

## Tax Depreciation Report

3/274 Armagh Street,  
Christchurch 8011  
New Zealand



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

Conrad Romano  
463 Woollooware Road,  
Burraneer NSW 2230

13 June 2017  
Job No: RES8011001

**Tax Depreciation Report – 3/274 Armagh Street, Christchurch 8011 NZ**

Dear Conrad,

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 EXECUTIVE SUMMARY

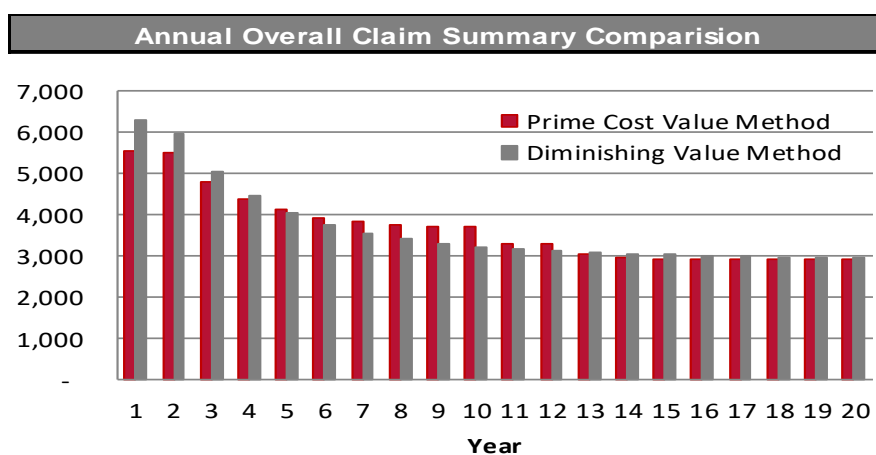
## 1.1 EXPENDITURE ANALYSED

Overall Expenditure Analysed		
Description	Value (\$)	%
Div 40 - Capital Allowances	15,014	7%
Div 43 Capital Works	75,291	34%
Repairs and Maintenance	-	0%
Capital Non Eligible	53,299	24%
Land Value	75,816	35%
<b>Total Purchase Cost (AUD \$)</b>	<b>219,420</b>	<b>100%</b>

## 1.2 FIRST YEAR EXPENDITURE

First Year Allowances Y/E - 30/06/14		
Description	Diminishing Value (\$)	Prime Cost (\$)
Div 40 - Depreciating Assets	2,357	1,557
Div 40 - Low Value Pool	977	977
Div 43 - Capital Works	2,921	2,921
Repairs & Maintenance	-	-
Write Off Expenditure	-	-
<b>Total - Year 1 (AUD \$)</b>	<b>6,255</b>	<b>5,455</b>

## 1.3 OVERALL CLAIM SUMMARY CHART



## 2 PROPERTY INFORMATION

<b>Client</b>	Conrad Romano
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<b>Property</b>	3/274 Armagh Street, Christchurch 8011 New Zealand
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<b>Property Type</b>	Residential Units
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<b>Date of Building Completion</b>	01/10/1995
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<b>Date of first let</b>	01/07/2013
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**Property Photo**



## 3 REPORT DETAILS

### 3.1 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.

## 4 CAPITAL ALLOWANCES

### 4.1 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.

### 4.2 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 as detailed below:

$$\text{Qualifying Plant} = \frac{\text{Purchase Price} \times \text{Replacement Cost of Plant}}{\text{Land Value} + \text{Replacement Cost of Plant} + \text{Replacement Cost of Building}}$$

### 4.3 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.

### 4.4 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.

### 4.5 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.

#### 4.6 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				
<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>				
Calculation Example				
Under Diminishing Value method, the effective life is dividing by 200.				
<b>200 / 10 Years = 20% (Adjusted Value)</b>				
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				
<ul style="list-style-type: none"> <li>• Write off assets when they are demolished or disposed.</li> </ul>				
Calculation Example				
Under Prime Cost method, the effective life is dividing by 100.				
<b>100 / 10 Years = 10% (Straight Line)</b>				
If an asset has a value of \$10,000 and an effective life of 10 years the following annual depreciation may be claimed.				
Year 1	Year 2	Year 3	Year 4	Year 5
\$1,000	\$1,000	\$1,000	\$1,000	\$1,000



# 5 CAPITAL WORKS

## 5.1 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.

## 5.2 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.

## 5.3 STRUCTURAL IMPROVEMENTS

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.

## 5.4 CAPITAL WORKS DEPRECIATION RATES

The following table demonstrates the various property types and depreciation rates for Capital Works 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

## 6 SUMMARY ANALYSIS

PROPERTY DETAILS	
<b>Property Address</b>	3/274 Armagh Street, Christchurch, New Zealand

PURCHASE DETAILS			
<b>Exchange Date</b>	01/05/2010	<b>Settlement Date</b>	18/06/2010
<b>Purchase Price (Incl Fees)</b>	\$219,420 (AUD \$) (AUD – NZD 0.81)	<b>Land Value (Est)</b>	\$75,816 (AUD \$) (AUD – NZD 0.81)

CONSTRUCTION DETAILS			
<b>Construction Start Date</b>	01/07/1995	<b>Construction End Date</b>	01/10/1995
<b>Historic Construction Cost</b>	\$90,399 (AUD – NZD 0.87)		

EXPENDITURE ANALYSED		
<b>Div 40 (Capital Allowances)</b>	\$15,014	This Tax Depreciation Schedule has been prepared based on the information provided for the construction or purchase of the said property. The apportionment of capital expenditure is based on this information.
<b>Div 43 (Capital Works)</b>	\$75,291	
<b>Capital Non Deductable</b>	\$53,299	
<b>Land Non Deductable</b>	\$75,816	
<b>Total Expenditure Analysed</b>	\$219,420 (AUD)	

Notes	
<b>Opening Values</b>	This is based on the original construction costs incurred including variations
<b>Effective Lives</b>	Used In accordance with the Commissioner of Taxation Rates
<b>Site Inspection</b>	The site inspection includes the measurement, photographic records, and identification of depreciating assets.
<b>Disclaimer</b>	This schedule is provided for the sole use of the tax payer and may not be used by a third party without the permission of Koste Pty Ltd. The exchange rates have been applied to the build and purchase dates as provided by Historical Data.

# 7 TAX SUMMARY

The following tables outline the depreciation entitlements for the remaining life of the property. **Note: First Year Allowances are for YE 30/06/14**

## 7.1 DIMINISHING VALUE METHOD

Diminishing Value Method						
	Opening Value	Division 40 Allowances	Division 40 Low Value Pool	Division 43 Deductions	Total	Written Down Value
Year 1 - 364 Days	90,305	2,357	977	2,921	6,255	84,050
Year 2 - YE 30/06/2015	84,050	1,311	1,588	2,929	5,828	78,221
Year 3 - YE 30/06/2016	78,221	1,072	992	2,929	4,993	73,228
Year 4 - YE 30/06/2017	73,228	877	620	2,929	4,426	68,802
Year 5 - YE 30/06/2018	68,802	718	388	2,929	4,035	64,767
Year 6 - YE 30/06/2019	64,767	588	242	2,929	3,759	61,008
Year 7 - YE 30/06/2020	61,008	482	151	2,929	3,562	57,446
Year 8 - YE 30/06/2021	57,446	395	95	2,929	3,419	54,027
Year 9 - YE 30/06/2022	54,027	324	59	2,929	3,312	50,714
Year 10 - YE 30/06/2023	50,714	266	37	2,929	3,232	47,482
Year 11 - YE 30/06/2024	47,482	219	23	2,929	3,171	44,311
Year 12 - YE 30/06/2025	44,311	180	14	2,929	3,123	41,188
Year 13 - YE 30/06/2026	41,188	148	9	2,929	3,086	38,101
Year 14 - YE 30/06/2027	38,101	122	6	2,929	3,057	35,045
Year 15 - YE 30/06/2028	35,045	100	4	2,929	3,033	32,012
Year 16 - YE 30/06/2029	32,012	83	2	2,929	3,014	28,998
Year 17 - YE 30/06/2030	28,998	68	1	2,929	2,999	25,999
Year 18 - YE 30/06/2031	25,999	56	1	2,929	2,986	23,012
Year 19 - YE 30/06/2032	23,012	46	1	2,929	2,976	20,036
Year 20 - YE 30/06/2033	20,036	38	0	2,929	2,968	17,068
Year 21 +	17,068	186	1	16,712	16,899	
<b>Totals</b>		<b>9,633</b>	<b>5,211</b>	<b>75,291</b>	<b>90,135</b>	

## 7.2 PRIME COST METHOD

Prime Cost Value Method						
	Opening Value	Division 40 Allowances	Division 40 Low Value Pool	Division 43 Deductions	Total	Written Down Value
Year 1 - 364 Days	90,305	1,557	977	2,921	5,455	84,849
Year 2 - YE 30/06/2015	84,849	802	1,588	2,929	5,319	79,530
Year 3 - YE 30/06/2016	79,530	802	992	2,929	4,724	74,807
Year 4 - YE 30/06/2017	74,807	802	620	2,929	4,352	70,455
Year 5 - YE 30/06/2018	70,455	802	388	2,929	4,119	66,336
Year 6 - YE 30/06/2019	66,336	802	242	2,929	3,974	62,363
Year 7 - YE 30/06/2020	62,363	802	151	2,929	3,883	58,480
Year 8 - YE 30/06/2021	58,480	802	95	2,929	3,826	54,654
Year 9 - YE 30/06/2022	54,654	802	59	2,929	3,790	50,864
Year 10 - YE 30/06/2023	50,864	802	37	2,929	3,768	47,095
Year 11 - YE 30/06/2024	47,095	350	23	2,929	3,302	43,793
Year 12 - YE 30/06/2025	43,793	349	14	2,929	3,292	40,500
Year 13 - YE 30/06/2026	40,500	120	9	2,929	3,058	37,442
Year 14 - YE 30/06/2027	37,442	40	6	2,929	2,975	34,467
Year 15 - YE 30/06/2028	34,467	-	4	2,929	2,933	31,534
Year 16 - YE 30/06/2029	31,534	-	2	2,929	2,932	28,603
Year 17 - YE 30/06/2030	28,603	-	1	2,929	2,931	25,672
Year 18 - YE 30/06/2031	25,672	-	1	2,929	2,930	22,742
Year 19 - YE 30/06/2032	22,742	-	1	2,929	2,930	19,812
Year 20 - YE 30/06/2033	19,812	-	0	2,929	2,930	16,882
Year 21 +	16,882	-	1	16,712	16,713	
<b>Totals</b>		<b>9,633</b>	<b>5,211</b>	<b>75,291</b>	<b>90,135</b>	

## 8 DIMINISHING VALUE (DV)

						OV as at 1-Jul-2013	First Year 1-Jul-2013 to 30-Jun-2014	C.W.D.V 30-Jun-2014				
Code	Assets	Method	Effective Life	Dim Rate(%)	Opening Value		Year 1 (364 Days)	Closing Value	Year 2	Year 3	Year 4	Year 5
<b>Doors and Screens</b>												
DSMO	Automatic-Remote Garage Door - Motor	DV	10.00	20.00	688		137	551	110	88	71	56
<b>Floor Finishes</b>												
FFCA	Carpet Floor Coverings	DV	10.00	20.00	3,845		767	3,078	616	492	394	315
<b>Internal Fittings and Furnishings</b>												
FUFR	Furniture - Freestanding	DV	13.33	15.00	1,589		238	1,351	203	172	146	124
<b>Kitchen Equipment</b>												
KECT	Cooktop	DV	12.00	16.67	477		79	397	66	55	46	38
KEOV	Oven	DV	12.00	16.67	583		97	486	81	67	56	47
<b>Water Supply</b>												
WSHE	Hot Water Unit - Electric	DV	12.00	16.67	1,695		282	1,413	235	196	164	136
<b>Total Immediate Writeoff Items less than \$300</b>												
IFUMR	Mirrors - Freestanding	DV	1.00	100.00	159		159	-	-	-	-	-
ILPTO	"Heated" Towel Rails	DV	1.00	100.00	207		207	-	-	-	-	-
IOFFR	Furniture - Freestanding	DV	1.00	100.00	265		265	-	-	-	-	-
ISCNM	Noise makers (Including Bells and sirens)	DV	1.00	100.00	127		127	-	-	-	-	-
<b>Total</b>					<b>9,633</b>		<b>2,357</b>	<b>7,276</b>	<b>1,311</b>	<b>1,072</b>	<b>877</b>	<b>718</b>

## 9 PRIME COST (PC)

						OV as at 1-Jul-2013	First Year 1-Jul-2013 to 30-Jun-2014	C.W.D.V 30-Jun-2014				
Code	Assets	Method	Effective Life	Prime Rate(%)	Opening Value		Year 1 (364 Days)	Closing Value	Year 2	Year 3	Year 4	Year 5
<b>Doors and Screens</b>												
DSMO	Automatic-Remote Garage Door - Motor	PC	10.00	10.00	688		69	620	69	69	69	69
<b>Floor Finishes</b>												
FFCA	Carpet Floor Coverings	PC	10.00	10.00	3,845		383	3,461	384	384	384	384
<b>Internal Fitments and Furnishings</b>												
FUFR	Furniture - Freestanding	PC	13.33	7.50	1,589		119	1,470	119	119	119	119
<b>Kitchen Equipment</b>												
KECT	Cooktop	PC	12.00	8.33	477		40	437	40	40	40	40
KEOV	Oven	PC	12.00	8.33	583		48	534	49	49	49	49
<b>Water Supply</b>												
WSHE	Hot Water Unit - Electric	PC	12.00	8.33	1,695		141	1,554	141	141	141	141
<b>Total Immediate Writeoff Items less than \$300</b>												
IFUMR	Mirrors - Freestanding	PC	1.00	100.00	159		159	-	-	-	-	-
ILPTO	"Heated" Towel Rails	PC	1.00	100.00	207		207	-	-	-	-	-
IOFFR	Furniture - Freestanding	PC	1.00	100.00	265		265	-	-	-	-	-
ISCNM	Noise makers (Including Bells and sirens)	PC	1.00	100.00	127		127	-	-	-	-	-
<b>Total</b>					<b>9,633</b>		<b>1,557</b>	<b>8,076</b>	<b>802</b>	<b>802</b>	<b>802</b>	<b>802</b>

# 10 LOW VALUE POOL

						OV as at 1-Jul-2013	First Year 1-Jul-2013 to 30-Jun-2014	C.W.D.V 30-Jun-2014				
Code	Assets	Method	Effective Life	Rate(%)	Opening Value		Year 1 (364 Days)	Closing Value	Year 2	Year 3	Year 4	Year 5
<b>Fire Protection</b>												
FPDE	Fire Detection - Detectors	LVP	20.00	37.50	466		87	379	142	89	55	35
<b>Internal Fitments and Furnishings</b>												
FUBT	Bathroom Accessories, freestanding	LVP	5.00	37.50	635		119	516	194	121	76	47
FUFR	Furniture - Freestanding	LVP	13.33	37.50	927		174	753	282	176	110	69
<b>Kitchen Equipment</b>												
KEDI	Dishwasher	LVP	10.00	37.50	763		143	620	232	145	91	57
<b>Light &amp; Power</b>												
LPLF	Fittings (Excluding hardwired)	LVP	5.00	37.50	869		163	706	265	165	103	65
<b>Security</b>												
SCCN	Security Systems - Control Panels	LVP	5.00	37.50	408		76	331	124	78	49	30
<b>Windows</b>												
WWCD	Window Curtains	LVP	6.00	37.50	1,144		214	929	349	218	136	85
<b>Total</b>					<b>5,211</b>		<b>977</b>	<b>4,234</b>	<b>1,588</b>	<b>992</b>	<b>620</b>	<b>388</b>

The Low Value Pool Items are depreciated at 18.75% based on their opening value in the first year, and 37.5% each subsequent year on a diminishing basis.

## 11 CAPITAL WORKS (DIV 43)

							Opening Value as at 1-Jul-2013	First Year 1-Jul-2013 to 30-Jun-2014	C.W.D.V 30-Jun-2014					
Code	Assets	Completion Date	Original Cost	Additions	Rate(%)	Annual Claim	Opening Value (\$)	Year 1 (364 Days)	Closing Value	Year 2	Year 3	Year 4	Year 5	
<b>Division 43 - Capital Works</b>														
BZ 1	Div 43 - Capital Works - Original Unit	1-Oct-95	80,679		2.50%	2,017	44,880	2,011	42,869	2,017	2,017	2,017	2,017	
BZ 2	Div 43 - Capital Works - Allowance for additional works - 2005	1-Aug-05		15,400	2.50%	385	12,353	384	11,969	385	385	385	385	
BZ 3	Div 43 - Capital Works - Allowance for additional works - 2009	1-Aug-09		11,375	2.50%	284	10,262	284	9,978	284	284	284	284	
<b>Division 43 - Structural Works</b>														
SZ 1	Div 43 - Structural Works - Allowance for structural works	1-Oct-95	9,720		2.50%	243	7,797	242	7,554	243	243	243	243	
<b>Total Division 43 Works</b>			<b>90,399</b>	<b>26,775</b>		<b>2,929</b>	<b>75,291</b>	<b>2,921</b>	<b>72,370</b>	<b>2,929</b>	<b>2,929</b>	<b>2,929</b>	<b>2,929</b>	

The property is estimated to have been built in 1995 and therefore does qualify for Div 43 capital works allowances charged at 2.5% annually. The additional works carried out to the main unit has however been included within our calculation.

## 12 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.



## CONTACT DETAILS

COMPANY DETAILS	
<b>Company Name</b>	Koste Pty Ltd
<b>Postal Address</b>	Central Plaza One Level 21, 345 Queen St 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>	0468 849 299
<b>Email</b>	mark@koste.com.au

koste.com.au  
info@koste.com.au  
phone 1300 669 400

