**TAXATION 1 - LAW2453**

**TUTORIAL HAND IN PROBLEM 1**

**WORD LIMIT**

The word limit is approximately 1,000 words.

**PRESENTATION:**

**Students must keep a copy of the assignment they submit.**

Assignments will be marked down for poor presentation, poor grammar, punctuation and spelling.

The assignment must be typewritten and double spaced with a generous margin.

**All Students must upload a soft copy through Turnitin on MyRmit/Blackboard by 11.59pm on Sunday 23 April 2017**. **Students should also give a hard copy to their tutor in tutorials during the week beginning 23 April 2017.**

**Students should submit the assignment on Turnitin using Microsoft Word - Not as an Adobe File**.

**SUBMISSION DATE**: **23 April 2017 (see above instructions)**

**PROBLEM**

Peter, a doctor and leading heart specialist, aged 55, has run his own successful medical practice in Melbourne for over 20 years. He has also been an honorary surgeon at the Royal Melbourne Hospital and was an advisor to a number of medical boards. In April 2014, he signed an employment contract in Melbourne with the Brunei Ministry of Health, whereby he agreed to work in a Brunei Hospital for two years commencing on 1 July 2014. At the time of signing the agreement, Peter was told that at the end of his two year contract the hospital may offer him a one year extension. Peter advised the hospital at the time of signing that he had no definite view of accepting or rejecting the possible extension, but would consider it at the end of his two year posting. He rented his house out in Melbourne for two years. He arrived in Brunei on 1 July 2014 with his wife, where he leased an apartment for two years, with an option to extend the lease for one year. His adult children remained in Australia with their own families. While in Brunei, he joined a Brunei Golf Club. He played a round of golf each week. His wife, an instructor in diving, rock climbing and skydiving obtained employment with a local adventure travel company.

On 1 June 2015, his wife returned to Australia to help nurse her sick mother. The family home was still rented out, so his wife lived with her mother. Peter continued to work in Brunei. On 29 June 2016 Peter was offered a one year extension of his contract, but decided to reject it, as he wished to start a new private practice in Australia. He left Brunei on 30 June 2016. While in Brunei, the rent from his house in Melbourne was paid into his interest earning Australian bank account. His salary was paid into an interest earning Brunei bank account which he had opened in the capital city, Bandar Seri Begawan. He drew upon both his Australian and Brunei bank accounts from time to time at local ATMs in Brunei.

During the 2013-2014 income year, prior to leaving Australia to take up the hospital appointment in Brunei, Peter received a number of sums of money. They included:

(a) $2,000 from a film actor who had been a regular patient for many years. The note attached to the money, said the payment was for the expert care of his heart over a long period. Peter had always charged the actor his normal professional fee.

(b) Peter is a keen gambler and had spent most weekends during the income year at the horse races. He is computer literate and had kept careful records of all his wins and losses. However, he did not follow any system of gambling and most of his wins have resulted from a mixture of luck and intuition. During the 2013-2014 income year he made $30,000 in winnings and $25,000 in losses.

c) A $200,000 inducement payment from the Brunei Ministry of Health, for giving the loss of status associated with being an honorary surgeon at the Royal Melbourne Hospital and an advisor on a number of Medical Boards.

In July 2016 Peter commenced work at the Well-being Medical Clinic in Melbourne

**REQUIRED:**

Advise Peter and his wife about the tax consequences of the above fact situation, referring to appropriate legislation, case law and tax rulings.