

STRATA & COMMUNITY LIVING

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WINTER 2016



Tax Depreciation

How does it work?

The Tax Depreciation Schedule is calculated according to two methods, namely Diminishing Value Method and Prime Costs Method to calculate the total deductions claimable over 40 years:

- 1. The Diminishing Value Method - assumes that the decline in value each year is a constant proportion of the remaining value and produces a progressively smaller decline over time.**
- 2. The Prime Cost Method - assumes that the value of a depreciating asset decreases uniformly over its effective life. Within each method there are certain inclusions and exclusions depending on the cost, type, year of purchase, usage etc. of each item. Both methods are calculated as part of the Tax Depreciation Report and one is then chosen by the investors for application.**

Did you know?

Claiming depreciation for your property is a significant taxation benefit. Property Investors are often misinformed into thinking that depreciation is only limited to new properties when in fact any building irrespective of age, will attract some claim for depreciation.

Quantity Surveyors, such as Archi-QS Pty Ltd, are recognised under the Australian Tax Office (ATO) Ruling No. 97/25 as appropriately qualified professionals for the purpose of assessing the construction value of rental properties.

What can we do for you?

Archi-QS Pty Ltd specialise in maximising the tax depreciation potential for investment properties in accordance with the guidelines stipulated by the ATO, whilst delivering a prompt, no fuss service.

As registered Quantity Surveyors and having been in the industry for 20 years, Archi-QS Pty Ltd's expertise, enhanced by our technical and industry knowledge, enables our professionals to deliver informed and timely advice.

If you require a Tax Depreciation Report, call us or visit our website and download our application form.

Our friendly staff are always happy to help.

Samuel Najm,
Managing Director Archi-QS Pty Ltd

What do you need to prepare?

The owner of a property, requires the following information to enable them to submit an application for a Tax Depreciation Report:

- 1. Architectural Plans** (For houses, duplexes or single non strata industrial/commercial);
- 2. Registered Strata Plans** (For units, villas, townhouses, terraces and can be obtained from the strata manager or solicitor);
- 3. Photos of internal & external property** (For houses & duplexes, commercial & industrial);
- 4. Complete the detailed Application Form** (Download from our website www.archi-qs.com.au or call 02 9586 4401)

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Strata still booming

How to stay warm this winter without doubling your energy bill

With the cooler winter months already making themselves felt it's time to prepare for the chilly mornings and nights. Many of us, however tend to put comfort over logic and wake up to a hefty energy bill at the end of the cooler time of year.

In order to prevent this from happening, and to not have to compromise on winter comfort, here are some tips on how to survive the cooler months without facing an excessive bill later.

Winter-proofing your apartment

It definitely pays to prepare your home for the cooler time of year. Laying rugs on tiled floors, closing windows, installing draft blockers on doors and ensuring there aren't any gaps that can draw in cold air from outside are worthy undertakings.

Doors and Windows

It's not uncommon in apartment buildings for there to be a draft through corridors and hallways. Keeping doors and windows shut will minimise heat loss. Using a draught blocker at your front and back doors are an excellent idea and not as old-fashioned as you might think.

Curtains

Around 40 percent of heat is lost through windows. Invest in some good window coverings and draw blinds and curtains to keep the heat in otherwise you're wasting energy and money.

Monitoring the times when you open and close them can make a significant difference when it comes to conserving energy. Open windows during the day to let fresh air through but make sure to close the windows before the cool evening air sets.

Heating

Advances in technology have delivered ever more efficient ways to heat our homes. While some properties have been designed with this in mind (including proper insulation) quite a lot have not. Gas is lower priced than electricity and kinder on your wallet, but unless you have gas installed and a bayonet, most tend to use plug-in electric heaters or reverse cycle air-conditioners and these can draw a fair amount of power.

Taking it easy on the dial can make a huge difference - meaning you run your heater at high to bring the temperature up, then switch to low or medium to maintain it. Even stepping out of the room for just a few minutes can make the heat disperse quickly.

With heating making up a major chunk of your energy consumption, being mindful during the cooler months can leave some extra cash in your back pocket, rather than handing it over to the power company.

With more than half of Sydney's population expected to dwell in strata schemes by the year 2030, more strata community schemes, apartment complexes and especially greener, high-density housing developments are expected to grace the city landscape.

While NSW already has over 2000 strata schemes right across the state, this trend will only continue to grow.

With interest rates at a historic low it is the perfect time to get into the market; to transition from renting to owning; to plan ahead for the down-sizing step or to simply look at strata as an ideal investment.

Strata property has long been an attractive option for property buyers. Now more than ever with the ever increasing housing shortage, particularly in our cities, the lack of development land and our growing population, plus the considerably lower price tag, strata has become the highly sought after commodity it is today.

Areas of high demand

The strongest growth is in the Sydney city area with Parramatta, Canterbury and Hornsby next in line. Ryde and Auburn stand out with the next highest number of strata complex completions.

The age-old rule of close proximity to employment centres, education, shopping and places of entertainment continues to hold strong, and will determine not only where strata developments will occur, but also their price tag and how quickly they will get snapped up by buyers and tenants alike.

According to the Urban Development Institute of Australia, Sydney's outer ring easily doubled the amount of inner city new building construction last year, with strata making up two thirds of the approvals. Expectations are that this will continue during 2016 and beyond.

Owner occupying vs investing

Owner-occupiers are represented across the generations. They are the baby-boomers opting for less maintenance, more lifestyle and

more convenience. They are also downsizers, empty nesters, professional couples, sibling/friend buyers and singles.

The benefits for owner-occupiers are that they have less land tax obligation, less maintenance and lower repair costs, since these are largely covered by sinking funds. Plus, having the support of the strata community means peace of mind when there are any building related issues.

The high growth, high demand property segment of strata apartments has drawn the attention of investors who are scooping up strata property. They come from all walks of life, recognise the yields from high rental demand and understand that strata properties make a good entry point for them. Buying strata property also offers good scope for depreciation and can work more favourably in terms of taxation.

Strata investors can range from mums and dads adding to a retirement portfolio, to serious and professional property speculators, from foreign investors to SMSF's (self-managed super funds) and to rent-vestors. If you are not familiar with this term, due to rising prices close to the city centre, the so called tenant-vestor has emerged, where people live in a rented apartment close to where they would prefer to be, yet invest in an area which is perhaps more affordable and thus start to grow a property portfolio while essentially renting their home.

As there is a huge demand for strata and apartment rentals, the need for investors remains constant. Many people who already live in a strata dwelling are often likely to invest in the same thing since they have become familiar with the benefits of strata first hand.

With sale price increases across the five top strata growth areas in Sydney (Sydney, Parramatta, Bankstown, Canterbury and Hornsby), of 20% and above in 2015, it is easy to understand why investors are seeking out strata property in these particular localities. Median rental returns remain strong and with demand not likely to subside, we will be seeing more and more investors focusing on strata properties in the future.

Strata snip-its

Information, updates and the latest seminars all in one spot.

Strata Owners Day 2016

Our first ever stand-alone Strata Owners Day, held on 30 April this year, was hugely successful and planning is already underway for the next one.

While we used a similar format to past events of this nature, what made it different was that it wasn't combined with the annual convention for strata managers and industry service providers.

Around 122 strata owners and tenants attended and heard from various guest speakers plus participated in Flat Chat live hosted by none other than Jimmy Thomson himself.

Of course the hot topic of conversation was the new strata laws closely followed by dispute resolution and keeping costs down.

Twenty five of the industry's suppliers supported the event through various forms of sponsorship. They exhibited their products and services talking to owners on everything from law and insurance to painting and security.

To see photos of the day go to www.nsw.stratacommunity.org.au and click through to events.



Scam Watch

We regularly try to warn our readers of the latest scams that have surfaced. Here is the latest batch. If you find yourself a victim of scam don't be embarrassed and do report it to police. Some of the schemes are so sophisticated that you wouldn't know it was a scam until it was too late.

Here's what's doing the rounds:

Property investment schemes

The ACCC (Australian Competition and Consumer Commission) is warning consumers about property investment schemes where the promoter talks up wealth creation but is in reality just in it for themselves.

Their methods include getting consumers to go along to wealth creation seminars and making claims that may be misleading or false and inaccurate.

Advice from the ACCC includes:

- Do not rely on the advice that property spruikers provide.
- Do your own research before making a decision - seek independent financial and legal advice from licensed professionals with their own professional indemnity insurance.
- Be wary of high pressure sales tactics rushing you into decisions, signing contracts or paying fees (including discounts offered to seminar attendees who sign up on the day).
- Be suspicious of claims that the scheme is 'government approved' by frequent reference to the Australian Taxation Office (ATO) or Australian Securities & Investments Commission (ASIC).

Fake surveys and gift card offers

This scam offers fake gift cards or vouchers in return for disclosing credit card details and other personal information. The ACCC says that this year alone it has received 1,175 complaints about fake surveys, emails and social media posts misusing the brand names and logos of some of our biggest and best known companies including Woolworths and JB Hi-fi.

To protect your personal information always verify if the offer is legitimate. You can do this by going to the retailers' official website or by calling the retailers' official customer service line.

Stay safe readers and protect your personal information.



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