



Depreciating your assets for tax purposes using SARS prescribed rates

Description

Depreciating your assets for [tax](#) purposes requires you to use the wear and tear allowance given by SARS. It prescribes assets that can be depreciated when calculating your taxable income and what rates should be used.

Obviously, this could lead to a discrepancy in the profit you arrive at internally and your profit according to SARS, for you might have different conventions for depreciating your assets. Because [properly depreciating your assets](#) is important for the financial health of your business, you may need to stick to these conventions.

For the most part though, where there's no particular reason to use a different rate, use the one determined by the revenue authority. It's determined by finance professionals and bound to work better than a sheer guess. At the very least, it saves you the trouble of having to reproduce TAX-depreciated accounts.

Requirements when depreciating your assets for tax

Only assets owned by the client can be depreciated in your taxable income. This is also the rule for depreciation for internal purposes, but here the definition may be stricter. Assets will be deemed as being "owned" if;

- They were outright purchased by you for the purposes of use in the business
- They were purchased, by you, for use in the business, under an "instalment credit agreement" as defined in the VAT act

Always keep a copy of your proof of ownership for your assets. This could be in the form of receipts, signed contracts, but anything that shows the asset belongs to you and its value. In case SARS wants to do an audit on you, you may be asked to provide this proof.

Buildings or assets that tend to have a very long lifespan do not qualify for wear and tear allowance. This is because, with prescribed repair and maintenance, your buildings don't lose value, if anything they gain it.

Wear and tear allowance is calculated on the total cost of bringing the assets to its working state, excluding financing costs. Financing costs do not add any value to the asset and are [accounted for](#) separately as an expense. This means for the purposes of determining your asset's value you can include;

1. The purchase price of the asset
2. The cost of transporting the asset to where it will be used. These can be delivery costs charged by the manufacturer or costs incurred by you to transport your asset
3. Any costs directly related to installing or modifying the asset so that it can work in the desired manner.

Depreciating your assets for tax purposes under partial use

Wear and tear allowance is given to a business for assets used for the purposes of trade. Where such use is partial, the allowance must be claimed on a pro-rata basis. If you use your asset partially for business and personal use, wear and tear allowance must be claimed on the portion of that asset used for business.

This means you need to keep records of this use as far as possible, e.g. trip logs in the case of a car. Equally, if the asset was used for part of the year, you may only claim the allowance for the proportion of the year that the allowance was used.

For example, using the asset for 3, 4, or 6 months would allow you to claim 25%, 33.33%, and 50% of the allowance respectively. Regardless of when an asset is purchased, you can only start depreciating it for tax purposes once you start using it for trade.

Methods for depreciating your assets for tax

You can depreciate your assets using the [straight line or the diminishing value method](#). When using the diminishing value method, you calculate the wear and tear allowance on the income tax value of the asset. This is the remaining value of the asset after deducting the allowances from previous tax periods.

The straight-line method is simpler; it applies a uniform depreciation through the useful life of an asset. This means an asset worth R100.00, useful for five years will be depreciated at R20.00 per year (R100.00/5).

You can switch from the diminution value to the straight line method without informing SARS. Be sure to keep a record of your write-offs in case they are requested. Switching methods simply requires you to apply the straight-line method to the remaining value of the asset in equal instalments over its

remaining estimated useful life.

SARS allows you to expense any small assets, which means claiming full wear and tear on them in the first year. This is for assets with a value of R7 000.00 or less, and are not components of a set with a bigger value. This means these assets need to be purchased for use on their own.

What to do if you are not covered by the schedule

It may be the case sometimes that you want to depreciate your asset over a shorter period. In that case, you need to motivate your case to SARS before claiming wear and tear allowance. Rental assets may be depreciated for the period of the lease should this period exceed that allowed in the schedule.

Second-hand assets and assets not in the schedule can be depreciated using a reasonable estimate of useful life. You can infer this from related assets found in the schedule or the useful life of new assets. There may be special allowances that apply to your industry, e.g. agriculture, or your business, e.g. SBCs, be sure to know them and take advantage.

Write off periods for depreciating your assets

Asset	Write-off in years
Adding Machines	6
Air conditioners:	
Window type	6
Mobile	5
Room unit	10
Air handling units	20
Cooling towers	15
Condensing sets	15
Chillers:	
Absorption type	25
Centrifugal	20
Aircraft: light passenger or commercial helicopters	4
Arc welding equipment	6
Artefacts	25
Balers	6
Battery chargers	5
Bicycles	4

Boilers	4
Bulldozers	3
Bumping flaking	4
Carports	5
Cash registers	5
Cell phone antennae	5
Cell phone masts	10
Cellular telephones	2
Cheque writing machines	6
Cinema equipment	5
Cold drink dispensers	6
Communication systems	5
Compressors	4
Computers & Computer Software:	
Main frame / Servers	5
Personal	3
Computer software (main frames) Purchased	3
Computer software (main frames) Self-developed	1
Computer software (personal computers)	2
Concrete mixers (portable)	4
Concrete transit mixers	3
Containers (Freight)	10
Crop sprayers	6
Curtains	5
Debarking equipment	4
Delivery vehicles	4
Demountable partitions	6
Dental and doctors equipment	5
Dictaphones	3
Drilling equipment (water)	5
Drills	6
Electric saws	6
Electrostatic copiers	6
Engraving equipment	5
Escalators	20
Excavators	4
Fax machines	3
Fertiliser spreaders	6

Firearms	6
Fire extinguishers (loose units)	5
Fire detection systems	3
Fishing vessels	12
Fitted carpets	6
Food bins	4
Food-conveying systems	4
Fork-lift trucks	4
Front-end loaders	4
Furniture and fittings	6
Gantry cranes	6
Garden irrigation equipment (movable)	5
Gas cutting equipment	6
Gas heaters and cookers	6
Gearboxes	4
Gear shapers	6
Generators (portable)	5
Generators (standby)	15
Graders	4
Grinding machines	6
Guillotines	6
Gym equipment:	
Cardiovascular equipment	2
Health testing equipment	5
Weights and strength equipment	4
Spinning equipment	1
Other	10
Hairdressersâ?? equipment	5
Harvesters	6
Heat dryers	6
Heating equipment	6
Hot water systems	5
Incubators	6
Ironing and pressing equipment	6
Kitchen equipment	6
Knitting machines	6
Laboratory research equipment	5
Lathes	6

Laundromat equipment	5
Law Reports: Sets (Legal practitioners)	5
Lift Installations (goods/passengers)	12
Medical theatre equipment	6
Milling machines	6
Mobile caravans	5
Mobile cranes	4
Mobile refrigeration units	4
Motors	4
Motorcycles	4
Motorised chainsaws	4
Motorised concrete mixers	3
Motor mowers	5
Music instruments	5
Navigation systems	10
Neon signs and advertising boards	10
Office equipment â?? electronic	3
Office equipment â?? mechanical	5
Oxygen concentrators	3
Ovens and heating devices	6
Ovens for heating food	6
Packaging and related equipment	4
Paintings (valuable)	25
Pallets	4
Passenger car	5
Patterns, tooling and dies	3
Pellet mills	4
Perforating equipment	6
Photocopying equipment	5
Photographic equipment	6
Planers	6
Pleasure craft	12
Ploughs	6
Portable safes	25
Power tools (hand-operated)	5
Power supply	5
Public address systems	5
Pumps	4

Racehorses	4
Radar systems	5
Radio communication equipment	5
Refrigerated milk-tankers	4
Refrigeration equipment	6
Refrigerators	6
Runway lights	5
Sanders	6
Scales	5
Security systems (removable)	5
Seed separators	6
Sewing machines	6
Shakers	4
Shop fittings	6
Solar energy units	5
Special patterns and tooling	2
Spin dryers	6
Spot welding equipment	6
Staff training equipment	5
Surge bins	4
Surveyors:	
Instruments	10
Field equipment	5
Tape recorders	5
Telephone equipment	5
Television and advertising films	4
Television sets, video machines and decoders	6
Textbooks	3
Tractors	4
Trailers	5
Traxcavators	4
Trolleys	3
Trucks (heavy duty)	3
Trucks (other)	4
Truck-mounted cranes	4
Typewriters	6
Vending machines (including video game machines)	6
Videocassettes	2

Warehouse racking	10
Washing machines	5
Water distillation and purification plant	12
Water tankers	4
Water tanks	6
Weighbridges (movable parts)	10
Wire line rods	1
Workshop equipment	5
X-ray equipment	5

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