BMT Tax Depreciation
QUANTITY SURVEYORS

MEDIA RELEASE

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Parliament passes changes to depreciation legislation

- ***Treasury Laws Amendment (Housing Tax Integrity) Bill 2017* has passed through Parliament today**
- **The new legislation means owners of second-hand residential properties (where contracts are exchanged after 7:30pm on the 9th of May 2017) will be ineligible to claim depreciation on certain assets**
- **Thousands of property investors will be impacted, with an average loss of around $4,236 per year in depreciation related deductions over the first five years of ownership**
- **However, there is no change to capital works rules. These deductions typically make up between 85 to 90 per cent of an investors' total claimable amount.**

Changes to depreciation legislation announced in the May 2017 Federal Budget and detailed in *Treasury Laws Amendment (Housing Tax Integrity) Bill 2017*, have been passed by the Parliament of Australia today.

The amendment to depreciation rules as detailed in the bill, mean that property investors can no longer claim depreciation for plant and equipment assets, such as air conditioning units, solar panels or carpet, in second-hand residential properties (where contracts were exchanged after 7:30pm on the 9th of May 2017).

BMT Tax Depreciation Chief Executive Officer, Bradley Beer, said: "According to our analysis over the first five years of ownership the new law will result in an average loss of around $4,236 in depreciation deductions each year for those impacted. However, an important take out is that even these investors will still be able to claim substantial deductions."

BMT Tax Depreciation has worked with more than half a million Australian investors to help them utilise tax depreciation to uncover legitimate tax deductions for the wear, tear and ageing of their investment properties.

Depreciation deductions are split into two components, plant and equipment and capital works allowance.

"The new rules do not affect capital works deductions for the structural component of a property or any fixed items that can be claimed such as doors, basins or retaining walls. These deductions typically make up between 85 to 90 per cent of a total claimable amount," said Mr Beer.

"On average, the owner of a three-year-old house purchased for $600,000 (after 7:30pm on the 9th of May 2017) could expect to claim around $6,126 in capital works deductions in the first full financial year alone.

"A claim of this amount could still make a substantial difference to a property owner's cash flow and their ability to reduce the holding costs of the property.

"In light of this legislation and changing property market conditions, it is more important than ever for property investors to work with specialist Quantity Surveyors to ensure they are discovering and correctly claiming all legitimate items that they are entitled to under the new laws," said Mr Beer.

The new rules apply to only a portion of the market, specifically, those investors who purchase a second-hand residential property after 7:30pm on the 9th of May 2017.

Previously existing legislation will be grandfathered, which means investors who already made a purchase prior to this date can continue to claim depreciation deductions as per before.

Investors who purchase brand new residential properties and commercial owners or tenants, who use their property for the purposes of carrying on a business, are also unaffected.

"Owners of second-hand properties will also still be able to claim depreciation for assets they purchase and directly incur an expense on," said Mr Beer.

Plant and equipment depreciation that could not be claimed throughout ownership due to the amended legislation can be claimed as a capital loss to reduce any future capital gains tax liabilities.

"While the new rules will negatively affect thousands of property investors, tax depreciation is still very much applicable and will continue to be used by savvy investors to maximise cash flow from investment properties," said Mr Beer.

"Property investors who would like to better understand how the changes will specially affect them can speak to their Accountant or BMT Tax Depreciation directly," said Mr Beer.

BMT Tax Depreciation has developed a White Paper with further information for investors and relevant parties to explain the changes. This document also demonstrates the effect on property investors in a variety of scenarios. To view the White Paper, visit www.bmtqs.com.au/2017-budget-whitepaper

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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.