



## Tax Depreciation Report

7 Smeaton Avenue,  
Hoppers Crossing VIC 3029, Australia

Thanh Hai Nguyen and Ngoc Chi Vu  
58 Wingate Avenue  
ASCOT VALE, VIC 3032

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

Thanh Hai Nguyen and Ngoc Chi Vu  
58 Wingate Avenue  
ASCOT VALE, VIC 3032

May 2020  
Job No: RES3029020

**Tax Depreciation Report – 7 Smeaton Avenue, Hoppers Crossing VIC 3029, 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

25 May 2020

### Purchaser

Thanh Hai Nguyen and Ngoc Chi Vu

### Property Address

7 Smeaton Avenue, Hoppers Crossing VIC 3029, Australia

### Real Property Description

LOT 861 LP88709

### Property Type

Residential House

### Date of Construction

Pre 1985

### Date Available To Generate Income

27 November 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								
<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"> <li>• Cash-flow during initial years of asset ownership</li> <li>• Ability to use Low Value Pool for assets less than \$1000 (Note: unable to write off these assets)</li> </ul>	<ul style="list-style-type: none"> <li>• Write off assets when they are demolished or disposed.</li> </ul>								
Calculation Example	Calculation Example								
<p>Under Diminishing Value method, the effective life is dividing by 200.</p> <p><b>200 / 10 Years = 20% (Adjusted Value)</b></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><b>100 / 10 Years = 10% (Straight Line)</b></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	27 November 17 to 30 June 18	0	0	0	1,264	1,264	4,027	4,027
2	1 July 18 to 30 June 19	0	0	0	2,145	2,145	6,373	10,400
3	1 July 19 to 30 June 20	0	0	0	2,145	2,145	4,893	15,293
4	1 July 20 to 30 June 21	0	0	0	2,145	2,145	3,453	18,746
5	1 July 21 to 30 June 22	0	0	0	2,145	2,145	2,489	21,235
6	1 July 22 to 30 June 23	0	0	0	2,145	2,145	2,390	23,625
7	1 July 23 to 30 June 24	0	0	0	2,145	2,145	1,802	25,427
8	1 July 24 to 30 June 25	0	0	0	2,145	2,145	1,213	26,640
9	1 July 25 to 30 June 26	0	0	0	2,145	2,145	1,044	27,684
10	1 July 26 to 30 June 27	0	0	0	2,145	2,145	930	28,614
11	1 July 27 to 30 June 28	0	0	0	2,145	2,145	581	29,195
12	1 July 28 to 30 June 29	0	0	0	2,145	2,145	363	29,558
13	1 July 29 to 30 June 30	0	0	0	2,145	2,145	227	29,785
14	1 July 30 to 30 June 31	0	0	0	2,145	2,145	142	29,927
15	1 July 31 to 30 June 32	0	0	0	2,145	2,145	89	30,016
16	1 July 32 to 30 June 33	0	0	0	2,145	2,145	55	30,071
17	1 July 33 to 30 June 34	0	0	0	1,991	1,991	35	30,106
18	1 July 34 to 30 June 35	0	0	0	1,783	1,783	22	30,128
19	1 July 35 to 30 June 36	0	0	0	1,783	1,783	14	30,141
20	1 July 36 to 30 June 37	0	0	0	1,783	1,783	8	30,150
21	1 July 37 to 30 June 38	0	0	0	1,783	1,783	5	30,155
22	1 July 38 to 30 June 39	0	0	0	1,783	1,783	3	30,158
23	1 July 39 to 30 June 40	0	0	0	1,783	1,783	2	30,160
24	1 July 40 to 30 June 41	0	0	0	1,783	1,783	1	30,161
25	1 July 41 to 30 June 42	0	0	0	1,783	1,783	1	30,162
26	1 July 42 to 30 June 43	0	0	0	1,783	1,783	1	30,163
27	1 July 43 to 30 June 44	0	0	0	1,783	1,783	0	30,163
28	1 July 44 to 30 June 45	0	0	0	1,783	1,783	0	30,163
29	1 July 45 to 30 June 46	0	0	0	1,783	1,783	0	30,163
30	1 July 46 to 30 June 47	0	0	0	1,783	1,783	0	30,163
31	1 July 47 to 30 June 48	0	0	0	1,114	1,114	0	30,164
32	1 July 48 to 30 June 49	0	0	0	1,065	1,065	0	30,164
33	1 July 49 to 30 June 50	0	0	0	1,065	1,065	0	30,164
34	1 July 50 to 30 June 51	0	0	0	1,065	1,065	0	30,164
35	1 July 51 to 30 June 52	0	0	0	1,065	1,065	0	30,164
36	1 July 52 to 30 June 53	0	0	0	1,065	1,065	0	30,164
37	1 July 53 to 30 June 54	0	0	0	1,065	1,065	0	30,164
38	1 July 54 to 30 June 55	0	0	0	1,065	1,065	0	30,164
39	1 July 55 to 30 June 56	0	0	0	1,065	1,065	0	30,164
40	2056+	0	0	0	194	194	0	30,164
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>68,437</b>	<b>68,437</b>	<b>30,164</b>	<b>30,164</b>

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	27 November 17 to 30 June 18	0	0	0	1,264	1,264	3,152	3,152
2	1 July 18 to 30 June 19	0	0	0	2,145	2,145	5,185	8,337
3	1 July 19 to 30 June 20	0	0	0	2,145	2,145	3,798	12,135
4	1 July 20 to 30 June 21	0	0	0	2,145	2,145	2,931	15,065
5	1 July 21 to 30 June 22	0	0	0	2,145	2,145	2,389	17,455
6	1 July 22 to 30 June 23	0	0	0	2,145	2,145	2,050	19,505
7	1 July 23 to 30 June 24	0	0	0	2,145	2,145	1,839	21,344
8	1 July 24 to 30 June 25	0	0	0	2,145	2,145	1,706	23,050
9	1 July 25 to 30 June 26	0	0	0	2,145	2,145	1,624	24,674
10	1 July 26 to 30 June 27	0	0	0	2,145	2,145	1,572	26,246
11	1 July 27 to 30 June 28	0	0	0	2,145	2,145	1,112	27,358
12	1 July 28 to 30 June 29	0	0	0	2,145	2,145	792	28,149
13	1 July 29 to 30 June 30	0	0	0	2,145	2,145	687	28,837
14	1 July 30 to 30 June 31	0	0	0	2,145	2,145	589	29,426
15	1 July 31 to 30 June 32	0	0	0	2,145	2,145	518	29,944
16	1 July 32 to 30 June 33	0	0	0	2,145	2,145	211	30,155
17	1 July 33 to 30 June 34	0	0	0	1,991	1,991	3	30,158
18	1 July 34 to 30 June 35	0	0	0	1,783	1,783	2	30,160
19	1 July 35 to 30 June 36	0	0	0	1,783	1,783	1	30,162
20	1 July 36 to 30 June 37	0	0	0	1,783	1,783	1	30,162
21	1 July 37 to 30 June 38	0	0	0	1,783	1,783	0	30,163
22	1 July 38 to 30 June 39	0	0	0	1,783	1,783	0	30,163
23	1 July 39 to 30 June 40	0	0	0	1,783	1,783	0	30,163
24	1 July 40 to 30 June 41	0	0	0	1,783	1,783	0	30,163
25	1 July 41 to 30 June 42	0	0	0	1,783	1,783	0	30,163
26	1 July 42 to 30 June 43	0	0	0	1,783	1,783	0	30,164
27	1 July 43 to 30 June 44	0	0	0	1,783	1,783	0	30,164
28	1 July 44 to 30 June 45	0	0	0	1,783	1,783	0	30,164
29	1 July 45 to 30 June 46	0	0	0	1,783	1,783	0	30,164
30	1 July 46 to 30 June 47	0	0	0	1,783	1,783	0	30,164
31	1 July 47 to 30 June 48	0	0	0	1,114	1,114	0	30,164
32	1 July 48 to 30 June 49	0	0	0	1,065	1,065	0	30,164
33	1 July 49 to 30 June 50	0	0	0	1,065	1,065	0	30,164
34	1 July 50 to 30 June 51	0	0	0	1,065	1,065	0	30,164
35	1 July 51 to 30 June 52	0	0	0	1,065	1,065	0	30,164
36	1 July 52 to 30 June 53	0	0	0	1,065	1,065	0	30,164
37	1 July 53 to 30 June 54	0	0	0	1,065	1,065	0	30,164
38	1 July 54 to 30 June 55	0	0	0	1,065	1,065	0	30,164
39	1 July 55 to 30 June 56	0	0	0	1,065	1,065	0	30,164
40	2056+	0	0	0	194	194	0	30,164
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>68,437</b>	<b>68,437</b>	<b>30,164</b>	<b>30,164</b>

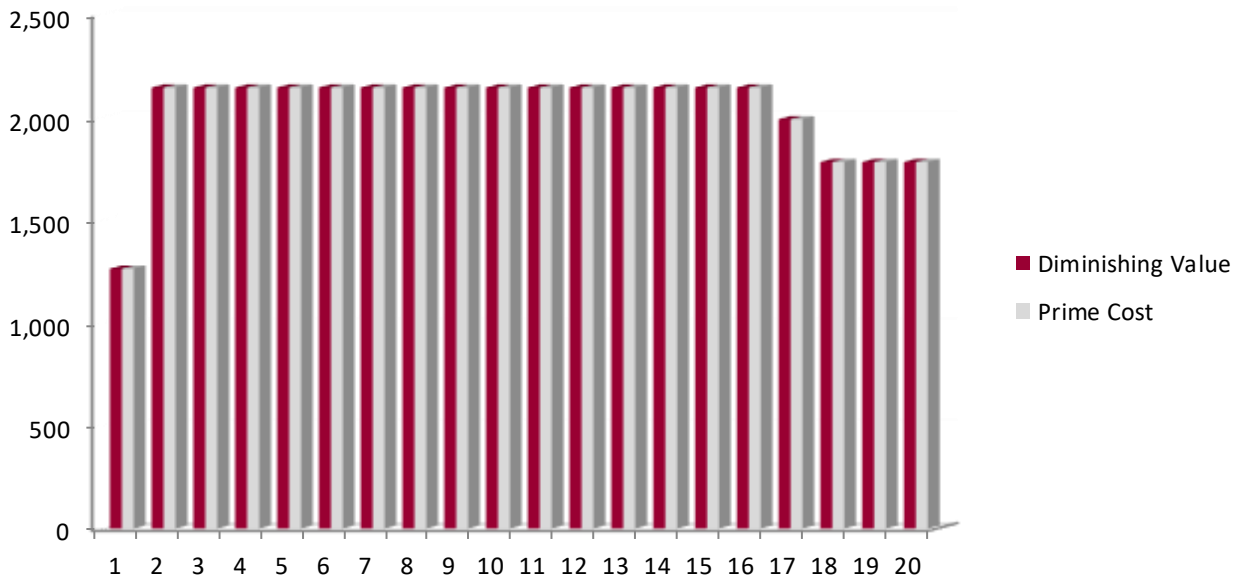
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

### Example

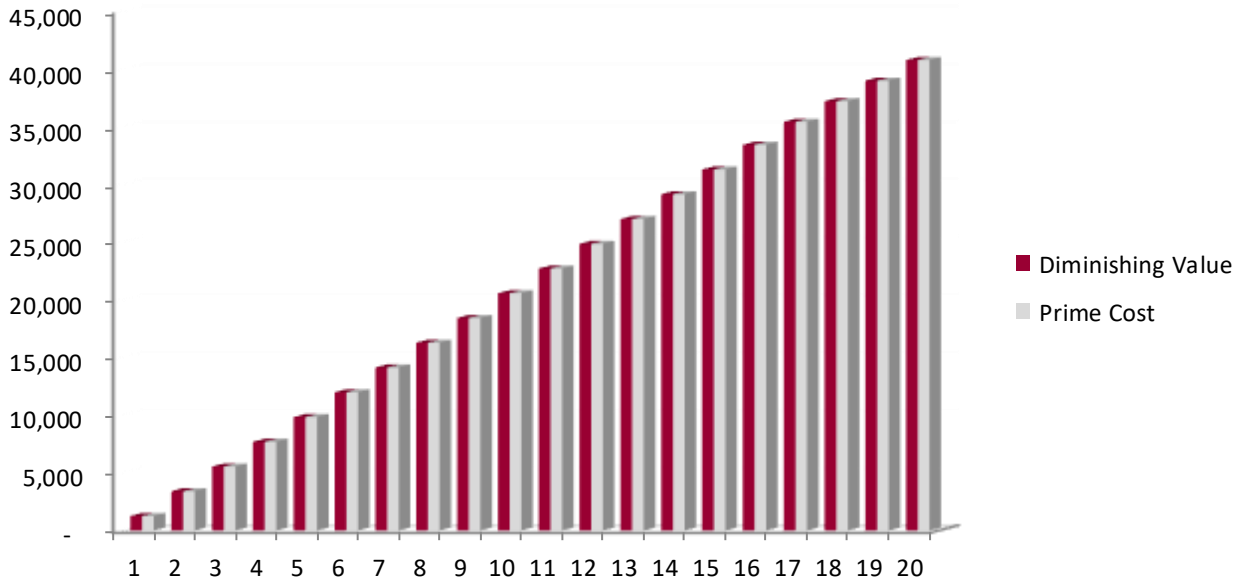
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

## 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 September 2017
Settlement Date	27 November 2017
Available To Generate Income	27 November 2017

### Expenditure Analysed

Purchase Price	\$505,000
Stamp Duty	\$16,113
<b>Total Expenditure Analysed</b>	<b>\$522,313</b>

### Historical Construction Details

Construction Start Date	Pre 1985
Construction Completion Date	Pre 1985
Historical Construction Cost (Estimated)*	N/A

## 9. Reconciliation of Capital Expenditure

### Apportionment of cost relating to:

Division 40 (Plant)**	\$30,164
Division 43	\$68,437
Land (Estimated)	\$312,668
Balance of Capital Expenditure***	\$111,044
<b>Total Expenditure Analysed</b>	<b>\$522,313</b>

### 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
<b>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Room units	NO	20.00%	27-Nov-17	3,290	388	581	464	372	297	238	357	223	139	87
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	18.75%	27-Nov-17	774	145	236	147	92	58	36	22	14	9	5
<b>Blinds Residential</b>														
	NO	18.75%	27-Nov-17	3,715	697	1,132	707	442	276	173	108	67	42	26
<b>Computer systems</b>														
General	NO	18.75%	27-Nov-17	452	85	138	86	54	34	21	13	8	5	3
<b>Curtains and drapes</b>														
	NO	18.75%	27-Nov-17	3,155	591	961	601	375	235	147	92	57	36	22
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	27-Nov-17	284	53	86	54	34	21	13	8	5	3	2
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	20.00%	27-Nov-17	2,700	318	476	381	305	244	366	229	143	89	56
Floating timber	NO	13.33%	27-Nov-17	3,388	266	416	361	313	271	235	204	176	153	373
<b>Furniture</b>														
Furniture	NO	15.00%	27-Nov-17	1,161	103	159	337	211	132	82	51	32	20	13
Furniture	NO	18.75%	27-Nov-17	1,516	284	462	289	180	113	70	44	28	17	11
<b>Garbage disposal</b>														
Garbage bins	NO	18.75%	27-Nov-17	310	58	94	59	37	23	14	9	6	4	2
<b>Garden sheds, freestanding</b>														
	NO	20.00%	27-Nov-17	1,290	152	228	341	213	133	83	52	33	20	13
<b>Heating units</b>														
Electronic	NO	13.33%	27-Nov-17	2,581	203	317	275	238	206	179	155	134	327	205
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	16.67%	27-Nov-17	1,935	190	291	242	202	168	316	197	123	77	48
<b>Kitchen assets</b>														
Rangehoods	NO	18.75%	27-Nov-17	581	109	177	111	69	43	27	17	11	7	4
Stoves	NO	13.33%	27-Nov-17	1,677	132	206	179	155	134	327	204	128	80	50
<b>Lights</b>														
Shades, removable	NO	18.75%	27-Nov-17	1,355	254	413	258	161	101	63	39	25	15	10
<b>Pooled Plant Total</b>					2,276	3,699	2,991	1,869	1,168	1,739	1,443	902	891	930
<b>Effective Life Plant Total</b>					1,751	2,674	1,902	1,584	1,321	652	359	311	153	
<b>Total Division 40</b>				30,164	4,027	6,373	4,893	3,453	2,489	2,390	1,802	1,213	1,044	930

## 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 1994	2.50%	27-Nov-17	2,683	98	166	166	166	166	166	166	166	166	166
Building Works - Completed 2007	2.50%	27-Nov-17	16,342	325	551	551	551	551	551	551	551	551	551
Building Works - Completed 2016	2.50%	27-Nov-17	36,180	550	933	933	933	933	933	933	933	933	933
Structural Improvements - Completed 1994	2.50%	27-Nov-17	3,168	115	196	196	196	196	196	196	196	196	196
Structural Improvements - Completed 2007	2.50%	27-Nov-17	4,952	98	167	167	167	167	167	167	167	167	167
Structural Improvements - Completed 2016	2.50%	27-Nov-17	5,112	78	132	132	132	132	132	132	132	132	132
<b>Total Division 43</b>			<b>68,437</b>	<b>1,264</b>	<b>2,145</b>	<b>2,145</b>	<b>2,145</b>	<b>2,145</b>	<b>2,145</b>	<b>2,145</b>	<b>2,145</b>	<b>2,145</b>	<b>2,145</b>

## 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
<b>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Room units	NO	10.00%	27-Nov-17	3,290	194	329	329	329	329	329	329	329	329	329
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	18.75%	27-Nov-17	774	145	236	147	92	58	36	22	14	9	5
<b>Blinds Residential</b>														
	NO	18.75%	27-Nov-17	3,715	697	1,132	707	442	276	173	108	67	42	26
<b>Computer systems</b>														
General	NO	18.75%	27-Nov-17	452	85	138	86	54	34	21	13	8	5	3
<b>Curtains and drapes</b>														
	NO	18.75%	27-Nov-17	3,155	591	961	601	375	235	147	92	57	36	22
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	27-Nov-17	284	53	86	54	34	21	13	8	5	3	2
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	10.00%	27-Nov-17	2,700	159	270	270	270	270	270	270	270	270	270
Floating timber	NO	6.67%	27-Nov-17	3,388	133	226	226	226	226	226	226	226	226	226
<b>Furniture</b>														
Furniture	NO	7.50%	27-Nov-17	1,161	51	87	87	87	87	87	87	87	87	87
Furniture	NO	18.75%	27-Nov-17	1,516	284	462	289	180	113	70	44	28	17	11
<b>Garbage disposal</b>														
Garbage bins	NO	18.75%	27-Nov-17	310	58	94	59	37	23	14	9	6	4	2
<b>Garden sheds, freestanding</b>														
	NO	10.00%	27-Nov-17	1,290	76	129	129	129	129	129	129	129	129	129
<b>Heating units</b>														
Electronic	NO	6.67%	27-Nov-17	2,581	101	172	172	172	172	172	172	172	172	172
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	8.33%	27-Nov-17	1,935	95	161	161	161	161	161	161	161	161	161
<b>Kitchen assets</b>														
Rangehoods	NO	18.75%	27-Nov-17	581	109	177	111	69	43	27	17	11	7	4
Stoves	NO	6.67%	27-Nov-17	1,677	66	112	112	112	112	112	112	112	112	112
<b>Lights</b>														
Shades, removable	NO	18.75%	27-Nov-17	1,355	254	413	258	161	101	63	39	25	15	10
<b>Pooled Plant Total</b>					<b>2,276</b>	<b>3,699</b>	<b>2,312</b>	<b>1,445</b>	<b>903</b>	<b>564</b>	<b>353</b>	<b>220</b>	<b>138</b>	<b>86</b>
<b>Effective Life Plant Total</b>					<b>876</b>	<b>1,486</b>	<b>1,486</b>	<b>1,486</b>	<b>1,486</b>	<b>1,486</b>	<b>1,486</b>	<b>1,486</b>	<b>1,486</b>	<b>1,486</b>
<b>Total Division 40</b>				<b>30,164</b>	<b>3,152</b>	<b>5,185</b>	<b>3,798</b>	<b>2,931</b>	<b>2,389</b>	<b>2,050</b>	<b>1,839</b>	<b>1,706</b>	<b>1,624</b>	<b>1,572</b>

## 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 1994	2.50%	27-Nov-17	2,683	98	166	166	166	166	166	166	166	166	166
Building Works - Completed 2007	2.50%	27-Nov-17	16,342	325	551	551	551	551	551	551	551	551	551
Building Works - Completed 2016	2.50%	27-Nov-17	36,180	550	933	933	933	933	933	933	933	933	933
Structural Improvements - Completed 1994	2.50%	27-Nov-17	3,168	115	196	196	196	196	196	196	196	196	196
Structural Improvements - Completed 2007	2.50%	27-Nov-17	4,952	98	167	167	167	167	167	167	167	167	167
Structural Improvements - Completed 2016	2.50%	27-Nov-17	5,112	78	132	132	132	132	132	132	132	132	132
<b>Total Division 43</b>			68,437	1,264	2,145	2,145	2,145	2,145	2,145	2,145	2,145	2,145	2,145



## 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 1994	5 Jan 94 to 4 Feb 94	6,637	2.50%	166	2,683
Building Works - Completed 2007	1 Jul 07 to 1 Aug 07	22,032	2.50%	551	16,342
Building Works - Completed 2016	3 Aug 16 to 2 Sep 16	37,333	2.50%	933	36,180

<b>Sub-total</b>		<b>66,002</b>		<b>1,650</b>	<b>55,205</b>
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### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1994	5 Jan 94 to 4 Feb 94	7,836	2.50%	196	3,168
Structural Improvements - Completed 2007	1 Jul 07 to 1 Aug 07	6,676	2.50%	167	4,952
Structural Improvements - Completed 2016	3 Aug 16 to 2 Sep 16	5,275	2.50%	132	5,112

<b>Sub-total</b>		<b>19,787</b>		<b>495</b>	<b>13,232</b>
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<b>Totals</b>		<b>85,789</b>		<b>2,145</b>	<b>68,437</b>
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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

<b>Adjusted Value</b>	This is the value of an asset after a period of decline often referred to as the written down value or WDV.
<b>Balancing Adjustment</b>	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.
<b>Decline in Value</b>	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.
<b>Depreciating Assets</b>	Assets with limited effective life that are reasonably expected to decline in value.
<b>Diminishing Value Method</b>	This is the method of calculating the decline in value which uses the opening adjusted value as the basis for the calculation.
<b>Effective Life</b>	The effective life of a depreciating asset is how long it can be used by any entity for a taxable income producing purpose.
<b>Immediate WriteOff</b>	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.
<b>Installed Costs</b>	This is the total cost of installing the asset inclusive of fees and labour etc.
<b>Low Value Pool</b>	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.
<b>Low Cost Asset</b>	A depreciable asset with an installed cost of less than \$1000.
<b>Low Value Asset</b>	A depreciable asset that has an adjusted value of less than \$1000.
<b>Non Eligible</b>	This may include a proportion of the purchase price that is not claimable due to the age of the building or asset type.
<b>Prime Cost Method</b>	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	
<b>Company Name</b>	Koste Pty Ltd
<b>Postal Address</b>	Suite 1, L12/133 Mary Street, Brisbane, Qld 4000
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<b>Office Email</b>	info@koste.com.au

LEAD SURVEYOR DETAILS	
<b>Surveyors Name</b>	Mark Kilroy
<b>Tax Agent Number</b>	24370523
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<b>Email</b>	accounts@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.

## **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>