

Blank Undo		ENTITY											
Year		0	1	2	3	4	5	6	7	8	9	10	
<b>Pre-tax</b>													
Value net assets		2000	2140	2290	2450	2622	2690	Combined depreciating asset and appreciating asset					
Net receipts		0	250	232	216	204	194	0	0	0	0	0	
Change in value		0	-50	-18	13	41	68	Net asset value increase from Year 3					
Income		0	200	214	229	245	262	Economic income = Net receipts + change in asset value					
Cash flow		-2000	60	64	69	74	2884	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	
<b>Post-tax</b>													
Tax value		2000	2140	2290	2450	2622	2690	0	0	0	0	0	
Change in tax value			-50	-18	13	41	68	Change in tax value matches actual change in net asset value					
Balancing adjustmt			0	0	0	0	0	Benchmark tax base (economic income) applies to entity, as well as individual direct investors					
CGT bal adj			0	0	0	0	0						
Post-tax cash flow		-2000	0	0	0	0	2805						
Acc tax paid			60	124	193	266	345	With benchmark tax base applying, 10% pre-tax return reduced by 30% (entity tax rate) to 7%					
Post-tax return %	IRR Clr		0.0	0.0	0.0	0.0	7.0						

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	2140	2290	2450	2622	0	Tax value of entity interests - annual tax value changes equal economic income (net receipts plus change in assets' value) less actual distributions (post-tax cash flow) and entity tax paid.					
Tax value adjusted		2000	2140	2290	2450	2622	0						
Franked div int (share)			140	150	160	172	184						
Franked div (share)			0	0	0	0	805						
Return of cap (share)		-2000	0	0	0	0	2000	In final liquidation year, the \$2805 distribution comprises \$805 out of after-tax income (the total of after-tax economic income across all years) and \$2000 return of capital. Thus, no capital loss is realised on liquidation by those originally capitalising the entity.					
Tax paid	10% to 5.3% post tax over 5 yrs as economic income taxed at 47% each year		34	36	39	42	45						
CGT base			0	0	0	0	0						
CGT			0	0	0	0	0						
Post-tax cash flow		-2000	-34	-36	-39	-42	2761						
Post-tax return			0.0	0.0	0.0	0.0	0.0						
Return(sales) Delete							5.30%	\$541 total tax revenue, ie 47% x \$1150 of total economic income (\$168 from cash retained in bank account)					
Acc overall i/tax paid			94	195	302	417	541						

'Franked div int' line reflects after-tax amounts of annual economic income (matching taxable income in this example). Individual owners pay tax at 47% each year on these amounts (grossed up) less franking credits regardless of actual distributions. 'Franked div' line reflects annual amounts of after-tax economic income in actual distributions (because of no distributions prior to liquidation, Year 5 distribution includes the \$805 total of amounts in 'Franked div int' line across all years).

**FULL INTEGRATION ON ECONOMIC INCOME (WITH IMPUTATION AND BENCHMARK BASE): NO DISTRIBUTIONS AND NO SALES OF INTERESTS**