

DO I NEED A DEPRECIATION SCHEDULE?

Our three triggers telling you to get a tax depreciation schedule.

1. The property commenced construction after the 16th of September 1987.
2. The property has been renovated or extended, after 27/2/1992 by the previous or current owner with a value exceeding \$ 40,000
3. You bought the property brand new.

WHAT IS A REPAIR?

Generally repairs must relate directly to wear and tear or other damages that occurred as a result of your renting out the property.

Examples include :

- Replacing broken window
- Repairing electric appliances or machinery
- Replacing part of the guttering damaged in a storm
- Replacing part of a fence damaged by a falling tree branch

WHAT IS MAINTENANCE?

Maintenance generally involves keeping your property in a tenable condition. It includes work to prevent deterioration or fix existing deterioration.

Examples include :

- Repainting damaged or faded interior walls.
- Oiling, brushing or cleaning something that is otherwise in good working condition. Eg. Oiling a deck or cleaning a swimming pool.
- Maintaining plumbing.

QUICK REFERENCE CHART REPAIRS VS IMPROVEMENTS

Are you replacing something that is worn out, damaged or broken as a result of renting out the property?

REPAIR

Eg : Replacing part of the fence damaged in a storm or getting in a plumber to fix a leaking tap.

Claimed at : **Repair and Maintenance on the depreciation schedule**

Are you preventing or fixing deterioration of an item that occurred while renting out the property?

MAINTENANCE

Eg : Getting faded interior walls repainted or having a deck re-oiled

Claimed at : **Repair and Maintenance on the depreciation schedule**

Are you repairing damage that existed when the property was bought?

INITIAL REPAIR

Eg : Fixing floorboards that had damage when the property was bought.

Claimed at : **Capital Works or Capital Allowances on the depreciation schedule.**

Are you replacing an entire structure that is only partly damaged? Or renovating or adding a new structure to the property?

CAPITAL WORKS

Eg : Replacing all the fencing, not just the damaged portion, or adding a carport

Claimed at : **Capital Works on the depreciation schedule**

Are you installing a brand new appliance or floor/window covering?

DEPRECIATING ASSET

Eg : Buying a brand new dishwasher or installing new carpet

Claimed at : **Capital Works or Capital Allowances on the depreciation schedule.**

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PROPERTY INVESTOR TAX TIME TOOLKIT

REPAIRS AND MAINTENANCE | DEPRECIABLE ASSETS

WHAT ARE IMPROVEMENTS?

An improvement is considered anything that makes an aspect of the property better, more valuable or more desirable or changes the character of the item on which works are being carried out. Improvements include work that:

- Provides something new
- Generally furthers the income, producing ability or expected life of the property.
- Goes beyond just restoring the efficient functioning of the property

Improvements can be either capital works where it is a structural improvement or capital allowances where the item is a depreciable asset.

DEPRECIATING ASSETS

Depreciable assets are those items that can be described as plant, which do not form part of the premises. These items are usually :

- ✓ separately identifiable
- ✓ not likely to be permanent, and expected to be replaced within a relatively short period
- ✓ not part of the structure.

Examples of assets that deductions for decline in value can be applied to include:

Air Conditioners
Blinds
Carpets
Ceiling Fan
Curtains
Floating Timber Floorings
Furniture
Hot Water Systems
Kitchen Appliances
Smoke Alarms

TAX TIME CHECKLIST

INCOME

- ✓ Payment Summaries & Income Statements
- ✓ Lump Sum & Termination Summaries
- ✓ Government payment statements, if any
- ✓ Interest income from banks
- ✓ Dividend statements (received or reinvested)
- ✓ Annual Tax Statements from Managed Funds

DEDUCTIONS (WORK RELATED)

- ✓ Motor vehicle
- ✓ Travel (fares & accommodation)
- ✓ Uniforms/work-wear
- ✓ Self-education & professional development
- ✓ Subscriptions, memberships, donations etc
- ✓ Home office, seminars, conferences
- ✓ Telephone, internet, computer
- ✓ Income protection insurance
- ✓ Working from home (refer to ATO formula)

OTHER INCOME

- ✓ Rental properties
- ✓ Foreign Income
- ✓ Capital gains
- ✓ Property Management Fees

OFFSETS & REFUNDS

- ✓ Health insurance & rebate statements
- ✓ IAS, PAYG statements
- ✓ Spouse details incl taxable & exempt income



**DON'T FORGET YOUR
MCG TAX DEPRECIATION
SCHEDULE!**

CAPITAL EXPENDITURE WHICH MAY BE CLAIMABLE OVER TIME

CAPITAL WORK

The rate of deduction for these expenses is generally 2.5% per year for 40 years following construction.

Capital works is used to describe certain kinds of construction expenditure used to produce income. Examples include:

- building construction costs
- the cost of altering a building
- major renovations to a room
- adding a fence
- building extensions such as garages or patios
- adding structural improvements like a driveway or retaining wall.

PLANT AND EQUIPMENT ITEMS

For each of the assets where you may claim a deduction for decline in value, you can choose to use either the effective life the Commissioner has determined for such assets, or your own reasonable estimate of its effective life. Where you estimate an asset's effective life, you must keep records to show how you worked it out.

INITIAL REPAIRS

Costs you incur to remedy defects, damage or deterioration that existed at the time you acquired the property are considered to be capital in nature. These may be classified as capital works or capital allowances, dependant on what the expenditure was for.