



Tax Depreciation Report

1 /15 Dowerin Drive,
Legana TAS 7277

Adam Wollins
PO Box 6418
Rouse Hill Town Centre
NSW 2155

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



Adam Wollins
PO Box 6418
Rouse Hill Town Centre
NSW 2155

July 2020
Job No: RES7277001

Tax Depreciation Report – 1/15 Dowerin Drive, Legana TAS 7277

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.

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

21 July 2020

Purchaser

Adam Wollins

Property Address

1/15 Dowerin Drive, Legana TAS 7277

Real Property Description

[[REAL PROPERTY DESCRIPTION]]

Property Type

Residential House

Date of Construction

1 August 2014

Date Available To Generate Income

27 March 2020

Property Photo



2. Report Details

2.1 Introduction

Koste Pty Ltd has prepared an independent Tax Depreciation Schedule for the purchase of the subject property under the Income Tax Act 1997.

We have evaluated and reported the allowances based on the following:

Division 40 (Capital Allowances)

Referred to as Depreciating Assets, identified as assets which can be removed with ease including; Appliances, Furnishings and the like. Koste will identify and provide an analysis using both Diminishing Value and Prime Cost methods of depreciation. All items which have a value less than \$300 will be written off in the first year.

Division 40 (Capital Allowances) - Low Value Pool

Low Cost Assets are depreciating assets which have a cost of between \$300 and \$1,000 at your purchase date. These assets are depreciated at 18.75% in the first year, and 37.5% in each subsequent year.

Division 43 (Capital Works)

Capital works often referred to as Building Allowances entitles the tax payer to a deduction on assessable income producing buildings and other capital works. The opening value of these assets will be calculated on the date of installation; typical assets may include Windows, Doors and Walls.

3. Capital Allowances

3.1 Entitlement

Capital Allowances Division 40 of the Income Tax Act 1997 allows the taxpayer to a deduction of the decline in value of a depreciating asset used for income producing purpose over its effective life. A depreciating asset will deteriorate over the life and will therefore decline in value.

3.2 Qualifying Expenditure Calculation

On a property acquisition, Capital Allowances (Plant and Equipment) are based on a reasonable apportionment of the purchase price relating to qualifying plant under the Income Tax Assessment Act (ITAA) 1977 Section 40 – 195.

3.3 Effective Life

The Commissioner of Taxation provides regular tax rulings which determine the period an asset can be used to produce income. Included within this report is as new effective life rates.

3.4 Immediate Write-Off Assets

A depreciating asset which costs less than \$300 can be immediately written off under Division 40 of ITAA. Please note that this is only applicable to residential property investments.

3.5 Low Value Pool

Assets which have a starting value of between \$300 and \$1000 have been included within the Low Value Pool. These assets are depreciated at 18.75% in the first year and 37.5% for all subsequent years on a diminishing basis.

An asset that has a written down value under \$1000 in following years will be allocated to the low value pool and depreciated at 37.5% using diminishing value method. This method does not apply to assets that were depreciated using the prime cost method in any previous years.

3.6 Method of Depreciation

We provide you with a choice to calculate the decline in value for depreciating assets. Your choice on whether to use Diminishing Value or Prime Cost method of depreciation should be discussed with your accountant. Once a depreciation method is chosen for an asset this cannot be changed.

Diminishing Value Method					Prime Cost Method				
Diminishing value method is often the most popular form of depreciation due to the cash-flow benefits in the early years of asset ownership.					Prime Cost Method of Depreciation, often referred to as straight line depreciation is depreciated at a constant rate each year.				
Benefits					Benefits				
<ul style="list-style-type: none"> • Cash-flow during initial years of asset ownership • Ability to use Low Value Pool for assets less than \$1000 (Note: unable to write off these assets) 					<ul style="list-style-type: none"> • Write off assets when they are demolished or disposed. 				
Calculation Example					Calculation Example				
Under Diminishing Value method, the effective life is dividing by 200.					Under Prime Cost method, the effective life is dividing by 100.				
200 / 10 Years = 20% (Adjusted Value)					100 / 10 Years = 10% (Straight Line)				
If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.					If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.				
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 March 20 to 30 June 20	0	0	0	1,614	1,614	3,658	3,658
2	1 July 20 to 30 June 21	0	0	0	6,216	6,216	7,799	11,457
3	1 July 21 to 30 June 22	0	0	0	6,216	6,216	6,005	17,462
4	1 July 22 to 30 June 23	0	0	0	6,216	6,216	4,614	22,076
5	1 July 23 to 30 June 24	0	0	0	6,216	6,216	3,291	25,367
6	1 July 24 to 30 June 25	0	0	0	6,216	6,216	2,801	28,168
7	1 July 25 to 30 June 26	0	0	0	6,216	6,216	1,964	30,132
8	1 July 26 to 30 June 27	0	0	0	6,216	6,216	1,880	32,012
9	1 July 27 to 30 June 28	0	0	0	6,216	6,216	1,232	33,244
10	1 July 28 to 30 June 29	0	0	0	6,216	6,216	818	34,063
11	1 July 29 to 30 June 30	0	0	0	6,216	6,216	552	34,615
12	1 July 30 to 30 June 31	0	0	0	6,216	6,216	578	35,193
13	1 July 31 to 30 June 32	0	0	0	6,216	6,216	361	35,554
14	1 July 32 to 30 June 33	0	0	0	6,216	6,216	226	35,779
15	1 July 33 to 30 June 34	0	0	0	6,216	6,216	141	35,920
16	1 July 34 to 30 June 35	0	0	0	6,216	6,216	88	36,009
17	1 July 35 to 30 June 36	0	0	0	6,216	6,216	55	36,064
18	1 July 36 to 30 June 37	0	0	0	6,216	6,216	34	36,098
19	1 July 37 to 30 June 38	0	0	0	6,216	6,216	22	36,120
20	1 July 38 to 30 June 39	0	0	0	6,216	6,216	13	36,133
21	1 July 39 to 30 June 40	0	0	0	6,216	6,216	8	36,141
22	1 July 40 to 30 June 41	0	0	0	6,216	6,216	5	36,147
23	1 July 41 to 30 June 42	0	0	0	6,216	6,216	3	36,150
24	1 July 42 to 30 June 43	0	0	0	6,216	6,216	2	36,152
25	1 July 43 to 30 June 44	0	0	0	6,216	6,216	1	36,153
26	1 July 44 to 30 June 45	0	0	0	6,216	6,216	1	36,154
27	1 July 45 to 30 June 46	0	0	0	6,216	6,216	1	36,155
28	1 July 46 to 30 June 47	0	0	0	6,216	6,216	0	36,155
29	1 July 47 to 30 June 48	0	0	0	6,216	6,216	0	36,155
30	1 July 48 to 30 June 49	0	0	0	6,216	6,216	0	36,155
31	1 July 49 to 30 June 50	0	0	0	6,216	6,216	0	36,155
32	1 July 50 to 30 June 51	0	0	0	6,216	6,216	0	36,155
33	1 July 51 to 30 June 52	0	0	0	6,216	6,216	0	36,155
34	1 July 52 to 30 June 53	0	0	0	6,216	6,216	0	36,155
35	1 July 53 to 30 June 54	0	0	0	6,216	6,216	0	36,155
36	1 July 54 to 30 June 55	0	0	0	511	511	0	36,155
37	1 July 55 to 30 June 56	0	0	0	0	0	0	36,155
38	1 July 56 to 30 June 57	0	0	0	0	0	0	36,155
39	1 July 57 to 30 June 58	0	0	0	0	0	0	36,155
40	2058+	0	0	0	0	0	0	36,155
Totals		0	0	0	213,469	213,469	36,155	36,155

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 March 20 to 30 June 20	0	0	0	1,614	1,614	2,960	2,960
2	1 July 20 to 30 June 21	0	0	0	6,216	6,216	5,432	8,393
3	1 July 21 to 30 June 22	0	0	0	6,216	6,216	4,402	12,795
4	1 July 22 to 30 June 23	0	0	0	6,216	6,216	3,759	16,554
5	1 July 23 to 30 June 24	0	0	0	6,216	6,216	3,356	19,910
6	1 July 24 to 30 June 25	0	0	0	6,216	6,216	2,995	22,905
7	1 July 25 to 30 June 26	0	0	0	6,216	6,216	2,526	25,431
8	1 July 26 to 30 June 27	0	0	0	6,216	6,216	2,428	27,859
9	1 July 27 to 30 June 28	0	0	0	6,216	6,216	2,146	30,004
10	1 July 28 to 30 June 29	0	0	0	6,216	6,216	1,477	31,481
11	1 July 29 to 30 June 30	0	0	0	6,216	6,216	1,322	32,803
12	1 July 30 to 30 June 31	0	0	0	6,216	6,216	956	33,759
13	1 July 31 to 30 June 32	0	0	0	6,216	6,216	875	34,634
14	1 July 32 to 30 June 33	0	0	0	6,216	6,216	664	35,298
15	1 July 33 to 30 June 34	0	0	0	6,216	6,216	340	35,638
16	1 July 34 to 30 June 35	0	0	0	6,216	6,216	247	35,884
17	1 July 35 to 30 June 36	0	0	0	6,216	6,216	56	35,941
18	1 July 36 to 30 June 37	0	0	0	6,216	6,216	55	35,996
19	1 July 37 to 30 June 38	0	0	0	6,216	6,216	55	36,051
20	1 July 38 to 30 June 39	0	0	0	6,216	6,216	55	36,106
21	1 July 39 to 30 June 40	0	0	0	6,216	6,216	49	36,155
22	1 July 40 to 30 June 41	0	0	0	6,216	6,216	0	36,155
23	1 July 41 to 30 June 42	0	0	0	6,216	6,216	0	36,155
24	1 July 42 to 30 June 43	0	0	0	6,216	6,216	0	36,155
25	1 July 43 to 30 June 44	0	0	0	6,216	6,216	0	36,155
26	1 July 44 to 30 June 45	0	0	0	6,216	6,216	0	36,155
27	1 July 45 to 30 June 46	0	0	0	6,216	6,216	0	36,155
28	1 July 46 to 30 June 47	0	0	0	6,216	6,216	0	36,155
29	1 July 47 to 30 June 48	0	0	0	6,216	6,216	0	36,155
30	1 July 48 to 30 June 49	0	0	0	6,216	6,216	0	36,155
31	1 July 49 to 30 June 50	0	0	0	6,216	6,216	0	36,155
32	1 July 50 to 30 June 51	0	0	0	6,216	6,216	0	36,155
33	1 July 51 to 30 June 52	0	0	0	6,216	6,216	0	36,155
34	1 July 52 to 30 June 53	0	0	0	6,216	6,216	0	36,155
35	1 July 53 to 30 June 54	0	0	0	6,216	6,216	0	36,155
36	1 July 54 to 30 June 55	0	0	0	511	511	0	36,155
37	1 July 55 to 30 June 56	0	0	0	0	0	0	36,155
38	1 July 56 to 30 June 57	0	0	0	0	0	0	36,155
39	1 July 57 to 30 June 58	0	0	0	0	0	0	36,155
40	2058+	0	0	0	0	0	0	36,155
Totals		0	0	0	213,469	213,469	36,155	36,155

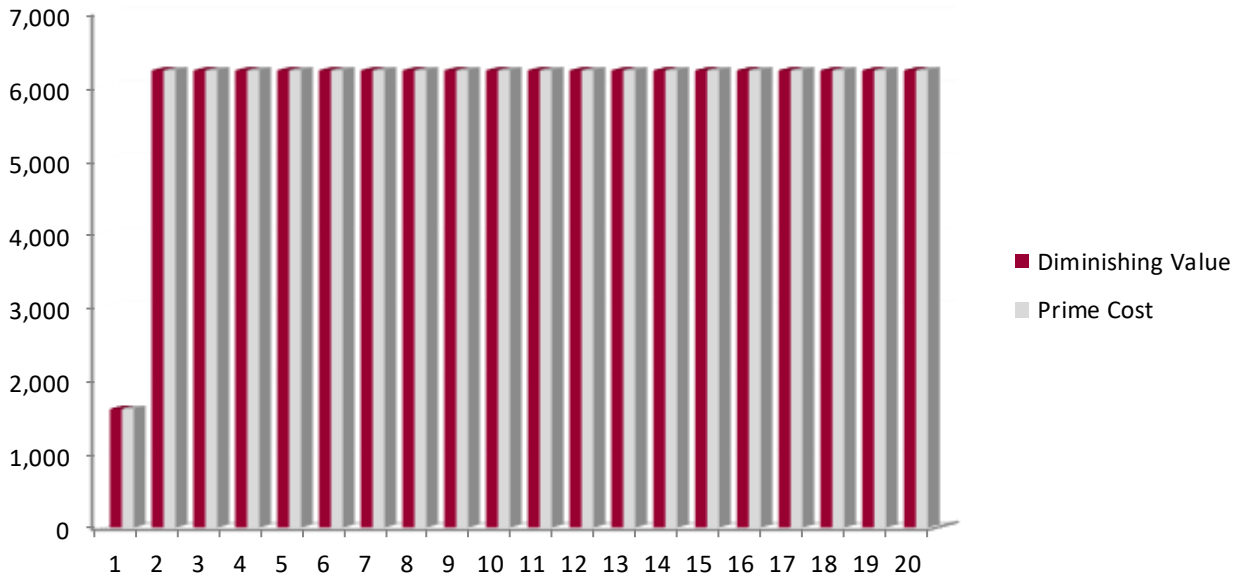
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

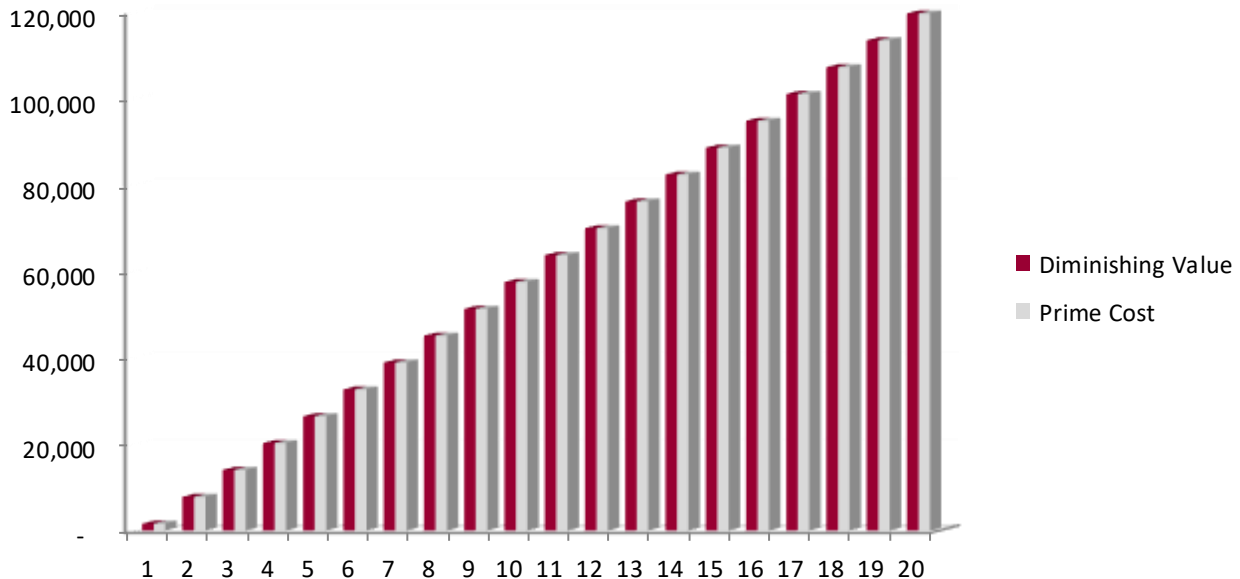
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	1 March 2020
Settlement Date	27 March 2020
Available To Generate Income	27 March 2020

Expenditure Analysed

Purchase Price	\$410,000
Stamp Duty	\$12,775
Legals	\$1,200
Post Expenditure	\$0
Total Expenditure Analysed	\$423,975

Historical Construction Details

Construction Start Date	1 February 2014
Construction Completion Date	1 August 2014
Historical Construction Cost (Estimated)*	\$290,983
Lot Entitlement	1
Overall Lot Entitlement	1

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

Division 40 (Plant)**	\$36,155
Division 43	\$213,469
Land (Estimated)	\$147,971
Balance of Capital Expenditure***	\$26,379
Total Expenditure Analysed	\$423,974

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													
Division 40 - Plant and Equipment	For Depreciation	Value Rate	Start Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Air-conditioning assets (excl. ducting, pipes & vents)															
Mini split system upto 20KW	NO	20.00%	27-Mar-20	3,439	179	652	522	417	334	267	214	320	200	125	
Blinds Residential															
	NO	18.75%	27-Mar-20	4,291	805	1,308	817	511	319	200	125	78	49	30	
Fire control assets															
Detection & alarm systems, detectors	NO	18.75%	27-Mar-20	1,513	284	461	288	180	113	70	44	27	17	11	
Floor coverings (removable without damage)															
Carpets	NO	25.00%	27-Mar-20	5,433	353	1,270	953	714	536	402	301	339	212	132	
Floating timber	NO	13.33%	27-Mar-20	2,178	75	280	243	211	182	158	137	334	209	131	
Furniture															
Furniture	NO	15.00%	27-Mar-20	4,642	181	669	569	484	411	349	297	252	215	182	
Furniture	NO	18.75%	27-Mar-20	1,719	322	524	327	205	128	80	50	31	20	12	
Garage doors, automatic															
Motors	NO	20.00%	27-Mar-20	1,375	71	261	209	313	196	122	76	48	30	19	
Heating units															
Electronic	NO	13.33%	27-Mar-20	1,605	56	207	179	155	134	328	205	128	80	50	
Hot water systems (excluding piping)															
Gas or electric	NO	16.67%	27-Mar-20	2,063	89	329	274	228	190	357	223	139	87	54	
Kitchen assets															
Cooktops	NO	18.75%	27-Mar-20	974	183	297	186	116	72	45	28	18	11	7	
Dishwashers	NO	25.00%	27-Mar-20	1,375	89	322	362	226	141	88	55	34	22	13	
Ovens	NO	16.67%	27-Mar-20	1,261	55	201	168	314	196	123	77	48	30	19	
Rangehoods	NO	18.75%	27-Mar-20	516	97	157	98	61	38	24	15	9	6	4	
Lights															
Fittings (excluding hardwired)	NO	40.00%	27-Mar-20	2,109	219	756	454	255	159	100	62	39	24	15	
Outdoor assets															
Barbecues	NO	10.00%	27-Mar-20	1,089	28	106	358	224	140	87	55	34	21	13	
\$300 items															
	NO	100.00%	27-Mar-20	573	573										
Pooled Plant Total					1,690	2,746	2,436	2,405	1,503	1,624	1,015	1,628	1,018	636	
Effective Life Plant Total					1,968	5,053	3,569	2,209	1,788	1,176	949	252	215	182	
Total Division 40					36,155	3,658	7,799	6,005	4,614	3,291	2,801	1,964	1,880	1,232	818
Division 43 - Capital Works Allowance															
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10	
Building Works - Completed 2014		2.50%	27-Mar-20	204,650	1,547	5,959	5,959	5,959	5,959	5,959	5,959	5,959	5,959	5,959	
Structural Improvements - Completed 2014		2.50%	27-Mar-20	8,819	67	257	257	257	257	257	257	257	257	257	
Total Division 43				213,469	1,614	6,216	6,216	6,216	6,216	6,216	6,216	6,216	6,216	6,216	

11. Prime Cost Depreciation Schedule

Assets Generally Division 40 - Plant and Equipment	Eligibility For Depreciation	Prime Cost Rate	Start Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Air-conditioning assets (excl. ducting, pipes & vents)														
Mini split system upto 20KW	NO	10.00%	27-Mar-20	3,439	89	344	344	344	344	344	344	344	344	344
Blinds Residential														
	NO	18.75%	27-Mar-20	4,291	805	1,308	817	511	319	200	125	78	49	30
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	27-Mar-20	1,513	284	461	288	180	113	70	44	27	17	11
Floor coverings (removable without damage)														
Carpets	NO	12.50%	27-Mar-20	5,433	176	679	679	679	679	679	679	679	504	
Floating timber	NO	6.67%	27-Mar-20	2,178	38	145	145	145	145	145	145	145	145	145
Furniture														
Furniture	NO	7.50%	27-Mar-20	4,642	90	348	348	348	348	348	348	348	348	348
Furniture	NO	18.75%	27-Mar-20	1,719	322	524	327	205	128	80	50	31	20	12
Garage doors, automatic														
Motors	NO	10.00%	27-Mar-20	1,375	36	138	138	138	138	138	138	138	138	138
Heating units														
Electronic	NO	6.67%	27-Mar-20	1,605	28	107	107	107	107	107	107	107	107	107
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	27-Mar-20	2,063	45	172	172	172	172	172	172	172	172	172
Kitchen assets														
Cooktops	NO	18.75%	27-Mar-20	974	183	297	186	116	72	45	28	18	11	7
Dishwashers	NO	12.50%	27-Mar-20	1,375	45	172	172	172	172	172	172	172	127	
Ovens	NO	8.33%	27-Mar-20	1,261	27	105	105	105	105	105	105	105	105	105
Rangehoods	NO	18.75%	27-Mar-20	516	97	157	98	61	38	24	15	9	6	4
Lights														
Fittings (excluding hardwired)	NO	20.00%	27-Mar-20	2,109	109	422	422	422	422	312				
Outdoor assets														
Barbecues	NO	5.00%	27-Mar-20	1,089	14	54	54	54	54	54	54	54	54	54
\$300 items														
	NO	100.00%	27-Mar-20	573	573									
Pooled Plant Total					1,690	2,746	1,716	1,073	670	419	262	164	102	64
Effective Life Plant Total					1,270	2,686	2,686	2,686	2,686	2,576	2,264	2,264	2,043	1,413
Total Division 40				36,155	2,960	5,432	4,402	3,759	3,356	2,995	2,526	2,428	2,146	1,477
Division 43 - Capital Works Allowance														
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2014		2.50%	27-Mar-20	204,650	1,547	5,959	5,959	5,959	5,959	5,959	5,959	5,959	5,959	5,959
Structural Improvements - Completed 2014		2.50%	27-Mar-20	8,819	67	257	257	257	257	257	257	257	257	257
Total Division 43				213,469	1,614	6,216	6,216	6,216	6,216	6,216	6,216	6,216	6,216	6,216

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 2014	1 Feb 14 to 1 Aug 14	238,364	2.50%	5,959	204,650
Sub-total		238,364		5,959	204,650

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2014	1 Feb 14 to 1 Aug 14	10,271	2.50%	257	8,819
Sub-total		10,271		257	8,819
Totals		248,636		6,216	213,469

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
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LEAD SURVEYOR DETAILS	
Surveyors Name	Mark Kilroy
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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>