



Tax Depreciation Report

51 / 1 Norris Street,
Pacific Pines, QLD 4211

Andre Boiteux and Catherine Boiteux
13 Moorea Court
PACIFIC PINES, QLD 4211

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

Andre Boiteux and Catherine Boiteux
13 Moorea Court
PACIFIC PINES, QLD 4211

November 2019
Job No: RES4211063

Tax Depreciation Report – 51/1 Norris Street, Pacific Pines, QLD 4211

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

26 November 2019

Purchaser

Andre Boiteux and Catherine Boiteux

Property Address

51/1 Norris Street, Pacific Pines, QLD 4211

Real Property Description

51/SP254755

Property Type

Residential House

Date of Construction

12 December 2013

Date Available To Generate Income

9 July 2018

Property Photo



2. Report Details

2.1 Introduction

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

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

Division 40 (Capital Allowances)

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

Division 40 (Capital Allowances) - Low Value Pool

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

Division 43 (Capital Works)

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

3. Capital Allowances

3.1 Entitlement

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

3.2 Qualifying Expenditure Calculation

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

3.3 Effective Life

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

3.4 Immediate Write-Off Assets

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

3.5 Low Value Pool

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

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

3.6 Method of Depreciation

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

Diminishing Value Method					Prime Cost Method				
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"> • 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				
Under Diminishing Value method, the effective life is dividing by 200.					Under Prime Cost method, the effective life is dividing by 100.				
200 / 10 Years = 20% (Adjusted Value)					100 / 10 Years = 10% (Straight Line)				
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	8 July 14 to 30 June 15	0	0	0	5,032	5,032	0	0
2	1 July 15 to 30 June 16	0	0	0	5,145	5,145	0	0
3	1 July 16 to 30 June 17	0	0	0	5,145	5,145	0	0
4	1 July 17 to 30 June 18	0	0	0	5,145	5,145	0	0
5	1 July 18 to 30 June 19	0	0	0	5,145	5,145	4,330	4,330
6	1 July 19 to 30 June 20	0	0	0	5,145	5,145	3,127	7,457
7	1 July 20 to 30 June 21	0	0	0	5,145	5,145	2,651	10,108
8	1 July 21 to 30 June 22	0	0	0	5,145	5,145	1,873	11,980
9	1 July 22 to 30 June 23	0	0	0	5,145	5,145	1,347	13,328
10	1 July 23 to 30 June 24	0	0	0	5,145	5,145	1,138	14,466
11	1 July 24 to 30 June 25	0	0	0	5,145	5,145	955	15,421
12	1 July 25 to 30 June 26	0	0	0	5,145	5,145	639	16,061
13	1 July 26 to 30 June 27	0	0	0	5,145	5,145	640	16,701
14	1 July 27 to 30 June 28	0	0	0	5,145	5,145	400	17,101
15	1 July 28 to 30 June 29	0	0	0	5,145	5,145	250	17,351
16	1 July 29 to 30 June 30	0	0	0	5,145	5,145	156	17,507
17	1 July 30 to 30 June 31	0	0	0	5,145	5,145	98	17,605
18	1 July 31 to 30 June 32	0	0	0	5,145	5,145	61	17,666
19	1 July 32 to 30 June 33	0	0	0	5,145	5,145	38	17,704
20	1 July 33 to 30 June 34	0	0	0	5,145	5,145	24	17,728
21	1 July 34 to 30 June 35	0	0	0	5,145	5,145	15	17,743
22	1 July 35 to 30 June 36	0	0	0	5,145	5,145	9	17,752
23	1 July 36 to 30 June 37	0	0	0	5,145	5,145	6	17,758
24	1 July 37 to 30 June 38	0	0	0	5,145	5,145	4	17,762
25	1 July 38 to 30 June 39	0	0	0	5,145	5,145	2	17,764
26	1 July 39 to 30 June 40	0	0	0	5,145	5,145	1	17,765
27	1 July 40 to 30 June 41	0	0	0	5,145	5,145	1	17,766
28	1 July 41 to 30 June 42	0	0	0	5,145	5,145	1	17,767
29	1 July 42 to 30 June 43	0	0	0	5,145	5,145	0	17,767
30	1 July 43 to 30 June 44	0	0	0	5,145	5,145	0	17,767
31	1 July 44 to 30 June 45	0	0	0	5,145	5,145	0	17,767
32	1 July 45 to 30 June 46	0	0	0	5,145	5,145	0	17,767
33	1 July 46 to 30 June 47	0	0	0	5,145	5,145	0	17,768
34	1 July 47 to 30 June 48	0	0	0	5,145	5,145	0	17,768
35	1 July 48 to 30 June 49	0	0	0	5,145	5,145	0	17,768
36	1 July 49 to 30 June 50	0	0	0	5,145	5,145	0	17,768
37	1 July 50 to 30 June 51	0	0	0	5,145	5,145	0	17,768
38	1 July 51 to 30 June 52	0	0	0	5,145	5,145	0	17,768
39	1 July 52 to 30 June 53	0	0	0	5,145	5,145	0	17,768
40	2053+	0	0	0	2,322	2,322	0	17,768
Totals		0	0	0	202,864	202,864	17,768	17,768

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	8 July 14 to 30 June 15	0	0	0	5,032	5,032	0	0
2	1 July 15 to 30 June 16	0	0	0	5,145	5,145	0	0
3	1 July 16 to 30 June 17	0	0	0	5,145	5,145	0	0
4	1 July 17 to 30 June 18	0	0	0	5,145	5,145	0	0
5	1 July 18 to 30 June 19	0	0	0	5,145	5,145	4,084	4,084
6	1 July 19 to 30 June 20	0	0	0	5,145	5,145	3,538	7,622
7	1 July 20 to 30 June 21	0	0	0	5,145	5,145	3,511	11,133
8	1 July 21 to 30 June 22	0	0	0	5,145	5,145	3,483	14,616
9	1 July 22 to 30 June 23	0	0	0	5,145	5,145	3,483	18,099
10	1 July 23 to 30 June 24	0	0	0	5,145	5,145	3,483	21,582
11	1 July 24 to 30 June 25	0	0	0	5,145	5,145	1,160	22,743
12	1 July 25 to 30 June 26	0	0	0	5,145	5,145	1,107	23,850
13	1 July 26 to 30 June 27	0	0	0	5,145	5,145	557	24,407
14	1 July 27 to 30 June 28	0	0	0	5,145	5,145	249	24,656
15	1 July 28 to 30 June 29	0	0	0	5,145	5,145	75	24,731
16	1 July 29 to 30 June 30	0	0	0	5,145	5,145	75	24,806
17	1 July 30 to 30 June 31	0	0	0	5,145	5,145	75	24,881
18	1 July 31 to 30 June 32	0	0	0	5,145	5,145	75	24,956
19	1 July 32 to 30 June 33	0	0	0	5,145	5,145	75	25,031
20	1 July 33 to 30 June 34	0	0	0	5,145	5,145	75	25,106
21	1 July 34 to 30 June 35	0	0	0	5,145	5,145	5	25,111
22	1 July 35 to 30 June 36	0	0	0	5,145	5,145	0	25,111
23	1 July 36 to 30 June 37	0	0	0	5,145	5,145	0	25,111
24	1 July 37 to 30 June 38	0	0	0	5,145	5,145	0	25,111
25	1 July 38 to 30 June 39	0	0	0	5,145	5,145	0	25,111
26	1 July 39 to 30 June 40	0	0	0	5,145	5,145	0	25,111
27	1 July 40 to 30 June 41	0	0	0	5,145	5,145	0	25,111
28	1 July 41 to 30 June 42	0	0	0	5,145	5,145	0	25,111
29	1 July 42 to 30 June 43	0	0	0	5,145	5,145	0	25,111
30	1 July 43 to 30 June 44	0	0	0	5,145	5,145	0	25,111
31	1 July 44 to 30 June 45	0	0	0	5,145	5,145	0	25,111
32	1 July 45 to 30 June 46	0	0	0	5,145	5,145	0	25,111
33	1 July 46 to 30 June 47	0	0	0	5,145	5,145	0	25,111
34	1 July 47 to 30 June 48	0	0	0	5,145	5,145	0	25,111
35	1 July 48 to 30 June 49	0	0	0	5,145	5,145	0	25,111
36	1 July 49 to 30 June 50	0	0	0	5,145	5,145	0	25,111
37	1 July 50 to 30 June 51	0	0	0	5,145	5,145	0	25,111
38	1 July 51 to 30 June 52	0	0	0	5,145	5,145	0	25,111
39	1 July 52 to 30 June 53	0	0	0	5,145	5,145	0	25,111
40	2053+	0	0	0	2,322	2,322	0	25,111
Totals		0	0	0	202,864	202,864	25,111	25,111

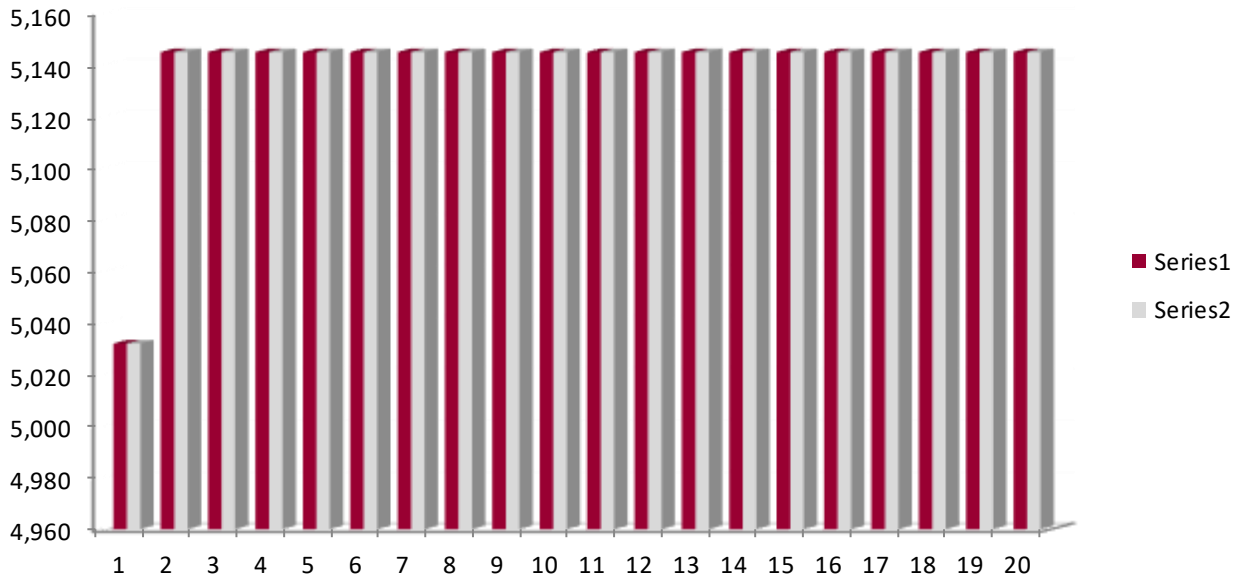
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

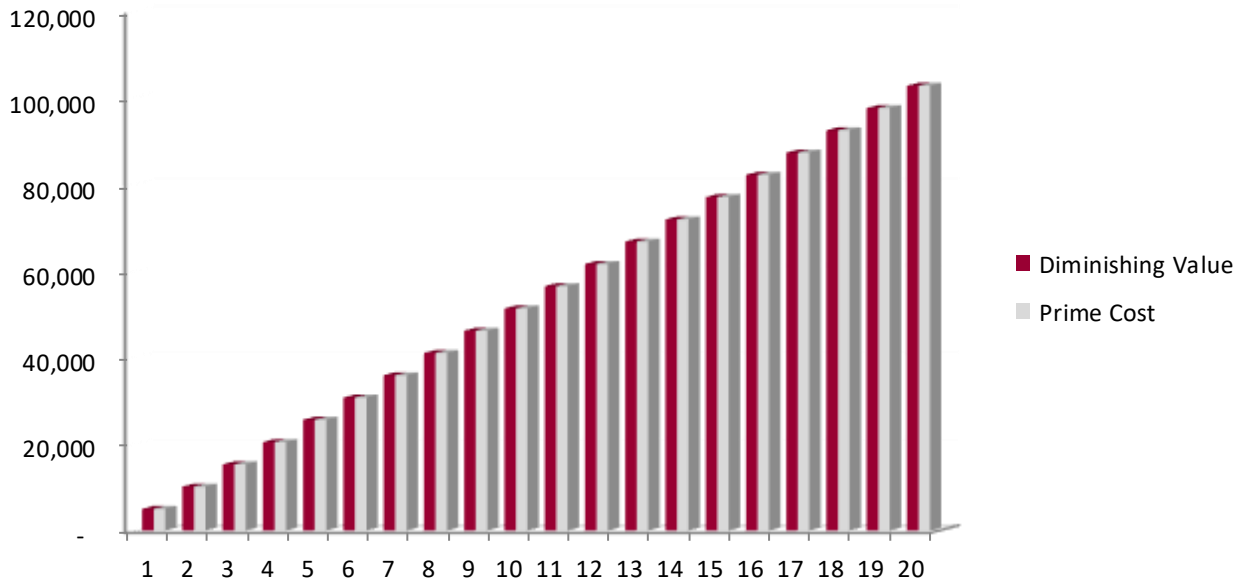
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	30 May 2014
Settlement Date	8 July 2014
Available To Generate Income	9 July 2018

Expenditure Analysed

Purchase Price	\$370,000
Stamp Duty	\$4,200
Legals	\$1,155
Total Expenditure Analysed	\$375,355

Historical Construction Details

Construction Start Date	15 February 2013
Construction Completion Date	12 December 2013
Historical Construction Cost (Estimated)*	\$238,665

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

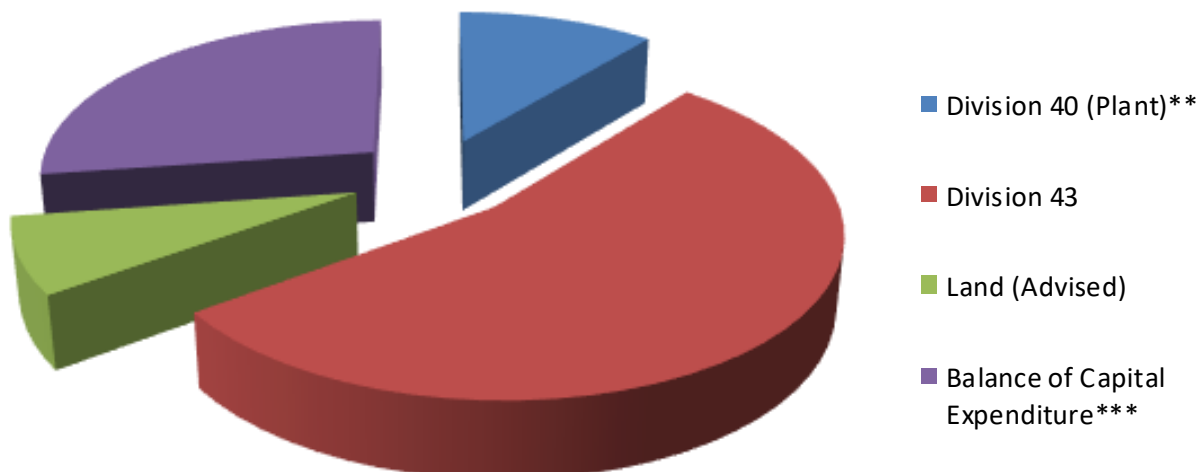
Division 40 (Plant)**	\$41,358
Division 43	\$202,864
Land (Advised)	\$28,717
Balance of Capital Expenditure***	\$102,416
Total Expenditure Analysed	\$375,355

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
Air-conditioning assets (excl. ducting, pipes & vents)														
Mini split system upto 20KW	NO	20.00%	8-Jul-14	8,202	1,604	1,319	1,056	844	676	540	432	346	277	221
Bathroom assets														
Exhaust fans (including light/heating)	NO	20.00%	8-Jul-14	1,281	251	206	165	132	198	124	77	48	30	19
Blinds Residential														
	NO	20.00%	8-Jul-14	3,759	735	605	484	387	310	248	372	232	145	91
Fire control assets														
Detection & alarm systems, detectors	NO	10.00%	8-Jul-14	1,504	147	136	122	110	371	232	145	91	57	35
Floor coverings (removable without damage)														
Carpets	NO	20.00%	8-Jul-14	6,407	1,253	1,031	825	660	528	422	338	270	216	324
Furniture														
	NO	15.00%	8-Jul-14	6,365	934	815	693	589	500	425	361	307	261	222
Garage doors, automatic														
Controls	NO	40.00%	8-Jul-14	290	114	71	42	25	14	9	6	3	2	1
Motors	NO	20.00%	8-Jul-14	2,050	401	330	264	211	317	198	124	77	48	30
Garbage disposal														
Garbage bins	NO	30.00%	8-Jul-14	273	80	58	41	28	25	16	10	6	4	2
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	8-Jul-14	2,563	418	358	298	248	207	172	323	202	126	79
Kitchen assets														
Cooktops	NO	16.67%	8-Jul-14	1,452	237	203	169	141	264	165	103	64	40	25
Dishwashers	NO	20.00%	8-Jul-14	2,050	401	330	264	211	317	198	124	77	48	30
Ovens	NO	16.67%	8-Jul-14	1,880	306	262	218	182	341	213	133	83	52	33
Rangehoods	NO	16.67%	8-Jul-14	769	125	107	89	74	140	87	55	34	21	13
Lights														
Shades, removable	NO	40.00%	8-Jul-14	2,512	983	612	367	220	124	77	48	30	19	12
Pooled Plant Total									2,110	1,319	1,519	949	593	695
Effective Life Plant Total									2,220	1,808	1,132	923	754	443
Total Division 40				41,358	7,990	6,441	5,096	4,063	4,330	3,127	2,651	1,873	1,347	1,138
Division 43 - Capital Works Allowance														
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2013		2.50%	08-Jul-14	190,530	4,726	4,832	4,832	4,832	4,832	4,832	4,832	4,832	4,832	4,832
Structural Improvements - Completed 2013		2.50%	08-Jul-14	12,334	306	313	313	313	313	313	313	313	313	313
Total Division 43				202,864	5,032	5,145	5,145	5,145	5,145	5,145	5,145	5,145	5,145	5,145
Total Depreciation				244,222	13,022	11,586	10,241	9,208	9,475	8,272	7,796	7,018	6,492	6,283

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%	08-Jul-14	8,202	802	820	820	820	820	820	820	820	820	820
Bathroom assets														
Exhaust fans (including light/heating)	NO	10.00%	08-Jul-14	1,281	125	128	128	128	128	128	128	128	128	128
Blinds Residential														
	NO	10.00%	08-Jul-14	3,759	368	376	376	376	376	376	376	376	376	376
Fire control assets														
Detection & alarm systems, detectors	NO	5.00%	08-Jul-14	1,504	74	75	75	75	75	75	75	75	75	75
Floor coverings (removable without damage)														
Carpets	NO	10.00%	08-Jul-14	6,407	627	641	641	641	641	641	641	641	641	641
Furniture														
	NO	7.50%	08-Jul-14	6,365	467	477	477	477	477	477	477	477	477	477
Garage doors, automatic														
Controls	NO	20.00%	08-Jul-14	290	57	58	58	58	58	2				
Motors	NO	10.00%	08-Jul-14	2,050	201	205	205	205	205	205	205	205	205	205
Garbage disposal														
Garbage bins	NO	15.00%	08-Jul-14	273	40	41	41	41	41	41	28			
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	08-Jul-14	2,563	209	214	214	214	214	214	214	214	214	214
Kitchen assets														
Cooktops	NO	8.33%	08-Jul-14	1,452	118	121	121	121	121	121	121	121	121	121
Dishwashers	NO	10.00%	08-Jul-14	2,050	201	205	205	205	205	205	205	205	205	205
Ovens	NO	8.33%	08-Jul-14	1,880	153	157	157	157	157	157	157	157	157	157
Rangehoods	NO	8.33%	08-Jul-14	769	63	64	64	64	64	64	64	64	64	64
Lights														
Shades, removable	NO	20.00%	08-Jul-14	2,512	491	502	502	502	502	12				
Pooled Plant Total														
Effective Life Plant Total						3,995	4,084	4,084	4,084	4,084	3,538	3,511	3,483	3,483
Total Division 40					41,358	3,995	4,084	4,084	4,084	4,084	3,538	3,511	3,483	3,483
Division 43 - Capital Works Allowance														
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2013		2.50%	08-Jul-14	190,530	4,726	4,832	4,832	4,832	4,832	4,832	4,832	4,832	4,832	4,832
Structural Improvements - Completed 2013		2.50%	08-Jul-14	12,334	306	313	313	313	313	313	313	313	313	313
Total Division 43				202,864	5,032	5,145	5,145	5,145	5,145	5,145	5,145	5,145	5,145	5,145
Total Depreciation				244,222	9,027	9,229	9,229	9,229	9,229	8,683	8,656	8,628	8,628	8,628

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 2013	15 Feb 13 to 12 Dec 13	193,284	2.50%	4,832	190,530
Sub-total		193,284		4,832	190,530

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2013	15 Feb 13 to 12 Dec 13	12,512	2.50%	313	12,334
Sub-total		12,512		313	12,334
Totals		205,796		5,145	202,864

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	
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>