

PREScribing ACCELERATED DEPRECIATION FOR DIESEL POWERED ELECTRIC GENERATING EQUIPMENT

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SECTION 1. Scope. - Pursuant to Sections 245 and 29(f) of the National Internal Revenue Code (NIRC), these Regulations are hereby promulgated prescribing accelerated depreciation on electric power generating equipment that are substantially utilized during the period prescribed in these regulations.

SECTION 2. Definition of terms. - For purposes of these Regulations, the term electric power generating equipment means any machine, engine or contrivance that generates electricity as a stand alone unit and not as a component of an integrated unit which is powered by diesel fuel oils and has a capacity of not less than 300 kilowatts.

SECTION 3. Allowance for accelerated depreciation. - Beginning September 1, 1992, any person duly accredited by the National Power Corporation or the Manila Electric Corporation (MERALCO) may, for income tax purposes, deduct accelerated depreciation for an electric power generating equipment which is placed in operation or service not later than August 31, 1992 provided that the said equipment is substantially utilized by the taxpayer as certified by the MERALCO on a monthly basis; and provided further that the percentage of use to be certified by MERALCO shall in no case be less than eighty percent (80%) of the owner's requirements.

SECTION 4. Determination of the amount of electric depreciation on electric power generating equipment. - (a) Basis for accelerated depreciation. - The accelerated depreciation shall be based on the depreciable value of the equipment as of August 31, 1992. For purposes of this paragraph, the term "depreciable value" means the net book value less scrap or salvage value of the equipment as of August 31, 1992.

(b) Period during which accelerated depreciation may be claimed. The allowance for accelerated depreciation may be availed of only during the period from September 1, 1992 to August 31, 1994 and shall be determined monthly in accordance with the following schedule:

Depreciable
Cost

Monthly Depreciation
Rate

Period of
Depreciation

(a) Less than P500,000 1/12 September 1, 1992 to
August 31, 1993

(b) Over P500,000 but not over 2 million 1/24 September 1, 1992 to August 31, 1994

(c) Over P2 Million 1/36 September 1, 1994 to August 31, 1995

SECTION 5. Effect of failure to meet the substantial utilization requirement. - If, for any month during the taxable year, the requirement of substantial utilization of the electric power generating equipment prescribed in Section 3 of these Regulations is not met, the corresponding depreciation for the said month is not deductible and shall not be taken into account in computing the total annual depreciation allowance for the taxable year. However, any remaining depreciable value of such equipment as of August 31, 1993 or August 31, 1994 or August 31, 1995, shall be depreciated over its remaining estimated useful life beginning from September 1, 1993 or September 1, 1994 or September 1, 1995, as the case may be.

SECTION 6. Effectivity. - These Regulations shall take effect upon approval.

Adopted: 24 July 1992

(SGD.) RAMON R. DEL ROSARIO, JR.
Secretary of Finance

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