

# HOW TAX DEPRECIATION CAN MAXIMISE CASH FLOW

Tax time is fast approaching and claiming depreciation expenses can put a lot of money back in your pocket.

Investment property tax depreciation allows you to claim a tax deduction for the wear and tear of the structural elements (the actual building) and the plant and equipment (fixtures and fittings) of an investment property.

By claiming depreciation as a tax deduction, you can lower your taxable income. This in turn reduces the amount of income tax you need to pay, leaving more cash in your pocket each year. You can use this increased cash flow to pay down debt, create new investments or simply enjoy more disposable income.

You can maximise investment property tax deductions by considering the following:

## **Engage a registered Quantity Surveyor**

To maximise investment property tax deductions, you need a detailed tax depreciation schedule. A tax depreciation schedule summarises the tax deductions you can claim on your investment property each year for up to 40 years. ATO rules insist that a tax depreciation schedule be compiled by a registered Quantity Surveyor, who will inspect your property and ensure that every depreciable item is identified and evaluated.

## **Claim small items immediately**

To offset the usually higher cost of an investment property in the early years, claim small items as soon as possible. Items under \$301 dollars can be written off immediately.

## **Claim scrapping value when upgrading or renovating**

Scrapping, or residual value, is a depreciable element that many property investors overlook. You can claim a tax deduction for fixtures and fittings that are replaced during an upgrade or renovation. Have a Quantity Surveyor review your renovation plans and estimate what you will 'lose' when throwing out old carpets, kitchen cabinets or other fittings. This 'scrapping' amount can be claimed as a tax deduction.

## **For more information about Tax Depreciation?**

Contact your accountant or the Australian Tax Office as there have been some recent changes.

<https://www.ato.gov.au/uploadedFiles/Content/IND/downloads/Guide-to-depreciating-assets-2018.pdf>

## **For more information about Property Management?**

Contact our office on 03 5755 1307 or enquiries@dickens.com.au

The logo for Dickens Real Estate features the word "DICKENS" in a bold, yellow, serif font, set against a dark green background. A yellow swoosh graphic curves around the text from the bottom right. To the right of the swoosh, the words "REAL ESTATE" are written in a smaller, yellow, sans-serif font on a white background.

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