

Blank Undo		ENTITY											
Year		0	1	2	3	4	5	6	7	8	9	10	
Pre-tax													
Value net assets		2000	2215	2428	2646	2874	2942	Combined depreciating asset and appreciating asset					
Net receipts		0	250	239	230	224	219	0	0	0	0	0	
Change in value		0	-50	-18	13	41	68	Net asset value increase from Year 3					
Income		0	200	221	243	265	287	Economic income = Net receipts + change in asset value					
Cash flow		-2000	-15	9	25	36	3161	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	1965	1985	2044	2128	2056	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	0	0	0	0	2851	Entity tax rate 30%					
Acc tax paid			-15	-6	19	55	365	Entity's return higher than 7% because of capital gains and depreciation tax preferences in taxable income					
Post-tax return %	IRR Clr		0.0	0.0	0.0	0.0	7.4						

ENTITY OWNERS													
Retain entity/sell (0/1)			0	0	0	0	0	No interests sold		0	0	0	
Retain/distribute			0	0	0	0	1	All cash retained each year		0	0	0	
Value (share)		2000	2215	2428	2646	2874	0	Tax value of entity interests					
Tax value (share)		2000	2215	2428	2646	2874	0						
Franked div int (share)			-35	20	58	84	723	Annual tax value changes to entity interests equal economic income less actual distributions ('post-tax cash flow') and entity tax paid.					
Unfrank div int (share)			250	192	160	144	-746	In final liquidation year, there is \$287 of economic income and \$310 entity tax paid and the \$2851 distribution comprises \$851 out of taxed income and \$2000 return of capital (as originally contributed).					
Return of cap (share)		-2000	0	0	0	0	2000	Year 4's tax value of \$2874 plus the \$287 economic income less the \$2851 distribution and \$310 of entity tax equals zero. This confirms no net capital loss for tax purpose on liquidation.					
Tax paid	10% to 5.3% post tax over 5 yrs as economic income taxed at 47% each year		109	95	89	88	-175						
CGT base			0	0	0	0	0						
CGT			0	0	0	0	0						
Post-tax cash flow		-2000	-109	-95	-89	-88	3026						
Post-tax return			0.0	0.0	0.0	0.0	0.0						
Return(sales)	Delete						5.30%	\$572 total tax revenue, ie 47% x \$1216 of total economic income from entity's assets (\$234 from cash retained in bank account).					
Acc overall i/tax paid			94	198	312	437	572						

'Franked' and 'unfranked' dividends in a year reflect 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 (grossed up) plus unfranked dividends less franking credits regardless of actual distributions. \$723 of franked dividends in final year reflect realised capital gains and depreciation adjustments, \$746 of which had been taxed before as unfranked dividends.

FULL INTEGRATION ON ECONOMIC INCOME (WITH IMPUTATION): NO DISTRIBUTIONS AND NO SALES OF INTERESTS