DEPRECIATION with Tyron Hyde

For more **DEPRECIATION** info visit www.spionline.com.au

MAXIMISING YOUR CASH FLOW

This month, **Tyron Hyde** concludes his countdown of the top 10 depreciation tips for maximising your cash flow in 2012

5: IMMEDIATE WRITE OFF

Did you know that individual items under $300 can be written off immediately?

Knowing this, you can buy items that depreciate faster. For instance, if you are buying a microwave for your property, buy one for $295, not $305. By doing this you'll be able to claim $295 as an immediate tax deduction as opposed to depreciating it at the prime cost rate of 10 per cent per annum.

If your share of a commonly-held item is under $300, you can also write that off. For instance, if a garage door motor cost an apartment block $2,000 and there are 50 units in the block, your portion is $40. You can then claim the $40 outright.

4: TALLER BUILDING, HIGHER DEPRECIATION

Taller buildings attract higher plant and equipment allowances and the higher the plant and equipment, the higher the depreciation. (Plant and equipment refers to necessary services within the building as well as items within the property itself.)

Some of the services required due to height, such as a lift, are obvious; other services are less obvious, with fire hose reels and intercoms all depreciable under this category. Tall buildings also have a higher ratio of plant and equipment due to the amenities the developer provides, such as swimming pools and gyms.

But keep in mind that a tall building doesn't automatically make a better investment!

3: OLD PROPERTIES DEPRECIATE TOO

Thankfully, the number of people that think only new property depreciates is decreasing.

Even properties built before 1985 (when the Building Allowance kicked in) are worth depreciating. The purchase price of your property includes the land, building, and plant and equipment. As a quantity surveyor, we help you apportion or break down those categories.

In about 99 per cent of cases we find enough plant and equipment items to justify the expense of engaging our firm, regardless of the property's age.

2: ACCESSIBLE DEPRECIATION DATA

A little cheeky I know, but my penultimate tip is to download the Washington Brown Depreciation App. Launched last year, it was Australia's first depreciation calculator for smartphones and is the simplest way to review the tax saving prospects of an investment property, new and old - anywhere, anytime. The app provides 10-year tax depreciation estimates and calculates based on real property data.

1: MAXIMISE THE CONSTRUCTION COST

When depreciating an investment property, you need to use the original construction cost. Make the most of current market conditions and search for properties where the actual construction cost is close to the current purchase price.

We had a client who recently bought a property in Sydney's western suburbs for $350,000. It was a three year-old, three bedroom unit. We were the project quantity surveyors and I know the original construction cost for that unit was $285,000.

But its purchase price, brand new, was $445,000.

Guess what? We still use the original construction cost as the basis for depreciation for the incoming property investor. So, their depreciation deduction relative to the purchase price has increased. This property would be cash flow neutral at worst, cash flow positive at best. ■

> **"THANKFULLY, THE NUMBER OF PEOPLE THAT THINK ONLY NEW PROPERTY DEPRECIATES IS DECREASING"**

Tyron Hyde is a director of quantity surveying firm Washington Brown. He has a degree in construction economics and is an associate of the Australian Institute of Quantity Surveyors.