



Tax Depreciation Report

3/137 Osborne Street,
South Yarra VIC 3141

Penny Beattie
3/137 Osborne Street
SOUTH YARRA, VIC 3141

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

Penny Beattie
3/137 Osborne Street
SOUTH YARRA, VIC 3141

June 2020
Job No: RES3141010

Tax Depreciation Report – 3/137 Osborne Street, South Yarra VIC 3141

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

Penny Beattie

Property Address

3/137 Osborne Street, South Yarra VIC 3141

Real Property Description

LOT 3 PS315015

Property Type

Residential Unit

Date of Construction

1 July 1992

Date Available To Generate Income

1 September 2018

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	25 March 09 to 30 June 09	0	0	0	463	463	0	0
2	1 July 09 to 30 June 10	0	0	0	1,742	1,742	0	0
3	1 July 10 to 30 June 11	0	0	0	1,742	1,742	0	0
4	1 July 11 to 30 June 12	0	0	0	1,742	1,742	0	0
5	1 July 12 to 30 June 13	0	0	0	1,742	1,742	0	0
6	1 July 13 to 30 June 14	0	0	0	1,742	1,742	0	0
7	1 July 14 to 30 June 15	0	0	0	1,742	1,742	0	0
8	1 July 15 to 30 June 16	0	0	0	1,742	1,742	0	0
9	1 July 16 to 30 June 17	0	0	0	1,742	1,742	0	0
10	1 July 17 to 30 June 18	0	0	0	1,742	1,742	0	0
11	1 July 18 to 30 June 19	0	0	0	1,746	1,746	1,973	1,973
12	1 July 19 to 30 June 20	700	0	700	1,790	2,490	1,754	3,728
13	1 July 20 to 30 June 21	580	0	580	1,838	2,418	1,341	5,068
14	1 July 21 to 30 June 22	464	0	464	1,838	2,302	1,050	6,118
15	1 July 22 to 30 June 23	371	0	371	1,838	2,209	1,060	7,178
16	1 July 23 to 30 June 24	297	0	297	1,838	2,135	792	7,970
17	1 July 24 to 30 June 25	238	0	238	1,838	2,076	607	8,578
18	1 July 25 to 30 June 26	0	356	356	1,838	2,194	708	9,286
19	1 July 26 to 30 June 27	0	223	223	1,838	2,061	496	9,781
20	1 July 27 to 30 June 28	0	139	139	1,838	1,977	357	10,138
21	1 July 28 to 30 June 29	0	87	87	1,838	1,925	263	10,401
22	1 July 29 to 30 June 30	0	54	54	1,838	1,892	427	10,828
23	1 July 30 to 30 June 31	0	34	34	1,838	1,872	267	11,095
24	1 July 31 to 30 June 32	0	21	21	1,826	1,847	167	11,262
25	1 July 32 to 30 June 33	0	13	13	466	479	104	11,366
26	1 July 33 to 30 June 34	0	8	8	463	471	65	11,432
27	1 July 34 to 30 June 35	0	5	5	463	468	41	11,473
28	1 July 35 to 30 June 36	0	3	3	463	466	26	11,498
29	1 July 36 to 30 June 37	0	2	2	463	465	16	11,514
30	1 July 37 to 30 June 38	0	1	1	463	464	10	11,524
31	1 July 38 to 30 June 39	0	1	1	463	464	6	11,530
32	1 July 39 to 30 June 40	0	0	0	463	463	4	11,535
33	1 July 40 to 30 June 41	0	0	0	463	463	3	11,538
34	1 July 41 to 30 June 42	0	0	0	463	463	2	11,539
35	1 July 42 to 30 June 43	0	0	0	463	463	1	11,540
36	1 July 43 to 30 June 44	0	0	0	381	381	1	11,541
37	1 July 44 to 30 June 45	0	0	0	96	96	0	11,541
38	1 July 45 to 30 June 46	0	0	0	96	96	0	11,542
39	1 July 46 to 30 June 47	0	0	0	96	96	0	11,542
40	2047+	0	0	0	1,198	1,198	0	11,542
Totals		2,650	947	3,597	48,684	52,281	11,542	11,542

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	25 March 09 to 30 June 09	0	0	0	463	463	0	0
2	1 July 09 to 30 June 10	0	0	0	1,742	1,742	0	0
3	1 July 10 to 30 June 11	0	0	0	1,742	1,742	0	0
4	1 July 11 to 30 June 12	0	0	0	1,742	1,742	0	0
5	1 July 12 to 30 June 13	0	0	0	1,742	1,742	0	0
6	1 July 13 to 30 June 14	0	0	0	1,742	1,742	0	0
7	1 July 14 to 30 June 15	0	0	0	1,742	1,742	0	0
8	1 July 15 to 30 June 16	0	0	0	1,742	1,742	0	0
9	1 July 16 to 30 June 17	0	0	0	1,742	1,742	0	0
10	1 July 17 to 30 June 18	0	0	0	1,742	1,742	0	0
11	1 July 18 to 30 June 19	0	0	0	1,746	1,746	3,317	3,317
12	1 July 19 to 30 June 20	350	0	350	1,790	2,140	3,045	6,362
13	1 July 20 to 30 June 21	360	0	360	1,838	2,198	2,921	9,283
14	1 July 21 to 30 June 22	360	0	360	1,838	2,198	2,575	11,858
15	1 July 22 to 30 June 23	360	0	360	1,838	2,198	2,241	14,100
16	1 July 23 to 30 June 24	360	0	360	1,838	2,198	1,634	15,734
17	1 July 24 to 30 June 25	360	0	360	1,838	2,198	24	15,758
18	1 July 25 to 30 June 26	360	0	360	1,838	2,198	24	15,782
19	1 July 26 to 30 June 27	360	0	360	1,838	2,198	24	15,806
20	1 July 27 to 30 June 28	360	0	360	1,838	2,198	24	15,830
21	1 July 28 to 30 June 29	360	0	360	1,838	2,198	15	15,845
22	1 July 29 to 30 June 30	10	0	10	1,838	1,848	0	15,845
23	1 July 30 to 30 June 31	0	0	0	1,838	1,838	0	15,845
24	1 July 31 to 30 June 32	0	0	0	1,826	1,826	0	15,845
25	1 July 32 to 30 June 33	0	0	0	466	466	0	15,845
26	1 July 33 to 30 June 34	0	0	0	463	463	0	15,845
27	1 July 34 to 30 June 35	0	0	0	463	463	0	15,845
28	1 July 35 to 30 June 36	0	0	0	463	463	0	15,845
29	1 July 36 to 30 June 37	0	0	0	463	463	0	15,845
30	1 July 37 to 30 June 38	0	0	0	463	463	0	15,845
31	1 July 38 to 30 June 39	0	0	0	463	463	0	15,845
32	1 July 39 to 30 June 40	0	0	0	463	463	0	15,845
33	1 July 40 to 30 June 41	0	0	0	463	463	0	15,845
34	1 July 41 to 30 June 42	0	0	0	463	463	0	15,845
35	1 July 42 to 30 June 43	0	0	0	463	463	0	15,845
36	1 July 43 to 30 June 44	0	0	0	381	381	0	15,845
37	1 July 44 to 30 June 45	0	0	0	96	96	0	15,845
38	1 July 45 to 30 June 46	0	0	0	96	96	0	15,845
39	1 July 46 to 30 June 47	0	0	0	96	96	0	15,845
40	2047+	0	0	0	1,198	1,198	0	15,845
Totals		3,600	0	3,600	48,684	52,284	15,845	15,845

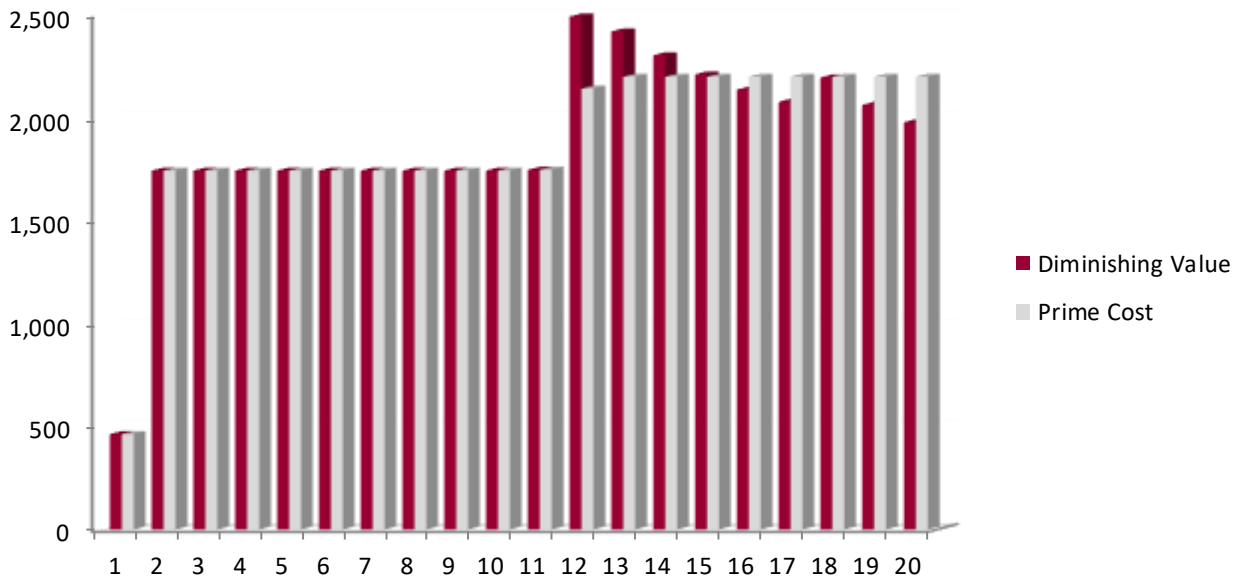
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

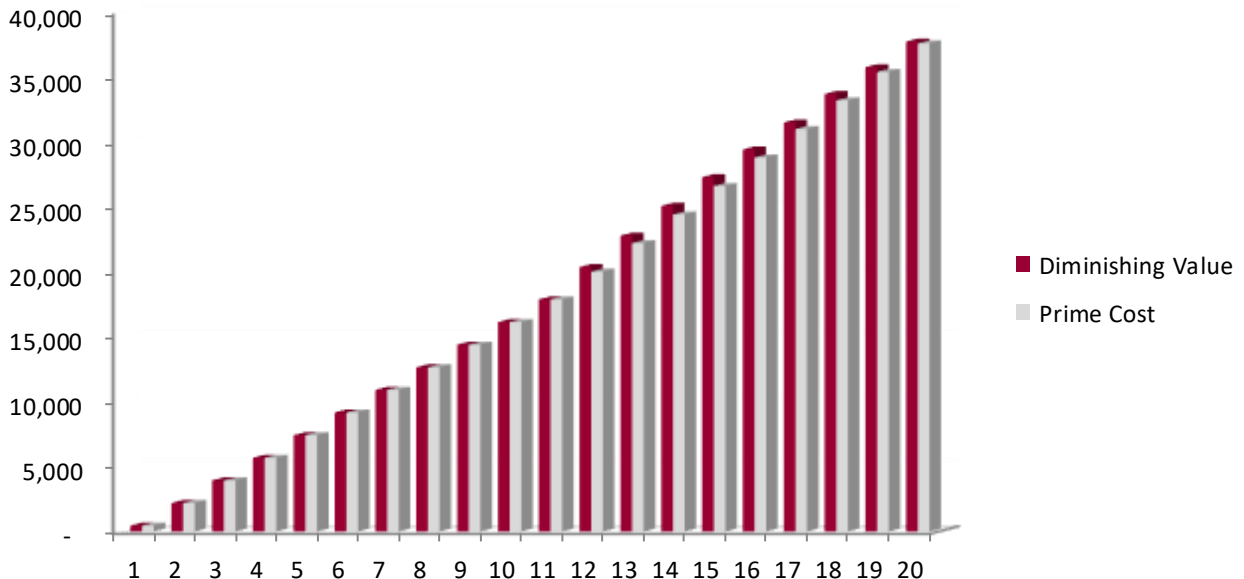
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	23 February 2009
Settlement Date	25 March 2009
Available To Generate Income	1 September 2018

Expenditure Analysed

Purchase Price	\$617,000
Stamp Duty	\$32,090
Post Expenditure	\$7,442
Total Expenditure Analysed	\$656,532

Historical Construction Details

Construction Start Date	5 October 1991
Construction Completion Date	1 July 1992
Historical Construction Cost (Estimated)*	\$78,169

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

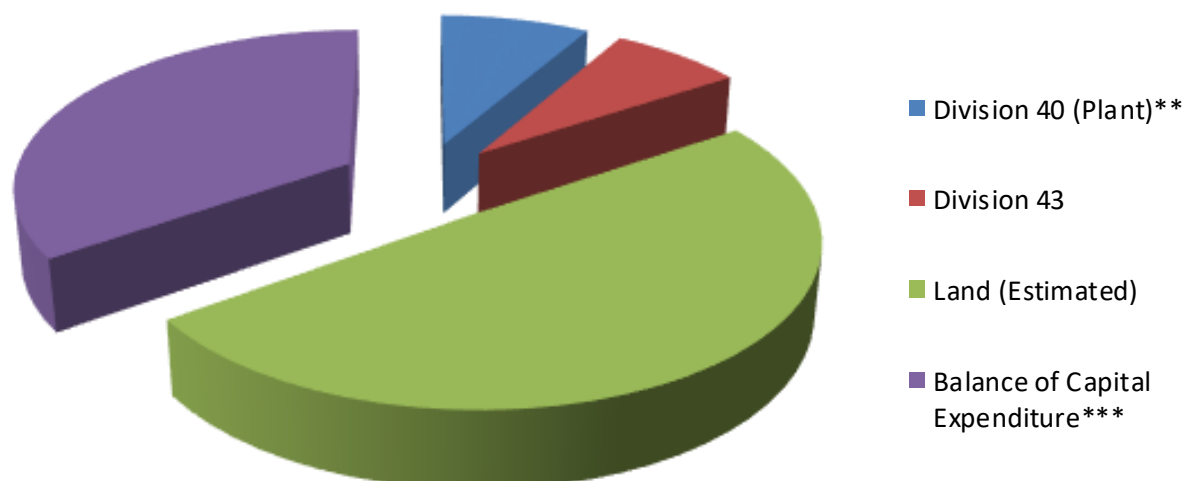
Division 40 (Plant)**	\$54,959
Division 43	\$48,684
Land (Estimated)	\$324,545
Balance of Capital Expenditure***	\$228,344
Total Expenditure Analysed	\$656,532

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	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														
Bathroom assets														
Exhaust fans (including light/heating)	NO	20.00%	25-Mar-09	542	29	103	82	66	53	42	34	27	22	17
Blinds Residential														
	NO	20.00%	25-Mar-09	434	23	82	66	53	42	34	27	22	17	14
Fire control assets														
Detection & alarm systems, detectors	NO	10.00%	25-Mar-09	477	13	46	42	38	34	30	27	25	22	20
Floor coverings (removable without damage)														
Floating timber	NO	13.33%	25-Mar-09	17,055	604	2,193	1,901	1,648	1,428	1,237	1,072	929	806	698
Furniture														
	NO	15.00%	25-Mar-09	4,774	190	688	584	497	422	359	305	259	220	187
Garbage disposal														
Garbage bins	NO	30.00%	25-Mar-09	347	28	96	67	47	33	23	16	11	8	6
Heating units														
Electronic	NO	13.33%	25-Mar-09	9,764	346	1,256	1,088	943	817	708	614	532	461	400
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	25-Mar-09	3,255	144	518	432	360	300	250	208	174	145	121
Kitchen assets														
Dishwashers	NO	20.00%	25-Mar-09	2,604	138	493	394	316	252	202	162	129	103	83
Ovens	NO	16.67%	25-Mar-09	2,387	106	380	317	264	220	183	153	127	106	88
Stoves	NO	13.33%	25-Mar-09	6,075	215	781	677	587	509	441	382	331	287	249
Lights														
Shades, removable	NO	40.00%	25-Mar-09	3,645	387	1,303	782	469	281	169	101	61	36	22
Additional Items (Post Expenditure)														
Air-conditioning assets (excl. ducting, pipes & vents)														
Mini split system upto 20KW	YES	20.00%	10-Jul-19	3,600										
Pooled Plant Total														
Effective Life Plant Total					2,224	7,940	6,433	5,286	4,392	3,679	3,102	2,627	2,234	1,904
Total Division 40				54,959	2,224	7,940	6,433	5,286	4,392	3,679	3,102	2,627	2,234	1,904
Division 43 - Capital Works Allowance														
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1992		2.50%	25-Mar-09	26,557	303	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142
Building Works - Completed 2004		2.50%	25-Mar-09	8,894	68	254	254	254	254	254	254	254	254	254
Building Works - Completed 2019		2.50%	01-May-19	894										
Building Works - Completed 2020		2.50%	20-Feb-20	2,948										
Structural Improvements - Completed 1992		2.50%	25-Mar-09	5,424	62	233	233	233	233	233	233	233	233	233
Structural Improvements - Completed 2004		2.50%	25-Mar-09	3,967	30	113	113	113	113	113	113	113	113	113
Total Division 43				48,684	463	1,742	1,742	1,742	1,742	1,742	1,742	1,742	1,742	1,742

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
Bathroom assets														
Exhaust fans (including light/heating)	NO	10.00%	25-Mar-09	542	14	54	54	54	54	54	54	54	54	54
Blinds Residential														
	NO	10.00%	25-Mar-09	434	12	43	43	43	43	43	43	43	43	43
Fire control assets														
Detection & alarm systems, detectors	NO	5.00%	25-Mar-09	477	6	24	24	24	24	24	24	24	24	24
Floor coverings (removable without damage)														
Floating timber	NO	6.67%	25-Mar-09	17,055	302	1,137	1,137	1,137	1,137	1,137	1,137	1,137	1,137	1,137
Furniture														
	NO	7.50%	25-Mar-09	4,774	95	358	358	358	358	358	358	358	358	358
Garbage disposal														
Garbage bins	NO	15.00%	25-Mar-09	347	14	52	52	52	52	52	52	21		
Heating units														
Electronic	NO	6.67%	25-Mar-09	9,764	173	651	651	651	651	651	651	651	651	651
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	25-Mar-09	3,255	72	271	271	271	271	271	271	271	271	271
Kitchen assets														
Dishwashers	NO	10.00%	25-Mar-09	2,604	69	260	260	260	260	260	260	260	260	260
Ovens	NO	8.33%	25-Mar-09	2,387	53	199	199	199	199	199	199	199	199	199
Stoves	NO	6.67%	25-Mar-09	6,075	108	405	405	405	405	405	405	405	405	405
Lights														
Shades, removable	NO	20.00%	25-Mar-09	3,645	194	729	729	729	729	535				
Additional Items (Post Expenditure)														
Air-conditioning assets (excl. ducting, pipes & vents)														
Mini split system upto 20KW	YES	10.00%	10-Jul-19	3,600										
Pooled Plant Total														
Effective Life Plant Total					1,112	4,183	4,183	4,183	4,183	3,989	3,454	3,423	3,402	3,402
Total Division 40				54,959	1,112	4,183	4,183	4,183	4,183	3,989	3,454	3,423	3,402	3,402
Division 43 - Capital Works Allowance														
		Rate	Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10	
Building Works - Completed 1992														
		2.50%	25-Mar-09	26,557	303	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142
Building Works - Completed 2004														
		2.50%	25-Mar-09	8,894	68	254	254	254	254	254	254	254	254	254
Building Works - Completed 2019														
		2.50%	01-May-19	894										
Building Works - Completed 2020														
		2.50%	20-Feb-20	2,948										
Structural Improvements - Completed 1992														
		2.50%	25-Mar-09	5,424	62	233	233	233	233	233	233	233	233	233
Structural Improvements - Completed 2004														
		2.50%	25-Mar-09	3,967	30	113	113	113	113	113	113	113	113	113
Total Division 43				48,684	463	1,742	1,742	1,742	1,742	1,742	1,742	1,742	1,742	1,742

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 1992	5 Oct 91 to 1 Jul 92	45,675	2.50%	1,142	26,557
Building Works - Completed 2004	17 Mar 04 to 1 Apr 04	10,160	2.50%	254	8,894
Building Works - Completed 2019	21 Apr 19 to 1 May 19	894	2.50%	22	894
Building Works - Completed 2020	10 Feb 20 to 20 Feb 20	2,948	2.50%	74	2,948

Sub-total 59,676 1,492 39,293

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1992	5 Oct 91 to 1 Jul 92	9,329	2.50%	233	5,424
Structural Improvements - Completed 2004	17 Mar 04 to 1 Apr 04	4,532	2.50%	113	3,967

Sub-total 13,860 346 9,391

Totals 73,536 1,838 48,684

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

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

13. Definition of Terms

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

14. Contact Details

COMPANY DETAILS	
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15. Disclaimer

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

Appendix A: ATO's New Legislations on Post 9 May Purchased and Capital Loss

A1. Post 9 May 2017

The amendments to the ITAA 1997 recently limited the income tax deductions for the decline in value of previously used plant and equipment in rental premises used for residential accommodation. The changes apply to any second-hand property purchasers who contracts after 7.30 pm on 9 May 2017, and to any property owners who convert their main occupancies into investment properties after 1 July 2017.

This may give rise to a capital loss due to the difference between an asset's original - cost/value and its termination value at the time of a balancing adjustment event. This capital loss may be used to be offset against any future capital gains. Koste has taken into consideration of the legislation changes and identify both the eligible depreciation each year and the capital loss that will be applied.

A2. Capital Gain / Capital Loss

If you sell a capital asset, such as your investment property, the difference between what it cost you to acquire the asset and what you receive when you dispose of it will become your capital gain or capital loss. When you make a capital gain, it is added to your assessable income and may significantly increase the tax you need to pay. If you make a capital loss, you cannot claim it against your other income but you can use it to reduce a capital gain in current or future years.

A3. Capital Loss on Plant and Equipment (Division 40)

When you dispose a depreciating asset, a balancing adjustment event will occur and you need to work out a balancing adjustment amount to include in your assessable income or to claim as a deduction by comparing the asset's termination value (such as the proceeds from the sale of the asset) and its adjustable value at the time of the balancing adjustment event. However, from 1 July 2017, if a balancing adjustment event happens to a depreciating asset to which the new rules about deductions for decline in value of second-hand depreciating assets in residential rental properties apply, then a capital gain or capital loss might arise.

Further information regarding the legislation please refer to Schedule 2 of Treasury Laws Amendment Act 2017 at <https://www.legislation.gov.au/Details/C2017A00126>