



## Tax Depreciation Report

43 Newcombe Street,  
Drysdale VIC 3222

Anthony Gauci  
12 Peelmans Lane  
MADDINGLEY, VIC 3340

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

Anthony Gauci  
12 Peelmans Lane  
MADDINGLEY, VIC 3340

October 2019  
Job No: RES3222002

**Tax Depreciation Report – 43 Newcombe Street, Drysdale VIC 3222**

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

Anthony Gauci

### Property Address

43 Newcombe Street, Drysdale VIC 3222

### Real Property Description

LOT 12 PS500601

### Property Type

Residential House

### Date of Construction

10 January 2010

### Date Available To Generate Income

6 September 2018

### Property Photo



## 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				
<p>Diminishing value method is often the most popular form of depreciation due to the cash-flow benefits in the early years of asset ownership.</p>					<p>Prime Cost Method of Depreciation, often referred to as straight line depreciation is depreciated at a constant rate each year.</p>				
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				
<p>Under Diminishing Value method, the effective life is dividing by 200.</p> <p><b>200 / 10 Years = 20% (Adjusted Value)</b></p> <p>If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.</p>					<p>Under Prime Cost method, the effective life is dividing by 100.</p> <p><b>100 / 10 Years = 10% (Straight Line)</b></p> <p>If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.</p>				
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 - Division 40*	
		Effective Life	Pooled Plant	Total Div 40			Yearly	Cumulative
1	6 September 18 to 30 June 19	0	0	0	4,243	4,243	6,443	6,443
2	1 July 19 to 30 June 20	0	0	0	5,215	5,215	8,816	15,259
3	1 July 20 to 30 June 21	0	0	0	5,215	5,215	6,311	21,570
4	1 July 21 to 30 June 22	0	0	0	5,215	5,215	4,544	26,114
5	1 July 22 to 30 June 23	0	0	0	5,215	5,215	3,389	29,503
6	1 July 23 to 30 June 24	0	0	0	5,215	5,215	2,381	31,884
7	1 July 24 to 30 June 25	0	0	0	5,215	5,215	1,853	33,737
8	1 July 25 to 30 June 26	0	0	0	5,215	5,215	1,610	35,347
9	1 July 26 to 30 June 27	0	0	0	5,215	5,215	1,082	36,429
10	1 July 27 to 30 June 28	0	0	0	5,215	5,215	744	37,173
11	1 July 28 to 30 June 29	0	0	0	5,215	5,215	526	37,699
12	1 July 29 to 30 June 30	0	0	0	5,215	5,215	384	38,082
13	1 July 30 to 30 June 31	0	0	0	5,215	5,215	289	38,372
14	1 July 31 to 30 June 32	0	0	0	5,215	5,215	225	38,597
15	1 July 32 to 30 June 33	0	0	0	5,215	5,215	181	38,778
16	1 July 33 to 30 June 34	0	0	0	5,215	5,215	149	38,927
17	1 July 34 to 30 June 35	0	0	0	5,215	5,215	126	39,052
18	1 July 35 to 30 June 36	0	0	0	5,215	5,215	370	39,423
19	1 July 36 to 30 June 37	0	0	0	5,215	5,215	232	39,654
20	1 July 37 to 30 June 38	0	0	0	5,215	5,215	145	39,799
21	1 July 38 to 30 June 39	0	0	0	5,215	5,215	90	39,889
22	1 July 39 to 30 June 40	0	0	0	5,215	5,215	57	39,946
23	1 July 40 to 30 June 41	0	0	0	5,215	5,215	35	39,981
24	1 July 41 to 30 June 42	0	0	0	5,215	5,215	22	40,003
25	1 July 42 to 30 June 43	0	0	0	5,215	5,215	14	40,017
26	1 July 43 to 30 June 44	0	0	0	5,215	5,215	9	40,026
27	1 July 44 to 30 June 45	0	0	0	5,215	5,215	5	40,031
28	1 July 45 to 30 June 46	0	0	0	5,215	5,215	3	40,034
29	1 July 46 to 30 June 47	0	0	0	5,215	5,215	2	40,037
30	1 July 47 to 30 June 48	0	0	0	5,215	5,215	1	40,038
31	1 July 48 to 30 June 49	0	0	0	5,215	5,215	1	40,039
32	1 July 49 to 30 June 50	0	0	0	2,761	2,761	1	40,039
33	1 July 50 to 30 June 51	0	0	0	0	0	0	40,039
34	1 July 51 to 30 June 52	0	0	0	0	0	0	40,040
35	1 July 52 to 30 June 53	0	0	0	0	0	0	40,040
36	1 July 53 to 30 June 54	0	0	0	0	0	0	40,040
37	1 July 54 to 30 June 55	0	0	0	0	0	0	40,040
38	1 July 55 to 30 June 56	0	0	0	0	0	0	40,040
39	1 July 56 to 30 June 57	0	0	0	0	0	0	40,040
40	2057+	0	0	0	0	0	0	40,040
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>163,454</b>	<b>163,454</b>	<b>40,040</b>	<b>40,040</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 - Division 40*	
		Effective Life	Pooled Plant	Total Div 40			Yearly	Cumulative
1	6 September 18 to 30 June 19	0	0	0	4,243	4,243	4,868	4,868
2	1 July 19 to 30 June 20	0	0	0	5,215	5,215	7,288	12,156
3	1 July 20 to 30 June 21	0	0	0	5,215	5,215	5,280	17,436
4	1 July 21 to 30 June 22	0	0	0	5,215	5,215	4,026	21,462
5	1 July 22 to 30 June 23	0	0	0	5,215	5,215	3,242	24,704
6	1 July 23 to 30 June 24	0	0	0	5,215	5,215	2,686	27,390
7	1 July 24 to 30 June 25	0	0	0	5,215	5,215	2,365	29,755
8	1 July 25 to 30 June 26	0	0	0	5,215	5,215	2,174	31,930
9	1 July 26 to 30 June 27	0	0	0	5,215	5,215	2,054	33,984
10	1 July 27 to 30 June 28	0	0	0	5,215	5,215	1,980	35,964
11	1 July 28 to 30 June 29	0	0	0	5,215	5,215	942	36,905
12	1 July 29 to 30 June 30	0	0	0	5,215	5,215	688	37,593
13	1 July 30 to 30 June 31	0	0	0	5,215	5,215	384	37,977
14	1 July 31 to 30 June 32	0	0	0	5,215	5,215	300	38,277
15	1 July 32 to 30 June 33	0	0	0	5,215	5,215	293	38,570
16	1 July 33 to 30 June 34	0	0	0	5,215	5,215	288	38,859
17	1 July 34 to 30 June 35	0	0	0	5,215	5,215	286	39,144
18	1 July 35 to 30 June 36	0	0	0	5,215	5,215	284	39,428
19	1 July 36 to 30 June 37	0	0	0	5,215	5,215	283	39,711
20	1 July 37 to 30 June 38	0	0	0	5,215	5,215	282	39,993
21	1 July 38 to 30 June 39	0	0	0	5,215	5,215	46	40,039
22	1 July 39 to 30 June 40	0	0	0	5,215	5,215	0	40,039
23	1 July 40 to 30 June 41	0	0	0	5,215	5,215	0	40,040
24	1 July 41 to 30 June 42	0	0	0	5,215	5,215	0	40,040
25	1 July 42 to 30 June 43	0	0	0	5,215	5,215	0	40,040
26	1 July 43 to 30 June 44	0	0	0	5,215	5,215	0	40,040
27	1 July 44 to 30 June 45	0	0	0	5,215	5,215	0	40,040
28	1 July 45 to 30 June 46	0	0	0	5,215	5,215	0	40,040
29	1 July 46 to 30 June 47	0	0	0	5,215	5,215	0	40,040
30	1 July 47 to 30 June 48	0	0	0	5,215	5,215	0	40,040
31	1 July 48 to 30 June 49	0	0	0	5,215	5,215	0	40,040
32	1 July 49 to 30 June 50	0	0	0	2,761	2,761	0	40,040
33	1 July 50 to 30 June 51	0	0	0	0	0	0	40,040
34	1 July 51 to 30 June 52	0	0	0	0	0	0	40,040
35	1 July 52 to 30 June 53	0	0	0	0	0	0	40,040
36	1 July 53 to 30 June 54	0	0	0	0	0	0	40,040
37	1 July 54 to 30 June 55	0	0	0	0	0	0	40,040
38	1 July 55 to 30 June 56	0	0	0	0	0	0	40,040
39	1 July 56 to 30 June 57	0	0	0	0	0	0	40,040
40	2057+	0	0	0	0	0	0	40,040
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>163,454</b>	<b>163,454</b>	<b>40,040</b>	<b>40,040</b>

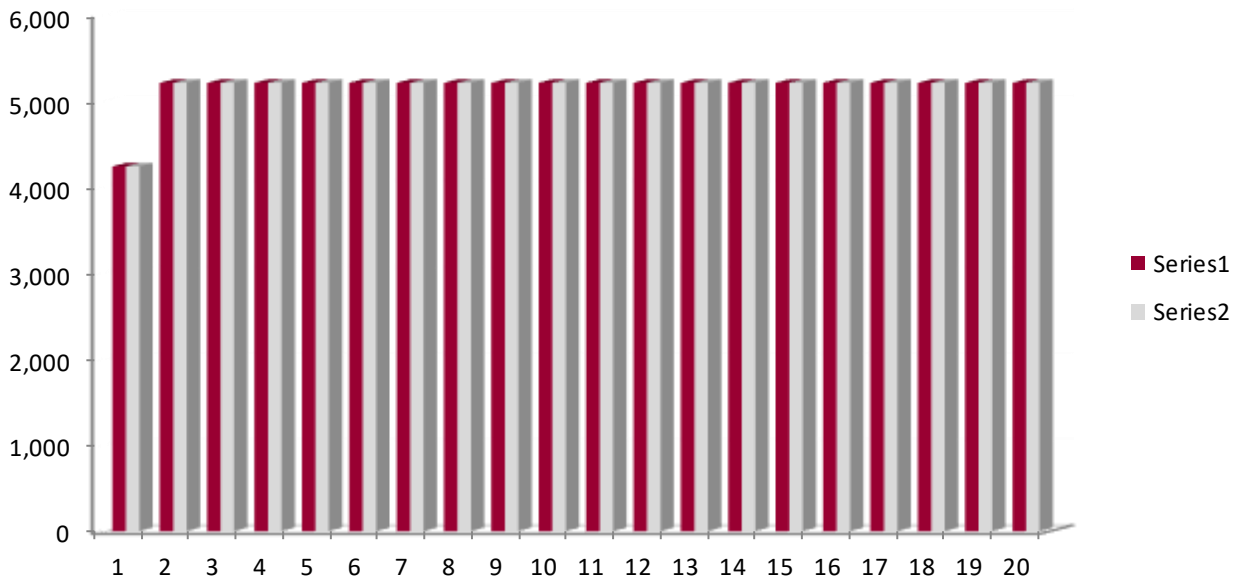
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

### Example

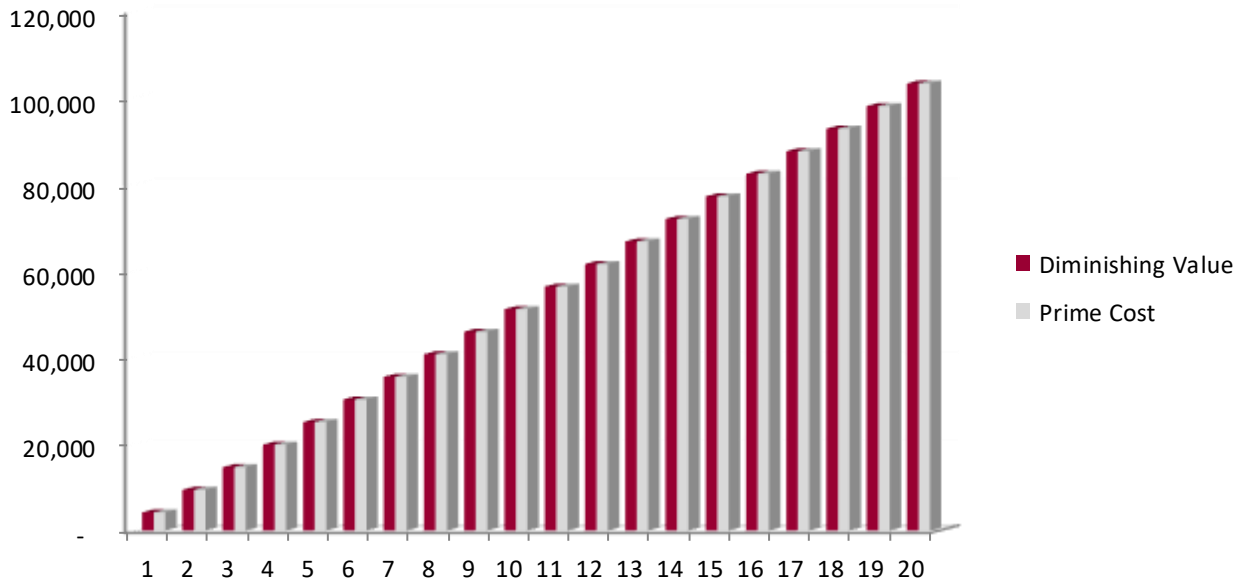
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

## 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	23 June 2018
Settlement Date	6 September 2018
Available To Generate Income	6 September 2018

### Expenditure Analysed

Purchase Price	\$500,000
Stamp Duty	\$25,070
Legals	\$770
<b>Total Expenditure Analysed</b>	<b>\$525,840</b>

### Historical Construction Details

Construction Start Date	14 July 2009
Construction Completion Date	10 January 2010
Historical Construction Cost (Estimated)*	\$246,410

## 9. Reconciliation of Capital Expenditure

### Apportionment of cost relating to:

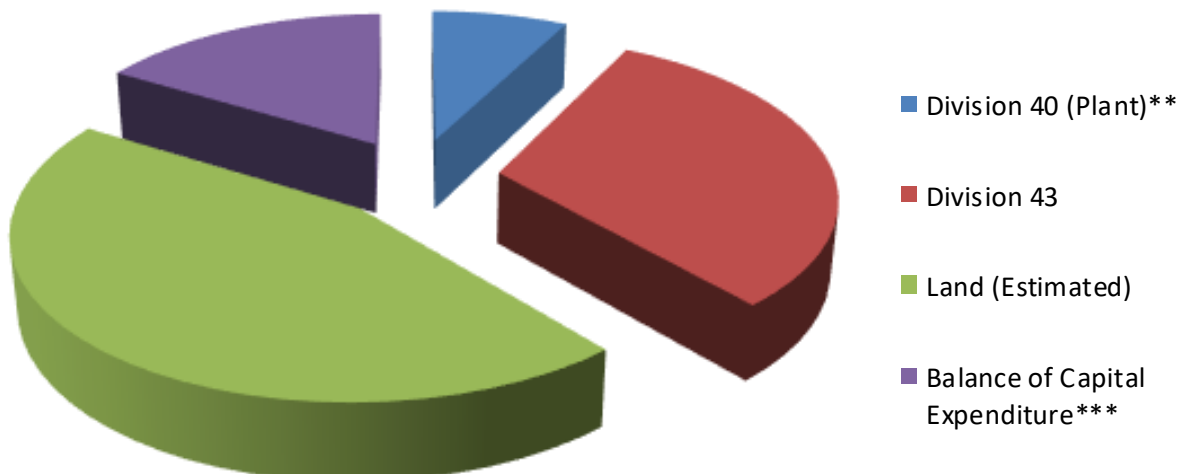
Division 40 (Plant)**	\$40,040
Division 43	\$163,454
Land (Estimated)	\$236,282
Balance of Capital Expenditure***	\$86,064
<b>Total Expenditure Analysed</b>	<b>\$525,840</b>

### 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>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Mini split system upto 20KW	NO	20.00%	6-Sep-18	3,742	609	627	501	401	321	257	205	308	192	120
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	18.75%	6-Sep-18	1,497	281	456	285	178	111	70	43	27	17	11
<b>Blinds Residential</b>														
	NO	18.75%	6-Sep-18	4,061	761	1,237	773	483	302	189	118	74	46	29
<b>Ceiling Fans</b>														
	NO	18.75%	6-Sep-18	1,746	327	532	332	208	130	81	51	32	20	12
<b>Curtains and drapes</b>														
	NO	18.75%	6-Sep-18	2,694	505	821	513	321	200	125	78	49	31	19
<b>Door closers</b>														
	NO	18.75%	6-Sep-18	224	42	68	43	27	17	10	7	4	3	2
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	6-Sep-18	823	154	251	157	98	61	38	24	15	9	6
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	20.00%	6-Sep-18	3,927	639	658	526	421	337	269	215	323	202	126
<b>Furniture</b>														
	NO	18.75%	6-Sep-18	4,315	809	1,315	822	514	321	201	125	78	49	31
<b>Garage doors, automatic</b>														
Controls	NO	40.00%	6-Sep-18	399	130	101	63	39	25	15	10	6	4	2
Motors	NO	20.00%	6-Sep-18	2,993	487	501	401	321	257	205	308	192	120	75
<b>Garbage disposal</b>														
Garbage bins	NO	18.75%	6-Sep-18	200	37	61	38	24	15	9	6	4	2	1
<b>Heating units</b>														
Gas ducted central heating	NO	10.00%	6-Sep-18	5,612	457	516	464	418	376	338	304	274	247	222
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	16.67%	6-Sep-18	1,871	254	270	225	187	351	219	137	86	54	33
<b>Kitchen assets</b>														
Cooktops	NO	16.67%	6-Sep-18	1,060	144	344	215	134	84	52	33	20	13	8
Dishwashers	NO	20.00%	6-Sep-18	1,497	244	251	200	301	188	117	73	46	29	18
Ovens	NO	16.67%	6-Sep-18	1,372	186	198	371	232	145	90	57	35	22	14
Rangehoods	NO	18.75%	6-Sep-18	561	105	171	107	67	42	26	16	10	6	4
<b>Lights</b>														
Shades, removable	NO	18.75%	6-Sep-18	1,447	271	441	275	172	108	67	42	26	16	10
<b>Pooled Plant Total</b>					3,294	5,797	3,994	2,797	2,099	1,312	1,128	1,336	835	522
<b>Effective Life Plant Total</b>					3,149	3,019	2,317	1,747	1,290	1,070	725	274	247	222
<b>Total Division 40</b>				40,040	6,443	8,816	6,311	4,544	3,389	2,381	1,853	1,610	1,082	744

## 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
<b>Building Works - Completed 2010</b>	2.50%	06-Sep-18	152,918	3,970	4,879	4,879	4,879	4,879	4,879	4,879	4,879	4,879	4,879
<b>Structural Improvements - Completed 2010</b>	2.50%	06-Sep-18	10,536	273	336	336	336	336	336	336	336	336	336
<b>Total Division 43</b>			163,454	4,243	5,215	5,215	5,215	5,215	5,215	5,215	5,215	5,215	5,215
<b>Total Depreciation</b>			203,494	10,686	14,031	11,526	9,759	8,604	7,596	7,068	6,825	6,297	5,959

## 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>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Mini split system upto 20KW	NO	10.00%	06-Sep-18	3,742	304	374	374	374	374	374	374	374	374	374
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	18.75%	06-Sep-18	1,497	281	456	285	178	111	70	43	27	17	11
<b>Blinds Residential</b>														
	NO	18.75%	06-Sep-18	4,061	761	1,237	773	483	302	189	118	74	46	29
<b>Ceiling Fans</b>														
	NO	18.75%	06-Sep-18	1,746	327	532	332	208	130	81	51	32	20	12
<b>Curtains and drapes</b>														
	NO	18.75%	06-Sep-18	2,694	505	821	513	321	200	125	78	49	31	19
<b>Door closers</b>														
	NO	18.75%	06-Sep-18	224	42	68	43	27	17	10	7	4	3	2
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	06-Sep-18	823	154	251	157	98	61	38	24	15	9	6
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	10.00%	06-Sep-18	3,927	320	393	393	393	393	393	393	393	393	393
<b>Furniture</b>														
	NO	18.75%	06-Sep-18	4,315	809	1,315	822	514	321	201	125	78	49	31
<b>Garage doors, automatic</b>														
Controls	NO	20.00%	06-Sep-18	399	65	80	80	80	80	14				
Motors	NO	10.00%	06-Sep-18	2,993	244	299	299	299	299	299	299	299	299	299
<b>Garbage disposal</b>														
Garbage bins	NO	18.75%	06-Sep-18	200	37	61	38	24	15	9	6	4	2	1
<b>Heating units</b>														
Gas ducted central heating	NO	5.00%	06-Sep-18	5,612	228	281	281	281	281	281	281	281	281	281
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	8.33%	06-Sep-18	1,871	127	156	156	156	156	156	156	156	156	156
<b>Kitchen assets</b>														
Cooktops	NO	8.33%	06-Sep-18	1,060	72	88	88	88	88	88	88	88	88	88
Dishwashers	NO	10.00%	06-Sep-18	1,497	122	150	150	150	150	150	150	150	150	150
Ovens	NO	8.33%	06-Sep-18	1,372	93	114	114	114	114	114	114	114	114	114
Rangehoods	NO	18.75%	06-Sep-18	561	105	171	107	67	42	26	16	10	6	4
<b>Lights</b>														
Shades, removable	NO	18.75%	06-Sep-18	1,447	271	441	275	172	108	67	42	26	16	10
<b>Poolled Plant Total</b>					<b>3,294</b>	<b>5,353</b>	<b>3,345</b>	<b>2,091</b>	<b>1,307</b>	<b>817</b>	<b>510</b>	<b>319</b>	<b>199</b>	<b>125</b>
<b>Effective Life Plant Total</b>					<b>1,574</b>	<b>1,935</b>	<b>1,935</b>	<b>1,935</b>	<b>1,935</b>	<b>1,869</b>	<b>1,855</b>	<b>1,855</b>	<b>1,855</b>	<b>1,855</b>
<b>Total Division 40</b>				<b>40,040</b>	<b>4,868</b>	<b>7,288</b>	<b>5,280</b>	<b>4,026</b>	<b>3,242</b>	<b>2,686</b>	<b>2,365</b>	<b>2,174</b>	<b>2,054</b>	<b>1,980</b>

## 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 2010	2.50%	06-Sep-18	152,918	3,970	4,879	4,879	4,879	4,879	4,879	4,879	4,879	4,879	4,879
Structural Improvements - Completed 2010	2.50%	06-Sep-18	10,536	273	336	336	336	336	336	336	336	336	336
<b>Total Division 43</b>			163,454	4,243	5,215	5,215	5,215	5,215	5,215	5,215	5,215	5,215	5,215
<b>Total Depreciation</b>			203,494	9,111	12,503	10,495	9,241	8,457	7,901	7,580	7,389	7,269	7,195



## 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 2010	14 Jul 09 to 10 Jan 10	195,175	2.50%	4,879	152,918
<b>Sub-total</b>		<b>195,175</b>		<b>4,879</b>	<b>152,918</b>

### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2010	14 Jul 09 to 10 Jan 10	13,447	2.50%	336	10,536
<b>Sub-total</b>		<b>13,447</b>		<b>336</b>	<b>10,536</b>
<b>Totals</b>		<b>208,622</b>		<b>5,215</b>	<b>163,454</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>