



Tax Depreciation Report

410/15 Roydhouse Street,
Subiaco, WA 6008

Jooyoung Lee
1A GAMENYA STREET
CANNING VALE, WA 6155

Issue Schedule	
Issue Date:	Issued by:
14 January 2020	Mark Kilroy Bsc (Hons) MRICS

Jooyoung Lee
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CANNING VALE, WA 6155

January 2020
Job No: RES6008001

Tax Depreciation Report – 410/15 Roydhouse Street, Subiaco, WA 6008

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

14 January 2020

Purchaser

Jooyoung Lee

Property Address

410/15 Roydhouse Street, Subiaco, WA 6008

Real Property Description

64//S065989

Property Type

Residential Unit

Date of Construction

1 February 2015

Date Available To Generate Income

14 June 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				
<p>Diminishing value method is often the most popular form of depreciation due to the cash-flow benefits in the early years of asset ownership.</p>					<p>Prime Cost Method of Depreciation, often referred to as straight line depreciation is depreciated at a constant rate each year.</p>				
Benefits					Benefits				
<ul style="list-style-type: none"> • Cash-flow during initial years of asset ownership • Ability to use Low Value Pool for assets less than \$1000 (Note: unable to write off these assets) 					<ul style="list-style-type: none"> • Write off assets when they are demolished or disposed. 				
Calculation Example					Calculation Example				
<p>Under Diminishing Value method, the effective life is dividing by 200.</p> <p>200 / 10 Years = 20% (Adjusted Value)</p> <p>If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.</p>					<p>Under Prime Cost method, the effective life is dividing by 100.</p> <p>100 / 10 Years = 10% (Straight Line)</p> <p>If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.</p>				
Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5
\$2,000	\$1,600	\$1,280	\$1,024	\$819.20	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

4. Capital Works

4.1 Entitlement

Capital Works Division 43 of the Income Tax Act 1997 allows the taxpayer to a deduction of the decline in value of a depreciating asset used for income producing purpose over its effective life.

4.2 Method of Depreciation

Capital Works allowances under Division 43 are based on the historical construction costs and are not based on an apportionment of the purchase price. Where construction costs are not available, a qualified Quantity Surveyor will establish costs in accordance with the Tax Ruling TR97/25.

Capital Works are depreciated by Prime Cost method only, which may vary dependant on the date the construction works commenced and the property usage. Where a property has been updated over the years, capital works expenditure may be allocated in different periods. Clients must make any construction periods clear wherever possible to ensure your claim is maximised.

4.3 Method of Depreciation

Structural improvements such as fencing, paths and other hard landscaping can also be written off at 2.5% per annum if construction started after 27 February 1992.

5. Summary of Entitlements – Diminishing Value Method

Year	Financial Year	Division 40 - Capital Allowance (Eligible)			Division 43 Capital Works	Eligible Total	Capital Loss - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40			Div 40 Yearly	Cumulative
1	6 February 15 to 30 June 15	0	0	0	2,524	2,524	0	0
2	1 July 15 to 30 June 16	0	0	0	6,399	6,399	0	0
3	1 July 16 to 30 June 17	0	0	0	6,399	6,399	0	0
4	1 July 17 to 30 June 18	0	0	0	6,399	6,399	8,645	8,645
5	1 July 18 to 30 June 19	0	0	0	6,399	6,399	6,851	15,496
6	1 July 19 to 30 June 20	0	0	0	6,399	6,399	6,034	21,530
7	1 July 20 to 30 June 21	0	0	0	6,399	6,399	5,236	26,766
8	1 July 21 to 30 June 22	0	0	0	6,399	6,399	4,204	30,971
9	1 July 22 to 30 June 23	0	0	0	6,399	6,399	3,393	34,364
10	1 July 23 to 30 June 24	0	0	0	6,399	6,399	2,627	36,991
11	1 July 24 to 30 June 25	0	0	0	6,399	6,399	2,090	39,081
12	1 July 25 to 30 June 26	0	0	0	6,399	6,399	1,898	40,979
13	1 July 26 to 30 June 27	0	0	0	6,399	6,399	1,512	42,490
14	1 July 27 to 30 June 28	0	0	0	6,399	6,399	1,237	43,727
15	1 July 28 to 30 June 29	0	0	0	6,399	6,399	1,186	44,913
16	1 July 29 to 30 June 30	0	0	0	6,399	6,399	1,182	46,095
17	1 July 30 to 30 June 31	0	0	0	6,399	6,399	900	46,995
18	1 July 31 to 30 June 32	0	0	0	6,399	6,399	713	47,708
19	1 July 32 to 30 June 33	0	0	0	6,399	6,399	586	48,293
20	1 July 33 to 30 June 34	0	0	0	6,399	6,399	497	48,791
21	1 July 34 to 30 June 35	0	0	0	6,399	6,399	433	49,224
22	1 July 35 to 30 June 36	0	0	0	6,399	6,399	385	49,608
23	1 July 36 to 30 June 37	0	0	0	6,399	6,399	347	49,955
24	1 July 37 to 30 June 38	0	0	0	6,399	6,399	316	50,271
25	1 July 38 to 30 June 39	0	0	0	6,399	6,399	290	50,562
26	1 July 39 to 30 June 40	0	0	0	6,399	6,399	268	50,830
27	1 July 40 to 30 June 41	0	0	0	6,399	6,399	248	51,078
28	1 July 41 to 30 June 42	0	0	0	6,399	6,399	231	51,309
29	1 July 42 to 30 June 43	0	0	0	6,399	6,399	215	51,524
30	1 July 43 to 30 June 44	0	0	0	6,399	6,399	200	51,723
31	1 July 44 to 30 June 45	0	0	0	6,399	6,399	186	51,910
32	1 July 45 to 30 June 46	0	0	0	6,399	6,399	174	52,083
33	1 July 46 to 30 June 47	0	0	0	6,399	6,399	162	52,245
34	1 July 47 to 30 June 48	0	0	0	6,399	6,399	151	52,396
35	1 July 48 to 30 June 49	0	0	0	6,399	6,399	141	52,537
36	1 July 49 to 30 June 50	0	0	0	6,399	6,399	132	52,669
37	1 July 50 to 30 June 51	0	0	0	6,399	6,399	123	52,791
38	1 July 51 to 30 June 52	0	0	0	6,399	6,399	115	52,906
39	1 July 52 to 30 June 53	0	0	0	6,399	6,399	107	53,013
40	2053+	0	0	0	10,171	10,171	1,497	54,509
Totals		0	0	0	255,857	255,857	54,509	54,509

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	6 February 15 to 30 June 15	0	0	0	2,524	2,524	0	0
2	1 July 15 to 30 June 16	0	0	0	6,399	6,399	0	0
3	1 July 16 to 30 June 17	0	0	0	6,399	6,399	0	0
4	1 July 17 to 30 June 18	0	0	0	6,399	6,399	6,664	6,664
5	1 July 18 to 30 June 19	0	0	0	6,399	6,399	6,664	13,328
6	1 July 19 to 30 June 20	0	0	0	6,399	6,399	6,433	19,761
7	1 July 20 to 30 June 21	0	0	0	6,399	6,399	6,081	25,842
8	1 July 21 to 30 June 22	0	0	0	6,399	6,399	5,580	31,423
9	1 July 22 to 30 June 23	0	0	0	6,399	6,399	5,395	36,818
10	1 July 23 to 30 June 24	0	0	0	6,399	6,399	5,395	42,213
11	1 July 24 to 30 June 25	0	0	0	6,399	6,399	4,226	46,439
12	1 July 25 to 30 June 26	0	0	0	6,399	6,399	2,445	48,884
13	1 July 26 to 30 June 27	0	0	0	6,399	6,399	2,141	51,025
14	1 July 27 to 30 June 28	0	0	0	6,399	6,399	1,644	52,669
15	1 July 28 to 30 June 29	0	0	0	6,399	6,399	1,315	53,984
16	1 July 29 to 30 June 30	0	0	0	6,399	6,399	1,118	55,102
17	1 July 30 to 30 June 31	0	0	0	6,399	6,399	814	55,916
18	1 July 31 to 30 June 32	0	0	0	6,399	6,399	814	56,730
19	1 July 32 to 30 June 33	0	0	0	6,399	6,399	814	57,544
20	1 July 33 to 30 June 34	0	0	0	6,399	6,399	814	58,358
21	1 July 34 to 30 June 35	0	0	0	6,399	6,399	766	59,125
22	1 July 35 to 30 June 36	0	0	0	6,399	6,399	714	59,839
23	1 July 36 to 30 June 37	0	0	0	6,399	6,399	714	60,553
24	1 July 37 to 30 June 38	0	0	0	6,399	6,399	714	61,267
25	1 July 38 to 30 June 39	0	0	0	6,399	6,399	714	61,981
26	1 July 39 to 30 June 40	0	0	0	6,399	6,399	705	62,686
27	1 July 40 to 30 June 41	0	0	0	6,399	6,399	705	63,391
28	1 July 41 to 30 June 42	0	0	0	6,399	6,399	705	64,096
29	1 July 42 to 30 June 43	0	0	0	6,399	6,399	705	64,801
30	1 July 43 to 30 June 44	0	0	0	6,399	6,399	705	65,506
31	1 July 44 to 30 June 45	0	0	0	6,399	6,399	424	65,930
32	1 July 45 to 30 June 46	0	0	0	6,399	6,399	0	65,930
33	1 July 46 to 30 June 47	0	0	0	6,399	6,399	0	65,930
34	1 July 47 to 30 June 48	0	0	0	6,399	6,399	0	65,930
35	1 July 48 to 30 June 49	0	0	0	6,399	6,399	0	65,930
36	1 July 49 to 30 June 50	0	0	0	6,399	6,399	0	65,930
37	1 July 50 to 30 June 51	0	0	0	6,399	6,399	0	65,930
38	1 July 51 to 30 June 52	0	0	0	6,399	6,399	0	65,930
39	1 July 52 to 30 June 53	0	0	0	6,399	6,399	0	65,930
40	2053+	0	0	0	10,171	10,171	0	65,930
Totals		0	0	0	255,857	255,857	65,930	65,930

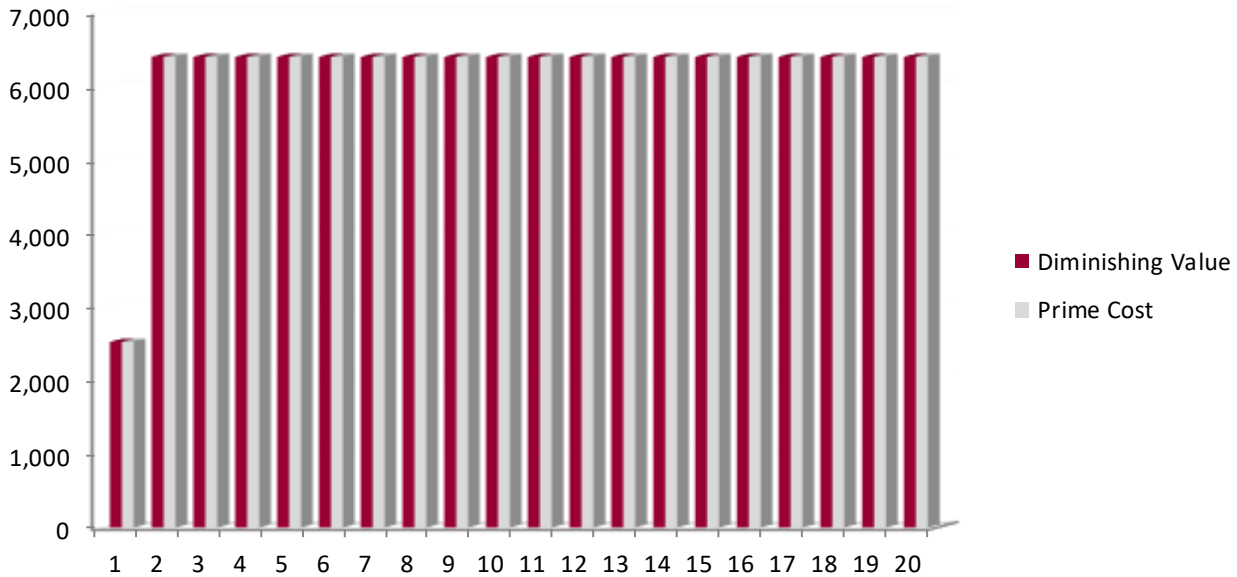
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

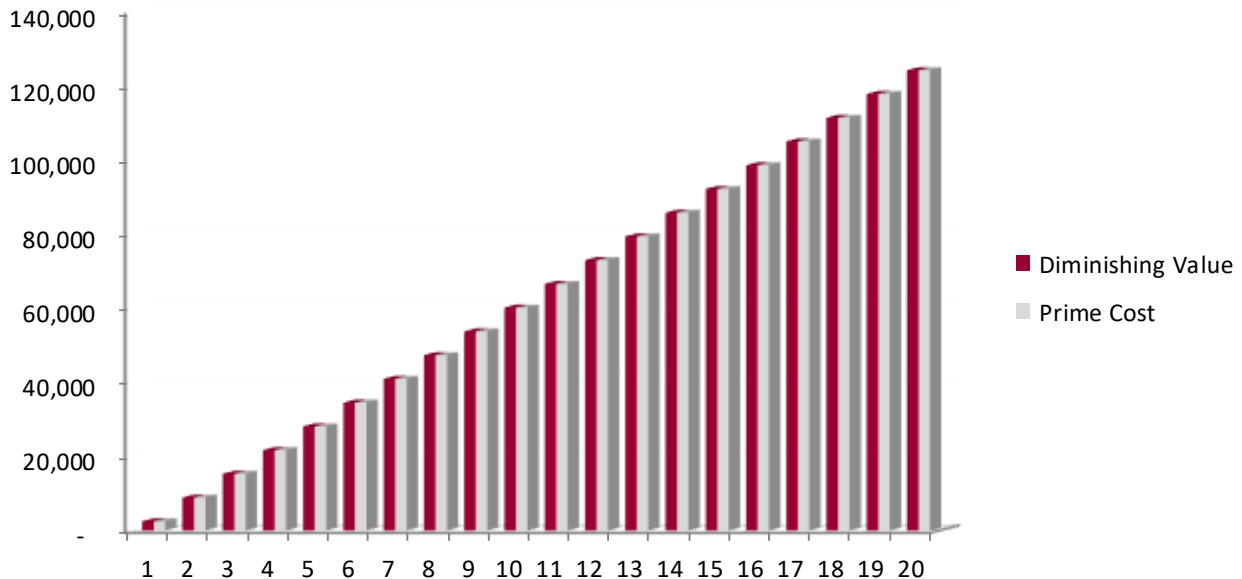
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	27 May 2013
Settlement Date	6 February 2015
Available To Generate Income	14 June 2018

Expenditure Analysed

Purchase Price	\$675,000
Stamp Duty	\$26,077
Total Expenditure Analysed	\$701,077

Historical Construction Details

Construction Start Date	8 December 2013
Construction Completion Date	1 February 2015
Historical Construction Cost (Estimated)*	\$301,329

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

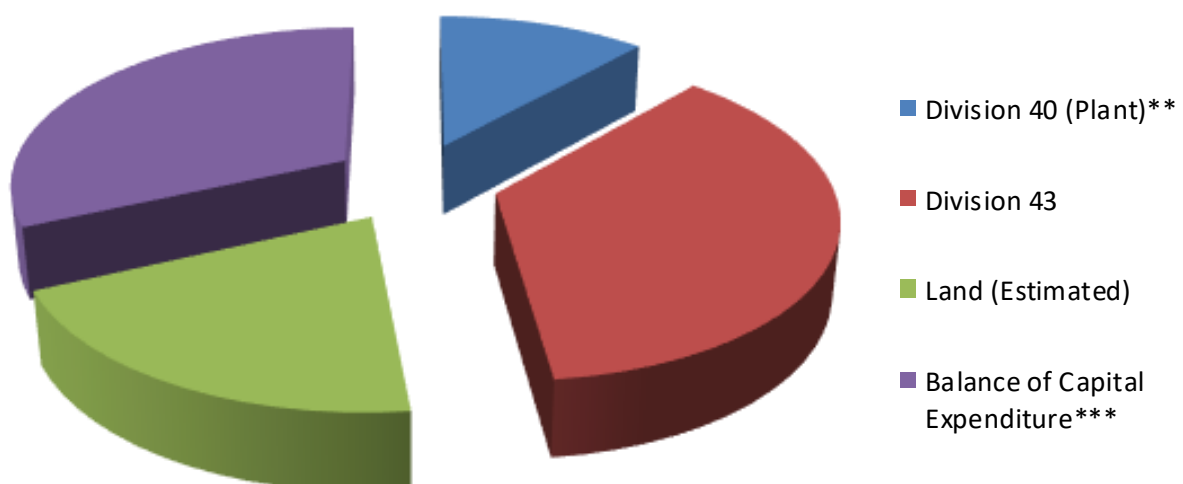
Division 40 (Plant)**	\$81,887
Division 43	\$255,857
Land (Estimated)	\$140,215
Balance of Capital Expenditure***	\$223,118
Total Expenditure Analysed	\$701,077

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%	6-Feb-15	16,869	1,331	3,108	2,486	1,989	1,591	1,273	1,018	815	652	521
Bathroom assets														
Exhaust fans (including light/heating)	NO	20.00%	6-Feb-15	1,125	89	207	166	249	155	97	61	38	24	15
Blinds Residential														
	NO	20.00%	6-Feb-15	3,009	237	554	444	355	284	227	341	213	133	83
Door closers														
	NO	20.00%	6-Feb-15	787	62	145	116	174	109	68	42	27	17	10
Electrical Machinery & Equipment :														
Motors														
	NO	20.00%	6-Feb-15	31	2	6	5	7	4	3	2	1	1	0
Fire control assets														
Detection & alarm systems, detectors	NO	10.00%	6-Feb-15	1,575	62	151	136	123	110	372	233	145	91	57
Detection & alarm systems, fire indicator panel	NO	16.67%	6-Feb-15	646	42	101	84	157	98	61	38	24	15	9
Emergency warning & intercommunication system	NO	16.67%	6-Feb-15	370	24	58	48	90	56	35	22	14	9	5
Hoses and nozzles	NO	20.00%	6-Feb-15	217	17	40	32	48	30	19	12	7	5	3
Pumps, diesel & electric	NO	8.00%	6-Feb-15	220	7	17	16	68	42	26	16	10	6	4
Fire extinguishers	NO	15.00%	6-Feb-15	52	3	7	6	13	8	5	3	2	1	1
Fire sprinklers - pumps only														
	NO	10.00%	6-Feb-15	220	9	21	19	64	40	25	16	10	6	4
Floor coverings (removable without damage)														
Carpets														
	NO	20.00%	6-Feb-15	4,499	355	829	663	530	424	340	272	217	326	204
Floating timber														
	NO	13.33%	6-Feb-15	7,516	395	949	823	713	618	536	464	402	349	302
Furniture														
	NO	15.00%	6-Feb-15	4,641	275	655	557	473	402	342	291	247	210	178
Garbage disposal														
Garbage bins														
	NO	30.00%	6-Feb-15	93	11	25	17	15	9	6	4	2	1	1
Hot water systems (excluding piping)														
Gas or electric														
	NO	16.67%	6-Feb-15	2,924	192	455	379	316	263	220	183	343	214	134
Kitchen assets														
Cooktops														
	NO	16.67%	6-Feb-15	1,912	126	298	248	207	172	323	202	126	79	49
Dishwashers														
	NO	20.00%	6-Feb-15	2,699	213	497	398	318	255	204	305	191	119	75
Ovens														
	NO	16.67%	6-Feb-15	2,474	163	385	321	268	223	186	348	218	136	85
Rangehoods														
	NO	16.67%	6-Feb-15	1,012	67	158	131	246	154	96	60	38	23	15
Lifts (including hydraulic & tractions lifts)														
	NO	6.67%	6-Feb-15	21,147	556	1,373	1,281	1,196	1,116	1,042	972	907	847	790
Lights														
Shades, removable														
	NO	40.00%	6-Feb-15	2,914	460	982	589	331	207	129	81	51	32	20
MATV - amplifiers & modulators														
	NO	20.00%	6-Feb-15	259	20	48	38	57	36	22	14	9	5	3
Carried forward				1,008,984	77,212	4,719	11,068	9,003	8,007	6,409	5,657	5,000	4,057	3,301

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	1,008,984	77,212	4,719	11,068	9,003	8,007	6,409	5,657	5,000	4,057	3,301
Security systems & equipment														
Electronic	NO	30.00%	6-Feb-15	4,479	530	1,185	829	580	406	356	222	139	87	54
Ventilating plant														
Ventilation plant - fans only	NO	10.00%	6-Feb-15	196	8	19	17	57	36	22	14	9	5	3
Pooled Plant Total														
					5,257	12,272	9,849	7,068	5,866	4,368	3,200	2,589	2,057	1,792
Effective Life Plant Total								1,577	985	1,667	2,036	1,616	1,336	835
Total Division 40				81,887	5,257	12,272	9,849	8,645	6,851	6,034	5,236	4,204	3,393	2,627
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%	06-Feb-15	253,597	2,502	6,342	6,342	6,342	6,342	6,342	6,342	6,342	6,342	6,342
Structural Improvements - Completed 2015		2.50%	06-Feb-15	2,260	22	57	57	57	57	57	57	57	57	57
Total Division 43				255,857	2,524	6,399	6,399	6,399	6,399	6,399	6,399	6,399	6,399	6,399
Total Depreciation				337,744	7,781	18,671	16,248	15,044	13,250	12,433	11,635	10,603	9,792	9,026

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%	06-Feb-15	16,869	666	1,687	1,687	1,687	1,687	1,687	1,687	1,687	1,687	1,687
Bathroom assets														
Exhaust fans (including light/heating)	NO	10.00%	06-Feb-15	1,125	44	112	112	112	112	112	112	112	112	112
Blinds Residential														
	NO	10.00%	06-Feb-15	3,009	119	301	301	301	301	301	301	301	301	301
Door closers														
	NO	10.00%	06-Feb-15	787	31	79	79	79	79	79	79	79	79	79
Electrical Machinery & Equipment :														
Motors	NO	10.00%	06-Feb-15	31	1	3	3	3	3	3	3	3	3	3
Fire control assets														
Detection & alarm systems, detectors	NO	5.00%	06-Feb-15	1,575	31	79	79	79	79	79	79	79	79	79
Detection & alarm systems, fire indicator panel	NO	8.33%	06-Feb-15	646	21	54	54	54	54	54	54	54	54	54
Emergency warning & intercommunication system	NO	8.33%	06-Feb-15	370	12	31	31	31	31	31	31	31	31	31
Hoses and nozzles	NO	10.00%	06-Feb-15	217	9	22	22	22	22	22	22	22	22	22
Pumps, diesel & electric	NO	4.00%	06-Feb-15	220	3	9	9	9	9	9	9	9	9	9
Fire extinguishers	NO	7.50%	06-Feb-15	52	2	4	4	4	4	4	4	4	4	4
Fire sprinklers - pumps only														
	NO	5.00%	06-Feb-15	220	4	11	11	11	11	11	11	11	11	11
Floor coverings (removable without damage)														
Carpets	NO	10.00%	06-Feb-15	4,499	178	450	450	450	450	450	450	450	450	450
Floating timber	NO	6.67%	06-Feb-15	7,516	198	501	501	501	501	501	501	501	501	501
Furniture														
	NO	7.50%	06-Feb-15	4,641	137	348	348	348	348	348	348	348	348	348
Garbage disposal														
Garbage bins	NO	15.00%	06-Feb-15	93	6	14	14	14	14	14	14	4		
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	06-Feb-15	2,924	96	244	244	244	244	244	244	244	244	244
Kitchen assets														
Cooktops	NO	8.33%	06-Feb-15	1,912	63	159	159	159	159	159	159	159	159	159
Dishwashers	NO	10.00%	06-Feb-15	2,699	106	270	270	270	270	270	270	270	270	270
Ovens	NO	8.33%	06-Feb-15	2,474	81	206	206	206	206	206	206	206	206	206
Rangehoods	NO	8.33%	06-Feb-15	1,012	33	84	84	84	84	84	84	84	84	84
Lifts (including hydraulic & tractions lifts)														
	NO	3.33%	06-Feb-15	21,147	278	705	705	705	705	705	705	705	705	705
Lights														
Shades, removable	NO	20.00%	06-Feb-15	2,914	230	583	583	583	583	352				
MATV - amplifiers & modulators														
	NO	10.00%	06-Feb-15	259	10	26	26	26	26	26	26	26	26	26
Carried forward				1,008,984	77,212	2,360	5,982	5,982	5,982	5,982	5,751	5,399	5,389	5,385

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			1,008,984	77,212	2,360	5,982	5,982	5,982	5,982	5,751	5,399	5,389	5,385	
Security systems & equipment														
Electronic	NO	15.00%	06-Feb-15	4,479	265	672	672	672	672	672	672	182		
Ventilating plant														
Ventilation plant - fans only	NO	5.00%	06-Feb-15	196	4	10	10	10	10	10	10	10	10	10
Pooled Plant Total														
Effective Life Plant Total					2,629	6,664	6,664	6,664	6,664	6,433	6,081	5,580	5,395	5,395
Total Division 40				81,887	2,629	6,664	6,664	6,664	6,664	6,433	6,081	5,580	5,395	5,395
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%	06-Feb-15	253,597	2,502	6,342	6,342	6,342	6,342	6,342	6,342	6,342	6,342	6,342
Structural Improvements - Completed 2015		2.50%	06-Feb-15	2,260	22	57	57	57	57	57	57	57	57	57
Total Division 43				255,857	2,524	6,399	6,399	6,399	6,399	6,399	6,399	6,399	6,399	6,399
Total Depreciation				337,744	5,153	13,063	13,063	13,063	13,063	12,832	12,480	11,979	11,794	11,794

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	8 Dec 13 to 1 Feb 15	253,684	2.50%	6,342	253,597
Sub-total		253,684		6,342	253,597

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2015	8 Dec 13 to 1 Feb 15	2,261	2.50%	57	2,260
Sub-total		2,261		57	2,260
Totals		255,945		6,399	255,857

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>