

WHY ARE TAX DEPRECIATION SCHEDULES IMPORTANT, AND WHEN DO I NEED ONE?



If you have an income-earning asset (such as an investment property) and don't have a **TAX DEPRECIATION SCHEDULE**, you could be missing out on thousands of dollars of tax savings.

So, what is a tax depreciation schedule, and who can prepare one?

A tax depreciation schedule looks at the diminishing values of income-producing assets. In the case of property, it looks at

- Your capital works costs (such as bricks, concrete and tiles that relate to the construction of the structure), and
- Plant and equipment depreciation (removable items, which also often need to be replaced over time, like your oven, blinds, carpets, hot water system and air-conditioner).

For your capital works costs, the ATO specifies that a Quantity Surveyor is the **ONLY** professional permitted to calculate the construction costs (when these are unknown) and prepare the tax depreciation schedule. Once it has been calculated and prepared, it then goes to your accountant who will incorporate it in your tax return.

For a quantity surveyor to prepare tax deduction schedules, they also need to be a **REGISTERED TAX AGENT**.

Is getting a tax depreciation schedule worth the expense?

Not only that, once the depreciation schedule for the capital structure is prepared, it lasts the lifetime of the property (40 years), unless of course you undertake a qualifying extension or other significant improvement to the structure, in which case it may need to be updated.

If you're just finding out about tax depreciation schedules now, and have already done your tax return, the good news is once you have a tax deduction schedule done, your accountant may be able to put through amendments for up to two years.

Are the deductions the same each year?

It is assumed your asset's value diminishes the most in the earlier stages of its life, and reduces each year, so you'll see a more rapid rate of decline at the beginning, and a flatter rate of decline the older it gets.

Does the quantity surveyor need to visit the property?

It is a requirement for the quantity surveyor to visit the site, and they will need to take photographs.

A **PROFESSIONAL QUANTITY SURVEYOR** will do their utmost to work with you, your property, and tenants to minimise inconvenience and disruption.

Does the same tax depreciation apply to all properties?

Although you can find tax depreciation calculators online, calculating tax depreciation is extremely complex. It takes into account when construction took place and a wide range of other factors so really needs to be left to the experts.

Before making any decisions or assumptions about what a tax depreciation schedule can do for you, it is important you first chat with a **QUALIFIED QUANTITY SURVEYOR** or your accountant. If you would like to arrange a complimentary initial chat with the **Newton Fisher** quantity surveying team, you can **CONTACT US HERE**.

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THE NEEDS OF CLIENTS AND PROJECTS