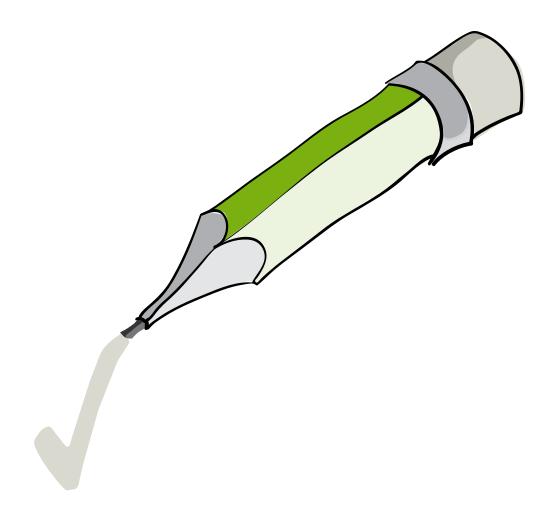# Introduction to taxation

teacher's manual

Introduction to tax: teacher's manual

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COPIES OF THIS PUBLICATION

This publication is intended for **teachers in secondary schools**. It contains a number of acronyms and references to school curriculum information that may not be easily understood by those outside the education system.

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purpose

Benjamin Franklin identified tax as one of life's two certainties. Albert Einstein is quoted as saying, 'The hardest thing in the world to understand is income tax'. These two comments provide good reason for a package of education materials on taxation in Australia.

They also reveal the purposes behind this package. Tax is a fact of life for all Australians including many students who earn income and all students who spend.

Knowledge about our tax system helps students to understand the role of tax in the Australian economy and the implications for them. It also enables them to become informed consumers. Building student understanding of tax is the primary focus of this package. Each of the three modules examines a different aspect of tax in Australia.

Module A is a general introduction to tax. The objectives of this module are to develop student understanding of:

- the need for taxes
- the role and implications of taxes
- how the tax system is administered
- the types of taxes used to raise revenue, and
- the uses of those tax revenues.

Module B discusses tax from a personal perspective, including:

- personal and taxable income
- deductions
- tax offsets, and
- tax returns.

Module C focuses on businesses and includes:

- distinctions between a business and a hobby
- types of business ownership and structure, and
- a range of matters related to business taxes.

The materials incorporate a range of classroom-based activities including:

- case studies
- research
- crossword puzzles, and
- question and answer tasks.

These are designed to build student knowledge and understanding, comprehension and application of their knowledge. The materials also include an extensive glossary of tax terms and short exercises to test student learning.

curriculum maps

The material in the *Introduction to tax: student's manual* supports the National Framework for Consumer and Financial Literacy as shown in the following table.

Knowledge and understanding	
Year 7	■ That governments provide goods and services to meet consumers and taxpayers needs and wants.
Year 9	■ The rights and responsibilities of the consumer. ■ How to keep personal financial records. ■ That income is derived from a range of sources, including wealth, with different levels of reliability. ■ That a range of consumer and financial advice is available in the community.
Competence	
Year 9	■ Prepare simple, personal and family budgets and records. ■ Use critical thinking and problem-solving skills to make informed consumer and financial decisions.
Enterprise	
Year 9	■ Make business-related decisions.
Responsibility	
Year 9	■ Develop ethical behaviours.

The material supports school curricula for each of the states and territories as listed below.

Australian Capital Territory

Studies of society and environment (SOSE): Resources	
High school years 7–10	■ Business ownership types, their advantages and limitations. ■ Sources of financial resources. ■ Financial and consumer competencies. ■ Methods of income disposal, such as saving, spending, investing, taxation. ■ Access to social support services. ■ Marketing strategies. ■ Personal and group management skills, such as goal-setting, time management. ■ Task management, decision making, conflict resolution. ■ Personal and elementary business record-keeping techniques, including budgeting. ■ The changing role of money and the impact of technology, increased competition.

New South Wales

Commerce	

Stage 4: years 7 and 8	■ Students develop knowledge and understanding of consumer, financial, business, legal and employment issues.
	    4.1 uses appropriate terminology in consumer, financial, business, legal and employment contexts.
	    4.2 describes the rights and responsibilities of consumers within financial, business, legal and employment framework.
	■ Students develop skills in decision making and problem solving in relation to commercial, financial, business, legal and employment contexts.
	    4.4 identifies key factors affecting commercial and legal decisions.
	    4.5 identifies options for solving commercial and legal problems and issues.
	    4.6 uses a range of plans designed to solve commercial and legal problems and issues.
	■ Students develop skills in effective research and communication.
	    4.7 selects and organises commercial and legal information from a variety of forms.
	■ Students develop skills in independent and collaborative work practices.
	    4.9 works independently and in teams to meet goals within specified timelines.

Stage 5: years 9 and 10	■ Students develop knowledge and understanding of consumer, financial, business, legal and employment issues.
	    5.1 demonstrates understanding of commercial and legal concepts and terms in a variety of contexts.
	    5.2 analyses the rights and responsibilities of individuals in a range of commercial, financial, business, legal and employment contexts.
	■ Students develop skills in effective research and communication.
	    5.7 researches and assesses commercial and legal information using a variety of sources.
	    5.8 explains commercial and legal information using a variety of forms.
	■ Students develop skills in independent and collaborative work practices.
	    5.9 works independently and collaboratively to meet individual and collective goals within specified timelines.

Option 11: Running a business	■ Maintaining records, including taxation records.

Northern Territory

Studies in society and environment (SOSE): Enterprise – financial literacy	
Band 4: years 7 and 8	*Enterprise 4.1 financial literacy* Apply a range of strategies in personal financial management. ■ Plan and implement a personal budget and analyse the outcome. ■ Justify and explain differences between necessary and desired budget expenditures. ■ Describe how the Australian socio-economic system impacts on everyday life, for example, the taxation system, exchange rates, interest rates. ■ Compare financial institutions and the services they offer, investigate and report on how different cultures deal with the cash economy.
Band 5: years 9 and 10	*Enterprise 5.1 financial literacy* Evaluate personal financial options within an Australian socio-economic context; plan and apply enterprise skills and attributes in business financial management. ■ Describe and apply financial management skills to a group enterprise, such as business enterprise programs. ■ Explore and assess a range of reasons for business failures. ■ Critically investigate the pros and cons of options available for personal financial management, such as saving, borrowing, credit cards, budgeting. ■ Define liabilities and assets, and assess possible and probable financial futures. ■ Review alternative economies for their practical applications to everyday life, for instance, barter systems. ■ Explore the range of financial services available through the internet. ■ Investigate possibilities for a small-scale business venture in the community, for example, Indigenous tourism, and ascertain what skills and knowledge are needed to manage such a venture.

Queensland

Studies in society and environment (SOSE): Systems and resources and power	
Level 4: years 6 and 7	■ Students understand Australia's ecological and economic links to the world and can apply decision-making processes to contribute to actions that support global human rights. ■ They also understand the basic development of Australia's government and can describe how groups have achieved citizenship rights.
Level 5: years 8 and 9	■ Students understand some relationships between Australian and global systems and can use inquiry and decision-making processes to evaluate these relationships. They also understand some key features of Australia's economic, legal and political systems and can reflect on the value of social justice to suggest improvements to these systems. SRP 5.1 Students evaluate the relationship between an ecological system and a government or an economic system. SRP 5.2 Students design models of the Australian economic system to demonstrate its relationship to global trade. SRP 5.3 Students use a structured decision-making process to suggest participatory action regarding a significant current environmental, business, political or legal issue. SRP 5.4 Students report on the main features and principles of legal systems in Australia.
Business education (currently in development)	
Business and economic systems: level 4 to beyond level 6, years 9 and 10.	Business presents a range of challenges to people in their roles as citizens, consumers, workers or entrepreneurs. These challenges may include: ■ making consumer decisions to meet the needs and wants of self and others ■ participating as a responsible citizen in business environments ■ owning or managing a business, enterprise or venture, and ■ engaging in a variety of business activities such as entering into contractual agreements and managing personal finances, investments and records. *Level 4* BE 4.4 Students explain consumer rights and responsibilities in obtaining products and services. *Level 5* BE 5.4 Students devise strategies to act in informed and responsible ways to obtain products and services in a range of business and economic contexts.

South Australia

Studies in society and environment (SOSE): Social systems	
Standard 4: towards the end of year 8.	■ 4.11 identifies factors that should be analysed by consumers, producers and governments regarding their decisions about goods and services, including people's work.

Tasmania

The curriculum is currently under development. It is expected to be implemented in 2008. Check the Tasmanian Department of Education website **www.education.tas.gov.au** in 2008.

Victoria

Victorian Essential Learning Standards (VELS): Humanities (economics)	
Level 5: years 7 and 8	■ Students develop personal financial literacy skills and an understanding of the importance of being an informed consumer. Students learn about the role of government in influencing economic activity and managing the economy.
Level 6: years 9 and 10	■ Students further develop their understanding of how the Australian economy is managed, particularly within the international economic context. They analyse how economic policies advanced by governments, financial systems and institutions affect them and their fellow citizens. ■ Students extend their personal financial literacy skills and understanding about the role of savings and investment.
Curriculum framework/ syllabus	■ Physical, personal and social learning strand and the interdisciplinary learning strand of VELS. Teaching and learning in the discipline-based learning strand of VELS must be interwoven with the above two strands. ■ The physical, personal and social learning strand focuses on skills such as managing personal learning, working with others, being active and healthy and developing self-confidence. ■ The interdisciplinary learning strand concentrates on ways of thinking, design, problem solving, communicating and using information and communication technology.
Units 1 and 2 Victorian Certificate of Education (VCE)	■ Taxation recording and reporting is specifically included in Accounting Units 1–4 and Business Management Unit 1.

Western Australia

Studies of society and environment (SOSE): Resources	
Early adolescence: years 7–10	■ Students recognise that resources can be broadly classified as land, labour, capital and enterprise. They should understand that people manage and use these different types of resources to increase their ability to satisfy their needs and wants. ■ As students investigate the use of resources, they consider important issues relating to ownership, access and equity. Their knowledge of important business and economic concepts is expanded through examining the relationship between specialisation of production, exchange and effective resource use and their markets. ■ Students identify key features of political, legal and economic structures and systems at local, state and national levels in Australia. This includes identifying decision-making processes; the different levels and arms of government; and resource allocations for production and consumption.
Investigation, communication and participation	
Early adolescence: years 7–10	■ By the end of this phase, students are able to plan investigations and engage at a fundamental level in enquiry and problem solving.
Technology and enterprise – enterprise	
Early adolescence: years 7–10	■ While continuing to demonstrate enterprising behaviours, students recognise the relationship between technology and enterprise, and gain experience in the nature and operations of business. ■ They can acquire enterprising behaviours through the simulated conduct of a business in an educational environment or similar activities.

objectives

Module A – Understanding tax

Objectives

To give students an understanding of:

- the need for taxes
- the role of taxes
- the implications of taxes on society
- the administration of the tax system
- the types of taxes paid, and
- how tax revenues are used.

Module B – Personal tax

Objectives

To give students an understanding of:

- the basis on which taxes are calculated
- the factors determining the amount of tax payable
- the factors which can reduce the amount of tax payable
- how the personal income tax system works
- how the personal tax system is administered, and
- the range of taxes that can affect individuals.

Module C – Business tax

Objectives

To give students an understanding of:

- the distinction between a business and a hobby
- the types of ownership structures used by businesses
- the tax advantages and disadvantages of each type
- how each type is taxed
- the administration of the business tax system
- the types of taxes on business, and
- record-keeping and budgeting requirements for businesses.

worksheets

Activity A1

Services are the facilities that governments provide to the community, for example, schools and transport.

Prepare a list of services that you think the various levels of government provide. Try to identify which level of government (federal, state or local) is responsible for providing each service. Discuss with a partner and others in the class to help you construct your list.

Service	Level of government responsible

Activity A2

List ways in which revenue could be raised to pay for the services that governments provide to the community. Work in pairs to make a list of your suggestions.

_____

_____

_____

_____

_____

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_____

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_____

_____

Are your suggestions 'fair and equitable' to all members of the community? Explain why.

_____

_____

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Activity A3

Find out the names of some tax-exempt organisations.

_____

_____

_____

_____

_____

_____

_____

_____

List other individuals or groups of people who you think should not have to pay tax.
For example, should there be an age limit on paying taxes?

_____

_____

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Activity A4(a)

Should you be able to have a say in how the government spends its money?

_____

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_____

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_____

How could we have some input into these decisions?

_____

_____

_____

_____

_____

_____

Activity A4(b)

Keep a journal for a week that lists all the services you have used in this time. Identify which level of government provides the services. An example has been inserted for you.

My journal of government services used in the week _____

	Service	**Level of government responsible**	**How did the provision of this service improve my life?**
Example	*Used the school library for research on a history assignment*	*State government*	*If the library had not been available I would have to own many more reference books at home*
Monday			
Tuesday			
Wednesday			
Thursday			
Friday			
Saturday			
Sunday			

Activity A5

In the space provided, identify which level of government provides the services listed. Some services may be the responsibility of more than one level of government. In a number of cases, you have been asked to provide an example for each level.

Service	Local	State	Federal
Legal system (provide an example at each level)			
Health system (provide an example at each level)			
Schools and teachers			
TAFE and universities			
Roads (provide an example at each level)			
Research into science, technology and energy			
ABC and SBS radio and television			
Libraries			
Environment			
Sports grounds			
National parks			
Protection of wildlife (provide an example at each level)			
Foreign aid			
Australian embassies overseas			
Museums and art galleries			
Zoos			
Water supply			
Tourism			
Salaries of government employees (provide an example at each level)			
Rail and air services			
Employment			
Dams			
Defence			
Primary industry			
Pensions			
Telecommunications			
Youth allowance			

Activity A6

Assuming there is not enough revenue to fund government activities, consider each of the following options and list the advantages and disadvantages of implementing them.

Option	Advantages	Disadvantages
Government reduces expenditure		
Government increases taxes		
Government borrows money		
Government sells assets		

Activity A7

Discuss whether it is better for the government to reduce tax levels, or to increase the level of services provided. Examine these two alternatives and list the advantages and disadvantages of each.

Alternative	Advantages	Disadvantages
Reduce taxes		
Increase services		

Activity A8

Using the list of taxes below, decide whether each is a progressive, proportional or regressive tax.

Taxes which can be raised	Type of tax progressive, proportional or regressive
Income tax	
Medicare levy	
Special purpose levies – such as a levy on air passengers to pay a debt	
Company tax	
Goods and services tax (GST) – payable on the supply of goods and services. This revenue is passed on to the states	
Excise and customs duty	
Departure taxes at airports	

Activity A9

Select your best answer to the following statements by circling the appropriate option.

1   Tax is the money governments:

a)   collect from most people

b)   collect from everybody

c)   spend

d)   collect from people to pay for services.

2   It is important to pay taxes to the government because:

a)   the government may penalise you if you do not

b)   we need to pay for the services we use

c)   taxes help the economy function

d)   all of the above.

3   The three levels of government are:

a)   first, second and third

b)   small, medium and large

c)   federal, state and local

d)   federal, state and city.

4   Taxes raised by the federal government include:

a)   rates and land tax

b)   payroll tax and stamp duty

c)   income tax, GST, fringe benefits tax

d)   water tax.

5   The taxes raised by the state government include:

a)   rates and land tax

b)   payroll tax and stamp duty

c)   income tax, GST, fringe benefits tax

d)   clean air tax.

6   The taxes that raise the most income for the federal government are:

a)   super association funds, fringe benefits tax and customs duty

b)   company tax, excise and super funds

c)   income tax, excise and company tax

d)   excise, company tax and fringe benefits tax.

7   The services where the largest proportion of tax is spent include:

   a) defence, education, transport and communication

   b) social security and welfare, defence

   c) recreation, agriculture and mining

   d) defence, dams and libraries.

8   The law that decides who pays tax is made by the:

   a) courts

   b) government

   c) Tax Office

   d) Parliament.

9   The decision on how to spend tax money collected is made by the:

   a) courts

   b) government

   c) Tax Office

   d) Parliament.

Activity A10

Each term below relates to an aspect of taxation. Unscramble each of the words or phrases below.

ATX FICOFE

NOEMIC AXT

UTSCOSM YUDT

YOLPLRA XTA

TAIRRPPOOOLN

DTBGUE

FIICDTE

OSREVPSGIRE

Activity B1

Which of the amounts listed below would be included as assessable income?

Income	Assessable? (Yes or No)
1 $100 prize as leading goal kicker for the suburban football team	
2 Finding $100 in the park	
3 Salary received by a part-time electrician	
4 Unemployment benefits	
5 Interest received from a building society or bank	
6 $100 won on a horse race	
7 Money from a will	
8 $80 tip earned by a waiter	
9 Lottery winnings	
10 $35 from selling carrots from a backyard vegetable garden	
11 Salary of the Prime Minister	

Activity B2

Which of the expenses listed below are allowable deductions? You may need to use the *TaxPack* to research these answers.

Expense	Allowable? (Yes or No)
1 Travelling from home to work each day	
2 Gift of $50 to an approved charity	
3 Amount paid to a tax agent for the preparation of the tax return (receipt provided)	
4 Cost of taking a taxi to work because there is a bus strike	
5 Cost of travel between two places of work	
6 Donation of $1 to an approved charity	
7 Dry cleaning of compulsory work uniform	
8 Parking fine incurred while parked for work purposes	
9 Cost of protective overalls for a mechanic	
10 Briefcase to carry lunch and newspaper to work	
11 Purchase of raffle tickets from the Red Cross	
12 Self-education expenses for training in massage therapy while working in a supermarket	
13 Interest paid on money borrowed to purchase a family home	
14 Interest paid on money borrowed to buy shares	

Activity B3

Make a list of items that could be allowable work-related deductions for Anwar (a secondary school teacher), Jeremy (a hairdresser) and Katerina (an accountant).

Anwar	Jeremy	Katerina

Activity B4

Calculate the assessable income, allowable deductions and taxable income for Nisha, Jo and Miguel.

Item	Nisha (plumber) $	Jo (computer programmer) $	Miguel (chef) $
Salary	34,000	72,000	61,000
Purchase of cooking knives		120	650
Purchase of tools related to work activities	200		
Everyday clothes for office wear – for example a pair of black trousers and a white shirt		1,200	
Trade journals specific to occupations	180	190	220
Purchase of books on computer programming		500	260
Lottery winnings	4,500	280	3,300
Accountant bill for preparation of tax return	200	200	200
Inheritance (of money) from grandmother		45,000	
Costs of TAFE course in plumbing	620		
Compulsory uniforms for work			800
Donations to an approved charity	50	130	80
Protective clothing worn during work activities	630		
University fees – computer course		800	
Interest on bank account	25	33	44
Rent from investment property you fully own		7,500	
Car expenses to travel to work	600	500	400
Rates on family apartment	600	500	550
Rates on investment property		800	
Rent paid on family home apartment	5,200	6,240	6,760
Holiday costs	2,000	2,200	2,800

Item	Nisha	Jo	Miguel
Assessable income			
Allowable deductions			
Taxable income			

Activity B5

Explain the tax-free threshold.

What would be the effect if this were increased or decreased?

_____

_____

_____

_____

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_____

_____

_____

Activity B6

Peter is a carpenter. He must provide his own tools of trade and had to purchase an electric drill for use at work. He bought a brand XYZ drill for $880.

Peter bought the drill on 25 November 2007 from Electro Electrics, ABN 12 123 456 789, 100 Bridge Road Sunnyside. He lives at 33 Stanley Street Rainyside.

For tax purposes, Peter must keep a tax invoice to substantiate his claims.

Complete the following tax invoice (number 4426) that was given to Peter when he purchased his electric drill.

E ____ ____ ____ ____ ____ ____   E ____ ____ ____ ____ ____ ____ ____ ____

A ____ ____   __ __   __ __ __   __ __ __   __ __ __

100 Bridge Road, Sunnyside

T ____ ____   I __ __ __ __ __ __

Number: _____   Date _____ / _____ / _____

Sold to: _____

_____

_____

Qty	Details	Price	Total

All prices include ___ ___ ___.   **TOTAL** $ _____

Activity B7

Peter uses his own utility (Holden Longreach, registration ABC 444) for work and is able to claim the kilometres travelled as an allowable deduction. Details of his working week are:

Details	Odometer reading
Monday, March 3 – worked on erecting frame of new house	33,345 to 33,375
Tuesday, March 4 – erecting roof on house	33,412 to 33,442
Wednesday, March 5 – worked on new kitchen cupboards in outer suburbs	33,501 to 33,565
Thursday, March 6 – cupboards at same house completed	33,610 to 33,669
Friday, March 7 – repairs to offices in city	33,680 to 33,725

Peter has completed his logbook (see below) for business travel. He has made four errors. Can you find and correct them?

Car make Holden		**Model** Longreach		**Registration number** ABC 444			
Date trip commenced	Date trip ended	Odometer at start	Odometer at finish	Business km	Purpose of trip	Name of driver	Signature
3/3	3/3	33,345	33,375	25	Framing	Peter	*Peter*
4/3	5/3	33,412	33,442	30	Roof	Peter	*Peter*
5/3	5/3	33,501	33,585	64	Cupboards	Peter	*Peter*
6/3	6/3	33,610	33,669	59	Cupboards	Peter	*Peter*
7/3	7/3	33,680	33,725	45	Cupboards	Peter	*Peter*

Activity B8

Speak to a family member and prepare a list of allowable deductions that they could claim for their job, and the substantiation which could be provided.

Allowable deductions	Substantiation

Activity B9

Work individually or with a partner to answer the following questions.

1   How do you think the money from the Medicare levy is used?

_____

_____

_____

_____

_____

2   Do you think it is fair that low-income earners do not pay the levy?

_____

_____

_____

_____

3   Should everyone pay the levy because everyone might need to use the hospitals?

_____

_____

_____

_____

_____

Activity B10

Use the tax rate table provided in Module B, Section 3 to calculate the following:

1   How much income tax would be payable for each of the following taxable incomes?
    (Ignore any tax offsets and Medicare levy.)

a) $18,500

b) $41,900

c) $35,700

2   Using your answers from question 1, express the income tax payable as a percentage of
    each income.

a) $18,500

b) $41,900

c) $35,700

3   How much extra does the Medicare levy (Module B Section 6) add to the tax payable on
    each income?

a) $18,500

b) $41,900

c) $35,700

Activity B11

Ivan's parents give him $200 per week as his income from their business to put into his bank account. Ivan is 16 years old and has no other income. (Assume Ivan has been paid for 52 weeks.)

a) Calculate how much tax Ivan is liable for in a year.

b) If Ivan had earned the $200 per week from his own efforts, how much tax would he owe?

Activity B12

Mai earns $160 per week as a waitress.

a) Calculate the tax she will pay per week without a tax file number.

b) Advise Mai on how she can reduce the tax paid.

Activity B13

Use the information provided in Module B Section 3 (Income tax rates) and in Section 6 (Medicare levy) to calculate the following.

Stephanie earns $400 per week working at the supermarket. She has no allowable deductions and qualifies for the low-income tax offset of $750. She had $50 tax per week withheld from her wages. She earned $160 in interest from the bank. (Assume Stephanie has worked for 52 weeks.)

Calculate the tax Stephanie will have to pay by following the steps below.

a)   Calculate Stephanie's total assessable income.

b)   Calculate the tax on this taxable income.

c)   Subtract tax offsets from tax on taxable income to get the net tax payable.

d)   Calculate the Medicare levy and the total amount payable to the Tax Office.

e)   Calculate the amount of tax withheld from Stephanie's wages. She will claim this amount as a tax credit when she lodges her tax return.

f)   Calculate the tax owing or the amount refundable to Stephanie.

Activity B14

Complete the tax file number application for a secondary school student and read the information on the back of the application.

Activity B15

a) Complete question 8 on the tax file number declaration. You have one employer.

b) How would you complete question 8 if this was an additional employer and you have already claimed the tax-free threshold?

c) How would you complete question 8 if you were already receiving income from Centrelink?

Australian Government
Australian Taxation Office

Tax file number declaration

This declaration is NOT an application for a tax file number.
- Please print neatly in BLOCK LETTERS and use a BLACK pen.
- Print X in the appropriate boxes.
- Make sure you read all the instructions before you complete this declaration.

www.ato.gov.au

30920707

Section A: To be completed by the PAYEE

1 What is your tax file number (TFN)?

See *Privacy of information* on page 6.

OR I have made a separate application/enquiry to the Tax Office for a new or existing TFN. ☐

OR I am claiming an exemption because I am under 18 years of age and do not earn enough to pay tax. ☐

OR I am claiming an exemption because I am a pensioner. ☐

2 What is your name? Title: Mr ☐ Mrs ☐ Miss ☐ Ms ☐

Surname or family name

First given name

Other given names

3 If you have changed your name since you last dealt with the Tax Office, show your previous family name

4 What is your date of birth? Day / Month / Year

5 What is your home address in Australia?

Suburb or town

State   Postcode

6 On what basis are you paid? (Select only one.)

Full-time employment ☐   Part-time employment ☐   Labour hire ☐   Superannuation income stream ☐   Casual employment ☐

7 Are you an Australian resident for tax purposes? Yes ☐ No ☐ You must answer **No** at question 8.

8 Do you want to claim the tax-free threshold from this payer?

❗ ONLY CLAIM THE TAX-FREE THRESHOLD FROM ONE PAYER.

If you have more than one source of income and currently claim the tax-free threshold from another payer, **do not** claim it now.

Yes ☐ No ☐ Answer **No** at questions 9 and 10 unless you are a non-resident claiming a senior Australians, zone or overseas forces tax offset.

9 Do you want to claim family tax benefit or the senior Australians tax offset by reducing the amount withheld from payments made to you?

Yes ☐ Complete a *Withholding declaration*, but only if you are claiming the tax-free threshold from this payer. If you have more than one payer, see page 3. No ☐

10 Do you want to claim a zone, overseas forces, dependent spouse or special tax offset by reducing the amount withheld from payments made to you?

Yes ☐ Complete a *Withholding declaration*. No ☐

11 (a) Do you have an accumulated Higher Education Loan Programme (HELP) debt?

Yes ☐ Your payer will withhold additional amounts to cover any compulsory repayments. No ☐

(b) Do you have an accumulated Financial Supplement debt?

Yes ☐ Your payer will withhold additional amounts to cover any compulsory repayments. No ☐

DECLARATION by payee: *I declare that the information I have given is true and correct.*
Signature

Date Day / Month / Year

⊖ There are penalties for deliberately making a false or misleading statement.

❗ Once this form is completed and signed, send the original to the Tax Office and keep your copy in a secure place.

Section B: To be completed by the PAYER

1 What is your Australian business number (ABN) (or your withholding payer number if you are not in business)?

Branch number (if applicable)

2 If you don't have an ABN or withholding payer number, have you applied for one?

Yes ☐ No ☐ See 'More information for payers' on page 6.

3 What is your registered business name or trading name (or your individual name if not in business)

DECLARATION by payer: *I declare that the information I have given is true and correct.*
Signature of payer

Date Day / Month / Year

⊖ There are penalties for deliberately making a false or misleading statement.

4 What is your business address?

Suburb or town

State   Postcode

5 Who is your contact person?

Business phone number

6 If you no longer make payments to this payee, print X in this box ☐

Return completed original Tax Office copy to:

For WA, SA, NT, VIC or TAS
Australian Taxation Office
PO Box 795
ALBURY NSW 2640

For NSW, QLD or ACT
Australian Taxation Office
PO Box 9004
PENRITH NSW 2740

TAXPAYER-IN-CONFIDENCE (when completed)

NAT 3092-07.2007

Activity B16

Use the tax table attached to this worksheet to calculate the following.

Voula works at the local café (payer one) and at the local newsagent (payer two). She receives $60 a week from the café and $60 a week from the newsagent. Voula has decided to claim the tax-free threshold from her work at the café (payer one).

a)   Calculate the amount of tax that payer one will withhold from her pay each week.

b)   Calculate the amount of tax that payer two will withhold from her pay each week.

Pay as you go (PAYG) withholding – weekly table

Weekly earnings 1 $	Amount to be withheld — With tax-free threshold with leave loading 2 $	Amount to be withheld — With tax-free threshold no leave loading 3 $	Amount to be withheld — No tax-free threshold 4 $
1	—	—	—
2	—	—	—
3	—	—	—
4	—	—	1.00
5	—	—	1.00
6	—	—	1.00
7	—	—	1.00
8	—	—	1.00
9	—	—	1.00
10	—	—	2.00
11	—	—	2.00
12	—	—	2.00
13	—	—	2.00
14	—	—	2.00
15	—	—	2.00
16	—	—	3.00
17	—	—	3.00
18	—	—	3.00
19	—	—	3.00
20	—	—	3.00
21	—	—	3.00
22	—	—	4.00
23	—	—	4.00
24	—	—	4.00
25	—	—	4.00
26	—	—	4.00
27	—	—	4.00
28	—	—	5.00
29	—	—	5.00
30	—	—	5.00
31	—	—	5.00
32	—	—	5.00
33	—	—	5.00
34	—	—	6.00
35	—	—	6.00
36	—	—	6.00
37	—	—	6.00
38	—	—	6.00
39	—	—	6.00
40	—	—	7.00
41	—	—	7.00
42	—	—	7.00
43	—	—	7.00
44	—	—	7.00
45	—	—	7.00
46	—	—	8.00
47	—	—	8.00
48	—	—	8.00
49	—	—	8.00
50	—	—	8.00
51	—	—	8.00
52	—	—	9.00
53	—	—	9.00
54	—	—	9.00
55	—	—	9.00
56	—	—	9.00
57	—	—	9.00
58	—	—	10.00
59	—	—	10.00
60	—	—	10.00
61	—	—	10.00
62	—	—	10.00
63	—	—	10.00
64	—	—	11.00
65	—	—	11.00
66	—	—	11.00
67	—	—	11.00
68	—	—	11.00
69	—	—	11.00
70	—	—	12.00
71	—	—	12.00
72	—	—	12.00
73	—	—	12.00
74	—	—	12.00
75	—	—	12.00
76	—	—	13.00
77	—	—	13.00
78	—	—	13.00
79	—	—	13.00
80	—	—	13.00

Weekly earnings 1 $	With tax-free threshold with leave loading 2 $	With tax-free threshold no leave loading 3 $	No tax-free threshold 4 $
81	—	—	13.00
82	—	—	14.00
83	—	—	14.00
84	—	—	14.00
85	—	—	14.00
86	—	—	14.00
87	—	—	14.00
88	—	—	15.00
89	—	—	15.00
90	—	—	15.00
91	—	—	15.00
92	—	—	15.00
93	—	—	15.00
94	—	—	16.00
95	—	—	16.00
96	—	—	16.00
97	—	—	16.00
98	—	—	16.00
99	—	—	16.00
100	—	—	16.00
101	—	—	17.00
102	—	—	17.00
103	—	—	17.00
104	—	—	17.00
105	—	—	17.00
106	—	—	17.00
107	—	—	18.00
108	—	—	18.00
109	—	—	18.00
110	—	—	18.00
111	—	—	18.00
112	—	—	18.00
113	1.00	—	19.00
114	1.00	1.00	19.00
115	1.00	1.00	19.00
116	1.00	1.00	19.00
117	1.00	1.00	19.00
118	1.00	1.00	19.00
119	1.00	1.00	20.00
120	2.00	1.00	20.00
121	2.00	2.00	20.00
122	2.00	2.00	20.00
123	2.00	2.00	20.00
124	2.00	2.00	20.00
125	2.00	2.00	21.00
126	3.00	2.00	21.00
127	3.00	2.00	21.00
128	3.00	3.00	21.00
129	3.00	3.00	21.00
130	3.00	3.00	21.00
131	3.00	3.00	22.00
132	3.00	3.00	22.00
133	4.00	3.00	22.00
134	4.00	4.00	22.00
135	4.00	4.00	22.00
136	4.00	4.00	22.00
137	4.00	4.00	23.00
138	4.00	4.00	23.00
139	4.00	4.00	23.00
140	5.00	4.00	23.00
141	5.00	5.00	23.00
142	5.00	5.00	23.00
143	5.00	5.00	24.00
144	5.00	5.00	24.00
145	5.00	5.00	24.00
146	6.00	5.00	24.00
147	6.00	5.00	24.00
148	6.00	6.00	24.00
149	6.00	6.00	25.00
150	6.00	6.00	25.00
151	6.00	6.00	25.00
152	6.00	6.00	25.00
153	7.00	6.00	25.00
154	7.00	7.00	25.00
155	7.00	7.00	26.00
156	7.00	7.00	26.00
157	7.00	7.00	26.00
158	7.00	7.00	26.00
159	8.00	7.00	26.00
160	8.00	7.00	26.00

Weekly earnings 1 $	With tax-free threshold with leave loading 2 $	With tax-free threshold no leave loading 3 $	No tax-free threshold 4 $
161	8.00	8.00	27.00
162	8.00	8.00	27.00
163	8.00	8.00	27.00
164	8.00	8.00	27.00
165	8.00	8.00	27.00
166	9.00	8.00	27.00
167	9.00	8.00	28.00
168	9.00	9.00	28.00
169	9.00	9.00	28.00
170	9.00	9.00	28.00
171	9.00	9.00	28.00
172	9.00	9.00	28.00
173	10.00	9.00	29.00
174	10.00	10.00	29.00
175	10.00	10.00	29.00
176	10.00	10.00	29.00
177	10.00	10.00	29.00
178	10.00	10.00	29.00
179	11.00	10.00	30.00
180	11.00	10.00	30.00
181	11.00	11.00	30.00
182	11.00	11.00	30.00
183	11.00	11.00	30.00
184	11.00	11.00	30.00
185	11.00	11.00	31.00
186	12.00	11.00	31.00
187	12.00	11.00	31.00
188	12.00	12.00	31.00
189	12.00	12.00	31.00
190	12.00	12.00	31.00
191	12.00	12.00	32.00
192	13.00	12.00	32.00
193	13.00	12.00	32.00
194	13.00	13.00	32.00
195	13.00	13.00	32.00
196	13.00	13.00	32.00
197	13.00	13.00	33.00
198	13.00	13.00	33.00
199	14.00	13.00	33.00
200	14.00	13.00	33.00
201	14.00	14.00	33.00
202	14.00	14.00	33.00
203	14.00	14.00	33.00
204	14.00	14.00	34.00
205	14.00	14.00	34.00
206	15.00	14.00	34.00
207	15.00	14.00	34.00
208	15.00	15.00	34.00
209	15.00	15.00	34.00
210	15.00	15.00	35.00
211	15.00	15.00	35.00
212	16.00	15.00	35.00
213	16.00	15.00	35.00
214	16.00	16.00	35.00
215	16.00	16.00	35.00
216	16.00	16.00	36.00
217	16.00	16.00	36.00
218	16.00	16.00	36.00
219	17.00	16.00	36.00
220	17.00	16.00	36.00
221	17.00	17.00	36.00
222	17.00	17.00	37.00
223	17.00	17.00	37.00
224	17.00	17.00	37.00
225	18.00	17.00	37.00
226	18.00	17.00	37.00
227	18.00	17.00	37.00
228	18.00	18.00	38.00
229	18.00	18.00	38.00
230	18.00	18.00	38.00
231	18.00	18.00	38.00
232	19.00	18.00	38.00
233	19.00	18.00	38.00
234	19.00	19.00	39.00
235	19.00	19.00	39.00
236	19.00	19.00	39.00
237	19.00	19.00	39.00
238	19.00	19.00	39.00
239	20.00	19.00	39.00
240	20.00	19.00	40.00

Weekly earnings 1 $	With tax-free threshold with leave loading 2 $	With tax-free threshold no leave loading 3 $	No tax-free threshold 4 $
241	20.00	20.00	40.00
242	20.00	20.00	40.00
243	20.00	20.00	40.00
244	20.00	20.00	40.00
245	21.00	20.00	40.00
246	21.00	20.00	41.00
247	21.00	20.00	41.00
248	21.00	21.00	41.00
249	21.00	21.00	41.00
250	21.00	21.00	41.00
251	21.00	21.00	41.00
252	22.00	21.00	42.00
253	22.00	21.00	42.00
254	22.00	22.00	42.00
255	22.00	22.00	42.00
256	22.00	22.00	42.00
257	22.00	22.00	42.00
258	23.00	22.00	43.00
259	23.00	22.00	43.00
260	23.00	22.00	43.00
261	23.00	23.00	43.00
262	23.00	23.00	44.00
263	23.00	23.00	44.00
264	23.00	23.00	44.00
265	24.00	23.00	45.00
266	24.00	23.00	45.00
267	24.00	23.00	45.00
268	24.00	24.00	46.00
269	24.00	24.00	46.00
270	24.00	24.00	46.00
271	25.00	24.00	47.00
272	25.00	24.00	47.00
273	25.00	24.00	47.00
274	25.00	25.00	47.00
275	25.00	25.00	48.00
276	25.00	25.00	48.00
277	25.00	25.00	48.00
278	26.00	25.00	49.00
279	26.00	25.00	49.00
280	26.00	25.00	49.00
281	26.00	26.00	50.00
282	26.00	26.00	50.00
283	26.00	26.00	50.00
284	26.00	26.00	51.00
285	27.00	26.00	51.00
286	27.00	26.00	51.00
287	27.00	26.00	52.00
288	27.00	27.00	52.00
289	27.00	27.00	52.00
290	27.00	27.00	52.00
291	28.00	27.00	53.00
292	28.00	27.00	53.00
293	28.00	27.00	53.00
294	28.00	28.00	54.00
295	28.00	28.00	54.00
296	28.00	28.00	54.00
297	28.00	28.00	55.00
298	29.00	28.00	55.00
299	29.00	28.00	55.00
300	29.00	28.00	56.00
301	29.00	29.00	56.00
302	29.00	29.00	56.00
303	29.00	29.00	57.00
304	30.00	29.00	57.00
305	30.00	29.00	57.00
306	30.00	29.00	58.00
307	30.00	29.00	58.00
308	30.00	30.00	58.00
309	30.00	30.00	58.00
310	30.00	30.00	59.00
311	31.00	30.00	59.00
312	31.00	30.00	59.00
313	31.00	30.00	60.00
314	31.00	31.00	60.00
315	31.00	31.00	60.00
316	31.00	31.00	61.00
317	31.00	31.00	61.00
318	32.00	31.00	61.00
319	32.00	31.00	62.00
320	32.00	31.00	62.00

Activity B17

Complete the following sentences by filling in the blanks using the terms listed:

- tax file number
- taxable income
- assessable income
- TFN declaration
- substantiation
- allowable deductions
- assessable.

Marilyn has been told that tax is calculated on her _____ _____.

She has been told that _____ _____ could include tools

and equipment used in her job, self-education and some other items. She has also been told

that an inheritance she received from her grandmother is not included in her _____

_____.

However, the interest she received on her bank account is _____.

She has applied for her _____ _____ _____ and has completed her

_____ _____. She is well organised and has kept all of her receipts so

that she will be able to provide _____ for her claims.

Activity B18

a) What sort of tax is the GST? Is it proportional, progressive or regressive?

Do you think this is a fair or unfair tax?

Would you rather pay GST and a lower rate of income tax or pay a higher rate of income tax and no GST?

b) The prices for the items shown below do not include GST. Calculate the GST amount that should be added to the price.

Washing machine – $579

Food processor – $170

Iron – $114

Coffee maker – $245

c) How much GST is included in the following prices?

Computer – $1,750

Printer – $650

Scanner – $400

CD burner – $110

Activity B19

Aaron owns a house on the harbour which he rents to tourists. He purchased it in 2000 for $180,000. He sold the house in this financial year for $700,000. Aaron's taxable income without the capital gain is $78,000.

Calculate:

a)   the amount of the capital gain

b)   the discounted amount of the capital gain

c)   Aaron's taxable income.

Activity B20

Circle the correct answer for each question.

1   You can apply for a tax file number (TFN) through:

   a)   your secondary school (if it participates in the TFN program) or the Tax Office

   b)   Centrelink

   c)   your employer

   d)   all of the above.

2   The maximum rate of tax withheld if you do not provide a TFN to your employer is:

   a)   the same tax rate with or without a TFN

   b)   45%, the highest marginal tax rate

   c)   45%, the highest marginal tax rate, plus 1.5% for the Medicare levy

   d)   none of the above.

3   If you earn $200 a week and do not provide a TFN, how much tax is withheld?

   a)   The same amount with or without a TFN

   b) $20.00

   c) $40.00

   d) $93.00.

4   What is the tax-free threshold amount?

   a) $6,000

   b) $25,000

   c) $52,500

   d) $75,000.

5   The form used to claim the tax-free threshold from your employer is:

   a)   your tax return

   b)   *TaxPack*

   c)   your notice of assessment

   d)   your tax file number declaration.

6   The tax-free threshold can be claimed:

   a)   for one job only, even if you have a second job

   b)   for two jobs, but only if you are doing them at the same time

   c)   only if you earn more than $6,000

   d)   only if you earn more than $25,000.

7   For people aged less than 18 years, special tax rates apply:

   a) to unearned income over $416

   b) when they have a job or earn bank interest from money they have earned

   c) only when they earn more than $6,000

   d) only if they leave school and start working.

8   A tax return is the form:

   a) you fill in when you start work

   b) you use to tell the Tax Office how much income you earned

   c) you use to tell the Tax Office your tax deductions for the financial year

   d) you use to tell the Tax Office how much income you earned and your tax deductions for the financial year.

9   A completed tax return should be lodged:

   a) by 1 July of each year

   b) as soon as you start a new job

   c) as soon as you leave a job

   d) between 1 July and 31 October each year.

10 A tax return can be lodged using:

   a) *TaxPack*

   b) e-tax on the internet

   c) Tax Help

   d) all of the above.

11 Read through the list below and tick Yes or No to indicate whether a tax return should be lodged when you:

	YES	NO
a) paid tax during the year	☐	☐
b) did not work during the financial year and had no other income	☐	☐
c) have a part-time job, earned $3,546 and paid $345 in taxes	☐	☐
d) had an income for the year that exceeded the tax-free threshold.	☐	☐

Activity B21

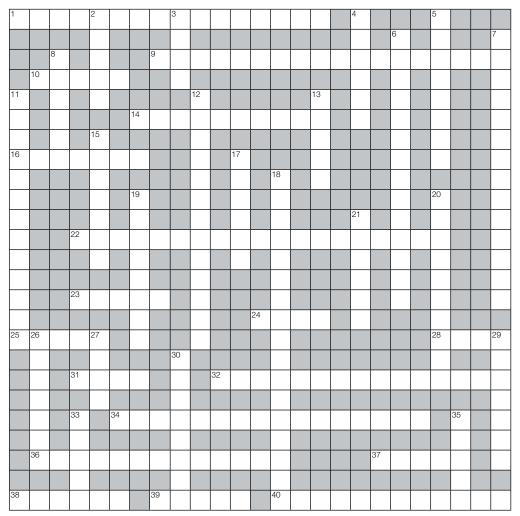Unscramble each of the terms below:

XTA NERURT

FETFOS

LWBAAOELL TCUODSNIED

UNAIITSSBTOTNA

SHHLOTDESR

NEURFD

Activity B22

Across

1   You won't pay income tax if your taxable income is below it. 3,4,9

9   It reduces your assessable income. 9,9

10 Your employer pays them to you weekly or fortnightly. 5

14 System for collecting tax throughout the year. 3,2,3,2

16 A state government may tax an employer on its … . 7

22 All consumers pay this consumption tax. 5,3,8,3

23 This level of government looks after local community needs. 5

24 Another name for a tax. For Medicare it is 1.5% of taxable income. 4

25 This level of government charges stamp duty on certain transactions. 5

28 This is the income you get from a tenant. 4

31 A common acronym for 14 above. 4

32 A tax on the profit made when selling a capital asset. 7,5,3

34 Profits paid to shareholders on which the company has paid tax. 7,9

36 Amount of income on which tax must be paid. 7,6

37 These are tax-deductible when given to approved charities. 5

38 If you qualify for one of these, it will reduce your tax bill. 6

39 For a fee, you can get one to prepare your tax return for you. 5

40 You pay this tax when you leave Australia. 9,3

Down

2   The proportion of tax you pay on different levels of income. 5

3   The acronym for a program that helps tertiary students financially. 4

4   You'll get a tax refund when your tax … is more than what you owe the Tax Office. 6

5   The income a financial institution pays you on the cash you have invested. 8

6   Written evidence for a deduction. 14

7   Money you make without working for it when you are under 18 years old. 8,6

8   Your employer will pay you either wages or a … . 6

11   Local government levies these from land owners. 8,5

12   A unique number that identifies every taxpayer. 3,4,6

13   You can use the internet, the phone or mail to do this with your tax return. 5

15   You can use this item to keep details of distance travelled for business. 3,4

17   A tax on petroleum, tobacco or alcoholic products. 6

18   Distribution of company profit on which tax has not been paid. 9,8

19   The levy for this medical cover is 1.5% of taxable income. 8

20   Taxpayers must lodge these with the Tax Office by 31 October. 3,7

21   An amount of overpaid tax coming back to you. 6

26   You could incur one if you claim the tax-free threshold from more than one employer. 3,4

27   The quickest way to complete and lodge your tax return. 4

29   A free service for students and low-income taxpayers to help them with their tax returns. 3,4

30   This type of tax credit is associated with franked dividends. 8

33   They can be classed as progressive, regressive or proportional. 5

35   Any form of property. 5

Activity C1

Demonstrate your understanding of business structure by completing the following.

Part A

Sam and Loretta are starting a milk bar business. They have four children, aged 16, 14, 12, and 10 years. They have come to you for advice about the type of business structure they should use. Write a letter setting out your advice and giving the reasons for your decision.

Part B

Complete the following sentences using the terms in the list below:

- unit
- public company
- shareholders
- franking credit
- limited liability
- partnership
- dividends
- franked

a) A _____ _____ is a business structure that has an identity of its own and

is listed on the stock exchange.

b) A group of individuals operating a business together is called a _____.

c) A _____ trust is one where the income is distributed based on the number of

units owned.

d) A company provides its _____ with _____ _____ which

means that they will not be liable for the debts of the business.

e) _____ are a share of the profits of a company.

f) Shareholders who receive _____ dividends will also receive a _____

_____.

Activity C2

Joy and Brian have a business making and selling marble tables. The income is $110,000, with allowable deductions of $25,000. At present Brian owns the business and runs it as a sole trader, even though Joy works as the bookkeeper in the business.

a) Use the table below to help you investigate the tax implications of the various business structures for Joy and Brian.

Business structure	Calculations	Tax payable
Sole trader (all profits included on Brian's tax return)		
Partnership (profits divided between Joy and Brian)		
Company (no salaries to Joy or Brian)		
Company with directors' fees (salaries of $30,000 each to Joy and Brian)		

b) Give advice on which business structure to use.

c) Joy and Brian have two dependent children, aged 18 years and 16 years. If they set up their business as a family trust (providing the children have no other source of income) it would be possible to pay the maximum tax-free amount to the younger child ($1,666 in this case, taking into account the low income tax offset) and to divide the remainder between Joy, Brian and the older child.

Family trust with profit distribution to Joy, Brian and their two children		
Total profit for distribution	$	(a)
Maximum tax-free distribution to the younger child	$	(b)
Remainder of the profit for distribution to Joy, Brian and the older child: (a) – (b)	$	(c)
Divide the remainder of the profit (c) into 3 equal shares for Joy, Brian and the older child	$	(d)
Tax on each share (remember to add the Medicare levy)	$	(e)
Less low income tax offset ($750)	$	(f)
Plus Medicare levy	$	(g)
Total tax payable = (g) × 3	$	

d) Does this change your advice to Joy and Brian? Write down your thoughts below.

e) There are reasons other than tax benefits to consider when deciding on a business structure. Can you think of some?

Activity C3

Calculate the tax payable by a company if the profit for the year is $160,000.

Activity C4

a) On the internet, using a search engine, enter 'payroll tax' followed by the name of your state (for example, payroll tax Victoria) to find the tax rates and exemptions that apply in your state.

b) Use the information you have just found on the internet to calculate the payroll tax payable for a business that has a total payroll of $1 million.

Activity C5

a) Calculate the capital gain and the tax payable when a company sells a building that was purchased for $250,000 in 2001, and sold for $400,000 this financial year.

b) Calculate the capital gain and the tax payable when an individual business owner sells a building that was purchased for $250,000 in 2001, and sold for $400,000 this financial year. (Assume the highest marginal tax rate plus Medicare levy.)

Activity C6

a) Calculate the GST amount to be added to the value of each of the following items:

Jeans – $120

Shirt – $95

Jumper – $145

b) Calculate the GST portion of the following prices, which are given with GST included:

Shovel – $50

Rake – $65

Wheelbarrow – $250

Activity C7

Mark each statement as true or false.

		True	False
1	A company is limited to 50 shareholders.		
2	All businesses must register for GST if their estimated turnover is $75,000 or more in any 12-month period.		
3	Companies must pay company tax, GST and the Medicare levy.		
4	Companies have no tax-free threshold.		
5	PAYG withholding is the system for taking tax payments from employee wages.		
6	GST is a progressive tax.		
7	GST is 1/11 of the selling price of a good or service.		
8	Payroll tax is levied by the federal government on all businesses.		
9	A partnership has limited liability.		
10	A private company is not listed on the stock exchange.		

Activity C8

Circle the correct or most appropriate option.

1   A sole trader is the:

    a)   manager of a business

    b)   owner of a business

    c)   owner and manager of a business

    d)   person who trades on his or her own.

2   How many partners does a partnership have as its minimum?

    a)   10

    b)   5

    c)   3

    d)   2

3   A discretionary trust is used for:

    a)   family businesses

    b)   income splitting

    c)   distribution of profits between beneficiaries

    d)   all of the above.

4   A public company can:

    a)   have shares traded on the stock exchange

    b)   have more than 50 shareholders

    c)   distribute profits as dividends

    d)   all of the above.

5   Fringe benefits tax:

    a)   taxes the edges

    b)   applies to non-cash benefits provided by employers

    c)   is paid by the employee

    d)   is added to the income of the employee.

6   Company tax:

    a)   is a progressive tax

    b)   has a tax-free threshold of $6,000

    c)   is payable in addition to the Medicare levy

    d)   is 30% of company taxable income.

7   The PAYG system covers various tax payments by:

   a) companies

   b) individuals

   c) partnerships

   d) all of the above.

8   PAYG withholding is a system for the collection of income tax from:

   a) employees

   b) companies

   c) businesses

   d) partnerships.

9   The BAS is used for reporting on:

   a) PAYG withholding

   b) GST credit

   c) GST collected

   d) all of the above.

10 Payroll tax is:

   a) levied by state governments

   b) the same in every state

   c) applied to the cash portion of remuneration

   d) applied to the whole payroll.

11 The Australian business number is used when:

   a) lodging the tax return of the business

   b) incorporating the business into a company

   c) preparing a tax invoice

   d) calculating income tax for a company.

12 Personal income tax rates apply to taxable income derived from:

   a) a family trust

   b) a partnership

   c) a sole trader

   d) all of the above.

Activity C9

Unscramble each of the terms below:

RANIRSPPETH

LESO AETDRR

YMPACON
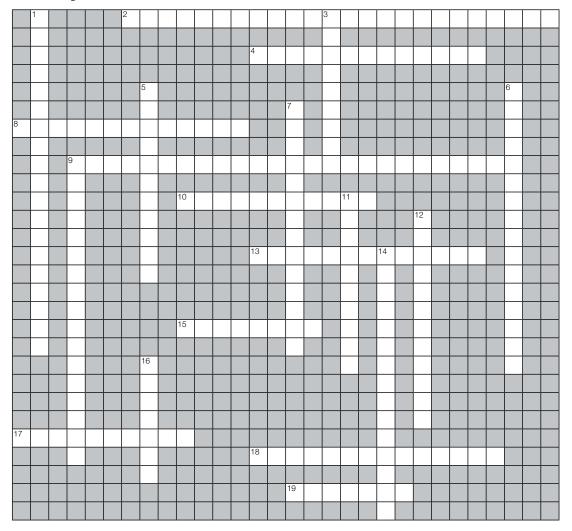
SENBSUIS UTTRRCSUE

DTLEIIM BYIIITLLA

YNAPMOC AXT

NFCERIAYIBE

TTIYCIAV NAETTTESM

MTPEYAN YAMSRMU

OEAUANSTIPNUNR

Activity C10

Across
2   Identifies the business entity. 10,8,6
4   A business that can be listed on the stock exchange. 6,7
8   Gives a separate legal identity. 13
9   A statement that gives details of the GST collected and GST paid on purchases. 8,8,9
10 A business structure with flexibility for income splitting. 6,5
13 Where shares of public companies can be bought or sold. 5,8
15 Share of the profits of a company when distributed to shareholders. 8
17 Levied by state governments on the wages and salaries paid to employees. 7,3
18 A statement of the details of income paid to an employee and the tax deducted. 7,7
19 Funds used to run a business. 7

Down
1   Levied on consumption. 5,3,8,3
3   A business structure with assets held by an entity on behalf of others, with fixed distribution of profits. 4,5
5   A business with more than one owner. 11
6   Means shareholders are not liable for the debts of a company. 7,9
7   A business owned by shareholders but not listed on the stock exchange. 7,7
9   The way an enterprise is set up. 8,9
11 A business with one owner. 4,6
12 Owners of a company. 12
14 Levied on the profit on the sale of some assets. 7,5,3
16 Responsible for the assets of a trust. 7

answers

Module A – Understanding tax

Activity A5

Service	Level of government responsible
Legal system	Local, state, federal
Health system	Local, state, federal (eg child health centre)
Schools and teachers	State
TAFE and universities	State, federal
Roads	Local, state, federal (eg federal highways)
Research into science, technology and energy	Federal
ABC and SBS radio and television	Federal
Libraries	Local (but not for state libraries and the Australian National Library)
Environment	State, federal
Sports grounds	Local
National parks	State, federal
Protection of wildlife	Local, state, federal
Foreign aid	Federal
Australian embassies overseas	Federal
Museums and art galleries	Local, state, federal
Zoos	State
Water supply	Local, state
Tourism	Local, state, federal
Salaries of government employees	Local, state, federal
Rail and air services	State, federal
Employment	Local, federal
Dams	State
Defence	Federal
Primary industry	State, federal
Pensions	Federal
Telecommunications	Federal
Youth allowance	Federal

This is to be used as a guide only.

Activity A8

Tax	Type
Income tax	Progressive
Medicare levy	Proportional
Special purpose levy	Regressive
Company tax	Proportional
Goods and services tax	Proportional
Excise and customs duty	Proportional
Departure taxes at airports	Regressive

Activity A9

1   d)   collect from people to pay for services.

2   d)   all of the above.

3   c)   federal, state and local.

4   c)   income tax, GST, fringe benefits tax.

5   b)   payroll tax and stamp duty.

6   c)   income tax, excise and company tax.

7   b)   social security and welfare, defence.

8   d)   Parliament.

9   b)   government.

Activity A10

TAX OFFICE

INCOME TAX

CUSTOMS DUTY

PAYROLL TAX

PROPORTIONAL

BUDGET

DEFICIT

PROGRESSIVE

Module B – Personal taxation

Activity B1

1 No
2 No
3 Yes
4 Yes
5 Yes
6 No
7 No
8 Yes
9 No
10 No
11 Yes

Activity B2

1 No
2 Yes
3 Yes
4 No
5 Yes
6 No
7 Yes
8 No
9 Yes
10 No
11 No
12 No
13 No
14 Yes

Activity B4

Item	Nisha	Jo	Miguel
Assessable income	$34,025	$79,533	$61,044
Allowable deductions	$1,880	$2,620	$1,950
Taxable income	$32,145	$76,913	$59,094

Activity B6

ELECTRO ELECTRICS
ABN 12 123 456 789
100 Bridge Road Sunnyside

TAX INVOICE

Number: 4426   Date 25/11/2007

Sold to: Peter
          33 Stanley Street, Rainyside

Qty	Details	Price	Total
One	XYZ electric drill	$880	$880

All prices include GST.   TOTAL $ _____ $880

Activity B7

Car make	Holden		**Model** Longreach		**Registration number**	ABC 444		
Date trip commenced	Date trip ended	Odometer at start	Odometer at finish	Business km	Purpose of trip	Name of driver	Signature
3/3	3/3	33,345	33,375	**30**	Framing	Peter	*Peter*
4/3	**4/3**	33,412	33,442	30	Roof	Peter	*Peter*
5/3	5/3	33,501	**33,565**	64	Cupboards	Peter	*Peter*
6/3	6/3	33,610	33,669	59	Cupboards	Peter	*Peter*
7/3	7/3	33,680	33,725	45	**Office repairs**	Peter	*Peter*

Activity B10

Taxable income	Tax	Tax as % of income	Medicare levy
$18,500	18,500 − 6,000 = 12,500 12,500 × 0.15 = $1,875	1,875 ÷ 18,500 = 10.14%	18,500 × 1.5% = $277.50
$41,900	41,900 − 30,000 =11,900 11,900 × 0.3 = 3,570 3,570 + 3,600= $7,170	7,170 ÷ 41,900 = 17.11%	41,900 × 1.5% = $628.50
$35,700	35,700 − 30,000 = 5,700 5,700 × 0.3 = 1,710 1,710 + 3,600= $5,310	5310 ÷ 35,700 = 14.87%	35,700 × 1.5% = $535.50

Activity B11

a) $200 × 52 = $10,400
  Tax rate when unearned income is over $1,307 is 45% of the total amount.
  $10,400 × 45% = $4,680
  Less $750 low income tax offset = $3,930 net tax payable

b) $200 × 52 = $10,400
  Normal income tax rates apply.
  $10,400 – $6,000 = $4,400
  $4,400 × 15% = $660
  Less $750 low income tax offset = $00 net tax payable

Note for teachers: A decision on unearned income for under-18s could take into account the $750 low income tax offset which cancels the first $750 of tax on taxable income. For example, a total taxable income of $1,666 (all of which is eligible income) will attract a tax amount of $749.70 (that is $1,666 × 45%) which is cancelled by the low income tax offset. This is why you will see $1,666 quoted in activity C2.

Activity B12

a) $160 x 46.5% = $74.40

b) Mai could get a TFN through her school (via the schools TFN program).

Activity B13

a) ($400 × 52) + 160 = $20,800 + 160 = $20,960

b) ($20,960 – $6,000) × 15% = $14,960 × 15% = $2,244

c) $2,244 – $750 = $1,494

d) Medicare levy = $20,960 × 1.5% = $314.40,
  total amount payable = $1,494 + $314.40 = $1,808.40

e) Amount withheld = $50 × 52 = $2,600

f) Refund due = $2,600 – $1,808.40 = $791.60

Tax on taxable income		$2,244.00
less	Low income tax offset	$750
Net tax payable		**$1,494.00**
plus	Medicare levy	$314.40
Total amount payable		**$1,808.40**
less	Tax credit (amount withheld)	$2,600
Amount refundable		**$791.60**

Activity B14

If your school participates in the schools TFN program, the secondary school TFN application should be completed by students. If the school certifies the applications and returns them to the Tax Office, the students will be sent their tax file numbers by the Tax Office.

See the schools TFN information kit provided by the Tax Office.

Activity B15

a) Yes

b) No

c) No

The point of this question is for students to become familiar with one of the most important forms they will encounter and the one that has the highest error rate.

Activity B16

This activity will require students to review the **Pay as you go (PAYG) withholding – weekly table**.

It is important for students to have a copy of the form, or a photocopy of the relevant page.

a) $0

b) $10

Activity B17

taxable income

allowable deductions

assessable income

assessable

tax file number

TFN declaration

substantiation

Activity B18

a) Consumption tax, proportional

b) $57.90, $17.00, $11.40, $24.50

c) $159.09, $59.09, $36.36, $10.00 (You divide the GST-inclusive price by 11.)

Activity B19

a) $700,000 – $180,000 = $520,000

b) $260,000 (50% discount)

c) Aaron's taxable income is $260,000 + $78,000 = $338,000. It will be taxed at the personal income tax rate plus Medicare levy. If Aaron does not have private health insurance he will also be charged the Medicare levy surcharge.

Activity B20

1   a) your secondary school (if it participates in the TFN program) or the Tax Office.

2   c) 45%, the highest marginal tax rate, plus 1.5% for the Medicare levy.

3   d) $93.00

4   a) $6,000

5   d) tax file number declaration.

6   a) for one job only, even if you have a second job.

7   a) to unearned income over $416.

8   d) you use to tell the Tax Office how much income you earned and your tax deductions for the financial year.

9   d) between 1 July and 31 October each year.

10 d) all of the above.

11 a) Yes

    b) No

    c) Yes

    d) Yes

Activity B21

TAX RETURN

OFFSET

ALLOWABLE DEDUCTIONS

SUBSTANTIATION

THRESHOLDS

REFUND

Activity B22

A completed crossword grid. Letters entered in the grid spell the following answers:

- 1 Across: TAX FREE THRESHOLD
- 9 Across: ALLOWABLE DEDUCTION
- 10 Across: WAGES
- 14 Across: PAY AS YOU GO
- 16 Across: PAYROLL
- 22 Across: GOODS AND SERVICES TAX
- 23 Across: LOCAL
- 24 Across: LEVY
- 25 Across: STATE
- 28 Across: RENT
- 31 Across: PAYG
- 32 Across: CAPITAL GAINS TAX
- 34 Across: FRANKED DIVIDENDS
- 36 Across: TAXABLE INCOME
- 37 Across: GIFTS
- 38 Across: OFFSET
- 39 Across: AGENT
- 40 Across: DEPARTURE TAX

Down entries (read vertically in the grid) include: PROPERTY TAX, STATE, CREDIT, INSURANCE, UNEARNED, INDIRECT, RATE, BOOKKEEPER, RETURN, MEDICARE LEVY, REFUND, EXCISE, UNFRANKED, REGISTER, TAX RETURN, LAND TAX, STAMP DUTY, ASSET HELP, TAXABLE, GIFTS.

Module C – Business tax

Activity C1 (Part B)

a) public company

b) partnership

c) unit

d) shareholders, limited liability

e) dividends

f) franked, franking credit

Activity C2

a)

Business structure	Calculations	Tax payable
Sole trader (all profits included on Brian's personal tax return)	Taxable income $85,000 Tax on $85,000: $0 to $6,000 nil $6,001 to $30,000 $3,600 $30,011 to $75,000 $13,500 $75,001 to $85,000 $4,000 Medicare levy $1,275 Tax payable $22,375	**$22,375**
Partnership (profits divided between Joy and Brian)	Taxable income $42,500 × 2 Tax on $42,500: $0 to $6,000 nil $6,001 to $30,000 $3,600.00 $30,001 to $42,500 $3,750.00 Medicare levy $637.50 Tax payable $7,987.50 × 2 = $15,975	**$15,975**
Company (no salaries to Joy or Brian)	Taxable income $85,000 Tax payable = $85,000 × 30% = $25,500	**$25,500**
Company with directors' fees (salaries of $30,000 each to Joy and Brian)	Company income $110,000 less allowable deductions $25,000 and salaries $60,000 so company taxable income = $25,000 Company tax $25,000 × 30% = $7,500 Tax on $30,000 salary: $0 to $6,000 nil $6,001 to $30,000 $3,600 Medicare levy $450 Total tax on salaries $4050 × 2 = $8,100 Total tax payable $8,100 + $7,500 = $15,600	**$15,600**

b) In the above example, the business structure that incurs the lowest amount of tax is the company with directors' fees.

c)

Business structure	Calculations	Tax payable
Family trust (with profit distribution to Joy and Brian and their two children)	Distribution to the younger child is $1,666. Divide the remainder of the taxable income ($85,000 – $1,666 = $83,334) equally between Joy, Brian and the older child: $83,334 ÷ 3 = $27,778 Tax on $27,778: $0 to $6,000 nil $6,001 to $27,778 $3,266.70 Less low income tax offset $750.00 Net tax payable $2,516.70 Plus Medicare levy $416.67 Total tax payable $2,933.37 × 3 = $8,800.11	**$8,800.11**

d) **New advice** – For this family, the family trust structure will give the lowest amount of tax payable on the profit of $85,000.

e) **Reasons other than tax** – Issues to consider can include the need for capital, specialist expertise, business continuity and lifestyle, among others.

Activity C3

$160,000 × 30% = $48,000

Activity C4

No answer is provided for this question as the answer will be different for each state.

Activity C5

a) Capital gain: $400,000 – $250,000 = $150,000
   Tax: $150,000 × 30% = $45,000

b) Capital gain: $400,000 – $250,000 = $150,000
   Tax: $150,000 × 50% (discount) × 46.5% = $34,875
   (Note: 46.5% includes 1.5% Medicare levy.)

Activity C6

a) $12.00, $9.50, $14.50

b) $4.55, $5.91, $22.73

Activity C7

1 False

2 True

3 False

4 True

5 True

6 False

7 True

8 False

9 False

10 True

Activity C8

1 c) owner and manager of a business.

2 d) 2

3 d) all of the above.

4 d) all of the above.

5 b) applies to non-cash benefits provided by employers.

6 d) is 30% of company taxable income.

7 d) all of the above.

8 a) employees.

9 d) all of the above.

10 a) levied by state governments.

11 c) preparing a tax invoice.

12 d) all of the above.

Activity C9

PARTNERSHIP

SOLE TRADER
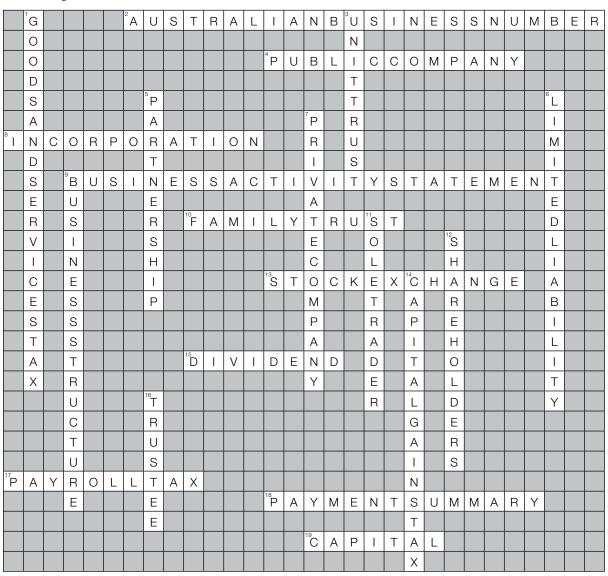
COMPANY

BUSINESS STRUCTURE

LIMITED LIABILITY

COMPANY TAX

BENEFICIARY

ACTIVITY STATEMENT

PAYMENT SUMMARY

SUPERANNUATION

Activity C10

Crossword solution:

1 (down): GOODS AND SERVICES TAX
2 (across): AUSTRALIAN BUSINESS NUMBER
3 (down): INSTITUTIONS
4 (across): PUBLIC COMPANY
5 (down): PARTNERSHIP
6 (down): LIMITED LIABILITY
7 (down): PROPRIETARY
8 (across): INCORPORATION
9 (across): BUSINESS ACTIVITY STATEMENT
9 (down): BUSINESS STRUCTURE
10 (across): FAMILY TRUST
11 (down): STOCK
12 (down): SHAREHOLDERS
13 (across): STOCK EXCHANGE
14 (down): CHARITABLE
15 (across): DIVIDEND
16 (down): TRUSTEES
17 (across): PAYROLL TAX
18 (across): PAYMENT SUMMARY
19 (across): CAPITAL

Introduction to tax is a resource for teachers and students in Years 7 to 10. It helps students to understand the Australian taxation system and their rights and obligations.

Student's manual

The student's manual is organised in three Modules.

Module A introduces the tax system and allows students to examine and discuss issues related to the collection and expenditure of tax revenue by all levels of government.

Module B focuses on personal tax. It provides information and exercises that enable students to become familiar with how tax is calculated, different types of taxes, and the tax forms and regulations they will encounter in the later years of their school life or on leaving school when they first begin to earn an income.

Module C is about business tax. It presents information on business structures, taxes and record keeping. Student activities involve students in the paperwork and calculations needed when running a business.

Teacher's manual

The teacher's manual provides the support a teacher will need to use the student's manual in class. It includes:

- links between the content of the resource and their state or territory curriculum
- details of the objectives for each Module
- student worksheets
- answers to all questions.

Curriculum
CORPORATION