

ANALYSIS FINDS 66% OF INVESTMENT PROPERTIES HAVE ONE THING IN COMMON

A study carried out by the country's leading tax depreciation specialist has found that investment property renovation is widespread, proving that many older rental properties still hold significant depreciation tax deductions.

The analysis, conducted by BMT Tax Depreciation, examined over one hundred thousand investment properties over three years which BMT prepared depreciation schedules for and found that two thirds of the second-hand properties had undergone some form of addition or renovation.

BMT Tax Depreciation CEO, Bradley Beer, said the finding is significant because many property investors are under the misconception that depreciation is not available on older second-hand properties.

"In November 2017, the Government changed the way investors claim depreciation for plant and equipment assets," said Bradley Beer.

"Specifically, depreciation on previously used plant and equipment assets can no longer be claimed," he said.

"This has resulted in many investors misunderstanding the changes and not claiming depreciation at all – missing out on what could be thousands of dollars back at tax time."

Mr Beer explained that capital works deductions available on the structure of a residential property built after 1987 remained unaffected by the change in legislation and make up 85 to 90 per cent of depreciation claims. He also clarified that owners who renovate older investment properties can claim qualifying capital works deductions and depreciation on newly installed plant and equipment assets.

"Say a property was built in 1980 and the new owner purchased it as an investment in 2021, then neither capital works nor plant and equipment depreciation deductions are available on the original structure," he said.

"However, if it underwent any form of structural renovation since 1987, even by previous owners, then capital works deductions could be available – on top of any deductions related to newly added plant and equipment."

Mr Beer continued to explain that there is one important step to finding any type of addition and improvement to an investment property.

"Physical site inspections make up a key part of our process, ensuring that every addition or renovation is identified and valued by a specialist. Including those that were done by a previous owner," said Bradley Beer.

"Some renovations and additions are difficult to identify and see the extent of the works, so investors of older properties must not rule out depreciation straight away. Instead, contact a specialist who will find deductions on any renovations made and which will increase the annual cash return," he concluded.

ENDS