

**FOR IMMEDIATE RELEASE**

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### **PROPERTY INVESTORS RISK ATO SCRUTINY WITH THIS MISTAKE**

BMT Tax Depreciation has issued a critical reminder to property investors lodging their tax returns in coming months: any rental property improvements made last financial year must be captured in an updated tax depreciation schedule or risk making inaccurate claims.

Investors who have renovated and who fail to update their tax depreciation schedule before lodging their tax return risk both being out-of-pocket and facing the scrutiny of the Australian Taxation Office (ATO), according to BMT Chief Executive Officer, Bradley Beer.

“There are nuances when it comes to claiming work on investment properties, with differences between how a renovation and general maintenance is claimed at tax time,” explained Bradley Beer.

Some property alterations can be claimed immediately, while others must be claimed using depreciation and pooling. Mr Beer said that getting it wrong can be both costly and unlawful.

“A rental property improvement is a renovation where something is improved beyond its original state. It must be claimed with depreciation,” explained Bradley Beer.

“Because improvements are often required due to wear and tear or damage, investors mustn’t mistake them as repairs or maintenance, and should include them in their tax depreciation schedule,” Bradley Beer explained.

“An improvement is retiling a bathroom, while fixing cracked plaster is a repair and oiling a deck is maintenance,” he explained.

Mr Beer acknowledged that it may be tempting to claim improvements as repairs or maintenance as the full amount can be claimed instantly rather than depreciated over time.

“There’s no doubt that an instant claim is more appealing, but it’s against taxation legislation and such a choice will come under harsh ATO scrutiny,” he warned.

“However, it’s important to mention that just because it needs to be depreciated doesn’t mean it can’t be immediately deducted.”

“Immediate deductions are available to certain assets that cost less than \$300. For example, a ceiling fan worth \$290 can be immediately deducted in the financial year of purchase.”

“Depreciation can be claimed on some assets for up to forty years. Therefore, the small effort of updating the schedule now pays off throughout the lifetime of the investment,” he concluded.

**\*ENDS\***

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