Topic Test 10 Taxation

Section I — Multiple choice

1 Emily works at home and is entitled to the following tax deductions: computer equipment for $1100 and $62 per month for her internet connection. What is Emily's claim for these two items?

   A $154   B $744   C $1162   D $1844

2 Joel earns $1500 per week. He claims annual deductions of $850. What is his annual taxable income?

   A $44 200   B $77 150   C $78 850   D $82 420

3 Chelsea has an allowable deduction of $8460. What is her taxable income if her gross annual salary is $56 140?

   A $47 680   B $56 140   C $64 600   D Unknown

4 Tyler has a taxable income of $45 680. The tax payable on the first $30 000 is $3600 and the balance was taxed at a marginal rate of 30%. How much does Tyler have to pay in tax?

   A $3600   B $4704   C $8304   D $37 376

5 The rate of the Medicare levy is 1.5% of the taxable income. What is the taxable income if the Medicare levy was $989.70? (Answer correct to the nearest dollar.)

   A $15   B $1485   C $6598   D $65 980

6 The pre-GST cost of a mobile phone is $360. What is the GST payable on this phone?

   A $15   B $30   C $36   D $45

7 A cost of repairing a fence (including GST) comes to $495. What is the GST component?

   A $39.00   B $45.00   C $49.50   D $50.00

8 A MP3 player costs 115 Euros after a 21% VAT has been added. What was the price without VAT? (Answer to the nearest cent.)

   A 90.85 Euros   B 94.00 Euros   C 95.04 Euros   D 96.74 Euros

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Section II — Short answer

1. Lily is entitled to the following tax deductions: $460 for union fees, tax agent fee of $265, charity donations of $480 and mobile phone costs of $890. What is Lily's total tax deduction?

2. Thomas earns a gross fortnightly pay of $4220. He pays PAYG tax of $1090 per fortnight and has tax deductions of $25 per week for dry-cleaning and $2350 annually for work-related travel. Calculate Thomas's taxable income.

3. Paige is a business owner who bought a $19 650 motor vehicle for business use. The motor vehicle is an allowable deduction with a rate of depreciation of 30% p.a. What is the depreciated value after two years?

4. Abbey has a weekly gross weekly pay of $1250. She received $1520 in dividends from her share portfolio. Abbey has an allowable deduction of $970. The Medicare levy is 1.5% of the taxable income. How much will Abbey pay for the Medicare levy?

5. Noah's taxable income was $98 000. The tax payable on the first $80 000 is $18 600 and the balance was taxed at a marginal rate of 40%. Calculate the amount of tax payable.

6. Luke received an electricity bill for $680. In addition he was required to pay a 10% GST. What was the total cost of electricity including the GST?

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Worked solutions

Section 1	Solution	Answer
1	Tax deduction $= \$1100 + \$62 \times 12$ $\qquad = \$1844$	D
2	Taxable income $= \$1500 \times 52 - \$850$ $\qquad = \$77\,150$	B
3	Taxable income $= \$56\,140 - \$8460$ $\qquad = \$47\,680$	A
4	Tax payable $= \$3600 + (\$45\,680 - \$30\,000) \times 0.30$ $\qquad = \$8304$	C
5	Medicare levy $= 0.015 \times$ Taxable income $\$989.70 = 0.015 \times$ Taxable income Taxable income $= \dfrac{\$989.70}{0.015}$ $\qquad = \$65\,980$	D
6	GST $= 10\%$ of $\$360$ $\qquad = 0.10 \times \$360$ $\qquad = \$36$	C
7	110% of Original price $= \$495$ $\qquad$ GST $= \$495 - \$450$ $1.10 \times$ Original price $= \$495$ $\qquad\qquad = \$45$ Original price $= \dfrac{\$495}{1.1} = \$450$	B
8	121% of Original price $= 115$ $1.21 \times$ Original price $= 115$ Original price $= \dfrac{115}{1.21}$ $\qquad = 95.04$ Euros	C

Section II	Solution
1	Tax deduction $= \$460 + \$265 + \$480 + \$890$ $\qquad\qquad = \$2095$ Lily's total tax deduction is \$2095
2	Tax deduction $= \$25 \times 52 + \$2350$ $\qquad\qquad = \$3650$ Taxable income $= \$4220 \times 26 - \$3650$ $\qquad\qquad = \$106\ 070$ Thomas's taxable income is \$106 070
3	Depreciated value $= \$19\ 650 \times (1 - 0.30)^2$ $\qquad\qquad = \$9628.50$ Motor vehicle's depreciated value after 2 years is \$9628.50
4	Gross income $= \$1250 \times 52 + 1520$ $\qquad\qquad = \$66\ 520$ Taxable income $= \$66\ 520 - \$970$ $\qquad\qquad = \$65\ 550$ Medicare levy $= 0.015 \times \$65\ 550$ $\qquad\qquad = \$983.25$ Abbey pays \$983.25 for Medicare.
5	Tax payable $= \$18\ 600 + (\$98\ 000 - \$80\ 000) \times 0.40$ $\qquad\qquad = \$25\ 800$ Noah's pays \$25 800 in tax
6	Cost $= 110\%$ of \$680 $\qquad = 1.10 \times \$680$ $\qquad = \$748$ Total cost of the electricity is \$748