**Income Tax Analysis for Cyril and Cyril Academic Consulting Pty Ltd**



This essay analyzes the income tax implications for Cyril, a tax academic, and Cyril Academic Consulting Pty Ltd, a company incorporated by Cyril. The report will address two scenarios: Cyril's various receipts and Cyril Academic Consulting Pty Ltd's receipts. The primary focus will be whether these receipts qualify as income and the applicable basis for their taxation. The general anti-avoidance provisions and capital gains tax (CGT) provisions will not be considered, and the deductibility of expenses will not be discussed. The analysis will be based on tax legislation, cases, and principles.

**Cyril Academic Consulting Pty Ltd: Analysis of Cyril's Receipts and Tax Implications**

https://www.youtube.com/live/DOejpLsCJRY?feature=share

***Question 1: Cyril's Receipts***

Cyril's receipts include Enfees for Enviro-energy Pty Ltd, TAS State Forests, and Enviro-sanctuary LtdWe will review each agreement separately if that's okay with you.

Enviro-energy Pty Ltd Agreement:

Cyril entered into an agreement with Enviro-energy Pty Ltd for the right to locate windmills on his property. Enviro-energy Pty Ltd agreed to pay Cyril $5,000 annually for this right. The fee is payable irrespective of windmill operation.

We must consider the relevant tax principles to determine if this receipt qualifies as income for Cyril. According to the ordinary concepts of income, tokens are considered income if they are regular, periodic, and have a character of recurrence. The income must also be derived from a source to be taxable.

In this case, the $5,000 fee is regular, periodic, and has a character of recurrence as it is payable annually for ten years. It arises from Cyril's property rights and the agreement with Enviro-energy Pty Ltd. Therefore, Cyril's receipt of $5,000 per annum from Enviro-energy Pty Ltd is likely to be considered income under ordinary income concepts and subject to taxation.

TAS State Forests Agreement:

Cyril agreed with TAS State Forests, which pays him $5,000 annually for the right to enter his property for tree-related activities. The fee is payable irrespective of whether any tree-related activities occur.

Similar to the previous analysis, the $5,000 fee from TAS State Forests is regular, periodic, and has a character of recurrence. It arises from Cyril's property rights and the agreement with TAS State Forests. Therefore, Cyril's receipt of $5,000 per annum from TAS State Forests is likely to be considered income under ordinary income concepts and would be subject to taxation.

Enviro-sanctuary Ltd Agreement:

Cyril agreed with Enviro-sanctuary Ltd, granting them the right to locate endangered species on his fenced property for an annual fee of $5,000. The price is payable whether the fencing occurs or any endangered species are found.

Like the previous agreements, the $5,000 fee from Enviro-sanctuary Ltd is regular, periodic, and has a character of recurrence. It arises from Cyril's property rights and the agreement with Enviro-sanctuary Ltd. Therefore, Cyril's receipt of $5,000 per annum from Enviro-sanctuary Ltd is likely to be considered income under ordinary income concepts and subject to taxation.

Cyril Academic Consulting Pty Ltd:

Cyril incorporates Cyril Academic Consulting Pty Ltd, of which he is the sole shareholder and director. He carries out writing and teaching courses for Asian universities as an employee of Cyril Academic Consulting Pty Ltd. Currently, Cyril receives a salary of $100,000 from UCL, and Cyril Academic Consulting Pty Ltd receives consulting fees of $800,000 from Asian universities, out of which Cyril is paid a salary of $8,000.

Regarding Cyril Academic Consulting Pty Ltd, the consulting fees received from Asian universities amount to $800,000. As Cyril is the sole shareholder and director, these fees would be considered the company's income and subject to taxation.

Additionally, Cyril's salary of $8,000 from Cyril Academic Consulting Pty Ltd is considered income to him personally. However, his salary of $100,000 from UCL will not be discussed further as it is not directly related to Cyril Academic Consulting Pty Ltd.

Cancellation of Enviro-sanctuary Ltd Agreement:

Later in the year, Cyril's contract with Enviro-sanctuary Ltd is canceled due to the company's receivership. Cyril accepts an offer of $15,000 as compensation for the loss of the agreement, requesting that payment be made to Cyril Academic Consulting Pty Ltd. The receiver complies with Cyril's request.

The $15,000 compensation received by Cyril Academic Consulting Pty Ltd would be considered income to the company. As Cyril is the sole shareholder and director, he would have indirect access to this income.

In conclusion, Cyril's receipts from Enviro-energy Pty Ltd, TAS State Forests, and Enviro-sanctuary Ltd, and the compensation received by Cyril Academic Consulting Pty Ltd, would be considered income subject to taxation. The specific basis for taxation would depend on the relevant tax legislation and provisions.

**Assessable Income for Waite Pty Ltd's Land Rezoning and Sale**

***Question 2: Waite Pty Ltd's Assessable Income***

Waite Pty Ltd acquired land to construct holiday cottages for rental to the public. However, construction work has yet to commence. On 1 July 2021, Magnate Pty Ltd acquired all the shares in Waite Pty Ltd, valuing the land at $150,000. Subsequently, new directors are appointed, and the company seeks rezoning the land for residential development.

In this scenario, the rezoning application by Waite Pty Ltd is booming, and the market value of the land is determined to be $500,000. The company incurs counsel fees of $2,000 and legal fees of $3,000 for the rezoning application. Construction of homes commences in August 2021 and is completed on 1 January 2022 at a total cost of $1 million. The houses are then sold for $2 million each.

The critical issue here is whether the amounts received by Waite Pty Ltd should be included in its assessable income. According to tax principles, payment is generally derived from a business or investment activity. In this case, Waite Pty Ltd initially intended to construct holiday cottages for rental. However, since no construction work occurred, the question arises whether rezoning and selling the land constitute a business or investment activity.

To determine if the amounts received should be included in Waite Pty Ltd's assessable income, we need to consider the company's primary purpose, the nature of the activities, and the relevant tax legislation and case law.

Based on the information provided, Waite Pty Ltd's primary purpose was initially to construct holiday cottages for rental. However, this purpose was not realized due to the lack of construction work. Subsequently, the company sought rezoning and engaged in developing and selling residential homes.

Given the change in activities, it is arguable that Waite Pty Ltd's primary purpose shifted from a rental business to a property development business. The successful rezoning and subsequent construction and sale of homes indicate a new business activity. Therefore, the amounts received from the sale of the houses, $2 million each, would likely be included in Waite Pty Ltd's assessable income.

**Conclusion:**

In conclusion, Cyril's receipts from Enviro-energy Pty Ltd, TAS State Forests, and Enviro-sanctuary Ltd, and the compensation received by Cyril Academic Consulting Pty Ltd, would be considered income subject to taxation. The specific basis for taxation would depend on the relevant tax legislation and provisions.

For Waite Pty Ltd, the amounts received from the sale of the residential homes would likely be included in its assessable income, considering the shift in primary purpose from rental business to property development. The determination of assessable income would be based on the nature of the activities, the company's primary goal, and the applicable tax legislation and case law.

The analysis provided in this essay is based on the information and assumptions provided in the question. The actual tax treatment may vary depending on the specific circumstances and applicable tax laws in force at the relevant time. Therefore, Cyril and Waite Pty Ltd should seek advice from a qualified tax professional to ensure accurate and compliant tax reporting.

**References:**

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