



## Tax Depreciation Report

102 Thomas Street ,  
Queens Park, WA 6107

Kai Chun Fung  
72 Reginald Street  
QUEENS PARK , WA 6107

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

Kai Chun Fung  
72 Reginald Street  
QUEENS PARK , WA 6107

November 2019  
Job No: RES6107010

### **Tax Depreciation Report – 102 Thomas Street , Queens Park, WA 6107**

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

18 November 2019

### Purchaser

Mai Chun Fung

### Property Address

102 Thomas Street , Queens Park, WA 6107

### Real Property Description

LOT 5 P001682

### Property Type

Residential House

### Date of Construction

Pre 1985

### Date Available To Generate Income

6 September 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								
<p>Under Diminishing Value method, the effective life is dividing by 200.</p> <p><b>200 / 10 Years = 20% (Adjusted Value)</b></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><b>100 / 10 Years = 10% (Straight Line)</b></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 - Division 40*	
		Effective Life	Pooled Plant	Total Div 40			Yearly	Cumulative
1	6 September 19 to 30 June 20	313	0	313	1,634	1,947	8,405	8,405
2	1 July 20 to 30 June 21	370	0	370	2,007	2,377	9,429	17,833
3	1 July 21 to 30 June 22	296	0	296	2,007	2,303	7,401	25,234
4	1 July 22 to 30 June 23	237	0	237	2,007	2,244	5,726	30,960
5	1 July 23 to 30 June 24	0	355	355	2,007	2,362	4,395	35,355
6	1 July 24 to 30 June 25	0	222	222	2,007	2,229	3,405	38,759
7	1 July 25 to 30 June 26	0	139	139	2,007	2,146	2,474	41,234
8	1 July 26 to 30 June 27	0	87	87	2,007	2,094	1,956	43,189
9	1 July 27 to 30 June 28	0	54	54	2,007	2,061	1,580	44,769
10	1 July 28 to 30 June 29	0	34	34	2,007	2,041	1,311	46,080
11	1 July 29 to 30 June 30	0	21	21	2,007	2,028	922	47,002
12	1 July 30 to 30 June 31	0	13	13	2,007	2,020	669	47,671
13	1 July 31 to 30 June 32	0	8	8	2,007	2,015	502	48,173
14	1 July 32 to 30 June 33	0	5	5	2,007	2,012	389	48,562
15	1 July 33 to 30 June 34	0	3	3	2,007	2,010	311	48,873
16	1 July 34 to 30 June 35	0	2	2	1,726	1,728	255	49,127
17	1 July 35 to 30 June 36	0	1	1	1,644	1,645	214	49,342
18	1 July 36 to 30 June 37	0	1	1	1,644	1,645	183	49,525
19	1 July 37 to 30 June 38	0	0	0	1,644	1,644	159	49,684
20	1 July 38 to 30 June 39	0	0	0	1,644	1,644	139	49,823
21	1 July 39 to 30 June 40	0	0	0	1,644	1,644	123	49,946
22	1 July 40 to 30 June 41	0	0	0	1,644	1,644	109	50,055
23	1 July 41 to 30 June 42	0	0	0	1,644	1,644	359	50,415
24	1 July 42 to 30 June 43	0	0	0	1,644	1,644	224	50,639
25	1 July 43 to 30 June 44	0	0	0	1,644	1,644	140	50,779
26	1 July 44 to 30 June 45	0	0	0	1,644	1,644	88	50,867
27	1 July 45 to 30 June 46	0	0	0	1,644	1,644	55	50,922
28	1 July 46 to 30 June 47	0	0	0	1,180	1,180	34	50,956
29	1 July 47 to 30 June 48	0	0	0	1,006	1,006	21	50,978
30	1 July 48 to 30 June 49	0	0	0	1,006	1,006	13	50,991
31	1 July 49 to 30 June 50	0	0	0	1,006	1,006	8	50,999
32	1 July 50 to 30 June 51	0	0	0	1,006	1,006	5	51,005
33	1 July 51 to 30 June 52	0	0	0	1,006	1,006	3	51,008
34	1 July 52 to 30 June 53	0	0	0	1,006	1,006	2	51,010
35	1 July 53 to 30 June 54	0	0	0	1,006	1,006	1	51,011
36	1 July 54 to 30 June 55	0	0	0	1,006	1,006	1	51,012
37	1 July 55 to 30 June 56	0	0	0	1,006	1,006	0	51,012
38	1 July 56 to 30 June 57	0	0	0	1,006	1,006	0	51,013
39	1 July 57 to 30 June 58	0	0	0	1,005	1,005	0	51,013
40	2058+	0	0	0	11	11	0	51,013
<b>Totals</b>		<b>903</b>	<b>945</b>	<b>2,161</b>	<b>61,798</b>	<b>63,959</b>	<b>51,013</b>	<b>51,013</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 - Division 40*	
		Effective Life	Pooled Plant	Total Div 40			Yearly	Cumulative
1	6 September 19 to 30 June 20	157	0	157	1,634	1,791	5,483	5,483
2	1 July 20 to 30 June 21	216	0	216	2,007	2,223	6,683	12,166
3	1 July 21 to 30 June 22	216	0	216	2,007	2,223	5,522	17,688
4	1 July 22 to 30 June 23	216	0	216	2,007	2,223	4,796	22,484
5	1 July 23 to 30 June 24	216	0	216	2,007	2,223	4,342	26,826
6	1 July 24 to 30 June 25	216	0	216	2,007	2,223	4,059	30,884
7	1 July 25 to 30 June 26	216	0	216	2,007	2,223	3,881	34,766
8	1 July 26 to 30 June 27	216	0	216	2,007	2,223	3,771	38,536
9	1 July 27 to 30 June 28	216	0	216	2,007	2,223	2,867	41,403
10	1 July 28 to 30 June 29	216	0	216	2,007	2,223	2,629	44,033
11	1 July 29 to 30 June 30	61	0	61	2,007	2,068	1,393	45,425
12	1 July 30 to 30 June 31	0	0	0	2,007	2,007	1,100	46,526
13	1 July 31 to 30 June 32	0	0	0	2,007	2,007	770	47,296
14	1 July 32 to 30 June 33	0	0	0	2,007	2,007	639	47,935
15	1 July 33 to 30 June 34	0	0	0	2,007	2,007	590	48,525
16	1 July 34 to 30 June 35	0	0	0	1,726	1,726	504	49,029
17	1 July 35 to 30 June 36	0	0	0	1,644	1,644	477	49,505
18	1 July 36 to 30 June 37	0	0	0	1,644	1,644	476	49,981
19	1 July 37 to 30 June 38	0	0	0	1,644	1,644	475	50,456
20	1 July 38 to 30 June 39	0	0	0	1,644	1,644	475	50,931
21	1 July 39 to 30 June 40	0	0	0	1,644	1,644	81	51,012
22	1 July 40 to 30 June 41	0	0	0	1,644	1,644	0	51,012
23	1 July 41 to 30 June 42	0	0	0	1,644	1,644	0	51,012
24	1 July 42 to 30 June 43	0	0	0	1,644	1,644	0	51,012
25	1 July 43 to 30 June 44	0	0	0	1,644	1,644	0	51,012
26	1 July 44 to 30 June 45	0	0	0	1,644	1,644	0	51,012
27	1 July 45 to 30 June 46	0	0	0	1,644	1,644	0	51,012
28	1 July 46 to 30 June 47	0	0	0	1,180	1,180	0	51,012
29	1 July 47 to 30 June 48	0	0	0	1,006	1,006	0	51,012
30	1 July 48 to 30 June 49	0	0	0	1,006	1,006	0	51,012
31	1 July 49 to 30 June 50	0	0	0	1,006	1,006	0	51,012
32	1 July 50 to 30 June 51	0	0	0	1,006	1,006	0	51,012
33	1 July 51 to 30 June 52	0	0	0	1,006	1,006	0	51,012
34	1 July 52 to 30 June 53	0	0	0	1,006	1,006	0	51,012
35	1 July 53 to 30 June 54	0	0	0	1,006	1,006	0	51,012
36	1 July 54 to 30 June 55	0	0	0	1,006	1,006	0	51,012
37	1 July 55 to 30 June 56	0	0	0	1,006	1,006	0	51,012
38	1 July 56 to 30 June 57	0	0	0	1,006	1,006	0	51,012
39	1 July 57 to 30 June 58	0	0	0	1,005	1,005	0	51,012
40	2058+	0	0	0	11	11	0	51,012
<b>Totals</b>		<b>2,162</b>	<b>0</b>	<b>2,162</b>	<b>61,798</b>	<b>63,960</b>	<b>51,012</b>	<b>51,012</b>

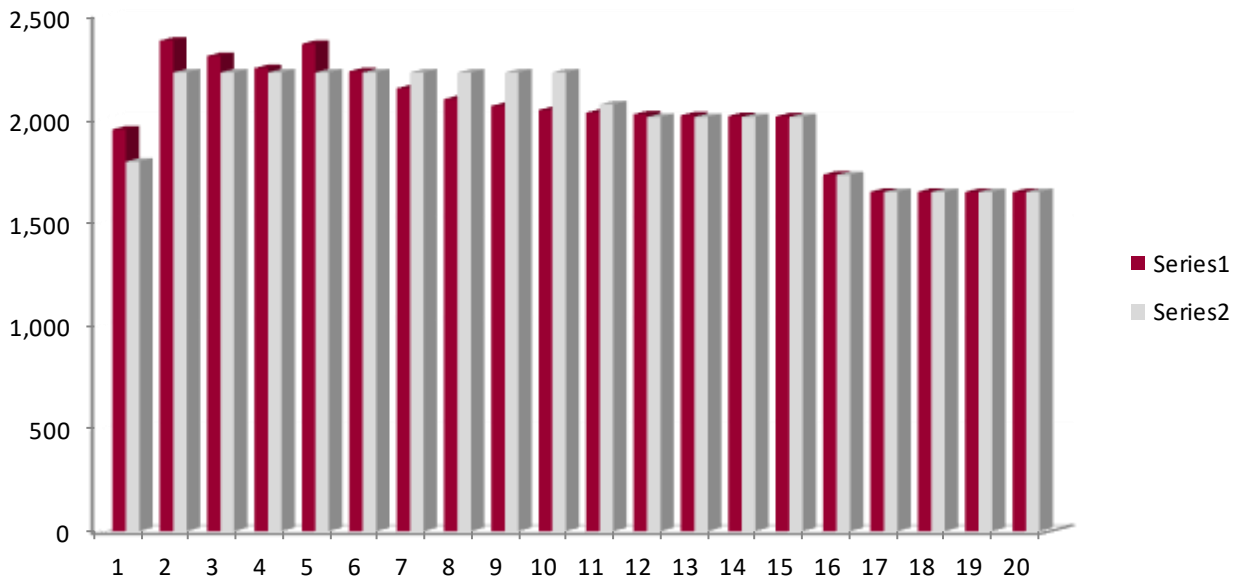
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

### Example

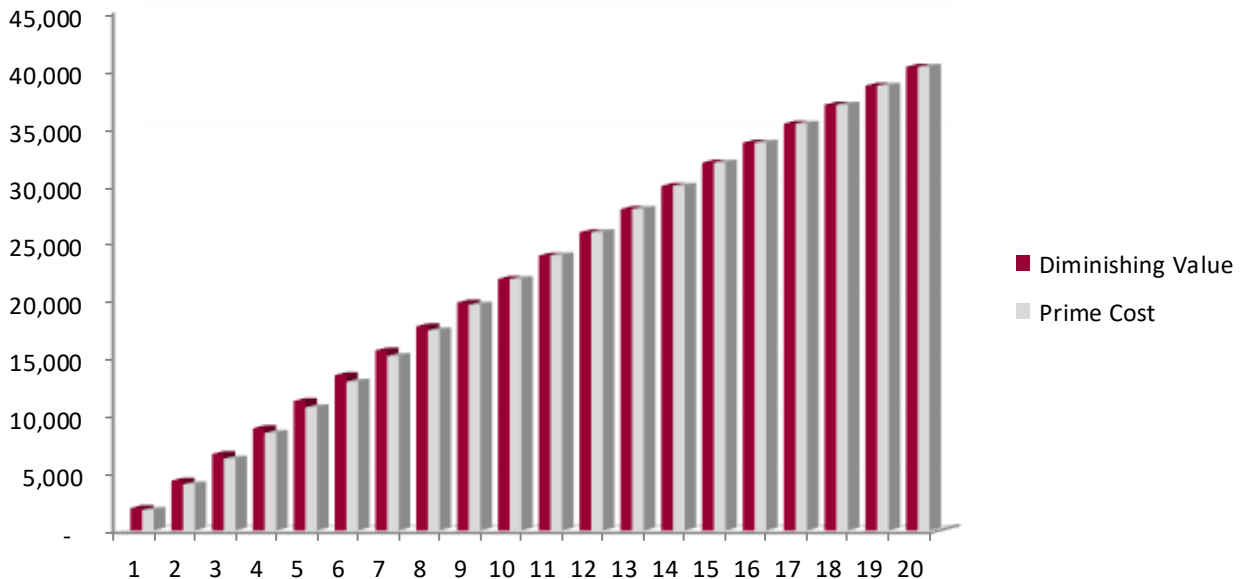
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

## 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 August 2019
Settlement Date	6 September 2019
Available To Generate Income	6 September 2019

### Expenditure Analysed

Purchase Price	\$530,000
Stamp Duty	\$17,050
Post Expenditure	\$2,162
<b>Total Expenditure Analysed</b>	<b>\$549,212</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:

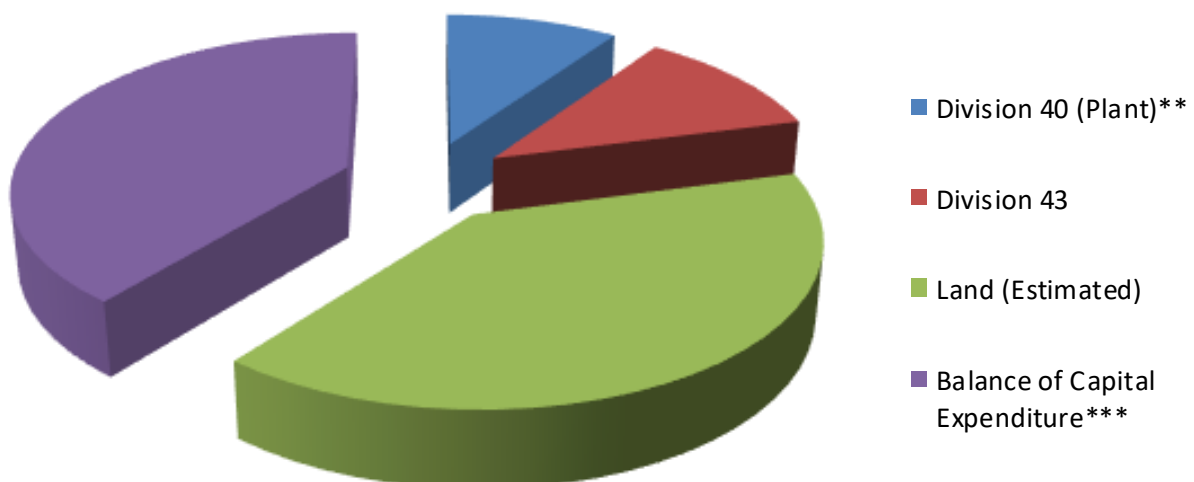
Division 40 (Plant)**	\$53,174
Division 43	\$61,798
Land (Estimated)	\$218,820
Balance of Capital Expenditure***	\$215,420
<b>Total Expenditure Analysed</b>	<b>\$549,212</b>

### 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	Eligibility	Diminishing													
Division 40 - Plant and Equipment	For Depreciation	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%	6-Sep-19	4,639	755	777	621	497	398	318	255	204	305	191	
<b>Blinds Residential</b>															
	NO	18.75%	6-Sep-19	3,812	715	1,161	726	454	284	177	111	69	43	27	
<b>Curtains and drapes</b>															
	NO	18.75%	6-Sep-19	714	134	218	136	85	53	33	21	13	8	5	
<b>Fire control assets</b>															
Detection & alarm systems, detectors	NO	18.75%	6-Sep-19	1,134	213	346	216	135	84	53	33	21	13	8	
<b>Floor coverings ( removable without damage)</b>															
Carpets	NO	25.00%	6-Sep-19	6,689	1,362	1,332	999	749	562	421	316	356	222	139	
Floating timber	NO	13.33%	6-Sep-19	1,641	178	195	169	146	357	223	139	87	54	34	
Linoleum & vinyl	NO	20.00%	6-Sep-19	6,795	1,107	1,138	910	728	583	466	373	298	239	358	
<b>Furniture</b>															
Furniture	NO	15.00%	6-Sep-19	1,160	142	153	325	203	127	79	50	31	19	12	
Furniture	NO	18.75%	6-Sep-19	1,424	267	434	271	169	106	66	41	26	16	10	
<b>Garage doors, automatic</b>															
Motors	NO	20.00%	6-Sep-19	1,546	252	259	207	311	194	121	76	47	30	19	
<b>Garden sheds, freestanding</b>															
	NO	20.00%	6-Sep-19	644	105	202	126	79	49	31	19	12	8	5	
<b>Hot water systems (excluding piping)</b>															
Gas or electric	NO	16.67%	6-Sep-19	2,320	315	334	278	232	193	363	227	142	89	55	
<b>Kitchen assets</b>															
Cooktops	NO	16.67%	6-Sep-19	1,095	149	355	222	139	87	54	34	21	13	8	
Dishwashers	NO	25.00%	6-Sep-19	1,546	315	308	346	217	135	85	53	33	21	13	
Ovens	NO	16.67%	6-Sep-19	1,418	192	204	170	319	199	125	78	49	30	19	
<b>Lights</b>															
Shades, removable	NO	18.75%	6-Sep-19	2,113	396	644	402	252	157	98	61	38	24	15	
<b>Pumps</b>															
	NO	18.75%	6-Sep-19	967	181	294	184	115	72	45	28	18	11	7	
<b>Solar power generating system assets</b>															
	NO	10.00%	6-Sep-19	9,472	771	870	783	705	634	571	514	462	416	375	
<b>Swimming pools</b>															
Filtration equipment	NO	20.00%	6-Sep-19	1,224	199	205	307	192	120	75	47	29	18	11	
<b>\$300 items</b>															
	NO	100.00%	6-Sep-19	657	657										
<b>Additional Items (Post Expenditure)</b>															
	Eligibility				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	YES	20.00%	9-Oct-19	2,162	313	370	296	237	355	222	139	87	54	34	
<b>Pooled Plant Total</b>															
					1,906	3,654	3,262	2,669	2,380	1,850	1,156	1,078	979	970	
<b>Effective Life Plant Total</b>															
					6,812	6,144	4,434	3,294	2,370	1,776	1,457	964	655	375	
<b>Total Division 40</b>															
					53,174	8,718	9,799	7,697	5,963	4,750	3,627	2,613	2,043	1,634	1,345

## 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 1994	2.50%	06-Sep-19	4,094	221	272	272	272	272	272	272	272	272	272
Building Works - Completed 2006	2.50%	06-Sep-19	14,006	421	517	517	517	517	517	517	517	517	517
Building Works - Completed 2018	2.50%	06-Sep-19	33,779	708	870	870	870	870	870	870	870	870	870
Structural Improvements - Completed 1994	2.50%	06-Sep-19	1,365	74	91	91	91	91	91	91	91	91	91
Structural Improvements - Completed 2006	2.50%	06-Sep-19	3,276	99	121	121	121	121	121	121	121	121	121
Structural Improvements - Completed 2018	2.50%	06-Sep-19	5,278	111	136	136	136	136	136	136	136	136	136
<b>Total Division 43</b>			<b>61,798</b>	<b>1,634</b>	<b>2,007</b>	<b>2,007</b>	<b>2,007</b>	<b>2,007</b>	<b>2,007</b>	<b>2,007</b>	<b>2,007</b>	<b>2,007</b>	<b>2,007</b>
<b>Total Depreciation</b>			<b>114,972</b>	<b>10,352</b>	<b>11,806</b>	<b>9,704</b>	<b>7,970</b>	<b>6,757</b>	<b>5,634</b>	<b>4,620</b>	<b>4,050</b>	<b>3,641</b>	<b>3,352</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%	06-Sep-19	4,639	378	464	464	464	464	464	464	464	464	464
<b>Blinds Residential</b>														
	NO	18.75%	06-Sep-19	3,812	715	1,161	726	454	284	177	111	69	43	27
<b>Curtains and drapes</b>														
	NO	18.75%	06-Sep-19	714	134	218	136	85	53	33	21	13	8	5
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	06-Sep-19	1,134	213	346	216	135	84	53	33	21	13	8
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	12.50%	06-Sep-19	6,689	681	836	836	836	836	836	836	836	157	
Floating timber	NO	6.67%	06-Sep-19	1,641	89	109	109	109	109	109	109	109	109	109
Linoleum & vinyl	NO	10.00%	06-Sep-19	6,795	553	680	680	680	680	680	680	680	680	680
<b>Furniture</b>														
Furniture	NO	7.50%	06-Sep-19	1,160	71	87	87	87	87	87	87	87	87	87
Furniture	NO	18.75%	06-Sep-19	1,424	267	434	271	169	106	66	41	26	16	10
<b>Garage doors, automatic</b>														
Motors	NO	10.00%	06-Sep-19	1,546	126	155	155	155	155	155	155	155	155	155
<b>Garden sheds, freestanding</b>														
	NO	10.00%	06-Sep-19	644	52	64	64	64	64	64	64	64	64	64
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	8.33%	06-Sep-19	2,320	157	193	193	193	193	193	193	193	193	193
<b>Kitchen assets</b>														
Cooktops	NO	8.33%	06-Sep-19	1,095	74	91	91	91	91	91	91	91	91	91
Dishwashers	NO	12.50%	06-Sep-19	1,546	157	193	193	193	193	193	193	193	38	
Ovens	NO	8.33%	06-Sep-19	1,418	96	118	118	118	118	118	118	118	118	118
<b>Lights</b>														
Shades, removable	NO	18.75%	06-Sep-19	2,113	396	644	402	252	157	98	61	38	24	15
<b>Pumps</b>														
	NO	18.75%	06-Sep-19	967	181	294	184	115	72	45	28	18	11	7
<b>Solar power generating system assets</b>														
	NO	5.00%	06-Sep-19	9,472	386	474	474	474	474	474	474	474	474	474
<b>Swimming pools</b>														
Filtration equipment	NO	10.00%	06-Sep-19	1,224	100	122	122	122	122	122	122	122	122	122
<b>\$300 items</b>														
	NO	100.00%	06-Sep-19	657	657									
<b>Additional Items (Post Expenditure)</b>														
	Eligibility				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	YES	10.00%	09-Oct-19	2,162	157	216	216	216	216	216	216	216	216	216
<b>Pooled Plant Total</b>					1,906	3,097	1,936	1,210	756	473	295	185	115	72
<b>Effective Life Plant Total</b>					3,734	3,802	3,802	3,802	3,802	3,802	3,802	3,802	2,968	2,773
<b>Total Division 40</b>				53,174	5,640	6,899	5,738	5,012	4,558	4,275	4,097	3,987	3,083	2,845

## 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 1994	2.50%	06-Sep-19	4,094	221	272	272	272	272	272	272	272	272	272
Building Works - Completed 2006	2.50%	06-Sep-19	14,006	421	517	517	517	517	517	517	517	517	517
Building Works - Completed 2018	2.50%	06-Sep-19	33,779	708	870	870	870	870	870	870	870	870	870
Structural Improvements - Completed 1994	2.50%	06-Sep-19	1,365	74	91	91	91	91	91	91	91	91	91
Structural Improvements - Completed 2006	2.50%	06-Sep-19	3,276	99	121	121	121	121	121	121	121	121	121
Structural Improvements - Completed 2018	2.50%	06-Sep-19	5,278	111	136	136	136	136	136	136	136	136	136
<b>Total Division 43</b>			61,798	1,634	2,007	2,007	2,007	2,007	2,007	2,007	2,007	2,007	2,007
<b>Total Depreciation</b>			114,972	7,274	8,906	7,745	7,019	6,565	6,282	6,104	5,994	5,090	4,852



## 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 1994	12 Sep 94 to 3 Oct 94	10,876	2.50%	272	4,094
Building Works - Completed 2006	29 Sep 06 to 20 Oct 06	20,664	2.50%	517	14,006
Building Works - Completed 2018	13 Jun 18 to 4 Jul 18	34,802	2.50%	870	33,779
<b>Sub-total</b>		<b>66,341</b>		<b>1,659</b>	<b>51,879</b>

### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1994	12 Sep 94 to 3 Oct 94	3,625	2.50%	91	1,365
Structural Improvements - Completed 2006	29 Sep 06 to 20 Oct 06	4,834	2.50%	121	3,276
Structural Improvements - Completed 2018	13 Jun 18 to 4 Jul 18	5,438	2.50%	136	5,278
<b>Sub-total</b>		<b>13,897</b>		<b>348</b>	<b>9,919</b>
<b>Totals</b>		<b>80,238</b>		<b>2,007</b>	<b>61,798</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	
Company Name	Koste Pty Ltd
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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>