



Tax Depreciation Report

189 Boundary Rd,
Pascoe Vale VIC 3044, Australia

Eric John Rooley and Loc Chi Ta
146/8 Waterside Pl
DOCKLANDS, VIC 3008

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

Eric John Rooley and Loc Chi Ta
146/8 Waterside Pl
DOCKLANDS, VIC 3008

May 2020
Job No: RES3044010

Tax Depreciation Report – 189 Boundary Rd, Pascoe Vale VIC 3044

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 May 2020

Purchaser

Eric John Rooley and Loc Chi Ta

Property Address

189 Boundary Rd, Pascoe Vale VIC 3044, Australia

Real Property Description

LOT 2 PS735831

Property Type

Residential House

Date of Construction

1 October 2018

Date Available To Generate Income

17 March 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				
Diminishing value method is often the most popular form of depreciation due to the cash-flow benefits in the early years of asset ownership.				
Benefits				
<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) 				
Calculation Example				
Under Diminishing Value method, the effective life is dividing by 200.				
200 / 10 Years = 20% (Adjusted Value)				
If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.				
Year 1	Year 2	Year 3	Year 4	Year 5
\$2,000	\$1,600	\$1,280	\$1,024	\$819.20

Prime Cost Method				
Prime Cost Method of Depreciation, often referred to as straight line depreciation is depreciated at a constant rate each year.				
Benefits				
<ul style="list-style-type: none"> • Write off assets when they are demolished or disposed. 				
Calculation Example				
Under Prime Cost method, the effective life is dividing by 100.				
100 / 10 Years = 10% (Straight Line)				
If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.				
Year 1	Year 2	Year 3	Year 4	Year 5
\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

4. Capital Works

4.1 Entitlement

Capital Works Division 43 of the Income Tax Act 1997 allows the taxpayer to a deduction of the decline in value of a depreciating asset used for income producing purpose over its effective life.

4.2 Method of Depreciation

Capital Works allowances under Division 43 are based on the historical construction costs and are not based on an apportionment of the purchase price. Where construction costs are not available, a qualified Quantity Surveyor will establish costs in accordance with the Tax Ruling TR97/25.

Capital Works are depreciated by Prime Cost method only, which may vary dependant on the date the construction works commenced and the property usage. Where a property has been updated over the years, capital works expenditure may be allocated in different periods. Clients must make any construction periods clear wherever possible to ensure your claim is maximised.

4.3 Method of Depreciation

Structural improvements such as fencing, paths and other hard landscaping can also be written off at 2.5% per annum if construction started after 27 February 1992.

5. Summary of Entitlements – Diminishing Value Method

Year	Financial Year	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	17 March 20 to 30 June 20	0	0	0	1,924	1,924	4,893	4,893
2	1 July 20 to 30 June 21	0	0	0	6,709	6,709	11,916	16,809
3	1 July 21 to 30 June 22	0	0	0	6,709	6,709	8,968	25,777
4	1 July 22 to 30 June 23	0	0	0	6,709	6,709	6,936	32,713
5	1 July 23 to 30 June 24	0	0	0	6,709	6,709	5,292	38,005
6	1 July 24 to 30 June 25	0	0	0	6,709	6,709	4,110	42,115
7	1 July 25 to 30 June 26	0	0	0	6,709	6,709	3,226	45,341
8	1 July 26 to 30 June 27	0	0	0	6,709	6,709	2,775	48,116
9	1 July 27 to 30 June 28	0	0	0	6,709	6,709	1,969	50,085
10	1 July 28 to 30 June 29	0	0	0	6,709	6,709	1,429	51,514
11	1 July 29 to 30 June 30	0	0	0	6,709	6,709	1,061	52,575
12	1 July 30 to 30 June 31	0	0	0	6,709	6,709	971	53,546
13	1 July 31 to 30 June 32	0	0	0	6,709	6,709	694	54,239
14	1 July 32 to 30 June 33	0	0	0	6,709	6,709	509	54,748
15	1 July 33 to 30 June 34	0	0	0	6,709	6,709	383	55,131
16	1 July 34 to 30 June 35	0	0	0	6,709	6,709	296	55,427
17	1 July 35 to 30 June 36	0	0	0	6,709	6,709	234	55,660
18	1 July 36 to 30 June 37	0	0	0	6,709	6,709	188	55,849
19	1 July 37 to 30 June 38	0	0	0	6,709	6,709	393	56,242
20	1 July 38 to 30 June 39	0	0	0	6,709	6,709	246	56,487
21	1 July 39 to 30 June 40	0	0	0	6,709	6,709	153	56,641
22	1 July 40 to 30 June 41	0	0	0	6,709	6,709	96	56,737
23	1 July 41 to 30 June 42	0	0	0	6,709	6,709	60	56,796
24	1 July 42 to 30 June 43	0	0	0	6,709	6,709	37	56,834
25	1 July 43 to 30 June 44	0	0	0	6,709	6,709	23	56,857
26	1 July 44 to 30 June 45	0	0	0	6,709	6,709	15	56,872
27	1 July 45 to 30 June 46	0	0	0	6,709	6,709	9	56,881
28	1 July 46 to 30 June 47	0	0	0	6,709	6,709	6	56,887
29	1 July 47 to 30 June 48	0	0	0	6,709	6,709	4	56,890
30	1 July 48 to 30 June 49	0	0	0	6,709	6,709	2	56,893
31	1 July 49 to 30 June 50	0	0	0	6,709	6,709	1	56,894
32	1 July 50 to 30 June 51	0	0	0	6,709	6,709	1	56,895
33	1 July 51 to 30 June 52	0	0	0	6,709	6,709	1	56,895
34	1 July 52 to 30 June 53	0	0	0	6,709	6,709	0	56,896
35	1 July 53 to 30 June 54	0	0	0	6,709	6,709	0	56,896
36	1 July 54 to 30 June 55	0	0	0	6,709	6,709	0	56,896
37	1 July 55 to 30 June 56	0	0	0	6,709	6,709	0	56,896
38	1 July 56 to 30 June 57	0	0	0	6,709	6,709	0	56,896
39	1 July 57 to 30 June 58	0	0	0	6,709	6,709	0	56,896
40	2058+	0	0	0	1,687	1,687	0	56,896
Totals		0	0	0	258,553	258,553	56,896	56,896

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	17 March 20 to 30 June 20	0	0	0	1,924	1,924	3,691	3,691
2	1 July 20 to 30 June 21	0	0	0	6,709	6,709	8,232	11,923
3	1 July 21 to 30 June 22	0	0	0	6,709	6,709	6,715	18,639
4	1 July 22 to 30 June 23	0	0	0	6,709	6,709	5,767	24,406
5	1 July 23 to 30 June 24	0	0	0	6,709	6,709	5,175	29,580
6	1 July 24 to 30 June 25	0	0	0	6,709	6,709	4,791	34,371
7	1 July 25 to 30 June 26	0	0	0	6,709	6,709	4,523	38,894
8	1 July 26 to 30 June 27	0	0	0	6,709	6,709	3,948	42,842
9	1 July 27 to 30 June 28	0	0	0	6,709	6,709	3,388	46,230
10	1 July 28 to 30 June 29	0	0	0	6,709	6,709	2,802	49,032
11	1 July 29 to 30 June 30	0	0	0	6,709	6,709	2,442	51,474
12	1 July 30 to 30 June 31	0	0	0	6,709	6,709	1,615	53,089
13	1 July 31 to 30 June 32	0	0	0	6,709	6,709	1,443	54,531
14	1 July 32 to 30 June 33	0	0	0	6,709	6,709	993	55,525
15	1 July 33 to 30 June 34	0	0	0	6,709	6,709	798	56,323
16	1 July 34 to 30 June 35	0	0	0	6,709	6,709	564	56,887
17	1 July 35 to 30 June 36	0	0	0	6,709	6,709	4	56,891
18	1 July 36 to 30 June 37	0	0	0	6,709	6,709	2	56,893
19	1 July 37 to 30 June 38	0	0	0	6,709	6,709	1	56,894
20	1 July 38 to 30 June 39	0	0	0	6,709	6,709	1	56,895
21	1 July 39 to 30 June 40	0	0	0	6,709	6,709	1	56,896
22	1 July 40 to 30 June 41	0	0	0	6,709	6,709	0	56,896
23	1 July 41 to 30 June 42	0	0	0	6,709	6,709	0	56,896
24	1 July 42 to 30 June 43	0	0	0	6,709	6,709	0	56,896
25	1 July 43 to 30 June 44	0	0	0	6,709	6,709	0	56,896
26	1 July 44 to 30 June 45	0	0	0	6,709	6,709	0	56,896
27	1 July 45 to 30 June 46	0	0	0	6,709	6,709	0	56,896
28	1 July 46 to 30 June 47	0	0	0	6,709	6,709	0	56,896
29	1 July 47 to 30 June 48	0	0	0	6,709	6,709	0	56,896
30	1 July 48 to 30 June 49	0	0	0	6,709	6,709	0	56,896
31	1 July 49 to 30 June 50	0	0	0	6,709	6,709	0	56,896
32	1 July 50 to 30 June 51	0	0	0	6,709	6,709	0	56,896
33	1 July 51 to 30 June 52	0	0	0	6,709	6,709	0	56,896
34	1 July 52 to 30 June 53	0	0	0	6,709	6,709	0	56,896
35	1 July 53 to 30 June 54	0	0	0	6,709	6,709	0	56,896
36	1 July 54 to 30 June 55	0	0	0	6,709	6,709	0	56,896
37	1 July 55 to 30 June 56	0	0	0	6,709	6,709	0	56,896
38	1 July 56 to 30 June 57	0	0	0	6,709	6,709	0	56,896
39	1 July 57 to 30 June 58	0	0	0	6,709	6,709	0	56,896
40	2058+	0	0	0	1,687	1,687	0	56,896
Totals		0	0	0	258,553	258,553	56,896	56,896

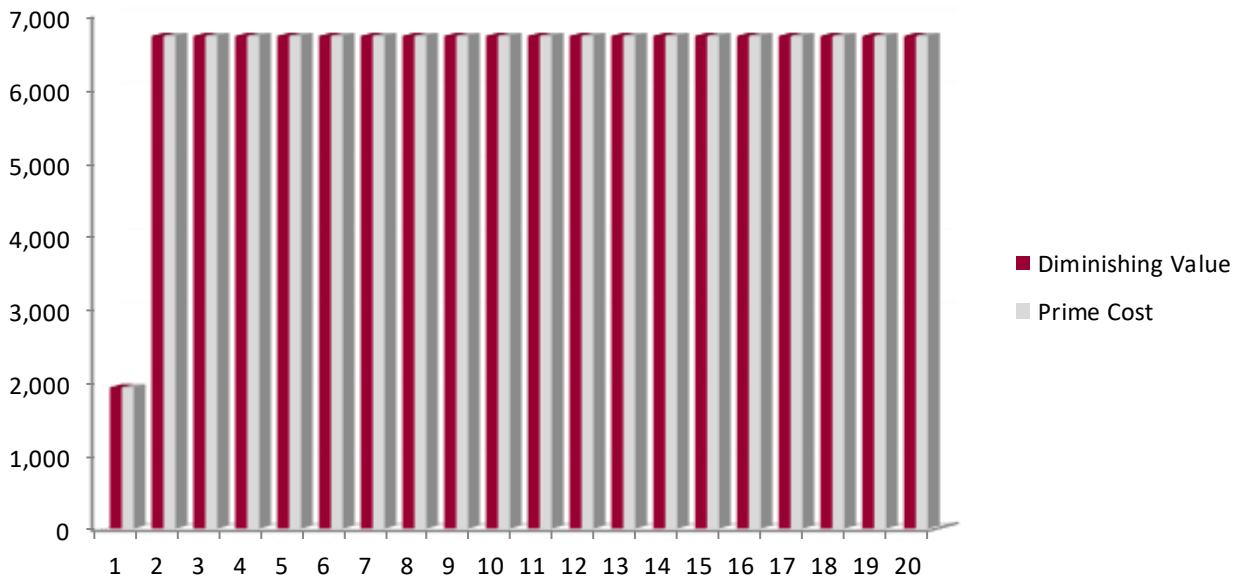
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

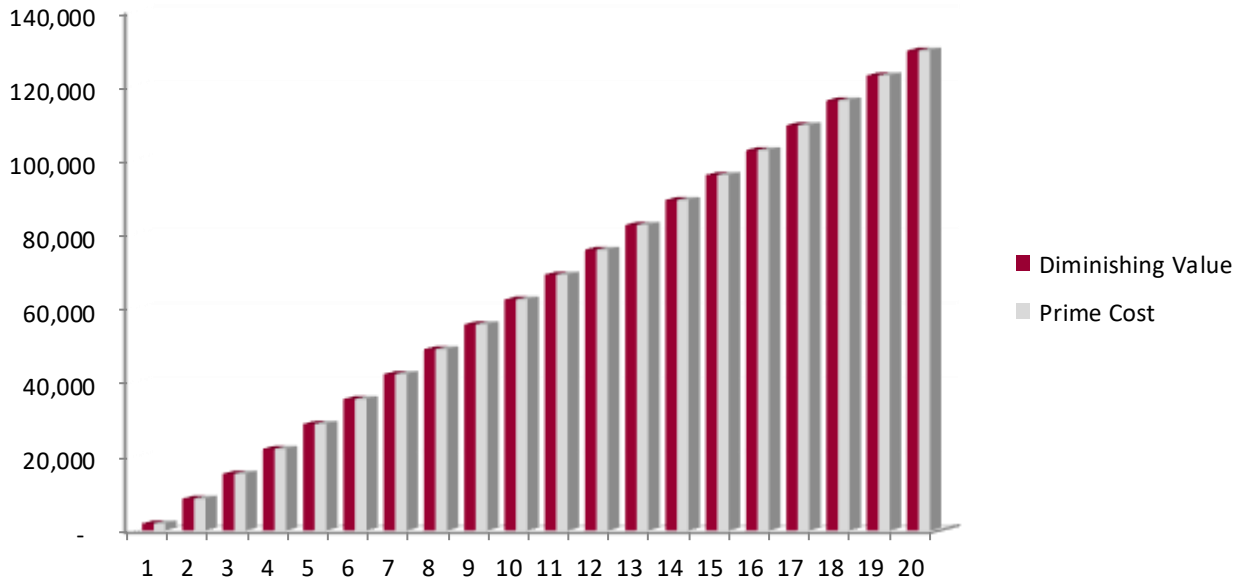
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	22 November 2019
Settlement Date	17 March 2020
Available To Generate Income	17 March 2020

Expenditure Analysed

Purchase Price	\$690,000
Stamp Duty	\$23,050
Legals	\$1,200
Post Expenditure	\$0
Total Expenditure Analysed	\$714,250

Historical Construction Details

Construction Start Date	4 January 2018
Construction Completion Date	1 October 2018
Historical Construction Cost (Estimated)*	\$315,121
Lot Entitlement	1
Overall Lot Entitlement	1

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

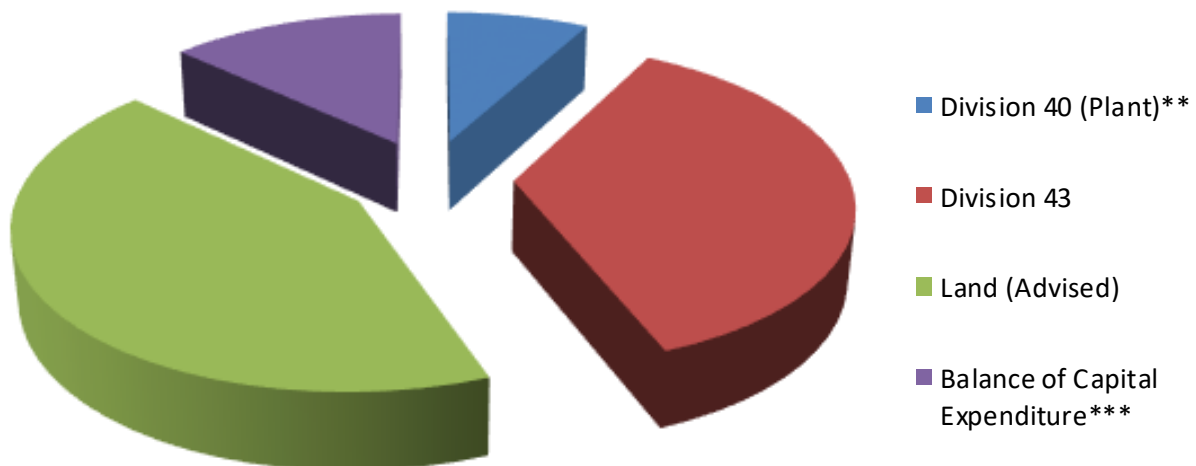
Division 40 (Plant)**	\$56,896
Division 43	\$258,553
Land (Advised)	\$305,000
Balance of Capital Expenditure***	\$93,801
Total Expenditure Analysed	\$714,250

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%	17-Mar-20	9,416	540	1,775	1,420	1,136	909	727	582	465	372	298
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	17-Mar-20	1,099	206	335	209	131	82	51	32	20	12	8
Computer systems														
General	NO	18.75%	17-Mar-20	549	103	167	105	65	41	26	16	10	6	4
Door closers														
	NO	18.75%	17-Mar-20	565	106	172	108	67	42	26	16	10	6	4
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	17-Mar-20	2,072	388	631	394	247	154	96	60	38	24	15
Floor coverings (removable without damage)														
Carpets	NO	25.00%	17-Mar-20	4,369	313	1,014	760	570	428	321	361	226	141	88
Floating timber	NO	13.33%	17-Mar-20	11,688	447	1,499	1,299	1,126	976	846	733	635	550	477
Furniture														
Furniture	NO	15.00%	17-Mar-20	2,668	115	383	326	277	235	200	170	361	226	141
Furniture	NO	18.75%	17-Mar-20	3,343	627	1,018	637	398	249	155	97	61	38	24
Garage doors, automatic														
Controls	NO	40.00%	17-Mar-20	251	29	83	52	33	20	13	8	5	3	2
Motors	NO	20.00%	17-Mar-20	1,883	108	355	284	227	341	213	133	83	52	33
Garbage disposal														
Garbage bins	NO	18.75%	17-Mar-20	251	47	77	48	30	19	12	7	5	3	2
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	17-Mar-20	2,825	135	448	374	311	259	216	180	338	211	132
Kitchen assets														
Cooktops	NO	16.67%	17-Mar-20	1,334	64	212	176	331	207	129	81	50	32	20
Dishwashers	NO	25.00%	17-Mar-20	1,552	111	360	270	304	190	119	74	46	29	18
Ovens	NO	16.67%	17-Mar-20	1,866	89	296	247	206	171	321	201	126	78	49
Rangehoods	NO	16.67%	17-Mar-20	1,177	56	187	350	219	137	86	53	33	21	13
Lights														
Shades, removable	NO	18.75%	17-Mar-20	4,614	865	1,406	879	549	343	215	134	84	52	33
Pumps														
	NO	18.75%	17-Mar-20	785	147	239	149	93	58	36	23	14	9	6
Security systems & equipment														
Electronic	NO	30.00%	17-Mar-20	4,590	395	1,259	881	617	432	302	264	165	103	65
Pooled Plant Total					2,489	4,129	2,931	2,466	1,882	1,498	1,561	1,675	1,047	654
Effective Life Plant Total					2,404	7,788	6,037	4,470	3,410	2,612	1,665	1,100	923	775
Total Division 40				56,896	4,893	11,916	8,968	6,936	5,292	4,110	3,226	2,775	1,969	1,429

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 2018	2.50%	17-Mar-20	250,840	1,867	6,509	6,509	6,509	6,509	6,509	6,509	6,509	6,509	6,509
Structural Improvements - Completed 2018	2.50%	17-Mar-20	7,713	57	200	200	200	200	200	200	200	200	200
Total Division 43			258,553	1,924	6,709	6,709	6,709	6,709	6,709	6,709	6,709	6,709	6,709

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%	17-Mar-20	9,416	270	942	942	942	942	942	942	942	942	942
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	17-Mar-20	1,099	206	335	209	131	82	51	32	20	12	8
Computer systems														
General	NO	18.75%	17-Mar-20	549	103	167	105	65	41	26	16	10	6	4
Door closers														
	NO	18.75%	17-Mar-20	565	106	172	108	67	42	26	16	10	6	4
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	17-Mar-20	2,072	388	631	394	247	154	96	60	38	24	15
Floor coverings (removable without damage)														
Carpets	NO	12.50%	17-Mar-20	4,369	157	546	546	546	546	546	546	546	390	
Floating timber	NO	6.67%	17-Mar-20	11,688	224	779	779	779	779	779	779	779	779	779
Furniture														
Furniture	NO	7.50%	17-Mar-20	2,668	57	200	200	200	200	200	200	200	200	200
Furniture	NO	18.75%	17-Mar-20	3,343	627	1,018	637	398	249	155	97	61	38	24
Garage doors, automatic														
Controls	NO	20.00%	17-Mar-20	251	14	50	50	50	50	37				
Motors	NO	10.00%	17-Mar-20	1,883	54	188	188	188	188	188	188	188	188	188
Garbage disposal														
Garbage bins	NO	18.75%	17-Mar-20	251	47	77	48	30	19	12	7	5	3	2
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	17-Mar-20	2,825	68	235	235	235	235	235	235	235	235	235
Kitchen assets														
Cooktops	NO	8.33%	17-Mar-20	1,334	32	111	111	111	111	111	111	111	111	111
Dishwashers	NO	12.50%	17-Mar-20	1,552	56	194	194	194	194	194	194	194	138	
Ovens	NO	8.33%	17-Mar-20	1,866	45	155	155	155	155	155	155	155	155	155
Rangehoods	NO	8.33%	17-Mar-20	1,177	28	98	98	98	98	98	98	98	98	98
Lights														
Shades, removable	NO	18.75%	17-Mar-20	4,614	865	1,406	879	549	343	215	134	84	52	33
Pumps														
	NO	18.75%	17-Mar-20	785	147	239	149	93	58	36	23	14	9	6
Security systems & equipment														
Electronic	NO	15.00%	17-Mar-20	4,590	198	689	689	689	689	689	689	259		
Pooled Plant Total					2,489	4,045	2,528	1,580	988	617	386	241	151	94
Effective Life Plant Total					1,202	4,187	4,187	4,187	4,187	4,174	4,137	3,707	3,237	2,708
Total Division 40				56,896	3,691	8,232	6,715	5,767	5,175	4,791	4,523	3,948	3,388	2,802

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 2018	2.50%	17-Mar-20	250,840	1,867	6,509	6,509	6,509	6,509	6,509	6,509	6,509	6,509	6,509
Structural Improvements - Completed 2018	2.50%	17-Mar-20	7,713	57	200	200	200	200	200	200	200	200	200
Total Division 43			258,553	1,924	6,709	6,709	6,709	6,709	6,709	6,709	6,709	6,709	6,709

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 2018	4 Jan 18 to 1 Oct 18	260,344	2.50%	6,509	250,840
Sub-total		260,344		6,509	250,840

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2018	4 Jan 18 to 1 Oct 18	8,006	2.50%	200	7,713
Sub-total		8,006		200	7,713
Totals		268,350		6,709	258,553

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
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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>