

# What can you claim?

By **LESLEY PARKER**

**M**ANY property owners are neglecting to take advantage of a valuable building depreciation allowance available on rental properties built or renovated from 1985 onwards.

Under the allowance, the cost of a building or the renovations can be claimed as an expense at the rate of 2.5 per cent a year over 40 years.

“Depreciation is claimable on, essentially, any property built after 1985,” property investment adviser and author Margaret Lomas said.

There’s a two-year window between 1985 and 1987 where you can claim building depreciation at the more generous rate of four per cent for 25 years, she said, but this has only a couple of years to run.

There are a few things to know about the allowance, however.

First, you can claim only the balance that hasn’t been claimed already.

If you buy a property that’s

10 years old, you can claim only the remaining 30 years.

Don’t think that if the previous owner didn’t claim the first 10 years of depreciation you can claim that unused amount — you can’t, Lomas said.

Also, the allowance is based on the original building cost of the building.

If you didn’t build the house and don’t know the cost, a quantity surveyor can work it out for you.

CPA Australia’s senior tax counsel Garry Addison said a common mistake was for people to confuse the value of a property with its construction cost.

“They just assume they can claim the value of the whole property” including the land, he said.

“Land doesn’t depreciate. It appreciates, as we all know. It’s only the building that depreciates.”

The cost of the land is relevant only when working out any capital gains tax on the sale of the property.

You can also claim depreciation on fixtures, fittings and furniture over their “effective life” — how long they’re likely to last.

The Tax Office provides guidance on the life expectancy of various assets.

Lomas, of property investment advice firm Destiny Financial Solutions, said investors should be aware that when they buy a property the fixtures and fittings take on a new effective life.

“People might think, ‘I’ve bought a property that’s five years old, there’s carpet in there and carpet has a 10-year life, so I only have five years to claim.’ That’s not true,” she said.

“What happens is you get 10 years — but only on the carpet’s value from the day you buy it, and clearly that’s going to be a second-hand value.”

People not sure how to treat a particular item — as an asset to be depreciated over its effective life or as capital works to be spread over 25 or 40 years — can turn to the Tax Office’s rental properties guide.

The guide explains how you should treat more than 230 residential rental property items.

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Property investment adviser and author Margaret Lomas knows all the tax breaks.

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