

The Choice of Business Entity: Corporate, Pass-Through, and Disregarded Entities

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Module: 2 - Principles of Assessable Income

Tax equation: Assessable income - Deductions = Taxable income

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Module: 3 - Principles of General and specific deductions

Positive limbs: General Deductions, Specific Deductions

Negative limbs: Limitations on deductibility

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Module: 4 - Capital Allowance Expenditure

General Depreciation rules, Balance Adjustment and rollover relief, SBE Capital Allowance, Special Capital Allowance

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Module: 5 - Capital Gains Tax (CGT)

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Module: 6 - Individuals

Tax offsets to individuals, Deductions

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Module: 7 Partnerships

Partnerships, Taxation of Partnerships

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Module: 8 - Trusts

Trust, Taxation of a trust

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Module: 9 - Companies and Dividends

Taxation of companies, Taxation of Dividends

Module: 10 - Consolidation

Consolidated Group, Transfer and utilization of losses, Key Consolidation rules, Compliance, Joining a Consolidated group

Module: 11 - Transfer Pricing

Transfer pricing Chart, Compliance

Module: 12 - Fringe Benefit Tax (FBT)

Essential FBT features, Benefit, 12 categories of FBT

Module 13: Goods and Service Tax (GST)

GST Supply

Taxable Supply, GST Free Supply

Fundamental GST concepts

Taxable Supply, GST Free supplies, Input taxed supplies, Taxable importations, Calculating GST, Input Tax Credits

GST Compliance & Reporting

Timing and account for GST liability

- Tax period
- Accounting for GST
- Net amount and adjustment
- Tax invoices

GST groups, Branches, Joint ventures

- GST group
- Branch
- Amalgamation

Anti avoidance provision

Special GST Issues and Transactions

- Insurance
- Financial services
- Incapacitated entities and mortgages in possession

The Choice of Business Entity: Corporate, Pass-Through, and Disregarded Entities

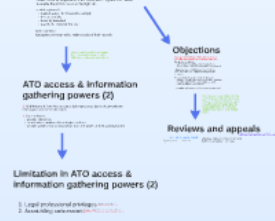
ASSESSMENTS (6)

- Full Self Assessment**
 - Entity self-assessment (Section 118) is an assessment by an entity for the tax year ending on 31/12/2018 or 31/12/2019. It is a self-assessment of the entity's tax liability for the year.
- Ordinary Assessment**
 - It is an assessment made by HMRC for the tax year ending on 31/12/2018 or 31/12/2019.
- Default assessment**
 - It is an assessment made by HMRC for the tax year ending on 31/12/2018 or 31/12/2019.
- Special Assessment**
 - It is an assessment made by HMRC for the tax year ending on 31/12/2018 or 31/12/2019.
- Other assessment**
 - It is an assessment made by HMRC for the tax year ending on 31/12/2018 or 31/12/2019.
- Consolidated**
 - It is an assessment made by HMRC for the tax year ending on 31/12/2018 or 31/12/2019.

Amendment of assessments Time frames (4)

1. The basic 2 year time limit
2. Four year time limit
3. Unlimited time
4. Second and subsequent amendments

Tax Audits



Payment of income tax

- General timing
- PAYE
- Other

Ruling

- Public vs. Private vs. Conf. Rulings
- Types & responsibilities

Penalties

- Administrative Penalties (5)
- CIC & SIC

Anti-avoidance

- Auditors for public entities
- Trusts and entities
- Requirements for tax compliance
- Consequences of non-compliance

Tax Agents

- Benefits
- Type of Agent
- Requirements of an agent
- Consequences

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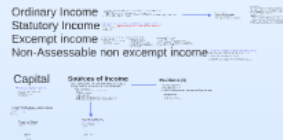
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Module: 2 - Principles of Assessable Income

Tax equation

Income Tax Payable = (Taxable income × Rate) - Tax Offsets

Assessable income



Income from Business

Compensation (4)

1. Loss of profits and trading allowances
2. Loss of office
3. Loss of agency
4. Remuneration agreement

Module: 6 - Individuals

Requirements to lodge income tax return

- If any of the following apply, you need to lodge a tax return:
 - You withdrew under PAYE, You do (PAYG) or instalment system
 - Repatriation fringe benefit to you (ATO) company
 - Lodged an activity or stay-in-residence amount
 - Received dividends with franking credits
 - 18-25 years old and earn more than \$12k (not including working income)
 - Caretaker or guardian
 - Beneficiary or received distribution from

Payment on termination of employment

- Employment termination payments
- Redundancy / Early retirement
- Unused Leave

Tax offsets to individuals

1. Family tax rebates

Levies and other Charges

1. Medicare Levy
2. Higher education assistance

Module: 3 - Principles of General and specific deductions

Positive limbs

- First positive limb:
- Second Positive limb:

General

Negative limbs

1. Loss or outgoing of capital or capital in nature...
2. Loss or outgoing of private or domestic nature...
3. Incurred in giving or producing exempt income or non assessable non exempt income...
4. A provision of the Act denies the taxpayer a deduction...

General deductions

- Interest
- Damages & penalties
- Advance payment of rent
- Exchange losses

Specific exclusions

- ...
- ...
- ...

Specific Deductions

- Repairs
- Bad debts
- Specifically deductible expenses
- Tax losses of previous years

Limitations on deductibility

- Entertainment Expenses
- Occupational clothing
- Payment to related entities
- Prepaid expenditure
- Losses from non-commercial business activities
- Substantiation of expenditure
- Thin capitalisation

Module: 7 Partnerships

Partnerships

Partnership is defined as the relationship which subsists between persons carrying on a business in common with a view to profit.

Tax purposes a partnership is...

Not a partnership

Taxation of Partnerships

- Partnership income
- Partnership loss
- Non commercial loss & partnership losses from business activities

Module: 4 - Capital Allowance Expenditure

General Depreciation rules

Depreciation

flow chart
Calculation of depreciation

Balance Adjustment and rollover relief

Termination Value
Relief for involuntary disposal
Balancing low value pool
Rollover relief

Deduction for capital expenditure on capital works

Construction expenditure
Capital works
Types of capital works
Features of division 43

SBE Capital Allowance

Exceptions

ISC
Innovative Deduction for low cost assets
Depreciation in the general capital allowance pool
Involuntary relief or disposal of a depreciating asset
Accelerated deduction for motor vehicles

Special Capital Allowance

Project Expenditure Pool
Blackhole Expenditure Pool

Module: 8 - Trusts

Trust

Taxation of a trust

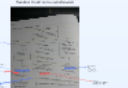
A trust is an equitable obligation, binding a person (trustee) to deal with a property over which they have control (trust property), for the benefit of persons (beneficiaries)

Components of a trust

- Settlor
- Settled Sum
- Trust property
- Trustee
- Beneficiary/object
- Trust Deed

Tax liability is owed as follows:

- Where the trust is applied to the net income of the trust estate, with the resultant tax liability being assessed by the beneficiary
- If the beneficiary is under legal disability, the liability will be assessed to the trust of the trust estate



Net income of trust + implications on distribution

- Calculate the 'income of the trust estate'
- Calculate the 'net income' of the trust
- Net capital gains, business distributions, & streaming
- Calculate beneficiary share and apply to net income
- Determine residency of beneficiaries
- Tax implication of each allocation

Module: 5 - Capital Gains Tax (CGT)

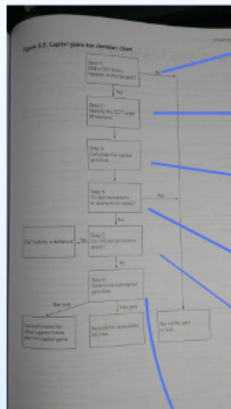
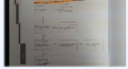
Net Capital Gains = Capital gains - Capital losses - CGT discount - CGT small business concession

6 steps approach to CGT

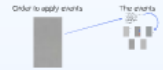
PRE-GST assets

- Capital gains arising from a CGT event
- Each component is calculated separately
- Losses can be first surrendered or carried back to previous years
- CGT discount & small business concession is only available to certain taxpayers

Flow Chart - introduced with other tax legislation



CGT Events



Special circumstances

- Partnerships
- Deceased estates

CGT Asset



Calculate capital gain/loss



Considering exceptions or exemptions



Considering rollover provisions

- Disposal of assets to create or re-create an asset is a wholly owned company
- Replacement asset rollover
- Damage relief
- Same asset rollover

Determining net capital gain/loss



CGT concessions and special rules

- Main residence
- Small Business relief

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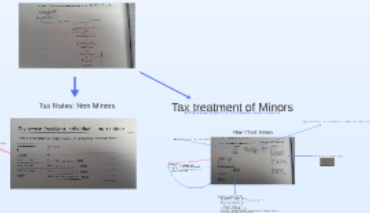


Module: 6 - Individuals

Requirements to lodge income tax return

- If any of the following apply, you need to lodge a tax return:
 - You withheld under Part 1A the tax (PAYG) on treatment system
 - Replicable fringe benefits or FBT exemption
 - Lodged an activity or pay on threshold amount
 - Received dividends with franking credits
 - 18-20 years old and earn more than \$455 (not including working income)
 - Carried on a business
 - Non-Resident or resident distribute from:
 - Trust, company, partnership
 - Multi-system or related to deductions
 - Special dividend
 - Small company, investor, partner or resident
 - Income from foreign income:
 - Rental income or royalties
 - Abroad tax free threshold

Flow chart: Calculating Tax



Payment on termination of employment

- Employment termination payments
- Redundancy / Early retirement
- Unused Leave

Superannuation Benefits

- can be paid for
- Paid as
- Components:
- Proportional rule:

Annuities and Pensions

- Annuity
- Recovery of capital/advance

Dividends

- Resident
- Non-Resident

Foreign source salary & wages

- Resident
- Non-Resident

Deductions

- Allowable deductions
- Employee or contractors

Tax offsets to individuals

1. Family tax rebates
2. Rebates that limit the effective tax rate
3. Rebates that effectively increase the tax threshold
4. Rebates to prevent double tax
5. rebates to encourage government policy

Application order

1. Family tax rebates (and other offsets)
2. Rebates that limit the effective tax rate
3. Rebates that effectively increase the tax threshold
4. Rebates to prevent double tax
5. Rebates to encourage government policy

Levies and other Charges

1. Medicare Levy
2. Higher education assistance
3. Family Tax benefits

Specific Issues

- Personal Service Income (PSI)
- Employee share scheme

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Module: 10 - Consolidation

Second Positive limb:

General

Negative limbs

1. Loss or outgoing of capital or capital in nature
2. Loss or outgoing of private or domestic nature
3. Incurred in gaining or producing exempt income or non assessable non-exempt income
4. A provision of the Act denies the taxpayer a deduction

Specific exclusions

Bad debts
 Specifically deductible expenses
 Tax losses of previous years

Occupational cleaning
 Payment to related entities
 Prepaid expenditure
 Losses from non-commercial business activities
 Substantiation of expenditure
 Thin capitalisation

Module: 7 Partnerships

Partnerships

Partnership is defined as the relationship which exists between persons carrying on a business in common with a view to profit.
 The purpose of a partnership is an association of persons (fewer than a company or limited partnership) carrying on a business as partners or in receipt of ordinary income or statutory income purely as a limited partnership.

Tax incentives revolved by partnership binds all partners

- Not a partnership
- Who can be a partner
- how partnerships are formed
- Anti avoidance

Joint venture

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Taxation of Partnerships

- Partnership income
- Partnership loss
- Non commercial loss & partnership losses from business activities
- Partnership election
- Partner's salary
- Partner's interest
- Life insurance and Superannuation
- Work in progress
- Real & effective control of partnership income
- Alteration of partner's entitlement to profit
- Dissolution or reconstitution of a partnership

Module: 11 - Transfer Pricing

SBE Capital Allowance

Exceptions



Immediate deduction for low cost assets
Dependent on the general and business asset
Rollover relief on disposal of a qualifying asset
Accelerated deduction for certain vehicles

Special Capital Allowance

Project Expenditure Pool
Blackhole Expenditure Pool

Module: 8 - Trusts

Trust

Taxation of a trust

A trust is an equitable obligation, binding a person (trustee) to deal with a property over which they have control (trust property), for the benefit of persons (beneficiaries)

Components of a trust

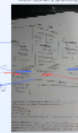
- Settlor
- Settled Sum
- Trust property
- Trustee
- Beneficiary/object
- Trust Deed
- Vesting period
- Guardian
- Appointor

Types of Trusts

1. Created by a person during their life time (**inter-vivos trust**)
 - Root trust
 - Discretionary trust
 - Hybrid trust
2. Trust created by will or on the intestacy of an person
3. Trust created by the operation of rules of law

The liability is owed as follows:

- Statute of the trust is applied to the net income of the trust estate, with the resultant tax liability being assessed by the beneficiary
- If the beneficiary is under legal disability, the liability will be assessed to the trust of the trust estate



Net income of trust + implications on distribution

1. Calculate the 'income of the trust estate'
2. Calculate the 'net income' of the trust
3. Net capital gains, losses distribution, & stemming
4. Calculate beneficiary share and apply to net income
5. Determine residency of beneficiaries
6. Tax implication of each allocation

Trust Losses

Family trust



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Module: 12 - Fringe Benefit Tax (FBT)

Essential FBT features

- FBT is included in an individual's assessable income (it is non-assessable for average income)
- Fringe benefit is paid by the employer
- FBT is based at 4.75% flat
- FBT year runs from 1 April to 31 March
- FBT needs to be budgeted

12 categories of FBT

Administration

Car Benefits