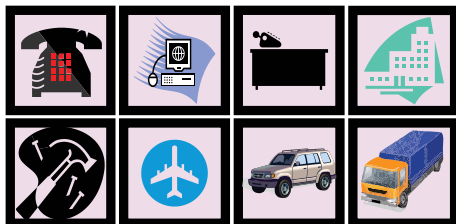




## Depreciation of Assets



### Note

There are no fees or charges payable to the Ministry of Finance or its Revenue Department for any Tax Guides or Forms or at any stage of the tax assessment, collection or enforcement processes.

The Income Tax Law provides for a penalty where a taxpayer fails to submit a tax return. This applies even if no tax is due for the period covered by the return. To avoid being penalized taxpayers therefore should submit returns even if no tax is due and state on the return that none is due.



### Introduction

In order to take a deduction for expenses for buildings and other capital assets, it is necessary

to depreciate them. That is, you will deduct a portion of the cost of the asset each year over a specified period, depending on the type of asset. The period for allowable deductions is based on the “useful life” of the asset, or a standardized timeframe that most assets of the same type would be in use in a business. In order to take a depreciation deduction, you must have documentary evidence (proof of the purchase and the cost).

### Standard depreciation

When the cost of depreciable business assets is determined from documentary evidence, the depreciation expense that may be deducted each year is subject to the following provisions:

- 1 All businesses, institutions, and agencies are required to observe the following percentages and standards with respect to the depreciation of their buildings, machinery, and other depreciable business assets\*
- 2 The percentage is based on the cost
- 3 Depreciation is an annual allowance. If a taxpayer fails to deduct or deducts an understated amount for one taxable year, he may not deduct the depreciation omitted or the amount understated in another year.

The following table shows the period of useful life and allowable percentages for depreciation of some assets commonly used in business. Use this table in conjunction with the Depreciation Record and Depreciation Worksheet to determine your depreciation deduction.

No.	Asset	Useful Life (in years)	Percentage Allowed Each Year
1	Brick or stone structures	50	2
2	Loam structures	20	5
3	Wooden structure	10	10
4	Machinery and equipment not otherwise specified below	10	10
5	Mining equipment	6.5	15
6	Tools	4	25
7	Printing equipment and machines	2	50
8	Handicraft machines	3	33
9	Metallurgical machines	10	10
10	Carpets	10	10

11	Rugs and other furnishings	4	25
12	Chairs, seats, and sofas	4	25
13	Desks, tables, and cabinets	10	10
14	Office equipment (calculators, typewriters, telephones, etc.)	6.5	15
15	Bicycles	5	20
16	Trucks	2	50
17	Cars	4	25
18	Tires and tubes	2	50
19	Sacks	2	50
20	Impure iron stoves and pipes	10	10
21	Iron stoves	2	50
22	Carriages, animal carts, and handcarts	3	33
23	Construction machines, rollers, and mixers	5	20
24	Computers and computer related equipment	3	33
25	Televisions, radios, cellular phones	3	33
26	Telecommunications equipment / cell towers	7	14

\*Article 47 of the Income Tax Law 2009 provides for an exception to the above provision. Beginning from 21 June 2004, an approved enterprise registered under the Law on Domestic and Foreign Private Investment in Afghanistan shall be entitled to accelerated depreciation of capital assets. (See Accelerated depreciation, below).

### Accelerated depreciation

If you qualify for accelerated depreciation under the provision stated in Article 47 of the Income Tax Law, you will be allowed a deduction for the depreciation of depreciable assets as follows:

- Four years for buildings; and
- Two years for other capital assets.

You will take a depreciation deduction for buildings and other depreciable assets in equal amounts for each tax year of depreciation. If a depreciable asset is owned by the enterprise for less than half of the year, depreciation shall be calculated and deducted for half of the year. If depreciable asset is held for more than half of the year, depreciation shall be calculated and allowed for one year. If, as a result of this rule, you have not fully depreciated the property in the two (2) fiscal year or four (4) fiscal year period, then you will claim the remaining depreciation in

the immediately succeeding year.

You may only claim the depreciation deduction under this provision for depreciable assets acquired and first used in the year in which the enterprise became an approved enterprise or registered enterprise (whichever is earlier) or in the following two years.

**Example:** An Afghan corporation purchases equipment for 10,000,000 afghani at the beginning of 1388. The corporation is entitled to claim 5,000,000 afghani of depreciation in 1388 and 5,000,000 afghani depreciation in 1389.

### Depreciation Record

The Depreciation Record (See sample below) is a convenient way to track your assets and depreciation calculations/deductions. You can use this record to (1) track both regular and accelerated depreciation, (2) maintain a separate record for each year, (3) transfer assets from from a previous year to a new record and add new assets acquired in a new year. You can find a full-size, photocopy ready Depreciation Record with complete instructions at the back of this guide. You can also obtain additional printed copies at the Afghanistan Revenue Department or your local Mustufiat office.

Depreciation Record for Tax Year										
(12) Adjusted Value at End of Year (see instructions)	(11) Deduction for Depreciation (Column 5 x Column 7 x Column 9)	Depreciation						(3) Cost or Other Basis	(2) Date of Acquisition	(1) Description of Asset
		(10) Year of Service	(9) % Rate	(8) Useful Life in Years	(7) Basis for Depreciation (Column 5 x Column 6)	(6) % Business Use	(5) Basis When Placed in Service			

**Depreciation Worksheet**

The following worksheet is used to calculate your depreciation deduction for the current year. Use it or the one in the instruction guide for the tax return form you will complete.

Line-by-Line Instructions for the Depreciation Worksheet

*Part 1: Assets Placed in Service in the Current Year*  
Use this section to calculate your depreciation deduction for assets first used in your business during the 1388 tax year.

**Line 10 – Ordinary Depreciation**  
Ordinary depreciation uses the standard depreciation chart and applies to most taxpayers. Use the following Generic Depreciation Record to calculate the depreciation amount for each asset you used in your business. Use column (7) figures from the record for column (2) of this worksheet. Show the totals for each classification group as follows:

**10a** – Enter the total basis amount of all 2-year property placed in service in 1388 in column (2). Multiply this amount by 50% (0.5) and enter the result in column (4).

**10b** – Enter the total basis amount of all 3-year property placed in service in 1388 in column (2). Multiply this amount by 33% (0.33) and enter the result in column (4).

**10c** – Enter the total basis amount of all 4-year property placed in service in 1388 in column (2). Multiply this amount by 25% (0.25) and enter the result in column (4).

**10d** – Enter the total basis amount of all 5-year property placed in service in 1388 in column (2). Multiply this amount by 20% (0.2) and enter the result in column (4)

**10e** – Enter the total basis amount of all 6.5-year property placed in service in 1388 in column (2). Multiply this amount by 15% (0.15) and enter the result in column (4).

**10f** – Enter the total basis amount of all 7-year property placed in service in 1388 in column (2). Multiply this amount by 14% (0.14) and enter the result in column (4).

**10g** – Enter the total basis amount of all 10-year property placed in service in 1388 in column (2). Multiply this amount by 10% (0.1) and enter the result in column (4).

**10h** – Enter the total basis amount of all 20-year property placed in service in 1388 in column (2). Multiply this amount by 5% (0.05) and enter the result in column (4)

**10i** – Enter the total basis amount of all 50-year property placed in service in 1388 in column (2). Multiply this amount by 2% (0.02) and enter the result in column (4).

Add column (4), items 10a through 10i.

**10k** – Total ordinary depreciation for assets placed in service in the current year

Only those taxpayers who qualify under Article 47 of the Income Tax Law 2009 may use accelerated depreciation. If you so qualify, **calculate your depreciation deduction**

**Line 11 – Accelerated Depreciation**  
**11c** – Total accelerated depreciation for assets placed in service in the current year  
*Add column (4), items 11a and 11b.*

**Line 12 – Total depreciation for assets placed in service in the current year.**  
**Add lines 10k and 11c and enter the total here.**

**Part 2: Assets Placed in Service in Prior Years**  
**Line 13 – Total depreciation for assets placed in service in prior years**  
Add all depreciation amounts for all assets placed in service in prior years.

**Line 14 – Total depreciation for all assets**  
Add lines 12 and 13. Enter here and on the appropriate line of the tax return (see specific instructions for the form you will be completing). This is your total depreciation deduction for 1388.

Depreciation Worksheet				
Part 1: Assets Placed in Service in the Current Year				
<b>10 Ordinary depreciation</b>		<b>استهلاك معمولی</b>		
(4) Depreciation deduction (Multiply column 2 by column 3)	(3) Rate	(2) Basis for depreciation	(1) Classification of property	
10الف	50%	فغانی	سرمایه ۲ ساله 2-year property	0a
	33%	فغانی	سرمایه ۳ ساله 3-year property	0b
	25%	فغانی	سرمایه ۴ ساله 4-year property	10
	20%	فغانی	سرمایه ۵ ساله 5-year property	10
	15%	فغانی	سرمایه ۶.۵ ساله 6.5-year property	10
	14%	فغانی	سرمایه ۷ ساله 7-year property	10
	10%	فغانی	سرمایه ۱۰ ساله 10-year property	10
	5%	فغانی	سرمایه ۲۰ ساله 20-year property	10
	2%	فغانی	سرمایه ۵۰ ساله 50-year property	10
10k		افغانی	مجموع استهلاك معمولی دارائی استفاده شده سال جاری (ستون ۴ را با فتره 10 الف الی 10 ج با هم جمع کنید)	
<b>11 Accelerated depreciation (see instructions for who qualifies)</b>		<b>استهلاك سريع (راهنامه‌ی کسانی را که واجد شرایط هستند ببینید)</b>		
(4) Depreciation deduction (Multiply column 2 by column 3)	(3) Rate	(2) Basis for depreciation	(1) Classification of property	
11الف	50%	فغانی	سرمایه ۲ ساله 2-year property	1a
	25%	فغانی	سرمایه ۴ ساله 4-year property	1b
11ج		فغانی	مجموع استهلاك سريع دارائی استفاده شده در سال جاری (ستون ۴ را با فتره ۱۱ الف و ۱۱ ب با هم جمع کنید)	
12		فغانی	مجموع استهلاك دارائی استفاده شده در سال جاری (سطر ۱۰ ک را با سطر 11 ج جمع نمایند)	
<b>Part 2: Assets Placed in Service in Prior Years</b>				
<b>قسمت ۲: دارائی های استفاده شده در سالهای قبلی</b>				
13		فغانی	مجموع استهلاك دارائی های استفاده شده در سالهای قبلی	
14		افغانی	مجموع استهلاك تمام سرمایه ها (مبلغ سطر ۱۲ و 13 را با هم جمع کنید و اینجا و سطر ۲۵۰ اظهارنامه درج کنید)	

### Note

In order to take the depreciation deduction, you must be able to prove the ownership and basis of the asset. Keep all invoices, receipts, and other documents that prove the value of the asset and that your business, agency, or organization is the owner.



### Tax forms and information

For tax forms, guides, other information and assistance, you can visit the Afghanistan Revenue Department, your local Mustufiat Office, or the Tax Information Page at [www.mof.gov.af/tax](http://www.mof.gov.af/tax) where you can also find and download the Income Tax Law 2009.

### Note

The Taxpayer Information Page at [www.mof.gov.af/tax](http://www.mof.gov.af/tax) makes it easy for taxpayers to find and download useful information to meet their needs. Here the taxpayer can find the Income Tax Law 2009, various public announcements and rulings, forms, along with instructions for completing same, guides, archived documents, Questions & Answers regarding wage withholding tax, and more. The page also includes an Income Tax Manual. The manual discusses separately each article of the law, along with relevant regulations, often with helpful examples.

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Ministry of Finance  
Afghanistan Revenue Department



Islamic Republic of Afghanistan