7. Tax Effectiveness

It is quite possible to have two properties that are side-by-side, both acquired for the same amount of money and requiring the same initial investment to vary quite significantly in their week-to-week cash flow requirements.

It is generally accepted that a carefully selected investment property can represent a viable and tax effective investment if the right elements are taken into consideration when making a property selection. One such item that can make a significant difference to an investor is the level of claimable depreciation associated with a particular property.

The depreciation schedule itemises each and every item used to construct the property both internally and externally and places a value and a corresponding depreciable allowance on each and every item within that schedule.

In order to obtain a depreciation schedule on a particular property, a registered Quantity Surveyor puts together the detailed report and generally classifies all the items within the property into two broad categories:

i. items categorised as fixtures and fittings, and

ii. items categorised as capital allowance.

Both these items have differing degrees of claimable depreciation and most certainly varies significantly depending upon factors such as the quality and type of fixtures and fittings used as well as the age of the property.

A properly analysed depreciation schedule will enable an investor who is attempting to reduce their level of tax liability to increase their level of tax deductions and therefore place a greater portion of their ‘tax dollars’ into funding the property and, as a result, reduce their level of personal cash flow requirements.

At Property Choice, the level of depreciable allowance must be assessed prior to making a specific property recommendation to an investor.

CONTINUE TO BROWSE