QS Corner

TIP #35

In this month's QS Corner – why no change is as good as a rest!

Phew, what a difference a week makes! Recently the government established a Tax Working Group with the aim of working out how to reduce the company tax rate by 1%.

To help fund this cut to the company tax rate – the working group outlined potential changes to the way building depreciation allowances could be treated.

One of the options canvassed by the working group was to stop property investors claiming any building depreciation whatsoever.

The flow-on effect from the construction industry through to the economy is well known and without depreciation allowances many more projects might not get started.

Currently property investors can claim the original building cost as a deduction over a 25-year period, or 2.5% per annum.

Washington Brown submitted a report arguing that if they increased the rate to 4% the government could save money and increase construction activity.

The result

Well no change can be as good as a rest! The working group came to the conclusion that changes to depreciation arrangements could have a significant impact on the after-tax return on investment and have recommended no change.

If you wish to read the Washington Brown submission and learn how increasing the building allowance could save money and encourage development activity visit: www.washingtonbrown.com.au/treasury

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