



PRACTICAL GUIDE

Investment Property Depreciation Primer

Capital works vs plant & equipment, when a depreciation schedule pays for itself, and what 2017 rules changed for investors.

Two deduction categories

- Division 43 (capital works): 2.5% of construction cost over 40 years.
- Division 40 (plant and equipment): individual assets (appliances, carpet, blinds) depreciated by effective life.

Limits and rules

- Division 40 only deductible if you bought the item new or for a brand-new property.
- Established properties bought after 9 May 2017 cannot claim Division 40 on existing assets.
- Renovations after purchase generate new claimable assets.

How much it's worth

- Typical investment property: \$3k to \$15k per year in depreciation deductions.
- Brand-new property: \$10k to \$25k per year, falling over time.
- At 37% marginal rate, \$10k deduction = \$3,700 tax saving.

Getting a schedule

- Engage a quantity surveyor (BMT, Washington Brown, Depreciator).
- Fee \$600 to \$800, fully deductible.
- Schedule lasts the life of the property.

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