QS Corner

TIP #12

This month we look at depreciating commercial property

There are three major differences in relation to the depreciation of commercial versus residential property, namely:

1. You can occupy the property and still claim tax depreciation

Many people buy commercial property in their own name or self-managed super fund and then lease the property back to the business they own. This enables the individual or super fund to claim the depreciation allowance – which can be significant on commercial property.

2. Older commercial buildings qualify for the building allowance

Building allowance refers to the decline in value of the bricks, concrete, etc, of your property. The date that construction commenced determines what building allowance you can claim.

For commercial property you can claim depreciation, provided your building commenced construction after July 1982. However, for residential buildings, construction would have had to commence after July 1985.

3. Claimable items vary by industry and effective life

Each year the Tax Commissioner publishes a list of what items you can and can't claim. Commercial property owners don't have their own list but some items are claimed at different rates to residential properties. For instance, carpets are claimed over an eight-year period in commercial and a 10-year period in residential.

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