Tax Depreciation Report

236 Tor St,
Rockville QLD 4350

Robert Willis & Megan Reece
48 Seawind Terrace
BERKELEY VALE, NSW 2261

Issue Schedule	
Issue Date:	Issued by:
15 December 2020	Mark Kilroy Bsc (Hons) MRICS

Robert Willis & Megan Reece
December 2020
Job No: res4350014

48 Seawind Terrace
BERKELEY VALE, NSW 2261

Tax Depreciation Report – 236 Tor St, Rockville QLD 4350

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

15 December 2020

Purchaser

Robert Willis & Megan Reece

Property Address

236 Tor St, Rockville QLD 4350

Real Property Description

L46 RP114399

Property Type

Residential House

Date of Construction

Pre 1985

Date Available To Generate Income

4 January 2021

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 deprecating 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

Diminishing value method is often the most popular form of depreciation due to the cash-flow benefits in the early years of asset ownership.

Benefits

- Cash-flow during initial years of asset ownership
- Ability to use Low Value Pool for assets less than $1000 (Note: unable to write off these assets)

Calculation Example

Under Diminishing Value method, the effective life is dividing by 200.

200 / 10 Years = 20% (Adjusted Value)

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
$2,000	$1,600	$1,280	$1,024	$819.20

Prime Cost Method

Prime Cost Method of Depreciation, often referred to as straight line depreciation is depreciated at a constant rate each year.

Benefits

- Write off assets when they are demolished or disposed.

Calculation Example

Under Prime Cost method, the effective life is dividing by 100.

100 / 10 Years = 10% (Straight Line)

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
$1,000	$1,000	$1,000	$1,000	$1,000

4. Capital Works

4.1 Entitlement

Capital Works Division 43 of the Income Tax Act 1997 allows the taxpayer to a deduction of the decline in value of a depreciating asset used for income producing purpose over its effective life.

4.2 Method of Depreciation

Capital Works allowances under Division 43 are based on the historical construction costs and are not based on an apportionment of the purchase price. Where construction costs are not available, a qualified Quantity Surveyor will establish costs in accordance with the Tax Ruling TR97/25.

Capital Works are depreciated by Prime Cost method only, which may vary dependant on the date the construction works commenced and the property usage. Where a property has been updated over the years, capital works expenditure may be allocated in different periods. Clients must make any construction periods clear wherever possible to ensure your claim is maximised.

4.3 Method of Depreciation

Structural improvements such as fencing, paths and other hard landscaping can also be written off at 2.5% per annum if construction started after 27 February 1992.

5. Summary of Entitlements – Diminishing Value Method

Year	Financial Year	Division 40 - Capital Allowance (Eligible)			Division 43	Eligible	Capital Loss - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40	Capital Works	Total	Div 40 Yearly	Cumulative
1	4 January 21 to 30 June 21	0	0	0	1,774	**1,774**	2,459	2,459
2	1 July 21 to 30 June 22	0	0	0	3,658	**3,658**	4,047	6,506
3	1 July 22 to 30 June 23	0	0	0	3,658	**3,658**	2,769	9,276
4	1 July 23 to 30 June 24	0	0	0	3,658	**3,658**	2,131	11,407
5	1 July 24 to 30 June 25	0	0	0	3,658	**3,658**	1,477	12,884
6	1 July 25 to 30 June 26	0	0	0	3,658	**3,658**	1,050	13,934
7	1 July 26 to 30 June 27	0	0	0	3,658	**3,658**	765	14,699
8	1 July 27 to 30 June 28	0	0	0	3,658	**3,658**	573	15,272
9	1 July 28 to 30 June 29	0	0	0	3,658	**3,658**	440	15,712
10	1 July 29 to 30 June 30	0	0	0	3,658	**3,658**	346	16,059
11	1 July 30 to 30 June 31	0	0	0	3,658	**3,658**	278	16,337
12	1 July 31 to 30 June 32	0	0	0	3,658	**3,658**	227	16,564
13	1 July 32 to 30 June 33	0	0	0	3,658	**3,658**	188	16,752
14	1 July 33 to 30 June 34	0	0	0	3,658	**3,658**	158	16,910
15	1 July 34 to 30 June 35	0	0	0	3,658	**3,658**	360	17,270
16	1 July 35 to 30 June 36	0	0	0	3,658	**3,658**	225	17,495
17	1 July 36 to 30 June 37	0	0	0	3,206	**3,206**	140	17,635
18	1 July 37 to 30 June 38	0	0	0	2,778	**2,778**	88	17,723
19	1 July 38 to 30 June 39	0	0	0	2,778	**2,778**	55	17,778
20	1 July 39 to 30 June 40	0	0	0	2,778	**2,778**	34	17,812
21	1 July 40 to 30 June 41	0	0	0	2,778	**2,778**	21	17,834
22	1 July 41 to 30 June 42	0	0	0	2,778	**2,778**	13	17,847
23	1 July 42 to 30 June 43	0	0	0	2,778	**2,778**	8	17,855
24	1 July 43 to 30 June 44	0	0	0	2,778	**2,778**	5	17,861
25	1 July 44 to 30 June 45	0	0	0	2,778	**2,778**	3	17,864
26	1 July 45 to 30 June 46	0	0	0	2,778	**2,778**	2	17,866
27	1 July 46 to 30 June 47	0	0	0	2,778	**2,778**	1	17,867
28	1 July 47 to 30 June 48	0	0	0	2,778	**2,778**	1	17,868
29	1 July 48 to 30 June 49	0	0	0	2,778	**2,778**	0	17,869
30	1 July 49 to 30 June 50	0	0	0	2,778	**2,778**	0	17,869
31	1 July 50 to 30 June 51	0	0	0	2,778	**2,778**	0	17,869
32	1 July 51 to 30 June 52	0	0	0	2,778	**2,778**	0	17,869
33	1 July 52 to 30 June 53	0	0	0	2,778	**2,778**	0	17,869
34	1 July 53 to 30 June 54	0	0	0	2,778	**2,778**	0	17,869
35	1 July 54 to 30 June 55	0	0	0	2,778	**2,778**	0	17,869
36	1 July 55 to 30 June 56	0	0	0	2,051	**2,051**	0	17,869
37	1 July 56 to 30 June 57	0	0	0	1,699	**1,699**	0	17,869
38	1 July 57 to 30 June 58	0	0	0	1,699	**1,699**	0	17,869
39	1 July 58 to 30 June 59	0	0	0	1,699	**1,699**	0	17,869
40	2059+	0	0	0	2,411	**2,411**	0	17,869
	Totals	**0**	**0**	**0**	**119,413**	**119,413**	**17,869**	**17,869**

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	Eligible	Capital Loss - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40	Capital Works	Total	Div 40 Yearly	Cumulative
1	4 January 21 to 30 June 21	0	0	0	1,774	**1,774**	2,126	2,126
2	1 July 21 to 30 June 22	0	0	0	3,658	**3,658**	3,349	5,475
3	1 July 22 to 30 June 23	0	0	0	3,658	**3,658**	2,350	7,825
4	1 July 23 to 30 June 24	0	0	0	3,658	**3,658**	1,726	9,551
5	1 July 24 to 30 June 25	0	0	0	3,658	**3,658**	1,336	10,887
6	1 July 25 to 30 June 26	0	0	0	3,658	**3,658**	1,092	11,980
7	1 July 26 to 30 June 27	0	0	0	3,658	**3,658**	940	12,920
8	1 July 27 to 30 June 28	0	0	0	3,658	**3,658**	845	13,764
9	1 July 28 to 30 June 29	0	0	0	3,658	**3,658**	722	14,486
10	1 July 29 to 30 June 30	0	0	0	3,658	**3,658**	612	15,098
11	1 July 30 to 30 June 31	0	0	0	3,658	**3,658**	589	15,687
12	1 July 31 to 30 June 32	0	0	0	3,658	**3,658**	574	16,261
13	1 July 32 to 30 June 33	0	0	0	3,658	**3,658**	509	16,770
14	1 July 33 to 30 June 34	0	0	0	3,658	**3,658**	438	17,209
15	1 July 34 to 30 June 35	0	0	0	3,658	**3,658**	435	17,644
16	1 July 35 to 30 June 36	0	0	0	3,658	**3,658**	220	17,863
17	1 July 36 to 30 June 37	0	0	0	3,206	**3,206**	2	17,865
18	1 July 37 to 30 June 38	0	0	0	2,778	**2,778**	1	17,867
19	1 July 38 to 30 June 39	0	0	0	2,778	**2,778**	1	17,868
20	1 July 39 to 30 June 40	0	0	0	2,778	**2,778**	1	17,868
21	1 July 40 to 30 June 41	0	0	0	2,778	**2,778**	0	17,869
22	1 July 41 to 30 June 42	0	0	0	2,778	**2,778**	0	17,869
23	1 July 42 to 30 June 43	0	0	0	2,778	**2,778**	0	17,869
24	1 July 43 to 30 June 44	0	0	0	2,778	**2,778**	0	17,869
25	1 July 44 to 30 June 45	0	0	0	2,778	**2,778**	0	17,869
26	1 July 45 to 30 June 46	0	0	0	2,778	**2,778**	0	17,869
27	1 July 46 to 30 June 47	0	0	0	2,778	**2,778**	0	17,869
28	1 July 47 to 30 June 48	0	0	0	2,778	**2,778**	0	17,869
29	1 July 48 to 30 June 49	0	0	0	2,778	**2,778**	0	17,869
30	1 July 49 to 30 June 50	0	0	0	2,778	**2,778**	0	17,869
31	1 July 50 to 30 June 51	0	0	0	2,778	**2,778**	0	17,869
32	1 July 51 to 30 June 52	0	0	0	2,778	**2,778**	0	17,869
33	1 July 52 to 30 June 53	0	0	0	2,778	**2,778**	0	17,869
34	1 July 53 to 30 June 54	0	0	0	2,778	**2,778**	0	17,869
35	1 July 54 to 30 June 55	0	0	0	2,778	**2,778**	0	17,869
36	1 July 55 to 30 June 56	0	0	0	2,051	**2,051**	0	17,869
37	1 July 56 to 30 June 57	0	0	0	1,699	**1,699**	0	17,869
38	1 July 57 to 30 June 58	0	0	0	1,699	**1,699**	0	17,869
39	1 July 58 to 30 June 59	0	0	0	1,699	**1,699**	0	17,869
40	2059+	0	0	0	2,411	**2,411**	0	17,869
	Totals	**0**	**0**	**0**	**119,413**	**119,413**	**17,869**	**17,869**

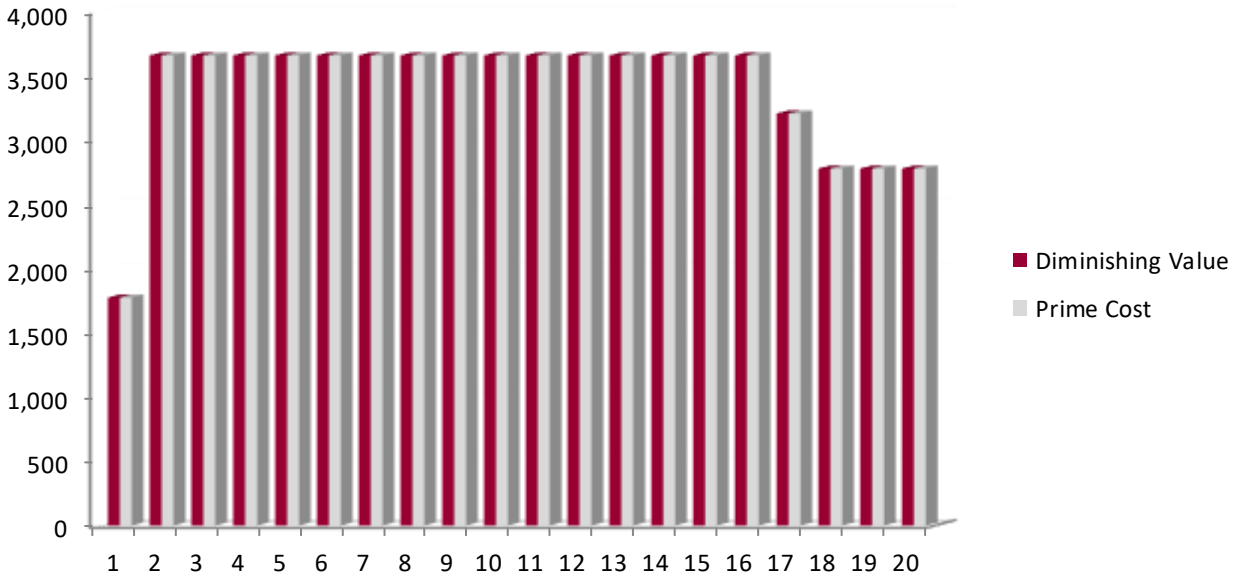
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

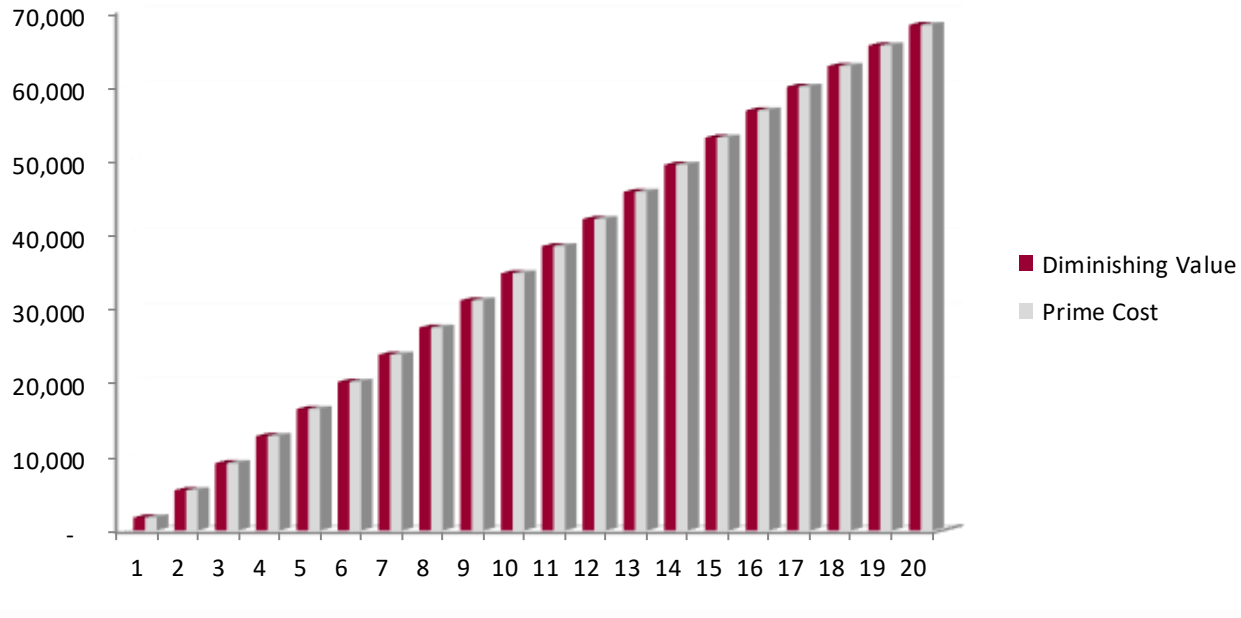
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	$1,000	$100	$900	$100

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	5 December 2020
Settlement Date	4 January 2021
Available To Generate Income	4 January 2021

Expenditure Analysed	
Purchase Price	$345,000
Stamp Duty	$10,500
Legals	$1,500
Total Expenditure Analysed	**$357,000**

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

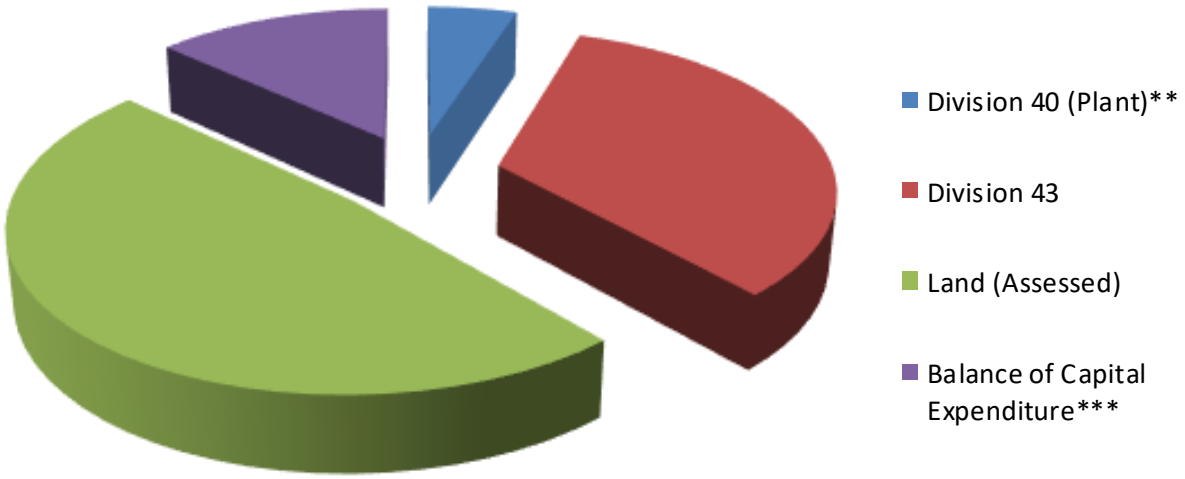
Apportionment of cost relating to:	
Division 40 (Plant)**	$17,869
Division 43	$119,413
Land (Assessed)	$172,598
Balance of Capital Expenditure***	$47,120
Total Expenditure Analysed	**$357,000**

Notes

* The historical construction has been calculated and the eligible qualifying expenditure for the purposes of calculating the Division 43 deductions capital works has been taken from this total by excluding the plant (Division 40) and any non eligible expenditure items

** Some assets in Division 40 (Plant) may not be eligible for yearly depreciation claim but for capital gain deduction only. Please go to Summary of Entitlements and detailed schedules for more information

*** Balance of capital expenditure comprises the apportionment of all capital works which are ineligible for depreciation or capital allowances



10. Diminishing Value Depreciation Schedule

Assets Generally 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
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	4-Jan-21	242	45	74	46	29	18	11	7	4	3	2
Ceiling Fans	NO	18.75%	4-Jan-21	301	56	92	57	36	22	14	9	5	3	2
Curtains and drapes	NO	18.75%	4-Jan-21	1,596	299	486	304	190	119	74	46	29	18	11
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	4-Jan-21	213	40	65	41	25	16	10	6	4	2	2
Floor coverings (removable without damage)														
Carpets	NO	25.00%	4-Jan-21	1,091	132	360	225	140	88	55	34	21	13	8
Floating timber	NO	13.33%	4-Jan-21	6,430	416	802	695	602	522	452	392	340	294	255
Furniture	NO	18.75%	4-Jan-21	3,525	661	1,074	671	420	262	164	102	64	40	25
Hot water systems (excluding piping)														
Gas or electric	NO	16.67%	4-Jan-21	1,455	118	223	186	348	218	136	85	53	33	21
Kitchen assets														
Cooktops	NO	18.75%	4-Jan-21	630	118	192	120	75	47	29	18	11	7	4
Dishwashers	NO	18.75%	4-Jan-21	776	145	236	148	92	58	36	23	14	9	6
Ovens	NO	18.75%	4-Jan-21	921	173	281	175	110	69	43	27	17	10	7
Lights														
Shades, removable	NO	18.75%	4-Jan-21	533	100	163	102	63	40	25	15	10	6	4
$300 items	NO	100.00%	4-Jan-21	155	155									
Pooled Plant Total					**1,639**	**3,022**	**1,889**	**1,529**	**955**	**597**	**373**	**233**	**146**	**91**
Effective Life Plant Total					**820**	**1,025**	**881**	**602**	**522**	**452**	**392**	**340**	**294**	**255**
Total Division 40				**17,869**	**2,459**	**4,047**	**2,769**	**2,131**	**1,477**	**1,050**	**765**	**573**	**440**	**346**

Division 43 - Capital Works Allowance	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1996	2.50%	04-Jan-21	12,475	379	781	781	781	781	781	781	781	781	781
Building Works - Completed 2015	2.50%	04-Jan-21	37,561	523	1,079	1,079	1,079	1,079	1,079	1,079	1,079	1,079	1,079
Building Works - Completed 2020	2.50%	04-Jan-21	52,367	636	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312
Structural Improvements - Completed 1996	2.50%	04-Jan-21	1,580	48	99	99	99	99	99	99	99	99	99
Structural Improvements - Completed 2020	2.50%	04-Jan-21	15,430	188	387	387	387	387	387	387	387	387	387
Total Division 43			**119,413**	**1,774**	**3,658**	**3,658**	**3,658**	**3,658**	**3,658**	**3,658**	**3,658**	**3,658**	**3,658**

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
Bathroom assets														
Exhaust fans (including light/heating)	NO	18.75%	04-Jan-21	242	45	74	46	29	18	11	7	4	3	2
Ceiling Fans	NO	18.75%	04-Jan-21	301	56	92	57	36	22	14	9	5	3	2
Curtains and drapes	NO	18.75%	04-Jan-21	1,596	299	486	304	190	119	74	46	29	18	11
Fire control assets														
Detection & alarm systems, detectors	NO	18.75%	04-Jan-21	213	40	65	41	25	16	10	6	4	2	2
Floor coverings (removable without damage)														
Carpets	NO	12.50%	04-Jan-21	1,091	66	136	136	136	136	136	136	136	73	
Floating timber	NO	6.67%	04-Jan-21	6,430	208	429	429	429	429	429	429	429	429	429
Furniture	NO	18.75%	04-Jan-21	3,525	661	1,074	671	420	262	164	102	64	40	25
Hot water systems (excluding piping)														
Gas or electric	NO	8.33%	04-Jan-21	1,455	59	121	121	121	121	121	121	121	121	121
Kitchen assets														
Cooktops	NO	18.75%	04-Jan-21	630	118	192	120	75	47	29	18	11	7	4
Dishwashers	NO	18.75%	04-Jan-21	776	145	236	148	92	58	36	23	14	9	6
Ovens	NO	18.75%	04-Jan-21	921	173	281	175	110	69	43	27	17	10	7
Lights														
Shades, removable	NO	18.75%	04-Jan-21	533	100	163	102	63	40	25	15	10	6	4
$300 items	NO	100.00%	04-Jan-21	155	155									
Pooled Plant Total					1,639	2,663	1,664	1,040	650	406	254	159	99	62
Effective Life Plant Total					487	686	686	686	686	686	686	686	623	550
Total Division 40				17,869	2,126	3,349	2,350	1,726	1,336	1,092	940	845	722	612

Division 43 - Capital Works Allowance	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1996	2.50%	04-Jan-21	12,475	379	781	781	781	781	781	781	781	781	781
Building Works - Completed 2015	2.50%	04-Jan-21	37,561	523	1,079	1,079	1,079	1,079	1,079	1,079	1,079	1,079	1,079
Building Works - Completed 2020	2.50%	04-Jan-21	52,367	636	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312
Structural Improvements - Completed 1996	2.50%	04-Jan-21	1,580	48	99	99	99	99	99	99	99	99	99
Structural Improvements - Completed 2020	2.50%	04-Jan-21	15,430	188	387	387	387	387	387	387	387	387	387
Total Division 43			119,413	1,774	3,658	3,658	3,658	3,658	3,658	3,658	3,658	3,658	3,658

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 1996	1 Aug 96 to 31 Dec 96	31,240	2.50%	781	12,475
Building Works - Completed 2015	1 Jul 15 to 31 Oct 15	43,153	2.50%	1,079	37,561
Building Works - Completed 2020	1 Aug 20 to 30 Nov 20	52,493	2.50%	1,312	52,367
Sub-total		126,886		3,172	102,403

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 1996	1 Aug 96 to 31 Dec 96	3,958	2.50%	99	1,580
Structural Improvements - Completed 2020	1 Aug 20 to 30 Nov 20	15,468	2.50%	387	15,430
Sub-total		19,425		486	17,010
Totals		146,312		3,658	119,413

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.

13. Definition of Terms

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

14. Contact Details

COMPANY DETAILS	
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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

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.