

# INSPECTOR-GENERAL OF TAXATION

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# INSPECTOR-GENERAL OF TAXATION

## Section 1: Agency overview

The *Inspector-General of Taxation Act 2003* established an independent statutory agency to review:

- systems established by the Australian Taxation Office to administer the tax laws; and
- systems established by tax laws in relation to administrative matters.

The Inspector-General seeks to improve the administration of the tax laws for the benefit of all taxpayers. This is to be achieved by identifying and conducting reviews of systemic issues in the administration of the tax laws and providing independent advice to the government.

To ensure that reviews undertaken reflect areas of key concern to the Australian community, the Inspector-General develops a work programme following broad-based consultation with other stakeholders including taxpayers and their representatives, the Australian Government Ombudsman, the Commonwealth Auditor-General and the Commissioner of Taxation.

**Table 1.1: Agency outcomes and output groups**

Outcome	Description	Output groups
<b>Outcome 1</b>		
Improved administration of tax laws for the benefit of all taxpayers	Identify and investigate systemic issues in tax administration to provide independent advice to government.	Output Group 1.1 Inspector-General of Taxation

## Section 2: Agency resources for 2005-06

### **2.1: APPROPRIATIONS AND OTHER RESOURCES**

The total appropriation for the Inspector-General of Taxation (IGT) in the 2005-06 Budget is \$2.1 million.

Table 2.1 shows the total resources from all origins for 2005-06, including appropriations. The table summarises how revenue will be applied by outcome and departmental classification.

**Table 2.1: Appropriations and other revenue 2005-06<sup>1</sup> ('000)**

Outcome	Appropriations					Revenue from other sources <sup>2</sup>		Total resources <sup>4</sup>
	\$'000	\$'000	\$'000	\$'000	% <sup>3</sup>	\$'000	% <sup>3</sup>	\$'000
	Bill No. 1	Bill No. 2	Special approp	Total approp				
<b>Outcome 1</b>								
Improved administration of tax laws for the benefit of all taxpayers								
Departmental	2,149	-	-	2,149	98%	52	2%	2,201
<b>Total agency</b>	<b>2,149</b>	<b>-</b>	<b>-</b>	<b>2,149</b>		<b>52</b>		<b>2,201</b>
Departmental capital (equity injections)	-	-	-	-	-	-	-	-
Previous year's outputs	-	-	-	-	-	-	-	-
<b>Total resources</b>	<b>2,149</b>	<b>-</b>	<b>-</b>	<b>2,149</b>		<b>52</b>		<b>2,201</b>

1 This table has been redesigned to correspond with *Budget Paper No. 4, Agency Resourcing 2005-06*.

2 Revenue from other sources includes *Financial Management and Accountability Act 1997* (FMA) s.31 revenues, that are available to be expensed, special accounts (non-appropriation revenues) and resources received free of charge.

3 Percentage figures indicate the percentage contribution of Revenue from Government (Departmental Appropriations) to the total price of outputs, by outcome, and the percentage contribution of Revenue from other sources (Departmental) to the total price of outputs, by outcome.

4 Total resources = Total appropriations + Revenue from other sources.

Note: Refer to Budgeted departmental statement of financial performance for application of agency revenue.

## **2.2: 2005-06 BUDGET MEASURES**

Budget measures relating to the IGT as explained in *Budget Paper No. 2, Budget Measures 2005-06* are summarised in Table 2.2. The table also identifies the relevant outcomes and outputs associated with each measure.

**Table 2.2: Inspector-General of Taxation measures**

Measure	Outcome	Output groups affected	Appropriations budget			Appropriations forward estimate 2006-07			Appropriations forward estimate 2007-08			Appropriations forward estimate 2008-09		
			2005-06 \$'000			2006-07 \$'000			2007-08 \$'000			2008-09 \$'000		
			Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
Efficiency dividend — increase in the rate from 1 per cent to 1.25 percent <sup>1</sup>	1	1.1	-	- 5	- 5	-	- 11	- 11	-	- 16	- 16	-	- 16	- 16

<sup>1</sup> This is a cross portfolio measure. This table shows the IGT contribution to the measure.

### 2.3: OTHER RECEIPTS AVAILABLE TO BE USED

Table 2.3 provides details of other receipts available to be used and include FMA s.31 receipts, that are available to be spent, special accounts (non-appropriation receipts) and resources received free of charge.

**Table 2.3: Other receipts available to be used<sup>1</sup>**

	Estimated receipts 2004-05 \$'000	Budget estimate 2005-06 \$'000
<b>Departmental other receipts</b>		
Goods and services	55	52
<b>Total departmental other receipts available to be used</b>	<b>55</b>	<b>52</b>

<sup>1</sup> This table replaces the former table 'Receipts from independent sources'. It represents own source receipts available for spending on departmental purposes.

### 2.4: MOVEMENT OF ADMINISTERED FUNDS FROM 2004-05 TO 2005-06

**Table 2.4: Movement of administered funds from 2004-05 to 2005-06**

This table is not applicable to the IGT.

### 2.5: SPECIAL APPROPRIATIONS

**Table 2.5: Estimates of expenses from special appropriations**

This table is not applicable to the IGT.

### 2.6: SPECIAL ACCOUNTS

**Table 2.6: Estimates of special account flows and balances**

This table is not applicable to the IGT.

### 2.7: DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The IGT does not have an appropriation for an equity injection or loan in the 2005-06 Budget.

## Section 3: Agency outcomes

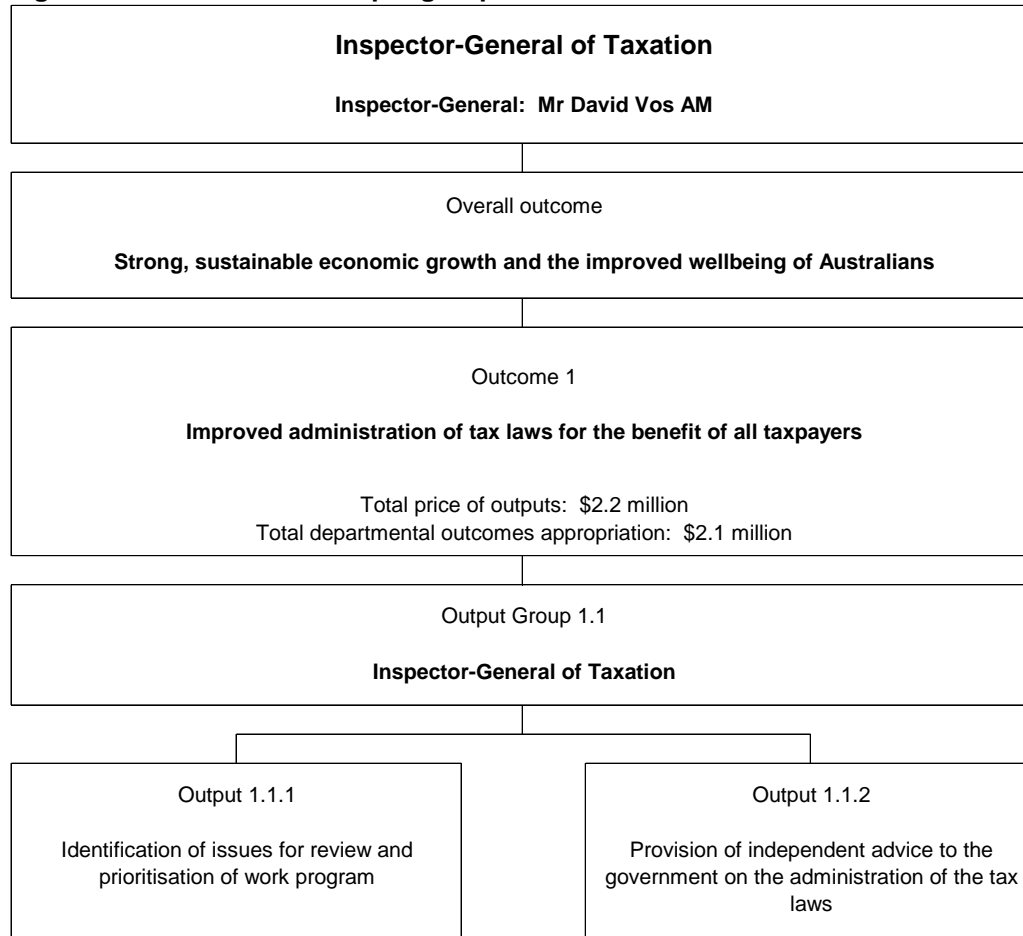
This section explains how the resources identified in Section 2 will be used to deliver outputs that contribute to the outcome for the Inspector-General of Taxation (IGT).

### **3.1: SUMMARY OF OUTCOMES AND OUTPUTS**

The IGT only has two outputs, being identification of a work programme and provision of advice to government following review activities. The two outputs are strongly linked, with review topics often identified during the conduct of the actual work programme (in addition to specific consultative processes). Informed estimates indicate that approximately five per cent of staff resources are utilised on Output 1.1.1, and 95 per cent are utilised on Output 1.1.2.

The relationship between activities of the IGT and the outcome is summarised in Figure 4.

**Figure 4: Outcomes and output groups**



### 3.2: OUTCOMES — DEPARTMENTAL

IGT has only one outcome, namely, 'improved administration of tax laws for the benefit of all taxpayers'. The total appropriation for this outcome for 2005-06 is \$2.1 million.

**Figure 5: Departmental appropriations by outcome, 2005-06**

This figure is not applicable to the IGT.

**Figure 6: Administered appropriations by outcome, 2005-06**

This figure is not applicable to the IGT.

### 3.3: OUTCOMES RESOURCING

#### Outcome 1 description

**Improved administration of tax laws for the benefit of all taxpayers.**

#### Outcome 1 resourcing

Table 3.1 shows how the 2005-06 Budget appropriations translate to total resourcing for Outcome 1, including revenue from government (appropriation), revenue from other sources (Departmental) and the total price of outputs.

**Table 3.1: Total resources for Outcome 1 (\$'000)**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000
<b>Departmental appropriations</b>		
Output Group 1.1 - Inspector-General of Taxation		
Output 1.1.1 - Identification of issues for review and prioritisation of work program	108	107
Output 1.1.2 - Provision of independent advice to the government on the administration of the tax laws	2,046	2,042
<b>Total revenue from government (appropriations) Contributing to price of departmental outputs</b>	<b>2,154</b>	<b>2,149</b>
<b>Revenue from other sources</b>		
Goods and services	55	52
<b>Total revenue from other sources</b>	<b>55</b>	<b>52</b>
<b>Total price from departmental outputs</b> (Total revenue from government and from other sources)	<b>2,209</b>	<b>2,201</b>
<b>Total estimated resourcing for Outcome 1</b> (Total price of outputs)	<b>2,209</b>	<b>2,201</b>
	2004-05	2005-06
<b>Average staffing level (number)</b>	<b>6</b>	<b>6</b>

### 3.4: MEASURES AFFECTING OUTCOMES

#### Measures affecting Outcome 1

	2005-06 \$'000	2006-07 \$'000	2007-08 \$'000	2008-09 \$'000
Efficiency dividend — increase in the rate from 1 per cent to 1.25 per cent <sup>1</sup>	- 5	- 11	- 16	- 16

<sup>1</sup> This is a cross portfolio measure. This table shows the IGT contribution to the measure.

Details of this measure is included in *Budget Paper No. 2, Budget Measures 2005-06*.

### **Outcome 1 contribution of outputs**

The role of the IGT is to improve the administration of the tax laws for the benefit of all taxpayers.

This is achieved by reviewing the systems established by the Australian Taxation Office to administer the tax laws and the systems established by tax laws in relation to administrative matters.

The IGT's two outputs derive from the statutory functions. These outputs involve, firstly, the identification of systemic issues for review and the prioritisation of the work programme and, secondly, the provision of independent advice to government on the administration of the tax laws.

The scope of the work programme is determined by the identification and prioritisation of a systemic issue by the Inspector-General. However, the Act also provides that the Minister may direct that a matter be included on the work programme, and that the Inspector-General considers requests to conduct reviews from:

- the Minister (separate from the direction provision); or
- the Commissioner of Taxation; or
- a resolution of either House, or both Houses, of the Parliament; or
- a resolution of a Committee of either House, or both Houses, of the Parliament.

Broad-based community involvement in the identification of issues and the opportunity for all stakeholders to provide submissions ensures that reviews undertaken are relevant and timely for all stakeholders. In view of this, the Inspector-General requires the flexibility to vary resourcing allocations so as to allow emerging and important systemic issues to be addressed in a manner that is timely and relevant to government.

The IGT has no power to direct the Commissioner of Taxation in the administration of the tax laws. The effectiveness with which Inspector-General's advice to government contributes to the achievement of the outcome may be difficult to assess. In some instances, the provision of advice to government may lead to legislative change to address an identified systemic issue. However, on other occasions the Commissioner of Taxation may independently address a systemic issue identified by the IGT either as a result of undertaking a review, or following the release of a Review Report by the Minister or the publication of an Issues Paper or Work Programme by the Inspector-General.

## Performance information for Outcome 1

**Table 3.2: Performance information for Outcome 1**

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<b>Performance information for agency outputs</b>	
<b>Output Group 1.1 - Inspector-General of Taxation</b>	
Output 1.1.1 - Identification of issues for review and prioritisation of work programme	Broad-based community involvement in the identification of systemic issues in the administration of tax laws.  Reviews undertaken are relevant and timely for government and other stakeholders. <b>Price: \$0.1 million</b>
Output 1.1.2 - Provision of independent advice to the government on the administration of the tax laws	Reports, undertaken in accordance with required processes, are of a high standard, timely and useful to government.  Findings and recommendations achieve improved administration. <b>Price: \$2.1 million</b>

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## Evaluations for Outcome 1

Internal, informal monitoring of the IGT's performance and output is undertaken on a continuous basis.

Evaluation of actual levels of achievement will be shown in the IGT's 2004-05 Annual Report.

## Section 4: Other reporting requirements

### **4.1: PURCHASER-PROVIDER ARRANGEMENTS**

The Inspector-General of Taxation (IGT) does not have any purchaser/provider arrangements in place.

### **4.2: COST RECOVERY ARRANGEMENTS**

The IGT does not have any cost recovery arrangements in place in respect of operational activities. Various organisations do provide travel and accommodation associated with some speaking engagements. The Inspector-General has negotiated a cost recovery/contra agreement with the Australian Reinsurance Pool Corporation in respect of office arrangements in Sydney and Canberra. While mutually beneficial to both organisations, the arrangement is revenue positive for the Inspector-General and the proceeds are covered by a Section 31 Agreement with the Department of Finance and Administration.

### **4.3: AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE**

#### **Table 4.1: Australian Government Indigenous Expenditure**

This table is not applicable to the IGT.

## Section 5: Budgeted financial statements

### **5.1: ANALYSIS OF BUDGETED FINANCIAL STATEMENTS**

The office of the Inspector-General of Taxation (IGT) consists of a statutory office holder and five staff. The IGT relies upon the support and contribution to reviews of many in the private sector, particularly professional associations and business groups. The co-operation and support of relevant government agencies is also very important to the achievement of the outcome.

For 2004-05, approximately 50 per cent of the budget allocation was expended on employee costs. Another 25 per cent was expended on office accommodation and corporate overheads. The final 25 per cent was expended on direct costs associated with completion of the work programme. It is expected that this expenditure pattern will continue in future years.

## 5.2: BUDGETED FINANCIAL STATEMENTS TABLES

**Table 5.1: Budgeted departmental statement of financial performance for the period ended 30 June**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>REVENUE</b>					
<b>Revenues from ordinary activities</b>					
Revenues from Government	2,154	2,149	2,170	2,190	2,215
Goods and services	55	52	52	52	52
<b>Revenues from ordinary activities</b>	<b>2,209</b>	<b>2,201</b>	<b>2,222</b>	<b>2,242</b>	<b>2,267</b>
<b>EXPENSE</b>					
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>					
Employees	986	1,030	1,107	1,185	1,198
Suppliers	1,141	1,087	1,005	944	956
Depreciation and amortisation	82	84	110	113	113
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>	<b>2,209</b>	<b>2,201</b>	<b>2,222</b>	<b>2,242</b>	<b>2,267</b>
Borrowing costs expense	-	-	-	-	-
<b>Operating surplus or deficit from ordinary activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net surplus or deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net surplus or deficit attributable to the Australian Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Table 5.2: Budgeted departmental statement of financial position as at 30 June**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash	93	186	185	291	291
Receivables	9	9	8	7	7
<b>Total financial assets</b>	<b>102</b>	<b>195</b>	<b>193</b>	<b>298</b>	<b>298</b>
<b>Non-financial assets</b>					
Infrastructure, plant and equipment	539	472	502	427	427
<b>Total non-financial assets</b>	<b>539</b>	<b>472</b>	<b>502</b>	<b>427</b>	<b>427</b>
<b>Total assets</b>	<b>641</b>	<b>667</b>	<b>695</b>	<b>725</b>	<b>725</b>
<b>LIABILITIES</b>					
<b>Provisions</b>					
Employees	79	105	134	164	164
<b>Total provisions</b>	<b>79</b>	<b>105</b>	<b>134</b>	<b>164</b>	<b>164</b>
<b>Payables</b>					
Suppliers	7	7	6	6	6
<b>Total payables</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Total liabilities</b>	<b>86</b>	<b>112</b>	<b>140</b>	<b>170</b>	<b>170</b>
<b>EQUITY*</b>					
<b>Parent entity interest</b>					
Retained surpluses or accumulated deficits	555	555	555	555	555
<b>Total parent entity interest</b>	<b>555</b>	<b>555</b>	<b>555</b>	<b>555</b>	<b>555</b>
<b>Total equity</b>	<b>555</b>	<b>555</b>	<b>555</b>	<b>555</b>	<b>555</b>
<b>Current assets</b>	<b>102</b>	<b>195</b>	<b>193</b>	<b>298</b>	<b>298</b>
<b>Non-current assets</b>	<b>539</b>	<b>472</b>	<b>502</b>	<b>427</b>	<b>427</b>
<b>Current liabilities</b>	<b>42</b>	<b>54</b>	<b>66</b>	<b>80</b>	<b>80</b>
<b>Non-current liabilities</b>	<b>44</b>	<b>58</b>	<b>74</b>	<b>90</b>	<b>90</b>

\* 'Equity' is the residual interest in assets after deduction of liabilities.

**Table 5.3: Budgeted departmental statement of cash flows for the period ended 30 June**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	55	52	52	52	52
Appropriations	2,154	2,149	2,170	2,190	2,215
<b>Total cash received</b>	<b>2,209</b>	<b>2,201</b>	<b>2,222</b>	<b>2,242</b>	<b>2,267</b>
<b>Cash used</b>					
Employees	986	1,030	1,107	1,185	1,198
Suppliers	1,475	1,060	976	913	1,031
<b>Total cash used</b>	<b>2,461</b>	<b>2,090</b>	<b>2,083</b>	<b>2,098</b>	<b>2,229</b>
<b>Net cash from or used by operating activities</b>	<b>- 252</b>	<b>111</b>	<b>139</b>	<b>144</b>	<b>38</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	15	18	140	38	38
<b>Total cash used</b>	<b>15</b>	<b>18</b>	<b>140</b>	<b>38</b>	<b>38</b>
<b>Net cash from or used by investing activities</b>	<b>- 15</b>	<b>- 18</b>	<b>- 140</b>	<b>- 38</b>	<b>- 38</b>
<b>Net increase or decrease in cash held</b>	<b>- 267</b>	<b>93</b>	<b>- 1</b>	<b>106</b>	<b>-</b>
Cash at the beginning of the reporting period	360	93	186	185	291
Cash at the end of the reporting period	93	186	185	291	291

**Table 5.4: Departmental capital budget statement**

	Estimated actual 2004-05 \$'000	Budget estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
<b>Total capital appropriations</b>	-	-	-	-	-
<b>Represented by:</b>					
Purchase of non-financial assets	-	-	-	-	-
Other	-	-	-	-	-
<b>Total represented by</b>	-	-	-	-	-
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation	-	-	-	-	-
Funded internally by					
Departmental resources	15	18	140	38	38
<b>Total</b>	15	18	140	38	38

**Table 5.5: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2005-06)**

	Land	Investment property	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2005</b>									
Gross book value	-	-	-	-	655	-	-	-	655
Accumulated depreciation	-	-	-	-	- 116	-	-	-	- 116
<b>Opening net book value</b>	-	-	-	-	539	-	-	-	539
Additions:									
by purchase	-	-	-	-	18	-	-	-	18
by finance lease	-	-	-	-	-	-	-	-	-
from acquisitions of entities or operations (including restructuring)	-	-	-	-	-	-	-	-	-
Net revaluation increment/decrement	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	-	- 84	-	-	-	- 84
Recoverable amount write-downs	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
Disposals:									
from disposal of entities or operations (including restructuring)	-	-	-	-	-	-	-	-	-
other disposals	-	-	-	-	-	-	-	-	-
<b>As at 30 June 2006</b>									
Gross book value	-	-	-	-	673	-	-	-	673
Accumulated depreciation	-	-	-	-	- 200	-	-	-	- 200
<b>Closing net book value</b>	-	-	-	-	473	-	-	-	473

**Table 5.6: Schedule of budgeted revenues and expenses administered on behalf of Government for the period ended 30 June**

This table is not applicable to the IGT.

**Table 5.7: Schedule of budgeted assets and liabilities administered on behalf of Government as at 30 June**

This table is not applicable to the IGT.

**Table 5.8: Schedule of budgeted administered cash flows for the period ended 30 June**

This table is not applicable to the IGT.

**Table 5.9: Schedule of administered capital budget**

This table is not applicable to the IGT.

**Table 5.10: Schedule of property, plant, equipment and intangibles — summary of movement (Budget Year 2005-06)**

This table is not applicable to the IGT.

### **5.3: NOTES TO THE FINANCIAL STATEMENTS**

#### **Basis of accounting**

The financial statements have been prepared on an accrual basis in accordance with the historical cost convention.