

# Tax Depreciation Estimate

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Maximising the cash return from investment properties

Churchill Road Townhouses  
162 Churchill Road  
PROSPECT SA 5082

8 February, 2021

**Leipzig Australia**  
**6 Priority Court**  
**EDINBURGH SA 5111**

**162 Churchill Road, PROSPECT SA 5082 - 732669**

Dear Sir/Madam,

Please find attached the BMT Tax Depreciation Estimates for the above property detailing the depreciation and associated tax allowances that may be available to the owner under the Income Tax Assessment Act 1997 (ITAA97).

This document is intended to provide a guide to the potential depreciation and building allowances available from the purchase of the above residential property, facilitating the estimation of the after tax return on the investment over the first 10 full years of ownership.

### **1.0 Information**

The following information was used in the preparation of the schedules:

- Written and verbal information provided by Leipzig Australia.

### **2.0 Depreciation Potential – Plant and Capital Allowance**

The purchaser of the property, intending to use it for income producing purposes, is entitled to depreciation including:

- Division 40, Depreciation of Plant and Equipment; and
- Division 43, Capital Works Allowance (2.5 % pa).

The depreciation of plant and equipment items is based on the diminishing value effective life rates as published by the commissioner of taxation (2020/3).

In the scenario where plant and equipment items are not sold at an agreed value these items will be depreciated on the basis of a just attribution of the total expenditure (division 40 ITAA97).

### **3.0 Capital Work Allowance**

The special building write off allowance is based on the industry specific eligible dates. If the property qualifies for the special building write off, the applicable depreciation rate will be used. Where properties do not qualify for the special building write off allowance, no capital works allowance will be used.

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The allowance for capital works will be based on the historical cost of construction less non-depreciable items.

#### 4.0 Estimate Calculation

This report is based on a just attribution of the total expenditure to estimate the allowances for plant. The estimates provided are based on the sale price as indicated, as the final purchase price at this time is not known.

This estimate has been provided for the purpose of informing the investor of the depreciation potential. Different depreciation returns are available and are influenced by the purchase price of the property.

Please note that the first year calculations are based on ownership over a full financial year.

#### 5.0 Disclaimer

This report has been based on very preliminary documentation, and the figures provided should be treated as a guide only.

As documentation improves, BMT Tax Depreciation will be able to provide more accurate estimates of depreciation.

#### 6.0 Conclusion

As can be extracted from the attached tables, the units will obtain maximum depreciation potential within the first 5 years of ownership.

BMT Tax Depreciation would be pleased to provide a complete detailed tax depreciation report on any of the units in the above property upon request.

Our results suggest employing a specialist to maximise the various tax allowances has a significant effect on improving the after tax return.

Should you or the purchaser wish to discuss the contents of this report in more detail, please do not hesitate to contact Bradley Beer at the office.

Yours Sincerely,



BMT Tax Depreciation Pty Ltd  
Quantity Surveyors

## Appendix One

# BMT Tax Depreciation Estimate

Churchill Road Townhouses

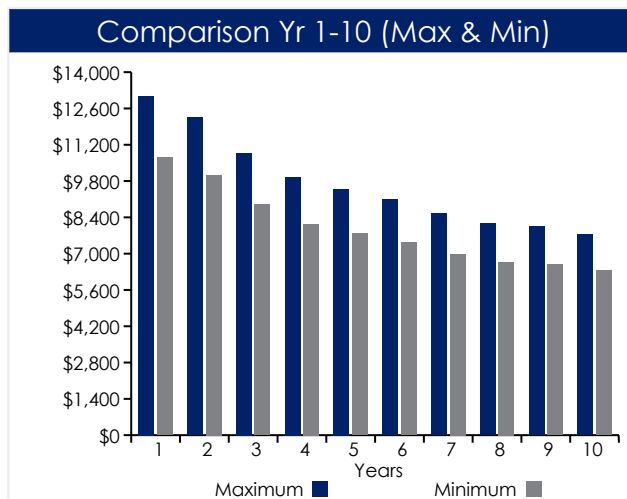
162 Churchill Road

PROSPECT SA 5082

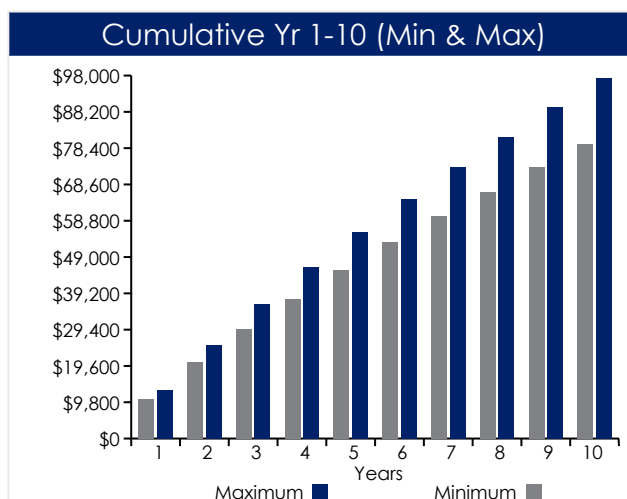
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## Estimate of Depreciation Claimable Typical 2 Bedroom + Study Townhouse, Churchill Road Townhouses 162 Churchill Road, PROSPECT SA 5082

Maximum			
Year	Plant & Equipment	Division 43	Total
1	6,224	6,861	13,085
2	5,403	6,861	12,264
3	4,026	6,861	10,887
4	3,097	6,861	9,958
5	2,632	6,861	9,493
6	2,218	6,861	9,079
7	1,678	6,861	8,539
8	1,297	6,861	8,158
9	1,190	6,861	8,051
10	890	6,861	7,751
11 +	4,001	205,821	209,822
<b>Total</b>	<b>\$32,656</b>	<b>\$274,431</b>	<b>\$307,087</b>



Minimum			
Year	Plant & Equipment	Division 43	Total
1	5,092	5,613	10,705
2	4,421	5,613	10,034
3	3,294	5,613	8,907
4	2,534	5,613	8,147
5	2,154	5,613	7,767
6	1,814	5,613	7,427
7	1,373	5,613	6,986
8	1,061	5,613	6,674
9	974	5,613	6,587
10	728	5,613	6,341
11 +	3,273	168,399	171,672
<b>Total</b>	<b>\$26,718</b>	<b>\$224,529</b>	<b>\$251,247</b>



\* assumes settlement on 1 July in any given year.

This is an estimate only and should not be applied or acted upon. Depreciation of plant is based on the Diminishing Value method of depreciation applying Low-Value Pooling. The Division 43 Write Off Allowance is calculated using 2.5% depending on the property type and date of construction. This estimate is based upon legislation in force at the date of report production.

### This Estimate Cannot Be Used For Taxation Purposes

To discuss the contents of this report please contact Bradley Beer at BMT Tax Depreciation on 08 8193 5900

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