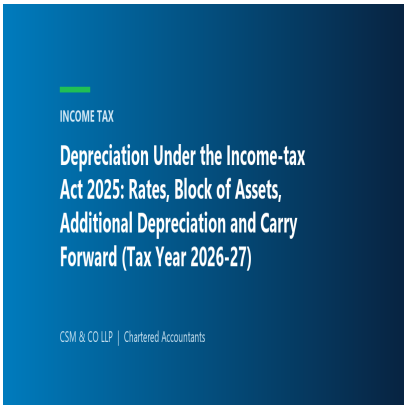

Depreciation Under the Income-tax Act 2025: Rates, Block of Assets, Additional Depreciation and Carry Forward (Tax Year 2026-27)

Description

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Quick summary

- Depreciation under section 33 is allowed on buildings, machinery, plant and furniture and on intangible assets such as patents and licences, at a percentage of the written down value (WDV) of the block of assets (Rule 25 and Appendix I).
- Key rates: residential buildings 5%, other buildings 10%, furniture 10%, plant and machinery 15%, motor cars 15%, buses, lorries and taxis on hire 30%, computers and software 40%, intangibles 25%.
- An asset put to use for less than 180 days in the year gets half the rate, and new plant and machinery for manufacture or power generation can get additional depreciation of 20% (section 33(8) and (9)), which the new regime for individuals does not allow.
- Unabsorbed depreciation is carried forward without a time limit and added to the next year's depreciation (section 33(11)); land and goodwill are not depreciable.

Depreciation is a deduction in computing business or professional income for the wear and tear of assets. It is governed by section 33 of the Income-tax Act, 2025 (earlier section 32), with the rates in Rule 25 and Appendix I of the Income-tax Rules, 2026. It is a tax calculation, separate from the depreciation in the company's accounts.

What qualifies (section 33(1))

- **Tangible assets:** buildings, machinery, plant and furniture.
- **Intangible assets:** know-how, patents, copyrights, trademarks, licences, franchises or other similar business or commercial rights, acquired on or after 1 April 1998.
- The asset must be **owned** (wholly or partly) by the assessee and **used wholly and exclusively for the business or profession**.

Not depreciable: land and **goodwill of a business or profession**. If an asset is used only partly for the business, depreciation is restricted to a fair proportion (section 33(3)(b)).

Depreciation is allowed whether or not you claim it, so the written down value is reduced by the depreciation allowable each year (section 33(7)).

Block of assets and written down value

Assets of the same class with the same rate form a **block**. Depreciation is a **percentage of the written down value of the block** (section 33(3)(a)):

WDV = opening WDV + cost of assets bought in the year - sale proceeds of assets sold - depreciation of the year.

Half rate (section 33(4)): if an asset is **acquired during the year and used for less than 180 days** in that year, the depreciation on it is **50% of the prescribed rate**.

Renovation of a leased building (section 33(6)): capital expenditure on a structure or renovation of a leased or occupied building is treated as a building owned by the assessee.

Rates (Rule 25 and Appendix I)

Block	Rate on WDV
Buildings mainly for residence (other than hotels and boarding houses)	5%
Other buildings	10%
Purely temporary erections such as wooden structures	40%
Furniture and fittings, including electrical fittings	10%
Machinery and plant (general)	15%
Motor cars (other than those used on hire)	15%
Motor buses, lorries and taxis used on hire	30%
Aeroplanes and aero engines	40%
Computers, including computer software	**40%**
Containers of glass or plastic used as refills	40%
Energy saving devices, pollution control equipment, certain life saving medical equipment and certain other listed items	40%
Know-how, patents, copyrights, trademarks, licences, franchises (intangibles)	25%

“Buildings” include roads, bridges, culverts, wells and tubewells. A building is “mainly residential” if at least two

thirds of its built-up area is used for residence. Assets that the table does not list separately, such as air conditioners, televisions, inverters and mobile phones, fall in the general class of **machinery and plant at 15%** ; a laptop or desktop is a computer at 40%. Check the specific entries for special equipment.

40% ceiling for the new regimes (Rule 25(2)): the depreciation on any block cannot exceed **40% of the WDV** for a domestic company that opts for the concessional rate under section 199(3), 200(5) or 201(2), for an individual, HUF, AOP, BOI or artificial juridical person whose income is taxed under section 202(1), and for a co-operative society that has exercised an option under section 203(5) or 204(2).

Additional depreciation (section 33(8) and (9))

For a business of **manufacture or production**, or **generation, transmission or distribution of power**, **new machinery or plant** acquired and installed and first put to use by the assessee gets, **in addition**:

- **20% of the actual cost** in the year of acquisition and use; or
- **10%** in that year if used for less than 180 days, and **10% more in the next year**.

It is not allowed for ships and aircraft, plant that was used by another person before, plant installed in office premises or residential accommodation (including a guest house), office appliances, road transport vehicles, or assets whose whole cost is allowed as a deduction. An individual or HUF in the **new regime** cannot claim it (section 202(2)(a)(vi)).

Unabsorbed depreciation (section 33(11))

If profits before depreciation are less than the depreciation allowable:

- depreciation is allowed to the extent of the profits (if there is a loss, none is allowed);
- the **balance is carried forward** and **added to the depreciation allowable in the next year**, and so on, **without any time limit**; and
- effect is given first to the brought-forward **business loss** under section 112(3).

Examples

1. Plant block. Opening WDV ?10,00,000. In the year you buy plant for ?2,00,000 and use it for 100 days.

- Opening block: 15% × 10,00,000 = ?1,50,000
- Addition (less than 180 days): 7.5% × 2,00,000 = ?15,000
- Depreciation: ?1,65,000. Closing WDV = 10,00,000 + 2,00,000 - 1,65,000 = ?10,35,000.
- If the plant is new and for a manufacturing business, additional depreciation of 10% × 2,00,000 = ?20,000 is allowed this year, and ?20,000 next year, other than for individuals in the new regime.

2. Laptop. A laptop costing ?60,000 is bought in June and used for the rest of the year (more than 180 days). Depreciation at 40% = ?24,000. WDV = ?36,000. If bought in January and used for 70 days, depreciation is 20% = ?12,000.

3. Car. A car for the proprietor's business costs ?10,00,000, in use throughout the year. Depreciation at 15% = ?1,50,000. Taxis used on hire are at 30%.

4. Unabsorbed depreciation. Profit before depreciation ?3,00,000, depreciation due ?5,00,000. Depreciation of ?3,00,000 is allowed and ?2,00,000 is carried forward, to be added to next year's depreciation.

Presumptive taxpayers

A presumptive taxpayer under section 58 is deemed to have claimed depreciation every year, and the written down value is computed on that basis (section 58(6)). No separate depreciation is claimed (see our post on presumptive taxation).

Practical points

1. Keep a **fixed asset register** by block, with the date of purchase and the date of first use (for the 180 day test).
2. **Do not mix** tax depreciation with the book depreciation under the Companies Act, 2013. The tax is the block system above.
3. **Sale of an asset** reduces the block's WDV; if the sale price exceeds the block's WDV plus additions, a short-term capital gain arises, as in our post on depreciable assets.

Frequently asked questions

What are the income tax depreciation rates?

Under Appendix I to Rule 25: residential buildings 5%, other buildings 10%, temporary erections 40%, furniture and fittings 10%, plant and machinery 15%, motor cars (not on hire) 15%, buses, lorries and taxis used on hire 30%, computers including software 40%, and know-how, patents, copyrights, trademarks, licences and franchises 25%, each on the written down value of the block.

Is depreciation allowed on land?

No. Section 33(1) covers buildings, machinery, plant and furniture, and specified intangible assets. Land and goodwill are not depreciable assets.

What if I use an asset for less than 180 days?

If the asset was acquired in the year and used for less than 180 days, the deduction is 50% of the prescribed rate (section 33(4)).

What is additional depreciation?

An extra 20% of the actual cost of new plant or machinery in the year it is acquired and put to use, for a business of manufacture or production, or generation, transmission or distribution of power; 10% in that year and 10% next year if used for less than 180 days (section 33(8) and (9)). Individuals taxed in the new regime cannot claim it (section 202(2)).

Can I skip claiming depreciation?

No. Section 33(7) says the section applies whether or not you claim depreciation, so the WDV is reduced by the depreciation allowable.

What is unabsorbed depreciation?

Depreciation that cannot be set off because profits are too low. It is added to the depreciation of the next year, with no time limit, after the business loss carry forward under section 112 is given effect (section 33(11)).

Official sources

- Income Tax Department: Income-tax Act, 2025 (sections 33, 112, 202)
- Income Tax Department: Income-tax Rules, 2026 (Rule 25 and Appendix I)

Related reading

- Deferred Tax Asset and Deferred Tax Liability
- Section 10AA: Deduction for Units in Special Economic Zones (Status for Tax Year 2026-27)
- AS 22 Accounting for Taxes on Income

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