WHAT IS TAX DEPRECIATION AND WHY DOES IT MATTER?

If you're the proud owner of a piece of prime real estate, you will probably be well aware of just how a property can appreciate. Whether it's your primary residence or an investment asset, your portfolio can accrue some serious value over a number of years.

However, there is a mistake that some investors make with their rental property – relying on appreciation without taking depreciation into account too.

The Australian Taxation Office (ATO) allows the owner of any income producing property to claim depreciation due to the wear and tear of the building structure and fixtures and fittings contained within the property.

A completed property purchased off-the-plan will typically attract between $8,000 and $14,000 in depreciation deductions in the first full financial year, so it is fair to say that the new owner can make significant savings and increase their available cash flow by claiming depreciation for the property once it is income producing.

All off the plan properties purchased through Ray White New Projects will contain new fixtures and fittings. Therefore the depreciable value of these items will be higher than if you were to have purchased an older property. Owners are also eligible to claim the maximum capital works deductions for the building structure, which means more deductions are available to claim over the life of the property (forty years).

In summary, if you want to maximise the tax depreciation benefits available to you, purchasing off the plan through Ray White could be a great choice for your next investment.

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