



## Tax Depreciation Report

Unit 1 / 282 Kensington Rd,  
Leabrook SA 5068, Australia

Karen Michelle Blight  
19 Romalo Ave  
MAGILL, SA 5072

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

Karen Michelle Blight  
19 Romalo Ave  
MAGILL, SA 5072

July 2020  
Job No: RES5068010

**Tax Depreciation Report – Unit 1/282 Kensington Rd, Leabrook SA 5068, 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

22 July 2020

### Purchaser

Karen Michelle Blight

### Property Address

Unit 1/282 Kensington Rd, Leabrook SA 5068, Australia

### Real Property Description

LOT 1 C27579

### Property Type

Residential Unit

### Date of Construction

10 October 2012

### Date Available To Generate Income

17 July 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				
<p>Diminishing value method is often the most popular form of depreciation due to the cash-flow benefits in the early years of asset ownership.</p>					<p>Prime Cost Method of Depreciation, often referred to as straight line depreciation is depreciated at a constant rate each year.</p>				
Benefits					Benefits				
<ul style="list-style-type: none"> <li>• Cash-flow during initial years of asset ownership</li> <li>• Ability to use Low Value Pool for assets less than \$1000 (Note: unable to write off these assets)</li> </ul>					<ul style="list-style-type: none"> <li>• Write off assets when they are demolished or disposed.</li> </ul>				
Calculation Example					Calculation Example				
<p>Under Diminishing Value method, the effective life is dividing by 200.</p> <p><b>200 / 10 Years = 20% (Adjusted Value)</b></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><b>100 / 10 Years = 10% (Straight Line)</b></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	17 July 20 to 30 June 21	0	0	0	3,683	3,683	4,569	4,569
2	1 July 21 to 30 June 22	0	0	0	3,863	3,863	4,869	9,438
3	1 July 22 to 30 June 23	0	0	0	3,863	3,863	3,687	13,125
4	1 July 23 to 30 June 24	0	0	0	3,863	3,863	2,623	15,748
5	1 July 24 to 30 June 25	0	0	0	3,863	3,863	1,704	17,452
6	1 July 25 to 30 June 26	0	0	0	3,863	3,863	1,118	18,570
7	1 July 26 to 30 June 27	0	0	0	3,863	3,863	907	19,477
8	1 July 27 to 30 June 28	0	0	0	3,863	3,863	567	20,044
9	1 July 28 to 30 June 29	0	0	0	3,863	3,863	354	20,399
10	1 July 29 to 30 June 30	0	0	0	3,863	3,863	222	20,620
11	1 July 30 to 30 June 31	0	0	0	3,863	3,863	138	20,759
12	1 July 31 to 30 June 32	0	0	0	3,863	3,863	87	20,845
13	1 July 32 to 30 June 33	0	0	0	3,863	3,863	54	20,899
14	1 July 33 to 30 June 34	0	0	0	3,863	3,863	34	20,933
15	1 July 34 to 30 June 35	0	0	0	3,863	3,863	21	20,954
16	1 July 35 to 30 June 36	0	0	0	3,863	3,863	13	20,967
17	1 July 36 to 30 June 37	0	0	0	3,863	3,863	8	20,976
18	1 July 37 to 30 June 38	0	0	0	3,863	3,863	5	20,981
19	1 July 38 to 30 June 39	0	0	0	3,863	3,863	3	20,984
20	1 July 39 to 30 June 40	0	0	0	3,863	3,863	2	20,986
21	1 July 40 to 30 June 41	0	0	0	3,863	3,863	1	20,987
22	1 July 41 to 30 June 42	0	0	0	3,863	3,863	1	20,988
23	1 July 42 to 30 June 43	0	0	0	3,863	3,863	0	20,989
24	1 July 43 to 30 June 44	0	0	0	3,863	3,863	0	20,989
25	1 July 44 to 30 June 45	0	0	0	3,863	3,863	0	20,989
26	1 July 45 to 30 June 46	0	0	0	3,863	3,863	0	20,989
27	1 July 46 to 30 June 47	0	0	0	3,863	3,863	0	20,989
28	1 July 47 to 30 June 48	0	0	0	3,863	3,863	0	20,989
29	1 July 48 to 30 June 49	0	0	0	3,863	3,863	0	20,989
30	1 July 49 to 30 June 50	0	0	0	3,863	3,863	0	20,989
31	1 July 50 to 30 June 51	0	0	0	3,863	3,863	0	20,989
32	1 July 51 to 30 June 52	0	0	0	3,863	3,863	0	20,989
33	1 July 52 to 30 June 53	0	0	0	1,049	1,049	0	20,989
34	1 July 53 to 30 June 54	0	0	0	0	0	0	20,989
35	1 July 54 to 30 June 55	0	0	0	0	0	0	20,989
36	1 July 55 to 30 June 56	0	0	0	0	0	0	20,989
37	1 July 56 to 30 June 57	0	0	0	0	0	0	20,989
38	1 July 57 to 30 June 58	0	0	0	0	0	0	20,989
39	1 July 58 to 30 June 59	0	0	0	0	0	0	20,989
40	2059+	0	0	0	0	0	0	20,989
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>124,485</b>	<b>124,485</b>	<b>20,989</b>	<b>20,989</b>

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	17 July 20 to 30 June 21	0	0	0	3,683	3,683	3,410	3,410
2	1 July 21 to 30 June 22	0	0	0	3,863	3,863	3,868	7,278
3	1 July 22 to 30 June 23	0	0	0	3,863	3,863	2,874	10,152
4	1 July 23 to 30 June 24	0	0	0	3,863	3,863	2,253	12,405
5	1 July 24 to 30 June 25	0	0	0	3,863	3,863	1,864	14,269
6	1 July 25 to 30 June 26	0	0	0	3,863	3,863	1,622	15,890
7	1 July 26 to 30 June 27	0	0	0	3,863	3,863	1,430	17,320
8	1 July 27 to 30 June 28	0	0	0	3,863	3,863	1,244	18,564
9	1 July 28 to 30 June 29	0	0	0	3,863	3,863	837	19,401
10	1 July 29 to 30 June 30	0	0	0	3,863	3,863	788	20,189
11	1 July 30 to 30 June 31	0	0	0	3,863	3,863	389	20,578
12	1 July 31 to 30 June 32	0	0	0	3,863	3,863	354	20,932
13	1 July 32 to 30 June 33	0	0	0	3,863	3,863	32	20,964
14	1 July 33 to 30 June 34	0	0	0	3,863	3,863	9	20,974
15	1 July 34 to 30 June 35	0	0	0	3,863	3,863	6	20,980
16	1 July 35 to 30 June 36	0	0	0	3,863	3,863	4	20,983
17	1 July 36 to 30 June 37	0	0	0	3,863	3,863	2	20,986
18	1 July 37 to 30 June 38	0	0	0	3,863	3,863	1	20,987
19	1 July 38 to 30 June 39	0	0	0	3,863	3,863	1	20,988
20	1 July 39 to 30 June 40	0	0	0	3,863	3,863	1	20,988
21	1 July 40 to 30 June 41	0	0	0	3,863	3,863	0	20,989
22	1 July 41 to 30 June 42	0	0	0	3,863	3,863	0	20,989
23	1 July 42 to 30 June 43	0	0	0	3,863	3,863	0	20,989
24	1 July 43 to 30 June 44	0	0	0	3,863	3,863	0	20,989
25	1 July 44 to 30 June 45	0	0	0	3,863	3,863	0	20,989
26	1 July 45 to 30 June 46	0	0	0	3,863	3,863	0	20,989
27	1 July 46 to 30 June 47	0	0	0	3,863	3,863	0	20,989
28	1 July 47 to 30 June 48	0	0	0	3,863	3,863	0	20,989
29	1 July 48 to 30 June 49	0	0	0	3,863	3,863	0	20,989
30	1 July 49 to 30 June 50	0	0	0	3,863	3,863	0	20,989
31	1 July 50 to 30 June 51	0	0	0	3,863	3,863	0	20,989
32	1 July 51 to 30 June 52	0	0	0	3,863	3,863	0	20,989
33	1 July 52 to 30 June 53	0	0	0	1,049	1,049	0	20,989
34	1 July 53 to 30 June 54	0	0	0	0	0	0	20,989
35	1 July 54 to 30 June 55	0	0	0	0	0	0	20,989
36	1 July 55 to 30 June 56	0	0	0	0	0	0	20,989
37	1 July 56 to 30 June 57	0	0	0	0	0	0	20,989
38	1 July 57 to 30 June 58	0	0	0	0	0	0	20,989
39	1 July 58 to 30 June 59	0	0	0	0	0	0	20,989
40	2059+	0	0	0	0	0	0	20,989
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>124,485</b>	<b>124,485</b>	<b>20,989</b>	<b>20,989</b>

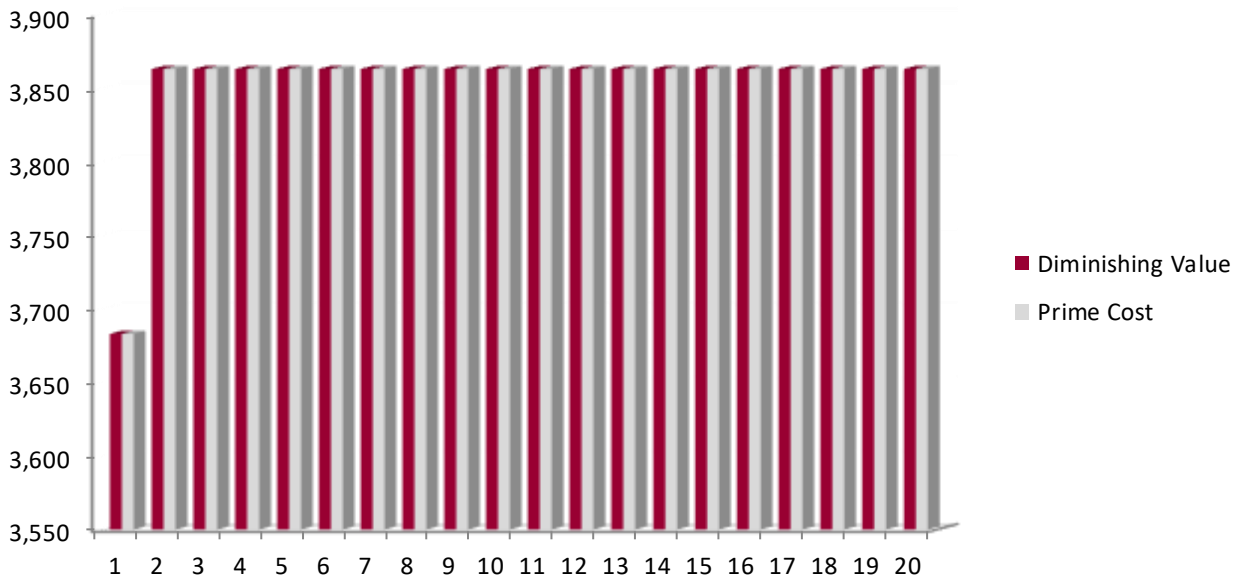
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

### Example

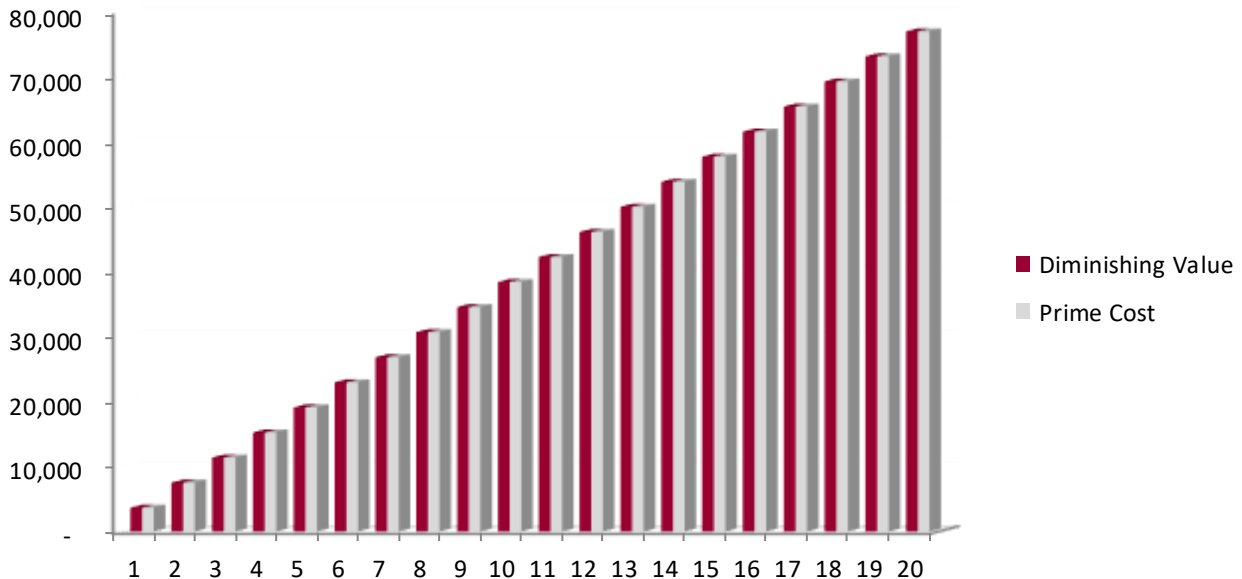
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

## 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	17 June 2020
Settlement Date	17 July 2020
Available To Generate Income	17 July 2020

### Expenditure Analysed

Purchase Price	\$430,000
Stamp Duty	\$17,830
<b>Total Expenditure Analysed</b>	<b>\$447,830</b>

### Historical Construction Details

Construction Start Date	14 January 2012
Construction Completion Date	10 October 2012
Historical Construction Cost (Estimated)*	\$170,494

## 9. Reconciliation of Capital Expenditure

### Apportionment of cost relating to:

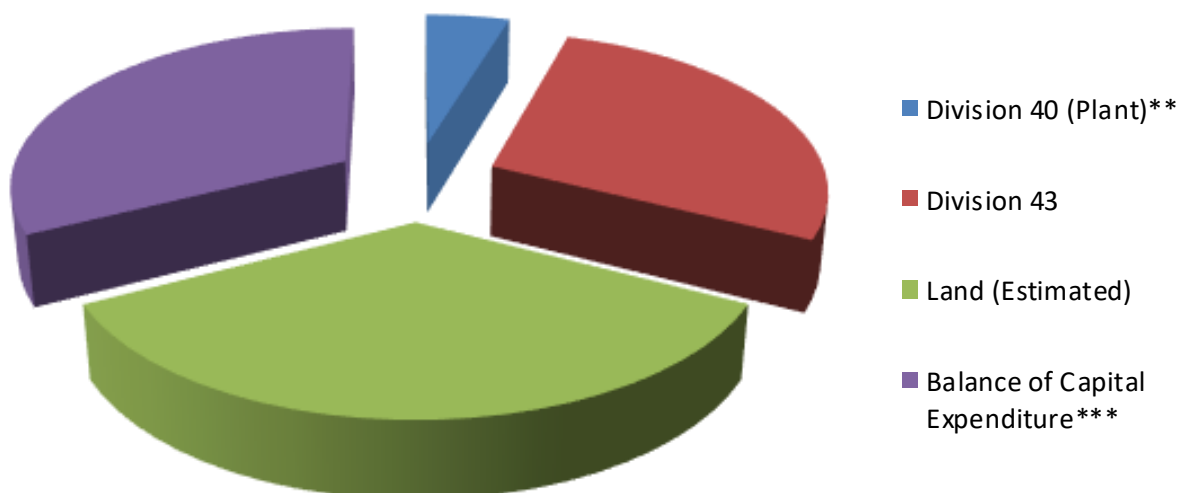
Division 40 (Plant)**	\$20,989
Division 43	\$124,485
Land (Estimated)	\$156,741
Balance of Capital Expenditure***	\$145,615
<b>Total Expenditure Analysed</b>	<b>\$447,830</b>

### 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 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	
<b>Division 40 - Plant and Equipment</b>															
<b>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>															
Mini split system upto 20KW	NO	20.00%	17-Jul-20	3,602	687	583	466	373	298	239	358	224	140	87	
<b>Bathroom assets</b>															
Exhaust fans (including light/heating)	NO	18.75%	17-Jul-20	973	182	296	185	116	72	45	28	18	11	7	
<b>Blinds Residential</b>															
	NO	18.75%	17-Jul-20	1,777	333	541	338	212	132	83	52	32	20	13	
<b>Fire control assets</b>															
Hoses and nozzles	NO	20.00%	17-Jul-20	360	69	109	68	43	27	17	10	7	4	3	
<b>Floor coverings ( removable without damage)</b>															
Carpets	NO	25.00%	17-Jul-20	1,524	363	290	326	204	128	80	50	31	19	12	
<b>Furniture</b>															
	NO	18.75%	17-Jul-20	2,611	490	796	497	311	194	121	76	47	30	19	
<b>Hot water systems (excluding piping)</b>															
Gas or electric	NO	16.67%	17-Jul-20	1,081	172	341	213	133	83	52	33	20	13	8	
<b>Kitchen assets</b>															
Cooktops	NO	16.67%	17-Jul-20	1,261	200	177	331	207	129	81	51	32	20	12	
Dishwashers	NO	25.00%	17-Jul-20	1,351	322	257	289	181	113	71	44	28	17	11	
Ovens	NO	16.67%	17-Jul-20	1,621	258	227	189	355	222	139	87	54	34	21	
Rangehoods	NO	18.75%	17-Jul-20	540	101	165	103	64	40	25	16	10	6	4	
<b>Lights</b>															
Shades, removable	NO	18.75%	17-Jul-20	2,800	525	853	533	333	208	130	81	51	32	20	
<b>Security systems &amp; equipment</b>															
Electronic	NO	30.00%	17-Jul-20	870	249	233	146	91	57	36	22	14	9	5	
<b>\$300 items</b>															
	NO	100.00%	17-Jul-20	618	618										
<b>Pooled Plant Total</b>					1,632	3,334	3,031	2,250	1,406	879	907	567	354	222	
<b>Effective Life Plant Total</b>					2,937	1,534	656	373	298	239					
<b>Total Division 40</b>					20,989	4,569	4,869	3,687	2,623	1,704	1,118	907	567	354	222
<b>Division 43 - Capital Works Allowance</b>															
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10	
<b>Building Works - Completed 2012</b>		2.50%	17-Jul-20	119,273	3,529	3,701	3,701	3,701	3,701	3,701	3,701	3,701	3,701	3,701	
<b>Structural Improvements - Completed 2012</b>		2.50%	17-Jul-20	5,212	154	162	162	162	162	162	162	162	162	162	
<b>Total Division 43</b>				124,485	3,683	3,863	3,863	3,863	3,863	3,863	3,863	3,863	3,863	3,863	

## 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
<b>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Mini split system upto 20KW	NO	10.00%	17-Jul-20	3,602	343	360	360	360	360	360	360	360	360	360
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	18.75%	17-Jul-20	973	182	296	185	116	72	45	28	18	11	7
<b>Blinds Residential</b>														
	NO	18.75%	17-Jul-20	1,777	333	541	338	212	132	83	52	32	20	13
<b>Fire control assets</b>														
Hoses and nozzles	NO	10.00%	17-Jul-20	360	34	36	36	36	36	36	36	36	36	36
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	12.50%	17-Jul-20	1,524	182	191	191	191	191	191	191	191	5	
<b>Furniture</b>														
	NO	18.75%	17-Jul-20	2,611	490	796	497	311	194	121	76	47	30	19
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	8.33%	17-Jul-20	1,081	86	90	90	90	90	90	90	90	90	90
<b>Kitchen assets</b>														
Cooktops	NO	8.33%	17-Jul-20	1,261	100	105	105	105	105	105	105	105	105	105
Dishwashers	NO	12.50%	17-Jul-20	1,351	161	169	169	169	169	169	169	169	7	
Ovens	NO	8.33%	17-Jul-20	1,621	129	135	135	135	135	135	135	135	135	135
Rangehoods	NO	18.75%	17-Jul-20	540	101	165	103	64	40	25	16	10	6	4
<b>Lights</b>														
Shades, removable	NO	18.75%	17-Jul-20	2,800	525	853	533	333	208	130	81	51	32	20
<b>Security systems &amp; equipment</b>														
Electronic	NO	15.00%	17-Jul-20	870	124	131	131	131	131	131	91			
<b>\$300 items</b>														
	NO	100.00%	17-Jul-20	618	618									
<b>Pooled Plant Total</b>					<b>1,632</b>	<b>2,651</b>	<b>1,657</b>	<b>1,036</b>	<b>647</b>	<b>405</b>	<b>253</b>	<b>158</b>	<b>99</b>	<b>62</b>
<b>Effective Life Plant Total</b>					<b>1,778</b>	<b>1,217</b>	<b>1,217</b>	<b>1,217</b>	<b>1,217</b>	<b>1,217</b>	<b>1,177</b>	<b>1,086</b>	<b>738</b>	<b>726</b>
<b>Total Division 40</b>				<b>20,989</b>	<b>3,410</b>	<b>3,868</b>	<b>2,874</b>	<b>2,253</b>	<b>1,864</b>	<b>1,622</b>	<b>1,430</b>	<b>1,244</b>	<b>837</b>	<b>788</b>
<b>Division 43 - Capital Works Allowance</b>														
		Rate	Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10	
<b>Building Works - Completed 2012</b>			2.50%	17-Jul-20	119,273	3,529	3,701	3,701	3,701	3,701	3,701	3,701	3,701	3,701
<b>Structural Improvements - Completed 2012</b>			2.50%	17-Jul-20	5,212	154	162	162	162	162	162	162	162	162
<b>Total Division 43</b>				<b>124,485</b>	<b>3,683</b>	<b>3,863</b>	<b>3,863</b>	<b>3,863</b>	<b>3,863</b>	<b>3,863</b>	<b>3,863</b>	<b>3,863</b>	<b>3,863</b>	<b>3,863</b>

## 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 2012	14 Jan 12 to 10 Oct 12	148,039	2.50%	3,701	119,273
<b>Sub-total</b>		<b>148,039</b>		<b>3,701</b>	<b>119,273</b>

### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2012	14 Jan 12 to 10 Oct 12	6,470	2.50%	162	5,212
<b>Sub-total</b>		<b>6,470</b>		<b>162</b>	<b>5,212</b>
<b>Totals</b>		<b>154,508</b>		<b>3,863</b>	<b>124,485</b>

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

<b>Adjusted Value</b>	This is the value of an asset after a period of decline often referred to as the written down value or WDV.
<b>Balancing Adjustment</b>	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.
<b>Decline in Value</b>	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.
<b>Depreciating Assets</b>	Assets with limited effective life that are reasonably expected to decline in value.
<b>Diminishing Value Method</b>	This is the method of calculating the decline in value which uses the opening adjusted value as the basis for the calculation.
<b>Effective Life</b>	The effective life of a depreciating asset is how long it can be used by any entity for a taxable income producing purpose.
<b>Immediate WriteOff</b>	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.
<b>Installed Costs</b>	This is the total cost of installing the asset inclusive of fees and labour etc.
<b>Low Value Pool</b>	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.
<b>Low Cost Asset</b>	A depreciable asset with an installed cost of less than \$1000.
<b>Low Value Asset</b>	A depreciable asset that has an adjusted value of less than \$1000.
<b>Non Eligible</b>	This may include a proportion of the purchase price that is not claimable due to the age of the building or asset type.
<b>Prime Cost Method</b>	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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LEAD SURVEYOR 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.

Further information regarding the legislation please refer to ATO website – [www.ato.gov.au](http://www.ato.gov.au)

### **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.