

TAX DEPRECIATION REPORT

PREPARED FOR:

The Investor
123 Smith Street
Brisbane QLD 4000

File #:404000.Sample



30 June 2016

File #:404000.Sample

The Investor
123 Smith Street
Brisbane QLD 4000

We thank you for choosing KC Partnership as your preferred quantity surveyor to prepare the attached Tax Depreciation schedule for your investment property located at your Typical Residential House.

This report has been prepared to provide an independent review of Tax Depreciation entitlements available on the subject property and in accordance with the Income Tax Assessment Act 1997(ITAA 1997), this report has been calculated and prepared by a qualified Quantity Surveyor.

KC Partnership are a registered tax agent (24762996) who comply with the Tax Agent Services Act 2009.

As you continue to grow your portfolio, we would be pleased to provide you with free estimates of tax depreciation allowances to aid with your decision process.

We can also provide updates for any additions or write-offs that may be required for any future capital expenditure items for this or any other property in your portfolio.

The majority of our work 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 email, this would be greatly appreciated.

If you or your accountant have any queries relating to this report please do not hesitate to contact us on 1300 726 098 where we are more than happy to assist with your queries.

Yours Sincerely,



KC Partnership
Tax Depreciation Quantity Surveyors



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1. Property Information

Date of Report

30 June 2016

Purchaser

The Investor

Property Address

Typical Residential House

Property Type

Residential House

Date of Construction

30 June 2010

Property Photo





2. Certification

It is hereby certified that:

In accordance with the Income Tax Assessment Act 1997 (ITAA 1997), this report has been calculated and prepared by a qualified Quantity Surveyor.

The property was visited and a detailed inspection completed to identify, measure and establish use of plant and structure. A full photographic record of the plant and building has been done for substantiation of the assets.

This report has been prepared with the understanding that all items listed in this schedule are owned by the taxpayer and the taxpayer is not considered a small business. The calculations in this report are based on an ownership ratio of 100%.

The taxpayer must choose either diminishing value or prime cost method of depreciation on plant, both methods are provided in this report. The low value pool is used in conjunction with the chosen method of depreciation.

Under building write-off claims (Division 43) an allowance of 2.5% of the historical construction costs per year is available for this property.

Depreciation claims for plant & equipment (Division 40) are available under the following criteria.

An immediate deduction for assets costing \$300 or less if the following four tests are satisfied:

- cost of depreciating asset is \$300 or less
- main purpose of asset is producing income that is not income from carrying on a business
- the asset is not part of a set of assets you start to hold in the income year that cost more than \$300
- the asset is not one of a number of identical or substantially identical assets that cost more than \$300.

Otherwise assets with a cost under \$1000 are contained in the low value pool, they have been depreciated at a rate of 18.75% over the whole first year using the diminishing value method. In the following years they should be depreciated at 37.5% using the diminishing value method

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.

Any asset that cannot be depreciated under any of the two above options has been depreciated at rate determined by their effective life as outlined in the Tax Assessment Act 1997 (ITAA 1997).

If an asset started to be held after 10 May 2006, the diminishing value rate of depreciation can be worked out by dividing the effective life into 200% instead of the existing formula which uses 150%.

3. Summary of Entitlements – Diminishing Value Method

Year	Financial Year	Effective Life	Pooled Plant	Total Div 40	Division 43	Totals
1	10 July 15 to 30 June 16	4,874	1,709	6,583	4,283	10,866
2	1 July 16 to 30 June 17	3,781	2,777	6,558	4,403	10,961
3	1 July 17 to 30 June 18	2,830	2,080	4,910	4,403	9,313
4	1 July 18 to 30 June 19	1,685	2,389	4,074	4,403	8,477
5	1 July 19 to 30 June 20	1,087	1,789	2,875	4,403	7,278
6	1 July 20 to 30 June 21	677	1,492	2,169	4,403	6,572
7	1 July 21 to 30 June 22	392	1,284	1,676	4,403	6,079
8	1 July 22 to 30 June 23	313	803	1,116	4,403	5,519
9	1 July 23 to 30 June 24	251	502	752	4,403	5,155
10	1 July 24 to 30 June 25	201	314	514	4,403	4,917
11	1 July 25 to 30 June 26	0	497	497	4,403	4,900
12	1 July 26 to 30 June 27	0	311	311	4,403	4,714
13	1 July 27 to 30 June 28	0	194	194	4,403	4,597
14	1 July 28 to 30 June 29	0	121	121	4,403	4,524
15	1 July 29 to 30 June 30	0	76	76	4,403	4,479
16	1 July 30 to 30 June 31	0	47	47	4,403	4,450
17	1 July 31 to 30 June 32	0	30	30	4,403	4,433
18	1 July 32 to 30 June 33	0	19	19	4,403	4,422
19	1 July 33 to 30 June 34	0	12	12	4,403	4,415
20	1 July 34 to 30 June 35	0	7	7	4,403	4,410
21	1 July 35 to 30 June 36	0	5	5	4,403	4,408
22	1 July 36 to 30 June 37	0	3	3	4,403	4,406
23	1 July 37 to 30 June 38	0	2	2	4,403	4,405
24	1 July 38 to 30 June 39	0	1	1	4,403	4,404
25	1 July 39 to 30 June 40	0	1	1	4,403	4,404
26	1 July 40 to 30 June 41	0	0	0	4,403	4,403
27	1 July 41 to 30 June 42	0	0	0	4,403	4,403
28	1 July 42 to 30 June 43	0	0	0	4,403	4,403
29	1 July 43 to 30 June 44	0	0	0	4,403	4,403
30	1 July 44 to 30 June 45	0	0	0	4,403	4,403
31	1 July 45 to 30 June 46	0	0	0	4,403	4,403
32	1 July 46 to 30 June 47	0	0	0	4,403	4,403
33	1 July 47 to 30 June 48	0	0	0	4,403	4,403
34	1 July 48 to 30 June 49	0	0	0	4,403	4,403
35	1 July 49 to 30 June 50	0	0	0	4,395	4,395
36	1 July 50 to 30 June 51	0	0	0	0	0
37	1 July 51 to 30 June 52	0	0	0	0	0
38	1 July 52 to 30 June 53	0	0	0	0	0
39	1 July 53 to 30 June 54	0	0	0	0	0
40	2054+	0	0	0	0	0
Totals		16,091	16,462	32,553	153,977	186,530

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

3. Summary of Entitlements – Prime Cost Method

Year	Financial Year	Effective Life	Pooled Plant	Total Div 40	Division 43	Totals
1	10 July 15 to 30 June 16	2,434	1,709	4,143	4,283	8,426
2	1 July 16 to 30 June 17	2,504	2,777	5,281	4,403	9,684
3	1 July 17 to 30 June 18	2,391	1,736	4,127	4,403	8,530
4	1 July 18 to 30 June 19	2,388	1,085	3,473	4,403	7,876
5	1 July 19 to 30 June 20	2,388	678	3,066	4,403	7,469
6	1 July 20 to 30 June 21	2,388	424	2,812	4,403	7,215
7	1 July 21 to 30 June 22	2,240	265	2,505	4,403	6,908
8	1 July 22 to 30 June 23	1,901	166	2,067	4,403	6,470
9	1 July 23 to 30 June 24	1,901	103	2,004	4,403	6,407
10	1 July 24 to 30 June 25	1,901	65	1,966	4,403	6,369
11	1 July 25 to 30 June 26	514	40	554	4,403	4,957
12	1 July 26 to 30 June 27	482	25	507	4,403	4,910
13	1 July 27 to 30 June 28	7	16	23	4,403	4,426
14	1 July 28 to 30 June 29	0	10	10	4,403	4,413
15	1 July 29 to 30 June 30	0	6	6	4,403	4,409
16	1 July 30 to 30 June 31	0	4	4	4,403	4,407
17	1 July 31 to 30 June 32	0	2	2	4,403	4,405
18	1 July 32 to 30 June 33	0	2	2	4,403	4,405
19	1 July 33 to 30 June 34	0	1	1	4,403	4,404
20	1 July 34 to 30 June 35	0	1	1	4,403	4,404
21	1 July 35 to 30 June 36	0	0	0	4,403	4,403
22	1 July 36 to 30 June 37	0	0	0	4,403	4,403
23	1 July 37 to 30 June 38	0	0	0	4,403	4,403
24	1 July 38 to 30 June 39	0	0	0	4,403	4,403
25	1 July 39 to 30 June 40	0	0	0	4,403	4,403
26	1 July 40 to 30 June 41	0	0	0	4,403	4,403
27	1 July 41 to 30 June 42	0	0	0	4,403	4,403
28	1 July 42 to 30 June 43	0	0	0	4,403	4,403
29	1 July 43 to 30 June 44	0	0	0	4,403	4,403
30	1 July 44 to 30 June 45	0	0	0	4,403	4,403
31	1 July 45 to 30 June 46	0	0	0	4,403	4,403
32	1 July 46 to 30 June 47	0	0	0	4,403	4,403
33	1 July 47 to 30 June 48	0	0	0	4,403	4,403
34	1 July 48 to 30 June 49	0	0	0	4,403	4,403
35	1 July 49 to 30 June 50	0	0	0	4,395	4,395
36	1 July 50 to 30 June 51	0	0	0	0	0
37	1 July 51 to 30 June 52	0	0	0	0	0
38	1 July 52 to 30 June 53	0	0	0	0	0
39	1 July 53 to 30 June 54	0	0	0	0	0
40	2054+	0	0	0	0	0
Totals		23,439	9,114	32,553	153,977	186,530

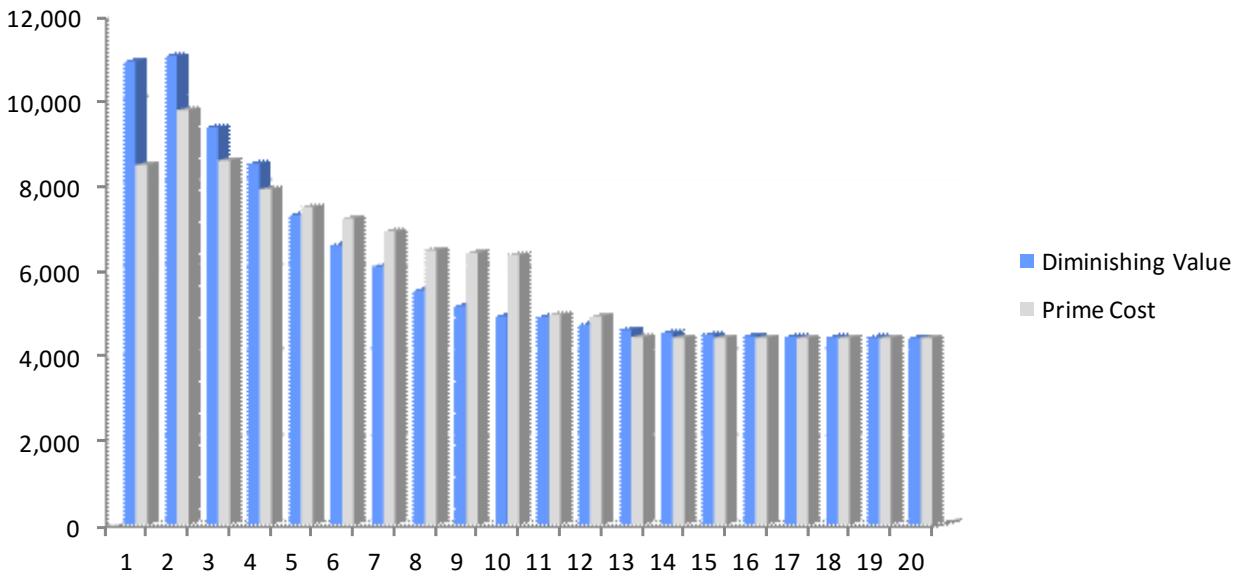
The prime cost method assumes that the item depreciates uniformly over its effective life. It is also known as straight line method and has a lower rate compared to diminishing value method. So the item depreciates at a constant rate until the written down value reaches zero.

Example

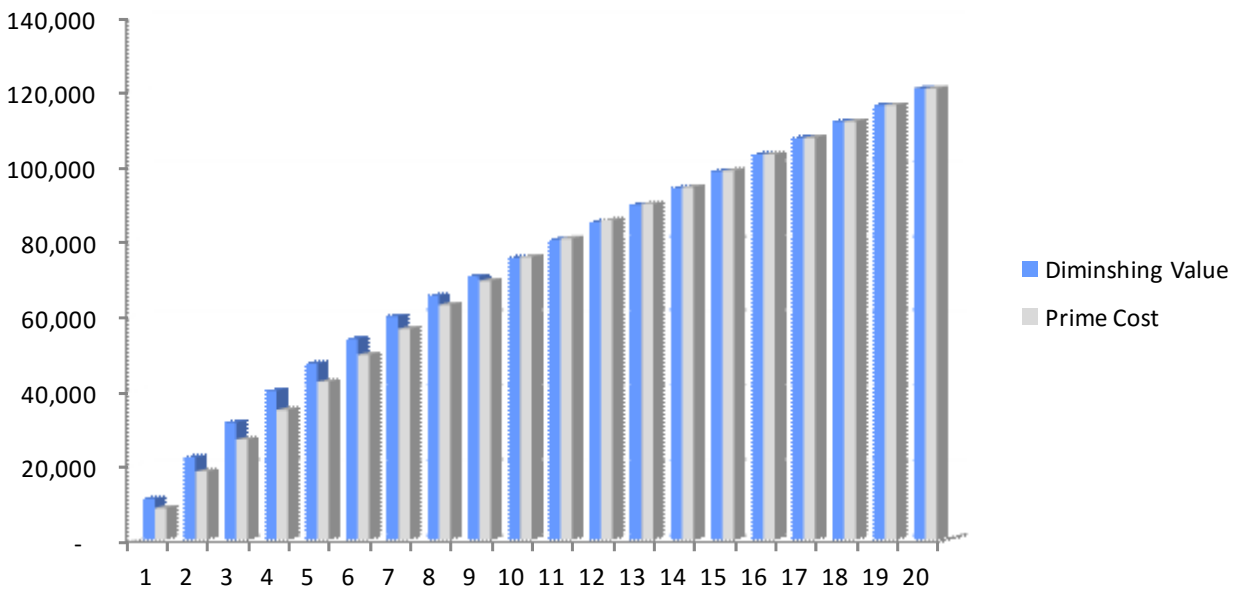
	PC Rate	Opening Value	Year 1	WDV	Year 2
Carpet	10%	\$1,000	\$100	\$900	\$100

4. 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.

5. Capital Expenditure Analysed

Purchase Details

Contract Date	10 June 2015
Settlement Date	10 July 2015

Expenditure Analysed

Purchase price	\$500,000
Stamp duty	\$15,925
Total Expenditure Analysed	\$515,925

Historical Construction Details

Construction Start Date	1 January 2010
Construction Completion Date	30 June 2010
Historical Construction Cost (Estimated)*	\$201,561

6. Reconciliation of Capital Expenditure

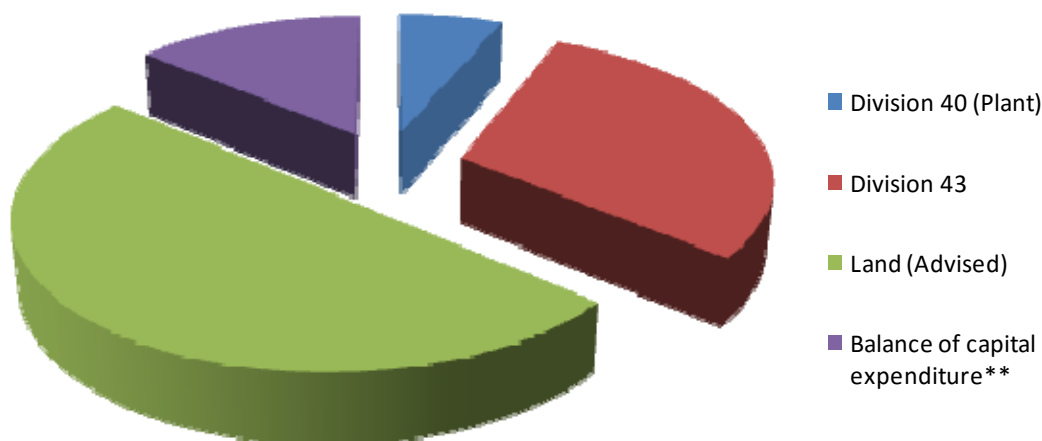
Apportionment of cost relating to:

Division 40 (Plant)	\$32,553
Division 43	\$153,977
Land (Advised)	\$257,963
Balance of capital expenditure**	\$71,432
Total Expenditure Analysed	\$515,925

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



7. 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%	10-Jul-15	7,423	1,444	1,196	957	765	612	490	392	313	251	201	
Bathroom assets														
Exhaust fans (including light/heating)	18.75%	10-Jul-15	928	174	283	177	110	69	43	27	17	11	7	
Shower curtains (excl. curtain rods & screens)	100.00%	10-Jul-15	232	232										
Blinds Residential														
	18.75%	10-Jul-15	3,133	587	954	597	373	233	146	91	57	36	22	
Ceiling Fans														
	18.75%	10-Jul-15	928	174	283	177	110	69	43	27	17	11	7	
Curtains and drapes														
	18.75%	10-Jul-15	2,502	469	762	476	298	186	116	73	45	28	18	
Door closers														
	18.75%	10-Jul-15	387	72	118	74	46	29	18	11	7	4	3	
Fire control assets														
Detection & alarm systems, detectors	18.75%	10-Jul-15	371	70	113	71	44	28	17	11	7	4	3	
Floor coverings (removable without damage)														
Carpets	20.00%	10-Jul-15	3,025	588	487	390	312	250	374	234	146	91	57	
Garage doors, automatic														
Motors	20.00%	10-Jul-15	1,856	361	299	239	359	224	140	88	55	34	21	
Hot water systems (excluding piping)														
Gas or electric	16.67%	10-Jul-15	2,784	451	389	324	270	225	187	352	220	137	86	
Kitchen assets														
Cooktops	16.67%	10-Jul-15	1,315	213	184	344	215	134	84	53	33	21	13	
Dishwashers	20.00%	10-Jul-15	1,856	361	299	239	359	224	140	88	55	34	21	
Ovens	16.67%	10-Jul-15	1,701	276	238	198	371	232	145	91	57	35	22	
Rangehoods	18.75%	10-Jul-15	696	130	212	133	83	52	32	20	13	8	5	
Lights														
Shades, removable	18.75%	10-Jul-15	464	87	141	88	55	35	22	13	8	5	3	
Security systems & equipment														
Electronic	30.00%	10-Jul-15	3,248	948	690	483	338	296	185	116	72	45	28	
Pooled Plant Total				1,764	2,866	2,136	2,424	1,811	1,506	1,293	808	505	316	
Effective Life Plant Total				4,874	3,781	2,830	1,685	1,087	677	392	313	251	201	
Total Division 40			32,847	6,638	6,647	4,966	4,109	2,897	2,183	1,685	1,121	756	516	
Division 43 - Capital Works Allowance														
	Rate	Completion Date	Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10	
Building Works - Completed 2010				2.50%	10-Jul-15	148,705	4,136	4,252	4,252	4,252	4,252	4,252	4,252	4,252
Structural Improvements - Completed 2010				2.50%	10-Jul-15	5,071	141	145	145	145	145	145	145	145
Total Division 43			153,776	4,277	4,397	4,397	4,397	4,397	4,397	4,397	4,397	4,397	4,397	
Total Depreciation			186,623	10,915	11,044	9,363	8,506	7,294	6,580	6,082	5,518	5,153	4,913	

8. Prime Cost Depreciation Schedule

Assets Generally	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
Division 40 - Plant and Equipment													
Air-conditioning assets (excl. ducting, pipes & vents)													
Mini split system upto 20KW	10.00%	10-Jul-15	7,423	722	742	742	742	742	742	742	742	742	742
Bathroom assets													
Exhaust fans (including light/heating)	18.75%	10-Jul-15	928	174	283	177	110	69	43	27	17	11	7
Shower curtains (excl. curtain rods & screens)	50.00%	10-Jul-15	232	113	116	3							
Blinds Residential	18.75%	10-Jul-15	3,133	587	954	597	373	233	146	91	57	36	22
Ceiling Fans	18.75%	10-Jul-15	928	174	283	177	110	69	43	27	17	11	7
Curains and drapes	18.75%	10-Jul-15	2,502	469	762	476	298	186	116	73	45	28	18
Door closers	18.75%	10-Jul-15	387	72	118	74	46	29	18	11	7	4	3
Fire control assets													
Detection & alarm systems, detectors	18.75%	10-Jul-15	371	70	113	71	44	28	17	11	7	4	3
Floor coverings (removable without damage)													
Carpets	10.00%	10-Jul-15	3,025	294	303	303	303	303	303	303	303	303	303
Garage doors, automatic													
Motors	10.00%	10-Jul-15	1,856	181	186	186	186	186	186	186	186	186	186
Hot water systems (excluding piping)													
Gas or electric	8.33%	10-Jul-15	2,784	226	232	232	232	232	232	232	232	232	232
Kitchen assets													
Cooktops	8.33%	10-Jul-15	1,315	107	110	110	110	110	110	110	110	110	110
Dishwashers	10.00%	10-Jul-15	1,856	181	186	186	186	186	186	186	186	186	186
Ovens	8.33%	10-Jul-15	1,701	138	142	142	142	142	142	142	142	142	142
Rangehoods	18.75%	10-Jul-15	696	130	212	133	83	52	32	20	13	8	5
Lights													
Shades, removable	18.75%	10-Jul-15	464	87	141	88	55	35	22	13	8	5	3
Security systems & equipment													
Electronic	15.00%	10-Jul-15	3,248	474	487	487	487	487	487	339			
Pooled Plant Total				1,764	2,866	1,792	1,120	700	437	273	171	107	67
Effective Life Plant Total				2,434	2,504	2,391	2,388	2,388	2,388	2,240	1,901	1,901	1,901
Sub-Total			32,847	4,198	5,370	4,183	3,508	3,088	2,825	2,513	2,072	2,008	1,968
Division 43 - Capital Works Allowance													
	Rate	Completion Date	Opening Value	Year 1	Year2	Year 3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
Building Works - Completed 2010	2.50%		148,705	4,136	4,252	4,252	4,252	4,252	4,252	4,252	4,252	4,252	4,252
Structural Improvements - Completed 2010	2.50%		5,071	141	145	145	145	145	145	145	145	145	145
Total Division 43			153,776	4,277	4397	4397	4397	4397	4397	4397	4397	4397	4397
Total Depreciation			186,623	8,475	9767	8580	7905	7485	7222	6910	6469	6405	6365

9. 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
Original construction	01 Jan 10 to 30 Jun 10	170,095	2.50%	4,252	148,705
Sub-total		170,095		4,252	148,705

Qualifying Structural Improvements

Description	Start and Completion Dates	Historical Cost	Rate	Annual Claim	Opening Value
Original construction	01 Jan 10 to 30 Jun 10	5,800	2.50%	145	5,071
Sub-total		5,800		145	5,071
Totals		175,896		4,397	153,776

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 Sep 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 Improvements	2.5%	N/A	N/A	N/A	N/A	N/A



10. Disclaimer

This report has been prepared for the exclusive use of the parties named within this report, KC Partnership 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.