

QS Corner

TIP #3

**“Hello and welcome to QS Corner!
This month we look at creating a quick
guide to depreciation allowances when
contracting a builder”**

Washington Brown has created Australia's first and only tax depreciation calculator that allows you to estimate the potential depreciation deductions before you buy a property.

All you do is punch in the expected purchase price of the property, and based on a collection of real life analysis, an estimated depreciation amount is calculated.

But what if you are building a house – what are the likely depreciation deductions then?

Unfortunately, there's no calculator on the market that can make this estimation, so in this month's QS Corner I've created a “ready reckoner” to help estimate the potential depreciation on the construction of an investment property.

So if you are thinking about engaging a builder to build your investment property here are the percentages you can use in relation to your construction contract value.

Year 1 ...6%	Year 24.5%	Year 3....4%
Year 4....3.75%	Year 53.5%	

That means...if my house cost \$200,000 to build, I could expect a \$12,000 depreciation deduction in Year 1, and a \$9,000 deduction in Year 2....etc.

This guideline is best used for construction costs less than \$500K. Any higher and the ratios are likely to decrease. So if you need further clarification, don't hesitate to contact us.



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



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