



**Humby Property Consultants**  
Quantity Surveyors  
Building & Construction Economists

PO Box 381  
Newcastle NSW 2300  
Phone: 02 4942 4422  
Fax: 02 4942 4421  
Email: [mhumby@bigpond.net.au](mailto:mhumby@bigpond.net.au)



**Humby Property Consultants**  
Quantity Surveyors

## **Property Tax Allowances Schedule**

**For the Construction of**

**Lot 30 - Unit P.01 The Observatory Resort William Street  
Port Macquarie NSW**

August 2004

File #: 20420

Prepared for:

**Thornet Pty Ltd**

## Contents

1.	Introduction	1
2.	Methodology	2
3.	Expenditure Analysed	5
4.	Diminishing Value Depreciation Schedule	6
5.	Prime Cost Depreciation Schedule	8
6.	Low-Value Pool Schedule	10
7.	Division 43 Capital Works Schedules	13
8.	Summary	16
9.	Reconciliation of Expenditure	17
10.	Ten Year Tax Allowance Flow	18
11.	Disclaimer	19
<b>Appendix</b>		
12.	Low-Value Pool Adjustments	20

# Humby Property Consultants

## Property Tax Allowances Schedules

### 1. Introduction

1. Property Tax Allowance Schedules have been prepared for the construction of the subject property following instructions from Jason DeVos on behalf of Thornet Pty Limited.
2. Humby Property Consultants have been engaged in our capacity as Quantity Surveyors as per TR 97/25 to provide independent analysis of the capital allowances available under the Income Tax Assessment Act 1997 (ITAA 1997).
3. As the owner acquired this property after 1 July 1997, this assessment is based on the Income Tax Assessment Act 1997 and the following allowances have been evaluated:
  - Capital allowances for expenditure on plant in accordance with Division 40 of ITAA 1997
  - Capital works deductions on structure and infrastructure in accordance with Division 43 of the ITAA 1997.
4. This report quantifies the capital allowances available to the taxpayer for the first 10 years of ownership. Information provided in this report will allow the taxpayer to complete the ATO requirements for claiming depreciation on property in terms of the annual adjustments to the low value pool.
5. Under Division 40 of the ITAA 1997 a taxpayer has to choose between the diminishing value method and the prime cost method of depreciating plant. This report provides schedules for both options and the Appendix provides the yearly adjustments to the low value pool for each option.
6. Having elected a method of depreciating plant, it is not possible to change methods through the ownership of the property.
7. Due to an ATO Interpretative Decision being published on the 30 October 2002 we have excluded distribution and switch gear, light fittings and signage from the schedule of depreciable plant and included them in the capital works schedule. Case law suggests that these items could be claimable as depreciable plant but we have not taken an aggressive approach on your behalf. Interpretative decisions are not law and are neither legally nor administratively binding on the Commissioner but they are indicative of the Commissioner's view on the interpretation of the law on particular issues.

## **2. Methodology**

1. This report is based on legislation in effect at the time the asset was acquired and the date this report was produced. The report is based on Humby Property Consultants interpretation of the ITAA 1997, tax cases and tax rulings and our understanding of the Commissioner of Taxation's intentions.
2. Taxation legislation is subject to amendment and re-interpretation. We recommend that you obtain your accountant's opinion on those aspects of the report which deal with definition of depreciable items and the rates used in connection therewith.
3. The preparation of these schedules has been based on the following:
  - Date of commencement of construction: November 2002
  - Date of completion of construction: 13 May 2004
4. For the purpose of this report the property was inspected on 12 July 2004 and a detailed analysis was completed. The analysis included identification, measurement and establishment of use of plant and structure. This incorporated compiling a full photographic record of the property to substantiate the existence of the assets.
5. The construction cost of this asset is apportioned between the following categories:
  - Plant
  - Building Structure/Infrastructure
  - Non-Eligible Items
6. This report is based on the information available to us at the time of preparation and has been prepared on the understanding that all items of plant listed in the schedules are owned by the taxpayer. If there are any additions, disposals or changes in ownership of any items, please contact Mark Humby of this office.

# Humby Property Consultants

## Property Tax Allowances Schedules

### 2.1. Plant

1. The valuation of plant has been based on a reasonable attribution of the overall capital expenditure as provided for in Section 40-195 ITAA 1997.
2. The effective lives used in calculating depreciation rates are taken from TR 2000/18 and the subsequent Income Tax (Effective Life of Depreciating Assets) Amendment Determinations.
3. The depreciation rates adopted in these schedules are in accordance with the legislation in force at the time of acquisition.
4. As allowed for in the ITAA 1997, assets acquired after 1 July 2000 with a cost under \$1,000 can be included in a low-value pool to accelerate their depreciation. They are depreciated at a rate of 18.75% over the whole first year using the diminishing value method. In future years, these assets are depreciated at 37.5% under the diminishing value method. See Section 12 of this report for further explanation of the Low-value pool and how utilising it can further improve a taxpayers cashflow.
5. Our schedules are based on the understanding that the owner of the property is not a small business taxpayer.

## **2.2. Building Structure & Infrastructure**

1. Depending on the date the building commenced construction, a capital allowance deduction for building structure will be available under Division 43 of the ITAA 1997 for a maximum of 40 years after construction completion.
2. The allowances are calculated from the historical cost of construction having deducted non-qualifying expenditure, and notionally depreciating the qualifying expenditure to the date of settlement in accordance with Division 43 of the ITAA 1997.
3. The Division 43 Capital Works Deductions have been based on the actual historical construction cost as advised which has been tested for accuracy against our knowledge of historical costs.
4. The prime cost rates for deductions for capital works are 2.5% or 4% and are determined by the type of building and the date of commencement of the building works. For this property the following rates have been used:
  - 2.5% for building works as described in 43-25, 43-75, 43-90 and 43-140 of the Act and which commenced construction after 15 September 1987.
  - 2.5% for external works which qualify as structural improvements as described in Sections 43-20 and 43-140 of the Act, and which commenced construction after 26 February 1992.

## **2.3. Non-Eligible Expenditure**

1. Non-eligible expenditure includes the proportion of the construction price relating to:
  - Capital non-deductible items of expenditure including landscaping

### 3. Expenditure Analysed

1. This report is based on the following expenditure:

Construction cost	\$539,374
Stamp duty	Not Applicable
<b>Total Expenditure Analysed</b>	<hr/> <b>\$539,374</b> <hr/>

2. Historical construction cost has been advised for the entire complex. We have calculated the construction cost for this lot in the year the property was constructed as \$539,374 based on applying the lot entitlement to the construction cost of the entire development. The eligible Division 43 Deductions for capital works have been calculated from that total by excluding non-qualifying expenditure.
3. The lot entitlement for this lot is 2,641 out of 100,000.

**4. Diminishing Value Depreciation Schedule**

**Capital Expenditure incurred on depreciable plant  
for the construction of  
Lot 30 - Unit P.01 The Observatory Resort William Street  
Port Macquarie NSW**

Prepared for:  
**Thornet Pty Ltd**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Diminishing Value Depreciation Schedule for the Construction of

**Lot 30 - Unit P.01 The Observatory Resort William Street Port Macquarie NSW**

Capital Expenditure Incurred Upon Depreciating Assets	Total Cost 13-May-04 \$	Diminishing Value Rate %	Depreciation Over First 48 Days \$	W.D.V. 30-Jun-04 \$
<b>Air-conditioning (excluding pipes, ductwork and vents) :</b>				
- Packaged air conditioning units	7,082	10.00	93	6,989
<b>Carpets :</b>				
- Business places, hotels etc..	3,843	30.00	151	3,692
- Floating timber floor	22,329	10.00	293	22,036
<b>Fire Control and Alarm Systems :</b>				
- Alarms, hoses and nozzles	2,462	7.50	24	2,438
<b>Hot Water Installation</b>	1,157	7.50	11	1,146
<b>Kitchen Equipment :</b>				
- Dishwashers	1,387	22.50	41	1,346
<b>Lifts and Elevators :</b>				
- Electric	10,781	9.00	127	10,654
<b>Pumps</b>	1,943	7.50	19	1,924
<b>Security Systems and Equipment :</b>				
- Electronic	2,503	22.50	74	2,429
<b>SUB TOTAL</b>	<b>\$ 53,487</b>		<b>\$ 833</b>	<b>52,654</b>
<b>LOW-VALUE POOL TOTAL</b>	10,989	18.75	2,060	8,929
<b>TOTAL</b>	<b>\$ 64,476</b>		<b>\$ 2,893</b>	<b>61,583</b>

**5. Prime Cost Depreciation Schedule**

**Capital Expenditure incurred on depreciable plant  
for the construction of  
Lot 30 - Unit P.01 The Observatory Resort William Street  
Port Macquarie NSW**

Prepared for:  
**Thornet Pty Ltd**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Prime Cost Depreciation Schedule for the Construction of

Lot 30 - Unit P.01 The Observatory Resort William Street Port Macquarie NSW

Capital Expenditure Incurred Upon Depreciating Assets	Total Cost 13-May-04 \$	Prime Cost Rate %	Depreciation Over First 48 Days \$	W.D.V. 30-Jun-04 \$
<b>Air-conditioning (excluding pipes, ductwork and vents) :</b>				
- Packaged air conditioning units	7,082	6.67	62	7,020
<b>Carpets :</b>				
- Business places, hotels etc..	3,843	20.00	101	3,742
- Floating timber floor	22,329	6.67	195	22,134
<b>Fire Control and Alarm Systems :</b>				
- Alarms, hoses and nozzles	2,462	5.00	16	2,446
<b>Hot Water Installation</b>				
	1,157	5.00	8	1,149
<b>Kitchen Equipment :</b>				
- Dishwashers	1,387	15.00	27	1,360
<b>Lifts and Elevators :</b>				
- Electric	10,781	6.00	85	10,696
<b>Pumps</b>				
	1,943	5.00	13	1,930
<b>Security Systems and Equipment :</b>				
- Electronic	2,503	15.00	49	2,454
SUB TOTAL	\$ <u>53,487</u>		\$ <u>556</u>	<u>52,931</u>
<b>LOW-VALUE POOL TOTAL</b>				
	10,989	18.75	2,060	8,929
TOTAL	\$ <u><u>64,476</u></u>		\$ <u><u>2,616</u></u>	<u><u>61,860</u></u>

**6. Low-Value Pool Schedule**

**Capital Expenditure incurred on depreciable plant  
for the construction of  
Lot 30 - Unit P.01 The Observatory Resort William Street  
Port Macquarie NSW**

Prepared for:  
**Thornet Pty Ltd**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Low-Value Pool Schedule for the Construction of

**Lot 30 - Unit P.01 The Observatory Resort William Street Port Macquarie NSW**

Low-Cost Asset Description	Total Cost 13-May-04 \$	Diminishing Value Rate %	Depreciation Over First 48 Days \$	W.D.V. 30-Jun-04 \$
<b>Air-conditioning (excluding pipes, ductwork and vents) :</b>				
- Packaged air conditioning units to common property	288	18.75	54	234
<b>Automatic Entry System and Mechanical Door Closers</b>	710	18.75	133	577
<b>Blinds</b>	2,912	18.75	546	2,366
<b>Electrical Machinery and Equipment :</b>				
- Motors	63	18.75	12	51
<b>Fire Control and Alarm Systems :</b>				
- Alarms, hoses and nozzles	837	18.75	157	680
- Fire extinguishers	193	18.75	36	157
<b>Furniture and Fittings :</b>				
- Barbecue	24	18.75	5	20
- Door mats	56	18.75	11	46
- Furniture, counter fittings, shelving	266	18.75	50	216
<b>Gymnasium Equipment</b>	297	18.75	56	241
<b>Hot Water Installation</b>	166	18.75	31	135
<b>Kitchen Equipment :</b>				
- Exhaust and range hoods	159	18.75	30	129
- Microwave ovens	455	18.75	85	370
- Stoves	758	18.75	142	616
- Wall and other ovens	831	18.75	156	675
<b>Laundry Plant :</b>				
- Drying equipment	303	18.75	57	246
<b>Linoleum, Vinyl and Similar Floor Coverings</b>	121	18.75	23	98
<b>Carried Forward</b>	<b>8,439</b>		<b>1,582</b>	<b>6,857</b>

# Humby Property Consultants

## Property Tax Allowances Schedules

### Lot 30 - Unit P.01 The Observatory Resort William Street Port Macquarie NSW

Low-Cost Asset Description	Total Cost 13-May-04 \$	Diminishing Value Rate %	Depreciation Over First 48 Days \$	W.D.V. 30-Jun-04 \$
Brought Forward	8,439		1,582	6,857
<b>Pumps</b>	841	18.75	158	683
<b>Sauna and Spa Equipment :</b>				
- Sauna	129	18.75	24	105
- Spa - filtration and heating assets only	101	18.75	19	82
<b>Security Systems and Equipment :</b>				
- Intercom access	272	18.75	51	221
<b>Sun Shades - PVC Membrane</b>	293	18.75	55	238
<b>Swimming Pools :</b>				
- Filtration equipment	187	18.75	35	152
- Heating equipment	119	18.75	22	97
<b>Ventilating Plant :</b>				
- Ventilation plant	608	18.75	114	494
<b>TOTAL</b>	<b>\$ <u>10,989</u></b>		<b>\$ <u>2,060</u></b>	<b><u>8,929</u></b>

**7. Division 43 Capital Works Schedule**

**Capital Expenditure incurred for the construction of  
Lot 30 - Unit P.01 The Observatory Resort William Street  
Port Macquarie NSW**

Prepared for:

**Thornet Pty Ltd**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Capital Works Schedule for the Construction of

Lot 30 - Unit P.01 The Observatory Resort William Street Port Macquarie NSW

Qualifying Capital Expenditure Incurred on Eligible Capital Works  
in accordance with Division 43 of the ITAA 1997.

Construction Dates	Total Historical Cost	Prime Cost Rate	Annual Claim	Opening Residual Value 13-May-04	Allowance for 48 Days	Closing Residual Value 30-Jun-04
Start - Completion	\$	%	\$	\$	\$	\$

**Eligible Capital Works:**

1.)	1/11/02 - 13/5/04	453,997	2.50	11,350	453,997	1,489	452,508
-----	-------------------	---------	------	--------	---------	-------	---------

<b>TOTAL</b>	<b>\$</b>	<b>453,997</b>		<b>11,350</b>	<b>453,997</b>	<b>1,489</b>	<b>452,508</b>
--------------	-----------	----------------	--	---------------	----------------	--------------	----------------

# Humby Property Consultants

## Property Tax Allowances Schedules

### Structural Improvements Schedule for the Construction of

Lot 30 - Unit P.01 The Observatory Resort William Street Port Macquarie NSW

---



---

Qualifying Capital Expenditure Incurred on Structural Improvements  
in accordance with Division 43 of the ITAA 1997.

---



---

Construction Dates	Total Historical Cost	Prime Cost Rate	Annual Claim	Opening Residual Value 13-May-04	Allowance for 48 Days	Closing Residual Value 30-Jun-04
Start - Completion	\$	%	\$	\$	\$	\$
<b>Structural Improvements:</b>						
1.) 1/11/02 - 13/5/04	4,453	2.50	111	4,453	15	4,438

---

<b>TOTAL</b>	<b>\$</b>	<b>4,453</b>	<b>111</b>	<b>4,453</b>	<b>15</b>	<b>4,438</b>
--------------	-----------	--------------	------------	--------------	-----------	--------------

---

## **8. Summary**

The figures outlined in the previous schedules are reconciled in Section 9 of this report. Section 10 indicates the allowances available on a yearly basis and is supported by the Appendix (Section 12) which provides the supporting information required to submit yearly Group Certificates to the ATO.

As Quantity Surveyors providing information on Property Tax Allowances we have prepared this report examining the capital costs relating to:

1. Plant as included in the construction contract between Thornet Pty Limited and the building contractors and are calculated in accordance with the Income Tax Assessment Act 1997, Division 40.
2. Capital works deductions calculated in accordance with the Income Tax Assessment Act 1997, Division 43.

It is recommended that this information be provided to your accountant for interpretation and consideration in light of your overall tax position.

### **HUMBY PROPERTY CONSULTANTS**

PO Box 381  
Newcastle NSW 2300  
Tel: 02 4942 4422

9 August 2004

## 9. Reconciliation of Expenditure

### Lot 30 - Unit P.01 The Observatory Resort William Street Port Macquarie NSW

#### 1. RECONCILIATION OF CAPITAL EXPENDITURE

Plant	\$64,476
Division 43 Capital Works	\$458,450
Non-eligible Expenditure *	\$16,448
<b>Total Expenditure Analysed</b>	<b><u>\$539,374</u></b>
<i>Percentage of Expenditure Attributable to Plant</i>	11.95%

#### 2. SUMMARY OF DIVISION 43 CAPITAL WORKS

Buildings	- Original Cost	\$453,997
	- Opening Balance	\$453,997
Structural Improvements	- Original Cost	\$4,453
	- Opening Balance	\$4,453
Total Opening Balance		<b><u>\$458,450</u></b>

#### 3. SUMMARY OF DIVISION 40 PLANT (DEPRECIATING ASSETS)

Opening Value of Plant in Low Value Pool	\$10,989
Remainder of Plant	\$53,487
Total Value of Plant	<b><u>\$64,476</u></b>

\* The Reconciliation of Expenditure at the top of this page includes a figure for the "Non Eligible Expenditure". This figure includes the proportion of the construction cost relating to capital non-deductible items of expenditure.

# Humby Property Consultants

## Property Tax Allowances Schedules

### 10. Tax Allowance Flow

Lot 30 - Unit P.01 The Observatory Resort William Street Port Macquarie NSW

#### ANNUAL ALLOWANCES

THE FOLLOWING SUMMARISES TAX DEDUCTIONS CLAIMABLE PER ANNUM

DIMINISHING VALUE METHOD				
Financial Year Ending	Division 40 Depreciating Assets \$	Division 40 Low Value Pool \$	Division 43 Deductions \$	Total Annual Claim \$
30 June 2004	833	2,060	1,504	4,397
30 June 2005	6,231	3,348	11,461	21,040
30 June 2006	5,300	2,093	11,461	18,854
30 June 2007	4,296	1,979	11,461	17,736
30 June 2008	3,732	1,237	11,461	16,430
30 June 2009	2,801	1,434	11,461	15,696
30 June 2010	2,534	896	11,461	14,891
30 June 2011	2,292	560	11,461	14,313
30 June 2012	2,073	350	11,461	13,884
30 June 2013	1,876	219	11,461	13,556
Remaining Years	17,014	1,318	353,797	372,129
<b>TOTALS</b>	<b>48,982</b>	<b>15,494</b>	<b>458,450</b>	<b>522,926</b>

PRIME COST METHOD				
Financial Year Ending	Division 40 Depreciating Assets \$	Division 40 Low Value Pool \$	Division 43 Deductions \$	Total Annual Claim \$
30 June 2004	556	2,060	1,504	4,120
30 June 2005	4,238	3,348	11,461	19,047
30 June 2006	4,238	2,093	11,461	17,792
30 June 2007	4,238	1,308	11,461	17,007
30 June 2008	4,238	817	11,461	16,516
30 June 2009	4,137	511	11,461	16,109
30 June 2010	3,469	319	11,461	15,249
30 June 2011	3,198	200	11,461	14,859
30 June 2012	2,886	125	11,461	14,472
30 June 2013	2,886	78	11,461	14,425
Remaining Years	19,403	130	353,797	373,330
<b>TOTALS</b>	<b>53,487</b>	<b>10,989</b>	<b>458,450</b>	<b>522,926</b>

## **11. Disclaimer**

1. It is recommended that this information be provided to your accountant for interpretation and consideration in light of your overall tax position.
2. Taxation legislation is subject to amendment and re-interpretation. We recommend that you obtain your accountant's opinion on those aspects of the report which deal with definition of depreciable items and the rates used in connection therewith
3. These schedules have been prepared for the sole purpose of claiming property tax allowances and are not to be used for any other purpose.
4. These schedules are confidential to the owners of the premises, the future owner and essential parties dealing with a claim.
5. Humby Property Consultants does not accept any contractual, tortious or 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 valuation.

## **12. Annual Adjustments to Low-Value Pool**

1. A low-value pool contains both low-value depreciating assets (plant) and low-cost depreciating assets (plant) and is a means of depreciating assets at an accelerated rate.
2. Low-cost assets are assets which when acquired have a total cost of less than \$1,000. In the year of acquisition, a low-cost item is depreciated at 18.75% on the diminishing value basis. This rate, applicable for the first year only, is an averaging tool which negates the need for expenditure on these items to be apportioned over the number of days owned in that year. From the second year onwards the full rate of 37.5% will apply. The pool is always depreciated on a diminishing value basis.
3. Low-value assets are assets whose opening adjustable values (written down values) in a given tax year fall below \$1,000 when calculated on the diminishing value basis. From that year onwards, the taxpayer can put the assets into the low-value pool and it will be depreciated at 37.5% on the diminishing value basis from then on. Note that assets depreciated using the Prime Cost method cannot be put into the low-value pool when their written down value falls below \$1,000.
4. To meet the reporting needs of the taxpayer to the Australian Taxation Office (ATO) in the year of acquisition this report has identified the Low-cost items that form the opening balance of the low-value pool.
5. To meet the reporting needs of the taxpayer to the ATO in subsequent years (years 2 to 10) Appendices A and B identify the adjustments to the Low-value pool if either the diminishing value or prime cost method respectively is elected.
6. Note that the Tax Allowance Flow at Section 10 of this report includes for the adjustments made to the respective low value pools.

# Humby Property Consultants

## Property Tax Allowances Schedules

### Appendix A

#### DIMINISHING VALUE LOW-VALUE POOL ANALYSIS

Classification	Value \$	Tax Rate %	Depreciation \$	WDV \$
<b>Year 2:</b>				
Opening Balance	8,929	37.50	3,348	5,580
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 8,929</b>		<b>\$ 3,348</b>	<b>5,580</b>
<b>Year 3:</b>				
Opening Balance	5,580	37.50	2,093	3,488
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 5,580</b>		<b>\$ 2,093</b>	<b>3,488</b>
<b>Year 4:</b>				
Opening Balance	3,488	37.50	1,308	2,180
Total New Low Value Pool Items	1,789	37.50	671	1,118
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 5,276</b>		<b>\$ 1,979</b>	<b>3,298</b>
<b>Year 5:</b>				
Opening Balance	3,298	37.50	1,237	2,061
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 3,298</b>		<b>\$ 1,237</b>	<b>2,061</b>
<b>Year 6:</b>				
Opening Balance	2,061	37.50	773	1,288
Total New Low Value Pool Items	1,763	37.50	661	1,102
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 3,824</b>		<b>\$ 1,434</b>	<b>2,390</b>
<b>Year 7:</b>				
Opening Balance	2,390	37.50	896	1,494
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 2,390</b>		<b>\$ 896</b>	<b>1,494</b>
<b>Year 8:</b>				
Opening Balance	1,494	37.50	560	934
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 1,494</b>		<b>\$ 560</b>	<b>934</b>
<b>Year 9:</b>				
Opening Balance	934	37.50	350	583
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 934</b>		<b>\$ 350</b>	<b>583</b>
<b>Year 10:</b>				
Opening Balance	583	37.50	219	365
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 583</b>		<b>\$ 219</b>	<b>365</b>

# Humby Property Consultants

## Property Tax Allowances Schedules

### Appendix B

#### PRIME COST LOW-VALUE POOL ANALYSIS

Classification	Value \$	Tax Rate %	Depreciation \$	WDV \$
<b>Year 2:</b>				
Opening Balance	8,929	37.50	3,348	5,580
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 8,929</b>		<b>\$ 3,348</b>	<b>5,580</b>
<b>Year 3:</b>				
Opening Balance	5,580	37.50	2,093	3,488
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 5,580</b>		<b>\$ 2,093</b>	<b>3,488</b>
<b>Year 4:</b>				
Opening Balance	3,488	37.50	1,308	2,180
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 3,488</b>		<b>\$ 1,308</b>	<b>2,180</b>
<b>Year 5:</b>				
Opening Balance	2,180	37.50	817	1,362
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 2,180</b>		<b>\$ 817</b>	<b>1,362</b>
<b>Year 6:</b>				
Opening Balance	1,362	37.50	511	851
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 1,362</b>		<b>\$ 511</b>	<b>851</b>
<b>Year 7:</b>				
Opening Balance	851	37.50	319	532
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 851</b>		<b>\$ 319</b>	<b>532</b>
<b>Year 8:</b>				
Opening Balance	532	37.50	200	333
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 532</b>		<b>\$ 200</b>	<b>333</b>
<b>Year 9:</b>				
Opening Balance	333	37.50	125	208
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 333</b>		<b>\$ 125</b>	<b>208</b>
<b>Year 10:</b>				
Opening Balance	208	37.50	78	130
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 208</b>		<b>\$ 78</b>	<b>130</b>

# Humby Property Consultants

## Property Tax Allowances Schedules

# HPC



**Humby Property Consultants**  
Quantity Surveyors

**Tax Depreciation Allowances Schedule  
For the Acquisition of  
Type F Furniture Package in Lot 30 The Observatory  
Resort**

August 2004

File #: 20420.030 Furniture

Prepared for:

**Thornet Pty Limited**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Contents

1.	Introduction	1
2.	Methodology	2
3.	Diminishing Value Depreciation Schedule	3
4.	Prime Cost Depreciation Schedule	5
5.	Low-Value Pool Schedule	7
6.	Summary	9
7.	Ten Year Tax Allowance Flow	10
8.	Disclaimer	11
Appendix		
9.	Low-Value Pool Adjustments	12

# Humby Property Consultants

## Property Tax Allowances Schedules

### 1. Introduction

1. Tax Depreciation Allowance Schedules have been prepared for the acquisition of the subject furniture package following instructions from Jason DeVos on behalf of Thornet Pty Limited.
2. Humby Property Consultants have been engaged in our capacity as Quantity Surveyors as per TR 97/25 to provide independent analysis of the capital allowances available under the Income Tax Assessment Act 1997 (ITAA 1997).
3. As the owner acquired this property after 1 July 1997, this assessment is based on the Income Tax Assessment Act 1997 and the following allowances have been evaluated:
  - Capital allowances for expenditure on plant in accordance with Division 40 of ITAA 1997
4. This report quantifies the capital allowances available to the taxpayer for the first 10 years of ownership. Information provided in this report will allow the taxpayer to complete the ATO requirements for claiming depreciation on property in terms of the annual adjustments to the low value pool.
5. Under Division 40 of the ITAA 1997 a taxpayer has to choose between the diminishing value method and the prime cost method of depreciating plant. This report provides schedules for both options and the Appendix provides the yearly adjustments to the low value pool for each option.
6. Having elected a method of depreciating plant, it is not possible to change methods through the ownership of the property.

## 2. Methodology

1. This report is based on legislation in effect at the time the asset was acquired and the date this report was produced. The report is based on Humby Property Consultants interpretation of the ITAA 1997, tax cases and tax rulings and our understanding of the Commissioner of Taxation's intentions.
2. Taxation legislation is subject to amendment and re-interpretation. We recommend that you obtain your accountant's opinion on those aspects of the report which deal with definition of depreciable items and the rates used in connection therewith.
3. The preparation of these schedules has been based on the following:
  - Date the furniture package was installed ready for use: 13 May 2004
  - The value of the furniture package (advised by supplier): \$28,325
4. For the purpose of this report the property was inspected on 12 July 2004 and a detailed analysis was completed. The analysis included identification, measurement and establishment of use of furniture. This incorporated compiling a full photographic record of the property to substantiate the existence of the assets.
5. This report is based on the information available to us at the time of preparation and has been prepared on the understanding that all items of plant listed in the schedules are owned by the taxpayer. If there are any additions, disposals or changes in ownership of any items, please contact Mark Humby of this office.

### 2.1. Plant

1. The valuation of plant has been based on a reasonable attribution of the overall capital expenditure as provided for in Section 40-195 ITAA 1997.
2. The effective lives used in calculating depreciation rates are taken from TR 2000/18 and the subsequent Income Tax (Effective Life of Depreciating Assets) Amendment Determinations.
3. The depreciation rates adopted in these schedules are in accordance with the legislation in force at the time of acquisition.
4. As allowed for in the ITAA 1997, assets acquired after 1 July 2000 with a cost under \$1,000 can be included in a low-value pool to accelerate their depreciation. They are depreciated at a rate of 18.75% over the whole first year using the diminishing value method. In future years, these assets are depreciated at 37.5% under the diminishing value method. See Section 12 of this report for further explanation of the Low-value pool and how utilising it can further improve a taxpayers cashflow.
5. Our schedules are based on the understanding that the owner of the property is not a small business taxpayer.

**3. Diminishing Value Depreciation Schedule**

**Expenditure incurred on depreciable plant  
for the acquisition of  
Type F Furniture Package in Lot 30 The Observatory  
Resort**

Prepared for:  
**Thornet Pty Limited**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Diminishing Value Depreciation Schedule for the Acquisition of Type F Furniture Package in Lot 30 The Observatory Resort William Street Port Macquarie NSW

Capital Expenditure Incurred Upon Depreciating Assets	Total Cost 14-May-04 \$	Diminishing Value Rate %	Depreciation Over First 47 Days \$	W.D.V. 30-Jun-04 \$
<b>Audio Visual Equipment :</b>				
- Home theatre pack	1,100	22.50	32	1,068
<b>Furniture and Fittings :</b>				
- Bedding & Linen	3,600	11.25	52	3,548
- Furniture, counter fittings, shelving	3,000	11.25	43	2,957
SUB TOTAL	\$ 7,700		\$ 127	7,573
<b>LOW-VALUE POOL TOTAL</b>	20,625	18.75	3,867	16,758
<b>TOTAL</b>	\$ 28,325		\$ 3,994	24,331

**4. Prime Cost Depreciation Schedule**

**Expenditure incurred on depreciable plant  
for the acquisition of  
Type F Furniture Package in Lot 30 The Observatory  
Resort**

Prepared for:  
**Thornet Pty Limited**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Prime Cost Depreciation Schedule for the Acquisition of

#### Type F Furniture Package in Lot 30 The Observatory Resort William Street Port Macquarie NSW

Capital Expenditure Incurred Upon Depreciating Assets	Total Cost 14-May-04 \$	Prime Cost Rate %	Depreciation Over First 47 Days \$	W.D.V. 30-Jun-04 \$
<b>Audio Visual Equipment :</b>				
- Home theatre pack	1,100	15.00	21	1,079
<b>Furniture and Fittings :</b>				
- Bedding & Linen	3,600	7.50	35	3,565
- Furniture, counter fittings, shelving	3,000	7.50	29	2,971
SUB TOTAL	\$ <u>7,700</u>	\$	<u>85</u>	<u>7,615</u>
<b>LOW-VALUE POOL TOTAL</b>	20,625	18.75	3,867	16,758
TOTAL	\$ <u>28,325</u>	\$	<u>3,952</u>	<u>24,373</u>

**5. Low-Value Pool Schedule**

**Expenditure incurred on depreciable plant  
for the acquisition of  
Type F Furniture Package in Lot 30 The Observatory  
Resort**

Prepared for:  
**Thornet Pty Limited**

# Humby Property Consultants

## Property Tax Allowances Schedules

### Low-Value Pool Schedule for the Acquisition of

#### Type F Furniture Package in Lot 30 The Observatory Resort William Street Port Macquarie NSW

Low-Cost Asset Description	Total Cost 14-May-04 \$	Diminishing Value Rate %	Depreciation Over First 47 Days \$	W.D.V. 30-Jun-04 \$
<b>Electrical Machinery and Equipment :</b>				
- Miscellaneous items of electrical equipment	145	18.75	27	118
<b>Furniture and Fittings :</b>				
- Bedding & Linen	3,288	18.75	617	2,672
- Furniture, counter fittings, shelving	10,855	18.75	2,035	8,820
<b>Kitchen Equipment :</b>				
- Cutlery, crockery and utensils	1,892	18.75	355	1,537
- Refrigerators - residential	1,800	18.75	338	1,463
<b>Laundry Plant :</b>				
- General	140	18.75	26	114
- Irons and ironing boards	205	18.75	38	167
- Washing machines	850	18.75	159	691
<b>Television Receivers</b>	1,450	18.75	272	1,178
<b>TOTAL</b>	<b>\$ 20,625</b>		<b>\$ 3,867</b>	<b>16,758</b>

## **6. Summary**

The following section indicates the allowances available on a yearly basis and is supported by the Appendix (Section 9) which provides the supporting information required to submit yearly Group Certificates to the ATO.

As Quantity Surveyors providing information on Tax Depreciation Allowances we have prepared this report examining the costs relating to:

1. Plant as included in the acquisition of the furniture package by Thornet Pty Limited in accordance with the Income Tax Assessment Act 1997, Division 40.

It is recommended that this information be provided to your accountant for interpretation and consideration in light of your overall tax position.

### **HUMBY PROPERTY CONSULTANTS**

PO Box 381  
Newcastle NSW 2300  
Tel: 02 4942 4422

6 August 2004

# Humby Property Consultants

## Property Tax Allowances Schedules

### 7. Tax Allowance Flow

Type F Furniture Package in Lot 30 The Observatory Resort  
William Street Port Macquarie NSW

#### ANNUAL ALLOWANCES

THE FOLLOWING SUMMARISES TAX DEDUCTIONS CLAIMABLE PER ANNUM

DIMINISHING VALUE METHOD				
Financial Year Ending	Division 40 Depreciating Assets \$	Division 40 Low Value Pool \$	Division 43 Deductions \$	Total Annual Claim \$
30 June 2004	127	3,867	0	3,994
30 June 2005	972	6,284	0	7,256
30 June 2006	546	4,582	0	5,128
30 June 2007	376	3,228	0	3,604
30 June 2008	233	2,353	0	2,586
30 June 2009	206	1,471	0	1,677
30 June 2010	183	919	0	1,102
30 June 2011	163	575	0	738
30 June 2012	144	359	0	503
30 June 2013	128	224	0	352
Remaining Years	1,011	374	0	1,385
<b>TOTALS</b>	<b>4,089</b>	<b>24,236</b>	<b>0</b>	<b>28,325</b>

PRIME COST METHOD				
Financial Year Ending	Division 40 Depreciating Assets \$	Division 40 Low Value Pool \$	Division 43 Deductions \$	Total Annual Claim \$
30 June 2004	85	3,867	0	3,952
30 June 2005	660	6,284	0	6,944
30 June 2006	660	3,928	0	4,588
30 June 2007	660	2,455	0	3,115
30 June 2008	660	1,534	0	2,194
30 June 2009	660	959	0	1,619
30 June 2010	660	599	0	1,259
30 June 2011	584	375	0	959
30 June 2012	495	234	0	729
30 June 2013	495	146	0	641
Remaining Years	2,081	244	0	2,325
<b>TOTALS</b>	<b>7,700</b>	<b>20,625</b>	<b>0</b>	<b>28,325</b>

**8. Disclaimer**

1. It is recommended that this information be provided to your accountant for interpretation and consideration in light of your overall tax position.
2. Taxation legislation is subject to amendment and re-interpretation. We recommend that you obtain your accountant's opinion on those aspects of the report which deal with definition of depreciable items and the rates used in connection therewith
3. These schedules have been prepared for the sole purpose of claiming tax depreciation allowances and are not to be used for any other purpose.
4. These schedules are confidential to the owners of the premises, the future owner and essential parties dealing with a claim.
5. Humby Property Consultants does not accept any contractual, tortious or 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 valuation.

## **9. Annual Adjustments to Low-Value Pool**

1. A low-value pool contains both low-value depreciating assets (plant) and low-cost depreciating assets (plant) and is a means of depreciating assets at an accelerated rate.
2. Low-cost assets are assets which when acquired have a total cost of less than \$1,000. In the year of acquisition, a low-cost item is depreciated at 18.75% on the diminishing value basis. This rate, applicable for the first year only, is an averaging tool which negates the need for expenditure on these items to be apportioned over the number of days owned in that year. From the second year onwards the full rate of 37.5% will apply. The pool is always depreciated on a diminishing value basis.
3. Low-value assets are assets whose opening adjustable values (written down values) in a given tax year fall below \$1,000 when calculated on the diminishing value basis. From that year onwards, the taxpayer can put the assets into the low-value pool and it will be depreciated at 37.5% on the diminishing value basis from then on. Note that assets depreciated using the Prime Cost method cannot be put into the low-value pool when their written down value falls below \$1,000.
4. To meet the reporting needs of the taxpayer to the Australian Taxation Office (ATO) in the year of acquisition this report has identified the Low-cost items that form the opening balance of the low-value pool.
5. To meet the reporting needs of the taxpayer to the ATO in subsequent years (years 2 to 10) Appendices A and B identify the adjustments to the Low-value pool if either the diminishing value or prime cost method respectively is elected.
6. Note that the Tax Allowance Flow at Section 10 of this report includes for the adjustments made to the respective low value pools.

# Humby Property Consultants

## Property Tax Allowances Schedules

### Appendix A

#### DIMINISHING VALUE LOW-VALUE POOL ANALYSIS

Classification	Value \$	Tax Rate %	Depreciation \$	WDV \$
<b>Year 2:</b>				
Opening Balance	16,758	37.50	6,284	10,474
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 16,758</b>		<b>\$ 6,284</b>	<b>10,474</b>
<b>Year 3:</b>				
Opening Balance	10,474	37.50	3,928	6,546
Total New Low Value Pool Items	1,746	37.50	655	1,091
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 12,220</b>		<b>\$ 4,582</b>	<b>7,637</b>
<b>Year 4:</b>				
Opening Balance	7,637	37.50	2,864	4,773
Total New Low Value Pool Items	970	37.50	364	606
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 8,608</b>		<b>\$ 3,228</b>	<b>5,380</b>
<b>Year 5:</b>				
Opening Balance	5,380	37.50	2,017	3,362
Total New Low Value Pool Items	896	37.50	336	560
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 6,276</b>		<b>\$ 2,353</b>	<b>3,922</b>
<b>Year 6:</b>				
Opening Balance	3,922	37.50	1,471	2,451
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 3,922</b>		<b>\$ 1,471</b>	<b>2,451</b>
<b>Year 7:</b>				
Opening Balance	2,451	37.50	919	1,532
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 2,451</b>		<b>\$ 919</b>	<b>1,532</b>
<b>Year 8:</b>				
Opening Balance	1,532	37.50	575	958
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 1,532</b>		<b>\$ 575</b>	<b>958</b>
<b>Year 9:</b>				
Opening Balance	958	37.50	359	598
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 958</b>		<b>\$ 359</b>	<b>598</b>
<b>Year 10:</b>				
Opening Balance	598	37.50	224	374
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 598</b>		<b>\$ 224</b>	<b>374</b>

# Humby Property Consultants

## Property Tax Allowances Schedules

### Appendix B

#### PRIME COST LOW-VALUE POOL ANALYSIS

Classification	Value \$	Tax Rate %	Depreciation \$	WDV \$
<b>Year 2:</b>				
Opening Balance	16,758	37.50	6,284	10,474
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 16,758</b>		<b>\$ 6,284</b>	<b>10,474</b>
<b>Year 3:</b>				
Opening Balance	10,474	37.50	3,928	6,546
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 10,474</b>		<b>\$ 3,928</b>	<b>6,546</b>
<b>Year 4:</b>				
Opening Balance	6,546	37.50	2,455	4,091
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 6,546</b>		<b>\$ 2,455</b>	<b>4,091</b>
<b>Year 5:</b>				
Opening Balance	4,091	37.50	1,534	2,557
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 4,091</b>		<b>\$ 1,534</b>	<b>2,557</b>
<b>Year 6:</b>				
Opening Balance	2,557	37.50	959	1,598
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 2,557</b>		<b>\$ 959</b>	<b>1,598</b>
<b>Year 7:</b>				
Opening Balance	1,598	37.50	599	999
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 1,598</b>		<b>\$ 599</b>	<b>999</b>
<b>Year 8:</b>				
Opening Balance	999	37.50	375	624
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 999</b>		<b>\$ 375</b>	<b>624</b>
<b>Year 9:</b>				
Opening Balance	624	37.50	234	390
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 624</b>		<b>\$ 234</b>	<b>390</b>
<b>Year 10:</b>				
Opening Balance	390	37.50	146	244
Total New Low Value Pool Items	0	37.50	0	0
Total New Low Cost Pool Items	0	18.75	0	0
<b>TOTAL</b>	<b>\$ 390</b>		<b>\$ 146</b>	<b>244</b>

# Humby Property Consultants

## Property Tax Allowances Schedules