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LATEST ATO STATS HIGHLIGHT THE SIGNIFICANCE OF DEPRECIATION CLAIMS

Figures released by the Australian Taxation Office (ATO) this week show that depreciation remains the second largest tax deduction for property investors, according to BMT Tax Depreciation.

The ATO reported that the highest tax deduction claimed by investors in the 2018/19 financial year was loan interest, with an average claim of \$9,640.

Next was depreciation, with an average claim of \$3,885, followed by body corporate fees (\$2,448), land tax (\$1,931) and property agent fees (\$1,281).

Depreciation is the natural wear and tear of property and assets over time. According to Bradley Beer, Chief Executive Officer at BMT, it is the only non-cash tax deduction available to property investors.

“Unlike other tax-deductible items like loan interest and fees, an investor doesn’t need to outlay any money to claim depreciation. And claiming it can put thousands of dollars back in an investor’s pocket every year,” explained Bradley Beer.

Depreciation can be claimed under two categories: capital works for a property’s structural component and fixed assets, and plant and equipment for the easily removable and mechanical assets.

The ATO reported that the average depreciation claim was made up of \$2,571 in capital works and \$1,314 in plant and equipment deductions. Bradley Beer said that it comes as no surprise that the reported capital works claims came in higher than plant and equipment.

“Capital works deductions usually make up 85 to 90 per cent of total depreciation claims that we see at BMT,” said Bradley Beer.

“For FY 2018/19, the BMT average claim for capital works deduction and plant and equipment came to around \$8,300. The following financial year showed a similar result.”

Mr Beer also said that property investors should remember that the cost of a tax depreciation schedule itself is tax deductible.

“If you are an investment property owner, there are some very simple steps you can take to significantly reduce the tax you pay this tax time, one of which is prepaying expenses before June 30.”

“Examples of expenses that can be prepaid include loan interest, levies and insurance. The cost of a tax depreciation schedule is another example,” said Bradley Beer.

“Property investors should contact a specialist quantity surveyor who will conduct a physical site inspections when preparing the tax depreciation schedule. This ensures every depreciation deduction will be identified and claimed to its full potential,” he concluded.

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