

QS Corner TIP #61

Don't get carried away
with that holiday feeling...



If you've been on holidays, it's very easy to get caught up in the romance of owning your own holiday home. The reality is you'll spend a lot of time maintaining it.

Purchase price, stamp duty and mortgages offset by the rental income can make it look good in the halo of optimism that comes with the first flush of real estate lust. The 'we have got to have it and we will make it work' compulsion is common when purchasing lifestyle properties.

Holiday houses can be depreciated if they are rented out to a third party but that doesn't mean you can't stay there when you want to.

As long as it's available for rent most of the year you can block out a two-week period over Christmas and claim the depreciation pro rata. You are still entitled to that deduction regardless of how many weeks the property is actually rented out, as long as it was available for the full 50 weeks.

I'm seeing many clients buy holiday homes at close to, or less than the construction cost and if you furnish your holiday home, you'll magnify the deductions.

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