



Tax Depreciation Report

12 Dianella St,
Mount Barker SA 5251, Australia

Rachel Torney
PO Box 117
BALHAMA, SA 5242

Issue Schedule	
Issue Date:	Issued by:
15 May 2020	Mark Kilroy Bsc (Hons) MRICS

Rachel Torney
PO Box 117
BALHAMA, SA 5242

May 2020
Job No: RES5251013

Tax Depreciation Report – 12 Dianella St, Mount Barker SA 5251, 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

15 May 2020

Purchaser

Rachel Torney

Property Address

12 Dianella St, Mount Barker SA 5251, Australia

Real Property Description

LOT 642 D112023

Property Type

Residential House

Date of Construction

1 June 2017

Date Available To Generate Income

1 December 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	1 June 17 to 30 June 17	0	0	0	348	348	0	0
2	1 July 17 to 30 June 18	0	0	0	4,384	4,384	0	0
3	1 July 18 to 30 June 19	0	0	0	4,384	4,384	0	0
4	1 July 19 to 30 June 20	0	0	0	4,384	4,384	3,531	3,531
5	1 July 20 to 30 June 21	0	0	0	4,384	4,384	2,476	6,007
6	1 July 21 to 30 June 22	0	0	0	4,384	4,384	1,770	7,777
7	1 July 22 to 30 June 23	0	0	0	4,384	4,384	1,631	9,407
8	1 July 23 to 30 June 24	0	0	0	4,384	4,384	1,274	10,681
9	1 July 24 to 30 June 25	0	0	0	4,384	4,384	838	11,520
10	1 July 25 to 30 June 26	0	0	0	4,384	4,384	796	12,316
11	1 July 26 to 30 June 27	0	0	0	4,384	4,384	498	12,814
12	1 July 27 to 30 June 28	0	0	0	4,384	4,384	311	13,125
13	1 July 28 to 30 June 29	0	0	0	4,384	4,384	194	13,319
14	1 July 29 to 30 June 30	0	0	0	4,384	4,384	122	13,441
15	1 July 30 to 30 June 31	0	0	0	4,384	4,384	76	13,517
16	1 July 31 to 30 June 32	0	0	0	4,384	4,384	47	13,564
17	1 July 32 to 30 June 33	0	0	0	4,384	4,384	30	13,594
18	1 July 33 to 30 June 34	0	0	0	4,384	4,384	19	13,612
19	1 July 34 to 30 June 35	0	0	0	4,384	4,384	12	13,624
20	1 July 35 to 30 June 36	0	0	0	4,384	4,384	7	13,631
21	1 July 36 to 30 June 37	0	0	0	4,384	4,384	5	13,636
22	1 July 37 to 30 June 38	0	0	0	4,384	4,384	3	13,638
23	1 July 38 to 30 June 39	0	0	0	4,384	4,384	2	13,640
24	1 July 39 to 30 June 40	0	0	0	4,384	4,384	1	13,641
25	1 July 40 to 30 June 41	0	0	0	4,384	4,384	1	13,642
26	1 July 41 to 30 June 42	0	0	0	4,384	4,384	0	13,642
27	1 July 42 to 30 June 43	0	0	0	4,384	4,384	0	13,643
28	1 July 43 to 30 June 44	0	0	0	4,384	4,384	0	13,643
29	1 July 44 to 30 June 45	0	0	0	4,384	4,384	0	13,643
30	1 July 45 to 30 June 46	0	0	0	4,384	4,384	0	13,643
31	1 July 46 to 30 June 47	0	0	0	4,384	4,384	0	13,643
32	1 July 47 to 30 June 48	0	0	0	4,384	4,384	0	13,643
33	1 July 48 to 30 June 49	0	0	0	4,384	4,384	0	13,643
34	1 July 49 to 30 June 50	0	0	0	4,384	4,384	0	13,643
35	1 July 50 to 30 June 51	0	0	0	4,384	4,384	0	13,643
36	1 July 51 to 30 June 52	0	0	0	4,384	4,384	0	13,643
37	1 July 52 to 30 June 53	0	0	0	4,384	4,384	0	13,643
38	1 July 53 to 30 June 54	0	0	0	4,384	4,384	0	13,643
39	1 July 54 to 30 June 55	0	0	0	4,384	4,384	0	13,643
40	2055+	0	0	0	8,431	8,431	0	13,643
Totals		0	0	0	175,371	175,371	13,643	13,643

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	1 June 17 to 30 June 17	0	0	0	348	348	0	0
2	1 July 17 to 30 June 18	0	0	0	4,384	4,384	0	0
3	1 July 18 to 30 June 19	0	0	0	4,384	4,384	0	0
4	1 July 19 to 30 June 20	0	0	0	4,384	4,384	2,458	2,458
5	1 July 20 to 30 June 21	0	0	0	4,384	4,384	2,124	4,582
6	1 July 21 to 30 June 22	0	0	0	4,384	4,384	1,912	6,494
7	1 July 22 to 30 June 23	0	0	0	4,384	4,384	1,746	8,240
8	1 July 23 to 30 June 24	0	0	0	4,384	4,384	1,664	9,904
9	1 July 24 to 30 June 25	0	0	0	4,384	4,384	1,613	11,517
10	1 July 25 to 30 June 26	0	0	0	4,384	4,384	1,581	13,098
11	1 July 26 to 30 June 27	0	0	0	4,384	4,384	1,500	14,598
12	1 July 27 to 30 June 28	0	0	0	4,384	4,384	609	15,207
13	1 July 28 to 30 June 29	0	0	0	4,384	4,384	575	15,782
14	1 July 29 to 30 June 30	0	0	0	4,384	4,384	215	15,997
15	1 July 30 to 30 June 31	0	0	0	4,384	4,384	212	16,210
16	1 July 31 to 30 June 32	0	0	0	4,384	4,384	191	16,400
17	1 July 32 to 30 June 33	0	0	0	4,384	4,384	2	16,402
18	1 July 33 to 30 June 34	0	0	0	4,384	4,384	1	16,403
19	1 July 34 to 30 June 35	0	0	0	4,384	4,384	1	16,404
20	1 July 35 to 30 June 36	0	0	0	4,384	4,384	0	16,405
21	1 July 36 to 30 June 37	0	0	0	4,384	4,384	0	16,405
22	1 July 37 to 30 June 38	0	0	0	4,384	4,384	0	16,405
23	1 July 38 to 30 June 39	0	0	0	4,384	4,384	0	16,405
24	1 July 39 to 30 June 40	0	0	0	4,384	4,384	0	16,405
25	1 July 40 to 30 June 41	0	0	0	4,384	4,384	0	16,405
26	1 July 41 to 30 June 42	0	0	0	4,384	4,384	0	16,405
27	1 July 42 to 30 June 43	0	0	0	4,384	4,384	0	16,406
28	1 July 43 to 30 June 44	0	0	0	4,384	4,384	0	16,406
29	1 July 44 to 30 June 45	0	0	0	4,384	4,384	0	16,406
30	1 July 45 to 30 June 46	0	0	0	4,384	4,384	0	16,406
31	1 July 46 to 30 June 47	0	0	0	4,384	4,384	0	16,406
32	1 July 47 to 30 June 48	0	0	0	4,384	4,384	0	16,406
33	1 July 48 to 30 June 49	0	0	0	4,384	4,384	0	16,406
34	1 July 49 to 30 June 50	0	0	0	4,384	4,384	0	16,406
35	1 July 50 to 30 June 51	0	0	0	4,384	4,384	0	16,406
36	1 July 51 to 30 June 52	0	0	0	4,384	4,384	0	16,406
37	1 July 52 to 30 June 53	0	0	0	4,384	4,384	0	16,406
38	1 July 53 to 30 June 54	0	0	0	4,384	4,384	0	16,406
39	1 July 54 to 30 June 55	0	0	0	4,384	4,384	0	16,406
40	2055+	0	0	0	8,431	8,431	0	16,406
Totals		0	0	0	175,371	175,371	16,406	16,406

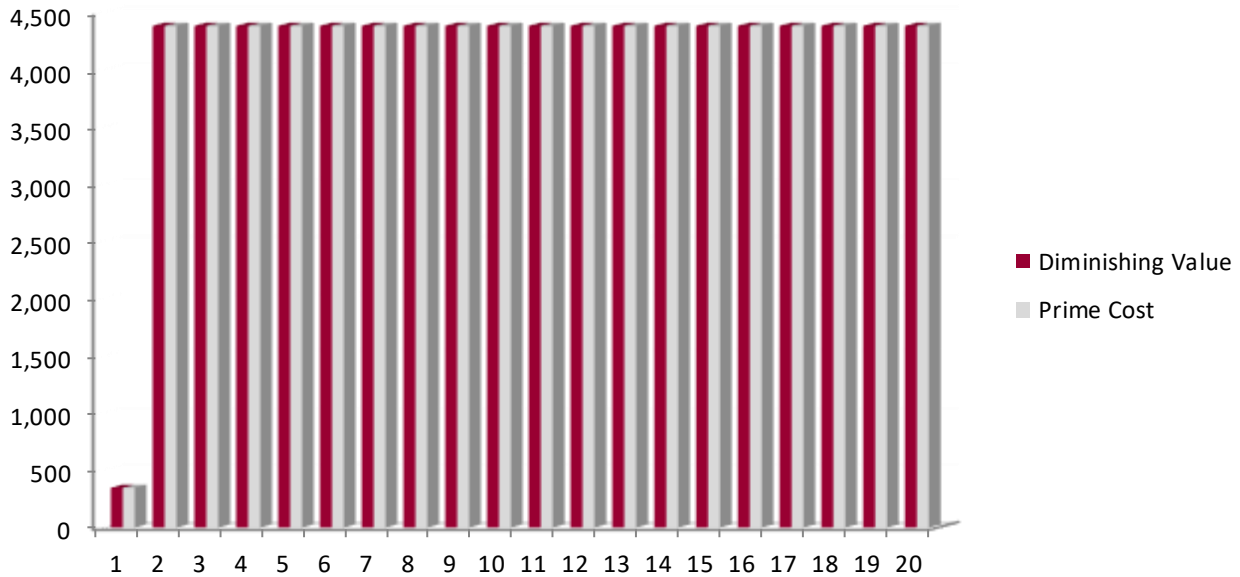
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

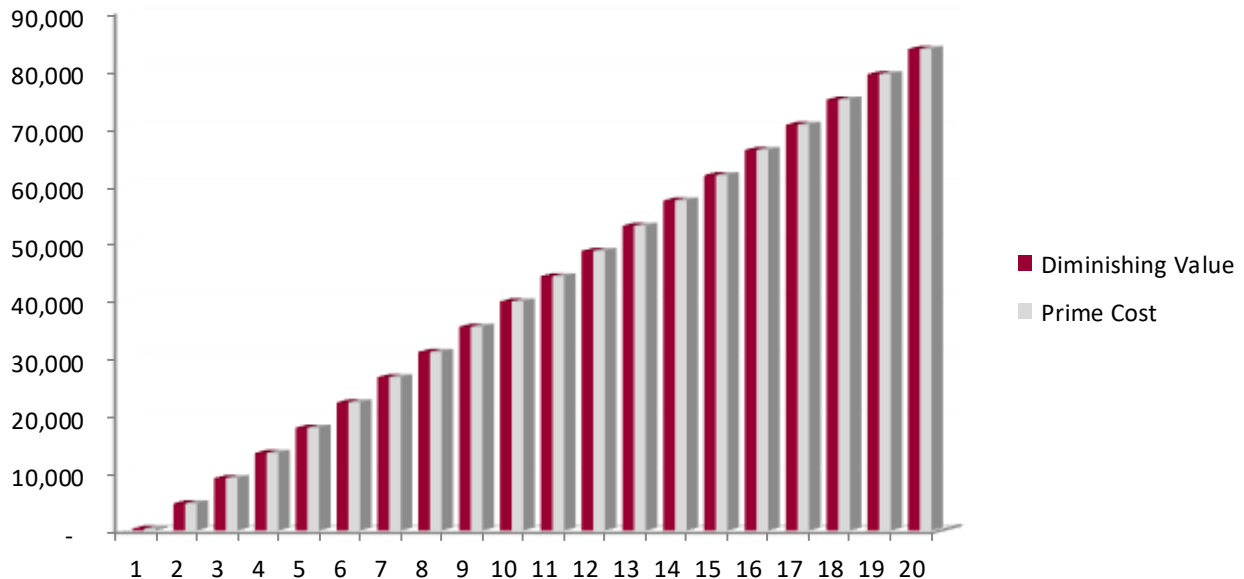
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	2 May 2017
Settlement Date	1 June 2017
Available To Generate Income	1 December 2019

Expenditure Analysed

Purchase Price	\$317,500
Stamp Duty	\$0
Legals	\$1,200
Post Expenditure	\$0
Total Expenditure Analysed	\$318,700

Historical Construction Details

Construction Start Date	2 May 2017
Construction Completion Date	1 June 2017
Historical Construction Cost (Estimated)*	\$202,500
Lot Entitlement	1
Overall Lot Entitlement	1

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

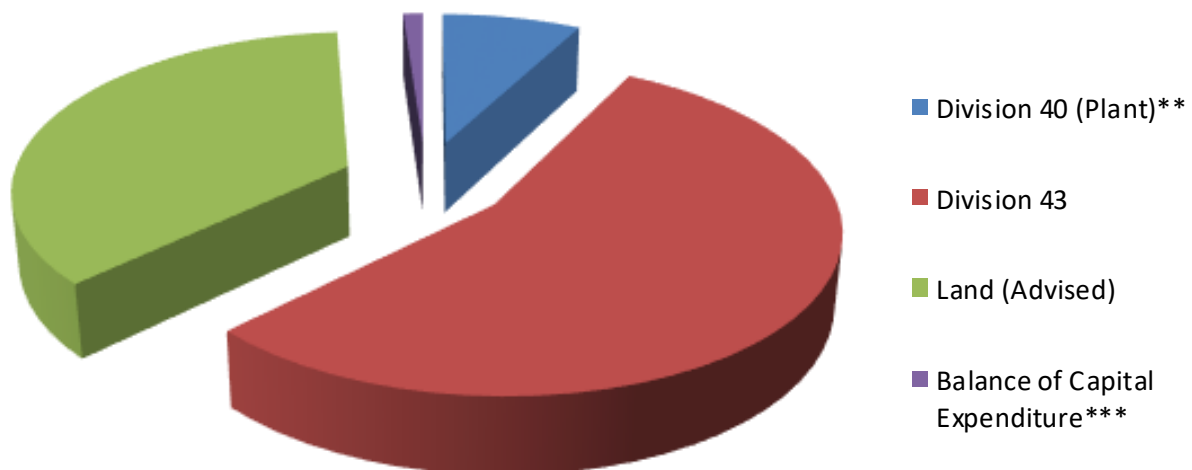
Division 40 (Plant)**	\$24,775
Division 43	\$175,371
Land (Advised)	\$115,000
Balance of Capital Expenditure***	\$3,554
Total Expenditure Analysed	\$318,700

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	Diminishing												
Division 40 - Plant and Equipment	For Depreciation	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%	1-Jun-17	3,661	58	721	577	461	369	295	236	354	221	138
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	1-Jun-17	305	57	93	58	36	23	14	9	6	3	2
Blinds Residential														
	NO	18.75%	1-Jun-17	1,513	284	461	288	180	113	70	44	27	17	11
Door closers														
	NO	18.75%	1-Jun-17	220	41	67	42	26	16	10	6	4	2	2
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	1-Jun-17	537	101	164	102	64	40	25	16	10	6	4
Floor coverings (removable without damage)														
Carpets	NO	20.00%	1-Jun-17	2,823	45	556	444	356	284	228	341	213	133	83
Floating timber	NO	13.33%	1-Jun-17	3,102	33	409	355	307	266	231	200	173	150	366
Furniture														
	NO	18.75%	1-Jun-17	2,319	435	707	442	276	172	108	67	42	26	16
Garage doors, automatic														
Controls	NO	40.00%	1-Jun-17	195	6	71	44	28	17	11	7	4	3	2
Motors	NO	20.00%	1-Jun-17	1,465	23	288	231	346	216	135	84	53	33	21
Garbage disposal														
Garbage bins	NO	18.75%	1-Jun-17	195	37	59	37	23	15	9	6	4	2	1
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	1-Jun-17	2,197	29	361	301	251	209	174	327	204	128	80
Kitchen assets														
Cooktops	NO	16.67%	1-Jun-17	1,037	14	171	320	200	125	78	49	31	19	12
Dishwashers	NO	20.00%	1-Jun-17	1,465	23	288	231	346	216	135	84	53	33	21
Ovens	NO	16.67%	1-Jun-17	1,343	18	221	184	345	216	135	84	53	33	21
Rangehoods	NO	18.75%	1-Jun-17	549	103	167	105	65	41	26	16	10	6	4
Lights														
Shades, removable	NO	18.75%	1-Jun-17	1,849	347	563	352	220	138	86	54	34	21	13
Pooled Plant Total					1,404	2,352	1,790	2,156	1,347	842	1,194	1,101	688	796
Effective Life Plant Total					249	3,015	2,322	1,375	1,129	928	436	173	150	796
Total Division 40					24,775	1,653	5,367	4,112	3,531	2,476	1,770	1,631	1,274	838
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%	01-Jun-17	166,248	330	4,156	4,156	4,156	4,156	4,156	4,156	4,156	4,156	4,156
Structural Improvements - Completed 2017		2.50%	01-Jun-17	9,123	18	228	228	228	228	228	228	228	228	228
Total Division 43				175,371	348	4,384	4,384	4,384	4,384	4,384	4,384	4,384	4,384	4,384

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%	01-Jun-17	3,661	29	366	366	366	366	366	366	366	366	366
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	01-Jun-17	305	57	93	58	36	23	14	9	6	3	2
Blinds Residential														
	NO	18.75%	01-Jun-17	1,513	284	461	288	180	113	70	44	27	17	11
Door closers														
	NO	18.75%	01-Jun-17	220	41	67	42	26	16	10	6	4	2	2
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	01-Jun-17	537	101	164	102	64	40	25	16	10	6	4
Floor coverings (removable without damage)														
Carpets	NO	10.00%	01-Jun-17	2,823	22	282	282	282	282	282	282	282	282	282
Floating timber	NO	6.67%	01-Jun-17	3,102	16	207	207	207	207	207	207	207	207	207
Furniture														
	NO	18.75%	01-Jun-17	2,319	435	707	442	276	172	108	67	42	26	16
Garage doors, automatic														
Controls	NO	20.00%	01-Jun-17	195	3	39	39	39	39	36				
Motors	NO	10.00%	01-Jun-17	1,465	12	146	146	146	146	146	146	146	146	146
Garbage disposal														
Garbage bins	NO	18.75%	01-Jun-17	195	37	59	37	23	15	9	6	4	2	1
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	01-Jun-17	2,197	15	183	183	183	183	183	183	183	183	183
Kitchen assets														
Cooktops	NO	8.33%	01-Jun-17	1,037	7	86	86	86	86	86	86	86	86	86
Dishwashers	NO	10.00%	01-Jun-17	1,465	12	146	146	146	146	146	146	146	146	146
Ovens	NO	8.33%	01-Jun-17	1,343	9	112	112	112	112	112	112	112	112	112
Rangehoods	NO	18.75%	01-Jun-17	549	103	167	105	65	41	26	16	10	6	4
Lights														
Shades, removable	NO	18.75%	01-Jun-17	1,849	347	563	352	220	138	86	54	34	21	13
Pooled Plant Total					1,404	2,281	1,426	891	557	348	218	136	85	53
Effective Life Plant Total					125	1,567	1,567	1,567	1,567	1,564	1,528	1,528	1,528	1,528
Total Division 40				24,775	1,529	3,848	2,993	2,458	2,124	1,912	1,746	1,664	1,613	1,581
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%	01-Jun-17	166,248	330	4,156	4,156	4,156	4,156	4,156	4,156	4,156	4,156	4,156
Structural Improvements - Completed 2017		2.50%	01-Jun-17	9,123	18	228	228	228	228	228	228	228	228	228
Total Division 43				175,371	348	4,384	4,384	4,384	4,384	4,384	4,384	4,384	4,384	4,384

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 May 17 to 1 Jun 17	166,248	2.50%	4,156	166,248
Sub-total		166,248		4,156	166,248

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2017	2 May 17 to 1 Jun 17	9,123	2.50%	228	9,123
Sub-total		9,123		228	9,123
Totals		175,372		4,384	175,371

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>