



Tax Depreciation Report

510/55 River Street,
Mackay, QLD 4740

Luca Orlandi
7/87 Hampstead Road
HIGHGATE HILL, QLD 4101

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

Luca Orlandi
7/87 Hampstead Road
HIGHGATE HILL, QLD 4101

September 2020
Job No: RES4740010

Tax Depreciation Report – 510/55 River Street, Mackay, QLD 4740

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

14 September 2020

Purchaser

Luca Orlandi

Property Address

510/55 River Street, Mackay, QLD 4740

Real Property Description

L510 SP251375

Property Type

Residential Unit

Date of Construction

1 September 2015

Date Available To Generate Income

24 January 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	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"> • Cash-flow during initial years of asset ownership • Ability to use Low Value Pool for assets less than \$1000 (Note: unable to write off these assets) 	<ul style="list-style-type: none"> • Write off assets when they are demolished or disposed. 								
Calculation Example	Calculation Example								
<p>Under Diminishing Value method, the effective life is dividing by 200.</p> <p>200 / 10 Years = 20% (Adjusted Value)</p> <p>If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.</p>	<p>Under Prime Cost method, the effective life is dividing by 100.</p> <p>100 / 10 Years = 10% (Straight Line)</p> <p>If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.</p>								
Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5
\$2,000	\$1,600	\$1,280	\$1,024	\$819.20	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

4. Capital Works

4.1 Entitlement

Capital Works Division 43 of the Income Tax Act 1997 allows the taxpayer to a deduction of the decline in value of a depreciating asset used for income producing purpose over its effective life.

4.2 Method of Depreciation

Capital Works allowances under Division 43 are based on the historical construction costs and are not based on an apportionment of the purchase price. Where construction costs are not available, a qualified Quantity Surveyor will establish costs in accordance with the Tax Ruling TR97/25.

Capital Works are depreciated by Prime Cost method only, which may vary dependant on the date the construction works commenced and the property usage. Where a property has been updated over the years, capital works expenditure may be allocated in different periods. Clients must make any construction periods clear wherever possible to ensure your claim is maximised.

4.3 Method of Depreciation

Structural improvements such as fencing, paths and other hard landscaping can also be written off at 2.5% per annum if construction started after 27 February 1992.

5. Summary of Entitlements – Diminishing Value Method

Year	Financial Year	Division 40 - Capital Allowance (Eligible)			Division 43 Capital Works	Eligible Total	Capital Loss - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40			Div 40 Yearly	Cumulative
1	18 November 15 to 30 June 16	0	0	0	2,484	2,484	0	0
2	1 July 16 to 30 June 17	0	0	0	4,042	4,042	0	0
3	1 July 17 to 30 June 18	0	0	0	4,042	4,042	0	0
4	1 July 18 to 30 June 19	0	0	0	4,042	4,042	6,821	6,821
5	1 July 19 to 30 June 20	0	0	0	4,042	4,042	5,270	12,091
6	1 July 20 to 30 June 21	0	0	0	4,042	4,042	4,147	16,237
7	1 July 21 to 30 June 22	0	0	0	4,042	4,042	3,319	19,556
8	1 July 22 to 30 June 23	0	0	0	4,042	4,042	2,711	22,266
9	1 July 23 to 30 June 24	0	0	0	4,042	4,042	2,198	24,464
10	1 July 24 to 30 June 25	0	0	0	4,042	4,042	1,641	26,105
11	1 July 25 to 30 June 26	0	0	0	4,042	4,042	1,261	27,366
12	1 July 26 to 30 June 27	0	0	0	4,042	4,042	1,191	28,557
13	1 July 27 to 30 June 28	0	0	0	4,042	4,042	1,058	29,614
14	1 July 28 to 30 June 29	0	0	0	4,042	4,042	769	30,383
15	1 July 29 to 30 June 30	0	0	0	4,042	4,042	581	30,965
16	1 July 30 to 30 June 31	0	0	0	4,042	4,042	457	31,422
17	1 July 31 to 30 June 32	0	0	0	4,042	4,042	374	31,796
18	1 July 32 to 30 June 33	0	0	0	4,042	4,042	315	32,111
19	1 July 33 to 30 June 34	0	0	0	4,042	4,042	274	32,385
20	1 July 34 to 30 June 35	0	0	0	4,042	4,042	242	32,627
21	1 July 35 to 30 June 36	0	0	0	4,042	4,042	218	32,845
22	1 July 36 to 30 June 37	0	0	0	4,042	4,042	198	33,044
23	1 July 37 to 30 June 38	0	0	0	4,042	4,042	182	33,226
24	1 July 38 to 30 June 39	0	0	0	4,042	4,042	168	33,394
25	1 July 39 to 30 June 40	0	0	0	4,042	4,042	156	33,549
26	1 July 40 to 30 June 41	0	0	0	4,042	4,042	144	33,694
27	1 July 41 to 30 June 42	0	0	0	4,042	4,042	134	33,828
28	1 July 42 to 30 June 43	0	0	0	4,042	4,042	125	33,953
29	1 July 43 to 30 June 44	0	0	0	4,042	4,042	116	34,070
30	1 July 44 to 30 June 45	0	0	0	4,042	4,042	109	34,178
31	1 July 45 to 30 June 46	0	0	0	4,042	4,042	101	34,279
32	1 July 46 to 30 June 47	0	0	0	4,042	4,042	94	34,374
33	1 July 47 to 30 June 48	0	0	0	4,042	4,042	88	34,462
34	1 July 48 to 30 June 49	0	0	0	4,042	4,042	82	34,544
35	1 July 49 to 30 June 50	0	0	0	4,042	4,042	77	34,621
36	1 July 50 to 30 June 51	0	0	0	4,042	4,042	72	34,693
37	1 July 51 to 30 June 52	0	0	0	4,042	4,042	67	34,760
38	1 July 52 to 30 June 53	0	0	0	4,042	4,042	351	35,111
39	1 July 53 to 30 June 54	0	0	0	4,042	4,042	219	35,330
40	2054+	0	0	0	4,737	4,737	366	35,696
Totals		0	0	0	160,817	160,817	35,696	35,696

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	18 November 15 to 30 June 16	0	0	0	2,484	2,484	0	0
2	1 July 16 to 30 June 17	0	0	0	4,042	4,042	0	0
3	1 July 17 to 30 June 18	0	0	0	4,042	4,042	0	0
4	1 July 18 to 30 June 19	0	0	0	4,042	4,042	5,157	5,157
5	1 July 19 to 30 June 20	0	0	0	4,042	4,042	5,157	10,314
6	1 July 20 to 30 June 21	0	0	0	4,042	4,042	4,807	15,121
7	1 July 21 to 30 June 22	0	0	0	4,042	4,042	4,342	19,464
8	1 July 22 to 30 June 23	0	0	0	4,042	4,042	4,013	23,477
9	1 July 23 to 30 June 24	0	0	0	4,042	4,042	4,004	27,481
10	1 July 24 to 30 June 25	0	0	0	4,042	4,042	4,004	31,485
11	1 July 25 to 30 June 26	0	0	0	4,042	4,042	2,616	34,101
12	1 July 26 to 30 June 27	0	0	0	4,042	4,042	1,770	35,871
13	1 July 27 to 30 June 28	0	0	0	4,042	4,042	1,293	37,164
14	1 July 28 to 30 June 29	0	0	0	4,042	4,042	835	37,999
15	1 July 29 to 30 June 30	0	0	0	4,042	4,042	423	38,422
16	1 July 30 to 30 June 31	0	0	0	4,042	4,042	419	38,841
17	1 July 31 to 30 June 32	0	0	0	4,042	4,042	419	39,260
18	1 July 32 to 30 June 33	0	0	0	4,042	4,042	419	39,679
19	1 July 33 to 30 June 34	0	0	0	4,042	4,042	419	40,098
20	1 July 34 to 30 June 35	0	0	0	4,042	4,042	419	40,517
21	1 July 35 to 30 June 36	0	0	0	4,042	4,042	402	40,919
22	1 July 36 to 30 June 37	0	0	0	4,042	4,042	390	41,309
23	1 July 37 to 30 June 38	0	0	0	4,042	4,042	390	41,699
24	1 July 38 to 30 June 39	0	0	0	4,042	4,042	390	42,089
25	1 July 39 to 30 June 40	0	0	0	4,042	4,042	390	42,479
26	1 July 40 to 30 June 41	0	0	0	4,042	4,042	390	42,869
27	1 July 41 to 30 June 42	0	0	0	4,042	4,042	390	43,259
28	1 July 42 to 30 June 43	0	0	0	4,042	4,042	390	43,649
29	1 July 43 to 30 June 44	0	0	0	4,042	4,042	390	44,039
30	1 July 44 to 30 June 45	0	0	0	4,042	4,042	390	44,429
31	1 July 45 to 30 June 46	0	0	0	4,042	4,042	149	44,578
32	1 July 46 to 30 June 47	0	0	0	4,042	4,042	0	44,578
33	1 July 47 to 30 June 48	0	0	0	4,042	4,042	0	44,578
34	1 July 48 to 30 June 49	0	0	0	4,042	4,042	0	44,578
35	1 July 49 to 30 June 50	0	0	0	4,042	4,042	0	44,578
36	1 July 50 to 30 June 51	0	0	0	4,042	4,042	0	44,578
37	1 July 51 to 30 June 52	0	0	0	4,042	4,042	0	44,578
38	1 July 52 to 30 June 53	0	0	0	4,042	4,042	0	44,578
39	1 July 53 to 30 June 54	0	0	0	4,042	4,042	0	44,578
40	2054+	0	0	0	4,737	4,737	0	44,578
Totals		0	0	0	160,817	160,817	44,578	44,578

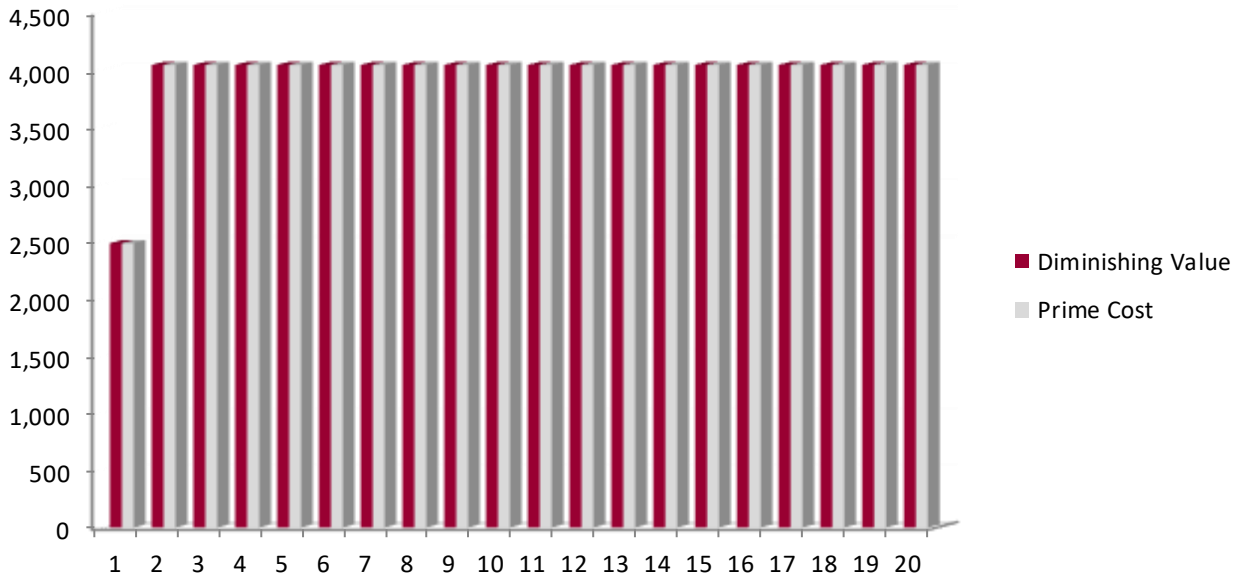
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

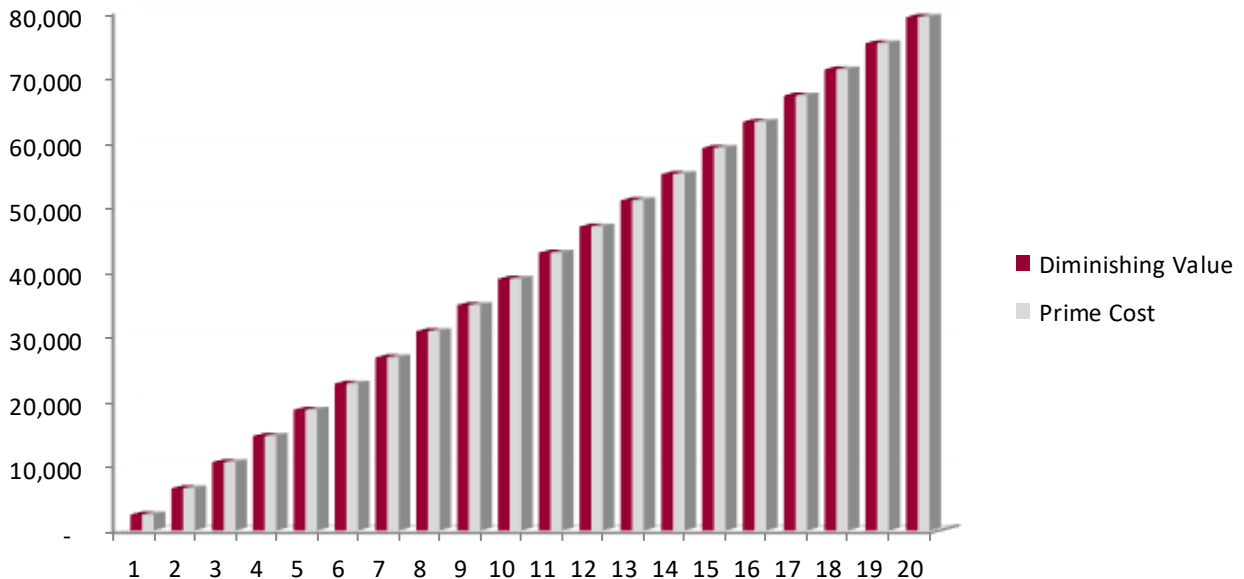
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	30 September 2015
Settlement Date	18 November 2015
Available To Generate Income	24 January 2019

Expenditure Analysed

Purchase Price	\$300,000
Stamp Duty	\$8,925
Post Expenditure	\$7,820
Total Expenditure Analysed	\$316,745

Historical Construction Details

Construction Start Date	8 June 2014
Construction Completion Date	1 September 2015
Historical Construction Cost (Estimated)*	\$196,656

9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:

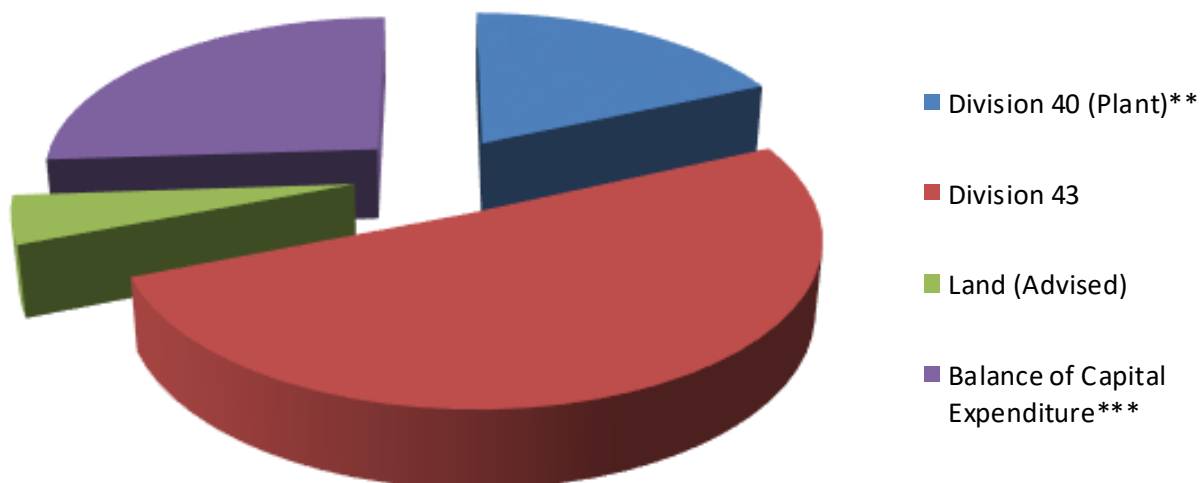
Division 40 (Plant)**	\$58,061
Division 43	\$160,817
Land (Advised)	\$15,277
Balance of Capital Expenditure***	\$82,590
Total Expenditure Analysed	\$316,745

Notes

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

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

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



10. Diminishing Value Depreciation Schedule

Assets Generally Division 40 - Plant and Equipment	Eligibility For Depreciation	Diminishing Value Rate	Start Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Air-conditioning assets (excl. ducting, pipes & vents)														
Mini split system upto 20KW	NO	20.00%	18-Nov-15	11,968	1,472	2,099	1,680	1,344	1,075	860	688	550	440	352
Bathroom assets														
Exhaust fans (including light/heating)	NO	20.00%	18-Nov-15	451	55	79	63	95	59	37	23	14	9	6
Ceiling Fans	NO	40.00%	18-Nov-15	1,895	466	571	343	193	121	75	47	29	18	11
Curtains and drapes	NO	33.33%	18-Nov-15	2,418	495	641	427	320	200	125	78	49	31	19
Door closers	NO	20.00%	18-Nov-15	458	56	80	64	96	60	38	24	15	9	6
Fire control assets														
Detection & alarm systems, detectors	NO	10.00%	18-Nov-15	502	31	47	42	143	89	56	35	22	14	9
Detection & alarm systems, fire indicator panel	NO	16.67%	18-Nov-15	496	51	74	62	116	72	45	28	18	11	7
Emergency warning & intercommunication system	NO	16.67%	18-Nov-15	838	86	125	105	196	122	77	48	30	19	12
Hoses and nozzles	NO	20.00%	18-Nov-15	238	29	42	33	50	31	20	12	8	5	3
Fire extinguishers	NO	15.00%	18-Nov-15	50	5	7	6	12	8	5	3	2	1	1
Floor coverings (removable without damage)														
Carpets	NO	20.00%	18-Nov-15	4,936	607	866	693	554	443	355	284	227	340	213
Furniture	NO	15.00%	18-Nov-15	2,616	241	356	303	257	219	186	158	336	210	131
Gymnasium equipment														
Cardiovascular	NO	40.00%	18-Nov-15	149	37	45	27	15	9	6	4	2	1	1
Resistance	NO	20.00%	18-Nov-15	60	7	11	8	13	8	5	3	2	1	1
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	18-Nov-15	2,436	250	364	304	253	211	176	329	206	129	80
Kitchen assets														
Cooktops	NO	16.67%	18-Nov-15	1,534	157	229	191	358	224	140	88	55	34	21
Dishwashers	NO	20.00%	18-Nov-15	2,165	266	380	304	243	365	228	142	89	56	35
Ovens	NO	16.67%	18-Nov-15	1,985	203	297	247	206	172	322	201	126	79	49
Rangehoods	NO	16.67%	18-Nov-15	812	83	121	101	190	119	74	46	29	18	11
Lifts (including hydraulic & tractions lifts)	NO	6.67%	18-Nov-15	11,699	479	748	698	652	608	568	530	494	461	431
Lights														
Shades, removable	NO	40.00%	18-Nov-15	791	194	238	143	80	50	31	20	12	8	5
MATV - amplifiers & modulators	NO	20.00%	18-Nov-15	347	43	61	49	73	46	29	18	11	7	4
Outdoor assets														
Barbecues	NO	10.00%	18-Nov-15	79	5	7	7	23	14	9	6	3	2	1
Carried forward				973,498	48,923	5,319	7,491	5,900	5,483	4,326	3,465	2,815	2,330	1,903

Diminishing Value Depreciation Schedule (cont.)

Assets Generally	Eligibility	Diminishing	Start Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Division 40 - Plant and Equipment															
	Brought forward		973,498	48,923	5,319	7,491	5,900	5,483	4,326	3,465	2,815	2,330	1,903		
Sauna & spa equipment															
Sauna heating assets	NO	13.33%	18-Nov-15	99	8	12	11	26	16	10	6	4	2	2	
Security systems & equipment															
Electronic	NO	30.00%	18-Nov-15	1,219	225	298	209	183	114	71	45	28	17	11	
Additional Items (Post Expenditure)															
Furniture	NO	15.00%	18-Nov-15	4,870	449	663	564	479	407	346	294	250	213	181	
Kitchen assets															
Microwave ovens	NO	20.00%	18-Nov-15	250	31	44	35	53	33	21	13	8	5	3	
Refrigerators	NO	16.67%	18-Nov-15	1,250	128	187	156	292	183	114	71	45	28	17	
Laundry assets															
Washing machines	NO	20.00%	18-Nov-15	650	80	114	91	137	86	53	33	21	13	8	
Televisions	NO	20.00%	18-Nov-15	800	98	140	112	168	105	66	41	26	16	10	
Pooled Plant Total								2,832	2,135	1,656	1,365	1,189	1,083	677	
Effective Life Plant Total						6,339	8,950	7,077	3,988	3,135	2,490	1,954	1,522	1,114	964
Total Division 40				58,061	6,339	8,950	7,077	6,821	5,270	4,147	3,319	2,711	2,198	1,641	
Division 43 - Capital Works Allowance															
		Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10	
Building Works - Completed 2015		2.50%	18-Nov-15	156,316	2,415	3,929	3,929	3,929	3,929	3,929	3,929	3,929	3,929	3,929	
Structural Improvements - Completed 2015		2.50%	18-Nov-15	4,501	69	113	113	113	113	113	113	113	113	113	
Total Division 43				160,817	2,484	4,042	4,042	4,042	4,042	4,042	4,042	4,042	4,042	4,042	

11. Prime Cost Depreciation Schedule

Assets Generally Division 40 - Plant and Equipment	Eligibility For Depreciation	Prime Cost Rate	Start Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Air-conditioning assets (excl. ducting, pipes & vents)														
Mini split system upto 20KW	NO	10.00%	18-Nov-15	11,968	736	1,197	1,197	1,197	1,197	1,197	1,197	1,197	1,197	1,197
Bathroom assets														
Exhaust fans (including light/heating)	NO	10.00%	18-Nov-15	451	28	45	45	45	45	45	45	45	45	45
Ceiling Fans														
	NO	20.00%	18-Nov-15	1,895	233	379	379	379	379	146				
Curtains and drapes														
	NO	16.67%	18-Nov-15	2,418	248	403	403	403	403	403	155			
Door closers														
	NO	10.00%	18-Nov-15	458	28	46	46	46	46	46	46	46	46	46
Fire control assets														
Detection & alarm systems, detectors	NO	5.00%	18-Nov-15	502	15	25	25	25	25	25	25	25	25	25
Detection & alarm systems, fire indicator panel	NO	8.33%	18-Nov-15	496	25	41	41	41	41	41	41	41	41	41
Emergency warning & intercommunication system	NO	8.33%	18-Nov-15	838	43	70	70	70	70	70	70	70	70	70
Hoses and nozzles	NO	10.00%	18-Nov-15	238	15	24	24	24	24	24	24	24	24	24
Fire extinguishers	NO	7.50%	18-Nov-15	50	2	4	4	4	4	4	4	4	4	4
Floor coverings (removable without damage)														
Carpets	NO	10.00%	18-Nov-15	4,936	303	494	494	494	494	494	494	494	494	494
Furniture														
	NO	7.50%	18-Nov-15	2,616	121	196	196	196	196	196	196	196	196	196
Gymnasium equipment														
Cardiovascular	NO	20.00%	18-Nov-15	149	18	30	30	30	30	10				
Resistance	NO	10.00%	18-Nov-15	60	4	6	6	6	6	6	6	6	6	6
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	18-Nov-15	2,436	125	203	203	203	203	203	203	203	203	203
Kitchen assets														
Cooktops	NO	8.33%	18-Nov-15	1,534	79	128	128	128	128	128	128	128	128	128
Dishwashers	NO	10.00%	18-Nov-15	2,165	133	217	217	217	217	217	217	217	217	217
Ovens	NO	8.33%	18-Nov-15	1,985	102	165	165	165	165	165	165	165	165	165
Rangehoods	NO	8.33%	18-Nov-15	812	42	68	68	68	68	68	68	68	68	68
Lifts (including hydraulic & tractions lifts)														
	NO	3.33%	18-Nov-15	11,699	240	390	390	390	390	390	390	390	390	390
Lights														
Shades, removable	NO	20.00%	18-Nov-15	791	97	158	158	158	158	61				
MATV - amplifiers & modulators														
	NO	10.00%	18-Nov-15	347	21	35	35	35	35	35	35	35	35	35
Outdoor assets														
Barbecues	NO	5.00%	18-Nov-15	79	2	4	4	4	4	4	4	4	4	4
Carried forward				973,498	48,923	2,660	4,328	4,328	4,328	4,328	3,978	3,513	3,358	3,358

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														
	Brought forward		973,498	48,923	2,660	4,328	4,328	4,328	4,328	3,978	3,513	3,358	3,358	
Sauna & spa equipment														
Sauna heating assets	NO	6.67%	18-Nov-15	99	4	7	7	7	7	7	7	7	7	7
Security systems & equipment														
Electronic	NO	15.00%	18-Nov-15	1,219	112	183	183	183	183	183	183	9		
Additional Items (Post Expenditure)														
	Eligibility				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Furniture														
	NO	7.50%	18-Nov-15	4,870	225	365	365	365	365	365	365	365	365	365
Kitchen assets														
Microwave ovens	NO	10.00%	18-Nov-15	250	15	25	25	25	25	25	25	25	25	25
Refrigerators	NO	8.33%	18-Nov-15	1,250	64	104	104	104	104	104	104	104	104	104
Laundry assets														
Washing machines	NO	10.00%	18-Nov-15	650	40	65	65	65	65	65	65	65	65	65
Televisions	NO	10.00%	18-Nov-15	800	49	80	80	80	80	80	80	80	80	80
Pooled Plant Total														
Effective Life Plant Total					3,169	5,157	5,157	5,157	5,157	4,807	4,342	4,013	4,004	4,004
Total Division 40				58,061	3,169	5,157	5,157	5,157	5,157	4,807	4,342	4,013	4,004	4,004
Division 43 - Capital Works Allowance														
		Rate	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Building Works - Completed 2015		2.50%	18-Nov-15	156,316	2,415	3,929	3,929	3,929	3,929	3,929	3,929	3,929	3,929	3,929
Structural Improvements - Completed 2015		2.50%	18-Nov-15	4,501	69	113	113	113	113	113	113	113	113	113
Total Division 43				160,817	2,484	4,042	4,042	4,042	4,042	4,042	4,042	4,042	4,042	4,042

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 2015	8 Jun 14 to 1 Sep 15	157,156	2.50%	3,929	156,316
Sub-total		157,156		3,929	156,316

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2015	8 Jun 14 to 1 Sep 15	4,526	2.50%	113	4,501
Sub-total		4,526		113	4,501
Totals		161,681		4,042	160,817

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

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

13. Definition of Terms

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

14. Contact Details

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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>