



THE STAR
RESIDENCES
GOLD COAST

RLB | Rider Levett Bucknall

ESTIMATE OF CAPITAL ALLOWANCES AND TAX DEPRECIATION

FOR THE PURCHASE OF A UNIT AT

TOWER 2 BROADBEACH ISLAND

PREPARED FOR

DESTINATION GOLD COAST

Date Issued : 10-May-19
Job Number : 13825
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In compiling this report, we believe that the items extracted are in line with applicable legislation and income tax rulings. Taxation legislation, however, is subject to constant amendment and in addition different taxation assessors may interpret various aspects of the Act differently. It should, therefore, be borne in mind that items within this report may be subject to queries from the Australian Taxation Office.

Depreciating assets have been evaluated on a reasonable attribution of the capital expenditure incurred and Capital Works deductions have been valued based on construction documents and cost information provided by Rider Levett Bucknall and Frasers Property Group, including a proportionate loading for Builder's Preliminaries and Consultant's Fees. Stamp duty and legal fees have been excluded.

This report is for the use only of the party to whom it is addressed and shall be used for no other purposes without the written consent of Rider Levett Bucknall. No responsibility is accepted for any third party who may use or rely on the whole or any part of the contents of this report.

This Assessment of Capital Allowances and Tax Depreciation Report has been compiled by Rider Levett Bucknall Qld Pty Ltd in accordance with the Australian Income Tax Legislation and Rulings at the date of this report. Should you have any queries relating to this report, please contact the undersigned.

Prepared By : Adam Bradshaw

Signed :

Date : 10-May-19

Reviewed and Authorised By : David Stewart
Registered Tax Agent No. 53833009

Signed :

Date : 10-May-19



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ESTIMATE OF CAPITAL ALLOWANCES AND TAX DEPRECIATION

1.00 INTRODUCTION

Under instructions from Destination Gold Coast, we have assessed the Estimated Capital Allowances and Tax Depreciation available to a prospective investor as a result of their intended future purchase of a unit at this development.

The assessment of Capital Allowances and Tax Depreciation is inclusive of Goods and Services Tax (GST).

This assessment of Estimated Capital Allowances and Tax Depreciation demonstrates sale prices as advised by Destination Gold Coast. If these sale prices alter over due course then it is recommended that these assessments of Capital Allowances and Tax Depreciation be updated by Rider Levett Bucknall.

2.00 PURCHASE DETAILS

2.01 Capital Expenditure Incurred

The Assessment of Estimated Capital Allowances and Tax Depreciation as detailed within the attached estimates have been prepared, based on preliminary construction cost estimates for the development supplied by RLB and other documents supplied by Destination Gold Coast. Our analysis is inclusive of GST.

2.02 Capital Expenditure Apportionment

Based on the information provided and calculations undertaken we have attributed the following apportionment of the Capital Expenditure incurred.

- a) Plant
- b) Building
- c) Land
- d) Non-qualifying

3.00 BASIS OF REPORT

3.01 Division 40 - Depreciating Assets

Division 40 of the New Business Tax System (Capital Allowances) Act 2001, defines and overviews the key operative provisions for calculating capital allowance. We have used this Division to calculate the cost of depreciating assets, the effective life of these assets, depreciation rates and deductions and to assess the pooling of depreciable assets.

The effective lives of depreciating assets have been based on guidelines set down by the Commissioner in TR2016/1 which is periodically updated.

The depreciation deductions can be calculated using either the Diminishing Value or Prime Cost method and both methods have been included in our report. Once a method of depreciation has been elected it cannot be changed for those assets. The first year claim is based on the number of days in the income year that the tax payer owned the asset.

TOWER 2 BROADBEACH ISLAND

ESTIMATE OF CAPITAL ALLOWANCES AND TAX DEPRECIATION

3.00 BASIS OF REPORT (cont)

3.01 Division 40 - Depreciating Assets (cont)

We have allocated "low-cost" assets to a "low-value pool". To qualify for inclusion in this pool the asset must be less than \$1,000 in value. The depreciation deduction for assets in a low-value pool is always based on the Diminishing Value method of depreciation. The depreciation rate for the first year is 18.75% which increases to 37.5% in each subsequent year. It should be noted that if the tax payer elects to allocate assets to the low value pool these items must remain there for the rest of their effective life and if the items are demolished they cannot be claimed as an immediate deduction in that income year.

3.02 Division 43 - Capital Works Deductions

Capital Allowances for buildings are defined within Division 43 of the ITAA 1997 - Deductions for Capital Works. The key operative provisions applied in calculating the total amount eligible for Division 43 deductions is as follows.

For a capital works deduction to be available, Section 43-10(2) requires that the capital works have a "construction expenditure area", that there is a "pool of construction expenditure" and the taxpayer uses the capital works area in a deductible way, for the purpose of producing assessable income.

Construction expenditure is determined on the basis of historical costs incurred. If historical information is not available then these costs are estimated by ourselves as outlined in TR97/25. Oncosts related to the construction of the building, such as design fees, preliminary costs, etc, are included in the construction expenditure analysed and have been apportioned across both Division 43 and 40 allowances and any non-qualifying expenditure.

The eligible Division 43 deduction is calculated by extracting the cost of depreciating assets and non-qualifying items from the historical construction cost and depreciating the balance of expenditure from the construction completion date to the acquisition date.

The construction commencement date determines the taxpayers eligibility for a capital works deduction and the rate at which it can be claimed. The intended use when construction is completed and the current use of the building can also influence the rate of deduction.

Section 43-25 outlines the rates at which a capital works deduction can be claimed. The rate of deduction alternates between 2.5% and 4% depending on when construction started and can only be claimed using the Prime Cost method of depreciation. In this instance the rate of deduction is 2.5% as construction commenced after 15th September 1987.

The part of the "construction expenditure area" known as "your area" (the tax payers capital works area) has been determined by the construction expenditure within your lot and your entitlement to common property.

3.03 Land

Like plant, where land is purchased with other assets and no separate value is allocated to the land, the cost of the land is essentially the part of the purchase price that is reasonably attributable to the land. For the purpose of this report, we have obtained market information on the value of the land and have based our apportionment accordingly.

TOWER 2 BROADBEACH ISLAND

ESTIMATE OF CAPITAL ALLOWANCES AND TAX DEPRECIATION

3.00 BASIS OF REPORT (cont)

3.04 Non-qualifying

Items of non-qualifying capital expenditure include :

- Soft landscaping
- Headworks
- Demolition works
- Developer's margin and overheads on Division 43

4.00 SOURCE OF INFORMATION

4.01 Information Provided

The following information was provided which forms a basis for our calculation :

- Indicative Construction Cost Estimate
- Forecast Sale Prices
- Unimproved Land Value for the undivided lot
- Drawings
- Forecast Construction Commencement and Completion Dates
- Draft Residential Budget & Entitlement Schedule

5.00 ADDITIONAL NOTES

5.01 Furniture Package

Furniture packages to individual units are not included in this Estimate of Capital Allowances and Tax Depreciation Report. Should this be a future requirement, Rider Levett Bucknall will alter the Schedules accordingly.

5.02 Estimate of allowances

Please note that these schedules are an estimate and indicative only as they are based on preliminary information provided by RLB including estimated construction costs at the time of producing the reports. Certain assumptions have been made regarding the various items of plant and the level of fitout as specific detail was not available.

The schedules represent an Estimate of Capital Allowances and Tax Depreciation that may be available for the purchase of a unit at this property. Please note that a Detailed Capital Allowances and Tax Depreciation Report is required for submission to the Australian Tax Office (ATO), once construction has been completed and the individual units have been sold. The final detailed report utilises actual construction cost data, purchase prices and settlement dates as required by the ATO.

These reports are based on current legislation and rulings issued by the ATO at the date of the report. Please note that the ATO may change legislation and rulings that govern the allowances that are available.

We have been provided information regarding the Unimproved Land Value for the development. Please note that over time the unimproved land value of the individual lots will change.



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ESTIMATE OF CAPITAL ALLOWANCES AND TAX DEPRECIATION

6.00 DISCLAIMER

We have prepared this Assessment of Capital Allowances and Tax Depreciation Report in accordance with current Australian Income Tax legislation and rulings applicable as at the date of this report. Different taxation inspectors may interpret various aspects of the Act differently. It should, therefore be borne in mind, that items within this schedule may be subject to queries from the Australian Taxation Office and we are always available to assist you in responding to such queries.

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Estimate of Capital Allowances and Tax Depreciation
Unit 24101
TOWER 2 BROADBEACH ISLAND

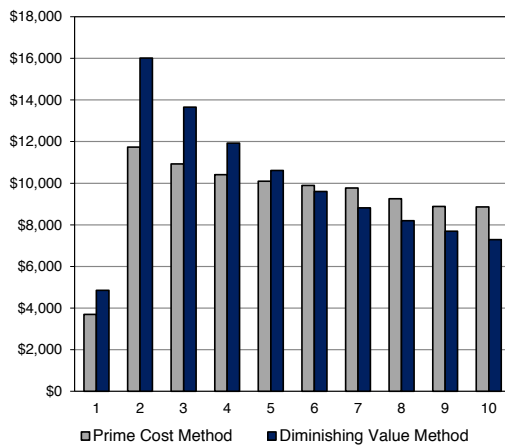
Prime Cost Method

Year	Division 40	Division 43	Total
1	2,489	1,206	3,696
2	6,844	4,892	11,737
3	6,029	4,892	10,921
4	5,519	4,892	10,412
5	5,201	4,892	10,093
6	5,002	4,892	9,894
7	4,878	4,892	9,770
8	4,361	4,892	9,254
9	3,995	4,892	8,888
10	3,965	4,892	8,857
Balance	23,739	149,653	173,392
TOTAL	72,023	194,891	266,914

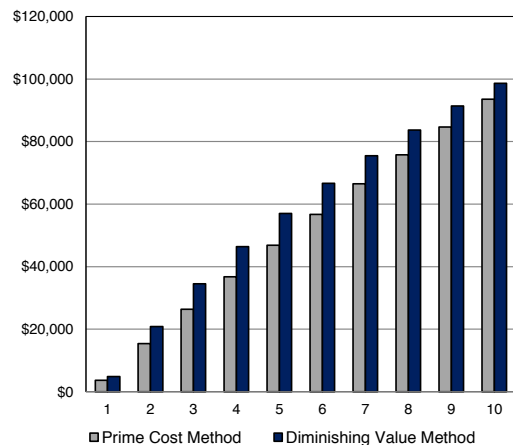
Diminishing Value Method

Year	Division 40	Division 43	Total
1	3,641	1,206	4,847
2	11,117	4,892	16,009
3	8,768	4,892	13,660
4	7,029	4,892	11,922
5	5,719	4,892	10,611
6	4,713	4,892	9,605
7	3,928	4,892	8,820
8	3,305	4,892	8,197
9	2,805	4,892	7,697
10	2,397	4,892	7,290
Balance	18,602	149,653	168,255
TOTAL	72,023	194,891	266,914

Annual Entitlements Comparison



Cumulative Entitlements Comparison



This is an **ESTIMATE ONLY** and cannot be submitted to the ATO because it does not meet the ATO's criteria apropos the final settlement details and construction cost pertinent to the individual purchase.

Please contact Rider Levett Bucknall in order to request the Final Detailed Capital Allowances and Tax Depreciation Report for submission to the ATO.



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Estimate of Capital Allowances and Tax Depreciation
Unit 24102
TOWER 2 BROADBEACH ISLAND

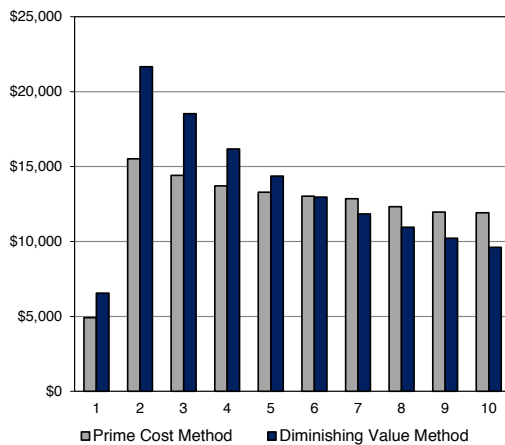
Prime Cost Method

Year	Division 40	Division 43	Total
1	3,459	1,452	4,911
2	9,623	5,889	15,512
3	8,519	5,889	14,408
4	7,829	5,889	13,717
5	7,397	5,889	13,286
6	7,128	5,889	13,016
7	6,959	5,889	12,848
8	6,437	5,889	12,326
9	6,070	5,889	11,958
10	6,029	5,889	11,917
Balance	37,620	180,124	217,745
TOTAL	107,070	234,573	341,644

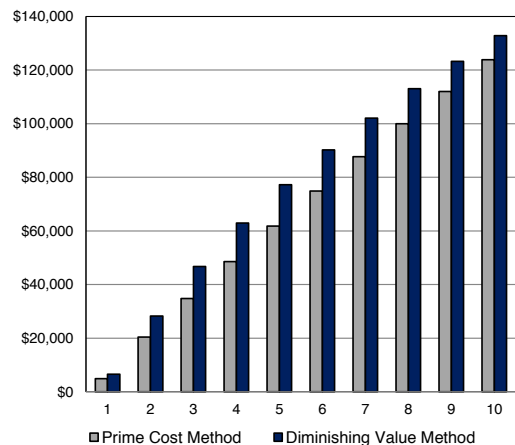
Diminishing Value Method

Year	Division 40	Division 43	Total
1	5,106	1,452	6,558
2	15,776	5,889	21,664
3	12,635	5,889	18,524
4	10,279	5,889	16,168
5	8,477	5,889	14,365
6	7,071	5,889	12,960
7	5,956	5,889	11,845
8	5,059	5,889	10,947
9	4,326	5,889	10,214
10	3,721	5,889	9,609
Balance	28,664	180,124	208,789
TOTAL	107,070	234,573	341,644

Annual Entitlements Comparison



Cumulative Entitlements Comparison



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Estimate of Capital Allowances and Tax Depreciation
Unit 24103
TOWER 2 BROADBEACH ISLAND

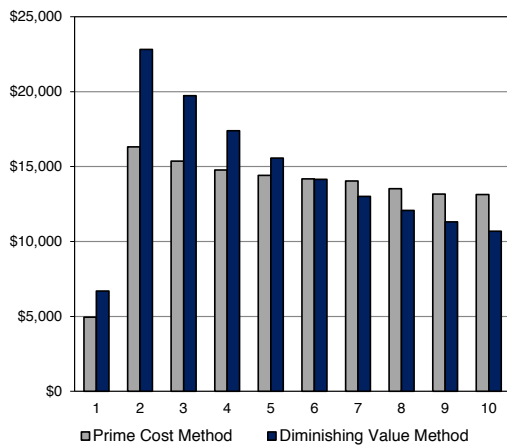
Prime Cost Method

Year	Division 40	Division 43	Total
1	3,291	1,659	4,949
2	9,582	6,727	16,309
3	8,638	6,727	15,365
4	8,048	6,727	14,776
5	7,680	6,727	14,407
6	7,449	6,727	14,177
7	7,305	6,727	14,033
8	6,799	6,727	13,526
9	6,441	6,727	13,168
10	6,406	6,727	13,133
Balance	40,866	205,784	246,650
TOTAL	112,505	267,989	380,494

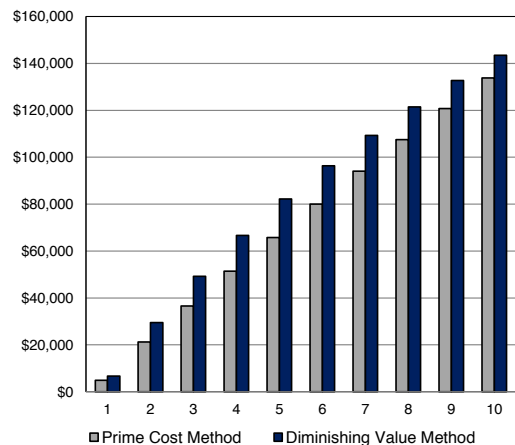
Diminishing Value Method

Year	Division 40	Division 43	Total
1	5,033	1,659	6,692
2	16,093	6,727	22,820
3	13,004	6,727	19,731
4	10,659	6,727	17,386
5	8,844	6,727	15,571
6	7,415	6,727	14,143
7	6,273	6,727	13,001
8	5,347	6,727	12,074
9	4,587	6,727	11,314
10	3,957	6,727	10,684
Balance	31,293	205,784	237,077
TOTAL	112,505	267,989	380,494

Annual Entitlements Comparison



Cumulative Entitlements Comparison



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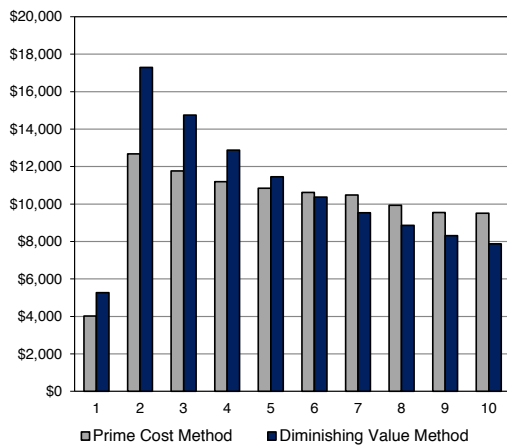
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Estimate of Capital Allowances and Tax Depreciation
Unit 24106
TOWER 2 BROADBEACH ISLAND

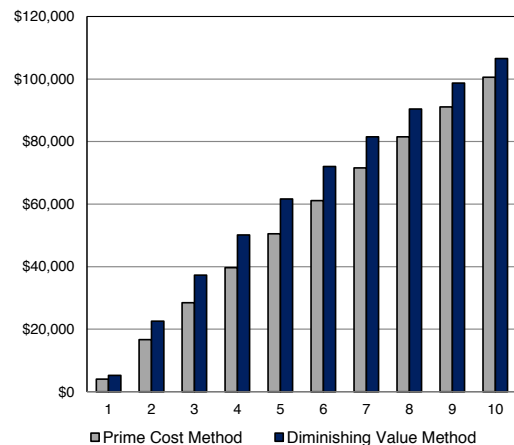
Prime Cost Method			
Year	Division 40	Division 43	Total
1	2,735	1,285	4,019
2	7,463	5,210	12,673
3	6,554	5,210	11,763
4	5,985	5,210	11,195
5	5,630	5,210	10,839
6	5,408	5,210	10,617
7	5,269	5,210	10,479
8	4,722	5,210	9,932
9	4,334	5,210	9,544
10	4,301	5,210	9,510
Balance	27,495	159,354	186,849
TOTAL	79,896	207,525	287,420

Diminishing Value Method			
Year	Division 40	Division 43	Total
1	3,977	1,285	5,261
2	12,078	5,210	17,288
3	9,539	5,210	14,749
4	7,662	5,210	12,872
5	6,249	5,210	11,458
6	5,164	5,210	10,374
7	4,318	5,210	9,527
8	3,646	5,210	8,856
9	3,105	5,210	8,315
10	2,665	5,210	7,874
Balance	21,492	159,354	180,846
TOTAL	79,896	207,525	287,420

Annual Entitlements Comparison



Cumulative Entitlements Comparison



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Estimate of Capital Allowances and Tax Depreciation
Unit 24107
TOWER 2 BROADBEACH ISLAND

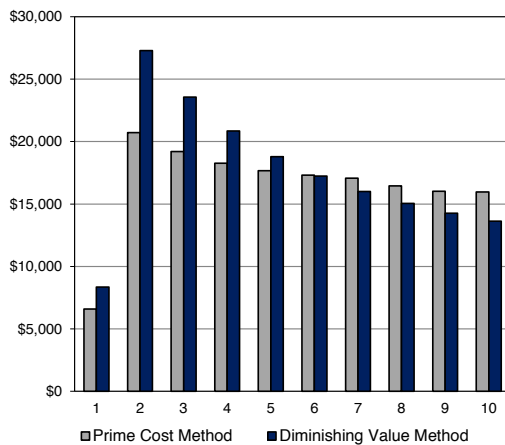
Prime Cost Method

Year	Division 40	Division 43	Total
1	4,234	2,357	6,591
2	11,157	9,560	20,716
3	9,649	9,560	19,208
4	8,706	9,560	18,265
5	8,117	9,560	17,676
6	7,749	9,560	17,308
7	7,518	9,560	17,078
8	6,892	9,560	16,452
9	6,453	9,560	16,013
10	6,397	9,560	15,956
Balance	45,232	292,416	337,649
TOTAL	122,104	380,809	502,913

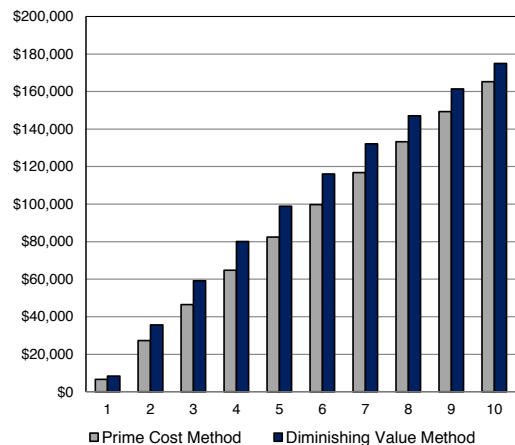
Diminishing Value Method

Year	Division 40	Division 43	Total
1	5,994	2,357	8,351
2	17,722	9,560	27,281
3	14,011	9,560	23,570
4	11,283	9,560	20,842
5	9,237	9,560	18,796
6	7,671	9,560	17,230
7	6,450	9,560	16,010
8	5,482	9,560	15,041
9	4,702	9,560	14,261
10	4,064	9,560	13,624
Balance	35,490	292,416	327,906
TOTAL	122,104	380,809	502,913

Annual Entitlements Comparison



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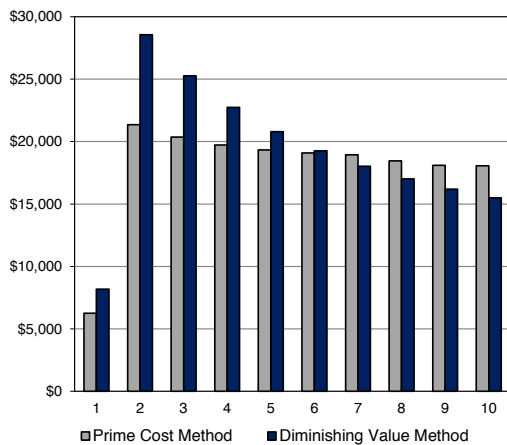
Prime Cost Method

Year	Division 40	Division 43	Total
1	3,569	2,687	6,256
2	10,465	10,897	21,362
3	9,459	10,897	20,356
4	8,831	10,897	19,728
5	8,438	10,897	19,335
6	8,193	10,897	19,090
7	8,039	10,897	18,936
8	7,549	10,897	18,446
9	7,203	10,897	18,100
10	7,166	10,897	18,063
Balance	51,719	333,326	385,045
TOTAL	130,631	434,086	564,716

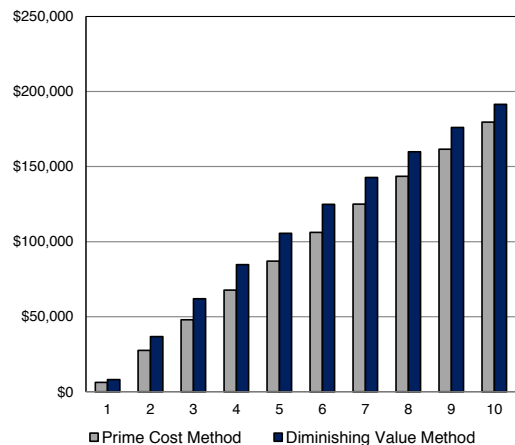
Diminishing Value Method

Year	Division 40	Division 43	Total
1	5,489	2,687	8,175
2	17,657	10,897	28,554
3	14,360	10,897	25,257
4	11,850	10,897	22,747
5	9,901	10,897	20,798
6	8,363	10,897	19,259
7	7,128	10,897	18,024
8	6,122	10,897	17,019
9	5,294	10,897	16,191
10	4,604	10,897	15,501
Balance	39,863	333,326	373,190
TOTAL	130,631	434,086	564,716

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