

Year	Investment	Net Receipts	Change in Value	Value	Income	Cash Flow	Tax Value	Tax Deprecn	Tot income
0	1585			1585		-1585	1585		610.5
1	0	0	107	1692	107	0	1585	0	
2	0	0	114	1806	114	0	1585	0	
3	0	0	122	1927	122	0	1585	0	
4	0	0	130	2057	130	0	1585	0	
5	-2196	0	139	2196	139	2196	1585	0	

Tax value remains at original cost until sale

Pre-tax Actual value increasing at 6.7%

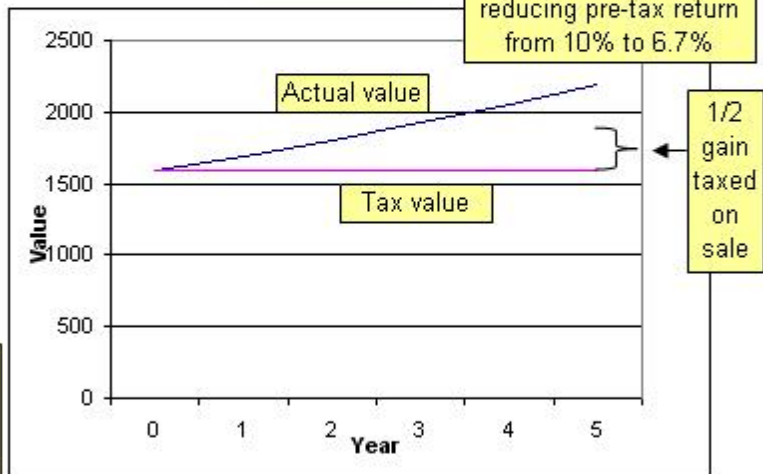
6.73%

Pre-tax return

Asset price increases from 1000 to 1585 reducing pre-tax return from 10% to 6.7%

Year	Benchmark		Tax Treatment	
	Tax	Cash Flow	Tax	Cash Flow
0	0	-1585		-1585
1	50	-50	0	0
2	54	-54	0	0
3	57	-57	0	0
4	61	-61	0	0
5	65	2131	143	2052

Post-tax 287 3.57% 143 5.30%



1/2 gain taxed on sale

No tax paid until asset sold

Benchmark: For direct investor, tax at 47% on annual change in value reduces 6.7% pre-tax return by 47% to 3.4%

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 5.3%.

APPRECIATING ASSET: TAX FLOWS AND TAX TREATMENT AFTER PRICE EFFECTS