

TAX DEPRECIATION

Why you don't have to buy 'New'...

The following article is from 'Maverick', a quarterly newsletter produced by BMT Quantity Surveyors. For more information on this and other property tax advice, please contact BMT or your accountant/financial advisor.

Our property investor clients often ask the question whether it is best to purchase an old or new property in terms of the depreciation benefits the property will provide the owner.

Even the owner of a property constructed prior to 1987 can receive an average depreciation deduction of \$4,899 in the first full financial year alone.

While owners of brand new properties will receive higher depreciation deductions, as shown by the average deduction of \$12,680 in the first full financial year, it is always worthwhile asking a specialist Quantity Surveyor what can be claimed no matter how old a property is.

Owners of newly constructed properties are entitled to claim capital works deductions for the full 40 years, while owners of older properties where construction commenced after the 15th of September 1987 can claim capital works deductions each year for the remaining 40 years.

Although the Australian Taxation Office places restrictions on capital works deductions based on the construction commencement date of the property, there are no such restrictions for plant and equipment assets. Their value is determined by the condition, age and quality of each asset. A fair value is determined for these assets and the effective life will start from the date of settlement.

In summary, the key findings from our data suggest that the majority of Australian property investors own just one property and not large portfolios. We can also see that 78.5 per cent are buying second hand properties, up from 70.4 per cent in the previous financial year.

The data also provides a reminder for investors to discuss the depreciation deductions they can claim for any property purchase. These deductions can be substantial no matter what age the building is and whether it is a house, a unit, a townhouse or a duplex.

Some of the specific details in this article may not apply to all property investors. To find out if it will apply to you, please visit the link below

<http://www.bmtqs.com.au/budget-2017>

Source: <https://www.bmtqs.com.au/maverick/mav-41-depreciation-data-highlights-investment-trends>

Age of residential properties selected - 2015/2016 financial year			
Description	Construction dates	Percentage of total	Average first full year deduction
Old	Pre 1987	22.3%	\$4,899
Pre 2000	1987 - 2000	16.9%	\$7,543
Up to 15 years old	2000 - end 2012	26.0%	\$11,303
Fairly new	2012 - 2015	13.3%	\$12,316
Brand new	Built after 1/3/2015	21.5%	\$12,680

LEASED

CALENDAR
DATES FOR
JULY

LEASING REPORT

June has been a relatively stable month across the board, with vacancy rates remaining very low. The small number of vacates in the month of June have largely been early termination of leases.

Furthermore, most of our properties have been tenanted with minimal vacancy time. We believe this to be a result of 2 main factors:

1. Our targeted marketing strategy that identifies the best time to start advertising for tenants (see our June newsletter).
2. Our owner clients' realistic expectations in adjusting prices to meet the market where necessary.

STATISTICS FOR JUNE:

Northside: Total of 21 properties leased

Southside: Total of 22 properties leased

Office Vacancy Rate: 1.16%

DISBURSEMENTS

Wed 5th
Wed 12th
Wed 19th
Wed 26th

Monthly Statement
Issued
Wed 26th



End of Financial Year

Friday 30th June

EOFY Statements were issued at the same time as June Statements. Please email Carol if you have any questions:

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Making it easier for tenants to CONNECT, MOVE and RELAX!

Solutions Connect is a new, one-stop shop for all our tenants looking to get their services and utilities connected before moving in.

This includes (but is not limited to) removalists, cleaning, gas, power and internet.

Ensuring your tenants have a smooth moving experience is the first step in beginning a rewarding tenancy for both owner and tenant.

More information on Solutions Connect is available on our website.