Raymond K H Ho & Associates Pty Ltd

– Newsletter for Property Investors Nov 2018

Commonly missed deductions

Depreciation is a complex area, so unless you're a specialist Quantity Surveyor or a qualified Tax Accountant, it can be hard to wrap your head around it.

As such, investors miss deductions all the time, meaning they could be losing out on thousands of dollars.

Research shows that 80 per cent of property investors are failing to maximise the deductions claimed from property depreciation.

So why are so many investors missing out and what deductions commonly go missed?

Why are deductions missed?

There are a few reasons why deductions may be missed or not maximised.

- The first is that many investors remain unaware of depreciation and that it's even a valid claim. This is possibly because it is a non-cash deduction, meaning the investor does not need to spend any money in order to make a claim. Furthermore, they may not realise the significant deductions available and may falsely consider it a minor claim not worth their time.
- They may not be getting a specialist to prepare a tax depreciation schedule. Quantity Surveyors are one of a few professionals recognised by legislation (Tax Ruling 97/25) to have the appropriate construction costing skills to calculate building costs for capital allowance claims. You should ensure you seek the services of a Quantity Surveyor who specialises in property depreciation to ensure claims are maximised. A specialist will have up to date knowledge of legalisation and the tools and tricks available to maximise deductions in a legally compliant manner. They will also ensure that no asset goes unaccounted for.
- Many investors are unaware that they can make a claim for renovations completed by a previous owner. So long as they fall within the qualifying date for capital works, these previously completed renovations are a valid claim and can provide significant deductions for current owners.

- Unusual or small items often go overlooked. Even if they're aware of depreciation, many investors don't realise that things as simple as door stoppers, shower curtains and spa bath pumps can attract a depreciation claim. While they may seem small, these items can really add up in a depreciation claim.
- Some investors will choose to make a self-assessed claim. This is risky for a variety of reasons. Many investors do not have the technical knowledge of a trained professional and as such, they can overlook important items or make an incorrect claim, which may mean it is not compliant and puts them at risk in the event of an ATO audit. It's always best to get an expert on board to prepare your tax depreciation schedule.

What assets are commonly missed?

As previously mentioned, renovations made by previous owners are commonly missed. Speaking of renovations, if an investor is currently completing a renovation, they may be eligible to scrap any assets they're getting rid of in the renovation. This means they can claim the remaining depreciable value for certain assets. This can be commonly missed if a specialist Quantity Surveyor has not provided assistance.

Furthermore, a Quantity Surveyor will know how to make use of different strategies and tools to maximise deductions sooner, such as the low value pool. If this is overlooked, it can result in valuable deductions going unclaimed.

Finally, small or unusual items are often overlooked, deemed too insignificant by investors to warrant making a claim.

Some examples include:

- Garbage bins
- Door closers
- Rugs
- Smoke alarms
- Exhaust fans
- Electric clocks
- Freestanding bathroom accessories
- Shower curtains
- Spa bath pumps
- Garbage disposal units
- Tennis court nets
- Automatic window shutters
- Freestanding garden sheds
- Intercom system

- Electric water filters
- Ceiling fans
- Solar garden lights
- CCTV systems
- Water feature pumps; just to name a few

These deductions may seem small, but they do add up for property investors and should not be overlooked.

What’s the solution?

When it comes to property depreciation, it’s always best to employ the services of a Quantity Surveyor that specialises in tax depreciation, such as BMT, to prepare a tax depreciation schedule for your investment property.

This will not only ensure that these deductions are not missed, but that deductions for all qualifying assets are maximised and compliant with ATO legislation.

This schedule will cover the life of the property, can be easily used by your Accountant when preparing your tax returns and will ensure that these commonly missed deductions will not go unnoticed.

Article provided by BMT Tax Depreciation.

Bradley Beer (B. Con. Mgt, AAIQS, MRICS, AVAA) is the Chief Executive Officer of BMT Tax Depreciation. Please contact 1300 728 726 or visit www.bmtqs.com.au for an Australia-wide service.