QS Corner

TIP #8

Hello and welcome to QS Corner! This month I explain why depreciation should be seen as the icing on the cake….

If you're buying an investment property, depreciation should not be the initial focus of your attention.

You should be focusing on things such as: future infrastructure, potential rental yield, vacancy rates in the area and how you can improve the property.

Property depreciation is, however, the 'icing on the cake'.

The depreciation you claim on your property increases cash flow – because it reduces your taxable income.

Even if you buy a positively geared investment property depreciation still helps because the amount you borrow is irrelevant when it comes to claiming the depreciation.

That's because property depreciation is known as a 'non-cash deduction'. What that means is you don't have to fork out cash in order to claim the deduction.

Every other deduction you can claim as a property investor will match the amount that has comes out of your bank account.

But not depreciation… that deduction is in-built in the property at the time of purchase.

You just need to work out how much you can claim. And that's where we help: the Australian Taxation Office will accept an estimate from a quantity surveyor if the costs are unknown.

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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