Tax Depreciation Report

22 Nectar Circuit,
Redbank Plains QLD 4301

Mijo Matesa
22 Nectar Circuit
REDBANK PLAINS, QLD 4301

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

Mijo Matesa
22 Nectar Circuit
REDBANK PLAINS, QLD 4301

March 2020
Job No: RES4301085

Tax Depreciation Report – 22 Nectar Circuit, Redbank Plains QLD 4301

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

10 March 2020

Purchaser

Josipa Matesa and Mijo Matesa

Property Address

22 Nectar Circuit, Redbank Plains QLD 4301

Real Property Description

L720 SP302891

Property Type

Residential House

Date of Construction

28 February 2020

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 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	Effective Life	Pooled Plant	Total Div 40	Division 43	Totals
1	28 February 20 to 30 June 20	1,783	2,918	4,701	1,816	**6,517**
2	1 July 20 to 30 June 21	3,723	4,742	8,465	5,405	**13,870**
3	1 July 21 to 30 June 22	2,784	3,295	6,078	5,405	**11,483**
4	1 July 22 to 30 June 23	1,637	3,076	4,713	5,405	**10,118**
5	1 July 23 to 30 June 24	1,287	1,922	3,210	5,405	**8,615**
6	1 July 24 to 30 June 25	1,014	1,201	2,215	5,405	**7,620**
7	1 July 25 to 30 June 26	650	1,088	1,738	5,405	**7,143**
8	1 July 26 to 30 June 27	309	976	1,285	5,405	**6,690**
9	1 July 27 to 30 June 28	248	610	857	5,405	**6,262**
10	1 July 28 to 30 June 29	0	753	753	5,405	**6,158**
11	1 July 29 to 30 June 30	0	470	470	5,405	**5,875**
12	1 July 30 to 30 June 31	0	294	294	5,405	**5,699**
13	1 July 31 to 30 June 32	0	184	184	5,405	**5,589**
14	1 July 32 to 30 June 33	0	115	115	5,405	**5,520**
15	1 July 33 to 30 June 34	0	72	72	5,405	**5,477**
16	1 July 34 to 30 June 35	0	45	45	5,405	**5,450**
17	1 July 35 to 30 June 36	0	28	28	5,405	**5,433**
18	1 July 36 to 30 June 37	0	18	18	5,405	**5,423**
19	1 July 37 to 30 June 38	0	11	11	5,405	**5,416**
20	1 July 38 to 30 June 39	0	7	7	5,405	**5,412**
21	1 July 39 to 30 June 40	0	4	4	5,405	**5,409**
22	1 July 40 to 30 June 41	0	3	3	5,405	**5,408**
23	1 July 41 to 30 June 42	0	2	2	5,405	**5,407**
24	1 July 42 to 30 June 43	0	1	1	5,405	**5,406**
25	1 July 43 to 30 June 44	0	1	1	5,405	**5,406**
26	1 July 44 to 30 June 45	0	0	0	5,405	**5,405**
27	1 July 45 to 30 June 46	0	0	0	5,405	**5,405**
28	1 July 46 to 30 June 47	0	0	0	5,405	**5,405**
29	1 July 47 to 30 June 48	0	0	0	5,405	**5,405**
30	1 July 48 to 30 June 49	0	0	0	5,405	**5,405**
31	1 July 49 to 30 June 50	0	0	0	5,405	**5,405**
32	1 July 50 to 30 June 51	0	0	0	5,405	**5,405**
33	1 July 51 to 30 June 52	0	0	0	5,405	**5,405**
34	1 July 52 to 30 June 53	0	0	0	5,405	**5,405**
35	1 July 53 to 30 June 54	0	0	0	5,405	**5,405**
36	1 July 54 to 30 June 55	0	0	0	5,405	**5,405**
37	1 July 55 to 30 June 56	0	0	0	5,405	**5,405**
38	1 July 56 to 30 June 57	0	0	0	5,405	**5,405**
39	1 July 57 to 30 June 58	0	0	0	5,405	**5,405**
40	2058+	0	0	0	8,964	**8,964**
	Totals	**13,435**	**21,835**	**35,270**	**216,170**	**251,440**

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	Effective Life	Pooled Plant	Total Div 40	Division 43	Totals
1	28 February 20 to 30 June 20	1,109	2,918	4,027	1,816	**5,843**
2	1 July 20 to 30 June 21	2,005	4,742	6,747	5,405	**12,152**
3	1 July 21 to 30 June 22	2,005	2,964	4,969	5,405	**10,374**
4	1 July 22 to 30 June 23	2,005	1,853	3,858	5,405	**9,263**
5	1 July 23 to 30 June 24	2,005	1,158	3,163	5,405	**8,568**
6	1 July 24 to 30 June 25	2,005	724	2,729	5,405	**8,134**
7	1 July 25 to 30 June 26	2,005	452	2,457	5,405	**7,862**
8	1 July 26 to 30 June 27	2,005	283	2,288	5,405	**7,693**
9	1 July 27 to 30 June 28	1,735	177	1,912	5,405	**7,317**
10	1 July 28 to 30 June 29	1,203	110	1,313	5,405	**6,718**
11	1 July 29 to 30 June 30	938	69	1,007	5,405	**6,412**
12	1 July 30 to 30 June 31	412	43	455	5,405	**5,860**
13	1 July 31 to 30 June 32	274	27	300	5,405	**5,705**
14	1 July 32 to 30 June 33	0	17	17	5,405	**5,422**
15	1 July 33 to 30 June 34	0	11	11	5,405	**5,416**
16	1 July 34 to 30 June 35	0	7	7	5,405	**5,412**
17	1 July 35 to 30 June 36	0	4	4	5,405	**5,409**
18	1 July 36 to 30 June 37	0	3	3	5,405	**5,408**
19	1 July 37 to 30 June 38	0	2	2	5,405	**5,407**
20	1 July 38 to 30 June 39	0	1	1	5,405	**5,406**
21	1 July 39 to 30 June 40	0	1	1	5,405	**5,406**
22	1 July 40 to 30 June 41	0	0	0	5,405	**5,405**
23	1 July 41 to 30 June 42	0	0	0	5,405	**5,405**
24	1 July 42 to 30 June 43	0	0	0	5,405	**5,405**
25	1 July 43 to 30 June 44	0	0	0	5,405	**5,405**
26	1 July 44 to 30 June 45	0	0	0	5,405	**5,405**
27	1 July 45 to 30 June 46	0	0	0	5,405	**5,405**
28	1 July 46 to 30 June 47	0	0	0	5,405	**5,405**
29	1 July 47 to 30 June 48	0	0	0	5,405	**5,405**
30	1 July 48 to 30 June 49	0	0	0	5,405	**5,405**
31	1 July 49 to 30 June 50	0	0	0	5,405	**5,405**
32	1 July 50 to 30 June 51	0	0	0	5,405	**5,405**
33	1 July 51 to 30 June 52	0	0	0	5,405	**5,405**
34	1 July 52 to 30 June 53	0	0	0	5,405	**5,405**
35	1 July 53 to 30 June 54	0	0	0	5,405	**5,405**
36	1 July 54 to 30 June 55	0	0	0	5,405	**5,405**
37	1 July 55 to 30 June 56	0	0	0	5,405	**5,405**
38	1 July 56 to 30 June 57	0	0	0	5,405	**5,405**
39	1 July 57 to 30 June 58	0	0	0	5,405	**5,405**
40	2058+	0	0	0	8,964	**8,964**
	Totals	**19,705**	**15,565**	**35,270**	**216,170**	**251,440**

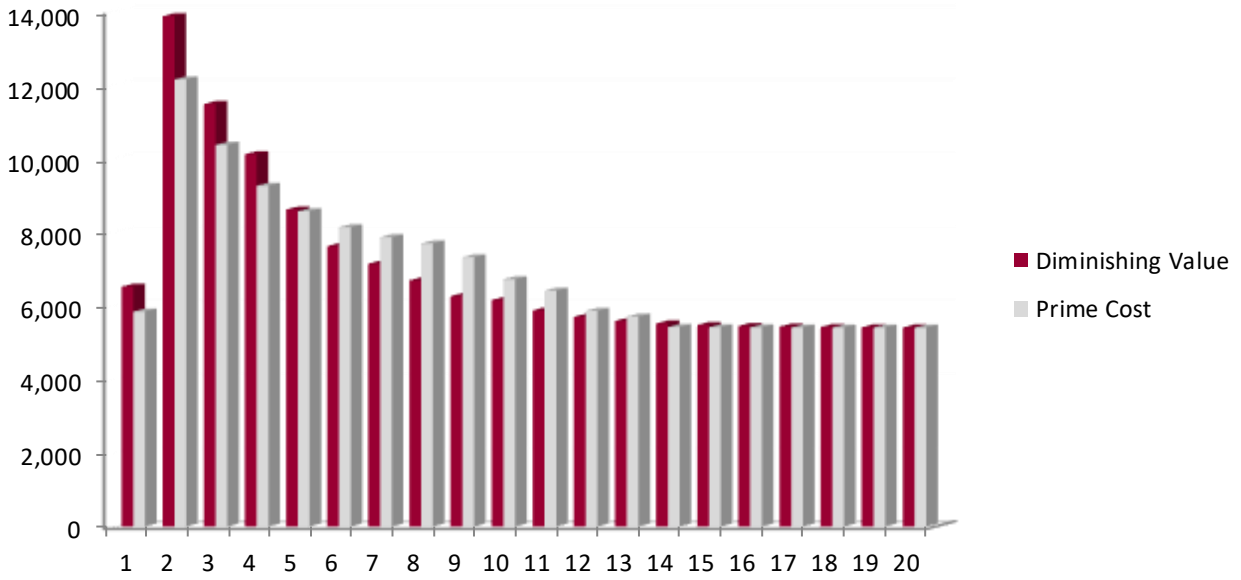
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

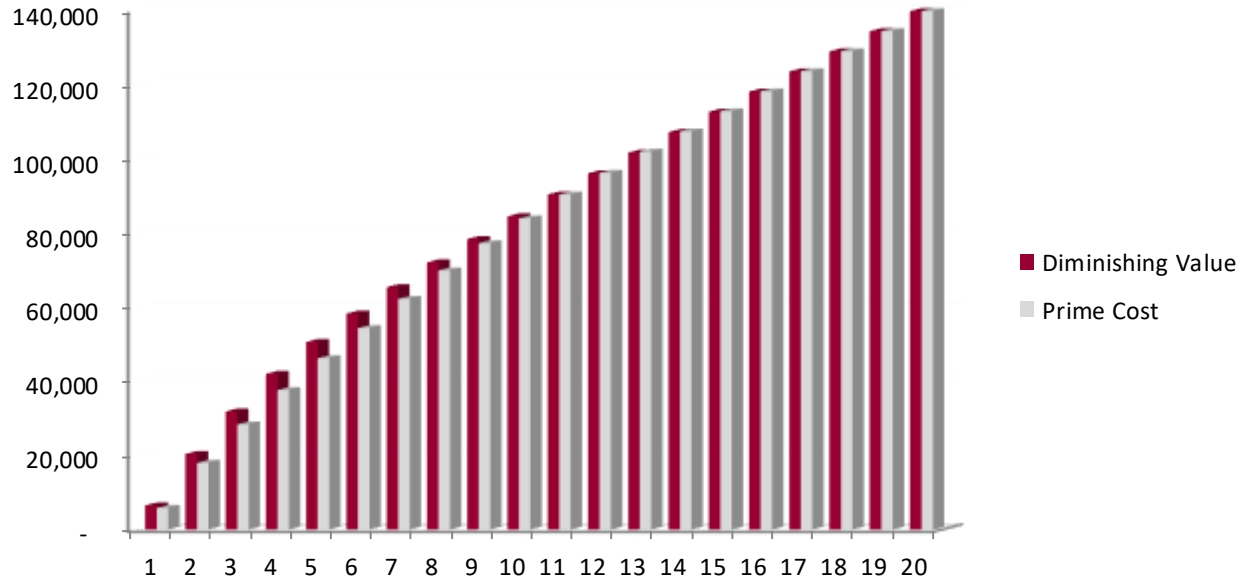
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	$1,000	$100	$900	$100

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

Construction Details	
Contract Date	1 September 2019
Handover Date	28 February 2020

Expenditure Analysed	
Construction Cost	$256,054
Total Expenditure Analysed	**$256,054**

Historical Construction Details	
Construction Start Date	1 September 2019
Construction Completion Date	28 February 2020
Historical Construction Cost (Advised)*	$256,054

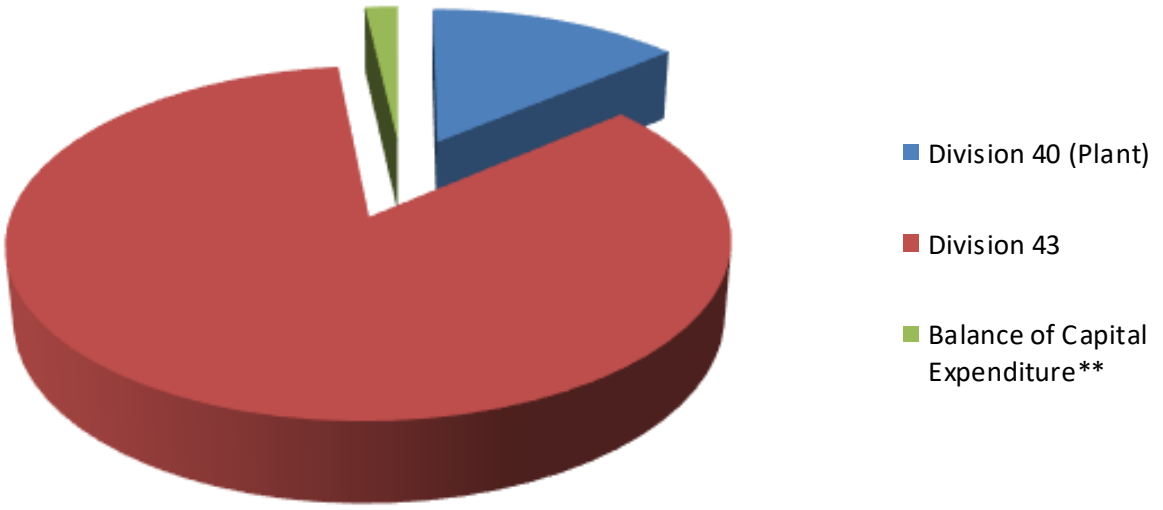
9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:	
Division 40 (Plant)	$35,270
Division 43	$216,170
Balance of Capital Expenditure**	$4,614
Total Expenditure Analysed	**$256,054**

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

** 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	Diminishing Value Rate	Install 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	20.00%	28-Feb-20	6,328	425	1,181	944	756	604	484	387	309	248	371
Bathroom assets													
Exhaust fans (including light/heating)	18.75%	28-Feb-20	1,318	247	402	251	157	98	61	38	24	15	9
Blinds Residential	18.75%	28-Feb-20	3,647	684	1,111	694	434	271	170	106	66	41	26
Ceiling Fans	18.75%	28-Feb-20	1,318	247	402	251	157	98	61	38	24	15	9
Fire control assets													
Detection & alarm systems, detectors	18.75%	28-Feb-20	1,740	326	530	331	207	129	81	51	32	20	12
Floor coverings (removable without damage)													
Carpets	25.00%	28-Feb-20	4,833	406	1,107	830	623	467	350	263	295	185	115
Furniture	18.75%	28-Feb-20	3,441	645	1,048	655	410	256	160	100	62	39	24
Garage doors, automatic													
Motors	20.00%	28-Feb-20	1,582	106	295	236	354	221	138	86	54	34	21
Hot water systems (excluding piping)													
Gas or electric	16.67%	28-Feb-20	2,373	133	373	311	259	216	180	338	211	132	82
Kitchen assets													
Cooktops	16.67%	28-Feb-20	1,121	63	176	331	207	129	81	50	32	20	12
Dishwashers	25.00%	28-Feb-20	1,582	133	362	272	306	191	119	75	47	29	18
Ovens	16.67%	28-Feb-20	1,450	81	228	190	357	223	139	87	54	34	21
Rangehoods	18.75%	28-Feb-20	593	111	181	113	71	44	28	17	11	7	4
Lights													
Shades, removable	18.75%	28-Feb-20	3,507	658	1,069	668	417	261	163	102	64	40	25
$300 items	100.00%	28-Feb-20	435	435									
Pooled Plant Total				2,918	4,742	3,295	3,076	1,922	1,201	1,088	976	610	753
Effective Life Plant Total				1,783	3,723	2,784	1,637	1,287	1,014	650	309	248	
Total Division 40			35,270	4,701	8,465	6,078	4,713	3,210	2,215	1,738	1,285	857	753

Division 43 - Capital Works Allowance	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2020	2.50%	28-Feb-20	201,067	1,689	5,027	5,027	5,027	5,027	5,027	5,027	5,027	5,027	5,027
Structural Improvements - Completed 2020	2.50%	28-Feb-20	15,103	127	378	378	378	378	378	378	378	378	378
Total Division 43			216,170	1,816	5,405	5,405	5,405	5,405	5,405	5,405	5,405	5,405	5,405
Total Depreciation			251,440	6,517	13,870	11,483	10,118	8,615	7,620	7,143	6,690	6,262	6,158

11. Prime Cost Depreciation Schedule

Assets Generally Division 40 - Plant and Equipment	Prime Cost Rate	Install 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	10.00%	28-Feb-20	6,328	213	633	633	633	633	633	633	633	633	633
Bathroom assets													
Exhaust fans (including light/heating)	18.75%	28-Feb-20	1,318	247	402	251	157	98	61	38	24	15	9
Blinds Residential	18.75%	28-Feb-20	3,647	684	1,111	694	434	271	170	106	66	41	26
Ceiling Fans	18.75%	28-Feb-20	1,318	247	402	251	157	98	61	38	24	15	9
Fire control assets													
Detection & alarm systems, detectors	18.75%	28-Feb-20	1,740	326	530	331	207	129	81	51	32	20	12
Floor coverings (removable without damage)													
Carpets	12.50%	28-Feb-20	4,833	203	604	604	604	604	604	604	604	402	
Furniture	18.75%	28-Feb-20	3,441	645	1,048	655	410	256	160	100	62	39	24
Garage doors, automatic													
Motors	10.00%	28-Feb-20	1,582	53	158	158	158	158	158	158	158	158	158
Hot water systems (excluding piping)													
Gas or electric	8.33%	28-Feb-20	2,373	66	198	198	198	198	198	198	198	198	198
Kitchen assets													
Cooktops	8.33%	28-Feb-20	1,121	31	93	93	93	93	93	93	93	93	93
Dishwashers	12.50%	28-Feb-20	1,582	66	198	198	198	198	198	198	198	130	
Ovens	8.33%	28-Feb-20	1,450	41	121	121	121	121	121	121	121	121	121
Rangehoods	18.75%	28-Feb-20	593	111	181	113	71	44	28	17	11	7	4
Lights													
Shades, removable	18.75%	28-Feb-20	3,507	658	1,069	668	417	261	163	102	64	40	25
$300 items	100.00%	28-Feb-20	435	435									
Pooled Plant Total				**2,918**	**4,742**	**2,964**	**1,853**	**1,158**	**724**	**452**	**283**	**177**	**110**
Effective Life Plant Total				**1,109**	**2,005**	**2,005**	**2,005**	**2,005**	**2,005**	**2,005**	**2,005**	**1,735**	**1,203**
Total Division 40			**35,270**	**4,027**	**6,747**	**4,969**	**3,858**	**3,163**	**2,729**	**2,457**	**2,288**	**1,912**	**1,313**

Division 43 - Capital Works Allowance	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2020	2.50%	28-Feb-20	201,067	1,689	5,027	5,027	5,027	5,027	5,027	5,027	5,027	5,027	5,027
Structural Improvements - Completed 2020	2.50%	28-Feb-20	15,103	127	378	378	378	378	378	378	378	378	378
Total Division 43			216,170	1,816	5,405	5,405	5,405	5,405	5,405	5,405	5,405	5,405	5,405
Total Depreciation			**251,440**	**5,843**	**12,152**	**10,374**	**9,263**	**8,568**	**8,134**	**7,862**	**7,693**	**7,317**	**6,718**

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 2020	1 Sep 19 to 28 Feb 20	201,067	2.50%	5,027	201,067
Sub-total		201,067		5,027	201,067

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2020	1 Sep 19 to 28 Feb 20	15,103	2.50%	378	15,103
Sub-total		15,103		378	15,103
Totals		216,170		5,405	216,170

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	
Company Name	Koste Pty Ltd
Postal Address	Suite 1, L12/133 Mary Street, Brisbane, Qld 4000
Office Number	1300 669 400
Office Email	info@koste.com.au

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.