



Can I depreciate an Old Property?

Any property used for investment purposes can be depreciated. Properties that were built prior to 1985 (when the building allowance kicked in) are still worth depreciating and obtaining a tax depreciation report to see the value of what tax benefits you can obtain.

The purchase price of your property includes the Land, Building and Plant and Equipment.

iScope will help you apportion or break down these categories and assist in the preparation of your tax schedules.

In most cases our reports will discover enough plant and equipment items to justify the expense of obtaining a depreciation report.

So What is a Tax Depreciation

Tax Depreciation is often overlooked by property investors despite being a perfectly legal way of minimising taxation.

Failure of Investors to Claim for Property Depreciation.

A number of people do not claim depreciation on their investment property because either they do not understand that they are allowed to do so or they do not realise how much money they are missing out on by failing to claim.

Typically the value of Depreciation that can be claimed for a residential property may range between \$1,500 and \$ 15,000 per year. For someone in the top marginal tax bracket of 45 cents in the dollar, the effect of tax depreciation is to put between \$675 and \$6,500 per year back in their pocket.

What is Property Tax Depreciation?

Just like a car declines in value, so does an investment property.

If the property is being used to generate an investment income, the Australian Taxation Office (ATO) allows the property owner to claim back the decline in building value by way of a Tax Deduction.

The amount of the deduction varies depending upon the date of the original building construction but is either 2.5% or 4% of the Capital Works Component of the building cost. In addition to this flat rate the ATO recognises that a number of building components (plant and equipment) have a shorter life than say bricks and mortar. Appliances, carpet, air-conditioning, blinds, smoke detectors are just a number of the 'wear and tear' items that have a shorter effective life than the main building structure and as such are granted an accelerated rate of depreciation.

Additionally areas of 'common property' such as corridors and stairways, a Gym, pool, and basement parking in an apartment block may be proportionally claimed by the Owner as part of their depreciation claim.

Over-all, by utilising the benefits of property Depreciation, the investor can turn what may otherwise be a negative cash flow into a positive cash flow.

How many Years Can be Claimed?

Owners who have not previously made a depreciation claim are entitled to claim for up to 2 prior years of ownership. Effectively this may result in a deduction of tens of thousands of dollars in the initial year of claim.

The Use of a Quantity Surveyor

Quantity Surveyors are recognised by the ATO as appropriately qualified professionals for the purpose of preparing Tax Depreciation Schedules (Depreciation Reports). The reason for this is that Quantity Surveyors have expertise in the valuation of construction costs. In the instance that the original building cost is not available, or renovations and improvements have been made to the property, a Quantity Surveyor will be able to prepare an estimate of the construction cost.

Not all Quantity Surveyors specialise in tax depreciation claims and it is recommended that the quantity surveyor provide an ATO compliant report that contains the following level of information:-

1. A life-time(40year) depreciation schedule that can be used for the life of your property
2. Both the Prime Cost and Diminishing Value Methods of Calculation
3. A Graph demonstrating the best method of claim
4. Utilisation of the benefits of Low-Value Pooling
5. A 100% first year claim for Low Value items (that is items under \$300)
6. A Tax deductible invoice