

MEDIA RELEASE

For immediate release

May 2017

Property investors to lose out from proposed budget changes

The 2017 Federal Budget, handed down by Treasurer Scott Morrison on Tuesday night, 9th May at 7:30pm AEST includes proposed changes which will affect residential property investors Australia-wide.

The Australian Tax Office (ATO) allows owners of income producing property to claim depreciation deductions for the wear and tear that occurs to a building's structure and the plant and equipment assets within.

The proposed changes relate to the depreciation of plant and equipment assets and the eligibility to claim this deduction. Currently, investors are eligible to claim qualifying plant and equipment depreciation on assets found in an investment property they purchase, even if they were installed by a previous owner.

"Under the new rules which are yet to be legislated by Parliament, investors will be able to depreciate new plant and equipment assets and items they add to their property, however subsequent owners will not be able to claim depreciation on existing plant and equipment assets," said the Chief Executive Officer of BMT Tax Depreciation, Bradley Beer.

"This change will have a major impact on investors, essentially reducing the annual deductions they can claim therefore reducing their cash return each year. This could lead to investors being in a tighter financial position and may discourage future investors from purchasing a second hand residential property," said Mr Beer.

"It is our understanding at this stage that if the property is new, they will be able to continue to depreciate plant and equipment as they were previously. We are seeking further clarification on this," said Mr Beer.

Investors will still be able to claim capital works deductions also known as building write off, including any additional capital works carried out by a previous owner.

The budget notes were clear that existing investments will be grandfathered. This means that anyone who has purchased a property up until the 9th of May 2017 will be able to claim depreciation as per normal.

If a property investor exchanges contracts to purchase a second hand property after 7:30pm on the 9th May, there could be different depreciation rules applicable to their scenario.

"We are currently speaking with government to further understand the intricacies relating to the budget notes and the proposed changes to depreciation of plant and equipment assets," said Mr Beer.

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For all media enquires please contact:

Bradley Beer
CEO, BMT Tax Depreciation

Phone: 0413 271 777

Email: media@bmtqs.com.au

About BMT Tax Depreciation

BMT Tax Depreciation (BMT) is a Quantity Surveying company specialising in the provision of tax depreciation schedules for residential and commercial investment properties. Commencing business in 1997, demand from property investors nationally has seen business expand Australia-wide with offices now located in Sydney, Parramatta, Melbourne, Brisbane, Newcastle, Adelaide, Perth, Gold Coast, Cairns, Canberra, Hobart and Darwin.



Maximising the cash return
from your investment property