

Business Tax Working Group Secretariat  
The Treasury  
Langton Crescent  
PARKES ACT 2600

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As an employee of a Quantity Surveying firm specialising in the preparation of tax depreciation schedules for the last 10 years I would like to address Section IV of the Business tax working group.

Should any changes to Section 43 Building depreciation rules be changed, I feel that an increase from 2.5% of construction costs over 40 years to 4% over 25 years would better reflect real world depreciation of buildings as well as increasing the tax base.

- 1) This should be not retrospective and for all new purchases from the date of new tax introduction. This would provide immediate savings for the government as older properties would have less residual depreciation left to claim.
- 2) This would create an immediate incentive for investors to purchase new property.
- 3) This would also generate new work and tax revenue within the construction industry by creating an immediate incentive to existing residential property investors to improve/upgrade older properties eg Kitchen, fly screens, bathrooms etc.
- 4) This will also increase in Capex spending to upgrade existing commercial assets, and is greater incentive to develop new commercial buildings and industrial estates.
- 5) All building depreciation claimed during ownership is clawed back in capital gains tax calculations so an increase from 2.5% to 4% increases the Australian government's tax revenue.
- 6) 25 year old investment properties purchased on the introduction date would effectively have 0 residual building depreciation, compare to 15 years of residual depreciation under the current regime.  
Eg \$120,000 build cost 1987  
0\$ residual depreciation under 4% rule  
\$45,000 residual depreciation under 2.5% rule  
This equates to a dramatic increase in tax collection.
- 7) Increasing the depreciation returns on new purchases increases the value of new built developments, causing a trickle-down effect of productivity and therefore tax revenue.
- 8) This will benefit various industries related to property development and tax compliance industries by increasing commercial activity therefore increased GST, company tax and PAYE tax revenue paid to the Australian government.

Regards

Craig Hogg