

Appendix-1

(Refer para 1.6)

Legal Framework

Section	Brief of the provisions
<p>32(1)</p>	<p>Depreciation is allowed on fixed assets viz buildings, machinery, plant or furniture, being tangible assets and know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature, being intangible assets acquired on or after the 1st day of April, 1998, subject to fulfillment of following condition;</p> <ol style="list-style-type: none"> 1. The assets must be owned, wholly or partly, by the assessee, 2. The asset should be actually used for the purpose of business or profession of the assessee, 3. Asset should be used during the relevant previous year <p>Depreciation is to be computed at the prescribed percentage provided in Appendix-I r.w.r. 5(1) of ITR on the Written Down Value (WDV) of the asset, except for power sector, which in turn is calculated with reference to actual cost of the assets.</p> <p>In case of undertaking engaged in generation or generation and distributors of power, the depreciation will be allowed on actual cost (i.e., on straight line method) at the rates provided in Appendix IA read with Rule 5(IA). However assessee can exercise option before due date of filing of return u/s 139(1) to claim depreciation on Written Down Value Method at the rates provided in Appendix I.</p>
<p>43(6) (WDV)</p>	<p>‘Written Down Value’ means</p> <ol style="list-style-type: none"> 1. In the case of assets acquired in the previous year, the actual cost to the assessee. 2. In the case of assets acquired before the previous year, the actual cost to the assessee less all depreciation actually allowed to him under this Act. 3. In the case of any block of assets, the WDV shall be computed in the following manner: <ol style="list-style-type: none"> (i) The aggregate of all the assets falling within a block at the beginning of the year shall be calculated. (ii) The aggregate of written down value of the assets shall be increased by the actual cost of assets falling within that block which was acquired during the previous year. (iii) The sum so arrived shall be reduced by the money payable in regard to any asset which is sold, discarded or destroyed during the previous year, (iv) In case, the written down value, of any block is reduced to ‘Nil’, then no depreciation will be allowed.

**2(11)
(Block of assets)** Act defines the term “Block of assets” as a group of assets falling within a class of assets comprising tangible assets like being buildings, machinery, plant or furniture and intangible assets like being know-how, patents, copyrights, trade-marks, licences, franchises or any other business or commercial rights of similar nature in respect of which the same percentage of depreciation is prescribed.

**43(1)
(Actual Cost)** “Actual Cost” of an asset means its actual cost to the assessee including the expenses on installation, etc. If the part of the cost is met directly or indirectly by the third person, the cost to the assessee will be reduced by such amount born by that person. Besides,
(i) If An asset is acquired by way of gift or inheritance, its actual cost to the assessee shall be its actual cost to the previous owner as reduced by the depreciation actually allowed in respect of this asset for any assessment year up to the assessment year 1988-89. The depreciation that would be allowable as if that asset was the only asset in the relevant block of assets.
(ii) If any amount if paid or payable as interest in connection with the acquisition of any asset, the amount of interest related to the period after the asset has been first put to use, shall not be included in the cost of the assets.

Proviso 1 to Section 32(1) Where an asset acquired during the previous year is put to use for the purpose of business or profession for a period of less than 180 days in that previous year, depreciation allowance shall be restricted to 50% of the amount calculated at prescribed rates.

Proviso 4 to Section 32(1) Aggregate deduction in respect of depreciation of tangible or intangible assets allowable to predecessor and the successor in the case of succession or to the amalgamating company and the amalgamated company in the case of amalgamation, or to the demerged company and the resulting company in the case of demerger shall not exceed the depreciation for the year calculated at the prescribed rate and such deduction shall be apportioned between the predecessor and successor, or the amalgamating company and the amalgamated company or the demerged company and the resulting company in the ratio of the number of days for which the assets were used by them.

Explanation 1 to Section 32(1) Where the business or profession is carried on in a building not owned by assessee and any capital expenditure is incurred for construction of any structure or for renovation, improvement or extension of the building, then depreciation will be allowed in respect of such capital expenditure at the rates prescribed for "building".

Explanation 5 to Section 32(1)	The allowance of depreciation u/s 32 (1)(i) & 32 (1)(ii) is mandatory irrespective of fact whether or not the assessee has claimed the depreciation in computing the total income.
32(1)(ia)	In case of any new machinery or plant (excluding ships and aircrafts) acquired and installed after March 31, 2005 by an assessee engaged in the business of manufacture or production of any article or thing additional depreciation of 20% of actual cost shall be allowed. No such additional deduction will be allowed in respect of machinery or plant if it is used earlier by any other person or where the whole of actual cost of which is allowed as deduction in computing income chargeable under the head profit and gain of business or profession of any one previous year.
32(1)(iii)	When such asset on which depreciation is allowed is sold discarded or demolished in a previous year, and if the insurance, salvage, compensation or sale value, as the case may be, receivable in respect of such asset falls short of the written down value, such difference would be allowed as deduction [Terminal Depreciation]. The condition for allowing such deduction is that such deficiency is actually written off in the books of account.
32(2)	In case of inadequate profit or loss any depreciation which could not be fully allowed for want of profit, the amount which could not be given full effect of shall be carried forward in the subsequent year and shall form part of the depreciation of such subsequent previous year. (This condition is subjected to Sec. 72(2) & Sec. 73(3).
35D	Where an assessee incurs any expenditure specified under subsection (2) of section 35D either before the commencement of his business or after the commencement of business in connection with the extension of industrial undertaking or setting up of new industrial unit, deduction shall be allowed equal to one-fifth of such expenditure for a period of five years beginning with the year in which the business commences or extension of the undertaking is completed or the new industrial unit commences production or operation as the case maybe.
35D(3)	The deduction is restricted to 5% of the cost of the project or where the assessee is an Indian company, at the option of the company, of the capital employed in the business of the company.
35D(4)	In case of non-corporate assessee or a co-operative society, the deduction would not be allowed unless the accounts of the assessee are audited for the year/s in which such expenditures are incurred and a report in prescribed form is furnished along with the return of income for the first year in which such deduction is claimed.

35D(5) & (5A)	In case of amalgamation or demerger of the company the deduction would be allowed to amalgamated or resulting company and in such case no further deduction would be allowed to amalgamating or demerged company.
35DD	Where an Indian company incurs any expenditure wholly and exclusively for the purpose of amalgamation or demerger of an undertaking, deduction equal to one-fifth of such expenditure for a period of five successive years beginning with the previous year in which such amalgamation or demerger takes place shall be allowed.
35DDA (1)	Where an assessee incurs any expenditure by way of payment to an employee under any scheme in connection with his voluntary retirement deduction shall be allowed equal to one fifth of such expenditure for a period of five years beginning with the year in which such expenditure is incurred.
35DDA (2) & (3)	In case of amalgamation or demerger of the company, the deduction would be allowed to the amalgamated or resulting company as if the deduction were allowed to amalgamating or demerged company as the case may be.
35DDA (4)	In case of partnership firm or proprietary concern is succeeded by the company in reorganization of business, the deduction would be allowed to such succeeded company provided conditions laid down in provisions of Section 47(xiii) or Section 47(xiv) as applicable are adhered to and no further deduction would be allowed to the partnership firm or proprietary concerns the case may be. in case of a private limited company or unlisted public company under reorganization of business is succeeded by a limited liability partnership fulfilling the conditions laid down in proviso to clause (xiiib) of Section 47, then the deduction shall be allowed to the successor limited liability partnership and no further deduction would be allowed to private limited company or unlisted public company as the case may be. (applicable from A.Y. 2011-12)
72A(1)	In case of an amalgamation of a company with another company, then, notwithstanding anything contained in any other provision of this Act, and subject to fulfillment of condition laid down in subsection 2 of Section 72A of the Income Tax Act, the accumulated loss and the unabsorbed depreciation of the amalgamating company shall be deemed to be the loss, allowance for depreciation of the amalgamated company for the previous year in which the amalgamation was effected, and other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly.
72A(4)	In the case of a demerger, where the loss and unabsorbed depreciation is directly relatable to the undertaking transferred, the accumulated loss and the allowance for unabsorbed depreciation of

the undertakings transferred shall be allowed to resulting company, and, where the loss and unabsorbed depreciation is not directly relatable to the undertaking transferred, the loss and unabsorbed depreciation shall be apportioned between the demerged company and the resulting company in the same proportion in which the assets of the undertakings have been retained by the demerged company and transferred to the resulting company and be allowed to be carried forward and set off in the hands of the demerged company or the resulting company, as the case may be.

72A(6)

In case of reorganization of business, whereby, a firm is succeeded by a company fulfilling the conditions laid down in clause (xiii) of Section 47 or a proprietary concern is succeeded by a company fulfilling the conditions laid down in clause (xiv) of Section 47, then, the accumulated loss and the unabsorbed depreciation of the predecessor firm or the proprietary concern, as the case may be, shall be deemed to be the loss or allowance for depreciation of the successor company for the purpose of previous year in which business reorganization was effected and other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly.

43A

In case where any asset acquired from a country outside India for the purpose of business or profession, then any change in the rate of exchange during any previous year after the acquisition of such asset at the time of making payment shall be adjusted against the cost of that asset. The amount so arrived after the adjustment shall be taken as actual cost of the asset.

Appendix 2

(Refer Para:1.10)

Non production of records

Sl. No.	State	Cases requisitioned	Cases produced	Cases not produced	% of non production
1	Andhra Pradesh	6,342	5,423	917	14.46
2	Assam	4,298	4,286	12	0.28
3	Bihar	2,347	2,193	154	6.56
4	Chhattisgarh	1107	1,098	9	0.81
5	Delhi	14,666	9,912	4,754	32.41
6	Gujarat	2,966	2,911	55	1.85
7	Jharkhand	589	558	31	5.26
8	Karnataka	2,294	2,092	132	5.93
9	Kerala	2,208	2,023	185	8.38
10	Madhya Pradesh	1,405	1,405	0	0
11	Maharashtra	13,119	12,268	851	6.49
12	Orissa	1,307	1,119	188	14.38
13	Punjab, Haryana & HP	9,100	8,210	890	9.78
14	Rajasthan	4,287	4,010	277	6.46
15	Tamil Nadu	6,760	6,414	346	5.12
16	Uttarakhand	1,759	1,660	99	5.63
17	Uttar Pradesh	8,120	6,658	1,462	18
18	West Bengal	16,135	14,783	1,352	8.38
Total		98,809	87,023	11,714	11.86

Appendix 3A Cases where depreciation as per Income Tax Act is more

Sl. No.	State	Cases where depreciation as per Income Tax Act is more	(Refer Para: 2.2)				Difference
			(3)	(4)	(5)	(6)	
(1)	(2)	(3)	(4)	(5)	(6)	(6-4)	
1	Andhra Pradesh	636	2,72,841.69	4,94,561.23	4,87,209.3	2,14,367.61	
2	Assam	90	2,800.29	7,405.58	7,453.16	4,652.87	
3	Bihar	75	10,852.4	19,569.28	18,646.39	7,793.99	
4	Chhattisgarh	2	59.56	120.31	120.31	60.75	
5	Delhi	705	2,36,217.03	4,97,135.30	4,90,950.70	2,54,733.67	
6	Gujarat	570	3,15,375.55	98,83,225.65	7,58,898.51	4,43,522.97	
7	Jharkhand	58	13,252.21	32,183.16	32,183.16	18,930.95	
8	Karnataka & Goa	506	2,23,748.25	8,50,221.02	8,50,221.02	6,26,472.77	
9	Kerala	311	1,16,946.2	1,81,532.35	1,79,827.13	62,880.93	
10	Madhya Pradesh	26	19,967.42	38,982.81	90,456.5	70,489.08	
11	Maharashtra	1,295	25,83,803.22	53,08,372.94	5,308,372.94	27,24,569.7	
12	Orissa	129	69,315.86	1,06,184.79	96,026.76	26,710.9	
13	Punjab, Haryana & HP	180	3,64,482.21	5,66,471.36	5,66,163.49	2,01,681.28	
14	Rajasthan	72	29,759.88	52,168.63	52,166.99	22,407.11	
15	Tamil Nadu	542	3,49,575.79	5,84,767.87	5,77,692.74	2,28,116.95	
16	Uttarakhand	47	5,44,462.61	11,11,152.71	11,11,152.71	5,66,690.10	
17	Uttar Pradesh	486	1,97,609.64	3,32,166.54	3,32,166.54	1,34,556.9	
18	West Bengal	537	2,03,048.91	37,592.39	36,095.158	15,7902.67	
	Total	6,267	55,54,118.72	2,04,42,143.92	1,13,20,659.93	57,66,541.20	

Appendix 3B

Cases where depreciation as per Companies Act is more

Sl. No.	State	Cases where depreciation as per Companies Act is more	Depreciation debited to profit & loss account	Depreciation claimed as per Income Tax Act	Depreciation allowed as per Income Tax Act	Difference
(1)	(2)	(3)	(4)	(5)	(6)	(4-6)
1	Andhra Pradesh	313	155,788.00	136.44	279.83	1,55,508.17
2	Assam	135	4,951.01	3,048.54	3,166.34	1,784.67
3	Bihar	63	2,461.76	2,047.16	2,067.66	394.1
4	Delhi	832	1,44,565.51	87,148.13	82,764.54	61,800.96
5	Gujarat	474	2,12,539.90	4,88,553.21	1,68,413.83	44,126.07
6	Jharkhand	9	65,739.46	50,188.80	50,188.80	15,550.66
7	Karnataka and Goa	638	2,42,560.81	1,49,478.52	1,49,478.52	93,082.29
8	Kerala	436	1,96,179.19	1,73,431.80	1,13,581.43	82,597.76
9	Madhya Pradesh	35	1,066.46	591.98	591.98	474.48
10	Maharashtra	1,482	21,85,992.11	16,11,994.29	16,11,994.29	5,73,997.82
11	Orissa	123	1,27,048.33	90,250.95	90,250.95	36,797.38
12	Rajasthan	18	42,480.00	26,621.00	26,621.00	15,859.00
13	Tamil Nadu	178	2,33,837.70	1,80,089.60	1,79,935.30	53,902.40
14	Uttarakhand	39	1,546.84	1,150.95	1,264.42	282.42
15	Uttar Pradesh	646	1,02,080.44	81,176.85	81,176.85	20,903.59
16	West Bengal	505	68,159.34	50,024.61	49,740.13	18,419.21
Total		5,926	37,86,996.86	29,95,932.83	26,11,515.87	11,75,480.98

Appendix 3C

Cases where depreciation as per Companies Act and
Income Tax Act is same
(Refer Para 2.2)

Sl. No.	State	Cases where depreciation as per Act and Companies Act is equal	Depreciation debited to profit & loss account	Depreciation claimed as per Act	Depreciation allowed as per Act	Difference
(1)	(2)	(3)	(4)	(5)	(6)	(6-4)
1	Andhra Pradesh	438	2,929.96	2,929.96	2,929.96	
2	Assam	246	2,839.93	2,839.93	2,839.93	
3	Bihar	6	82.87	82.87	82.87	
4	Delhi	757	7,043	7,042	7,043.23	0.00449
5	Gujarat	218	32,988.51	32,988.51	32,988.51	
6	Karnataka and Goa	626	10,984	10,984	10,984	
7	Kerala	260	20,629.30	22,468.11	20,629.30	
8	Maharashtra	5,262	43,059	43,059	43,059	
9	Orissa	259	8,575.81	8,575.81	8,575.81	
10	Tamil Nadu	78	10,817.95	7,482.70	10,817.95	
11	Uttarakhand	43	1,665.63	1,665.63	1,665.63	
12	Uttar Pradesh	1,858	1,59,595	1,59,595	1,59,595	
13	West Bengal	390	1972.08	1972.08	1972.08	
Total		10,441	3,03,183.04	3,01,685.60	3,03,183.27	

Appendix 4

Details of assets purchased during the month of March
(Refer Para 2.3)

Sl. No.	State	Assessee	Total additions made	Depreciation (including additional depreciation) allowed	Allowable depreciation on pro-rata basis for one month (for March)	Excess allowance of depreciation
(1)	(2)	(3)	(4)	(5)	(6)	(5-6)
1	Andhra Pradesh	102	1,55,517.10	24,745.98	4,113.83	20,632.15
2	Assam	4	959.36	360.81	60.65	300.16
3	Bihar	19	3,603.78	301.34	50.11	251.23
4	Chhattisgarh	5	100.02	7.50	1.24	6.26
5	Delhi	24	16,163.60	808.18	134.70	673.48
6	Gujarat	99	75,896.49	6,254.11	1,041.91	5,212.20
7	Jharkhand	24	16,273.68	1,285.38	214.08	1,071.30
8	Karnataka and Goa	200	31,566.09	2,873.10	478.85	2,394.25
9	Kerala	48	4,693.14	794.27	117.03	677.24
10	Madhya Pradesh	8	750.69	179.72	29.97	149.75
11	Maharashtra	163	26,58,945.01	4,06,736.23	67,778.71	3,38,957.52
12	Orissa	16	4,651.53	374.45	62.41	312.04
13	Punjab, Haryana & HP	49	28,718.13	2,635.13	439.15	2,195.98
14	Rajasthan	14	1,862.10	618.84	103.13	515.71
15	Tamil Nadu	37	15,408.79	4,323.42	719.85	3,603.57
16	Uttarakhand	20	685.04	47.54	7.92	39.62
17	Uttar Pradesh	26	10,603.94	2,791.33	467.52	2,323.81
18	West Bengal	128	1,11,46,146.59	11,06,648.99	1,84,440.31	9,22,208.68
	Total	985	1,41,72,545.08	15,61,786.32	2,60,261.37	13,01,524.95

Appendix 4A

Details of assets purchased during the month of September
(Refer Para 2.3)

Sl. No.	State	Assessee	Total additions made	Depreciation (including additional depreciation) allowed	Allowable depreciation on pro-rata basis for one month (for March)	Excess allowance of depreciation
(1)	(2)	(3)	(4)	(5)	(6)	(5-6)
1	Maharashtra	143	7,79,880.23	2,52,576.81	1,47,336.47	105240.39
2	West Bengal	25	2,878.63	455.42	265.22	190.20
3	Assam	1	115.43	13.08	7.63	5.45
4	Delhi	224	8,467.03	1,333.01	777.59	555.42
5	Bihar	8	453.45	103.42	60.33	43.09
6	Karnataka	13	6,577.43	966.46	563.77	402.69
7	Haryana	1	23,52,007.00	Not available	Not available	1,121.00
8	Kerala	22	1,748.92	261.04	152.25	108.74
9	Uttarakhand	5	418.97	90.23	52.64	37.59
10	Uttar Pradesh	8	9,563.24	2,852.46	1,660.69	1,191.77
Total		450	31,62,110.33			1,08,896.34