BMT Tax Depreciation
QUANTITY SURVEYORS

MEDIA RELEASE
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Investors are still missing out on depreciation deductions

The Australian Taxation Office (ATO) recently released statistics relating to claims made by Australian property investors for the 2011-2012 income year.

Owners of rental properties are entitled to a number of deductions when they complete their annual income tax assessment. Some of the deductions claimed by investors in 2011-2012 included body corporate fees, agent fees and commissions, council rates, borrowing expenses, interest on loans, repairs and maintenance, gardening expenses, pest control, capital works deductions and plant depreciation.

According to the Managing Director of BMT Tax Depreciation Bradley Beer, two types of deductions available to property investors which continue to be missed are capital works deductions and plant and equipment depreciation.

Approximately 2.5 million property investors claimed deductions in the 2011-2012 income year. Of these investors, just over 1 million received an average capital works deduction of $2,029 while just over 1.7 million investors claimed an average deduction of $1,139 for plant and equipment depreciation in the 2011-2012 income year.

"A total depreciation claim of $3,168 on average is well below the typical claim found for residential investors who request a BMT Tax Depreciation Schedule. Data collected from tens of thousands of depreciation schedules prepared by BMT Tax Depreciation suggests the average claim should be around $10,100 in the first full financial year and $7,350 per year on average over the first ten years of owning a property," said Brad.

Brad advised that not all investment property owners are eligible to claim capital works deductions due to ATO restrictions placed on a property based on the construction commencement date. However, investors can still claim substantial depreciation deductions for plant and equipment items regardless of their property's age.

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“We’re continuing to see a trend that suggests the owners of older properties don’t claim the maximum capital works deductions available. Older properties have often had renovations completed. Even work completed by a previous owner of the property can be claimed as a capital works deduction by the current owner,” said Brad.

ATO legislation states that the owner of any residential investment property can only claim capital works deductions if construction commenced after the 18th of July 1985. Depreciation of plant and equipment is not limited by age, it is the condition and the quality of each item which contributes to the depreciable amount.

“We are also seeing investors miss out on deductions when they self-assess claims or estimate costs in their investment property based on their own judgement,” said Brad.

Calculating depreciation for an investment property is a complicated process and Quantity Surveyors are one of the few professionals recognised by the ATO to have the appropriate costing skills necessary to estimate building costs for depreciation purposes.

“A Quantity Surveyor will perform a site inspection to note any renovations and ensure that all plant and equipment items are listed on a tax depreciation schedule. They use their knowledge of methods of depreciation such as immediate write-off and low-value pooling to maximise an investors claim,” said Brad.

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About BMT Tax Depreciation

BMT Tax Depreciation (BMT) is a Quantity Surveying company specialising in the provision of tax depreciation schedules for residential and commercial investment properties. Commencing business in 1997, demand from property investors nationally has seen business expand Australia-wide with offices now located in Sydney, Parramatta, Melbourne, Brisbane, Newcastle, Adelaide, Perth, Gold Coast, Cairns, Canberra, Hobart and Darwin.

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