Tax Depreciation Report

Condensor Loop, 288 Edward Street
Brisbane City QLD 4000

Quadra Pacific (Aust.) Corp. Pty Ltd
GPO Box 1168
BRISBANE, QLD 4001

Issue Schedule	
Issue Date:	Issued by:
30 January 2019	Mark Kilroy Bsc (Hons) MRICS

Quadra Pacific (Aust.) Corp. Pty Ltd
GPO Box 1168
BRISBANE, QLD 4001

January 2019
Job No: COM4000016

Tax Depreciation Report – Condensor Loop, 288 Edward Street, Brisbane City QLD 4000

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

TABLE OF CONTENTS

1. Property Information

Date of Report

30 January 2019

Purchaser

Quadra Pacific (Aust.) Corp. Pty Ltd

Property Address

Condensor Loop, 288 Edward Street, Brisbane City QLD 4000

Property Type

Condenser Water Loop and Associated Plant

Date of Construction

7 December 2018

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 deprecating 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

- 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

- 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	7 December 18 to 30 December 18	7,029	0	7,029	10,207	**17,236**
2	31 December 18 to 30 December 19	110,613	0	110,613	18,173	**128,786**
3	31 December 19 to 30 December 20	95,944	0	95,944	18,173	**114,117**
4	31 December 20 to 30 December 21	83,328	0	83,328	18,173	**101,501**
5	31 December 21 to 30 December 22	72,461	0	72,461	18,173	**90,634**
6	31 December 22 to 30 December 23	63,086	0	63,086	18,173	**81,259**
7	31 December 23 to 30 December 24	54,986	0	54,986	18,173	**73,159**
8	31 December 24 to 30 December 25	47,978	0	47,978	18,173	**66,151**
9	31 December 25 to 30 December 26	41,906	0	41,906	18,173	**60,079**
10	31 December 26 to 30 December 27	36,640	0	36,640	18,173	**54,813**
11	31 December 27 to 30 December 28	32,065	0	32,065	18,173	**50,238**
12	31 December 28 to 30 December 29	28,087	0	28,087	18,173	**46,260**
13	31 December 29 to 30 December 30	24,624	0	24,624	18,173	**42,797**
14	31 December 30 to 30 December 31	21,606	0	21,606	18,173	**39,779**
15	31 December 31 to 30 December 32	18,972	0	18,972	18,173	**37,145**
16	31 December 32 to 30 December 33	16,673	0	16,673	18,173	**34,846**
17	31 December 33 to 30 December 34	14,662	0	14,662	18,173	**32,835**
18	31 December 34 to 30 December 35	12,903	0	12,903	18,173	**31,076**
19	31 December 35 to 30 December 36	11,363	0	11,363	18,173	**29,536**
20	31 December 36 to 30 December 37	10,013	0	10,013	18,173	**28,186**
21	31 December 37 to 30 December 38	8,829	0	8,829	18,173	**27,002**
22	31 December 38 to 30 December 39	7,607	342	7,949	18,173	**26,122**
23	31 December 39 to 30 December 40	6,731	213	6,944	18,173	**25,117**
24	31 December 40 to 30 December 41	5,957	133	6,091	18,173	**24,264**
25	31 December 41 to 30 December 42	5,274	83	5,358	18,173	**23,531**
26	31 December 42 to 30 December 43	4,672	52	4,724	18,173	**22,897**
27	31 December 43 to 30 December 44	4,139	33	4,172	18,173	**22,345**
28	31 December 44 to 30 December 45	3,668	20	3,689	18,173	**21,862**
29	31 December 45 to 30 December 46	3,252	13	3,265	18,173	**21,438**
30	31 December 46 to 30 December 47	2,885	8	2,893	18,173	**21,066**
31	31 December 47 to 30 December 48	2,559	5	2,564	18,173	**20,737**
32	31 December 48 to 30 December 49	2,151	341	2,492	18,173	**20,665**
33	31 December 49 to 30 December 50	1,912	213	2,126	18,173	**20,299**
34	31 December 50 to 30 December 51	1,701	133	1,834	18,173	**20,007**
35	31 December 51 to 30 December 52	1,513	83	1,596	18,173	**19,769**
36	31 December 52 to 30 December 53	1,346	52	1,398	18,173	**19,571**
37	31 December 53 to 30 December 54	1,198	33	1,231	18,173	**19,404**
38	31 December 54 to 30 December 55	1,067	20	1,087	18,173	**19,260**
39	31 December 55 to 30 December 56	950	13	963	18,173	**19,136**
40	2056+	7,897	21	7,918	26,154	**34,072**
	Totals	**880,248**	**1,812**	**882,060**	**726,935**	**1,608,995**

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	7 December 18 to 30 December 18	3,514	0	3,514	10,207	**13,721**
2	31 December 18 to 30 December 19	55,773	0	55,773	18,173	**73,946**
3	31 December 19 to 30 December 20	55,773	0	55,773	18,173	**73,946**
4	31 December 20 to 30 December 21	55,773	0	55,773	18,173	**73,946**
5	31 December 21 to 30 December 22	55,773	0	55,773	18,173	**73,946**
6	31 December 22 to 30 December 23	55,773	0	55,773	18,173	**73,946**
7	31 December 23 to 30 December 24	55,773	0	55,773	18,173	**73,946**
8	31 December 24 to 30 December 25	55,773	0	55,773	18,173	**73,946**
9	31 December 25 to 30 December 26	55,773	0	55,773	18,173	**73,946**
10	31 December 26 to 30 December 27	55,773	0	55,773	18,173	**73,946**
11	31 December 27 to 30 December 28	55,269	0	55,269	18,173	**73,442**
12	31 December 28 to 30 December 29	47,773	0	47,773	18,173	**65,946**
13	31 December 29 to 30 December 30	47,773	0	47,773	18,173	**65,946**
14	31 December 30 to 30 December 31	47,773	0	47,773	18,173	**65,946**
15	31 December 31 to 30 December 32	47,773	0	47,773	18,173	**65,946**
16	31 December 32 to 30 December 33	45,840	0	45,840	18,173	**64,013**
17	31 December 33 to 30 December 34	17,093	0	17,093	18,173	**35,266**
18	31 December 34 to 30 December 35	17,093	0	17,093	18,173	**35,266**
19	31 December 35 to 30 December 36	17,093	0	17,093	18,173	**35,266**
20	31 December 36 to 30 December 37	17,093	0	17,093	18,173	**35,266**
21	31 December 37 to 30 December 38	16,016	0	16,016	18,173	**34,189**
22	31 December 38 to 30 December 39	0	0	0	18,173	**18,173**
23	31 December 39 to 30 December 40	0	0	0	18,173	**18,173**
24	31 December 40 to 30 December 41	0	0	0	18,173	**18,173**
25	31 December 41 to 30 December 42	0	0	0	18,173	**18,173**
26	31 December 42 to 30 December 43	0	0	0	18,173	**18,173**
27	31 December 43 to 30 December 44	0	0	0	18,173	**18,173**
28	31 December 44 to 30 December 45	0	0	0	18,173	**18,173**
29	31 December 45 to 30 December 46	0	0	0	18,173	**18,173**
30	31 December 46 to 30 December 47	0	0	0	18,173	**18,173**
31	31 December 47 to 30 December 48	0	0	0	18,173	**18,173**
32	31 December 48 to 30 December 49	0	0	0	18,173	**18,173**
33	31 December 49 to 30 December 50	0	0	0	18,173	**18,173**
34	31 December 50 to 30 December 51	0	0	0	18,173	**18,173**
35	31 December 51 to 30 December 52	0	0	0	18,173	**18,173**
36	31 December 52 to 30 December 53	0	0	0	18,173	**18,173**
37	31 December 53 to 30 December 54	0	0	0	18,173	**18,173**
38	31 December 54 to 30 December 55	0	0	0	18,173	**18,173**
39	31 December 55 to 30 December 56	0	0	0	18,173	**18,173**
40	2056+	0	0	0	26,154	**26,154**
	Totals	**882,060**	**0**	**882,060**	**726,935**	**1,608,995**

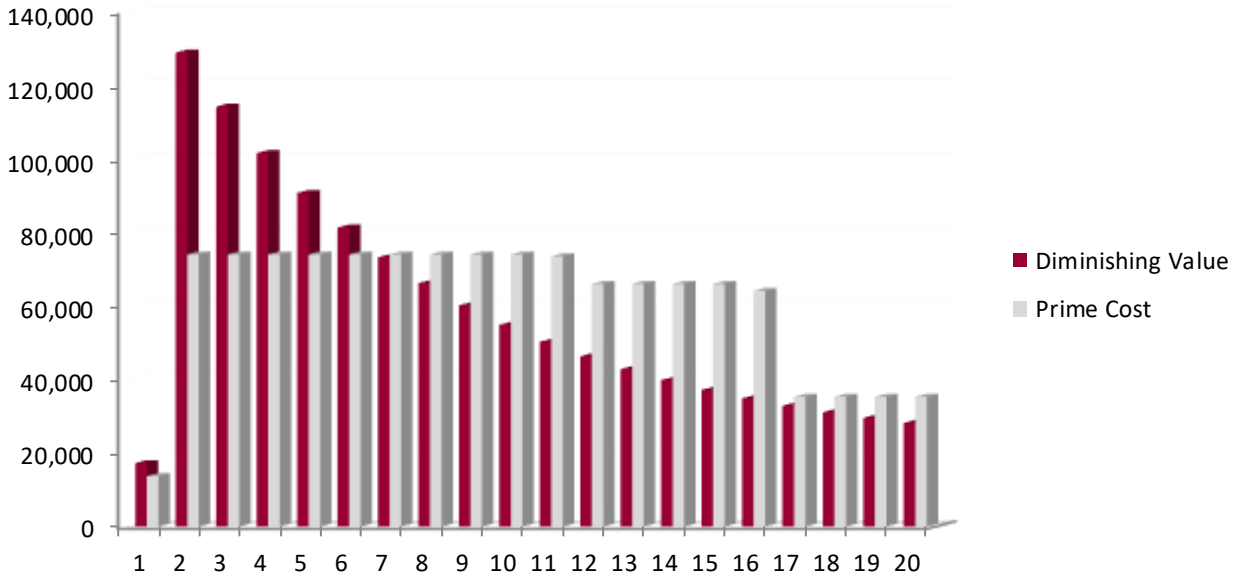
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

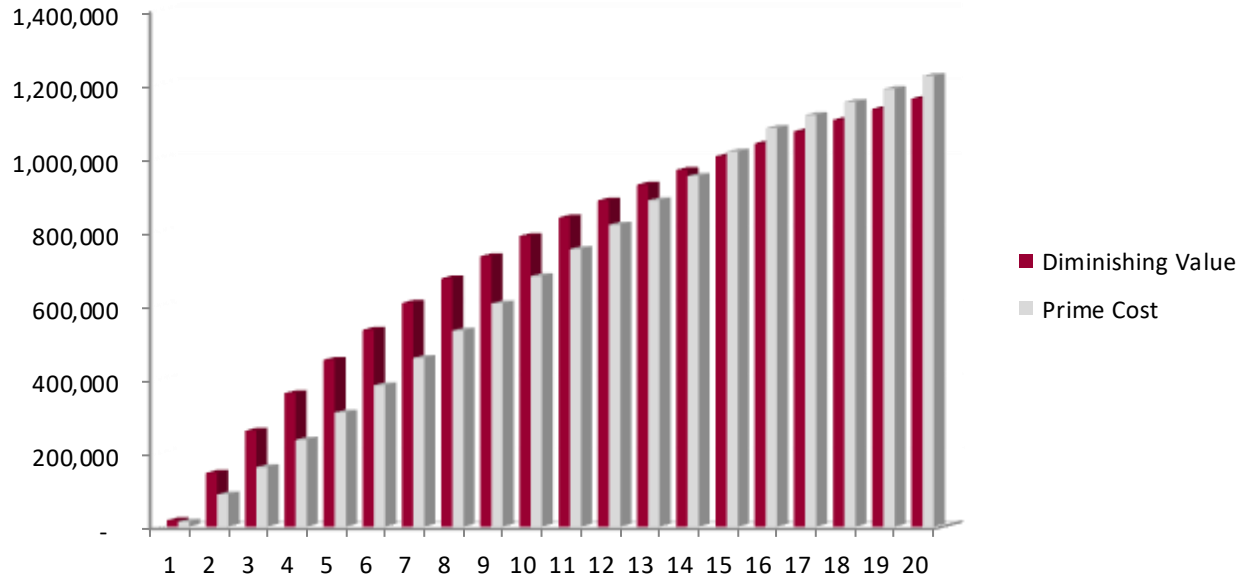
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	$1,000	$100	$900	$100

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

Construction Details	
Contract Date	7 June 2018
Completion Date	7 December 2018

Expenditure Analysed	
Fit Out Cost	$1,608,995
Total Expenditure Analysed	**$1,608,995**

Historical Construction Details	
Construction Start Date	7 June 2018
Construction Completion Date	7 December 2018
Historical Construction Cost (Advised)*	$1,608,995

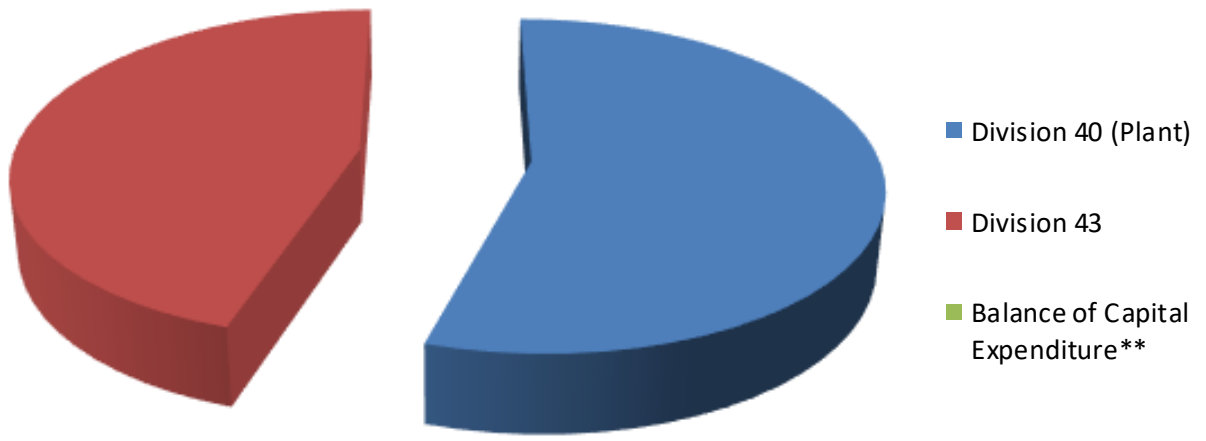
9. Reconciliation of Capital Expenditure

Apportionment of cost relating to:	
Division 40 (Plant)	$882,060
Division 43	$726,935
Balance of Capital Expenditure**	$0
Total Expenditure Analysed	**$1,608,995**

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 Division 40 - Plant and Equipment	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
Air-conditioning assets (excl. ducting, pipes & vents)													
Air handling units	10.00%	7-Dec-18	281,860	1,776	28,008	25,208	22,687	20,418	18,376	16,539	14,885	13,396	12,057
Condensing sets	13.33%	7-Dec-18	66,540	559	8,797	7,624	6,608	5,727	4,963	4,301	3,728	3,231	2,800
Cooling towers	13.33%	7-Dec-18	393,660	3,307	52,047	45,107	39,093	33,881	29,363	25,448	22,055	19,114	16,566
AC variable speed drives (VSDs)	20.00%	7-Dec-18	80,000	1,008	15,798	12,639	10,111	8,089	6,471	5,177	4,141	3,313	2,651
Pumps	10.00%	7-Dec-18	60,000	378	5,962	5,366	4,829	4,346	3,912	3,521	3,169	2,852	2,567
Pooled Plant Total													
Effective Life Plant Total				**7,029**	**110,613**	**95,944**	**83,328**	**72,461**	**63,086**	**54,986**	**47,978**	**41,906**	**36,640**
Total Division 40			**882,060**	**7,029**	**110,613**	**95,944**	**83,328**	**72,461**	**63,086**	**54,986**	**47,978**	**41,906**	**36,640**

Division 43 - Capital Works Allowance	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2018	2.50%	07-Dec-18	726,935	10,207	18,173	18,173	18,173	18,173	18,173	18,173	18,173	18,173	18,173
Total Division 43			**726,935**	**10,207**	**18,173**	**18,173**	**18,173**	**18,173**	**18,173**	**18,173**	**18,173**	**18,173**	**18,173**
Total Depreciation			**1,608,995**	**17,236**	**128,786**	**114,117**	**101,501**	**90,634**	**81,259**	**73,159**	**66,151**	**60,079**	**54,813**

11. Prime Cost Depreciation Schedule

Assets Generally Division 40 - Plant and Equipment	Prime Cost 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)													
Air handling units	5.00%	07-Dec-18	281,860	888	14,093	14,093	14,093	14,093	14,093	14,093	14,093	14,093	14,093
Condensing sets	6.67%	07-Dec-18	66,540	280	4,436	4,436	4,436	4,436	4,436	4,436	4,436	4,436	4,436
Cooling towers	6.67%	07-Dec-18	393,660	1,654	26,244	26,244	26,244	26,244	26,244	26,244	26,244	26,244	26,244
AC variable speed drives (VSDs)	10.00%	07-Dec-18	80,000	504	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Pumps	5.00%	07-Dec-18	60,000	189	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Pooled Plant Total													
Effective Life Plant Total				**3,514**	**55,773**	**55,773**	**55,773**	**55,773**	**55,773**	**55,773**	**55,773**	**55,773**	**55,773**
Total Division 40			**882,060**	**3,514**	**55,773**	**55,773**	**55,773**	**55,773**	**55,773**	**55,773**	**55,773**	**55,773**	**55,773**

Division 43 - Capital Works Allowance	Rate		Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2018	2.50%	07-Dec-18	726,935	10,207	18,173	18,173	18,173	18,173	18,173	18,173	18,173	18,173	18,173
Total Division 43			726,935	10,207	18,173	18,173	18,173	18,173	18,173	18,173	18,173	18,173	18,173
Total Depreciation			**1,608,995**	**13,721**	**73,946**	**73,946**	**73,946**	**73,946**	**73,946**	**73,946**	**73,946**	**73,946**	**73,946**

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 2018	**7 Jun 18 to 7 Dec 18**	**726,935**	**2.50%**	**18,173**	**726,935**
Sub-total		**726,935**		**18,173**	**726,935**

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Sub-total					
Totals		**726,935**		**18,173**	**726,935**

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	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	1300 669 400
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.