



## What is Property Tax Depreciation?

Depreciation is the decline in asset value over time due to wear and tear. As items age, their value decreases. The Australian Taxation Office (ATO) allows investors to claim depreciation on property assets as tax deductions. These assets are classified into:

### Capital Works

Also known as Division 43 (ATO Term), Building Write-Off, or Building Allowance, capital works include the items that constitute the building and those fixed to it. Here are some examples of items you can depreciate as part of the building:

For example, in residential properties, depreciable assets include built-in wardrobes, toilets, concrete slabs, and retaining walls, while in commercial properties, they encompass car parking spaces, glass partitions, and kitchenettes.



### Plant & Equipment



Also known as Division 40 (ATO Term) or Depreciating Asset, are easily detachable items with shorter lifespans, such as motorised equipment. Their tax depreciation rates differ for commercial and residential properties, based on the ATO's Asset Effective Life Schedule.



Due to their quicker wear compared to buildings, they offer accelerated property depreciation, allowing investors to claim substantial tax deductions, typically within the first 5 years.

For example, in residential properties, depreciable assets include ovens, air conditioning units, and smoke alarms, while in commercial properties, they encompass fire hydrant boosters, warehouse cranes & hoists, and hot water units.

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