



Tax Depreciation Report

17 Manufacturer Drive,
Molendinar, Qld

17 Manufacturer Drive Pty Ltd ATF 17 Manufacturer Drive Trust
463 Woollooware Road
Burraneer, NSW 2230

Issue Schedule	
Issue Date:	Issued by:
05 April 2017	Mark Kilroy Bsc (Hons) MRICS

17 Manufacturer Drive Pty Ltd
ATF 17 Manufacturer Drive Trust
463 Woollooware Road
Burraneer, NSW 2230

April 2017
Job No: COM4214004

Tax Depreciation Report – 17 Manufacturer Drive, Molendinar, Qld

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

5 April 2017

Purchaser

17 Manufacturer Drive Pty Ltd ATF 17 Manufacturer Drive Trust

Property Address

17 Manufacturer Drive

Property Type

Commercial Warehouse

Date of Construction

1 March 1989

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"> • 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) 					<ul style="list-style-type: none"> • Write off assets when they are demolished or disposed. 				
Calculation Example					Calculation Example				
<p>Under Diminishing Value method, the effective life is dividing by 200.</p> <p>200 / 10 Years = 20% (Adjusted Value)</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>100 / 10 Years = 10% (Straight Line)</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	Effective Life	Pooled Plant	Total Div 40	Division 43	Totals
1	14 December 16 to 30 June 17	4,534	2,861	7,395	1,372	8,767
2	1 July 17 to 30 June 18	6,771	4,650	11,420	2,530	13,950
3	1 July 18 to 30 June 19	5,083	3,217	8,300	2,530	10,830
4	1 July 19 to 30 June 20	3,752	2,369	6,121	2,530	8,651
5	1 July 20 to 30 June 21	3,079	1,480	4,560	2,530	7,090
6	1 July 21 to 30 June 22	2,327	1,155	3,483	2,530	6,013
7	1 July 22 to 30 June 23	2,033	722	2,755	2,530	5,285
8	1 July 23 to 30 June 24	1,598	791	2,389	2,530	4,919
9	1 July 24 to 30 June 25	1,414	494	1,909	2,530	4,439
10	1 July 25 to 30 June 26	1,254	309	1,563	2,530	4,093
11	1 July 26 to 30 June 27	1,112	193	1,305	2,530	3,835
12	1 July 27 to 30 June 28	987	121	1,108	2,530	3,638
13	1 July 28 to 30 June 29	736	392	1,129	1,647	2,776
14	1 July 29 to 30 June 30	663	245	908	0	908
15	1 July 30 to 30 June 31	597	153	750	0	750
16	1 July 31 to 30 June 32	537	96	633	0	633
17	1 July 32 to 30 June 33	483	60	543	0	543
18	1 July 33 to 30 June 34	435	37	472	0	472
19	1 July 34 to 30 June 35	391	23	415	0	415
20	1 July 35 to 30 June 36	352	15	367	0	367
21	1 July 36 to 30 June 37	317	9	326	0	326
22	1 July 37 to 30 June 38	285	6	291	0	291
23	1 July 38 to 30 June 39	257	4	260	0	260
24	1 July 39 to 30 June 40	231	2	233	0	233
25	1 July 40 to 30 June 41	208	1	209	0	209
26	1 July 41 to 30 June 42	187	1	188	0	188
27	1 July 42 to 30 June 43	168	1	169	0	169
28	1 July 43 to 30 June 44	152	0	152	0	152
29	1 July 44 to 30 June 45	136	0	137	0	137
30	1 July 45 to 30 June 46	123	0	123	0	123
31	1 July 46 to 30 June 47	111	0	111	0	111
32	1 July 47 to 30 June 48	0	373	373	0	373
33	1 July 48 to 30 June 49	0	233	233	0	233
34	1 July 49 to 30 June 50	0	146	146	0	146
35	1 July 50 to 30 June 51	0	91	91	0	91
36	1 July 51 to 30 June 52	0	57	57	0	57
37	1 July 52 to 30 June 53	0	36	36	0	36
38	1 July 53 to 30 June 54	0	22	22	0	22
39	1 July 54 to 30 June 55	0	14	14	0	14
40	2055+	0	23	23	0	23
Totals		40,314	20,404	60,718	30,849	91,567

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

Carpet	DV Rate 20%	Opening Value \$1,000	Year 1 \$200	WDV \$800	Year 2 \$160
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6. Summary of Entitlements – Prime Cost Method

Year	Financial Year	Effective Life	Pooled Plant	Total Div 40	Division 43	Totals
1	14 December 16 to 30 June 17	2,430	2,861	5,291	1,372	6,663
2	1 July 17 to 30 June 18	3,879	4,650	8,529	2,530	11,059
3	1 July 18 to 30 June 19	3,879	2,906	6,785	2,530	9,315
4	1 July 19 to 30 June 20	3,879	1,816	5,695	2,530	8,225
5	1 July 20 to 30 June 21	3,879	1,135	5,014	2,530	7,544
6	1 July 21 to 30 June 22	3,221	710	3,931	2,530	6,461
7	1 July 22 to 30 June 23	2,669	443	3,112	2,530	5,642
8	1 July 23 to 30 June 24	2,363	277	2,640	2,530	5,170
9	1 July 24 to 30 June 25	2,320	173	2,493	2,530	5,023
10	1 July 25 to 30 June 26	2,320	108	2,428	2,530	4,958
11	1 July 26 to 30 June 27	2,047	68	2,115	2,530	4,645
12	1 July 27 to 30 June 28	1,816	42	1,858	2,530	4,388
13	1 July 28 to 30 June 29	1,506	26	1,532	1,647	3,179
14	1 July 29 to 30 June 30	1,241	17	1,258	0	1,258
15	1 July 30 to 30 June 31	1,241	10	1,251	0	1,251
16	1 July 31 to 30 June 32	1,241	6	1,247	0	1,247
17	1 July 32 to 30 June 33	1,241	4	1,245	0	1,245
18	1 July 33 to 30 June 34	1,241	3	1,244	0	1,244
19	1 July 34 to 30 June 35	1,241	2	1,243	0	1,243
20	1 July 35 to 30 June 36	1,241	1	1,242	0	1,242
21	1 July 36 to 30 June 37	562	1	563	0	563
22	1 July 37 to 30 June 38	0	0	0	0	0
23	1 July 38 to 30 June 39	0	0	0	0	0
24	1 July 39 to 30 June 40	0	0	0	0	0
25	1 July 40 to 30 June 41	0	0	0	0	0
26	1 July 41 to 30 June 42	0	0	0	0	0
27	1 July 42 to 30 June 43	0	0	0	0	0
28	1 July 43 to 30 June 44	0	0	0	0	0
29	1 July 44 to 30 June 45	0	0	0	0	0
30	1 July 45 to 30 June 46	0	0	0	0	0
31	1 July 46 to 30 June 47	0	0	0	0	0
32	1 July 47 to 30 June 48	0	0	0	0	0
33	1 July 48 to 30 June 49	0	0	0	0	0
34	1 July 49 to 30 June 50	0	0	0	0	0
35	1 July 50 to 30 June 51	0	0	0	0	0
36	1 July 51 to 30 June 52	0	0	0	0	0
37	1 July 52 to 30 June 53	0	0	0	0	0
38	1 July 53 to 30 June 54	0	0	0	0	0
39	1 July 54 to 30 June 55	0	0	0	0	0
40	2055+	0	0	0	0	0
Totals		45,458	15,261	60,718	30,849	91,567

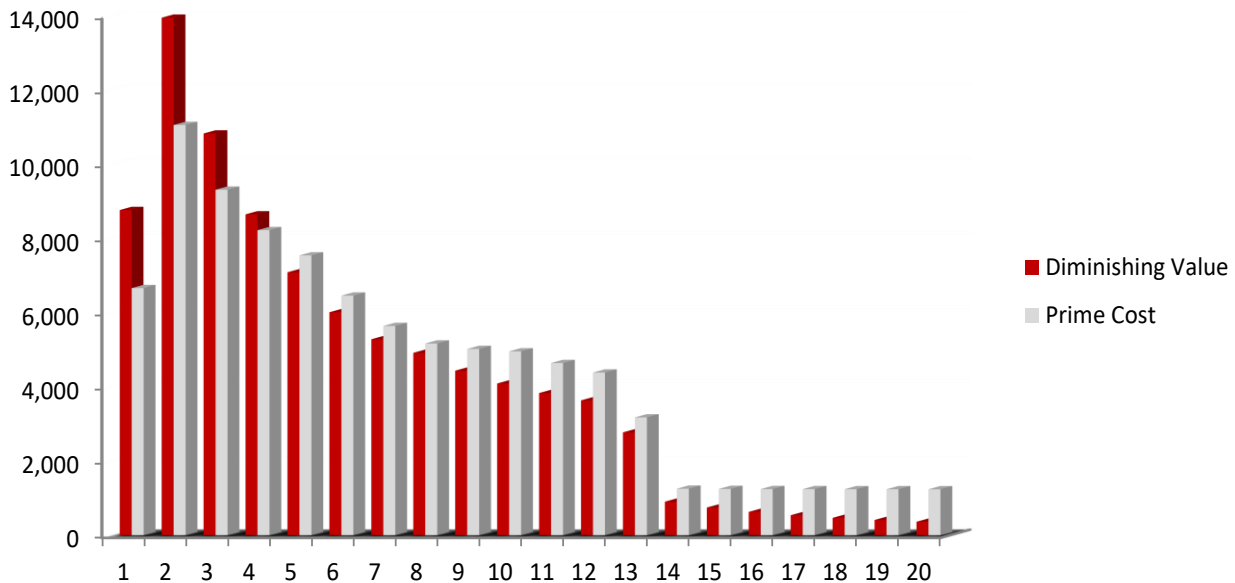
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

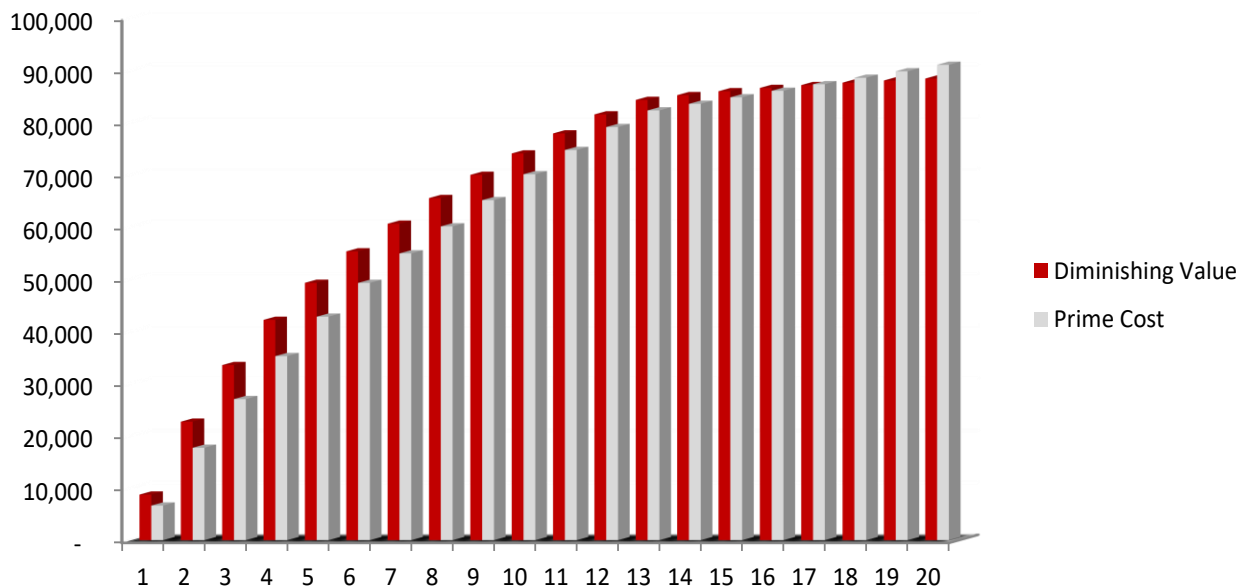
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	9 November 2016
Settlement Date	14 December 2016

Expenditure Analysed

Purchase price	\$760,000
Stamp duty	\$27,225
Total Expenditure Analysed	\$787,225

Historical Construction Details

Construction Start Date	2 September 1988
Construction Completion Date	1 March 1989
Historical Construction Cost (Estimated)*	\$128,759

9. Reconciliation of Capital Expenditure

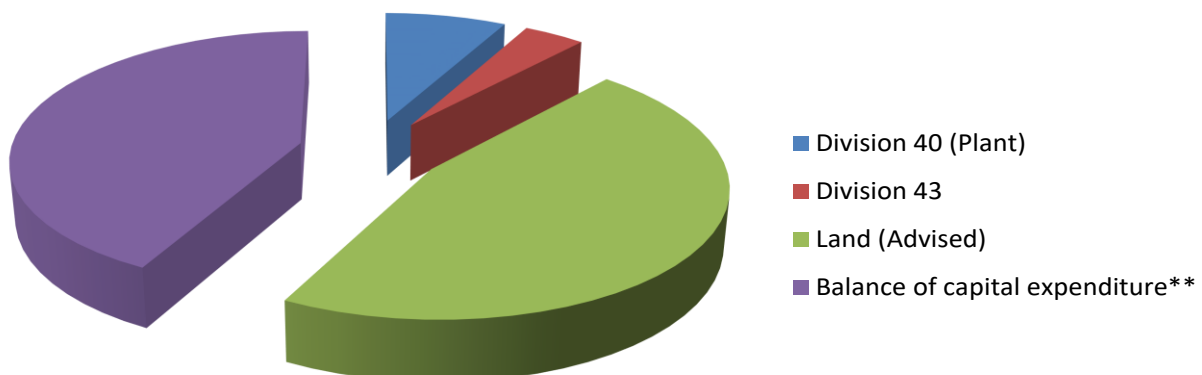
Apportionment of cost relating to:

Division 40 (Plant)	\$60,718
Division 43	\$30,849
Land (Advised)	\$362,538
Balance of capital expenditure**	\$333,120
Total Expenditure Analysed	\$787,225

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

** 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	Diminishing Value Rate	Install 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													
Air-conditioning assets (excl. ducting, pipes & vents)													
Mini split system upto 20KW	20.00%	14-Dec-16	3,877	421	691	553	442	354	283	227	340	212	133
Bathroom assets													
Exhaust fans (including light/heating)	18.75%	14-Dec-16	2,326	436	709	443	277	173	108	68	42	26	17
Electrical Machinery & Equipment :													
Switchboards	10.00%	14-Dec-16	24,815	1,346	2,347	2,112	1,901	1,711	1,540	1,386	1,247	1,122	1,010
Fire control assets													
Hoses and nozzles	20.00%	14-Dec-16	1,163	126	207	311	194	122	76	47	30	19	12
Fire extinguishers	18.75%	14-Dec-16	1,551	291	473	295	185	115	72	45	28	18	11
Floor coverings (removable without damage)													
Carpets	40.00%	14-Dec-16	6,049	1,312	1,894	1,137	682	409	230	144	90	56	35
Furniture	18.75%	14-Dec-16	6,576	1,233	2,004	1,252	783	489	306	191	119	75	47
Hot water systems (excluding piping)													
Gas or electric	16.67%	14-Dec-16	6,902	624	1,046	872	727	605	505	420	350	292	243
Lights													
Fittings	18.75%	14-Dec-16	4,808	901	1,465	916	572	358	224	140	87	55	34
Security systems & equipment													
Electronic	30.00%	14-Dec-16	2,326	379	584	409	358	224	140	87	55	34	21
\$300 items	100.00%	14-Dec-16	326	326									
Pooled Plant Total				2,861	4,650	3,217	2,369	1,480	1,155	722	791	494	309
Effective Life Plant Total				4,534	6,771	5,083	3,752	3,079	2,327	2,033	1,598	1,414	1,254
Total Division 40			60,718	7,395	11,420	8,300	6,121	4,560	3,483	2,755	2,389	1,909	1,563
Division 43 - Capital Works Allowance													
	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1989	2.50%	14-Dec-16	30,849	1,372	2,530	2,530	2,530	2,530	2,530	2,530	2,530	2,530	2,530
Total Division 43			30,849	1,372	2,530	2,530	2,530	2,530	2,530	2,530	2,530	2,530	2,530
Total Depreciation			91,567	8,767	13,950	10,830	8,651	7,090	6,013	5,285	4,919	4,439	4,093

11. Prime Cost Depreciation Schedule

Assets Generally	Prime Cost												
Division 40 - Plant and Equipment	Rate	Install Date	Opening Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Air-conditioning assets (excl. ducting, pipes & vents)													
Mini split system upto 20KW	10.00%	14-Dec-16	3,877	210	388	388	388	388	388	388	388	388	388
Bathroom assets													
Exhaust fans (including light/heating)	18.75%	14-Dec-16	2,326	436	709	443	277	173	108	68	42	26	17
Electrical Machinery & Equipment :													
Switchboards	5.00%	14-Dec-16	24,815	673	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241
Fire control assets													
Hoses and nozzles	10.00%	14-Dec-16	1,163	63	116	116	116	116	116	116	116	116	116
Fire extinguishers	18.75%	14-Dec-16	1,551	291	473	295	185	115	72	45	28	18	11
Floor coverings (removable without damage)													
Carpets	20.00%	14-Dec-16	6,049	656	1,210	1,210	1,210	1,210	552				
Furniture													
	18.75%	14-Dec-16	6,576	1,233	2,004	1,252	783	489	306	191	119	75	47
Hot water systems (excluding piping)													
Gas or electric	8.33%	14-Dec-16	6,902	312	575	575	575	575	575	575	575	575	575
Lights													
Fittings (excluding hardwired)	18.75%	14-Dec-16	4,808	901	1,465	916	572	358	224	140	87	55	34
Security systems & equipment													
Electronic	15.00%	14-Dec-16	2,326	189	349	349	349	349	349	349	43		
\$300 items													
	100.00%	14-Dec-16	326	326									
Pooled Plant Total				2,861	4,650	2,906	1,816	1,135	710	443	277	173	108
Effective Life Plant Total				2,430	3,879	3,879	3,879	3,879	3,221	2,669	2,363	2,320	2,320
Total Division 40			60,718	5,291	8,529	6,785	5,695	5,014	3,931	3,112	2,640	2,493	2,428
Division 43 - Capital Works Allowance													
	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 1989	2.50%	14-Dec-16	30,849	1,372	2,530	2,530	2,530	2,530	2,530	2,530	2,530	2,530	2,530
Total Division 43			30,849	1,372	2,530	2,530	2,530	2,530	2,530	2,530	2,530	2,530	2,530
Total Depreciation			91,567	6,663	11,059	9,315	8,225	7,544	6,461	5,642	5,170	5,023	4,958

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 1989	2 Sep 88 to 1 Mar 89	101,213	2.50%	2,530	30,849
Sub-total		101,213		2,530	30,849

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Sub-total					
Totals		101,213		2,530	30,849

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	
Company Name	Koste Pty Ltd
Postal Address	2/20 Welch Street Southport QLD 4215
Office Number	1300 669 400
Office Email	info@koste.com.au

LEAD SURVEYOR DETAILS	
Surveyors Name	Mark Kilroy
Tax Agent Number	24370523
Contact Number	0468 849 299
Email	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.