



## Tax Depreciation Report

47 Botanic Drive,  
Doncaster VIC 3108

Harjit Singh Darshan Singh Dhanjal & Kavita Khatri  
19 Montclair Ave  
BRIGHTON, VIC 3186

Issue Schedule	
Issue Date:	Issued by:
02 September 2020	Mark Kilroy Bsc (Hons) MRICS

Harjit Singh Darshan Singh Dhanjal & Kavita Khatri  
19 Montclair Ave  
BRIGHTON, VIC 3186

September 2020  
Job No: RES3108007

### **Tax Depreciation Report – 47 Botanic Drive, Doncaster VIC 3108**

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

2 September 2020

### Purchaser

Harjit Singh Darshan Singh Dhanjal & Kavita Khatri

### Property Address

47 Botanic Drive, Doncaster VIC 3108

### Real Property Description

LOT 93 LP84719

### Property Type

Residential House

### Date of Construction

Pre 1985

### Date Available To Generate Income

30 May 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				
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				
<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>				
Calculation Example				
Under Diminishing Value method, the effective life is dividing by 200.				
<b>200 / 10 Years = 20% (Adjusted Value)</b>				
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				
<ul style="list-style-type: none"> <li>• Write off assets when they are demolished or disposed.</li> </ul>				
Calculation Example				
Under Prime Cost method, the effective life is dividing by 100.				
<b>100 / 10 Years = 10% (Straight Line)</b>				
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	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	3 November 11 to 30 June 12	0	0	0	716	716	0	0
2	1 July 12 to 30 June 13	0	0	0	1,092	1,092	0	0
3	1 July 13 to 30 June 14	0	0	0	1,092	1,092	0	0
4	1 July 14 to 30 June 15	0	0	0	1,092	1,092	0	0
5	1 July 15 to 30 June 16	0	0	0	1,092	1,092	0	0
6	1 July 16 to 30 June 17	0	0	0	1,092	1,092	0	0
7	1 July 17 to 30 June 18	0	0	0	1,092	1,092	0	0
8	1 July 18 to 30 June 19	175	3,375	3,550	17,868	21,418	1,631	1,631
9	1 July 19 to 30 June 20	1,678	2,848	4,526	3,964	8,490	1,154	2,784
10	1 July 20 to 30 June 21	784	2,810	3,594	3,964	7,558	1,117	3,901
11	1 July 21 to 30 June 22	380	2,077	2,457	3,964	6,421	886	4,787
12	1 July 22 to 30 June 23	0	1,583	1,583	3,964	5,547	720	5,507
13	1 July 23 to 30 June 24	0	990	990	3,964	4,954	595	6,102
14	1 July 24 to 30 June 25	0	618	618	3,964	4,582	501	6,603
15	1 July 25 to 30 June 26	0	387	387	3,964	4,351	426	7,029
16	1 July 26 to 30 June 27	0	242	242	3,964	4,206	366	7,395
17	1 July 27 to 30 June 28	0	151	151	3,964	4,115	317	7,713
18	1 July 28 to 30 June 29	0	94	94	3,964	4,058	276	7,989
19	1 July 29 to 30 June 30	0	59	59	3,964	4,023	468	8,457
20	1 July 30 to 30 June 31	0	37	37	3,964	4,001	597	9,054
21	1 July 31 to 30 June 32	0	23	23	3,964	3,987	373	9,427
22	1 July 32 to 30 June 33	0	14	14	3,964	3,978	234	9,661
23	1 July 33 to 30 June 34	0	9	9	3,964	3,973	146	9,807
24	1 July 34 to 30 June 35	0	6	6	3,964	3,970	91	9,898
25	1 July 35 to 30 June 36	0	4	4	3,964	3,968	56	9,954
26	1 July 36 to 30 June 37	0	2	2	3,939	3,941	36	9,990
27	1 July 37 to 30 June 38	0	1	1	3,794	3,795	23	10,012
28	1 July 38 to 30 June 39	0	1	1	3,794	3,795	14	10,026
29	1 July 39 to 30 June 40	0	1	1	3,794	3,795	8	10,034
30	1 July 40 to 30 June 41	0	0	0	3,794	3,794	6	10,040
31	1 July 41 to 30 June 42	0	0	0	3,794	3,794	4	10,044
32	1 July 42 to 30 June 43	0	0	0	3,794	3,794	2	10,046
33	1 July 43 to 30 June 44	0	0	0	3,794	3,794	1	10,047
34	1 July 44 to 30 June 45	0	0	0	3,794	3,794	1	10,048
35	1 July 45 to 30 June 46	0	0	0	3,794	3,794	1	10,049
36	1 July 46 to 30 June 47	0	0	0	3,794	3,794	0	10,049
37	1 July 47 to 30 June 48	0	0	0	3,794	3,794	0	10,049
38	1 July 48 to 30 June 49	0	0	0	3,794	3,794	0	10,050
39	1 July 49 to 30 June 50	0	0	0	3,794	3,794	0	10,050
40	2050+	0	0	0	33,839	33,839	0	10,050
<b>Totals</b>		<b>3,017</b>	<b>15,332</b>	<b>18,349</b>	<b>179,624</b>	<b>197,973</b>	<b>10,050</b>	<b>10,050</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	3 November 11 to 30 June 12	0	0	0	716	716	0	0
2	1 July 12 to 30 June 13	0	0	0	1,092	1,092	0	0
3	1 July 13 to 30 June 14	0	0	0	1,092	1,092	0	0
4	1 July 14 to 30 June 15	0	0	0	1,092	1,092	0	0
5	1 July 15 to 30 June 16	0	0	0	1,092	1,092	0	0
6	1 July 16 to 30 June 17	0	0	0	1,092	1,092	0	0
7	1 July 17 to 30 June 18	0	0	0	1,092	1,092	0	0
8	1 July 18 to 30 June 19	88	3,375	3,463	17,868	21,331	2,564	2,564
9	1 July 19 to 30 June 20	1,033	2,109	3,142	3,964	7,106	2,085	4,649
10	1 July 20 to 30 June 21	1,033	1,318	2,351	3,964	6,315	2,079	6,728
11	1 July 21 to 30 June 22	1,033	824	1,857	3,964	5,821	1,648	8,376
12	1 July 22 to 30 June 23	1,033	515	1,548	3,964	5,512	1,416	9,793
13	1 July 23 to 30 June 24	1,033	322	1,355	3,964	5,319	1,351	11,143
14	1 July 24 to 30 June 25	996	201	1,197	3,964	5,161	1,268	12,412
15	1 July 25 to 30 June 26	593	126	719	3,964	4,683	1,195	13,607
16	1 July 26 to 30 June 27	593	79	672	3,964	4,636	688	14,295
17	1 July 27 to 30 June 28	593	49	642	3,964	4,606	415	14,710
18	1 July 28 to 30 June 29	562	31	593	3,964	4,557	415	15,125
19	1 July 29 to 30 June 30	237	19	256	3,964	4,220	415	15,541
20	1 July 30 to 30 June 31	225	12	237	3,964	4,201	415	15,956
21	1 July 31 to 30 June 32	145	7	152	3,964	4,116	147	16,102
22	1 July 32 to 30 June 33	88	5	93	3,964	4,057	0	16,102
23	1 July 33 to 30 June 34	64	3	67	3,964	4,031	0	16,102
24	1 July 34 to 30 June 35	0	2	2	3,964	3,966	0	16,102
25	1 July 35 to 30 June 36	0	1	1	3,964	3,965	0	16,102
26	1 July 36 to 30 June 37	0	1	1	3,939	3,940	0	16,102
27	1 July 37 to 30 June 38	0	0	0	3,794	3,794	0	16,102
28	1 July 38 to 30 June 39	0	0	0	3,794	3,794	0	16,102
29	1 July 39 to 30 June 40	0	0	0	3,794	3,794	0	16,102
30	1 July 40 to 30 June 41	0	0	0	3,794	3,794	0	16,102
31	1 July 41 to 30 June 42	0	0	0	3,794	3,794	0	16,102
32	1 July 42 to 30 June 43	0	0	0	3,794	3,794	0	16,102
33	1 July 43 to 30 June 44	0	0	0	3,794	3,794	0	16,102
34	1 July 44 to 30 June 45	0	0	0	3,794	3,794	0	16,102
35	1 July 45 to 30 June 46	0	0	0	3,794	3,794	0	16,102
36	1 July 46 to 30 June 47	0	0	0	3,794	3,794	0	16,102
37	1 July 47 to 30 June 48	0	0	0	3,794	3,794	0	16,102
38	1 July 48 to 30 June 49	0	0	0	3,794	3,794	0	16,102
39	1 July 49 to 30 June 50	0	0	0	3,794	3,794	0	16,102
40	2050+	0	0	0	33,839	33,839	0	16,102
<b>Totals</b>		<b>9,351</b>	<b>8,999</b>	<b>18,350</b>	<b>179,624</b>	<b>197,974</b>	<b>16,102</b>	<b>16,102</b>

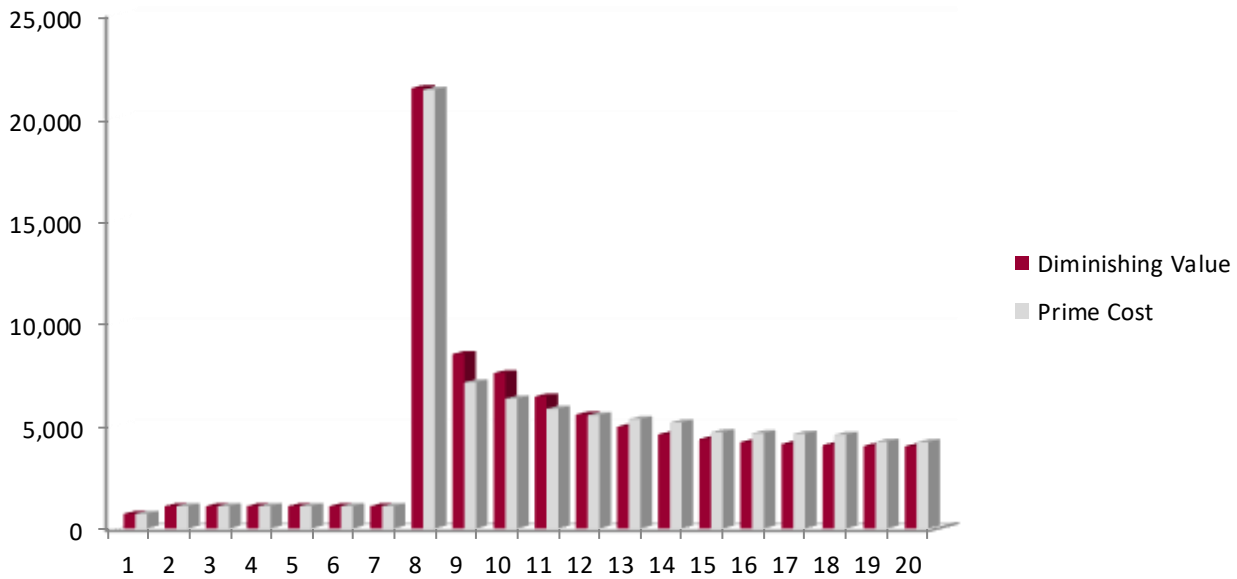
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

### Example

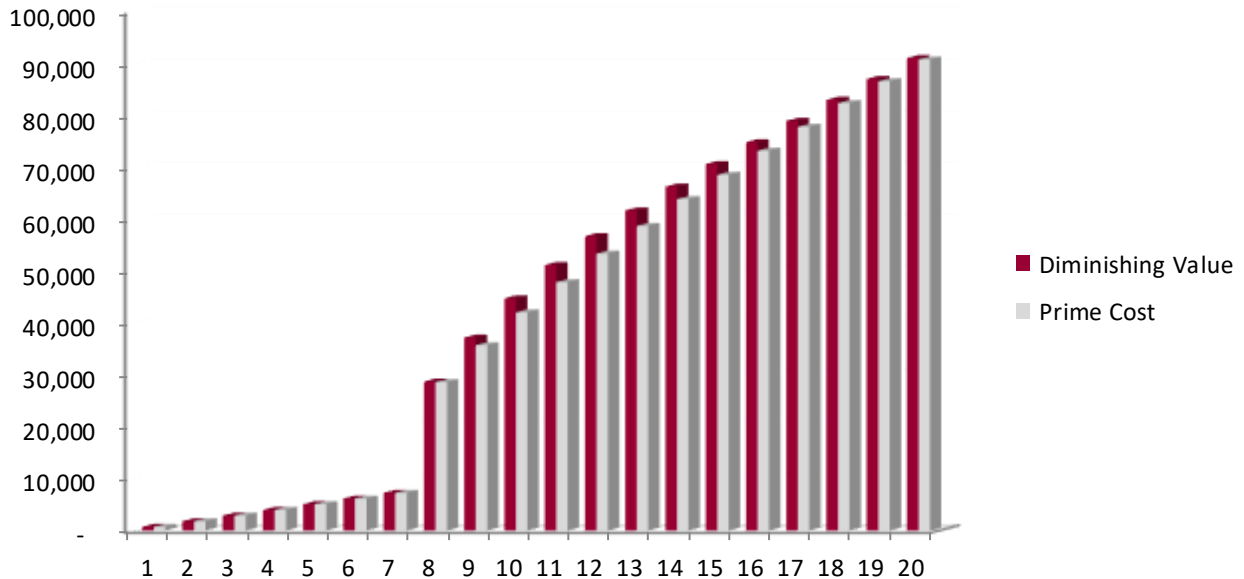
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

## 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	3 November 2011
Settlement Date	3 November 2011
Available To Generate Income	30 May 2019

### Expenditure Analysed

Purchase Price	\$610,000
Stamp Duty	\$33,352
Legals	\$2,000
Post Expenditure	\$200,000
<b>Total Expenditure Analysed</b>	<b>\$845,352</b>

### Historical Construction Details

Construction Start Date	Pre 1985
Construction Completion Date	Pre 1985
Historical Construction Cost (Estimated)*	N/A
Lot Entitlement	1
Overall Lot Entitlement	1

## 9. Reconciliation of Capital Expenditure

### Apportionment of cost relating to:

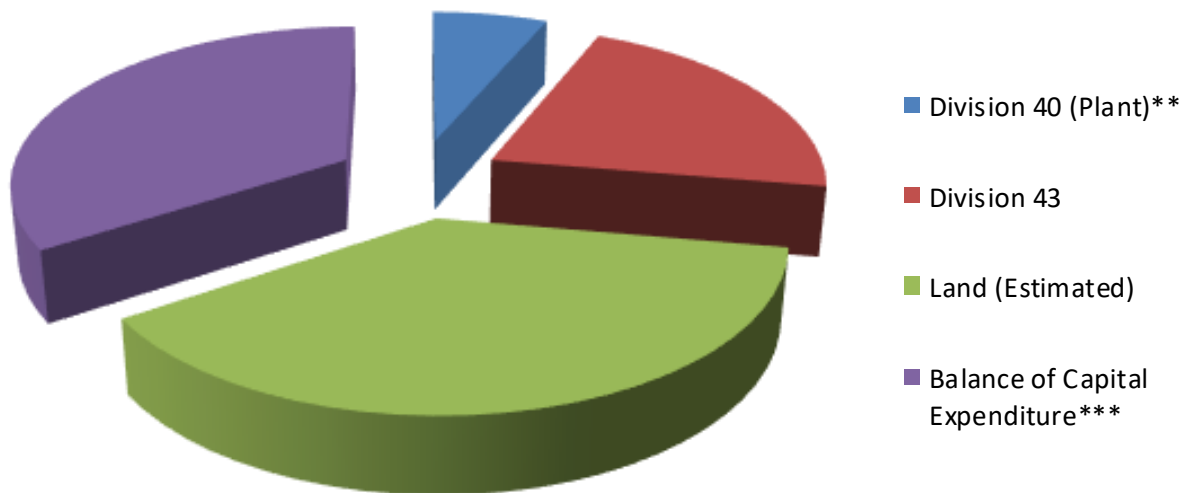
Division 40 (Plant)**	\$54,485
Division 43	\$179,624
Land (Estimated)	\$321,676
Balance of Capital Expenditure***	\$289,567
<b>Total Expenditure Analysed</b>	<b>\$845,352</b>

### 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 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
<b>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Mini split system upto 20KW	NO	20.00%	3-Nov-11	5,694	747	989	792	633	507	405	324	259	208	311
<b>Curtains and drapes</b>														
	NO	18.75%	3-Nov-11	552	103	168	105	66	41	26	16	27		
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	3-Nov-11	696	130	212	133	83	52	32	20	34		
<b>Floor coverings ( removable without damage)</b>														
Floating timber	NO	13.33%	3-Nov-11	11,689	1,022	1,422	1,233	1,068	926	802	695	603	522	453
<b>Furniture</b>														
Furniture	NO	18.75%	3-Nov-11	791	148	241	151	94	59	37	23	14	9	6
Furniture	NO	18.75%	3-Nov-11	42	8	13	8	5	3	2	1	2		
<b>Garage doors, automatic</b>														
Motors	NO	20.00%	3-Nov-11	870	114	283	177	111	69	43	27	17	11	7
<b>Garden sheds, freestanding</b>														
	NO	20.00%	3-Nov-11	791	104	258	161	101	63	39	25	41		
<b>Heating units</b>														
Gas ducted central heating	NO	10.00%	3-Nov-11	7,118	467	665	599	539	485	436	393	353	318	286
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	16.67%	3-Nov-11	1,265	138	188	352	220	138	86	54	34	21	13
<b>Kitchen assets</b>														
Cooktops	NO	18.75%	3-Nov-11	443	83	135	84	53	33	21	13	21		
Dishwashers	NO	18.75%	3-Nov-11	712	133	217	136	85	53	33	21	13	8	5
Ovens	NO	18.75%	3-Nov-11	601	113	183	114	72	45	28	17	29		
<b>Lights</b>														
Shades, removable	NO	18.75%	3-Nov-11	1,882	353	573	358	224	140	88	55	91		
<b>Pumps</b>														
	NO	10.00%	3-Nov-11	1,186	78	111	374	234	146	91	57	36	22	14
<b>Swimming pools</b>														
Filtration equipment	NO	15.00%	3-Nov-11	1,503	148	203	173	367	229	143	90	56	35	22
<b>\$300 items</b>														
	NO	100.00%	3-Nov-11	301	301									
<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>Bathroom assets</b>														
Exhaust fans (including light/heating)	YES	18.75%	30-May-19	500								188	117	73
<b>Blinds Residential</b>														
	YES	20.00%	30-May-19	1,360								23	267	214
Carried forward				781,680	37,995	4,190	5,862	4,949	3,953	2,988	2,313	1,831	1,841	1,538

## Diminishing Value Depreciation Schedule (cont.)

Assets Generally	Eligibility For Depreciation	Diminishing Value Rate	Start Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Division 40 - Plant and Equipment</b>														
	Brought forward		781,680	37,995	4,190	5,862	4,949	3,953	2,988	2,313	1,831	1,841	1,538	
Curtains and drapes	YES	33.33%	30-May-19	2,640								75	855	570
<b>Fire control assets</b>														
Detection & alarm systems, detectors	YES	18.75%	30-May-19	550								206	129	81
<b>Furniture</b>														
Furniture	YES	15.00%	30-May-19	1,000								13	370	231
Furniture	YES	18.75%	30-May-19	1,500								563	352	220
<b>Garden sheds, freestanding</b>														
Garden sheds, freestanding	YES	20.00%	30-May-19	1,000								17	369	230
<b>Kitchen assets</b>														
Dishwashers	YES	20.00%	30-May-19	1,200								20	236	354
Ovens	YES	16.67%	30-May-19	1,100								16	181	339
Rangehoods	YES	18.75%	30-May-19	450								169	105	66
Stoves	YES	13.33%	30-May-19	1,050								12	138	337
<b>Lights</b>														
Shades, removable	YES	18.75%	30-May-19	6,000								2,250	1,406	879
<b>Pooled Plant Total</b>					1,072	2,283	2,153	1,713	1,071	669	418	3,790	2,954	3,188
<b>Effective Life Plant Total</b>					3,118	3,579	2,796	2,240	1,917	1,644	1,412	1,391	2,726	1,523
<b>Total Division 40</b>				54,485	4,190	5,862	4,949	3,953	2,988	2,313	1,831	5,181	5,680	4,711
<b>Division 43 - Capital Works Allowance</b>														
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
<b>Building Works - Completed 1997</b>		2.50%	03-Nov-11	12,520	322	491	491	491	491	491	491	9,252		
<b>Building Works - Completed 1997</b>		2.50%	03-Nov-11	4,336	111	170	170	170	170	170	170	170	170	170
<b>Building Works - Completed 2019</b>		2.50%	30-May-19	98,650								209	2,466	2,466
<b>Structural Improvements - Completed 1997</b>		2.50%	03-Nov-11	10,993	283	431	431	431	431	431	431	8,124		
<b>Structural Improvements - Completed 2019</b>		2.50%	30-May-19	53,125								113	1,328	1,328
<b>Total Division 43</b>				179,624	716	1,092	1,092	1,092	1,092	1,092	1,092	17,868	3,964	3,964

## 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%	03-Nov-11	5,694	373	569	569	569	569	569	569	569	569	569
<b>Curtains and drapes</b>														
	NO	18.75%	03-Nov-11	552	103	168	105	66	41	26	16	27		
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	03-Nov-11	696	130	212	133	83	52	32	20	34		
<b>Floor coverings ( removable without damage)</b>														
Floating timber	NO	6.67%	03-Nov-11	11,689	511	779	779	779	779	779	779	779	779	779
<b>Furniture</b>														
Furniture	NO	18.75%	03-Nov-11	791	148	241	151	94	59	37	23	14	9	6
Furniture	NO	18.75%	03-Nov-11	42	8	13	8	5	3	2	1	2		
<b>Garage doors, automatic</b>														
Motors	NO	10.00%	03-Nov-11	870	57	87	87	87	87	87	87	87	87	87
<b>Garden sheds, freestanding</b>														
	NO	10.00%	03-Nov-11	791	52	79	79	79	79	79	79	265		
<b>Heating units</b>														
Gas ducted central heating	NO	5.00%	03-Nov-11	7,118	233	356	356	356	356	356	356	356	356	356
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	8.33%	03-Nov-11	1,265	69	105	105	105	105	105	105	105	105	105
<b>Kitchen assets</b>														
Cooktops	NO	18.75%	03-Nov-11	443	83	135	84	53	33	21	13	21		
Dishwashers	NO	18.75%	03-Nov-11	712	133	217	136	85	53	33	21	13	8	5
Ovens	NO	18.75%	03-Nov-11	601	113	183	114	72	45	28	17	29		
<b>Lights</b>														
Shades, removable	NO	18.75%	03-Nov-11	1,882	353	573	358	224	140	88	55	91		
<b>Pumps</b>														
	NO	5.00%	03-Nov-11	1,186	39	59	59	59	59	59	59	59	59	59
<b>Swimming pools</b>														
Filtration equipment	NO	7.50%	03-Nov-11	1,503	74	113	113	113	113	113	113	113	113	113
<b>\$300 items</b>														
	NO	100.00%	03-Nov-11	301	301									
<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>
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	YES	18.75%	30-May-19	500								188	117	73
<b>Blinds Residential</b>														
	YES	10.00%	30-May-19	1,360								12	136	136
Carried forward				781,680	37,995	2,781	3,889	3,236	2,828	2,572	2,413	2,313	2,763	2,338



## Prime Cost Depreciation Schedule (cont.)

Assets Generally	Eligibility	Prime Cost	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	Rate												
Brought forward			781,680	37,995	2,781	3,889	3,236	2,828	2,572	2,413	2,313	2,763	2,338	
<b>Curtains and drapes</b>	YES	16.67%	30-May-19	2,640								37	440	440
<b>Fire control assets</b>														
Detection & alarm systems, detectors	YES	18.75%	30-May-19	550								206	129	81
<b>Furniture</b>	YES	7.50%	30-May-19	1,000								6	75	75
<b>Furniture</b>	YES	18.75%	30-May-19	1,500								563	352	220
<b>Garden sheds, freestanding</b>	YES	10.00%	30-May-19	1,000								8	100	100
<b>Kitchen assets</b>														
Dishwashers	YES	10.00%	30-May-19	1,200								10	120	120
Ovens	YES	8.33%	30-May-19	1,100								8	92	92
Rangehoods	YES	18.75%	30-May-19	450								169	105	66
Stoves	YES	6.67%	30-May-19	1,050								6	70	70
<b>Lights</b>														
Shades, removable	YES	18.75%	30-May-19	6,000								2,250	1,406	879
<b>Pooled Plant Total</b>					1,072	1,742	1,089	681	425	266	166	3,606	2,126	1,329
<b>Effective Life Plant Total</b>					1,709	2,147	2,147	2,147	2,147	2,147	2,147	2,421	3,101	3,101
<b>Total Division 40</b>				54,485	2,781	3,889	3,236	2,828	2,572	2,413	2,313	6,027	5,227	4,430
<b>Division 43 - Capital Works Allowance</b>														
		Rate		Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Building Works - Completed 1997</b>		2.50%	03-Nov-11	12,520	322	491	491	491	491	491	491	9,252		
<b>Building Works - Completed 1997</b>		2.50%	03-Nov-11	4,336	111	170	170	170	170	170	170	170	170	170
<b>Building Works - Completed 2019</b>		2.50%	30-May-19	98,650								209	2,466	2,466
<b>Structural Improvements - Completed 1997</b>		2.50%	03-Nov-11	10,993	283	431	431	431	431	431	431	8,124		
<b>Structural Improvements - Completed 2019</b>		2.50%	30-May-19	53,125								113	1,328	1,328
<b>Total Division 43</b>				179,624	716	1,092	1,092	1,092	1,092	1,092	1,092	17,868	3,964	3,964

## 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 1997	1 Mar 97 to 30 Apr 97	19,655	2.50%	491	12,520
Building Works - Completed 1997	1 Mar 97 to 30 Apr 97	6,807	2.50%	170	4,336
Building Works - Completed 2019	1 Jan 19 to 30 May 19	98,650	2.50%	2,466	98,650
<b>Sub-total</b>		<b>125,112</b>		<b>3,127</b>	<b>115,506</b>

### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1997	1 Mar 97 to 30 Apr 97	17,258	2.50%	431	10,993
Structural Improvements - Completed 2019	1 Jan 19 to 30 May 19	53,125	2.50%	1,328	53,125
<b>Sub-total</b>		<b>70,383</b>		<b>1,759</b>	<b>64,118</b>
<b>Totals</b>		<b>195,495</b>		<b>4,886</b>	<b>179,624</b>

The table below demonstrates the various property types and the depreciation rates for Capital expenditure deductions. Eligibility is based on the date of construction commencement.

	Today - 27 Feb 92	26 Feb 92 - 16 Sept 87	15 Sept 87 - 18 Jul 85	17 Jul 85 - 22 Aug 84	21 Aug 84 - 20 Jul 82	19 Jul 82 - 21 Aug 79
Traveller Accommodation	4%	2.5%	4%	4%	2.5%	2.5%
Non Residential	2.5%	2.5%	4%	4%	2.5%	N/A
Manufacturing	4%	2.5%	4%	4%	2.5%	N/A
Residential	2.5%	2.5%	4%	N/A	N/A	N/A
Structural Improvement	2.5%	N/A	N/A	N/A	N/A	N/A

### 13. Definition of Terms

<b>Adjusted Value</b>	This is the value of an asset after a period of decline often referred to as the written down value or WDV.
<b>Balancing Adjustment</b>	The balancing adjustment amount is the difference between the termination value and the adjustable value of a depreciating asset at the time of a balancing adjustment event.
<b>Decline in Value</b>	Deductions for the cost of a depreciating asset are based on the decline in value between any two dates. This report includes both methods of the decline in value of a depreciating asset; the prime cost method and diminishing value method.
<b>Depreciating Assets</b>	Assets with limited effective life that are reasonably expected to decline in value.
<b>Diminishing Value Method</b>	This is the method of calculating the decline in value which uses the opening adjusted value as the basis for the calculation.
<b>Effective Life</b>	The effective life of a depreciating asset is how long it can be used by any entity for a taxable income producing purpose.
<b>Immediate WriteOff</b>	A depreciating asset which costs less than \$300 can be immediately written off at 100% of the total cost. This is only available where the asset is not part of a set e.g. table and chairs.
<b>Installed Costs</b>	This is the total cost of installing the asset inclusive of fees and labour etc.
<b>Low Value Pool</b>	Low cost assets which have a value between \$300 and \$1000. These assets are depreciated at 18.75% in the first year and 37.5% in each subsequent years.
<b>Low Cost Asset</b>	A depreciable asset with an installed cost of less than \$1000.
<b>Low Value Asset</b>	A depreciable asset that has an adjusted value of less than \$1000.
<b>Non Eligible</b>	This may include a proportion of the purchase price that is not claimable due to the age of the building or asset type.
<b>Prime Cost Method</b>	This is a method of calculating depreciation using a constant opening cost base often referred to as the "Straight Line" method.

## 14. Contact Details

COMPANY DETAILS	
<b>Company Name</b>	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](http://www.ato.gov.au)

### **A3. Capital Loss on Plant and Equipment (Division 40)**

When you dispose a depreciating asset, a balancing adjustment event will occur and you need to work out a balancing adjustment amount to include in your assessable income or to claim as a deduction by comparing the asset's termination value (such as the proceeds from the sale of the asset) and its adjustable value at the time of the balancing adjustment event. However, from 1 July 2017, if a balancing adjustment event happens to a depreciating asset to which the new rules about deductions for decline in value of second-hand depreciating assets in residential rental properties apply, then a capital gain or capital loss might arise.