



Tax Depreciation Report

16 Stanhope Street,
Broadmeadows VIC 3047

Ed Lima and Floradel Pearce Lima
712, 23rd Avenue East
SEATTLE, WA (USA) 98112

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

Ed Lima and Floradel Pearce Lima
712, 23rd Avenue East
SEATTLE, WA (USA) 98112

October 2019
Job No: RES3047003

Tax Depreciation Report – 16 Stanhope Street, Broadmeadows VIC 3047

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



TABLE OF CONTENTS

1. Property Information	2
2. Report Details	3
3. Capital Allowances	4
4. Capital Works	6
5. Summary of Entitlements – Diminishing Value Method	7
6. Summary of Entitlements – Prime Cost Method	8
7. Comparison Graphs	9
8. Capital Expenditure Analysed	10
9. Reconciliation of Capital Expenditure	10
10. Diminishing Value Depreciation Schedule	11
11. Prime Cost Depreciation Schedule	13
12. Division 43 Capital Works Schedule	15
13. Definition of Terms	16
14. Contact Details	17
15. Disclaimer	18
Appendix A: ATO’s New Legislations on Post 9 May Purchased and Capital Loss	19

1. Property Information

Date of Report

25 October 2019

Purchaser

Ed Lima and Floradel Pearce Lima

Property Address

16 Stanhope Street, Broadmeadows VIC 3047

Real Property Description

LOT 545 LP59115

Property Type

Residential House

Date of Construction

Pre 1985

Date Available To Generate Income

28 February 2019

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								
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"> • 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) 	<ul style="list-style-type: none"> • Write off assets when they are demolished or disposed. 								
Calculation Example	Calculation Example								
<p>Under Diminishing Value method, the effective life is dividing by 200.</p> <p>200 / 10 Years = 20% (Adjusted Value)</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>100 / 10 Years = 10% (Straight Line)</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 - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40			Div 40 Yearly	Cumulative
1	31 January 18 to 30 June 18	0	0	0	1,266	1,266	0	0
2	1 July 18 to 30 June 19	0	0	0	3,080	3,080	14,106	14,106
3	1 July 19 to 30 June 20	0	0	0	3,080	3,080	10,788	24,894
4	1 July 20 to 30 June 21	0	0	0	3,080	3,080	8,593	33,486
5	1 July 21 to 30 June 22	0	0	0	3,080	3,080	7,176	40,662
6	1 July 22 to 30 June 23	0	0	0	3,080	3,080	5,862	46,524
7	1 July 23 to 30 June 24	0	0	0	3,080	3,080	4,454	50,978
8	1 July 24 to 30 June 25	0	0	0	3,080	3,080	3,781	54,759
9	1 July 25 to 30 June 26	0	0	0	3,080	3,080	2,857	57,616
10	1 July 26 to 30 June 27	0	0	0	3,080	3,080	2,202	59,818
11	1 July 27 to 30 June 28	0	0	0	3,080	3,080	1,878	61,696
12	1 July 28 to 30 June 29	0	0	0	3,080	3,080	1,439	63,135
13	1 July 29 to 30 June 30	0	0	0	3,080	3,080	1,294	64,429
14	1 July 30 to 30 June 31	0	0	0	3,080	3,080	1,191	65,620
15	1 July 31 to 30 June 32	0	0	0	3,080	3,080	847	66,467
16	1 July 32 to 30 June 33	0	0	0	3,080	3,080	619	67,086
17	1 July 33 to 30 June 34	0	0	0	2,932	2,932	464	67,551
18	1 July 34 to 30 June 35	0	0	0	2,904	2,904	357	67,908
19	1 July 35 to 30 June 36	0	0	0	2,904	2,904	281	68,189
20	1 July 36 to 30 June 37	0	0	0	2,904	2,904	226	68,416
21	1 July 37 to 30 June 38	0	0	0	2,904	2,904	185	68,601
22	1 July 38 to 30 June 39	0	0	0	2,904	2,904	154	68,754
23	1 July 39 to 30 June 40	0	0	0	2,904	2,904	342	69,097
24	1 July 40 to 30 June 41	0	0	0	2,904	2,904	214	69,310
25	1 July 41 to 30 June 42	0	0	0	2,771	2,771	134	69,444
26	1 July 42 to 30 June 43	0	0	0	2,500	2,500	84	69,528
27	1 July 43 to 30 June 44	0	0	0	2,500	2,500	52	69,580
28	1 July 44 to 30 June 45	0	0	0	2,500	2,500	33	69,612
29	1 July 45 to 30 June 46	0	0	0	2,500	2,500	20	69,633
30	1 July 46 to 30 June 47	0	0	0	2,500	2,500	13	69,646
31	1 July 47 to 30 June 48	0	0	0	2,500	2,500	8	69,653
32	1 July 48 to 30 June 49	0	0	0	2,500	2,500	5	69,658
33	1 July 49 to 30 June 50	0	0	0	2,500	2,500	3	69,662
34	1 July 50 to 30 June 51	0	0	0	2,500	2,500	2	69,664
35	1 July 51 to 30 June 52	0	0	0	2,500	2,500	1	69,665
36	1 July 52 to 30 June 53	0	0	0	198	198	1	69,666
37	1 July 53 to 30 June 54	0	0	0	0	0	0	69,666
38	1 July 54 to 30 June 55	0	0	0	0	0	0	69,666
39	1 July 55 to 30 June 56	0	0	0	0	0	0	69,666
40	2056+	0	0	0	0	0	0	69,667
Totals		0	0	0	98,695	98,695	69,667	69,667

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	31 January 18 to 30 June 18	0	0	0	1,266	1,266	0	0
2	1 July 18 to 30 June 19	0	0	0	3,080	3,080	7,637	7,637
3	1 July 19 to 30 June 20	0	0	0	3,080	3,080	7,637	15,274
4	1 July 20 to 30 June 21	0	0	0	3,080	3,080	7,637	22,911
5	1 July 21 to 30 June 22	0	0	0	3,080	3,080	7,637	30,548
6	1 July 22 to 30 June 23	0	0	0	3,080	3,080	6,895	37,443
7	1 July 23 to 30 June 24	0	0	0	3,080	3,080	5,832	43,275
8	1 July 24 to 30 June 25	0	0	0	3,080	3,080	5,587	48,862
9	1 July 25 to 30 June 26	0	0	0	3,080	3,080	5,500	54,362
10	1 July 26 to 30 June 27	0	0	0	3,080	3,080	5,500	59,862
11	1 July 27 to 30 June 28	0	0	0	3,080	3,080	4,288	64,150
12	1 July 28 to 30 June 29	0	0	0	3,080	3,080	2,512	66,662
13	1 July 29 to 30 June 30	0	0	0	3,080	3,080	2,242	68,904
14	1 July 30 to 30 June 31	0	0	0	3,080	3,080	1,790	70,694
15	1 July 31 to 30 June 32	0	0	0	3,080	3,080	1,275	71,969
16	1 July 32 to 30 June 33	0	0	0	3,080	3,080	756	72,725
17	1 July 33 to 30 June 34	0	0	0	2,932	2,932	18	72,743
18	1 July 34 to 30 June 35	0	0	0	2,904	2,904	18	72,761
19	1 July 35 to 30 June 36	0	0	0	2,904	2,904	18	72,779
20	1 July 36 to 30 June 37	0	0	0	2,904	2,904	18	72,797
21	1 July 37 to 30 June 38	0	0	0	2,904	2,904	9	72,806
22	1 July 38 to 30 June 39	0	0	0	2,904	2,904	0	72,806
23	1 July 39 to 30 June 40	0	0	0	2,904	2,904	0	72,806
24	1 July 40 to 30 June 41	0	0	0	2,904	2,904	0	72,806
25	1 July 41 to 30 June 42	0	0	0	2,771	2,771	0	72,806
26	1 July 42 to 30 June 43	0	0	0	2,500	2,500	0	72,806
27	1 July 43 to 30 June 44	0	0	0	2,500	2,500	0	72,806
28	1 July 44 to 30 June 45	0	0	0	2,500	2,500	0	72,806
29	1 July 45 to 30 June 46	0	0	0	2,500	2,500	0	72,806
30	1 July 46 to 30 June 47	0	0	0	2,500	2,500	0	72,806
31	1 July 47 to 30 June 48	0	0	0	2,500	2,500	0	72,806
32	1 July 48 to 30 June 49	0	0	0	2,500	2,500	0	72,806
33	1 July 49 to 30 June 50	0	0	0	2,500	2,500	0	72,806
34	1 July 50 to 30 June 51	0	0	0	2,500	2,500	0	72,806
35	1 July 51 to 30 June 52	0	0	0	2,500	2,500	0	72,806
36	1 July 52 to 30 June 53	0	0	0	198	198	0	72,806
37	1 July 53 to 30 June 54	0	0	0	0	0	0	72,806
38	1 July 54 to 30 June 55	0	0	0	0	0	0	72,806
39	1 July 55 to 30 June 56	0	0	0	0	0	0	72,806
40	2056+	0	0	0	0	0	0	72,806
Totals		0	0	0	98,695	98,695	72,806	72,806

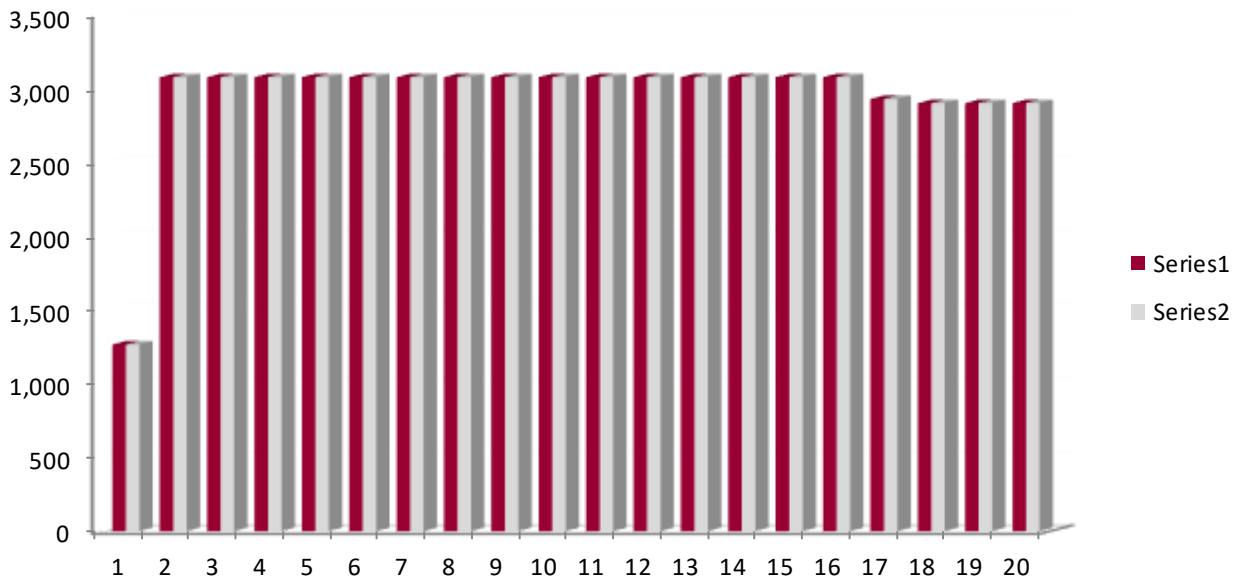
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

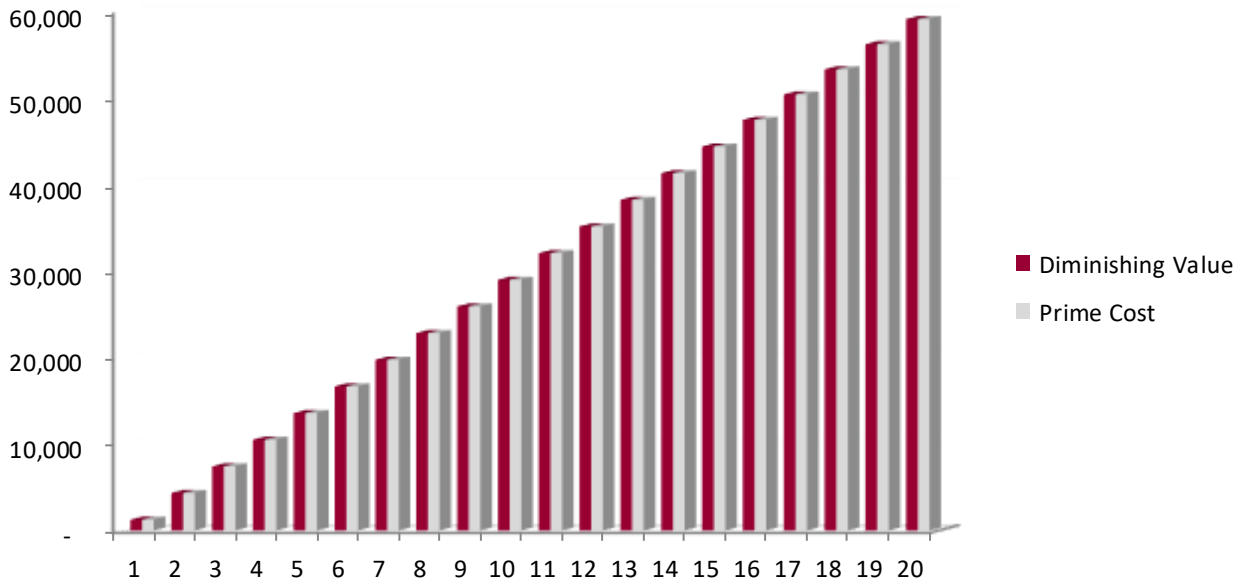
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	25 November 2017
Settlement Date	31 January 2018
Available To Generate Income	28 February 2019

Expenditure Analysed

Purchase Price	\$777,500
Stamp Duty	\$41,720
Total Expenditure Analysed	\$819,220

Historical Construction Details

Construction Start Date	Pre 1985
Construction Completion Date	Pre 1985
Historical Construction Cost (Estimated)*	N/A

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

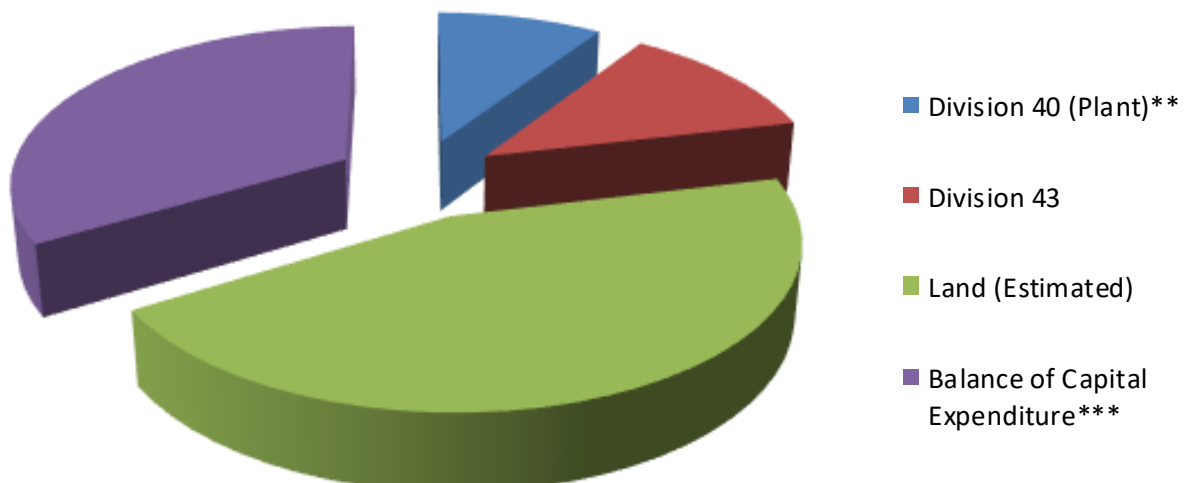
Division 40 (Plant)**	\$75,946
Division 43	\$98,695
Land (Estimated)	\$368,649
Balance of Capital Expenditure***	\$275,930
Total Expenditure Analysed	\$819,220

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%	31-Jan-18	12,218	1,004	2,243	1,794	1,435	1,148	919	735	588	470	376
Bathroom assets														
Exhaust fans (including light/heating)	NO	20.00%	31-Jan-18	1,385	114	254	203	305	191	119	74	47	29	18
Blinds Residential														
	NO	20.00%	31-Jan-18	7,008	576	1,286	1,029	823	659	527	422	337	270	216
Ceiling Fans														
	NO	40.00%	31-Jan-18	815	134	255	160	100	62	39	24	15	10	6
Cleaning equipment														
Vacuum cleaner, ducted system, hoses, motors & wands	NO	20.00%	31-Jan-18	1,955	161	359	287	230	344	215	135	84	53	33
Electrical Machinery & Equipment :														
Motors	NO	20.00%	31-Jan-18	3,421	281	628	502	402	322	257	206	309	193	121
Fire control assets														
Detection & alarm systems, detectors	NO	10.00%	31-Jan-18	358	15	129	81	50	31	20	12	8	5	3
Floor coverings (removable without damage)														
Floating timber	NO	13.33%	31-Jan-18	18,853	1,033	2,376	2,059	1,785	1,547	1,340	1,162	1,007	873	756
Furniture														
	NO	15.00%	31-Jan-18	7,453	460	1,049	892	758	644	548	465	396	336	286
Garage doors, automatic														
Controls	NO	40.00%	31-Jan-18	277	46	87	54	34	21	13	8	5	3	2
Motors	NO	20.00%	31-Jan-18	1,955	161	359	287	230	344	215	135	84	53	33
Garbage disposal														
Garbage bins	NO	30.00%	31-Jan-18	261	32	86	54	33	21	13	8	5	3	2
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	31-Jan-18	2,932	201	455	379	316	263	220	183	343	214	134
Kitchen assets														
Cooktops	NO	16.67%	31-Jan-18	2,036	139	316	263	220	183	343	214	134	84	52
Dishwashers	NO	20.00%	31-Jan-18	1,955	161	359	287	230	344	215	135	84	53	33
Ovens	NO	16.67%	31-Jan-18	2,118	145	329	274	228	190	357	223	139	87	54
Rangehoods	NO	16.67%	31-Jan-18	1,059	73	370	231	144	90	56	35	22	14	9
Lights														
Shades, removable	NO	40.00%	31-Jan-18	7,933	1,304	2,652	1,591	955	573	322	201	126	79	49
Security systems & equipment														
Electronic	NO	30.00%	31-Jan-18	1,955	241	514	360	315	197	123	77	48	30	19
Pooled Plant Total						926	579	982	1,647	2,051	1,282	1,453	908	568
Effective Life Plant Total					6,279	13,179	10,209	7,611	5,529	3,810	3,172	2,328	1,949	1,634
Total Division 40				75,946	6,279	14,106	10,788	8,593	7,176	5,862	4,454	3,781	2,857	2,202

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 1993	2.50%	31-Jan-18	1,564	41	100	100	100	100	100	100	100	100	100
Building Works - Completed 2002	2.50%	31-Jan-18	6,279	107	261	261	261	261	261	261	261	261	261
Building Works - Completed 2012	2.50%	31-Jan-18	77,603	925	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250
Structural Improvements - Completed 1993	2.50%	31-Jan-18	1,176	31	76	76	76	76	76	76	76	76	76
Structural Improvements - Completed 2002	2.50%	31-Jan-18	3,450	59	143	143	143	143	143	143	143	143	143
Structural Improvements - Completed 2012	2.50%	31-Jan-18	8,623	103	250	250	250	250	250	250	250	250	250
Total Division 43			98,695	1,266	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080
Total Depreciation			174,641	7,545	17,186	13,868	11,673	10,256	8,942	7,534	6,861	5,937	5,282

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%	31-Jan-18	12,218	502	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222
Bathroom assets														
Exhaust fans (including light/heating)	NO	10.00%	31-Jan-18	1,385	57	138	138	138	138	138	138	138	138	138
Blinds Residential														
	NO	10.00%	31-Jan-18	7,008	288	701	701	701	701	701	701	701	701	701
Ceiling Fans														
	NO	20.00%	31-Jan-18	815	67	163	163	163	163	96				
Cleaning equipment														
Vacuum cleaner, ducted system, hoses, motors & wands	NO	10.00%	31-Jan-18	1,955	80	195	195	195	195	195	195	195	195	195
Electrical Machinery & Equipment :														
Motors	NO	10.00%	31-Jan-18	3,421	141	342	342	342	342	342	342	342	342	342
Fire control assets														
Detection & alarm systems, detectors	NO	5.00%	31-Jan-18	358	7	18	18	18	18	18	18	18	18	18
Floor coverings (removable without damage)														
Floating timber	NO	6.67%	31-Jan-18	18,853	517	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257
Furniture														
	NO	7.50%	31-Jan-18	7,453	230	559	559	559	559	559	559	559	559	559
Garage doors, automatic														
Controls	NO	20.00%	31-Jan-18	277	23	55	55	55	55	34				
Motors	NO	10.00%	31-Jan-18	1,955	80	195	195	195	195	195	195	195	195	195
Garbage disposal														
Garbage bins	NO	15.00%	31-Jan-18	261	16	39	39	39	39	39	39	11		
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	31-Jan-18	2,932	100	244	244	244	244	244	244	244	244	244
Kitchen assets														
Cooktops	NO	8.33%	31-Jan-18	2,036	70	170	170	170	170	170	170	170	170	170
Dishwashers	NO	10.00%	31-Jan-18	1,955	80	195	195	195	195	195	195	195	195	195
Ovens	NO	8.33%	31-Jan-18	2,118	73	176	176	176	176	176	176	176	176	176
Rangehoods	NO	8.33%	31-Jan-18	1,059	36	88	88	88	88	88	88	88	88	88
Lights														
Shades, removable	NO	20.00%	31-Jan-18	7,933	652	1,587	1,587	1,587	1,587	933				
Security systems & equipment														
Electronic	NO	15.00%	31-Jan-18	1,955	121	293	293	293	293	293	293	76		
Pooled Plant Total														
Effective Life Plant Total						3,140	7,637	7,637	7,637	7,637	6,895	5,832	5,587	5,500
Total Division 40				75,946	3,140	7,637	7,637	7,637	7,637	7,637	6,895	5,832	5,587	5,500

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 1993	2.50%	31-Jan-18	1,564	41	100	100	100	100	100	100	100	100	100
Building Works - Completed 2002	2.50%	31-Jan-18	6,279	107	261	261	261	261	261	261	261	261	261
Building Works - Completed 2012	2.50%	31-Jan-18	77,603	925	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250
Structural Improvements - Completed 1993	2.50%	31-Jan-18	1,176	31	76	76	76	76	76	76	76	76	76
Structural Improvements - Completed 2002	2.50%	31-Jan-18	3,450	59	143	143	143	143	143	143	143	143	143
Structural Improvements - Completed 2012	2.50%	31-Jan-18	8,623	103	250	250	250	250	250	250	250	250	250
Total Division 43			98,695	1,266	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080
Total Depreciation			174,641	4,406	10,717	10,717	10,717	10,717	9,975	8,912	8,667	8,580	8,580

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 1993	2 Aug 93 to 1 Sep 93	4,018	2.50%	100	1,564
Building Works - Completed 2002	21 Jan 02 to 20 Feb 02	10,447	2.50%	261	6,279
Building Works - Completed 2012	31 May 12 to 30 Jul 12	90,000	2.50%	2,250	77,603
Sub-total		104,465		2,611	85,446

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1993	2 Aug 93 to 1 Sep 93	3,021	2.50%	76	1,176
Structural Improvements - Completed 2002	21 Jan 02 to 20 Feb 02	5,740	2.50%	143	3,450
Structural Improvements - Completed 2012	31 May 12 to 30 Jul 12	10,000	2.50%	250	8,623
Sub-total		18,761		469	13,249
Totals		123,225		3,080	98,695

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>