



Tax Depreciation Report

18 Margaret Court,
Nairne SA 5252

Maia Rabinovich and Melanie Hand
18 Margaret Court
NAIRNE, SA 5252

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

Maia Rabinovich and Melanie Hand
18 Margaret Court
NAIRNE, SA 5252

November 2019
Job No: RES5252002

Tax Depreciation Report – 18 Margaret Court, Nairne SA 5252

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

12 November 2019

Purchaser

Maia Rabinovich and Melanie Hand

Property Address

18 Margaret Court, Nairne SA 5252

Real Property Description

LOT 1053 D67626

Property Type

Residential House

Date of Construction

10 October 1990

Date Available To Generate Income

4 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				
<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	18 November 19 to 30 June 20	0	0	0	2,511	2,511	5,981	5,981
2	1 July 20 to 30 June 21	0	0	0	4,086	4,086	8,736	14,717
3	1 July 21 to 30 June 22	0	0	0	4,086	4,086	6,202	20,920
4	1 July 22 to 30 June 23	0	0	0	4,086	4,086	4,737	25,657
5	1 July 23 to 30 June 24	0	0	0	4,086	4,086	3,283	28,940
6	1 July 24 to 30 June 25	0	0	0	4,086	4,086	2,649	31,589
7	1 July 25 to 30 June 26	0	0	0	4,086	4,086	1,820	33,409
8	1 July 26 to 30 June 27	0	0	0	4,086	4,086	1,431	34,840
9	1 July 27 to 30 June 28	0	0	0	4,086	4,086	990	35,830
10	1 July 28 to 30 June 29	0	0	0	4,086	4,086	705	36,535
11	1 July 29 to 30 June 30	0	0	0	4,086	4,086	518	37,053
12	1 July 30 to 30 June 31	0	0	0	1,661	1,661	393	37,446
13	1 July 31 to 30 June 32	0	0	0	824	824	308	37,755
14	1 July 32 to 30 June 33	0	0	0	824	824	249	38,004
15	1 July 33 to 30 June 34	0	0	0	824	824	206	38,210
16	1 July 34 to 30 June 35	0	0	0	824	824	175	38,385
17	1 July 35 to 30 June 36	0	0	0	824	824	150	38,535
18	1 July 36 to 30 June 37	0	0	0	824	824	131	38,666
19	1 July 37 to 30 June 38	0	0	0	824	824	115	38,781
20	1 July 38 to 30 June 39	0	0	0	824	824	372	39,153
21	1 July 39 to 30 June 40	0	0	0	824	824	232	39,385
22	1 July 40 to 30 June 41	0	0	0	824	824	145	39,530
23	1 July 41 to 30 June 42	0	0	0	824	824	91	39,621
24	1 July 42 to 30 June 43	0	0	0	824	824	57	39,678
25	1 July 43 to 30 June 44	0	0	0	824	824	35	39,713
26	1 July 44 to 30 June 45	0	0	0	824	824	22	39,735
27	1 July 45 to 30 June 46	0	0	0	824	824	14	39,749
28	1 July 46 to 30 June 47	0	0	0	824	824	9	39,758
29	1 July 47 to 30 June 48	0	0	0	824	824	5	39,763
30	1 July 48 to 30 June 49	0	0	0	824	824	3	39,767
31	1 July 49 to 30 June 50	0	0	0	518	518	2	39,769
32	1 July 50 to 30 June 51	0	0	0	0	0	1	39,770
33	1 July 51 to 30 June 52	0	0	0	0	0	1	39,771
34	1 July 52 to 30 June 53	0	0	0	0	0	1	39,771
35	1 July 53 to 30 June 54	0	0	0	0	0	0	39,772
36	1 July 54 to 30 June 55	0	0	0	0	0	0	39,772
37	1 July 55 to 30 June 56	0	0	0	0	0	0	39,772
38	1 July 56 to 30 June 57	0	0	0	0	0	0	39,772
39	1 July 57 to 30 June 58	0	0	0	0	0	0	39,772
40	2058+	0	0	0	0	0	0	39,772
Totals		0	0	0	60,382	60,382	39,772	39,772

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	18 November 19 to 30 June 20	0	0	0	2,511	2,511	4,589	4,589
2	1 July 20 to 30 June 21	0	0	0	4,086	4,086	6,630	11,219
3	1 July 21 to 30 June 22	0	0	0	4,086	4,086	4,992	16,212
4	1 July 22 to 30 June 23	0	0	0	4,086	4,086	3,969	20,181
5	1 July 23 to 30 June 24	0	0	0	4,086	4,086	3,329	23,510
6	1 July 24 to 30 June 25	0	0	0	4,086	4,086	2,929	26,439
7	1 July 25 to 30 June 26	0	0	0	4,086	4,086	2,679	29,119
8	1 July 26 to 30 June 27	0	0	0	4,086	4,086	2,256	31,375
9	1 July 27 to 30 June 28	0	0	0	4,086	4,086	1,751	33,126
10	1 July 28 to 30 June 29	0	0	0	4,086	4,086	1,437	34,563
11	1 July 29 to 30 June 30	0	0	0	4,086	4,086	1,079	35,642
12	1 July 30 to 30 June 31	0	0	0	1,661	1,661	853	36,495
13	1 July 31 to 30 June 32	0	0	0	824	824	605	37,101
14	1 July 32 to 30 June 33	0	0	0	824	824	421	37,522
15	1 July 33 to 30 June 34	0	0	0	824	824	358	37,880
16	1 July 34 to 30 June 35	0	0	0	824	824	354	38,234
17	1 July 35 to 30 June 36	0	0	0	824	824	352	38,586
18	1 July 36 to 30 June 37	0	0	0	824	824	350	38,936
19	1 July 37 to 30 June 38	0	0	0	824	824	349	39,285
20	1 July 38 to 30 June 39	0	0	0	824	824	349	39,634
21	1 July 39 to 30 June 40	0	0	0	824	824	137	39,771
22	1 July 40 to 30 June 41	0	0	0	824	824	0	39,772
23	1 July 41 to 30 June 42	0	0	0	824	824	0	39,772
24	1 July 42 to 30 June 43	0	0	0	824	824	0	39,772
25	1 July 43 to 30 June 44	0	0	0	824	824	0	39,772
26	1 July 44 to 30 June 45	0	0	0	824	824	0	39,772
27	1 July 45 to 30 June 46	0	0	0	824	824	0	39,772
28	1 July 46 to 30 June 47	0	0	0	824	824	0	39,772
29	1 July 47 to 30 June 48	0	0	0	824	824	0	39,772
30	1 July 48 to 30 June 49	0	0	0	824	824	0	39,772
31	1 July 49 to 30 June 50	0	0	0	518	518	0	39,772
32	1 July 50 to 30 June 51	0	0	0	0	0	0	39,772
33	1 July 51 to 30 June 52	0	0	0	0	0	0	39,772
34	1 July 52 to 30 June 53	0	0	0	0	0	0	39,772
35	1 July 53 to 30 June 54	0	0	0	0	0	0	39,772
36	1 July 54 to 30 June 55	0	0	0	0	0	0	39,772
37	1 July 55 to 30 June 56	0	0	0	0	0	0	39,772
38	1 July 56 to 30 June 57	0	0	0	0	0	0	39,772
39	1 July 57 to 30 June 58	0	0	0	0	0	0	39,772
40	2058+	0	0	0	0	0	0	39,772
Totals		0	0	0	60,382	60,382	39,772	39,772

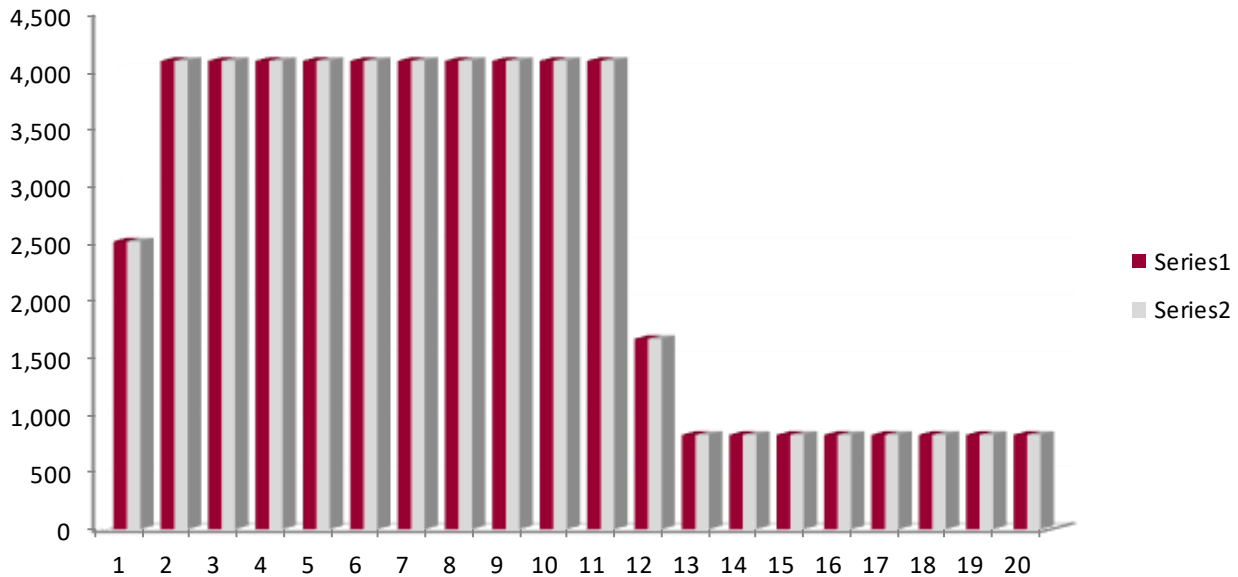
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

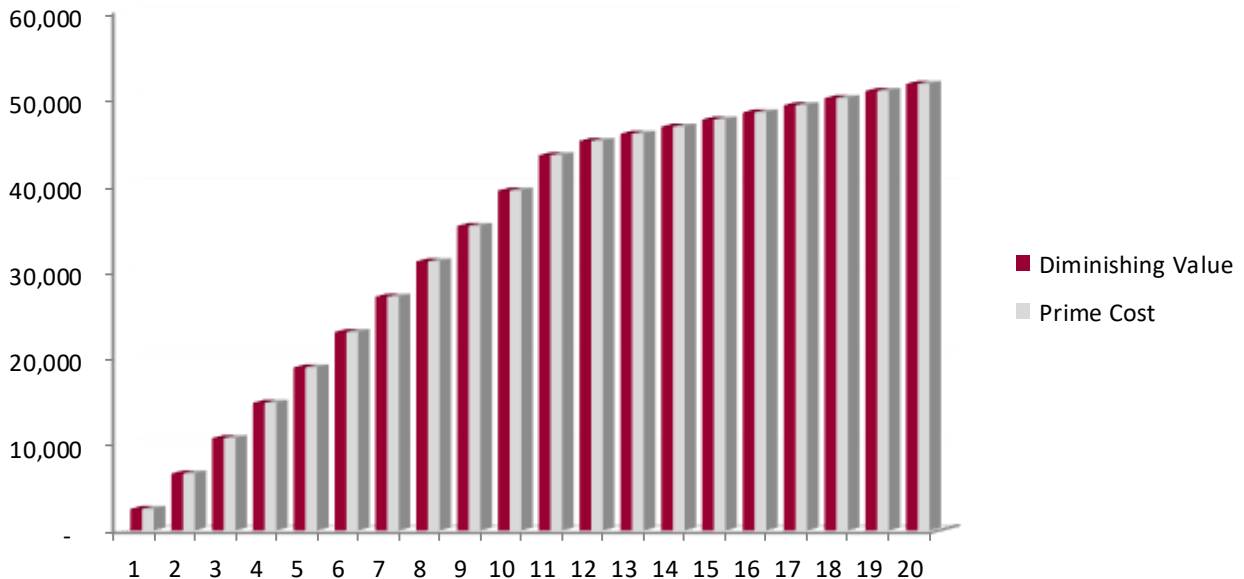
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	19 October 2019
Settlement Date	18 November 2019
Available To Generate Income	4 November 2019

Expenditure Analysed

Purchase Price	\$340,000
Stamp Duty	\$10,325
Total Expenditure Analysed	\$350,325

Historical Construction Details

Construction Start Date	13 January 1990
Construction Completion Date	10 October 1990
Historical Construction Cost (Estimated)*	\$206,298

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

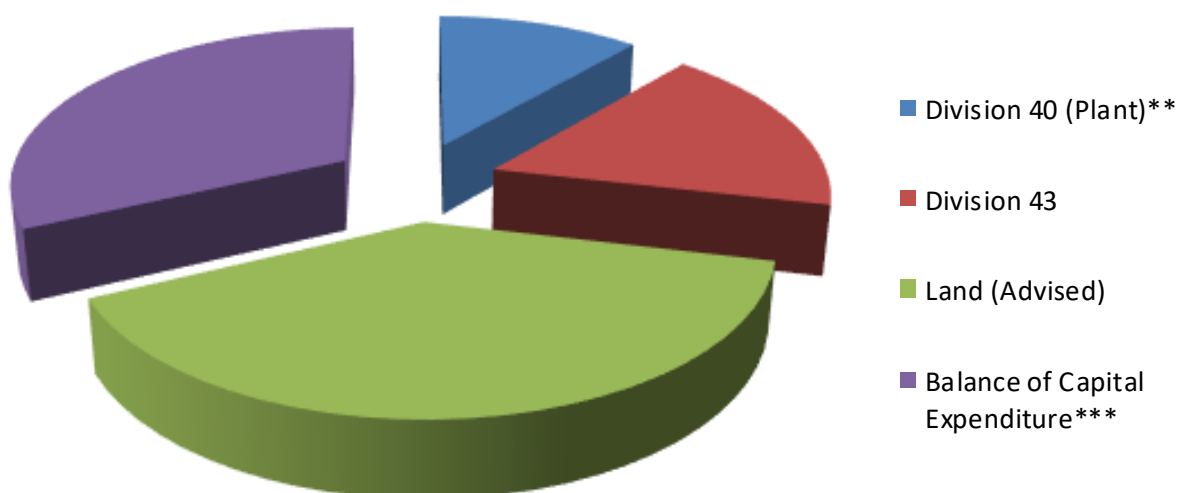
Division 40 (Plant)**	\$39,772
Division 43	\$60,382
Land (Advised)	\$138,069
Balance of Capital Expenditure***	\$112,102
Total Expenditure Analysed	\$350,325

Notes

* The historical construction has been calculated and the eligible qualifying expenditure for the purposes of calculating the Division 43 deductions capital works has been taken from this total by excluding the plant (Division 40) and any non eligible expenditure items

** Some assets in Division 40 (Plant) may not be eligible for yearly depreciation claim but for capital gain deduction only. Please go to Summary of Entitlements and detailed schedules for more information

*** Balance of capital expenditure comprises the apportionment of all capital works which are ineligible for depreciation or capital allowances



10. Diminishing Value Depreciation Schedule

Assets Generally Division 40 - Plant and Equipment	Eligibility For Depreciation	Diminishing Value Rate	Start Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Air-conditioning assets (excl. ducting, pipes & vents)														
Mini split system upto 20KW	NO	20.00%	18-Nov-19	3,730	459	654	523	419	335	268	214	322	201	126
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	18-Nov-19	435	82	133	83	52	32	20	13	8	5	3
Blinds Residential														
	NO	18.75%	18-Nov-19	5,550	1,041	1,691	1,057	661	413	258	161	101	63	39
Ceiling Fans														
	NO	18.75%	18-Nov-19	435	82	133	83	52	32	20	13	8	5	3
Curtains and drapes														
	NO	18.75%	18-Nov-19	2,934	550	894	559	349	218	136	85	53	33	21
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	18-Nov-19	821	154	250	156	98	61	38	24	15	9	6
Floor coverings (removable without damage)														
Carpets	NO	25.00%	18-Nov-19	3,696	568	782	587	440	330	371	232	145	91	57
Furniture														
Furniture	NO	15.00%	18-Nov-19	1,029	95	350	219	137	86	53	33	21	13	8
Furniture	NO	18.75%	18-Nov-19	1,498	281	456	285	178	111	70	44	27	17	11
Garage doors, automatic														
Motors	NO	20.00%	18-Nov-19	1,492	183	262	209	314	196	123	77	48	30	19
Garden sheds, freestanding														
	NO	18.75%	18-Nov-19	622	117	189	118	74	46	29	18	11	7	4
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	18-Nov-19	2,238	229	335	279	232	194	363	227	142	89	55
Kitchen assets														
Cooktops	NO	16.67%	18-Nov-19	1,057	108	356	222	139	87	54	34	21	13	8
Dishwashers	NO	25.00%	18-Nov-19	1,492	229	316	355	222	139	87	54	34	21	13
Ovens	NO	16.67%	18-Nov-19	1,368	140	205	170	320	200	125	78	49	30	19
Rangehoods	NO	18.75%	18-Nov-19	559	105	170	107	67	42	26	16	10	6	4
Lights														
Shades, removable	NO	18.75%	18-Nov-19	1,480	277	451	282	176	110	69	43	27	17	10
Security systems & equipment														
Electronic	NO	30.00%	18-Nov-19	1,865	344	456	319	279	175	109	68	43	27	17
Solar power generating system assets														
	NO	10.00%	18-Nov-19	6,962	428	653	588	529	476	429	386	347	313	281
\$300 items														
	NO	100.00%	18-Nov-19	510	510									
Pooled Plant Total					2,687	5,073	3,526	3,117	1,948	1,952	1,220	1,084	678	423
Effective Life Plant Total					3,294	3,663	2,676	1,620	1,335	697	600	347	313	281
Total Division 40				39,772	5,981	8,736	6,202	4,737	3,283	2,649	1,820	1,431	990	705

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 1990	2.50%	18-Nov-19	32,868	1,858	3,023	3,023	3,023	3,023	3,023	3,023	3,023	3,023	3,023
Building Works - Completed 2010	2.50%	18-Nov-19	6,650	135	220	220	220	220	220	220	220	220	220
Structural Improvements - Completed 1990	2.50%	18-Nov-19	2,594	147	239	239	239	239	239	239	239	239	239
Structural Improvements - Completed 2010	2.50%	18-Nov-19	18,270	371	604	604	604	604	604	604	604	604	604
Total Division 43			60,382	2,511	4,086	4,086	4,086	4,086	4,086	4,086	4,086	4,086	4,086
Total Depreciation			100,154	8,492	12,822	10,288	8,823	7,369	6,735	5,906	5,517	5,076	4,791

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%	18-Nov-19	3,730	229	373	373	373	373	373	373	373	373	373
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	18-Nov-19	435	82	133	83	52	32	20	13	8	5	3
Blinds Residential														
	NO	18.75%	18-Nov-19	5,550	1,041	1,691	1,057	661	413	258	161	101	63	39
Ceiling Fans														
	NO	18.75%	18-Nov-19	435	82	133	83	52	32	20	13	8	5	3
Curtains and drapes														
	NO	18.75%	18-Nov-19	2,934	550	894	559	349	218	136	85	53	33	21
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	18-Nov-19	821	154	250	156	98	61	38	24	15	9	6
Floor coverings (removable without damage)														
Carpets	NO	12.50%	18-Nov-19	3,696	284	462	462	462	462	462	462	462	178	
Furniture														
Furniture	NO	7.50%	18-Nov-19	1,029	47	77	77	77	77	77	77	77	77	77
Furniture	NO	18.75%	18-Nov-19	1,498	281	456	285	178	111	70	44	27	17	11
Garage doors, automatic														
Motors	NO	10.00%	18-Nov-19	1,492	92	149	149	149	149	149	149	149	149	149
Garden sheds, freestanding														
	NO	18.75%	18-Nov-19	622	117	189	118	74	46	29	18	11	7	4
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	18-Nov-19	2,238	115	186	186	186	186	186	186	186	186	186
Kitchen assets														
Cooktops	NO	8.33%	18-Nov-19	1,057	54	88	88	88	88	88	88	88	88	88
Dishwashers	NO	12.50%	18-Nov-19	1,492	115	186	186	186	186	186	186	186	75	
Ovens	NO	8.33%	18-Nov-19	1,368	70	114	114	114	114	114	114	114	114	114
Rangehoods	NO	18.75%	18-Nov-19	559	105	170	107	67	42	26	16	10	6	4
Lights														
Shades, removable	NO	18.75%	18-Nov-19	1,480	277	451	282	176	110	69	43	27	17	10
Security systems & equipment														
Electronic	NO	15.00%	18-Nov-19	1,865	172	280	280	280	280	280	280	13		
Solar power generating system assets														
	NO	5.00%	18-Nov-19	6,962	214	348	348	348	348	348	348	348	348	348
\$300 items														
	NO	100.00%	18-Nov-19	510	510									
Pooled Plant Total					2,687	4,367	2,729	1,706	1,066	666	416	260	163	102
Effective Life Plant Total					1,902	2,263	2,263	2,263	2,263	2,263	2,263	1,996	1,588	1,335
Total Division 40				39,772	4,589	6,630	4,992	3,969	3,329	2,929	2,679	2,256	1,751	1,437

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 1990	2.50%	18-Nov-19	32,868	1,858	3,023	3,023	3,023	3,023	3,023	3,023	3,023	3,023	3,023
Building Works - Completed 2010	2.50%	18-Nov-19	6,650	135	220	220	220	220	220	220	220	220	220
Structural Improvements - Completed 1990	2.50%	18-Nov-19	2,594	147	239	239	239	239	239	239	239	239	239
Structural Improvements - Completed 2010	2.50%	18-Nov-19	18,270	371	604	604	604	604	604	604	604	604	604
Total Division 43			60,382	2,511	4,086	4,086	4,086	4,086	4,086	4,086	4,086	4,086	4,086
Total Depreciation			100,154	7,100	10,716	9,078	8,055	7,415	7,015	6,765	6,342	5,837	5,523

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 1990	13 Jan 90 to 10 Oct 90	120,905	2.50%	3,023	32,868
Building Works - Completed 2010	31 Jan 10 to 15 Feb 10	8,796	2.50%	220	6,650
Sub-total		129,701		3,243	39,518

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1990	13 Jan 90 to 10 Oct 90	9,544	2.50%	239	2,594
Structural Improvements - Completed 2010	31 Jan 10 to 15 Feb 10	24,168	2.50%	604	18,270
Sub-total		33,712		843	20,864
Totals		163,413		4,086	60,382

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>