



Tax Depreciation Report

2/186 Civic Parade,
Altona, VIC 3018

Travis Wilkins
2 Early Place
BORONIA, VIC 3155

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

Travis Wilkins
2 Early Place
BORONIA, VIC 3155

March 2020
Job No: RES3018010

Tax Depreciation Report – 2/186 Civic Parade, Altona, VIC 3018

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

20 March 2020

Purchaser

Travis Wilkins

Property Address

2/186 Civic Parade, Altona, VIC 3018

Real Property Description

LOT 2 PS801781

Property Type

Residential Townhouse

Date of Construction

30 October 2017

Date Available To Generate Income

21 April 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 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								
<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	29 November 17 to 30 June 18	0	0	0	3,103	3,103	0	0
2	1 July 18 to 30 June 19	0	0	0	5,492	5,492	0	0
3	1 July 19 to 30 June 20	0	0	0	5,668	5,668	8,130	8,130
4	1 July 20 to 30 June 21	0	0	0	5,668	5,668	6,412	14,541
5	1 July 21 to 30 June 22	0	0	0	5,668	5,668	5,216	19,757
6	1 July 22 to 30 June 23	0	0	0	5,668	5,668	4,569	24,327
7	1 July 23 to 30 June 24	0	0	0	5,668	5,668	3,617	27,943
8	1 July 24 to 30 June 25	0	0	0	5,668	5,668	2,871	30,814
9	1 July 25 to 30 June 26	0	0	0	5,668	5,668	2,285	33,099
10	1 July 26 to 30 June 27	0	0	0	5,668	5,668	1,677	34,776
11	1 July 27 to 30 June 28	0	0	0	5,668	5,668	1,259	36,035
12	1 July 28 to 30 June 29	0	0	0	5,668	5,668	1,132	37,167
13	1 July 29 to 30 June 30	0	0	0	5,668	5,668	827	37,994
14	1 July 30 to 30 June 31	0	0	0	5,668	5,668	620	38,615
15	1 July 31 to 30 June 32	0	0	0	5,668	5,668	478	39,092
16	1 July 32 to 30 June 33	0	0	0	5,668	5,668	611	39,703
17	1 July 33 to 30 June 34	0	0	0	5,668	5,668	653	40,356
18	1 July 34 to 30 June 35	0	0	0	5,668	5,668	408	40,764
19	1 July 35 to 30 June 36	0	0	0	5,668	5,668	255	41,019
20	1 July 36 to 30 June 37	0	0	0	5,668	5,668	159	41,178
21	1 July 37 to 30 June 38	0	0	0	5,668	5,668	100	41,278
22	1 July 38 to 30 June 39	0	0	0	5,668	5,668	62	41,340
23	1 July 39 to 30 June 40	0	0	0	5,668	5,668	39	41,379
24	1 July 40 to 30 June 41	0	0	0	5,668	5,668	24	41,403
25	1 July 41 to 30 June 42	0	0	0	5,668	5,668	15	41,418
26	1 July 42 to 30 June 43	0	0	0	5,668	5,668	9	41,428
27	1 July 43 to 30 June 44	0	0	0	5,668	5,668	6	41,434
28	1 July 44 to 30 June 45	0	0	0	5,668	5,668	4	41,438
29	1 July 45 to 30 June 46	0	0	0	5,668	5,668	2	41,440
30	1 July 46 to 30 June 47	0	0	0	5,668	5,668	1	41,441
31	1 July 47 to 30 June 48	0	0	0	5,668	5,668	1	41,442
32	1 July 48 to 30 June 49	0	0	0	5,668	5,668	1	41,443
33	1 July 49 to 30 June 50	0	0	0	5,668	5,668	0	41,443
34	1 July 50 to 30 June 51	0	0	0	5,668	5,668	0	41,443
35	1 July 51 to 30 June 52	0	0	0	5,668	5,668	0	41,443
36	1 July 52 to 30 June 53	0	0	0	5,668	5,668	0	41,444
37	1 July 53 to 30 June 54	0	0	0	5,668	5,668	0	41,444
38	1 July 54 to 30 June 55	0	0	0	5,668	5,668	0	41,444
39	1 July 55 to 30 June 56	0	0	0	5,668	5,668	0	41,444
40	2056+	0	0	0	7,972	7,972	0	41,444
Totals		0	0	0	226,283	226,283	41,444	41,444

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	29 November 17 to 30 June 18	0	0	0	3,103	3,103	0	0
2	1 July 18 to 30 June 19	0	0	0	5,492	5,492	0	0
3	1 July 19 to 30 June 20	0	0	0	5,668	5,668	5,862	5,862
4	1 July 20 to 30 June 21	0	0	0	5,668	5,668	5,862	11,724
5	1 July 21 to 30 June 22	0	0	0	5,668	5,668	5,862	17,586
6	1 July 22 to 30 June 23	0	0	0	5,668	5,668	5,099	22,685
7	1 July 23 to 30 June 24	0	0	0	5,668	5,668	4,431	27,116
8	1 July 24 to 30 June 25	0	0	0	5,668	5,668	4,259	31,375
9	1 July 25 to 30 June 26	0	0	0	5,668	5,668	4,255	35,630
10	1 July 26 to 30 June 27	0	0	0	5,668	5,668	4,255	39,885
11	1 July 27 to 30 June 28	0	0	0	5,668	5,668	2,761	42,646
12	1 July 28 to 30 June 29	0	0	0	5,668	5,668	1,685	44,331
13	1 July 29 to 30 June 30	0	0	0	5,668	5,668	1,396	45,727
14	1 July 30 to 30 June 31	0	0	0	5,668	5,668	1,190	46,917
15	1 July 31 to 30 June 32	0	0	0	5,668	5,668	1,190	48,107
16	1 July 32 to 30 June 33	0	0	0	5,668	5,668	541	48,647
17	1 July 33 to 30 June 34	0	0	0	5,668	5,668	69	48,716
18	1 July 34 to 30 June 35	0	0	0	5,668	5,668	69	48,785
19	1 July 35 to 30 June 36	0	0	0	5,668	5,668	69	48,854
20	1 July 36 to 30 June 37	0	0	0	5,668	5,668	69	48,923
21	1 July 37 to 30 June 38	0	0	0	5,668	5,668	24	48,948
22	1 July 38 to 30 June 39	0	0	0	5,668	5,668	0	48,948
23	1 July 39 to 30 June 40	0	0	0	5,668	5,668	0	48,948
24	1 July 40 to 30 June 41	0	0	0	5,668	5,668	0	48,948
25	1 July 41 to 30 June 42	0	0	0	5,668	5,668	0	48,948
26	1 July 42 to 30 June 43	0	0	0	5,668	5,668	0	48,948
27	1 July 43 to 30 June 44	0	0	0	5,668	5,668	0	48,948
28	1 July 44 to 30 June 45	0	0	0	5,668	5,668	0	48,948
29	1 July 45 to 30 June 46	0	0	0	5,668	5,668	0	48,948
30	1 July 46 to 30 June 47	0	0	0	5,668	5,668	0	48,948
31	1 July 47 to 30 June 48	0	0	0	5,668	5,668	0	48,948
32	1 July 48 to 30 June 49	0	0	0	5,668	5,668	0	48,948
33	1 July 49 to 30 June 50	0	0	0	5,668	5,668	0	48,948
34	1 July 50 to 30 June 51	0	0	0	5,668	5,668	0	48,948
35	1 July 51 to 30 June 52	0	0	0	5,668	5,668	0	48,948
36	1 July 52 to 30 June 53	0	0	0	5,668	5,668	0	48,948
37	1 July 53 to 30 June 54	0	0	0	5,668	5,668	0	48,948
38	1 July 54 to 30 June 55	0	0	0	5,668	5,668	0	48,948
39	1 July 55 to 30 June 56	0	0	0	5,668	5,668	0	48,948
40	2056+	0	0	0	7,972	7,972	0	48,948
Totals		0	0	0	226,283	226,283	48,948	48,948

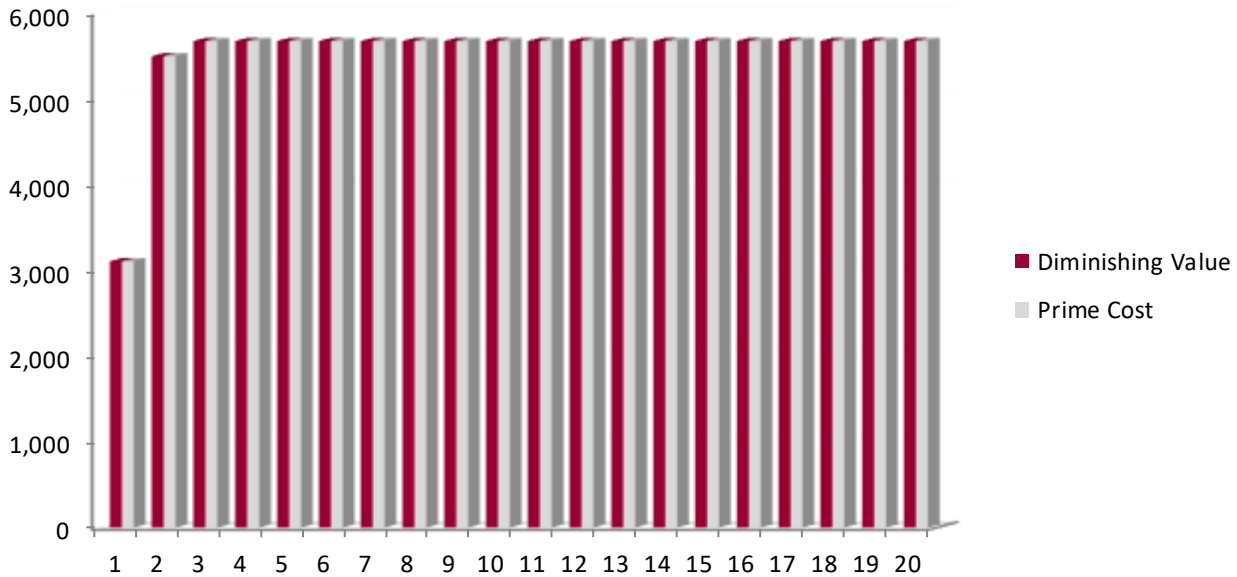
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

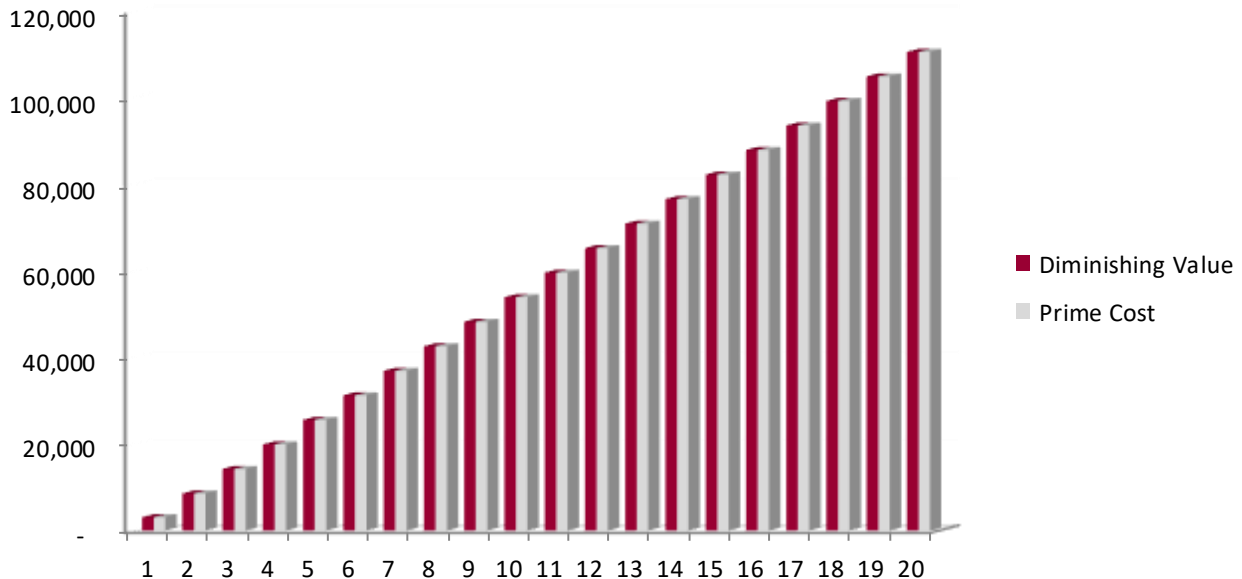
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	24 July 2017
Settlement Date	29 November 2017
Available To Generate Income	21 April 2020

Expenditure Analysed

Purchase Price	\$630,000
Stamp Duty	\$32,870
Post Expenditure	\$15,259
Total Expenditure Analysed	\$678,129

Historical Construction Details

Construction Start Date	2 February 2017
Construction Completion Date	30 October 2017
Historical Construction Cost (Estimated)*	\$249,824

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

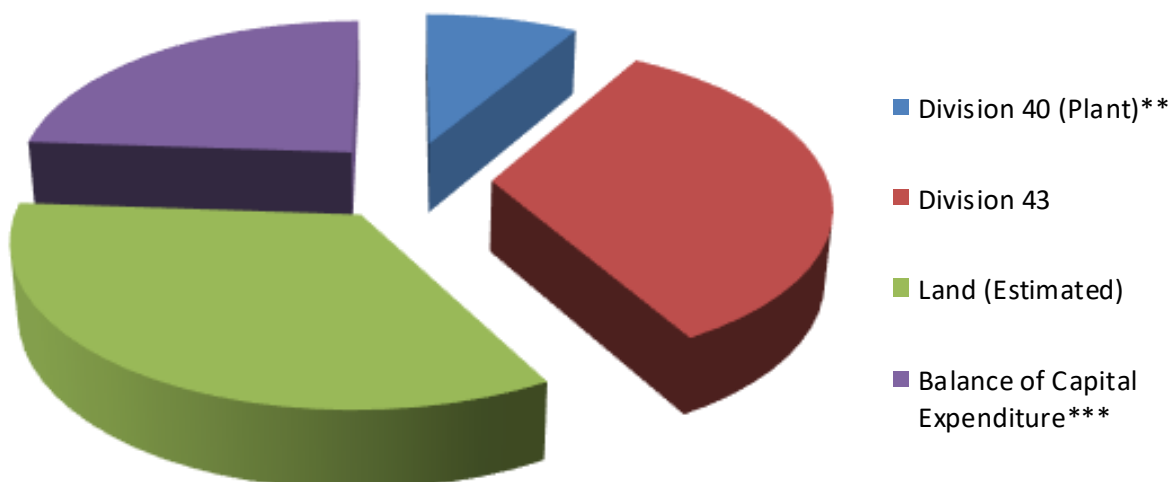
Division 40 (Plant)**	\$57,957
Division 43	\$226,283
Land (Estimated)	\$232,005
Balance of Capital Expenditure***	\$161,884
Total Expenditure Analysed	\$678,129

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%	29-Nov-17	10,004	1,168	1,767	1,414	1,131	905	724	579	463	371	296
Bathroom assets														
Exhaust fans (including light/heating)	NO	20.00%	29-Nov-17	1,563	182	276	221	331	207	129	81	51	32	20
Blinds Residential														
	NO	20.00%	29-Nov-17	4,256	497	752	601	481	385	308	246	370	231	144
Computer systems														
General	NO	40.00%	29-Nov-17	729	170	224	126	79	49	31	19	12	7	5
Fire control assets														
Detection & alarm systems, detectors	NO	10.00%	29-Nov-17	1,376	80	130	117	105	354	221	138	86	54	34
Floor coverings (removable without damage)														
Carpets	NO	20.00%	29-Nov-17	4,881	570	862	690	552	442	353	283	226	339	212
Floating timber	NO	13.33%	29-Nov-17	9,005	701	1,107	960	832	721	625	541	469	407	352
Garage doors, automatic														
Controls	NO	40.00%	29-Nov-17	354	83	109	61	38	24	15	9	6	4	2
Motors	NO	20.00%	29-Nov-17	2,501	292	442	353	283	226	339	212	133	83	52
Garbage disposal														
Garbage bins	NO	30.00%	29-Nov-17	333	58	83	72	45	28	18	11	7	4	3
Hot water systems (excluding piping)														
Solar	NO	13.33%	29-Nov-17	7,815	608	961	833	722	626	542	470	407	353	306
Kitchen assets														
Cooktops	NO	16.67%	29-Nov-17	2,188	213	329	274	229	191	357	223	140	87	55
Dishwashers	NO	20.00%	29-Nov-17	2,501	292	442	353	283	226	339	212	133	83	52
Ovens	NO	16.67%	29-Nov-17	2,605	253	392	327	272	227	189	354	222	138	87
Rangehoods	NO	16.67%	29-Nov-17	1,146	111	172	323	202	126	79	49	31	19	12
Lights														
Shades, removable	NO	40.00%	29-Nov-17	5,440	1,270	1,668	1,001	600	338	211	132	82	52	32
Additional Items (Post Expenditure)														
Floor coverings (removable without damage)														
Artificial grass	NO	40.00%	31-Dec-18	1,259		250	404	227	142	89	55	35	22	14
Pooled Plant Total														
Effective Life Plant Total														
Total Division 40														

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 2017	2.50%	29-Nov-17	195,916	2,864	4,908	4,908	4,908	4,908	4,908	4,908	4,908	4,908	4,908
Structural Improvements - Completed 2017	2.50%	29-Nov-17	16,367	239	410	410	410	410	410	410	410	410	410
Structural Improvements - Completed 2018	2.50%	31-Dec-18	14,000		174	350	350	350	350	350	350	350	350
Total Division 43			226,283	3,103	5,492	5,668	5,668	5,668	5,668	5,668	5,668	5,668	5,668

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%	29-Nov-17	10,004	584	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Bathroom assets														
Exhaust fans (including light/heating)	NO	10.00%	29-Nov-17	1,563	91	156	156	156	156	156	156	156	156	156
Blinds Residential														
	NO	10.00%	29-Nov-17	4,256	248	426	426	426	426	426	426	426	426	426
Computer systems														
General	NO	20.00%	29-Nov-17	729	85	146	146	146	146	60				
Fire control assets														
Detection & alarm systems, detectors	NO	5.00%	29-Nov-17	1,376	40	69	69	69	69	69	69	69	69	69
Floor coverings (removable without damage)														
Carpets	NO	10.00%	29-Nov-17	4,881	285	488	488	488	488	488	488	488	488	488
Floating timber	NO	6.67%	29-Nov-17	9,005	350	600	600	600	600	600	600	600	600	600
Garage doors, automatic														
Controls	NO	20.00%	29-Nov-17	354	41	71	71	71	71	29				
Motors	NO	10.00%	29-Nov-17	2,501	146	250	250	250	250	250	250	250	250	250
Garbage disposal														
Garbage bins	NO	15.00%	29-Nov-17	333	29	50	50	50	50	50	50	4		
Hot water systems (excluding piping)														
Solar	NO	6.67%	29-Nov-17	7,815	304	521	521	521	521	521	521	521	521	521
Kitchen assets														
Cooktops	NO	8.33%	29-Nov-17	2,188	106	182	182	182	182	182	182	182	182	182
Dishwashers	NO	10.00%	29-Nov-17	2,501	146	250	250	250	250	250	250	250	250	250
Ovens	NO	8.33%	29-Nov-17	2,605	127	217	217	217	217	217	217	217	217	217
Rangehoods	NO	8.33%	29-Nov-17	1,146	56	96	96	96	96	96	96	96	96	96
Lights														
Shades, removable	NO	20.00%	29-Nov-17	5,440	635	1,088	1,088	1,088	1,088	453				
Additional Items (Post Expenditure)														
	Eligibility				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Floor coverings (removable without damage)														
Artificial grass	NO	20.00%	31-Dec-18	1,259		125	252	252	252	252	126			
Pooled Plant Total														
Effective Life Plant Total					3,274	5,735	5,862	5,862	5,862	5,099	4,431	4,259	4,255	4,255
Total Division 40				57,957	3,274	5,735	5,862	5,862	5,862	5,099	4,431	4,259	4,255	4,255

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 2017	2.50%	29-Nov-17	195,916	2,864	4,908	4,908	4,908	4,908	4,908	4,908	4,908	4,908	4,908
Structural Improvements - Completed 2017	2.50%	29-Nov-17	16,367	239	410	410	410	410	410	410	410	410	410
Structural Improvements - Completed 2018	2.50%	31-Dec-18	14,000		174	350	350	350	350	350	350	350	350
Total Division 43			226,283	3,103	5,492	5,668	5,668	5,668	5,668	5,668	5,668	5,668	5,668

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 2017	2 Feb 17 to 30 Oct 17	196,320	2.50%	4,908	195,916
Sub-total		196,320		4,908	195,916

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2017	2 Feb 17 to 30 Oct 17	16,400	2.50%	410	16,367
Structural Improvements - Completed 2018	1 Dec 18 to 31 Dec 18	14,000	2.50%	350	14,000
Sub-total		30,400		760	30,367
Totals		226,720		5,668	226,283

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>