



Tax Depreciation Report

29 Magnolia Ave,
Happy Valley SA 5159, Australia

John David Thomas McAllister
3 Broad St
LINDISFARNE, TAS 7015

Issue Schedule	
Issue Date:	Issued by:
27 April 2020	Mark Kilroy Bsc (Hons) MRICS

John David Thomas McAllister
3 Broad St
LINDISFARNE, TAS 7015

April 2020
Job No: RES5159010

Tax Depreciation Report – 29 Magnolia Ave, Happy Valley SA 5159, Australia

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

27 April 2020

Purchaser

John David Thomas McAllister

Property Address

29 Magnolia Ave, Happy Valley SA 5159, Australia

Real Property Description

LOT 48 D10786

Property Type

Residential House

Date of Construction

Pre 1985

Date Available To Generate Income

19 July 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				
<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	19 July 19 to 30 June 20	0	0	0	1,431	1,431	5,402	5,402
2	1 July 20 to 30 June 21	0	0	0	1,510	1,510	5,162	10,564
3	1 July 21 to 30 June 22	0	0	0	1,510	1,510	3,970	14,534
4	1 July 22 to 30 June 23	0	0	0	1,510	1,510	2,932	17,466
5	1 July 23 to 30 June 24	0	0	0	1,510	1,510	2,400	19,865
6	1 July 24 to 30 June 25	0	0	0	1,510	1,510	2,000	21,865
7	1 July 25 to 30 June 26	0	0	0	1,510	1,510	1,583	23,448
8	1 July 26 to 30 June 27	0	0	0	1,510	1,510	1,251	24,699
9	1 July 27 to 30 June 28	0	0	0	1,510	1,510	844	25,543
10	1 July 28 to 30 June 29	0	0	0	1,510	1,510	577	26,119
11	1 July 29 to 30 June 30	0	0	0	1,510	1,510	558	26,677
12	1 July 30 to 30 June 31	0	0	0	1,510	1,510	349	27,026
13	1 July 31 to 30 June 32	0	0	0	1,510	1,510	218	27,244
14	1 July 32 to 30 June 33	0	0	0	1,510	1,510	136	27,380
15	1 July 33 to 30 June 34	0	0	0	1,510	1,510	85	27,465
16	1 July 34 to 30 June 35	0	0	0	1,432	1,432	53	27,519
17	1 July 35 to 30 June 36	0	0	0	1,257	1,257	33	27,552
18	1 July 36 to 30 June 37	0	0	0	1,257	1,257	21	27,573
19	1 July 37 to 30 June 38	0	0	0	1,257	1,257	13	27,586
20	1 July 38 to 30 June 39	0	0	0	1,257	1,257	8	27,594
21	1 July 39 to 30 June 40	0	0	0	1,257	1,257	5	27,599
22	1 July 40 to 30 June 41	0	0	0	1,257	1,257	3	27,602
23	1 July 41 to 30 June 42	0	0	0	1,257	1,257	2	27,604
24	1 July 42 to 30 June 43	0	0	0	1,257	1,257	1	27,605
25	1 July 43 to 30 June 44	0	0	0	1,257	1,257	1	27,606
26	1 July 44 to 30 June 45	0	0	0	1,257	1,257	0	27,606
27	1 July 45 to 30 June 46	0	0	0	1,257	1,257	0	27,607
28	1 July 46 to 30 June 47	0	0	0	1,257	1,257	0	27,607
29	1 July 47 to 30 June 48	0	0	0	1,114	1,114	0	27,607
30	1 July 48 to 30 June 49	0	0	0	757	757	0	27,607
31	1 July 49 to 30 June 50	0	0	0	757	757	0	27,607
32	1 July 50 to 30 June 51	0	0	0	757	757	0	27,607
33	1 July 51 to 30 June 52	0	0	0	757	757	0	27,607
34	1 July 52 to 30 June 53	0	0	0	757	757	0	27,607
35	1 July 53 to 30 June 54	0	0	0	757	757	0	27,607
36	1 July 54 to 30 June 55	0	0	0	757	757	0	27,607
37	1 July 55 to 30 June 56	0	0	0	757	757	0	27,607
38	1 July 56 to 30 June 57	0	0	0	757	757	0	27,607
39	1 July 57 to 30 June 58	0	0	0	632	632	0	27,607
40	2058+	0	0	0	0	0	0	27,607
Totals		0	0	0	47,646	47,646	27,607	27,607

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	19 July 19 to 30 June 20	0	0	0	1,431	1,431	3,465	3,465
2	1 July 20 to 30 June 21	0	0	0	1,510	1,510	3,787	7,252
3	1 July 21 to 30 June 22	0	0	0	1,510	1,510	3,133	10,385
4	1 July 22 to 30 June 23	0	0	0	1,510	1,510	2,724	13,108
5	1 July 23 to 30 June 24	0	0	0	1,510	1,510	2,468	15,577
6	1 July 24 to 30 June 25	0	0	0	1,510	1,510	2,308	17,885
7	1 July 25 to 30 June 26	0	0	0	1,510	1,510	2,208	20,093
8	1 July 26 to 30 June 27	0	0	0	1,510	1,510	2,146	22,239
9	1 July 27 to 30 June 28	0	0	0	1,510	1,510	2,107	24,346
10	1 July 28 to 30 June 29	0	0	0	1,510	1,510	2,083	26,429
11	1 July 29 to 30 June 30	0	0	0	1,510	1,510	424	26,853
12	1 July 30 to 30 June 31	0	0	0	1,510	1,510	315	27,168
13	1 July 31 to 30 June 32	0	0	0	1,510	1,510	152	27,320
14	1 July 32 to 30 June 33	0	0	0	1,510	1,510	139	27,459
15	1 July 33 to 30 June 34	0	0	0	1,510	1,510	137	27,596
16	1 July 34 to 30 June 35	0	0	0	1,432	1,432	7	27,603
17	1 July 35 to 30 June 36	0	0	0	1,257	1,257	2	27,605
18	1 July 36 to 30 June 37	0	0	0	1,257	1,257	1	27,606
19	1 July 37 to 30 June 38	0	0	0	1,257	1,257	1	27,606
20	1 July 38 to 30 June 39	0	0	0	1,257	1,257	0	27,607
21	1 July 39 to 30 June 40	0	0	0	1,257	1,257	0	27,607
22	1 July 40 to 30 June 41	0	0	0	1,257	1,257	0	27,607
23	1 July 41 to 30 June 42	0	0	0	1,257	1,257	0	27,607
24	1 July 42 to 30 June 43	0	0	0	1,257	1,257	0	27,607
25	1 July 43 to 30 June 44	0	0	0	1,257	1,257	0	27,607
26	1 July 44 to 30 June 45	0	0	0	1,257	1,257	0	27,607
27	1 July 45 to 30 June 46	0	0	0	1,257	1,257	0	27,607
28	1 July 46 to 30 June 47	0	0	0	1,257	1,257	0	27,607
29	1 July 47 to 30 June 48	0	0	0	1,114	1,114	0	27,607
30	1 July 48 to 30 June 49	0	0	0	757	757	0	27,607
31	1 July 49 to 30 June 50	0	0	0	757	757	0	27,607
32	1 July 50 to 30 June 51	0	0	0	757	757	0	27,607
33	1 July 51 to 30 June 52	0	0	0	757	757	0	27,607
34	1 July 52 to 30 June 53	0	0	0	757	757	0	27,607
35	1 July 53 to 30 June 54	0	0	0	757	757	0	27,607
36	1 July 54 to 30 June 55	0	0	0	757	757	0	27,607
37	1 July 55 to 30 June 56	0	0	0	757	757	0	27,607
38	1 July 56 to 30 June 57	0	0	0	757	757	0	27,607
39	1 July 57 to 30 June 58	0	0	0	632	632	0	27,607
40	2058+	0	0	0	0	0	0	27,607
Totals		0	0	0	47,646	47,646	27,607	27,607

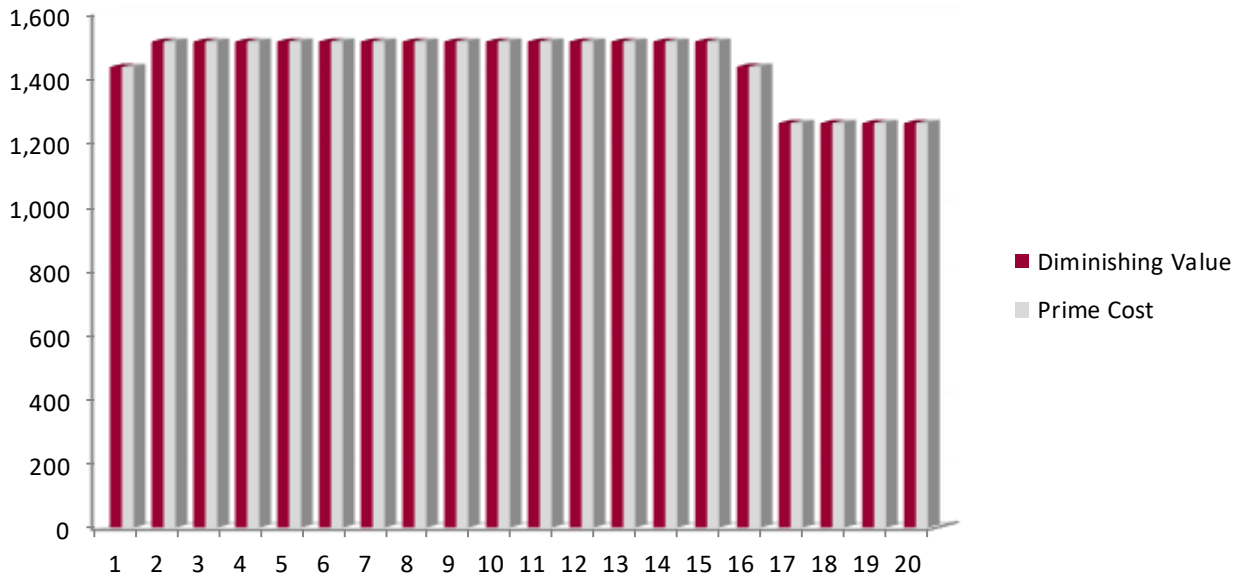
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

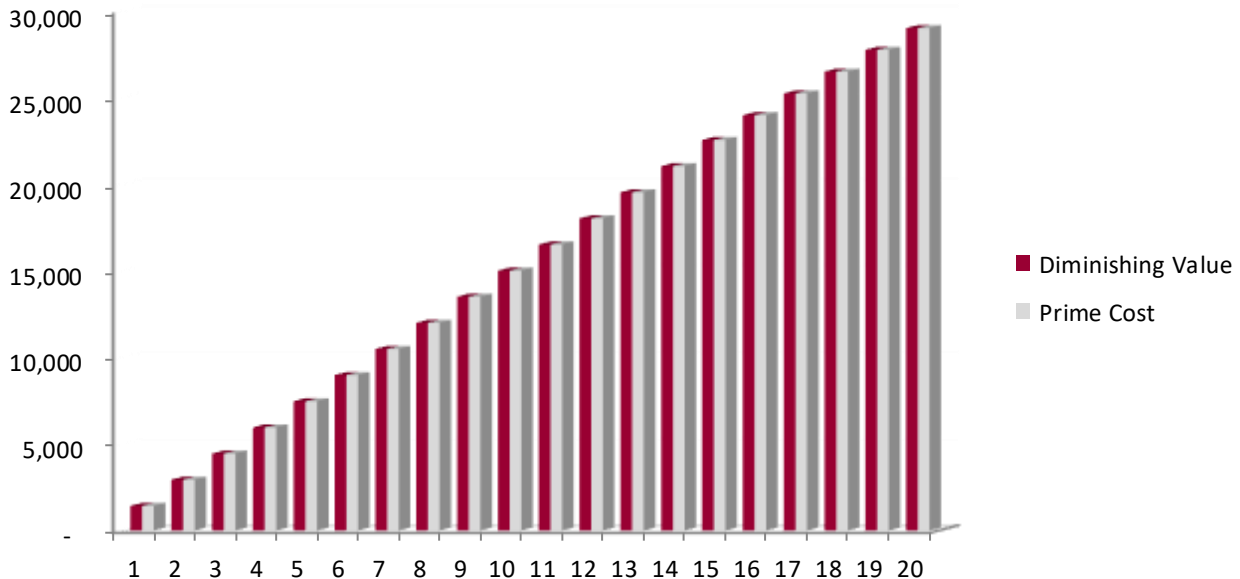
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	18 June 2019
Settlement Date	19 July 2019
Available To Generate Income	19 July 2019

Expenditure Analysed

Purchase Price	\$346,500
Stamp Duty	\$13,655
Legals	\$800
Total Expenditure Analysed	\$360,955

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:

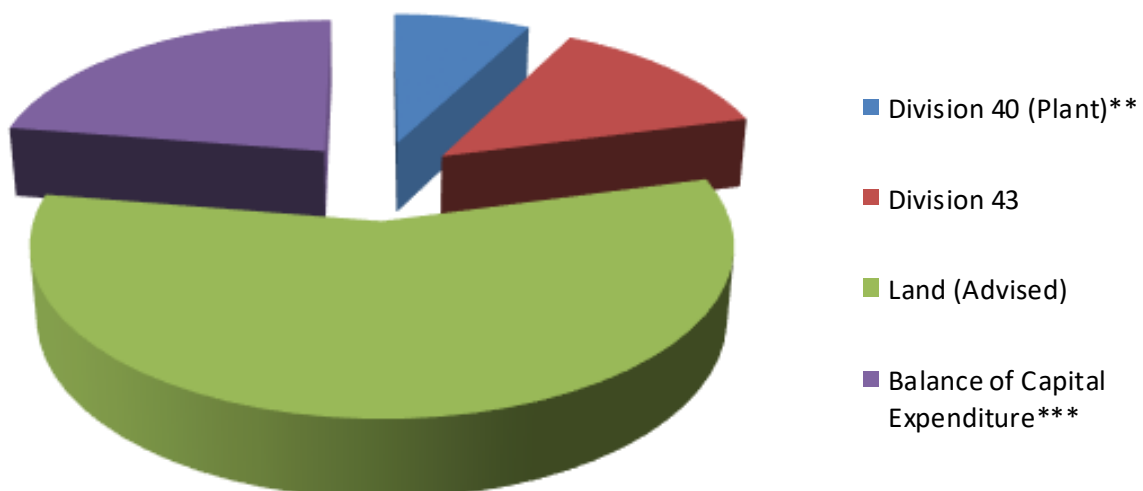
Division 40 (Plant)**	\$27,607
Division 43	\$47,646
Land (Advised)	\$204,763
Balance of Capital Expenditure***	\$80,939
Total Expenditure Analysed	\$360,955

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	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
Division 40 - Plant and Equipment														
Air-conditioning assets (excl. ducting, pipes & vents)														
Mini split system upto 20KW	NO	20.00%	19-Jul-19	8,303	1,574	1,346	1,077	861	689	551	441	353	282	226
Blinds Residential	NO	18.75%	19-Jul-19	1,433	269	436	273	170	107	67	42	26	16	10
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	19-Jul-19	487	91	148	93	58	36	23	14	9	6	3
Floor coverings (removable without damage)														
Carpets	NO	20.00%	19-Jul-19	3,964	752	643	514	411	329	263	211	316	197	123
Linoleum & vinyl	NO	20.00%	19-Jul-19	3,291	624	533	427	341	273	218	328	205	128	80
Furniture	NO	18.75%	19-Jul-19	1,993	374	607	379	237	148	93	58	36	23	14
Garden sheds, freestanding	NO	20.00%	19-Jul-19	554	105	168	105	66	41	26	16	10	6	4
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	19-Jul-19	1,993	315	280	233	194	364	228	142	89	56	35
Kitchen assets														
Dishwashers	NO	20.00%	19-Jul-19	1,328	252	215	323	202	126	79	49	31	19	12
Rangehoods	NO	18.75%	19-Jul-19	498	93	152	95	59	37	23	14	9	6	4
Stoves	NO	13.33%	19-Jul-19	1,993	252	232	201	174	151	368	230	144	90	56
Lights														
Shades, removable	NO	18.75%	19-Jul-19	1,317	247	401	251	157	98	61	38	24	15	9
\$300 items	NO	100.00%	19-Jul-19	454	454									
Pooled Plant Total					1,074	1,913	1,519	949	957	967	932	898	561	351
Effective Life Plant Total					4,328	3,249	2,451	1,982	1,442	1,033	652	353	282	226
Total Division 40				27,607	5,402	5,162	3,970	2,932	2,400	2,000	1,583	1,251	844	577
Division 43 - Capital Works Allowance														
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1995		2.50%	19-Jul-19	2,772	168	177	177	177	177	177	177	177	177	177
Building Works - Completed 2008		2.50%	19-Jul-19	9,568	317	334	334	334	334	334	334	334	334	334
Building Works - Completed 2018		2.50%	19-Jul-19	20,568	502	530	530	530	530	530	530	530	530	530
Structural Improvements - Completed 1995		2.50%	19-Jul-19	1,185	72	76	76	76	76	76	76	76	76	76
Structural Improvements - Completed 2008		2.50%	19-Jul-19	4,763	157	166	166	166	166	166	166	166	166	166
Structural Improvements - Completed 2018		2.50%	19-Jul-19	8,790	215	227	227	227	227	227	227	227	227	227
Total Division 43				47,646	1,431	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510

11. Prime Cost Depreciation Schedule

Assets Generally	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	
Division 40 - Plant and Equipment															
Air-conditioning assets (excl. ducting, pipes & vents)															
Mini split system upto 20KW	NO	10.00%	19-Jul-19	8,303	787	830	830	830	830	830	830	830	830	830	
Blinds Residential															
	NO	18.75%	19-Jul-19	1,433	269	436	273	170	107	67	42	26	16	10	
Fire control assets															
Detection & alarm systems, detectors	NO	18.75%	19-Jul-19	487	91	148	93	58	36	23	14	9	6	3	
Floor coverings (removable without damage)															
Carpets	NO	10.00%	19-Jul-19	3,964	376	396	396	396	396	396	396	396	396	396	
Linoleum & vinyl	NO	10.00%	19-Jul-19	3,291	312	329	329	329	329	329	329	329	329	329	
Furniture															
	NO	18.75%	19-Jul-19	1,993	374	607	379	237	148	93	58	36	23	14	
Garden sheds, freestanding															
	NO	10.00%	19-Jul-19	554	52	55	55	55	55	55	55	55	55	55	
Hot water systems (excluding piping)															
Gas or electric	NO	8.33%	19-Jul-19	1,993	157	166	166	166	166	166	166	166	166	166	
Kitchen assets															
Dishwashers	NO	10.00%	19-Jul-19	1,328	126	133	133	133	133	133	133	133	133	133	
Rangehoods	NO	18.75%	19-Jul-19	498	93	152	95	59	37	23	14	9	6	4	
Stoves	NO	6.67%	19-Jul-19	1,993	126	133	133	133	133	133	133	133	133	133	
Lights															
Shades, removable	NO	18.75%	19-Jul-19	1,317	247	401	251	157	98	61	38	24	15	9	
\$300 items															
	NO	100.00%	19-Jul-19	454	454										
Pooled Plant Total						1,074	1,745	1,091	682	426	266	166	104	65	41
Effective Life Plant Total						2,391	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042
Total Division 40				27,607	3,465	3,787	3,133	2,724	2,468	2,308	2,208	2,146	2,107	2,083	
Division 43 - Capital Works Allowance															
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10	
Building Works - Completed 1995		2.50%	19-Jul-19	2,772	168	177	177	177	177	177	177	177	177	177	
Building Works - Completed 2008		2.50%	19-Jul-19	9,568	317	334	334	334	334	334	334	334	334	334	
Building Works - Completed 2018		2.50%	19-Jul-19	20,568	502	530	530	530	530	530	530	530	530	530	
Structural Improvements - Completed 1995		2.50%	19-Jul-19	1,185	72	76	76	76	76	76	76	76	76	76	
Structural Improvements - Completed 2008		2.50%	19-Jul-19	4,763	157	166	166	166	166	166	166	166	166	166	
Structural Improvements - Completed 2018		2.50%	19-Jul-19	8,790	215	227	227	227	227	227	227	227	227	227	
Total Division 43				47,646	1,431	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	

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	2 Mar 95 to 1 Apr 95	7,069	2.50%	177	2,772
Building Works - Completed 2008	19 Feb 08 to 20 Mar 08	13,353	2.50%	334	9,568
Building Works - Completed 2018	5 Apr 18 to 5 May 18	21,207	2.50%	530	20,568
Sub-total		41,629		1,041	32,908

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1995	2 Mar 95 to 1 Apr 95	3,021	2.50%	76	1,185
Structural Improvements - Completed 2008	19 Feb 08 to 20 Mar 08	6,646	2.50%	166	4,763
Structural Improvements - Completed 2018	5 Apr 18 to 5 May 18	9,063	2.50%	227	8,790
Sub-total		18,730		469	14,738
Totals		60,360		1,510	47,646

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>