

# INSPECTOR-GENERAL OF TAXATION

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# INSPECTOR-GENERAL OF TAXATION

## Section 1: Agency overview and resources

### 1.1 STRATEGIC DIRECTION

The outcome of the Inspector-General of Taxation (IGT) is improved tax administration through community consultation, review and independent advice to government.

IGT's strategic direction for 2011-12 is to improve review processes, timeliness and outcomes by:

- expanding opportunity for community input;
- continuing to build on approaches that increase the Australian Taxation Office's (ATO) involvement and contribution to review processes and outcomes; and
- continuing the appropriate use of external expertise and overseas comparisons to enhance capabilities and objectivity.

In 2010-11, the IGT established a new work program for 2011-12 through a broad-based community consultation process which remains in effect for the 2011-12 year.

## 1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by departmental classification.

**Table 1.1: Inspector-General of Taxation resource statement — Budget estimates for 2011-12 as at Budget May 2011**

	Estimate of prior year amounts available in 2011-12 \$'000	+	Proposed at Budget 2011-12 \$'000	=	Total estimate 2011-12 \$'000	Actual available appropriation 2010-11 \$'000
<b>Ordinary annual services</b>						
<b>Departmental</b>						
Prior year departmental appropriation	2,253	<sup>4</sup>	-		2,253	-
Departmental appropriation <sup>3</sup>	-		2,724	<sup>1</sup>	2,724	2,172
Receipts from other sources (s31)	-		-	<sup>2</sup>	-	52
<b>Total net resourcing for the IGT</b>	<b>2,253</b>		<b>2,724</b>		<b>4,977</b>	<b>2,224</b>

1. Appropriation Bill (No. 1) 2011-12.

2. Receipts received under s31 of the *Financial Management and Accountability Act 1997*.

3. Includes \$0.04 million in 2011-12 for the departmental capital budget (refer to Table 3.2.5 for further details).

4. Estimated adjusted balance carried from previous year for annual appropriations.

## 1.3 BUDGET MEASURES

Budget measures relating to the IGT are detailed in Budget Paper No. 2, *Budget Measures 2011-12* and are summarised below.

**Table 1.2: Inspector-General of Taxation 2011-12 Budget measures**

	Program	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000
<b>Expense measures</b>						
Efficiency dividend - temporary increase in the rate	1.1	-	(11)	(28)	(35)	(42)
Inspector-General of Taxation - additional funding	1.1	-	544	548	551	554
<b>Total expense measures</b>		-	533	520	516	512
<b>Related capital</b>						
Efficiency dividend - temporary increase in the rate	1.1	-	-	-	-	(1)
<b>Total related capital</b>		-	-	-	-	(1)

Prepared on a government finance statistics (fiscal) basis.

## Section 2: Outcomes and planned performance

### 2.1 OUTCOMES AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programs which contribute to Government outcomes over the budget and forward years.

The IGT's outcome is described below specifying the strategy, program, objective, deliverables and key performance indicators used to assess and monitor the performance of the IGT.

**Outcome 1: Improved tax administration through community consultation, review, and independent advice to government.**

#### **Outcome 1 strategy**

Key strategies to achieve Outcome 1 are:

- undertake community consultation, research and other processes to identify and prioritise areas of tax administration that can be systemically improved;
- call for submissions to review and to stimulate input by, for example, issuing terms of reference and similar materials;
- review identified areas and provide independent advice and recommendations to the Government on improvements to the administration of the tax laws;
- maintain a positive public profile for the IGT through participation in conferences and seminars;
- build on approaches that increase the ATO's involvement and contribution to review processes and outcomes; and
- selectively engage external expertise and undertake overseas comparisons to enhance capabilities and objectivity for appropriate reviews.

The major projects and activities expected to be commenced and/or completed during 2011-12 include:

- review of the ATO’s implementation of the Report on Aspects of Income Tax Self Assessment recommendations;
- review into the ATO’s use of benchmarking to target the cash economy;
- review into the ATO’s use of Early and Alternative Dispute Resolution;
- review into the ATO’s small and medium enterprise audit and risk review policies, procedures and practices; and
- follow-up review into the ATO implementation of IGT recommendations.

### Outcome expense statement

Table 2.1 provides an overview of the total expenses for Outcome 1.

**Table 2.1: Budgeted expenses for Outcome 1**

Outcome 1: Improved tax administration through community consultation, review, and independent advice to government	2010-11 Estimated actual expenses \$'000	2011-12 Estimated expenses \$'000
<b>Program 1.1: Inspector-General of Taxation</b>		
Departmental expenses		
Departmental appropriation	2,186	2,686
Expenses not requiring appropriation in the budget year	38	38
<b>Total expenses for Outcome 1</b>	<b>2,224</b>	<b>2,724</b>
<b>Average staffing level (number)</b>	<b>7</b>	<b>11</b>

## Contributions to Outcome 1

### Program 1.1: Inspector-General of Taxation

#### Program objective

The IGT has the following objectives:

- identify areas of the tax system's administration where the community or other stakeholders believe that improvements should be made or issues reviewed;
- consult with government agencies that review tax administration, in particular the Australian National Audit Office and the Commonwealth Ombudsman to foster cooperation and make efficient use of resources;
- prioritise areas of tax administration for review according to the IGT's work program and ministerial direction as appropriate;
- provide independent advice to the Government on the tax system's administration and make recommendations on improvements; and
- follow-up on the ATO's implementation of IGT recommendations.

#### Program expenses

The increase in expenses in 2011-12 and forward years relates to additional funding for the IGT as detailed in Budget Paper No. 2, *Budget Measures 2011-12*.

**Table 2.2: Program expenses**

	2010-11 Revised budget \$'000	2011-12 Budget \$'000	2012-13 Forward year 1 \$'000	2013-14 Forward year 2 \$'000	2014-15 Forward year 3 \$'000
Annual departmental expenses:					
Departmental items	2,224	2,724	2,742	2,763	2,781
<b>Total program expenses</b>	<b>2,224</b>	<b>2,724</b>	<b>2,742</b>	<b>2,763</b>	<b>2,781</b>

**Program deliverables**

The IGT has the following deliverables:

- a program of reviews based on community input and consultation with other relevant agencies, and prioritised in line with principles of good tax administration; and
- six completed reviews incorporating independent advice to the Government on systemic issues and/or viable improvements to tax administration.

**Program key performance indicators**

The IGT has the following key performance indicators:

- positive feedback and continued support from community stakeholders including taxpayers, tax practitioners and relevant government agencies; and
- recommendations for systemic improvements in tax administration agreed and implemented by the ATO and/or the Government.



## **Section 3: Explanatory tables and budgeted financial statements**

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the 2011-12 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses, movements in administered funds, special accounts and government Indigenous expenditure.

### **3.1 EXPLANATORY TABLES**

#### **3.1.1 Movement of administered funds between years**

The IGT has no administered funds.

#### **3.1.2 Special accounts**

The IGT has no special accounts.

#### **3.1.3 Australian Government Indigenous Expenditure**

The IGT has no Australian Government Indigenous Expenditure.

### **3.2 BUDGETED FINANCIAL STATEMENTS**

#### **3.2.1 Differences in agency resourcing and financial statements**

There are no differences between agency resourcing and financial statements.

#### **3.2.2 Analysis of budgeted financial statements**

The IGT is budgeting for a break-even operating result in 2011-12 after adding back non-appropriated depreciation and amortisation expenses.

### 3.2.3 Budgeted financial statements tables

**Table 3.2.1: Budgeted departmental comprehensive income statement (for the period ended 30 June)**

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
<b>EXPENSES</b>					
Employee benefits	1,307	1,859	1,854	1,873	1,887
Supplier	879	827	850	852	856
Depreciation and amortisation	38	38	38	38	38
<b>Total expenses</b>	<b>2,224</b>	<b>2,724</b>	<b>2,742</b>	<b>2,763</b>	<b>2,781</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Revenue</b>					
Other revenue	52	-	-	-	-
<b>Total revenue</b>	<b>52</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total own-source income</b>	<b>52</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cost of (contribution by)</b>					
<b>services</b>	<b>2,172</b>	<b>2,724</b>	<b>2,742</b>	<b>2,763</b>	<b>2,781</b>
Appropriation revenue	2,134	2,686	2,704	2,725	2,743
<b>Surplus (deficit) attributable to the Australian Government</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>
<b>Note: Reconciliation of operating result attributable to the agency</b>					
	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000
<b>Operating result attributable to the Australian Government</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>
Plus non-appropriated expenses depreciation and amortisation expenses	38	38	38	38	38
<b>Operating result attributable to IGT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.2: Budgeted departmental balance sheet  
(as at 30 June)**

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and equivalents	55	70	70	70	70
Trade and other receivables	2,198	2,198	2,198	2,198	2,198
<b>Total financial assets</b>	<b>2,253</b>	<b>2,268</b>	<b>2,268</b>	<b>2,268</b>	<b>2,268</b>
<b>Non-financial assets</b>					
Infrastructure, plant and equipment	242	242	242	242	241
Other	4	4	4	4	4
<b>Total non-financial assets</b>	<b>246</b>	<b>246</b>	<b>246</b>	<b>246</b>	<b>245</b>
<b>Total assets</b>	<b>2,499</b>	<b>2,514</b>	<b>2,514</b>	<b>2,514</b>	<b>2,513</b>
<b>LIABILITIES</b>					
<b>Provisions</b>					
Employees	226	240	240	240	240
Other	178	179	179	179	179
<b>Total provisions</b>	<b>404</b>	<b>419</b>	<b>419</b>	<b>419</b>	<b>419</b>
<b>Payables</b>					
Suppliers	72	72	72	72	72
<b>Total payables</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</b>
<b>Total liabilities</b>	<b>476</b>	<b>491</b>	<b>491</b>	<b>491</b>	<b>491</b>
<b>Net assets</b>	<b>2,023</b>	<b>2,023</b>	<b>2,023</b>	<b>2,023</b>	<b>2,022</b>
<b>EQUITY</b>					
Reserves	248	248	248	248	248
Contributed equity	38	76	114	152	189
Retained surpluses or accumulated deficits	1,737	1,699	1,661	1,623	1,585
<b>Total equity</b>	<b>2,023</b>	<b>2,023</b>	<b>2,023</b>	<b>2,023</b>	<b>2,022</b>
<b>Current assets</b>	<b>2,257</b>	<b>2,272</b>	<b>2,272</b>	<b>2,272</b>	<b>2,272</b>
<b>Non-current assets</b>	<b>242</b>	<b>242</b>	<b>242</b>	<b>242</b>	<b>241</b>
<b>Current liabilities</b>	<b>205</b>	<b>211</b>	<b>211</b>	<b>211</b>	<b>211</b>
<b>Non-current liabilities</b>	<b>271</b>	<b>280</b>	<b>280</b>	<b>280</b>	<b>280</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.3: Budgeted departmental statement of cash flows  
(for the period ended 30 June)**

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations	2,134	2,686	2,704	2,725	2,743
Other	53	-	-	-	-
<b>Total cash received</b>	<b>2,187</b>	<b>2,686</b>	<b>2,704</b>	<b>2,725</b>	<b>2,743</b>
<b>Cash used</b>					
Employees	1,294	1,845	1,854	1,873	1,887
Suppliers	880	826	850	852	856
<b>Total cash used</b>	<b>2,174</b>	<b>2,671</b>	<b>2,704</b>	<b>2,725</b>	<b>2,743</b>
<b>Net cash from or (used by) operating activities</b>	<b>13</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	38	38	38	38	37
<b>Total cash used</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>37</b>
<b>Net cash from or (used by) investing activities</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>	<b>(37)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Capital injections	38	38	38	38	37
<b>Total cash received</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>37</b>
<b>Net cash from or (used by) financing activities</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>37</b>
<b>Net increase or (decrease) in cash held</b>	<b>13</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash at the beginning of the reporting period	42	55	70	70	70
<b>Cash at the end of the reporting period</b>	<b>55</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>70</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Departmental statement of changes in equity — summary of movement (budget year 2011-12)**

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2011</b>					
Balance carried forward from previous period	1,737	248	-	38	2,023
<b>Adjusted opening balance</b>	1,737	248	-	38	2,023
<b>Comprehensive income</b>					
Surplus (deficit) for the period	(38)	-	-	-	(38)
<b>Total comprehensive income recognised directly in equity</b>	(38)	-	-	-	(38)
<b>Transactions with owners</b>					
Contributions by owners					
Appropriation (departmental capital budget)	-	-	-	38	38
<b>Total transactions with owners</b>	-	-	-	38	38
<b>Estimated closing balance as at 30 June 2012</b>	1,699	248	-	76	2,023

Prepared on Australian Accounting Standards basis.

**Table 3.2.5: Departmental capital budget (DCB) statement**

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Capital budget - Bill 1 - DCB	38	38	38	38	37
<b>Total capital appropriations</b>	38	38	38	38	37
<b>Represented by:</b>					
Purchase of non-financial assets	38	38	38	38	37
<b>Total represented by</b>	38	38	38	38	37
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation - DCB	38	38	38	38	37
<b>TOTAL</b>	38	38	38	38	37
<b>RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE</b>					
Total purchases	38	38	38	38	37
<b>Total cash used to acquire assets</b>	38	38	38	38	37

Prepared on Australian Accounting Standards basis.

**Table 3.2.6: Statement of asset movements — departmental**

	Buildings \$'000	Other infrastructure, plant and equipment \$'000	Intangibles \$'000	Total \$'000
<b>As at 1 July 2011</b>				
Gross book value	-	362	-	362
Accumulated depreciation/amortisation and impairment	-	120	-	120
<b>Opening net book balance</b>	-	242	-	242
<b>Capital asset additions</b>				
By purchase - appropriation ordinary annual services	-	38	-	38
<b>Total additions</b>	-	38	-	38
<b>Other movements</b>				
Depreciation/amortisation expense	-	38	-	38
<b>Total other movements</b>	-	38	-	38
<b>As at 30 June 2012</b>				
Gross book value	-	400	-	400
Accumulated depreciation/amortisation and impairment	-	158	-	158
<b>Closing net book balance</b>	-	242	-	242

Prepared on Australian Accounting Standards basis.

### 3.2.4 Notes to the financial statements

The financial statements have been prepared on an Australian Accounting Standards basis.