

Table of Contents

Week 1: Introduction:	5
Week 2: Income	7
Income overview:	7
Relationship between income concepts:	7
Ordinary income: (No statutory definition, developed from past cases).....	7
Negative propositions: amounts that are not ordinary income	7
Positive proposition:	10
Week 3: Income	12
Positive proposals:	12
Income from employment/services:	12
Income from business:	13
Income from property:	15
Tax accounting:	16
Week 4: capital gain tax	19
Overview.....	19
Details of selected CGT events:	19
CGT event A1 <i>s104-10(1)</i> :	19
CGT event C1 <i>s104-20</i> :	20
CGT event C2 <i>s104-25</i> :	20
CGT event D1 <i>s104-35</i> :.....	20
CGT Event H1 <i>S104-150</i>	20
CGT Asset:.....	21
Standard asset: <i>108-5(1)</i>	21
Special rules - personal use assets:	21
Special rules - collectables:.....	21
Separate CGT assets: Subdiv 108-D referred to handout	21
Acquisition of CGT assets:	22
Disposal of a CGT asset:.....	22
<i>S100-45</i> Capital gains / Loss for each event:	22
Capital proceeds:	22
Special rules <i>s103-10</i>	24
Cost base:	24
General rules ITAA97 <i>s110-25</i> : five elements:	24
COST BASE MODIFICATION RULES: Sub-div 112-A	25
Reduced cost base:.....	26
Exemptions:.....	26
Anti-Overlap Provisions	26
Main residence Exemptions	27
CGT discount rules.....	27
Calculating net capital gain: (<i>s102-5</i>).....	28
Calculating net capital lose: (<i>s102-10</i>)	28
Week 5: general deduction s8-1	30

Positive Limbs: S8-1(1)	30
4 test to confirm nexus to income: (for above (5) & (6)).....	32
Temporal connection to income:.....	34
Negative Limbs: s8-1(2)	35
1st it's a loss or outgoing of capital, or of a capital nature: not deductible	36
2 nd it is loss or outgoing of a private or domestic nature:	36
3 rd it is incurred in relation to gaining or producing your exempt income	38
Week 6: specific deductions & trading stocks s8-5.....	39
Division 25-specific deductions: some amount you can deduct	39
Repairs s25-10:.....	39
Borrowing expense: s25-25—can be deductible:.....	41
Bad debts: s25-35	42
Travel between workplaces s25-100- can be deductible:□	42
Division 26: some amount you cannot deduct	42
• s26-5: penalties.....	42
• s26-10: Leave payments	43
• s26-35: Reducing deductions for amount paid to related entities.....	43
• s26-54: Illegal activities.....	43
Division 30: Gift or donations.....	43
Division 32: Entertainment expenses	43
Division 36: Tax losses from prior years.....	44
• How to calculate a tax loss: s36-10.....	44
Substantiation of expenses	44
Division 70: Trading stock.....	44
What is trading stock?.....	44
Taxation of trading stock	45
When is trading stock on hand	45
Valuation of trading stock.....	45
Special rules for non-business disposals etc.	45
Change to character of trading stock	46
Non-arm's length transactions.....	46
Week 7: Capital Allowances & Capital Works	47
Uniform Capital Allowances Regime – <i>Division 40</i>	47
Meaning of plant.....	48
Decline in value	48
Prime cost method	49
Diminishing value method	49
Asset's cost.....	49
Balancing Adjustments	51
Black hole expenditure (legal fees)	52
Capital Works - <i>Division 43</i>	52
Rate of deduction.....	53
Week 8: partnership:.....	55
Different definition under tax law and general law.....	55
Basic Tax Treatment Of Partnership Income.....	56

	UNSW
TABL2751 TAXATION LAW	
Partner's individual share.....	56
Week 9 trusts:.....	60
What is Trust:.....	60
Key features of trusts	60
Types of trust:.....	60
The scheme of Div 6 of Part III:	61
Trustee lodges return	61
Allocating tax between trustee and beneficiaries:.....	61
Anti-splitting provisions:	63
Trust income VS net income:.....	63
Two approaches:.....	63
Class 10: taxation of companies	65
Types of companies:	65
Company defined in ITAA97 s995-1:	65
Payment of tax by companies	65
Tax rates:.....	65
PAYG system:	66
Carry forward losses.....	66
Continuity of ownership test	67
The 'same business test s165-13	67
Australian dividend imputation system	70
Imputation: Company level.....	70
Imputation: Shareholder level	71
Dividends received by shareholders – Australian vs. non-residents	74
Activity – example franking account.....	76
FRANKING ACCOUNTS	78
Franking Account Entries	78
Notes to Items, Entries, Etc, in the Franking Account	80
Week 11- Fringe tax benefit:.....	84
Fundamentals of FBT:	84
FBT rate is the highest marginal rate + associated levies.....	84
Is there a fringe benefit?.....	85
Full list of exemption:.....	86
Car Fringe Benefits.....	87
• “Car” defined in s136	87
Valuation of car fringe benefits.....	87
Expense fringe benefits.....	88
How to calculate FBT liability	89
Example of calculation of FBT liability	90
Reconciliation with other tax laws	90
Week 11: Tax avoidance.....	91
Tax planning.....	91
Tax evasion	91
Tax avoidance	91
Tax avoidance - examples.....	91

Part IVA	92
• Is there a scheme?	92
• What is a tax benefit?	93
• Tax benefit must have been obtained in connection to a scheme	93
• What was the purpose of entering into the scheme?	93
Consequences	93
Tax avoidance penalties	93
Commissioner’s “Red Flags”	94
Personal Services Income Regime	94
1. Results test.....	95
2. 80% rule test.....	96
PSI Regime & Part IVA.....	96
International: Base Erosion and Profits Shifting (BEPS)	96
Class 12-Goods and service Tax (GST)	98
Basics of GST.....	98
1. Taxable supply: GST Act <i>s9-5</i> :.....	98
1. Supplies.....	99
2. Consideration.....	99
3. Enterprise	99
3. Registration	99
4. Connected with Indirect tax zone	100
Who pays the GST?.....	101
Amount of GST	101
Input tax credits	101
“Net amounts”	102
GST Free Supplies.....	102
Input taxed supplies	103
Comparison of supplies	103
Imports	103
Low-value imports.....	104
Interaction between GST and income tax	104