

SCHEDULE II
(See section 123)
USEFUL LIVES TO COMPUTE DEPRECIATION
PART 'A'

1. Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount of an asset is the cost of an asset or other amount substituted for cost, less its residual value. The useful life of an asset is the period over which an asset is expected to be available for use by an entity, or the number of production or similar units expected to be obtained from the asset by the entity.

2. For the purpose of this Schedule, the term depreciation includes amortisation.

3. Without prejudice to the foregoing provisions of paragraph 1,—

¹[(i) The useful life of an asset shall not ordinarily be different from the useful life specified in Part C and the residual value of an asset shall not be more than five per cent. of the original cost of the asset:

Provided that where a company adopts a useful life different from what is specified in Part C or uses a residual value different from the limit specified above, the financial statements shall disclose such difference and provide justification in this behalf duly supported by technical advice.]

²³[(ii) ³[For intangible assets, the relevant Indian Accounting Standards (Ind As) shall apply. Where a company is not required to comply with the Indian Accounting Standards (Ind As), it shall comply with relevant Accounting Standards under Companies (Accounting Standards) Rules, 2006] except in case of intangible assets (Toll Roads) created under 'Build, Operate and Transfer', 'Build, Own, Operate and Transfer' or any other form of public private partnership route in case of road projects. Amortisation in such cases may be done as follows:—

(a) Mode of amortization

Amortisation Rate = x 100

Amortisation Amount=

Cost of Intangible Assets (A) x

Amortisation Amount
Cost of Intangible Assets (A)
Actual Revenue for the year (B)
Projected Revenue from Intangible Asset (till the end of the concession period) (C)

(b) Meaning of particulars are as follows :—

Cost of Intangible Assets (A)	=	Cost incurred by the company in accordance with the accounting standards.
Actual Revenue for the year (13)	=	Actual revenue (Toll Charges) received during the accounting year.
Projected Revenue from Intangible Asset (C)		Total projected revenue from the Intangible Assets as provided to the project lender at the time of financial closure/agreement.

The amortisation amount or rate should ensure that the whole of the cost of the intangible asset is amortised over the concession period.

1. Subs. by Notification No. G.S.R. 627(E) dated 29th August 2014, for sub-paragraph (i) of paragraph 3 (w.e.f. 29-8-2014).
 2. Subs. by Notification No. G.S.R. 237(E), dated 31st March 2014, for sub-paragraph (i) to (iii) of paragraph 3(w.e.f. 1-4-2014).
 3. Subs. by Notification No. G.S.R. 1075(E), dated 17th November 2016 for sub-paragraph (iii) of paragraph 3 (w.e.f. 1-4-2016).

Revenue shall be reviewed at the end of each financial year and projected revenue shall be adjusted to reflect such changes, if any, in the estimates as will lead to the actual collection at the end of the concession period.

(c) Example:—

Cost of creation of Intangible Assets	:	Rs. 500 Crores
Total period of Agreement	:	20 Years
Time used for creation of Intangible Assets	:	2 Years
Intangible Assets to be amortised in	:	18 Years

Assuming that the Total revenue to be generated out of Intangible Assets over the period would be Rs. 600 Crores, in the following manner:—

Year No.	Revenue(In Rs. Crores)	Remarks
Year 1	5	Actual
Year 2	7.5	Estimate *
Year 3	10	Estimate *
Year 4	12.5	Estimate *
Year 5	17.5	Estimate *
Year 6	20	Estimate *
Year 7	23	Estimate *
Year 8	27	Estimate *
Year 9	31	Estimate *
Year 10	34	Estimate *
Year 11	38	Estimate *
Year 12	41	Estimate *
Year 13	46	Estimate *
Year 14	50	Estimate *
Year 15	53	Estimate *
Year 16	57	Estimate *
Year 17	60	Estimate *
Year 18	67.5	Estimate *
Total	600	

“*” will be actual at the end of financial year.

Based on this the charge for first year would be Rs. 4.16 Crore (approximately) (*i.e.* Rs. 5/Rs. 600 x Rs. 500 Crores) which would be charged to profit and loss and 0.83% (*i.e.* Rs. 4.16 Crore/ Rs. 500 Crore x 100) is the amortisation rate for the first year.

Where a company arrives at the amortisation amount in respect of the said Intangible Assets in accordance with any method as per the applicable Accounting Standards, it shall disclose the same.]

PART ‘B’

4. The useful life or residual value of any specific asset, as notified for accounting purposes by a Regulatory Authority constituted under an Act of Parliament or by the Central Government shall be applied in calculating the depreciation to be provided for such asset irrespective of the requirements of this Schedule.

PART 'C'

5. Subject to Parts A and B above, the following are the useful lives of various tangible assets:

Nature of assets	Useful Life
I. Buildings [NESD]	
(a) Buildings (other than factory buildings) RCC Frame Structure	60 Years
(b) Buildings (other than factory buildings) other than RCC Frame Structure	30 Years
(c) Factory buildings	-do-
(d) Fences, wells, tube wells	5 Years
(e) Others (including temporary structure, etc.)	3 Years
II. Bridges, culverts, bunders, etc. [NESD]	30 Years
III. Roads [NESD]	
(a) Carpeted roads	
(i) Carpeted Roads-RCC	10 Years
(ii) Carpeted Roads-other than RCC	5 Years
(b) Non-carpeted roads	3 Years
IV. Plant and Machinery	
(i) General rate applicable to plant and machinery not covered under special plant and machinery	
(a) Plant and Machinery other than continuous process plant not covered under specific industries	15 Years
¹ [(b) continuous process plant for which no special rate has been prescribed under (ii) below [NESD]	25 Years]
(ii) Special Plant and Machinery	
(a) Plant and Machinery related to production and exhibition of Motion Picture Films	
1. Cinematograph films—Machinery used in the production and exhibition of cinematograph films, recording and reproducing equipments, developing machines, printing machines, editing machines, synchronizers and studio lights except bulbs	13 Years
2. Projecting equipment for exhibition of films	-do-
(b) Plant and Machinery used in glass manufacturing	
1. Plant and Machinery except direct fire glass melting furnaces —Recuperative and regenerative glass melting furnaces	13 Years
2. Plant and Machinery except direct fire glass melting furnaces —Moulds[NESD]	8 Years
3. Float Glass Melting Furnaces [NESD]	10 Years
(c) Plant and Machinery used in mines and quarries—Portable underground machinery and earth moving machinery used in open cast mining [NESD]	8 Years
(d) Plant and Machinery used in Telecommunications [NESD]	

1. Subs. by Notification No. G.S.R. 237(E), dated 31st March 2014, for clause (b) (w.e.f. 1-4-2014).

1. Towers	18 Years
2. Telecom transceivers, switching centres, transmission and other network equipment	13 Years
3. Telecom—Ducts, Cables and optical fibre	18 Years
4. Satellites	-do-
(e) Plant and Machinery used in exploration, production and refining oil and gas [NESD]	
1. Refineries	25 Years
2. Oil and gas assets (including wells), processing plant and facilities	-do-
3. Petrochemical Plant	-do-
4. Storage tanks and related equipment	-do-
5. Pipelines	30 Years
6. Drilling Rig	-do-
7. Field operations (above ground) Portable boilers, drilling tools, well-head tanks, etc.	8 Years
8. Loggers	-do-
(f) Plant and Machinery used in generation, transmission and distribution of power [NESD]	
1. Thermal/ Gas/ Combined Cycle Power Generation Plant	40 Years
2. Hydro Power Generation Plant	-do-
3. Nuclear Power Generation Plant	-do-
4. Transmission lines, cables and other network assets	-do-
5. Wind Power Generation Plant	22 Years
6. Electric Distribution Plant	35 Years
7. Gas Storage and Distribution Plant	30 Years
8. Water Distribution Plant including pipelines	-do-
(g) Plant and Machinery used in manufacture of steel	
1. Sinter Plant	20 Years
2. Blast Furnace	-do-
3. Coke ovens	-do-
4. Rolling mill in steel plant	-do-
5. Basic oxygen Furnace Converter	25 Years
(h) Plant and Machinery used in manufacture of non-ferrous metals	
1. Metal pot line [NESD]	40 Years
2. Bauxite crushing and grinding section [NESD]	-do-
3. Digester Section [NESD]	-do-
4. Turbine [NESD]	-do-

5. Equipments for Calcination [NESD]	-do-
6. Copper Smelter [NESD]	-do-
7. Roll Grinder	40 Years
8. Soaking Pit	30 Years
9. Annealing Furnace	-do-
10. Rolling Mills	-do-
11. Equipments for Scalping, Slitting , etc. [NESD]	-do-
12. Surface Miner, Ripper Dozer, etc., used in mines	25 Years
13. Copper refining plant [NESD]	-do-
(i) Plant and Machinery used in medical and surgical operations [NESD]	
1. Electrical Machinery, X-ray and electrotherapeutic apparatus and accessories thereto, medical, diagnostic equipments, namely, Cat-scan, Ultrasound Machines, ECG Monitors, etc.	13 Years
2. Other Equipments.	15 Years
(j) Plant and Machinery used in manufacture of pharmaceuticals and chemicals [NESD]	
1. Reactors	20 Years
2. Distillation Columns	-do-
3. Drying equipments/Centrifuges and Decanters	-do-
4. Vessel/storage tanks	-do-
(k) Plant and Machinery used in civil construction	
1. Concreting, Crushing, Piling Equipments and Road Making Equipments	12 Years
2. Heavy Lift Equipments—	
Cranes with capacity of more than 100 tons	20 Years
Cranes with capacity of less than 100 tons	15 Years
3. Transmission line, Tunneling Equipments [NESD]	10 Years
4. Earth-moving equipments	9 Years
5. Others including Material Handling/Pipeline/Welding Equipments [NESD]	12 Years
(l) Plant and Machinery used in salt works [NESD]	15 Years

V. Furniture and fittings [NESD]

(i) General furniture and fittings	10 Years
(ii) Furniture and fittings used in hotels, restaurants and boarding houses, schools, colleges and other educational institutions, libraries; welfare centres; meeting halls, cinema houses; theatres and circuses; and furniture and fittings let out on hire for use on the occasion of marriages and similar functions.	8 Years

VI. Motor Vehicles [NESD]

1. Motor cycles, scooters and other mopeds	10 Years
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2. Motor buses, motor lorries, motor cars and motor taxies used in a business of running them on hire	6 Years
3. Motor buses, motor lorries and motor cars other than those used in a business of running them on hire	8 Years
4. Motor tractors, harvesting combines and heavy vehicles	-do-
5. Electrically operated vehicles including battery powered or fuel cell powered vehicles	8 Years

VII. Ships [NESD]

1. Ocean-going ships	
(i) Bulk Carriers and liner vessels	25 Years
(ii) Crude tankers, product carriers and easy chemical carriers with or without conventional tank coatings.	20 Years
(iii) Chemicals and Acid Carriers:	
(a) With Stainless steel tanks	25 Years
(b) With other tanks	20 Years
(iv) Liquified gas carriers	30 Years
(v) Conventional large passenger vessels which are used for cruise purpose also	-do-
(vi) Coastal service ships of all categories	-do-
(vii) Offshore supply and support vessels	20 Years
(viii) Catamarans and other high speed passenger for ships or boats	-do-
(ix) Drill ships	25 Years
(x) Hovercrafts	15 Years
(xi) Fishing vessels with wooden hull	10 Years
(xii) Dredgers, tugs, barges, survey launches and other similar ships used mainly for dredging purposes	14 Years

2. Vessels ordinarily operating on inland waters—

(i) Speed boats	13 Years
(ii) Other vessels	28 Years

VIII. Aircrafts or Helicopters [NESD]

IX. Railways sidings, locomotives, rolling stocks, tramways and railways used by concerns, excluding railway concerns [NESD]	15 Years
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X. Ropeway structures [NESD]	15 Years
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XI. Office equipment [NESD]	5 Years
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XII. Computers and data processing units [NESD]

(i) Servers and networks	6 Years
(ii) End user devices, such as, desktops, laptops, etc.	3 Years

XIII. Laboratory equipment [NESD]

(i) General laboratory equipment	10 Years
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(ii) Laboratory equipments used in educational institutions	5 Years
XIV. Electrical Installations and Equipment [NESD]	10 years
XV. Hydraulic works, pipelines and sluices [NESD]	15 Years
Notes.—	

1. “Factory buildings” does not include offices, godowns, staff quarters.

2. Where, during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, the depreciation on such assets shall be calculated on a *pro rata* basis from the date of such addition or, as the case may be, up to the date on which such asset has been sold, discarded, demolished or destroyed.

3. The following information shall also be disclosed in the accounts, namely:—

(i) depreciation methods used; and

(ii) the useful lives of the assets for computing depreciation, if they are different from the life specified in the Schedule.

¹[4(a) Useful life specified in Part C of the Schedule is for whole of the asset and where cost of a part of the asset is significant to total cost of the asset and useful life of that part is different from the useful life of the remaining asset, useful life of that significant part shall be determined separately.

(b) The requirement under sub-paragraph (a) shall be voluntary in respect of the financial year commencing on or after the 1st April, 2014 and mandatory for financial statements in respect of financial years commencing on or after the 1st April, 2015.]

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6. The useful lives of assets working on shift basis have been specified in the Schedule based on their single shift working. Except for assets in respect of which no extra shift depreciation is permitted (indicated by NESD in Part C above), if an asset is used for any time during the year for double shift, the depreciation will increase by 50% for that period and in case of the triple shift the depreciation shall be calculated on the basis of 100% for that period.

7. From the date this Schedule comes into effect, the carrying amount of the asset as on that date—

(a) shall be depreciated over the remaining useful life of the asset as per this Schedule;

(b) after retaining the residual value, ³[may be recognised] in the opening balance of retained earnings where the remaining useful life of an asset is nil.

8. “Continuous process plant” means a plant which is required and designed to operate for twenty-four hours a day.

1. Subs. by Notification No. G.S.R. 627(E) dated 29th August 2014, for paragraph 4 (w.e.f. 29-8-2014).

2. Paragraph 5 omitted by Notification No. G.S.R. 237(E), dated 31st March, 2014 (w.e.f. 1-4-2014).

3. Subs. by Notification No. G.S.R. 627(E), dated 29th August 2014, for “shall be recognized” (w.e.f. 29-8-2014).