INCOME:

Company	30%
Super Fund	15%
Individual	Marginal Rates

s4-10

INCOME TAX = **(TAXABLE INCOME** x **TAX RATE)** - **OFFSETS**

also: for individual add medicare levy (1.5% x taxable income)

Framework for calculating taxable income = s4 **Div 6**   **Div 8**

TAXABLE INCOME = **ASSESSABLE INCOME** - **DEDUCTIONS**
                                    (Gross income)

                                         s6-5   **s6-10**

ASSESSABLE INCOME = **ORDINARY INCOME** + **STATUTORY INCOME**

Assessable Income EXCLUDES Non-Assessable Income, Non-Exempt Income & Exempt Income

ORDNARY INCOME s6-5(1 CSG 1-17

Income according to Ordinary Concepts	*(s.6-5(1))*	
Arising from employment or services		
Arising from carrying on a business		
Is regular/periodic/recurrent	*(FCT v Dixon)*	
NOT a capital amount		
Amounts received from the use of property (e.g. rent, royalty)	*Eisner v. Macomber*	
NOT a personal gift or windfall gain	*Scott v. FCT (1966)*	
Compensation for loss of income or profits	*Liftronic Pty Ltd v FCT*	
Isolated transactions entered into to derive profit	*(FCT v Myer Emporium Ltd)*	
Compensation for loss of trading stock	*FCT v. Wade*	
Reward for personal performance is income	*(Scott v FCT)*	
Must be in money, or convertible into money	*(Tennant v Smith)*	

DISTINCTION BETWEEN INCOME AND CAPITA CSG 1-19   *has table of comparatives*

CAPITAL RECEIPTS ARE NOT INCOME: CSG 1-20

Receipt more likely to be capital if:

Gain relating to a one-off or non-recurring event (e.g. sale of building used to conduct bu	*Californian Oil Products Limited (in liq.) v. FCT*
Amount received for a restrictive covenant or sterilisation of an asset	*Dickenson v. FCT*
Gain resulting from merely realising an investment in the most advantageous way	*Scottish Australian Mining Co Limited v. FCT*
Transaction occurring outside the ordinary course of business and	*Westfield Limited v. FCT*
not entered into with the intention of making a profit	
Received as a lump sum payment in relation to an asset	*McLaurin v. FCT*

DERIVATION OF INCOME CSG 1-16

SALARY&WAGES	On receipt, in accordance with the employment contract or award	*(Brent v. FCT)*	
TRADING INCOME	When stock is sold and debt is created (even if has deferred payment arran	*J Rowe and Son Pty Ltd v. FCT*	
	If dispute over whether amount is owing, amount not derived until dispute re	*BHP Billiton Petroleum (Bass Strait) Pty Ltd v. FCT*	
INTEREST	Individual investor - Assessable only upon receipt (unless in Ord Business)	*s6-5(4)*	*TR 98/1*
INTEREST	Accrued in Ordinary Course of Business (eg banks) is Income [see CSG 1-	*s6-5*	*TR 98/1*
	[See TR 98/1 for more scenarios]		
INTEREST	Interest (financial institutions and other taxpayers with Division 230 financial arrangements)		
	Under TOFA rules, accruals basis method = default mechanism. Test applies where		
	is sufficiently certain that there will be a gain over the duration of the arrangement		
DIVIDENDS	Derived when paid (receipted) or credited	*s44(1) ITAA 1936*	
RENT	Derived when received,	*TR 98/1*	
	unless carrying on a rental business = accruals basis method		
ADVANCE	Amts received in Advance for services are derived when EARNED	*(Arthur Murray v FCT)*	
PROF SERVICES	Depends on whether the services provided on cash or accruals basis.		
AGENT'S CDMISSION	When comish matures into recoverable debt and agent not obliged to take any		
	further steps before becoming entitled to the commission		
	Note: see [CSG 1-16] for more		

CASH vs ACCRUALS: CSG 1-15

Should "give a substantially correct reflex of taxpayers income"	*(Carden's Case)*
Sole Practioners can be assessed using CASH BASIS	*(FCT v Firstenberg)*
Large professional practices should use ACCRUALS BASIS	*(Henderson v FCT)*
Trading business (business selling trading stock) use ACCRUALS BASIS	*J Rowe and Son Pty Ltd v. FCT*
Generally, the most appropriate method for a business is the ACCURALS BASIS	

CHANGING METHODS:

In moving from Cash to Accruals, Debtors in last Cash year escape tax as	*(Henderson v FCT)*
income. But capital gain may arise.	

CONSTRUCTIVE RECEIPT APPROACH   CSG 1-14

Where a person gives instructions on how income is to be dealt with on their behalf
Person is deemed to have received that income when it is dealt with as directed by that person (ss 6-5(4) and 6-10(3)).

REIMBURSEMENT OF DEDUCTIBLE EXPENDI CSG 1-18

NON CASH BUSINESS BENEFITS   CSG 1-22

Assuming the benefit would otherwise be of an income nature, s. 21A(1) ITAA 1936 treats any
non-cash business benefit that is not convertible to cash as if it was convertible to cash

Exemption for low value non-cash business benefits
If the total amount of benefit under s. 21A(1) ITAA 1936 (i.e. net of the above reductions) does
not exceed $300, the benefit will be exempt from tax (s. 23L(2) ITAA 1936).

STATUTORY INCOME:

Amounts that are not Ordinary Income but ARE ASSESSABLE by other provisions *(s.6-10(2)) ITAA1997*

Includes:

CSG 1-24	A Scheme that has the intention of MAKING A PROFIT	*s.15-15*	*ITAA 1997*
CSG 1-25	Disposal of Leased car for a profit	*s. 20-110*	*ITAA 1997*
	Amount included in assessable income = lower of:		
See CSG 1-27 for LIST	Actual profit, total lease pmts deducted, notional depreciation for the lease period		
	Sale of WIP amounts received	*s. 15-50*	*ITAA 1997*
	Non-Cash business benefits Amt assessable is market value less contributi	*s.21A List 6-480*	*ITAA 1997*
	Except: when Total Annual Amount is less than $300	*s.23L(2)*	*ITAA 1997*
	It relates to non-deductible entertainment expenditure	*s.21A(4)*	*ITAA 1997*
	Royalties	*s.15-20*	*ITAA 1997*
	Reimbursed car expenses	*s. 15-70*	*ITAA 1997*
	Gain on disposal of a depreciating asset	*s. 40-285*	*ITAA 1997*
	Interest on overpayments of Tax and early payments of tax	*s.15-35*	*ITAA 1997*
	ETP's - Eligible Termination Payments	*s. 82-130*	*ITAA 1936*
	Excess of Closing Stock over Opening Stock	*s.70-35*	*ITAA 1997*
	Employee share schemes	*Division 83A*	*ITAA 1997*
	Dividends	*s.44*	*ITAA 1936*
	Liquidation Distributions	*s.47*	*ITAA 1936*
	Partnership Distributions	*s.92*	*ITAA 1936*
	Trust Distributions	*s.97*	*ITAA 1936*
	Deemed dividends – excessive pmtsby a private company to shareholders/	*s. 109*	*ITAA 1936*
	Deemed dividends – disguised profit distr by a priv comp to shareholders/a	*Division 7A*	*ITAA 1936*
	Foreign exchange gains	*s. 775-15*	*ITAA 1997*
	Superannuation benefits	*Divisions 301–30*	*ITAA 1997*
	Gain on a Division 230 financial arrangement	*s. 230-15*	*ITAA 1997*
	Net Capital Gains	*s.102-5*	*ITAA 1997*

Note: A net capital loss is carried forward to the next income year (to be offset against capital gain (if any)

EXEMPT INCOME

CSG 1-28

Ordinary or statutory income that is specifically excluded from assessable income   s.6-20
Net exempt income taken into account when calculating:

A current year tax loss	*s. 36-10*	
A prior year tax loss that can be claimed in the current year	*ss 36-15 to 36-20*	

Includes: income of entities that are exepmt no matter what type of income it is
income which is exempt no matter who receives it
income which is exempt only if it is dervied by certain entities

e.g	Income of religious, charitable and scientific institutions	*s.50-5*	*ITAA 1997*
	Income of public and non-profit hospitals	s.50-30	*ITAA 1997*
	Income of Trade Union and employer associations	s.50-15	*ITAA 1997*
	FOREIGN SOURCE INCOME FOR NON-RESIDENTS	s.6-5(3),s.6-10(5)	*ITAA 1997*
		s.23(r)	*ITAA 1936*
	INCOME EARNED IN OVERSEAS EMPLOYMENT	s.23AG	*ITAA 1936*
	BRANCH PROFITS OF AUSTRALIAN COMPANIES	s.23AH	*ITAA 1936*
	FRINGE BENEFITS	s.23L(1)	*ITAA 1936*
	Certain Income derived from approved overseas projects	s.23AF	*ITAA 1936*
	s.21A (Non-cash business benefits) amounts less than $300	s.23L(2)	*ITAA 1936*

NANE INCOME   CSG 1-29

Non-Assessable Non Exempt Income does NOT reduce TAX LOSSES (in the
way exempt income does)

e.g	Fringe benefit under the FBTAA 1986	s. 23L(1)	*ITAA 1936*
e.g	A 'non-portfolio' dividend paid by a foreign company to an Australian	s. 23AJ	*ITAA 1936*
	resident company –Aus Comp must hold 'at least 10% of the voting power'	Foreign Comp	
e.g	Taxpayers who supply g/s to which GST applies receive pmts including GST components.		
	GST component = NANE income	s. 17-5(a))	*ITAA 1997*

MUTUALITY PRINCIPLE   CSG 1-31

Recognises that a person cannot make a profit when dealing with themselves