

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

ENTITY OWNERS/BENEFICIARIES												
Retain entity/sell (0/1)			1	1	1	1	0	Interests sold each year				
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 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	1740	1785	1842	441					
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			250	192	160	144	-441					
CGT			59	45	38	34	-104					
Post-tax cash flow		-2000	2165	2099	2072	2082	1988					
Post-tax return			0.0	0.0	0.0	0.0	0.0					
Return(sales)	Delete		8.24%	7.62%	7.24%	7.04%	0.08%	\$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			35	82	135	193	390					

The total \$390 of tax revenue 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. The resulting \$305 CGT gain in Year 5 is reduced by the sum of prior year gains on sales of interests with their tax values reduced by distributions out of accelerated depreciation tax preference.

FULL INTEGRATION OF TAXABLE INCOME (WITH IMPUTATION): DISTRIBUTIONS AND SALES OF INTERESTS EACH YEAR (1/2 CGT)