Method of computing depreciation

With the exception of certain farmers and fishermen permitted to use the straight-line method, all taxpayers are required to compute depreciation under the declining-balance method. Under the declining-balance method, depreciable assets are grouped into classes set forth in the income tax regulations, and depreciation is computed with respect to each class as a whole rather than for individual assets.

Rates of depreciation

The rates of depreciation which must be used under the declining-balance method are set forth in the income tax regulations. Under these regulations, all depreciable assets are grouped into classes with a specified maximum rate applying to each of the classes of assets. The classes and declining balance rates of depreciation are as follows:

Class 1 (4 percent): Property not included in any other class that is (*a*) a bridge, (*b*) a canal, (*c*) a culvert, (*d*) a dam, (*e*) a jetty, (*f*) a mole, (*g*) a road, sidewalk, aeroplane runway, parking area, or similar surface construction, (*h*) railway track and grading that is not part of a railway system, or (*i*) tile drainage.

Class 2 (6 percent): Property that is (*a*) electrical generating equipment, (*b*) a pipeline for oil, gas, or water, and (*c*) with certain exceptions, generating and distributing equipment and plant (including structures) of producers or distributors of electrical energy, gas, water, or heat.

Class 3 (5 percent): Property not included in any other class that is (*a*) a building or other structure, including component parts such as electrical wiring, plumbing, sprinkler systems, air-conditioning equipment, heating equipment, lighting fixtures, elevators, and escalators, (*b*) a breakwater (other than a wooden breakwater), (*c*) a dock, (*d*) a trestle, (*e*) a windmill, or (*f*) a wharf.

Class 4 (6 percent): Property that would otherwise be included in another class, that is (*a*) a railway system or part thereof, or (*b*) a tramway or trolley bus system or a part thereof.

Class 5 (10 percent): Property that is (*a*) a chemical pulpmill or ground wood pulpmill, but not including hydroelectric powerplants and their equipment, or (*b*) an integrated mill producing chemical pulp or ground wood pulp and manufacturing therefrom paper, paperboard or pulpboard, but not including hydroelectric powerplants and their equipment.

Class 6 (10 percent): Property not included in any other class that is (*a*) a building of frame, log, stucco on frame, galvanized iron, or corrugated iron construction including component parts, (*b*) a wooden breakwater, (*c*) a fence, (*d*) a greenhouse, (*e*) an oil or water storage tank, (*f*) a railway tank car, (*g*) a wooden wharf, or (*h*) an airplane hangar acquired after 1958.

Class 7 (15 percent): Property that is (*a*) a canoe or rowboat, (*b*) a scow, (*c*) a ship, (*d*) furniture, fitting or equipment (except radar and radio equipment) attached to a property included in this class, (*e*) a spare engine for property included in this class, (*f*) a marine railway, or (*g*) a ship under construction.

Class 8 (20 percent): Property that is a tangible capital asset that is not included in another class (except an animal, a tree, shrub, herb or similar growing thing, a gas well, a mine, an oil well, radium, a right-of-way, a timber limit, and tramway track).

Class 9 (25 percent): Property that is (*a*) auxiliary electrical generating equipment of a taxpayer not engaged in business of distributing electrical energy, (*b*) radar equipment, (*c*) radio transmission equipment, (*d*) radio receiving equipment, or (*e*) electrical generating equipment having a maximum load capacity of not more than 15 kilowatts.

Class 10 (30 percent): Property not included in any other class that is (*a*) automotive equipment, (*b*) harness or stable equipment, (*c*) a sleigh, (*d*) a trailer, or (*e*) a wagon, and property that would otherwise be included in another class that is (*f*) a building acquired for the purpose of gaining or producing income from a mine (*g*) contractor's movable equipment, (*h*) a floor of a roller skating rink, (*i*) gas or oil well equipment that is normally used above ground, (*j*) mining machinery and equipment, (*k*) property acquired for cutting and removing timber which will be of no further use to the taxpayer after all merchantable timber has been removed from a timber limit, (*l*) mechanical equipment acquired for logging operations, (*m*) access roads and