



# Tax Depreciation Report

62/30 Nobbs St,  
Surry Hills NSW 2010

Daavid Richards  
17/86 Stanley St  
DARLINGHURST, NSW 2010

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

Daavid Richards  
17/86 Stanley St  
DARLINGHURST, NSW 2010

September 2020  
Job No: RES2010011

### **Tax Depreciation Report – 62/30 Nobbs St, Surry Hills NSW 2010**

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



## 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
ATO’s New Legislations on Post 9 May Purchased and Capital Loss .....	17

## 1. Property Information

### Date of Report

4 September 2020

### Purchaser

Daevid Richards

### Property Address

62/30 Nobbs St, Surry Hills NSW 2010

### Real Property Description

LOT 62 SP45891

### Property Type

Residential Unit

### Date of Construction

31 December 1994

### Date Available To Generate Income

1 April 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				
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	27 December 11 to 30 June 12	0	0	0	2,118	2,118	0	0
2	1 July 12 to 30 June 13	0	0	0	4,167	4,167	0	0
3	1 July 13 to 30 June 14	0	0	0	4,167	4,167	0	0
4	1 July 14 to 30 June 15	0	0	0	4,167	4,167	0	0
5	1 July 15 to 30 June 16	0	0	0	4,167	4,167	0	0
6	1 July 16 to 30 June 17	0	0	0	4,167	4,167	0	0
7	1 July 17 to 30 June 18	0	0	0	4,167	4,167	0	0
8	1 July 18 to 30 June 19	0	0	0	4,167	4,167	0	0
9	1 July 19 to 30 June 20	0	0	0	4,167	4,167	894	894
10	1 July 20 to 30 June 21	0	0	0	4,167	4,167	558	1,452
11	1 July 21 to 30 June 22	0	0	0	4,167	4,167	349	1,801
12	1 July 22 to 30 June 23	0	0	0	4,167	4,167	218	2,019
13	1 July 23 to 30 June 24	0	0	0	4,167	4,167	136	2,156
14	1 July 24 to 30 June 25	0	0	0	4,167	4,167	85	2,241
15	1 July 25 to 30 June 26	0	0	0	4,167	4,167	53	2,294
16	1 July 26 to 30 June 27	0	0	0	4,167	4,167	33	2,327
17	1 July 27 to 30 June 28	0	0	0	4,167	4,167	21	2,348
18	1 July 28 to 30 June 29	0	0	0	4,167	4,167	13	2,361
19	1 July 29 to 30 June 30	0	0	0	4,167	4,167	8	2,369
20	1 July 30 to 30 June 31	0	0	0	4,167	4,167	5	2,374
21	1 July 31 to 30 June 32	0	0	0	4,167	4,167	3	2,378
22	1 July 32 to 30 June 33	0	0	0	4,167	4,167	2	2,380
23	1 July 33 to 30 June 34	0	0	0	4,167	4,167	1	2,381
24	1 July 34 to 30 June 35	0	0	0	2,337	2,337	1	2,382
25	1 July 35 to 30 June 36	0	0	0	576	576	0	2,382
26	1 July 36 to 30 June 37	0	0	0	576	576	0	2,382
27	1 July 37 to 30 June 38	0	0	0	576	576	0	2,383
28	1 July 38 to 30 June 39	0	0	0	576	576	0	2,383
29	1 July 39 to 30 June 40	0	0	0	576	576	0	2,383
30	1 July 40 to 30 June 41	0	0	0	576	576	0	2,383
31	1 July 41 to 30 June 42	0	0	0	576	576	0	2,383
32	1 July 42 to 30 June 43	0	0	0	576	576	0	2,383
33	1 July 43 to 30 June 44	0	0	0	576	576	0	2,383
34	1 July 44 to 30 June 45	0	0	0	222	222	0	2,383
35	1 July 45 to 30 June 46	0	0	0	0	0	0	2,383
36	1 July 46 to 30 June 47	0	0	0	0	0	0	2,383
37	1 July 47 to 30 June 48	0	0	0	0	0	0	2,383
38	1 July 48 to 30 June 49	0	0	0	0	0	0	2,383
39	1 July 49 to 30 June 50	0	0	0	0	0	0	2,383
40	2050+	0	0	0	0	0	0	2,383
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>101,535</b>	<b>101,535</b>	<b>2,383</b>	<b>2,383</b>

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

### Example

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

## 6. Summary of Entitlements – Prime Cost Method

Year	Financial Year	Division 40 - Capital Allowance (Eligible)			Division 43 Capital Works	Eligible Total	Capital Loss - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40			Div 40 Yearly	Cumulative
1	27 December 11 to 30 June 12	0	0	0	2,118	2,118	0	0
2	1 July 12 to 30 June 13	0	0	0	4,167	4,167	0	0
3	1 July 13 to 30 June 14	0	0	0	4,167	4,167	0	0
4	1 July 14 to 30 June 15	0	0	0	4,167	4,167	0	0
5	1 July 15 to 30 June 16	0	0	0	4,167	4,167	0	0
6	1 July 16 to 30 June 17	0	0	0	4,167	4,167	0	0
7	1 July 17 to 30 June 18	0	0	0	4,167	4,167	0	0
8	1 July 18 to 30 June 19	0	0	0	4,167	4,167	0	0
9	1 July 19 to 30 June 20	0	0	0	4,167	4,167	876	876
10	1 July 20 to 30 June 21	0	0	0	4,167	4,167	874	1,749
11	1 July 21 to 30 June 22	0	0	0	4,167	4,167	580	2,329
12	1 July 22 to 30 June 23	0	0	0	4,167	4,167	309	2,639
13	1 July 23 to 30 June 24	0	0	0	4,167	4,167	309	2,948
14	1 July 24 to 30 June 25	0	0	0	4,167	4,167	280	3,228
15	1 July 25 to 30 June 26	0	0	0	4,167	4,167	164	3,392
16	1 July 26 to 30 June 27	0	0	0	4,167	4,167	164	3,557
17	1 July 27 to 30 June 28	0	0	0	4,167	4,167	164	3,721
18	1 July 28 to 30 June 29	0	0	0	4,167	4,167	164	3,885
19	1 July 29 to 30 June 30	0	0	0	4,167	4,167	164	4,049
20	1 July 30 to 30 June 31	0	0	0	4,167	4,167	164	4,213
21	1 July 31 to 30 June 32	0	0	0	4,167	4,167	103	4,316
22	1 July 32 to 30 June 33	0	0	0	4,167	4,167	0	4,316
23	1 July 33 to 30 June 34	0	0	0	4,167	4,167	0	4,316
24	1 July 34 to 30 June 35	0	0	0	2,337	2,337	0	4,316
25	1 July 35 to 30 June 36	0	0	0	576	576	0	4,316
26	1 July 36 to 30 June 37	0	0	0	576	576	0	4,316
27	1 July 37 to 30 June 38	0	0	0	576	576	0	4,316
28	1 July 38 to 30 June 39	0	0	0	576	576	0	4,316
29	1 July 39 to 30 June 40	0	0	0	576	576	0	4,316
30	1 July 40 to 30 June 41	0	0	0	576	576	0	4,316
31	1 July 41 to 30 June 42	0	0	0	576	576	0	4,316
32	1 July 42 to 30 June 43	0	0	0	576	576	0	4,316
33	1 July 43 to 30 June 44	0	0	0	576	576	0	4,316
34	1 July 44 to 30 June 45	0	0	0	222	222	0	4,316
35	1 July 45 to 30 June 46	0	0	0	0	0	0	4,316
36	1 July 46 to 30 June 47	0	0	0	0	0	0	4,316
37	1 July 47 to 30 June 48	0	0	0	0	0	0	4,316
38	1 July 48 to 30 June 49	0	0	0	0	0	0	4,316
39	1 July 49 to 30 June 50	0	0	0	0	0	0	4,316
40	2050+	0	0	0	0	0	0	4,316
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>101,535</b>	<b>101,535</b>	<b>4,316</b>	<b>4,316</b>

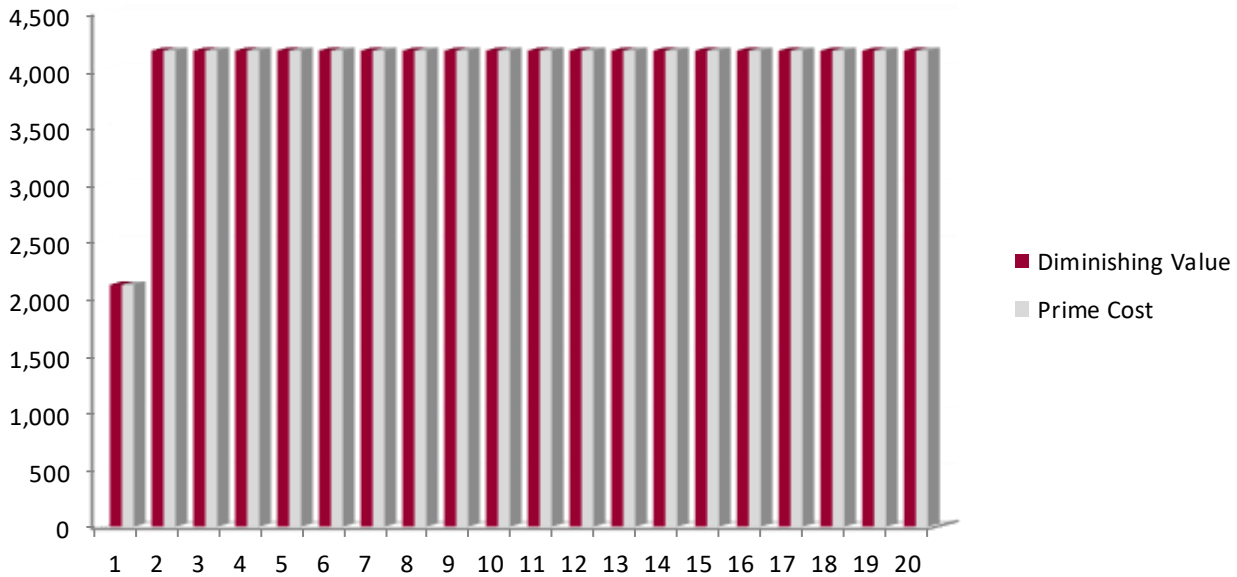
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

### Example

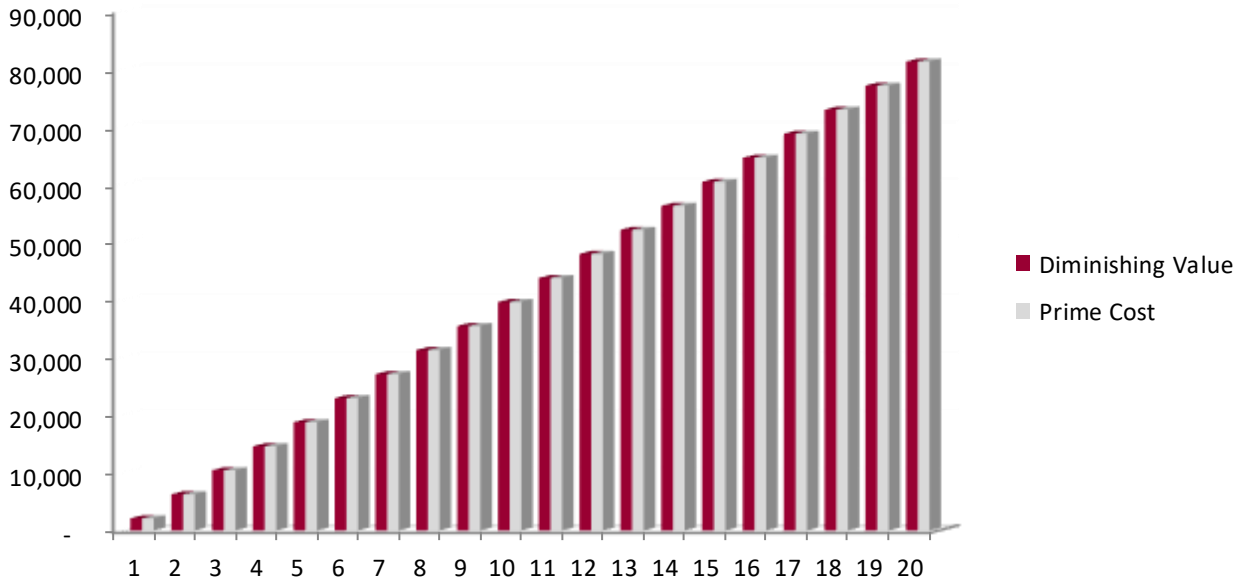
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

## 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	9 December 2011
Settlement Date	27 December 2011
Available To Generate Income	1 April 2020

### Expenditure Analysed

Purchase Price	\$800,000
<b>Total Expenditure Analysed</b>	<b>\$800,000</b>

### Historical Construction Details

Construction Start Date	7 October 1993
Construction Completion Date	31 December 1994
Historical Construction Cost (Estimated)*	\$156,263
Lot Entitlement	95
Overall Lot Entitlement	10,000

## 9. Reconciliation of Capital Expenditure

### Apportionment of cost relating to:

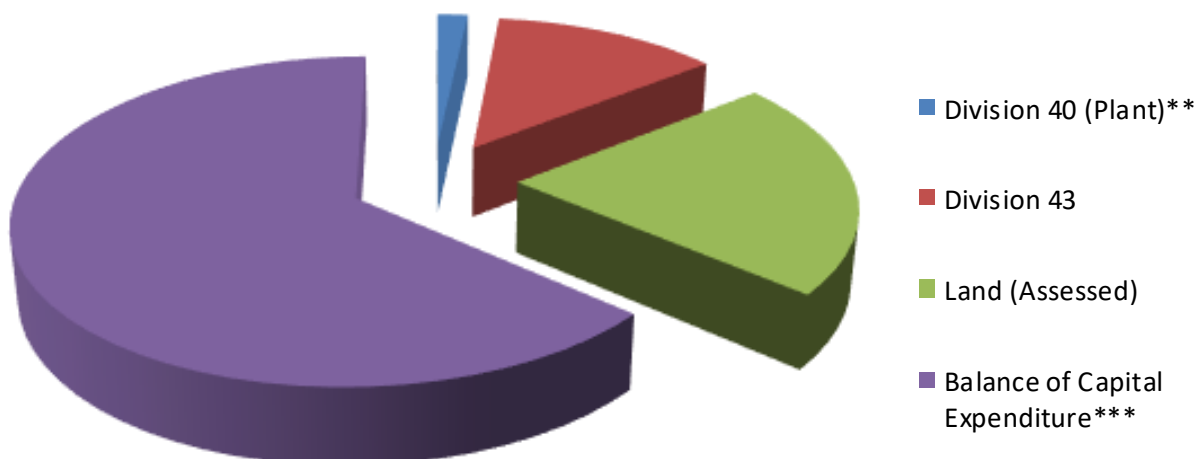
Division 40 (Plant)**	\$13,671
Division 43	\$101,535
Land (Assessed)	\$174,800
Balance of Capital Expenditure***	\$509,994
<b>Total Expenditure Analysed</b>	<b>\$800,000</b>

### Notes

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

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

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



## 10. Diminishing Value Depreciation Schedule

Assets Generally	Eligibility	Diminishing	Start Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Division 40 - Plant and Equipment	For Depreciation	Value Rate												
<b>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Mini split system upto 20KW	NO	20.00%	27-Dec-11	1,896	193	341	272	218	174	140	112	167	105	65
<b>Ceiling Fans</b>														
	NO	10.00%	27-Dec-11	406	21	38	35	31	28	25	23	77	48	30
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	27-Dec-11	497	93	151	95	59	37	23	14	9	6	4
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	20.00%	27-Dec-11	3,717	378	668	534	427	342	274	219	328	205	128
<b>Furniture</b>														
	NO	15.00%	27-Dec-11	1,917	146	266	226	192	163	139	118	250	157	98
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	10.00%	27-Dec-11	645	33	61	55	50	45	40	36	122	76	48
<b>Kitchen assets</b>														
Cooktops	NO	10.00%	27-Dec-11	406	21	38	35	31	28	25	23	77	48	30
Dishwashers	NO	30.00%	27-Dec-11	571	87	145	102	71	50	35	24	21	13	8
Ovens	NO	10.00%	27-Dec-11	516	26	49	44	40	36	32	29	98	61	38
Rangehoods	NO	10.00%	27-Dec-11	221	11	21	19	17	15	14	12	42	26	16
<b>Lights</b>														
Shades, removable	NO	10.00%	27-Dec-11	1,109	56	105	95	85	77	69	62	210	131	82
<b>Security systems &amp; equipment</b>														
Electronic	NO	30.00%	27-Dec-11	760	116	193	135	95	66	46	32	28	18	11
<b>\$300 items</b>														
	NO	100.00%	27-Dec-11	1,010	1,010									
<b>Pooled Plant Total</b>														
Effective Life Plant Total					2,191	2,078	1,646	1,316	1,061	862	705	1,430	894	558
Total Division 40				13,671	2,191	2,078	1,646	1,316	1,061	862	705	1,430	894	558
<b>Division 43 - Capital Works Allowance</b>														
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1994		2.50%	27-Dec-11	81,159	1,793	3,529	3,529	3,529	3,529	3,529	3,529	3,529	3,529	3,529
Building Works - Completed 2004		2.50%	27-Dec-11	18,947	293	576	576	576	576	576	576	576	576	576
Structural Improvements - Completed 1994		2.50%	27-Dec-11	1,429	32	62	62	62	62	62	62	62	62	62
Total Division 43				101,535	2,118	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167

## 11. Prime Cost Depreciation Schedule

Assets Generally Division 40 - Plant and Equipment	Eligibility For Depreciation	Prime Cost Rate	Start Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Mini split system upto 20KW	NO	10.00%	27-Dec-11	1,896	96	190	190	190	190	190	190	190	190	190
<b>Ceiling Fans</b>														
	NO	5.00%	27-Dec-11	406	10	20	20	20	20	20	20	20	20	20
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	27-Dec-11	497	93	151	95	59	37	23	14	9	6	4
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	10.00%	27-Dec-11	3,717	189	372	372	372	372	372	372	372	372	372
<b>Furniture</b>														
	NO	7.50%	27-Dec-11	1,917	73	144	144	144	144	144	144	144	144	144
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	5.00%	27-Dec-11	645	16	32	32	32	32	32	32	32	32	32
<b>Kitchen assets</b>														
Cooktops	NO	5.00%	27-Dec-11	406	10	20	20	20	20	20	20	20	20	20
Dishwashers	NO	15.00%	27-Dec-11	571	44	86	86	86	86	86	86	12		
Ovens	NO	5.00%	27-Dec-11	516	13	26	26	26	26	26	26	26	26	26
Rangehoods	NO	5.00%	27-Dec-11	221	6	11	11	11	11	11	11	11	11	11
<b>Lights</b>														
Shades, removable	NO	5.00%	27-Dec-11	1,109	28	55	55	55	55	55	55	55	55	55
<b>Security systems &amp; equipment</b>														
Electronic	NO	15.00%	27-Dec-11	760	58	114	114	114	114	114	114	18		
<b>\$300 items</b>														
	NO	100.00%	27-Dec-11	1,010	1,010									
<b>Pooled Plant Total</b>														
<b>Effective Life Plant Total</b>						1,647	1,221	1,165	1,129	1,107	1,093	1,084	909	876
<b>Total Division 40</b>					13,671	1,647	1,221	1,165	1,129	1,107	1,093	1,084	909	876
<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 1994</b>		2.50%	27-Dec-11	81,159	1,793	3,529	3,529	3,529	3,529	3,529	3,529	3,529	3,529	3,529
<b>Building Works - Completed 2004</b>		2.50%	27-Dec-11	18,947	293	576	576	576	576	576	576	576	576	576
<b>Structural Improvements - Completed 1994</b>		2.50%	27-Dec-11	1,429	32	62	62	62	62	62	62	62	62	62
<b>Total Division 43</b>				101,535	2,118	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167

## 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 1994	7 Oct 93 to 31 Dec 94	141,147	2.50%	3,529	81,159
Building Works - Completed 2004	1 Oct 04 to 30 Nov 04	23,020	2.50%	576	18,947
<b>Sub-total</b>		<b>164,167</b>		<b>4,105</b>	<b>100,106</b>

### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1994	7 Oct 93 to 31 Dec 94	2,485	2.50%	62	1,429
<b>Sub-total</b>		<b>2,485</b>		<b>62</b>	<b>1,429</b>
<b>Totals</b>		<b>166,652</b>		<b>4,167</b>	<b>101,535</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
<b>Postal Address</b>	Suite 1, L12/133 Mary Street, Brisbane, Qld 4000
<b>Office Number</b>	1300 669 400
<b>Office Email</b>	info@koste.com.au

LEAD SURVEYOR DETAILS	
<b>Surveyors Name</b>	Mark Kilroy
<b>Tax Agent Number</b>	24370523
<b>Contact Number</b>	1300 669 400
<b>Email</b>	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.

## **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.