QS Corner

TIP #50

In this month's QS Corner we look at the depreciation benefits of buying brand-new versus almost-new investment properties.

Good investors often have a strategy and stick to it. For instance, some like to invest in new properties over shorter periods of time, others prefer second-hand properties they might hang onto for longer.

But what are the depreciation implications on new versus almost-new properties?

Tax depreciation benefits are at their greatest when the property is brand-new. Investors can claim a 2.5% depreciation allowance on the construction cost over 40 years. Plus you'll also be entitled to claim the full amount on plant and equipment items which will all be brand new.

A property that is 7 years old is still going to have significant deductions with 33 years of building depreciation to claim. Also, due to changes in depreciation laws, Plant and Equipment items installed after 10th May 2006 are claimed at a higher rate.

The purchase price of second hand properties are more likely to represent the current market value as they may have been bought and sold during this period.

I'm not advocating either option but I do recommend thorough research and having a solid strategy before you start investing.

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