

**MEDIA RELEASE**

*For immediate release*

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## Treasury Laws Amendment Bill to impact property investors

Treasury Laws Amendment (Housing Tax Integrity) Bill 2017 was introduced into parliament today which included legislation changes which will negatively affect residential property investors across Australia.

Announced in the 2017 Federal Budget, the amendment denies tax deductions for the decline in value of 'previously used' or 'second hand depreciating assets' (plant and equipment) found within residential investment properties.

The new legislation will limit plant and equipment depreciation deductions to only those outlays actually incurred by investors in residential properties and those who purchase brand new investment properties.

"This change will have a major impact on investors, essentially reducing the annual deductions they can claim which in turn, reduces their cash return each year," said Chief Executive Officer of BMT Tax Depreciation, Bradley Beer.

"This could lead to investors being in a tighter financial position and may discourage investors from purchasing second hand residential properties in the future.

"These amendments will cause a financial disadvantage for property investors. The vast majority of whom are typical mum and dads, police, nurses and teachers who own one investment property. We will be treating them differently to investors in other asset classes.

"A transaction of a property between two parties will now extinguish the ability to claim legitimate deductions," Mr Beer explained.

From July 1 this year, the depreciation of acquired second hand or previously used plant and equipment assets will be reflected in the cost base for capital gains tax purposes.

Existing investments will be grandfathered. Property owners who exchanged contracts to purchase their property before the 9th of May 2017 can continue to claim a deduction for depreciation on the plant and equipment items within the property until either the investor no longer owns the asset, or the asset reaches the end of its effective life.

The Draft Bill went to public consultation in August which saw the public and key stakeholders voice concerns about the severity of the changes and the negative effect on housing affordability.

There were also proposals outlining alternative options (put forward by industry stakeholders) which were designed to satisfy the integrity issue of claims being made in excess of an assets value without extinguishing a legitimate deduction for property investors.

Notwithstanding the consultation process and suggestions from the public, industry and key stakeholders, the government continued with the proposed amendments outlined in the Draft Bill.

"There are much simpler and fairer ways to address the integrity issue raised and BMT has put these options forward to Treasury," said Mr Beer.

Legislation now needs to be debated and passed by both houses of parliament before it becomes law.

"We can only hope that the senate opposes this policy," said Mr Beer.

"Our data demonstrates that the average depreciation deduction claimed for plant and equipment assets on a typical three year old residential property, purchased for \$600,000, is \$21,178 for the first five years.

"The changes will result in an average loss of \$4,236 in deductions per year to property investors. Based on a marginal tax rate of 37 per cent, an increase of \$47 per week in rental income would be required to counter balance this reduction.

"The good news is that investors who purchase brand new properties or new plant and equipment assets for a residential investment property can continue to claim a depreciation deduction over the effective life of the asset. However, subsequent owners of a property will be unable to claim the deduction for depreciation of plant and equipment assets," said Mr Beer.

The capital works deduction, which makes up 85 to 90 per cent of the total depreciation claim for residential investors will not be affected.

"Residential property investors will still be able to claim capital works deductions, also known as building write-off, including any additional capital works carried out by a previous owner," said Mr Beer.

"These changes make it as important as ever for property investors to utilise Quantity Surveyors to find and correctly claim, every single deduction they are entitled to," said Mr Beer.

**- ENDS-**

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from your investment property

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**About BMT Tax Depreciation**

BMT Tax Depreciation (BMT) is a Quantity Surveying company specialising in the provision of tax depreciation schedules for residential and commercial investment properties. Commencing business in 1997, demand from property investors nationally has seen business expand Australia-wide with offices now located in Sydney, Parramatta, Melbourne, Brisbane, Newcastle, Adelaide, Perth, Gold Coast, Cairns, Canberra, Hobart and Darwin.



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