



Tax Depreciation Report

Unit 3/8 Detroit Cres,
Corio VIC 3214

James Gerrard
166 Virgilia Dr
HOPPERS CROSSING, VIC 3029

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

James Gerrard
166 Virgilia Dr
HOPPERS CROSSING, VIC 3029

August 2020
Job No: RES3214002

Tax Depreciation Report – Unit 3/8 Detroit Cres, Corio VIC 3214

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

24 August 2020

Purchaser

James Gerrard

Property Address

Unit 3/8 Detroit Cres, Corio VIC 3214

Real Property Description

LOT 3 PS708329

Property Type

Residential Townhouse

Date of Construction

10 February 2014

Date Available To Generate Income

25 November 2019

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"> • Cash-flow during initial years of asset ownership • Ability to use Low Value Pool for assets less than \$1000 (Note: unable to write off these assets) 	<ul style="list-style-type: none"> • Write off assets when they are demolished or disposed. 								
Calculation Example	Calculation Example								
<p>Under Diminishing Value method, the effective life is dividing by 200.</p> <p>200 / 10 Years = 20% (Adjusted Value)</p> <p>If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.</p>	<p>Under Prime Cost method, the effective life is dividing by 100.</p> <p>100 / 10 Years = 10% (Straight Line)</p> <p>If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.</p>								
Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5
\$2,000	\$1,600	\$1,280	\$1,024	\$819.20	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

4. Capital Works

4.1 Entitlement

Capital Works Division 43 of the Income Tax Act 1997 allows the taxpayer to a deduction of the decline in value of a depreciating asset used for income producing purpose over its effective life.

4.2 Method of Depreciation

Capital Works allowances under Division 43 are based on the historical construction costs and are not based on an apportionment of the purchase price. Where construction costs are not available, a qualified Quantity Surveyor will establish costs in accordance with the Tax Ruling TR97/25.

Capital Works are depreciated by Prime Cost method only, which may vary dependant on the date the construction works commenced and the property usage. Where a property has been updated over the years, capital works expenditure may be allocated in different periods. Clients must make any construction periods clear wherever possible to ensure your claim is maximised.

4.3 Method of Depreciation

Structural improvements such as fencing, paths and other hard landscaping can also be written off at 2.5% per annum if construction started after 27 February 1992.

5. Summary of Entitlements – Diminishing Value Method

Year	Financial Year	Division 40 - Capital Allowance (Eligible)			Division 43 Capital Works	Eligible Total	Capital Loss - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40			Div 40 Yearly	Cumulative
1	25 November 19 to 30 June 20	107	69	176	2,052	2,228	2,803	2,803
2	1 July 20 to 30 June 21	276	112	388	3,446	3,834	3,574	6,377
3	1 July 21 to 30 June 22	230	70	300	3,446	3,746	2,657	9,034
4	1 July 22 to 30 June 23	191	44	235	3,446	3,681	2,116	11,150
5	1 July 23 to 30 June 24	0	386	386	3,446	3,832	1,392	12,543
6	1 July 24 to 30 June 25	0	241	241	3,446	3,687	926	13,468
7	1 July 25 to 30 June 26	0	151	151	3,446	3,597	623	14,091
8	1 July 26 to 30 June 27	0	94	94	3,446	3,540	567	14,658
9	1 July 27 to 30 June 28	0	59	59	3,446	3,505	354	15,012
10	1 July 28 to 30 June 29	0	37	37	3,446	3,483	221	15,233
11	1 July 29 to 30 June 30	0	23	23	3,446	3,469	138	15,371
12	1 July 30 to 30 June 31	0	14	14	3,446	3,460	87	15,458
13	1 July 31 to 30 June 32	0	9	9	3,446	3,455	54	15,512
14	1 July 32 to 30 June 33	0	6	6	3,446	3,452	33	15,546
15	1 July 33 to 30 June 34	0	4	4	3,446	3,450	21	15,566
16	1 July 34 to 30 June 35	0	2	2	3,446	3,448	13	15,580
17	1 July 35 to 30 June 36	0	1	1	3,446	3,447	9	15,588
18	1 July 36 to 30 June 37	0	1	1	3,446	3,447	5	15,593
19	1 July 37 to 30 June 38	0	1	1	3,446	3,447	3	15,596
20	1 July 38 to 30 June 39	0	0	0	3,446	3,446	2	15,598
21	1 July 39 to 30 June 40	0	0	0	3,446	3,446	1	15,600
22	1 July 40 to 30 June 41	0	0	0	3,446	3,446	1	15,601
23	1 July 41 to 30 June 42	0	0	0	3,446	3,446	1	15,601
24	1 July 42 to 30 June 43	0	0	0	3,446	3,446	0	15,602
25	1 July 43 to 30 June 44	0	0	0	3,446	3,446	0	15,602
26	1 July 44 to 30 June 45	0	0	0	3,446	3,446	0	15,602
27	1 July 45 to 30 June 46	0	0	0	3,446	3,446	0	15,602
28	1 July 46 to 30 June 47	0	0	0	3,446	3,446	0	15,602
29	1 July 47 to 30 June 48	0	0	0	3,446	3,446	0	15,602
30	1 July 48 to 30 June 49	0	0	0	3,446	3,446	0	15,602
31	1 July 49 to 30 June 50	0	0	0	3,446	3,446	0	15,602
32	1 July 50 to 30 June 51	0	0	0	3,446	3,446	0	15,602
33	1 July 51 to 30 June 52	0	0	0	3,446	3,446	0	15,602
34	1 July 52 to 30 June 53	0	0	0	3,446	3,446	0	15,602
35	1 July 53 to 30 June 54	0	0	0	2,081	2,081	0	15,602
36	1 July 54 to 30 June 55	0	0	0	0	0	0	15,602
37	1 July 55 to 30 June 56	0	0	0	0	0	0	15,602
38	1 July 56 to 30 June 57	0	0	0	0	0	0	15,602
39	1 July 57 to 30 June 58	0	0	0	0	0	0	15,602
40	2058+	0	0	0	0	0	0	15,602
Totals		697	1,324	2,128	117,851	119,979	15,602	15,602

The diminishing value method involves multiplying the remaining amount (or also known as the written down value) of the item by the depreciation rate each year. Hence the term diminishing value method as it diminishes in value each year never quite reaching zero.

Example

	DV Rate	Opening Value	Year 1	WDV	Year 2
Carpet	20%	\$1,000	\$200	\$800	\$160

6. Summary of Entitlements – Prime Cost Method

Year	Financial Year	Division 40 - Capital Allowance (Eligible)			Division 43 Capital Works	Eligible Total	Capital Loss - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40			Div 40 Yearly	Cumulative
1	25 November 19 to 30 June 20	53	69	122	2,052	2,174	2,327	2,327
2	1 July 20 to 30 June 21	147	112	259	3,446	3,705	2,870	5,196
3	1 July 21 to 30 June 22	147	70	217	3,446	3,663	2,094	7,290
4	1 July 22 to 30 June 23	147	44	191	3,446	3,637	1,610	8,900
5	1 July 23 to 30 June 24	147	27	174	3,446	3,620	1,307	10,207
6	1 July 24 to 30 June 25	147	17	164	3,446	3,610	1,117	11,324
7	1 July 25 to 30 June 26	147	11	158	3,446	3,604	999	12,323
8	1 July 26 to 30 June 27	147	7	154	3,446	3,600	925	13,248
9	1 July 27 to 30 June 28	147	4	151	3,446	3,597	760	14,008
10	1 July 28 to 30 June 29	147	3	150	3,446	3,596	651	14,659
11	1 July 29 to 30 June 30	147	2	149	3,446	3,595	386	15,045
12	1 July 30 to 30 June 31	147	1	148	3,446	3,594	208	15,253
13	1 July 31 to 30 June 32	89	1	90	3,446	3,536	133	15,386
14	1 July 32 to 30 June 33	0	0	0	3,446	3,446	91	15,477
15	1 July 33 to 30 June 34	0	0	0	3,446	3,446	89	15,566
16	1 July 34 to 30 June 35	0	0	0	3,446	3,446	31	15,597
17	1 July 35 to 30 June 36	0	0	0	3,446	3,446	2	15,599
18	1 July 36 to 30 June 37	0	0	0	3,446	3,446	1	15,600
19	1 July 37 to 30 June 38	0	0	0	3,446	3,446	1	15,601
20	1 July 38 to 30 June 39	0	0	0	3,446	3,446	0	15,601
21	1 July 39 to 30 June 40	0	0	0	3,446	3,446	0	15,602
22	1 July 40 to 30 June 41	0	0	0	3,446	3,446	0	15,602
23	1 July 41 to 30 June 42	0	0	0	3,446	3,446	0	15,602
24	1 July 42 to 30 June 43	0	0	0	3,446	3,446	0	15,602
25	1 July 43 to 30 June 44	0	0	0	3,446	3,446	0	15,602
26	1 July 44 to 30 June 45	0	0	0	3,446	3,446	0	15,602
27	1 July 45 to 30 June 46	0	0	0	3,446	3,446	0	15,602
28	1 July 46 to 30 June 47	0	0	0	3,446	3,446	0	15,602
29	1 July 47 to 30 June 48	0	0	0	3,446	3,446	0	15,602
30	1 July 48 to 30 June 49	0	0	0	3,446	3,446	0	15,602
31	1 July 49 to 30 June 50	0	0	0	3,446	3,446	0	15,602
32	1 July 50 to 30 June 51	0	0	0	3,446	3,446	0	15,602
33	1 July 51 to 30 June 52	0	0	0	3,446	3,446	0	15,602
34	1 July 52 to 30 June 53	0	0	0	3,446	3,446	0	15,602
35	1 July 53 to 30 June 54	0	0	0	2,081	2,081	0	15,602
36	1 July 54 to 30 June 55	0	0	0	0	0	0	15,602
37	1 July 55 to 30 June 56	0	0	0	0	0	0	15,602
38	1 July 56 to 30 June 57	0	0	0	0	0	0	15,602
39	1 July 57 to 30 June 58	0	0	0	0	0	0	15,602
40	2058+	0	0	0	0	0	0	15,602
Totals		1,760	368	2,128	117,851	119,979	15,602	15,602

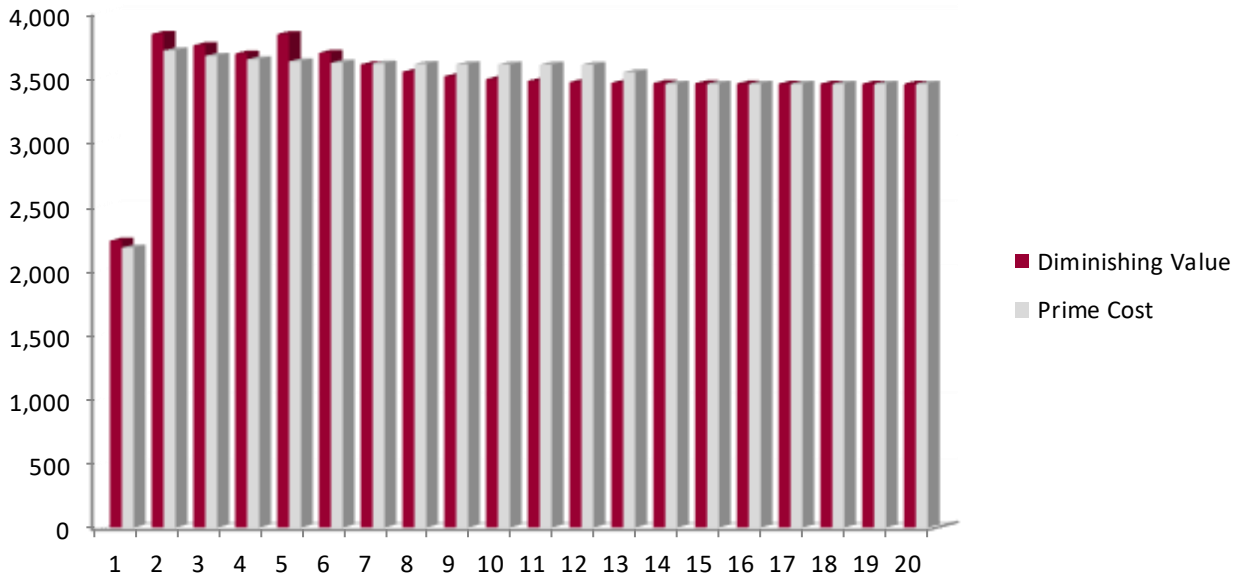
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

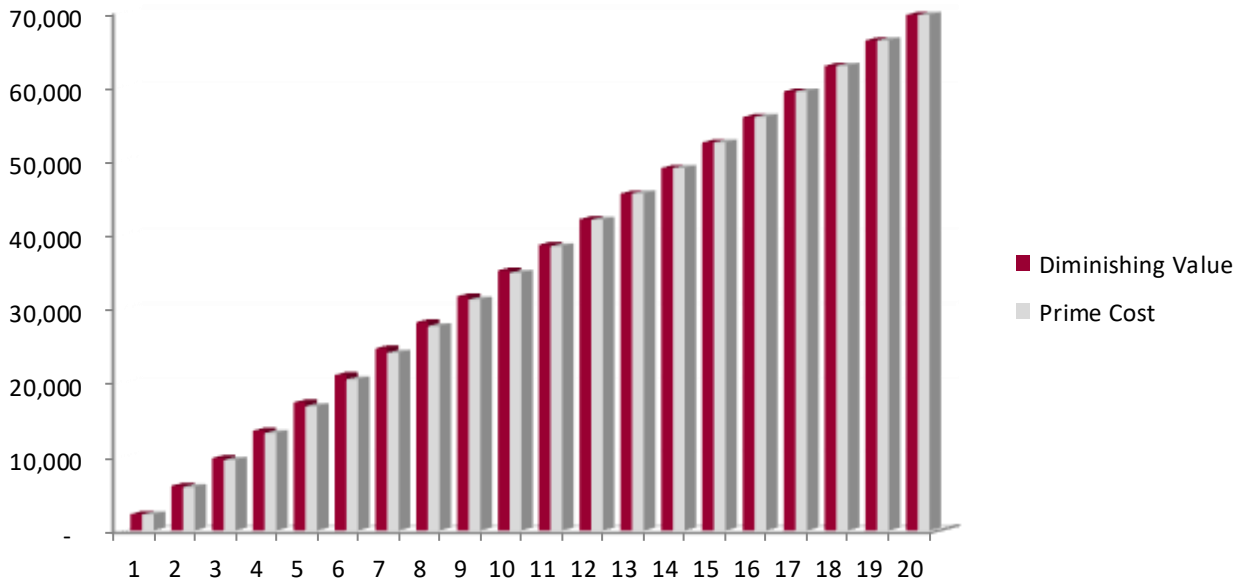
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	7 October 2019
Settlement Date	25 November 2019
Available To Generate Income	25 November 2019

Expenditure Analysed

Purchase Price	\$295,000
Stamp Duty	\$12,770
Total Expenditure Analysed	\$311,017

Historical Construction Details

Construction Start Date	16 May 2013
Construction Completion Date	10 February 2014
Historical Construction Cost (Advised)*	\$155,250

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

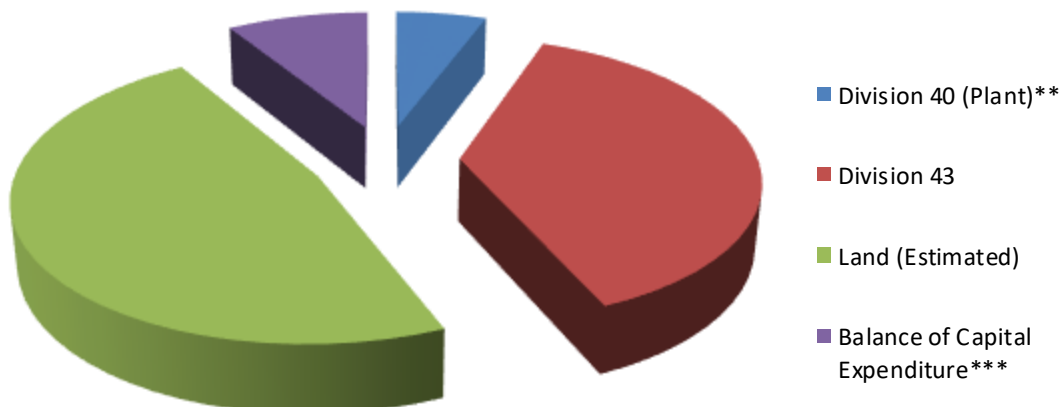
Division 40 (Plant)**	\$17,730
Division 43	\$117,851
Land (Estimated)	\$147,730
Balance of Capital Expenditure***	\$27,706
Total Expenditure Analysed	\$311,017

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															
Air-conditioning assets (excl. ducting, pipes & vents)															
Mini split system upto 20KW	NO	20.00%	25-Nov-19	3,512	418	619	495	396	317	253	203	304	190	119	
Blinds Residential															
	NO	18.75%	25-Nov-19	1,692	317	515	322	201	126	79	49	31	19	12	
Floor coverings (removable without damage)															
Carpets	NO	25.00%	25-Nov-19	1,591	237	339	254	286	179	112	70	44	27	17	
Furniture															
	NO	18.75%	25-Nov-19	1,330	249	405	253	158	99	62	39	24	15	9	
Garden sheds, freestanding															
	NO	20.00%	25-Nov-19	627	75	207	129	81	51	32	20	12	8	5	
Hot water systems (excluding piping)															
Gas or electric	NO	16.67%	25-Nov-19	1,254	125	188	353	221	138	86	54	34	21	13	
Kitchen assets															
Cooktops	NO	18.75%	25-Nov-19	690	129	210	131	82	51	32	20	13	8	5	
Dishwashers	NO	18.75%	25-Nov-19	753	141	229	143	90	56	35	22	14	9	5	
Ovens	NO	18.75%	25-Nov-19	941	176	287	179	112	70	44	27	17	11	7	
Rangehoods	NO	18.75%	25-Nov-19	376	71	115	72	45	28	17	11	7	4	3	
Lights															
Shades, removable	NO	18.75%	25-Nov-19	1,004	188	306	191	119	75	47	29	18	11	7	
Rainwater tanks															
Polyethylene	NO	13.33%	25-Nov-19	1,254	100	154	133	325	203	127	79	50	31	19	
\$300 items															
	NO	100.00%	25-Nov-19	577	577										
Additional Items (Post Expenditure)															
Hot water systems (excluding piping)															
Gas or electric	YES	16.67%	18-Feb-20	1,760	107	276	230	191	359	224	140	88	55	34	
Lights															
Shades, removable	YES	18.75%	12-Jun-20	369	69	112	70	44	27	17	11	7	4	3	
Pooled Plant Total					1,341	2,387	1,845	1,764	1,461	913	571	661	413	258	
Effective Life Plant Total					1,638	1,575	1,112	587	317	253	203				
Total Division 40					17,730	2,979	3,962	2,957	2,351	1,778	1,167	774	661	413	258
Division 43 - Capital Works Allowance															
		Rate	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10		
Building Works - Completed 2014			2.50%	110,100	1,917	3,219	3,219	3,219	3,219	3,219	3,219	3,219	3,219	3,219	
Structural Improvements - Completed 2014			2.50%	7,751	135	227	227	227	227	227	227	227	227	227	
Total Division 43				117,851	2,052	3,446	3,446	3,446	3,446	3,446	3,446	3,446	3,446	3,446	

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%	25-Nov-19	3,512	209	351	351	351	351	351	351	351	351	351
Blinds Residential														
	NO	18.75%	25-Nov-19	1,692	317	515	322	201	126	79	49	31	19	12
Floor coverings (removable without damage)														
Carpets	NO	12.50%	25-Nov-19	1,591	118	199	199	199	199	199	199	199	80	
Furniture														
	NO	18.75%	25-Nov-19	1,330	249	405	253	158	99	62	39	24	15	9
Garden sheds, freestanding														
	NO	10.00%	25-Nov-19	627	37	63	63	63	63	63	63	63	63	63
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	25-Nov-19	1,254	62	105	105	105	105	105	105	105	105	105
Kitchen assets														
Cooktops	NO	18.75%	25-Nov-19	690	129	210	131	82	51	32	20	13	8	5
Dishwashers	NO	18.75%	25-Nov-19	753	141	229	143	90	56	35	22	14	9	5
Ovens	NO	18.75%	25-Nov-19	941	176	287	179	112	70	44	27	17	11	7
Rangehoods	NO	18.75%	25-Nov-19	376	71	115	72	45	28	17	11	7	4	3
Lights														
Shades, removable	NO	18.75%	25-Nov-19	1,004	188	306	191	119	75	47	29	18	11	7
Rainwater tanks														
Polyethylene	NO	6.67%	25-Nov-19	1,254	50	84	84	84	84	84	84	84	84	84
\$300 items														
	NO	100.00%	25-Nov-19	577	577									
Additional Items (Post Expenditure)														
Hot water systems (excluding piping)														
Gas or electric	YES	8.33%	18-Feb-20	1,760	53	147	147	147	147	147	147	147	147	147
Lights														
Shades, removable	YES	18.75%	12-Jun-20	369	69	112	70	44	27	17	11	7	4	3
Pooled Plant Total					1,341	2,180	1,362	851	532	333	208	130	81	51
Effective Life Plant Total					1,108	949	949	949	949	949	949	949	830	750
Total Division 40				17,730	2,449	3,129	2,311	1,800	1,481	1,282	1,157	1,079	911	801
Division 43 - Capital Works Allowance														
Building Works - Completed 2014														
		Rate	Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10	
		2.50%	110,100	1,917	3,219	3,219	3,219	3,219	3,219	3,219	3,219	3,219	3,219	3,219
Structural Improvements - Completed 2014														
		2.50%	7,751	135	227	227	227	227	227	227	227	227	227	227
Total Division 43				117,851	2,052	3,446	3,446	3,446	3,446	3,446	3,446	3,446	3,446	3,446

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	16 May 13 to 10 Feb 14	128,741	2.50%	3,219	110,100
Sub-total		128,741		3,219	110,100

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2014	16 May 13 to 10 Feb 14	9,063	2.50%	227	7,751
Sub-total		9,063		227	7,751
Totals		137,804		3,446	117,851

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	
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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.

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

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.