

AUSTRALIAN TAXATION OFFICE

Section 1: Overview, Appropriations and Budget Measures Summary

OVERVIEW

The role of the Australian Taxation Office (ATO) is to manage and shape taxation, excise and superannuation systems that give effect to social and economic policy and fund services for Australians. Through these systems we are the Government's principal revenue collection agency. In 1998-99, we will collect 96 per cent of the Government's revenue on behalf of the Australian community.

We also support the delivery of community benefits, having roles in other services, including:

- Private Health Insurance;
- Family Assistance;
- the Australian Valuation Office;
- the Development Allowance Authority; and
- cross-agency support, such as working with Centrelink to reduce benefit fraud, and with the Australian Bureau of Statistics to reduce the cost to the community of collecting statistics.

APPROPRIATIONS

Total appropriations for the Agency in the 1999-2000 Budget are \$3,371.6 million (see Table 1.1).

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Australian Taxation Office — Appropriations 1999-2000

Table 1.1: Appropriations (\$'000)

Outcomes	Administered Expenses				Price of Outputs					Total Appropriations ^(e)	Total Estimated Expenses
	Special Appropriations ^(a)	Annual Appropriations		Total Administered Appropriations	Total Price of Outputs ^(c)	Revenue from Other Sources ^(d)	Revenue from Government (Appropriations)				
		Bill 1	Bill 2 (SPPs & NAOs) ^(b)				Special	Annual Bill 1	Total		
(A)	(B)	(C)	(D=A+B+C)	(E)	(F)	(G)	(H=E-F-G)	(I=G+H)	(J=D+I)	(K=J+F)	
Outcome 1 — Effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax system.	1,756,150	-	-	1,756,150	1,593,204	77,458	-	1,515,746	1,515,746	3,271,896	3,349,354
Total	1,756,150	-	-	1,756,150	1,593,204	77,458	-	1,515,746	1,515,746	3,271,896	3,349,354
										Bill 2 Administered Capital^(b)	-
										Bill 2 Agency Equity Injections and Loans^(b)	99,734
										Total appropriations	3,371,630

(a) Estimated expenses from individual Special Appropriations are shown in Appendix 2.

(b) Under the proposed Appropriation Structure, Bill 2 includes Specific Purpose Payments (SPPs), New Agency Outcomes (NAOs), Administered Capital and Agency Capital via Agency Injections and Loans.

(c) Refer to Budget Statement of Revenue and Expenses for Application of Agency Revenue (see Table 3.1).

(d) Other Revenue includes other revenue from Government (eg resources free of charge) and revenue from other sources (eg sales of goods and services).

(e) Links from Appropriations to Budget Financial Statements include Budget Statement of Revenue and Expenses (see Table 3.1); and Capital Budget (see Tables 3.4 & 3.5).

BUDGET MEASURES — AUSTRALIAN TAXATION OFFICE SUMMARY**Table 1.2: Summary of Budget Measures in the 1999-2000 Budget**

Measure	Outcome	Output Groups Affected	Appropriations (\$'000) 1999-00			Appropriations (\$'000) 2000-01			Appropriations (\$'000) 2001-02			Appropriations (\$'000) 2002-03		
			Admin expenses	Agency Outputs	Total	Admin Expenses	Agency Outputs	Total	Admin Expenses	Agency Outputs	Total	Admin Expenses	Agency Outputs	Total
Australian Business Number — Expense	1	1.1	-	44,616	44,616	-	32,875	32,875	-	24,785	24,785	-	26,578	26,578
Pay-As-You-Go and New Withholding Arrangements — Expense	1	1.1	-	35,703	35,703	-	46,655	46,655	-	41,152	41,152	-	46,435	46,435
Fringe Benefits Tax Reform — Expense	1	1.1	-	9,105	9,105	-	2,858	2,858	-	1,969	1,969	-	249	249
Binding Oral Advice by the Australian Taxation Office — Expense	1	1.1	-	2,037	2,037	-	4,292	4,292	-	3,666	3,666	-	3,756	3,756
Business Taxation Reform — Expense	1	1.1	-	23,839	23,839	-	-	-	-	-	-	-	-	-
Business Taxation Reform — Capital	1	1.1	-	4,463	4,463	-	-	-	-	-	-	-	-	-
Savings Bonus for Older Australians — Expense	1	1.1	-	4,254	4,254	-	939	939	-	168	168	-	71	71
Equity Injection for A New Tax System Initiatives — Capital	1	1.1	-	57,949	57,949	-	44,720	44,720	-	27,160	27,160	-	20,902	20,902
Tax Reform and Australian Taxation Office Efficiencies — Expense	1	1.1	-	-37,600	-37,600	-	-77,750	-77,750	-	-126,750	-126,750	-	-160,650	-160,650

Note: Administered revenue measures are not attributed to agencies and are reported in *Budget Paper No. 2*.

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ADMINISTERED CAPITAL AND EQUITY INJECTIONS AND LOANS

The Government's various reform initiatives will require the establishment of a legislative basis and supporting administrative systems. These systems will involve the establishment of major infrastructure items (eg GST collection system, Australian Business Number register). To the extent that these items involve capital expenditure, the ATO sought and received Expenditure Review Committee approval for a capital injection to enable the ATO to develop this capability. Operational costs will be addressed through variations to the output costs. The following table gives the capital injections associated with the measures listed in Table 1.2.

Table 1.3: The Capital Costs of the Government's Tax Reform Programme

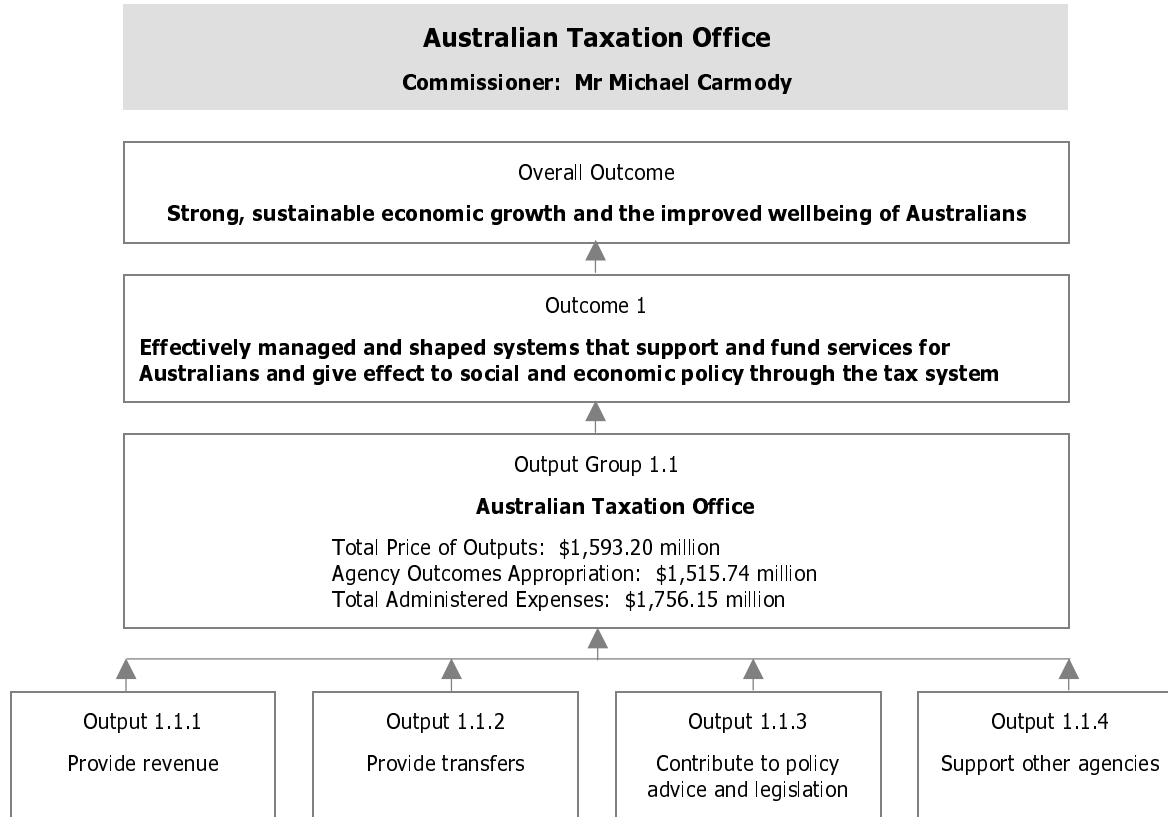
	Budget 1999-00 (\$m)	Budget FE1 2000-01 (\$m)	Budget FE2 2001-02 (\$m)	Budget FE3 2002-03 (\$m)
Australian Business Number	14.358	11.318	8.833	2.848
Pay-As-You-Go and New Withholding Arrangements	39.383	32.549	17.877	17.604
Fringe Benefits Tax Reform	1.243	-	-	-
Binding Oral Advice by the Australian Taxation Office	2.711	0.750	0.450	0.450
Business Taxation Reform	4.463	-	-	-
Savings Bonus for Older Australians	0.254	0.103	-	-
Total Capital Injection this Budget	62.412	44.720	27.160	20.902

Section 2: Outcomes and Outputs Information

OUTCOMES AND OUTPUT GROUPS

The map on the following page shows the relationship between Government outcomes and the contributing outputs for the Australian Taxation Office. Financial detail for Outcome 1 by output appears in Table 2.2 while non-financial information for Outcome 1 appears in Table 2.3.

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OUTCOME 1

There is a single Government outcome relating to the ATO which is ‘effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax system’.

In this context, ‘effectively managed and shaped’ means the degree to which the ATO manages and shapes:

- compliance;
- costs of compliance; and
- community confidence;

within the taxation, excise and superannuation systems while doing so as an efficient and adaptive organisation.

Table 2.1 shows the relationship between the programme structure for 1998-99 and the new outcome structure for the 1999-2000 Budget for Outcome 1.

Table 2.1: Relationship between Programme and Outcome Structure for Outcome 1

Programme Management Budgeting	Accrual Budgeting
<p>Programme 4 — Taxation Administration — Australian Taxation Office</p> <p>Manage and shape systems (Taxation, Child Support Agency, Superannuation and Australian Valuation Office) that support and fund services for Australians through increase compliance, reduced compliance costs, improved community confidence and being an efficient and adaptive organisation.</p> <p>Sub-programmes</p> <p>Sub-programme 4.1 — Income & Other Taxes</p> <p>Sub-programme 4.2 — Child Support Agency</p> <p>Sub-programme 4.3 — Corporate Support</p> <p>Sub-programme 4.4 — Australian Valuation Office</p> <p>Appropriations for Programme 4</p> <p>Sub-programme 4.1 Special Appropriations</p> <p><i>Superannuation Guarantee (Administration) Act 1992</i> — Distribution of Charges</p> <p><i>Superannuation Industry (Supervision) Act 1993</i> — Repayments of Unclaimed Moneys</p> <p><i>Taxation Administration Act 1953</i> — <i>Taxation (Interest on Overpayments and early Payments) Act 1983</i></p> <p>Appropriation Bill 1</p> <p>Running Costs, including Section 31 receipts (672-1)</p> <p>Compensation and legal expenses (672-2-01)</p> <p>Compensation for detriment caused by defective administration (672-2-03)</p> <p>Sub-programme 4.2 Special Appropriations</p> <p><i>Child Support (Registration and Collection) Act 1988</i> — payment to cover shortfalls in the Child Support Trust Account</p> <p><i>Child Support (Registration and Collection) Act 1988</i> — unexplained remittances</p> <p>Appropriation Bill 1</p> <p>Running Costs, including Section 31 receipts (672-1)</p> <p>Compensation and legal expenses (672-2-01)</p> <p>Child Support Agency — Payments to cover cheque dishonours, incorrect maintenance payments and refunds of overpayment (672-2-02)</p> <p>Compensation for detriment caused by defective administration (672-2-03)</p>	<p>Outcome 1</p> <p>Effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax system.</p> <p>Output Groups</p> <p>Output Group 1.1 — Australian Taxation Office</p> <p>Appropriations for Outcome 1</p> <p>Output Group 1.1 Special Appropriations</p> <p><i>Excise Act 1901</i> — Diesel Fuel Rebate</p> <p><i>Appropriations Act No. 1 & 3</i> — Remission of Duties and Taxes</p> <p><i>Taxation Administration Act 1953</i> — <i>Taxation (Interest on Overpayments and early Payments) Act 1983</i></p> <p><i>Superannuation Industry (Supervision) Act 1993</i> — Repayments of Unclaimed Monies</p> <p><i>Superannuation Guarantee (Administration) Act 1992</i> — Distribution of charges</p>

Table 2.1: Relationship between Programme and Outcome Structure for Outcome 1 (continued)

Programme Management Budgeting	Accrual Budgeting
Sub-programme 4.3 Appropriation Bill 1 Running Costs, including Section 31 receipts (672-1) Compensation and legal expenses (672-2-01) Test case litigation programme for tax law clarification (672-2-04) Appropriation Bill 2 Capital Works and Services (980-1) Plant and Equipment (980-1-01)	
Sub-programme 4.4 Appropriation Bill 2 Capital Works and Services (980-1) Establishment Grants — New Trust Accounts (980-1-02)	
	Outcome 1 Appropriation Bill 1 Appropriation Bill 2 Departmental Expenses

MEASURES IN THE 1999-2000 BUDGET

Australian Business Number — Expense

Budget Measure Purpose

Funding has been provided to the ATO to meet the administrative costs associated with the introduction of the Australian Business Number (ABN).

The ABN is a key element of the Government's *A New Tax System (ANTS)* framework. The introduction of the ABN will allow businesses to have a single business identifier for all Commonwealth purposes. This will be more efficient for business and will also provide an important opportunity to improve compliance. The system will also be available to State, Territory and local government bodies to facilitate single entry point arrangements for all government dealings. As such, it will increase levels of service to the business community and reduce compliance costs for business in a whole of government environment.

The introduction of the ABN is integral to a number of ATO specific ANTS measures including GST registration and withholding trigger mechanism.

Pay-As-You-Go and New Withholding Arrangements — Expense

Budget Measure Purpose

Funding has been provided to the ATO to meet the administrative costs associated with the introduction of the Pay-As-You-Go (PAYG) and new withholding arrangements.

As part of *A New Tax System* the Government will rationalise the current withholding tax arrangements into a single PAYG scheme. This will replace five existing payments and reporting systems (Pay As You Earn, Prescribed Payment System, Reportable Payment System and provisional tax and company instalments) with a single new comprehensive system, avoiding confusion, potential overlaps and gaps. The reforms will also involve changes to remittance dates.

PAYG will apply a common set of rules to all instalment and withholding events under the taxation law. Similarly, existing income reporting arrangements will be streamlined through the introduction of a simple transaction reporting system. The measure also seeks to ease the administrative costs for small business in complying with tax obligations by introducing one return (or single statement) and one payment, each quarter, for large numbers of taxpayers.

The new PAYG arrangements are designed to achieve several aims:

- more closely align income tax payments with current trading conditions or income flows for all entities;
- provide a single payment system for business (and investor) income tax;
- create a flexible system so that taxpayer obligations will be transparent and easily managed, paying income tax and collecting other taxes will become simpler and compliance costs will be reduced; and
- replace PAYE and PPS arrangements with a single withholding system giving businesses certainty about which payments are subject to withholding.

Fringe Benefits Tax Reform — Expense

Budget Measure Purpose

Funding has been provided to the ATO to meet the administrative costs associated with the introduction of fringe benefits tax (FBT) reforms.

The four elements of the Government's announced FBT reforms are designed to make the tax system fairer for all Australians:

- improving income tests for surcharges and government benefits by requiring employers, from the 1999-2000 FBT year of income, to identify on group certificates

the grossed-up taxable value of an employee's fringe benefits where the taxable value of the benefits exceeds \$1,000;

- stopping overuse of the concessional FBT treatment of public benevolent institutions and certain other not for profit organisations. This will be done by limiting, for each employee, the value of fringe benefits eligible for concessional treatment to \$17,000 of grossed up taxable value per employee of such organisations. Any amount above this limit will be subject to the normal FBT treatment;
- extending FBT to the benefits in excess of \$1,000 a year provided by companies to their shareholders or by trustees to trust beneficiaries, where the benefits are not taxed currently; and
- extending the FBT exemption for remote area housing provided by mining industry employers to their employees. This provides the mining industry with the same treatment that applies currently to primary producers.

The first of these elements took effect from 1 April 1999. The last three elements will take effect from the 2000-01 FBT year.

Binding Oral Advice by the Australian Taxation Office — Expense

Budget Measure Purpose

The Government has decided that oral advice provided by the ATO to taxpayers with simple tax affairs should be binding on the ATO. Funding will be provided to the ATO to meet the additional administrative costs of this measure.

This measure will involve:

- drafting legislation to ensure taxpayers with simple tax affairs can rely on oral advice received from the ATO;
- the introduction of business support tools for staff providing binding oral advice, including the ability to record details of the advice given; and
- formulation and implementation of a communication and education strategy to ensure taxpayers and ATO staff are aware of their obligations. This will include specific publications, brochures and other marketing-related products.

Business Taxation Reform — Expense

Budget Measure Purpose

Funding has been provided to the ATO to meet the administrative costs of business taxation reform measures.

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The Government has initiated a review of the current arrangements for the taxation of business entities by the Review of Business Taxation (RBT), led by Mr John Ralph AO. The committee is due to provide recommendations to the Government by 30 June 1999.

The Review is being conducted consistently with the strategy for business tax reform set out in *A New Tax System* including the development of a new framework for the taxation of business entities.

The resources identified in this measure are interim estimates until the Government makes its decisions following receipt of the final recommendations of the Review by 30 June 1999.

Business Taxation Reform — Capital

Budget Measure Purpose

The Government's reform of business taxation will require the establishment of a legislative basis and supporting administrative systems. The equity injection provided for under this measure will enable the ATO to undertake the capital expenditure necessary to develop this capability.

Savings Bonus for Older Australians — Expense

Budget Measure Purpose

Funding has been provided to the ATO to meet the administrative costs associated with the provision of a savings bonus as part of *A New Tax System*.

The Government has decided to pay a one off bonus to older Australians to compensate them for the impact of the GST on their savings.

The bonus is to be paid on or after 1 July 2000. A claim for a bonus must be made by 30 June 2001. Three different agencies — the ATO, the Department of Family and Community Services and the Department of Veterans' Affairs — will decide on eligibility to a bonus for their respective client groups. ATO clients are those members of the community who have to lodge tax returns for the year ending 30 June 2000. Features of the lump sum payment are as follows:

- a tax free bonus up to \$1,000 for those Australian residents aged 60 years or more on 1 July 2000, who have any savings and investment income, and whose total income in 1998-99 or 1999-2000 is less than \$30,000;
- an additional untaxed bonus of up to \$2,000 for self funded retirees of age pension age; and
- these bonuses are eligible to be paid after 30 June 2000.

Equity Injection for A New Tax System Initiatives — Capital

Budget Measure Purpose

The Government's various reform initiatives under *A New Tax System* will require the establishment of a legislative basis and supporting administrative systems. These systems will involve the creation of major infrastructure items (eg systems for new withholding tax arrangements, Australian Business Number register). The equity injection provided for under this measure will enable the ATO to undertake the capital expenditure necessary to develop this capability.

Tax Reform and Australian Taxation Office Efficiencies — Expense

Budget Measure Purpose

The introduction of the Government's tax reform package will result in administrative savings in the running costs of the ATO. This will be achieved through:

- phasing out the existing Wholesale Sales Tax system; and
- the rationalisation of five existing reporting and withholding systems into a single Pay As You Go system.

In addition, the ATO has recently undertaken several benchmarking and contestability studies in relation to its existing operations. Efficiencies are expected in areas such as auditing, provision of technical advice and data capture and management.

Additional savings expected from the recently announced outsourcing of the ATO Information Technology infrastructure are also included in this measure.

RESOURCES FOR OUTCOME 1

Table 2.2 shows how the 1998-99 appropriation and programming structure relates to total resourcing for Outcome 1.

Table 2.2: Total Resources for Outcome 1

	Estimated Actual	Estimated Actual	Budget
	1998-99 CASH \$'000	1998-99 ACCRUAL \$'000	1999-00 \$'000
Administered Expenses (including Third Party Outputs)			
Net write-down of assets	1,078,000	1,078,000	1,110,00
Other goods and services expenses	150,400	150,400	150,150
Total Administered Expenses	1,228,400	1,228,400	1,260,150
Price of Agency Outputs			
Output Group 1.1 — Australian Taxation Office			
Output 1.1.1 — Contribution to Policy Advice and Legislation	78,851	77,939	78,920
Output 1.1.2 — Revenue	1,056,849	1,044,622	1,347,645
Output 1.1.3 — Transfers	87,525	86,512	86,813
Output 1.1.4 — Cross Agency Support	79,102	78,187	79,826
Appropriation Structure 1998-99 (a)			
Sub-programme 4.1 — Income & Other Taxes			
Sub-programme 4.2 — Child Support Agency			
Sub-programme 4.3 — Corporate Support			
Sub-programme 4.4 — Australian Valuation Office			
Subtotal Output Group 1.1	1,302,327	1,287,261	1,593,204
Revenue from Government (Appropriation) for Agency Outputs	1,240,858	1,166,619	1,515,746
Revenue from Other Sources	61,469	77,747	77,458
Total Price of Outputs	1,302,327	1,287,261	1,593,204
Total for Outcome 1	2,530,727	2,515,661	2,853,354

Notes: 1998-99 figures reflect full year impact of changed administrative arrangements effective from 20 October 1998 onwards, ie exclude Child Support Agency and include Excise functions.

Significant increase in ATO costs from 1998-99 to 1999-2000 is due to GST administration costs.

\$16 million difference between cash and accrual figures for 'Revenue from Other Sources' in 1998-99 relates to cost recovery of services provided to CSA.

The Australian Valuation Office, formerly reported under the Commercial Activities Fund, is included in Output 1.1.4.

	1998-99	1999-00
Staff Years (Number)	14,217	16,289

(a) See Table 2.1 for details.

CONTRIBUTION OF OUTPUTS TO OUTCOME 1

Justification for the choice of the outputs to achieve Outcome 1 is described in Table 2.3 below. The table provides information on the strategies chosen to deliver Outcome 1, and shows the links between the outputs and the outcome.

There are four distinct outputs that contribute to Outcome 1:

- Contribution to policy advice and legislation supports the formulation of effective taxation policy and the reflection of that policy in legislation and includes provision of Ministerial and Parliamentary Services;
- Revenue contributes to effective taxation arrangements through managing and shaping taxation systems that collect taxation revenue effectively and efficiently which, in turn, maintains community confidence in the taxation system;
- Transfers effect the movement of money to support government redistribution and savings initiatives such as Retirement Income and Family Initiatives; and
- Cross Agency Support provides services, such as data matching and the provision of statistical information to other agencies (not involving moneys).

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.3: Performance Information 1999-2000

Effectiveness — Overall Achievement of the Outcome

Maintain Overall Tax Compliance	<p>Collection of budgeted revenue</p> <p>Overall compliance level maintained, including improved compliance in 'hot spots': cash economy; aggressive tax planning; international issues</p> <p>Increase in lodgement and payment compliance</p> <p>Reduction in overdue debt</p> <p>Increase in percentage of obligated employers who meet Superannuation Guarantee requirements</p>
Maintain Community Confidence	<p>The community perceives the ATO as an organisation which provides a quality service, treats taxpayers fairly, respects their rights and achieves good levels of compliance with the laws, and has confidence in our administration of the tax and superannuation systems</p> <p>Meeting ATO commitments to the Taxpayers' Charter</p>
Minimise Compliance Costs	<p>Minimise client compliance costs (within the ATO's control)</p>
Efficient, Adaptive Organisation	<p>Improvements in key stakeholders view of ATO adaptability</p> <p>Reduction in ATO costs to administer tax and superannuation systems</p>

Table 2.3: Performance Information 1999-2000 (continued)

Performance Information for Agency Outputs

Output Group 1.1 — Australian Taxation Office

Output 1.1.1 — Contribution to policy advice and legislation

*Includes conducting Strategic Research/Risk Assessment
Provide Policy advice, design and develop legislation
Provide Ministerial and Parliamentary Services.*

Quantity Measures

Capacity to predict and manage risks; legislation delivered according to government programmes; costings/estimates delivered to anticipated volume; and volume of services delivered.

Quality Measures

Strategic intelligence – no significant risks remain unaddressed; quality of legislation including consistency with policy, legislation and administration principles; accuracy of revenue estimates – current standard maintained; and client satisfaction with services provided.

Output 1.1.2 — Revenue

*Includes Direct Revenue which includes Gross PAYE, Gross Other Individuals, Gross PPS (including RPS), Medicare Levy, Individual refunds, companies, superannuation funds (including Superannuation Contributions Surcharge), withholding taxes, petroleum resource rent tax and Fringe Benefits Tax.
Indirect Revenue includes Sales Tax (including Alcohol Surcharge), Excise and GST*

Quantity Measures

Tax collected as a percentage of estimate – current standard maintained.

Quality Measures

Percentage of tax collected on time – current standard maintained, the level of overdue debt as a percentage of total collectable debt is reduced, technical quality of advice maintained, Charter service standards maintained, improved professionalism in field operations and debt collection and maintenance of community confidence.

Output 1.1.3 — Transfers

Includes all movement of moneys (value) that are not classed as Revenue including tax expenditures, diesel fuel rebate, Family Assistance Initiatives (Private Health Insurance, Family Tax Benefit and Aged Persons Savings Bonus), HECS, Retirements Incomes Framework (including Compulsory Super, SHAR, Choice, Lost Members), Self Managed Super (regulation – measurable from 2000-2001 when ATO becomes fully responsible for prudential regulation of SMF's), refund garnisbees – transfers eg Centrelink, DETYA and the CSA; and wool tax.

Quantity Measures

Monetary value of expenditure, outlay, transfers, refunds, number of obligated employers and the number of funds regulated (from 2000-2001).

Quality Measures

As for revenue (same measure), Charter service standards maintained, technical quality maintained and achievement of measures as specified in MOUs with other agencies.

Output 1.1.4 — Cross Agency Support

Includes services to other organisations that do not involve movement of moneys (administered funds). Includes the transfer of statistical information, data matching, information to law enforcement agencies, tax technical advice to other government agencies, support for tax agents board and CSA.

Quantity Measures

Quantity of output is as determined by agreement with clients and measures as specified in MOUs with other agencies.

Quality Measures

Measures as specified in MOUs with other agencies.

Competitive Tendering and Contracting

The ATO has undertaken a Competitive Tendering and Contracting process across a wide range of its activities. As a result, savings anticipated from the outsourcing of the ATO's information technology infrastructure have been factored into the price that Government is paying for ATO outputs. Anticipated savings from the comparison of other ATO functions with external benchmarks are also factored into the output prices. These other functions include data capture and management, provision of technical advice and audit.

Section 3: Budget Financial Statements

The budget financial statements will form the basis of the financial statements that will appear in the Australian Taxation Office 1999-2000 Annual Report, and form the basis for the input into the Whole of Government Accounts.

Budget Statement of Revenues and Expenses (Budget Operating Statement)

This statement provides a picture of the expected financial results for the ATO by identifying full accrual expenses and revenues, which highlights whether the ATO is operating at a sustainable level.

Budget Statement of Assets and Liabilities (Budget Balance Sheet)

This statement shows the financial position of the ATO. It enables decision makers to track the management of the ATO's assets and liabilities.

Budget Cash Flow Statement

This statement identifies expected cash flows from operating activities, investing activities and financing activities.

Capital Budget

This statement shows all proposed capital expenditure funded either through the Budget as appropriations or from internal sources.

Non-financial Assets — Summary of Movement

This statement shows the movement in the ATO's non-financial assets over the Budget year 1999-2000.

Table 3.1: Budget Statement of Revenue and Expenses

	Estimated Actual		Estimated		
	1998-99 \$'000	1999-00 \$'000	2000-01 \$'000	2001-02 \$'000	2002-03 \$'000
Agency Revenue and Expenses					
Revenue					
Revenue from government					
Ordinary annual appropriations (net appropriations)	1,166,619	1,515,746	1,535,527	1,432,657	1,418,263
Revenue from other sources					
Sales of goods and services	77,747	77,458	77,240	74,742	72,793
Total Revenue	1,244,366	1,593,204	1,612,767	1,507,399	1,491,056
Expenses					
Employees	808,648	996,762	947,674	886,037	879,060
Depreciation and amortisation	64,498	73,345	119,427	142,368	158,562
Suppliers	375,543	516,140	530,771	459,630	427,662
Interest Expense	229	45	45	45	45
Other Expenses	38,343	-	-	-	-
Total Expenses	1,287,261	1,586,292	1,597,917	1,488,080	1,465,329
Operating Result before Capital User Charge	-42,895	6,912	14,850	19,319	25,727
Capital User Charge	-	6,416	13,738	18,121	22,297
Transfers and Dividends	-	-	-	-	-
Accumulated Results at Year End	-42,895	496	1,112	1,198	3,430
Administered Revenue and Expenses					
Revenue					
Income tax	103,376,000	109,546,500	110,268,000	113,293,000	120,203,000
Sales tax	16,080,000	16,714,000	1,921,000	723,000	742,000
Excise duty	17,386,360	18,163,440	17,014,040	16,720,000	17,494,000
Other taxes fees and fines	3,486,718	3,566,307	3,970,768	4,201,655	4,341,655
Other sources of non-taxation revenue	75,764	425,764	425,764	375,764	365,764
Appropriations	1,626,400	1,756,150	3,696,150	3,950,150	4,156,150
Total Revenue	142,031,242	150,172,161	137,295,722	139,263,569	147,302,569
Expenses					
Net write-down of assets	1,078,000	1,110,000	1,003,000	929,000	949,000
Other goods and services expenses	150,400	150,150	150,150	100,150	100,150
Total Expenses	1,228,400	1,260,150	1,153,150	1,029,150	1,049,150

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Table 3.1: Budget Statement of Revenue and Expenses (continued)

	Estimated		Estimated		
	Actual		2000-01	2001-02	2002-03
	1998-99	1999-00			
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Result	140,802,842	148,912,011	136,142,572	138,234,419	146,253,419
Abnormal items	284,672	-	-	-	-
Adjusted Operating Result	141,087,514	148,912,011	136,142,572	138,234,419	146,253,419
Cash transfer to Consolidated Revenue	-140,883,514	-147,326,011	-130,877,572	-139,621,419	-147,418,419
Accumulated Results after Transfers	204,000	1,586,000	5,265,000	-1,387,000	-1,165,000

Table 3.2: Budget Statement of Assets and Liabilities

	Estimated Actual		Estimated		
	1998-99 \$'000	1999-00 \$'000	2000-01 \$'000	2001-02 \$'000	2002-03 \$'000
Agency Assets and Liabilities					
Debt					
Other	40,179	31,520	22,603	14,330	7,213
Total Debt	40,179	31,520	22,603	14,330	7,213
Provisions and Payables					
Employees	260,360	294,724	310,870	321,818	334,042
Suppliers	21,951	21,951	21,900	21,900	21,900
Other					
Total Provisions and Payables	282,311	316,675	332,770	343,718	355,942
Equity					
Accumulated results	-53,222	-52,726	-51,614	-50,416	-46,986
Reserves	5,625	11,250	16,875	22,500	28,125
Capital	-	99,734	153,092	181,862	206,375
Total Equity	-47,597	58,258	118,353	153,946	187,514
Total Liabilities and Equity	274,893	406,453	473,726	511,994	550,669
Financial Assets					
Cash	4,217	-6,364	79,234	166,899	299,860
Receivables	17,677	2,947	2,947	3,232	3,517
Investments	5,960	5,960	5,960	5,960	5,960
Accrued Income	369	369	469	469	469
Lease Incentives Provided	1,825	1,801	1,777	1,283	1,077
Total Financial Assets	30,048	4,713	90,387	177,843	310,883
Non-financial Assets					
Land and buildings	3,046	3,022	2,998	2,973	2,948
Infrastructure, plant and equipment	105,701	156,554	143,030	140,617	109,489
Computer Software	113,813	219,800	214,897	168,147	104,935
Intangibles	1,767	1,767	1,767	1,767	1,767
Other	20,518	20,598	20,648	20,648	20,648
Total Non-financial Assets	244,845	401,740	383,338	334,150	239,785
Total Assets	274,893	406,453	473,726	511,994	550,669
Administered Assets and Liabilities					
Provisions and Payables					
Other	450,082	464,082	208,082	208,082	208,082
Total Provisions and Payables	450,082	464,082	208,082	208,082	208,082
Equity					
Total Accumulated Results	3,856,448	5,442,448	10,707,448	9,320,448	8,155,448
Total Capital	2,541	2,541	2,541	2,541	2,541
Total Equity	3,858,989	5,444,989	10,709,989	9,322,989	8,157,989
Total Liabilities and Equity	4,309,071	5,909,071	10,918,071	9,531,071	8,366,071

Table 3.2: Budget Statement of Assets and Liabilities (continued)

	Estimated Actual		Estimated		
	1998-99 \$'000	1999-00 \$'000	2000-01 \$'000	2001-02 \$'000	2002-03 \$'000
Financial Assets					
Cash	329,953	329,953	329,953	329,953	329,953
Receivables	3,976,577	5,576,577	10,585,577	9,198,577	8,033,577
Investments	2,541	2,541	2,541	2,541	2,541
Total Financial Assets	4,309,071	5,909,071	10,918,071	9,531,071	8,366,071
Total Assets	4,309,071	5,909,071	10,918,071	9,531,071	8,366,071

Table 3.3: Budget Cash Flow Statement

	Estimated Actual		Estimated		
	1998-99 \$'000	1999-00 \$'000	2000-01 \$'000	2001-02 \$'000	2002-03 \$'000
Agency Cash Flows					
Operating Activities					
Cash Received					
Appropriations	1,244,575	1,515,746	1,535,527	1,432,657	1,418,263
Sales of goods and services	5,129	55,167	54,793	52,137	50,188
From trust account business	-	5,653	5,653	5,653	5,653
Other	56,340	-	-	-	-
Total Cash Received	1,306,044	1,576,566	1,596,023	1,490,497	1,474,154
Cash Used					
Employees	814,551	953,427	922,079	865,034	856,340
Suppliers	380,361	518,677	533,173	461,813	428,977
Other	-	100	-	-	-
Total Cash Used	1,194,912	1,472,204	1,455,252	1,326,847	128,5317
Net Cash from Operating Activities	111,132	104,362	140,771	163,650	188,837
Investing Activities					
Cash Received					
Proceeds from sale of property, plant and equipment	-	15,000	-	-	-
Total Cash Received	-	15,000	-	-	-
Cash Used					
Purchase of property, plant and equipment	96,364	223,261	94,793	86,634	58,092
Total Cash Used	96,364	223,261	94,793	86,634	58,092
Net Cash from Investing Activities	-96,364	-208,261	-94,793	-86,634	-58,092
Financing Activities					
Cash Received					
Capital Injections	-	99,734	53,358	28,770	24,513
Total Cash Received	-	99,734	53,358	28,770	24,513
Cash Used					
Capital user charge paid	-	6,416	13,738	18,121	22,297
Repayment of borrowings	11,051	-	-	-	-
Total Cash Used	11,051	6,416	13,738	18,121	22,297
Net Cash from Financing Activities	-11,051	93,318	39,620	10,649	2,216
Net increase/decrease in cash held	3,717	-10,581	85,598	87,665	132,961
Add cash as at 1 July	500	4,217	-6,364	79,234	166,899
Cash as at 30 June	4,217	-6,364	79,234	166,899	299,860

Table 3.3: Budget Cash Flow Statement (continued)

	Estimated Actual		Estimated		
	1998-99 \$'000	1999-00 \$'000	2000-01 \$'000	2001-02 \$'000	2002-03 \$'000
Administered Cash Flows					
Operating Activities					
Cash Received					
Taxes fees and fines	140,807,750	147,250,247	130,101,808	139,245,655	147,052,655
From appropriations	1,626,400	1,756,150	3,696,150	3,950,150	4,156,150
Other	75,764	75,764	775,764	375,764	365,764
Total Cash Received	142,509,914	149,082,161	134,573,722	143,571,569	151,574,569
Cash Used					
Cash to Consolidated Revenue Fund	140,883,514	147,326,011	130,877,572	139,621,419	147,418,419
Other	1,626,400	1,756,150	3,696,150	3,950,150	4,156,150
Total Cash Used	142,509,914	149,082,161	134,573,722	143,571,569	151,574,569
Net Cash from Operating Activities	-	-	-	-	-
Cash at the End of Reporting Period	329,953	329,953	329,953	329,953	329,953

CAPITAL BUDGET

Table 3.4: Capital Budget

Capital Appropriation	Estimated			
	1999-00 \$'000	2000-01 \$'000	2001-02 \$'000	2002-03 \$'000
Total Equity Injections	99,734	53,358	28,770	24,513
Total Loans	-	-	-	-
Total Capital Appropriations	99,734	53,358	28,770	24,513
Represented by				
Purchase of non-current assets	99,734	53,358	28,770	24,513
Other	-	-	-	-
Total	99,734	53,358	28,770	24,513

Purchase of Non-current Assets	Estimated			
	1999-00 \$'000	2000-01 \$'000	2001-02 \$'000	2002-03 \$'000
Funded by capital appropriations	99,734	53,358	28,770	24,513
Funded internally by Agency resources	123,527	41,435	57,864	33,579
Total	223,261	94,793	86,634	58,092

Table 3.5: Non-financial Assets — Summary of Movement
Budget Year 1999-2000

	Land	Buildings	Total Land and Buildings	Other Infrastructure, Plant and Equipment	Total Infrastructure, Plant and Equipment	Computer software	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Value								
As at 1 July 1999 (opening)	991	2,080	3,071	458,030	458,030	147,133	2,311	610,545
Additions	-	-	-	80,655	80,655	143,749	-	224,404
Disposals	-	-	-	-	-	-	-	-
Revaluations	-	-	-	5,625	5,625	-	-	5,625
As at 30 June 2000	991	2,080	3,071	544,310	544,310	290,882	2,311	840,574
Accumulated Depreciation								
As at 1 July 1999 (opening)	-	25	25	352,329	352,329	33,320	544	386,218
Disposals	-	-	-	-	-	-	-	-
Charge for the reporting period	-	25	25	35,427	35,427	37,762	-	73,214
Other movements	-	-	-	-	-	-	-	-
As at 30 June 2000	-	-	-	-	-	-	-	-
Net Book Value as at 30 June 2000 (Closing Book Value)	991	2,030	3,021	156,554	156,554	219,800	1,767	381,142
Net Book Value as at 1 July 1999 (Opening Book Value)	991	2,055	3,046	105,701	105,701	113,813	1,767	224,327
Total Additions								
	Land	Buildings	Total Land and Buildings	Other Infrastructure, Plant and Equipment	Total Infrastructure, Plant and Equipment	Computer software	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Self funded	-	-	-	35,168	35,168	89,502	-	124,670
Appropriations	-	-	-	45,487	45,487	54,247	-	99,734
Total	-	-	-	80,655	80,655	143,749	-	224,404

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Agency Statements

Details of Agency items in the financial statements included in Table 3.1 to 3.5 have been prepared in accordance with Schedule 2 of the Finance Minister's Orders for 1997-98.

The budget statements and estimated forward years have been prepared to reflect the following matters.

Change in Administrative Arrangements

During 1998-99 administration of the Child Support Agency moved from the ATO to the Department of Family and Community Affairs. Administrative responsibility for the collection of Excise moved from Customs and Excise to the ATO.

Cost of Administering Goods and Services Tax

Agency statements for 1999-2000 and forward years include the estimated costs of administering the proposed Goods and Services Tax on behalf of the States and Territories of Australia.

Costs of Administering Other Tax Reform Proposals

Agency statements for 1999-2000 and forward years include a cost estimated for taxation reform proposals announced by the Government as part of *A New Tax System* or expected to result from the Government's response to the first recommendations made by the Review of Business Taxation.

Loss on Sale of Assets

Agency statements for 1998-99 include an estimated loss on sale of non-current assets of \$38.343 million. This loss was incurred on the sale of assets purchased by the selected tenderer as part of the outsourcing arrangements for the ATO computer systems and services.

Notes to the Administered Statements

Details of Administered items in the financial statements included in Table 3.1 to 3.5 have been prepared in accordance with Schedule 2 of the Finance Ministers Orders for 1997-98. These statements incorporate a change in revenue recognition policy from prior years.

The budget statements and forward years have been prepared on the basis noted below and to reflect the following matters.

Recognition of Taxation Revenue

For 1998-99, 1999-2000 and forward years administered taxation revenue has been brought to account on a year by year basis where:

- the identity of the taxpayer is certain;
- the amount of the liability or refund is certain;
- the liability or entitlement to a refund has been notified to the Commissioner or advised by the taxpayer;
- there is an intention on the part of the Commissioner to collect the liability; and
- there is a legislative intent by the Commonwealth to change the basis or application of taxation law.

This recognition policy does not include the following item as revenue of the period:

- estimates of future collections or refunds from Individuals in respect of income tax returns to be lodged for the current financial year ended at 30 June;
- estimates of instalments of tax and final payments for companies due after 30 June;
- estimates of final amounts for Petroleum Rent Resource Tax due after 30 June; and
- actual payments by Pay As You Earn, Wholesale Sales Tax, Excise, Prescribed Payment Payers and Withholding Tax remitters for amounts collected or withheld in June but not remitted to the Commissioner until July.

Impact of Change in Revenue Recognition Policy

This recognition policy did not apply to the financial statements of the ATO as at 30 June 1998. The amounts noted below, included in the Administered balance sheet of the ATO as at 30 June 1998, have now been brought to account in the Administered accumulated results as at 30 June 1999.

	\$m	\$m
Accrued Revenue		22,864,644
Less Taxation Refunds	13,887,199	
Other Provisions and Payables	2,170,672	
Sub Total	16,057,871	16,057,871
Net Reduction to Accumulated Results		6,806,773

Items Recognised as Reductions to Taxation Revenue

The following items are recognised as reductions (increases) to taxation revenue and not as expense:

- refunds of revenue;
- increase (decrease) in movement of provision for credit amendments;
- diesel fuel rebates and diesel fuel credits; and
- increases (decreases) in movement of provision for diesel fuel rebates.

Goods and Services Tax

Administered statements for 2000-01 and estimated forward years do not include as revenue the estimated receipts of the proposed Goods and Service Tax (GST). The gross receipts for this tax are not considered to be revenue of the Commonwealth for budgetary purposes.

Ancillary impacts of the GST on the operating statements and balance sheets have also been excluded from the administered statements except for the recognition of the proposed cost of administration of the tax to be recovered from the revenue otherwise due to the States and Territories.

Change in Administered Arrangements

An amount of \$284.672 million, representing the balance of receivables due for Excise revenue as at the date of change of administered arrangements, has been brought to account as an extraordinary item for the 1998-99 financial year.

Section 4: Purchaser/Provider Arrangements

CROSS AGENCY OVERVIEW

For 1999-2000 the Australian Taxation Office is entering into purchaser/provider arrangements with both the Department of Family and Community Services and the Department of Health and Aged Care which will see the ATO providing services to each of these departments to enable them to achieve their stated Outcomes.

The ATO will be providing services to the Department of Family and Community Services for the Family Assistance Office (as a result of a budget measure) and the Child Support Agency (as a result of the Administrative Arrangements Orders of 21 October 1998).

The ATO will also be providing services to the Department of Health and Aged Care for the implementation of the Private Health Insurance Rebate (as a result of a budget measure).

Appendix 1

Non-Appropriation Agency and Administered Revenue

	Estimated Revenue	Estimated Revenue
	1998-99 \$	1999-00 \$
External Agency Revenue	77,747,000	77,458,000
Total Taxation Revenue	140,329,078,000	147,990,247,000
<i>Superannuation Guarantee (Administration) Act 1992</i> — Shortfalls, penalties and fines	61,000,000	61,000,000
Miscellaneous receipts	14,564,000	14,564,000
<i>Superannuation Industry (Supervision) Act 1993</i> — Unclaimed moneys	200,000	200,000
GST administration charged to States		350,000,000
Total Estimated Revenue	140,482,589,000	148,493,469,000

Appendix 2

Estimates of Expenses from Special Appropriations

	Estimated Revenue	Estimated Revenue
	1998-99 \$	1999-00 \$
Refunds of Receipts — <i>Taxation Administration Act 1953</i>	10,450,000,000	11,760,000,000
<i>Less</i> amount of Refunds deducted from Receipts items	(10,450,000,000)	(11,760,000,000)
Diesel fuel rebate	1,476,000,000	1,606,000,000
<i>Superannuation Guarantee (Administration) Act 1992</i> — Distribution of Charges	30,000,000	30,000,000
<i>Superannuation Industry (Supervision) Act 1993</i> — Repayments of unclaimed moneys	400,000	150,000
<i>Taxation Administration Act 1953</i> — <i>Taxation (Interest on Overpayments and Early Payments) Act 1983</i>	120,000,000	120,000,000
Total Estimated Expenses	1,626,400,000	1,756,150,000