



Tax Depreciation Report

Unit 5, 7-9 Railway Avenue,
Stanmore, NSW 2048

Ed Lima and Floradel Pearce Lima
712/23 Avenue East
SEATTLE, WA 98112 USA

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

Ed Lima and Floradel Pearce Lima
712/23 Avenue East
SEATTLE, WA 98112 USA

October 2019
Job No: RES2048002

Tax Depreciation Report – Unit 5, 7-9 Railway Avenue, Stanmore, NSW 2048

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

30 October 2019

Purchaser

Ed Lima and Floradel Pearce Lima

Property Address

Unit 5, 7-9 Railway Avenue, Stanmore, NSW 2048

Real Property Description

LOT 5 SP71769

Property Type

Residential Unit

Date of Construction

10 February 2003

Date Available To Generate Income

1 January 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				
Under Diminishing Value method, the effective life is dividing by 200.					Under Prime Cost method, the effective life is dividing by 100.				
200 / 10 Years = 20% (Adjusted Value)					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.					If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.				
Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5
\$2,000	\$1,600	\$1,280	\$1,024	\$819.20	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

4. Capital Works

4.1 Entitlement

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

4.2 Method of Depreciation

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

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

4.3 Method of Depreciation

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

5. Summary of Entitlements – Diminishing Value Method

Year	Financial Year	Division 40 - Capital Allowance (Eligible)			Division 43 Capital Works	Eligible Total	Capital Loss - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40			Div 40 Yearly	Cumulative
1	31 October 14 to 30 June 15	0	0	0	1,934	1,934	0	0
2	1 July 15 to 30 June 16	0	0	0	2,916	2,916	0	0
3	1 July 16 to 30 June 17	0	0	0	2,916	2,916	0	0
4	1 July 17 to 30 June 18	0	0	0	2,916	2,916	0	0
5	1 July 18 to 30 June 19	0	0	0	2,916	2,916	5,402	5,402
6	1 July 19 to 30 June 20	0	0	0	3,018	3,018	4,441	9,843
7	1 July 20 to 30 June 21	0	0	0	3,075	3,075	4,045	13,888
8	1 July 21 to 30 June 22	0	0	0	3,075	3,075	3,125	17,013
9	1 July 22 to 30 June 23	0	0	0	3,075	3,075	2,251	19,264
10	1 July 23 to 30 June 24	0	0	0	3,075	3,075	1,910	21,175
11	1 July 24 to 30 June 25	0	0	0	3,075	3,075	1,558	22,732
12	1 July 25 to 30 June 26	0	0	0	3,075	3,075	1,104	23,836
13	1 July 26 to 30 June 27	0	0	0	3,075	3,075	803	24,640
14	1 July 27 to 30 June 28	0	0	0	3,075	3,075	600	25,240
15	1 July 28 to 30 June 29	0	0	0	3,075	3,075	460	25,700
16	1 July 29 to 30 June 30	0	0	0	3,075	3,075	361	26,061
17	1 July 30 to 30 June 31	0	0	0	3,075	3,075	290	26,351
18	1 July 31 to 30 June 32	0	0	0	3,075	3,075	236	26,588
19	1 July 32 to 30 June 33	0	0	0	3,075	3,075	196	26,783
20	1 July 33 to 30 June 34	0	0	0	3,075	3,075	164	26,947
21	1 July 34 to 30 June 35	0	0	0	3,075	3,075	373	27,320
22	1 July 35 to 30 June 36	0	0	0	3,075	3,075	233	27,553
23	1 July 36 to 30 June 37	0	0	0	3,075	3,075	146	27,699
24	1 July 37 to 30 June 38	0	0	0	3,075	3,075	91	27,790
25	1 July 38 to 30 June 39	0	0	0	3,075	3,075	57	27,847
26	1 July 39 to 30 June 40	0	0	0	3,075	3,075	36	27,882
27	1 July 40 to 30 June 41	0	0	0	3,075	3,075	22	27,904
28	1 July 41 to 30 June 42	0	0	0	3,075	3,075	14	27,918
29	1 July 42 to 30 June 43	0	0	0	1,940	1,940	9	27,927
30	1 July 43 to 30 June 44	0	0	0	159	159	5	27,932
31	1 July 44 to 30 June 45	0	0	0	159	159	3	27,936
32	1 July 45 to 30 June 46	0	0	0	159	159	2	27,938
33	1 July 46 to 30 June 47	0	0	0	159	159	1	27,939
34	1 July 47 to 30 June 48	0	0	0	159	159	1	27,940
35	1 July 48 to 30 June 49	0	0	0	159	159	1	27,940
36	1 July 49 to 30 June 50	0	0	0	159	159	0	27,941
37	1 July 50 to 30 June 51	0	0	0	159	159	0	27,941
38	1 July 51 to 30 June 52	0	0	0	159	159	0	27,941
39	1 July 52 to 30 June 53	0	0	0	159	159	0	27,941
40	2053+	0	0	0	1,019	1,019	0	27,941
Totals		0	0	0	88,815	88,815	27,941	27,941

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 October 14 to 30 June 15	0	0	0	1,934	1,934	0	0
2	1 July 15 to 30 June 16	0	0	0	2,916	2,916	0	0
3	1 July 16 to 30 June 17	0	0	0	2,916	2,916	0	0
4	1 July 17 to 30 June 18	0	0	0	2,916	2,916	0	0
5	1 July 18 to 30 June 19	0	0	0	2,916	2,916	4,961	4,961
6	1 July 19 to 30 June 20	0	0	0	3,018	3,018	4,275	9,236
7	1 July 20 to 30 June 21	0	0	0	3,075	3,075	3,925	13,161
8	1 July 21 to 30 June 22	0	0	0	3,075	3,075	3,866	17,027
9	1 July 22 to 30 June 23	0	0	0	3,075	3,075	3,866	20,893
10	1 July 23 to 30 June 24	0	0	0	3,075	3,075	3,866	24,759
11	1 July 24 to 30 June 25	0	0	0	3,075	3,075	2,812	27,571
12	1 July 25 to 30 June 26	0	0	0	3,075	3,075	2,281	29,852
13	1 July 26 to 30 June 27	0	0	0	3,075	3,075	1,845	31,697
14	1 July 27 to 30 June 28	0	0	0	3,075	3,075	1,568	33,265
15	1 July 28 to 30 June 29	0	0	0	3,075	3,075	1,425	34,690
16	1 July 29 to 30 June 30	0	0	0	3,075	3,075	712	35,402
17	1 July 30 to 30 June 31	0	0	0	3,075	3,075	350	35,752
18	1 July 31 to 30 June 32	0	0	0	3,075	3,075	350	36,102
19	1 July 32 to 30 June 33	0	0	0	3,075	3,075	350	36,452
20	1 July 33 to 30 June 34	0	0	0	3,075	3,075	350	36,802
21	1 July 34 to 30 June 35	0	0	0	3,075	3,075	113	36,915
22	1 July 35 to 30 June 36	0	0	0	3,075	3,075	25	36,940
23	1 July 36 to 30 June 37	0	0	0	3,075	3,075	25	36,965
24	1 July 37 to 30 June 38	0	0	0	3,075	3,075	25	36,990
25	1 July 38 to 30 June 39	0	0	0	3,075	3,075	25	37,015
26	1 July 39 to 30 June 40	0	0	0	3,075	3,075	2	37,017
27	1 July 40 to 30 June 41	0	0	0	3,075	3,075	0	37,017
28	1 July 41 to 30 June 42	0	0	0	3,075	3,075	0	37,017
29	1 July 42 to 30 June 43	0	0	0	1,940	1,940	0	37,017
30	1 July 43 to 30 June 44	0	0	0	159	159	0	37,017
31	1 July 44 to 30 June 45	0	0	0	159	159	0	37,017
32	1 July 45 to 30 June 46	0	0	0	159	159	0	37,017
33	1 July 46 to 30 June 47	0	0	0	159	159	0	37,017
34	1 July 47 to 30 June 48	0	0	0	159	159	0	37,017
35	1 July 48 to 30 June 49	0	0	0	159	159	0	37,017
36	1 July 49 to 30 June 50	0	0	0	159	159	0	37,017
37	1 July 50 to 30 June 51	0	0	0	159	159	0	37,017
38	1 July 51 to 30 June 52	0	0	0	159	159	0	37,017
39	1 July 52 to 30 June 53	0	0	0	159	159	0	37,017
40	2053+	0	0	0	1,019	1,019	0	37,017
Totals		0	0	0	88,815	88,815	37,017	37,017

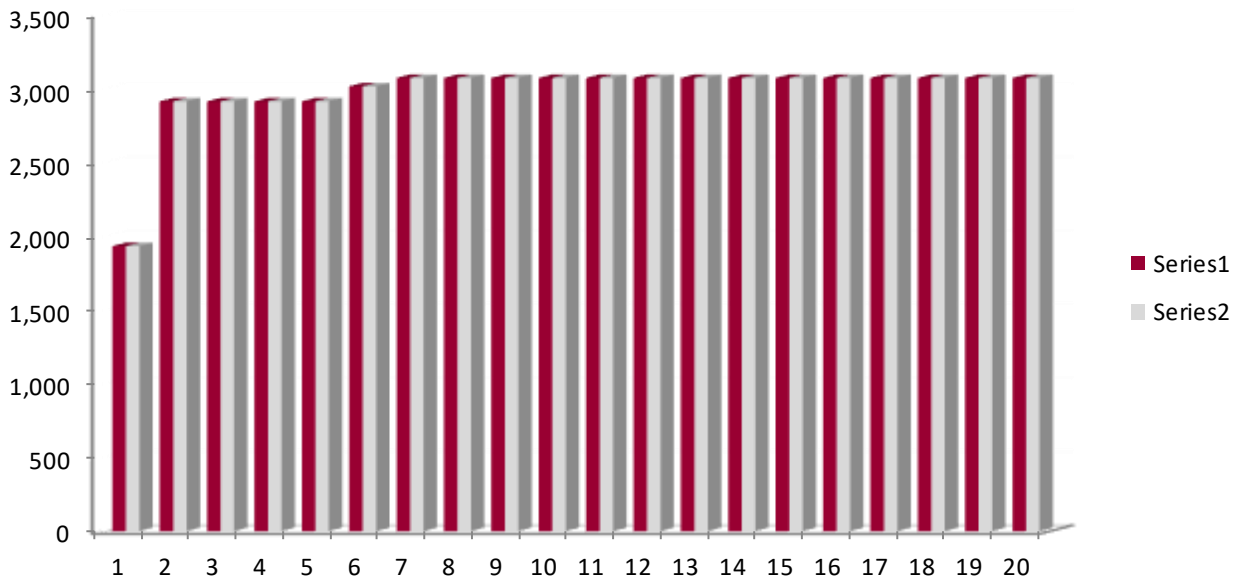
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

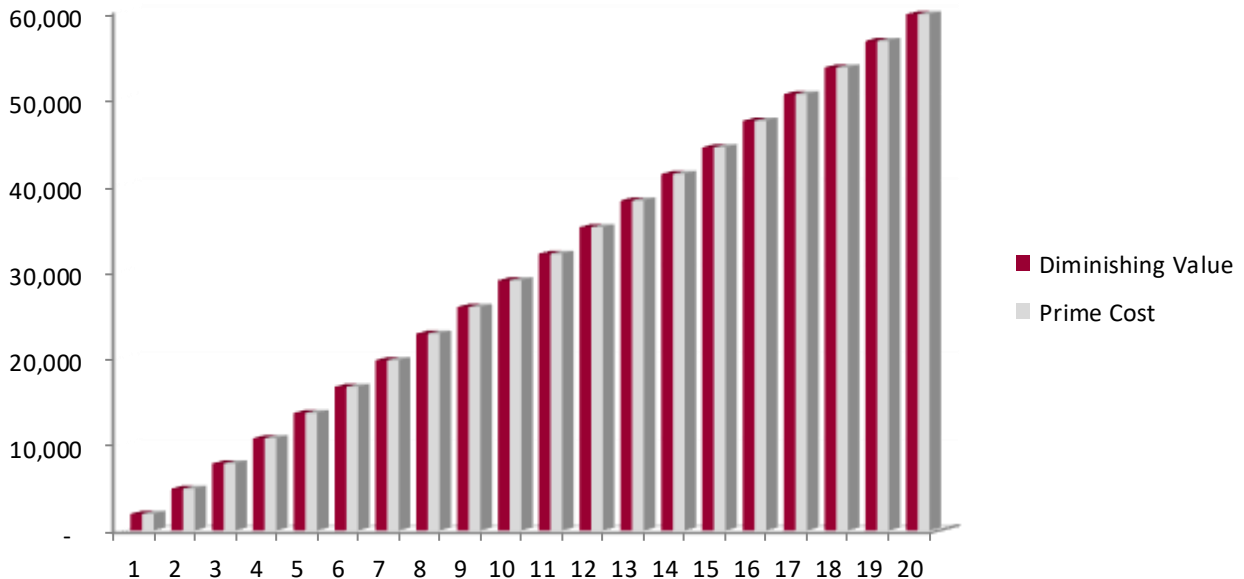
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	31 October 2014
Settlement Date	31 October 2014
Available To Generate Income	1 January 2019

Expenditure Analysed

Purchase Price	\$504,000
Stamp Duty	\$25,310
Total Expenditure Analysed	\$535,678

Historical Construction Details

Construction Start Date	15 July 2002
Construction Completion Date	10 February 2003
Historical Construction Cost (Estimated)*	\$138,397
Lot Entitlement	32
Overall Lot Entitlement	1,005

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

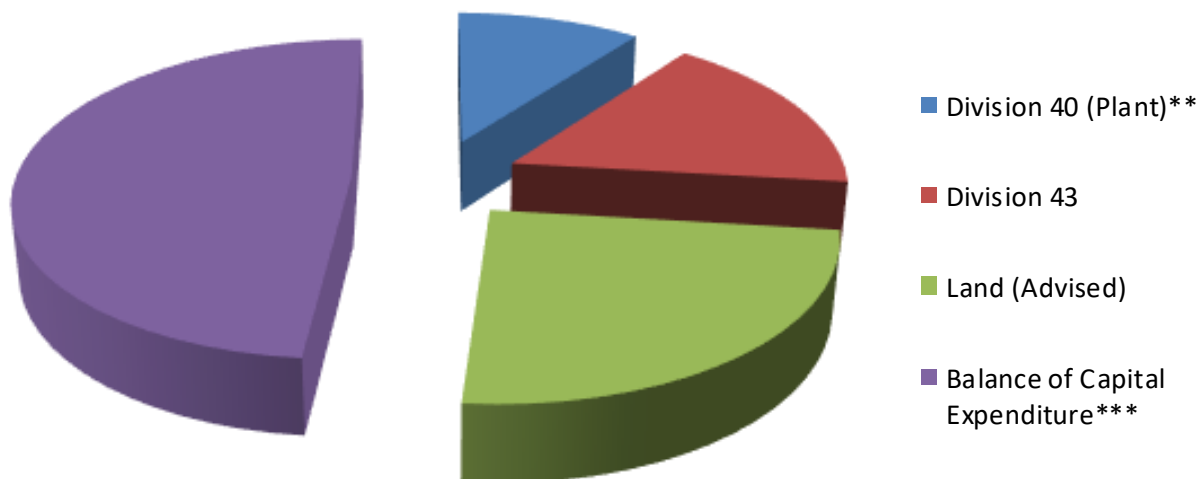
Division 40 (Plant)**	\$55,188
Division 43	\$88,815
Land (Advised)	\$131,750
Balance of Capital Expenditure***	\$259,925
Total Expenditure Analysed	\$535,678

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	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)	20.00%	31-Oct-14	1,143	152	198	159	127	190	119	74	46	29	18
Spa bath pumps	10.00%	31-Oct-14	1,715	114	160	144	130	117	105	354	222	138	87
Blinds Residential	20.00%	31-Oct-14	8,355	1,108	1,450	1,160	928	742	594	475	380	304	243
Ceiling Fans	40.00%	31-Oct-14	3,200	849	941	564	339	190	119	74	47	29	18
Door closers	20.00%	31-Oct-14	582	77	101	81	65	97	61	38	24	15	9
Electrical Machinery & Equipment :													
Motors	20.00%	31-Oct-14	87	12	15	12	10	15	9	6	4	2	1
Fire control assets													
Detection & alarm systems, detectors	10.00%	31-Oct-14	711	47	66	60	54	182	113	71	44	28	17
Detection & alarm systems, fire indicator panel	16.67%	31-Oct-14	1,820	201	270	225	187	351	220	137	86	54	33
Emergency warning & intercommunication system	16.67%	31-Oct-14	336	37	50	42	35	65	41	25	16	10	6
Hoses and nozzles	20.00%	31-Oct-14	1,081	143	188	150	120	180	113	70	44	27	17
Pumps, diesel & electric	8.00%	31-Oct-14	619	33	47	43	40	171	107	67	42	26	16
Fire extinguishers	15.00%	31-Oct-14	146	14	20	17	14	30	19	12	7	5	3
Fire sprinklers - pumps only	10.00%	31-Oct-14	2,251	149	210	189	170	153	138	124	112	101	339
Floor coverings (removable without damage)													
Carpets	20.00%	31-Oct-14	98	13	17	14	11	16	10	6	4	2	2
Floating timber	13.33%	31-Oct-14	16,125	1,425	1,960	1,699	1,472	1,276	1,106	958	831	720	624
Furniture	15.00%	31-Oct-14	2,758	274	373	317	269	229	194	165	351	219	137
Kitchen assets													
Cooktops	16.67%	31-Oct-14	1,943	215	288	240	200	167	313	195	122	76	48
Dishwashers	20.00%	31-Oct-14	2,743	364	476	381	305	244	365	228	143	89	56
Ovens	16.67%	31-Oct-14	2,515	278	373	311	259	216	180	337	211	132	82
Rangehoods	16.67%	31-Oct-14	1,029	114	153	127	106	199	124	78	48	30	19
Laundry assets													
Clothes dryers	20.00%	31-Oct-14	1,029	136	178	143	114	171	107	67	42	26	16
Lights													
Shades, removable	40.00%	31-Oct-14	1,981	525	582	349	210	118	74	46	29	18	11
MATV - amplifiers & modulators	20.00%	31-Oct-14	728	97	126	101	81	121	76	47	30	18	12
Security systems & equipment													
Electronic	30.00%	31-Oct-14	393	78	94	66	46	41	25	16	10	6	4
Carried forward			53,387	6,455	8,335	6,591	5,290	5,280	4,330	3,673	2,892	2,106	1,820

Diminishing Value Depreciation Schedule (cont.)

Assets Generally	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
Division 40 - Plant and Equipment													
			Brought forward										
			53,387	6,455	8,335	6,591	5,290	5,280	4,330	3,673	2,892	2,106	1,820
Ventilating plant													
Ventilation plant - fans only	10.00%	31-Oct-14	1,801	119	168	151	136	123	110	372	233	145	91
Pooled Plant Total													
Effective Life Plant Total				6,575	8,503	6,743	5,426	2,137	2,014	2,322	1,803	1,127	1,043
Total Division 40			55,188	6,575	8,503	6,743	5,426	5,402	4,441	4,045	3,125	2,251	1,910
Division 43 - Capital Works Allowance													
	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2003	2.50%	31-Oct-14	79,646	1,868	2,817	2,817	2,817	2,817	2,817	2,817	2,817	2,817	2,817
Building Works - Completed 2019	2.50%	09-Nov-19	6,368						102	159	159	159	159
Structural Improvements - Completed 2003	2.50%	31-Oct-14	2,801	66	99	99	99	99	99	99	99	99	99
Total Division 43			88,815	1,934	2,916	2,916	2,916	2,916	3,018	3,075	3,075	3,075	3,075
Total Depreciation			144,003	8,509	11,419	9,659	8,342	8,318	7,459	7,120	6,200	5,326	4,985

11. Prime Cost Depreciation Schedule

Assets Generally	Prime Cost													
Division 40 - Plant and Equipment	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)	10.00%	31-Oct-14	1,143	76	114	114	114	114	114	114	114	114	114	
Spa bath pumps	5.00%	31-Oct-14	1,715	57	86	86	86	86	86	86	86	86	86	
Blinds Residential														
	10.00%	31-Oct-14	8,355	554	836	836	836	836	836	836	836	836	836	
Ceiling Fans														
	20.00%	31-Oct-14	3,200	424	640	640	640	640	216					
Door closers														
	10.00%	31-Oct-14	582	39	58	58	58	58	58	58	58	58	58	
Electrical Machinery & Equipment :														
Motors	10.00%	31-Oct-14	87	6	9	9	9	9	9	9	9	9	9	
Fire control assets														
Detection & alarm systems, detectors	5.00%	31-Oct-14	711	24	36	36	36	36	36	36	36	36	36	
Detection & alarm systems, fire indicator panel	8.33%	31-Oct-14	1,820	101	152	152	152	152	152	152	152	152	152	
Emergency warning & intercommunication system	8.33%	31-Oct-14	336	19	28	28	28	28	28	28	28	28	28	
Hoses and nozzles	10.00%	31-Oct-14	1,081	72	108	108	108	108	108	108	108	108	108	
Pumps, diesel & electric	4.00%	31-Oct-14	619	16	25	25	25	25	25	25	25	25	25	
Fire extinguishers	7.50%	31-Oct-14	146	7	11	11	11	11	11	11	11	11	11	
Fire sprinklers - pumps only														
	5.00%	31-Oct-14	2,251	75	113	113	113	113	113	113	113	113	113	
Floor coverings (removable without damage)														
Carpets	10.00%	31-Oct-14	98	7	10	10	10	10	10	10	10	10	10	
Floating timber	6.67%	31-Oct-14	16,125	713	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	
Furniture														
	7.50%	31-Oct-14	2,758	137	207	207	207	207	207	207	207	207	207	
Kitchen assets														
Cooktops	8.33%	31-Oct-14	1,943	107	162	162	162	162	162	162	162	162	162	
Dishwashers	10.00%	31-Oct-14	2,743	182	274	274	274	274	274	274	274	274	274	
Ovens	8.33%	31-Oct-14	2,515	139	210	210	210	210	210	210	210	210	210	
Rangehoods	8.33%	31-Oct-14	1,029	57	86	86	86	86	86	86	86	86	86	
Laundry assets														
Clothes dryers	10.00%	31-Oct-14	1,029	68	103	103	103	103	103	103	103	103	103	
Lights														
Shades, removable	20.00%	31-Oct-14	1,981	263	396	396	396	396	134					
MATV - amplifiers & modulators														
	10.00%	31-Oct-14	728	48	73	73	73	73	73	73	73	73	73	
Security systems & equipment														
Electronic	15.00%	31-Oct-14	393	39	59	59	59	59	59	59				
Carried forward			53,387	3,228	4,871	4,871	4,871	4,871	4,185	3,835	3,776	3,776	3,776	

Prime Cost Depreciation Schedule (cont.)

Assets Generally		Prime Cost											
Division 40 - Plant and Equipment	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
Brought forward			53,387	3,228	4,871	4,871	4,871	4,871	4,185	3,835	3,776	3,776	3,776
Ventilating plant													
Ventilation plant - fans only	5.00%	31-Oct-14	1,801	60	90	90	90	90	90	90	90	90	90
Pooled Plant Total													
Effective Life Plant Total				3,287	4,961	4,961	4,961	4,961	4,275	3,925	3,866	3,866	3,866
Total Division 40			55,188	3,287	4,961	4,961	4,961	4,961	4,275	3,925	3,866	3,866	3,866
Division 43 - Capital Works Allowance													
	Rate		Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Building Works - Completed 2003	2.50%	31-Oct-14	79,646	1,868	2,817	2,817	2,817	2,817	2,817	2,817	2,817	2,817	2,817
Building Works - Completed 2019	2.50%	09-Nov-19	6,368						102	159	159	159	159
Structural Improvements - Completed 2003	2.50%	31-Oct-14	2,801	66	99	99	99	99	99	99	99	99	99
Total Division 43			88,815	1,934	2,916	2,916	2,916	2,916	3,018	3,075	3,075	3,075	3,075
Total Depreciation			144,003	5,221	7,877	7,877	7,877	7,877	7,293	7,000	6,941	6,941	6,941

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 2003	15 Jul 02 to 10 Feb 03	112,688	2.50%	2,817	79,646
Building Works - Completed 2019	10 Oct 19 to 9 Nov 19	6,368	2.50%	159	6,368
Sub-total		119,056		2,976	86,014

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2003	15 Jul 02 to 10 Feb 03	3,963	2.50%	99	2,801
Sub-total		3,963		99	2,801
Totals		123,019		3,075	88,815

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>