



Australian Government

Department of Education, Employment and Workplace Relations

FNSFLT206A Develop understanding of taxation

Revision Number: 1

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Modification History

Not applicable.

Unit Descriptor

Unit descriptor	This unit describes the performance outcomes, skills and knowledge required to understand the role of taxation in the Australian economy, including why and how tax is levied and collected, types of taxes paid by business and individuals and its impact on investment choices. No licensing, legislative, regulatory or certification requirements apply to this unit at the time of endorsement.
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Application of the Unit

Application of the unit	This unit has wide application and may be used in workplaces, schools, adult and community learning organisations or Registered Training Organisations (RTOs) in order to build the financial literacy of learners. The unit may also be used as part of pre-vocational or new apprenticeship programs or as part of services provided by counselling or advisory organisations.
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Licensing/Regulatory Information

Not applicable.

Pre-Requisites

Prerequisite units		

Prerequisite units		

Employability Skills Information

Employability skills	This unit contains employability skills.
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Elements and Performance Criteria Pre-Content

Elements describe the essential outcomes of a unit of competency.	Performance criteria describe the performance needed to demonstrate achievement of the element. Where bold italicised text is used, further information is detailed in the required skills and knowledge section and the range statement. Assessment of performance is to be consistent with the evidence guide.
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Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA
1. Identify and discuss the role of taxation in the Australian economy	1.1. The <i>purpose of taxation</i> in the Australian economy at the local, State and federal level and how this compares with other countries is explored and discussed 1.2. The various ways that <i>tax is collected</i> and from who is analysed and discussed 1.3. The role of the <i>Australian Taxation Office (ATO)</i> is identified and discussed 1.4. What <i>taxation revenue</i> is used for is explained and related to the wellbeing and lifestyle of Australian citizens
2. Identify and discuss personal tax	2.1. Key <i>terminology</i> used in personal taxation is identified and discussed 2.2. Tax declaration forms, Tax File Number (TFN) requirements and <i>rates of personal tax</i> are identified and analysed 2.3. How personal tax is assessed, <i>tax returns</i> completed and paid is considered and discussed 2.4. <i>Sources of ongoing information</i> about personal tax in Australia are identified, accessed and discussed
3. Identify and discuss business tax	3.1. Key terminology used in business taxation is identified and discussed 3.2. The <i>structure of business</i> and how this affects taxation is analysed and discussed 3.3. How <i>business tax is assessed</i> and paid is considered and discussed 3.4. How superannuation contributions for employees are assessed and paid is considered and discussed 3.5. Sources of ongoing information about business tax in Australia are identified, accessed and discussed
4. Manage tax liability	4.1. How <i>individuals can determine their tax liability</i> is identified and discussed 4.2. How <i>small business operators pay tax</i> is identified and discussed 4.3. <i>Under or overpayment of tax</i> and its implications is analysed and discussed

Required Skills and Knowledge

REQUIRED SKILLS AND KNOWLEDGE

This section describes the skills and knowledge required for this unit.

Required skills

- communication skills to:
 - determine and confirm taxation purpose, application and individual and business responsibilities, using questioning and active listening as required
 - share information, listen and understand
 - use language and concepts appropriate to cultural differences
- numeracy and IT skills to:
 - make basic personal income tax calculations
 - use a calculator
 - use internet information
- literacy skills to read and interpret information from a variety of sources
- research and analysis for accessing, interpreting and managing information and determining where to find professional financial services
- learning skills to maintain knowledge of taxation issues and requirements

Required knowledge

- relevant government legislation relating to taxation
- roles and relationships between government agencies responsible for taxation, individuals and business
- sound knowledge of issues relating to taxation information

Evidence Guide

EVIDENCE GUIDE	
The Evidence Guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.	
Overview of assessment	
Critical aspects for assessment and evidence required to demonstrate competency in this unit	Evidence of the ability to: - analyse and clearly explain the role of taxation for individuals and small business in Australia - analyse and critically evaluate taxation responsibilities and their impact on personal financial management - understand and apply the skills necessary to actively monitor and assess taxation liabilities.
Context of and specific resources for assessment	Assessment must ensure: - competency is demonstrated in the context of the the range statement - access to the internet - access to current information about Australia's taxation system.
Method of assessment	A range of assessment methods should be used to assess practical skills and knowledge. The following examples, in combination, are appropriate for this unit: - evaluating an integrated activity which combines the elements of competency for the unit or a cluster of related units of competency - verbal or written questioning on underpinning knowledge and skills - setting and reviewing simulations or scenarios - group discussion to determine and confirm understanding.
Guidance information for assessment	

Range Statement

RANGE STATEMENT

The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. Bold italicised wording, if used in the performance criteria, is detailed below. Essential operating conditions that may be present with training and assessment (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) may also be included.

The ***purpose of taxation*** includes but is not limited to:

- financing government activity
- maintaining equity in the national economy
- promoting efficiency where markets fail to control pollution or health dangers
- social infrastructure
- social services.

Ways that ***tax is collected*** include:

- through federal taxes including:
 - personal income tax
 - salary
 - self-employment
 - investment income
 - superannuation contributions
 - business income tax
 - Capital Gains Tax (CGT)
 - customs and excise duties
 - foreign income or investment taxes
 - Fringe Benefits Tax (FBT)
 - Good and Services Tax (GST)
 - luxury car tax
- Medicare levy
- wine equalisation tax
- through State and Territory taxes, including:
 - debits tax
 - land tax
 - payroll tax
 - stamp duty.

The ***Australian Tax Office (ATO)*** roles include:

- managing and shaping tax, excise and superannuation systems that fund services for Australians
- managing and shaping the revenue systems that sustain social and economic policy and fund services for Australians
- administering legislation for taxes, superannuation and

RANGE STATEMENT	
	- excise - addressing broader issues affecting Australia's revenue systems, such as: - aggressive tax planning - persistent tax debtors - globalisation - the cash economy.
Taxation revenue may be used to provide:	- assistance to business and farming - cultural and artistic resources and support - defence and border protection - education - environmental protection - essential infrastructure such as: - roads - transport systems - public building - sport and recreation amenities - public housing - foreign representation and trade promotion for Australia - health care - justice systems - public safety - scientific and other research - welfare, income and community support systems.
Terminology used in personal taxation may include:	- accrued interest - allowances - assessable income - capital gain/appreciation - deductions - dividends: - franked - unfranked - entitlements - gross income - Higher Education Contribution Scheme (HECS) - Higher Education Loan Program (HELP) - negative gearing - Pay As You Go (PAYG) - salary sacrifice

RANGE STATEMENT	
	• superannuation contributions • Tax File Number (TFN) • taxable income.
Rates of personal tax and calculators can be accessed from:	• Australian Taxation Office (ATO) publications and website • accountants and tax agents.
Tax returns can be completed:	• accountant • by an individual • tax agent • on-line or in written form.
Sources of ongoing information may include:	• accountants and other financial services professionals • Australian Taxation Office (ATO) • Industry associations and professional organisations • State and Territory government agencies • Taxpayers Australia.
The structure of business includes:	• sole trader: an individual trading on their own • partnership: an association of people or entities carrying on a business together, but not as a company • trust: an entity that holds property or income for the benefit of others • company: a legal a legal entity separate from its shareholders. NB Business' have an Australian Business Number (ABN) or and Australian Company Number (ACN) to identify them for taxation and other government reporting purposes.
Business tax is assessed through:	• Business Activity Statements (BAS) • payroll • allowable deductions • capital gains • financial adjustments such as: • write-offs • revaluations • profits and losses • superannuation payments • fringe benefits assessment.
Individuals can determine their tax	• assessing income: • capital gains

RANGE STATEMENT	
<i>liability</i> by:	• employment • foreign • investment • pensions, payments and annuities • rental property income • assessing deductions: • allowable medical expenses and private health insurance rebates • capital losses • dependent rebates • gifts and donations • pensioner and mature age worker offsets • rental property expenses • tax offsets • work related clothing expenses • work related education expenses • work related travel expenses • zone and overseas forces allowances.
<i>Small business operators pay tax</i> by:	• lodging Business Activity Statements (BAS) and paying Pay as You Go (PAYG) instalments to the ATO • lodging returns and paying State and Territory governments: • land tax where applicable • payroll tax (rate varies by jurisdiction and depends on size of payroll so many small business operators are exempt) • stamp duty on: • hire purchase agreements • insurance policies • leases and mortgages • motor vehicle purchases • property transfer.
<i>Under or overpayment of tax</i> may involve:	• claiming interest on early payments that may be possible for certain tax categories such as: • income tax • Higher Education Loan Program (HELP) • Higher Education Contribution Scheme (HECS) • Student Financial Supplement Scheme • amended assessments of earlier years

RANGE STATEMENT

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| | <ul style="list-style-type: none">• paying interest on overdue amounts. |
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Unit Sector(s)

Unit sector	Financial literacy
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Competency field

Competency field	
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Co-requisite units

Co-requisite units		