



Tax Depreciation Report

2 Wollong Pl,
Nollamara WA 6061, Australia

Shi Li Su
1A Pulchella St
WATTLE GROVE, WA 6107

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

Shi Li Su
1A Pulchella St
WATTLE GROVE, WA 6107

May 2020
Job No: RES6061010

Tax Depreciation Report – 2 Wollong Pl, Nollamara WA 6061, 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

27 May 2020

Purchaser

Shi Li Su

Property Address

2 Wollong Pl, Nollamara WA 6061, Australia

Real Property Description

LOT 3 S044673

Property Type

Residential House

Date of Construction

10 October 2004

Date Available To Generate Income

29 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	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								
<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 Lif	Pooled Plant	Total Div 40			Div 40 Yearly	Cumulative
1	24 August 13 to 30 June 14	0	0	0	3,846	3,846	0	0
2	1 July 14 to 30 June 15	0	0	0	4,528	4,528	0	0
3	1 July 15 to 30 June 16	0	0	0	4,528	4,528	0	0
4	1 July 16 to 30 June 17	0	0	0	4,528	4,528	0	0
5	1 July 17 to 30 June 18	0	0	0	4,528	4,528	0	0
6	1 July 18 to 30 June 19	0	0	0	4,528	4,528	0	0
7	1 July 19 to 30 June 20	122	0	122	4,528	4,650	2,557	2,557
8	1 July 20 to 30 June 21	1,521	0	1,521	4,528	6,049	1,031	3,589
9	1 July 21 to 30 June 22	917	660	1,577	4,528	6,105	937	4,526
10	1 July 22 to 30 June 23	792	412	1,204	4,528	5,732	665	5,191
11	1 July 23 to 30 June 24	684	258	942	4,528	5,470	485	5,676
12	1 July 24 to 30 June 25	592	161	753	4,528	5,281	837	6,513
13	1 July 25 to 30 June 26	512	101	613	4,528	5,141	523	7,035
14	1 July 26 to 30 June 27	443	63	506	4,528	5,034	327	7,362
15	1 July 27 to 30 June 28	385	39	424	4,528	4,952	204	7,566
16	1 July 28 to 30 June 29	333	25	358	4,528	4,886	127	7,694
17	1 July 29 to 30 June 30	290	15	305	4,528	4,833	79	7,773
18	1 July 30 to 30 June 31	154	372	526	4,528	5,054	50	7,823
19	1 July 31 to 30 June 32	0	561	561	4,528	5,089	31	7,854
20	1 July 32 to 30 June 33	0	351	351	4,528	4,879	19	7,873
21	1 July 33 to 30 June 34	0	219	219	4,528	4,747	12	7,885
22	1 July 34 to 30 June 35	0	137	137	4,528	4,665	8	7,893
23	1 July 35 to 30 June 36	0	86	86	4,528	4,614	4	7,897
24	1 July 36 to 30 June 37	0	53	53	4,528	4,581	3	7,901
25	1 July 37 to 30 June 38	0	33	33	4,528	4,561	2	7,903
26	1 July 38 to 30 June 39	0	21	21	4,528	4,549	1	7,904
27	1 July 39 to 30 June 40	0	13	13	4,528	4,541	1	7,905
28	1 July 40 to 30 June 41	0	8	8	4,528	4,536	1	7,906
29	1 July 41 to 30 June 42	0	5	5	4,528	4,533	0	7,906
30	1 July 42 to 30 June 43	0	3	3	4,528	4,531	0	7,906
31	1 July 43 to 30 June 44	0	2	2	4,528	4,530	0	7,906
32	1 July 44 to 30 June 45	0	1	1	1,884	1,885	0	7,907
33	1 July 45 to 30 June 46	0	1	1	889	890	0	7,907
34	1 July 46 to 30 June 47	0	0	0	889	889	1	7,907
35	1 July 47 to 30 June 48	0	0	0	889	889	0	7,907
36	1 July 48 to 30 June 49	0	0	0	889	889	0	7,908
37	1 July 49 to 30 June 50	0	0	0	889	889	0	7,908
38	1 July 50 to 30 June 51	0	0	0	889	889	0	7,908
39	1 July 51 to 30 June 52	0	0	0	889	889	0	7,908
40	2052+	0	0	0	46	46	0	7,908
Totals		6,745	3,600	10,345	147,839	158,184	7,908	7,908

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	24 August 13 to 30 June 14	0	0	0	3,846	3,846	0	0
2	1 July 14 to 30 June 15	0	0	0	4,528	4,528	0	0
3	1 July 15 to 30 June 16	0	0	0	4,528	4,528	0	0
4	1 July 16 to 30 June 17	0	0	0	4,528	4,528	0	0
5	1 July 17 to 30 June 18	0	0	0	4,528	4,528	0	0
6	1 July 18 to 30 June 19	0	0	0	4,528	4,528	0	0
7	1 July 19 to 30 June 20	59	0	59	4,528	4,587	4,200	4,200
8	1 July 20 to 30 June 21	744	0	744	4,528	5,272	1,677	5,877
9	1 July 21 to 30 June 22	744	0	744	4,528	5,272	1,588	7,465
10	1 July 22 to 30 June 23	744	0	744	4,528	5,272	1,532	8,997
11	1 July 23 to 30 June 24	744	0	744	4,528	5,272	856	9,853
12	1 July 24 to 30 June 25	744	0	744	4,528	5,272	727	10,581
13	1 July 25 to 30 June 26	744	0	744	4,528	5,272	509	11,089
14	1 July 26 to 30 June 27	744	0	744	4,528	5,272	464	11,554
15	1 July 27 to 30 June 28	744	0	744	4,528	5,272	459	12,012
16	1 July 28 to 30 June 29	744	0	744	4,528	5,272	215	12,227
17	1 July 29 to 30 June 30	735	0	735	4,528	5,263	177	12,405
18	1 July 30 to 30 June 31	635	0	635	4,528	5,163	176	12,581
19	1 July 31 to 30 June 32	628	0	628	4,528	5,156	175	12,756
20	1 July 32 to 30 June 33	538	0	538	4,528	5,066	175	12,931
21	1 July 33 to 30 June 34	234	0	234	4,528	4,762	31	12,962
22	1 July 34 to 30 June 35	140	0	140	4,528	4,668	0	12,963
23	1 July 35 to 30 June 36	140	0	140	4,528	4,668	0	12,963
24	1 July 36 to 30 June 37	140	0	140	4,528	4,668	0	12,963
25	1 July 37 to 30 June 38	140	0	140	4,528	4,668	0	12,963
26	1 July 38 to 30 June 39	140	0	140	4,528	4,668	0	12,963
27	1 July 39 to 30 June 40	119	0	119	4,528	4,647	0	12,963
28	1 July 40 to 30 June 41	0	0	0	4,528	4,528	0	12,963
29	1 July 41 to 30 June 42	0	0	0	4,528	4,528	0	12,963
30	1 July 42 to 30 June 43	0	0	0	4,528	4,528	0	12,963
31	1 July 43 to 30 June 44	0	0	0	4,528	4,528	0	12,963
32	1 July 44 to 30 June 45	0	0	0	1,884	1,884	0	12,963
33	1 July 45 to 30 June 46	0	0	0	889	889	0	12,963
34	1 July 46 to 30 June 47	0	0	0	889	889	0	12,963
35	1 July 47 to 30 June 48	0	0	0	889	889	0	12,963
36	1 July 48 to 30 June 49	0	0	0	889	889	0	12,963
37	1 July 49 to 30 June 50	0	0	0	889	889	0	12,963
38	1 July 50 to 30 June 51	0	0	0	889	889	0	12,963
39	1 July 51 to 30 June 52	0	0	0	889	889	0	12,963
40	2052+	0	0	0	46	46	0	12,963
Totals		10,345	0	10,345	147,839	158,184	12,963	12,963

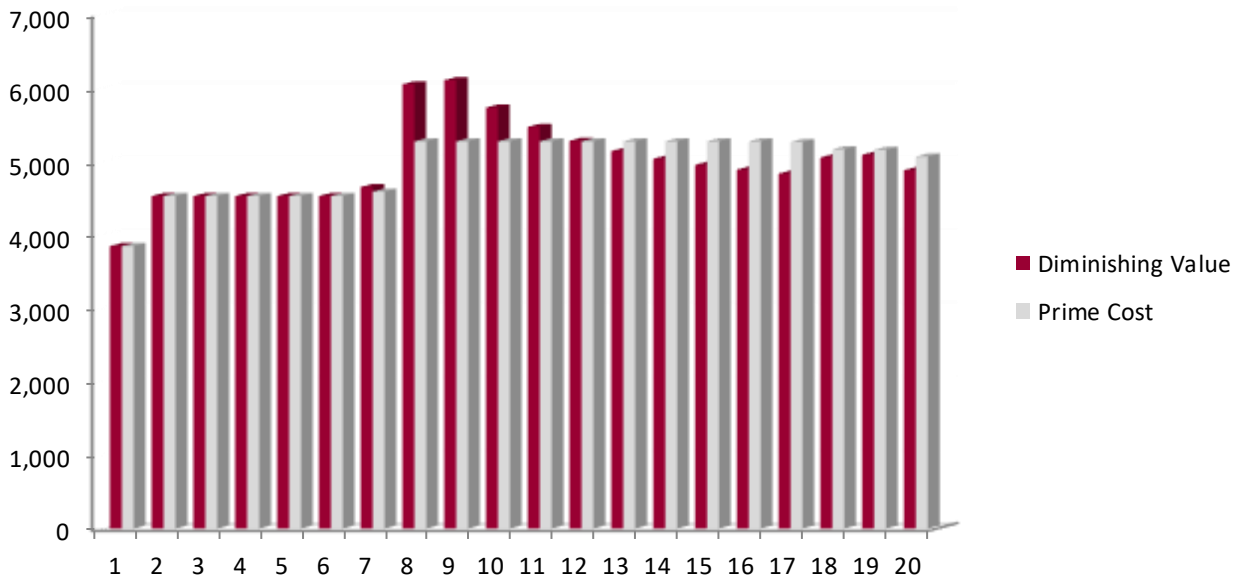
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

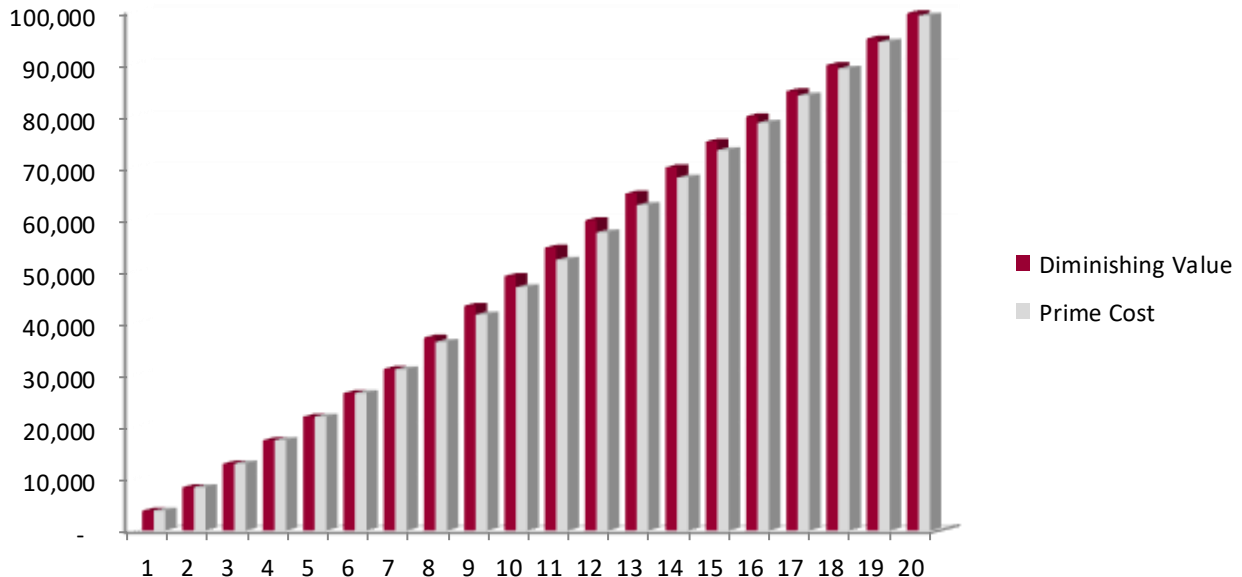
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	25 July 2013
Settlement Date	24 August 2013
Available To Generate Income	29 March 2020

Expenditure Analysed

Purchase Price	\$427,000
Stamp Duty	\$13,370
Legals	\$1,200
Post Expenditure	\$10,345
Total Expenditure Analysed	\$451,915

Historical Construction Details

Construction Start Date	14 January 2004
Construction Completion Date	10 October 2004
Historical Construction Cost (Estimated)*	\$216,299
Lot Entitlement	1
Overall Lot Entitlement	1

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

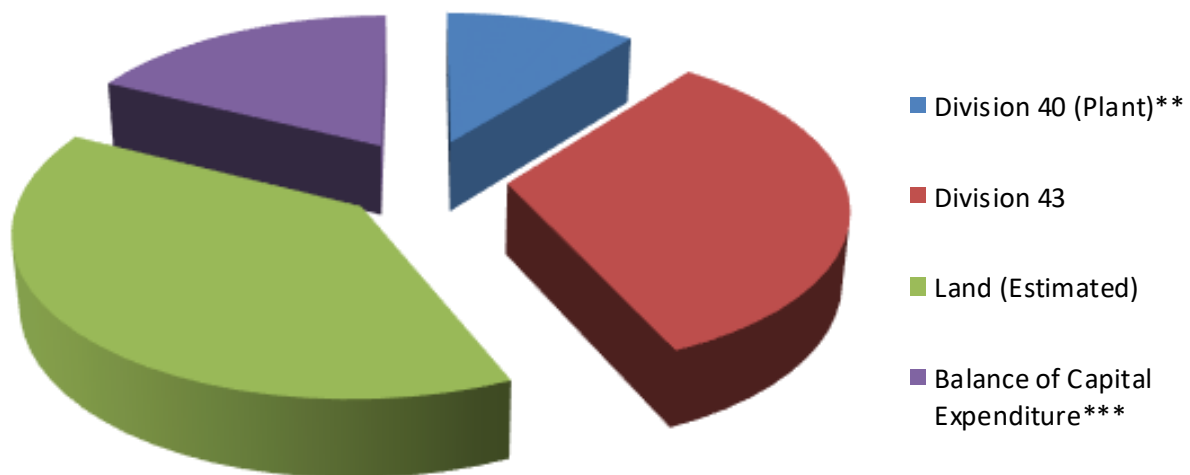
Division 40 (Plant)**	\$48,366
Division 43	\$147,839
Land (Estimated)	\$176,148
Balance of Capital Expenditure***	\$79,562
Total Expenditure Analysed	\$451,915

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%	24-Aug-13	5,338	907	886	709	567	454	363	290	232	349	218
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	24-Aug-13	741	139	226	141	88	55	34	22	13	8	5
Curtains and drapes														
	NO	18.75%	24-Aug-13	2,251	422	686	429	268	167	105	65	41	26	16
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	24-Aug-13	652	122	199	124	78	49	30	19	12	7	5
Floor coverings (removable without damage)														
Carpets	NO	20.00%	24-Aug-13	356	60	111	69	43	27	17	11	7	4	3
Floating timber	NO	13.33%	24-Aug-13	4,133	468	489	424	367	318	276	239	207	179	156
Furniture														
	NO	18.75%	24-Aug-13	5,302	994	1,615	1,010	631	394	246	154	96	60	38
Garage doors, automatic														
Controls	NO	40.00%	24-Aug-13	237	81	59	37	23	14	9	6	4	2	1
Motors	NO	20.00%	24-Aug-13	1,779	302	295	236	355	222	138	87	54	34	21
Garbage disposal														
Garbage bins	NO	18.75%	24-Aug-13	356	67	108	68	42	26	17	10	6	4	3
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	24-Aug-13	2,669	378	382	318	265	221	184	921			
Kitchen assets														
Cooktops	NO	16.67%	24-Aug-13	1,260	178	180	338	211	132	83	52	32	20	13
Dishwashers	NO	20.00%	24-Aug-13	1,779	302	295	236	355	222	138	231			
Ovens	NO	16.67%	24-Aug-13	1,631	231	233	194	365	228	142	89	56	35	22
Rangehoods	NO	18.75%	24-Aug-13	667	125	203	127	79	50	31	19	12	8	5
Laundry assets														
Clothes dryers	NO	18.75%	24-Aug-13	667	125	203	127	79	50	31	19	12	8	5
Lights														
Shades, removable	NO	18.75%	24-Aug-13	2,491	467	759	474	296	185	116	72	45	28	18
Outdoor assets														
Barbecues	NO	10.00%	24-Aug-13	2,966	252	271	244	220	198	178	160	144	130	117
Security systems & equipment														
Electronic	NO	30.00%	24-Aug-13	2,224	567	497	348	305	190	119	74	46	29	18
Solar power generating system assets														
	NO	10.00%	24-Aug-13	519	44	178	111	70	43	27	17	11	7	4
Carried forward			830,200	38,021	6,232	7,878	5,766	4,707	3,246	2,285	2,557	1,031	938	

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														
	Brought forward		830,200	38,021	6,232	7,878	5,766	4,707	3,246	2,285	2,557	1,031	938	
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
Hot water systems (excluding piping)														
Gas or electric	YES	16.67%	1-Jun-20	1,165							15	192	359	225
Kitchen assets														
Dishwashers	YES	25.00%	1-Jun-20	1,090							22	267	300	188
Solar power generating system assets														
	YES	10.00%	1-Jun-20	2,790							22	277	249	224
Sunshades														
	YES	15.00%	1-Jun-20	5,300							63	786	668	568
Pooled Plant Total					2,462	4,348	3,055	3,288	2,055	1,284	1,868	448	1,288	805
Effective Life Plant Total					3,770	3,530	2,710	1,419	1,191	1,001	812	2,105	1,226	1,064
Total Division 40				48,366	6,232	7,878	5,766	4,707	3,246	2,285	2,679	2,552	2,514	1,869
Division 43 - Capital Works Allowance														
	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10	
Building Works - Completed 2004				2,50%	24-Aug-13	96,336	2,629	3,095	3,095	3,095	3,095	3,095	3,095	3,095
Building Works - Completed 2012				2,50%	24-Aug-13	19,762	431	508	508	508	508	508	508	508
Structural Improvements - Completed 2004				2,50%	24-Aug-13	16,920	462	544	544	544	544	544	544	544
Structural Improvements - Completed 2012				2,50%	24-Aug-13	14,821	324	381	381	381	381	381	381	381
Total Division 43				147,839	3,846	4,528	4,528	4,528	4,528	4,528	4,528	4,528	4,528	4,528

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%	24-Aug-13	5,338	453	534	534	534	534	534	534	534	534	534
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	24-Aug-13	741	139	226	141	88	55	34	22	13	8	5
Curtains and drapes														
	NO	18.75%	24-Aug-13	2,251	422	686	429	268	167	105	65	41	26	16
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	24-Aug-13	652	122	199	124	78	49	30	19	12	7	5
Floor coverings (removable without damage)														
Carpets	NO	10.00%	24-Aug-13	356	30	36	36	36	36	36	36	36	36	36
Floating timber	NO	6.67%	24-Aug-13	4,133	234	276	276	276	276	276	276	276	276	276
Furniture														
	NO	18.75%	24-Aug-13	5,302	994	1,615	1,010	631	394	246	154	96	60	38
Garage doors, automatic														
Controls	NO	20.00%	24-Aug-13	237	40	47	47	47	47	9				
Motors	NO	10.00%	24-Aug-13	1,779	151	178	178	178	178	178	178	178	178	178
Garbage disposal														
Garbage bins	NO	18.75%	24-Aug-13	356	67	108	68	42	26	17	10	6	4	3
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	24-Aug-13	2,669	189	222	222	222	222	222	1,370			
Kitchen assets														
Cooktops	NO	8.33%	24-Aug-13	1,260	89	105	105	105	105	105	105	105	105	105
Dishwashers	NO	10.00%	24-Aug-13	1,779	151	178	178	178	178	178	738			
Ovens	NO	8.33%	24-Aug-13	1,631	115	136	136	136	136	136	136	136	136	136
Rangehoods	NO	18.75%	24-Aug-13	667	125	203	127	79	50	31	19	12	8	5
Laundry assets														
Clothes dryers	NO	18.75%	24-Aug-13	667	125	203	127	79	50	31	19	12	8	5
Lights														
Shades, removable	NO	18.75%	24-Aug-13	2,491	467	759	474	296	185	116	72	45	28	18
Outdoor assets														
Barbecues	NO	5.00%	24-Aug-13	2,966	126	148	148	148	148	148	148	148	148	148
Security systems & equipment														
Electronic	NO	15.00%	24-Aug-13	2,224	283	334	334	334	334	334	271			
Solar power generating system assets														
	NO	5.00%	24-Aug-13	519	22	26	26	26	26	26	26	26	26	26
Carried forward				830,200	38,021	4,347	6,220	4,720	3,782	3,197	2,792	4,200	1,677	1,588

Prime Cost Depreciation Schedule (cont.)

Assets Generally	Eligibility	Prime Cost	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		830,200	38,021	4,347	6,220	4,720	3,782	3,197	2,792	4,200	1,677	1,588	
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
Hot water systems (excluding piping)														
Gas or electric	YES	8.33%	01-Jun-20	1,165							8	97	97	97
Kitchen assets														
Dishwashers	YES	10.00%	01-Jun-20	1,090							9	109	109	109
Solar power generating system assets														
	YES	5.00%	01-Jun-20	2,790							11	140	140	140
Sunshades														
	YES	7.50%	01-Jun-20	5,300							32	398	398	398
Pooled Plant Total					2,462	4,000	2,500	1,562	977	610	381	238	149	93
Effective Life Plant Total					1,885	2,220	2,220	2,220	2,220	2,182	3,877	2,183	2,183	2,183
Total Division 40				48,366	4,347	6,220	4,720	3,782	3,197	2,792	4,259	2,421	2,332	2,276
Division 43 - Capital Works Allowance														
		Rate	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Building Works - Completed 2004				2,629	3,095	3,095	3,095	3,095	3,095	3,095	3,095	3,095	3,095	3,095
Building Works - Completed 2012				431	508	508	508	508	508	508	508	508	508	508
Structural Improvements - Completed 2004				462	544	544	544	544	544	544	544	544	544	544
Structural Improvements - Completed 2012				324	381	381	381	381	381	381	381	381	381	381
Total Division 43				147,839	3,846	4,528	4,528	4,528	4,528	4,528	4,528	4,528	4,528	4,528

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 2004	14 Jan 04 to 10 Oct 04	123,812	2.50%	3,095	96,336
Building Works - Completed 2012	1 Jul 12 to 1 Aug 12	20,301	2.50%	508	19,762
Sub-total		144,113		3,603	116,098

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2004	14 Jan 04 to 10 Oct 04	21,746	2.50%	544	16,920
Structural Improvements - Completed 2012	1 Jul 12 to 1 Aug 12	15,226	2.50%	381	14,821
Sub-total		36,972		925	31,741
Totals		181,085		4,528	147,839

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

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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>