



Tax Depreciation Report

1 /763 Sandgate Road,
Clayfield, QLD 4011

Rachel Williams
75 McPherson Road
SINNAMON PARK, QLD 4073

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

Rachel Williams
75 McPherson Road
SINNAMON PARK, QLD 4073

May 2020
Job No: RES4011010

Tax Depreciation Report – 1/763 Sandgate Road, Clayfield, QLD 4011

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

22 May 2020

Purchaser

Rachel Williams

Property Address

1/763 Sandgate Road, Clayfield, QLD 4011

Real Property Description

L1 SP163380

Property Type

Residential Unit

Date of Construction

1 October 2003

Date Available To Generate Income

19 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	28 June 16 to 30 June 16	0	0	0	16	16	0	0
2	1 July 16 to 30 June 17	0	0	0	2,842	2,842	0	0
3	1 July 17 to 30 June 18	0	0	0	3,061	3,061	0	0
4	1 July 18 to 30 June 19	0	0	0	3,454	3,454	0	0
5	1 July 19 to 30 June 20	0	0	0	3,785	3,785	4,675	4,675
6	1 July 20 to 30 June 21	0	0	0	3,785	3,785	3,369	8,044
7	1 July 21 to 30 June 22	0	0	0	3,785	3,785	2,469	10,513
8	1 July 22 to 30 June 23	0	0	0	3,785	3,785	1,838	12,350
9	1 July 23 to 30 June 24	0	0	0	3,785	3,785	1,720	14,071
10	1 July 24 to 30 June 25	0	0	0	3,785	3,785	1,379	15,450
11	1 July 25 to 30 June 26	0	0	0	3,785	3,785	1,274	16,724
12	1 July 26 to 30 June 27	0	0	0	3,785	3,785	796	17,520
13	1 July 27 to 30 June 28	0	0	0	3,785	3,785	498	18,018
14	1 July 28 to 30 June 29	0	0	0	3,785	3,785	311	18,329
15	1 July 29 to 30 June 30	0	0	0	3,785	3,785	194	18,523
16	1 July 30 to 30 June 31	0	0	0	3,785	3,785	122	18,645
17	1 July 31 to 30 June 32	0	0	0	3,785	3,785	76	18,721
18	1 July 32 to 30 June 33	0	0	0	3,785	3,785	47	18,768
19	1 July 33 to 30 June 34	0	0	0	3,785	3,785	30	18,798
20	1 July 34 to 30 June 35	0	0	0	3,785	3,785	19	18,817
21	1 July 35 to 30 June 36	0	0	0	3,785	3,785	12	18,828
22	1 July 36 to 30 June 37	0	0	0	3,785	3,785	7	18,835
23	1 July 37 to 30 June 38	0	0	0	3,785	3,785	5	18,840
24	1 July 38 to 30 June 39	0	0	0	3,785	3,785	3	18,843
25	1 July 39 to 30 June 40	0	0	0	3,785	3,785	2	18,845
26	1 July 40 to 30 June 41	0	0	0	3,785	3,785	1	18,846
27	1 July 41 to 30 June 42	0	0	0	3,785	3,785	1	18,846
28	1 July 42 to 30 June 43	0	0	0	3,785	3,785	0	18,847
29	1 July 43 to 30 June 44	0	0	0	1,643	1,643	0	18,847
30	1 July 44 to 30 June 45	0	0	0	943	943	0	18,847
31	1 July 45 to 30 June 46	0	0	0	943	943	0	18,847
32	1 July 46 to 30 June 47	0	0	0	943	943	0	18,847
33	1 July 47 to 30 June 48	0	0	0	943	943	0	18,847
34	1 July 48 to 30 June 49	0	0	0	943	943	0	18,847
35	1 July 49 to 30 June 50	0	0	0	943	943	0	18,847
36	1 July 50 to 30 June 51	0	0	0	943	943	0	18,847
37	1 July 51 to 30 June 52	0	0	0	943	943	0	18,847
38	1 July 52 to 30 June 53	0	0	0	943	943	0	18,847
39	1 July 53 to 30 June 54	0	0	0	943	943	0	18,847
40	2054+	0	0	0	3,911	3,911	0	18,848
Totals		0	0	0	115,197	115,197	18,848	18,848

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	28 June 16 to 30 June 16	0	0	0	16	16	0	0
2	1 July 16 to 30 June 17	0	0	0	2,842	2,842	0	0
3	1 July 17 to 30 June 18	0	0	0	3,061	3,061	0	0
4	1 July 18 to 30 June 19	0	0	0	3,454	3,454	0	0
5	1 July 19 to 30 June 20	0	0	0	3,785	3,785	2,187	2,187
6	1 July 20 to 30 June 21	0	0	0	3,785	3,785	2,185	4,372
7	1 July 21 to 30 June 22	0	0	0	3,785	3,785	2,159	6,531
8	1 July 22 to 30 June 23	0	0	0	3,785	3,785	2,098	8,629
9	1 July 23 to 30 June 24	0	0	0	3,785	3,785	1,914	10,543
10	1 July 24 to 30 June 25	0	0	0	3,785	3,785	1,872	12,415
11	1 July 25 to 30 June 26	0	0	0	3,785	3,785	1,872	14,287
12	1 July 26 to 30 June 27	0	0	0	3,785	3,785	1,428	15,715
13	1 July 27 to 30 June 28	0	0	0	3,785	3,785	1,425	17,140
14	1 July 28 to 30 June 29	0	0	0	3,785	3,785	784	17,923
15	1 July 29 to 30 June 30	0	0	0	3,785	3,785	454	18,377
16	1 July 30 to 30 June 31	0	0	0	3,785	3,785	234	18,612
17	1 July 31 to 30 June 32	0	0	0	3,785	3,785	38	18,650
18	1 July 32 to 30 June 33	0	0	0	3,785	3,785	38	18,688
19	1 July 33 to 30 June 34	0	0	0	3,785	3,785	38	18,726
20	1 July 34 to 30 June 35	0	0	0	3,785	3,785	38	18,764
21	1 July 35 to 30 June 36	0	0	0	3,785	3,785	37	18,801
22	1 July 36 to 30 June 37	0	0	0	3,785	3,785	0	18,801
23	1 July 37 to 30 June 38	0	0	0	3,785	3,785	0	18,801
24	1 July 38 to 30 June 39	0	0	0	3,785	3,785	0	18,801
25	1 July 39 to 30 June 40	0	0	0	3,785	3,785	0	18,801
26	1 July 40 to 30 June 41	0	0	0	3,785	3,785	0	18,801
27	1 July 41 to 30 June 42	0	0	0	3,785	3,785	0	18,801
28	1 July 42 to 30 June 43	0	0	0	3,785	3,785	0	18,801
29	1 July 43 to 30 June 44	0	0	0	1,643	1,643	0	18,801
30	1 July 44 to 30 June 45	0	0	0	943	943	0	18,801
31	1 July 45 to 30 June 46	0	0	0	943	943	0	18,801
32	1 July 46 to 30 June 47	0	0	0	943	943	0	18,801
33	1 July 47 to 30 June 48	0	0	0	943	943	0	18,801
34	1 July 48 to 30 June 49	0	0	0	943	943	0	18,801
35	1 July 49 to 30 June 50	0	0	0	943	943	0	18,801
36	1 July 50 to 30 June 51	0	0	0	943	943	0	18,801
37	1 July 51 to 30 June 52	0	0	0	943	943	0	18,801
38	1 July 52 to 30 June 53	0	0	0	943	943	0	18,801
39	1 July 53 to 30 June 54	0	0	0	943	943	0	18,801
40	2054+	0	0	0	3,911	3,911	4,512	23,312
Totals		0	0	0	115,197	115,197	23,312	23,312

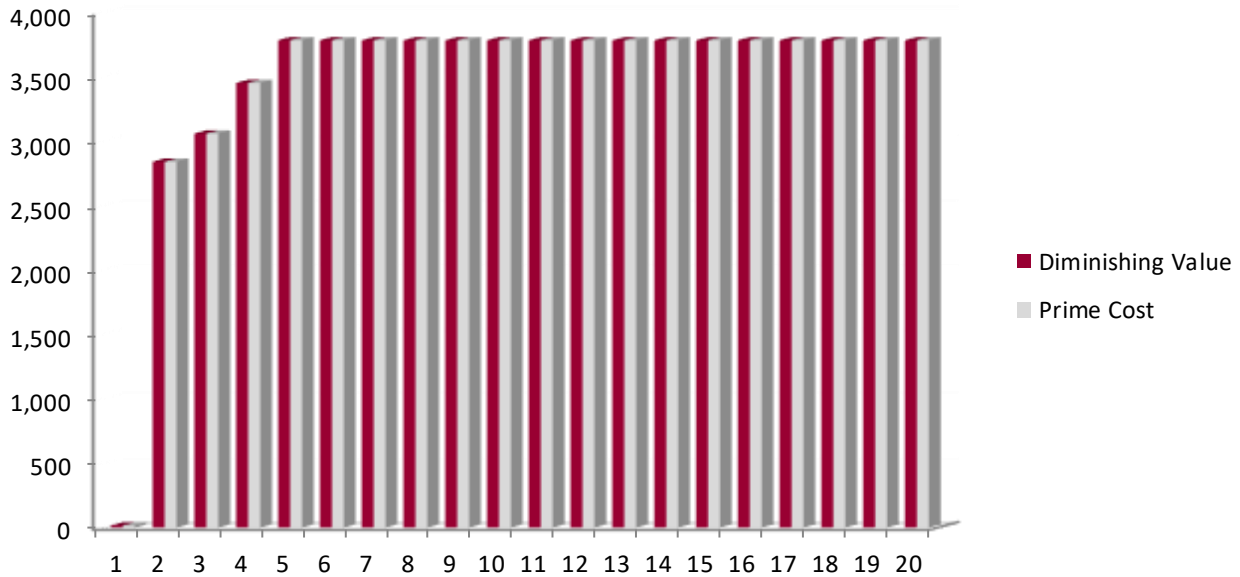
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

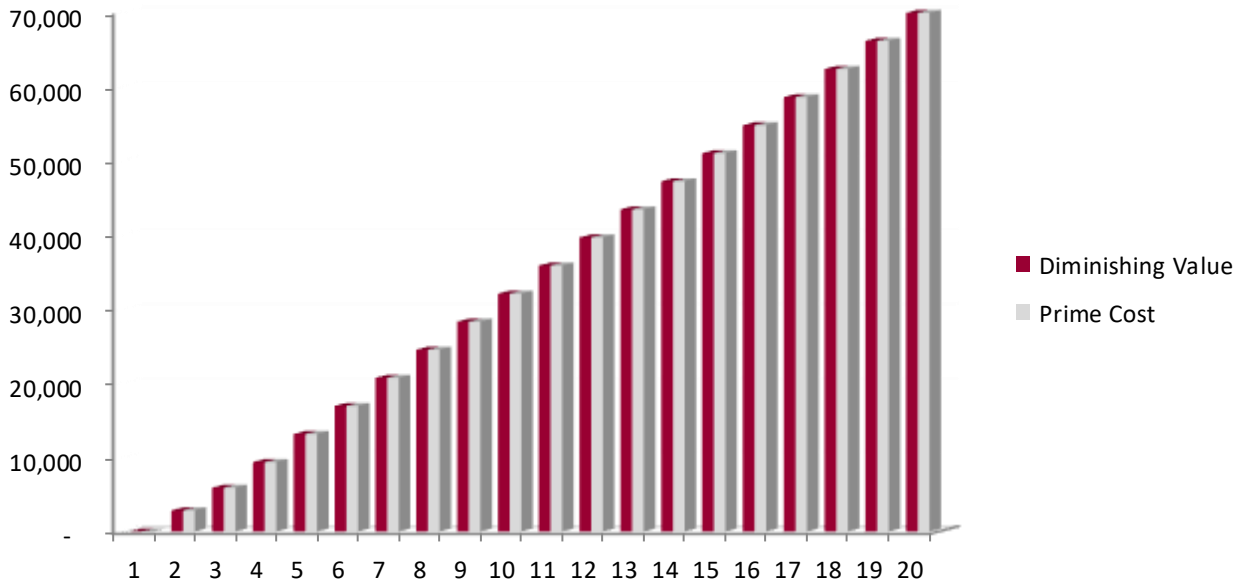
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	30 May 2016
Settlement Date	29 June 2016
Available To Generate Income	19 December 2019

Expenditure Analysed

Purchase Price	\$410,000
Stamp Duty	\$12,775
Post Expenditure	\$54,855
Total Expenditure Analysed	\$477,630

Historical Construction Details

Construction Start Date	5 March 2003
Construction Completion Date	1 October 2003
Historical Construction Cost (Estimated)*	\$120,673

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

Division 40 (Plant)**	\$26,878
Division 43	\$115,197
Land (Advised)	\$149,518
Balance of Capital Expenditure***	\$186,037
Total Expenditure Analysed	\$477,630

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
Door closers	NO	20.00%	28-Jun-16	311	0	62	50	40	60	37	23	15	9	6
Fire control assets														
Detection & alarm systems, detectors	NO	10.00%	28-Jun-16	759	0	76	68	61	208	130	81	51	32	20
Garage doors, automatic														
Motors	NO	20.00%	28-Jun-16	4,143	5	828	662	530	424	339	271	217	325	203
Garbage disposal														
Garbage bins	NO	30.00%	28-Jun-16	276	0	83	58	41	35	22	14	9	5	3
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	28-Jun-16	3,107	3	517	431	359	299	249	208	173	325	203
Lights														
Shades, removable	NO	40.00%	28-Jun-16	138	0	55	33	20	11	7	4	3	2	1
Security systems & equipment														
Electronic	NO	30.00%	28-Jun-16	1,036	2	310	217	152	133	83	52	32	20	13
Additional Items (Post Expenditure)	Eligibility				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Air-conditioning assets (excl. ducting, pipes & vents)														
Mini split system upto 20KW	NO	20.00%	14-Dec-18	3,600				391	642	514	411	329	263	210
Bathroom assets														
Exhaust fans (including light/heating)	NO	20.00%	14-Dec-18	225				24	75	47	29	18	11	7
Blinds Residential	NO	20.00%	1-Jul-17	1,360			271	218	327	204	128	80	50	31
Ceiling Fans	NO	40.00%	14-Dec-18	456				99	134	84	52	33	20	13
Floor coverings (removable without damage)														
Carpets	NO	20.00%	14-Dec-18	3,318				360	592	473	379	303	242	364
Furniture	NO	15.00%	1-Jul-17	350			52	45	95	59	37	23	14	9
Garage doors, automatic														
Motors	NO	20.00%	1-Jul-17	1,200			239	192	288	180	113	70	44	27
Kitchen assets														
Cooktops	NO	16.67%	14-Dec-18	999				90	341	213	133	83	52	32
Ovens	NO	16.67%	14-Dec-18	2,999				271	455	379	316	263	219	183
Rangehoods	NO	16.67%	14-Dec-18	1,000				90	341	213	133	83	52	33
Carried forward				730,730	11	1,931	2,082	2,983	4,459	3,234	2,384	1,785	1,687	

Diminishing Value Depreciation Schedule (cont.)

Assets Generally	Eligibility	Diminishing	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														
		Value Rate												
			Brought forward	730,730	25,276	11	1,931	2,082	2,983	4,459	3,234	2,384	1,785	1,687
Lights														
Shades, removable	NO	40.00%	1-Jul-17	1,602			639	385	217	135	85	53	33	21
Pooled Plant Total														
Effective Life Plant Total														
Total Division 40														
Division 43 - Capital Works Allowance														
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2003		2.50%	28-Jun-16	73,150	15	2,684	2,684	2,684	2,684	2,684	2,684	2,684	2,684	2,684
Building Works - Completed 2017		2.50%	01-Jul-17	5,050			126	126	126	126	126	126	126	126
Building Works - Completed 2018		2.50%	14-Dec-18	28,980			393	724	724	724	724	724	724	724
Structural Improvements - Completed 2003		2.50%	28-Jun-16	4,300	1	158	158	158	158	158	158	158	158	158
Structural Improvements - Completed 2017		2.50%	01-Jul-17	3,717			93	93	93	93	93	93	93	93
Total Division 43														

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
Door closers	NO	10.00%	28-Jun-16	311	0	31	31	31	31	31	31	31	31	31
Fire control assets														
Detection & alarm systems, detectors	NO	5.00%	28-Jun-16	759	0	38	38	38	38	38	38	38	38	38
Garage doors, automatic														
Motors	NO	10.00%	28-Jun-16	4,143	2	414	414	414	414	414	414	414	414	414
Garbage disposal														
Garbage bins	NO	15.00%	28-Jun-16	276	0	41	41	41	41	41	41	30		
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	28-Jun-16	3,107	1	259	259	259	259	259	259	259	259	259
Lights														
Shades, removable	NO	20.00%	28-Jun-16	138	0	28	28	28	28	26				
Security systems & equipment														
Electronic	NO	15.00%	28-Jun-16	1,036	1	155	155	155	155	155	155	105		
Additional Items (Post Expenditure)	Eligibility				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Air-conditioning assets (excl. ducting, pipes & vents)														
Mini split system upto 20KW	NO	10.00%	14-Dec-18	3,600				195	360	360	360	360	360	360
Bathroom assets														
Exhaust fans (including light/heating)	NO	10.00%	14-Dec-18	225				12	22	22	22	22	22	22
Blinds Residential	NO	10.00%	01-Jul-17	1,360										
Ceiling Fans	NO	20.00%	14-Dec-18	456				49	91	91	91	91	42	
Floor coverings (removable without damage)														
Carpets	NO	10.00%	14-Dec-18	3,318				180	332	332	332	332	332	332
Furniture	NO	7.50%	01-Jul-17	350										
Garage doors, automatic														
Motors	NO	10.00%	01-Jul-17	1,200										
Kitchen assets														
Cooktops	NO	8.33%	14-Dec-18	999				45	83	83	83	83	83	83
Ovens	NO	8.33%	14-Dec-18	2,999				136	250	250	250	250	250	250
Rangehoods	NO	8.33%	14-Dec-18	1,000				45	83	83	83	83	83	83
Carried forward				730,730	25,276	5	966	966	1,628	2,187	2,185	2,159	2,098	1,914

Prime Cost Depreciation Schedule (cont.)

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														
	Brought forward		730,730	25,276	5	966	966	1,628	2,187	2,185	2,159	2,098	1,914	
Lights														
Shades, removable	NO	20.00%	01-Jul-17	1,602										
Pooled Plant Total														
Effective Life Plant Total					5	966	966	1,628	2,187	2,185	2,159	2,098	1,914	1,872
Total Division 40				26,878	5	966	966	1,628	2,187	2,185	2,159	2,098	1,914	1,872
Division 43 - Capital Works Allowance														
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2003		2.50%	28-Jun-16	73,150	15	2,684	2,684	2,684	2,684	2,684	2,684	2,684	2,684	2,684
Building Works - Completed 2017		2.50%	01-Jul-17	5,050			126	126	126	126	126	126	126	126
Building Works - Completed 2018		2.50%	14-Dec-18	28,980				393	724	724	724	724	724	724
Structural Improvements - Completed 2003		2.50%	28-Jun-16	4,300	1	158	158	158	158	158	158	158	158	158
Structural Improvements - Completed 2017		2.50%	01-Jul-17	3,717			93	93	93	93	93	93	93	93
Total Division 43				115,197	16	2,842	3,061	3,454	3,785	3,785	3,785	3,785	3,785	3,785

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 2003	5 Mar 03 to 1 Oct 03	107,379	2.50%	2,684	73,150
Building Works - Completed 2017	1 Apr 17 to 1 Jul 17	5,050	2.50%	126	5,050
Building Works - Completed 2018	21 Apr 18 to 14 Dec 18	28,980	2.50%	724	28,980

Sub-total 141,409 3,534 107,180

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2003	5 Mar 03 to 1 Oct 03	6,311	2.50%	158	4,300
Structural Improvements - Completed 2017	1 Apr 17 to 1 Jul 17	3,717	2.50%	93	3,717

Sub-total 10,029 251 8,017

Totals 151,437 3,785 115,197

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>