



Tax Depreciation Report

8/8 Production Road,
Canning Vale, WA 6115

Maria Veleva
26 Normandy Gdns
PORT KENNEDY, WA 6172

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

Maria Veleva
26 Normandy Gdns
PORT KENNEDY, WA 6172

May 2020
Job No: COM6155010

Tax Depreciation Report – 8/8 Production Road, Canning Vale, WA 6115

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

19 May 2020

Purchaser

Vacate Carpet Cleaning Pty Ltd

Property Address

8/8 Production Road, Canning Vale, WA 6115

Real Property Description

LOT 8 S073659

Property Type

Commercial - Warehouse

Date of Construction

1 January 2017

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				
Under Diminishing Value method, the effective life is dividing by 200.					Under Prime Cost method, the effective life is dividing by 100.				
200 / 10 Years = 20% (Adjusted Value)					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.					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	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	Effective Life	Pooled Plant	Total Div 40	Division 43	Totals
1	18 July 18 to 30 June 19	113	409	522	3,248	3,770
2	1 July 19 to 30 June 20	107	665	772	3,416	4,188
3	1 July 20 to 30 June 21	0	776	776	3,416	4,192
4	1 July 21 to 30 June 22	0	485	485	3,416	3,901
5	1 July 22 to 30 June 23	0	303	303	3,416	3,719
6	1 July 23 to 30 June 24	0	189	189	3,416	3,605
7	1 July 24 to 30 June 25	0	118	118	3,416	3,534
8	1 July 25 to 30 June 26	0	74	74	3,416	3,490
9	1 July 26 to 30 June 27	0	46	46	3,416	3,462
10	1 July 27 to 30 June 28	0	29	29	3,416	3,445
11	1 July 28 to 30 June 29	0	18	18	3,416	3,434
12	1 July 29 to 30 June 30	0	11	11	3,416	3,427
13	1 July 30 to 30 June 31	0	7	7	3,416	3,423
14	1 July 31 to 30 June 32	0	4	4	3,416	3,420
15	1 July 32 to 30 June 33	0	3	3	3,416	3,419
16	1 July 33 to 30 June 34	0	2	2	3,416	3,418
17	1 July 34 to 30 June 35	0	1	1	3,416	3,417
18	1 July 35 to 30 June 36	0	1	1	3,416	3,417
19	1 July 36 to 30 June 37	0	0	0	3,416	3,416
20	1 July 37 to 30 June 38	0	0	0	3,416	3,416
21	1 July 38 to 30 June 39	0	0	0	3,416	3,416
22	1 July 39 to 30 June 40	0	0	0	3,416	3,416
23	1 July 40 to 30 June 41	0	0	0	3,416	3,416
24	1 July 41 to 30 June 42	0	0	0	3,416	3,416
25	1 July 42 to 30 June 43	0	0	0	3,416	3,416
26	1 July 43 to 30 June 44	0	0	0	3,416	3,416
27	1 July 44 to 30 June 45	0	0	0	3,416	3,416
28	1 July 45 to 30 June 46	0	0	0	3,416	3,416
29	1 July 46 to 30 June 47	0	0	0	3,416	3,416
30	1 July 47 to 30 June 48	0	0	0	3,416	3,416
31	1 July 48 to 30 June 49	0	0	0	3,416	3,416
32	1 July 49 to 30 June 50	0	0	0	3,416	3,416
33	1 July 50 to 30 June 51	0	0	0	3,416	3,416
34	1 July 51 to 30 June 52	0	0	0	3,416	3,416
35	1 July 52 to 30 June 53	0	0	0	3,416	3,416
36	1 July 53 to 30 June 54	0	0	0	3,416	3,416
37	1 July 54 to 30 June 55	0	0	0	3,416	3,416
38	1 July 55 to 30 June 56	0	0	0	3,416	3,416
39	1 July 56 to 30 June 57	0	0	0	1,710	1,710
40	2057+	0	0	0	0	0
Totals		219	3,144	3,363	131,350	134,713

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	18 July 18 to 30 June 19	56	409	465	3,248	3,713
2	1 July 19 to 30 June 20	59	665	724	3,416	4,140
3	1 July 20 to 30 June 21	59	416	475	3,416	3,891
4	1 July 21 to 30 June 22	59	260	319	3,416	3,735
5	1 July 22 to 30 June 23	59	162	221	3,416	3,637
6	1 July 23 to 30 June 24	59	101	160	3,416	3,576
7	1 July 24 to 30 June 25	59	63	122	3,416	3,538
8	1 July 25 to 30 June 26	59	40	99	3,416	3,515
9	1 July 26 to 30 June 27	59	25	84	3,416	3,500
10	1 July 27 to 30 June 28	59	15	74	3,416	3,490
11	1 July 28 to 30 June 29	59	10	69	3,416	3,485
12	1 July 29 to 30 June 30	59	6	65	3,416	3,481
13	1 July 30 to 30 June 31	59	4	63	3,416	3,479
14	1 July 31 to 30 June 32	59	2	61	3,416	3,477
15	1 July 32 to 30 June 33	59	1	60	3,416	3,476
16	1 July 33 to 30 June 34	59	1	60	3,416	3,476
17	1 July 34 to 30 June 35	59	1	60	3,416	3,476
18	1 July 35 to 30 June 36	59	0	59	3,416	3,475
19	1 July 36 to 30 June 37	59	0	59	3,416	3,475
20	1 July 37 to 30 June 38	59	0	59	3,416	3,475
21	1 July 38 to 30 June 39	3	0	3	3,416	3,419
22	1 July 39 to 30 June 40	0	0	0	3,416	3,416
23	1 July 40 to 30 June 41	0	0	0	3,416	3,416
24	1 July 41 to 30 June 42	0	0	0	3,416	3,416
25	1 July 42 to 30 June 43	0	0	0	3,416	3,416
26	1 July 43 to 30 June 44	0	0	0	3,416	3,416
27	1 July 44 to 30 June 45	0	0	0	3,416	3,416
28	1 July 45 to 30 June 46	0	0	0	3,416	3,416
29	1 July 46 to 30 June 47	0	0	0	3,416	3,416
30	1 July 47 to 30 June 48	0	0	0	3,416	3,416
31	1 July 48 to 30 June 49	0	0	0	3,416	3,416
32	1 July 49 to 30 June 50	0	0	0	3,416	3,416
33	1 July 50 to 30 June 51	0	0	0	3,416	3,416
34	1 July 51 to 30 June 52	0	0	0	3,416	3,416
35	1 July 52 to 30 June 53	0	0	0	3,416	3,416
36	1 July 53 to 30 June 54	0	0	0	3,416	3,416
37	1 July 54 to 30 June 55	0	0	0	3,416	3,416
38	1 July 55 to 30 June 56	0	0	0	3,416	3,416
39	1 July 56 to 30 June 57	0	0	0	1,710	1,710
40	2057+	0	0	0	0	0
Totals		1,180	2,183	3,363	131,350	134,713

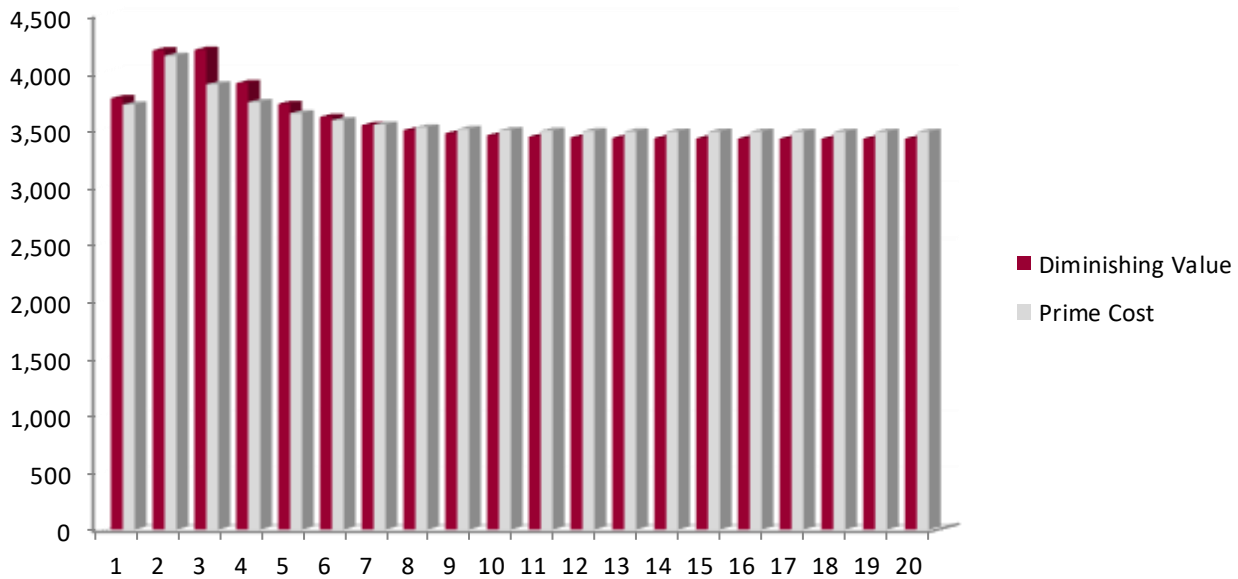
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

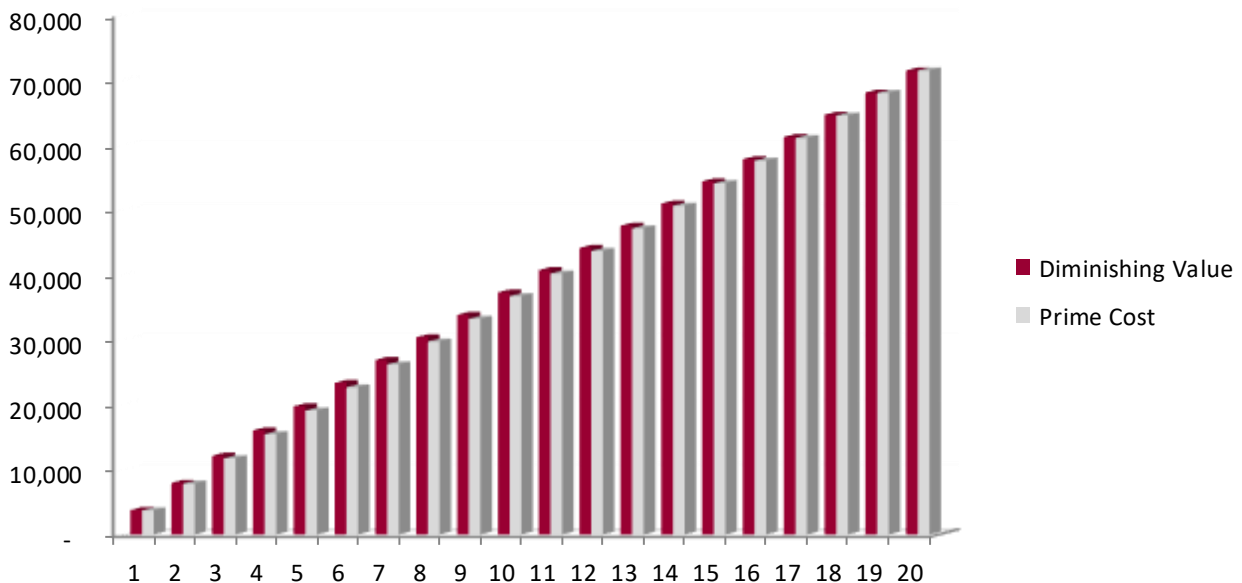
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	8 September 2017
Settlement Date	18 July 2018

Expenditure Analysed

Purchase Price	\$220,000
Stamp Duty	\$7,486
Legals	\$1,434
Total Expenditure Analysed	\$228,920

Historical Construction Details

Construction Start Date	6 May 2016
Construction Completion Date	1 January 2017
Historical Construction Cost (Estimated)*	\$140,944

9. Reconciliation of Capital Expenditure

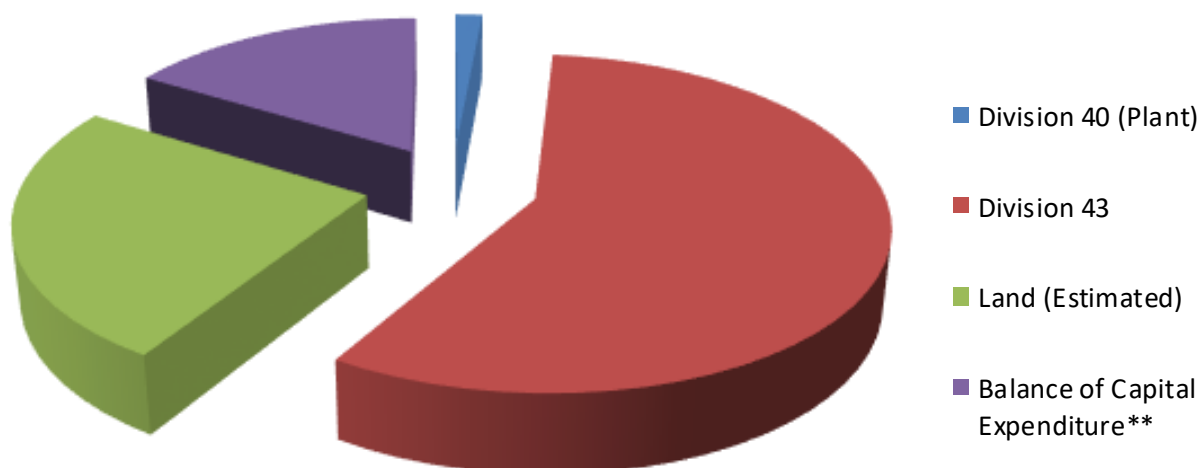
Apportionment of cost relating to:

Division 40 (Plant)	\$3,363
Division 43	\$131,350
Land (Estimated)	\$56,872
Balance of Capital Expenditure**	\$37,335
Total Expenditure Analysed	\$228,920

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	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
Division 40 - Plant and Equipment													
Electrical Machinery & Equipment :													
Switchboards	10.00%	18-Jul-18	1,180	112	107	360	225	141	88	55	34	21	13
Furniture	18.75%	18-Jul-18	221	41	67	42	26	16	10	6	4	3	2
Lights													
Fittings	18.75%	18-Jul-18	1,151	216	351	219	137	86	53	33	21	13	8
Emergency	18.75%	18-Jul-18	443	83	135	84	53	33	21	13	8	5	3
Ventilating plant													
Ventilation plant - fans only	18.75%	18-Jul-18	369	69	112	70	44	27	17	11	7	4	3
Pooled Plant Total				409	665	776	485	303	189	118	74	46	29
Effective Life Plant Total				113	107								
Total Division 40			3,363	522	772	776	485	303	189	118	74	46	29
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%	18-Jul-18	118,560	2,931	3,083	3,083	3,083	3,083	3,083	3,083	3,083	3,083	3,083
Structural Improvements - Completed 2017	2.50%	18-Jul-18	12,790	317	333	333	333	333	333	333	333	333	333
Total Division 43			131,350	3,248	3,416	3,416	3,416	3,416	3,416	3,416	3,416	3,416	3,416
Total Depreciation			134,713	3,770	4,188	4,192	3,901	3,719	3,605	3,534	3,490	3,462	3,445

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
Electrical Machinery & Equipment :													
Switchboards	5.00%	18-Jul-18	1,180	56	59	59	59	59	59	59	59	59	59
Furniture	18.75%	18-Jul-18	221	41	67	42	26	16	10	6	4	3	2
Lights													
Fittings	18.75%	18-Jul-18	1,151	216	351	219	137	86	53	33	21	13	8
Emergency	18.75%	18-Jul-18	443	83	135	84	53	33	21	13	8	5	3
Ventilating plant													
Ventilation plant - fans only	18.75%	18-Jul-18	369	69	112	70	44	27	17	11	7	4	3
Pooled Plant Total				409	665	416	260	162	101	63	40	25	15
Effective Life Plant Total				56	59	59	59	59	59	59	59	59	59
Total Division 40			3,363	465	724	475	319	221	160	122	99	84	74
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%	18-Jul-18	118,560	2,931	3,083	3,083	3,083	3,083	3,083	3,083	3,083	3,083	3,083
Structural Improvements - Completed 2017	2.50%	18-Jul-18	12,790	317	333	333	333	333	333	333	333	333	333
Total Division 43			131,350	3,248	3,416	3,416	3,416	3,416	3,416	3,416	3,416	3,416	3,416
Total Depreciation			134,713	3,713	4,140	3,891	3,735	3,637	3,576	3,538	3,515	3,500	3,490

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	6 May 16 to 1 Jan 17	123,315	2.50%	3,083	118,560
	#VALUE!		2.50%		
Sub-total		123,315		3,083	118,560

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2017	6 May 16 to 1 Jan 17	13,303	2.50%	333	12,790
Sub-total		13,303		333	12,790
Totals		136,618		3,416	131,350

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	
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.