

Housing Tax Integrity Submission

To The Manager, Individuals Tax Unit,

Please find following a submission for the public consultation regarding the new measures for plant and equipment depreciation, and changes to claims for travel expenditure.

I support the changes to claims for travel expenditure relating to investment properties.

In regards to the proposed changes for plant and equipment depreciation, I can appreciate that a review was necessary to prevent depreciation claims in excess of an asset's value. However the complete removal of plant and equipment depreciation deductions for investors of second-hand residential properties is inconsistent with depreciation allowances for commercial plant and equipment and capital works allowances for residential and commercial properties. The proposed removal of plant and equipment depreciation deductions for investors of second-hand residential properties unfairly targets residential property investors.

An approach that would satisfy the government's need to "ensure that entities cannot claim overstated deductions relating to their rental properties by 'refreshing' the values of previously used depreciating assets" would be to allow one effective life to be established for the plant and equipment within a residential property. This effective life would stay with the property regardless of changes of ownership. For example if a piece of plant or equipment had an effective life of 10 years when it was new, if a property was sold after 5 years there would be 5 years of effective life remaining for that particular item. If the property was sold after another 5 years, there would be no more effective life remaining for this item. This approach allows investors to claim the allowable deductions for plant and equipment depreciation within reasonable limits of the asset's value and does not prejudice buyers of second-hand residential properties.

We are using property as a vehicle for saving for our retirement. The allowable deductions assist in enabling us to afford to maintain an investment property. To remove the depreciation deductions for plant and equipment within second-hand residential properties for future property investors will make it harder for other mum and dad property investors to afford an investment property.

If you have any questions regarding my submission, please don't hesitate to contact me.

Kind regards,
Lisa Houghton