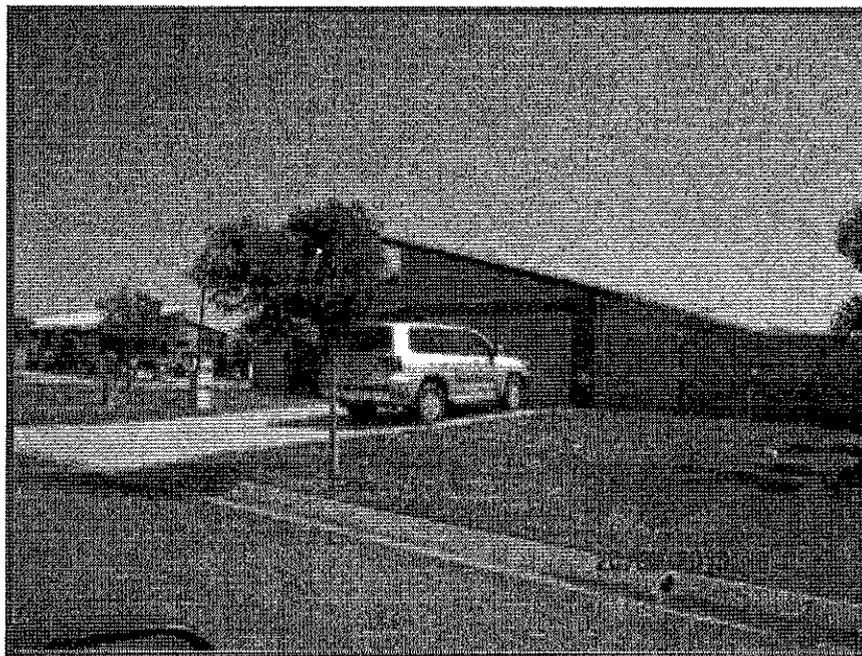


## ***Tax Depreciation***

# **Opteon.**

Australia's Property Advisors



**10 Colonial Street**

**Ooralea via Mackay, Queensland, 4740**

**Prepared For Roslyn and Barry ADAIR**

**Inspection Date 20<sup>th</sup> September, 2013**

**Our Reference U4767273 RPB**

***Value made visible***

**Opteon (Central and Southern QLD) Pty Ltd**  
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## EXECUTIVE SUMMARY

### REFERENCE:

Residential Depreciation - Property Tax Allowance Schedule for Roslyn and Barry ADAIR.

### INSTRUCTIONS:

To prepare Capital Allowance Schedules for the subject property.

To provide independent analysis of the Capital Allowances available under the Income Tax Assessment Act 1997, the Income Tax Consequential Amendments Act 1997, and the Income Tax "Transitional Provisions" Act 1997. This report identifies and evaluates the following allowances:-

Division 40 Capital allowances -depreciating assets

- Diminishing Value
- Prime Cost
- Low-Value Pool

Division 43 Deductions for capital works

- Buildings
- Structural Improvements.

You must choose whether to adopt the Diminishing Value method or Prime Cost method and use that schedule in conjunction with the Low-Value Pool Schedule and Division 43 Schedule.

<b>PROPERTY SITUATED:</b>	10 Colonial Street, Ooralea via Mackay, Queensland, 4740
<b>REAL PROPERTY DESCRIPTION:</b>	Lot 179 Survey Plan 212477, County of Carlisle, Parish of Howard
<b>DATE OF ASSESSMENT:</b>	20 <sup>th</sup> September, 2013
<b>CONTRACT DATE:</b>	21 <sup>st</sup> September, 2011
<b>SETTLEMENT DATE:</b>	21 <sup>st</sup> October, 2011
<b>INVESTMENT DATE:</b>	21 <sup>st</sup> October, 2011

1. Reconciliation of Capital Expenditure

Apportionment of costs relating to plant:			<u>\$ 17,715</u>
Apportionment of costs not claimable as plant:			
(i) Land	\$	240,000	
(iii) Balance of Capital Expenditure	\$	232,285	<u>\$ 472,285</u>
Total Expenditure Analysed			<u>\$ 490,000</u>
<i>Percentage of Plant Relative to Expenditure</i>			3.62%

2. Division 43 Allowances - Historical Costs

Building & Structural	- Original Cost	\$ 229,138
Allowance(s)	- Opening Balance	\$ 216,889

Summary of Total Allowances Available

		Total Opening Balance as at 21-Oct-11.	254 Days Diminishing Value Method	254 Days Prime Cost Method
Low-Value Pool	\$ 4,370			
Plant	\$ 13,345	\$ 17,715	\$ 3,548	\$ 2,711
Division 43 Allowance & Structural Improvements		\$ 216,889	\$ 3,986	\$ 3,986
<b>TOTALS</b>		<u>\$ 234,604</u>	<u>\$ 7,534</u>	<u>\$ 6,697</u>

## Certification

We hereby certify that the Capital Costs as detailed relate to:-

- Capital Works Deductions in accordance with the Income Tax Assessment Act 1997, Division 43.
- Plant as included in the property, located at 10 Colonial Street, Ooralea via Mackay, calculated in accordance with the Income Tax Assessment Act 1997, Division 40.

These Schedules are prepared for the purpose of claiming Property Tax Allowance, and are not to be used for any other purpose. Opteon (Central and Southern QLD) Pty Ltd does not accept any contractual, tortuous or any other form of liability for any consequences, loss or damage which may arise as a result of any other person acting upon or using this information. This report does not provide tax advice and the taxpayer must discuss the contents of this report with a tax advisor prior to using the information in a tax return. The report relates only to the current owner of the property.

This Report is prepared for the private and confidential use of our clients, Roslyn and Barry ADAIR. It should not be reproduced in whole or part without the express written authority of Opteon (Central and Southern QLD) Pty Ltd.



SIGNED:.....

Ryan Booth, Associate,  
Opteon (Central and Southern QLD) Pty Ltd.

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## 1. INTRODUCTION AND METHODOLOGY

### 1.1 Qualifications

Opteon (Central and Southern QLD) Pty Ltd has been recognised by the Australian Tax Office as an appropriately qualified organisation for the calculation of Depreciation Allowance.

Relevant experience and resources in this field include:-

- Valuation on a daily basis of residential development projects, utilising plans and specifications.
- The dissection of the building Cost into rates for fittings, fixtures and equipment, and a residual *carcass* Value of the building.
- The application of this data in our Valuation practice.
- Similar undertakings on a regular basis of commercial and industrial projects.
- Maintenance of a database of all relevant building and trade Costs.
- Maintenance of records of construction Costs in this district over a 30 year period.

The Principal of the firm, Opteon (Central and Southern QLD) Pty Ltd has operated a building company engaged in residential construction in the Mackay and Whitsunday Districts, and including estimates and quotations, and supervision.

### 1.2 Division 40 - Plant

The Valuation of the *plant* has regard to a reasonable proportion of the overall capital expenditure as detailed in this Report.

The apportionment divides the asset into the following categories:-

- Land.
- Building improvements.
- Plant.

*Note:- The amount allocated to Building Improvements is an apportionment of the purchase price, and does not form the basis for a Division 43 Capital Allowance Deduction.*

## 1.2 Division 40 - Plant (cont.)

The schedules have been prepared on the assumption that no schedules of depreciation allowances form part of the Contract for Sale, thereby requiring a re-valuation in accordance with the Income Tax Assessment Act 1997.

The depreciation rates adopted in our schedules are in accordance with the legislation applying at the time of acquisition.

Certain items with an individual cost to the tax payer at acquisition of \$300 or less are immediately deductible under Division 40 of the Income Tax Assessment Act 1997. These items are available for immediate deduction and they are included in the main depreciation schedule.

The low-Value Pool consists of assets which have a cost less than \$1,000 (Low-Cost assets) as well as those with an adjusted Value of less than \$1,000 at the start of a new tax year when calculated using the Diminishing Value method (Low-Value assets).

Low-Cost assets are depreciating assets, which have a Cost to the taxpayer at acquisition of less than \$1,000. These items are placed into the Low-Value Pool immediately and receive a decline in Value of 18.75% in the first year and 37.5% each subsequent year on a Diminishing Value basis. Once you make a decision to allocate Low-Cost assets to the Pool, all Low-Costs assets must be so allocated in the future. It has been assumed that you will elect to use the Low-Cost asset provisions. The items are listed in Annexure 3 of this report. The provisions are only available where contracts were exchanged after 1 July 2000.

Low-Value assets are depreciating assets, which have an adjusted value at the beginning of a tax year of less than \$1,000 when depreciated using the Diminishing Value method. For the purposes of this report we have only allocated Low-Cost assets to the Low-Value Pool. The tax flow allowance in section 5 of this report does not allow for the allocation of assets to the Low-Value Pool as they become eligible in future years. A decision to this effect not needs to be made until the end of each tax year.

Our Schedules are prepared on the assumption that the owner of the property is not a Small Business Tax Payer.

### 1.3 Division 43 Capital Works Deductions

Under Division 43 of the Income Tax Assessment Act the qualifying expenditure as assessed is based on the historical cost of construction of the asset.

The Prime Cost rates for Capital Works Deductions are 2.5% or 4%, dependant on the date of commencement of the building works, and the type of building. In these schedules the following rates have been utilised:-

#### RATE OF DEPRECIATION

Property Type/ Construction Date	Residential	Structural Improvements
18 July 1985 To	4.00%	N/A
15 September 1987 16 September 1987 To	2.50%	N/A
27 February 1992 28 February 1992 To	2.50%	2.50%
Today		

The Division 43 Capital Works Deduction has been based on either:

- The actual construction cost as advised, which have been checked for accuracy against our records of historical costs at the relevant date; or
- Our estimates of the historical construction costs as set out in Income Tax Ruling 97/25.

#### 1.4 Description of Improvements

The property is improved with a residential dwelling, constructed in 2009, with the following floor areas (metres squared):-

Living Area -	133.7
Outdoor Areas -	15.9
Car Areas -	38

*Construction* - Reinforced concrete ground slab, rendered masonry block external walls with paint finish, colorbond roof sheeting, plasterboard internal linings and ceilings and aluminium framed sliding windows and doors.

*Accommodation* - Four (4) bedrooms, two (2) bathrooms, entry, lounge, dining, kitchen, toilet, laundry, front portico and rear patio.

*Age and General Condition* - The home is in good condition internally and externally and fixtures and fittings are of an average standard.

Our Report and Valuation is based on the assumption that all improvements on the property comply with the terms and conditions of approval from all relevant Statutory Authorities. While taking every care with our inspection it should be noted that we have not inspected inaccessible parts of the structures or tested components, and our Report is not intended as a Structural or Mechanical Survey of the property.

## 1.5 Substantiation of Schedules

For the purpose of substantiation requirements under the Self Assessment Provisions we provide the following information:-

Date of exchange: 21<sup>st</sup> September, 2011

Date of settlement: 21<sup>st</sup> October, 2011

A detailed inspection of the property was conducted on 20<sup>th</sup> September, 2013. This inspection included property identification, measurement of buildings, and establishment of the use of plant and structure. Where applicable common property has been apportioned between residential units. We are advised that the property was first available for rental purposes on the 21<sup>st</sup> October, 2011.

Our report and assessment is prepared on the understanding that all items of plant and equipment in the schedules are the property of the tax payer.

The schedules are based on our interpretation of the Income Tax Assessment Act 1997, the Income Tax Consequential Amendments Act 1997, and the Income Tax (Transitions Provisions) Act 1997 as Amended, subsequent tax cases and tax rulings, with all current at the date of the Assessment, and our appreciation of the current practices of the Commissioner of Taxation.

This schedule is based on the information available to us at the time of preparation. If there are any additions, disposals or changes in ownership of any items please contact our office.

## 2. ANALYSIS OF EXPENDITURE

Our report and assessment is based on the following total expenditure:-

Purchase Price -	\$490,000
	-----
<b>Total Expenditure -</b>	<b>\$490,000</b>
	=====

Historical construction costs for the property are unavailable, and we have assessed a reasonable allowance with regard to the information received in accordance with Income Tax Ruling 97/25.

The cost has been calculated as \$229,138 for the original building, and the eligible qualifying expenditure for the purpose of calculation of Division 43 allowance has been derived from that amount by exclusion of plant and non-eligible items.

The summary of results includes a figure for the "Balance of Capital Expenditure". This figure includes both the opening balance for Division 43 capital works and non-eligible expenditure. Non-eligible expenditure includes the differences between the proportion of the purchase price relating to claimable Division 43 capital works and their historical cost and the proportion of the purchase price relating to capital non-deductible items of expenditure.

### 3. CERTIFICATE OF CAPITAL EXPENDITURE - PLANT

#### 3.1 Diminishing Value Method

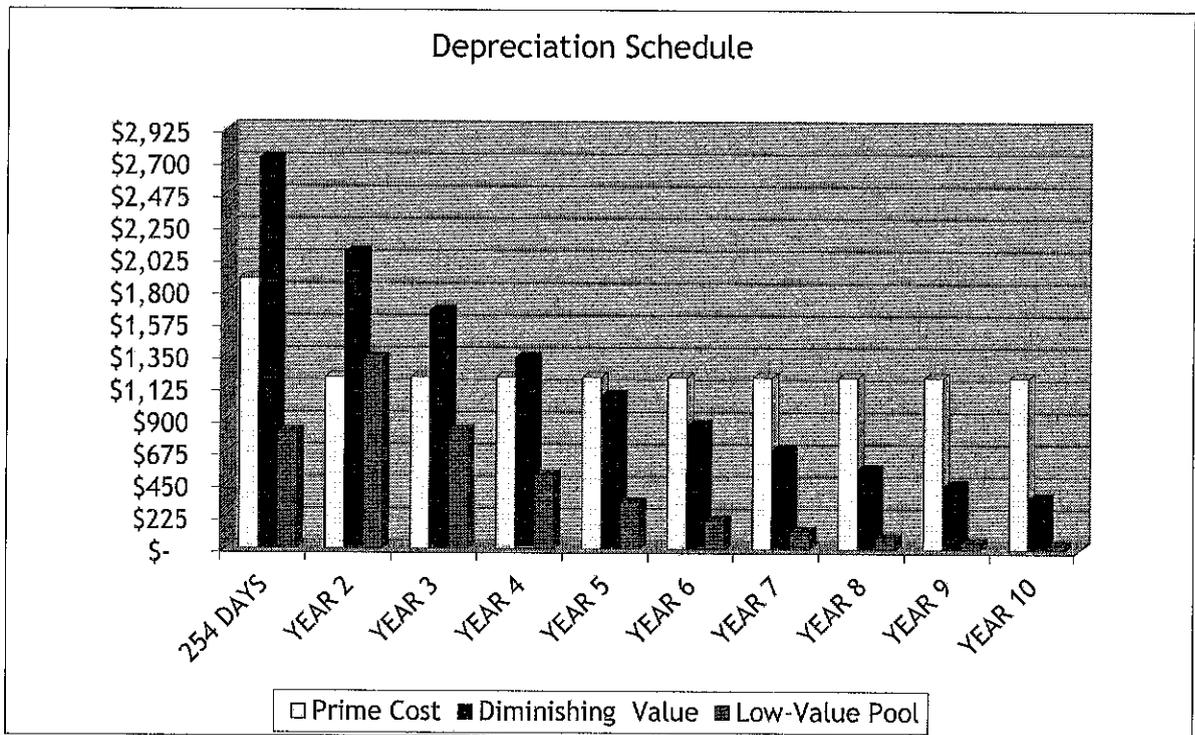
The following schedule calculates the Capital Expenditure incurred upon the plant in this matter, attracting Depreciation Allowances, and assessed by the **Diminishing Value method** (See Annexure 1)

#### 3.2 Prime Cost Method

The following schedule is our assessment of Capital Expenditure incurred upon plant in this matter, attracting Depreciation Allowances, and assessed by the **Prime Cost method** (See Annexure 2)

#### 3.3 Low-Value Pool

The following schedule is our assessment of Capital Expenditure incurred upon plant in this matter, attracting Depreciation Allowances, and assessed by the **Low-Value Pool method** (See Annexure 3).



**4. SUMMARY OF CAPITAL EXPENDITURE - DIVISION 43**

The following schedule is our assessment of Capital Expenditure incurred upon Capital Works in the matter, in accordance with Division 43 of the Act.

Qualifying Capital Expenditure Incurred on Eligible Capital Works in accordance with Division 43 of the ITAA 1997.						
Capital Expenditure Item	Construction Date	Total Historical Cost	Prime Cost	Annual Claim	Opening Residual Value 21-Oct-11.	Closing Residual Value 30-Jun-12.
1 Improvements	1-Sep-09	\$ 229,138	2.50%	\$ 5,728	\$ 216,889	\$ 212,902
<b>TOTAL</b>		<b>\$ 229,138</b>		<b>\$ 5,728</b>	<b>\$ 216,889</b>	<b>\$ 212,902</b>

**5. TAX FLOW ALLOWANCE**

The following schedules summarise the Tax Deductions claimable per annum:-

**5.1 Diminishing Value Method**

<b>DIMINISHING VALUE METHOD</b>						
<b>YEAR</b>	<b>DEPRECIATION</b>					<b>TOTALS</b>
	<b>ENTITLEMENTS ALLOWANCES</b>					
		<b>Div 40</b>				
	<b>Year Ended</b>	<b>Div 40</b>	<b>Low-Value Pool</b>	<b>Div. 43</b>		
	\$	\$		\$	\$	
1 (1 - 254 Days)	2012	2,728	819	3,986	7,533	
2	2013	2,076	1,331	5,728	9,135	
3	2014	1,668	832	5,728	8,228	
4	2015	1,341	520	5,728	7,589	
5	2016	1,078	325	5,728	7,131	
6	2017	867	203	5,728	6,798	
7	2018	697	127	5,728	6,552	
8	2019	561	79	5,728	6,368	
9	2020	451	50	5,728	6,229	
10	2021	363	31	5,728	6,122	
11+	2022	1,515	19	161,351	162,885	
<b>TOTALS</b>		<b>13,345</b>	<b>4,338</b>	<b>216,889</b>	<b>234,572</b>	

5.2 Prime Cost Method

PRIME COST METHOD					
YEAR	DEPRECIATION				
	ENTITLEMENTS ALLOWANCES				
		Div 40			
	Year Ended	Div 40	Low-Value Pool	Div. 43	TOTALS
	\$	\$	\$	\$	
1 (1 - 254 Days)	2012 <sup>†</sup>	1,891	819	3,986	6,696
2	2013 <sup>†</sup>	1,202	1,331	5,728	8,261
3	2014 <sup>†</sup>	1,202	832	5,728	7,762
4	2015 <sup>†</sup>	1,202	520	5,728	7,450
5	2016 <sup>†</sup>	1,202	325	5,728	7,255
6	2017 <sup>†</sup>	1,202	203	5,728	7,133
7	2018 <sup>†</sup>	1,202	127	5,728	7,057
8	2019 <sup>†</sup>	1,202	79	5,728	7,009
9	2020 <sup>†</sup>	1,202	50	5,728	6,980
10	2021 <sup>†</sup>	1,202	31	5,728	6,961
11+	2022 <sup>†</sup>	636	19	161,351	162,006
<b>TOTALS</b>		<b>13,345</b>	<b>4,338</b>	<b>216,889</b>	<b>234,572</b>

ANNEXURE 1  
DIMINISHING VALUE METHOD

Roslyn & Barry ADAIR														
10 Colonial Street, Ooralea, Mackay, Qld, 4740														
DEPRECIATION SCHEDULE - DIMINISHING VALUE METHOD														
ITEM	COST	LIFE	DEP'N RATE (Dim. value)	DEP'N OVER FIRST	Calculated Depreciation									
				254.00	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	
				254 DAYS										
Automatic garage doors: Controls	\$ 165	1	200%	165	-	-	-	-	-	-	-	-	-	
Exhaust fans (including light/heating)	\$ 270	1	200%	270	-	-	-	-	-	-	-	-	-	
Floor coverings: Carpet	\$ 2,000	10	20%	278	344	275	220	176	141	113	90	72	58	
Fire control assets: Detection and alarm systems:	\$ 120	1	200%	120	-	-	-	-	-	-	-	-	-	
Hot water systems (excluding piping): Electric & Gas	\$ 1,600	12	17%	186	236	196	164	136	114	95	79	66	55	
Kitchen Range hoods	\$ 300	1	200%	300	-	-	-	-	-	-	-	-	-	
Lights: Fittings (excluding hardwired)	\$ 200	1	200%	200	-	-	-	-	-	-	-	-	-	
Mini split systems up to 20KW (including ceiling, floor and high wall split system)	\$ 7,000	10	20%	974	1,205	964	771	617	494	395	316	253	202	
Window blinds, internal	\$ 1,690	10	20%	235	291	233	186	149	119	95	76	61	49	
<b>TOTALS</b>	<b>\$ 13,345</b>			<b>\$ 2,728</b>	<b>\$ 2,076</b>	<b>\$ 1,669</b>	<b>\$ 1,342</b>	<b>\$ 1,079</b>	<b>\$ 868</b>	<b>\$ 698</b>	<b>\$ 561</b>	<b>\$ 452</b>	<b>\$ 364</b>	

ANNEXURE 2  
PRIME COST METHOD

Roslyn & Barry ADAIR  
 10 Colonial Street, Ooralea, Mackay, Qld, 4740  
 DEPRECIATION SCHEDULE - PRIME COST METHOD

ITEM	COST	LIFE	DEPN RATE (Prime Cost)	DEPN OVER FIRST 254 DAYS	Calculated Depreciation														
					YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10						
Automatic garage doors: Controls	\$ 165	1.0	100%	165															
Exhaust fans (including light/heating)	\$ 270	1.0	100%	270															
Floor coverings: Carpet	\$ 2,000	10.0	10%	139	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200
Fire control assets: Detection and alarm systems:	\$ 120	1.0	100%	120															
Hot water systems (excluding piping): Electric & Gas	\$ 1,600	12.0	8%	93	133	133	133	133	133	133	133	133	133	133	133	133	133	133	133
Kitchen Range hoods	\$ 300	1.0	100%	300															
Lights: Fittings (excluding hardwired)	\$ 200	1.0	100%	200															
Mini split systems up to 20KW (including ceiling, floor and high wall split system)	\$ 7,000	10.0	10%	487	700	700	700	700	700	700	700	700	700	700	700	700	700	700	700
Window blinds, internal	\$ 1,690	10.0	10%	118	169	169	169	169	169	169	169	169	169	169	169	169	169	169	169
<b>TOTALS</b>	<b>\$ 13,345</b>			<b>\$ 1,892</b>	<b>\$ 1,202</b>	<b>\$ 1,202</b>	<b>\$ 1,202</b>	<b>\$ 1,202</b>	<b>\$ 1,202</b>	<b>\$ 1,202</b>	<b>\$ 1,202</b>	<b>\$ 1,202</b>	<b>\$ 1,202</b>	<b>\$ 1,202</b>	<b>\$ 1,202</b>	<b>\$ 1,202</b>	<b>\$ 1,202</b>	<b>\$ 1,202</b>	<b>\$ 1,202</b>

ANNEXURE 3  
LOW-VALUE POOL

**Roslyn & Barry ADAIR**  
**10 Colonial Street, Ooralea, Mackay, Qld, 4740**  
**DEPRECIATION SCHEDULE - LOW-VALUE POOL**

Depreciation for period 21-Oct-11 to 30-Jun-12 - 254 days.

ITEM	Opening Value	LIFE	DEPRECIATION RATE	Decline in Value	Adjusted Value
Ceiling fans	\$ 720	5.33	18.75%	\$ 135	\$ 585
Automatic garage doors: Motors	\$ 500	5.33	18.75%	\$ 94	\$ 406
Kitchen Cook tops	\$ 650	5.33	18.75%	\$ 122	\$ 528
Kitchen Dishwashers	\$ 750	5.33	18.75%	\$ 141	\$ 609
Kitchen Ovens	\$ 1,250	5.33	18.75%	\$ 234	\$ 1,016
Pumps (including diesel and electric)	\$ 500	5.33	18.75%	\$ 94	\$ 406
<b>TOTALS</b>	<b>\$ 4,370</b>			<b>\$ 819</b>	<b>\$ 3,551</b>