Tax Depreciation Report – Capex Report

47 Nepean Street,
Broadmeadows VIC 3047

Dean Murno
47 Nepean Street
BROADMEADOWS, VIC 3047

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

Dean Murno
47 Nepean Street
BROADMEADOWS, VIC 3047

August 2020
Job No: RES3047002

Tax Depreciation Report – 47 Nepean Street, Broadmeadows VIC 3047

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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TABLE OF CONTENTS

1. Property Information 2
2. Report Details 3
3. Capital Allowances 4
4. Capital Works 6
5. Summary of Entitlements – Diminishing Value Method 7
6. Summary of Entitlements – Prime Cost Method 8
7. Comparison Graphs 9
8. Capital Expenditure Analysed 10
9. Reconciliation of Capital Expenditure 10
10. Diminishing Value Depreciation Schedule 11
11. Prime Cost Depreciation Schedule 12
12. Division 43 Capital Works Schedule 13
13. Definition of Terms 14
14. Contact Details 15
15. Disclaimer 16

1. Property Information

Date of Report

31 August 2020

Purchaser

Dean Murno

Property Address

47 Nepean Street, Broadmeadows VIC 3047

Real Property Description

LOT 1 PS530201

Property Type

Residential House

Date of Construction

19 May 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 deprecating 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

Diminishing value method is often the most popular form of depreciation due to the cash-flow benefits in the early years of asset ownership.

Benefits

- 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)

Calculation Example

Under Diminishing Value method, the effective life is dividing by 200.

200 / 10 Years = 20% (Adjusted Value)

If an asset has a value of $10,000 and an effective life of 10 years the following annual depreciation may be claimed.

Year 1	Year 2	Year 3	Year 4	Year 5
$2,000	$1,600	$1,280	$1,024	$819.20

Prime Cost Method

Prime Cost Method of Depreciation, often referred to as straight line depreciation is depreciated at a constant rate each year.

Benefits

- Write off assets when they are demolished or disposed.

Calculation Example

Under Prime Cost method, the effective life is dividing by 100.

100 / 10 Years = 10% (Straight Line)

If an asset has a value of $10,000 and an effective life of 10 years the following annual depreciation may be claimed.

Year 1	Year 2	Year 3	Year 4	Year 5
$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	Effective Life	Pooled Plant	Total Div 40	Division 43	Totals
1	19 May 20 to 30 June 20	317	439	756	76	**832**
2	1 July 20 to 30 June 21	2,690	714	3,404	661	**4,065**
3	1 July 21 to 30 June 22	1,462	1,455	2,917	661	**3,578**
4	1 July 22 to 30 June 23	787	1,570	2,357	661	**3,018**
5	1 July 23 to 30 June 24	669	981	1,650	661	**2,311**
6	1 July 24 to 30 June 25	568	613	1,182	661	**1,843**
7	1 July 25 to 30 June 26	483	383	866	661	**1,527**
8	1 July 26 to 30 June 27	411	240	650	661	**1,311**
9	1 July 27 to 30 June 28	349	150	499	661	**1,160**
10	1 July 28 to 30 June 29	297	94	390	661	**1,051**
11	1 July 29 to 30 June 30	252	58	311	661	**972**
12	1 July 30 to 30 June 31	214	37	251	661	**912**
13	1 July 31 to 30 June 32	182	23	205	661	**866**
14	1 July 32 to 30 June 33	155	14	169	661	**830**
15	1 July 33 to 30 June 34	0	338	338	661	**999**
16	1 July 34 to 30 June 35	0	211	211	661	**872**
17	1 July 35 to 30 June 36	0	132	132	661	**793**
18	1 July 36 to 30 June 37	0	82	82	661	**743**
19	1 July 37 to 30 June 38	0	52	52	661	**713**
20	1 July 38 to 30 June 39	0	32	32	661	**693**
21	1 July 39 to 30 June 40	0	20	20	661	**681**
22	1 July 40 to 30 June 41	0	13	13	661	**674**
23	1 July 41 to 30 June 42	0	8	8	661	**669**
24	1 July 42 to 30 June 43	0	5	5	661	**666**
25	1 July 43 to 30 June 44	0	3	3	661	**664**
26	1 July 44 to 30 June 45	0	2	2	661	**663**
27	1 July 45 to 30 June 46	0	1	1	661	**662**
28	1 July 46 to 30 June 47	0	1	1	661	**662**
29	1 July 47 to 30 June 48	0	0	0	661	**661**
30	1 July 48 to 30 June 49	0	0	0	661	**661**
31	1 July 49 to 30 June 50	0	0	0	661	**661**
32	1 July 50 to 30 June 51	0	0	0	661	**661**
33	1 July 51 to 30 June 52	0	0	0	661	**661**
34	1 July 52 to 30 June 53	0	0	0	661	**661**
35	1 July 53 to 30 June 54	0	0	0	661	**661**
36	1 July 54 to 30 June 55	0	0	0	661	**661**
37	1 July 55 to 30 June 56	0	0	0	661	**661**
38	1 July 56 to 30 June 57	0	0	0	661	**661**
39	1 July 57 to 30 June 58	0	0	0	661	**661**
40	2058+	0	0	0	1,259	**1,259**
	Totals	**8,835**	**7,672**	**16,507**	**26,453**	**42,960**

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	Effective Life	Pooled Plant	Total Div 40	Division 43	Totals
1	19 May 20 to 30 June 20	159	439	598	76	**674**
2	1 July 20 to 30 June 21	1,379	714	2,093	661	**2,754**
3	1 July 21 to 30 June 22	1,379	446	1,825	661	**2,486**
4	1 July 22 to 30 June 23	1,379	279	1,658	661	**2,319**
5	1 July 23 to 30 June 24	1,379	174	1,553	661	**2,214**
6	1 July 24 to 30 June 25	1,379	109	1,488	661	**2,149**
7	1 July 25 to 30 June 26	1,379	68	1,447	661	**2,108**
8	1 July 26 to 30 June 27	1,241	43	1,283	661	**1,944**
9	1 July 27 to 30 June 28	924	27	951	661	**1,612**
10	1 July 28 to 30 June 29	791	17	808	661	**1,469**
11	1 July 29 to 30 June 30	772	10	783	661	**1,444**
12	1 July 30 to 30 June 31	671	6	677	661	**1,338**
13	1 July 31 to 30 June 32	658	4	662	661	**1,323**
14	1 July 32 to 30 June 33	554	3	557	661	**1,218**
15	1 July 33 to 30 June 34	119	2	121	661	**782**
16	1 July 34 to 30 June 35	0	1	1	661	**662**
17	1 July 35 to 30 June 36	0	1	1	661	**662**
18	1 July 36 to 30 June 37	0	0	0	661	**661**
19	1 July 37 to 30 June 38	0	0	0	661	**661**
20	1 July 38 to 30 June 39	0	0	0	661	**661**
21	1 July 39 to 30 June 40	0	0	0	661	**661**
22	1 July 40 to 30 June 41	0	0	0	661	**661**
23	1 July 41 to 30 June 42	0	0	0	661	**661**
24	1 July 42 to 30 June 43	0	0	0	661	**661**
25	1 July 43 to 30 June 44	0	0	0	661	**661**
26	1 July 44 to 30 June 45	0	0	0	661	**661**
27	1 July 45 to 30 June 46	0	0	0	661	**661**
28	1 July 46 to 30 June 47	0	0	0	661	**661**
29	1 July 47 to 30 June 48	0	0	0	661	**661**
30	1 July 48 to 30 June 49	0	0	0	661	**661**
31	1 July 49 to 30 June 50	0	0	0	661	**661**
32	1 July 50 to 30 June 51	0	0	0	661	**661**
33	1 July 51 to 30 June 52	0	0	0	661	**661**
34	1 July 52 to 30 June 53	0	0	0	661	**661**
35	1 July 53 to 30 June 54	0	0	0	661	**661**
36	1 July 54 to 30 June 55	0	0	0	661	**661**
37	1 July 55 to 30 June 56	0	0	0	661	**661**
38	1 July 56 to 30 June 57	0	0	0	661	**661**
39	1 July 57 to 30 June 58	0	0	0	661	**661**
40	2058+	0	0	0	1,259	**1,259**
	Totals	**14,163**	**2,343**	**16,507**	**26,453**	**42,960**

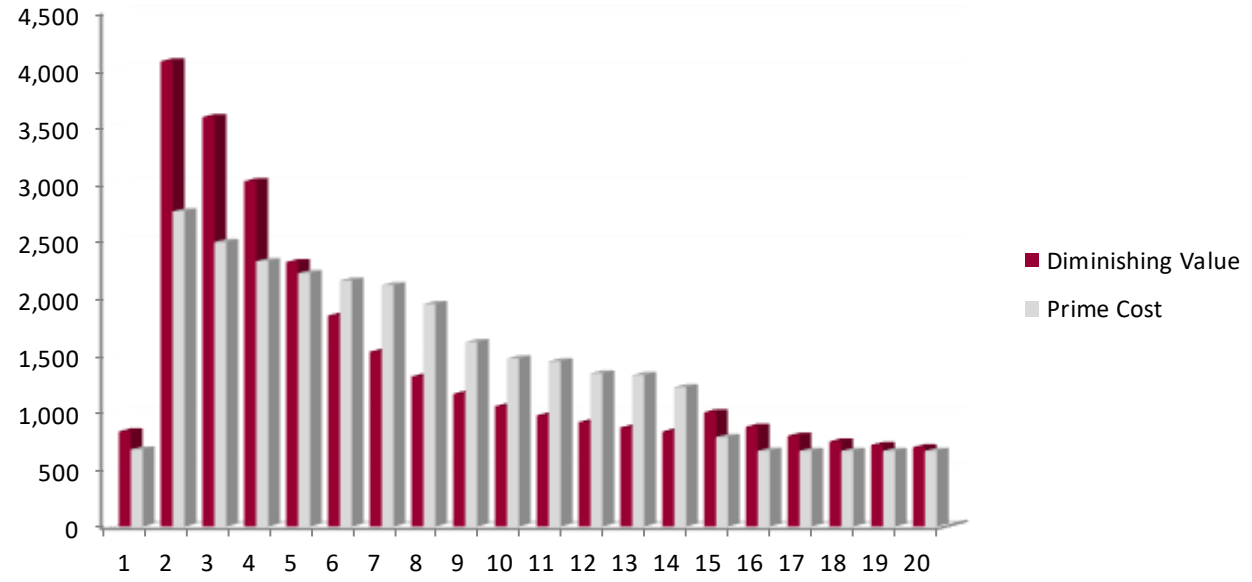
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

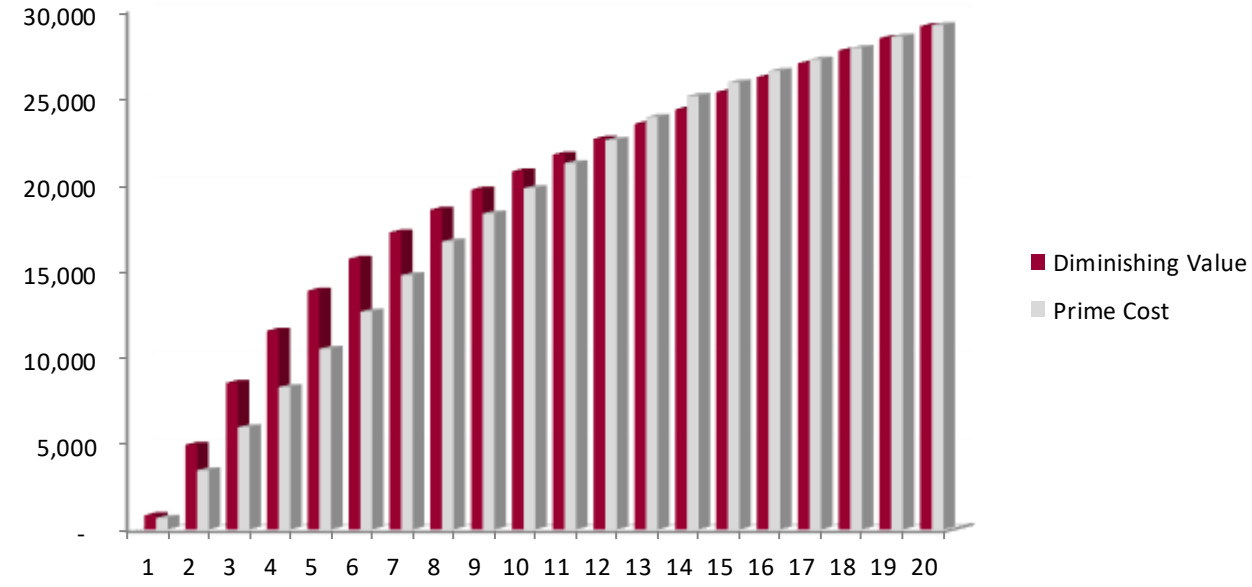
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	$1,000	$100	$900	$100

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

Expenditure Analysed	
Construction Cost	$42,960
Total Expenditure Analysed	**$42,960**

Historical Construction Details	
Construction Start Date	1 April 2020
Construction Completion Date	19 May 2020
Historical Construction Cost (Advised)*	$42,960

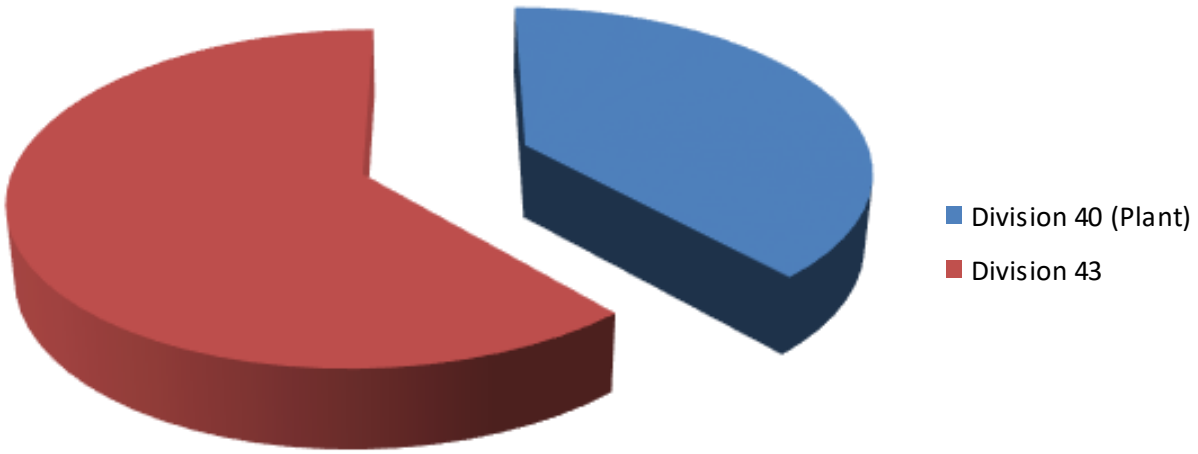
9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:	
Division 40 (Plant)	$16,507
Division 43	$26,453
Total Expenditure Analysed	**$42,960**

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

** 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	Diminishing Value Rate	Install Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Computer systems													
General	18.75%	19-May-20	449	84	137	86	53	33	21	13	8	5	3
Furniture	15.00%	19-May-20	7,385	127	1,089	926	787	669	568	483	411	349	297
Furniture	18.75%	19-May-20	1,755	329	535	334	209	131	82	51	32	20	12
Kitchen assets													
Refrigerators	16.67%	19-May-20	1,405	27	230	191	359	224	140	88	55	34	21
Laundry assets													
Clothes dryers	28.57%	19-May-20	1,299	43	359	337	210	131	82	51	32	20	13
Washing machines	25.00%	19-May-20	1,179	34	286	322	201	126	79	49	31	19	12
Lights													
Shades, removable	18.75%	19-May-20	140	26	43	27	17	10	6	4	3	2	1
Security systems & equipment													
Electronic	30.00%	19-May-20	1,700	59	492	345	302	189	118	74	46	29	18
Televisions	20.00%	19-May-20	1,195	27	234	350	219	137	86	53	33	21	13
Pooled Plant Total				439	714	1,455	1,570	981	613	383	240	150	94
Effective Life Plant Total				317	2,690	1,462	787	669	568	483	411	349	297
Total Division 40			16,507	756	3,404	2,917	2,357	1,650	1,182	866	650	499	390

Division 43 - Capital Works Allowance	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2020	2.50%	19-May-20	21,353	61	534	534	534	534	534	534	534	534	534
Structural Improvements - Completed 2020	2.50%	19-May-20	5,100	15	127	127	127	127	127	127	127	127	127
Total Division 43			26,453	76	661	661	661	661	661	661	661	661	661
Total Depreciation			42,960	832	4,065	3,578	3,018	2,311	1,843	1,527	1,311	1,160	1,051

11. Prime Cost Depreciation Schedule

Assets Generally Division 40 - Plant and Equipment	Prime Cost Rate	Install Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Computer systems													
General	18.75%	19-May-20	449	84	137	86	53	33	21	13	8	5	3
Furniture	7.50%	19-May-20	7,385	64	554	554	554	554	554	554	554	554	554
Furniture	18.75%	19-May-20	1,755	329	535	334	209	131	82	51	32	20	12
Kitchen assets													
Refrigerators	8.33%	19-May-20	1,405	13	117	117	117	117	117	117	117	117	117
Laundry assets													
Clothes dryers	14.29%	19-May-20	1,299	21	186	186	186	186	186	186	162		
Washing machines	12.50%	19-May-20	1,179	17	147	147	147	147	147	147	147	133	
Lights													
Shades, removable	18.75%	19-May-20	140	26	43	27	17	10	6	4	3	2	1
Security systems & equipment													
Electronic	15.00%	19-May-20	1,700	29	255	255	255	255	255	255	141		
Televisions	10.00%	19-May-20	1,195	14	120	120	120	120	120	120	120	120	120
Pooled Plant Total				**439**	**714**	**446**	**279**	**174**	**109**	**68**	**43**	**27**	**17**
Effective Life Plant Total				**159**	**1,379**	**1,379**	**1,379**	**1,379**	**1,379**	**1,379**	**1,241**	**924**	**791**
Total Division 40			**16,507**	**598**	**2,093**	**1,825**	**1,658**	**1,553**	**1,488**	**1,447**	**1,283**	**951**	**808**

Division 43 - Capital Works Allowance	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2020	2.50%	19-May-20	21,353	61	534	534	534	534	534	534	534	534	534
Structural Improvements - Completed 2020	2.50%	19-May-20	5,100	15	127	127	127	127	127	127	127	127	127
Total Division 43			26,453	76	661	661	661	661	661	661	661	661	661
Total Depreciation			**42,960**	**674**	**2,754**	**2,486**	**2,319**	**2,214**	**2,149**	**2,108**	**1,944**	**1,612**	**1,469**

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 2020	1 Apr 20 to 19 May 20	21,353	2.50%	534	21,353
Sub-total		21,353		534	21,353

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2020	1 Apr 20 to 19 May 20	5,100	2.50%	127	5,100
Sub-total		5,100		127	5,100
Totals		26,453		661	26,453

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.

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
Postal Address	Suite 1, L12/133 Mary Street, Brisbane, Qld 4000
Office Number	1300 669 400
Office Email	info@koste.com.au

LEAD SURVEYOR DETAILS	
Surveyors Name	Mark Kilroy
Tax Agent Number	24370523
Contact Number	1300 669 400
Email	mark@koste.com.au

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.