

TAXATION LAW
MODEL EXAM



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IRAC method of completing exams

- Issues** - Outline the issues that you are going to discuss.
- Rules** - Define the legal rules that are relevant to the question.
- Application** - Apply the legal rules to the facts of the question (this is the important part).
- Conclusion** - Tie things up by suggesting the most likely outcome, usually in the form of an advice to your hypothetical client.

Always use your reading time wisely to **PLAN YOUR ANSWER** before writing. This is of utmost importance as it will help you clarify your thoughts. Planning will help to avoid following desperate exam strategies that unprepared students commonly resort to, such as:

- i) 'the kitchen sink' i.e. spilling all of your knowledge that is vaguely related to the topic onto the exam paper and hoping for the best; or
- ii) 'the garden path' i.e. going off on an irrelevant tangent.

Remember that the **APPLICATION IS THE MOST IMPORTANT SECTION** of your answer and should take up the bulk of your time. The marker will be most interested in *how you arrived* at your conclusion.

Question 1

Mitch 'Money' Murray is the owner of Lender Bender, a company which is in the business of lending money. The garage which Mitch runs his business out of has a damaged roof. During the last downpour, water got in through the roof and damaged the four computers and one telephone which Mitch uses for business purposes. He spent \$20,000 on the cost of having the roof repaired.

When the new telephone was installed, Mitch got a call from Debt Worries chasing up a debt which Lender Bender owes in the sum of \$50,000. The debt was incurred in the previous income year, and Mitch thinks of it as a 'bad debt'. Debt Worries is a company based in Peru, South America. Through some connections with friends, Mitch then wired \$10,000 to a Peruvian Public Official in the hopes of getting the debt waived.....

Question 2

Sally Shine, an Australian resident, is employed at Fareoh's Tomb, a boutique jewellery store which specialises in the sale of antique replicas of Egyptian jewellery. Sally receives a weekly wage as well as a bonus of \$200 for every 'Tutankhamun' necklace she sells. Sally is also part of the 'Employee Share Scheme' of Fareoh's Tomb, through which she receives a discount of \$0.15 for every share she buys. Sally has so far bought 20 shares in the company.

A competitor, Modern Market, recently set up shop opposite Fareoh's Tomb. Sally's employer, Julia Jewels, is intent on increasing the sales of Fareoh's Tomb. Julia told Sally that if she sells 100 items of jewellery in the next month, she would be rewarded with a weekend's stay in Top Notch, a five star resort. Sally made her sales target, and Julia paid for Sally's stay in the resort.....

Question 3

Jonathon Borrows is Barry Bentley's nephew. Jonathon lives in a beach house that Barry owns. Jonathon pays his uncle \$150 per week in rent. Barry is retired.

In February, Barry loaned Jonathon \$5,000 so that Jonathon could buy a motorcycle. Barry earns 6% interest on the loan.

Barry, feeling particularly proud of his nephew for repaying his loan, made him a beneficiary in his will. Barry assigned 50% of his rights to the land and the house to Jonathon.....

Question 4

Discuss how the courts have interpreted the provisions for general deductions in the *Income Tax Assessment Act 1997* (Cth).....

SOURCES CONSULTED

- Burgess, P, Cooper, G S, Stewart M and Vann, R J, *Cooper, Krever and Vann's Income Taxation Commentary and Materials* (Thomson Reuters, 7th ed, 2012)
- Commonwealth of Australia, 'Capital gains tax – home' *Australian Taxation Office* <<http://www.ato.gov.au/corporate/pathway.aspx?pc=001/001/038> >



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