

AUSTRALIA TAXATION

CPA PROGRAM SUBJECT OUTLINE – SECOND EDITION

A professional accountant is required to possess fundamental tax law knowledge and skills. Australia Taxation introduces fundamental concepts of income tax law and provides an in-depth understanding of relevant Australian tax laws and their application in the areas of income tax law for individuals and simple business structures, capital gains tax, goods and services tax, and fringe benefits tax.

This subject also covers the tax administration system, and the ethical and professional obligations a tax (financial) adviser and a registered tax agent must comply with under the requirements of the Tax Practitioners Board and as a member of a professional accounting organisation.

On completion of this subject, you should be able to:

- discuss the key provisions of the relevant taxation legislation
- demonstrate an ability to apply relevant taxation legislation and related legal concepts to determine tax liability arising from common scenarios
- analyse events and apply the legislation to provide strategic advice to stakeholders regarding tax issues arising from common scenarios.

The Australia Taxation reflects legislation in place at 1 November 2017. Exam questions will be based upon the 2018–19 tax year.

Exam structure

The Australia Taxation exam consists of multiple-choice questions and extended response questions. Subject content

Subject content

The "weighting" column in the following table provides an indication of the emphasis placed on each module in the exam, while the "proportion of study time" column is a guide for you to allocate your study time for each module.

Module	Recommended proportion of study time (%)	Weighting (%)	Recommended study schedule
1. Legal, ethical and regulatory fundamentals	6	6	Week 1
2. Principles of assessable income	10	10	Week 1, 2
3. Principles of general and specific deductions	8	8	Week 2, 3

4. Capital allowances	7	7	Week 3
5. CGT fundamentals	15	15	Week 4, 5
6. Taxation of individuals	15	15	Week 5, 6
7. Taxation of SBEs and partnerships	6	6	Week 7
8. Taxation of trusts, companies and superannuation funds	9	9	Week 7, 8
9. FBT fundamentals	7	7	Week 8
10. GST fundamentals	8	8	Week 9
11. Administration of the tax system	9	9	Week 9, 10
	100	100	

A brief outline of each module is provided below.

Module 1: Legal, ethical and regulatory fundamentals

In this introductory module we will consider the purpose of the taxation system and the power to raise taxes as defined in the Australian Constitution. We will look at sets of ethical rules which guide the behaviour of accountants in the provision of tax services. We will also look at the role of the Tax Practitioners Board (TPB), who are responsible for the registration and regulation of tax agents, BAS agents and tax (financial) advisers across Australia, and the TPB's Code of Professional Conduct.

Topic list:

- Tax law environment
- Ethical principles and behaviour
- Identifying ethical dilemmas
- Tax practitioner obligations
- TPB Code of Professional Conduct
- Tax planning, avoidance and evasion

Module 2: Principles of assessable income

Here we will consider how income tax is levied on taxable income and understand how taxable income equals assessable income (ordinary income + statutory income) minus all general and specific deductions. We will cover the four types of assessable income examined in this module, ordinary income, statutory income, exempt income and non-assessable non-exempt income. This module will also briefly introduce international taxation core concepts and the trading stock rules.

Topic list:

- Defining and determining income
- Determining source of income
- Tax implications of residency and non-residency
- Derivation
- Determining derivation for tax purposes
- International taxation core concepts
- Trading stock core concepts

Module 3: Principles of general and specific deductions

This module examines these deductions in detail. In addition to the general deduction rules, there are also specific deductions stated in taxation law. Here we cover statutory deductions, which include deductions for non-capital repairs, tax losses, and bad debts. The rules for borrowing expenses and negative gearing for investment properties are also discussed in this module.

Topic list:

- General deductions
- Specific deductions
- Limitations of deductibility
- Substantiation requirements for individuals

Module 4: Capital allowances

Here we introduce the capital allowance regime by which taxpayers can claim a deduction for the decline in value of depreciating assets – used for a taxable purpose – over the lifetime of the asset. The treatment of depreciating assets varies depending on whether the taxpayer is a small business entity (SBE) or a non-small business entity. This module also examines the capital works deduction, with the rate depending on the type of capital work, the date construction began, and how the capital works are used.

Topic list

- Small business entities (SBEs)
- Capital allowances core concepts
- Capital allowance rules for non SBEs
- Capital allowance rules for SBE
- Defining capital works
- Calculating capital works deductions

Module 5: CGT fundamentals

This module will explain that Capital Gains Tax (CGT) is a tax levied on capital gains or capital losses arising from CGT events happening (generally) to CGT assets. We will demonstrate that the calculation of capital gains tax always follows a standard six-step process. It's important that all candidates have a working knowledge of the six-step process for calculating CGT. The final step in the process is to calculate the total capital gain or loss to the taxpayer. After this is determined, any relevant discounts, such as the main residence exemption, and any relevant small business concessions, are then applied.

Topic list:

- CGT core concepts
- CGT events
- CGT assets
- Determining gain/loss from CGT event
- Determining exception or exemption
- Rollover provisions and other reliefs
- Calculating net capital gain/loss

Module 6: Taxation of individuals

Individual taxation is calculated through a seemingly simple taxation equation. Here we will learn there are special rules for individual assessable income and certain allowable deductions which are discussed in this module. We will demonstrate that gross tax is payable on the amount of taxable income and from this amount it will be necessary to apply the correct marginal tax rate in order to determine gross tax payable.

Topic list:

- Individual taxation core concepts
- Defining types of assessable income
- ETPs, PSI and ESS schemes
- CGT relief for individuals
- Taxing superannuation for individuals
- Calculating allowable deductions
- Applying tax offsets
- Calculating tax payable

Module 7: Taxation of SBEs and partnerships

In this module we will look at the taxation consequences of two entities – small business entities (SBEs) and partnerships. We will understand what constitutes an SBE as SBEs access concessional taxation treatments across a range of areas, including special trading stock rules, simplified depreciation rules, small business CGT concessions, a start-up expenditure deduction, an SBE restructure exemption and a small business tax offset. This module covers the income tax treatment of the partnership structure. It demonstrates how to derive the net income of the partnership as each individual partner is liable for individual taxation on their share of partnership income.

Topic list:

- SBE concessions core concepts
- Calculating the small business income tax offset
- Small business restructure rollover
- Partnership taxation core concepts
- Determining the net partnership income/loss
- Calculating a partner's share of tax payable
- Alteration of partner's interest

Module 8: Taxation of trusts, companies and superannuation funds

This module examines the taxation of trusts and the general concessions available for trusts including trust loss measures, company loss tracing concession, holding period rules, trustee beneficiary reporting rules, and access to the small business restructure rollover. The taxation of companies is also covered as these are treated as a separate taxation entity and must lodge a company tax return. This module also provides an overview of the dividend imputation system which applies when dividends are paid by a resident company to a resident individual shareholder. Superannuation funds are taxed at three points. Taxation is applied at entry (via contributions made by the member), and earnings (taxed at 15% while earning in the fund), and upon exit, which is the retirement phase.

Topic list:

- Trust taxation core concepts
- About Division 6
- Determining net income of a trust
- Discrepancies and capital gains
- About trust distributions
- Family trusts
- Administration and reporting for trusts
- Company taxation core concepts
- Calculating taxable income
- Dividend imputation system
- Superannuation fund taxation

Module 9: FBT fundamentals

An employer can provide employees with non-cash benefits that are private in nature, known as fringe benefits. This module will cover the rules concerning various types of fringe benefit so where an employer provides non-cash benefits to employees that are private in nature, then the fringe benefits tax (FBT) can be correctly determined.

Topic list:

- FBT core concepts
- Calculating FBT
- Specific fringe benefits
- Exempt fringe benefits and employees
- Salary packaging
- Administration
- Reportable fringe benefits

Module 10: GST fundamentals

This module will explain the Goods and Services Tax (GST), which is a flat 10 per cent broad-based indirect tax on the private consumption of most goods and services in Australia, and how GST is levied on each step of the production chain but is generally only borne by the final consumer. We will demonstrate how eligible suppliers of goods or services are entitled to claim a tax input credit for any GST paid and remit the net amount of GST – that is, GST liability minus GST paid – to the ATO each month via a Business Activity Statement (BAS).

Topic list:

- GST core concepts
- Determining supply
- Input tax credits
- Calculating GST
- Administration

Module 11: Administration of the tax system

In the final module we will understand how the taxation system is administrated by the federal government through its delegated authority, the Australian Taxation Office (ATO) and that the ATO oversees the income tax self-assessment system which all taxpayers must comply. This module also examines the lodgement of returns and assessments, fines and penalties for non-compliance, the application of the Part IVA anti-avoidance laws, and the operation of the promoter penalty regime.

Topic list:

- Income tax self-assessment
- Lodging of tax returns and assessments
- Tax audits
- Objections, reviews and appeals
- Tax reporting and payment obligations
- ATO guidance documents and rulings
- Penalties and interest charges
- Identifying Part IVA
- Promoter penalty regime.