QS Corner

TIP #2

Hello and welcome to QS Corner! This month I'll look at the common mistakes made when preparing a depreciation schedule and help you maximise your depreciation allowances

Builders are good at building. But that doesn't necessarily make them good at maximising the depreciation allowances you are entitled to.

That's why if you have contracted a builder to construct your investment property, it still pays to have a quantity surveyor prepare a depreciation report for you.

I've never seen a builder's depreciation schedule that I could not improve upon and therefore significantly increase the claim for the investor.

Some of the common mistakes I see in builder-prepared depreciation schedules are:

a. Certain depreciable items are overlooked through a lack of experience.
b. Professional fees such as design and council contributions are excluded.
c. Some categories which allow a faster depreciation rate are overlooked.
d. Plant and equipment items such as ovens and dishwashers are based on the cost to the builder, rather than the investor.

By far the worse mistake is 'd'. And this can cost you significantly. You see, when a builder buys an oven for $800 – that's *not* what you pay for it.

By the time the investor pays for this item, a range of other fees would have been included, such as the architect's design, transportation, installation and supervision.

Next thing you know… the real cost of this oven to you is $1,100, and it's the *real* cost we're after, not what the builder paid.

Now that extra $300 depreciates at 20% per annum – as opposed to the 2.5% building allowance – which means you claim the depreciation faster.

So at the end of the day, let builders build and let us save you money!

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*

WASHINGTON BROWN
"We know property"