

Blank Undo		ENTITY										
Year		0	1	2	3	4	5	6	7	8	9	10
<b>Pre-tax</b>												
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
<b>Post-tax</b>												
Tax value		2000	1950	1932	1945	1986	2054	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	190	154	123	95	2125	With benchmark tax base applying, 10% pre-tax return reduced by 30% (entity tax rate) to 7%				
Acc tax paid			60	118	176	235	294					
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			1	1	1	1	1	All cash distributed each year				0
Value (share)		2000	1950	1932	1945	1986	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	1950	1932	1945	1986	0					
Franked div int (share)			140	136	135	136	139	In final liquidation year, the \$2125 distribution comprises \$193 out of after-tax income (\$53 more than the \$139 of Year 5 after-tax income because of prior cash constraints) and \$1932 return of capital.				
Franked div (share)			140	136	123	95	193	Adding this \$1932 to the \$68 return of capital in Years 1 and 2 gives a total of \$2000, the amount originally contributed. Thus, no capital loss is realised on liquidation by those originally capitalising the entity.				
Return of cap (share)		-2000	50	18	0	0	1932					
Tax paid	10% to 5.3% post tax over 5 yrs as economic income taxed at 47% each year		34	33	33	33	34					
CGT base			0	0	0	0	0					
CGT			0	0	0	0	0					
Post-tax cash flow		-2000	156	121	90	62	2091					
Post-tax return			0.0	0.0	0.0	0.0	0.0					
Return(sales) Delete							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 div int' line reflects after-tax amounts of annual taxable income (matching economic 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 reflect annual amounts of after-tax taxable income in actual distributions (because of cash constraints, less than after-tax taxable income in Years 3 and 4 by a total of \$53, which is selected in Year 5 distribution).

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