



## Tax Depreciation Report

5 Solo Street,  
Point Cook, VIC 3030

Wei Choo & Joo Cham  
39 Moxham Drive  
KALKALLO, VIC 3064

Issue Schedule	
Issue Date:	Issued by:
02 March 2021	Mark Kilroy Bsc (Hons) MRICS

Wei Choo & Joo Cham  
39 Moxham Drive  
KALKALLO, VIC 3064

March 2021  
Job No: RES3030031

### **Tax Depreciation Report – 5 Solo Street, Point Cook, VIC 3030**

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

2 March 2021

### Purchaser

Wei Choo & Joo Cham

### Property Address

5 Solo Street, Point Cook, VIC 3030

### Real Property Description

LOT 822 PS641008

### Property Type

Residential House

### Date of Construction

14 January 2014

### Date Available To Generate Income

1 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								
<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	1 February 14 to 30 June 14	0	0	0	1,990	1,990	0	0
2	1 July 14 to 30 June 15	0	0	0	5,084	5,084	0	0
3	1 July 15 to 30 June 16	0	0	0	5,260	5,260	0	0
4	1 July 16 to 30 June 17	0	0	0	5,297	5,297	0	0
5	1 July 17 to 30 June 18	0	0	0	5,297	5,297	0	0
6	1 July 18 to 30 June 19	0	0	0	5,363	5,363	0	0
7	1 July 19 to 30 June 20	0	0	0	5,377	5,377	0	0
8	1 July 20 to 30 June 21	0	0	0	5,377	5,377	1,332	1,332
9	1 July 21 to 30 June 22	0	0	0	5,377	5,377	1,163	2,495
10	1 July 22 to 30 June 23	0	0	0	5,377	5,377	838	3,333
11	1 July 23 to 30 June 24	0	0	0	5,377	5,377	622	3,955
12	1 July 24 to 30 June 25	0	0	0	5,377	5,377	475	4,430
13	1 July 25 to 30 June 26	0	0	0	5,377	5,377	373	4,802
14	1 July 26 to 30 June 27	0	0	0	5,377	5,377	810	5,613
15	1 July 27 to 30 June 28	0	0	0	5,377	5,377	506	6,119
16	1 July 28 to 30 June 29	0	0	0	5,377	5,377	316	6,435
17	1 July 29 to 30 June 30	0	0	0	5,377	5,377	198	6,633
18	1 July 30 to 30 June 31	0	0	0	5,377	5,377	124	6,757
19	1 July 31 to 30 June 32	0	0	0	5,377	5,377	77	6,834
20	1 July 32 to 30 June 33	0	0	0	5,377	5,377	48	6,882
21	1 July 33 to 30 June 34	0	0	0	5,377	5,377	30	6,913
22	1 July 34 to 30 June 35	0	0	0	5,377	5,377	19	6,932
23	1 July 35 to 30 June 36	0	0	0	5,377	5,377	12	6,943
24	1 July 36 to 30 June 37	0	0	0	5,377	5,377	7	6,951
25	1 July 37 to 30 June 38	0	0	0	5,377	5,377	5	6,955
26	1 July 38 to 30 June 39	0	0	0	5,377	5,377	3	6,958
27	1 July 39 to 30 June 40	0	0	0	5,377	5,377	2	6,960
28	1 July 40 to 30 June 41	0	0	0	5,377	5,377	1	6,961
29	1 July 41 to 30 June 42	0	0	0	5,377	5,377	1	6,962
30	1 July 42 to 30 June 43	0	0	0	5,377	5,377	0	6,962
31	1 July 43 to 30 June 44	0	0	0	5,377	5,377	0	6,962
32	1 July 44 to 30 June 45	0	0	0	5,377	5,377	0	6,963
33	1 July 45 to 30 June 46	0	0	0	5,377	5,377	0	6,963
34	1 July 46 to 30 June 47	0	0	0	5,377	5,377	0	6,963
35	1 July 47 to 30 June 48	0	0	0	5,377	5,377	0	6,963
36	1 July 48 to 30 June 49	0	0	0	5,377	5,377	0	6,963
37	1 July 49 to 30 June 50	0	0	0	5,377	5,377	0	6,963
38	1 July 50 to 30 June 51	0	0	0	5,377	5,377	0	6,963
39	1 July 51 to 30 June 52	0	0	0	5,377	5,377	0	6,963
40	2052+	0	0	0	9,110	9,110	0	6,963
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>214,842</b>	<b>214,842</b>	<b>6,963</b>	<b>6,963</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

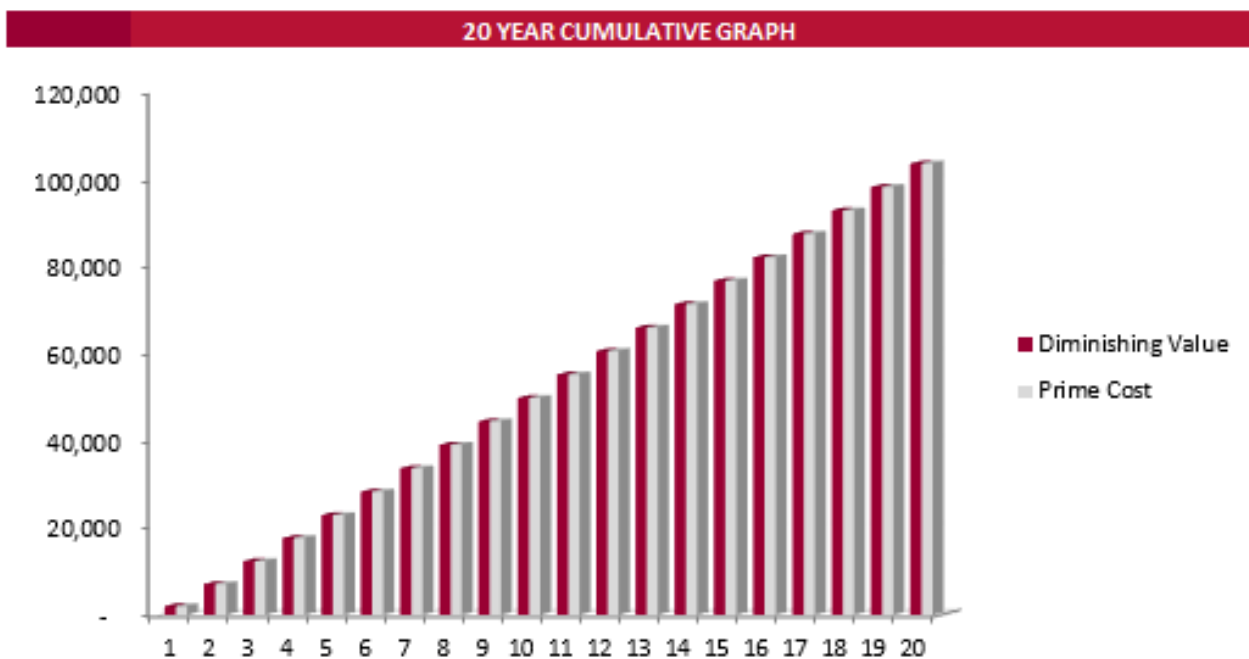
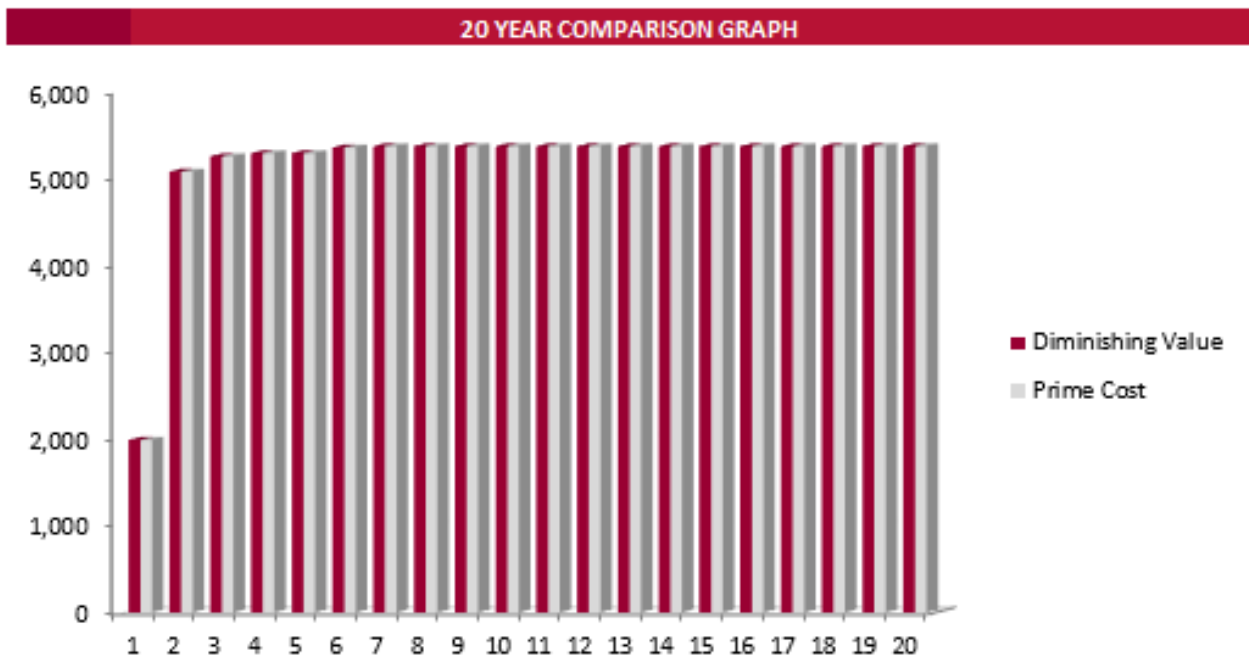
Year	Financial Year	Division 40 - Capital Allowance (Eligible)			Division 43 Capital Works	Eligible Total	Capital Loss - See Appendix A	
		Effective Life	Pooled Plant	Total Div 40			Div 40 Yearly	Cumulative
1	1 February 14 to 30 June 14	0	0	0	1,990	1,990	0	0
2	1 July 14 to 30 June 15	0	0	0	5,084	5,084	0	0
3	1 July 15 to 30 June 16	0	0	0	5,260	5,260	0	0
4	1 July 16 to 30 June 17	0	0	0	5,297	5,297	0	0
5	1 July 17 to 30 June 18	0	0	0	5,297	5,297	0	0
6	1 July 18 to 30 June 19	0	0	0	5,363	5,363	0	0
7	1 July 19 to 30 June 20	0	0	0	5,377	5,377	0	0
8	1 July 20 to 30 June 21	0	0	0	5,377	5,377	1,870	1,870
9	1 July 21 to 30 June 22	0	0	0	5,377	5,377	1,789	3,659
10	1 July 22 to 30 June 23	0	0	0	5,377	5,377	1,753	5,411
11	1 July 23 to 30 June 24	0	0	0	5,377	5,377	1,413	6,824
12	1 July 24 to 30 June 25	0	0	0	5,377	5,377	926	7,751
13	1 July 25 to 30 June 26	0	0	0	5,377	5,377	786	8,536
14	1 July 26 to 30 June 27	0	0	0	5,377	5,377	580	9,116
15	1 July 27 to 30 June 28	0	0	0	5,377	5,377	577	9,693
16	1 July 28 to 30 June 29	0	0	0	5,377	5,377	420	10,113
17	1 July 29 to 30 June 30	0	0	0	5,377	5,377	183	10,296
18	1 July 30 to 30 June 31	0	0	0	5,377	5,377	182	10,479
19	1 July 31 to 30 June 32	0	0	0	5,377	5,377	182	10,661
20	1 July 32 to 30 June 33	0	0	0	5,377	5,377	182	10,842
21	1 July 33 to 30 June 34	0	0	0	5,377	5,377	113	10,955
22	1 July 34 to 30 June 35	0	0	0	5,377	5,377	0	10,955
23	1 July 35 to 30 June 36	0	0	0	5,377	5,377	0	10,955
24	1 July 36 to 30 June 37	0	0	0	5,377	5,377	0	10,955
25	1 July 37 to 30 June 38	0	0	0	5,377	5,377	0	10,955
26	1 July 38 to 30 June 39	0	0	0	5,377	5,377	0	10,955
27	1 July 39 to 30 June 40	0	0	0	5,377	5,377	0	10,955
28	1 July 40 to 30 June 41	0	0	0	5,377	5,377	0	10,955
29	1 July 41 to 30 June 42	0	0	0	5,377	5,377	0	10,955
30	1 July 42 to 30 June 43	0	0	0	5,377	5,377	0	10,955
31	1 July 43 to 30 June 44	0	0	0	5,377	5,377	0	10,955
32	1 July 44 to 30 June 45	0	0	0	5,377	5,377	0	10,955
33	1 July 45 to 30 June 46	0	0	0	5,377	5,377	0	10,955
34	1 July 46 to 30 June 47	0	0	0	5,377	5,377	0	10,955
35	1 July 47 to 30 June 48	0	0	0	5,377	5,377	0	10,955
36	1 July 48 to 30 June 49	0	0	0	5,377	5,377	0	10,955
37	1 July 49 to 30 June 50	0	0	0	5,377	5,377	0	10,955
38	1 July 50 to 30 June 51	0	0	0	5,377	5,377	0	10,955
39	1 July 51 to 30 June 52	0	0	0	5,377	5,377	0	10,955
40	2052+	0	0	0	9,110	9,110	0	10,955
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>214,842</b>	<b>214,842</b>	<b>10,955</b>	<b>10,955</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



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

### Construction Details

Contract Date	2 August 2013
Handover Date	14 January 2014
Available To Generate Income	1 August 2020

### Expenditure Analysed

Construction Cost	\$215,849
Stamp Duty	N/A
Post Expenditure	\$34,500
<b>Total Expenditure Analysed</b>	<b>\$250,349</b>

### Historical Construction Details

Construction Start Date	2 August 2013
Construction Completion Date	14 January 2014
Historical Construction Cost (Advised)*	\$215,849
Lot Entitlement	1
Overall Lot Entitlement	1

## 9. Reconciliation of Capital Expenditure

### Apportionment of cost relating to:

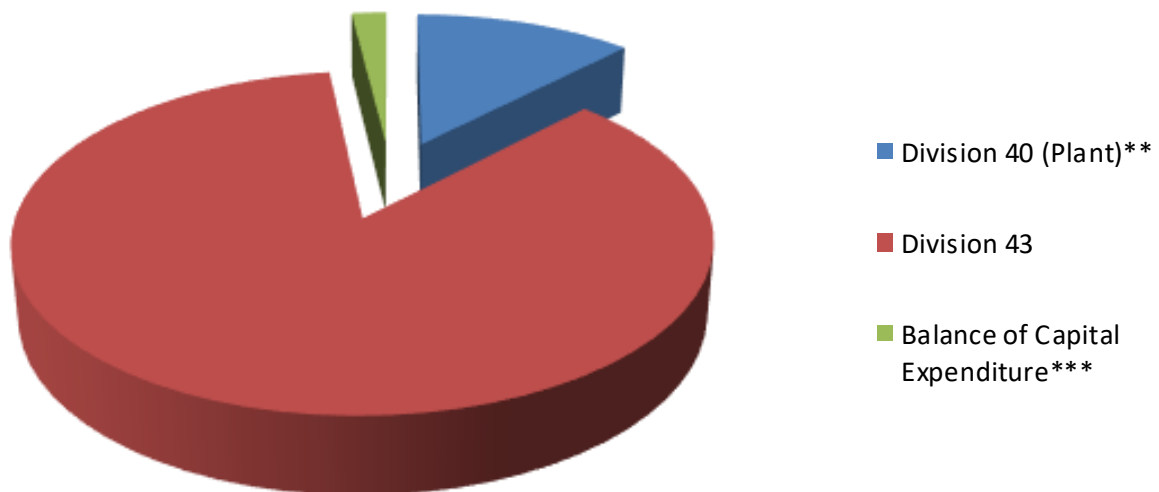
Division 40 (Plant)**	\$30,668
Division 43	\$214,842
Balance of Capital Expenditure***	\$4,839
<b>Total Expenditure Analysed</b>	<b>\$250,349</b>

### 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%	1-Feb-14	4,834	395	888	710	568	455	364	291	233	349	218
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	18.75%	1-Feb-14	785	147	239	150	93	58	37	23	14	9	6
<b>Blinds Residential</b>														
	NO	18.75%	1-Feb-14	1,359	255	414	259	162	101	63	39	25	15	10
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	1-Feb-14	532	100	162	101	63	40	25	15	10	6	4
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	20.00%	1-Feb-14	2,407	197	442	354	283	226	340	212	133	83	52
Floating timber	NO	13.33%	1-Feb-14	5,855	319	738	640	554	481	416	361	313	271	235
<b>Furniture</b>														
	NO	18.75%	1-Feb-14	3,562	668	1,085	678	424	265	166	104	65	40	25
<b>Garage doors, automatic</b>														
Motors	NO	20.00%	1-Feb-14	665	54	229	143	89	56	35	22	14	9	5
<b>Heating units</b>														
Gas ducted central heating	NO	10.00%	1-Feb-14	3,625	148	348	313	282	253	228	205	185	166	150
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	16.67%	1-Feb-14	1,571	107	244	203	169	318	199	124	78	48	30
<b>Kitchen assets</b>														
Cooktops	NO	16.67%	1-Feb-14	2,417	164	375	313	261	217	181	339	212	133	83
Dishwashers	NO	18.75%	1-Feb-14	423	79	129	81	50	31	20	12	8	5	3
Rangehoods	NO	18.75%	1-Feb-14	302	57	92	58	36	22	14	9	5	3	2
<b>Lights</b>														
Shades, removable	NO	18.75%	1-Feb-14	1,462	274	446	278	174	109	68	42	27	17	10
<b>Security systems &amp; equipment</b>														
Electronic	NO	30.00%	1-Feb-14	665	81	219	137	85	53	33	21	13	8	5
<b>\$300 items</b>														
	NO	100.00%	1-Feb-14	205	205									
<b>Pooled Plant Total</b>					1,580	3,015	1,884	1,178	1,054	998	963	602	725	453
<b>Effective Life Plant Total</b>					1,670	3,035	2,533	2,117	1,632	1,189	857	730	437	385
<b>Total Division 40</b>				30,668	3,250	6,050	4,417	3,295	2,686	2,187	1,820	1,332	1,163	838

## 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 2014	2.50%	01-Feb-14	176,504	1,804	4,418	4,418	4,418	4,418	4,418	4,418	4,418	4,418	4,418
Building Works - Completed 2018	2.50%	31-Aug-18	3,200						66	80	80	80	80
Structural Improvements - Completed 2014	2.50%	01-Feb-14	6,638	68	166	166	166	166	166	166	166	166	166
Structural Improvements - Completed 2014	2.50%	05-Apr-14	20,000	118	500	500	500	500	500	500	500	500	500
Structural Improvements - Completed 2015	2.50%	01-Sep-15	8,500			176	213	213	213	213	213	213	213
<b>Total Division 43</b>			<b>214,842</b>	<b>1,990</b>	<b>5,084</b>	<b>5,260</b>	<b>5,297</b>	<b>5,297</b>	<b>5,363</b>	<b>5,377</b>	<b>5,377</b>	<b>5,377</b>	<b>5,377</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%	01-Feb-14	4,834	197	483	483	483	483	483	483	483	483	483
<b>Bathroom assets</b>														
Exhaust fans (including light/heating)	NO	18.75%	01-Feb-14	785	147	239	150	93	58	37	23	14	9	6
<b>Blinds Residential</b>														
	NO	18.75%	01-Feb-14	1,359	255	414	259	162	101	63	39	25	15	10
<b>Fire control assets</b>														
Detection & alarm systems, detectors	NO	18.75%	01-Feb-14	532	100	162	101	63	40	25	15	10	6	4
<b>Floor coverings ( removable without damage)</b>														
Carpets	NO	10.00%	01-Feb-14	2,407	98	241	241	241	241	241	241	241	241	241
Floating timber	NO	6.67%	01-Feb-14	5,855	159	390	390	390	390	390	390	390	390	390
<b>Furniture</b>														
	NO	18.75%	01-Feb-14	3,562	668	1,085	678	424	265	166	104	65	40	25
<b>Garage doors, automatic</b>														
Motors	NO	10.00%	01-Feb-14	665	27	66	66	66	66	66	66	66	66	66
<b>Heating units</b>														
Gas ducted central heating	NO	5.00%	01-Feb-14	3,625	74	181	181	181	181	181	181	181	181	181
<b>Hot water systems (excluding piping)</b>														
Gas or electric	NO	8.33%	01-Feb-14	1,571	53	131	131	131	131	131	131	131	131	131
<b>Kitchen assets</b>														
Cooktops	NO	8.33%	01-Feb-14	2,417	82	201	201	201	201	201	201	201	201	201
Dishwashers	NO	18.75%	01-Feb-14	423	79	129	81	50	31	20	12	8	5	3
Rangehoods	NO	18.75%	01-Feb-14	302	57	92	58	36	22	14	9	5	3	2
<b>Lights</b>														
Shades, removable	NO	18.75%	01-Feb-14	1,462	274	446	278	174	109	68	42	27	17	10
<b>Security systems &amp; equipment</b>														
Electronic	NO	15.00%	01-Feb-14	665	41	100	100	100	100	100	100	24		
<b>\$300 items</b>														
	NO	100.00%	01-Feb-14	205	205									
<b>Pooled Plant Total</b>					<b>1,580</b>	<b>2,567</b>	<b>1,604</b>	<b>1,003</b>	<b>627</b>	<b>392</b>	<b>245</b>	<b>153</b>	<b>96</b>	<b>60</b>
<b>Effective Life Plant Total</b>					<b>938</b>	<b>1,793</b>	<b>1,793</b>	<b>1,793</b>	<b>1,793</b>	<b>1,793</b>	<b>1,793</b>	<b>1,717</b>	<b>1,693</b>	<b>1,693</b>
<b>Total Division 40</b>				<b>30,668</b>	<b>2,518</b>	<b>4,360</b>	<b>3,397</b>	<b>2,796</b>	<b>2,420</b>	<b>2,185</b>	<b>2,038</b>	<b>1,870</b>	<b>1,789</b>	<b>1,753</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 2014	2.50%	01-Feb-14	176,504	1,804	4,418	4,418	4,418	4,418	4,418	4,418	4,418	4,418	4,418
Building Works - Completed 2018	2.50%	31-Aug-18	3,200						66	80	80	80	80
Structural Improvements - Completed 2014	2.50%	01-Feb-14	6,638	68	166	166	166	166	166	166	166	166	166
Structural Improvements - Completed 2014	2.50%	05-Apr-14	20,000	118	500	500	500	500	500	500	500	500	500
Structural Improvements - Completed 2015	2.50%	01-Sep-15	8,500			176	213	213	213	213	213	213	213
<b>Total Division 43</b>			214,842	1,990	5,084	5,260	5,297	5,297	5,363	5,377	5,377	5,377	5,377

## 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 2014	2 Aug 13 to 14 Jan 14	176,722	2.50%	4,418	176,504
Building Works - Completed 2018	1 Aug 18 to 31 Aug 18	3,200	2.50%	80	3,200
<b>Sub-total</b>		<b>179,922</b>		<b>4,498</b>	<b>179,704</b>

### Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2014	2 Aug 13 to 14 Jan 14	6,646	2.50%	166	6,638
Structural Improvements - Completed 2014	1 Apr 14 to 5 Apr 14	20,000	2.50%	500	20,000
Structural Improvements - Completed 2015	1 Sep 15 to 1 Sep 15	8,500	2.50%	213	8,500
<b>Sub-total</b>		<b>35,146</b>		<b>879</b>	<b>35,138</b>
<b>Totals</b>		<b>215,068</b>		<b>5,377</b>	<b>214,842</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
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LEAD SURVEYOR DETAILS	
<b>Surveyors Name</b>	Mark Kilroy
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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.