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Property investors claim thousands back: Three real examples

BMT & ASSOC continue to meet many property investors who have never heard of claiming tax depreciation on their investment properties. This legitimate way of injecting potentially thousands of dollars into a property investors' cash flow is often under-utilised. This means that investors around the country are missing out on millions of dollars in depreciation deductions each year.

This article provides three real life examples of investors who did not realise the significant deductions available to them and the benefits of using a specialist quantity surveyor to obtain a property depreciation report.

Example One:

Sue is a past client who had previously engaged BMT & ASSOC to prepare a property depreciation report on her brand new investment property. She recently purchased an older house for \$320,000 in Melbourne's outer suburbs. The four bedroom house was built in 1968 and previous owners had extended the rear of the property in 1989.

Sue thought that there would not be any deductions available on the property due to its age. Having used BMT & ASSOC previously for her other investment property, Sue thought it would be best to contact BMT & ASSOC to ensure she wasn't missing out on any deductions.

Based upon Sue's description BMT & ASSOC visited the site, taking photos and measurements of the property and noting the recent addition.

In the first five financial year claims, BMT & ASSOC were able to identify \$25,000 worth of tax depreciation deductions. Over the life of the property, BMT & ASSOC identified a total of **\$72,000** in depreciable and capital allowance deductions.

Example Two:

Bob and Lucy owned 2 motels in central Australia.

They were claiming a small amount in depreciation deductions based upon information that was provided to them by the previous owners. At the time of purchase their accountant didn't think it was necessary to obtain a tax depreciation report.

A few years later Bob and Lucy changed accountants, their new accountant suggested they contact BMT & ASSOC to ensure they were maximising their depreciation deductions.

Bob and Lucy engaged BMT & ASSOC to investigate the potential for increased tax deductions. A quantity surveyor visited the site and conducted further research. We found that the motel in recent years had added a restaurant, pool and additional accommodation units. These alterations and additions were within the qualifying construction periods and an updated tax depreciation report was compiled.

Bob and Lucy were able to go back and amend their previous 4 financial years of tax returns and were extremely surprised to receive a cheque for **\$90,000** from the Australian Taxation Office. They will continue to enjoy ongoing depreciation deductions, which total \$698,000, for many years to come.

Example Three:

After speaking to a friend about using a quantity surveyor to maximise depreciation deductions George, a commercial property investor, phoned BMT & ASSOC.

A quantity surveyor met with George at one of his buildings in Sydney, a 3 storey commercial office. George was not claiming any property depreciation or building write off even though his whole building was constructed within the qualifying periods.

George received a first year deduction of \$800,000, which equated to a cash return of **\$240,000** in the first financial year.

After realising the potential cash flow that he was missing out on, George engaged BMT & ASSOC to audit and report on his 6 other commercial buildings, resulting in over \$1.5 million worth of depreciation deductions.

Changes in back claiming legislation – don't miss out on your entitlements!

From October 2008, individuals will no longer be able to back-claim tax depreciation deductions for 4 years. This will be reduced to 2 years. It is important to contact a specialist quantity surveyor before October 2008 if you are unsure about your back-claiming options.

