



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:
10 June 2020	Mark Kilroy Bsc (Hons) MRICS

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

June 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

10 June 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								
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	27 November 17 to 30 June 18	0	0	0	1,264	1,264	4,098	4,098
2	1 July 18 to 30 June 19	0	0	0	2,145	2,145	6,485	10,584
3	1 July 19 to 30 June 20	0	0	0	2,145	2,145	4,979	15,563
4	1 July 20 to 30 June 21	0	0	0	2,145	2,145	3,514	19,077
5	1 July 21 to 30 June 22	0	0	0	2,145	2,145	2,533	21,610
6	1 July 22 to 30 June 23	0	0	0	2,145	2,145	2,432	24,043
7	1 July 23 to 30 June 24	0	0	0	2,145	2,145	1,834	25,877
8	1 July 24 to 30 June 25	0	0	0	2,145	2,145	1,234	27,111
9	1 July 25 to 30 June 26	0	0	0	2,145	2,145	1,063	28,173
10	1 July 26 to 30 June 27	0	0	0	2,145	2,145	702	28,875
11	1 July 27 to 30 June 28	0	0	0	2,145	2,145	683	29,558
12	1 July 28 to 30 June 29	0	0	0	2,145	2,145	427	29,985
13	1 July 29 to 30 June 30	0	0	0	2,145	2,145	267	30,252
14	1 July 30 to 30 June 31	0	0	0	2,145	2,145	167	30,418
15	1 July 31 to 30 June 32	0	0	0	2,145	2,145	104	30,523
16	1 July 32 to 30 June 33	0	0	0	2,145	2,145	65	30,588
17	1 July 33 to 30 June 34	0	0	0	1,991	1,991	41	30,629
18	1 July 34 to 30 June 35	0	0	0	1,783	1,783	25	30,654
19	1 July 35 to 30 June 36	0	0	0	1,783	1,783	16	30,670
20	1 July 36 to 30 June 37	0	0	0	1,783	1,783	10	30,680
21	1 July 37 to 30 June 38	0	0	0	1,783	1,783	6	30,686
22	1 July 38 to 30 June 39	0	0	0	1,783	1,783	4	30,690
23	1 July 39 to 30 June 40	0	0	0	1,783	1,783	2	30,692
24	1 July 40 to 30 June 41	0	0	0	1,783	1,783	2	30,694
25	1 July 41 to 30 June 42	0	0	0	1,783	1,783	1	30,695
26	1 July 42 to 30 June 43	0	0	0	1,783	1,783	1	30,695
27	1 July 43 to 30 June 44	0	0	0	1,783	1,783	0	30,696
28	1 July 44 to 30 June 45	0	0	0	1,783	1,783	0	30,696
29	1 July 45 to 30 June 46	0	0	0	1,783	1,783	0	30,696
30	1 July 46 to 30 June 47	0	0	0	1,783	1,783	0	30,696
31	1 July 47 to 30 June 48	0	0	0	1,114	1,114	0	30,696
32	1 July 48 to 30 June 49	0	0	0	1,065	1,065	0	30,696
33	1 July 49 to 30 June 50	0	0	0	1,065	1,065	0	30,696
34	1 July 50 to 30 June 51	0	0	0	1,065	1,065	0	30,696
35	1 July 51 to 30 June 52	0	0	0	1,065	1,065	0	30,696
36	1 July 52 to 30 June 53	0	0	0	1,065	1,065	0	30,696
37	1 July 53 to 30 June 54	0	0	0	1,065	1,065	0	30,696
38	1 July 54 to 30 June 55	0	0	0	1,065	1,065	0	30,696
39	1 July 55 to 30 June 56	0	0	0	1,065	1,065	0	30,696
40	2056+	0	0	0	194	194	0	30,696
Totals		0	0	0	68,437	68,437	30,696	30,696

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	3,207	3,207
2	1 July 18 to 30 June 19	0	0	0	2,145	2,145	5,277	8,485
3	1 July 19 to 30 June 20	0	0	0	2,145	2,145	3,866	12,350
4	1 July 20 to 30 June 21	0	0	0	2,145	2,145	2,983	15,334
5	1 July 21 to 30 June 22	0	0	0	2,145	2,145	2,432	17,766
6	1 July 22 to 30 June 23	0	0	0	2,145	2,145	2,087	19,853
7	1 July 23 to 30 June 24	0	0	0	2,145	2,145	1,872	21,725
8	1 July 24 to 30 June 25	0	0	0	2,145	2,145	1,737	23,463
9	1 July 25 to 30 June 26	0	0	0	2,145	2,145	1,653	25,116
10	1 July 26 to 30 June 27	0	0	0	2,145	2,145	1,601	26,716
11	1 July 27 to 30 June 28	0	0	0	2,145	2,145	1,130	27,847
12	1 July 28 to 30 June 29	0	0	0	2,145	2,145	806	28,653
13	1 July 29 to 30 June 30	0	0	0	2,145	2,145	698	29,352
14	1 July 30 to 30 June 31	0	0	0	2,145	2,145	594	29,945
15	1 July 31 to 30 June 32	0	0	0	2,145	2,145	527	30,473
16	1 July 32 to 30 June 33	0	0	0	2,145	2,145	215	30,688
17	1 July 33 to 30 June 34	0	0	0	1,991	1,991	3	30,691
18	1 July 34 to 30 June 35	0	0	0	1,783	1,783	2	30,693
19	1 July 35 to 30 June 36	0	0	0	1,783	1,783	1	30,694
20	1 July 36 to 30 June 37	0	0	0	1,783	1,783	1	30,695
21	1 July 37 to 30 June 38	0	0	0	1,783	1,783	0	30,696
22	1 July 38 to 30 June 39	0	0	0	1,783	1,783	0	30,696
23	1 July 39 to 30 June 40	0	0	0	1,783	1,783	0	30,696
24	1 July 40 to 30 June 41	0	0	0	1,783	1,783	0	30,696
25	1 July 41 to 30 June 42	0	0	0	1,783	1,783	0	30,696
26	1 July 42 to 30 June 43	0	0	0	1,783	1,783	0	30,696
27	1 July 43 to 30 June 44	0	0	0	1,783	1,783	0	30,696
28	1 July 44 to 30 June 45	0	0	0	1,783	1,783	0	30,696
29	1 July 45 to 30 June 46	0	0	0	1,783	1,783	0	30,696
30	1 July 46 to 30 June 47	0	0	0	1,783	1,783	0	30,696
31	1 July 47 to 30 June 48	0	0	0	1,114	1,114	0	30,696
32	1 July 48 to 30 June 49	0	0	0	1,065	1,065	0	30,696
33	1 July 49 to 30 June 50	0	0	0	1,065	1,065	0	30,696
34	1 July 50 to 30 June 51	0	0	0	1,065	1,065	0	30,696
35	1 July 51 to 30 June 52	0	0	0	1,065	1,065	0	30,696
36	1 July 52 to 30 June 53	0	0	0	1,065	1,065	0	30,696
37	1 July 53 to 30 June 54	0	0	0	1,065	1,065	0	30,696
38	1 July 54 to 30 June 55	0	0	0	1,065	1,065	0	30,696
39	1 July 55 to 30 June 56	0	0	0	1,065	1,065	0	30,696
40	2056+	0	0	0	194	194	0	30,696
Totals		0	0	0	68,437	68,437	30,696	30,696

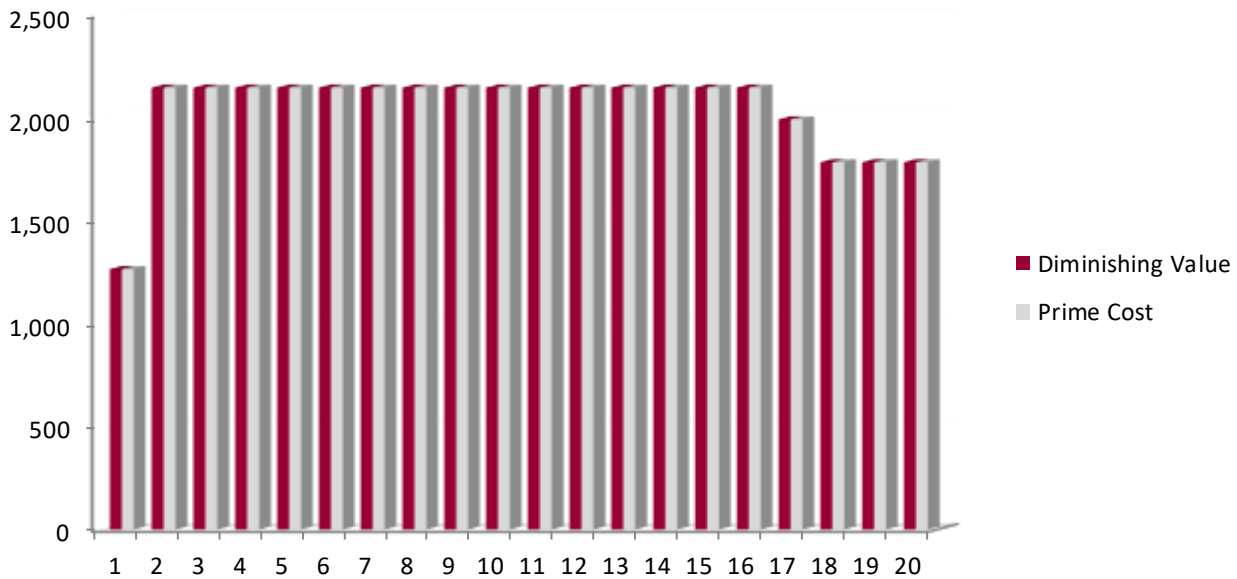
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

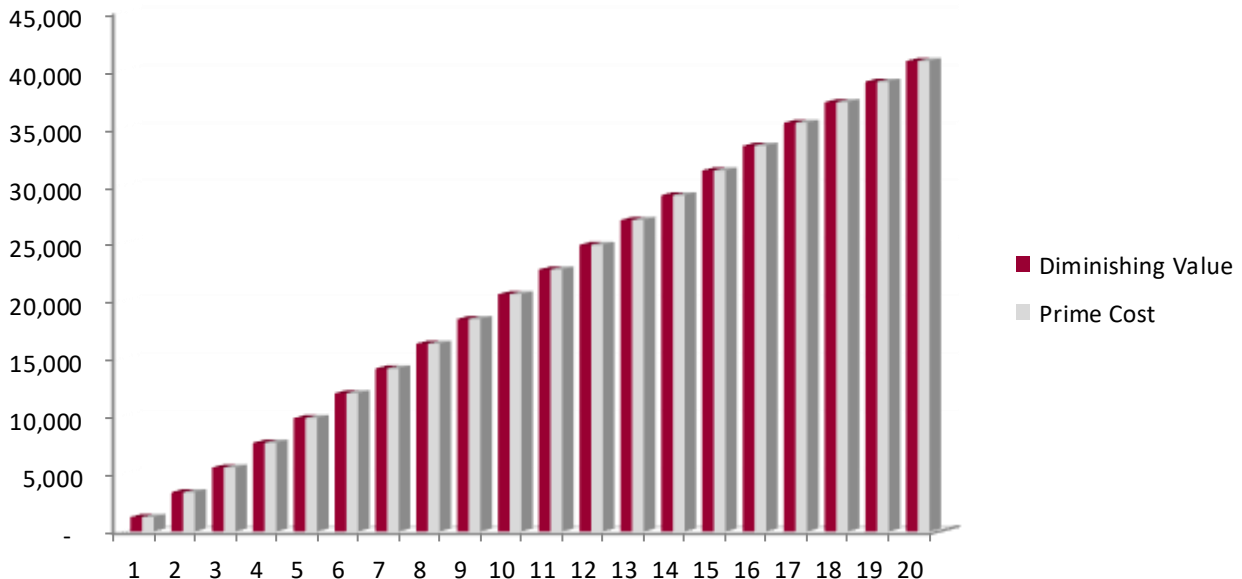
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	\$25,370
Total Expenditure Analysed	\$531,570

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:

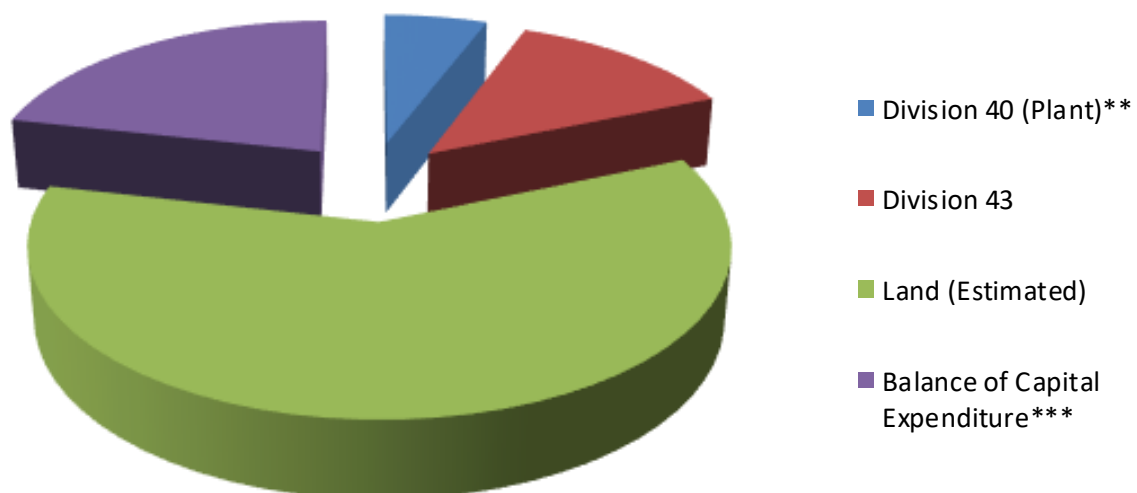
Division 40 (Plant)**	\$30,696
Division 43	\$68,437
Land (Estimated)	\$318,222
Balance of Capital Expenditure***	\$114,215
Total Expenditure Analysed	\$531,570

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)														
Room units	NO	20.00%	27-Nov-17	3,348	394	591	473	378	302	242	363	227	142	89
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	27-Nov-17	788	148	240	150	94	59	37	23	14	9	6
Blinds Residential	NO	18.75%	27-Nov-17	3,780	709	1,152	720	450	281	176	110	69	43	27
Computer systems														
General	NO	18.75%	27-Nov-17	460	86	140	88	55	34	21	13	8	5	3
Curtains and drapes	NO	18.75%	27-Nov-17	3,210	602	978	611	382	239	149	93	58	36	23
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	27-Nov-17	289	54	88	55	34	21	13	8	5	3	2
Floor coverings (removable without damage)														
Carpets	NO	20.00%	27-Nov-17	2,748	324	485	388	310	248	372	233	145	91	57
Floating timber	NO	13.33%	27-Nov-17	3,448	271	424	367	318	276	239	207	180	156	135
Furniture	NO	15.00%	27-Nov-17	1,182	104	162	343	215	134	84	52	33	20	13
Furniture	NO	18.75%	27-Nov-17	1,543	289	470	294	184	115	72	45	28	18	11
Garbage disposal														
Garbage bins	NO	18.75%	27-Nov-17	315	59	96	60	38	23	15	9	6	4	2
Garden sheds, freestanding	NO	20.00%	27-Nov-17	1,313	155	232	348	217	136	85	53	33	21	13
Heating units														
Electronic	NO	13.33%	27-Nov-17	2,626	206	323	280	242	210	182	158	137	333	208
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	27-Nov-17	1,970	193	296	247	206	171	321	201	125	78	49
Kitchen assets														
Rangehoods	NO	18.75%	27-Nov-17	591	111	180	113	70	44	27	17	11	7	4
Stoves	NO	13.33%	27-Nov-17	1,707	134	210	182	158	137	333	208	130	81	51
Lights														
Shades, removable	NO	18.75%	27-Nov-17	1,379	259	420	263	164	103	64	40	25	16	10
Pooled Plant Total					2,316	3,764	3,044	1,902	1,189	1,769	1,469	918	907	567
Effective Life Plant Total					1,782	2,721	1,936	1,612	1,344	663	365	316	156	135
Total Division 40				30,696	4,098	6,485	4,979	3,514	2,533	2,432	1,834	1,234	1,063	702

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
Total Division 43			68,437	1,264	2,145	2,145	2,145	2,145	2,145	2,145	2,145	2,145	2,145

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)														
Room units	NO	10.00%	27-Nov-17	3,348	197	335	335	335	335	335	335	335	335	335
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	27-Nov-17	788	148	240	150	94	59	37	23	14	9	6
Blinds Residential														
	NO	18.75%	27-Nov-17	3,780	709	1,152	720	450	281	176	110	69	43	27
Computer systems														
General	NO	18.75%	27-Nov-17	460	86	140	88	55	34	21	13	8	5	3
Curtains and drapes														
	NO	18.75%	27-Nov-17	3,210	602	978	611	382	239	149	93	58	36	23
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	27-Nov-17	289	54	88	55	34	21	13	8	5	3	2
Floor coverings (removable without damage)														
Carpets	NO	10.00%	27-Nov-17	2,748	162	275	275	275	275	275	275	275	275	275
Floating timber	NO	6.67%	27-Nov-17	3,448	135	230	230	230	230	230	230	230	230	230
Furniture														
Furniture	NO	7.50%	27-Nov-17	1,182	52	89	89	89	89	89	89	89	89	89
Furniture	NO	18.75%	27-Nov-17	1,543	289	470	294	184	115	72	45	28	18	11
Garbage disposal														
Garbage bins	NO	18.75%	27-Nov-17	315	59	96	60	38	23	15	9	6	4	2
Garden sheds, freestanding														
	NO	10.00%	27-Nov-17	1,313	77	131	131	131	131	131	131	131	131	131
Heating units														
Electronic	NO	6.67%	27-Nov-17	2,626	103	175	175	175	175	175	175	175	175	175
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	27-Nov-17	1,970	97	164	164	164	164	164	164	164	164	164
Kitchen assets														
Rangehoods	NO	18.75%	27-Nov-17	591	111	180	113	70	44	27	17	11	7	4
Stoves	NO	6.67%	27-Nov-17	1,707	67	114	114	114	114	114	114	114	114	114
Lights														
Shades, removable	NO	18.75%	27-Nov-17	1,379	259	420	263	164	103	64	40	25	16	10
Pooled Plant Total					2,316	3,764	2,353	1,470	919	574	359	224	140	88
Effective Life Plant Total					891	1,513	1,513	1,513	1,513	1,513	1,513	1,513	1,513	1,513
Total Division 40				30,696	3,207	5,277	3,866	2,983	2,432	2,087	1,872	1,737	1,653	1,601

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
Total Division 43			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
Sub-total		66,002		1,650	55,205

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

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

LEAD SURVEYOR DETAILS	
Surveyors Name	Mark Kilroy
Tax Agent Number	24370523
Contact Number	0468 849 299
Email	mark@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>