

Hi

I am writing to provide feedback on the draft legislation regarding depreciation.

Overall, I believe the Government should be encouraging residents of Australia to create our own personal wealth. This results in more self-funded retirees and reduces the amount of people relying on Government support. The draft legislation discourages people from investing in many existing properties in Australia. There is a real risk that people may choose not to invest at all, almost certainly guaranteeing that Government support will be needed in the future. Can Australia afford that?

I would also think that as a result of the change, significant job losses, and even business closures are foreseeable. For a Government acknowledging the need for job creation, it seems strange to recommend a change creating an outcome exactly opposite.

If this is the vehicle to address property prices within Australia, it is surely the wrong way to go about it. Essentially all investors pay the penalty for the high prices primarily in and around Sydney. If the motivation is to cool the market, then perhaps changing the depreciation conditions purely to that market would be a fairer outcome. If your investment property's postcode starts with a 2 then the depreciation deductions may be different.

I really don't think that many existing investors are aware of the changes. If they are investors who are aware of the depreciation previously available, they will likely make another purchase assuming that the depreciation will be similar. Some may even calculate the depreciation into their numbers to check the feasibility. Clearly this may lead to a negative outcome. As a result of a little-known change, they may be forced to quickly sell the property.

I note that carpet for instance has an effective life of 10 years. If I purchased a property that was 3 years old, wouldn't it be fair to assume that there is another 7 years of depreciation on that carpet?

In Summary

- We should be encouraged to create personal wealth, not discouraged.
- We should be creating jobs not losing them.
- If this is a measure to cool the Sydney market, address it specifically, rather than make the rest of Australia pay.
- Confusion is likely with existing investors making another investment property purchase.
- Legitimate depreciation deductions disappear when only a small portion of its effective life may have passed under the previous owner.

Thanks for your time.

Nathan Frost