



Tax Depreciation Report

89/2-4 Langport Parade,
Mudgeeraba QLD 4213

Bernard Daly and Karolina Marks
27/480 Christine Avenue
ROBINA, QLD 4226

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

Bernard Daly and Karolina Marks
27/480 Christine Avenue
ROBINA, QLD 4226

August 2020
Job No: RES4213012

Tax Depreciation Report – 89/2-4 Langport Parade, Mudgeeraba QLD 4213

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

28 August 2020

Purchaser

Bernard Daly and Karolina Marks

Property Address

89/2-4 Langport Parade, Mudgeeraba QLD 4213

Real Property Description

L89 GTP106765

Property Type

Residential House

Date of Construction

20 June 1998

Date Available To Generate Income

5 February 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"> • 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	5 February 20 to 30 June 20	0	2,072	2,072	1,640	3,712	5,164	5,164
2	1 July 20 to 30 June 21	0	3,367	3,367	4,129	7,496	5,169	10,333
3	1 July 21 to 30 June 22	0	2,104	2,104	4,129	6,233	3,818	14,152
4	1 July 22 to 30 June 23	0	1,315	1,315	4,129	5,444	2,679	16,831
5	1 July 23 to 30 June 24	0	822	822	4,129	4,951	1,923	18,753
6	1 July 24 to 30 June 25	0	514	514	4,129	4,643	1,412	20,165
7	1 July 25 to 30 June 26	0	321	321	4,129	4,450	1,222	21,388
8	1 July 26 to 30 June 27	0	201	201	4,129	4,330	884	22,272
9	1 July 27 to 30 June 28	0	125	125	4,129	4,254	658	22,930
10	1 July 28 to 30 June 29	0	78	78	4,129	4,207	502	23,433
11	1 July 29 to 30 June 30	0	49	49	4,129	4,178	393	23,825
12	1 July 30 to 30 June 31	0	31	31	4,129	4,160	313	24,139
13	1 July 31 to 30 June 32	0	19	19	4,129	4,148	255	24,394
14	1 July 32 to 30 June 33	0	12	12	4,129	4,141	211	24,605
15	1 July 33 to 30 June 34	0	7	7	4,129	4,136	177	24,781
16	1 July 34 to 30 June 35	0	5	5	4,129	4,134	148	24,930
17	1 July 35 to 30 June 36	0	3	3	4,129	4,132	343	25,273
18	1 July 36 to 30 June 37	0	2	2	4,129	4,131	214	25,487
19	1 July 37 to 30 June 38	0	1	1	4,008	4,009	134	25,621
20	1 July 38 to 30 June 39	0	1	1	1,558	1,559	84	25,705
21	1 July 39 to 30 June 40	0	0	0	1,558	1,558	53	25,758
22	1 July 40 to 30 June 41	0	0	0	1,558	1,558	33	25,791
23	1 July 41 to 30 June 42	0	0	0	1,558	1,558	21	25,811
24	1 July 42 to 30 June 43	0	0	0	1,558	1,558	13	25,824
25	1 July 43 to 30 June 44	0	0	0	1,558	1,558	8	25,832
26	1 July 44 to 30 June 45	0	0	0	1,558	1,558	5	25,837
27	1 July 45 to 30 June 46	0	0	0	1,545	1,545	3	25,841
28	1 July 46 to 30 June 47	0	0	0	111	111	2	25,843
29	1 July 47 to 30 June 48	0	0	0	111	111	1	25,844
30	1 July 48 to 30 June 49	0	0	0	111	111	1	25,845
31	1 July 49 to 30 June 50	0	0	0	111	111	0	25,845
32	1 July 50 to 30 June 51	0	0	0	111	111	0	25,845
33	1 July 51 to 30 June 52	0	0	0	111	111	0	25,846
34	1 July 52 to 30 June 53	0	0	0	111	111	0	25,846
35	1 July 53 to 30 June 54	0	0	0	111	111	0	25,846
36	1 July 54 to 30 June 55	0	0	0	111	111	0	25,846
37	1 July 55 to 30 June 56	0	0	0	111	111	0	25,846
38	1 July 56 to 30 June 57	0	0	0	111	111	0	25,846
39	1 July 57 to 30 June 58	0	0	0	111	111	0	25,846
40	2058+	0	0	0	195	195	0	25,846
Totals		0	11,049	11,049	89,819	100,868	25,846	25,846

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	5 February 20 to 30 June 20	0	2,072	2,072	1,640	3,712	4,692	4,692
2	1 July 20 to 30 June 21	0	3,367	3,367	4,129	7,496	3,713	8,405
3	1 July 21 to 30 June 22	0	2,104	2,104	4,129	6,233	2,765	11,170
4	1 July 22 to 30 June 23	0	1,315	1,315	4,129	5,444	2,172	13,342
5	1 July 23 to 30 June 24	0	822	822	4,129	4,951	1,802	15,143
6	1 July 24 to 30 June 25	0	514	514	4,129	4,643	1,570	16,713
7	1 July 25 to 30 June 26	0	321	321	4,129	4,450	1,425	18,139
8	1 July 26 to 30 June 27	0	201	201	4,129	4,330	1,335	19,473
9	1 July 27 to 30 June 28	0	125	125	4,129	4,254	1,278	20,752
10	1 July 28 to 30 June 29	0	78	78	4,129	4,207	1,243	21,994
11	1 July 29 to 30 June 30	0	49	49	4,129	4,178	1,032	23,026
12	1 July 30 to 30 June 31	0	31	31	4,129	4,160	730	23,756
13	1 July 31 to 30 June 32	0	19	19	4,129	4,148	659	24,415
14	1 July 32 to 30 June 33	0	12	12	4,129	4,141	550	24,965
15	1 July 33 to 30 June 34	0	7	7	4,129	4,136	547	25,512
16	1 July 34 to 30 June 35	0	5	5	4,129	4,134	327	25,839
17	1 July 35 to 30 June 36	0	3	3	4,129	4,132	2	25,841
18	1 July 36 to 30 June 37	0	2	2	4,129	4,131	1	25,842
19	1 July 37 to 30 June 38	0	1	1	4,008	4,009	1	25,843
20	1 July 38 to 30 June 39	0	1	1	1,558	1,559	1	25,844
21	1 July 39 to 30 June 40	0	0	0	1,558	1,558	0	25,844
22	1 July 40 to 30 June 41	0	0	0	1,558	1,558	0	25,844
23	1 July 41 to 30 June 42	0	0	0	1,558	1,558	0	25,844
24	1 July 42 to 30 June 43	0	0	0	1,558	1,558	0	25,844
25	1 July 43 to 30 June 44	0	0	0	1,558	1,558	0	25,844
26	1 July 44 to 30 June 45	0	0	0	1,558	1,558	0	25,844
27	1 July 45 to 30 June 46	0	0	0	1,545	1,545	0	25,844
28	1 July 46 to 30 June 47	0	0	0	111	111	0	25,844
29	1 July 47 to 30 June 48	0	0	0	111	111	0	25,845
30	1 July 48 to 30 June 49	0	0	0	111	111	0	25,845
31	1 July 49 to 30 June 50	0	0	0	111	111	0	25,845
32	1 July 50 to 30 June 51	0	0	0	111	111	0	25,845
33	1 July 51 to 30 June 52	0	0	0	111	111	0	25,845
34	1 July 52 to 30 June 53	0	0	0	111	111	0	25,845
35	1 July 53 to 30 June 54	0	0	0	111	111	0	25,845
36	1 July 54 to 30 June 55	0	0	0	111	111	0	25,845
37	1 July 55 to 30 June 56	0	0	0	111	111	0	25,845
38	1 July 56 to 30 June 57	0	0	0	111	111	0	25,845
39	1 July 57 to 30 June 58	0	0	0	111	111	0	25,845
40	2058+	0	0	0	195	195	0	25,845
Totals		1	11,049	11,050	89,819	100,869	25,845	25,845

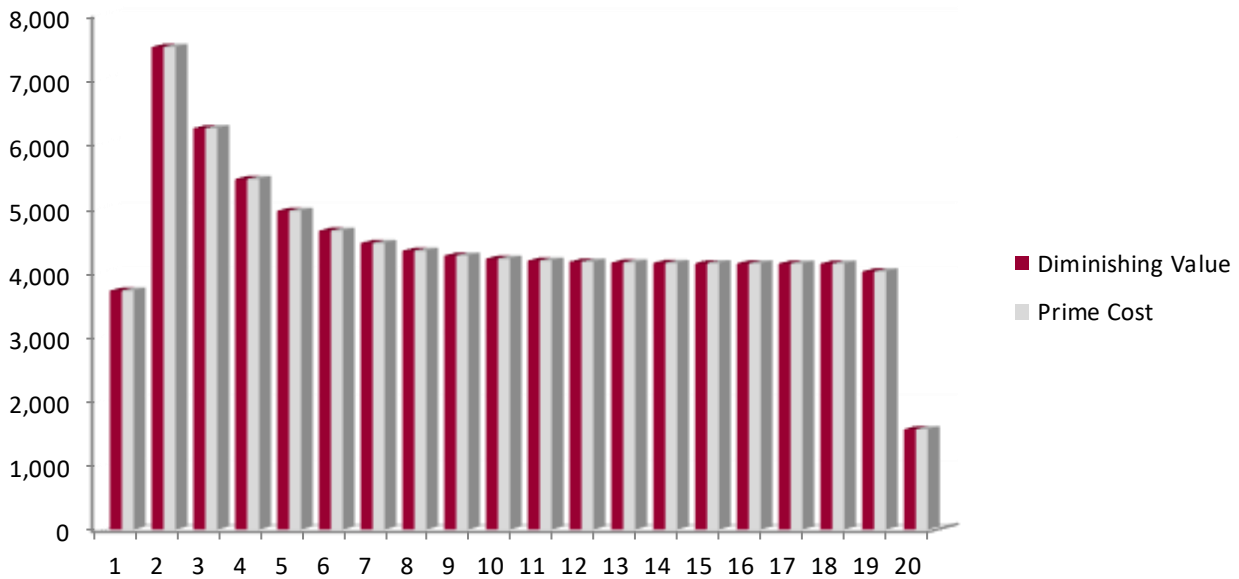
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

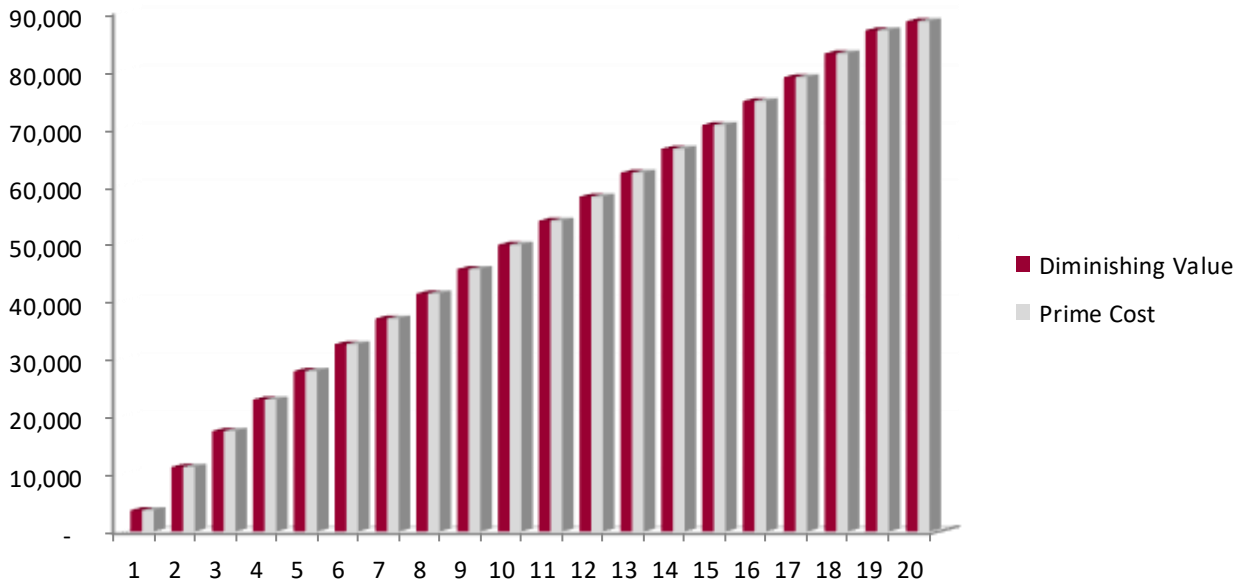
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	22 November 2019
Settlement Date	5 February 2020
Available To Generate Income	5 February 2020

Expenditure Analysed

Purchase Price	\$415,000
Stamp Duty	\$12,950
Post Expenditure	\$15,500
Total Expenditure Analysed	\$443,450

Historical Construction Details

Construction Start Date	23 September 1997
Construction Completion Date	20 June 1998
Historical Construction Cost (Estimated)*	\$138,739

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

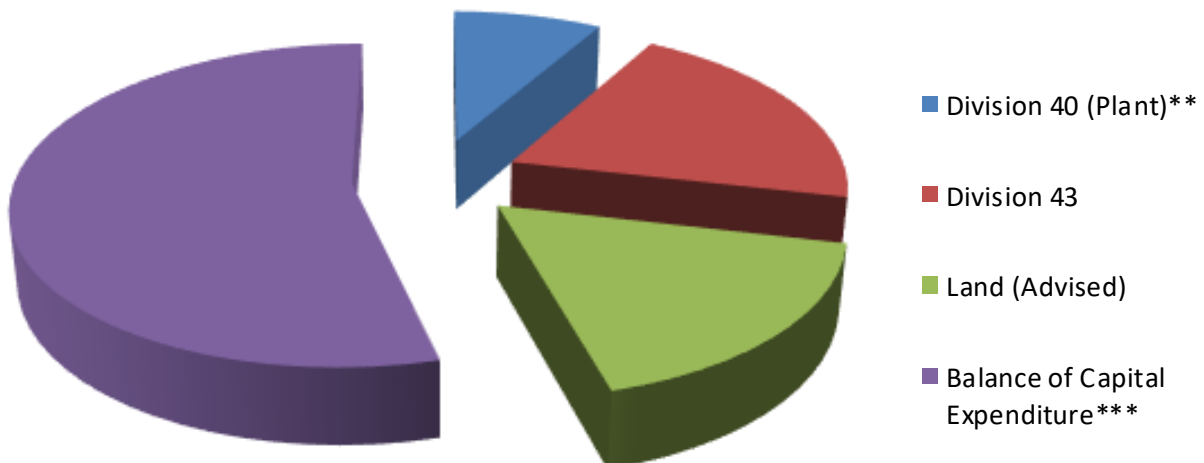
Division 40 (Plant)**	\$36,895
Division 43	\$89,819
Land (Advised)	\$76,481
Balance of Capital Expenditure***	\$240,255
Total Expenditure Analysed	\$443,450

Notes

* The historical construction has been calculated and the eligible qualifying expenditure for the purposes of calculating the Division 43 deductions capital works has been taken from this total by excluding the plant (Division 40) and any non eligible expenditure items

** Some assets in Division 40 (Plant) may not be eligible for yearly depreciation claim but for capital gain deduction only. Please go to Summary of Entitlements and detailed schedules for more information

*** Balance of capital expenditure comprises the apportionment of all capital works which are ineligible for depreciation or capital allowances



10. Diminishing Value Depreciation Schedule

Assets Generally Division 40 - Plant and Equipment	Eligibility For Depreciation	Diminishing Value Rate	Start Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Air-conditioning assets (excl. ducting, pipes & vents)														
Mini split system upto 20KW	NO	20.00%	5-Feb-20	3,025	241	557	445	356	285	228	342	214	134	84
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	5-Feb-20	561	105	171	107	67	42	26	16	10	6	4
Blinds Residential														
	NO	18.75%	5-Feb-20	2,037	2,037									
Ceiling Fans														
	NO	18.75%	5-Feb-20	748	140	228	143	89	56	35	22	14	8	5
Cleaning equipment														
Vacuum cleaner, ducted system, hoses, motors & wands	NO	20.00%	5-Feb-20	1,060	85	366	229	143	89	56	35	22	14	9
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	5-Feb-20	549	103	167	105	65	41	26	16	10	6	4
Emergency warning & intercommunication system	NO	16.67%	5-Feb-20	748	50	262	164	102	64	40	25	16	10	6
Floor coverings (removable without damage)														
Floating timber	NO	13.33%	5-Feb-20	8,113	432	1,024	888	769	667	578	501	434	376	326
Furniture														
	NO	18.75%	5-Feb-20	2,188	410	667	417	260	163	102	64	40	25	16
Garage doors, automatic														
Motors	NO	20.00%	5-Feb-20	686	55	237	148	92	58	36	23	14	9	6
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	5-Feb-20	1,247	83	194	364	227	142	89	56	35	22	14
Kitchen assets														
Cooktops	NO	18.75%	5-Feb-20	561	105	171	107	67	42	26	16	10	6	4
Dishwashers	NO	18.75%	5-Feb-20	499	94	152	95	59	37	23	14	9	6	4
Ovens	NO	18.75%	5-Feb-20	686	129	209	131	82	51	32	20	12	8	5
Rangehoods	NO	18.75%	5-Feb-20	312	58	95	59	37	23	14	9	6	4	2
Lights														
Shades, removable	NO	18.75%	5-Feb-20	2,196	412	669	418	261	163	102	64	40	25	16
\$300 items														
	NO	100.00%	5-Feb-20	626	626									
Additional Items (Post Expenditure)														
	Eligibility				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Blinds Residential														
	YES	18.75%	28-Feb-20	9,400	1,763	2,864	1,790	1,119	699	437	273	171	107	67
Electrical Machinery & Equipment														
Electrical equipment	YES	18.75%	28-Feb-20	600	113	183	114	71	45	28	17	11	7	4
Carried forward			833,500	35,845	7,039	8,216	5,722	3,869	2,666	1,878	1,513	1,066	771	

Diminishing Value Depreciation Schedule (cont.)

Assets Generally	Eligibility	Diminishing	Start Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Division 40 - Plant and Equipment		Value Rate												
Brought forward			833,500	35,845	7,039	8,216	5,722	3,869	2,666	1,878	1,513	1,066	771	
Lights														
Shades, removable	YES	18.75%	28-Feb-20	1,050	197	320	200	125	78	49	31	19	12	7
Pooled Plant Total					5,665	6,761	4,589	2,868	1,793	1,120	1,042	651	407	254
Effective Life Plant Total					1,571	1,775	1,333	1,126	952	806	501	434	376	326
Total Division 40				36,895	7,236	8,536	5,922	3,994	2,745	1,926	1,543	1,085	783	580
Division 43 - Capital Works Allowance														
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1998		2.50%	05-Feb-20	41,116	894	2,240	2,240	2,240	2,240	2,240	2,240	2,240	2,240	2,240
Building Works - Completed 2006		2.50%	05-Feb-20	34,200	517	1,296	1,296	1,296	1,296	1,296	1,296	1,296	1,296	1,296
Building Works - Completed 2020		2.50%	28-Feb-20	4,450	37	111	111	111	111	111	111	111	111	111
Structural Improvements - Completed 1998		2.50%	05-Feb-20	6,067	132	331	331	331	331	331	331	331	331	331
Structural Improvements - Completed 2006		2.50%	05-Feb-20	3,986	60	151	151	151	151	151	151	151	151	151
Total Division 43				89,819	1,640	4,129	4,129	4,129	4,129	4,129	4,129	4,129	4,129	4,129

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%	05-Feb-20	3,025	121	302	302	302	302	302	302	302	302	302
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	05-Feb-20	561	105	171	107	67	42	26	16	10	6	4
Blinds Residential														
	NO	18.75%	05-Feb-20	2,037	2,037									
Ceiling Fans														
	NO	18.75%	05-Feb-20	748	140	228	143	89	56	35	22	14	8	5
Cleaning equipment														
Vacuum cleaner, ducted system, hoses, motors & wands	NO	10.00%	05-Feb-20	1,060	42	106	106	106	106	106	106	106	106	106
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	05-Feb-20	549	103	167	105	65	41	26	16	10	6	4
Emergency warning & intercommunication system	NO	8.33%	05-Feb-20	748	25	62	62	62	62	62	62	62	62	62
Floor coverings (removable without damage)														
Floating timber	NO	6.67%	05-Feb-20	8,113	216	541	541	541	541	541	541	541	541	541
Furniture														
	NO	18.75%	05-Feb-20	2,188	410	667	417	260	163	102	64	40	25	16
Garage doors, automatic														
Motors	NO	10.00%	05-Feb-20	686	27	69	69	69	69	69	69	69	69	69
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	05-Feb-20	1,247	41	104	104	104	104	104	104	104	104	104
Kitchen assets														
Cooktops	NO	18.75%	05-Feb-20	561	105	171	107	67	42	26	16	10	6	4
Dishwashers	NO	18.75%	05-Feb-20	499	94	152	95	59	37	23	14	9	6	4
Ovens	NO	18.75%	05-Feb-20	686	129	209	131	82	51	32	20	12	8	5
Rangehoods	NO	18.75%	05-Feb-20	312	58	95	59	37	23	14	9	6	4	2
Lights														
Shades, removable	NO	18.75%	05-Feb-20	2,196	412	669	418	261	163	102	64	40	25	16
\$300 items														
	NO	100.00%	05-Feb-20	626	626									
Additional Items (Post Expenditure)														
	Eligibility				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Blinds Residential														
	YES	18.75%	28-Feb-20	9,400	1,763	2,864	1,790	1,119	699	437	273	171	107	67
Electrical Machinery & Equipment :														
Electrical equipment	YES	18.75%	28-Feb-20	600	113	183	114	71	45	28	17	11	7	4
			Carried forward	833,500	35,845	6,567	6,760	4,669	3,362	2,545	2,035	1,716	1,516	1,392

Prime Cost Depreciation Schedule (cont.)

Assets Generally	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
Division 40 - Plant and Equipment														
	Brought forward		833,500	35,845	6,567	6,760	4,669	3,362	2,545	2,035	1,716	1,516	1,392	
Lights														
Shades, removable	YES	18.75%	28-Feb-20	1,050	197	320	200	125	78	49	31	19	12	7
Pooled Plant Total					5,665	5,896	3,685	2,303	1,439	900	562	351	220	137
Effective Life Plant Total					1,099	1,184	1,184	1,184	1,184	1,184	1,184	1,184	1,184	1,184
Total Division 40				36,895	6,764	7,080	4,869	3,487	2,623	2,084	1,746	1,535	1,404	1,321
Division 43 - Capital Works Allowance														
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1998		2.50%	05-Feb-20	41,116	894	2,240	2,240	2,240	2,240	2,240	2,240	2,240	2,240	2,240
Building Works - Completed 2006		2.50%	05-Feb-20	34,200	517	1,296	1,296	1,296	1,296	1,296	1,296	1,296	1,296	1,296
Building Works - Completed 2020		2.50%	28-Feb-20	4,450	37	111	111	111	111	111	111	111	111	111
Structural Improvements - Completed 1998		2.50%	05-Feb-20	6,067	132	331	331	331	331	331	331	331	331	331
Structural Improvements - Completed 2006		2.50%	05-Feb-20	3,986	60	151	151	151	151	151	151	151	151	151
Total Division 43				89,819	1,640	4,129	4,129	4,129	4,129	4,129	4,129	4,129	4,129	4,129

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 1998	23 Sep 97 to 20 Jun 98	89,595	2.50%	2,240	41,116
Building Works - Completed 2006	1 Apr 06 to 30 Jun 06	51,840	2.50%	1,296	34,200
Building Works - Completed 2020	5 Feb 20 to 28 Feb 20	4,450	2.50%	111	4,450

Sub-total 145,886 3,647 79,766

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1998	23 Sep 97 to 20 Jun 98	13,222	2.50%	331	6,067
Structural Improvements - Completed 2006	1 Apr 06 to 30 Jun 06	6,042	2.50%	151	3,986

Sub-total 19,264 482 10,053

Totals 165,149 4,129 89,819

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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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.