QS Corner

TIP #34

In this month's QS corner... how one year can make all the difference...

I used to advise investors to buy property built in 1986. Why?

Because residential properties built between July 18 1985 and September 15 1987 used to attract a 4% building depreciation rate over a 25-year life span.

Everything built since then attracts a 2.5% rate over a 40-year life span.

So the net result of purchasing properties in this odd two year period was increased tax deductions – and therefore cash flow – at a faster rate.

But as of September this year, the loophole effectively closed.

That means any properties built before September 1987 incur NO building allowance.

However, if you buy a property where construction commenced in 1988, you still have 16 years to depreciate the building.

That's over 40% of the original construction cost left for you to claim – I know which one I prefer!

So if you're in the market for an investment property - it's worth knowing the date that construction commenced – especially if it's around the mid to late 80s. It could make quite a difference.

The Australian Taxation Office has identified Quantity Surveyors as appropriately qualified to determine the original construction cost, where the costs are unknown.

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 washingtonbrown.com.au

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