



## Tax Depreciation Report

710/61 Brookes Street,  
Bowen Hills, QLD 4006

Aaron C Bonanno  
26 Margaret Street  
CESSNOCK, NSW 2325

Issue Schedule	
Issue Date:	Issued by:
13 November 2020	Mark Kilroy Bsc (Hons) MRICS

Aaron C Bonanno  
26 Margaret Street  
CESSNOCK, NSW 2325

November 2020  
Job No: RES4006036

**Tax Depreciation Report – 710/61 Brookes Street, Bowen Hills, QLD 4006**

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 .....	10
10. Diminishing Value Depreciation Schedule .....	11
11. Prime Cost Depreciation Schedule .....	14
12. Division 43 Capital Works Schedule .....	17
13. Definition of Terms .....	18
14. Contact Details .....	19
15. Disclaimer .....	20
Appendix A: ATO’s New Legislations on Post 9 May Purchased and Capital Loss .....	21

## 1. Property Information

### Date of Report

13 November 2020

### Purchaser

Aaron C Bonanno

### Property Address

710/61 Brookes Street, Bowen Hills, QLD 4006

### Real Property Description

L710 SP283296

### Property Type

Residential Unit

### Date of Construction

20 December 2019

### Date Available To Generate Income

1 November 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				
<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	20 December 19 to 30 June 20	0	0	0	2,644	2,644	0	0
2	1 July 20 to 30 June 21	0	0	0	5,014	5,014	12,618	12,618
3	1 July 21 to 30 June 22	0	0	0	5,014	5,014	9,555	22,173
4	1 July 22 to 30 June 23	0	0	0	5,014	5,014	7,535	29,708
5	1 July 23 to 30 June 24	0	0	0	5,014	5,014	5,986	35,694
6	1 July 24 to 30 June 25	0	0	0	5,014	5,014	5,192	40,885
7	1 July 25 to 30 June 26	0	0	0	5,014	5,014	4,083	44,969
8	1 July 26 to 30 June 27	0	0	0	5,014	5,014	3,490	48,459
9	1 July 27 to 30 June 28	0	0	0	5,014	5,014	2,816	51,274
10	1 July 28 to 30 June 29	0	0	0	5,014	5,014	2,107	53,381
11	1 July 29 to 30 June 30	0	0	0	5,014	5,014	1,624	55,005
12	1 July 30 to 30 June 31	0	0	0	5,014	5,014	1,288	56,293
13	1 July 31 to 30 June 32	0	0	0	5,014	5,014	1,048	57,340
14	1 July 32 to 30 June 33	0	0	0	5,014	5,014	1,247	58,587
15	1 July 33 to 30 June 34	0	0	0	5,014	5,014	914	59,501
16	1 July 34 to 30 June 35	0	0	0	5,014	5,014	696	60,197
17	1 July 35 to 30 June 36	0	0	0	5,014	5,014	552	60,749
18	1 July 36 to 30 June 37	0	0	0	5,014	5,014	454	61,203
19	1 July 37 to 30 June 38	0	0	0	5,014	5,014	386	61,589
20	1 July 38 to 30 June 39	0	0	0	5,014	5,014	336	61,925
21	1 July 39 to 30 June 40	0	0	0	5,014	5,014	299	62,224
22	1 July 40 to 30 June 41	0	0	0	5,014	5,014	269	62,493
23	1 July 41 to 30 June 42	0	0	0	5,014	5,014	246	62,739
24	1 July 42 to 30 June 43	0	0	0	5,014	5,014	226	62,964
25	1 July 43 to 30 June 44	0	0	0	5,014	5,014	208	63,173
26	1 July 44 to 30 June 45	0	0	0	5,014	5,014	193	63,366
27	1 July 45 to 30 June 46	0	0	0	5,014	5,014	179	63,545
28	1 July 46 to 30 June 47	0	0	0	5,014	5,014	167	63,712
29	1 July 47 to 30 June 48	0	0	0	5,014	5,014	155	63,867
30	1 July 48 to 30 June 49	0	0	0	5,014	5,014	145	64,011
31	1 July 49 to 30 June 50	0	0	0	5,014	5,014	135	64,146
32	1 July 50 to 30 June 51	0	0	0	5,014	5,014	126	64,272
33	1 July 51 to 30 June 52	0	0	0	5,014	5,014	117	64,390
34	1 July 52 to 30 June 53	0	0	0	5,014	5,014	110	64,499
35	1 July 53 to 30 June 54	0	0	0	5,014	5,014	102	64,601
36	1 July 54 to 30 June 55	0	0	0	5,014	5,014	95	64,697
37	1 July 55 to 30 June 56	0	0	0	5,014	5,014	89	64,786
38	1 July 56 to 30 June 57	0	0	0	5,014	5,014	83	64,869
39	1 July 57 to 30 June 58	0	0	0	5,014	5,014	78	64,946
40	2058+	0	0	0	7,362	7,362	1,085	66,032
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>200,538</b>	<b>200,538</b>	<b>66,032</b>	<b>66,032</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	20 December 19 to 30 June 20	0	0	0	2,644	2,644	0	0
2	1 July 20 to 30 June 21	0	0	0	5,014	5,014	6,182	6,182
3	1 July 21 to 30 June 22	0	0	0	5,014	5,014	6,182	12,364
4	1 July 22 to 30 June 23	0	0	0	5,014	5,014	6,182	18,546
5	1 July 23 to 30 June 24	0	0	0	5,014	5,014	6,182	24,728
6	1 July 24 to 30 June 25	0	0	0	5,014	5,014	5,676	30,404
7	1 July 25 to 30 June 26	0	0	0	5,014	5,014	5,220	35,624
8	1 July 26 to 30 June 27	0	0	0	5,014	5,014	5,028	40,652
9	1 July 27 to 30 June 28	0	0	0	5,014	5,014	4,946	45,599
10	1 July 28 to 30 June 29	0	0	0	5,014	5,014	4,887	50,485
11	1 July 29 to 30 June 30	0	0	0	5,014	5,014	3,503	53,989
12	1 July 30 to 30 June 31	0	0	0	5,014	5,014	2,263	56,252
13	1 July 31 to 30 June 32	0	0	0	5,014	5,014	1,832	58,084
14	1 July 32 to 30 June 33	0	0	0	5,014	5,014	1,345	59,429
15	1 July 33 to 30 June 34	0	0	0	5,014	5,014	989	60,418
16	1 July 34 to 30 June 35	0	0	0	5,014	5,014	803	61,221
17	1 July 35 to 30 June 36	0	0	0	5,014	5,014	639	61,860
18	1 July 36 to 30 June 37	0	0	0	5,014	5,014	639	62,499
19	1 July 37 to 30 June 38	0	0	0	5,014	5,014	639	63,138
20	1 July 38 to 30 June 39	0	0	0	5,014	5,014	631	63,769
21	1 July 39 to 30 June 40	0	0	0	5,014	5,014	561	64,330
22	1 July 40 to 30 June 41	0	0	0	5,014	5,014	521	64,851
23	1 July 41 to 30 June 42	0	0	0	5,014	5,014	521	65,372
24	1 July 42 to 30 June 43	0	0	0	5,014	5,014	521	65,893
25	1 July 43 to 30 June 44	0	0	0	5,014	5,014	521	66,414
26	1 July 44 to 30 June 45	0	0	0	5,014	5,014	521	66,935
27	1 July 45 to 30 June 46	0	0	0	5,014	5,014	521	67,456
28	1 July 46 to 30 June 47	0	0	0	5,014	5,014	516	67,972
29	1 July 47 to 30 June 48	0	0	0	5,014	5,014	516	68,488
30	1 July 48 to 30 June 49	0	0	0	5,014	5,014	516	69,004
31	1 July 49 to 30 June 50	0	0	0	5,014	5,014	243	69,247
32	1 July 50 to 30 June 51	0	0	0	5,014	5,014	0	69,247
33	1 July 51 to 30 June 52	0	0	0	5,014	5,014	0	69,247
34	1 July 52 to 30 June 53	0	0	0	5,014	5,014	0	69,247
35	1 July 53 to 30 June 54	0	0	0	5,014	5,014	0	69,247
36	1 July 54 to 30 June 55	0	0	0	5,014	5,014	0	69,247
37	1 July 55 to 30 June 56	0	0	0	5,014	5,014	0	69,247
38	1 July 56 to 30 June 57	0	0	0	5,014	5,014	0	69,247
39	1 July 57 to 30 June 58	0	0	0	5,014	5,014	0	69,247
40	2058+	0	0	0	7,362	7,362	0	69,247
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>200,538</b>	<b>200,538</b>	<b>69,247</b>	<b>69,247</b>

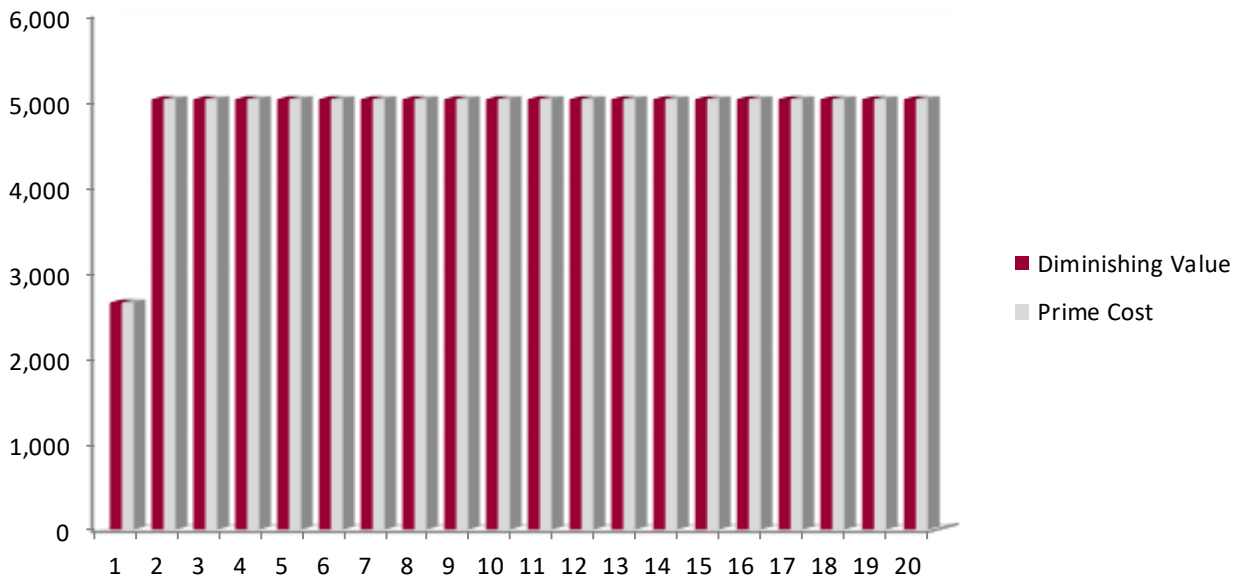
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

### Example

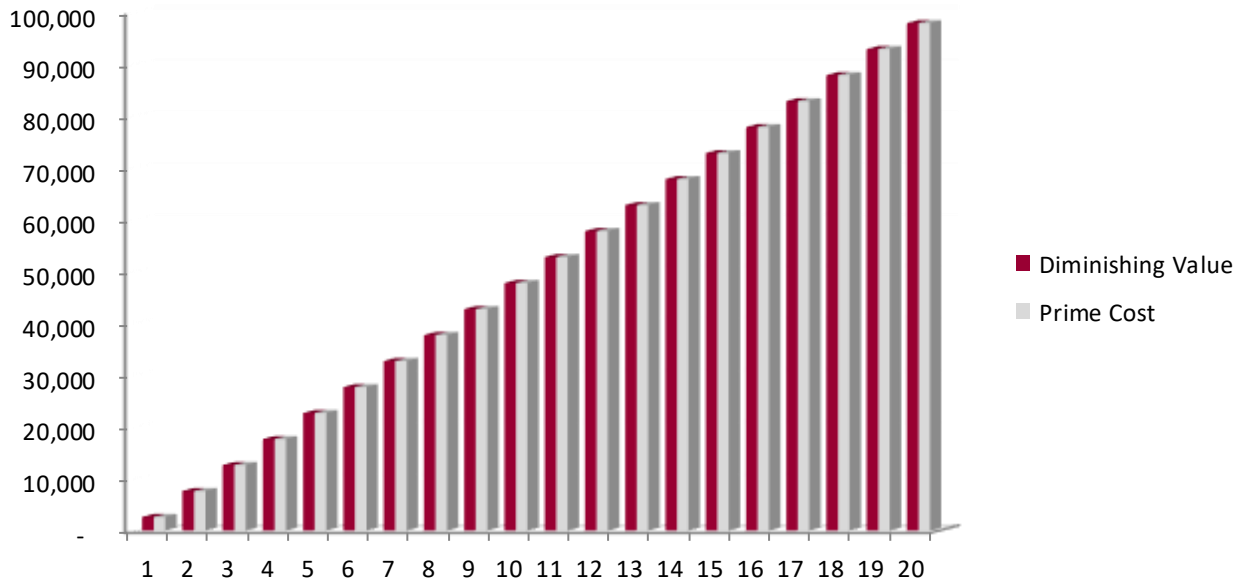
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

## 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	18 March 2016
Settlement Date	20 December 2019
Available To Generate Income	1 November 2020

### Expenditure Analysed

Purchase Price	\$419,000
Stamp Duty	\$13,090
Post Expenditure	\$5,480
<b>Total Expenditure Analysed</b>	<b>\$437,570</b>

### Historical Construction Details

Construction Start Date	18 March 2016
Construction Completion Date	20 December 2019
Historical Construction Cost (Estimated)*	\$241,384

## 9. Reconciliation of Capital Expenditure

### Apportionment of cost relating to:

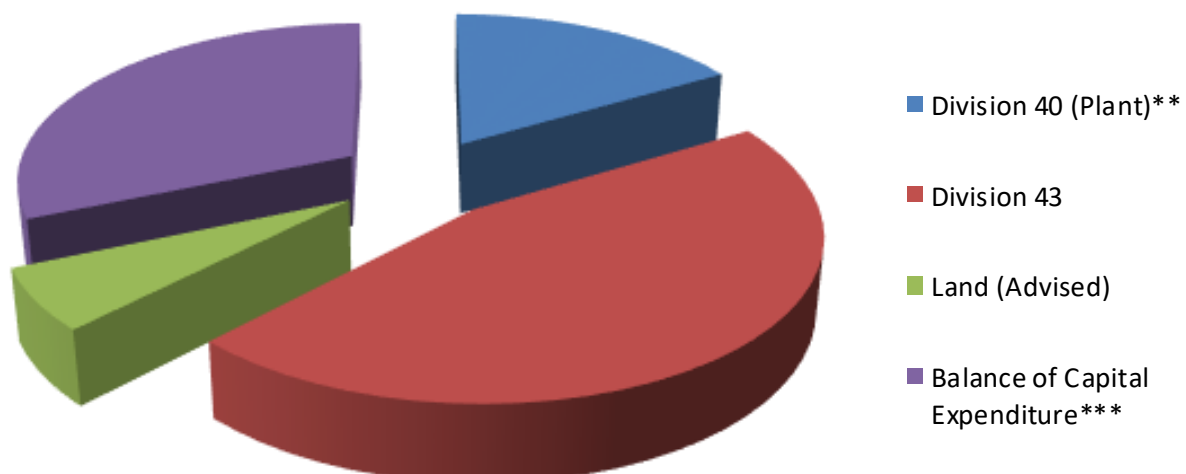
Division 40 (Plant)**	\$72,462
Division 43	\$200,538
Land (Advised)	\$27,044
Balance of Capital Expenditure***	\$137,526
<b>Total Expenditure Analysed</b>	<b>\$437,570</b>

### 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%	20-Dec-19	15,348	1,619	2,746	2,197	1,757	1,406	1,125	900	720	576	461
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	20.00%	20-Dec-19	1,014	107	340	213	133	83	52	32	20	13	8
<b>Blinds Residential</b>														
	NO	20.00%	20-Dec-19	1,989	210	356	285	228	342	214	133	83	52	33
<b>Ceiling Fans</b>														
	NO	40.00%	20-Dec-19	1,014	214	300	188	117	73	46	29	18	11	7
<b>Computer systems</b>														
General	NO	40.00%	20-Dec-19	715	151	212	132	83	52	32	20	13	8	5
<b>Door closers</b>														
	NO	20.00%	20-Dec-19	586	62	197	123	77	48	30	19	12	7	5
<b>Electrical Machinery &amp; Equipment :</b>														
Motors	NO	20.00%	20-Dec-19	19	2	6	4	2	2	1	1	0	0	0
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	10.00%	20-Dec-19	1,174	62	111	100	338	211	132	82	52	32	20
Detection & alarm systems, fire indicator panel	NO	16.67%	20-Dec-19	390	34	133	83	52	33	20	13	8	5	3
Emergency warning & intercommunication system	NO	16.67%	20-Dec-19	1,998	176	304	253	211	176	330	206	129	80	50
Hoses and nozzles	NO	20.00%	20-Dec-19	94	10	31	20	12	8	5	3	2	1	1
Pumps, diesel & electric	NO	8.00%	20-Dec-19	133	6	48	30	19	12	7	5	3	2	1
Fire extinguishers	NO	15.00%	20-Dec-19	125	10	43	27	17	11	7	4	3	2	1
<b>Fire sprinklers - pumps only</b>														
	NO	10.00%	20-Dec-19	133	7	47	29	18	11	7	4	3	2	1
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	20.00%	20-Dec-19	2,922	308	523	418	335	268	214	321	201	125	78
Floating timber	NO	13.33%	20-Dec-19	5,205	366	645	559	485	420	364	315	273	237	205
<b>Furniture</b>														
	NO	15.00%	20-Dec-19	2,477	196	342	291	247	210	179	152	323	202	126
<b>Gymnasium equipment</b>														
Cardiovascular	NO	40.00%	20-Dec-19	122	26	36	23	14	9	5	3	2	1	1
Resistance	NO	20.00%	20-Dec-19	137	14	46	29	18	11	7	4	3	2	1
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	16.67%	20-Dec-19	842	74	288	180	113	70	44	27	17	11	7
<b>Kitchen assets</b>														
Cooktops	NO	16.67%	20-Dec-19	2,129	187	324	270	225	187	351	219	137	86	54
Dishwashers	NO	20.00%	20-Dec-19	2,433	257	435	348	279	223	334	209	131	82	51
Ovens	NO	16.67%	20-Dec-19	2,839	249	432	360	300	250	208	173	325	203	127
Rangehoods	NO	16.67%	20-Dec-19	912	80	312	195	122	76	48	30	19	12	7
<b>Carried forward</b>				<b>1,051,656</b>	<b>44,748</b>	<b>4,426</b>	<b>8,257</b>	<b>6,355</b>	<b>5,200</b>	<b>4,190</b>	<b>3,761</b>	<b>2,906</b>	<b>2,495</b>	<b>1,751</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
Division 40 - Plant and Equipment	For Depreciation	Value Rate												
Brought forward			1,051,656	44,748	4,426	8,257	6,355	5,200	4,190	3,761	2,906	2,495	1,751	
<b>Laundry assets</b>														
Clothes dryers	NO	20.00%	20-Dec-19	912	96	306	191	120	75	47	29	18	11	7
Lifts (including hydraulic & tractions lifts)	NO	6.67%	20-Dec-19	15,479	544	996	929	867	810	756	705	658	614	573
<b>Lights</b>														
Shades, removable	NO	40.00%	20-Dec-19	2,709	571	855	513	289	180	113	70	44	28	17
MATV - amplifiers & modulators	NO	20.00%	20-Dec-19	507	53	170	106	66	42	26	16	10	6	4
<b>Outdoor assets</b>														
Barbecues	NO	10.00%	20-Dec-19	94	5	33	21	13	8	5	3	2	1	1
<b>Security systems &amp; equipment</b>														
Electronic	NO	30.00%	20-Dec-19	1,479	234	374	327	204	128	80	50	31	19	12
<b>Swimming pools</b>														
Filtration equipment	NO	15.00%	20-Dec-19	117	9	40	25	16	10	6	4	2	2	1
<b>Ventilating plant</b>														
Ventilation plant - fans only	NO	10.00%	20-Dec-19	936	49	332	208	130	81	51	32	20	12	8
Additional Items (Post Expenditure)	Eligibility				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Cleaning equipment</b>														
Vacuum cleaner, ducted system, hoses, motors & wands	NO	20.00%	21-Jan-20	276	24	94	59	37	23	14	9	6	4	2
<b>Furniture</b>														
	NO	15.00%	21-Jan-20	3,022	199	423	360	306	260	221	188	160	339	212
<b>Kitchen assets</b>														
Cutlery & crockery	NO	40.00%	21-Jan-20	194	34	60	38	23	15	9	6	4	2	1
Microwave ovens	NO	25.00%	21-Jan-20	185	20	62	39	24	15	9	6	4	2	1
Refrigerators	NO	16.67%	21-Jan-20	1,050	77	365	228	143	89	56	35	22	14	8
<b>Laundry assets</b>														
Irons & ironing boards	NO	40.00%	21-Jan-20	53	9	16	10	6	4	2	2	1	1	0
Washing machines	NO	25.00%	21-Jan-20	700	77	234	146	91	57	36	22	14	9	5
<b>Pooled Plant Total</b>						3,753	2,672	2,296	1,777	2,126	1,650	1,679	1,388	868
<b>Effective Life Plant Total</b>					6,430	8,865	6,883	5,239	4,209	3,066	2,434	1,811	1,427	1,239
<b>Total Division 40</b>				72,462	6,430	12,618	9,555	7,535	5,986	5,192	4,083	3,490	2,816	2,107

## Diminishing Value Depreciation Schedule (cont.)

Division 43 - Capital Works Allowance													
	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2019	2.50%	20-Dec-19	195,864	2,582	4,897	4,897	4,897	4,897	4,897	4,897	4,897	4,897	4,897
Structural Improvements - Completed 2019	2.50%	20-Dec-19	4,674	62	117	117	117	117	117	117	117	117	117
<b>Total Division 43</b>			<b>200,538</b>	<b>2,644</b>	<b>5,014</b>	<b>5,014</b>	<b>5,014</b>	<b>5,014</b>	<b>5,014</b>	<b>5,014</b>	<b>5,014</b>	<b>5,014</b>	<b>5,014</b>

## 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%	20-Dec-19	15,348	809	1,535	1,535	1,535	1,535	1,535	1,535	1,535	1,535	1,535
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	10.00%	20-Dec-19	1,014	53	101	101	101	101	101	101	101	101	101
<b>Blinds Residential</b>														
	NO	10.00%	20-Dec-19	1,989	105	199	199	199	199	199	199	199	199	199
<b>Ceiling Fans</b>														
	NO	20.00%	20-Dec-19	1,014	107	203	203	203	203	95				
<b>Computer systems</b>														
General	NO	20.00%	20-Dec-19	715	75	143	143	143	143	68				
<b>Door closers</b>														
	NO	10.00%	20-Dec-19	586	31	59	59	59	59	59	59	59	59	59
<b>Electrical Machinery &amp; Equipment :</b>														
Motors	NO	10.00%	20-Dec-19	19	1	2	2	2	2	2	2	2	2	2
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	5.00%	20-Dec-19	1,174	31	59	59	59	59	59	59	59	59	59
Detection & alarm systems, fire indicator panel	NO	8.33%	20-Dec-19	390	17	32	32	32	32	32	32	32	32	32
Emergency warning & intercommunication system	NO	8.33%	20-Dec-19	1,998	88	166	166	166	166	166	166	166	166	166
Hoses and nozzles	NO	10.00%	20-Dec-19	94	5	9	9	9	9	9	9	9	9	9
Pumps, diesel & electric	NO	4.00%	20-Dec-19	133	3	5	5	5	5	5	5	5	5	5
Fire extinguishers	NO	7.50%	20-Dec-19	125	5	9	9	9	9	9	9	9	9	9
<b>Fire sprinklers - pumps only</b>														
	NO	5.00%	20-Dec-19	133	3	7	7	7	7	7	7	7	7	7
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	10.00%	20-Dec-19	2,922	154	292	292	292	292	292	292	292	292	292
Floating timber	NO	6.67%	20-Dec-19	5,205	183	347	347	347	347	347	347	347	347	347
<b>Furniture</b>														
	NO	7.50%	20-Dec-19	2,477	98	186	186	186	186	186	186	186	186	186
<b>Gymnasium equipment</b>														
Cardiovascular	NO	20.00%	20-Dec-19	122	13	24	24	24	24	13				
Resistance	NO	10.00%	20-Dec-19	137	7	14	14	14	14	14	14	14	14	14
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	8.33%	20-Dec-19	842	37	70	70	70	70	70	70	70	70	70
<b>Kitchen assets</b>														
Cooktops	NO	8.33%	20-Dec-19	2,129	94	177	177	177	177	177	177	177	177	177
Dishwashers	NO	10.00%	20-Dec-19	2,433	128	243	243	243	243	243	243	243	243	243
Ovens	NO	8.33%	20-Dec-19	2,839	125	237	237	237	237	237	237	237	237	237
Rangehoods	NO	8.33%	20-Dec-19	912	40	76	76	76	76	76	76	76	76	76
Carried forward				1,051,656	44,748	2,213	4,195	4,195	4,195	4,195	4,000	3,825	3,825	3,825



## Prime Cost Depreciation Schedule (cont.)

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
Brought forward			1,051,656	44,748	2,213	4,195	4,195	4,195	4,195	4,000	3,825	3,825	3,825	
<b>Laundry assets</b>														
Clothes dryers	NO	10.00%	20-Dec-19	912	48	91	91	91	91	91	91	91	91	91
Lifts (including hydraulic & tractions lifts)	NO	3.33%	20-Dec-19	15,479	272	516	516	516	516	516	516	516	516	516
<b>Lights</b>														
Shades, removable	NO	20.00%	20-Dec-19	2,709	286	542	542	542	542	255				
MATV - amplifiers & modulators	NO	10.00%	20-Dec-19	507	27	51	51	51	51	51	51	51	51	51
<b>Outdoor assets</b>														
Barbecues	NO	5.00%	20-Dec-19	94	2	5	5	5	5	5	5	5	5	5
<b>Security systems &amp; equipment</b>														
Electronic	NO	15.00%	20-Dec-19	1,479	117	222	222	222	222	222	222	30		
<b>Swimming pools</b>														
Filtration equipment	NO	7.50%	20-Dec-19	117	5	9	9	9	9	9	9	9	9	9
<b>Ventilating plant</b>														
Ventilation plant - fans only	NO	5.00%	20-Dec-19	936	25	47	47	47	47	47	47	47	47	47
<b>Additional Items (Post Expenditure)</b>	<b>Eligibility</b>				<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>Cleaning equipment</b>														
Vacuum cleaner, ducted system, hoses, motors & wands	NO	10.00%	21-Jan-20	276	12	28	28	28	28	28	28	28	28	28
<b>Furniture</b>	NO	7.50%	21-Jan-20	3,022	100	227	227	227	227	227	227	227	227	227
<b>Kitchen assets</b>														
Cutlery & crockery	NO	20.00%	21-Jan-20	194	17	39	39	39	39	21				
Microwave ovens	NO	12.50%	21-Jan-20	185	10	23	23	23	23	23	23	23	14	
Refrigerators	NO	8.33%	21-Jan-20	1,050	38	88	88	88	88	88	88	88	88	88
<b>Laundry assets</b>														
Irons & ironing boards	NO	20.00%	21-Jan-20	53	5	11	11	11	11	4				
Washing machines	NO	12.50%	21-Jan-20	700	38	88	88	88	88	88	88	88	46	
<b>Pooled Plant Total</b>					<b>3,215</b>	<b>6,182</b>	<b>6,182</b>	<b>6,182</b>	<b>6,182</b>	<b>5,676</b>	<b>5,220</b>	<b>5,028</b>	<b>4,946</b>	<b>4,887</b>
<b>Effective Life Plant Total</b>														
<b>Total Division 40</b>				<b>72,462</b>	<b>3,215</b>	<b>6,182</b>	<b>6,182</b>	<b>6,182</b>	<b>6,182</b>	<b>5,676</b>	<b>5,220</b>	<b>5,028</b>	<b>4,946</b>	<b>4,887</b>

## Prime Cost Depreciation Schedule (cont.)

Division 43 - Capital Works Allowance													
	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2019	2.50%	20-Dec-19	195,864	2,582	4,897	4,897	4,897	4,897	4,897	4,897	4,897	4,897	4,897
Structural Improvements - Completed 2019	2.50%	20-Dec-19	4,674	62	117	117	117	117	117	117	117	117	117
<b>Total Division 43</b>			200,538	2,644	5,014	5,014	5,014	5,014	5,014	5,014	5,014	5,014	5,014

## 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 2019	18 Mar 16 to 20 Dec 19	195,864	2.50%	4,897	195,864
<b>Sub-total</b>		<b>195,864</b>		<b>4,897</b>	<b>195,864</b>

### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2019	18 Mar 16 to 20 Dec 19	4,674	2.50%	117	4,674
<b>Sub-total</b>		<b>4,674</b>		<b>117</b>	<b>4,674</b>
<b>Totals</b>		<b>200,537</b>		<b>5,014</b>	<b>200,538</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>