



## Tax Depreciation Report

3 Cambridge Road,  
Russell Island QLD 4184

Julie Nos  
3 Cambridge Road  
RUSSELL ISLAND, QLD 4184

Issue Schedule	
Issue Date:	Issued by:
23 October 2019	Mark Kilroy Bsc (Hons) MRICS

Julie Nos  
3 Cambridge Road  
RUSSELL ISLAND, QLD 4184

October 2019  
Job No: RES4184001

### **Tax Depreciation Report – 3 Cambridge Road, Russell Island QLD 4184**

We thank you for choosing Koste Pty Ltd to prepare the attached Tax Depreciation report and schedule for the above property.

This report has been prepared to provide an independent review of Tax Depreciation entitlements available on the subject property, under The Income Tax Assessment Act 1997.

Koste Pty Ltd are a registered tax agent (24836767) who comply with the Tax Agent Services Act 2009. The attached schedule is based on an apportionment of the total expenditure, together with the Tax Commissioners current intentions in preparing this document.

As you continue to grow your portfolio, we would be pleased to provide you with free estimates of tax depreciation allowances on purchases. We can also provide updates for \$100+GST on any revised depreciation reports which may include new capital works and write-offs on disposed assets over the coming years.

The majority of our custom is based on repeat customers and from word of mouth. Testimonials are important to our business especially on social media including Google+, LinkedIn and Facebook. If you are pleased with our service and have some time to write a short testimonial on either social media or via an email, this would be greatly appreciated.

If you or your accountant require any further clarification on the contents of this report, please do not hesitate in contacting a member of our team on 1300 669 400 where they would be more than happy to assist.

Yours Sincerely

*Koste Pty Ltd*

Koste Pty Ltd  
Tax Depreciation Quantity Surveyors



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## 1. Property Information

### Date of Report

23 October 2019

### Purchaser

Julie Nos

### Property Address

3 Cambridge Road, Russell Island QLD 4184

### Real Property Description

L48 RP122307

### Property Type

Residential House

### Date of Construction

1 June 1989

### Date Available To Generate Income

23 September 2019

## 2. Report Details

### 2.1 Introduction

Koste Pty Ltd has prepared an independent Tax Depreciation Schedule for the purchase of the subject property under the Income Tax Act 1997.

We have evaluated and reported the allowances based on the following:

#### **Division 40 (Capital Allowances)**

Referred to as Depreciating Assets, identified as assets which can be removed with ease including; Appliances, Furnishings and the like. Koste will identify and provide an analysis using both Diminishing Value and Prime Cost methods of depreciation. All items which have a value less than \$300 will be written off in the first year.

#### **Division 40 (Capital Allowances) - Low Value Pool**

Low Cost Assets are depreciating assets which have a cost of between \$300 and \$1,000 at your purchase date. These assets are depreciated at 18.75% in the first year, and 37.5% in each subsequent year.

#### **Division 43 (Capital Works)**

Capital works often referred to as Building Allowances entitles the tax payer to a deduction on assessable income producing buildings and other capital works. The opening value of these assets will be calculated on the date of installation; typical assets may include Windows, Doors and Walls.

### **3. Capital Allowances**

#### **3.1 Entitlement**

Capital Allowances Division 40 of the Income Tax Act 1997 allows the taxpayer to a deduction of the decline in value of a depreciating asset used for income producing purpose over its effective life. A depreciating asset will deteriorate over the life and will therefore decline in value.

#### **3.2 Qualifying Expenditure Calculation**

On a property acquisition, Capital Allowances (Plant and Equipment) are based on a reasonable apportionment of the purchase price relating to qualifying plant under the Income Tax Assessment Act (ITAA) 1977 Section 40 – 195.

#### **3.3 Effective Life**

The Commissioner of Taxation provides regular tax rulings which determine the period an asset can be used to produce income. Included within this report is as new effective life rates.

#### **3.4 Immediate Write-Off Assets**

A depreciating asset which costs less than \$300 can be immediately written off under Division 40 of ITAA. Please note that this is only applicable to residential property investments.

#### **3.5 Low Value Pool**

Assets which have a starting value of between \$300 and \$1000 have been included within the Low Value Pool. These assets are depreciated at 18.75% in the first year and 37.5% for all subsequent years on a diminishing basis.

An asset that has a written down value under \$1000 in following years will be allocated to the low value pool and depreciated at 37.5% using diminishing value method. This method does not apply to assets that were depreciated using the prime cost method in any previous years.

### 3.6 Method of Depreciation

We provide you with a choice to calculate the decline in value for depreciating assets. Your choice on whether to use Diminishing Value or Prime Cost method of depreciation should be discussed with your accountant. Once a depreciation method is chosen for an asset this cannot be changed.

Diminishing Value Method					Prime Cost Method				
Diminishing value method is often the most popular form of depreciation due to the cash-flow benefits in the early years of asset ownership.					Prime Cost Method of Depreciation, often referred to as straight line depreciation is depreciated at a constant rate each year.				
Benefits					Benefits				
<ul style="list-style-type: none"> <li>• Cash-flow during initial years of asset ownership</li> <li>• Ability to use Low Value Pool for assets less than \$1000 (Note: unable to write off these assets)</li> </ul>					<ul style="list-style-type: none"> <li>• Write off assets when they are demolished or disposed.</li> </ul>				
Calculation Example					Calculation Example				
Under Diminishing Value method, the effective life is dividing by 200.					Under Prime Cost method, the effective life is dividing by 100.				
<b>200 / 10 Years = 20% (Adjusted Value)</b>					<b>100 / 10 Years = 10% (Straight Line)</b>				
If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.					If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.				
Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5
\$2,000	\$1,600	\$1,280	\$1,024	\$819.20	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

## **4. Capital Works**

### **4.1 Entitlement**

Capital Works Division 43 of the Income Tax Act 1997 allows the taxpayer to a deduction of the decline in value of a depreciating asset used for income producing purpose over its effective life.

### **4.2 Method of Depreciation**

Capital Works allowances under Division 43 are based on the historical construction costs and are not based on an apportionment of the purchase price. Where construction costs are not available, a qualified Quantity Surveyor will establish costs in accordance with the Tax Ruling TR97/25.

Capital Works are depreciated by Prime Cost method only, which may vary dependant on the date the construction works commenced and the property usage. Where a property has been updated over the years, capital works expenditure may be allocated in different periods. Clients must make any construction periods clear wherever possible to ensure your claim is maximised.

### **4.3 Method of Depreciation**

Structural improvements such as fencing, paths and other hard landscaping can also be written off at 2.5% per annum if construction started after 27 February 1992.



## 5. Summary of Entitlements – Diminishing Value Method

Year	Financial Year	Division 40 - Capital Allowance (Eligible)			Division 43 Capital Works	Eligible Total	Capital Loss - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40			Div 40 Yearly	Cumulative
1	23 September 19 to 30 June 20	419	0	419	1,499	1,918	3,510	3,510
2	1 July 20 to 30 June 21	385	133	518	1,952	2,470	5,119	8,630
3	1 July 21 to 30 June 22	308	83	391	1,952	2,343	3,665	12,294
4	1 July 22 to 30 June 23	247	52	299	1,952	2,251	2,463	14,757
5	1 July 23 to 30 June 24	0	403	403	1,952	2,355	1,673	16,430
6	1 July 24 to 30 June 25	0	252	252	1,952	2,204	1,341	17,771
7	1 July 25 to 30 June 26	0	157	157	1,952	2,109	888	18,660
8	1 July 26 to 30 June 27	0	98	98	1,952	2,050	705	19,365
9	1 July 27 to 30 June 28	0	61	61	1,952	2,013	441	19,806
10	1 July 28 to 30 June 29	0	38	38	1,826	1,864	276	20,081
11	1 July 29 to 30 June 30	0	24	24	664	688	172	20,254
12	1 July 30 to 30 June 31	0	15	15	664	679	108	20,361
13	1 July 31 to 30 June 32	0	9	9	664	673	68	20,429
14	1 July 32 to 30 June 33	0	6	6	664	670	42	20,471
15	1 July 33 to 30 June 34	0	4	4	664	668	26	20,496
16	1 July 34 to 30 June 35	0	2	2	664	666	17	20,513
17	1 July 35 to 30 June 36	0	1	1	664	665	11	20,524
18	1 July 36 to 30 June 37	0	1	1	664	665	6	20,530
19	1 July 37 to 30 June 38	0	1	1	664	665	4	20,534
20	1 July 38 to 30 June 39	0	0	0	664	664	3	20,537
21	1 July 39 to 30 June 40	0	0	0	664	664	2	20,538
22	1 July 40 to 30 June 41	0	0	0	664	664	1	20,539
23	1 July 41 to 30 June 42	0	0	0	664	664	1	20,540
24	1 July 42 to 30 June 43	0	0	0	654	654	0	20,541
25	1 July 43 to 30 June 44	0	0	0	407	407	0	20,541
26	1 July 44 to 30 June 45	0	0	0	406	406	0	20,541
27	1 July 45 to 30 June 46	0	0	0	406	406	0	20,541
28	1 July 46 to 30 June 47	0	0	0	406	406	0	20,541
29	1 July 47 to 30 June 48	0	0	0	406	406	0	20,541
30	1 July 48 to 30 June 49	0	0	0	406	406	0	20,541
31	1 July 49 to 30 June 50	0	0	0	406	406	0	20,541
32	1 July 50 to 30 June 51	0	0	0	406	406	0	20,541
33	1 July 51 to 30 June 52	0	0	0	406	406	0	20,541
34	1 July 52 to 30 June 53	0	0	0	406	406	0	20,541
35	1 July 53 to 30 June 54	0	0	0	406	406	0	20,541
36	1 July 54 to 30 June 55	0	0	0	406	406	0	20,541
37	1 July 55 to 30 June 56	0	0	0	406	406	0	20,541
38	1 July 56 to 30 June 57	0	0	0	406	406	0	20,541
39	1 July 57 to 30 June 58	0	0	0	406	406	0	20,541
40	2058+	0	0	0	442	442	0	20,541
<b>Totals</b>		<b>940</b>	<b>1,340</b>	<b>2,699</b>	<b>34,760</b>	<b>37,459</b>	<b>20,541</b>	<b>20,541</b>

The diminishing value method involves multiplying the remaining amount (or also known as the written down value) of the item by the depreciation rate each year. Hence the term diminishing value method as it diminishes in value each year never quite reaching zero.

### Example

	DV Rate	Opening Value	Year 1	WDV	Year 2
Carpet	20%	\$1,000	\$200	\$800	\$160

## 6. Summary of Entitlements – Prime Cost Method

Year	Financial Year	Division 40 - Capital Allowance (Eligible)			Division 43 Capital Works	Eligible Total	Capital Loss - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40			Div 40 Yearly	Cumulative
1	23 September 19 to 30 June 20	209	0	209	1,499	1,708	2,513	2,513
2	1 July 20 to 30 June 21	293	0	293	1,952	2,245	3,762	6,275
3	1 July 21 to 30 June 22	293	0	293	1,952	2,245	2,839	9,114
4	1 July 22 to 30 June 23	293	0	293	1,952	2,245	2,262	11,376
5	1 July 23 to 30 June 24	293	0	293	1,952	2,245	1,902	13,278
6	1 July 24 to 30 June 25	293	0	293	1,952	2,245	1,677	14,954
7	1 July 25 to 30 June 26	287	0	287	1,952	2,239	1,536	16,490
8	1 July 26 to 30 June 27	225	0	225	1,952	2,177	1,448	17,938
9	1 July 27 to 30 June 28	225	0	225	1,952	2,177	792	18,730
10	1 July 28 to 30 June 29	225	0	225	1,826	2,051	577	19,307
11	1 July 29 to 30 June 30	64	0	64	664	728	513	19,820
12	1 July 30 to 30 June 31	0	0	0	664	664	482	20,303
13	1 July 31 to 30 June 32	0	0	0	664	664	175	20,478
14	1 July 32 to 30 June 33	0	0	0	664	664	49	20,526
15	1 July 33 to 30 June 34	0	0	0	664	664	5	20,532
16	1 July 34 to 30 June 35	0	0	0	664	664	3	20,535
17	1 July 35 to 30 June 36	0	0	0	664	664	2	20,537
18	1 July 36 to 30 June 37	0	0	0	664	664	1	20,539
19	1 July 37 to 30 June 38	0	0	0	664	664	1	20,539
20	1 July 38 to 30 June 39	0	0	0	664	664	1	20,540
21	1 July 39 to 30 June 40	0	0	0	664	664	0	20,540
22	1 July 40 to 30 June 41	0	0	0	664	664	0	20,540
23	1 July 41 to 30 June 42	0	0	0	664	664	0	20,541
24	1 July 42 to 30 June 43	0	0	0	654	654	0	20,541
25	1 July 43 to 30 June 44	0	0	0	407	407	0	20,541
26	1 July 44 to 30 June 45	0	0	0	406	406	0	20,541
27	1 July 45 to 30 June 46	0	0	0	406	406	0	20,541
28	1 July 46 to 30 June 47	0	0	0	406	406	0	20,541
29	1 July 47 to 30 June 48	0	0	0	406	406	0	20,541
30	1 July 48 to 30 June 49	0	0	0	406	406	0	20,541
31	1 July 49 to 30 June 50	0	0	0	406	406	0	20,541
32	1 July 50 to 30 June 51	0	0	0	406	406	0	20,541
33	1 July 51 to 30 June 52	0	0	0	406	406	0	20,541
34	1 July 52 to 30 June 53	0	0	0	406	406	0	20,541
35	1 July 53 to 30 June 54	0	0	0	406	406	0	20,541
36	1 July 54 to 30 June 55	0	0	0	406	406	0	20,541
37	1 July 55 to 30 June 56	0	0	0	406	406	0	20,541
38	1 July 56 to 30 June 57	0	0	0	406	406	0	20,541
39	1 July 57 to 30 June 58	0	0	0	406	406	0	20,541
40	2058+	0	0	0	442	442	0	20,541
<b>Totals</b>		<b>2,700</b>	<b>0</b>	<b>2,700</b>	<b>34,760</b>	<b>37,460</b>	<b>20,541</b>	<b>20,541</b>

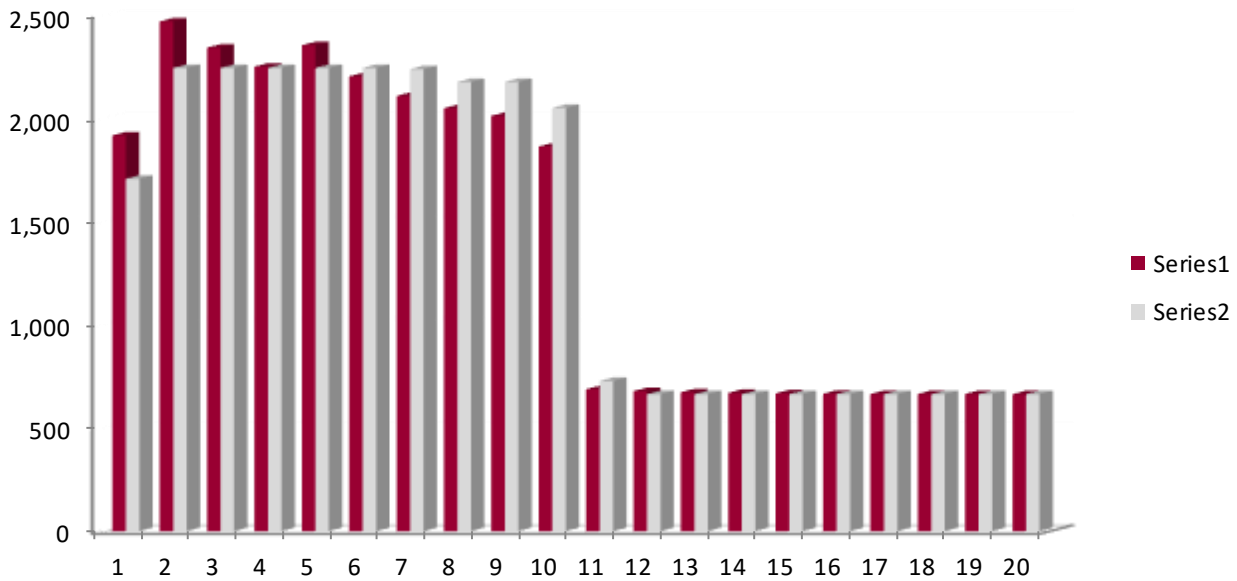
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

### Example

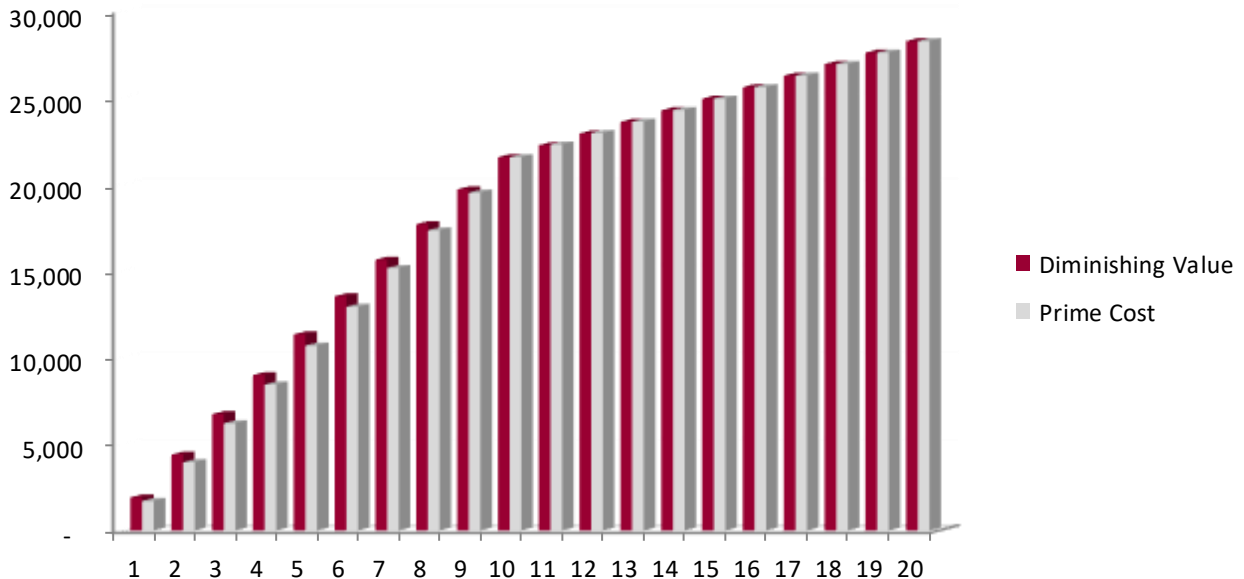
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

## 7. Comparison Graphs

20 YEAR COMPARISON GRAPH



20 YEAR CUMULATIVE GRAPH



Advantages of using diminishing value method over prime cost method, as can be seen in the 20 year comparison graph, diminishing value method has higher deductions in the first few years. Prime cost method has lower deductions over the first few years, but around the 5-6 year mark starts to give higher deductions and in later years. However cumulatively they equal out at about the 10 year mark. It comes down to whether you want the higher deductions in the first few years or the more evenly spread out deductions approach.

## 8. Capital Expenditure Analysed

### Purchase Details

Contract Date	9 August 2019
Settlement Date	23 September 2019
Available To Generate Income	23 September 2019

### Expenditure Analysed

Purchase Price	\$210,000
Stamp Duty	\$5,875
Post Expenditure	\$2,700
<b>Total Expenditure Analysed</b>	<b>\$218,575</b>

### Historical Construction Details

Construction Start Date	4 September 1988
Construction Completion Date	1 June 1989
Historical Construction Cost (Estimated)*	\$70,135

## 9. Reconciliation of Capital Expenditure

### Apportionment of cost relating to:

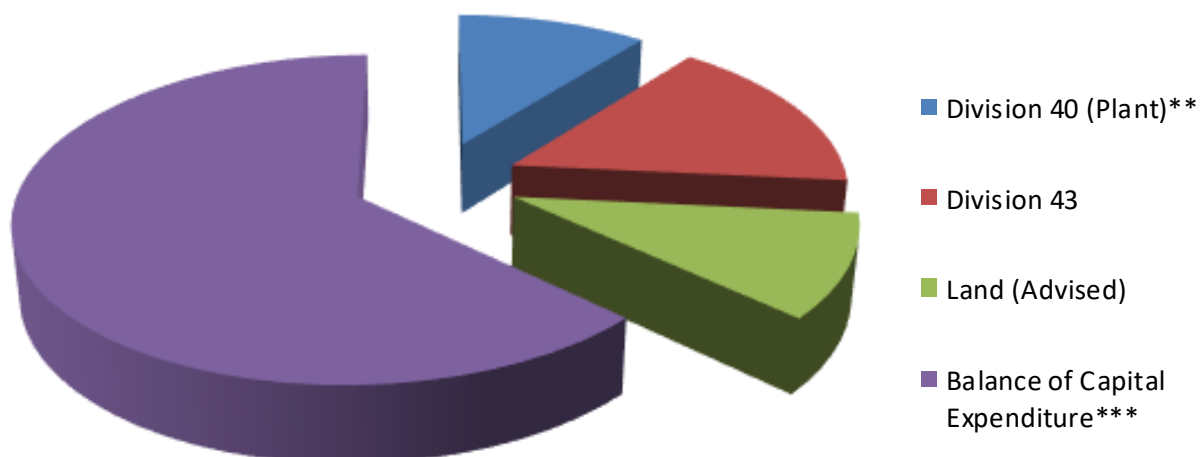
Division 40 (Plant)**	\$23,240
Division 43	\$34,760
Land (Advised)	\$22,615
Balance of Capital Expenditure***	\$137,959
<b>Total Expenditure Analysed</b>	<b>\$218,574</b>

### Notes

\* The historical construction has been calculated and the eligible qualifying expenditure for the purposes of calculating the Division 43 deductions capital works has been taken from this total by excluding the plant (Division 40) and any non eligible expenditure items

\*\* Some assets in Division 40 (Plant) may not be eligible for yearly depreciation claim but for capital gain deduction only. Please go to Summary of Entitlements and detailed schedules for more information

\*\*\* Balance of capital expenditure comprises the apportionment of all capital works which are ineligible for depreciation or capital allowances



## 10. Diminishing Value Depreciation Schedule

Assets Generally Division 40 - Plant and Equipment	Eligibility For Depreciation	Diminishing Value Rate	Start Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
<b>Bathroom assets</b>															
Exhaust fans (including light/heating)	NO	18.75%	23-Sep-19	302	57	92	57	36	22	14	9	5	3	2	
<b>Blinds Residential</b>															
	NO	18.75%	23-Sep-19	1,255	235	383	239	149	93	58	36	23	14	9	
<b>Ceiling Fans</b>															
	NO	18.75%	23-Sep-19	1,207	226	368	230	144	90	56	35	22	14	9	
<b>Curtains and drapes</b>															
	NO	18.75%	23-Sep-19	406	76	124	77	48	30	19	12	7	5	3	
<b>Fire control assets</b>															
Detection & alarm systems, detectors	NO	18.75%	23-Sep-19	531	100	162	101	63	40	25	15	10	6	4	
<b>Floor coverings ( removable without damage)</b>															
Carpets	NO	25.00%	23-Sep-19	6,247	1,199	1,262	946	710	532	399	299	337	211	132	
<b>Furniture</b>															
Furniture	NO	15.00%	23-Sep-19	1,086	125	360	225	141	88	55	34	21	13	8	
Furniture	NO	18.75%	23-Sep-19	2,456	461	748	468	292	183	114	71	45	28	17	
<b>Garbage disposal</b>															
Garbage bins	NO	18.75%	23-Sep-19	193	36	59	37	23	14	9	6	4	2	1	
<b>Garden sheds, freestanding</b>															
	NO	20.00%	23-Sep-19	604	93	192	120	75	47	29	18	11	7	4	
<b>Hot water systems (excluding piping)</b>															
Gas or electric	NO	16.67%	23-Sep-19	2,173	278	316	263	219	183	343	214	134	84	52	
<b>Kitchen assets</b>															
Cooktops	NO	16.67%	23-Sep-19	1,026	131	336	210	131	82	51	32	20	12	8	
Ovens	NO	16.67%	23-Sep-19	1,328	170	193	362	226	141	88	55	35	22	13	
Rangehoods	NO	18.75%	23-Sep-19	543	102	166	103	65	40	25	16	10	6	4	
<b>Lights</b>															
Shades, removable	NO	18.75%	23-Sep-19	1,183	222	360	225	141	88	55	34	21	13	8	
<b>Additional Items (Post Expenditure)</b>															
	Eligibility				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
<b>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>															
Mini split system upto 20KW	YES	20.00%	12-Oct-19	2,250	322	386	308	247	370	231	145	90	56	35	
<b>Security systems &amp; equipment</b>															
Electronic	YES	30.00%	12-Oct-19	450	97	133	83	52	32	20	13	8	5	3	
<b>Pooled Plant Total</b>					1,514	3,481	2,537	1,586	1,361	1,194	746	803	502	314	
<b>Effective Life Plant Total</b>					2,415	2,156	1,518	1,176	715	399	299				
<b>Total Division 40</b>					23,240	3,929	5,637	4,056	2,762	2,076	1,593	1,045	803	502	314

## Diminishing Value Depreciation Schedule (cont.)

Division 43 - Capital Works Allowance													
	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1989	2.50%	23-Sep-19	12,031	955	1,244	1,244	1,244	1,244	1,244	1,244	1,244	1,244	1,124
Building Works - Completed 2003	2.50%	23-Sep-19	3,495	113	147	147	147	147	147	147	147	147	147
Building Works - Completed 2019	2.50%	23-Sep-19	10,123	195	254	254	254	254	254	254	254	254	254
Structural Improvements - Completed 1989	2.50%	23-Sep-19	424	34	44	44	44	44	44	44	44	44	38
Structural Improvements - Completed 2003	2.50%	23-Sep-19	2,628	85	111	111	111	111	111	111	111	111	111
Structural Improvements - Completed 2019	2.50%	23-Sep-19	6,059	117	152	152	152	152	152	152	152	152	152
<b>Total Division 43</b>			<b>34,760</b>	<b>1,499</b>	<b>1,952</b>	<b>1,952</b>	<b>1,952</b>	<b>1,952</b>	<b>1,952</b>	<b>1,952</b>	<b>1,952</b>	<b>1,952</b>	<b>1,826</b>
<b>Total Depreciation</b>			<b>58,000</b>	<b>5,428</b>	<b>7,589</b>	<b>6,008</b>	<b>4,714</b>	<b>4,028</b>	<b>3,545</b>	<b>2,997</b>	<b>2,755</b>	<b>2,454</b>	<b>2,140</b>

## 11. Prime Cost Depreciation Schedule

Assets Generally Division 40 - Plant and Equipment	Eligibility For Depreciation	Prime Cost Rate	Start Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	18.75%	23-Sep-19	302	57	92	57	36	22	14	9	5	3	2
<b>Blinds Residential</b>														
	NO	18.75%	23-Sep-19	1,255	235	383	239	149	93	58	36	23	14	9
<b>Ceiling Fans</b>														
	NO	18.75%	23-Sep-19	1,207	226	368	230	144	90	56	35	22	14	9
<b>Curtains and drapes</b>														
	NO	18.75%	23-Sep-19	406	76	124	77	48	30	19	12	7	5	3
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	23-Sep-19	531	100	162	101	63	40	25	15	10	6	4
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	12.50%	23-Sep-19	6,247	600	781	781	781	781	781	781	781	180	
<b>Furniture</b>														
	NO	7.50%	23-Sep-19	1,086	63	82	82	82	82	82	82	82	82	82
	NO	18.75%	23-Sep-19	2,456	461	748	468	292	183	114	71	45	28	17
<b>Garbage disposal</b>														
Garbage bins	NO	18.75%	23-Sep-19	193	36	59	37	23	14	9	6	4	2	1
<b>Garden sheds, freestanding</b>														
	NO	10.00%	23-Sep-19	604	46	60	60	60	60	60	60	60	60	60
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	8.33%	23-Sep-19	2,173	139	181	181	181	181	181	181	181	181	181
<b>Kitchen assets</b>														
Cooktops	NO	8.33%	23-Sep-19	1,026	66	86	86	86	86	86	86	86	86	86
Ovens	NO	8.33%	23-Sep-19	1,328	85	111	111	111	111	111	111	111	111	111
Rangehoods	NO	18.75%	23-Sep-19	543	102	166	103	65	40	25	16	10	6	4
<b>Lights</b>														
Shades, removable	NO	18.75%	23-Sep-19	1,183	222	360	225	141	88	55	34	21	13	8
<b>Additional Items (Post Expenditure)</b>														
<b>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Mini split system upto 20KW	YES	10.00%	12-Oct-19	2,250	161	225	225	225	225	225	225	225	225	225
<b>Security systems &amp; equipment</b>														
Electronic	YES	15.00%	12-Oct-19	450	48	68	68	68	68	68	62			
<b>Pooled Plant Total</b>					1,514	2,461	1,538	961	601	376	235	147	92	57
<b>Effective Life Plant Total</b>					1,208	1,594	1,594	1,594	1,594	1,594	1,588	1,526	925	745
<b>Total Division 40</b>				23,240	2,722	4,055	3,132	2,555	2,195	1,970	1,822	1,673	1,017	802

## Prime Cost Depreciation Schedule (cont.)

Division 43 - Capital Works Allowance													
	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1989	2.50%	23-Sep-19	12,031	955	1,244	1,244	1,244	1,244	1,244	1,244	1,244	1,244	1,124
Building Works - Completed 2003	2.50%	23-Sep-19	3,495	113	147	147	147	147	147	147	147	147	147
Building Works - Completed 2019	2.50%	23-Sep-19	10,123	195	254	254	254	254	254	254	254	254	254
Structural Improvements - Completed 1989	2.50%	23-Sep-19	424	34	44	44	44	44	44	44	44	44	38
Structural Improvements - Completed 2003	2.50%	23-Sep-19	2,628	85	111	111	111	111	111	111	111	111	111
Structural Improvements - Completed 2019	2.50%	23-Sep-19	6,059	117	152	152	152	152	152	152	152	152	152
<b>Total Division 43</b>			<b>34,760</b>	<b>1,499</b>	<b>1,952</b>	<b>1,952</b>	<b>1,952</b>	<b>1,952</b>	<b>1,952</b>	<b>1,952</b>	<b>1,952</b>	<b>1,952</b>	<b>1,826</b>
<b>Total Depreciation</b>			<b>58,000</b>	<b>4,221</b>	<b>6,007</b>	<b>5,084</b>	<b>4,507</b>	<b>4,147</b>	<b>3,922</b>	<b>3,774</b>	<b>3,625</b>	<b>2,969</b>	<b>2,628</b>



## 12. Division 43 Capital Works Schedule

The table below outlines the amount of Division 43 building write-off available for this property. The building write-off is claimed over forty years from the construction date of the works completed and is the remaining value after plant and equipment has been taken out.

### Qualifying Building Allowance

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Building Works - Completed 1989	4 Sep 88 to 1 Jun 89	49,772	2.50%	1,244	12,031
Building Works - Completed 2003	25 Jun 03 to 5 Jul 03	5,882	2.50%	147	3,495
Building Works - Completed 2019	17 Jul 19 to 1 Aug 19	10,160	2.50%	254	10,123
<b>Sub-total</b>		<b>65,814</b>		<b>1,645</b>	<b>25,649</b>

### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1989	4 Sep 88 to 1 Jun 89	1,752	2.50%	44	424
Structural Improvements - Completed 2003	25 Jun 03 to 5 Jul 03	4,423	2.50%	111	2,628
Structural Improvements - Completed 2019	17 Jul 19 to 1 Aug 19	6,081	2.50%	152	6,059
<b>Sub-total</b>		<b>12,256</b>		<b>307</b>	<b>9,111</b>
<b>Totals</b>		<b>78,070</b>		<b>1,952</b>	<b>34,760</b>

The table below demonstrates the various property types and the depreciation rates for Capital expenditure deductions. Eligibility is based on the date of construction commencement.

	Today - 27 Feb 92	26 Feb 92 - 16 Sept 87	15 Sept 87 - 18 Jul 85	17 Jul 85 - 22 Aug 84	21 Aug 84 - 20 Jul 82	19 Jul 82 - 21 Aug 79
Traveller Accommodation	4%	2.5%	4%	4%	2.5%	2.5%
Non Residential	2.5%	2.5%	4%	4%	2.5%	N/A
Manufacturing	4%	2.5%	4%	4%	2.5%	N/A
Residential	2.5%	2.5%	4%	N/A	N/A	N/A
Structural Improvement	2.5%	N/A	N/A	N/A	N/A	N/A

### 13. Definition of Terms

<b>Adjusted Value</b>	This is the value of an asset after a period of decline often referred to as the written down value or WDV.
<b>Balancing Adjustment</b>	The balancing adjustment amount is the difference between the termination value and the adjustable value of a depreciating asset at the time of a balancing adjustment event.
<b>Decline in Value</b>	Deductions for the cost of a depreciating asset are based on the decline in value between any two dates. This report includes both methods of the decline in value of a depreciating asset; the prime cost method and diminishing value method.
<b>Depreciating Assets</b>	Assets with limited effective life that are reasonably expected to decline in value.
<b>Diminishing Value Method</b>	This is the method of calculating the decline in value which uses the opening adjusted value as the basis for the calculation.
<b>Effective Life</b>	The effective life of a depreciating asset is how long it can be used by any entity for a taxable income producing purpose.
<b>Immediate WriteOff</b>	A depreciating asset which costs less than \$300 can be immediately written off at 100% of the total cost. This is only available where the asset is not part of a set e.g. table and chairs.
<b>Installed Costs</b>	This is the total cost of installing the asset inclusive of fees and labour etc.
<b>Low Value Pool</b>	Low cost assets which have a value between \$300 and \$1000. These assets are depreciated at 18.75% in the first year and 37.5% in each subsequent years.
<b>Low Cost Asset</b>	A depreciable asset with an installed cost of less than \$1000.
<b>Low Value Asset</b>	A depreciable asset that has an adjusted value of less than \$1000.
<b>Non Eligible</b>	This may include a proportion of the purchase price that is not claimable due to the age of the building or asset type.
<b>Prime Cost Method</b>	This is a method of calculating depreciation using a constant opening cost base often referred to as the "Straight Line" method.

## 14. Contact Details

COMPANY DETAILS	
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## **15. Disclaimer**

This report has been prepared for the exclusive use of the parties named within this report, Koste Pty Ltd does not accept any contractual, tortious or other form of liability for any consequences that may arise from any other person acting upon or using this valuation.

## **Appendix A: ATO's New Legislations on Post 9 May Purchased and Capital Loss**

### **A1. Post 9 May 2017**

The amendments to the ITAA 1997 recently limited the income tax deductions for the decline in value of previously used plant and equipment in rental premises used for residential accommodation. The changes apply to any second-hand property purchasers who contracts after 7.30 pm on 9 May 2017, and to any property owners who convert their main occupancies into investment properties after 1 July 2017.

This may give rise to a capital loss due to the difference between an asset's original - cost/value and its termination value at the time of a balancing adjustment event. This capital loss may be used to be offset against any future capital gains. Koste has taken into consideration of the legislation changes and identify both the eligible depreciation each year and the capital loss that will be applied.

### **A2. Capital Gain / Capital Loss**

If you sell a capital asset, such as your investment property, the difference between what it cost you to acquire the asset and what you receive when you dispose of it will become your capital gain or capital loss. When you make a capital gain, it is added to your assessable income and may significantly increase the tax you need to pay. If you make a capital loss, you cannot claim it against your other income but you can use it to reduce a capital gain in current or future years.

### **A3. Capital Loss on Plant and Equipment (Division 40)**

When you dispose a depreciating asset, a balancing adjustment event will occur and you need to work out a balancing adjustment amount to include in your assessable income or to claim as a deduction by comparing the asset's termination value (such as the proceeds from the sale of the asset) and its adjustable value at the time of the balancing adjustment event. However, from 1 July 2017, if a balancing adjustment event happens to a depreciating asset to which the new rules about deductions for decline in value of second-hand depreciating assets in residential rental properties apply, then a capital gain or capital loss might arise.

Further information regarding the legislation please refer to Schedule 2 of Treasury Laws Amendment Act 2017 at <https://www.legislation.gov.au/Details/C2017A00126>