

TECHNICAL ISSUES – Depreciation for older properties

No matter the age, no property is too old to claim depreciation.

According to BMT Quantity Surveyors a large proportion of depreciation schedules prepared are for pre-owned properties of which a significant number are properties which were built prior to 1985 and see owners claim an average of \$4,042 in annual depreciation deductions in the first five years.

Property depreciation is made up of two main elements: capital works deductions and depreciation of plant and equipment. Capital works deductions are deductions available on the structure, including fixtures that cannot easily be removed.

Depreciation of plant and equipment is available on mechanical and removable items, including those deemed to have an effective life set by the Australian Tax Office.

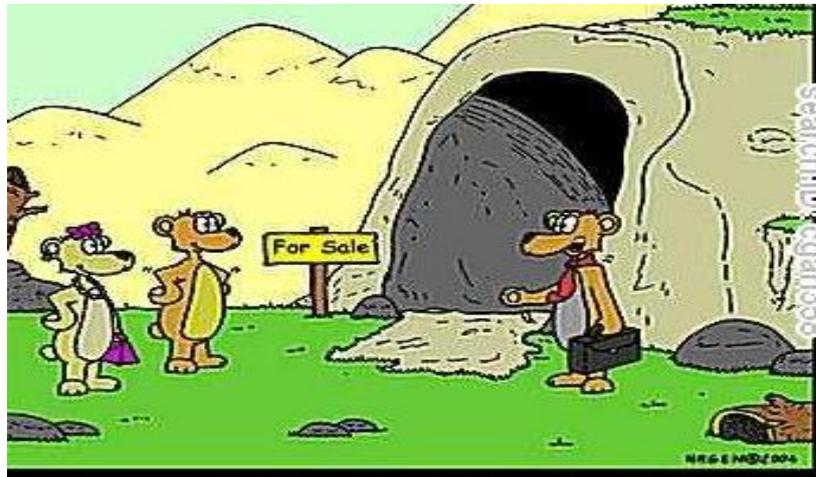
Generally, the capital works component of a property is strictly qualified by age. Legislation states that for any residential property which commenced construction prior to the 18th of July 1985, the owner will not be able to claim capital works deductions. For commercial buildings this date is the 20th of July 1982. Depreciation of plant and equipment is not limited by age; it is the condition and quality of each item which contributes to the depreciable amount.

Specialist quantity surveyors identify a large proportion of available deductions on older properties through plant and equipment depreciation deductions. On average, 15% of the total construction cost of a residential property is made up of plant and equipment. This includes items such as carpet and hot water systems, as well as less obvious items such as garbage bins, mechanical exhaust and door closers. These plant and equipment items are rarely the same age as the building, usually being replaced or updated over time. The greater amount of plant and equipment items identified, the higher the depreciation claim.

Another important part of maximising claims on older properties is identifying any additional works, extensions or internal refurbishments which have taken place over the life of the property. Even if the work were completed by a previous owner, any structural addition completed after the qualifying dates can be claimed as capital works, further increasing deductions. A specialist quantity surveyor will be able to identify and estimate costs of all additional works, extensions or internal refurbishments on older properties.

Substantial depreciation deductions may be claimed by engaging a tax specialist to assess an investment property, no matter the age.

Contact us for more information.



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