

Blank Undo		ENTITY										
Year		0	1	2	3	4	5	6	7	8	9	10
Pre-tax												
Value net assets		2000	2200	2420	2662	2928	2996	Combined depreciating asset and appreciating asset				
Net receipts		0	250	238	229	225	225	0	0	0	0	0
Change in value		0	-50	-18	13	41	68	Net asset value increase from Year 3				
Income		0	200	220	242	266	293	Economic income = Net receipts + change in asset value				
Cash flow		-2000	0	0	0	0	3221	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	1950	1978	2060	2182	2110	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	3221	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)			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	2200	2420	2662	2928	0	Tax value of entity interests				
Tax value (share)		2000	2200	2420	2662	2928	0					
Franked div int (share)			-50	28	82	122	1039	Annual tax value changes to entity interests equal economic income less actual distributions ('post-tax cash flow') and entity tax paid. In final liquidation year, there is \$293 of economic income and \$0 entity tax paid and the \$3221 distribution comprises \$1221 out of taxed income and \$2000 return of capital (as originally contributed). Year 4's tax value of \$2928 plus the \$293 economic income less the \$3221 distribution equals zero. This confirms no net capital loss for tax purpose on liquidation.				
Unfrank div int (share)			250	192	160	144	-746					
Return of cap (share)		-2000	0	0	0	0	2000					
Tax paid	10% to 5.3% post tax over		94	103	114	125	138					
CGT base	5 yrs as economic income		0	0	0	0	0					
CGT	taxed at 47% each year		0	0	0	0	0					
Post-tax cash flow		-2000	-94	-103	-114	-125	3083					
Post-tax return			0.0	0.0	0.0	0.0	0.0					
Return(sales)	Delete						5.30%	\$574 total tax revenue, ie 47% x \$1221 of total economic income from entity's assets (\$239 from cash retained in bank account).				
Acc overall i/tax paid			94	197	311	436	574					

'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 plus unfranked dividends regardless of actual distributions. \$1039 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 (NO ENTITY TAX): NO DISTRIBUTIONS AND NO SALES OF INTERESTS