



FNSACC601 ASSESSOR GUIDE

# Prepare and administer tax documentation for legal entities

## Assessment 1 of 3

### Short answer questions



SWINBURNE  
OPEN  
EDUCATION



## Assessment Information

### Submission

You are entitled to three [3] attempts to complete this assessment satisfactorily. Incomplete assessments will not be marked and will count as one of your three attempts.

All questions must be responded to correctly to be assessed as satisfactory for this assessment.

Answers must be typed into the space provided and submitted electronically via the LMS. Hand-written assessments will not be accepted unless previously arranged with your assessor.

### Reasonable adjustment

Students may request a reasonable adjustment for assessment tasks.

Reasonable adjustment usually involves varying:

1. the processes for conducting the assessment [e.g. allowing additional time]
2. the evidence gathering techniques [e.g. oral rather than written questioning, use of a scribe, modifications to equipment]

However, the evidence collected must allow the student to demonstrate all requirements of the unit.

Refer to the Student Handbook or contact your Trainer for further information.



Please consider the environment before printing this assessment.

## Assessment Instructions

### Task overview

This assessment task consists of number 18 short answer questions. Read each question carefully before typing your response in the space provided.

### Additional resources and supporting documents

To complete this assessment, you will need:

- Access to your learning materials
- Access to a computer and internet
- Access to Microsoft Word (or a similar program)
- TBB(EP) 01/210 Code of Professional Conduct

## Short Answer Questions

### Question 1

The following questions are **about conflict of interest** and your responsibilities as a tax agent under the **Code of Professional Conduct and Tax Agent Services Act and Tax Agent Services Regulations (TASR)**.

Complete the table below to:

- Explain each type of conflict of interest
- Provide an example of a conflict of interest
- Identify a mechanism to manage each conflict of interest. Your response must align with the adequate arrangements for the management of conflicts of interest in the [Code of Professional Conduct](#).

**Assessor instructions:** Assessor guidance is provided below with sample answers.

Type of conflict of interest	Definition – in your own words	One example of a conflict of interest that a tax agent	Identify and explain the mechanism to manage conflict of interest
<b>Financial conflict of interest</b>	<p>Approximate word count: 15-25 words</p> <p>Students must demonstrate knowledge of financial conflict of interest, and responses must be in the student's own words.</p> <p>Responses must reflect the following definition: This can arise if a tax agent has a personal or financial interest in a client's tax affairs.</p>	<p>Approximate word count: 30-40 words</p> <p>Students must provide an example of a financial conflict of interest that shows the tax agent has a personal or financial interest in a client's tax affairs.</p> <p>Responses will vary.</p> <p>For example, suppose a tax agent owns shares in a client's business. In that case, they may be tempted to provide advice that benefits</p>	<p>Approximate word count: 25-50 words</p> <p>Student responses must be appropriate for the example provided; therefore, answers and sizes of responses will vary. Students must identify the mechanism as any of the three options:</p> <p>Avoid - You may choose to decline an engagement where a conflict of interest is inevitable, or you may have difficulty</p>

		<p>their own financial interests rather than providing objective advice to the client.</p>	<p>managing a conflict of interest.</p> <p>Control - To control conflict of interest, you need to identify the risks, assess the risks, and implement measures to mitigate these risks.</p> <p>For example, another tax agent should be assigned to the client if the tax agent has a financial conflict of interest.</p> <p>Disclose - Immediately inform stakeholders of any possible conflict of interest. Disclosure of potential conflicts of interest to the client is essential while preparing tax documentation. This will enable them to decide which information to disclose to you for preparing tax documentation.</p> <p>For example, suppose you also prepare tax documentation for a competitor. In that case, the client may provide you with purchase information without disclosing the names of service providers and suppliers to avoid a conflict of interest.</p>
<p><b>Personal conflict of interest</b></p>	<p>Approximate word count: 19-30 words</p> <p>Students must demonstrate knowledge of personal conflict of interest, and responses must be in the student's own words. Responses must reflect the following: This can arise if a tax agent has a personal relationship with a client that</p>	<p>Approximate word count: 10-20 words</p> <p>Students must provide an example of a personal conflict of interest involving a personal relationship. For example, A family member asked them to provide taxation advice.</p>	<p>Approximate word count: 20-30 words</p> <p>Student responses must be appropriate for the example provided; therefore, answers will vary.</p> <p>Students must identify avoid or control as appropriate response and reasoning, such as:</p>

	could compromise their objectivity.		<p>Avoid - You may choose to decline an engagement where a conflict of interest is inevitable, or you may have difficulty managing a conflict of interest.</p> <p>Control - To control conflict of interest, you need to identify the risks, assess the risks, and implement measures to mitigate these risks.</p> <p>For example, a tax agent should be assigned to another client if the tax agent is a close friend of the competitor of the client currently assigned to him.</p>
<b>Professional conflict of interest</b>	<p>Approximate word count: 20-30 words</p> <p>Students must demonstrate knowledge of professional conflict of interest, and responses must be in the student's own words. Responses must reflect the following: This can arise if a tax agent is involved in multiple roles or engagements that could create a conflict of interest.</p>	<p>Approximate word count: 14-30 words</p> <p>Students must provide an example of a professional conflict of interest.</p> <p>For example, you have been asked to provide tax advice to two companies seeking a merger</p>	<p>Approximate word count: 12-20 words</p> <p>Student responses must be appropriate for the example provided; therefore, answers will vary. The response must include avoid, disclose or control according to the explanations above.</p> <p>For example, disclosing the information to both clients and controlling by using separate teams.</p>

## Question 2

The Code of Professional Conduct is contained in Division 30 of the Tax Agent Services Act 2009 (TASA), translating the provisions into practical principles that can be applied to tax practitioners.

List the five categories and 14 principles from the Code of Professional Conduct that outline the responsibilities of tax agents.

Approximate word count: 326 words

### Assessor instructions:

Student answers must match the following:

### **Honesty and integrity**

(1) You must act honestly and with integrity.

(2) You must comply with the taxation laws in the conduct of your personal affairs.

(3) If:

a. you receive money or other property from or on behalf of a client, and

b. you hold the money or other property on trust; you must account to your client for the money or other property.

### **Independence**

(4) You must act lawfully in the best interests of your client.

(5) You must have in place adequate arrangements for the management of conflicts of interest that may arise in relation to the activities that you undertake in the capacity of a registered tax agent or BAS agent.

### **Confidentiality**

(6) Unless you have a legal duty to do so, you must not disclose any information relating to a client's affairs to a third party without your client's permission.

### **Competence**

(7) You must ensure that a tax agent service that you provide, or that is provided on your behalf, is provided competently.

(8) You must maintain knowledge and skills relevant to the tax agent services that you provide.

(9) You must take reasonable care in ascertaining a client's state of affairs, to the extent that ascertaining the state of those affairs is relevant to a statement you are making or a thing you are doing on behalf of a client.

(10) You must take reasonable care to ensure that taxation laws are applied correctly to the circumstances in relation to which you are providing advice to a client.

### **Other responsibilities**

(11) You must not knowingly obstruct the proper administration of the taxation laws.

(12) You must advise your client of the client's rights and obligations under the taxation laws that are materially related to the tax agent services you provide.

(13) You must maintain professional indemnity insurance that meets the Board's requirements.

(14) You must respond to requests and directions from the Board in a timely, responsible and reasonable manner.

### **Question 3**

The following questions are about **explanatory materials** for legislation.

- a. What are explanatory materials, and why do tax practitioners use them to assist in addressing ethical and legislative requirements? Approximate word count: 60-70 words
- b. Briefly explain any **two** explanatory materials that tax practitioners use to interpret legislation. Approximate word count: 50-60 words

#### **Assessor instructions:**

- a. Student wording may vary but must include the same information provided in the sample answer.
- b. Student wording may vary but must reflect any two explanatory materials from the list below.

A sample answer is provided below.

- a. **Explanatory materials** are documents produced by government bodies that help to explain the intent and interpretation of legislation.  
Explanatory materials provide valuable guidance to taxpayers, tax practitioners, and other stakeholders on the interpretation and application of legislation. They can be particularly useful in situations where the law is complex or unclear or where there are different interpretations of the law.
- b. Students must briefly explain **two** explanatory materials, and these can include any two of the following:
1. **Explanatory Memoranda:** These are documents that accompany bills when they are introduced to Parliament. They provide an explanation of the bill's provisions and their intended effect.
  2. **Explanatory Statements:** These are documents that accompany regulations when they are made. They provide an explanation of the regulation's provisions and their intended effect.
  3. **Tax Rulings:** These are public rulings issued by the Australian Taxation Office (ATO) that provide guidance on the interpretation and application of tax laws. They explain how the ATO will apply the law to particular transactions or circumstances.
  4. **Practice Statements:** These are internal guidance documents used by the ATO to provide guidance on the administration of tax laws. They provide guidance to ATO staff on how to apply the law in specific circumstances.
  5. **Determinations:** These are decisions made by the ATO or other government bodies that provide a binding interpretation of the law. For example, the Commissioner of Taxation may make a determination on the effective life of a depreciating asset.
  6. **Guides and Fact Sheets:** These are documents produced by government bodies that provide guidance on specific areas of law. For example, the ATO produces fact sheets on a range of topics, such as GST and business expenses.

#### Question 4

Complete the table below to explain the legislative requirements relevant to the preparation of tax documentation for legal entities.

**Assessor instructions:** Student wording may vary but must include the same information provided in the sample answer.

Legislative requirements	Explanation of legal requirement to prepare tax documentation for legal entities
<p>a) <b>Government tax policy documents issued by Reviews, Treasury and Board of Taxation</b></p> <p>Approximate word count: 30-40 words</p>	<p>These are documents produced by government bodies that help to explain the intent and interpretation of tax legislation. They can provide guidance on how tax laws should be applied in specific circumstances.</p>
<p>b) <b>Statutes</b></p>	<p>These are laws passed by Parliament that outline the rules and principles of tax law. They are the primary source of tax law in Australia.</p>

Approximate word count: 20-30 words	
<b>c) Court and Administrative Appeals Tribunal decisions</b>  Approximate word count: 23-35 words	These are legal decisions made by courts or administrative tribunals that provide interpretations of tax laws. They can be used to guide the application of tax laws in specific circumstances.
<b>d) Commissioner of Taxation's interpretive guidance in Rulings and Determinations</b>  Approximate word count: 35-45 words	These are public rulings issued by the Australian Taxation Office (ATO) that provide guidance on the interpretation and application of tax laws. They can provide guidance on how the ATO will apply the law to particular transactions or circumstances.

### Question 5

The following questions are about the legal environment in Australia.

- Briefly explain the **separation of power** in the context of Australian tax law. Approximate word count: 75-85 words
- Briefly explain how **constitutional considerations** are relevant to the taxation of legal entities. Approximate word count: 30-40 words

**Assessor instructions:** Student wording may vary but must include the same information provided in the sample answer.

<p>a. Students must briefly explain the separation of power in the context of Australian tax law. For a satisfactory performance, their response must explain what 'separation of power' means within the Australian taxation system. Wording may vary but must reflect the following sample answer: Separation of power refers to the division of government responsibilities into distinct branches to limit any one branch from exercising the core functions of another. The intent is to prevent the concentration of power and provide balance. With respect to taxation, separation of power divides power into three branches: the Parliament, which enacts, amends, and repeals tax laws; the executive branch, which administers or puts the tax laws into action; and the judiciary, which interprets tax laws.</p> <p>b. Students must briefly explain how constitutional considerations are relevant to the taxation of legal entities. Wording may vary but must reflect the following sample answer: Constitutional consideration refers to the power of the constitution. All legislation, statutes and other rulings and decisions regarding taxation are applicable only as long as they are aligned with the various constitutional rights and requirements.</p>
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### Question 6



Refer to the [Seven principles of effective governance](#), Australian Taxation Office. Complete the table below to explain how each principle of Australian tax law supports decision-making within a legal environment.

**Assessor instructions:** Student wording may vary but must include the same information provided in the sample answer.

Principles of Australian Tax Law	How does the principle support decision-making within a legal environment
<b>Principle 1: Accountable management and oversight</b> Approximate word count: 35-45 words	It allows everyone to clearly define and understand their roles and responsibilities in terms of accountability for tax administration and decision-making, as well as meeting their tax and super obligations, including registrations, reporting, payment, record keeping and lodgement.
<b>Principle 2: Recognise tax risks</b> Approximate word count: 30-40 words	Appropriate processes and procedures are in place to support compliance with the group's tax and super obligations and to be able to identify, assess and mitigate potential or actual tax risks.
<b>Principle 3: Seek advice</b> Approximate word count: 25-35 words	There are arrangements in place for escalating tax issues and seeking tax advice. Published ATO guidance can be consulted for tailored advice where more certainty is needed.
<b>Principle 4: Integrity in reporting</b> Approximate word count: 30-40 words	It contains systems and controls that ensure accurate reporting. These controls are reviewed periodically to ensure they remain effective. Good record-keeping practices are followed to maintain consistent documentation and easy access to information.
<b>Principle 5: Professional and productive working relationship</b> Approximate word count: 30-40 words	It ensures an open, transparent, respectful and professional working relationship with the ATO. Through ATO's engagement with you or your advisers, it creates a seamless working relationship to resolve any issues and avoid disputes.
<b>Principle 6: Timely lodgements and payments</b> Approximate word count: 24-34 words	It ensures that obligations, including lodgement and payment obligations, are met in full and on time by setting timeframes for tax lodgements and payments.
<b>Principle 7: Ethical and responsible behaviour</b> Approximate word count: 25-35 words	It ensures that everyone acts responsibly and ethically, with honesty, integrity and in a way consistent with the reasonable expectations of the community and the taxpayers' charter.

### Question 7

Explain how common law (case law) applies to Australian tax law.

Approximate word count: 140-150 words

**Assessor instructions:** Students must demonstrate knowledge of common law (case law) as part of the basics of the legal system. Student wording may vary but must include the same information provided in the sample answer.

A sample answer is provided below.

Common law is a body of law that is developed over time by courts through their decisions in cases. The decisions of higher courts, in particular, can significantly impact the development of common law. Common law principles can play a role in tax law, particularly in areas where the legislation is unclear or silent. For example, in the absence of specific statutory guidance on the tax treatment of a particular transaction, courts may look to common law principles to determine the appropriate tax treatment. **Case laws** are also referred to as common laws and are legally binding within its jurisdiction upon its declaration. Common laws must be followed or, at least considered, by other courts. The Australian Taxation Office provides a legal database on its website. You can browse a compilation of recent case law decisions involving different tax matters on this database.

### Question 8

Complete the following table to identify the legal residency requirements for companies, corporate limited partnerships and trusts.

**Assessor instructions:** Students must demonstrate knowledge of common law (case law) as part of the basics of the legal system. Student wording may vary but must include the same information provided in the sample answer.

A sample answer is provided below.

Entity type	Requirements to be considered a resident of Australia
<b>Companies</b> Approximate word count: 40 words	<ul style="list-style-type: none"> <li>• it is incorporated in Australia, or</li> <li>• although not incorporated in Australia, it carries on business in Australia and has either               <ul style="list-style-type: none"> <li>○ its central management and control in Australia</li> <li>○ its voting power is controlled by shareholders who are residents of Australia.</li> </ul> </li> </ul>
<b>Corporate limited partnerships</b> Approximate word count: 20-30 words	<ul style="list-style-type: none"> <li>• the partnership was formed in Australia</li> <li>• the partnership either carries on business in Australia or has its central management and control in Australia.</li> </ul>
<b>Trusts</b> Approximate word count: 35-45 words	<ul style="list-style-type: none"> <li>• a trustee of the trust estate was a resident at any time during the income year, or</li> <li>• the central management and control of the trust estate was in Australia at any time during the income year.</li> </ul>

### Question 9

The following questions are about Australian tax law and **international tax for business**. Tip: Review the information about [Tax treaties](#) from the Australia Taxation Office to find current information to answer these questions.

- a. What is a tax treaty? Approximate word count: 45 to 55 words

- b. What are the requirements for Australian residents to report foreign business income?  
Approximate word count: 55 to 65 words
- c. In your own words, explain residency versus source. Approximate word count: 110 to 120 words
- d. Review [the Guide to foreign income tax offset rules](#) from the Australian Taxation Office. When is a business entitled to claim a **foreign income tax offset**? Approximate word count: 70 to 75 words

**Assessor instructions:**

- a. Student wording may vary, but the content must reflect the following:  
Tax treaties are formal bilateral agreements between two jurisdictions. A tax treaty is also referred to as a tax convention or double tax agreement (DTA). They prevent double taxation and fiscal evasion and foster cooperation between Australia and other international tax authorities by enforcing their respective tax laws.
- b. Student wording may vary, but the content must reflect the following:  
As an Australian resident, you are taxed on your worldwide income. This means you must report all income you receive from foreign business activities on your Australian tax return. The tax treatment of your income depends on a number of factors, such as whether your activities are carried out in a listed country such as the United Kingdom.
- c. The student must use their own words to explain residency versus source, and the explanation must reflect the following:  
Tax treaties give the source jurisdiction a taxing right over selected types of income, profits or gains, sometimes at limited rates.  
Each jurisdiction has the right to tax the income of its own residents under their own domestic laws, so the tax treaty will not always restate this rule.  
If the jurisdiction of residence has the sole taxing right over certain types of income, profits or gains, this is usually expressed as 'shall be taxable only in that country'.  
Where the jurisdiction of source imposes a limited rate of tax on selected types of income, profits or gains, for example, a withholding tax, this is usually expressed as 'may be taxed in that other state'.
- d. Student responses must include the following:  
To be entitled to a foreign income tax offset:
- you must have [actually paid](#), or be deemed to have paid, an amount of [foreign income tax](#), and
  - the income or gain on which you paid foreign income tax must be [included in your assessable income](#) (or your [non-assessable non-exempt \(NANE\) income under section 23AI or 23AK of the Income Tax Assessment Act 1936 \(ITAA 1936\)](#) for Australian income tax purposes.

## Question 10

The following questions are about **capital gains tax (CGT)**.

- a. What is capital gains tax (CGT)? Approximate word count: 50 to 60 words
- b. List any two principles relevant to the application of CGT. Approximate word count: 30 to 60 words
- c. How is CGT calculated, and how is a gain or loss applied to tax returns? Approximate word count: 85 to 95 words

**Assessor instructions:** For each of the following, student wording may vary, but the content must reflect the following:

- a. Capital gains tax (CGT) is a tax imposed by the Australian government on the capital gain or profit made from the sale or disposal of certain types of assets. The tax is applied to the difference between the cost of acquiring the asset and the proceeds received from the sale of the asset
- b. The student must list two principles from the following list:
  - CGT applies to the disposal of assets considered taxable assets, including real estate, shares, and other types of assets.
  - CGT applies to the disposal of assets by individuals, companies, trusts, and other entities.
  - The tax is imposed on the net capital gain made during the tax year the assets is sold rather than on the gross proceeds from the sale.
  - The cost base of the asset, which is used to calculate the capital gain or loss, can include the original purchase price, as well as any associated expenses such as legal fees, stamp duty, and brokerage fees.
- c. Capital gains tax involves calculating the net capital gain or loss made during the tax year. This is done by subtracting the cost base of the asset from the proceeds received from the sale of the asset. If the result is positive, then the net capital gain is subject to tax at the applicable rate. If the result is negative, then the net capital loss can be used to offset other capital gains in the same tax year or carried forward to offset capital gains in future years.

### Question 11

The following questions are about **fringe benefits tax (FBT)**.

- a. What are the rules and requirements to comply with FBT? Approximate wording: 170 to 180 words
- b. Provide two examples of benefits subject to fringe benefits tax. Approximate wording: 10 words

**Assessor instructions:** For each of the following, student wording may vary, but the content must reflect the following:

- a. The following are FBT rules that employers must comply with:
  - **Types of fringe benefits:** Employers must identify the types of benefits provided to their employees that are considered fringe benefits for tax purposes.
  - **Calculation of FBT liability:** Employers must calculate their FBT liability based on the taxable value of the fringe benefits provided to their employees. The taxable value is generally determined by the cost of the benefit to the employer, reduced by any employee contributions made towards the benefit.
  - **FBT reporting and payment:** Employers must be registered for FBT and report their FBT liability to the Australian Taxation Office (ATO) annually by completing an FBT return. The FBT return must include details of all fringe benefits provided to employees, the taxable value of each benefit, and any employee contributions made towards the benefit. The FBT liability must be paid to the ATO by the due date.
  - **FBT exemptions and concessions:** Some types of fringe benefits are exempt from FBT, while others may be eligible for concessions. Employers should be aware of these exemptions and concessions to ensure they are not paying more FBT than necessary.
- b. Student responses will vary as they may provide different examples. Two examples must be provided. Some examples of fringe benefits include providing company cars for personal use, paying for an employee's gym membership, reimbursing an employee's school fees, and providing entertainment such as free concert tickets. Students may provide alternative responses, and the assessor can check the alternative responses with the ATO requirements

## Question 12

The following questions are about **goods and services tax (GST)**.

- a. Complete the table below to identify the requirements for companies, trusts, partnerships and sole traders to register for GST.

**Assessor instructions:** For each of the following, student wording may vary, but the content must reflect the following:

Entity	GST registration requirements
<p><b>Sole traders</b></p> <p>Word count: 50-60 words</p>	<p>must register for goods and services tax (GST) if:</p> <ul style="list-style-type: none"> <li>• your annual GST turnover is \$75,000 or more</li> <li>• you start a new business and expect your turnover to reach the GST threshold (or more) in the first year of operation</li> <li>• you provide taxi, limousine or ride-sourcing services (regardless of your GST turnover)</li> <li>• you want to claim fuel tax credits</li> </ul>
<p><b>Partnership</b></p> <p>Word count: 50-60 words</p>	<p>must register for goods and services tax (GST) if:</p> <ul style="list-style-type: none"> <li>• your annual GST turnover is \$75,000 or more</li> <li>• you start a new business and expect your turnover to reach the GST threshold (or more) in the first year of operation</li> <li>• you provide taxi, limousine or ride-sourcing services (regardless of your GST turnover)</li> <li>• you want to claim fuel tax credits</li> </ul>
<p><b>Trust</b></p> <p><b>Word count:</b> 30 words</p>	<ul style="list-style-type: none"> <li>• You start a new business and expect the turnover to reach the GST threshold (or more) in the first year of operation</li> <li>• Has annual GST turnover of \$75,000 or more (\$150,000 for not-for-profit organisations), or</li> <li>• Provides taxi, limousine, or ride-sourcing services (regardless of GST turnover), or</li> <li>• Wants to claim fuel tax credits.</li> </ul>
<p><b>Companies</b></p>	<p>If turnover is \$75,000 or more</p>

<b>Word count:</b> 12 words	<p>Threshold for non-profit organisations is \$150,000</p> <p>When you start a new business and expect your turnover to reach the GST threshold (or more) in the first year of operation</p>
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- b. Under the GST Act, what are the BAS reporting requirements? Approximate wording: 70 to 80 words

<p><b>Assessor instructions: Student wording may vary, but the content must reflect the following.</b></p> <p>The GST Act stipulates that a business entity must report and pay the GST monthly if the GST turnover is \$20 million or more. Additionally, it stipulates that these entities must lodge the activity statements electronically. However, if the GST turnover is less than \$20 million, and there is no intimation otherwise, they may report and pay the GST obligation quarterly. They may even report and pay it monthly or electronically if they choose to.</p>
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### Question 13

Complete the following table to explain the tax aspects of superannuation law.

**Assessor instructions:** Student wording may vary, but the content must reflect the following.

	In your own words, explain the tax aspect
<p><b>Superannuation guarantee</b></p> <p>Word count: 40-45 words</p>	<p>All legal entities must pay a mandatory contribution to their eligible employees' superannuation funds. The current rate of contribution is 10% of an employee's ordinary time earnings. Failure to comply with the superannuation guarantee rules may result in penalties and interest charges.</p>
<p><b>Concessional contributions</b></p> <p>Word count: 45-55 words</p>	<p>Legal entities may make voluntary contributions to their employees' superannuation funds. These contributions are called concessional contributions and are taxed at a lower rate of 15% when they are paid into the fund. There is an annual cap on concessional contributions, which is \$27,500 for the 2022/23 financial year.</p>
<p><b>Non-concessional contributions</b></p> <p>Word count: 45-55 words</p>	<p>Legal entities may also make non-concessional contributions to their employees' superannuation funds. These contributions are not taxed when they are paid into the fund, but there are annual limits on the amount that can be contributed. The current annual limit is \$110,000 for the 2021/22 financial year.</p> <p>The student can provide a general explanation or provide more specific examples from the ATO. <a href="#">Non-concessional contributions and contribution caps   Australian Taxation Office (ato.gov.au)</a></p>

<b>Taxation of superannuation earnings</b>  Word count: 25-35 words	The earnings on superannuation investments are generally taxed at a concessional rate of 15%. However, there are certain circumstances where earnings may be taxed at a higher rate.
<b>Taxation of superannuation benefits</b>  Word count: 55-65 words	Superannuation benefits paid to employees are generally taxed at a lower rate than their regular income tax rate. The amount of tax paid on superannuation benefits depends on various factors, such as the employee's age, the amount of the benefit, whether the benefit is received as a lump sum or an income stream and whether the taxable component includes a taxed element and/or an untaxed element.

### Question 14

Complete the following table to briefly explain the administrative aspects of taxes and preparing tax documentation.

**Assessor instructions:** Student wording may vary, but the content must reflect the following.

	<b>In your own words, explain the administrative aspects of the following:</b>
<b>Documentation</b>  Word count: 50-60 words	Entities must maintain accurate tax documentation that is compliant with relevant laws and regulations. This may include preparing financial statements, tax returns, and other reports as required. Tax documentation must be prepared in accordance with the relevant accounting standards and must be complete, accurate, and consistent with other financial records.
<b>Tax collection and withholding mechanisms</b>  Word count: 50-60 words	The ATO uses a range of mechanisms to collect taxes from entities, including PAYG withholding for employees, GST collection for businesses, and other levies and taxes. Entities must comply with these mechanisms and ensure that all taxes owed are paid in a timely manner. This may involve setting up automatic payment systems or making manual payments as required.
<b>Assessments</b>  Word count: 50-60 words	Entities may receive tax assessments from the ATO, which provide an indication of the entity's tax liability for a particular financial year. Assessments are based on the information provided in the entity's tax documentation and may take into account any deductions or exemptions that apply. Entities must review their assessments and ensure that they are accurate and complete.
<b>Obligations</b>  Word count: 60-70 words	Entities have various tax obligations, including the requirement to register for an ABN and GST if they meet certain criteria, the obligation to keep accurate records of all financial transactions, and the requirement to lodge tax returns and pay any taxes owed in a timely manner. Entities must ensure

	that they comply with all of their tax obligations and seek guidance from experienced professionals when needed.
<b>Rulings</b> Word count: 40-50 words	The ATO issues rulings on various aspects of the tax law, providing guidance and clarification for entities on specific issues. Rulings may be binding or non-binding, depending on the circumstances. Entities must review relevant rulings and ensure they comply with any binding rulings.
<b>Penalties</b> Word count: 50-60 words	Entities may be subject to penalties if they fail to meet their tax obligations, such as failing to lodge tax returns or pay taxes owed. The penalties may include fines, interest charges, and other sanctions. Entities must take their tax obligations seriously and ensure that they comply with all relevant requirements to avoid penalties and other sanctions.
<b>Audits</b> Word count: 70-80 words	The ATO may conduct tax audits on entities to ensure that they are meeting their tax obligations and complying with relevant laws and regulations. Audits may be conducted for specific tax types or issues and may involve a review of the entity's tax documentation and financial records. Entities must be prepared for potential audits and ensure their tax documentation and financial records are accurate, complete, and compliant with all relevant requirements.

### Question 15

The following questions are about **anti-avoidance tax rules**.

- List the Part and name of the Act (including year) that sets out general anti-avoidance provisions.  
Approximate wording: 7 words
- Identify one condition that must be satisfied before general anti-avoidance tax rules can be invoked by a taxing authority. Approximate wording: 10 words
- What are specific-anti avoidance tax rules? Approximate wording: 60-70 words

Assessor instructions and sample answers:

**For each of the following, student wording may vary, but the content must reflect the following:**

- Student answers must be: Part IVA Income Tax Assessment Act 1936
- Student wording may vary but must align with the following:
  - There must be a scheme, and this means that there should have been some form of arrangement, course of action, plan, undertaking, etc.
  - There must be a tax benefit. A tax benefit relates to a reduction of tax liability which may be caused by a decrease in assessable income, an increase in allowable deductions or an increase in tax offset
- Student wording may vary but must align with the following:  
Specific anti-avoidance tax rules in Australia are designed to target particular transactions or activities that are considered to be tax avoidance. These rules aim to prevent taxpayers from taking advantage of tax loopholes or engaging in artificial transactions to reduce their tax liability. Specific anti-avoidance tax rules include transfer pricing rules, thin capitalisation rules, dividend-stripping rules, and Part IVA of the Income Tax Assessment Act 1936.



## Question 16

Complete the following table to describe the key sources of information and data required to calculate income tax.

	List the source documents required to calculate income tax	Definition, in your own words
<b>Deductions</b>  <b>List any five source information/documents for allowable deductions)</b>	<p>Word count: 14-25 words</p> <p>The student must list five source documents that verify deductions and can include any of the following:</p> <ul style="list-style-type: none"> <li>• Tax invoices</li> <li>• Receipts</li> <li>• Credit card vouchers</li> <li>• Records of choice of super fund</li> <li>• Utility bills</li> <li>• Loan agreements</li> <li>• Contracts and agreements</li> <li>• Boarding passes, tickets (for business travel expenses)</li> <li>• Registration papers, loan or lease documents, fuel and oil invoices, tax invoices, repairs and servicing receipts, insurance documents</li> <li>• Logbooks and odometer readings (for vehicle expenses)</li> </ul>	<p>Word count: 10-20 words</p> <p>Expenses that can be deducted from assessable income to calculate the taxable income.</p>
<b>Capital Gains</b>	<p>Word count: 20-30 words</p> <p>Profits from the sale of an asset such as shares, property or other investments.</p> <p>Source documents that verify capital gains could include any of the following:</p> <ul style="list-style-type: none"> <li>• sales deed of land</li> <li>• records of events such as share splits, share consolidations, returns of capital, takeovers, mergers, demergers and bonus share issues.</li> <li>• records of asset purchase or acquisition costs</li> </ul>	<p>Word count: 15-25 words</p> <p>The difference between the cost of the asset and the price at which it was sold.</p>

	<ul style="list-style-type: none"> <li>expense records (such as legal fees, stamp duty, advertising, brokerage)</li> <li>records of borrowing expenses (such as loan application and mortgage discharge fees)</li> <li>records of any repairs, maintenance and improvement costs.</li> </ul>	
Financial adjustments such as write-offs and revaluations	<p>Word count: 3-5 words</p> <p>Source documents that verify write-offs and adjustments could include:</p> <ul style="list-style-type: none"> <li>Write-offs and revaluations</li> <li>Records of assets being scrapped</li> <li>Bank Valuations</li> <li>Work sheet on how the valuation has been calculated.</li> </ul>	<p>Word count: 14-20 words</p> <p>Changes made to the value of assets or liabilities due to revaluation or write-offs.</p>
Income	<p>Word count: 20-25 words</p> <p>Salary and wages, interest, dividends, rental income, and other forms of income that are subject to tax.</p> <p>For example, invoices, receipts and deposits.</p>	<p>Word count: 10-15 words</p> <p>Money earned by the client from various sources is subject to taxation.</p>
Payments made by the client	<p>Word count: 15-25 words</p> <p>Expenses, interest, loan repayments, and superannuation payments made by the client.</p> <p>For example, payment receipts.</p>	<p>Word count: 15-25 words</p> <p>Money paid by the client for various purposes, such as expenses, loan repayments, and superannuation payments.</p>
Purchases made by the client	<p>Word count: 10-15 words</p> <p>Inventory, equipment, and property purchased by the client.</p> <p>For example, supplier invoices.</p>	<p>Word count: 10-15 words</p> <p>Goods or assets purchased by the client that is used for business purposes.</p>
Superannuation Payments	<p>Word count: 10-15 words</p> <p>Superannuation payments made by the client on behalf of employees.</p> <p>For example, superannuation receipts and contribution payments.</p>	<p>Word count: 10-15 words</p> <p>Payments made by the client to a superannuation fund on behalf of employees.</p>

### Question 17

What are the key features of organisational policy and procedures for preparing tax documentation for legal entities? Word count: 100-110 words

Assessor instructions: Student wording may vary, but the content must reflect the following:

- Establishing clear guidelines for the preparation of tax documentation
- Detailing the roles and responsibilities of all parties involved in the preparation of tax documentation
- Outlining the process for gathering and analysing tax-related data
- Establishing procedures for reviewing and applying compliance requirements
- Detailing the process for maintaining accurate and complete tax documentation
- Identifying the relevant accounting standards that must be followed
- Detailing the process for seeking guidance from experienced professionals when needed
- Outlining the process for reporting and addressing any discrepancies or errors in tax documentation
- Ensuring that all staff members are trained in the organisation's policies and procedures relating to the preparation of tax documentation.

### Question 18

Complete the following table to:

- Identify one key accounting principle applicable to each legal entity listed
- Describe the identified accounting principle
- Explain one accounting practice of how each entity pays tax.

Assessor instructions: Student wording may vary, but the content must reflect the following:

Type of legal entity	Accounting principle applicable to the legal entity	Description of the principles you identified	Accounting practice of how each entity pays tax
Company	<p>List any three principles. Approximate word count: 15-20 words</p> <p>Companies must follow the principles of accrual accounting, matching principles, cost principles, materiality, consistency, and disclosure.</p> <p>Other principles include:</p> <ul style="list-style-type: none"> <li>• Economic Entity Principle,</li> </ul>	<p>Approximate word count: 25-35 words for each principle</p> <p>Accrual requires that businesses record all transactions in the periods during which they actually take place rather than when cash flows are associated with them.</p> <p>Other principle descriptions can be provided, and descriptions must match <a href="#">12 Commonly Used Accounting Principles   Indeed.com Australia</a></p>	<p>Approximate word count: 140-150 words</p> <p>The accounting profit of a company is reconciled with the correct taxable income. The bad debts written off are allowed as deductions for taxation purposes.</p> <p>In Australia, companies are required to pay taxes on their profits to the Australian Taxation Office (ATO). The tax system in Australia is based on a self-assessment model, which means that companies are responsible for calculating their own taxable income and</p>

	<ul style="list-style-type: none"> <li>• Full Disclosure Principle</li> <li>• Going Concern Principle</li> <li>• Monetary unit principle</li> <li>• Reliability principle</li> <li>• Revenue recognition principle</li> <li>• Time period principle</li> </ul>		<p>submitting a tax return to the ATO.</p> <p>The tax rate for companies in Australia is currently set at 30%, although there are some concessions available for small businesses.</p> <p>Companies must also pay a range of other taxes in Australia, including goods and services tax (GST), which is a value-added tax of 10% on most goods and services. Other taxes may include payroll tax, fringe benefits tax, and various state and territory taxes, depending on the nature of the business and where it operates.</p>
Partnership	<p>List any three principles</p> <p>Approximate word count: 15-20 words</p> <p>Partnerships must follow the principles of accrual accounting, matching principle, cost principle, materiality, consistency, and disclosure</p> <p>Other principles include:</p> <ul style="list-style-type: none"> <li>• Economic Entity Principle</li> <li>• Full Disclosure Principle</li> <li>• Going Concern Principle</li> <li>• Monetary unit principle</li> <li>• Reliability principle</li> </ul>	<p>Approximate word count: 25-35 words for each principle</p> <p>It refers to the concept that an organisation records all equity investments, assets and liabilities at the original purchased cost. Another aspect of this rule is that accountants shouldn't adjust the recorded numbers for market value improvements or inflation.</p> <p>Other principle descriptions can be provided, and descriptions must match <a href="#">12 Commonly Used Accounting Principles   Indeed.com Australia</a></p>	<p>Approximate word count: 165-175 words</p> <p>Partner's salaries should not be treated as an expense in the computation of the net income or loss. A partner's salary, however, should be appropriately accounted for upon the distribution of the partnership's profit.</p> <p>Partnerships are not taxed as separate entities, but rather the income is allocated to the individual partners, who are then responsible for paying tax on their share of the partnership's income at their nominal tax rate.</p> <p>The taxation of partnerships in Australia is based on a self-assessment model, which means that the partners are responsible for calculating their share of the partnership's taxable income and submitting a tax return to the ATO. The tax</p>

	<ul style="list-style-type: none"> <li>• Revenue recognition principle</li> <li>• Time period principle</li> </ul>		<p>return should include information about the partnership's income, deductions, and other tax liabilities, as well as details of each partner's share of the partnership's income.</p> <p>Partnerships are required to lodge an annual tax return, which is due on 31 October each year. Partnerships may also be required to pay other taxes, such as goods and services tax (GST) if they are registered for GST.</p>
Trust	<p>Approximate word count: 15-20 words</p> <p>Trust accounting involves the principles of accrual accounting, matching principle, cost principle, materiality, consistency, and disclosure.</p> <p>Other principles include:</p> <ul style="list-style-type: none"> <li>• Economic Entity Principle,</li> <li>• Full Disclosure Principle</li> <li>• Going Concern Principle</li> <li>• Monetary unit principle</li> <li>• Reliability principle</li> <li>• Revenue recognition principle</li> <li>• Time period principle</li> </ul>	<p>Approximate word count: 25-35 words for each principle</p> <p>It means a business must record all expenses with their associated revenue. If an expense doesn't have a direct link to an organisation's profits, it's included in the statement from the period in which the organisation used it.</p> <p>Description of other principles can be found here.  <a href="#">12 Commonly Used Accounting Principles   Indeed.com Australia</a></p>	<p>Approximate word count: 140-150 words</p> <p>The tax system for trusts in Australia is similar to that for partnerships in that the trust itself is not taxed, but rather the income is distributed to the beneficiaries, who are then responsible for paying tax on their share of the income.</p> <p>Trusts are required to lodge an annual tax return with the ATO, which includes information about the trust's income, deductions, and other tax liabilities. The tax return must be lodged by 31 October each year.</p> <p>The tax rate for trusts in Australia varies depending on the type of trust and the income earned. For example, discretionary trusts and family trusts are generally taxed at the highest marginal tax rate, while unit trusts are taxed based on the individual tax rates of the unit holders.</p> <p>Trusts may also be required to pay other taxes, such as goods and services tax (GST), if they are registered for GST.</p>

Sole Trader	<p>List two principles</p> <p>Approximate word count: 2 words</p> <p>Two principles must be listed and can include</p> <ul style="list-style-type: none"> <li>• GAPP</li> <li>• Time principle</li> <li>• Accrual accounting</li> <li>• Consistency</li> <li>• Materiality</li> <li>• Going concern disclosure</li> </ul>	<p>Approximate word count: 25-35 words for each principle</p> <p>GAAP sets guidelines and standards how financial statements are prepared and presented.</p> <p>Time period principle: a business should report all of its financial data within a fixed period, and the organisation can arrange all of its ventures into defined time periods. Common time periods—referred to as reporting and accounting time periods—are weekly, monthly, semi-annually and annually, although an organisation can create its own periods as needed.</p> <p>Accrual accounting: Sole traders must use accrual accounting, which means that income and expenses are recognised when they are earned or incurred, regardless of when the cash is received or paid.</p> <p>Consistency: Sole traders must use consistent accounting methods from one period to the next, unless there is a good reason to change them.</p> <p>Materiality: Sole traders must only disclose information that is material, which means that it could affect the decisions of users of the financial statements.</p> <p>Going concern: Sole traders must prepare their financial statements on the assumption that they will continue to operate for the foreseeable future.</p> <p>Disclosure: Sole traders must disclose all relevant information in their financial statements,</p>	<p>Approximate word count: 45-55 words</p> <p>Sole traders are not considered a separate legal entity from their business. As a result, the sole trader is responsible for reporting their business income and expenses on their personal tax return, along with any other personal income they may have.</p> <p>The tax return must be lodged annually by 31 October of the following year or by 15 May of the following year if the sole trader is using a registered tax agent.</p> <p>The tax rate for sole traders in Australia varies depending on the amount of income earned and their nominal tax rate. Income tax rates are based on a progressive system, meaning that the more income a sole trader earns, the higher the tax rate they will pay.</p> <p>Sole traders may also be required to pay other taxes, such as goods and services tax (GST), if they are registered for GST. They may also be required to pay other taxes or levies, such as the Medicare levy or the temporary budget repair levy.</p>
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		including significant accounting policies, contingencies, and related party transactions.	
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**Assessment submission checklist:**

Students must have completed all questions within this assessment before submitting. This includes:

1	18 short answer questions to be completed in the spaces provided.	<input type="checkbox"/>
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**Congratulations, you have reached the end of Assessment [Assessment number 1]!**

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