BLAW30002 Principles of Taxation Law I

UNIVERSITY OF MELBOURNE · LAW · LEVEL 3 · SEMESTER 2, 2026

Full guide + ask Sia about BLAW30002

SIDE 1/2 ISSUE → RULE → APPLICATION → CONCLUSION | **OPEN-BOOK EXAM SHEET** | Roadmap · provisions · classifications · calculations

0 · Exam Map

COURSE + FINAL PAGES

10	20	20	FINAL 50%

Tutorial attendance & participation 10% · Assignment 20% · Mid-semester quiz 20% · Final exam 50%.

★ "The final exam is a 2-hour open-book in person written exam (with 15 minutes of additional reading time) and will be held during the University's examination period (2 November 2026– 20 November 2026)." *(BLAW30002 Final Exam page, 2026)*

The final is compulsory, worth 50% and **not a hurdle**. Printed material only. The acquired subject page does not publish the paper's sections or question types: do not invent them.

PASS THROUGH THE FACTS	WRITE
Taxpayer + period	Who? income or FBT year?
Transaction	What produced receipt/outgoing?
Jurisdiction	Residence → source → scope
Character	Income / capital / FBT / GST
Consequence	Inclusion, deduction, liability

1 · Universal Answer Route

CH 10 · IRAC

1. **Issue:** frame the legal classification the facts make live.
2. **Rule:** exact provision; add a controlling authority only where the materials supply one.
3. **Application:** link every material fact to an element; give taxpayer and ATO readings; distinguish labels from legal character.
4. **Conclusion:** identify taxpayer, category, amount or next lawful step.

EXAM MOVE → *Application gets the deepest treatment. A section number without a fact-to-element bridge is not a complete answer.*

1b · GST Classification

CH 10

Taxable supply: supply for consideration (cash or barter), in course/furtherance of enterprise, connected with Australia, by entity registered/required to register; then test GST-free or input-taxed classification. GST-free generally preserves related input tax credit; input taxed generally restricts it.

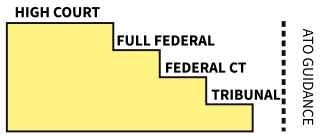
```
inclusive price → GST = 1/11 × total
exclusive price → GST = 10% × price
net amount = output GST - available
input tax credit
```

Order: enterprise/registration → taxable-supply elements → classification → creditable acquisition and private-use extent → timing/period → net amount. Classify first; arithmetic cannot repair a wrong supply category.

OPEN-BOOK USE → *Tab by issue, provision and authority. Retrieve a rule only after identifying the issue; the course warns that the exam is not the time to learn notes for the first time.*

2 · Authority Before Outcome

CH 1



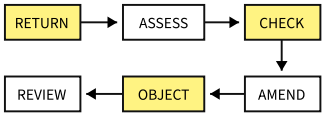
Guide authority ladder redrawn: precedent descends; ATO guidance stays on a separate rail.

MATERIAL	LEGAL JOB
Legislation	Creates operative liability, inclusion, exclusion or right.
Higher court	Binding interpretation when materially applicable.
Tribunal	Persuasive merits reasoning, not judicial precedent.
Public ruling	Can bind Commissioner within expressed scope; not law.
Private ruling	Protects applicant on disclosed facts while operative; not transferable.

Conflict method: current provision → binding judicial construction → factual fit → any administrative protection. Do not decide by publication date alone. Separate legal validity, precedential weight and protection.

3 · Administration & Dispute

CH 2



Guide lifecycle redrawn: return → assessment → checking → amendment → objection → review/appeal.

Self-assessment: a Notice of Assessment is not an audit endorsement. Data matching, review or audit may later expose error. If assessment is disputed, object in the approved written form with full grounds; prove it excessive *and* establish the correct assessment. ART merits review and Federal Court appeal perform different functions. Inability to pay is collection, not a merits objection.

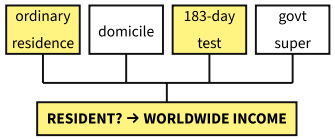
Evidence map: match each disputed item to bank records, agreements, invoices and contemporaneous explanations. Trace the amount, address inconsistent deposits and calculate the corrected figure. Criticising the Commissioner alone does not discharge the onus.

Own error within period	Seek amendment.
ATO amended assessment disputed	Formal objection.
Liability accepted; cannot pay	Collection/payment arrangement.

4 · Residence → Jurisdiction

CH 3

ANY ONE GATEWAY CAN ESTABLISH RESIDENCE



if foreign resident → test Australian source

New decision tree from the guide's four alternative individual residence tests.

FOUR INDIVIDUAL GATEWAYS

Ordinary	Overall mode of life: presence, purpose, behaviour, family/employment ties, assets, living arrangements. Weigh; do not count.
Domicile	Australian domicile plus no permanent place of abode outside Australia.
183 days	Threshold is not automatic: test *both* usual abode overseas and no intention to reside in Australia.
Govt super	Separate statutory gateway; keep distinct.

Apply every live test separately. Migration status does not decide tax residence. A person may be part-year resident. For a company, keep separate the gateways of Australian incorporation and the specified combinations of Australian business activity with central management/control or voting control.

5 · Source by Income Type

CH 3

RECEIPT	CONNECTING FACTOR
Services	Ordinarily where work is performed.
Land	Location of land.
Trading	Income-producing operations.
Interest	Loan contract; where funds advanced.
Dividends / royalties	Apply category-specific connection.

Conclusion must join status to consequence: resident → generally worldwide income; foreign resident → generally Australian-source income.

COMPANY RESIDENCE — KEEP SEPARATE

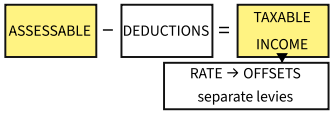
Australian incorporation is one gateway. The materials also identify carrying on business in Australia combined with central management and control here, or with Australian voting control, as separate routes. Do not import the individual day-count or domicile tests into the company analysis.

SOURCE APPLICATION LANGUAGE

Write the income-producing act or asset first, then connect it geographically: services—performance; land—its location; interest—loan contract and advancement of funds. If residence changes, allocate by period.

6 · Income Architecture

CH 4–5 · SS 6-5, 6-25



deduction ↓ base · offset ↓ tax

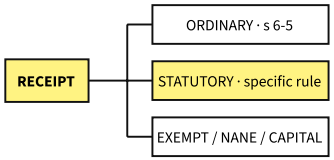
Guide computation waterfall redrawn: classification fixes the order.

STATUTORY ORDER

```
Assessable income = ordinary income
+ statutory income - relevant
exclusions
Taxable income = assessable income -
deductions
Income tax payable = rate applied to
taxable income - tax offsets
```

Medicare levy or surcharge is separate when the facts supply what is needed. Label taxpayer type and income year. A deduction is not worth its face amount; an offset reduces tax dollar for dollar if usable.

CLASSIFY EACH RECEIPT



Guide classification delta redrawn: test the channel, then prevent overlap.

Ordinary income, s 6-5: ask what produced the receipt; money or convertible? realised? real gain? services, business or property nexus? income or capital in this recipient's hands? Periodicity helps but is not decisive. Labels and lump-sum form are evidence, not conclusions.

Overlap: identify ordinary and specific inclusions, then use s 6-25 and the specific rule so the amount enters once. Capital starts CGT or another statutory inquiry; it does not end tax analysis. Exempt and NANE are distinct.

FACT	WHAT IT PROVES
Cash / convertible benefit	Passes form requirement; does not alone prove income.
Service/business/property nexus	Points to ordinary-income character.
Realisation + real gain	Distinguishes economic benefit from own-capital return/reimbursement.
Periodic / recurrent	Helpful indicator only.
Capital source	Moves analysis to statutory capital route.

If compensation is present, identify what it replaces before classifying its form.

7 · Employment Receipt Sorter

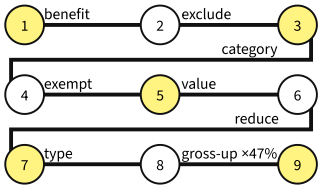
CH 6 · SS 6-5, 15-2

FACT PATTERN	FIRST ROUTE
Salary / wages	Ordinary income s 6-5; excluded from fringe benefit definition.
Fixed amount, no actual-cost proof	Allowance → s 6-5 or s 15-2; deduction separate.
Exact evidenced cost repaid	Reimbursement → employer-side FBT analysis.
Gift / prize	What caused it: services/business versus personal relationship/windfall?
Compensation	Replacement principle: character follows what it replaces.
Sign-on / covenant	Future services versus surrender of enduring right; covenant may invoke CGT Event D1.

FBT boundary first whenever an employer supplies money, property, service or another advantage in respect of employment. Then test exclusions before ordinary income, s 15-2 or capital.

8 · FBT Nine Gates

CH 7 · S 23L



Guide nine-checkpoint route redrawn with labels: stop when an exclusion or exemption applies.

1. Benefit in respect of employment?
2. Statutory exclusion?
3. Correct category/division?
4. Category/general exemption?
5. Initial taxable value under that category?
6. Recipient contribution / otherwise-deductible reduction?
7. Type 1 if relevant GST input tax credit; otherwise Type 2.
8. Gross up and aggregate.
9. Employer applies FBT rate.

2026–27 FBT YEAR · 1 APR 2026–31 MAR 2027

```
benchmark loan rate 8.27% · Type 1
factor 2.0802 · Type 2 factor 1.8868
· FBT rate 47%
```

Employer pays FBT. Employee generally receives NANE treatment under s 23L. **Exemption ≠ reduction:** exemption stops; contribution or otherwise-deductible rule lowers a taxable value. Category controls valuation.

Expense payment	Employer pays/reimburses employee expense; category valuation applies.
Property	Goods supplied to employee.
Residual	Service or right outside another category.
Type 1 / Type 2	Choose from GST input-tax-credit entitlement, not the benefit's name.

9 · Business · Property · CGT

CH 8 · S 102-5

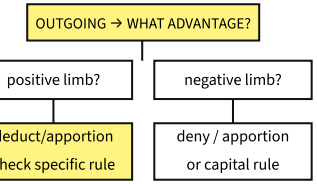
ISSUE	ELEMENTS / ORDER
Business?	Profit purpose; system; repetition; scale; planning; records; resources; resemblance to ordinary business. Whole pattern; no single factor controls.
Property yield	Interest, rent, dividends and royalties follow distinct routes. Separate yield from principal/asset.
CGT	Event + time → proceeds → cost base → gain/loss → current and carried losses → eligible concession → net capital gain into statutory income.

Small scale can still be business; a large expensive activity can remain hobby. Business status does not force every receipt into ordinary business income. A capital loss is available only against capital gains under the governing rules. Do not assume every taxpayer gets the general discount.

Mixed receipts: classify customer revenue, funding, interest, compensation and asset-sale proceeds one by one; ask what produced each and what any compensation replaces.

10 · Deductions & Entities

CH 9 · S 8-1



New s 8-1 tree from the guide: positive nexus never bypasses the negative limbs.

s 8-1: incurred in gaining/producing assessable income or necessarily incurred carrying on business for that purpose, *to the extent* not capital, private, domestic or related to exempt income. Apportion mixed use with evidence; then test specific rules.

Repair: restores deterioration in an existing asset. Improvement, replacement of an entirety or remedy of a defect present at acquisition may be capital. Invoice label and amount do not decide.

ENTITY	WHO CALCULATES / IS ASSESSED?
Partnership	Computes net income; partners generally include shares. Drawings / "salary" labels do not settle treatment.
Trust	s 95 net-income calculation; liability depends on entitlement, status and trustee rules.
Company	Separate taxpayer; dividends not deductible expenses; consider losses, imputation and Division 7A.

BLAW30002 Principles of Taxation Law I · Hypothetical Drills

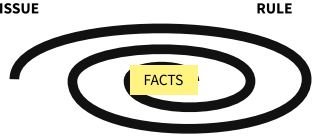
UNIVERSITY OF MELBOURNE · APPLY THE RULE TO EVERY MATERIAL FACT

Full guide + ask Sia about BLAW30002

SIDE 2/2 4 HYPOTHETICALS · WORKED NUMBERS · TRAPS · FAST RECALL — **OPEN-BOOK EXAM SHEET** — Read issue first · calculate last · audit conclusion

12 · IRAC/ILAC Under Time

CH 10 · APPLICATION METHOD



Guide IRAC depth spiral redrawn: the longest path is fact-to-element application.

STAGE	SENTENCE STEM
I	"The issue is whether [amount/person] satisfies [legal category/test]."
R/L	"Under [section/rule], the elements are…"
A	"Fact X supports… because…; however Fact Y supports the ATO/taxpayer view…"
C	"Therefore [taxpayer] is likely [status/category], so [tax consequence]."

READING-TIME CONTROL

1. Circle taxpayer, period and transaction.
2. List live issues; strike excluded issues.
3. Write provision/authority tabs beside each.
4. Mark contested facts and strongest countercase.
5. Allocate writing depth by controversy, not note length.

Do not draft the answer in your head. Use reading time to choose the route and retrieval points. The final paper's sections and question types are unpublished.

13 · Drill 1 · Sofia's Residence

CH 3 WORKED EXAMPLE

Facts: Sofia spends 205 days in Australia on a project, uses short-term apartments, retains an available overseas family home where her spouse remains, and plans to return at project end.

I: resident for all/part of year, and therefore worldwide or Australian-source scope?

R/A: ordinary residence—presence supports residence, but fixed project purpose, temporary housing, spouse and available overseas home support a continuing overseas mode of life. Domicile—identify domicile and permanent overseas abode separately. The 205 days meet the 183-day threshold, but the exception still requires both usual abode overseas and no intention to reside here. Also check the remaining alternative gateway.

C: day count alone does not settle status. Facts support the exception and a foreign-resident reading, subject to all alternative tests; then include Australian-source income.

TRAP → *Factors are evidence of a living pattern, not votes in a tally.*

14 · Drill 2 · Work Receipts

CH 5–6 WORKED EXAMPLES

A · "GIFT" AFTER WORKSHOPS

A presenter receives **$2,400** after six paid workshops; organiser calls it a gift.

1. Services nexus: payment follows and rewards the workshops.
2. Money, realised and a real economic gain.
3. Label is evidence, not the cause of payment.
4. Ordinary income under s 6-5 is strongly supported unless an independent personal relationship caused it.

B · $120 ALLOWANCE V EXACT FARE

PAYMENT	CHARACTER + ROUTE
$120 weekly, no receipts	Predetermined regardless of actual spend → allowance → s 6-5 or s 15-2; employee deduction separate.
Exact train fare after receipt	Restores evidenced cost → reimbursement → employer-side FBT, including possible exemption or otherwise-deductible reduction.

Legal character follows mechanism and cause, not payroll label. A fixed estimate and exact repayment are not interchangeable.

15 · Income Classification Traps

CH 5–6 FAQ

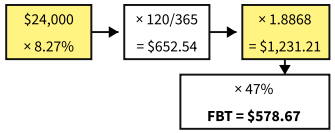
TEMPTATION	REPAIR
One-off = not income	Recurrence is helpful, not indispensable; test nexus and character.
Capital = untaxed	Move next to CGT or another statutory inclusion.
Both s 6-5 + specific rule	Discuss both, then apply s 6-25 so amount enters once.
Compensation lump sum = capital	Ask what it replaces: lost income or capital right.
Employment link = salary	Test FBT boundary, exclusions, allowance/reimbursement and capital route.
Exempt = NANE	Keep exact statutory categories distinct; downstream effects may differ.

PAYMENT / CAUSE	ROUTE
Lost fees / revenue	Income character is supported.
Destroyed or surrendered capital asset/right	Capital route and possible statutory treatment.
Sign-on fee	Rewards or induces future services → ordinary-income route.
Restrictive covenant	Surrenders an enduring right to practise → capital route; test CGT Event D1.
Prize	Casual windfall may fall outside ordinary income; business or professional activity can supply income character.

16 · Drill 3 · Interest-Free Loan

CH 7 WORKED EXAMPLE

Facts: employer lends employee $24,000 interest-free for 120 days in the FBT year 1 April 2026–31 March 2027. Benchmark 8.27%; Type 2 factor 1.8868; rate 47%; ignore exemptions/reductions.



employee: NANE · employer: liability

New worked FBT timeline: value → Type 2 gross-up → employer rate.

SHOW ALL GATES AND ARITHMETIC

```
Shortfall = 8.27% - 0% = 8.27%
Taxable value = $24,000 × 0.0827 × 120/365 = $652.54
Using unrounded value: Type 2 FBTA = $1,231.21
FBT = unrounded FBTA × 47% = $578.67
```

Conclusion: employer's simplified liability is $578.67. Employee does not include the loan benefit as ordinary income because FBT provides employee-side NANE treatment.

TRAP → *Never jump from initial taxable value straight to 47%; print period fraction and type decision.*

17 · FBT Category Fast Recall

CH 7 CLINIC

BENEFIT	CLASSIFICATION CUE
Loan	Benchmark interest shortfall over relevant FBT-year fraction.
Expense payment	Employer pays/reimburses employee expense; external amount generally starts from expense.
Property	Goods; use category valuation.
Residual	Services or rights not within another category.
Contribution	May reduce taxable value.
Otherwise deductible	Reflect deduction employee could have claimed if personally paid.

Classify every item separately before aggregation. Type depends on employer's GST input-tax-credit entitlement. Keep FBT year distinct from income year.

AUDIT BEFORE APPLYING 47%

Confirm employment connection; exclusion; category; exemption; category-specific taxable value; recipient contribution; otherwise-deductible reduction; Type 1/2; aggregation and gross-up. If any early gate stops the route, later arithmetic is irrelevant. State the employer and employee consequences separately so the two liabilities are never collapsed.

Carry unrounded amounts through the sequence; round the final liability as instructed.

18 · Worked Number Bank

CH 4 + 8

A · TAXABLE INCOME → OFFSET

Given assessable income $78,000; deductions $8,000; no tax first $20,000; 20% on excess; $600 non-refundable offset; ignore levies:

```
$78,000 - $8,000 = $70,000 taxable income
$70,000 - $20,000 = $50,000 taxable excess
20% × $50,000 = $10,000 primary tax
$10,000 - $600 = $9,400 payable
```

Deduction reduced the base; offset reduced tax after the rate. These supplied brackets are a simplified practice problem, not current-year rates.

B · NET CAPITAL GAIN



then include net capital gain under s 102-5

New CGT sequence: losses come before the eligible discount.

Facts: individual sells investment asset $63,000; eligible cost base $45,000; $4,000 capital loss; eligible 50% discount. Initial gain $18,000 → less loss = $14,000 → 50% = **$7,000 net capital gain**, included as statutory income under s 102-5.

TRAP → *Discount before loss gives the wrong statutory order. Do not assume eligibility without facts.*

19 · CGT / Property Recall

CH 8

Interest	Yield for use/detention of money; separate principal repayment.
Rent	Yield from use of land.
Dividends	Specific provisions and imputation; attached franking amount subject to detailed rules.
Royalties	Reward use of intellectual/other property; can be statutory income despite fixed form.
Disposal	Identify CGT event and time before arithmetic.

BUSINESS OR HOBBY?

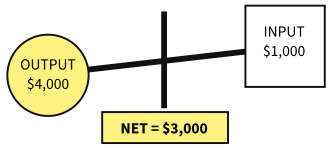
Build one commercial story from profit purpose, repetition, system, scale, planning, records, resources and resemblance to ordinary businesses. No indicator, legal form or profitable year is conclusive. Then characterise each customer receipt, crowdfunding amount, compensation payment, interest return and asset disposal separately: business status does not convert every inflow into the same category.

Share-sale caution: systematic, regular commercial dealing may support ordinary business income; an investment disposal may instead follow CGT. Classify the taxpayer's activity before selecting the route.

20 · Drill 4 · GST Net Amount

CH 10 WORKED EXAMPLE

Facts: registered consulting business makes $44,000 taxable supplies and buys $11,000 software used entirely for creditable business activity. Both prices GST-inclusive; ignore timing.



Guide GST balance redrawn: output GST less supported input tax credit.

```
Output GST = $44,000 × 1/11 = $4,000
Input tax credit = $11,000 × 1/11 = $1,000
Net amount = $4,000 - $1,000 = $3,000 payable
```

If software has private use, apportion the recipient's input tax credit; do not shrink the supplier's output GST. State inclusive/exclusive *before* calculating: never take 10% of an inclusive total.

21 · GST Decision Table

CH 10 FAQ

SUPPLY	SALE GST	RELATED INPUT TAX CREDIT
Taxable	Yes	Available to qualifying extent.
GST-free	No	Generally preserved.
Input taxed	No	Generally restricted.
Barter	Can be consideration	Classify and value each side.

1. Enterprise + registration status.
2. Supply for consideration?
3. Course/furtherance of enterprise?
4. Connected with Australia?
5. GST-free or input taxed?
6. Classify acquisition and enterprise/private use.
7. Attribute to period; calculate net amount.

22 · Entity Worked Allocation

CH 9 WORKED EXAMPLE

Partnership receipts $90,000 − allowable third-party expenses $30,000 = **$60,000 net income**. At 60:40: Partner 1 = **$36,000**; Partner 2 = **$24,000**. Drawings do not themselves alter partnership net income. Name the entity that calculates and the person assessed.

ENTITY CHECK	DO NOT COLLAPSE
Partnership	Calculation at partnership; shares generally assessed to partners; "salary" or drawing label not decisive.
Trust	s 95 net income is a calculation; present entitlement, disability, residence and governing rules locate liability.

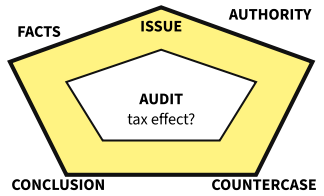
23 · High-Frequency Traps

ALL CHAPTERS

WRONG SHORTCUT	CORRECT MOVE
ATO ruling = law	Legislation/cases state law; ruling may protect within scope.
Assessment = audited	Self-assessment can be checked/amended later.
Objection says "unfair"	Full grounds + evidence + correct assessment; taxpayer bears onus.
183 days = automatic resident	Test both exception limbs and all alternative gateways.
Offset lowers taxable income	Offset follows rate; deduction lowers base.
One-off / lump sum decides	Trace nexus, cause and replacement.
FBT paid by employee	Employer liability; employee generally NANE.
Type by benefit label	Type depends on GST input-tax-credit entitlement.
All business receipts same	Characterise each yield, funding, compensation, disposal.
Repair invoice says repair	Inspect work and asset; restoration versus improvement/entirety.
Trustee always pays	Entitlement, status and governing provision decide.
GST-free = input taxed	Both no output GST; related input treatment differs.

24 · Final Answer Audit

PRACTICE FIG 11



Guide answer-audit radar redrawn: a missing countercase often signals shallow application.

1. Did I identify the taxpayer, period and amount?
2. Did I state the precise rule and legal function of each authority?
3. Did each conclusion follow from material facts, not labels?
4. Did I address the strongest opposing reading?
5. Did I calculate in statutory order and show units/period?
6. Did I name the tax consequence or next lawful step?

25 · One-Glance Retrieval Index

EXAM MORNING

Authority / ruling	§2	Residence/source	§4–5
Income / offset	§6	Employment	§7
FBT	§8, 16–17	Business/CGT	§9, 18–19

A neat number on the wrong legal route earns little.