

KnowledgeEquity – Australia Taxation - Advanced - FAQs

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Module 1 – FAQs

There are currently no FAQs for this module.

Module 2 – FAQs

In Example 2.1, what is the meaning of "losses would be met out of corpus"?

(See 'Example 2.1', page 90)

The corpus represents the capital of the trust (generally assets/amounts transferred to or retained in the trust). Where the trust deed states that losses will be met out of corpus, this means that losses will be offset against the capital of the trust. The effect of this, for tax purposes, is that any beneficiary who does not have an interest in the capital of the trust (e.g. a life tenant, who is only entitled to income of the trust) cannot utilise any carried forward trust losses to reduce their assessable income from the trust (as explained under Step 2 on page 85 and shown in Example 2.1).

Module 3 – FAQs

There are currently no FAQs for this module.

Module 4 – FAQs

Would a company's successful utilisation of the Loss Carry Back Tax Offset result in a debit to the franking account for the offset amount?

(See 'Franking accounts', pages 240 - 244)

As noted in paragraph 2.55 of the Explanatory Memorandum: *A debit will arise in a corporate tax entity's franking account when it gets a refund of tax as a result of the loss carry back tax offset on the day that the refund is received (item 2 and 2A of the table in subsection 205-30(1)).* Consequently, the franking debit will generally occur under the second entry of Table 4.5 in your Study Guide.

Module 5 – FAQs

There are currently no FAQs for this module.

Module 6 – FAQs

There are currently no FAQs for this module.

Module 7 – FAQs

There are currently no FAQs for this module.

Module 8 – FAQs

In Example 8.4, why does the payment made by Matilda, to a creditor, constitute a FRE1 event and not an FRE 4 event?

(See 'Example 8.4', page 440 - 441)

FRE 4 would also occur in this situation, which may give rise to a separate forex gain or loss. However, in this example, we are looking at the treatment of bank accounts, and so FRE 1 is the focus.

Module 9 – FAQs

In Example 9.5, why is the settlement amount calculated by multiplying by $11 / (11 - \text{extent of input tax credit})$?

(See 'Example 9.5', page 491)

GSTR 2006/10 sets out the high-level reasoning behind the calculation as follows:

19. The insurance provisions in Division 78 are designed to ensure that an insurer will only pay GST on the value of services provided by the insurer. The legislation measures the value of the insurance services by imposing GST on the full amount of the premiums collected by the insurer and then reducing the insurer's GST by way of a decreasing adjustment under section 78-10.

20. The insurer is entitled to a decreasing adjustment if the insured is not entitled to an input tax credit on the premium it pays under the insurance policy. The amount of the decreasing adjustment is equal to 1/11th of the settlement amount.

21. The insurer is also entitled to a decreasing adjustment if the insured is entitled to an input tax credit on the premium it pays under the insurance policy, but that input tax credit is less than the GST payable on the premium. The amount of the insurer's decreasing adjustment is reduced if the insured has a partial entitlement to input tax credits on premiums paid. This would occur where the insurance policy was acquired only for a partly creditable purpose. The amount of the decreasing adjustment is also reduced to the extent (if any) the settlement relates to a non-creditable insurance event.