

Industrial buildings, which may be depreciated only under the straight-line method, typically have an estimated life of 50 years.

Types of buildings or equipment not subject to depreciation

None.

Accelerated depreciation

In addition to the acceleration provided by the use of the declining-balance method a number of special provisions are in effect. These special allowances are not applicable to the acquisition of used assets. Buildings, if two-thirds of the capacity is used for dwellings, may be depreciated 7½ percent in the year of completion and an equal amount in the following year. For the next 8 years, 4 percent per annum may be claimed. All investment in Berlin is eligible for special acceleration provisions. Movable assets may be depreciated up to 75 percent during the first 3 years if they will continue to be held in Berlin for an additional 3 years. Housing in Berlin may be depreciated up to 10 percent in each of the first 2 years and up to 3 percent in each of the following 10 years. Refugees and victims of Nazi persecution are granted an initial allowance of 10 percent of business construction costs in each of the first 2 years. Accelerated depreciation is also granted on a case-by-case basis for investments in certain eastern border areas. A special first year allowance of from 20 to 30 percent is permitted on certain imported items which are either subject to wide price fluctuation or are vital to the smooth functioning of the economy.

Farmers who keep books of account may depreciate movable assets up to 50 percent and fixed assets up to 30 percent during the first 2 years. These allowances are in addition to the normal depreciation during this period. However, the total depreciation may not exceed 50 percent of the gross income from agriculture or forestry. Other farmers may write off 25 percent of the cost of movable assets and 15 percent of the cost of fixed property in the year of acquisition. Improvements to buildings constructed before June 21, 1948, and with more than 50 percent of the capacity used for dwellings, may be written off up to 10 percent per annum during the first 10 years.

Private hospitals primarily serving low income groups may write off up to 50 percent of the cost of movable assets and up to 30 percent of the cost of fixed assets in the year of acquisition and the following year in addition to normal depreciation for these years. However, total depreciation may not exceed DM100,000 (approximately \$25,000) in a single year. Fifty percent of investments in movable assets and 30 percent for fixed properties used for the control of sewage and waste may be written off in the first 2 years. Movable assets for the control of air pollution may be depreciated up to 50 percent during the year of acquisition and the following year. Both of these allowances are in addition to depreciation otherwise allowable for these years.

Incentive allowances

None.

Adjustments for price level changes

Currently no adjustments for changes in the price level are allowed. However, taxpayers were permitted to revalue assets acquired prior to June 21, 1948, on the basis of replacement cost in August 1948. Subsequent depreciation is computed on the basis of such revaluation.

Treatment of gains on sale of depreciable property

Gains on the sale of depreciable property are taxed at ordinary rates except upon the sale of an entire plant. In such cases, special tax rates of from 10 to 30 percent are provided.

Treatment of losses on sale of depreciable property

Losses on the sale of depreciable property may be deducted in determining ordinary income except when an entire plant is sold in which case losses are only partially deductible.

Relationship of book and tax depreciation

Depreciation need not be recorded in the books of account to be deductible for tax purposes.