



<b>ASSESSMENT 2 BRIEF</b>	
<b>Subject Code and Title</b>	LAW6001 Taxation Law
<b>Assessment</b>	Assessment 2: Case Study
<b>Individual/Group</b>	Individual
<b>Length</b>	For the Report 2000 words +/- 10% excluding References
<b>Learning Outcomes</b>	<ul style="list-style-type: none"><li>a) Identify and analyse the tax treatment of various types of income and deductions.</li><li>b) Apply the legislation to determine the assessable income and availability and amount of the tax deduction associated with capital and repair.</li><li>c) Calculate the specific deduction associated with repair.</li><li>d) Preparation and calculation of net capital gains.</li></ul>
<b>Submission</b>	By 11:55pm AEST/AEDT Sunday of Week 7
<b>Weighting</b>	20%
<b>Total Marks</b>	100 marks

### **Task Summary**

In response to the issues raised in the case study provided, research and develop a 2000-word tax advice that addresses (a) assessable income (b) allowable deductions (c) calculations of income/deductions and (d) your conclusions and recommendations.

Please refer to the Task Instructions for details on how to complete this task.

## Context

This assessment assesses your research skills, your ability to synthesise an original piece of work to specific content requirements and your ability to produce a comprehensible piece of advice which addressing the client's needs.

It also assesses your written communication skills. The ability to deliver to a brief is an essential skill in the workplace. Clients may well approach advisors seeking a combination of specific information needs and advice on the tax implications of a particular arrangement in the Australian tax jurisdiction. It is therefore important to be able to identify all the issues presented by an arrangement and to think about the potential consequences of different approaches to addressing the client's needs.

## Task Instructions

- Your case study needs to identify and discuss the tax implications of the various issues raised.
- A report (word document, approx. 2,000 words) must be submitted for the calculations of the assessable income; allowable deductions and taxable income of the taxpayer including identifying and discussing them. E.g., how the amounts of income & deductions have been derived. If any receipts and payments are not assessable or deductible, the reasoning for non-inclusion of these in assessable income or deductions as per relevant legislation or cases.
- Critically analyse the following case study.  
With respect to each task:
  - Review relevant case law and legislation (ITAA1936, ITAA1997)
  - Apply the law to the facts of the case study
  - Reach a conclusion/ give practical advice to your client.
- You will be assessed in accordance with the Assessment Rubric.
- This case study must be presented as an individual effort. The case study requires individual research. It is expected the student will survey the relevant literature, including decided cases, and select appropriate additional resources.
- Your case study is not just a list of answers. Your reasons for your conclusions and recommendations must be based on your research into the relevant cases and legislation.
- The format of the report should be a business report and using APA referencing style

## Referencing

It is essential that you use appropriate APA style for citing and referencing research. Please see more information on referencing here in the [Academic Writing Guide](#) found via the [Academic Skills website](#).

## **Submission Instructions**

Write instructions explaining where students will submit assessment in the LMS portal

e.g. Submit this task via the Assessment link in the main navigation menu in Assessment 2- Case Study (Individual) LAW6001: Taxation Law. The Learning Facilitator will provide feedback via the Grade Centre in the LMS portal. Feedback can be viewed in My Grades.

If submitting more than one document

Please note during the submission process: If you would like to include appendix items in your submission, once your first item has been uploaded, click 'Browse Your Computer' to attach your extra documents as an appendix. Then click Final Submit button.

The following page contains a guide to constructing rubrics. Please adapt appropriately and adjust the criteria you use to assess.

## **Academic Integrity**

All students are responsible for ensuring that all work submitted is their own and is appropriately referenced and academically written according the Academic Writing Guide. Students also need to have read and be aware of Torrens University Australia Academic Integrity Policy and Procedure and subsequent penalties for academic misconduct. These are [viewable online](#).

Students also must keep a copy of all submitted material and any assessment drafts.

## **Case Study: Comprehensive Individual Tax Return Advice**

### **Question 1**

On 17 July 2020, Ken Fong acquired a restaurant as a going concern, paying \$850,000 for the land and buildings, plant and equipment and goodwill. Upon taking possession Ken realised that the plumbing and electrical systems required repairing.

In August 2020 he spent \$27,000 for the repairs so that the restaurant could open for business. Shortly after opening, the tiles in the kitchen cracked and fell off the walls. Ken had them replaced, restoring them to their original condition, costing \$6,400.

In November 2020 Ken decided to replace all the kitchen cooking equipment in order to reduce the likelihood of having to replace it in the future. The cost was \$30,000. At the same time Ken entered into a contract to have the equipment regularly inspected and serviced. The contract fee was \$1,500 per year. At that time, he also decided to pay a pest control company \$2,000 a year to rid the restaurant of pests and ensure health and safety standards were maintained.

In January 2021 a violent summer hail storm caused damage to the roof of the restaurant. Instead of making repairs, Ken decided to replace the entire roof along with the roofing insulation and ducted air conditioning. The roof replacement cost \$32,000 and the insulation and air conditioning added another cost of \$7,400. At that time Ken contracted builders to construct an additional room to cater for increased patronage. The cost of the addition was \$26,800.

### **Required**

With reference to relevant legislation and cases, advise Ken on the deductibility of the expenditure incurred on repairs and improvements to his restaurant in August 2020, November 2020 and January 2021.

## Question 2

Maurice is an individual tax resident of Australia for tax purposes. He has the following assets:

- His home was acquired on 20 February 1989 for \$140 000. The home was never used for any income producing purpose. The estimated market value of the house on 1 March 2018 is \$310,000
- Shares in FUL Pty Ltd acquired on 10 April 1984 at a cost of \$15 000.
- Furniture acquired on 20 May 2010 for \$10,500.
- Yacht acquired on 9 July 2020 for \$25,000
- Block of vacant land acquired on 20 June 1997 at a cost of \$100 000. The estimated market value of the vacant block on 15 May 2021 is \$475,000.

Maurice subsequently sold the following assets during 2020-2021 (arm's length transactions):

- His home was sold on 1 March 2021 for \$325,000
- The FUL Shares were sold on 15 March 2021 for \$19,000
- The furniture was sold on 1 May 2021 for \$5,000
- The yacht was sold on 29 June 2021 for \$37,000
- The block of vacant land was sold on 30 May 2021 for \$465,000.

Maurice also has a carry forward capital loss of \$12,500 from the sale of an antique drumkit and a carry forward capital loss \$5,000 from the sale of underperforming shares in an earlier income year.

Maurice is not a share trader.

Maurice has also incurred interest expenses on the vacant block of land of \$110,000 over the time he owned the vacant block. He never used the vacant block for any income producing purpose.

## Required

With reference to relevant legislation and cases calculate the net capital gain or loss as applicable for Maurice for the 2020/21 income year. You must show all possible methods to calculate capital gains (you must reference each step in the process to the relevant legislation. The numbers in the calculation will not be sufficient) and identify reasons why inclusion/exclusion of all capital gains tax assets.

***End of Assessment 2***

**Learning Rubric: Assessment 2 Case Study (Individual)**

Assessment Criteria	Fail (Unacceptable) 0-49%	Pass (Functional) 50-64%	Credit (Proficient) 65-74%	Distinction (Advanced) 75 -84%	High Distinction (Exceptional) 85-100%
<b><i>Knowledge and understanding (technical and theoretical knowledge)</i></b>  <b>40%</b>	Limited understanding of required concepts and knowledge  Key components of the assignment are not addressed.	Knowledge or understanding of the field or discipline.  Resembles a recall or summary of key ideas.  Often confuses assertion of personal opinion with information substantiated by evidence from the research/course materials.	Thorough knowledge or understanding of the field or discipline/s. Supports personal opinion and information substantiated by evidence from the research/course materials.  Demonstrates a capacity to explain and apply relevant concepts.	Highly developed understanding of the field or discipline/s.  Discriminates between assertion of personal opinion and information substantiated by robust evidence from the research/course materials and extended reading.  Well demonstrated capacity to explain and apply relevant concepts.	A sophisticated understanding of the field or discipline/s.  Systematically and critically discriminates between assertion of personal opinion and information substantiated by robust evidence from the research/course materials and extended reading.  Mastery of concepts and application to new situations/further learning.
<b><i>Evaluation of information selected to support the case study</i></b>  <b>45%</b>	Limited understanding of key concepts required to support the case study.  Confuses logic and emotion. Information taken from reliable sources but without a coherent analysis or synthesis.	Resembles a recall or summary of key ideas.  Often conflates/confuses assertion of personal opinion with information substantiated by evidence from the research/course materials.	Supports personal opinion and information substantiated by evidence from the research/course materials.  Demonstrates a capacity to explain and apply relevant concepts.	Discriminates between assertion of personal opinion and information substantiated by robust evidence from the research/course materials and extended reading.	Systematically and critically discriminates between assertion of personal opinion and information substantiated by robust evidence from the research/course materials and extended reading.  Information is taken from sources with a high level of

	<p>Viewpoints of experts are taken as fact with little questioning.</p> <p>The response shows a complete lack of understanding of the case, its context and application of tax law in regards to decline in value, trading stock, GST, accrual basis in taxation in an business environment; and other investment related income &amp; deductions.</p>	<p>Analysis and evaluation do not reflect expert judgement, intellectual independence, rigor and adaptability.</p> <p>The response shows some understanding of the case, its context and application of tax law in regards to decline in value, trading stock, GST, accrual basis in taxation in an business environment; and other investment related income &amp; deductions.</p>	<p>Identify logical flaws.</p> <p>Questions viewpoints of experts.</p> <p>Shows a good understanding of the case, its context and application of tax law in regards to decline in value, trading stock, GST, accrual basis in taxation in an business environment; and other investment related income &amp; deductions.</p>	<p>Well demonstrated capacity to explain and apply relevant concepts.</p> <p>Viewpoint of experts are subject to questioning.</p> <p>Analysis and evaluation reflect growing judgement, intellectual independence, rigor and adaptability.</p> <p>Shows a great understanding of the case, its context and application of tax law in regards to decline in value, trading stock, GST, accrual basis in taxation in an business environment; and other investment related income &amp; deductions.</p>	<p>interpretation/evaluation to develop a comprehensive critical analysis or synthesis.</p> <p>Identifies gaps in knowledge.</p> <p>Exhibits intellectual independence, rigor, good judgement and adaptability.</p> <p>Shows excellent understanding of the case, its context and application of tax law in regards to decline in value, trading stock, GST, accrual basis in taxation in an business environment; and other investment related income &amp; deductions.</p>
<p><b><i>Effective communication while giving advices to client</i></b></p> <p><b>5%</b></p>	<p>Difficult to understand for audience, no logical/clear structure, poor flow of ideas, argument lacks supporting evidence.</p> <p>Line of reasoning cannot be followed in regards to deductions claimed for the client.</p>	<p>Information, arguments and evidence are presented in a way that is not always clear and logical.</p> <p>Line of reasoning is often difficult to follow in regards to deductions claimed for the client.</p>	<p>Information, arguments and evidence are well presented, mostly clear flow of ideas and arguments.</p> <p>Line of reasoning is easy to follow in regards to deductions claimed for the client.</p>	<p>Information, arguments and evidence are very well presented; the presentation is logical, clear and well supported by evidence.</p> <p>Great line of reasoning and analysis has been performed in regards to deductions claimed for the client.</p>	<p>Expertly presented; the presentation is logical, persuasive, and well supported by evidence, demonstrating a clear flow of ideas and arguments.</p> <p>Excellent line of reasoning and detailed analysis has been performed in regards to</p>

					deductions claimed for the client.
<p><b><i>Correct citation of key resources and evidence</i></b></p> <p><b>10%</b></p>	<p>Demonstrates inconsistent use of good quality, credible and relevant resources to support and develop ideas.</p> <p>Demonstrates no section numbers or incorrect section numbers per ITAA1936 and ITAA1997.</p>	<p>Demonstrates use of credible and relevant resources to support and develop ideas, but these are not always explicit or well developed.</p> <p>Demonstrates some section numbers per ITAA1936 and ITAA1997 with some errors.</p>	<p>Demonstrates use of high quality, credible and relevant resources to support and develop ideas.</p> <p>Demonstrates some section numbers per ITAA1936 and ITAA1997 with a couple of errors.</p>	<p>Demonstrates use of good quality, credible and relevant resources to support and develop arguments and statements. Shows evidence of wide scope within the organisation for sourcing evidence.</p> <p>Demonstrates more than enough correct section numbers per ITAA1936 and ITAA1997.</p>	<p>Demonstrates use of high-quality, credible and relevant resources to support and develop arguments and position statements. Shows evidence of wide scope within and without the organisation for sourcing evidence.</p> <p>Demonstrates sufficient correct section numbers per ITAA1936 and ITAA1997.</p>



<b>The following Subject Learning Outcomes are addressed in this assessment</b>	
SLO c)	Effectively apply taxation law in determining the tax outcome in various client's scenarios
SLO d)	Critically assess differences between the tax treatment of individuals, partnerships, companies and trusts and evaluate the effectiveness of each structure in meeting various client needs.
SLO e)	Analyse, evaluate and recommend taxation strategies to develop comprehensive solutions in order to maximise client financial outcomes.
SLO f)	Research, interpret and effectively communicate complex taxation concepts and recommended taxation strategies to clients in an industry compliant format.