

		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	265	212	171	138	1901	Entity's return higher than 7% because of capital gains and depreciation tax preferences in taxable income				
Acc tax paid			-15	-14	-4	11	294					
Post-tax return %	IRR Clr		0.0	0.0	0.0	0.0	7.4					

ENTITY OWNERS/BENEFICIARIES												
Retain entity/sell (0/1)			0	0	0	0	0	No interests sold		0	0	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 adjusted		2000	1700	1490	1343	1240	0	Tax value of entity interests - annual tax value changes equal taxable income (net receipts plus change in assets' tax value) less actual distributions ('post-tax cash flow') and entity tax paid.				
Franked div int (share)			-35	2	24	35	661	In final liquidation year, the \$1901 distribution comprises \$661 of 'franked' dividends and \$1240 return of capital. This matches the \$1240 tax value of entity interests in Year 4 (reflecting tax preferences). Thus, no capital loss is realised on liquidation by those originally capitalising the entity.				
Unfrank div int (share)			0	0	0	0	0					
Return of cap (share)		-2000	50	18	0	0	1240					
Tax paid	10% to 5.8% post tax over 5 yrs - same cash flows as direct investor		-8	0	6	9	161					
CGT base			0	0	0	0	0					
CGT			0	0	0	0	0					
Post-tax cash flow		-2000	274	211	165	130	1741					
Post-tax return			0.0	0.0	0.0	0.0	0.0					
Return(sales) Delete							5.84%					
Acc overall i/tax paid			-23	-22	-7	17	461	\$461 total tax revenue (ie 47% x \$982 of total economic income)				

'Franked' dividends in a year reflect the amount of annual taxable income ('unfranked' dividends are zero with integration based on taxable income). Individual owners pay tax at 47% each year on franked (grossed up) less franking credits regardless of actual distributions. \$661 of franked dividends (\$945 grossed up) in final year include realised capital gains and depreciation balancing adjustments reflecting prior tax preferences.

FULL INTEGRATION ON TAXABLE INCOME (WITH IMPUTATION): DISTRIBUTION EACH YEAR AND NO SALES OF INTERESTS