



**HA3042 TAXATION LAW
TRIMESTER 2, 2012
INDIVIDUAL ASSIGNMENT**

Assessment Value: 20%

Instructions:

1. This assignment is to be submitted in accordance with assessment policy stated in the Subject Outline and Student Handbook.
2. It is the responsibility of the student who is submitting the work, to ensure that the work is in fact her/his own work. Incorporating another's work or ideas into one's own work without appropriate acknowledgement is an academic offence. Students should submit all assignments for plagiarism checking on Blackboard before final submission in the subject. For further details, please refer to the Subject Outline and Student Handbook.
3. Answer all questions.
4. Maximum word length: 2,000 words.
5. Maximum marks available: 20 marks.
6. Due date of submission: Week 9, Friday at 5pm.

Question 1 (10 marks)

Determine whether the following benefits are fringe benefits or exempt fringe benefits and, where applicable, the relevant category of fringe benefit. Provide reasons for your answer:

- a) Kerry is an employee of the university. She is provided with 10 gift vouchers worth \$50 each for use at the local supermarket as a Christmas gift. Advise Kerry and the University of the Tax Consequences of this transaction.

- b) Sorella borrowed \$10,000 from her employer on 4 September 2011 as her home was damaged in a freak storm. The loan was provided at no interest. On 15 January 2012, her employer informed Sorella that she was only required to repay half the loan. Advise Sorella and her employer of the Tax Consequences of this transaction.

- c) Penny is employed as a secretary by a law firm. As part of her remuneration package, the firm agrees to provide her with legal services in relation to her divorce at a 60% discount to its normal rates. The firm also purchases a plasma TV set for \$5,500 (inclusive of GST), which it gives to Penny. Explain how the taxable value of these fringe benefits will be calculated.

Question 2 (10 marks)

Peter sold an investment property in Sydney and the transaction was settled on 30 June 2012 for \$800,000. He incurred legal fees of \$1,100 and a real estate agent's commission of \$9,900 in relation to the sale. Peter purchased the investment property in March 1987 for \$100,000. He paid \$2,000 in stamp duty on the transfer and incurred legal fees of \$1,000 in relation to the purchase.

- a) Calculate the capital gain under the indexation method. (6 marks)
- b) Calculate the capital gain under the 50% discount method. (3 marks)
- c) Which method should be used in this case? (1 mark)