



## Tax Depreciation Report

2 Balamara Court,  
Frankston, VIC 3199

Agareva Oxana  
52 Shell Street  
URANGAN, QLD 4655

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

Agareva Oxana  
52 Shell Street  
URANGAN, QLD 4655

November 2019  
Job No: RES3199002

### **Tax Depreciation Report – 2 Balamara Court, Frankston, VIC 3199**

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

11 November 2019

### Purchaser

Agareva Oxana

### Property Address

2 Balamara Court, Frankston, VIC 3199

### Real Property Description

LOT 16 LP90360

### Property Type

Residential House

### Date of Construction

Pre 1985

### Date Available To Generate Income

5 October 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				
Diminishing value method is often the most popular form of depreciation due to the cash-flow benefits in the early years of asset ownership.				
Benefits				
<ul style="list-style-type: none"> <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>				
Calculation Example				
Under Diminishing Value method, the effective life is dividing by 200.				
<b>200 / 10 Years = 20% (Adjusted Value)</b>				
If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.				
Year 1	Year 2	Year 3	Year 4	Year 5
\$2,000	\$1,600	\$1,280	\$1,024	\$819.20

Prime Cost Method				
Prime Cost Method of Depreciation, often referred to as straight line depreciation is depreciated at a constant rate each year.				
Benefits				
<ul style="list-style-type: none"> <li>• Write off assets when they are demolished or disposed.</li> </ul>				
Calculation Example				
Under Prime Cost method, the effective life is dividing by 100.				
<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.				
Year 1	Year 2	Year 3	Year 4	Year 5
\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

## **4. Capital Works**

### **4.1 Entitlement**

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

### **4.2 Method of Depreciation**

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

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

### **4.3 Method of Depreciation**

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



## 5. Summary of Entitlements – Diminishing Value Method

Year	Financial Year	Division 40 - Capital Allowance (Eligible)			Division 43 Capital Works	Eligible Total	Capital Loss - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40			Div 40 Yearly	Cumulative
1	14 December 07 to 30 June 08	0	0	0	792	792	0	0
2	1 July 08 to 30 June 09	0	0	0	1,457	1,457	0	0
3	1 July 09 to 30 June 10	0	0	0	2,055	2,055	0	0
4	1 July 10 to 30 June 11	0	0	0	4,088	4,088	0	0
5	1 July 11 to 30 June 12	0	0	0	4,088	4,088	0	0
6	1 July 12 to 30 June 13	0	0	0	4,088	4,088	0	0
7	1 July 13 to 30 June 14	0	0	0	4,088	4,088	0	0
8	1 July 14 to 30 June 15	0	0	0	4,088	4,088	0	0
9	1 July 15 to 30 June 16	0	0	0	4,088	4,088	0	0
10	1 July 16 to 30 June 17	0	0	0	4,088	4,088	0	0
11	1 July 17 to 30 June 18	0	0	0	4,088	4,088	0	0
12	1 July 18 to 30 June 19	0	0	0	4,088	4,088	0	0
13	1 July 19 to 30 June 20	2,740	1,151	3,891	5,281	9,172	2,309	2,309
14	1 July 20 to 30 June 21	2,635	1,076	3,711	5,530	9,241	298	2,607
15	1 July 21 to 30 June 22	2,241	673	2,914	5,530	8,444	186	2,792
16	1 July 22 to 30 June 23	1,766	776	2,542	5,530	8,072	116	2,908
17	1 July 23 to 30 June 24	1,505	485	1,990	5,530	7,520	73	2,981
18	1 July 24 to 30 June 25	1,284	303	1,587	5,530	7,117	46	3,026
19	1 July 25 to 30 June 26	903	553	1,456	5,530	6,986	28	3,055
20	1 July 26 to 30 June 27	657	699	1,356	5,530	6,886	18	3,072
21	1 July 27 to 30 June 28	569	437	1,006	5,530	6,536	11	3,083
22	1 July 28 to 30 June 29	493	273	766	5,530	6,296	7	3,091
23	1 July 29 to 30 June 30	427	171	598	5,530	6,128	5	3,095
24	1 July 30 to 30 June 31	370	107	477	5,530	6,007	3	3,098
25	1 July 31 to 30 June 32	321	67	388	5,530	5,918	1	3,099
26	1 July 32 to 30 June 33	278	42	320	5,530	5,850	1	3,100
27	1 July 33 to 30 June 34	241	26	267	5,530	5,797	1	3,101
28	1 July 34 to 30 June 35	209	16	225	5,530	5,755	1	3,102
29	1 July 35 to 30 June 36	181	10	191	5,530	5,721	1	3,103
30	1 July 36 to 30 June 37	157	6	163	5,334	5,497	1	3,103
31	1 July 37 to 30 June 38	136	4	140	5,014	5,154	0	3,103
32	1 July 38 to 30 June 39	0	334	334	5,014	5,348	0	3,104
33	1 July 39 to 30 June 40	0	209	209	5,014	5,223	0	3,103
34	1 July 40 to 30 June 41	0	131	131	5,014	5,145	0	3,103
35	1 July 41 to 30 June 42	0	82	82	5,014	5,096	0	3,103
36	1 July 42 to 30 June 43	0	51	51	5,014	5,065	0	3,103
37	1 July 43 to 30 June 44	0	32	32	5,014	5,046	0	3,102
38	1 July 44 to 30 June 45	0	20	20	5,014	5,034	0	3,102
39	1 July 45 to 30 June 46	0	12	12	5,014	5,026	0	3,103
40	2046+	0	0	0	29,758	29,758	21	3,124
<b>Totals</b>		<b>17,113</b>	<b>7,746</b>	<b>24,859</b>	<b>215,075</b>	<b>239,934</b>	<b>3,124</b>	<b>3,124</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	14 December 07 to 30 June 08	0	0	0	792	792	0	0
2	1 July 08 to 30 June 09	0	0	0	1,457	1,457	0	0
3	1 July 09 to 30 June 10	58	0	58	2,055	2,113	0	0
4	1 July 10 to 30 June 11	256	0	256	4,088	4,344	0	0
5	1 July 11 to 30 June 12	256	0	256	4,088	4,344	0	0
6	1 July 12 to 30 June 13	256	0	256	4,088	4,344	0	0
7	1 July 13 to 30 June 14	256	0	256	4,088	4,344	0	0
8	1 July 14 to 30 June 15	256	0	256	4,088	4,344	0	0
9	1 July 15 to 30 June 16	256	0	256	4,088	4,344	0	0
10	1 July 16 to 30 June 17	256	0	256	4,088	4,344	0	0
11	1 July 17 to 30 June 18	256	0	256	4,088	4,344	0	0
12	1 July 18 to 30 June 19	256	0	256	4,088	4,344	0	0
13	1 July 19 to 30 June 20	2,368	0	2,368	5,281	7,649	1,886	1,886
14	1 July 20 to 30 June 21	1,773	0	1,773	5,530	7,303	453	2,339
15	1 July 21 to 30 June 22	1,773	0	1,773	5,530	7,303	361	2,700
16	1 July 22 to 30 June 23	1,773	0	1,773	5,530	7,303	361	3,061
17	1 July 23 to 30 June 24	1,773	0	1,773	5,530	7,303	361	3,422
18	1 July 24 to 30 June 25	1,455	0	1,455	5,530	6,985	361	3,783
19	1 July 25 to 30 June 26	1,389	0	1,389	5,530	6,919	361	4,144
20	1 July 26 to 30 June 27	1,389	0	1,389	5,530	6,919	361	4,505
21	1 July 27 to 30 June 28	1,389	0	1,389	5,530	6,919	358	4,863
22	1 July 28 to 30 June 29	1,389	0	1,389	5,530	6,919	341	5,204
23	1 July 29 to 30 June 30	1,049	0	1,049	5,530	6,579	242	5,446
24	1 July 30 to 30 June 31	984	0	984	5,530	6,514	221	5,667
25	1 July 31 to 30 June 32	984	0	984	5,530	6,514	178	5,845
26	1 July 32 to 30 June 33	921	0	921	5,530	6,451	167	6,012
27	1 July 33 to 30 June 34	871	0	871	5,530	6,401	167	6,179
28	1 July 34 to 30 June 35	151	0	151	5,530	5,681	24	6,203
29	1 July 35 to 30 June 36	0	0	0	5,530	5,530	0	6,203
30	1 July 36 to 30 June 37	0	0	0	5,334	5,334	0	6,203
31	1 July 37 to 30 June 38	0	0	0	5,014	5,014	0	6,203
32	1 July 38 to 30 June 39	0	0	0	5,014	5,014	0	6,203
33	1 July 39 to 30 June 40	0	0	0	5,014	5,014	0	6,203
34	1 July 40 to 30 June 41	0	0	0	5,014	5,014	0	6,203
35	1 July 41 to 30 June 42	0	0	0	5,014	5,014	0	6,203
36	1 July 42 to 30 June 43	0	0	0	5,014	5,014	0	6,203
37	1 July 43 to 30 June 44	0	0	0	5,014	5,014	0	6,203
38	1 July 44 to 30 June 45	0	0	0	5,014	5,014	0	6,203
39	1 July 45 to 30 June 46	0	0	0	5,014	5,014	0	6,203
40	2046+	0	0	0	29,758	29,758	0	6,203
<b>Totals</b>		<b>23,794</b>	<b>0</b>	<b>23,794</b>	<b>215,075</b>	<b>238,869</b>	<b>6,203</b>	<b>6,203</b>

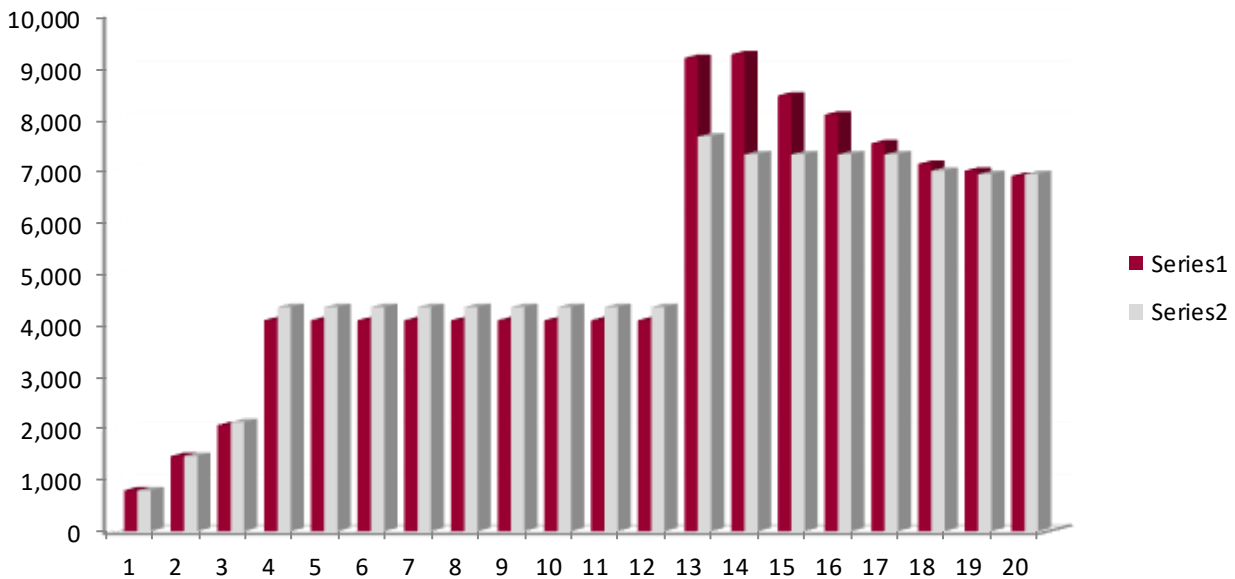
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

### Example

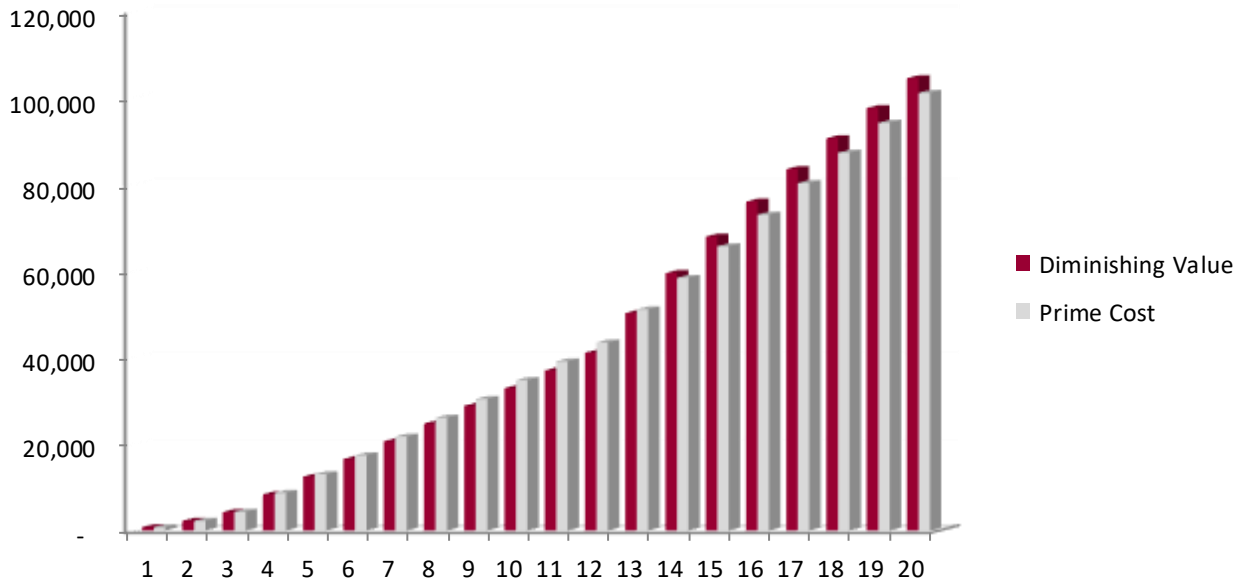
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

## 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	13 October 2007
Settlement Date	14 December 2007
Available To Generate Income	5 October 2019

### Expenditure Analysed

Purchase Price	\$480,000
Stamp Duty	\$23,870
Post Expenditure	\$193,895
<b>Total Expenditure Analysed</b>	<b>\$697,765</b>

### 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:

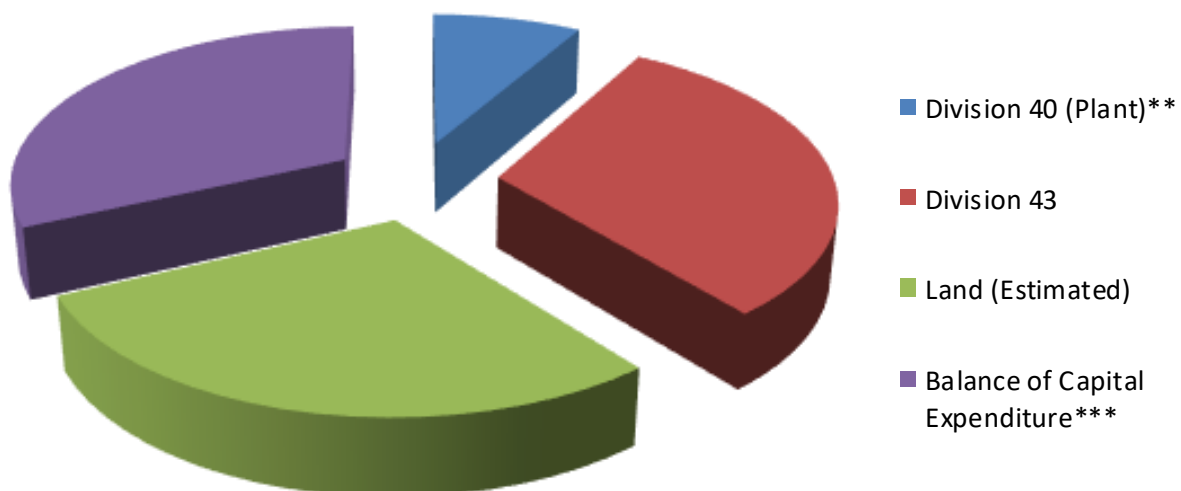
Division 40 (Plant)**	\$58,292
Division 43	\$215,075
Land (Estimated)	\$201,548
Balance of Capital Expenditure***	\$222,850
<b>Total Expenditure Analysed</b>	<b>\$697,765</b>

### 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%	14-Dec-07	6,954	756	1,240	992	793	635	508	406	325	260	208
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	20.00%	14-Dec-07	464	50	83	331							
<b>Curtains and drapes</b>														
	NO	33.33%	14-Dec-07	5,554	1,007	1,516	1,011	674	449	299	200	133	89	59
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	10.00%	14-Dec-07	408	22	39	35	31	28	25	23	21	18	17
<b>Floor coverings ( removable without damage)</b>														
Floating timber	NO	13.33%	14-Dec-07	4,024	292	498	431	374	324	281	243	211	183	158
<b>Furniture</b>														
Furniture	NO	15.00%	14-Dec-07	1,623	132	224	190	162	137	117	99	84	72	61
<b>Garbage disposal</b>														
Garbage bins	NO	30.00%	14-Dec-07	148	24	37	26	18	13	9	6	4	3	2
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	16.67%	14-Dec-07	1,669	151	253	211	176	146	122	102	85	71	59
<b>Kitchen assets</b>														
Cooktops	NO	16.67%	14-Dec-07	788	71	119	597							
Dishwashers	NO	20.00%	14-Dec-07	1,113	121	198	793							
Ovens	NO	16.67%	14-Dec-07	1,020	92	155	773							
Rangehoods	NO	16.67%	14-Dec-07	417	38	63	316							
<b>Lights</b>														
Shades, removable	NO	40.00%	14-Dec-07	1,298	282	406	244	146	88	53	32	19	11	7
<b>Tennis courts</b>														
Equipment	NO	66.66%	14-Dec-07	417	151	177	59	20	7	2	1	0	0	0
<b>Additional Items (Post Expenditure)</b>														
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	20.00%	8-Apr-10	375			17	72	57	46	37	29	23	19
Exhaust fans (including light/heating)	YES	18.75%	1-Sep-19	500										
<b>Blinds Residential</b>														
	YES	20.00%	1-Sep-19	3,545										
<b>Floor coverings ( removable without damage)</b>														
Floating timber	YES	13.33%	1-Sep-19	13,066										
Carried forward				762,853	44,774	3,305	5,199	7,111	2,465	1,884	1,462	1,148	911	730



## 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%	14-Dec-07	6,954	378	695	695	695	695	695	695	695	695	695
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	10.00%	14-Dec-07	464	25	46	392							
<b>Curtains and drapes</b>														
	NO	16.67%	14-Dec-07	5,554	503	926	926	926	926	926	421			
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	5.00%	14-Dec-07	408	11	20	20	20	20	20	20	20	20	20
<b>Floor coverings (removable without damage)</b>														
Floating timber	NO	6.67%	14-Dec-07	4,024	146	268	268	268	268	268	268	268	268	268
<b>Furniture</b>														
Furniture	NO	7.50%	14-Dec-07	1,623	66	122	122	122	122	122	122	122	122	122
	NO	7.50%	14-Dec-07	1,391	57	104	1,230							
<b>Garbage disposal</b>														
Garbage bins	NO	15.00%	14-Dec-07	148	12	22	22	22	22	22	22	4		
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	8.33%	14-Dec-07	1,669	76	139	139	139	139	139	139	139	139	139
<b>Kitchen assets</b>														
Cooktops	NO	8.33%	14-Dec-07	788	36	66	686							
Dishwashers	NO	10.00%	14-Dec-07	1,113	60	111	941							
Ovens	NO	8.33%	14-Dec-07	1,020	46	85	889							
Rangehoods	NO	8.33%	14-Dec-07	417	19	35	363							
<b>Lights</b>														
Shades, removable	NO	20.00%	14-Dec-07	1,298	141	260	260	260	260	117				
<b>Tennis courts</b>														
Equipment	NO	33.33%	14-Dec-07	417	76	139	139	64						
<b>Additional Items (Post Expenditure)</b>					<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	10.00%	08-Apr-10	375			9	38	38	38	38	38	38	38
Exhaust fans (including light/heating)	YES	10.00%	01-Sep-19	500										
<b>Blinds Residential</b>														
	YES	10.00%	01-Sep-19	3,545										
<b>Floor coverings (removable without damage)</b>														
Floating timber	YES	6.67%	01-Sep-19	13,066										
Carried forward				762,853	44,774	1,652	3,038	7,102	2,554	2,490	2,347	1,725	1,286	1,282

## Prime Cost Depreciation Schedule (cont.)

Assets Generally	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>Division 40 - Plant and Equipment</b>														
	Brought forward		762,853	44,774	1,652	3,038	7,102	2,554	2,490	2,347	1,725	1,286	1,282	
Furniture	NO	7.50%	08-Apr-10	1,125			19	84	84	84	84	84	84	84
Furniture	YES	7.50%	01-Sep-19	1,500										
<b>Garage doors, automatic</b>														
Controls	NO	20.00%	08-Apr-10	160			7	32	32	32	32	25		
Motors	NO	10.00%	08-Apr-10	1,200			27	120	120	120	120	120	120	120
<b>Kitchen assets</b>														
Dishwashers	NO	10.00%	08-Apr-10	900			20	90	90	90	90	90	90	90
Dishwashers	YES	10.00%	01-Sep-19	1,200										
Rangehoods	NO	8.33%	08-Apr-10	488			9	41	41	41	41	41	41	41
Rangehoods	YES	8.33%	01-Sep-19	650										
Stoves	NO	6.67%	08-Apr-10	1,875			28	125	125	125	125	125	125	125
Stoves	YES	6.67%	01-Sep-19	2,500										
<b>Lights</b>														
Shades, removable	YES	20.00%	01-Sep-19	1,920										
<b>Pooled Plant Total</b>														
Effective Life Plant Total					1,652	3,038	7,214	3,046	2,982	2,839	2,217	1,771	1,742	1,742
Total Division 40				58,292	1,652	3,038	7,214	3,046	2,982	2,839	2,217	1,771	1,742	1,742
<b>Division 43 - Capital Works Allowance</b>														
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1997		2.50%	14-Dec-07	10,208	190	350	350	350	350	350	350	350	350	350
Building Works - Completed 2010		2.50%	08-Apr-10	105,231			598	2,631	2,631	2,631	2,631	2,631	2,631	2,631
Building Works - Completed 2019		2.50%	01-Sep-19	18,960										
Structural Improvements - Completed 1997		2.50%	14-Dec-07	4,840	90	166	166	166	166	166	166	166	166	166
Structural Improvements - Completed 2007		2.50%	14-Dec-07	37,136	512	941	941	941	941	941	941	941	941	941
Structural Improvements - Completed 2019		2.50%	01-Sep-19	38,700										
Total Division 43				215,075	792	1,457	2,055	4,088	4,088	4,088	4,088	4,088	4,088	4,088
Total Depreciation				273,367	2,444	4,495	9,269	7,134	7,070	6,927	6,305	5,859	5,830	5,830



## 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 1997	2 Jan 97 to 1 Feb 97	14,017	2.50%	350	10,208
Building Works - Completed 2010	23 Jan 10 to 8 Apr 10	105,231	2.50%	2,631	105,231
Building Works - Completed 2019	2 Aug 19 to 1 Sep 19	18,960	2.50%	474	18,960

**Sub-total** 138,208 3,455 134,399

### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1997	2 Jan 97 to 1 Feb 97	6,646	2.50%	166	4,840
Structural Improvements - Completed 2007	2 May 07 to 1 Jun 07	37,642	2.50%	941	37,136
Structural Improvements - Completed 2019	2 Aug 19 to 1 Sep 19	38,700	2.50%	968	38,700

**Sub-total** 82,988 2,075 80,676

**Totals** 221,196 5,530 215,075

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	
<b>Company Name</b>	Koste Pty Ltd
<b>Postal Address</b>	Suite 1, L12/133 Mary Street, Brisbane, Qld 4000
<b>Office Number</b>	1300 669 400
<b>Office Email</b>	info@koste.com.au

## **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>