

Summary of Recommendations

Regarding systemic issues of allowance of depreciation

1. The Ministry may consider providing the rates of depreciation under the Act in conformity with the rates of depreciation applicable as per the Companies Act.

(Paragraph 2.2)

2. The Ministry may consider providing for depreciation on pro-rata basis in the Act depending upon usage of the assets during the relevant previous year subject to the condition that depreciation at 50 per cent of the normal depreciation may be allowed only when asset is put to use at least for a certain fixed period.

(Paragraph 2.3)

3. The Ministry may clarify whether the depreciation is to be allowed in addition to capital expenditure on assets towards application of income thereon in the case of Charitable/ Religious Trusts.

(Paragraph 2.4)

4. CBDT may clarify the applicability of Section 32 (2) of the Act relating to carry forward and set-off of unabsorbed depreciation allowance pertaining to the period AY 98 to 02.

(Paragraph 2.5)

Regarding assessment of allowance of depreciation and amortisation

5. CBDT may devise a mechanism to improve the quality of assessments and explore the possibility of capacity building for Assessing Officers for reducing the incidence of mistakes.

(Paragraphs 3.2 to 3.20 and Paragraphs 4.2 to 4.4.)

Regarding internal control mechanism

6. CBDT may consider modifying the e-filing of returns so that information relating to additions to fixed assets made during the relevant previous year is available with AOs at the time of assessment.

(Paragraph 5.2)

7. CBDT may make it mandatory for all AOs to obtain a statement of unabsorbed depreciation assessment year-wise as per latest assessment order and make it a part of the assessment order after due verification at the time of finalizing the assessment.

(Paragraph 5.3)

8. CBDT may evolve an effective mechanism to verify and ensure the correctness of written down value of the block of assets carried over.

(Paragraph 5.4)