

BMT Tax Depreciation

QUANTITY SURVEYORS

Tax Depreciation Estimate

Maximising the cash return from investment properties

Unit 1/121-127 High Street
PRAHRAN, VIC 3181

17 September, 2014

The Block Glasshouse
121-127 High Street
PRAHRAN, VIC 3181

Unit 1/121-127 High Street, PRAHRAN, VIC 3181 - 330983

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 The Block Glasshouse.

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 (TR2009/4).

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 (42-65 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.

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 of this office.

Yours Sincerely,



BMT Tax Depreciation Pty Ltd
Quantity Surveyors

Appendix One

BMT Tax Depreciation Estimate

Unit 1/121-127 High Street

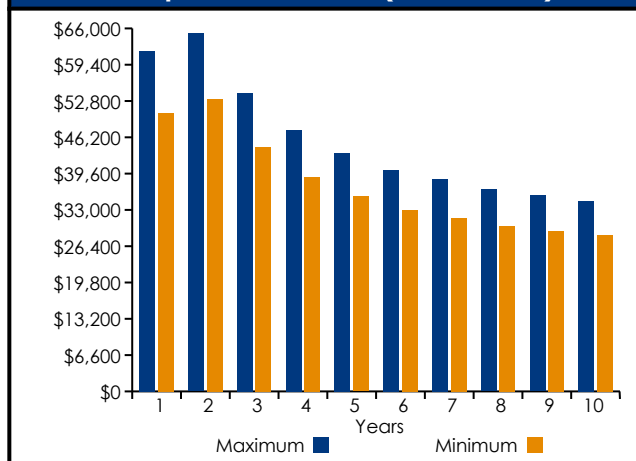
PRAHRAN, VIC 3181

Estimate of Depreciation Claimable
The Block Glasshouse - Michael & Carlene
Unit 1/121-127 High Street, PRAHRAN, VIC 3181

Maximum

Year	Plant & Equipment	Division 43	Total
1	29,566	32,277	61,843
2	32,793	32,277	65,070
3	22,055	32,277	54,332
4	15,289	32,277	47,566
5	11,037	32,277	43,314
6	7,950	32,277	40,227
7	6,313	32,277	38,590
8	4,429	32,277	36,706
9	3,356	32,277	35,633
10	2,412	32,277	34,689
11 +	9,365	936,030	945,395
Total	\$144,565	\$1,258,800	\$1,403,365

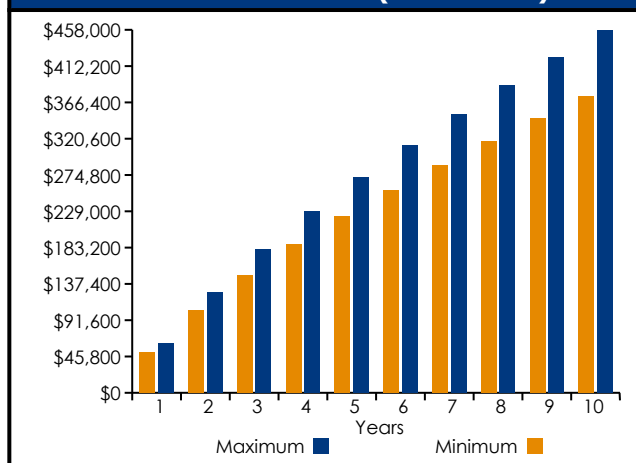
Comparison Yr 1-10 (Min & Max)



Minimum

Year	Plant & Equipment	Division 43	Total
1	24,190	26,409	50,599
2	26,831	26,409	53,240
3	18,045	26,409	44,454
4	12,509	26,409	38,918
5	9,031	26,409	35,440
6	6,504	26,409	32,913
7	5,165	26,409	31,574
8	3,623	26,409	30,032
9	2,746	26,409	29,155
10	1,974	26,409	28,383
11 +	7,663	765,842	773,505
Total	\$118,281	\$1,029,932	\$1,148,213

Cumulative Yr 1-10 (Min & Max)



* 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% or 4% 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 03 9654 2233