REPAIRS vs IMPROVEMENTS

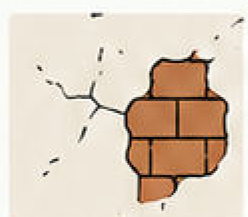
Important Tax Update

The IR has new guidance on when repair costs can be claimed as a tax deduction.

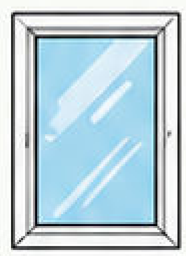
REPAIRS – DEDUCTIBLE

Restore to original condition.
Like-for-like replacement.

Fix a leak



Patch a wall



Replace a window

Usually deductible

IMPROVEMENTS – NOT DEDUCTIBLE

Make it bigger, better, stronger or last longer.

Add a room

Upgrade kitchen

Better quality materials

Usually not deductible (treated as capital)

5 SITUATIONS TO WATCH

1. Delaying or spreading repairs doesn't change the tax treatment.
2. If repair work is part of one big project, the whole project may be capital.
3. Bringing a newly bought asset up to standard is usually capital.
4. Damage from fire, flood, earthquake etc. is treated the same.
5. Leaky building repairs are often capital.

GOOD RECORDS HELP

- Keep quotes and invoices
- Take before and after photos
- Note what was done and why

NOT SURE? Talk to us before the work starts.
A quick chat can save you money and avoid tax surprises.