

MAVERICK™

BMT Tax Depreciation
QUANTITY SURVEYORS

Issue 27 Winter 2010

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IMPORTANT

In the 2008-2009 financial year, the Australian Taxation Office (ATO) reviewed 28,400 tax returns resulting in revenue adjustments of \$65.1 million. They also sent 134,800 letters to individuals explaining how to declare rental income and claim rental property deductions correctly.

In the event of an audit, it is essential that Property Investors have a tax depreciation report prepared by a specialist Quantity Surveying firm who will stand by their report and answer any questions asked by the ATO. Not only will this ensure that personal risk is minimised but it will also maximise depreciation deductions.

If an individual is already claiming property depreciation, BMT Tax Depreciation can review the claim or existing report, **free of charge**. This is to ensure the correct legislation and methodology has been applied, as well as making sure the Investor is maximising their entitlements. Over the past few years, BMT Tax Depreciation has provided its clients with a free review of existing depreciation reports. **In a large percentage of these cases, the Investor was missing out and BMT helped them tap into this extra cash.**

In all cases, BMT Tax Depreciation will identify any discrepancies, make sure deductions have been maximised and determine if the correct methodology has been used.

Investors who have not been maximising their deductions or claiming depreciation previously are allowed to go back and amend the previous two financial years' tax returns. The BMT Report easily facilitates this.

Property Investors: Choose your Tax Depreciation Specialist Carefully - A Recent Case Study

Recently, a Property Investor saw BMT's free review offer and emailed four reports they had obtained to review@bmtqs.com.au for analysis. After BMT reviewed

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each report and advised the Investor that they had missed out on deductions, the Investor engaged BMT to prepare four new reports. The following points were noted when analysing the original reports (produced by another organisation):

Property One, Strathfield NSW – Report Feedback:

- Some plant and equipment items were missing. Certain assets should be in every residential dwelling.
The following were missing from the report: range hood, oven, bathroom accessories, door closers and smoke alarms.
- Some items were under valued. It is not just the cost of the asset to consider – there are also installation costs and extras like preliminary costs and consultant fees.
- The report calculates depreciation for 5 years and then projects the depreciation for the remainder, making the figures difficult to justify later.
- The Investor agreed to have another report completed by BMT. Additional deductions identified totalled **\$61,640**.

Property Two, Fortitude Valley QLD - Report Feedback:

- The legislation/effective lives that were being used to depreciate items were incorrect.
- Some plant and equipment items were under valued.
- The depreciation on the building structure was under valued.
- The item 'Furniture and Fittings' was used in the report to cover a number of items such as televisions, beds, lamps etc. These can and should be itemised separately to apply increased depreciation rates to qualifying assets. As it was not itemised in the report, deductions were not maximised.
- The Investor agreed to have another report completed by BMT. Additional deductions identified totalled **\$33,831**.

Continued on page 2.



Continued from page 1.

Property Three, Hawthorn VIC - Report Feedback:

- Report only calculates the depreciation for 1 year then projects for only 10 years. The report should last for 40 years to outline total deductions.
- Calculations were incomplete, meaning the accountant will have to calculate them (taking extra time, increasing accountant fees and possibly missing out on deductions).
- Some plant and equipment assets were under valued.
- The depreciation on the building structure was under valued.
- The Investor agreed to have another report completed by BMT.
Additional deductions identified totalled **\$20,264.**

Property Four, Adelaide SA - Report Feedback:

- Some plant and equipment assets were under valued.
- The depreciation on the building structure was under valued.
- Low value pooling was not utilised.
- The Investor agreed to have another report completed by BMT.
Additional deductions identified totalled **\$7,136.**

Comparison

Once BMT Tax Depreciation had completed new reports for the four properties mentioned above, a total of **\$122,871** in additional depreciation deductions was identified. This made the process well worthwhile for the Investor.

Get your free review today!
To obtain a free review of your depreciation report please contact BMT Tax Depreciation on 1300 728 726 for an Australia wide service or email your report to review@bmtqs.com.au for evaluation.

Property Location	BMT Report	Other Report	Difference
Strathfield, NSW	\$182,711	\$121,071	\$61,640
Fortitude Valley, QLD	\$210,503	\$176,672	\$33,831
Hawthorn, VIC	\$133,133	\$112,869	\$20,264
Adelaide, SA	\$9,477(Div 40 only)	\$2,341 (Div 40 only)	\$7,136
TOTAL	\$535,824	\$412,953	\$122,871

BMT obtained this investor \$122,871 worth of ADDITIONAL deductions. Make sure you aren't missing out on cash you are entitled to!

BMT figures based on the diminishing value method of depreciation.

Pay As You Go Variations – Put Extra Money in Your Pocket Weekly!

An often overlooked way in which Investors can improve their weekly cash flow is through a pay as you go (PAYG) variation. The PAYG system is a method of tax collection that was introduced in July 2000 to replace previous versions of the same system, such as pay as you earn (PAYE).

PAYG instalments are a system for paying instalments towards your expected tax liability on your business and investment income for the current income year. A PAYG variation is an application to the ATO requesting that your employer reduce your weekly/fortnightly tax payments to reflect set deductions like depreciation on a rental property. In essence it is a way of decreasing the amount of tax you pay each fortnight to help with your week to week cash flow. Rather than a tax return at the end of the financial year, it is equivalent to receiving small portions of your return each week.

The flexibility this gives the Investor, combined with depreciation deductions identified by your Quantity Surveyor, can be of **great help in managing investments and mortgage repayments.**

Let's consider a hypothetical situation;

You have just purchased an investment property. If you were to take your potential tax return, including the extra deductions gained from your investment property, and divide it by 52 weeks, this would give you the approximate amount your tax is reduced by per week - creating the extra cash flow.

BMT Tax Depreciation makes it even easier for you when you consider the extra tax deductions we are able to identify for an investment property.

Talk to your accountant about PAYG variations and increase your weekly cash flow!

Because there aren't enough hours in the day... We're making the days longer!

For your convenience BMT are now open until 7pm AEDST weekdays and 9am - 4pm AEDST on Saturday.



Got any questions about depreciation? Call BMT, we have the answers.



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Level 9, Seabank Building
12-14 Marine Parade
PO Box 810 Southport QLD 4215
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181 Mulgrave Road
PO Box 1720 Cairns QLD 4870
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19 Bruncker Road, Broadmeadow
PO Box 340 Newcastle NSW 2300
Ph: 02 4978 6477

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GPO Box 4260 Melbourne VIC 3001
Ph: 03 9654 2233

Adelaide:
Level 10, 60 Waymouth Street
GPO Box 1588 Adelaide SA 5001
Ph: 08 8231 1133

Ask us about our
Double our fee or it's
Free Guarantee

www.bmtqs.com.au

Improve Your Financial Position – Not the ATO's!

Investors are often surprised by the amount of items they are able to claim depreciation on inside and outside of their investment property. The following outlines the plant and equipment deductions available room by room in a residential property and a single level office. It also provides examples of the assets that can be claimed. Each scenario provides an average of the total depreciation claim per room.

Depreciation: Room by Room

Bedroom

- Carpet • Blinds
- Air conditioning • Ceiling fan
- Gas heating systems
- Smoke alarm



Depreciation claim for bedroom
\$6,000

Bathroom

- Floor coverings
- Blinds
- Heat, light and exhaust units
- Bathroom accessories - freestanding



Depreciation claim for bathroom
\$4,000

Family Room

- Floating timber floor • Blinds
- Lighting • Air conditioning • Ceiling fan
- Gas heating systems
- Smoke alarms



Depreciation claim for family room
\$10,500

Kitchen

- Floor coverings • Blinds
- Cook top • Oven • Rangehood
- Microwave • Dishwasher
- Lighting • Exhaust fans • Air conditioning • Ceiling fan



Depreciation claim for kitchen
\$7,500

Outdoor areas

- Automatic garage door – motors/controls
- Garbage bins • Hot water systems • Pool/spa pumps
- Pool cleaner • Garden watering installations
- Outdoor furniture (including table and chairs) • Outdoor gas heaters • BBQ



Depreciation claim for outdoor area
\$13,000

Single Level Office

- Carpet • Lift • Fluorescent lighting • Fire alarms • Air conditioning
- Door Closers • Fire exit sign • Fire hose reel • Instant hot water unit
- Bathroom accessories • Blinds • Hand dryers • Partitioning
- Security system • Signage



Depreciation claim for office
\$32,000

BMT figures based on the diminishing value method of depreciation.

It is vital to get a depreciation specialist, like BMT Tax Depreciation, to prepare a tax depreciation report. Maximising the plant and equipment items within an investment property can generate thousands of dollars at tax time.

A BMT Tax Depreciation specialist will visit the investment property to identify and photograph all plant and equipment assets (Division 40) ensuring that the deductions are accurate and every asset is included. They will take detailed measurements, noting the construction method used, to accurately determine the historical construction cost of the property. BMT only use our own fully trained staff for site inspections, ensuring that if you are audited by the ATO, we will stand by our report and answer any questions they may have.

While the above examples have only considered the Division 40 deductions available, it is important to remember that the building may also qualify for capital allowance deductions; depending on the year construction was completed. Consult a BMT Tax Depreciation specialist for an obligation free assessment of your investment property if you are unsure about your entitlements.

Perth:
Level 28, 140 St Georges Terrace
GPO Box 2572 Perth WA 6001
Ph: 08 9485 2111

Canberra:
Level 6, 39 London Circuit
GPO Box 2526 Canberra ACT 2601
Ph: 02 6257 4800

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Construction Costs Per Square Metre - Sydney

Construction Type

Level of Finish

Residential

	Low	Medium	High
3br brick veneer project home, level block, shelf design.....	\$980	\$1,250	\$1,580
Architecturally designed executive residence	\$2,100	\$3,250	\$4,900
3br, 2 level brick veneer townhouse, including allowance for common property	\$1,260	\$1,480	\$2,200
3 level walk-up unit complex, concrete structure ground floor parking	\$1,420	\$1,700	\$2,200
Multi-level apartment building, including lift and basement car parking	\$1,600	\$1,970	\$2,940

Commercial

1-2 level open plan offices, including A/C, excluding fitout	\$1,260	\$1,490	\$2,160
1-4 level open plan offices, including A/C & lifts, excluding fitout	\$1,280	\$1,510	\$2,224
4-8 level open plan offices, including A/C & lifts, excluding fitout	\$1,520	\$1,850	\$2,325
8 levels and over, including A/C & lifts, excluding fitout	\$1,820	\$2,064	\$2,689

Industrial

High Bay Warehouse, standard config, concrete floor, metal clad (size < 3500sqm)	\$800	\$900	\$980
High Bay Warehouse, standard config, concrete floor, metal clad (size > 3500sqm)	\$790	\$885	\$950
High Bay Warehouse, standard config, concrete floor, pre-cast concrete wall clad (size < 3500sqm)	\$900	\$990	\$1,100
High Bay Warehouse, standard config, concrete floor, pre-cast concrete wall clad (size > 3500sqm)	\$890	\$970	\$1,050

Retail

Suburban shopping mall area including A/C	\$1,295	\$1,620	\$1,950
Bulky goods centre, concrete tiltup construction, including A/C, excluding fitout	\$1,100	\$1,325	\$1,490
Supermarket, including A/C, excluding fitout	\$1,280	\$1,400	\$1,530
Specialty shops, including A/C, excluding fitout, services capped	\$1,080	\$1,250	\$1,500

Hotels/Motels

Single level boutique motel, including A/C guest facilities	\$1,860	\$2,390	\$3,000
Single level tavern/hotel, including A/C, excluding loose item fitout	\$1,650	\$2,050	\$2,200
Licensed club, including A/C, bar, lounge, rec facilities.....	\$1,600	\$2,100	\$2,800
Multi-level, 3 star hotel including A/C, restaurant, bar, common facilities	\$2,380	\$3,100	\$3,500

The above rates are exclusive of GST. Please visit www.bmtqs.com.au for more information.

Please visit www.bmtqs.com.au for more information on tax depreciation and construction costs, including our previous publications and calculators!

Regional Variations



Cairns	115 - 130%
Brisbane	105 - 115%
Sydney	100%
Canberra	96 - 104%
Melbourne	98 - 108%
Hobart	87 - 97%
Adelaide	98 - 110%
Perth	100 - 120%

BMT Tax Depreciation

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Disclaimer

The Construction Costs herein are published on and should be read subject to the following conditions:

- Construction costs are published as a matter of interest only and are not intended to be relied upon by readers. In any situations which may be similar to matters herein readers should exercise and rely upon their own judgement.
- Neither BMT & ASSOC, BMT Tax Depreciation nor any of its officers or employees bear any responsibility for any error in the material published in this publication or in any previous publication, or for any damage or loss resulting from any reliance on any material published in this publication or in any previous publication.
- Construction costs are not intended for lending or pricing variations. They are average prices in the Metropolitan Area and should be adjusted with reference to specific conditions. The rates include the cost of labour and material, waste, hoisting, fixing in position and for profit. The profit allowance is based on the prevailing market conditions in each capital city.
- These Construction Costs were produced prior to publication and due allowance should be made in this regard to the rates shown.
- The rates exclude any allowance for Goods and Services Tax including compliance costs. Costs exclude land, demolition and any work outside the footprint of the building.
- The BMT & ASSOC and BMT Tax Depreciation privacy policy has been amended. Please refer to our website for a copy of the updated policy.

This newsletter is issued as a helpful guide and is not intended to, and does not cover all aspects of the topics discussed. Professional advice should be sought before an action upon these topics is undertaken.