



# Tax Depreciation Report

53 King St,  
Thornlands QLD 4164

Aaron O'Sullivan  
33 Mina parade  
NEWMARKET, QLD 4051

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

Aaron O'Sullivan  
33 Mina parade  
NEWMARKET, QLD 4051

September 2020  
Job No: RES4164015

### **Tax Depreciation Report – 53 King St, Thornlands QLD 4164**

We thank you for choosing Koste Pty Ltd to prepare the attached Tax Depreciation report and schedule for the above property.

This report has been prepared to provide an independent review of Tax Depreciation entitlements available on the subject property, under The Income Tax Assessment Act 1997.

Koste Pty Ltd are a registered tax agent (24836767) who comply with the Tax Agent Services Act 2009. The attached schedule is based on an apportionment of the total expenditure, together with the Tax Commissioners current intentions in preparing this document.

As you continue to grow your portfolio, we would be pleased to provide you with free estimates of tax depreciation allowances on purchases. We can also provide updates for \$100+GST on any revised depreciation reports which may include new capital works and write-offs on disposed assets over the coming years.

The majority of our custom is based on repeat customers and from word of mouth. Testimonials are important to our business especially on social media including Google+, LinkedIn and Facebook. If you are pleased with our service and have some time to write a short testimonial on either social media or via an email, this would be greatly appreciated.

If you or your accountant require any further clarification on the contents of this report, please do not hesitate in contacting a member of our team on 1300 669 400 where they would be more than happy to assist.

Yours Sincerely

*Koste Pty Ltd*

Koste Pty Ltd  
Tax Depreciation Quantity Surveyors



## TABLE OF CONTENTS

1. Property Information .....	2
2. Report Details .....	3
3. Capital Allowances .....	4
4. Capital Works .....	6
5. Summary of Entitlements – Diminishing Value Method .....	7
6. Summary of Entitlements – Prime Cost Method .....	8
7. Comparison Graphs .....	9
8. Capital Expenditure Analysed .....	10
9. Reconciliation of Capital Expenditure .....	11
10. Diminishing Value Depreciation Schedule .....	12
11. Prime Cost Depreciation Schedule .....	14
12. Division 43 Capital Works Schedule .....	16
13. Definition of Terms .....	17
14. Contact Details .....	18
15. Disclaimer .....	19
ATO’s New Legislations on Post 9 May Purchased and Capital Loss .....	20

## 1. Property Information

### Date of Report

30 September 2020

### Purchaser

Aaron O'Sullivan

### Property Address

53 King St, Thornlands QLD 4164

### Real Property Description

L1 SP241846

### Property Type

Residential House

### Date of Construction

31 December 2013

### Date Available To Generate Income

1 June 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				
<p>Diminishing value method is often the most popular form of depreciation due to the cash-flow benefits in the early years of asset ownership.</p>					<p>Prime Cost Method of Depreciation, often referred to as straight line depreciation is depreciated at a constant rate each year.</p>				
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	4 April 18 to 30 June 18	0	0	0	1,532	1,532	0	0
2	1 July 18 to 30 June 19	0	0	0	6,426	6,426	10,260	10,260
3	1 July 19 to 30 June 20	0	0	0	6,426	6,426	7,180	17,440
4	1 July 20 to 30 June 21	1,842	0	1,842	6,426	8,268	8,391	25,831
5	1 July 21 to 30 June 22	1,983	0	1,983	6,426	8,409	3,177	29,008
6	1 July 22 to 30 June 23	1,586	0	1,586	6,426	8,012	2,104	31,111
7	1 July 23 to 30 June 24	1,269	0	1,269	6,426	7,695	1,411	32,523
8	1 July 24 to 30 June 25	1,015	0	1,015	6,426	7,441	1,277	33,799
9	1 July 25 to 30 June 26	812	0	812	6,426	7,238	849	34,648
10	1 July 26 to 30 June 27	650	0	650	6,426	7,076	733	35,381
11	1 July 27 to 30 June 28	520	0	520	6,426	6,946	458	35,840
12	1 July 28 to 30 June 29	416	0	416	6,426	6,842	286	36,126
13	1 July 29 to 30 June 30	333	0	333	6,426	6,759	179	36,305
14	1 July 30 to 30 June 31	266	0	266	6,426	6,692	112	36,417
15	1 July 31 to 30 June 32	213	0	213	6,426	6,639	70	36,487
16	1 July 32 to 30 June 33	0	319	319	6,426	6,745	44	36,531
17	1 July 33 to 30 June 34	0	200	200	6,426	6,626	27	36,558
18	1 July 34 to 30 June 35	0	125	125	6,426	6,551	17	36,575
19	1 July 35 to 30 June 36	0	78	78	6,426	6,504	11	36,585
20	1 July 36 to 30 June 37	0	49	49	6,426	6,475	6	36,592
21	1 July 37 to 30 June 38	0	30	30	6,426	6,456	5	36,596
22	1 July 38 to 30 June 39	0	19	19	6,426	6,445	3	36,599
23	1 July 39 to 30 June 40	0	12	12	6,426	6,438	2	36,601
24	1 July 40 to 30 June 41	0	7	7	6,426	6,433	1	36,602
25	1 July 41 to 30 June 42	0	5	5	6,426	6,431	0	36,602
26	1 July 42 to 30 June 43	0	3	3	6,426	6,429	0	36,603
27	1 July 43 to 30 June 44	0	2	2	6,426	6,428	0	36,603
28	1 July 44 to 30 June 45	0	1	1	6,426	6,427	0	36,603
29	1 July 45 to 30 June 46	0	1	1	6,426	6,427	0	36,603
30	1 July 46 to 30 June 47	0	0	0	6,426	6,426	1	36,603
31	1 July 47 to 30 June 48	0	0	0	6,426	6,426	0	36,604
32	1 July 48 to 30 June 49	0	0	0	6,426	6,426	0	36,604
33	1 July 49 to 30 June 50	0	0	0	6,426	6,426	0	36,604
34	1 July 50 to 30 June 51	0	0	0	6,426	6,426	0	36,604
35	1 July 51 to 30 June 52	0	0	0	6,426	6,426	0	36,604
36	1 July 52 to 30 June 53	0	0	0	6,426	6,426	0	36,604
37	1 July 53 to 30 June 54	0	0	0	3,201	3,201	0	36,604
38	1 July 54 to 30 June 55	0	0	0	0	0	0	36,604
39	1 July 55 to 30 June 56	0	0	0	0	0	0	36,604
40	2056+	0	0	0	0	0	0	36,604
<b>Totals</b>		<b>10,905</b>	<b>851</b>	<b>11,756</b>	<b>229,643</b>	<b>241,399</b>	<b>36,604</b>	<b>36,604</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	4 April 18 to 30 June 18	0	0	0	1,532	1,532	0	0
2	1 July 18 to 30 June 19	0	0	0	6,426	6,426	7,871	7,871
3	1 July 19 to 30 June 20	0	0	0	6,426	6,426	5,719	13,590
4	1 July 20 to 30 June 21	921	0	921	6,426	7,347	8,873	22,463
5	1 July 21 to 30 June 22	1,176	0	1,176	6,426	7,602	2,868	25,331
6	1 July 22 to 30 June 23	1,176	0	1,176	6,426	7,602	2,343	27,674
7	1 July 23 to 30 June 24	1,176	0	1,176	6,426	7,602	2,014	29,688
8	1 July 24 to 30 June 25	1,176	0	1,176	6,426	7,602	1,600	31,288
9	1 July 25 to 30 June 26	1,176	0	1,176	6,426	7,602	1,312	32,600
10	1 July 26 to 30 June 27	1,176	0	1,176	6,426	7,602	1,232	33,831
11	1 July 27 to 30 June 28	1,176	0	1,176	6,426	7,602	1,018	34,849
12	1 July 28 to 30 June 29	1,176	0	1,176	6,426	7,602	462	35,312
13	1 July 29 to 30 June 30	1,176	0	1,176	6,426	7,602	382	35,694
14	1 July 30 to 30 June 31	251	0	251	6,426	6,677	175	35,869
15	1 July 31 to 30 June 32	0	0	0	6,426	6,426	98	35,967
16	1 July 32 to 30 June 33	0	0	0	6,426	6,426	88	36,055
17	1 July 33 to 30 June 34	0	0	0	6,426	6,426	85	36,140
18	1 July 34 to 30 June 35	0	0	0	6,426	6,426	83	36,223
19	1 July 35 to 30 June 36	0	0	0	6,426	6,426	82	36,305
20	1 July 36 to 30 June 37	0	0	0	6,426	6,426	81	36,386
21	1 July 37 to 30 June 38	0	0	0	6,426	6,426	61	36,448
22	1 July 38 to 30 June 39	0	0	0	6,426	6,426	33	36,481
23	1 July 39 to 30 June 40	0	0	0	6,426	6,426	33	36,514
24	1 July 40 to 30 June 41	0	0	0	6,426	6,426	33	36,548
25	1 July 41 to 30 June 42	0	0	0	6,426	6,426	33	36,581
26	1 July 42 to 30 June 43	0	0	0	6,426	6,426	33	36,614
27	1 July 43 to 30 June 44	0	0	0	6,426	6,426	33	36,647
28	1 July 44 to 30 June 45	0	0	0	6,426	6,426	33	36,680
29	1 July 45 to 30 June 46	0	0	0	6,426	6,426	33	36,713
30	1 July 46 to 30 June 47	0	0	0	6,426	6,426	33	36,746
31	1 July 47 to 30 June 48	0	0	0	6,426	6,426	33	36,779
32	1 July 48 to 30 June 49	0	0	0	6,426	6,426	33	36,812
33	1 July 49 to 30 June 50	0	0	0	6,426	6,426	33	36,845
34	1 July 50 to 30 June 51	0	0	0	6,426	6,426	33	36,878
35	1 July 51 to 30 June 52	0	0	0	6,426	6,426	33	36,911
36	1 July 52 to 30 June 53	0	0	0	6,426	6,426	33	36,944
37	1 July 53 to 30 June 54	0	0	0	3,201	3,201	33	36,977
38	1 July 54 to 30 June 55	0	0	0	0	0	33	37,010
39	1 July 55 to 30 June 56	0	0	0	0	0	33	37,043
40	2056+	0	0	0	0	0	69	37,112
<b>Totals</b>		<b>11,757</b>	<b>0</b>	<b>11,757</b>	<b>229,643</b>	<b>241,400</b>	<b>37,112</b>	<b>37,112</b>

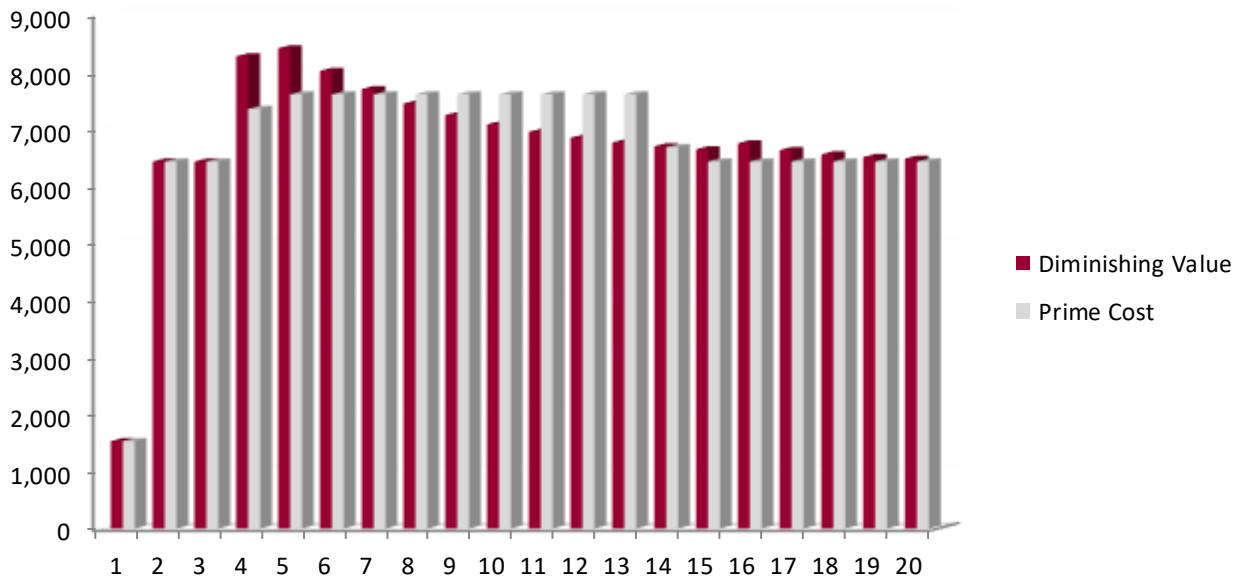
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

### Example

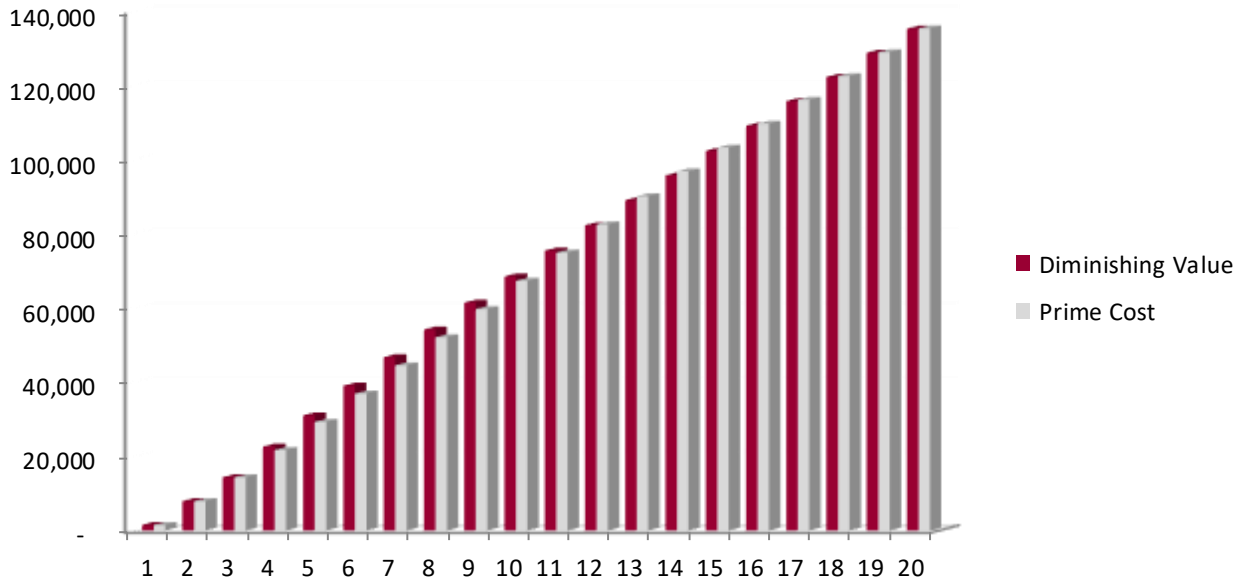
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

## 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	23 February 2018
Settlement Date	4 April 2018
Available To Generate Income	1 June 2019

### Expenditure Analysed

Purchase Price	\$659,000
Stamp Duty	\$21,888
Post Expenditure	\$11,757
<b>Total Expenditure Analysed</b>	<b>\$692,644</b>

### Historical Construction Details

Construction Start Date	4 July 2013
Construction Completion Date	31 December 2013
Historical Construction Cost (Estimated)*	\$294,718
Lot Entitlement	1
Overall Lot Entitlement	1

## 9. Reconciliation of Capital Expenditure

### Apportionment of cost relating to:

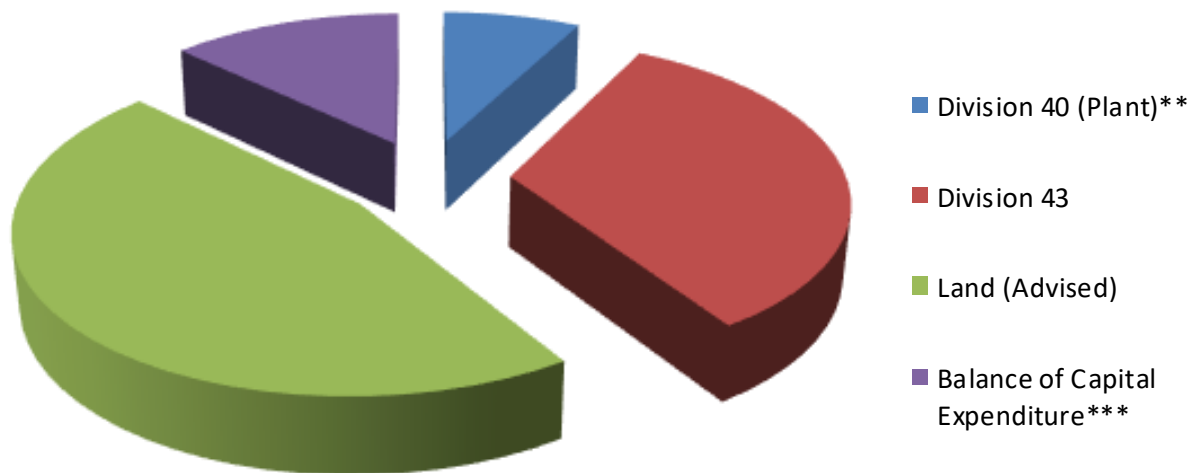
Division 40 (Plant)**	\$53,228
Division 43	\$229,643
Land (Advised)	\$320,296
Balance of Capital Expenditure***	\$89,478
<b>Total Expenditure Analysed</b>	<b>\$692,645</b>

### 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>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Mini split system upto 20KW	NO	20.00%	4-Apr-18	6,653	317	1,267	1,014	4,055						
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	18.75%	4-Apr-18	572	107	174	109	68	43	27	17	10	6	4
<b>Blinds Residential</b>														
	NO	18.75%	4-Apr-18	2,874	539	876	547	342	214	134	84	52	33	20
<b>Ceiling Fans</b>														
	NO	18.75%	4-Apr-18	2,129	399	649	405	253	158	99	62	39	24	15
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	4-Apr-18	399	75	122	76	48	30	19	12	7	5	3
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	20.00%	4-Apr-18	5,816	277	1,108	886	709	567	454	363	290	232	348
<b>Furniture</b>														
	NO	18.75%	4-Apr-18	4,710	883	1,435	897	561	350	219	137	86	53	33
<b>Garage doors, automatic</b>														
Motors	NO	20.00%	4-Apr-18	1,065	51	203	304	190	119	74	46	29	18	11
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	16.67%	4-Apr-18	1,730	69	277	231	192	360	225	141	88	55	34
<b>Kitchen assets</b>														
Cooktops	NO	16.67%	4-Apr-18	1,331	53	213	177	333	208	130	81	51	32	20
Dishwashers	NO	18.75%	4-Apr-18	798	150	243	152	95	59	37	23	14	9	6
Ovens	NO	18.75%	4-Apr-18	998	187	304	190	119	74	46	29	18	11	7
Rangehoods	NO	18.75%	4-Apr-18	532	100	162	101	63	40	25	15	10	6	4
<b>Lights</b>														
Shades, removable	NO	18.75%	4-Apr-18	4,025	755	1,226	767	479	299	187	117	73	46	29
<b>Pumps</b>														
	NO	18.75%	4-Apr-18	1,796	337	547	342	214	134	84	52	33	20	13
<b>Security systems &amp; equipment</b>														
Electronic	NO	30.00%	4-Apr-18	2,462	176	686	480	336	294	184	115	72	45	28
<b>Solar power generating system assets</b>														
	NO	10.00%	4-Apr-18	931	22	341	213	133	83	52	33	20	13	8
<b>Swimming pools</b>														
Filtration equipment	NO	15.00%	4-Apr-18	998	36	361	226	141	88	55	34	22	13	8
<b>Rainwater tanks</b>														
Polyethylene	NO	5.00%	4-Apr-18	1,331	16	66	62	59	56	54	51	362	227	142
<b>\$300 items</b>														
	NO	100.00%	4-Apr-18	319	319									
<b>Carried forward</b>				<b>41,471</b>	<b>4,867</b>	<b>10,260</b>	<b>7,180</b>	<b>8,390</b>	<b>3,177</b>	<b>2,103</b>	<b>1,411</b>	<b>1,276</b>	<b>849</b>	

## 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
<b>Division 40 - Plant and Equipment</b>														
	For Depreciation	Value Rate												
Brought forward			-	41,471	4,867	10,260	7,180	8,390	3,177	2,103	1,411	1,276	849	
<b>Additional Items (Post Expenditure)</b>														
	Eligibility				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Mini split system upto 20KW	YES	20.00%	17-Sep-20	11,757				1,842	1,983	1,586	1,269	1,015	812	650
<b>Pooled Plant Total</b>					3,532	6,441	4,330	3,039	2,554	1,596	998	986	616	734
<b>Effective Life Plant Total</b>					1,335	3,819	2,851	7,194	2,606	2,094	1,683	1,306	1,045	650
<b>Total Division 40</b>				53,228	4,867	10,260	7,180	10,233	5,160	3,690	2,680	2,292	1,661	1,383
<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 2013</b>		2.50%	04-Apr-18	186,158	1,242	5,209	5,209	5,209	5,209	5,209	5,209	5,209	5,209	5,209
<b>Structural Improvements - Completed 2013</b>		2.50%	04-Apr-18	43,485	290	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217
<b>Total Division 43</b>				229,643	1,532	6,426	6,426	6,426	6,426	6,426	6,426	6,426	6,426	6,426

## 11. Prime Cost Depreciation Schedule

Assets Generally Division 40 - Plant and Equipment	Eligibility For Depreciation	Prime Cost Rate	Start Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Mini split system upto 20KW	NO	10.00%	04-Apr-18	6,653	159	665	665	5,165						
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	18.75%	04-Apr-18	572	107	174	109	68	43	27	17	10	6	4
<b>Blinds Residential</b>														
	NO	18.75%	04-Apr-18	2,874	539	876	547	342	214	134	84	52	33	20
<b>Ceiling Fans</b>														
	NO	18.75%	04-Apr-18	2,129	399	649	405	253	158	99	62	39	24	15
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	04-Apr-18	399	75	122	76	48	30	19	12	7	5	3
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	10.00%	04-Apr-18	5,816	139	582	582	582	582	582	582	582	582	582
<b>Furniture</b>														
	NO	18.75%	04-Apr-18	4,710	883	1,435	897	561	350	219	137	86	53	33
<b>Garage doors, automatic</b>														
Motors	NO	10.00%	04-Apr-18	1,065	25	106	106	106	106	106	106	106	106	106
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	8.33%	04-Apr-18	1,730	34	144	144	144	144	144	144	144	144	144
<b>Kitchen assets</b>														
Cooktops	NO	8.33%	04-Apr-18	1,331	26	111	111	111	111	111	111	111	111	111
Dishwashers	NO	18.75%	04-Apr-18	798	150	243	152	95	59	37	23	14	9	6
Ovens	NO	18.75%	04-Apr-18	998	187	304	190	119	74	46	29	18	11	7
Rangehoods	NO	18.75%	04-Apr-18	532	100	162	101	63	40	25	15	10	6	4
<b>Lights</b>														
Shades, removable	NO	18.75%	04-Apr-18	4,025	755	1,226	767	479	299	187	117	73	46	29
<b>Pumps</b>														
	NO	18.75%	04-Apr-18	1,796	337	547	342	214	134	84	52	33	20	13
<b>Security systems &amp; equipment</b>														
Electronic	NO	15.00%	04-Apr-18	2,462	88	369	369	369	369	369	369	160		
<b>Solar power generating system assets</b>														
	NO	5.00%	04-Apr-18	931	11	47	47	47	47	47	47	47	47	47
<b>Swimming pools</b>														
Filtration equipment	NO	7.50%	04-Apr-18	998	18	75	75	75	75	75	75	75	75	75
<b>Rainwater tanks</b>														
Polyethylene	NO	2.50%	04-Apr-18	1,331	8	33	33	33	33	33	33	33	33	33
<b>\$300 items</b>														
	NO	100.00%	04-Apr-18	319	319									
<b>Carried forward</b>				<b>863,880</b>	<b>41,471</b>	<b>4,359</b>	<b>7,871</b>	<b>5,719</b>	<b>8,873</b>	<b>2,868</b>	<b>2,343</b>	<b>2,014</b>	<b>1,600</b>	<b>1,312</b>



## 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
<b>Division 40 - Plant and Equipment</b>														
	For Depreciation	Rate												
	Brought forward		863,880	41,471	4,359	7,871	5,719	8,873	2,868	2,343	2,014	1,600	1,312	
<b>Additional Items (Post Expenditure)</b>														
	Eligibility				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Air-conditioning assets (excl. ducting, pipes &amp; vents)</b>														
Mini split system upto 20KW	YES	10.00%	17-Sep-20	11,757				921	1,176	1,176	1,176	1,176	1,176	1,176
<b>Pooled Plant Total</b>					3,532	5,739	3,587	2,242	1,401	876	547	342	214	134
<b>Effective Life Plant Total</b>					827	2,132	2,132	7,553	2,643	2,643	2,643	2,434	2,274	2,274
<b>Total Division 40</b>				53,228	4,359	7,871	5,719	9,795	4,044	3,519	3,190	2,776	2,488	2,408
<b>Division 43 - Capital Works Allowance</b>														
		Rate		Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Building Works - Completed 2013</b>		2.50%	04-Apr-18	186,158	1,242	5,209	5,209	5,209	5,209	5,209	5,209	5,209	5,209	5,209
<b>Structural Improvements - Completed 2013</b>		2.50%	04-Apr-18	43,485	290	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217
<b>Total Division 43</b>				229,643	1,532	6,426	6,426	6,426	6,426	6,426	6,426	6,426	6,426	6,426

## 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 2013	4 Jul 13 to 31 Dec 13	208,348	2.50%	5,209	186,158
<b>Sub-total</b>		<b>208,348</b>		<b>5,209</b>	<b>186,158</b>

### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2013	4 Jul 13 to 31 Dec 13	48,668	2.50%	1,217	43,485
<b>Sub-total</b>		<b>48,668</b>		<b>1,217</b>	<b>43,485</b>
<b>Totals</b>		<b>257,017</b>		<b>6,426</b>	<b>229,643</b>

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

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

### 13. Definition of Terms

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

## 14. Contact Details

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

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

## **15. Disclaimer**

This report has been prepared for the exclusive use of the parties named within this report, Koste Pty Ltd does not accept any contractual, tortious or other form of liability for any consequences that may arise from any other person acting upon or using this valuation.

## **ATO's New Legislations on Post 9 May Purchased and Capital Loss**

### **A1. Post 9 May 2017**

The amendments to the ITAA 1997 recently limited the income tax deductions for the decline in value of previously used plant and equipment in rental premises used for residential accommodation. The changes apply to any second-hand property purchasers who contracts after 7.30 pm on 9 May 2017, and to any property owners who convert their main occupancies into investment properties after 1 July 2017.

This may give rise to a capital loss due to the difference between an asset's original - cost/value and its termination value at the time of a balancing adjustment event. This capital loss may be used to be offset against any future capital gains. Koste has taken into consideration of the legislation changes and identify both the eligible depreciation each year and the capital loss that will be applied.

### **A2. Capital Gain / Capital Loss**

If you sell a capital asset, such as your investment property, the difference between what it cost you to acquire the asset and what you receive when you dispose of it will become your capital gain or capital loss. When you make a capital gain, it is added to your assessable income and may significantly increase the tax you need to pay. If you make a capital loss, you cannot claim it against your other income but you can use it to reduce a capital gain in current or future years.

Further information regarding the legislation please refer to ATO website – [www.ato.gov.au](http://www.ato.gov.au)

### **A3. Capital Loss on Plant and Equipment (Division 40)**

When you dispose a depreciating asset, a balancing adjustment event will occur and you need to work out a balancing adjustment amount to include in your assessable income or to claim as a deduction by comparing the asset's termination value (such as the proceeds from the sale of the asset) and its adjustable value at the time of the balancing adjustment event. However, from 1 July 2017, if a balancing adjustment event happens to a depreciating asset to which the new rules about deductions for decline in value of second-hand depreciating assets in residential rental properties apply, then a capital gain or capital loss might arise.