Percent of capital cost]

	Accelerated depreciation	Normal depreciation	Investment allowance	Total	
				Annual	Cumulative
1 year	8.3	12.7	5	26.0	26.0
2 years	8.3	10.3	5	23.6	49.6
3 years	8.3	8.3	-----------	16.6	66.2
4 years	[1] 8.4	6.7	-----------	15.1	81.3
5 years	-----------	5.5	-----------	5.5	86.8
Total	33.3	43.5	10	86.8	-----------

[1] Adjusted to compensate for rounding in prior years.

Owing to differences in rounding procedures and a minor clerical error in the original computation, the percentage of cost recovery shown in this detailed calculation is a fraction of a percentage point lower for year 1 and 1.2 percentage points higher for the first five years as a whole, compared with the previously published table.

SWEDEN

The figure of 30 percent for the first-year cost-recovery in Sweden is based on a 30-percent declining balance method. Depreciation in the second year under this method is 21 percent (30 percent of the unrecovered balance of 70 percent). Total depreciation at the end of 2 years thus comes to 51 percent.

Taxpayers in Sweden are free to choose the amount of depreciation provided that it does not exceed the limits established by either of two methods, as indicated in "Depreciation Practices in Certain Foreign Countries." The limitation under the first alternative is obtained by applying the declining balance method with a 30-percent rate as described above. The second alternative ceiling is based on 20 percent per annum straight-line depreciation. The limit for any year is the amount necessary to reduce book value (unrecovered cost) to a figure equal to acquisition cost reduced by straight-line depreciation at the rate of 20 percent since acquisition. This latter alternative permits taxpayers to write off the entire cost of machinery and equipment in 5 years.

The taxpayer has an option at the end of each year to choose whichever alternative will permit the largest depreciation allowance for that year. He is not required to follow the same alternative each year.

To continue the computation of the depreciation limits, the third-year allowance under the declining balance method is 14.7 percent (30 percent of the unrecovered cost of 49 percent). Under the straight-line method, the limit is 9 percent, the amount required to reduce book value to original cost less straight-line depreciation at 20 percent per annum for 3 years.

The limit in the fourth year is larger when the straight-line rule is followed. The declining balance method for the first 3 years leaves the unrecovered balance at 34.3 percent of cost. The declining balance method would provide depreciation at 10.3 percent in the fourth year (30 percent of 34.3 percent). The straight-line rule, however, permits depreciation of 14.3 percent (the difference between the 80 percent straight-line ceiling and the 65.7 percent unrecovered cost after 3 years under the declining balance method) which reduces the unrecovered balance to the 20 percent that would have existed with the 20 percent straight-line depreciation during the 4 years. The final 20 percent is written off in the 5th year under the limit set by the straight-line rule. The asset is thus completely depreciated at the end of 5 years, as shown in the table.

UNITED KINGDOM

The cost recovery amounting to 39 percent of the investment in the first year shown for the United Kingdom is the sum of an initial allowance of 10 percent, an investment incentive allowance of 20 percent, and regular depreciation at a 9 percent declining balance rate applicable to most manufacturing machinery, as shown in the memorandum "Depreciation Practices in Certain Foreign Countries."