

Depreciation Regulations Revisions to Depreciation Periods—Part 2

Comparison of new depreciation schedule (Categories 8-12) and former schedule

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- Extensive FY08 tax reforms reclassify depreciable assets, particularly machinery and equipment, broadly according to the actual number of years they are used.
- This report compares Schedule 2 (useful lives of machinery and equipment, hereafter the new schedule), which lists useful lives for depreciable assets under broad categories, with the outgoing schedule according fields of application specified in the new schedule.
- This report (Part 2*) covers the new categories of chemical industry equipment, oil and coal product production equipment, plastic product manufacturing equipment (excluding those listed under other categories), rubber product manufacturing equipment, leather, leather product, and fur product manufacturing equipment (categories 8-12) and the existing categories of equipment for the chemical industry and production equipment for rubber products.

*The report is published in four parts.

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Introduction

We have consistently highlighted problems in the outgoing depreciation standards, including generally overly long depreciation periods, overly narrow and numerous asset categories, and that while there existed a scheme of accelerated depreciation, the application process was complicated and imposed a considerable administrative burden.

For example, Japanese depreciation regulations specify 390 categories (for machinery and equipment), creating problems in assigning new technologies and products to categories. Examples of simple systems overseas—with the US using 48 categories and Korea using 26—make a strong case for a thorough overhaul of the Japanese system.

The extensive FY08 tax reforms reclassify depreciable assets, particularly machinery and equipment, broadly according to the actual number of years they are used.

The revised provisions will apply for fiscal years beginning 1 April 2008 or later and will also apply to existing depreciable assets. The revisions relating to depreciation periods have been made at a governmental/ministerial level, so even without any amendments to taxation law, they could be proclaimed and come into effect at end-March 2008.

The revisions create 55 broad categories for machinery and equipment (104 including intermediate and detailed categories for Japanese industry). They also group assets according to their actual period of usage. The changes mark the first comprehensive overhaul of depreciation periods since 1964.

The charts below compare the new schedule, which lists depreciation periods for depreciable assets under broad categories, with the outgoing schedule according fields of application specified in the new schedule.

Our comparison follows the categories used in a circular issued by the administration. At this point, it is not yet clear how the new schedule's applications and detailed categories will correspond with the outgoing schedule's equipment type and detailed categories.

Where the new schedule does not list detailed categories, we have assumed the new schedule's applications correspond to the outgoing schedule's equipment type and detailed categories. We have therefore listed applications and depreciation periods for the new schedule and equipment type, detailed categories, and depreciation periods for the outgoing regulations. In listings for the outgoing schedule, we have grouped asset categories according to whether their depreciation periods will be shorter, unchanged, or longer under the new schedule.

Where the new schedule contains detailed categories, we have not grouped the asset categories as above because the correspondence between the new and outgoing schedules is unclear.

Entries covered in this report are shaded below.

Circular on Dealing with the Application of Depreciation Periods (for reference)

Production equipment for foodstuffs	Schedule 2, Sections 1–36-2
Production equipment for the textile industry	Schedule 2, Sections 37–57
Production equipment for lumber and wooden products	Schedule 2, Sections 58–63
Production equipment for pulp, paper, and paper products	Schedule 2, Sections 64–73
Production equipment for printing and related industries	Schedule 2, Sections 74–80
Equipment for the chemical industry	Schedule 2, Sections 81–180
Production equipment for rubber products	Schedule 2, Sections 186–190
Production equipment for ceramics and stoneware	Schedule 2, Sections 194–210
Equipment for the steel industry	Schedule 2, Sections 211–222
Production equipment for non-ferrous metals	Schedule 2, Sections 223–232
Production equipment for metal products	Schedule 2, Sections 233–252
Equipment for the machine industry	Schedule 2, Sections 253–295
Other equipment	Schedule 2, Sections 296–369

New Schedule

No.	Application	Detailed categories	Depreciation periods (years)
8	Chemical industry equipment	Bromine, iodine, chlorine, bromide and iodine compound production equipment	5
		Phosphorus chloride production equipment	4
		Activated carbon production equipment	5
		Gelatin and glue production equipment	5
		Semiconductor photoresist production equipment	5
		Flat panel color filter, polarizing plate, and polarizing film production equipment	5
		Other equipment	8

Parts of Outgoing Schedule Probably Corresponding to New Schedule for Chemical Industry Equipment

Equipment type	Detailed categories	Depreciation periods (years)
Ammonia production equipment		9
Sulfuric and nitric acid production equipment		8
Fused magnesium phosphate fertilizer production equipment		8
Other chemical fertilizer production equipment		10
Compound fertilizer and other fertilizer production equipment		13
Soda ash, ammonium chloride, caustic soda, and caustic potash production equipment (incl. chlorinating equipment)		7
Sodium sulfide, sodium hydrosulfide, anhydrous sulfate, sodium cyanide, and sodium peroxide production equipment		7
Other sodium and potassium salt (excl. those listed under categories 97 [excl. chlorates], 98, and 106) product production equipment		9
Sodium production equipment		10
Ammonium salt (excl. ammonium sulfate and ammonium chloride) production equipment		9
Magnesium carbonate production equipment		7
Bittern product and derivative production equipment		8
Light calcium carbonate production equipment		8
Carbide production equipment (excl. electrode production equipment)		9
Iron sulfate production equipment		7
Other ferrate and sulfite product production equipment (excl. those listed in other categories)		9
Bromine, iodine, chlorine, bromide and iodine compound production equipment	Iodine winze equipment	3
	Other equipment	7
Hydrofluoric acid and other fluorine compound production equipment		6
Phosphorus chloride production equipment		5
Phosphoric acid and phosphorus sulfide production equipment		7
Phosphor and phosphor compounds (excl. those listed in other categories)		10
Red oxide production equipment		6
Lead oxide, litharge, and zinc oxide production equipment		11
Titanium oxide, lithopone, barium salt production equipment		9
Chromic anhydride production equipment		7
Other chromic compound production equipment		9
Manganese dioxide production equipment		8
Boric acid and boric acid compound production equipment (excl. those listed in other categories)		10
Hydrocyanic acid production equipment		8
Silver nitrate production equipment		7
Carbon disulfide production equipment		8
Hydrogen peroxide production equipment		10
Hydrazine production equipment		7
Oxygen, hydrogen, carbon dioxide, and dissolved acetylene production equipment		10
Compressed and vacuum salt production equipment		10
Other salt water and salt production equipment and table salt processing equipment	Concentrated synthetic resin plate and ion-exchange membranes	3
	Other equipment	7
Activated carbon production equipment		6
Other organic chemical agent production equipment		12
Coal gas, oil gas, oil-based aromatic compounds, and other compound separation and purification equipment		8
Dye intermediate production equipment		7
Alkylbenzene and alkylphenol production equipment		8
Caprolactam, cyclohexanone, and terephthalic acid (dimethyl terephthalate) production equipment		7
Isocyanate production equipment		7
Hydrocarbon chloride, bromide, fluoride production equipment		7
Methanol, ethanol, and derivative (excl. those listed in other categories) production equipment		9
Other alcohol and ketone production equipment		8
Acetaldehyde and acetic acid production equipment		7
Cyclohexylamine production equipment		7
Amine and melamine production equipment		8
Formic acid, oxalic acid, lactic acid, tartaric acid (incl. tartrates), succinic acid, citric acid, tannic acid, and gallic acid production equipment		8
Oil and natural gas ethylene, propylene, butylenes, butadiene, and hexadecene production equipment		9

Vinyl ether production equipment	8
Acrylic nitrile and acrylate production equipment	7
Ethel oxide, ethylene glycol, propylene oxide, propylene glycol, polyethylene glycol, and polypropylene glycol production equipment	8
Styrene monomer production equipment	9
Other olefin and derivative production equipment (excl. those listed in other categories)	8
Alginate production equipment	10
Furfuryl production equipment	11
Celluloid and cellulose nitrate production equipment	10
Acetylcellulose production equipment	8
Sodium carboxymethyl cellulose production equipment	10
Other organic chemical production equipment	12
Vinylidene chloride resin, vinyl acetate resin, nylon resin, polyethylene terephthalate resin, fluorine resin, and silicon resin production equipment	7
Polyethylene, polypropylene, and polybutene production equipment	8
Urea, melamine, and phenolic synthetic resin production equipment	9
Other synthetic resin and synthetic rubber production equipment	8
Rayon and rayon staple production equipment	9
Acetic acid fiber production equipment	8
Synthetic fiber production equipment	7
Soap production equipment	9
Hydrogenated oil, fatty acid, and glycerol production equipment	9
Synthetic detergent and surfactant production equipment	7
Vitamin production equipment	6
Other pharmaceutical production equipment	7
Germicide, insecticide, rat poison, herbicide, and other plant and animal formulation production equipment	8
Industrial explosive (incl. fireworks) production equipment	7
Other explosive production equipment (incl. ammunition chamber and assembly equipment)	6
Coating and printing ink production equipment	9
Other ink production equipment	13
Dye and pigment production equipment (excl. those listed in other categories)	7
Discharge printing agent and bleaching agent production equipment (excl. those listed in other categories)	7
Reagent production equipment	7
Synthetic resin plasticizing agent production equipment	8
Synthetic resin stabilizing agent production equipment	7
Organic rubber, photo chemicals, and artificial aroma production equipment	8
Polish, polishing ointment, and emulsifying ointment production equipment	11
Adhesive production equipment	9
Tall oil production equipment	7
Borneol and camphor production equipment	9
Cosmetic production equipment	9
Gelatin and glue production equipment	6
Photographic film and other photosensitive material (only those using silver halide) production equipment	8
Semiconductor photo resist production equipment	5
Magnetic tape production equipment	6
Modified starch production equipment	10
Activated clay and silica gel production equipment	10
Concentrator production equipment	9
Electrical insulation (incl. mica materials) production equipment	12
Carbon black production equipment	8
Other chemical industry product production equipment	13

New Schedule

No.	Application	Depreciation periods (years)
9	Oil and coal product production equipment	7

Parts of Outgoing Schedule Probably Corresponding to New Schedule for Oil and Coal Product Production Equipment

Equipment type	Detailed categories	Depreciation periods (years)
Shortened		
Emulsified asphalt and other asphalt product production equipment		14
Other oil and coal product production equipment		14
Oil refining equipment (incl. waste oil recycling and grease production equipment)		8
Briquette, oval briquette, compressed sawdust briquette, and carbon powder production equipment		8
Unchanged		
Pitch coke production equipment		7

New Schedule

No.	Application	Depreciation periods (years)
10	Plastic product manufacturing equipment (excluding those listed under other categories)	8

New Schedule

No.	Application	Depreciation periods (years)
11	Rubber product manufacturing equipment	9

Parts of Outgoing Schedule Probably Corresponding to New Schedule for Plastic Product Manufacturing Equipment (Excluding Those Listed Under Other Categories) and Rubber Product Manufacturing Equipment

Equipment type	Detailed categories	Depreciation periods (years)
Shortened		
Tire and tube production equipment		10
Recycled rubber production equipment		10
Foam rubber production equipment		10
Other rubber production equipment		10
Unchanged		
Rubber thread production equipment		9

New Schedule

No.	Application	Depreciation periods (years)
12	Leather, leather product, and fur product manufacturing equipment	9

Parts of Outgoing Schedule Probably Corresponding to New Schedule for Leather, Leather Product, and Fur Product Manufacturing Equipment

Equipment type	Detailed categories	Depreciation periods (years)
Shortened		
Other leather product production equipment		11
Unchanged		
Tanning equipment		9
Lengthened		
Shoe-making machinery		8