

An Example of the Depreciation Deductions Available

BMT & ASSOC has identified over **\$20,000 in deductions** for this investor in plant and equipment items alone.

BEDROOM

- Air conditioning \$2500
- Blinds \$300
- Carpet \$900
- Light shades \$150
- Smoke alarm \$130
- Furniture package \$3000

BATHROOM

- Light fittings \$90
- Free standing bathroom accessories \$100
- XL light/heat \$250
- Heated towel rail \$600

LOUNGE ROOM

- Light shades \$350
- Ceiling fan \$250
- Security system \$2300
- Floating timber floor boards \$1800
- Smoke Alarm \$130
- Blinds \$600

KITCHEN

- Rangehood \$1350
- Blinds \$400
- Microwave \$360
- Dishwasher \$1500
- Stove \$2500
- Floating timber floor boards \$1500

Note: The above example is provided as an approximate guide only. This example assumes the property is less than 5 years old. Approximate deductions obtainable based on a 1 bedroom unit using the diminishing value method of depreciation over the relevant period of time.

BMT & ASSOC

Quantity Surveyors

Further Examples

Building Type	2 BR Unit	Townhouse	Residential House	Commercial Building
Purchase Price	\$400,000	\$300,000	\$375,000	\$2,500,000
Year 1 Depreciation	\$10,000	\$7,000	\$8,500	\$100,000
Year 1-5 Cumulative Depreciation	\$45,000	\$30,000	\$38,000	\$450,000

Investor Profile

The following is a tale of two investors – they both have a property purchased for the same price and rent it out at \$385. Their expenses for the property are also the same. So what differentiates these two investors? One investor has obtained a BMT Tax Depreciation report, and the other investor has not obtained a report.

Property:

- A two bedroom unit purchased for \$400,000

Income:

- Rent @ \$385 per week
- Total income approximately \$20,000 per year

Expenses:

- Interest, rates and management expenses \$32,000 per year

Pre Tax Cash Flow \$20,000 (income) - \$32,000 (expenses) = -\$12,000

Investor One (no depreciation report)

Pre tax cash flow

- Tax depreciation \$0
- Taxation loss \$12,000

Post tax cash flow (top tax rate of 45%)

- Tax refund \$5,400

Net cash outlay \$6,600 = \$126 per week

Investor Two (BMT & ASSOC depreciation report)

Pre tax cash flow

- Tax depreciation \$12,000
- Taxation loss \$12,000
- Total deduction \$24,000

Post tax cash flow (top tax rate of 45%)

- Tax refund \$10,800

Net cash outlay \$1,200 = \$23 per week

Investor Two has over \$100 extra a week by obtaining a BMT Tax Depreciation report.

(Based on the diminishing value method of depreciation)