



## Tax Depreciation Report

255 Moray St,  
New Farm QLD 4005, Australia

ISHMA INVESTMENTS NO 2 PTY LTD  
24 Bailey Street  
NEW FARM, QLD 4005

Issue Schedule	
Issue Date:	Issued by:
21 October 2020	Mark Kilroy Bsc (Hons) MRICS

ISHMA INVESTMENTS NO 2 PTY LTD  
24 Bailey Street  
NEW FARM, QLD 4005

October 2020  
Job No: RES4005013

### **Tax Depreciation Report – 255 Moray St, New Farm QLD 4005, Australia**

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

21 October 2020

### Purchaser

ISHMA INVESTMENTS NO 2 PTY LTD

### Property Address

255 Moray St, New Farm QLD 4005, Australia

### Real Property Description

L1 RP8784

### Property Type

Residential House

### Date of Construction

Pre 1985

### Date Available To Generate Income

17 August 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				
Under Diminishing Value method, the effective life is dividing by 200.					Under Prime Cost method, the effective life is dividing by 100.				
<b>200 / 10 Years = 20% (Adjusted Value)</b>					<b>100 / 10 Years = 10% (Straight Line)</b>				
If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.					If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.				
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	17 August 20 to 30 June 21	0	0	0	17,710	17,710	22,905	22,905
2	1 July 21 to 30 June 22	0	0	0	20,393	20,393	22,857	45,762
3	1 July 22 to 30 June 23	0	0	0	20,393	20,393	16,804	62,565
4	1 July 23 to 30 June 24	0	0	0	20,393	20,393	13,012	75,577
5	1 July 24 to 30 June 25	0	0	0	20,393	20,393	10,032	85,609
6	1 July 25 to 30 June 26	0	0	0	20,393	20,393	7,779	93,388
7	1 July 26 to 30 June 27	0	0	0	20,393	20,393	5,808	99,197
8	1 July 27 to 30 June 28	0	0	0	20,393	20,393	4,760	103,957
9	1 July 28 to 30 June 29	0	0	0	20,393	20,393	3,587	107,543
10	1 July 29 to 30 June 30	0	0	0	20,393	20,393	2,755	110,298
11	1 July 30 to 30 June 31	0	0	0	20,393	20,393	2,531	112,829
12	1 July 31 to 30 June 32	0	0	0	20,393	20,393	1,886	114,715
13	1 July 32 to 30 June 33	0	0	0	20,393	20,393	1,702	116,417
14	1 July 33 to 30 June 34	0	0	0	20,393	20,393	1,253	117,670
15	1 July 34 to 30 June 35	0	0	0	20,348	20,348	1,140	118,810
16	1 July 35 to 30 June 36	0	0	0	18,058	18,058	958	119,769
17	1 July 36 to 30 June 37	0	0	0	18,056	18,056	655	120,423
18	1 July 37 to 30 June 38	0	0	0	18,056	18,056	458	120,881
19	1 July 38 to 30 June 39	0	0	0	18,056	18,056	328	121,209
20	1 July 39 to 30 June 40	0	0	0	18,056	18,056	478	121,687
21	1 July 40 to 30 June 41	0	0	0	18,056	18,056	299	121,985
22	1 July 41 to 30 June 42	0	0	0	18,056	18,056	187	122,172
23	1 July 42 to 30 June 43	0	0	0	18,056	18,056	117	122,288
24	1 July 43 to 30 June 44	0	0	0	18,056	18,056	73	122,361
25	1 July 44 to 30 June 45	0	0	0	18,056	18,056	46	122,407
26	1 July 45 to 30 June 46	0	0	0	18,056	18,056	28	122,435
27	1 July 46 to 30 June 47	0	0	0	18,056	18,056	18	122,453
28	1 July 47 to 30 June 48	0	0	0	18,056	18,056	11	122,464
29	1 July 48 to 30 June 49	0	0	0	18,056	18,056	7	122,471
30	1 July 49 to 30 June 50	0	0	0	17,955	17,955	4	122,475
31	1 July 50 to 30 June 51	0	0	0	5,735	5,735	3	122,478
32	1 July 51 to 30 June 52	0	0	0	5,735	5,735	2	122,480
33	1 July 52 to 30 June 53	0	0	0	5,735	5,735	1	122,481
34	1 July 53 to 30 June 54	0	0	0	5,735	5,735	1	122,481
35	1 July 54 to 30 June 55	0	0	0	5,735	5,735	0	122,482
36	1 July 55 to 30 June 56	0	0	0	5,735	5,735	0	122,482
37	1 July 56 to 30 June 57	0	0	0	5,735	5,735	0	122,482
38	1 July 57 to 30 June 58	0	0	0	2,856	2,856	0	122,482
39	1 July 58 to 30 June 59	0	0	0	0	0	0	122,482
40	2059+	0	0	0	0	0	0	122,483
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>616,909</b>	<b>616,909</b>	<b>122,483</b>	<b>122,483</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	17 August 20 to 30 June 21	0	0	0	17,710	17,710	13,209	13,209
2	1 July 21 to 30 June 22	0	0	0	20,393	20,393	16,515	29,724
3	1 July 22 to 30 June 23	0	0	0	20,393	20,393	14,508	44,232
4	1 July 23 to 30 June 24	0	0	0	20,393	20,393	13,254	57,485
5	1 July 24 to 30 June 25	0	0	0	20,393	20,393	12,470	69,955
6	1 July 25 to 30 June 26	0	0	0	20,393	20,393	9,182	79,136
7	1 July 26 to 30 June 27	0	0	0	20,393	20,393	8,257	87,394
8	1 July 27 to 30 June 28	0	0	0	20,393	20,393	8,035	95,429
9	1 July 28 to 30 June 29	0	0	0	20,393	20,393	6,792	102,221
10	1 July 29 to 30 June 30	0	0	0	20,393	20,393	6,544	108,764
11	1 July 30 to 30 June 31	0	0	0	20,393	20,393	4,082	112,846
12	1 July 31 to 30 June 32	0	0	0	20,393	20,393	3,693	116,539
13	1 July 32 to 30 June 33	0	0	0	20,393	20,393	1,951	118,490
14	1 July 33 to 30 June 34	0	0	0	20,393	20,393	1,433	119,923
15	1 July 34 to 30 June 35	0	0	0	20,348	20,348	1,213	121,136
16	1 July 35 to 30 June 36	0	0	0	18,058	18,058	364	121,500
17	1 July 36 to 30 June 37	0	0	0	18,056	18,056	237	121,737
18	1 July 37 to 30 June 38	0	0	0	18,056	18,056	235	121,971
19	1 July 38 to 30 June 39	0	0	0	18,056	18,056	234	122,205
20	1 July 39 to 30 June 40	0	0	0	18,056	18,056	233	122,438
21	1 July 40 to 30 June 41	0	0	0	18,056	18,056	43	122,481
22	1 July 41 to 30 June 42	0	0	0	18,056	18,056	0	122,482
23	1 July 42 to 30 June 43	0	0	0	18,056	18,056	0	122,482
24	1 July 43 to 30 June 44	0	0	0	18,056	18,056	0	122,482
25	1 July 44 to 30 June 45	0	0	0	18,056	18,056	0	122,482
26	1 July 45 to 30 June 46	0	0	0	18,056	18,056	0	122,482
27	1 July 46 to 30 June 47	0	0	0	18,056	18,056	0	122,483
28	1 July 47 to 30 June 48	0	0	0	18,056	18,056	0	122,483
29	1 July 48 to 30 June 49	0	0	0	18,056	18,056	0	122,483
30	1 July 49 to 30 June 50	0	0	0	17,955	17,955	0	122,483
31	1 July 50 to 30 June 51	0	0	0	5,735	5,735	0	122,483
32	1 July 51 to 30 June 52	0	0	0	5,735	5,735	0	122,483
33	1 July 52 to 30 June 53	0	0	0	5,735	5,735	0	122,483
34	1 July 53 to 30 June 54	0	0	0	5,735	5,735	0	122,483
35	1 July 54 to 30 June 55	0	0	0	5,735	5,735	0	122,483
36	1 July 55 to 30 June 56	0	0	0	5,735	5,735	0	122,483
37	1 July 56 to 30 June 57	0	0	0	5,735	5,735	0	122,483
38	1 July 57 to 30 June 58	0	0	0	2,856	2,856	0	122,483
39	1 July 58 to 30 June 59	0	0	0	0	0	0	122,483
40	2059+	0	0	0	0	0	0	122,483
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>616,909</b>	<b>616,909</b>	<b>122,483</b>	<b>122,483</b>

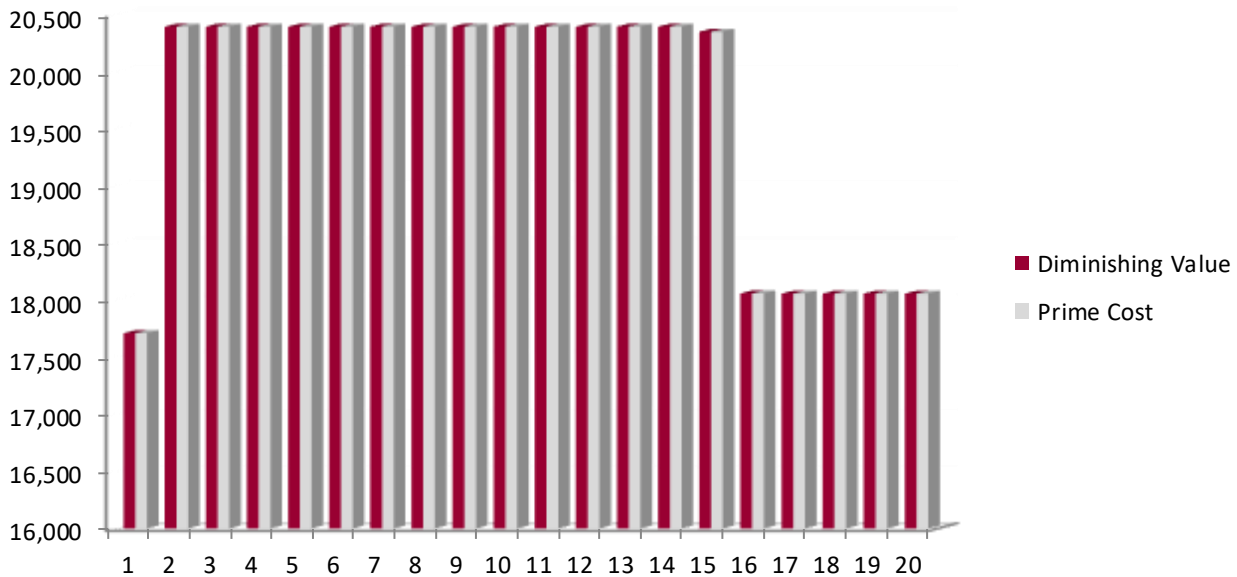
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

### Example

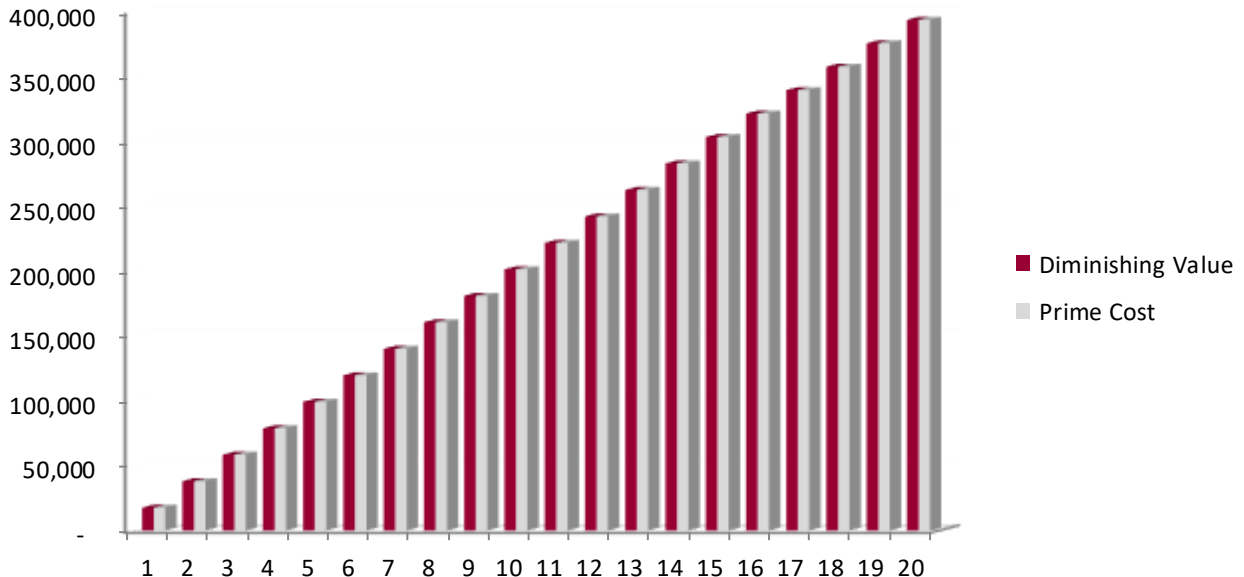
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

## 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	3 July 2020
Settlement Date	17 August 2020
Available To Generate Income	17 August 2020

### Expenditure Analysed

Purchase Price	\$2,450,000
Stamp Duty	\$89,050
Legals	\$1,500
<b>Total Expenditure Analysed</b>	<b>\$2,540,550</b>

### Historical Construction Details

Construction Start Date	Pre 1985
Construction Completion Date	Pre 1985
Historical Construction Cost (Estimated)*	N/A
Lot Entitlement	1
Overall Lot Entitlement	1

## 9. Reconciliation of Capital Expenditure

### Apportionment of cost relating to:

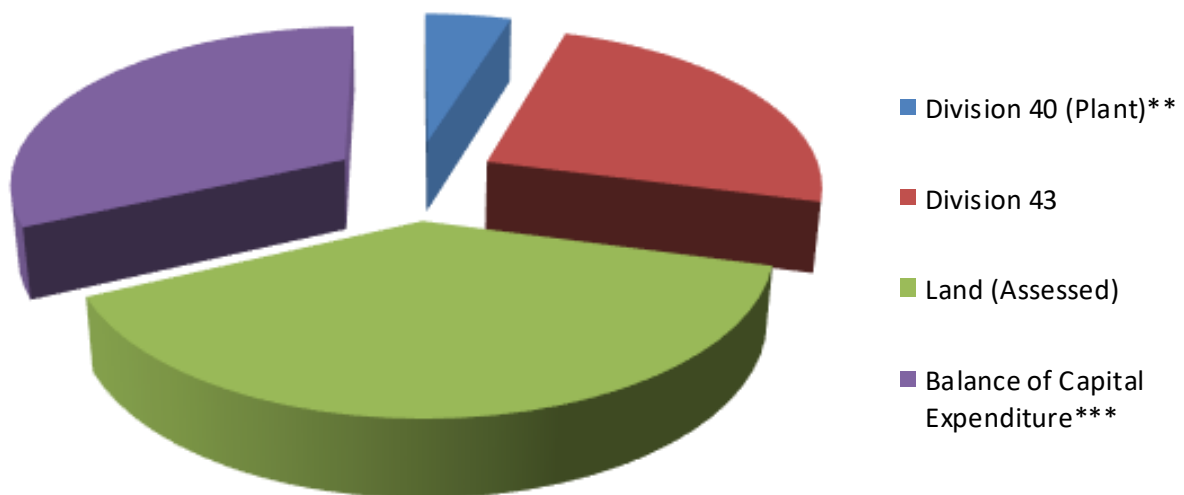
Division 40 (Plant)**	\$122,483
Division 43	\$616,909
Land (Assessed)	\$990,000
Balance of Capital Expenditure***	\$811,158
<b>Total Expenditure Analysed</b>	<b>\$2,540,550</b>

### 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%	17-Aug-20	22,839	3,967	3,774	3,019	2,416	1,932	1,546	1,237	989	792	633
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	18.75%	17-Aug-20	2,030	381	619	387	242	151	94	59	37	23	14
<b>Blinds Residential</b>														
Blinds Residential	NO	20.00%	17-Aug-20	1,269	220	210	315	197	123	77	48	30	19	12
Blinds Residential	NO	18.75%	17-Aug-20	1,873	351	571	357	223	139	87	54	34	21	13
<b>Ceiling Fans</b>														
Ceiling Fans	NO	18.75%	17-Aug-20	3,384	634	1,031	644	403	252	157	98	61	38	24
<b>Curtains and drapes</b>														
Curtains and drapes	NO	33.33%	17-Aug-20	1,340	388	357	223	139	87	54	34	21	13	8
Curtains and drapes	NO	18.75%	17-Aug-20	1,667	313	508	318	198	124	78	48	30	19	12
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	17-Aug-20	1,861	349	567	354	221	138	87	54	34	21	13
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	25.00%	17-Aug-20	6,827	1,482	1,336	1,002	752	564	423	317	357	223	139
Artificial grass	NO	40.00%	17-Aug-20	3,790	1,316	989	594	334	209	130	82	51	32	20
Floating timber	NO	13.33%	17-Aug-20	14,532	1,683	1,713	1,485	1,287	1,115	967	838	726	629	545
<b>Furniture</b>														
Furniture	NO	15.00%	17-Aug-20	4,466	582	583	495	421	358	304	259	220	187	159
Furniture	NO	18.75%	17-Aug-20	5,820	1,091	1,773	1,108	693	433	271	169	106	66	41
<b>Garage doors, automatic</b>														
Controls	NO	40.00%	17-Aug-20	406	141	99	62	39	24	15	9	6	4	2
Motors	NO	20.00%	17-Aug-20	2,030	353	335	268	215	322	201	126	79	49	31
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	16.67%	17-Aug-20	3,384	490	482	402	335	279	233	194	363	227	142
<b>Kitchen assets</b>														
Cooktops	NO	16.67%	17-Aug-20	2,030	294	289	241	201	167	314	196	123	77	48
Dishwashers	NO	25.00%	17-Aug-20	3,553	771	695	521	391	293	330	206	129	81	50
Ovens	NO	16.67%	17-Aug-20	11,842	1,714	1,688	1,407	1,172	977	814	678	565	471	393
Rangehoods	NO	16.67%	17-Aug-20	1,438	208	205	171	320	200	125	78	49	31	19
Refrigerators	NO	16.67%	17-Aug-20	5,075	735	723	603	502	419	349	291	242	202	168
<b>Lights</b>														
Fittings (excluding hardwired)	NO	40.00%	17-Aug-20	11,927	4,143	3,113	1,868	1,121	672	403	227	142	89	55
<b>Pumps</b>														
Pumps	NO	10.00%	17-Aug-20	1,269	110	116	104	352	220	137	86	54	34	21
<b>Outdoor assets</b>														
Barbecues	NO	10.00%	17-Aug-20	3,384	294	309	278	250	225	203	182	164	148	133
Carried forward				1,057,440	118,033	22,011	22,087	16,226	12,423	9,425	7,399	5,571	4,612	3,494



## 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%	17-Aug-20	22,839	1,984	2,284	2,284	2,284	2,284	2,284	2,284	2,284	2,284	2,284
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	18.75%	17-Aug-20	2,030	381	619	387	242	151	94	59	37	23	14
<b>Blinds Residential</b>														
Blinds Residential	NO	10.00%	17-Aug-20	1,269	110	127	127	127	127	127	127	127	127	127
Blinds Residential	NO	18.75%	17-Aug-20	1,873	351	571	357	223	139	87	54	34	21	13
<b>Ceiling Fans</b>														
Ceiling Fans	NO	18.75%	17-Aug-20	3,384	634	1,031	644	403	252	157	98	61	38	24
<b>Curtains and drapes</b>														
Curtains and drapes	NO	16.67%	17-Aug-20	1,340	194	223	223	223	223	223	31			
Curtains and drapes	NO	18.75%	17-Aug-20	1,667	313	508	318	198	124	78	48	30	19	12
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	17-Aug-20	1,861	349	567	354	221	138	87	54	34	21	13
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	12.50%	17-Aug-20	6,827	741	853	853	853	853	853	853	853	114	
Artificial grass	NO	20.00%	17-Aug-20	3,790	658	758	758	758	758	99				
Floating timber	NO	6.67%	17-Aug-20	14,532	841	969	969	969	969	969	969	969	969	969
<b>Furniture</b>														
Furniture	NO	7.50%	17-Aug-20	4,466	291	335	335	335	335	335	335	335	335	335
Furniture	NO	18.75%	17-Aug-20	5,820	1,091	1,773	1,108	693	433	271	169	106	66	41
<b>Garage doors, automatic</b>														
Controls	NO	20.00%	17-Aug-20	406	71	81	81	81	81	11				
Motors	NO	10.00%	17-Aug-20	2,030	176	203	203	203	203	203	203	203	203	203
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	8.33%	17-Aug-20	3,384	245	282	282	282	282	282	282	282	282	282
<b>Kitchen assets</b>														
Cooktops	NO	8.33%	17-Aug-20	2,030	147	169	169	169	169	169	169	169	169	169
Dishwashers	NO	12.50%	17-Aug-20	3,553	386	444	444	444	444	444	444	444	59	
Ovens	NO	8.33%	17-Aug-20	11,842	857	987	987	987	987	987	987	987	987	987
Rangehoods	NO	8.33%	17-Aug-20	1,438	104	120	120	120	120	120	120	120	120	120
Refrigerators	NO	8.33%	17-Aug-20	5,075	367	423	423	423	423	423	423	423	423	423
<b>Lights</b>														
Fittings (excluding hardwired)	NO	20.00%	17-Aug-20	11,927	2,072	2,385	2,385	2,385	2,385	315				
<b>Pumps</b>														
Pumps	NO	5.00%	17-Aug-20	1,269	55	63	63	63	63	63	63	63	63	63
<b>Outdoor assets</b>														
Barbecues	NO	5.00%	17-Aug-20	3,384	147	169	169	169	169	169	169	169	169	169
Carried forward				118,033	12,565	15,943	14,043	12,855	12,112	8,850	7,942	7,730	6,493	



## 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		-	118,033	12,565	15,943	14,043	12,855	12,112	8,850	7,942	7,730	6,493	
<b>Swimming pools</b>														
Filtration equipment	NO	10.00%	17-Aug-20	1,607	140	161	161	161	161	161	161	161	161	161
Heating equipment	NO	7.50%	17-Aug-20	1,692	110	127	127	127	127	127	127	127	127	127
Pool equipment	NO	18.75%	17-Aug-20	930	174	284	177	111	69	43	27	17	11	7
\$300 items	NO	100.00%	17-Aug-20	220	220									
<b>Pooled Plant Total</b>					3,293	5,352	3,345	2,091	1,307	817	510	319	199	125
<b>Effective Life Plant Total</b>					9,916	11,163	11,163	11,163	11,163	8,365	7,747	7,716	6,592	6,419
<b>Total Division 40</b>				122,483	13,209	16,515	14,508	13,254	12,470	9,182	8,257	8,035	6,792	6,544
<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 1995</b>		2.50%	17-Aug-20	32,353	1,892	2,179	2,179	2,179	2,179	2,179	2,179	2,179	2,179	2,179
<b>Building Works - Completed 2010</b>		2.50%	17-Aug-20	367,909	10,701	12,321	12,321	12,321	12,321	12,321	12,321	12,321	12,321	12,321
<b>Building Works - Completed 2017</b>		2.50%	17-Aug-20	191,999	4,462	5,138	5,138	5,138	5,138	5,138	5,138	5,138	5,138	5,138
<b>Structural Improvements - Completed 1995</b>		2.50%	17-Aug-20	2,351	137	158	158	158	158	158	158	158	158	158
<b>Structural Improvements - Completed 2017</b>		2.50%	17-Aug-20	22,297	518	597	597	597	597	597	597	597	597	597
<b>Total Division 43</b>				616,909	17,710	20,393	20,393	20,393	20,393	20,393	20,393	20,393	20,393	20,393

## 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 1995	1 Apr 95 to 30 Jun 95	87,151	2.50%	2,179	32,353
Building Works - Completed 2010	1 Mar 10 to 30 Jun 10	492,841	2.50%	12,321	367,909
Building Works - Completed 2017	1 Jul 17 to 31 Dec 17	205,513	2.50%	5,138	191,999
<b>Sub-total</b>		<b>785,504</b>		<b>19,638</b>	<b>592,261</b>

### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1995	1 Apr 95 to 30 Jun 95	6,332	2.50%	158	2,351
Structural Improvements - Completed 2017	1 Jul 17 to 31 Dec 17	23,866	2.50%	597	22,297
<b>Sub-total</b>		<b>30,198</b>		<b>755</b>	<b>24,648</b>
<b>Totals</b>		<b>815,703</b>		<b>20,393</b>	<b>616,909</b>

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

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

### 13. Definition of Terms

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

## 14. Contact Details

COMPANY DETAILS	
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LEAD SURVEYOR DETAILS	
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## **15. Disclaimer**

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

## **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.