



Tax Depreciation Report

149 Bourke Road,
Clayton South VIC 3169

Dao Nguyet Ha Le and Tri Si Cao
45 Kurrajong Road
NARRE WARREN, VIC 3805

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

Dao Nguyet Ha Le and Tri Si Cao
45 Kurradjong Road
NARRE WARREN, VIC 3805

January 2020
Job No: RES3169002

Tax Depreciation Report – 149 Bourke Road, Clayton South VIC 3169

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

21 January 2020

Purchaser

Dao Nguyet Ha Le and Tri Si Cao

Property Address

149 Bourke Road, Clayton South VIC 3169

Real Property Description

LOT 1 LP81050

Property Type

Residential House

Date of Construction

Pre 1985

Date Available To Generate Income

26 November 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	26 November 19 to 30 June 20	0	0	0	1,357	1,357	6,612	6,612
2	1 July 20 to 30 June 21	0	0	0	2,289	2,289	10,249	16,862
3	1 July 21 to 30 June 22	0	0	0	2,289	2,289	8,008	24,869
4	1 July 22 to 30 June 23	0	0	0	2,289	2,289	6,204	31,073
5	1 July 23 to 30 June 24	0	0	0	2,289	2,289	4,976	36,049
6	1 July 24 to 30 June 25	0	0	0	2,289	2,289	4,149	40,198
7	1 July 25 to 30 June 26	0	0	0	2,289	2,289	3,312	43,510
8	1 July 26 to 30 June 27	0	0	0	2,289	2,289	3,052	46,562
9	1 July 27 to 30 June 28	0	0	0	2,289	2,289	2,384	48,946
10	1 July 28 to 30 June 29	0	0	0	2,289	2,289	2,131	51,077
11	1 July 29 to 30 June 30	0	0	0	2,289	2,289	1,668	52,746
12	1 July 30 to 30 June 31	0	0	0	2,289	2,289	1,571	54,317
13	1 July 31 to 30 June 32	0	0	0	2,289	2,289	1,210	55,526
14	1 July 32 to 30 June 33	0	0	0	2,100	2,100	956	56,483
15	1 July 33 to 30 June 34	0	0	0	2,014	2,014	774	57,257
16	1 July 34 to 30 June 35	0	0	0	2,014	2,014	850	58,107
17	1 July 35 to 30 June 36	0	0	0	2,014	2,014	640	58,746
18	1 July 36 to 30 June 37	0	0	0	2,014	2,014	496	59,242
19	1 July 37 to 30 June 38	0	0	0	2,014	2,014	395	59,637
20	1 July 38 to 30 June 39	0	0	0	2,014	2,014	536	60,173
21	1 July 39 to 30 June 40	0	0	0	2,014	2,014	373	60,546
22	1 July 40 to 30 June 41	0	0	0	2,014	2,014	267	60,813
23	1 July 41 to 30 June 42	0	0	0	1,967	1,967	198	61,011
24	1 July 42 to 30 June 43	0	0	0	1,387	1,387	402	61,413
25	1 July 43 to 30 June 44	0	0	0	1,387	1,387	251	61,664
26	1 July 44 to 30 June 45	0	0	0	1,387	1,387	157	61,821
27	1 July 45 to 30 June 46	0	0	0	1,387	1,387	98	61,919
28	1 July 46 to 30 June 47	0	0	0	1,387	1,387	61	61,980
29	1 July 47 to 30 June 48	0	0	0	1,387	1,387	38	62,019
30	1 July 48 to 30 June 49	0	0	0	1,387	1,387	24	62,043
31	1 July 49 to 30 June 50	0	0	0	1,387	1,387	15	62,058
32	1 July 50 to 30 June 51	0	0	0	1,387	1,387	9	62,067
33	1 July 51 to 30 June 52	0	0	0	1,217	1,217	6	62,073
34	1 July 52 to 30 June 53	0	0	0	393	393	4	62,076
35	1 July 53 to 30 June 54	0	0	0	393	393	2	62,079
36	1 July 54 to 30 June 55	0	0	0	393	393	1	62,080
37	1 July 55 to 30 June 56	0	0	0	360	360	1	62,081
38	1 July 56 to 30 June 57	0	0	0	0	0	1	62,082
39	1 July 57 to 30 June 58	0	0	0	0	0	0	62,082
40	2058+	0	0	0	0	0	1	62,083
Totals		0	0	0	64,243	64,243	62,083	62,083

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 November 19 to 30 June 20	0	0	0	1,357	1,357	4,180	4,180
2	1 July 20 to 30 June 21	0	0	0	2,289	2,289	6,941	11,120
3	1 July 21 to 30 June 22	0	0	0	2,289	2,289	5,828	16,948
4	1 July 22 to 30 June 23	0	0	0	2,289	2,289	5,131	22,079
5	1 July 23 to 30 June 24	0	0	0	2,289	2,289	4,706	26,785
6	1 July 24 to 30 June 25	0	0	0	2,289	2,289	4,441	31,227
7	1 July 25 to 30 June 26	0	0	0	2,289	2,289	4,175	35,401
8	1 July 26 to 30 June 27	0	0	0	2,289	2,289	3,545	38,946
9	1 July 27 to 30 June 28	0	0	0	2,289	2,289	3,447	42,393
10	1 July 28 to 30 June 29	0	0	0	2,289	2,289	3,406	45,800
11	1 July 29 to 30 June 30	0	0	0	2,289	2,289	3,010	48,810
12	1 July 30 to 30 June 31	0	0	0	2,289	2,289	2,752	51,562
13	1 July 31 to 30 June 32	0	0	0	2,289	2,289	2,488	54,051
14	1 July 32 to 30 June 33	0	0	0	2,100	2,100	2,312	56,363
15	1 July 33 to 30 June 34	0	0	0	2,014	2,014	2,308	58,672
16	1 July 34 to 30 June 35	0	0	0	2,014	2,014	1,241	59,912
17	1 July 35 to 30 June 36	0	0	0	2,014	2,014	494	60,406
18	1 July 36 to 30 June 37	0	0	0	2,014	2,014	493	60,898
19	1 July 37 to 30 June 38	0	0	0	2,014	2,014	492	61,390
20	1 July 38 to 30 June 39	0	0	0	2,014	2,014	492	61,882
21	1 July 39 to 30 June 40	0	0	0	2,014	2,014	200	62,082
22	1 July 40 to 30 June 41	0	0	0	2,014	2,014	0	62,082
23	1 July 41 to 30 June 42	0	0	0	1,967	1,967	0	62,082
24	1 July 42 to 30 June 43	0	0	0	1,387	1,387	0	62,082
25	1 July 43 to 30 June 44	0	0	0	1,387	1,387	0	62,082
26	1 July 44 to 30 June 45	0	0	0	1,387	1,387	0	62,082
27	1 July 45 to 30 June 46	0	0	0	1,387	1,387	0	62,082
28	1 July 46 to 30 June 47	0	0	0	1,387	1,387	0	62,082
29	1 July 47 to 30 June 48	0	0	0	1,387	1,387	0	62,082
30	1 July 48 to 30 June 49	0	0	0	1,387	1,387	0	62,082
31	1 July 49 to 30 June 50	0	0	0	1,387	1,387	0	62,083
32	1 July 50 to 30 June 51	0	0	0	1,387	1,387	0	62,083
33	1 July 51 to 30 June 52	0	0	0	1,217	1,217	0	62,083
34	1 July 52 to 30 June 53	0	0	0	393	393	0	62,083
35	1 July 53 to 30 June 54	0	0	0	393	393	0	62,083
36	1 July 54 to 30 June 55	0	0	0	393	393	0	62,083
37	1 July 55 to 30 June 56	0	0	0	360	360	0	62,083
38	1 July 56 to 30 June 57	0	0	0	0	0	0	62,083
39	1 July 57 to 30 June 58	0	0	0	0	0	0	62,083
40	2058+	0	0	0	0	0	0	62,083
Totals		0	0	0	64,243	64,243	62,083	62,083

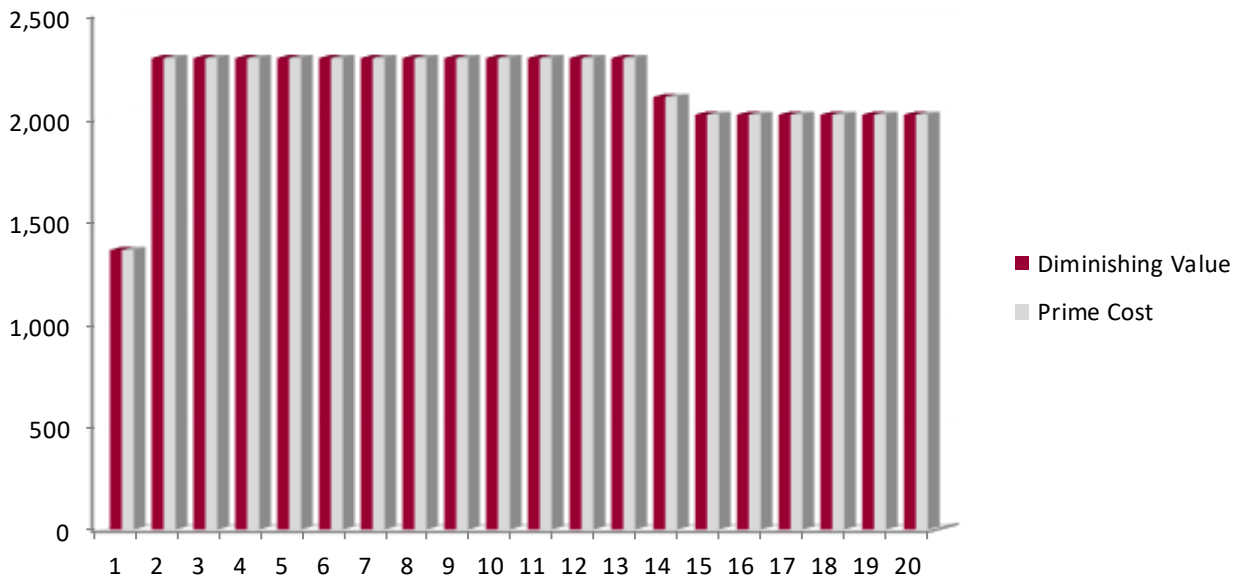
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

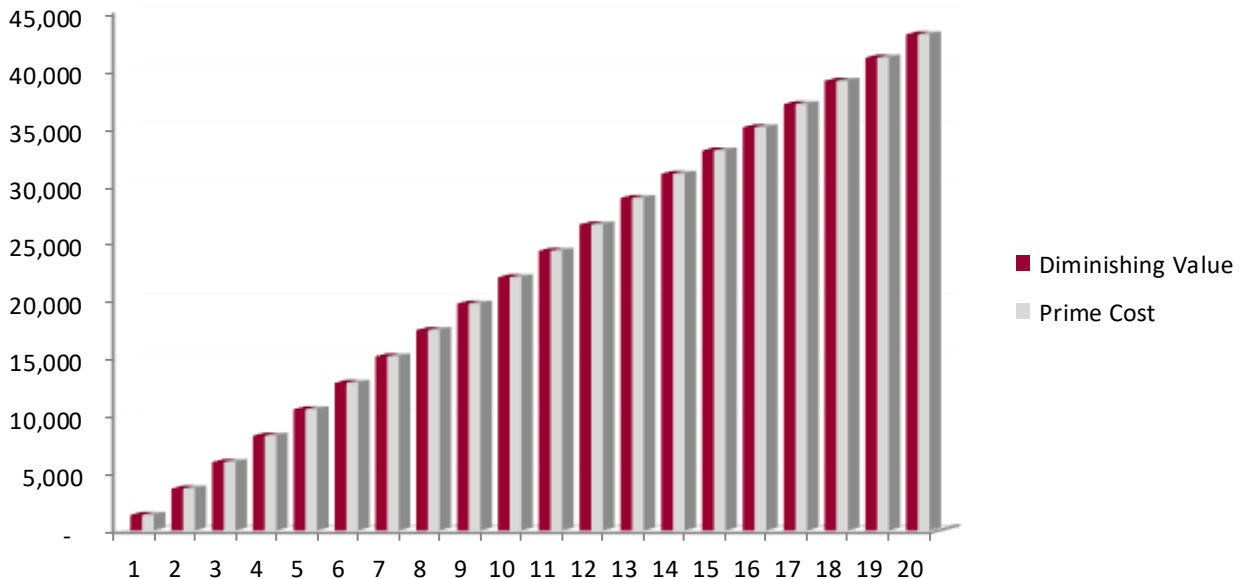
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	10 August 2019
Settlement Date	26 November 2019
Available To Generate Income	26 November 2019

Expenditure Analysed

Purchase Price	\$742,000
Stamp Duty	\$39,590
Total Expenditure Analysed	\$781,590

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:

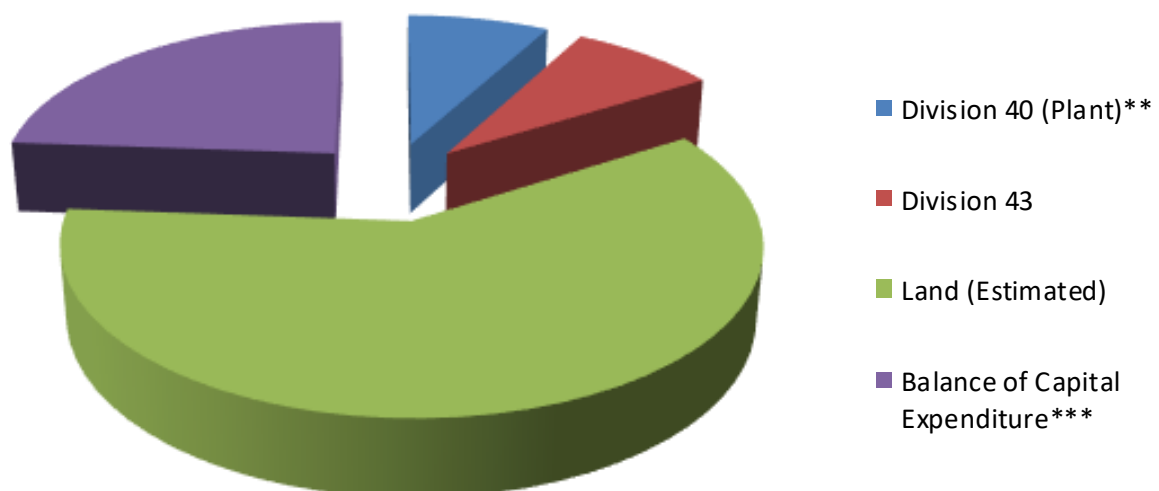
Division 40 (Plant)**	\$62,083
Division 43	\$64,243
Land (Estimated)	\$468,954
Balance of Capital Expenditure***	\$186,310
Total Expenditure Analysed	\$781,590

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)														
Room units	NO	20.00%	26-Nov-19	3,945	468	696	556	445	356	285	228	342	214	134
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	26-Nov-19	877	164	267	167	104	65	41	25	16	10	6
Shower curtains (excl. curtain rods & screens)	NO	100.00%	26-Nov-19	88	88									
Blinds Residential														
Blinds Residential	NO	20.00%	26-Nov-19	1,300	154	229	344	215	134	84	52	33	20	13
Blinds Residential	NO	18.75%	26-Nov-19	1,714	321	522	326	204	127	80	50	31	19	12
Computer systems														
General	NO	18.75%	26-Nov-19	614	115	187	117	73	46	29	18	11	7	4
Curtains and drapes														
Curtains and drapes	NO	33.33%	26-Nov-19	1,040	206	313	196	122	76	48	30	19	12	7
Curtains and drapes	NO	18.75%	26-Nov-19	951	178	290	181	113	71	44	28	17	11	7
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	26-Nov-19	772	145	235	147	92	57	36	22	14	9	5
Floor coverings (removable without damage)														
Floating timber	NO	13.33%	26-Nov-19	12,620	998	1,550	1,343	1,164	1,009	874	758	657	569	493
Furniture														
Furniture	NO	18.75%	26-Nov-19	1,339	251	408	255	159	100	62	39	24	15	9
Garbage disposal														
Garbage bins	NO	18.75%	26-Nov-19	421	79	128	80	50	31	20	12	8	5	3
Garden sheds, freestanding														
Garden sheds, freestanding	NO	20.00%	26-Nov-19	877	104	290	181	113	71	44	28	17	11	7
Heating units														
Electronic	NO	13.33%	26-Nov-19	7,014	554	861	746	647	561	486	421	365	316	274
Freestanding	NO	13.33%	26-Nov-19	4,384	347	538	467	404	350	304	263	228	198	171
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	26-Nov-19	3,156	312	474	395	329	274	229	191	357	223	140
Kitchen assets														
Ovens	NO	16.67%	26-Nov-19	1,929	191	290	241	201	168	314	196	123	77	48
Rangehoods	NO	18.75%	26-Nov-19	789	148	240	150	94	59	37	23	14	9	6
Stoves	NO	13.33%	26-Nov-19	3,156	250	388	336	291	252	219	190	164	142	347
Lights														
Shades, removable	NO	18.75%	26-Nov-19	2,034	381	620	387	242	151	95	59	37	23	14
Security systems & equipment														
Electronic	NO	30.00%	26-Nov-19	3,244	577	800	560	392	343	214	134	84	52	33
Solar power generating system assets														
Solar power generating system assets	NO	10.00%	26-Nov-19	9,820	582	924	831	748	673	606	545	491	442	398
Pooled Plant Total					1,783	3,500	2,531	1,582	1,332	1,147	717	1,147	717	795
Effective Life Plant Total					4,829	6,749	5,476	4,622	3,644	3,002	2,595	1,905	1,667	1,336
Total Division 40				62,083	6,612	10,249	8,008	6,204	4,976	4,149	3,312	3,052	2,384	2,131

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 1992	2.50%	26-Nov-19	2,379	109	184	184	184	184	184	184	184	184	184
Building Works - Completed 2002	2.50%	26-Nov-19	11,059	291	491	491	491	491	491	491	491	491	491
Building Works - Completed 2012	2.50%	26-Nov-19	25,866	473	798	798	798	798	798	798	798	798	798
Building Works - Completed 2016	2.50%	26-Nov-19	5,518	90	151	151	151	151	151	151	151	151	151
Structural Improvements - Completed 1992	2.50%	26-Nov-19	1,170	54	91	91	91	91	91	91	91	91	91
Structural Improvements - Completed 2002	2.50%	26-Nov-19	3,060	81	136	136	136	136	136	136	136	136	136
Structural Improvements - Completed 2012	2.50%	26-Nov-19	6,361	116	196	196	196	196	196	196	196	196	196
Structural Improvements - Completed 2016	2.50%	26-Nov-19	8,830	143	242	242	242	242	242	242	242	242	242
Total Division 43			64,243	1,357	2,289	2,289	2,289	2,289	2,289	2,289	2,289	2,289	2,289
Total Depreciation			126,326	7,969	12,538	10,297	8,493	7,265	6,438	5,601	5,341	4,673	4,420

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)														
Room units	NO	10.00%	26-Nov-19	3,945	234	395	395	395	395	395	395	395	395	395
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	26-Nov-19	877	164	267	167	104	65	41	25	16	10	6
Shower curtains (excl. curtain rods & screens)	NO	50.00%	26-Nov-19	88	26	44	18							
Blinds Residential														
Blinds Residential	NO	10.00%	26-Nov-19	1,300	77	130	130	130	130	130	130	130	130	130
Blinds Residential	NO	18.75%	26-Nov-19	1,714	321	522	326	204	127	80	50	31	19	12
Computer systems														
General	NO	18.75%	26-Nov-19	614	115	187	117	73	46	29	18	11	7	4
Curtains and drapes														
Curtains and drapes	NO	16.67%	26-Nov-19	1,040	103	173	173	173	173	173	72			
Curtains and drapes	NO	18.75%	26-Nov-19	951	178	290	181	113	71	44	28	17	11	7
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	26-Nov-19	772	145	235	147	92	57	36	22	14	9	5
Floor coverings (removable without damage)														
Floating timber	NO	6.67%	26-Nov-19	12,620	499	841	841	841	841	841	841	841	841	841
Furniture														
Furniture	NO	18.75%	26-Nov-19	1,339	251	408	255	159	100	62	39	24	15	9
Garbage disposal														
Garbage bins	NO	18.75%	26-Nov-19	421	79	128	80	50	31	20	12	8	5	3
Garden sheds, freestanding														
Garden sheds, freestanding	NO	10.00%	26-Nov-19	877	52	88	88	88	88	88	88	88	88	88
Heating units														
Electronic	NO	6.67%	26-Nov-19	7,014	277	468	468	468	468	468	468	468	468	468
Freestanding	NO	6.67%	26-Nov-19	4,384	173	292	292	292	292	292	292	292	292	292
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	26-Nov-19	3,156	156	263	263	263	263	263	263	263	263	263
Kitchen assets														
Ovens	NO	8.33%	26-Nov-19	1,929	95	161	161	161	161	161	161	161	161	161
Rangehoods	NO	18.75%	26-Nov-19	789	148	240	150	94	59	37	23	14	9	6
Stoves	NO	6.67%	26-Nov-19	3,156	125	210	210	210	210	210	210	210	210	210
Lights														
Shades, removable	NO	18.75%	26-Nov-19	2,034	381	620	387	242	151	95	59	37	23	14
Security systems & equipment														
Electronic	NO	15.00%	26-Nov-19	3,244	289	487	487	487	487	487	487	33		
Solar power generating system assets														
Solar power generating system assets	NO	5.00%	26-Nov-19	9,820	291	491	491	491	491	491	491	491	491	491
Pooled Plant Total					1,783	2,898	1,811	1,132	707	442	276	173	108	67
Effective Life Plant Total					2,397	4,043	4,017	3,999	3,999	3,999	3,898	3,372	3,339	3,339
Total Division 40				62,083	4,180	6,941	5,828	5,131	4,706	4,441	4,175	3,545	3,447	3,406

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 1992	2.50%	26-Nov-19	2,379	109	184	184	184	184	184	184	184	184	184
Building Works - Completed 2002	2.50%	26-Nov-19	11,059	291	491	491	491	491	491	491	491	491	491
Building Works - Completed 2012	2.50%	26-Nov-19	25,866	473	798	798	798	798	798	798	798	798	798
Building Works - Completed 2016	2.50%	26-Nov-19	5,518	90	151	151	151	151	151	151	151	151	151
Structural Improvements - Completed 1992	2.50%	26-Nov-19	1,170	54	91	91	91	91	91	91	91	91	91
Structural Improvements - Completed 2002	2.50%	26-Nov-19	3,060	81	136	136	136	136	136	136	136	136	136
Structural Improvements - Completed 2012	2.50%	26-Nov-19	6,361	116	196	196	196	196	196	196	196	196	196
Structural Improvements - Completed 2016	2.50%	26-Nov-19	8,830	143	242	242	242	242	242	242	242	242	242
Total Division 43			64,243	1,357	2,289	2,289	2,289	2,289	2,289	2,289	2,289	2,289	2,289
Total Depreciation			126,326	5,537	9,230	8,117	7,420	6,995	6,730	6,464	5,834	5,736	5,695

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 1992	1 Oct 92 to 31 Oct 92	7,370	2.50%	184	2,379
Building Works - Completed 2002	4 May 02 to 3 Jun 02	19,654	2.50%	491	11,059
Building Works - Completed 2012	21 Mar 12 to 20 Apr 12	31,938	2.50%	798	25,866
Building Works - Completed 2016	10 May 16 to 9 Jun 16	6,042	2.50%	151	5,518

Sub-total 65,005 1,624 44,822

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1992	1 Oct 92 to 31 Oct 92	3,625	2.50%	91	1,170
Structural Improvements - Completed 2002	4 May 02 to 3 Jun 02	5,438	2.50%	136	3,060
Structural Improvements - Completed 2012	21 Mar 12 to 20 Apr 12	7,855	2.50%	196	6,361
Structural Improvements - Completed 2016	10 May 16 to 9 Jun 16	9,667	2.50%	242	8,830

Sub-total 26,585 665 19,421

Totals 91,590 2,289 64,243

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>