

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 pre-sale: annual tax value changes equal distributions that are not taxable income, excluding income untaxed because of 'permanent' preference (1/2 CGT).				
Tax value adjusted		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' - comprising \$305 untaxed realised gain and \$1240 capital return. As the \$1240 return reduces the \$1240 tax value of entity interests in Year 4 to zero (the \$305 does not reduce the tax value), no 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	0					
CGT			0	0	0	0	0					
Post-tax cash flow		-2000	250	213	181	136	1884					
Post-tax return			0.0	0.0	0.0	0.0	0.0					
Return(sales)	Delete						7.18%					
Acc overall i/tax paid			0	0	0	17	318	\$318 total tax revenue - ie \$461 (47% x \$982 of total economic income from the entity's assets) less \$143 (1/2 x \$611 gain x 47%)				
The total \$318 of tax revenue associated with this 7.2% return (the same as that for the direct individual investor) reflects the fact that all of the tax savings (\$143) from 1/2 CGT applying to the \$611 capital gain on land remains intact.												