

UNCOVER THE TAX BENEFITS



BY **BRADLEY BEER,**
BMT TAX DEPRECIATION

Does the idea of buying commercial property instead of renting your current business premises appeal to you? Or are you undecided whether to purchase a commercial investment over a residential property for your portfolio?

It can be hard to understand the tax depreciation allowances that are available for investors of commercial property over those found for residential properties. There are many rules which apply and the difference in depreciation found can vary significantly. By becoming more aware of commercial property depreciation, this can help you as an investor to make an informed decision.

CLAIM TAX DEPRECIATION AND STILL OCCUPY THE PROPERTY

Many investors buy commercial property in their own name or as part of a self-managed super fund or company trust and then lease the property back to the business they own. This enables the individual tax payer or super fund company, or trust to claim the tax depreciation allowance, which can be significant with commercial property. Here's the great thing - it is totally legal.

OLDER COMMERCIAL BUILDINGS QUALIFY FOR THE BUILDING ALLOWANCE

The building allowance refers to the decrease in value of the commercial property's brickwork, mortar, concrete, etcetera. The date construction commenced, determines what building allowance you can claim.

On non-residential properties the allowance is set at:

Date construction commenced	Claimable building allowance
20 July 1982 – 21 August 1984	2.5%
22 August 1984 – 15 September	4.0%
16 September 1987 – Onwards	2.5%

Note: Traveller Accommodation, and Manufacturing properties do have different dates to those shown and can be claimed at 4% from 27 February 1992.

CLAIMABLE ITEMS VARY BY INDUSTRY AND EFFECTIVE LIFE

Each year the ATO publishes a list of what assets you can and can't claim. Commercial property owners don't have their own list, but some assets are claimed at different rates to residential properties. For instance, carpets are claimed over an eight year period in commercial and a ten year period in residential.

There are also industry specific assets that the ATO has detailed for depreciation claims. For instance, if you own a restaurant you will be able to claim items specific to your line of business.

[BMT Tax Depreciation Rate Finder](#)

is an easy to use tool which can help you find out the effective life and depreciation rate for any commercial plant and equipment asset.

THE TAX BREAK HELPING SMALL BUSINESS OWNERS TO IMPROVE THEIR CASH FLOW

In a move that will help boost cash flow for owners of small businesses, the Senate recently passed legislation to extend the \$20,000 instant asset write-off to June 2019. Initially introduced in May 2015, the Australian government originally allowed small businesses with an aggregated turnover less than \$2 million to claim a \$20,000 instant asset write-off.

In March 2017, as part of Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016, the definition of a small business was extended and the \$20,000 instant asset write-off was extended to include those enterprises with an aggregated

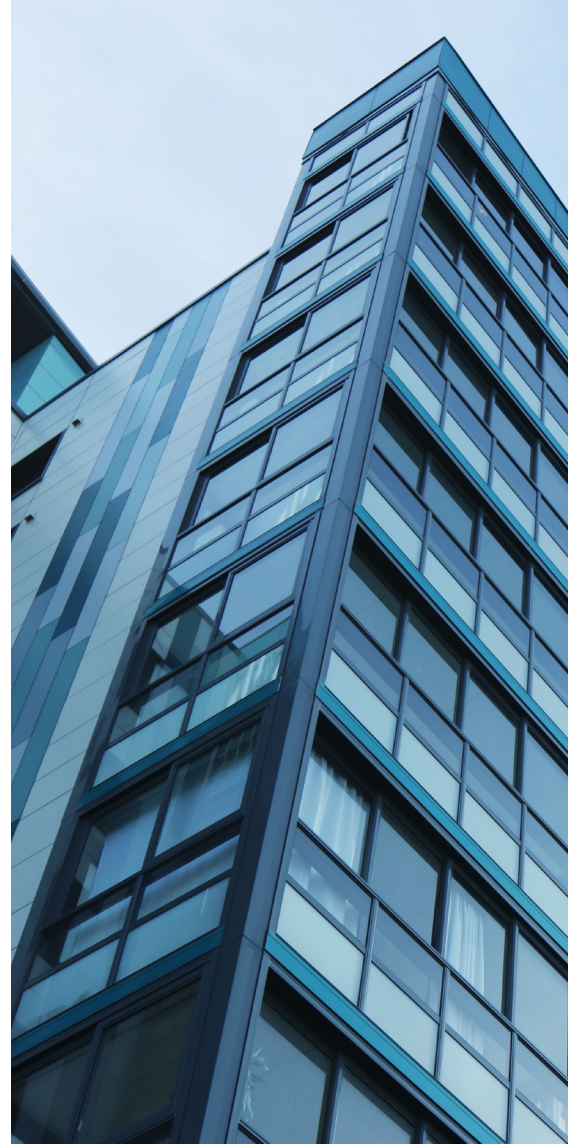
turnover of less than \$10 million. During the 9th of May 2017 federal budget, the instant asset write-off was extended until the 30th of June 2018. In 2018, the federal budget proposed to extend the legislation once more and after a long delay between May and September, the extension of the legislation was passed by the Senate on the 12th of September 2018.

THE TALLER THE BUILDING, THE MORE YOU CAN CLAIM

Building height can play a role in the amount of depreciation that can be found for the owner of a property. Taller structures tend to attract higher deductions due to the fact that there is greater capital works expenses involved in the construction of the building. Multi-storey buildings also often have common property assets such as lifts and fire services which can result in plant and equipment depreciation being available for the owner to claim. Some commercial properties may even include swimming pools, gyms, or even less obvious items like intercom systems. Overall, these plant and equipment items translate to additional depreciable value for the property investor.

USE AN EXPERIENCED QUANTITY SURVEYOR

The ATO recognises Quantity Surveyors as one of only a few professions which possess the required construction costing skills to calculate the cost of items for the purposes of depreciation. If the original costs of construction are unknown, have a qualified Quantity Surveyor, such as BMT



Tax Depreciation help estimate the costs for you. A Quantity Surveyor is a qualified professional who specialises in building measurement and estimating the

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QUANTITY SURVEYORS

ABOUT THE CONTRIBUTOR

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