Table of contents - plain-English scenario finder

Search the FACTS in the question first. USE IF YOU SEE tells you which scenario to open. CASE CLUE tells you, in plain English, when a case is actually worth using.

A | Core calculations and timing

B | Income from work, gifts, prizes and compensation

Table of contents - continued

Find the facts -> open the matching scenario -> use the named case only when the CASE CLUE matches.

B | Income from work, gifts, prizes and compensation

C | Business income and profit-making deals

Table of contents - continued

Find the facts -> open the matching scenario -> use the named case only when the CASE CLUE matches.

E | General and work-related deductions

F | Specific deductions, stock and capital allowances

Table of contents - continued

Find the facts -> open the matching scenario -> use the named case only when the CASE CLUE matches.

G | Partnerships, trusts, companies and franking

H | GST and FBT

I | Super, Part IVA and international

Table of contents - continued

Find the facts -> open the matching scenario -> use the named case only when the CASE CLUE matches.

I | Super, Part IVA and international

Scenario 02 | Full individual tax liability - rates, offsets, Medicare, MLS, HELP and PAYG

USE WHEN	The question asks for the resident individual's **tax payable, refund or liability to the ATO** and gives taxable income or enough information to calculate it, together with private health insurance, HELP and/or PAYG facts.

WHAT THE EXAMINER MAY ASK	START WITH
"Calculate the taxpayer's liability to the ATO for 2025-26." "Is the result payable or refundable?"	s 4-15 then s 4-10 ITAA 1997; 2025-26 resident rates; Medicare/MLS and HELP rules; PAYG as a final credit. Use any rate schedule supplied in the exam if it differs.

HD REASONING PATH - PLAIN ENGLISH

1. Work out taxable income first.
2. Apply the 2025-26 resident individual tax rates to that taxable income.
3. Subtract any tax offsets that apply, such as LITO or franking offsets.
4. Add the Medicare levy. Add Medicare levy surcharge only if the income and private-hospital-cover facts trigger it.
5. Work out any HELP/STSL compulsory repayment using repayment income, but never more than the debt still owing.
6. Subtract PAYG withholding/instalments last. Positive answer = amount payable; negative answer = refund.

BENCHMARKS 2025-26: Medicare levy generally 2%. Single MLS bands: <=$101,000 nil; $101,001-$118,000 1%; $118,001-$158,000 1.25%; >=$158,001 1.5% if no appropriate hospital cover. HELP starts above $67,000; cap repayment at debt. LITO max $700 and phases out by $66,667.

MATERIAL FACTS TO EXTRACT

- 2025-26 **taxable income** (or inputs to calculate it).
- Whether the taxpayer is an Australian resident individual.
- Private patient hospital cover and any MLS-income facts.
- HELP/STSL debt balance and repayment income.
- Tax offsets, including franking credits if supplied.
- PAYG withheld or instalments already paid.

WORKING / FORMULA	2025-26 resident rates used in the course pack: $0-$18,200 nil; $18,201-$45,000: 16% of excess; $45,001-$135,000: $4,288 + 30% of excess over $45,000; $135,001-$190,000: $31,288 + 37% of excess; $190,001+: $51,638 + 45% of excess. **Final ATO position** = basic tax - tax offsets + Medicare levy + applicable MLS + compulsory HELP - PAYG credits.

AUTHORITY THAT EARNS MARKS - AND WHERE TO PUT IT

No case is normally needed. This is primarily a statutory/mechanical issue. Use the saved time for an accurate section reference and transparent working.

COPY-AND-ADAPT HD ANSWER SCAFFOLD

> First, under **s 4-15**, the taxpayer's taxable income is $___ ($___ assessable income less $___ deductions). Applying the 2025-26 resident rates, basic income tax is $___. The taxpayer is [entitled/not entitled] to a $___ tax offset, reducing income tax to $___. The ordinary Medicare levy is $___. Because the taxpayer [does/does not] have appropriate private patient hospital cover and their surcharge income is $___, the Medicare levy surcharge is $___. The taxpayer's HELP repayment income is $___, producing a compulsory repayment of $___ under the 2025-26 marginal formula, capped at the outstanding HELP debt of $___. Finally, PAYG credits of $___ are subtracted. The final amount is therefore **$___ [payable/refundable]**.

WORKED MINI-EXAMPLE / CALCULATION PATTERN

At taxable income of $100,000: basic tax = $4,288 + 30% x $55,000 = **$20,788**. Ordinary Medicare levy = $2,000 (subject to low-income rules). If HELP repayment income is also $100,000, the course's 2025-26 marginal formula gives 15% x ($100,000 - $67,000) = **$4,950**. Subtract PAYG only after adding any applicable MLS/HELP.

Scenario 27 | CGT event C1 - asset lost or destroyed

USE WHEN	A CGT asset is destroyed, lost or written off and the taxpayer may receive insurance or compensation.

WHAT THE EXAMINER MAY ASK	START WITH
“Does destruction trigger CGT?” “How are insurance proceeds treated?”	CGT event C1, s 104-20 ITAA 1997; capital proceeds rules and any replacement-asset/rollover provision if expressly raised.

HD REASONING PATH - PLAIN ENGLISH

1. Use CGT event C1 when a CGT asset is lost or destroyed rather than sold.
2. Identify any insurance, compensation or other capital proceeds received because of the loss/destruction.
3. Compare those proceeds with the cost base/reduced cost base to calculate the gain or loss.
4. Check the event timing - generally when compensation is first received or when the loss/destruction occurs under the rule.
5. Then apply any relevant roll-over, exemption, capital-loss or discount rules.

MATERIAL FACTS TO EXTRACT

- What asset was destroyed/lost.
- Insurance/compensation amount and what it compensates.
- Date destruction/loss occurred.
- Cost base and prior deductions.
- Asset classification: trading stock, depreciating asset or ordinary CGT asset.

WORKING / FORMULA	C1 gain/loss: insurance/other capital proceeds compared with cost base/reduced cost base, subject to special rules and overlap regimes.

AUTHORITY THAT EARNS MARKS - AND WHERE TO PUT IT

No case is normally needed. This is primarily a statutory/mechanical issue. Use the saved time for an accurate section reference and transparent working.

COPY-AND-ADAPT HD ANSWER SCAFFOLD

> The [asset] has been [lost/destroyed], so **CGT event C1 under s 104-20** is the relevant starting point. The event occurs when ___. The $___ insurance/compensation received for the asset forms the relevant capital proceeds, subject to any specific adjustment. The asset's cost base is $___, producing a capital [gain/loss] of $___. Before finalising the CGT result, the asset's classification must be checked: if it is trading stock or a depreciating asset, the specific stock/Division 40 rules may govern or cause the CGT result to be disregarded. Assuming no such priority rule or rollover applies, the C1 gain/loss enters the CGT method statement.

IF THE FACTS CHANGE - PIVOT, DO NOT PASTE THE SAME CONCLUSION

Fact change	CLEAR TAX RESULT - YES / NO / PARTLY / DEPENDS + WHY
Destroyed item is trading stock	DEDUCTIBLE: YES / GENERALLY YES. Use Division 70; avoid a duplicate CGT/stock deduction.
Destroyed item is a depreciating asset	CGT GAIN/LOSS: DISREGARDED TO THE RELEVANT EXTENT. Check Division 40 balancing adjustment and s 118-24 CGT disregard.
Insurance covers lost profits as well as asset damage	CGT RESULT: Split the payment: lost-profit component may be ordinary income; asset component may be capital proceeds.
No insurance/proceeds	CAPITAL LOSS: POSSIBLY YES. A capital loss may arise if reduced cost base exceeds nil proceeds, subject to asset-specific loss rules.

Scenario 48C | Childcare so the taxpayer can work - can it be deducted?

USE WHEN	The taxpayer pays childcare, babysitting, before/after-school care or similar costs so they can attend work, study or run a business.

WHAT THE QUESTION LOOKS LIKE	START WITH
"I could not work without childcare - can I claim it?"	Start with s 8-1. Ask whether the cost is incurred in doing the work, or merely puts the taxpayer in a position to work.

HD REASONING PATH - PLAIN ENGLISH

1. Childcare may be necessary in a practical sense, but necessity alone does not make an expense deductible.
2. The cost is usually incurred so the taxpayer can get to/perform work, rather than in the actual process of earning income.
3. It also has a strong private/domestic character because it concerns family care.
4. Lodge is the key comparison.
5. Therefore CHILDCARE DEDUCTIBLE = NO unless the question gives a very specific statutory exception outside the normal rule.

MATERIAL FACTS TO FIND

- Who is being cared for and why?
- Is care needed simply so the taxpayer can attend work/study?
- Is the employer paying/providing the childcare instead? If yes, check FBT separately.
- Is there any unusual statutory exception stated?

CLEAR RESULT	**EMPLOYEE/PARENT CHILDCARE COST: DEDUCTIBLE = NO under the ordinary s 8-1 analysis.**

CASE / AUTHORITY - WHEN TO USE IT

Lodge v FCT: child-minding costs were a private prerequisite that enabled the taxpayer to work; they were not incurred in the income-earning process itself. Use Lodge whenever the argument is "I needed childcare in order to earn my income."

COPY-AND-ADAPT EXAM ANSWER

> Although the $___ childcare cost allows the taxpayer to attend work, that is not enough for s 8-1. The expense is incurred to put the taxpayer in a position to earn income and is also private/domestic in character. Lodge v FCT supports this distinction. Accordingly, CHILDCARE DEDUCTIBLE = NO. If the employer instead pays or reimburses the childcare, analyse the employer benefit separately under the FBT scenarios.

IF THE FACTS CHANGE - QUICK PIVOT

If the facts say...	What happens?
Parent pays childcare personally to attend work	DEDUCTIBLE: NO.
Employer reimburses childcare	Employee deduction still not created; check FBT for employer.
Employer operates qualifying on-premises childcare	Check the specific FBT exemption/rules if supplied in course facts.

Appendix A | Alphabetical case locator

Case names are enlarged for faster scanning. Cases are sorted alphabetically (ignoring a leading "The" and the * priority marker).

CASE / AUTHORITY	YEAR	WEEK / TOPIC	SCENARIO
*** All States Frozen Foods Pty Ltd v FCT 90 ATC 4175**	1990	W7 | Trading stock - on hand without physical possession	50
Ashgrove Pty Ltd v FCT 94 ATC 4549	1994	W3 | CGT second charging provisions	28-30
*** Associated Newspapers Ltd v FCT; Sun Newspapers Ltd v FCT (1938) 5 ATD 87**	1938	W5 | Revenue versus capital - structure/process	45
Blank v FCT 2016 ATC 20-587	2016	W1 | Personal exertion - reward/product connection	-
Blockey v FCT (1923)	1923	W2 | Historical isolated transaction authority	23
*** BP Australia Ltd v FCT (1965) 14 ATD 1**	1965	W5 | Revenue expenditure - recurring market access	46
*** Brent v FCT 71 ATC 4195**	1971	W1 | Life-story payment - services versus asset	19
Broken Hill Theatres Pty Ltd v FCT (1952) 9 ATD 423	1952	W5 | Capital expenditure - preserving competitive position	45
C of T (Vic) v Phillips (1936) 3 ATD 330	1936	W1, 2 | Compensation / periodicity	15
Californian Oil Products Ltd (in Liq) v FCT (1934) 3 ATD 10	1934	W2 | Business compensation - structural contract destroyed	17
Carden's case (C of T (SA) v Executor Trustee & Agency Co of SA Ltd)	1938	W1 | Derivation - receipts versus earnings method	4
*** Carpentaria Transport Pty Ltd v FCT 90 ATC 4590**	1990	W5 | Capital allowance - plant/depreciating asset classification	51
Case 13/99 99 ATC 240	1999	W1 | Capital versus personal exertion receipt	18
Case K25 78 ATC 243	1978	W1 | Existence of business	20
Case S73 85 ATC 530	1985	W7 | Existence of partnership for tax purposes	54-55
*** Case S75 85 ATC 544**	1985	W8 | Partner salary	56
*** Case Z9 92 ATC 144**	1992	W1 | Employment right surrendered / capital versus income	14, 66
*** Charles Moore & Co (WA) Pty Ltd v FCT (1956) 11 ATD 147**	1956	W4, 5 | Business loss / s 8-1 nexus	35, 44
Constable v FCT (1952) 86 CLR 402	1952	W9 | Employer super contribution - historical income principle	68
Dean and Anor v FCT 97 ATC 4762	1997	W1 | Employment-benefit regimes / integration	13
*** Dickenson v FCT (1958) 11 ATD 415**	1958	W1 | Restrictive covenant / business structural right	18
Dingwall v FCT 95 ATC 4345	1995	W3 | CGT capital proceeds / market value	34
Dwight v FCT 92 ATC 4192	1992	W8 | Vested and indefeasible interest - s 95A(2)	57, 59

Appendix B | Rapid legislation index

This is a navigation index rather than a substitute for applying statutory conditions. In a final exam, it is usually enough to give the section number and paraphrase the operative rule accurately.

Provision	Topic	Exam use
s 4-10 ITAA 1997	Income tax	Rate schedule/tax offsets stage.
s 4-15	Taxable income	Assessable income less deductions.
s 6-5	Ordinary income	Core ordinary-income inclusion; resident/foreign resident subsections also relevant internationally.
s 6-5(4)	Constructive receipt	Amount applied/dealt with on taxpayer's behalf can be treated as received.
s 8-1	General deductions	Positive limbs, negative limbs and "to the extent".
s 8-10	No double deduction	Claim the same amount only once under the most appropriate provision.
s 15-2	Employment/services benefits	Statutory inclusion for specified benefits/allowances subject to exclusions.
s 25-5	Tax affairs	Specific deduction for managing tax affairs.
s 25-10	Repairs	Restoration of income-producing premises/depreciating asset; capital denied.
s 25-25	Borrowing expenses	Specific write-off for borrowing costs.
s 25-35	Bad debts	Specific bad-debt deduction subject to conditions.
s 25-100	Travel between workplaces	Defined deduction for travel between separate income-producing places, subject to restrictions.
s 26-5	Fines/penalties	Specific deduction denial.
s 26-10	Leave provisions	Deduction generally deferred until payment.
Division 30	Gifts	Qualifying gifts to DGRs; genuine gift/no material benefit.
Division 32	Entertainment	General deduction denial with exceptions.
Division 34	Clothing	Work-clothing restrictions/exceptions.
Division 36	Tax losses	Current/prior general tax losses.
Division 40 / s 40-25	Depreciating assets	Decline in value and balancing adjustments.
Division 43	Capital works	Construction expenditure deductions.
s 40-880	Business capital expenditure	Potential five-year write-off for qualifying residual capital costs.
Division 70	Trading stock	Definition, purchases, opening/closing adjustment, valuation and disposals.
s 102-5	Net capital gain	Includes net capital gain in assessable income.
s 104-10	CGT event A1	Disposal/change of ownership.
s 104-20	CGT event C1	Asset lost or destroyed.
s 104-25	CGT event C2	Cancellation/surrender/expiry/ending of intangible asset/right.
s 104-35	CGT event D1	Creation of contractual/other rights.
s 104-150	CGT event H1	Residual capital event such as specified forfeited-deposit facts.
s 108-5	CGT asset	Broad property/legal/equitable right definition.
s 108-10	Collectables	Special collectable classification/loss rules.
s 108-20	Personal-use assets	Special personal-use gain/loss rules.