

QS Corner



With another financial year over...
this month's QS corner helps you stay out
of the ATO's firing line.

The Australian Taxation Office (ATO) is ramping up client compliance monitoring by writing to 110,000 property investors who have purchased an investment property this year.

From my experience the ATO tends to target the following areas:

- 1) Whether property investors are claiming repairs and maintenance correctly. For example are they instant deductions or should the costs be spread out over time? This is a complex area and you should always check with your accountant before claiming repairs as an outright deduction.
- 2) Are the deductions being claimed for an income-producing asset? For instance, if you make a repair to an oven whilst living in the property, then moved out 2 months later, you can't claim that as a repair!
- 3) Are property investors claiming the correct building allowance and depreciation deductions? This is the most common area of concern in my opinion, and some of the obvious mistakes I have seen include:
 - Claiming the building depreciation allowance based on the purchase price NOT the original construction cost.
 - Incorrectly classifying items of plant and equipment when they should be part of the building.

Be **safe** this financial year – get a Quantity Surveyor like Washington Brown to prepare a depreciation report for you and hand that report to a qualified accountant.



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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