DEPRECIATION with Tyron Hyde

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DEPRECIATION SCHEDULE TOP TIPS

Not all depreciation schedules are created equal, which is why I've created a list of my top tips for getting yours together, writes **Tyron Hyde**

The depreciation schedule shouldn't necessarily cost the earth – even though you tend to get what you pay for – but there are a few essential points you should be aware of.

There are nine tips in total, so this month we'll focus on the first four.

SOME SCHEDULES ARE BETTER THAN OTHERS

DON'T DIY DEPRECIATION

As an expert in the market, I am baffled with the number of companies offering DIY depreciation schedules. Not only are there potential legal anomalies here, more importantly, you will be missing out on deductions. The DIY options give you a tick sheet and ask you to take your own measurements.

For example, measuring from one bedroom wall to the other for the entirety of the house would mean you reduce the property by 10 per cent in gross area. At around $1,500 per square metre to build, you would have missed out on something like $15,000 worth of tax deductions.

REGISTERED TAX AGENT

Anyone who produces a property depreciation schedule must also be a registered tax agent. This is a good thing for property investors. I have been preparing depreciation schedules for more than 20 years now and have never seen so many "experts" enter the market as in the last few years. So ask your depreciation supplier if they are a registered tax agent and visit www.tpb.gov.au to check their credentials.

Remember, if your residential property was built after 1985, your accountant is not allowed to estimate the construction costs; neither is a real estate agent, property manager, or valuer. You will need a quantity surveyor to estimate these costs.

FINANCIAL YEAR END

Everyone exchanges and settles property on different days; however, your report should calculate exactly how much you can claim based upon the number of days you have owned the property in that financial year.

For instance, if you settled on June 30, you should only be claiming one out of 365 days of any value attached to, say, the oven.

Some reports in the marketplace don't do this calculation for you. This will cost you money in terms of accounting fees.

SMALL ITEMS AND LOW VALUE POOLING

A dollar today is worth more than a dollar tomorrow, so deduct items as quickly as possible. Individual items under $300 can be written off immediately.

An important thing to remember here is that, provided your portion is under $300, you can still write it off.

For instance, an electric motor to the garage door costs an apartment block $2,000. If there are 50 units in the block, your portion is $40.

You can claim the $40 outright, as your portion is under $300.

You can also try to buy items that depreciate faster. Items between $300 and $1,000 fall into the 'low pool category' and attract a higher depreciation rate.

So a $1,200 television attracts a 20 per cent deduction, while a $950 TV deducts at 37.5 per cent per annum. ■

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