Tax Depreciation Report

3 Sinclair Street,
Seaview Downs SA 5049

Lawrence Low
11 Daly Street
FRANKSTON, VIC 3199

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

Koste
Tax Depreciation Quantity Surveyors

Lawrence Low
11 Daly Street
FRANKSTON, VIC 3199

February 2020
Job No: RES5049003

Tax Depreciation Report – 3 Sinclair Street, Seaview Downs SA 5049

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

3 Sinclair Street, Seaview Downs SA 5049

Real Property Description

LOT 1 F137696

Property Type

Residential House

Date of Construction

Pre 1985

Date Available To Generate Income

5 April 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 deprecating 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

- 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

- 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	Eligible	Capital Loss - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40	Capital Works	Total	Div 40 Yearly	Cumulative
1	19 January 19 to 30 June 19	0	0	0	888	**888**	4,226	4,226
2	1 July 19 to 30 June 20	0	0	0	2,003	**2,003**	7,191	11,418
3	1 July 20 to 30 June 21	0	0	0	2,003	**2,003**	4,968	16,385
4	1 July 21 to 30 June 22	0	0	0	2,003	**2,003**	3,688	20,073
5	1 July 22 to 30 June 23	0	0	0	2,003	**2,003**	2,588	22,661
6	1 July 23 to 30 June 24	0	0	0	2,003	**2,003**	1,849	24,510
7	1 July 24 to 30 June 25	0	0	0	2,003	**2,003**	1,345	25,856
8	1 July 25 to 30 June 26	0	0	0	2,003	**2,003**	1,171	27,027
9	1 July 26 to 30 June 27	0	0	0	2,003	**2,003**	824	27,851
10	1 July 27 to 30 June 28	0	0	0	2,003	**2,003**	989	28,840
11	1 July 28 to 30 June 29	0	0	0	2,003	**2,003**	618	29,458
12	1 July 29 to 30 June 30	0	0	0	2,003	**2,003**	386	29,844
13	1 July 30 to 30 June 31	0	0	0	2,003	**2,003**	241	30,086
14	1 July 31 to 30 June 32	0	0	0	2,003	**2,003**	151	30,237
15	1 July 32 to 30 June 33	0	0	0	2,003	**2,003**	94	30,331
16	1 July 33 to 30 June 34	0	0	0	2,003	**2,003**	59	30,390
17	1 July 34 to 30 June 35	0	0	0	1,925	**1,925**	37	30,427
18	1 July 35 to 30 June 36	0	0	0	1,628	**1,628**	23	30,450
19	1 July 36 to 30 June 37	0	0	0	1,628	**1,628**	14	30,464
20	1 July 37 to 30 June 38	0	0	0	1,628	**1,628**	9	30,473
21	1 July 38 to 30 June 39	0	0	0	1,628	**1,628**	6	30,479
22	1 July 39 to 30 June 40	0	0	0	1,628	**1,628**	4	30,482
23	1 July 40 to 30 June 41	0	0	0	1,628	**1,628**	2	30,484
24	1 July 41 to 30 June 42	0	0	0	1,628	**1,628**	1	30,486
25	1 July 42 to 30 June 43	0	0	0	1,628	**1,628**	1	30,487
26	1 July 43 to 30 June 44	0	0	0	1,628	**1,628**	1	30,487
27	1 July 44 to 30 June 45	0	0	0	1,628	**1,628**	0	30,488
28	1 July 45 to 30 June 46	0	0	0	1,628	**1,628**	0	30,488
29	1 July 46 to 30 June 47	0	0	0	1,181	**1,181**	0	30,488
30	1 July 47 to 30 June 48	0	0	0	963	**963**	0	30,488
31	1 July 48 to 30 June 49	0	0	0	963	**963**	0	30,488
32	1 July 49 to 30 June 50	0	0	0	963	**963**	0	30,488
33	1 July 50 to 30 June 51	0	0	0	963	**963**	0	30,488
34	1 July 51 to 30 June 52	0	0	0	963	**963**	0	30,488
35	1 July 52 to 30 June 53	0	0	0	963	**963**	0	30,488
36	1 July 53 to 30 June 54	0	0	0	963	**963**	0	30,488
37	1 July 54 to 30 June 55	0	0	0	963	**963**	0	30,488
38	1 July 55 to 30 June 56	0	0	0	963	**963**	0	30,488
39	1 July 56 to 30 June 57	0	0	0	774	**774**	0	30,488
40	2057+	0	0	0	0	**0**	0	30,488
	Totals	**0**	**0**	**0**	**61,388**	**61,388**	**30,488**	**30,488**

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	Eligible	Capital Loss - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40	Capital Works	Total	Div 40 Yearly	Cumulative
1	19 January 19 to 30 June 19	0	0	0	888	**888**	3,620	3,620
2	1 July 19 to 30 June 20	0	0	0	2,003	**2,003**	6,051	9,671
3	1 July 20 to 30 June 21	0	0	0	2,003	**2,003**	4,294	13,965
4	1 July 21 to 30 June 22	0	0	0	2,003	**2,003**	3,195	17,160
5	1 July 22 to 30 June 23	0	0	0	2,003	**2,003**	2,509	19,669
6	1 July 23 to 30 June 24	0	0	0	2,003	**2,003**	2,080	21,749
7	1 July 24 to 30 June 25	0	0	0	2,003	**2,003**	1,812	23,561
8	1 July 25 to 30 June 26	0	0	0	2,003	**2,003**	1,644	25,206
9	1 July 26 to 30 June 27	0	0	0	2,003	**2,003**	1,540	26,745
10	1 July 27 to 30 June 28	0	0	0	2,003	**2,003**	1,474	28,219
11	1 July 28 to 30 June 29	0	0	0	2,003	**2,003**	981	29,200
12	1 July 29 to 30 June 30	0	0	0	2,003	**2,003**	380	29,580
13	1 July 30 to 30 June 31	0	0	0	2,003	**2,003**	310	29,890
14	1 July 31 to 30 June 32	0	0	0	2,003	**2,003**	232	30,122
15	1 July 32 to 30 June 33	0	0	0	2,003	**2,003**	225	30,347
16	1 July 33 to 30 June 34	0	0	0	2,003	**2,003**	130	30,477
17	1 July 34 to 30 June 35	0	0	0	1,925	**1,925**	4	30,481
18	1 July 35 to 30 June 36	0	0	0	1,628	**1,628**	3	30,484
19	1 July 36 to 30 June 37	0	0	0	1,628	**1,628**	2	30,485
20	1 July 37 to 30 June 38	0	0	0	1,628	**1,628**	1	30,486
21	1 July 38 to 30 June 39	0	0	0	1,628	**1,628**	1	30,487
22	1 July 39 to 30 June 40	0	0	0	1,628	**1,628**	0	30,487
23	1 July 40 to 30 June 41	0	0	0	1,628	**1,628**	0	30,488
24	1 July 41 to 30 June 42	0	0	0	1,628	**1,628**	0	30,488
25	1 July 42 to 30 June 43	0	0	0	1,628	**1,628**	0	30,488
26	1 July 43 to 30 June 44	0	0	0	1,628	**1,628**	0	30,488
27	1 July 44 to 30 June 45	0	0	0	1,628	**1,628**	0	30,488
28	1 July 45 to 30 June 46	0	0	0	1,628	**1,628**	0	30,488
29	1 July 46 to 30 June 47	0	0	0	1,181	**1,181**	0	30,488
30	1 July 47 to 30 June 48	0	0	0	963	**963**	0	30,488
31	1 July 48 to 30 June 49	0	0	0	963	**963**	0	30,488
32	1 July 49 to 30 June 50	0	0	0	963	**963**	0	30,488
33	1 July 50 to 30 June 51	0	0	0	963	**963**	0	30,488
34	1 July 51 to 30 June 52	0	0	0	963	**963**	0	30,488
35	1 July 52 to 30 June 53	0	0	0	963	**963**	0	30,488
36	1 July 53 to 30 June 54	0	0	0	963	**963**	0	30,488
37	1 July 54 to 30 June 55	0	0	0	963	**963**	0	30,488
38	1 July 55 to 30 June 56	0	0	0	963	**963**	0	30,488
39	1 July 56 to 30 June 57	0	0	0	774	**774**	0	30,488
40	2057+	0	0	0	0	**0**	0	30,488
	Totals	**0**	**0**	**0**	**61,388**	**61,388**	**30,488**	**30,488**

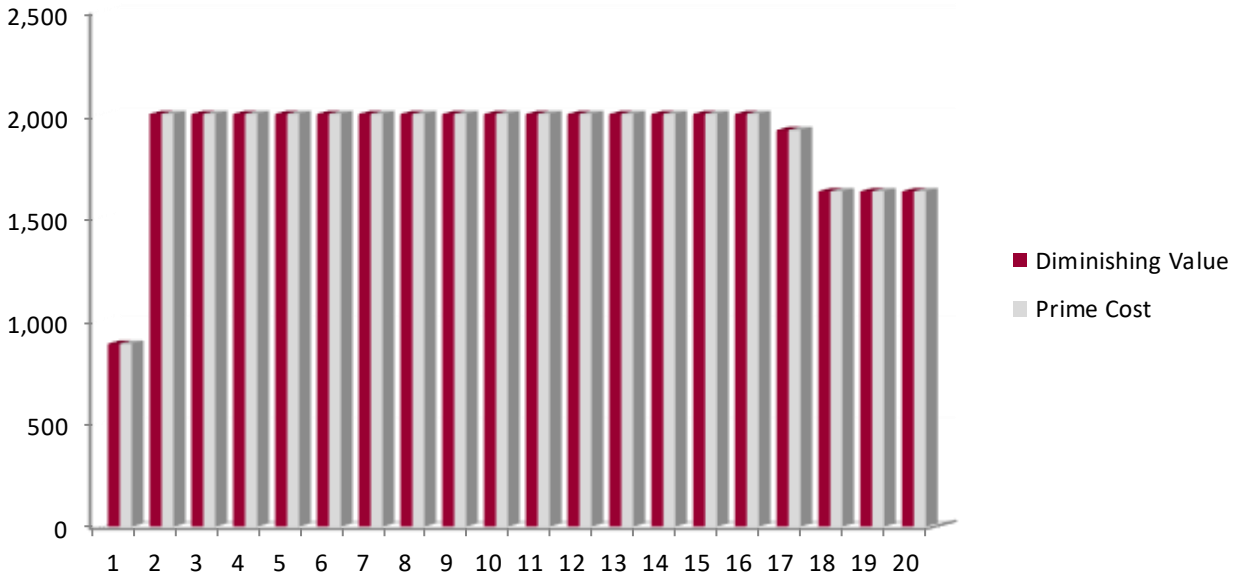
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

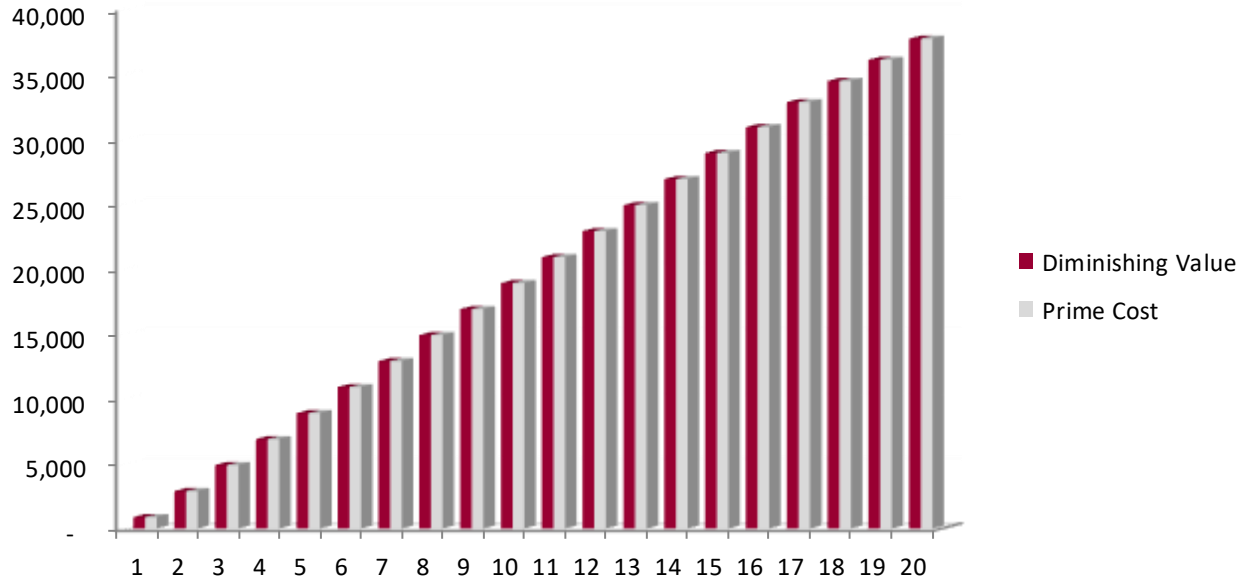
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	$1,000	$100	$900	$100

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	20 December 2018
Settlement Date	19 January 2019
Available To Generate Income	5 April 2019

Expenditure Analysed	
Purchase Price	$586,100
Stamp Duty	$26,065
Legals	$800
Total Expenditure Analysed	**$612,965**

Historical Construction Details	
Construction Start Date	Pre 1985
Construction Completion Date	Pre 1985
Historical Construction Cost (Estimated)*	N/A

9. Reconciliation of Capital Expenditure

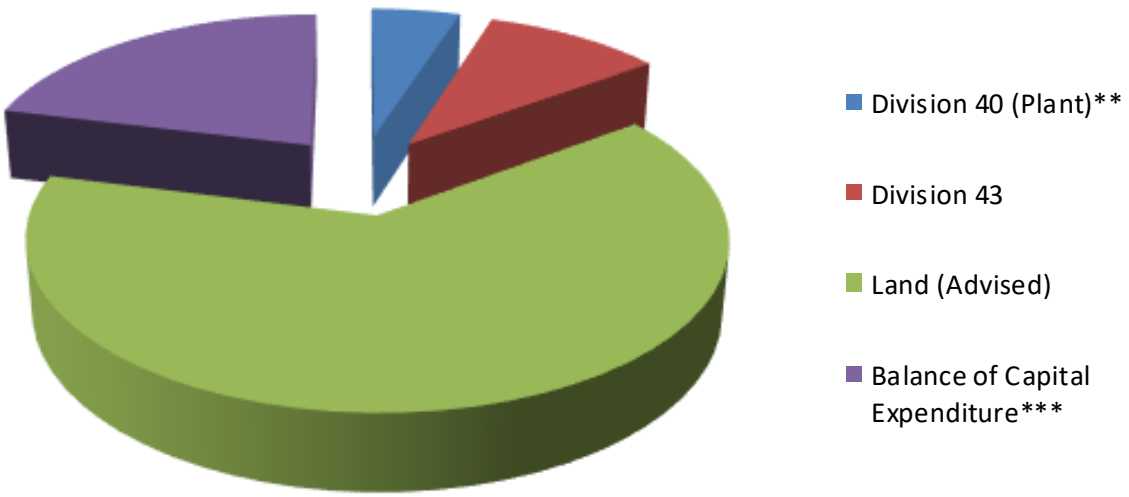
Apportionment of cost relating to:	
Division 40 (Plant)**	$30,488
Division 43	$61,388
Land (Advised)	$391,677
Balance of Capital Expenditure***	$129,412
Total Expenditure Analysed	**$612,965**

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%	19-Jan-19	6,104	542	1,112	890	712	570	456	365	292	233	350
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	19-Jan-19	1,017	191	310	194	121	76	47	30	18	12	7
Ceiling Fans	NO	18.75%	19-Jan-19	895	168	273	170	107	67	42	26	16	10	6
Curtains and drapes	NO	18.75%	19-Jan-19	3,522	660	1,073	671	419	262	164	102	64	40	25
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	19-Jan-19	358	67	109	68	43	27	17	10	7	4	3
Floor coverings (removable without damage)														
Carpets	NO	20.00%	19-Jan-19	4,180	371	762	609	488	390	312	250	374	234	146
Floating timber	NO	13.33%	19-Jan-19	3,229	191	405	351	304	264	229	198	172	149	363
Furniture	NO	18.75%	19-Jan-19	3,768	707	1,148	718	448	280	175	109	68	43	27
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	19-Jan-19	1,465	108	226	188	353	221	138	86	54	34	21
Kitchen assets														
Cooktops	NO	18.75%	19-Jan-19	692	130	211	132	82	51	32	20	13	8	5
Dishwashers	NO	18.75%	19-Jan-19	977	183	298	186	116	73	45	28	18	11	7
Ovens	NO	18.75%	19-Jan-19	895	168	273	170	107	67	42	26	16	10	6
Rangehoods	NO	18.75%	19-Jan-19	366	69	112	70	44	27	17	11	7	4	3
Lights														
Shades, removable	NO	18.75%	19-Jan-19	2,889	542	880	550	344	215	134	84	52	33	20
$300 items	NO	100.00%	19-Jan-19	130	130									
Pooled Plant Total					2,884	4,686	2,929	2,184	1,365	853	533	708	442	989
Effective Life Plant Total					1,342	2,505	2,039	1,504	1,223	996	812	463	382	
Total Division 40				30,488	4,226	7,191	4,968	3,688	2,588	1,849	1,345	1,171	824	989

Division 43 - Capital Works Allowance	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1995	2.50%	19-Jan-19	4,368	119	269	269	269	269	269	269	269	269	269
Building Works - Completed 2006	2.50%	19-Jan-19	13,853	221	499	499	499	499	499	499	499	499	499
Building Works - Completed 2017	2.50%	19-Jan-19	29,327	340	767	767	767	767	767	767	767	767	767
Structural Improvements - Completed 1995	2.50%	19-Jan-19	1,720	47	106	106	106	106	106	106	106	106	106
Structural Improvements - Completed 2006	2.50%	19-Jan-19	4,615	74	166	166	166	166	166	166	166	166	166
Structural Improvements - Completed 2017	2.50%	19-Jan-19	7,505	87	196	196	196	196	196	196	196	196	196
Total Division 43			61,388	888	2,003	2,003	2,003	2,003	2,003	2,003	2,003	2,003	2,003
Total Depreciation			91,876	5,114	9,194	6,971	5,691	4,591	3,852	3,348	3,174	2,827	2,992

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%	19-Jan-19	6,104	271	610	610	610	610	610	610	610	610	610
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	19-Jan-19	1,017	191	310	194	121	76	47	30	18	12	7
Ceiling Fans	NO	18.75%	19-Jan-19	895	168	273	170	107	67	42	26	16	10	6
Curtains and drapes	NO	18.75%	19-Jan-19	3,522	660	1,073	671	419	262	164	102	64	40	25
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	19-Jan-19	358	67	109	68	43	27	17	10	7	4	3
Floor coverings (removable without damage)														
Carpets	NO	10.00%	19-Jan-19	4,180	186	418	418	418	418	418	418	418	418	418
Floating timber	NO	6.67%	19-Jan-19	3,229	96	215	215	215	215	215	215	215	215	215
Furniture	NO	18.75%	19-Jan-19	3,768	707	1,148	718	448	280	175	109	68	43	27
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	19-Jan-19	1,465	54	122	122	122	122	122	122	122	122	122
Kitchen assets														
Cooktops	NO	18.75%	19-Jan-19	692	130	211	132	82	51	32	20	13	8	5
Dishwashers	NO	18.75%	19-Jan-19	977	183	298	186	116	73	45	28	18	11	7
Ovens	NO	18.75%	19-Jan-19	895	168	273	170	107	67	42	26	16	10	6
Rangehoods	NO	18.75%	19-Jan-19	366	69	112	70	44	27	17	11	7	4	3
Lights														
Shades, removable	NO	18.75%	19-Jan-19	2,889	542	880	550	344	215	134	84	52	33	20
$300 items	NO	100.00%	19-Jan-19	130	130									
Pooled Plant Total					2,884	4,686	2,929	1,830	1,144	715	447	279	175	109
Effective Life Plant Total					736	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365
Total Division 40				30,488	3,620	6,051	4,294	3,195	2,509	2,080	1,812	1,644	1,540	1,474

Division 43 - Capital Works Allowance	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1995	2.50%	19-Jan-19	4,368	119	269	269	269	269	269	269	269	269	269
Building Works - Completed 2006	2.50%	19-Jan-19	13,853	221	499	499	499	499	499	499	499	499	499
Building Works - Completed 2017	2.50%	19-Jan-19	29,327	340	767	767	767	767	767	767	767	767	767
Structural Improvements - Completed 1995	2.50%	19-Jan-19	1,720	47	106	106	106	106	106	106	106	106	106
Structural Improvements - Completed 2006	2.50%	19-Jan-19	4,615	74	166	166	166	166	166	166	166	166	166
Structural Improvements - Completed 2017	2.50%	19-Jan-19	7,505	87	196	196	196	196	196	196	196	196	196
Total Division 43			61,388	888	2,003	2,003	2,003	2,003	2,003	2,003	2,003	2,003	2,003
Total Depreciation			91,876	4,508	8,054	6,297	5,198	4,512	4,083	3,815	3,647	3,543	3,477

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 1995	*1 Apr 95 to 1 May 95*	*10,743*	*2.50%*	*269*	*4,368*
Building Works - Completed 2006	*2 Oct 06 to 1 Nov 06*	*19,951*	*2.50%*	*499*	*13,853*
Building Works - Completed 2017	*10 Mar 17 to 9 Apr 17*	*30,693*	*2.50%*	*767*	*29,327*
Sub-total		*61,387*		*1,535*	*47,548*

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1995	*1 Apr 95 to 1 May 95*	*4,229*	*2.50%*	*106*	*1,720*
Structural Improvements - Completed 2006	*2 Oct 06 to 1 Nov 06*	*6,646*	*2.50%*	*166*	*4,615*
Structural Improvements - Completed 2017	*10 Mar 17 to 9 Apr 17*	*7,855*	*2.50%*	*196*	*7,505*
Sub-total		*18,730*		*468*	*13,840*
Totals		*80,117*		*2,003*	*61,388*

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.

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