

Blank Undo		ENTITY											
Year		0	1	2	3	4	5	6	7	8	9	10	
Pre-tax													
Value net assets		2000	1950	1932	1945	1986	2054	Combined depreciating asset and appreciating asset					
Net receipts		0	250	213	181	154	131	0	0	0	0	0	
Change in value		0	-50	-18	13	41	68	Net asset value increase from Year 3					
Income		0	200	195	193	195	199	Economic income = Net receipts + change in asset value					
Cash flow		-2000	250	213	181	154	2185	0	0	0	0	0	
Pre-tax return %	IRR Clr		0.0	0.0	0.0	0.0	10.0	0.0	0.0	0.0	0.0	0.0	
Post-tax													
Tax value		2000	1700	1490	1343	1240	1168	0	0	0	0	0	
Change in tax value			-300	-210	-147	-103	-72	30% annual depreciation allowances for asset depreciating at 15% pa					
Balancing adjustmt			0	0	0	0	276	Balancing adjustment on disposal of depreciating asset					
CGT bal adj			0	0	0	0	611	Realised gain on sale of of appreciating asset					
Post-tax cash flow		-2000	250	213	181	154	2185	Entity tax rate 0%					
Acc tax paid			0	0	0	0	0	Entity's untaxed 10% return					
Post-tax return %	IRR Clr		0.0	0.0	0.0	0.0	10.0						

ENTITY OWNERS													
Retain entity/sell (0/1)			1	1	1	1	0	Interests sold each year					0
Retain/distribute			1	1	1	1	1	All cash distributed each year					0
Value (share)		2000	1950	1932	1945	1986	0	0	0	0	0	0	
Tax value (share)		2000	1950	1932	1945	1986	0	Annual tax value changes to entity interests equal economic income less actual distributions ('post-tax cash flow') and entity tax paid.					
Franked div int (share)			-50	3	34	51	945	In final liquidation year, there is \$199 of economic income and the \$2185 distribution comprises \$945 of 'franked' dividends and \$1240 return of capital.					
Unfrank div int (share)			250	192	160	144	-746	Year 4's tax value of \$1986 plus the \$199 economic income less the \$945 of 'franked' dividend in the final distribution equals \$1240, the amount of returned capital. Thus, there is no net capital loss for tax purpose on liquidation.					
Return of cap (share)		-2000	50	18	0	0	1240						
Tax paid	10% to 5.3% post tax		94	92	91	91	93						
CGT base	each year as economic		0	0	0	0	0						
CGT	income taxed at 47%		0	0	0	0	0						
Post-tax cash flow		-2000	2106	2053	2035	2048	2091						
Post-tax return			0.0	0.0	0.0	0.0	0.0						
Return(sales)	Delete		5.30%	5.30%	5.30%	5.30%	5.30%						
Acc overall i/tax paid			94	186	276	368	461	\$461 total tax revenue (ie 47% x \$982 of total economic income)					

'Franked' and 'unfranked' dividends in a year are the amount of taxable income and amount of economic income not in taxable income, respectively. Individual owners pay tax at 47% each year on franked plus unfranked dividends regardless of actual distributions. \$945 of franked dividends in final year include realised capital gains and depreciation balancing adjustments, \$746 of which had previously been taxed as unfranked dividends.

FULL INTEGRATION ON ECONOMIC INCOME (NO ENTITY TAX): DISTRIBUTION AND SALE OF INTERESTS EACH YEAR