

Blank Undo		ENTITY										
Year		0	1	2	3	4	5	6	7	8	9	10
Pre-tax												
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
Post-tax												
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	Realised gain on sale of of appreciating asset - not taxed				
Post-tax cash flow		-2000	250	213	181	154	2185	Entity tax rate 0% (with full distributions)				
Acc tax paid			0	0	0	0	0	Entity's 10% pre-tax return untaxed with full distributions				
Post-tax return %	IRR Clr		0.0	0.0	0.0	0.0	10.0					

ENTITY OWNERS/BENEFICIARIES												
Retain entity/sell (0/1)			0	0	0	0	0	No interests sold				
Retain/distribute			1	1	1	1	1	All cash distributed each year				
Value (share)		2000	1950	1932	1945	1986	0	Tax value of entity interests: annual tax value changes equal distributions that are not taxable income (ie untaxed income and returns of contributed capital).				
Tax value (share)		2000	1750	1537	1357	1240	-305					
Franked div (share)			0	0	0	37	639	Unfranked divs: economic income not included in taxable income				
Unfranked div (share)			200	195	181	117	0	In final liquidation year, the \$2185 distribution comprises \$639 of 'franked' dividends and \$1545 'return of capital' (including \$305 of untaxed realised gain). As the \$1545 is \$305 greater than the \$1240 tax value of entity interests in Year 4, a \$305 capital gain is realised on liquidation by those originally capitalising the entity.				
Return of cap (share)		-2000	50	18	0	0	1545					
Tax paid			0	0	0	17	300					
CGT base			0	0	0	0	305					
CGT			0	0	0	0	72					
Post-tax cash flow		-2000	250	213	181	136	1812					
Post-tax return			0.0	0.0	0.0	0.0	0.0					
Return(sales) Delete							6.51%	\$390 total tax revenue - ie \$461 (47% x \$982 of total economic income from the entity's assets) less \$72 (1/4 x \$611 gain x 47%)				
Acc overall i/tax paid			0	0	0	17	390					

The total \$390 of tax revenue associated with this 6.5% return reflects the fact that half of the tax savings from 1/2 CGT applying to the \$611 capital gain on land is 'clawed back' in Year 5 by the tax value adjustments to entity interests. Only half is clawed back (\$72) because half the gain is not included in taxable income in Year 5 and then 1/2 CGT applies to the resultant \$305 gain to interest holders. (Were all the gain in taxable income, \$461 tax would result with a 5.8% return.)

FIXED TRUST: DISTRIBUTIONS AND NO SALES OF INTERESTS EACH YEAR (1/2 CGT)