



Why Do I need a depreciation report for my investment property?

One of the most frequently asked questions we are asked at iScope Property Solutions is "Why do I need a tax depreciation report for my investment property?"

So to answer this question, we've outlined in the article below some of the reasons and benefits to obtaining a report, we hope the article answers the question for you, you can also download this as a PDF file to refer to in the future.

If you own a rental property or investment property, obtaining a tax depreciation report will enable you to maximise your potential tax deductions for depreciation on your property.

Not having a depreciation report means you may miss out on being able to legally reduce your rental profit, or increase your rental loss, whichever is the case.

You can also claim the cost of the report as a tax deduction.

A Tax depreciation report on your property will show the following:

- The address of your property
- The Property type – whether it's a residential, commercial or property development
- The date of construction
- Construction costs
- The Asset values
- The Settlement date

A Quantity Surveyor needs to prepare the tax depreciation report. They will determine an estimate on the value of the different assets in your investment property.

iScope Property Solutions will source a Quantity Surveyor who specialises in tax depreciation reports to prepare the report on your behalf, and save you money at no further cost to you.

The prepared tax depreciation report shows the depreciation to which you are entitled on a year-by-year basis up to 40 years for each deductible item in your investment property. You are also entitled to a tax deduction for depreciation on items in any common areas.

Each item that is listed in the report has a corresponding allowable depreciation claim. The depreciation rates in the report are extracted from suggested rates released by the Australian Taxation Office. You can only make an actual claim for depreciation in your tax return for the periods that your investment property is rented or available for rent.

Some of the items in the investment property that are listed in a tax depreciation report include freestanding bathroom accessories, blinds, carpets, floating timber floors, clothes dryers, washing machines, cook tops, freestanding wardrobes, freestanding furniture, heaters, light shades, microwave ovens, range hoods, and refrigerators. Freestanding items are those items that are portable or moveable.

Items in common areas that are listed a tax depreciation report include automatic garage doors, carpets, door mechanisms, fire alarm bells, fire extinguishers, fire hoses and nozzles, intercom system assets, lifts, and ventilation fans.

Construction costs

Another area covered within the tax depreciation report is the actual construction costs incurred when you build or purchase an investment property. The construction cost is the actual cost of constructing a building or extension. You must either keep your own records to determine the actual construction costs, or obtain a professionally prepared report. Only an appropriately qualified person, who has experience in estimating construction costs, can prepare the tax depreciation report.

This is where iScope Property Solutions can help by providing suitably qualified Quantity Surveyors to prepare your report.

The tax deduction for construction expenditure depends on the type of construction and the date of the construction expenditure. The deduction for construction expenditure is spread over 40 years (if new) so your report will contain the tax deduction for construction costs on a year-by-year basis.

The report will account for architects fees, engineering fees and foundation costs.

Once the construction is complete you can claim the construction costs of your investment property, including extensions, alterations, structural improvements and changes, retaining walls, concrete driveways, in-ground pools, protective fencing or timber decking around the pool, environment protection earthworks, lift wells, atriums, hand rails, hot water system piping and skylights.

Contact **iScope Property Solutions** on 1300 88 11 28 now organise your tax depreciation report or email us at [iScope Property Solutions](https://www.iscopeproperty.com.au)