



Tax Depreciation Report

Lot 1, Mancave Place 2, 25 Industrial Avenue,
Molendinar QLD 4214

Air BC Pty Ltd
463 Woollooware Rd
BURRANEER, NSW 2230

Issue Schedule	
Issue Date:	Issued by:
28 March 2018	Mark Kilroy Bsc (Hons) MRICS

Air BC Pty Ltd
463 Woollooware Rd
BURRANEER, NSW 2230

March 2018
Job No: COM4214005

**Tax Depreciation Report – Lot 1, Mancave Place 2, 25 Industrial Avenue,
Molendinar QLD 4214**

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

28 March 2018

Purchaser

Air BC Pty Ltd

Property Address

Lot 1, Mancave Place 2, 25 Industrial Avenue, Molendinar QLD 4214

Real Property Description

L1 SP293200

Property Type

Commercial

Date of Construction

2 July 2017

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				
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

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	1 August 17 to 30 June 18	5,094	2,044	7,138	2,706	9,844
2	1 July 18 to 30 June 19	4,098	3,322	7,420	2,966	10,386
3	1 July 19 to 30 June 20	2,987	2,076	5,063	2,966	8,029
4	1 July 20 to 30 June 21	2,109	1,648	3,757	2,966	6,723
5	1 July 21 to 30 June 22	1,626	1,030	2,656	2,966	5,622
6	1 July 22 to 30 June 23	1,027	889	1,916	2,966	4,882
7	1 July 23 to 30 June 24	890	556	1,446	2,966	4,412
8	1 July 24 to 30 June 25	773	347	1,121	2,966	4,087
9	1 July 25 to 30 June 26	498	547	1,045	2,966	4,011
10	1 July 26 to 30 June 27	448	342	790	2,966	3,756
11	1 July 27 to 30 June 28	404	214	617	2,966	3,583
12	1 July 28 to 30 June 29	363	134	497	2,966	3,463
13	1 July 29 to 30 June 30	327	83	410	2,966	3,376
14	1 July 30 to 30 June 31	294	52	346	2,966	3,312
15	1 July 31 to 30 June 32	265	33	297	2,966	3,263
16	1 July 32 to 30 June 33	238	20	259	2,966	3,225
17	1 July 33 to 30 June 34	214	13	227	2,966	3,193
18	1 July 34 to 30 June 35	193	8	201	2,966	3,167
19	1 July 35 to 30 June 36	174	5	179	2,966	3,145
20	1 July 36 to 30 June 37	156	3	159	2,966	3,125
21	1 July 37 to 30 June 38	141	2	143	2,966	3,109
22	1 July 38 to 30 June 39	127	1	128	2,966	3,094
23	1 July 39 to 30 June 40	114	1	115	2,966	3,081
24	1 July 40 to 30 June 41	103	0	103	2,966	3,069
25	1 July 41 to 30 June 42	0	347	347	2,966	3,313
26	1 July 42 to 30 June 43	0	217	217	2,966	3,183
27	1 July 43 to 30 June 44	0	135	135	2,966	3,101
28	1 July 44 to 30 June 45	0	85	85	2,966	3,051
29	1 July 45 to 30 June 46	0	53	53	2,966	3,019
30	1 July 46 to 30 June 47	0	33	33	2,966	2,999
31	1 July 47 to 30 June 48	0	21	21	2,966	2,987
32	1 July 48 to 30 June 49	0	13	13	2,966	2,979
33	1 July 49 to 30 June 50	0	8	8	2,966	2,974
34	1 July 50 to 30 June 51	0	5	5	2,966	2,971
35	1 July 51 to 30 June 52	0	3	3	2,966	2,969
36	1 July 52 to 30 June 53	0	2	2	2,966	2,968
37	1 July 53 to 30 June 54	0	1	1	2,966	2,967
38	1 July 54 to 30 June 55	0	1	1	2,966	2,967
39	1 July 55 to 30 June 56	0	0	0	2,966	2,966
40	2056+	0	1	1	3,003	3,004
Totals		22,663	14,293	36,956	118,417	155,373

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	Effective Life	Pooled Plant	Total Div 40	Division 43	Totals
1	1 August 17 to 30 June 18	2,547	2,044	4,591	2,706	7,297
2	1 July 18 to 30 June 19	2,791	3,322	6,113	2,966	9,079
3	1 July 19 to 30 June 20	2,791	2,076	4,867	2,966	7,833
4	1 July 20 to 30 June 21	2,791	1,298	4,089	2,966	7,055
5	1 July 21 to 30 June 22	2,791	811	3,602	2,966	6,568
6	1 July 22 to 30 June 23	1,340	507	1,846	2,966	4,812
7	1 July 23 to 30 June 24	1,198	317	1,515	2,966	4,481
8	1 July 24 to 30 June 25	1,198	198	1,396	2,966	4,362
9	1 July 25 to 30 June 26	1,198	124	1,322	2,966	4,288
10	1 July 26 to 30 June 27	1,198	77	1,275	2,966	4,241
11	1 July 27 to 30 June 28	728	48	776	2,966	3,742
12	1 July 28 to 30 June 29	685	30	715	2,966	3,681
13	1 July 29 to 30 June 30	685	19	704	2,966	3,670
14	1 July 30 to 30 June 31	624	12	635	2,966	3,601
15	1 July 31 to 30 June 32	573	7	580	2,966	3,546
16	1 July 32 to 30 June 33	573	5	578	2,966	3,544
17	1 July 33 to 30 June 34	573	3	576	2,966	3,542
18	1 July 34 to 30 June 35	573	2	575	2,966	3,541
19	1 July 35 to 30 June 36	573	1	574	2,966	3,540
20	1 July 36 to 30 June 37	573	1	574	2,966	3,540
21	1 July 37 to 30 June 38	52	0	53	2,966	3,019
22	1 July 38 to 30 June 39	0	0	0	2,966	2,966
23	1 July 39 to 30 June 40	0	0	0	2,966	2,966
24	1 July 40 to 30 June 41	0	0	0	2,966	2,966
25	1 July 41 to 30 June 42	0	0	0	2,966	2,966
26	1 July 42 to 30 June 43	0	0	0	2,966	2,966
27	1 July 43 to 30 June 44	0	0	0	2,966	2,966
28	1 July 44 to 30 June 45	0	0	0	2,966	2,966
29	1 July 45 to 30 June 46	0	0	0	2,966	2,966
30	1 July 46 to 30 June 47	0	0	0	2,966	2,966
31	1 July 47 to 30 June 48	0	0	0	2,966	2,966
32	1 July 48 to 30 June 49	0	0	0	2,966	2,966
33	1 July 49 to 30 June 50	0	0	0	2,966	2,966
34	1 July 50 to 30 June 51	0	0	0	2,966	2,966
35	1 July 51 to 30 June 52	0	0	0	2,966	2,966
36	1 July 52 to 30 June 53	0	0	0	2,966	2,966
37	1 July 53 to 30 June 54	0	0	0	2,966	2,966
38	1 July 54 to 30 June 55	0	0	0	2,966	2,966
39	1 July 55 to 30 June 56	0	0	0	2,966	2,966
40	2056+	0	0	0	3,003	3,003
Totals		26,054	10,902	36,956	118,417	155,373

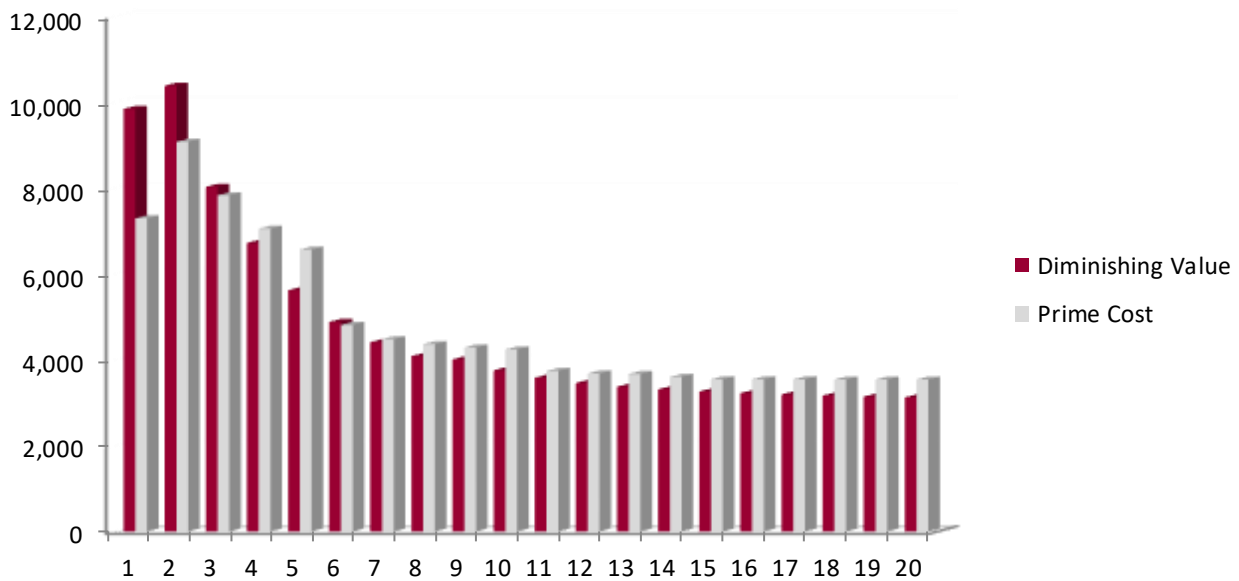
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

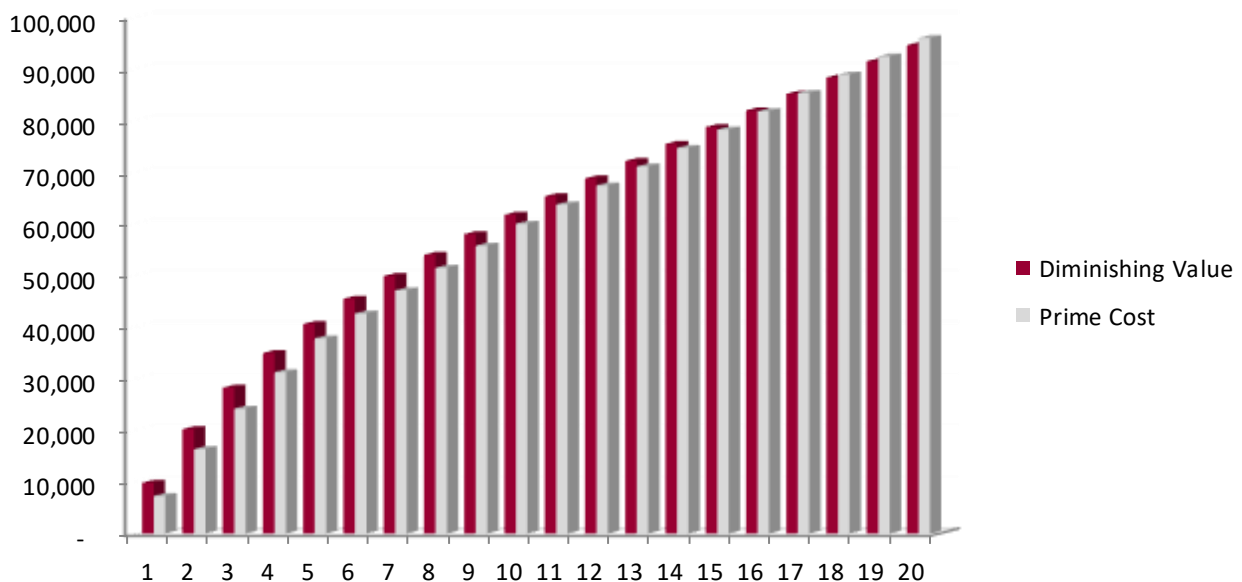
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

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	19 June 2017
Settlement Date	1 August 2017

Expenditure Analysed

Purchase Price	\$729,000
Stamp Duty	\$24,513
Legals	\$1,200
Total Expenditure Analysed	\$754,713

Historical Construction Details

Construction Start Date	4 November 2016
Construction Completion Date	2 July 2017
Historical Construction Cost (Estimated)*	\$127,045

9. Reconciliation of Capital Expenditure

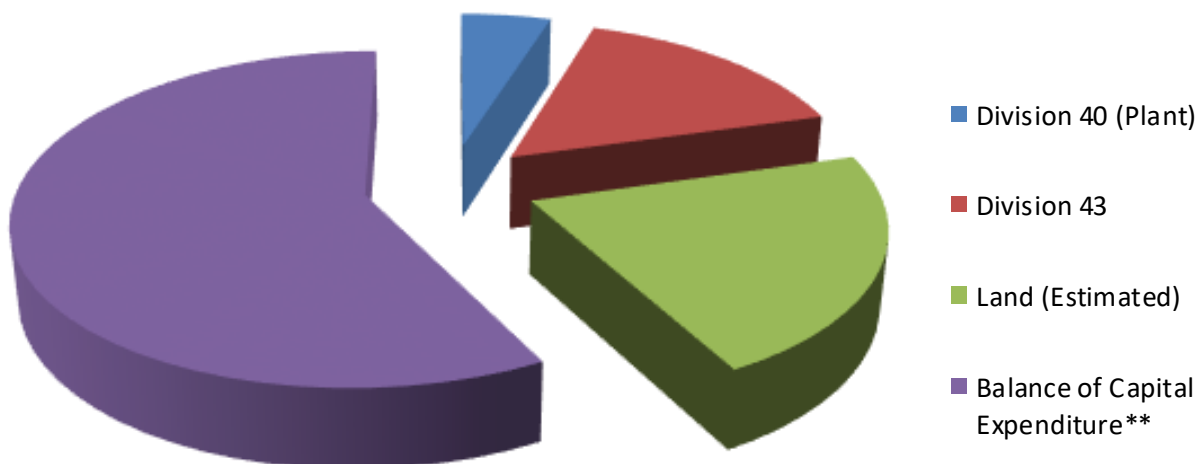
Apportionment of cost relating to:

Division 40 (Plant)	\$36,956
Division 43	\$118,417
Land (Estimated)	\$162,796
Balance of Capital Expenditure**	\$436,544
Total Expenditure Analysed	\$754,713

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	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	Value Rate												
Bathroom assets													
Exhaust fans (including light/heating)	18.75%	1-Aug-17	105	20	32	20	13	8	5	3	2	1	1
Door closers	18.75%	1-Aug-17	62	12	19	12	7	5	3	2	1	1	0
Electrical Machinery & Equipment :													
Switchboards	10.00%	1-Aug-17	11,462	1,046	1,042	937	844	759	683	615	554	498	448
Motors	20.00%	1-Aug-17	5,128	936	838	671	537	429	343	275	220	330	206
Fire control assets													
Fire extinguishers	18.75%	1-Aug-17	936	175	285	178	111	70	44	27	17	11	7
Floor coverings (removable without damage)													
Carpets	40.00%	1-Aug-17	7,967	2,908	2,024	1,214	729	437	246	154	96	60	38
Furniture	15.00%	1-Aug-17	1,497	205	194	165	350	219	137	85	53	33	21
Furniture	18.75%	1-Aug-17	309	58	94	59	37	23	14	9	6	4	2
Lights													
Emergency	18.75%	1-Aug-17	823	154	251	157	98	61	38	24	15	9	6
Fittings	18.75%	1-Aug-17	7,731	1,450	2,356	1,472	920	575	359	225	140	88	55
Ventilating plant													
Ventilation plant - fans only	18.75%	1-Aug-17	936	175	285	178	111	70	44	27	17	11	7
Pooled Plant Total				2,044	3,322	2,076	1,648	1,030	889	556	347	547	342
Effective Life Plant Total				5,094	4,098	2,987	2,109	1,626	1,027	890	773	498	448
Total Division 40			36,956	7,138	7,420	5,063	3,757	2,656	1,916	1,446	1,121	1,045	790
Division 43 - Capital Works Allowance													
	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2017	2.50%	01-Aug-17	109,825	2,510	2,751	2,751	2,751	2,751	2,751	2,751	2,751	2,751	2,751
Structural Improvements - Completed 2017	2.50%	01-Aug-17	8,592	196	215	215	215	215	215	215	215	215	215
Total Division 43			118,417	2,706	2,966	2,966	2,966	2,966	2,966	2,966	2,966	2,966	2,966
Total Depreciation			155,373	9,844	10,386	8,029	6,723	5,622	4,882	4,412	4,087	4,011	3,756

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
Bathroom assets													
Exhaust fans (including light/heating)	18.75%	01-Aug-17	105	20	32	20	13	8	5	3	2	1	1
Door closers	18.75%	01-Aug-17	62	12	19	12	7	5	3	2	1	1	0
Electrical Machinery & Equipment :													
Switchboards	5.00%	01-Aug-17	11,462	523	573	573	573	573	573	573	573	573	573
Motors	10.00%	01-Aug-17	5,128	468	513	513	513	513	513	513	513	513	513
Fire control assets													
Fire extinguishers	18.75%	01-Aug-17	936	175	285	178	111	70	44	27	17	11	7
Floor coverings (removable without damage)													
Carpets	20.00%	01-Aug-17	7,967	1,454	1,593	1,593	1,593	1,593	142				
Furniture													
Furniture	7.50%	01-Aug-17	1,497	102	112	112	112	112	112	112	112	112	112
Furniture	18.75%	01-Aug-17	309	58	94	59	37	23	14	9	6	4	2
Lights													
Fittings (excluding hardwired)	18.75%	01-Aug-17	823	154	251	157	98	61	38	24	15	9	6
Freestanding	18.75%	01-Aug-17	7,731	1,450	2,356	1,472	920	575	359	225	140	88	55
Ventilating plant													
Ventilation plant - fans only	18.75%	01-Aug-17	936	175	285	178	111	70	44	27	17	11	7
Pooled Plant Total				2,044	3,322	2,076	1,298	811	507	317	198	124	77
Effective Life Plant Total				2,547	2,791	2,791	2,791	2,791	1,340	1,198	1,198	1,198	1,198
Total Division 40			36,956	4,591	6,113	4,867	4,089	3,602	1,846	1,515	1,396	1,322	1,275
Division 43 - Capital Works Allowance													
	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2017				2,510	2,751	2,751	2,751	2,751	2,751	2,751	2,751	2,751	2,751
Structural Improvements - Completed 2017				196	215	215	215	215	215	215	215	215	215
Total Division 43			118,417	2,706	2,966	2,966	2,966	2,966	2,966	2,966	2,966	2,966	2,966
Total Depreciation			155,373	7,297	9,079	7,833	7,055	6,568	4,812	4,481	4,362	4,288	4,241

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 2017	4 Nov 16 to 2 Jul 17	110,052	2.50%	2,751	109,825
Sub-total		110,052		2,751	109,825

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Structural Improvements - Completed 2017	4 Nov 16 to 2 Jul 17	8,610	2.50%	215	8,592
Sub-total		8,610		215	8,592
Totals		118,661		2,966	118,417

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

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	Suite 1, L12/133 Mary Street, Brisbane, Qld 4000
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
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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.