



Tax Depreciation Report

84 Felix Crescent,
Ringwood North VIC 3134

Roxanne and Thomas Cannors
10 Reece Ct
LILYDALE, VIC 3140

Issue Schedule	
Issue Date:	Issued by:
14 July 2020	Mark Kilroy Bsc (Hons) MRICS

Roxanne and Thomas Cannors
10 Reece Ct
LILYDALE, VIC 3140

July 2020
Job No: RES3134010

Tax Depreciation Report – 84 Felix Crescent, Ringwood North VIC 3134

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	11
10. Diminishing Value Depreciation Schedule	12
11. Prime Cost Depreciation Schedule	14
12. Division 43 Capital Works Schedule	16
13. Definition of Terms	17
14. Contact Details	18
15. Disclaimer	19
Appendix A: ATO’s New Legislations on Post 9 May Purchased and Capital Loss	20

1. Property Information

Date of Report

14 July 2020

Purchaser

Roxanne and Thomas Cannors

Property Address

84 Felix Crescent, Ringwood North VIC 3134

Real Property Description

LOT 131 LP11378

Property Type

Residential House

Date of Construction

Pre 1985

Date Available To Generate Income

15 April 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 Life	Pooled Plant	Total Div 40			Div 40 Yearly	Cumulative
1	7 June 19 to 30 June 19	0	0	0	80	80	0	0
2	1 July 19 to 30 June 20	356	2,770	3,126	1,528	4,654	5,213	5,213
3	1 July 20 to 30 June 21	1,377	1,731	3,108	2,290	5,398	4,154	9,368
4	1 July 21 to 30 June 22	1,101	1,082	2,183	2,290	4,473	3,772	13,139
5	1 July 22 to 30 June 23	556	1,350	1,906	2,290	4,196	2,823	15,962
6	1 July 23 to 30 June 24	254	1,126	1,380	2,290	3,670	2,312	18,275
7	1 July 24 to 30 June 25	212	704	916	2,290	3,206	1,736	20,010
8	1 July 25 to 30 June 26	176	440	616	2,290	2,906	1,341	21,352
9	1 July 26 to 30 June 27	0	606	606	2,290	2,896	1,062	22,414
10	1 July 27 to 30 June 28	0	379	379	2,290	2,669	861	23,275
11	1 July 28 to 30 June 29	0	237	237	2,290	2,527	711	23,986
12	1 July 29 to 30 June 30	0	148	148	2,290	2,438	597	24,583
13	1 July 30 to 30 June 31	0	92	92	2,290	2,382	507	25,090
14	1 July 31 to 30 June 32	0	58	58	2,290	2,348	434	25,525
15	1 July 32 to 30 June 33	0	36	36	2,290	2,326	375	25,900
16	1 July 33 to 30 June 34	0	23	23	2,290	2,313	325	26,225
17	1 July 34 to 30 June 35	0	14	14	2,193	2,207	284	26,509
18	1 July 35 to 30 June 36	0	9	9	1,785	1,794	248	26,757
19	1 July 36 to 30 June 37	0	6	6	1,785	1,791	691	27,448
20	1 July 37 to 30 June 38	0	3	3	1,785	1,788	432	27,881
21	1 July 38 to 30 June 39	0	2	2	1,785	1,787	270	28,151
22	1 July 39 to 30 June 40	0	1	1	1,785	1,786	169	28,320
23	1 July 40 to 30 June 41	0	1	1	1,785	1,786	105	28,425
24	1 July 41 to 30 June 42	0	1	1	1,785	1,786	65	28,491
25	1 July 42 to 30 June 43	0	0	0	1,785	1,785	42	28,532
26	1 July 43 to 30 June 44	0	0	0	1,785	1,785	26	28,558
27	1 July 44 to 30 June 45	0	0	0	1,785	1,785	16	28,574
28	1 July 45 to 30 June 46	0	0	0	1,785	1,785	10	28,584
29	1 July 46 to 30 June 47	0	0	0	1,411	1,411	6	28,591
30	1 July 47 to 30 June 48	0	0	0	1,010	1,010	4	28,595
31	1 July 48 to 30 June 49	0	0	0	1,010	1,010	2	28,597
32	1 July 49 to 30 June 50	0	0	0	1,010	1,010	2	28,599
33	1 July 50 to 30 June 51	0	0	0	1,010	1,010	1	28,600
34	1 July 51 to 30 June 52	0	0	0	1,010	1,010	1	28,600
35	1 July 52 to 30 June 53	0	0	0	1,010	1,010	0	28,601
36	1 July 53 to 30 June 54	0	0	0	1,010	1,010	0	28,601
37	1 July 54 to 30 June 55	0	0	0	1,010	1,010	0	28,601
38	1 July 55 to 30 June 56	0	0	0	1,010	1,010	0	28,601
39	1 July 56 to 30 June 57	0	0	0	1,010	1,010	0	28,601
40	2057+	0	0	0	2,790	2,790	0	28,601
Totals		4,032	10,819	14,851	69,797	84,648	28,601	28,601

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	7 June 19 to 30 June 19	0	0	0	80	80	0	0
2	1 July 19 to 30 June 20	285	1,757	2,042	1,528	3,570	2,574	2,574
3	1 July 20 to 30 June 21	1,157	1,098	2,255	2,290	4,545	2,574	5,148
4	1 July 21 to 30 June 22	1,157	687	1,844	2,290	4,134	2,574	7,722
5	1 July 22 to 30 June 23	1,157	429	1,586	2,290	3,876	2,574	10,296
6	1 July 23 to 30 June 24	1,157	268	1,425	2,290	3,715	2,543	12,839
7	1 July 24 to 30 June 25	1,053	168	1,221	2,290	3,511	2,029	14,868
8	1 July 25 to 30 June 26	737	105	842	2,290	3,132	1,648	16,516
9	1 July 26 to 30 June 27	737	65	802	2,290	3,092	1,648	18,164
10	1 July 27 to 30 June 28	737	41	778	2,290	3,068	1,648	19,812
11	1 July 28 to 30 June 29	737	26	763	2,290	3,053	1,640	21,452
12	1 July 29 to 30 June 30	636	16	652	2,290	2,942	1,477	22,929
13	1 July 30 to 30 June 31	350	10	360	2,290	2,650	1,449	24,378
14	1 July 31 to 30 June 32	264	6	270	2,290	2,560	1,084	25,462
15	1 July 32 to 30 June 33	0	4	4	2,290	2,294	1,016	26,478
16	1 July 33 to 30 June 34	0	2	2	2,290	2,292	943	27,421
17	1 July 34 to 30 June 35	0	2	2	2,193	2,195	272	27,693
18	1 July 35 to 30 June 36	0	1	1	1,785	1,786	272	27,965
19	1 July 36 to 30 June 37	0	1	1	1,785	1,786	272	28,237
20	1 July 37 to 30 June 38	0	0	0	1,785	1,785	272	28,509
21	1 July 38 to 30 June 39	0	0	0	1,785	1,785	255	28,764
22	1 July 39 to 30 June 40	0	0	0	1,785	1,785	0	28,764
23	1 July 40 to 30 June 41	0	0	0	1,785	1,785	0	28,764
24	1 July 41 to 30 June 42	0	0	0	1,785	1,785	0	28,764
25	1 July 42 to 30 June 43	0	0	0	1,785	1,785	0	28,764
26	1 July 43 to 30 June 44	0	0	0	1,785	1,785	0	28,764
27	1 July 44 to 30 June 45	0	0	0	1,785	1,785	0	28,764
28	1 July 45 to 30 June 46	0	0	0	1,785	1,785	0	28,764
29	1 July 46 to 30 June 47	0	0	0	1,411	1,411	0	28,764
30	1 July 47 to 30 June 48	0	0	0	1,010	1,010	0	28,764
31	1 July 48 to 30 June 49	0	0	0	1,010	1,010	0	28,764
32	1 July 49 to 30 June 50	0	0	0	1,010	1,010	0	28,764
33	1 July 50 to 30 June 51	0	0	0	1,010	1,010	0	28,764
34	1 July 51 to 30 June 52	0	0	0	1,010	1,010	0	28,764
35	1 July 52 to 30 June 53	0	0	0	1,010	1,010	0	28,764
36	1 July 53 to 30 June 54	0	0	0	1,010	1,010	0	28,764
37	1 July 54 to 30 June 55	0	0	0	1,010	1,010	0	28,764
38	1 July 55 to 30 June 56	0	0	0	1,010	1,010	0	28,764
39	1 July 56 to 30 June 57	0	0	0	1,010	1,010	0	28,764
40	2057+	0	0	0	2,790	2,790	0	28,764
Totals		10,165	4,686	14,851	69,797	84,648	28,764	28,764

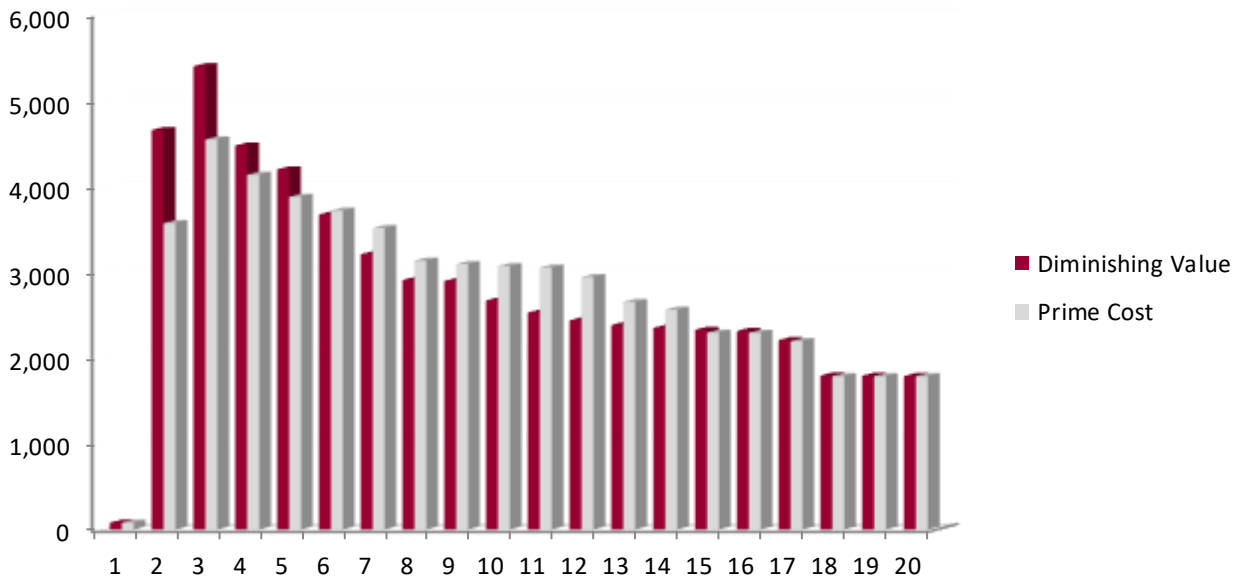
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

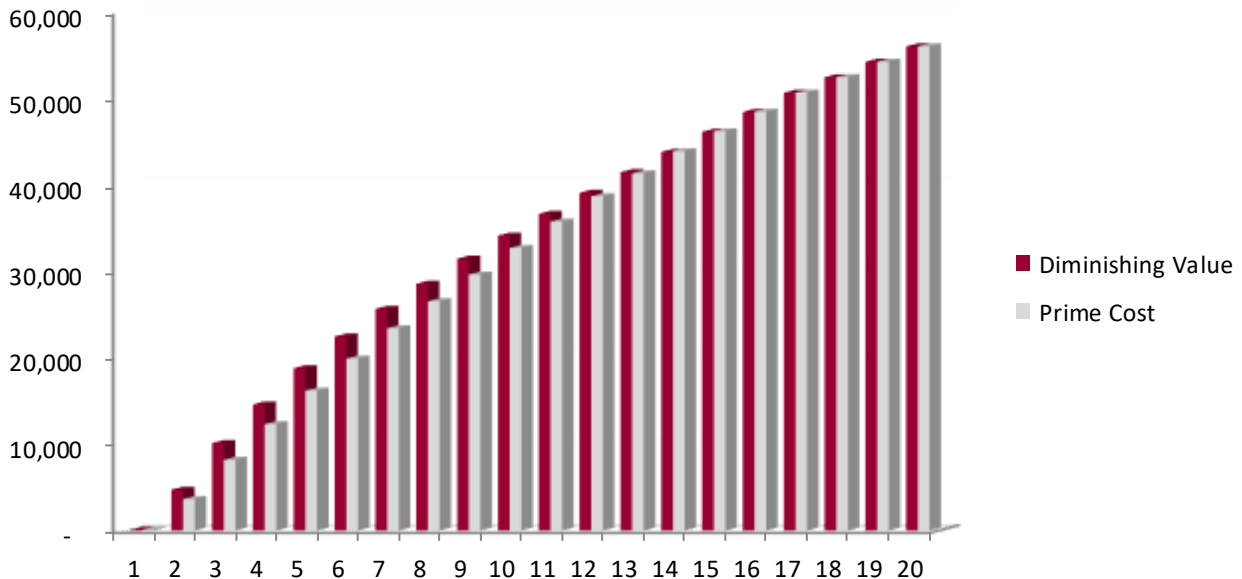
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	8 May 2019
Settlement Date	7 June 2019
Available To Generate Income	15 April 2020

Expenditure Analysed

Purchase Price	\$760,000
Stamp Duty	\$32,000
Legals	\$1,500
Post Expenditure	\$55,259
Total Expenditure Analysed	\$848,759

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:

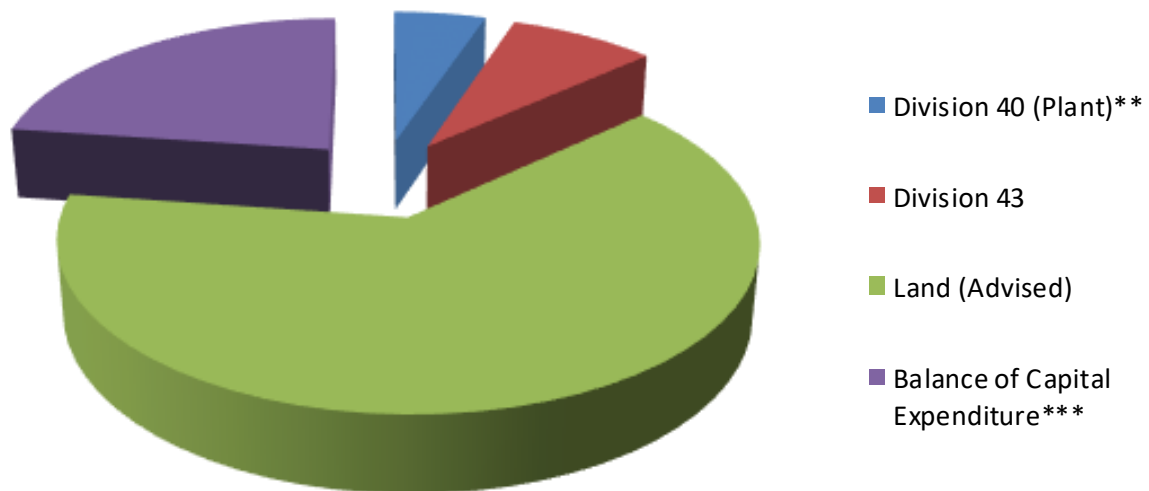
Division 40 (Plant)**	\$43,777
Division 43	\$69,797
Land (Advised)	\$541,895
Balance of Capital Expenditure***	\$193,290
Total Expenditure Analysed	\$848,759

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
Blinds Residential	NO	20.00%	7-Jun-19	273	3	101	63	39	25	15	10	6	4	2
Computer systems														
General	NO	40.00%	7-Jun-19	423	11	155	97	60	38	24	15	9	6	4
Curtains and drapes	NO	33.33%	7-Jun-19	2,452	51	800	533	356	267	167	104	65	41	25
Floor coverings (removable without damage)														
Floating timber	NO	13.33%	7-Jun-19	10,740	90	1,420	1,231	1,067	924	801	694	602	521	452
Furniture	NO	15.00%	7-Jun-19	1,269	12	189	160	341	213	133	83	52	32	20
Heating units														
Gas ducted central heating	NO	10.00%	7-Jun-19	5,440	34	541	487	438	394	355	319	287	259	233
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	7-Jun-19	1,813	19	299	249	208	173	324	203	127	79	50
Kitchen assets														
Cooktops	NO	16.67%	7-Jun-19	1,028	11	169	318	199	124	78	48	30	19	12
Dishwashers	NO	20.00%	7-Jun-19	1,451	18	286	229	344	215	134	84	52	33	20
Ovens	NO	16.67%	7-Jun-19	1,330	14	219	183	343	214	134	84	52	33	20
Rangehoods	NO	16.67%	7-Jun-19	544	6	202	126	79	49	31	19	12	8	5
Lights														
Shades, removable	NO	40.00%	7-Jun-19	471	12	172	108	67	42	26	16	10	6	4
Shades, removable	NO	40.00%	7-Jun-19	1,692	43	660	371	232	145	91	57	35	22	14
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
Air-conditioning assets (excl. ducting, pipes & vents)														
Mini split system upto 20KW	YES	20.00%	1-Apr-20	1,365		67	260	208	312	195	122	76	48	30
Bathroom assets														
Exhaust fans (including light/heating)	YES	18.75%	1-Apr-20	600		225	141	88	55	34	21	13	8	5
Blinds Residential	YES	18.75%	1-Apr-20	226		85	53	33	21	13	8	5	3	2
Ceiling Fans	YES	18.75%	1-Apr-20	250		94	59	37	23	14	9	6	3	2
Curtains and drapes	YES	18.75%	1-Apr-20	2,028		761	475	297	186	116	73	45	28	18
Furniture	YES	18.75%	1-Apr-20	1,333		500	312	195	122	76	48	30	19	12
Carried forward				830,631	34,728	324	6,944	5,454	4,629	3,541	2,761	2,017	1,516	1,172

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														
		Value Rate												
	Brought forward		830,631	34,728	324	6,944	5,454	4,629	3,541	2,761	2,017	1,516	1,172	
Kitchen assets														
Cooktops	YES	16.67%	1-Apr-20	1,450		59	232	193	362	226	141	88	55	35
Dishwashers	YES	25.00%	1-Apr-20	1,899		117	446	334	251	282	176	110	69	43
Ovens	YES	16.67%	1-Apr-20	2,750		113	440	366	305	254	212	177	331	207
Rangehoods	YES	18.75%	1-Apr-20	850		319	199	125	78	49	30	19	12	7
Lights														
Shades, removable	YES	18.75%	1-Apr-20	2,100		788	492	308	192	120	75	47	29	18
Pooled Plant Total						3,400	2,814	2,786	2,681	2,282	1,426	892	888	555
Effective Life Plant Total					324	4,939	4,448	3,169	2,047	1,410	1,225	1,066	780	685
Total Division 40				43,777	324	8,339	7,262	5,955	4,729	3,692	2,652	1,957	1,668	1,240
Division 43 - Capital Works Allowance														
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1995		2.50%	07-Jun-19	6,336	25	399	399	399	399	399	399	399	399	399
Building Works - Completed 2007		2.50%	07-Jun-19	16,792	38	609	609	609	609	609	609	609	609	609
Building Works - Completed 2020		2.50%	01-Apr-20	40,408		248	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010
Structural Improvements - Completed 1995		2.50%	07-Jun-19	1,679	7	106	106	106	106	106	106	106	106	106
Structural Improvements - Completed 2007		2.50%	07-Jun-19	4,582	10	166	166	166	166	166	166	166	166	166
Total Division 43				69,797	80	1,528	2,290	2,290	2,290	2,290	2,290	2,290	2,290	2,290

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
Blinds Residential	NO	10.00%	07-Jun-19	273	2	27	27	27	27	27	27	27	27	27
Computer systems														
General	NO	20.00%	07-Jun-19	423	5	85	85	85	85	78				
Curtains and drapes	NO	16.67%	07-Jun-19	2,452	26	409	409	409	409	409	381			
Floor coverings (removable without damage)														
Floating timber	NO	6.67%	07-Jun-19	10,740	45	716	716	716	716	716	716	716	716	716
Furniture	NO	7.50%	07-Jun-19	1,269	6	95	95	95	95	95	95	95	95	95
Heating units														
Gas ducted central heating	NO	5.00%	07-Jun-19	5,440	17	272	272	272	272	272	272	272	272	272
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	07-Jun-19	1,813	10	151	151	151	151	151	151	151	151	151
Kitchen assets														
Cooktops	NO	8.33%	07-Jun-19	1,028	5	86	86	86	86	86	86	86	86	86
Dishwashers	NO	10.00%	07-Jun-19	1,451	9	145	145	145	145	145	145	145	145	145
Ovens	NO	8.33%	07-Jun-19	1,330	7	111	111	111	111	111	111	111	111	111
Rangehoods	NO	8.33%	07-Jun-19	544	3	45	45	45	45	45	45	45	45	45
Lights														
Shades, removable	NO	20.00%	07-Jun-19	471	6	94	94	94	94	90				
Shades, removable	NO	20.00%	07-Jun-19	1,692	21	338	338	338	338	319				
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
Air-conditioning assets (excl. ducting, pipes & vents)														
Mini split system upto 20KW	YES	10.00%	01-Apr-20	1,365		34	137	137	137	137	137	137	137	137
Bathroom assets														
Exhaust fans (including light/heating)	YES	10.00%	01-Apr-20	600		15	60	60	60	60	60	60	60	60
Blinds Residential	YES	18.75%	01-Apr-20	226		85	53	33	21	13	8	5	3	2
Ceiling Fans	YES	18.75%	01-Apr-20	250		94	59	37	23	14	9	6	3	2
Curtains and drapes	YES	18.75%	01-Apr-20	2,028		761	475	297	186	116	73	45	28	18
Furniture	YES	18.75%	01-Apr-20	1,333		500	312	195	122	76	48	30	19	12
Carried forward				830,631	162	4,061	3,670	3,333	3,122	2,960	2,363	1,931	1,899	

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														
		Rate												
	Brought forward		830,631	34,728	162	4,061	3,670	3,333	3,122	2,960	2,363	1,931	1,899	
Kitchen assets														
Cooktops	YES	8.33%	01-Apr-20	1,450		30	121	121	121	121	121	121	121	121
Dishwashers	YES	10.00%	01-Apr-20	1,899		47	190	190	190	190	190	190	190	190
Ovens	YES	8.33%	01-Apr-20	2,750		56	229	229	229	229	229	229	229	229
Rangehoods	YES	18.75%	01-Apr-20	850		319	199	125	78	49	30	19	12	7
Lights														
Shades, removable	YES	20.00%	01-Apr-20	2,100		103	420	420	420	420	317			
Pooled Plant Total						1,757	1,098	687	429	268	168	105	65	41
Effective Life Plant Total					162	2,859	3,731	3,731	3,731	3,700	3,083	2,385	2,385	2,385
Total Division 40				43,777	162	4,616	4,829	4,418	4,160	3,969	3,250	2,490	2,450	2,426
Division 43 - Capital Works Allowance														
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1995		2.50%	07-Jun-19	6,336	25	399	399	399	399	399	399	399	399	399
Building Works - Completed 2007		2.50%	07-Jun-19	16,792	38	609	609	609	609	609	609	609	609	609
Building Works - Completed 2020		2.50%	01-Apr-20	40,408		248	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,010
Structural Improvements - Completed 1995		2.50%	07-Jun-19	1,679	7	106	106	106	106	106	106	106	106	106
Structural Improvements - Completed 2007		2.50%	07-Jun-19	4,582	10	166	166	166	166	166	166	166	166	166
Total Division 43				69,797	80	1,528	2,290	2,290	2,290	2,290	2,290	2,290	2,290	2,290

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 1995	1 Apr 95 to 1 May 95	15,957	2.50%	399	6,336
Building Works - Completed 2007	8 Dec 06 to 7 Jan 07	24,355	2.50%	609	16,792
Building Works - Completed 2020	1 Jul 19 to 1 Apr 20	40,408	2.50%	1,010	40,408
Sub-total		80,720		2,018	63,536

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1995	1 Apr 95 to 1 May 95	4,229	2.50%	106	1,679
Structural Improvements - Completed 2007	8 Dec 06 to 7 Jan 07	6,646	2.50%	166	4,582
Sub-total		10,876		272	6,261
Totals		91,596		2,290	69,797

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	1300 669 400
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>