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## TOPIC 1: INTRODUCTION

INCOME TAX IS FEDERAL JURISDICTION.

NO STATE TAX COVERED IN THIS TOPIC.

### WHAT IS TAX?

FEDERAL CHARGE OR OTHER LEVY IMPOSED ON INDIVIDUALS OR LEGAL ENTITIES

DIRECT TAX OR INDIRECT TAX = PAID IN CASH

PAID ONCE A YEAR – 30 JUNE 2016

MUST BE SET IN LEGISLATION TO ENABLE COLLECTION OF TAXES AND ENFORCED BY THE COURTS.

COLLECTED BY ATO

LEGISLATION WORDING CAN BE SIMPLE OR COMPLICATED – USE INTERPRETATION BY THE COURTS.

PENALTIES (CIVIL AND CRIMINAL) APPLY IF DO NOT PAY TAXES.

### TYPES:

**REGRESSIVE:** LESSER PROPORTION THE GREATER THE INCOME. HIGHER BURDEN ON LOW INCOME EARNERS

**PROPORTIONAL/FLAT RATE:** SAME RATE. AUSTRALIAN COMPANIES 30% TAX RATE. GREATER BURDEN ON LOW INCOME EARNERS.

**PROGRESSIVE:** HIGHER THE MORE INCOME EARNED. THEORETICALLY HIGHER BURDEN ON HIGH INCOME EARNERS. AUSTRALIAN INCOME SYSTEM.

### ANNEXURE A: MARGINAL TAX RATE.

## TOPIC 2: ASSESSABLE INCOME PART 1 – PERSONAL SERVICES

TAX PAYABLE = (TAXABLE INCOME x TAX RATE) – TAX OFFSETS

TAXABLE INCOME = ASSESSABLE INCOME – ALLOWABLE DEDUCTIONS

ASSESSABLE INCOME		
<b>ORDINARY INCOME</b>		STATUTORY INCOME
• PERSONAL SERVICES	SALARY, WAGES	
• PROPERTY	TREE AND FRUIT ROYALTIES, RENT, DIVIDENDS	DISCUSSED LATER
• BUSINESS		

ORDINARY INCOME HAS NO DEFINITION IN ITAA AND MUST TAKE THE ORDINARY MEANING.

### **SCOTT V COMMISSIONER OF TAXATION**

*ORDINARY CONCEPTS AND USAGES OF MANKIND, EXCEPT AS SO FAR AS THE STATUTES STATES OR INDICATES.*

*Dictionary meaning to be used.*