

Note

Afghanistan Revenue Department tax offices and Mustufiats provide forms, guides, and instructions to taxpayers free of charge, available both as printed and as downloadable versions from a new website <http://www.ard.gov.af>. The website also provides locations, contact numbers and hours of operation for Afghanistan Revenue Department tax offices and Mustufiats. Taxpayers also can download other useful information including various public announcements and rulings, questions & answers regarding wage withholding tax, the Income Tax Law 2009, and an Income Tax Manual. The manual discusses separately each article of the law, along with relevant regulations, often with helpful examples.



Afghanistan
Revenue
Department

Free of Charge

Guide 20

Depreciation of Assets



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).

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.

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*



د افغانستان اسلامي جمهوریت
د مالیې وزارت
د عوایدو لوی ریاست
۱۳۹۰

Islamic Republic of Afghanistan
Ministry of Finance
Afghanistan Revenue Department
1390

Website: <http://www.ard.gov.af>

جمهوری اسلامی افغانستان
وزارت مالیه
ریاست عمومی عواید
۱۳۹۰

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 a half year, depreciation shall be calculated and deducted for half of the year. If depreciable asset is held for more than a half 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 fiscal year- or four fiscal year period, then you will claim the remaining depreciation in the immediately succeeding year.

Example: An Afghan corporation purchases equipment for AFN 10,000,000 in the last month of 1388. The corporation is entitled to claim AFN 2,500,000 of depreciation in 1388, AFN 5,000,000 depreciation in 1389 and AFN 2,500,000 depreciation in 1390.

Depreciation Record

The Depreciation Record (See sample below) is a convenient way (1) to track your assets and depreciation calculations/deductions (2) to track both regular and accelerated depreciation, (3) to maintain a separate record for each year, (4) to transfer assets 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.

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

10k – Total ordinary depreciation for assets placed in service in the current year. Add column (4), items 10a through 10i.

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 tax year. Add column (4), items 11a and 11b.

Line 12 – Total depreciation for assets placed in service in the tax 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 the tax year.

Note

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

| Depreciation Worksheet | | | | | قورمه استهلاك |
|--|--|----------------|----------------------------|---|---|
| Part 1: Assets Placed in Service in the Current Year | | | | | قسمت ۱: دارائی که در سال جاری از آن استفاده می گردد |
| 10 | Ordinary depreciation | استهلاك معمولی | | | ۱۰ |
| | (۴) Depreciation deduction (Multiply column 2 by column 3) | (۳) Rate | (۲) Basis for depreciation | (۱) Classification of property | |
| | | 50% | افغانی AFS | سرمایه ۲ ساله 2-year property | ۱۰ الف 10a |
| | | 33% | افغانی AFS | سرمایه ۳ ساله 3-year property | ۱۰ ب 10b |
| | | 25% | افغانی AFS | سرمایه ۴ ساله 4-year property | ۱۰ ج 10c |
| | | 20% | افغانی AFS | سرمایه ۵ ساله 5-year property | ۱۰ د 10d |
| | | 15% | افغانی AFS | سرمایه ۶.۵ ساله 6.5-year property | ۱۰ هـ 10e |
| | | 14% | افغانی AFS | سرمایه ۷ ساله 7-year property | ۱۰ و 10f |
| | | 10% | افغانی AFS | سرمایه ۱۰ ساله 10-year property | ۱۰ ز 10g |
| | | 5% | افغانی AFS | سرمایه ۲۰ ساله 20-year property | ۱۰ ح 10h |
| | | 2% | افغانی AFS | سرمایه ۵۰ ساله 50-year property | ۱۰ ط 10i |
| 10k | Total ordinary depreciation for assets placed in service in current year (add column 4, items 10a through 10i) | AFS | افغانی | مجموع استهلاك معمولی دارائی استفاده شده سال جاری (ستون ۴ را با فقره ۱۰ الف الی ۱۰ ط باهم جمع کنید) | ۱۰ ک 10k |
| 11 | Accelerated depreciation (see instructions for who qualifies) (استهلاك سریع (راهنمایی کسانی را که واجد شرایط هستند ببینید) | | | | ۱۱ |
| | (۴) Depreciation deduction (Multiply column 2 by column 3) | (۳) Rate | (۲) Basis for depreciation | (۱) Classification of property | |
| | | 50% | افغانی AFS | سرمایه ۲ ساله 2-year property | ۱۱ الف 11a |
| | | 25% | افغانی AFS | سرمایه ۴ ساله 4-year property | ۱۱ ب 11b |
| 11c | Total accelerated depreciation for assets placed in service in current year (add column 4, items 11a and 11b) | AFS | افغانی | مجموع استهلاك سریع دارائی استفاده شده در سال جاری (ستون ۴ را با فقره های ۱۱ الف و ۱۱ ب باهم جمع کنید) | ۱۱ ج 11c |
| 12 | Total depreciation for assets placed in service in current year (add lines 10k and 11c) | AFS | افغانی | مجموع استهلاك دارائی استفاده شده در سال جاری (سطر ۱۰ ک را با سطر ۱۱ ج جمع نمایند) | ۱۲ 12 |
| Part 2: Assets Placed in Service in Prior Years | | | | | قسمت ۲: دارائی های استفاده شده در سالهای قبلی |
| 13 | Total depreciation for assets placed in service in prior years | AFS | افغانی | مجموع استهلاك دارائی های استفاده شده در سالهای قبلی | ۱۳ 13 |
| 14 | Total depreciation for all assets (add amounts on lines 12 and 13 and enter here and on line 250 of tax return) | AFS | افغانی | مجموع استهلاك تمام سرمایه ها (مبلغ سطر ۱۲ و ۱۳ را باهم جمع کنید و اینجا و سطر ۲۵۰ اظهارنامه درج کنید) | ۱۴ 14 |