



Tax Depreciation Report

12B Mulga Street,
Seacombe Gardens, SA 5047

Lawrence Low
11 Daly Street
FRANKSTON , VIC 3199

Issue Schedule	
Issue Date:	Issued by:
25 February 2020	Mark Kilroy Bsc (Hons) MRICS

Lawrence Low
11 Daly Street
FRANKSTON , VIC 3199

February 2020
Job No: RES5047008

Tax Depreciation Report – 12B Mulga Street, Seacombe Gardens, SA 5047

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

25 February 2020

Purchaser

Lawrence Low

Property Address

12B Mulga Street, Seacombe Gardens, SA 5047

Real Property Description

LOT FL701 C26393

Property Type

Residential Townhouse

Date of Construction

10 October 2010

Date Available To Generate Income

28 February 2019

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	26 February 16 to 30 June 16	0	0	0	1,340	1,340	0	0
2	1 July 16 to 30 June 17	0	0	0	3,924	3,924	0	0
3	1 July 17 to 30 June 18	0	0	0	3,924	3,924	0	0
4	1 July 18 to 30 June 19	0	0	0	3,924	3,924	5,058	5,058
5	1 July 19 to 30 June 20	0	0	0	3,924	3,924	3,675	8,732
6	1 July 20 to 30 June 21	0	0	0	3,924	3,924	2,873	11,606
7	1 July 21 to 30 June 22	0	0	0	3,924	3,924	2,077	13,682
8	1 July 22 to 30 June 23	0	0	0	3,924	3,924	1,949	15,631
9	1 July 23 to 30 June 24	0	0	0	3,924	3,924	1,350	16,981
10	1 July 24 to 30 June 25	0	0	0	3,924	3,924	951	17,932
11	1 July 25 to 30 June 26	0	0	0	3,924	3,924	880	18,812
12	1 July 26 to 30 June 27	0	0	0	3,924	3,924	763	19,575
13	1 July 27 to 30 June 28	0	0	0	3,924	3,924	477	20,051
14	1 July 28 to 30 June 29	0	0	0	3,924	3,924	298	20,349
15	1 July 29 to 30 June 30	0	0	0	3,924	3,924	186	20,536
16	1 July 30 to 30 June 31	0	0	0	3,924	3,924	116	20,652
17	1 July 31 to 30 June 32	0	0	0	3,924	3,924	73	20,725
18	1 July 32 to 30 June 33	0	0	0	3,924	3,924	45	20,770
19	1 July 33 to 30 June 34	0	0	0	3,924	3,924	28	20,799
20	1 July 34 to 30 June 35	0	0	0	3,924	3,924	18	20,817
21	1 July 35 to 30 June 36	0	0	0	3,924	3,924	11	20,828
22	1 July 36 to 30 June 37	0	0	0	3,924	3,924	7	20,835
23	1 July 37 to 30 June 38	0	0	0	3,924	3,924	4	20,839
24	1 July 38 to 30 June 39	0	0	0	3,924	3,924	3	20,842
25	1 July 39 to 30 June 40	0	0	0	3,924	3,924	2	20,843
26	1 July 40 to 30 June 41	0	0	0	3,924	3,924	1	20,844
27	1 July 41 to 30 June 42	0	0	0	3,924	3,924	1	20,845
28	1 July 42 to 30 June 43	0	0	0	3,924	3,924	0	20,845
29	1 July 43 to 30 June 44	0	0	0	3,924	3,924	0	20,846
30	1 July 44 to 30 June 45	0	0	0	3,924	3,924	0	20,846
31	1 July 45 to 30 June 46	0	0	0	3,924	3,924	0	20,846
32	1 July 46 to 30 June 47	0	0	0	3,924	3,924	0	20,846
33	1 July 47 to 30 June 48	0	0	0	3,924	3,924	0	20,846
34	1 July 48 to 30 June 49	0	0	0	3,924	3,924	0	20,846
35	1 July 49 to 30 June 50	0	0	0	3,924	3,924	0	20,846
36	1 July 50 to 30 June 51	0	0	0	1,065	1,065	0	20,846
37	1 July 51 to 30 June 52	0	0	0	0	0	0	20,846
38	1 July 52 to 30 June 53	0	0	0	0	0	0	20,846
39	1 July 53 to 30 June 54	0	0	0	0	0	0	20,846
40	2054+	0	0	0	0	0	0	20,846
Totals		0	0	0	135,821	135,821	20,846	20,846

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	26 February 16 to 30 June 16	0	0	0	1,340	1,340	0	0
2	1 July 16 to 30 June 17	0	0	0	3,924	3,924	0	0
3	1 July 17 to 30 June 18	0	0	0	3,924	3,924	0	0
4	1 July 18 to 30 June 19	0	0	0	3,924	3,924	3,816	3,816
5	1 July 19 to 30 June 20	0	0	0	3,924	3,924	3,816	7,632
6	1 July 20 to 30 June 21	0	0	0	3,924	3,924	3,614	11,246
7	1 July 21 to 30 June 22	0	0	0	3,924	3,924	3,058	14,304
8	1 July 22 to 30 June 23	0	0	0	3,924	3,924	2,706	17,010
9	1 July 23 to 30 June 24	0	0	0	3,924	3,924	2,700	19,710
10	1 July 24 to 30 June 25	0	0	0	3,924	3,924	2,700	22,410
11	1 July 25 to 30 June 26	0	0	0	3,924	3,924	2,046	24,456
12	1 July 26 to 30 June 27	0	0	0	3,924	3,924	788	25,244
13	1 July 27 to 30 June 28	0	0	0	3,924	3,924	653	25,897
14	1 July 28 to 30 June 29	0	0	0	3,924	3,924	387	26,284
15	1 July 29 to 30 June 30	0	0	0	3,924	3,924	88	26,372
16	1 July 30 to 30 June 31	0	0	0	3,924	3,924	88	26,460
17	1 July 31 to 30 June 32	0	0	0	3,924	3,924	88	26,548
18	1 July 32 to 30 June 33	0	0	0	3,924	3,924	88	26,636
19	1 July 33 to 30 June 34	0	0	0	3,924	3,924	88	26,724
20	1 July 34 to 30 June 35	0	0	0	3,924	3,924	88	26,812
21	1 July 35 to 30 June 36	0	0	0	3,924	3,924	63	26,875
22	1 July 36 to 30 June 37	0	0	0	3,924	3,924	0	26,875
23	1 July 37 to 30 June 38	0	0	0	3,924	3,924	0	26,875
24	1 July 38 to 30 June 39	0	0	0	3,924	3,924	0	26,875
25	1 July 39 to 30 June 40	0	0	0	3,924	3,924	0	26,875
26	1 July 40 to 30 June 41	0	0	0	3,924	3,924	0	26,875
27	1 July 41 to 30 June 42	0	0	0	3,924	3,924	0	26,875
28	1 July 42 to 30 June 43	0	0	0	3,924	3,924	0	26,875
29	1 July 43 to 30 June 44	0	0	0	3,924	3,924	0	26,875
30	1 July 44 to 30 June 45	0	0	0	3,924	3,924	0	26,875
31	1 July 45 to 30 June 46	0	0	0	3,924	3,924	0	26,875
32	1 July 46 to 30 June 47	0	0	0	3,924	3,924	0	26,875
33	1 July 47 to 30 June 48	0	0	0	3,924	3,924	0	26,875
34	1 July 48 to 30 June 49	0	0	0	3,924	3,924	0	26,875
35	1 July 49 to 30 June 50	0	0	0	3,924	3,924	0	26,875
36	1 July 50 to 30 June 51	0	0	0	1,065	1,065	0	26,875
37	1 July 51 to 30 June 52	0	0	0	0	0	0	26,875
38	1 July 52 to 30 June 53	0	0	0	0	0	0	26,875
39	1 July 53 to 30 June 54	0	0	0	0	0	0	26,875
40	2054+	0	0	0	0	0	0	26,875
Totals		0	0	0	135,821	135,821	26,875	26,875

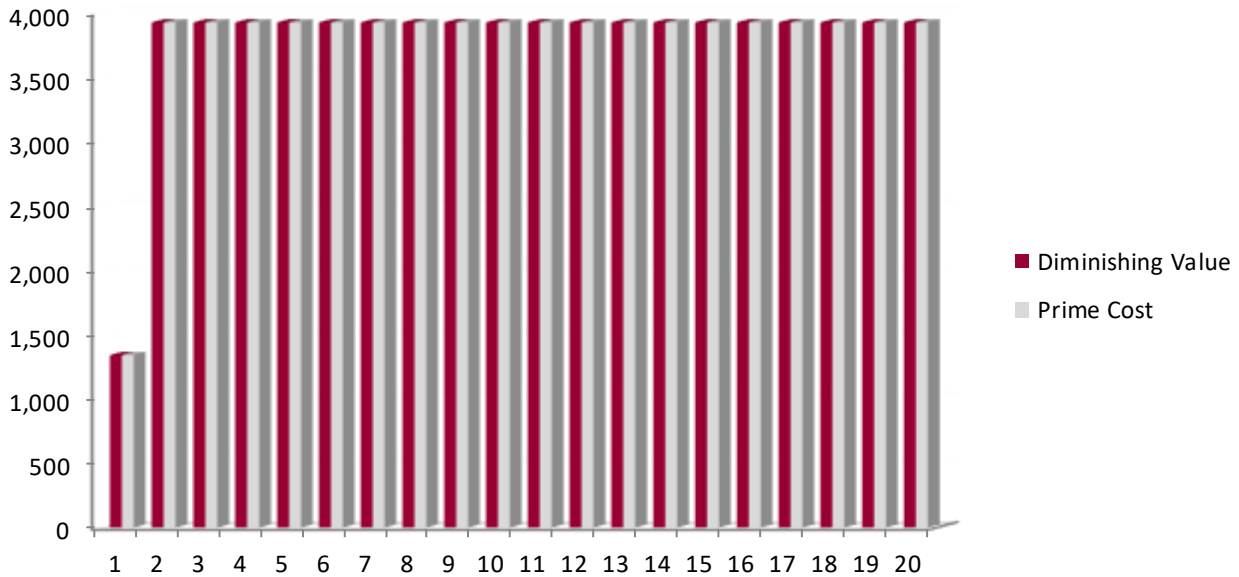
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

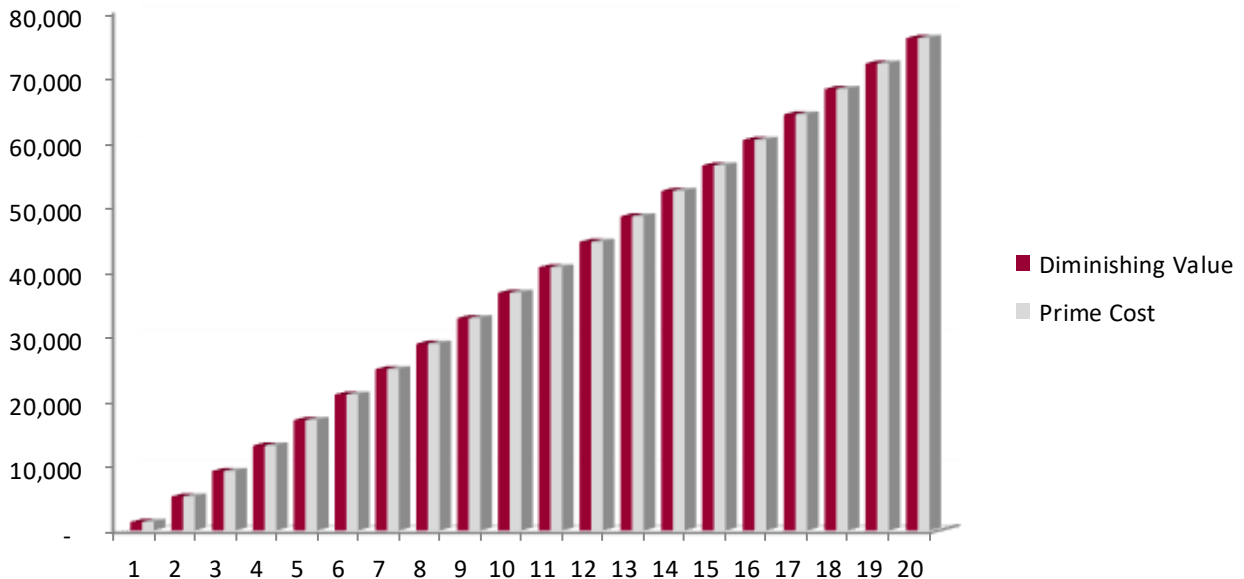
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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 February 2016
Settlement Date	26 February 2016
Available To Generate Income	28 February 2019

Expenditure Analysed

Purchase Price	\$475,000
Stamp Duty	\$22,065
Legals	\$800
Total Expenditure Analysed	\$497,865

Historical Construction Details

Construction Start Date	13 April 2010
Construction Completion Date	10 October 2010
Historical Construction Cost (Estimated)*	\$180,299

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

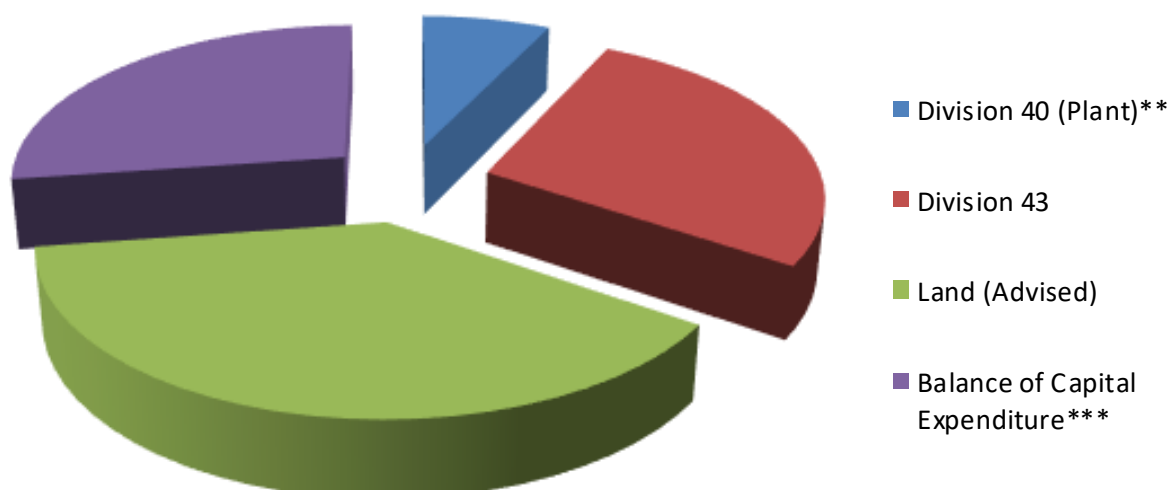
Division 40 (Plant)**	\$35,810
Division 43	\$135,821
Land (Advised)	\$190,454
Balance of Capital Expenditure***	\$135,780
Total Expenditure Analysed	\$497,865

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%	26-Feb-16	9,743	665	1,815	1,452	1,162	930	744	595	476	381	305
Bathroom assets														
Exhaust fans (including light/heating)	NO	20.00%	26-Feb-16	802	55	150	120	179	112	70	44	27	17	11
Blinds Residential														
	NO	20.00%	26-Feb-16	452	31	84	67	101	63	39	25	15	10	6
Curtains and drapes														
	NO	33.33%	26-Feb-16	3,028	345	894	596	398	298	186	116	73	45	28
Fire control assets														
Detection & alarm systems, detectors	NO	10.00%	26-Feb-16	1,765	60	170	153	138	124	112	101	340	212	133
Floor coverings (removable without damage)														
Carpets	NO	20.00%	26-Feb-16	3,996	273	745	596	477	381	305	244	366	229	143
Furniture														
	NO	15.00%	26-Feb-16	3,989	204	568	483	410	349	296	252	214	182	155
Garage doors, automatic														
Controls	NO	40.00%	26-Feb-16	183	25	63	38	21	13	8	5	3	2	1
Motors	NO	20.00%	26-Feb-16	1,375	94	256	205	308	192	120	75	47	29	18
Garbage disposal														
Garbage bins	NO	30.00%	26-Feb-16	183	19	49	35	30	19	12	7	5	3	2
Garden sheds, freestanding														
	NO	20.00%	26-Feb-16	573	39	107	85	128	80	50	31	20	12	8
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	26-Feb-16	2,063	117	324	270	225	188	352	220	137	86	54
Kitchen assets														
Cooktops	NO	16.67%	26-Feb-16	974	55	153	128	239	150	93	58	37	23	14
Dishwashers	NO	20.00%	26-Feb-16	1,662	114	310	248	372	232	145	91	57	35	22
Ovens	NO	16.67%	26-Feb-16	1,261	72	198	165	310	194	121	76	47	30	18
Rangehoods	NO	16.67%	26-Feb-16	516	29	81	68	127	79	49	31	19	12	8
Laundry assets														
Clothes dryers	NO	20.00%	26-Feb-16	516	35	96	77	115	72	45	28	18	11	7
Lights														
Shades, removable	NO	40.00%	26-Feb-16	2,728	373	942	565	318	199	124	78	49	30	19
Pooled Plant Total								2,248	1,703	1,416	885	1,259	787	492
Effective Life Plant Total					2,606	7,007	5,351	2,809	1,971	1,457	1,191	690	563	459
Total Division 40				35,810	2,606	7,007	5,351	5,058	3,675	2,873	2,077	1,949	1,350	951

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 2010	2.50%	26-Feb-16	129,743	1,280	3,748	3,748	3,748	3,748	3,748	3,748	3,748	3,748	3,748
Structural Improvements - Completed 2010	2.50%	26-Feb-16	6,078	60	176	176	176	176	176	176	176	176	176
Total Division 43			135,821	1,340	3,924	3,924	3,924	3,924	3,924	3,924	3,924	3,924	3,924
Total Depreciation			171,631	3,946	10,931	9,275	8,982	7,599	6,797	6,001	5,873	5,274	4,875

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%	26-Feb-16	9,743	333	974	974	974	974	974	974	974	974	974	
Bathroom assets															
Exhaust fans (including light/heating)	NO	10.00%	26-Feb-16	802	27	80	80	80	80	80	80	80	80	80	
Blinds Residential															
	NO	10.00%	26-Feb-16	452	15	45	45	45	45	45	45	45	45	45	
Curtains and drapes															
	NO	16.67%	26-Feb-16	3,028	172	505	505	505	505	505	330				
Fire control assets															
Detection & alarm systems, detectors	NO	5.00%	26-Feb-16	1,765	30	88	88	88	88	88	88	88	88	88	
Floor coverings (removable without damage)															
Carpets	NO	10.00%	26-Feb-16	3,996	136	400	400	400	400	400	400	400	400	400	
Furniture															
	NO	7.50%	26-Feb-16	3,989	102	299	299	299	299	299	299	299	299	299	
Garage doors, automatic															
Controls	NO	20.00%	26-Feb-16	183	13	37	37	37	37	23					
Motors	NO	10.00%	26-Feb-16	1,375	47	138	138	138	138	138	138	138	138	138	
Garbage disposal															
Garbage bins	NO	15.00%	26-Feb-16	183	9	28	28	28	28	28	28	6			
Garden sheds, freestanding															
	NO	10.00%	26-Feb-16	573	20	57	57	57	57	57	57	57	57	57	
Hot water systems (excluding piping)															
Gas or electric	NO	8.33%	26-Feb-16	2,063	59	172	172	172	172	172	172	172	172	172	
Kitchen assets															
Cooktops	NO	8.33%	26-Feb-16	974	28	81	81	81	81	81	81	81	81	81	
Dishwashers	NO	10.00%	26-Feb-16	1,662	57	166	166	166	166	166	166	166	166	166	
Ovens	NO	8.33%	26-Feb-16	1,261	36	105	105	105	105	105	105	105	105	105	
Rangehoods	NO	8.33%	26-Feb-16	516	15	43	43	43	43	43	43	43	43	43	
Laundry assets															
Clothes dryers	NO	10.00%	26-Feb-16	516	18	52	52	52	52	52	52	52	52	52	
Lights															
Shades, removable	NO	20.00%	26-Feb-16	2,728	186	546	546	546	546	358					
Pooled Plant Total															
Effective Life Plant Total						1,303	3,816	3,816	3,816	3,816	3,614	3,058	2,706	2,700	2,700
Total Division 40				35,810	1,303	3,816	3,816	3,816	3,816	3,614	3,058	2,706	2,700	2,700	

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 2010	2.50%	26-Feb-16	129,743	1,280	3,748	3,748	3,748	3,748	3,748	3,748	3,748	3,748	3,748
Structural Improvements - Completed 2010	2.50%	26-Feb-16	6,078	60	176	176	176	176	176	176	176	176	176
Total Division 43			135,821	1,340	3,924	3,924	3,924	3,924	3,924	3,924	3,924	3,924	3,924
Total Depreciation			171,631	2,643	7,740	7,740	7,740	7,740	7,538	6,982	6,630	6,624	6,624

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 2010	13 Apr 10 to 10 Oct 10	149,920	2.50%	3,748	129,743
Sub-total		149,920		3,748	129,743

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2010	13 Apr 10 to 10 Oct 10	7,023	2.50%	176	6,078
Sub-total		7,023		176	6,078
Totals		156,943		3,924	135,821

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>