



Washington Brown's new depreciation report to maximise building allowances

While the changes to depreciation announced in last year's Federal Budget put residential property investors on the back foot when compared to commercial property investors, there are ways to even the playing field, according to Washington Brown.

The quantity surveying organisation has come up with a number of strategies to help residential property investors crack the new laws and make the most of depreciation, one of which is through its new Building Allowance Maximiser™ report.

The new report – the first of its kind in the industry - was revealed as one of two major announcements by Washington Brown at its Surprise 40th Birthday on February 23, held at the Australian Museum, with the other being its [National Depreciation Register](#).

As the name suggests, the report maximises the building allowance, which is the only type of depreciation residential property investors can now claim for second-hand properties following the Federal Budget changes.

Residential property investors can no longer claim depreciation on plant and equipment items, such as ovens and dishwashers, if the item is second hand, but they can still claim depreciation on the structure of the building, which includes bricks, concrete, windows and tiling, provided the property was built or renovated after 1987.

These costs typically represent 85% of the building cost, so that's good news; but Washington Brown wants to turn it into great news by maximising the building allowance for investors.

The company's Building Allowance Maximiser™ details these deductions by splitting the building allowance into individual categories, including kitchen cabinetry, tiling, brickwork and concrete, rather than lumping it all together, which is how it has traditionally been done.



Up until now, when you order a depreciation report, quantity surveyors would have given you a lump sum total for your building allowance, based on the Federal Government's guidelines that these items all last approximately 40 years.

For instance, if a house costs \$250,000 to build and there's \$50,000 of plant and equipment, in the past the remaining \$200,000 would be lumped together as one for the building allowance, which you can generally claim depreciation on at 2.5%, for properties built after September 15, 1987.

But, according to Washington Brown, investors tend to update things like kitchens and bathrooms every 20 years, so breaking down the building allowance into components – rather than treating it all the same – is much more beneficial.

Property investors that use the Building Allowance Maximiser™ report – and update some of the structural items in their property, such as kitchen cupboards, in a renovation – will be able to claim the full amount of depreciation that remained on the original items, as an immediate tax deduction when they replace them.

So, let's say you bought a property 20 years ago, with kitchen cupboards that cost \$10,000 to build. Because it's half way through its 40-year life, you would only have claimed 50% of it in depreciation - which is \$5000.

But that's just the cabinets, when you add the splashback, the bench tops, the sink, the tiling, ceilings, flooring, plumbing & electrical - these items could quickly add up to \$25,000 left on the table in unclaimed deductions.

If you remove these items today, using Washington Brown's new report you would be able to claim the remaining \$25,000 as an income tax deduction. Not bad!