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estimator

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**Tax Depreciation Schedule Estimate
Reference # 18498**

This depreciation estimate is for the following property
Unit 1 11 Example Street Anytown NSW .

This Estimate was based on the property first being
leased on 01/07/2005 which represents
364 days in the first financial year.

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www.depreciator.com.au

a note from the Head Quantity Surveyor

Dear Nicola,

To begin... thank you for using Depreciator's Estimator

We hope it will be of assistance to you in evaluating your prospective purchase. You will need a full Tax Depreciation Schedule should you wish to claim depreciation on this property.

If you opt to commission a full Schedule from us on this property, we will deduct the cost of this estimate from your fee. All you need to do is call us on 1300 66 0033 and quote your job number: 18498

Depreciation Schedules are all we do. And we do them well. We are ATO compliant and we pride ourselves on our service and maximizing the returns for our clients.

On the following page, you will find explanations for the two different methods of depreciation allowable - Diminishing Value and Prime Cost. It is up to you and your accountant to choose the method most suitable for you.

The estimated depreciation tables each run for ten years, and following them there is a graph which visually compares the annual returns from both methods.

You will notice that the **Building Allowance** figures are identical on each table. That's because buildings depreciate at the same rate regardless of which method is used. Buildings constructed after 18th July 1985, can be depreciated, as can renovations carried out after this date.

Depreciating Assets can be loosely classed as anything that can be easily removed from the property: appliances, furnishings, floor coverings etc. Items worth under \$300 are written off in the first year.

The Low Value Pool is a facility available to 'speed up' depreciation. Low Cost Assets have a starting value of between \$300 and \$1,000. These are depreciated at 18.75% in the first year, and 37.5% each year in subsequent years.

Finally, you will find a page that sets out the information provided by you regarding the property in question.

On behalf of Depreciator,



B. Const. Mgt. (Building), Assoc. Dip. Building
Head Quantity Surveyor
Australian Institute of Quantity Surveyors (AIQS) Member

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Prime Cost Method & Diminishing Value Method Definitions

Prime Cost Method

The "Prime Cost" method of depreciation can be defined as "depreciating items at a constant rate every year" derived from the initial value of an asset at the time eligible for depreciation.

For example: If a carpet is valued at \$5,000 when the property was first available for lease and the effective life assigned by the Tax Commissioner is 10 years, then you will be entitled to claim \$500 every year for 10 years.

$100 \div 10 \text{ years} = 10\%$

The 10% rate is then applied to the \$5,000 value to result in a \$500 depreciation amount every year for carpet.

| Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|----------|----------|----------|----------|----------|
| \$500.00 | \$500.00 | \$500.00 | \$500.00 | \$500.00 |

Diminishing Value Method

The "Diminishing Value" method of Depreciation is the most popular with investors as the percentage rate in the beginning phase of Depreciation is greater than the prime cost method for the same period. The percentage rates then scale in line with the total depreciation value of the item for the remaining depreciation period.

For example: The same carpet would have a slightly different percentage rate applied. 150 is divided by the effective life and then the rate is applied to the previous year's adjusted value.

$150 \div 10 \text{ years} = 15\%$

| Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|----------|----------|----------|----------|----------|
| \$750.00 | \$637.50 | \$541.88 | \$460.59 | \$391.50 |

Diminishing Value Method Summary

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NOTES ► This is an ESTIMATE ONLY and should not be used for tax purposes. The first year of depreciation is apportioned to the number of days the property was available for lease in the 1st financial year. The figures in grey italics denote items belonging to the common area of the building if applicable.

| | → 30/6/06 | → 30/6/07 | → 30/6/08 | → 30/6/09 | → 30/6/10 | → 30/6/11 | → 30/6/12 | → 30/6/13 | → 30/6/14 | → 30/6/15 |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Depreciating Assets | 2246.71 | 150.45 | 142.93 | 135.78 | 129.00 | 122.55 | 116.42 | 110.60 | 105.07 | 99.81 |
| Common Area | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> |
| Low Value Pool | 1185.75 | 2273.80 | 1421.13 | 888.21 | 555.10 | 346.97 | 216.85 | 135.51 | 84.71 | 52.94 |
| Common Area | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> |
| Building Allowance | 2813.57 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 |
| Common Area | <i>269.81</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> |
| Total Depreciation | 6515.84 | 5516.10 | 4655.91 | 4115.84 | 3775.95 | 3561.37 | 3425.12 | 3337.96 | 3281.63 | 3244.60 |

| | → 30/6/16 | → 30/6/17 | → 30/6/18 | → 30/6/19 | → 30/6/20 | → 30/6/21 | → 30/6/22 | → 30/6/23 | → 30/6/24 | → 30/6/25 |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Depreciating Assets | 94.82 | 90.08 | 85.58 | 81.30 | 77.23 | 73.37 | 69.70 | 66.22 | 62.91 | 59.76 |
| Common Area | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> |
| Low Value Pool | 33.10 | 20.65 | 12.94 | 8.66 | 7.13 | 2.72 | 3.04 | 0.00 | 0.00 | 0.00 |
| Common Area | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> |
| Building Allowance | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 |
| Common Area | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> |
| Total Depreciation | 3219.77 | 3202.58 | 3190.37 | 3181.81 | 3176.21 | 3167.94 | 3164.59 | 3158.07 | 3154.76 | 3151.61 |

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Prime Cost Method Summary

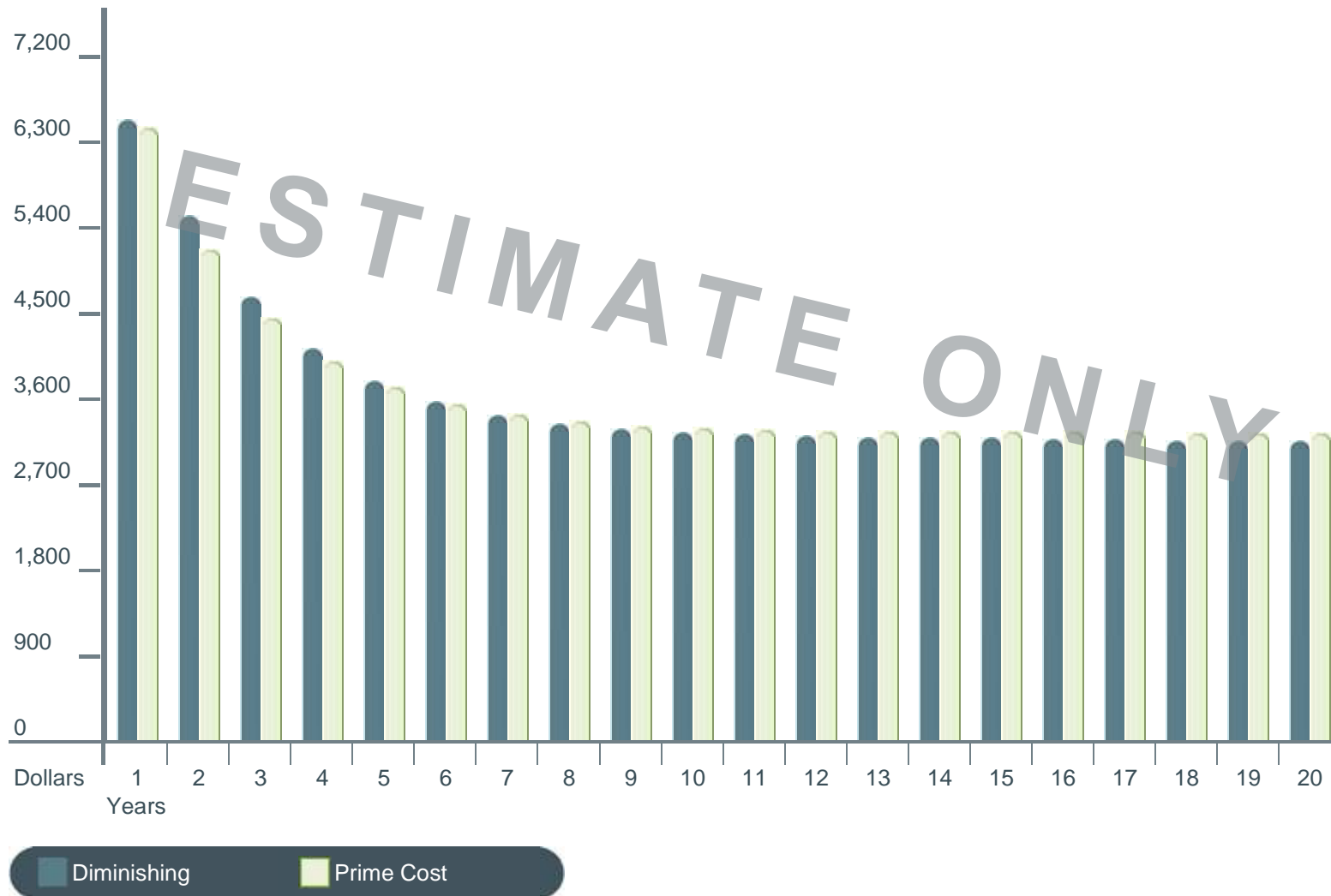
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| | → 30/6/06 | → 30/6/07 | → 30/6/08 | → 30/6/09 | → 30/6/10 | → 30/6/11 | → 30/6/12 | → 30/6/13 | → 30/6/14 | → 30/6/15 |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Depreciating Assets | 2169.14 | 155.57 | 155.57 | 155.57 | 155.57 | 155.57 | 155.57 | 155.57 | 155.57 | 155.57 |
| Common Area | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> |
| Low Value Pool | 1185.75 | 1926.85 | 1204.28 | 752.68 | 470.40 | 294.03 | 183.76 | 114.83 | 71.78 | 44.86 |
| Common Area | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> |
| Building Allowance | 2813.57 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 |
| Common Area | <i>269.81</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> |
| Total Depreciation | 6438.27 | 5174.27 | 4451.70 | 4000.10 | 3717.82 | 3541.45 | 3431.18 | 3362.25 | 3319.20 | 3292.28 |

| | → 30/6/16 | → 30/6/17 | → 30/6/18 | → 30/6/19 | → 30/6/20 | → 30/6/21 | → 30/6/22 | → 30/6/23 | → 30/6/24 | → 30/6/25 |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Depreciating Assets | 155.57 | 155.57 | 155.57 | 155.57 | 155.57 | 155.57 | 155.57 | 155.57 | 155.57 | 155.57 |
| Common Area | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> |
| Low Value Pool | 28.05 | 17.50 | 10.97 | 7.43 | 6.36 | 2.24 | 2.23 | 0.00 | 0.00 | 0.00 |
| Common Area | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> | <i>0.00</i> |
| Building Allowance | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 | 2821.30 |
| Common Area | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> | <i>270.55</i> |
| Total Depreciation | 3275.47 | 3264.92 | 3258.39 | 3254.85 | 3253.78 | 3249.66 | 3249.65 | 3247.42 | 3247.42 | 3247.42 |

Comparative Graph

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| Location | |
|-------------------------------|-----------------------------|
| State | NSW |
| Suburb | Anytown |
| Address | Unit 1 11 Example Street |
| Region | Metro |
| Construction | |
| Property Type | Unit/Apartment |
| Construction Type | N/A |
| Construction Standard | Medium |
| Floors in Building | 8 |
| Number of units | 32 |
| Below ground pool | No |
| Tennis Court | No |
| Floor Area | |
| Bedrooms | 3 |
| Bathrooms | 2 |
| Garages | Single |
| Total Floor Area | 86m ² |
| Dates | |
| Constuction Period | After Sept 1987 |
| Constuction Date | 1 January 1994 |
| Purchase Date | 1 July 2005 |
| Available for rent | 1 July 2005 |
| Structural Renovations | |
| Renovations | N/A |
| Renovations cost (stuctural) | N/A |
| Furniture | |
| Furniture | N/A |

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