

Tax Hotline

November 28, 2001

DEPRECIATION FOR POWER UNITS MAY BE CUT TO 75%

The Central Board of Direct Taxes (CBDT) of India is considering a proposal to lower the hundred per cent depreciation allowance provided in the Income-tax Act, 1961 for power generation devices and power saving devices like gas cylinders and wind mills.

The general opinion among tax authorities is to reduce the existing depreciation allowance to 75 per cent. The I-T authorities think this alone would bring in additional revenue of at least Rs 2,000 crore.

The chief commissioners are of the opinion that continuing with the 100 per cent depreciation was not advisable since it was a major cause of erosion of revenue, most of them had opined.

Also the hundred per cent depreciation has been extensively utilised by certain unscrupulous corporates to avoid taxation by claiming depreciation through the sale and lease back method. This is a convoluted accounting method that help corporates claim depreciation on items that do not actually belong to them.

It may be pointed out that a series of raids carried out by the investigation wing of income-tax department had unearthed the practice of bogus sale and lease back method employed by several corporates.

Source : *The Economic Times*, November 28, 2001

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