



Tax Depreciation Report

12 Highbury Drive,
Hillside, VIC 3037

Benjamin and Suzanne Daley
55 Splendour Circuit
DIGGERS REST, VIC 3247

Issue Schedule	
Issue Date:	Issued by:
05 June 2020	Mark Kilroy Bsc (Hons) MRICS

Benjamin and Suzanne Daley
55 Splendour Circuit
DIGGERS REST, VIC 3247

June 2020
Job No: RES3037010

Tax Depreciation Report – 12 Highbury Drive, Hillside, VIC 3037

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



TABLE OF CONTENTS

1. Property Information	2
2. Report Details	3
3. Capital Allowances	4
4. Capital Works	6
5. Summary of Entitlements – Diminishing Value Method	7
6. Summary of Entitlements – Prime Cost Method	8
7. Comparison Graphs	9
8. Capital Expenditure Analysed	10
9. Reconciliation of Capital Expenditure	10
10. Diminishing Value Depreciation Schedule	11
11. Prime Cost Depreciation Schedule	13
12. Division 43 Capital Works Schedule	15
13. Definition of Terms	16
14. Contact Details	17
15. Disclaimer	18
Appendix A: ATO’s New Legislations on Post 9 May Purchased and Capital Loss	19

1. Property Information

Date of Report

5 June 2020

Purchaser

Benjamin and Suzanne Daley

Property Address

12 Highbury Drive, Hillside, VIC 3037

Real Property Description

LOT 3425 PS501226

Property Type

Residential House

Date of Construction

1 May 2005

Date Available To Generate Income

19 April 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								
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 Life	Pooled Plant	Total Div 40			Div 40 Yearly	Cumulative
1	1 May 05 to 30 June 05	0	0	0	843	843	0	0
2	1 July 05 to 30 June 06	0	0	0	5,132	5,132	0	0
3	1 July 06 to 30 June 07	0	0	0	5,132	5,132	0	0
4	1 July 07 to 30 June 08	0	0	0	5,132	5,132	0	0
5	1 July 08 to 30 June 09	0	0	0	5,132	5,132	0	0
6	1 July 09 to 30 June 10	0	0	0	5,132	5,132	0	0
7	1 July 10 to 30 June 11	0	0	0	5,132	5,132	0	0
8	1 July 11 to 30 June 12	0	0	0	5,132	5,132	0	0
9	1 July 12 to 30 June 13	0	0	0	5,132	5,132	0	0
10	1 July 13 to 30 June 14	0	0	0	5,132	5,132	0	0
11	1 July 14 to 30 June 15	0	0	0	5,132	5,132	0	0
12	1 July 15 to 30 June 16	0	0	0	5,132	5,132	0	0
13	1 July 16 to 30 June 17	0	0	0	5,132	5,132	0	0
14	1 July 17 to 30 June 18	0	0	0	5,132	5,132	0	0
15	1 July 18 to 30 June 19	0	0	0	5,132	5,132	1,549	1,549
16	1 July 19 to 30 June 20	837	0	837	5,132	5,969	1,179	2,728
17	1 July 20 to 30 June 21	777	0	777	5,132	5,909	621	3,348
18	1 July 21 to 30 June 22	648	0	648	5,132	5,780	427	3,775
19	1 July 22 to 30 June 23	540	0	540	5,132	5,672	302	4,077
20	1 July 23 to 30 June 24	450	0	450	5,132	5,582	465	4,542
21	1 July 24 to 30 June 25	375	0	375	5,132	5,507	291	4,833
22	1 July 25 to 30 June 26	312	0	312	5,132	5,444	182	5,015
23	1 July 26 to 30 June 27	260	0	260	5,132	5,392	114	5,129
24	1 July 27 to 30 June 28	217	0	217	5,132	5,349	71	5,200
25	1 July 28 to 30 June 29	181	0	181	5,132	5,313	44	5,244
26	1 July 29 to 30 June 30	0	339	339	5,132	5,471	28	5,272
27	1 July 30 to 30 June 31	0	212	212	5,132	5,344	17	5,289
28	1 July 31 to 30 June 32	0	132	132	5,132	5,264	11	5,300
29	1 July 32 to 30 June 33	0	83	83	5,132	5,215	7	5,307
30	1 July 33 to 30 June 34	0	52	52	5,132	5,184	4	5,311
31	1 July 34 to 30 June 35	0	32	32	5,132	5,164	3	5,314
32	1 July 35 to 30 June 36	0	20	20	5,132	5,152	2	5,315
33	1 July 36 to 30 June 37	0	13	13	5,132	5,145	1	5,316
34	1 July 37 to 30 June 38	0	8	8	5,132	5,140	1	5,317
35	1 July 38 to 30 June 39	0	5	5	5,132	5,137	0	5,317
36	1 July 39 to 30 June 40	0	3	3	5,132	5,135	0	5,317
37	1 July 40 to 30 June 41	0	2	2	5,132	5,134	0	5,317
38	1 July 41 to 30 June 42	0	1	1	5,132	5,133	0	5,318
39	1 July 42 to 30 June 43	0	1	1	5,132	5,133	0	5,317
40	2043+	0	0	0	9,419	9,419	1	5,319
Totals		4,597	903	5,500	205,278	210,778	5,319	5,319

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	1 May 05 to 30 June 05	0	0	0	843	843	0	0
2	1 July 05 to 30 June 06	0	0	0	5,132	5,132	0	0
3	1 July 06 to 30 June 07	0	0	0	5,132	5,132	0	0
4	1 July 07 to 30 June 08	0	0	0	5,132	5,132	0	0
5	1 July 08 to 30 June 09	0	0	0	5,132	5,132	0	0
6	1 July 09 to 30 June 10	0	0	0	5,132	5,132	0	0
7	1 July 10 to 30 June 11	0	0	0	5,132	5,132	0	0
8	1 July 11 to 30 June 12	0	0	0	5,132	5,132	0	0
9	1 July 12 to 30 June 13	0	0	0	5,132	5,132	0	0
10	1 July 13 to 30 June 14	0	0	0	5,132	5,132	0	0
11	1 July 14 to 30 June 15	0	0	0	5,132	5,132	0	0
12	1 July 15 to 30 June 16	0	0	0	5,132	5,132	0	0
13	1 July 16 to 30 June 17	0	0	0	5,132	5,132	0	0
14	1 July 17 to 30 June 18	0	0	0	5,132	5,132	0	0
15	1 July 18 to 30 June 19	0	0	0	5,132	5,132	352	352
16	1 July 19 to 30 June 20	418	0	418	5,132	5,550	236	588
17	1 July 20 to 30 June 21	458	0	458	5,132	5,590	146	734
18	1 July 21 to 30 June 22	458	0	458	5,132	5,590	146	880
19	1 July 22 to 30 June 23	458	0	458	5,132	5,590	146	1,026
20	1 July 23 to 30 June 24	458	0	458	5,132	5,590	146	1,172
21	1 July 24 to 30 June 25	458	0	458	5,132	5,590	141	1,314
22	1 July 25 to 30 June 26	458	0	458	5,132	5,590	5	1,319
23	1 July 26 to 30 June 27	458	0	458	5,132	5,590	0	1,319
24	1 July 27 to 30 June 28	458	0	458	5,132	5,590	0	1,319
25	1 July 28 to 30 June 29	458	0	458	5,132	5,590	0	1,319
26	1 July 29 to 30 June 30	458	0	458	5,132	5,590	0	1,319
27	1 July 30 to 30 June 31	458	0	458	5,132	5,590	0	1,319
28	1 July 31 to 30 June 32	44	0	44	5,132	5,176	0	1,319
29	1 July 32 to 30 June 33	0	0	0	5,132	5,132	0	1,319
30	1 July 33 to 30 June 34	0	0	0	5,132	5,132	0	1,319
31	1 July 34 to 30 June 35	0	0	0	5,132	5,132	0	1,319
32	1 July 35 to 30 June 36	0	0	0	5,132	5,132	0	1,319
33	1 July 36 to 30 June 37	0	0	0	5,132	5,132	0	1,319
34	1 July 37 to 30 June 38	0	0	0	5,132	5,132	0	1,319
35	1 July 38 to 30 June 39	0	0	0	5,132	5,132	0	1,319
36	1 July 39 to 30 June 40	0	0	0	5,132	5,132	0	1,319
37	1 July 40 to 30 June 41	0	0	0	5,132	5,132	0	1,319
38	1 July 41 to 30 June 42	0	0	0	5,132	5,132	0	1,319
39	1 July 42 to 30 June 43	0	0	0	5,132	5,132	0	1,319
40	2043+	0	0	0	9,419	9,419	0	1,319
Totals		5,500	0	5,500	205,278	210,778	1,319	1,319

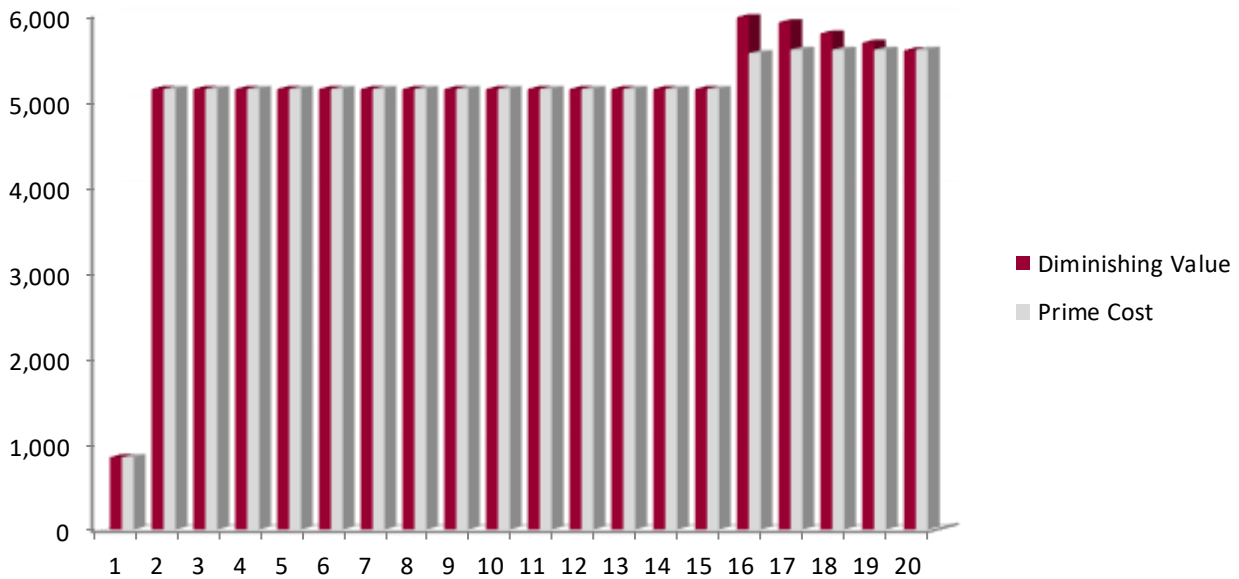
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

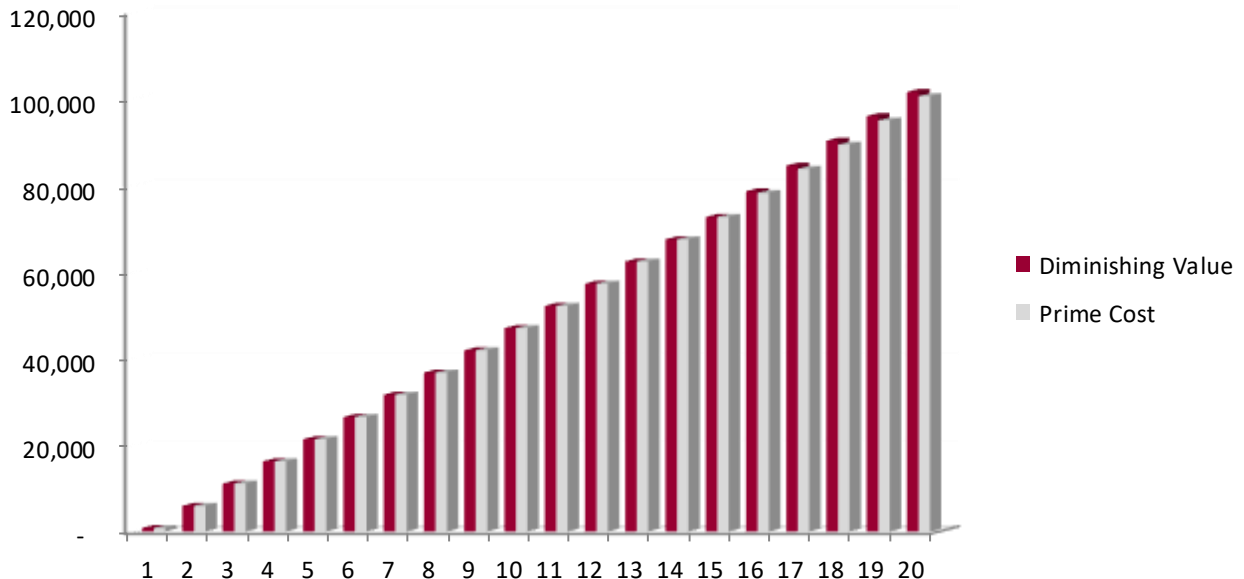
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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

Construction Details

Contract Date	2 November 2004
Handover Date	1 May 2005
Available To Generate Income	19 April 2019

Expenditure Analysed

Construction Cost	\$251,000
Post Expenditure	\$6,665
Total Expenditure Analysed	\$257,665

Historical Construction Details

Construction Start Date	2 November 2004
Construction Completion Date	1 May 2005
Historical Construction Cost (Estimated)*	\$251,000

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

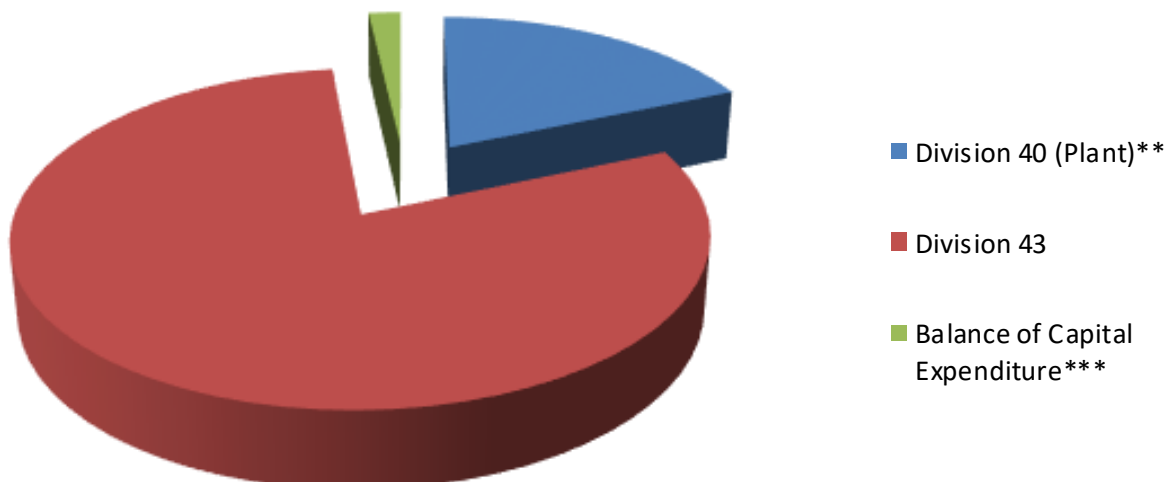
Division 40 (Plant)**	\$47,773
Division 43	\$205,278
Balance of Capital Expenditure***	\$4,614
Total Expenditure Analysed	\$257,665

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)														
Evaporative cooler	NO	11.25%	1-May-05	4,614	85	510	452	401	356	316	281	249	221	196
Bathroom assets														
Exhaust fans (including light/heating)	NO	15.00%	1-May-05	989	24	145	123	105	89	76	64	55	46	39
Blinds Residential														
	NO	15.00%	1-May-05	4,599	113	673	572	486	413	351	299	254	216	183
Ceiling Fans														
	NO	30.00%	1-May-05	659	33	188	132	92	64	45	32	22	15	11
Fire control assets														
Detection & alarm systems, detectors	NO	7.50%	1-May-05	580	7	43	40	37	34	31	29	27	25	23
Floor coverings (removable without damage)														
Carpets	NO	15.00%	1-May-05	9,569	236	1,400	1,190	1,011	860	731	621	528	449	381
Furniture														
	NO	11.25%	1-May-05	8,166	151	902	800	710	630	559	497	441	391	347
Garage doors, automatic														
Controls	NO	30.00%	1-May-05	211	10	60	42	29	21	14	10	7	5	3
Motors	NO	15.00%	1-May-05	1,582	39	231	197	167	142	121	103	87	74	63
Garbage disposal														
Garbage bins	NO	22.50%	1-May-05	316	12	69	53	41	32	25	19	15	12	9
Garden sheds, freestanding														
	NO	15.00%	1-May-05	659	16	96	82	70	59	50	43	36	31	26
Hot water systems (excluding piping)														
Gas or electric	NO	12.50%	1-May-05	1,978	41	242	212	185	162	142	124	109	95	83
Kitchen assets														
Rangehoods	NO	12.50%	1-May-05	593	12	73	64	56	49	43	37	33	29	25
Stoves	NO	10.00%	1-May-05	1,648	27	162	146	131	118	106	96	86	78	70
Lights														
Shades, removable	NO	30.00%	1-May-05	4,944	244	1,410	987	691	484	339	237	166	116	81
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
Floor coverings (removable without damage)														
Carpets	NO	20.00%	1-Aug-15	1,165										
Kitchen assets														
Ovens	YES	16.67%	1-Aug-19	5,500										
Pooled Plant Total														
Effective Life Plant Total					1,051	6,203	5,091	4,213	3,513	2,949	2,491	2,114	1,802	1,542
Total Division 40				47,773	1,051	6,203	5,091	4,213	3,513	2,949	2,491	2,114	1,802	1,542

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 2005	2.50%	01-May-05	186,435	766	4,661	4,661	4,661	4,661	4,661	4,661	4,661	4,661	4,661
Structural Improvements - Completed 2005	2.50%	01-May-05	18,843	77	471	471	471	471	471	471	471	471	471
Total Division 43			205,278	843	5,132	5,132	5,132	5,132	5,132	5,132	5,132	5,132	5,132

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)														
Evaporative cooler	NO	10.00%	01-May-05	4,614	76	461	461	461	461	461	461	461	461	461
Bathroom assets														
Exhaust fans (including light/heating)	NO	10.00%	01-May-05	989	16	99	99	99	99	99	99	99	99	99
Blinds Residential														
	NO	10.00%	01-May-05	4,599	76	460	460	460	460	460	460	460	460	460
Ceiling Fans														
	NO	20.00%	01-May-05	659	22	132	132	132	132	110				
Fire control assets														
Detection & alarm systems, detectors	NO	5.00%	01-May-05	580	5	29	29	29	29	29	29	29	29	29
Floor coverings (removable without damage)														
Carpets	NO	10.00%	01-May-05	9,569	157	957	957	957	957	957	957	957	957	957
Furniture														
	NO	7.50%	01-May-05	8,166	101	613	613	613	613	613	613	613	613	613
Garage doors, automatic														
Controls	NO	20.00%	01-May-05	211	7	42	42	42	42	36				
Motors	NO	10.00%	01-May-05	1,582	26	158	158	158	158	158	158	158	158	158
Garbage disposal														
Garbage bins	NO	15.00%	01-May-05	316	8	47	47	47	47	47	47	27		
Garden sheds, freestanding														
	NO	10.00%	01-May-05	659	11	66	66	66	66	66	66	66	66	66
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	01-May-05	1,978	27	165	165	165	165	165	165	165	165	165
Kitchen assets														
Rangehoods	NO	8.33%	01-May-05	593	8	49	49	49	49	49	49	49	49	49
Stoves	NO	6.67%	01-May-05	1,648	18	110	110	110	110	110	110	110	110	110
Lights														
Shades, removable	NO	20.00%	01-May-05	4,944	163	989	989	989	989	825				
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
Floor coverings (removable without damage)														
Carpets	NO	10.00%	01-Aug-15	1,165										
Kitchen assets														
Ovens	YES	8.33%	01-Aug-19	5,500										
Pooled Plant Total														
Effective Life Plant Total					720	4,377	4,377	4,377	4,377	4,185	3,214	3,194	3,167	3,167
Total Division 40				47,773	720	4,377	4,377	4,377	4,377	4,185	3,214	3,194	3,167	3,167

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 2005	2.50%	01-May-05	186,435	766	4,661	4,661	4,661	4,661	4,661	4,661	4,661	4,661	4,661
Structural Improvements - Completed 2005	2.50%	01-May-05	18,843	77	471	471	471	471	471	471	471	471	471
Total Division 43			205,278	843	5,132	5,132	5,132	5,132	5,132	5,132	5,132	5,132	5,132

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 2005	2 Nov 04 to 1 May 05	186,435	2.50%	4,661	186,435
Sub-total		186,435		4,661	186,435

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2005	2 Nov 04 to 1 May 05	18,843	2.50%	471	18,843
Sub-total		18,843		471	18,843
Totals		205,278		5,132	205,278

The table below demonstrates the various property types and the depreciation rates for Capital expenditure deductions. Eligibility is based on the date of construction commencement.

	Today - 27 Feb 92	26 Feb 92 - 16 Sept 87	15 Sept 87 - 18 Jul 85	17 Jul 85 - 22 Aug 84	21 Aug 84 - 20 Jul 82	19 Jul 82 - 21 Aug 79
Traveller Accommodation	4%	2.5%	4%	4%	2.5%	2.5%
Non Residential	2.5%	2.5%	4%	4%	2.5%	N/A
Manufacturing	4%	2.5%	4%	4%	2.5%	N/A
Residential	2.5%	2.5%	4%	N/A	N/A	N/A
Structural Improvement	2.5%	N/A	N/A	N/A	N/A	N/A

13. Definition of Terms

Adjusted Value	This is the value of an asset after a period of decline often referred to as the written down value or WDV.
Balancing Adjustment	The balancing adjustment amount is the difference between the termination value and the adjustable value of a depreciating asset at the time of a balancing adjustment event.
Decline in Value	Deductions for the cost of a depreciating asset are based on the decline in value between any two dates. This report includes both methods of the decline in value of a depreciating asset; the prime cost method and diminishing value method.
Depreciating Assets	Assets with limited effective life that are reasonably expected to decline in value.
Diminishing Value Method	This is the method of calculating the decline in value which uses the opening adjusted value as the basis for the calculation.
Effective Life	The effective life of a depreciating asset is how long it can be used by any entity for a taxable income producing purpose.
Immediate WriteOff	A depreciating asset which costs less than \$300 can be immediately written off at 100% of the total cost. This is only available where the asset is not part of a set e.g. table and chairs.
Installed Costs	This is the total cost of installing the asset inclusive of fees and labour etc.
Low Value Pool	Low cost assets which have a value between \$300 and \$1000. These assets are depreciated at 18.75% in the first year and 37.5% in each subsequent years.
Low Cost Asset	A depreciable asset with an installed cost of less than \$1000.
Low Value Asset	A depreciable asset that has an adjusted value of less than \$1000.
Non Eligible	This may include a proportion of the purchase price that is not claimable due to the age of the building or asset type.
Prime Cost Method	This is a method of calculating depreciation using a constant opening cost base often referred to as the "Straight Line" method.

14. Contact Details

COMPANY DETAILS	
Company Name	Koste Pty Ltd
Postal Address	Suite 1, L12/133 Mary Street, Brisbane, Qld 4000
Office Number	1300 669 400
Office Email	info@koste.com.au

15. Disclaimer

This report has been prepared for the exclusive use of the parties named within this report, Koste Pty Ltd does not accept any contractual, tortious or other form of liability for any consequences that may arise from any other person acting upon or using this valuation.

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>