



Tax Depreciation Report

Unit 202/ 79–87 Princes Highway,
Kogarah, NSW 2217

Amanda Wong
Unit 2 18 Gladstone Street
BEXLEY, NSW 2207

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

Amanda Wong
Unit 2 18 Gladstone Street
BEXLEY, NSW 2207

December 2019
Job No: RES2217002

Tax Depreciation Report – Unit 202/ 79-87 Princes Highway, Kogarah, NSW 2217

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

10 December 2019

Purchaser

Amanda Wong

Property Address

Unit 202/ 79-87 Princes Highway, Kogarah, NSW 2217

Real Property Description

LOT 11 SP87059

Property Type

Residential Unit

Date of Construction

10 October 2015

Date Available To Generate Income

31 October 2019

Property Photo



2. Report Details

2.1 Introduction

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

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

Division 40 (Capital Allowances)

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

Division 40 (Capital Allowances) - Low Value Pool

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

Division 43 (Capital Works)

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

3. Capital Allowances

3.1 Entitlement

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

3.2 Qualifying Expenditure Calculation

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

3.3 Effective Life

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

3.4 Immediate Write-Off Assets

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

3.5 Low Value Pool

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

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

3.6 Method of Depreciation

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

Diminishing Value Method					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	15 December 17 to 30 June 18	104	0	104	4,207	4,311	0	0
2	1 July 18 to 30 June 19	650	0	650	7,825	8,475	0	0
3	1 July 19 to 30 June 20	563	0	563	7,825	8,388	10,423	10,423
4	1 July 20 to 30 June 21	488	0	488	7,825	8,313	8,202	18,626
5	1 July 21 to 30 June 22	423	0	423	7,825	8,248	6,474	25,100
6	1 July 22 to 30 June 23	367	0	367	7,825	8,192	5,168	30,268
7	1 July 23 to 30 June 24	318	0	318	7,825	8,143	4,188	34,456
8	1 July 24 to 30 June 25	276	0	276	7,825	8,101	3,247	37,704
9	1 July 25 to 30 June 26	239	0	239	7,825	8,064	2,745	40,449
10	1 July 26 to 30 June 27	207	0	207	7,825	8,032	2,154	42,603
11	1 July 27 to 30 June 28	179	0	179	7,825	8,004	1,871	44,474
12	1 July 28 to 30 June 29	155	0	155	7,825	7,980	1,671	46,145
13	1 July 29 to 30 June 30	135	0	135	7,825	7,960	1,284	47,430
14	1 July 30 to 30 June 31	0	328	328	7,825	8,153	1,019	48,448
15	1 July 31 to 30 June 32	0	205	205	7,825	8,030	831	49,279
16	1 July 32 to 30 June 33	0	128	128	7,825	7,953	834	50,113
17	1 July 33 to 30 June 34	0	80	80	7,825	7,905	652	50,766
18	1 July 34 to 30 June 35	0	50	50	7,825	7,875	530	51,295
19	1 July 35 to 30 June 36	0	31	31	7,825	7,856	445	51,740
20	1 July 36 to 30 June 37	0	20	20	7,825	7,845	384	52,124
21	1 July 37 to 30 June 38	0	12	12	7,825	7,837	339	52,463
22	1 July 38 to 30 June 39	0	8	8	7,825	7,833	304	52,768
23	1 July 39 to 30 June 40	0	5	5	7,825	7,830	276	53,044
24	1 July 40 to 30 June 41	0	3	3	7,825	7,828	254	53,298
25	1 July 41 to 30 June 42	0	2	2	7,825	7,827	234	53,531
26	1 July 42 to 30 June 43	0	1	1	7,825	7,826	216	53,748
27	1 July 43 to 30 June 44	0	1	1	7,825	7,826	200	53,948
28	1 July 44 to 30 June 45	0	0	0	7,825	7,825	187	54,135
29	1 July 45 to 30 June 46	0	0	0	7,825	7,825	174	54,309
30	1 July 46 to 30 June 47	0	0	0	7,825	7,825	162	54,471
31	1 July 47 to 30 June 48	0	0	0	7,825	7,825	151	54,622
32	1 July 48 to 30 June 49	0	0	0	7,825	7,825	141	54,763
33	1 July 49 to 30 June 50	0	0	0	7,825	7,825	131	54,894
34	1 July 50 to 30 June 51	0	0	0	7,825	7,825	123	55,017
35	1 July 51 to 30 June 52	0	0	0	7,825	7,825	114	55,131
36	1 July 52 to 30 June 53	0	0	0	7,825	7,825	107	55,238
37	1 July 53 to 30 June 54	0	0	0	7,825	7,825	100	55,337
38	1 July 54 to 30 June 55	0	0	0	7,825	7,825	93	55,430
39	1 July 55 to 30 June 56	0	0	0	2,202	2,202	87	55,517
40	2056+	0	0	0	52	52	1,214	56,731
Totals		4,000	874	4,978	295,986	300,964	56,731	56,731

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	15 December 17 to 30 June 18	52	0	52	4,207	4,259	0	0
2	1 July 18 to 30 June 19	332	0	332	7,825	8,157	0	0
3	1 July 19 to 30 June 20	332	0	332	7,825	8,157	6,572	6,572
4	1 July 20 to 30 June 21	332	0	332	7,825	8,157	6,572	13,144
5	1 July 21 to 30 June 22	332	0	332	7,825	8,157	6,572	19,716
6	1 July 22 to 30 June 23	332	0	332	7,825	8,157	6,085	25,801
7	1 July 23 to 30 June 24	332	0	332	7,825	8,157	5,668	31,469
8	1 July 24 to 30 June 25	332	0	332	7,825	8,157	5,344	36,813
9	1 July 25 to 30 June 26	332	0	332	7,825	8,157	5,295	42,108
10	1 July 26 to 30 June 27	332	0	332	7,825	8,157	5,295	47,403
11	1 July 27 to 30 June 28	332	0	332	7,825	8,157	3,475	50,877
12	1 July 28 to 30 June 29	332	0	332	7,825	8,157	1,925	52,802
13	1 July 29 to 30 June 30	332	0	332	7,825	8,157	1,482	54,284
14	1 July 30 to 30 June 31	332	0	332	7,825	8,157	1,017	55,301
15	1 July 31 to 30 June 32	332	0	332	7,825	8,157	721	56,022
16	1 July 32 to 30 June 33	280	0	280	7,825	8,105	672	56,694
17	1 July 33 to 30 June 34	0	0	0	7,825	7,825	640	57,334
18	1 July 34 to 30 June 35	0	0	0	7,825	7,825	640	57,974
19	1 July 35 to 30 June 36	0	0	0	7,825	7,825	640	58,614
20	1 July 36 to 30 June 37	0	0	0	7,825	7,825	640	59,254
21	1 July 37 to 30 June 38	0	0	0	7,825	7,825	620	59,874
22	1 July 38 to 30 June 39	0	0	0	7,825	7,825	577	60,451
23	1 July 39 to 30 June 40	0	0	0	7,825	7,825	577	61,028
24	1 July 40 to 30 June 41	0	0	0	7,825	7,825	577	61,605
25	1 July 41 to 30 June 42	0	0	0	7,825	7,825	577	62,182
26	1 July 42 to 30 June 43	0	0	0	7,825	7,825	577	62,759
27	1 July 43 to 30 June 44	0	0	0	7,825	7,825	577	63,336
28	1 July 44 to 30 June 45	0	0	0	7,825	7,825	577	63,913
29	1 July 45 to 30 June 46	0	0	0	7,825	7,825	577	64,490
30	1 July 46 to 30 June 47	0	0	0	7,825	7,825	577	65,067
31	1 July 47 to 30 June 48	0	0	0	7,825	7,825	277	65,343
32	1 July 48 to 30 June 49	0	0	0	7,825	7,825	0	65,343
33	1 July 49 to 30 June 50	0	0	0	7,825	7,825	0	65,343
34	1 July 50 to 30 June 51	0	0	0	7,825	7,825	0	65,343
35	1 July 51 to 30 June 52	0	0	0	7,825	7,825	0	65,343
36	1 July 52 to 30 June 53	0	0	0	7,825	7,825	0	65,343
37	1 July 53 to 30 June 54	0	0	0	7,825	7,825	0	65,343
38	1 July 54 to 30 June 55	0	0	0	7,825	7,825	0	65,343
39	1 July 55 to 30 June 56	0	0	0	2,202	2,202	0	65,343
40	2056+	0	0	0	52	52	0	65,343
Totals		4,980	0	4,980	295,986	300,966	65,343	65,343

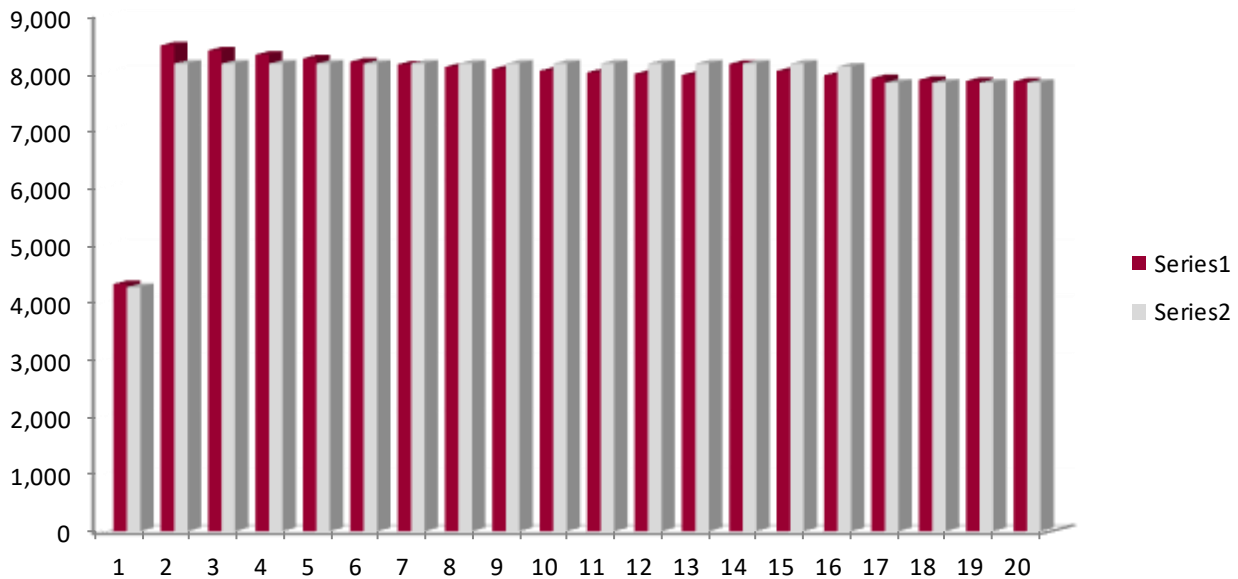
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

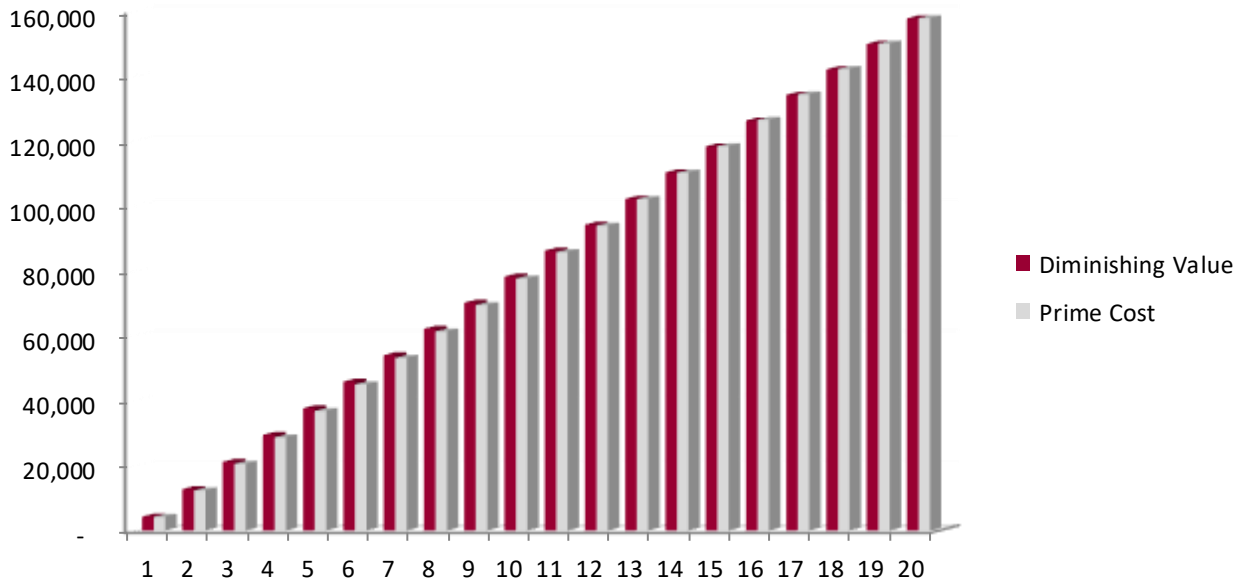
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	9 November 2017
Settlement Date	15 December 2017
Available To Generate Income	31 October 2019

Expenditure Analysed

Purchase Price	\$693,000
Stamp Duty	\$26,617
Post Expenditure	\$6,480
Total Expenditure Analysed	\$726,097

Historical Construction Details

Construction Start Date	17 July 2014
Construction Completion Date	10 October 2015
Historical Construction Cost (Estimated)*	\$358,932
Lot Entitlement	136
Overall Lot Entitlement	10,000

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

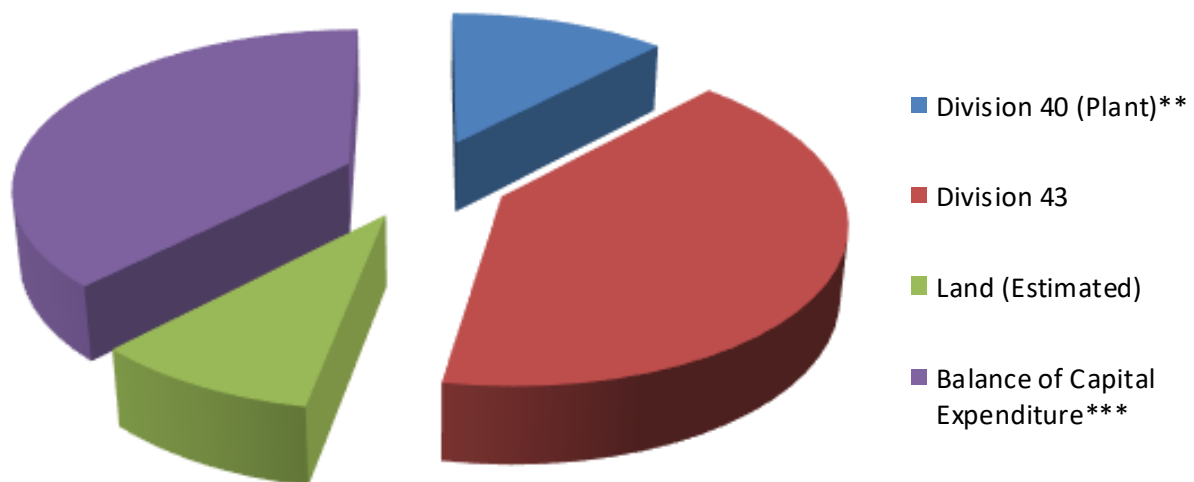
Division 40 (Plant)**	\$88,206
Division 43	\$295,986
Land (Estimated)	\$67,364
Balance of Capital Expenditure***	\$274,541
Total Expenditure Analysed	\$726,097

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%	15-Dec-17	20,422	2,204	3,643	2,915	2,332	1,865	1,492	1,194	955	764	611
Bathroom assets														
Exhaust fans (including light/heating)	NO	20.00%	15-Dec-17	1,647	178	294	235	353	220	138	86	54	34	21
Blinds Residential														
	NO	20.00%	15-Dec-17	6,831	737	1,219	975	780	624	499	399	320	256	204
Computer systems														
Building management system	NO	40.00%	15-Dec-17	597	129	187	105	66	41	26	16	10	6	4
Door closers														
	NO	20.00%	15-Dec-17	601	65	107	161	101	63	39	25	15	10	6
Electrical Machinery & Equipment :														
Motors	NO	20.00%	15-Dec-17	72	8	13	19	12	7	5	3	2	1	1
Fire control assets														
Detection & alarm systems, detectors	NO	10.00%	15-Dec-17	608	33	58	194	121	76	47	30	19	12	7
Detection & alarm systems, fire indicator panel	NO	16.67%	15-Dec-17	747	67	113	212	133	83	52	32	20	13	8
Emergency warning & intercommunication system	NO	16.67%	15-Dec-17	704	63	107	200	125	78	49	31	19	12	7
Hoses and nozzles	NO	20.00%	15-Dec-17	502	54	90	134	84	52	33	20	13	8	5
Fire extinguishers	NO	15.00%	15-Dec-17	105	8	14	31	19	12	7	5	3	2	1
Floor coverings (removable without damage)														
Carpets	NO	20.00%	15-Dec-17	7,763	7,763									
Floating timber	NO	13.33%	15-Dec-17	1,210	87	150	365	228	143	89	56	35	22	14
Furniture														
	NO	15.00%	15-Dec-17	4,831	391	666	566	481	409	348	296	251	213	181
Garbage disposal														
Garbage bins	NO	30.00%	15-Dec-17	60	10	15	13	8	5	3	2	1	1	0
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	15-Dec-17	3,294	296	500	416	347	289	241	201	167	314	196
Kitchen assets														
Cooktops	NO	16.67%	15-Dec-17	1,867	168	283	236	197	369	230	144	90	56	35
Dishwashers	NO	20.00%	15-Dec-17	2,635	284	470	376	301	241	361	226	141	88	55
Ovens	NO	16.67%	15-Dec-17	2,415	217	366	305	254	212	177	331	207	129	81
Rangehoods	NO	16.67%	15-Dec-17	988	89	150	281	176	110	69	43	27	17	10
Laundry assets														
Clothes dryers	NO	20.00%	15-Dec-17	988	107	176	264	165	103	65	40	25	16	10
Lifts (including hydraulic & tractions lifts)														
	NO	6.67%	15-Dec-17	17,321	623	1,113	1,039	970	905	845	788	736	687	641
Carried forward				947,848	76,208	13,582	9,734	9,044	7,252	5,908	4,814	3,967	3,110	2,659

Diminishing Value Depreciation Schedule (cont.)

Assets Generally	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	
Division 40 - Plant and Equipment															
			Brought forward	947,848	76,208	13,582	9,734	9,044	7,252	5,908	4,814	3,967	3,110	2,659	
Lights															
Shades, removable	NO	40.00%	15-Dec-17	3,924	847	1,231	738	443	249	156	97	61	38	24	
Security systems & equipment															
Electronic	NO	30.00%	15-Dec-17	2,429	393	611	427	374	234	146	91	57	36	22	
Ventilating plant															
Ventilation plant - fans only	NO	10.00%	15-Dec-17	666	36	63	213	133	83	52	32	20	13	8	
Additional Items (Post Expenditure)															
Floor coverings (removable without damage)															
Floating timber	YES	13.33%	4-May-18	4,980	104	650	563	488	423	367	318	276	239	207	
Pooled Plant Total							2,193	2,097	1,929	1,567	1,310	819	826	516	
Effective Life Plant Total					14,962	12,289	8,793	6,593	4,969	3,968	3,196	2,704	2,159	1,845	
Total Division 40				88,206	14,962	12,289	10,986	8,690	6,897	5,535	4,506	3,523	2,984	2,361	
Division 43 - Capital Works Allowance															
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10	
Building Works - Completed 2015				291,758	4,164	7,715	7,715	7,715	7,715	7,715	7,715	7,715	7,715	7,715	7,715
Building Works - Completed 2018				1,500	4	38	38	38	38	38	38	38	38	38	38
Structural Improvements - Completed 2015				2,728	39	72	72	72	72	72	72	72	72	72	72
Total Division 43				295,986	4,207	7,825	7,825	7,825	7,825	7,825	7,825	7,825	7,825	7,825	7,825
Total Depreciation				384,192	19,169	20,114	18,811	16,515	14,722	13,360	12,331	11,348	10,809	10,186	

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%	15-Dec-17	20,422	1,102	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042
Bathroom assets														
Exhaust fans (including light/heating)	NO	10.00%	15-Dec-17	1,647	89	165	165	165	165	165	165	165	165	165
Blinds Residential														
	NO	10.00%	15-Dec-17	6,831	369	683	683	683	683	683	683	683	683	683
Computer systems														
Building management system	NO	20.00%	15-Dec-17	597	64	119	119	119	119	57				
Door closers														
	NO	10.00%	15-Dec-17	601	32	60	60	60	60	60	60	60	60	60
Electrical Machinery & Equipment :														
Motors	NO	10.00%	15-Dec-17	72	4	7	7	7	7	7	7	7	7	7
Fire control assets														
Detection & alarm systems, detectors	NO	5.00%	15-Dec-17	608	16	30	30	30	30	30	30	30	30	30
Detection & alarm systems, fire indicator panel	NO	8.33%	15-Dec-17	747	34	62	62	62	62	62	62	62	62	62
Emergency warning & intercommunication system	NO	8.33%	15-Dec-17	704	32	59	59	59	59	59	59	59	59	59
Hoses and nozzles	NO	10.00%	15-Dec-17	502	27	50	50	50	50	50	50	50	50	50
Fire extinguishers	NO	7.50%	15-Dec-17	105	4	8	8	8	8	8	8	8	8	8
Floor coverings (removable without damage)														
Carpets	NO	10.00%	15-Dec-17	7,763	7,763									
Floating timber	NO	6.67%	15-Dec-17	1,210	44	81	81	81	81	81	81	81	81	81
Furniture														
	NO	7.50%	15-Dec-17	4,831	196	362	362	362	362	362	362	362	362	362
Garbage disposal														
Garbage bins	NO	15.00%	15-Dec-17	60	5	9	9	9	9	9	9	1		
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	15-Dec-17	3,294	148	274	274	274	274	274	274	274	274	274
Kitchen assets														
Cooktops	NO	8.33%	15-Dec-17	1,867	84	156	156	156	156	156	156	156	156	156
Dishwashers	NO	10.00%	15-Dec-17	2,635	142	264	264	264	264	264	264	264	264	264
Ovens	NO	8.33%	15-Dec-17	2,415	109	201	201	201	201	201	201	201	201	201
Rangehoods	NO	8.33%	15-Dec-17	988	44	82	82	82	82	82	82	82	82	82
Laundry assets														
Clothes dryers	NO	10.00%	15-Dec-17	988	53	99	99	99	99	99	99	99	99	99
Lifts (including hydraulic & tractions lifts)														
	NO	3.33%	15-Dec-17	17,321	312	577	577	577	577	577	577	577	577	577
Carried forward				947,848	76,208	10,673	5,390	5,390	5,390	5,390	5,328	5,271	5,263	5,262

Prime Cost Depreciation Schedule (cont.)

Assets Generally	Eligibility	Prime Cost	Start Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Division 40 - Plant and Equipment														
		Rate												
	Brought forward		947,848	76,208	10,673	5,390	5,390	5,390	5,390	5,328	5,271	5,263	5,262	
Lights														
Shades, removable	NO	20.00%	15-Dec-17	3,924	424	785	785	785	785	360				
Security systems & equipment														
Electronic	NO	15.00%	15-Dec-17	2,429	197	364	364	364	364	364	364	48		
Ventilating plant														
Ventilation plant - fans only	NO	5.00%	15-Dec-17	666	18	33	33	33	33	33	33	33	33	33
Additional Items (Post Expenditure)														
	Eligibility				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Floor coverings (removable without damage)														
Floating timber	YES	6.67%	04-May-18	4,980	52	332	332	332	332	332	332	332	332	332
Pooled Plant Total														
Effective Life Plant Total					11,363	6,904	6,904	6,904	6,904	6,417	6,000	5,676	5,627	5,627
Total Division 40				88,206	11,363	6,904	6,904	6,904	6,904	6,417	6,000	5,676	5,627	5,627
Division 43 - Capital Works Allowance														
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2015		2.50%	15-Dec-17	291,758	4,164	7,715	7,715	7,715	7,715	7,715	7,715	7,715	7,715	7,715
Building Works - Completed 2018		2.50%	25-May-18	1,500	4	38	38	38	38	38	38	38	38	38
Structural Improvements - Completed 2015		2.50%	15-Dec-17	2,728	39	72	72	72	72	72	72	72	72	72
Total Division 43				295,986	4,207	7,825	7,825	7,825	7,825	7,825	7,825	7,825	7,825	7,825
Total Depreciation				384,192	15,570	14,729	14,729	14,729	14,729	14,242	13,825	13,501	13,452	13,452

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 2015	17 Jul 14 to 10 Oct 15	308,604	2.50%	7,715	291,758
Building Works - Completed 2018	24 May 18 to 25 May 18	1,500	2.50%	38	1,500
Sub-total		310,104		7,753	293,258

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2015	17 Jul 14 to 10 Oct 15	2,886	2.50%	72	2,728
Sub-total		2,886		72	2,728
Totals		312,990		7,825	295,986

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>