

July 25, 2017

TREASURY LAWS AMENDMENT (HOUSING TAX INTEGRITY) BILL 2017

Submission on provisions of Chapter 2 - Limiting deductions for plant and equipment in residential premises.

The recent changes to tax depreciation laws in the Federal Budget whereby plant and equipment in buildings can only be claimed as a depreciation by the first owner of the asset in rental properties is patently and obviously unfair to subsequent owners. They will no longer be able to progressively claim a legitimate deduction for some of the assets that are earning them rental income and which have a relatively short life cycle. The offsetting right to claim the unused value of the asset as a capital loss is also unfair as this could potentially defer this legitimate deduction for many years if the property was held over time.

I understand this measure is intended to stop Assets being re-valued and depreciated by successive owners well beyond their Effective Lives. I submit that a fairer solution to this problem would be that a second hand asset can be depreciated by the new owner until the Effective Life has expired. For example if an Asset has, say, a ten year Effective Life and somebody buys it when it is already five years old, they are able to depreciate it for the remaining 5 years.

This would be relatively simple thing to administer and track, ensure that assets are only depreciated to the extent of their legitimate lives and importantly, provide a fair solution for people who have invested in second hand rental assets that still has a substantial service life left at the time of purchase.

Yours sincerely

Michael Powell