Property Depreciation

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With the current tightening of the property market and increases in the cost of living it has never been more important to take full advantage of any eligible tax deductions available for you investment properties. Did you know that:

60% of residential and commercial property investors only receive 40% of allowable tax deductions?

When you think of tax deductions for a residential property investment, you probably think of things like mortgage interest, maintenance and upkeep, property management fees, council rates etc. But there's one other very big deduction you may have overlooked......**depreciation**.

As your investment property ages, the building itself actually depreciates in value, even as the overall value of your investment increases. This isn't as surprising as it first sounds; after all, your land may get more desirable with age, but most buildings certainly don't. In other words, your land is responsible for the increase in value, the house or unit on the land justs gets old and tired.

Much of your property's depreciation is considered an investment expense, making it tax deductible. In other words, you can reduce your taxable income, and therefore pay less tax and increase your cash flow. Generally, this equates to a significant tax refund at the end of each financial year.

One of the advantages of your investment property being a brand new house is that you are able to maximize your deductions in relation to your depreciable items.

We strongly recommend to all our clients that you use a qualified quantity surveyor to provide you with a depreciation schedule for any investment properties you may have to ensure that you comply with ATO guidelines.