

Year	Investment	Net Receipts	Change in Value	Value	Income	Cash Flow	Tax Value	Tax Deprecn
0	1000			1000		-1000	1000	
1	0	0	100	1100	100	0	1000	0
2	0	0	110	1210	110	0	1000	0
3	0	0	121	1331	121	0	1000	0
4	0	0	133	1464	133	0	1000	0
5	-1611	0	146	1611	146	1611	1000	0

Tax value remains at original cost

Pre-tax

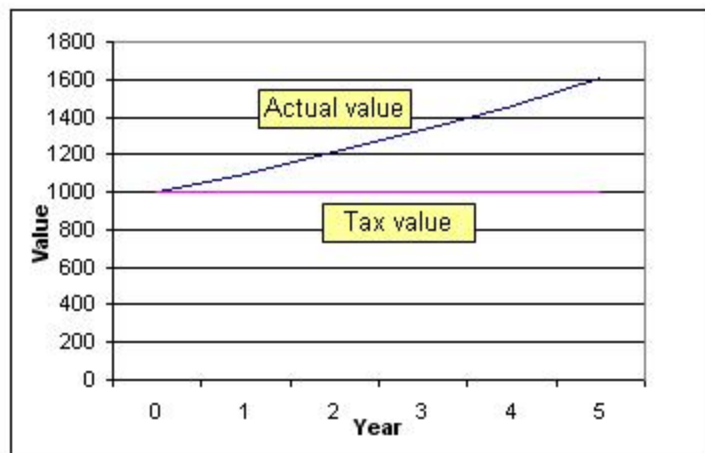
10.00%

Year	Benchmark		Tax Treatment	
	Tax	Cash Flow	Tax	Cash Flow
0	0	-1000		-1000
1	47	-47	0	0
2	52	-52	0	0
3	57	-57	0	0
4	63	-63	0	0
5	69	1542	287	1324

Post-tax 287 → 5.30% 287 → 5.77%

For direct investor: tax at 47% on annual change in value reduces 10% pre-tax return by 47% to 5.3%

For direct investor: tax at 47% on full amount of capital gain realised in Year 5 produces after tax return of 5.8%



APPRECIATING ASSET: CASH FLOWS AND TAX TREATMENT