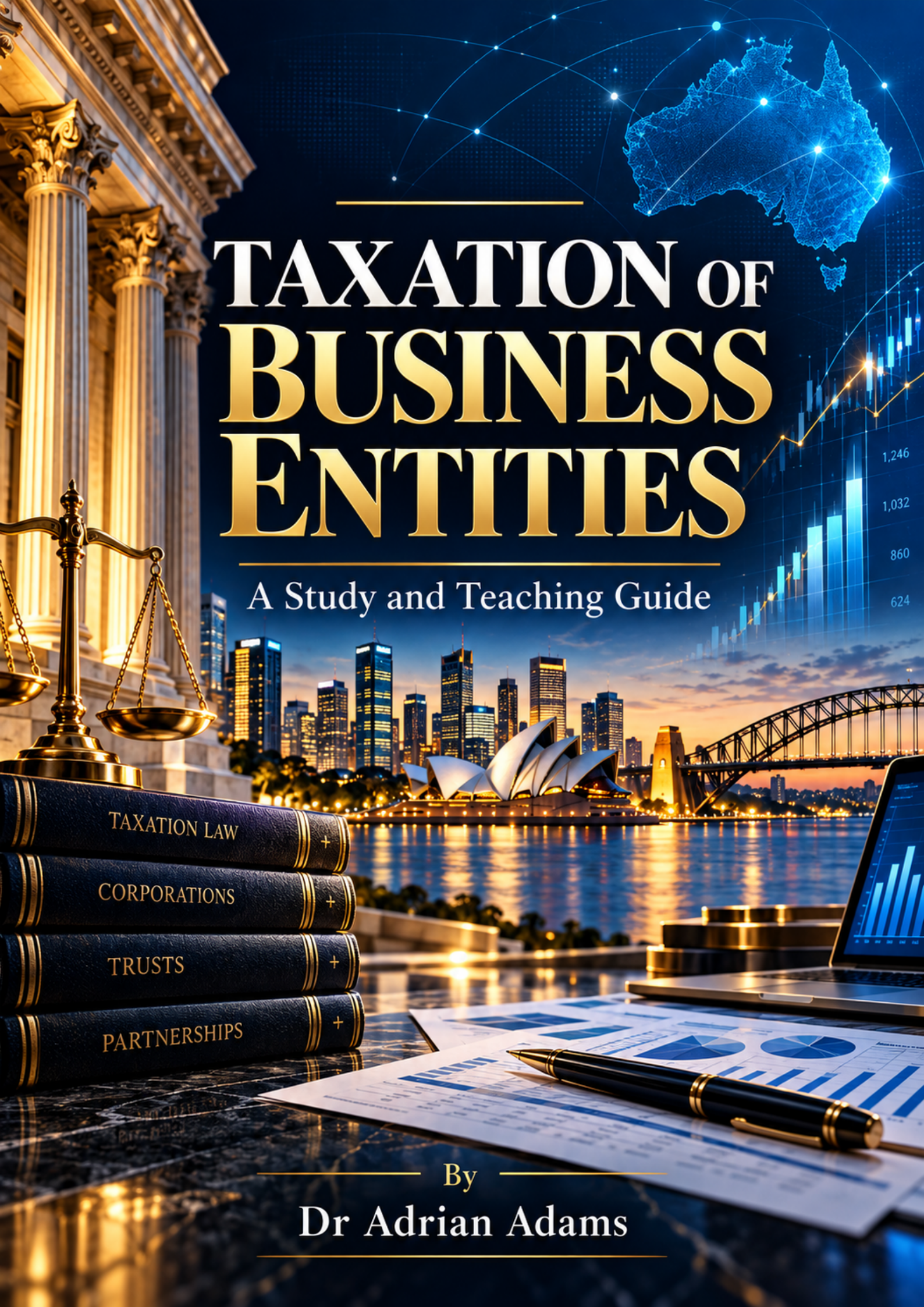




TAXATION OF BUSINESS ENTITIES

A Study and Teaching Guide

TAXATION LAW

CORPORATIONS

TRUSTS

PARTNERSHIPS

By

Dr Adrian Adams

TAXATION OF BUSINESS ENTITIES

A STUDY AND TEACHING GUIDE

By Dr Adrian Adams

Current build proof

This preview shows the complete front-matter architecture, every planned substantive chapter, the teaching method and the A-Z glossary currently being built for the new standalone book. It is a proof of structure and teaching direction, not the final publication-ready manuscript.

Australian taxation law • business entities • companies • trusts • partnerships • small business • GST • superannuation

Publication and scope

This book is designed as an Australian taxation-law study and teaching guide for law students and professionals who want to understand how taxation law applies to business entities in practice.

It is educational material, not personal tax, legal, accounting or financial advice. Tax law changes frequently. Rates, thresholds, administrative practice and legislative amendments must be checked for the relevant income year and transaction.

The final publication will use verified current legislation, cases, ATO rulings and guidance, and authoritative research sources. External hyperlinks will be audited before publication. Blue internal links in this proof are used to demonstrate the intended interactive electronic-book architecture.

Author: Dr Adrian Adams

Publisher: JUNIQ

Book: Taxation of Business Entities: A Study and Teaching Guide

Preface

Business taxation is difficult because the same commercial objective can produce very different tax consequences depending on the entity used, the legal character of the transaction and the way value ultimately reaches the owners. A company, partnership and trust may each conduct an economically similar business, yet the tax law asks different questions about income, deductions, losses, capital gains, distributions, private benefits and succession.

This book is written to make that structure visible. The aim is not to teach students to memorise isolated sections. It is to teach a repeatable method: identify the taxpayer and transaction, locate the exact statutory regime, connect the provision to the relevant authority, perform the calculation where required, test concessions and integrity rules, and then explain the practical consequence.

The book assumes a foundation in Australian income-tax principles and then moves into entity-specific taxation. It covers the core business-entity topics of CGT and FBT foundations, trading stock, capital allowances, GST, small-business concessions, partnerships, trusts, companies, dividend imputation and franking, Division 7A, company losses and consolidation, superannuation and integrated tax planning.

Throughout the text, doctrine is connected to commercial decision-making. The purpose is to help readers answer not only 'what is the rule?' but also 'why does it matter, what facts trigger it, what must be calculated, what could the other side or the Commissioner argue, and what should a client do next?'

The electronic edition is designed to support active learning. Each chapter will ultimately include linked legislation and authorities, issue-spotting checklists, worked examples, FAQs, MCQs, short-answer questions, tutorial problems and full word-for-word IRAC model answers. The print edition will preserve the same teaching sequence in a form suitable for sustained reading and revision.

How to Use This Book

1. Start with the facts, not the section number. Identify the entity, taxpayer, transaction, ownership position, flow of money or property, and the client's commercial objective.
2. Map each issue to the exact law. Move from the issue to the relevant Act, Part, Division, Subdivision, section, subsection and paragraph where applicable.
3. Explain what the provision does. Do not merely cite it. State the legal question it answers, the elements that must be satisfied and why it matters on the facts.
4. Connect legislation to authority. Cases, ATO rulings and other authorities should be used to interpret, limit or apply the statutory rule - not as isolated quotations.
5. Calculate before concluding. Where the topic involves tax liability, deductions, decline in value, GST, franking or other arithmetic, show the calculation and assumptions.
6. Test exceptions, concessions and integrity rules. A technically available concession can be lost if threshold, timing, ownership, active-asset, anti-avoidance or documentation requirements are not met.
7. Apply both sides. State the strongest argument for the taxpayer and the strongest contrary position. Then explain which view is better supported and why.
8. Finish with consequences and next steps. A professional answer should state the likely tax consequence, compliance requirements, documentation needed, risks and any further facts that must be obtained.

The recurring method

ISSUE → EXACT LAW → AUTHORITY → CALCULATION → APPLICATION → COUNTERARGUMENT → CONSEQUENCE → CONCLUSION. This sequence is used throughout the book so that students learn a professional problem-solving method rather than disconnected tax rules.

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Teaching Method and Legal Research Method

Every chapter is designed to move from legal identification to professional application. The reader should be able to trace a line from the facts to the exact provision and then to the relevant authority and calculation.

The legislation layer is primary. Taxation problems are statute-intensive, so the book treats provisions as the organising framework. A case or ATO ruling is then used to explain how the statutory language operates in practice, where interpretation is contested, or how the Commissioner administers the law.

The final electronic edition will use blue working hyperlinks only where the destination has been positively verified. Statutory links will point to authoritative legislation; cases will link to reliable judgments or verified legal databases; ATO materials will link to the relevant ruling, determination, practical-compliance guideline or other official guidance. Decorative blue text will not be used.

Problem questions will be answered in full IRAC form. The Rule/Law section will identify the exact legislative elements. The Application will work through facts element-by-element, identify missing facts and counterarguments, and show calculations. The Conclusion will state the likely consequence and any qualifications.

Reader objective

By the end of the book, the reader should be able to compare business structures, analyse a transaction across multiple tax regimes, identify the governing law and explain the result in a form suitable for an exam, tutorial, client note or professional discussion.

CHAPTER 1

Entity Choice, CGT and FBT Foundations

How the legal form of a business changes the tax analysis, why entity choice matters, and how CGT and FBT sit underneath later chapters.

TEACHING METHOD

Issue → exact law → authority → calculation

Application → counterargument → consequence

Strong conclusion + practical next step

Chapter 1 — Teaching Preview

Business taxation begins before a single tax calculation is performed. The first task is to identify the legal and tax character of the business structure: sole trader, partnership, trust, company or a combination of entities. Each structure changes who is assessed, when income is recognised, how losses are used, how profits can be extracted and which concessions or integrity rules become relevant.

Capital gains tax and fringe benefits tax operate across those structures in different ways. CGT is not a separate tax; net capital gains are brought into assessable income under the income tax system. For business entities, the practical challenge is to identify the relevant CGT event, determine the asset and taxpayer, work through cost base and proceeds, then test whether an exemption, discount or small-business concession can apply.

FBT asks a different question: has an employer provided a benefit to an employee or associate in respect of employment? In business structures, private use of cars, loans, expense payments, housing and other benefits can create FBT exposure even when no cash salary has been paid. The discipline is to identify the employment connection and the statutory category before attempting valuation.

Core law map

Provision / source	Why it matters
ITAA 1997 Pt 3-1 and Pt 3-3; s 102-5	Core CGT framework and inclusion of net capital gains in assessable income.
ITAA 1997 s 104-10	CGT event A1 - disposal of a CGT asset; a common starting point for business disposals.
ITAA 1997 Div 152	Small business CGT concessions, developed in detail in Chapter 4.
Fringe Benefits Tax Assessment Act 1986 (Cth), including s 136(1)	Defines key FBT concepts including 'fringe benefit' and related terms.

Issue-spotting checklist

Ask these questions

Who is the taxpayer? • What entity owns the asset or derives the income? • Is there a CGT event? • Is the benefit connected with employment? • Is an exemption or concession potentially available?

Application method

Identify the taxpayer and transaction first. Then test each statutory element in order, state any calculation, identify exceptions or integrity rules, and explain the practical consequence. Do not jump from the facts directly to a conclusion without showing why the provision is engaged.

Practice problem

Problem

A founder operates through a company but personally owns the business premises. The company pays private expenses for the founder and later buys the premises. Identify the separate income tax, CGT, FBT and private-company issues that must be investigated before calculating any liability.

CHAPTER 2

Trading Stock and Capital Allowances

Separating revenue assets, trading stock and depreciating assets - and calculating deductions without confusing repairs, capital expenditure and decline in value.

TEACHING METHOD

Issue → exact law → authority → calculation

Application → counterargument → consequence

Strong conclusion + practical next step

Chapter 2 – Teaching Preview

Business expenditure is not analysed by asking only whether money was spent for business purposes. The tax law classifies assets and expenditure into different regimes. Trading stock is brought to account through opening and closing values; depreciating assets are generally dealt with under Division 40; capital works may fall under Division 43; repairs may be immediately deductible under a separate rule if they are genuinely repairs rather than capital improvements.

The practical skill is classification. A café's inventory, commercial oven, structural renovation and repair to a leaking pipe may all be economically connected with the same business, but the tax law can treat each item differently. The classification controls timing: immediate deduction, decline in value over time, capital works deduction, or adjustment through trading-stock rules.

Division 40 requires identification of a depreciating asset and its effective life, then application of either the prime cost or diminishing value method where available. Disposal, scrapping or other cessation can trigger a balancing adjustment. Students should therefore treat acquisition, use, improvement and disposal as one connected lifecycle.

Core law map

Provision / source	Why it matters
ITAA 1997 Div 70; ss 70-35 and 70-45	Trading-stock adjustments and valuation rules.
ITAA 1997 Div 40; ss 40-25 and 40-30	Deduction for decline in value and the definition of a depreciating asset.
ITAA 1997 ss 40-60 and 40-75	Prime cost and diminishing value methods.
ITAA 1997 s 25-10 and Div 43	Repairs versus capital expenditure and capital works.

Issue-spotting checklist

Ask these questions

Is the item trading stock or a capital asset? • Is it a depreciating asset? • Is the expenditure a repair, improvement or capital work? • Which method and effective life apply? • Is there a balancing adjustment on disposal?

Application method

Identify the taxpayer and transaction first. Then test each statutory element in order, state any calculation, identify exceptions or integrity rules, and explain the practical consequence. Do not jump from the facts directly to a conclusion without showing why the provision is engaged.

Practice problem

Problem

A manufacturing company buys raw materials, replaces a worn machine, installs a new production line and repairs storm damage to its warehouse. Classify each amount and identify the provision that should be tested first.

CHAPTER 3

GST for Business and Property Transactions

The statutory sequence for taxable supplies, input tax credits, registration and complex commercial transactions.

TEACHING METHOD

Issue → exact law → authority → calculation

Application → counterargument → consequence

Strong conclusion + practical next step

Chapter 3 — Teaching Preview

GST problem solving should be mechanical before it becomes interpretive. Start with the taxable-supply test, then work through registration, consideration, connection with Australia and whether the supply is GST-free or input taxed. On the acquisition side, identify whether the recipient makes a creditable acquisition and whether an input tax credit is available.

Business and property transactions create additional complexity. The sale of a going concern may be GST-free if the statutory conditions are met. Real property may engage the margin scheme. Residential premises can be input taxed while new residential premises may be taxable. The label used in a contract is never enough; the legal characteristics of the supply must be matched to the Act.

Documentation matters. GST clauses, tax invoices, adjustment events, enterprise status and registration can change the commercial result. Good advice therefore joins the legal test with the transaction documents and cash-flow consequences.

Core law map

Provision / source	Why it matters
A New Tax System (Goods and Services Tax) Act 1999 (Cth) s 9-5	The central test for a taxable supply.
GST Act s 11-5	The central test for a creditable acquisition.
GST Act s 23-5	Registration threshold framework for entities carrying on an enterprise.
GST Act Divs 38 and 40	GST-free and input-taxed supplies.
GST Act s 38-325 and Div 75	Going concern and margin-scheme rules relevant to business/property transactions.

Issue-spotting checklist

Ask these questions

Is there a supply for consideration? • Is it made in the course or furtherance of an enterprise? • Is it connected with Australia? • Is the supplier registered or required to be registered? • Is the supply GST-free, input taxed or subject to a special property rule?

Application method

Identify the taxpayer and transaction first. Then test each statutory element in order, state any calculation, identify exceptions or integrity rules, and explain the practical consequence. Do not jump from the facts directly to a conclusion without showing why the provision is engaged.

Practice problem

Problem

A property-development entity sells a leased commercial property and separately sells newly completed residential units. Explain why the GST analysis may differ and what contract facts must be checked.

CHAPTER 4

Small Business Entities and CGT Concessions

Eligibility, aggregated turnover, connected entities and the small-business concessions that can change the tax outcome of an exit or restructure.

TEACHING METHOD

Issue → exact law → authority → calculation

Application → counterargument → consequence

Strong conclusion + practical next step

Chapter 4 — Teaching Preview

The small-business provisions are not a single concession. They are a network of eligibility rules, simplified regimes and CGT concessions. A student must first identify the particular concession sought and then work backwards through the gateway conditions. Using the words 'small business' in ordinary language does not establish statutory eligibility.

Aggregated turnover can require the turnover of connected entities and affiliates to be considered. For CGT, Division 152 adds its own basic conditions, including tests relating to the taxpayer, the CGT asset and active-asset status. Additional conditions can apply to shares and trust interests.

The four main small-business CGT concessions can interact: the 15-year exemption, 50% active-asset reduction, retirement exemption and small-business rollover. Their order and conditions matter. A strong answer therefore separates eligibility from calculation and then explains the strategic consequences.

Core law map

Provision / source	Why it matters
ITAA 1997 s 328-110	Core small-business entity test based on carrying on a business and aggregated turnover.
ITAA 1997 Div 152; s 152-10	Small-business CGT concessions and the basic conditions.
ITAA 1997 Subdivs 152-B to 152-E	15-year exemption, active-asset reduction, retirement exemption and rollover.

Issue-spotting checklist

Ask these questions

Which concession is being claimed? • Does aggregated turnover include connected entities or affiliates? • Is the asset an active asset? • Are additional conditions for shares/trust interests satisfied? • In what order should available concessions be applied?

Application method

Identify the taxpayer and transaction first. Then test each statutory element in order, state any calculation, identify exceptions or integrity rules, and explain the practical consequence. Do not jump from the facts directly to a conclusion without showing why the provision is engaged.

Practice problem

Problem

A family group sells shares in an operating company and business premises held in a related trust. Identify the separate eligibility questions that must be answered before assuming Division 152 applies.

CHAPTER 5

Partnerships

Why the partnership calculates net income but the partners are generally assessed on their shares - and how allocations, losses and asset ownership complicate the analysis.

TEACHING METHOD

Issue → exact law → authority → calculation

Application → counterargument → consequence

Strong conclusion + practical next step

Chapter 5 — Teaching Preview

Partnership taxation requires students to distinguish the partnership's tax calculation from the partners' ultimate liability. The partnership determines its net income or partnership loss, but partners are generally assessed on their individual interests in the partnership's net income. This creates a two-level analysis even though the partnership is not taxed in the same way as a company.

Legal ownership, profit-sharing ratios and tax character must be considered separately. A partnership agreement may explain economic entitlements, but the tax legislation determines how the partnership calculation and partner assessments operate. Changes in partners or underlying assets can also have CGT consequences.

In practice, advisers must reconcile accounting accounts, the partnership agreement, tax adjustments and each partner's position. A good answer therefore identifies the partnership's net-income calculation first and only then moves to each partner.

Core law map

Provision / source	Why it matters
ITAA 1936 Pt III Div 5; ss 90, 91 and 92	Core rules for partnership net income/loss and assessment of partners.
ITAA 1997 s 995-1	Contains the tax-law definition of 'partnership', which can extend beyond general-law partnerships.
ITAA 1997 CGT provisions	Relevant where partnership interests or partnership assets change hands.

Issue-spotting checklist

Ask these questions

Is there a tax-law partnership? • What is the partnership's net income or loss? • What is each partner's individual interest? • Do CGT consequences arise on admission, retirement or asset transfer? • Does the partnership agreement match the tax treatment?

Application method

Identify the taxpayer and transaction first. Then test each statutory element in order, state any calculation, identify exceptions or integrity rules, and explain the practical consequence. Do not jump from the facts directly to a conclusion without showing why the provision is engaged.

Practice problem

Problem

Two professionals operate as partners with unequal capital contributions but an equal profit-sharing clause. One partner retires and transfers an interest to a new partner. Map the partnership-income and CGT questions.

CHAPTER 6

Trusts

Present entitlement, trust net income, trustee assessment and the special treatment of capital gains and franked distributions.

TEACHING METHOD

Issue → exact law → authority → calculation

Application → counterargument → consequence

Strong conclusion + practical next step

Chapter 6 — Teaching Preview

Trust taxation is one of the most conceptually demanding areas because trust law and tax law use different concepts. The trust deed creates rights and powers; Division 6 then determines how the trust's net income is assessed. The key questions include who is presently entitled, whether a beneficiary is under a legal disability, and whether the trustee is assessed instead.

Students must not equate trust accounting income with the statutory 'net income of the trust estate'. The two calculations can differ. Capital gains and franked distributions also have special streaming regimes, which require the trust deed, resolutions and statutory conditions to be analysed together.

Practical trust advice therefore begins with the deed and resolutions, not just the tax return. Timing, beneficiary status, unpaid entitlements, corporate beneficiaries and integrity rules may all change the result.

Core law map

Provision / source	Why it matters
ITAA 1936 Pt III Div 6; ss 95, 97, 98, 99 and 99A	Core rules for trust net income and assessment of beneficiaries or trustees.
ITAA 1997 Subdiv 115-C	Special rules for trust capital gains.
ITAA 1997 Subdiv 207-B	Special rules for franked distributions flowing through trusts.

Issue-spotting checklist

Ask these questions

What does the trust deed permit? • What is the trust's distributable income? • What is the statutory net income? • Who is presently entitled? • Are capital gains or franked distributions specifically entitled/streamed? • Could a trustee-assessment provision apply?

Application method

Identify the taxpayer and transaction first. Then test each statutory element in order, state any calculation, identify exceptions or integrity rules, and explain the practical consequence. Do not jump from the facts directly to a conclusion without showing why the provision is engaged.

Practice problem

Problem

A discretionary trust has rental income, a capital gain and a franked dividend. The trustee resolves to distribute different components to different beneficiaries. Identify the legal documents and statutory provisions that control the outcome.

CHAPTER 7

Companies: The Tax Framework

How companies are taxed as separate entities, how corporate income is calculated, and why extracting value from a company requires a second layer of analysis.

TEACHING METHOD

Issue → exact law → authority → calculation

Application → counterargument → consequence

Strong conclusion + practical next step

Chapter 7 — Teaching Preview

A company is a separate taxpayer. That simple proposition has significant consequences: business profits are first calculated at company level, while distributions or benefits to shareholders can create separate shareholder-level consequences. Students should therefore avoid collapsing company income and shareholder income into one calculation.

Corporate tax analysis starts with the ordinary income, statutory income and deduction framework, then moves to company-specific rules. The applicable company tax rate is determined under the rates legislation and can depend on statutory criteria that change over time, so the correct rate must be verified for the relevant income year rather than assumed.

Once profits exist, the next question is how value leaves the company: salary, dividend, loan, repayment, asset transfer or another benefit. Chapters 8 and 9 develop the imputation and Division 7A consequences of those choices.

Core law map

Provision / source	Why it matters
ITAA 1997 ss 6-5, 6-10 and 8-1	General income and deduction framework applied at company level.
ITAA 1936 s 44	Core provision bringing dividends into shareholder assessable income, subject to other rules.
Income Tax Rates Act 1986 (Cth)	Contains company tax rates; the applicable rate must be checked for the relevant year.
ITAA 1997 imputation provisions	Developed in Chapter 8.

Issue-spotting checklist

Ask these questions

- What income and deductions belong to the company? • What tax rate applies for the relevant year? • Is a payment remuneration, dividend, loan, repayment or another benefit? • Does the transaction shift value to a shareholder or associate?

Application method

Identify the taxpayer and transaction first. Then test each statutory element in order, state any calculation, identify exceptions or integrity rules, and explain the practical consequence. Do not jump from the facts directly to a conclusion without showing why the provision is engaged.

Practice problem

Problem

A private company earns trading profits and its owner wants to extract cash through salary, dividends and a shareholder loan. Identify the separate tax questions raised by each method.

CHAPTER 8

Dividends, Imputation and Franking

Why company tax and shareholder tax are linked through the imputation system, and how franking accounts, credits and distribution rules work.

TEACHING METHOD

Issue → exact law → authority → calculation

Application → counterargument → consequence

Strong conclusion + practical next step

Chapter 8 — Teaching Preview

Australia's dividend imputation system is designed to recognise company tax when certain profits are distributed to shareholders. A franked dividend can carry a franking credit, with the shareholder generally including both the cash dividend and the franking credit in assessable income and potentially receiving a tax offset, subject to eligibility rules.

The company must maintain a franking account and comply with rules about franking distributions. Over-franking, under-franking, benchmark rules and franking deficits can have consequences at company level. At shareholder level, holding-period and related integrity rules can affect entitlement to franking credits.

The key exam skill is to separate the company's franking-account position from the shareholder's assessable-income and tax-offset calculation, then bring them together in a single explanation.

Core law map

Provision / source	Why it matters
ITAA 1997 Div 202	Rules for franking distributions.
ITAA 1997 Div 203	Benchmark franking rules.
ITAA 1997 Div 205	Franking accounts and related consequences.
ITAA 1997 Div 207	Gross-up and tax-offset treatment for franked distributions.

Issue-spotting checklist

Ask these questions

Is the distribution frankable? • What is the franking percentage? • What entries arise in the franking account? • Is the shareholder entitled to the franking credit? • Are integrity rules relevant?

Application method

Identify the taxpayer and transaction first. Then test each statutory element in order, state any calculation, identify exceptions or integrity rules, and explain the practical consequence. Do not jump from the facts directly to a conclusion without showing why the provision is engaged.

Practice problem

Problem

A company with a positive franking balance declares a partly franked dividend to resident shareholders. Explain the company-level and shareholder-level calculations that must be kept separate.

CHAPTER 9

Division 7A: Private Company Payments, Loans and Benefits

The anti-avoidance regime that can treat private-company value provided to shareholders or associates as deemed dividends.

TEACHING METHOD

Issue → exact law → authority → calculation

Application → counterargument → consequence

Strong conclusion + practical next step

Chapter 9 — Teaching Preview

Division 7A is designed to stop private-company profits being extracted in non-dividend form without appropriate tax consequences. It can apply to payments, loans, debt forgiveness and transactions involving interposed entities. The starting point is not 'was there a loan?' but 'did value move from the private company to a shareholder or associate in a form captured by the Division?'

A loan can avoid deemed-dividend treatment if it satisfies the statutory requirements for a complying loan, including documentation, benchmark interest and minimum yearly repayments. Repayments may be disregarded in some circumstances, particularly where they are funded by further company advances.

The distributable-surplus limitation is also critical. Even where another Division 7A provision is triggered, the deemed dividend is generally limited by the company's distributable surplus. Students should therefore treat Division 7A as a sequence of gateway, exception and cap questions.

Core law map

Provision / source	Why it matters
ITAA 1936 Pt III Div 7A	Overall private-company deemed-dividend regime.
ITAA 1936 ss 109C and 109D	Payments and loans to shareholders or associates.
ITAA 1936 ss 109E and 109N	Minimum yearly repayments and complying-loan requirements.
ITAA 1936 ss 109R and 109T	Certain repayments and interposed-entity arrangements.
ITAA 1936 s 109Y	Distributable-surplus limitation.

Issue-spotting checklist

Ask these questions

Is the entity a private company? • Is the recipient a shareholder or associate? • Is there a payment, loan, debt forgiveness or interposed transaction? • Does an exception or complying-loan rule apply? • What is the distributable surplus?

Application method

Identify the taxpayer and transaction first. Then test each statutory element in order, state any calculation, identify exceptions or integrity rules, and explain the practical consequence. Do not jump from the facts directly to a conclusion without showing why the provision is engaged.

Practice problem

Problem

A private company advances funds to its shareholder, who repays the amount just before year end using money borrowed from a related entity. Explain why the repayment cannot simply be accepted at face value.

CHAPTER 10

Company Losses and Consolidation

When companies can carry forward losses, how ownership and business-continuity rules protect the tax base, and how consolidated groups change entity-level analysis.

TEACHING METHOD

Issue → exact law → authority → calculation

Application → counterargument → consequence

Strong conclusion + practical next step

Chapter 10 – Teaching Preview

Tax losses are valuable because they can shelter later income, but company losses are subject to integrity rules designed to prevent trafficking in losses. The central analysis generally asks whether the required continuity of ownership is maintained and, if not, whether the relevant business-continuity test is satisfied.

Ownership tests must be applied through corporate structures rather than by impression. Changes in shareholders, control or group structure can therefore affect the ability to deduct carried-forward losses. Separate rules apply to capital losses.

Consolidation changes the analytical unit. Eligible wholly owned groups can choose to consolidate, with the head company generally treated as the relevant income-tax entity for subsidiary members under the single-entity rule. Entry, exit, tax-cost setting and transferred losses then become central.

Core law map

Provision / source	Why it matters
ITAA 1997 Div 165	Core company loss rules, including continuity and business-continuity requirements.
ITAA 1997 Pt 3-90	Consolidation regime.
ITAA 1997 Div 701	Single-entity and tax-cost-setting framework.
ITAA 1997 Div 707	Transfer and utilisation of losses in consolidated groups.

Issue-spotting checklist

Ask these questions

What loss exists and in which year? • Has ownership continuity been maintained? • If not, can the business-continuity test be satisfied? • Is the company part of an eligible consolidated group? • What happens to assets and losses on entry or exit?

Application method

Identify the taxpayer and transaction first. Then test each statutory element in order, state any calculation, identify exceptions or integrity rules, and explain the practical consequence. Do not jump from the facts directly to a conclusion without showing why the provision is engaged.

Practice problem

Problem

A profitable group acquires a loss company and later restructures into a consolidated group. Identify why the acquisition does not automatically make the target's losses available.

CHAPTER 11

Superannuation Tax Rules

The tax treatment of contributions and funds, and why superannuation advice requires tax law to be read with the regulatory regime.

TEACHING METHOD

Issue → exact law → authority → calculation

Application → counterargument → consequence

Strong conclusion + practical next step

Chapter 11 – Teaching Preview

Superannuation is both a retirement-savings system and a specialised tax regime. Business owners often encounter it in multiple capacities: as employers making compulsory contributions, as individuals making personal contributions, and as members or trustees of superannuation funds.

Contribution rules distinguish concessional and non-concessional amounts, with caps and excess-contribution consequences. Deductions for personal contributions have their own requirements. At fund level, Division 295 contains the central income-tax rules for complying superannuation entities.

Tax analysis must be integrated with the superannuation regulatory framework. A tax-effective contribution can still create regulatory problems if the fund or transaction does not comply with superannuation law. Students should therefore identify both the tax question and the regulatory question.

Core law map

Provision / source	Why it matters
ITAA 1997 Div 290	Deductions for certain personal superannuation contributions.
ITAA 1997 Divs 291 and 292	Excess concessional and non-concessional contributions.
ITAA 1997 Div 295	Taxation of superannuation entities.
Superannuation Guarantee (Administration) Act 1992 (Cth)	Employer superannuation-guarantee framework.
Superannuation Industry (Supervision) Act 1993 (Cth)	Core prudential/regulatory framework for superannuation funds.

Issue-spotting checklist

Ask these questions

Who made the contribution and why? • Is it concessional or non-concessional? • Is a deduction available? • Are contribution caps relevant? • What fund-level tax rule applies? • Is there a separate SIS Act compliance issue?

Application method

Identify the taxpayer and transaction first. Then test each statutory element in order, state any calculation, identify exceptions or integrity rules, and explain the practical consequence. Do not jump from the facts directly to a conclusion without showing why the provision is engaged.

Practice problem

Problem

A business owner makes employer contributions, personal deductible contributions and a large non-concessional contribution to an SMSF in the same year. Identify the separate tax and regulatory questions.

CHAPTER 12

Integrated Tax Planning and Whole-Course Problem Solving

Bringing entity choice, distributions, CGT, GST, losses, superannuation and integrity rules together into practical advice.

TEACHING METHOD

Issue → exact law → authority → calculation

Application → counterargument → consequence

Strong conclusion + practical next step

Chapter 12 – Teaching Preview

Tax planning is not the search for the lowest tax number in isolation. Professional-quality advice identifies the client's commercial objective, maps the available legal structures, calculates the tax consequences over time and then tests the strategy against integrity rules, cash flow, compliance costs, asset protection, succession and transaction risk.

Entity-choice problems often involve several taxes at once. A restructure may have income-tax and CGT consequences, GST implications, Division 7A risks, trust-distribution questions and superannuation consequences. The strongest answers therefore organise the problem by taxpayer and transaction rather than discussing taxes in disconnected silos.

Part IVA remains an essential boundary. Legitimate tax planning is permitted, but a scheme that produces a tax benefit in circumstances meeting the statutory test can attract the general anti-avoidance rule. The correct method is to identify the scheme, tax benefit and statutory purpose analysis rather than using labels such as 'avoidance' as a substitute for legal reasoning.

Core law map

Provision / source	Why it matters
ITAA 1936 Pt IVA; ss 177A, 177C and 177D	General anti-avoidance framework: scheme, tax benefit and statutory purpose test.
Taxation Administration Act 1953 (Cth) Sch 1 Div 290	Promoter-penalty regime relevant to certain tax-exploitation schemes.
All earlier chapter provisions	Integrated problems require entity-by-entity and transaction-by-transaction application.

Issue-spotting checklist

Ask these questions

What is the client's commercial objective? • Which taxpayer/entity is affected by each transaction? • Which taxes and integrity regimes overlap? • What alternatives achieve the objective? • What assumptions or future changes could alter the result?

Application method

Identify the taxpayer and transaction first. Then test each statutory element in order, state any calculation, identify exceptions or integrity rules, and explain the practical consequence. Do not jump from the facts directly to a conclusion without showing why the provision is engaged.

Practice problem

Problem

A family business plans to admit a new investor, transfer premises into a trust, distribute retained profits, refinance shareholder loans and fund the owners' retirement. Build a complete issue map before recommending any sequence of transactions.

Glossary of Terms

Each glossary entry is linked to the chapter where the concept is principally taught. In the final electronic edition, the bracketed chapter label will operate as a genuine internal hyperlink, while legislation and authority names will link to verified external sources.

Active asset

A CGT asset that satisfies the statutory active-asset requirements relevant to the small-business CGT concessions. [[Chapter 4](#)]

Affiliate

An individual or company that acts, or could reasonably be expected to act, in accordance with another entity's directions or wishes, or in concert with it, for specified small-business rules. [[Chapter 4](#)]

Aggregated turnover

The turnover measure used for a range of small-business provisions, generally combining the entity's annual turnover with relevant connected entities and affiliates. [[Chapter 4](#)]

Associate

A statutory relationship concept used across tax law to connect taxpayers with related persons or entities; the exact definition depends on the provision being applied. [[Chapter 9](#)]

Balancing adjustment

An adjustment that can arise when a depreciating asset stops being held or used and its termination value differs from its adjustable value. [[Chapter 2](#)]

Base rate entity

A company category relevant to the lower company tax rate in particular income years; the current criteria and rate must be verified for the relevant year. [[Chapter 7](#)]

Benchmark franking percentage

The percentage used under the imputation system to promote consistent franking of distributions within a franking period. [[Chapter 8](#)]

Capital allowance

A deduction regime that spreads the tax recognition of qualifying capital expenditure or the decline in value of depreciating assets over time. [[Chapter 2](#)]

Capital gain

Broadly, the amount calculated under the CGT rules when capital proceeds exceed the relevant cost base for a CGT event, subject to the specific event rules. [[Chapter 1](#)]

Capital loss

A loss calculated under the CGT provisions that is generally applied against capital gains rather than ordinary income. [[Chapter 1](#)]

Carrying on an enterprise

A GST concept relevant to registration and taxable supplies; it is broader than simply carrying on a business in some contexts. [[Chapter 3](#)]

CGT event

A statutory event under the CGT regime that can produce a capital gain or capital loss. [[Chapter 1](#)]

Company

A separate legal and tax entity; company income is calculated at company level before shareholder-level consequences are considered. [[Chapter 7](#)]

Complying Division 7A loan

A loan structured to satisfy Division 7A requirements, including written terms, benchmark interest and statutory repayment conditions. [[Chapter 9](#)]

Concessional contribution

A superannuation contribution generally included in the fund's assessable income and counted toward the concessional contributions cap. [[Chapter 11](#)]

Connected entity

An entity connected with another under statutory control tests, relevant to aggregated turnover and other small-business rules. [[Chapter 4](#)]

Consolidated group

An eligible wholly owned group that has chosen to be taxed under the consolidation regime with a head company and subsidiary members. [[Chapter 10](#)]

Continuity of ownership test

A company-loss integrity test examining whether the required ownership continuity is maintained over the relevant period. [[Chapter 10](#)]

Creditable acquisition

An acquisition satisfying the GST Act conditions for entitlement to an input tax credit. [[Chapter 3](#)]

Depreciating asset

An asset with a limited effective life that can reasonably be expected to decline in value over the time it is used, subject to statutory exclusions. [[Chapter 2](#)]

Deemed dividend

An amount treated by tax law as a dividend even though it may not have been formally declared as one; Division 7A is a major example. [[Chapter 9](#)]

Discretionary trust

A trust in which the trustee has discretion, within the trust deed, about distributions among potential beneficiaries. [[Chapter 6](#)]

Distributable surplus

The statutory cap that generally limits the amount treated as a deemed dividend under Division 7A. [[Chapter 9](#)]

Dividend imputation

The system that links tax paid by companies with franking credits attached to qualifying distributions to shareholders. [[Chapter 8](#)]

Effective life

The period used in calculating decline in value of a depreciating asset, determined under the statutory framework. [[Chapter 2](#)]

Enterprise

A GST concept covering specified activities done in the form of a business or in other listed ways, subject to exclusions. [[Chapter 3](#)]

FBT

Fringe benefits tax - a tax generally imposed on employers in relation to certain non-cash benefits provided to employees or associates in respect of employment. [[Chapter 1](#)]

Franking account

A memorandum account recording specified franking credits and debits of a corporate tax entity. [[Chapter 8](#)]

Franking credit

A credit associated with a franked distribution that can be included in a recipient's assessable income and potentially give rise to a tax offset. [[Chapter 8](#)]

Franking deficit tax

A liability that can arise when a company's franking account is in deficit at the relevant time. [[Chapter 8](#)]

Going concern

For GST purposes, a supply that can be GST-free if the statutory conditions for the supply of a going concern are satisfied. [[Chapter 3](#)]

GST-free supply

A supply on which GST is not payable but for which related acquisitions can generally still give rise to input tax credits. [[Chapter 3](#)]

Head company

The entity treated as the head company of a consolidated group and generally the relevant income-tax entity for subsidiary members under the single-entity rule. [[Chapter 10](#)]

Imputation system

The set of rules governing franking of distributions, franking accounts and recipient tax offsets. [[Chapter 8](#)]

Input tax credit

The GST credit generally available for a creditable acquisition. [[Chapter 3](#)]

Input taxed supply

A supply on which GST is not payable and for which related acquisitions generally do not generate full input tax credits. [[Chapter 3](#)]

Interposed entity

An entity inserted between a private company and a shareholder or associate; Division 7A contains rules that can look through certain interposed arrangements. [[Chapter 9](#)]

Loss company

A company with carried-forward tax or capital losses whose ability to use those losses is subject to integrity rules. [[Chapter 10](#)]

Margin scheme

A GST method that can apply to certain taxable supplies of real property, calculating GST by reference to the statutory margin rather than the full sale price. [[Chapter 3](#)]

Minimum yearly repayment

The minimum repayment required for a complying Division 7A loan for a year under the statutory formula. [[Chapter 9](#)]

Net income of a trust estate

The statutory tax concept in s 95 ITAA 1936, distinct from the trust's accounting or distributable income under the deed. [[Chapter 6](#)]

Net income of a partnership

The partnership tax calculation under Division 5 of the ITAA 1936 before partners are assessed on their individual interests. [[Chapter 5](#)]

Non-concessional contribution

A superannuation contribution generally made from after-tax amounts and counted toward the non-concessional contributions cap. [[Chapter 11](#)]

Part IVA

The general anti-avoidance provisions in the ITAA 1936. [[Chapter 12](#)]

Partnership

For tax purposes, a defined relationship that can include a general-law partnership and certain arrangements where persons receive income jointly. [[Chapter 5](#)]

Present entitlement

A trust-tax concept central to determining whether a beneficiary, rather than the trustee, is assessed on a share of trust income. [[Chapter 6](#)]

Private company

A company that falls within the statutory private-company classification; particularly important for Division 7A. [[Chapter 9](#)]

Prime cost method

A method of calculating decline in value that generally spreads deductions evenly over an asset's effective life. [[Chapter 2](#)]

Reportable fringe benefits amount

An amount reflecting certain fringe benefits that may be reported for an employee even though FBT is imposed on the employer. [[Chapter 1](#)]

Retirement exemption

One of the small-business CGT concessions in Division 152, subject to statutory conditions and limits. [[Chapter 4](#)]

Scheme

A broadly defined concept for Part IVA purposes that can encompass arrangements, plans, courses of action and conduct. [[Chapter 12](#)]

Single entity rule

The consolidation rule under which subsidiary members are generally treated as parts of the head company for income-tax purposes while they are members of the group. [[Chapter 10](#)]

Small business entity

An entity carrying on a business that satisfies the statutory aggregated-turnover test for the relevant provision and year. [[Chapter 4](#)]

Small-business 15-year exemption

A Division 152 CGT concession that can disregard a qualifying capital gain where the detailed statutory conditions are satisfied. [[Chapter 4](#)]

Small-business active-asset reduction

A Division 152 concession that can reduce a qualifying capital gain by 50%, subject to the statutory conditions and interaction with other concessions. [[Chapter 4](#)]

Small-business rollover

A Division 152 concession that can defer a qualifying capital gain, subject to replacement-asset and other requirements. [[Chapter 4](#)]

SMSF

Self-managed superannuation fund - a superannuation structure subject to specific regulatory and tax rules. [[Chapter 11](#)]

Statutory income

Amounts included in assessable income by provisions other than the ordinary-income provision. [[Chapter 7](#)]

Tax benefit

A defined Part IVA concept identifying a tax advantage obtained in connection with a scheme, tested using the statutory counterfactual framework. [[Chapter 12](#)]

Tax planning

The lawful organisation of affairs with tax consequences taken into account, subject to specific and general integrity rules. [[Chapter 12](#)]

Taxable supply

A supply satisfying s 9-5 GST Act unless it is GST-free or input taxed. [[Chapter 3](#)]

Trading stock

Items within the statutory trading-stock concept, generally brought to account through opening and closing stock values. [[Chapter 2](#)]

Trust

A legal relationship in which a trustee holds property subject to equitable obligations for beneficiaries or purposes; tax outcomes depend on both trust law and tax legislation. [[Chapter 6](#)]

Trustee

The person or entity holding and administering trust property under the trust deed and general law; in some circumstances the trustee is the taxpayer assessed under Division 6. [[Chapter 6](#)]

Unit trust

A trust in which beneficial interests are divided into units, usually conferring defined proportional rights under the trust deed. [[Chapter 6](#)]

Unpaid present entitlement

A practical label for an amount to which a beneficiary is presently entitled but which remains unpaid; its tax treatment can interact with other integrity rules depending on the facts. [[Chapter 6](#)]

Current Build Control — Proof Only

Component	Current proof status
Locked front cover	Included exactly as approved (Image 5).
Title / publication pages	Built in this proof.
Preface	Built in this proof.
How to Use This Book	Built in this proof.
Contents	Built and internally linked to all 12 chapter openings.
Chapters 1–12	Every chapter has a chapter opening, teaching narrative preview, core law map, issue checklist and practice problem.
Glossary of Terms	Built with internal blue chapter links.
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Source, Authority and Hyperlink Control

This section is now part of the build control for Taxation of Business Entities. No blue text is to be decorative. Every external link must resolve to the correct authority, provision, ruling, case, textbook or publisher page; every internal link must land on the intended chapter, glossary entry, question or answer page.

Controlling source hierarchy

1. Current legislation and authoritative judgments / ATO materials. 2. The user's actual 2026 course materials and lecturer guidance. 3. Prescribed 2026 texts. 4. Recommended resources. 5. Older texts only for explanation, history or additional practice - never to override current law.

Resource register captured from the course Resource List

Status	Resource	Destination
PREScribed	The Australian Tax Handbook 2026 Robert Deutsch; Mark Friezer; Ian Fullerton; Peter Hanley; Trevor Snape	Open verified public destination Verified publisher page
PREScribed	Principles of Taxation Law 2026 Jared Clements; Rami Hanegbi; Kerrie Sadiq; Celeste Black; Sunita Jogarajan	Open verified public destination Verified publisher page
PREScribed	Fundamental Tax Legislation 2026 Dale Pinto; Kerrie Sadiq	Open verified public destination Verified publisher page
SUPERANNUATION	Foundations of Taxation Law 2024, 15th ed - Chapter 19: Superannuation Stephen Barkocz	Open verified public destination Verified publisher book page; chapter access may require subscription
RECOMMENDED	Australian Taxation Office Official administrative guidance and Legal Database	Open verified public destination Official public source
RECOMMENDED	Trusts and beneficiaries (2026) Celeste Black; Rami Hanegbi, in Principles of Taxation Law 2026	Open verified public destination Verified current-edition publisher page
RECOMMENDED	Chapter 20: Trusts and Beneficiaries - Principles of Taxation Law 2025 Kerrie Sadiq et al.	Open verified public destination Verified publisher page
RECOMMENDED	Foundations of Taxation Law 2024, 15th ed Stephen Barkocz	Open verified public destination Verified publisher page
RECOMMENDED	Australian Taxation Law 2021, 31st ed Robin Woellner; Stephen Barkocz; Shirley Murphy; Chris Evans; Dale Pinto	Open verified public destination Verified publisher page
RECOMMENDED	Australian Tax 2024 Paul Kenny; Sylvia Villios; John Harrison; Max Bruce	Open verified public destination Verified LexisNexis catalogue entry

Status	Resource	Destination
RECOMMENDED	Australian Taxation Law Cases 2023: A Guide to the Leading Cases for Business, Commerce and Law Students Kerrie Sadiq	NOT YET EMBEDDED Public publisher destination to be positively verified before embedding
RECOMMENDED	Understanding Taxation Law 2024 Michael Walpole; Tony Ciro; Ian Murray; Alistair Haskett	Open verified public destination Verified LexisNexis catalogue entry
RECOMMENDED	Australian Taxation Study Manual 2020: Questions and Suggested Solutions, 30th ed Les Nethercott; Ken Devos; Livia Gonzaga	Open verified public destination Verified publisher page
RECOMMENDED	Australian Tax Analysis: Cases, Commentary, Commercial Applications and Questions, 9e Cynthia Coleman; Geoffrey Hart; Brett Bondfield; Margaret McKerchar; John McLaren; Kerrie Sadiq; Antony Ting	Open verified public destination Verified publisher page

Five-Pass Hyperlink Audit

PASS 1 - IDENTITY

Does the visible link text name the correct Act, section, case, ruling, textbook, chapter or internal topic?

PASS 2 - DESTINATION

Does clicking open a real, working destination rather than a 404, generic home page, empty search result or unrelated page?

PASS 3 - PINPOINT

Does the destination land on the correct section/subsection/paragraph, judgment, ruling or chapter page wherever technically possible?

PASS 4 - CURRENCY

Is the authority current for the relevant income/FBT/GST year, and is a superseded or historical source clearly identified as such?

PASS 5 - FINAL-EDITION TEST

After export to electronic HTML/e-book and PDF, does the actual reader-facing hyperlink still work, and do internal links return to the correct place?

Public-link rule

Bond iLearn and library-authentication links are valuable course references but are not suitable as the sole public destination in a commercial book. The public edition will therefore use publisher pages for textbooks, official legislation / court / AustLII pages for law and cases, and the ATO Legal Database for rulings and administrative guidance. Where exact chapter access is subscription-only, the book will link to the verified publisher/book page and clearly identify the chapter citation rather than pretending a public deep link exists.

Current ATO Legal-Database Links Already Verified

The GST source set supplied for the course identifies rulings that must be integrated into the teaching narrative. The following examples have already been resolved to official ATO destinations and are suitable for the book's external-link layer.

[GSTR 2001/8 - mixed/composite supplies and apportionment](#)

[GSTR 2002/5 - supply of a going concern](#)

[GSTR 2003/3 - new residential premises](#)

[GSTR 2003/15 - importations of goods](#)

[GSTR 2006/8 - margin scheme for real property](#)

[GSTR 2012/6 - commercial residential premises](#)

Important

This is an initial verified subset, not the final whole-book link register. Every additional case, ruling, determination, PCG, legislation provision and textbook resource added from later weeks will enter the same five-pass audit before publication.

Questions and Answers: Fixed Pagination Rule

All active-learning material will use a hard separation between the question and its answer. A question page will never reveal the answer underneath it. The electronic edition will provide a blue internal link to the answer page and, where appropriate, a return link back to the question. The print edition will place the answer on the following page or in the immediately following answer section so that students can attempt the problem before seeing the solution.

QUESTION PAGE	ANSWER PAGE
Issue-spotting problem only	Full issue map + sub-issues
MCQ stem + options	Correct answer + why each alternative is right/wrong
Short-answer question	Model answer with exact law and authority
Calculation problem	Line-by-line statutory calculation + assumptions
Tutorial/seminar question	Full teaching answer
IRAC problem	Word-for-word IRAC model answer with strong conclusion and tax consequence/remedy

Answer standard

Every model answer must show: ISSUE + SUB-ISSUES -> EXACT RULE / PROVISION -> ELEMENTS -> AUTHORITY -> CALCULATION -> APPLICATION -> COUNTERARGUMENT -> CONSEQUENCE / REMEDY -> STRONG CONCLUSION.

Narrative Integration Rule

Resources will not be dumped into a bibliography and forgotten. They must perform a teaching function inside the chapter. A provision is introduced when the student's factual issue makes it necessary; a case is introduced when it explains, limits or applies that provision; an ATO ruling is used where it clarifies administration or interpretation; and a textbook is used as a secondary teaching aid rather than as a substitute for the law.

Current received-material integration

CGT / FBT: business CGT events, Division 122 rollover, fringe-benefit definition, categories, exemptions, gross-up, otherwise-deductible rule and employer/employee consequences will be taught as connected decision trees, not as isolated quotations.

Trading stock / capital allowances / PSI: the narrative will begin with why Division 70 and Division 40 are needed, then move to valuation, depreciation, balancing adjustments, pools, capital works and PSI / PSB tests using the supplied seminar facts as applied learning.

GST: the statutory architecture will run from registration and turnover through s 9-5 taxable supplies, supply, consideration, enterprise, connection with Australia, GST-free / input-taxed treatment, creditable acquisitions, importations, adjustments and property-specific rules.

No silent carry-over of errors

Where a course slide contains a typographical error, old threshold, old edition, superseded ruling or future-law reference, the published book will preserve the teaching context but separately verify the current legal position before stating it as law.