

Section-32 Depreciation

M.M.M.M Important!!

32(1)(i)



SIM Method option
in case of power
Generation distribution
and Transmission Co.

32(1)(ii)



Normal
Depreciation
[WDV Method]

32(1)(ia)



Additional
Depreciation
(in addition to
Normal dep)

Section 32(1)(ii) Normal Depreciation

Applicable For Both Tax Regime (Normal, Default)

Eligible Assessee = All Assessee (Individual, Co, firm etc...)

Depreciation in respect of :-

- Tangible Assets
- Intangible Assets
- owned
- wholly ^{or} partly by the assessee **And**
- Used for the purpose of Business ^{or} profession.
- Depreciation SHALL BE Allowed on the WDV
- OF BLOCK OF ASSETS,
- at the prescribed percentage.

Analysis OF Section 32(1)(ii)

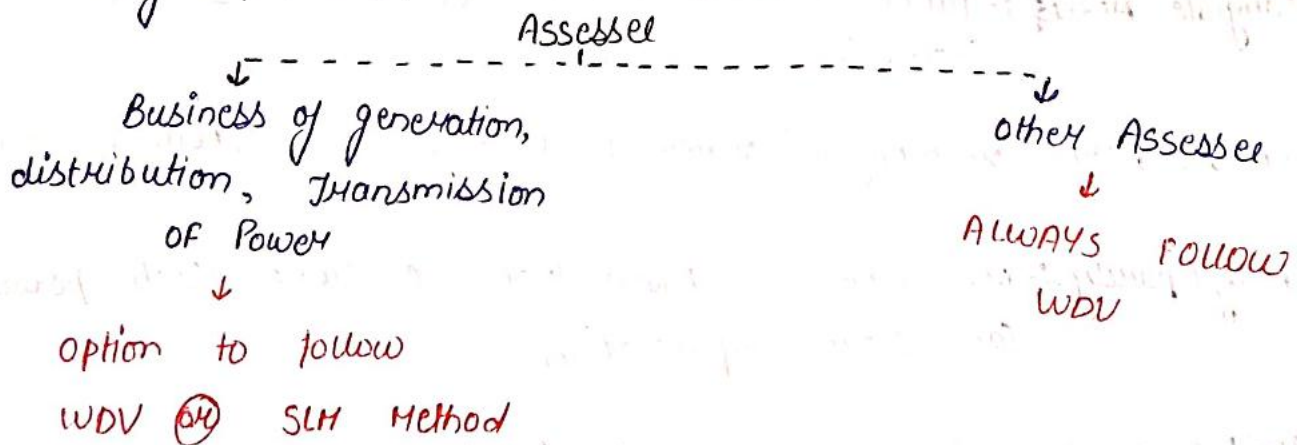
- **Depreciation** :- Depreciation is Nutshell, Capital Expenditure ko allowed karvane ka tarika hai.
- **Tangible Assets** :- Building, plant and Machinery, Furniture } wheather
Land (Not depreciable asset) } old ^{or} New
- **Intangible Assets** :- Patent, trademark, license etc... }
Goodwill
- **owned** :- Actual or Beneficial owner or Deemed owner [Both covered]
- **wholly / partly** :- one owner or More than one owner both person can claim depreciation
- **Used** :- Actual put to Use and Not Ready to Use.

- **Buss/Prof** → wholly personal purpose → Not eligible for depreciation.
- **shall be allowed** :- Mandatory to claim depreciation - exp 5 to 32C1
- **On WDV** :- WDV par Milega and WDV Method se Milega.
- **Block of Asset** = Depreciation can claim WDV of Block of Asset not single Asset
- **Prescribed percentage** = given in I. Tax Rules.

o Important Points

- ① In case of stand by Machinery and emergency spare parts, the depreciation shall allowed on Ready to Use Basis not put to Use.
- ② In case of lease depreciation always claimed by lessor wheather lease is operating or financial.
- ③ In case of hire purchase Assessee/Buyer get ownership only after payment of last installment but he can claim depreciation from beginning assuming assessee is the owner of such asset from beginning.

④ Method of depreciation



5) System of Depreciation

SLM Method

Single Asset Method System shall Apply

WDV Method

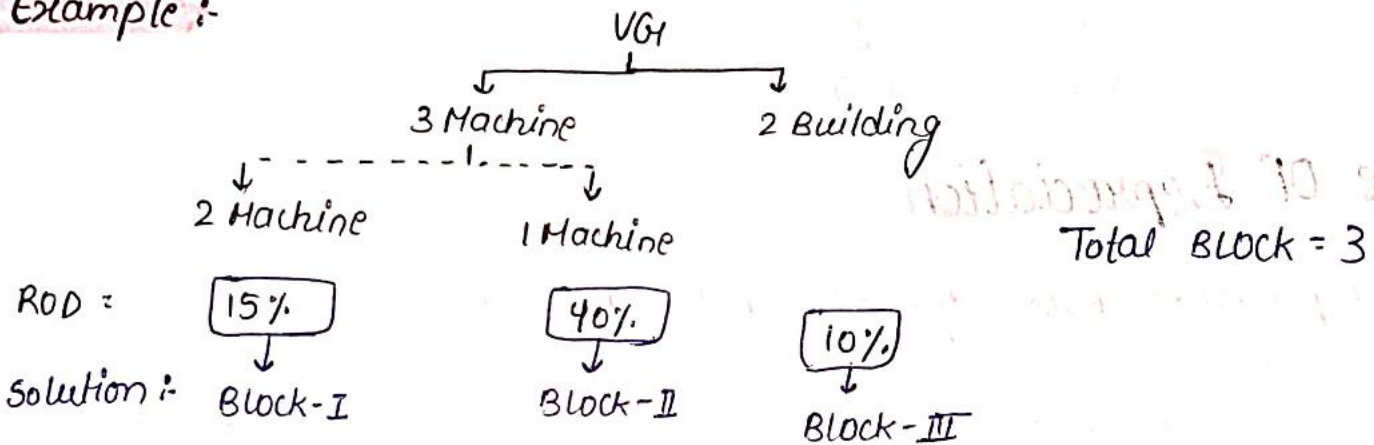
Block of Asset System shall Apply

Block of Asset

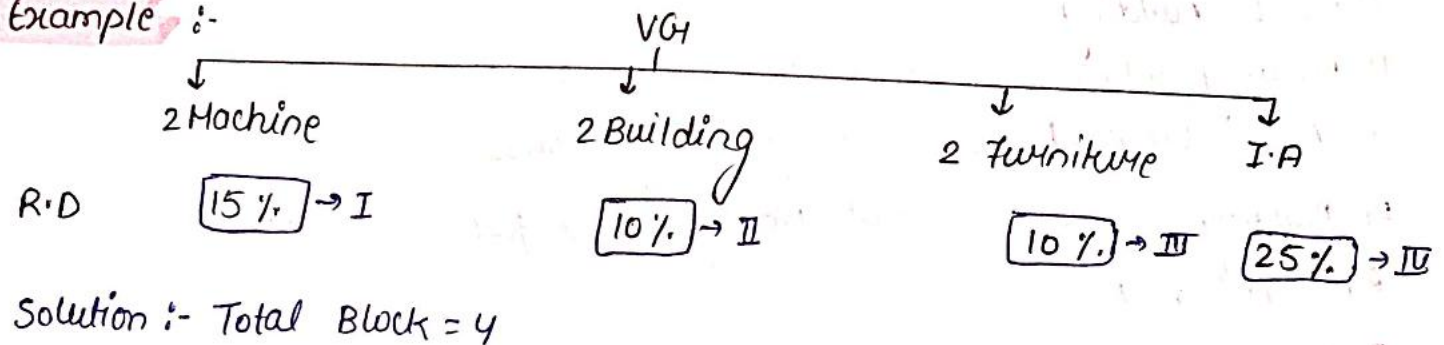
Means, a "GROUP OF ASSETS" having SAME NATURE AND SAME RATE OF Depreciation.

BOA = Same Nature and same % age का एक group बन जाएगा।

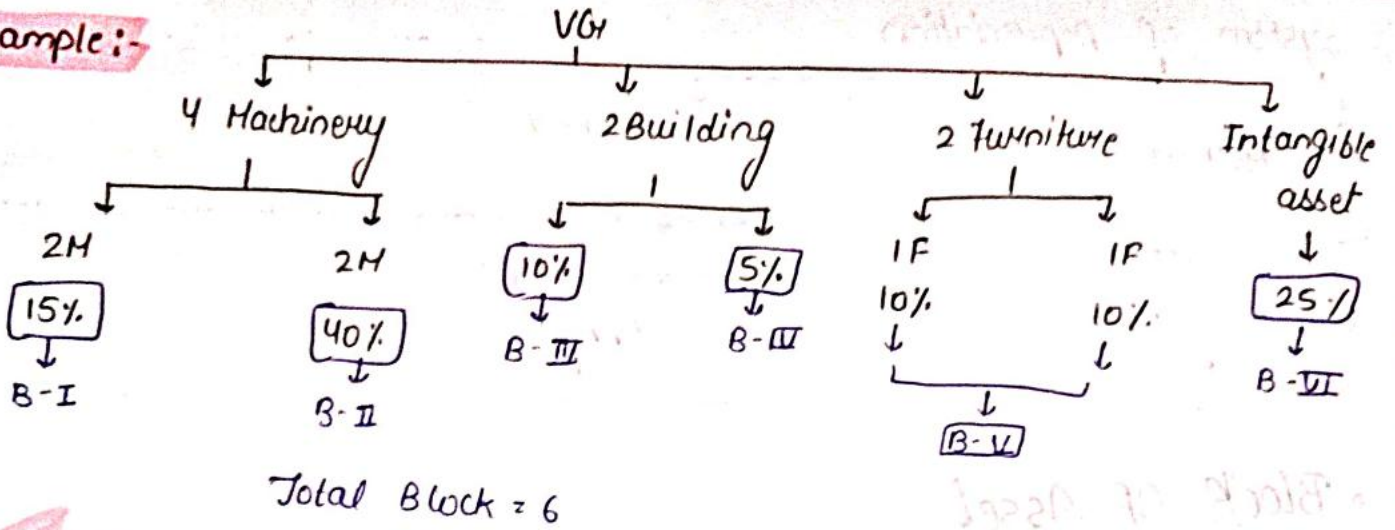
Example :-



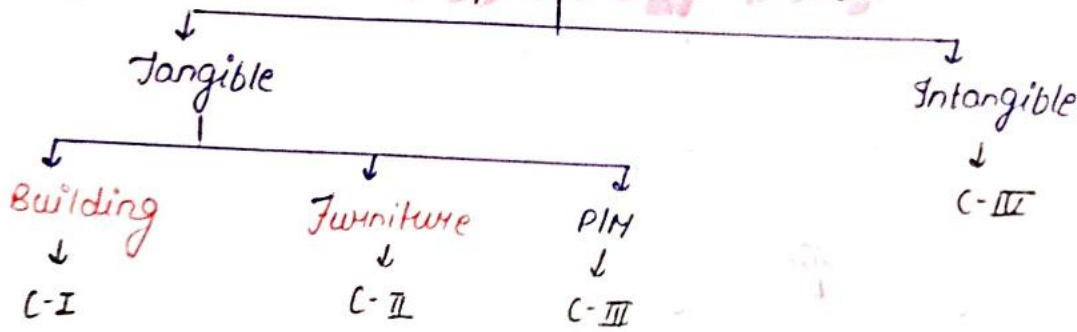
Example :-



Example:-



Classes OF Depreciable Asset



Rate OF Depreciation

Few Depreciation Rates (for other Rates - Refer Book)

Particulars	Rate of Dep
Class-I Building	
1) Building which are used Mainly for Residential Purpose Except hotels and boarding House	5%
2) Building which are Not Mainly used for R.P (General Rate)	10%
3) Purely Temporary erection such as wooden structure	40%

Class-II Furniture and fittings General Rate	10%
CLASS-III Plant and Machinery	
1) General Rate	15%
2) life saving Medical equipment	40%
3) Computer including computer software, UPS, printer etc...	40%
4) Books owned by assessee	40%
5) Aeroplanes, Aero engines	40%
6) Pollution control equipment	40%
7) wind mills	40%
8) E- vehicles	40%
9) ship, vessel, speed boat	20%
Class-IV Intangible Asset (know-how, Patent, Copyright, trademark, license Except goodwill for BIP)	25%

Proviso to Section 32(1)

Depreciation shall be restricted to 50% of depreciation allowed if asset is put to use for less than 180 days in the year of acquisition

Cases

a) purchase and put to use are in same year and put to use for 180 days or more	Full Rate of dep in the year of P.T.U
b) Purchase and put to use are in different year and put to use for 180 days or more	Full Rate of dep in the year of P.T.U
c) purchase and put to use are in same year and put to use for less than 180 days	Rate of dep \times 50% allowed in the years of P.T.U
d) purchase and put to use are in different year and put to use for less than 180 days	Full Rate of Depreciation

Example:- Mr. V.G. purchase a Machine on 15/4/2024 = 40,00,000
ROD = 15%

Compute dep for P.Y 24-25 and 25-26 if P.T.U of above Machine as follows:-

- 1) same date 15/4/24 (iii) 5/6/2025
- 2) 18/12/2024 (iv) 8/12/2025

Solution:- Case I P.T.U 15/4/24 (180 days or more)

$$P.Y \ 24-25 = 40L \times 15\% = 600,000$$

$$P.Y \ 25-26 = 34L \times 15\% = 5,10,000$$

Case-2 18/12/24 (less than 180 Days)

$$P.Y 24-25 = 40L \times 75\% = 3,00,000$$

$$25-26 = 37L \times 15\% = 5,55,000$$

Case-3: 5/6/25

$$24-25 = \text{NIL since NO PTU.}$$

$$25-26 = 40L \times 15\% = 6,00,000$$

Case-4 P.T.U 8/12/25

$$24-25 = \text{NIL, since NO PTU}$$

$$25-26 = 40L \times 15\% = 6,00,000 \text{ (50\% Restriction not apply in next year)}$$