

Blank Undo		INFRASTRUCTURE COMPANY										
Year		0	1	2	3	4	5	6	7	8	9	10
Pre-tax												
Value net assets		1000	1100	1210	1331	1464	1567	1676	1794	1919	2053	1997
Net receipts		0	0	0	0	0	220	226	234	242	252	262
Cash flow		-1000	0	0	0	0	44	47	50	54	58	2259
Pre-tax return %	IRR Clr		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0
Post-tax												
Tax value		1000	1100	1210	1331	1464	1567	1676	1794	1919	2053	1997
Change in tax value			100	110	121	133	-73	-70	-66	-63	-60	-57
Balancing adjustmt							0	0	0	0	0	0
CGT bal adj							0	0	0	0	0	0
Post-tax cash flow		-1000	-30	-33	-36	-40	0	0	0	0	0	2197
Acc tax paid			30	63	99	139	183	230	280	334	392	453
Post-tax return %	IRR Clr		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0

Asset value (includes bank a/c)

Includes interest earned from retentions in 10% bank a/c

Tax value = value

No depreciation balancing adjustment as tax value = asset value

10% pa pre-tax return

5% depreciation on \$1464 Year 4 infrastructure asset

Company tax rate 30%

Extra capital contributed

Company's 10% pre-tax return becomes 7% with annual economic income taxed

SHAREHOLDERS												
Retain entity/sell (0/1)			1	1	1	1	1	1	1	1	1	0
Retain/distribute			0	0	0	0	0	0	0	0	0	1
Value (share)		1000	1100	1210	1331	1464	1567	1676	1794	1919	2053	0
Tax value (share)		1000	1100	1210	1331	1464	1567	1676	1794	1919	2053	0
Franked div int (share)			70	77	85	93	102	110	117	126	134	144
Unfrank div int (share)			0	0	0	0	0	0	0	0	0	0
Return of cap (share)		-1000	0	0	0	0	0	0	0	0	0	1139
Tax paid			17	19	21	23	25	27	28	30	33	35
CGT base	Shareholders taxed at 47%		0	0	0	0	0	0	0	0	0	0
CGT			0	0	0	0	0	0	0	0	0	0
Post-tax cash flow		-1000	1053	1158	1274	1402	1542	1650	1765	1889	2021	2162
Post-tax return			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Return(sales)	Delete		5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%
Acc overall if tax paid			47	99	156	218	287	361	439	524	614	710

Shares sold each year

No cash distributed until liquidation

10% pa pre-tax becomes the 'benchmark' 5.3% pa return post-tax each year as shareholders sell out and are taxed on annual economic income at 47% in the year it arises

Shareholders taxed at 47%

Tax on accrued gains

With no distributions before liquidation, \$1139 of cash on liquidation returns the original \$1000 capital contributed plus the \$139 extra capital contributed in Years 1 to 4 to cover company tax on accrued gains. Shareholders pay tax at 47% each year on grossed-up 'franked' dividends (ie taxable income=economic income) less franking credits regardless of distributions. CGT adjustments to the tax value of shares ensures that double tax does not on the sale of shares despite the company retaining income.

Extra tax revenue beyond \$583 because of cash retained in 10% bank account

INFRASTRUCTURE COMPANY: FULL INTEGRATION (INCLUDING IMPUTATION) WITH SALES OF SHARES BUT NO DISTRIBUTIONS EACH YEAR