



Tax Depreciation Report

8 Correa Pass,
Success WA 6164

Julie Quek and Chin Pang Ng
26 Sedano Crescent
WELLARD, WA 6170

Issue Schedule	
Issue Date:	Issued by:
01 November 2019	Mark Kilroy Bsc (Hons) MRICS

Julie Quek and Chin Pang Ng
26 Sedano Crescent
WELLARD, WA 6170

November 2019
Job No: RES6164007

Tax Depreciation Report – 8 Correa Pass, Success WA 6164

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

1 November 2019

Purchaser

Julie Quek and Chin Pang Ng

Property Address

8 Correa Pass, Success WA 6164

Real Property Description

LOT 537 P062256

Property Type

Residential House

Date of Construction

1 October 2011

Date Available To Generate Income

1 December 2018

Property Photo



2. Report Details

2.1 Introduction

Koste Pty Ltd has prepared an independent Tax Depreciation Schedule for the purchase of the subject property under the Income Tax Act 1997.

We have evaluated and reported the allowances based on the following:

Division 40 (Capital Allowances)

Referred to as Depreciating Assets, identified as assets which can be removed with ease including; Appliances, Furnishings and the like. Koste will identify and provide an analysis using both Diminishing Value and Prime Cost methods of depreciation. All items which have a value less than \$300 will be written off in the first year.

Division 40 (Capital Allowances) - Low Value Pool

Low Cost Assets are depreciating assets which have a cost of between \$300 and \$1,000 at your purchase date. These assets are depreciated at 18.75% in the first year, and 37.5% in each subsequent year.

Division 43 (Capital Works)

Capital works often referred to as Building Allowances entitles the tax payer to a deduction on assessable income producing buildings and other capital works. The opening value of these assets will be calculated on the date of installation; typical assets may include Windows, Doors and Walls.

3. Capital Allowances

3.1 Entitlement

Capital Allowances Division 40 of the Income Tax Act 1997 allows the taxpayer to a deduction of the decline in value of a depreciating asset used for income producing purpose over its effective life. A depreciating asset will deteriorate over the life and will therefore decline in value.

3.2 Qualifying Expenditure Calculation

On a property acquisition, Capital Allowances (Plant and Equipment) are based on a reasonable apportionment of the purchase price relating to qualifying plant under the Income Tax Assessment Act (ITAA) 1977 Section 40 – 195.

3.3 Effective Life

The Commissioner of Taxation provides regular tax rulings which determine the period an asset can be used to produce income. Included within this report is as new effective life rates.

3.4 Immediate Write-Off Assets

A depreciating asset which costs less than \$300 can be immediately written off under Division 40 of ITAA. Please note that this is only applicable to residential property investments.

3.5 Low Value Pool

Assets which have a starting value of between \$300 and \$1000 have been included within the Low Value Pool. These assets are depreciated at 18.75% in the first year and 37.5% for all subsequent years on a diminishing basis.

An asset that has a written down value under \$1000 in following years will be allocated to the low value pool and depreciated at 37.5% using diminishing value method. This method does not apply to assets that were depreciated using the prime cost method in any previous years.

3.6 Method of Depreciation

We provide you with a choice to calculate the decline in value for depreciating assets. Your choice on whether to use Diminishing Value or Prime Cost method of depreciation should be discussed with your accountant. Once a depreciation method is chosen for an asset this cannot be changed.

Diminishing Value Method					Prime Cost Method				
<p>Diminishing value method is often the most popular form of depreciation due to the cash-flow benefits in the early years of asset ownership.</p>					<p>Prime Cost Method of Depreciation, often referred to as straight line depreciation is depreciated at a constant rate each year.</p>				
Benefits					Benefits				
<ul style="list-style-type: none"> • 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	1 October 11 to 30 June 12	0	0	0	4,178	4,178	0	0
2	1 July 12 to 30 June 13	0	0	0	5,602	5,602	0	0
3	1 July 13 to 30 June 14	0	0	0	5,602	5,602	0	0
4	1 July 14 to 30 June 15	0	0	0	5,602	5,602	0	0
5	1 July 15 to 30 June 16	0	0	0	5,602	5,602	0	0
6	1 July 16 to 30 June 17	0	0	0	5,602	5,602	0	0
7	1 July 17 to 30 June 18	0	0	0	5,602	5,602	0	0
8	1 July 18 to 30 June 19	0	0	0	5,602	5,602	2,939	2,939
9	1 July 19 to 30 June 20	0	0	0	5,602	5,602	2,123	5,062
10	1 July 20 to 30 June 21	0	0	0	5,602	5,602	1,727	6,789
11	1 July 21 to 30 June 22	0	0	0	5,602	5,602	1,252	8,041
12	1 July 22 to 30 June 23	0	0	0	5,602	5,602	1,088	9,129
13	1 July 23 to 30 June 24	0	0	0	5,602	5,602	989	10,118
14	1 July 24 to 30 June 25	0	0	0	5,602	5,602	670	10,788
15	1 July 25 to 30 June 26	0	0	0	5,602	5,602	465	11,254
16	1 July 26 to 30 June 27	0	0	0	5,602	5,602	333	11,586
17	1 July 27 to 30 June 28	0	0	0	5,602	5,602	245	11,832
18	1 July 28 to 30 June 29	0	0	0	5,602	5,602	187	12,019
19	1 July 29 to 30 June 30	0	0	0	5,602	5,602	422	12,440
20	1 July 30 to 30 June 31	0	0	0	5,602	5,602	264	12,704
21	1 July 31 to 30 June 32	0	0	0	5,602	5,602	165	12,869
22	1 July 32 to 30 June 33	0	0	0	5,602	5,602	103	12,972
23	1 July 33 to 30 June 34	0	0	0	5,602	5,602	64	13,036
24	1 July 34 to 30 June 35	0	0	0	5,602	5,602	40	13,076
25	1 July 35 to 30 June 36	0	0	0	5,602	5,602	25	13,101
26	1 July 36 to 30 June 37	0	0	0	5,602	5,602	16	13,117
27	1 July 37 to 30 June 38	0	0	0	5,602	5,602	10	13,127
28	1 July 38 to 30 June 39	0	0	0	5,602	5,602	6	13,133
29	1 July 39 to 30 June 40	0	0	0	5,602	5,602	4	13,137
30	1 July 40 to 30 June 41	0	0	0	5,602	5,602	2	13,139
31	1 July 41 to 30 June 42	0	0	0	5,602	5,602	1	13,141
32	1 July 42 to 30 June 43	0	0	0	5,602	5,602	1	13,142
33	1 July 43 to 30 June 44	0	0	0	5,602	5,602	1	13,142
34	1 July 44 to 30 June 45	0	0	0	5,602	5,602	0	13,143
35	1 July 45 to 30 June 46	0	0	0	5,602	5,602	0	13,143
36	1 July 46 to 30 June 47	0	0	0	5,602	5,602	0	13,143
37	1 July 47 to 30 June 48	0	0	0	5,602	5,602	0	13,143
38	1 July 48 to 30 June 49	0	0	0	5,602	5,602	0	13,143
39	1 July 49 to 30 June 50	0	0	0	5,602	5,602	0	13,143
40	2050+	0	0	0	7,027	7,027	0	13,143
Totals		0	0	0	224,081	224,081	13,143	13,143

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	1 October 11 to 30 June 12	0	0	0	4,178	4,178	0	0
2	1 July 12 to 30 June 13	0	0	0	5,602	5,602	0	0
3	1 July 13 to 30 June 14	0	0	0	5,602	5,602	0	0
4	1 July 14 to 30 June 15	0	0	0	5,602	5,602	0	0
5	1 July 15 to 30 June 16	0	0	0	5,602	5,602	0	0
6	1 July 16 to 30 June 17	0	0	0	5,602	5,602	0	0
7	1 July 17 to 30 June 18	0	0	0	5,602	5,602	0	0
8	1 July 18 to 30 June 19	0	0	0	5,602	5,602	3,643	3,643
9	1 July 19 to 30 June 20	0	0	0	5,602	5,602	3,643	7,286
10	1 July 20 to 30 June 21	0	0	0	5,602	5,602	3,643	10,929
11	1 July 21 to 30 June 22	0	0	0	5,602	5,602	1,892	12,821
12	1 July 22 to 30 June 23	0	0	0	5,602	5,602	1,289	14,110
13	1 July 23 to 30 June 24	0	0	0	5,602	5,602	948	15,058
14	1 July 24 to 30 June 25	0	0	0	5,602	5,602	631	15,690
15	1 July 25 to 30 June 26	0	0	0	5,602	5,602	352	16,042
16	1 July 26 to 30 June 27	0	0	0	5,602	5,602	352	16,394
17	1 July 27 to 30 June 28	0	0	0	5,602	5,602	352	16,746
18	1 July 28 to 30 June 29	0	0	0	5,602	5,602	352	17,098
19	1 July 29 to 30 June 30	0	0	0	5,602	5,602	352	17,450
20	1 July 30 to 30 June 31	0	0	0	5,602	5,602	352	17,802
21	1 July 31 to 30 June 32	0	0	0	5,602	5,602	90	17,891
22	1 July 32 to 30 June 33	0	0	0	5,602	5,602	0	17,891
23	1 July 33 to 30 June 34	0	0	0	5,602	5,602	0	17,891
24	1 July 34 to 30 June 35	0	0	0	5,602	5,602	0	17,891
25	1 July 35 to 30 June 36	0	0	0	5,602	5,602	0	17,891
26	1 July 36 to 30 June 37	0	0	0	5,602	5,602	0	17,891
27	1 July 37 to 30 June 38	0	0	0	5,602	5,602	0	17,891
28	1 July 38 to 30 June 39	0	0	0	5,602	5,602	0	17,891
29	1 July 39 to 30 June 40	0	0	0	5,602	5,602	0	17,891
30	1 July 40 to 30 June 41	0	0	0	5,602	5,602	0	17,891
31	1 July 41 to 30 June 42	0	0	0	5,602	5,602	0	17,891
32	1 July 42 to 30 June 43	0	0	0	5,602	5,602	0	17,891
33	1 July 43 to 30 June 44	0	0	0	5,602	5,602	0	17,891
34	1 July 44 to 30 June 45	0	0	0	5,602	5,602	0	17,891
35	1 July 45 to 30 June 46	0	0	0	5,602	5,602	0	17,891
36	1 July 46 to 30 June 47	0	0	0	5,602	5,602	0	17,891
37	1 July 47 to 30 June 48	0	0	0	5,602	5,602	0	17,891
38	1 July 48 to 30 June 49	0	0	0	5,602	5,602	0	17,891
39	1 July 49 to 30 June 50	0	0	0	5,602	5,602	0	17,891
40	2050+	0	0	0	7,027	7,027	0	17,891
Totals		0	0	0	224,081	224,081	17,891	17,891

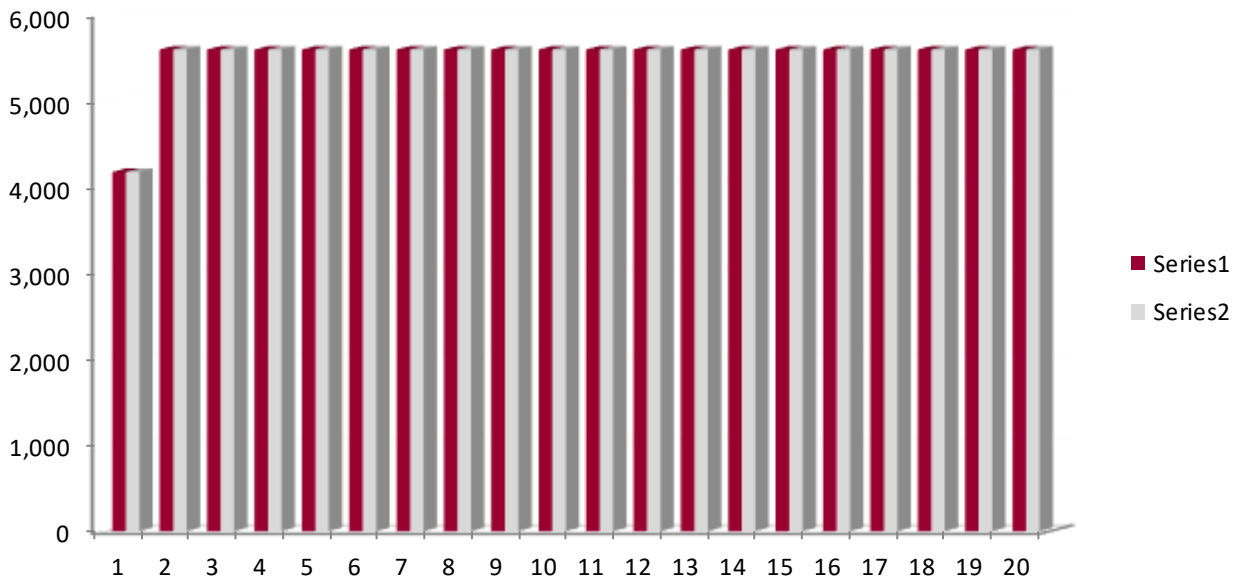
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

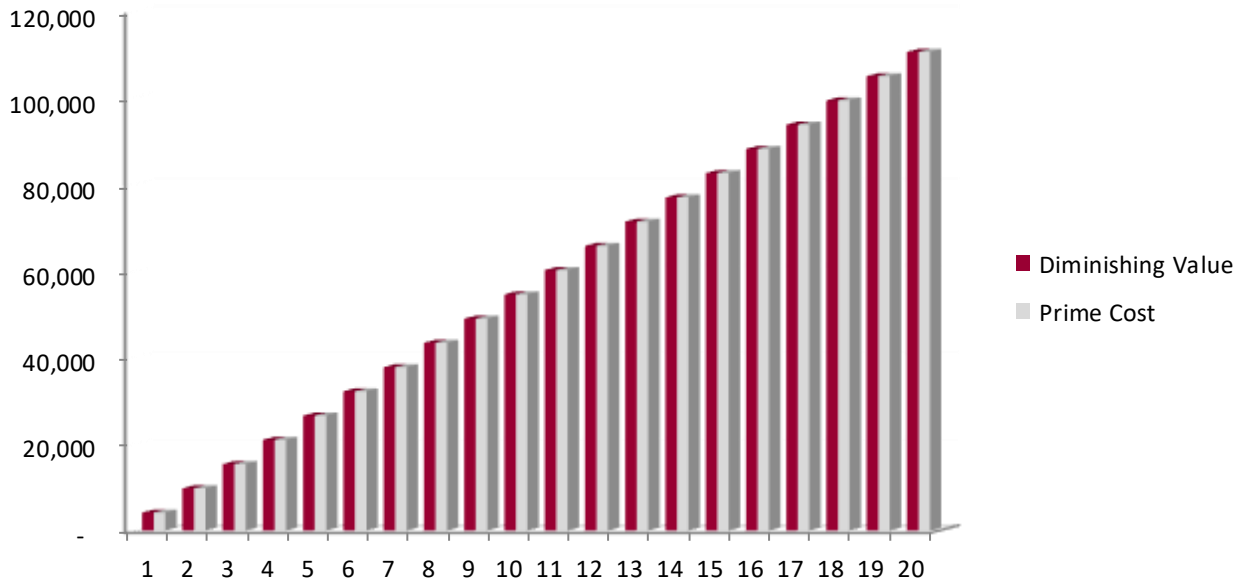
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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

Construction Details

Contract Date	18 October 2009
Handover Date	1 October 2011
Available To Generate Income	1 December 2018

Expenditure Analysed

Construction Cost	\$285,000
Total Expenditure Analysed	\$285,000

Historical Construction Details

Construction Start Date	18 October 2009
Construction Completion Date	1 October 2011
Historical Construction Cost (Estimated)*	\$285,000

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

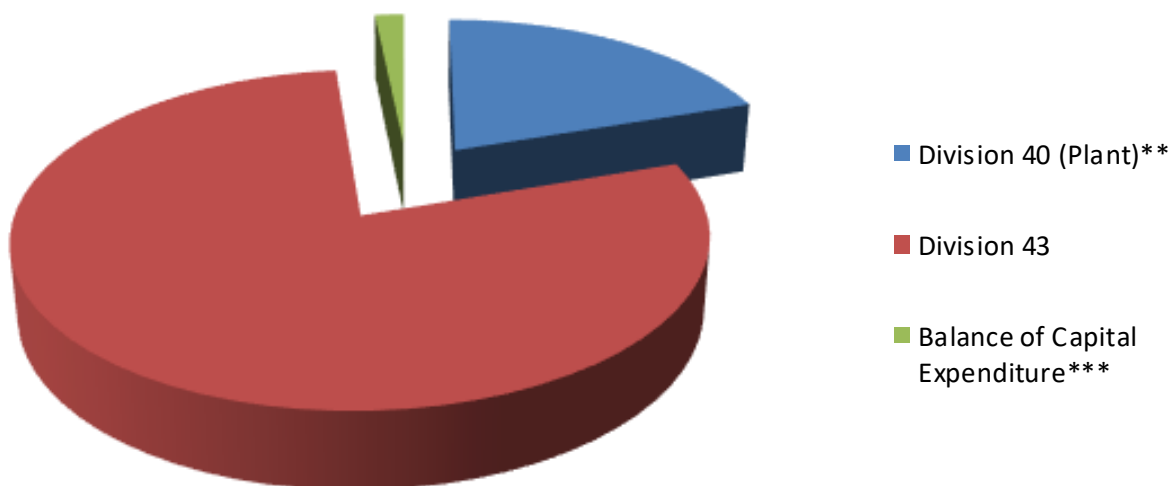
Division 40 (Plant)**	\$56,304
Division 43	\$224,081
Balance of Capital Expenditure***	\$4,615
Total Expenditure Analysed	\$285,000

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	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	
Division 40 - Plant and Equipment															
Air-conditioning assets (excl. ducting, pipes & vents)															
Mini split system upto 20KW	NO	20.00%	1-Oct-11	9,888	1,475	1,683	1,346	1,077	861	689	551	441	353	282	
Bathroom assets															
Accessories freestanding	NO	40.00%	1-Oct-11	659	197	185	111	67	40	24	14	8	5	3	
Exhaust fans (including light/heating)	NO	20.00%	1-Oct-11	1,318	197	224	179	144	115	92	74	110	69	43	
Blinds Residential															
	NO	20.00%	1-Oct-11	2,833	423	482	386	309	247	197	158	237	148	93	
Curtains and drapes															
	NO	33.33%	1-Oct-11	6,784	1,687	1,699	1,133	755	503	336	224	168	105	66	
Fire control assets															
Detection & alarm systems, detectors	NO	10.00%	1-Oct-11	580	43	54	48	43	39	35	32	107	67	42	
Floor coverings (removable without damage)															
Artificial turf	NO	20.00%	1-Oct-11	6,342	946	1,079	863	691	552	442	354	283	226	339	
Furniture															
	NO	15.00%	1-Oct-11	6,410	717	854	726	617	524	446	379	322	274	233	
Garage doors, automatic															
Controls	NO	40.00%	1-Oct-11	211	63	59	36	21	13	8	5	3	2	1	
Motors	NO	20.00%	1-Oct-11	1,582	236	269	215	172	138	110	88	132	83	52	
Hot water systems (excluding piping)															
Gas or electric	NO	16.67%	1-Oct-11	1,978	246	289	241	200	167	139	116	217	136	85	
Kitchen assets															
Cooktops	NO	16.67%	1-Oct-11	1,318	164	192	160	134	111	93	77	145	91	57	
Dishwashers	NO	20.00%	1-Oct-11	1,582	236	269	215	172	138	110	88	132	83	52	
Ovens	NO	16.67%	1-Oct-11	1,450	180	212	176	147	122	102	85	159	100	62	
Rangehoods	NO	16.67%	1-Oct-11	725	90	106	88	73	61	51	43	80	50	31	
Lights															
Shades, removable	NO	40.00%	1-Oct-11	6,183	1,845	1,735	1,041	625	375	225	135	76	47	30	
Solar power generating system assets															
	NO	10.00%	1-Oct-11	6,460	482	598	538	484	436	392	353	318	286	257	
Pooled Plant Total												1,575	984	955	
Effective Life Plant Total						9,226	9,989	7,503	5,731	4,444	3,492	2,775	1,364	1,139	772
Total Division 40				56,304	9,226	9,989	7,503	5,731	4,444	3,492	2,775	2,939	2,123	1,727	
Division 43 - Capital Works Allowance															
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10	
Building Works - Completed 2011			2.50%	01-Oct-11	183,685	3,425	4,592	4,592	4,592	4,592	4,592	4,592	4,592	4,592	4,592
Structural Improvements - Completed 2011			2.50%	01-Oct-11	40,396	753	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010
Total Division 43					224,081	4,178	5,602	5,602	5,602	5,602	5,602	5,602	5,602	5,602	5,602
Total Depreciation					280,385	13,404	15,591	13,105	11,333	10,046	9,094	8,377	8,541	7,725	7,329

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%	01-Oct-11	9,888	738	989	989	989	989	989	989	989	989	989	
Bathroom assets															
Accessories freestanding	NO	20.00%	01-Oct-11	659	98	132	132	132	132	33					
Exhaust fans (including light/heating)	NO	10.00%	01-Oct-11	1,318	98	132	132	132	132	132	132	132	132	132	
Blinds Residential															
	NO	10.00%	01-Oct-11	2,833	211	283	283	283	283	283	283	283	283	283	
Curtains and drapes															
	NO	16.67%	01-Oct-11	6,784	843	1,131	1,131	1,131	1,131	1,131	286				
Fire control assets															
Detection & alarm systems, detectors	NO	5.00%	01-Oct-11	580	22	29	29	29	29	29	29	29	29	29	
Floor coverings (removable without damage)															
Artificial turf	NO	10.00%	01-Oct-11	6,342	473	634	634	634	634	634	634	634	634	634	
Furniture															
	NO	7.50%	01-Oct-11	6,410	359	481	481	481	481	481	481	481	481	481	
Garage doors, automatic															
Controls	NO	20.00%	01-Oct-11	211	31	42	42	42	42	11					
Motors	NO	10.00%	01-Oct-11	1,582	118	158	158	158	158	158	158	158	158	158	
Hot water systems (excluding piping)															
Gas or electric	NO	8.33%	01-Oct-11	1,978	123	165	165	165	165	165	165	165	165	165	
Kitchen assets															
Cooktops	NO	8.33%	01-Oct-11	1,318	82	110	110	110	110	110	110	110	110	110	
Dishwashers	NO	10.00%	01-Oct-11	1,582	118	158	158	158	158	158	158	158	158	158	
Ovens	NO	8.33%	01-Oct-11	1,450	90	121	121	121	121	121	121	121	121	121	
Rangehoods	NO	8.33%	01-Oct-11	725	45	60	60	60	60	60	60	60	60	60	
Lights															
Shades, removable	NO	20.00%	01-Oct-11	6,183	922	1,237	1,237	1,237	1,237	313					
Solar power generating system assets															
	NO	5.00%	01-Oct-11	6,460	241	323	323	323	323	323	323	323	323	323	
Pooled Plant Total															
Effective Life Plant Total						4,613	6,185	6,185	6,185	6,185	5,131	3,929	3,643	3,643	
Total Division 40					56,304	4,613	6,185	6,185	6,185	6,185	5,131	3,929	3,643	3,643	
Division 43 - Capital Works Allowance															
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10	
Building Works - Completed 2011					2.50%	01-Oct-11	183,685	3,425	4,592	4,592	4,592	4,592	4,592	4,592	
Structural Improvements - Completed 2011					2.50%	01-Oct-11	40,396	753	1,010	1,010	1,010	1,010	1,010	1,010	
Total Division 43						224,081	4,178	5,602	5,602	5,602	5,602	5,602	5,602	5,602	
Total Depreciation						280,385	8,791	11,787	11,787	11,787	11,787	10,733	9,531	9,245	9,245

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 2011	18 Oct 09 to 1 Oct 11	183,685	2.50%	4,592	183,685
Sub-total		183,685		4,592	183,685

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2011	18 Oct 09 to 1 Oct 11	40,396	2.50%	1,010	40,396
Sub-total		40,396		1,010	40,396
Totals		224,081		5,602	224,081

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>