

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					
Taxable income (dom)			-50	3	34	51	639						
Post-tax cash flow		-2000	265	212	171	138	1993	Entity tax rate 30%					0
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)			1	1	1	1	0	Interests sold each year					0
Retain/distribute			1	1	1	1	1	All cash distributed each year					0
Value (share)		2000	1950	1932	1945	1986	0	0	0	0	0	0	
Tax value adjusted		2000	1950	1932	1932	1945	441	Tax value after distribution but before sale					0
Franked div (share)			-35	2	24	35	448	In final liquidation year when all assets are sold and proceeds distributed, those buying entity interests in Year 4 for \$1986 realise a capital loss of \$441 (\$1986 less the \$1545 return of capital).					
Unfranked div (share)			250	192	147	103	0	In each year, if 'Value' less "Tax value adjusted" is positive half the capital gain is in CGT base and if it is negative the full loss is allowed (against assumed other capital gains)					
Return of cap (share)		-2000	50	18	0	0	1545						
Tax paid			109	91	75	57	109						
CGT base			0	0	6	20	-441						
CGT			0	0	3	10	-207						
Post-tax cash flow		-2000	2106	2053	2038	2058	2091	\$449 total tax revenue is \$12 less than 47% x \$982 of total economic income because of 1/2 CGT on gains realised in Years 3 to 4 (ie 47% times the \$6 not taxed in Year 3 and the \$20 not taxed in Year 4)					
Return(sales)	Delete		5.30%	5.30%	5.45%	5.80%	5.30%						
Acc overall i/tax paid			94	186	274	355	449						

Taxing at 47% annual net receipts plus value change (ie distributions other than return of capital taxed) results in 5.3% outcome

Taxing half capital gains results in >5.3% outcome

Allowing full capital loss results in 5.3% outcome

'Unfranked' dividends reflect amount of economic income not in taxable income. Returns of capital reflect distributions greater than economic income (or pre-tax entity 'Income').

FULL IMPUTATION: DISTRIBUTION AND SALES OF INTERESTS EACH YEAR (BOTH LEVELS 1/2 CGT GAIN, FULL CGT LOSS)