

RDA & ASSOCIATES

CHARTERED ACCOUNTANTS

Rates of Depreciation as per Income Tax Act for A.Y 2010-11

Block of Assets :-The expressions Assets and Blocks of Assets w.e.f. 1-4-1999 shall mean a group of assets falling within a class of assets comprising:-

1. Tangible Assets being buildings, machinery, plant or furniture;
2. Intangible Assets being knowhow, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature; in respect of which same percentage of depreciations is prescribed.

Rates of Depreciation (Applicable w.e.f. A.Y. 2006-07)

II Rates of Depreciation (Applicable w.e.f. A.Y. 2006-07, Refer Notification No. 67/2005 dt. 28th February, 2005 w.e.f. 2-4-2005)		RATE %
I	Buildings : (See Note 2)	
1	Buildings which are used mainly for residential purposes except hotels and Boarding House	5
2	Buildings which are not used mainly for residential purposes and other than mentioned in 1 & 3	10
3	Buildings acquired on or after 1-9-2002 for installing P & M forming part of water supply project or water treatment system and put to use for the purpose of providing infrastructure facilities u/s. 80-IA(4)(i)	100
4	Purely temporary erections such as wooden structures.	100
II	Furniture and fittings including electrical fittings	10
III	Machinery and plant : (See Note 3)	
1	Machinery and plant other than those covered by sub-items 2, 3 and 8 below	15
2	Motor-cars (other than those used in business of running them on hire) acquired or put to use on or after 1st April, 1990.	15
3	i. Aero plane — Aero engines	40
	ii. Motor buses, Motor lorries and Motor taxis used in a business of running them on hire.	30
	iii. Commercial vehicle acquired on or after 1.10.1998 but before 1.4.1999 and is put to use before 1.4.1999 for the purposes of business or profession.	40
	iv. New commercial vehicle acquired on or after 1.10.1998 but before 1.4.1999 and is put to use before 1.4.1999 in replacement of condemned vehicle of over 15 years of age for the purpose of business or profession.	60
	v. New commercial vehicle acquired on or after 1.4.1999 but before 1.4.2000 in replacement of condemned vehicle of over 15 years of age and is put to use before 1.4.2000 for the purpose of business or profession.	60
	vi. New commercial vehicles acquired on or after 1-4-2001 but before 1-4-2002 and is put to use before 1-4-2002 for the purpose of business or profession.	50
	vi.a) New commercial vehicle acquired on or after 1-1-2009 but before 1-4-2009 and put to use before 1-4-2009 for the business or profession	50
	vii. Moulds used in rubber and plastic goods factories	30
	viii. Air pollution control equipments	100
	ix. Water pollution control equipments	100
	x. Solid waste control equipments	100
	xi. P & M used in semi-conductor industry	30

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	xi.a)	Life saving medical equipments (For Items refer to Rule 5 App. I)	40
4		Containers made of glass or plastic used as refills	50
5		Computers (including computer software)	60
6		Machinery and plants used in weaving processing, and garment sector of textile industry purchased under TUFs on or after 1-4-2001 but before 1-4-2004 and is put to use before 1-4-2004	50
7&8.		For other items of P & M refer to Rule 5 App. 1	100/80/60
9	i.	Books owned by assessee carrying on a profession	
	a.	Annual publication	100
	b.	Other books	60
	ii.	Books owned by assessee carrying on business in running lending libraries	100
IV	Ships		
		Refer to Rule-5 App.-I	20
V	Intangible Assets		
		Knowhow, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1.4.1998.	25

NOTES:

1. Where an asset is put to use for less than 180 days in a previous year in which it is purchased, depreciation thereon shall be allowed at 50% of the depreciation allowable in respect of the block of asset comprising such asset.

2. Buildings include roads, bridges, culverts, wells and tube wells

3. Plant has been held to include:

- movable partitions [*Jarrolld vs. John Good & Sons Ltd., 40 TC 681 (CA)*]
- sanitary & pipeline fitting [*CIT vs. Taj Mahal Hotel, 82 ITR 44 (SC)*]
- Ceiling and pedestal fans [*CIT vs. Jagadees Chandran & Co., 75 ITR 697 (Mad.); Sundaram Motors Pvt. Ltd. vs. CIT, 71 ITR 587 (Mad.); CIT vs. Tarun Commercial Ltd., 151 ITR 75 (Guj)*].
- Wells [*CIT vs. Warner Hindustan Ltd., 117 ITR 15 (AP)*].
- Hospital [*CIT vs. Dr. B. Venkata Rao 111 Taxman 635 (SC)*]. However, w.e.f. A.Y. 2004-05, it shall not include buildings, furniture and fittings.

4. Depreciation on assets acquired on hire purchase basis should be allowed to the hirer where the terms of the agreement provide that the equipment shall eventually become the property of the hirer or confer on the hirer an option to purchase the equipment [Circular No. 9 (R. Dis. No. 27(4) - IT/43), dated 23-3-1943].

5. Depreciation in respect of motor car manufactured outside India acquired on or after 28-2-1975 or before 1-4-2001 shall be allowed.

6. The claim of depreciation is mandatory w.e.f. A. Y. 2002-03 overriding Supreme Court's decision in *CIT vs. Mahendra Mills 109 Taxman 225* which held that the depreciation claim is optional.

7. Total depreciation allowable in the year of succession/ amalgamation/demerger, to predecessor/amalgamating/demerged co. and successor/amalgamated/resulting co. is to be restricted to depreciation allowable as if succession/ amalgamation/demerger had not taken place, and such depreciation is to be apportioned on the basis of number of days usage by each of them.

8. Depreciation is allowable even on jointly owned assets.

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9. No amortization benefits u/ss. 35A and 35AB can be claimed in respect of intangible assets.

10. In respect of depreciable assets employed in power projects, depreciation may be computed under the Straight Line Method on individual assets [Rule 5(1A)] — [Appendix IA]. Alternatively, the undertaking, may at its option, also claim depreciation at the normal rates (Rule 5(1) — Appendix I), subject to the option being exercised prior to the due date of filing the return of income. In the event of sale or disposal of such assets, if the sale consideration.

i. is less than WDV of such assets— Balance (i.e., WDV – sale consideration) can be claimed as depreciation, provided that such a deficiency is written off in the books.

ii. is in excess of the WDV — Excess (to the extent of the difference between actual cost and WDV will be taxable as Business profit and the balance as Capital Gains)

11. Additional Depreciation @ 20% of actual cost of new machinery or plant (other than ships and aircrafts) acquired and installed after 31st March, 2005 by an assessee engaged in the business of manufacture or production of an article or thing shall be allowed on satisfying certain conditions.