



Freecall 1800 17 88 22

www.ipi.net.au

Do You Know All About Property Tax Depreciation?



What is Property Tax Depreciation & Property Tax Allowances?

If you own an Investment Property, you are eligible Under Division 40 & 43 of the Income Tax Assessment Act to claim depreciation on all Items of Plant contained within the property and secondly, if constructed after 1985, an allowance of either 2.5% or 4% is applicable on the construction cost, depending on its start date.

What are the benefits of getting a Tax Depreciation Schedule? What happens if I get audited by the ATO?

In obtaining a Tax Depreciation Schedule, it will maximise the amount of non-cash deductions you will receive in your Tax Return on your Investment Property. A Tax Depreciation Schedule will differentiate between depreciable plant and the allowance available on the building works, and will provide a detailed analysis sufficient to satisfy strict ATO requirements.

Can't my Accountant do my Tax Depreciation Schedule? Do I need a Professional Quantity Surveyor to assist in the preparation of my Tax Depreciation Schedule?

Yes, an Accountant may assist, however under Division 40 & 43 of the Income Tax Assessment Act, the ATO encourages the Self-Assessment Scheme whereby the assistance of a Professional Quantity Surveyor is required in order to estimate accurate plant and building costs. Your Quantity Surveyor must also be registered with the Tax Practitioner Board

When do I have to get a Tax Depreciation Schedule on my investment property? How long will the Schedule last?

As soon as possible after the date of purchase settlement, and before the lodgement of your next years Tax Return. Your Tax Schedule will summarise your allowance for the lifetime of your Investment Property.

Why do I need a property depreciation schedule?

A Tax Depreciation Schedule will maximise the amount of non-cash deductions you will receive in your Investment Property Tax Return. A Tax Depreciation Schedule differentiates between depreciable plant and building works allowance, and provides a detailed analysis sufficient to satisfy strict ATO requirements.



**According to the ATO
52% of property investors
don't claim all their
available deductions**

Is My Property Eligible?

Regardless of age, ALL PROPERTIES are eligible and contain depreciable plant that should be re-valued and given a new effective life from the date of settlement. In addition, a capital works allowance on the building is available for any investment property with a construction start date after 1985.

Accuracy

All Tax Depreciation Schedules are fully and comprehensively checked and endorsed by Qualified Quantity Surveyors, prior to release and meet the stringent Quality Assurance Procedure and Programme as produced by the Company Directors.

What is a Tax Depreciation Schedule?

A Tax Depreciation Schedule is a holistic report, prepared by a Qualified Quantity Surveyor, capturing all depreciable components of your investment property. It lists all your investment's various items, the amount of wear left in them (effective life) and the dollar value you can claim against your assessable income.

Your report will:

- Include depreciation on both Capital Allowances and Plant & Articles, by clearly identifying each depreciable item and providing accurate calculations and figures which can be legitimately claimed on your personal tax return
- Provide calculations and figures for the full depreciable lifetime of the property - up to 40 years
- Capture all improvements made to the property since its initial construction.

Unless you undertake major renovations to the property in the future, you should never need to have another report prepared for your property. For any improvements you make to the property, simply retain your receipts and forward these to your accountant who should be able to incorporate these additions into your existing Schedule.

How much Depreciation can I expect from my property?

The total depreciation that can be claimed will vary from property to property. This will depend, among other things, on the age and condition of the property.

Naturally, more depreciation will be identified in brand new properties, as the full 40 year depreciable lifetime will be available.

As explained previously, properties constructed prior to 1985 will not be eligible to claim the Capital Allowance component of depreciation.

However depreciation on all Plant and Articles in the property will still be available. All renovations and improvements to the property will also be included in the depreciation calculations.

Why do you need to conduct an Inspection of my property?

It is very important that we undertake a full inspection of your property for a number of reasons:

- In order to produce and certify a legitimate Tax Depreciation Schedule, we are required to conduct a full property inspection.
- We are able to identify, and assign a value to, every depreciable component of your investment property.
- We are able to identify all improvements and renovations to the property.
- We are able to take measurements of your property to accurately calculate things like carpets, window covering, etc for inclusion in your Tax Depreciation Schedule.
- We take photographs of your property for inclusion in your Tax Depreciation Schedule.

Companies or individuals who prepare Tax Depreciation Schedules without conducting a full property inspection simply cannot certify that the calculations provided are legitimate and accurate.

Don't risk it. Substandard Tax Depreciation Schedules will not withstand an ATO audit.

To arrange your Tax Depreciation Schedule and maximise your tax savings please call us on **1800 17 88 22** or email info@ipi.net.au