



Tax Depreciation Report

22 Meadow Drive,
Curlewis 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: RES3222003

Tax Depreciation Report – 22 Meadow Drive, Curlewis 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

22 Meadow Drive, Curlewis VIC 3222

Real Property Description

LOT 64 PS643972

Property Type

Residential House

Date of Construction

7 December 2017

Date Available To Generate Income

6 July 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				
Diminishing value method is often the most popular form of depreciation due to the cash-flow benefits in the early years of asset ownership.				
Benefits				
<ul style="list-style-type: none"> • Cash-flow during initial years of asset ownership • Ability to use Low Value Pool for assets less than \$1000 (Note: unable to write off these assets) 				
Calculation Example				
Under Diminishing Value method, the effective life is dividing by 200.				
200 / 10 Years = 20% (Adjusted Value)				
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
\$2,000	\$1,600	\$1,280	\$1,024	\$819.20

Prime Cost Method				
Prime Cost Method of Depreciation, often referred to as straight line depreciation is depreciated at a constant rate each year.				
Benefits				
<ul style="list-style-type: none"> • Write off assets when they are demolished or disposed. 				
Calculation Example				
Under Prime Cost method, the effective life is dividing by 100.				
100 / 10 Years = 10% (Straight Line)				
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
\$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 July 18 to 30 June 19	0	0	0	5,386	5,386	6,692	6,692
2	1 July 19 to 30 June 20	0	0	0	5,476	5,476	7,501	14,194
3	1 July 20 to 30 June 21	0	0	0	5,476	5,476	5,872	20,066
4	1 July 21 to 30 June 22	0	0	0	5,476	5,476	4,112	24,179
5	1 July 22 to 30 June 23	0	0	0	5,476	5,476	2,938	27,117
6	1 July 23 to 30 June 24	0	0	0	5,476	5,476	2,329	29,446
7	1 July 24 to 30 June 25	0	0	0	5,476	5,476	1,682	31,128
8	1 July 25 to 30 June 26	0	0	0	5,476	5,476	1,403	32,531
9	1 July 26 to 30 June 27	0	0	0	5,476	5,476	1,004	33,535
10	1 July 27 to 30 June 28	0	0	0	5,476	5,476	911	34,446
11	1 July 28 to 30 June 29	0	0	0	5,476	5,476	628	35,074
12	1 July 29 to 30 June 30	0	0	0	5,476	5,476	446	35,520
13	1 July 30 to 30 June 31	0	0	0	5,476	5,476	327	35,847
14	1 July 31 to 30 June 32	0	0	0	5,476	5,476	247	36,094
15	1 July 32 to 30 June 33	0	0	0	5,476	5,476	193	36,288
16	1 July 33 to 30 June 34	0	0	0	5,476	5,476	156	36,443
17	1 July 34 to 30 June 35	0	0	0	5,476	5,476	129	36,572
18	1 July 35 to 30 June 36	0	0	0	5,476	5,476	363	36,935
19	1 July 36 to 30 June 37	0	0	0	5,476	5,476	227	37,162
20	1 July 37 to 30 June 38	0	0	0	5,476	5,476	142	37,304
21	1 July 38 to 30 June 39	0	0	0	5,476	5,476	89	37,393
22	1 July 39 to 30 June 40	0	0	0	5,476	5,476	55	37,448
23	1 July 40 to 30 June 41	0	0	0	5,476	5,476	35	37,483
24	1 July 41 to 30 June 42	0	0	0	5,476	5,476	22	37,505
25	1 July 42 to 30 June 43	0	0	0	5,476	5,476	14	37,518
26	1 July 43 to 30 June 44	0	0	0	5,476	5,476	8	37,527
27	1 July 44 to 30 June 45	0	0	0	5,476	5,476	5	37,532
28	1 July 45 to 30 June 46	0	0	0	5,476	5,476	3	37,535
29	1 July 46 to 30 June 47	0	0	0	5,476	5,476	2	37,537
30	1 July 47 to 30 June 48	0	0	0	5,476	5,476	1	37,538
31	1 July 48 to 30 June 49	0	0	0	5,476	5,476	1	37,539
32	1 July 49 to 30 June 50	0	0	0	5,476	5,476	1	37,540
33	1 July 50 to 30 June 51	0	0	0	5,476	5,476	0	37,540
34	1 July 51 to 30 June 52	0	0	0	5,476	5,476	0	37,540
35	1 July 52 to 30 June 53	0	0	0	5,476	5,476	0	37,540
36	1 July 53 to 30 June 54	0	0	0	5,476	5,476	0	37,540
37	1 July 54 to 30 June 55	0	0	0	5,476	5,476	0	37,541
38	1 July 55 to 30 June 56	0	0	0	5,476	5,476	0	37,541
39	1 July 56 to 30 June 57	0	0	0	5,476	5,476	0	37,541
40	2057+	0	0	0	2,406	2,406	0	37,541
Totals		0	0	0	215,880	215,880	37,541	37,541

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

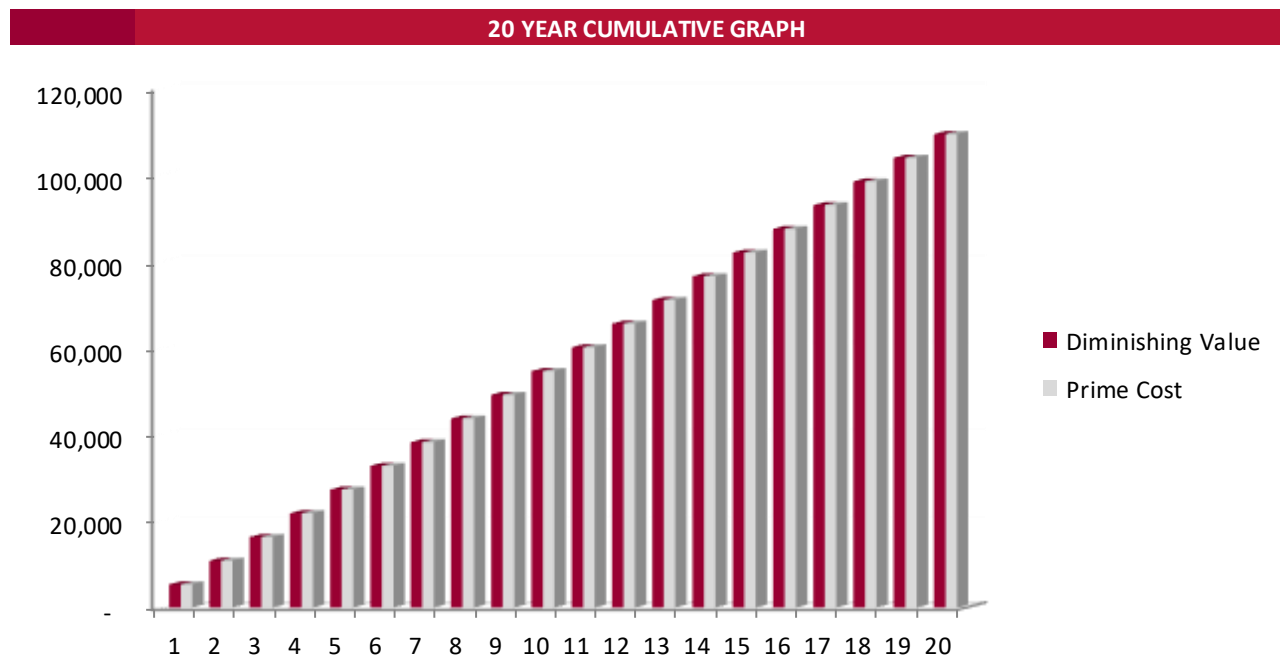
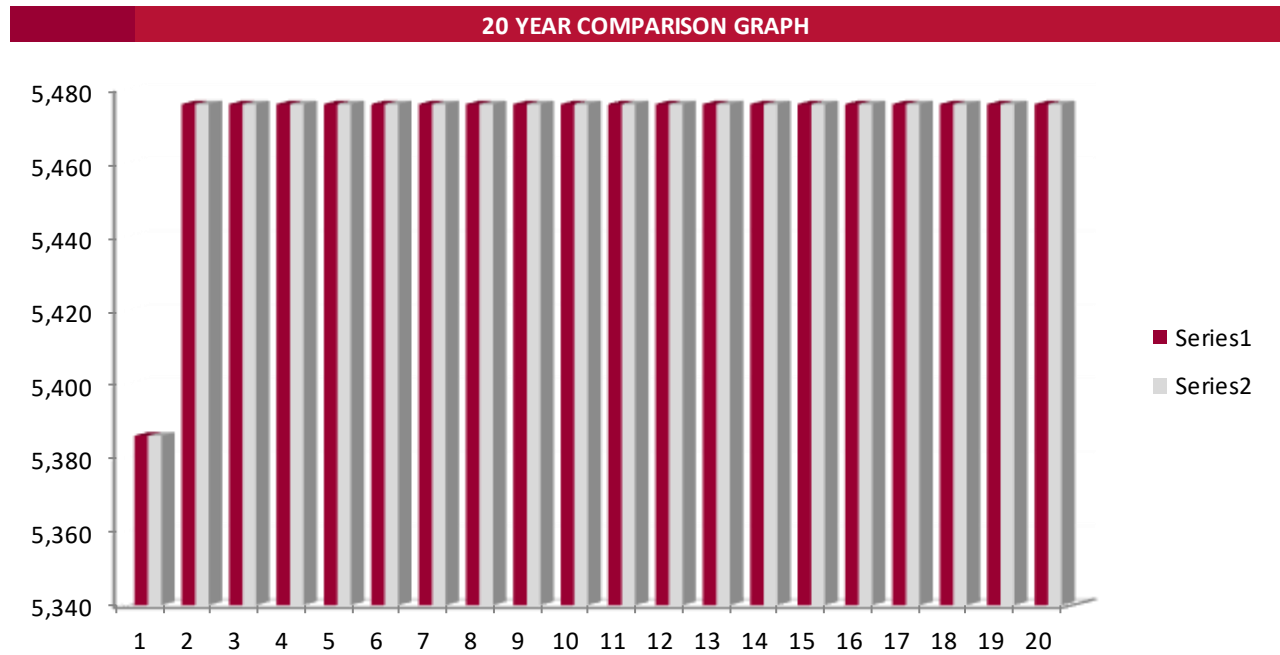
Year	Financial Year	Division 40 - Capital Allowance (Eligible)			Division 43 Capital Works	Eligible Total	Capital Loss - Division 40*	
		Effective Life	Pooled Plant	Total Div 40			Yearly	Cumulative
1	6 July 18 to 30 June 19	0	0	0	5,386	5,386	4,444	4,444
2	1 July 19 to 30 June 20	0	0	0	5,476	5,476	5,856	10,300
3	1 July 20 to 30 June 21	0	0	0	5,476	5,476	4,518	14,818
4	1 July 21 to 30 June 22	0	0	0	5,476	5,476	3,681	18,499
5	1 July 22 to 30 June 23	0	0	0	5,476	5,476	3,158	21,657
6	1 July 23 to 30 June 24	0	0	0	5,476	5,476	2,795	24,452
7	1 July 24 to 30 June 25	0	0	0	5,476	5,476	2,552	27,004
8	1 July 25 to 30 June 26	0	0	0	5,476	5,476	2,350	29,354
9	1 July 26 to 30 June 27	0	0	0	5,476	5,476	2,270	31,624
10	1 July 27 to 30 June 28	0	0	0	5,476	5,476	2,220	33,843
11	1 July 28 to 30 June 29	0	0	0	5,476	5,476	727	34,570
12	1 July 29 to 30 June 30	0	0	0	5,476	5,476	693	35,264
13	1 July 30 to 30 June 31	0	0	0	5,476	5,476	301	35,564
14	1 July 31 to 30 June 32	0	0	0	5,476	5,476	290	35,854
15	1 July 32 to 30 June 33	0	0	0	5,476	5,476	285	36,139
16	1 July 33 to 30 June 34	0	0	0	5,476	5,476	282	36,421
17	1 July 34 to 30 June 35	0	0	0	5,476	5,476	280	36,701
18	1 July 35 to 30 June 36	0	0	0	5,476	5,476	279	36,980
19	1 July 36 to 30 June 37	0	0	0	5,476	5,476	278	37,258
20	1 July 37 to 30 June 38	0	0	0	5,476	5,476	278	37,536
21	1 July 38 to 30 June 39	0	0	0	5,476	5,476	4	37,540
22	1 July 39 to 30 June 40	0	0	0	5,476	5,476	0	37,540
23	1 July 40 to 30 June 41	0	0	0	5,476	5,476	0	37,540
24	1 July 41 to 30 June 42	0	0	0	5,476	5,476	0	37,540
25	1 July 42 to 30 June 43	0	0	0	5,476	5,476	0	37,540
26	1 July 43 to 30 June 44	0	0	0	5,476	5,476	0	37,541
27	1 July 44 to 30 June 45	0	0	0	5,476	5,476	0	37,541
28	1 July 45 to 30 June 46	0	0	0	5,476	5,476	0	37,541
29	1 July 46 to 30 June 47	0	0	0	5,476	5,476	0	37,541
30	1 July 47 to 30 June 48	0	0	0	5,476	5,476	0	37,541
31	1 July 48 to 30 June 49	0	0	0	5,476	5,476	0	37,541
32	1 July 49 to 30 June 50	0	0	0	5,476	5,476	0	37,541
33	1 July 50 to 30 June 51	0	0	0	5,476	5,476	0	37,541
34	1 July 51 to 30 June 52	0	0	0	5,476	5,476	0	37,541
35	1 July 52 to 30 June 53	0	0	0	5,476	5,476	0	37,541
36	1 July 53 to 30 June 54	0	0	0	5,476	5,476	0	37,541
37	1 July 54 to 30 June 55	0	0	0	5,476	5,476	0	37,541
38	1 July 55 to 30 June 56	0	0	0	5,476	5,476	0	37,541
39	1 July 56 to 30 June 57	0	0	0	5,476	5,476	0	37,541
40	2057+	0	0	0	2,406	2,406	0	37,541
Totals		0	0	0	215,880	215,880	37,541	37,541

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



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	6 June 2018
Settlement Date	6 July 2018
Available To Generate Income	6 July 2018

Expenditure Analysed

Purchase Price	\$458,000
Stamp Duty	\$22,550
Legals	\$660
Total Expenditure Analysed	\$481,210

Historical Construction Details

Construction Start Date	10 June 2017
Construction Completion Date	7 December 2017
Historical Construction Cost (Estimated)*	\$260,131

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

Division 40 (Plant)**	\$37,541
Division 43	\$215,880
Land (Estimated)	\$216,248
Balance of Capital Expenditure***	\$11,541
Total Expenditure Analysed	\$481,210

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
Air-conditioning assets (excl. ducting, pipes & vents)														
Mini split system upto 20KW	NO	20.00%	6-Jul-18	7,385	1,453	1,186	949	759	607	486	389	311	249	373
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	6-Jul-18	615	115	188	117	73	46	29	18	11	7	4
Blinds Residential														
	NO	18.75%	6-Jul-18	3,615	678	1,101	688	430	269	168	105	66	41	26
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	6-Jul-18	1,354	254	413	258	161	101	63	39	25	15	10
Floor coverings (removable without damage)														
Carpets	NO	20.00%	6-Jul-18	4,398	865	707	565	452	362	289	232	347	217	136
Furniture														
	NO	18.75%	6-Jul-18	3,914	734	1,193	745	466	291	182	114	71	44	28
Garage doors, automatic														
Controls	NO	40.00%	6-Jul-18	197	77	45	28	17	11	7	4	3	2	1
Motors	NO	20.00%	6-Jul-18	1,477	291	237	356	222	139	87	54	34	21	13
Garbage disposal														
Garbage bins	NO	18.75%	6-Jul-18	197	37	60	38	23	15	9	6	4	2	1
Heating units														
Gas ducted central heating	NO	10.00%	6-Jul-18	5,539	545	499	449	405	364	328	295	265	239	215
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	6-Jul-18	2,216	363	309	257	214	179	335	209	131	82	51
Kitchen assets														
Cooktops	NO	16.67%	6-Jul-18	1,046	172	328	205	128	80	50	31	20	12	8
Dishwashers	NO	20.00%	6-Jul-18	1,477	291	237	356	222	139	87	54	34	21	13
Ovens	NO	16.67%	6-Jul-18	1,354	222	189	354	221	138	86	54	34	21	13
Rangehoods	NO	18.75%	6-Jul-18	554	104	169	105	66	41	26	16	10	6	4
Lights														
Shades, removable	NO	18.75%	6-Jul-18	1,465	275	446	279	174	109	68	43	27	17	10
Security systems & equipment														
Electronic	NO	30.00%	6-Jul-18	739	218	195	122	76	48	30	19	12	7	5
Pooled Plant Total					2,196	4,137	3,651	2,282	1,426	1,226	767	826	516	696
Effective Life Plant Total					4,496	3,364	2,221	1,830	1,512	1,103	915	576	488	215
Total Division 40				37,541	6,692	7,501	5,872	4,112	2,938	2,329	1,682	1,403	1,004	911

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 2017	2.50%	06-Jul-18	206,627	5,155	5,241	5,241	5,241	5,241	5,241	5,241	5,241	5,241	5,241
Structural Improvements - Completed 2017	2.50%	06-Jul-18	9,253	231	235	235	235	235	235	235	235	235	235
Total Division 43			215,880	5,386	5,476	5,476	5,476	5,476	5,476	5,476	5,476	5,476	5,476
Total Depreciation			253,421	12,078	12,977	11,348	9,588	8,414	7,805	7,158	6,879	6,480	6,387

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
Air-conditioning assets (excl. ducting, pipes & vents)														
Mini split system upto 20KW	NO	10.00%	06-Jul-18	7,385	726	739	739	739	739	739	739	739	739	739
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	06-Jul-18	615	115	188	117	73	46	29	18	11	7	4
Blinds Residential														
	NO	18.75%	06-Jul-18	3,615	678	1,101	688	430	269	168	105	66	41	26
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	06-Jul-18	1,354	254	413	258	161	101	63	39	25	15	10
Floor coverings (removable without damage)														
Carpets	NO	10.00%	06-Jul-18	4,398	433	440	440	440	440	440	440	440	440	440
Furniture														
	NO	18.75%	06-Jul-18	3,914	734	1,193	745	466	291	182	114	71	44	28
Garage doors, automatic														
Controls	NO	20.00%	06-Jul-18	197	39	39	39	39	39	2				
Motors	NO	10.00%	06-Jul-18	1,477	145	148	148	148	148	148	148	148	148	148
Garbage disposal														
Garbage bins	NO	18.75%	06-Jul-18	197	37	60	38	23	15	9	6	4	2	1
Heating units														
Gas ducted central heating	NO	5.00%	06-Jul-18	5,539	272	277	277	277	277	277	277	277	277	277
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	06-Jul-18	2,216	182	185	185	185	185	185	185	185	185	185
Kitchen assets														
Cooktops	NO	8.33%	06-Jul-18	1,046	86	87	87	87	87	87	87	87	87	87
Dishwashers	NO	10.00%	06-Jul-18	1,477	145	148	148	148	148	148	148	148	148	148
Ovens	NO	8.33%	06-Jul-18	1,354	111	113	113	113	113	113	113	113	113	113
Rangehoods	NO	18.75%	06-Jul-18	554	104	169	105	66	41	26	16	10	6	4
Lights														
Shades, removable	NO	18.75%	06-Jul-18	1,465	275	446	279	174	109	68	43	27	17	10
Security systems & equipment														
Electronic	NO	15.00%	06-Jul-18	739	109	111	111	111	111	111	75			
Pooled Plant Total					2,196	3,569	2,231	1,394	871	545	340	213	133	83
Effective Life Plant Total					2,248	2,287	2,287	2,287	2,287	2,250	2,212	2,137	2,137	2,136
Total Division 40				37,541	4,444	5,856	4,518	3,681	3,158	2,795	2,552	2,350	2,270	2,220

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 2017	2.50%	06-Jul-18	206,627	5,155	5,241	5,241	5,241	5,241	5,241	5,241	5,241	5,241	5,241
Structural Improvements - Completed 2017	2.50%	06-Jul-18	9,253	231	235	235	235	235	235	235	235	235	235
Total Division 43			215,880	5,386	5,476	5,476	5,476	5,476	5,476	5,476	5,476	5,476	5,476
Total Depreciation			253,421	9,830	11,332	9,994	9,157	8,634	8,271	8,028	7,826	7,746	7,696

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 2017	10 Jun 17 to 7 Dec 17	209,657	2.50%	5,241	206,627
Sub-total		209,657		5,241	206,627

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2017	10 Jun 17 to 7 Dec 17	9,388	2.50%	235	9,253
Sub-total		9,388		235	9,253
Totals		219,046		5,476	215,880

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

Adjusted Value	This is the value of an asset after a period of decline often referred to as the written down value or WDV.
Balancing Adjustment	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.
Decline in Value	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.
Depreciating Assets	Assets with limited effective life that are reasonably expected to decline in value.
Diminishing Value Method	This is the method of calculating the decline in value which uses the opening adjusted value as the basis for the calculation.
Effective Life	The effective life of a depreciating asset is how long it can be used by any entity for a taxable income producing purpose.
Immediate WriteOff	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.
Installed Costs	This is the total cost of installing the asset inclusive of fees and labour etc.
Low Value Pool	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.
Low Cost Asset	A depreciable asset with an installed cost of less than \$1000.
Low Value Asset	A depreciable asset that has an adjusted value of less than \$1000.
Non Eligible	This may include a proportion of the purchase price that is not claimable due to the age of the building or asset type.
Prime Cost Method	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>