

Maximise the returns on your investment property



Depreciation is the accounting method used for calculating the loss in value of a building over time. You can claim this loss in value on an investment property as a deduction in your annual tax return. Having a **Depreciation Schedule** in place is an essential part of any investment property strategy.



Doesn't my accountant look after that?

Only a qualified **Quantity Surveyor** can prepare a Depreciation Schedule. An accountant can order one for you, however this may take longer and end up costing you more than if you had one already prepared.

Will I have to pay for this to be done every year?

A Depreciation Schedule lasts for the life of the property (40 years). You only have to pay one initial tax-deductible fee for the schedule, and then it is yours to provide to your accountant throughout the life of your property.

My investment property is a small apartment, surely there won't be much to deduct?

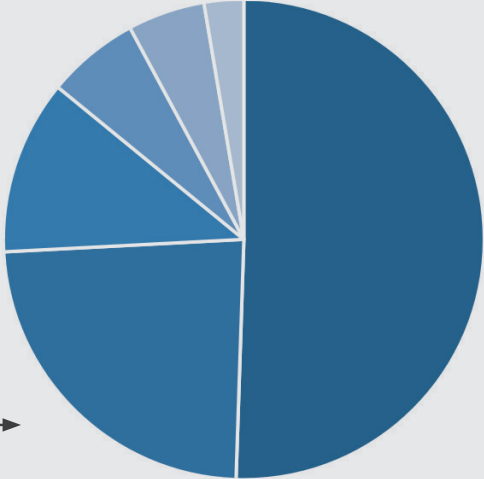
Owners of apartments are able to claim Depreciation on a portion of the strata common areas, including pools, lifts, gyms, and carparks.

Depreciation is often the second biggest Tax Deduction available on Investment Properties

2 Bed x 2 Bath, Built 2006

*Figures from a client's previous deductions

Interest	\$23,763
Depreciation	\$11,126
Strata	\$5,527
Management Fees	\$2,929
Rates	\$2,441
Water	\$1,253
Total Deductions	\$47,039



Investing in a brand new property now has more tax advantages than buying an established property.

Anyone who buys an established property for investment purposes after 9th May 2017 will no longer be able to claim depreciation on the Plant & Equipment (fixtures & fittings) for that property. Existing owners who have leased their property before 1st July 2017, brand new properties, commercial premises and Plant & Equipment purchased by the investor are exempt.



By estimating the value of each item, an investor can claim \$2,549 in this kitchen in the first full year alone. But depreciation isn't limited to the kitchen, it applies to every room of the house plus the external areas. For new strata properties, your portion of the common areas can also be claimed, including pools, gyms and car parks.

Capital Works (Division 43)

- ✓ Bricks & mortar
- ✓ Retaining walls
- ✓ Driveways
- ✓ Built-in cabinets

Plant and Equipment (Division 40)

- ✓ Carpets & flooring
- ✓ Curtains & blinds
- ✓ White goods & electrical appliances
- ✓ Air conditioning & solar panels

Sample Tax Deductions

Here are some examples of the tax deductions available to the stunning apartments at Civic Heart:

1 x 1	Year 1	Year 2	Year 3	Year 4	Year 5	Total Deductions	Tax Savings @ 37%
Construction Cost	\$6,493	\$6,493	\$6,493	\$6,493	\$6,493	\$32,463	\$12,012
P & E*	\$4,939	\$3,514	\$2,458	\$1,758	\$1,290	\$13,959	\$5,165
Total Deductions	\$11,431	\$10,007	\$8,950	\$8,251	\$7,783	\$46,423	\$17,177
Tax Savings @ 37%	\$4,230	\$3,703	\$3,312	\$3,052	\$2,880		

2 x 2	Year 1	Year 2	Year 3	Year 4	Year 5	Total Deductions	Tax Savings @ 37%
Construction Cost	\$9,336	\$9,336	\$9,336	\$9,336	\$9,336	\$46,680	\$17,272
P & E*	\$5,866	\$4,042	\$3,053	\$2,201	\$1,626	\$16,789	\$6,212
Total Deductions	\$15,202	\$13,378	\$12,389	\$11,537	\$10,962	\$63,469	\$23,484
Tax Savings @ 37%	\$5,625	\$4,950	\$4,584	\$4,269	\$4,056		

3 x 2	Year 1	Year 2	Year 3	Year 4	Year 5	Total Deductions	Tax Savings @ 37%
Construction Cost	\$14,639	\$14,639	\$14,639	\$14,639	\$14,639	\$73,196	\$27,083
P & E*	\$7,912	\$4,992	\$3,950	\$3,340	\$2,444	\$22,637	\$8,376
Total Deductions	\$22,551	\$19,632	\$18,589	\$17,979	\$17,083	\$95,834	\$35,459
Tax Savings @ 37%	\$8,344	\$7,264	\$6,878	\$6,652	\$6,321		

*DEDUCTIONS FOR PLANT & EQUIPMENT ARE ONLY AVAILABLE WHEN BUYING A **BRAND NEW PROPERTY**

NB: This analysis is provided to illustrate the benefits of claiming Tax Depreciation on an investment property only, and should not be seen as financial advice. Final deductions will be calculated upon completion of the project.