



7 August 2017

Manager  
Individuals Tax Unit  
Individuals and Indirect Tax Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Via email: [housingtaxdeductions@Treasury.gov.au](mailto:housingtaxdeductions@Treasury.gov.au)

Dear Sir / Madam

**RE: Housing Tax Integrity – Disallowing travel deductions and limiting depreciation deductions**

Thank you for the opportunity to provide comments on the exposure draft legislation relating to the proposed measures to limit deductions for residential rental properties.

By way of background, the Hayes Knight group of accounting firms provide a significant amount of taxation advice to individual taxpayers throughout Australia. We also provide assistance to a large number of other accounting firms around Australia through the support and training services operated by Knowledge Shop.

We wish to make the following comments with respect to the exposure draft legislation, both of which relate to the proposed carve-out for new residential premises.

1. Proposed subsection 40-27(4) of the *Income Tax Assessment Act 1997* (ITAA 1997) is aimed at ensuring that depreciation deductions will not be limited where assets are installed in premises that have never been used for residential accommodation before (eg, off the plan property purchases). However, one of the requirements of this subsection is that the property is classified as new residential premises at the time the taxpayer first holds the asset.

Presumably in most cases the taxpayer would not have started to hold the relevant assets for depreciation purposes until settlement has occurred. If this is the case, the property would presumably be no longer classified as new residential premises.

Therefore, consideration should be given to amending the wording of this subsection to require the property to be classified as new residential premises immediately before the taxpayer starts to hold the relevant asset.

2. Proposed subsection 40-27(4) of the ITAA 1997 indicates that depreciation deductions will not be limited if certain conditions are satisfied. However, it is not clear whether this carve-out is intended to be restricted to situations where the taxpayer acquiring the new residential premises begins to use the property for a taxable purpose immediately after acquiring the property or whether the

carve-out is also intended to apply to situations where the taxpayer acquiring the property uses it (and assets within the property) for a non-taxable purpose for a period of time.

For example, if an individual buys a property off the plan and then immediately moves into the property as their private dwelling, are they able to claim depreciation deductions in relation to the assets that came with the property if they subsequently rent out the property (in whole or in part)?

The wording of the draft legislation suggests that it should be possible to claim depreciation deductions for these assets in future, even if there has been significant private usage of those assets between the time they were acquired with the property and the time they are first used for a taxable purpose.

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Thank you for your consideration of this submission. Should you have any queries then please do not hesitate to contact me on 02 9221 6666 or at [Michael.Carruthers@hayesknight.com.au](mailto:Michael.Carruthers@hayesknight.com.au).

Yours faithfully



**Michael Carruthers**  
**Tax Director – Knowledge Shop Pty Ltd**  
**On behalf of the Hayes Knight Group**