

Investors not claiming full tax entitlements

The majority of property investors are not claiming their full tax entitlements — and it's apartment buyers who are missing out the most, according to Paul Maddren, managing director of depreciation specialists DEPPRO.

"We estimate that only one in five residential investors makes use of the tax depreciation entitlements which are available to all investors on all investment properties," Mr Bennion said.

"The most common group of investors who fail to obtain the full tax depreciation entitlements are

higher rental returns compared to outer suburban homes," Mr Bennion said.

If the apartment is relatively new, it can also deliver strong tax benefits for investors through depreciation. In many cases, strata-style homes provide a greater number of depreciable items than houses.

Generally, owners of these homes only depreciate the internal fixtures of the property without taking into account other items such as exit lights, fire equipment and lifts.

When you consider that the purchase price of these new

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properties can start from over \$400,000, then the investor can achieve significant tax benefits.

Tax benefits from depreciation can be equivalent to 60 per cent of the total purchase price of the property.

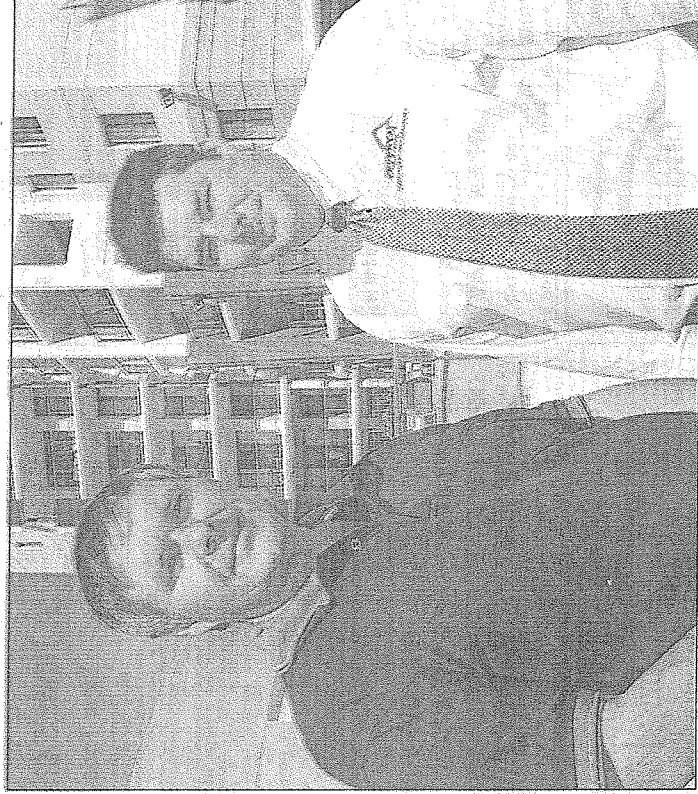
A big proportion of these tax benefits are never claimed, which means that each year hundreds of millions of dollars in tax benefits are being lost.

Tax benefits from depreciation

people who purchase new strata properties such as apartments for rental purposes."

Mr Bennion said more than 3400 established apartments were sold in inner and near-city suburbs of Perth during the past financial year and a major proportion of these had been bought by investors.

"Apartments are very attractive to investors because they are low maintenance and generally deliver



Investor Peter Maddren, left, and Paul Bennion, managing director of depreciation specialists DEPPRO.

could be just as important as rental income, Mr Bennion said.

This is particularly the case with people buying a new strata investment property because one year's depreciation allowance could

be equal to several years of rental income.

Long-time investor Peter Maddren agreed that many buyers had no idea of how to minimise their tax liability.

"Most people I talk to don't have the full picture," said Mr Maddren, a property investor for more than 20 years.

He had started getting professional depreciation schedules done after advice from his accountant.

"Back in the olden days I used to do my own depreciation schedule, so I had a little bit of understanding of it," he said. "But this has really given me an enhanced awareness, in particular just how much you can claim on the common areas."

"It's all those areas which you own a small stake in that increase the whole thing. There's no way I'd know the value of all of them and neither would the accountant."

"The fee you pay for a depreciation schedule is relatively small — about \$450 — and is recovered in no time flat. The fee is tax deductible and then you get all the increased benefits. It really is a small investment."

For example, getting a depreciation schedule done on a new two-bedroom apartment in West Perth's Harvest Rise complex had helped him get tax benefits of more than \$10,000 during the first two years of ownership, he said.

DEPPRO can be contacted on 1300 888 489.