



Tax Depreciation Report

37 Archdall Street,
MacGregor ACT 2615

Antony and Caitlyn Prceвич
PO Box 675
NOWRA , NSW 2541

Issue Schedule	
Issue Date:	Issued by:
05 March 2020	Mark Kilroy Bsc (Hons) MRICS

Antony and Caitlyn Prcevich
PO Box 675
NOWRA , NSW 2541

March 2020
Job No: RES2615001

Tax Depreciation Report – 37 Archdall Street, MacGregor ACT 2615

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

5 March 2020

Purchaser

Antony and Caitlyn Prcevic

Property Address

37 Archdall Street, MacGregor ACT 2615

Real Property Description

13/4/MACG

Property Type

Residential House

Date of Construction

Pre 1985

Date Available To Generate Income

11 October 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	11 October 18 to 30 June 19	0	0	0	1,045	1,045	8,960	8,960
2	1 July 19 to 30 June 20	0	0	0	1,456	1,456	11,557	20,517
3	1 July 20 to 30 June 21	0	0	0	1,456	1,456	8,662	29,179
4	1 July 21 to 30 June 22	0	0	0	1,456	1,456	6,640	35,819
5	1 July 22 to 30 June 23	0	0	0	1,456	1,456	5,285	41,104
6	1 July 23 to 30 June 24	0	0	0	1,456	1,456	4,253	45,357
7	1 July 24 to 30 June 25	0	0	0	1,456	1,456	3,155	48,512
8	1 July 25 to 30 June 26	0	0	0	1,456	1,456	2,505	51,017
9	1 July 26 to 30 June 27	0	0	0	1,456	1,456	2,274	53,291
10	1 July 27 to 30 June 28	0	0	0	1,456	1,456	1,887	55,177
11	1 July 28 to 30 June 29	0	0	0	1,456	1,456	1,260	56,437
12	1 July 29 to 30 June 30	0	0	0	1,456	1,456	859	57,296
13	1 July 30 to 30 June 31	0	0	0	1,456	1,456	602	57,898
14	1 July 31 to 30 June 32	0	0	0	1,456	1,456	435	58,333
15	1 July 32 to 30 June 33	0	0	0	1,456	1,456	324	58,658
16	1 July 33 to 30 June 34	0	0	0	1,456	1,456	250	58,908
17	1 July 34 to 30 June 35	0	0	0	1,434	1,434	199	59,107
18	1 July 35 to 30 June 36	0	0	0	1,333	1,333	163	59,270
19	1 July 36 to 30 June 37	0	0	0	1,333	1,333	136	59,406
20	1 July 37 to 30 June 38	0	0	0	1,333	1,333	116	59,522
21	1 July 38 to 30 June 39	0	0	0	1,333	1,333	352	59,875
22	1 July 39 to 30 June 40	0	0	0	1,333	1,333	220	60,095
23	1 July 40 to 30 June 41	0	0	0	1,333	1,333	138	60,233
24	1 July 41 to 30 June 42	0	0	0	1,333	1,333	86	60,319
25	1 July 42 to 30 June 43	0	0	0	1,311	1,311	54	60,373
26	1 July 43 to 30 June 44	0	0	0	1,063	1,063	34	60,406
27	1 July 44 to 30 June 45	0	0	0	1,059	1,059	21	60,427
28	1 July 45 to 30 June 46	0	0	0	1,059	1,059	13	60,440
29	1 July 46 to 30 June 47	0	0	0	1,059	1,059	8	60,449
30	1 July 47 to 30 June 48	0	0	0	1,059	1,059	5	60,454
31	1 July 48 to 30 June 49	0	0	0	1,059	1,059	3	60,457
32	1 July 49 to 30 June 50	0	0	0	916	916	2	60,459
33	1 July 50 to 30 June 51	0	0	0	630	630	1	60,460
34	1 July 51 to 30 June 52	0	0	0	630	630	1	60,461
35	1 July 52 to 30 June 53	0	0	0	630	630	0	60,461
36	1 July 53 to 30 June 54	0	0	0	630	630	0	60,462
37	1 July 54 to 30 June 55	0	0	0	235	235	0	60,462
38	1 July 55 to 30 June 56	0	0	0	0	0	0	60,462
39	1 July 56 to 30 June 57	0	0	0	0	0	0	60,462
40	2057+	0	0	0	0	0	0	60,462
Totals		0	0	0	44,990	44,990	60,462	60,462

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	11 October 18 to 30 June 19	0	0	0	1,045	1,045	5,968	5,968
2	1 July 19 to 30 June 20	0	0	0	1,456	1,456	8,583	14,551
3	1 July 20 to 30 June 21	0	0	0	1,456	1,456	6,927	21,479
4	1 July 21 to 30 June 22	0	0	0	1,456	1,456	5,893	27,371
5	1 July 22 to 30 June 23	0	0	0	1,456	1,456	5,246	32,617
6	1 July 23 to 30 June 24	0	0	0	1,456	1,456	4,842	37,459
7	1 July 24 to 30 June 25	0	0	0	1,456	1,456	4,545	42,004
8	1 July 25 to 30 June 26	0	0	0	1,456	1,456	3,603	45,607
9	1 July 26 to 30 June 27	0	0	0	1,456	1,456	3,504	49,112
10	1 July 27 to 30 June 28	0	0	0	1,456	1,456	3,443	52,554
11	1 July 28 to 30 June 29	0	0	0	1,456	1,456	2,132	54,687
12	1 July 29 to 30 June 30	0	0	0	1,456	1,456	1,606	56,293
13	1 July 30 to 30 June 31	0	0	0	1,456	1,456	946	57,239
14	1 July 31 to 30 June 32	0	0	0	1,456	1,456	641	57,880
15	1 July 32 to 30 June 33	0	0	0	1,456	1,456	573	58,453
16	1 July 33 to 30 June 34	0	0	0	1,456	1,456	433	58,885
17	1 July 34 to 30 June 35	0	0	0	1,434	1,434	369	59,254
18	1 July 35 to 30 June 36	0	0	0	1,333	1,333	367	59,622
19	1 July 36 to 30 June 37	0	0	0	1,333	1,333	366	59,988
20	1 July 37 to 30 June 38	0	0	0	1,333	1,333	366	60,354
21	1 July 38 to 30 June 39	0	0	0	1,333	1,333	107	60,461
22	1 July 39 to 30 June 40	0	0	0	1,333	1,333	0	60,462
23	1 July 40 to 30 June 41	0	0	0	1,333	1,333	0	60,462
24	1 July 41 to 30 June 42	0	0	0	1,333	1,333	0	60,462
25	1 July 42 to 30 June 43	0	0	0	1,311	1,311	0	60,462
26	1 July 43 to 30 June 44	0	0	0	1,063	1,063	0	60,462
27	1 July 44 to 30 June 45	0	0	0	1,059	1,059	0	60,462
28	1 July 45 to 30 June 46	0	0	0	1,059	1,059	0	60,462
29	1 July 46 to 30 June 47	0	0	0	1,059	1,059	0	60,462
30	1 July 47 to 30 June 48	0	0	0	1,059	1,059	0	60,462
31	1 July 48 to 30 June 49	0	0	0	1,059	1,059	0	60,462
32	1 July 49 to 30 June 50	0	0	0	916	916	0	60,462
33	1 July 50 to 30 June 51	0	0	0	630	630	0	60,462
34	1 July 51 to 30 June 52	0	0	0	630	630	0	60,462
35	1 July 52 to 30 June 53	0	0	0	630	630	0	60,462
36	1 July 53 to 30 June 54	0	0	0	630	630	0	60,462
37	1 July 54 to 30 June 55	0	0	0	235	235	0	60,462
38	1 July 55 to 30 June 56	0	0	0	0	0	0	60,462
39	1 July 56 to 30 June 57	0	0	0	0	0	0	60,462
40	2057+	0	0	0	0	0	0	60,462
Totals		0	0	0	44,990	44,990	60,462	60,462

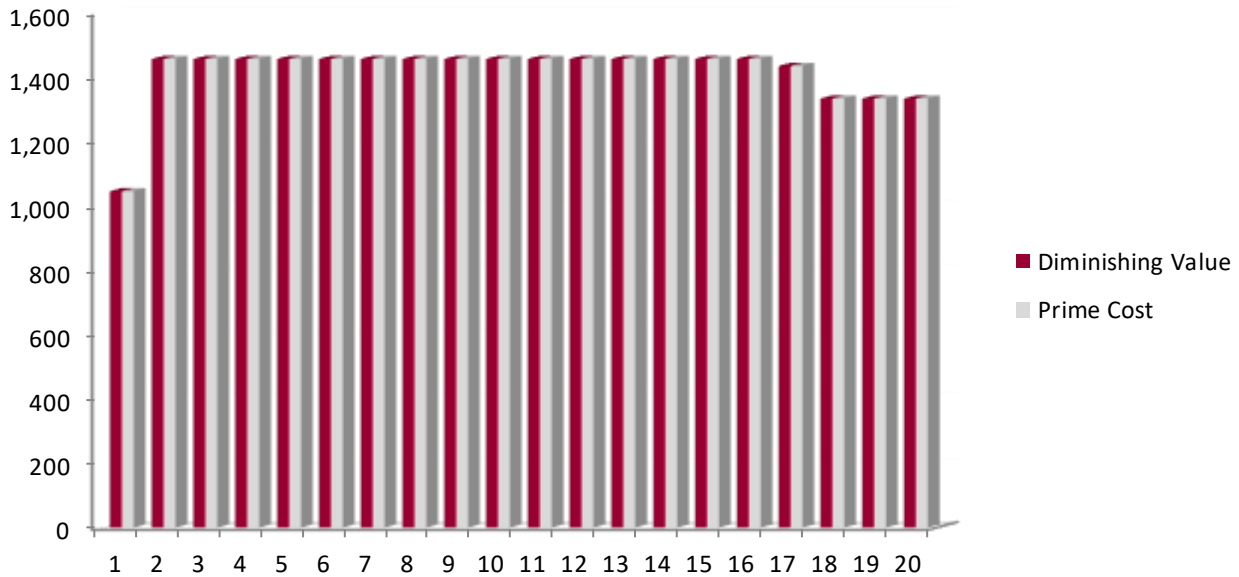
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

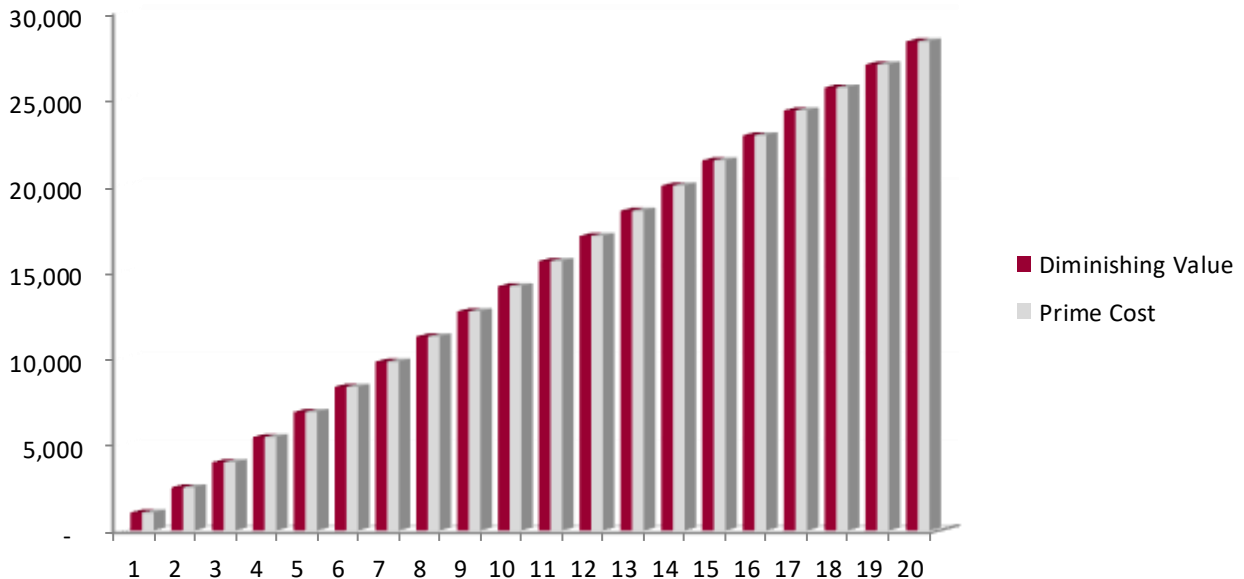
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	11 August 2018
Settlement Date	11 October 2018
Available To Generate Income	11 October 2018

Expenditure Analysed

Purchase Price	\$585,000
Stamp Duty	\$15,976
Total Expenditure Analysed	\$600,976

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:

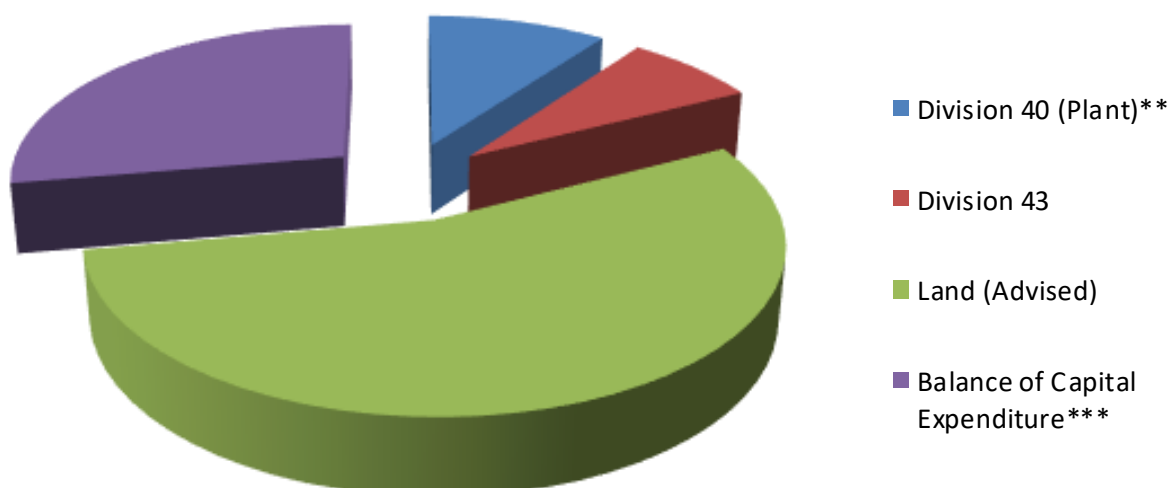
Division 40 (Plant)**	\$60,462
Division 43	\$44,990
Land (Advised)	\$328,739
Balance of Capital Expenditure***	\$166,785
Total Expenditure Analysed	\$600,976

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)														
Evaporative cooling	NO	20.00%	11-Oct-18	5,681	816	973	778	623	498	399	319	255	204	306
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	11-Oct-18	568	107	173	108	68	42	26	17	10	6	4
Blinds Residential														
	NO	18.75%	11-Oct-18	4,614	865	1,406	879	549	343	215	134	84	52	33
Computer systems														
General	NO	18.75%	11-Oct-18	568	107	173	108	68	42	26	17	10	6	4
Door closers														
	NO	18.75%	11-Oct-18	876	164	267	167	104	65	41	25	16	10	6
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	11-Oct-18	357	67	109	68	42	27	17	10	6	4	3
Floor coverings (removable without damage)														
Carpets	NO	20.00%	11-Oct-18	6,299	904	1,079	863	691	552	442	354	283	226	339
Floating timber	NO	13.33%	11-Oct-18	2,976	285	359	311	269	234	202	175	152	371	232
Furniture														
General	NO	15.00%	11-Oct-18	1,461	157	196	166	353	221	138	86	54	34	21
Furniture	NO	18.75%	11-Oct-18	3,157	592	962	601	376	235	147	92	57	36	22
Heating units														
Gas ducted central heating	NO	10.00%	11-Oct-18	7,304	524	678	610	549	494	445	400	360	324	292
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	11-Oct-18	2,921	350	429	357	298	248	207	172	323	202	126
Kitchen assets														
Cooktops	NO	16.67%	11-Oct-18	1,704	204	250	208	174	326	203	127	79	50	31
Dishwashers	NO	20.00%	11-Oct-18	1,948	280	334	267	214	320	200	125	78	49	31
Microwave ovens	NO	20.00%	11-Oct-18	2,435	350	417	334	267	214	320	200	125	78	49
Ovens	NO	16.67%	11-Oct-18	2,191	262	321	268	223	186	349	218	136	85	53
Rangehoods	NO	18.75%	11-Oct-18	730	137	223	139	87	54	34	21	13	8	5
Refrigerators	NO	16.67%	11-Oct-18	3,895	466	572	476	397	331	276	230	191	359	224
Laundry assets														
Clothes dryers	NO	18.75%	11-Oct-18	730	137	223	139	87	54	34	21	13	8	5
Washing machines	NO	20.00%	11-Oct-18	1,380	198	236	354	222	138	87	54	34	21	13
Lights														
Shades, removable	NO	18.75%	11-Oct-18	2,889	542	880	550	344	215	134	84	52	33	20
Security systems & equipment														
Electronic	NO	30.00%	11-Oct-18	5,518	1,188	1,299	909	637	446	312	273	171	107	67
\$300 items														
	NO	100.00%	11-Oct-18	260	260									
Pooled Plant Total					2,717	4,415	3,114	2,299	2,083	1,971	1,505	1,263	1,519	1,595
Effective Life Plant Total					6,243	7,142	5,549	4,340	3,202	2,282	1,650	1,242	755	292
Total Division 40				60,462	8,960	11,557	8,662	6,640	5,285	4,253	3,155	2,505	2,274	1,887

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 1995	2.50%	11-Oct-18	1,406	61	85	85	85	85	85	85	85	85	85
Building Works - Completed 2003	2.50%	11-Oct-18	5,416	158	220	220	220	220	220	220	220	220	220
Building Works - Completed 2010	2.50%	11-Oct-18	11,378	261	363	363	363	363	363	363	363	363	363
Building Works - Completed 2014	2.50%	11-Oct-18	18,922	376	524	524	524	524	524	524	524	524	524
Structural Improvements - Completed 1995	2.50%	11-Oct-18	628	27	38	38	38	38	38	38	38	38	38
Structural Improvements - Completed 2003	2.50%	11-Oct-18	1,339	39	54	54	54	54	54	54	54	54	54
Structural Improvements - Completed 2010	2.50%	11-Oct-18	2,086	47	66	66	66	66	66	66	66	66	66
Structural Improvements - Completed 2014	2.50%	11-Oct-18	3,815	76	106	106	106	106	106	106	106	106	106
Total Division 43			44,990	1,045	1,456	1,456	1,456	1,456	1,456	1,456	1,456	1,456	1,456
Total Depreciation			105,452	10,005	13,013	10,118	8,096	6,741	5,709	4,611	3,961	3,730	3,343

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)														
Evaporative cooling	NO	10.00%	11-Oct-18	5,681	408	568	568	568	568	568	568	568	568	568
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	11-Oct-18	568	107	173	108	68	42	26	17	10	6	4
Blinds Residential														
	NO	18.75%	11-Oct-18	4,614	865	1,406	879	549	343	215	134	84	52	33
Computer systems														
General	NO	18.75%	11-Oct-18	568	107	173	108	68	42	26	17	10	6	4
Door closers														
	NO	18.75%	11-Oct-18	876	164	267	167	104	65	41	25	16	10	6
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	11-Oct-18	357	67	109	68	42	27	17	10	6	4	3
Floor coverings (removable without damage)														
Carpets	NO	10.00%	11-Oct-18	6,299	452	630	630	630	630	630	630	630	630	630
Floating timber	NO	6.67%	11-Oct-18	2,976	142	198	198	198	198	198	198	198	198	198
Furniture														
Furniture	NO	7.50%	11-Oct-18	1,461	79	110	110	110	110	110	110	110	110	110
Furniture	NO	18.75%	11-Oct-18	3,157	592	962	601	376	235	147	92	57	36	22
Heating units														
Gas ducted central heating	NO	5.00%	11-Oct-18	7,304	262	365	365	365	365	365	365	365	365	365
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	11-Oct-18	2,921	175	243	243	243	243	243	243	243	243	243
Kitchen assets														
Cooktops	NO	8.33%	11-Oct-18	1,704	102	142	142	142	142	142	142	142	142	142
Dishwashers	NO	10.00%	11-Oct-18	1,948	140	195	195	195	195	195	195	195	195	195
Microwave ovens	NO	10.00%	11-Oct-18	2,435	175	243	243	243	243	243	243	243	243	243
Ovens	NO	8.33%	11-Oct-18	2,191	131	183	183	183	183	183	183	183	183	183
Rangehoods	NO	18.75%	11-Oct-18	730	137	223	139	87	54	34	21	13	8	5
Refrigerators	NO	8.33%	11-Oct-18	3,895	233	325	325	325	325	325	325	325	325	325
Laundry assets														
Clothes dryers	NO	18.75%	11-Oct-18	730	137	223	139	87	54	34	21	13	8	5
Washing machines	NO	10.00%	11-Oct-18	1,380	99	138	138	138	138	138	138	138	138	138
Lights														
Shades, removable	NO	18.75%	11-Oct-18	2,889	542	880	550	344	215	134	84	52	33	20
Security systems & equipment														
Electronic	NO	15.00%	11-Oct-18	5,518	594	828	828	828	828	828	784			
\$300 items														
	NO	100.00%	11-Oct-18	260	260									
Pooled Plant Total					2,717	4,415	2,759	1,725	1,078	674	421	263	164	103
Effective Life Plant Total					3,251	4,168	4,168	4,168	4,168	4,168	4,124	3,340	3,340	3,340
Total Division 40				60,462	5,968	8,583	6,927	5,893	5,246	4,842	4,545	3,603	3,504	3,443

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 1995	2.50%	11-Oct-18	1,406	61	85	85	85	85	85	85	85	85	85
Building Works - Completed 2003	2.50%	11-Oct-18	5,416	158	220	220	220	220	220	220	220	220	220
Building Works - Completed 2010	2.50%	11-Oct-18	11,378	261	363	363	363	363	363	363	363	363	363
Building Works - Completed 2014	2.50%	11-Oct-18	18,922	376	524	524	524	524	524	524	524	524	524
Structural Improvements - Completed 1995	2.50%	11-Oct-18	628	27	38	38	38	38	38	38	38	38	38
Structural Improvements - Completed 2003	2.50%	11-Oct-18	1,339	39	54	54	54	54	54	54	54	54	54
Structural Improvements - Completed 2010	2.50%	11-Oct-18	2,086	47	66	66	66	66	66	66	66	66	66
Structural Improvements - Completed 2014	2.50%	11-Oct-18	3,815	76	106	106	106	106	106	106	106	106	106
Total Division 43			44,990	1,045	1,456	1,456	1,456	1,456	1,456	1,456	1,456	1,456	1,456
Total Depreciation			105,452	7,013	10,039	8,383	7,349	6,702	6,298	6,001	5,059	4,960	4,899

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 May 95 to 31 May 95	3,384	2.50%	85	1,406
Building Works - Completed 2003	1 May 03 to 31 May 03	8,797	2.50%	220	5,416
Building Works - Completed 2010	1 Feb 10 to 3 Mar 10	14,501	2.50%	363	11,378
Building Works - Completed 2014	11 Oct 14 to 10 Nov 14	20,978	2.50%	524	18,922

Sub-total 47,659 1,192 37,122

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1995	1 May 95 to 31 May 95	1,511	2.50%	38	628
Structural Improvements - Completed 2003	1 May 03 to 31 May 03	2,175	2.50%	54	1,339
Structural Improvements - Completed 2010	1 Feb 10 to 3 Mar 10	2,658	2.50%	66	2,086
Structural Improvements - Completed 2014	11 Oct 14 to 10 Nov 14	4,229	2.50%	106	3,815

Sub-total 10,574 264 7,868

Totals 58,233 1,456 44,990

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>