



## Tax Depreciation Report

1 / 11 John Street,  
Eltham VIC 3095

Susan Vickery  
26 The Grange  
YALLAMBIE, VIC 3085

Issue Schedule	
Issue Date:	Issued by:
07 August 2020	Mark Kilroy Bsc (Hons) MRICS

Susan Vickery  
26 The Grange  
YALLAMBIE, VIC 3085

August 2020  
Job No: RES3095002

**Tax Depreciation Report – 1/11 John Street, Eltham VIC 3095**

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

7 August 2020

### Purchaser

Susan Vickery

### Property Address

1/11 John Street, Eltham VIC 3095

### Real Property Description

LOTS 1,3 SP27470

### Property Type

Residential House

### Date of Construction

Pre 1985

### Date Available To Generate Income

27 June 2018

## 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"> <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	27 June 18 to 30 June 18	0	0	0	25	25	1,815	1,815
2	1 July 18 to 30 June 19	0	0	0	2,978	2,978	6,987	8,802
3	1 July 19 to 30 June 20	136	0	136	2,993	3,129	5,323	14,125
4	1 July 20 to 30 June 21	261	0	261	3,006	3,267	4,229	18,354
5	1 July 21 to 30 June 22	235	0	235	3,006	3,241	3,222	21,576
6	1 July 22 to 30 June 23	211	0	211	3,006	3,217	2,307	23,883
7	1 July 23 to 30 June 24	190	0	190	3,006	3,196	1,840	25,723
8	1 July 24 to 30 June 25	171	0	171	3,006	3,177	1,492	27,215
9	1 July 25 to 30 June 26	154	0	154	3,006	3,160	1,191	28,406
10	1 July 26 to 30 June 27	139	0	139	3,006	3,145	816	29,222
11	1 July 27 to 30 June 28	125	0	125	3,006	3,131	575	29,796
12	1 July 28 to 30 June 29	112	0	112	3,006	3,118	418	30,214
13	1 July 29 to 30 June 30	101	0	101	3,006	3,107	313	30,527
14	1 July 30 to 30 June 31	0	341	341	3,006	3,347	243	30,770
15	1 July 31 to 30 June 32	0	213	213	3,006	3,219	194	30,965
16	1 July 32 to 30 June 33	0	133	133	3,006	3,139	160	31,125
17	1 July 33 to 30 June 34	0	83	83	3,006	3,089	134	31,259
18	1 July 34 to 30 June 35	0	52	52	3,006	3,058	115	31,374
19	1 July 35 to 30 June 36	0	33	33	3,006	3,039	350	31,724
20	1 July 36 to 30 June 37	0	20	20	3,006	3,026	219	31,943
21	1 July 37 to 30 June 38	0	13	13	3,006	3,019	137	32,079
22	1 July 38 to 30 June 39	0	8	8	3,006	3,014	85	32,165
23	1 July 39 to 30 June 40	0	5	5	2,378	2,383	53	32,218
24	1 July 40 to 30 June 41	0	3	3	1,773	1,776	34	32,252
25	1 July 41 to 30 June 42	0	2	2	1,773	1,775	21	32,272
26	1 July 42 to 30 June 43	0	1	1	1,773	1,774	13	32,286
27	1 July 43 to 30 June 44	0	1	1	1,529	1,530	8	32,294
28	1 July 44 to 30 June 45	0	0	0	1,414	1,414	6	32,299
29	1 July 45 to 30 June 46	0	0	0	1,414	1,414	3	32,303
30	1 July 46 to 30 June 47	0	0	0	1,414	1,414	2	32,305
31	1 July 47 to 30 June 48	0	0	0	1,414	1,414	1	32,306
32	1 July 48 to 30 June 49	0	0	0	1,414	1,414	1	32,307
33	1 July 49 to 30 June 50	0	0	0	1,414	1,414	1	32,308
34	1 July 50 to 30 June 51	0	0	0	1,414	1,414	0	32,308
35	1 July 51 to 30 June 52	0	0	0	1,414	1,414	0	32,308
36	1 July 52 to 30 June 53	0	0	0	1,414	1,414	0	32,308
37	1 July 53 to 30 June 54	0	0	0	1,307	1,307	0	32,308
38	1 July 54 to 30 June 55	0	0	0	799	799	0	32,308
39	1 July 55 to 30 June 56	0	0	0	799	799	0	32,308
40	2056+	0	0	0	1,094	1,094	0	32,308
<b>Totals</b>		<b>1,835</b>	<b>908</b>	<b>2,743</b>	<b>89,061</b>	<b>91,804</b>	<b>32,308</b>	<b>32,308</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	27 June 18 to 30 June 18	0	0	0	25	25	1,798	1,798
2	1 July 18 to 30 June 19	0	0	0	2,978	2,978	4,891	6,690
3	1 July 19 to 30 June 20	68	0	68	2,993	3,061	3,806	10,495
4	1 July 20 to 30 June 21	137	0	137	3,006	3,143	3,127	13,622
5	1 July 21 to 30 June 22	137	0	137	3,006	3,143	2,703	16,325
6	1 July 22 to 30 June 23	137	0	137	3,006	3,143	2,438	18,763
7	1 July 23 to 30 June 24	137	0	137	3,006	3,143	2,272	21,035
8	1 July 24 to 30 June 25	137	0	137	3,006	3,143	2,113	23,148
9	1 July 25 to 30 June 26	137	0	137	3,006	3,143	1,940	25,088
10	1 July 26 to 30 June 27	137	0	137	3,006	3,143	1,899	26,987
11	1 July 27 to 30 June 28	137	0	137	3,006	3,143	1,856	28,844
12	1 July 28 to 30 June 29	137	0	137	3,006	3,143	628	29,472
13	1 July 29 to 30 June 30	137	0	137	3,006	3,143	613	30,086
14	1 July 30 to 30 June 31	137	0	137	3,006	3,143	288	30,373
15	1 July 31 to 30 June 32	137	0	137	3,006	3,143	279	30,653
16	1 July 32 to 30 June 33	137	0	137	3,006	3,143	277	30,930
17	1 July 33 to 30 June 34	137	0	137	3,006	3,143	276	31,205
18	1 July 34 to 30 June 35	137	0	137	3,006	3,143	275	31,480
19	1 July 35 to 30 June 36	137	0	137	3,006	3,143	274	31,754
20	1 July 36 to 30 June 37	137	0	137	3,006	3,143	274	32,027
21	1 July 37 to 30 June 38	137	0	137	3,006	3,143	273	32,301
22	1 July 38 to 30 June 39	137	0	137	3,006	3,143	7	32,308
23	1 July 39 to 30 June 40	72	0	72	2,378	2,450	0	32,308
24	1 July 40 to 30 June 41	0	0	0	1,773	1,773	0	32,308
25	1 July 41 to 30 June 42	0	0	0	1,773	1,773	0	32,308
26	1 July 42 to 30 June 43	0	0	0	1,773	1,773	0	32,308
27	1 July 43 to 30 June 44	0	0	0	1,529	1,529	0	32,308
28	1 July 44 to 30 June 45	0	0	0	1,414	1,414	0	32,308
29	1 July 45 to 30 June 46	0	0	0	1,414	1,414	0	32,308
30	1 July 46 to 30 June 47	0	0	0	1,414	1,414	0	32,308
31	1 July 47 to 30 June 48	0	0	0	1,414	1,414	0	32,308
32	1 July 48 to 30 June 49	0	0	0	1,414	1,414	0	32,308
33	1 July 49 to 30 June 50	0	0	0	1,414	1,414	0	32,308
34	1 July 50 to 30 June 51	0	0	0	1,414	1,414	0	32,308
35	1 July 51 to 30 June 52	0	0	0	1,414	1,414	0	32,308
36	1 July 52 to 30 June 53	0	0	0	1,414	1,414	0	32,308
37	1 July 53 to 30 June 54	0	0	0	1,307	1,307	0	32,308
38	1 July 54 to 30 June 55	0	0	0	799	799	0	32,308
39	1 July 55 to 30 June 56	0	0	0	799	799	0	32,308
40	2056+	0	0	0	1,094	1,094	0	32,308
<b>Totals</b>		<b>2,743</b>	<b>0</b>	<b>2,743</b>	<b>89,061</b>	<b>91,804</b>	<b>32,308</b>	<b>32,308</b>

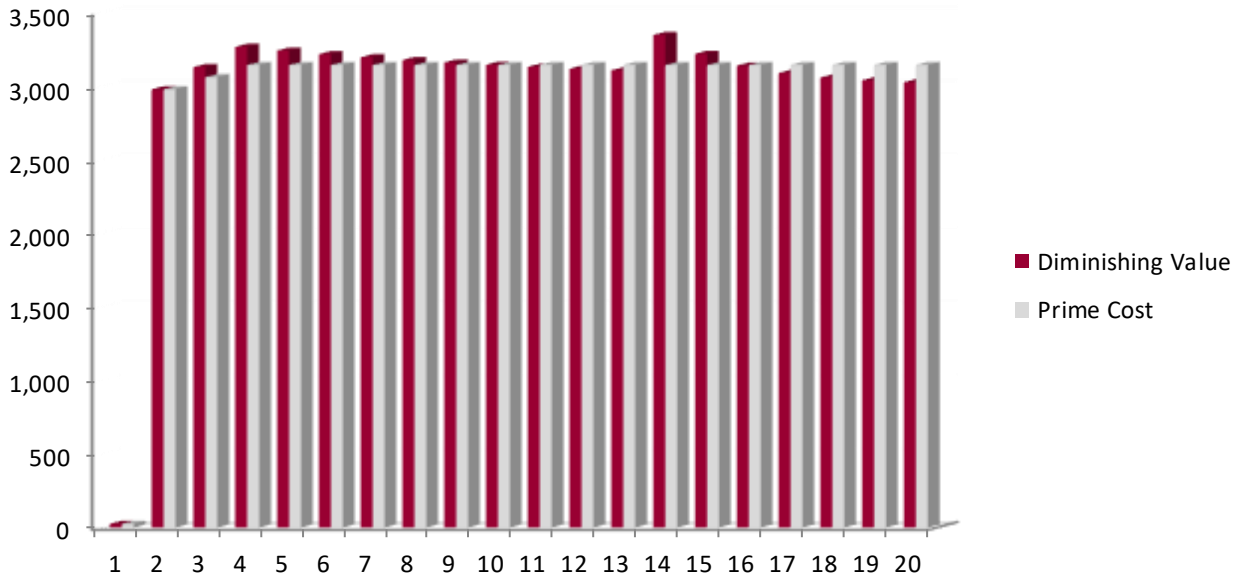
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

### Example

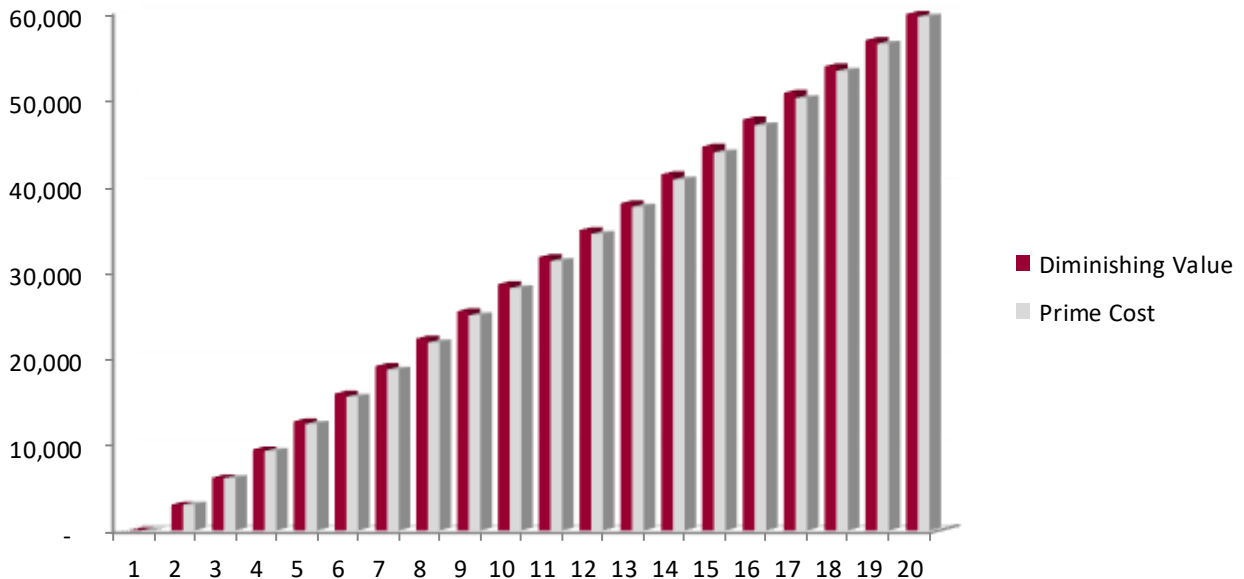
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

## 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	10 April 2018
Settlement Date	27 June 2018
Available To Generate Income	27 June 2018

### Expenditure Analysed

Purchase Price	\$738,000
Stamp Duty	\$24,850
Post Expenditure	\$8,530
<b>Total Expenditure Analysed</b>	<b>\$771,380</b>

### 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:

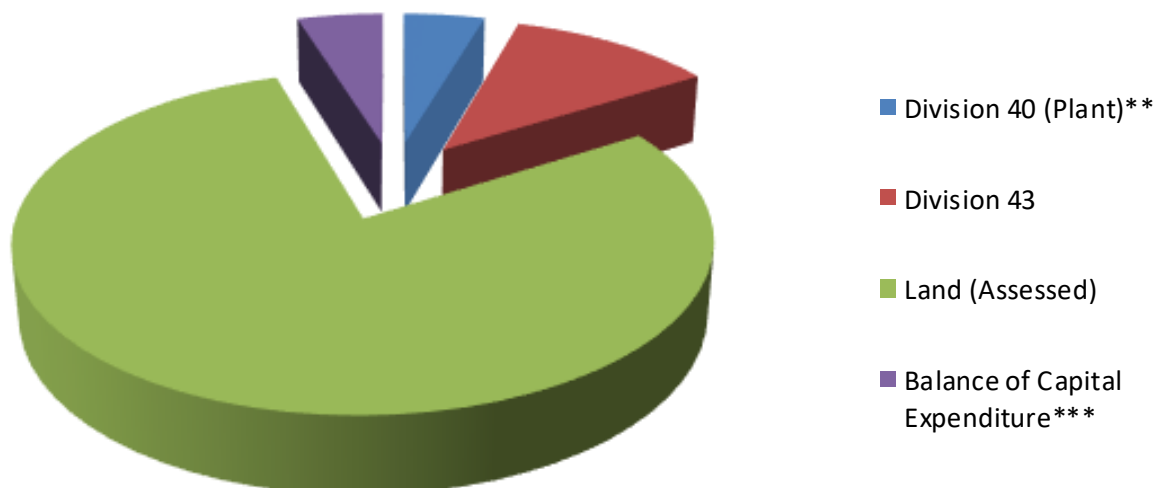
Division 40 (Plant)**	\$35,051
Division 43	\$89,061
Land (Assessed)	\$610,280
Balance of Capital Expenditure***	\$36,988
<b>Total Expenditure Analysed</b>	<b>\$771,380</b>

### 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	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	For Depreciation	Value Rate												
<b>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Mini split system upto 20KW	NO	20.00%	27-Jun-18	3,646	6	728	582	466	373	298	239	358	224	140
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	18.75%	27-Jun-18	729	137	222	139	87	54	34	21	13	8	5
<b>Blinds Residential</b>														
	NO	18.75%	27-Jun-18	1,721	323	524	328	205	128	80	50	31	20	12
<b>Curtains and drapes</b>														
	NO	18.75%	27-Jun-18	1,194	224	364	227	142	89	56	35	22	14	8
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	27-Jun-18	267	50	81	51	32	20	12	8	5	3	2
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	20.00%	27-Jun-18	2,680	4	535	428	342	274	219	329	205	128	80
Linoleum & vinyl	NO	20.00%	27-Jun-18	3,900	6	779	623	498	399	319	255	204	306	191
<b>Furniture</b>														
	NO	18.75%	27-Jun-18	2,163	406	659	412	257	161	101	63	39	25	15
<b>Garden sheds, freestanding</b>														
	NO	20.00%	27-Jun-18	608	1	228	142	89	56	35	22	14	8	5
<b>Heating units</b>														
Gas ducted central heating	NO	10.00%	27-Jun-18	5,469	4	546	492	443	398	359	323	290	261	235
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	16.67%	27-Jun-18	1,580	2	263	219	183	342	214	134	84	52	33
<b>Kitchen assets</b>														
Cooktops	NO	16.67%	27-Jun-18	1,033	1	172	322	201	126	79	49	31	19	12
Dishwashers	NO	20.00%	27-Jun-18	1,458	2	291	233	349	218	137	85	53	33	21
Ovens	NO	16.67%	27-Jun-18	1,337	2	223	185	348	217	136	85	53	33	21
Rangehoods	NO	18.75%	27-Jun-18	547	103	167	104	65	41	25	16	10	6	4
<b>Laundry assets</b>														
Washing machines	NO	18.75%	27-Jun-18	668	125	204	127	80	50	31	19	12	8	5
<b>Lights</b>														
Shades, removable	NO	18.75%	27-Jun-18	1,604	301	489	306	191	119	75	47	29	18	11
<b>Pumps</b>														
	NO	18.75%	27-Jun-18	608	114	185	116	72	45	28	18	11	7	4
<b>Security systems &amp; equipment</b>														
Electronic	NO	30.00%	27-Jun-18	1,094	3	327	286	179	112	70	44	27	17	11
<b>Additional Items (Post Expenditure)</b>														
	Eligibility				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Solar power generating system assets</b>														
	YES	10.00%	1-Jan-20	2,743			136	261	235	211	190	171	154	139
<b>Pooled Plant Total</b>					1,782	3,123	2,561	2,298	1,778	1,111	1,023	997	930	581
<b>Effective Life Plant Total</b>					33	3,864	2,899	2,193	1,678	1,406	1,007	666	415	374
<b>Total Division 40</b>				35,051	1,815	6,987	5,459	4,490	3,457	2,518	2,030	1,663	1,345	955

## Diminishing Value Depreciation Schedule (cont.)

Division 43 - Capital Works Allowance													
	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2000	2.50%	27-Jun-18	23,585	9	1,097	1,097	1,097	1,097	1,097	1,097	1,097	1,097	1,097
Building Works - Completed 2003	2.50%	27-Jun-18	7,175	2	283	283	283	283	283	283	283	283	283
Building Works - Completed 2014	2.50%	27-Jun-18	16,083	4	449	449	449	449	449	449	449	449	449
Building Works - Completed 2017	2.50%	27-Jun-18	21,518	5	548	548	548	548	548	548	548	548	548
Building Works - Completed 2018	2.50%	20-Sep-18	1,400		27	35	35	35	35	35	35	35	35
Building Works - Completed 2020	2.50%	01-Mar-20	800			7	20	20	20	20	20	20	20
Structural Improvements - Completed 2000	2.50%	27-Jun-18	2,923	1	136	136	136	136	136	136	136	136	136
Structural Improvements - Completed 2003	2.50%	27-Jun-18	1,918	1	76	76	76	76	76	76	76	76	76
Structural Improvements - Completed 2014	2.50%	27-Jun-18	5,955	1	166	166	166	166	166	166	166	166	166
Structural Improvements - Completed 2017	2.50%	27-Jun-18	7,704	2	196	196	196	196	196	196	196	196	196
<b>Total Division 43</b>			<b>89,061</b>	<b>25</b>	<b>2,978</b>	<b>2,993</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>

## 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%	27-Jun-18	3,646	3	365	365	365	365	365	365	365	365	365
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	18.75%	27-Jun-18	729	137	222	139	87	54	34	21	13	8	5
<b>Blinds Residential</b>														
	NO	18.75%	27-Jun-18	1,721	323	524	328	205	128	80	50	31	20	12
<b>Curtains and drapes</b>														
	NO	18.75%	27-Jun-18	1,194	224	364	227	142	89	56	35	22	14	8
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	27-Jun-18	267	50	81	51	32	20	12	8	5	3	2
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	10.00%	27-Jun-18	2,680	2	268	268	268	268	268	268	268	268	268
Linoleum & vinyl	NO	10.00%	27-Jun-18	3,900	3	390	390	390	390	390	390	390	390	390
<b>Furniture</b>														
	NO	18.75%	27-Jun-18	2,163	406	659	412	257	161	101	63	39	25	15
<b>Garden sheds, freestanding</b>														
	NO	10.00%	27-Jun-18	608	0	61	61	61	61	61	61	61	61	61
<b>Heating units</b>														
Gas ducted central heating	NO	5.00%	27-Jun-18	5,469	2	273	273	273	273	273	273	273	273	273
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	8.33%	27-Jun-18	1,580	1	132	132	132	132	132	132	132	132	132
<b>Kitchen assets</b>														
Cooktops	NO	8.33%	27-Jun-18	1,033	1	86	86	86	86	86	86	86	86	86
Dishwashers	NO	10.00%	27-Jun-18	1,458	1	146	146	146	146	146	146	146	146	146
Ovens	NO	8.33%	27-Jun-18	1,337	1	111	111	111	111	111	111	111	111	111
Rangehoods	NO	18.75%	27-Jun-18	547	103	167	104	65	41	25	16	10	6	4
<b>Laundry assets</b>														
Washing machines	NO	18.75%	27-Jun-18	668	125	204	127	80	50	31	19	12	8	5
<b>Lights</b>														
Shades, removable	NO	18.75%	27-Jun-18	1,604	301	489	306	191	119	75	47	29	18	11
<b>Pumps</b>														
	NO	18.75%	27-Jun-18	608	114	185	116	72	45	28	18	11	7	4
<b>Security systems &amp; equipment</b>														
Electronic	NO	15.00%	27-Jun-18	1,094	1	164	164	164	164	164	164	109		
<b>Additional Items (Post Expenditure)</b>					<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
Solar power generating system assets	YES	5.00%	01-Jan-20	2,743			68	137	137	137	137	137	137	137
<b>Pooled Plant Total</b>					<b>1,782</b>	<b>2,895</b>	<b>1,810</b>	<b>1,131</b>	<b>707</b>	<b>442</b>	<b>276</b>	<b>173</b>	<b>108</b>	<b>67</b>
<b>Effective Life Plant Total</b>					<b>16</b>	<b>1,996</b>	<b>2,064</b>	<b>2,133</b>	<b>2,133</b>	<b>2,133</b>	<b>2,133</b>	<b>2,078</b>	<b>1,969</b>	<b>1,969</b>
<b>Total Division 40</b>				<b>35,051</b>	<b>1,798</b>	<b>4,891</b>	<b>3,873</b>	<b>3,264</b>	<b>2,840</b>	<b>2,575</b>	<b>2,409</b>	<b>2,250</b>	<b>2,077</b>	<b>2,036</b>

## Prime Cost Depreciation Schedule (cont.)

Division 43 - Capital Works Allowance												
	Rate	Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2000	2.50%	27-Jun-18	23,585	9	1,097	1,097	1,097	1,097	1,097	1,097	1,097	1,097
Building Works - Completed 2003	2.50%	27-Jun-18	7,175	2	283	283	283	283	283	283	283	283
Building Works - Completed 2014	2.50%	27-Jun-18	16,083	4	449	449	449	449	449	449	449	449
Building Works - Completed 2017	2.50%	27-Jun-18	21,518	5	548	548	548	548	548	548	548	548
Building Works - Completed 2018	2.50%	20-Sep-18	1,400		27	35	35	35	35	35	35	35
Building Works - Completed 2020	2.50%	01-Mar-20	800			7	20	20	20	20	20	20
Structural Improvements - Completed 2000	2.50%	27-Jun-18	2,923	1	136	136	136	136	136	136	136	136
Structural Improvements - Completed 2003	2.50%	27-Jun-18	1,918	1	76	76	76	76	76	76	76	76
Structural Improvements - Completed 2014	2.50%	27-Jun-18	5,955	1	166	166	166	166	166	166	166	166
Structural Improvements - Completed 2017	2.50%	27-Jun-18	7,704	2	196	196	196	196	196	196	196	196
<b>Total Division 43</b>			<b>89,061</b>	<b>25</b>	<b>2,978</b>	<b>2,993</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</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 2000	2 Nov 99 to 1 Jan 00	43,877	2.50%	1,097	23,585
Building Works - Completed 2003	23 Sep 03 to 22 Nov 03	11,302	2.50%	283	7,175
Building Works - Completed 2014	2 Mar 14 to 1 May 14	17,950	2.50%	449	16,083
Building Works - Completed 2017	22 Jul 17 to 20 Sep 17	21,938	2.50%	548	21,518
Building Works - Completed 2018	10 Sep 18 to 20 Sep 18	1,400	2.50%	35	1,400
Building Works - Completed 2020	20 Feb 20 to 1 Mar 20	800	2.50%	20	800

**Sub-total** 97,267 2,432 70,561

### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2000	2 Nov 99 to 1 Jan 00	5,438	2.50%	136	2,923
Structural Improvements - Completed 2003	23 Sep 03 to 22 Nov 03	3,021	2.50%	76	1,918
Structural Improvements - Completed 2014	2 Mar 14 to 1 May 14	6,646	2.50%	166	5,955
Structural Improvements - Completed 2017	22 Jul 17 to 20 Sep 17	7,855	2.50%	196	7,704

**Sub-total** 22,960 574 18,500

**Totals** 120,226 3,006 89,061

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.

### **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>