

# Capital Allowance and Tax Depreciation Schedule

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Maximising the cash return from investment properties

Graeme & Jennifer Schubert ATF The Schubert Superannuation Fund  
28 Grey Gum Road  
TAREE NSW 2430

22 January 2018

Graeme & Jennifer Schubert ATF The Schubert Superannuation Fund  
Unit 2/38 Lewis Street  
OLD BAR NSW 2430

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 28 Grey Gum Road, TAREE NSW 2430.

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

Maximising Property  
Tax Depreciation Deductions

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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).

**Schedule prepared for:** Graeme & Jennifer Schubert ATF The Schubert Superannuation Fund

**Property address:** 28 Grey Gum Road, TAREE NSW 2430

**Ownership interest:** 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 under \$600 as each co-owner's share is less than \$300 each. When an owner's share of an asset valued at less than \$1,000 it can also be added to a low-value pool.

**Property type:** Residential

**Purchase price:** \$275,000

**Settlement date:** 1 November 2016

**Construction completion date:** 7 May 1995

**Schedule start date:** 2 November 2016

**Date available to provide income:** 2 November 2016

## Methodology

The Capital Allowance and Tax Depreciation Schedule prepared for Graeme & Jennifer Schubert ATF The Schubert Superannuation Fund on 28 Grey Gum Road, TAREE NSW 2430 has been prepared and calculated in accordance with the legislation applicable on 22 January 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:

- The Income Tax Assessment Act 1997, (ITAA) 1936, Part 3, Division 3A, Sections 54, 55, 56, 60, 61 and 62
- The basis of depreciation of an item of plant and equipment includes its purchase price (ITAA Sect 42-65) delivery and installation costs (IT 2197) and the costs associated with bringing the plant into full operation (ITAA97 Sect 8-1)
- Capital allowances in accordance with Division 10D, Sections 124ZF-ZH and Section 1234ZFB and ITAA 1997 Division 40 and 43
- Changes from the Ralph Review of Business Taxation of 21 September 1999
- Legislation by the Australian Taxation Office in Market Valuations for Tax Purposes
- Documentation and procedures defined in the Australian Accounting Standards AASB 116 Property, Plant and Equipment and AASB13 Fair Value Measurement
- Taxation Ruling 2017/2 – Income Tax: Effective Life of Depreciating Assets

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 provided to estimate a fair market value based on cost advice as at the 22 January 2018. Where applicable, all cost estimates are adjusted to that of the historical date in which the actual construction or installation took place.

The construction expenditure has been determined on the basis of the actual cost incurred in relation to the construction of a building.

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
- Contingencies
- All plant and equipment

The 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 Graeme & Jennifer Schubert ATF The Schubert Superannuation Fund
- Verbal information provided by Mid-coast Council
- Site inspection conducted by BMT Tax Depreciation on 22 January 2018
- Purchase price of \$275,000

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

- That all items of plant and equipment listed in the schedule are owned by the tax payer
- 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 depreciation allowances existed or formed a condition of the purchase documentation
- Qualifying expenditure and depreciation 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 this Capital Allowance and Tax Depreciation Schedule.

## 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

It is a legislative requirement that an appropriately qualified professional is used to prepare a Capital Allowance and Tax Depreciation Schedule under Tax Ruling 97/25. A Quantity Surveyor is one of the few professionals recognised to have appropriate construction costing skills to estimate building costs for the purpose of establishing a cost to claim your capital works and tax depreciation deductions.

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.

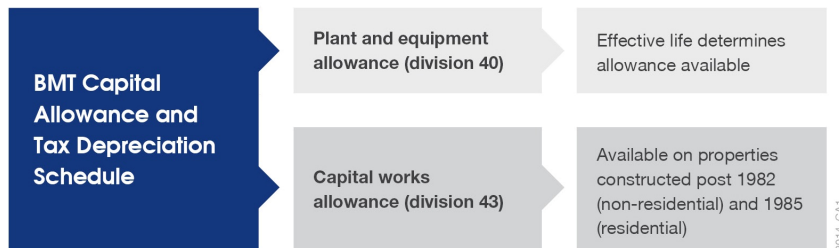
- **Registered Tax Agent**

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

Purchase price	\$275,000
Expenditure after purchase: (renovations/additional works)	\$1,200
<b>Total expenditure</b>	<b>\$276,200</b>



<b>Division 40 - plant and equipment</b>	<b>\$6,173</b>
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The calculations for plant and equipment assets have been prepared in accordance with the relevant Taxation Ruling in place at the time of preparing this report. This ruling discusses the methodology outlined by the Commissioner of Taxation to determine the effective life of depreciating assets under section 40-100 of the Income Tax Assessment Act 1997 (ITAA 1997).

<b>Division 43 - capital works allowance</b>	<b>\$47,663</b>
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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 started. See the definition of division 43 and the table under this heading within the glossary of key terms for further clarification of the qualifying dates for capital works deductions. The deductible amount for division 43 excludes both division 40 above and any non-qualifying balance of capital expenditure.

<b>Balance of capital expenditure</b>	<b>\$222,364</b>
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This represents all items 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

<b>Total capital expenditure</b>	<b>\$276,200</b>
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# Capital Allowance and Tax Depreciation Schedule summary

## Total deductions - 40 year forecast

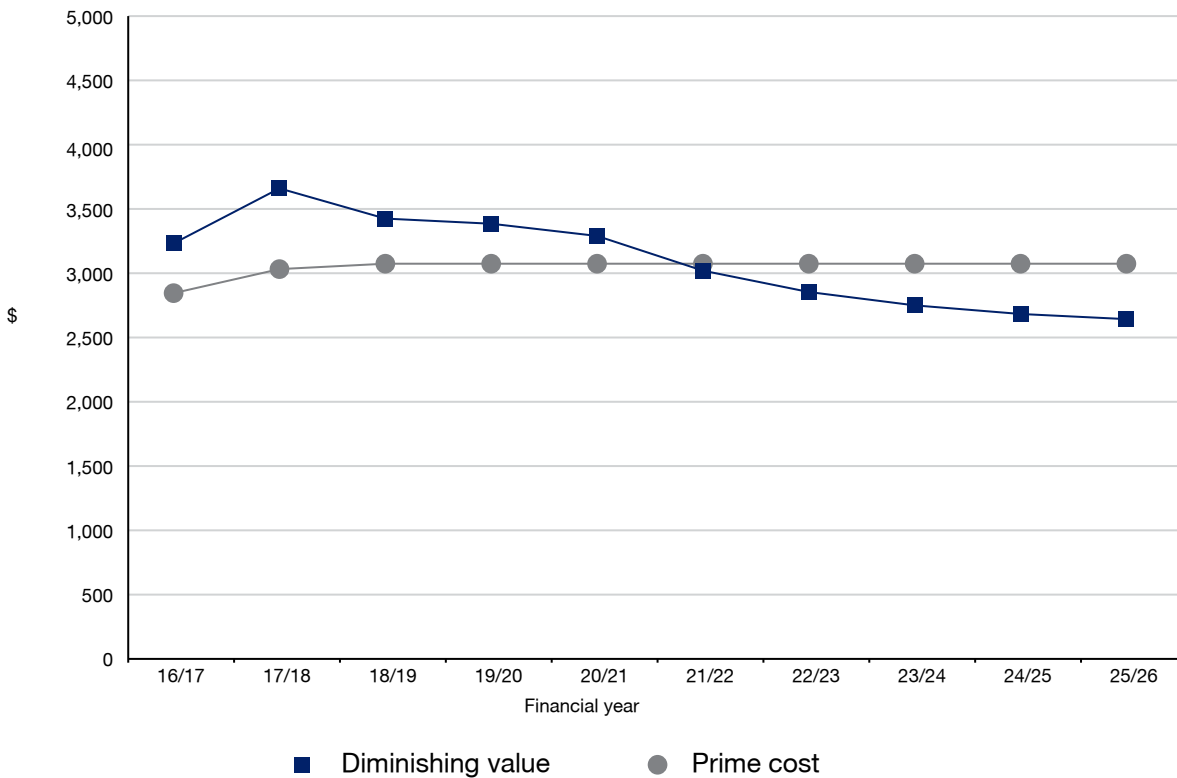
The forty year projection summary outlines the total yearly deductions available over the lifetime of the property. These totals include the division 43 and division 40 components as a total yearly deduction. Both the diminishing value (DV) and prime cost (PC) method values are shown for easy comparison.

Years 1-21			Years 22-41		
Period	Total deductions		Period	Total deductions	
	DV (\$)	PC (\$)		DV (\$)	PC (\$)
2-Nov-16 to 30-Jun-17	3,232	2,845	1-Jul-37 to 30-Jun-38	0	0
1-Jul-17 to 30-Jun-18	3,660	3,032	1-Jul-38 to 30-Jun-39	0	0
1-Jul-18 to 30-Jun-19	3,425	3,074	1-Jul-39 to 30-Jun-40	0	0
1-Jul-19 to 30-Jun-20	3,385	3,074	1-Jul-40 to 30-Jun-41	0	0
1-Jul-20 to 30-Jun-21	3,290	3,074	1-Jul-41 to 30-Jun-42	0	0
1-Jul-21 to 30-Jun-22	3,020	3,074	1-Jul-42 to 30-Jun-43	0	0
1-Jul-22 to 30-Jun-23	2,854	3,074	1-Jul-43 to 30-Jun-44	0	0
1-Jul-23 to 30-Jun-24	2,750	3,074	1-Jul-44 to 30-Jun-45	0	0
1-Jul-24 to 30-Jun-25	2,683	3,074	1-Jul-45 to 30-Jun-46	0	0
1-Jul-25 to 30-Jun-26	2,643	3,074	1-Jul-46 to 30-Jun-47	0	0
1-Jul-26 to 30-Jun-27	2,618	2,851	1-Jul-47 to 30-Jun-48	0	0
1-Jul-27 to 30-Jun-28	2,603	2,729	1-Jul-48 to 30-Jun-49	0	0
1-Jul-28 to 30-Jun-29	2,592	2,689	1-Jul-49 to 30-Jun-50	0	0
1-Jul-29 to 30-Jun-30	2,585	2,617	1-Jul-50 to 30-Jun-51	0	0
1-Jul-30 to 30-Jun-31	2,581	2,575	1-Jul-51 to 30-Jun-52	0	0
1-Jul-31 to 30-Jun-32	2,578	2,575	1-Jul-52 to 30-Jun-53	0	0
1-Jul-32 to 30-Jun-33	2,578	2,575	1-Jul-53 to 30-Jun-54	0	0
1-Jul-33 to 30-Jun-34	2,577	2,575	1-Jul-54 to 30-Jun-55	0	0
1-Jul-34 to 30-Jun-35	2,182	2,181	1-Jul-55 to 30-Jun-56	0	0
1-Jul-35 to 30-Jun-36	0	0	1-Jul-56 to 30-Jun-57	0	0
1-Jul-36 to 30-Jun-37	0	0	<b>Total</b>	<b>53,836</b>	<b>53,836</b>

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### 10 year forecast comparison graph

The below graphical representation of the diminishing value method and prime cost method compares the yearly claims from both methods. The graph demonstrates the diminishing value method's increased deductions over the initial years and the prime cost method's greater deductions in later years.



### 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	7-May-95	2.5 %	102,986

Calculation for write-off provision:

Period	Original division 43 (\$)
2-Nov-16 to 30-Jun-17	1,707
1-Jul-17 to 30-Jun-18	2,575
1-Jul-18 to 30-Jun-19	2,575
1-Jul-19 to 30-Jun-20	2,575
1-Jul-20 to 30-Jun-21	2,575
1-Jul-21 to 30-Jun-22	2,575
1-Jul-22 to 30-Jun-23	2,575
1-Jul-23 to 30-Jun-24	2,575
1-Jul-24 to 30-Jun-25	2,575
1-Jul-25 to 30-Jun-26	2,575

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### Diminishing value method summary

Date	Effective life	Pooled plant	Division 40	Division 43	Total
2-Nov-16 to 30-Jun-17	1,157	368	1,525	1,707	3,232
1-Jul-17 to 30-Jun-18	486	599	1,085	2,575	3,660
1-Jul-18 to 30-Jun-19	477	373	850	2,575	3,425
1-Jul-19 to 30-Jun-20	237	573	810	2,575	3,385
1-Jul-20 to 30-Jun-21	0	715	715	2,575	3,290
1-Jul-21 to 30-Jun-22	0	445	445	2,575	3,020
1-Jul-22 to 30-Jun-23	0	279	279	2,575	2,854
1-Jul-23 to 30-Jun-24	0	175	175	2,575	2,750
1-Jul-24 to 30-Jun-25	0	108	108	2,575	2,683
1-Jul-25 to 30-Jun-26	0	68	68	2,575	2,643
1-Jul-26 to 30-Jun-27	0	43	43	2,575	2,618
1-Jul-27 to 30-Jun-28	0	28	28	2,575	2,603
1-Jul-28 to 30-Jun-29	0	17	17	2,575	2,592
1-Jul-29 to 30-Jun-30	0	10	10	2,575	2,585
1-Jul-30 to 30-Jun-31	0	6	6	2,575	2,581
1-Jul-31 to 30-Jun-32	0	3	3	2,575	2,578
1-Jul-32 to 30-Jun-33	0	3	3	2,575	2,578
1-Jul-33 to 30-Jun-34	0	2	2	2,575	2,577
1-Jul-34 to 30-Jun-35	0	1	1	2,181	2,182
1-Jul-35 to 30-Jun-36	0	0	0	0	0
1-Jul-36 to 30-Jun-37	0	0	0	0	0
1-Jul-37 to 30-Jun-38	0	0	0	0	0
1-Jul-38 to 30-Jun-39	0	0	0	0	0
1-Jul-39 to 30-Jun-40	0	0	0	0	0
1-Jul-40 to 30-Jun-41	0	0	0	0	0
1-Jul-41 to 30-Jun-42	0	0	0	0	0
1-Jul-42 to 30-Jun-43	0	0	0	0	0
1-Jul-43 to 30-Jun-44	0	0	0	0	0
1-Jul-44 to 30-Jun-45	0	0	0	0	0
1-Jul-45 to 30-Jun-46	0	0	0	0	0
1-Jul-46 to 30-Jun-47	0	0	0	0	0
1-Jul-47 to 30-Jun-48	0	0	0	0	0
1-Jul-48 to 30-Jun-49	0	0	0	0	0
1-Jul-49 to 30-Jun-50	0	0	0	0	0
1-Jul-50 to 30-Jun-51	0	0	0	0	0
1-Jul-51 to 30-Jun-52	0	0	0	0	0
1-Jul-52 to 30-Jun-53	0	0	0	0	0
1-Jul-53 to 30-Jun-54	0	0	0	0	0
1-Jul-54 to 30-Jun-55	0	0	0	0	0
1-Jul-55 to 30-Jun-56	0	0	0	0	0
1-Jul-56 to 30-Jun-57	0	0	0	0	0
<b>Total</b>	<b>2,357</b>	<b>3,816</b>	<b>6,173</b>	<b>47,663</b>	<b>53,836</b>

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Prime cost method summary

Date	Effective life plant	Division 43	Total
2-Nov-16 to 30-Jun-17	1,138	1,707	2,845
1-Jul-17 to 30-Jun-18	457	2,575	3,032
1-Jul-18 to 30-Jun-19	499	2,575	3,074
1-Jul-19 to 30-Jun-20	499	2,575	3,074
1-Jul-20 to 30-Jun-21	499	2,575	3,074
1-Jul-21 to 30-Jun-22	499	2,575	3,074
1-Jul-22 to 30-Jun-23	499	2,575	3,074
1-Jul-23 to 30-Jun-24	499	2,575	3,074
1-Jul-24 to 30-Jun-25	499	2,575	3,074
1-Jul-25 to 30-Jun-26	499	2,575	3,074
1-Jul-26 to 30-Jun-27	276	2,575	2,851
1-Jul-27 to 30-Jun-28	154	2,575	2,729
1-Jul-28 to 30-Jun-29	114	2,575	2,689
1-Jul-29 to 30-Jun-30	42	2,575	2,617
1-Jul-30 to 30-Jun-31	0	2,575	2,575
1-Jul-31 to 30-Jun-32	0	2,575	2,575
1-Jul-32 to 30-Jun-33	0	2,575	2,575
1-Jul-33 to 30-Jun-34	0	2,575	2,575
1-Jul-34 to 30-Jun-35	0	2,181	2,181
1-Jul-35 to 30-Jun-36	0	0	0
1-Jul-36 to 30-Jun-37	0	0	0
1-Jul-37 to 30-Jun-38	0	0	0
1-Jul-38 to 30-Jun-39	0	0	0
1-Jul-39 to 30-Jun-40	0	0	0
1-Jul-40 to 30-Jun-41	0	0	0
1-Jul-41 to 30-Jun-42	0	0	0
1-Jul-42 to 30-Jun-43	0	0	0
1-Jul-43 to 30-Jun-44	0	0	0
1-Jul-44 to 30-Jun-45	0	0	0
1-Jul-45 to 30-Jun-46	0	0	0
1-Jul-46 to 30-Jun-47	0	0	0
1-Jul-47 to 30-Jun-48	0	0	0
1-Jul-48 to 30-Jun-49	0	0	0
1-Jul-49 to 30-Jun-50	0	0	0
1-Jul-50 to 30-Jun-51	0	0	0
1-Jul-51 to 30-Jun-52	0	0	0
1-Jul-52 to 30-Jun-53	0	0	0
1-Jul-53 to 30-Jun-54	0	0	0
1-Jul-54 to 30-Jun-55	0	0	0
1-Jul-55 to 30-Jun-56	0	0	0
1-Jul-56 to 30-Jun-57	0	0	0
<b>Total</b>	<b>6,173</b>	<b>47,663</b>	<b>53,836</b>

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Diminishing value method schedule (years 1 - 5)

Tax grouping	Total cost @ 2-Nov-16 (\$)	Effective life (Years)	Basic rate (DV)	Depreciation allowance					TWDV @ 1-Jul-21 (\$)
				2-Nov-16 30-Jun-17 Year 1 (\$)	1-Jul-17 30-Jun-18 Year 2 (\$)	1-Jul-18 30-Jun-19 Year 3 (\$)	1-Jul-19 30-Jun-20 Year 4 (\$)	1-Jul-20 30-Jun-21 Year 5 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing Unit Specific									
Bathroom Accessories - Freestanding	42	5	100.0 %	42	0	0	0	0	0
Blinds	909	10	37.5 %	0	0	0	0	0	113
Carpet	2,134	10	20.0 %	282	370	296	237	0	593
Ceiling Fans	91	5	100.0 %	91	0	0	0	0	0
Exhaust Fans	136	10	100.0 %	136	0	0	0	0	0
Garbage Bins	95	10	100.0 %	95	0	0	0	0	0
Light Shades	208	5	100.0 %	208	0	0	0	0	0
Rangehoods	246	12	100.0 %	246	0	0	0	0	0
Smoke Alarms	57	6	100.0 %	57	0	0	0	0	0
Stoves	643	12	37.5 %	0	0	0	0	0	79
Vinyl	412	10	37.5 %	0	0	0	0	0	51
Subtotal	4,973			1,157	370	296	237	0	836
Additional Unit Specific									
Hot Water Systems (01-Dec-17)	1,200	12	16.7 %	0	116	181	0	0	352
Subtotal	1,200			0	116	181	0	0	352
Total division 40 - effective life rate	4,209			1,157	486	477	237	0	0
Total division 40 - pooled (Page 19)	1,964			368	599	373	573	715	1,188
Total division 40	6,173			1,525	1,085	850	810	715	1,188
Division 43 - capital works allowance									
Total division 43 (Page 12)	47,663			1,707	2,575	2,575	2,575	2,575	35,656
Total depreciation	53,836			3,232	3,660	3,425	3,385	3,290	36,844

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Diminishing value method schedule (years 6 - 10)

Tax grouping	Total cost @ 1-Jul-21 (\$)	Effective life (Years)	Basic rate (DV)	Depreciation allowance					TWDV @ 1-Jul-26 (\$)
				1-Jul-21 30-Jun-22 Year 6 (\$)	1-Jul-22 30-Jun-23 Year 7 (\$)	1-Jul-23 30-Jun-24 Year 8 (\$)	1-Jul-24 30-Jun-25 Year 9 (\$)	1-Jul-25 30-Jun-26 Year 10 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing Unit Specific									
Bathroom Accessories - Freestanding	0	5	100.0 %	0	0	0	0	0	0
Blinds	113	10	37.5 %	0	0	0	0	0	11
Carpet	593	10	37.5 %	0	0	0	0	0	57
Ceiling Fans	0	5	100.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	100.0 %	0	0	0	0	0	0
Garbage Bins	0	10	100.0 %	0	0	0	0	0	0
Light Shades	0	5	100.0 %	0	0	0	0	0	0
Rangehoods	0	12	100.0 %	0	0	0	0	0	0
Smoke Alarms	0	6	100.0 %	0	0	0	0	0	0
Stoves	79	12	37.5 %	0	0	0	0	0	7
Vinyl	51	10	37.5 %	0	0	0	0	0	4
Subtotal	836			0	0	0	0	0	79
Additional Unit Specific									
Hot Water Systems (01-Dec-17)	352	12	37.5 %	0	0	0	0	0	34
Subtotal	352			0	0	0	0	0	34
Total division 40 - effective life rate	0			0	0	0	0	0	0
Total division 40 - pooled (Page 20)	1,188			445	279	175	108	68	113
Total division 40	1,188			445	279	175	108	68	113
Division 43 - capital works allowance									
Total division 43 (Page 12)	35,656			2,575	2,575	2,575	2,575	2,575	22,781
Total depreciation	36,844			3,020	2,854	2,750	2,683	2,643	22,894

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Diminishing value method schedule (years 11 - 15)

Tax grouping	Total cost @ 1-Jul-26 (\$)	Effective life (Years)	Basic rate (DV)	Depreciation allowance					TWDV @ 1-Jul-31 (\$)
				1-Jul-26 30-Jun-27 Year 11 (\$)	1-Jul-27 30-Jun-28 Year 12 (\$)	1-Jul-28 30-Jun-29 Year 13 (\$)	1-Jul-29 30-Jun-30 Year 14 (\$)	1-Jul-30 30-Jun-31 Year 15 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing Unit Specific									
Bathroom Accessories - Freestanding	0	5	100.0 %	0	0	0	0	0	0
Blinds	11	10	37.5 %	0	0	0	0	0	0
Carpet	57	10	37.5 %	0	0	0	0	0	6
Ceiling Fans	0	5	100.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	100.0 %	0	0	0	0	0	0
Garbage Bins	0	10	100.0 %	0	0	0	0	0	0
Light Shades	0	5	100.0 %	0	0	0	0	0	0
Rangehoods	0	12	100.0 %	0	0	0	0	0	0
Smoke Alarms	0	6	100.0 %	0	0	0	0	0	0
Stoves	7	12	37.5 %	0	0	0	0	0	0
Vinyl	4	10	37.5 %	0	0	0	0	0	0
Subtotal	79			0	0	0	0	0	6
Additional Unit Specific									
Hot Water Systems (01-Dec-17)	34	12	37.5 %	0	0	0	0	0	3
Subtotal	34			0	0	0	0	0	3
Total division 40 - effective life rate	0			0	0	0	0	0	0
Total division 40 - pooled (Page 21)	113			43	28	17	10	6	9
Total division 40	113			43	28	17	10	6	9
Division 43 - capital works allowance									
Total division 43 (Page 12)	22,781			2,575	2,575	2,575	2,575	2,575	9,906
Total depreciation	22,894			2,618	2,603	2,592	2,585	2,581	9,915

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Diminishing value method schedule (years 16 - 20)

Tax grouping	Total cost @ 1-Jul-31 (\$)	Effective life (Years)	Basic rate (DV)	Depreciation allowance					TWDV @ 1-Jul-36 (\$)
				1-Jul-31 30-Jun-32 Year 16 (\$)	1-Jul-32 30-Jun-33 Year 17 (\$)	1-Jul-33 30-Jun-34 Year 18 (\$)	1-Jul-34 30-Jun-35 Year 19 (\$)	1-Jul-35 30-Jun-36 Year 20 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing Unit Specific									
Bathroom Accessories - Freestanding	0	5	100.0 %	0	0	0	0	0	0
Blinds	0	10	37.5 %	0	0	0	0	0	0
Carpet	6	10	37.5 %	0	0	0	0	0	0
Ceiling Fans	0	5	100.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	100.0 %	0	0	0	0	0	0
Garbage Bins	0	10	100.0 %	0	0	0	0	0	0
Light Shades	0	5	100.0 %	0	0	0	0	0	0
Rangehoods	0	12	100.0 %	0	0	0	0	0	0
Smoke Alarms	0	6	100.0 %	0	0	0	0	0	0
Stoves	0	12	37.5 %	0	0	0	0	0	0
Vinyl	0	10	37.5 %	0	0	0	0	0	0
Subtotal	6			0	0	0	0	0	0
Additional Unit Specific									
Hot Water Systems (01-Dec-17)	3	12	37.5 %	0	0	0	0	0	0
Subtotal	3			0	0	0	0	0	0
Total division 40 - effective life rate	0			0	0	0	0	0	0
Total division 40 - pooled (Page 22)	9			3	3	2	1	0	0
Total division 40	9			3	3	2	1	0	0
Division 43 - capital works allowance									
Total division 43 (Page 12)	9,906			2,575	2,575	2,575	2,181	0	0
Total depreciation	9,915			2,578	2,578	2,577	2,182	0	0

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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-21 (\$)
				2-Nov-16 30-Jun-17 Year 1 (\$)	1-Jul-17 30-Jun-18 Year 2 (\$)	1-Jul-18 30-Jun-19 Year 3 (\$)	1-Jul-19 30-Jun-20 Year 4 (\$)	1-Jul-20 30-Jun-21 Year 5 (\$)	
Division 40 - plant & equipment (Pooling rates)									
Existing Unit Specific									
Bathroom Accessories - Freestanding	0	5	0.0 %	0	0	0	0	0	0
Blinds	909	10	37.5 %	170	277	173	108	68	113
Carpet	*949	10	37.5 %	0	0	0	0	356	593
Ceiling Fans	0	5	0.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	0.0 %	0	0	0	0	0	0
Garbage Bins	0	10	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
Stoves	643	12	37.5 %	121	196	122	77	48	79
Vinyl	412	10	37.5 %	77	126	78	49	31	51
Subtotal	1,964			368	599	373	234	503	836
Additional Unit Specific									
Hot Water Systems (01-Dec-17)	*903	12	37.5 %	0	0	0	339	212	352
Subtotal	0			0	0	0	339	212	352
Total - pooled items	1,964			368	599	373	573	715	1,188

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

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-26 (\$)
				1-Jul-21 30-Jun-22 Year 6 (\$)	1-Jul-22 30-Jun-23 Year 7 (\$)	1-Jul-23 30-Jun-24 Year 8 (\$)	1-Jul-24 30-Jun-25 Year 9 (\$)	1-Jul-25 30-Jun-26 Year 10 (\$)	
Division 40 - plant & equipment (Pooling rates)									
Existing Unit Specific									
Bathroom Accessories - Freestanding	0	5	0.0 %	0	0	0	0	0	0
Blinds	113	10	37.5 %	42	27	17	10	6	11
Carpet	593	10	37.5 %	222	139	87	54	34	57
Ceiling Fans	0	5	0.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	0.0 %	0	0	0	0	0	0
Garbage Bins	0	10	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
Stoves	79	12	37.5 %	30	18	12	7	5	7
Vinyl	51	10	37.5 %	19	12	8	5	3	4
Subtotal	836			313	196	124	76	48	79
Additional Unit Specific									
Hot Water Systems (01-Dec-17)	352	12	37.5 %	132	83	51	32	20	34
Subtotal	352			132	83	51	32	20	34
Total - pooled items	1,188			445	279	175	108	68	113

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

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-31 (\$)
				1-Jul-26 30-Jun-27 Year 11 (\$)	1-Jul-27 30-Jun-28 Year 12 (\$)	1-Jul-28 30-Jun-29 Year 13 (\$)	1-Jul-29 30-Jun-30 Year 14 (\$)	1-Jul-30 30-Jun-31 Year 15 (\$)	
Division 40 - plant & equipment (Pooling rates)									
Existing Unit Specific									
Bathroom Accessories - Freestanding	0	5	0.0 %	0	0	0	0	0	0
Blinds	11	10	37.5 %	4	3	2	1	1	0
Carpet	57	10	37.5 %	21	14	8	5	3	6
Ceiling Fans	0	5	0.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	0.0 %	0	0	0	0	0	0
Garbage Bins	0	10	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
Stoves	7	12	37.5 %	3	2	1	1	0	0
Vinyl	4	10	37.5 %	2	1	1	0	0	0
Subtotal	79			30	20	12	7	4	6
Additional Unit Specific									
Hot Water Systems (01-Dec-17)	34	12	37.5 %	13	8	5	3	2	3
Subtotal	34			13	8	5	3	2	3
Total - pooled items	113			43	28	17	10	6	9

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

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-36 (\$)
				1-Jul-31 30-Jun-32 Year 16 (\$)	1-Jul-32 30-Jun-33 Year 17 (\$)	1-Jul-33 30-Jun-34 Year 18 (\$)	1-Jul-34 30-Jun-35 Year 19 (\$)	1-Jul-35 30-Jun-36 Year 20 (\$)	
Division 40 - plant & equipment (Pooling rates)									
Existing Unit Specific									
Bathroom Accessories - Freestanding	0	5	0.0 %	0	0	0	0	0	0
Blinds	0	10	0.0 %	0	0	0	0	0	0
Carpet	6	10	37.5 %	2	2	1	1	0	0
Ceiling Fans	0	5	0.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	0.0 %	0	0	0	0	0	0
Garbage Bins	0	10	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
Stoves	0	12	0.0 %	0	0	0	0	0	0
Vinyl	0	10	0.0 %	0	0	0	0	0	0
Subtotal	6			2	2	1	1	0	0
Additional Unit Specific									
Hot Water Systems (01-Dec-17)	3	12	37.5 %	1	1	1	0	0	0
Subtotal	3			1	1	1	0	0	0
Total - pooled items	9			3	3	2	1	0	0

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

**Prime cost method schedule (years 1 - 5)**

Tax grouping	Total cost @ 2-Nov-16 (\$)	Effective life (Years)	Basic rate (PC)	Depreciation allowance					TWDV @ 1-Jul-21 (\$)
				2-Nov-16 30-Jun-17 Year 1 (\$)	1-Jul-17 30-Jun-18 Year 2 (\$)	1-Jul-18 30-Jun-19 Year 3 (\$)	1-Jul-19 30-Jun-20 Year 4 (\$)	1-Jul-20 30-Jun-21 Year 5 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing Unit Specific									
Bathroom Accessories - Freestanding	42	5	100.0 %	42	0	0	0	0	0
Blinds	909	10	10.0 %	60	91	91	91	91	485
Carpet	2,134	10	10.0 %	141	213	213	213	213	1,141
Ceiling Fans	91	5	100.0 %	91	0	0	0	0	0
Exhaust Fans	136	10	100.0 %	136	0	0	0	0	0
Garbage Bins	95	10	100.0 %	95	0	0	0	0	0
Light Shades	208	5	100.0 %	208	0	0	0	0	0
Rangehoods	246	12	100.0 %	246	0	0	0	0	0
Smoke Alarms	57	6	100.0 %	57	0	0	0	0	0
Stoves	643	12	8.3 %	35	54	54	54	54	392
Vinyl	412	10	10.0 %	27	41	41	41	41	221
Subtotal	4,973			1,138	399	399	399	399	2,239
Additional Unit Specific									
Hot Water Systems (01-Dec-17)	1,200	12	8.3 %	0	58	100	100	100	842
Subtotal	1,200			0	58	100	100	100	842
Total division 40 - effective life rate	6,173			1,138	457	499	499	499	3,081
Division 43 - capital works allowance									
Total division 43 (Page 12)	47,663			1,707	2,575	2,575	2,575	2,575	35,656
Total depreciation	53,836			2,845	3,032	3,074	3,074	3,074	38,737

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**Prime cost method schedule (years 6 - 10)**

Tax grouping	Total cost @ 1-Jul-21 (\$)	Effective life (Years)	Basic rate (PC)	Depreciation allowance					TWDV @ 1-Jul-26 (\$)
				1-Jul-21 30-Jun-22 Year 6 (\$)	1-Jul-22 30-Jun-23 Year 7 (\$)	1-Jul-23 30-Jun-24 Year 8 (\$)	1-Jul-24 30-Jun-25 Year 9 (\$)	1-Jul-25 30-Jun-26 Year 10 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing Unit Specific									
Bathroom Accessories - Freestanding	0	5	100.0 %	0	0	0	0	0	0
Blinds	485	10	10.0 %	91	91	91	91	91	30
Carpet	1,141	10	10.0 %	213	213	213	213	213	76
Ceiling Fans	0	5	100.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	100.0 %	0	0	0	0	0	0
Garbage Bins	0	10	100.0 %	0	0	0	0	0	0
Light Shades	0	5	100.0 %	0	0	0	0	0	0
Rangehoods	0	12	100.0 %	0	0	0	0	0	0
Smoke Alarms	0	6	100.0 %	0	0	0	0	0	0
Stoves	392	12	8.3 %	54	54	54	54	54	122
Vinyl	221	10	10.0 %	41	41	41	41	41	16
Subtotal	2,239			399	399	399	399	399	244
Additional Unit Specific									
Hot Water Systems (01-Dec-17)	842	12	8.3 %	100	100	100	100	100	342
Subtotal	842			100	100	100	100	100	342
Total division 40 - effective life rate	3,081			499	499	499	499	499	586
Division 43 - capital works allowance									
Total division 43 (Page 12)	35,656			2,575	2,575	2,575	2,575	2,575	22,781
Total depreciation	38,737			3,074	3,074	3,074	3,074	3,074	23,367

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**Prime cost method schedule (years 11 - 15)**

Tax grouping	Total cost @ 1-Jul-26 (\$)	Effective life (Years)	Basic rate (PC)	Depreciation allowance					TWDV @ 1-Jul-31 (\$)
				1-Jul-26 30-Jun-27 Year 11 (\$)	1-Jul-27 30-Jun-28 Year 12 (\$)	1-Jul-28 30-Jun-29 Year 13 (\$)	1-Jul-29 30-Jun-30 Year 14 (\$)	1-Jul-30 30-Jun-31 Year 15 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing Unit Specific									
Bathroom Accessories - Freestanding	0	5	100.0 %	0	0	0	0	0	0
Blinds	30	10	10.0 %	30	0	0	0	0	0
Carpet	76	10	10.0 %	76	0	0	0	0	0
Ceiling Fans	0	5	100.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	100.0 %	0	0	0	0	0	0
Garbage Bins	0	10	100.0 %	0	0	0	0	0	0
Light Shades	0	5	100.0 %	0	0	0	0	0	0
Rangehoods	0	12	100.0 %	0	0	0	0	0	0
Smoke Alarms	0	6	100.0 %	0	0	0	0	0	0
Stoves	122	12	8.3 %	54	54	14	0	0	0
Vinyl	16	10	10.0 %	16	0	0	0	0	0
Subtotal	244			176	54	14	0	0	0
Additional Unit Specific									
Hot Water Systems (01-Dec-17)	342	12	8.3 %	100	100	100	42	0	0
Subtotal	342			100	100	100	42	0	0
Total division 40 - effective life rate	586			276	154	114	42	0	0
Division 43 - capital works allowance									
Total division 43 (Page 12)	22,781			2,575	2,575	2,575	2,575	2,575	9,906
Total depreciation	23,367			2,851	2,729	2,689	2,617	2,575	9,906

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Prime cost method schedule (years 16 - 20)

Tax grouping	Total cost @ 1-Jul-31 (\$)	Effective life (Years)	Basic rate (PC)	Depreciation allowance					TWDV @ 1-Jul-36 (\$)
				1-Jul-31 30-Jun-32 Year 16 (\$)	1-Jul-32 30-Jun-33 Year 17 (\$)	1-Jul-33 30-Jun-34 Year 18 (\$)	1-Jul-34 30-Jun-35 Year 19 (\$)	1-Jul-35 30-Jun-36 Year 20 (\$)	
Division 40 - plant & equipment (Effective life rates)									
Existing Unit Specific									
Bathroom Accessories - Freestanding	0	5	100.0 %	0	0	0	0	0	0
Blinds	0	10	10.0 %	0	0	0	0	0	0
Carpet	0	10	10.0 %	0	0	0	0	0	0
Ceiling Fans	0	5	100.0 %	0	0	0	0	0	0
Exhaust Fans	0	10	100.0 %	0	0	0	0	0	0
Garbage Bins	0	10	100.0 %	0	0	0	0	0	0
Light Shades	0	5	100.0 %	0	0	0	0	0	0
Rangehoods	0	12	100.0 %	0	0	0	0	0	0
Smoke Alarms	0	6	100.0 %	0	0	0	0	0	0
Stoves	0	12	8.3 %	0	0	0	0	0	0
Vinyl	0	10	10.0 %	0	0	0	0	0	0
Subtotal	0			0	0	0	0	0	0
Additional Unit Specific									
Hot Water Systems (01-Dec-17)	0	12	8.3 %	0	0	0	0	0	0
Subtotal	0			0	0	0	0	0	0
Total division 40 - effective life rate	0			0	0	0	0	0	0
Division 43 - capital works allowance									
Total division 43 (Page 12)	9,906			2,575	2,575	2,575	2,181	0	0
Total depreciation	9,906			2,575	2,575	2,575	2,181	0	0

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### Grouped depreciation rates - diminishing value method

BMT Tax Depreciation has allocated each asset into a group based on their rate of depreciation. The following tables provide a summary of the total deductions available for each depreciation rate for both the diminishing value method and the prime cost method of depreciation. This may assist when entering depreciation into accounting software packages.

Basic rate (%)	Years				
	2-Nov-16 30-Jun-17 Year 1 (\$)	1-Jul-17 30-Jun-18 Year 2 (\$)	1-Jul-18 30-Jun-19 Year 3 (\$)	1-Jul-19 30-Jun-20 Year 4 (\$)	1-Jul-20 30-Jun-21 Year 5 (\$)
2.5	1,707	2,575	2,575	2,575	2,575
16.67	0	116	181	0	0
18.75	368	0	0	0	0
20	282	370	296	237	0
37.5	0	599	373	573	715
100	875	0	0	0	0
<b>Total</b>	<b>3,232</b>	<b>3,660</b>	<b>3,425</b>	<b>3,385</b>	<b>3,290</b>

Basic rate (%)	Years				
	1-Jul-21 30-Jun-22 Year 6 (\$)	1-Jul-22 30-Jun-23 Year 7 (\$)	1-Jul-23 30-Jun-24 Year 8 (\$)	1-Jul-24 30-Jun-25 Year 9 (\$)	1-Jul-25 30-Jun-26 Year 10 (\$)
2.5	2,575	2,575	2,575	2,575	2,575
16.67	0	0	0	0	0
18.75	0	0	0	0	0
20	0	0	0	0	0
37.5	445	279	175	108	68
100	0	0	0	0	0
<b>Total</b>	<b>3,020</b>	<b>2,854</b>	<b>2,750</b>	<b>2,683</b>	<b>2,643</b>

## Grouped depreciation rates - prime cost method

Basic rate (%)	Years				
	2-Nov-16 30-Jun-17 Year 1 (\$)	1-Jul-17 30-Jun-18 Year 2 (\$)	1-Jul-18 30-Jun-19 Year 3 (\$)	1-Jul-19 30-Jun-20 Year 4 (\$)	1-Jul-20 30-Jun-21 Year 5 (\$)
2.5	1,707	2,575	2,575	2,575	2,575
8.33	35	112	154	154	154
10	228	345	345	345	345
100	875	0	0	0	0
<b>Total</b>	<b>2,845</b>	<b>3,032</b>	<b>3,074</b>	<b>3,074</b>	<b>3,074</b>

Basic rate (%)	Years				
	1-Jul-21 30-Jun-22 Year 6 (\$)	1-Jul-22 30-Jun-23 Year 7 (\$)	1-Jul-23 30-Jun-24 Year 8 (\$)	1-Jul-24 30-Jun-25 Year 9 (\$)	1-Jul-25 30-Jun-26 Year 10 (\$)
2.5	2,575	2,575	2,575	2,575	2,575
8.33	154	154	154	154	154
10	345	345	345	345	345
100	0	0	0	0	0
<b>Total</b>	<b>3,074</b>	<b>3,074</b>	<b>3,074</b>	<b>3,074</b>	<b>3,074</b>

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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 ----- 365	X	200 per cent ----- asset's effective life
For depreciating assets you started to hold prior to 10th May 2006				
Base value*	X	Days held ----- 365	X	150 per cent ----- 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 1st of 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.

### **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 ----- 365	X	100 per cent ----- 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 report

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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