

# Depreciation Regulations Revisions to Depreciation Periods—Part 4

## Comparison of new depreciation schedule (Categories 17-55) and former schedule

Japanese report: 21 Feb 08

Legal and Tax Research Dept  
**Takuma Torige**

- 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 4\*) covers the new categories for general machinery manufacturing equipment not previously listed and equipment not encompassed by previously listed categories (categories 17-55) and existing categories for equipment for the machine industry and other equipment.

\*The report is published in four parts.

**IMPORTANT DISCLOSURES, INCLUDING ANY REQUIRED RESEARCH CERTIFICATIONS, ARE PROVIDED ON THE LAST TWO PAGES OF THIS REPORT.**

## 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 list items not comparable with the old schedule.

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)
17	General machinery manufacturing equipment		12
18	Production equipment manufacturing equipment	Metal processing machinery manufacturing equipment	9
		Other equipment	12
19	Industrial machinery manufacturing equipment		7
20	Electronic component, device, and circuit manufacturing equipment	Optical disc (only recordable and rewritable discs)	6
		Printed circuit board manufacturing equipment	6
		Flat panel display, semiconductor integrated circuit, and semiconductor device manufacturing equipment	5
		Other equipment	8
21	Electrical machinery and equipment manufacturing equipment		7
22	IT equipment manufacturing equipment		8
23	Transportation equipment manufacturing equipment		9
24	Other manufacturing equipment		9
25	Agricultural equipment		7
26	Forestry equipment		5
27	Fishing equipment (excl. that in the next category)		5
28	Aquaculture equipment		5
29	Mining, quarrying, and gravel collecting equipment	Oil and natural gas extraction equipment	
		Winze equipment	3
		Excavation equipment	6
		Other equipment	12
		Other equipment	6
30	General construction equipment		6
31	Electric utility equipment	Electric utility hydroelectric power generation equipment	22
		Other hydroelectric power generation equipment	20
		Steam power generation equipment	15
		Internal-combustion power and gas turbine generation equipment	15
		Transmission and electric utility transformer and distribution equipment	
		End-user gauges	15
		Pole-mounted transformers	18
		Other equipment	22
		Railroad and light rail transformer equipment	15
		Other equipment	
		Mainly metal equipment	17
		Other	8
32	Gas utility equipment	Manufacturing equipment	10
		Supply equipment	
		Cast iron pipes	22
		Pipes other than cast iron pipes	13
		End-user equipment	13
		Other equipment	15
		Other equipment	
		Mainly metal equipment	17
		Other	8
33	Heating supply equipment		17
34	Water utility equipment		18
35	Communications equipment		9
36	Broadcasting equipment		6
37	Equipment for video, voice, and print media production		8
38	Railroad equipment	Automatic ticket gate equipment	5
		Other equipment	12
39	Road transportation equipment		12
40	Warehousing equipment		12
41	Equipment for services incidental to transportation		10
42	Food and beverage wholesaling equipment		10
43	Construction material, mineral, metallic material wholesaling equipment	Oil and liquefied petroleum gas wholesaling equipment (excl. tanks)	13
		Other equipment	8
44	Food and beverage retailing equipment		9
45	Other retailing equipment	Gasoline and liquefied petroleum gas station equipment	8
		Other equipment	10
46	Technical services (not listed elsewhere) equipment	Surveying equipment	8
		Other equipment	14
47	Lodging industry equipment		10
48	Restaurant equipment		8
49	Laundry, hairdressing, beauty, and bathhouse equipment		13
50	Other lifestyle service industry equipment		6
51	Entertainment industry equipment	Cinema and theatre equipment	11
		Playground equipment	7
		Bowling alley equipment	13

		Other equipment Mainly metal equipment Other	17 8
52	Other educational and learning support equipment	Driving simulator equipment for training Other equipment Mainly metal equipment Other	5 17 8
53	Automobile repair service equipment		15
54	Other service industry equipment		12
55	Equipment not mentioned above and that not encompassed by above categories	Mainly metal equipment Other	17 8

**Outgoing Schedule: Equipment for the Machine Industry**

Equipment type	Detailed categories	Depreciation periods (years)
Boiler manufacturing equipment		12
Engine, turbine, and water turbine manufacturing equipment		11
Agricultural machinery manufacturing equipment		12
Construction, mining, and motorized automotive manufacturing equipment (excl. that listed elsewhere)		11
Metallurgical machinery manufacturing equipment		10
Foundry equipment, synthetic plastic processing equipment and timber processing equipment manufacturing equipment		12
Machine tool, die and jig manufacturing equipment		10
Textile tool (including sewing machines), component, and accessory manufacturing equipment		12
Pneumatic or hydraulic machine, metal valve, and centrifugal separating machine manufacturing equipment		12
Refrigerator manufacturing equipment		11
Ball/roller bearing and component manufacturing equipment		10
Gear, hydraulic, and other powered transmission component manufacturing equipment		10
Industrial robot manufacturing equipment		11
Other industrial machinery, component, and accessory manufacturing equipment		13
Office equipment manufacturing equipment		11
Food, cooking apparatus, domestic and service industry equipment (excl. electrical equipment) manufacturing equipment		13
Industrial and consumer electrical appliance manufacturing equipment		11
Electronic measuring instrument, electronic communications equipment, electronics and component (excl. that listed elsewhere)		10
FPD and flat panel film material manufacturing equipment		5
Optical disc (only recordable and rewritable discs) manufacturing equipment		6
Traffic control signaling apparatus manufacturing equipment		12
Electric bulb, electron tube, and discharge lamp manufacturing equipment		8
Printed circuit board (only those with 500 or more elements) manufacturing equipment		5
Other semiconductor device manufacturing equipment		7
Resistor and capacitor manufacturing equipment		9
Printed circuit board manufacturing equipment		6
Ferrite product manufacturing equipment		9
Electronic equipment part manufacturing equipment		12
Dry cell battery manufacturing equipment		9
Other battery manufacturing equipment		12
Automotive manufacturing equipment		10
Auto body manufacturing and building equipment		11
Railroad car and component manufacturing equipment		12
Automotive engine, component, and electrical/electronic equipment manufacturing equipment (incl. transmission and clutch manufacturing equipment)		10
Automotive brake manufacturing equipment		11
Other automotive component and accessory manufacturing equipment		12
Bicycle, bicycle component, and accessory manufacturing equipment	Plating equipment Other equipment	7 12
Steel shipbuilding and maintenance equipment		12
Timber shipbuilding and maintenance equipment		13
Marine propeller, deck equipment, and hatch cover manufacturing equipment	Casting equipment Other equipment	10 12
Aircraft and component manufacturing (only engine, internal air pressure equipment, rotary equipment, propellers, gauges, landing/aligning gear, and oil pressure parts) and maintenance equipment		10
Other transportation industry manufacturing equipment		13
Testing, measuring, and weighing equipment manufacturing equipment		11
Pharmaceutical equipment manufacturing equipment		12
Physics and chemistry equipment manufacturing equipment		11
Lens, optical equipment, and component manufacturing equipment		10
Watch, watch component, and camera shutter manufacturing equipment		10
Clock, clock component, music box movement, and photo film spool manufacturing equipment		12
Bullet manufacturing equipment		10
Firearm, explosive, fuse, and other firearm product manufacturing equipment		12
Automobile disassembly equipment		13
Manufacturing equipment for equipment, components, and accessories not listed above		14

**Outgoing Schedule: Other Equipment**

Equipment type	Detailed categories	Depreciation periods (years)
Manufacturing equipment for used in maintenance and engineering plants other than those in the machinery industry		14
Musical instrument manufacturing equipment		11
Record manufacturing equipment	Recording equipment	8
	Other equipment	12
Toy manufacturing equipment	Synthetic resin molding equipment	9
	Other equipment	11
Fountain pen, mechanical pencil, and pen manufacturing equipment		11
Ball-point pen manufacturing equipment		10
Lead pencil manufacturing equipment		13
Picture paint and other picture painting equipment manufacturing equipment		11
Jewelry, brush, and cigar case production equipment	Chain-making equipment	8
	Other equipment	12
	Equipment not	11
Button manufacturing equipment		9
Zipper manufacturing equipment	Element molding and slider manufacturing equipment	7
	Chain machines	5
	Other equipment	11
Synthetic resin molding and machining and synthetic resin product molding equipment		8
Polyurethane foam manufacturing equipment		8
Fibrous wall material manufacturing equipment		9
Dental material manufacturing equipment		12
Vacuum evaporators		8
Match manufacturing equipment		13
Cork and cork product manufacturing equipment		14
Fishing rod and associated equipment manufacturing equipment		13
Indian ink manufacturing equipment		8
Candle manufacturing equipment		7
Linoleum, linoleum tile, and asphalt tile manufacturing equipment		12
Tatami facing manufacturing equipment	Loom and rush sorting and splitting equipment	5
	Other equipment	14
Tatami product manufacturing equipment		5
Other straw good manufacturing equipment		8
Japan wax and refining equipment		12
Turpentine, other resin, and refining equipment		11
Silkworm egg production equipment	Artificial hatching	8
	Other equipment	10
Pearl, gemstone, and semiprecious stone processing equipment		7
Marine product aquaculture equipment	Bamboo products	2
	Other	4
Fishing equipment		7
Equipment not otherwise listed		15
Gravel collection, rock collection and pulverization equipment		8
Iron sand ore mining equipment		8
Metal mining equipment (incl. cableway equipment)		9
Coal mining equipment (incl. cableway equipment)	Extraction equipment and conveyors	5
	Other equipment	9
	Equipment not encompassed by above categories	8
Oil and natural gas extraction equipment	Winze equipment	3
	Excavation equipment	5
	Other equipment	12
Natural gas pressurizing equipment		10
Sulfur mining equipment (incl. cableway equipment)		6
Other mining equipment (incl. cableway equipment)		9
Bulldozers, power shovels, and other self-propelled equipment		5
Other construction equipment	Discharge pipes and portable conveyors	3
	Diesel pile hammer	4
	Asphalt plants and batcher plants	6
	Other equipment	7
Surveying equipment	Cameras	5
	Other equipment	7
Funicular railroad and cable car equipment	Steel cables	3
	Other equipment	12
Oil and liquefied petroleum gas wholesaling equipment (excl. tanks)		13
Car wash equipment		10
Gasoline station equipment		8
Liquefied petroleum gas station equipment		8
Equipment for car parks with car elevators		15

Stevedoring and warehousing equipment and wholesale and retail loading and warehousing equipment	Portable loading equipment	7
	Fumigation equipment	10
	Other equipment	12
Surveying equipment		9
Ship rescue and salvaging equipment		8
Domestic telecommunications industry equipment	Digital exchange equipment and telecommunications processing equipment	6
	Analog exchange equipment	16
	Other equipment	9
International telecommunications industry equipment	Digital exchange equipment and telecommunications processing equipment	6
	Analog exchange equipment	16
	Other equipment	7
Radio and television broadcasting equipment		6
Other communications equipment (incl. feeder command equipment)		9
Electric utility hydroelectric power equipment		22
Other hydroelectric power generation equipment		20
Steam power equipment		15
Internal-combustion power and gas turbine generation equipment		15
Transmission and electric utility transformer and distribution equipment	End-user gauges	15
	Pole-mounted transformers	18
	Other equipment	22
Railroad and light rail transformer equipment		20
Remote train and centralized traffic control equipment		12
Battery power source equipment		6
Fly ash collection equipment		13
Coal gas, petroleum gas, and coke production equipment (incl. equipment for gas purification and gas utilities' specified gas generating facilities)		10
Gas utility supply equipment	Gas pipes	
	Cast iron pipes	22
	Other	13
	End-user gauges	13
	Other equipment	15
Water supply and sewer equipment		12
Hotel, ryokan, and restaurant equipment and meal service equipment	Hot water pipes	5
	Other equipment	9
Cleaning equipment		7
Public bath equipment	Furnaces, water heaters, and hot water pipes	3
	Other equipment	8
Waste paper packaging equipment		7
Cremation equipment		16
Electronic text equipment		10
Movie-making equipment (excl. developing equipment)	Lighting	3
	Shooting and recording equipment	6
	Other equipment	8
Natural color photo developing equipment		6
Other photo developing equipment		8
Movie and theater equipment	Lighting	5
	Other equipment	7
Playground and entertainment equipment (excl. powered equipment)		9
Bowling alleys	Lanes	5
	Other equipment	10
Gardening and horticulture equipment		10
Equipment not listed above and that not encompassed by above categories	Mainly metal equipment	17
	Other	8