

Basic Tax Calculation Steps

1. **Assessable income:** Ordinary + statutory income (ss 6-5, 6-10, 6-15).
2. **Less deductions:** General + specific (ss 8-1, 8-5).
3. **Taxable income:** Assessable – deductions (s 4-15).
4. **Apply rates:** (Taxable income x rate) – tax offsets (s 4-10).
5. **Offsets:** Apply (s 13-1).

Income Tax Rates (2024–25 onwards, Sch 7, s 12(1))

Taxable Income Bracket	Rate
\$0–\$18,200 (tax-free threshold)	0%
\$18,201–\$45,000	16%
\$45,001–\$135,000	30%
\$135,001–\$190,000	37%
\$190,001+	45%

Company Tax Rates

Base rate entities (<\$50m turnover) – 25%
Other – 30%

1. Income Overview & Calculation

Broad Framework

- **Taxable income:**
= **Assessable income** (s 6-1 ITAA97) – **Deductions** (ss 8-1, 8-5 ITAA97).
- **Assessable income** =
(1) **Ordinary income** (s 6-5),
(2) **Statutory income** (s 6-10).
- **Rule:** Exempt (s 6-20) and NANE (s 6-23) income are excluded even if they otherwise fit s 6-5 or 6-10.

Ordinary Income (s 6-5)

- “Income according to ordinary concepts” (Scott v FCT).
- **Categories:**
(a) **Services** (salary, wages, commissions),
(b) **Business** (trading receipts, profits),
(c) **Property** (rent, interest, dividends).

Timing (Derivation) & Realisation

- Income taxed when “derived”/realised—must be severed from source and available for use (Brent; Eisner v Macomber).
- Must be received and **beneficially owned** (Federal Coke; Constable).
 - **Dixon v FCT (1952)** - Voluntary periodic payments can be income if they substitute for lost earnings and are relied on (context & purpose matter).
 - **Anstis v FCT (2010)** - Centrelink Youth Allowance = ordinary income (s 6-5) due to periodic, conditional, living-expense-replacing nature.

Ownership & Beneficial Receipt

- Taxpayer must own the income for own benefit, not as agent/trustee (Federal Coke; Countess of Bective; Zobory).
- **Constructive receipt:** s 6-5(4)—amounts applied/dealt with on behalf of the taxpayer are assessable if present entitlement exists (Brent).

Money or Money's Worth

- Must be **money or convertible into money** (Tennant v Smith; Cooke & Sherden).
 - **Not income:** Non-transferable holidays (Cooke & Sherden), frequent flyer tickets (Payne), rent-free home not assignable (Tennant).

- **Is income:** Share options with value at grant (Abbott v Philbin).

- **Statutory:** All assessable income to be valued in AUD (s 960-50); non-cash benefits valued at MV (s 21 ITAA36).

Apportionment

- If lump sum covers both income & capital: Only income portion is taxable, but only if separately identified (McLaurin v FCT).
 - If undissected, **none is taxable**.

Statutory Income (s 6-10)

- Amounts specifically included by statute even if not ordinary income (e.g. capital gains, royalties, some allowances).

Exempt Income (s 6-20)

- Statutorily excluded from tax base (Div 11, Pt 2-15).
 - **Examples:** Govt pensions, charity income, pre-2020 foreign income (s 23AG), some scholarships (s 51-10).
- **Reduces carry-forward losses** (Div 36).

Non-Assessable Non-Exempt (NANE) Income (s 6-23)

- Not assessable, not exempt, ignored for most tax purposes.
 - **Examples:** GST on sales (s 17-5), some government grants, FBT-assessed benefits.

2. Income from Services (Work/Labour)

A. Core Provisions

- **s 6-5 (Ordinary income):**
All amounts from services (salary, wages, fees, commissions, bonuses, allowances) are assessable if income by ordinary concepts.
→ *Dixon* (periodic, regular, or substitute-for-salary payments = income)
- **s 15-2 (Statutory income):**
Includes allowances, gratuities, benefits (cash or non-cash) in respect of, or in relation (directly/indirectly), to employment/services.
→ *Smith v FCT* (study bonuses), *Holmes* (salvage reward), *Hayes* (gift not income if insufficient nexus)
- **s 15-3:**
Prepaid service fees included in income on receipt.
- **s 6-25:**
No double inclusion if both s 6-5 and s 15-2 apply; statutory takes priority.

B. Nexus Test

- Amount is assessable if **sufficient nexus** to employment, services, or business activity (*TR 1999/17*; *Smith*; *Hayes*).
 - Source may be third party, not just employer (*Holmes*).
 - Character judged in hands of recipient, not payer's intent (*Scott*; *Hayes*).
 - Lump sums & periodic payments can both be income (*Dixon*).
 - Voluntary/discretionary payments assessable if expected/substitute for income (*Dixon*; *TR 1999/17*).

C. Key Distinctions

- **Not Assessable:**
 - Pure gifts, windfalls, and benefits incidental to hobbies/pastimes (unless activity is commercial scale) (*Scott*; *Hayes*; *TR 1999/17*).
 - Personal prizes, medals, and non-convertible benefits not related to income-producing activity (*TR 1999/17*; *Cooke & Sherden*).
- **Assessable:**