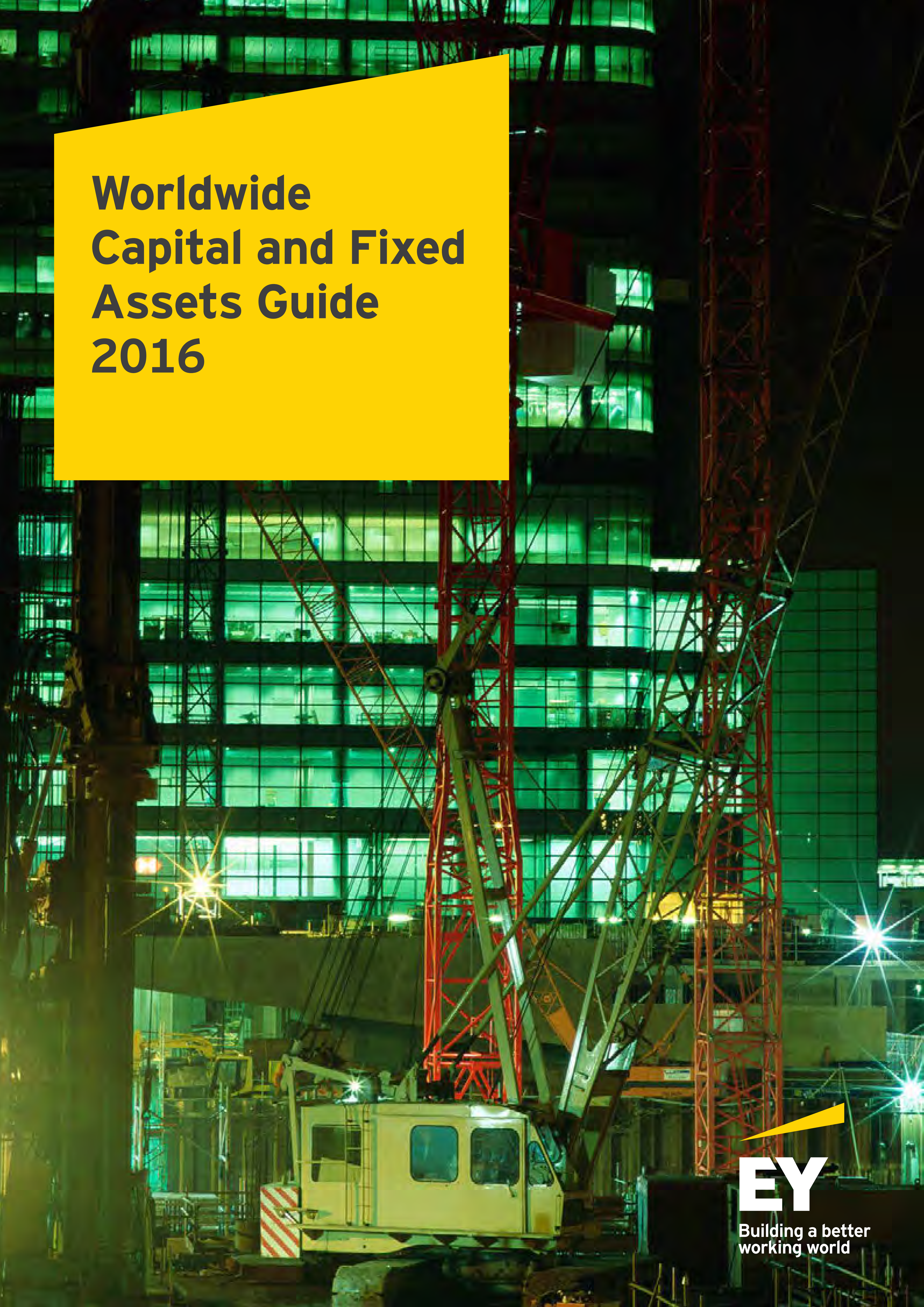
Worldwide Capital and Fixed Assets Guide 2016



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Preface

Capital expenditures represent one of the largest items on a company's balance sheet. This guide helps you to easily reference key tax factors needed to better understand the complex rules relating to tax relief on capital expenditure in 26 jurisdictions and territories.

The content is based on information current as of March 2016 unless otherwise indicated in the text of the chapter. The tax rules related to capital expenditures across the world are constantly being updated and refined. This guide is designed to provide an overview. To learn more or discuss a particular situation, please contact one of the country representatives listed in the guide.

The *Worldwide Capital and Fixed Assets Guide* 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 first publication of the *Worldwide Capital and Fixed Assets Guide*. For many years, the *Worldwide Corporate Tax Guide* has been published annually along with two companion guides on broad-based taxes: the *Worldwide Personal Tax 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,* the *Global Oil and Gas Tax Guide,* the *Worldwide R&D Incentives Reference Guide* and the *Worldwide Cloud Computing Tax Guide*.

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

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Tax depreciation

Does the tax treatment follow book/statutory accounting depreciation?

Yes, with respect to movable property

Range of rates used

0%-100%

Depreciation method used to calculate tax deduction

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

1. Entitlement to claim

Legal ownership is required to entitle 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 (for example, as 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 on a quarterly basis.

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

In the General Instruction (SDG ASJ-AFIP) 7/2012, the tax authorities expressed that given the lack of particular rules, in order to calculate the tax depreciation of movable assets, it should be understood that the probable useful life refers to a reasonable estimation, and 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.

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.
Motor cars	5 years	Straight-line method	20%	Other methods and rates could be used if supported by technical reasons.
Buildings	50 years	Straight-line method	2%	A higher rate could be applied in case 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.
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
Car parks	50 years	Straight-line method	2%	A higher rate could be applied in case a lower useful life could be proven.
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	13%	A higher rate could be applied in case a lower useful life could be proved.

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	In general, costs would 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 (start-up 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

Not deductible.

2.4 Availability of immediate deductions for repairs

There are no rules that allow any asset to be written off in its entirety in the year of acquisition.

Nevertheless, a particular analysis of each case should be performed. If there is a reasonable justification, for example, based upon a professional opinion that may support the entire depreciation of the asset, the possibility to apply these criteria could be considered.

Description	Detail
Repairs	Are 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 the concept of repairs and also defines the concept of "improvements."

In this regard, repairs that may involve the simple maintenance of the asset are considered as expenditure, and as a consequence are deductible as expenses.

On the other hand, improvements are disbursements that do not qualify as ordinary repairs that involve the simple maintenance of the asset. They imply an increase in the value of the good of at least 20%. In addition, doctrine has expressed that, in order 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 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 even other criteria could be adopted if there are technical reasons that support it. As a consequence, tax depreciation could be calculated on a daily, monthly or annual basis depending on the case.
Year of acquisition	The Income Tax Law (ITL) only provides for immovable property that tax depreciation must be calculated on a quarterly basis. As no provisions are stated in order to calculate the tax depreciation for other assets, accounting criteria or any other criteria according to each case could be adopted. The most important consideration would be to keep homogeneous criteria.
Year of disposal	A balancing change or allowance may arise in order to make the accurate adjustments to the capital assets; the residual tax value of the corresponding asset should be detracted from the sale price.
Ability to use different methods for different assets	It is not necessary, but as mentioned, the uniformity of 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 when technical reasons justified the change, but authorization from the tax authorities must 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.
Mining	Law 24,196 provides the corresponding quotas of tax depreciation for each asset. The adopted method of tax depreciation should be informed to the tax authorities and the corresponding authorities.
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 biotechnology	The accelerated tax depreciation could be performed from the moment the asset starts being utilized. The applicable depreciation rate should be analyzed in each specific case.

5. Accounting for disposals

In order to make the accurate adjustments to the capital asset, the residual tax value of the corresponding asset should be detracted from the sale price. In case of a disposal of an asset, it is considered the difference between the original cost of the asset and the accumulated tax depreciations.

There are no provisions in the tax legislation for the case that an asset is scrapped because it has no saleable 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 there are gains arising from the disposal of a moveable asset (by detracting 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.

It is advisable that supporting documents are kept, such as a report with an expert´s opinion that may back up the adopted tax depreciation criteria in order 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	Will depend on the period of time for which the right of use was granted
Patents, copyright, design, know-how or similar item	Will depend on the period of time for which the right of use was granted
Goodwill	Not deductible
License or permit	Will depend on the period of time for which the right of use was granted

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At a glance

Terminology used by country 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 (declining) method

1. Entitlement to claim

A taxpayer who "holds" the asset — typically the owner (legal owner or equitable) — may claim depreciation. A taxpayer who "holds" an asset may also include the following individuals or entities:

- A lessee who has the right to use an asset
- 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). Different subdivisions may apply
- Where it is a joint ownership of the assets (but not a partnership), as each taxpayer is considered to hold assets jointly, and consequently, each of their asset's shares 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. 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 comprise a number of parts, they may be depreciated separately. A fixture on land, whether removable or not, and any improvements to the land or fixtures are treated as separate depreciating assets

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

The decline in value of a depreciating asset is calculated on the basis of 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 when 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 have regard to 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 TR 2015/2 — income tax: effective life of depreciating assets (applicable from 1 July 2015). There is also a "statutory cap" on the effective lives of specified assets where the taxpayer has chosen the effective life determined by the Commissioner.

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	There is a wide range.	Prime cost (PC)/straight line or diminishing value (DV)		The rate varies depending upon the industry and the particular asset type. Refer to the tax determination for particular assets. Foundations for plant and machinery (integral to operation, but not incorporated into plant and machinery itself) — 40 years.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Motor cars Load of less than one ton and less than nine passengers	8 years	PC/DV		Note: the depreciable cost of cars is capped at A$57,466 per car for the income year of 2015/16. The limit is indexed annually.
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) 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 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.
Improvement of non-residential buildings	40 years	PC	2.5%	
Construction of buildings Hotel Industrial Other building (e.g., office premises.)	 25 years 25 years 40 years	PC	 4% 4% 2.5%	
Furniture, fittings or fixtures	10-50 years	PC/DV		
Computer hardware Computers, generally laptops	4 years 3 years	PC/DV PC/DV		

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Computer software (includes acquired software)	5 years (4 years before 1 July 2015)	PC	In house: Year 1 = 0% Year 2 = 30% Year 3 = 30% Year 4 = 30% Year 5 = 10% Acquired: prime cost	Expenditure 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. In-house software is expenditure on developing software or on a right to use computer software that you acquire, develop or have another entity develop for use in your business. Acquired software must use prime cost method and be depreciated over five years on a day basis.
Aircraft — general use	8 or 10 years	PC/DV		If the plane or helicopter is used predominantly for agricultural spraying or agricultural dusting, then capped effective life of eight years is applied. Otherwise, capped effective life of 10 years may apply.
Transport other than motor cars Buses Taxis Light commercial Motorcycle/scooter Trucks	 15 years 4 years 12 years 6.5 years 15 years	PC/DV		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 of the asset.
Car parks — hydraulic elevated platforms and hoists, including control equipment Sealed car parks	10 years (assets) 40 years (buildings)	PC/DV PC		 Car parks would typically be a structural improvement depreciated under Division 43 (2.5% PC).
Office equipment Chairs Desks Reception assets Screens Tables Workstations Printer/copier Whiteboards	 10 years 20 years 10 years 20 years 10 years 20 years 5 years 10 years	PC/DV		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		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		Effective life largely depends on the asset type and the agricultural sector where it is used.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Property used in R&D	N/A	N/A		Effective lives as noted above apply.

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Land is specifically not depreciable. Any gain or loss is only recognized on disposal. 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.
Telecommunications	Rights to use an international or domestic telecommunications system are not depreciable for Australian tax purposes

2.3 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 cover the following costs: incidental (stamp duty), site preparation, professional fees and testing asset functionality.

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 can generally be capitalized and may be immediately deductible in the period when incurred.

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. All other ongoing salaries are expensed if these are "revenue" in nature.

2.4 Availability of immediate deductions

Description	Detail
Assets below a certain value	An immediate 100% deduction applies for depreciating assets costing $300 or less, subject to the following conditions: ▸ The asset was not part of a set of assets where the total cost exceeded $300. ▸ The total cost of the asset and any identical item started to be held in that year did not exceed $300. ▸ 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.
Repairs	Repairs and maintenance of a non-capital nature are deducted as incurred.
Environmental protection activities (EPA)	An immediate deduction can be claimed for expenditure 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.

Description	Detail
Land care operations	The deduction is available as long as the land is used for either 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 expenditure for exploring or prospecting for minerals is 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 be claimed for repairs to machinery, tools or premises used to produce assessable business income, provided the expenses are not capital in nature.

"Repairs" is not defined but adopts its ordinary meaning. Taxation Ruling TR 97/23 discusses the meaning of "repair" and considers that these 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.

Expenditure is considered capital where the expenditure 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 entire premises and is capable of providing 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.

Small business concessions

An immediate write-off is available for depreciating assets costing less than A$1,000 (low-cost assets) (this was reduced from A$6,500, effective 1 January 2014). An immediate write-off is also available for assets acquired for less than A$20,000 and installed ready for use after 7:30 p.m. (AEST) on 12 May 2015 and up until the end of 30 June 2017. Small businesses may also be eligible for other concessions.

Simple pooling facility is available for other depreciating assets costing more than A$1,000. Buildings are specifically excluded from the pooling arrangements unless the building would qualify for deduction under Division 40. The value of the pool is depreciated at a rate of 15% in the first year and then at 30% per year thereafter.

3. Depreciation and calculation methods

Methods used	Straight line/prime cost, double diminishing (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	N/A
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 by 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 the 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 diminishing value 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.

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 they 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 year, and
- The taxpayer either has self-assessed the effective life or has used the Commissioner's determination of effective life and adopted the prime cost straight-line method

4. Preferential and enhanced depreciation availability

Tax depreciation method	Comment on specific application and benefits available
Assets used in research and development	In order 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 expenditure from 1 July 2011. The entity must satisfy both the R&D and the depreciating assets provisions to obtain concessional depreciation deductions. This can have the result that for eligible activities, an entity may claim an R&D tax offset (45% for SME, 40% for larger R&D groups). The tax offset may be a refundable tax offset if the R&D entity's aggregated turnover is less than A$20 million. The additional R&D concession is capped at A$100m of notional deductions.
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; (h) transporting trees. Primary producers may be entitled to concessional depreciation deductions, including: ‣ 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. In the 2015–16 Federal Budget, the government announced that it will allow all primary producers to immediately deduct the cost of fencing and water facilities such as dams, tanks, bores, irrigation channels, pumps, water towers and windmills (from 7:30 p.m. (AEST), 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 expenditure and transport expenditure or other capital project expenditure may be deductible over the estimated life of the project (called "project amounts"). The deduction is not limited to expenditure relating to mining projects and can include certain costs of infrastructure projects. Project amount only includes 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 expenditure and transport capital expenditure 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 intellectual property ‣ An amount incurred for ornamental trees or shrubs. These amounts are deductible on a double diminishing value basis, over the life of the project.

Tax depreciation method	Comment on specific application and benefits available
Site rehabilitation expenditure	An immediate deduction is available for current and capital expenditure on 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 expenditure incurred on "environmental protection activities" is also available for a broader range of expenditure (e.g., preventive expenditure) than under the mine site rehabilitation measures.
Environmental protection	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 incurred. No deduction is available if environmental protection is only a residual or subsidiary purpose.
Carbon sink forests	An immediate deduction is available for capital expenditure 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 ‣ Expenditure is not incurred under a managed investment scheme (MIS) ‣ The trees meet certain forest characteristics and adhere to certain environmental resource management guidelines

5. Accounting for 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 you stop using it, or having it installed ready for use, and you expect to never use it again, this may give rise to a balancing adjustment.

6. 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. Currently, these include tax depreciation disclosures, adjustable values of depreciating assets, information on disposal of depreciating assets and termination value of depreciating assets.

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

- The first and second element of cost[1]
- 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 non-taxable 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 you worked out the effective life of a depreciating asset where the Commissioner's effective life was not adopted
- If the taxpayer has recalculated the effective life of an asset, the date of the recalculation, the recalculated effective life, the reason for the recalculation and details of how this 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 Australian Taxation Office (ATO), but must be retained for five years.

7. Intangible assets

Intellectual property (IP)
Depreciating assets include certain 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 below).

Computer software
In-house software is computer software, or a right to use computer software, that is acquired or developed mainly for 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.
- 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.

[1] **First element of cost** is generally the amount you pay to hold the asset. Market value substitution rules or other "deeming rules" may also apply. **Second element of cost** is amounts incurred after you start to hold the asset to bringing the asset to its present condition and location (e.g., capital improvements) and (b) expenditure you incur that is reasonably attributable to the asset when you stop holding this asset or will never use it again.

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 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 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) (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)	Fewer than 25 years from when taxpayer became licensee, and the period until license ends
In-house software	5 years (from 1 July 2015)
Spectrum license	Term of license
Data-casting transmitter license	15 years
Telecommunications site access right	Term of the right

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.

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, 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 filed or proposed petroleum filed
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

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At a glance

Terminology used by country 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

4%-100%

Depreciation method used to calculate tax deduction

Straight-line method

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 be applicable to 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.

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 aircrafts				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%.
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%	

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Qualified improvements in lease hold 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. Improvement that does not enhance the useful life in more than one year must be recognized as expenditure of 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. It follows the regular asset depreciation.	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 have to 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 that value usually increases over time, (e.g., art/antiques)	Not an operational asset
Assets which exhaustion quote applies	Exhaustion has the same tax and accounting impacts as depreciation. Exhaustion quotes are specific to the mining and forest project useful life as these resources are exhausted, not depreciated. Although it is a different terminology, the principle is the same.

2.3 Noteworthy items

Preoperational costs

Preoperational costs and expenses must integrate the fixed assets' or intangibles' costs. If not related to fixed assets or intangibles, they must be written off as an expense. Intangibles might be subject to amortization.

Preoperational expenditures, such as training programs, administrative and sales, cannot integrate the value of intangibles, thus, they must be written off as expenses.

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 a specific software to improve the performance of its services, the corresponding labor costs can be integrated to 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 deductions for repairs

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)

3. Depreciation and calculation methods

Methods used	The method referred to on tax legislation is the straight-line method. Nevertheless there are different tax rates (not methods) related to specific regulation or based on expert report (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, in order to use different depreciation rates from the ones set forth in the tax regulation, there must be an expert's report to support the case. 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 (accelerated depreciation).

4. Preferential and enhanced depreciation availability

There are two kinds of accelerated depreciation set forth by the 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 the 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 activities of technological research and the 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 taken into account to determine capital gain. If the asset's sale price is higher than the residual amount, then the capital gain is subject to corporate income tax taxation. However, if it results in a capital loss, it is treated as a deductible expense for corporate income tax purposes.

It is necessary to have supporting documentation 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 assets' depreciation should be claimed when filing the income tax return.

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

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, copyright, design, know-how, or similar item	Contingent on the contract/right duration
Goodwill	In-house goodwill is not deductible for tax purposes
License or permit	Contingent on the contract/right duration
Other (please provide details)	N/A

The deductive expenditure of amortization is related to the contract period. Additionally, in-house trademark, patents and copyright are not deductible.

Canada

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At a glance

Terminology used by country 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 tax deduction

Declining balance, straight line

1. Entitlement to claim

Corporate and personal taxpayers as well as partnerships who incur business or property income are entitled to claim the CCA.

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

Details/descriptions of various CCA classes (including 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 to be a part of that equipment and classified as such (HVAC, plumbing, electrical, etc.). This is not required but typically results in significantly more advantageous depreciation rates for the particular assets. In manufacturing and processing (M&P) situations, costs specifically related to the M&P activities/processes may be classified separately from the building.

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 (PME)	N/A	Declining balance (DB)/straight line (SL) depreciation methods	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). Also, Class 29 (M&P equipment — acquired before 2016)
Automobiles	N/A	DB	30%	Luxury passenger vehicles (cost more than C$30,000, not used more than 90% for business) are limited to a maximum C$30,000 addition to CCA Class 10.1 and must be placed in a separate class for each asset. Passenger vehicles costing less than C$30,000 or used more than 90% for business are recorded in one class and depreciated at a rate of 30%.
Buildings	N/A	DB	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 or fixtures	N/A	DB	20%	
Computer hardware	N/A	DB	55%	
Computer software	N/A	DB	55%/100% (half-year rule)	System software is depreciated at a 55% DB CCA rate. Application software is depreciated at a 100% DB CCA rate, half-year rule applicable, however (see later).
Aircraft	N/A	DB	25%	Includes furniture and fittings attached to aircraft
Transport other than automobiles	N/A	DB	Various	Most automotive equipment is depreciated at a 30% DB CCA rate. Tractors designed for hauling freight are 40% DB CCA rate.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Car parking lots	N/A	DB	8%	Surface-constructed parking lots are depreciated at an 8% DB CCA rate.
Office equipment (including office furniture and fixtures)	N/A	DB	20%	
Land improvements	N/A	DB or immediate deduction	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	SL	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%	Automotive agricultural equipment is 30% CCA rate. Most other equipment will be considered general equipment 20% CCA rate.
Property used in R&D	N/A	DB or SL	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

Types of assets	Explanation
Land	Land does not qualify as it is not depreciable property.

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 he or she 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. In most cases, GAAP (generally accepted accounting principles) are used to determine the cost.

2.4 Availability of immediate deductions

Description	Detail
Chinaware, cutlery, or other tableware	100% DB CCA rate
Kitchenware utensils costing less than $500	100% DB CCA rate
Medical or dental instrument costing less than $500	100% DB CCA rate
Linens	100% DB CCA rate
Tools costing less than $500	100% DB CCA rate
A uniform	100% DB CCA rate
Apparel or costume used for the purpose of earning income	100% DB CCA rate
Repairs and maintenance expenditures	Repairs and maintenance expenditures that restore an asset to its original condition 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

There is no legislation that details what a repair is; however, this has been addressed through much case law. There are also administrative positions that 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 principals 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 are 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 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 C$1,000, it will be expensed for accounting purposes. CRA would also 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	Annually 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. Assets that are classified in the same CCA class are typically grouped together in one pool (besides specific classes, such as some automotive equipment, rental properties costing more than $50,000, 6% 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. CCA is only calculated on the assets remaining in the CCA class/pool at year-end, so in the year of disposal, there is no CCA 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. 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

Tax depreciation method	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.
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 between February 2005 and January 2020

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%–15% of the cost of the asset). There are various other investment tax credits available provincially across the country (e.g., data-processing equipment, as well as green-energy equipment in Manitoba; digital media tax credit in Nova Scotia, Ontario and New Brunswick, etc.).

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, and CCA is calculated on the resulting net/adjusted pool balance.

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 (CCA). 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 taxation 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. There are specific CCA classifications/deductions for some limited-life intangible assets as detailed in the table below.
- There is also a deduction available for eligible capital expenditures (ECE), 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. ECE expenditures are deducted by adding 75% of the capital cost of the ECE to a pool that is depreciated at a 7% declining-balance depreciation rate.

Type of asset	Rates/lives
Trademarks	ECE — as noted above
Patents, copyright, design, know-how or similar item	Patents are depreciated over the useful life of the asset — Class 14 (limited life). Patents may also be Class 44 property — 25% CCA rate.
Goodwill	ECE — as noted above
License or permit	Licenses are depreciated over the useful life of the asset — Class 14 (limited life).

China

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At a glance

Terminology used by country 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%-33.33%

Does the tax treatment follow book/statutory accounting depreciation?

Straight-line method

1. Entitlement to claim

Legal owners or the lessee 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 form, and to which different depreciation rates or depreciation methods apply, they shall be 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 on the basis of 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 the 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 term 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			
Airplanes, locomotives, ships, machines and other production facilities	10 years			
Apparatus, tools and furniture in connection with the production operation	5 years			
Transportation facilities other than airplanes, locomotives and ships	4 years			
Electronic equipment	3 years			
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 prolong 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 operating	

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Follow accounting treatment

Land remediation — removing asbestos, Japanese knot weed

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 the Accounting Standards No. 17 — borrowing costs.

2.4 Availability of immediate deductions for repairs

According to Article 13, 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:

- Reconstruction expenses for fixed assets that have been depreciated in full
- Reconstruction expenses for fixed assets leased from other parties
- Expenses for material repair of fixed assets is not necessary

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 house/building and extending the lifetime of house/building.

Expenditures relating to owned assets will be amortized in stages as per the estimated lifetime of the fixed assets. Expenditure relating to leased assets will be amortized by stages as per the remaining lease term stipulated in the lease contract.

If the reconstructed fixed assets need to extend the 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 the fixed assets, as indicated in Item 3 of Article 13 of the Enterprise Income Tax Law, mean the expenditures meeting the following conditions:

- The repair expenditure reaching up to over 50% of the taxation basis of acquiring the fixed assets
- The lifetime of the overhauled fixed assets extending over 2 years

For the expenditure prescribed in Item 3 of Article 13 of Enterprise Income Tax Law, it 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 the month following when the fixed assets ceases 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 being exposed to a high degree of erosion

According to Article 5, where an enterprise needs to curtail the term of depreciation or adopt a method for accelerated depreciation for any of its fixed assets, **it shall, within one month after acquiring such fixed asset, file with the competent tax authority in charge of it (hereinafter referred to as competent tax authority) for the record, and submit the following materials:**

- Statements of reasons for why the functional and estimated service life of the fixed asset is shorter than the minimum number of years prescribed in the Implementing Regulations for depreciation, certificates and explanations of relevant situations
- Explanations of the situations concerning the functions, usage and disposal of the old fixed asset replaced
- The method to be adopted for the accelerated depreciation of the fixed asset and the explanation for depreciation
- Other materials as required by the competent tax authority to be submitted

The competent tax authority in charge of the enterprise shall, when conducting annual assessment on enterprise income tax, carry out on-site inspection on the service environment and conditions of the fixed assets that have been depreciated in an accelerated rate by the enterprise. For those that fail to meet the prescribed requirements for accelerated depreciation, the competent tax authority shall have the right to request the enterprise suspend the accelerated depreciation of such fixed asset.

Notice regarding the improvement of corporate income tax (CIT) policies on accelerated depreciation of fixed assets (Caishui [2014] No. 75)

1. Accelerated depreciation treatments applicable to six specific 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:

(1) Manufacturing of biopharmaceuticals

(2) Manufacturing of special equipment

(3) Manufacturing of transportation equipment for railway, shipping, aviation, aerospace and other conveying units

(4) Manufacturing of computers, telecommunication and other electronic equipment

(5) Manufacturing of instruments and meters

(6) Information transmission, software and information technology services

Small and micro-sized enterprises engaging in the above six industries are allowed to claim a deduction for CIT purposes in one go 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.

2. Accelerated depreciation treatments applicable to R&D projects

Enterprises under various industries are allowed to claim a deduction for CIT purposes in one go for devices and equipment with unit value not exceeding RMB1 million that are acquired on or after 1 January 2014 and used for R&D purposes only; enterprises would no longer be required to depreciate these fixed assets over their useful lives. For those fixed assets with unit value exceeding RMB1 million, they may adopt a shortened depreciation life or accelerated depreciation methods for CIT purposes.

3. Accelerated depreciation treatments applicable to fixed assets with unit value not exceeding RMB5,000

Enterprises under various industries are allowed to claim a deduction for CIT purposes in one go for their fixed assets with unit value not exceeding RMB5,000. Enterprises would no longer be required to depreciate these fixed assets over their useful lives.

4. Applicable minimum depreciation period and accelerated depreciation methods

For the above enterprises that are allowed to adopt a shortened depreciation life applicable to 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. For those enterprises that are allowed to adopt accelerated depreciation methods, the double-declining-balance method and sum-of-years- digits method can be adopted.

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

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

Small and micro-sized enterprises engaging in the above four industries are allowed to claim a 100% upfront 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 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 fixed assets with a unit value exceeding RMB1 million, the above enterprises may choose to adopt a shortened depreciation life or apply accelerated depreciation methods 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. For enterprises that choose to adopt accelerated depreciation methods, either the double-declining-balance method or the sum-of-years-digits method can be used.

4. Preferential and enhanced depreciation availability

Investment in R&D equipment may be rewarded by an enhanced depreciation at 150% of the original cost.

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

A negative list of industries as follows are not applicable for the super deduction:

- The tobacco industry
- Accommodation and catering industry
- Wholesale and retail industry

- Real estate industry
- Leasing and commercial service industry
- Entertainment industry
- 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, produces, services, knowledge, etc.
- Technical support to the 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. A declaration is required to be made to the tax authority. A gain on disposal of an asset will be subject to corporate income tax 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.

Appendix 9 of annual CIT filing return shows the calculation for tax and accounting depreciations. 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.

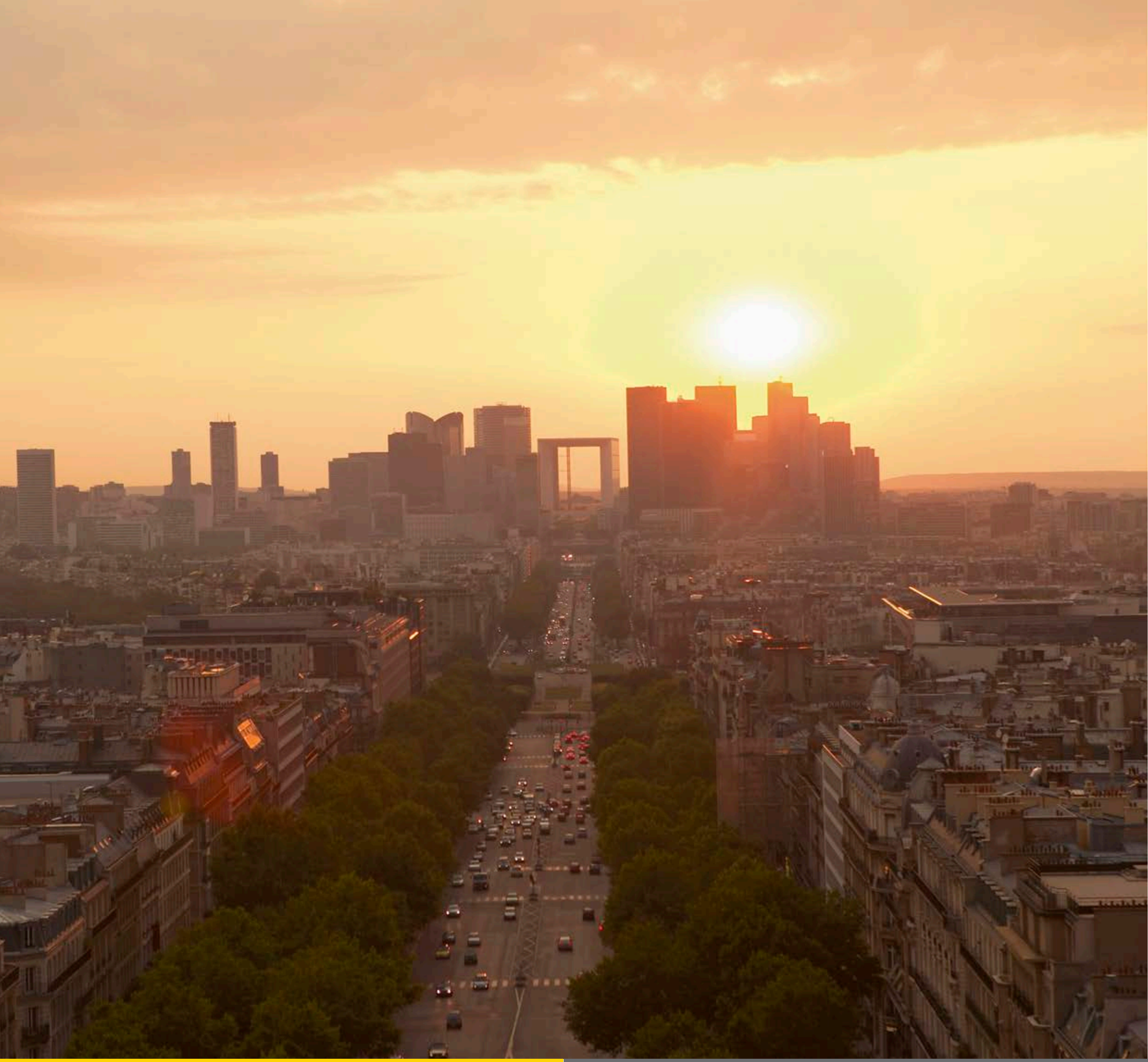
For the intangible assets used as investment or transferred intangible assets, if the term of validity is prescribed by the relevant laws, or the agreement/contract, the amortization may be calculated in stages based on the term of validity.

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 (please provide details)	

Implementing regulations of the law of China on enterprise income tax

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 country 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 as from its entry into service/use under the straight-line method and as 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 timescales. In this situation, they have to be depreciated separately, according to the lifetime of each of them (example: heating system, roofing, which are both by nature and their use intended to be replaced at regular intervals).

The French tax authorities have provided — for information 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 information purpose only.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment	Between 6 and 10 years	Straight-line basis	Between 10% and 15%	
Motor cars	Between 4 and 5 years	Straight-line basis	Between 20% and 25%	
Industrial buildings	20 Years	Straight-line basis	5%	
Furniture	10 Years	Straight-line basis	10%	
Computer hardware	3 Years	Straight-line basis	33.33%	
Computer software	2 Years	Straight-line basis	50%	The cost of acquiring software may be written off on a straight-line basis over 12 months (accelerated depreciation.)
Office building	25 years	Straight-line basis	4%	
Transport other than motor cars (“materiel roulant”)	Between 4 and 5 years	Straight-line basis	Between 20% and 25%	
Tools/equipment	Between 5 and 10 years	Straight-line basis	Between 10% and 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)	Between 5 and 10 years	Straight-line basis	Between 10% and 20%	To be immediately deducted as expenses if the acquisition price of the equipment does not exceed €500.
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	It is not subject to any decrease in value by the effect of time.
Leasehold right	It is not subject to any decrease in value by the effect of time.
Ongoing concern (French *"Fonds de commerce"*)	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

May be amortized

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

May be amortized

2.4 Availability of immediate deductions for repairs

Description	Detail
Acquisition cost of software	From a tax perspective, acquisition cost of software may be amortized over a period of 12 months.

As a matter of principle, expenditures that do not aim at replacing identified components, which are not the subject of a multi-annual program of major maintenance, which 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 (for example carpentry works, masonry, etc.).

3. Depreciation and calculation methods

Methods used	Straight line is the typical method. Declining balance ("amotissement degnessif") is allowed for certain types of new or recovered asset, for example, 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 enter in to 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 as 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 to 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

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 for tax purposes.

Investment in robotics between 1 October 2013 and 31 December 2015 may be depreciated on a two-year basis. Assets that benefited from equipment grants before 2006 can be also depreciated under a specific tax regime.

Small and medium companies that build commercial or industrial real estate in specific urban zones before 1 January 2015 may depreciate the asset by 25% the first year after the construction is finished. The subscription to the capital of innovative small and medium companies allows the depreciation of the shares on a five-year period, etc.

5. Accounting for disposals

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

Prepare the computation of the capital gain that 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 in case 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 in general of 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 in order for it to be amortized later (for example, the purchase contract).

7. Intangible assets

Tax depreciation is available for purchases of software, and also for patents.

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 5 years (since they will fall into the public domain).
Goodwill	N/A
License or permit	N/A

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At a glance

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

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

Does the tax treatment follow book/statutory accounting depreciation?

Yes

Range of rates used

2%–100%

Depreciation method used to calculate tax deduction

Straight line/prime cost

1. Entitlement to claim

The legal owner (generally, 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, then 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, where 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*		Straight line		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		–
Buildings (general)*				
Buildings as business assets not used as residential purposes and built after 31 March 1985	33 years	Straight line	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, finished after 31 December 1924	50 years	Straight line	2%	
In all other cases, finished prior to 1 January 1925	40 years	Straight line	2.5%	
Useful life effective before 33, 40, 50 years	In accordance to the respective useful life	Straight line		
Fittings or fixtures*	8 years	Straight line	12.5%	–
Computer hardware*	3 years	Straight line	33%	–

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Computer software*	3 years	Straight line	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.
Aircraft*	21 years	Straight line	4.7%	–
Transport other than motor cars*		Straight line		Depends on specific vehicle, e.g., trucks — nine years
Car parks*	9/19 years	Straight line		Depends on quality of car park
Office equipment, including office furniture and fixtures*		Straight line		Depends on the type of equipment, e.g., office furniture — 13 years
Land improvements		n/a		
Qualified leaseholder improvement property		n/a		
Agricultural machinery and equipment*		Straight line		Depends on the type of machine/equipment, such as tractor — 12 years
Property used in R&D*		Straight line		Depends on the type of property or contractual period, e.g., laboratory equipment (measuring system) — 13 years.

*Extraordinary depreciation is applicable besides the above-mentioned depreciation method.

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, whether or not it is classified as tangible or intangible. Local GAAP and tax GAAP generally distinguish between "depreciable" and "not-depreciable" assets. Depreciable assets qualify for regular depreciation, which reflects the impairment of assets e.g., due to use. Not-depreciable assets do not qualify for regular depreciation, but extraordinary deprecations due to impairments are possible. Both depreciable and not-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 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 — removing asbestos, Japanese knot weed

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. Not-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 are not acquired, a capitalization of assets in general is prohibited.

If you buy a building, the expenditures for repairs and modernization incurred within three years after acquisition have to be capitalized, when the total amount of the expenditures (without VAT) exceeds 15% of the purchase price of the building.

2.4 Availability of immediate deductions for repairs

Description	Detail
Low-value assets	Tangible assets between €150–€1,000 (net amount) can be stated as a collective item to be depreciated on an annual basis over a period of five years. Low-value assets with acquisition or production costs up to €410 (total net amount) can be written off entirely in the year of acquisition. For example, for office chairs, a useful life of 13 years has to be considered. If the tax payer purchases office chairs for €500 (net amount), they can accelerate the depreciation by depreciating totally within five 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	Reducing balance method[1], straight line/prime cost, performance related disposals (in case of economic reasons)
Frequency	Generally depreciation is calculated on a monthly basis for simplification purposes.
Year of acquisition	Depreciations are 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 €150–€1,000 (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 booked 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 years period.
Ability to use different methods for different assets	No. Generally, each asset requires an individual assessment. When valuating similar current assets, the depreciation method has to be applied to all like-minded assets within one class. Furthermore, if the asset pooling is chosen for low-value assets, this method has to be applied across the board to all assets.
Ability to switch methods	No, with regard to the change of valuation methods, the principle of consistency has to be ensured. A deviation is only permitted for a serious reason.

4. Preferential and enhanced depreciation availability

Under certain conditions, small-sized companies (companies with business assets less than €235,000 in the year of the deduction) can claim "investment deductions" of up to 40% 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 20% in total of the effective investment costs in the year of the investment up to the following four years. The aforementioned "investment deductions" are only applicable for movable tangible assets.

[1] Declining method has no relevance at the moment. This method was applicable for selective fiscal years (e.g., for movable assets between 2009 and 2010).

5. Accounting for disposals

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

6. Making a claim

Depreciation must be reported in the tax balance sheet.

In general, 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.

7. Intangible assets

Acquired intangible assets are generally depreciated. The depreciation period depends on the (standard) useful life, contract periods, etc. The goodwill, which 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.

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At a glance

Terminology used by country 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

10%-100%[1]

Depreciation method used to calculate tax deduction

Reducing balance, straight line

[1]The Finance Minister in its budget speech for the Financial Year 2016 has proposed to restrict the rate of depreciation to 40% from 1 April 2017

1. Entitlement to claim

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

- The asset must be used for the purpose of business
- The asset must be put to use during the year

However, in case of 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 risks and rewards of ownership.

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

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

Assets are classified as either tangible or intangible assets.

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

2.1 Assets that qualify for tax depreciation[2]

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment	–	Reducing balance	15%	List of rates of depreciation is mentioned in Income Tax Rules, 1962, available at http://incometaxindia.gov.in/
Motor cars	–	Reducing balance	15%	–
Buildings		Reducing balance	10%	List of rates of depreciation is mentioned in Income Tax Rules, 1962, available at http://incometaxindia.gov.in/
Furniture, fittings or fixtures	–	Reducing balance	10%	–
Computer hardware	–	Reducing balance	60%	–
Computer software	–	Reducing balance	60%	–
Aircraft	–	Reducing balance	40%	–
Transport other than motor cars	–	Reducing balance	Various rates	List of rates of depreciation is mentioned in Income Tax Rules, 1962, available at http://incometaxindia.gov.in/
Car parks	–	Reducing balance	10%	Rate applicable for buildings
Office equipment (including office furniture and fixtures)	–	Reducing balance	10%	List of rates of depreciation is mentioned in Income Tax Rules, 1962, available at http://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 http://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 http://incometaxindia.gov.in/
Agricultural machinery and equipment	–	Reducing balance	Various rates	List of rates of depreciation is mentioned in Income Tax Rules, 1962, available at http://incometaxindia.gov.in/

[2] The Finance Minister in its budget speech for the Financial Year 2016 has proposed to restrict the rate of depreciation to 40% from 1 April 2017.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Property used in R&D	–	–	–	No depreciation is allowed. However, separate allowance is given on all capital expenditure (except land) in the form of expenditure in the year in which it is incurred (subject to fulfillment of certain conditions/approvals).
Ships	–	Reducing balance	20%	List of rates of depreciation is mentioned in Income Tax Rules, 1962, at http://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.

2.2 Assets that do not qualify for tax depreciation

Any asset that does not fall under the categories mentioned in point 2.1 above (e.g., land). In case of intangible assets, such as goodwill, customer databases, etc., there is uncertainty about whether the same would fall under "any other business or commercial rights of similar nature" and accordingly, whether an intangible asset for the purpose of income tax. Hence, a detailed evaluation is required based on facts of each case to determine whether there exists an intangible asset or not.

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

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

It may be possible to add the expenditure to the cost of 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 expenditure incurred on preparation of feasibility report, project report, etc. incurred at the time of incorporation or extension of undertaking are allowed to be amortized over a period of five years subject to certain conditions.

Land remediation — removing asbestos, Japanese knotweed

It may be possible to add the expenditure to the cost of the land. However, since land is not a depreciable asset, no depreciation can be claimed on expenditure incurred for land remediation.

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

It may be possible to add the expenditure to the cost of the software/property. Depreciation is allowed at the rates applicable to the asset based on the category in which the asset is classified.

2.4 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 expenditure.

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

3. Depreciation and calculation methods

Methods used	Reducing balance (straight line is available for undertakings engaged in generation and/or distribution of power).
Frequency	Annually
Year of acquisition	In a particular financial year, if asset is put to use for 180 days or more, depreciation at the eligible rate is allowed to the extent of 100%. However, if asset is put to use for less than 180 days, depreciation shall be restricted to 50% of the eligible rate. It is important that the words "put to use" are not defined in the Indian tax laws, and therefore a detailed evaluation is required based on facts of each case to determine whether the asset has been put to use in the first year of claim of depreciation for that asset.
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

4. Preferential and enhanced depreciation availability

Particulars	Comment on specific application and benefits available
Investment specific	A deduction of 15% for the acquisition and installation of new assets (plant and machinery) by a company engaged in the manufacture or production of any article or thing if investment (asset acquired and installed) is more than INR 1,000 million (i.e., approx. USD 16.77 million) collectively in FY 2013-14 and 2014-15 or investment (asset acquired and such assets are installed on or before 31 March 2017) of more than INR 250 million (i.e., approx. USD 4.17 million) per year for FY 2014-15 to FY 2016-17. Separately, a deduction of 15% of the actual cost of such new asset will be allowed in the year in which the asset is installed where an assessee sets up an undertaking for manufacture or production of any article or thing on or after 1 April 2015 in any backward area notified by the Government of India in the State of Andhra Pradesh, Bihar, Telangana, West Bengal and acquires and installs new machinery or plant (other than ships and aircraft) for the said undertaking during the period 1 April 2015 to 31 March 2020.
Scientific expenditure on in — house approved research and development facility	Company engaged in the business of bio-technology 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 Income-Tax Act, 1961 is eligible for deduction of expenses on scientific research (except land and buildings), to the extent of 200% till 31 March 2017, 150% till 31 March 2020 and 100% from 1 April 2020 onwards.

Asset	Comment on specific application and benefits available
New machinery or plant (other than ships and aircraft.) Exclusions: ‣ Any machinery or plant that before its installation was used either within or outside India by any other person ‣ Any machinery or plant installed in any office premises or any residential accommodation, including accommodation in the nature of a guesthouse ‣ Any office appliances or road transport vehicles ‣ Any machinery or plant the whole of the actual cost of which is allowed as a deduction (whether by way of depreciation or otherwise) in any one previous year	The assets must be acquired and installed by an assessee engaged 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 put to use for less than 180 days, additional depreciation will be available at 10% in the first year and balance 10% will be allowed in next year. Further, where an assessee sets up an undertaking for manufacture or production of any article or thing on or after 1 April 2015 in any backward area notified by the Government of India in the State of Andhra Pradesh, Bihar, Telangana, West Bengal and acquires and installs new machinery or plant (other than ships and aircraft) for the said undertaking during the period 1 April 2015 to 31 March 2020, there is additional depreciation at the rate of 35% on the cost of the asset (available only in the first year). If the asset is put to use for less than 180 days, additional depreciation will be available at 17.5% in the first year, and balance 17.5% will be allowed in next year.

5. Accounting for disposals

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

In case of undertakings where 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 actually written off in the books of accounts. Where the sale price is higher than the written down value of the asset disposed, the difference is chargeable as business income.

6. Making a claim

Generally, no separate books of accounts are maintained for the purpose of income tax. Separate calculations are prepared to calculate tax depreciation; however, companies and assessees having turnover more than the specified amount are required to undertake a tax audit. In the tax audit report, the tax auditor has to certify the depreciation working as provided by the assessee for the purpose of income tax. Based on the workings/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 are required to be maintained.

7. Intangible assets

Depreciation is allowed on know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature.

Type of asset	Rates/lives
Trademarks	
Patents, copyright, design, know-how, or similar item	25% if the asset falls under the above definition*
Goodwill	
License or permit	

*In respect of intangible assets like goodwill, customer database, etc., there is uncertainty about whether the same would fall under "any other business or commercial rights of similar nature" and could therefore be considered as an intangible asset for the purpose of income tax. Hence, a detailed evaluation is required based on facts of each case to determine whether there exists an intangible asset or not.

Italy

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Terminology used by country 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

5.5%–35%

Depreciation method used to calculate tax deduction

Straight line/prime cost

1. Entitlement to claim

In general, the person entitled to claim accounting and tax depreciation is the legal owner of the asset. This rule also applies for financial lease agreement and rental. Tax rules follow the above mentioned accounting approach.

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

For assets that consist of several items, the taxpayer will have to determine the cost of each component. Assets with different useful estimated lines have to be recorded and tracked individually.

For buildings, certain items (e.g., heating, telecommunications and alarm systems) can be closed as separate assets and depreciated accordingly.

Italian GAAP does not provide a comprehensive table of assets and the lives/rates to be applied. Indeed, from a tax perspective, tangible asset must be depreciated using specific rates provided by Ministerial Decree issued on 31 December 1988. In the case of intangible assets, the tax law in force provides a specific useful life in order to calculate the maximum depreciation quota of each fiscal year (see Article 103 Italian Tax Code).

2.1 Assets that qualify for tax depreciation

Italian GAAP does not set out a comprehensive table of assets and rates to be applied. Special rates are set out by ministerial decree, however, and this ministerial decree is generally followed for accounting purposes. The ministerial decree determines the depreciation quota that applies across 22 groups of industries.

Ministerial Decree issued on 31 December 1988 that defines rates to be applied for determining the yearly tax deprecation quota of tangible asset is divided into 22 groups of industries, following divided subcategories. For instance, the Group 4, Subpart 4, related to the oil and gas industry (exploration and production sector) provides the following rates:

On 30 December 2015, the Law No. 208 of 28 December 2015 (the Italian Budget Law for 2016 or the Law) was published in the Official Gazette No. 302, Ordinary Supplement No. 70, following the parliament's approval. Among the others, the Law provides a tax incentive concerning the depreciation of certain tangible assets. In particular, the new provision states that the depreciable base of certain plants, machinery and equipment (excluding those with depreciation rates lower than 6.5%) purchased between 15 October 2015 and 31 December 2016 is equal to 140% of the acquisition cost.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Buildings	18.18	Straight-line method	5.5%	The applicable rate may vary based on the industry in which the company performs its activity.
Lightweight constructions	10	Straight-line method	10%	The applicable rate may vary based on the industry in which the company performs its activity.
Generic plants	12.50	Straight-line method	8%	The applicable rate may vary based on the industry in which the company performs its activity.
Wells	6.67	Straight-line method	15%	The applicable rate may vary based on the industry in which the company performs its activity.
Specific plants	4	Straight-line method	25%	The applicable rate may vary based on the industry in which the company performs its activity.
Sensors and recorders for geophysical surveys	4	Straight-line method	25%	The applicable rate may vary based on the industry in which the company performs its activity.
Equipment and small tools	2.86	Straight-line method	35%	The applicable rate may vary based on the industry in which the company performs its activity.
Plants for the processing and purification of waters, harmful fumes, etc., through the use of chemical reagents	6.67	Straight-line method	15%	The applicable rate may vary based on the industry in which the company performs its activity.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Furniture and office machineries	8.33	Straight-line method	12%	The applicable rate may vary based on the industry in which the company performs its activity.
Electrical and electronic office equipment including computers and telephone systems	5	Straight-line method	20%	The applicable rate may vary based on the industry in which the company performs its activity.
Transport vehicles (general heavy vehicles, forklifts, vehicles for internal transport, etc.)	5	Straight-line method	20%	The applicable rate may vary based on the industry in which the company performs its activity.
Cars, vehicles and similar	4	Straight-line method	25%	The applicable rate may vary based on the industry in which the company performs its activity.

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

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Under Italian tax rules, land cannot be depreciated either for accounting or for tax purposes. Land, indeed, 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 in order 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.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

They 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 in order 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 depreciation process. Such costs can be deducted under the ordinary rules related to depreciation process (using depreciation rates provided by the tax law).

Land remediation — removing asbestos, Japanese knot weed

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

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

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

2.4 Availability of immediate deductions for repairs

Accounting rules state that the item with the requirements provided by the Law for being capitalized (long-lasting use, constituting a relevant part of the business organization of the enterprise) can be depreciated in a period equal to its useful life. As a consequence, full depreciation of the asset in the year of acquisition is allowed providing that its useful life is equal to one year.

Italian tax law provides that in case of assets whose unit cost is not higher than €516.46, the full depreciation of the acquisition cost in the year of purchase shall be allowed in the fiscal year during which such costs have been incurred. The mentioned rule is not mandatory.

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

Routine maintenance cannot be accounted for increasing the historical cost of the item, but they are recognized in the P&L of the financial year in which they are sustained.

Improvements represent costs that trigger a significant and tangible increase in productivity or useful life of the asset. Such costs must be accounted 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 they are sustained can be deducted for corporate income tax 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. With effect from tax year 2012, fixed tangible assets purchased or sold during the tax year are not included in the calculation of the 5% limit. Any excess can be deducted in equal quotas in the following five financial years.

Maintenance expenses in connection with a contract with third parties providing periodic maintenance of the company's assets are fully deductible and not taken into account in determining the above limit.

Improvements accounted as increase of the historical cost and, therefore, capitalized can be deducted for corporate income tax 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 it is, from a juridical point of view, at the disposal of the purchaser. For tax purposes, instead, 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, same method and depreciation rates must be used for same class of assets.
Ability to switch methods	Italian GAAP n. 29 allows, respecting certain conditions, the change in accounting criteria. From a tax perspective, the only available depreciation method is the straight-line approach.

4. Preferential and enhanced depreciation availability

Enhanced/accelerated depreciation methods are allowed for an accounting standpoint, while they are not allowed for tax purposes.

For the fiscal years 2014 and 2015, companies investing in qualified assets and equipment specifically identified by the Law may benefit from a tax credit equal to 15% of the incurred expenses exceeding an adjusted average of investments in the same kind of assets sustained during the previous five fiscal years (i.e., 2009–13). Companies incorporated less than five years may benefit from such tax credit by comparison with any qualifying investment carried out as of the year of incorporation.

Qualified assets mainly include plants and equipment included in a specific measure issued by the Director of the Revenue Agency in November 2007.

The tax credit is to be used in three equal installments to offset payments of taxes liabilities and social securities. The tax credit is available starting from the 1 January of the second fiscal year subsequent to the year of the investment. The tax credit is revoked if the qualifying assets are disposed of to third parties within the second fiscal year subsequent to that of the investment or transferred outside of Italy within the fourth fiscal year following the one in which the tax return declaring the tax credit was filed.

5. Accounting for disposals

In case of disposal, the company will recognize in the P&L of the financial year in which the operation takes place a capital gain/loss, 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 scrap, the company will recognize in the P&L of the financial year in which the operation takes place 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).

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 scrap of the assets previously booked, the company must be able to be compliant with specific provisions (e.g., communications to be filed to the relevant tax authorities) concerning the documental proof in order to overcome the legal "presumption of sale" for corporate income tax and VAT purposes.

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 the inventories. However, all the relevant accounting documents (e.g., purchase invoices, agreements) related to the enterprise must be stored for at least 10 years, or a longer period of time depending the statute of limitation provided by tax law.

7. 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 the Italian law, the maximum depreciation period is fixed at five years. Goodwill can be capitalized only if a price was paid for it and with the formal authorization of the internal auditors committee. A higher useful life period than the standard period of five years 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 minimum statutory length of the tax depreciation process.

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.

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

Depreciation

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

2.7%–100%

Depreciation method used to calculate tax deduction

Reducing balance, straight line/prime cost, units-of-production method, replacement method

1. Entitlement to claim

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

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

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

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	From 38 to 2	Declining balance, straight line	From 100%–9.1% From 50%–4.6%	Items regarded as building are only applied to the straight-line method.
Motor cars	From 6 to 3	Declining balance, straight line	From 66.7%–33.3% From 33.4%–16.7%	
Buildings	From 50 to 7	Straight line	From 14.3%–2%	
Furniture, fittings or fixtures	From 20 to 2	Declining balance, straight line	From 100%–10% From 50%–5%	
Computer hardware	From 5 to 4	Declining balance, straight line	From 50%–40% From 25%–20%	
Computer software	From 5 to 3	Straight line	From 33.4%–20%	
Aircraft	From 10 to 5	Declining balance, straight line	From 40%–20% From 20%–10%	
Transport other than motor cars	From 20 to 2	Declining balance, straight line	From 100%–10% From 50%–5%	
Car parks	From 38 to 3	Declining balance, straight line	From 66.7%–5.3% From 33.4%–2.7%	Items regarded as building are only applied to the straight-line method.
Office equipment (including office furniture and fixtures)	From 20 to 2	Declining balance, straight line	From 100%–10% From 50%–5%	
Land improvements	N/A	N/A	N/A	
Qualified leaseholder improvement property	Lease periods	Straight line for lease periods	Depends on lease periods	
Agricultural machinery and equipment	7	Declining balance, straight line	28.6% 14.3%	
Property used in R&D	From 7 to 4	Declining balance, straight line	From 50%–28.6% From 25%–14.3%	

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.
Art object	Art objects do not qualify, because the value of art objects (theoretically) do 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.

Land remediation — removing asbestos, Japanese knotweed

Expenditure must be expensed at the time of payment.

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	The assets with 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 expense. 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 JPY200K per year) for short-term (within three years) periodic maintenance
- Expenses amounting to less than JPY600K 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	Reducing balance, straight line/prime cost, units-of-production method, replacement method
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 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 the 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 National Tax Agency (NTA) 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
Facilities, etc., for promoting decrease of environment burden produced by energy consumption	30% special depreciation (certain facilities may claim immediate depreciation)
Machinery, etc., is acquired by and medium-sized enterprises, etc.	30% special depreciation

Asset used in	Comment on specific application and benefits available
Machinery, etc., is acquired in a National Strategic Economic Growth Area	50% special depreciation (buildings and other structures — 25%)
Management improvement equipment is acquired by specified small and medium-sized corporations, etc.	30% special depreciation
Productivity-enhancing equipment	Machinery, etc.: 50% special depreciation (machinery, etc., acquired between effective date of the Industrial Competitiveness Enhancement Act (ICEA) and 31 March 2016 — immediate depreciation) Buildings and structures: 25% special depreciation (buildings and structures acquired between effective date of ICEA and 31 March 2016 — immediate depreciation)
Building, etc., specific in the local operation reinforcement plan under the Local Revitalization Act	25% or 15% special depreciation

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:

- Software
- Goodwill
- Patents
- Trademark
- Utility model rights (industrial property rights)
- Design model rights
- Rights regarding 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, etc.

Type of asset	Rates/lives
Software	33.4%/3 years, 20%/5 years
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

Korea

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Terminology used by country 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

Generally, 2.5% to 25%

Depreciation method used to calculate tax deduction

Declining balance, straight line, units of production

1. Entitlement to claim

Legal owners are entitled to claim depreciation/amortization on assets. In the case of financial 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.

Standard useful lives and method 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 and equipment	5 years	Straight-line method or declining balance method	20%/45.1%
Ships and aircrafts (excluding ships and aircrafts used in fishing, transportation, machinery and consumer products lease businesses)	12 years	Straight-line method or declining balance method	8.3%/22.1%
Buildings made of bricks, blocks, concrete, adobe, mud wall, wood, wooden mortar and others (including attached fixtures) and structures	20 years	Straight-line method	5%
Steel frame, reinforced concrete, stone, brick, all buildings of steel frames (including attached fixtures) and structures	40 years	Straight-line method	2.5%

Standard useful lives and method of depreciation for fixed assets deployed in specific industries (Appendix 6 to the Enforcement Regulations to the Corporate Income Tax Law). In the case of manufacturing industry, more specified level of industry should be considered in order to determine standard useful life for tax implication.

Industries	Sub-category	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 method or declining balance method	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 Real estate and lease 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 method or declining balance method	20%/45.1%
Manufacturing industry Publishing, graphics, broadcasting and information services	Manufacture of electronic components, computer, radio, television and communication equipment and apparatuses	6 years	Straight-line method or declining balance method	16.6%/39.4%
Manufacturing industry, construction industry, transportation industry Lodging and restaurant services Real estate and lease Association and organization, repair and other individual services	Manufacture of magnetic and optical medium Manufacture of wearing apparel, clothing accessories and fur articles Manufacture of raw hides and tanning and dressing of leather Manufacture of chemicals and chemical products (except pharmaceuticals, medicinal chemicals)	8 years	Straight-line method or declining balance method	12.5%/31.3%

Industries	Sub-category	Standard useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate
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 explosives and pyrotechnic products Manufacture of basic metal products Manufacture of electrical equipment and machinery manufacturing	10 years	Straight-line method or declining balance method	10%/25.9%
Manufacturing Transportation	Manufacture of tobacco products Manufacture of motor vehicles, trailers and semitrailers	12 years	Straight-line method or declining balance method	8.3%/22.1%
Manufacturing	Manufacture of coke, hard-coal and lignite fuel briquettes and refined petroleum products	14 years	Straight-line method or declining balance method	7.1%/19.3%
Electricity, gas and steam		16 years	Straight-line method or declining balance method	6.2%/17.1%
Waterworks		20 years	Straight-line method or declining balance method	5%/14%

2.1 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Land is excluded from fixed assets for depreciation purposes.
Assets not used for business	While assets not used for business do not qualify for tax depreciation, idle facilities qualify for tax depreciation.
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.

2.2 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.

2.3 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 as asset acquisitions and will also be subject to tax depreciation.

"Capital expenditures" refer to repair costs spent in order 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 in the above

However, where a corporation incurs any of the following repair costs, the repair costs may be expended in the business year in which they occur:

- Where the amount expended as repair costs for each asset does not exceed KRW3 million
- Where the amount expended as repair costs for each asset does not exceed 5/100 of financial book value as at the end date of the immediately preceding business year
- Where repairs costs are periodically expended with intervals of less than three years

Furthermore, acquisition cost of depreciable assets that amount to less than KRW1 million/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, units-of-production methods
Frequency	Monthly Where the business year is less than one 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 after the fixed assets are put into use.
Year of disposal	The calculation of the depreciation stops the month following when 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

Although enhanced or accelerated depreciation is not granted as reward for investment, useful lives of certain qualified assets may be adjusted by a maximum of 50%.

In any of the following cases, a corporation may apply a useful life that is within ± 50% range of the standard useful life upon obtaining an approval from the Regional Tax Office (for fifth and sixth items below, ± 25% range of the standard useful life may apply).

- Where 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, where 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
- Where accelerated depreciation of existing production facilities is required on the grounds of the development, distribution, etc., of new production technology and new products
- Where operations are suspended or the rate of operation of production facilities is reduced due to changes in economic conditions
- The change in useful life subsequent to the first year of adoption of the international accounting standards
- Where 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 no more than 50% of the standard useful life prescribed in the tax law), the company may use a useful life for the used assets that can be shortened to as low as 50% of the standard useful life by filing an application to the district tax office.

5. Accounting for disposals

The difference between the selling price and the book value of the fixed (intangible) asset is recognized as gain/loss on disposal

6. Making a claim

Tax depreciation is incorporated into the annual corporate income tax return.

7. Intangible assets

Standard useful lives and method of depreciation for intangible assets (Appendix 3 to the Enforcement Regulations to the Corporate Income Tax Law)

Type of asset	Rates/lives
Trademarks	Five years
Patents, copyright, design, know-how, or similar items	Patents (seven years); copyright (not subject to amortization); design (five years); know-how (five years)
Goodwill	Five years
License or permit	N/A
Other (please provide details)	**Useful life of 10 years:** Fishing rights, gathering rights under the Submarine Mineral Resources Development Act (units-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 (units-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.

Kuwait

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Terminology used by country 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/prime cost

1. Entitlement to claim

Only legal owners are entitled to claim depreciation.

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

Tax legislation sets out the rates that apply. Different classes of assets can be treated separately. For example, elevators in a building can be treated as plant and machinery.

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		Straight-line method, equipment is 25%	20%–25%	Depreciation rate for drilling equipment is 25%.
Motor cars		Straight-line method	20%	
Buildings		Straight-line method	4%	Prefabricated building at 15%
Furniture, fittings or fixtures		Straight-line method	15%	
Computer hardware		Straight-line method	33.3%	
Computer software		Straight-line method	25%	
Aircraft		Straight-line method		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		Straight-line method	15% to 20%	Trucks and lorries are at 15%, and cars and buses are at 20%.
Car parks				The law does not specify a depreciation rate.
Office equipment (including office furniture and fixtures)		Straight-line method	15%	
Land improvements				The law does not specify a depreciation rate.
Qualified leaseholder improvement property				The law does not specify a depreciation rate.
Agricultural machinery and equipment				The law does not specify a depreciation rate.
Property used in R&D				The law does not specify a depreciation rate.

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Excluded from Kuwait tax law

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Costs and expenses prior to signing a contract are not considered expenses since they are attributable to the head office. Consequently, there are no reliefs for these costs.

Costs and expenses prior to operations and after signing a contract are treated as incorporation expenses and are allowed as deductions in the year they are realized.

Land remediation — removing asbestos, Japanese knotweed

No specific provisions apply.

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

No specific provisions apply.

2.4 Availability of immediate deductions for repairs

There are no specific provisions in the Kuwait tax law to determine what a repair is. If an expense is capitalized as per accounting standards, it can be treated as such and the taxpayer may consider the expenses in line with the accounting treatment.

3. Depreciation and calculation methods

Methods used	Straight line/prime cost
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 to grant enhanced deductions for assets.

5. Accounting for disposals

Any capital gain will be charged to tax, while capital loss is allowed as a deduction. However, sufficient supporting documents for disposals are to be provided to substantiate the profit/loss. In case insufficient supporting documents are submitted to the tax authorities, a capital gain shall be estimated, regardless of the type of disposal.

Specific cases should be consulted with the tax authorities.

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.

Malaysia

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Terminology used by country 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 tax deduction

Straight line/prime cost

1. Entitlement to claim

A taxpayer is entitled to claim capital allowance if:

- Capital expenditure is incurred in the basis period.
- 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 has to identify what costs are incurred on different assets

Generally, rates of capital allowances are as follows:

A. Capital allowances rates for plant

Standard rates

Types of assets	Initial allowance	Annual allowance
Heavy machinery and motor vehicles#	20%	20%
Computer and ICT equipment+	20%	80%
Plant and machinery (general)	20%	14%
Others	20%	10%
Small value assets *	0%	100%

Qualifying expenditure on private motor vehicles is restricted to RM50,000. However, if the vehicle is new and the total cost does not exceed RM150,000, the qualifying expenditure will be restricted to RM100,000.

+ An accelerated rate of 20% initial allowance and 80% annual allowance is available up to the year of assessment 2016 for computer hardware and software subject to meeting certain conditions.

* Small value assets refer to assets where the value of each cannot exceed RM1,300 and total value of such assets for each year of assessment cannot exceed RM13,000. However, such limit is not applicable to a company that is resident and incorporated in Malaysia with paid up ordinary shares capital of RM2.5 million and 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 RM2.5 million (SME).

B. Industrial building allowance (IBA)

A building is an industrial building if it is used for business purposes and it is used as:

- A factory
- A dock, wharf, jetty or other similar building
- A warehouse and the business consists or mainly consists of the hire of storage space to the public
- A building used for the business of a water or electricity undertaking, which supplies water or electricity for consumption by the public
- A building used for the business of a telecommunication undertaking, which provides telecommunication services to the public
- A building used in connection with the working of a farm
- A building used in connection with the working of a mine

A person is entitled to claim the following IBA for the year of assessment in which he incurs the capital expenditure for industrial building:

Types of assets	Initial allowance	Annual allowance
Industrial buildings	10%	3%

Apart from the above, there are other types of buildings that do not fall within the above but that can also be deemed to be 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:

Asset types	Initial allowance	Annual allowance
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 staff 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*	Nil	10%
Buildings used for registered child care facilities for employees approved kindergarten*	Nil	10%
Approved buildings for a school or an educational institution*	Nil	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*	Nil	10%
Public roads and ancillary structures recoverable through toll collection, buildings constructed on 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%
Approved motor racing circuits*	10%	3%
Approved buildings used as old folks' centers	Nil	10%
Approved buildings used for Bionexus Status Companies	Nil	10%
Approved buildings in Cyberjaya Flagship Zones	Nil	10%
Commercial buildings (constructed or purchased) used for specific businesses by Tun Razak Exchange Marquee Status Company	Nil	10%

*With effect from the year of assessment 2016, certain buildings that are deemed as industrial buildings will only be available to taxpayers who own the building and operate the relevant business in the building, i.e., lessors will not qualify for industrial building allowance if the building or even part of the building is let out.

When a person has incurred capital expenditure on qualifying agriculture expenditure, they are entitled to an agriculture allowance as follows:

Types of qualifying agriculture expenditure	Rates
Clearing and preparation of land	50%
Planting (but not replanting) of crops and cleared land	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%

When a person who has a concession or license to extract timber, has incurred capital expenditure on the construction of certain roads or buildings in a forest, they are entitled for a forest allowance as follows:

Types of qualifying forest expenditure	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 private motor vehicle is restricted to RM50,000. However, if the vehicle is new and the total cost does not exceed RM150,000, the qualifying expenditure will be restricted to RM100,000.
Buildings (Industrial Buildings)	30 years	Straight line	IA = 10%; AA = 3%	Allowances can be claimed when a building is used as an industrial building (see Part 2, B for further details).
Furniture, fittings or fixtures	8 years	Straight line	IA=20%; AA=10%	
Computer hardware Computer software	1 year 1 year	Straight line Straight line	IA=20%; AA=80% IA=20%; AA=80%	This accelerated capital allowance (ACA) rate is applicable up to YA2018 and only applies where certain conditions have been met.
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%	Generally, car park buildings are not eligible for capital allowances. However, in a recent Malaysian tax case, it was held that car park buildings are qualified as plant based on certain circumstances.
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 where certain conditions have been met.
Building used for research	30 years	Straight line	IA=10%; AA=3%	Research must be approved by the Minister.

2.2 Assets that do not qualify for tax depreciation

Generally, building structures will not qualify for capital allowance claims unless these are industrial buildings. Industrial buildings are specifically defined in the Act (see Part 2, B for further details).

2.3 Noteworthy items

Land remediation, dismantling, restoration

With effect from 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 is to be included as part of residual expenditure in computing the balancing adjustments, i.e., balancing allowance and balancing charge. In order to qualify for this, the requirement to dismantle and restore the site must be pursuant to any written law/agreement and that the asset that has been dismantled is not used for any business of the person or other person.

Own labor capitalized

To claim as revenue expenditure on such labor cost capitalized that is in relation to the salary of the company's employee.
To claim capital allowance if the labor cost is in connection to the provision and installation of qualifying plant and machinery if certain conditions are met.

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 replacement basis
Assets not exceeding RM1,300 each but not exceeding a total value of RM13,000	To claim AA = 100%. However, such a limit is not applicable to SMEs (see Paragraph 2A earlier).

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 incurred basis and 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	Capital allowance is calculated starting from the year of acquisition. As long as the expenditure is incurred and the asset is put into use (and other conditions, where 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. Where 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	Balancing allowance or balancing change adjustment is made in the year disposal.
Ability to use different methods for different assets	No
Ability to switch methods	Not applicable

4. Availability of accelerated capital allowance

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., accelerated capital allowances (ACA). In Malaysia, there are various types of ACA that are granted under separate tax gazette orders (published tax legislation that is subject to approval by the Parliament of Malaysia). Conditions stipulated in the respective order must be met by the taxpayer in order for the ACA to be claimed on the capital expenditure.

Types of assets	IA	AA
Machinery and equipment determined by the Minister 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%
Machinery and plant (other than imported heavy machinery) used in:		
‣ Building and construction	30%	14%
‣ Timber and tin mining	60%	14%
‣ Unless election made in writing	20%	14%
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%
Information and communication technology equipment (including computer and software) — up to YA2016	20%	80%
Security control equipment — up to YA2015	20%	80%
Renovation cost incurred on building located in Tun Razak Exchange	20%	40%
Qualifying plant expenditure incurred for carrying out petroleum operation	25%	15%

5. Computation of assets being disposed of

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.

Where 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 who have control over one another or whom 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 assets, 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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Terminology used by country 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/rates can be applied to different assets depending on the limits and percentages mentioned in tax law. Although they are not required to do so, it is possible to separate parts of a building.

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
Plant, machinery and equipment (M&E)	1–20 years	Straight line	3%–100%	100% on M&E for energy generation from renewable sources
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.			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.
Motor cars	4 years	Straight line	25%	Limit of US$10,000
Buildings	10–20 years	Straight line	5% or 10%	10% on historical buildings
Furniture, fittings or fixtures	10 years	Straight line	10%	
Computer hardware	3 years	Straight line	30%	
Computer software	3 years	Straight line	30%	
Aircraft	4 – 10 years	Straight line	10% or 25%	
Transport other than motor cars	15 years (ships)	Straight line	6%	
Car parks	20 years	Straight line	5%	Car parks are considered as buildings.
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 R&D	2.8 years	Straight line	35%	M&E used for research and development (R&D) purposes

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Preoperative expenses	10 years	Straight line	10%	
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 charges 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.	20 years	Straight line	5%	Detailed analysis is required to qualify the asset as a deferred charge.
Deferred expenses Deferred charges are those that meet the aforementioned requirements, except those regarding the exploration 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.	7 years	Straight line	15%	Detailed analysis is required to qualify the asset as a deferred expense.

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.
PPA	Purchase price allocation (PPA) is not deductible in Mexico for tax purposes. However, when a shareholder sells his or her shares, the cost of the shares sold is subject to a deductible.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

If they are strictly necessary and if certain formalities are met regarding the required specific analysis, then the deductible can be shown as an expense at the rate of 100% in the year.

Land remediation — removing asbestos, Japanese knotweed

Deductible can be expensed at 100% in the year if they are strictly necessary and certain formalities are met (specifically analysis is required)

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

This is not very common, and further analysis is required to determine an alternative (specifically, analysis is required).

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 them in a good operating conditions 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. The inflationary adjustment is an additional adjustment each year. It can also be considered as a taxable income. It depends on the annual average of the monetary credits and debts that the company holds and this effect is only for purposes of the annual tax return (yearly basis) on a monthly basis. This adjustments is not applicable on installment payments.
Year of acquisition	Depreciation is calculated from the date of acquisition and for complete months on an annual basis (tax year). The deduction can be requested for 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 useful 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, taxpayer can use a lower rate than the published rate. Any change, however, must exist for at least five years.

4. Preferential and enhanced depreciation availability

The depreciation rate for the energy generation machinery and equipment from renewable sources or co-generation 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 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 only because it is no longer required to generate incomes or it is obsolete, it can be deducted in one year for 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	10% (further analysis is required)
Patents, copyright, design, know-how or similar item	10% and 15% (further analysis is required)
Goodwill	No deductible
License or permit	5% or 10% (further analysis is required)
Other (please provide details)	N/A

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Terminology used by country 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 need to be made with respect to the following:

- Goodwill
- Minimum depreciation period
- Buildings
- Low-cost assets
- 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 the value of the assets 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 taken into account.

General rule — all assets

Assets that comprise 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 (i.e., 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

Dutch tax law maximizes depreciation for business assets to at most 20% of the cost price per year (at most 10% for goodwill), taking into account 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, however, 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:

- 50% of the WOZ (market assessed) value for buildings in use by the company or
- 100% of the WOZ value for buildings held as an investment. This includes buildings that are rented or leased to non-related parties

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.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Buildings in use by the company	Useful life	Sound business practice concept	Various, but subject to a restriction that the tax book value may not drop below the bodemwaarde of 50% of the WOZ value	
Buildings held as an investment	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
Land improvements				
▸ Maintenance cost	Not depreciable, immediately deductible	N/A	N/A	Allowed to form a provision
▸ Improvement cost	N/A	N/A	N/A	Further analysis is required as to whether the land improvements are subject to wear and tear.
Qualified lease holder improvement	Useful life, with a minimum of five years	Sound business practice concept	At most 20% of the cost price per year	
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.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Fees/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

In case an asset is manufactured/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 — for example the development costs for software — may be depreciated at once in the financial year in which these costs are made.

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.

In case of 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:

- Repair costs are costs incurred to restore an asset to its usable condition and repair/re-establish 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	Reducing 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 6/12th 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 you can apply for different business assets. For every single business asset, the taxpayer may assess what he or she thinks is the optimal method of depreciation. The taxpayer is free in his or her 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
- Sea-going vessels
- Assets that are a part of the fixed assets of a start-up (not available for companies subject to corporate income tax)

Accelerated depreciation of qualifying assets is available if certain conditions are met. Restrictions may apply.

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 being investments that are important for efficient use of energy or designated as being investments that are important for protecting the Netherlands environment.

Research and development facility

Research and development tax credit facility can apply for costs and expenditure directly related to a taxpayer's R&D activity. As of 2016, this facility will take the form of a payroll tax benefit.

5. Accounting for disposals

Where a tangible or intangible business asset is disposed, 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 making a tax deductible loss.

The taxation of the gain may be deferred by creating a "reinvestment" reserve. The reinvestment reserve is not obligatory. The reserves can only be formed if and as long as the taxpayer has the intention to reinvest the proceeds in new assets. 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.

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 nil.

6. Making a claim

No specific guidance/requirements are required for depreciation and devaluation in general. The claim 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 likes to apply for:

- Accelerated depreciation
- EIA
- MIA
- Research and development tax credit (RDA)

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 to 20% per year (10% for goodwill) taking into account 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

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Terminology used by country 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

10%–95%

Depreciation method used to calculate tax deduction

Reducing balance and straight-line methods

1. Entitlement to claim

Legal owners of assets are entitled to claim tax depreciation or capital allowances once the assets are put to use. They are considered as an entity taxable under the tax legislation and have incurred qualifying capital expenditures under the law.

However, for a finance lease, the lessee can claim capital allowances on assets reported in his or her books.

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

The legislation below regulates tax depreciation in Nigeria:

- The Companies Income Tax Act, Cap C21 LFN 2004 as amended (CITA)
- The Petroleum Profit Tax Act, Cap P13 LFN 2004 as amended (PPTA)

2.1 Assets that qualify for tax depreciation

Under CITA, the following rates apply:

Asset type	Useful life for tax	Initial allowance*	Annual allowance**	Comments
Building expenditure (Industrial and non-industrial)	10 years	15%	10%	
Plant and machinery:				
‣ Agricultural production	4 years	95%	0%	
‣ Others	4 years	50%	25%	
Motor Vehicles:				
‣ Public transportation	1 year	95%	0%	
‣ Others	4 years	50%	25%	
Housing estate	4 years	50%	25%	
Ranching and plantations	2 years	30%	50%	
Mining	1 year	95%	0%	
Plantation equipment	1 year	95%	0%	
Furniture and fittings	5 years	25%	20%	
Research and development	1 year	95%	Nil	

* Initial allowance — this is a one-off allowance granted only in the first year based on applicable rates. It applies to all items of qualifying expenditure.

**Annual allowance — this is granted yearly based on applicable rates. It is computed on the residue of qualifying expenditure, after deduction of initial allowance, on a straight-line basis. An amount of N10 per item is retained in the books for tax purposes until the asset is disposed of.

Under the PPTA, the following rates apply:

Asset type	Useful life for tax	Initial allowance*	Annual allowance**	Comments
Plant, machinery and fixtures	5 years	N/A	20%	In the last year, 19% is claimed as annual allowance, while 1% is retained in the books as residue until the asset is disposed of
Pipelines and storage tanks	5 years	N/A	20%	In the last year, 19% is claimed as annual allowance, while 1% is retained in the books as residue until the asset is disposed of
Buildings, structures or works of a permanent nature	5 years	N/A	20%	In the last year, 19% is claimed as annual allowance, while 1% is retained in the books as residue until the asset is disposed of
Drilling expenditure	5 years	N/A	20%	In the last year, 19% is claimed as annual allowance, while 1% is retained in the books as residue until the asset is disposed of

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Land is not depreciated because land is assumed to have an unlimited useful life and does not depreciate in value

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

All expenses (not capital in nature) that are wholly, reasonably, exclusively and necessarily (WREN) incurred for the purpose of the business are usually allowed for tax purposes. Therefore, preliminary costs, e.g., architect fees, legal fees, are allowed for income tax purposes so long as they meet the WREN test.

Land remediation — removing asbestos

In addition to the comment in the preceding paragraph, costs incurred for restoration or abandonment purposes are, for petroleum profit tax purposes, treated as allowable expenses so long they are wholly, exclusively and necessarily (WEN) incurred for the purpose of the business operations. In addition, in order for these expenses to be treated as tax deductible, they must represent actual cash flows (payments) and not accrual or provisions.

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

For CITA purposes, this is classed as a qualifying capital expenditure (QCE); thus, capital allowance is granted. Please refer to our comments in Section 7 below.

2.4 Availability of immediate deductions for repairs

- Repairs are not defined in the tax Acts; however, the case law definition may be considered.
- In line with Section 24 of CITA, repairs that are wholly, exclusively, necessarily and reasonably incurred by a business in generating profits are granted full tax deductions. Where, however, such repairs alter the useful life or significantly improve the output of the QCE, it will be treated as capital cost and for tax purposes, be taken as addition to the QCE.
- Section 10 of the PPTA allows tax deductions for repair expenses that are wholly, exclusively and necessarily incurred in connection with the petroleum operation business.

3. Depreciation and calculation methods

Methods used	In line with the applicable accounting standards, depreciation methods include (but are not limited to) straight line and reducing balance.
Frequency	Depreciation is usually calculated on an annual basis. However, the accounting standards require certain conditions must be met should company's management consider a change in the depreciation policy. One of such conditions is that the change must be retrospectively applied.
Year of acquisition	Capital allowance is claimable in the first year the asset is put into use.
Year of disposal	Balancing adjustment arises when an asset is disposed of. Capital allowance cannot be claimed in the year of disposal.
Ability to use different methods for different assets	Different depreciation methods can be applied to different classes of assets. However, for tax purposes, a uniform capital allowance rates applies to assets within the same class.
Ability to switch methods	Yes, this is possible as noted above.

4. Preferential and enhanced depreciation availability

An initial allowance may be claimed in the first year of an asset's use, while the balance is amortized as annual allowance over the tax life of the asset.

Tax legislation in Nigeria grants investment allowances on qualifying expenditure made to incentivize the growth of business and industry sectors (e.g., oil and gas), and the rates are as specified in the tax legislations. These allowances are in no way connected to the capital allowances granted in lieu of accounting depreciation.

Investment allowance

The tax laws grant an investment allowance of 10% only in the first year that an item of plant and machinery is put to use. This allowance is to encourage companies that invest in plant and machinery. The allowance is in addition to 100% of the cost of the qualifying asset that is claimed through initial and annual allowances.

5. Accounting for disposals

The Tax Acts require a balancing adjustment to be calculated and incorporated in the tax computations, i.e., a balancing charge or allowance. This adjustment arises when an asset is disposed. It represents the difference between the sales proceeds and the tax written-down value (TWDV) of the asset (cost of the asset less the total of initial and annual allowances claimed to date on the asset). If the consideration is higher than the TWDV, there is a balancing charge, which represents additional income liable to tax. However, the amount taxable will be restricted to the actual capital allowances (initial plus annual only) claimed to date on the asset. On the other hand, if the consideration is less, there will be a balancing allowance, which qualifies as tax deduction.

This treatment also applies when an asset is scrapped.

6. Making a claim

A claim is made when a taxable entity puts to use an asset that represents a qualifying capital expenditure in a given year. The amount of capital allowances claimable in any year of assessment is restricted to 662/3% of assessable profits (accounting profits after adjustment for tax items) for companies, other than those involved in agricultural and manufacturing businesses. Any capital allowance that cannot be recovered from the assessable profit in the year of acquisition can be carried forward indefinitely.

In accordance with the provisions of Industrial Inspectorate Act (Cap 180 LFN 2004), a company is required to support fixed assets acquired by it with a fixed assets acceptance certificate issued by the Industrial Inspectorate Division (IID) of the Federal Ministry of Industry, Trade and Investment.

The IID issues Certificate of Acceptance for Fixed Assets (CAFA) for qualifying assets worth N500,000 and above.

The Federal Inland Revenue Service (FIRS) is empowered to withdraw capital allowances claimed on such fixed assets where there are no acceptance certificates to support them. Where the capital allowances already claimed are withdrawn by the FIRS, it may result in additional tax liabilities for the relevant years.

Although the relevance of this certificate has been queried in several quarters, the FIRS may request companies to still provide copies of the CAFA. In the absence of the CAFA, it is our view that other purchase supporting documents will suffice in the event of a tax audit or investigation by the FIRS. Where either of these documents are not available, the capital allowance already claimed on the qualifying assets may be withdrawn.

7. Intangible assets

The expenditure on an intangible asset is allowable for tax purposes. This is to the extent that it is considered to be wholly, reasonably, exclusively and necessarily incurred for the purpose of carrying out the business of the company. Opinions, however, differ on the appropriate treatment for tax purposes. Thus, while the differing opinions agree that the expenditure is deductible for tax purposes, it is considered as a capital item in an instance and a revenue item on the other hand. We have considered each of these below:

a. Revenue expenditure

If the item qualifies as revenue expenditure, the cost should be expensed based on the useful life of the asset. Thus, in this instance, the annual amortization by the company would be allowed for tax purposes.

b. Qualifying capital expenditure

If the item qualifies as capital expenditure, the company will be able to claim 95% of the cost of acquisition of the asset as a once and for all capital allowance in the year of acquisition. The balance of 5% will, however, be retained in the books until disposal of the asset.

For companies liable to tax under the PPTA, any expenditure (tangible and intangible) directly incurred in connection with the drilling of an exploration well and the following two appraisal wells in the same field may be expensed. Subsequent intangible expenditures may be capitalized and capital allowance claimed on them.

Type of asset	Rates/lives
Trademarks	Initial allowance I annual allowance 50:25 (4 years)
Patents, copyright, design, know-how, or similar item	Initial allowance I annual allowance 50:25 (4 years)
Goodwill	N/A
License or permit	Initial allowance I annual allowance 50:25 (4 years)

Portugal

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Terminology used by country 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%–33.33%

Depreciation method used to calculate tax deduction

Straight line/prime cost, diminishing (declining) method

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 n.º25/2009." 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 to 8 years	Generally, depreciation and amortization are calculated using the straight-line method, taking into account 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% to 20%	N/A
Motor cars	4 years	Same method as above	25%	N/A
Buildings	10 Years	Same method as above	10%	N/A
Furniture, fittings or TV fixtures	8 years	Same method as above	12.5%	N/A
Computer hardware	3 Years	Same method as above	33.33%	N/A
Computer software	3 years	Same method as above	33.33%	N/A
Aircraft	5 Years	Same method as above	20%	N/A
Transport other than motor cars	Motorcycles - 4 years	Same method as above	Motorcycles - 25%	N/A
Car parks	20 years	Same method as above	5%	N/A
Office equipment (including office furniture and fixtures)	8 years	Same method as above	12.5%	N/A
Land improvements	Flooring - 20 years Seals - 12 years Walls - 20 years	Same method as above	Flooring - 5% Seals - 8.33% Walls - 5%	N/A
Qualified lease holder improvement property	N/A	N/A	N/A	N/A

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Agricultural machinery and equipment	Between 6 and 20 years	Generally, depreciation and amortization are calculated using the straight-line method, taking into account 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.	Between 5% and 16.66%	N/A
Property used in R&D	Depends on the amount of time of the exclusive use of the property	Same method as above	N/A	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 €1,000 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	The Portuguese legislation allows two different methods that may be applied to all assets (straight-line cost and double-diminishing (declining) method). These methods may be applied to the assets, but it is not required that the company uses the same methods to 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	The 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

A depreciation in Portugal depends on the number of shifts per day the company is in operation. Only the assets subject to more intensive use are eligible for accelerated depreciation. This rule is not applicable to buildings and other assets that, due to 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. The tax credit can be obtained for years 2013 to 2020.

Form of funding

Where there are insufficient profits in any year to use the credit, the credit can be carried forward for up to 10 years.

Funding quota

25% of the eligible CAPEX (capital expenditure) regarding the investment amount of €5m and 10% regarding the investment amount exceeding €5m, 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 sandpits 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 that that the company is required to have by of 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.

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; create and maintain jobs until 2020

Application process

The incentive does not require any formal application. The estimated tax credit is directly included in the corporate income tax return.

b) Productive investment tax benefit

This is a tax credit granted to investment projects that are relevant to the strategic development of the Portuguese economy and 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 €3 million are eligible.

Form of funding

Where there are insufficient profits in any year to use the credit, the credit can be carried forward for up to 10 years.

Funding quota

Base rate of 10% of the eligible CAPEX that can be increased up to 25%, depending on the location of the investment and the number of jobs created by the investment project, up to a limit of the maximum between 50% of the 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 with the exception of:

- Land, except when used to operate mining concessions; mineral waters and spring waters; quarries; clay pits; and sandpits 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 ancient pieces or decoration, except hotel equipment for tourist operations
- Social equipment
- Other capital goods not directly and indiscernibly associated with the company's production

  or

- 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.

Main funding conditions

Companies must be established in Portugal, must 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 where 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

At the moment 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, assets that have been depreciated using depreciation rates below the minimum (for tax purposes), the computation of the capital gain or loss must take into account 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:

- Auto slaughter, decommissioning, abandonment or destruction of goods, signed by two witnesses, proving the facts leading to the occurrence
- Itemized list of goods slaughtered
- 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

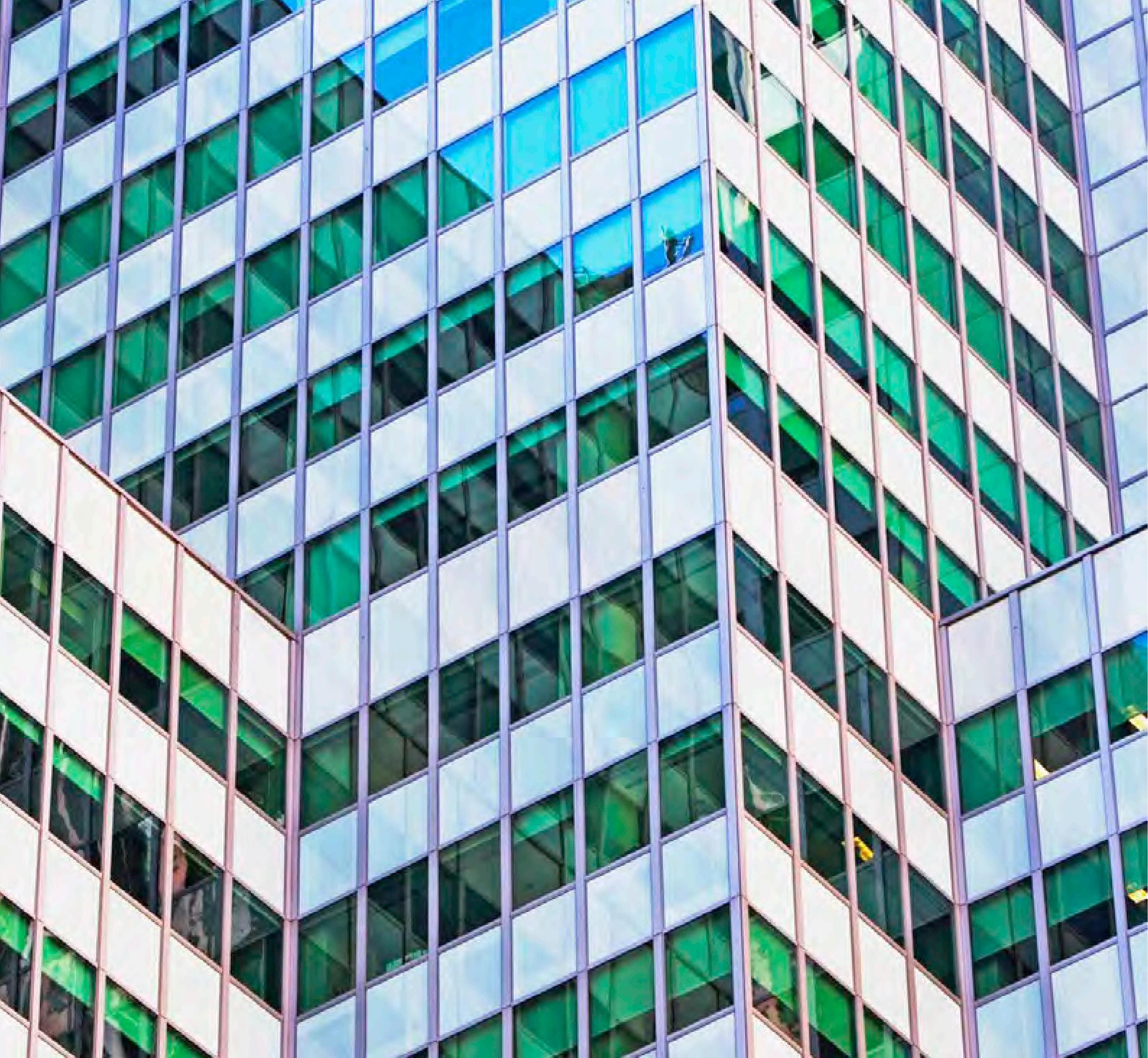
Claims are normally made in a written document (i.e., not a part of the formal tax return document) that is presented to the tax authorities.

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 period of time.

Type of asset	Rates/lives
Trademarks	The depreciation rate is determined by the time period that the exclusive use takes place.
Patents, copyright, design, know-how or similar item	The depreciation rate is determined by the time period that the exclusive use takes place.
Goodwill	Tax depreciation is not available for goodwill.
License or permit	The depreciation rate is determined by the time period when the exclusive use takes place.
Development projects	Subject to a depreciation rate of 33.33%.



Russia

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

Tangible assets — tax depreciation
Intangible assets — tax amortization

Does the tax treatment follow book/statutory accounting depreciation?

No

Range of rates used

Reducing balance - 0.7%-14.3%

Straight line - 0.1%-7.7%.

Depreciation method used to calculate tax deduction

Reducing balance (in Russian tax law — nonlinear method), straight line/prime cost (in Russian tax law — linear method)

1. Entitlement to claim

Only legal owners of the asset are entitled to claim tax depreciation. The exception to this rule is for lessees in respect of inseparable improvements of property made by lessee with consent of lessor.

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

For tax purposes, assets qualify for depreciation groups/write-off periods based on whether they are permanent or movable assets. While permanent structures may qualify for building allowances, movable assets (e.g., heating systems, partition walls, air conditioners) may qualify for shorter write-off periods.

2.1 Assets that qualify for tax depreciation

According to the Russian tax code, all depreciable assets should be classified under 10 depreciation groups that have different useful life periods. There is a government decree that establishes useful life periods for each depreciation group and contains detailed description of assets included in each group. The useful life periods for groups are as follows:

1 group – 1-2 years
2 group – 2-3 years
3 group – 3-5 years
4 group – 5-7 years
5 group – 7-10 years
6 group – 10-15 years
7 group – 15-20 years
8 group – 20-25 years
9 group – 25-30 years
10 group – 30 years and more

Taxpayers have the right to apply for either a straight line or reducing balance method. However, a reducing balance method cannot be applied to assets of 8-10 groups such as buildings, transmission equipment, intangible assets, as well as to fixed assets used only in activities related to the extraction of hydrocarbons at a new offshore field of hydrocarbons.

Linear is calculated as:

Monthly depreciation = initial value of asset * 1/n, where n is the useful life period of an asset in months

Nonlinear depreciation is calculated as:

Monthly depreciation = B*K/100, where B is the aggregated balance value of assets of one depreciation group and K is the depreciation rate, which equals:

Depreciation group	Asset description	Monthly depreciation rate for nonlinear method
1 group	Machines and equipment	14.3
2 group	Machines and equipment Production and household equipment	8.8
3 group	Structures and transfer mechanisms Machines and equipment Transport vehicles Ship implements and household equipment	5.6
4 group	Buildings Structures and transfer equipment Machines and equipment Shop implements and household equipment Draught animals Perennial plantings Transport vehicles	3.8

Depreciation group	Asset description	Monthly depreciation rate for nonlinear method
5 group	Buildings Machines and equipment Transport vehicles Production and household auxiliaries Perennial plants Fixed assets not included in other headings	2.7
6 group	Structures and transmission devices Housing Machines and equipment Transport vehicles	1.8
7 group	Buildings Structures and transmission devices Machines and equipment Transport vehicles Perennial plants Fixed assets not included in other headings	1.3
8 group	Buildings Structures and transmission devices Machines and equipment Transport vehicles Industrial and household auxiliaries	1.0
9 group	Buildings Machines and equipment Transport vehicles	0.8
10 group	Buildings Structures and transmission devices Housing Machines and equipment Transport vehicles Perennial plantations	0.7

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment	1–30 years and more: Useful life periods are very diverse ranging from 1 to over 30 years, depending on nature, complexity and durability of assets. For example: Assembly lines, hammers, engines — 1–2 years, Oil field equipment — 2–3 years Pipelines, diesel generator — 3–5 years Production machines, cooling towers — 5–7 years Metal working machines — 7–10 years	Linear or nonlinear (if useful life is over 20 years, only linear is possible)	Please see comments below	
Motor cars	Passenger cars — 3–5 years Trucks — 7–10/3–5 years Specialized vehicles – 7–10/5-7 years	Linear or nonlinear	Please see comments below	

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Buildings	Wooden buildings, frame constructions (except residential buildings) — 15–20 years Building from concrete, bricks, armored concrete (except residential buildings) — 20–25 years Residential buildings — 30+ years	Linear or nonlinear (if useful life is over 20 years only linear method is possible)	Please see comments below	
Furniture, fittings or fixtures	5–7 years	Linear or nonlinear	Please see comments below	*
Computer hardware	2–3 years	Linear or nonlinear	Please see comments below	
Computer software	Not less than 2 years (if classified as intangible asset)	Linear or nonlinear	Please see comments below	
Aircraft	10–15 years	Linear or nonlinear	Please see comments below	
Transport other than motor cars	7–30 years	Linear or nonlinear (if useful life is over 20 years only linear method is possible)	Please see comments below	
Car parks	7-10 years	Linear or nonlinear	Please see comments below	
Office equipment (including office furniture and fixtures)	2–5 years	Linear or nonlinear	Please see comments below	
Land improvements	7–10 years	Linear or nonlinear	Please see comments below	
Qualified leaseholder improvement	Depends on useful life period of property and duration of lease agreement	Linear or nonlinear	Please see comments below	
Agricultural machinery and equipment	2–10 years	Linear or nonlinear	Please see comments below	
Property used in R&D	3–5 years	Linear or nonlinear	Please see comments below	

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land, natural resources (water, mineral resources, etc.)	Disallowed (non-depreciable asset) — According to Article 256 of the Tax Code of the Russian Federation, these types of assets do not qualify for tax depreciation.
Artworks, books, items of cultural value	Disallowed (non-depreciable asset) — According to Article 256 of the Tax Code of the Russian Federation, these types of assets do not qualify for tax depreciation.
Objects of urban landscaping, land improvements constructed with government/municipal financing	Disallowed (non-depreciable asset) — According to Article 256 of the Tax Code of the Russian Federation, these types of assets do not qualify for tax depreciation.
Certain categories of property of non-commercial and budget organizations	Disallowed (non-depreciable asset) — According to Article 256 of the Tax Code of the Russian Federation, these types of assets do not qualify for tax depreciation.

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

One-off deduction as current period expenses

Land remediation — removing asbestos, Japanese knotweed

Special tax treatment:

- Expenses on land remediation that are associated with development of natural resources are recognized evenly during the two-year period.
- Expenses on land remediation not associated with resources development are subject to one-off deduction.

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

Capitalized on the value of assets

2.4 Availability of immediate deductions for repairs

Description	Detail
Assets below a certain value with minimum one year useful life (12 months).	Assets with value below RUR100k since 2016 according to the Federal Law of 08.06.2015 No. 150 FZ are not recognized as fixed assets and are written off at the moment of purchase/putting into production.
Repairs	Please see comments on repairs below

Russian tax legislation differentiates between current repairs and capital repairs. Current repairs are written off in the period in which they are incurred, while capital repairs are capitalized in the cost of fixed assets and are written off as depreciated.

Current repairs are repairs that neither improve the technical characteristics of assets nor lead to lengthening the useful life of assets.

Capital repairs that improve technical characteristics or lead to lengthening of useful life period should be capitalized in the value of fixed asset.

Taxpayers are also allowed to create provision (reserve) for repair expenses.

However, if the taxpayer creates provision (reserve) for repair expenses, the amount of provision (reserve) cannot exceed the average amount of repair expenses during the past three years.

3. Depreciation and calculation methods

Methods used	Reducing balance (in Russian tax law — nonlinear method), straight line/prime cost (in Russian tax law — linear method)
Frequency	Monthly Depreciation is calculated and recognized on a monthly basis.
Year of acquisition	Capital allowances can only be claimed from the date the asset is brought into use, and not from the acquisition date. Capital allowances in the form of tax depreciation are claimed starting from the month after the asset was brought into use according to depreciation rate and depreciation method. The taxpayers also have the right to apply a depreciation premium (a one-off deduction of 30% or 10% of the fixed asset's value); the depreciation premium is applied voluntarily by the taxpayers. The depreciation premium can be claimed as one-off deduction of 30% or 10% (depending on depreciation group) of initial value of asset in the month after putting the asset into use. The amount of capital allowances percentage is ‣ 30% for assets belonging to 3-7 depreciation groups ‣ 10% for assets belonging to 1-2 and 8-10 depreciation groups
Year of disposal	Tax depreciation is calculated and recognized until the month when the asset is disposed. The remaining value of fixed asset is recognized as expenses on sale of asset.

Ability to use different methods for different assets	The same method should be applied to all assets except when the company applies the nonlinear method, which should be applied to all assets except for assets belonging to 8–10 depreciation groups. Taxpayers may also elect to change the method from the linear or nonlinear method or vice versa. Proper records must be kept.
Ability to switch methods	Taxpayers have the right to change depreciation method. Change from the nonlinear to linear method is allowed once within five years. The new method of depreciation must be applied at the beginning of the new tax period (one calendar year). Taxpayers need to establish depreciation methods in tax accounting policy for the respective tax period.

4. Preferential and enhanced depreciation availability

Tax depreciation method	Comment on specific application and benefits available
Assets used in research and development	**Depreciation of assets used in R&D activities meeting the criteria in the Decree of the Government:** Depreciation expenditure 100% + 50% additional (i.e., super allowance of 150%) Examples of R&D activities qualifying for this allowance: development of nanotechnology information telecommunication systems, biosciences, environmental conservancy, transport and space systems, development of energy efficient and nuclear technologies and fixed assets used only in R&D activities (special coefficient up to three)
Energy efficient assets	Special coefficient up to two is applied to depreciation rate (accelerated deduction of depreciation) Examples of assets qualifying for this allowance: oil pumps, oil filters, various oil refinery equipment, turbines, furnaces, railway engines, heating equipment
Industry specific ▸ Agricultural ▸ Oil and gas	**Special coefficient up to two is applied to depreciation rate (accelerated deduction of depreciation)** Assets owned by agricultural organizations (poultry farms, animal production units, greenhouse complexes, fur production plants) **Special coefficient up to three is applied to depreciation rate (accelerated deduction of depreciation)** Fixed assets used by holders of oil field development licenses for production of hydrocarbons from new subsea oil and gas fields
Fixed assets owned by residents of industrial production and tourism and recreation special economic zones	Special coefficient up to two is applied to depreciation rate (accelerated deduction of depreciation).
Assets used in harsh environments or in intensive shifts working arrangement	**Special coefficient up to two is applied to depreciation rate (accelerated deduction of depreciation), except for:** ▸ Fixed assets put into operation after 31 December 2013 ▸ Fixed assets belonging to 1-3 groups of taxpayers using nonlinear method
Financial leasing agreement	**Special coefficient up to three is applied to depreciation rate leased fixed assets, except for fixed assets belonging to 1-3 groups.**

5. Accounting for disposals

No changes to previously claimed depreciation are made. The company recognizes income from disposal of an asset (income from sale) and cost of an asset (its balance value). The company doesn't make any changes to previously claimed depreciation.

If the company recognizes a loss on sale of asset, such loss should be recognized evenly during remaining period of useful life of an asset. For example, if the loss from sale of an asset is RUR10 million and the remaining useful life period of this asset is five years, the loss will be recognized partially as RUR2 million during five years.

If an asset is scrapped, no changes to previously claimed depreciation are made. Remaining balance value of asset is recognized as other expenses for tax purposes in the period of asset disposal (liquidation).

6. Making a claim

Capital allowances are claimed as part of the profits tax return.

In Russia, there are two ways of making a claim. Generally, taxpayers should submit interim profits tax returns after first quarter, six and nine months of the tax year. The tax code also allows the taxpayer to change the general approach and submit interim profits tax returns monthly from the beginning of a new tax year based on notification of the tax authority until the end of a current year. Final profits tax return is submitted not later than 28 March of the year following the reporting year. Selected approaches should be recognized in profits tax base and profits tax return.

The company should establish depreciation method, application of depreciation premium, special coefficients for depreciation and categories of assets in its tax accounting policy that is updated on a yearly basis.

Taxpayers are also obliged to maintain tax depreciation registers and primary documentation that should be submitted with tax authorities during tax audits upon request.

7. Intangible assets

Intangible assets are depreciated with linear or nonlinear methods (selected by a taxpayer). The Russian tax law establishes the following criteria for depreciation of intangible assets:

- Intangible assets must have capability to gain income
- The company has properly executed documentation for intangible assets, i.e., patent, contract or certificate

Type of asset	Rates/lives
Trademarks	Useful life period (and corresponding depreciation rate) should be determined by the taxpayer depending on the period of license/patent/certificate for trademark. If determination of useful life period is not possible, useful life period should be set as 10 years.
Patents, copyright, design, know-how or similar item	Useful life period (and depreciation rate) is determined by the taxpayer but cannot be less than two years.
Goodwill	Russian legislation does not recognize goodwill as an intangible asset.
License or permit	Depends on type of license: ▸ Licenses on development of natural resources are written off during a two-year period as expenses on resource development. ▸ Other licenses are depreciated similarly to patents/copyrights.

Saudi Arabia

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Terminology used by country 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

Reducing balance

1. Entitlement to claim

All taxpayers are entitled to claim tax depreciation.

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

The Saudi tax law specifies five categories for capital assets as follows:

S. No.	Category	Depreciation 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%

Where land and buildings are purchased, a reasonable amount must be apportioned between the building and the land.

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		Declining balance	25%	
Passenger and cargo vehicles		Declining balance	25%	
Buildings		Declining balance	5%	For industrial and agricultural movable buildings, depreciation rate is 10%.
Furniture, fittings or fixtures		Declining balance	10%	
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%; ship and trains at 10%
Car parks				The law does not specify the depreciation rate. Documents need to be reviewed to determine the tax depreciation rate.
Office equipment		Declining balance	25%	
Office furniture and fixtures		Declining balance	10%	
Land improvements				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 R&D		Declining balance		No special treatment. The law does not specify the depreciation rate. Documents need to be reviewed to determine the tax depreciation rate.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Geological survey, drilling, etc.		Declining method	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

The tax legislation provides a comprehensive table of assets and rates that must be applied.

Types of assets	Explanation
Land	Specifically excluded from the law

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

No specific provisions; follow the accounting treatment

Land remediation — removing asbestos, Japanese knotweed

No specific provisions; follow the accounting treatment

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

No specific provisions; follow the accounting treatment to permit capitalization of salaries.

2.4 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.

3. Depreciation and calculation methods

Methods used	Reducing balance; contractual period for BOOT assets
Frequency	Annually, 50% of the cost in year of acquisition, and the remaining 50% in the following year except BOOT assets
Year of acquisition	In the year of acquisition, 50% of the value of 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 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. The same method should be applied for all fixed assets.
Ability to switch methods	No

4. Preferential and enhanced depreciation availability

There are no particular incentives to reward investment in capital expenditure.

5. Accounting for disposals

Tax depreciation would continue on any scrapped fixed assets written off with certain conditions. However, accounting losses arising from the write-off of fixed asset would be disallowed for tax purposes.

6. Making a claim

Specific exhibit attached to the tax return must be fixed to make a claim. The taxpayer must retain acquisition invoices, disposal invoices and other relevant documents.

7. Intangible assets

There is no guidance issued on what constitutes an intangible and therefore the treatment will likely follow Saudi Arabian accounting guidelines.

Type of asset	Rates/lives
Trademarks	10%, declining balance
Patents, copyright, design, know-how or similar item	10%, declining balance
Goodwill	10%, declining balance
License or permit	10%, declining balance

Singapore

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Terminology used by country 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/prime cost

1. Entitlement to claim

A person (includes a company, 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.

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 where a capital allowance claim is granted on 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	Three years or number of years of working life, depending on nature of asset	Straight line See also note 1	See note 1	
Motor cars	Three years or 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	Three years or number of years of working life, depending on nature of asset	Straight line See also note 1	See note 1	
Computer hardware	One year or three years or the applicable number of years of its working life	Straight line See also note 1	See note 1	
Computer software	One year or three years or the applicable number of years of its working life	Straight line See also note 1	See note 1	
Aircraft	Three years or the applicable number of years of its 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	Three years or number of years of working life, depending on nature of asset	Straight line See also note 1	See note 1	
Office equipment (including office furniture and fixtures)	Three years or 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 leaseholder 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 three years or the applicable number of years of its 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 leased plant and equipment) who incurred the capital expenditure.
Agricultural machinery and equipment	Three years or 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 three years or the applicable number of years of its working life.	Straight line See also note 1	See note 1	

Note 1: 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:

$$\frac{\text{Qualifying cost – initial allowance}}{\text{Working life}}$$

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

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land, car parks, improvements	Land does not qualify.
Motor vehicle (S-plate passenger cars)	Capital allowance for private cars (with certain exception) 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 in respect of a building do not qualify for capital allowances.

Land remediation — removing asbestos, Japanese knotweed

Not applicable

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).

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, 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 cost of repairs and replacements are immediately written off when they are incurred.

3. Depreciation and calculation methods

Methods used	Straight line/prime cost
Frequency	Annually 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 number of years of working life or over one or three years (accelerated capital allowance claim).
Ability to switch methods	N/A

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).

Enhanced capital allowances

Under the Productivity and Innovation Credit (PIC) scheme, businesses may obtain 400% tax allowances on up to S$400,000 of their expenditure per year on the acquisition of designated information technology (IT) and automation equipment from the year of assessment 2011 to 2018.

Under the PIC+ scheme, qualifying small and medium enterprises can enjoy 400% tax allowances on up to S$600,000 (instead of S$400,000) of their expenditure per year on the acquisition of designated IT and automation equipment from the year of assessment 2015 to 2018.

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 taxpayer to go through an application process.

Asset used in	Comment on specific application and benefits available
All industries	Computer or other prescribed automation equipment and certain equipment (generator, robot, efficient pollution control, certified energy efficient equipment, etc.) qualify for accelerated capital allowance (i.e., 100% over one year)

Description	Detail
Asset with cost not exceeding S$5,000 individually	Accelerated capital allowance (i.e., 100% over one year), subject to a cap of S$30,000 for any year of assessment

5. Accounting for disposals

The disposal will trigger a balancing adjustment event. A balancing allowance (which is a deduction) or charge (which is a taxable item) may arise.

In the event that 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 expenditure incurred by a company from 1 November 2003 to the last day of the basis period for Year of Assessment 2020 in acquiring intellectual property rights (IPR) 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. Writing-down allowance on IPR is claimed on a straight-line basis over five-year period. As announced in the Singapore Budget 2016, writing-down allowance on qualifying IPR acquired within the basis periods for Years of Assessment 2017 to 2020 may be claimed over five, ten or fifteen years.

IPRs are defined as patents, trademarks, copyrights, registered designs, geographical indications, lay-out design of integrated circuits, trade secrets or information with commercial value and plant variety.

Writing-down allowance is granted over two years on approved IPRs acquired from 22 January 2009 to the last day of the basis period for YA 2018 on films, television programs, digital animations or games or other media and digital entertainment contents by an approved media and digital entertainment company for the purpose of its trade.

Type of asset	Rates/lives
Trademarks	Refer to above
Patents, copyright, design, know-how, or similar item	Refer to above
Goodwill	N/A
License or permit	Fee is tax deductible if incurred for renewal

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Terminology used by country 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%-100%

Depreciation method used to calculate tax deduction

Reducing balance and straight line/prime cost

1. Entitlement to claim

Generally, only legal owners of the asset are entitled to claim depreciation, with the exception of:

Section 11(g) – Leasehold improvements: Improvements made by a lessee in terms of a contractual agreement may qualify for deduction.

Section 12N — When the government or any other exempt entity owns the land or building, capital allowances would be allowed on land or buildings improvements.

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 a permanent or a movable asset. While permanent structures may qualify for building allowances (e.g., Sections 13, 13quin, etc.), the 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
Land	Disallowed	Disallowed	Disallowed	
Plant, machinery and equipment (used in the process of manufacture)	▸ 4 years	Straight-line method	40/20/20/20 (new, unused and not apportioned) 20/20/20/20/20 (Second-hand 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 (www.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 IN47, 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 annum	▸ Apportioned daily
Buildings and Improvements:				
▸ Manufacturing	▸ 50/20/10 years	Straight-line method	▸ 2%/5%/10% per annum	▸ Not apportioned
▸ Urban development zones	▸ 4/5/7/11 years	Straight-line method	▸ Between 8–25% per annum	▸ Not apportioned
▸ Residential units	▸ 10 years	Straight-line method	▸ 5% + additional 5%	▸ Not apportioned
▸ Low-cost residential units	▸ 10 years	Straight-line method	▸ 10% per annum	▸ Not apportioned
▸ Commercial	▸ 20 years	Straight-line method	▸ 5% per annum	▸ Not apportioned
▸ Hotels	▸ 30 years	Straight-line method	▸ 2% per annum	▸ Not apportioned
Furniture, fittings or fixtures	6 years	Straight-line or diminishing value method	▸ 16.66% per annum	▸ Apportioned daily

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Computer hardware: ▸ Main frame/servers ▸ Personal	 ▸ 5 years ▸ 3 years	Straight-line or diminishing value method	▸ 20% per annum ▸ 33.33% per annum	▸ Apportioned daily ▸ Apportioned daily
Computer software: ▸ Purchased ▸ Self-developed	 ▸ 3 years ▸ 1 year	Straight-line method or diminishing value method	▸ 33.33% ▸ 100%	▸ Apportioned daily ▸ Apportioned daily
Aircraft: ▸ Light passenger ▸ Commercial helicopters ▸ Aircraft and ships	 ▸ 4 years ▸ 4 years ▸ 5 years	Straight-line method or diminishing value method	▸ 25% ▸ 25% ▸ 20%	▸ Apportioned daily ▸ Apportioned daily ▸ Not apportioned
Office equipment (including office furniture and fixtures): ▸ Electronic ▸ Mechanical	 ▸ 3 years ▸ 5 years	Straight-line method or diminishing value method.	▸ 33% ▸ 20%	▸ Apportioned daily ▸ Apportioned daily
Qualified lease holder improvement property: ▸ Lease premiums ▸ Lessee: Leasehold improvements	Lease premium/ number of years of lease contract (limited to 25 years) 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 ▸ Over the term of the lease limited to 25 years	▸ Apportioned monthly ▸ Apportioned monthly
Farming and agricultural machinery and equipment: ▸ Buildings ▸ Movable assets	No deduction on buildings ▸ 3 years	Straight-line method	▸ 50/30/20%	▸ Not apportioned
Property used in R&D: ▸ Buildings ▸ Machinery and plant ▸ R&D expenditure	 ▸ 20 years ▸ 3 years ▸ 1 year	Straight-line method Straight-line method Straight-line method	▸ 5% ▸ 50/30/20% ▸ 150% of qualifying expenditure	▸ Not apportioned ▸ Not apportioned, this was previously claimed under section 11D, but must be claimed under section 12C going forward ▸ Claimed in the year incurred, claiming this super deduction requires pre-approval from the Department of Science and Technology

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Deductions for environmental expenditure: ▸ Environment treatment and recycling asset (owned by taxpayer) ▸ Environmental conservation and maintenance	▸ 4 years ▸ 20 years	Straight-line method Straight-line method	▸ 40/20/20/20% ▸ 5% per annum	Utilized in the course of trade that is ancillary to any process of manufacture Must be required by law to protect environment Biodiversity agreement with a duration of at least 5 years Land is used in the production of income
Buildings in urban development zones: ▸ Erection of new building ▸ Erection of new low cost residential unit ▸ Improvements ▸ Improvement to low cost residential unit	▸ 11 years ▸ 7 years ▸ 5 years ▸ 4 years	Straight-line method Straight-line method Straight-line method Straight-line method	▸ 20% in year 1 + 8% per annum for 10 years ▸ 25% in year 1 + 13% in year 2-6 + 10% in year 7 ▸ 20% per annum ▸ 25% per annum	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. 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.

Mining assets and expenditure have separate sections in the SA 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 — architect fees, legal fees, planning

Need to analyze the legal fees to determine if it is capital or revenue in nature. If capital, it can be allocated to the cost of the asset and capital allowances claimed.

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

Included in the cost of the asset/capitalized to the asset's cost – capital allowances claim based on asset classification

2.4 Availability of immediate deductions for repairs, mining assets or small assets

Description	Detail
Assets below a certain value	Small items less than R7,000 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 with regard to repairs and maintenance on property, actually incurred for purposes of the taxpayer's 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	Reducing balance, straight line/prime cost, 40/20/20/20
Frequency	Section 11(e): with IN47 – General Wear and Tear allowances — daily basis Section 12C: Assets used by manufacturers or hotel keepers, assets used for storage and packing of agricultural products, and in respect of aircrafts and ships, and machinery or plant used for research and development— annually Section 13: 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. They 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

Small business corporations

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

a) Small Business Corporations (section 12E):
A "small business corporation" is:

- Any close corporation or co-operative or any private company as defined in Section 1 of the Companies Act where all holders of the shares of the entity are natural persons
- The gross income for the year of which does not exceed R20 million
- None of the shareholders or members, hold any shares or any interest in the equity of any other company 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 co-operative bank or primary savings and loans co-operative bank
  - Any friendly society
  - Less than 5% of the interest in a social or consumer co-operative or a burial society
  - A venture capital company
  - A dormant company, close corporation or co-operative
  - A company, close corporation or co-operative in the process of liquidation, wind up or deregistration

- Investment income plus income from rendering a personal service does not exceed more than 20% of the total of all receipts and accruals of a revenue nature and all capital gains
- The company is not a personal service provider as defined

Manufacturing assets are 100% deductible in the year that the asset is brought into use.

Non-manufacturing assets 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.

b) Buildings in special economic zones (section 12S read with section 12R):

A special economic zone is a zone as defined 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 annum 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 a special economic zone in the course of the qualifying company's trade, other than the provision of residential accommodation.

The incentive above will be effective from the date that the Special Economic Zones Act comes into operation, which date is yet to be proclaimed.

c) Pipelines, transmission lines and railway lines (section12D):

This relates to expenditure actually incurred on acquisition of or improvements to pipelines, transmission lines or railway lines, by the legal owner that is new and unused and brought into use for the first time. Allowances can be claimed as follows:

- 10% per annum for pipelines used for transportation of natural oil
- 6.67% on any line or cable used for the transmission of electronic communications
- 5% annually for all other affected assets

d) 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% for assets used in a preferred status project
- 100% for assets used in a preferred status project located within an industrial development zone
- 35% for assets used in a project without preferred status
- 75% for assets used in a project without preferred status located in an industrial development zone

These allowances are limited to the following amounts:

- R900 million in respect of a greenfield project with preferred status
- R550 million in respect of any other greenfield project from date of approval
- R550 million in respect of a brownfield project with preferred status
- R350 million in respect of any other brownfield project from date of approval

Additional training allowance

In the furtherance of an industrial policy project, an allowance limited to R36,000 may be claimed in respect of the cost of training provided to employees. This allowance may not exceed R30 million (for an industrial policy project with preferred status) and R20 million (for any other industrial policy project) within the six-year period from date of approval.

4.2. Cash grant incentives

There are a number of cash incentives that are administered by the Department of Trade and Industry and these incentives typically tend to be industry specific. Such cash incentives include, but are not limited to, the following:

a) Automotive Investment Scheme

This represent a cash grant of 20% plus an additional 5% to 10% (if the project significantly contributes to the development of the automotive sector) of the cost of assets required to establish a new production facility or to expand an existing production facility.

b) Clothing and Textiles Competitiveness Improvement Program

This program is currently on hold and in the process of being renewed. This program is aimed at incentivizing manufacturers who invest in competitiveness enhancement initiatives. The cash grant calculated as a percentage of what is referred to as Manufacturing Value Added (MVA) and capped as follows:

Where MVA = sales/turnover – sales value of imported goods – sales value of other bought-in finished goods – material input costs used in manufacturing process

- 7% of MVA for entities larger than R200 million in assets
- 10% of MVA for entities with assets >R30 million and <R200 million
- 12% of MVA for enterprises with assets >R5 million and <R30 million
- 15% of MVA for 100% black-owned enterprises and enterprises with assets below R5 million

c) Film and television production

i. Foreign Film and Television Production and Post-Production Incentive

Foreign-owned qualifying productions with a minimum of Qualifying South African Production Expenditure (QSAPE) of R12 million and above may qualify for a grant equal to 20% of QSAPE

In instances where the shooting location is in South Africa and post-production with Qualifying South African Post-Production Expenditure (QSAPPE) of R1.5 million occurs in South Africa, the incentive will be calculated at 22.5% of QSAPE with an additional 2.5% of QSAPPE

Where post-production occurs outside of South Africa for a minimum number of two weeks, the incentive is calculated as follows

- The incentive is calculated at 22.5% of QSAPPE for a foreign post-production with QSAPPE of R1.5 million
- The incentive is calculated at 25% of QSAPPE for a foreign post-production with QSAPPE of R3 million and above

If 100% of post-production is conducted in South Africa, the minimum requirement for number of weeks will be waived.

Shooting on location in South Africa and conducting post-production with a QSAPPE of R3 million and above in South Africa, the incentive will be calculated as 25% of QSAPE and QSAPPE (an additional 5% will be added).

ii. South African Film and Television Production and Co-Production Incentive

The incentive is available to qualifying South African productions and official treaty co-productions with a total production of R2.5 million and above. The incentive is calculated as 35% of the first R6 million of QSAPE and 25% of the QSAPE on amounts above R6 million.

Tax depreciation method	Comment on specific application and benefits available
Assets used in research and development (R&D)	Section 12C and Section 11D: ▸ Capital assets 50/30/20 allowance or 40/20/20/20 or 20% per annum 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 bio-diesel or bio-ethanol ▸ Assets acquired for use in the generation of electricity from wind, solar power, hydropower and biomass

Tax depreciation method	Comment on specific application and benefits available
Energy efficiency savings (section 12L)	Section 12L provides for an energy-efficiency savings deduction of 95 cents per kilowatt hour or kilowatt hour equivalent. Taxpayers are able to 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 Minister of Finance, Minister of Energy and Minister of Trade & Industry, all of which will prescribe these regulations.

5. Accounting for disposals

Recoupments (section 8(4)): Recoupments are triggered where the proceeds (below original cost price) received on disposal exceeds the tax value of the asset. Tax recoupment is included in the taxable income of the taxpayer.

The tax scrapping allowance will be allowed as an allowance and deducted from taxable income of the taxpayer where the proceeds received on disposal is less than the tax value of the asset. This will only relate to assets where the write-off period is less than 10 years.

Capital gains arise where 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 the taxpayer to 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, designs.
Patents, copyright, design, know-how or similar items	Section 11(gC) provides a full deduction of expenditure actually incurred to acquire an invention, patent, design, copyright or other similar property.
Goodwill	No tax deduction is allowed for purchased goodwill.
License or permit	Government business licenses (section 11(gD).

Spain

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Terminology used by country 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

0–33%

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, accelerated depreciation in certain industries (e.g., mining)

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 different lives/rates to each part (such as 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 know the accumulated depreciation of each element at every moment.

Maximum depreciation rates for tax purposes are fixed by law. The rates vary depending on the industry. The Spanish tax reform has amended the table of asset and the lives/rates.

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	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	100–68 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 warehousing or administrative purposes
Furniture, fittings or fixtures	20 years	Sum-of-the-years-digits method and constant percentage method cannot be applied	10%	
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%	Elevators, escalators, breakdown lorry, etc.
Car parks	100 years	To be chosen by the taxpayer	2%	
Office equipment (including office furniture and fixtures)	20–14 years	Sum-of-the-years-digits method and constant percentage method cannot be applied	10–15%	It depends on the specific type of asset.
Land improvements	0	N/A	0%	
Qualified leaseholder improvement property	0	N/A	0%	
Agricultural machinery and equipment	18–20 years	To be chosen by the taxpayer	10–12%	
Property used in 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

Deductible for CIT purposes

Land remediation — removing asbestos, knot weed

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.

The 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, 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 €10 million, a temporary restriction has 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 so 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, 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 above-mentioned methods:
	‣ 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 second-hand 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 shorter 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 useful life at least of 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 speaking, depreciation is calculated from the time the asset(s) have been 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 proportionately calculated. If an asset is owned for only 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 in the previously submitted CIT form. If this is the case, an amendment should be requested or submitted.

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, etc.)) 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.

Buildings assigned to qualified R&D activities may be tax depreciated under the accelerated-depreciation regime.

Tax depreciation method	Comment on specific application and benefits available
Tangible and intangible fixed assets of workers 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, exclude building, assigned to development and investigation activities can be amortized under a free depreciation regime.
Buildings assigned to R&D.	It 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 like period, amortization rate for accounting purposes is set at 5%.

Free tax depreciation without a specific method (even in the year of acquisition) is allowed under some circumstances for certain periods and assets. For example, investments in new tangible assets and real estate in Spain or abroad carried from 1 January 2009 through 31 March 2012 may qualify for a free tax depreciation allowance. For investments made during tax years that began during 2009 and 2010, such tax benefits are dependent on the maintenance of the employment level. Any depreciation allowance on such assets that was pending to be fully accelerated by 31 March 2012 will still be available to be used but will be subject to certain limitations for the 2012 through 2015 tax years.

In addition, effective from 1 January 2015, new fixed assets can be freely depreciated on an annual basis if their unit cost is below €300, with an overall cap of €25,000.

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 if they depreciate and have a limited useful life, such as patents. They are generally amortized according to their useful life, with a limit of 5% annually. Under certain circumstances, goodwill and intangible assets with an indefinite life are amortizable for tax purposes.

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%

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

Tax depreciation (*skattemässig avskrivning*)

Does the tax treatment follow book/statutory accounting depreciation?

Yes

Range of rates used

0–30%

Depreciation method used to calculate tax deduction

Reducing balance, straight line/prime cost, residual value

1. Entitlement to claim

Legal owners, legal arrangements, hire purchase.

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, the company must distinguish between parts of the building and apply different (economic) lifetimes/rates to different parts (e.g., permanent equipment, land, buildings and machinery).

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	Comments
Plant, machinery and equipment	5 years or 20–50 years depending on category	As equipment or building	20 straight line/ 30 declining; 2–5% annually	
Motor cars	Classified as inventory	Equipment	20 straight line/ 30 declining	
Buildings	20–50 years		2%-5% annually	
Furniture, fittings or fixtures	Classified as inventory	Equipment	20 straight line/ 30 declining	
Computer hardware	Classified as inventory	Equipment	20 straight line/ 30 declining	
Computer software	Classified as inventory	Equipment	20 straight line/ 30 declining	
Aircraft	Classified as inventory	Equipment	20 straight line/ 30 declining	
Transport other than motor cars	Classified as inventory	Equipment	20 straight line/ 30 declining	

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Car parks	20 years		5% annually	
Office equipment (including office furniture and fixtures)	Classified as inventory	Equipment	20 straight line/ 30 declining	
Land improvements	20 years		5% annually	
Qualified leaseholder improvement property	Building			
Agricultural machinery and equipment	Classified as inventory	Equipment	20 straight line/ 30 declining	
Property used in R&D	Classified as inventory	Equipment	20 straight line/ 30 declining	

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.
Art work, etc.	Tax depreciation is not allowed for assets that can be assumed to have a permanent value.

*from section 1+2 of accounting

2.3 Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Deduction for preliminary costs can be made if the cost is considered to be an expense that can be allocated to a particular period according to generally accepted accounting principles.

Land remediation — removing asbestos, Japanese knotweed

No general rules can be applied. Treatment depends on the specific conditions and situations in general.

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

Deductions for depreciation of own labor capitalized can be made if accepted according to generally accepted accounting principles.

2.4 Availability of immediate deductions for repairs

Description	Detail
Assets with life of less than three years	
Assets below a certain value	Below a value of ½ price base amount excluding VAT (approx. SEK22,000)
Repairs	Repairs to conserve the original condition
"Extended repairs" on buildings	Changes in a building considered "normal" for the business carried out in the building
Assets that are acquired and disposed in the same year	
Buildings for short-term use	

- 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 "normal" for the business carried out in the building, regardless of the book treatment.

3. Depreciation and calculation methods

Methods used	Reducing balance, straight line/prime cost, residual value
Frequency	Annually
Year of acquisition	Depreciation is calculated for the whole year if held at the year-end.
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	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 straight line or declining basis between years. It is not possible to change between residual value and straight line/declining basis between years.

4. Preferential and enhanced depreciation availability

Only assets connected to repairs and maintenance can be fully deducted immediately, see further below.

5. Accounting for disposals

An amount equal to the acquired compensation, up to the remaining depreciable amount, will be deducted from the capital asset.

If the asset has been fully depreciated for tax purposes no adjustments are made to the tax asset value. If the asset has not been fully depreciated for tax purposes, the remaining deduction possibility will be taken into account at the yearly valuation of the asset.

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 can be deducted/depreciated by the same methods as for machinery and equipment: on a straight-line basis at 20% of cost annually, on 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 deducted at all.

Self-generated intangible assets, goodwill generated from mergers or self-generated and goodwill from acquisition of shares do not qualify for any tax depreciation.

Type of asset	Rates
Trademarks	20 straight line/30 declining
Patents, copyright, design, know-how or similar item	20 straight line/30 declining
Goodwill	20 straight line/30 declining
License or permit	20 straight line/30 declining
Other	20 straight line/30 declining

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Terminology used by country 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 method, double diminishing (declining) method, depreciation in mines, extraordinary depreciation

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:

- Transfer of 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 which 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
- 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 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 made up of approximately 730 lines and includes economical useful lives for assets used in different sectors. In the event that an asset for which depreciation is claimed is not covered in this list, the taxpayer is required to ask 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 Ministry of Finance.

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Plant, machinery and equipment	By reference to complex listing			
Motor cars	5 years	Straight-line or double declining method	20%	
Aircraft	6 years	Straight-line or double declining method	16.66%	
Car parks	15 years	Straight-line or double declining method	6.66%	
Land improvements	15 years (for roads 8 years)	Straight-line or double declining method	6.66% (for roads 12.5%)	
Qualified leaseholder improvement property	Leasing period would be useful life (in case no leasing period is set, five years)	Straight line	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 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.
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.

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.

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 for repairs

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 TRY880,00 for 2015. 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 in order 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 in order 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 motor land transportation 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, extraordinary depreciation
Frequency	Annually
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 straight-line method to another method once this method has been initiated. However, it is possible to shift from double declining method to straight-line method. The new method shall be taken into account as from the period related to the tax return containing this statement. In case of switching from double declining method to 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.

4. Preferential and enhanced depreciation availability

R&D and innovation expenditures

- All R&D and innovation expenditures incurred in "R&D centers" or in projects supported/approved by The Scientific and Technological Research Council of Turkey (TUBİTAK)
- Half of the yearly increase in the R&D and innovation expenditures incurred in the related year in R&D centers that employ 500 or more full-time R&D personnel

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 following 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 Turkey, including the establishments of nonresident entities in Turkey that:

- Are organized as a separate department within the organizational scheme
- Are exclusively engaged in research and development activities in the country
- Employ at least 30 full-time R&D personnel and possess sufficient R&D experience and skills

Corporate tax reduction for investments with incentive certificate (All the investments with incentive certificate 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 20%. The reduced corporate tax application is an arrangement that ensures application of the corporate tax at a rate lower than 20% 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.

Asset used in	Comment on specific application and benefits available
Assets used in research and development	
Energy efficient assets	
Industry specific	

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. 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 are 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 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, 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.

Scraping 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 taken into account.

6. Making a claim

Depreciation claimed for each year should be booked in aggregated depreciation/depletion accounts and the relevant expense accounts.

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 tax payer.

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

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Terminology used by country 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

Range of rates used

0%–150%

Depreciation method used to calculate tax deduction

Reducing balance

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 expenditure.

Generally, a person must legally own an asset in order 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 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 a relevant interest in the 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 expenditure incurred, and particularly so with respect to buildings.

All depreciation in respect to 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 plant and machinery allowances. There is no statutory definition of what is plant for capital allowances purposes. Therefore, the capital allowances treatment on various assets has been discussed and agreed in many test cases, and this identification can be particularly complex as a result.

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 annum on a reducing balance basis. Building works such as leasehold improvements should be analyzed to ensure 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 office furniture and fixtures)	n/a	Reducing balance	18% pa writing down allowance (WDA) – main pool 8% pa WDA – special rate pool	Main pool allowances are available on most types of assets within this category. The lower rate of relief applies to integral features or items of plant that are expected to last more than 25 years. Types of integral features include electrical systems, HVAC, water installations and lifts.
Motor cars	n/a	Reducing balance	The rate of depreciation depends on the CO2 emissions of the car 100% pa FYA – enhanced capital allowances – 0–75 g/km 18% pa WDA – main pool – 76–129 g/km 8% pa WDA – special rate pool – above 130 g/km	
Computer hardware and software	n/a	Reducing balance	18% pa WDA – main pool	
Aircraft	n/a	Reducing balance	18% pa WDA – main pool 8% pa WDA – special rate pool	The rate of relief depends on the type of aircraft acquired.
Commercial vehicles and agricultural machinery and equipment	n/a	Reducing balance	18% pa WDA – main pool	

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	All costs relating to land
Dwellings	Usually no capital allowances if the expenditure is on a dwelling
Building	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 apparatus with which it carries on its qualifying activity. There are some exceptions to this in very specific circumstances (such as a facility where R&D is carried out). The definition of a building includes structural external works (such as car parks, roads and hard/soft landscaping).
Structures	Various structures including tunnels, bridges, dams

Noteworthy items

Preliminary costs — architect fees, legal fees, planning

Preliminaries and professional fees should be attached with the asset to which they directly relate, and may be assessed for capital allowances as long as 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 in respect of the 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 will typically follow the "treatment of the asset" that has been created as a result of the labor effort.

Availability of immediate deductions for repairs

The general position is that:

- The cost of a repair is normally allowable expenditure.
- The cost of replacing an asset or of making a significant improvement to an asset is a 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 practice (whether that is 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	Writing down allowances 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.
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. In order to encourage investment in certain areas, loss-making businesses may also have the opportunity to a payable credit in respect of unrelieved losses created by these enhanced reliefs (subject to a maximum). This applies to loss making businesses that have incurred expenditure on energy-saving or water-efficient assets or on the remediation of contaminated or derelict land.

Tax depreciation method	Description of relief	Specific application and benefits available
Annual investment allowances (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 annum. The rates of relief are: 1 April 2014 to 31 December 2015 — £500,000 1 January 2016 onward — £200,000 The AIA should be time-apportioned for short and long chargeable periods. The annual investment allowance 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 research and development	100% allowance	Qualifying expenditure includes capital expenditure on carrying out development (Research and R&D or providing facilities for R&D, Development Allowances (RDA)) but does not include acquiring R&D rights or rights arising out of R&D.
Energy/water-efficient assets (enhanced capital allowances or ECAs)	100% first-year allowances	Listed technologies (such as boilers, motors, air conditioning) must appear on either the Energy Technology Product List or the Water Technology List published by the Department of Energy and Climate Change (DECC) on the date expenditure was incurred. Criteria-based technologies (such as, lighting and pipe work insulation) must meet certain performance criteria in order to qualify. The technologies, product list and qualifying criteria change on an annual basis. A loss-making company may surrender any relieved loss created by ECAs and claim a payable tax credit equal to 19% of the loss created, subject to various restrictions.
Plant and machinery in designated assisted areas	100% first-year allowances	Expenditure on plant and machinery in locations designated to assisted areas (Enterprise Zone) be Enterprise Zones and that have elected for preferential capital allowances treatment. Expenditure must be incurred between 1 April 2012 and 31 March 2020. There are a number of restrictions on how the plant on which allowances have been claimed can be used in the future.
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
Business property renovation	100% first-year allowance	Available for capital expenditure incurred between 11 April 2007 allowances (BPRA) and 31 March 2017 (5 April 2017 for individuals). Allowances are available at 100% for qualifying expenditure on the renovation or conversion of unused business premises in a disadvantaged area suitable for business use subject to meeting certain criteria.
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 or 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 where 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. 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.

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, a number of restrictions will apply where the disposal is to a connected party or is undervalued.

Where the asset disposed relates to the sale of a fixture to a third party, then the buyer and seller must enter into an election to agree 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.

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 a number of occasions where 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 Her 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 (including goodwill) on the basis of amortization shown in the accounts, or (on election) at a fixed rate of 4% per annum.

It is also possible to select software to be treated as eligible for plant and machinery allowances.

Type of asset	Rates/lives
Trademarks	Providing 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 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 annum.
Patents, copyright, design, know-how, or similar item	Capital allowances potentially available at 25% WDA per annum on a reducing basis.
Goodwill	Where goodwill is acquired from an unconnected party or created by a business after 1 April 2002, the general rules for the corporate intangible assets regime (detailed above) are followed. Goodwill acquired from an unconnected third party or created by a business already in existence before 1 April 2002 is 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.
License or permit	The general rules for the corporate intangible assets regime as detailed above are followed.

United States

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Terminology used by country 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 United States Internal Revenue Code (IRC) provides that there shall be allowed as a depreciation deduction a reasonable allowance for the exhaustion, 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

Reducing balance (e.g., 200% double declining balance method), 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 in order 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 personal property depends on the type of property in question. 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 convention.

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	Varies, see Rev. Proc. 87-56	Varies, the general rule is the 200% double declining balance (DDB) method under section 168(b)	The allowance is determined based on the method, recovery period and convention	The recovery periods and methods could vary depending on what the property is used for and whether the property is subject to the alternative depreciation system (ADS) or the general depreciation system (GDS) of Section 168.
Motor cars	Generally, five years	Generally, 200% DDB	The allowance is determined based on the method, recovery period and convention	Assumes the use of GDS
Buildings	Generally, 39 years for nonresidential real property; 15 years for qualified improvement property	Straight line	The allowance is determined based on the method, recovery period and convention	Assumes the use of GDS
Furniture, fittings 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% DDB	The allowance is determined based on the method, recovery period and convention	Assumes the use of GDS and assets fall under asset class 00.11 of Rev. Proc. 87-56 (or class 57.0 for retail assets that are non-office location assets, such as store shelving)

Asset type	Useful life for tax	Type of tax depreciation method	Applicable tax depreciation rate	Comments
Computer hardware	Generally, five years	Generally, 200% DDB	The allowance is determined based on the method, recovery period and convention	Assume 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. Eligible self-developed software may be currently expensed.
Aircraft	Generally, five years	Generally, 200% DDB	The allowance is determined based on the method, recovery period and convention	Assumes 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 in which asset class under Rev. Proc. 87-56 applies
Car parks	Parking garages, in the US, typically are nonresidential real property	Generally, straight line	Generally, 39 years	This property normally is classified as nonresidential real property.
Office equipment (including office furniture and fixtures)	Generally, seven years	Generally, 200% DDB	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.
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
Qualified improvement property	15 years	Straight line	The allowance is determined based on the method, recovery period and convention	Assumes the use of GDS and that they meet the definition provided under Section 168(k)(3). By definition, this property is nonresidential real property that meets additional requirements.
Agricultural machinery and equipment	Generally, seven years	Generally, 200% DDB	The allowance is determined based on the method, recovery period and convention	Assumes the use of GDS and assets that fall under Asset class 01.1 of Rev. Proc. 87-56
Property used in R&D	Varies depending on 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; for tangible personal property, Asset class 57.0 sometimes is applicable (e.g., certain research lab equipment).

2.2 Assets that do not qualify for tax depreciation

Types of assets	Explanation
Land	Land does not qualify 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.

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 and removing asbestos

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. Asbestos removal costs often are deductible, as a general matter.

Own labor capitalized — carrying out work on tangible property

Generally, internal labor is not required to be capitalized for tangible property acquired. See Treasury Regulations 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.

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

Description	Detail
Generally, eligible assets with a recovery period of less than 20 years if acquired and placed in service before January 1, 2020 (recently extended through legislation). Recent legislation extended bonus depreciation under Section 168(k) for property acquired and placed in service during 2015 through 2019.	Generally, 50% or equal to 50% of the basis bonus depreciation is allowed (e.g., depending on the acquisition and placed in service dates) for property placed in service prior to 2015. Under the most recent legislation enacted in December 2015, bonus depreciation for eligible property would be 50% for property placed in service during 2015, 2016 and 2017 and would decrease to 40% in 2018, and 30% in 2019.
Assets below a certain value	Treasury Regulations Section 1.263(a)-1 generally provides the taxpayer the ability to expense property in the tax year acquired if the property expensed for book purposes and the acquisition price of the property is less than $5,000. 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 section 162.

Treasury Regulations Section 1.263(a)-3 sets forth the rules to determine whether an amount paid for repair and/or maintenance of tangible property is a deductible repair in the tax year the amounts are incurred or, alternatively, a capitalizable and depreciable improvement. A repair expenditure can generally be currently deducted if it does not result in a betterment, restoration or change in use of the tangible property subject to the repair activity (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 Treasury Regulations section 1.263(a)-1(f), the amount must be expensed for book purposes in order 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% double declining balance and 150%DB; straight line
Frequency	Annually Depreciation is generally computed for each "tax year" of a taxpayer. A tax year may be less than 12 months ("short tax year") and Rev. Proc. 89-15 provides guidance for computing depreciation related to property placed in service in a short tax year.
Year of acquisition	Generally, the depreciation deduction in the year of acquisition is computed by applying the appropriate convention, depreciation method and recovery period. Generally, the appropriate convention is the half-year convention, which assumes that the asset is placed in service half way 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 three-month period acquired), and full month (assume placed in service on the first day of the month acquired) for certain types of property. Section 168(d) and the underlying regulations provides 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% DDB 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 (such as the property is moved outside of the US).

4. Preferential and enhanced depreciation availability

The general rule of depreciating personal property under Section 168 provides for accelerated depreciation, i.e., the general rule is a 200% double declining balance method (twice that of straight line).

For certain eligible assets an accelerated deduction ("bonus depreciation") equal to either 50% or 100% of the basis acquired of the assets is available to taxpayers. See, generally, Section 168(k) of the IRC.

Tax depreciation method	Comment on specific application and benefits available
Personal property with a recovery period of 15 years or less	Generally, 200% DDB
Personal property with a recovery period of 15 or 20 years	Generally, 150% DB

5. Accounting for disposals

When an asset is disposed of for value, the net tax value of the asset is recognized as an offset to proceeds received in the tax year of disposal. The initial cost of the asset is credited on the balance sheet (removed) and the related accumulated depreciation is debited (also removed). 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.

6. Making a claim

Depreciation deductions are claimed on federal Form 4562 of a taxpayer's federal income tax return.

We suggest that detailed records be kept supporting the depreciation deductions claimed on a taxpayer's federal income tax returns, including documentation of the cost of acquisition.

7. 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. §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 Treasury Regulations Section 1.167(a)-14, relating to intangible assets.

Type of asset	Rates/lives
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.

Foreign currencies

The following list sets forth the names and symbols for the currencies of countries discussed in this book.

Country	Currency	Symbol
Argentina	Peso	ARS
Australia	Dollar	AUD
Brazil	Real	BRL
Canada	Dollar	CAD
China	Yuan Renminbi	CNY
France	Euro	EUR
Germany	Euro	EUR
India	Rupee	INR
Italy	Euro	EUR
Japan	Yen	JPY
Korea (South)	Won	KRW
Kuwait	Dinar	KWD
Malaysia	Ringgit	MYR
Mexico	Peso	MXN
Netherlands	Euro	EUR
Nigeria	Naira	NGN
Portugal	Euro	EUR
Russian Federation	Ruble	RUR
Saudi Arabia	Riyal	SAR
Singapore	Dollar	SGD
South Africa	Rand	ZAR
Spain	Euro	EUR
Sweden	Krona	SEK
Turkey	Lira	TRY
United Kingdom	Pound	GBP
United States	Dollar	USD

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EYG no. DL1528

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