

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 value of all assets					
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 increases 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	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	CGT on sale of of appreciating asset (100% of increase in value)					
Post-tax cash flow		-2000	265	212	171	138	1901	Entity's return higher than 7% because of capital gains and depreciation tax preferences					
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	All of the entity's income is taxed and distributed as franked dividends across the years (including liquidation). \$692 of distributions are recognised as income (including accrued gains) and taxed in owners' hands as unfranked dividends in years prior to liquidation. In addition, \$68 return of capital occurs in Years 1 & 2 when cash distributed exceeds annual economic income. Therefore, only \$1240 of cash paid out on liquidation is counted as a return of capital compared to the original \$2000 capital contributed (\$2000 - \$68 - \$692). Thus, a capital loss of \$746 is realised on liquidation by those buying the entity in Year 4 (\$1986 - \$1240).  \$624 total tax revenue includes \$163 more than 47% x \$982 of total economic income because only 1/2 CGT effect in Years 3 to 5					
Tax value (share)		2000	1950	1932	1945	1986	746						
Franked div (share)			-35	2	24	35	661						
Unfranked div (share)			250	192	147	103	0						
Return of cap (share)		-2000	50	18	0	0	1240						
Tax paid			109	91	75	57	161						
CGT base			0	0	13	41	-746						
CGT			0	0	3	10	-175						
Post-tax cash flow		-2000	2106	2053	2038	2058	1916						
Post-tax return			0.0	0.0	0.0	0.0	0.0						
Return(sales)	Delete		5.30%	5.30%	5.45%	5.80%	-3.53%	Large variations in annual returns caused by 1/2 CGT					
Acc overall i/tax paid			94	186	274	355	624						

Unfranked dividends in a year reflect economic income of the entity that is not taxed in the entity in that year because of capital gains and depreciation tax preferences. They total \$692 across all years. Franked dividends reflect income that is taxed in the entity. They total \$687 across all years including the final year when all realised capital gains are taxed - and, in turn, reflect all the \$982 of economic income from the entity's assets - ie  $\$687 / (1 - 0.3)$ . The Year 1 negative amount of franked dividends reflects reduced franked dividends paid because the \$50 tax loss in that year is written off against other income.

### FULL IMPUTATION: DISTRIBUTION AND SALES OF INTERESTS EACH YEAR (1/2 CGT)