

Year	0	1	2	3	4	5	6	7	8	9	10
Pre-tax											
Value net assets	2000	2115	2218	2315	2410	2942	Combined depreciating asset and appreciating asset				
Net receipts	0	250	239	230	224	219	0	0	0	0	0
Change in value	0	-150	-128	-108	-92	532	Net asset value increases from Year 3				
Income	0	100	112	122	131	751	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
Post-tax											
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	CGT on sale of of appreciating asset (100% of increase in value)				
Post-tax cash flow	-2000	0	0	0	0	2851	Entity tax rate 30%				
Acc tax paid		-15	-6	19	55	365	Entity's return higher than 7% because of capital gains and depreciation tax preferences in taxable income				
Post-tax return %	IRR	Clr	0.0	0.0	0.0	0.0	7.4				
ENTITY OWNERS/BENEFICIARIES											
Retain entity/sell (0/1)		0	0	0	0	0	No interests sold				
Retain/distribute		0	0	0	0	1	All cash retained each year				
Value (share)	2000	2100	2212	2333	2465	0	Value of assets (including retained cash + franking credits)				
Tax value (share)	2000	2000	2000	2000	2000	0	With no distributions before liquidation, \$2000 of cash paid out on liquidation returns the original \$2000 of capital contributed. Thus, no capital loss is realised on liquidation.				
Franked div (share)		0	0	0	0	851					
Unfranked div (share)		0	0	0	0	0					
Return of cap (share)	-2000	0	0	0	0	2000					
Tax paid		0	0	0	0	207	\$207 extra tax tax paid by 47% tax rate entity owners on retained income previously subject to 30% entity tax (\$1216 x 0.17)				
CGT base		0	0	0	0	0					
CGT		0	0	0	0	0					
Post-tax cash flow	-2000	0	0	0	0	2645	0	0	0	0	0
Post-tax return		0.0	0.0	0.0	0.0	0.0					
Return(sales) Delete						5.75%	\$572 total tax revenue, ie 47% x \$1216 of total economic income from entity's assets (\$234 from cash retained in bank account).				
Acc overall i/tax paid		-15	-6	19	55	572					

After-tax return almost matches that achieved by the direct individual investor (30% entity rate applies to taxable income over Years 1 to 4 rather than 47% but no cash is received by entity investors until Year 5).

FULL IMPUTATION: NO ANNUAL DISTRIBUTIONS AND NO SALES OF INTERESTS