BMT Tax Depreciation
QUANTITY SURVEYORS

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HOME-BASED BUSINESSES TURN LEMONS INTO LEMONADE – AND TAX DEDUCTIONS

Home-based businesses can take advantage of one particularly lucrative tax deduction to soften the negative financial effects of COVID-19, according to Australia's leading supplier of tax depreciation schedules.

Depreciation, the natural wear and tear of property and assets over time, can't be claimed on a principal place of residence – except in cases where a business also operates.

BMT Tax Depreciation Chief Executive Officer, Bradley Beer, said that the depreciation available for home businesses could make a significant difference to cash flow.

"The average first year depreciation claims for tax depreciation schedules we completed for home-based businesses in FY 2019/20 came to almost $8,000," said Bradley Beer.

Mr Beer said the company completes tax depreciation schedules for a variety of home-based businesses.

"We have prepared tax depreciation schedules for start-ups, freelancers, trades, accountants and other self-employed professions where all they need is desk space and technology."

Mr Beer said that capital works deductions, claimed on the structural component of the property including the home office walls, doors and windows, made up the bulk of these claims. Plant and equipment accounted for a smaller proportion.

"Of this average, capital works deductions accounted for about $6,650 and plant and equipment around $1,275," Mr Beer explained. "The plant and equipment deductions would have been for assets like computer equipment, office furnishing and tools."

Home-based business owners can also claim depreciation on other areas of the property unrelated to the business's operations, like the kitchen.

"Pro-rata deductions allow them to claim depreciation on these areas," explained Bradley Beer. "The deduction is based on an apportioned value of the space, being the percentage of time it's used for conducting business, compared to personal use."

Mr Beer also suggests that these numbers are set to rise in this, and the next, financial year.

"With the temporary full expensing policy in place until the close of the 2021-22 financial year, businesses can instantly deduct any eligible plant and equipment asset," Mr Beer said. "For example, if they purchased a work ute for $40,000 this year, the entire amount could be claimed as a deduction at tax time," he concluded.

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