



Tax Depreciation Report

15 Hermosa Street,
Mountain Creek QLD 4557

Russell Murray
3 Royal Palm Drive
BUDERIM, QLD 4556

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

Russell Murray
3 Royal Palm Drive
BUDERIM, QLD 4556

October 2019
Job No: RES4557001

Tax Depreciation Report – 15 Hermosa Street, Mountain Creek QLD 4557

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

Russell Murray and Deborah Flashman

Property Address

15 Hermosa Street, Mountain Creek QLD 4557

Real Property Description

L335 RP201858

Property Type

Residential House

Date of Construction

Pre 1987

Date Available To Generate Income

4 November 2017

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 - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40			Div 40 Yearly	Cumulative
1	12 April 17 to 30 June 17	0	0	0	427	427	0	0
2	1 July 17 to 30 June 18	0	0	0	1,977	1,977	6,902	6,902
3	1 July 18 to 30 June 19	0	0	0	1,977	1,977	5,886	12,788
4	1 July 19 to 30 June 20	0	0	0	1,977	1,977	4,370	17,158
5	1 July 20 to 30 June 21	0	0	0	1,977	1,977	3,354	20,512
6	1 July 21 to 30 June 22	0	0	0	1,977	1,977	2,651	23,163
7	1 July 22 to 30 June 23	0	0	0	1,977	1,977	1,937	25,100
8	1 July 23 to 30 June 24	0	0	0	1,977	1,977	1,455	26,554
9	1 July 24 to 30 June 25	0	0	0	1,977	1,977	1,265	27,819
10	1 July 25 to 30 June 26	0	0	0	1,977	1,977	947	28,766
11	1 July 26 to 30 June 27	0	0	0	1,977	1,977	731	29,497
12	1 July 27 to 30 June 28	0	0	0	1,977	1,977	581	30,078
13	1 July 28 to 30 June 29	0	0	0	1,977	1,977	714	30,791
14	1 July 29 to 30 June 30	0	0	0	1,977	1,977	511	31,303
15	1 July 30 to 30 June 31	0	0	0	1,977	1,977	379	31,682
16	1 July 31 to 30 June 32	0	0	0	1,977	1,977	290	31,971
17	1 July 32 to 30 June 33	0	0	0	1,977	1,977	229	32,200
18	1 July 33 to 30 June 34	0	0	0	1,855	1,855	186	32,386
19	1 July 34 to 30 June 35	0	0	0	1,620	1,620	155	32,541
20	1 July 35 to 30 June 36	0	0	0	1,620	1,620	132	32,673
21	1 July 36 to 30 June 37	0	0	0	1,620	1,620	114	32,787
22	1 July 37 to 30 June 38	0	0	0	1,620	1,620	353	33,140
23	1 July 38 to 30 June 39	0	0	0	1,620	1,620	221	33,360
24	1 July 39 to 30 June 40	0	0	0	1,620	1,620	138	33,498
25	1 July 40 to 30 June 41	0	0	0	1,620	1,620	86	33,585
26	1 July 41 to 30 June 42	0	0	0	1,620	1,620	54	33,638
27	1 July 42 to 30 June 43	0	0	0	1,345	1,345	34	33,672
28	1 July 43 to 30 June 44	0	0	0	1,194	1,194	21	33,693
29	1 July 44 to 30 June 45	0	0	0	1,194	1,194	13	33,706
30	1 July 45 to 30 June 46	0	0	0	1,194	1,194	8	33,715
31	1 July 46 to 30 June 47	0	0	0	1,186	1,186	5	33,720
32	1 July 47 to 30 June 48	0	0	0	1,069	1,069	3	33,723
33	1 July 48 to 30 June 49	0	0	0	584	584	2	33,725
34	1 July 49 to 30 June 50	0	0	0	584	584	1	33,726
35	1 July 50 to 30 June 51	0	0	0	500	500	1	33,727
36	1 July 51 to 30 June 52	0	0	0	186	186	0	33,727
37	1 July 52 to 30 June 53	0	0	0	186	186	0	33,728
38	1 July 53 to 30 June 54	0	0	0	186	186	0	33,728
39	1 July 54 to 30 June 55	0	0	0	28	28	0	33,728
40	2055+	0	0	0	0	0	0	33,728
Totals		0	0	0	56,310	56,310	33,728	33,728

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	12 April 17 to 30 June 17	0	0	0	427	427	0	0
2	1 July 17 to 30 June 18	0	0	0	1,977	1,977	3,159	3,159
3	1 July 18 to 30 June 19	0	0	0	1,977	1,977	3,159	6,318
4	1 July 19 to 30 June 20	0	0	0	1,977	1,977	3,159	9,477
5	1 July 20 to 30 June 21	0	0	0	1,977	1,977	3,159	12,636
6	1 July 21 to 30 June 22	0	0	0	1,977	1,977	3,022	15,658
7	1 July 22 to 30 June 23	0	0	0	1,977	1,977	2,490	18,148
8	1 July 23 to 30 June 24	0	0	0	1,977	1,977	2,326	20,474
9	1 July 24 to 30 June 25	0	0	0	1,977	1,977	2,316	22,790
10	1 July 25 to 30 June 26	0	0	0	1,977	1,977	2,316	25,106
11	1 July 26 to 30 June 27	0	0	0	1,977	1,977	2,091	27,197
12	1 July 27 to 30 June 28	0	0	0	1,977	1,977	1,335	28,532
13	1 July 28 to 30 June 29	0	0	0	1,977	1,977	1,240	29,773
14	1 July 29 to 30 June 30	0	0	0	1,977	1,977	946	30,719
15	1 July 30 to 30 June 31	0	0	0	1,977	1,977	805	31,524
16	1 July 31 to 30 June 32	0	0	0	1,977	1,977	714	32,238
17	1 July 32 to 30 June 33	0	0	0	1,977	1,977	454	32,692
18	1 July 33 to 30 June 34	0	0	0	1,855	1,855	454	33,146
19	1 July 34 to 30 June 35	0	0	0	1,620	1,620	454	33,600
20	1 July 35 to 30 June 36	0	0	0	1,620	1,620	454	34,054
21	1 July 36 to 30 June 37	0	0	0	1,620	1,620	355	34,409
22	1 July 37 to 30 June 38	0	0	0	1,620	1,620	3	34,412
23	1 July 38 to 30 June 39	0	0	0	1,620	1,620	0	34,412
24	1 July 39 to 30 June 40	0	0	0	1,620	1,620	0	34,412
25	1 July 40 to 30 June 41	0	0	0	1,620	1,620	0	34,412
26	1 July 41 to 30 June 42	0	0	0	1,620	1,620	0	34,412
27	1 July 42 to 30 June 43	0	0	0	1,345	1,345	0	34,412
28	1 July 43 to 30 June 44	0	0	0	1,194	1,194	0	34,412
29	1 July 44 to 30 June 45	0	0	0	1,194	1,194	0	34,412
30	1 July 45 to 30 June 46	0	0	0	1,194	1,194	0	34,412
31	1 July 46 to 30 June 47	0	0	0	1,186	1,186	0	34,412
32	1 July 47 to 30 June 48	0	0	0	1,069	1,069	0	34,412
33	1 July 48 to 30 June 49	0	0	0	584	584	0	34,412
34	1 July 49 to 30 June 50	0	0	0	584	584	0	34,412
35	1 July 50 to 30 June 51	0	0	0	500	500	0	34,412
36	1 July 51 to 30 June 52	0	0	0	186	186	0	34,412
37	1 July 52 to 30 June 53	0	0	0	186	186	0	34,412
38	1 July 53 to 30 June 54	0	0	0	186	186	0	34,412
39	1 July 54 to 30 June 55	0	0	0	28	28	0	34,412
40	2055+	0	0	0	0	0	0	34,412
Totals		0	0	0	56,310	56,310	34,412	34,412

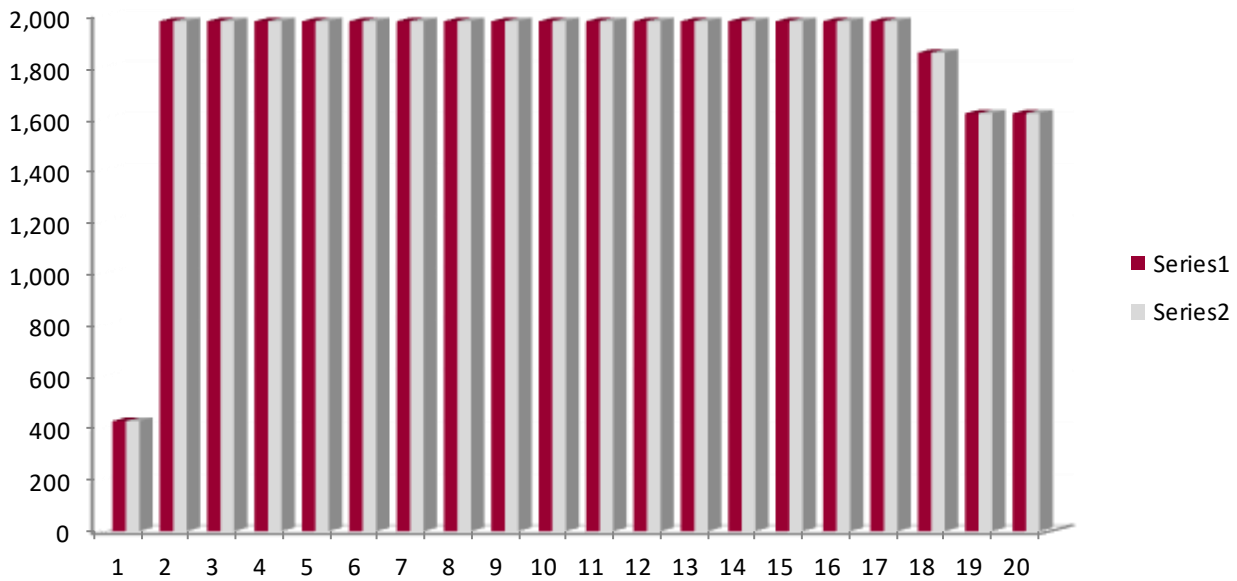
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

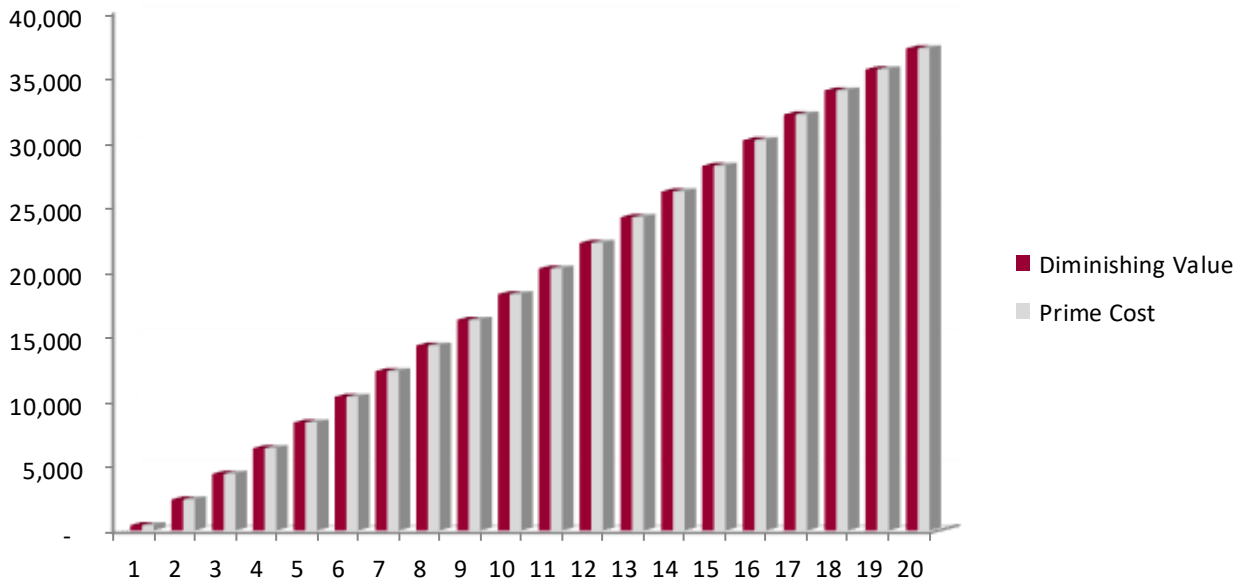
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	13 March 2017
Settlement Date	12 April 2017
Available To Generate Income	4 November 2017

Expenditure Analysed

Purchase Price	\$400,000
Stamp Duty	\$12,425
Legals	\$1,198
Total Expenditure Analysed	\$413,623

Historical Construction Details

Construction Start Date	Pre 1987
Construction Completion Date	Pre 1987
Historical Construction Cost (Estimated)*	N/A

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

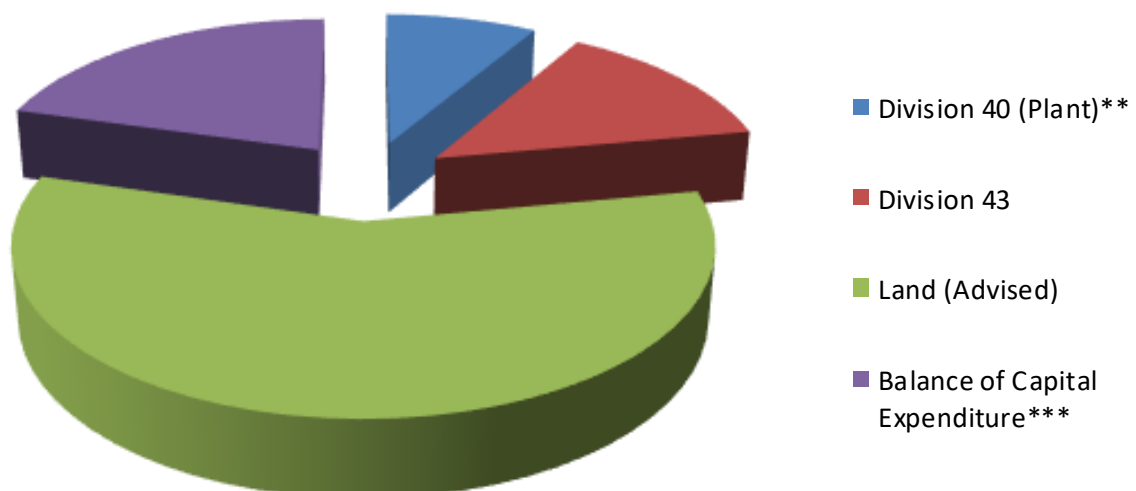
Division 40 (Plant)**	\$35,095
Division 43	\$56,310
Land (Advised)	\$237,144
Balance of Capital Expenditure***	\$85,074
Total Expenditure Analysed	\$413,623

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	
Bathroom assets															
Exhaust fans (including light/heating)	NO	20.00%	12-Apr-17	776	34	278	174	109	68	42	27	17	10	6	
Blinds Residential															
	NO	20.00%	12-Apr-17	1,896	82	363	290	232	348	218	136	85	53	33	
Ceiling Fans															
	NO	40.00%	12-Apr-17	1,830	158	669	401	226	141	88	55	34	22	13	
Curtains and drapes															
	NO	33.33%	12-Apr-17	1,118	81	346	259	162	101	63	40	25	15	10	
Fire control assets															
Detection & alarm systems, detectors	NO	10.00%	12-Apr-17	488	11	179	112	70	44	27	17	11	7	4	
Floor coverings (removable without damage)															
Carpets	NO	20.00%	12-Apr-17	4,075	176	780	624	499	399	319	256	204	307	192	
Floating timber	NO	13.33%	12-Apr-17	4,951	143	641	556	482	417	362	313	272	235	204	
Furniture															
	NO	15.00%	12-Apr-17	1,109	36	161	342	214	134	83	52	33	20	13	
Garbage disposal															
Garbage bins	NO	30.00%	12-Apr-17	177	12	62	39	24	15	9	6	4	2	1	
Garden sheds, freestanding															
	NO	20.00%	12-Apr-17	1,109	48	212	318	199	124	78	49	30	19	12	
Hot water systems (excluding piping)															
Gas or electric	NO	16.67%	12-Apr-17	1,996	72	321	267	223	186	348	217	136	85	53	
Kitchen assets															
Cooktops	NO	16.67%	12-Apr-17	943	34	341	213	133	83	52	32	20	13	8	
Dishwashers	NO	20.00%	12-Apr-17	1,331	58	255	204	306	191	119	75	47	29	18	
Microwave ovens	NO	20.00%	12-Apr-17	610	26	219	137	85	53	33	21	13	8	5	
Ovens	NO	16.67%	12-Apr-17	1,220	44	196	367	230	144	90	56	35	22	14	
Rangehoods	NO	16.67%	12-Apr-17	499	18	180	113	70	44	28	17	11	7	4	
Lights															
Shades, removable	NO	40.00%	12-Apr-17	1,320	114	482	271	170	106	66	41	26	16	10	
Pumps															
	NO	10.00%	12-Apr-17	832	18	305	191	119	74	47	29	18	11	7	
Solar power generating system assets															
	NO	10.00%	12-Apr-17	7,762	168	759	683	615	554	498	448	404	363	327	
Swimming pools															
Filtration equipment	NO	15.00%	12-Apr-17	1,053	34	153	325	203	127	79	50	31	19	12	
Pooled Plant Total							1,565	2,861	2,319	1,798	1,472	920	575	666	416
Effective Life Plant Total						1,367	5,337	3,025	2,051	1,556	1,179	1,017	880	599	531
Total Division 40				35,095	1,367	6,902	5,886	4,370	3,354	2,651	1,937	1,455	1,265	947	

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 1994	2.50%	12-Apr-17	4,239	54	251	251	251	251	251	251	251	251	251
Building Works - Completed 2002	2.50%	12-Apr-17	6,644	56	260	260	260	260	260	260	260	260	260
Building Works - Completed 2007	2.50%	12-Apr-17	2,409	17	80	80	80	80	80	80	80	80	80
Building Works - Completed 2008	2.50%	12-Apr-17	16,500	115	530	530	530	530	530	530	530	530	530
Building Works - Completed 2011	2.50%	12-Apr-17	13,534	86	398	398	398	398	398	398	398	398	398
Building Works - Completed 2014	2.50%	12-Apr-17	6,950	40	186	186	186	186	186	186	186	186	186
Structural Improvements - Completed 1994	2.50%	12-Apr-17	1,785	23	106	106	106	106	106	106	106	106	106
Structural Improvements - Completed 2002	2.50%	12-Apr-17	4,249	36	166	166	166	166	166	166	166	166	166
Total Division 43			56,310	427	1,977	1,977	1,977	1,977	1,977	1,977	1,977	1,977	1,977
Total Depreciation			91,405	1,794	8,879	7,863	6,347	5,331	4,628	3,914	3,432	3,242	2,924

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	
Bathroom assets															
Exhaust fans (including light/heating)	NO	10.00%	12-Apr-17	776	17	78	78	78	78	78	78	78	78	78	
Blinds Residential															
	NO	10.00%	12-Apr-17	1,896	41	190	190	190	190	190	190	190	190	190	
Ceiling Fans															
	NO	20.00%	12-Apr-17	1,830	79	366	366	366	366	287					
Curtains and drapes															
	NO	16.67%	12-Apr-17	1,118	40	186	186	186	186	186	147				
Fire control assets															
Detection & alarm systems, detectors	NO	5.00%	12-Apr-17	488	5	24	24	24	24	24	24	24	24	24	
Floor coverings (removable without damage)															
Carpets	NO	10.00%	12-Apr-17	4,075	88	408	408	408	408	408	408	408	408	408	
Floating timber	NO	6.67%	12-Apr-17	4,951	71	330	330	330	330	330	330	330	330	330	
Furniture															
	NO	7.50%	12-Apr-17	1,109	18	83	83	83	83	83	83	83	83	83	
Garbage disposal															
Garbage bins	NO	15.00%	12-Apr-17	177	6	27	27	27	27	27	27	10			
Garden sheds, freestanding															
	NO	10.00%	12-Apr-17	1,109	24	111	111	111	111	111	111	111	111	111	
Hot water systems (excluding piping)															
Gas or electric	NO	8.33%	12-Apr-17	1,996	36	166	166	166	166	166	166	166	166	166	
Kitchen assets															
Cooktops	NO	8.33%	12-Apr-17	943	17	79	79	79	79	79	79	79	79	79	
Dishwashers	NO	10.00%	12-Apr-17	1,331	29	133	133	133	133	133	133	133	133	133	
Microwave ovens	NO	10.00%	12-Apr-17	610	13	61	61	61	61	61	61	61	61	61	
Ovens	NO	8.33%	12-Apr-17	1,220	22	102	102	102	102	102	102	102	102	102	
Rangehoods	NO	8.33%	12-Apr-17	499	9	42	42	42	42	42	42	42	42	42	
Lights															
Shades, removable	NO	20.00%	12-Apr-17	1,320	57	264	264	264	264	206					
Pumps															
	NO	5.00%	12-Apr-17	832	9	42	42	42	42	42	42	42	42	42	
Solar power generating system assets															
	NO	5.00%	12-Apr-17	7,762	84	388	388	388	388	388	388	388	388	388	
Swimming pools															
Filtration equipment	NO	7.50%	12-Apr-17	1,053	17	79	79	79	79	79	79	79	79	79	
Pooled Plant Total															
Effective Life Plant Total						683	3,159	3,159	3,159	3,159	3,022	2,490	2,326	2,316	2,316
Total Division 40					35,095	683	3,159	3,159	3,159	3,159	3,022	2,490	2,326	2,316	2,316

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 1994	2.50%	12-Apr-17	4,239	54	251	251	251	251	251	251	251	251	251
Building Works - Completed 2002	2.50%	12-Apr-17	6,644	56	260	260	260	260	260	260	260	260	260
Building Works - Completed 2007	2.50%	12-Apr-17	2,409	17	80	80	80	80	80	80	80	80	80
Building Works - Completed 2008	2.50%	12-Apr-17	16,500	115	530	530	530	530	530	530	530	530	530
Building Works - Completed 2011	2.50%	12-Apr-17	13,534	86	398	398	398	398	398	398	398	398	398
Building Works - Completed 2014	2.50%	12-Apr-17	6,950	40	186	186	186	186	186	186	186	186	186
Structural Improvements - Completed 1994	2.50%	12-Apr-17	1,785	23	106	106	106	106	106	106	106	106	106
Structural Improvements - Completed 2002	2.50%	12-Apr-17	4,249	36	166	166	166	166	166	166	166	166	166
Total Division 43			56,310	427	1,977	1,977	1,977	1,977	1,977	1,977	1,977	1,977	1,977
Total Depreciation			91,405	1,110	5,136	5,136	5,136	5,136	4,999	4,467	4,303	4,293	4,293

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 1994	5 Feb 94 to 5 Mar 94	10,045	2.50%	251	4,239
Building Works - Completed 2002	14 Oct 02 to 11 Nov 02	10,392	2.50%	260	6,644
Building Works - Completed 2007	4 Jul 07 to 1 Aug 07	3,180	2.50%	80	2,409
Building Works - Completed 2008	4 May 08 to 1 Jun 08	21,200	2.50%	530	16,500
Building Works - Completed 2011	3 Apr 11 to 1 May 11	15,900	2.50%	398	13,534
Building Works - Completed 2014	3 Sep 14 to 1 Oct 14	7,420	2.50%	186	6,950

Sub-total 68,137 1,705 50,276

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1994	5 Feb 94 to 5 Mar 94	4,229	2.50%	106	1,785
Structural Improvements - Completed 2002	14 Oct 02 to 11 Nov 02	6,646	2.50%	166	4,249

Sub-total 10,876 272 6,034

Totals 79,013 1,977 56,310

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>