BMT Tax Depreciation
Commercial property specialist

BMT Tax Depreciation
QUANTITY SURVEYORS




Australia's most trusted name in tax depreciation services

Over the last twenty years, BMT Tax Depreciation has grown to become the firm that accountants and commercial property owners turn to when they require tax depreciation schedules and asset registers for business and investment holdings.

From humble beginnings in 1997, BMT now employs more than 200 staff across 12 offices in all states and territories, and has completed over 800,000 tax depreciation schedules across all property types.

We focus exclusively on depreciation, and this focus has allowed us to hone our methods with one aim: to find the maximum claimable values for all construction types and asset classes, increasing your return on investment and cash flow.

BMT has reviewed hundreds of existing depreciation claims for large commercial holdings and have found missed deductions in the hundreds of thousands of dollars, sometimes millions, simply because the schedule had not been compiled by a specialist.

No project is too large. BMT have expertise in valuing primary production, mining, manufacturing, office towers, shopping centres and all associated assets across the spectrum of commercial buildings, fitout types and inventories.

Our memberships with the AIQS, RICS and the AVAA, along with our status as registered Tax Agents and our 100 per cent in-house production, make BMT fully accountable for our documentation and reliable in assisting your auditing processes.

With rigorous reporting standards, the ability to meet fast turnaround requirements and the continuing development of our alliances with many of Australia's largest property and accounting organisations, BMT Tax Depreciation helps commercial investors and property owners claim maximum depreciation deductions.

Bradley Beer
Chief Executive Officer

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About tax depreciation

What is depreciation?

Depreciation is the natural wear and tear that occurs to a building and its assets over time. The Australian Taxation Office (ATO) allows commercial owners and tenants of income-producing properties to claim this depreciation as a tax deduction.

Depreciation is a non-cash deduction that can be claimed under two categories. Capital works deductions can be claimed for the depreciation of the building structure and fixed assets, while plant and equipment deductions can be claimed for any easily removable or mechanical assets.

Commercial property owners can claim depreciation on the building and the assets they own. Some examples include the roof, walls, and lights. Commercial tenants can also claim depreciation on any fit-out they install. Some common fit-out assets include desks, blinds, flooring and partitions.

Every commercial property is different. Only a tax depreciation specialist like BMT Tax Depreciation can ensure maximum deductions are identified and correctly claimed according to your particular commercial industry.

A free BMT preliminary estimate reveals the amount of depreciation commercial owners and tenants can expect to claim from both new and old commercial properties. For some commercial properties, deductions can total hundreds of thousands of dollars and when claimed correctly can turn a negative cash flow into a positive cash flow position.

Tax depreciation services

Tax depreciation schedules

Despite growing awareness of the benefit of claiming depreciation deductions, BMT's research consistently shows that commercial property owners, business owners and tenants are either unaware of tax depreciation or ignore it because they underestimate their potential claim.

The reasons for this are varied, from assuming that 'old' buildings contain no claims, to incorrectly categorising assets, and failing to use all methods available to accelerate claims.

BMT Tax Depreciation provides the solution. BMT is the commercial depreciation specialist and has completed thousands of comprehensive commercial tax depreciation schedules.

Through liaising with the Australian Taxation Office and constant research, BMT has refined its valuing methods to the point where every available dollar is captured. Following a thorough site inspection, a BMT Tax Depreciation Schedule will give commercial property owners and tenants accelerated plant and equipment deductions and long-term cash flow through capital works deductions.

Asset registers

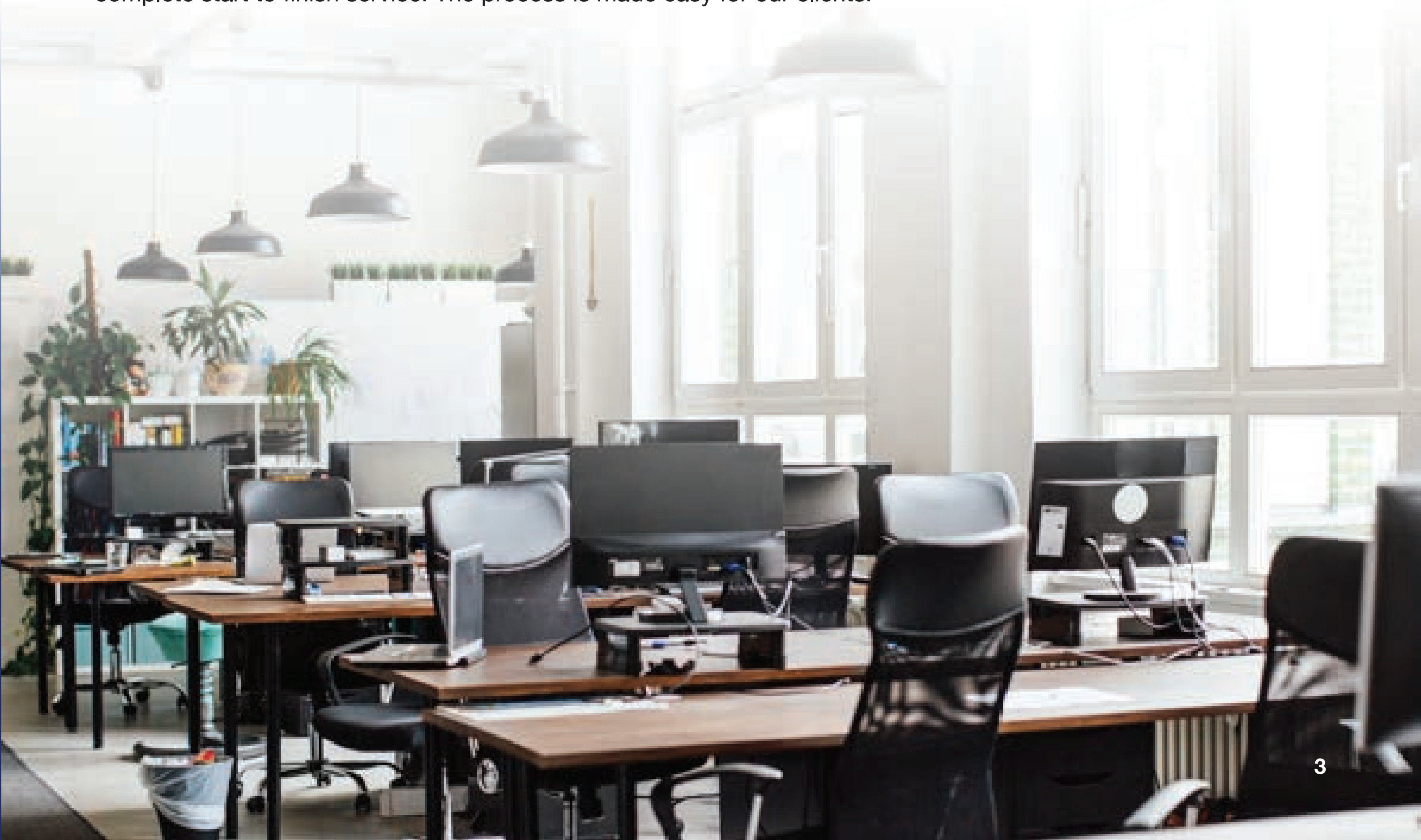
When a business or commercial enterprise needs to maintain a thorough inventory of assets, BMT Tax Depreciation provides a comprehensive solution. Unlike tax depreciation schedules, asset registers itemise each individual asset and provide further information.

Complete with photography of each asset and optional barcoding, asset registers will prove invaluable when it comes to both managing an existing inventory, or acquiring or selling a business.

Where possible, BMT will provide the asset make, description, location and provide a fair market value.
Soft copies in Excel and CSV will also be provided.

Reporting Standards

BMT Tax Depreciation offers the most comprehensive schedules in the market, resulting in our clients claiming more deductions. We achieve this through our detailed quality assurance process, client focused staff and complete start to finish service. The process is made easy for our clients.



Tax depreciation services

Demolition and disposal adjustments

When construction work or assets are removed from a property during its income production period, that's not the end of its depreciation claim. In many circumstances, the remaining unclaimed depreciation can be written off in that year.

If a holding is undergoing an upgrade or if a tenant has abandoned their fitout upon terminating their lease, it's even more crucial that the assets are properly valued prior to their removal. BMT specialises in determining how much of the existing claim can be written off, and will make the necessary adjustments to the existing depreciation schedule. These additional claims are often overlooked but can significantly accelerate depreciation claims.

Managing a tax depreciation schedule with MyBMT

Depreciation reporting needs to match the complex and everchanging nature of commercial industries, buildings and facilities. As properties are renovated, extended, returned to base or as tenants move, the depreciation schedule needs to be updated to remain accurate and current.

A BMT Tax Depreciation Schedule is always available live online in MyBMT. Make or request changes, updates, add or remove assets and share any schedule with a client or accountant with the click of a button in MyBMT. Depreciation schedules are also provided in hard and soft copy Excel or CSV for easy integration with any accounting software.

Complimentary services

There are many reasons why a depreciation claim might not be maximised. For instance, depreciation rates vary across industries, assets may have been missed, not categorised correctly or revalued after acquisition, the instant asset write-off or low-value pools may not have been used. BMT will review any existing claim and identify areas where cash flow is not achieving its full potential. This is part of BMT's complimentary service before work commences on the tax depreciation schedule.

Frequently asked questions

Why is depreciation important?

Commercial owners and tenants can claim thousands of dollars in depreciation deductions each financial year. These deductions improve cash flow, reduce tax liabilities and help offset the cost of owning a commercial property or operating a business.

Depreciation can be claimed under two different categories – capital works (Division 43) and plant and equipment (Division 40). Capital works deductions are available for the building's structure and any permanently fixed assets. Plant and equipment deductions are available on easily removable fixtures and fittings.

Claiming depreciation can save commercial owners, business owners and tenants thousands. For example, the total lifetime deductions BMT would find for a medium-sized farm would be between $800,000 and $950,000. Total lifetime deductions for a typical office tower would be between $1.5 and $2 million.

Can an accountant calculate depreciation?

BMT works closely with accountants. Specialist quantity surveyors are recognised under Tax Ruling 97/25 as one of the few professionals with the appropriate qualifications to estimate construction costs for depreciation purposes. A specialist quantity surveyor will inspect the property to make sure every deduction is maximised and claimed correctly.

Accountants will never try to estimate construction and asset costs for depreciation purposes.

Can a commercial building be too old to claim depreciation?

No, a property doesn't have to be new in order to attract depreciation deductions. Both new and old commercial properties will offer some depreciation deductions, so it's always worth seeking the advice of a specialist quantity surveyor.

Does a commercial building need to be leased to attract depreciation deductions?

A property doesn't need to be leased to attract depreciation deductions. As long as the property is genuinely available for rent the owner can claim all depreciation deductions available.

How can commercial tenants claim depreciation?

Unlike residential tenants, commercial tenants are entitled to claim deductions for assets they install during a fit-out.

When a tenant leaves a property, they are often required to return it to its original state. When they do so, tenants can claim any undeducted value from their removed fit-out.

What is the easiest way to claim depreciation?

The easiest way to claim maximum depreciation deductions is to arrange for a specialist quantity surveyor to prepare a tax depreciation schedule for the property.

BMT Tax Depreciation is the commercial depreciation specialist. For over 20 years, BMT has prepared tax depreciation schedules for a wide range of commercial properties across many industries.

Maximise cash flow

BMT Tax Depreciation's services include:

- Tax depreciation schedules, including separate reports where multiple entities or tenants control different assets or have different acquisition dates.
- Schedules of removed division 40 and 43 assets, allowing residual value balance adjustment write-offs for demolished construction work and removed assets.
- Depreciation assessment of abandoned fitout assets by tenants for residual value write-off purposes.
- Complimentary preliminary depreciation assessments, providing peace of mind before proceeding with any BMT services.
- Comprehensive asset registers, including photography and a fair market valuation, location, make and model for each asset.
- Complimentary review of existing depreciation claims to identify areas where a current claim isn't maximising deductions.
- Transaction due diligence review of depreciation claims and potential claims.
- The BMT commercial tax depreciation schedule takes into account any applicable accelerated rates, general business pools and current instant asset write-off available to businesses for qualifying plant & equipment that the owning entity can utilise.

The range of commercial properties and assets BMT Tax Depreciation report on includes:

- Automotive and mechanical
- Primary production and agricultural industries
- Hospitals and medical centres
- Residential properties of all types
- Industrial and warehouse
- Retail centres
- Leasehold fixed fit-out and loose inventories
- Scientific and research facilities
- Manufacturing
- Tenant contributions and abandoned tenant fit-out
- Mining, forestry and other resource industries
- Transport and logistics, including vehicle fleets
- Office towers and complexes
- Traveller accommodation and tourism

Why choose BMT?

BMT is the trusted provider that accountants prefer, with over 18,000 regular referring accountants per year. BMT is the only quantity surveyor preferred by the NTAA.

BMT does not outsource and their specialist staff are accountable for every part of the process. BMT always complete physical site inspections to ensure maximised claims and compliance.

As required by the ATO, BMT is a registered quantity surveyor and a member of the Australian Institute of Quantity Surveyors, Tax Practitioners Board and Royal Institution of Chartered Surveyors.

BMT guarantees to find double its fee in deductions in the first full financial year claim or there will be no charge for its service.

BMT ensures all work is worthwhile by providing preliminary estimates, obligation free.

A BMT Tax Depreciation Schedule lasts a lifetime and has a one-off, 100 per cent tax deductible fee.

BMT is a national organisation, with offices located Australia wide.

BMT utilises legislation to maximise depreciation deductions and to ensure compliance.

A BMT Tax Depreciation Schedule allows investors to claim back missed dollars by adjusting previous returns.

Case studies

The following case studies are taken from real scenarios.

Commercial office

The following case study looks at a commercial office purchased in 2017. It was rented out for $1,050 per week on a 5-year lease. Following the 2017-2018 financial year, the owner found that the office was making a loss of $34 per week.

The below scenario reveals the difference depreciation can make on the return from a commercial office building that was purchased by the owner for $820,000.

Commercial office building purchased for $820,000			
Scenario **without** depreciation claim		Scenario **with** depreciation claim of $40,080	
Annual expenses	$57,088	Annual expenses	$57,088
Annual income ($1,050 x 52 weeks)	$54,600	Annual income ($1,050 x 52 weeks)	$54,600
Pre-tax cash flow (income-expenses)	-$2,488	Pre-tax cash flow (income-expenses)	-$2,488
Total taxation loss	**-$2,488**	**Total taxation loss (pre-tax cash flow - depreciation claim of $40,080)**	**-$42,568**
Tax refund (total taxation loss x tax rate of 30%)	$746	Tax refund (total taxation loss x tax rate of 30%)	$12,770
Annual cost of the investment property (pre-tax cash flow + tax refund)	-$1,742	Annual cash flow of the investment property (pre-tax cash flow + tax refund)	$10,282
Weekly cash outlay	-$34	Weekly cash return	$198
Depreciation difference = $232 per week			

The depreciation deductions in the above scenario have been calculated using the diminishing value method and are based on the income and expenses involved in holding the property only. 2019_TA269

The owner organised a tax depreciation schedule for the commercial office building. Including depreciation in their annual tax return resulted in the building returning a positive weekly cash return of $198 per week.

Medium-sized pub

Natalie owns a medium-sized business that purchased a new pub for $4,850,000 in 2019. Following settlement, Natalie organised a tax depreciation schedule for the pub.

Following a site inspection, BMT Tax Depreciation completed a tax depreciation schedule for the property. They found $739,970 in first full financial year deductions alone. In the cumulative five years, this figure will increase to over $1 million. Over the lifetime of the property, the total depreciation deductions will come to almost $3.5 million.

Depreciation for a medium-sized pub, owned by the business			
Purchase price	**First full financial year deduction**	**Cumulative 5 year deductions**	**Lifetime deductions**
$4,850,000	$739,970	$1,102,507	$3,483,078

These deductions are calculated using the diminishing value method. The pub qualifies as a medium-sized business 2019_TA092

The deductions significantly reduced the pub's tax liabilities, giving Natalie more money to invest back into the business and future renovations.

Industrial warehouse

Sam's company is classed as a small business entity. The company owns an industrial warehouse that was purchased for $1.6 million. The below table outlines Sam's scenario before and after he made a depreciation claim on the industrial warehouse.

An industrial warehouse purchased for $1.6 million			
Scenario **without** depreciation claim		Scenario **with** depreciation claim of $54,630	
Annual expenses	$123,320	Annual expenses	$123,320
Annual income ($1,813 x 52 weeks)	$94,276	Annual income ($1,813 x 52 weeks)	$94,276
Pre-tax cash flow (income-expenses)	-$29,044	Pre-tax cash flow (income-expenses)	-$29,044
Total taxation loss	**-$29,044**	**Total taxation loss (pre-tax cash flow + depreciation claim of $54,630)**	**-$83,674**
Tax refund (total taxation loss x tax rate of 27.5%)	$7,987	Tax refund (total taxation loss x tax rate of 27.5%)	$23,010
Annual cost of the investment property (pre-tax cash flow + tax refund)	-$21,057	Annual cost of the investment property (pre-tax cash flow + tax refund)	-$6,034
Weekly cash of the investment property	-$405	Weekly cash flow of the investment property	-$116
Difference of $289 per week			

The depreciation deductions in the above scenario have been calculated using the diminishing value method and are based upon a first full year of ownership. 2019_TA272

By claiming depreciation, Sam has been able to improve the cash flow on his property by almost $300 per week.

Marina

Peter owns a marina. He purchased several new plant and equipment assets in the lead up to the busy summer holiday season. The total of the assets came to $5,021,350.

Once he purchased and installed the assets, he contacted BMT to make amendments to his tax depreciation schedule to include the new assets.

Marina depreciation deductions			
Plant and equipment assets	**Original value at purchase**	**First year deduction**	**Cumulative 5 year deductions**
Boat cradles	$71,000	$14,200	$47,735
Boat storage racks	$80,000	$16,000	$53,786
Forklifts	$165,350	$30,064	$104,725
Marina - wet berths	$4,500,000	$450,000	$1,842,795
Mooring buoys	$12,500	$2,344	$10,950
Travel lifts	$192,500	$25,667	$98,378
Total	**$5,021,350**	**$538,275**	**$2,158,369**

These deductions are calculated using the diminishing value method. 2019_TA390

Following the updates to his tax depreciation schedule, Peter was able to claim a further $538,275 in first financial year deductions. Over the cumulative five years, this will increase to $2,158,369. Given that these figures are only for the newly installed assets, there would likely be thousands more in depreciation deductions available.

Ski resort

Kim and Joe are owners of a large organisation that recently acquired a ski resort. They purchased the resort during the summer and used this time to upgrade the facilities with several new assets.

The below table provides an overview of the types of assets they purchased including chair head grips, skidoos and snow grooming assets.

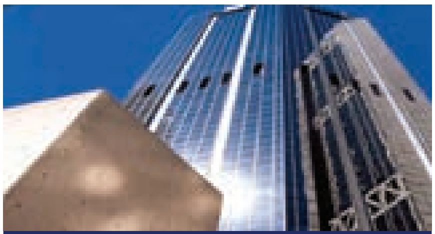
Ski resort depreciation			
Plant and equipment assets	**Original value at purchase**	**First year deduction**	**Cumulative 5 year deductions**
Ski maintenance machines	$175,600	$26,340	$97,685
Ski equipment	$650,000	$121,875	$569,415
Chair head grips	$1,200,000	$160,000	$979,948
Chairs, T-bars and pomas	$3,430,667	$274,453	$1,169,578
Drive and return station assets	$12,499,650	$1,249,965	$5,118,732
Over snow transporters	$645,000	$161,250	$491,938
Skidoos	$450,000	$180,000	$415,008
Snow grooming assets	$5,760,000	$1,440,000	$4,393,125
Weather stations	$65,000	$26,000	$59,946
Standby power drives	$1,104,500	$88,360	$376,544
Total	**$25,980,417**	**$3,728,243**	**$13,671,919**

The depreciation deductions have been calculated using the diminishing value method. In this scenario the owner had an aggregated threshold over $50 million and therefore is not eligible for small to medium business tax concessions. 2019_TA342

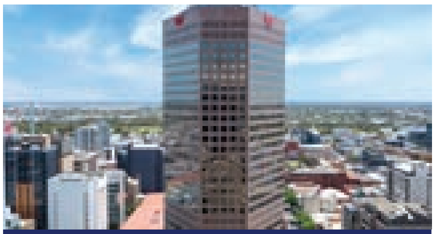
Shortly after purchasing and installing the new assets, Kim and Joe organised an update to the tax depreciation schedule.

They were able to claim over $3 million for the listed plant and equipment assets in the first financial year alone. In the cumulative five years, this figure will increase to over $13 million. Given this is based on just ten plant and equipment assets, there are significant depreciation deductions to be claimed for the entire property.

Experience

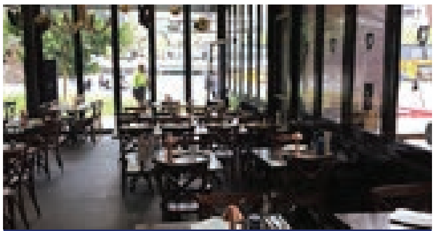


KPMG Tower
Sydney, NSW



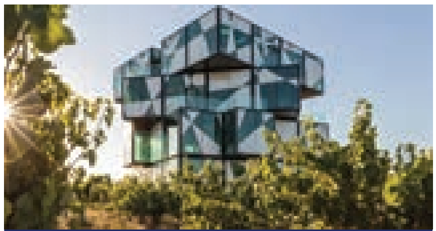
Westpac House
Adelaide, SA

Epping Homemaker Centre
Epping, VIC



Restaurant
Southbank, VIC

Chicken farm including sheds and hatchery
Muchea, WA



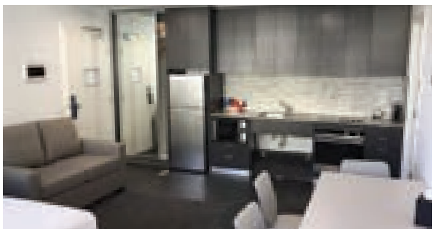
D’Arenberg Cube Winery
McLaren Vale, SA

Mining equipment
Thornton, NSW

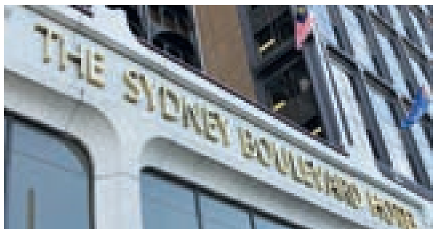
Service station
Ipswich, QLD

Warehouse
Derrimut, VIC

Beaurepaires
Finley, NSW



The Sebel Canberra Civic Hotel
Canberra, ACT



Sydney Boulevard Hotel
Sydney, NSW

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