

# Introduction of Duties Online in Victoria

Regulatory Change  
Measurement Assessment

State Revenue Office, Victoria  
June 2013



## CONTENTS

Executive Summary .....	5
Regulatory Change Measurement Certificate .....	5
Introduction and Overview .....	6
Regulatory Change Measurement Scope .....	6
Regulatory Framework - prior to the introduction of Duties Online .....	8
Processes for collection of duty on transfers of land .....	9
Document Processing Times .....	11
Volumes of documents prior to the introduction of Duties Online .....	11
Introduction of Duties Online – modernising land transfer duty collection .....	12
Key Features of Duties Online .....	13
Scope of Duties Online – Initial Permitted Transactions .....	13
Scope of Duties Online – Customers .....	14
Take-Up Rates .....	15
Core Functions of the Duties Online System .....	15
Web Services .....	16
Move away from Physical Endorsements .....	16
Move towards a National Electronic Conveyancing Platform - PEXA .....	17
Mapping the Changes introduced by Duties Online .....	18
Process Maps Prior to the Introduction of Duties Online .....	18
Process Maps following the Introduction of Duties Online .....	22
Costs Associated with the Changes .....	23
Application of the Regulatory Change Measurement methodology after 12 months of Duties Online .....	25
Expansion of Duties Online - Additional Transaction Types .....	25
Changes to SRO Customer Service Centre Counter .....	26
Appendix A – RCM Analysis .....	27

## TABLES

Table 1 Regulatory Change Measurement Certificate .....	5
Table 2 Duty Rates .....	8
Table 3 DRS Agents as at 3 October 2011 .....	10
Table 4 Permitted Transactions Types as at October 2011 .....	13
Table 5 Land Transfer Process Map – DRS Agent and non-DRS Lodging Agent .....	18
Table 6 Mail Lodgement Process Map .....	20
Table 7 Declaration of Trust Process Map .....	20
Table 8 Duties Online Process Map .....	22
Table 9 Declaration of Trust in Duties Online Process Map .....	23
Table 10 Average change in regulatory burden per annum .....	25



## Executive Summary

1. Duty is imposed in Victoria by the *Duties Act 2000* (Duties Act) and collected by the State Revenue Office (SRO). In 2010-11, almost \$4b in land transfer duty was collected.<sup>1</sup>
2. In 2010-11 just over half of the annual 228,000 land transfer transactions in Victoria were processed at the SRO. The remainder were processed by Authorised Agents acting on behalf of the SRO under administrative arrangements put in place in 1993.
3. In October 2011 the SRO introduced Duties Online, a web based application which modernised Victoria's antiquated, paper-based, duty collection system. Duties Online was expected to generate efficiencies for Authorised Agents by modernising their outdated, heavily audited system and reducing compliance activities, and for other Lodging Agents by largely removing the need to travel to the SRO to have documents processed and pay duty, because many dutiable transactions could now be processed from their own offices.
4. Twelve months after the introduction of Duties Online, the SRO engaged PricewaterhouseCoopers (PwC) to conduct an independent Regulatory Change Measurement analysis to quantify the resulting regulatory savings.
5. This analysis concluded the regulatory savings to both Authorised Agents and Lodging Agents achieved by this initiative are approximately **\$1,072,000** per annum, as detailed in Appendix A.

## Regulatory Change Measurement Certificate

6. Applying the Victorian Regulatory Change Measurement methodology, the transition from an antiquated, manual, paper based duty collection system to a modern, user friendly, automated, web-based duty collection system as a result of Duties Online has generated an average reduction in regulatory burden of approx. **\$1.1m** per year over 10 years as detailed in the certificate below:

**Table 1 Regulatory Change Measurement Certificate**

Cost categories	Businesses (\$000)	NFP	Government Services	Economic activities of individuals	Total by Cost Categories per annum (\$000)
Administrative Costs	-1,072	0	0	0	-\$1,072
Substantive Compliance Costs	0	0	0	0	0
Delay Costs	0	0	0	0	0
<b>TOTAL</b>	<b>-\$1,072</b>				<b>-\$1,072</b>

<sup>1</sup> SRO 2011 Annual Review [www.sro.vic.gov.au](http://www.sro.vic.gov.au)

## Introduction and Overview

7. The SRO is the main revenue collection agency for the Victorian Government. It administers state taxation laws, grants and subsidies, collects revenue, conducts compliance programs and provides advice on policy and administrative matters.
8. Duties Online is a web-based application designed by the SRO that allows registered organisations to submit details of particular dutiable transactions for assessment online.
9. The Government's '*Reducing red tape on Business and the Community*' initiative outlines its vision for Victoria to have the most efficient regulatory system in Australia, and reduce the time spent and costs incurred by business and the community dealing with excessive regulatory requirements. This program is estimated to deliver over \$500 million in annual benefits to business, not-for-profit organisations, government agencies and individuals. As part of this program, changes in regulatory burden arising from projects implemented in Victoria after 1 January 2010 must be assessed using the *Regulatory Change Measurement* (RCM) methodology, as updated by the Department of Treasury and Finance (DTF) from time to time.

## Regulatory Change Measurement Scope

10. As at 1 January 2013 the RCM Manual (see [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au)) states that the following types of regulation, sectors of the public and regulatory costs are **within scope** of the Government's program:

### Step 1 - Types of regulation

- state regulation – directly applicable sections of Acts of Parliament (i.e. all legislation), and all statutory rules under the *Subordinate Legislation Act 1994*; and
- the justice system, including court rules and burdens imposed in court proceedings.

### Step 2 - Sectors of the public

- businesses;
- not-for-profit (NFP) organisations and volunteers;
- government services – direct Government service delivery that is comparable to services delivered by the business or NFP sectors, e.g. schools and hospitals;
- economic activities of private individuals - activities that help individuals achieve economic outcomes are called economic (income-generating) activities of individuals, and are within scope. Accordingly, some licences (such as forklift or truck or removalist licence, or special employee licences) and accreditation processes are within scope. Regulatory impacts on recreational activities of citizens (such as recreational fishing licences) are out of scope.

### Step 3 - Types of regulatory costs

- administrative costs - often referred to as red tape, these are the costs incurred by regulated entities primarily to demonstrate compliance with a regulation or to allow the government to administer the regulation;
- substantive compliance costs - costs that directly lead to the regulated outcomes being sought. These are often capital and production costs; and
- delay costs - are the expenses and loss of income incurred by a regulated entity through (a) an application delay and/or (b) an approval delay:
  - a. An application delay refers to the time taken by a regulated entity to complete an administrative application requirement (such as an application for a licence, registration or permit) that prevents it from commencing its intended operations;

- b. An approval delay refers to the average time taken by a regulator to communicate a final decision regarding the administrative application (such as notification, agreement or licence) that prevents the regulated entity from commencing its intended operations. This includes the time taken by the regulated entity for re-work of the application.
- 11. The changes outlined in this report have been **assessed as within scope** on the basis that:
  - Step 1 – the obligation to pay duty is imposed by Victorian legislation, namely the Duties Act,
  - Step 2 - business (including lodging agents) who process certain dutiable documents and collect duty in Victoria are affected by the changes,
  - Step 3 - administrative obligations associated with paying duty and evidencing dutiable transactions have been altered.
- 12. Measurement is **mandatory** for regulatory changes within scope. The RCM Manual outlines 3 key principles for agencies to apply when measuring a change:
  - 1. Proportionality of effort
    - a. keep the cost of measurement in mind
  - 2. Indicative nature of estimates
    - b. not necessarily a statistically robust measure
  - 3. Transparency of assumptions
    - c. all relevant assumptions to be disclosed
- 13. Under the RCM model, 'Administrative Cost' is to be calculated by multiplying the 'Price' (tariff x time) by the 'Quantity' (population x annual frequency x compliance rate), utilising the formula **AC = P x Q.**

## Regulatory Framework - prior to the introduction of Duties Online

14. The assessment and payment of duty in Victoria is governed by the Duties Act, and supported by the administrative and enforcement provisions of the *Taxation Administration Act 1997* (TAA).
15. The Duties Act imposes duty on certain '**dutiable transactions**', such as on a transfer of property. A duty liability occurs when the dutiable transaction takes place, and is charged on the dutiable value of the property at set rates:

For contracts entered into on or after 6 May 2008 where the property is not the purchaser's 'Principal Place of Residence':

**Table 2 Duty Rates**

	Dutiable Value Range	Rate
1	\$0-\$25,000	1.4 per cent of the dutiable value of the property
2	> \$25,000 - \$130,000	\$350 plus 2.4 per cent of the dutiable value in excess of \$25,000
3	> \$130,000 - \$960,000	\$2,870 plus 6 per cent of the dutiable value in excess of \$130,000
4	More than \$960,000	5.5 per cent of the dutiable value

16. The Duties Act outlines what constitutes dutiable property, how to determine the dutiable value of that property, and prescribes a range of duty exemptions and concessions that are available.
17. Duty is also imposed on declarations of trust which are made over non-dutiable property, payable at the flat rate of \$200.
18. From 1 April 2012, duty must be paid within 30 days of the duty liability arising, unless an exemption applies.<sup>2</sup>
19. The Duties Act replaced the *Stamps Act 1958*. One of its specific objectives was to update the framework surrounding stamp duty in Victoria, and move the conceptual basis for 'stamp duty' from physically stamping an executed written instrument to imposing 'duty' on the completion of a dutiable transaction (in whatever form), to better reflect contemporary market practices.
20. Even so, the concept of a physical 'stamp' or an 'endorsement denoting that payment of duty has been made' remains at the core of the duties regime. Therefore, when a duty payment is received, the Duties Act requires the Commissioner of State Revenue (Commissioner) to stamp the document effecting the dutiable transaction. A document may be 'endorsed' by a physical stamp or, more recently, an impressing machine.
21. A person must not register a Transfer of Land with the Victorian Land Registry, Land Victoria, unless that document has been 'duly stamped'. Effectively, this is a statutory revenue protection mechanism which ensures all transferees of land pay duty before the land is formally transferred into their name as registered proprietor. As another revenue protection mechanism, dutiable documents are not admissible as evidence in any proceedings until they have been 'duly stamped'.

---

<sup>2</sup> Prior to this change, duty had been payable within 90 days of the transaction.

## Processes for collection of duty on transfers of land

22. Because transfers of land are the most common form of dutiable transaction they are regularly used as an example throughout this report, however duty is also payable on transfers of other forms of dutiable property and on certain declarations of trust.
23. Due to the complexities of land transfer duty, to ensure duty is accurately assessed the Commissioner must acquire a range of information from a transferee / purchaser. Therefore, a transferee is required to prepare and submit forms and statutory declarations regarding the dutiable value of the property, the date of transfer and any applicable exemptions and concessions (such as pensioner or first home buyer concessions). Each relevant document needs to be lodged for review, calculation and assessment of duty, and payment, on a case-by-case basis.
24. Prior to Duties Online, there were **3 main ways** in which this process occurred:
  - a. in person at the SRO,
  - b. by mail to the SRO, or
  - c. via an agent authorised by the Commissioner.

### In person at the SRO Customer Service Centre Counter

25. The SRO Customer Services Centre (CSC) is located at 121 Exhibition Street, Melbourne. Customers could lodge the most common transaction documents for immediate assessment at the SRO CSC. More complex transactions needed to be left at the SRO for processing. Less complex transactions and concession claims could be 'dropped off' for 24 hour processing.
26. Customers were allocated a 'ticket' upon arrival at the SRO, and tickets were processed in chronological order. SRO data indicated approximately **120 tickets per day** were issued for duties related customers prior to the introduction of Duties Online.
27. This **system utilised heavily paper-based, mostly manual processes**. Unlike other State taxes (such as payroll tax and land tax), it **required customers to physically attend the SRO to have duty documents assessed and to make payment**. Customers regularly lodging documents at the SRO incurred **travel costs and experienced queuing time**. Moreover, individual members of the public and other infrequent lodgers were, at times, forced to wait for extended periods to have their documents processed because high volume lodging agents would occupy SRO staff, in some cases, for several hours.

### By Mail to the SRO

28. Customers could lodge duty documents with the SRO, and make cheque payment of duty, by mail. The SRO processes these documents and payments and returns the stamped documents by mail (to the lodging party or to whomever the lodger directs that they be returned to).

### Via Authorised Agent using the Document Return System

29. As an alternative to attending the SRO or lodging by post, customers could use an Authorised Agent under the SRO's Document Return System. The SRO established this system in 1993 to assist it to manage the large volume of land transfer documents presented for processing. Essentially, external 'authorised persons' (commonly called DRS Agents) were authorised to collect duty and endorse less complex categories of documents on behalf of the Commissioner, thereby removing the need to present those documents, together with payment, at the SRO.

30. In other words, DRS Agents processed dutiable transactions and collected duty at their own place of business. The DRS Agent would endorse (by impressing or rubber stamping) the duty chargeable on documents furnished to them by transacting parties, collect the duty, then pay it to the SRO in a lump sum at periodic intervals (daily, twice a week or weekly depending on transaction volumes) together with a detailed 'return' listing all transactions endorsed by the agent.
31. Because DRS Agents carried out their obligations 'in the shoes of the Commissioner', strict criteria were applied to govern who was eligible to operate as a DRS Agent. Potential agents had to be lodging 25+ documents per week as a minimum volume, and had to provide both credit and police history checks for all staff who could be expected to access the DRS system. Agents were tightly regulated under Chapter 12 of the Duties Act and required to adhere to strict Terms and Conditions. Agents were also expected to make an independent judgment of the duty liability of their clients and, therefore, intensive monitoring and regular tax-technical training was necessary.
32. DRS Agents used specific, stand-alone software provided by the SRO which had become antiquated and arduous to maintain. The SRO performed regular on-site audits to ensure Agents strictly complied with their Terms and Conditions and submitted timely and accurate duty returns.
33. In 2010-11 approximately **228,400** land transfer and trust transactions were processed in Victoria. Of those, approx **108,000** (47%) were processed by DRS Agents. When Duties Online was released in October 2011 there were **16** registered DRS Agents operating in Melbourne and regional Victoria:

**Table 3 DRS Agents as at 3 October 2011**

	DRS AGENTS AS AT OCTOBER 2011
1	National Australia Bank Ltd
2	Commonwealth Bank
3	Quayles Pty Ltd
4	Castle Corporate Pty Ltd
5	Stewart Noble
6	Gadens Lawyers
7	Scott Ashwood Pty Ltd
8	MacGillivrays Solicitors
9	Espreon Property Services Pty Ltd
10	Professional Mortgage Settlement Services
11	SLM Lawyers Pty Ltd
12	BJT Legal Pty Ltd
13	Maddens Holdings Pty Ltd
14	DKL Law Pty Ltd
15	Perpetual Mortgage Services
16	Slater and Gordon

## Document Processing Times

34. The SRO applies the following **performance measures** to its document assessing activities:
- **80% of counter service provided within 20 minutes of taking a 'ticket',**
  - **95% of mail processing completed within 21 days,**
  - **90% of documents lodged via the SRO's 'drop off' facility processed for pick up within 24 hours.**
35. Data published in the SRO's Annual Reviews, publicly available from [www.sro.vic.gov.au](http://www.sro.vic.gov.au), shows the SRO typically meets these annual performance targets.

## Volumes of documents prior to the introduction of Duties Online

36. In 2010-11, the last full year before the introduction of Duties Online, approximately **120,400** duty documents were lodged with the SRO by approximately **8,000** customers.
37. Of that 120,400 documents, 100,290 (**83%**) were classified as Land Transfer documents; 20,000 (16%) were classified as Trust Deeds; and 110 were classified as 'other'.
38. Of those 100,290 Land Transfer documents, 73,020 (**73%**) were processed at the SRO CSC and 7,300 (**7%**) were processed by mail. The remaining 20% were classified as 'complex' transactions and processed by the SRO over a longer period of time, or arose as a result of an investigation by the SRO into a particular transaction.

## Introduction of Duties Online – modernising land transfer duty collection

39. Duties Online represents a **significant, transformational initiative designed to modernise a duty assessment and collection regime which had become administratively burdensome and costly to use. It was expected to:**
  - a. **increase efficiency and convenience** for practitioners who were required to attend the SRO CSC, by reducing the need for them to travel to the SRO as frequently,
  - b. generate **time-savings** for business and consumers by allowing them to process transactions from their offices, without having to use agents and, potentially, outside of the SRO's business hours,
  - c. **align Victoria with other States** who already use online systems for the assessment and payment of duty,
  - d. **develop a platform for future integration with the national electronic conveyancing system** 'Property Exchange Australia' (PEXA),
  - e. streamline and enhance duty data collection in Victoria (rather than having two concurrent systems operating) and accordingly, reduce risks to Victorian revenue, and
  - f. replace the antiquated, manual and heavily audited DRS Agent system with a modern, easy to use, system led, automated assessment and payment process, also generating savings to DRS Agents in systems maintenance, audit and compliance costs, and staff technical training.
40. Duties Online system was **launched by the SRO on 3 October 2011** with a pilot group of 13 Non-DRS Lodgers and 3 DRS Agents. Approximately 8% of eligible transactions were processed in Duties Online in that month.
41. By 31 December 2011 this group had expanded to 65 registered users, including 10 DRS Agents.
42. By 30 June 2012 there were 211 registered users and, by 30 September 2012, (i.e. after 12 months) there were 314 registered users and approximately 60% of all Duties Online eligible transactions were being processed through Duties Online (6,847 transactions for the month).
43. By 30 April 2013 (i.e. after 18 months) there were 795 registered users for Duties Online and 92% of all eligible transactions were being processed via Duties Online (12,055 transactions that month). Additionally, in April 2013 the last 2 remaining DRS Agents transitioned to Duties Online and DRS software was fully decommissioned. All former DRS Agents now utilise Duties Online either directly or through another user.

## Key Features of Duties Online

44. Duties Online is underpinned by **three key innovative features** which permit a broad group of users to process duty transactions securely online:

### 1. Revised Legislative Framework

Duties Online registered users do not operate as agents of the Commissioner, as DRS Agents had previously. Users access Duties Online under administrative provisions in the TAA. The SRO can therefore be more flexible in prescribing conditions of use because users are not agents of the Commissioner. These less onerous controls are more conducive to take up of Duties Online. In other words, Duties Online anticipates hundreds of users, compared to the former 16 DRS Agents.

### 2. System-led Assessment of duty

Duties Online users do not require tax-technical knowledge to process transactions. They merely answer a set of questions correctly and the assessment of duty liability is automatic. Duties Online will also evaluate the data entered to determine whether any exemptions or concessions apply. Users have limited ability to influence the final duty outcome.

### 3. Electronic denotation for land transfer duty<sup>3</sup>

Duties Online users do not need a physical stamp or impression to register a Transfer of Land at Land Victoria. An electronic link between the SRO and Land Victoria has been designed to allow for immediate electronic verification of duty payment, a pre-requisite for registration.

## Scope of Duties Online – Initial Permitted Transactions

45. The transactions permitted in the initial release of Duties Online were broadly aligned with those transactions most frequently processed at the SRO CSC and by DRS Agents. These comprised the 12 transaction types (and 4 combinations of transactions) listed below:

**Table 4 Permitted Transactions Types as at October 2011**

	Type	Description	Duties Act
1	Transfer of land	Full interest in residential property between unrelated parties	Section 10(1)(a) & (d)
2	Transfer of land	Full interest in non-residential property between unrelated parties	Section 10(1)(a) & (d)
3	Transfer of land	Fractional interest in land or related party transfer	Section 10(1)(a) & (d)
4	Transfer of land	Off the plan (OTP) duty concession	Section 21(3), (4), (4A), (5)
5	Transfer of land	Sub-sale subsequent transaction relative duty exemption	Section 32W(1)(a)
6	Transfer of land	Deceased estates duty exemption	Section 42(1)(a)
7	Transfer of land	Ongoing marriage and domestic relationship duty exemption	Section 43(3)
8	Transfer of land	Breakdown of marriage and domestic relationship duty exemption	Section 44(1)(a)(b)(i) and (c)(i)

<sup>3</sup> \$200 Declarations of trust transactions (which do not involve property and therefore do not require lodgement at Land Victoria) will be evidenced by a printable duty certificate.

	Type	Description	Duties Act
9	Transfer of land	From joint tenants to tenants in common duty exemption (& vice versa)	Section 54
10	Transfer of land	Farm - relatives duty exemption	Section 56
11	Transfer of land	Principal place of residence (PPR) duty concession	Section 57H-I
12	Transfer of land	Eligible pensioner duty concession or exemption	Sections 58-60
13	Transfer of land	OTP and PPR concession	
14	Transfer of land	Sub-sale relative exemption and PPR concession	
15	Transfer of land	OTP and sub-sale relative exemption	
16	Transfer of land	OPT, sub-sale relative exemption and PPR concession	

46. In another innovation, Duties Online **processes Pensioner concessions through an automated system-to-system validation with Centrelink**. Previously, concession processing required a manual verification process, which added time to the assessment or required eligible customers to seek a refund of duty from the SRO at a later point.

### Scope of Duties Online – Customers

47. Duties Online was developed to modernise processes for 'lodging agents' regularly attending the SRO CSC, such as:
- law firms,
  - conveyancers,
  - professional settlement agents,
  - financial institutions,
  - accountants, and
  - other suppliers of financial services.
48. Duties Online was also **designed to include the 16 DRS Agents**, who were expected to transition over a 12 month period. It was expected that former DRS Agents would benefit from Duties Online through:
- Decreased system maintenance costs (i.e. no longer need to maintain specialised DRS software/database, and no longer need to submit daily transaction files to the SRO);
  - Expansion of transaction types that can be processed (specifically including pensioner concessions);
  - Decreased audit and compliance time and costs, as they no longer act as agents of the Commissioner;
  - Decreased training costs (system-led assessment means staff will require less tax-technical knowledge).
49. In addition to DRS Agents, the SRO identified 146 regular lodging agents (defined as those lodging at least 50 documents per year) who accounted for approximately 50,000 documents annually (almost half of all documents lodged at the SRO CSC in 2010-11). This category of customer was expected to gain significant benefits from using Duties Online, most particularly in reduced time travelling to the SRO, and reduced time queuing at the SRO and, potentially, in reduced agent fees.

50. Other lodging agents (i.e. those lodging more than 10 but less than 50 documents per year at the CSC) can become registered users.
51. Parties lodging less than 10 documents per year were excluded from the initial scope of Duties Online and continue to lodge documents through existing channels. However, it was anticipated they too would receive a level of secondary benefit from reduced waiting times at the SRO, and/or reduced mail processing times. Over time, this 10 document threshold may be revisited.

## Take-Up Rates

52. Duties Online was initially developed on the assumption that **all regular lodgers and all DRS Agents** would become registered users (i.e. approximately **160** businesses dealing with the SRO, at least weekly and in relation to multiple transactions). This would equate to 70 per cent of all duty documents potentially being processed in Duties Online.
53. Within 12 months, Duties Online in fact had **314** registered users, being almost twice the volume initially anticipated.
54. Over time, it is likely the registration criteria will be reviewed to extend the scope of Duties Online. Some States offering similar systems (e.g. NSW and SA), have user numbers in the thousands.

## Core Functions of the Duties Online System

55. The core functions of Duties Online can be summarised in the following **6 processes**:

### 1. Registration

Organisations need to apply to become registered users. Applications take 20 minutes to complete. Background probity checks are performed on applicants by the SRO. Once applicants are approved, they must agree to the Terms and Conditions of Use. Users are then issued with a username and password – one for each of their organisation's individual users.

### 2. Data capture

A systematic step-by-step process with integrated help tools designed to guide users to enter mandatory key data. There is no need for users to lodge transfer documents at the SRO however they are required to hold completed evidentiary forms.

### 3. Duty Determination

Duties Online will, through a filtration process, evaluate the data entered before it calculates duty to determine whether any exemptions or concessions apply. At the same time, the user has access to a comprehensive, clickable 'help' text, with up-to-date duty tax-technical information as well as directions on where to source relevant data.

### 4. Duty payment

Duties Online facilitates the electronic payment of duty by BPay, EFT or Cheque (previously payment had to be made by cheque). Users can pay for their transactions either in bulk or individually, and can pay electronically through their own banking system. Cheques are still catered for recognising the realities of the conveyancing industry, but it is expected there will be a move away from cheques over time, particularly as both Land Victoria and the proposed national electronic conveyancing platform will phase these out.

### 5. Automated Duty evidencing

By way of a real-time data feed, when a user completes a transaction in Duties Online the SRO sends transaction data to Land Victoria for validation. When accepting a transfer for registration, Land Victoria matches its data against the SRO's data to check that duty payment has occurred. \$200 Declaration of Trust transactions will be evidenced by a printable duty certificate.

#### 6. Reconciliation and Reduced Audits

Improved data capture and the ability to validate that data in real-time, together with real-time access to external user processing, provides a multilayered approach to ensure that revenue risks are significantly reduced without the need for frequent on-site audits for DRS Agents.

### **Web Services**

56. One former DRS Agents captured data in-house, for its own purposes, which partially overlapped with the data requirements of Duties Online. To provide an efficient means to process high volumes of transactions without the need for users to key data twice, a web services environment was developed.
57. Web Services enable data captured by the internal system of a Duties Online user to also be used as part of a Land Transfer transaction. This service does require a level of internal system change by the Duties Online user to meet the SRO standards prescribed for the use. The Web Service platform developed for Duties Online went into its testing phase in late 2012 and is expected to be available, if users elect to utilise it, when testing is complete.

### **Move away from Physical Endorsements**

58. **The need to physically 'endorse' or 'stamp' documents has been removed by Duties Online.**<sup>4</sup> However, because not all lodgers can become users, the process of assessing and endorsing duty documents by the SRO itself has not changed. As Duties Online is expanded over time, it is anticipated that SRO practices will also change.

---

<sup>4</sup> In order to allow this the Duties Act (s255a) was amended in 2010 to specify that a dutiable transaction processed through an on-line duty payment system may be authenticated by the Commissioner in any manner and is taken to be duly stamped, even in the absence of a physical stamp.

## Move towards a National Electronic Conveyancing Platform - PEXA

59. In January 2010 the NSW, Victorian and Queensland Governments established a mutually funded platform for the development of a National Electronic Conveyancing System (NECS).<sup>5</sup> In August 2011 the four major banks (ANZ, CBA, NAB, Westpac) signed a conditional subscription agreement and became minority shareholders in the project. In September 2011 design of the platform, now renamed Property Exchange Australia (PEXA), began.
60. PEXA aims to provide a single conveyance network for use throughout Australia, establishing an electronic business environment for completing all steps to a property transaction online, including payment of settlement monies, land transfer duty and lodgement of a title for registration.
61. Expected benefits of PEXA include:
  - practitioner and consumer convenience,
  - practitioner efficiency gains ultimately passed on to consumers,
  - end-to-end electronic processing from dealing preparation to registration,
  - single interface for national businesses,
  - common functionality for users in all jurisdictions,
  - easier cross-border transactions,
  - transparent application of jurisdiction rule differences, and
  - monies from property sales available as cleared funds for immediate re-use.
62. Release 1 of PEXA comprises single party transactions such as standalone mortgages, discharges and refinances. This release is expected to go into production with select Land Registries and Financial Institutions in late 2013. The land transfer component of PEXA, which will involve SRO interaction, is expected to be implemented in late 2014.
63. In preparation, Land Registries and Revenue Offices are working on aligning legislation, systems development and business practices. All States' Revenue Offices now have an online duty system which will 'plug in' to the national PEXA system. Duties Online is the first Victorian step in preparation for the national platform.
64. It is expected the introduction of PEXA will provide significant time and cost savings to the conveyance industry because, for most property transactions, it will eliminate the need for travel altogether (to attend settlements, land registry offices or revenue offices).

---

<sup>5</sup> <http://www.necs.gov.au/>

## Mapping the Changes introduced by Duties Online

65. The RCM Manual requires agencies to ‘map’ processes **before** and **after** the change in order to identify what has changed, to understand the drivers of the change, and to be better able to identify costs of the change. The RCM Manual states that mapping should be conducted at the broadest level feasible. In this report, maps have been presented as tables outlining obligations before and after the changes.

## Process Maps Prior to the Introduction of Duties Online

66. The following table illustrates the standard process for land transfer transactions before the introduction of Duties Online for DRS Agents, and for non-DRS Agents (or DRS Agents processing a transaction which falls outside the scope of its DRS authority):

**Table 5 Land Transfer Process Map – DRS Agent and non-DRS Lodging Agent**

	PROCESS / TASK	LAND TRANSFER TRANSACTION PROCESSED BY DRS AGENT	LAND TRANSFER TRANSACTION PROCESSED BY LODGING AGENT (OR DRS AGENT PROCESSING A NON-DRS ELIGIBLE TRANSACTION)
<b>ONE-OFF INITIAL SET UP PROCESS</b>			
1	<b>Submit application to become an Approved Agent (16 prior to introduction of Duties Online)</b>	Complete application process – must meet the 25+ documents per week criteria	NA
2	<b>Undertake police and credit history checks for all proposed users</b>	Required to source and provide police checks for all proposed users Sign Terms and Conditions	NA
3	<b>Meet SRO staff technical training requirements</b>	SRO tax and compliance staff provide 1 hour training, which all proposed users must ‘pass’.	NA
4	<b>Set up DRS Systems and Software and train staff</b>	The SRO developed and supplied the software, and all updates  1 Agent elected to develop its own software to fit within its existing data capture systems	NA
<b>PROCESS PER TRANSACTION</b>			
5	<b>Receive instructions for particular transaction</b>	Review executed documents to ensure it can be processed via the DRS System, and everything that is required has been provided / instructions are clear	Review executed documents to ensure everything that is required has been provided / instructions are clear
6	<b>Confirm if any duty exemptions or concessions are applicable to particular transaction</b>	Sight evidence of eligibility and confirm rate of concession	Sight evidence of eligibility and confirm rate of concession
7	<b>Calculate duty payable for dutiable transaction</b>	Based on documents provided, calculate amount of duty payable	Based on documents provided, calculate amount of duty payable
8	<b>Collect payment from client</b>	Collect duty payment from client, usually by cheque	Collect duty payment from client, usually by cheque

	PROCESS / TASK	LAND TRANSFER TRANSACTION PROCESSED BY DRS AGENT	LAND TRANSFER TRANSACTION PROCESSED BY LODGING AGENT (OR DRS AGENT PROCESSING A NON-DRS ELIGIBLE TRANSACTION)
9	Process transaction at Agent's premises using DRS Software	Process and record transaction on DRS System	NA
10	Stamp documents	Stamp documents using DRS authorised stamp	NA
11	Travel to the SRO for transaction processing and payment	NA	Travel to the SRO with documents and payments
12	Prepare daily DRS reconciliation and send data file to SRO electronically	Prepare and review daily reconciliation of all transactions processed and all payments received. Send data file to SRO electronically.	NA
13	Travel to the SRO with DRS Return and payments	Travel to the SRO with documentation and payment in accordance with approved payment schedule (daily, twice weekly or weekly)	NA
14	Take ticket and queue at the SRO Customer Service Counter	Dedicated 'counter' for DRS Agents with standing appointments; minimal waiting time	Up to 20 minutes waiting time per ticket; processing time depends on number of documents presented and complexity of the transaction
15	Return to office	Travel	Travel
16	Duty component completed	Prepare and issue fee invoice to instructor	Prepare and issue fee invoice to instructor
<b>ONGOING</b>			
17	Regular audits of all document assessing activities	Subject to regular access and auditing requirements by the SRO	NA
18	Periodic staff technical training and updates whenever Duties legislation is amended	Email notifications and advice from the SRO as well as Agent's own processes for keeping up to date	NA

67. The following table illustrates the standard process for land transfer documents lodged by mail prior to the introduction of Duties online:

**Table 6 Mail Lodgement Process Map**

	PROCESS / TASK	LAND TRANSFER DOCUMENTS LODGED BY MAIL	TRUST DEED BY MAIL
1	Receive instructions for particular transaction	Review executed documents to ensure everything that is required has been provided / instructions are clear	Review executed documents to ensure everything that is required has been provided / instructions are clear
2	Confirm if any duty exemptions or concessions are applicable to particular transaction	Sight evidence of eligibility and confirm rate of concession	NA
3	Calculate duty payable for dutiable transaction	Based on documents provided, calculate amount of duty payable	Flat rate of \$200
4	Collect payment from client	Collect duty payment from client, usually by cheque	Collect duty payment from client, usually by cheque
5	Prepare cover letter	Standard template	Standard template
6	Mail documents and cheque to the SRO	1-2 days for delivery	1-2 days for delivery
7	Documents received / processed by the SRO	Up to 21 days from receipt at the SRO for mail lodgements to be processed and stamped documents returned	Up to 21 days from receipt at the SRO for mail lodgements to be processed and stamped documents returned
8	Documents returned by SRO by mail to lodging party (or whomever they direct)	1-2 days for delivery	1-2 days for delivery
9	Duty component completed	Prepare and issue fee invoice to instructor	Prepare and issue fee invoice to instructor

68. The following table illustrates the standard process for assessing and paying duty on a Declaration of Trust prior to the introduction of Duties online:

**Table 7 Declaration of Trust Process Map**

	PROCESS / TASK	TRUST DEED PRESENTED TO THE SRO COUNTER
1	Receive instructions for particular transaction	Review executed documents to ensure everything that is required has been provided / instructions are clear
3	Calculate duty payable for dutiable transaction	Flat rate of \$200
4	Collect payment from client	Collect duty payment from client, usually by cheque
5	Travel to the SRO CSC	
6	Take a ticket	Up to 20 minutes waiting time
7	Duty paid, Deed stamped by SRO	
8	Return travel	

	PROCESS / TASK	TRUST DEED PRESENTED TO THE SRO COUNTER
9	Duty component completed	Prepare and issue fee invoice to instructor

## Process Maps following the Introduction of Duties Online

69. The following table illustrates the standard process after the introduction of Duties Online for any registered user processing a Duties Online eligible transaction. Where the transaction is not eligible for processing via Duties Online, the pre-Duties Online processes continue to apply.

**Table 8 Duties Online Process Map**

	PROCESS / TASK	REGISTERED USERS PROCESSING LAND TRANSFER TRANSACTIONS (OR OTHER DUTIES ONLINE ELIGIBLE TRANSACTIONS)
<b>ONE-OFF INITIAL SET UP PROCESS</b>		
1	Complete and submit application to become registered user to the SRO	Can be done electronically
2	SRO conducts probity checks	Up to 24 hours
3	Proposed user reviews and signs Terms and Conditions	
4	SRO processes application, issues access instructions and secure passwords	
5	SRO offers systems training to users at no cost	In addition, the SRO provides online training materials, assistance videos and a detailed Evidentiary Manual
6	DOL User sets up document retention processes	Users are required to retain evidence supporting transactions. Requires understanding of and adherence to scanning and document security policies
<b>PROCESS PER TRANSACTION</b>		
7	User receives instructions for particular transaction	Review executed documents to ensure everything that is required has been provided / instructions are clear
8	User confirms the transaction is one that is Duties Online eligible	If not, pre Duties Online processes apply
9	User seeks any information to support exemption or concession claims	Sight evidence of eligibility and confirm rate of concession
10	User logs on and enters transactional and exemption / concession data	
11	Duties Online calculates duty payable / accepts electronic payment	
12	Once payment is made, Transfer of Land can be registered at the Land Titles Office	
13	User scans evidentiary requirements in accordance with Terms and Conditions	Strict security and retention protocols apply
14	Duty transaction completed.	Prepare and issue fee invoice to instructor

70. The following table illustrates the standard process for Declarations of Trust after the introduction of Duties Online:

**Table 9 Declaration of Trust in Duties Online Process Map**

TASK/S		REGISTERED USERS PROCESSING DECLARATION OF TRUST
<b>ONE-OFF INITIAL SET UP PROCESS</b>		
1	Complete and submit application to become registered user to the SRO	Can be done electronically
2	SRO conducts probity checks	Up to 24 hours
3	Proposed user reviews and signs Terms and Conditions	
4	SRO processes application, issues access instructions and secure passwords	
5	SRO offers systems training to users at no cost	In addition, the SRO provides online training materials, assistance videos and a detailed Evidentiary Manual
6	DOL User sets up document retention processes	Users are required to retain evidence supporting transactions. Requires understanding of and adherence to scanning and document security policies.
<b>PROCESS PER TRUST DEED</b>		
7	User receives instructions for particular Trust Deed	
8	User logs on and enters Trust Deed data into Duties Online	
9	Duties Online assesses duty payable and accepts electronic payment	Flat rate of \$200
10	User prints 'stamp' and affixes to the Trust Deed	Replaces the manual stamping process
11	User scans evidentiary requirements / Trust Deed in accordance with Terms and Conditions	Strict security and retention protocols apply
12	Duty transaction completed.	Prepare and issue fee invoice to instructor

### Costs Associated with the Changes

71. All costs associated with the development of Duties Online have been met by the SRO. Duties Online is accessible via the SRO website free of charge.
72. All ongoing systems maintenance costs, and system enhancements, will be met by the SRO.
73. Users may experience an initial 'one off' cost completing the registration process for Duties Online and training users. To minimise these costs, the SRO has provided onsite training for larger users, developed a significant amount of 'help' text readily available at each step throughout Duties Online, and offers instructional videos and customer assistance free of

charge. The SRO also provides a telephone and email 'help desk' service for all registered users, and for those contemplating becoming registered users.

## Application of the Regulatory Change Measurement methodology after 12 months of Duties Online

74. Given the extensive degree of the reform, and the complexity of the changes, including:
- differing benefits offered to various categories of users,
  - graduated transition rates of different categories of users onto Duties Online and away from the CSC over the initial 12 months (and beyond),
  - the high volume of transactions previously processed annually across the different user categories and across 2 parallel systems, and
  - the complexities in measuring distance and travel times and costs
- the SRO engaged PwC to conduct an independent analysis to quantify the regulatory savings arising as a result of the modernisation of the Victorian duty system after its first 12 months in operation (i.e. from 3 October 2011 to 30 September 2012).
75. Data from all duty transactions processed in those 12 months was provided to PwC as well as:
- Duties Online registrations per month,
  - Duties Online volume of transactions processed per month,
  - DRS Agent processed transactions per month,
  - SRO processed transactions per month (at the CSC and 'complex' transactions),
  - Mail transactions processed by the SRO per month,
  - Waiting times at the SRO CSC per month.
76. Whilst the initial data evidenced a slower than anticipated take up rate and an unexpected increase in waiting times at the SRO, over 12 months the data evidenced a greater than expected take up rate and a steady reduction in waiting times, both of which are expected to continue.
77. In conducting its analysis, PwC **consulted with 3 former DRS Agents and 3 Registered Users**. Consultation identified an additional and largely unanticipated category of benefit from Duties Online, namely the '**avoided agent cost**' (i.e. no longer having to prepare documents and instruct a Lodging Agent / DRS Agent and pay their fees).
78. Full details of PwC's data analysis and assumptions are contained in Appendix A to this report:

**Table 10 Average change in regulatory burden per annum**

		Former DRS Agents	Lodging Agents / Other businesses	
1	Travel time	\$30,346	\$517,189	
2	Transaction saving time	\$345,886	-	
3	Registration and training	-\$9,283	-\$230,202	
4	Reconciliation time reduced	\$30,716	-	
5	Avoided agent costs	-	\$240,829	
6	Decreased waiting time	-	\$140,948	
7	Avoided mail costs	-	\$5,496	
<b>TOTAL</b>		<b>\$397,666</b>	<b>\$674,260</b>	<b>\$1,071,926</b>

## Expansion of Duties Online - Additional Transaction Types

79. Duties Online initially applied to 12 categories of low risk, high turnover land transfer transactions. After implementation, the pilot group of users was surveyed to ascertain whether to include further transaction types. Feedback identified transactions involving a 'sub-sale to relative' exemption, which had been excluded as a 'complex' transaction. However, on review, the nature and volume of these transactions warranted inclusion, and this new category was added in July 2012.
80. As another example, feedback indicated 'discontinued roads' could be another transaction type. A discontinued road is one no longer in use and sold to residents. These transactions are not high in volume, but are processed in proportionately large numbers by a few SRO customers. 'Discontinued roads' was added to the suite of Duties Online transaction types in January 2013.
81. It is expected that further categories of transactions will be added as Duties Online evolves. As at 30 April 2013, **23 transaction types are available** (from the starting point of 16). Inclusion of new transaction types will be considered after a risk-benefit assessment. The SRO has also commenced preliminary consideration of a 'complex lodgement model' to enable users to lodge complex transactions electronically for assessment by the SRO. If implemented, this model would largely reduce the need for complex transactional documents to be physically bought into the SRO.
82. The SRO is also undertaking an education program to ensure registered users are making full use of Duties Online and processing all the transaction types they can. It is expected this initiative will increase transaction take up rates and reduce the need to travel to the SRO.

### **Changes to SRO Customer Service Centre Counter**

83. From January 2012 the SRO implemented a number of administrative measures to streamline its counter service and encourage remaining high volume lodging agents to use Duties Online:
  - a. Lodging parties, regardless of the frequency of their attendance, were limited to 5 duty transactions each service ticket, to speed up service times and reduce waiting times.
  - b. A CSC booth was set aside for exclusive use by lodging parties with single duty lodgements or payments for other revenue lines, identified through a revised ticketing system.
84. In the first week after the changes both the numbers of registered users, and the volumes of transactions, increased significantly whilst waiting times at the CSC dropped from an annual average of 12 minutes to an average of 5 minutes.
85. In March 2013 the SRO introduced further changes which imposed a 21 day turnaround for documents lodged at the counter by regular lodgers. This change was intended to maximise use of Duties Online, because it meant regular lodgers could no longer have transactions processed instantly at the CSC. This initiative was foreshadowed to regular lodgers and the Duties Online take-up rate increased significantly in early 2013 in anticipation of this change.
86. When PEXA is introduced, Duties Online will 'plug in', and it is expected that all property transfer and duty transactions will ultimately be completed electronically. The SRO is also in negotiations to include 'complex' transactions in PEXA Phase 2 which, if successful, will also ensure very few users having to travel to the SRO and minimal waiting times for those who do.

## Appendix A – RCM Analysis