



Tax Depreciation Report

5/191-199 Warwick Rd,
Churchill QLD 4305

Acrety Investments Pty Ltd as trustee for Jozy Family Trust
17 Aster Street
YAMANTO, QLD 4305

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

Acrey Investments Pty Ltd as trustee for Jozy Family Trust
17 Aster Street
YAMANTO, QLD 4305

September 2020
Job No: RES4305031

Tax Depreciation Report – 5/191-199 Warwick Rd, Churchill QLD 4305

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

24 September 2020

Purchaser

ACRETY INVESTMENTS PTY LTD

Property Address

5/191-199 Warwick Rd, Churchill QLD 4305

Real Property Description

L5 SP165958

Property Type

Residential Unit

Date of Construction

31 December 2003

Date Available To Generate Income

16 December 2019

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	Eligible
		Effective Life	Pooled Plant	Total Div 40	Capital Works	Total
1	16 December 19 to 30 June 20	1,703	587	2,290	803	3,093
2	1 July 20 to 30 June 21	230	1,350	1,580	1,493	3,073
3	1 July 21 to 30 June 22	0	1,188	1,188	1,493	2,681
4	1 July 22 to 30 June 23	0	743	743	1,493	2,236
5	1 July 23 to 30 June 24	0	464	464	1,493	1,957
6	1 July 24 to 30 June 25	0	290	290	1,493	1,783
7	1 July 25 to 30 June 26	0	181	181	1,493	1,674
8	1 July 26 to 30 June 27	0	113	113	1,493	1,606
9	1 July 27 to 30 June 28	0	71	71	1,493	1,564
10	1 July 28 to 30 June 29	0	44	44	1,493	1,537
11	1 July 29 to 30 June 30	0	28	28	1,493	1,521
12	1 July 30 to 30 June 31	0	17	17	1,493	1,510
13	1 July 31 to 30 June 32	0	11	11	1,493	1,504
14	1 July 32 to 30 June 33	0	7	7	1,493	1,500
15	1 July 33 to 30 June 34	0	4	4	1,493	1,497
16	1 July 34 to 30 June 35	0	3	3	1,493	1,496
17	1 July 35 to 30 June 36	0	2	2	1,493	1,495
18	1 July 36 to 30 June 37	0	1	1	1,493	1,494
19	1 July 37 to 30 June 38	0	1	1	1,493	1,494
20	1 July 38 to 30 June 39	0	0	0	1,493	1,493
21	1 July 39 to 30 June 40	0	0	0	1,493	1,493
22	1 July 40 to 30 June 41	0	0	0	1,493	1,493
23	1 July 41 to 30 June 42	0	0	0	1,493	1,493
24	1 July 42 to 30 June 43	0	0	0	1,493	1,493
25	1 July 43 to 30 June 44	0	0	0	926	926
26	1 July 44 to 30 June 45	0	0	0	359	359
27	1 July 45 to 30 June 46	0	0	0	359	359
28	1 July 46 to 30 June 47	0	0	0	359	359
29	1 July 47 to 30 June 48	0	0	0	359	359
30	1 July 48 to 30 June 49	0	0	0	359	359
31	1 July 49 to 30 June 50	0	0	0	359	359
32	1 July 50 to 30 June 51	0	0	0	176	176
33	1 July 51 to 30 June 52	0	0	0	0	0
34	1 July 52 to 30 June 53	0	0	0	0	0
35	1 July 53 to 30 June 54	0	0	0	0	0
36	1 July 54 to 30 June 55	0	0	0	0	0
37	1 July 55 to 30 June 56	0	0	0	0	0
38	1 July 56 to 30 June 57	0	0	0	0	0
39	1 July 57 to 30 June 58	0	0	0	0	0
40	2058+	0	0	0	0	0
Totals		1,933	5,106	7,039	38,398	45,437

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
		Effective Life	Pooled Plant	Total Div 40		
1	16 December 19 to 30 June 20	1,565	587	2,152	803	2,955
2	1 July 20 to 30 June 21	258	954	1,212	1,493	2,705
3	1 July 21 to 30 June 22	258	596	854	1,493	2,347
4	1 July 22 to 30 June 23	258	373	631	1,493	2,124
5	1 July 23 to 30 June 24	258	233	491	1,493	1,984
6	1 July 24 to 30 June 25	258	146	404	1,493	1,897
7	1 July 25 to 30 June 26	258	91	349	1,493	1,842
8	1 July 26 to 30 June 27	258	57	315	1,493	1,808
9	1 July 27 to 30 June 28	210	36	246	1,493	1,739
10	1 July 28 to 30 June 29	169	22	191	1,493	1,684
11	1 July 29 to 30 June 30	96	14	110	1,493	1,603
12	1 July 30 to 30 June 31	40	9	49	1,493	1,542
13	1 July 31 to 30 June 32	21	5	26	1,493	1,519
14	1 July 32 to 30 June 33	0	3	3	1,493	1,496
15	1 July 33 to 30 June 34	0	2	2	1,493	1,495
16	1 July 34 to 30 June 35	0	1	1	1,493	1,494
17	1 July 35 to 30 June 36	0	1	1	1,493	1,494
18	1 July 36 to 30 June 37	0	1	1	1,493	1,494
19	1 July 37 to 30 June 38	0	0	0	1,493	1,493
20	1 July 38 to 30 June 39	0	0	0	1,493	1,493
21	1 July 39 to 30 June 40	0	0	0	1,493	1,493
22	1 July 40 to 30 June 41	0	0	0	1,493	1,493
23	1 July 41 to 30 June 42	0	0	0	1,493	1,493
24	1 July 42 to 30 June 43	0	0	0	1,493	1,493
25	1 July 43 to 30 June 44	0	0	0	926	926
26	1 July 44 to 30 June 45	0	0	0	359	359
27	1 July 45 to 30 June 46	0	0	0	359	359
28	1 July 46 to 30 June 47	0	0	0	359	359
29	1 July 47 to 30 June 48	0	0	0	359	359
30	1 July 48 to 30 June 49	0	0	0	359	359
31	1 July 49 to 30 June 50	0	0	0	359	359
32	1 July 50 to 30 June 51	0	0	0	176	176
33	1 July 51 to 30 June 52	0	0	0	0	0
34	1 July 52 to 30 June 53	0	0	0	0	0
35	1 July 53 to 30 June 54	0	0	0	0	0
36	1 July 54 to 30 June 55	0	0	0	0	0
37	1 July 55 to 30 June 56	0	0	0	0	0
38	1 July 56 to 30 June 57	0	0	0	0	0
39	1 July 57 to 30 June 58	0	0	0	0	0
40	2058+	0	0	0	0	0
Totals		3,907	3,132	7,039	38,398	45,437

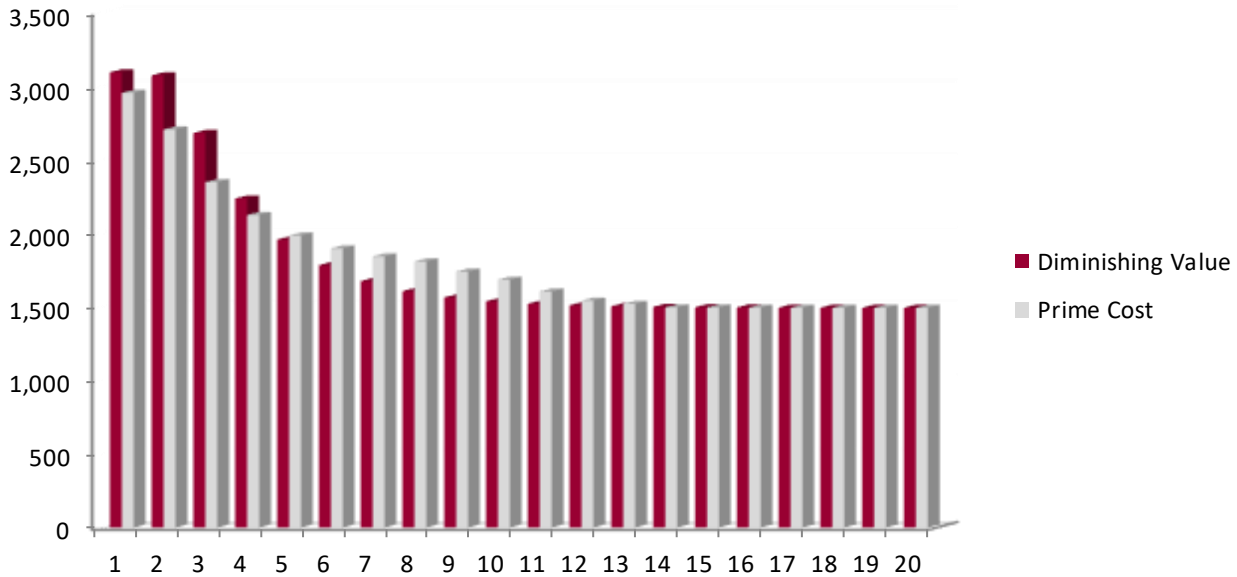
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

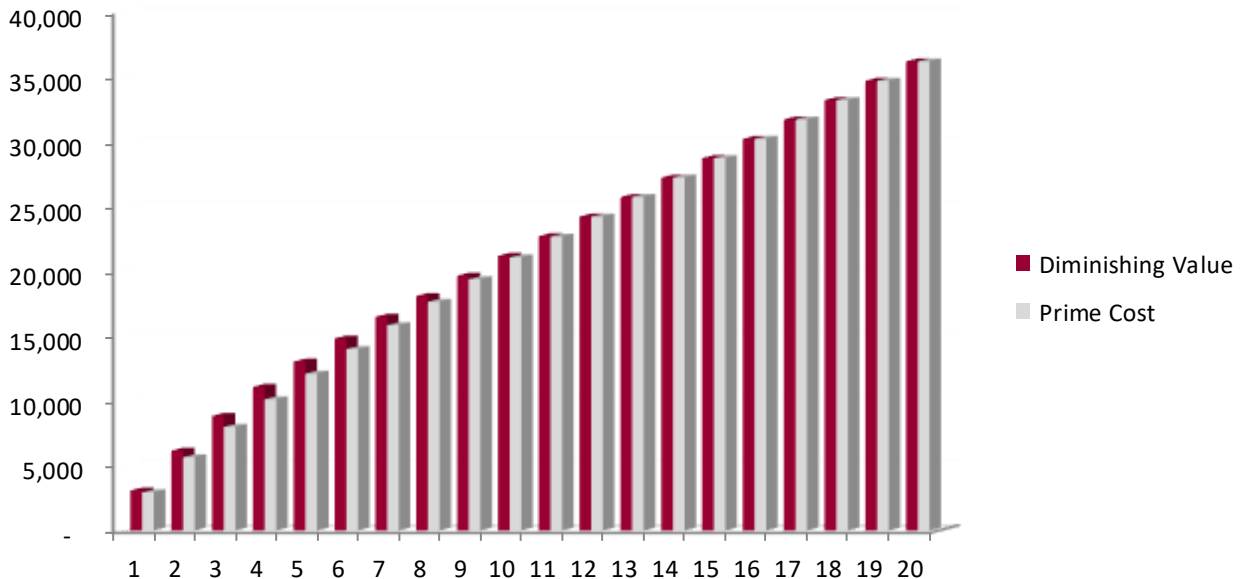
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	15 November 2019
Settlement Date	16 December 2019
Available To Generate Income	16 December 2019

Expenditure Analysed	
Purchase Price	\$67,000
Stamp Duty	\$1,393
Legals	\$1,608
Total Expenditure Analysed	\$70,000

Historical Construction Details	
Construction Start Date	30 January 2002
Construction Completion Date	31 December 2003
Historical Construction Cost (Estimated)*	\$67,763

9. Reconciliation of Capital Expenditure

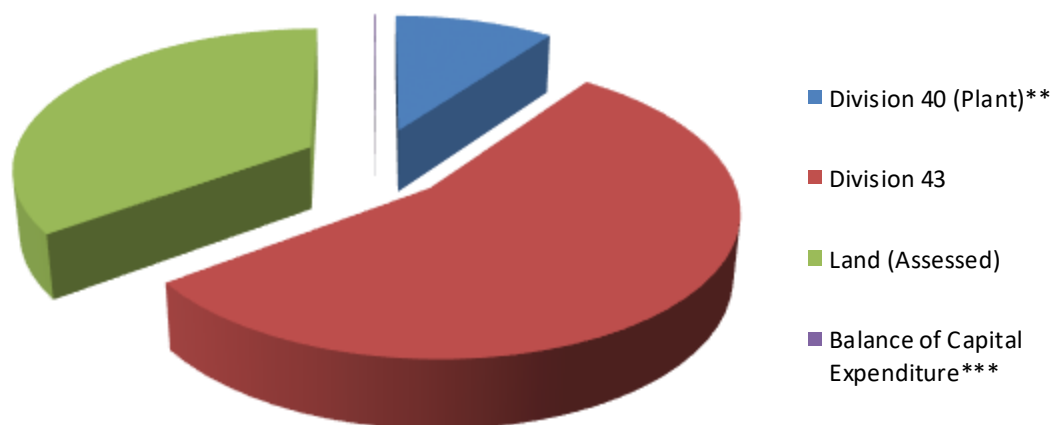
Apportionment of cost relating to:	
Division 40 (Plant)**	\$7,039
Division 43	\$38,398
Land (Assessed)	\$24,499
Balance of Capital Expenditure***	\$64
Total Expenditure Analysed	\$70,000

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	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
Division 40 - Plant and Equipment													
Air-conditioning assets (excl. ducting, pipes & vents)													
Mini split system upto 20KW	20.00%	16-Dec-19	1,287	139	230	344	215	135	84	53	33	21	13
Blinds Residential													
	18.75%	16-Dec-19	571	107	174	109	68	42	27	17	10	6	4
Ceiling Fans													
	18.75%	16-Dec-19	354	66	108	67	42	26	16	10	6	4	3
Floor coverings (removable without damage)													
Carpets	25.00%	16-Dec-19	712	96	231	144	90	56	35	22	14	9	5
Furniture													
	18.75%	16-Dec-19	1,162	218	354	221	138	86	54	34	21	13	8
Hot water systems (excluding piping)													
Gas or electric	16.67%	16-Dec-19	483	43	165	103	64	40	25	16	10	6	4
Kitchen assets													
Cooktops	18.75%	16-Dec-19	302	57	92	57	36	22	14	9	5	3	2
Dishwashers	18.75%	16-Dec-19	402	75	123	77	48	30	19	12	7	5	3
Ovens	18.75%	16-Dec-19	342	64	104	65	41	25	16	10	6	4	2
\$300 items	100.00%	16-Dec-19	1,425	1,425									
Pooled Plant Total				587	1,350	1,188	743	464	290	181	113	71	44
Effective Life Plant Total				1,703	230								
Total Division 40			7,039	2,290	1,580	1,188	743	464	290	181	113	71	44
Division 43 - Capital Works Allowance													
	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2003	2.50%	16-Dec-19	19,618	439	816	816	816	816	816	816	816	816	816
Building Works - Completed 2010	2.50%	16-Dec-19	11,139	193	359	359	359	359	359	359	359	359	359
Structural Improvements - Completed 2003	2.50%	16-Dec-19	7,641	171	318	318	318	318	318	318	318	318	318
Total Division 43			38,398	803	1,493	1,493	1,493	1,493	1,493	1,493	1,493	1,493	1,493

11. Prime Cost Depreciation Schedule

Assets Generally	Prime Cost													
Division 40 - Plant and Equipment	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	10.00%	16-Dec-19	1,287	69	129	129	129	129	129	129	129	129	129	
Blinds Residential														
	18.75%	16-Dec-19	571	107	174	109	68	42	27	17	10	6	4	
Ceiling Fans														
	18.75%	16-Dec-19	354	66	108	67	42	26	16	10	6	4	3	
Floor coverings (removable without damage)														
Carpets	12.50%	16-Dec-19	712	48	89	89	89	89	89	89	89	41		
Furniture														
	18.75%	16-Dec-19	1,162	218	354	221	138	86	54	34	21	13	8	
Hot water systems (excluding piping)														
Gas or electric	8.33%	16-Dec-19	483	22	40	40	40	40	40	40	40	40	40	
Kitchen assets														
Cooktops	18.75%	16-Dec-19	302	57	92	57	36	22	14	9	5	3	2	
Dishwashers	18.75%	16-Dec-19	402	75	123	77	48	30	19	12	7	5	3	
Ovens	18.75%	16-Dec-19	342	64	104	65	41	25	16	10	6	4	2	
\$300 items	100.00%	16-Dec-19	1,425	1,425										
Pooled Plant Total				587	954	596	373	233	146	91	57	36	22	
Effective Life Plant Total				1,565	258	258	258	258	258	258	210	169		
Total Division 40			7,039	2,152	1,212	854	631	491	404	349	315	246	191	
Division 43 - Capital Works Allowance														
	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10	
Building Works - Completed 2003	2.50%	16-Dec-19	19,618	439	816	816	816	816	816	816	816	816	816	
Building Works - Completed 2010	2.50%	16-Dec-19	11,139	193	359	359	359	359	359	359	359	359	359	
Structural Improvements - Completed 2003	2.50%	16-Dec-19	7,641	171	318	318	318	318	318	318	318	318	318	
Total Division 43			38,398	803	1,493	1,493	1,493	1,493	1,493	1,493	1,493	1,493	1,493	

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 2003	30 Jan 02 to 31 Dec 03	32,656	2.50%	816	19,618
Building Works - Completed 2010	1 Oct 10 to 31 Dec 10	14,356	2.50%	359	11,139
Sub-total		47,011		1,175	30,757

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2003	30 Jan 02 to 31 Dec 03	12,719	2.50%	318	7,641
Sub-total		12,719		318	7,641
Totals		59,731		1,493	38,398

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

COMPANY DETAILS	
Company Name	Koste Pty Ltd
Postal Address	Suite 1, L12/133 Mary Street, Brisbane, Qld 4000
Office Number	1300 669 400
Office Email	info@koste.com.au

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