I purchased a second-hand property, what can I claim?

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By Mark Wilkins
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With residential depreciation legislation changing in May last year, there has been some confusion amongst property investors and industry professionals and many have been wondering if second-hand properties can still claim tax depreciation.

The fact is, second-hand properties built after 1987 that have had renovations completed by previous owners are generating great results for property investors. Since the new legislation has been in place, we have only told 5 out of 100 investors that it may not be worth it due to their property being built before 1987 with no renovations.

Second-hand properties are generating great deductions from Division 43. The structural part of an investment property (eg: roof, framing, plasterboard, floorboards). It totals thousands in tax depreciation deductions and often holds steadily over the life of the tax depreciation report which is 40 years. Additionally property investors can claim tax depreciation for brand-new Division 40 assets that they have installed into their investment property (eg: carpet, blinds, stove).

For the second-hand assets already in an investment property, a value is assigned to these items and when it comes time to sell the investment property this value will reduce the property investors capital gains tax. Instead of claiming for these second-hand assets at the start of the property investors journey, it's now claimed at the end.

Need an example? Here is a case study on our clients who purchased a second-hand property:

Matt and Ange purchased a 20- year-old property on the 1st of May 2018. They are planning on holding the property as a rental for the next 10 years. The previous owners completed a bathroom renovation, they also added a pergola and deck.

Matt and Ange's tax depreciation schedule will be generated using the legislation that was announced on the 9th of May 2017.

Division 43 Claimable Over 10 years to Matt and Ange									
Partial Financial Year 1/5/2018 to 30/6/2018	Financial Year 1/7/2018 to 30/6/2019	Financial Year 1/7/2019 to 30/6/2020	Financial Year 1/7/2020 to 30/6/2021	Financial Year 1/7/2021 to 30/6/2022	Financial Year 1/7/2022 to 30/6/2023	Financial Year 1/7/2023 to 30/6/2024	Financial Year 1/7/2024 to 30/6/2025	Financial Year 1/7/2025 to 30/6/2026	Financial Year 1/7/2026 to 30/6/2027
$809	$4922	$4922	$4922	$4922	$4922	$4922	$4922	$4922	$4922
Total Depreciation Deductions Claimable for Division 43 Over 10 years									**$45,107**
Total Capital Gains Tax Saving from Claiming Depreciation on Second-Hand Assets Division 40									**$26,490**

Matt and Ange over the next 10 years of owning their investment property will claim $45,107 in tax depreciation deductions and $26,490 in CGT savings on second-hand plant and equipment items (eg: carpet, blinds, stove).

As they say "the proof is in the pudding" well the proof is in this case study... Second-hand investment properties can still generate awesome results using the current legislation.

Would you like to discuss your second-hand investment property?

If you are unsure if your second-hand investment property or your clients property will stack, let us help! Contact our friendly team to discuss your property and find out what depreciation deductions are available to you. We provide free, all inclusive quotes and estimates of deductions up-front so you can feel confident before proceeding. Get in touch today on 1300 922 220.