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TAX DEDUCTION THAT CAN RECOVER THOUSANDS OF DOLLARS AFTER DISASTER

One tax deduction can help soften the financial blow of a natural disaster for underinsured property investors, according to Australia's leading provider of tax depreciation schedules.

BMT Tax Depreciation CEO, Bradley Beer, says that a tax depreciation schedule can help to claw back thousands of dollars after disaster strikes. This could provide some relief for many Australian property investors who are currently underinsured.

"Natural disasters devastate everyone, not just landlords. But landlords need to know there are things they can do to recoup some damages if they aren't adequately insured," said Bradley Beer.

"If an asset is destroyed and no insurance payout is received, the landlord can claim the undeducted depreciable value of the asset through a process called scrapping."

"When we talk about scrapping, it's normally in the context of disposing of assets during a renovation. But investors should be aware that the same applies for involuntary disposal," said Bradley Beer.

When asked how scrapping helps a landlord faced with a fully or partially destroyed property, Mr Beer explained, "because it's an instant deduction, it can lead to a big tax refund. While it doesn't fix the situation, it can provide a cash flow boost to the landlord."

"The landlord must have a tax depreciation schedule prepared before the disaster hits. An accountant will then use the schedule to determine the remaining value at the time the asset was destroyed."

Bradley Beer continued to explain that the situation becomes more complex when insurance payouts are received.

"Insurance payouts can change the future depreciation claims of a property. Proceeds from an insurance payout could be treated as income or a deductible loss depending on the size of the payout and the cost to rectify the property. A number of factors such as rollover relief can also apply. We always recommend an investor speaks to their accountant in these situations."

While scrapping can help lessen the impact of an uninsured event, having the adequate landlord insurance policy must always take precedence.

"Being underinsured is not worth the risk. BMT are also insurance brokers and can therefore help to find the most appropriate cover for a property investor," concluded Bradley Beer.

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