QS Corner

TIP #1

Hello and welcome to QS Corner! Every month I'll be providing a new tip to help you maximise your property depreciation allowances.

This month I'll discuss the depreciation implications of buying a renovated property.

Most property investors now know you cannot claim building depreciation for properties that are constructed before July 1985. But what if your property was built before 1985 and has been renovated, can you claim depreciation on the renovations?

The simple answer is - yes.

The law doesn't exclude those renovations just because they are situated in an old building. As long as the renovation commenced post 1985, you are entitled to depreciate them.

The good news is that even minor renovations can yield a significant amount of depreciation.

For instance, we are constantly seeing properties with a $25,000 makeover.

This may include: new carpets, new blinds, a new bathroom and a new kitchen. (I'm not talking a luxury place here!).

This type of renovation/investment could result in depreciation benefits of between $5,000 and $7,000 in year one alone!

The reason this figure is relatively high compared to the amount of spend is that the items being replaced have a relative low effective life – which means you can claim them quicker.

This makes sense and is the reason they needed replacing in the first place.

In simple terms, carpet can be claimed quicker than brick and concrete because it will wear out faster.

Tyron Hyde is a director of quantity surveying firm Washington Brown. For more information on property depreciation including a FREE online tax depreciation calculator visit *www.washingtonbrown.com.au*