

Contents

Residence Individuals	1
Residence – Companies	2
Temporary Resident	2
Source of Income	3
Taxable Income on AU Resident VS Non Resident	3
Derivation of Income	4
General Concept of Income	5
Characteristics of Ordinary Income	5
Taxable Non Cash Benefits	6
Business Income	6
Characteristics of a Business	6
Specific areas of business/ hobby	6
Difference between Business and Hobby	7
Business or Capital Asset	7
Compensations	7
Isolated Commercial Transaction Gain	8
Capital Gains Tax	8
CGT Exempt	9
CGT Assets	9
Collectables	9
Treatment of Capital Losses from Collectables	9
Personal use assets	10
Separate CGT Assets	10
PRE CGT (before 20 Sept 1985) - Separate Asset	10
CGT Events	11
A1 – Disposal of an Asset	11
B1 - Use and Enjoyment Before Title Passes (Hire Purchase Agreement)	11
C1 – Loss or Destruction of a CGT asset	11
C3- End of an Option to Acquire Shares	11
D1 - Creating Contractual or Other Rights	11
D2 - Granting an Option	12
F1- Granting lease	12
F3 – Lessor pays Lessee to get lease Changed	12
F4 – Lessee Receives Payment for changing lease	12
F5 – Lessor Receives Payment for Changing Lease	13
H1 - Forfeiture of a Deposit	13
Acquisition	13
Acquisition without a CGT event	13
Cost Base	14
Five Elements of Cost Base	14
Reduced Cost base rules	15
Modification of cost base rules & reduced cost base rules	15
Modification to general rule	15
Amount of Capital Gain/Loss	16
Steps in calculating Net Capital Gain/ Loss-	16
Main Residence	17
Partial Exemption	18
Special Rule to absences	18
Before 7.30pm EST 20 August 1996-	18
After 7.30pm EST 20 August 1996	18

Source of Income

Type of Income	Source
Employment	Where the contract is performed [MAIN SOURCE] <i>FCT V French</i> Where the contract is entered into <i>FCT V Mitchum</i> Where the contract is paid <i>FCT v Evans</i>
Business	Where the business takes place For passive business – where the contract is signed Might be apportioned <i>Commissioner v Kirk</i>
Interest	where obligation to pay interest arose (where the contract is made, where the principal and interest is repaid) NOT determined by where the borrower earns the fund to repay the interest.
Dividend	where the company paying dividend to the taxpayer <u>made the profits</u> out of which the dividend is paid <i>Esquires Nominees v FCT</i> In case of manufacturing/ trading co.; where those activities are carried on = source of dividend.

Source of Employment Income

FCT V French – AU resident, sent to NZ for work (3 weeks). **New Zealand Source.** Taxpayer was entitled as an AU Resident to a foreign tax credit. (Where work was performed - place of contract not particularly significant)
FCT V Mitchum - Famous US Actor signed **agreement in Switzerland.** Worked in AU for 11 weeks. (The source of income is not always the where place the work is performed)
FCT v Evans – Doing research in Switzerland, but **salary is paid to AU bank.** (Paid in AU, so AU sourced)

Source of Business Income

Tariff Reinsurance Ltd v C of T: **Contract** of reinsurance made in Britain to reinsure Australian insurer. Held nothing was done in Australia by British Co.; as Australian insurer was British's Employer/ Agent. The place of contract = source of income. Source of income might be apportioned in these cases.

Source of dividend income

Esquires Nominees v FCT – distinguished between the source of dividend and source of the money Held; the source of the dividend was where the central management is which is Norfolk Island Company (the source of dividend)

Taxable Income on AU Resident VS Non Resident

S6-1(1) – Assessable income consist of ordinary and statutory income

Type of Resident	Taxed on
AU RESIDENT (WORLDWIDE Income)	S6-5(2), {25(1)(a)} – assessable income includes the ordinary income you derived directly/ indirectly from ALL sources, whether in or out of Australia during the income year. S6-10(4), {25(1)(a)} – same as above but for statutory income
Not resident (AU income)	S6-5(3), {25(1)(b)} - If you are NOT an Australia resident , your assessable income includes the ordinary income you derived directly/ indirectly from all Australian sources S6-10(5), {25(1)(b)} – same as above but for statutory income.