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BMT Tax Depreciation
QUANTITY SURVEYORS

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Industry Update: Temporary Investment Allowance

In December 2008 the federal government announced a 10% temporary investment allowance in the form of additional tax deductions on depreciable plant and equipment. The deduction is available for businesses that start to hold or start to construct an asset between December 13, 2008 and June 30, 2009.

The Rudd government estimates that this measure will cost the Commonwealth \$1.6 billion and is expected to encourage Australian businesses to invest more heavily in plant and equipment assets.

Plant and equipment assets purchased and owned (settled) by a business within the qualifying dates will have another 10% added to the total deduction available in the first financial year. The 10% is worked as 10% of the cost of the eligible asset.

Some important points:

- ➔ The minimum expenditure is \$10,000 per asset
- ➔ The investment allowance is confined to new assets and new expenditure on existing assets
- ➔ Land and trading stock are excluded and do not qualify for the allowance
- ➔ Only Division 40 (plant and equipment) items qualify, capital works (Division 43) do not qualify for the allowance
- ➔ Assets must be installed ready for use by June 30, 2010.

Example

John owns XYZ Office Supplies. In January 2009, he decided to install an air conditioning unit at his premises, costing \$30,000. Under normal depreciation rates, John will be able to claim a \$4,000 deduction in the first full financial year. With the new temporary investment allowance, John will be eligible to receive a further \$3,000 deduction (10% of the cost of the asset), available immediately.

At the time of printing, legislation for this investment allowance was not in place. However, these deductions are available immediately for qualifying assets.

For further information, contact a tax depreciation specialist at BMT Tax Depreciation.

Best Property Tax Specialist Award

In the "Your Investment Property" magazine Reader's Choice Awards 2008, BMT Tax Depreciation were voted the Best Property Tax Specialist with an overwhelming number of votes!

Join the winning team – get your depreciation report from BMT Tax Depreciation today!



Improve Your Cash Flow in 2009

Property Market Improves

Lower interest rates have meant the stress has been significantly reduced for many property owners in the last few months.

A number of factors have influenced the property industry recently, mainly due to the global economic downturn:

- Official interest rates fall to the lowest levels in years;
- The share and commodity markets have deteriorated, resulting in many investors pulling their money out;
- In October 2008, the federal government offered the First Home Owner's Boost (FHOB) – an increase to the First Home Owner's Grant (FHOG). The grant was increased from \$7,000 to \$14,000 (for homes purchased) and \$21,000 (for new homes built). The FHOB applies to contracts entered into on or after 14 October 2008 and on or before 30 June 2009;
- Improvement in housing affordability in many areas; and
- Demand for rental properties remains high, resulting in rent increases and improved property yields.

While investment property owners won't be getting any benefit from the FHOG increases, those with variable interest rates will be enjoying lower repayments.

Want Even More Money in Your Pocket This Year?

Obtaining a depreciation report that maximises deductions may result in your investment property returning a positive income.

Qualified under tax legislation TR97/25 to estimate construction costs for depreciation purposes, Quantity Surveyors are one of a select few professionals who specialise in providing depreciation reports.

The importance of obtaining a depreciation report from a Quantity Surveyor can not be underestimated. BMT Tax Depreciation focus purely on maximising the depreciation deductions from investment properties. By taking the hassle out of depreciation, we save the investor and accountant time and money.

BMT Tax Depreciation Reports – Continuous Improvement

As part of our continuous improvement plan, BMT Tax Depreciation has recently introduced an improved tax depreciation report. The new report aims to improve the ease of use for accountants and investors. The following additions have been made:

1. Effective life and pooled assets calculation – The BMT Tax Depreciation Report now provides a total of the Division 40 effective life and pooled assets. This is useful when entering total plant and equipment into accounting software - saving the accountant/investor time and money.

2. Pro-rata calculation – An automatic pro-rata calculation will be used when the property is lived in. This is displayed on the property information page and will include both Division 40 plant and equipment and Division 43 capital works allowance. This will show an automatic calculation of the partial financial year that the property is available for rent.

3. Display of effective lives - The effective lives will now be displayed for each asset in the report. This can be used when entering into some accounting software speeding up the process, saving time and money.

It is important to obtain a Tax Depreciation Report from a reputable company that will maximise your depreciation deductions. It may mean the difference between thousands of dollars each financial year.

The BMT Tax Depreciation Difference

BMT Tax Depreciation constantly liaise with the ATO to utilise current legislation to your advantage. The BMT points of difference include:

- **Double our Fee Guarantee** - you will receive at least double our fee worth of deductions in the first full financial year claim, or there will be no charge for our services.
- BMT Tax Depreciation take a personalised approach to each report to ensure quality.
- We do not jeopardise quality in order to offer a cheaper fee.
- BMT Tax Depreciation specialise in just that – Tax Depreciation! This enables us to concentrate purely on maximising each investors claim.
- We apportion relevant preliminaries and consultants fees. These can be attributed to items of plant and equipment giving them a higher depreciable value and more tax deductions for our clients.
- Our site inspectors are fully trained depreciation specialists – we use BMT staff only, **not contractors**.
- BMT reports project depreciation for 40 years, the life of the property. Every report projects **detailed** calculations for 10 years (not just a summary) which helps accountants update reports with replaced assets in later years

If you are looking to purchase an investment property this year, it is important to think about the property's depreciation potential when considering the purchase. Depreciation deductions alone may make the property purchase more feasible.

Get the most out of your investment property in 2009 **and** every year after that. Contact BMT Tax Depreciation today!




Renovate and Depreciate

When purchasing an older investment property, many investors decide to renovate the property after settlement. Investors can often claim thousands of dollars in deductions when renovations are done. The following case study highlights how it worked for one investor.

Case Study

Jim purchased a 60 year old 3 bedroom townhouse in Paddington. In its pre-renovation condition, the house contained carpet, vinyl, blinds, an air conditioner, old stove, hot water service and light fittings. Upon his accountant telling him about the potential depreciation deductions available in old, pre-renovated properties, Jim decided to contact BMT Tax Depreciation to enquire about a scrapping report before he started any work on the property. BMT visited the site and conducted a full site inspection, taking note of all the items that could be 'written off' before they were thrown out. The following deductions were obtained:

Item	Depreciation Obtained
Air-conditioning Unit	\$600
Blinds	\$600
Carpet	\$2,500
Hot Water Service	\$420
Light shades	\$300
Stove	\$350
Vinyl	\$1,500
Total	\$6,270



Jim then took the BMT report to his accountant and claimed \$6,270 in depreciation deductions that year in his personal tax return.

Over the following 12 months, Jim completed his renovations, including an extension at the rear of the property. He again contacted BMT Tax Depreciation to come and assess the renovated property to achieve the maximum depreciation deductions. BMT Tax Depreciation were able to complete a second report for Jim, taking into consideration all new additions (stainless steel oven, cooktop and rangehood, new carpet, air conditioning unit, etc) as well as calculating the construction write off allowance now available on the extension.

Both Jim and his accountant were impressed with the total depreciation claim on the scrapped assets and renovated property of \$16,000 in the first year alone!

How is Scrapping Calculated?

The first report prepared by BMT Tax Depreciation is undertaken prior to any renovation or refurbishment. BMT Tax Depreciation prepares a report identifying the value of all plant and equipment and qualifying capital expenditure contained within the property.

A second report is then prepared by BMT Tax Depreciation after completion of the renovation, identifying the value of all new plant and equipment and capital expenditure within the property.

The assets within the building that are no longer present can be **written off immediately**. Scrapping is a complicated process that requires the expertise of a specialist Quantity Surveyor, like BMT Tax Depreciation, in conjunction with your accountant.

Many investors remain unaware that pre-renovation/demolition investment properties contain depreciation deductions. If you are unsure about your entitlements, contact BMT Tax Depreciation before you start any work on your property. We may be able to obtain you thousands of dollars in depreciation deductions you never knew were available!

Meet Some of the Team!

BMT Tax Depreciation is owned and operated by three Directors, Bradley Beer, Brendan Farrugia and Tom Plenty. Providing an Australia wide service, with offices in nine locations, BMT are one of the fastest growing Quantity Surveyors in the marketplace. BMT prides itself on its service, quality of report and turnaround times. Contact any of our directors, or the office, to discuss your depreciation needs.

Bradley Beer 0413 271 777 Brendan Farrugia 0408 448 078 Tom Plenty 0408 448 072



L-R: Bradley Beer, Brendan Farrugia, Tom Plenty

Construction Costs Per Square Metre - Sydney

Construction Type

Residential

	Low	Medium	High
3br brick veneer project home, level block, shelf design.....	\$980	\$1,250	\$1,580
Architecturally designed executive residence	\$2,100	\$3,250	\$4,900
3br, 2 level brick veneer townhouse, including allowance for common property	\$1,260	\$1,480	\$2,200
3 level walk-up unit complex, concrete structure ground floor parking	\$1,420	\$1,700	\$2,200
Multi-level apartment building, including lift and basement car parking	\$1,600	\$1,970	\$2,940

Commercial

1-2 level open plan offices, including A/C, excluding fitout	\$1,260	\$1,490	\$2,160
1-4 level open plan offices, including A/C & lifts, excluding fitout	\$1,280	\$1,510	\$2,224
4-8 level open plan offices, including A/C & lifts, excluding fitout	\$1,520	\$1,850	\$2,325
8 levels and over, including A/C & lifts, excluding fitout	\$1,820	\$2,064	\$2,689

Industrial

High Bay Warehouse, standard config, concrete floor, metal clad (size to 3500sqm)	\$800	\$900	\$980
High Bay Warehouse, standard config, concrete floor, metal clad (size > 3500sqm)	\$790	\$885	\$950
High Bay Warehouse, standard config, concrete floor, pre-cast concrete wall clad (size to 3500sqm)	\$850	\$950	\$1,100
High Bay Warehouse, standard config, concrete floor, pre-cast concrete wall clad (size > 3500sqm)	\$840	\$930	\$1,050

Retail

Suburban shopping mall area including A/C	\$1,295	\$1,620	\$1,950
Bulky goods centre, concrete tiltup construction, including A/C, excluding fitout	\$1,100	\$1,325	\$1,490
Supermarket, including A/C, excluding fitout	\$1,280	\$1,400	\$1,530
Specialty shops, including A/C, excluding fitout, services capped	\$1,080	\$1,250	\$1,500

Hotels/Motels

Single level boutique motel, including A/C guest facilities	\$1,860	\$2,390	\$3,000
Single level tavern/hotel, including A/C, excluding loose item fitout	\$1,650	\$2,050	\$2,200
Licensed club, including A/C, bar, lounge, rec facilities	\$1,600	\$2,100	\$2,800
Multi-level, 3 star hotel including A/C, restaurant, bar, common facilities	\$2,380	\$3,100	\$3,500

Please visit www.bmtqs.com.au for more information on how construction costs are calculated and regional variations.



Please visit www.bmtqs.com.au for more information on tax depreciation and construction costs, including our previous publications and calculators!

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Disclaimer

The Construction Costs herein are published on and should be read subject to the following conditions:

- Construction costs are published as a matter of interest only and are not intended to be relied upon by readers. In any situations which may be similar to matters herein readers should exercise and rely upon their own judgement.
- Neither BMT & ASSOC nor any of its officers or employees bear any responsibility for any error in the material published in this publication or in any previous publication, or for any damage or loss resulting from any reliance on any material published in this publication or in any previous publication.
- Construction costs are not intended for tendering or pricing variations. They are average prices in the Metropolitan Area and should be adjusted with reference to specific conditions. The rates include the cost of labour and material, waste, hoisting, fixing in position and for profit. The profit allowance is based on the prevailing market conditions in each capital city.
- These Construction Costs were produced prior to publication and due allowance should be made in this regard to the rates shown.
- The rates exclude any allowance for Goods and Services Tax including compliance cost. Costs exclude land, demolition and any work outside the footprint of the building.
- The BMT & ASSOC privacy policy has been amended. Please refer to our website for a copy of the updated policy.

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.