



TAX EFFECTIVE REAL ESTATE.

MAXIMISATION OF DEPRECIATION TAX BENEFITS FOR THE PROPERTY INVESTOR.

Many people consider entering the property market as investors by negatively gearing their position with the use of debt. This enables them to take advantage of the present taxation system which offers many advantages in the form of tax relief.

The question as to whether an expense is deductible for taxation purposes depends upon its relationship to the income being derived. In order to negatively gear a property's debt that property must be used for income producing purposes.

Tax deductible expenditure includes but is not necessarily limited to the following:-

1. Telephone, stamps and stationary.
2. Travel and other expenses in collecting rents and in connection with maintenance and repairs to the property.
3. Agent's commissions.
4. Management fees.
5. Repairs.
6. Body Corporate charges
7. Insurance premiums.
8. Borrowing and mortgage interest costs.
9. Rates.

In addition to the above, very significant allowances are also available in respect of **Building Allowances** and for **depreciation of "Plant and Articles"**. However, the lack of information attributable to asset costs, specifically a breakdown of the construction costs of the building and the associated plant and fittings at acquisition time very often means that investment property owners either understate or even neglect to include a claim for depreciation in their taxation returns.

There are two methods of calculating depreciation:

1. Diminishing Value (reducing value) method.
2. Prime Cost (straight line) method.

An area of concern to many investment property owners when considering depreciation is what constitutes qualifying expenditure and what are the construction costs of depreciable items.

Different rates of depreciation apply to various components of a property, each related to the components' projected life and to the use of the property.

Taxation allowances for depreciation are one of the most important factors in investment property ownership, particularly where negative gearing is intended. However, the complexity of the rules which apply to depreciation allowances also means that they remain one of the least understood aspects.

Very few construction professionals are able to apply the mixture of detailed construction knowledge and cost expertise necessary to prepare tax depreciation schedules and the taxation department accept quantity surveyors such as the **APD Partnership** as being suitably qualified to do so.

The **APD Partnership** has a wealth of experience in the preparation of tax depreciation schedules for all types of properties including residential, commercial and industrial and is able to review each individual property in order to identify and maximise the depreciation allowances available to be claimed.