Investors: Are you missing out on potential tax credits?

The key to profiting from your property investment

This article has been provided by BMT Tax Depreciation Pty Ltd. BMT are quantity surveyors, specialising in maximising depreciation deductions for property investors Australia wide.

Many property owners are losing potential tax credits by failing to take full advantage of a property's tax depreciation potential. Property tax depreciation is an often overlooked tax deduction for maximising legitimate claims against income sources and is available to any property owner who obtains assessable income by way of rent or operates a business from a property.

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Some of the key points regarding depreciation of investment properties include:

- Any building irrespective of age will attract some claim for depreciation with respect to the plant and equipment items contained within the property including air conditioning, carpets, light fittings etc.
- As a general rule any property constructed after 18 July 1985 (residential) and 20 July 1982 (non-residential) is eligible for the construction write off allowance.
- Any property having additions or refurbishments undertaken after 18 July 1985 (residential) and 20 July 1982 (non-residential) may be eligible for a construction write off allowance.
- All external works including fencing, paving, pergolas, garden sheds etc constructed after 26 February 1992 will attract the building write off allowance.
- Depreciation and capital allowances can be backdated/amended for up to two years if previously unclaimed or not maximised.

The depreciation potential of an individual building will differ greatly depending on its age, use and original construction cost. The maximisation of a depreciation claim on any building requires a unique combination of construction costing skills and experience combined with an intimate knowledge of the Income Tax Assessment Act 1997.

Quantity surveyors are recognised by the Australian Tax Office under TR 97/25 as being appropriately qualified to estimate construction costs of a building for tax purposes.

If you would like us to recommend a reputable quantity surveyor, please call the office for their details.

Claiming depreciation will reduce your taxable income and the resulting tax payable. The reduction in tax payable will equate to the quantum of depreciation multiplied by your marginal tax rate. For example if you earn $60,000 pa your marginal tax rate is 30% plus the Medicare levy of 1.5%. You will benefit from a tax saving of $3,780 if a depreciation claim of $12,000 is made.

Based on the 'diminishing value' method of depreciation, the following scenarios are provided as a guide:

	2 Bed unit	Townhouse	Residential house	Commercial building
Purchase price	300,000	375,000	400,000	2,500,000
Year 1 depreciation	7,000	8,000	12,000	100,000
Year 1-5 cumulative depreciation	30,000	32,000	50,000	450,000