

AUSTRALIAN TAXATION OFFICE

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AUSTRALIAN TAXATION OFFICE

Section 1: Agency overview

The role of the Australian Taxation Office (Tax Office) is to manage and shape taxation, excise and superannuation systems that fund services for Australians, giving effect to social and economic policy. Through these systems the Tax Office is the Australian Government's principal revenue management agency. In 2005-06, the Tax Office will collect 90.9 per cent of the Australian Government's revenue on behalf of the Australian community.

The main role of the Tax Office is to administer legislation for taxes, superannuation and excise (but not customs duty). In doing this, the Tax Office addresses broad issues affecting Australia's revenue system, such as aggressive tax planning, persistent tax debtors, globalisation and the cash economy.

The Tax Office also supports the delivery of community benefits, having roles in other services, including:

- Private Health Insurance;
- Family Assistance;
- Energy Grants Credits Scheme;
- Valuation Services; and
- Cross-Agency Support, such as working with Centrelink to reduce benefit fraud, with the Child Support Agency (CSA) to ensure income transfer for the care of children, and with the Australian Bureau of Statistics (ABS) to reduce the cost to the community of collecting statistical data.

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
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, superannuation, excise and other related systems	The provision of an integrated platform for a viable and sustainable revenue administration.	Output Group 1.1 Australian Taxation Office

Section 2: Agency resources for 2005-06

2.1: APPROPRIATIONS AND OTHER RESOURCES

The total appropriation for the Tax Office in the 2005-06 Budget is \$10,260.7 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, administered and departmental classification.

Table 2.1: Appropriations and other revenue 2005-06¹ ('000)

Outcome	Appropriations					Revenue from other sources ⁴		Total resources ⁶
	\$'000	\$'000	\$'000	\$'000	% ⁵	\$'000	% ⁵	\$'000
	Bill No. 1	Bill No. 2	Special approp ²	Total approp ³				
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, superannuation, excise and other related systems								
Administered	-	-	7,817,087	7,817,087	100%	-	-	7,817,087
Departmental	2,443,613	-	-	2,443,613	98%	43,989	2%	2,487,602
Total agency	2,443,613	-	7,817,087	10,260,700		43,989		10,304,689
Departmental capital (equity injections)	-	-	-	-	-	-	-	-
Previous year's outputs	-	-	-	-	-	-	-	-
Administered assets and liabilities	-	-	-	-	-	-	-	-
Total resources	2,443,613	-	7,817,087	10,260,700		43,989		10,304,689

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

2 Estimated expenses from individual Special Appropriations are shown in table 2.5. The amount showing for appropriations represents appropriations to deliver Tax Office programmes. Amounts disclosed under special appropriations do not include the expenditure to pay refunds under the tax system.

3 Total appropriations = Bill No. 1 + Bill No. 2 + Special appropriations.

4 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.

5 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.

6 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 Tax Office as explained in *Budget Paper No. 2, Budget Measures 2005-06* are summarised in Table 2.2. The table also identifies the relevant outcomes, administered items and outputs associated with each measure.

Table 2.2: Australian Taxation Office 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 ¹	1	1.1	-	- 6,103	- 6,103	-	- 12,212	- 12,212	-	- 18,366	- 18,366	-	- 18,366	- 18,366
Family Tax Benefit Part B Supplement	1	1.1	177,000	-	177,000	173,700	-	173,700	179,000	-	179,000	183,900	-	183,900
Imports — additional revenue compliance activities	1	1.1	-	1,493	1,493	-	1,523	1,523	-	1,554	1,554	-	1,585	1,585
Increase in maximum rate — Family Tax Benefit Part A income threshold	1	1.1	-	-	-	13,080	-	13,080	13,096	-	13,096	13,109	-	13,109
Official statistics — upgrade	1	1.1	-	6,909	6,909	-	-	-	-	-	-	-	-	-

¹ This is a cross portfolio measure. This table shows the Tax Office's contribution to the measure.

Note: Further information on these measures can be found in *Budget Paper No. 2, Budget Measures 2005-06* and the Measures affecting Outcomes table on page 227. This table shows the resourcing to be provided for these measures and may differ from those in *Budget Paper No. 2, Budget Measures 2005-06* and the Measures affecting Outcomes table as these are on a Government Finance Statistics (GFS) basis.

2.3: OTHER RECEIPTS AVAILABLE TO BE USED

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

Table 2.3: Other revenue¹

	Estimated receipts 2004-05 \$'000	Budget estimate 2005-06 \$'000
Departmental other receipts		
Sale of goods and services	56,596	42,169
Other	1,730	1,820
Total departmental other receipts available to be used	58,326	43,989
Administered other receipts		
<i>Superannuation Guarantee (Administration) Act 1992 - shortfalls, penalties and fines</i>	158,000	149,000
<i>Superannuation Industry (Supervision) Act 1993 - Self Managed Superannuation Fund Levy</i>	13,800	17,600
Total taxation receipts	215,400,000	229,490,000
Miscellaneous receipts	12,000	11,000
Total administered other receipts	215,583,800	229,667,600

¹ This table replaces the former table 'Agency and administered revenues'.

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 Tax Office.

2.5: SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

	Outcome	Note	Estimated expenses 2004-05 \$'000	Budget estimate 2005-06 \$'000
Estimated expenses				
Refunds - s16 <i>Tax Administration Act 1953</i>	1	¹	50,359,000	52,761,000
Family Tax Benefit	1	²	2,533,079	1,614,082
Energy Grants (Credits) Scheme	1		3,557,000	3,712,000
Fuel Sales Grants Scheme	1		269,000	270,000
Measure for a Better Environment - Cleaner Fuels	1		2,000	8,000
Product Stewardship Waste Oil	1		16,000	19,000
Large Scale Film Production	1		85,000	95,000
R & D refundable tax offset for small companies	1		453,000	247,000
Superannuation Co-contribution	1		1,285,000	1,016,000
<i>Superannuation Guarantee (Administration) Act 1992</i> Distribution of charges	1		232,000	217,000
<i>Superannuation (Unclaimed Money and Lost Member) Act 1999</i> Repayment of unclaimed monies	1		5	5
Total estimated expenses		³	58,791,084	59,959,087

1 Refunds under section 16 of the *Tax Administration Act 1953* are primarily taxation refunds but may include amounts for the First Child tax offset; the Private Health Insurance Benefit and interest on overpayments.

2 This represents the portion of the Family Tax Benefit administered by the Tax Office only.

3 The total amount showing for special appropriations differs to the amount shown in Table 2.1 and 3.1 as it includes appropriations for taxation refunds. In other tables, taxation refunds are netted off against the taxation revenue.

2.6: SPECIAL ACCOUNTS

Table 2.6: Estimates of special account flows and balances

		Opening balance	Receipts	Payments	Closing balance
	A ⁽¹⁾	2005-06	2005-06	2005-06	2005-06
	B ⁽¹⁾	2004-05	2004-05	2004-05	2004-05
	Outcome	\$'000	\$'000	\$'000	\$'000
Australian Valuation Office ²	1	5,558	19,489	19,986	5,061
Excise Security Deposits ³	1	46	5	1	50
Other Trust Monies ³	1	49	515	517	46
Superannuation Holding Accounts Reserve Trust Accounts ⁴	1	1,228	4,216	4,216	1,228
		21,228	4,216	24,216	1,228
		58,231	9,000	20,000	47,231
		58,531	12,200	12,500	58,231
Total special accounts					
2005-06 Budget estimate		65,064	32,710	44,203	53,571
Total special accounts					
2004-05 estimated actual		84,897	35,952	55,785	65,064

1 The opening balance for 2005-06 (reference A) is the same as the closing balance for 2004-05 (reference B)

2 This special account is departmental in nature and is governed by the *Financial Management and Accountability Act 1997*.

3 These special accounts are administered in nature and are governed by the *Financial Management and Accountability Act 1997*.

4 This special account is administered in nature and is governed by the *Superannuation Supervision Act 1995*.

Note: Figures are cash based and include transactions between the Australian Valuation Office and the Tax Office.

2.7: ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The Tax Office 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 and administered items that contribute to the Australian Taxation Office's (Tax Office) outcome.

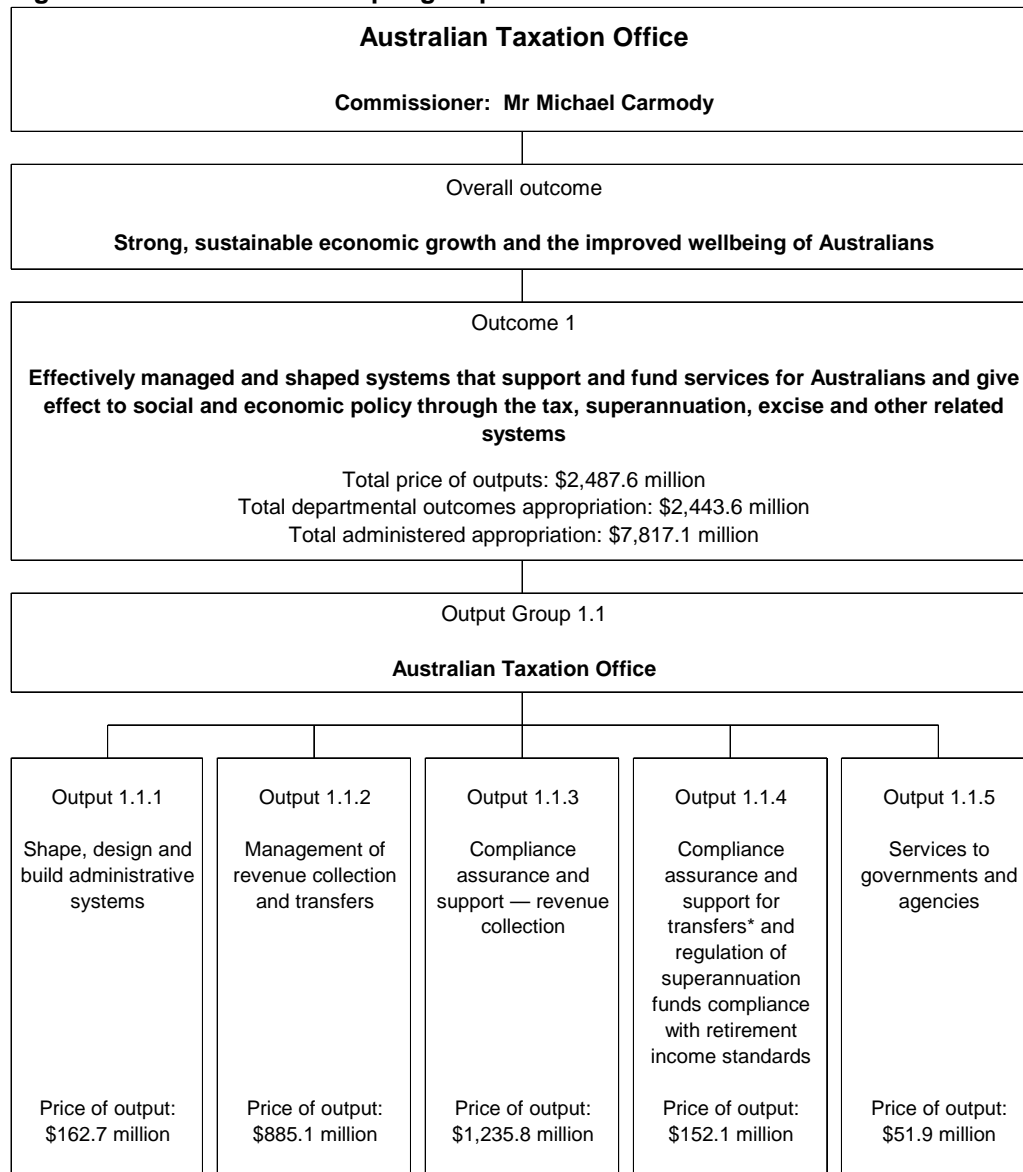
3.1: SUMMARY OF OUTCOMES, OUTPUTS AND ADMINISTERED ITEMS

The Tax Office uses a process of cost allocation to determine its actual costs incurred on each of the five outputs.

Mappings are based on cost centre manager estimates and the results of time recording. The costs of corporate services and facilities, for example, accommodation and information technology, are attributed to cost centres using relevant cost drivers. The cost drivers generally represent resource usage or FTE. Corporate overhead and some information technology related costs are not attributed to cost centres but are instead attributed to outputs as a final step in the costing process.

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

Figure 4: Outcomes and output groups and administered items



* Transfers — movement of money that is not revenue for example tax offsets, grants, super guarantee vouchers, and benefits distribution.

3.2: OUTCOMES — DEPARTMENTAL AND ADMINISTERED

The Tax Office has one outcome, namely, ‘effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems’. The total appropriation for this outcome for 2005-06 is \$10,260.7 million.

Figure 5: Departmental appropriations by outcome, 2005-06

This figure is not applicable to the Tax Office.

Figure 6: Administered appropriations by outcome, 2005-06

This figure is not applicable to the Tax Office.

3.3: OUTCOMES RESOURCING

Outcome 1 description

Effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems.

Outcome 1 resourcing

Table 3.1 shows how the 2005-06 Budget appropriations translate to total resourcing for Outcome 1, including administered expenses, 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
Administered appropriations		
Special appropriations ¹	9,506,084	7,817,087
Annual appropriations	220,000	-
Total administered appropriations	9,726,084	7,817,087
Special Accounts (estimated payments from Special Account balances)²		
Excise Security Deposits - <i>Financial Management and Accountability Act 1997</i>	517	1
Other Trust Monies - <i>Financial Management and Accountability Act 1997</i>	24,216	4,216
Superannuation Holding Accounts Reserve Trust Account - <i>Superannuation Supervision Act 1995</i>	12,500	20,000
Total Special Account outflows	37,233	24,217
Departmental appropriations		
Output Group 1.1 - Australian Taxation Office		
Output 1.1.1 - Shape, design and build administrative systems	118,512	162,666
Output 1.1.2 - Management of revenue collection and transfers	851,166	885,116
Output 1.1.3 - Compliance assurance and support - revenue collection	1,267,209	1,235,787
Output 1.1.4 - Compliance assurance and support for transfers and regulation of superannuation funds compliance with retirement income standards	131,579	152,102
Output 1.1.5 - Services to government and agencies	3,753	7,942
Total revenue from government (appropriations)		
Contributing to price of departmental outputs	2,372,219	2,443,613
Revenue from other sources		
Goods and services	56,596	42,169
Other	1,730	1,820
Total revenue from other sources	58,326	43,989
Total price from departmental outputs		
(Total revenue from government and from other sources)	2,430,545	2,487,602
Special Accounts (estimated payments from Special Account balances)²		
Australian Valuation Office - <i>Financial Management and Accountability Act 1997</i>	18,552	19,986
Total departmental Special Account outflows	18,552	19,986
Total estimated resourcing for Outcome 1		
(Total price of outputs and administered appropriations)	12,156,629	10,304,689
	2004-05	2005-06
Average staffing level (number)	20,800	20,792

1 The amount showing for administered appropriations represents appropriations to deliver Tax Office programmes and benefits. The amount disclosed under special appropriations does not include the expenditure to pay taxation refunds.

2 Special Account outflows are shown in the payments column of the Special Account table in Table 2.6. The estimated payments from special account balances are provided by way of note only and do not form part of the total estimated resourcing.

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 ^{1,2}	- 5,576	- 11,151	- 16,769	- 16,769
Family Tax Benefit Part B Supplement	177,000	173,700	179,000	183,900
Imports — additional revenue compliance activities ³	-	-	-	-
Increase in maximum — rate Family Tax Benefit Part A income threshold	-	13,080	13,096	13,109
Official statistics — upgrade	6,909	-	-	-

1 This measure reduces the Tax Office's appropriation by \$6.103 million in 2005-06, \$12.212 million in 2006-07, \$18.366 million in 2007-08 and \$18.366 million in 2008-09. Also refer to Table 2.2 on page 219.

2 This is a cross portfolio measure. This table shows the Tax Office's contribution to the measure.

3 This measure involves funding of \$1.493 million in 2005-06, \$1.523 million in 2006-07, \$1.554 million in 2007-08 and \$1.585 million in 2008-09 for the Tax Office. Also refer to Table 2.2 on page 219.

Details of these measures are included in *Budget Paper No. 2, Budget Measures 2005-06*.

Outcome 1 contribution of outputs

Table 3.2 details the performance indicators used to assess our achievement of Outcome 1, and shows the link between the outputs and the outcome.

There are five distinct outputs that contribute to Outcome 1:

- Output 1.1.1: reflects the Tax Office's role in effectively shaping the systems to give effect to the legislation administered by the organisation;
- Output 1.1.2: represents the operational aspects of managing the tax, superannuation and excise systems;
- Output 1.1.3: represents the processes required to assure and support compliance with tax obligations, providing the community with information and assistance;
- Output 1.1.4: represents the processes required to assure and support compliance with transfers and superannuation obligations administered by the Tax Office, providing the community with information and assistance; and
- Output 1.1.5: reflects the range of services the Tax Office provides to the Treasurer and Minister for Revenue and Assistant Treasurer, to the Parliament and to other Australian Public Service agencies.

Performance information for Outcome 1

Table 3.2: Performance information for Outcome 1

Overall achievement of the Outcome	
	Effectiveness Indicators
Deliver to Government	<p>Revenue collections as a per cent of budgeted revenue.</p> <p>Dollar value of transfers by transfer type.</p> <p>Overall levels of compliance improved.</p> <p>Implementing new policy measures effectively and in accordance with Government's intent.</p>
Maintain community confidence	<p>Community perceptions of Tax Office fairness and effectiveness.</p> <p>Client perceptions of Tax Office professionalism and service</p> <ul style="list-style-type: none"> - professionalism Survey - corporate service standards (including Taxpayers' Charter).
Minimise compliance costs (within Tax Office control)	<p>Evaluation of administrative products in relation to community needs.</p> <p>Balancing revenue integrity with costs of compliance.</p> <p>Reduction in cost of compliance within Tax Office control.</p>
Efficient and adaptive organisation	<p>Management of financial resources</p> <ul style="list-style-type: none"> - capital expense against budget - operating expense against budget - current ratio: indication of Tax Office's ability to satisfy its obligations in the short term - debt to asset ratio: indication of Tax Office's ability to satisfy its obligations in the long term. <p>Effectiveness of key processes.</p> <p>Workforce management and development.</p>

Table 3.2: Performance information for Outcome 1 (continued)

Overall achievement of the Outcome (continued)

Performance information for administered items (including third party outputs)

The management of administered items is integrated into outputs 1.1.2 and 1.1.4 to enable cost effective delivery of both revenue and transfers.

Performance information for agency outputs

Output Group 1.1 - Australian Taxation Office

Output 1.1.1 - Shape, design and build administrative systems

Includes:

- design, build and implementation of the administrative systems and products to enable the community to meet their obligations under the law; and
- the Tax Office's contribution to policy advice and legislative design, reflecting Tax Office insight into administration, compliance and interpretation perspectives.

Output 1.1.2 - Management of revenue collection and transfers

Includes the transactions between the Tax Office and members of the community as they:

- enter the tax and other systems through appropriate registration;
- receive and provide the required information;
- make payments;
- receive refunds or other payments, or are notified of their obligations; and
- receive advice about outstanding obligations and, if necessary, remedial action from the Tax Office to ensure lodgement and payment compliance.

Quantity

- Administrative advice and costings provided and managed to help shape Government's programme.
- The programme delivering easier, cheaper and more personalised service is implemented in accordance with schedule and costs.

Quality

- Treasury is satisfied with the timeliness and quality of Tax Office's input to the development of taxation policy and laws and with the reliability of Tax Office advice on the system in operation.
- The programme delivering easier, cheaper and more personalised service is implemented in accordance with the agreed intent and outcomes enabling delivery of promised improved user experience.
- Integrated tax design principles are applied in the implementation of all tax change.
- Tax Office evaluates the alignment of the change programme to progress or support strategic business outcomes.

Price: \$162.7 million

Quantity

- Dollar value of revenue collected.
- Dollar value of revenue transferred.
- Number of registrations processed and records maintained.
- Number of accounts managed, refunds issued and payments processed.
- Number of debt and lodgement cases finalised.
- Number of products processed.

Quality

- Performance to Service Standards.
- Client perceptions of professionalism of related areas against benchmark.
- Lodgement cases finalised as a percentage of cases referred.
- Collectable debt compared with total collections.

Price: \$885.1 million

Table 3.2: Performance information for Outcome 1 (continued)

Performance information for agency outputs (continued)	
<p>Output 1.1.3 - Compliance assurance and support for revenue collection</p> <p>Includes:</p> <ul style="list-style-type: none"> - identifying and addressing non-compliance; - providing the community with information about their obligations and entitlements, and assistance to meet their obligations; and - providing assurance to the community and Government on the integrity of the tax system. 	<p>Quantity</p> <ul style="list-style-type: none"> - Numbers of information, interpretation and active compliance products delivered, liabilities raised/collections and numbers of risk reviews conducted. <p>Quality</p> <ul style="list-style-type: none"> - Evaluation of selected Tax Office information products, from a client perspective, both pre and post implementation delivery. - Percentage of technical advice passing quality assurance - trend over time. - Performance to Service Standards. - Client perceptions of professionalism of related areas against benchmark. - Evaluation of Tax Office risk management and strategic intelligence. <p>Price: \$1,235.8 million</p>
<p>Output 1.1.4 - Compliance assurance and support for transfers and regulation of superannuation funds' compliance with retirement income standards</p> <p>Includes:</p> <ul style="list-style-type: none"> - identifying and addressing non-compliance; - providing assurance to the community and Government on the integrity of the tax system; and - providing the community with information about their obligations and entitlements, and assistance to meet their obligations. 	<p>Quantity</p> <ul style="list-style-type: none"> - Dollar value of required transfers effected. - Numbers of information, interpretation and active compliance products delivered, liabilities raised/collections and numbers of risk reviews conducted. <p>Quality</p> <ul style="list-style-type: none"> - Evaluation of selected Tax Office information products, from a client perspective, both pre and post implementation delivery. - Percentage of technical advice passing quality assurance - trend over time. - Performance to Service Standards. - Client perceptions of professionalism of related areas against benchmark. - Evaluation of Tax Office risk management and strategic intelligence. <p>Price: \$152.1 million</p>
<p>Output 1.1.5 - Services to government and agencies</p>	<p>Quantity</p> <ul style="list-style-type: none"> - Number of valuations completed. - Required volume of services delivered for Cross Agency Support and Ministerial and Parliamentary services. <p>Quality</p> <ul style="list-style-type: none"> - Client satisfaction - number and per cent of work completed for Centrelink within seven days. - Cross Agency Support delivered to agreed standard and timeliness. - Ministerial and Parliamentary services delivered to agreed standard and timeliness. <p>Price: \$51.9 million</p>

Evaluations for Outcome 1

The Australian National Audit Office and Tax Office Internal Audit have a rolling programme of issues that are audited during the financial year. Other issues are evaluated within the Tax Office during the financial year as required. Results of evaluation will be shown in the Tax Office Annual Report.

Section 4: Other reporting requirements

4.1: PURCHASER-PROVIDER ARRANGEMENTS

Cross agency overview

The Australian Taxation Office (Tax Office) maintains purchaser/provider arrangements with both the Department of Family and Community Services (FaCS) and the Department of Health and Ageing. These allow the Tax Office to provide services to each of these departments to enable them to achieve their stated outcomes in 2005-06.

The Tax Office will be providing services to FaCS for the Family Assistance Office and the Compliance Package – Prevention and Detection, and to the Child Support Agency.

The Tax Office also provides services to the Department of Health and Ageing for the implementation of the Private Health Insurance rebate.

4.2: COST RECOVERY ARRANGEMENTS

The Tax Office does not presently have any significant cost recovery arrangements. The majority of receipts from independent sources are excluded for the purposes of the Commonwealth Cost Recovery Guidelines for Regulatory Agencies as they relate to intergovernmental charging, taxation and/or comply with competitive neutrality principles.

4.3: AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 4.1: Australian Government Indigenous Expenditure

For information on the Tax Office's Australian Government Indigenous Expenditure refer to the Portfolio table on page 8.

Section 5: Budgeted financial statements

5.1: ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Budgeted departmental statement of financial performance

The Australian Taxation Office (Tax Office) is budgeting for an operating loss of \$15.1 million in 2005-06 after income tax equivalents payable by the Australian Valuation Office (AVO). The operating loss is mainly due to timing differences as expenditure originally planned for 2004-05 will now be spent in 2005-06.

Operating revenues

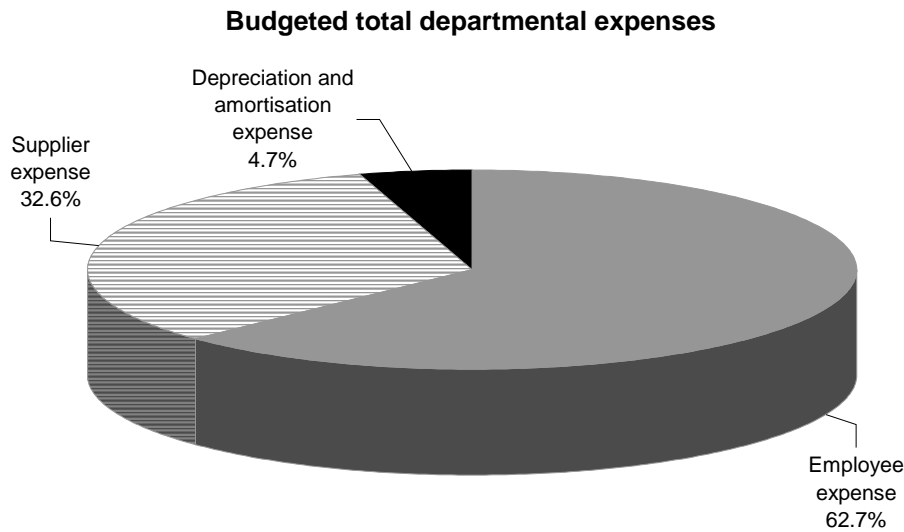
Total agency revenue is estimated to be \$2,487.6 million and consists of \$2,443.6 million appropriation and revenue from other sources of \$44.0 million. This is an increase of \$57.1 million from the 2004-05 estimated actual.

This rise in revenue is primarily as a result of the 2002-03 Outputs Pricing Agreement forecast for 2005-06. The remaining increase relates to increases in appropriation as a result of new budget measures.

Operating expenses

Total expenses are estimated to be \$2,502.4 million. This is an increase of \$57.1 million from the 2004-05 estimated actual.

Operating expenses consist of \$1,569.8 million in employees expenditure, \$815.0 million in suppliers and \$117.6 million in depreciation and amortisation, as illustrated in the following chart.



Parameter adjustments

There was a reduction in appropriation of \$2.3 million in 2005-06 as a result of applying revised economic parameters. Employees account for \$1.5 million of the reduction, with the remaining \$0.8 million being supplier expenditure.

Application of increased efficiency dividend

The efficiency dividend increase resulted in reduced appropriation for 2005-06 of \$6.1 million which was allocated across employees (\$3.0 million) and supplier expenses (\$3.1 million).

Budgeted departmental statement of financial position

In 2005-06 the Tax Office's equity position will be negative \$48.4 million. This is a decline of \$15.4 million from the 2004-05 result, as a result of the approved operating loss.

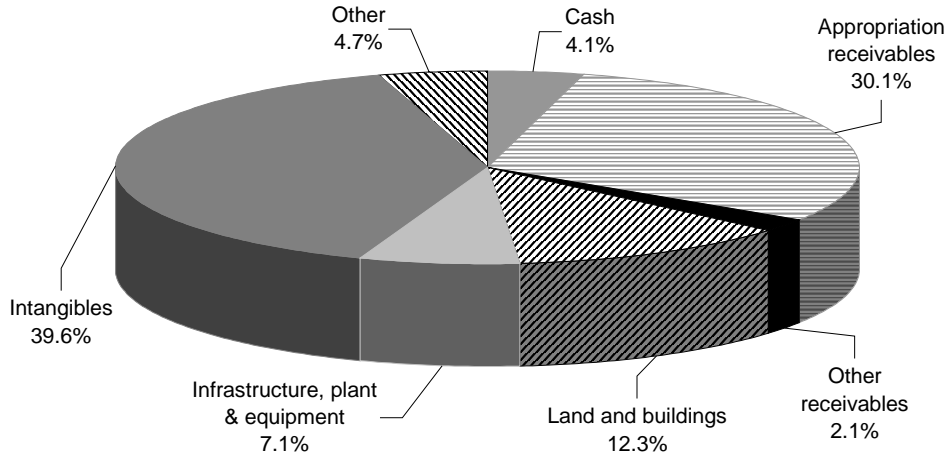
Assets

The Tax Office's assets are predominantly non-financial assets.

In 2005-06 the Tax Office will be maintaining its commitment to long term improvement, investing \$154.4 million in capital expenditure.

A significant proportion of the Tax Office's capital investment is directed toward the development or improvement of internally developed systems and software in support of the Tax Office's intention of making people's experience with the revenue systems easier, cheaper and more personalised, and improving the integrity/flexibility of the Superannuation Business systems.

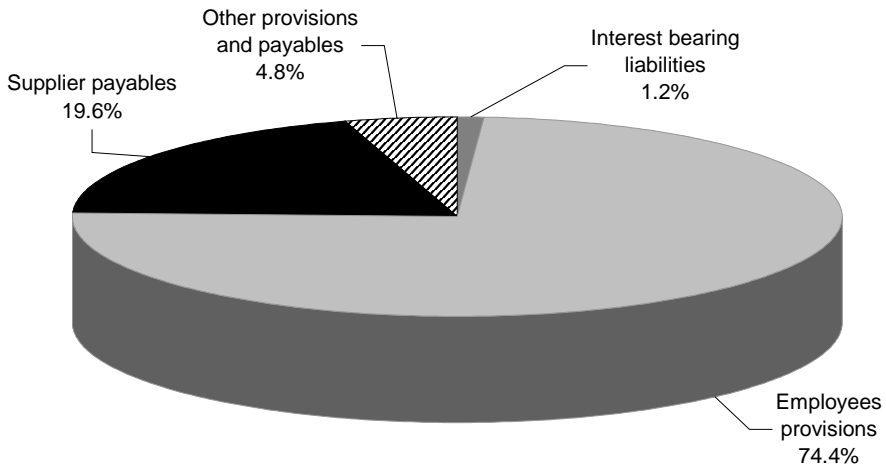
Budgeted total departmental assets 2005-06



Liabilities

The Tax Office’s liabilities are predominantly employee entitlements. Total liabilities have decreased by \$24.8 million from 2004-05. This has been driven by a decrease in other provisions of \$50.3 million due to the 2004-05 estimated actual including anticipation of several large payables at the end of the financial year. This decrease is partially offset by an increase in employee entitlements.

Budgeted total departmental liabilities 2005-06



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
REVENUE					
Revenues from ordinary activities					
Revenues from Government	2,372,219	2,443,613	2,441,218	2,459,358	2,492,098
Goods and services	56,596	42,169	41,828	41,869	42,610
Other	1,730	1,820	1,910	1,910	1,910
Revenues from ordinary activities	2,430,545	2,487,602	2,484,956	2,503,137	2,536,618
EXPENSE					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	1,522,156	1,569,835	1,540,358	1,572,819	1,595,884
Suppliers	818,443	814,974	814,488	800,210	810,623
Depreciation and amortisation	104,697	117,623	129,242	129,242	129,242
Expenses from ordinary activities (excluding borrowing costs expense)	2,445,296	2,502,432	2,484,088	2,502,271	2,535,749
Operating surplus or deficit from ordinary activities	- 14,751	- 14,830	868	866	869
Income Tax expense	252	261	267	267	267
Net surplus or deficit	- 15,003	- 15,091	601	599	602
Net surplus or deficit attributable to the Australian Government	- 15,003	- 15,091	601	599	602

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
ASSETS					
Financial assets					
Cash	29,641	27,268	27,175	27,484	27,492
Receivables	287,425	212,611	209,644	212,617	212,955
Total financial assets	317,066	239,879	236,819	240,101	240,447
Non-financial assets					
Land and buildings	83,714	81,501	79,117	78,590	78,063
Infrastructure, plant and equipment	52,953	46,909	38,284	34,126	29,968
Intangibles	216,936	261,994	301,071	321,824	334,577
Other non-financial assets	31,130	31,298	31,507	31,716	31,716
Total non-financial assets	384,733	421,702	449,979	466,256	474,324
Total assets	701,799	661,581	686,798	706,357	714,771
LIABILITIES					
Interest bearing liabilities					
Other interest bearing liabilities	8,622	8,543	8,464	8,385	8,385
Total interest bearing liabilities	8,622	8,543	8,464	8,385	8,385
Provisions					
Employees	503,164	528,337	552,748	572,796	580,546
Other provisions	84,567	34,300	34,032	33,765	33,765
Total provisions	587,731	562,637	586,780	606,561	614,311
Payables					
Suppliers	138,479	138,819	139,673	139,239	139,611
Other payables	10	20	27	27	27
Total payables	138,489	138,839	139,700	139,266	139,638
Total liabilities	734,842	710,019	734,944	754,212	762,334
EQUITY*					
Parent entity interest					
Contributed equity	184,796	184,796	184,796	184,796	184,796
Reserves	27,209	27,209	27,209	27,209	27,209
Retained surpluses or (accumulated deficits)	- 245,048	- 260,443	- 260,151	- 259,860	- 259,568
Total parent entity interest	- 33,043	- 48,438	- 48,146	- 47,855	- 47,563
Total equity	- 33,043	- 48,438	- 48,146	- 47,855	- 47,563
Current assets	343,091	266,044	263,159	266,616	266,962
Non-current assets	358,708	395,537	423,639	439,741	447,809
Current liabilities	324,801	332,094	343,637	349,412	355,122
Non-current liabilities	410,041	377,925	391,307	404,800	407,212

* '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
OPERATING ACTIVITIES					
Cash received					
Appropriations	2,316,068	2,516,113	2,444,218	2,456,358	2,492,098
Goods and services	57,835	44,479	41,882	41,861	42,912
GST - input credit receipts	80,182	83,342	84,249	83,940	84,790
GST - receipts from customers	3,069	2,212	2,175	2,179	4,261
Total cash received	2,457,154	2,646,146	2,572,524	2,584,338	2,624,061
Cash used					
Employees	1,533,895	1,544,661	1,515,943	1,552,772	1,588,134
Suppliers	758,395	863,333	812,281	799,287	810,246
GST - payments to suppliers	81,747	83,440	84,371	83,941	85,644
GST - payments (agency)	2,120	2,106	2,141	2,141	2,141
Taxes paid	252	261	267	267	267
Total cash used	2,376,409	2,493,801	2,415,003	2,438,408	2,486,432
Net cash from or used by operating activities	80,745	152,345	157,521	145,930	137,629
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	124,339	154,424	157,310	145,310	137,310
Total cash used	124,339	154,424	157,310	145,310	137,310
Net cash from or used by investing activities	- 124,339	- 154,424	- 157,310	- 145,310	- 137,310
FINANCING ACTIVITIES					
Cash used					
Dividends paid	284	294	304	311	311
Cash to Official Public Account	1,200	-	-	-	-
Total cash used	1,484	294	304	311	311
Net cash from or used by financing activities	- 1,484	- 294	- 304	- 311	- 311
Net increase or decrease in cash held	- 45,078	- 2,373	- 93	309	8
Cash at the beginning of the reporting period	74,719	29,641	27,268	27,175	27,484
Cash at the end of the reporting period	29,641	27,268	27,175	27,484	27,492

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
CAPITAL APPROPRIATIONS					
Total equity injections	- 1,200				
Previous year's outputs	9,616	-	-	-	-
Total capital appropriations	8,416	-	-	-	-
Represented by:					
Other	8,416	-	-	-	-
Total represented by	8,416	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	-	-	-	-	-
Funded internally by					
Departmental resources	124,339	154,424	157,310	145,310	137,310
Total	124,339	154,424	157,310	145,310	137,310

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
As at 1 July 2005									
Gross book value	-	-	112,153	-	70,738	-	446,195	-	629,086
Accumulated depreciation	-	-	- 28,439	-	- 17,785	-	- 229,259	-	- 275,483
Opening net book value	-	-	83,714	-	52,953	-	216,936	-	353,603
Additions:									
by purchase	-	-	25,040	-	13,150	-	116,234	-	154,424
by finance lease	-	-	-	-	-	-	-	-	-
from acquisitions of entities or operations (including restructuring)	-	-	-	-	-	-	-	-	-
Net revaluation increment/decrement	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	- 27,253	-	- 19,194	-	- 71,176	-	- 117,623
Recoverable amount write-downs	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
Disposals:									
from disposal of entities or operations (including restructuring)	-	-	-	-	-	-	-	-	-
other disposals	-	-	-	-	-	-	-	-	-
As at 30 June 2006									
Gross book value	-	-	137,193	-	83,888	-	562,429	-	783,510
Accumulated depreciation	-	-	- 55,692	-	- 36,979	-	- 300,435	-	- 393,106
Closing net book value	-	-	81,501	-	46,909	-	261,994	-	390,404

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

	Estimated actual 2004-05 \$'000	Budget estimates 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
REVENUES ADMINISTERED ON BEHALF OF GOVERNMENT					
Taxation					
Income tax	156,380,000	167,280,000	174,460,000	183,430,000	193,930,000
Indirect tax	58,510,000	60,710,000	63,150,000	65,820,000	68,470,000
Other taxes, fees and fines	4,043,800	4,377,600	4,498,900	4,660,200	4,821,500
Total taxation	218,933,800	232,367,600	242,108,900	253,910,200	267,221,500
Non-taxation					
Revenues from government ¹	9,726,084	7,817,087	7,869,894	8,017,501	8,541,062
Other sources of non-taxation revenues	649,000	641,000	759,000	756,000	766,000
Total non-taxation	10,375,084	8,458,087	8,628,894	8,773,501	9,307,062
Total revenues administered on behalf of Government	229,308,884	240,825,687	250,737,794	262,683,701	276,528,562
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Subsidies	4,602,000	4,351,000	4,277,000	4,438,000	4,985,000
Personal benefits	4,712,079	3,069,082	3,096,889	3,094,496	3,071,057
Write down and impairment of assets	2,407,000	1,706,000	1,789,000	1,828,000	1,908,000
Interest	180,000	180,000	180,000	180,000	180,000
Other	232,005	217,005	316,005	305,005	305,005
Total expenses administered on behalf of Government	12,133,084	9,523,087	9,658,894	9,845,501	10,449,062

¹ The amount showing for 'Revenue from government' represents special appropriations and annual appropriations to deliver Tax Office administered programmes and benefits. This amount does not include amounts to pay taxation refunds. Total taxation revenue is shown net of taxation refunds.

Note: The Tax Office reviewed its accounting policy for recognising its administered expense programmes in 2004-05, which has resulted in a one-off increase in the expenses for 2004-05. The change in policy reflects an improved capability to measure the expense programmes on a full accrual basis.

Table 5.7: Schedule of budgeted assets and liabilities administered on behalf of Government 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
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash	183,055	183,055	183,055	183,055	183,055
Receivables	15,553,297	17,188,297	19,545,297	21,960,297	24,605,297
Total financial assets	15,736,352	17,371,352	19,728,352	22,143,352	24,788,352
Non-financial assets					
Other non-financial assets	4,662	4,662	4,662	4,662	4,662
Total non-financial assets	4,662	4,662	4,662	4,662	4,662
Total assets administered on behalf of Government	15,741,014	17,376,014	19,733,014	22,148,014	24,793,014
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Provisions					
Taxation refunds provided	1,297,960	1,297,960	1,297,960	1,297,960	1,297,960
Other provisions	420,326	464,326	577,326	679,326	781,326
Total provisions	1,718,286	1,762,286	1,875,286	1,977,286	2,079,286
Payables					
Grants and subsidies	635,605	608,605	569,605	537,605	560,605
Personal benefits payable	2,937,401	3,177,986	3,218,878	3,226,208	3,212,605
Other payables	5,019	5,019	5,019	5,019	5,019
Total payables	3,578,025	3,791,610	3,793,502	3,768,832	3,778,229
Total liabilities administered on behalf of Government	5,296,311	5,553,896	5,668,788	5,746,118	5,857,515

Note: The Tax Office reviewed its accounting policy for recognising its administered expense programmes in 2004-05, which has resulted in a one-off increase in the expenses for 2004-05. The change in policy reflects an improved capability to measure the expense programmes on a full accrual basis.

Table 5.8: Schedule of budgeted administered 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
OPERATING ACTIVITIES					
Cash received					
Income tax	153,210,000	164,880,000	171,460,000	180,410,000	190,690,000
Indirect tax	57,610,000	59,890,000	62,130,000	64,710,000	67,270,000
Other taxes, fees and fines	4,203,800	4,337,600	4,508,900	4,670,200	4,831,500
Cash from Official Public Account - appropriations ¹	6,383,683	7,559,502	7,755,002	7,940,171	8,429,665
Other	560,000	560,000	623,000	633,000	643,000
Total cash received	221,967,483	237,227,102	246,476,902	258,363,371	271,864,165
Cash used					
Interest paid	180,000	180,000	180,000	180,000	180,000
Subsidies paid	4,076,000	4,378,000	4,316,000	4,470,000	4,962,000
Personal benefits	1,774,678	2,828,497	3,055,997	3,087,166	3,084,660
Cash to Official Public Account - other	215,583,800	229,667,600	238,721,900	250,423,200	263,434,500
Other	353,005	173,005	203,005	203,005	203,005
Total cash used	221,967,483	237,227,102	246,476,902	258,363,371	271,864,165
Net cash from or used by operating activities	-	-	-	-	-
Net increase or decrease in cash held					
Cash at beginning of reporting period	183,055	183,055	183,055	183,055	183,055
Cash at end of reporting period	183,055	183,055	183,055	183,055	183,055

1 The amount showing for 'appropriations' represents appropriations to deliver Tax Office administered programmes and benefits. This amount does not include amounts to pay taxation refunds. Taxation receipts are shown net of taxation refunds.

Table 5.9: Schedule of administered capital budget

This table is not applicable to the Tax Office.

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

This table is not applicable to the Tax Office.

5.3: NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The budgeted financial statements have been prepared on an accrual basis.

Notes to the departmental statements

Details of agency items in the financial statements included in Table 5.1 to 5.5 have been prepared on the basis of Australian Accounting Standards and Department of Finance and Administration guidance for the preparation of financial statements.

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

Australian Valuation Office

The Tax Office's agency budget statements are consolidated to include the financial operations of the Australian Valuation Office.

Cost of administering goods and services tax

Departmental statements include the estimated costs of administering the goods and services tax pursuant to the 'intergovernmental agreement on the reform of Commonwealth-State Financial Relations'. The GST revenue is collected on behalf of the States and Territories which agree to compensate the Australian Government for the agreed GST administration costs.

The recovery of GST administration costs are reported under the Department of the Treasury.

Notes to the administered statements

Details of administered revenue items in the financial statements included in Tables 5.6 to 5.8 have been prepared under the Tax Liability Method (TLM) of revenue recognition, consistent with the Australian Government's recognition of taxation revenue. Under TLM, taxation revenue is recognised at the time a taxpayer makes a self-assessment or when an assessment of a tax liability is raised by the Tax Office or the Australian Customs Service. This method retains some elements of cash revenue recognition, for example, when a cash payment occurs prior to an assessment being raised.

The administered expense items in the financial statements included in tables 5.6 to 5.8 have been prepared on a full accrual basis. This change in accounting policy follows improvements in the capability of the Tax Office to measure all expense programmes

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on a full accrual basis. Expenses were previously recognised based on payments to be made plus known claims on hand (equivalent to the TLM for revenue recognition). The change in accounting policy was applied in 2004-05.

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

Recognition of taxation revenue

Since 1999-2000 administered taxation revenue has been brought to account on a year by year basis where:

- the client or the client group can be identified in a reliable manner;
- an amount of tax or other statutory charge is payable by the client or client group under legislative provisions; and
- the amount of the tax or statutory charge payable by the client or client group can be reliably measured, and it is probable that the amount will be collected.

This recognition policy does not include the following items 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 resource rent tax due after 30 June; and
- actual payments for Pay As You Go, GST, excise and withholding taxes for amounts collected or withheld in June but not remitted to the Commissioner until July.

Items recognised as reductions to taxation revenue

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

- refunds of revenue; and
- increase (decrease) in movement of provision for credit amendments.