Raymond K H Ho & Associates Pty Ltd

– Newsletter for Property Investors Apr 2018

Five questions you should ask your Quantity Surveyor

Are you an investor who's heard about the benefits of depreciation and have decided to start claiming?

That's great news for your investment.

Claiming depreciation will help you maximise the cash return from your investment property. As a non-cash deduction, depreciation is a quick win for investors and requires minimal effort on the owner's end.

But before organising a Quantity Surveyor to prepare your tax depreciation schedule, it's important to note that not all Quantity Surveyors are created equal, and some due diligence is usually required before forging ahead.

Just like you would seek the best Property Manager to manage your investment property, you should do the same when choosing to work with a Quantity Surveyor.

To help ensure you get maximum deductions, here are five questions you should be asking your potential Quantity Surveyor.

What industry qualifications do you have? And are you a registered Quantity Surveyor?

When choosing a Quantity Surveyor, it is important to check that they are members of the Australian Institute of Quantity Surveyors (AIQS). The AIQS is an industry body that assists its members to maintain compliance with industry regulations and Australian Standards ensuring a high quality of service.

In addition to being accredited by the AIQS, it is also important to check that the firm are registered tax agents with the Tax Practitioners Board (TPB). The TPB is the national body responsible for the registration and regulation of tax agents ensuring compliance with the Tax Agents Services Act 2009 (TASA). Quantity Surveyors need to be registered tax agents to complete tax depreciation schedules for investment properties.

Do you specialise in tax depreciation?

Not all Quantity Surveyors specialise in tax depreciation. Only a tax depreciation specialist can be relied on to maintain detailed knowledge of all current Australian Taxation Office (ATO) Tax Rulings relating to depreciation.

This difference is reflected in a property investors' bottom line. Because of their in-depth industry knowledge, a specialist Quantity Surveyor can help their clients claim more deductions, pay less tax and see a greater return on their investment.

Is my property too old?

Since changes to claiming depreciation on second-hand residential properties were introduced following the 2017 federal budget*, many investors now wonder if they're still able to claim depreciation for their investment properties.

The bottom line is that it is always worth enquiring about what depreciation deductions are available.

Even if your property was purchased second- hand after this date, it is likely there will still be some deductions available, whether it's in the form of capital works deductions, previous renovations or newly installed plant and equipment assets.

Now more than ever it's important to maximise the deductions you are legally entitled to.

What's included in your tax depreciation schedules?

Your tax depreciation schedule needs to be comprehensive and ATO compliant. This helps you claim maximum deductions and also covers you in the event of an audit from the ATO.

As an example of what should be included in a schedule, a BMT Tax Depreciation Schedule contains a one page overview of total deductions, the prime cost and diminishing value methods for plant and equipment assets, a forty year projection of all available deductions, and a glossary of terms for easy understanding.

The Quantity Surveyor should also be able to provide Excel and CSV schedule files for Accountants and owners for easy importing into compatible accounting software.

Furthermore, if your property is owned by more than one party, your Quantity Surveyor should be able to provide you with a split report, as this often results in higher deductions earlier.

Do you outsource any of your work?

Some tax depreciation companies will outsource parts of the process of preparing a schedule to contractors or external Quantity Surveyors and Site Inspectors. While not technically incorrect or bad practice, this can be an inconvenience service wise and may lead to a greater chance of errors occurring, if several parties are working on the one schedule.

Please note that BMT do not outsource any of their operations.

** Under new legislation outlined in the Treasury Laws Amendment (Housing Tax Integrity) Bill 2017 passed by Parliament on 15th November 2017, investors who exchange contracts on a second-hand residential property after 7:30pm on 9th May 2017 will no longer be able to claim depreciation on previously used plant and equipment assets. Investors can claim deductions on plant and equipment assets they purchase and directly incur the expense for. Investors who purchased prior to this date and those who purchase a brand-new property will still be able to claim depreciation as they were previously. To learn more visit www.bmtqs.com.au/budget-2017 or read BMT's comprehensive White Paper document at www.bmtqs.com.au/2017-budget-whitepaper.*

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Raymond K H Ho & Associates have formed a relationship with BMT Tax Depreciation, Australia's leading experts in property depreciation to ensure depreciation deductions are accurate and maximised for their investor clients. Raymond K H Ho & Associates clients are entitled to a special reduced fee when they choose to arrange a schedule for their property.

Article provided by BMT Tax Depreciation.

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