



Annual Review 2010

STATE
REVENUE
OFFICE
VICTORIA

www.sro.vic.gov.au

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ABOUT THE SRO

The State Revenue Office (SRO) administers Victoria's taxation legislation and collects a range of taxes, duties and levies.

In 2009-10, the SRO collected in excess of \$10.2 billion in payroll tax, land tax, duties and other taxes.

Since July 2000, the SRO has administered the First Home Owner Grant in Victoria and has been responsible for administering the Victorian Government's First Home Bonus and First Home Regional Bonus. The Federal Government's First Home Owner Boost was also administered by the SRO.

The office also provides administrative support for the Water and Sewerage Rebate Scheme. Since October 2004 the SRO has administered the Unclaimed Moneys function in Victoria, and from July 2010 the SRO is administering the Growth Areas Infrastructure Contribution.

As an independent service agency, the SRO acts under a framework agreement between the Victorian Treasurer, the Secretary of the Department of Treasury and Finance and the Commissioner of State Revenue.

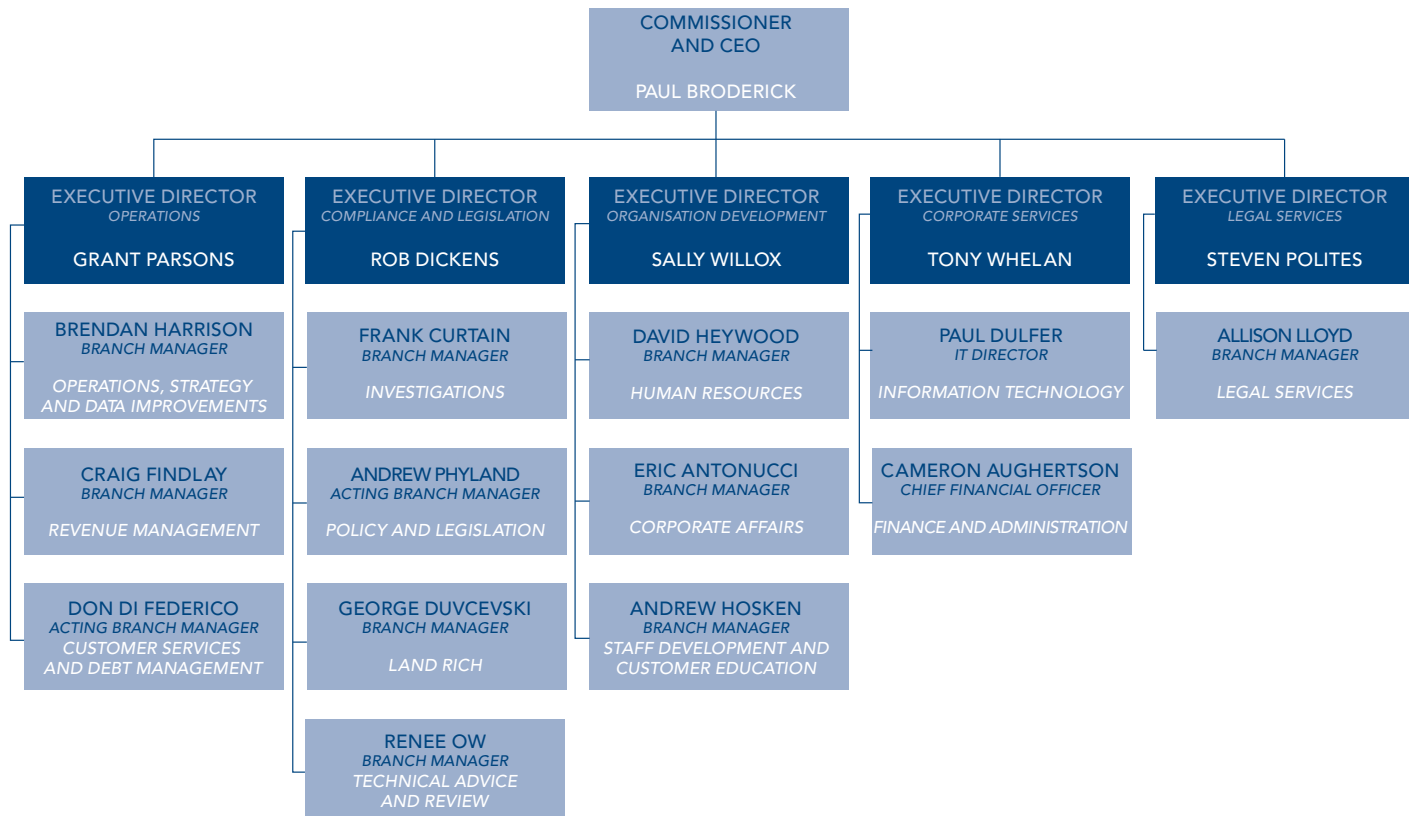
The SRO is located at 121 Exhibition Street in Melbourne and at the Ballarat Technology Park. It provides an increasing range of e-Business services through its website www.sro.vic.gov.au

Full financial reports and other annual reporting requirements appear in the Department of Treasury and Finance's Annual Report.

This Annual Review provides complementary information to that report.



Organisational Structure



Opposite - Executive from left to right:
 Paul Broderick Commissioner and CEO
 Sally Willox Organisation Development
 Grant Parsons Operations
 Rob Dickens Compliance and Legislation
 Steven Polites Legal Services
 Tony Whelan Corporate Services

CUSTOMER CHARTER

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This Charter is designed to outline what you can expect in your dealings with us and what we expect of you.

.....

Our role

To provide you with quality services which are fair, efficient and deliver benefits for all Victorians.

Our service focus

We will:

- be courteous and professional
- aim to answer your telephone calls within one minute
- aim to answer correspondence within 21 days, and ensure our correspondence is clear and concise
- finalise 80 per cent of private rulings within 90 days
- help you understand and meet your obligations
- clearly explain our decisions and your rights in relation to those decisions
- aim to make it cheaper and easier for you to comply with your obligations
- consult and listen to feedback from you and relevant industry groups, and
- be responsive to individual, cultural and special needs.

Fairness and equity

We will:

- treat you fairly and reasonably
- treat you as being honest unless you act otherwise
- apply the law consistently, having regard to your circumstances as far as the law allows
- behave with integrity and honesty
- act impartially
- respect your privacy and only use or disclose your information in accordance with the law, and
- comply with our obligations under the Charter of Human Rights.

Conduct of investigations

We will, where appropriate:

- give you reasonable notice before conducting an investigation
- advise you of the scope and nature of an investigation
- give you the opportunity to have a representative present during an investigation, and
- advise you in writing about the results of an investigation without undue delay.

Objection and appeal

We will:

- ensure your objections are considered by a person independent of the original decision maker
- finalise 80 per cent of objections within 90 days of receiving all necessary information
- explain your rights of review and appeal and tell you about the time limits, and
- where appropriate, use alternative ways to resolve disputes.

Our expectations of you

We expect you to:

- be honest, cooperative, and courteous
- keep all records required by law and allow us reasonable access to them
- respond promptly to requests for information or documentation, and understand that our decisions may be delayed if this information is not provided
- lodge documents, statements and returns on time
- pay the full amount of tax you are legally required to pay, when it is due
- only apply for grants, concessions and exemptions to which you are entitled
- advise us if your circumstances change and keep us informed of your current details in case we need to contact you, and
- understand that if you do not meet your obligations, penalties and interest may be imposed



Comments from you

We welcome your comments and feedback. If you are not satisfied with our service please write to:

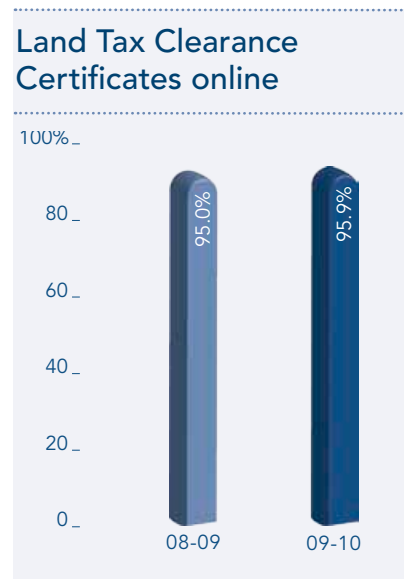
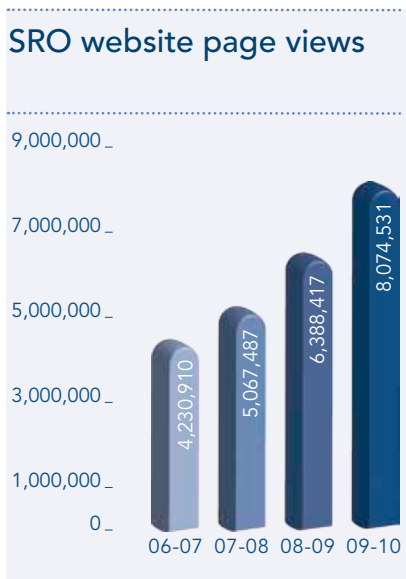
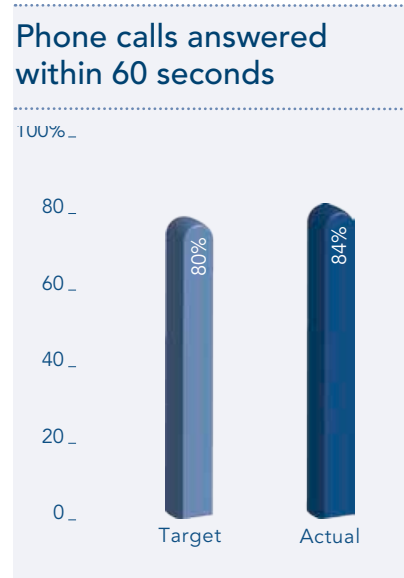
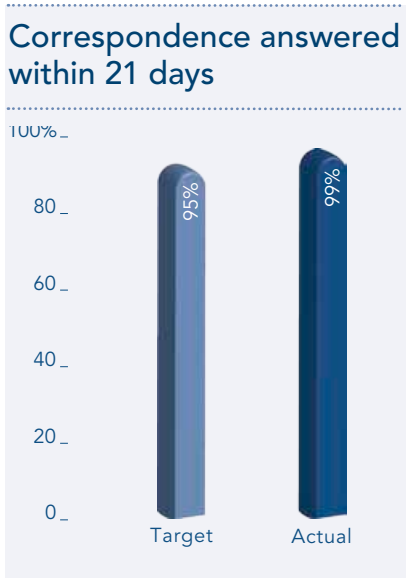
Commissioner of State Revenue
State Revenue Office of Victoria
GPO Box 1641
MELBOURNE VIC 3001

We will treat all your concerns seriously and respond promptly.

Paul Broderick

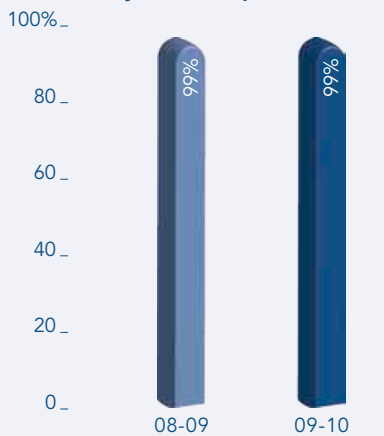
Commissioner of State Revenue

CUSTOMER CHARTER PERFORMANCE



 SRO Performance

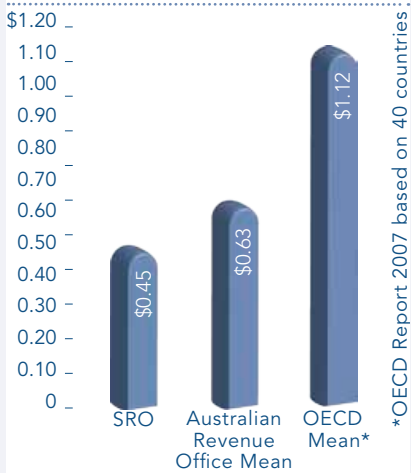
Electronic Payroll Tax Annual Adjustment process



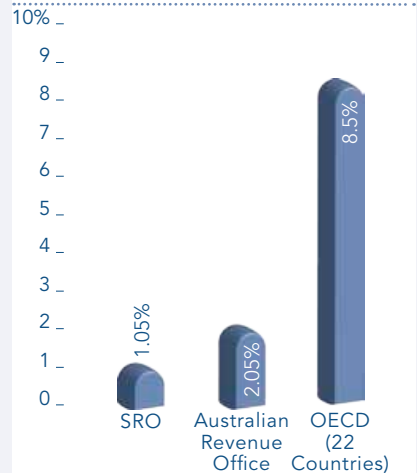
Total revenue administered per full time equivalent



Total cost to administer \$100



Average overdue debt as a percentage of revenue collected



Interjurisdictional Revenue Office comparisons 2010-2011

Revenue and debt

The State Revenue Office has had an interesting year in terms of revenue collected. At the start of the financial year, revenues were down due to the residual effects of the global financial crisis, but as the year progressed, and the property market in particular improved, revenues started to once again exceed forecasts. This meant that by the end of the year the overall annual forecast had been exceeded by one per cent, a result not expected at the beginning of the year. An important highlight of note was that the revenue received from stamp duty on land transfers exceeded forecasts by \$106M or three per cent over the year.

Debt was also kept at low levels of under 2 per cent for the whole year while aging debt (over 90 days) did not increase. The SRO's management of debt continues to be among the best in the world when compared to other OECD countries.

Compliance

Our strong focus on ensuring taxpayers pay the right amount of tax at the right time has continued unabated. During the year there were 4,182 audits conducted resulting in \$123.7M in additional revenue being detected. A high level of investment continued into our Business Intelligence program which uses sophisticated database management software and techniques to identify taxpayers who may be doing the wrong thing. The aim of this program is to increase the 'strike rate' of investigations. That is, we want audits to produce a result in as many cases as possible so that we are not bothering taxpayers who are doing the right thing. This also has the effect of using our resources in the most efficient manner.

In 2004 the SRO established a Land Rich Branch to handle matters that fell under the Land Rich provisions of the Duties Act. Land Rich has been highly effective in managing the audits, conducting education programs and providing a point of contact for practitioners to help them meet their obligations under the law. Since this Branch was implemented it has detected additional revenue of about \$236M.

Legal

The SRO has an active program of litigation on foot and this has been highly effective in defending the law. In the last year there were 17 cases run in courts from VCAT to the Supreme Court. Overall the SRO won almost three quarters of these matters. Many of these cases involve highly complex issues that require substantial preparation and intellectual input from our legal team. The SRO does not enter the courts lightly and uses a litigation committee comprising senior staff from various sections of the SRO to determine if matters proceed to litigation. Most cases proceed to the courts at the request of taxpayers who have lost their objection and wish it to proceed to a court to examine their claims.

Performance

Key Performance Indicators (KPIs) are used throughout the office to monitor our performance on an ongoing basis. The SRO uses a balanced scorecard approach to group these measures into meaningful categories. The four categories are: Customers; Internal Business processes; Financial and People. There are 33 measures used in this approach, of which 31 were achieved in 2009-10. This was a very pleasing result given that the last year saw significantly increased workloads in some areas.

In the last quarter of the year we initiated a review by an expert consultant, of how we handle telephone calls to identify areas for improvement. Although the report indicates many areas where we can improve, the consultant was very impressed with the level of service currently provided. In particular the abandonment rate of calls is close to world's best practice.

A survey of callers also indicated high levels of satisfaction of 90 per cent, which is very good considering that we are a taxing agency!



A new streamlined system for dealing with frequent users of our counter service was introduced during the year. This new service has meant far fewer land transfer documents are processed at the counter saving time and effort for many agents acting on behalf of taxpayers.

GAIC and SBR

The Government has now introduced legislation for a Growth Areas Infrastructure Contribution to be administered by the SRO. Preparations, including the development of an electronic system to handle this new initiative, were completed during the year. It is expected that the first transactions will take place shortly.

A project to cut red tape for businesses by extracting data directly from business software packages was completed by the Commonwealth in June of 2010. The project, called Standard Business Reporting (SBR) provides business information directly to the ATO, ASIC, Revenue Offices and other agencies without human intervention, thus providing significant savings to end users. The SRO contributed significantly to this project by providing an interface with its payroll tax line.

2010-2011

Last year the SRO identified a need to bolster its customer education team to extend its already extensive, information and education programs. The customer education team has now been increased significantly in size and is now working on innovative ways of interacting with taxpayers to ensure that they are aware of their obligations. A pilot "webinar" was conducted to provide a payroll tax information seminar directly to the computer screens of agents in Mildura. This initiative will be extended widely following the successful pilot. An examination of other innovative means of communication with taxpayers will occur during the course of 2010-2011 to make it as easy as possible for Victorians to understand their taxation obligations.

This year will also see the implementation of Duties Online, an initiative to enable the online payment of Duty on land transfers. We are expecting that this will further reduce red tape for taxpayers and cut the cost of compliance.

Conclusion

2009-10 was a challenging year for the SRO with the introduction of new initiatives such as the GAIC and our ever increasing workloads. We were, however, able to maintain our high standards with the strong commitment of the management team and staff who have worked hard to ensure good value-for-money tax administration for the state of Victoria. I would also like to thank the Secretary and our colleagues at the Secretary of Department of Treasury and Finance and the Treasurer's office for their support and cooperation during the year.

Paul Broderick
Commissioner of State Revenue

REVENUE HIGHLIGHTS

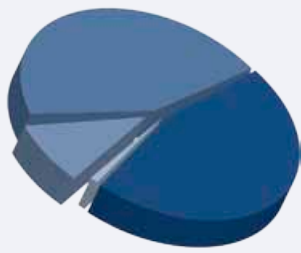
Performance against forecast

	Forecast \$'000	Collections \$'000	Variation
Payroll Tax	4,493,581	4,532,266	0.9%
Duties	4,375,826	4,479,583	2.4%
Land Tax	1,222,151	1,178,358	-3.6%
Congestion Levy	44,864	47,152	5.1%
Licence Fees	26,275	23,253	-11.5%
Total	10,162,696	10,260,612	1.0%

Refunds paid

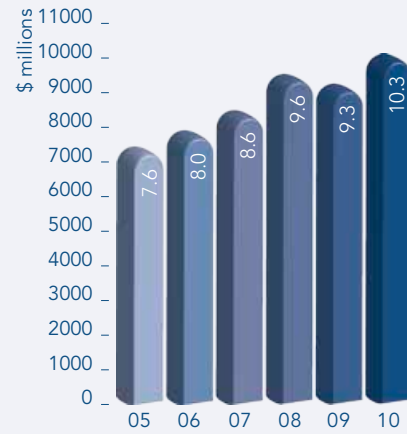
	2008-09 \$'000	2009-10 \$'000
Payroll Tax	26,633	39,001
Duties	15,114	23,237
Land Tax	16,343	27,757
Congestion Levy	194	174
Licence Fees	29	119
Total	58,313	90,288

Revenue break up



- 44% Payroll Tax
- 44% Duties
- 11% Land Tax
- 1% Other

Total net revenue







14 OPERATIONS

14 REVENUE MANAGEMENT

**14 CUSTOMER SERVICES AND DEBT
MANAGEMENT**

The SRO administers the First Home Owner Grant.

OPERATIONS

The Operations Division plays a central role in the administration of Victoria's tax system, and is the main contributor to the first of the SRO's five strategic pillars: Revenue Collection. Through our state-of-the-art systems and well-trained staff in both Ballarat and Melbourne, we also administer a range of other grants and rebates, such as the First Home Owner Grant (FHOG) and Unclaimed Moneys. The majority of revenue is collected and accounted for through the Operations Division, as well as the payment of the grants and rebates administered by the SRO.

A key goal of the Division is to make it as easy as possible for taxpayers and other customers to interact with us.

To this end, our major e-business offerings were revised and updated and, to assist our payroll tax customers, we were a leading supporter of the Commonwealth Government's Standard Business Reporting (SBR) initiative. Victorian payroll tax customers may now use the SBR portal if they wish.

Many forms and publications were also rewritten during the year, including a revised set of land tax publications and a simpler and more streamlined assessment notice. Taxpayer feedback about these initiatives has been very strong.

Measures are in place to further improve the telephone service provided by the SRO to ensure we resolve customer inquiries as early as possible, thus preventing duplication and unnecessary inconvenience to taxpayers. New payment options have also been investigated and contact will be further automated through the Interactive Voice Response (IVR) system, the portal and the web.

Improved letters and publications, streamlined e-business systems and better quality, more timely advice all help create the right environment for taxpayers to meet their obligations, thus ensuring strong voluntary compliance.

Revenue Management

2009-10 was an extremely busy year across the Division. All areas experienced a growth in work, particularly in FHOG and Unclaimed Moneys, where the numbers of claims made in each case were the highest on record.

While 2008 municipal valuations were again used in 2009 to assess land tax, the annual assessment cycle remains a major undertaking. In line with the experience of recent years, there were pleasingly few complaints about the administration of the tax. In fact, taxpayer feedback was very positive, an excellent indication of the customer focussed approach of our staff.

A significant challenge during the year was establishing the administration of the Growth Areas Infrastructure Charge (GAIC). A dedicated team has been put in place, processes established and systems built to enable the efficient collection of the GAIC. Comprehensive information is available on the SRO's website.

Customer Services and Debt Management

The Customer Services and Debt Management Branch manages the collection of land transfer duty, including servicing the Customer Service Centre, at 121 Exhibition Street. They also handle the bulk of customer phone enquiries and manage the SRO's debt recovery.

With respect to debt, notwithstanding the difficulties experienced in some segments of the economy, SRO's debt management strategy has ensured that debt came comfortably within the world's-best-practice Key Performance Indicator (KPI) of maintaining debt below 2 per cent of revenue.

Across each revenue area, high levels of staff commitment, process improvements and further automation all ensured that all customer-focussed KPIs were met and that productivity targets were exceeded.

Highlights

During 2009-10:

- 207,355 LTX assessments were issued
- 49,108 FHOG applications were made
- 31,469 claims for unclaimed moneys were received
- 31,784 taxpayers were registered for PTX
- 225,322 stamp duty documents were processed
- In excess of 270,000 phone calls were received.



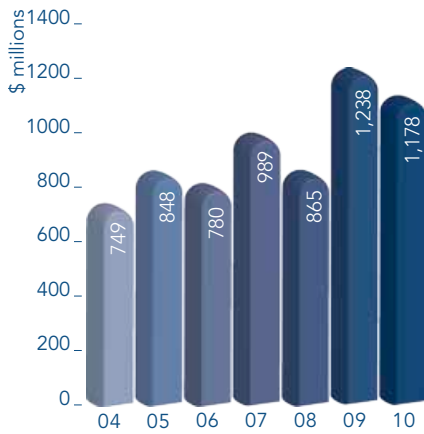
FHOG Top Ten Postcodes by volume for 2009-10

Postcode	Suburbs	Applications
3029	Hoppers Crossing, Tarneit	1793
3030	Derrimut, Point Cook, Werribee	1762
3977	Cranbourne, Devon Meadows, Skye	1299
3023	Burnside, Caroline Springs, Deer Park	1188
3064	Craigieburn, Donnybrook, Mickleham, Roxburgh Park	1128
3754	Mernda, Doreen	933
3810	Pakenham, Rythdale	768
3076	Epping	601
3337	Melton, Toolern Vale	587
3350	Alfredton, Ballarat , Canadian, Invermay Park, Mt Clear, Mt Helen	548

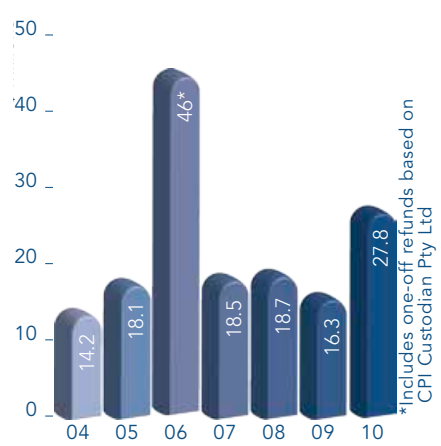
Number of FHOG Applications 2000-2010

Financial Year	Applications
2000-2001	33,615
2001-2002	45,912
2002-2003	32,267
2003-2004	28,705
2004-2005	37,970
2005-2006	39,692
2006-2007	39,254
2007-2008	40,015
2008-2009	44,050
2009-2010	49,108

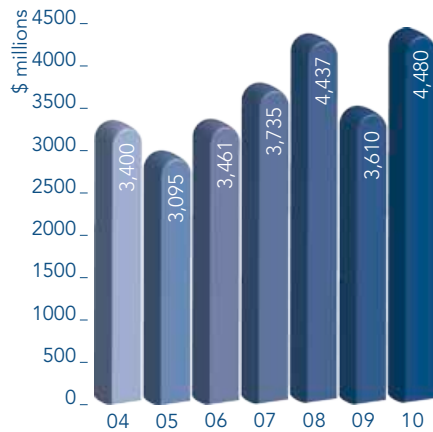
Net Land Tax receipts



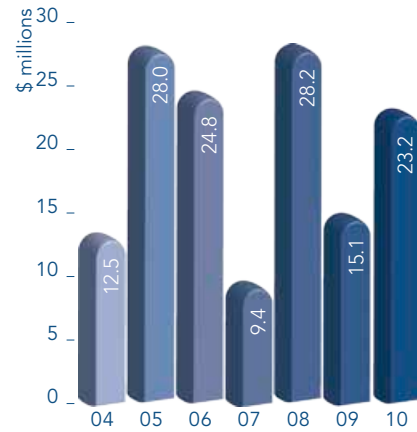
Land Tax refunds



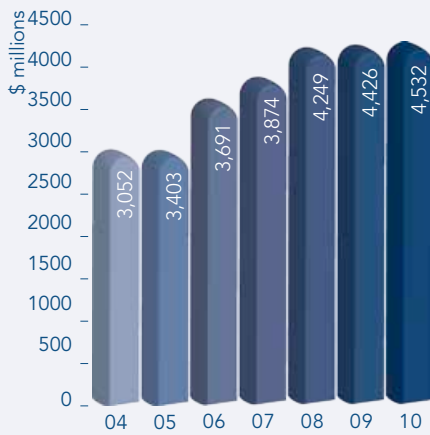
Duties revenue incl. misc duties



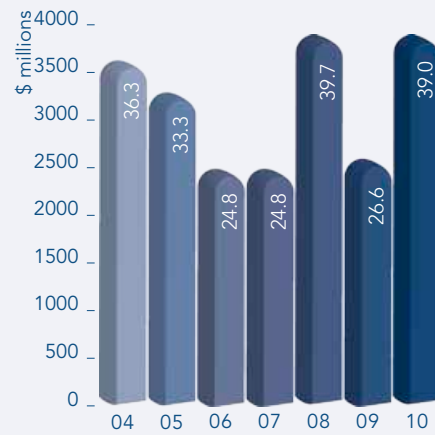
Duties refund



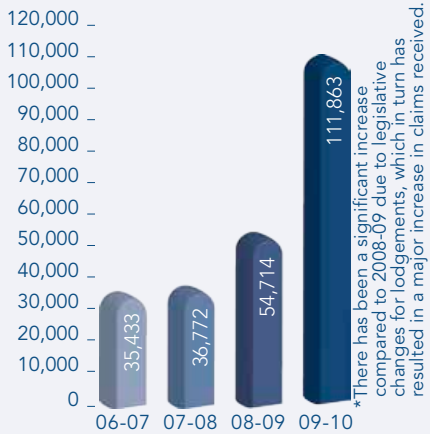
Net Payroll Tax revenue



Payroll Tax refunds



Unclaimed Moneys - Number of Entitlements Paid







20 COMPLIANCE AND LEGISLATION

20 INVESTIGATIONS

21 TECHNICAL ADVICE AND REVIEW

22 POLICY AND LEGISLATION

23 LAND RICH

Congestion Levy which applies to car parks is administered by the SRO.

COMPLIANCE AND LEGISLATION

The Compliance and Legislation Division provides a wide range of services broadly covering:

- investigations and compliance activities
- information management and data exchange
- revenue monitoring and reporting
- management of the Duties' Land Rich and Long-Term Lease Provisions
- policy issues and changes to taxation legislation
- private and public Rulings
- tax technical education and training, and
- dealing with objections to assessments.

In terms of organisational structure, the Division comprises the following:

- Investigations
- Land Rich
- Policy and Legislation
- Technical Advice and Review

Investigations

The SRO's compliance strategy and philosophy is based on maximising voluntary compliance by customers who have a clear understanding of their obligations. The SRO uses customer education, clear communications and consistent information to assist customers to pay the right amount of tax at the right time.

Last year, Investigations activities in this area included:

- a mail out to 347 employers nearing the payroll tax threshold to inform them of their potential obligation to register, as well as an explanation of the components of taxable wages. This resulted in 52 employers registering in a timely manner and avoiding penalties
- a range of education activities in relation to compliance with the unclaimed moneys legislative framework to raise industry understanding of its obligations to remit unclaimed amounts to the Registrar
- investigators attending payroll tax Annual Reconciliation seminars to provide insights from audits to assist businesses in complying in the future, and

- a duty voluntary disclosure program for Licensed Motor Car Traders (LMCTs) was conducted in conjunction with the Victorian Automobile Chamber of Commerce. It allowed LMCTs to examine their affairs and disclose vehicles used for non-exempt purposes. This program and associated investigations yielded over \$2 million from 260 motor car traders.

It is inevitable that a degree of non-compliance exists across the SRO's revenue lines. The reasons for this may range from ignorance to legislative uncertainty to deliberate tax evasion or fraud. The SRO's compliance approach is to provide an appropriate response to non-compliance depending on the reasons for it. These include the use of administrative sanctions (interest, penalties and the period of retrospective assessments) which are weighted according to the nature of the non-compliance. Serious non-compliance can also attract prosecution action in the courts.

Investigation's chief role is to identify risk areas for each tax and grant scheme administered by the SRO and employ its resources in areas where the risks of non-compliance are assessed to be high, in order to mitigate these risks.

During the year the Investigations conducted 4182 investigations covering most of the revenue lines administered by the SRO and detected \$123.7 million in revenue. The details for the major revenue lines were:

- **Payroll Tax** 2218 cases completed for \$75.5 million
- **Land Tax** 1010 cases completed for \$30.3 million
- **Duties** 459 cases completed for \$11.5 million
- **FHOG** 479 cases completed for \$4.6 million

A summary of the areas to be investigated each year appears on the SRO website in the Compliance section.

Investigations Branch increasingly uses new technology and data and information from sources outside the SRO to better identify potential areas of non-compliance, more effectively manage risk and, most importantly, aims to contact those taxpayers where there is a reasonable likelihood that non-compliance exists. This ensures that fewer customers with no compliance issues are approached, thus reducing compliance costs generally.



The new technologies include greater use of data-matching (both in regard to the scope of data being matched and more sophisticated matching techniques), data-mining activities and business intelligence solutions. These approaches ensure more cohesive, accurate and accessible data. Last year, the identification of a liability strike rate for all data matching and Business Intelligence investigations was 81 per cent. This means that the majority of taxpayers contacted were in fact in non-compliance situations and that those that have been complying are much less likely to have their affairs disrupted.

Key sources of information are the revenue offices of other jurisdictions, the Australian Taxation Office, the Victorian WorkSafe Authority and a range of State and Federal Government bodies. The revenue offices regularly exchange data and investigation results with application to another jurisdiction. This promotes voluntary compliance, as taxpayers are advised that this will occur and are encouraged to voluntarily disclose any liability, to obtain reduced penalties before being subject to an investigation by the second revenue office.

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Similarly, the SRO works closely with the ATO to exchange data, intelligence, cases and compliance and education methods to boost compliance with State and Commonwealth legislation.

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These activities with the ATO focus on identifying non-compliance in the property and employment taxes areas, but also include identifying opportunities to educate taxpayers about their obligations.

During the year, the Victorian SRO worked closely with the NSW OSR on a joint payroll tax audit program. The program was designed to reduce employers' compliance costs by subjecting them to a single audit conducted for both jurisdictions. It was generally well received and the model was rolled out to apply to a national payroll tax audit program that will involve all jurisdictions in 2010-11.

The SRO uses appropriate enforcement activities in cases of deliberate non-compliance. These include the issuing of statutory notices for failure to provide information, compulsory interviews and prosecutions for dishonest behaviour in relation to the First Home Owner Grant or taxation matters. It also refers matters to Victoria Police where serious fraud or other criminal offences are detected and provides intelligence to that organisation in relation to major investigations.

Technical Advice and Review

Technical Advice and Review Branch (TARB) is responsible for providing customers and their professional advisers with concise, accurate and up-to-date tax technical information to assist them in determining their tax liabilities or entitlements to any exemptions. TARB also independently reviews customers' objections. In 2009-10, TARB provided 1109 private rulings (97.6 per cent completed within 90 days) and determined 953 objections to 1715 assessments (92.1 per cent completed within 90 days).

In addition, TARB imparts information to customers and their professional advisers through the provision of public rulings and tax technical publications. In 2009-10 this involved the issuing of 16 tax technical publications and seven public rulings.

TARB is also responsible for the tax technical content on the SRO website, which is a platform that has grown significantly in terms of the reliance placed on it by customers and their professional advisers in accessing comprehensive and up-to-date state taxes information.

Customers are encouraged to utilise the SRO's free information service which advises subscribers of updates to tax technical information including new public rulings and publications. Registration for this service is available via the SRO website at www.sro.vic.gov.au

Policy and Legislation

Policy and Legislation contributes to the ongoing improvement of Victoria's tax system by developing recommendations for changes to existing taxation policy. Policy and Legislation also assists the Department of Treasury and Finance and the Government with the development of taxation legislation and the implementation of new taxation initiatives.

During 2009-10 the Victorian Parliament passed two taxation Bills - the *State Taxation Acts Further Amendment Act 2009* and the *State Taxation Acts Amendment Act 2010*.

The taxation legislative reform included:

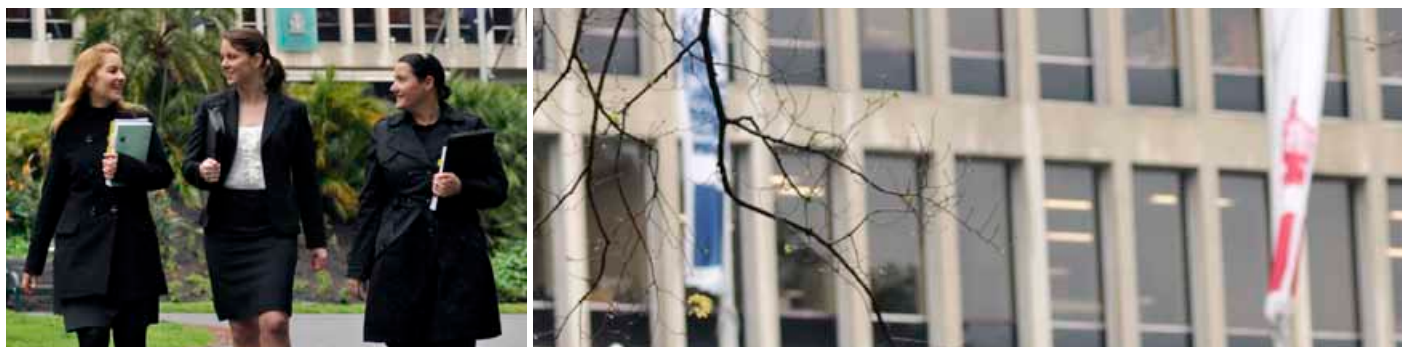
- amending the *Duties Act 2000* so that duty can be processed and paid using a web-based system currently under development by the SRO
- the alignment, from 1 July 2010, of the threshold for charging a higher rate of motor vehicle duty on new or near new passenger cars with the general luxury car tax threshold under Commonwealth legislation, which is indexed annually
- a land tax exemption from the 2011 land tax year onwards for land on which a retirement village or residential care facility (including supported residential services and residential services for disabled people) is being constructed for a maximum of two years
- several amendments to the *Land Tax Act 2005*, including a requirement for land tax payers to notify the Commissioner if their land tax assessment does not include land owned by them or land specified in the assessment as exempt is not exempt, as well as an amendment to the exemption for Crown land to clarify that lessees and licensees (other than retail leases or licences) of Crown land who acquire their interest from a statutory authority do not receive the exemption

- the modernisation of the provisions which facilitate cross-border investigations, their insertion into the *Taxation Administration Act 1997* and consequential repeal of the *Taxation (Reciprocal Powers) Act 1987*
- a reduction in the rate of payroll tax from 4.95 per cent to 4.90 per cent from 1 July 2010 and the introduction, with effect from 1 July 2009, of uniform nexus provisions to clarify the jurisdiction in which payroll tax should be paid where wages relate to an employee who works in more than one jurisdiction in a month
- amendments to the *Taxation Administration Act 1997* to permit disclosure of taxation information in connection with the administration of the *First Home Owner Grant Act 2000* and the *Unclaimed Money Act 2008*, the imposition of penalty tax where a taxpayer fails to notify the Commissioner of certain matters or events and clarification that court documents in recovery matters can be served on a taxpayer by post, and
- repealing the *Business Franchise (Tobacco) Act 1974*, *Debits Tax Act 1990* and *Financial Institutions Duty Act 1982* as the various taxes, duties and fees imposed by these Acts have been abolished and the Acts no longer have any practical effect.

First Home Owner Scheme

Amendments were made to the *First Home Grant Act 2000* to enact changes announced in the 2009 and 2010 State Budgets:

- a cap of \$750,000 on the value of a property eligible for the First Home Owner Grant from 1 January 2010 (excluding farms purchased as a first home buyer's principal place of residence) was introduced, and
- payment of the First Home Owner Bonus and Regional Bonus was extended to contracts entered into on or after 1 July 2010 and before 30 July 2011 at an increased amount of \$13,000 for the Bonus and \$19,500 for the Regional Bonus.



Fire Services Levy

During 2009-10, the Parliament also passed the *Fire Services Funding (Feasibility Studies) Act*. This Act amended the *Taxation Administration Act 1997* to provide the Commissioner of State Revenue with the power to conduct feasibility studies into taxes, duties, levies or imposts where the study is in the public interest. These powers were established to assist the Victorian Government in assessing the viability of different options for funding fire services in Victoria.

Growth Areas Infrastructure Contribution

The *Planning and Environment Amendment (Growth Areas Infrastructure Contribution) Act 2010* was also enacted. It imposes a Growth Areas Infrastructure Contribution (GAIC), which is a one-off financial contribution on certain land in the growth areas of metropolitan Melbourne upon the first occurrence of a land sale, subdivision or substantive land development. The GAIC may be deferred or paid in stages. The GAIC is designed to aid State infrastructure in the growth areas.

Freedom of Information

During 2009-10, Policy and Legislation took on responsibility for processing requests under the *Freedom of Information Act 1982* for the State Revenue Office and the Land Tax Hardship Relief Board. Details of the 2009-10 FOI requests can be found at Appendix 4 and further details are available at www.foi.vic.gov.au

Land Rich

Under the *Duties Act 2000*, certain acquisitions of units and shares in entities with substantial Victorian land holdings may be subject to duty. To assist with these highly complex transactions the SRO has had a specialist area, known as Land Rich, in place for a number of years. Land Rich provides dedicated services to taxpayers and practitioners in this area and acts as a one-stop-shop for all their needs.

As well as providing individual assistance, Land Rich conducts an informative seminar and public information program. During the 2009-10 financial year, three seminars were delivered to over 200 participants.

Land Rich also issued more than 80 private rulings, processed 61 acquisition statements, determined 19 trust registration applications, completed 67 investigations, and answered over 500 calls on the land rich helpline.



6
IP P2
P 2P

SUPREME COURT



26 LEGAL SERVICES

The Supreme Court Melbourne - where many SRO cases are heard.

LEGAL SERVICES

The SRO's compliance strategy is founded on maximising voluntary compliance. The litigation program complements that strategy by improving certainty for customers, clarifying areas of disputed law and pursuing non-compliance. Where litigation is necessary, it is conducted in accordance with the Model Litigant Guidelines issued by the Attorney General. In so doing the SRO seeks to avoid or limit the scope of legal proceedings where possible by pursuing alternative avenues of resolution and by not pursuing litigation unless the SRO believes it has reasonable prospects of success, or the litigation is otherwise justified in the public interest.

The SRO's ability to respond appropriately to non-compliance is dependent upon it having access to high standard legal services that are accurate, authoritative and timely. The provision of such legal services by an in-house team has enabled the development of specialist legal skills and knowledge around the range of taxes, grants and levies administered by the SRO. By this means SRO lawyers quickly develop an advanced level of expertise on the subject of state taxes.

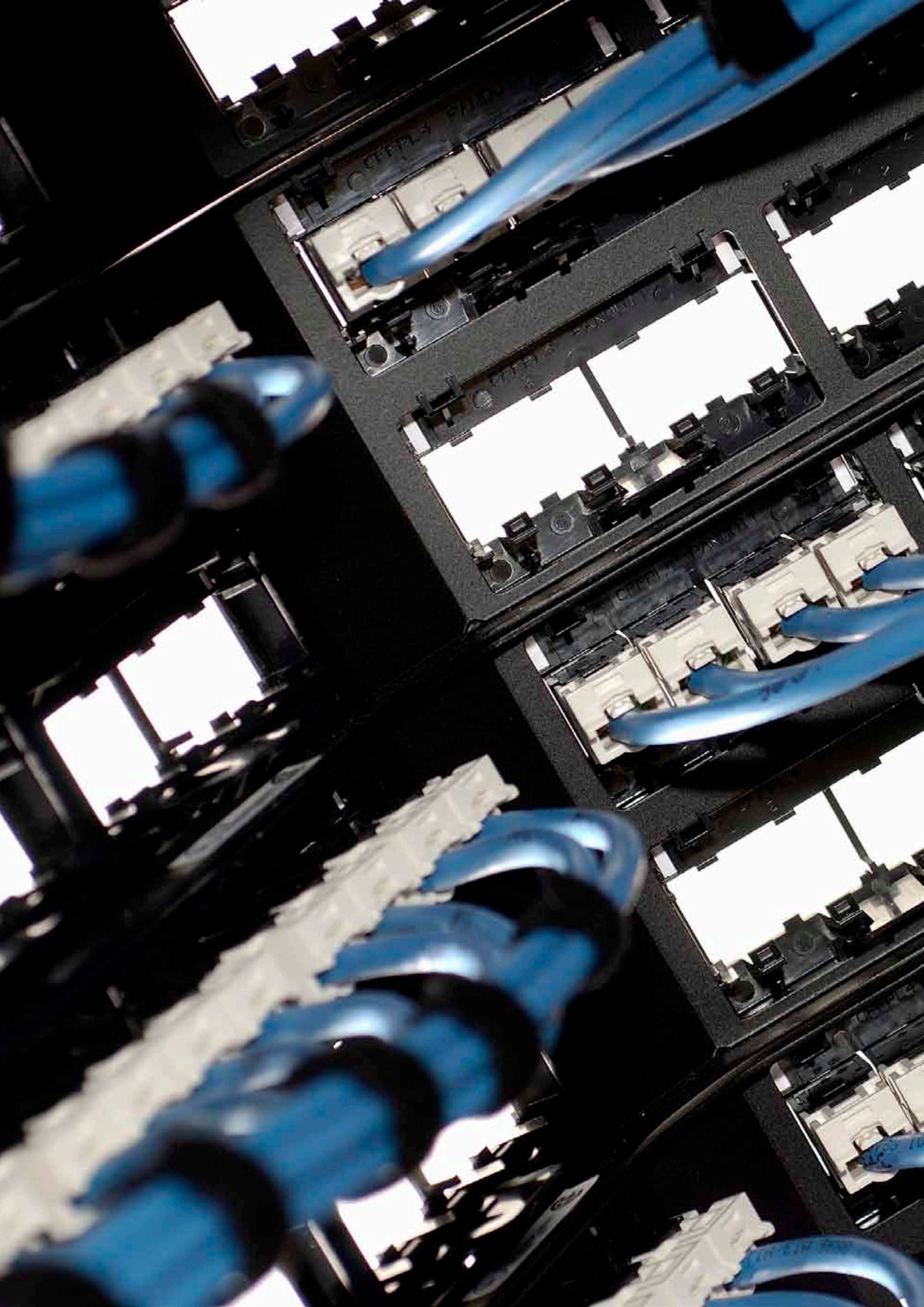
Securing employment as one of these lawyers has recently proven to be a much sought after objective for many lawyers who recognise it as a rewarding and exciting means of advancing their legal careers.

Comprising a team of 19 specialist practitioners, these lawyers form the Legal Services Division and provide in-house advice on the administration and interpretation of the various Acts administered by the SRO, as well as conducting the litigation arising from the application of those Acts.

The Litigation is generally conducted in the Victorian Civil and Administrative Tribunal (VCAT), the Supreme Court of Victoria, the Court of Appeal and the High Court of Australia. During 2009-10 the SRO received 105 requests for referral to VCAT or to the courts (Appendix 7). Seventeen disputes were determined by hearing, 12 of which were decided in favour of the SRO, resulting in a litigation success rate of 71 per cent. A summary of several significant cases appears in Appendix 5.

The SRO's Legal Services Division is also responsible for ensuring the organisation remains compliant with the *Information Privacy Act 2000*, the *Health Records Act 2001* and the *Whistleblowers Protection Act 2001*. No disclosures were received under the Whistleblowers legislation.







30 CORPORATE SERVICES

30 INFORMATION COMMUNICATION
TECHNOLOGY

31 FINANCE AND ADMINISTRATION

ICT Server Room, Melbourne.

The Corporate Services Division is responsible for the delivery of information technology, IT projects, financial, administrative, procurement, contract and risk management services supporting the revenue management and collection activities of the SRO.

Information Communication Technology

Sustainable Revenue Management System (SRMS) Program

The SRO completed year four of a 10-year program to extend the useful life of its core revenue management system 'e-Sys' to beyond 2015 through a transitional program of upgrades, expansion of electronic services and the incremental implementation of reusable services.

Projects making up the program are split into the following four work streams to achieve economies from common management, resource utilisation, delivery and governance mechanisms:

- **Work Stream 1 – Business Process Improvements** focuses on streamlining core revenue system functionality to improve overall business process efficiency and effectiveness.
- **Work Stream 2 – Customer Services Expansion** focuses on the extension and improvements to electronic transaction offerings for taxpayers.
- **Work Stream 3 – Corporate Business Intelligence** enhances the collection, management and analysis of large volumes of data to generate compliance case lists, improve data quality and reporting.
- **Work Stream 4 – Infrastructure** focuses on the upgrade of hardware and software that is part of the infrastructure supporting the operations of current business applications and IT project delivery.

Key Highlights in 2009-10:

- Business Process Competency Centre (BPCC) governance model approved and implemented
- established Business Process Management (BPM) and Enterprise Architecture (EA) frameworks and repositories
- implemented Business Process Management Notation (BPMN) as the business process modelling standard
- trained and certified our business analysts in BPMN 2.0
- delivered electronic LTX Clearance Certificates, Payroll Tax eReturns using e-Sys reusable services

and *Payroll Tax Case Lists* from the Business Intelligence (BI) data warehouse

- completed business requirements and business design for the new Duties Online System (eStamping)
- delivered a set of technical and business products for use by external software developers to build Standard Business Reporting (SBR) features, for Government, enabled and certified commercial accounting software with these features. The certified software can be used by taxpayers to submit payroll tax monthly and annual returns as part of a multi-agency SBR system.

Applications Services

The Applications Services Team is responsible for the support, maintenance and enhancement of production applications.

Major deliveries during the year included:

- online applications for payroll tax refunds
- a number of enhancements to implement improvements identified through a Business Process Review conducted by Operations
- functionality to verify Pensioner Concession Card holders through integration with Centrelink for the purposes of processing Land Transfer Duty concessions
- legislative changes including updates to penalty and interest rates functionality, First Home Owner Boost and Bonus offset against Stamp Duty, Payroll Tax Harmonisation changes, and Congestion Levy pro-rata concessions, and
- changes to Unclaimed Moneys to accommodate Intralot as a new lottery vendor.

The Information Systems Planning Committee (ISPC) was reviewed during the year resulting in the release of a new charter and the committee being chaired by an Executive Director to:

- formally establish the committee as a sub-committee of the SRO Executive when constituted as the Information Technology Steering Committee (ITSC), and
- support the new Integrated Business Planning Process which lays out a process and schedule for integrating IT strategic planning and the development of an Annual IT Work Plan with SRO corporate and branch planning processes.



Technical Services

The delivery of cost effective ICT services remains a major priority of the Technical Services Team who provide a wide range of services covering applications infrastructure, customer services (service desk and field services) and network services.

During the year the team successfully:

- supported the project streams in delivering scheduled projects
- upgraded production and development databases from Oracle 10g to 11g
- replaced the Melbourne SAN
- developed and deployed new desktop SOE
- rolled out Office 2007
- implemented extended availability for e-Sys, including 'hot backups'
- virtualised the bulk of the Windows (including upgrade to Windows 2008) and Solaris servers
- replaced Ballarat switches, and
- implemented Notes clustering for high availability and eMail Archiving.

Finance and Administration

Financial Services

The SRO discretionary budget expenditure was within a 0.02 per cent variance of budget which was an outstanding result achieved by the finance team. This once again clearly demonstrates strong financial control, planning and understanding of our cost structures and the importance of finance working closely with business units, managers and the SRO Executive.

A major initiative undertaken during the year was the development of a 'Value for Money' (VfM) framework to integrate VfM principles into existing management, planning, budgeting, review and decision-making processes, particularly in regards to projects and core activities with significant financial implications.

The SRO expects to realise the following benefits from adopting a VfM:

- reduced operational costs
- productivity improvements
- improved customer service/satisfaction, and
- mitigating risk.

Another major initiative undertaken was a comprehensive payments review, which reviewed existing payment options and processes across all major taxlines. A number of recommendations were approved and will be implemented over the next couple of years including expanding the credit card limit for the 2011 land tax issue cycle.

Administration

The administration team provides a diverse range of services covering office accommodation and fleet management, electronic document management, procurement and contract management as well as managing the SRO's risk register and liaising with internal and external auditors.

Key achievements during 2009-10 include:

- released a reconfigured Electronic Document & Records Management System (TRIM) business design to:
 - centrally store all types of electronic communication including corporate documents, customer records, emails and faxes, and
 - comply with WoVG ICT Standard: SEC/STD/02 – Data Classification & Management as the enabler for handling security classified information.
- implemented further enhancements to the contracts register including automating the uploading of payment information and linking all relevant documentation via TRIM
- completed a major review and update of the Risk Management Framework to align it to the new ISO 31000 standard
- achieved environmental targets including reductions in both paper and energy usage
- worked with the new Shared Services Provider to commence the transition of facilities, accommodation, car pool and library services as part of the Government's Efficient Government Policy
- Ninety-nine per cent of customers surveyed were 'satisfied' to 'very satisfied' with the service provided by the Finance and Administration, and
- No significant non-conformities identified in ITIL, ISO, internal or external audits.





34 ORGANISATION DEVELOPMENT

34 HUMAN RESOURCES

**36 STAFF DEVELOPMENT AND
CUSTOMER EDUCATION**

37 CORPORATE AFFAIRS

38 ORGANISATIONAL LITERACY

Customer Education facilitate seminars for taxpayers.

ORGANISATION DEVELOPMENT

Human Resources

Attracting, selecting and retaining skilled and knowledgeable staff plays a critical role in any organisation.

Recruitment

Human Resources (HR) works closely with the business to ensure we recruit and select the right staff in a timely manner. 2009-10 again saw a busy year with significant recruitment activity in a challenging employment market. We continue to focus on enhancing our recruitment advertising strategies, updating our website for potential employees and training and coaching for selection panel members. Forty-seven new staff joined the SRO in 2009-10.

Induction

The SRO's Induction program is designed to:

- ensure new starters quickly become familiar with the organisation, its values, its role and its culture
- understand the facilities and benefits provided at the SRO, and
- see the connection between their day-to-day work and the broader organisational strategies.

During 2009-10 the Human Resources Branch continued to review and improve the Induction program, particularly incorporating enhanced online components.

Staff Retention

The SRO has a range of programs in place to ensure we retain outstanding staff, while providing them with diverse opportunities for career development. Over 300 career opportunities (promotions, transfers and higher duties assignments) were available to staff in 2009-10. Fifty-four per cent of vacancies were filled by internal staff. Our staff turnover rate remained low at 7.8 per cent, reflecting employee satisfaction and continued internal career development opportunities.

Occupational Health and Safety and Wellbeing

The SRO has an outstanding health and safety record. HR takes a proactive approach at both the Ballarat and Melbourne sites to ensure ongoing staff safety and well-being.

We offer a range of work life balance initiatives to staff, including Health Expos, support for various fitness initiatives such as the Corporate Cup and Global Corporate Challenge, an innovative Senior Staff in Transition Program, professional Employee Assistance Program, early intervention and return to work plans, flu vaccinations, eyesight testing and flexible work practices.

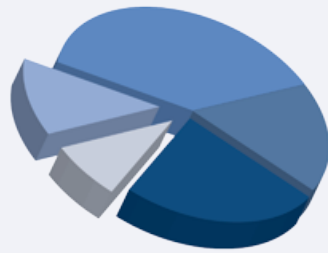
Only one successful WorkCover claim was lodged in 2009-10 enabling the SRO to enjoy continued premium reductions. In fact, our WorkCover premium is now better than the industry average by 38.8 per cent.

SRO Staff Profile

Average age	40.8 years
Average length of service	11.05 years
Gender - males	49.5%
Gender - females	50.5%
Post secondary qualifications	75.8%

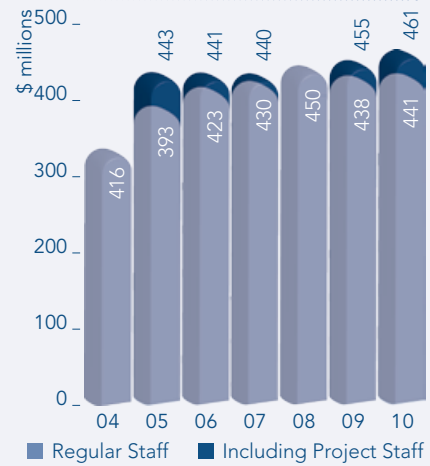
*based on 471 total employees

SRO staff qualifications

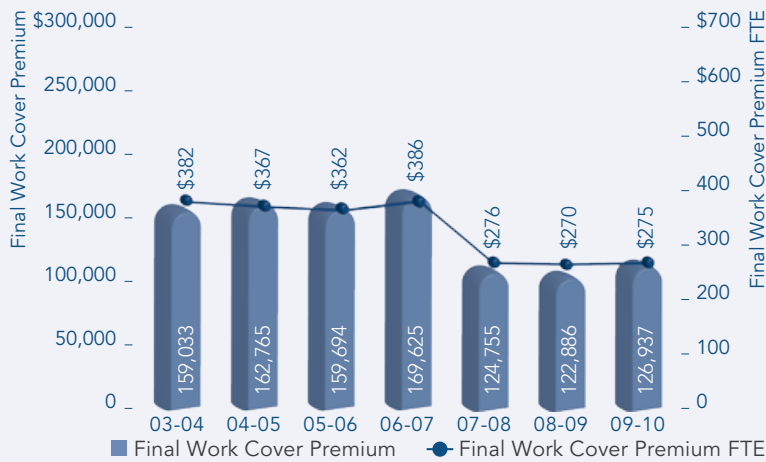


- 7.8% Doctorate/Masters
- 12% Postgraduate
- 38% Bachelor
- 18% Certificate/Diploma
- 24.2% No Post-Secondary Qualifications

Total employees (full time equivalent)



WorkCover Premium (per full time employee)



ORGANISATION DEVELOPMENT

Staff Development and Customer Education

The 2010 financial year has been a year of massive change for the former Learning and Development team. Staff Development and Customer Education has been restructured and since April 2010, has been responsible for the design and implementation of the SRO's customer education plans and programs.

This restructure has seen the creation of a number of new roles in Staff Development and Customer Education and the recruitment of some tax experts from the broader business. These new staff will play leading roles in the development and delivery of our customer education programs.

Our initial project was to deliver the end of financial year Payroll Tax Annual Reconciliation Seminar Series. This series included the delivery of 25 seminars across Melbourne and regional Victoria, as well as joint seminars delivered with the revenue offices from Queensland, New South Wales, South Australia and Western Australia. Overall, more than 2000 customers attended these seminars. We also conducted a pilot webinar late in June with a small group of customers located in the Mildura area.

Accredited training for our staff

In partnership with Graduate Business School we have continued delivery of the Certificate IV in Government (Revenue Administration) with a further 72 of our staff commencing this program during the year. A graduation ceremony for these staff was planned for August 2010 in recognition of their outstanding achievements.

We've also implemented the in-house delivery of the Advanced Diploma of Management that has been undertaken by a number of our team leaders as part of the formal development of their leadership and management skills. This program has involved a number of workplace projects and culminated in formal presentations by each participant. These participants will also graduate with our Certificate IV graduates in August 2010.

e-Learning

We've continued to invest in the development of our e-learning capability which sees us now deliver the majority of our recurrent tax technical training using technology. This approach provides the business with much greater flexibility and also enables us to deliver training as it is needed. Staff feedback about our e-learning modules continues to be positive.

Our suite of e-learning modules now exceeds 20 tax technical topics, as well a session on the Privacy Act. In addition, we are currently in the midst of developing a Human Rights Charter unit in conjunction with Policy and Legislation and Human Resources staff.

Our commitment to the development of our staff

During the year we provided 2853 days of training to our staff which equates to an average of 6.13 days of training for each full time equivalent staff member.

Our broad plans for 2010-2011

Our plans for the 2011 financial year include the expansion of our e-learning modules, as well as a focus on the development of packages to improve the front-end compliance capability of staff across the business. We also plan to work with the Registry of Births, Deaths and Marriages on the development and delivery of a Diploma of Government (Investigations) to develop the skills of investigations staff at both agencies in terms of:

- the conduct of an investigation, and
- our understanding of identity fraud techniques.

From a Customer Education perspective, we are reviewing all of our programs and will be implementing a 12 month calendar of events from October 2010. We will also be working more closely with peak bodies and industry groups to ensure we provide the range of information that is needed by our customers.

Additionally, we are planning to deliver our seminars much more broadly and will be utilising technology wherever practical to deliver 'webinars' as a way of increasing the degree of our customer contact.



Corporate Affairs

Corporate Affairs comprises the Communications Unit - catering for the organisation's internal and external communication needs - and Quality and Planning.

In 2008 the SRO set a strategic direction for the organisation 'to be one of the best communicators in government.' After implementing a range of initiatives, which were identified in a Communications Plan, Corporate Affairs has now completed the critical actions articulated in the Communications Plan.

However while all key aspects of the Plan have now been implemented, the pursuit of continuous improvements in all of our communication with stakeholders is an ongoing process.

Communications

The Corporate Affairs area manages the SRO website, the intranet and delivers a range of print and online materials to its internal and external audiences.

It also provides the promotional material and infrastructure to enable the SRO to be represented at various events, such as the Home Buyer & Property Investment Show.

In 2009-10 some of the initiatives undertaken by Corporate Affairs included:

- Collaboration with the Corporate Relations area to assist our customers (and potential customers) to comply with their obligations. This included the issue of a number of media releases on Motor Vehicle Duty and the First Home Owner Grants.
- Adopting a new strategy for the 2010 Land Tax Issue Cycle, which involved developing an easier to read general information brochure titled 'Understanding Your Land Tax Assessment'. The Land Tax assessment notice was also redesigned.

- Some promotional activities around the Unclaimed Moneys database, including visiting some regional media outlets.
- Refreshing the compliance section of our website to make it easier for web users to understand the compliance activities undertaken by the SRO.

SRO Website

Since the launch of the new look SRO website in June 2009 a number of refinements have been delivered to improve the customer experience for web visitors. The forms, publications and rulings search facility, in particular, has had significant enhancements implemented.

A web survey was also conducted in the late 2009 early 2010 period. Respondents gave the new-look site a big tick of approval. For example, 94 per cent rated the overall site as satisfactory or better, while 96 per cent rated the site's new refreshed appearance as satisfactory or better. These scores show a significant improvement when compared to the similarly based web survey results of 2005.

Another positive customer indicator of the refreshed site is the increased usage. The number of website visitors increased by 86 per cent in the past year alone.

This continues the upward trend of the use of the SRO website in recent years, which coincides with corresponding telephone enquiries demand levelling out (see Website visitor sessions vs Operations phone enquiries, page 39).

ORGANISATION DEVELOPMENT

Organisational Literacy

The Organisational Literacy Program continues to be promoted with staff - a lynchpin in clear, concise and accurate information for our customers.

The program combines training, reviewing and updating standard letters, with an eye to ensuring our customers understand the information they receive from the SRO.

The auditing of letters and provision of regular training were again key features of the Organisational Literacy program in 2009-10.

Quality and Planning

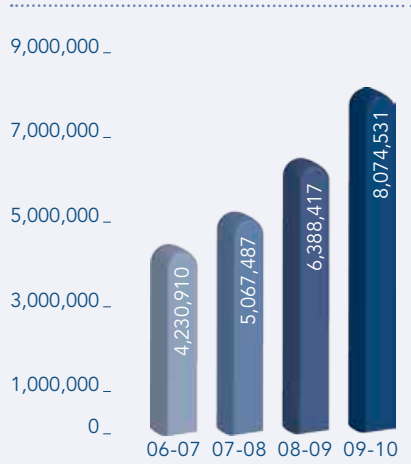
Quality and Planning is responsible for much of the SRO's business reporting and monitoring through the use of a Balanced Scorecard.

The Balanced Scorecard is the barometer of the organisation's performance, reporting on a range of Key Performance Indicators, including those relating to customer satisfaction and service levels.

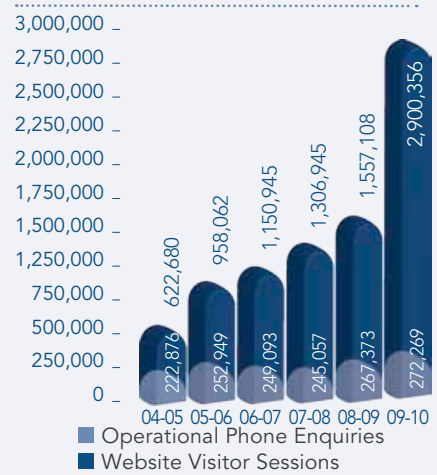
The area is also responsible for ensuring ISO accreditation is maintained, which was successfully recertified in 2009-10.

The unit also oversees the Customer Compliments and Complaints register, the internal Excel Awards program recognising exceptional staff performance and quarterly reporting to the Department of Treasury and Finance.

SRO website page views



Website visitor sessions vs Operations phone enquiries



Operating Statement

For the year ended 30 June 2010

	2009-10 \$'000	2008-09 \$'000
Income from Transactions		
Revenue from Government*	71,921	63,546
Payments to Consolidated Fund	(101)	(265)
Total Income from Transactions	71,820	63,281
Expenses from Transactions		
Employee Benefits	37,279	33,866
Supplies and Services	16,208	16,251
Depreciation and Amortisation	17,797	7,867
Capital Asset Charge	641	641
Interest Expenses	628	564
Total Expenses from Transactions	72,553	59,189
Net Result from Transactions	(733)	4,092
Other Economic Flows in Net Result		
Net Gains / (Losses) on Non Financial Assets	8	9
Other Gains / (Losses) on other Economic Flows	1	(146)
Total Other Economic Flows in Net Result	9	(137)
Net Surplus/(Deficit) for Reporting Period	(724)	3,955

* Revenue from Government represents the output budget allocated to SRO

Notes to the Operating Statement

- The \$0.1 million in Payments to the Consolidated Fund relates to receipts held in Treasury Trust since 2002-2003.
- A \$3.41 million increase in Employee Benefits associated with an increase in staff engaged in compliance-related activities and increases associated with the EBA.
- The increase of \$9.93 million in depreciation and amortisation expenditure was mainly due to an increase in amortisation expenses related to municipal valuations. Municipal Valuations are amortised for up to two years. Due to the timing of purchases the amortisation expense in the second year is always higher.
- Interest expenses were \$0.064 million higher in 2009-10. This is mainly due to an increase in bank fees associated with increased revenue collection activities.
- Expenses from transactions includes \$0.291 million in relation to the establishment of administrative arrangements in respect of the collection of the Growth Area Infrastructure Contribution. Funding was not included in output budget.

Balance Sheet

As at 30 June 2010

	2009-10 \$'000	2008-09 \$'000
Financial Assets		
Cash Assets	6	6
Receivables	14,589	1,404
Total Financial Assets	14,595	1,410
Non Financial Assets		
Inventories	64	64
Plant, Property and Equipment	4,602	5,462
Intangible Assets	6,414	17,215
Other	1,568	1,721
Total Non Financial Assets	12,648	24,462
Total Assets	27,243	25,872
Liabilities		
Payables	3,877	5,240
Interest Bearing Liabilities	303	341
Provisions	9,689	8,879
Total Liabilities	13,869	14,460
Net Assets	13,374	11,412

FINANCIAL STATEMENTS

Notes to the Balance Sheet

	2009-10 \$'000	2008-09 \$'000
Receivables		
Amounts Owing from Victorian Government	14,352	879
GST Input Tax Credit Recoverable	159	155
Other Receivables	78	370
Total Receivables	14,589	1,404
WDV Property, Plant and Equipment		
Computer Equipment	19	8
Plant, Property and Equipment	129	157
Leasehold Improvements / Fitouts	4,454	5,291
Construction in Progress	-	6
Total WDV Property, Plant and Equipment	4,602	5,462
WDV Intangible Assets		
Municipal Valuations*	-	12,533
Other Intangible Produced Assets**	3,404	4,515
Work in Progress**	3,010	167
Total WDV Intangible Assets	6,414	17,215

*All municipal valuations were fully amortised by 30 June 2010

**Capitalised and uncapitalised expenditure on eSys Life Extension Project

	2009-10 \$'000	2008-09 \$'000
Other Non Financial Assets		
Prepayments	1,267	1,383
Motor Vehicle Leased	301	338
Total Other Non Financial Assets	1,568	1,721
Payables		
Current Payables		
Unpresented Cheques	(770)	108
Trade Creditors	9	592
Accruals	3,043	2,842
Other Payables	1,595	1,698
Total Payables	3,877	5,240
Interest Bearing Liabilities		
Current Liabilities		
Motor Vehicle Leases	229	194
Total	229	194
Non Current Liabilities		
Motor Vehicle Leases	74	147
Total	74	147
Total Interest Bearing Liabilities	303	341
Provisions		
Current Provisions		
Annual Leave	2,003	1,589
Long Service Leave	6,787	6,379
Performance Incentive Provision	85	302
Total	8,875	8,270
Non Current Provisions		
Long Service Leave	814	609
Total	814	609
Total Provisions	9,689	8,879

Administered Items

	2009-10 \$'000	2008-09 \$'000
Administered Revenues		
Payroll Tax	4,532,266	4,426,560
Duties*	4,479,583	3,610,175
Land Tax	1,178,358	1,238,036
Congestion Levy	47,152	44,099
Licence Fees	23,253	11,797
Total	10,260,612	9,330,667
Less: Cattle Compensation Fund	(3,087)	(3,183)
Less: Sheep and Goat Compensation Fund	(1,038)	(1,313)
Add: Unclaimed Moneys Receipts	74,811	92,941
Add: User Charges	2,780	2,383
Add: Sundry Income	458	339
Total Administered Revenues	10,334,536	9,421,834
*Includes Cattle Compensation Fund and Sheep and Goat Compensation		
Administered Expenses		
First Home Owner Grant	675,250	504,930
First Home Bonus	235,894	137,018
Petrol and Liquor Subsidies	2,976	2,675
Other Grants, Rebates and Other Payments	22,975	16,770
Unclaimed Moneys Refunds	21,290	9,706
Bad and Doubtful Debts	21,114	21,979
Total Administered Expenses	979,499	693,078
Net Administered Revenues	9,355,037	8,728,756

Notes to Administered Items

- Tax and duty revenue increased by \$929.9 million to \$10,260.6 million. This included:
 - an increase of \$869.4 million in duties due to an increase in the volume of transactions and an overall increase in property values, and
 - an increase of \$105.7 million in payroll tax as a result of an increase in average weekly earnings and higher employment in Victoria in the 2009-10 financial year.
- Unclaimed Moneys receipts represent moneys transferred to the Registrar under the Unclaimed Moneys and the Gambling Regulation Acts. There was a decrease of \$18.1 million in the 2009-10 financial year as a result of changes in legislation effectively bringing forward lodgements by 12 months in 2008-09. The change in lodgement requirements led to an increase in Unclaimed Moneys Refunds of \$11.6 million for the 2009-10 financial year.
- First Home Owner Grant increased by \$170.3 million and the First Home Owner Bonus increased by \$98.9 million. This was primarily a result of an overall increase in the number of applications and the continuation of the First Home Owner Boost.
- Other grants, rebates & other payments increased by \$6.2 million, primarily associated with ex-gratia relief for land tax and duties of \$4.5 million in relation to the Victorian Bushfires.

Appendix 1

Analysis of Debt

Tax Base	\$ Total Debt 30/6/10	\$ < 30 Day	\$ 30-90 Day	\$ < 90 Day	\$ \$ Provision for doubtful debt	\$ Total Debt 30/6/09
Duties debt						
Land Transfer/Mortgage	5,373,361	1,015,170	563,590	3,794,601	6,027,199	7,561,708
Insurance	2,977	0	0	2,977	1,015,027	10,618
Hire Of Goods	85,120	0	0	85,120	12,371	86,220
Registered Used Vehicle Duty	0	0	0	0	0	0
Motor Vehicle Duty	976,317	40,685	38,765	896,867	408,716	861,765
Total duties	6,437,775	1,055,855	602,355	4,779,565	7,463,313	8,520,311
Other taxes						
Payroll tax	37,400,086	10,738,156	6,237,468	20,424,462	12,555,336	35,709,588
Land tax	121,110,219	94,122,154	2,398,759	24,589,306	0	141,684,877
Financial Institutions Duty	0	0	0	0	0	0
Congestion Levy	217,737	0	850	216,887	103,120	274,695
Cattle and Swine Duty	7,271	291	0	6,980	0	31,728
Total other taxes	158,735,313	104,860,601	8,637,077	45,237,635	12,658,456	177,700,888
All taxes	165,173,088	105,916,456	9,239,432	50,017,200	20,121,769	186,221,199

Summary of written off debt	\$
Hire Of Goods	0
Congestion Levy	4,000
Motor Vehicle Duty	76,519
Land Transfer/Mortgage	239,426
Payroll Tax	23,363,596
Land Tax	124,736
Insurance	20
Cattle & Swine	0
Sundry Debts	0
Total debt written off	23,808,297

Notes

1. The above figures are reported in accordance with the Debt Reporting Policy that forms the basis of the SRO's debt management program. The policy contains critical elements which are:
 - assessed tax will be reported as debt after the due date for payment has elapsed, and
 - the reported debt comprises primary tax only.
2. The amount of debt that was under instalment payment arrangements at 30 June 2010 was \$13,377,458.
3. The amount of disputed debt at 30 June 2010 was \$66,341,808. Disputed debt is not included in the debt total.
4. The amount of insolvency debt at 30 June 2010 was \$21.8 million. Insolvency debt is comprised of debtors who are under the control of an Insolvency Practitioner, where SRO recoveries are limited to any dividends paid. Insolvency debt is not included in the debt total.
5. There was no deferred debt at 30 June 2010.
6. Outstanding penalty, interest and additional tax charges totalled \$38,365,845 at 30 June 2010
7. Debts are only written off when all reasonable recovery steps have been taken.

Appendix 2

Whistleblower Protection Act 2001

	2009-2010
1 Number of disclosures made to the SRO	0
2 Number of disclosures referred to Ombudsman to determine if public interest discloses	0
3 Number of disclosed matters referred by Ombudsman to SRO	0
4 Number of disclosed matters referred by the SRO to the Ombudsman	0
5 Investigations of disclosed matters taken over by Ombudsman from the SRO	0
6 Number of requests to the Ombudsman under section 74 to investigate disclosed matters	0
7 Number of disclosed matters the SRO has declined to investigate	0
8 Number of disclosed matters that were substantiated and action taken	0

Protected Disclosure Officer Ballarat, Grant Parsons,
Executive Director, Operations, 03 9628 6889.

Protected Disclosure Officer Melbourne and Protected
Disclosure Coordinator, Steven Polites, Executive
Director, Legal Services, 03 9628 0554.

Appendix 3

SRO Audit Committee

In the 2009-10 financial year the following individuals acted as independent members of the SRO Audit Committee:

- Stuart Painter - (Chair) Partner, Ernst & Young
- Genevieve Webb - Principal, Volition Consulting
- Frances Cawthra - Deputy Commissioner, Operations, Debt, Australian Taxation Office

Appendix 4

Freedom of Information 2009-2010

	State Revenue Office	Land Tax Hardship Relief Board
Requests for access to documents		
Requests received in 2009-2010	59	0
Requests from 2008-2009 actioned in 2009-2010	8	0
Initial access decision		
Access granted in full	41	0
Access granted in part	10	0
Access denied in full	2	0
Withdrawn	1	0
No documents	6	0
Released outside the Act	7	0
Pending at 30 June 2010	0	0
Total	67	0
Fees and charges collected	\$2,053.80	\$0.00
Fees and charges waived	\$1,488.00	\$0.00
Internal Review		
Internal Review sought	1	0
Original decision confirmed	1	0
Original decision varied	0	0
Original decision overturned	0	0
Victorian Civil and Administrative Tribunal		
Application for review lodged	1	0
Withdrawn	0	0
Settled prior to hearing	0	0
Not yet finalised	1	0

Appendix 5

Significant Legal Cases 2009-10

Sandhurst Holdings (Australia) Ltd v Commissioner of State Revenue [2009] VSCA 167

This was a matter concerning the 'out-door sporting' exemption in s9(1)(g) of the *Land Tax Act 1958* and whether land owned by a golf club was exempt from land tax for the period during which the golf course was being constructed on the land. The Court of Appeal handed down its decision on 24 July 2009 in favour of the Commissioner, finding that the land was not exempt.

Asciano Properties Operations Pty Ltd v Commissioner of State Revenue [2009] VSC 329

In a decision of the Supreme Court handed down on 18 August 2009 the court held that a Transfer of Land occurring as part of a corporate demerger was not entitled to the corporate reconstruction exemption afforded by sections 250B and 250D of the *Duties Act 2000*. The Court found that there was no public float because there was no 'offer' of shares. Even if there were an 'offer' of shares it was not 'to the public generally' and even if the demerger did satisfy the definition of 'public float', it occurred on the same day as the transfer and not 'within 12 months after the day on which the transaction occurred' as required by s250D(2)(a).

Reginald Edward Gleeson v Commissioner of State Revenue [2009] VSC 464

This matter involved a transfer of a residential property from a 'family company' trustee in liquidation to the taxpayer. The taxpayer claimed that the company's initial acquisition of the property was as trustee and that the subsequent transfer of the property to him was therefore exempt under sections 34 or 36 of the *Duties Act 2000*. Broadly speaking those sections exempt certain transfers of property from trustees to beneficiaries. However, in a judgment delivered on 23 October 2009, the Supreme Court found that section 34 did not to apply in this instance because the taxpayer had not provided all of the money for the initial purchase of the property in the company's name. The exemption contained 'no provision for apportionment' the court observed. The taxpayer's claim under section 36 also failed because, although the court accepted that there was a 'fixed trust' within the meaning of the section, the transfer had not been made to the taxpayer in his capacity as beneficiary of that trust, but rather in his capacity as the sole shareholder of that company as part of its liquidation.

Bayview Concepts Pty Ltd v Commissioner of State Revenue [2009] VSC 568

On 23 November 2009 the Supreme Court dismissed an appeal by the taxpayer in this matter awarding indemnity costs to the Commissioner. The Court affirmed the decision at first instance that the assessment of duty could not be the subject of a 'genuine dispute' in an application by the taxpayer under section 459G of the *Corporations Act 2001* to set aside a statutory demand based upon the assessments.

Wesfarmers General Insurance Ltd v Commissioner of State Revenue [2009] VSC 599

The main issue in this matter concerned the taxpayer's entitlement to a refund of duty under section 183 of the *Duties Act 2000* in circumstances where insurance premium refunds had been granted to brokers acting on behalf of insured policyholders. The Commissioner had argued that the taxpayer was required to demonstrate that the policyholders had actually received their refund entitlements in each case. The Supreme Court delivered its judgment on 16 December 2009 in favour of the taxpayer.

CP1 Ltd v Commissioner of State Revenue (Taxation) [2010] VCAT 34

This case concerned acquisitions of interests made in a land rich landholder and the application of sections 79 and 83 of the *Duties Act 2000* to multiple acquisitions. In a decision delivered on 14 January 2010 the VCAT dismissed the taxpayer's claim that duty was only payable on the last of a series of acquisitions.

Urban Consolidated and Development Pty Ltd v Commissioner of State Revenue [2010] VSC 049

In this case proceedings were instituted by the taxpayer who sought a declaration from the Supreme Court that the Commissioner's decision disallowing the taxpayer's objection was ultra vires and a nullity because the Commissioner failed to apply the decision in *Landrow Properties Pty Ltd v Commissioner of State Revenue (2008) 37 ATR 901*. In a judgment delivered on 26 February 2010 the court found against the taxpayer and held that the court should not require the Commissioner to apply a decision which the Commissioner had in good faith, and in the exercise of his statutory duties, sought the court to overturn.

Appendix 6

State Taxes Consultative Council (STCC) members

Australian Institute of Conveyancers

Martin Galea

Australian Society of CPAs

David Sofra

Council of Taxpayers Australia Inc

Kevin Lock

Institute of Chartered Accountants

Frank Stolfa

Frank Angelico

Law Institute of Victoria

Steve Stevens

National Institute of Accountants

Chris Vittas

Property Council of Australia

Jeremy Smith

Taxation Institute of Australia

Nicholas Clifton

Urban Development Institute of Australia (Victoria)

Tony De Domenico

VACC (Victorian Automobile Chamber of Commerce)

David Russell

Department of Treasury and Finance

Revenue Policy Unit

Joe Monforte, Director

Appendix 7

Objections

2009-2010	Payroll Tax	Land Tax	Duties	FHOG	MCD	CL	Total	%
Objections received	706	458	86	258	12	2	1522	
Objections processed	663	597	196	249	8	2	1715	
Allowed in full	55	231	30	41	0	0	357	20.8
Allowed in part	125	95	38	7	0	2	267	15.6
Disallowed in full	415	225	110	180	7	0	937	54.6
Withdrawn by taxpayer prior to decision	9	28	7	3	0	0	47	2.7
Closed/invalid	59	18	11	18	1	0	107	6.2
Objections pending 30 June*	98	330	203	64	1	0	696	

*Includes objections dependant on the outcome of litigation pending on a similar issue

Appeals Received and Completed

2009-2010	Payroll Tax	Land Tax	Land Transfer Duty	FHOG	MVD	Insurance (Gen & Life)	Other	Total
Total appeals received	11	27	46	19	2	0	0	105
Settled before hearing	14	32	29	27	1	0	0	103
Taxpayer appeals upheld at hearing	0	0	4	0	0	1	0	5
Taxpayer appeals dismissed at hearing	0	2	10	0	0	0	0	12
Total appeals completed	14	34	43	27	1	1	0	120

Appendix 8

Legislation administered by the SRO 2009-10

Acts

Business Franchise (Petroleum Products) Act 1979

This Act establishes the Better Roads Trust Fund, which funds the construction and maintenance of roads in Australia. Payment of subsidies to persons who have petroleum or diesel fuel in Victoria have now ceased.

Business Franchise (Tobacco) Act 1974

This Act was repealed on 16 June 2010.

Congestion Levy Act 2005

This Act introduced a levy on parking spaces in certain inner city areas of Melbourne. This levy is designed to reduce traffic congestion in Melbourne's inner city by acting as a financial deterrent to drivers who arrive and leave during commuter peak hours and park all day in city car parks.

Debits Tax Act 1990

This Act was repealed on 16 June 2010.

Duties Act 2000

This Act replaced the Stamps Act 1958 and applies from 1 July 2001. In this Act, liability to pay duty is shifted from the execution of paper instrument to the completion of a transaction that may or may not be reduced in writing. The Act is based on provisions that are broadly uniform across Australia.

Financial Institutions Duty Act 1982

This Act was repealed on 16 June 2010.

First Home Owner Grant Act 2000

This Act provides for the payment of a \$7000 grant to eligible first home buyers. Various additional payments for specific circumstances have been introduced since 2000.

Land Tax Act 2005

This Act imposes an annual tax on the total unimproved value of all taxable land held by the taxpayer in Victoria. Tax is not payable on land that is exempt, such as land on which a person's principal place of residence is located, or some land used for primary production.

Payroll Tax Act 2007

This Act provides for payroll tax to be imposed on wages that are paid by employers with an annual Australian payroll greater than \$550,000.

Taxation Administration Act 1997

This Act provides a single set of provisions for the collection and administration of payroll tax, duties, land tax, congestion levy and the Growth Areas Infrastructure Contribution.

Taxation (Reciprocal Powers) Act 1987

This Act enabled the investigation and exchange of information across jurisdictions. The TRPA was repealed on 1 March 2010. The provisions that facilitate cross border investigations have been modernised and inserted into the *Taxation Administration Act 1997* with effect from 1 March 2010.

Taxation (Interest on Overpayments) Act 1986

This Act provides for the payment of interest in certain circumstances on the resolution of an objection or decision of VCAT or the Courts.

Unclaimed Money Act 2008

This Act provides for the collection and safekeeping of unclaimed money, including unclaimed superannuation benefits, to provide for the keeping of registers and collection of information to identify and locate owners of unclaimed money. It also allows for the publication of sufficient information for the purpose of identifying and locating these owners. This Act repeals the *Unclaimed Moneys Act 1962*.

Appendix 8 (Continued)

Growth Areas Infrastructure Contribution (GAIC)

The SRO is responsible for the collection and general administration of the GAIC. It does not, however, administer the *Planning and Environment Act 1987*, which imposes the GAIC and falls under the portfolio of the Minister for Planning.

Amending Legislation

State Taxation Acts Further Amendment Act 2009

State Taxation Acts Amendment Act 2010

Regulations

First Home Owner Grant Regulations 2001

Land Tax Regulations 2005

Taxation Administration Regulations 2007

Unclaimed Money Regulations 2009

Appendix 9

Charter of Human Rights 2009-10

	2009-2010
1 Number of 'Statement of Compatibility and Human Rights Certificates' prepared	3
2 Number of legal proceedings giving rise to human rights issues	0
3 Number of declarations of inconsistent interpretation issued in respect of SRO legislation	0
4 Number of Ombudsman complaints investigated	0

CUSTOMER SERVICE DIRECTORY

Advice on Victorian taxes

- Land tax
- Payroll tax

Duties

- Recorded information for document duty
- Adhesive stamp sales
- Livestock
- First home buyer and pensioner benefits
- Insurance
- Motor vehicle Duty
- Hire of goods

Grants and rebates

- Liquor and petroleum product services
- First Home Owner Grant
- First Home Bonus and Regional Bonus

Technical advice

- Payroll tax
- Land tax
- Duties

Taxes

- Revenue Rulings

Other services

- Anonymous information and voluntary disclosures
- Customer education
- Interpreter services
- Switchboard
- Investigations
- Unclaimed moneys

Receivables management and payment arrangements

- Corporate administration
- Human Resources, Finance, Administration
- Information Technology



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