



Tax Depreciation Report

79 Birdwood Drive,
Blue Haven, NSW 2262

Greg Georgantis and Vicky Korbakis
79 Birdwood Drive
BLUE HAVEN, NSW 2262

Issue Schedule	
Issue Date:	Issued by:
06 December 2019	Mark Kilroy Bsc (Hons) MRICS

Greg Georgantis and Vicky Korbakis
79 Birdwood Drive
BLUE HAVEN, NSW 2262

December 2019
Job No: RES2262001

Tax Depreciation Report – 79 Birdwood Drive, Blue Haven, NSW 2262

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

6 December 2019

Purchaser

Greg Georgantis and Vicky Korbakis

Property Address

79 Birdwood Drive, Blue Haven, NSW 2262

Real Property Description

LOT 158 DP218002

Property Type

Residential House

Date of Construction

Pre 1985

Date Available To Generate Income

13 September 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				
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"> • 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) 				
Calculation Example				
Under Diminishing Value method, the effective life is dividing by 200.				
200 / 10 Years = 20% (Adjusted Value)				
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"> • Write off assets when they are demolished or disposed. 				
Calculation Example				
Under Prime Cost method, the effective life is dividing by 100.				
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.				
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 - Division 40*	
		Effective Life	Pooled Plant	Total Div 40			Yearly	Cumulative
1	13 September 18 to 30 June 19	0	0	0	2,552	2,552	10,196	10,196
2	1 July 19 to 30 June 20	0	0	0	3,213	3,213	12,285	22,481
3	1 July 20 to 30 June 21	0	0	0	3,213	3,213	9,033	31,514
4	1 July 21 to 30 June 22	0	0	0	3,213	3,213	6,985	38,499
5	1 July 22 to 30 June 23	0	0	0	3,213	3,213	5,717	44,216
6	1 July 23 to 30 June 24	0	0	0	3,213	3,213	4,187	48,403
7	1 July 24 to 30 June 25	0	0	0	3,213	3,213	3,304	51,708
8	1 July 25 to 30 June 26	0	0	0	3,213	3,213	2,453	54,161
9	1 July 26 to 30 June 27	0	0	0	3,213	3,213	1,854	56,015
10	1 July 27 to 30 June 28	0	0	0	3,213	3,213	1,424	57,439
11	1 July 28 to 30 June 29	0	0	0	3,213	3,213	1,110	58,548
12	1 July 29 to 30 June 30	0	0	0	3,213	3,213	876	59,424
13	1 July 30 to 30 June 31	0	0	0	3,213	3,213	1,009	60,432
14	1 July 31 to 30 June 32	0	0	0	3,213	3,213	695	61,127
15	1 July 32 to 30 June 33	0	0	0	3,213	3,213	490	61,617
16	1 July 33 to 30 June 34	0	0	0	2,950	2,950	354	61,971
17	1 July 34 to 30 June 35	0	0	0	2,854	2,854	263	62,235
18	1 July 35 to 30 June 36	0	0	0	2,854	2,854	437	62,671
19	1 July 36 to 30 June 37	0	0	0	2,854	2,854	273	62,944
20	1 July 37 to 30 June 38	0	0	0	2,854	2,854	171	63,115
21	1 July 38 to 30 June 39	0	0	0	2,854	2,854	107	63,222
22	1 July 39 to 30 June 40	0	0	0	2,620	2,620	67	63,288
23	1 July 40 to 30 June 41	0	0	0	2,214	2,214	42	63,330
24	1 July 41 to 30 June 42	0	0	0	2,214	2,214	26	63,356
25	1 July 42 to 30 June 43	0	0	0	2,214	2,214	16	63,372
26	1 July 43 to 30 June 44	0	0	0	2,214	2,214	10	63,382
27	1 July 44 to 30 June 45	0	0	0	2,214	2,214	6	63,389
28	1 July 45 to 30 June 46	0	0	0	2,214	2,214	4	63,393
29	1 July 46 to 30 June 47	0	0	0	2,214	2,214	2	63,395
30	1 July 47 to 30 June 48	0	0	0	2,214	2,214	2	63,397
31	1 July 48 to 30 June 49	0	0	0	899	899	1	63,398
32	1 July 49 to 30 June 50	0	0	0	794	794	1	63,398
33	1 July 50 to 30 June 51	0	0	0	794	794	0	63,399
34	1 July 51 to 30 June 52	0	0	0	794	794	0	63,399
35	1 July 52 to 30 June 53	0	0	0	794	794	0	63,399
36	1 July 53 to 30 June 54	0	0	0	794	794	0	63,399
37	1 July 54 to 30 June 55	0	0	0	794	794	0	63,399
38	1 July 55 to 30 June 56	0	0	0	794	794	0	63,399
39	1 July 56 to 30 June 57	0	0	0	794	794	0	63,399
40	2057+	0	0	0	791	791	0	63,399
Totals		0	0	0	93,128	93,128	63,399	63,399

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	13 September 18 to 30 June 19	0	0	0	2,552	2,552	6,747	6,747
2	1 July 19 to 30 June 20	0	0	0	3,213	3,213	9,270	16,017
3	1 July 20 to 30 June 21	0	0	0	3,213	3,213	7,421	23,438
4	1 July 21 to 30 June 22	0	0	0	3,213	3,213	6,266	29,705
5	1 July 22 to 30 June 23	0	0	0	3,213	3,213	5,544	35,249
6	1 July 23 to 30 June 24	0	0	0	3,213	3,213	5,093	40,342
7	1 July 24 to 30 June 25	0	0	0	3,213	3,213	4,771	45,113
8	1 July 25 to 30 June 26	0	0	0	3,213	3,213	4,336	49,449
9	1 July 26 to 30 June 27	0	0	0	3,213	3,213	4,226	53,675
10	1 July 27 to 30 June 28	0	0	0	3,213	3,213	4,157	57,831
11	1 July 28 to 30 June 29	0	0	0	3,213	3,213	1,851	59,682
12	1 July 29 to 30 June 30	0	0	0	3,213	3,213	1,240	60,922
13	1 July 30 to 30 June 31	0	0	0	3,213	3,213	846	61,768
14	1 July 31 to 30 June 32	0	0	0	3,213	3,213	736	62,503
15	1 July 32 to 30 June 33	0	0	0	3,213	3,213	729	63,232
16	1 July 33 to 30 June 34	0	0	0	2,950	2,950	156	63,388
17	1 July 34 to 30 June 35	0	0	0	2,854	2,854	4	63,392
18	1 July 35 to 30 June 36	0	0	0	2,854	2,854	3	63,395
19	1 July 36 to 30 June 37	0	0	0	2,854	2,854	2	63,396
20	1 July 37 to 30 June 38	0	0	0	2,854	2,854	1	63,397
21	1 July 38 to 30 June 39	0	0	0	2,854	2,854	1	63,398
22	1 July 39 to 30 June 40	0	0	0	2,620	2,620	0	63,399
23	1 July 40 to 30 June 41	0	0	0	2,214	2,214	0	63,399
24	1 July 41 to 30 June 42	0	0	0	2,214	2,214	0	63,399
25	1 July 42 to 30 June 43	0	0	0	2,214	2,214	0	63,399
26	1 July 43 to 30 June 44	0	0	0	2,214	2,214	0	63,399
27	1 July 44 to 30 June 45	0	0	0	2,214	2,214	0	63,399
28	1 July 45 to 30 June 46	0	0	0	2,214	2,214	0	63,399
29	1 July 46 to 30 June 47	0	0	0	2,214	2,214	0	63,399
30	1 July 47 to 30 June 48	0	0	0	2,214	2,214	0	63,399
31	1 July 48 to 30 June 49	0	0	0	899	899	0	63,399
32	1 July 49 to 30 June 50	0	0	0	794	794	0	63,399
33	1 July 50 to 30 June 51	0	0	0	794	794	0	63,399
34	1 July 51 to 30 June 52	0	0	0	794	794	0	63,399
35	1 July 52 to 30 June 53	0	0	0	794	794	0	63,399
36	1 July 53 to 30 June 54	0	0	0	794	794	0	63,399
37	1 July 54 to 30 June 55	0	0	0	794	794	0	63,399
38	1 July 55 to 30 June 56	0	0	0	794	794	0	63,399
39	1 July 56 to 30 June 57	0	0	0	794	794	0	63,399
40	2057+	0	0	0	791	791	0	63,399
Totals		0	0	0	93,128	93,128	63,399	63,399

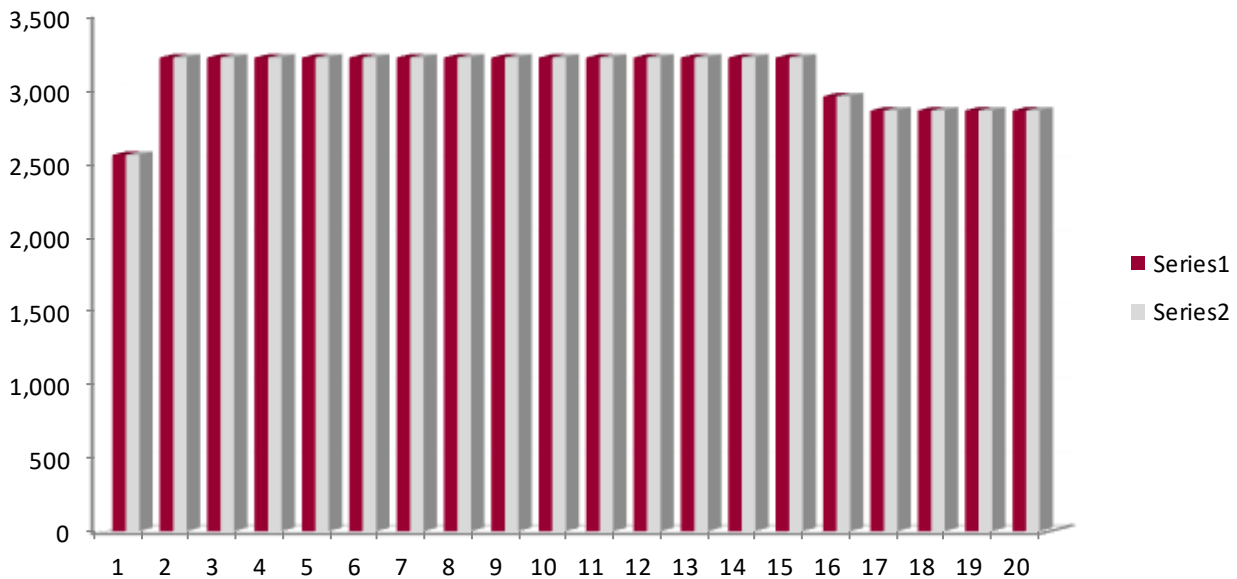
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

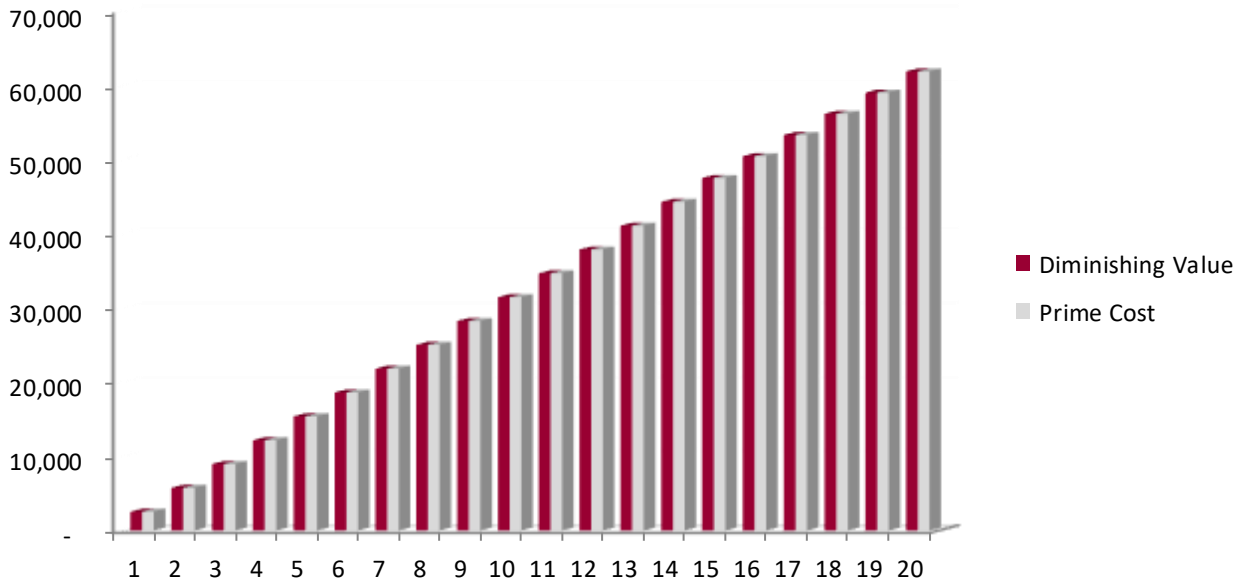
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	26 July 2018
Settlement Date	13 September 2018
Available To Generate Income	13 September 2018

Expenditure Analysed

Purchase Price	\$710,000
Stamp Duty	\$27,382
Total Expenditure Analysed	\$737,382

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)**	\$63,399
Division 43	\$93,128
Land (Advised)	\$251,333
Balance of Capital Expenditure***	\$329,522
Total Expenditure Analysed	\$737,382

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%	13-Sep-18	12,447	1,978	2,094	1,675	1,340	1,072	858	686	549	439	351
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	13-Sep-18	830	156	253	158	99	62	39	24	15	9	6
Ceiling Fans	NO	18.75%	13-Sep-18	1,245	233	379	237	148	93	58	36	23	14	9
Curtains and drapes	NO	18.75%	13-Sep-18	2,252	422	686	429	268	168	105	65	41	26	16
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	13-Sep-18	1,460	274	445	278	174	109	68	42	27	17	10
Floor coverings (removable without damage)														
Carpets	NO	20.00%	13-Sep-18	12,039	1,913	2,025	1,620	1,296	1,037	829	664	531	425	340
Floating timber	NO	13.33%	13-Sep-18	10,772	1,141	1,284	1,113	964	836	724	628	544	472	409
Furniture	NO	18.75%	13-Sep-18	5,112	958	1,557	973	608	380	238	149	93	58	36
Garage doors, automatic														
Motors	NO	20.00%	13-Sep-18	1,992	316	335	268	214	322	201	126	79	49	31
Garbage disposal														
Garbage bins	NO	18.75%	13-Sep-18	398	75	121	76	47	30	19	12	7	5	3
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	13-Sep-18	2,489	330	360	300	250	208	174	325	203	127	79
Kitchen assets														
Cooktops	NO	16.67%	13-Sep-18	1,411	187	204	170	319	199	124	78	49	30	19
Dishwashers	NO	20.00%	13-Sep-18	1,992	316	335	268	214	322	201	126	79	49	31
Ovens	NO	16.67%	13-Sep-18	1,826	242	264	220	183	344	215	134	84	52	33
Rangehoods	NO	18.75%	13-Sep-18	747	140	228	142	89	56	35	22	14	8	5
Laundry assets														
Clothes dryers	NO	18.75%	13-Sep-18	747	140	228	142	89	56	35	22	14	8	5
Lights														
Shades, removable	NO	18.75%	13-Sep-18	3,386	635	1,032	645	403	252	157	98	61	38	24
Security systems & equipment														
Electronic	NO	30.00%	13-Sep-18	1,992	475	455	319	279	174	109	68	43	27	17
\$300 items	NO	100.00%	13-Sep-18	266	266									
Pooled Plant Total					3,033	4,929	3,080	2,523	2,564	1,602	1,327	829	518	324
Effective Life Plant Total					7,163	7,356	5,953	4,463	3,153	2,585	1,978	1,624	1,335	1,100
Total Division 40				63,399	10,196	12,285	9,033	6,985	5,717	4,187	3,304	2,453	1,854	1,424

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 1993	2.50%	13-Sep-18	4,267	225	283	283	283	283	283	283	283	283	283
Building Works - Completed 2000	2.50%	13-Sep-18	11,448	424	534	534	534	534	534	534	534	534	534
Building Works - Completed 2008	2.50%	13-Sep-18	35,645	948	1,193	1,193	1,193	1,193	1,193	1,193	1,193	1,193	1,193
Building Works - Completed 2018	2.50%	13-Sep-18	24,987	499	628	628	628	628	628	628	628	628	628
Structural Improvements - Completed 1993	2.50%	13-Sep-18	1,140	60	76	76	76	76	76	76	76	76	76
Structural Improvements - Completed 2000	2.50%	13-Sep-18	2,266	84	106	106	106	106	106	106	106	106	106
Structural Improvements - Completed 2008	2.50%	13-Sep-18	6,768	180	227	227	227	227	227	227	227	227	227
Structural Improvements - Completed 2018	2.50%	13-Sep-18	6,607	132	166	166	166	166	166	166	166	166	166
Total Division 43			93,128	2,552	3,213	3,213	3,213	3,213	3,213	3,213	3,213	3,213	3,213
Total Depreciation			156,527	12,748	15,498	12,246	10,198	8,930	7,400	6,517	5,666	5,067	4,637

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%	13-Sep-18	12,447	989	1,245	1,245	1,245	1,245	1,245	1,245	1,245	1,245	1,245
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	13-Sep-18	830	156	253	158	99	62	39	24	15	9	6
Ceiling Fans	NO	18.75%	13-Sep-18	1,245	233	379	237	148	93	58	36	23	14	9
Curtains and drapes	NO	18.75%	13-Sep-18	2,252	422	686	429	268	168	105	65	41	26	16
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	13-Sep-18	1,460	274	445	278	174	109	68	42	27	17	10
Floor coverings (removable without damage)														
Carpets	NO	10.00%	13-Sep-18	12,039	957	1,204	1,204	1,204	1,204	1,204	1,204	1,204	1,204	1,204
Floating timber	NO	6.67%	13-Sep-18	10,772	571	718	718	718	718	718	718	718	718	718
Furniture	NO	18.75%	13-Sep-18	5,112	958	1,557	973	608	380	238	149	93	58	36
Garage doors, automatic														
Motors	NO	10.00%	13-Sep-18	1,992	158	199	199	199	199	199	199	199	199	199
Garbage disposal														
Garbage bins	NO	18.75%	13-Sep-18	398	75	121	76	47	30	19	12	7	5	3
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	13-Sep-18	2,489	165	207	207	207	207	207	207	207	207	207
Kitchen assets														
Cooktops	NO	8.33%	13-Sep-18	1,411	93	118	118	118	118	118	118	118	118	118
Dishwashers	NO	10.00%	13-Sep-18	1,992	158	199	199	199	199	199	199	199	199	199
Ovens	NO	8.33%	13-Sep-18	1,826	121	152	152	152	152	152	152	152	152	152
Rangehoods	NO	18.75%	13-Sep-18	747	140	228	142	89	56	35	22	14	8	5
Laundry assets														
Clothes dryers	NO	18.75%	13-Sep-18	747	140	228	142	89	56	35	22	14	8	5
Lights														
Shades, removable	NO	18.75%	13-Sep-18	3,386	635	1,032	645	403	252	157	98	61	38	24
Security systems & equipment														
Electronic	NO	15.00%	13-Sep-18	1,992	237	299	299	299	299	299	259			
\$300 items	NO	100.00%	13-Sep-18	266	266									
Pooled Plant Total					3,033	4,929	3,080	1,925	1,203	752	470	294	184	115
Effective Life Plant Total					3,714	4,341	4,341	4,341	4,341	4,341	4,301	4,042	4,042	4,042
Total Division 40				63,399	6,747	9,270	7,421	6,266	5,544	5,093	4,771	4,336	4,226	4,157

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 1993	2.50%	13-Sep-18	4,267	225	283	283	283	283	283	283	283	283	283
Building Works - Completed 2000	2.50%	13-Sep-18	11,448	424	534	534	534	534	534	534	534	534	534
Building Works - Completed 2008	2.50%	13-Sep-18	35,645	948	1,193	1,193	1,193	1,193	1,193	1,193	1,193	1,193	1,193
Building Works - Completed 2018	2.50%	13-Sep-18	24,987	499	628	628	628	628	628	628	628	628	628
Structural Improvements - Completed 1993	2.50%	13-Sep-18	1,140	60	76	76	76	76	76	76	76	76	76
Structural Improvements - Completed 2000	2.50%	13-Sep-18	2,266	84	106	106	106	106	106	106	106	106	106
Structural Improvements - Completed 2008	2.50%	13-Sep-18	6,768	180	227	227	227	227	227	227	227	227	227
Structural Improvements - Completed 2018	2.50%	13-Sep-18	6,607	132	166	166	166	166	166	166	166	166	166
Total Division 43			93,128	2,552	3,213	3,213	3,213	3,213	3,213	3,213	3,213	3,213	3,213
Total Depreciation			156,527	9,299	12,483	10,634	9,479	8,757	8,306	7,984	7,549	7,439	7,370

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 1993	1 Oct 93 to 22 Oct 93	11,311	2.50%	283	4,267
Building Works - Completed 2000	2 Feb 00 to 23 Feb 00	21,365	2.50%	534	11,448
Building Works - Completed 2008	1 May 08 to 30 Jul 08	47,732	2.50%	1,193	35,645
Building Works - Completed 2018	29 May 18 to 19 Jun 18	25,135	2.50%	628	24,987

Sub-total 105,542 2,638 76,347

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1993	1 Oct 93 to 22 Oct 93	3,021	2.50%	76	1,140
Structural Improvements - Completed 2000	2 Feb 00 to 23 Feb 00	4,229	2.50%	106	2,266
Structural Improvements - Completed 2008	1 May 08 to 30 Jul 08	9,063	2.50%	227	6,768
Structural Improvements - Completed 2018	29 May 18 to 19 Jun 18	6,646	2.50%	166	6,607

Sub-total 22,960 575 16,781

Totals 128,501 3,213 93,128

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>