

BMT Tax Depreciation  
QUANTITY SURVEYORS

# Capital Allowance and Tax Depreciation Schedule

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Maximising the cash return from investment properties

The Trustees AD Brown Retirement Fund  
4 Woodburn Crescent  
MEADOW HEIGHTS VIC 3048

12 June 2018

The Trustees AD Brown Retirement Fund  
19 Campbell Place  
MERRYLANDS NSW 2160

Dear Sir/Madam,

Thank you for selecting BMT Tax Depreciation to complete your Capital Allowance and Tax Depreciation Schedule.

This document outlines the relevant information, legislation and methodology used in the assessment of the potential capital works deductions for 4 Woodburn Crescent, MEADOW HEIGHTS VIC 3048.

For your convenience we have included an explanation and summary of the calculations used in this schedule.

We trust our service and the deductions outlined in the following schedules will exceed your expectations. BMT strive for excellence and appreciate any feedback you may have.

Our commitment to the continuous development of our service ensures you receive the maximum depreciation deductions you're entitled to.

We invite you to register for our online portal MyBMT. MyBMT allows you to view and update your schedule, access and download existing schedules, upload property files including photos and receipts, add members of your investment team and share your schedule with your Accountant or Tax Adviser all in one convenient location. For more information and to register visit [www.mybmt.bmtqs.com.au](http://www.mybmt.bmtqs.com.au).

To learn more about property depreciation visit [www.bmtqs.com.au](http://www.bmtqs.com.au). We have a range of free tools and resources to assist you on your property investing journey.

Should you require any further information or clarification, please contact one of our depreciation experts or our Chief Executive Officer, Mr Bradley Beer.

Once again, thank you for choosing BMT Tax Depreciation and we look forward to working with you in the future.

Yours sincerely,



BMT Tax Depreciation Pty Ltd  
Quantity Surveyors  
AIQS, RICS, AVAA, Tax Agent: 53712009

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# BMT Capital Allowance and Tax Depreciation Schedule overview

The following is a summary of the information used by BMT Tax Depreciation when preparing this Capital Allowance and Tax Depreciation Schedule. The ownership details and structure play a significant part in the methodology that is used and subsequently changes the results of the schedule and the calculations used within it. Any changes to the ownership entity or structure may make this report inaccurate. To update your details please contact the expert team at BMT Tax Depreciation on 1300 728 726 or log in to MyBMT at [www.mybmt.bmtqs.com.au](http://www.mybmt.bmtqs.com.au).

<b>Schedule prepared for:</b>	The Trustees AD Brown Retirement Fund
<b>Property address:</b>	4 Woodburn Crescent, MEADOW HEIGHTS VIC 3048
<b>Ownership interest:</b>	100 per cent

Co-owners must divide the income and expenses for the rental property in line with their 'interest' in the property. The two co-owner structures are:

- Joint tenants - each holds an equal interest in the property, or
- Tenants in common - may hold unequal interests in the property, for example, one may hold a 20 per cent interest and the other an 80 per cent interest

Co-owned depreciating assets, as outlined in section 40-35 of the Income Tax Assessment Act 1997 (ITAA 1997), are able to be calculated and deducted based on each owner's interest in the asset, and not the whole asset. For example, joint tenants with an equal 50 per cent share can claim an immediate write-off for items costing \$600 or less as each co-owner's share is no more than \$300 each. When an owner's share of an asset is valued at less than \$1,000, it can be added to a low-value pool assuming there is no immediate write-off.

<b>Property type:</b>	Residential
<b>Purchase price:</b>	\$550,000
<b>Settlement date:</b>	27 April 2018
<b>Construction completion date:</b>	25 January 1990
<b>Schedule start date:</b>	28 April 2018
<b>Date available to provide income:</b>	28 April 2018

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# Methodology

The Capital Allowance and Tax Depreciation Schedule prepared for The Trustees AD Brown Retirement Fund on 4 Woodburn Crescent, MEADOW HEIGHTS VIC 3048 has been prepared and calculated in accordance with the legislation applicable on 12 June 2018.

The Capital Allowance and Tax Depreciation Schedule is based on BMT Tax Depreciation's understanding of the Commissioner of Taxation's assumed intent and the interpretation of the relevant tax rulings and supportive documents:

- Capital allowances in accordance with Division 10D ITAA 1936, (Sections 124ZEB-ZM and Section 124ZFB), Division 40 and 43 ITAA 1997

It is a requirement to advise BMT Tax Depreciation when any actual costs in whole or part thereof are available prior to the preparation of the Capital Allowance and Tax Depreciation Schedule. Where costs have been provided, they have been used and noted accordingly in this schedule. In the event that costs are not available, BMT Tax Depreciation use estimating procedures and methodology to adjust estimates to that on the historical date in which the actual construction or installation took place.

The construction expenditure has been determined on the basis of the estimated cost incurred in relation to the construction of a building including fixed elements, extensions, alterations and structural improvements.

Construction expenditure calculated includes:

- Preliminary expenses such as professional Architect, Engineer and Surveyor's fees and the cost of foundation excavations
- Builder's or Contractor's margin
- Allowance for contingencies

Construction expenditure calculated excludes:

- Site clearance, earthworks that are permanent, can be economically maintained and are not integral to the installation or construction of a structure
- Demolition of existing structures
- Soft landscaping
- Cost of acquiring land
- Developer's profit and overheads

The following additional information has been used in the preparation of the Capital Allowance and Tax Depreciation Schedule:

- Written and verbal information provided by The Trustees AD Brown Retirement Fund
- Verbal information provided by Hume City Council
- Site inspection conducted by BMT Tax Depreciation on 7 June 2018
- Purchase price of \$550,000

The following assumptions have been made in the preparation of the Capital Allowance and Tax Depreciation Schedule:

- That you are not entitled to input tax credits and therefore GST is included in the appropriate items within the schedule
- That no schedule of capital allowances existed or formed a condition of the purchase documentation
- Qualifying expenditure and capital allowance rates have been calculated with the understanding that the property is used for the production of assessable income, excluding short-term traveller's accommodation or non-residential usage
- No additional actual costs in whole or part thereof are available at this time
- The owners are not carrying on a rental property business

Owners are advised to discuss and confirm the above assumptions with their Tax Adviser prior to using the Capital Allowance and Tax Depreciation Schedule.

Recent law changes were made relating to plant and equipment deductions (i.e., depreciation deductions).

The amendments to the ITAA 1997 will generally affect asset holders who acquired depreciating assets after 7:30pm on 9 May 2017, and will additionally affect some asset holders who acquired assets before this time, but were not using the asset for a taxable purpose at anytime during the 2017 income year. For completeness, the amendments should not affect asset holders who are using the assets in the course of carrying on a business. Additionally, the amendments should not apply to certain entity classes, such as corporate tax entities.

The key changes include the following:

- Subsequent owners (those who purchase a second-hand residential property) who exchange contracts after 9 May 2017 will not be able to claim depreciation on existing plant and equipment assets
- Any qualifying additional assets added to a property can be depreciated as normal if the only use at that time will be or has been for a taxable purpose
- Owners of brand new properties will generally be able to depreciate plant and equipment assets within the property if the only use at that time will be or has been for a taxable purpose
- Investors will still be eligible to claim qualifying capital works deductions, which are deductions available on the structure of the building. This includes any additional capital works carried out by themselves or a previous owner. The capital works deduction is available on residential properties whose construction commenced after 16 September 1987; and structural improvements are claimable for alterations whose construction commenced after 26 February 1992
- Under the changes, existing residential property investments will be grandfathered. This means that any investor who exchanged contracts for the acquisition of a property prior to 7.30pm 9 May 2017 can still claim plant and equipment depreciation (for assets within the property) per normal. However, if the property was not used for a taxable purpose at all during the 2017 income year and became income producing after 1 July 2017 then the amendments will apply.

## Disclaimer

The contents of this page and the totality of this document are subject to this disclaimer. The information contained within this document has been prepared by BMT Tax Depreciation Pty Ltd on the basis of estimated costs and information provided to BMT Tax Depreciation Pty Ltd. This document is intended for use by the client only. No information in this document may be interpreted as legal, accounting or taxation advice. Individuals should consult with their legal, accounting or taxation advisers before relying on any part of this document. This document is prepared in accordance with legislation in force at the time the asset was acquired and the date this document was produced.

Should the client not elect to use the pooling system, then the total cost figure can be used and the applicable depreciation rates applied. All pooled items have been depreciated at 18.75 per cent in the year of acquisition and 37.5 per cent each year thereafter. The cumulative capital loss total row of figures displays the amount of division 40 deductions that have not been able to be claimed during ownership up until the end of the financial year.

BMT Tax Depreciation Pty Ltd is not responsible for the result of any actions taken on the basis of the information provided in this document or any error in or omission from this document. BMT Tax Depreciation Pty Ltd does not accept any liability, in any form, for any consequences, loss, or damage as a result of any person acting upon or relying upon the information contained in this document. This document has been prepared for depreciation purposes only and it is not suitable for any other purpose. Neither the whole nor any part of this document may be provided to any party without the express prior written approval of BMT Tax Depreciation Pty Ltd.

## Experience and qualifications

Quantity Surveyors are recognised by the Commissioner of Taxation to have appropriate construction costing skills to estimate building costs for the purpose of determining your capital works and tax depreciation deductions (see Tax Ruling 97/25).

Please find below BMT Tax Depreciation's relevant qualifications and associations with governing bodies:

- **AIQS - Australian Institute of Quantity Surveyors**

As a member of the AIQS, a professional standards body, BMT Tax Depreciation upholds its professionalism and standards to the highest level. The institute plays an important role by ensuring that industry standards and information are continuously updated.

- **RICS - Royal Institute of Chartered Surveyors**

BMT Tax Depreciation are proud members of RICS, allowing us access to the latest methodology used by Surveyors across Australia and the world.

- **AVAA - Auctioneers & Valuers Association of Australia**

BMT Tax Depreciation is also a member of the AVAA. The AVAA works to elevate and maintain the standards of professional knowledge and sound practice relating to accurately valuing a variety of plant and equipment.

- **PIPA - Property Investment Professionals of Australia**

As a member of PIPA, BMT Tax Depreciation are committed to maintaining high levels of professional standards through their work in educating property investors on the benefits of tax depreciation.

- **Registered Tax Agent**

BMT Tax Depreciation are registered Tax Agents qualified to prepare depreciation schedules for any rental, commercial or investment property under the Tax Agents Services Act 2009. **Our Tax Agents number is 53712009.**



## Summary of capital expenditure

<b>Purchase price</b>	<b>\$550,000</b>
<b>Division 43 - capital works allowance total as at 27 April 2018</b>	<b>\$125,995</b>
<b>Division 43 - capital allowance deduction for 28-Apr-18 to 30-Jun-18</b>	<b>\$893</b>

Division 43 as outlined in ITAA 1997, allows a deduction for capital expenditure incurred in the construction of any capital works. The deduction claimed as a capital works allowance depends on the type of construction and the date construction commenced. See the definition of division 43 within the glossary of key terms for further clarification on the qualifying dates for capital works deductions. The deductible amount for division 43 excludes both division 40 and any non qualifying balance of capital expenditure.

### Division 40

The owner of the property exchanged contracts after 7.30pm 9 May 2017 or were not using the property for a taxable purpose prior to 1 July 2017. Therefore, the owner of this property is unable to claim depreciation under division 40 in relation to existing plant and equipment assets (within the property). However, the owner is able to claim any qualifying plant and equipment assets they add to the property after purchase (which are used for a taxable purpose and not second hand) and an updated schedule should be prepared when this occurs.

<b>Balance of capital expenditure</b>	<b>\$424,005</b>
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This represents all items included in the purchase price that do not qualify for capital works deductions or decline in value and any capital works deductions which are already exhausted. Construction expenditure that cannot be claimed (as per Australian Taxation Office (ATO) guidelines) include:

- Land
- Expenditure on clearing the land prior to construction
- Earthworks that are permanent, and are not integral to the construction
- Expenditure on soft landscaping
- Demolition

## Division 43 – capital works allowance

The table below outlines the division 43 building write-off allowance available to be claimed over forty years from the construction completion date. The depreciation calculated has been deemed to be on structural elements only completed after the legislated dates.

Works	Date	Rate	Original cost (\$)
Original works	25-Jan-90	2.5 %	68,606
Additional works	10-Mar-04	2.5 %	22,952
Additional works	21-Aug-11	2.5 %	109,254

Calculation for write-off provision:

Years 1-21		Years 22-41	
Period	Division 43	Period	Division 43
28-Apr-18 to 30-Jun-18	893	1-Jul-38 to 30-Jun-39	3,305
1-Jul-18 to 30-Jun-19	5,020	1-Jul-39 to 30-Jun-40	3,305
1-Jul-19 to 30-Jun-20	5,020	1-Jul-40 to 30-Jun-41	3,305
1-Jul-20 to 30-Jun-21	5,020	1-Jul-41 to 30-Jun-42	3,305
1-Jul-21 to 30-Jun-22	5,020	1-Jul-42 to 30-Jun-43	3,305
1-Jul-22 to 30-Jun-23	5,020	1-Jul-43 to 30-Jun-44	3,123
1-Jul-23 to 30-Jun-24	5,020	1-Jul-44 to 30-Jun-45	2,731
1-Jul-24 to 30-Jun-25	5,020	1-Jul-45 to 30-Jun-46	2,731
1-Jul-25 to 30-Jun-26	5,020	1-Jul-46 to 30-Jun-47	2,731
1-Jul-26 to 30-Jun-27	5,020	1-Jul-47 to 30-Jun-48	2,731
1-Jul-27 to 30-Jun-28	5,020	1-Jul-48 to 30-Jun-49	2,731
1-Jul-28 to 30-Jun-29	5,020	1-Jul-49 to 30-Jun-50	2,731
1-Jul-29 to 30-Jun-30	4,284	1-Jul-50 to 30-Jun-51	2,731
1-Jul-30 to 30-Jun-31	3,305	1-Jul-51 to 30-Jun-52	393
1-Jul-31 to 30-Jun-32	3,305	1-Jul-52 to 30-Jun-53	0
1-Jul-32 to 30-Jun-33	3,305	1-Jul-53 to 30-Jun-54	0
1-Jul-33 to 30-Jun-34	3,305	1-Jul-54 to 30-Jun-55	0
1-Jul-34 to 30-Jun-35	3,305	1-Jul-55 to 30-Jun-56	0
1-Jul-35 to 30-Jun-36	3,305	1-Jul-56 to 30-Jun-57	0
1-Jul-36 to 30-Jun-37	3,305	1-Jul-57 to 30-Jun-58	0
1-Jul-37 to 30-Jun-38	3,305		
		<b>Total</b>	<b>125,995</b>

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## Appendix -capital loss (plant and equipment)

Capital Gains Tax (CGT) is a form of income tax which a property owner is liable to pay within the financial year that they sell their property.

Introduced on 20 September 1985, CGT is the tax payable on the difference between what it cost you to purchase an asset and the amount you received when you disposed of it.

Selling price  
minus  
transaction costs

Minus

Original purchase price  
plus  
associated transaction costs

Equals

Capital gain  
(or loss)

When you sell a property this triggers a 'CGT event'. Investors may not be liable for paying CGT if they fall within any of the exemption rules provided by the ATO. This includes a main residence exemption, and the CGT discount available to those who sell a property they have held for longer than twelve months. For further details, refer to [www.bmtqs.com.au/capital-gains-tax](http://www.bmtqs.com.au/capital-gains-tax)

The recent law changes affecting claims for plant and equipment in a residential investment property allow a capital loss to be calculated when an asset is disposed of (e.g., scrapped or sold as part of the sale of the property) for less than its original cost, and depreciation claims for the asset were denied because of the changes. Under the CGT rules, a capital loss can generally be offset against a capital gain and if there is no capital gain in the current year, the capital loss can generally be carried forward and offset against a future capital gain.

In order to calculate a capital loss on disposal, the original value or cost of the asset would need to have been determined at the time of purchase. The asset's termination value (e.g., selling price or scrap value) would then need to be determined on the disposal of the asset. The capital loss as outlined above would be calculated as the difference between the asset's termination value and its original value or cost, assuming no depreciation amounts for the asset were allowed as deductions.

The calculation of a capital loss is particularly relevant in certain situations, including when an asset is scrapped, where there is a partial or full CGT main residence exemption, and where the contract date and settlement date for the sale of the property occur in separate financial years.

The capital loss amount on the disposal of an asset will include the depreciation amount that could not be claimed by the owner (as a result of the recent changes). Further, the capital loss on disposal should be equal to the depreciation amount that could not be claimed in relation to the asset, where the termination value happens to be equal to the asset's written down value. However, in accordance with ATO guidelines, an asset's termination value does not necessarily equate to its selling or market value.

The following tables allow a property investor to calculate a capital loss when a depreciating asset (affected by the recent changes) is disposed of, by providing information on the values of such assets at the time of purchase. The tables also provide information on the depreciation amount that could not be claimed for each affected asset as a result of the recent changes. We recommend that property investors speak with an Accountant or Tax Adviser when using these tables and completing the above calculation process.

Original division 40 cost

\$21,420

Capital loss as @	Capital loss division 40 diminishing value (\$)	Cumulative capital loss division 40 diminishing value (\$)	Capital loss division 40 prime cost (\$)	Cumulative capital loss division 40 prime cost (\$)
28-Apr-18 to 30-Jun-18	3,082	3,082	1,961	1,961
1-Jul-18 to 30-Jun-19	3,958	7,040	1,803	3,764
1-Jul-19 to 30-Jun-20	2,783	9,823	1,803	5,567
1-Jul-20 to 30-Jun-21	2,180	12,003	1,803	7,370
1-Jul-21 to 30-Jun-22	1,595	13,598	1,803	9,173
1-Jul-22 to 30-Jun-23	1,203	14,801	1,681	10,854
1-Jul-23 to 30-Jun-24	936	15,737	1,100	11,954
1-Jul-24 to 30-Jun-25	748	16,485	1,100	13,054
1-Jul-25 to 30-Jun-26	830	17,315	1,100	14,154
1-Jul-26 to 30-Jun-27	623	17,938	1,100	15,254
1-Jul-27 to 30-Jun-28	481	18,419	1,043	16,297
1-Jul-28 to 30-Jun-29	382	18,801	807	17,104
1-Jul-29 to 30-Jun-30	314	19,115	765	17,869
1-Jul-30 to 30-Jun-31	514	19,629	561	18,430
1-Jul-31 to 30-Jun-32	357	19,986	561	18,991
1-Jul-32 to 30-Jun-33	253	20,239	527	19,518
1-Jul-33 to 30-Jun-34	444	20,683	395	19,913
1-Jul-34 to 30-Jun-35	277	20,960	395	20,308
1-Jul-35 to 30-Jun-36	173	21,133	395	20,703
1-Jul-36 to 30-Jun-37	108	21,241	395	21,098
1-Jul-37 to 30-Jun-38	67	21,308	322	21,420
1-Jul-38 to 30-Jun-39	42	21,350	0	21,420
1-Jul-39 to 30-Jun-40	27	21,377	0	21,420
1-Jul-40 to 30-Jun-41	16	21,393	0	21,420
1-Jul-41 to 30-Jun-42	10	21,403	0	21,420
1-Jul-42 to 30-Jun-43	6	21,409	0	21,420
1-Jul-43 to 30-Jun-44	4	21,413	0	21,420
1-Jul-44 to 30-Jun-45	3	21,416	0	21,420
1-Jul-45 to 30-Jun-46	2	21,418	0	21,420
1-Jul-46 to 30-Jun-47	1	21,419	0	21,420
1-Jul-47 to 30-Jun-48	1	21,420	0	21,420
1-Jul-48 to 30-Jun-49	0	21,420	0	21,420
1-Jul-49 to 30-Jun-50	0	21,420	0	21,420
1-Jul-50 to 30-Jun-51	0	21,420	0	21,420
1-Jul-51 to 30-Jun-52	0	21,420	0	21,420
1-Jul-52 to 30-Jun-53	0	21,420	0	21,420
1-Jul-53 to 30-Jun-54	0	21,420	0	21,420
1-Jul-54 to 30-Jun-55	0	21,420	0	21,420
1-Jul-55 to 30-Jun-56	0	21,420	0	21,420
1-Jul-56 to 30-Jun-57	0	21,420	0	21,420
1-Jul-57 to 30-Jun-58	0	21,420	0	21,420

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Capital loss diminishing value method schedule (years 1 - 5)

Tax grouping	Total cost @ 28-Apr-18 (\$)	Effective life (Years)	Basic rate (DV)	Depreciation allowance					TWDV @ 1-Jul-22 (\$)
				28-Apr-18 30-Jun-18 Year 1 (\$)	1-Jul-18 30-Jun-19 Year 2 (\$)	1-Jul-19 30-Jun-20 Year 3 (\$)	1-Jul-20 30-Jun-21 Year 4 (\$)	1-Jul-21 30-Jun-22 Year 5 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing unit specific									
Air Conditioner - Room Units	1,035	10	37.5 %	0*	0	0	0	0	129
Bathroom Accessories - Freestanding	112	5	100.0 %	112	0	0	0	0	0
Blinds	1,889	10	37.5 %	0*	0	0	0	0	234
Ceiling Fans	270	5	100.0 %	270	0	0	0	0	0
Curtains	76	6	100.0 %	76	0	0	0	0	0
Door Closers	159	10	100.0 %	159	0	0	0	0	0
Exhaust Fans	285	10	100.0 %	285	0	0	0	0	0
Floating Timber Floors	2,485	15	13.3 %	58	324	280	243	211	1,369
Floor Carpet - Artificial Grass & Matting	2,692	5	40.0 %	189	1,001	601	0*	0	352
Garbage Bins	222	10	100.0 %	222	0	0	0	0	0
Heating Gas - Ducted Central Unit	3,279	20	10.0 %	57	322	290	261	235	2,114
Hot Water Systems	987	12	37.5 %	0*	0	0	0	0	122
Light Shades	824	5	37.5 %	0*	0	0	0	0	102
Rangehoods	668	12	37.5 %	0*	0	0	0	0	82
Smoke Alarms	236	6	100.0 %	236	0	0	0	0	0
Solar Powered Generating System	4,617	20	10.0 %	81	454	408	367	331	2,976
Stoves	1,298	12	16.7 %	38	210	175	0*	0	342
Water Pumps	286	20	100.0 %	286	0	0	0	0	0
Total division 40 - effective life rate	16,017			2,069	2,311	1,754	871	777	6,459
Total division 40 - pooled (Page 17)	5,403			1,013	1,647	1,029	1,309	818	1,363

\*Low cost assets and low value assets have been allocated to the low value pooling table.

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Capital loss diminishing value method schedule (years 6 - 10)

Tax grouping	Total cost @ 1-Jul-22 (\$)	Effective life (Years)	Basic rate (DV)	Depreciation allowance					TWDV @ 1-Jul-27 (\$)
				1-Jul-22 30-Jun-23 Year 6 (\$)	1-Jul-23 30-Jun-24 Year 7 (\$)	1-Jul-24 30-Jun-25 Year 8 (\$)	1-Jul-25 30-Jun-26 Year 9 (\$)	1-Jul-26 30-Jun-27 Year 10 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing unit specific									
Air Conditioner - Room Units	129	10	37.5 %	0	0	0	0	0	12
Bathroom Accessories - Freestanding	0	5	100.0 %	0	0	0	0	0	0
Blinds	234	10	37.5 %	0	0	0	0	0	22
Ceiling Fans	0	5	100.0 %	0	0	0	0	0	0
Curtains	0	6	100.0 %	0	0	0	0	0	0
Door Closers	0	10	100.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	100.0 %	0	0	0	0	0	0
Floating Timber Floors	1,369	15	13.3 %	183	158	137	0*	0	348
Floor Carpet - Artificial Grass & Matting	352	5	37.5 %	0	0	0	0	0	34
Garbage Bins	0	10	100.0 %	0	0	0	0	0	0
Heating Gas - Ducted Central Unit	2,114	20	10.0 %	211	190	171	154	139	1,249
Hot Water Systems	122	12	37.5 %	0	0	0	0	0	11
Light Shades	102	5	37.5 %	0	0	0	0	0	10
Rangehoods	82	12	37.5 %	0	0	0	0	0	7
Smoke Alarms	0	6	100.0 %	0	0	0	0	0	0
Solar Powered Generating System	2,976	20	10.0 %	298	268	241	217	195	1,757
Stoves	342	12	37.5 %	0	0	0	0	0	32
Water Pumps	0	20	100.0 %	0	0	0	0	0	0
Total division 40 - effective life rate	6,459			692	616	549	371	334	3,006
Total division 40 - pooled (Page 18)	1,363			511	320	199	459	289	476

\*Low cost assets and low value assets have been allocated to the low value pooling table.

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Capital loss diminishing value method schedule (years 11 - 15)

Tax grouping	Total cost @ 1-Jul-27 (\$)	Effective life (Years)	Basic rate (DV)	Depreciation allowance					TWDV @ 1-Jul-32 (\$)
				1-Jul-27 30-Jun-28 Year 11 (\$)	1-Jul-28 30-Jun-29 Year 12 (\$)	1-Jul-29 30-Jun-30 Year 13 (\$)	1-Jul-30 30-Jun-31 Year 14 (\$)	1-Jul-31 30-Jun-32 Year 15 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing unit specific									
Air Conditioner - Room Units	12	10	37.5 %	0	0	0	0	0	0
Bathroom Accessories - Freestanding	0	5	100.0 %	0	0	0	0	0	0
Blinds	22	10	37.5 %	0	0	0	0	0	2
Ceiling Fans	0	5	100.0 %	0	0	0	0	0	0
Curtains	0	6	100.0 %	0	0	0	0	0	0
Door Closers	0	10	100.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	100.0 %	0	0	0	0	0	0
Floating Timber Floors	348	15	37.5 %	0	0	0	0	0	33
Floor Carpet - Artificial Grass & Matting	34	5	37.5 %	0	0	0	0	0	3
Garbage Bins	0	10	100.0 %	0	0	0	0	0	0
Heating Gas - Ducted Central Unit	1,249	20	10.0 %	125	112	101	0*	0	356
Hot Water Systems	11	12	37.5 %	0	0	0	0	0	0
Light Shades	10	5	37.5 %	0	0	0	0	0	0
Rangehoods	7	12	37.5 %	0	0	0	0	0	0
Smoke Alarms	0	6	100.0 %	0	0	0	0	0	0
Solar Powered Generating System	1,757	20	10.0 %	176	158	142	128	115	1,038
Stoves	32	12	37.5 %	0	0	0	0	0	2
Water Pumps	0	20	100.0 %	0	0	0	0	0	0
Total division 40 - effective life rate	3,006			301	270	243	128	115	1,038
Total division 40 - pooled (Page 19)	476			180	112	71	386	242	396

\*Low cost assets and low value assets have been allocated to the low value pooling table.

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Capital loss diminishing value method schedule (years 16 - 20)

Tax grouping	Total cost @ 1-Jul-32 (\$)	Effective life (Years)	Basic rate (DV)	Depreciation allowance					TWDV @ 1-Jul-37 (\$)
				1-Jul-32 30-Jun-33 Year 16 (\$)	1-Jul-33 30-Jun-34 Year 17 (\$)	1-Jul-34 30-Jun-35 Year 18 (\$)	1-Jul-35 30-Jun-36 Year 19 (\$)	1-Jul-36 30-Jun-37 Year 20 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing unit specific									
Air Conditioner - Room Units	0	10	37.5 %	0	0	0	0	0	0
Bathroom Accessories - Freestanding	0	5	100.0 %	0	0	0	0	0	0
Blinds	2	10	37.5 %	0	0	0	0	0	0
Ceiling Fans	0	5	100.0 %	0	0	0	0	0	0
Curtains	0	6	100.0 %	0	0	0	0	0	0
Door Closers	0	10	100.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	100.0 %	0	0	0	0	0	0
Floating Timber Floors	33	15	37.5 %	0	0	0	0	0	3
Floor Carpet - Artificial Grass & Matting	3	5	37.5 %	0	0	0	0	0	0
Garbage Bins	0	10	100.0 %	0	0	0	0	0	0
Heating Gas - Ducted Central Unit	356	20	37.5 %	0	0	0	0	0	34
Hot Water Systems	0	12	37.5 %	0	0	0	0	0	0
Light Shades	0	5	37.5 %	0	0	0	0	0	0
Rangehoods	0	12	37.5 %	0	0	0	0	0	0
Smoke Alarms	0	6	100.0 %	0	0	0	0	0	0
Solar Powered Generating System	1,038	20	10.0 %	104	0*	0	0	0	142
Stoves	2	12	37.5 %	0	0	0	0	0	0
Water Pumps	0	20	100.0 %	0	0	0	0	0	0
Total division 40 - effective life rate	1,038			104	0	0	0	0	0
Total division 40 - pooled (Page 20)	396			149	444	277	173	108	179

\*Low cost assets and low value assets have been allocated to the low value pooling table.

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Capital loss diminishing value method pooling schedule (years 1 - 5)

Tax grouping	Total cost @ Pooling start (\$)	Effective life (Years)	Basic rate (DV)	Depreciation allowance					TWDV @ 1-Jul-22 (\$)
				28-Apr-18 30-Jun-18 Year 1 (\$)	1-Jul-18 30-Jun-19 Year 2 (\$)	1-Jul-19 30-Jun-20 Year 3 (\$)	1-Jul-20 30-Jun-21 Year 4 (\$)	1-Jul-21 30-Jun-22 Year 5 (\$)	
Division 40 - plant & equipment (Pooling rates)									
Existing unit specific									
Air Conditioner - Room Units	1,035	10	37.5 %	194	315	197	123	77	129
Bathroom Accessories - Freestanding	0	5	0.0 %	0	0	0	0	0	0
Blinds	1,889	10	37.5 %	354	576	360	225	140	234
Ceiling Fans	0	5	0.0 %	0	0	0	0	0	0
Curtains	0	6	0.0 %	0	0	0	0	0	0
Door Closers	0	10	0.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	0.0 %	0	0	0	0	0	0
Floating Timber Floors	*891	15	0.0 %	0	0	0	0	0	0
Floor Carpet - Artificial Grass & Matting	*901	5	37.5 %	0	0	0	338	211	352
Garbage Bins	0	10	0.0 %	0	0	0	0	0	0
Heating Gas - Ducted Central Unit	*911	20	0.0 %	0	0	0	0	0	0
Hot Water Systems	987	12	37.5 %	185	301	188	117	74	122
Light Shades	824	5	37.5 %	155	251	157	98	61	102
Rangehoods	668	12	37.5 %	125	204	127	80	50	82
Smoke Alarms	0	6	0.0 %	0	0	0	0	0	0
Solar Powered Generating System	*934	20	0.0 %	0	0	0	0	0	0
Stoves	*875	12	37.5 %	0	0	0	328	205	342
Water Pumps	0	20	0.0 %	0	0	0	0	0	0
<b>Total - pooled items</b>	<b>5,403</b>			<b>1,013</b>	<b>1,647</b>	<b>1,029</b>	<b>1,309</b>	<b>818</b>	<b>1,363</b>

Items marked by an \* are allocated to the low-value pool in later years.

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**Capital loss diminishing value method pooling schedule (years 6 - 10)**

Tax grouping	Total cost @ Pooling start (\$)	Effective life (Years)	Basic rate (DV)	Depreciation allowance					TWDV @ 1-Jul-27 (\$)
				1-Jul-22 30-Jun-23 Year 6 (\$)	1-Jul-23 30-Jun-24 Year 7 (\$)	1-Jul-24 30-Jun-25 Year 8 (\$)	1-Jul-25 30-Jun-26 Year 9 (\$)	1-Jul-26 30-Jun-27 Year 10 (\$)	
<b>Division 40 - plant &amp; equipment (Pooling rates)</b>									
<b>Existing unit specific</b>									
Air Conditioner - Room Units	129	10	37.5 %	48	30	19	12	8	12
Bathroom Accessories - Freestanding	0	5	0.0 %	0	0	0	0	0	0
Blinds	234	10	37.5 %	88	55	34	21	14	22
Ceiling Fans	0	5	0.0 %	0	0	0	0	0	0
Curtains	0	6	0.0 %	0	0	0	0	0	0
Door Closers	0	10	0.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	0.0 %	0	0	0	0	0	0
Floating Timber Floors	*891	15	37.5 %	0	0	0	334	209	348
Floor Carpet - Artificial Grass & Matting	352	5	37.5 %	132	83	51	32	20	34
Garbage Bins	0	10	0.0 %	0	0	0	0	0	0
Heating Gas - Ducted Central Unit	*911	20	0.0 %	0	0	0	0	0	0
Hot Water Systems	122	12	37.5 %	46	29	18	11	7	11
Light Shades	102	5	37.5 %	38	24	15	9	6	10
Rangehoods	82	12	37.5 %	31	19	12	8	5	7
Smoke Alarms	0	6	0.0 %	0	0	0	0	0	0
Solar Powered Generating System	*934	20	0.0 %	0	0	0	0	0	0
Stoves	342	12	37.5 %	128	80	50	32	20	32
Water Pumps	0	20	0.0 %	0	0	0	0	0	0
<b>Total - pooled items</b>	<b>1,363</b>			<b>511</b>	<b>320</b>	<b>199</b>	<b>459</b>	<b>289</b>	<b>476</b>

Items marked by an \* are allocated to the low-value pool in later years.

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Capital loss diminishing value method pooling schedule (years 11 - 15)

Tax grouping	Total cost @ Pooling start (\$)	Effective life (Years)	Basic rate (DV)	Depreciation allowance					TWDV @ 1-Jul-32 (\$)
				1-Jul-27 30-Jun-28 Year 11 (\$)	1-Jul-28 30-Jun-29 Year 12 (\$)	1-Jul-29 30-Jun-30 Year 13 (\$)	1-Jul-30 30-Jun-31 Year 14 (\$)	1-Jul-31 30-Jun-32 Year 15 (\$)	
Division 40 - plant & equipment (Pooling rates)									
Existing unit specific									
Air Conditioner - Room Units	12	10	37.5 %	5	3	2	1	1	0
Bathroom Accessories - Freestanding	0	5	0.0 %	0	0	0	0	0	0
Blinds	22	10	37.5 %	8	5	3	2	2	2
Ceiling Fans	0	5	0.0 %	0	0	0	0	0	0
Curtains	0	6	0.0 %	0	0	0	0	0	0
Door Closers	0	10	0.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	0.0 %	0	0	0	0	0	0
Floating Timber Floors	348	15	37.5 %	131	81	51	32	20	33
Floor Carpet - Artificial Grass & Matting	34	5	37.5 %	13	8	5	3	2	3
Garbage Bins	0	10	0.0 %	0	0	0	0	0	0
Heating Gas - Ducted Central Unit	*911	20	37.5 %	0	0	0	342	213	356
Hot Water Systems	11	12	37.5 %	4	3	2	1	1	0
Light Shades	10	5	37.5 %	4	2	2	1	1	0
Rangehoods	7	12	37.5 %	3	2	1	1	0	0
Smoke Alarms	0	6	0.0 %	0	0	0	0	0	0
Solar Powered Generating System	*934	20	0.0 %	0	0	0	0	0	0
Stoves	32	12	37.5 %	12	8	5	3	2	2
Water Pumps	0	20	0.0 %	0	0	0	0	0	0
<b>Total - pooled items</b>	<b>476</b>			<b>180</b>	<b>112</b>	<b>71</b>	<b>386</b>	<b>242</b>	<b>396</b>

Items marked by an \* are allocated to the low-value pool in later years.

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Capital loss diminishing value method pooling schedule (years 16 - 20)

Tax grouping	Total cost @ Pooling start (\$)	Effective life (Years)	Basic rate (DV)	Depreciation allowance					TWDV @ 1-Jul-37 (\$)
				1-Jul-32 30-Jun-33 Year 16 (\$)	1-Jul-33 30-Jun-34 Year 17 (\$)	1-Jul-34 30-Jun-35 Year 18 (\$)	1-Jul-35 30-Jun-36 Year 19 (\$)	1-Jul-36 30-Jun-37 Year 20 (\$)	
Division 40 - plant & equipment (Pooling rates)									
Existing unit specific									
Air Conditioner - Room Units	0	10	0.0 %	0	0	0	0	0	0
Bathroom Accessories - Freestanding	0	5	0.0 %	0	0	0	0	0	0
Blinds	2	10	37.5 %	1	1	0	0	0	0
Ceiling Fans	0	5	0.0 %	0	0	0	0	0	0
Curtains	0	6	0.0 %	0	0	0	0	0	0
Door Closers	0	10	0.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	0.0 %	0	0	0	0	0	0
Floating Timber Floors	33	15	37.5 %	12	8	5	3	2	3
Floor Carpet - Artificial Grass & Matting	3	5	37.5 %	1	1	1	0	0	0
Garbage Bins	0	10	0.0 %	0	0	0	0	0	0
Heating Gas - Ducted Central Unit	356	20	37.5 %	134	83	52	33	20	34
Hot Water Systems	0	12	0.0 %	0	0	0	0	0	0
Light Shades	0	5	0.0 %	0	0	0	0	0	0
Rangehoods	0	12	0.0 %	0	0	0	0	0	0
Smoke Alarms	0	6	0.0 %	0	0	0	0	0	0
Solar Powered Generating System	*934	20	37.5 %	0	350	219	137	86	142
Stoves	2	12	37.5 %	1	1	0	0	0	0
Water Pumps	0	20	0.0 %	0	0	0	0	0	0
<b>Total - pooled items</b>	<b>396</b>			<b>149</b>	<b>444</b>	<b>277</b>	<b>173</b>	<b>108</b>	<b>179</b>

Items marked by an \* are allocated to the low-value pool in later years.

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Capital loss prime cost method schedule (years 1 - 5)

Tax grouping	Total cost @ 28-Apr-18 (\$)	Effective life (Years)	Basic rate (PC)	Deferred depreciation					TWDV @ 1-Jul-22 (\$)
				28-Apr-18 30-Jun-18 Year 1 (\$)	1-Jul-18 30-Jun-19 Year 2 (\$)	1-Jul-19 30-Jun-20 Year 3 (\$)	1-Jul-20 30-Jun-21 Year 4 (\$)	1-Jul-21 30-Jun-22 Year 5 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing unit specific									
Air Conditioner - Room Units	1,035	10	10.0 %	18	104	104	104	104	601
Bathroom Accessories - Freestanding	112	5	100.0 %	112	0	0	0	0	0
Blinds	1,889	10	10.0 %	33	189	189	189	189	1,100
Ceiling Fans	270	5	100.0 %	270	0	0	0	0	0
Curtains	76	6	100.0 %	76	0	0	0	0	0
Door Closers	159	10	100.0 %	159	0	0	0	0	0
Exhaust Fans	285	10	100.0 %	285	0	0	0	0	0
Floating Timber Floors	2,485	15	6.7 %	29	166	166	166	166	1,792
Floor Carpet - Artificial Grass & Matting	2,692	5	20.0 %	94	538	538	538	538	446
Garbage Bins	222	10	100.0 %	222	0	0	0	0	0
Heating Gas - Ducted Central Unit	3,279	20	5.0 %	29	164	164	164	164	2,594
Hot Water Systems	987	12	8.3 %	14	82	82	82	82	645
Light Shades	824	5	20.0 %	29	165	165	165	165	135
Rangehoods	668	12	8.3 %	10	56	56	56	56	434
Smoke Alarms	236	6	100.0 %	236	0	0	0	0	0
Solar Powered Generating System	4,617	20	5.0 %	40	231	231	231	231	3,653
Stoves	1,298	12	8.3 %	19	108	108	108	108	847
Water Pumps	286	20	100.0 %	286	0	0	0	0	0

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Capital loss prime cost method schedule (years 6 - 10)

Tax grouping	Total cost @ 1-Jul-22 (\$)	Effective life (Years)	Basic rate (PC)	Deferred depreciation					TWDV @ 1-Jul-27 (\$)
				1-Jul-22 30-Jun-23 Year 6 (\$)	1-Jul-23 30-Jun-24 Year 7 (\$)	1-Jul-24 30-Jun-25 Year 8 (\$)	1-Jul-25 30-Jun-26 Year 9 (\$)	1-Jul-26 30-Jun-27 Year 10 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing unit specific									
Air Conditioner - Room Units	601	10	10.0 %	104	104	104	104	104	81
Bathroom Accessories - Freestanding	0	5	100.0 %	0	0	0	0	0	0
Blinds	1,100	10	10.0 %	189	189	189	189	189	155
Ceiling Fans	0	5	100.0 %	0	0	0	0	0	0
Curtains	0	6	100.0 %	0	0	0	0	0	0
Door Closers	0	10	100.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	100.0 %	0	0	0	0	0	0
Floating Timber Floors	1,792	15	6.7 %	166	166	166	166	166	962
Floor Carpet - Artificial Grass & Matting	446	5	20.0 %	446	0	0	0	0	0
Garbage Bins	0	10	100.0 %	0	0	0	0	0	0
Heating Gas - Ducted Central Unit	2,594	20	5.0 %	164	164	164	164	164	1,774
Hot Water Systems	645	12	8.3 %	82	82	82	82	82	235
Light Shades	135	5	20.0 %	135	0	0	0	0	0
Rangehoods	434	12	8.3 %	56	56	56	56	56	154
Smoke Alarms	0	6	100.0 %	0	0	0	0	0	0
Solar Powered Generating System	3,653	20	5.0 %	231	231	231	231	231	2,498
Stoves	847	12	8.3 %	108	108	108	108	108	307
Water Pumps	0	20	100.0 %	0	0	0	0	0	0

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Capital loss prime cost method schedule (years 11 - 15)

Tax grouping	Total cost @ 1-Jul-27 (\$)	Effective life (Years)	Basic rate (PC)	Deferred depreciation					TWDV @ 1-Jul-32 (\$)
				1-Jul-27 30-Jun-28 Year 11 (\$)	1-Jul-28 30-Jun-29 Year 12 (\$)	1-Jul-29 30-Jun-30 Year 13 (\$)	1-Jul-30 30-Jun-31 Year 14 (\$)	1-Jul-31 30-Jun-32 Year 15 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing unit specific									
Air Conditioner - Room Units	81	10	10.0 %	81	0	0	0	0	0
Bathroom Accessories - Freestanding	0	5	100.0 %	0	0	0	0	0	0
Blinds	155	10	10.0 %	155	0	0	0	0	0
Ceiling Fans	0	5	100.0 %	0	0	0	0	0	0
Curtains	0	6	100.0 %	0	0	0	0	0	0
Door Closers	0	10	100.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	100.0 %	0	0	0	0	0	0
Floating Timber Floors	962	15	6.7 %	166	166	166	166	166	132
Floor Carpet - Artificial Grass & Matting	0	5	20.0 %	0	0	0	0	0	0
Garbage Bins	0	10	100.0 %	0	0	0	0	0	0
Heating Gas - Ducted Central Unit	1,774	20	5.0 %	164	164	164	164	164	954
Hot Water Systems	235	12	8.3 %	82	82	71	0	0	0
Light Shades	0	5	20.0 %	0	0	0	0	0	0
Rangehoods	154	12	8.3 %	56	56	42	0	0	0
Smoke Alarms	0	6	100.0 %	0	0	0	0	0	0
Solar Powered Generating System	2,498	20	5.0 %	231	231	231	231	231	1,343
Stoves	307	12	8.3 %	108	108	91	0	0	0
Water Pumps	0	20	100.0 %	0	0	0	0	0	0

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Capital loss prime cost method schedule (years 16 - 20)

Tax grouping	Total cost @ 1-Jul-32 (\$)	Effective life (Years)	Basic rate (PC)	Deferred depreciation					TWDV @ 1-Jul-37 (\$)
				1-Jul-32 30-Jun-33 Year 16 (\$)	1-Jul-33 30-Jun-34 Year 17 (\$)	1-Jul-34 30-Jun-35 Year 18 (\$)	1-Jul-35 30-Jun-36 Year 19 (\$)	1-Jul-36 30-Jun-37 Year 20 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing unit specific									
Air Conditioner - Room Units	0	10	100.0 %	0	0	0	0	0	0
Bathroom Accessories - Freestanding	0	5	100.0 %	0	0	0	0	0	0
Blinds	0	10	100.0 %	0	0	0	0	0	0
Ceiling Fans	0	5	100.0 %	0	0	0	0	0	0
Curtains	0	6	100.0 %	0	0	0	0	0	0
Door Closers	0	10	100.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	100.0 %	0	0	0	0	0	0
Floating Timber Floors	132	15	6.7 %	132	0	0	0	0	0
Floor Carpet - Artificial Grass & Matting	0	5	20.0 %	0	0	0	0	0	0
Garbage Bins	0	10	100.0 %	0	0	0	0	0	0
Heating Gas - Ducted Central Unit	954	20	5.0 %	164	164	164	164	164	134
Hot Water Systems	0	12	8.3 %	0	0	0	0	0	0
Light Shades	0	5	20.0 %	0	0	0	0	0	0
Rangehoods	0	12	8.3 %	0	0	0	0	0	0
Smoke Alarms	0	6	100.0 %	0	0	0	0	0	0
Solar Powered Generating System	1,343	20	5.0 %	231	231	231	231	231	188
Stoves	0	12	8.3 %	0	0	0	0	0	0
Water Pumps	0	20	100.0 %	0	0	0	0	0	0

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# Glossary of terms

## **Building first use**

Refers to a new property which has not been previously used. Capital works deductions can be claimed for forty years from the construction completion date. When a purchaser becomes the first owner of a brand new investment property, they are entitled to claim both the capital works deduction and depreciation of plant and equipment assets as long as they own the property and it is being used to produce income for a taxable purpose.

## **Building cost index**

The building cost index is a statistical based method of measuring building price movements over time. It is a composite index with weighted factors on an industry-wide basis.

## **Division 40 - plant and equipment**

Division 40 refers to the plant and equipment assets contained within the property. These assets are deemed to be mechanical or easily removed from the property as opposed to items that are permanently fixed to the structure of the building. These are assets which are also listed as recognised plant and equipment assets by the ATO. Unlike deductions available for division 43, depreciation of plant and equipment is not limited by its age. It is the condition and quality of each item as well as the individual effective life of the asset as set by the ATO which contributes to the depreciable amount. Examples of plant and equipment assets include carpet, blinds, ovens as well as less obvious items such as door closers.

For an easy way to search for all depreciable plant and equipment assets in residential properties download our app BMT Resi Rates. Alternatively, to search for plant and equipment assets in other property types download our app BMT Rate Finder. Both of these apps are available free of charge in the App Store™ and Google Play™.

## **Division 43**

Division 43 refers to a deduction available for the structural element of a building and assets that are fixed to the building. This is commonly referred to as a capital works deduction. A deduction can be claimed for the building, structural improvements and fixed assets of a property at a rate of either 2.5 per cent or 4 per cent each year depending on the classification of the property's use and the property's construction commencement date.

Current ATO legislation states that a property owner is eligible to claim a deduction for the division 43 on income producing properties that commenced construction after the 15th of September 1987 and the present time. The capital works deduction can only be claimed for a maximum of forty years after the construction completion date. Examples of assets that will qualify for division 43 include walls, roof, tiles, built in robes, cabinets, fixed bathroom fittings and vanities.

Property owners may also be able to claim building write-off for renovations that have been completed to a property, even if these renovations were completed by a previous owner of the property.

### Diminishing value method

The diminishing value method is one of two methods used to claim depreciation for plant and equipment assets. Under the diminishing value method the decline in value is calculated using the asset's base value. The base value of an asset is, broadly, its cost plus any costs incurred on the asset since you first held it less the decline in value of the asset up to the end of the prior year.

The formulas for the diminishing value method are:

Diminishing value method				
For depreciating assets you started to hold on or after 10th May 2006				
Base value*	X	Days held	X	200 per cent
		-----		-----
		365		asset's effective life
For depreciating assets you started to hold prior to 10th May 2006				
Base value*	X	Days held	X	150 per cent
		-----		-----
		365		asset's effective life

\* For the income year in which an asset is first used or installed ready for use for any purpose, the **base value** is the asset's cost. For a later income year, the base value is the asset's opening adjustable value plus any amounts included in the asset's second element of cost for that year.

This method assumes that the decline in value each year is a constant proportion of the amount not yet written off and produces a progressively smaller decline in value over time.

This method results in a higher rate of depreciation deductions in the first five to ten years of owning the property.

Once a method has been chosen, this cannot be changed. For this reason, it is recommended that the property owner consult with an Accountant or a Financial Adviser for advice on which method will best suit their individual investment strategy and to ensure the best results are obtained.

### Effective life

The effective life of depreciable assets is set by the Tax Commissioner and is used to show how long an asset is likely to last and be effective. Legislation in place at the time this schedule is completed provides an effective life for each individual asset claimable as plant and equipment. The value of depreciation is determined based upon this effective life.

### Immediate write-off

Individual assets which cost \$300 or less can usually be written off as an immediate deduction in the year of their acquisition. This means an investor can claim 100 per cent of the value of an asset in the same financial year as its purchase so long as the asset meets certain criteria as set by the ATO.

To be eligible for the immediate write-off, an asset must be used for the purpose of producing assessable income that was not income from carrying out a business. The asset also cannot be part of a set of assets acquired in the income year that together cost more than \$300. The cost of individual assets that have been acquired after the 1 July 2001 that are the same asset type (or are considered to be identical or substantially identical in accordance with ATO legislation) must be added together when applying the \$300 threshold. If their combined total cost is more than \$300, they cannot be written off in the year of purchase (unless there are multiple owners and their interest in the asset is less than \$300). Alternatively, you may be able to allocate the asset to a low-value pool.

The contents of this page are subject to and must be read in conjunction with the disclaimer on page 7

### **Low-value pooling**

From 1 July 2000, an optional low-value pooling arrangement for plant was introduced. This applied to certain plant and equipment costing less than \$1,000 or having an undeducted cost of less than \$1,000.

Under Uniform Capital Allowance (UCA) rules, you can allocate low-cost assets and low value assets to a low-value pool.

You work out the decline in value of an asset you hold jointly with others based on the cost of your interest in the asset. This means if you hold an asset jointly and the cost of your interest in the asset or the opening adjustable value of your interest is less than \$1,000, you can allocate your interest in the asset to your low-value pool. Once you choose to create a low-value pool and allocate a low-cost asset to it, you must pool all other low-cost assets you start to hold in that income year and in later income years. However, this rule does not apply to low-value assets. You can decide whether to allocate low-value assets to the pool on an asset-by-asset basis.

Assets which are placed into a low-value pool are able to be claimed by the property owner at an accelerated rate of 18.75 per cent in the year of purchase and 37.5 per cent every year thereafter.

### **Low-cost assets**

A low-cost asset is a depreciable asset that has an opening value of less than \$1,000 in the year of acquisition.

### **Low-value assets**

A low-value asset is a depreciable asset that has a written down value of less than \$1,000. That is, the value of the asset may have been greater than \$1,000 in the year of acquisition however the value remaining after a previous year's depreciation deduction is less than \$1,000.

### **Non-depreciable components**

Examples of non-depreciable components include land value, market premiums, rates, taxes, holding costs and assets which have not been deemed to be depreciable according to current legislation, for example soft landscaping.

### Preliminaries

Construction preliminaries refers to the associated expenses or costs that contractors incur in the completion of a project, for example a site office or temporary fencing, rather than the actual materials and fees used during construction such as bricks and mortar and labour costs.

### Prime cost method

The prime cost method is one of two methods used to claim depreciation for plant and equipment. Under the prime cost method the decline in value is generally calculated as a constant percentage of the asset's cost and reflects a uniform decline in value over time. The formula is:

Prime cost method				
Asset's cost	X	Days held	X	100 per cent
		-----		-----
		365		asset's effective life

\* The cost of an asset includes both the amount you pay for it as well as any additional amounts you spend on transporting it and installing it. Cost also includes amounts you spend on improving the asset.

Once a method has been chosen, this cannot be changed. For this reason, it is recommended that the property owner consult with an Accountant or a Financial Adviser for advice on which method will best suit their individual investment strategy and to ensure the best results are obtained.

### Pro-rata calculations

Pro-rata calculations are used to show a portion of a total quantity. When an investment property is rented partway through a year, capital works deductions and plant and equipment depreciation deductions are required to be based on a pro-rata calculation of the time that the property (or asset acquired and installed within the property) was income producing.

### Substantial renovations

Substantial renovations of a building is defined under Section 195-1 of the GST Act as renovations in which all, or substantially all, of a building is removed or replaced. However, the renovations need not involve removal or replacement of foundations, external walls, interior supporting walls, floors, roof or staircases.

### Split schedule

Ownership structures influence how depreciation deductions are calculated. Properties with multiple owners can create a complex tax situation. A BMT Tax Depreciation Schedule makes the process easier for Accountants by splitting depreciation deductions to ensure the owners' claims are maximised. BMT Tax Depreciation can take into account any number of owners and ownership percentages from two owners at 60:40 or even four owners at 70:15:10:5.

### Disclaimer

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