BUILDING AN INVESTMENT PROPERTY
MAKE SURE YOU GET THE RIGHT ADVICE!

Deciding to build an investment property or to purchase off the plan is a choice many Australians are making. There are government incentives in most states in the form of reduced stamp duty and bonuses available for qualifying new homes.

The depreciation situation changes when dealing with a brand new property, compared to an older property. There are often benefits gained from obtaining advice from a property depreciation specialist during the early planning stage especially when considering a brand new investment property.

Increase deductions when deciding on finishes
BMT Tax Depreciation will help you obtain long term value from the money you are outlaying. Construction is expensive, so it makes financial sense to obtain the maximum depreciation benefit when possible.

When a property is being built, thinking about the types of fittings and fixtures before installing them can generate extra dollars in depreciation deductions. BMT Tax Depreciation can advise you how to maximize the cash flow potential of a new investment property.

For example, which new floor covering should you install to increase your depreciation potential—carpet, floating timber floorboards or tiles? The depreciation available on these items differs due to their varying effective lives. If you spend $2000 on floor coverings, for example:

Item	Effective Life	Depreciation 1st Year
Carpet	10 Years	$400 ✓
Floating Timber Floorboards	15 Years	$267
Tiles	40 Years	$50

Considering ornamental light fittings or down lights?
If you spend $2000 on lighting, for example:

Item	Effective Life	Depreciation 1st Year
Ornamental Light Fittings	5 Years	$800 ✓
Down Lights	40 Years	$50

Deciding between an air conditioning unit and ducted air conditioning
If you spend $5000 on cooling, for example:

Item	Effective Life	Depreciation 1st Year
Split system Unit	10 Years	$1000 ✓
Ducted Unit	15 Years	$667

(Figures based on Diminishing Value method using current legislation)

As shown in the above examples, installing assets for their depreciation potential is certainly worthwhile.

STOP: Knock down and rebuild - write the old house off!
When building a new investment property and knocking down the old house, you must consider the concept of scrapping. Property investors can claim a deduction for the existing house. If you 'scrap' (or remove) items such as carpet, stoves, hot water services or air conditioning units from your old house, you may be able to claim their left over values as a 100% tax deduction in the year of removal. The same applies to the quality structural element of the property. Obtaining a Tax Depreciation Report pre-demolition can save you thousands at tax time. (cont pg 2)

relax . celebrate . enjoy

PARTY HOUSE

With the silly season just around the corner, preparation for any unexpected event is crucial. An insurance company recently had a claim where a property had suffered damage and loss of rent due to a 'multitude of sins'. The seemingly respectable tenants had decided that the property was so fantastic, and being fully furnished - that it would suit being the venue for their dance party!

After experiencing an endless night, the tenants vacated, leaving the home with vast damages. Holes punched in many walls, carpets stained with various drinks, burn holes throughout, floors that suffered from holes gouged and drilled out due to the attending DJ, missing window treatments -even the coffee tables suffered from knife wounds and broken legs!!

With evidence of substance abuse littered throughout the home, it was a very costly repair bill. An extreme example of what appeared to be a very trustworthy and reliable tenant whose circumstances changed - literally overnight!

As the landlord had a landlord's insurance policy, his insurer covered accidental damage, malicious damage, deliberate damage and theft; and of course the loss of rent whilst the property was untenantable was also covered.

A very costly night for the landlord, $7,687.95 to be precise, which turned out okay in the end – thanks to his specialised insurance!

*This article is proudly brought to you by Terri Scheer. Australia's Leading Landlord Insurance Specialist.

(cont. from pg 1)

WAIT: You know the construction costs? BTM can still help!

When depreciating a new property, establishing the total cost of construction is an important part of the process. However, it is critical that individual fixtures and fittings within the property that depreciate faster than the building are identified and the claim maximized.

Most of the building is claimed at 2.5% per year for 40 years, however the qualifying fixtures and fittings (up to 25% of the total construction cost) can be written off much faster. It is our aim to depreciate the building at the highest rate. The greater the ratio of fixtures and fittings that depreciate over a shorter effective life, the higher the deductions will be in the first 5 years.

It is also important to note that when valuing fixtures and fittings for depreciation purpose, a specialist needs to consider and include associated costs like installation, consultant fees and preliminary costs.

CONGRATULATIONS

To our 3 prize winning contestants for the AFL Colouring in Competition!

Oliver Knowles, Amy Lockley & Chayla Argent

Keep your eyes open for our next colouring in competition for Christmas for your child's chance to win some awesome prizes!!

Northside Residential Joondalup
Unit 4, 80 Grand Boulevard
Joondalup WA 6027
P: 08 9300 2283
F: 08 9300 1854

Northside Residential Greenwood
Shop 6, 130 Coolibah Drive
Greenwood WA 6024
P: 08 9203 9800
F: 08 9203 9811

Northside Home Loans Northern Suburbs
Steve Langoulant
(Mobile Consultant)
M: 0402 158 676
E: stevel@northsidere.com.au