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Family Name					
Given Name/s					
Student Number					
Teaching Period	Semester 2, 2018				

LAW511 – Australian Taxation Law	DURATION	
	Reading Time:	20 minutes
	Writing Time:	180 minutes
INSTRUCTIONS TO CANDIDATES		
<ol style="list-style-type: none"> The total marks for this exam: 60 There are three questions each worth 20 marks. Students are required to answer all questions. 		
EXAM CONDITIONS		
You may begin writing from the commencement of the examination session. The reading time indicated above is provided as a guide only.		
This is an OPEN BOOK examination		
Any calculator is permitted		
No handwritten notes are permitted		
Hard copy annotated English translation dictionary is permitted		
ADDITIONAL AUTHORISED MATERIALS	EXAMINATION MATERIALS TO BE SUPPLIED	
Any printed material with the exception of CDU Library books	1 x 20 Page Book 2 x Scrap Paper	

**THIS EXAMINATION IS PRINTED
DOUBLE-SIDED.**

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Suggested time allocation: 60 Minutes

Priyanka Ryan is a self-employed accountant and registered for GST
Her receipts and payments (not including GST) for the year ended 30 June 2018 are as follows:

Receipts

\$	
200,000	Professional accounting fees
25,000	Sales of Do-It-Yourself Superannuation guides
8,000	Income from part-time military service (note 1)
7,000	Dividends received from an Australian resident company fully franked
24,000	Net salary received from part-time lecturing at the University (\$6,000 in PAYG W)
5,000	Interest on Bank Deposits
10,000	Rental income from an investment property
500,000	Gambling wins (note 2)

Payments

\$	
14,000	Office rent
10,000	Cost of Do-It-Yourself Superannuation guides (note 3)
50,000	Salary paid to employee secretary
290	Purchase of new calculator
1,400	Cost of meals and entertainment for clients
1,200	Train fares for travel to and from work
2,200	Rates on family home
1,000	Tax agent's fees for preparing tax returns for last year
5,000	Gross medical expenses
2,000	Rates paid on above mentioned investment property
15,000	Interest paid on loan to acquire the investment property
5,000	Cost of painting the investment property immediately after purchasing the property
15,000	Cost of extending the bathroom in the investment property

Notes

- (1) The part-time military income is exempt.
- (2) Priyanka laid 602 bets on horses during this income year totaling \$100,000. She did not maintain an office nor employ staff for the betting activities. Her betting approach, which involved reading the racing section of the daily newspapers, yielded consistent profits. She kept records of every bet and results of successful wagers. She attended one racecourse per week and placed not more than one bet on each race. On other days she placed her bets at the local betting office.
- (3) The Opening stock value for tax purposes was \$19,000.
The FIFO Method however produces the following results for the Do-It-Yourself Superannuation guides at the end of the year:

Cost Price	12,000
Replacement Price	9,000
Market Selling Value	14,000

- (4) Priyanka has a carry forward past year tax loss of \$12,000.
- (5) Priyanka does not have private hospital insurance.

REQUIRED

Calculate Priyanka's tax liability for the year ended 30 June 2018. Provide justification for your calculations using legislation and case law.

QUESTION TWO

Marks: 20

Suggested time allocation: 60 Minutes

Abdul is your accounting client and has come to you to prepare his tax return. During the 2017-18 financial year, Abdul disposed of the following assets:

- (a) A two-storey residence at St Lucia in which he has lived for the last 30 years. He paid \$70,000 to purchase the property and received \$850,000 on 27 June of the current tax year, after the real estate agent deducted commissions of \$15,000.
- (b) Abdul sold vacant residential land originally purchased on 16 June 1984 for \$100,000. He initially intended to build a house on the land, but lacked the finance to do so. The land was sold for \$500,000. The contract of sale was entered into on 28 May 2018 and settlement is to take place on 30 August 2018.
- (c) A painting was purchased by Abdul for \$20,000 on 1 May 2009 and sold for \$30,000 on 30 April 2018.
- (d) He purchased a luxury motor cruiser that he has moored at the Manly Yacht club in late 2004 for \$110,000. He sold it on 1 June 2018 to a local boat broker for \$60,000.
- (e) Abdul bought BHP shares on 2 June 2017 for \$45,000. He sold those shares on 2 May 2018 for \$90,000.

Abdul has capital losses he is carrying forward from previous years of \$65,000 from the sale of an antique, and \$130,000 from the sale of some shares.

Abdul also received a salary of \$89,746 from her position as the manager of a small engineering consulting practice. In addition, Abdul won a motor car valued at \$35,500 from a winning raffle ticket.

REQUIRED:

Calculate Abdul's tax payable for the year ending 30 June 2018. Provide justification for your calculations using legislation and case law.

QUESTION THREE

Marks: 20

Suggested time allocation: 60 Minutes

Bruce Whelan established the “Whelan Family Trust” in 1990 with ABC Pty Ltd as the corporate trustee. Bruce and his wife May are the directors of the trustee company. The trust holds a variety of investments in property and cash. The trust was established to protect the investments as Bruce is always concerned that he could be sued for negligence.

The trust records for this income year disclose the following:

Receipts (\$)

80,000	Rent from investment properties
6,000	Interest from a bank account

Payments (\$)

2,000	Accounting expenses for tax return
10,000	Repairs to investment properties
4,000	Interest on a loan for the investment property
1,000	Legal expenses incurred in defending a claim by a tenant

May does not work. Bruce is a senior tax manager and received a salary of \$160,000 in this income year. Bruce and May are married. They have three children:

- a son, John, aged 21 years, a student at university who earned \$12,000 for the year;
- a daughter, Kim, aged 19, also a university student who earned only \$2,000 for the year; and
- a second daughter, Amy, aged 16 years, a full time high school student with no other income.

Bruce has his grandmother living with him and she had no income for the year. All family members are beneficiaries of the trust. Bruce also established a corporate beneficiary, and the corporate beneficiary is available to receive trust distributions.

REQUIRED:

Address the following and provide justification for your answer using legislation and case law:

- a) Calculate the net income of the Whelan Family Trust for this income year . (10 marks)
- b) Advise Bruce as to how he can distribute the net income in the most tax-effective way. (10 marks)

Tax rates 2017–18 - Individual

Taxable income	Tax on this income
0 – \$18,200	Nil
\$18,201 – \$37,000	19c for each \$1 over \$18,200
\$37,001 – \$87,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$87,001 – \$180,000	\$19,822 plus 37c for each \$1 over \$87,000
\$180,001 and over	\$54,232 plus 45c for each \$1 over \$180,000

The above rates **do not** include the:

- Medicare levy of 2%

COMPANIES

- Small business entities - 27.5%
- Other companies and entities - 30%