Question 2

a) During the 2014/2015 income year Ivor received a net salary of $160,000 as a part-time lecturer at Monash University after PAYG of $55,000 tax was deducted from his salary by his employer.
b) He has an unabsorbed $6,000 capital loss from the sale of shares from the 2011/2012 income year.
c) He also has a carry forward Division 36 loss from a previous income year of $10,000
d) During the tax year Ivor made a gift of $1,000 to the Collingwood Football Club and a gift of $1,000 to the Red Cross
e) Neither Ivor, nor his children, are members of a Private Health Fund and do not have private hospital insurance.
f) He also earned $7,526 pay as part time reserve soldier, from which o tax was deducted
g) During the year ended 30 June 2015 he sold the following assets

   a diamond ring inherited from his grandfather sold for $2,586. He was given the ring when his grandfather passed away 2012. The ring was bought by his grandfather in February 1979 for $450. It was worth $1,125 at the date of his grandfather's death.

   An investment property bought in November 2003 for $350,000 and sold for $850,000 on 15 May 2015. Settlement will take place on 15 August 2015.

REQUIRED

Calculate the taxable income and tax payable for Ivor for the year ended 30 June 2015

Figures can be rounded to the nearest dollar.

You do not need to refer to any sections of the legislation.
You are only required to calculate the taxable income and the tax payable

ANSWER

Calc ulate taxable income

Taxable income = assessable income - deductions

Assessable income

Net income = $160,000

PAYG = $55,000

CGT Event =$850,000 - $35,000 = $500,000

CGT (sale of diamond ring) = $1,225

CGT 50% discount (for assets held more than 12 months)

CGT discount 50% (50% 0f $501,225) = $250,613

Part- time work = $7,526

Gross Income = $471,139

Deductions

Donations = $2000

Shares loss = $6,000

Division 3 = $10,000

PAYG = $55,000

Total deductions =$73,000

Medical levy (1.5%)

Taxable income ----- $471,139 - $73,000 = $398,139

Question 3

During the year the company incurs the following expenditure:

1. Buckets, sponges and rags $5,852
2. Advertising taken out to counter accusations of providing shoddy services to pensioners. This cost $5,846
3. Prepaid 10 months lease payments on a truck of $1,200 per month from 1 May 2015 to 28 February 2016
4. Legal fees spent of $5,250 in dispute with previous landlord
5. Legal fees of $1,200 spent in purchase of new warehouse premises

Required:

Advise Julie and Jonathan of how the above expenses will be treated for taxation purposes as at 30 June 2015.

In your answer please refer to relevant case law and legislation.

Answer

Introduction

The Australian Income Tax Assessment Act 1997 makes provision for assessable and non-assessable income in subsection 995 – (1) of the Act. This paper provides tax law advice for Julie and Jonathan.

To begin with, if they are Australian residents specific rules apply to their expenditure for tax purposes. The PSI allows for a range of general and specific deductions. In this case study, The two Income Tax Assessment Act 1936 and 1977 – Section 8-1 allows deduction of such expenses under Australian legislation.

Their outgoing is not private or domestic in nature but expenses incurred in producing their company income. In light of this, the deductions are allowable and exempted income for tax purposes.

Reference

1 ITAA 1936

2. ITAA 1997