

Tax Depreciation Report

1&2 / 23 Huxley Street,
Christchurch 8023
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: RES8023001

Tax Depreciation Report – 1&2 / 23 Huxley Street, Christchurch 8023 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

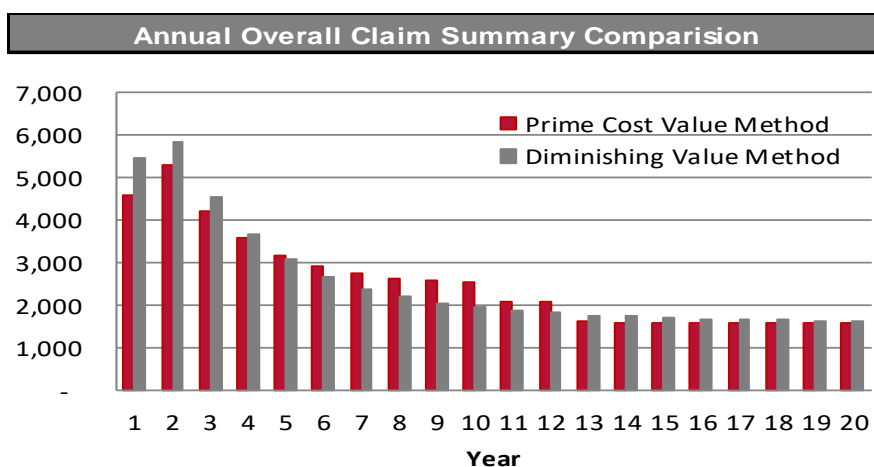
1.1 EXPENDITURE ANALYSED

Overall Expenditure Analysed		
Description	Value (\$)	%
Div 40 - Capital Allowances	19,932	8%
Div 43 Capital Works	41,294	17%
Repairs and Maintenance	-	0%
Capital Non Eligible	101,766	41%
Land Value	82,368	34%
Total Purchase Cost (AUD \$)	245,360	100%

1.2 FIRST YEAR EXPENDITURE

First Year Allowances Y/E - 30/06/14		
Description	Diminishing Value (\$)	Prime Cost (\$)
Div 40 - Depreciating Assets	2,165	1,286
Div 40 - Low Value Pool	1,735	1,735
Div 43 - Capital Works	1,589	1,589
Repairs & Maintenance	-	-
Write Off Expenditure	-	-
Total - Year 1 (AUD \$)	5,489	4,610

1.3 OVERALL CLAIM SUMMARY CHART



2 PROPERTY INFORMATION

Client	Conrad Romano
Property	1&2 / 23 Huxley Street, Christchurch 8023 New Zealand
Property Type	Residential Units
Date of Building Completion	1970s
Date of first let	01/07/2013

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"> • 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				
<ul style="list-style-type: none"> • 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

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	
Property Address	1&2 / 23 Huxley Street, Christchurch, New Zealand

PURCHASE DETAILS			
Exchange Date	01/01/2004	Settlement Date	18/02/2004
Purchase Price (Incl Fees)	\$244,640 (AUD \$) (AUD – NZD 0.88)	Land Value (Est)	\$82,368 (AUD \$) (AUD – NZD 0.88)

CONSTRUCTION DETAILS			
Construction Start Date	1970s	Construction End Date	1970s
Historic Construction Cost	N/A		

EXPENDITURE ANALYSED		
Div 40 (Capital Allowances)	\$19,932	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.
Div 43 (Capital Works)	\$41,294	
Capital Non Deductable	\$101,766	
Land Non Deductable	\$82,368	
Total Expenditure Analysed	\$245,360 (AUD)	

Notes	
Opening Values	This is based on the original construction costs incurred including variations
Effective Lives	Used In accordance with the Commissioner of Taxation Rates
Site Inspection	The site inspection includes the measurement, photographic records, and identification of depreciating assets.
Disclaimer	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	61,226	2,165	1,735	1,589	5,489	55,737
Year 2 - YE 30/06/2015	55,737	1,442	2,820	1,593	5,855	49,882
Year 3 - YE 30/06/2016	49,882	1,180	1,762	1,593	4,535	45,347
Year 4 - YE 30/06/2017	45,347	965	1,101	1,593	3,660	41,688
Year 5 - YE 30/06/2018	41,688	790	688	1,593	3,071	38,616
Year 6 - YE 30/06/2019	38,616	647	430	1,593	2,670	35,946
Year 7 - YE 30/06/2020	35,946	530	269	1,593	2,392	33,554
Year 8 - YE 30/06/2021	33,554	434	168	1,593	2,195	31,359
Year 9 - YE 30/06/2022	31,359	356	105	1,593	2,054	29,305
Year 10 - YE 30/06/2023	29,305	292	66	1,593	1,951	27,354
Year 11 - YE 30/06/2024	27,354	240	41	1,593	1,874	25,480
Year 12 - YE 30/06/2025	25,480	197	26	1,593	1,815	23,665
Year 13 - YE 30/06/2026	23,665	162	16	1,593	1,771	21,894
Year 14 - YE 30/06/2027	21,894	133	10	1,593	1,736	20,158
Year 15 - YE 30/06/2028	20,158	109	6	1,593	1,708	18,450
Year 16 - YE 30/06/2029	18,450	90	4	1,593	1,687	16,763
Year 17 - YE 30/06/2030	16,763	74	2	1,593	1,669	15,094
Year 18 - YE 30/06/2031	15,094	61	2	1,593	1,655	13,439
Year 19 - YE 30/06/2032	13,439	50	1	1,593	1,644	11,795
Year 20 - YE 30/06/2033	11,795	41	1	1,593	1,635	10,160
Year 21 +	10,160	193	1	9,437	9,631	
Totals		10,149	9,254	41,294	60,697	

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	61,226	1,286	1,735	1,589	4,610	56,616
Year 2 - YE 30/06/2015	56,616	882	2,820	1,593	5,294	51,322
Year 3 - YE 30/06/2016	51,322	882	1,762	1,593	4,237	47,085
Year 4 - YE 30/06/2017	47,085	882	1,101	1,593	3,576	43,509
Year 5 - YE 30/06/2018	43,509	882	688	1,593	3,163	40,346
Year 6 - YE 30/06/2019	40,346	882	430	1,593	2,905	37,441
Year 7 - YE 30/06/2020	37,441	882	269	1,593	2,743	34,698
Year 8 - YE 30/06/2021	34,698	882	168	1,593	2,643	32,055
Year 9 - YE 30/06/2022	32,055	882	105	1,593	2,580	29,476
Year 10 - YE 30/06/2023	29,476	882	66	1,593	2,540	26,935
Year 11 - YE 30/06/2024	26,935	465	41	1,593	2,099	24,837
Year 12 - YE 30/06/2025	24,837	464	26	1,593	2,082	22,754
Year 13 - YE 30/06/2026	22,754	1	16	1,593	1,610	21,144
Year 14 - YE 30/06/2027	21,144	-	10	1,593	1,603	19,541
Year 15 - YE 30/06/2028	19,541	-	6	1,593	1,599	17,942
Year 16 - YE 30/06/2029	17,942	-	4	1,593	1,597	16,345
Year 17 - YE 30/06/2030	16,345	-	2	1,593	1,596	14,749
Year 18 - YE 30/06/2031	14,749	-	2	1,593	1,595	13,154
Year 19 - YE 30/06/2032	13,154	-	1	1,593	1,594	11,560
Year 20 - YE 30/06/2033	11,560	-	1	1,593	1,594	9,967
Year 21 +	9,967	-	1	9,437	9,438	
Totals		10,149	9,254	41,294	60,697	

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
Floor Finishes												
FFCA	Carpet Floor Coverings	DV	10.00	20.00	2,687		536	2,151	430	344	275	220
FFVY	Vinyl Floor Coverings	DV	10.00	20.00	1,493		298	1,195	239	191	153	122
Kitchen Equipment												
KEST	Upright Stove - Cooktop & Oven Single Unit	DV	12.00	16.67	2,307		383	1,923	321	267	223	186
Water Supply												
WSHE	Hot Water Unit - Electric	DV	12.00	16.67	3,256		541	2,715	453	377	314	262
Total Immediate Writeoff Items less than \$300												
IFUMR	Mirrors - Freestanding	DV	1.00	100.00	407		407	-	-	-	-	-
Total					10,149		2,165	7,984	1,442	1,180	965	790

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
Floor Finishes												
FFCA	Carpet Floor Coverings	PC	10.00	10.00	2,687		268	2,419	269	269	269	269
FFVY	Vinyl Floor Coverings	PC	10.00	10.00	1,493		149	1,344	149	149	149	149
Kitchen Equipment												
KEST	Upright Stove - Cooktop & Oven Single Unit	PC	12.00	8.33	2,307		192	2,115	192	192	192	192
Water Supply												
WSHE	Hot Water Unit - Electric	PC	12.00	8.33	3,256		271	2,986	271	271	271	271
Total Immediate Writeoff Items less than \$300												
IFUMR	Mirrors - Freestanding	PC	1.00	100.00	407		407	-	-	-	-	-
Total					10,149		1,286	8,863	882	882	882	882

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	Dim Rate(%)	Opening Value		Year 1 (364 Days)	Closing Value	Year 2	Year 3	Year 4	Year 5
Fire Protection												
FPDE	Fire Detection - Detectors	LVP	20.00	37.50	597		112	485	182	114	71	44
Internal Fitments and Furnishings												
FUBT	Bathroom Accessories, freestanding	LVP	5.00	37.50	1,628		305	1,323	496	310	194	121
FUFR	Furniture - Freestanding	LVP	13.33	37.50	488		92	397	149	93	58	36
Light & Power												
LPLF	Fittings (Excluding hardwired)	LVP	5.00	37.50	1,954		366	1,588	595	372	233	145
Outdoor Furniture & Equipment												
OFFR	Furniture - Freestanding	LVP	5.00	37.50	339		64	276	103	65	40	25
Special Equipment												
GDGB	Garbage Bins	LVP	10.00	37.50	434		81	353	132	83	52	32
Ventilation												
KEER	Rangehood	LVP	12.00	37.50	1,045		196	849	318	199	124	78
Windows												
WWBR	Window Blinds Internal	LVP	10.00	37.50	814		153	661	248	155	97	61
WWCD	Window Curtains	LVP	6.00	37.50	1,954		366	1,588	595	372	233	145
Total					9,254		1,735	7,519	2,820	1,762	1,101	688

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
Division 43 - Capital Works													
BZ 1	Div 43 - Capital Works - Original House	1-Oct-78		Non Eligible Expenditure				-	-	-	-	-	-
BZ 2	Div 43 - Capital Works - Allowance for additional works - 1994	1-Aug-94		20,475	2.50%	512	10,793	510	10,282	512	512	512	512
BZ 3	Div 43 - Capital Works - Allowance for additional works - 2004	1-Aug-03		30,240	2.50%	756	22,744	754	21,990	756	756	756	756
Division 43 - Structural Works													
SZ 1	Div 43 - Structural Works - Allowance for structural works - 1994	1-Aug-94		9,008	2.50%	225	4,748	225	4,524	225	225	225	225
SZ 2	Div 43 - Structural Works - Allowance for structural works - 2000	1-Aug-00		1,500	2.50%	38	1,128	37	1,091	38	38	38	38
SZ 3	Div 43 - Structural Works - Allowance for structural works - 2004	1-Aug-04		2,500	2.50%	63	1,880	62	1,818	63	63	63	63
Total Division 43 Works				-	63,723	1,593	41,294	1,589	39,705	1,593	1,593	1,593	1,593

The property is estimated to have been built in the 1970s and therefore does not qualify for Div 43 capital works allowances charged at 2.5% annually. The additional works carried out to the main house has however been included within our calculation.

12 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.

CONTACT DETAILS

COMPANY DETAILS	
Company Name	Koste Pty Ltd
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