

## Wraps - Possible Accounting / Tax Treatment In Line With DRAFT Proposed Taxation Law

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### Assumptions

Assumptions for each model is:

- You secure 100% finance (see Note 2)
- Term 25 years
- Your interest rate is 7.25% (1300 weekly repayments of \$166.66)
- The interest rate your client pays you is 9.25%

### Scenario 1 - No Deposit Either Party

Your Purchase Price	\$100,000
Your Weekly Repayment	\$166.66
Your Sale Price	\$120,000
Your Client's Weekly Repayment	\$241.77
Weekly Profit (\$241.77 - \$166.66)	\$75.11
Annual Taxable Income (\$75.11 * 52)	\$3,905.72
Tax assuming highest marginal rate of 48.5%	\$1,894.27

### Scenario 2 - No Deposit, Client Pays A Deposit

Your Purchase Price	\$100,000
Your Weekly Repayment	\$166.66
Your Sale Price	\$120,000
Deposit Received	\$10,000
Your Client's Loan	\$110,000
Your Client's Weekly Repayment	\$221.62
Weekly Profit (\$221.62 - \$166.66)	\$54.96

#### Taxable Income - Year One

Deposit money received	\$10,000
Annual Taxable Income (\$54.96 * 52)	\$2,857.92
Total Year One Taxable Income	\$12,857.92
Tax assuming highest marginal rate of 48.5%	\$6,236.09

#### Taxable Income - Year Two to Year 25

Annual Taxable Income (\$54.96 * 52)	\$2,857.92
Tax assuming highest marginal rate of 48.5%	\$1,386.09

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**IMPORTANT:** These scenarios are not the suggested or recommended way of accounting for a wrap transaction. They are designed to be a possible 'what if' under the draft ATO proposal that, at this stage, has not even been published for public comment.

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**Scenario 3 - No Deposit, Client Pays A Deposit &  
Cashed Out (At The End of Year Two)**

Your Purchase Price	\$100,000
Your Weekly Repayment	\$166.66

Your Sale Price	\$120,000
Deposit Received	\$10,000
Your Client's Loan	\$110,000
Your Client's Weekly Repayment	\$221.62

Weekly Profit (\$221.62 - \$166.66)	\$54.96
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**Taxable Income - Year One**

Deposit money received	\$10,000
Annual Taxable Income (\$54.96 * 52)	\$2,857.92
Total Year One Taxable Income	\$12,857.92

Tax assuming highest marginal rate of 48.5%	\$6,236.09
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**Taxable Income - Year Two**

*Payout Details (after 104 repayments)*

Your Client's Loan Payout Figure - assume no penalty	\$107,636.22
Your Loan Payout Figure - assume no penalty	\$96,953.45
Taxable Profit - Payout	\$10,682.77

Annual Taxable Income - Repayments (\$54.96 * 52)	\$2,857.92
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Total Year Two Taxable Income	\$13,540.69
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Tax assuming highest marginal rate of 48.5%	\$6,201.64
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**Additional Notes**

**Note 1**

This is **not** advice, but a series of projected possibilities under a draft ATO proposal.

**Note 2**

The situation where you pay a deposit is very complicated. As such, a reliable or accurate model cannot be produced until the full ATO draft release is read in more detail.

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