

Provisions of prior law

The declining-balance method of depreciation was introduced in 1952 for all depreciable assets having a life expectancy of 10 years or more. The usual rates of depreciation were 3.5 times the straight-line rates. In 1956, the declining-balance method was limited to movable assets, but was allowed regardless of the expected life. At the same time, the rates were reduced to 2.5 times the straight-line rates with an absolute maximum of 25 percent. In 1960, the rates were further reduced to 2 times the straight-line rates with a maximum of 20 percent.

A number of incentives to investment through depreciation allowances have been available to taxpayers in Western Germany since 1948. Under all of these incentive provisions the total chargeoff was limited to the original cost of the asset. Generally, the incentive allowances in the early years of the life of the asset were in addition to the regular depreciation allowed for such years. For new assets acquired between January 1, 1949, and June 30, 1951, taxpayers could write off a total of 50 percent of the cost in the first 2 years up to an annual limit of DM100,000 (approximately \$25,000). For ships acquired or constructed after January 1, 1949, and before June 11, 1958, a deduction of up to 15 percent of the cost was allowed in each of the first 2 years. Under the investment assistance law of 1952, investment in coal, iron ore, iron, steel, and energy-producing industries was encouraged by allowing a writeoff within the first 5 years of 50 percent of the cost of newly purchased equipment and 30 percent of the cost of buildings, provided these expenditures served immediately, directly, and exclusively to increase the output in these basic industries. This provision expired in 1960.

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Corporate tax rate

Because of the complexity and variations in the tax structure it is not possible to give a precise total rate for corporate income tax. In general, the maximum Central Government rate may be said to be approximately 40 percent.

Method of computing depreciation

Depreciation must be computed under the straight-line method.

Rates of depreciation

Although not having the force of law, Ministry of Finance tables of depreciation in 1957 are the standard base for maximum depreciation allowances. These rates are established, generally, for broad groups of items within a specific industry rather than for specific types of equipment. In exceptional cases of intensive production processes this maximum may be exceeded. Salvage value is not considered in the computation of depreciation. Some typical rates of depreciation are as follows:

	Percent
Iron and steel industry, furnaces of any type-----	10
Rod and wire mill:	
Automatic-----	14
Nonautomatic-----	10
Metal products industries, machine tools:	
Automatic-----	8
Nonautomatic-----	12½
Textile industry (cotton, wool, and other natural fibers):	
Ordinary machinery and equipment-----	10
Machinery used in corrosive solutions-----	12½
Special equipment-----	25
Industrial buildings (of any construction and size, including plumbing, lighting, and heating):	
Agricultural buildings-----	3
Nonferrous metal fabricating buildings-----	4½

Types of buildings or equipment not subject to depreciation

None.