

Construction Type

Residential

	Low	Medium	High
3br brick veneer project home, level block, shelf design	\$ 550.00	\$ 750.00	\$ 875.00
Architecturally designed executive residence	\$ 1670.00	\$ 2,100.00	\$ 2,455.00
3br, 2 level brick veneer townhouse, including allowance for common property	\$ 825.00	\$ 945.00	\$ 1,145.00
3 level walk-up unit complex, concrete structure ground floor parking	\$ 950.00	\$ 1,075.00	\$ 1,250.00
Multi level apartment building, including lift and basement car parking	\$ 1,050.00	\$ 1,325.00	\$ 1,525.00

Commercial

1-2 level open plan offices, including A/C, excluding fitout	\$ 650.00	\$ 865.00	\$ 1,100.00
1-4 level open plan offices, including A/C & lifts, excluding fitout	\$ 950.00	\$ 1,045.00	\$ 1,345.00
4-8 level open plan offices, including A/C & lifts, excluding fitout	\$ 1,050.00	\$ 1,280.00	\$ 1,450.00
8 levels and over, including A/C & lifts, excluding fitout	\$ 1,550.00	\$ 1,875.00	\$ 2,265.00

Industrial

High Bay Warehouse, standard config, concrete floor, metal clad (size to 3500m ²)	\$ 400.00	\$ 450.00	\$ 515.00
High Bay Warehouse, standard config, concrete floor, metal clad (size > 3500m ²)	\$ 385.00	\$ 430.00	\$ 495.00
High Bay Warehouse, standard config, concrete floor, pre-cast concrete wall clad (size to 3500m ²)	\$ 440.00	\$ 480.00	\$ 550.00
High Bay Warehouse, standard config, concrete floor, pre-cast concrete wall clad (size > 3500m ²)	\$ 420.00	\$ 460.00	\$ 520.00

Retail

Suburban shopping mall area including A/C	\$ 1,000.00	\$ 1,225.00	\$ 1,325.00
Supermarket, including A/C, excluding fitout	\$ 865.00	\$ 950.00	\$ 1,100.00
Speciality Shops, including A/C, excluding fitout	\$ 585.00	\$ 650.00	\$ 715.00

Hotels/Motels

Single level boutique motel, including A/C quest facilities	\$ 1,425.00	\$ 1,585.00	\$ 1,745.00
Single level tavern/hotel, including A/C, excluding loose item fitout	\$ 1,245.00	\$ 1,565.00	\$ 1,710.00
Licensed Club, including A/C, bar, lounge, rec facilities	\$ 1,220.00	\$ 1,535.00	\$ 1,650.00
Multi level, 3 star hotel including A/C, restaurant, bar, common facilities	\$ 1,845.00	\$ 1,980.00	\$ 2,065.00

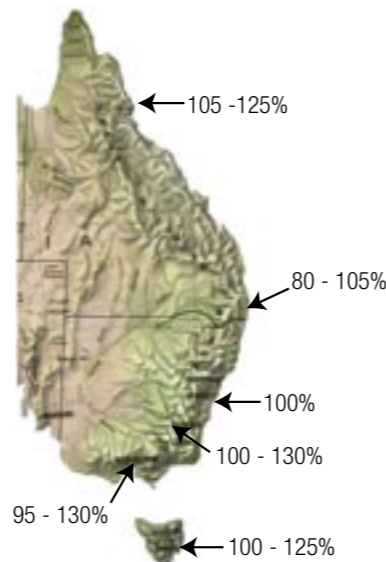
Note: These rates are based on BMT & ASSOC professional opinion and are indicative of typical costs for similar developments. The rates stated do not include land, demolition, sloping sites, unforeseen ground conditions, non-standard design, high wall to floor ratios, external works and services, professional fees and authority fees.



Macquarie Park Office Project,
One of our latest projects.

REGIONAL VARIATIONS - CAPITAL CITIES

It must be stressed that the information on this newsletter represents a guide to a range of indicative construction costs for gross building areas based within one of Australia's capitals cities.



Disclaimer

This newsletter is issued as a helpful guide and is not intended to, and does not cover all aspects of the topics discussed. Professional advice should be sought before any action upon these topics is undertaken.

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Inside this issue...

- Property Tax Depreciation Report
- Division 43 – Building Write Off Allowances Table
- GST Registration
- Scrapping for Your Tax Benefit
- Construction Costs per Square Metre

Property Tax Depreciation Report

What a professionally produced report should include!

There are several features of a professionally produced Tax Depreciation Report that will maximize the available returns from any investment property. These factors include:

- ❖ A thorough site inspection is undertaken – this is essential to ensure the report is complete and accurate. The quantity surveyor will collect the necessary measurements and photographic records to ensure all items within both the property and common areas are captured.
- ❖ The firm has sufficient resources to conduct site inspections quickly after engagement to ensure the client receives the report in reasonable time. Turnaround time for the production of the report is kept to within ten working days after the site inspection is conducted.
- ❖ The report should include appropriate values for both capital allowance and base fixtures and fittings. The plant and equipment should be valued based on “just attribution of purchase price” where applicable.

The detailed report should have the following elements:

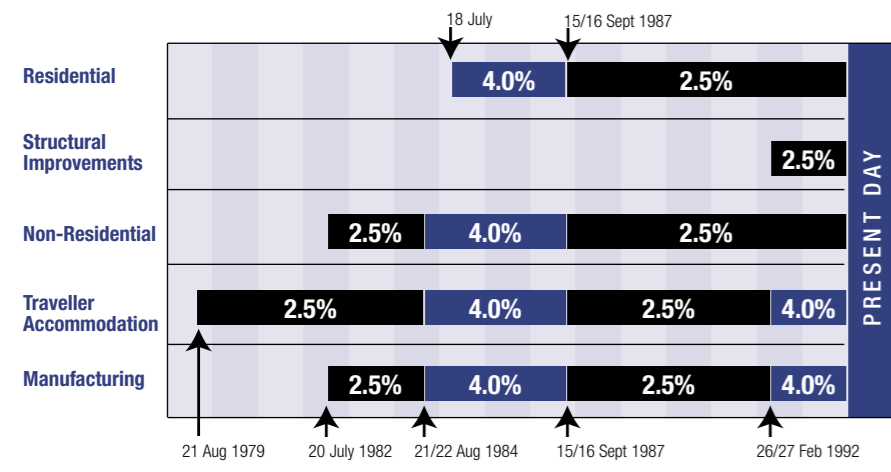
- ☑ A method statement;
- ☑ Summary of Diminishing Value Method of Depreciation;
- ☑ Summary of Prime Cost Method of Depreciation;
- ☑ Detailed 10 year forecast table illustrating all depreciable items together with building write off for both Prime Cost and Diminishing Value methods;
- ☑ Comparative table of the two methods of depreciation;
- ☑ Cumulative and year by year analysis graph of the two methods of depreciation;
- ☑ Common property items within strata or community title complexes such as lifts, and swimming pools are included in the depreciation report for a unit in a multi-unit development;
- ☑ The report is structured to facilitate the client by amending previous years' tax returns to re-coup unclaimed depreciation benefits; and
- ☑ The report is pro-rata calculated for the first year of ownership based on the settlement date so that the accountant has the exact depreciation deductions for each year.



Gladesville Units,
One of our latest projects.

Division 43 - Building Write Off Allowances Table

Scrapping for Your Tax Benefit



An explanation...

Division 43 or Capital Allowance Deductions are based on the historical cost of the building excluding the cost of all 'plant' and non-eligible items.

The Division 43 write off allowance available on a property is triggered by the date of commencement of the capital improvement works and the use of the building.

All income producing buildings, refurbishments, extensions and fit-outs which have commenced construction within the correct dates, as outlined in the table adjacent, will qualify for this Division 43 write off allowance.

Purchasers of second hand residential property should be well aware they will be eligible to claim Division 42 (plant and articles) and Division 43 (capital works allowance) as deductions from assessable income for properties which commenced construction after 18/7/1985.

What is 'Scrapping'?

To scrap an item from a property means both its removal and disposal with no monetary benefit. Typical examples of items that are scrapped during a renovation include kitchen cupboards, kitchen appliances, light fittings, bathroom wall and floor finishes, bathroom accessories and floor coverings.

The calculation of the amount of scrapping deduction available from a property requires the engagement of a Quantity Surveyor (QS). The QS would be required to prepare two reports on the property, one prior to and the other after the refurbishment.

The first report prepared by the QS is undertaken prior to any renovation or refurbishment. The QS visits the property and prepares a report identifying the cost for depreciation purposes of plant and equipment and qualifying capital expenditure contained within the property.

The second report is then prepared by the QS after completion of the renovation. The QS visits the property and prepares a report identifying the value of new plant and equipment within the property.

Essentially if an item is scrapped, the Written Down Value (WDV) of the item can be 'written off' as a tax deduction in the year the expense is incurred. To calculate the scrapping value, the QS or client's accountant must identify the items that have been removed or 'scrapped' in the renovation process.

Why Scrap Items?

There are several reasons why an item may be scrapped that generally fall under the classification 'not fit for purpose'. They include; obsolescence; functionally inadequate; dated style; original form was inappropriate or does not maximise the form and function of the property; or additional value to the owner is obtained from a renovation.

To maximise a scrapping claim focus should be given to items classified under Division 42 (often termed 'plant & equipment') as these items have the highest depreciation claim and often the greatest individual value. Carpet, light fittings, blinds and fixtures and fittings fall under this rule. Other substantial cost items are focused on the bathroom and kitchen areas of a residential property.

The concepts outlined above can provide the property investor with a very attractive tool to maximise the tax benefits available from the refurbishment of an existing building, both immediately and in continued ownership. Substantial deductions can be achieved when the correct decisions are made at the time of purchase and during the renovation process.

For more information on scrapping and maximising depreciation benefits on residential investment properties please contact BMT & ASSOC on 1300 728 726.

Should Property Investors Obtain an ABN and Register for GST?

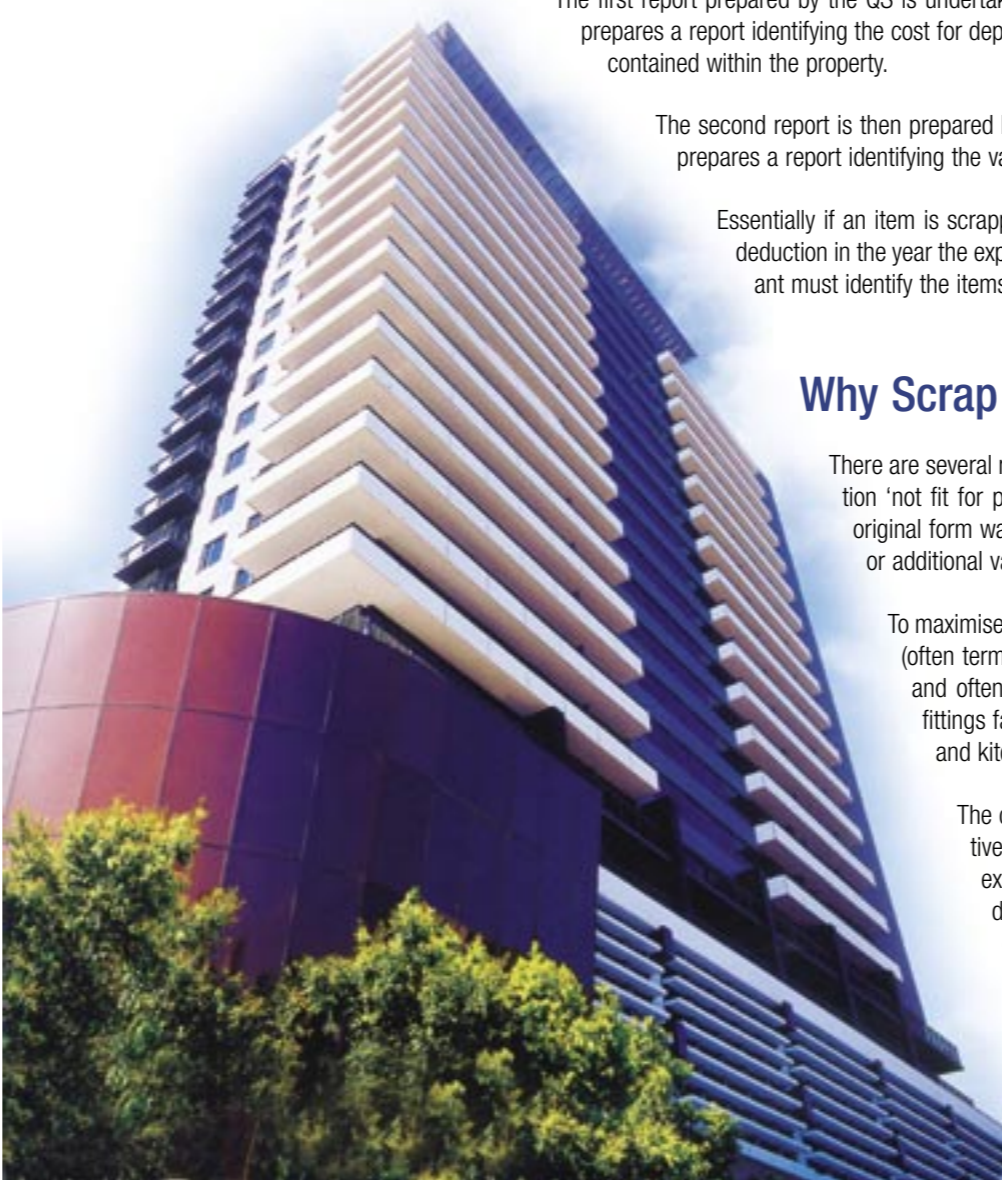
The common view is that owners of residential premises do not need to obtain an ABN nor register for GST purposes. After all, an exclusively residential tenant will usually not be in a position to withhold 48.5% PAYG where the owner/landlord has not quoted an ABN. Further, residential rental income is not subject to GST and the owner/landlord is usually not entitled to input tax credits or any benefits from buying or selling property GST-free as a going concern.

By contrast, owners of commercial premises are usually wise to obtain an ABN and GST registration. They face the risk that tenants may withhold 48.5% PAYG if they do not quote an ABN. If their annual turnover from commercial rentals and other taxable activities is \$50,000 or more they will be required to be registered for GST and charge GST on commercial rentals. By not registering, they lose potential input tax credits for the GST charged on agency fees, management fees, maintenance etc.

An owner will not be required to obtain an ABN or register for GST where a tenant uses residential premises for some minor commercial purpose, for example, a home office. The owner is usually wise to obtain an ABN and register for GST where the property includes separate commercial premises, for example, a shopfront below with a flat above it. GST would usually only be chargeable on the rental of the shopfront.

Care needs to be taken where the owner owns both residential and commercial premises. The owner may need to obtain an ABN or register for GST in respect of commercial rental activities, for example, even if the majority of their income is derived from residential rental. GST registration for other activities could lead to GST applying at the time of sale of residential premises. There may be merit in holding residential premises in a non-GST registered entity that does not own commercial property.

This article was prepared by Stephen Baxter, Associate Director, Indirect Tax Consulting Group. It does not attempt to exhaustively cover all the GST issues relating to property industry supplies. Stephen can be contacted on (02) 9221 2888 if you wish to discuss the impact of GST on particular property related transactions which you are undertaking.



A Perspective on the Past, A Solution for the Present, A Vision for the Future

