

		ENTITY										
Year		0	1	2	3	4	5	6	7	8	9	10
<b>Pre-tax</b>												
Value net assets		2000	2215	2428	2646	2874	2942	Combined value of all assets				
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
<b>Post-tax</b>												
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	Realised gain on sale of of appreciating asset - 1/2 in taxable income				
Post-tax cash flow		-2000	0	0	0	0	2943	Entity's return higher than 7% because of capital gains and depreciation tax preferences				
Acc tax paid			-15	-6	19	55	273					
Post-tax return %	IRR Clr		0.0	0.0	0.0	0.0	8.0					

		ENTITY OWNERS/BENEFICIARIES											
Retain entity/sell (0/1)			1	1	1	1	0	Interests sold each year					
Retain/distribute			0	0	0	0	1	All cash distributed each year					
Value (share)		2000	2215	2428	2646	2874	0	Tax value of entity interests pre-sale - annual tax value changes equal taxable income (net receipts plus change in assets' tax value and balancing adjustments) less actual distributions ('post-tax cash flow') and entity tax paid.					
Tax value adjusted		2000	1965	2235	2486	2730	441	In final liquidation year, to the acquisition price of \$2874 for buyers in Year 4 adding \$729 of taxable income and subtracting \$2851 distribution and \$310 entity tax paid leaves \$441. Thus, a capital loss of \$441 is realised on liquidation by those buying the entity in Year 4.					
Franked div int (share)			-35	20	58	84	510						
Unfrank div int (share)			0	0	0	0	0						
Return of cap (share)		-2000	0	0	0	0	2000						
Tax paid			-8	5	14	21	124						
CGT base	Tax on 'grossed-up' franked less credits plus 1/2 CGT base		250	192	160	144	-441						
CGT			59	45	38	34	-104						
Post-tax cash flow		-2000	2165	2378	2594	2820	2923						
Post-tax return			0.0	0.0	0.0	0.0	0.0						
Return(sales)	Delete		8.24%	7.34%	6.85%	6.58%	1.70%	\$500 total tax revenue - ie \$572 (47% x \$1216 of total economic income from the entity's assets) less \$72 (1/4 x \$611 gain x 47%)					
Acc overall i/tax paid			35	94	171	261	500						

The total \$500 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 entity interests with their tax values reduced by distributions out of accelerated depreciation tax preference.

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