

		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 appreciating asset - 1/2 in taxable income					
Post-tax cash flow		-2000	265	212	171	138	1993						
Acc tax paid			-15	-14	-4	11	203	Entity's return higher than 7% because of capital gains and depreciation tax preferences					
Post-tax return %	IRR Clr		0.0	0.0	0.0	0.0	8.3						

		ENTITY OWNERS/BENEFICIARIES											
Retain entity/sell (0/1)		0	0	0	0	0	0	No interests sold					
Retain/distribute		1	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 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	1700	1490	1343	1240	-305						
Franked div int (share)			-35	2	24	35	448						
Unfrank div int (share)			0	0	0	0	0						
Return of cap (share)		-2000	50	18	0	0	1545	In final liquidation year, the \$1993 distribution comprises \$448 of taxable income and \$1545 'return of capital', including \$305 of realised gains not in taxable income. This \$1545 is \$305 more than the \$1240 tax value of entity interests in Year 4 (reflecting tax preferences). Thus, a \$305 capital gain is realised on liquidation by those originally capitalising the entity.					
Tax paid			-8	0	6	9	109						
CGT base			0	0	0	0	305						
CGT			0	0	0	0	72						
Post-tax cash flow		-2000	274	211	165	130	1812						
Post-tax return			0.0	0.0	0.0	0.0	0.0						
Return(sales)	Delete						6.54%	\$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			-23	-22	-7	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.)

FULL INTEGRATION OF TAXABLE INCOME (WITH IMPUTATION): DISTRIBUTIONS EACH YEAR AND NO SALES OF INTERESTS (1/2 CGT)