



## Tax Depreciation Report

15 Marshall Street,  
Strathpine, QLD 4500

Ryan Leahy and Megan Walker  
112 Bunya Park Drive  
EATONS HILL, QLD 4037

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

Ryan Leahy and Megan Walker  
112 Bunya Park Drive  
EATONS HILL, QLD 4037

September 2020  
Job No: RES4500024

### **Tax Depreciation Report – 15 Marshall Street, Strathpine, QLD 4500**

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

18 September 2020

### Purchaser

Ryan Leahy and Megan Walker

### Property Address

15 Marshall Street, Strathpine, QLD 4500

### Real Property Description

L159 RP112946

### Property Type

Residential House

### Date of Construction

Pre 1985

### Date Available To Generate Income

14 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	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	26 March 10 to 30 June 10	0	0	0	598	598	0	0
2	1 July 10 to 30 June 11	0	0	0	2,355	2,355	0	0
3	1 July 11 to 30 June 12	0	0	0	2,370	2,370	0	0
4	1 July 12 to 30 June 13	0	0	0	2,380	2,380	0	0
5	1 July 13 to 30 June 14	0	0	0	2,524	2,524	0	0
6	1 July 14 to 30 June 15	0	0	0	2,668	2,668	0	0
7	1 July 15 to 30 June 16	0	0	0	2,668	2,668	0	0
8	1 July 16 to 30 June 17	0	0	0	2,668	2,668	0	0
9	1 July 17 to 30 June 18	0	0	0	2,668	2,668	0	0
10	1 July 18 to 30 June 19	0	0	0	2,792	2,792	0	0
11	1 July 19 to 30 June 20	0	0	0	3,158	3,158	2,301	2,301
12	1 July 20 to 30 June 21	0	0	0	3,402	3,402	1,583	3,884
13	1 July 21 to 30 June 22	0	0	0	3,402	3,402	1,228	5,111
14	1 July 22 to 30 June 23	0	0	0	3,402	3,402	810	5,921
15	1 July 23 to 30 June 24	0	0	0	3,402	3,402	784	6,705
16	1 July 24 to 30 June 25	0	0	0	3,402	3,402	490	7,196
17	1 July 25 to 30 June 26	0	0	0	3,402	3,402	306	7,502
18	1 July 26 to 30 June 27	0	0	0	3,402	3,402	191	7,693
19	1 July 27 to 30 June 28	0	0	0	3,402	3,402	120	7,813
20	1 July 28 to 30 June 29	0	0	0	3,402	3,402	75	7,888
21	1 July 29 to 30 June 30	0	0	0	3,402	3,402	47	7,934
22	1 July 30 to 30 June 31	0	0	0	3,402	3,402	29	7,964
23	1 July 31 to 30 June 32	0	0	0	3,402	3,402	18	7,982
24	1 July 32 to 30 June 33	0	0	0	3,203	3,203	11	7,993
25	1 July 33 to 30 June 34	0	0	0	3,104	3,104	7	8,000
26	1 July 34 to 30 June 35	0	0	0	3,104	3,104	4	8,005
27	1 July 35 to 30 June 36	0	0	0	3,104	3,104	3	8,008
28	1 July 36 to 30 June 37	0	0	0	3,104	3,104	2	8,009
29	1 July 37 to 30 June 38	0	0	0	3,104	3,104	1	8,011
30	1 July 38 to 30 June 39	0	0	0	3,104	3,104	1	8,011
31	1 July 39 to 30 June 40	0	0	0	3,104	3,104	0	8,012
32	1 July 40 to 30 June 41	0	0	0	3,104	3,104	0	8,012
33	1 July 41 to 30 June 42	0	0	0	3,104	3,104	0	8,012
34	1 July 42 to 30 June 43	0	0	0	2,476	2,476	0	8,012
35	1 July 43 to 30 June 44	0	0	0	2,353	2,353	0	8,012
36	1 July 44 to 30 June 45	0	0	0	2,353	2,353	0	8,012
37	1 July 45 to 30 June 46	0	0	0	2,353	2,353	0	8,012
38	1 July 46 to 30 June 47	0	0	0	2,353	2,353	0	8,012
39	1 July 47 to 30 June 48	0	0	0	1,531	1,531	0	8,012
40	2048+	0	0	0	10,246	10,246	0	8,012
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>122,477</b>	<b>122,477</b>	<b>8,012</b>	<b>8,012</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	Eligible Write-off	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	26 March 10 to 30 June 10		0	0	0	598	598	0	0
2	1 July 10 to 30 June 11		0	0	0	2,355	2,355	0	0
3	1 July 11 to 30 June 12		0	0	0	2,370	2,370	0	0
4	1 July 12 to 30 June 13		0	0	0	2,380	2,380	0	0
5	1 July 13 to 30 June 14		0	0	0	2,524	2,524	0	0
6	1 July 14 to 30 June 15		0	0	0	2,668	2,668	0	0
7	1 July 15 to 30 June 16		0	0	0	2,668	2,668	0	0
8	1 July 16 to 30 June 17		0	0	0	2,668	2,668	0	0
9	1 July 17 to 30 June 18		0	0	0	2,668	2,668	0	0
10	1 July 18 to 30 June 19		0	0	0	2,792	2,792	0	0
11	1 July 19 to 30 June 20		0	0	0	3,158	3,158	1,610	1,610
12	1 July 20 to 30 June 21		0	0	0	3,402	3,402	1,725	3,335
13	1 July 21 to 30 June 22		0	0	0	3,402	3,402	1,354	4,689
14	1 July 22 to 30 June 23		0	0	0	3,402	3,402	1,157	5,846
15	1 July 23 to 30 June 24		0	0	0	3,402	3,402	1,128	6,974
16	1 July 24 to 30 June 25		0	0	0	3,402	3,402	773	7,747
17	1 July 25 to 30 June 26		0	0	0	3,402	3,402	205	7,952
18	1 July 26 to 30 June 27		0	0	0	3,402	3,402	205	8,157
19	1 July 27 to 30 June 28		0	0	0	3,402	3,402	205	8,362
20	1 July 28 to 30 June 29		0	0	0	3,402	3,402	178	8,540
21	1 July 29 to 30 June 30		0	0	0	3,402	3,402	90	8,630
22	1 July 30 to 30 June 31		0	0	0	3,402	3,402	30	8,660
23	1 July 31 to 30 June 32		0	0	0	3,402	3,402	30	8,690
24	1 July 32 to 30 June 33		0	0	0	3,203	3,203	30	8,720
25	1 July 33 to 30 June 34		0	0	0	3,104	3,104	30	8,750
26	1 July 34 to 30 June 35		0	0	0	3,104	3,104	30	8,780
27	1 July 35 to 30 June 36		0	0	0	3,104	3,104	30	8,810
28	1 July 36 to 30 June 37		0	0	0	3,104	3,104	30	8,840
29	1 July 37 to 30 June 38		0	0	0	3,104	3,104	30	8,870
30	1 July 38 to 30 June 39		0	0	0	3,104	3,104	30	8,900
31	1 July 39 to 30 June 40		0	0	0	3,104	3,104	15	8,915
32	1 July 40 to 30 June 41		0	0	0	3,104	3,104	0	8,915
33	1 July 41 to 30 June 42		0	0	0	3,104	3,104	0	8,915
34	1 July 42 to 30 June 43		0	0	0	2,476	2,476	0	8,915
35	1 July 43 to 30 June 44		0	0	0	2,353	2,353	0	8,915
36	1 July 44 to 30 June 45		0	0	0	2,353	2,353	0	8,915
37	1 July 45 to 30 June 46		0	0	0	2,353	2,353	0	8,915
38	1 July 46 to 30 June 47		0	0	0	2,353	2,353	0	8,915
39	1 July 47 to 30 June 48		0	0	0	1,531	1,531	0	8,915
40	2048+		0	0	0	10,246	10,246	0	8,915
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>122,477</b>	<b>122,477</b>	<b>8,915</b>	<b>8,915</b>

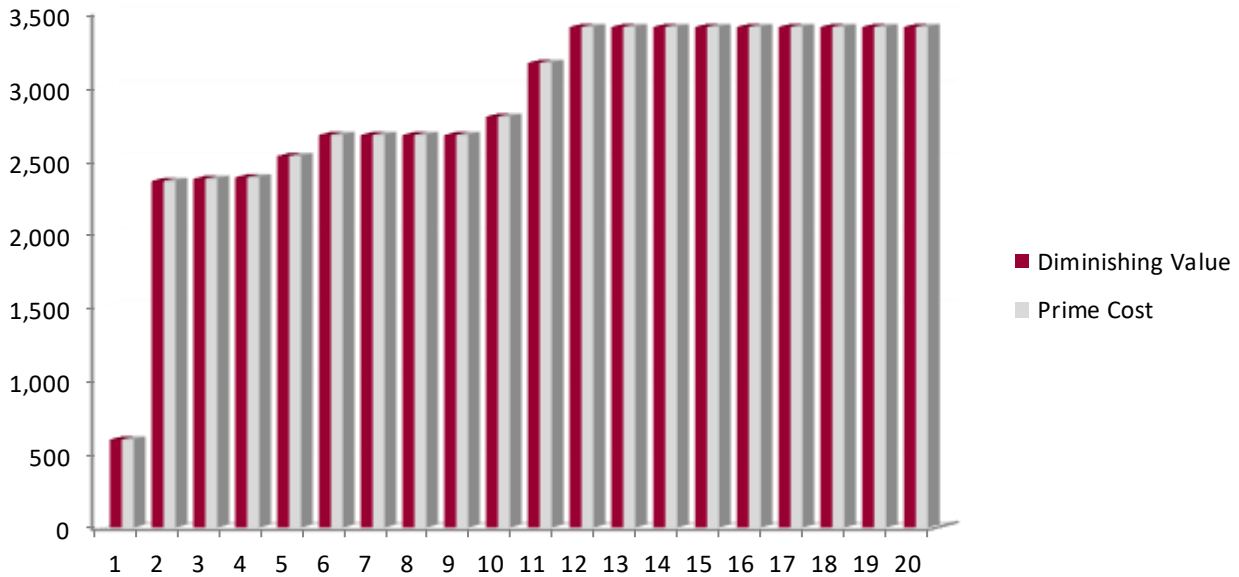
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

### Example

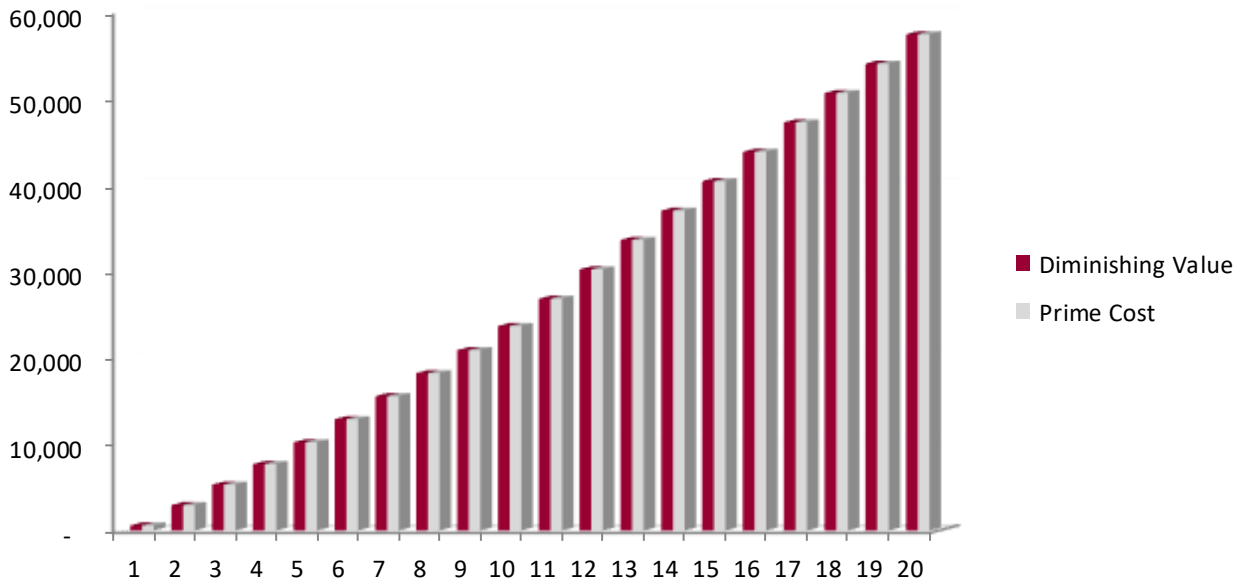
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

## 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	22 February 2010
Settlement Date	26 March 2010
Available To Generate Income	14 April 2020

### Expenditure Analysed

Purchase Price	\$350,000
Stamp Duty	\$10,675
Post Expenditure	\$63,660
<b>Total Expenditure Analysed</b>	<b>\$424,335</b>

### Historical Construction Details

Construction Start Date	Pre 1985
Construction Completion Date	Pre 1985
Historical Construction Cost (Estimated)*	N/A

## 9. Reconciliation of Capital Expenditure

### Apportionment of cost relating to:

Division 40 (Plant)**	\$30,586
Division 43	\$122,477
Land (Assessed)	\$180,338
Balance of Capital Expenditure***	\$90,934
<b>Total Expenditure Analysed</b>	<b>\$424,335</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>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	20.00%	26-Mar-10	327	17	62	50	40	32	25	20	16	13	10
<b>Curtains and drapes</b>														
	NO	33.33%	26-Mar-10	784	784									
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	10.00%	26-Mar-10	196	5	19	17	15	14	13	11	10	9	8
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	20.00%	26-Mar-10	3,126	164	592	2,369							
Floating timber	NO	13.33%	26-Mar-10	6,637	233	854	740	641	556	482	417	362	314	272
<b>Furniture</b>														
	NO	15.00%	26-Mar-10	251	10	36	31	26	22	19	16	14	12	10
<b>Garage doors, automatic</b>														
Controls	NO	40.00%	26-Mar-10	65	7	23	14	8	5	3	2	1	1	1
Motors	NO	20.00%	26-Mar-10	457	24	87	69	55	44	35	28	23	18	73
<b>Garbage disposal</b>														
Garbage bins	NO	30.00%	26-Mar-10	170	13	47	33	23	16	11	8	6	4	3
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	16.67%	26-Mar-10	1,307	57	208	174	145	121	100	84	70	58	48
<b>Kitchen assets</b>														
Cooktops	NO	16.67%	26-Mar-10	719	32	115	95	80	66	55	46	38	32	27
Dishwashers	NO	20.00%	26-Mar-10	915	48	173	139	111	89	71	57	45	36	29
Ovens	NO	16.67%	26-Mar-10	784	34	125	104	87	72	60	50	42	35	29
Rangehoods	NO	16.67%	26-Mar-10	392	17	62	52	43	36	30	25	21	17	15
<b>Lights</b>														
Shades, removable	NO	40.00%	26-Mar-10	1,333	140	477	286	172	103	62	37	22	13	8
<b>\$300 items</b>														
	NO	100.00%	26-Mar-10	314	314									
<b>Additional Items (Post Expenditure)</b>														
					Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Blinds Residential</b>														
	NO	20.00%	31-Dec-19	1,200										
<b>Ceiling Fans</b>														
Ceiling Fans	NO	40.00%	1-Jan-11	1,000		197	321	193	116	69	42	25	15	9
Ceiling Fans	NO	40.00%	31-Dec-19	350										
<b>Curtains and drapes</b>														
	NO	33.33%	1-Apr-10	4,000	329	1,224	816	544	363	242	161	107	72	48
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	31-Dec-19	600										
	Carried forward			856,511	24,926	2,229	4,302	5,310	2,183	1,654	1,278	1,005	802	649

## 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			856,511	24,926	2,229	4,302	5,310	2,183	1,654	1,278	1,005	802	649	
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	20.00%	2-Jul-11	3,000			597	481	385	308	246	197	158	126
<b>Garage doors, automatic</b>														
Controls	NO	40.00%	31-Dec-18	110										22
Motors	NO	20.00%	31-Dec-18	550										55
<b>Lights</b>														
Shades, removable	NO	18.75%	31-Dec-19	2,000										
<b>Pooled Plant Total</b>														
<b>Effective Life Plant Total</b>					2,229	4,302	5,907	2,664	2,039	1,586	1,251	999	806	791
<b>Total Division 40</b>				30,586	2,229	4,302	5,907	2,664	2,039	1,586	1,251	999	806	791
<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 1992		2.50%	26-Mar-10	5,743	67	254	254	254	254	254	254	254	254	254
Building Works - Completed 2002		2.50%	26-Mar-10	24,353	198	751	751	751	751	751	751	751	751	751
Building Works - Completed 2007		2.50%	26-Mar-10	37,986	266	1,013	1,013	1,013	1,013	1,013	1,013	1,013	1,013	1,013
Building Works - Completed 2010		2.50%	01-May-10	9,000	37	225	225	225	225	225	225	225	225	225
Building Works - Completed 2011		2.50%	29-Nov-11	1,000			15	25	25	25	25	25	25	25
Building Works - Completed 2013		2.50%	30-Dec-13	10,000					125	250	250	250	250	250
Building Works - Completed 2018		2.50%	30-Dec-18	9,950										124
Building Works - Completed 2019		2.50%	31-Dec-19	19,400										
Structural Improvements - Completed 1992		2.50%	26-Mar-10	991	12	44	44	44	44	44	44	44	44	44
Structural Improvements - Completed 2007		2.50%	26-Mar-10	2,554	18	68	68	68	68	68	68	68	68	68
Structural Improvements - Completed 2013		2.50%	30-Dec-13	1,500					19	38	38	38	38	38
<b>Total Division 43</b>				122,477	598	2,355	2,370	2,380	2,524	2,668	2,668	2,668	2,668	2,792

## 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%	26-Mar-10	327	9	33	33	33	33	33	33	33	33	33
<b>Curtains and drapes</b>														
	NO	16.67%	26-Mar-10	784	784									
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	5.00%	26-Mar-10	196	3	10	10	10	10	10	10	10	10	10
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	10.00%	26-Mar-10	3,126	82	313	2,731							
Floating timber	NO	6.67%	26-Mar-10	6,637	116	442	442	442	442	442	442	442	442	442
<b>Furniture</b>														
	NO	7.50%	26-Mar-10	251	5	19	19	19	19	19	19	19	19	19
<b>Garage doors, automatic</b>														
Controls	NO	20.00%	26-Mar-10	65	3	13	13	13	13	10				
Motors	NO	10.00%	26-Mar-10	457	12	46	46	46	46	46	46	46	46	77
<b>Garbage disposal</b>														
Garbage bins	NO	15.00%	26-Mar-10	170	7	25	25	25	25	25	25	13		
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	8.33%	26-Mar-10	1,307	29	109	109	109	109	109	109	109	109	109
<b>Kitchen assets</b>														
Cooktops	NO	8.33%	26-Mar-10	719	16	60	60	60	60	60	60	60	60	60
Dishwashers	NO	10.00%	26-Mar-10	915	24	91	91	91	91	91	91	91	91	91
Ovens	NO	8.33%	26-Mar-10	784	17	65	65	65	65	65	65	65	65	65
Rangehoods	NO	8.33%	26-Mar-10	392	9	33	33	33	33	33	33	33	33	33
<b>Lights</b>														
Shades, removable	NO	20.00%	26-Mar-10	1,333	70	267	267	267	267	195				
<b>\$300 items</b>														
	NO	100.00%	26-Mar-10	314	314									
<b>Additional Items (Post Expenditure)</b>														
<b>Blinds Residential</b>														
	NO	10.00%	31-Dec-19	1,200										
<b>Ceiling Fans</b>														
Ceiling Fans	NO	20.00%	01-Jan-11	1,000		99	200	200	200	200	101			
Ceiling Fans	NO	20.00%	31-Dec-19	350										
<b>Curtains and drapes</b>														
	NO	16.67%	01-Apr-10	4,000	164	667	667	667	667	667	501			
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	5.00%	31-Dec-19	600										
Carried forward				856,511	24,926	1,663	2,292	4,811	2,080	2,080	2,005	1,535	921	908

## Prime Cost Depreciation Schedule (cont.)

Assets Generally	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>Division 40 - Plant and Equipment</b>														
	Brought forward		856,511	24,926	1,663	2,292	4,811	2,080	2,080	2,005	1,535	921	908	
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	10.00%	02-Jul-11	3,000			298	300	300	300	300	300	300	300
<b>Garage doors, automatic</b>														
Controls	NO	20.00%	31-Dec-18	110										11
Motors	NO	10.00%	31-Dec-18	550										27
<b>Lights</b>														
Shades, removable	NO	20.00%	31-Dec-19	2,000										
<b>Pooled Plant Total</b>														
<b>Effective Life Plant Total</b>					1,663	2,292	5,109	2,380	2,380	2,305	1,835	1,221	1,208	1,278
<b>Total Division 40</b>				30,586	1,663	2,292	5,109	2,380	2,380	2,305	1,835	1,221	1,208	1,278
<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 1992		2.50%	26-Mar-10	5,743	67	254	254	254	254	254	254	254	254	254
Building Works - Completed 2002		2.50%	26-Mar-10	24,353	198	751	751	751	751	751	751	751	751	751
Building Works - Completed 2007		2.50%	26-Mar-10	37,986	266	1,013	1,013	1,013	1,013	1,013	1,013	1,013	1,013	1,013
Building Works - Completed 2010		2.50%	01-May-10	9,000	37	225	225	225	225	225	225	225	225	225
Building Works - Completed 2011		2.50%	29-Nov-11	1,000			15	25	25	25	25	25	25	25
Building Works - Completed 2013		2.50%	30-Dec-13	10,000					125	250	250	250	250	250
Building Works - Completed 2018		2.50%	30-Dec-18	9,950										124
Building Works - Completed 2019		2.50%	31-Dec-19	19,400										
Structural Improvements - Completed 1992		2.50%	26-Mar-10	991	12	44	44	44	44	44	44	44	44	44
Structural Improvements - Completed 2007		2.50%	26-Mar-10	2,554	18	68	68	68	68	68	68	68	68	68
Structural Improvements - Completed 2013		2.50%	30-Dec-13	1,500					19	38	38	38	38	38
<b>Total Division 43</b>				122,477	598	2,355	2,370	2,380	2,524	2,668	2,668	2,668	2,668	2,792



## 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 1992	1 Oct 92 to 31 Oct 92	10,170	2.50%	254	5,743
Building Works - Completed 2002	1 Aug 02 to 31 Aug 02	30,040	2.50%	751	24,353
Building Works - Completed 2007	1 Sep 07 to 1 Oct 07	40,503	2.50%	1,013	37,986
Building Works - Completed 2010	1 Apr 10 to 1 May 10	9,000	2.50%	225	9,000
Building Works - Completed 2011	30 Oct 11 to 29 Nov 11	1,000	2.50%	25	1,000
Building Works - Completed 2013	30 Nov 13 to 30 Dec 13	10,000	2.50%	250	10,000
Building Works - Completed 2018	30 Nov 18 to 30 Dec 18	9,950	2.50%	249	9,950
Building Works - Completed 2019	1 Dec 19 to 31 Dec 19	19,400	2.50%	485	19,400
<b>Sub-total</b>		<b>130,063</b>		<b>3,252</b>	<b>117,432</b>

### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1992	1 Oct 92 to 31 Oct 92	1,755	2.50%	44	991
Structural Improvements - Completed 2007	1 Sep 07 to 1 Oct 07	2,723	2.50%	68	2,554
Structural Improvements - Completed 2013	30 Nov 13 to 30 Dec 13	1,500	2.50%	38	1,500

<b>Sub-total</b>	<b>5,978</b>	<b>150</b>	<b>5,045</b>
<b>Totals</b>	<b>136,041</b>	<b>3,402</b>	<b>122,477</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.

## **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>