

The recently published Government Decision no. 2139/2004 comprises a Catalogue that establishes the “normal service life” (used to compute tax depreciation) for various categories of fixed assets.

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Tax Depreciation

The “normal service life” of a fixed asset is defined by the Government Decision as the period of time over which the initial book value of an asset is to be fully depreciated for tax purposes.

Fixed assets are now classified into three groups (rather than six groups as was previously the case) and the “normal service life” of a newly acquired asset is no longer given as a determined number of years but instead as a period which may be somewhere within a range. For instance, the “normal service life” of buildings may be established by the taxpayer at any level within the range of 40 and 60 years. Once the service life of an asset has been established, no changes may be made to it.

For assets owned but not fully depreciated before 31 December 2004, the Decision provides a formula to assist in determining the remaining “normal service life”.

Investments undertaken for the purpose of “improving the technical parameters” of an asset may be depreciated over the remaining service life of the asset or over a service life extended by 10% of the initial “normal service life” (20% for public institutions). If such expenses are incurred after the “normal service life” has expired, a new useful life duration must be established by a technical committee or a technical expert. A similar evaluation needs to be carried out when assets are acquired for which the history is not known or which have already exceeded their “normal service life”.

For any period in which an asset is not used, no depreciation is to be computed. Once the asset comes back into use, a new depreciation rate must be computed in order to be applied over the remaining service life.

The relevant law is Government Decision nr. 2139/2004 regarding the classification and normal service life of fixed assets (Official Gazette no. 46/13 January 2005).

About us

KPMG Romania's Tax Department consists of more than 35 Romanian and international advisors, organized to be able to react at short notice to any request for tax assistance you may require. As well as having command of local and international legislation we maintain good contacts at the top level of the Ministry of Public Finance.

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