

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	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)			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 adjusted		2000	1700	1740	1785	1842	746	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. Thus, a capital loss of \$746 is realised on liquidation by those buying the entity in Year 4 (\$1986 - \$1240). This matches the total of economic income not in taxable income year by year and taxed under CGT.					
Unfrank div int (share)			0	0	0	0	0						
Return of cap (share)		-2000	50	18	0	0	1240						
Tax paid	10% to 5.3% post tax each year as economic income taxed at 47%		-8	0	6	9	161						
CGT base			250	192	160	144	-746						
CGT			117	90	75	68	-351						
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' 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 and on CGT base. \$661 of franked dividends (\$945 grossed up) in final year reflect realised capital gains and depreciation adjustments, \$746 of which had been taxed before under CGT.

FULL INTEGRATION ON TAXABLE INCOME (WITH IMPUTATION): DISTRIBUTION AND SALE OF INTERESTS EACH YEAR