

Tax Essentials

Annual Taxation Summary Manual

2021

15th Edition

A simplified summary of the Australian taxation system

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CHAPTER 1

The Australian Tax System

HISTORY

Throughout Australia's post-Federation period, income tax collections have been affected by the funding requirements of major World Wars and have certainly played a role in the thorny issue of Commonwealth/State relations.

Prior to Federation in 1901, income tax was first imposed by the States starting with South Australia in 1884, closely followed by Victoria and NSW in 1895.

The Federal Government introduced an income tax in 1916 largely to fund Australia's involvement in the First World War, but it was still the States that collected income taxes, both for themselves and on behalf of the Federal Government. In 1932, at the time of the Great Depression, the Lyons Federal Government briefly took over collection of income tax from the Lang Labor NSW Government. This constitutional crisis was soon resolved however, and the states retained responsibility for tax collection when a new consolidated act (the Income Tax Assessment Act 1936) was passed in 1936.

However, in 1942, at the height of World War II, the Commonwealth took over all income tax collection. This position remains unchanged to the present day. The States received annual grants from the Commonwealth to fund their revenue needs until 1 July 2000, when the Goods and Services Tax (GST) was introduced with proceeds going directly to the States, replacing the grants system.

Over the years there were many changes and insertions into ITAA 1936, rendering the act incomprehensible even to many professionals.

In the mid 1990's the Government decided to "simplify" matters by re-writing the complete act. This process commenced in 1997 with the introduction of the Income Tax Assessment Act 1997 (ITAA 1997).

Eventually ITAA 1997 will supersede the prior 1936 Act.

In 1998 the Howard Government began a comprehensive programme of tax reform and suspended further activity on updating the 1997 Act. This will further delay completion of the 1997 Act. Until ITAA 1936 is completely re-written, tax professionals need to be familiar with both Acts.

Over the years numerous taxpayers have argued, some at High Court level, that collection of taxes is unconstitutional. These attempts have proved fruitless with Courts finding that the Commonwealth Government has full power to impose taxes provided it does not discriminate between the States and does not impose taxes on property belonging to a State.

The Australian Taxation Office – A brief history

When the ATO announced 100 years of service to the Australian community, they outlined some key dates which we have further augmented to include changes in taxation policy:

- 1910** – Federal Land Tax Branch established with 105 staff – 15,000 returns assessed in first year.
- 1915** – Income Tax Assessment Act introduced.
- 1917** – Female employment introduced due to men away at war.
- 1924** – State Tax Office branches amalgamated.
- 1930** – The sales tax introduced.
- 1933** – Flour tax introduced for one year, at a time when flour production exceeded sale price.
- 1944** – The Pay-As-You-Earn (PAYE) tax system introduced.
- 1952** – Federal Land Tax abolished.
- 1966** – The decimal currency introduced in Australia.
- 1975** – The first tax computer system-the Central Taxpayer System – commenced operation.
- 1978** – A surge in tax avoidance schemes (known as bottom-of-the-harbour) resulted from soaring inflation and threatened the integrity of the tax system.
- 1986** – Self-assessment introduced.
- 1987** – Electronic Lodgement System (ELS) for tax agent's trialed.
- 1988** – The first 'Tax Help' volunteer program was introduced to help people in need prepare their tax returns.
- 1997** – The Taxpayers' Charter introduced, setting out taxpayers' rights and standards of service.
- 1999** – e-tax launched resulting in 27,000 lodgements.

- 2000** – Introduction of ‘The New Tax System’ – the ATO delivered the largest range of tax reforms in its history including the introduction of the GST and Pay As You Go system as part of broader business tax reform.
- 2007** – Implementation of ‘Better Super’ – the biggest reform to superannuation ever.
- 2009** – A one-off tax bonus payment worth \$7.7 billion was distributed to 8.7 million people. It was the largest payment ever made through the tax system and one of the most significant in Australia’s history.
- 2010** – Over 2.3 million taxpayers lodged online using e-tax, which has evolved to include pre-filing, online help and automatic calculations. The number of people using e-tax continued to rise until it was replaced by myTax in 2016.
- 2014** – In the wake of Operation Wickenby, the amnesty for Australians with offshore, tax avoidance funds closed in December of that year. The ATO along with other G20 revenue authorities form pact to tackle base erosion and profit shifting (BEPS).
- 2015** – Unprecedented clashes between States and the Commonwealth Government over the allocation of GST revenue.
- 2016** – The Government’s White Paper on tax reform abandoned in the heat of an Election year.
- 2020** – The cash flow boost and jobkeeper allowance, both administered by the ATO, helps keep the economy afloat during the Covid-19 crisis.

ATO AND TREASURY ROLES

The Treasury and the ATO are joint stewards of Australia’s tax system and aspects of Australia’s superannuation system. The ATO’s role is to effectively manage and shape the tax and superannuation systems to support and fund services for Australians.

The ATO administers the tax law and key elements of the superannuation law and provides advice to Treasury to support the development of tax legislative measures. The Treasury is responsible for the design of the tax system and its components, and retirement income policy, in relation to economic efficiency, equity, income distribution, budgetary requirements and economic feasibility.

The ATO’s working arrangements with Treasury are governed by a Tax and Superannuation Protocol, which encourages collaboration and early engagement, assurance on the quality of new tax and superannuation law, and the earliest possible identification and communication of issues.

HOW LAWS ARE MADE

The legislation administered by the ATO is created by parliament.

A proposed law, or amendment to an existing law, is introduced into parliament in the form of a Bill. A Bill must be passed in identical form by both houses of the parliament and then presented to the Governor-General for royal assent. If no date is specified, the law is enacted 28 days after the Bill receives royal assent.

Legislative instruments are made under the authority of an Act. An Act may delegate or give power to make laws in the form of regulations, orders, by-laws or other instruments to a particular person, or body of people.

LODGEMENT AND PAYMENT OF TAX

The Australian income tax year starts on 1 July and ends on 30 June each year.

Income taxes are determined from taxable income disclosed in income tax returns which are required to be prepared and lodged each year by individuals, trusts, partnerships, companies, and other entities.

Each year required lodgement dates are gazetted; however, if a taxpayer is using a tax agent, extra time is normally granted in accordance with the tax agent’s lodgement programme. Tax returns are lodged and assessed on an annual basis.

Individual taxpayers usually pay their taxes throughout the year under the Pay As You Go (PAYG) System which involves deductions from salaries and wages or quarterly instalment tax payments.

Most individual business taxpayers are required to meet their tax obligations quarterly.

Income tax rates were reduced when the Goods and Services Tax (GST) was introduced on 1 July 2000, and some taxes such as sales tax were abolished. However, some State taxes such as payroll tax still exist despite the Federal Government’s intention that they be abolished. The GST initially turned into a cash windfall for the States.

Further obligations some taxpayers have are Business Activity Statements (BAS) and Instalment Activity Statements (IAS).

Partnerships and Trusts do not normally pay tax. The income flows down to individual partners or beneficiaries who are assessed on the amounts distributed to them.

In order to prevent double taxation of dividends, companies can frank their dividends (to reflect company tax paid) and these franking credits are refundable to taxpayers if the amount of tax paid is less than the amount of the franking credit.

Franked dividends paid to discretionary trusts flow through to nominated beneficiaries who are able to claim the franking credits.

Taxable income is calculated by adding all assessable income, then deducting all allowable deductions from the total. To determine the actual tax payable from the table below, multiply the taxable income by the marginal tax rate and deduct any tax offsets and credits.

2019/20- and 2020/21-Income Tax Rates for Resident Individuals

Taxable Income \$	Tax Payable
0 – \$18,200	0%
\$18,201 – \$37,000	19% over \$18,200
\$37,001 – \$90,000	\$3,572 + 32.5% over \$37,000
\$90,001 – \$180,000	\$20,797 + 37% over \$90,000
\$180,001 +	\$54,097 + 45% over \$180,000

*The above rates do not include the Medicare Levy of 2.0%.

As part of the 2019 Federal Budget, the Morrison Government announced the following changes to income tax brackets:

2022-23 to 2023-24 Income Tax Rates for Resident Individuals

Taxable Income \$	Tax Payable
0 – \$18,200	0%
\$18,201 – \$37,000	19%
\$37,001 – \$90,000	32.5%
\$90,001 – \$180,000	37%
\$180,001 +	45%

2024-25 onwards Income Tax Rates for Resident Individuals

Taxable Income \$	Tax Payable
0 - \$18,200	0%
\$18,201 - \$45,000	19%
\$45,001 - \$200,000	30%
\$200,000 +	45%

*The above rates do not include the Medicare Levy of 2.0%.

Payments to Working Holiday Makers rates for 2019/20 and 2020/21

Taxable Income \$	Tax Payable
0 – \$37,000	15%
\$37,001 – \$90,000	\$5,550 + 32.5% over \$37,000
\$90,001 – \$180,000	\$22,775+ 37% over \$90,000
\$180,001 +	\$56,075 + 45% over \$180,000

*Note that Medicare Levy is not payable by Working Holiday Makers who are non-residents for tax purposes.

2019/2020 and 2020/21 Resident Minors – Unearned (Division 6AA) Income

The following rates apply to the income of certain minors (e.g. persons under 18 years of age on the last day of the income year who are not classed as being in a full-time occupation) that is not excepted income (e.g. employment income). Note that Medicare Levy may also be payable and resident minors are not entitled to the low-income tax offset in respect of ‘unearned income.’

Division 6AA Income \$	Tax Payable *
0 – \$416	Nil
\$417 – \$1,307	66% of excess over \$416
\$1,308+	45% of the entire amount

*The above rates do not include the Medicare Levy of 2%

2019/2020 and 2020/21 Assessment – Resident Deceased Estate

The following rates apply where a trustee is assessed under S.99 ITAA 1936 in respect of a resident deceased estate. Where the date of death is less than 3 years before the end of the income year, the trustee is assessed as a resident individual, with no Medicare Levy.

Taxable Income \$	Rate % *
Less than 3 years since death	
0 – \$18,200	Nil
\$18,201 - \$37,000	19% of excess over \$18,200
\$37,001 - \$90,000	\$3,572 + 32.5% of excess over \$37,000
\$90,001 - \$180,000	\$20,797 +37% of excess over \$90,000
\$180,001+	\$54,097 + 47% of excess over \$180,000

Taxable Income \$	Rate % *
3 Years or more since death	
0 - \$416	Nil
\$417 - \$670	50% of excess over \$416
\$671 – \$37,000	\$127.30 +19% excess over \$670
\$37,001 - \$90,000	\$7,030 + 32.5% of excess over \$37,000
\$90,001 - \$180,000	\$24,225 +37% of excess over \$90,000
\$180,000+	\$57,555 + 45% of excess over \$180,000

MEDICARE LEVY

In addition to income tax, a Medicare levy of 2.0 per cent is charged on a resident taxpayer's taxable income.

Note that some taxpayers are exempt from the Medicare levy because of their foreign earnings status, or the type of health care which is provided to them.

The below figures are for the year ended 30 June 2020.

Category of taxpayer	No levy payable if taxable income or family income does not exceed (figure for 2018-19)	Reduced levy if taxable income or family income is within range (inclusive)	Ordinary rate of levy payable where taxable income or family income is equal to or exceeds (figure for 2018-19)
Individual taxpayer	22,801 (22,398)	22,802 – 28,501	28,502 (27,998)
Single taxpayers eligible for SAPTO	36,056 (35,418)	36,057 – 45,069	45,070 (44,273)
Families eligible for SAPTO	50,191 (49,304)	50,192 – 62,738	62,739 (61,630)
Families with the following children and/or students	(family income) 38,474 (37,794)	(family income) 38,475 – 48,092	(family income) 48,093 (47,243)

Low-income earners are exempt, so that in 2019/20, if taxable income is \$22,801 or less, no Medicare levy is payable. The family income threshold increases by a further \$3,533 for each extra child or student.

MEDICARE LEVY SURCHARGE

The Medicare Levy surcharge is currently (2019-2020 financial year) paid by people who earn more than \$90,000 (single) or \$180,000 (family) and do not have private health insurance hospital cover. Note, the thresholds go up by \$1,500 per dependent after the second child or student.

If you or your family do not have hospital cover, or you do not maintain your cover, you may have to pay the Medicare Levy surcharge. Using the below table, you can work out your tier to see if the changes will affect you.

Income thresholds for 2019–20

	Unchanged	Tier 1	Tier 2	Tier 3
Singles	\$90,000			
or less	\$90,001 – 105,000	\$105,001 – 140,000	\$140,001 or more	
Families*	\$180,000 or less	\$180,001 – 210,000	\$210,001 – 280,000	\$280,001 or more
Rates	0.0%	1.0%	1.25%	1.5%

* The family income threshold is increased by \$1,500 for each Medicare levy surcharge dependent child after the first child.

In the May 2016 Federal Budget, the Government announced it would continue to pause on indexation of the Medicare Levy Surcharge and Private Health Insurance till 30 June 2021.

TAXATION RULINGS

A system of public and private rulings was introduced on 1 July 1992.

A public ruling or determination essentially sets out the ATO's interpretation of the legislation applied to certain situations. Public Rulings may be relied upon as they are binding on the ATO. If a taxpayer takes a matter to court, it is possible for an unfavourable ruling to be overruled.

If a taxpayer requires guidance before making a claim or entering a transaction, a private ruling may be applied for. Once issued, private rulings are binding on the ATO for that particular taxpayer only. Individuals are able to apply for binding oral rulings for simple tax matters. The application must be made orally and generally by the person concerned.

FAMILY PAYMENTS – KEY ASPECTS

Eligibility Basics

- have a dependent child or full-time secondary student younger than 20 years of age who is not receiving a pension, payment, or benefit such as Youth Allowance
- provide care for the child for at least 35% of the time
- meet an income test

Eligibility for FTB Part A

Family Tax Benefit (FTB) Part A is paid per child. The amount paid depends on your family's circumstances.

You may be eligible for FTB Part A if you care for a dependent child who is:

- 0 to 15 years of age; or
- 16 to 19 years of age; and
 - is in full time secondary study in an approved course leading towards a year 12 or equivalent qualification
 - has an acceptable study load; or
 - has been granted an exemption

If your child is 16 to 19 years of age and is in full time secondary study, you will receive payments until the end of the calendar year they turn 19 years of age.

Children that are 16 to 19 years of age who are in home school must be in an approved course leading towards a year 12 or equivalent qualification to meet the study requirements.

You must also meet an income test and residence requirements and care for the child at least 35% of the time.

You will need to take reasonable steps to obtain child support if you are separated from the child's other parent.

You will also receive the Newborn Upfront Payment and Newborn Supplement if you:

- are eligible for FTB Part A
- recently become a parent through birth or adoption

Newborn Supplement is paid for up to 13 weeks with your regular fortnightly FTB Part A payment.

Eligibility for FTB Part B

Family Tax Benefit (FTB) Part B gives extra assistance to:

- single parents

- non-parent carers such as grandparents, great grandparents, and
- couples with one main income

An example of this may be where one parent stays at home to care for a child full time or balances some paid work with caring for a child. This payment is income tested.

If you are a member of a couple, you may be eligible for FTB Part B if you care for a dependent child 12 years of age or younger at least 35% of the time.

If you are a single parent, grandparent, or great grandparent carer, you may be eligible for FTB Part B if you care for a child at least 35% of the time and the child is:

- younger than 16 years of age; or
- a full-time secondary student, up until the end of the calendar year in which they turn 18 years of age

Home schooling for children 16 to 19 years of age does not satisfy study requirements for FTB.

The rate of FTB Part B is based on an income test. You also need to meet residence requirements.

You may be eligible for FTB Part B if you are a:

- parent
- guardian
- foster carer
- grandparent
- great grandparent, or
- another non-parent carer

Immunisation Requirements

To get Family Tax Benefit (FTB) Part A supplement and Child Care Benefit your child must meet immunisation requirements.

Income Tests FTB Part A

If you or your partner receives an income support payment or your family's adjusted taxable income is \$55,626 or less, you may receive the maximum rate of FTB Part A. Shading provisions apply on income over this level depending on family circumstances and number of dependents.

Income Test FTB Part B

Family Tax Benefit (FTB) Part B is for single parents and couples where the primary earner has an adjusted taxable income of \$100,000 or less per year.

We note there are many variables impacting eligibility, we urge carers to seek further information from the Department of Human Services.

NON-RESIDENT INDIVIDUALS

Non-residents are usually only required to pay Australian tax on income derived in Australia. They are not taxed on fully franked dividends and a withholding tax system (15%) applies to unfranked dividends.

As non-residents are not eligible for the tax-free threshold, it is necessary for them to lodge an Australian tax return.

The following table sets out the income tax rates that apply to non-resident individuals for 2019/20 and 2020/21:

Taxable Income \$	Tax Payable *
0 – \$90,000	32.5%
\$90,001 – \$180,000	\$29,250 + 37% over \$90,000
\$180,001 +	\$62,550 + 47% over \$180,000

*The Medicare Levy is not payable by non-residents

The tax-free threshold that applies to residents (\$18,200 in 2019/20) is effectively pro-rated in an income year in which a taxpayer either ceased to be or became a resident for tax purposes. For the 2020 income year, the pro-rated threshold is calculated using the following formula:

$$\$13,464 + (\$4,736 \times \text{number of months taxpayer was resident for the year} / 12)$$

HELP REPAYMENT THRESHOLDS

The Higher Education Loan Programme (HELP) offers Commonwealth loans to eligible students to assist them with paying their higher education fees and to study overseas. A HELP debt is repaid through the taxation system on a taxpayer's 'repayment income'.

Repayment income is the sum of the taxpayer's:

- taxable income
- total net investment loss
- reportable fringe benefits
- exempt foreign employment income; and
- reportable superannuation contributions.

A new set of HELP repayment thresholds

From 1 July 2020, the new minimum HELP (Higher Education Loan Program) repayment threshold will be \$46,620 with a one per cent repayment rate, with a further 17 thresholds and repayment rates, up to a top threshold of \$136,740 at which ten per cent of income is repayable.

Changes to indexation arrangements

From 1 July 2019, HELP repayment thresholds will be indexed using the Consumer Price Index (CPI (Consumer Price Index)) instead of Average Weekly Earnings (AWE). This will ensure repayment requirements are adjusted in line with the cost of living and streamlines indexation factors currently used.

Amend the order of repayment of some student loan debts

From 1 July 2019, Student Financial Supplement Scheme (SFSS) debts are repaid after HELP debts are discharged. The repayment thresholds for SFSS have also been brought into line with the HELP repayment thresholds.

Increase to the FEE-HELP loan limit for 2020

From 1 January 2020, students studying medicine, dentistry and veterinary science courses benefit from a substantial increase in their loan limit, from an estimated \$130,552 in 2019 to a new limit of \$152,700. Students studying all other courses will have a loan limit of \$106,319. These amounts are still indexed annually.

COMPANY RATES OF TAX – 2019/20

General Company Tax Rate

Description of Taxpayer	Rate %
Base Rate Entities (see turnover thresholds below)	27.5
Private companies (except life insurance companies RSAs +PDFs)	30
Public companies (except life insurance companies RSAs +PDFs)	30
Corporate Unit Trusts	30
Corporate Limited Partnerships	30
Public Trading Trusts	30
Strata Title Bodies Corporate	30

Base Rate Entity

A reduced corporate tax rate of 27.5% applies for the 2020 income year to a corporate tax entity that is a base rate entity (BRE). In this regard, under current legislation a corporate tax entity will be a BRE for the 2020 income year if it 'carries on business' and has an aggregated annual turnover (worked out at the end of the 2020 income year) of less than \$50 million. Legislation was passed to amend the 2018 definition of a BRE to remove the requirement that a BRE 'carry on business' and replace it with a requirement that, no more than 80% of its assessable income is passive income. For 2020 income year, a company will qualify as a BRE where its:

- a) aggregated turnover (worked out at the end of the year) is less than \$50 million; and
- b) no more than 80% of its assessable income for the year is BRE passive income.

Reference can be made to TR 2019/1 in relation to the ATO's broader views with respect to when a company will be considered to be 'carrying on a business'.

Franking credits will be able to be distributed in line with the rate of tax paid by the company making the distribution.

Note: That as of 1 July 2020 the company tax rate for base rate entities is 26%.

PROPOSED INCREASES TO THE UNINCORPORATED SMALL BUSINESS TAX DISCOUNT

In the May 2016 Federal Budget, it was announced the tax discount for unincorporated small businesses will increase incrementally over 10 years from 5 per cent to 16 per cent.

The tax discount applies to the income tax payable on the business income received from an unincorporated small business entity. Access to the discount will be extended to individual taxpayers with business income from an unincorporated business that has an aggregated annual turnover of less than \$5.0 million.

These measures coincide with the staggered cuts in the corporate tax rates.

In the April 2019 Federal Budget, it was announced the Government would increase the discount rate to 13% in 2020/21 and then 16% in 2021/22. Note that this discount is capped at \$1,000 per individual for each income year and is a tax offset.

The discount rate increased to 13% on 1 July 2020.

OTHER TRUSTS

In situations where the trustee chooses not to allocate income to a beneficiary, the income is accumulated. In such instances the tax is assessed at the highest marginal tax rate (45%) plus Medicare.

AUSTRALIAN BUSINESS NUMBER

The Australian Business Number (ABN) is a single identifier for all business dealings with the ATO and for dealings with other government departments and agencies.

An ABN is required if:

- You carry on a business
- You establish a self-managed superannuation fund
- You request endorsement of an income exempt charity or as a deductible gift recipient.

If a supplier does not have an ABN and if you are making a total payment of more than \$75 (excluding GST) you will have to withhold 47 per cent of that payment and remit that amount to the ATO. If the supplier has an ABN, make sure that they quote it on their invoice to you.

If you are a Family Trust, you must show both the ACN (Australian Company Number) of the Corporate Trustee and the ABN of the Trust on your tax invoices. If you are a company, you must display your ABN on all tax invoices. The ABN can be used instead of the ACN on other public documents, provided the ACN represents part of your ABN.

In the May 2018 Federal Budget

A new regulatory Framework for ABNs was proposed. This follows recommendations of the black economy taskforce that the ABN system be strengthened to produce improved confidence in the identity and legitimacy of Australian business.

TAX FILE NUMBERS

Whether individual or entity, all taxpayers must have a Tax File Number (TFN). As the ATO uses the TFN to identify you, it must be used on all documents lodged with the ATO including taxation returns.

CHAPTER 2

Assessable Income

Tax is levied on the taxable income of the taxpayer derived during the income year. Assessable income minus allowable deductions equals taxable income.

Assessable income as defined in ITAA 1997 consists of ordinary income and statutory income.

If specially excluded or made exempt, certain types of ordinary and statutory income will not be subject to tax.

DEFINITIONS

Ordinary Income is defined to mean income according to ordinary concepts. However, no specific guidance on what is meant by “income according to ordinary concepts” is contained in the legislation.

It is the courts that have identified a number of factors to provide guidance as to whether an amount has the character of income according to normal concepts.

These include recurrence and regularity, provision of a service or work, as well as the carrying on of a business or profit-making undertaking or scheme.

Statutory Income applies if the amount is not ordinary income and is included by a specific provision of the Tax Act.

Examples include royalties, some capital gains, lump sum retirement payments, dividend imputation credits and allowances.

Exempt Income is any ordinary or statutory income which the Tax Act specifically exempts from taxation.

CAPITAL -V- REVENUE

The distinction between capital and revenue is a principle established in the Tax Act and extensively dealt with by numerous court findings. It applies to both receipts and payments.

Prior to 1985, income receipts were assessable to tax and payments were deductible if they were connected with the earnings of income; however, capital receipts were not. If no such connection existed, usually such payments were only then based on capital account and were non-deductible. The capital gains tax regime ensured that from 20 September 1985, that many formerly non-assessable capital receipts would be subject to some form of tax.

Generally, taxpayers prefer receipts to be on capital account and payments to be on revenue (income) account. This is because:

- Prior to calculation of tax, capital gains may be subject to various discounts and exemptions.
- Outgoings are deductible if they relate to the earning of income.
- Outgoings related to capital assets are usually not deductible but may be added to the cost base of the asset. There is also provision for some building capital allowances.
- Capital losses can be carried forward to be offset against future capital gains and cannot be claimed against income on revenue account.

BUSINESS INCOME

Assessable income includes all proceeds from transactions carried out in the ordinary course of business. Where a business enters isolated transactions outside normal activities, if there is a profit-making undertaking or scheme, then these receipts are also assessable.

DIRECT COMPENSATION FOR SERVICES

All remuneration for personal services, whether in the capacity of an employee or in connection with employment or personal services is assessable income. Exceptions to this include some initial living away from home allowances and fringe benefits.

Voluntary payments or gifts received, resulting from services provided, are also assessable income.

NON-CASH BUSINESS BENEFITS

These are widely defined as benefits received as property or services. Services include any right, privilege or benefit and may be provided either partly or wholly, or directly or indirectly in a business relationship. If the annual total received is less than \$300 then such payments are exempt from tax. However, should the annual benefit exceed \$300 then the total amount will be assessable.