



## Tax Depreciation Report

1 B Stockton Way,  
Dalyellup WA 6230

Rudi Dent  
53 Samrose Road  
DAYELLUP, WA 6230

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

Rudi Dent  
53 Samrose Road  
DAYELLUP, WA 6230

September 2020  
Job No: RES6230002

### **Tax Depreciation Report – 1B Stockton Way, Dalyellup WA 6230**

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

7 September 2020

### Purchaser

Rudi Dent

### Property Address

1B Stockton Way, Dalyellup WA 6230

### Real Property Description

LOT 2 S055834

### Property Type

Residential House

### Date of Construction

1 August 2009

### Date Available To Generate Income

19 December 2018

## 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								
Diminishing value method is often the most popular form of depreciation due to the cash-flow benefits in the early years of asset ownership.	Prime Cost Method of Depreciation, often referred to as straight line depreciation is depreciated at a constant rate each year.								
Benefits	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>	<ul style="list-style-type: none"> <li>• Write off assets when they are demolished or disposed.</li> </ul>								
Calculation Example	Calculation Example								
<p>Under Diminishing Value method, the effective life is dividing by 200.</p> <p><b>200 / 10 Years = 20% (Adjusted Value)</b></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><b>100 / 10 Years = 10% (Straight Line)</b></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	22 August 14 to 30 June 15	0	0	0	3,194	3,194	0	0
2	1 July 15 to 30 June 16	0	0	0	3,793	3,793	0	0
3	1 July 16 to 30 June 17	0	0	0	3,793	3,793	0	0
4	1 July 17 to 30 June 18	0	0	0	3,793	3,793	0	0
5	1 July 18 to 30 June 19	0	0	0	3,793	3,793	2,292	2,292
6	1 July 19 to 30 June 20	0	0	0	3,793	3,793	1,780	4,072
7	1 July 20 to 30 June 21	0	0	0	3,793	3,793	1,563	5,636
8	1 July 21 to 30 June 22	0	0	0	3,793	3,793	1,022	6,658
9	1 July 22 to 30 June 23	0	0	0	3,793	3,793	894	7,552
10	1 July 23 to 30 June 24	0	0	0	3,793	3,793	559	8,111
11	1 July 24 to 30 June 25	0	0	0	3,793	3,793	349	8,461
12	1 July 25 to 30 June 26	0	0	0	3,793	3,793	218	8,679
13	1 July 26 to 30 June 27	0	0	0	3,793	3,793	136	8,815
14	1 July 27 to 30 June 28	0	0	0	3,793	3,793	85	8,901
15	1 July 28 to 30 June 29	0	0	0	3,793	3,793	53	8,954
16	1 July 29 to 30 June 30	0	0	0	3,793	3,793	33	8,987
17	1 July 30 to 30 June 31	0	0	0	3,793	3,793	21	9,008
18	1 July 31 to 30 June 32	0	0	0	3,793	3,793	13	9,021
19	1 July 32 to 30 June 33	0	0	0	3,793	3,793	8	9,029
20	1 July 33 to 30 June 34	0	0	0	3,793	3,793	5	9,034
21	1 July 34 to 30 June 35	0	0	0	3,793	3,793	3	9,038
22	1 July 35 to 30 June 36	0	0	0	3,793	3,793	2	9,040
23	1 July 36 to 30 June 37	0	0	0	3,793	3,793	1	9,041
24	1 July 37 to 30 June 38	0	0	0	3,793	3,793	1	9,042
25	1 July 38 to 30 June 39	0	0	0	3,793	3,793	0	9,042
26	1 July 39 to 30 June 40	0	0	0	3,793	3,793	0	9,042
27	1 July 40 to 30 June 41	0	0	0	3,793	3,793	0	9,043
28	1 July 41 to 30 June 42	0	0	0	3,793	3,793	0	9,043
29	1 July 42 to 30 June 43	0	0	0	3,793	3,793	0	9,043
30	1 July 43 to 30 June 44	0	0	0	3,793	3,793	0	9,043
31	1 July 44 to 30 June 45	0	0	0	3,793	3,793	0	9,043
32	1 July 45 to 30 June 46	0	0	0	3,793	3,793	0	9,043
33	1 July 46 to 30 June 47	0	0	0	3,793	3,793	0	9,043
34	1 July 47 to 30 June 48	0	0	0	3,793	3,793	0	9,043
35	1 July 48 to 30 June 49	0	0	0	3,793	3,793	0	9,043
36	1 July 49 to 30 June 50	0	0	0	470	470	0	9,043
37	1 July 50 to 30 June 51	0	0	0	175	175	0	9,043
38	1 July 51 to 30 June 52	0	0	0	175	175	0	9,043
39	1 July 52 to 30 June 53	0	0	0	175	175	0	9,043
40	2053+	0	0	0	249	249	0	9,043
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>133,400</b>	<b>133,400</b>	<b>9,043</b>	<b>9,043</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	22 August 14 to 30 June 15	0	0	0	3,194	3,194	0	0
2	1 July 15 to 30 June 16	0	0	0	3,793	3,793	0	0
3	1 July 16 to 30 June 17	0	0	0	3,793	3,793	0	0
4	1 July 17 to 30 June 18	0	0	0	3,793	3,793	0	0
5	1 July 18 to 30 June 19	0	0	0	3,793	3,793	1,925	1,925
6	1 July 19 to 30 June 20	0	0	0	3,793	3,793	1,757	3,682
7	1 July 20 to 30 June 21	0	0	0	3,793	3,793	1,723	5,405
8	1 July 21 to 30 June 22	0	0	0	3,793	3,793	1,703	7,108
9	1 July 22 to 30 June 23	0	0	0	3,793	3,793	1,703	8,811
10	1 July 23 to 30 June 24	0	0	0	3,793	3,793	1,703	10,514
11	1 July 24 to 30 June 25	0	0	0	3,793	3,793	797	11,312
12	1 July 25 to 30 June 26	0	0	0	3,793	3,793	655	11,967
13	1 July 26 to 30 June 27	0	0	0	3,793	3,793	340	12,307
14	1 July 27 to 30 June 28	0	0	0	3,793	3,793	154	12,461
15	1 July 28 to 30 June 29	0	0	0	3,793	3,793	28	12,489
16	1 July 29 to 30 June 30	0	0	0	3,793	3,793	28	12,517
17	1 July 30 to 30 June 31	0	0	0	3,793	3,793	28	12,545
18	1 July 31 to 30 June 32	0	0	0	3,793	3,793	28	12,573
19	1 July 32 to 30 June 33	0	0	0	3,793	3,793	28	12,601
20	1 July 33 to 30 June 34	0	0	0	3,793	3,793	28	12,629
21	1 July 34 to 30 June 35	0	0	0	3,793	3,793	7	12,636
22	1 July 35 to 30 June 36	0	0	0	3,793	3,793	0	12,636
23	1 July 36 to 30 June 37	0	0	0	3,793	3,793	0	12,636
24	1 July 37 to 30 June 38	0	0	0	3,793	3,793	0	12,636
25	1 July 38 to 30 June 39	0	0	0	3,793	3,793	0	12,636
26	1 July 39 to 30 June 40	0	0	0	3,793	3,793	0	12,636
27	1 July 40 to 30 June 41	0	0	0	3,793	3,793	0	12,636
28	1 July 41 to 30 June 42	0	0	0	3,793	3,793	0	12,636
29	1 July 42 to 30 June 43	0	0	0	3,793	3,793	0	12,636
30	1 July 43 to 30 June 44	0	0	0	3,793	3,793	0	12,636
31	1 July 44 to 30 June 45	0	0	0	3,793	3,793	0	12,636
32	1 July 45 to 30 June 46	0	0	0	3,793	3,793	0	12,636
33	1 July 46 to 30 June 47	0	0	0	3,793	3,793	0	12,636
34	1 July 47 to 30 June 48	0	0	0	3,793	3,793	0	12,636
35	1 July 48 to 30 June 49	0	0	0	3,793	3,793	0	12,636
36	1 July 49 to 30 June 50	0	0	0	470	470	0	12,636
37	1 July 50 to 30 June 51	0	0	0	175	175	0	12,636
38	1 July 51 to 30 June 52	0	0	0	175	175	0	12,636
39	1 July 52 to 30 June 53	0	0	0	175	175	0	12,636
40	2053+	0	0	0	249	249	0	12,636
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>133,400</b>	<b>133,400</b>	<b>12,636</b>	<b>12,636</b>

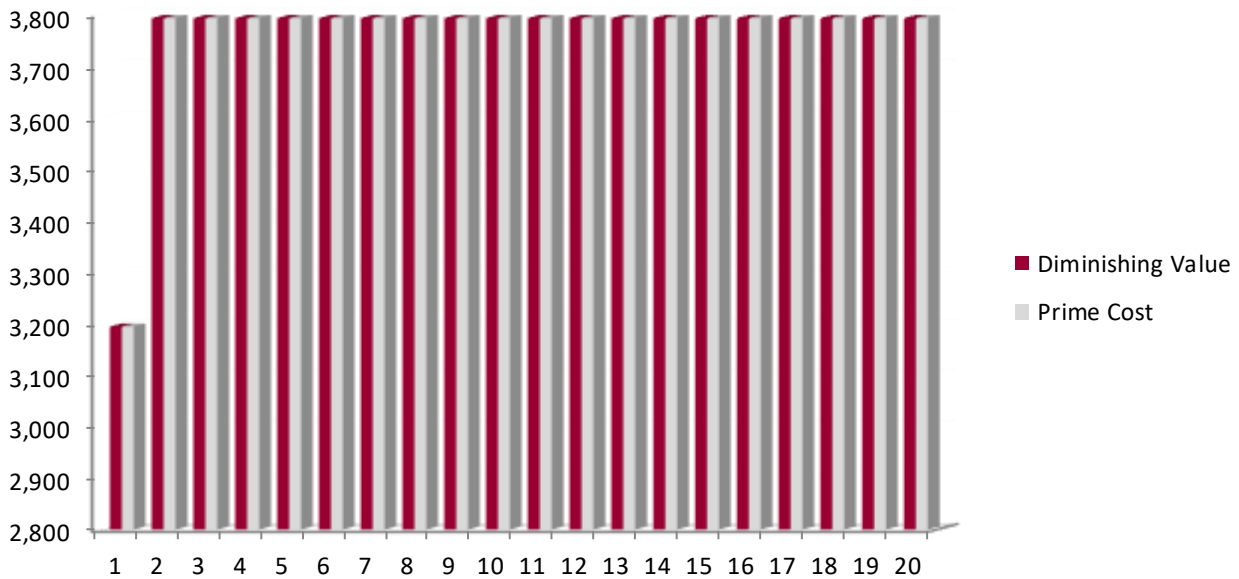
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

### Example

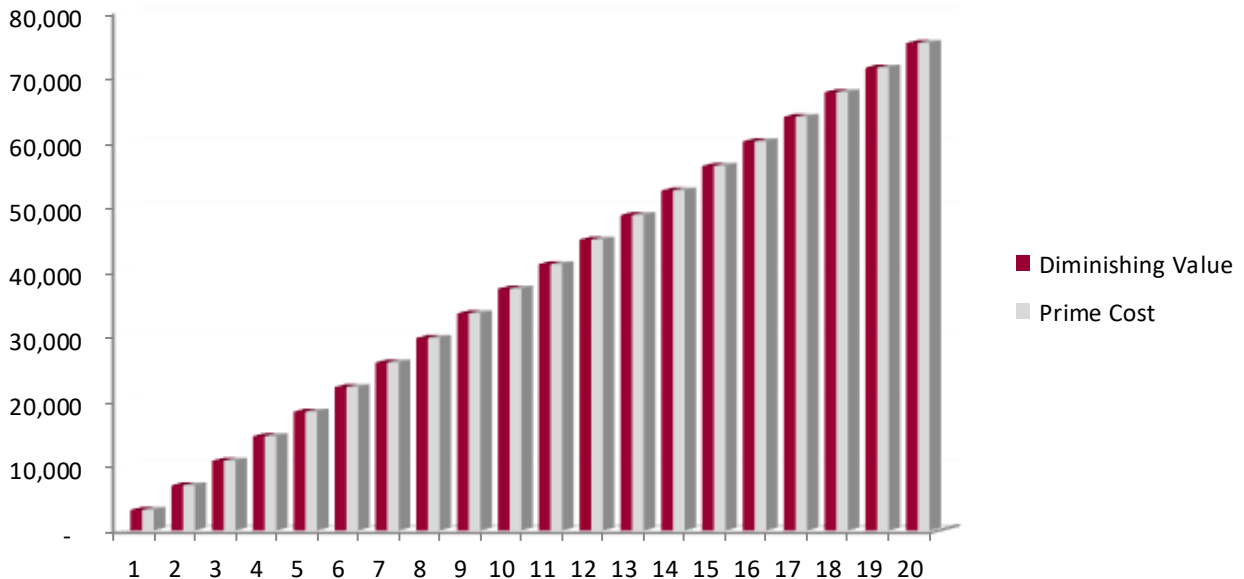
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

## 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	2 July 2014
Settlement Date	22 August 2014
Available To Generate Income	19 December 2018

### Expenditure Analysed

Purchase Price	\$288,000
Stamp Duty	\$8,505
Post Expenditure	\$7,000
<b>Total Expenditure Analysed</b>	<b>\$303,505</b>

### Historical Construction Details

Construction Start Date	2 February 2009
Construction Completion Date	1 August 2009
Historical Construction Cost (Estimated)*	\$167,968

## 9. Reconciliation of Capital Expenditure

### Apportionment of cost relating to:

Division 40 (Plant)**	\$20,158
Division 43	\$133,400
Land (Assessed)	\$118,602
Balance of Capital Expenditure***	\$31,345
<b>Total Expenditure Analysed</b>	<b>\$303,505</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>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	20.00%	22-Aug-14	640	109	106	85	68	102	64	40	25	16	10
Shower curtains (excl. curtain rods & screens)	NO	100.00%	22-Aug-14	102	102									
<b>Blinds Residential</b>	NO	20.00%	22-Aug-14	3,238	554	537	430	344	275	220	330	206	129	81
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	10.00%	22-Aug-14	563	48	52	46	42	141	88	55	34	21	13
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	20.00%	22-Aug-14	3,456	591	573	458	367	293	235	352	220	138	86
Linoleum & vinyl	NO	20.00%	22-Aug-14	2,496	427	414	331	265	212	318	199	124	78	48
<b>Furniture</b>	NO	15.00%	22-Aug-14	3,456	443	452	384	327	278	236	201	170	362	226
<b>Garbage disposal</b>														
Garbage bins	NO	30.00%	22-Aug-14	166	43	37	26	18	16	10	6	4	2	2
<b>Garden sheds, freestanding</b>	NO	20.00%	22-Aug-14	640	109	106	85	68	102	64	40	25	16	10
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	16.67%	22-Aug-14	1,920	274	274	229	191	357	223	140	87	55	34
<b>Kitchen assets</b>														
Cooktops	NO	16.67%	22-Aug-14	1,088	155	155	130	108	202	127	79	49	31	19
Ovens	NO	16.67%	22-Aug-14	1,408	201	201	168	140	262	164	102	64	40	25
<b>Lights</b>														
Shades, removable	NO	40.00%	22-Aug-14	986	337	259	156	93	53	33	21	13	8	5
<b>Pooled Plant Total</b>														
					3,392	3,167	2,527	2,029	1,235	1,089	1,363	852	894	559
<b>Effective Life Plant Total</b>														
					3,392	3,167	2,527	2,029	1,058	691	201	170		
<b>Total Division 40</b>				20,158	3,392	3,167	2,527	2,029	2,292	1,780	1,563	1,022	894	559
<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 2009</b>	2.50%	22-Aug-14	117,428	2,873	3,361	3,361	3,361	3,361	3,361	3,361	3,361	3,361	3,361	
<b>Building Works - Completed 2014</b>	2.50%	01-Dec-14	4,000	58	100	100	100	100	100	100	100	100	100	
<b>Structural Improvements - Completed 2009</b>	2.50%	22-Aug-14	8,972	220	257	257	257	257	257	257	257	257	257	
<b>Structural Improvements - Completed 2014</b>	2.50%	01-Dec-14	3,000	43	75	75	75	75	75	75	75	75	75	
<b>Total Division 43</b>				133,400	3,194	3,793	3,793	3,793	3,793	3,793	3,793	3,793	3,793	3,793

## 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>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	10.00%	22-Aug-14	640	55	64	64	64	64	64	64	64	64	64
Shower curtains (excl. curtain rods & screens)	NO	50.00%	22-Aug-14	102	44	51	8							
<b>Blinds Residential</b>	NO	10.00%	22-Aug-14	3,238	277	324	324	324	324	324	324	324	324	324
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	5.00%	22-Aug-14	563	24	28	28	28	28	28	28	28	28	28
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	10.00%	22-Aug-14	3,456	295	346	346	346	346	346	346	346	346	346
Linoleum & vinyl	NO	10.00%	22-Aug-14	2,496	213	250	250	250	250	250	250	250	250	250
<b>Furniture</b>	NO	7.50%	22-Aug-14	3,456	222	259	259	259	259	259	259	259	259	259
<b>Garbage disposal</b>														
Garbage bins	NO	15.00%	22-Aug-14	166	21	25	25	25	25	25	20			
<b>Garden sheds, freestanding</b>	NO	10.00%	22-Aug-14	640	55	64	64	64	64	64	64	64	64	64
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	8.33%	22-Aug-14	1,920	137	160	160	160	160	160	160	160	160	160
<b>Kitchen assets</b>														
Cooktops	NO	8.33%	22-Aug-14	1,088	77	91	91	91	91	91	91	91	91	91
Ovens	NO	8.33%	22-Aug-14	1,408	100	117	117	117	117	117	117	117	117	117
<b>Lights</b>														
Shades, removable	NO	20.00%	22-Aug-14	986	168	197	197	197	197	29				
<b>Pooled Plant Total</b>														
<b>Effective Life Plant Total</b>						1,689	1,976	1,933	1,925	1,925	1,757	1,723	1,703	1,703
<b>Total Division 40</b>					20,158	1,689	1,976	1,933	1,925	1,925	1,757	1,723	1,703	1,703
<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 2009</b>		2.50%	22-Aug-14	117,428	2,873	3,361	3,361	3,361	3,361	3,361	3,361	3,361	3,361	3,361
<b>Building Works - Completed 2014</b>		2.50%	01-Dec-14	4,000	58	100	100	100	100	100	100	100	100	100
<b>Structural Improvements - Completed 2009</b>		2.50%	22-Aug-14	8,972	220	257	257	257	257	257	257	257	257	257
<b>Structural Improvements - Completed 2014</b>		2.50%	01-Dec-14	3,000	43	75	75	75	75	75	75	75	75	75
<b>Total Division 43</b>				133,400	3,194	3,793	3,793	3,793	3,793	3,793	3,793	3,793	3,793	3,793

## 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 2009	2 Feb 09 to 1 Aug 09	134,435	2.50%	3,361	117,428
Building Works - Completed 2014	22 Aug 14 to 1 Dec 14	4,000	2.50%	100	4,000
<b>Sub-total</b>		<b>138,435</b>		<b>3,461</b>	<b>121,428</b>

### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2009	2 Feb 09 to 1 Aug 09	10,271	2.50%	257	8,972
Structural Improvements - Completed 2014	22 Aug 14 to 1 Dec 14	3,000	2.50%	75	3,000
<b>Sub-total</b>		<b>13,271</b>		<b>332</b>	<b>11,972</b>
<b>Totals</b>		<b>151,706</b>		<b>3,793</b>	<b>133,400</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	
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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.

## **Appendix A: 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.

### **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.

Further information regarding the legislation please refer to Schedule 2 of Treasury Laws Amendment Act 2017 at <https://www.legislation.gov.au/Details/C2017A00126>