

## Frequently Asked Questions - Tax Depreciation Investors

### 1. How many years does a depreciation schedule last?

The maximum effective life of a residential building as prescribed by the ATO is 40 years, therefore our comprehensive report last the full 40 years. Some [tax depreciation schedules](#) will only last 10 or 20 years however MCG report show the depreciation deductions from the settlement date, through to 40 years from settlement.

### 2. Is depreciation only worthwhile on newer rather than older properties?

The short answer is no. It is correct to say that the newer a property is, the more depreciation deductions you're likely to be able to claim, however a property will always attract some amount of depreciation regardless of age. What we term 'worthwhile' is at least returning twice of fee in depreciation allowance in the first full year of claim. In fact we offer a guarantee that if we can't at least achieve twice the fee in depreciation deductions, there is no obligation to proceed with a report.

### 3 What is the difference between Prime Cost and Diminishing Value methods of depreciation?

The difference between the prime cost and diminishing value method is that the diminishing value method returns the greatest deductions over the first few years and the prime cost method returns greater deductions over the latter years. After around 6-9 years, the diminishing method will normally drop below the prime cost method. Both methods claim the exact same amount over 40 years, so the decision is based on whether the property investor is looking for immediate deductions, or a more constant claim over the life of the property. The specific differences and a case study can be found [on our blog site here](#).

### 4. My property was built before 1985, is it too old to claim depreciation deductions?

Not at all. Your investment property does not have to be new as both new and old properties will attract some depreciation deductions. A common myth is that older properties will attract no claim. The property must have commenced construction after the 18th of July 1985 to qualify for tax depreciation deductions on the building structure, however most properties built before 1985 have undergone some renovations or improvements that will qualify for deductions. On top of this, the plant and equipment items (such as blinds, carpets, hot water systems) will qualify regardless of age.

### 5. What items can I claim tax depreciation deductions on?

All ATO specified plant and equipment items and capital allowances on the building (where the building qualifies) can be claimed. Capital allowances cover the building itself such as the concrete slab, timber frame, roofing, paving, retaining walls

and the like. Plant and equipment items consist of many items within a property, plant and equipment items include( but are not limited to):

* Air	Conditioning	* Garbage	Bins
* Bathroom	Accessories	* Hot Water	Systems
* Blinds		* Light	Shades
* Carpets		* Outdoor	Furniture
* Cooktops		* Range	Ovens
* Curtains		* Security	hoods
* Door	Closer's	* Smoke	Systems
* Floating Timber	Floors	* Solar Garden	Alarms
* Freestanding	Furniture	* Solar Power	Lights
* Garage Door Motors & Controls		* Vinyl	Generators
* Garbage Bins			

The complete list of [plant and equipment items for residential property can be found here.](#)

## 6. What does a tax depreciation schedule contain?

Not all depreciation reports are created equal. Our depreciation report is a detailed 40 year report which includes;

1. A method statement and property overview;
2. A summary and schedule of diminishing value method of depreciation;
3. A summary and schedule of prime cost method of depreciation;
4. A complete list of all pooled items contained in the property
5. A list of all Division 43 capital allowances available from the property;
6. A detailed 40 year summary showing the diminishing value and prime cost claims side by side;
7. A graph comparing the two methods of depreciation in order to select the most appropriate method;
8. All common property items within strata or community title complexes which the owner is entitle to claim over such as lifts, foyers, basements and all associated common plant and equipment;

The report is designed to be easy to read for property investors, yet detailed enough for an accountant to be able to utilise the depreciation effective lives and residual values in their preferred method. The report starts as at the settlement date of the property which enables and depreciation back claim to be recouped by the investor, and shows the first year as a pro rate year finishing at the end of the financial year. The report is complaint with ATO legislation and is prepared by MCG Quantity Surveyors as registered tax agents and members of the Australian Institute of Quantity Surveyors (AIQS) and the Royal Institute of Chartered Surveyors (RICS).

MCG will ensure that the maximum tax depreciation deductions are identified and that you as the property investor are completely satisfied with the report. We pride ourselves on our personalised service.