductions are based on nominal cost and prescribed (or special) rates.

Norway

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At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation (*skattemessig avskrivning)*

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

0%–100%

Depreciation method used to calculate tax deduction

Declining-balance, straight-line, residual value

1. Entitlement to claim

The legal owners are generally entitled to claim. Certain leasing/renting arrangements could qualify; however, case-by-case assessments are necessary.

2. Allocation of tangible assets to tax depreciation lives and rates

A depreciation obligation exists for all assets with a useful economic life of at least three years and a value of at least NOK30,000.

Generally, breaking down assets is not required, given that the asset represents one functional and physical unit.

Special rules apply to buildings. Depreciable buildings are subdivided as follows — allocation depends on a case-by-case assessment:

Type of building	Yearly deduction percentage
Buildings and plant, hotels, lodging houses, catering premises, etc.	4%
Office buildings	2%
Permanent technical installations in buildings	10%
Buildings of such simple construction that they must be assumed to have an economic life of not more than 20 years from construction. The same applies to installations with economic lives of not more than 20 years when new.	10%
Livestock buildings in agriculture and forestry	6%

2.1 Assets that qualify for tax depreciation

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plants, including technical ancillary and supplementary installations in industrial facilities	N/A	Declining-balance	4%	
Machinery and equipment	N/A	Declining-balance	20%	
Buildings	N/A	Declining-balance	2%–4% (6%, 10%)	See above
Furniture, fittings and fixtures	N/A	Declining-balance	20%	
Computer hardware and machines for office use	N/A	Declining-balance	30%	
Computer software	N/A	Declining-balance/ straight-line (if stand-alone)	20%–30% — linear over lifespan	Together with the computer/machinery or stand-alone as an intangible asset
Ships, vessels, rigs	N/A	Declining-balance	14%	
Aircraft, helicopters	N/A	Declining-balance	12%	
Heavy goods vehicles, lorries, buses, vans and taxis	N/A	Declining-balance	24%	

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Passenger cars	N/A	Declining-balance	20%	
Lessee's improvement on the rented asset	N/A	Declining-balance/ straight-line	0%–30%	Depends on who becomes the owner of the improvement; follows the ordinary rules for the improved asset if lessee is the owner (declining-balance method)
Dams, tunnels, penstocks and hydropower stations that belong to a power generation facility	N/A	Straight-line	1.5%	Annual depreciation over 67 years
Machinery at hydropower stations, generators, pipes, insulation in shafts/ tunnels, hatches, grates, etc.	N/A	Straight-line	2.5%	Annual depreciation over 40 years
Facilities for the transmission and distribution of electricity and electrotechnical equipment in power enterprises, and such fixed assets used in other business activities	N/A	Declining-balance	5%	
Investments in fixed assets used in extractive (i.e., upstream) activities that are subject to special oil taxation; mainly investments on the Norwegian continental shelf	N/A	Straight-line	16.67% (33.33%)	According to the current petroleum taxation system: Depreciation over six years in the ordinary tax base. The higher rate over three years applies only for production, transportation by pipeline and processing of gas to be liquefied by cooling in a new large-scale cooling facility located in the county of Finnmark or in some specific municipalities in the county of Troms (northern Norway). In the special tax base, investments are written off immediately in line with a cash-flow based taxation model.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Temporary rule: Wind turbines, internal grids and concrete foundation for wind turbines	N/A	Straight-line	20%	Annual depreciation over five years (temporary rules for assets acquired between 18 June 2015 and 1 January 2022)
General rule: Wind turbines, internal grids and concrete foundation for wind turbines	N/A	Declining-balance	20% (gear, rotor generator, control equipment) 4% (tower and foundations) 5% (internal grids)	

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land and roads	Are considered not to have a decreasing value
Artwork, etc.	Is considered not to have a decreasing value
Apartments, living quarters, houses intended for living, etc.	Are considered not to have a decreasing value, even if part of a business activity (such as renting); workmen's houses, "hotels," etc., can be depreciated, however — case-by-case assessment
Shares/equity	No loss incurred before realization (and no tax deduction for company shareholders due to exemption method)

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Costs could be directly deductible if connected to business activity and incurred in an early phase of an asset acquisition. If incurred in a later phase (especially if the target asset has been identified), these costs should normally be capitalized together with the asset.

R&D costs

Costs for own research and development relating to specific projects that may become or have become fixed assets must be capitalized together with the relevant fixed asset.

Land remediation — removing asbestos, etc.

No special rules apply. Treatment depends on the specific conditions and situation in general.

Own labor capitalized

The fair market value of one's own labor should normally be included as taxable income and the same value should be capitalized on the tax cost basis of the asset(s).

Investments in fixed assets used in upstream activities subject to petroleum taxation

Temporary tax stimulus measures were enacted in 2020. The measures apply for investments made in 2020 and 2021, as well as for projects with PUD/PAD delivered by the end of 2022 and sanctioned by the end of 2023, up to the start of production as detailed in the PDO. The effect of the temporary measures will thus have an impact several years ahead.

2.4 Availability of immediate deductions

Description	Detail
Asset with life of less than three years	Equipment with a general economic lifespan of less than three years
Asset with a value of less than NOK30,000	Standardized amount
Repairs	Repairs to conserve the original conditions, including simulated necessary repairs in an upgrade
Investments in fixed assets used in extractive (i.e., upstream) activities that are subject to special petroleum taxation; mainly investments on the Norwegian continental shelf	Immediate deduction of total investments for special tax purposes. Investments are subject to six-year straight-line depreciation for corporate tax purposes.

3. Depreciation and calculation methods

Methods used	Declining-balance, straight-line, residual value
Frequency	Annually
Year of acquisition	Depreciation is calculated for the whole year if held at year-end (some modifications for intangibles — time-limited rights).
Year of disposal	No depreciation is available if not held at year-end (some modifications because some assets are depreciated jointly).
Ability to use different methods for different assets	No
Ability to switch methods	No

4. Preferential and enhanced depreciation availability

- Only repairs and maintenance expenses can be fully deducted immediately.
- Uplift arrangements are discontinued for ordinary investments. Following the temporary tax stimulus measures enacted in 2020, uplift still applies for investments in projects covered by the temporary legislation. The current uplift rate is 12.4% and is deductible for special tax purposes.
- Depreciations of offshore investments used in extractive (i.e., upstream) activities that are subject to special petroleum taxation are started in the year of the investments and not postponed until the asset is finalized/utilized (as for investments in the ordinary regime).

5. Accounting for disposals

Several of the minor assets with high depreciation rates are depreciated jointly in groups. These groups are:
- Office equipment, etc.
- Acquired goodwill
- Heavy-goods vehicles, lorries, buses, vans, taxis and vehicles for the transport of disabled persons
- Passenger cars, tractors, machinery, tools, instruments, furnishings, etc.

If an asset belonging to one of these groups is disposed of, the disposal compensation (if any) reduces the value of the depreciation group (and, therefore, future depreciations).

If the value becomes negative, there is a taxable income. Each year's taxable income will be equal to the negative residual value multiplied by the depreciation rate for the group.

For the following asset types, a separate asset balance must be recorded for each fixed asset:
- Ships, vessels, rigs, etc.
- Aircraft, helicopters
- Facilities for the transmission and distribution of electricity and electrotechnical equipment in power enterprises, and such fixed assets used in other business activities
- Buildings and plant, hotels, lodging houses, catering premises, etc. Plant shall include, *inter alia*, technical ancillary and supplementary installations in industrial facilities, including sewage treatment plant, compressed air plant, cooling systems and similar.
- Office buildings

If such an asset is disposed of, gains and losses are transferred to a gain and loss account.[1]

For the following assets, there is one joint group for permanent technical installations per building:
- Permanent technical installations in buildings, including heating plant, refrigeration and freezing facilities, electrical installations, sanitary installations, elevator installations

[1] If the gain and loss account is positive, no less than 20% of the balance should be recognized as income. If the balance is negative, up to 20% shall be recognized as a deduction.

6. Making a claim

Depreciation is claimed on an annual basis to the tax authority through the income tax return.

7. Intangible assets

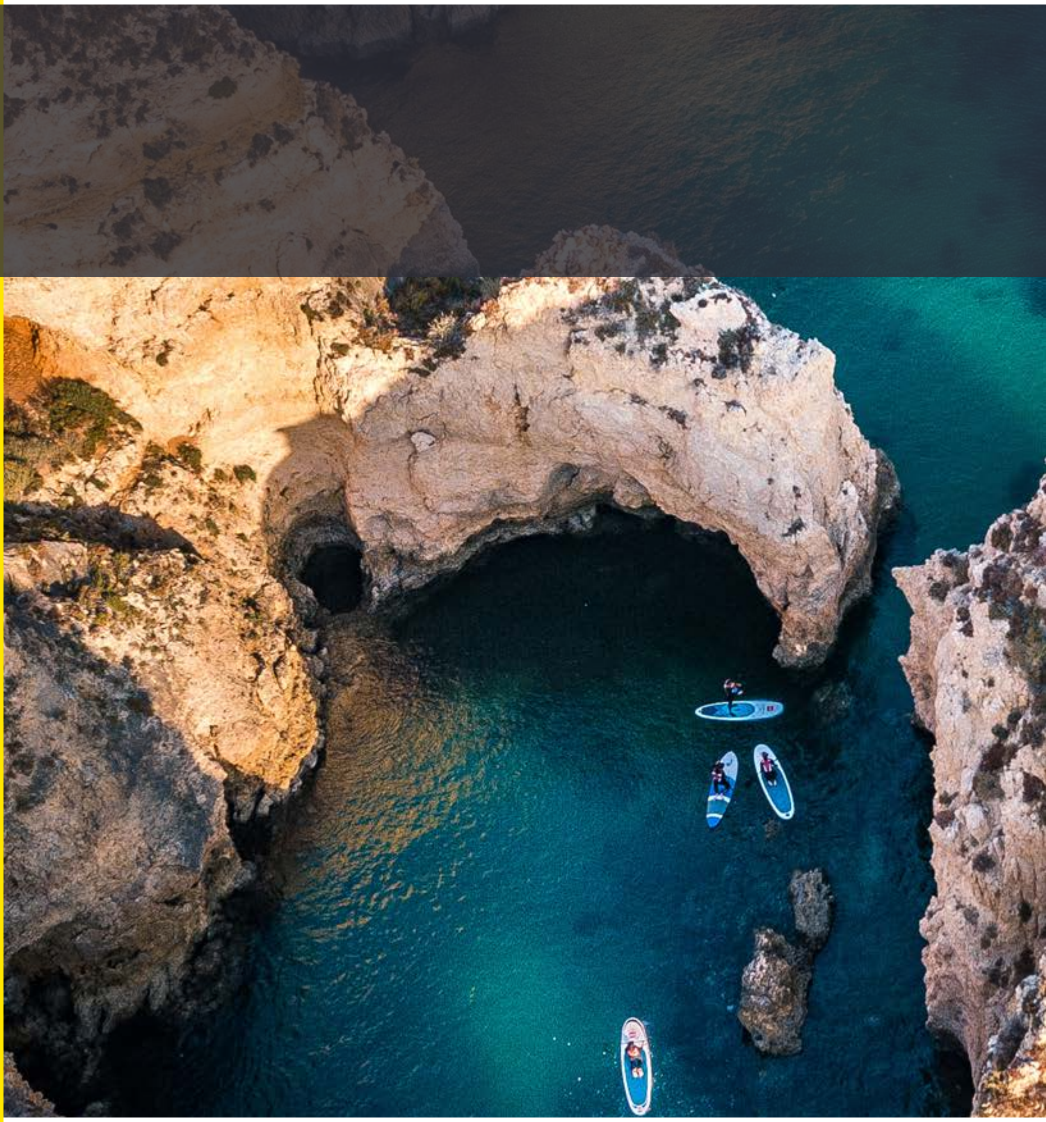
Acquired goodwill (i.e., the residual amount when acquiring a business) can be depreciated by 20% in accordance with the declining-balance method. Self-developed goodwill cannot be depreciated.

Intangible assets with an unlimited economic lifespan cannot be depreciated, except if there is an obvious reduction of value.

Intangible assets with a limited economic lifespan can be depreciated with identical annual amounts over the lifespan of the asset. Higher annual deductions are only granted if the reduction in value is obviously taking place more rapidly.

Type of asset	Rates/lives
Trademarks	Case-by-case assessment
Patents, copyright, design, know-how or similar item	Case-by-case assessment
Goodwill — acquired	20% declining-balance
License or permit	Case-by-case assessment

Portugal



At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

Yes

Range of rates used

1.00%–33.33%

Depreciation method used to calculate tax deduction

Straight-line/prime cost, diminishing (declining) method

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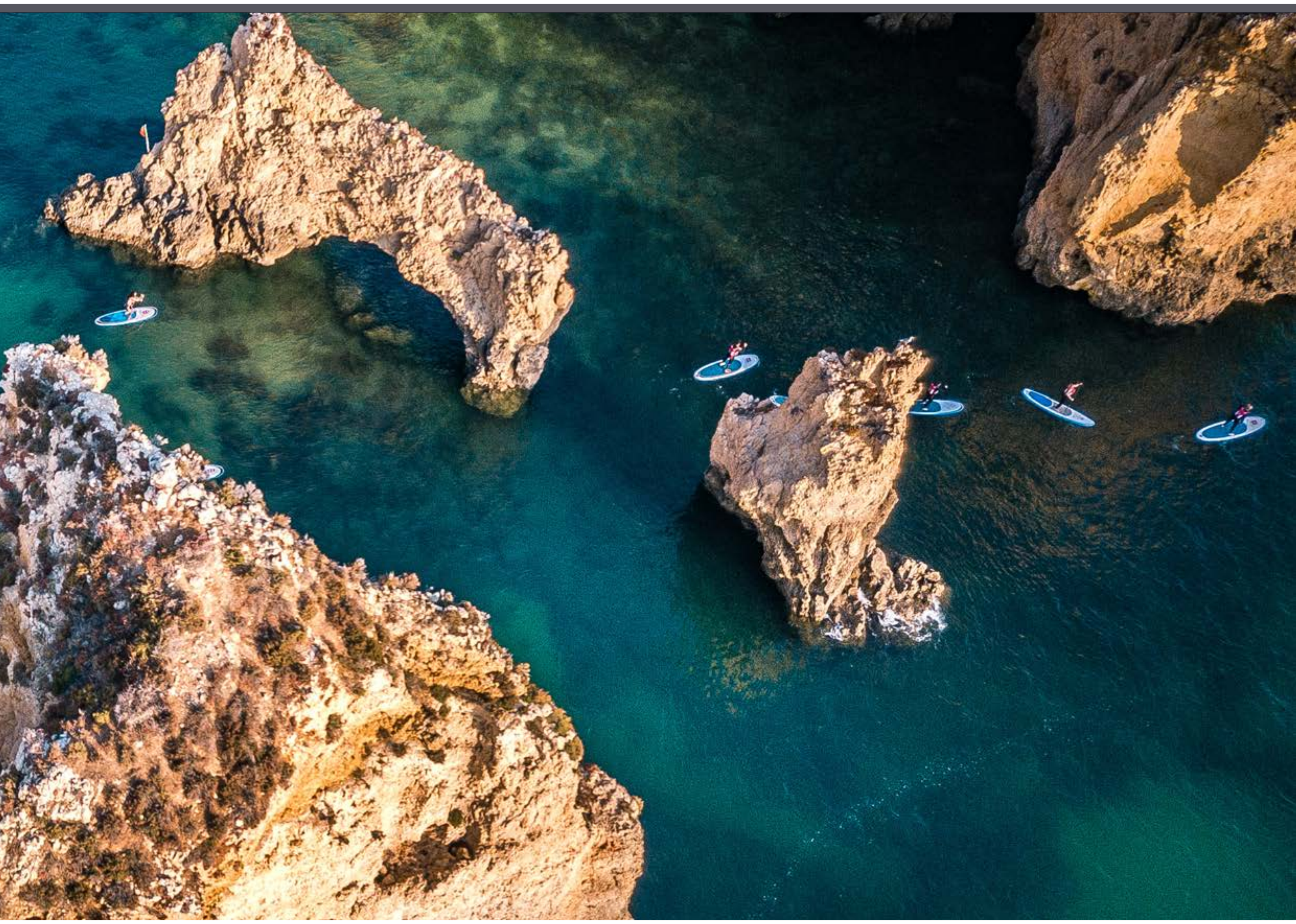

1. Entitlement to claim

Legal owners are entitled to claim depreciation.

2. Allocation of tangible assets to tax depreciation lives and rates

In Portugal, the rate applicable to each asset is established by the Portuguese tax legislation and depends on the type of asset and sector of activity (proxy for the intensity of use).

The Portuguese tax legislation provides a comprehensive table of assets and the applicable rates. The tables can be found in Decreto Regulamentar No. 25/2009. Please note that the table below applies to nonspecific sectors of activity. There are other depreciation rates for specific assets of various industries.

2.1 Assets that qualify for tax depreciation

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment	Plant – 20 years Machinery and equipment – 5-8 years	Generally, depreciation and amortization are calculated using the straight-line method, considering periods of minimum and maximum useful life of the asset, as well as the industry in which the asset is used and the conditions of its use.	Plant – 5% Machinery and equipment – 12.5%-20%	
Motor cars	4 years	Same method as above	25%	
Buildings	10 years	Same method as above	10%	
Furniture, fittings or TV fixtures	8 years	Same method as above	12.5%	
Computer hardware	3 years	Same method as above	33.33%	
Computer software	3 years	Same method as above	33.33%	
Aircraft	5 years	Same method as above	20%	
Transport other than motor cars	Motorcycles – 4 years	Same method as above	Motorcycles – 25%	
Car parks	20 years	Same method as above	5%	
Office equipment (including office furniture and fixtures)	8 years	Same method as above	12.5%	
Land improvements	Flooring – 20 years Seals – 12 years Walls – 20 years	Same method as above	Flooring – 5% Seals – 8.33% Walls – 5%	
Qualified leaseholder improvement property	N/A	N/A	N/A	
Agricultural machinery and equipment	6-20 years	Same method as above	5%-16.66%	
Property used in research and development	Depends on the amount of time of the exclusive use of the property	Same method as above	N/A	

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Land does not qualify, as it is not considered to be a production asset. However, when land is used for exploitation purposes, it may be possible to qualify for tax depreciation, considering only the part subject to exploitation.
Intangible assets	Intangible assets that may be used indefinitely are not subject to depreciation.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

May be added to the costs of the asset and depreciated accordingly

Land remediation — removing asbestos, Japanese knotweed

N/A

Own labor capitalized — work on developing software, for example, or carrying out work on property

Development projects, such as intangible assets, may be subject to depreciation at a rate of 33.33%.

2.4 Availability of immediate deductions for repairs

Assets below EUR1,000 may be written off in the year of acquisition, unless the asset forms part of a bigger asset that should be regarded as the entirety.

Portuguese tax legislation only allows significant repairs or improvements to be depreciated if the repairs or improvements increase the future economic benefits of the assets.

3. Depreciation and calculation methods

Methods used	Straight-line/prime cost, diminishing (declining) method
Frequency	Annually or monthly
Year of acquisition	As noted above, it is possible to choose a monthly basis in the year of acquisition or disposal.
Year of disposal	Depreciation may be claimed on a monthly basis in the year of disposal.
Ability to use different methods for different assets	Portuguese legislation allows two different methods that may be applied to all assets: straight-line/prime cost and double-diminishing (declining) method. These methods may be applied to the assets, but the company is not required to use the same method for all assets. When considering an individual asset, the depreciation method should be the same for its entire life cycle. However, if there is a sound economic change in the asset's use, the methodology and the rate of depreciation may be changed. In this case, the company must obtain the tax administration's authorization.
Ability to switch methods	Portuguese legislation allows the use of different methods in different years. However, the company must justify the reason for the change and ask for permission from the Portuguese tax authorities if the method to be used is different from the two methods allowed by Portuguese tax legislation.

4. Preferential and enhanced depreciation availability and tax credits

4.1 General allowances

Depreciation in Portugal depends on the number of shifts per day the company is in operation. Only assets subject to more intensive use are eligible for accelerated depreciation. This rule is not applicable to buildings and other assets that, because of their nature, are always subject to intensive use.

4.2. Bonus provision and tax credits

a) Special tax regime to support investment (RFAI)

This is a tax credit that is granted to companies that invest in fixed assets.

Form of funding

If there are insufficient profits in any year to use the credit, it can be carried forward for up to 10 years.

Funding quota

Thirty percent of the eligible capital expenditure regarding the investment amount of EUR15 million and 10% regarding the investment amount exceeding EUR15 million, up to a limit of 50% of the tax liability.

Assessment basis

All fixed assets with the exception of land — except when used to operate mining concessions, mineral waters and spring waters, quarries, clay pits and sand pits in mining projects; construction, acquisition, repair and expansion of any buildings, factories or those used for administrative activities; light passenger or mixed vehicles; furniture and accent pieces or decoration, except hotel equipment for tourist operations; social equipment, except equipment that the company is required to have by law; other capital goods not directly and indiscernibly associated with the company's production; investment in intangible assets, consisting of expenditures on technology transfers, in particular through the acquisition of patent rights, licenses, know-how or technical knowledge not protected by patent; salaries and other personnel costs for highly qualified employees.

Main funding conditions

Companies must be established in Portugal and have no debts to tax authorities or social security; taxable income cannot be determined by indirect methods; and job creation is necessary.

Productive investment must be considered an initial investment project. To be considered an initial investment project, the investment project must be related to:

- Creation of a new establishment
- Productive capacity increase in an existing establishment
- Diversification of the production of an existing establishment by producing products that were not produced in that establishment
- Fundamental change of the global production process of an existing establishment

Main funding obligations

Maintain the funded assets for a period of five years in the company, and create and maintain jobs within the same period

Application process

The incentive does not require any formal application. The estimated tax credit is directly included in the corporate income tax return. However, the beneficiaries need to prepare a tax audit support file that will be presented in case of inspection.

b) Productive investment contractual tax benefit

This is a tax credit granted to investment projects that are relevant to the strategic development of the Portuguese economy. The projects should be relevant for reducing regional disparities, encourage the creation or maintenance of jobs, and contribute to driving Portugal's technological innovation and scientific research. This tax credit must be granted through a contractual agreement settled between the company and the Portuguese government and must be presented through an application process. Only investment projects of more than EUR3 million are eligible.

Form of funding

If there are insufficient profits in any year to use the credit, the credit can be carried forward for up to 10 years.

Funding quota

Companies will be able to deduct from 10% to 25% of the eligible capital expenditure, depending on the location of the investment and the number of jobs created by the investment project. The annual utilization of the tax benefit is limited to the maximum between 50% of the year's tax liability or 25% of the tax credit.

Application process

The incentive is attributed through a formal application process prior to the start of the investment project.

Assessment basis

All fixed assets, except for:

- Land, except when used to operate mining concessions, mineral waters and spring waters, quarries, clay pits and sand pits in mining projects
- Construction, acquisition, repair and expansion of any buildings, except factories or those used for administrative activities
- Light passenger or mixed vehicles
- Furniture and accent pieces or decoration, except hotel equipment for tourist operations
- Social equipment
- Other capital goods not directly and indiscernibly associated with the company's production
- Investment in intangible assets, consisting of expenditures on technology transfers, in particular through the acquisition of patent rights, licenses, know-how or technical knowledge not protected by patent
- Salaries and other personnel costs for highly qualified employees for a period of two years

Main funding conditions

Companies must be established in Portugal, have no debts to tax authorities or social security, have taxable income that cannot be determined by indirect methods, and create jobs.

Productive investment must be considered an initial investment project. To be considered an initial investment project, the investment project must be related to:

- Creation of a new establishment
- Productive capacity increase of an existing establishment
- Diversification of the production of an existing establishment by producing products that were not produced in that establishment
- Fundamental change of the global production process of an existing establishment

Main funding obligations

Maintain the funded assets for a period of five years in the company; create and maintain jobs

5. Accounting for disposals

When a company disposes of an asset and performs a sale, a capital gain or loss is realized. Regarding the depreciation that has been tax-deductible, there is no adjustment, and the depreciation is considered in the capital gain or loss computation. However, for assets that have been depreciated using depreciation rates below the minimum (for tax purposes), the computation of the capital gain or loss must consider the minimum depreciation rate.

If a company has scraps as an asset, the dismantling or destruction of the asset is accepted as an expense for tax purposes of the net value of the assets without having to request prior acceptance from the tax authorities, if the tax dossier includes:

- Dismantling, decommissioning, abandonment or destruction of goods, signed by two witnesses, proving the facts leading to the occurrence
- Itemized list of goods scrapped
- Copy of the notice sent to the local tax office, with a minimum of 15 days' notice, communicating the location, date and hour of the scrap

6. Making a claim

Claims are normally made in a written document (i.e., not a part of the formal tax return document) that is presented to the tax authorities.

7. Intangible assets

Intangible assets are amortizable when subject to depreciation, especially because they have a limited time period. Tax depreciation is available for the following intangible assets:

- Expenditure on development projects
- Elements of industrial property (such as patents, trademarks, licenses, processes, designs or other similar rights), acquired against payment whose use is recognized for a limited time

Type of asset	Rates/lives
Trademarks	The depreciation rate is determined by the time period during which the exclusive use takes place.
Patents, copyright, design, know-how or similar item	The depreciation rate is determined by the time period during which the exclusive use takes place. If there is no time period for the exclusive use, the intangible asset will be depreciated for 20 years after the first recognition.
Goodwill	Tax depreciation is not available for goodwill, unless authorized by the tax administration. If acquired in a merger or acquisition, the depreciation will take place in 15 years.
License or permit	The depreciation rate is determined by the time period during which the exclusive use takes place. If there is no time period for the exclusive use, the intangible asset will be depreciated for 20 years after the first recognition.
Development projects	Subject to a depreciation rate of 33.33%

Saudi Arabia

At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

5%–25%

Depreciation method used to calculate tax deduction

Declining-balance

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1. Entitlement to claim

Taxpayers are entitled to claim tax depreciation under the following limitations:

- The asset is not intended for resale; it is to be used, in full or in part, for the entity's purposes.
- The asset is of depreciable nature that loses value because of use or because of wear and tear and obsolescence and has a value extending beyond the end of the taxable year.
- The asset is owned by the business as per ownership documents for buildings, and contracts and invoices for other assets.
- The depreciation should be calculated even if an asset is not used in operation during the tax year.

A lessee, in finance lease contracts, is treated as an owner of the asset for tax purposes. The lessor is not allowed to deduct depreciation for the asset, as this has become the lessee's right.

2. Allocation of tangible assets to tax depreciation lives and rates

Saudi Arabian tax law categorizes the capital assets into five groups/pools as follows:

Group/Pool	Asset Type	Rate
1	Fixed buildings	5%
2	Industrial and agricultural movable buildings	10%
3	Factories, plant, machinery, computer hardware and application programs (computer software), and equipment, including passenger cars and cargo vehicles	25%
4	Expenses for geological surveying, drilling, exploration and other preliminary work to extract natural resources and develop their fields	20%
5	All other tangible and intangible assets of depreciable nature not included in previous categories, such as furniture, planes, ships and trains, and goodwill	10%

2.1 Assets that qualify for tax depreciation

The tax legislation provides a comprehensive table of assets and the rates that must be applied.

Asset type	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment	Declining-balance	25%	
Passenger and cargo vehicles	Declining-balance	25%	
Buildings	Declining-balance	5%	For industrial and agricultural movable buildings, the depreciation rate is 10%.
Furniture, fittings or fixtures	Declining-balance	10%	

Asset type	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Computer hardware	Declining-balance	25%	
Computer software	Declining-balance	25%	
Aircraft	Declining-balance	10%	
Transport other than motor cars	Declining-balance	25%	Passenger and cargo vehicles at 25%; ships and trains at 10%
Car parks	Declining-balance		The law does not specify the depreciation rate. Documents need to be reviewed to determine the tax depreciation rate.
Land improvements	Declining-balance		The law does not specify the depreciation rate. Documents need to be reviewed to determine the tax depreciation rate.
Qualified leaseholder improvement property	Declining-balance	10%	Leasehold improvements are subject to depreciation at 10%.
Agricultural machinery and equipment	Declining-balance	25%	
Property used in research and development	Declining-balance		No special treatment. The law does not specify the depreciation rate. Documents need to be reviewed to determine the tax depreciation rate.
Geological survey, drilling, etc.	Declining-balance	20%	
Build, own, operate and transfer (BOOT) contracts assets	Amortized based on duration of contract	Amortized based on duration of contract	

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Specifically excluded from the law because it is considered to have an indefinite useful life

2.3 Availability of immediate deductions for repairs

Deductions for repairs and maintenance with respect to fixed assets are limited to 4% of the relevant asset category's closing balance; the excess must be disallowed and capitalized in the tax pool for tax purposes.

3. Depreciation and calculation methods

Methods used	Declining-balance; contractual period for BOOT assets
Frequency	Annually
Year of acquisition	In the year of acquisition, 50% of the value of an asset is added to the relevant category. The remainder is added to the asset category in the subsequent year.
Year of disposal	Sale proceeds from disposal reduce the balance of an asset category. The proceeds are split 50/50 in the year disposed of and the subsequent year. Accounting profit or loss arising from disposal of fixed assets is disallowed for tax purposes.
Ability to use different methods for different assets	There is no choice of depreciation method for corporate income tax purposes. The same method should be applied for all fixed assets.
Ability to switch methods	No

4. Preferential and enhanced depreciation availability

There are no specific incentives in Saudi Arabia to reward investment in capital expenditure.

5. Accounting for write-offs/impairment and disposal/ transfers

Any disposal proceeds are adjusted against the relevant asset pool. Accounting losses arising from the write off/ impairment of fixed assets/disposal of assets are disallowed for tax purposes.

6. Transfer of assets between group companies

Certain reliefs are available under the Saudi Arabian tax law for intra-group transfer of assets.

Any accounting gain or loss which arises upon transfer of assets between group companies should not be taxable provided the following criteria are met:

- The companies are wholly owned, directly or indirectly, within the same group.
- The asset should not be disposed of to a company outside the group within two years from the date of transfer.
- The transfer should happen between Saudi resident entities.

7. Making a claim

A taxpayer must attach a prescribed schedule to its corporate income tax return to support the claim for depreciation expense. Underlying supporting documents should be available to substantiate the asset cost/depreciation expense.

8. Intangible assets

Intangible assets are included in group / pool five (5) and amortized for tax purposes as explained in Section 2 above.

9. Depreciation for zakat purpose

Saudi Arabia has two tax regimes (i.e., corporate income tax and zakat) based on company shareholdings. Companies with respect to shares wholly owned by Saudi or other GCC nationals (Bahrain, Qatar, United Arab Emirates, Oman and Kuwait) are required to pay zakat based on their respective share of profit/zakat base according to the zakat regulations.

No adjustment is required to be done to the accounting depreciation for zakat purposes.

The limitation of deductibility of the repairs and maintenance expense discussed in Section 2.3 above is not applicable for calculation of zakat.

Singapore

At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Capital allowances

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

Varying rates, up to 100%

Depreciation method used to calculate tax deduction

Straight-line

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1. Entitlement to claim

A person (includes a company or body of persons) carrying on a trade, profession or business who incurs capital expenditure on the provision of machinery or plant for the purpose of that trade, profession or business is entitled to claim capital allowance on the machinery or plant.

2. Allocation of tangible assets to tax depreciation lives and rates

Capital allowances can be claimed on plant or machinery. The parts of a building that are plant or machinery are eligible for capital allowance claims.

2.1 Assets that qualify for tax depreciation

Singapore's tax legislation provides a prescribed list of assets for which a capital allowance claim is granted on a straight-line basis and is calculated by reference to the number of years of working life.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment	3 years or applicable number of years of working life, depending on nature of asset	Straight-line See also note 1, below table	See note 1	
Motor cars	3 years or applicable number of years of working life, depending on nature of asset	Straight-line See also note 1	See note 1	This generally applies to commercial vehicles.
Buildings	N/A	N/A	N/A	No claim for buildings unless a tax incentive (land intensification allowance) is applied for and granted
Furniture, fittings or fixtures	3 years or applicable number of years of working life, depending on nature of asset	Straight-line See also note 1	See note 1	
Computer hardware	1 year or 3 years or the applicable number of years of working life	Straight-line See also note 1	See note 1	
Computer software	1 year or 3 years or the applicable number of years of working life	Straight-line See also note 1	See note 1	
Aircraft	3 years or the applicable number of years of working life	Straight-line See also note 1	See note 1	For companies with an aircraft leasing scheme, the useful life of the aircraft may be extended up to 20 years.
Transport other than motor cars	3 years or applicable number of years of working life, depending on nature of asset	Straight-line See also note 1	See note 1	
Office equipment	3 years or applicable number of years of working life, depending on nature of asset	Straight-line See also note 1	See note 1	

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Qualified leasehold improvement property	The useful life will depend on the nature of the asset. For example, if it is office equipment, capital allowance will be claimed over 3 years or the applicable number of years of working life.	Straight-line See also note 1	See note 1	Capital allowance on plant or machinery will be granted to the person (lessor or lessee, depending on the type of lease) who incurred the capital expenditure.
Agricultural machinery and equipment	3 years or applicable number of years of working life, depending on nature of asset	Straight-line See also note 1	See note 1	
Property used in R&D	The useful life will depend on the nature of the asset. For example, if it is office furniture, capital allowance will be claimed over 3 years or the applicable number of years of working life.	Straight-line See also note 1	See note 1	

Note 1:

Accelerated capital allowance claim (i.e., written off over one or three years):

- Straight-line basis over one or three years on the qualifying cost incurred
- For plant and machinery acquired in the basis period for the years of assessment 2021, 2022 and 2024, the option is available to accelerate the capital allowance claim over two years as follows:
  - 75% of the cost incurred in the first year
  - 25% of the cost incurred in the second year

  This option, if exercised, is irrevocable.

Capital allowance claim based on number of years of working life:

- Initial allowance of 20% of qualifying cost incurred
- Annual allowance computed (if the asset is in use at the end of the basis period) as follows:
  - (Qualifying cost minus initial allowance) divided by working life

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land, car parks, improvements	Land does not qualify.
Motor vehicle (private cars)	Capital allowance for private cars (with certain exceptions) is specifically prohibited under the Singapore Income Tax Act.
General electrical fittings, lightings, sanitary fittings, etc.	They are considered as being integral to and forming part of the building or structure.*

Please note that the above are some examples of assets that do not qualify for capital allowance claims.

* These expenditures may qualify for a tax deduction on qualifying renovation or refurbishment expenditure, subject to certain conditions and expenditure cap.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

The architect fees, legal fees and planning costs for a building generally do not qualify for capital allowances.

Land remediation — removing asbestos, Japanese knotweed

N/A

Own labor capitalized — work on developing software, for example, or carrying out work on property

Generally, the capitalized labor cost for the development of software qualifies for capital allowance over one year (i.e., 100% over one year), subject to the fulfillment of conditions.

2.4 Availability of immediate deductions for repairs

Tax deduction is claimable on any expenses incurred for repair of premises, plant, machinery or fixtures employed in acquiring the income or for the renewal, repair or alteration of any implement, utensil or article so employed. This is provided that no deduction shall be made for the cost of renewal of any plant, machinery or fixture, which is subject to capital allowance claims, or for the cost of reconstruction or rebuilding of any premises, buildings, structures or works of a permanent nature.

In this regard, repairs and replacements with no element of improvement should qualify for tax deduction. The costs of repairs and replacements are immediately written off when they are incurred.

3. Depreciation and calculation methods

Methods used	Straight-line
Frequency	Capital allowance is calculated on an annual basis (for the whole year) for the year of assessment notwithstanding that the asset may be acquired for less than 12-month period in a tax year.
Year of acquisition	Capital allowance is calculated for the whole year in the year of acquisition.
Year of disposal	A balancing allowance or charge may arise.
Ability to use different methods for different assets	Capital allowance may be claimed based on the number of years of working life or over one or three years (accelerated capital allowance claim).
Ability to switch methods	N/A, unless the company makes an election in the year the company moves out of its pioneer (i.e., tax holiday) tax incentive

4. Preferential and enhanced depreciation availability

Accelerated capital allowances

Accelerated capital allowance (i.e., 100% over one year) may be claimed on certain assets (see table below).

Asset used in	**Comment on specific application and benefits available**
All industries	Computer or other prescribed automation equipment and certain equipment (generator, robot, etc.) qualify for accelerated capital allowance (i.e., 100% over one year).
All industries	Assets with cost not exceeding SGD5,000 individually qualify for accelerated capital allowance (i.e., 100% over one year), subject to a cap of SGD30,000 for any year of assessment.

Enhanced capital allowances

Companies may apply for the investment allowance incentive, subject to conditions wherein allowances of up to 100% of qualifying equipment cost may be granted on top of the normal capital allowance. This is a discretionary tax incentive and requires the taxpayer to go through an application process. If approved, taxpayers may avail themselves of the investment allowance subject to the fulfillment of conditions.

5. Accounting for disposals

The disposal will trigger a balancing adjustment event. A balancing allowance (a deduction) or charge (a taxable item) may arise.

If an asset is scrapped, a deductible balancing allowance (equal to the tax written-down value) will arise if the capital allowance on the asset has not been fully claimed. If the capital allowance has been fully claimed, no adjustments will be made.

6. Making a claim

The claim for capital allowance is made in the income tax return filed with the tax authorities. Supporting documents are required to be maintained to substantiate the claims.

7. Intangible assets

Writing-down allowance is available on capital expenditures incurred by a company from 1 November 2003 to the last day of the basis period for year of assessment 2028 in acquiring qualifying intellectual property rights (IPRs) for use in its trade or business. The transferee must acquire the legal and economic ownership of the IPRs from the transferor, except for cases where approval of waiver from legal ownership has been granted. For qualifying IPRs acquired, the company may elect to claim writing-down allowances over 5, 10 or 15 years.

Subject to the meeting of conditions, the writing-down allowance is enhanced to 400% for the first SGD400,000 of qualifying expenditures incurred on the acquisition of IPRs per year of assessment from years of assessment 2024 to 2028. This enhancement will only be available to businesses that generate less than SGD500 million in revenue in the relevant year of assessment.

Type of asset	Rates/lives
Trademarks	See above
Patents, copyright, design, know-how or similar item	See above
Goodwill	N/A
License or permit	In general, a license fee is tax deductible if incurred for purposes of a trade or business and in the production of income.

Slovakia

At a glance

Terminology used by a jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation for tangible assets/tax amortization for intangibles

Does the tax treatment follow book/statutory accounting depreciation?

Tangible assets — no (other than low-value assets)

Intangible assets — yes (for certain assets)

Range of rates used

2.5%–50%

Depreciation method used to calculate the tax deduction

Straight-line method and accelerated depreciation method

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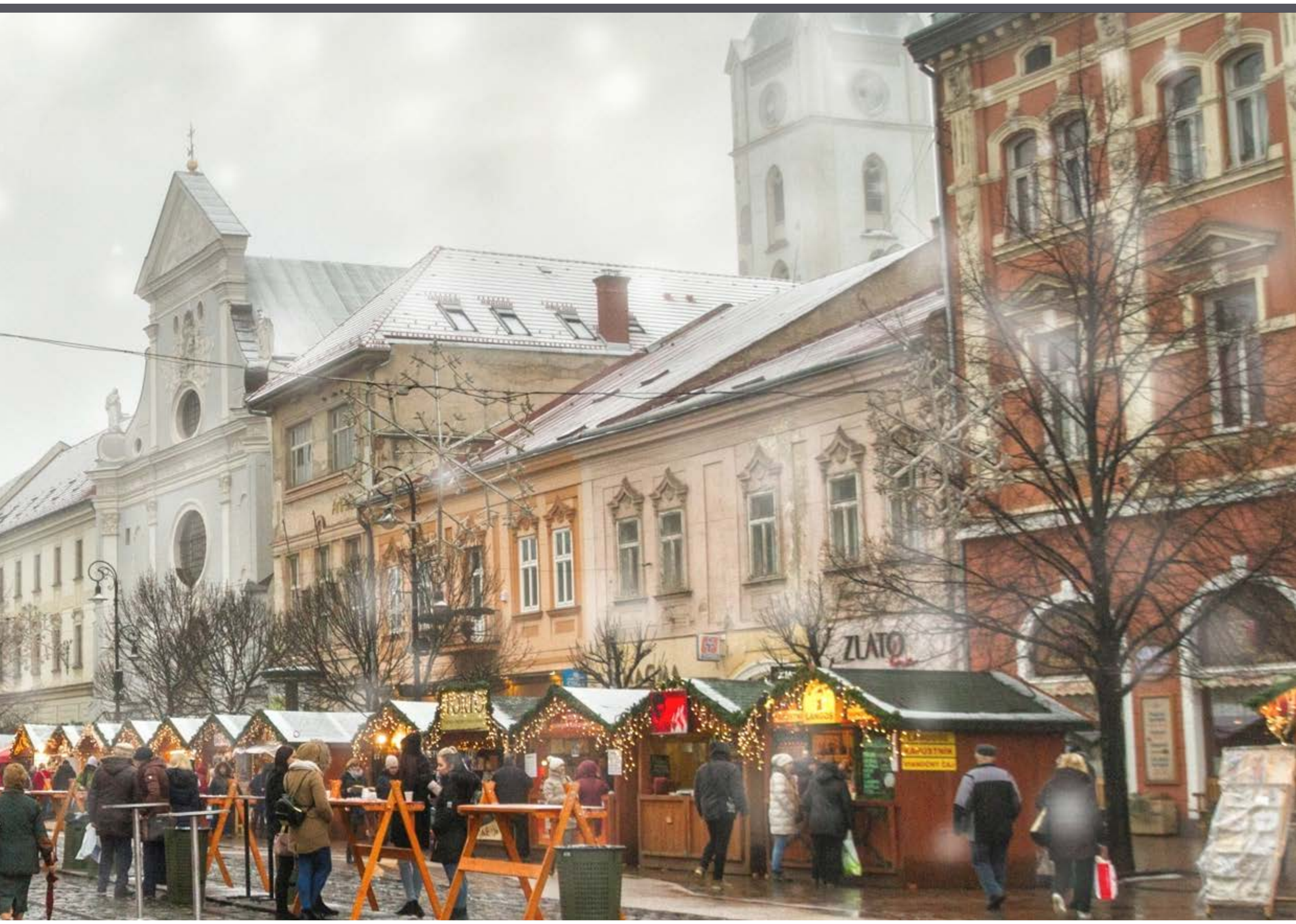


1. Entitlement to claim

In general, Slovak legislation establishes that the entitlement to claim depreciation belongs to the legal owner of the depreciable asset. Taxpayers may depreciate/amortize both tangible and intangible assets recorded in their accounting books or maintained in tax documentation that are utilized to generate taxable income. Furthermore, assets can also be depreciated by taxpayers who do not possess ownership rights in certain cases, provided they account for the assets in accordance with the Income Tax Act (e.g., certain leases or technical improvement of leased property).

Additionally, intangible assets can be depreciated not only by their owners but also by taxpayers who have obtained the right to use these assets for a consideration. This indicates that while the taxpayer does not own the intangible assets, the taxpayer does have the contractual right to utilize them for their business activities.

In accordance with the written agreement between the owner of the leased tangible property and the lessee, the lessee is permitted to depreciate the technical improvements made to the leased tangible property, provided that such improvements were financed by the lessee and that the owner has not increased the acquisition price of the tangible property as a result of these expenses.

2. Allocation of tangible assets to tax depreciation lives and rates

The Income Tax Act classifies tangible assets into depreciation groups, specifying the length of depreciation in years. Generally, the more valuable the asset, the longer it will be depreciated.

The Slovak authorities have released a detailed list, which includes the depreciation rate of each asset type (see below).

General rule — all assets

Assets that make up more than one component/item could be capitalized as one asset if these components/items together form a separate functioning asset for the taxpayer. Separate assets of low value (i.e., below EUR1,700) may be depreciated in the year of purchase for the full-cost price amount. Moreover, tangible assets may be broken down into individual separable components of tangible assets if the acquisition price of each individual separable component is greater than EUR1,700. In the case of buildings and other structures, certain assets may be allocated for separate depreciation to allow for accelerated depreciation, e.g., computer network wiring, air-conditioning equipment, passenger and goods lifts, escalators.

Taxpayers may choose to suspend tax depreciation of tangible assets for an entire tax period, even repeatedly, and subsequently restart the depreciation in following periods without a loss of the total tax depreciation available. Taxpayers can choose tangible assets for which depreciation should be suspended. Note that in certain cases, tax depreciation cannot be suspended, e.g., utilization of investment aid or incentives.

Specific rules — buildings

All assets (e.g., plumbing) that are integral and inseparable parts of a building should be depreciated together with that building as one asset (subject to the limitations applicable to buildings).

2.1 Assets that qualify for tax depreciation

To calculate the amount of tax depreciation, it is essential to know the depreciation group to which the asset belongs. Only long-term tangible assets are classified into depreciation groups. The specific types of assets and their classification into depreciation groups are outlined in Appendix No. 1 of the Income Tax Act.

Asset type	Useful life for tax	Depreciation group	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Residential buildings, hotels, administrative buildings, cultural and educational facilities, and other engineering structures	40 years	Depreciation group 6	Straight-line method	2.5%	
Other buildings not included in prior depreciation group (e.g., manufacturing, logistics, shopping malls)	20 years	Depreciation group 5	Straight-line method	5%	

Asset type	Useful life for tax	Depreciation group	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Prefabricated concrete and metal buildings, tanks and containers made of metal, steam boilers, weapons and ammunition, ships and vessels, recreational boats, railway locomotives, aircraft, military combat vehicles, telecommunication networks, etc.	12 years	Depreciation group 4	Straight-line method	8.33%	
Industrial assets such as electric motors and generators, turbines, cooling and ventilation equipment, etc.	8 years	Depreciation group 3	Straight-line method and accelerated depreciation method	12.5%	The choice of method is upon the taxpayer; it does not derive from legislation. After the method is chosen, it cannot be changed during the depreciation period.
Wooden and plastic prefabricated structures, heating radiators and boilers, knives and tools, other finished metal products, clocks and watches, medical and dental instruments, lifting and handling equipment, etc.	6 years	Depreciation group 2	Straight-line method and accelerated depreciation method	16.66%	The choice of method is upon the taxpayer; it does not derive from legislation. After the method is chosen, it cannot be changed during the depreciation period.
Computers, communication devices, consumer electronics, personal vehicles, motor vehicles for cargo transport, office machines, livestock, etc.	4 years	Depreciation group 1	Straight-line method	25%	
Electric vehicles (BEV) and plug-in hybrid electric vehicles (PHEV), bicycles and scooters with an auxiliary electric motor	2 years	Depreciation group 0	Straight-line method	50%	

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land, surface and underground waters, forests, and caves	Their value is not decreasing; in fact, it tends to increase over time.
Artistic works, movable national cultural monuments, and items of museum and gallery value	Artistic works are excluded from depreciation unless they are part of buildings or structures.
Agricultural assets	Permanent crops that have not yet reached productive age and protective dikes.

2.3 Noteworthy items

Preliminary costs

Costs such as exploratory, geological, geodetic and project work; costs related to the preparation and securing the construction of fixed assets; and induced investments associated with the acquisition of assets prior to their being put into use should be capitalized into the acquisition price of the respective asset and should be depreciated as well.

Costs such as fines, late payment interest, exchange rate differences, and repair and maintenance costs should not be capitalized but rather should be written off as expense.

Land remediation

In certain circumstances, land remediation should be recognized as an asset and depreciated using the time-based depreciation method, whereas the depreciation period should align with the useful life of the asset.

Own labor capitalized — work on developing software

In general, all research expenditure is expensed, whereas development costs are capitalized only from the point in time when certain criteria (criteria loosely following PIRATE criteria as defined by the IAS38 and embedded in the local accounting legislation) are met.

2.4 Availability of immediate deductions

Description	Detail
Low-value assets	Tangible assets with value up to EUR1,700 and intangibles with values up to EUR2,400 should generally be written off as expenses. Should these be depreciated/amortized instead, the tax depreciation should follow the book/statutory accounting depreciation.
Repair/maintenance costs	Costs related to repairs and maintenance should be written off as expenses.

3. Depreciation and calculation methods

Methods used	Straight-line method and accelerated depreciation method
Frequency	Annually
Year of acquisition	In straight-line depreciation, a consistent amount is depreciated annually. The sole exceptions to this rule occur in the first and last years of depreciation if the asset was not put into use in January. In these instances, only a proportional portion of the annual depreciation is applied in the first year, determined by the number of months from the month the asset was put into service until the end of that tax period. According to accelerated depreciation method, depreciation is calculated as follows: ■ During the first year, depreciation is calculated by dividing the acquisition price of the asset by the first-year coefficient applicable to the asset class and prorated according to the number of months from when the asset is put into use until the end of the tax period. ■ In the second and subsequent years, the net tax value (i.e., the acquisition price of the asset minus the accumulated tax depreciation) is first multiplied by two and then divided by the corresponding coefficient, which has been reduced by the number of years in which the depreciation has already been carried out. Coefficients are: ■ Depreciation group 2: 6 in the first year and 7 in the remaining years ■ Depreciation group 3: 8 in the first year and 9 in the remaining years
Year of disposal	In the year of disposal, the residual value of an asset generally represents an expense (tax deductibility of such expense depends on the reason for such disposal). Certain assets such as motor vehicles and buildings belonging to depreciation group 6 (e.g., administrative buildings) are still depreciated in the year of the disposal (proportionally to the months owned).
Ability to use different methods for different assets	Yes, the method of accelerated depreciation allows the taxpayer to depreciate tangible assets classified in depreciation groups 2 and 3. The choice of method for depreciation groups 2 and 3 is upon the taxpayer.
Ability to switch methods	No

4. Preferential and enhanced depreciation availability

The Income Tax Act allows micro-taxpayers[1] to benefit from enhanced depreciation on their assets. Specifically, assets classified in depreciation groups 0 to 4, excluding luxury vehicles with an acquisition price exceeding EUR48,000, can be depreciated at any amount up to their acquisition value. Once these enhanced rules are applied, micro-taxpayers are not allowed to suspend tax depreciation process.

This option is available to legal entities if the asset is utilized during the tax period when the legal entities are classified as micro-taxpayers. Individual taxpayers can also take advantage from this enhanced depreciation, provided the asset is part of their business assets related to income generation. These rules apply to assets acquired on or after 1 January 2021.

[1] Micro-taxpayer – an entrepreneur, self-employed individual or legal entity, with taxable revenues not exceeding EUR60k per taxable period.

5. Accounting for disposals

If a business asset, whether tangible or intangible, is disposed of, the residual value at the time of disposal is defined as the difference between the acquisition value of the asset and the total amount of depreciation that has been recognized as tax expenses for that asset. Generally, depreciation can be claimed in the last year up to the residual value of the asset.

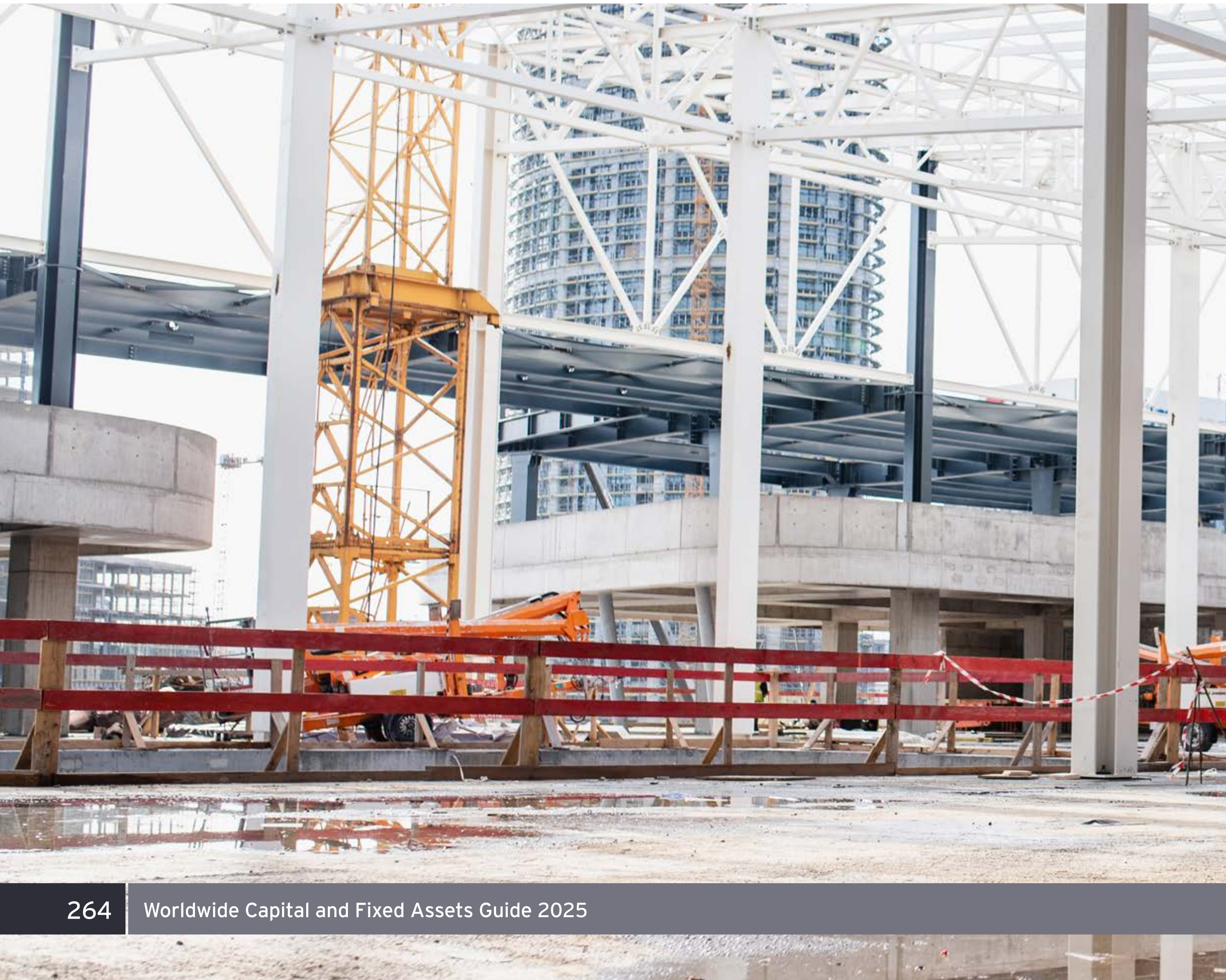
6. Making a claim

A claim for depreciation is made in the income tax return. Taxpayers are required to complete the relevant sections regarding depreciation in their annual income tax returns and to retain supporting documentation for potential future tax audits.

7. Intangible assets

The following conditions must be met for an asset to be classified as an intangible asset:

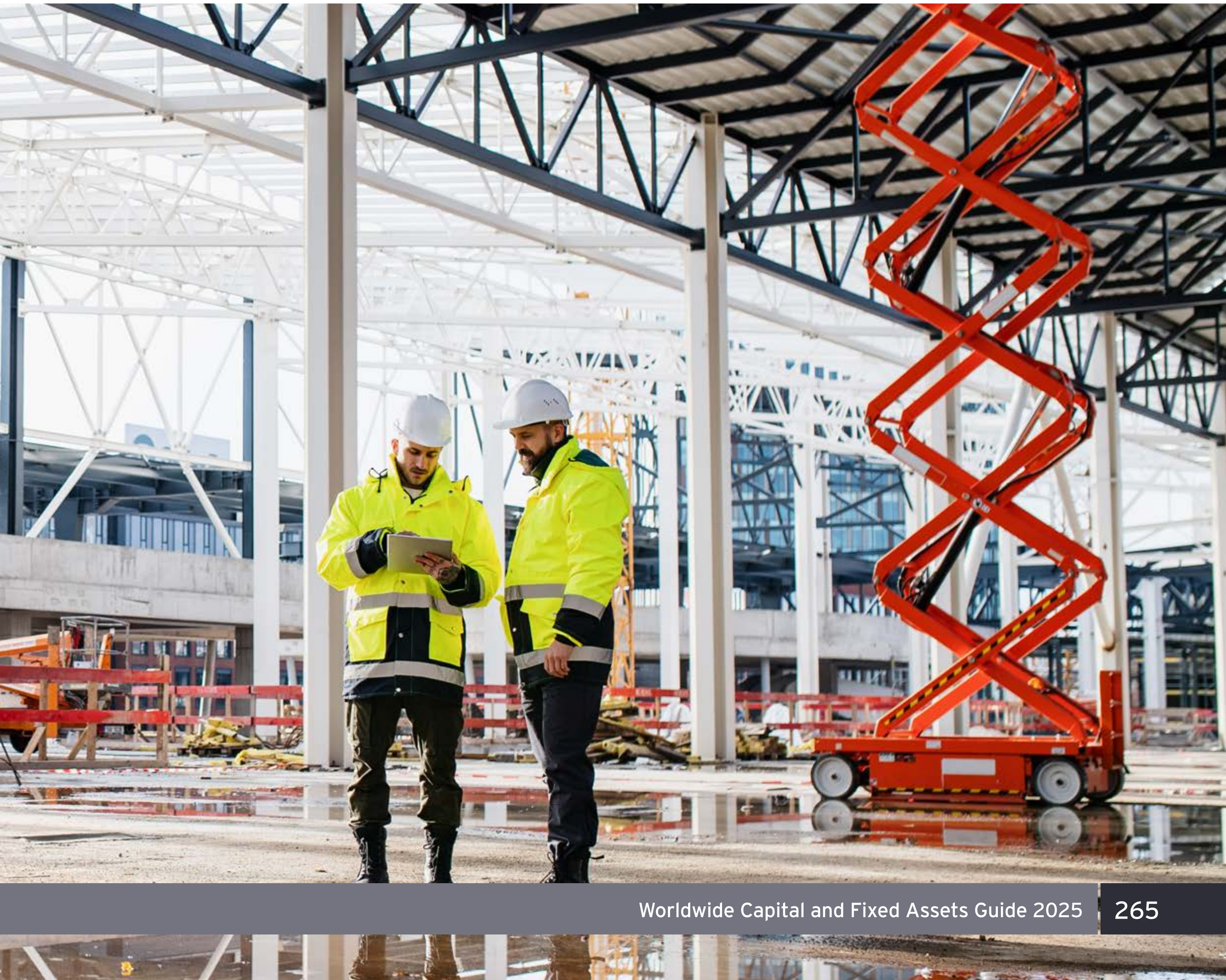
- Acquisition value must be higher than EUR2,400.
- Useful life of asset must be at least one year.



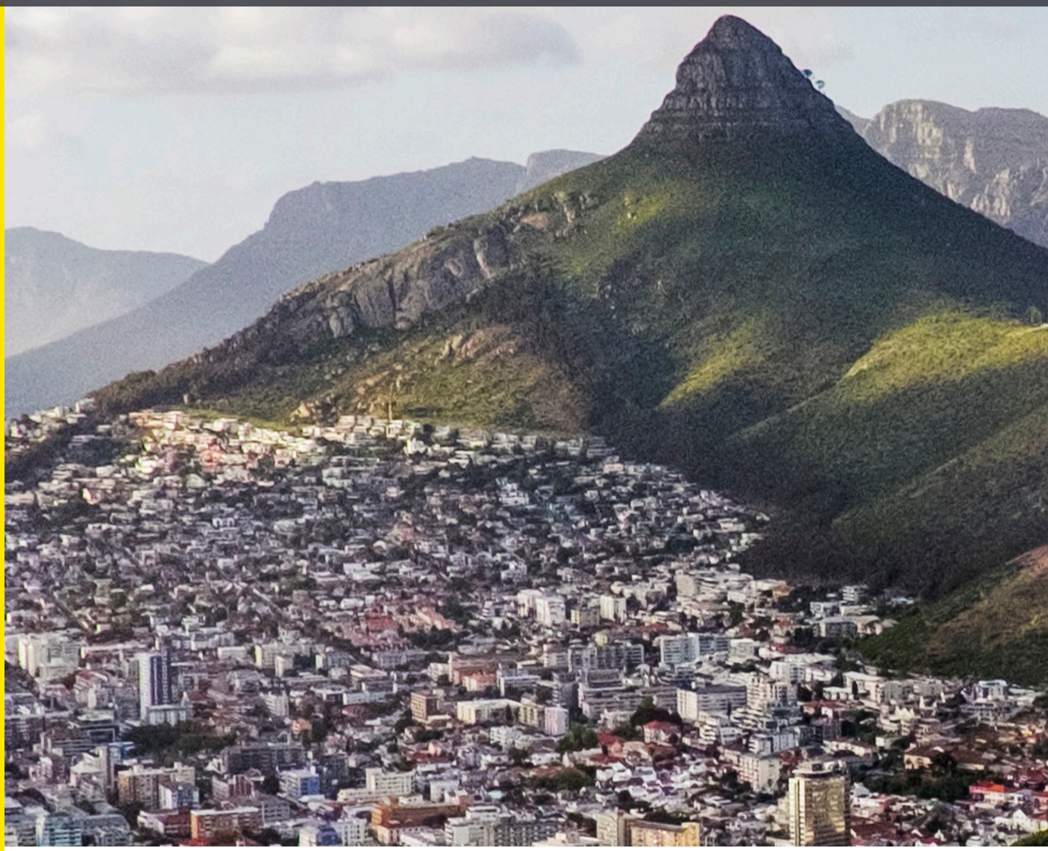
According to the Income Tax Act, intangible assets are subject to tax amortization in line with accounting standards, limited to their acquisition value. This provision enables the entities to determine the depreciation period based on the expected useful life of the asset, similar to the approach taken for accounting depreciation. As a result, the depreciation calculated for accounting purposes will also be applicable for tax purposes.

However, goodwill is treated differently; it is included in the tax base until it is fully accounted for, with a maximum duration of seven consecutive tax years. The annual tax amortization of goodwill must be at least 1/7, commencing from the tax period in which it was recognized.

Type of asset	Rates/lives
Trademarks, patents, copyright, design, know-how or similar item	Based on the expected useful life of assets
Goodwill	14.29%/7 years



South Africa



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At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation is known as wear and tear allowances, capital allowances or depreciation.

Does the tax treatment follow book/statutory accounting depreciation?

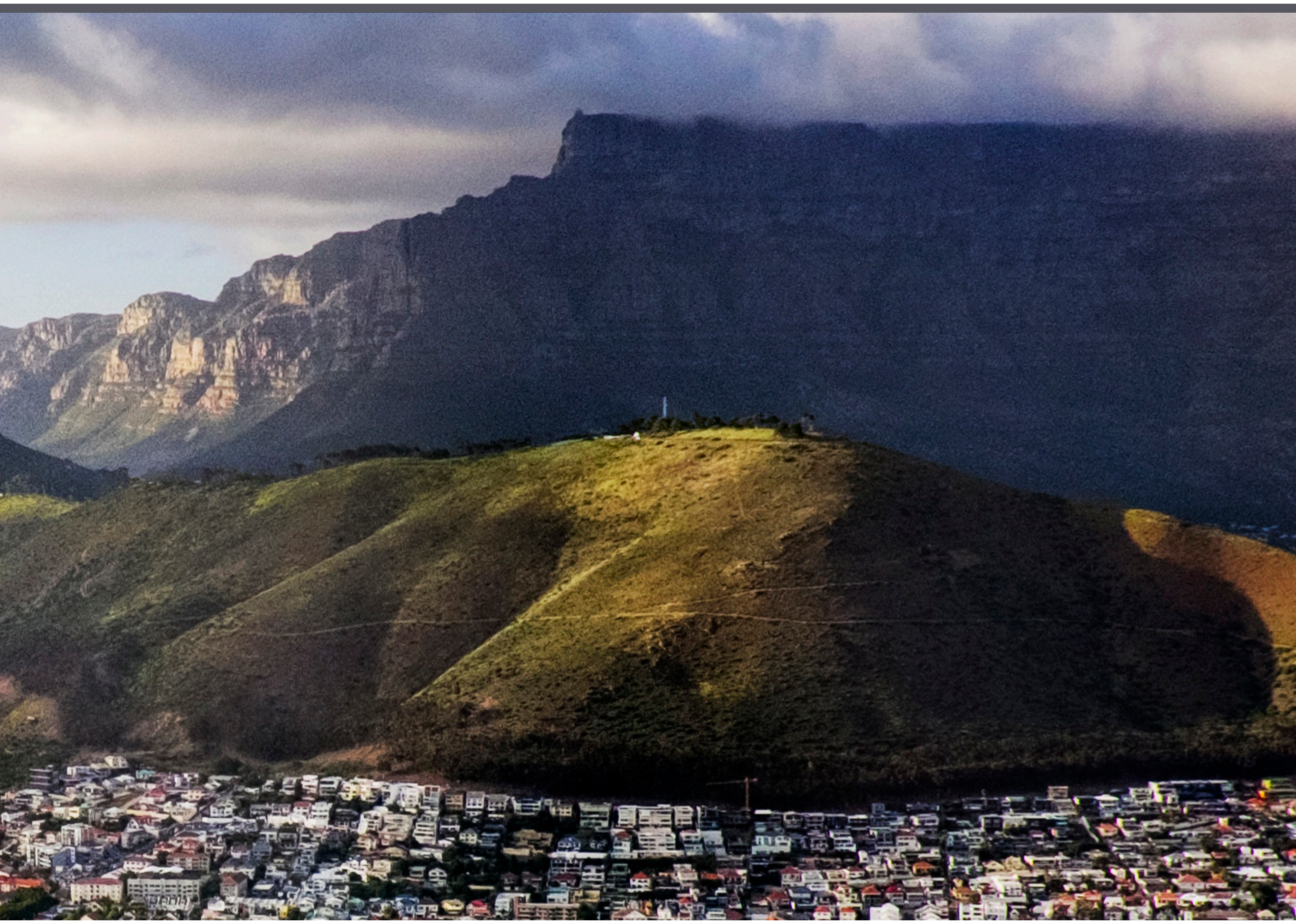
No

Range of rates used

2%-150%

Depreciation method used to calculate tax deduction

Diminishing-value and straight-line



1. Entitlement to claim

Generally, only legal owners of the asset are entitled to claim depreciation, except for:

- Section 11(g) — leasehold improvements such that improvements made by a lessee in terms of a contractual agreement may qualify for deduction.
- Section 13 — improvements made to a leased building, used wholly or mainly in the course of the taxpayer's trade for the process of manufacture, may qualify for an allowance should the improvement not fall within the scope of Section 11(g). Similarly, improvements in respect of buildings used by hotel keepers under section 13bis may qualify for an allowance.
- Section 12N — when the Government or certain exempt entities own the land or building, capital allowances would be allowed on improvements to the land and/or buildings.

2. Allocation of tangible assets to tax depreciation lives and rates

For tax purposes, assets qualify for different sections/write-off periods depending on whether they are permanent or movable. While permanent structures may qualify for building allowances (e.g., Sections 13, 13quin), movable assets (such as heating systems, partition walls, air conditioners, etc.) may qualify for shorter write-off periods in terms of Section 11(e). Furthermore, Section 12C allows for a specific write-off period for assets used in the process of manufacture. Sections 37B and 37C allow for deductions relating to environmental conservation, maintenance and expenditure.

2.1 Assets that qualify for tax depreciation

Useful life and depreciation rates indicated below are a general indication. Specific fact patterns may determine different depreciation rates.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment (used in the process of manufacture)	4–5 years	Specific	40%/20%/20%/20% (new, unused and not apportioned) 20%/20%/20%/20%/20% (not new and unused plant and machinery, not apportioned)	Only applicable for assets used in manufacturing. Lists of processes of manufacture, processes similar to a process of manufacture and processes not regarded as processes of manufacture are detailed in the Income Tax Practice Note 42, which can be found on the South African Revenue Service website (sars.gov.za).
Other plant, machinery and equipment (non-manufacturing)	3–6 years	Straight-line method or diminishing-value method	16.66%–33.33%	Apportioned daily With reference to Interpretation Note 47, the useful life will be dependent on the underlying asset.
Motor cars (passenger vehicles)	5 years	Straight-line method or diminishing-value method	20% per year	Apportioned daily
Buildings and improvements:				
Manufacturing	50/20 years	Straight-line method	2%/5% per year	Not apportioned
Urban development zones	4/5/7/11 years	Straight-line method	8%–25% per year	Not apportioned (only for buildings or part thereof brought into use on or before 31 March 2025)
Residential buildings	50 years	Straight-line method	2% per year and additional 10% once off	Not apportioned
Residential units	20/10 years	Straight-line method	5%/10% per year	Not apportioned
Low-cost residential units	10 years	Straight-line method	10% per year	Not apportioned
Commercial	20 years	Straight-line method	5% per year	Not apportioned
Hotels	50/20/5 years	Straight-line method	2%/5%/20% per year	Not apportioned
Special economic zones	10 years	Straight-line method	10% per year	Not apportioned
Furniture, fittings or fixtures	6 years	Straight-line method or diminishing-value method	16.66% per year	Apportioned daily

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Computer hardware:				
Mainframe/servers	5 years	Straight-line method or diminishing-value method	20% per year	Apportioned daily
Personal	3 years		33.33% per year	Apportioned daily
Computer tablet and similar devices	2 years	Straight-line method or diminishing-value method	50% per year	Apportioned daily
Computer software:		Straight-line method or diminishing-value method		
Purchased	3 years		33.33% per year	Apportioned daily
Personal computers	2 years		50% per year	Apportioned daily
Self-developed	5 years (1 year prior to 24 March 2020)		20% per year	Apportioned daily
Aircraft:		Straight-line method or diminishing-value method		
Light passenger	4 years		25% per year	Apportioned daily
Commercial helicopters	4 years		25% per year	Apportioned daily
Aircraft and ships	4/5 years		40%/20%/20%/20% (new and unused) 20%/20%/20%/20%/20% (not new and unused)	Not apportioned
Office equipment:		Straight-line method or diminishing-value method		
Electronic	3 years		33.33% per year	Apportioned daily
Mechanical	5 years		20% per year	Apportioned daily
Qualified leasehold improvement property:				
Lease premiums	Lease premium/ number of years of lease contract (limited to 25 years)	Straight-line method	Over the term of the lease limited to 25 years	Apportioned monthly
Lessee: leasehold improvements	Stipulated value in contract/number of years of lease contract (limited to 25 years)	Straight-line method	Over the term of the lease limited to 25 years	Apportioned monthly
Farming and agricultural machinery and equipment:				
Buildings (erection, extension, addition or improvement)	1 year	Straight-line method	100%	Not apportioned
Movable assets	3 years	Specific	50%/30%/20%	Not apportioned

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Property used in R&D:				
Buildings	20 years	Straight-line method	5% per year	Not apportioned
Machinery and plant	3 years	Straight-line method	50%/30%/20%	Not apportioned; this was previously claimed under Section 11D but must be claimed under Section 12C going forward.
R&D expenditure	1 year	Straight-line method	150% of qualifying expenditure	Claimed in the year incurred; claiming this super deduction requires preapproval from the Department of Science and Innovation.
Deductions for environmental expenditure:				
Environment treatment and recycling asset (owned by taxpayer)	4 years	Specific	40%/20%/20%/20%	Utilized in the course of trade that is ancillary to any process of manufacture
Environmental waste disposal asset	20 years	Straight-line method	5% per year	Must be required by law to protect environment
Buildings in urban development zones:				If the building is purchased from a developer, 55% of the purchase price will be deemed to be the cost to be used to calculate the allowances.
Erection of new building	11 years	Straight-line method	20% in year 1 + 8% per year for 10 years	
Erection of new low-cost residential unit	7 years	Straight-line method	25% in year 1 + 13% in years 2–6 + 10% in year 7	If the building is improved by a developer, 30% of the purchase price will be deemed to be the cost to be used to calculate the allowances.
Improvements	5 years	Straight-line method	20% per year	
Improvement to low-cost residential unit	4 years	Straight-line method	25% per year	(Only for buildings or part thereof brought into use on or before 31 March 2025.)

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Assets used in production of renewable energy:				
Wind power	3 years	Specific	50%/30%/20%	Not apportioned
Photovoltaic solar energy of:				
■ More than 1 megawatt	3 years	Specific	50%/30%/20%	Not apportioned
■ Not exceeding 1 megawatt	1 year	Specific	100%	Not apportioned
Concentrated solar energy	3 years	Specific	50%/30%/20%	Not apportioned
Hydropower to produce electricity of not more than 30 megawatts	3 years	Specific	50%/30%/20%	Not apportioned
Biomass composed of organic wastes, landfill gas or plant material	3 years	Specific	50%/30%/20%	Not apportioned
Assets used in production of biodiesel or bioethanol	3 years	Specific	50%/30%/20%	Not apportioned
Enhanced deduction in respect of assets used in production of renewable energy Wind power Photovoltaic solar energy Concentrated solar energy Hydropower Biomass composed of organic wastes, landfill gas or plant material	1 year	Specific	125%	Limited period (brought into use between 1 March 2023 and 1 March 2025) and no claim allowed under the small business corporation provisions or the provisions under s12B around assets used in production of renewable energy.
Deduction for motor vehicle manufacturers in respect of buildings, new and unused machinery, plant, implements, utensils and articles used in the production of electric and hydrogen-powered vehicles	1 year	Specific	150%	New allowance effective 1 March 2026 Not apportioned. Assets brought into use on or after 1 March 2026 and before 1 March 2036.

Mining assets and expenditure have separate sections in the South African Income Tax Act (Sections 15 and 36). For tax purposes, expenditure incurred on mining assets may be fully deducted in the year the expense is incurred, subject to certain requirements, such as limitation of deductions to taxable income.

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Land does not qualify.

2.3 Noteworthy items

Preliminary costs — architectural fees, legal fees, planning

Legal fees require analysis to determine whether they are capital or revenue in nature. If capital, the fees can be allocated to the cost of the asset and capital allowances claimed.

2.4 Availability of immediate deductions for repairs, mining assets or small assets

Description	Detail
Assets below a certain value	Small items less than ZAR7,000 can be written off in full in the year acquired and brought into use (subject to certain requirements).
Repairs	See explanation below.
Mining assets	Certain mining assets may qualify for a 100% deduction in the year acquired, subject to certain requirements.

Repairs and maintenance vs. improvements

Section 11(d) provides a deduction for expenditure actually incurred in relation to repairs and maintenance on property and machinery, implements, utensils and other articles employed by the taxpayer for the purposes of trade.

Improvements will be disallowed as an expense, and therefore capitalized to the asset's cost and be written off over the same write-off period as the asset.

3. Depreciation and calculation methods

Methods used	Diminishing-value, straight-line or 40/20/20/20
Frequency	Section 11(e): with IN47 — general wear and tear allowances — daily basis Section 12B: assets used for farming, production of renewable energy and production of biofuels — annually Section 12BA: assets used for generating electricity from renewable energy sources — annually limited to 1 March 2023 to 1 March 2025 for being brought into use Section 12C: assets used by manufacturers or hotel keepers, assets used for storage and packing of agricultural products, and for aircraft and ships, and machinery or plant used for research and development — annually Section 13, 13quin, 13sex, 13sept, 13quat: buildings — annually Section 37B and 37C: environmental expenditure, conservation and maintenance — annually
Year of acquisition	Capital allowances can only be claimed from the date the asset is brought into use and not from the acquisition date. Depending on the type of asset (and section applicable), the allowance can be apportioned daily or be claimed as a percentage for the year.
Year of disposal	Depending on the type of asset (and section applicable), the allowance can be apportioned daily or be claimed as a percentage for the year.
Ability to use different methods for different assets	The taxpayer may elect either the straight-line or diminishing-value method to write off certain assets. The taxpayer may also elect to change the method from straight-line or diminishing-value method without notifying the tax authorities. Proper records must be kept in either case.
Ability to switch methods	See above.

4. Preferential and enhanced depreciation availability

There are numerous incentives available to companies that invest in capital projects during a certain time period (mainly manufacturing entities). These incentives may be cash grants or additional/accelerated allowances.

4.1. Tax allowance incentives

Small business corporations (Section 12E)

A "small business corporation" is:

- Any close corporation or cooperative or any private company as defined in Section 1 of the Companies Act in which all holders of the shares of the entity are natural persons
- A corporation with gross income for the year that does not exceed ZAR20 million

- One in which none of the shareholders or members hold any shares or any interest in the equity of any other company at any time during the year of assessment, other than:
  - A listed company
  - Any portfolio in a collective investment scheme
  - A body corporate or share block company
  - Less than 5% of the interest in a primary savings cooperative bank or primary savings and loan cooperative bank
  - Any friendly society
  - Less than 5% of the interest in a social or consumer cooperative or a burial society
  - A venture capital company
  - A dormant company, close corporation or cooperative
  - A company, close corporation or cooperative in the process of liquidation, windup or deregistration
- One with investment income plus income from rendering a personal service that does not exceed more than 20% of the total of all receipts and accruals of a revenue nature and all capital gains
- A company that is not a personal service provider as defined

Manufacturing assets are 100% deductible in the year that the assets are brought into use.

Non-manufacturing assets are written off over three years (50/30/20) or written off in terms of the allowances provided for in Section 11(e), depending on which one provides the most favorable deduction.

The enhanced deduction in respect of renewable energy (s12BA) has specifically been excluded for small business corporations.

Buildings in special economic zones (Section 12S, read with Section 12R)

A special economic zone (SEZ) is a zone as defined by the Special Economic Zones Act by the Minister of Finance.

A qualifying company, as defined in Section 12R, will be allowed to receive a 10% per year capital allowance on the cost of any new and unused building or any new and unused improvements to buildings owned by the qualifying company, and those buildings or improvements are wholly and mainly used in the production of income within an SEZ in the course of the qualifying company's trade, other than the provision of residential accommodation.

The SEZ incentive is set to expire 1 January 2031.

Pipelines, transmission lines and railway lines (Section 12D)

This relates to expenditure actually incurred on acquisition of or improvements to pipelines, transmission lines or railway lines by the legal owner, or a taxpayer that is not the owner, if the improvement to be changed is the same as the one set out in Section 12N, that is new and unused and brought into use for the first time. Allowances can be claimed as follows:

- 10% per year for pipelines used for transportation of natural oil
- 10% (as from 1 April 2019, previously 6.67%) on any line or cable used for the transmission of electronic communications
- 5% annually for all other affected assets

Industrial policy project additional investment and additional training allowance (Section 12I)

Additional investment allowance

In addition to the allowances already available to manufacturing entities in other sections of the act, an additional allowance may be deducted by applying the following percentages to the cost of any new and unused manufacturing assets (hereinafter referred to as assets) used in an industrial policy project (hereinafter referred to as project):

- 55% of qualifying assets or a maximum of ZAR900 million investment allowance in the case of any greenfield project with a preferred status (100% if located in an SEZ)

- 35% of qualifying assets or a maximum of ZAR550 million investment allowance in the case of any other greenfield project (75% if located in an SEZ)
- 55% of qualifying assets or a maximum of ZAR550 million investment allowance in the case of any brownfield project with a preferred status
- 35% of qualifying assets or a maximum of ZAR350 million investment allowance in the case of any other brownfield project

The Section 12I - Industrial Projects incentive expired on 31 March 2020 without further extension. Therefore, no new applications can be submitted for this incentive. However, for any projects that were approved, the recipient of the incentive still will have to comply with the reporting requirements for the remainder of the compliance period, which ends on the last day of the year of assessment, three years after the year of assessment in which the assets were first brought into use.

Amendments effective 1 January 2020:

- Extension of the time periods to comply with provisions of S12I by an additional two years
- Extension of the "compliance period" by an additional two years
- Both amendments will need to be applied for by the taxpayer; need to demonstrate delay in complying because of the COVID-19 pandemic

Additional training allowance

In the furtherance of an industrial policy project, an allowance limited to ZAR36,000 may be claimed for the cost of training provided to employees. This allowance may not exceed ZAR30 million (for an industrial policy project with preferred status) and ZAR20 million (for any other industrial policy project) within the six-year period from the date of approval.

4.2. Cash grant incentives

Several cash incentives are administered by the Department of Trade, Industry and Competition, and these incentives typically tend to be industry specific. Such cash incentives include, but are not limited to, the following:

Critical Infrastructure Program (CIP) — cash grant

- The CIP offers a minimum grant of 10% to a maximum of 30% of the total qualifying bulk infrastructural development costs, up to a maximum of ZAR50 million.
- For projects that alleviate water and/or electricity dependency on the national grid (investment that is less dependent on national grid), the CIP will also offer a minimum grant of 10% to a maximum of 50%, up to a maximum of ZAR50 million.
- The applicant company must be at least a level 6 B-BBEE contributor (previously level 4) in terms of the Codes of Good Practice for B-BBEE. Should the applicant company not be at least a level 6 B-BBEE contributor, a grace period of 15 months after date of submission of the application is given for it to comply.
- The project must coincide with an investment project (defined fixed investment, expansion or sustain/refurbishment for the existing fixed investment).

Infrastructure that should be considered:
- Electricity lines and substations
- Cogeneration/renewable energy (not part of Renewable Energy Independent Power Producer Procurement Program (REIPPPP))
- Tar roads
- Bridges
- Water systems/reservoirs or purification
- Railway
- Infrastructure that alleviates water and/or electricity dependency on national grids

Agro-processing support scheme

The five key focus areas of agro-processing/beneficiation operation are as follows:
- Food and beverage value addition and processing (particularly Black winemakers)
- Furniture manufacturing
- Fiber processing
- Feed production
- Fertilizer production

Qualifying projects:

- New and existing agro-processing/beneficiation projects

This can involve a wide range of processing or beneficiation activities of post-harvest that result in value addition and/or enhanced:
- Storage life, such as cleaning, sorting, grading and waxing
- Controlled ripening
- Labelling
- Packing and packaging
- Warehousing
- Canning
- Freezing and freeze drying
- Wood carving
- Extrusion
- Synthesizing
- Polymerization
- Various levels of processing that change agricultural product form. The forestry value chain may also include sawing, pulping, peeling and preservation.

Benefits

Approved applicants can qualify for:
- A 20% to 30% cost-sharing grant to a maximum of ZAR20 million
- An additional 10% grant for projects that meet all economic benefit criteria

The grant is available over a two-year investment period.

The minimum amount of investment size to qualify for the grant is ZAR1 million (historical cost of assets less than ZAR10 million) or ZAR10 million (historical cost of assets greater than ZAR10 million).

The grant will offer support on a cost-sharing basis toward qualifying assets, including machinery and equipment, commercial vehicles, buildings and improved costs.

The grant will lead to the ability to claim between 20% and 30% of investment spent on qualifying assets and investment cost (capped at ZAR20 million).

Automotive Investment Scheme (AIS)

The purpose of AIS is to grow and develop the automotive sector through investment in new and/or replacement models and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain. The grant is available to light motor vehicle manufacturers and component manufacturers, deemed component manufacturers or tooling companies.

The benefit is a nontaxable cash grant, and the value is based on the qualifying investment in productive assets. Qualifying investment comprises expenditures on assets owned by the applicant, including:

- Buildings and building improvements
- Plant, machinery and equipment (new and used), including production software
- Competitiveness improvement costs

The percentage varies based on the type of manufacturer, as follows:

- Light motor vehicle manufacturers — 20%
- Component and tooling manufacturers — 25%
- New energy vehicles — 30%

Film and television production

1. Foreign Film and Television Production and Post-Production Incentive

The Foreign Film and Television Production and Post-Production Incentive is available to foreign-owned qualifying productions and post-productions as follows:

- Where there is a minimum Qualifying South African Production Expenditure (QSAPE) of ZAR15 million and above for shooting on location in South Africa, they may qualify for a grant equal to 25% of QSAPE. (An additional incentive of 5% of QSAPE is provided for productions conducting post-production in South Africa and utilizing the services of a Black-owned service company.)
- Where the Qualifying South African Post-Production Expenditure (QSAPPE) is at least ZAR1.5 million for conducting post-production activities in South Africa, the incentive will be calculated at 25% of QSAPPE (additional 2.5% is provided for spending at least ZAR10 million or an additional 5% for spending at least ZAR15 million of post-production budget in South Africa).
- The post-production activities must be carried out in South Africa for at least 14 calendar days, but this can be waived provided that 100% of the post-production is conducted in South Africa. The applicant must have secured 80% of their budget and the holding company and SPCV must achieve at least a level 3 and level 4 B-BBEE contributor status, respectively.
- The incentive program offers a reimbursable grant to the maximum of ZAR25 million per qualifying project.

2. South African Film and Television Production and Co-Production Incentive

The incentive is available to qualifying South African productions and official treaty co-productions if there is a minimum QSAPE of ZAR2.5 million for all qualifying production formats and a minimum of ZAR500,000 for documentaries. At least 21 calendar days and 50% of principal photography must be filmed in South Africa; for productions with a minimum QSAPE of ZAR100 million, this requirement may be waived.

The incentive is calculated at 35% of QSAPE, capped at ZAR25 million per project.

Manufacturing Support Program (MSP)

The MSP is an incentive designed to grow and develop the manufacturing sector through investment in new or expansion manufacturing projects that will create and sustain employment, encourage transformation, and promote localization, especially in new or expansion manufacturing projects that have achieved a Level 1 to 4 B-BBEE rating.

Projects seeking support under the incentive should be able to demonstrate:

- Transformation through supporting enterprises owned by Black persons, women, youth and people with disabilities.
- Create and sustain employment.
- Promote localization using locally produced inputs/raw materials and machinery.

Key qualifying criteria includes:

- Applicants must have a Level 1 – 4 B-BBEE rating.
- Applicants must demonstrate that at least 50% of the production inputs will be sourced from SA producers and at least 10% will be sourced from Black South African producers, unless inputs cannot be produced locally.
- Applicants must apply for the grant before the qualifying expenditure is incurred.
- Assets may be taken into use 30 days after applying for the grant.
- Projects must commence within 180 days from grant approval.

The MSP offers a reimbursable grant of 20% or 30%, the maximum grant offering is R10 million over a two-year investment period.

Other incentives

Tax depreciation method	Comment on specific application and benefits available
R&D tax incentive	Section 12C and Section 11D: ■ Capital assets 50%/30%/20% allowance or 40%/20%/20%/20% or 20% per year over five years ■ Expenditure 100% + 50% additional (i.e., super allowance of 150%)
Assets used in farming or production of renewable energy (Section 12B)	A write-off period of 50%/30%/20% is allowed for the cost of and improvements to the following assets: ■ Assets acquired for use in farming operations ■ Assets acquired for use in the production of biodiesel or bioethanol ■ Assets acquired for use in the generation of electricity from wind, solar power, hydropower and biomass
Energy-efficiency savings (Section 12L)	Section 12L provides for an energy-efficiency savings deduction of ZAR0.95 per kilowatt hour or kilowatt hour equivalent. Taxpayers can deduct all forms of energy-efficiency savings resulting from activities in the production of income, provided they have a certificate issued by an institution, board or body, such as the Minister of Finance, Minister of Energy or Minister of Trade & Industry, all of which will prescribe these regulations.

5. Accounting for disposals

Recoupments (Section 8(4)) are triggered if the proceeds (below original cost price) received on disposal exceed the tax value of the asset. Tax recoupment is included in the taxable income of the taxpayer.

The tax-scrapping allowance will be allowed and deducted from taxable income of the taxpayer if the proceeds received on disposal are less than the tax value of the asset. This will only relate to assets in which the write-off period is less than 10 years, and the asset is a moveable asset. Immovable assets — generally buildings — are excluded from claiming a tax-scrapping allowance.

Capital gains arise if the proceeds exceed the cost.

6. Making a claim

In South Africa, other than for an individual, submission of an annual tax return must be completed within 12 months from the financial year-end. Wear and tear and capital allowances are claimed as part of the income tax returns.

In practice, the tax authority can request that the taxpayer provide supporting documentation, such as audited annual financial statements and supporting schedules of amounts being claimed on the return.

7. Intangible assets

Type of asset	Rates/lives
Trademarks, patents, copyright, design	Section 11(gB) provides a full deduction of expenditure actually incurred for the registration or renewal of registration for trademarks, patents, copyright or designs.
Patents, copyright, design, know-how or similar items	Section 11(gC) provides a 5%-10% allowance per year in respect of expenditure actually incurred to acquire an invention, patent, design, copyright or other similar property. (100% allowance if < ZAR5,000)
Goodwill	No tax deduction is allowed for purchased goodwill.
License or permit	Section 11(gD) provides an allowance for expenditure incurred with regards to government business licenses for the provision of certain products or services over the lesser of the term of the license or 30 years.

Republic of Korea

At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

In principle, yes. Although special rules may be applied in certain circumstances, accounting depreciation is tax-deductible provided it is within the maximum allowable limit computed based on the useful life/depreciation method reported to the tax office.

Range of rates used

Generally, 2.5%–25.0%

Depreciation method used to calculate tax deduction

Declining-balance, straight-line, unit-of-production

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1. Entitlement to claim

Legal owners are entitled to claim depreciation/amortization on assets. In the case of finance leases, the lessee is entitled to claim depreciation/amortization on the leased assets.

2. Allocation of tangible assets to tax depreciation lives and rates

In general, corporations may depreciate tangible fixed assets using the straight-line, declining-balance or unit-of-production (output) depreciation methods. However, buildings and structures must be depreciated using the straight-line method. Intangible assets must be amortized using the straight-line method with a few exceptions for which another depreciation method may apply (e.g., unit-of-production depreciation method may also be used for amortization of mining rights).

A corporation can elect to use one of the depreciation methods and useful lives specified in the tax laws and notify the tax office of its choice in its first annual income tax return. If it does not elect a particular depreciation method or useful life, it must use the depreciation method or useful life applicable to the respective class of asset as designated in the tax laws.

The depreciation methods and standard useful lives for the purpose of calculating the tax depreciation of each respective class of asset are laid out below. In general, useful lives of assets can be selected within the range of standard useful life ± 25% as prescribed in the tax laws.

2.1 Assets that qualify for tax depreciation

The following are standard useful lives and methods of depreciation for fixed assets, including fixtures and furniture (Appendix 5 to the Enforcement Regulations to the Corporate Income Tax Law):

Asset type	Standard useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate
Vehicles and transportation vehicles (excluding vehicles used in transportation, machinery and consumer products lease businesses), tools, equipment and moulds	5 years	Straight-line or declining-balance	20%/45.1%
Ships and aircraft (excluding ships and aircraft used in fishing, transportation, machinery and consumer products lease businesses)	12 years	Straight-line or declining-balance	8.3%/22.1%
Buildings and structures made of bricks, blocks, concrete, adobe, mud wall, wood, wooden mortar, etc. (including attached fixtures)	20 years	Straight-line	5%
Buildings and structures made of steel frame, reinforced concrete, stone, brick, etc. (including attached fixtures)	40 years	Straight-line	2.5%

The following are standard useful lives and methods of depreciation for fixed assets deployed in specific industries (Appendix 6 to the Enforcement Regulations to the Corporate Income Tax Law). For the manufacturing industry, a more specified level of industry should be considered to determine the standard useful life for tax implications.

Industries	Subcategory of manufacturing	Standard useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate
Manufacturing Educational service	Manufacture of leather, luggage and footwear Manufacture of pesticides and other agricultural chemical products	4 years	Straight-line or declining-balance	25%/52.8%
Agriculture, forestry and fishing Mining Manufacturing Sewage, garbage disposal treatment, raw material recycling and environmental restoration Construction Wholesale and retail Transportation Publishing, graphics, broadcasting and information services Finance and insurance Lease (excluding real estate) Professional, scientific and technological services Business facility management and business support services Public administration, national defense and social security Public health and social welfare services Arts, sports and leisure-related services Association and organization, repair and other individual services Employment within family and other uncategorized self-consumption activities International and foreign bodies	Printing and reproduction of recorded media Manufacture of pharmaceuticals, medicinal chemicals and botanical products	5 years	Straight-line or declining-balance	20%/45.1%

Industries	Subcategory of manufacturing	Standard useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate
Manufacturing Mailing services	Manufacture of electronic components, computer, radio, television and communication equipment and apparatuses	6 years	Straight-line or declining-balance	16.6%/39.4%
Manufacturing, construction and transportation industries Lodging and restaurant services Real estate and lease Association and organization, repair and other individual services	Manufacture of magnetic and optical medium Manufacture of apparel, clothing accessories and fur articles Manufacture of rawhides and tanning and dressing of leather Manufacture of chemicals and chemical products (except pharmaceuticals, medicinal chemicals)	8 years	Straight-line or declining-balance	12.5%/31.3%
Agriculture, forestry and fishing Mining Manufacturing	Manufacture of food/beverages Manufacture of textiles, except apparel Manufacture of wooden and paper products Manufacture of rubber, plastic and mineral products Manufacture of electronic coils, transformers and other inductors Manufacture of matches Manufacture of basic metal products Manufacture of other transport equipment Manufacture of furniture Manufacture of electrical equipment and machinery Other manufacturing	10 years	Straight-line or declining-balance	10%/25.9%

Industries	Subcategory of manufacturing	Standard useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate
Manufacturing Transportation	Manufacture of tobacco products Manufacture of motor vehicles, trailers and semitrailers	12 years	Straight-line or declining-balance	8.3%/22.1%
Manufacturing	Manufacture of coke, hard-coal and lignite fuel briquettes and refined petroleum products	14 years	Straight-line or declining-balance	7.1%/19.3%
Electricity, gas and steam		16 years	Straight-line or declining-balance	6.2%/17.1%
Waterworks		20 years	Straight-line or declining-balance	5%/14%

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Land is excluded from fixed assets for tax depreciation purposes.
Assets not used for business	While assets not used for business do not qualify for tax depreciation, idle facilities do.
Assets under construction	Assets under construction are not subject to depreciation.
Assets whose values do not decline over time	Examples include antiquities and fine art pieces.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Incidental costs related to the acquisition of fixed assets are subject to depreciation, as they are included in the acquisition costs of the related assets.

Land remediation

Costs in relation to land remediation are not included in acquisition costs of assets and, hence, are not subject to depreciation.

Capitalization of labor — personnel expenses incurred to develop or improve products, process, systems, etc., prior to commercial production or use

Payroll and other payroll-related costs of employees directly involved in the development are included in development costs and are subject to depreciation/amortization.

2.4 Availability of immediate deductions for repairs

If a corporation deducts expenses incurred for the acquisition of fixed assets or expenditures that should be capitalized, these are deemed asset acquisitions and will also be subject to tax depreciation.

"Capital expenditures" refer to repair costs spent to extend the useful life of depreciable assets of a corporation or to raise the real value of the relevant assets. Capital expenditures shall include the following:

- Restructuring to change the original use
- Installation of elevators or cooling/heating equipment
- Installation of evacuation facilities in a building, etc.
- Restoration of buildings, machinery, facilities and equipment damaged or destroyed by a disaster or accident to the extent that they cannot be used for their original purposes
- Other improvements, expansions or installations that are similar in nature to those listed above

However, if a corporation incurs any of the following repair costs, the repair costs may be expended in the business year in which they occur:

- If the amount expended as repair costs for each asset is less than KRW6 million
- If the amount expended as repair costs for each asset is less than 5/100 of financial book value at the end date of the immediately preceding business year
- If repair costs are periodically expended with intervals of less than three years

Furthermore, acquisition costs of depreciable assets that amount to not more than KRW1 million per unit may be expended as a periodic expense unless the assets are acquired in high volume or are used for the commencement or expansion of business.

3. Depreciation and calculation methods

Methods used	Declining-balance, straight-line, unit-of-production methods
Frequency	Monthly If the business year is less than 1 year, the depreciation amount allowed under the Korean tax laws is the amount calculated by multiplying the allowed depreciation amount by the number of months in the relevant business year and dividing it by 12. In such cases, the number of months shall be calculated by the calendar, and the remaining number of days less than one month shall be deemed as one month.
Year of acquisition	The depreciation of fixed assets can be calculated from the month in which the fixed assets are put into use.
Year of disposal	The depreciation is calculated until the month preceding the month in which the fixed assets are written off or sold.

Ability to use different methods for different assets	The identical method must be applied to the same class of assets.
Ability to switch methods of conditions set by the Korean tax laws	Provided certain conditions prescribed under the Korean tax laws are met, depreciation methods may be changed after obtaining approval from the head of the district tax office.

4. Preferential and enhanced depreciation availability

In any of the following cases, a corporation may apply a useful life that is within a range of plus or minus 50% of the standard useful life upon obtaining an approval from the regional tax office (for fifth and sixth items below, a range of plus or minus 25% of the standard useful life may apply):

- If the degree of corrosion, wear and tear or damage of the assets is considerable due to the nature of the business
- For corporations that have been in business for at least three consecutive years, if the rate of operation of production for the relevant business year is considerably higher than the average rate of operation for the preceding three business years
- If accelerated depreciation of existing production facilities is required on the grounds of the development, distribution, etc., of new production technology and new products
- If operations are suspended or the rate of operation of production facilities is reduced due to changes in economic conditions
- Where the change in useful life is made subsequent to the first year of adoption of the international accounting standards
- If the standard useful life of the depreciable asset is changed in the tax laws

Upon acquiring used assets (i.e., assets that are left with less than 50% of the standard useful life prescribed in the tax law), the company may elect to use a useful life for the used assets that can be shortened to 50% of the standard useful life by filing an application to the district tax office.

Furthermore, if a Korean corporation acquires the following fixed assets until 31 December 2021, accelerated depreciation where a Korean corporation may apply a useful life that is within a range of plus or minus 75% (50% for large companies) of the standard useful life is granted as reward for investment:

- Small- and medium-sized companies with average yearly revenue of less than KRW300 billion for the most recent three years: business-purpose fixed assets, such as machinery, tools, furniture and equipment
- Large companies: research and development (R&D) expenditures and facilities for commercialization of the new growth engine sector technologies, research and testing facilities, vocational training facilities, energy saving facilities and improving productivity facilities

In addition, if a Korean corporation acquires the following fixed assets until 31 December 2024, the corporation is effectively rewarded for its investment by being able to utilize accelerated depreciation, enabling the Korean corporation to apply a useful life that is within a range of plus or minus 75% (50% for large companies) of the standard useful life:

- Energy-saving facilities in accordance with the Energy Use Rationalization Act
- Gray-water facilities under the Act on Promotion and Support for Water Reuse and water-saving equipment and devices under the Waterworks Act
- Facilities for manufacturing parts, intermediate materials or finished products of new energy and renewable energy production facilities in accordance with the New Energy and Renewable Energy Development, Use and Diffusion Promotion Act

5. Accounting for disposals

The difference between the selling price and the book value of the fixed asset (including intangible asset) is recognized as a gain or loss upon disposal.

6. Special depreciation rules for business cars

Business cars

Business cars refer to all vehicles that are subject to individual consumption tax and may be used for both business-related and nonbusiness-related purposes.

Tax treatment and tax deductibility of business-use vehicles

The Korean tax law requires taxpayers to maintain the operation records of a business-use car to deduct expenses related to the business-use car, which include depreciation expense, rental expense, fuel, insurance, repairs, property tax, toll fees and interest expense on the financial lease obligation. In the absence of the operation records, taxpayers shall be allowed to deduct the actual expenses incurred related to the business use of the car or KRW15 million, whichever is less.

This provision for business-use vehicles (see above) does not apply to the following vehicles:

- Vehicles used for transportation business, car sales and lease business, security business, etc.
- Autonomous vehicles with temporary permission from the Minister of Land, Infrastructure and Transport for R&D purposes

Annual depreciation limits

The allowable depreciation per year is limited to the depreciation expense multiplied by the business-use percentage, which shall not exceed KRW8 million per vehicle. The depreciation expense exceeding the limit can be carried forward to subsequent tax years and be deducted when depreciation expenses multiplied by the business-use percentage is less than the tax limit of KRW8 million.

Loss from the disposal of business-use vehicles

Loss from the disposal of business-use vehicles is subject to a deductibility limit, which is KRW8 million per year per vehicle.

7. Making a claim

Tax depreciation is incorporated into the annual corporate income tax return.

8. Intangible assets

The following are standard useful lives and method of depreciation for intangible assets (see Appendix 3 to the Enforcement Regulations to the Corporate Income Tax Law).

Type of asset	Rates/lives
Trademarks	5 years
Patents, copyrights, design, know-how or similar items	Patents (7 years); copyright (depending on the term of copyright); design (5 years); know-how (5 years)
Goodwill	5 years
License or permit	5 years (if treated as goodwill)
Other (please provide details)	**Useful life of 10 years:** Fishing rights, gathering rights under the Submarine Mineral Resources Development Act (unit-of-production method may be used), toll road management rights, irrigation rights, electricity and gas provision facility usage rights, industrial waterworks usage rights, waterworks usage rights and heating provision facility management rights **Useful life of 20 years:** Mining rights (unit-of-production method may be used), telephone and telegraph exclusive-use facility rights, exclusive rail line usage rights, sewage treatment and disposal plant management rights, and waterworks facility management rights **Useful life of 50 years:** Dam usage rights

Spain

At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation or amortization

Does the tax treatment follow book/statutory accounting depreciation?

Yes, for tax purposes, accounting depreciation is tax-deductible provided it is within the maximum allowable limit set by Spain's corporate income tax (CIT) regulations.

Range of rates used

0%–50%

Depreciation method used to calculate tax deduction

Straight-line/prime cost, sum-of-the-years'-digits method, double-diminishing (declining) method — constant percentage, a depreciation plan approved by the Spanish tax authority or accelerated depreciation in certain industries (e.g., mining)

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1. Entitlement to claim

Taxpayers who have registered the assets in their balance sheet are entitled to claim depreciation.

2. Allocation of tangible assets to tax depreciation lives and rates

Tax depreciation should be applied element by element (i.e., companies are required to distinguish between parts of the building and apply lives/rates to each part (furniture, air-conditioning units, etc.)). However, elements that are similar in nature or used in the same way may be depreciated together if it is possible to always know the accumulated depreciation of each element.

Maximum depreciation rates for tax purposes are fixed by law. The rates vary depending on the industry. Spanish tax reform has amended the table of assets and the lives/rates.

2.1 Assets that qualify for tax depreciation

Useful life and depreciation rates noted below are a general indication. Specific fact patterns may determine different depreciation rates.

Asset type	Maximum useful life for tax	Type of tax depreciation method	Maximum applicable tax depreciation rate	Comments
Plant, machinery and equipment	14–40 years	To be chosen by the taxpayer	5%-15%	It depends on the specific kind of asset.
Motor cars	14 years	To be chosen by the taxpayer	16%	
Buildings	68–100 years	Sum-of-the-years'-digits method and constant percentage method (see definitions below) cannot be applied.	2%-3%	It depends on whether the building is used for industrial or administrative purposes. Warehouses are excluded.
Warehouses	30 years	Sum-of-the-years'-digits method and constant percentage method (see definitions below) cannot be applied.	7%	
Furniture, fittings or fixtures	4–20 years	Sum-of-the-years'-digits method and constant percentage method cannot be applied.	10%–50%	It depends on the specific kind of asset.
Computer hardware	8 years	To be chosen by the taxpayer	25%	
Computer software	6 years	To be chosen by the taxpayer	33%	
Aircraft	20 years	To be chosen by the taxpayer	10%	
Transport other than motor cars	10–25 years	To be chosen by the taxpayer	8%-20%	It depends on the specific kind of asset.
Car parks	100 years	To be chosen by the taxpayer	2%	
Office equipment	20 years	Sum-of-the-years'-digits method and constant percentage method cannot be applied.	10%	It depends on the specific kind of asset.

Asset type	Maximum useful life for tax	Type of tax depreciation method	Maximum applicable tax depreciation rate	Comments
Land improvements	N/A	N/A	0%	
Qualified leaseholder improvement property	N/A	N/A	0%	
Agricultural machinery and equipment	18 years	To be chosen by the taxpayer	12%	
Property used in research and development (R&D)				Accelerated depreciation allowed

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	The purchase price of undeveloped land shall include land preparation costs, such as enclosures, excavation, purification and drainage, demolition when required for new building construction, inspection costs and plans drawn up prior to the purchase and, where applicable, the initial estimate of the present value of existing obligations associated with land restoration. Land typically has an indefinite life and is therefore not depreciated. However, when the initial value includes restoration costs, in compliance with the property, plant and equipment standards, this portion of the land shall be depreciated over the period in which it generates economic benefits as a result of having incurred these costs.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Such costs are deductible for CIT purposes provided they comply with the general deductibility requirements, which may be summarized as follows:

- The expense must correspond to a real transaction.
- The expense must be related to the obtaining of income/to the activity performed by the taxpayer.
- The expense must be duly registered in the accounting books.
- The expense must be included in the tax year of its accrual.
- The expense must be duly justified according to the Spanish General Tax Act.
- The expense is not specifically considered as nondeductible according to the Spanish Corporate Income Tax Act.

Land remediation — removing asbestos, knotweed

It should increase the acquisition value of land, but not the deductible value for CIT purposes.

Own labor capitalized — work on developing software, for example, or carrying out work on property

Qualifying R&D capitalized expenses would be deductible for CIT purposes under the free depreciation regime.

2.4 Availability of immediate deductions for repairs

Generally speaking, an item of property, plant and equipment shall be considered impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset, less costs to sell and its value in use. The expense derived from write-offs will not be deductible for CIT purposes.

Spanish regulations distinguish between repairs and improvements. The Spanish General Accounting Plan defines repairs as amounts relating to the upkeep of assets to be registered as an expense, which would be deductible for CIT purposes.

However, costs incurred to renovate, expand or improve items of property, plant and equipment that increase capacity or productivity or extend the useful life of the asset shall be capitalized as part of the cost of the related asset. Therefore, improvements would be tax-depreciated according to the pending useful years, and the depreciation method applies to the linked asset.

For fiscal years 2013 and 2014, for entities with revenue exceeding EUR10 million, a temporary restriction applied to the amortization or depreciation for tax purposes of fixed, intangible and real estate assets. Under this restriction, the tax-deductible expense was limited to 70% of the maximum depreciation or amortization amount, according to CIT regulations.

Depreciation expenses may be taken on a straight-line basis over a period of 10 years (or, if the taxpayer chooses, the asset's useful life) starting from 2015.

3. Depreciation and calculation methods

Methods used	Straight-line/prime cost, sum-of-the-years'-digits method, double-diminishing (declining) method — constant percentage, a depreciation plan approved by the Spanish tax authority or accelerated depreciation in certain industries (e.g., mining)
Frequency	**Annually** Depreciation is calculated on an ongoing basis. For instance, ongoing depreciation will have to be taken into consideration for filing the payments on account for CIT purposes. Listed below are definitions of the abovementioned methods: ■ The **straight-line method** results from the application of linear amortization rates in the officially approved amortization schedules and may be used for any depreciable asset. Companies may use higher rates if they can demonstrate that the actual depreciation is more than what the law allows. Additionally, the mentioned rates may be higher for assets used in more than a single shift worked and for secondhand assets that the company acquired. ■ The **sum-of-the-years'-digits method** may be used for all assets, except building, furniture and household goods. ■ The **constant percentage method** is determined by weighting the linear amortization rate obtained from the amortization period that is officially approved in the amortization schedules by the following rates: ■ 1.5 weighting — should the asset have a useful life less than five years ■ 2 weighting — should the asset have a useful life equal to or more than five years and less than eight years ■ 2.5 weighting — should the asset have a useful life of at least eight years ■ A **tax authority-approved depreciation plan**: On request, tax authorities may grant approval for accelerated depreciation if the company presents a plan specifying the assets, the date and price of the acquisition, the depreciation rates and the annual depreciation allowance desired, and supporting evidence for the granting of such a plan.
Year of acquisition	Generally, depreciation is calculated from the time the asset is brought into operating conditions or purchase. In the year of acquisition, the annual tax depreciation would be proportionally calculated.
Year of disposal	In the year of disposal, the annual tax depreciation would be proportionally calculated. If an asset is owned for only a part of the year, the depreciation is calculated in proportion to the number of months it belonged to the taxpayer.
Ability to use different methods for different assets	The method has to be chosen for each element during its useful life and not by each class of assets.
Ability to switch methods	Under certain conditions, the method may be changed. It has to be justified in the annual account as an exceptional measure. Depending on the cause that required the change, it may impact the previously submitted CIT form. If this is the case, an amendment should be requested or submitted.
Free depreciation regime	The free depreciation regimen is a tax incentive that allows for the acceleration of tax amortizations compared to accounting amortizations through negative adjustments to the accounting result, until the asset is fully depreciated for tax purposes.

4. Preferential and enhanced depreciation availability

Tangible and intangible fixed assets of certain companies (e.g., small- and medium-sized companies, labor-limited companies, mining companies, priority-exploitation companies (*explotaciones asociativas prioritarias*) can be depreciated under an accelerated depreciation regime.

For financial lease contracts, under certain conditions, tax depreciation shall not be higher than the result of applying twice the officially approved linear amortization rate corresponding to such asset. In addition, small and medium-sized companies may apply the coefficient of 1.5 to the specific tax depreciation for financial lease contracts.

Type of asset	Comment on specific application and benefits available
Tangible and intangible fixed assets of workers for incorporated companies and labor-limited liability companies	The assets assigned to the performance of these activities and acquired within the first five years of their qualification can be depreciated under a free depreciation regime.
Assets used in R&D	Tangible and intangible assets, excluding buildings, assigned to development and investigation activities can be amortized under a free depreciation regime.
Buildings assigned to R&D	They can be amortized, in equal parts, for a period of 10 years, if assigned to development and investigation activities.
Industry-specific	Assets used by mining companies
Intangible assets	If it is not possible to make a reliable estimate of an asset's useful life period, the amortization rate for accounting purposes is set at 5%.

In addition, **new fixed assets** can be freely depreciated on an annual basis if their unit cost is below EUR300, with an overall cap of EUR25,000. If the tax period has a duration of less than one year, the limit indicated shall be the result of multiplying EUR25,000 by the proportion existing between the duration of the tax period and the year. The amounts applied to the depreciation allowance shall, for tax purposes, reduce the value of the depreciated assets.

Investments in installations for self-consumption of electricity, as well as installations for thermal use for own consumption, may be freely amortized, provided they use energy from renewable sources and replace installations that use energy from nonrenewable fossil fuel sources. The entry into operation of the new installations must have taken place in 2023 or 2024.

In any case, being able to freely depreciate, in the terms previously indicated, will be conditional upon the total average workforce of the entity being maintained during the 24 months following the starting date of the tax period in which the elements acquired come into operation, with respect to the average workforce of the previous 12 months.

The maximum amount of the investment that may benefit from the free depreciation scheme mentioned above is EUR500,000.

Lastly, Royal Decree-Law 4/2024, dated 26 June 2024, introduced some amendments to the Spanish Corporate Income Tax Law regarding the depreciation of electric vehicles and charging facilities. Specifically, with effect for tax periods beginning on or after 1 January 2024, free depreciation is established for investments in new electric vehicles or in new charging facilities that came into operation in the tax periods 2024 and 2025.

The application of the free depreciation will require compliance with the following requirements:

- Submission of the mandatory technical documentation
- Obtaining the electrical installation certificate issued by the competent Autonomous Community.

5. Accounting for disposals

When a company disposes of an asset for value, any difference between the accounting depreciation and the tax depreciation should be taken into consideration when calculating the tax benefit or loss to be included in the annual tax return. When a company scraps an asset for no value, the tax treatment would be the same, but the price-level adjustment would not be applicable.

6. Making a claim

Tax depreciation is claimed in the CIT return.

Companies must be able to prove the acquisition value with the acquisition contract. In addition, the depreciation could be done by any means allowed by the law.

7. Intangible assets

Generally, intangible assets may be amortized according to their useful life. If the useful life cannot be determined, intangible assets may be amortized with a limit of 5% annually.

Type of asset	Rates/lives
Trademarks	5%
Patents, copyright, design, know-how or similar item	5% for intangible asset with limited useful life (e.g., patents, copyright)
Goodwill	5%
License or permit	5%

Sweden

At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation (*skattemässig avskrivning*)

Does the tax treatment follow book/statutory accounting depreciation?

Only for machinery and equipment when the 30% declining or 20% straight-line method is used

Range of rates used

0%–100%

Depreciation method used to calculate tax deduction

Declining-balance, straight-line (prime cost), residual value

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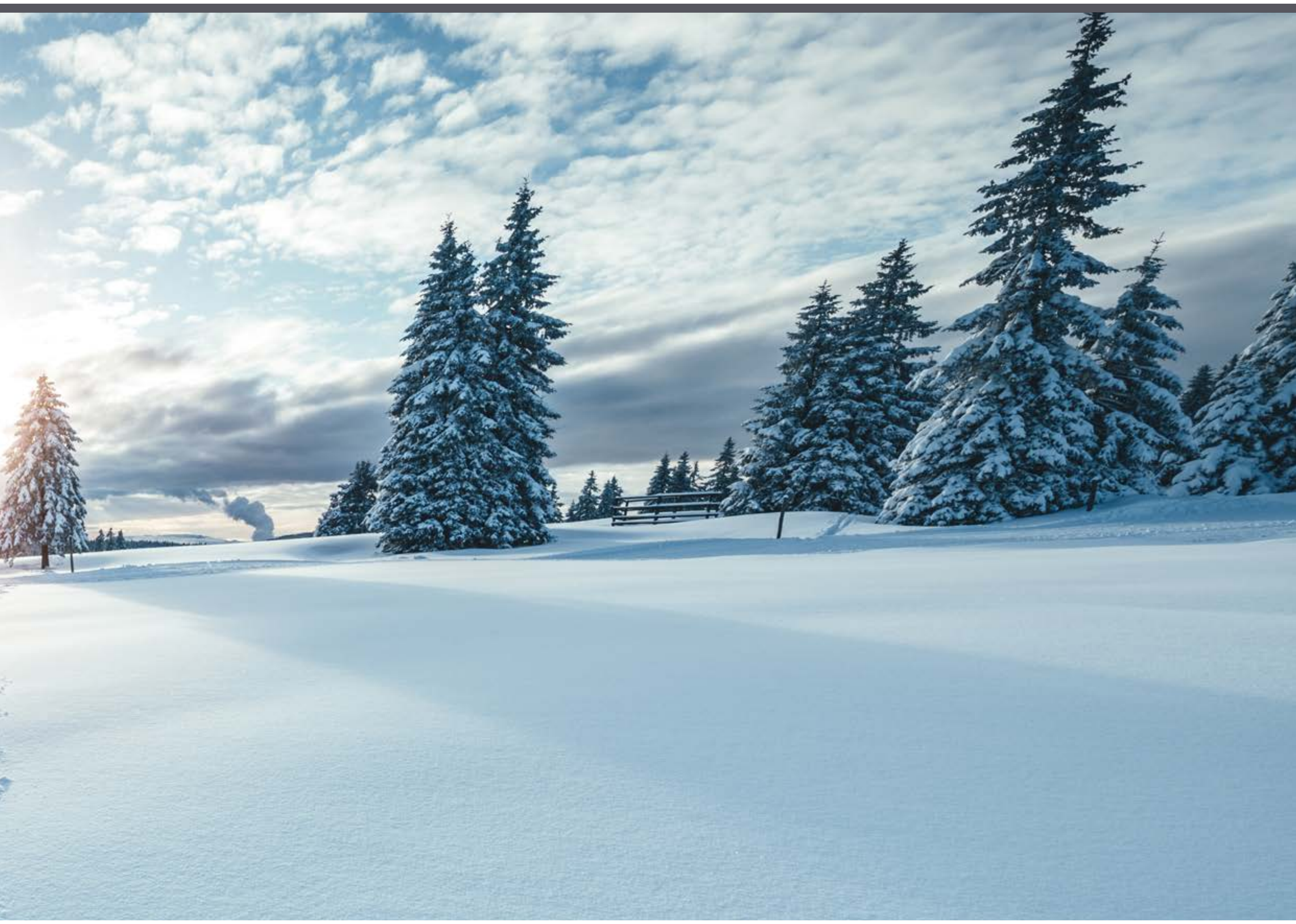

1. Entitlement to claim

The legal owners are generally entitled to claim.

2. Allocation of tangible assets to tax depreciation lives and rates

Generally, companies are not required to break down assets. Special rules apply to buildings: If a building is constructed or purchased, the company should distinguish between parts of the building and segregate these into the depreciation classes defined in the Income Tax Act such as building, building equipment, connection fees, land equipment and land improvements. The annual depreciation of the building itself is determined by the economic lifetimes recommended by the tax authorities for different building categories.

Buildings are subdivided as follows:

Type of building	Yearly deduction percentage
Detached houses	2%
Rental buildings	
Car parks, malls, hotels and restaurant buildings	3%
Stands/kiosks	5%
Other rental buildings	2%
Farm buildings	
Greenhouses, silos, refrigerating buildings	5%
Other buildings	4%
Power plant buildings	
Thermal power generation buildings	4%
Hydroelectric power buildings	2%
Industrial buildings	
Industrial buildings that are not set up for specific use	4%
Other industrial buildings that have only a limited usefulness for any purpose other than that for which they are used, for example, gas stations, cold stores, dairies, slaughterhouses, sawmills and brickworks	5%
Special buildings	3%
Other buildings	
Treat as industrial buildings	

2.1 Assets that qualify for tax depreciation

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate
Plant, machinery and equipment	N/A	Combined declining/ straight-line or declining	30% declining/20% straight-line or 25% residual value
Motor cars	N/A	Combined declining/ straight-line or declining	30% declining/20% straight-line or 25% residual value
Buildings	20–50 years	Straight-line	2%–5% annually
Furniture, fittings or fixtures	N/A	Combined declining/ straight-line or declining	30% declining/20% straight-line or 25% residual value
Computer hardware	N/A	Combined declining/ straight-line or declining	30% declining/20% straight-line or 25% residual value
Computer software	N/A	Combined declining/ straight-line or declining	30% declining/20% straight-line or 25% residual value
Aircraft	N/A	Combined declining/ straight-line or declining	30% declining/20% straight-line or 25% residual value

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate
Transport other than motor cars	N/A	Combined declining/straight-line or declining	30% declining/20% straight-line or 25% residual value
Car parks	20 years	Straight-line	5% annually
Office equipment (including office furniture and fixtures)	N/A	Combined declining/ straight-line or declining	30% declining/20% straight-line or 25% residual value
Land improvements	20 years	Straight-line	5% annually
Qualified leaseholder improvement property	20 years	Straight-line	5% annually
Agricultural machinery and equipment	N/A	Combined declining/straight-line or declining	30% declining/20% straight-line or 25% residual value

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Land does not qualify because the value is not decreasing.
Artwork, etc.	Tax depreciation is not allowed for assets that can be assumed to have a permanent value.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Costs should be capitalized and depreciated in line with the asset to which they relate

Land remediation — removing asbestos, Japanese knotweed

No general rules can be applied. Treatment depends on the specific conditions and situations in general.

Requirements for declining depreciation of 30% or a straight-line depreciation claim of 20%

To make a declining depreciation claim of 30% or a straight-line depreciation claim of 20% per year, the bookkeeping must conform with generally accepted accounting standards, and the depreciation must be in line with the tax treatment. Deductions for depreciation of own labor capitalized can be made if accepted according to generally accepted accounting principles.

2.4 Availability of immediate deductions

Description	Detail
Assets with life of less than three years	Equipment with a general life-span of less than three years, typically mobile phones, etc.
Assets below a certain value	Below half of the standardized amount, currently approximately SEK29,000
Repairs	Repairs to conserve or restore to the original condition
"Extended repairs" on buildings	Extended repairs are changes in a building that are considered minor changes (no significant change to the building or building elements) and are "normal" in the course of business undertaken by the taxpayer making the investment
Assets that are acquired and disposed of in the same year	
Buildings for short-term use	Typically, nonpermanent buildings, an example being temporary huts used at construction sites

Legislation distinguishes between repairs and value-added improvements. Unlike repairs that can be written off immediately, improvements that qualify as value-added improvements are added to the asset's depreciable amount.

Added improvements can, however, be considered as extended repairs. Extended repairs are changes in a building that are considered minor changes (no significant change to the building or building elements) and are "normal" during business undertaken by the taxpayer making the investment.

3. Depreciation and calculation methods

Methods used	Declining-balance, straight-line (prime cost), residual value
Frequency	Annually
Year of acquisition	Depreciation of the asset if held at year-end is calculated, starting from date of use or purchase of the building and in case of land improvements, starting from date of use. Parts of the building qualifying as equipment can be depreciated as of the start of the financial year.
Year of disposal	No depreciation is available if not held at year-end.
Ability to use different methods for different assets	See below
Ability to switch methods	Generally, only one method can be applied. Different methods can, however, be used in different years for machinery, equipment and intangible assets, i.e., it is optional to use declining-balance or straight-line between years and it is possible to change methods throughout the life-span of an asset.

4. Preferential and enhanced depreciation availability

Expenditures connected to repairs and maintenance can be fully deducted immediately. Extended repairs are changes in a building that are considered minor changes (no significant change to the building or building elements) and are "normal" during business undertaken by the taxpayer making the investment.

4.1 Temporary tax reduction for machinery and equipment purchased in 2021

Within the budget bill for 2021, a temporary tax reduction equal to 3.9% of the acquisition value of machinery and equipment acquired in 2021 was announced. This includes so-called building equipment and land equipment. The tax relief will be available in the first tax year ending 31 December 2022 or later and may be factored into preliminary tax calculations from 1 January 2022. The relief is in addition to the rules on depreciation of machinery and equipment.

5. Accounting for disposals

On disposal of an asset, any gains are calculated in reference to the purchase price. Accumulated tax depreciation is added back to income in the year of the disposal. Losses arising on disposals are fully deductible. On demolition of a building, an immediate deduction is only allowed where the entire building, or a clearly identifiable element of the building, is permanently demolished.

6. Making a claim

Depreciation is claimed annually on the income tax return. Additionally, taxpayers have the option to amend and resubmit their tax returns for up to six years retroactively.

7. Intangible assets

Acquired intangible assets, including goodwill, can be depreciated by the same methods as for machinery and equipment: on a straight-line basis at 20% of cost annually, on a declining-balance basis at 30% of book value from previous year or by the "residual tax value" method. Only one method can be used at the same time on the same type of asset. Intangible assets without a time limitation cannot be depreciated at all.

Self-generated intangible assets and goodwill generated from mergers are depreciated in accordance with generally accepted accounting standards. They cannot be depreciated with the abovementioned rates of 20% or 30%. Self-generated goodwill is not treated as an asset on the balance sheet and can never be depreciated.

Type of asset	Rates
Trademarks	30% declining/20% straight-line or 25% residual value
Patents, copyright, design, know-how or similar item	30% declining/20% straight-line or 25% residual value
Goodwill	30% declining/20% straight-line or 25% residual value
License or permit	30% declining/20% straight-line or 25% residual value
Other	30% declining/20% straight-line or 25% residual value

Switzerland

At a glance

Terminology used by the jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation or amortization.

Does the tax treatment follow book/statutory accounting depreciation?

In general, yes according to the authoritative principle (so-called "Massgeblichkeitsprinzip"). If the statutory financial statements comply with commercial law, the authoritative principle serves as a protective function for taxpayers. Deviating from the chosen accounting and valuation methods and amounts is therefore generally only permissible when determining the tax factors to the extent that tax law provides explicit bases and provisions for respective corrections or adjustments. However, the taxpayer may be required to provide commercial justification for these expenses and face their derecognition for tax purposes if justification fails.

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Range of rates used

0%–50%

Depreciation method used to calculate the tax deduction

Straight-line method or declining-balance method (or, on a case-by-case basis, other economically justifiable methods).

1. Entitlement to claim

Generally, the legal owner may be considered entitled to claim depreciation and amortization for tax purposes, if in line with the statutory financial statement. However, economic ownership (e.g., renting or leasing) may be sufficient to recognize assets in the financial statements and therewith also to book and claim depreciation expenses.

According to the Swiss Code of Obligation (SCO) Art. 959 Cipher 2 SCO assets must be capitalized if:

- They are available for use due to past events
- An inflow of funds is probable
- Their value can be reliably estimated

Other assets may not be entered on the balance sheet.

Assets that are expected to be realized (into cash or other means) within one year are usually treated as current assets. Noncurrent assets are assets which are not expected to be realized (into cash or other means) within a one-year cycle. *Current assets* must be impaired individually. For *noncurrent assets*, the Swiss Federal Tax Administration has published accepted safe-harbor depreciation and amortization rates by asset categories (and some selected industries).

To be entitled to a tax claim, assets must be capitalized in the statutory financial statements according to the abovementioned criteria and depreciated or amortized or impaired in a commercially appropriate manner.

2. Allocation of tangible assets to tax depreciation lives and rates

As mentioned above, the Swiss Federal Tax Administration has published safe-harbor rules for the depreciation and amortization of *noncurrent assets* by asset category and for some selected industries (i.e. agriculture industry). The published default rates are applied to the net-book value of noncurrent assets (hence, the declining-balance method is applied). If a taxpayer, however, applies the straight-line method for depreciation and amortization of noncurrent assets, the published safe-harbor rates must be halved.

2.1 Selected assets that qualify for tax depreciation

The below table provides an excerpt of the abovementioned safe-harbor rates published by the Swiss Federal Tax Administration (cf. ESTV Merkblatt A/1995 Geschäftliche Betriebe) for the most common *noncurrent* asset categories:

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Office furniture, workshop and storage facilities with furniture character	n/a	(a) Declining-balance method or (b) straight-line method	(a) 25% (b) 12.5%	
Motor vehicles of all kinds	n/a	(a) Declining-balance method or (b) straight-line method	(a) 40% (b) 20%	
Office machines	n/a	(a) Declining-balance method or (b) straight-line method	(a) 40% (b) 20%	
Computer systems (hardware and software)	n/a	(a) Declining-balance method or (b) straight-line method	(a) 40% (b) 20%	
Intangible assets that serve the business activity, such as patent, company, publishing, concession, license and other usage rights; goodwill	n/a	(a) Declining-balance method or (b) straight-line method	(a) 40% (b) 20%	

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Machines for production purposes	n/a	(a) Declining-balance method or (b) straight-line method	(a) 30% (b) 15%	

2.2 Assets that do not qualify for tax depreciation

Any type of capitalized asset may be subject to tax depreciation, whether it is classified as tangible or intangible. However, some capitalized assets such as land or soil are generally not subject to scheduled depreciation, as they are assumed to have an unlimited useful life. Nevertheless, land or soil can be written off in case of an impairment in exceptional circumstances.

2.3 Noteworthy items

Initial costs

Capitalization of initial costs requires that corresponding external services and/or internal efforts are proven, and that a directly attributable and ascertainable benefit is associated with the corresponding asset. For purchased goods, the acquisition costs apply as the upper value limit, and for self-created goods, the production costs apply as the upper value limit. Acquisition or production costs also include related incidental costs, such as administrative or consulting fees, if they are directly related to the creation or acquisition of the asset.

Land remediation — removing asbestos, Japanese knotweed

Costs incurred solely for maintenance should be charged to the income statement. However, the capitalization of costs for renewals, improvements and conversions is justified if they result in an increase in value or create additional usability.

Self-constructed assets and own labor costs

When fixed assets are produced by the company itself, they are considered as self-constructed assets. Production costs of these self-constructed assets are defined as the costs incurred in their production or through the modification of a previously acquired or self-constructed asset within the company. This primarily includes direct expenses for materials (raw materials, semifinished products, components, accessories, incidental acquisition costs, etc.) and labor (including social costs, vacation compensations, etc.). Additionally, the overhead costs of production, excluding imputed interest on equity, are typically included.

The basis for determining these costs is the company's management accounting and internal calculations. It is important to ensure that no excessive overhead surcharge is considered (for example, in the case of underemployment of the company). Administrative and selling expenses are not included in the production costs of self-constructed assets. Administrative costs must not be capitalized; selling costs do not apply to self-constructed assets. The capitalized value of self-constructed assets should be in line with a comparable price had the asset been procured externally.

2.4 Availability of replacement acquisition

If operationally necessary fixed assets are replaced, hidden reserves can potentially be transferred to the assets acquired as replacements. The prerequisite is that the latter assets are also operationally necessary and are geographically located in Switzerland. Functional equivalence between the replacement object and the disposed object is not per se required. However, taxation remains reserved in the case of replacement of real estate by movable assets.

A replacement acquisition cannot be claimed only by compiling a tax financial statement and filing this statement to the tax return. It must already be reflected in the statutory financial statements by adjusting the value of the replacement object to the extent of the realized hidden reserves.

If a replacement acquisition does not take place in the same business year, a provision can initially be formed to the extent of the hidden reserves. This provision must then be reversed within a reasonable period against the value adjustment on the replacement object, once acquired, or otherwise recognized in profit or loss.

3. Depreciation and calculation methods

Methods used	Straight-line or declining-balance method (other methods only exceptionally on a case-by-case basis).
Frequency	Generally, depreciation or amortization is calculated monthly for simplification purposes.
Year of acquisition	Depreciation and amortization are generally calculated for simplification on an exact monthly basis (*pro rata temporis*). For example, if an asset is acquired in mid-November, the depreciation will be 2/12 of the year amount (year amount is derived from the acquisition costs divided through the years of standard useful life). Nevertheless, a day-by-day calculation is also accepted.
Year of disposal	Generally, in the disposal year, the capitalized asset will be derecognized with the tax book value. The difference between the realized selling price and the tax book value is either a taxable capital gain or a tax deductible loss. Recovered depreciation (i.e., reversal of former depreciation) generally form part of the taxable profit. Capital gains on real estate may be subject to the real estate capital gains tax or ordinary income tax, depending on local/cantonal legislation (not federally harmonized).
Ability to use different methods for different assets	In Swiss accounting practice, there is an option within the abovementioned methods of depreciation and amortization. However, the chosen method should be applied consistently. When evaluating the alternatives of straight-line or declining-balance method, the straight-line method might be deemed as preferred for business management reasons and particularly in the interest of consistency. On the other hand, tax reasons and the principle of prudence may tend to favor the declining-balance method.
Ability to switch methods	In material terms, the application of the constant valuation principles and methods is required. The principles applied in the statutory financial statements must be disclosed in the notes, insofar as they are not prescribed by law. Once a method is chosen, it should generally be retained. A change in method is permissible in justified cases, but must be explained and disclosed in the notes. Examples of such deviations from the principle of consistency include, in particular, changes in the determination of acquisition costs (FIFO, LIFO, average cost method, etc.), changes in the determination of production costs (calculation scheme, cost accounting system, etc.) or changes in the depreciation method (linear, declining balance, performance-based, based on book value, acquisition cost, current value, immediate depreciation).

4. Preferential and enhanced depreciation availability

Asset used in	Comment on specific application and benefits available
Low-value assets	Certain cantons may permit low-value tangible assets to be depreciated immediately down to 20% or even nil in the year acquired provided that such depreciations do not cause substantial reduction in taxable income.
Local regimes	Certain local jurisdictions within Switzerland may allow accelerated depreciation of noncurrent assets for tax purposes, if booked by the taxpayer accordingly. Detailed regulations apply (including recapture rules).

5. Intangible assets

Intangible assets must be capitalized if they are available for use because of past events, if an inflow of funds is probable and if their value can be reliably estimated. Capitalization requires that corresponding external and/or internal expenses are proven, and that the corresponding intangible asset has a directly attributable and identifiable benefit.

For an asset in the development phase, this generally means that at the balance sheet date, a concrete result (for example, in the form of a prototype) is already available, which can be brought to market maturity/readiness both technically and commercially. The company must also be able to finance this final phase until market maturity.

The initial recognition of intangible assets must be carried out at acquisition or production cost. For purchased assets, the acquisition cost applies, and for self-created assets, the production cost serves as the upper value limit. The acquisition or production costs also include the related incidental costs, such as administrative or consulting fees, if they are directly related to the creation or acquisition of the intangible asset.

In the subsequent valuation, the depreciation due to usage and age as well as other value losses due to impairments must be considered. Amortization is measured based on the useful life of the intangible asset in general. In this context, particular attention should be paid to the economic useful life rather than legal criteria such as the copyright protection period. If the useful life of intangible assets cannot be precisely determined, an amortization period of 5 years is often observed, with a maximum period of up 20 years in certain justified cases.

Step-ups in basis due to specific tax regimes (e.g., immigration step-up) may be subject to amortization periods based on pertaining regulations.

Type of asset	Rates/lives
Trademarks	Depends on useful life Certain local jurisdictions within Switzerland may apply an impairment only approach, derecognizing regular amortization, subject to a case-by-case review.
Patents, copyright, design, know-how or similar item	Depends on terms of use, terms of contract, etc.
Goodwill	5 years, but max 20 years (in exceptional cases)
License or permit	Depends on terms of use, terms of contract, etc.

Thailand

At a glance

Terminology used by a jurisdiction to describe the recovery of capital and fixed assets

Depreciation allowances

Does the tax treatment follow book/statutory accounting depreciation?

Yes, provided that the number of years of depreciation under any accounting method is not less than the minimum period of those provided in the tax regulations.

Range of rates used

5%–100%

Depreciation method used to calculate the tax deduction

A depreciation method under any generally accepted accounting method can be used. However, the number of years of depreciation under the selected method must not be less than the minimum period of those provided in the tax regulations.

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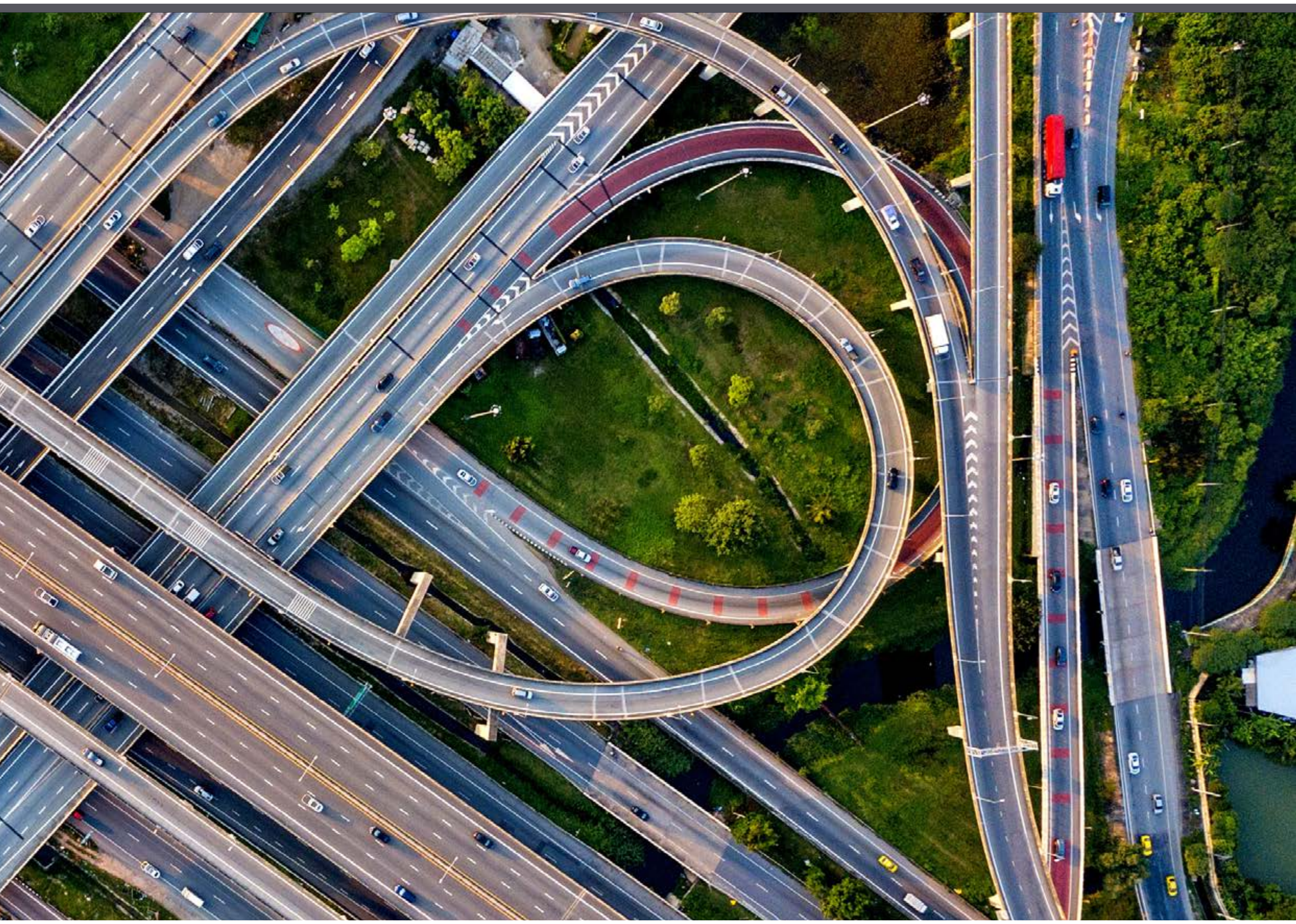

1. Entitlement to claim

Legal corporate owners of fixed assets, including holders under hire-purchase or installment sale agreements, are entitled to claim depreciation allowances when the fixed assets are ready for use.

2. Allocation of tangible assets to tax depreciation lives and rates

Depreciation must be based on the historical cost of an asset acquired, using generally accepted accounting methods. Depreciation shall be made in proportion to the number of days since acquisition in the accounting period. If any accounting period is less than a duration of the full 12-month period, a proportionate adjustment shall be made for the accounting period.

2.1 Assets that qualify for tax depreciation

For tax purposes, the depreciation period must not be less than the minimum period of those provided in the tax regulations applicable to each asset type as follows.

Asset type	Minimum depreciation period	
	General company	SME[1]
Building	20 years	20 years or 20 years with 25% up front on the acquisition date for factory buildings that are purchased or acquired ownership for the purpose of business operation (excluding self-constructed factory buildings).
Acquisition cost of depletable natural resources	20 years	
Computer hardware and software	3 years	3 years or 3 years with 40% up front on the acquisition date
Cash register used for issuing abbreviated tax invoices by retail business or other businesses	A choice among 5 years, 5 years with 40% up front depreciation and 1 year	
Furniture, fixtures, machinery[2], equipment[2], motor vehicles and others not mentioned above	5 years	5 years or 5 years with 40% up front depreciation for machinery and its parts

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	By nature, land is not subject to depreciation allowance.
Inventory	Inventory is not considered fixed asset used in business operation. Rather, it will become a cost of sale upon sale completion.
Assets under construction	Assets under construction are not considered ready for use and therefore shall not be subject to depreciation.

[1] SME (small and medium enterprise) is defined as a company or juristic partnership with fixed assets (excluding land) of no more than THB200 million and with no more than 200 employees.

[2] For machinery and equipment used for technological research and development, a company or juristic partnership can claim up-front depreciation at 40% on the acquisition date. The remainder is depreciated over a period of at least 5 years.

2.3 Noteworthy items

Passenger cars (seating up to 10 persons)

Depreciation base for passenger cars seating up to 10 persons is capped at THB1 million. The excess is neither depreciable nor claimable as costs/expenses upon disposal for tax computation purposes. However, this does not apply for vehicles used in the car rental business and qualified prototype cars.

Assets acquired under hire-purchase agreements

Depreciation of assets acquired under hire-purchase agreements must be based on the entire amount (including interest element) payable under the agreement. The depreciation claimed for a period plus the accumulated depreciation brought forward from the previous period cannot exceed the cumulative total of the hire purchase price paid up to the end of that period.

2.4 Availability of immediate deductions for repairs

Repair and maintenance expenses are generally deductible for corporate income tax purposes, provided that they are not expended for any improvement or extension of fixed assets' useful lives.

3. Depreciation and calculation methods

Methods used	Depreciation method under any generally accepted accounting method can be used, provided the number of years of depreciation must not be less than the minimum period of those provided in the tax regulations.
Frequency	Annually Depreciation is calculated based on the number of days from acquisition until disposal.
Year of acquisition	Depreciation shall be made in proportion to the number of days since the acquisition of assets in the accounting period.
Year of disposal	Depreciation shall be made in proportion to the number of days until disposal of assets in the accounting period.
Ability to use different methods for different assets	For the same asset type, the depreciation method shall be the same.
Ability to switch methods	Prior approval from the Director-General of the Revenue Department must be obtained for change in depreciation method.

4. Preferential and enhanced depreciation availability

Please see minimum depreciation period in the above tables for both tangible and intangible assets.

5. Tax treatment for fixed asset disposals

Loss on fixed assets sold or destroyed is generally deductible for corporate income tax purposes provided that the residual value or net book value (NBV) is at tax base (NBV = Cost – Tax accumulated depreciation). However, when fixed assets become obsolete or useless, a company or juristic partnership is not allowed to write off the entire residual value and treat it as expenses for corporate income tax purposes. Instead, should those fixed assets be sold or destroyed in compliance with tax regulations, a company or juristic partnership may then treat the residual value as tax-deductible expense.

6. Making a claim

Tax depreciation shall be deducted as expenses when calculating the net profit for corporate income tax and declare in the tax return. All the supporting documents (i.e., fixed assets register, invoice, receipt, etc.) shall be made available for tax audit purposes.

7. Intangible assets

For tax purposes, the depreciation period must not be less than the minimum period of those provided in the tax regulations applicable to each asset type as follows.

<table>
<tr><th rowspan="2">Asset type</th><th colspan="2">Minimum depreciation period</th></tr>
<tr><th>General company</th><th>SME</th></tr>
<tr><td>Leasehold rights</td><td colspan="2">■ Lease period plus any renewal periods
■ 10 years if there is no lease agreement, or period of use is unlimited</td></tr>
<tr><td>Trademarks, goodwill, licenses, patents and copyrights or other rights</td><td colspan="2">■ Period of use if period of use is limited
■ 10 years if period of use is unlimited</td></tr>
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Türkiye

At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

Yes

Range of rates used

1%-50%

Depreciation method used to calculate tax deduction

Straight-line, double-diminishing (declining), depreciation in mines or extraordinary depreciation

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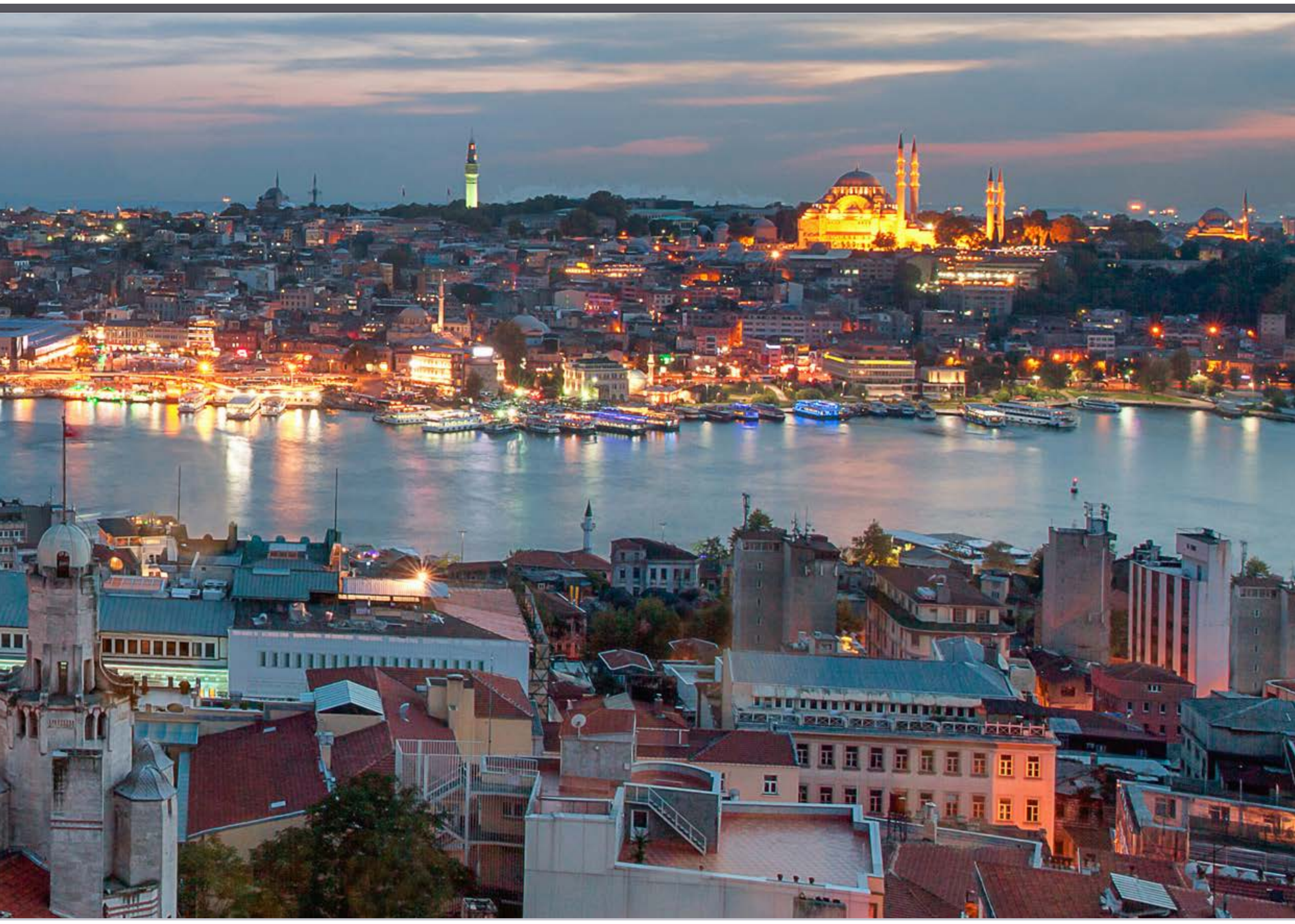


1. Entitlement to claim

As a general rule, legal owners of assets are entitled to claim depreciation.

However, if one or more of the following conditions is met, those who lease assets are also entitled to claim depreciation for these assets. In such cases, the subject asset is recorded as right in legal books, but for depreciation purposes, economical useful life determined for the asset leased is considered:

- Transferring ownership of the asset to the lessee at the end of leasing period
- Providing the lessee with a right allowing it to purchase the asset with a value that is less than its market price at the end of leasing period
- Setting a leasing period that is longer than 80% of the economical useful life of the asset
- Adding the sum of present values of lease payments to be made under leasing agreement being higher than 90% of the market price of the asset

2. Allocation of tangible assets to tax depreciation lives and rates

Granted the authority by Tax Procedure Code, the Ministry of Finance determines economical useful lives that should be considered while calculating depreciation based on the nature of asset and sector in which the asset subject to depreciation is used.

The Ministry of Finance has released a very detailed list that is approximately 730 lines and includes economical useful lives for assets used in different sectors. If an asset for which depreciation is claimed is not covered in this list, the taxpayer is required to ask the Ministry of Finance officially to determine the specific economical useful life for this asset.

2.1 Assets that qualify for tax depreciation

The table below lists corresponding assets for which single economical useful life is determined by the Ministry of Finance.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate
Plant, machinery and equipment	By reference to complex listing		
Motor cars	Five years	Straight-line or double-declining method	20%
Aircraft	Six years	Straight-line or double-declining method	16.66%
Car parks	15 years (40 years for multistory-parking buildings)	Straight-line or double-declining method	6.66% (2.5% for multistory-parking buildings)
Land improvements	15 years (8 years for roads)	Straight-line or double-declining method	6.66% (12.5% for roads)
Qualified leaseholder improvement property	Leasing period would be useful life (in case no leasing period is set, five years)	Straight-line method	In case economical useful life is five years, 20%

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Vacant land	Vacant land does not qualify for tax depreciation because it is stipulated so in the Tax Procedure Code (assets that are not subject to wear and tear or devaluation are not covered in depreciation application). Conversely, orchards formed in agriculture businesses, as well as lands on which buildings, roads or canals are established (the subject portion of the land that would be included in the cost of the building, road or canal and for which depreciation is claimed) qualify for tax depreciation.

Types of assets	Explanation
Fixed assets under construction	Expenditures made for a fixed asset are to be followed up in fixed asset under construction accounts and not subjected to depreciation until the construction of the relevant asset is completed and the asset becomes ready for use. Expenditures aggregated in fixed asset under construction accounts should be capitalized in (transferred to) relevant fixed asset accounts once the construction is completed and the asset becomes ready for use. The term of depreciation shall begin in the year when the construction is completed and the capitalization is realized.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Expenditures incurred for making an asset ready to be used should be included in the cost of this asset in addition to acquisition value and subjected to depreciation. For example, customs duties, transportation and assembly expenses for machinery and equipment are expenses that should be included in the cost of the integral parts and accessories of immovable, installations and machinery, ships, and other means of conveyance.

For constructed or manufactured assets, their building and production expenses shall serve as their acquisition value.

Taxpayers shall be free to include the expenses incurred in connection with notary public, court, valuation, commission, brokerage and real estate transfer, and special consumption taxes in the cost value to be subjected to depreciation or to treat them directly as general expenses.

Expense limitation of automobiles

A maximum of 70% of the expenses and VAT corresponding relevant amount related to passenger cars can be deducted as an expense in the determination of net income in terms of income and corporate tax (except for those whose activities are in the rental or operation of passenger cars in various ways used for this purpose).

The expense restriction for daily rental of passenger cars is TRY37,000 (excluding VAT) for 2025.

With respect to the acquisition of passenger cars from 2025, a maximum of TRY990,000 of the sum of special consumption tax and VAT and a maximum of TRY1,100,000 of the cost excluding these taxes can be taken into account as an expense in the determination of net income in terms of income and corporate tax.

Revaluation of fixed assets

Taxpayers can revaluate their assets at the rate of the Domestic Producer Price Index. Taxpayers who revaluate their assets within this scope are able to continue to depreciate these assets over the values found after the revaluation. This revaluation can also be deducted each year.

Inflation accounting

Taxpayers should revaluate their assets standing at the end of 2025 at the rate of the Domestic Producer Price Index. Taxpayers who revaluate their assets within this scope can continue to depreciate these assets over the values found after the revaluation.

Land remediation — removing asbestos, Japanese knotweed

Expenditures arising from the demolition of an existing building upon its acquisition and the leveling of its plot (land remediation) should be included in the cost of the immovable, in addition to the purchase price. Therefore, if a new building is constructed on this land, the mentioned expenditures should be added to the cost value of the new building that shall be subject to depreciation.

Own labor capitalized — work on developing software, for example, or carrying out work on property

The cost of manufactured assets shall include the following elements:
- The cost of primary and raw materials used for creating the manufactured asset
- The cost of labor involved in the production of an asset
- The portion of general production expenses corresponding to the asset
- Any other expenses related to establishment of the asset

2.4 Availability of immediate deductions

Description	Detail
Assets with life less than a certain period	Assets with life of more than one year and subject to wear and tear or devaluation should be redeemed through depreciation. Assets with life of less than one year can be treated directly as expense. Economical useful lives are determined by the Ministry of Finance.
Assets below a certain value	This value/limit is set as TRY9,900 for 2025. This limit is considered collectively for assets constituting unity and integrity from economical and technical aspects.
Repairs	Regular maintenance, repair and cleaning expenses shall be regarded directly as expense.

- Regular repair refers to repair that does not enhance assets and increase their economical values continuously.
- Other than regular maintenance, repair and cleaning expenses, expenses incurred to enhance assets or continuously increase their economic values shall be added to the cost of these assets and redeemed through depreciation.
- For example, expenses incurred to increase the speed of a ship, to expand or modify its passenger and cargo storage capacity at the time of its acquisition, thus enhancing its economic value, or to replace the engine or body of a land transportation motor vehicle or to incorporate a new component that it did not have at the time of its acquisition are expenses that must be included in the cost.

3. Depreciation and calculation methods

Methods used	Straight-line method, double-diminishing (declining) method, depreciation in mines or extraordinary depreciation, on daily (pro rata) basis depreciation method (that is, if an asset is capitalized through the year, it is needed to depreciate for only that daily basis portion of the year capitalized).
Frequency	Annual or daily frequency can be selected.

Year of acquisition	Depreciation application regarding an asset is initiated with the capitalization of this asset. Except for passenger cars, even if an asset is capitalized on the last day of a year, depreciation calculated for the whole year of acquisition can be claimed in that year. Depreciation for passenger cars has specific rules.
Year of disposal	No depreciation is calculated for the year of disposal.
Ability to use different methods for different assets	Different methods can be applied to different assets without limitation. The same method must be applied for all assets that create unity and integrity from economical and technical aspects.
Ability to switch methods	It is not possible to switch from the straight-line method to another method once this method has been initiated. However, it is possible to shift from the double-declining method to the straight-line method. The new method shall be considered as from the period related to the tax return containing this statement. In the case of switching from the double-declining method to the straight-line method, the portion of value that has not been depreciated yet shall be depreciated in equal portions by being divided by the remaining term of depreciation. It is also not possible to switch from the daily basis depreciation to any other method.
Useful lives	It is free for taxpayers to choose to extend the amortization periods (only if it does not exceed 50 years and twice the useful life determined by the Ministry of Treasury and Finance).

4. Preferential and enhanced depreciation availability

Research and development (R&D) and innovation expenditures

The following expenses are considered within the scope of R&D/design and innovation activities:

- Raw material and supplies expenses
- Depreciation
- Personnel expenses (i.e., salaries and wages)
- General expenses
- Benefits and services obtained from the outside (cannot exceed 20% of total R&D and innovation expenses)
- Taxes, duties and charges that are directly related to R&D activities
- All R&D and innovation expenditures incurred in "R&D or design centers" or in projects supported/approved by the Scientific and Technological Research Council of Türkiye (TUBİTAK):
  - If the R&D center achieves at least a 20% increase compared with the previous year in any one of the indicators below:
    - Ratio of the R&D or design expenditure to the total turnover
    - Number of national or international patents registered
    - Number of projects supported internationally
    - Ratio of the number of researchers with graduate degrees to the total number of R&D personnel
    - Ratio of the number of total researchers to the total R&D personnel
    - Ratio of the turnover generated from new products derived from R&D activities to the total turnover
  - Half of the increase of the R&D and innovation expenses of the current year (compared with the previous year) is also considered within the scope of the R&D reduction.

The above cases shall be treated as deduction in the determination of taxable corporate profit. R&D deduction amounts that may not be deducted due to insufficient income are carried forward to subsequent fiscal periods. Expenditures in the scope of R&D and innovation activities shall also be depreciated through amortization by being capitalized under the Tax Procedures Code. (The depreciation rate is 20%.) In total, 200% of the relevant expenditures would be treated as deduction from the corporate tax base (100% as R&D deduction and the other 100% through depreciation).

Under the Law, "R&D center" is described as the units within equity companies, the legal or business headquarters of which are located in Türkiye, including the establishments of nonresident entities in Türkiye that:

- Are organized in a separate unit and located within a single campus or physical space
- Perform R&D activities in Türkiye
- Have adequate R&D management and technological assets, human resources, intellectual property, and project and information resources management capability and capacity
- Have eligible projects with the subject, duration, budget and personnel needs defined
- Employ at least 15 (30 for determined sectors) full-time R&D personnel who possess sufficient R&D experience and skills

Under the Law, design activities have been included in the scope of the incentives and support for R&D activities. The number of minimum full-time equivalent personnel that can be employed at design centers is 10.

Corporate tax reduction for investments with incentive certificate (All the investments with incentive certificates do not qualify for this application. Investment sectors and regions are mainly considered in determination of whether an investment qualifies for this application.)

The Corporate Tax Law sets the corporate tax rate as 25%. The reduced corporate tax application is an arrangement that ensures application of the corporate tax at a rate lower than 25% to gains from investments with incentive certificate.

A tax reduction shall be applied until the tax amount waived by the state reaches the investment contribution amount provided to the investment.

In expanding investments, where the gains derived can be determined by being followed in separate accounts in the framework of the integrity of the business, the reduced rate is applied to these gains. If the gains cannot be separately determined, the gains subject to a reduced rate shall be determined by proportioning the expanding investment amount to the total fixed asset amount registered in the company's assets at the end of the period (including amounts pertaining to ongoing investments). The term "gains" refers to business profits derived by the investor, as stated in the opinions provided by the Ministry of Finance.

5. Accounting for disposals

The only way specified in the legislation to dispose of assets from the legal records is to sell them.

If depreciable economic assets are sold, the difference between the amount collected and their value registered in the inventory register shall be transferred to the profit and loss account. The value of assets for which depreciation has been set aside is the amount remaining after the deduction of the depreciation set aside. Upon the realization of the sale, both capital asset and aggregated depreciation (previously claimed depreciation) accounts regarding the asset sold are eliminated from the legal records.

Transfer and barter are in the nature of sale.

If renewal of the economic assets sold is deemed necessary due to the nature of business or if the managers of the enterprise have decided and taken action on this issue, the profit derived from the sale may be retained for a maximum of three years in a provisional account in liabilities to cover the renewal expenses. Profits that have not been used during this term due to any reason shall be added to the tax base of the third year. If the business is terminated or transferred or the enterprise is liquidated before three years, these profits shall be added to the tax base of that year.

The profit used in the acquisition of new assets in the scope of the principles above shall be deducted from the depreciation to be set aside on new assets according to the provisions of this law. After this deduction is completed, depreciation shall continue for the assets that have not been amortized.

Scrapping an asset for no value is not allowed by the legislation. Instead, if an asset is sold as scrap, explanations made above for disposing of an asset for value can be considered.

6. Making a claim

Depreciation claimed for each year should be booked in aggregated depreciation/depletion accounts and the relevant expense accounts.

The cost of assets that constitute basis for depreciation should be substantiated with necessary documents and tables.

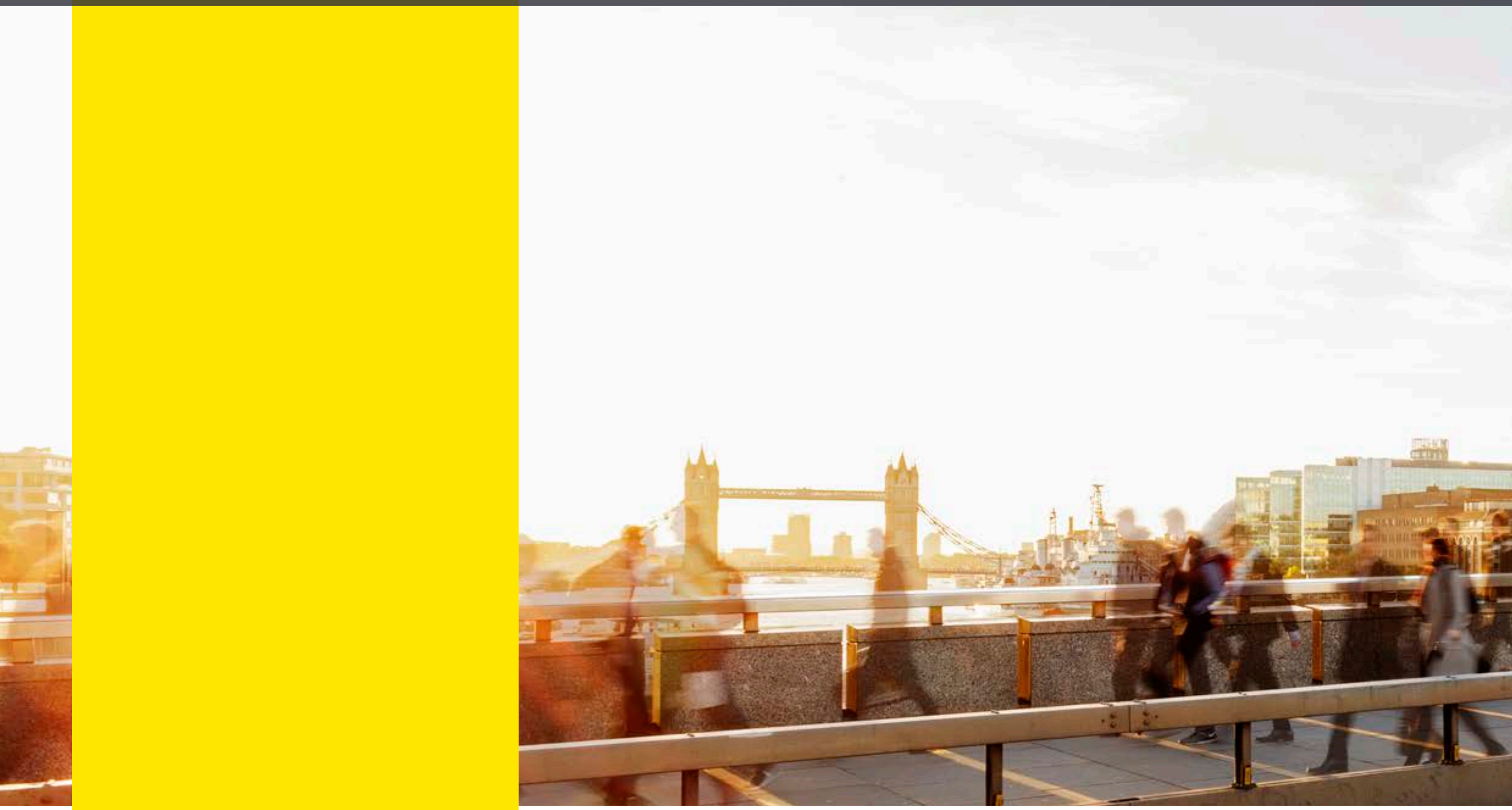
Lists, including detailed information for each asset subject to depreciation, may be requested by the tax authority to verify the accuracy of the depreciation calculated by the taxpayer.

7. Intangible assets

Intangible assets shall be redeemed through depreciation, again by considering economical useful lives set by the Ministry of Finance.

Type of asset	Rates/lives
Trademarks	6.66%/15 years
Patents, copyright, design, know-how or similar item	6.66%/15 years
Goodwill	20%/5 years (only straight-line method is applicable)
License or permit	6.66%/15 years

United Kingdom



At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Capital allowances

Does the tax treatment follow book/statutory accounting depreciation?

Tangible assets — no (other than capitalized repairs)

Intangible assets — yes (for certain assets)

Range of rates used

0%-150%

Depreciation method used to calculate tax deduction

Straight line and reducing balance — depending on the type of expenditure incurred

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1. Entitlement to claim

In principle, capital allowances are available when a person (sole trader, partnership or body corporate) carrying on a business activity incurs qualifying capital expenditures.

Generally, a person must legally own an asset to claim allowances. However, a number of "deemed" ownership rules allow entitlement to allowances under arrangements such as leases, service agreements, hire purchase and contribution agreements. If an expenditure has been incurred on an asset that becomes part of the land or property (a fixture), it is necessary for the person to have an interest in the relevant land prior to the asset being installed.

2. Allocation of tangible assets to tax depreciation lives and rates

Claimants are required to break down assets into individual items to allow them to be categorized for capital allowances. It is necessary, therefore, to have a detailed cost breakdown of all capital expenditures incurred, particularly with respect to buildings.

All depreciation of tangible fixed assets is disallowed when calculating taxable profit. The UK then provides a system of capital allowances to obtain tax relief on qualifying expenditure. The main type of capital allowance is known as a plant and machinery allowance. There is no statutory definition of what constitutes plant for capital allowance purposes. The capital allowances treatment on various assets has been discussed and agreed upon in many test cases, but identification can still be particularly complex. Expenditures that do not qualify for plant and machinery allowances may qualify for other relief, such as the Structure and Building Allowances (SBAs).

2.1 Assets that may qualify for tax depreciation

The writing-down allowances (WDAs) or first-year allowances (FYAs) identified in the table below are calculated per year on a reducing-balance basis. Building works such as leasehold improvements, construction projects, fit-outs and refurbishments should be analyzed so that allowances are allocated to the correct asset type.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment Furniture, fittings or fixtures Office equipment (including furniture and fixtures)	N/A	Reducing balance	18% per year WDA – main pool 6% per year WDA – special rate pool For expenditure incurred from 1 April 2023, a 100% "full expensing" first-year allowance on main pool expenditure or 50% first-year allowance on special rate expenditure may be available for companies. Further information can be found in Section 4 below.	Main pool allowances are available on most types of assets within this category. The lower rate of relief applies to integral plant features or items that are expected to last more than 25 years. Types of integral features include electrical systems, HVAC, water installations and elevators.
Structures and buildings (for contracts for new structures entered into on or after 29 October 2018)	N/A	Straight-line	3% per annum	The relief will be available for all nonresidential structures and buildings. Certain exceptions to expenditure can be classified as SBAs.
Motor cars	N/A	Reducing balance	The rate of depreciation depends on the CO2 emissions of the car. 100% per year FYA – enhanced capital allowances – 0 g/km (new and unused electric cars) 18% per year WDA – main pool – 1–50 g/km (new or secondhand cars) or secondhand electric cars 6% per year WDA – special rate pool – above 51 g/km (new or secondhand cars)	

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Computer hardware and software	N/A	Reducing balance	18% per year WDA – main pool (Full expensing may be available for expenditure incurred from 1 April 2023)	
Aircraft	N/A	Reducing balance	18% per year WDA – main pool 6% per year WDA – special rate pool (Full expensing may be available for expenditure incurred from 1 April 2023)	The rate of relief depends on the type of aircraft acquired and its associated usage.
Commercial vehicles and agricultural machinery and equipment	N/A	Reducing balance	18% per year WDA – main pool (Full expensing may be available for expenditure incurred from 1 April 2023)	

2.2 Assets that do not qualify for tax depreciation

Asset type	Explanation
Land	All costs relating to land (unless it qualifies for land remediation relief)
Dwellings	Usually, no capital allowances if the expenditure is on a dwelling
Buildings and structures (excluding contracts for new structures entered into on or after 29 October 2018)	A building (which includes floors, walls, ceilings, doors, etc.) does not normally qualify, as it is the setting in which a business carries on its qualifying activity, rather than the apparatus with which it carries on its qualifying activity. There are some exceptions to this, such as a facility where R&D is carried out or where the contract for the expenditures was entered into on or after 29 October 2018. The definition of a building includes structural external works (such as car parks, roads and hard landscaping). This definition of a structure includes tunnels, bridges, dams and various other types of structures.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Preliminaries and professional fees that are directly connected with the asset to which they relate may be assessed for capital allowances and tax relief in line with the tax treatment for the same underlying asset. If the fees relate to several assets as part of a scheme of works, it is reasonable to apportion the costs over both qualifying and non-qualifying assets to which the fee relates.

Fees related to obtaining a legal interest in the property could be deemed to be too far removed from plant and machinery and are not likely to qualify for plant and machinery allowances. They are also not permitted to be included within a claim for structures and buildings allowances.

Own labor capitalized

The treatment of such costs will typically follow the "treatment of the asset" that has been created as a result of the labor effort.

2.4 Availability of immediate deductions for repairs

The general position is that:

- The cost of a repair is a normally allowable expenditure.
- The cost of replacing an asset or of making a significant improvement to an asset is capital expenditure and not allowable as a deduction.

A deduction for expenditure on repairs is given when the cost of the repair is deducted in the profit and loss account in line with generally accepted accounting principles (whether UK GAAP or International Accounting Standards (IAS)). As a result, if a repair is capitalized for accounting purposes, the tax deduction will be given in line with the accounting depreciation charge over the life of the asset.

Repairs do not include the cost of replacing the entirety of an asset or of making an improvement to an existing asset. There is a body of case law and tax authority guidance around this subject. There is a concept of nearest modern equivalent for tax purposes when considering whether an asset has been improved. It is necessary to consider whether the asset's character has changed because of the work in determining whether expenditure is a repair.

3. Depreciation and calculation methods

Methods used	Reducing balance
Frequency	WDAs calculated annually
Year of acquisition	Full capital allowances available; WDAs calculated as per balance of relevant pool at year-end
Year of disposal	Disposal proceeds deducted from relevant pool; a balancing adjustment may occur in the year of disposal Clawback of expenditure treated as qualifying for SBAs through reduction in the associated base cost for chargeable gains purposes
Ability to use different methods for different assets	Not applicable
Ability to switch methods	Not applicable

4. Preferential and enhanced depreciation availability

Investments in certain asset types are rewarded with preferential and enhanced depreciation. The rates are set out below. To encourage investment in certain areas, loss-making businesses may also have the opportunity for a payable credit regarding unrelieved losses created by these enhanced reliefs (subject to a maximum). This applies to loss-making companies that have incurred expenditure on the remediation of contaminated or derelict land.

Tax depreciation method	Description of relief	Specific application and benefits available
Full expensing and enhanced first-year allowance for plant and machinery expenditure	100% first-year allowance for items of main pool plant and machinery expenditure 50% first-year allowance for special rate expenditure	Full expensing provides an immediate tax deduction equal to 100% of the cost of new main pool assets and the enhanced first-year allowance of 50% for special rate pool assets. It applies to capital expenditure incurred on or after 1 April 2023. There are a number of other exclusions, including expenditure on cars, second-hand assets and assets held for leasing. These enhanced reliefs apply to only companies and are not available for sole traders or partnerships (but may be available to corporate partners of partnerships). Businesses should note that there is a provision to clawback a proportion of the relief upon disposal of any assets obtaining these first-year allowances through a balancing charge on any disposal proceeds received.
Annual investment allowance (AIA)	100% first-year allowance up to specified limit	An annual first-year allowance is given to most companies and individuals (but not partnerships with corporate members) for a given amount of expenditure on plant and machinery per year. The amount of the allowance is GBP1 million. The AIA should be time-apportioned for short and long chargeable periods. The annual investment allowance is available and operates on a group basis and allows companies within a group to allocate the allowance between group companies as they see fit. The AIA should be allocated against assets attracting the lowest rate of tax relief first. The AIA cannot be used against assets acquired from a connected party or on cars.
Assets used in R&D	100% allowance	Qualifying expenditure includes capital expenditure on carrying out development (R&D or providing facilities for R&D or research development allowances (RDAs)) but does not include acquiring R&D rights or rights arising out of R&D. Depending on the type of expenditure incurred and the exact circumstances, it may be more beneficial to claim full-expensing relief (where eligible).

Tax depreciation method	Description of relief	Specific application and benefits available
Electric car charging points New zero-emission vehicles	100% first-year allowances	Expenditure will qualify for an immediate full deduction on the qualifying expenditure incurred in the year of acquisition. This relief is available for expenditure up to 31 March 2026.
Gas refueling station equipment	100% first-year allowances	Expenditure will qualify for an immediate full deduction on the qualifying expenditure incurred in the year of acquisition. This relief is available for expenditure up to 31 March 2025.
Freeports and Investment Zones in a designated "Special Tax Site"	Plant and machinery – 100% first-year allowances Structures and buildings – 10% straight-line deductions	A Special Tax Site is a designated area of land associated with a freeport or investment zone in which certain tax reliefs are available for investment in that area. These special tax zones can be found in the following locations: ■ England: Liverpool City Region, North-East Investment Zone, West Midlands Investment Zone, East Midlands Airport, Felixstowe and Harwich, Humber, Plymouth and South Devon, Solent, Teesside, and Thames ■ Scotland: Inverness and Cromarty Firth and Firth of Forth ■ Wales: Anglesey and Celtic Expenditure for the first-year allowance must be on new or unused items of plant and machinery, and eligibility starts on the day the tax site is designated. Expenditure on structures and buildings must be on the construction of new, and renovation of existing, nonresidential buildings or structures. The first contract must be entered into after the tax site is designated as a special tax zone. There are clawbacks if the assets are sold within five years of acquisition. The applicable sunset date for the accelerated tax relief is: ■ 30 September 2031 for special tax sites in English freeports ■ 30 September 2034 for special tax sites in Scottish and Welsh freeports and all investment zones
Short-life asset	Balancing adjustment for any remaining tax relief in year of disposal	The short-life asset (SLA) legislation lets a taxpayer write off the cost of an asset over the life of the asset (up to eight years). It does this by putting the expenditure in a single asset pool and having a balancing adjustment when the asset is disposed of or scrapped. An asset is only a short-life asset if the taxpayer elects to treat it as one. Some assets are excluded from SLA treatment. If it turns out that the asset is not a short-life asset, the expenditure in the SLA pool is transferred to the main pool at the end of eight years.

Tax depreciation method	Description of relief	Specific application and benefits available
Land remediation relief	150% deduction for capital expenditure	Examples can include remediation of asbestos, hydrocarbons and renovation of derelict land. Subject to certain restrictions, 150% of the qualifying expenditure can be deducted for tax purposes. The person incurring the expenditure must not be connected to the original contaminator. The contamination must have arisen as a result of an industrial activity. A 24% payable cash tax credit may also be available if land remediation causes a taxable loss, subject to restrictions.

5. Accounting for disposals

When an asset is disposed of, the company is required to bring in a disposal value that is deducted from the remaining unrelieved balance of the relevant pool (with the exception of the Structure and Buildings Allowances and those additions on which an accelerated relief has been claimed). The maximum amount that can be deducted from the relevant pool is limited to the original cost of the asset. Capital allowances may then continue to be claimed on any remaining expenditure within the pools.

For any additions on which either the super-deduction (a previous relief for qualifying main pool expenditure incurred between 1 April 2021 and 31 March 2023), full-expensing (for qualifying main pool expenditure incurred after 1 April 2023) or the 50% first-year allowances (for special rate expenditure incurred after 1 April 2021) has been claimed, it is necessary to recognize a balancing charge in the year of disposal for any disposal proceeds received rather than to deduct the disposal proceeds from the relevant pool.

If that disposal value brings the balance of that pool below zero, then a balancing charge will be realized in the year of disposal for the excess. If an asset is in a single asset pool (e.g., a short-life asset election has been made), a balancing allowance or charge will be available in the year of disposal, depending on the disposal value received.

When calculating the disposal value, restrictions will apply if the disposal is to a connected party or is undervalued.

If the asset disposed of relates to the sale of a fixture to a third party, then the buyer and seller must enter into an election to agree on the value of the capital allowances to be transferred between the parties. The election must state what assets are being transferred and the value attributed to each capital allowances pool.

Where the asset which has been disposed of was subject to a claim for SBAs, the allowances claimed in a prior period will be added to the sales proceeds when undertaking the calculation for chargeable gains purposes. The remaining value of the SBAs may be passed onto the buyer to claim the unrelieved expenditure over the remainder of the 33.3 years life of the asset.

6. Making a claim

A claim is made in a person's tax return that operates on a system of self-assessment. A claim can be made, amended and withdrawn in most cases within two years of the end of the accounting period. There are several occasions in which a claim could be made after this point; however, this will depend on the specific circumstances.

A claim should provide sufficient supporting information to substantiate the tax relief claimed and enable His Majesty's Revenue and Customs (HMRC) to determine whether this has been calculated correctly. Should insufficient supporting information be provided, the window in which HMRC could formally inquire into the tax computation could be extended.

7. Intangible assets

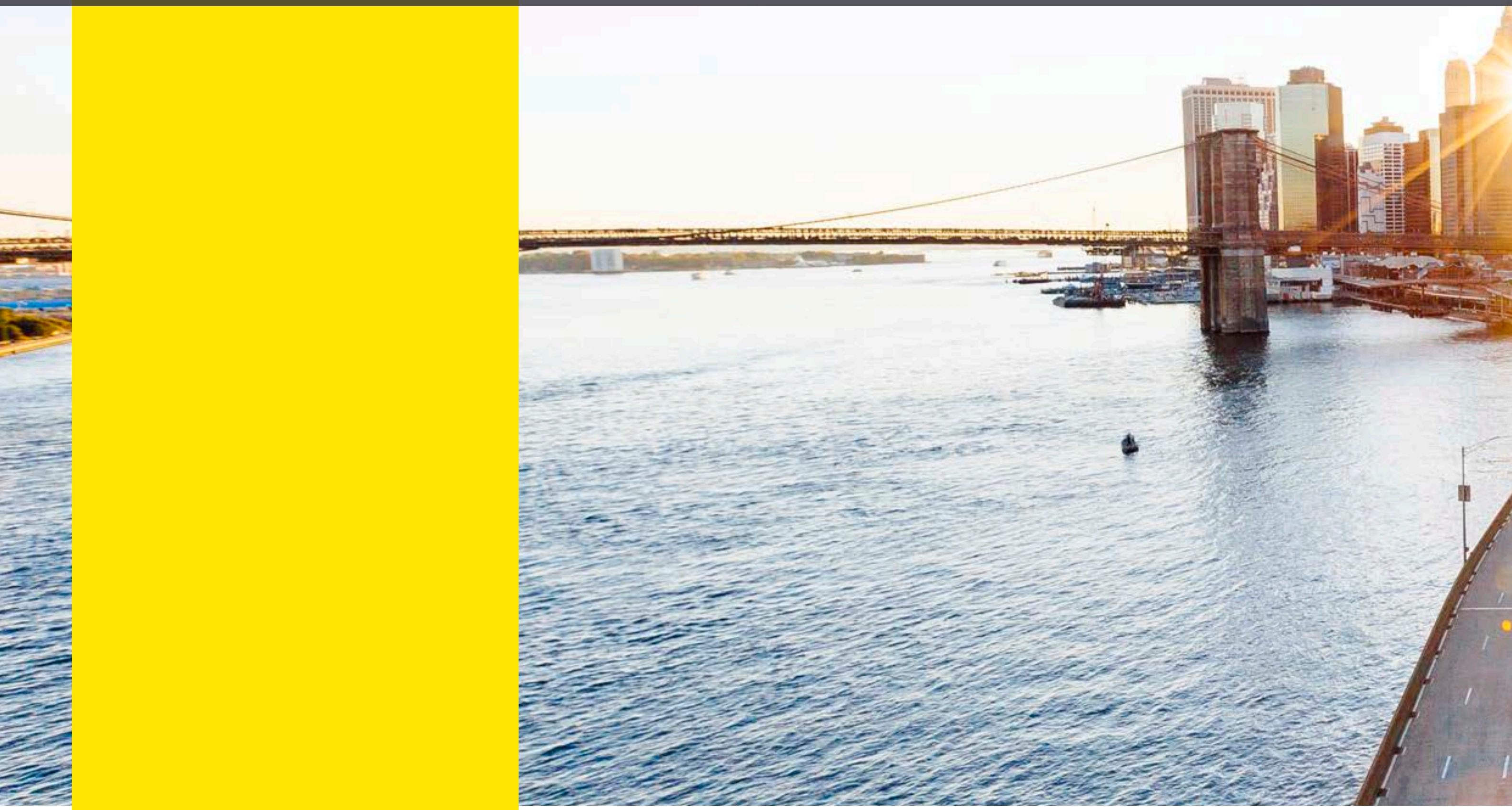
Effective 1 April 2002, relief is given for expenditure on certain intangible fixed assets (excluding goodwill) on the basis of amortization shown in the accounts or (on election) at a fixed rate of 4% per year.

With respect to goodwill, for assets acquired or created before 8 July 2015, relief is potentially available as above (with rules applying to assets acquired on or after 3 December 2014). For assets acquired between 8 July 2015 and 31 March 2019, tax relief on the amortization of goodwill is not available. If there is a disposal, on or after 8 July 2015, of goodwill that is subject to these post-July 2015 rules, any additional relief due for the qualifying expenditure will be allowed as a non-trading deduction. From 1 April 2019, tax relief for acquired goodwill that has a strong connection to qualifying intellectual property (IP) acquired at the same time will have tax relief reinstated at a rate of 6.5% per year.

For certain types of software expenditure, it may be possible to elect to treat it as eligible for main pool plant and machinery allowances (and potentially full-expensing).

Type of asset	Rates/lives
Trademarks	Provided an asset is an intangible asset for accounting purposes and held for use on a continuing basis in the course of the company's activities, it should constitute an intangible fixed asset. The corporate intangible assets regime links the tax treatment to that applied in the accounts of the company in question. Under these general rules, sums written off as intangible fixed assets are usually deductible as long as their treatment is compliant with the relevant accounting standard. Alternatively, a company may make an election for fixed-rate deductions in respect of a particular intangible fixed asset, regardless of its accounting treatment, and this is given at 4% per year.
Patents, copyright, design, know-how or similar item	Capital allowances are potentially available at 25% WDA per year on a reducing basis.
Goodwill	If goodwill is acquired from an unconnected party or created by a business between 1 April 2002 and 7 July 2015, tax relief is available in line with the amortization charged to the income statement or an election can be made for tax relief to be received at 4% per year. As outlined above, goodwill acquired on or after 8 July 2015 from an unconnected third party or created by a business already in existence before 1 April 2002 is treated as a chargeable gains asset. No UK tax depreciation is allowable, and tax relief for the expenditure incurred is only given on the disposal of the old goodwill. However, in relation to acquisitions on or after 1 April 2019, acquired goodwill that has a strong connection to qualifying IP acquired at the same time has its tax relief reinstated at a rate of 6.5% per year.
License or permit	The general rules for the corporate intangible assets regime as detailed above are followed.

United States



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At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation is referred to as "tax depreciation" in the United States. Specifically, Section 167(a) of the Internal Revenue Code (IRC) provides that there shall be allowed as a depreciation deduction a reasonable allowance for the exhaustion and wear and tear of property used in a trade or business or of property held for the production of income.

The terms "depreciation" and "amortization" generally are used interchangeably, although amortization often (but not exclusively) is used to refer to the recovery of basis related to eligible intangible assets.

Does the tax treatment follow book/statutory accounting depreciation?

No, there is no book and tax conformity requirement for federal income tax purposes.

Range of rates used

0%–200%

Depreciation method used to calculate tax deduction

Declining-balance (e.g., 200% double-declining-balance method) or straight-line

1. Entitlement to claim

Taxpayers must own (i.e., possess the benefit and burdens of ownership, pursuant to a facts and circumstances determination) the property to be allowed a depreciation deduction for federal income tax purposes.

2. Allocation of tangible assets to tax depreciation lives and rates

For federal income tax purposes, if a taxpayer is allowed a depreciation deduction, the deduction is generally computed using the "applicable depreciation method, recovery period and convention." The method, convention and recovery period used to depreciate tangible property depends on the type of property in question and whether such property is eligible to be depreciated under the general depreciation system (GDS), which generally results in accelerated depreciation deductions, or is required to be depreciated under the alternative depreciation system (ADS) under Section 168(g), which generally results in slower recovery of basis. Most property is eligible to be depreciated under the GDS; however, certain property such as foreign use property is required to use the ADS. Taxpayers also have the option to elect into ADS if they desire.

Generally, an asset is not broken down into components for purposes of computing tax depreciation. There are special rules, however. For example, when a building is acquired, it is common to identify property items within the building that are separate assets from the building and that may be required to be depreciated differently. For example, identifying furniture and fixtures that are tangible personal property as opposed to the building, which is real property, is prevalent.

Revenue Procedure 87-56 generally provides the recovery period and class lives for tangible personal property. Sections 168(c) and (e) also provide guidance in determining the appropriate recovery period of tangible personal property as well as tangible real property. Section 168(b) provides rules for determining the appropriate depreciation method. Section 168(d) provides rules for determining the appropriate placed in service and disposition convention.

2.1 Assets that qualify for tax depreciation

Asset type	Recovery period for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment	Varies, see Rev. Proc. 87-56	Varies, the general rule is the 200% declining-balance (200% DB) method under Section 168(b)	The allowance is determined based on the method, recovery period and convention.	The recovery periods and methods will vary depending on what the property is used for and whether the property is subject to the ADS or GDS of Section 168.
Automobiles	Generally, five years	Generally, 200% DB	The allowance is determined based on the method, recovery period and convention; however, see depreciation limitations for luxury automobiles pursuant to Section 280F.	Assumes the use of GDS.

Asset type	Recovery period for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Buildings	Generally, 39 years for nonresidential real property and 27.5 years for residential rental property. See below for certain improvements to buildings.	Straight-line	The allowance is determined based on the method, recovery period and convention.	Assumes the use of GDS.
Qualified improvement property (QIP)	15 years for QIP placed in service after 31 December 2017 and 39 years for QIP placed in service before 1 January 2018	Straight-line	The allowance is determined based on the method, recovery period and convention.	Assumes the use of GDS and that property meets requirements to be treated as QIP pursuant to IRC Section 168(e)(6).
Qualified leasehold improvement property (QLIP)	15 years	Straight-line	The allowance is determined based on the method, recovery period and convention.	Assumes the use of GDS and that property meets requirements to be treated as QLIP pursuant to former IRC Section 168(e)(6). Repealed for property placed in service after 31 December 2017.
Qualified retail improvement property (QRIP)	15 years	Straight-line	The allowance is determined based on the method, recovery period and convention.	Assumes the use of GDS and that property meets requirements to be treated as QRIP pursuant to former IRC Section 168(e)(8). Repealed for property placed in service after 31 December 2017.
Qualified restaurant property (QRP)	15 years	Straight-line	The allowance is determined based on the method, recovery period and convention.	Assumes the use of GDS and that property meets requirements to be treated as QRP pursuant to former IRC Section 168(e)(7). Repealed for property placed in service after 31 December 2017.
Furniture or fixtures	Generally, seven years for office location furniture, fixtures and equipment (see below); five years if for retail use assets that are not in an office location	Generally, 200% DB	The allowance is determined based on the method, recovery period and convention.	Assumes the use of GDS and that assets fall under Asset Class 00.11 of Rev. Proc. 87–56 (or Asset Class 57.0 for retail assets that are non-office location assets, such as store shelving).

Asset type	Recovery period for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Computer hardware	Generally, five years	Generally, 200% DB	The allowance is determined based on the method, recovery period and convention.	Assumes the use of GDS and assets that fit in Asset Class 00.12 of Rev. Proc. 87-56.
Computer software	Generally, 36 months	Generally, straight-line	The allowance is determined based on the method and recovery period.	Assumes the software is purchased and is not subject to Section 197. The costs of eligible self-developed software may be currently expensed in tax years beginning before 1 January 2022. In tax years beginning on or after 1 January 2022, software development costs are included in the definition of "specified research or experimental expenditures" under Section 174 and must be amortized ratably over 5 years in the case of US expenditures and 15 years in the case of foreign expenditures.
Aircraft	Generally, five years for aircraft not used in commercial or contract carrying of passengers, or seven years for aircraft used in commercial or contract carrying of passengers	Generally, 200% DB	The allowance is determined based on the method, recovery period and convention.	Assumes the use of GDS.
Transport other than motor cars	Varies	Varies depending on recovery period	The allowance is determined based on the method, recovery period and convention.	Need to determine which asset class under Rev. Proc. 87-56 applies.
Car parks/parking garages	Generally, 39 years; however, in certain cases, parking lots may qualify as land improvements (see below)	Generally, straight-line	The allowance is determined based on the method, recovery period and convention.	Assumes the use of GDS. This property normally is classified as nonresidential real property.
Office equipment (including office furniture and fixtures)	Generally, seven years	Generally, 200% DB	The allowance is determined based on the method, recovery period and convention.	Assumes the use of GDS and that the assets fall under Asset Class 00.11 of Rev. Proc. 87-56 because they are office location tangible personal property.

Asset type	Recovery period for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Land improvements	Generally, 15 years	Generally, 150% DB	The allowance is determined based on the method, recovery period and convention.	Assumes the use of GDS and that the assets fall under Asset Class 00.3 of Rev. Proc. 87-56.
Property used in R&D	Varies depending on type of property and use	Varies	The allowance is determined based on the method, recovery period and convention.	It is necessary to determine which asset class the assets fall under; however, generally, personal property used in R&D activities is eligible for a five-year recovery period and the 200% DB method (see IRC Section 168(e)(3)(B)(v)).

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Land does not qualify for depreciation because it is not subject to wear and tear, to decay or decline from natural causes to exhaustion, and to obsolescence. In contrast, land improvements with a determinable useful life (such as parking lots and fences) are depreciable.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

The origin of the costs will ultimately dictate tax treatment. However, costs incurred that directly benefit or that are incurred by reason of the production of property must be capitalized to the basis of such property under Section 263A. These costs may include preproduction costs.

Land remediation — remediation activities

A detailed analysis of the costs at issue must be performed to ascertain the proper tax treatment of land remediation costs. For instance, if a new depreciable asset is created from the remediation activities, such costs must be capitalized and depreciated.

Own labor capitalized — carrying out work on tangible property

Generally, internal labor does not need to be capitalized for tangible property acquired. See Treas. Reg. Section 1.263(a)-2. However, internal labor is required to be capitalized to property produced for sale or used in a taxpayer's business under Section 263A.

2.4 Availability of immediate deductions for bonus depreciation property and for eligible tangible property repairs

Description	Detail
Bonus depreciation under Section 168(k)	Generally, eligible property includes MACRS property with a recovery period of 20 years or less and certain computer software (although certain other property may qualify as well, depending on the date acquired and placed in service). Property is generally treated as acquired no later than the date on which the taxpayer enters into a written binding contract to acquire such property, unless such property is considered self-constructed, which includes property constructed for the taxpayer by a third party under a written binding contract. **Property acquired prior to 28 September 2017** For eligible property acquired prior to 28 September 2017 and placed in service before 31 December 2017, the bonus depreciation allowance is equal to 50% of the adjusted basis of the eligible property. There is a phase-down of the allowance to 40% for property placed in service during calendar year 2018 and to 30% for property placed in service during calendar year 2019. Special bonus depreciation rules exist for certain long-production-period property and certain aircraft. **Property acquired after 27 September 2017** For eligible property acquired after 27 September 2017 and placed in service after 27 September 2017 and before 1 January 2023, the bonus depreciation allowance is equal to 100% of the adjusted basis of the eligible property. There is a phase-down of the allowance to 80% for property placed in service during calendar year 2023, 60% for property placed in service during calendar year 2024, 40% for property placed in service during calendar year 2025 and 20% for property placed in service during calendar year 2026. Special bonus depreciation rules exist for certain long-production-period property and certain aircraft.
De minimis safe harbor election	The de minimis safe harbor election allows taxpayers to follow their book capitalization thresholds and deduct amounts up to USD5,000 (USD2,500 if the taxpayer does not have an applicable financial statement) that are paid to acquire, produce or improve tangible property, provided certain requirements are met. The de minimis safe harbor election is an annual, irrevocable election made by attaching a statement to the timely filed (including extensions) federal tax return. See Treas. Reg. Section 1.263(a)-1(f) for more details.
Eligible repairs	Eligible repair expenditures for tangible property are deductible in the tax year incurred under Treas. Reg. Section 1.162-4. Note the determination as to whether an expenditure is eligible to be deducted as a repair is made by applying the improvement rules under Treas. Reg. Section 1.263(a)-3 (see below for additional details).

Treas. Reg. Section 1.263(a)-3 sets forth the rules to determine whether an amount paid to repair, maintain or improve a unit of property is required to be capitalized and depreciated or may be deducted in the year incurred. An expenditure can generally be currently deducted if it does not result in a betterment to, the restoration of or a change in use of the underlying unit of property (assuming other provisions of the IRC, such as Section 263A relating to inventoriable costs, do not apply).

If a taxpayer applies the de minimis safe harbor election described in Treas. Reg. Section 1.263(a)-1(f), the amount must be expensed for book purposes for a taxpayer to follow such treatment for federal income tax purposes (in addition to certain other requirements of the safe harbor). Otherwise, treatment of costs for financial statement purposes alone would not govern the treatment of costs for federal income tax purposes. The relevant case law and regulatory tax principles, including the clear reflection of income doctrine, would determine the treatment of non-safe-harbor de minimis amounts deducted for federal income tax purposes.

3. Depreciation and calculation methods

Methods used	Includes, but is not limited to, 200% DB and 150% DB and straight-line
Frequency	Annually over the asset's proscribed recovery period Depreciation is generally computed for each "tax year" of a taxpayer. A tax year may be less than 12 months (short tax year); Rev. Proc. 89-15 provides guidance for computing depreciation related to property placed in service in a short tax year.
Year placed in service	Generally, the depreciation deduction in the year property is placed in service (i.e., the year it is ready and available for its intended use in the taxpayer's trade or business) is computed by applying the appropriate convention, depreciation method and recovery period. Generally, the appropriate convention is the half-year convention (unless the mid-quarter, mid-month convention or full-month convention applies), which assumes that the asset is placed in service halfway through the taxpayer's tax year. Through applying such convention, the depreciation deduction is computed as if the tax year is a full tax year and then the amount is reduced by 50%. If the half-year convention is applied in the year of acquisition, it is also applied in the year of disposition in the same manner. Other conventions include the mid-month convention (assume placed in service in the middle of the month acquired), mid-quarter (assume placed in service in the middle of the quarter acquired) and full month (assume placed in service on the first day of the month acquired) for certain types of property. See Section 168(d) (for tangible property) and Sections 167 and 197 (for intangible property) and the underlying regulations, which provide the rules for determining the appropriate convention.
Year of disposal	A disposition occurs when ownership of an asset is transferred or when the asset is permanently withdrawn from use either in the taxpayer's business or in the production of income. A disposition includes a sale, exchange, retirement, physical abandonment or destruction of an asset. A disposition also occurs when an asset is transferred to a supplies, scrap or similar account, or when a portion of an asset is disposed of in certain circumstances (e.g., casualty event or an elective partial disposition).
Ability to use different methods for different assets	Elections can be made to depreciate property differently from the general rule. For instance, taxpayers can elect for property that is required to be depreciated using the 200% DB method to depreciate it using the straight-line method.
Ability to switch methods	Generally, once a method is established for an asset, it must be used until the asset is retired, unless a change in accounting method is obtained for eligible method changes (e.g., a change from an improper to a proper recovery period). Another exception would be if the use of the property changes during the recovery period (e.g., the property is moved outside of the US).

4. Preferential and enhanced depreciation availability

The general rule of depreciating personal property within the GDS under Section 168, provides for accelerated depreciation, i.e., the general rule is a 200% declining-balance method (twice that of straight-line). Certain personal property with longer recovery periods or that are subject to the ADS are required to use slower depreciation recovery rates.

Tax depreciation method	Comment on specific application and benefits available
Personal property with a recovery period of less than 15 years	Generally, 200% DB under GDS
Personal property with a recovery period of 15 or 20 years	Generally, 150% DB under GDS

5. Sustainability

In the United States, a myriad of different IRC and other legislative provisions are in place to incentivize taxpayers to participate in certain sustainability initiatives. These provisions aim to incentivize certain sustainability practices either through the provision of grants to fund desired activity or the use of tax credits to be utilized (or potentially monetized) by taxpayers participating in certain sustainability efforts, with these items generally aimed at incentivizing either certain production or certain investment activities. For example, Section 45X provides for a refundable and transferable tax credit for taxpayers that produce certain advanced manufacturing eligible components (e.g., certain electric battery cells), while Section 48D provides a refundable tax credit for taxpayers that invest in certain advanced manufacturing facilities (e.g., facilities that produce semiconductors or semiconductor-manufacturing equipment). Depending on the specific grant and/or tax credit at issue, the basis of property held by the taxpayer receiving the incentive may be modified (e.g., pursuant to Section 45W, which provides for a credit of $7,500 for the placing in service of a "qualified commercial clean vehicle," the basis of the vehicle must be reduced by the credit claimed).

6. Accounting for disposals

When an asset is disposed of for value, the adjusted basis of the asset (commonly referred to as the net tax value of the asset) is recognized as an offset to proceeds received in the tax year of disposal. The IRS issued regulations under IRC Section 168 related to full and partial dispositions of tangible property that generally are effective for tax years beginning in 2014; partial disposition deductions are elective in certain cases.

7. Making a claim

Depreciation deductions are claimed on federal Form 4562 of a taxpayer's federal income tax return.

It is helpful to keep detailed records be kept supporting the depreciation deductions claimed on a taxpayer's federal income tax returns, including documentation of the cost of acquisition.

8. Intangible assets

If intangible assets are subject to Section 197 of the IRC, costs incurred to acquire such intangible assets are recovered ratably over a period of 15 years, beginning in the month acquired. If intangible assets are subject to Section 167, the assets are generally recovered ratably (with certain exceptions, such as the income forecast method under Section 167(g)), but the period of recovery varies depending on the type of intangible asset.

Generally, for an intangible asset not subject to Section 197 to be eligible for amortization under Reg. Section 1.167(a)-3, a taxpayer must establish that: (1) the intangible property has an ascertainable cost basis and also (2) that such property has a limited useful life, the duration of which can be ascertained with reasonable accuracy. See also Section 167(f) and Treas. Reg. Section 1.167(a)-14, relating to intangible assets.

Type of asset	Rates
Trademarks	15 years under Section 197
Patents, copyright, design, know-how or similar item	15 years under Section 197 or, if excluded from Section 197, see, generally, Section 167(f) and Treas. Reg. Section 1.167(a)-3 and 1.167(a)-14
Goodwill	15 years under Section 197
License or permit	15 years under Section 197 or, if excluded from Section 197, see Section 167(f) and Treas. Reg. Section 1.167(a)-3 and Section 1.167(a)-14
Films, videotapes and other property specified in Section 168(g)	Generally, an "income forecast method" is utilized, whereby the recovery of basis through amortization is calculated based on an income-based computation. The principal alternative method is the straight-line method.

Vietnam

At a glance

Terminology used by jurisdiction to describe the recovery of capital and fixed assets

Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

Generally, yes, if the depreciation does not exceed the allowable amount under the depreciation rules set by tax law. In some specific cases, there are certain differences between accounting law and tax law in recording depreciation expenses of fixed assets, accordingly adjustment of depreciation expenses is required for tax purpose.

Range of rates used

From 2% to 50% (straight-line method) (with exceptions)

Depreciation method used to calculate tax deduction

Straight-line, adjusted declining-balance and units of production methods.

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1. Entitlement to claim

Company subject to corporate income tax is entitled to claim tax depreciation of its owned assets subject to certain conditions. This also applies to lessees of assets under financial lease.

2. Allocation of tangible assets to tax depreciation lives and rates

Depreciation lives and rates may vary depending on the types of assets and the accounting depreciation methods used by taxpayers. For tax depreciation, the depreciation of assets included in deductible expenses for calculation of corporate income tax shall also comply with the provisions under tax laws.

The enterprise shall select the suitable depreciation method upon meeting the regulated conditions and notify the selected method to the supervising tax authority before depreciation. The selected method should be applied consistently throughout the use cycle of the asset and can be changed only once with prior notification to the tax authority.

2.1 Assets that qualify for tax depreciation

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate (applicable for straight line method)
A — Power machinery and equipment			
1. Power generating machine	8–15 years	■ Straight-line method ■ Adjusted declining-balance method ■ Units of production	6.67%–12.5%
2. Electronic generator, hydropower generator, thermal power generator, wind power generator, gas mixture generator	7–20 years		5%–14.28%
3. Transformers and electrical equipment	7–15 years		6.67%–14.28%
4. Other power machinery and equipment	6–15 years		6.67%–16.67%
B — Working machinery and equipment			
1. Machine tool	7–15 years	■ Straight-line method ■ Adjusted declining-balance method ■ Units of production method	6.67%–14.28%
2. Machinery and equipment used in the mining industry	5–15 years		6.67%–20%
3. Tractor	6–15 years		6.67%–16.67%
4. Machinery for agriculture and forestry	6–15 years		6.67%–16.67%
5. Water and fuel pump	6–15 years		6.67%–16.67%
6. Metallurgical and anti-rust and corrosion surface processing equipment	7–15 years		6.67%–14.28%
7. Specialized equipment for production of chemicals	6–15 years		6.67%–16.67%
8. Specialized machinery and equipment for production of building materials, stoneware and glassware	10–20 years		5%–10%
9. Specialized equipment for production of electronics, optics, precision-mechanics components	5–15 years		6.67%–20%
10. Machinery and equipment used in the leather industry, stationery printing and cultural products printing	7–15 years		6.67%–14.28%
11. Machinery and equipment used in the textile industry	10–15 years		6.67%–10%
12. Machinery and equipment used in the garment industry	5–10 years		10%–20%
13. Machinery and equipment used in the paper industry	5–15 years		6.67%–20%
14. Machinery and equipment of food production and processing	7–15 years		6.67%–14.28%
15. Cinema and health machinery and equipment	6–15 years		6.67%–16.67%
16. Telecommunications, information, electronics, computer and television machinery and equipment	3–15 years		6.67%–33.33%
17. Pharmaceutical manufacturing machinery and equipment	6–10 years		10%–16.67%
18. Other working machinery and equipment	5–12 years		8.33%–20%

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate (applicable for straight line method)
19. Machinery and equipment used in the petrochemical industry	10–20 years		5%–10%
20. Machinery and equipment used in oil and gas exploration and extraction	7–10 years		10%–14.28%
21. Construction machinery and equipment	8–15 years		6.67%–12.5%
22. Crane	10–20 years		5%–10%
C — Experimental and measuring tools			
1. Mechanical, thermal and acoustic experimental and measuring equipment	5–10 years	■ Straight-line method ■ Adjusted declining-balance method	10%–20%
2. Optical and spectral equipment	6–10 years		10%–16.67%
3. Electrical and electronic equipment	5–10 years		10%–20%
4. Physio-chemical measuring and analyzing equipment	6–10 years		10%–16.67%
5. Radiation measuring equipment and instruments	6–10 years		10%–16.67%
6. Particularly specialized equipment	5–10 years		10%–20%
7. Other experimental and measuring equipment	6–10 years		10%–16.67%
8. Molds used in the foundry industry	2–5 years		20%–50%
D — Transport equipment and vehicles			
1. Roadway transport vehicles	6–10 years	Straight-line method	10%–16.67%
2. Railway transport vehicles	7–15 years		6.67%–14.28%
3. Waterway transport vehicles	7–15 years		6.67%–14.28%
4. Airway transport vehicles	8–20 years		5%–12.5%
5. Pipeline transportation equipment	10–30 years		3.33%–10%
6. Goods loading and unloading and lifting equipment	6–10 years		10%–16.67%
7. Other transport equipment and vehicles	6–10 years		10%–16.67%
E — Management tools			
1. Calculating and measuring equipment	5–8 years	Straight-line method	12.5%–20%
2. Electronics and communication equipment, and computer software for management	3–8 years		12.5%–33.33%
3. Other management tools and means	5–10 years		10%–20%
G — Housing and structures			
1. Solid housing	25–50 years	Straight-line method	2%–4%
2. Mid-shift rest house, mid-shift canteen, dressing house, toilet, parking house, etc.	6–25 years		4%–16.67%
3. Other housing	6–25 years		4%–16.67%
4. Warehouses, storage tanks, bridges, roads, airfield, parking lots, drying yards, etc.	5–20 years		5%–20%

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate (applicable for straight line method)
5. Embankments, dams, culverts, channels, ditches	6–30 years		3.33%-16.67%
6. Harbors, docks, slipway, etc.	10–40 years		2.5%-10%
7. Other structures	5-10 years		10%-20%
H – Animals and perennial orchards			
1. Kinds of animal	4-15 years	Straight-line method	6.67%-25%
2. Industrial crop plantation, fruit orchards and perennial orchards	6-40 years		2.5%-16.67%
3. Lawn and green carpet	2-8 years		12.5%-50%
I – Other types of tangible fixed assets not specified elsewhere	4-25 years	Straight-line method	4%-25%
K – Other intangible assets	2-20 years	Straight-line method	5%-50%

2.2 Assets that do not qualify for tax depreciation

Below are the key circumstances where depreciation of assets is not qualified as deductible expenses for calculation of corporate income tax:

Types of assets	Explanation
Fixed assets that fall under regulated circumstances	Fixed assets are not used for production and trading of goods and provision of services. Exceptions are fixed assets serving workers of enterprises such as mid-shift rest houses and canteens, locker rooms, toilets, infirmaries, vocational and training facilities, equipment and furniture qualified as fixed assets installed in the above facilities, clean water tanks, garages, vehicles used to transport workers and houses for workers.
	Fixed assets without documents proving the enterprise's ownership (except for fixed assets under financial lease).
	Fixed assets that are not managed, monitored and accounted in accounting books of enterprises following the regulations.
	The depreciation amount of fixed assets that exceed the prescribed rate in relevant regulations on management, use and depreciation of fixed assets.
	Fixed assets that have been fully depreciated.
	The depreciation amount of constructions on land that correspond to the land area not used for production and business activities.
	Fixed assets funded from nonrefundable aid granted to enterprises for scientific research purpose.

Types of assets	Explanation
Passenger cars of 9 seats or below	The depreciation amount corresponding to the historical cost in excess of VND1.6 billion/car (except for some regulated cases).
Civil airplanes and yachts	Civil airplanes and yachts not registered for cargo, passenger or tourist transport.
Assets not qualified as fixed assets	Tools, packaging, etc., that do not meet the conditions of fixed assets may be allocated into business expenses following the regulations.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

In general, the cost of establishment of enterprise incurred prior to its establishment of enterprise with sufficient supporting documents will be allocated into business expenses of such enterprise in a maximum period of three years.

Land remediation — removing asbestos, Japanese knotweed

N/A.

Own labor capitalized

Labor cost, upon meeting the regulated conditions, can be capitalized into the historical cost of fixed assets.

2.4 Availability of immediate deductions for repairs

Repair expenses, generally, are not included in historical cost of fixed assets. Repairs expenses are included as current expenses or allocated into the business expenses of enterprises in a maximum of three years.

Expenses for additional investment or upgradation of fixed assets shall be added to the historical cost and be depreciated following the regulations.

3. Depreciation and calculation methods

Straight-line method	■ This method applies to fixed assets used in business and production activities. ■ The depreciation amount is calculated by dividing the historical cost of fixed assets by the depreciation life. ■ In case of change of the depreciation life or the historical cost of fixed assets, the depreciation amount is recalculated by dividing the book value of fixed assets by the redetermined depreciation life or remaining depreciation life.

Adjusted declining-balance method	■ Enterprises in areas of rapid technology change and development are allowed to select this method. This method applies to fixed assets used in business and production that meet the following conditions: ■ Being new fixed assets ■ Being machinery and equipment, experimental and measuring instruments ■ The depreciation amount of a fixed asset in a year is calculated by multiplying the book value of such asset by the accelerated depreciation rate. In which, the accelerated depreciation rate is the depreciation rate by straight-line method multiplied by adjustment coefficient. ■ Adjustment coefficient applicable to fixed asset based on depreciation life: ■ Depreciation life up to four years: Adjustment coefficient = 1.5 ■ Depreciation life over four years: Adjustment coefficient = 2
Unit of production method	■ This method applies to fixed assets used in business and production activities that meet the following conditions: ■ Being machinery and equipment ■ Directly related to production of products ■ The total volume of products per design capacity of such asset can be identified ■ The actual monthly capacity in the fiscal year is not less than 100% of the design capacity ■ The depreciation amount is calculated by multiplying total volume of products produced in the period with the average depreciation rate for each product unit. In which, the average depreciation rate for each product unit is the history cost of fixed asset divided by the designed volume of products. ■ In case of change of the design volume or the historical cost of fixed assets, the depreciation amount is recalculated.

4. Preferential and enhanced depreciation availability

Enhanced depreciation for technology renovation purpose may be applied subject to certain conditions:

- The applied enterprise has achieved high economic efficiency in business operation.
- The applied enterprise must be profitable business during accelerated depreciation.
- The enhanced depreciation rate shall not exceed two times the depreciation rate under straight-line method.

Fixed assets involved in business and production activities that are eligible for enhanced depreciation include machinery and equipment, experimental and measuring instruments, equipment and means of transport, management tools, animals and perennial orchards.

5. Accounting for disposals

In case of disposal, the difference between the selling price and the book value of the fixed assets will be recognized as other gain or loss in the financial year of the enterprise.

On disposal, the company must remove the asset from the balance sheet.

6. Making a claim

Depreciation is claimed on an annual basis to the tax authority through the income tax return.

7. Intangible assets

Intangible assets may include land use right, copyright, patent, artwork, art performance, scientific products, audio and video records, broadcast, trademark, industrial design, layout-design of semiconductor integrated circuit, plant varieties and seeds, among others.

The enterprise shall self-determine the amortization life of intangible assets, which shall not exceed 20 years (from 2–20 years). Like tangible assets, the amortization of intangible assets included in deductible expenses for calculation of corporate income tax shall comply with the provisions under tax laws. For example, indefinite-term land use right is not allowed for tax depreciation or allocation into business expenses.

Regulated amortization lives for some specific cases:

Type of asset	Rates/lives
Definite-term land use right, use rights of leased land	The use term stipulated under relevant document
Copyrights, industrial property rights, rights to plant varieties	The protection term stipulated under protection license

8. Adjustment for inflation

N/A

Currency codes

The following list sets forth the names and currency codes for the currencies of jurisdictions in this guide:

Jurisdiction	Currency	Currency code
Argentina	Peso	ARS
Australia	Dollar	AUD
Brazil	Real	BRL
Canada	Dollar	CAD
China Mainland	Yuan renminbi	CNY
Chile	Peso	CLP
Colombia	Peso	COP
Cyprus	Euro	CYP
Czech Republic	Koruna	CZK
Denmark	Krone	DKK
Finland	Euro	EUR
France	Euro	EUR
Germany	Euro	EUR
Greece	Euro	EUR
Hong Kong	Dollar	HKD
Hungary	Forint	HUF
India	Rupee	INR
Ireland	Euro	EUR
Italy	Euro	EUR
Japan	Yen	JPY
Kuwait	Dinar	KWD

Jurisdiction	Currency	Currency code
Lithuania	Euro	EUR
Malaysia	Ringgit	MYR
Mexico	Peso	MXN
Netherlands	Euro	EUR
New Zealand	Dollar	NZD
Norway	Krone	NOK
Portugal	Euro	EUR
Saudi Arabia	Riyal	SAR
Singapore	Dollar	SGD
Slovakia	Euro	EUR
South Africa	Rand	ZAR
Republic of Korea	Won	KRW
Spain	Euro	EUR
Sweden	Krona	SEK
Switzerland	Franc	CHE
Thailand	Baht	THB
Türkiye	Lira	TRY
United Kingdom	Pound sterling	GBP
Vietnam	Dong	VND
United States	Dollar	USD

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