



Faculty of Business and Economics

Department of Accounting and Finance

**POSTGRADUATE DIPLOMA
IN ACCOUNTING
and
MASTER OF ACCOUNTING**

UNIT OUTLINE

**ACCG 857
TAXATION LAW**

Trimester 1 2009

Unit Convenor: Catriona Lavermicocca
Blackboard website: learn.mq.edu.au
Department of Accounting & Finance: www.accg.mq.edu.au

**ACCG857 TAXATION LAW
UNIT OUTLINE –TRIMESTER 1, 2009**

**Students in this unit should read this unit outline carefully at the start of the trimester.
It contains important information about the unit. If anything in it is unclear, please
consult one of the teaching staff in the unit.**

Unit Description

This unit covers the laws relating to income tax, fringe benefits tax and the goods and services tax in Australia. The unit is broken up into weekly lectures and student presentations of assigned questions on specific topics which, in the main will apply the taxation laws to fact situations as well as group discussion.

Unit Objectives and Outcomes

The learning outcomes of this unit include an understanding of taxation law in Australia as well as the ability to undertake critical analysis in applying the law to a problem or fact situation and formulating a logical piece of taxation advice.

Having completed this unit successfully a student will have demonstrated skills and knowledge, in a variety of taxation areas including:

- The concepts of income and capital
- The nature and operation of deductions
- The operation of capital gains tax
- The tax treatment of an individual, partnership, trust and company
- Key aspects of the operation of Goods and Services Tax
- Key aspects of the operation of Fringe Benefits Tax
- Key elements of tax administration
- The legislative structure of Australia's tax laws and the role of courts

In addition to the above-stated learning objectives, all academic programs at Macquarie seek to develop students' generic skills in a range of areas.

The individual presentation and written assignment both require the student to apply their taxation knowledge obtained during the course and to develop a critical thought process.

The skills required for independent and reflective learning will be developed through the completion of the written assignment as it requires each student to analyse a given fact situation without any direction as to the taxation issue. This skill is further extended in class discussions.

Students will develop their communication skills necessary for a successful commerce related career through the individual presentation and explanation (in written and verbal forms) of an answer to an assigned tax problem.

Prerequisites

A student must have passed the units ACCG851 Business Law and ACCG854 Company & Associations Law before enrolling ACCG857 Taxation law

Teaching Staff and Student Consultation times

Lecturer	Email Address/Office/Phone	Consultation Times
Catriona Lavermicocca (Unit Convenor)	clavermi@efs.mq.edu.au E4A241 9850 8528	Monday 11.30-12.30
Victoria Lakis Patrick Gallagher Ajit Singh		

Class Times and Rooms

You MUST attend at the correct class and room or you will NOT be marked present unless you bring a medical certificate to your correct lecturer at the next correct class time

- Class 1 Monday 3-6 C5A301
- Class 2 Wednesday 12-3 C5A301
- Class 3 Thursday 6-9 C5A301
- Class 4 Friday C4A318

Prescribed Reference Materials

All students must purchase have the following texts and bring them to class each week:

- Woellner, Barkoczy, Murphy and Evans *Australian Taxation Law 2009* CCH
- Barkoczy, S. *Core Tax Legislation and Study Guide 2009* 19th Edition CCH.

The following is not specifically required but may be used for additional reading.

- *Australian Master Tax Guide 2009* 44th Edition CCH
- Nethercott LJ and others *Australian Tax Study Manual: Questions and Suggested Solutions* 18th Edition CCH
- Barkoczy S *Australian Tax Casebook* 9th Edition CCH

BLACKBOARD and Lecture Notes

Each week, lecture notes will be placed on BLACKBOARD before the class. These notes are only the core notes presented in lectures. They are NOT intended to stand alone nor in place of lecture attendance. They are provided for your convenience. You must also properly construct your own notes based on your own readings and any additional comments, supplements and corrections to these notes which may occur during lectures – and which you MUST attend.

CRITICAL COMMENT. You are not entitled to rely on lecturer provided notes for full study purposes nor as the final indicator of exam content. You are required to and expected to read all text and legislative references and also to take into account comments, additional materials and illustrations and examples which may also be given in lectures.

BLACKBOARD “Discussions” is intended as a noticeboard and discussion forum for all students. It is here that you should post questions – students and lecturers will regularly provide feedback and/or answers to your queries.

Method of Assessment

Mid-trimester examination of 90 minutes duration	30%
End of trimester final Examination of 180 minutes duration	50%
Written assignment	10%
Student presentation	<u>10%</u>
TOTAL	100%

IMPORTANT:

- YOU MUST ACHIEVE AT LEAST 40% OF AVAILABLE MARKS IN THE FINAL EXAM TO PASS THIS UNIT. Students regularly fail for not achieving this requirement alone.***
- You will FAIL if you do not perform adequately in ALL assessment components.***
- YOU MUST ATTEND ALL LECTURES AS, ALTHOUGH THERE IS NO ATTENDANCE MARK IN THIS UNIT, YOUR ATTENDANCE WILL BE CONSIDERED IN THE DETERMINATION OF YOUR OVERALL GRADE IN THIS UNIT. If you are unable to attend a lecture due to medical reasons a medical certificate should be provided.***

(a) Mid-trimester examination (30%)

The mid-trimester exam will cover lecture topics 1-6 and will be held on 7 March 2009. This exam will be 90 minutes plus 10 minutes reading time and results will be provided to students via Blackboard. Further detail of the time and location of this exam will be provided in an overhead in class and on Blackboard later in the trimester.

(Please see comment concerning exam aids below)

(b) End of trimester examination (50%)

The end-of-semester exam will cover lecture topics 6-12 and will be held in the exam period commencing 13 April 2009. The date, time and location of this exam will be provided in an overhead in class and on Blackboard later in the trimester.

(Please see comment concerning exam aids below)

(c) Written Assignment (10%)

Maximum length: 1000 words.

This assignment requires a student to apply their knowledge of the concepts covered in the first three lectures to a given fact situation and is to be handed in during class in the week commencing 9 February 2009. Students will receive a grade for their assignment and a copy of the issues that the markers were looking to be addressed will be provided on Blackboard. The assignment question is included in this unit outline at page 32.

(d) Student presentation (10%)

Each student is required to make a 10 minute in-class presentation answering an assigned question. The presentation will be of an assigned question covering a topic area covered in lectures. This presentation may be done in pairs or individually depending on class numbers and the size of the question. Each student will be provided with feedback with respect to their presentation and awarded a mark out of 10. The student feedback sheet is attached at page 33.

Student presentations will be marked on the basis of the quality of the presentation including the level of preparation, understanding, accuracy, comprehensiveness, ability to explain the key issues to fellow students, good use of learning aids such as overhead transparencies etc. **Generally, students are expected to display knowledge and communication skills of a postgraduate student.**

Exam Aids

You will be permitted to take into exams the following aids:

- **Your own handwritten class notes and study notes.**
- A calculator.
- Tax legislation in book published form – which may be hand written on and hand marked up as you see fit. Please note that, we allow book published legislation including *2009 Core Tax Legislation and Study Guide*.
- **You are NOT permitted to take into either exam any other items. No photocopies of any items are permitted nor are any computer downloads or printed output of any type.**

Written advice about both the mid-trimester and final exam coverage and content will be provided in class and on BLACKBOARD. No ‘informal’ advice about exams will be given in-class.

Cheating and Plagiarism

To cheat in the context of university assignments, tests and examinations is to attempt to gain an unfair advantage by violating the principles of intellectual and scholarly integrity. Cheating also encompasses plagiarism, which is the appropriation or imitation of another

person's ideas and manner of expressing them. Plagiarism is a serious breach of the University's rules and carries significant penalties. You must read the University's practices and procedures on plagiarism. These can be found on the web at:
<http://www.student.mq.edu.au/plagiarism/>

The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism, and the penalties if you are found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

WHAT IS CHEATING?

You will be guilty of cheating if you do any of the following:

- Copy from another student during a test or examination. This is cheating whether or not there is collusion between the students involved. Collusion with another student who wishes to cheat from you exposes both parties to penalties under University Regulations.
- Use or paraphrase the work of others, including any document, audio-visual or computer-based material, when preparing an assignment or writing an examination, and pretend it is your own work by not acknowledging where it came from.
- Copy from another student's coursework whether that copying is with or without the knowledge of that student. This includes:
 1. copying all or part of someone else's assignment,
 2. allowing someone else to copy all or part of your assignment,
 3. providing your assignment (or other materials for an assignment) to another student,
 4. having someone else do all or part of an assignment for you,
 5. doing all or part of someone else's assignment for them.
- Make up data and fabricate results in research assignments.
- Impersonate someone else in an examination or test, or arrange such impersonation.
- Use forbidden material in a test or examination, whether in printed or electronic form. For example, attempting to use a non-standard calculator in a restricted calculator examination.

WHY IS IT WRONG?

If you take and use the work of another person without clearly stating or acknowledging your source, you are falsely claiming that material as your own work and committing an act of plagiarism. This is wrong because it:

- violates the principle of intellectual and scholarly integrity;
- devalues the grades and qualifications gained legitimately by other students; and fails to allow you demonstrate your own understanding of the material .

PREVENTING CHEATING

All students and staff have a responsibility to prevent, discourage and report cheating. Typically students cheat because they are having difficulty with the unit content, the language of the unit, or both. Cheating and/or plagiarism can be a temptation when students are experiencing difficulty with a heavy workload in the unit and seek to save time by using others' work.

To avoid having students resort to cheating, the University provides many services to help students with their course or to make thoughtful decisions about whether to continue. Within

the Faculty of Business and Economics, students should first seek assistance from their lecturer. The 'Centre for Macquarie English' is also an excellent resource for plagiarism questions and language issues. The University also offers help through the Dean of Students or the University Health and Counselling Services.

There is a difference between getting help and cheating. You are encouraged to get help if you need assistance to understand the material and any set work so that you are in a better position to create your own answers. You might also want to have group discussions with your colleagues to debate the different issues surrounding a form of assessment. However the work you submit for your assessment must be in your own words and must not be those of another person.

HOW TO PLAY SAFE

To maintain good academic practice, so that you may be given credit for your own efforts, and so that your own contribution can be properly appreciated and evaluated, you should acknowledge your sources and you should *ALWAYS*:

- State clearly in the appropriate form where you found the material on which you have based your work, using the system of reference specified by the Division in which your assignment was set;
- Acknowledge the people whose concepts, experiments or results you have extracted, developed or summarised, even if you put these ideas into your own words;
- Avoid excessive copying of passages by another author, even where the source is acknowledged. Find another form of words to show that you have thought about the material and understood it, but remember to state clearly where you found the ideas.

There is nothing wrong with working with other students in a group; indeed sometimes you will be encouraged to do so. But after a certain point, each student must work on their own to produce their own written answers. If no specific guidelines for group-work have been given, a reasonable interpretation is that it is acceptable for two or more students to discuss a problem among themselves or with a staff member. The group may then agree that the answer should include certain points. But then each member of the group must independently write their own answer to the problem.

PENALTIES

Offences of plagiarism will attract penalties which at a minimum, will result in the deduction of marks for the test and/or assignment, to ultimately a failure in the unit and reference to the University Discipline Committee. The penalty will depend upon the extent of the plagiarism, whether it is a first or repeated offence, whether there is evidence of deliberate deceit and whether advantage has been taken of another student. In some cases this can result in the suspension of the student from enrolment in the university. In all cases however, a record of any offence and/or incident, along with correspondence, will be placed permanently on the students' individual record file held at the university.

University Policy on Grading

Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a standardised numerical grade (SNG).

On occasion your raw mark for a unit (i.e., the total of your marks for each assessment item)

may not be the same as the SNG that you receive. Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, so that units with the same past performances of their students should achieve similar results.

It is important that you realise that the policy does not require that a minimum number of students are to be failed in any unit. In fact it does something like the opposite, in requiring examiners to explain their actions if more than 20% of students fail in a unit.

The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another will also receive a higher final scaled mark.

For an explanation of the policy see

<http://senate.mq.edu.au/rules/Guidelines2003.doc> or

<http://senate.mq.edu.au/rules/detailedguidelines.doc>

Student Support Services

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at <http://www.student.mq.edu.au>

Classroom Etiquette

Students are expected to arrive on time, certainly before five minutes past the hour, and not to leave until the class ends. If you have a recurring problem that makes you late or forces you to leave early please have the courtesy to discuss this with your lecturer/tutor.

Students are expected to be quiet during lectures unless, of course, class participation is required.

Mobiles should be turned off during classes; not simply set to “silent”

Teaching Format

Week	Lecture	Presentation	Week starting
01	Lecture 1 Introduction to taxation law Tax formula, tax rates and tax offsets International aspects of taxation	No presentations	19 January
02	Lecture 2 General principles of income Income from personal exertion	Q 1, 2, 3 and 4 relating to Lecture One	26 January
03	Lecture 3 Income from property Income from business	Q 1, 2, 3 and 4 relating to Lecture Two	2 February
04	Lecture 4 Written Assignment due Tax Accounting Deductions Part 1	Q 1, 2, 3, 4 and 5 relating to Lecture Three	9 February
05	Lecture 5 Deductions Part 2	Q 1, 2, 3, 4 and 5 relating to Lecture Four	16 February
06	Lecture 6 Capital allowances and capital works Trading stock Small business concessions	Q 1, 2, 3, and 4 relating to Lecture Five	23 February
07	Lecture 7 Capital Gains Tax	Q 1, 2, and 3 relating to Lecture Six	2 March
	March 7 MID-TRIMESTER EXAM		This exam will cover topics listed for Lectures 1 to 6 100 minutes duration plus reading time
08	Lecture 8 Goods and Services Tax	Q 1, 2, 3 and 4 relating to Lecture Seven	9 March
09	Lecture 9 Partnerships and Trusts	Q 1 and 2 relating to Lecture Eight	16 March
10	Lecture 10 Companies	Q 1, 2 and 3 relating to Lecture Nine	23 March
11	Lecture 11 Fringe Benefits Tax.	Q 1, 2 and 3 relating to Lecture Ten	30 March
12	Lecture 12 Tax Administration	Q 1 relating to Lecture 11	6 April
13	EXAM PERIOD START		Mon 13 April Exam Period Starts

Lecture One
Introduction to taxation law
Tax formula, tax rates and tax offsets

Readings from Woellner, Barkoczy, Murphy and Evans *Australian Taxation Law 2009* CCH (referred to in this unit outline as “W”) for this weeks lecture.

Introduction to taxation law

Australian Legal System

W 1-310 to 1-520

Constitutional Aspects of Taxation

W 1-530 to 1-610

Tax formula, tax rates and tax offsets

W 2-000 to 2-540

W 2-640

International aspects of taxation

Introduction

W 24-010 to 24-020

Residence

W 24-040 to 24-066

Source

W 24-100 to 24-170

Presentation questions relating to Lecture One material to be presented in next weeks class:

Question One

You have been asked to present to students enrolled in ACCG857 for 10 minutes on the sources of the taxation laws in Australia. In your presentation you must provide an explanation and examples of each source of the tax laws so that students gain a clear understanding.

Question Two

You are Jason’s tax agent and are asked to prepare an estimate of the income tax he can expect to pay for the year ended 30 June 2008. Jason is a resident of Australia for tax purposes and has provided you with the following information for the purposes of estimating his tax payable:

Assessable income \$52,200

Deductions \$2,300.

- a) Calculate Jason’s tax payable for the year ended 30 June 2008, showing all workings.
- b) Recalculate Jason’s tax payable assuming he was a non- resident for the year ended 30 June 2008.

Question Three

Pauline was born in Australia and is married with two children. She is employed by Electronics Australia Pty Ltd but has accepted a transfer to the New Zealand subsidiary for 2 years.

Pauline's husband and children will go to New Zealand with Pauline and the family home in Australia will not be available to rent during that time. It is planned that Pauline and the family will return to Australia for a weekend every two months and at Christmas and Easter and will stay in the family home during those visits.

Advise Pauline on her residency status for tax purposes during the period of her employment in New Zealand. In that advice detail the Australian tax consequences of being a resident or non-resident.

Question Four

Star Sales Co manufactures lighting products in Singapore, is incorporated in Singapore and all shares are held by individuals resident in Singapore. All directors are resident in the United States.

Star Sales has an office in Sydney, Australia and employs 3 full time staff in that office. The Sydney office concludes sale contracts and is involved in marketing and promotion.

Discuss the Australian tax treatment of trading profits derived by Star Sales Co.

Lecture Two

General principles of income

Income from personal exertion

Readings from Woellner, Barkoczy, Murphy and Evans *Australian Taxation Law 2009* CCH (referred to in this unit outline as “W”) for this weeks lecture.

General principles of income

W 3-000 to 3-420

Income from personal exertion

W 4-000 to 4-170

Presentation questions relating to Lecture Two material to be presented in next weeks class:

Question One

Tom is employed on a full time basis as a garbage collector. At Christmas each year he often finds cartons of beer by bins that have been left by residents in gratitude for the terrific job he does each year.

Tom also receives a small payment each weekend throughout winter for playing football and at the end of the 2008 season he was voted by spectators as the most popular player for which he received from a local newspaper a Toyota Yaris car worth \$17,000 and a cash prize of \$500.

Advise Tom as to whether the above-stated receipts are assessable.

Question Two

Peter left his employment as a doctor with the Sydney Private Hospital on 1 January 2007 and is serving as a doctor with the Australian Defence Force Peacekeeping Unit in East Timor. Peter signed up for the role on the understanding that Sydney Private Hospital would pay Peter a supplement of \$500 per month during the period he serves with the Australian Defence Force.

Peter requests your advice as to the assessability of the \$500 supplement.

Question Three

Jane is employed with a large recruiting firm and in the course of her employment travels interstate on numerous occasions. Jane is a member of the Qantas Frequent Flyer Club and during the year ended 30 June 2008 Jane redeemed frequent flyer points for a return flight to Paris to visit her sister who lives there. If Jane had purchased that ticket it would have cost her \$2,200.

Advise Jane on the tax consequences, if any, of the free return flight to Paris

Question Four

Margaret receives a cash payment of \$40,000 from a television quiz show, as well as goods worth \$20,000. As a result of her success Margaret is invited back for a championship play-off. She wins \$50,000 in the championship play-off.

Advise Margaret as to whether the prizes constitute assessable income.

Lecture Three
Income from property

Income from business

Readings from Woellner, Barkoczy, Murphy and Evans *Australian Taxation Law 2009* CCH (referred to in this unit outline as “W”) for this weeks lecture.

Income from property

Interest W 5-200 to 5-260

Annuities W 5-300

Leases and rental income W 5-400 to 5-475

Royalties W 5-500 to 5-520

Income from business

W Chapter 6

Non-assessable income

W 9-000 to 9-025

Presentation questions relating to Lecture Three material to be presented in next weeks class:

Question One

Tectronic Buildings Pty Ltd owns three buildings in the Brisbane central business district. One of the buildings has just been completed and a number of proposed tenants are competing to obtain the lease of the top floor offices.

In light of the competition to lease the top floor offices Tectronic is able to demand not only a monthly lease payment of \$80,000 but also an upfront payment on commencement of the lease of \$50,000.

Explain the income tax treatment of the payments in respect of the top floor offices referred to.

Question Two

The tax legislation provides for two categories of non-assessable income. **What are the two categories of non-assessable and what are the consequences of the receipt of non-assessable income? In your answer please provide examples.**

Question Three

During the year ended 30 June 2007 Duran was employed full-time as a security officer. During that year Duran was also an amateur golfer who was paid by sponsors to cover tournament travel expenses (\$10,000 for 30 June 2007). On a number of occasions Duran’s employer allowed Duran to take leave without pay to compete in golf tournaments. He won two amounts of \$18,000 and \$14,000 in small tournaments during 30 June 2007.

In July 2007 Duran entered a major international ProAm golf tournament held in Australia. He won this ProAm and accepted the amateur’s prize of a car. Almost immediately a major golfing equipment manufacturer offered Duran A\$500,000 to become a professional golfer. Duran accepted this money and resigned from his employment as a security officer and in the

subsequent 12 months Duran won a total of AUD\$1.2 million from golf tournaments.

In August 2007 Duran appointed a sports management company to manage his golf career and as a result a major magazine agreed to pay a lump sum of \$100,000 for Duran to sit down with one of their writers and answer questions about his life. The magazine will hold the copyright to the story.

In January 2008, shortly after the magazine story was published Duran was struck by a fellow competitor's golf ball and he was badly injured. He received \$100,000 compensation for lost income and \$50,000 for personal pain and suffering.

Advise Duran of the tax treatment of the various payments he received during the years ended 30 June 2007 and 2008. Give full reasons for your advice referring to relevant cases and legislation.

Question Four

Fairweather Fishing Pty Ltd was a small company owned by a group of fishermen. It was formed in 1962 as the entity to buy a farm on the Thredbo River, which was to be used by a group of keen trout anglers. Over time, the land increased in value substantially due to growth in snow tourism. In 1996, Fairweather was offered \$4 million to sell the farm. Fairweather rejected the offer, and as most of the original owners were by then rather too old to fish (some had died, leaving their shares to their children) they instead decided to develop the farm as a tourist village involving building villas and recreation facilities across the entire farm. Because of the general poor health of the fishermen all development work was undertaken by a contractor and not by the fishermen. The tourist village undertaking cost \$8 million and, once the developer had been paid and all villas had been sold, the total amount realised was \$21 million.

Would Fairweather Fishing include the proceeds from sale of the tourist village in assessable income as ordinary income in accordance with Section 6-5? In answering this question consider whether Section 15-15 could apply.

Question Five

A firm of accountants, wishing to move into new premises, is induced to lease the top six floors of a new building erected by a developer. The developer is keen on the accountants moving in because their "name" will add to the prestige of the building and will help to attract other tenants. In return for agreeing to move in, the firm of accountants may be given either:

- a lump sum of \$200,000 to be shared between the partners
- a rent-free period of nine months, or
- a free fit-out of all furniture, etc.
- a payment to each partner and his or her family to have a ten-day holiday in Bali (however, if a partner is unable to take the holiday at the time it is no alternative is offered).

Discuss the tax implications of these alternatives for the firm of accountants.

Lecture Four

Tax Accounting Deductions Part 1

Readings from Woellner, Barkoczy, Murphy and Evans *Australian Taxation Law 2009* CCH (referred to in this unit outline as “W”) for this weeks lecture.

Tax Accounting

Tax accounting – Income
W 13-000 to 13-460

Deductions Part 1- General deductions (Section 8-1 ITAA 1997)

General deductions
Chapter 10
Meaning of incurred
W 13-500 to 13-520

Presentation questions relating to Lecture Four material to be presented in next weeks class:

Question One

Webster, Nicholls and Co is a public accounting partnership with eight partners, 15 employed salaried accountants and 20 support and secretarial staff. The partnership has offices in Brisbane, Townsville and Toowoomba. Although it is involved in some long-term projects, approximately 75% of turnover is represented by work taking less than three months to complete. Up to and including the year ended 30 June 2007, the partnership submitted its 2007 income tax returns on a cash received basis and the Commissioner assessed them on this basis. However, due to the increasingly complex nature of their activities the partnership has decided to submit its return for the year ended 30 June 2008 on an earnings basis.

Your advice is sought on the following matters:-

- (a) Must the Commissioner accept the altered basis for returning income? What are the relevant considerations?**
- (b) For tax purposes, in which income year are fees which were earned but not received prior to 30 June 2007 regarded as having been derived?**
- (c) What treatment should be adopted in respect of the value of work-in-progress (i.e. work not complete) as at 30 June 2008?**

Question Two

Tuffy FM has a viable business as an FM radio station in the small country town of RumTumba. Three times in the past three years Tuffy has taken potential rivals before the FM Radio Broadcasting Tribunal to stop their ambition to become licensees in RumTumba. If any of the rivals had obtained a licence Tuffy’s commercial viability would have been jeopardised. Tuffy has been claiming these expenses as tax deductions and is amazed to find that, after a tax audit, their claims have been declared invalid by the ATO.

Explain on what basis the ATO may have denied a tax deduction to Tuffy for expenses in preventing a rival obtaining a radio license.

Question Three

Petra works as a scriptwriter for the Six Television Network. She is provided with an office and all necessary equipment by Six. For creative reasons and to maximise productive output, rather than work at her Six office, Petra often works at home in an office she has set up specifically for this purpose. Six are quite happy about this but they do not provide any facilities for Petra to use at home.

Petra wishes to claim a deduction for expenses related to the home office (interest on mortgage, rates, electricity, insurance).

Advise Petra on the deductibility of the expenses related to the home office.

Question Four

Sam is a lawyer who operates his own business providing legal advice. He has four qualified staff. During the year ended 30 June 2008 Sam incurred the following expenses:

- A set of law reports containing all decided cases relevant to commercial law purchased for \$3,600 on 1 November 2007. The reports will be used in the firm for many years to come.
- An annual payment of \$250 for a weekly commercial law newsletter paid on 4 February 2008.
- Travelling costs of \$400 paid to a prospective employee to attend an employment interview.
- Professional indemnity insurance (for one year) of \$3,500 paid on 1 July 2007.

Discuss the extent to which the above-stated expenses are deductible in accordance with Section 8-1 of the ITAA1997

Question Five

Marissa is an assistant in a large delicatessen chain with prospects of promotion and is studying food technology at MacMine University in an effort to gain that promotion. She incurs the following expenses in relation to her studies:

- Bus fares for travelling from home to work in the morning. Bus fares from work to university for evening classes. Bus fares from university to home.
- The cost of her evening meal eaten between classes at the MacMine.
- Fees and textbook expenses for study at MacMine. She also wants to know if there are any other things that are relevant in respect of deductions for education expenses.
- Child care costs she incurs in order to study and in order to work.

Discuss the deductibility of the above-stated expenses incurred by Marissa and any records she needs in order to claim those expenses.

Lecture Five Deductions Part 2

Readings from Woellner, Barkoczy, Murphy and Evans *Australian Taxation Law 2009* CCH (referred to in this unit outline as “W”) for this weeks lecture.

Deductions Part 2 – Specific deductions

Introduction

W 11-000 to 11-012

Repairs

W 11-020 to 11-110

Bad Debts

W 11-440 to 11-460

Tax losses of earlier years

W 11-500 to 11-540

Tax related expenses

W 11-560

Lease document expenses

W 11-562

Borrowing expenses

W 11-565

Travel between workplaces

W 11-635

Gifts

W 11-680

Presentation questions relating to Lecture Five material to be presented in next weeks class:

Question One

A construction company incurred borrowing expenses of \$1080 on 1 March 2008 in relation to a new loan to fund further business expansion. The term the loan was 6 years.

To what extent would the borrowing expenses be allowed as a deduction for the year ended 30 June 2008? What kinds of expenses constitute borrowing expenses? Provide specific examples?

Question Two

In October 2007 Donna made the following payments to “Kwiktax”, a firm of registered tax Agents:

- Preparation of the tax return 2007 200
- Objection to the assessment 2006 180
- Financial advice on investment in shares 175
- Advice on tax planning 300

To what extent would the expenditure be allowed as a deduction for the year ended 30 June 2008?

Would it make any difference if instead of using the services of Kwiktax a tax tutor at Macquarie University had helped Donna prepare her tax return for a cash payment of \$150?

Question Three

James owns and operates a market research business in Sydney and purchased another market research business in Melbourne on 1 June 2007. Included in the price of \$250,000 paid for the Melbourne business was \$50,000 for the outstanding debtors.

On 1 October 2008 James realised that of the \$50,000 debts purchased only \$30,000 could be collected. The balance of \$20,000 was written off on 1 October 2008.

What are the tax consequences of the purchased debtors written off?

Question Four

On 8 August 2007 a storm struck the warehouse building owned by ICN Pty Ltd. Water leaked through the external warehouse roof, damaging the warehouse internal ceiling. ICN decided to fix the whole roof and ceiling using a new substance that was heavily insulated and that would keep the warehouse cooler, reducing the need for air conditioning that kept the warehoused materials at an appropriate temperature. The total cost of the new roof and ceiling was \$150,000 whilst the original quote that ICN received that only provided for a new internal ceiling and ensured the roof was water tight was only \$50,000.

Advise ICN on what tax deduction is available in respect of the above-stated costs.

Lecture Six

Capital allowances and capital works

Trading stock

Small business concessions

Readings from Woellner, Barkoczy, Murphy and Evans *Australian Taxation Law 2009* CCH (referred to in this unit outline as “W”) for this weeks lecture.

Capital allowances and capital works

Uniform capital allowance system

W 12-100 to 12-270

Black-hole Expenditure

W 12-300 12-330

Capital Works

W 12-400 to 12-440

Trading stock

W 14-000 to 14-160

Small business concessions

Overview

W 15-000

Presentation questions relating to Lecture Six material to be presented in next weeks class:

Question One

Fiona purchased a truck (carrying capacity 10 tonnes) for use in her delivery business for \$67,000 on 1 September 2006. She uses the truck 100% for business use at all times and is not using the Small Business Entity method of depreciation. The effective life of the truck at the time of acquisition was seven years.

Calculate the depreciation deduction, comparing both depreciation methods, with respect to the truck for the year ended 30 June 2008 showing all workings.

Question Two

Matrix Pty Ltd acquired a piece of machinery costing \$150,000, used for shrink-wrapping their product, on 1 January 2007. Matrix believed the machine to have an effective life of four years and claimed diminishing value depreciation on the machine.

On 30 June 2008 Matrix traded in the machine for a new model. Matrix was given \$100,000 for the old machine that was offset against the purchase price of a new machine costing \$350,000.

What are the taxation implications of these transactions? Please show all workings.

Question Three

Westend Pty Ltd's low-value pool closing balance for the year ended 30 June 2007 was \$5,000. During the year ended 30 June 2008 Westend acquired a computer printer for \$900. Its taxable use percentage is 100%. Also in the 2007/08 tax year, the taxpayer made a capital improvement to a photocopier already in the pool for \$330. Finally, in the 2007/08 tax year, Westend chose to allocate to the low-value pool an office desk. The opening adjusted value of the office desk as at 1 July 2007 was \$850.

What income tax deductions are available in respect of the expenditures referred to above?

Lecture Seven

Capital gains tax (CGT)

Readings from Woellner, Barkoczy, Murphy and Evans *Australian Taxation Law 2009* CCH (referred to in this unit outline as “W”) for this weeks lecture.

Capital gains tax

Overview

W 7-000

Design and structure of the CGT provisions

W 7-030 to 7-050

Identifying a CGT event

W 7-100 to 7-110

Disposal of a CGT asset: CGT event A1

W 7-120

Use and enjoyment passes before title: CGT event B1

W 7-130

End of a CGT asset: CGT event C1 to C3

W 7-140 to 7-155

Bringing into existence a CGT asset: CGT event D1

W 7-165

Australian residency ends: CGT event I1

W 7-370 to 7-375

CGT assets: definition and classification

W 7-500 to 7-540

Timing of acquisition of assets

W 7-550 to 7-570

Calculating a capital gain or loss from a CGT event

W 7-600

Capital proceeds

W 7-605 to 7-615

Cost base

W 7-620 to 7-625

Reduced cost base

W 7-630 to 7-635

General modifications to cost base and reduced cost base

W 7-640 to 7-660

Indexation of the cost base

W 7-690 -7698

Exceptions or exemptions that may apply to a CGT event

W 7-700 to 7-720

Main residence exemption

W 8-050 to 8-060

Consider roll-over provisions

W 7-800

Determining net capital gain/loss for the income year

W 7-900 to 7-960

Presentation questions relating to Lecture Seven material to be presented in next weeks class:

Question One

Max and Molly were in partnership providing gardening and landscaping services in the North Shore. Whilst working on a large commercial project a truck collided with their van and caught fire. The van and all its contents were neither useable nor repairable and had to be replaced.

Max Molly's original claim was for \$60,000 covering:

Replacing the van	\$45,000
Gardening Tools	\$ 2,000
Jackhammer	\$ 3,000
Loss of profits	<u>\$10,000</u>
	\$60,000

The trucking company, after a long protracted court case, agreed to pay \$45000 in compensation to the Max and Molly Partnership without reference to any particular item.

Advise Max, Molly and the partnership as to the tax consequences of the settlement. Please cite relevant authorities.

Question Two

Consider and advise with respect to the following unrelated transactions during the year ended 30 June 2008.

(i) In August 1986 A (a resident) acquired a canteen of Victorian cutlery 1891 for \$3,000. In May 2008 his residence is burgled and the item is stolen. It is insured for \$4,500.

(ii) B inherited an apartment in New York in September 1999. Its market value at the time was \$A1m. B lives in the residence until February 2002 (market value \$A1.5m) at which time she is transferred to her employer's Australian office. In January 2008 she resigns and leaves Australia to reside permanently in the Bahamas (market value of New York apartment \$A1.75m). During her stay in Australia B acquired several parcels of shares in Australian companies and a residential unit in Adelaide.

Question Three

Marc, an Australian resident sold the following parcels of shares during the year ended 30 June 2008:

Investment portfolio transactions for the year:

(i) 2000 Elders IXL shares acquired on 5 August 1989 at a cost of \$4,000. He was forced to sell this parcel of shares on 30 November 2007 at \$3,000 to prevent further loss. Brokerage costs of \$280 were incurred in the acquisition and of this parcel of shares as well as \$220 on their sale.

(ii) 500 CRA shares (received from her father's estate) sold on 29 September 2007 for \$4,000. (Her father purchased these shares on 2 June 1978 for \$1.10 each and they had a market value of \$4 per share at the time of her father's death on 2 August 1990). Brokerage fees of \$100 were incurred on the sale of these shares.

Calculate Marc's taxable income for 30 June 2008 assuming Marc derived no other income.

Question Four

In January 1999 Ingrid purchased a house in Strathfield for \$184,500. Ingrid lived in the Strathfield house until July 2003 when she accepted a job and moved to Cairns. Ingrid rented the house from July 2003 to August 2007 and at no stage did she own another house as she herself rented in Cairns. On 1 August 2007 she returned to Sydney and moved back into the house on that date and made it ready for sale. She lived in the house until 1 November 2007 when it was sold for \$835,300 under a contract dated 1 October 2007.

Advise Ingrid on the capital gains tax issues that arise with respect to the sale of the house in Strathfield

Lecture Eight
Goods and Services Tax (GST)

Readings from Woellner, Barkoczy, Murphy and Evans *Australian Taxation Law 2009* CCH (referred to in this unit outline as “W”) for this weeks lecture.

Goods and Services Tax

W 27-000 to 27-175

Presentation questions relating to Lecture Eight material to be presented in next weeks class:

Question One

Paul Griggs runs and owns a clothing factory in Sydney as a sole proprietor. Paul commenced business in October 1990 and turnover has averaged around \$800,000 for the last three years.

Paul has registered for the GST and has an ABN number and asks you the following questions concerning the GST. In answering Paul’s questions please explain your advice giving authorities where relevant.

Paul placed an order on 1 July 2007 for material from Milan, Italy. The fabric will cost A\$20,000 to buy overseas, freight and insurance will be A\$5,000 and customs duty A\$2,000.

What GST would Paul expect to pay on the transaction? When would the GST be due?

Based on the information you have been provided about Paul’s business what basis should Paul use to attribute GST to each tax period?

Paul entered into a contract to sell his business on 1 December 2007. The assets transferred on sale of the business by Paul on 1 December 2007 include the following items:

Goodwill \$200,000
Trading Stock \$ 20,000
Depreciable Assets \$50,000
Factory \$100,000

What are the GST implications on the sale of Paul’s business?

Question Two

Malcolm owns and operates a garden maintenance and lawn mowing business. He employs 2 casual staff, and is registered for GST.

For the 2007/08 income year Malcolm has recorded the following transactions:

Receipts (GST inclusive) \$

Fees from clients	28,000
Sale of second hand ride on mower	2,300
Expenses	\$
Fuel for vehicles and equipment (eg lawn mowers he kept receipts for all purchases over \$75 excl GST)	1,600
Equipment repairs (no ABN provided on tax invoice)	1,080
Rubbish-tip fees (\$10 per visit – receipt only)	210
Wages	3,000
Telephone	1,480
New equipment (no tax invoice provided)	11,400
Stump-grinder hire (see note 2)	500
Landscape supplies	15,800
Repayments of business loan (interest \$1,000, capital \$500)	1,500

Additional Information

1. In February 2008, Malcolm made a gift for no consideration, of an old lawn mower to his son. (The market value of the lawn mower at the time of the gift was \$250)
2. On 28 June 2008, he hired a tree stump-grinder and paid \$200 and a \$300 deposit. The deposit was refundable on the return provided the equipment was not damaged and it was returned by the agreed date.
3. Assume that all supplies are taxable (where appropriate), and that a valid tax invoice has been provided unless stated otherwise.

Advise Malcolm of the correct GST treatment and financial outcomes. (Calculations must be shown where relevant).

Lecture Nine

Taxation of partnership and trust income

Readings from Woellner , Barkoczy, Murphy and Evans *Australian Taxation Law 2009* CCH (referred to in this unit outline as “W”) for this weeks lecture.

Taxation of partnership income

W Chapter 16

Taxation of trust income

Overview

W 17-000

Aspects of the law of trusts

W 17-010 to 17-050

Outline of the taxation of trust income

W 17-060 to 17-100

Net income of a trust estate

W 17-110 to 17-130

Taxation of trust income

W 17-170 to 17-210

Problem areas in the taxation of trust income

W 17-270 to 17-290

Presentation questions relating to Lecture Nine material to be presented in next weeks class:

Question One

Evans and Downing operate a legal practice as partners.

On 1 March 2008 they admitted a new partner into the partnership. The terms of the agreement provided that the profits of the partnership would be shared equally.

At 30 June 2008 the partnership accounts for the whole year revealed a profit of \$100,000.

What is each partner's share of income from the partnership?

How would it affect your answer if Evans made a loan of \$50,000 to the partnership to fund partnership working capital on 1 May 2008. The interest rate on the loan was 15% p.a.

Question Two

Bill and Ben operate a flower business as partners. The partnership agreement provides that the profits or losses of the partnership should be divided equally after Ben, the active partner, receives a salary of \$60,000.

For the year ending 30 June 2008 the partnership made a profit of \$30,000 after the payment of Ben's salary.

Calculate the net partnership income and the distribution to partners for the year.

Suppose that the partnership made a loss of \$80,000 after the payment of Ben's Salary. Calculate the net partnership loss and the distribution to partners for the year.

Question Three

The Rose Family Trust is a discretionary trust created by Graeme Rose for the benefit of himself and his family. During the year ended 30 June 2008 the Rose Family Trust had net income of \$125,000 for the purposes of Section 95 of the ITAA1997. Graeme Ross is the trustee.

A share of net income of the Rose Family Trust for the year ended 30 June 2008 was allocated to the following family members:

- \$50,000 to Paul Rose who is 15 years of age attending school in Australia
- \$50,000 to Janet Rose who is 21 years of age and living in a home for the mentally handicapped
- \$25,000 to Paula Rose who is 30 years of age and lives in the United States

Advise Graeme Rose of any tax obligations he has as trustee in respect of the net income of the trust for the year ended 30 June 2008.

**Lecture Ten
Companies**

Readings from Woellner , Barkoczy, Murphy and Evans *Australian Taxation Law 2009* CCH (referred to in this unit outline as “W”) for this weeks lecture.

Companies

Introduction

W 18-000 to 18-010

Basic corporate and member taxation rules

W 18-100 to 18-130

Taxation of corporate distributions

W18-200 to 18-208

Simplified imputation system

W18-340 to 18-400

Presentation questions relating to Lecture Ten material to be presented in next weeks class:

Question One

Angela is an individual tax resident in full-time employment as a school teacher. She provides the following detail of her income and expenses during the year ended 30 June 2008:

Salary \$55,000

Cash dividend (fully franked) received from BHP shares \$350

Cash interest received (from a US bank account and net of withholding tax) \$360

Deductible expenses incurred \$855

Angela is not married and has no children. She does have private health insurance.

Calculate Australian tax payable by Angela for the year ended 30 June 2008.

Question Two

Grassroots Pty Ltd (Grassroots) is an Australian resident private company and on 1 July 2007 the franking account balance was \$20,000. Grassroots paid company income tax as during the year ended 30 June 2008 as follows:

21 July 2007 \$25,500

21 October 2007 \$25,500

21 January 2008 \$25,500

21 April 2008 \$5,300

In addition Grassroots received a cash dividend of \$17,000 from its subsidiary. The dividend was a fully franked dividend.

Grassroots paid a fully franked dividend of \$150,000 on 1 June 2008.

Prepare a franking account for Grassroots for the year ended 30 June 2008.

Question Three

Plus Pty Ltd has a deficit franking account balance of \$22,000 as at 30 June 2008 and total franking credits of \$320,000 for the year ended 30 June 2008.

What are the tax implications of Plus Pty Ltd having a deficit in their franking account as at 30 June 2008?

Lecture Eleven

Fringe Benefits Tax (FBT)

Readings from Woellner , Barkoczy, Murphy and Evans *Australian Taxation Law 2009* CCH (referred to in this unit outline as “W”) for this weeks lecture.

Fringe Benefits Tax

Introduction

W 26-000 to 26-040

Definition of a fringe benefit

W 26-100 to 26-170

Taxable value of a fringe benefit

W 26-200 to 26-250

Calculation of the fringe benefits tax

W 26-300 to 26-310

Reconciliation with other tax laws

W 26-330 to 26-360

Specific fringe benefits

- Car fringe benefit W 26-400 to 26-420
- Loan fringe benefit W 26-450 to 26-455
- Expense payment fringe W 26-500 to 26-505

Presentation questions relating to Lecture Eleven material to be presented in next weeks class:

Question One

Abbey Jones was employed by Block Publishing as the marketing manager commencing 1 July 2007. Block Publishing has agreed to provide the following benefits from 1 July 2007:

- Entertainment allowance \$3,000 pa.
- Telephone rental and charges up to maximum of \$1,500 pa
- Motor vehicle provided
Cost to Block Publishing \$60,000
Total travel for the year 8,000 km
50% private usage
No log-book was maintained
- Interest free loan of \$100000 to Abbey on 1 July 2007
Abbey plans to put the money towards the purchase of a principle residence.

Discuss and calculate the fringe benefits tax (FBT) liability with respect to Abbey's above-stated benefits for the FBT year ended 31 March 2008.

Lecture Twelve Tax Administration

Lodgment and assessment system
W 30-000 to 30-360
Assessment process
W 30-400 to 30-347
Self-assessment system
W 30-470 to 30-570
Amendment of assessments
W 30-600 to 30-690
Introduction to the tax appeal process
W 31-300 to 31-305
Tax Offences and Penalties
W 33-000 to 33-084

No presentation questions.

Written Assignment

(Maximum 1000 words)

Due Week commencing 9 February 2009

This assignment requires a student to apply their knowledge of the concepts covered in the first three lectures and is to be handed in during class in the week commencing 9 February 2009. Students will receive a grade for their assignment and a copy of the issues that the markers were looking to be addressed will be provided on Blackboard.

Although one of the characteristics of ordinary income is that it involve “sustained, regular and frequent” transactions this characteristic is only one factor and isolated, extraordinary or “one-off” transactions have been held to be ordinary income in accordance with Section 6-5 of the ITAA 1997. As determined in a number of tax decisions including the FC of T v The Myer Emporium Ltd 87 ATC 4363 isolated, extraordinary or “one-off” transactions will constitute ordinary income in certain circumstances.

In what circumstances will an isolated, extraordinary or “one-off” transaction constitute ordinary income for the purposes of Section 6-5 of the ITAA 1997? Please explain your answer by reference to relevant case law.

ACCG857 Tax Law T1 2009
Student Presentation Feedback and
Indicative Marks

This sheet will be used to give you your feedback for your presentations. You should prepare carefully recognising the things we will be looking for in your preparation and presentations.

Family Name _____ **First Name** _____ **Called** _____

Student Number _____

Student Presentation # _____

Presentation Day & Time _____

Lecturer _____

Your indicative mark as a percentage _____

Note that your indicative mark will be subject to adjustment (upwards or downwards) as all students' marks are standardised across all groups to lead to an overall average of between 70% and 80%.

You will receive this sheet within a few weeks of the in-class presentation and your lecturer may also keep a copy – but you should keep the original safe.

THE STANDARD AT WHICH YOU PERFORMED (rating will be circled)

6 = Outstandingly High (High Distinction plus level – a rare mark!) 5 = Distinction level
4 = Above Average (Credit level) 3 = Average (High Pass level) 2 = below average (needed more work to achieve good Pass) 1 = well below average (equates to a fail for poor or no performance)

Quality of <u>presentation MATERIALS</u>	6	5	4	3	2	1
<u>COMMUNICATION</u> with audience	6	5	4	3	2	1
<u>EXPLANATION</u> to meet class needs	6	5	4	3	2	1
Extent of thorough <u>UNDERSTANDING</u>	6	5	4	3	2	1
Identification of <u>TOPIC DIFFICULTIES</u>	6	5	4	3	2	1
Apparent <u>PREPARATION</u> and Reading	6	5	4	3	2	1
Prepare to and <u>comply with TIME LIMITS</u>	6	5	4	3	2	1

Other Comment