

submission on Budget Proposals

As a recently retired Quantity Surveyor who has carried out Tax Depreciation Surveys (TDS) for a major specialised firm for over 15 years I would like to express my surprise and disappointment at the proposals in the 2017 Budget

I understand that the Government is concerned that assets are being depreciated beyond their effective life

However, when schedules are prepared by specialist providers these are prepared by experienced Quantity Surveying staff who are also Tax Agents and their professional integrity (including membership of RICS and AIQS) should ensure that the \$ values claimed are "fair and reasonable"

The ATO should have an extensive data base of the range of values claimed in rental properties and should monitor and query discrepancies (I always made a file note if I felt that the value of a particular asset was higher than normal in case it was queried - eg a chef's kitchen with high range appliances may have been installed for the owner's own use but is 'overkill' when the property is leased

My attached note establishes the 3 main types of properties (units/house) that I have done TDS on and shows what considerations I would take into account in preparing the base "Written-down values at date of first lease" together with sample \$ figures for a carpet and a cooker

I trust that my submission and concerns will be taken into account before implementation of the current proposals

Alastair A Scott

Tax Depreciation of Assets

		QS consideration in valuation	Carpets (50m2 area)	Cooker
A	New property purchased from builder/developer with the intention to lease as soon as possible	Assets are unused and value will reflect their specification, quality and the builder's purchasing power (trade discounts) and installation costs	\$60/m2	\$1000
B	Older property purchased from seller – buyer does not know if historically it has been a rental or owner occupier for all or part of the time. His offered price will however reflect his assessment of the intrinsic value of the assets and his expectations of continued life before he has to replace them	Written down value to reflect original spec/quality but allowing for wear and tear and likely life left in them	\$20/m2	\$500
C	Owner occupied property being leased as Owner is (temporarily) working elsewhere These assets will generally be in better condition than B above with higher spec/quality assets	Written down value to reflect original spec/quality but allowing for wear and tear and likely life left in them	\$45/m2	\$750

Note : in each of the above scenarios some additional assets may be purchased/installed/replaced or modified by the new Owner (Investor) to reflect the desires/expectations of tenants and to make the property more attractive to the relevant part of the rental market. (eg curtains in neutral patterns/colours to replace heavy flowery pattern or gas water heater in lieu of electric) – these seem to be the only ones allowable under the proposals!!