by a stipulated coefficient for the year of acquisition. Similarly, each annual depreciation allowance applicable to the asset is multiplied by the coefficient for the year for which the depreciation was claimed. The total of the revalued depreciation allowances in subtracted from the revalued cost of the assets to obtain a new value which is used as the basis for computing annual depreciation allowances for the remainder of the useful life of the asset. The difference between the old value of the asset and the new value constitutes a special valuation reserve and a tax of 3 percent was imposed on the amount of such reserve. The coefficient of revaluation for depreciable assets acquired in 1914 and prior is 243; 1924, 51.8; 1935, 64.8; 1944, 16.3; 1954, 1.25.

Treatment of gains on sale of depreciable assets

Gains on sale of depreciable assets are taxable at ordinary income tax rates. However, the taxpayer may defer the taxation of the gain by reinvesting the proceeds of sale in other capital assets within 3 years following the end of the year within which the sale took place. The reinvested gain serves to reduce the basis of the assets in which reinvestment is made.

Treatment of losses on sale of depreciable property

Losses on sale of depreciable property may be deducted in full from ordinary income.

Relationship of book and tax depreciation

A taxpayer may deduct for tax purposes only such depreciation as is actually recorded in the books of account.

WEST GERMANY

Corporate tax rate

The corporate tax rate is 51 percent on retained income and 15 percent on income distributed as dividends.

Method of computing depreciation

Either the straight-line method or the declining-balance method may be used in depreciating movable property. However, only the straight-line method may be used in computing depreciation on buildings. Individual items costing not more than DM600 (approximately $150) may be fully written off in the year of acquisition.

Rates of depreciation

Depreciation rates are based on the economic life expectancy of the assets under the particular conditions of the taxpayer. Rates are negotiated between the tax authorities and individual taxpayers. Unusual wear and tear and technical obsolescence may be taken into account in settling the depreciation rates. Normally, salvage value need not be considered unless it can reasonably be expected to be substantial. Rates of depreciation under the declining balance method are twice the applicable straight-line rates. However, the declining-balance rate may in no case exceed 20 percent. Some typical lives and depreciation rates under the declining-balance method are as follows:

	Estimated life	Declining balance depreciation rate
	Years	*Percent*
Iron and steel industry:		
Blast furnace	10	20
Open hearth furnace	10	20
Electric furnace (for melting)	10	20
Automobile industry:		
Boring and turning mills	2-5	20
Radial drill	10	20
Steel forging hammers	10	20
Engine lathe (automatic)	6	20
Hydraulic press	8	20
Shearing machines	10	20
Textile industry:		
Carding machines	10	20
Combers	12	16
Dyeing machines (wood)	5	20
Dyeing machines (metal)	10	20
Looms (single)	12-15	13-16
Knitting machines	8-12	16-20