

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 increases 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	CGT on sale of of appreciating asset (100% of increase in value)				
Post-tax cash flow		-2000	0	0	0	0	2851	Entity tax rate 30%				
Acc tax paid			-15	-6	19	55	365	Entity's return higher than 7% because of capital gains and depreciation tax preferences in taxable income				
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	0
Retain/distribute			0	0	0	0	1	All cash retained each year				0	0
Value (share)		2000	2200	2421	2664	2929	0	Value of assets (including retained cash + franking credits)					
Tax value (share)		2000	2200	2421	2664	2929	929	0	0	0	0	0	
Franked div (share)			0	0	0	0	851	0	0	0	0	0	
Unfranked div (share)			0	0	0	0	0	With no distributions before liquidation, \$2000 of cash paid out on liquidation returns the original \$2000 of capital contributed. Thus, a capital loss of \$929 is realised on liquidation by those buying the entity in Year 4 (\$2929 - \$2000).					
Return of cap (share)		-2000	0	0	0	0	2000						
Tax paid			0	0	0	0	207						
CGT base			200	221	243	265	-929						
CGT			47	52	57	62	-218						
Post-tax cash flow		-2000	2153	2369	2607	2867	2863	\$572 total tax revenue, ie 47% x \$1216 of total economic income from the entity's assets (\$234 from retained cash saved in bank a/c). No extra revenue from CGT over the 5 years					
Post-tax return			0.0	0.0	0.0	0.0	0.0						
Return(sales)	Delete		7.65%	7.70%	7.67%	7.60%	-2.25%						
Acc overall i/tax paid			32	93	175	273	572						

Large variations across the years in the after-tax return from the ideal 5.3% (ie 10% pre-tax reduced by individuals' 47% tax rate) - reflecting the tax savings from 1/2 CGT on gains in the early years, offset by increased tax from only 1/2 loss allowed in liquidation year.

FULL IMPUTATION: ANNUAL DISTRIBUTIONS AND NO SALES OF INTERESTS