

QUESTIONS

PART A

Jill is a tax resident of Australia. In the year of tax ended 30 June 2021, she had the following transactions:

1. She purchased a block of land which has hardwood timber growing on the land. She specifically purchased the land for the purposes of selling the timber for a quick profit. In the current year of income Jill entered into an arrangement with Jack, a timber merchant, for the sale of the timber. The agreement with Jack provided that Jill will sell all the timber to Jack and that Jack has the right to cut and remove the timber from the land. Jack agreed to pay Jill \$20,000 on signing the contract on 4 September 2020 and also to pay her \$50,000 for each of the next three years. Jack will make the payments even if he does not harvest the timber. **[6 marks]**
2. Working as a full-time accountant during the day, Jill entered a talent contest on a TV show where she showed case her talents as a stand-up comedian. As prizes she received a cruise (market value \$10,000) for winning the heat and a trip to the USA (market value \$20,000) plus \$5,000 cash for winning the final. She had to win a number of heats in order to progress to the grand final. Jill had performed as a stand-up comedian at clubs in the past but she has never made more than \$1,000 in any one year. She now finds that after winning the TV show contest, she has sufficient work for a full time career. **[7 marks]**
3. Jill sold an artwork for \$17,500. She had bought the artwork in 2011 for \$10,000 and spent \$2,000 to insure it. She kept the artwork at home. She also lost her personal laptop during the year which she had purchased for \$1,500. **[6 marks]**

Explain the income tax, including any CGT, implications of the above transactions for Jill. You must cite relevant sections, case law and tax rulings in support of your answer. [TOTAL: 19 marks]

PART B

Vlad, an Italian citizen, recently arrived in Australia with his wife and 3 children. He is a very wealthy businessman who owns several properties in Italy. Vlad has been able to obtain a 4 year temporary visa in Australia for himself and his family. His purpose of entering Australia is to expand his European franchise to Australia.

Vlad arrived in Australia on 17 January 2021 and his family arrived on 23 April 2021. Upon arrival in Australia, Vlad immediately engaged the services of a real estate agent to find him a suitable mansion to accommodate his family. Vlad also commenced his business operations one month after his arrival.

Advise whether Vlad is a resident and the assessability of any income that he may derive. You must cite relevant sections, case law and ruling to support your answer (ignore CGT implications). [6 marks]

END OF QUESTIONS