

Year	Investment	Net Receipts	Change in Value	Value	Income	Cash Flow	Tax Value	Tax Deprecn
0	1000			1000		-1000	1000	
1	0	0	100	1100	100	0	1000	0
2	0	0	110	1210	110	0	1000	0
3	0	0	121	1331	121	0	1000	0
4	0	0	133	1464	133	0	1000	0
5	-1611	0	146	1611	146	1611	1000	0

Tax value remains at original cost until sale

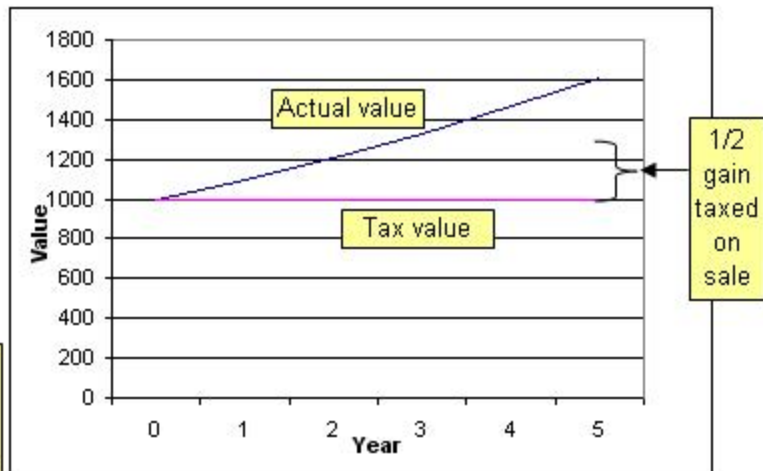
Pre-tax Actual value increasing at 10% 10.00% Pre-tax return

Year	Benchmark		Tax Treatment	
	Tax	Cash Flow	Tax	Cash Flow
0	0	-1000		-1000
1	47	-47	0	0
2	52	-52	0	0
3	57	-57	0	0
4	63	-63	0	0
5	69	1542	143	1467

Post-tax 287 5.30% 143 7.97%

Benchmark: For direct investor, tax at 47% on annual change in value reduces 10% pre-tax return by 47% to 5.3%

Selected tax treatment: For direct investor, tax at 47% on half amount of capital gain (\$611) realised in Year 5 produces after-tax return of 8.0%.



APPRECIATING ASSET: TAX FLOWS AND TAX TREATMENT