

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 appreciating asset				
Post-tax cash flow		-2000	0	0	0	0	2851	Entity's return higher than 7% because of capital gains and depreciation tax preferences in taxable income				
Acc tax paid			-15	-6	19	55	365					
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			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 - 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.				
Tax value adjusted		2000	1965	1985	2044	2128	0					
Franked div int (share)			-35	20	58	84	723	In final liquidation year, there is \$1034 of taxable income and \$310 entity tax paid and the \$2851 distribution comprises \$851 out of taxed income and \$2000 return of capital (as originally contributed).				
Unfrank div int (share)			0	0	0	0	0	Year 4's tax value of \$2128 plus the \$1034 economic income less the \$2851 distribution and \$310 of entity tax equals zero. This confirms no net capital loss for tax purpose on liquidation.				
Return of cap (share)		-2000	0	0	0	0	2000					
Tax paid			-8	5	14	21	176					
CGT base			0	0	0	0	0					
CGT			0	0	0	0	0					
Post-tax cash flow		-2000	8	-5	-14	-21	2676					
Post-tax return			0.0	0.0	0.0	0.0	0.0					
Return(sales) Delete							5.73%					
Acc overall i/tax paid			-23	-10	29	86	572	\$572 total tax revenue, ie 47% x \$1216 of total economic income from entity's assets (\$234 from cash retained in bank account).				

After-tax return almost matches that achieved by the direct individual investor (30% entity rate applies to taxable income over Years 1 to 4 rather than 47% but no cash is received by entity investors until Year 5).

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