QS Corner

TIP #53

In this month's QS Corner, we look at the Prime Cost method of depreciation.

When you receive a depreciation schedule on your investment property you have a choose whether to claim the Diminishing Value method, or the Prime Cost method.

Both methods are based upon the effective life of the asset - i.e. how long it will last.

Last month we looked at the Diminishing Value method of depreciation, which allows you to accelerate your deductions in the earlier years.

This month we will examine the Prime Cost method, which evenly spreads out how much you can claim each year.

For instance, with the Prime Cost method, carpet purchased for $1000 (with an effective life of 10 years) can be claimed at 10% per annum, or $100 per year.

This may suit someone, for instance, who bought the property then lived in it for a few years before turning it into a rental property.

By slowing down the claim you will not miss out on as many deductions.

Once you choose your method of deprecation you you cannot alternative between the two.

That's why we always recommend you talk to your financial advisor as to which method suits your individual circumstances.

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