



## Depreciation of Assets

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## Introduction

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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

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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.

### 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.

### Note

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.

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

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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

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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 copy of a 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						
(12) Adjusted Value at End of Year (see instructions)	(11) Deduction for Depreciation (Column 5 x Column 7 x Column 9)					De
		(10) Year of Service	(9) % Rate	(8) Useful Life in Years	(7) Basis for Depre (Column 5 x Col	

**Depreciation Worksheet**

The worksheet above 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 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

Record for Tax Year						
Depreciation				(3) Cost or Other Basis	(2) Date of Acquisition	(1) Description of Asset
Classification (Column 6)	Depreciation	(5) Basis When Placed in Service	(4) Date Placed in Service			

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 the tax year 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 the tax year 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 the tax year 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 the tax year 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 the tax year 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 the tax year 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 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

### 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.

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

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.



Depreciation Worksheet				فهرمه استهلاك	
Part 1: Assets Placed in Service in the Current Year				قسمت ۱: دارائی که در سال جاری ازان استفاده می گردد	
10	Ordinary depreciation	استهلاك معمولی			
	(4) Depreciation deduction (Multiply column 2 by column 3)	(3) Rate	(2) Basis for depreciation	(1) Classification of property	
	(۴) استهلاك قابل مجرائی (ستون ۲ را با ستون ۳ ضرب كنيد)	(۳) نورم	(۲) مبنای استهلاك	(۱) طبقه بندی ملكيت	
		50%	افغانی AFS	سرمایه ۲ ساله 2-year property	۱۰الف 10a
		33%	افغانی AFS	سرمایه ۳ ساله 3-year property	۱۰ب 10b
		25%	افغانی AFS	سرمایه ۴ ساله 4-year property	۱۰ج 10c
		20%	افغانی AFS	سرمایه ۵ ساله 5-year property	۱۰د 10d
		15%	افغانی AFS	سرمایه ۶.۵ ساله 6.5-year property	۱۰هـ 10e
		14%	افغانی AFS	سرمایه ۷ ساله 7-year property	۱۰و 10f
		10%	افغانی AFS	سرمایه ۱۰ ساله 10-year property	۱۰ز 10g
		5%	افغانی AFS	سرمایه ۲۰ ساله 20-year property	۱۰ح 10h
		2%	افغانی AFS	سرمایه ۵۰ ساله 50-year property	۱۰ط 10i
10k	Total ordinary depreciation for assets place in service in current year (add column 4, items 10a through 10i)	AFS	افغانی	مجموع استهلاك معمولی دارائی استفاده شده در سال جاری (ستون ۴ را با فقره ۱۰ الف الی ۱۰ ط باهم جمع كنيد)	۱۰ك 10k
11	Accelerated depreciation (see instructions for who qualifies)	استهلاك سریع (راهنمای کسانی را که واجد شرایط هستند ببینید)			
	(4) Depreciation deduction (Multiply column 2 by column 3)	(3) Rate	(2) Basis for depreciation	(1) Classification of property	
	(۴) استهلاك قابل مجرائی (ستون ۲ را با ستون ۳ ضرب كنيد)	(۳) نورم	(۲) مبنای استهلاك	(۱) طبقه بندی ملكيت	
		50%	افغانی AFS	سرمایه ۲ ساله 2-year property	۱۱الف 11a
		25%	افغانی AFS	سرمایه ۴ ساله 4-year property	۱۱ب 11b
11c	Total accelerated depreciation for assets place 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 كنيد)	۱۱ج 11c
12	Total depreciation for assets place in service in current year (add lines 10k and 11c)	AFS	افغانی	مجموع استهلاك دارائی استفاده شده در سال جاری (سطر ۱۰ك را با سطر ۱۱ج جمع نمائيد)	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 كنيد و اینجا و سطر ۲۵۰ اظهارنامه درج كنيد)	۱۴ 14

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