



## Tax Depreciation Report

Unit 3, 16 Agnes Street,  
Morningside, QLD 4170

Lance and Shana Karlson  
27A Milford Way  
NOLLAMARA, WA 6061

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

Lance and Shana Karlson  
27A Milford Way  
NOLLAMARA, WA 6061

November 2019  
Job No: RES4170109

**Tax Depreciation Report – Unit 3, 16 Agnes Street, Morningside, QLD 4170**

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

7 November 2019

### Purchaser

Lance and Shana Karlson

### Property Address

Unit 3, 16 Agnes Street, Morningside, QLD 4170

### Real Property Description

L3 SP187095

### Property Type

Residential Townhouse

### Date of Construction

1 January 2006

### Date Available To Generate Income

29 November 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"> <li>• Cash-flow during initial years of asset ownership</li> <li>• Ability to use Low Value Pool for assets less than \$1000 (Note: unable to write off these assets)</li> </ul>					<ul style="list-style-type: none"> <li>• Write off assets when they are demolished or disposed.</li> </ul>				
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.				
<b>200 / 10 Years = 20% (Adjusted Value)</b>					<b>100 / 10 Years = 10% (Straight Line)</b>				
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	15 June 18 to 30 June 18	0	0	0	220	220	0	0
2	1 July 18 to 30 June 19	0	0	0	5,820	5,820	0	0
3	1 July 19 to 30 June 20	0	0	0	5,984	5,984	8,913	8,913
4	1 July 20 to 30 June 21	0	0	0	5,984	5,984	7,433	16,345
5	1 July 21 to 30 June 22	0	0	0	5,984	5,984	6,255	22,600
6	1 July 22 to 30 June 23	0	0	0	5,984	5,984	4,876	27,476
7	1 July 23 to 30 June 24	0	0	0	5,984	5,984	3,872	31,348
8	1 July 24 to 30 June 25	0	0	0	5,984	5,984	3,244	34,593
9	1 July 25 to 30 June 26	0	0	0	5,984	5,984	2,361	36,954
10	1 July 26 to 30 June 27	0	0	0	5,984	5,984	1,753	38,707
11	1 July 27 to 30 June 28	0	0	0	5,984	5,984	1,474	40,181
12	1 July 28 to 30 June 29	0	0	0	5,984	5,984	1,084	41,265
13	1 July 29 to 30 June 30	0	0	0	5,984	5,984	975	42,240
14	1 July 30 to 30 June 31	0	0	0	5,984	5,984	916	43,156
15	1 July 31 to 30 June 32	0	0	0	5,984	5,984	850	44,007
16	1 July 32 to 30 June 33	0	0	0	5,984	5,984	531	44,538
17	1 July 33 to 30 June 34	0	0	0	5,984	5,984	332	44,870
18	1 July 34 to 30 June 35	0	0	0	5,984	5,984	208	45,078
19	1 July 35 to 30 June 36	0	0	0	5,984	5,984	130	45,208
20	1 July 36 to 30 June 37	0	0	0	5,984	5,984	81	45,289
21	1 July 37 to 30 June 38	0	0	0	5,984	5,984	51	45,339
22	1 July 38 to 30 June 39	0	0	0	5,984	5,984	32	45,371
23	1 July 39 to 30 June 40	0	0	0	5,984	5,984	20	45,391
24	1 July 40 to 30 June 41	0	0	0	5,984	5,984	12	45,403
25	1 July 41 to 30 June 42	0	0	0	5,984	5,984	8	45,411
26	1 July 42 to 30 June 43	0	0	0	5,984	5,984	5	45,416
27	1 July 43 to 30 June 44	0	0	0	5,984	5,984	3	45,419
28	1 July 44 to 30 June 45	0	0	0	5,984	5,984	2	45,421
29	1 July 45 to 30 June 46	0	0	0	4,132	4,132	1	45,422
30	1 July 46 to 30 June 47	0	0	0	2,256	2,256	1	45,423
31	1 July 47 to 30 June 48	0	0	0	2,256	2,256	0	45,423
32	1 July 48 to 30 June 49	0	0	0	2,256	2,256	0	45,423
33	1 July 49 to 30 June 50	0	0	0	2,256	2,256	0	45,423
34	1 July 50 to 30 June 51	0	0	0	2,256	2,256	0	45,424
35	1 July 51 to 30 June 52	0	0	0	2,256	2,256	0	45,424
36	1 July 52 to 30 June 53	0	0	0	2,256	2,256	0	45,424
37	1 July 53 to 30 June 54	0	0	0	2,256	2,256	0	45,424
38	1 July 54 to 30 June 55	0	0	0	2,256	2,256	0	45,424
39	1 July 55 to 30 June 56	0	0	0	2,256	2,256	0	45,424
40	2056+	0	0	0	3,782	3,782	0	45,424
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>192,098</b>	<b>192,098</b>	<b>45,424</b>	<b>45,424</b>

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	15 June 18 to 30 June 18	0	0	0	220	220	0	0
2	1 July 18 to 30 June 19	0	0	0	5,820	5,820	0	0
3	1 July 19 to 30 June 20	0	0	0	5,984	5,984	5,599	5,599
4	1 July 20 to 30 June 21	0	0	0	5,984	5,984	5,599	11,198
5	1 July 21 to 30 June 22	0	0	0	5,984	5,984	5,599	16,797
6	1 July 22 to 30 June 23	0	0	0	5,984	5,984	5,572	22,369
7	1 July 23 to 30 June 24	0	0	0	5,984	5,984	4,915	27,284
8	1 July 24 to 30 June 25	0	0	0	5,984	5,984	4,678	31,963
9	1 July 25 to 30 June 26	0	0	0	5,984	5,984	4,492	36,455
10	1 July 26 to 30 June 27	0	0	0	5,984	5,984	4,492	40,947
11	1 July 27 to 30 June 28	0	0	0	5,984	5,984	4,378	45,324
12	1 July 28 to 30 June 29	0	0	0	5,984	5,984	1,821	47,145
13	1 July 29 to 30 June 30	0	0	0	5,984	5,984	1,789	48,934
14	1 July 30 to 30 June 31	0	0	0	5,984	5,984	1,069	50,003
15	1 July 31 to 30 June 32	0	0	0	5,984	5,984	636	50,640
16	1 July 32 to 30 June 33	0	0	0	5,984	5,984	423	51,063
17	1 July 33 to 30 June 34	0	0	0	5,984	5,984	18	51,081
18	1 July 34 to 30 June 35	0	0	0	5,984	5,984	18	51,099
19	1 July 35 to 30 June 36	0	0	0	5,984	5,984	18	51,117
20	1 July 36 to 30 June 37	0	0	0	5,984	5,984	18	51,135
21	1 July 37 to 30 June 38	0	0	0	5,984	5,984	18	51,153
22	1 July 38 to 30 June 39	0	0	0	5,984	5,984	0	51,153
23	1 July 39 to 30 June 40	0	0	0	5,984	5,984	0	51,153
24	1 July 40 to 30 June 41	0	0	0	5,984	5,984	0	51,153
25	1 July 41 to 30 June 42	0	0	0	5,984	5,984	0	51,153
26	1 July 42 to 30 June 43	0	0	0	5,984	5,984	0	51,153
27	1 July 43 to 30 June 44	0	0	0	5,984	5,984	0	51,153
28	1 July 44 to 30 June 45	0	0	0	5,984	5,984	0	51,153
29	1 July 45 to 30 June 46	0	0	0	4,132	4,132	0	51,153
30	1 July 46 to 30 June 47	0	0	0	2,256	2,256	0	51,153
31	1 July 47 to 30 June 48	0	0	0	2,256	2,256	0	51,153
32	1 July 48 to 30 June 49	0	0	0	2,256	2,256	0	51,153
33	1 July 49 to 30 June 50	0	0	0	2,256	2,256	0	51,153
34	1 July 50 to 30 June 51	0	0	0	2,256	2,256	0	51,153
35	1 July 51 to 30 June 52	0	0	0	2,256	2,256	0	51,153
36	1 July 52 to 30 June 53	0	0	0	2,256	2,256	0	51,153
37	1 July 53 to 30 June 54	0	0	0	2,256	2,256	0	51,153
38	1 July 54 to 30 June 55	0	0	0	2,256	2,256	0	51,153
39	1 July 55 to 30 June 56	0	0	0	2,256	2,256	0	51,153
40	2056+	0	0	0	3,782	3,782	0	51,153
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>192,098</b>	<b>192,098</b>	<b>51,153</b>	<b>51,153</b>

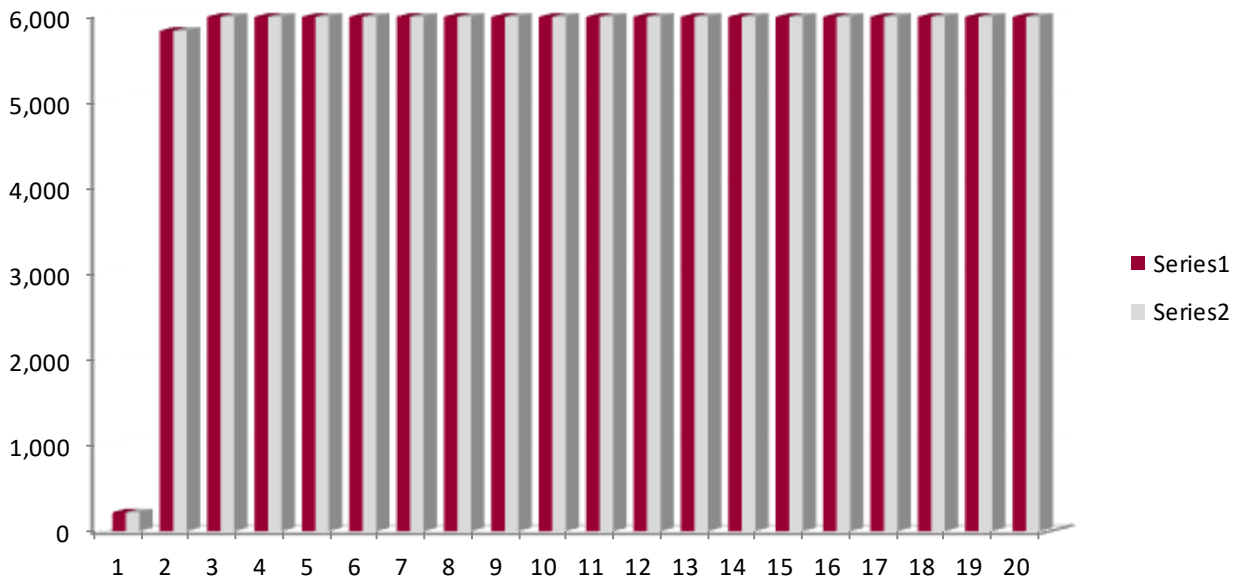
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

### Example

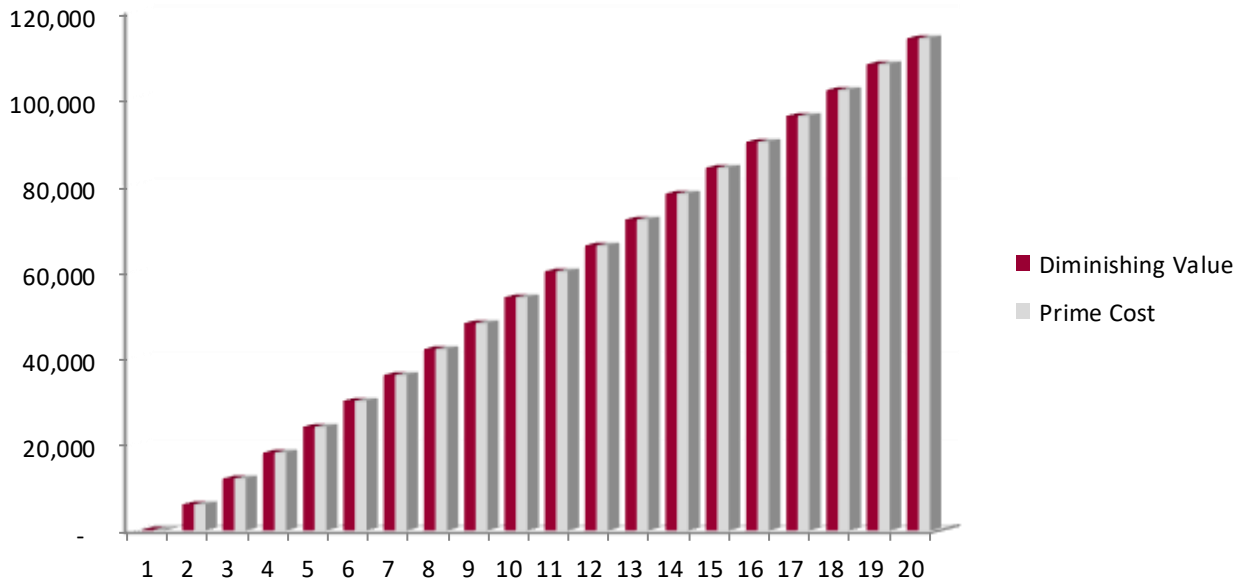
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

## 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	1 May 2018
Settlement Date	15 June 2018
Available To Generate Income	29 November 2019

### Expenditure Analysed

Purchase Price	\$605,000
Stamp Duty	\$19,863
Post Expenditure	\$26,646
<b>Total Expenditure Analysed</b>	<b>\$651,509</b>

### Historical Construction Details

Construction Start Date	6 April 2005
Construction Completion Date	1 January 2006
Historical Construction Cost (Estimated)*	\$238,548

## 9. Reconciliation of Capital Expenditure

### Apportionment of cost relating to:

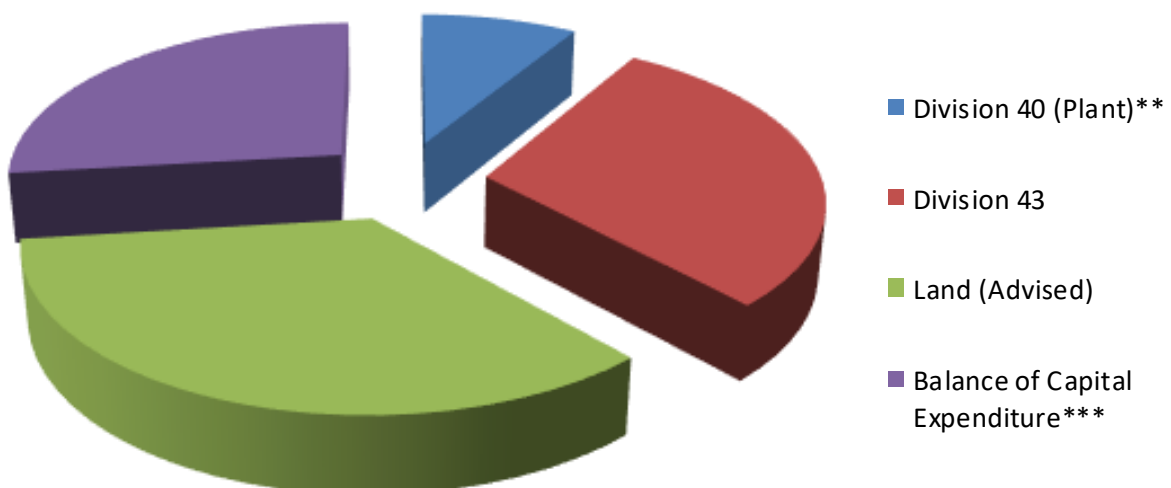
Division 40 (Plant)**	\$56,982
Division 43	\$192,098
Land (Advised)	\$227,223
Balance of Capital Expenditure***	\$175,206
<b>Total Expenditure Analysed</b>	<b>\$651,509</b>

### 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
<b>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Mini split system upto 20KW	NO	20.00%	15-Jun-18	10,827	89	2,148	1,718	1,375	1,100	880	704	563	450	360
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	20.00%	15-Jun-18	1,969	16	390	312	250	375	234	146	92	57	36
<b>Blinds Residential</b>														
	NO	20.00%	15-Jun-18	3,591	30	712	570	456	365	292	233	350	219	137
<b>Ceiling Fans</b>														
	NO	40.00%	15-Jun-18	820	13	323	182	113	71	44	28	17	11	7
<b>Curtains and drapes</b>														
	NO	33.33%	15-Jun-18	808	11	266	199	125	78	49	30	19	12	7
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	10.00%	15-Jun-18	361	1	36	121	76	47	30	19	12	7	5
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	20.00%	15-Jun-18	6,381	52	1,266	1,013	810	648	518	415	332	265	212
Floating timber	NO	13.33%	15-Jun-18	6,429	35	852	739	640	555	481	417	361	313	271
<b>Furniture</b>														
	NO	15.00%	15-Jun-18	7,071	44	1,054	896	762	647	550	468	398	338	287
<b>Garage doors, automatic</b>														
Controls	NO	40.00%	15-Jun-18	262	4	103	58	36	23	14	9	6	3	2
Motors	NO	20.00%	15-Jun-18	1,969	16	390	312	250	375	234	146	92	57	36
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	16.67%	15-Jun-18	2,461	17	407	339	283	236	196	368	230	144	90
<b>Kitchen assets</b>														
Cooktops	NO	16.67%	15-Jun-18	1,394	10	231	192	361	225	141	88	55	34	21
Dishwashers	NO	20.00%	15-Jun-18	1,969	16	390	312	250	375	234	146	92	57	36
Ovens	NO	16.67%	15-Jun-18	1,805	12	299	249	207	173	324	203	127	79	49
Rangehoods	NO	16.67%	15-Jun-18	738	5	122	229	143	89	56	35	22	14	9
Refrigerators	NO	16.67%	15-Jun-18	2,625	18	434	362	302	251	210	175	327	205	128
<b>Lights</b>														
Shades, removable	NO	40.00%	15-Jun-18	2,303	38	906	544	306	191	119	75	47	29	18
<b>Security systems &amp; equipment</b>														
Electronic	NO	30.00%	15-Jun-18	1,969	24	583	408	357	223	140	87	55	34	21
<b>Swimming pools</b>														
Filtration equipment	NO	15.00%	15-Jun-18	1,230	8	183	156	331	207	129	81	51	32	20
<b>Pooled Plant Total</b>							789	1,848	2,280	1,749	1,461	1,591	994	621
<b>Effective Life Plant Total</b>					460	11,098	8,123	5,584	3,975	3,127	2,411	1,654	1,367	1,131
<b>Total Division 40</b>				56,982	460	11,098	8,913	7,433	6,255	4,876	3,872	3,244	2,361	1,753

## 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 2006	2.50%	15-Jun-18	92,513	138	3,359	3,359	3,359	3,359	3,359	3,359	3,359	3,359	3,359
Building Works - Completed 2017	2.50%	15-Jun-18	58,591	61	1,484	1,484	1,484	1,484	1,484	1,484	1,484	1,484	1,484
Building Works - Completed 2018	2.50%	21-Jun-18	2,805	2	70	70	70	70	70	70	70	70	70
Building Works - Completed 2018	2.50%	08-Aug-18	12,340		276	309	309	309	309	309	309	309	309
Building Works - Completed 2018	2.50%	22-Nov-18	9,687		146	242	242	242	242	242	242	242	242
Building Works - Completed 2019	2.50%	10-Apr-19	1,814		10	45	45	45	45	45	45	45	45
Structural Improvements - Completed 2006	2.50%	15-Jun-18	10,172	15	369	369	369	369	369	369	369	369	369
Structural Improvements - Completed 2017	2.50%	15-Jun-18	4,176	4	106	106	106	106	106	106	106	106	106
<b>Total Division 43</b>			<b>192,098</b>	<b>220</b>	<b>5,820</b>	<b>5,984</b>	<b>5,984</b>	<b>5,984</b>	<b>5,984</b>	<b>5,984</b>	<b>5,984</b>	<b>5,984</b>	<b>5,984</b>
<b>Total Depreciation</b>			<b>249,080</b>	<b>680</b>	<b>16,918</b>	<b>14,897</b>	<b>13,417</b>	<b>12,239</b>	<b>10,860</b>	<b>9,856</b>	<b>9,228</b>	<b>8,345</b>	<b>7,737</b>

## 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
<b>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Mini split system upto 20KW	NO	10.00%	15-Jun-18	10,827	44	1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	10.00%	15-Jun-18	1,969	8	197	197	197	197	197	197	197	197	197
<b>Blinds Residential</b>														
	NO	10.00%	15-Jun-18	3,591	15	359	359	359	359	359	359	359	359	359
<b>Ceiling Fans</b>														
	NO	20.00%	15-Jun-18	820	7	164	164	164	164	158				
<b>Curtains and drapes</b>														
	NO	16.67%	15-Jun-18	808	6	135	135	135	135	135	128			
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	5.00%	15-Jun-18	361	1	18	18	18	18	18	18	18	18	18
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	10.00%	15-Jun-18	6,381	26	638	638	638	638	638	638	638	638	638
Floating timber	NO	6.67%	15-Jun-18	6,429	18	429	429	429	429	429	429	429	429	429
<b>Furniture</b>														
	NO	7.50%	15-Jun-18	7,071	22	530	530	530	530	530	530	530	530	530
<b>Garage doors, automatic</b>														
Controls	NO	20.00%	15-Jun-18	262	2	52	52	52	52	52	0			
Motors	NO	10.00%	15-Jun-18	1,969	8	197	197	197	197	197	197	197	197	197
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	8.33%	15-Jun-18	2,461	8	205	205	205	205	205	205	205	205	205
<b>Kitchen assets</b>														
Cooktops	NO	8.33%	15-Jun-18	1,394	5	116	116	116	116	116	116	116	116	116
Dishwashers	NO	10.00%	15-Jun-18	1,969	8	197	197	197	197	197	197	197	197	197
Ovens	NO	8.33%	15-Jun-18	1,805	6	150	150	150	150	150	150	150	150	150
Rangehoods	NO	8.33%	15-Jun-18	738	3	62	62	62	62	62	62	62	62	62
Refrigerators	NO	8.33%	15-Jun-18	2,625	9	219	219	219	219	219	219	219	219	219
<b>Lights</b>														
Shades, removable	NO	20.00%	15-Jun-18	2,303	19	461	461	461	461	440				
<b>Security systems &amp; equipment</b>														
Electronic	NO	15.00%	15-Jun-18	1,969	12	295	295	295	295	295	295	186		
<b>Swimming pools</b>														
Filtration equipment	NO	7.50%	15-Jun-18	1,230	4	92	92	92	92	92	92	92	92	92
<b>Pooled Plant Total</b>														
<b>Effective Life Plant Total</b>					230	5,599	5,599	5,599	5,599	5,572	4,915	4,678	4,492	4,492
<b>Total Division 40</b>				56,982	230	5,599	5,599	5,599	5,599	5,572	4,915	4,678	4,492	4,492

## 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 2006	2.50%	15-Jun-18	92,513	138	3,359	3,359	3,359	3,359	3,359	3,359	3,359	3,359
Building Works - Completed 2017	2.50%	15-Jun-18	58,591	61	1,484	1,484	1,484	1,484	1,484	1,484	1,484	1,484
Building Works - Completed 2018	2.50%	21-Jun-18	2,805	2	70	70	70	70	70	70	70	70
Building Works - Completed 2018	2.50%	08-Aug-18	12,340		276	309	309	309	309	309	309	309
Building Works - Completed 2018	2.50%	22-Nov-18	9,687		146	242	242	242	242	242	242	242
Building Works - Completed 2019	2.50%	10-Apr-19	1,814		10	45	45	45	45	45	45	45
Structural Improvements - Completed 2006	2.50%	15-Jun-18	10,172	15	369	369	369	369	369	369	369	369
Structural Improvements - Completed 2017	2.50%	15-Jun-18	4,176	4	106	106	106	106	106	106	106	106
<b>Total Division 43</b>			<b>192,098</b>	<b>220</b>	<b>5,820</b>	<b>5,984</b>	<b>5,984</b>	<b>5,984</b>	<b>5,984</b>	<b>5,984</b>	<b>5,984</b>	<b>5,984</b>
<b>Total Depreciation</b>			<b>249,080</b>	<b>450</b>	<b>11,419</b>	<b>11,583</b>	<b>11,583</b>	<b>11,583</b>	<b>11,556</b>	<b>10,899</b>	<b>10,662</b>	<b>10,476</b>



## 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 2006	6 Apr 05 to 1 Jan 06	134,370	2.50%	3,359	92,513
Building Works - Completed 2017	12 Nov 17 to 12 Dec 17	59,343	2.50%	1,484	58,591
Building Works - Completed 2018	6 Jun 18 to 21 Jun 18	2,805	2.50%	70	2,805
Building Works - Completed 2018	10 Jul 18 to 8 Aug 18	12,340	2.50%	309	12,340
Building Works - Completed 2018	22 Aug 18 to 22 Nov 18	9,687	2.50%	242	9,687
Building Works - Completed 2019	6 Apr 19 to 10 Apr 19	1,814	2.50%	45	1,814
<b>Sub-total</b>		<b>220,358</b>		<b>5,509</b>	<b>177,750</b>

### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2006	6 Apr 05 to 1 Jan 06	14,774	2.50%	369	10,172
Structural Improvements - Completed 2017	12 Nov 17 to 12 Dec 17	4,229	2.50%	106	4,176
<b>Sub-total</b>		<b>19,004</b>		<b>475</b>	<b>14,348</b>
<b>Totals</b>		<b>239,362</b>		<b>5,984</b>	<b>192,098</b>

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

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