Refurbishing Business Spaces

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Renovations, Commercial Property Depreciation, Business Depreciation, Depreciation Of Business Fit-Out, Business Tax Benefits, Small Business Tax Benefits, Small Business Depreciation, Office Fit-Out Depreciation, Refurbishing

The Australian Taxation Office (ATO) allows commercial property owners and tenants to claim tax depreciation for the wear and tear of their building, and for the depreciation of their plant and equipment assets over time. What many commercial property owners and tenants are missing, are the accelerated deductions available when they refurbish a commercial building space. Examples of commercial spaces that undergo regular refurbishment are hotels, office spaces, restaurants etc.

Unfortunately, commercial property owners and tenants are losing thousands, sometimes hundreds of thousands of dollars in tax depreciation deductions due to not knowing exactly what they can claim when they update and upgrade their property.

We have found in many recent reports, the “Company” Trust owns the building and the “Company” are the tenants. This can get murky of who owns what! That is where you need a qualified quantity surveyor to come in and assess, sifting through "who paid for what", "who owns what", how entities are created and structure the tax depreciation schedule to abide with ATO legislation.

CASE STUDY

Two years ago, our client purchased a 200sqm office building that had an existing lease in place. The building and fit-out, built in the early 90's. Our client decided to complete a full internal renovation in 2017 and ordered a tax depreciation schedule at this time.

The $150,000 refurbishment consisted of partition walls, air-conditioning, lighting, flooring, reception area, kitchenette and bathrooms.

Our clients "scrapped" old assets that had a residual value of $35,382. These assets included furniture, partition walls, air-conditioning, lighting, carpet, reception area, kitchenette and bathrooms. This $35,382 deduction was claimable in total in the year the items were disposed of.

In addition to that, they were able to amend their previous two years tax returns and back claim $22,168 in deductions for the original structural component, Division 43 and for the existing plant and equipment assets, Division 40.

Below are the tax depreciation deductions that our client claimed.

Back Claim of Deductions (First two years of ownership)	Total Scrapping Deductions	2017/2018 Financial Year Deductions	Total Deductions Next 5 Years	Cost of Report inc GST
$22,168	**$35,382**	**$18,252**	**$85,344**	**$990**

Total deductions claimable for the first 7 years = $161, 146.

One-off cost of report = $990.00.

When considering the cost of the report, in this case just $900 + GST (100% tax deductible), it was worth the investment from our client as they claimed massive tax depreciation deductions. Please note that commercial properties are quoted on an individual basis subject to the property, it's use and the extent of work required. In all cases, our schedules represent excellent return on investment.

If you would like to discuss your commercial investment property with us, send an email through to our Senior Tax Depreciation Specialist Alex Konjarski at alexk@capitalclaims.com.au or, call Alex on 1300 922 220.