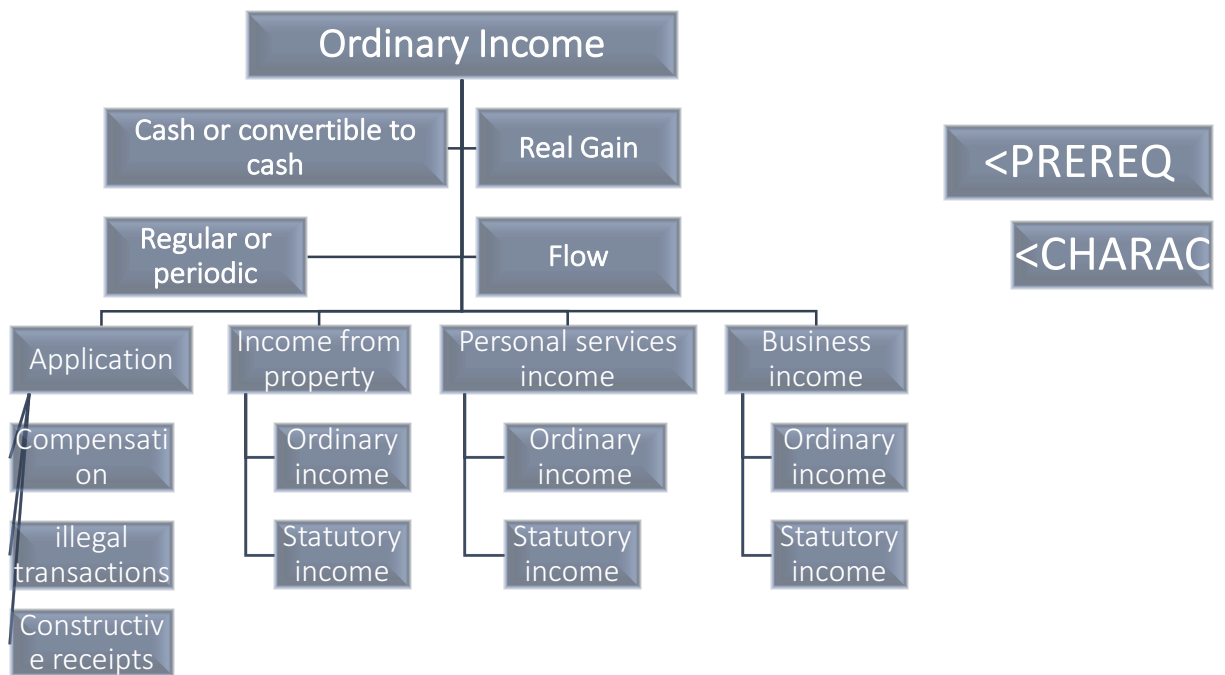


Topic 2 - Assessable Income

6-5 Ordinary income:

1. Personal services – e.g. salary/wages (outside this is a gift)
2. Property – e.g. rent / royalties / dividend
3. Business income



(1) Interpretations

Operative provisions

6-5 Income according to ordinary concepts (*ordinary income*)

- (1) Your **assessable income** includes income according to ordinary concepts, which is called **ordinary income**.
Note: Some of the provisions about assessable income listed in section 10-5 may affect the treatment of ordinary income.
- (2) If you are an Australian resident, your assessable income includes the *ordinary income you *derived directly or indirectly from all sources, whether in or out of Australia, during the income year.
- (3) If you are a foreign resident, your assessable income includes:
 - (a) the *ordinary income you *derived directly or indirectly from all *Australian sources during the income year; and
 - (b) other *ordinary income that a provision includes in your assessable income for the income year on some basis other than having an *Australian source.
- (4) In working out whether you have **derived** an amount of *ordinary income, and (if so) when you **derived** it, you are taken to have received the amount as soon as it is applied or dealt with in any way on your behalf or as you direct.

(2) Prerequisites

— Cash or cash convertible

1. *Cooke & Sherden*
2. *Tennant v Smith*
3. *Payne*

➔ ** S. 21A – Non cash convertible items as a convertible items- overcomes CC e.g. business relationship with bank manager they give you an interest free loan (non transferrable) however 21A prevails that IT IS cash convertible

— Real Gain

4. *Hochstrasser v. Mayes*

Characteristics

— A gain that is regular/periodic is more likely to be ordinary income, Earned, repetition, profit making intention, recipient relies on the amount;