

TAXPAYERS' CHARTER

This charter summarises your rights and obligations as a taxpayer and a customer of the SRO of Victoria and the standard of service you can expect from us.

Courtesy and Consideration

- We treat you with courtesy and consideration at all times.

Help and Information

- We help you to understand and meet your Victorian tax obligations.
- We explain to you the reasons for decisions made by us concerning your affairs.
- We expect you to give us the information needed to determine the amount of tax to be paid.

Fairness and Equity

- We treat all taxpayers and customers equally.
- We act with integrity and impartiality in all our dealings with you, so that you pay only the amount of tax legally due.
- We strive to finalise refund requests within 60 days and, where the law allows, pay you interest on the amount.
- We presume that you deal with your tax affairs openly and honestly.

Privacy and Confidentiality

- We will treat any information obtained, received or held by us as private and confidential.
- We will not use or divulge any information, except as permitted by law.

Customer Service

- We aim to provide a high level of customer service and strive to:
 - resolve matters promptly;
 - answer all written enquiries within 21 days;
 - deal with urgent requests as quickly as possible;
 - answer your telephone call promptly;
 - deal with your telephone call without unnecessary transfer; and
 - return your telephone call as quickly as possible.

Investigations

- Under normal circumstances, we will give you at least seven days notice before the conduct of an investigation. The start of an investigation can usually be negotiated between you and the investigator.
- We will advise you of the scope of the investigation and our requirements.

- You will be given the opportunity to have your legal or taxation adviser present during an investigation. If your adviser is not present, you will be given the opportunity to seek advice.
- You will normally receive, within 21 days of the completion of the investigation, written advice of the result of that investigation including the reasons for any decision and, where an assessment has been issued, details of how the assessment was calculated.

Compliance Costs

- We strive to keep your costs in complying with the law to a minimum, subject to our duty to collect the revenue that is due to the people of Victoria.

Review, Objection and Appeal

- We will fully explain your rights of review, objection and appeal if you are unsure of them or need clarification.
- We will ensure objections are conducted by a person independent of the original decision maker.
- We will determine your objection within 60 days, unless we require more information to do so or the issues involved are complex.
- We will give you reasons if your objection has been completely or partially disallowed.
- If you object or appeal against a decision we will request further information from you only where it is necessary to resolve the issues in dispute.
- You can ask us to review your case if you consider we have not handled your affairs properly.

Comments from You

We continually strive to improve the level of service and quality of information and advice that we provide. As a result of your comments we review this charter periodically.

We welcome your suggestions on improvements and seek your co-operation in meeting our obligations and enhancing our services.

If you believe that either your entitlements or rights have been infringed by us, or that your expectations have not been met in your dealings with us, please write to me or discuss your concerns with my staff.

If you require information about your statutory obligations or if you want general information about the SRO, contact our Communications Branch on telephone 61 3 9628 0000 or facsimile 61 3 9628 6222.

David Pollard

Commissioner of State Revenue

“My challenge has been, and will continue to be, to build on the strong foundations that exist within the organisation, in order to continue to grow the capabilities of both the SRO and its people.”

The SRO has once again had a year of substantial achievement. Collecting more than \$5,300 million on behalf of the Victorian Government is a significant responsibility, and one which I know we have carried out professionally, diligently and with a strong dedication to making it easy for our customers to do business with us. This Annual Report provides an overview of the accomplishments of the SRO for the 1997/98 year.

Having taken up the role of Commissioner of State Revenue in September 1997, I can affirm that I was impressed from the start with the organisation's focus on performance improvement and best practice. My challenge has been, and will continue to be, to build on the strong foundations that exist within the organisation, in order to continue to grow the capabilities of both the SRO and its people.

One of the ways we began to meet this challenge during the year was to re-visit the manner in which the organisation engages in planning. We designed a process involving 100 of our staff in a comprehensive business planning exercise. Staff from all levels of the SRO worked together to produce an organisational business plan that reflected our strategic objectives. The exercise was highly successful; staff now feel that they have ownership of the plan and I am confident that they are taking individual responsibility for putting it into action.

We also began to sharpen our focus on quality throughout the year, recognising that the quality of the services we provide to our customers and the quality of the systems and processes supporting those services must reflect best practice. We now have a dedicated Quality and Planning Unit to assist in actualising our commitment to and in promoting quality in all activities throughout the organisation. We are also undertaking a large-scale self-assessment of our operations, an initiative that will both stimulate improvement and confirm our commitment to best practice.

A highly visible change for the SRO during the year was the development and launch of a new corporate identity. I believe our new identity successfully reflects a strong, contemporary and professional image and complements our diverse range of applications.

In March I visited China at the invitation of the Beijing Local Taxation Bureau. This relationship was fostered by my predecessor Denzil Griffiths and continues to yield benefits to both parties. The SRO hosts occasional visits from our counterparts in Beijing and staff of the SRO visit Beijing to contribute to their staff training programs. Next year we will participate in a staff exchange program with the Bureau, hosting two of their staff members to work in our office.

The coming year should see the beginnings of far reaching changes in the SRO as it prepares to face the new millennium. We will begin the design phase for the total replacement of our core IT systems and should largely complete the task of replacing our telecommunications systems with new systems able to handle a larger volume of traffic and greater demands for measuring the level of customer service. This investment in new IT systems, for which we received the first instalment of funds this year, is expected to continue for four years – at which point the SRO will be truly a world best practice performer. Meanwhile the organisation is working systematically through the verification checks required for complete Y2K compliance, most of the work on which will be completed in the course of the coming year.

We shall continue to make progress in moving our business on-line with the design and implementation of new modes of electronic business in line with the Government's Vic 21 Strategy. Our contribution to date, particularly in relation to the Business Channel, is widely recognised.

We shall continue to invest in staff development and training, especially in the area of technical training. Managerial development will also be a priority, with new

courses on the drawing board for developing the next generation of middle and senior managers.

My first twelve months in the role of Commissioner of State Revenue has been immensely rewarding. I have no doubt that we would not have been able to achieve so much without the support and assistance of the many people who make up the SRO.

My appreciation goes to the Victorian Treasurer, the Honourable Alan Stockdale and both the former and current Secretaries of the Department of Treasury and Finance, Michael Vertigan and Ian Little for their support both to me and the entire organisation.

The SRO Executive team has also been very supportive to me over the past year – my thanks to each of them. In particular, I would like to thank Peter Blight, who very capably acted in the role of Commissioner for five months until I took up this position.

I would like to acknowledge as well each and every staff member of the SRO. This organisation is about more than collecting revenue, legislation, policy and processes. It is about people working to achieve great results. Two developments merit special mention. First, the states' withdrawal from the business franchise fees area as a result of the High Court's decision in the Ha and Lim case had substantial workload implications particularly for policy and legislative staff. Secondly, the land tax reforms during the year resulted in a very large increase in phone calls and first-time assessments, both of which were handled efficiently and cheerfully. The dedication and commitment of our staff in pursuing excellence is highly commendable and worthy of very special thanks.



David Pollard

Commissioner of State Revenue

CONTENTS

A performing organisation

<i>Pay-roll tax</i>		<i>IT services — working smarter for our customers and staff</i>	
Pay-roll tax revenue	7	Tackling information technology strategically	23
Total registered employers at 30 June	7	Year 2000	23
Key results	7	Our desktop environment	23
Tax reform and major changes	8	Outsourced IT services	23
Significant legal cases	8		
Objections and appeals	9	Focus on quality, planning and measuring our performance	24
Looking forward	9	<i>Striving for quality</i>	25
<i>Stamp duty</i>		<i>Planning for the future</i>	26
Stamp duty revenue	10	Core drivers	26
Components of stamp duty revenue	10	<i>Measuring our performance</i>	27
Total stamp duty registrations at 30 June 1998	10	Assessing our service	27
Key results	10		
Tax reform and major changes	11	An organisation of people — for people	28
Significant legal cases	12	<i>Our structure</i>	29
Objections and appeals	12	Commissioner of State Revenue	30
Looking forward	12	Chief Adviser Policy and Interpretation	32
<i>Land tax</i>		Policy and Review	34
Land tax revenue	13	Taxpayer Relations	36
Land tax payers	13	Compliance Enhancement	38
Key results	13	Information Services	40
Tax reform and major changes	14	Business Services	42
Significant legal cases	14	<i>Helping our people deliver the mission</i>	45
Objections and appeals	14	New workplace agreements	45
Looking forward	14	Targeted selection	45
<i>Financial transaction taxes</i>		Training and development	45
Financial institutions duty revenue	15	Rewarding great performers: the Excel Award	46
Debits tax revenue	15	A new performance management system	46
Key results	15	Staff forum	46
Tax reform and major changes	15		
Significant legal cases	16	Financial statements	47
Objections and appeals	16		
Looking forward	16	Appendices	63
<i>Business franchises</i>		<i>Appendix 1</i> Legislation administered by the SRO	64
Liquor subsidies	17	Acts	
Petroleum subsidies	17	Amending legislation	
Tobacco	17	Regulations	
Investigations	17	Amending Regulations	
Tax reform and major changes	17	<i>Appendix 2</i> Corporate reporting index to disclosure requirements 1997/98	65
Looking forward	17	<i>Appendix 3</i> Analysis of debt	66
<i>Our performance against the commitments in the Taxpayers' Charter</i>	18	<i>Appendix 4</i> Year 2000 Compliance Statement	67
<i>Critical initiatives to improve our performance</i>	19	<i>Appendix 5</i> Profile of staff by classification	67
Keeping outstanding revenue to a minimum	19	<i>Appendix 6</i> Consultancies	67
Educating our customers	19	<i>Appendix 7</i> Freedom of Information	68
Providing more options	20		
Customer Service Centre	21		
Communicating with our customers	21		
Consultation in tax administration	22		

A performing organisation

Increasing our productivity and efficiency by improving our procedures, by developing the competencies of our people, by adopting modern technologies and by using service providers for appropriate functions.

From our 1997/98 Management Plan

The SRO is a performance-oriented organisation – an organisation that focuses on achieving outcomes. The core outcome we strive for is to collect all revenue that is due, fairly and cost-effectively. This means having the right people, processes and systems in place to deliver the revenue due to the Victorian Government, and ultimately, the people of Victoria.

This section outlines our achievements for the 1997/98 year. It outlines key results and major changes in each revenue line and then details broader initiatives aimed at improving compliance and customer service.

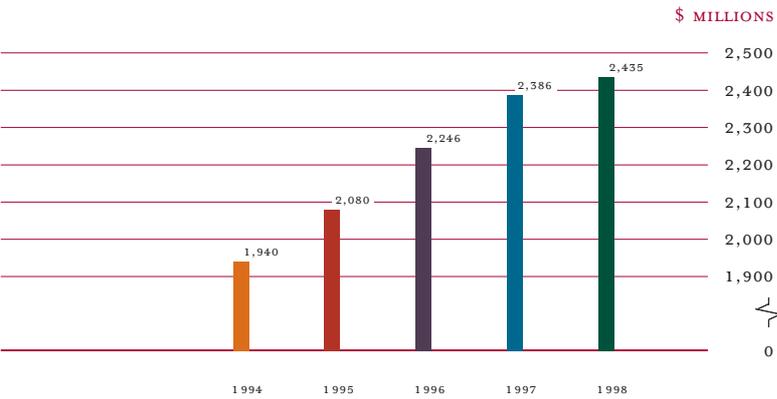
PAY-ROLL TAX

The SRO collects pay-roll tax from employers whose total Australian wages for the year are greater than \$515,000. Wages are defined as all wages, salaries, remuneration, commissions, bonuses, superannuation payments, allowances and fringe benefits for employees, directors and deemed employees.

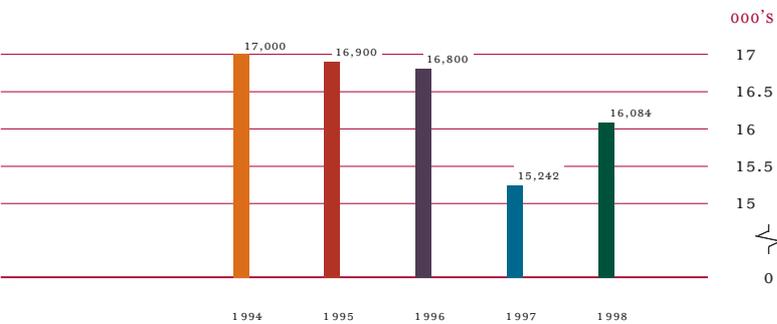
The tax rate for the year was 6.25 per cent. This rate has been reduced to 6 per cent from 1 July 1998.

The *Pay-roll Tax Act 1971* governs this revenue line.

PAY-ROLL TAX REVENUE



TOTAL REGISTERED EMPLOYERS AT 30 JUNE



Key results

- Revenue collected: \$2,435m. Forecast: \$2,451m.
- \$16.5m paid in refunds.
- We processed 2,380 new registrations during the year.
- Almost 50 per cent of registered employers paid their tax through banks rather than directly to the SRO, preferring to take advantage of the increased convenience created by this option.
- We improved the *Annual Adjustment on Disk* program, an interactive computer program that helps our customers complete their annual adjustment return, in terms of both speed and accuracy. Enhancements included fewer screens and the introduction of a monthly calculator for 1998/99. Almost 65 per cent of our customers used the disk to



complete their 1997/98 return, reducing the number of errors and penalties for underpayment.

- More than 4,000 customers responded to a survey about the annual adjustment process. Customers using the *Annual Adjustment on Disk* program found it faster and more effective than manual methods. Customer feedback also helped us redesign return forms and booklets, and make changes to accelerate return processing.
- An interactive voice response system was implemented to handle customer enquiries more quickly and effectively.
- We installed a customer management system which helped us to identify and improve the level of telephone service which we provide.
- We began pilot testing electronic funds transfer as an alternate payment method for 40 customers. Participating customers no longer need to lodge monthly returns – making payment both easier and more convenient. Electronic funds transfer also ensures payment security and provides the SRO and the customer with certainty about when payment was received.
- We began a major project exploring the feasibility and value of automating data matching processes to target non-compliant taxpayers reliably. The project has focused initially on six high-risk areas in pay-roll tax. It is due to be completed by the end of October 1998 and, if successful, will significantly influence the use of data matching techniques as a key element in the SRO's compliance analysis strategy.
- Four hundred and seventy-five investigations were completed, resulting in the detection of \$13.6m in unpaid revenue. The outcomes of the investigations were:
 - fully complying 30 per cent;
 - underdeclared (assessment issued) 59 per cent; and
 - overdeclared (refund paid) 11 per cent (\$0.4m in refunds).

PAY-ROLL TAX

Tax reform and major changes

- The *State Taxation Acts (Amendment) Act 1997* amended the schools exemption to provide more objectivity, but had the effect of making some previously exempt schools taxable. To address this issue, section 10(1) of the *Pay-roll Tax Act 1971* was further amended to extend the exemption to ensure that schools exempt before the 1997 amendments continue to receive this benefit. The exemption has also been extended to people who provide educational services in connection with the curriculum of an exempt school.

The taxability of wages paid to employees working offshore has been clarified. The definition of 'Victoria' has been expanded from 1 January 1998 to include the coastal waters of Victoria. Services performed in these waters are now considered to be performed in Victoria. There is no liability on wages paid in Victoria if the services are performed wholly in another country for longer than six months (wages for the first six months remain taxable). This means that wages paid or payable in Victoria for services performed beyond our coastal waters, but not in another country, are always taxable.

- Penalties for underpayment and late payment of pay-roll tax were altered as a result of the introduction of the *Taxation Administration Act 1997*.

Significant legal cases

Roy Morgan Research v. Commissioner of State Revenue (Court of Appeal) (1997) 97 ATC 5070

This matter involved the issue of whether payments to part-time market research interviewers are considered to be wages and therefore liable for pay-roll tax.

In January 1996, the Administrative Appeals Tribunal of Victoria (AAT) found that the interviewers were employees and therefore pay-roll tax was payable by Roy Morgan Research. Roy Morgan Research appealed to the Supreme Court of Victoria, which found in favour of the Commissioner.

Roy Morgan Research then appealed to the Victorian Court of Appeal. In October 1997, the appeal was dismissed on the basis that the interviewers were engaged in the business of Roy Morgan Research, not in business on their own account, and that the degree of control exercised by Roy Morgan Research over the interviewers was a very significant indicator of an employer/employee relationship.

Roy Morgan Research applied for special leave to appeal to the High Court of Australia against the Court of Appeal decision. The High Court held that the Court of Appeal had made no errors in the understanding or the application of established principles. The special leave application was refused with costs.

D & D Tolhurst v. Commissioner of State Revenue (AAT) (1997) 97 ATC 2179

This case centred on whether the relationship between investment advisers and stockbrokers was one of employee and employer and whether commission payments made to advisers are wages subject to pay-roll tax.

D & D Tolhurst Limited (Tolhurst) is a stockbroker who at the relevant time engaged investment advisers who acted as authorised representatives of Tolhurst. These advisers gave investors advice and arranged for investments to be made using the name of Tolhurst as a consequence of rules imposed by the Australian Stock Exchange. Tolhurst made the investments, collected the money from the investor and charged the investor a commission, which was shared with the advisers.

Tolhurst argued that payments to the advisers were not liable for pay-roll tax for the following reasons.

- The advisers were not common law employees. Tolhurst does not have the right to control the manner in which the advisers operate, the advisers bear the burden of bad debts if the investors fail to pay Tolhurst, and they work under totally different conditions from common law employees of Tolhurst.
- Section 3C(1)(a) of the *Pay-roll Tax Act 1971* did not apply either because the advisers did not supply services to Tolhurst, or if they did, the services were not for, or in relation to, the performance of work.

Mr Geoffrey Nettle QC of the Administrative Appeals Tribunal held that the advisers were common law employees and, in any event, were deemed by section 3C to be employees. Therefore, the Commissioner of State Revenue was correct in assessing the portion of brokerage (commission) and other amounts paid by Tolhurst to the advisers as taxable for pay-roll tax purposes.

Drake Personnel v. Commissioner of State Revenue

Drake Personnel (Drake) is an employment agency which engages temporary workers for the purpose of on-hiring them to clients.

Drake claimed a refund of pay-roll tax (the refund proceedings) and objected to pay-roll tax assessments (the objection proceedings), arguing that its temporary workers were not common law employees, and that if section 3C of the *Pay-roll Tax Act 1971* did apply, the temporary workers fell within one or more of the exemptions. This was because Drake believed that the temporary workers were rendering services to the public or they worked fewer than 90 days.

In total, five matters were heard in the Supreme Court before Justice Balmford in May 1998.

The SRO lost the objection proceedings but won the refund proceedings.

In relation to the objection, Justice Balmford found that the temporary workers were not common law employees of Drake and that, while the temporary workers were deemed by section 3C of the Act to be employees, the following provisos applied:

- monies paid to temporary workers who provided services to Drake’s clients for no more than 90 days in a financial year were exempt from pay-roll tax; and
- that in the appropriate circumstances monies paid to temporary workers rendering services to the public were also exempt from pay-roll tax.

In relation to the refund, Justice Balmford ruled that under section 20A of the *Limitation of Actions Act 1958* the refund action was brought out of time as, in the circumstances, refund actions should have commenced within 12 months of the payment date.

Kivelos v. Commissioner of State Revenue (1997) 97 ATC 2135

The Commissioner, under sections 9A(1B), 9A(1C)(d)(ii) and 9A(1E) of the *Pay-roll Tax Act 1971*, grouped a trustee company (Kivelos) and another business with which it was in partnership.

Kivelos operated a scallop processing factory in Footscray and in 1987 went into partnership with a Lakes Entrance scallop fishery. This arrangement was mutually beneficial: it secured factory supplies, while guaranteeing a market for the fishery.

One of the beneficiaries of Kivelos was a managing partner of the fishery. It was on this basis that the two businesses were grouped.

Kivelos objected to the resulting assessments and, after the objection was disallowed, appealed to the Administrative Appeals Tribunal (AAT). The AAT found that the businesses had been properly grouped given their inter-dependence and connection, and that the Commissioner was correct in not exercising his discretion to degroup under section 9A(1J).

Objections and appeals

	1997-98	1996-97
<i>Objections received</i>	350	134
Allowed	76	28
Part allowed	74	12
Disallowed	194	73
Withdrawn	25	10
Invalid	30	14
Objections pending at 30 June	43	92
<i>Appeals received</i>	27	10
Settled	14	2
Approved	1	0
Denied	6	1
Appeals pending at 30 June	20	14

Looking forward

One of the SRO’s aims is to make the calculation, payment and administration of pay-roll tax as simple as possible for our customers. We are planning to undertake the following activities to help achieve this aim.

- We will regulate rates for travelling and accommodation allowances that are more current in the context of today’s business environment.
- Electronic funds transfer may, subject to the results of our pilot testing, become available to *all* customers during 1998/99.
- We will further improve and promote the *Annual Adjustment on Disk* program. This will include managing an interjurisdictional project team to explore the possibility of the disk facilitating annual adjustment reconciliations by employers who pay wages in other states.
- We will include pay-roll tax publications (such as the *Pay-roll Tax Manual* and all of our circulars and bulletins) on the SRO internet site. These publications will be accessible free of charge.
- We will further enhance our website with the aim of enabling customers to register, amend or cancel their pay-roll tax registration through the internet.
- We will continue to review our database with a view to cancelling the registrations of customers who no longer have a pay-roll tax liability.

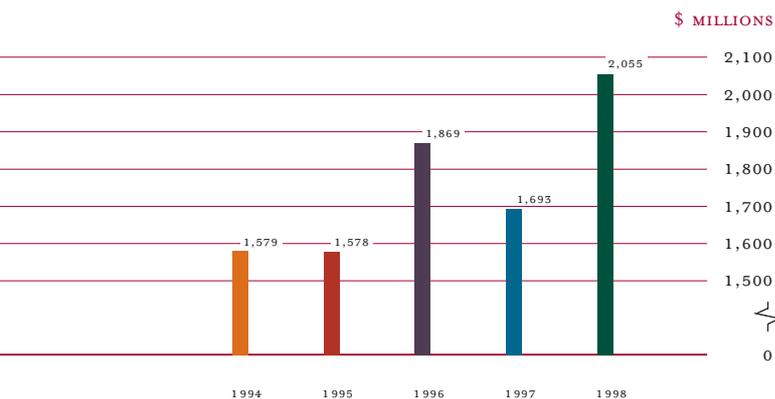
STAMP DUTY

Stamp duty is payable on documents or transactions involving land transfers, mortgages, insurance policies, registration or transfer of motor vehicles, marketable securities, leases, rental businesses and betting.

The amount of duty payable depends on the nature and value of the document or transaction.

Stamp duty is payable under the *Stamps Act 1958*.

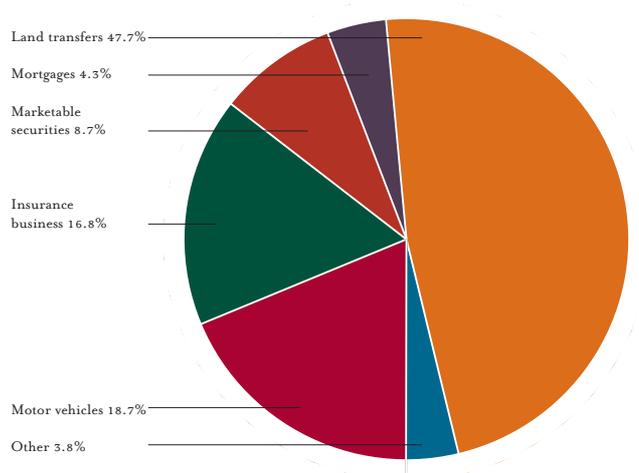
STAMP DUTY REVENUE



Component	Revenue (\$ MILLIONS)
Land transfers	981.0
Mortgages#	89.2
Marketable securities	179.9
Leases	27.6
Insurance business	346.1
Rental business	31.5
Motor vehicles*	383.5
Adhesive stamps	3.6
Betting tax	7.6
Settlements and deeds	2.4
Cattle compensation fund	2.6
Total	2,055

* including \$249m collected by VicRoads on behalf of the SRO.

excluding \$12.6m relating to the privatisation of government enterprises.



Total stamp duty registrations at 30 June 1998

Marketable securities and shares	48
Insurance duty	231
Rental duty	1,821
Motor car duty	2,102
Betting tax	225

Key results

- Revenue collected: \$2,055m. Forecast: \$1,753m. \$55.6m paid in refunds.
- Stamp duty exemptions to eligible first home buyers numbered 1,072 with a total value of \$1.8m. Refunds of \$1.9m were also processed. Exemptions to concession card holders numbered 2,183 and totalled \$2.2m along with \$0.6m in refunds.
- We jointly developed and signed a Memorandum of Understanding with VicRoads, which outlined our roles and responsibilities for motor vehicle stamp duty. Before this, the arrangement through which VicRoads collected stamp duty on our behalf on new registrations and private transfers was informal. The Agreement formalises and acknowledges the assistance which VicRoads provides the SRO. Of the \$383.5m in stamp duty collected on the transfer of ownership of motor vehicles during the year, VicRoads collected \$249m on our behalf.
- We are continually working to improve our service to the racing industry. Our staff have been meeting regularly with the Victorian Bookmakers Association, Victorian Amateur Turf Club, the Harness Racing Board and the Greyhound Racing Board to identify improvement opportunities. One of the improvements implemented related to removing the requirement for bookmakers with smaller turnovers to lodge weekly returns.

- We compared our rental duty database with other electronic databases to identify potential rental duty customers not on our system. After sending information to the 4,000 possible customers we identified, 190 new registrations have been generated. A further 1,000 cases are being investigated.
- In response to customer needs, payments for marketable securities, livestock duty, motor car duty, betting tax, rental business and insurance duty can now be made at banks.
- We continued to promote the Document Return System (DRS) resulting in 27 new agents using the system. The DRS enables a range of documents to be processed by agents of the SRO. Currently, 141 DRS agents are registered. These agents processed more than 358,000 documents during the year.
- We expanded our audit and education programs to improve compliance, particularly for agents using the DRS.
- Work continued on the Stamps Manual, which is designed to assist customers involved in paying stamp duty. This comprehensive manual will contain details of lodging requirements and policies of the SRO.
- Following the introduction of new guidelines for stamp duty exemptions on corporate reconstructions last year, the SRO has been involved in reviewing exemption applications to ensure that they meet the guidelines. During the year, we granted 77 exemptions with a total value of \$136.8m.
- Throughout the year, 741 investigations were completed, resulting in the detection of \$3.4m in unpaid revenue. The outcomes of the investigations were:
 - fully complying 42 per cent;
 - underdeclared (assessment issued) 57 per cent; and
 - overdeclared (refund paid) 1 per cent (\$0.9m in refunds).

Tax reform and major changes

- The Government increased the thresholds for conveyancing duty for contracts entered into on or after 21 April 1998. The 6 per cent marginal rate now applies from \$115,000 (previously \$100,000) and the 5.5 per cent marginal rate applies from \$870,000 (previously \$760,000).
- The stamp duty concession threshold for low income, first home buyers with families was increased by the Government from \$100,000 to \$115,000, and the upper limit for a partial concession has risen from \$150,000 to \$165,000. The thresholds for home buyers who hold pensioner concession cards have also risen. The level at which the full concession applies has been

increased from \$70,000 to \$100,000, and the upper limit for partial concessions has risen from \$100,000 to \$130,000. These limits apply for agreements entered into on or after 1 July 1998.

- Legislative change was made to expand and simplify the stamp duty exemption on transferring family farms to family members and to the benefit of charities.
- The Commonwealth Government introduced mirror tax legislation to overcome the inability of the states and territories to impose stamp duty on leases in respect of 'Commonwealth places'. This need arose as a result of a November 1996 High Court case involving the Allders International Pty Ltd duty free shop at Melbourne Airport. The basis of this legislation is to impose liability on 'Commonwealth places' identical to that previously collected by the states and territories. The legislation also contains provisions protecting the states and territories from refund claims for previous periods. We are currently involved in the development of Victorian legislation to facilitate the introduction of the new arrangements. The main objectives of this legislation are to ensure our customers are taxed only once and that only one threshold, concession or exemption applies.
- Development continued on the Victorian version of the proposed Duties Bill arising out of the interjurisdictional Stamps Rewrite project. This is aimed at achieving consistency and harmony in areas of multi-jurisdictional transactions where there is potential for double duty, and developing legislation that is in a common form and will assist in reducing our customers' compliance costs. The New South Wales Act was the first enactment arising from the project. It, together with Victorian policy variations, was used as a model in consultation with leading taxation practitioners, to enable the preparation of drafting instructions. Drafts of most chapters have been produced and industry consultation on these has commenced. This Victorian Duties Bill is expected to be introduced into Parliament in Spring 1998.
- Provisions were introduced from 2 December 1997 to address the artificial reduction of land value under a dutiable transfer. These provisions arose as a result of the 'Bradney Case' (96ATC 5130).
- The *Stamps Act 1958* was amended with effect from 2 December 1997 to address the non-payment of duty on certain changes of beneficial ownership of real property.
- Amendments were also made to ensure the payment of duty upon the transfer of chattels, passing with real property, to relatives.

STAMP DUTY

Significant legal cases

Coles Myer v. Commissioner of State Revenue
(Court of Appeal) (1997) 35 ATR 1

Coles Myer had appealed against the decision of the Supreme Court that an assessment of duty made for a share transfer executed as part of a share buy-back scheme was correct. The Court of Appeal allowed the appeal. Although the *Corporations Law* directed that there be a transfer of the relevant shares and that the shares were not extinguished until that transfer was registered, the Court held that in law the substance and effect of the transaction was that the company, by its action, extinguished the shares. Therefore, the instrument on which duty had been assessed was not dutiable.

Clancy v. Commissioner of State Revenue
(Administrative Appeals Tribunal) (1998) 98 ATC 2077

This case related to the aggregation provisions in section 68 of the *Stamps Act 1958*. Mrs Clancy owned three properties and one of her daughters owned a fourth property. Fractional interest transfers were executed so that Mrs Clancy and her four daughters each took a one-fifth share in the three properties owned by Mrs Clancy and the four daughters took one-quarter shares in the fourth property which had been owned by one of the daughters. The appellant claimed that section 68(5) applied to relieve them of paying stamp duty. The Administrative Appeals Tribunal (AAT) did not accept this argument. It held that the transfers formed substantially one transaction and were therefore correctly aggregated for the purpose of calculating stamp duty liability. The matter was appealed to the Supreme Court which found in favour of the Commissioner, on the basis that the statutory declarations provided did not satisfy section 68(5). (SC CASE 4562/98.)

Marazakis v. Commissioner of State Revenue (1997) 97 ATC 2175

This hearing concerned the application of section 64A(3) of the *Stamps Act 1958* – an anti-avoidance provision designed to capture duty where there is a change of beneficial interest in real property without an instrument of transfer. In this case, a declaration of trust had been executed which simultaneously vested the ownership of the property. As the registered proprietors of the property were trustees of the trust, no transfer of land was required. The Commissioner assessed duty on the basis that section 64A(3) was applicable. Marazakis argued that section 64A(3) could only apply where there was a pre-existing trust. The AAT held that section 64A(3) applied.

KJRR v. Commissioner of State Revenue (1997) 97 ATC 2107

In this case the issue was whether a franchised operator of a sports store occupied premises under a licence or a lease. The AAT had previously held that, as the parties had contracted that no exclusive possession should pass, the document in question was a licence and not a lease and therefore not dutiable.

The Commissioner appealed to the Supreme Court. The AAT decision was set aside and it was held that the document was a lease and therefore dutiable. KJRR has appealed to the Court of Appeal. The case is yet to be heard.

Objections and appeals

	1997-98	1996-97
<i>Objections received</i>	172	63
Allowed	9	5
Part allowed	25	4
Disallowed	66	34
Withdrawn	18	1
Invalid	11	12
<i>Objections pending at 30 June</i>	55	12
<i>Appeals received</i>	7	5
Settled	5	5
Approved	0	1
Denied	2	1
<i>Appeals pending at 30 June</i>	5	5

Looking forward

Next year will be extremely busy in the stamp duty area. With major legislative change pending, our focus will continue on making the payment of duty as easy as possible. We will also be taking steps to ensure that our systems continue to reflect the needs of our customers. Activities planned for next year are listed below.

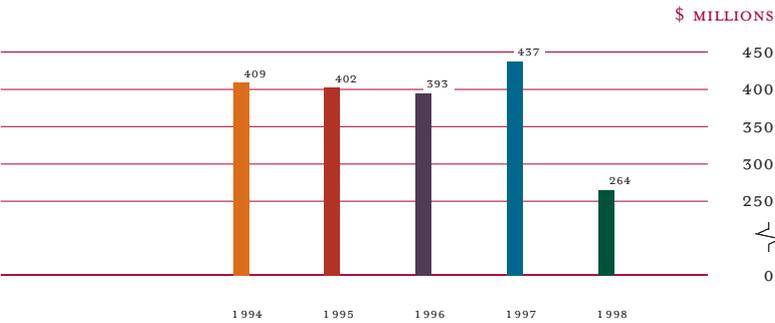
- We will manage the introduction of the Duties Act and *Taxation Administration Act 1997* as it applies to the new Duties Act to ensure a smooth transition. The proposed Duties Bill is expected to be introduced in the 1998 Spring Session of Parliament.
- We will further enhance the *Customer Service Centre* to better match the way we deliver service to our customers.
- We will introduce quality systems to improve our procedures and processes, including strengthening our capability to interact with customers by electronic means.
- We will continue to promote and fine tune the *Document Return System*.
- We will complete and publish the *Stamp Duty Manual*.
- We will create a stamp duty calculator to enable customers to calculate their stamp duty liability over the internet.

LAND TAX

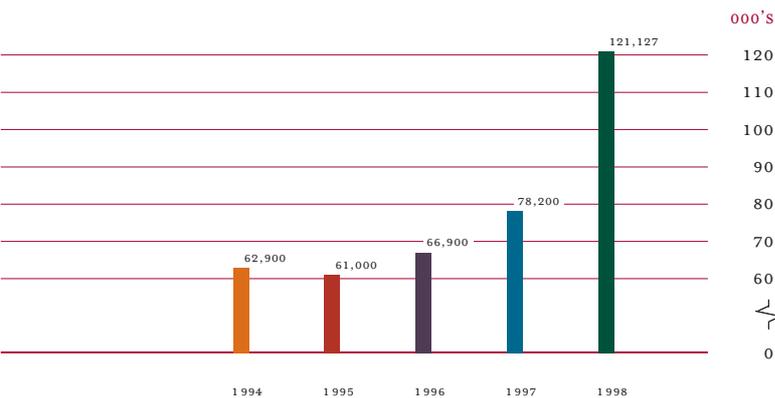
Land tax is payable when the unimproved value of all the land owned by a landowner, with the general exception of land on which the landowner's principal place of residence is situated, equals or exceeds \$85,000.

The *Land Tax Act 1958* governs this revenue line.

LAND TAX REVENUE



LAND TAX PAYERS



Key results

- Revenue collected: \$264m. Forecast: \$427m.
- Issued 121,127 assessments – an increase of 60 per cent from last year.
- \$8.6m paid in refunds.
- We saw major changes to land tax (see 'Tax reform and major changes' later in this section) – in particular, introducing an exemption for the principal place of residence, reducing the land tax threshold to \$85,000 and adopting a smoother rate scale. A consequence of these changes was a higher rate of incorrect assessments mainly due to the lack of up-to-date information on principal place of residence status.
- We established a Land Tax Call Centre to meet the enquiry needs of the larger land tax customer base. Staffed by 15 specialist operators, the call centre enabled us to respond to customer enquiries quickly and concisely. Multi-lingual services were provided. During the peak land tax enquiry period, the Call Centre was responding to over 1,000 calls a day.
- We redesigned a number of our forms and introduced two new forms – a new land tax objection form, and a form enabling customers to confirm the property which is their principal place of residence.
- We began a valuations payment methodology project aimed at redefining the way we receive valuations data from councils and the basis of fees paid by the SRO to councils.
- We continued to work with councils to encourage them to provide data in an efficient electronic format that saves time and money at both ends.
- We explored ways of improving land ownership and valuation data to reduce duplication and incomplete information. One highlight was the introduction of a special mapping system, the Public View System, which enables the identification of properties by viewing aerial photographs.
- Fifty-four investigations were completed, resulting in the detection of \$144,300 in unpaid revenue. The outcomes of the investigations were:
 - fully complying 81 per cent; and
 - underdeclared (assessment issued) 19 per cent.



LAND TAX

Tax reform and major changes

- Land on which the land owner's principal place of residence is located is now exempt from land tax.
- The threshold for land tax was reduced from \$199,999 to \$84,999. Land owners with aggregate land values of over \$84,999 (except for exempt land) are now liable for land tax.
- A new eight-rate tax scale was introduced. This scale removes the sudden jump in tax payable under the previous three-rate scale when a rise in the value of a customer's land holdings moved that customer into a higher tax bracket. The new scale has also reduced the overall tax liability of many land tax customers.
- Capping provisions have been abolished.
- The minimum amount of tax payable has been set at \$85.

Significant legal cases

Hotham Management v. Commissioner of State Revenue (1997)
38 ATR 72

The SRO filed this case in the Supreme Court of Victoria (pursuant to section 86 of the *Land Tax Act 1958*), at the request of Hotham. Hotham's land is situated geographically within the municipal district of the Shire of Bright (now Alpine Shire), and is in an alpine resort area administered exclusively by the Alpine Resorts Commission (ARC). Its 1990 to 1995 land tax assessments were calculated on the site value of its land as appraised by the Valuer-General. Hotham objected to the amount of the valuation and raised several questions of law including whether the expression 'municipal district' in the former section 3(2) (now section 3(2A)) of the *Land Tax Act 1958*, meant a district under a local government administration. As its land is under the ARC's 'local government' rather than that of the Shire's, Hotham argued that the Valuer-General should have assessed the site value of its land as if the land were not within the municipal district of the Shire. On 24 December 1997, Justice Ashley handed down his judgment dismissing Hotham's claim on all legal issues. Hotham has now appealed to the Court of Appeal.

Objections and appeals

	1997-98	1996-97
<i>Objections received</i>	300	258
Allowed	48	122
Part allowed	13	36
Disallowed	91	46
Withdrawn	13	22
Invalid	17	34
Objections pending at 30 June	190	72
<i>Appeals received</i>	2	3
Settled	2	2
Approved	0	0
Denied	0	0
Appeals pending at 30 June	6	6

Looking forward

Following on from an interesting and exciting 1997/98 year for land tax, next year we are planning a range of activities.

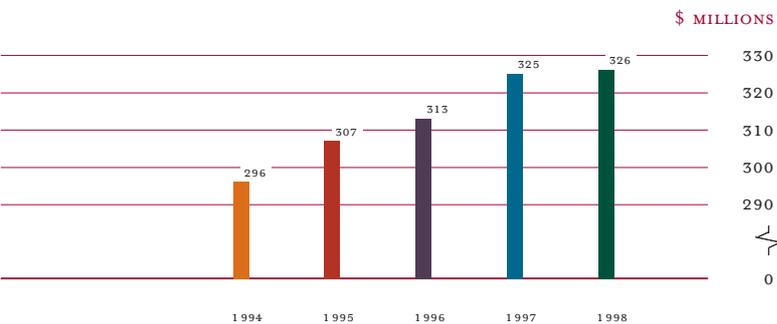
- We will continue to explore opportunities to correct our land tax database to minimise the number of incorrect assessments issued during 1998/99.
- We are resolving as quickly as possible the objections we have received in relation to the principal place of residence exemption.
- We will continue to provide ongoing training to ensure that we continue to provide high quality service.
- The assessment cycle will be returned to the first quarter of 1999.
- We will finalise the *Valuations Payment Methodology Project*. This project is examining the cost incurred in obtaining land valuations from municipalities.
- We are developing an improved *Land Information System*. This will further assist the SRO in capturing land information and will help to ensure that our database is more accurate.

FINANCIAL TRANSACTION TAXES

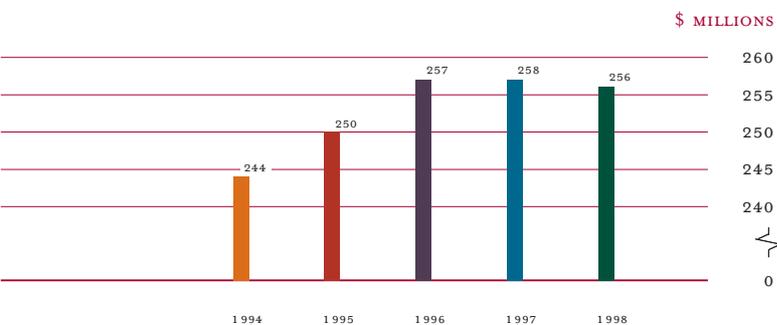
Financial institutions duty is charged on receipts of money by financial institutions and is payable by those institutions but is generally passed on to account holders. Financial institutions duty is payable under the provisions of the *Financial Institutions Duty Act 1982*.

Debits tax is charged on all debits to accounts with cheque facilities. The account holder and financial institution are jointly liable, and financial institutions are permitted to pass costs on to account holders. The *Debits Tax Act 1990* governs this tax.

FINANCIAL INSTITUTIONS DUTY REVENUE



DEBITS TAX REVENUE



Key results

- Revenue collected: \$582m. Forecast: \$586m.
- \$1.2m paid in refunds.
- The Reserve Bank implemented the Real Time Gross Settlement System for Australia's financial sector. This system is designed to reduce risk through failure of a bank to meet its settlement obligations. On behalf of all jurisdictions, we co-ordinated consultation with the Reserve Bank and the Australian Payments Clearing Association to ensure that state taxes and regulatory requirements did not impede the effectiveness and efficiency of this new system.
- During the year, 85 investigations on financial institutions duty were completed, resulting in the detection of \$2.8m in unpaid revenue. The outcomes of the investigations were:
 - fully complying 75 per cent;
 - underdeclared (assessment issued) 22 per cent; and
 - overdeclared (refund paid) 3 per cent (\$0.5m in refunds).

Tax reform and major changes

- Rationalisation of the financial institutions sector has meant that account holders were paying financial institutions duty and debits tax when their local bank or financial institution branch closed, forcing an account transfer. To overcome this problem, the *Debits Tax Act 1990* and *Financial Institutions Duty Regulations* were amended to ensure that transfer of accounts in these circumstances would be fully exempt from debits tax and financial institutions duty. This exemption will also apply to cross-border transfers, where an institution closes its Victorian branch and the depositor transfers funds to an interstate branch of a bank or registered financial institution.
- A new financial institutions duty regulation was made to provide an exemption from duty where an amount is received by a bank solely for the credit of a Victorian account held with another bank.
- Debits made to accounts held in the names of public hospitals, State schools, TAFE colleges and universities are now exempt from debits tax.
- The interjurisdictional review of financial transaction taxes did not proceed because of ongoing uncertainty about the future of these taxes. This review will be reconsidered during 1998/99.

FINANCIAL TRANSACTION TAXES

Significant legal cases

GMH v. Commissioner of State Revenue (Court of Appeal) (1997)
97 ATC 5153

The Victorian Court of Appeal dismissed an appeal by *General Motors Holden & Ors v Commissioner of State Revenue* against a decision of the Supreme Court that monies deposited outside Victoria for the credit of an account in Victoria were subject to financial institutions duty in Victoria.

In question was the proper interpretation of section 9(1) of the *Financial Institutions Duty Act 1982* which provides that money credited to an account kept in Victoria is deemed to have been received by the financial institution maintaining the account at the time it is credited and in any other case, at the time of deposit.

The Court of Appeal held that section 9(1) was both a charging and a timing provision so duty was payable on deposits made outside Victoria to an account held in Victoria. The main grounds contributing to this view are listed below.

- Section 9(1)(a) did not contain a geographic limitation, so the receipt should be deemed to have occurred at the place where the crediting occurred.
- Section 9(1)(b), which dealt with cases where the account to be credited was that of a financial institution in its own right, clearly described circumstances in which a receipt of money took place. The same wording was used in section 9(1)(a), therefore the two sections should not be read differently.
- If section 9(1)(a)(i) were merely a timing provision there would be no need for section 9(1)(a)(ii), which provided that the receipt and deposit occurred at the same time where the account to be credited was not in Victoria. If the deposit had to be made in Victoria before section 9(1) applied, there would be no need to declare that the making of the deposit and the receipt of the deposit occurred at the same time if the relevant account were outside Victoria. Furthermore, if section 9(1) was concerned only with timing, there would be no need for the legislation to distinguish between accounts kept in Victoria and those kept outside Victoria.

Objections and appeals

	1997-98 FINANCIAL INSTITUTIONS DUTY	DEBITS TAX	1996-97 FINANCIAL INSTITUTIONS DUTY	DEBITS TAX
<i>Objections received</i>	6	2	12	6
Allowed	0	1	3	1
Part allowed	2	0	4	0
Disallowed	3	1	5	5
Withdrawn	1	1	0	4
Invalid	1	0	2	0
Objections pending at 30 June	1	0	2	1
<i>Appeals received</i>	1	0	1	1
Settled	0	0	0	1
Approved	0	0	0	0
Denied	0	0	0	0
Appeals pending at 30 June	2	0	1	0

Looking forward

One of our priorities for financial transaction taxes is to achieve greater consistency between financial institutions duty and debits tax legislation. In the coming year, the following initiatives are planned.

- We will work on planned amendments to the *Taxation Administration Act 1997* to allow customers to object to the Commissioner's decision under the *Financial Institutions Duty Act 1982* to refrain from issuing a certificate of exemption. This will make the objection process for financial institutions duty more consistent with the objection process for debits tax.
- We will recommend amendments to the *Financial Institutions Duty Act 1982* to enable the Commissioner to issue certificates of exemption retrospectively. This also provides more consistency between financial institutions duty and debits tax legislation.
- We will issue a *Revenue Ruling* outlining the circumstances under which customers can offset overpaid amounts against their future liabilities.
- We will continue to evaluate the implications of new technology and products on financial transaction taxes.

BUSINESS FRANCHISES

In light of the High Court decision that the New South Wales tobacco franchise fee legislation was unconstitutional, the validity of every other state and territory's tobacco, petroleum and liquor licence fee legislation was brought into question. Consequently, the SRO no longer collects the three business franchise fees. The Commonwealth now collects the resulting lost revenue on behalf of the states and territories through increased customs and excise duty on petroleum and tobacco products and wholesale sales tax on liquor.

These changes have resulted in the Commonwealth collecting more revenue on behalf of the states and territories than they themselves would have collected in the past. This arises because the Commonwealth has set the fees at uniform rates, meaning that the amount ultimately collected has increased. This excess revenue is being refunded by the states and territories to both manufacturers and wholesalers to avoid, as far as possible, price increases.

\$ MILLIONS

Liquor subsidies	
Received from Commonwealth Government	171.9
Less amounts refunded	17.1
Total received	154.8
Petroleum subsidies	
Received from Commonwealth Government	393.1
Less amounts refunded	63.7
Total received	329.4

Tobacco

Amounts received from the Commonwealth Government totalled \$597.5m. The SRO is no longer involved in the collection or refund of tobacco licence fees. Both collection and refunds are conducted directly by the Department of Treasury and Finance. Our involvement in tobacco licence fees is limited to providing advice.

Investigations

During the year, 104 investigations were completed, resulting in the detection of \$673,000 in unpaid revenue and \$129,000 in overpayments. These investigations were completed before the High Court decision and in most cases were investigations that had started in 1996/97.

Tax reform and major changes

We assisted in the development of the *Business Franchise Fees (Safety Net) Act 1997* which restructured the previous franchise fee legislation in response to the High Court decision.

Looking forward

The SRO will continue to pay rebates to customers quickly.



OUR PERFORMANCE AGAINST THE COMMITMENTS IN THE TAXPAYERS' CHARTER

Our formal commitment to provide excellent service to our customers, the *Taxpayers' Charter* (reproduced on page 1) acts as a blueprint for our staff, making clear the standards to which we aspire. During the year, the Charter was rewritten in plain English to help our customers know and understand the standard of service they can expect

from us. We also produced a guide for staff including specific customer service standards that help drive our activities towards meeting the commitments we give through the Charter.

Our performance against the commitments we make in the Charter are outlined in the following table.

TARGET	ACHIEVEMENT
Courtesy and consideration	
<ul style="list-style-type: none"> 95 per cent of customers agree that we are friendly and courteous 90 per cent of customers agree that we provide appropriate information and advice 	<ul style="list-style-type: none"> 98 per cent positive response 90 per cent positive response on level of knowledge and information provided by counter staff
Help and information	
<ul style="list-style-type: none"> 95 per cent of customers comment favourably on the clarity and accuracy of our publications and rulings 95 per cent of customers are satisfied with our education and compliance programs 	<ul style="list-style-type: none"> 98 per cent of recipients rated our publications as being easy to read, informative and useful in assisting their understanding and compliance with Victorian tax legislation 98 per cent of seminar attendees rated our education programs as highly informative, professional and useful
Fairness	
<ul style="list-style-type: none"> No adverse findings by Ombudsman Success in more than 75 per cent of court and tribunal actions 	<ul style="list-style-type: none"> No adverse findings by Ombudsman 75 per cent of the cases decided were found in favour of the Commissioner of State Revenue
Correspondence	
<ul style="list-style-type: none"> 100 per cent acted on, or acknowledged, within 21 days 	<ul style="list-style-type: none"> 96 per cent of correspondence was acted on within 21 days
Telephone	
<ul style="list-style-type: none"> Prompt pick-up of telephone calls 	<ul style="list-style-type: none"> 98 per cent of telephone calls answered within an average of 4 rings
Objections	
<ul style="list-style-type: none"> Where all information is provided, 100 per cent of objections resolved within 60 days 	<ul style="list-style-type: none"> 100 per cent resolved where all information provided
Refunds	
<ul style="list-style-type: none"> 100 per cent issued within 60 days 	<ul style="list-style-type: none"> 92 per cent of refunds finalised within 60 days
Investigations	
<ul style="list-style-type: none"> Reasonable notice provided (at least 7 days before the beginning) of an investigation Written advice of the result of investigations to be provided within 21 days 	<ul style="list-style-type: none"> Prior notice given in 100 per cent of cases Results advised within 21 days in 99 per cent of cases
Privacy and confidentiality	
<ul style="list-style-type: none"> No tax records unlawfully divulged 	<ul style="list-style-type: none"> 100 per cent achieved - no tax records unlawfully divulged
Compliance costs	
<ul style="list-style-type: none"> Changes in procedures and processes to reduce business costs 	<ul style="list-style-type: none"> A number of projects and initiatives have been implemented including alternate payment facilities and streamlined self-assessment processes for stamp duty
Independent appeal and review	
<ul style="list-style-type: none"> All customers are advised of their right to object and appeal 	<ul style="list-style-type: none"> 100 per cent of customers advised accordingly

CRITICAL INITIATIVES TO IMPROVE OUR PERFORMANCE

Keeping outstanding revenue to a minimum

Debt management remains a key priority for the SRO.

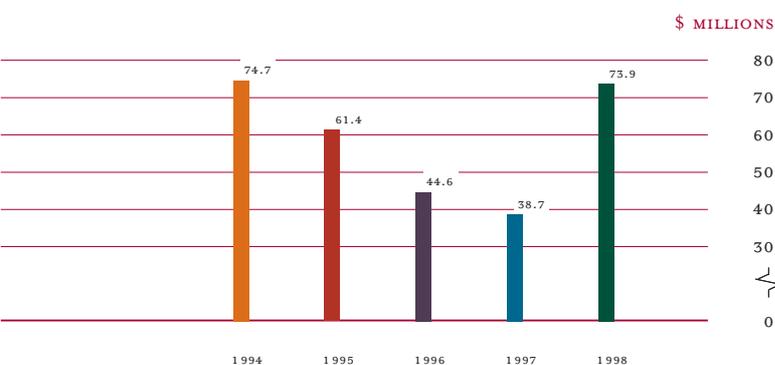
During the year we automated the processes involved in monitoring and collecting debt. The package saves both time and money and provides various management reports that were previously unavailable.

We also participated in a benchmarking study on receivables management sponsored by the Australian Taxation Office. The study analysed the experiences of nine Australian participants and five major tax authorities from around the world. The performance of the SRO was rated first in three of seven categories: debt management, debt disposal and minimising default exposure.

As at 30 June 1998, our outstanding debt totalled \$73.9m. This represents 1.38 per cent of revenue collected, well within the interjurisdictional benchmark for outstanding debt of 2 per cent.

	\$ MILLIONS
Outstanding debts collected	89.7
Under arrangement	2.4
Disputed	23.8
Deferred	1.3

OUTSTANDING DEBT



Outstanding debt as a percentage of revenue

Year	Percentage (%)
1994	1.34
1995	1.05
1996	0.70
1997	0.63
1998	1.38

The increase in the level of outstanding debt relates directly to the delayed issuing of 1998 land tax assessments.

A complete analysis of debt is provided in Appendix 3.

Educating our customers

An objective of the SRO is to ensure that customers meet their obligations under Victorian taxation legislation. Non-compliance can result from several factors but, in the main, our compliance strategies reflect our belief that customers will generally meet their obligations as long as those obligations are fully understood. Therefore, our active approach to help customers fully understand the requirements of legislation, and making it as easy as possible for them to comply, are key drivers towards enhanced compliance levels.

We also take positive action to identify and resolve deliberate non-compliance through investigation and strategic intelligence.

Revenue Rulings

Revenue Rulings are designed to help our customers understand revenue legislation. They outline the SRO's interpretation of key aspects of legislation in each of the revenue lines. An integral part of our compliance strategy, *Revenue Rulings* are available on our website and by subscription. During the year, we issued 29 *Revenue Rulings* to more than 1,000 subscribers.

Publications

We also produce a range of publications aimed at specific customer groups and tax practitioners. These publications are designed to clarify legislation and communicate changes to the law, our interpretation of it and where necessary, our procedures. This year, we produced more than 40 publications, including:

- an introduction to the *Victorian Taxation Administration Act 1997*;
- pay-roll tax and superannuation benefits circular;
- 1998 land tax general information brochure; and
- liquor subsidy scheme information booklet.

Seminars and workshops

We regularly hold seminars and workshops throughout Victoria and interstate for both customers and tax practitioners, covering a broad range of subjects on each of the revenue lines. This year 1,159 people attended 34 seminars and workshops, including:

- quarterly pay-roll tax workshops for recently registered employers;
- regional seminars on pay-roll tax, stamp duty and land tax aimed at bringing practitioners in rural areas up to date with changes; and
- an extensive seminar program focusing on the completion of the pay-roll tax Annual Adjustment return.

Ninety-eight per cent of attendees rated our seminars and workshops as very good to excellent.

CRITICAL INITIATIVES TO IMPROVE OUR PERFORMANCE



Providing more options

Providing our customers with flexibility for lodgement and payment is a key strategy for maximising compliance. The easier it is, the more likely customers are to comply. Over recent years, we have invested significant resources in expanding payment and lodgement options for our customers and the 1997/98 year was no different. Options for making payments at banks have been extended to more customers. Banks can now automatically accept and process these payments by using electronically encoded forms designed for this purpose.

Finding out what our customers want

We conducted a major survey during the year involving more than 400 customers. Through face-to-face or telephone interviews, we established the extent to which our existing payment options were known and the level of interest in using these options, particularly electronic methods. The survey results indicated that there is a growing desire for customers to deal with us electronically, taking advantage of the convenience which these methods represent.

Our Internet home page

In January this year, the SRO released a new internet home page featuring dynamic help and upgrades, a search facility, logical navigation and a quick feedback option. We monitor and upgrade our site continually to ensure that maximum information about the SRO and the taxes that we collect is available to our customers. Our site includes up-to-the-minute news on Victorian taxes and duties and details of the various services we provide. Our address is <http://www.sro.vic.gov.au>

Business Channel and Land Channel

Extensive work has been completed on enhancing our ability to deliver services electronically using the internet, and, in particular, the Victorian Government's Business and Land Channels. These channels are internet websites providing government services electronically to businesses (Business Channel) and people interested in land information and dealings (Land Channel).

In June 1998, we implemented several information transactions through the Business Channel:

- registration for free SRO seminars;
- requests for specialist SRO speakers; and
- subscriptions to our mailing and fax broadcasting services.

Later in 1998, the Business Channel will be extended to include the following tax transactions:

- pay-roll tax registrations, cancellations and amendments;
- liquor licence renewal;
- applications and payments for land tax certificates (for example, section 97 certificates);
- subscriptions to our *Revenue Rulings*; and
- bookings and payment for SRO seminars.

We are also developing transactions for the Land Channel. These transactions should be ready for implementation by December 1998:

- notices of acquisition;
- updating customer details;
- a liability calculator for land tax; and
- submitting a principal place of residence declaration.

Customer Service Centre

The *Customer Service Centre* continues to provide our customers with an efficient medium for having documents assessed and stamped, and for paying fees. The Centre has proved popular with our customers and has resulted in a substantial improvement to the service we provide.

Communicating with our customers

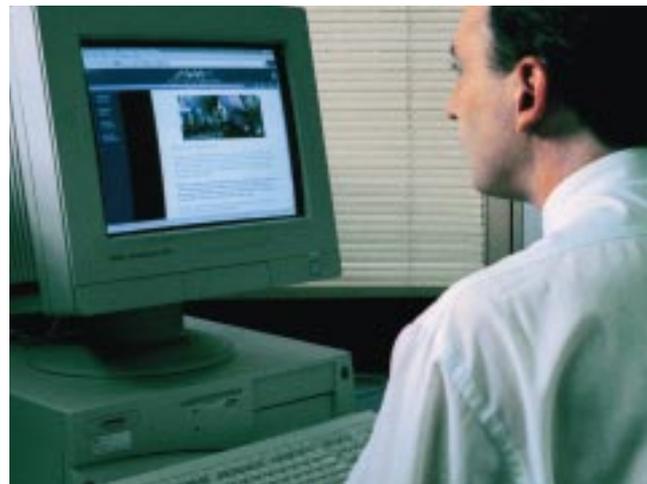
The telephone — an important customer service tool

We recognise that a critical factor influencing our ability to deliver excellent service to our customers is our telephone system. During the year, we set up a team of people to assess our system, and to design and implement enhancements that will deliver tangible improvements for customers. In particular, the project team will focus on the quality of our Interactive Voice Response System and initiate enhancements to our voice messaging and queue waiting capabilities.

The physical components of our telephone system are also being reviewed to determine their suitability for meeting the current and future needs of the SRO and our customers. The outcome of the review will be critical in ensuring that we have a telecommunications infrastructure that meets the needs of the SRO and our customers, now and in the future.

Reviewing our written communication

A significant proportion of our communication with customers is through standard letters and forms. During the year, we improved all our standard letters and forms, making them easier to read, consistent and more targeted to their intended audience. In all, more than 80 forms and 360 standard letters were updated.



CRITICAL INITIATIVES TO IMPROVE OUR PERFORMANCE

Developing a better Victorian tax regime by providing authoritative policy advice to the Government, by consulting with other jurisdictions to improve consistency and by administering tax legislation professionally and sensibly.

From our 1997/98 Management Plan

Consultation in tax administration

We actively seek contributions and feedback from taxpayer and tax practitioner representative associations in the improvement of administrative processes and policy and legislation development. Liaison occurs directly with the associations on a regular basis or is issue driven.

State Taxes Consultative Council

The State Taxes Consultative Council (STCC) is a forum for public and professional comment on proposed and existing policies and procedures.

The Council, which meets quarterly, and is chaired by Rod Rogers, Chief Adviser – Policy and Interpretation, is made up of representatives from the Law Institute of Victoria, the Taxation Institute of Australia, the Australian Society of Certified Practising Accountants, the Corporate Tax Association, the National Institute of Accountants, the Institute of Chartered Accountants of Australia and senior SRO policy officers.

The STCC continued to be a valuable resource throughout the year, exchanging views on a range of issues affecting customers and tax administrators. Subjects included draft rulings, legislative amendments, tax policy, administrative procedures and customer service initiatives.

The SRO would like to thank the representatives who sit on the STCC for their valuable contribution during 1997/98:

LAW INSTITUTE OF VICTORIA

Chris Furnell
Frank Brody
Simon Begg
Steve Stevens

TAXATION INSTITUTE OF AUSTRALIA

Sue Williamson

AUSTRALIAN SOCIETY OF CERTIFIED PRACTISING ACCOUNTANTS

Max Warlow

CORPORATE TAX ASSOCIATION

Bob Bryant
Frank Drenth
Nick Kallinikios

NATIONAL INSTITUTE OF ACCOUNTANTS

Graeme Tardrew

INSTITUTE OF CHARTERED ACCOUNTANTS OF AUSTRALIA

Kim Rea
Tim Grace

We will deliver a responsive, flexible information environment in accordance with the SRO's IT strategic plan. The introduction of groupware will enable collaborative work to be accessed and developed efficiently. The expansion of the SRO's electronic services is also set to continue with the multi-media developments associated with the Government Business Channel and the Internet.

From our 1997/98 Management Plan

Tackling information technology strategically

During the year we finalised a three-year information technology (IT) strategic plan that will enable the SRO to gain substantial benefits from more effective use of technology. Among other initiatives, the plan will help us move toward becoming an electronic business for transactions and customer interaction. This approach is in line with the Victorian Government's commitment, through its VIC 21 strategy, which aims to conduct all Government business on-line by 2001.

In March this year, the Victorian Government approved funding of \$4.8m for the implementation of the first stage of the IT strategic plan in 1998/99. This key strategic project will begin the process of updating and replacing, where necessary, our core systems.

Year 2000

As a technology reliant organisation, the SRO is well on the way to addressing problems arising from the year 2000 (Y2K) issue. A special project team has completed a detailed assessment of the areas we need to address to be Y2K compliant, having conducted a confidence level pilot to determine the scope of the

problems within our core business systems. The remedy and testing phase is currently underway and we expect to complete it by March 1999. Further details of the critical business systems identified are provided in Appendix 4.

Our desktop environment

In line with the Victorian Government approach to standardising desktop environments, we made significant changes to our desktop environment across the whole organisation during the year. Each workstation has been upgraded to a new desktop standard – Pentium PCs, Windows 95, Microsoft Office 95 and Lotus Notes. These changes were supported by significant training to ensure that we maximise the benefits from our investment in this technology.

Outsourced IT services

Recognising the need to align with specialist IT organisations, the SRO had previously outsourced its core operational systems to G.E. Capital Information Technology Solutions, a specialist technology corporation. This relationship continued during the year. The SRO will continue to outsource IT functions where significant benefits can be derived.



Focus on quality, planning and measuring our performance

Mission:

The purpose of the State Revenue Office is to provide customers with quality revenue management services which are fair, efficient and deliver benefits for all Victorians.

In achieving our mission, we recognise the need to focus on the quality of the information and services we provide to our customers.

This section outlines our commitment to quality and the meaning of quality in our environment, our comprehensive planning process and the ways in which we measure progress towards our goals.

STRIVING FOR QUALITY

The SRO invests substantial time and resources in ensuring that a focus on quality permeates all our activities. We work hard to ensure that our processes continue to reflect best practice.

Our commitment to enhance the quality and range of services to our customers is ongoing. We see it as a journey of continuous improvement.

As part of our quality management system, we are continually reviewing our core business processes to identify further opportunities for improvement and to ensure alignment with our vision and corporate goals.

Key objectives are:

- a better understanding of our customers' needs;
- involvement of our customers in the design and delivery of our services;
- an increase in productivity, efficiency and streamlined services; and
- reduced errors and inconsistencies throughout the organisation.

The drive for quality in everything we do is a major commitment for the SRO.

As part of this, we are developing action plans and will be undertaking an organisational self-assessment of our operations against the seven categories of the Australian Business Excellence Framework. We will then be developing action plans to address gaps revealed by this self-assessment to ensure that we achieve best practice. The following diagram (reproduced with permission of the Australian Quality Council) shows the relationships among the seven categories of the Australian Business Excellence Framework.



These quality initiatives are not separate projects. They are linked to a comprehensive planning process requiring the commitment and ownership of all staff. All our staff will receive training in quality principles so that we can ensure that we consistently deliver high quality services and strive for continuous improvement.



Figure 1

The 1998 Australian Business Excellence Model – Categories

© Australian Quality Council 1998

PLANNING FOR THE FUTURE

One of the key strategies in our 1998/99 planning process is to ensure that staff at all levels are involved in the development of business plans and are consulted on the direction of the SRO. During the year, more than 100 of our staff (including all members of the SRO Executive and branch managers) attended a planning workshop aimed at producing an organisational Business Plan. Outcomes of the workshop included an improved understanding of our strategies and greater enthusiasm about our direction and future.

The resulting 1998/99 Business Plan is already providing an effective roadmap for staff, with branch, divisional and corporate objectives and measurements clearly specified.

Our Business Plan for next year is built around five core drivers that are addressed at each stage of the planning process, from corporate to branch level.

Core drivers

Revenue Management Services

This will ensure that our stakeholders are provided with fair and cost effective revenue management services, including continuous improvement of our business systems, the development of effective compliance programs and flexible and responsive support technology and risk management.

Customers

The performance standards published within our *Taxpayers' Charter* and our aim of reducing compliance costs for our customers are pivotal to the SRO.

We understand the need for security of confidential material and promise to deal with customer concerns as quickly as possible in an effort to make it easy for our customers to do business with us.

People

We respect and value our people and endeavour to provide them with a work environment that is challenging and rewarding and that gives everyone the opportunity to contribute, learn and grow with us.

Information systems

We aim to make use of state-of-the-art systems in an effort to effectively support our core business activities of revenue collection, policy and legislation development, customer education and compliance.

Legislation

We will assist in the development of legislation and policy that supports government policy objectives. We strive to develop policy proposals that are effective in achieving Government policy objectives and are fair, easy to comply with and easy to administer.



MEASURING OUR PERFORMANCE

Assessing our service

To understand whether we meet the needs of our customers, we regularly conduct surveys and seek customer feedback to analyse our performance and the level of service we provide.

MYSTERY SHOPPER SURVEY

In September 1997, we completed our fourth mystery shopper survey through which anonymous researchers, acting as customers, deal with the SRO to rate our service. The researchers judged our performance in several areas, including courtesy, friendliness, helpfulness and the technical knowledge of our staff. Out of a possible overall score of 90, the SRO scored 79.5.

Our level of service compared favourably with more than 190 Australian organisations. The highest overall rating for a similar organisation was 84.4 points.

BENCHMARKING OUR SERVICE

We undertook two studies during the year in conjunction with the Australian Quality Council. The studies were aimed at benchmarking our service quality against the service provided by other organisations.

The first study focused on our face-to-face customer service – how well we deliver over the counter. Completed in December 1997, the study rated the SRO as one of the best face-to-face service providers when compared with a number of high profile public and private sector companies.

The second study (to be completed in December 1998) concentrates on customer service measurement – to identify how leading Australian organisations measure customer service and to use this information to improve performance.

SEEKING FEEDBACK

Again this year, we spoke with our customers to gain insight into their needs and expectations, so that we can tailor our services accordingly.

We regularly conduct research and receive feedback from customers, primarily to help us determine what we do well and where we can improve. Importantly, we use this feedback to isolate problems and trends, and take corrective action.

In all, we received 616 compliments and 39 complaints during the year. Aside from general appreciation of the professionalism of our staff, many of the compliments

centred around the pay-roll tax *Annual Adjustment on Disk* program. We continued the development of the disk this year so that all pay-roll tax customers can calculate electronically their monthly pay-roll tax for the 1998/99 financial year.

Most of the complaints we received were from customers experiencing delays, an issue that we take very seriously and are addressing through efficiency initiatives. The complaints we receive help us to ensure that we do not become complacent about the speed of our responses to customers. We continually strive to meet the target timelines we commit to in the *Taxpayers' Charter*.

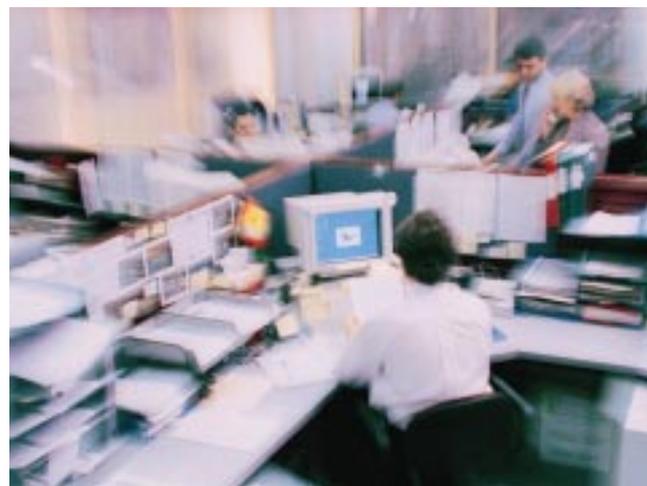
AUDIT COMMITTEE

The SRO Audit Committee, made up of internal and external representatives, also plays a valuable role in the measurement of our performance. The committee, chaired by the Commissioner, provides assistance to the Commissioner in fulfilling his responsibilities to the Secretary of the Department of Treasury and Finance.

Our appreciation is sent to the external members of the committee for their valued involvement:

AUSTRALIAN ACCOUNTING
RESEARCH FOUNDATION
Greg Pound

ERNST & YOUNG
Stuart Painter – Partner



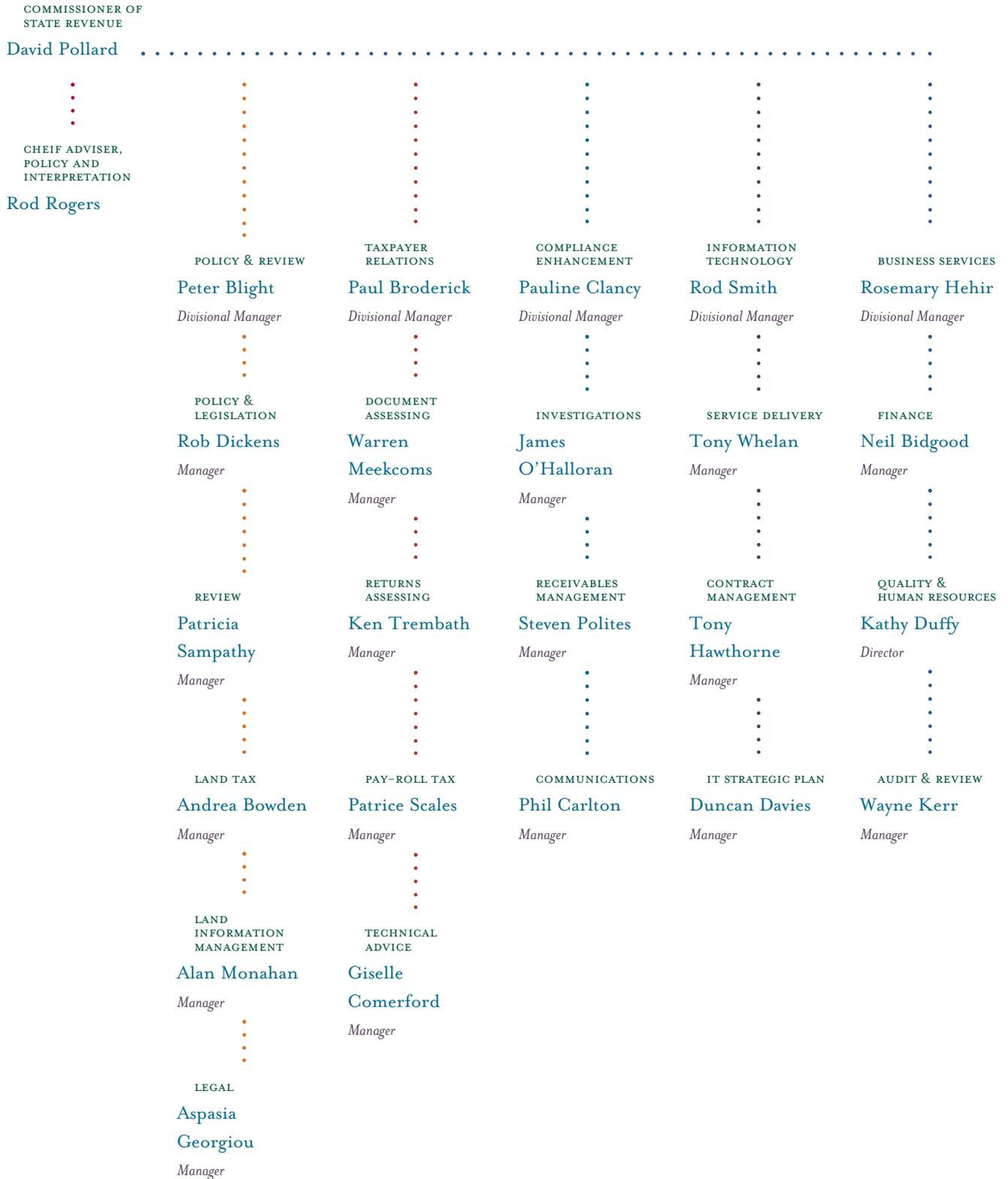
An organisation of people – for people

*Respecting and valuing all our people
and providing a work environment
that is challenging and rewarding
and gives everyone an equal
opportunity to contribute,
learn and grow.*

From our 1997/98 Management Plan

OUR STRUCTURE

Organisational Chart



David Pollard BEcon, MA (Hons), PhD (Syd)



David became the second Commissioner of State Revenue in September 1997 following the departure of Denzil Griffiths in May 1997.

He is a Member of the Committee for Economic Development in Australia, the Quality Society of Australia and the CEO Circle.

Before joining the State Revenue Office, David held a number of positions in both the Commonwealth and the New South Wales administrations. These included Assistant Commissioner, NSW Corporate Affairs Commission; inaugural Chief Executive of the Australian Film Finance Corporation; Assistant Commissioner of the Industry Commission and Divisional Manager (Information) with the Australian Securities Commission.

...collecting revenue on behalf of the Victorian Government is a significant responsibility, and one which I know we have carried out professionally, diligently and with a strong dedication to making it easy for our customers to do business with us.

Rod Rogers DipBusSt (Acc) FCPA



Rod had senior management roles in data processing and management systems development before joining the former State Taxation Office as Deputy Commissioner where he had responsibility for pay-roll tax, compliance, research and planning, and client education. Since the formation of the SRO, he has had responsibility at Director level for the technical advice, client education, legal services, policy and legislation functions. Rod's current role addresses the increasing policy and technical workload of the SRO and the important industry and interjurisdictional liaison in tax administration and policy development.

1997/98 Highlights

'A major highlight for the year was working with Treasury to negotiate and develop the petroleum franchise fees subsidy arrangements – a challenging task in a short timeframe.'

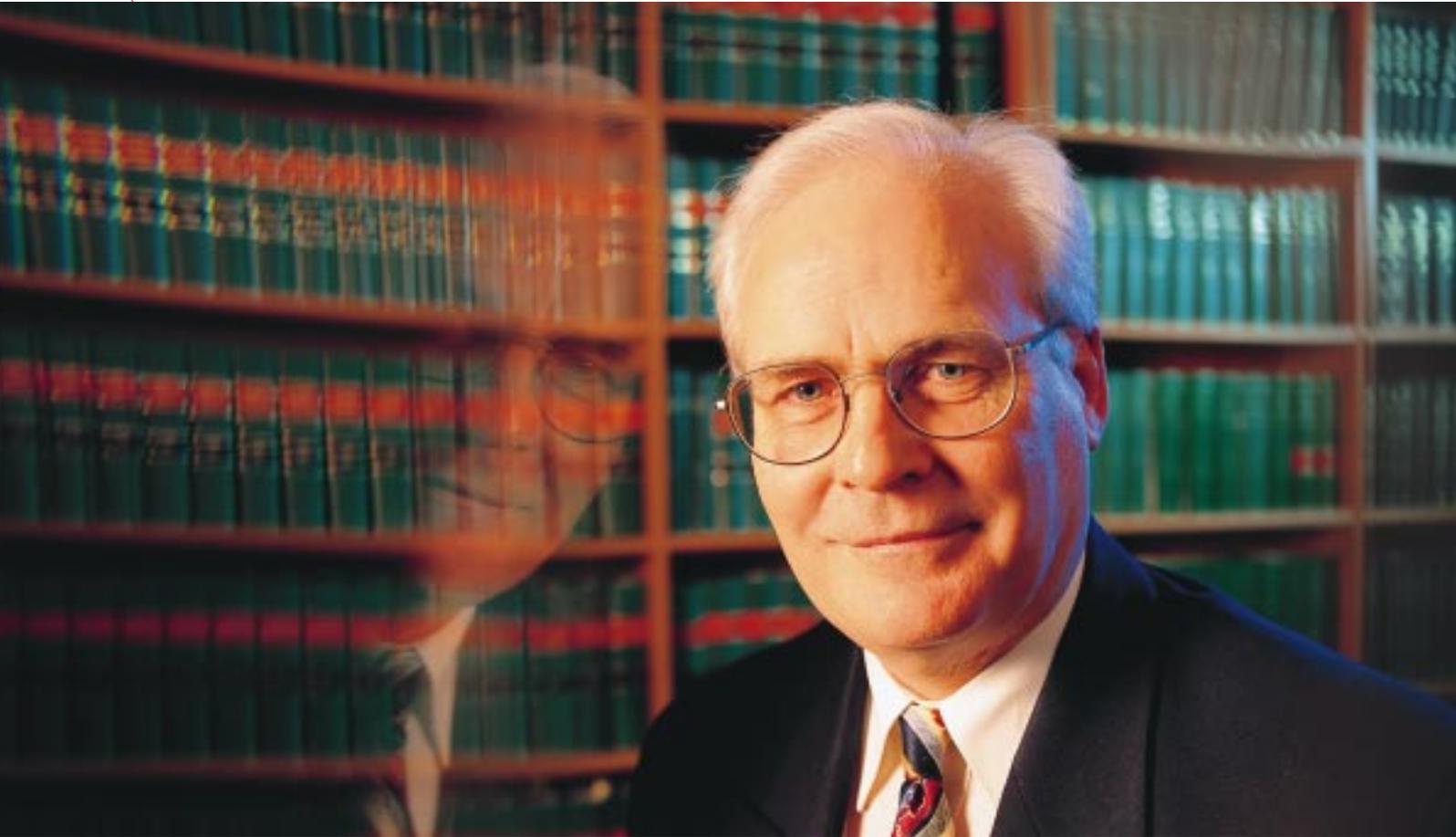
'Negotiating the interjurisdictional Stamps Rewrite continued to be a significant challenge – and an opportunity to reduce needless complexity and differences between jurisdictions.'

'Effective communications with industry bodies and tax practitioners continues to be extremely important; it helps us to develop and maintain legislation that is relevant to the way business is actually conducted.'

...provides advice on complex taxation and litigation issues, liaises with taxpayers and tax practitioner representative bodies, manages major policy projects and assesses customer requests for internal decision or process reviews.

My personal thanks to those tax practitioners who have given their time and skill to comment on draft legislation and rulings. In addition to the ongoing efforts of the State Taxes Consultative Council, the core members of the Law Institute of Victoria State Taxes Committee continued to make a sustained and valuable contribution to the Stamps Rewrite; in particular, I'd like to thank Chris Furnell and Simon Begg for their outstanding contribution.

Peter Blight DipBus (Acc)



Peter joined the SRO in June 1992 as a General Manager with primary responsibility for managing the collection of a wide range of state taxes, levies and fees as well as the revenue forecasting and monitoring function. For five months in 1997, Peter acted as Commissioner of State Revenue.

Before joining the SRO, he held senior positions with the Victorian Workers Compensation Authority and the Australian Bureau of Statistics in Melbourne and Canberra.

1997/98 Highlights

‘The quality of our decision making remains high: only 13 per cent of decisions made under our independent review process were appealed, and of these, only one decision was overturned by the Administrative Appeals Tribunal.’

‘Our commitment to providing full explanations of decisions is recognised. In a judgement at the Administrative Appeals Tribunal Mr Geoffrey Gibson said, “Years ago, some revenue officers gave the unhappy appearance of thinking it was their job to keep people in the dark as to why their tax was so high. Of late I have noticed that the relevant officers of the Commissioner have been providing taxpayers with statements of reasons that are helpful and as clear as the occasion permits.”

‘Our response to the High Court of Australia decisions in the Allders and Ha & Lim cases was prompt and comprehensive ensuring revenue flows were protected and taxpayers were fully informed of their tax obligations.’

...is primarily responsible for the SRO's policy and legislation development processes, conduct of litigation, the independent internal review process, and the management of the land tax revenue line.

POLICY & LEGISLATION

Rob Dickens

LEGAL

Aspasia Georgiou

REVIEW

Patricia Sampathy

LAND TAX

Andrea Bowden

LAND INFORMATION MANAGEMENT

Alan Monahan

Paul Broderick GradDipBus (Man) MBA



Paul joined the SRO as Divisional Manager Taxpayer Relations in January 1998, after holding senior positions with the Australian Securities Commission (ASC) and the Department of Social Security. He has extensive experience in the management of revenue collection and customer service, having headed up that area while at the ASC. During his time as the Quality Manager at the ASC it received the Australian Customer Service Award for Victoria (Large Business category), an Australian Quality Award for Business Excellence and Quality Certification. Paul also has experience as an Organisation Development Manager, as he worked in that role immediately before joining the SRO.

1997/98 Highlights

'Helping the Department of Treasury and Finance with accurate forecasting is an important role we play. The overall result this year was that revenue collected was only 2.3% over forecast, well within the range set of 5%.'

'We answered 155,351 telephone calls, served 66,142 people at the *Customer Service Centre* and provided 645 written advices on complex matters to our customers. Both mystery shopper surveys and exit interviews rated the service we provided as very good.'

'Our customer service initiatives including the *Customer Service Centre* and the *Annual Adjustment on Disk* were also highlights of the year. We continued to make it easier for our customers to do business with us.'

...has primary responsibility for the administration of most revenue lines collected by the SRO. This division also provides technical advice to customers and plays a role in the identification and correction of deficiencies in legislation and policies.

DOCUMENT ASSESSING

Warren Meekoms

RETURNS ASSESSING

Ken Trembath

PAY-ROLL TAX

Patrice Scales

TECHNICAL ADVICE

Giselle Comerford

Pauline Clancy BA, DipEd, GradDip (Rec Plng)



Pauline is responsible for the development and implementation of integrated compliance strategies aimed at maximising customer compliance with the legislation administered by the SRO. She currently manages 120 staff.

Pauline has more than 20 years' experience in administration at all levels of Government and has held senior policy, research and management positions in several agencies including Treasury, Finance, Property and Services and Water Resources.

Playing a key role in the cultural, management and customer service reforms which have transformed the SRO over the past six years, Pauline has been responsible for three different Divisions within the organisation – Corporate Resources, Revenue Operations and Compliance Enhancement. She also managed the whole-of-organisation Business Renewal Study undertaken in 1996.

1997/98 Highlights

'The launch of our new Debt Recovery Management System will ensure that we effectively capture outstanding tax.'

'We have been a major player in the implementation of the Government's Business Channel – we've completed a total redesign and expansion of our home page on the internet in line with the Government's commitment.'

'We took a lead role in the development of the national compliance strategy to manage subsidy scheme arrangements by convening and chairing the interjurisdictional Petroleum Compliance Working Party.'

...supports the SRO's primary objective that customers meet their obligations under tax legislation. These obligations include payment and the timing of payment, providing information and keeping records.

INVESTIGATIONS

James O'Halloran

RECEIVABLES MANAGEMENT

Steven Polites

COMMUNICATIONS

Phil Carlton

Rod Smith BSc



Rod has extensive experience from Australia and overseas in business management and information technology, including consulting to a wide variety of organisations.

He has also held a number of management positions in service organisations such as UNISYS, PAXUS and EDS. Rod has been a board member of a number of companies and business associations.

1997/98 Highlights

‘Commencing the implementation of the three-year IT strategic plan has been a significant initiative.’

‘We have also successfully completed enhancements to the desktop environment throughout the SRO, with workstation upgrades and a substantial investment in training.’

‘Our overall divisional management structure has been strengthened to meet the SRO’s information needs for the future.’

SERVICE DELIVERY

Tony Whelan

CONTRACT MANAGEMENT UNIT

Tony Hawthorne

IT STRATEGIC PLAN

PROGRAM OFFICE

Duncan Davies

...is responsible for the administration and implementation of the IT Strategic Plan and ensuring that the systems in use by the SRO are the most appropriate and up-to-date.

Rosemary Hehir BA



Rosemary joined the SRO in 1996, bringing with her significant experience in organisational reform. She has worked for the Sydney City Council as Assistant General Manager for Cultural and Community Services and held senior positions with the Victorian Tourism Commission, the Department of Property and Services and the Ministry of Housing.

1997/98 Highlights

‘The Taxation courses being conducted for our staff in conjunction with Monash University will provide both the SRO and our people with significant rewards.’

‘The allocation of funds for our IT Strategic Plan to ensure that our systems continue to meet the needs of our customers is a major milestone for the SRO.’

‘Our planning workshop this year was leading edge, in that 100 of our staff worked together to produce an organisational business plan.’

FINANCE

Neil Bidgood

QUALITY & HUMAN RESOURCES

Kathy Duffy

AUDIT & REVIEW

Wayne Kerr

...provides the SRO with supporting services that enable the Office to achieve its objectives. Among other things, the Division is responsible for the provision of human resource services, financial systems management and staff training.

HELPING OUR PEOPLE DELIVER THE MISSION



New workplace agreements

During the year, the SRO began to offer staff individual Australian Workplace Agreements (AWA) under the *Workplace Relations Act 1996*.

A substantial process of consultation involved focus groups where staff voiced their opinions on employment related issues, including the terms and conditions of employment. Some of the changes to these terms and conditions included the availability of overtime pay to all Band 3 employees, payment of higher duties allowances for periods of one week or more, an expanded rewards and recognition scheme and the availability of salary packaging to all staff.

The original intention of the SRO was that all staff be covered by a proposed SRO Enterprise Agreement. This required all staff to be given the opportunity to vote on the proposed agreement. The result of the vote, in which 85 per cent of staff participated, was against the acceptance of the proposed SRO Enterprise Agreement. As a result,

individual agreements were offered to all staff in December 1997. At 30 June 1998, 472 (or 85 per cent) of eligible staff had signed new individual agreements.

On signing their individual agreement, staff became eligible for a 3 per cent salary increase as part of a 7.5 per cent performance based increase over a two and a half year period.

Targeted selection

We recognise that our people are central to achieving our mission and making sure that we have the right people in the right jobs is a key driver of success. During the year, we completed the introduction of a new recruitment and selection methodology. A number of our managers have now been fully trained in targeted selection. This is a process aimed at ensuring the people we recruit will be able to perform their roles and will fit within our organisation.

During the year, we recruited 117 people, taking our total staff complement as at 30 June 1998 to 545. A breakup of staff by classification is provided in Appendix 5.

Training and development

Upskilling our staff continues to play an important role in the SRO, particularly in light of the many organisational reforms taking place. The strategic shift from a transactional processing environment to an interpretive and analytical workforce requires an increase in skills, knowledge and personal development. During the year, we implemented a significant training program designed to enhance both the technical and generic skills of our staff.

A series of self-study modules targeted basic skills in the areas of business structures, pay-roll tax, land tax, financial transactions taxes and stamp duty. More complex requirements were covered in specific workshops for each revenue line. Technical competence is being given particular emphasis. Our staff need to be equipped to handle the varied and complex aspects of tax administration.

We also implemented a training initiative with Monash University, through which our staff receive tertiary training specifically tailored to the needs of the SRO. Through this program, our staff can study for and receive the Executive Certificate in Taxation and the Graduate Certificate in Taxation. So far, 22 staff have participated in this key development initiative.

A new Study Assistance Policy was introduced to support and assist staff in work-related professional development. The SRO recognises that it has an important role to play in actively sponsoring and encouraging staff to participate in learning and development activities.

HELPING OUR PEOPLE DELIVER THE MISSION

Rewarding great performers: the Excel Award

Rewarding excellence has taken on a new priority this year, with the introduction of an enhanced and expanded rewards and recognition scheme.

Developed with extensive staff consultation, the scheme recognises employee achievements using a variety of meaningful reward mechanisms to show how excellence is valued within the organisation. Rewards include cash incentives, trophies and gift vouchers. To complement the monthly and annual excel awards there are bonuses available to selected staff at Christmas.

A new performance management system

We also introduced a new performance management system designed to provide extra payments to staff who meet or exceed performance requirements. Using a common three-point rating scale, payments range from 2.25 per cent of the staff member's base salary for employees who fully meet requirements, to 3 per cent of base salary plus a lump sum of 4 per cent for employees who consistently and significantly exceed job requirements.

Staff forum

The staff forum enhances the communication channels between staff and management within the SRO. The forum provides an avenue for decision makers to outline issues to staff and to seek their views and ownership. It is also aimed at increasing the staff's level of awareness and understanding of policy issues.

In addition, the forum actively focuses on the people issues within the SRO – human resources, organisational and staffing policies, training and development, and significant changes to work practices, systems and procedures.

The forum meets monthly or more frequently when the need arises.

FINANCIAL STATEMENTS

Operating Statement

For the year ended 30 June 1998

	NOTES	1997-98 \$'000	%	1996-97 \$'000	%
Operating expenses					
Employee costs	3a	26,681	48.6	25,007	48.3
Supplies and services		21,469	39.1	20,154	39.0
Departure packages		71	0.1	215	0.4
Depreciation/amortisation	4	5,390	9.8	5,789	11.2
Carrying amount					
of assets sold		452	0.8	299	0.6
Capital charge		849	1.6	241	0.4
Interest and other costs					
of finance	5	-	-	32	0.1
Total operating expenses		54,917	100.0	51,737	100.0
Operating revenues					
User charges	5	2,127	96.4	1,828	85.7
Sale of assets		28	1.3	302	14.2
Other income		51	2.3	4	0.1
Total operating revenues		2,206	100.0	2,134	100.0
Net cost of services		52,711		49,603	
Government revenues					
Recurrent appropriations		47,914	97.9	*52,765	98.1
Works & services					
appropriations		3,241	6.6	3,183	5.9
Receipts forwarded					
to consolidated fund		(2,206)	(4.5)	*(2,134)	(4.0)
Total Government revenues		48,949	100.0	53,814	100.0
Increase (Decrease) in net assets resulting					
from operations	10	(3,762)		4,211	

* Previously reported as a net figure

The above operating statement should be read in conjunction with the accompanying notes.

Statement of Financial Position

For the year ended 30 June 1998

	NOTES	1997-98 \$'000	1996-97 \$'000
Current assets			
Cash	7a	611	522
Receivables	7b	150	600
Prepayments		362	529
Trust funds	14a	982	854
Inventory	7c	583	56
Total current assets		2,688	2,561
Non-current assets			
Receivables	8a	-	150
Computers, software			
& equipment	8b	2,856	4,266
Municipal valuations	8c	5,321	6,833
Other fixed assets	8d	676	933
Total non-current assets		8,853	12,182
Total assets		11,541	14,743
Current liabilities			
Creditors and accruals	9	911	892
Lease liabilities	12a	-	84
Provision for employee			
entitlements	3b	1,776	1,790
Funds held in trust	14a	982	854
Total current liabilities		3,669	3,620
Non-current liabilities			
Provision for employee			
entitlements	3b	4,040	3,529
Total non-current		4,040	3,529
Total liabilities		7,709	7,149
Net assets		3,832	7,594
Equity			
Accumulated surplus	10	3,832	7,594
Total equity		3,832	7,594

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 1998

	NOTES	1997-98 \$'000	1996-97 \$'000
Cash flows from operating activities			
<i>Payments for:</i>			
Employee costs		(26,232)	(25,396)
Departure packages		(71)	(215)
Supplies & services		(21,357)	(19,807)
Capital charge		(849)	(241)
Interest and other costs			
of finance paid		(5)	(32)
<i>Receipts from:</i>			
User charges		2,127	1,828
Other income		51	3
Net cash outflow from			
operating activities	13	(46,336)	(43,860)
Cash flows from investing activities			
<i>Payments for:</i>			
Municipal valuations		(1,656)	(9,146)
Plant & equipment		(998)	(917)
Work in progress		(503)	-
<i>Proceeds from:</i>			
Sale of plant & equipment		28	302
Net cash outflow from			
investing activities		(3,129)	(9,761)
Cash flows from financing activities			
Movement in public account		89	98
Repayment from debtors		600	450
Repayment of lease liabilities		(84)	(643)
Net cash inflow (outflow) from			
financing activities		605	(95)
Cash flows from Government			
Recurrent appropriations		47,914	*52,765
Works & services appropriations		3,241	3,183
Amounts paid to the			
consolidated fund		(2,206)	*(2,134)
Net cash inflow from Government		48,949	53,814
Net increase (decrease) in cash held		89	98
Cash at the beginning			
of the financial year		522	424
Cash at the end of			
the financial year	7a	611	522

* Previously reported as a net figure

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES 1997/1998

1 Summary of Significant Accounting Policies

a Basis of Accounting

The financial report has been prepared on the accrual basis of accounting in accordance with the *Financial Management Act 1994*, Accounting and Financial Reporting Bulletins and other accounting policy papers issued under the Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Australian Accounting Standards, and other mandatory reporting requirements (Urgent Issues Group Consensus Views).

b The Government Agency Reporting Entity

All funds through which the State Revenue Office controls resources to carry on its functions have been included in this financial report.

Administered resources

The State Revenue Office administers but does not control, certain resources on behalf of the Victorian Government. The State Revenue Office is accountable for transactions involving those resources, but does not have the discretion to deploy the resources for the achievement of its objectives. Administered transactions include taxes, fees, government expenses incurred but not yet paid and government revenues earned but not yet collected. In accordance with the State Revenue Office's Revenue Recognition Policy, administered revenue is recognised at the point where it can be most reliably measured and includes the recognition of revenue at the point where assessments are raised.

In line with accounting standard AAS29 the State Revenue Office disclosed separately assets, liabilities, revenues and expenses arising from administered transactions. Refer to note 2.

Non-current assets

All non-current assets, controlled by the State Revenue Office are reported in the statement of financial position.

Trust funds

The State Revenue Office received monies in a trustee capacity for various trusts as set out in note 14b. As the State Revenue Office performs only a custodial role in respect of the administered trust funds, the monies cannot be used for the achievement of the State Revenue Office's objectives, and are therefore not brought to account in the financial report.

Revenues and expenses associated with trust funds/working accounts which are integral to the operations of the State Revenue Office, and form part of the day to day functions of the State Revenue Office, have been recognised in the Operating Statement and Statement of Cash Flows. Assets and liabilities associated with these trust funds have been included in the Statement of Financial Position as set out in note 14a.

c User charges and fees

User charges controlled by the State Revenue Office are recognised as revenues. User charges are controlled by the State Revenue Office where they can be deployed, for the achievement of State Revenue Office objectives.

d Appropriations

Appropriations, whether recurrent, works and services, special or other, are recognised as revenues when the State Revenue Office obtains control over the assets comprising the contributions. Control over appropriations and granted assets is normally obtained upon their receipt.

Amounts appropriated to the State Revenue Office for transfer to eligible beneficiaries in accordance with legislation or other authoritative requirements are not controlled by the State Revenue Office. Accordingly, such amounts are not recognised as revenues, but are reported as administered revenues in the program schedule – revenues and expenses (note 2b). Similarly, the amounts transferred, or to be transferred, are not recognised as expenses, but are reported as administered expenses in the program schedule – revenues and expenses (note 2b).

e *Acquisitions of assets*

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the State Revenue Office.

The State Revenue Office purchases municipal valuations from local councils. The future economic benefits of these valuations transcend a number of accounting years and therefore are capitalised and amortised over their useful life.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction.

f *Depreciation of non-current assets*

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each non-current asset over its expected useful life to the State Revenue Office.

Municipal valuations and EDP leased assets are amortised over their useful lives on a straight line basis.

The State Revenue Office has adopted the following depreciation rates and useful lives for the following categories of assets:

<i>Asset category</i>	AVERAGE USEFUL LIFE (YEARS)	DEPRECIATION/ AMORTISATION RATE (%)
Computers & equipment – other	3	33.33
Computers & equipment		
– Generic Revenue Collection System	7	14.29
Leased equipment	5	20.00
Municipal valuations – metropolitan	4	25.00
Municipal valuations – non metropolitan	6	16.66
Office equipment	4	25.00
Plant	10	10.00
Furniture & equipment	10	10.00
Leasehold improvements/fitouts	10	10.00
Motor vehicles	2	50.00

g *Employee entitlements*

i Salaries and annual leave

Liabilities for salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

ii Long service leave

A liability for long service leave is recognised, and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service when assessing expected future payments. Expected future payments are discounted using interest rates attaching, as at the reporting date, to Commonwealth Government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. Refer to note 3.

The proportion of this year's total long service leave liability deemed to be a current liability as at year end is based on historical data relating to long service leave taken over a twelve month period.

iii Sick leave

As it is considered that non-vesting sick leave to be taken in future reporting periods will not exceed entitlements which are expected to accrue in those periods, no provision has been made.

iv Superannuation

The superannuation expense for the reporting period is determined by the Government Actuary. It reflects the present value of anticipated future payments to be made by the Victorian State Superannuation Fund to State Revenue Office beneficiaries as calculated by the Government Actuary. No liability is shown for superannuation in the statement of financial position as the liability is assumed by the Department of Treasury and Finance.

NOTES 1997/1998

1 Summary of Significant Accounting Policies cont.

h Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets (finance leases), and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is valued at cost at the inception of the lease. The liability is valued at the same amount. Lease payments are allocated to the liability on a principal and interest basis using the interest rate implicit in the lease.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the operating statement in the periods in which they are incurred.

i Cash equivalents

Cash controlled by the State Revenue Office includes the State Revenue Office advance account and public account salaries and wages in suspense as set out in note 7a. The carrying amount reported in the Statement of Financial Position approximates their net market value. The maximum credit risk is assessed as equal to the carrying amount of cash and cash equivalents.

Cash administered by the State Revenue Office on behalf of the Victorian Government includes the State Revenue Office suspense account (refund account) as disclosed in note 2a. The balance in this account represents funds held in suspense for the purpose of reimbursing the cash (refund account). The carrying amount reported in note 2a approximates its net market value. The maximum credit risk is assessed as equal to the carrying amount of this cash equivalent.

j Receivables, debtors and accrued revenue

Receivables controlled by the State Revenue Office represent amounts fixed in currency that are to be received from outside entities. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. The carrying amounts reported in the Statement of Financial Position approximates their net market value. Details of controlled receivables are disclosed in note 7b. No interest is charged on these receivables.

Receivables administered by the State Revenue Office on behalf of the Victorian Government include debtors and accrued revenue and these represent amounts fixed in currency that are to be received from taxpayers. The collectability of debts is assessed at balance date and specific provision is made for any doubtful debts. Note 2a discloses gross receivables adjusted for amounts not considered recoverable. Interest rates chargeable on receivables are specified within section 25 of the *Taxation Administration Act 1997* and a number of other specific tax acts.

k Creditors and accruals

Creditors and accruals controlled by the State Revenue Office represent amounts fixed in currency that are to be paid to suppliers and other outside entities. The carrying amounts reported in the Statement of Financial Position approximate their net market value. Details of controlled creditors and accruals are disclosed in note 9. No interest is paid in respect of payables.

Creditors and accruals administered by the State Revenue Office on behalf of the Victorian Government include the cash (refund account), dishonoured cheque account and outstanding refunds and represent amounts fixed in currency that are to be paid to taxpayers and other outside entities. The carrying amounts as disclosed in note 2a. Interest rates payable on refunds to taxpayers are prescribed within section 7 of the *Taxation (Interest on Overpayments) Act 1986*.

l Rounding's

Figures contained in the financial reports and the accompanying notes have been rounded to the nearest thousand dollars.

m Comparatives

Comparative information has been restated to provide additional disclosures.

2 Agency Controlled or Administered Transactions

a Schedule – Assets & Liabilities

	NOTES	OUTPUT GROUP 720	
		1997-98 \$'000	1996-97 \$'000
Controlled assets & liabilities			
<i>Assets</i>			
Current		2,688	2,561
Non-current		8,853	12,182
Total		11,541	14,743
<i>Liabilities</i>			
Current		3,669	3,620
Non-current		4,040	3,529
Total		7,709	7,149
Administered assets & liabilities*			
<i>Administered assets</i>			
SRO Suspend account			
(Refund account)		3,901	-
Trust funds	14b	4	14
Debtors	18b	73,854	38,734
Less provision for			
doubtful debts	18b	(10,351)	(8,928)
Accrued revenue	18b	77,721	12,619
Adhesive stamps		7,168	6,332
Total		152,297	48,771
<i>Administered liabilities</i>			
Cash (refund account)		3,901	-
Dishonoured cheque account		28	98
Trust funds	14b	4	14
Outstanding refunds		1,219	1,406
Total		5,152	1,518

* Administered assets and liabilities are not recognised in the statement of financial position but are reported here for information purposes.

b Schedule – Revenues & Expenses

	NOTES	OUTPUT GROUP 720	
		1997-98 \$'000	1996-97 \$'000
Controlled revenues & expenses			
<i>Revenues</i>			
User charges	5	2,127	1,828
Government revenues		48,949	53,814
Other		79	306
Total		51,155	55,948
<i>Expenses</i>			
Employee costs	3a	26,681	25,007
Supplies and services		21,469	20,154
Capital charge		849	241
Depreciation and			
amortisation	4	5,390	5,789
Other		528	546
Total		54,917	51,737
Administered revenue and expenses**			
<i>Administered revenues</i>			
Special appropriations		83,000	934
Recurrent appropriations		54,611	2,346
Taxation revenue earned #			
Taxes		3,041,069	3,088,949
Duties		2,157,995	2,492,536
Fees		76,951	1,136,183
Levies		17,758	199,441
Miscellaneous receipts		524	83
Total		5,431,908	6,920,472
<i>Administered expenses</i>			
Interest on overpayment of taxes		1,530	893
Crown proceedings act		611	41
Stamp duty refunds for			
disadvantaged persons		591	317
Ex-gratia payments	15	52,111	636
Refund stamp duty for			
first home buyers		1,909	1,393
Subsidy payments			
– Petroleum & liquor		80,859	-
Debt written-off		2,905	16,235
Doubtful debts		1,423	(7,645)
Total		141,939	11,870
Administered revenues less			
administered expenses		5,289,969	6,908,602

** Administered revenues and expenses are not recognised in the operating statement but are reported here for information purposes.

Taxation earned amount differs from revenue collected because of accrued adjustments made to the taxation figure.

NOTES 1997/1998

3 Employee Entitlements

NOTES	1997-98 \$'000	1996-97 \$'000
a Employee costs		
Wages and salaries (including annual leave, sick leave and long service leave)	24,845	23,746
Superannuation expenses	1,836	1,261
Total employee entitlement expenses	26,681	25,007
b Employee entitlement liability		
Aggregate employee entitlement liability	6,427	5,836

The employee entitlement liability is disclosed in the Statement of Financial Position as follows:

Current liabilities		
Creditors & accruals	9	517
Provision for employee entitlements		
- Annual leave	1,607	1,565
- Long service leave	169	225
Sub Total (Provision for employee entitlements)	1,776	1,790
Sub Total (Current Liabilities)	2,387	2,307
Non-current liabilities		
Provision for employee entitlements		
- Long service leave	4,040	3,529
Sub Total (Non-current liabilities)	4,040	3,529
Total liabilities	6,427	5,836

The aggregate employee entitlement liability includes an amount for long service leave which, as explained in Note 1gii, is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. The following assumptions were adopted in measuring present value:

	1997-98	1996-97
Weighted average rates of increase in annual employee entitlements to settlement of the liability	4.9%	5.3%
Weighted average discount rates	5.4%	6.5%
Weighted average terms to settlement of the liabilities	14 years	15 years

4 Depreciation & Amortisation Expense

Depreciation and amortisation was charged in respect of:

	1997-98 \$'000	1996-97 \$'000
Municipal valuations	3,170	2,949
Leased assets - amortisation	91	775
Office equipment	64	61
Plant	1	1
Furniture and fittings	27	60
Computer equipment and software	2,001	1,892
Motor vehicles	2	28
Leasehold improvements	34	23
Total	5,390	5,789

5 User charges

	1997-98 \$'000	1996-97 \$'000
<i>User charges</i>		
Client education services	76	44
Section 97 certificates	1,984	1,684
Compliance assistance program fees	19	44
Revenue ruling services	48	56
Total	2,127	1,828

6 Resources provided free of charge

Resources provided free of charge	43	138
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Included under supplies and services expenditure in the operating statement is a \$43,444 amount which represents the cost of redeployees provided to other departments and agencies free of charge.

7 Current assets

	1997-98 \$'000	1996-97 \$'000
a Cash		
Public account wages & salaries in suspense	611	517
Advance account	-	5
Total	611	522
b Receivables		
G.E. Capital I.T Solutions Pty Ltd (formerly Ferntree Corporation) liability		
- Consideration for computer equipment	150	600
Total	150	600
c Inventory		
Work in progress	514	-
Stores	69	56
Total	583	56

8 Non-Current Assets

	1997-98 \$'000	1996-97 \$'000
a Receivables		
G.E. Capital I.T Solutions Pty Ltd (formerly Ferntree Corporation) liability		
- Consideration for computer equipment	-	150
b Computers and equipment		
Computers & computer equipment	13,590	12,913
Less accumulated depreciation	(10,734)	(8,738)
	2,856	4,175
Leased equipment	8,486	8,486
Less accumulated amortisation	(8,486)	(8,395)
	-	91
Total computers, software & equipment	22,076	21,399
Less accumulated depreciation/amortisation	(19,220)	(17,133)
	2,856	4,266
c Municipal valuations		
Municipal valuations #	11,762	22,220
Less accumulated amortisation	(6,441)	(15,387)
	5,321	6,833
d Other fixed assets		
Office equipment	479	468
Less accumulated depreciation	(343)	(366)
	136	102
Plant	10	10
Less accumulated depreciation	(4)	(3)
	6	7
Furniture & equipment	287	258
Less accumulated depreciation	(71)	(44)
	216	214
Leasehold improvements / fitouts	426	263
Less accumulated depreciation	(108)	(74)
	318	189
Motor vehicles	-	440
Less accumulated depreciation	-	(19)
	-	421
Total other fixed assets	1,202	1,439
Less accumulated depreciation/amortisation	(526)	(506)
	676	933

During the year the carrying value of municipal valuations was reviewed and those valuations which were no longer current and had been fully amortised were removed. This resulted in a \$12.115 m write back to both the asset and accumulated amortisation accounts.

9 Current Liabilities

	1997-98 \$'000	1996-97 \$'000
Creditors and accruals		
Employee costs	611	517
Treasury advance	-	5
Fringe Benefits Tax	-	8
Other creditors and accruals	300	362
Total	911	892

10 Changes in equity

Accumulated surplus		
Balance at the beginning of the financial year	7,594	3,383
Increase (decrease) in net assets resulting from operations	(3,762)	4,211
Balance at the end of the financial year	3,832	7,594

11 Contingent liabilities

Contingent liabilities	94,100	4,772
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Contingent liabilities can arise from legal disputes and other claims made against the Government.

Contingent liabilities by definition are not actual liabilities. They represent circumstances under which there is the possibility, due to some future event, that an actual liability could arise.

A conservative approach has been used so that amounts shown above represent the maximum potential liability.

The State Revenue Office has determined that at balance date it may have a liability to refund tax already collected as a result of a Supreme Court decision (pending possible further appeals). Further, the State Revenue Office may have a liability pending a court case relating to a damages claim against the office. The total of the two liabilities is estimated to be \$94.1 million.

As a result of a Supreme Court decision, a specific group of taxpayers may be entitled to pay-roll tax refunds of an estimated \$93.1 million pending the outcome of possible future appeals.

A taxpayer has a claim for damages (estimated at \$1 million) relating to the issue of a garnishee notice by the State Revenue Office.

NOTES 1997/1998

12 Commitments for Expenditure

	1997-98 \$'000	1996-97 \$'000
a Finance leases		
<i>Lease liabilities recognised in the statement of financial position:</i>		
Current	-	84
Total	-	84

*Commitments under finance leases at the reporting
date are payable as follows:*

Not later than 1 year	-	92
Later than 1 year and not later than 2 years	-	-
Later than 2 years and not later than 5 years	-	-
Later than 5 years	-	-
Minimum lease payments	-	92
Less: future finance charges	-	(8)
Recognised in the statement of financial position	-	84

b Operating leases

*Commitments (including accommodation leases)
under non-cancellable operating leases at the
reporting date are payable as follows:*

Not later than 1 year	3,859	3,860
Later than 1 year and not later than 2 years	3,019	3,550
Later than 2 years and not later than 5 years	8,022	9,313
Later than 5 years	3,974	7,631
Total	18,874	24,354

13 Reconciliation of Net Cost of Services to Net Outflow from Operating Activities

	1997-98 \$'000	1996-97 \$'000
Increase (decrease) in net assets		
resulting from operations	(3,762)	4,211
Government revenues	(48,949)	(53,814)
Net cost of services	(52,711)	(49,603)
<i>Items not involving cash</i>		
Depreciation and amortisation expense	5,390	5,789
Prior year adjustment	-	91
Total	5,390	5,880
<i>Investing activity</i>		
Surplus/deficit on asset disposals	424	3
<i>Change in operating assets and liabilities</i>		
Decrease (increase) in receivables	-	40
Decrease (increase) in prepayments	167	253
Decrease (increase) in stores	(13)	-
Decrease (increase) in equipment	-	(79)
Decrease (increase) in work in progress	(11)	-
Increase (decrease) in creditors and accruals	(79)	(742)
Increase (decrease) in provision		
for employee entitlements	497	388
Total	561	(140)
Net cash outflow from		
operating activities	(46,336)	(43,860)

14 Trust Funds

	1997-98 \$'000	1996-97 \$'000
a Detailed below are trust funds controlled by the State Revenue Office:		
<i>Controlled Trust Accounts</i>		
Fringe Benefits Tax Trust	4	4
Performance Incentive Trust	227	400
PAYE Trust	253	-
Treasury Trust 1997/98	82	-
Treasury Trust 1996/97	87	121
Treasury Trust 1995/96	191	191
Treasury Trust 1994/95	62	62
Treasury Trust 1993/94	20	20
Treasury Trust 1992/93	30	30
Treasury Trust 1991/92	26	26
Total	982	854
b The State Revenue Office administers, but does not control, the following trust funds:		
<i>Administered Trust Accounts</i>		
SRO clearing account	-	-
VPS Metrail Ticket Club Trust	4	14
Total	4	14

Aggregate details of the transactions and balances relating to these administered trust funds are as follows:

Cash balance at the beginning of the reporting period	14	3
Add: receipts	5,275,985	6,736,611
Less: expenditure	(5,275,995)	(6,736,600)
Cash balance at the end of the reporting period	4	14

As the State Revenue Office performs only a custodial role in respect of these administered monies, and because the monies cannot be used for achievement of the State Revenue Office's objectives, they are not brought to account in the financial report, but are shown here for information purposes.

15 Ex-gratia Payments

	1997-98 \$'000	1996-97 \$'000
Land Tax	15	113
Stamp Duty	542	501
Pay-roll Tax	12	22
Liquor Licence Fees	51,542	-
Total	52,111	636

Ex-gratia payments occur when, although there may be no actual 'legal obligation' on the Government to make a payment, there exists some injustice or hardship which has occurred as a result of actions of the Government and it is considered appropriate to make some payment based on equity.

NOTES 1997/1998

16 Related Party Disclosures

The State Revenue Office is related, through the Victorian State Government's ownership to numerous Government owned entities from whom it has collected revenue. It is not practicable to include a detailed disclosure of these transactions, hence a summary of the pay-roll tax and land tax collections for these entities is provided, as this represents the material measurable transactions with these entities. These are included as administered revenues in Note 2b.

The State Revenue Office is also related as a service agency to the Department of Treasury and Finance. Accommodation and related costs and the capital charge on assets were paid by the State Revenue Office to the Department of Treasury and Finance. These are reflected as controlled expenses within the operating statement, as supplies and services and capital charge respectively.

Transactions with other Victorian Government controlled entities are summarised in the following table. The term 'Intra' denotes transactions between entities within the Treasury and Finance portfolio. The term 'Inter' denotes transactions with Victorian Government controlled entities outside the Treasury and Finance portfolio.

	1997-98 \$'000 INTRA	1997-98 \$'000 INTER	1996-97 \$'000 INTRA	1996-97 \$'000 INTER
Administered revenues				
Land tax	-	25,805	-	39,027
Pay-roll tax	3,522	295,571	3,601	293,586
Total administered revenues	3,522	321,376	3,601	332,613
Controlled expenses	4,211	-	4,016	-

17 Additional Financial Instruments Disclosures

a Interest rate risk exposures

Interest rates chargeable on administered debtors are specified within section 25 of the *Taxation Administration Act 1997* and a number of other specific tax acts. Interest rates payable on refunds to taxpayers are prescribed within section 7 of the *Taxation (Interest on Overpayments) Act 1986*. State Revenue Office exposure to interest rate risk for classes of financial assets and financial liabilities is set out below:

NOTES	FLOATING INTEREST RATE \$000	FIXED INTEREST RATE			NON-INTEREST BEARING \$000
		≤ 1 YEAR \$000	≤ 5 YEARS \$000	> 5 YEARS \$000	
Controlled financial assets					
Public account wages & salaries in suspense					
7a	-	-	-	-	611
Receivables	7b	-	-	-	150
Total		-	-	-	761
Controlled financial liabilities					
Creditors and accruals – employee costs					
9	-	-	-	-	611
Creditors and accruals – other					
9	-	-	-	-	300
Total		-	-	-	911
Administered financial assets					
SRO suspense account (refund account)					
2a	-	-	-	-	3,901
Debtors	2a	63,503	-	-	-
Accrued revenue					
2a	-	-	-	-	77,721
Total		63,503	-	-	81,622
Administered financial liabilities					
Cash (refund account)					
2a	-	-	-	-	3,901
Dishonoured cheque account					
2a	-	-	-	-	28
Outstanding refunds					
2a	1,219	-	-	-	-
Total		1,219	-	-	3,929

b Credit risk exposures

The credit risk on controlled financial assets, excluding investments, of the State Revenue Office which have been recognised in the Statement of Financial Position, is the carrying amount net of any provision for doubtful debts. The State Revenue Office has one controlled debtor only, consequently the concentration of credit risk on debtors is with G.E. Capital I.T Solutions Pty Ltd (formerly Ferntree Corporation).

The credit risk on administered financial assets, excluding investments, of the Victorian Government which have been disclosed in note 2a, is the carrying amount net of any provision for doubtful debts. There are multiple administered debtors across a number of revenue lines, consequently the credit risk is spread.

c Net fair values of financial assets and liabilities

Valuation approach for controlled financial assets and liabilities

The carrying amounts of controlled cash equivalents, receivables, creditors and accruals approximate their net fair value.

	BOOK VALUE \$'000
Controlled financial assets	
Public account wages & salaries in suspense	611
Receivables	150
Total	761
Controlled financial liabilities	
Creditors and accruals – employee costs	611
Creditors and accruals – other	300
Total	911

Valuation approach for administered financial assets and liabilities

The carrying amounts of administered cash equivalents, debtors, accrued revenue, creditors and accruals approximate their net fair value.

	BOOK VALUE \$'000
Administered financial assets	
SRO Suspense Account (Refund account)	3,901
Debtors	63,503
Accrued debtors	77,721
Total	145,125
Administered financial liabilities	
Cash (Refund account)	3,901
Dishonoured cheque account	28
Outstanding refunds	1,219
Total	5,148

NOTES 1997/1998

18 Administered Revenue and Debtors

a Administered Revenue

As a consequence of the High Court ruling on 5 August 1997 that the New South Wales tobacco franchise fee legislation was unconstitutional, state and territory governments decided to discontinue collecting, in their existing form, all three business franchises; tobacco, petroleum and liquor. The states revenue however, has been protected as a consequence of the arrangements entered into with the Commonwealth Government. Commonwealth legislation was introduced to increase the rates for customs and excise duty on liquor, petroleum and tobacco products and to appropriate these monies to the states. The legislation also included a 100% 'windfall tax' to discourage taxpayers from taking legal action to recover franchise fees paid in the past. These arrangements involve payments from the Commonwealth now being directed to the Department of Treasury and Finance. The State Revenue Office does not administer or report these Commonwealth receipts. As an additional consequence the Victorian Government agreed to introduce safety net legislation to make subsidy payments to wholesalers to offset surplus safety net taxes collected by the Commonwealth Government. The State Revenue Office administers this subsidy scheme and payments made under this arrangement are disclosed in note 2b.

The State Revenue Office as a result of these changes no longer collects wholesale franchise fees, but it does continue to collect liquor and petroleum licence fees. The impact on these revenues reported by the State Revenue Office is displayed in the following table:

	1997-98 \$'000	1996-97 \$'000
Administered revenues		
Tobacco revenue	51,966	633,681
Petroleum revenue	18,928	334,280
Liquor revenue	6,057	168,222
Sub total	76,951	1,136,183
Victorian Health Promotion Levy	1,945	22,660
Better Roads Victoria Fund Levy	15,417	173,197
Sub total	17,362	195,857
Total	94,313	1,332,040

b Administered Debtors

Details of administered debtors as disclosed in note 2a are displayed in the following table:

1997-98 Administered debtors and accrued revenue

	DEBTORS \$'000	ACCRUED REVENUE \$'000	PROVISION FOR DOUBTFUL DEBTS \$'000
Land Tax	39,256	69,983	-
Pay-roll Tax	18,579	2,245	7,599
Other Taxes,			
Duties & Fees	16,019	5,493	2,752
Total	73,854	77,721	10,351

1996-97 Administered debtors and accrued revenue

	DEBTORS \$'000	ACCRUED REVENUE \$'000	PROVISION FOR DOUBTFUL DEBTS \$'000
Land Tax	17,593	8,212	-
Pay-roll Tax	16,030	2,651	6,490
Other Taxes,			
Duties & Fees	5,111	1,756	2,438
Total	38,734	12,619	8,928

The major cause of the increase in both debtors and accrued revenue was the later than normal issue of land tax assessments, arising from the implementation of changes to the land tax regime, involving the introduction of a principal place of residence exemption and a reduction in the general threshold.

19 Disclosures relating to the Minister and the Commissioner of State Revenue

In accordance with the directions of the Minister for Finance under the *Financial Management Act 1994*, the following related disclosures are made for the Minister and the Commissioner of State Revenue for the reporting period.

i Names

Persons who held the above positions in the State Revenue Office are shown below:

The Hon A R Stockdale MLA	Treasurer
Dr David Pollard	Commissioner of State Revenue
Mr Peter Blight	Acting Commissioner of State Revenue

ii Remuneration

Remuneration received or receivable by the Commissioner of State Revenue in connection with the management of the State Revenue Office during the reporting period was in the range:

	TOTAL REMUNERATION		BASE REMUNERATION	
	1997-98 NO.	1996-97 NO.	1997-98 NO.	1996-97 NO.
\$120,000 - \$129,000	1	-	1	-
\$160,000 - \$169,000	-	1	-	1

The relevant amounts relating to the Minister are reported separately in the Financial Statements of the Department of Premier and Cabinet. Amounts relating to the Acting Commissioner of State Revenue are included in 'Executive officers' remuneration.

iii Other transactions

Other 'responsible person-related part' transactions requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

20 Executive Officers Remuneration

i The numbers of executive officers, other than Ministers and accountable officers, whose total remuneration exceeded \$100,000 during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers receiving more than \$100,000 in total remuneration are shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

Several factors have affected the total remuneration payable to executives over the year: a number of employment contracts were completed during the year and renegotiated and a number of executives received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts. Some contracts provide for an annual bonus payment whereas other contracts only include the payment of bonuses on the successful completion of the full term of the contract. A number of these contract completion bonuses became payable during the year.

	TOTAL REMUNERATION		BASE REMUNERATION	
	1997-98 NO.	1996-97 NO.	1997-98 NO.	1996-97 NO.
\$ 70,000 - \$ 79,999	-	-	1	-
\$100,000 - \$109,999	-	2	-	2
\$110,000 - \$119,999	1	3	4	3
\$120,000 - \$129,999	1	-	-	-
\$150,000 - \$159,999	1	-	-	-
\$170,000 - \$179,999	2	-	-	-
Total amount	5	5	5	5
	\$'000	\$'000	\$'000	\$'000
ii Total amount	757	539	532	539

NOTES 1997/1998

**Declaration in Relation to the
1997/98 Financial Statements**

We certify that the financial statements of the State Revenue Office have been prepared in accordance with the Directions of the Minister for Finance under the *Financial Management Act 1994*, as amended.

In our opinion the operating statement, statement of financial position, statement of cash flows and notes present fairly in accordance with applicable Australian Accounting Standards the financial transactions for the year ended 30 June 1998 and the financial position of the State Revenue Office at that date.

We are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.

Dated at Melbourne this 28th day of August, 1998



Dr David Pollard

Commissioner of State Revenue



Tony Whelan CPA

Chief Financial Officer

APPENDIX 1

Legislation Administered by the SRO Acts

Business Franchise (Petroleum Products) Act 1979

This Act provides for the payment of subsidies to persons who have sold petroleum or diesel fuel in Victoria.

Business Franchise (Tobacco) Act 1974

This Act provides the administrative and inspection provisions which are applicable to the payment of subsidies under the *Business Franchise (Petroleum Products) Act 1979*.

Debits Tax Act 1990

This Act imposes a tax on each debit made to an account with a cheque drawing facility.

Financial Institutions Duty Act 1982

This Act imposes duty on receipts of money by financial institutions in Victoria.

Gift Duty Act 1971

This applies to gifts, as defined in the Act, made before 1 January 1983.

Land Tax Act 1958

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 with an aggregate unimproved value of less than \$85,000, or exempt land such as land on which a person's principal place of residence is located, or land used for primary production. Values for land tax purposes are updated each year by applying an equalisation factor determined for each municipality in Victoria.

*Liquor Control Act 1987**

This Act imposes a scheme of licences for persons engaged in the sale and distribution of liquor products.

*Livestock Disease Control Act 1994**

This Act and the Third Schedule of the *Stamps Act 1958* impose duty on certain types of livestock sold in Victoria.

Pay-roll Tax Act 1971

This Act provides for pay-roll tax to be imposed on salaries, wages, commissions, bonuses, allowances, remuneration and benefits paid to employees, and deemed wages paid to contractors who are deemed to be employees. Employers with an Australian pay-roll of under \$515,000 a year are exempt from this tax.

Probate Duty Act 1962

This Act imposes duty on the estates of persons who died before 1 January 1984.

Stamps Act 1958

This Act contains a number of separate measures which impose duty on various documents and transactions. These include duty on transfers of land, mortgages, commercial leases and shares; rental businesses; insurance businesses; registration and transfer of motor vehicles and bookmakers' betting transactions.

Taxation Administration Act 1997

This Act came into effect on 1 July 1997. It provides a single set of provisions for the collection and administration of pay-roll tax, financial institutions duty and debits tax.

Amending legislation

These amending Acts were passed during the year to reflect budget decisions and policy changes:

- *Business Franchise Fees (Safety Net) Act 1997*
- *Land Tax (Amendment) Act 1997*
- *State Taxation (Amendment) Act 1997*
- *State Taxation (Amendment) Act 1998*
- *Land Tax (Amendment) Act 1998*

Regulations

- *Business Franchise (Tobacco and Petroleum Products) Regulations 1992*
- *Debits Tax Regulations 1998*
- *Financial Institutions Duty Regulations 1992*
- *Land Tax Regulations 1998*
- *Land Tax (Equalisation Factors) Regulations 1993*
- *Land Tax (Equalisation Factors) Regulations 1994*
- *Land Tax (Equalisation Factors) Regulations 1995*
- *Land Tax (Equalisation Factors) Regulations 1996*
- *Land Tax (Equalisation Factors) Regulations 1997*
- *Pay-roll Tax Regulations 1988*
- *Stamps Regulations 1992*
- *Taxation Administration Regulations 1997*

Amending Regulations

- *Business Franchise (Amendment) Regulations 1998*
- *Financial Institutions Duty (Amendment) Regulations 1997*
- *Financial Institutions Duty (Amendment) Regulations 1998*

* SRO is responsible for fee collection and subsidy payment activities only

APPENDIX 2

Corporate reporting index to disclosure requirements 1997/98

The Annual Report of the State Revenue Office is prepared in accordance with the *Financial Management Act 1994* and the Directions of the Minister for Finance.

Notes

Information listed in Part 9.1.3 (iv) of Directions pursuant to the Act has been retained and is available on request.

Cost for services:

- Compliance Assistance Program seminars: \$80 a participant
- Pay-roll Tax Annual Adjustment seminars: \$60 one participant, \$50 two or more participants
- General Update seminars: \$60 a participant
- Revenue Rulings Subscription service: \$85 for initial service and \$50 for resubscription
- Pay-roll Tax Manual: \$30 a copy
Understanding Pay-roll Tax video: \$19.95 a copy, \$39.95 when purchased with Pay-roll Tax Manual
- Property application under section 97 of the *Land Tax Act 1958*: \$12.50

CLAUSE	DISCLOSURE	PAGE
Charter and Purpose		
9.1.3(i)(a)	Manner of establishment and relevant Minister	i
9.1.3(i)(b)	Objectives, functions, powers and duties	i
9.1.3(i)(c)	Services provided and persons or sections of community served	i, 18-23
Management and Structure		
9.1.3(i)(d)(i)	Audit Committee and Chief Executive	2-3, 27, 30-31
9.1.3(i)(d)(ii)	Names of senior office holders and brief description of each office	29, 30-43
9.1.3(i)(d)(iii)	Chart setting out organisational structure	29
Financial and other information		
9.1.3(i)(e)	Workforce data and application of merit and equity principles	45-46, 67
9.1.3(i)(f)	Application and operation of <i>Freedom of Information Act 1982</i>	68
9.1.3(ii)(a)	Summary of financial results with previous year's comparatives	iii
9.1.3(ii)(b)	Summary of significant changes in financial position	iii
9.1.3(ii)(c)	Operational objectives for the year and performance against those objectives	iii
9.1.3(ii)(d)	Major changes or factors affecting achievement of objectives	iii
9.1.3(ii)(f)	Full details of each consultancy >\$100,000	67
9.1.3(ii)(g)	Number and total of consultancy engagements each costing <\$100,000	67
9.1.3(ii)(k)	National Competition Policy requirements	23
Financial statements		
9.2.2(i)(a)	Statement of financial operations	48
9.2.2(i)(b)	Statement of financial position	48
9.2.2(i)(c)	A statement of cash flows during the year	49
9.2.3(ii)(a)	Operating revenue by class	48-62
9.2.3(ii)(c)	Losses arising from the sale of non-current assets	48, 55
9.2.3(ii)(e)	Depreciation, amortisation or diminution in value	54
9.2.3(ii)(f)	Bad and doubtful debts in each class of debt	66
9.2.3(ii)(g)	Financing costs	48
9.2.3(iii)(a)(i)	Cash at bank or in hand	48
9.2.3(iii)(a)(ii)	Inventories by class	54-55
9.2.3(iii)(a)(iii)	Receivables, including trade debtors, loans and other debtors	46, 54-55
9.2.3(iii)(a)(iv)	Other assets, including prepayments	54-55
9.2.3(iii)(a)(vi)	Property, plant and equipment (computers, software and equipment)	54-55
9.2.3(iii)(a)(vii)	Intangible assets (other fixed assets)	ALL
9.2.3(iii)(b)(iii)	Trade and other creditors	55
9.2.3(iii)(b)(iv)	Finance lease liabilities	56
9.2.3(iii)(b)(v)	Provisions, including employee entitlements	54
Notes to the financial statements		
9.2.2(i)(d)	Ex-gratia payments	57
9.2.2(i)(d)	Amounts written off	66
9.2.3(iv)(b)	Contingent liabilities	55
9.2.3(iv)(c)	Commitments for expenditure	56
9.4	Transactions with responsible persons and their related parties	58

APPENDIX 3

Analysis of debt

TAX BASE	\$ TOTAL DEBT 30/06/98	\$ <30 DAYS	\$ 30-90 DAYS	\$ >90 DAYS	\$ PROVISION FOR DOUBTFUL DEBT	\$ TOTAL DEBT 30/06/97
Stamp duty debt						
Documents	11,622,706	113,347	10,714,488	794,871	123,946	760,028
Insurance	16,294	191	4,926	11,177	4,848	11,178
Rental business	188,220	3,577	18,937	165,707	62,977	446,293
Registered used car duty	663,275	68,074	133,079	462,121	159,587	352,890
Motor car duty	66,366	4,846	25,146	36,374	-	28,790
Betting tax	102,272	1,843	-	100,429	97,651	141,356
Total stamp duty	12,659,133	191,878	10,896,576	1,570,679	449,009	1,740,535
Business franchise debt						
Tobacco	571,760	-	-	571,760	327,717	1,193,338
Petroleum	801,699	-	-	801,699	-	5,200
Liquor	1,525,483	-	-	1,525,483	1,523,779	1,232,354
Total business franchise	2,898,942	-	-	2,898,942	1,851,496	2,430,892
Other tax bases						
Pay-roll tax	18,579,424	505,229	1,711,284	16,362,911	7,599,248	16,030,168
Land tax	39,256,300	31,638,768	619,953	6,997,579	-	17,592,903
Financial						
institutions duty	6,620	1,486	568	4,566	-	185,110
Share duty	2,361	-	2,361	-	-	-
Probate duty	451,317	-	-	451,317	451,317	754,543
Total other						
tax bases	58,296,022	32,145,483	2,334,166	23,816,373	8,050,565	34,562,724
All taxes	73,854,097	32,337,361	13,230,742	28,285,994	10,351,070	38,734,151

Notes

The above figures are reported in accordance with the Debt Reporting Policy which forms the basis of the SRO's debt management program. The policy contains critical elements which are:

- following the issue of an assessment or determination, it will be reported as debt after the due date of the first assessment has elapsed regardless of revenue recognition policies; and
- the reported debt comprises primary tax only.

Outstanding debts of primary and additional tax collected during 1997/98 totalled \$89.7m.

The amount of debt that was under arrangement at 30 June 1998 was \$2.4m.

The amount of disputed debt at 30 June 1998 was \$23.8m.

The amount of deferred debt at 30 June 1998 was \$1.3m.

Outstanding additional tax charges were \$6m at 30 June 1998.

As a result of changes to the 1998 land tax regime, there has been an increase in land tax debt of \$21.7 from 1996/97 and an increase in objections which had not been resolved by 30 June 1998. The increase in debt is also attributable to the timing of the issue of assessments which occurred later in the 1998 year than in 1997.

The increase in document assessing debt is attributable to a single assessment of approximately \$7m which is presently under objection.

Debts are only written off when all reasonable steps to effect recovery have been taken.

Summary of written off debt

Rental business	814
Registered used car duty	87,600
Motor car duty	144
Betting tax	6,211
Document assessing	10,626
Pay-roll tax	1,579,477
Land tax	352,824
Tobacco	614,658
Petroleum	50
Probate duty	253,275
Total debt written off	2,905,687

APPENDIX 4

Year 2000 Compliance Statement

The SRO has adopted the definition of Year 2000 Compliance proposed by the 'Australasian Performance Standard SAA/SNZ/MP77:1998: A Definition of Year 2000 conformity requirements'.

A project team has been established and has identified two major business-critical systems, Generic Revenue Collection System (GRCS) and Corporate Data System (CDS). These systems were tested for confidence level in early 1998 and the results were better than expected. Error correction for GRCS found during this initial testing has been completed, and we anticipate CDS will be completed by late December 1998.

'End-to-End' Certification Testing for GRCS and CDS began in August and September 1998 respectively and is scheduled for completion before 31 December 1998, as detailed in the table below.

External interface organisations, such as Citibank and Westpac, have been contacted and responses have been very positive. Testing of external interfaces is included in 'End-to-End' Certification Testing.

CRITICAL BUSINESS SYSTEM	DESCRIPTION	SCHEDULE DATE FOR YEAR 2000 COMPLIANCE
Generic Revenue Collection System (GRCS)	Assessment and collection of: <ul style="list-style-type: none"> • Land tax • Pay-roll tax 	31 December 1998
Corporate Data Systems (CDS)	Assessment and collection of: <ul style="list-style-type: none"> • Stamp duty • Business franchises • Financial transactions • Other small tax lines 	31 December 1998

APPENDIX 5

Profile of staff by classification

Staff numbers as at 30 June 1998

CLASSIFICATION	MALE	FEMALE	TOTAL
EO-2	1	-	1
EO-3	4	2	6
VPS-5	23	7	30
VPS-4	70	32	102
VPS-3	112	91	203
VPS-2	54	70	124
VPS-1	34	45	79
Total	298	247	545

Notes

- 1 337 ongoing employees
- 2 208 fixed period employees
- 3 Figures do not include 19 employees on extended leave or secondment.

APPENDIX 6

Consultancies

Consultancies in excess of \$100,000

The SRO did not engage any consultants costing in excess of \$100,000, during the 1997/98 year.

Consultancies less than \$100,000

The SRO engaged 15 consultants costing less than \$100,000 during 1997/98 at a total cost of \$443,674.

APPENDIX 7

Freedom of information

Making a request

Under the *Freedom of Information Act 1982* (the Act), Freedom of Information (FOI) requests must be in writing and fall within one of these three categories:

- Access to documents of the SRO or of the Minister as the case may be. These requests must contain sufficient information to allow the identification of documents concerned.
- Amendment of personal records. These requests must sufficiently identify the area of, and manner in which, personal records should be amended.
- Internal review of a decision made on an earlier request. These requests should detail the basis on which an internal review is being sought. (This is not obligatory but can be helpful.)

Fees and charges

A request must be accompanied by an application fee of \$20. This fee may be waived or reduced if payment of the fee would cause hardship to the applicant.

The Act also prescribes fees for the provision of documents; main charges are for search time (\$20 an hour) and photocopying (20 cents a page). These fees may be waived or reduced if payment of the fee would cause hardship to the applicant, if the applicant is a Member of Parliament or if the information is accessed in the public interest.

Further information regarding the application of the Act may be obtained from:

- 1 the Act itself;
- 2 the Freedom of Information Handbook; and
- 3 various Regulations made under the Act.

These publications are available for purchase from Information Victoria:

356 Collins Street
Melbourne, Victoria, 3000.
Telephone 1300 366 356.

Freedom of Information Officer

The officer responsible for acting on requests for access to documents at the SRO is Ms Heather Hamilton:

Telephone 03 9628 0515.

Requests received

New requests for access to documents	*20
Requests from previous year finalised in 1997/98	1
Total	21

Outcome of requests

Granted in full	9
Granted in part	-
Denied	1
Transferred in full	-
Transferred in part	-
Withdrawn	7
Pending at 30 June 1998	3
No document in existence	-
Total	20

Fees and charges collected \$360

Review process

Internal reviews sought	5
Granted in full	-
Granted in part	1
Denied	4
Withdrawn	-
Not completed at 30 June 1998	-

Administrative appeals

Tribunal reviews sought	5
Decided at preliminary conference	-
Withdrawn before hearing	4
Settled between parties	1
Awaiting hearing at 30 June 1998	-

* Includes 2 matters transferred from the Department of Treasury and Finance

The purpose of the State Revenue Office is to provide customers with quality revenue management services which are fair, efficient and deliver benefits for all Victorians.

The State Revenue Office (SRO) was established in 1992 when the State Taxation and Stamp Duties Offices were merged. Through the administration of 12 Acts of Parliament (see Appendix 1), the SRO collects taxes, duties and levies including pay-roll tax, land tax, stamp duty, financial institutions duty and debits tax on behalf of the people of Victoria.

The SRO operates as an independent service agency under a Framework Agreement between the Victorian Treasurer, the Secretary of the Department of Treasury and Finance and the Commissioner of State Revenue (the Commissioner).

In achieving our mission, we value:

- inclusive planning and decision making which is supported by robust information;
- and recognise quality leadership which is customer focused and motivates staff in achieving our mission;
- staff who are professional, creative and who work well together;
- a commitment to quality service delivery and customer feedback; and
- commitment to excellence and integrity.

CLIENT SERVICE DIRECTORY

Telephone and Enquiry Numbers

<i>General enquiries/Switchboard</i>	03 9628 0000
<i>Advice on Victorian taxes</i>	
	TELEPHONE
Debits tax	03 9628 6750
Diesel fuel exemptions	03 9628 6550
Financial institutions duty	03 9628 6590
Gift and probate duty	03 9628 6482
Land tax	03 9628 6312
• Land tax (local call rate)	13 2161
Liquor licence fees	03 9628 0162
Pay-roll tax	03 9628 6480
Stamp duty	
Recorded information	
• for document stamp duty	03 9628 0111
Adhesive duty stamp sales	03 9628 6410
Betting tax	03 9628 6564
Cattle, sheep and goats levy	03 9628 6287
Documents	03 9628 6777
First home buyer and pensioner benefits	03 9628 6490
Insurance business	03 9628 0705
Leases (commercial)	03 9628 6777
Marketable securities	
• Off-market share enquiries	03 9628 6777
• Sharebrokers returns	03 9628 6706
Motor car duty	03 9628 0720
Rental business	
• Property	03 9628 6777
• Goods	03 9628 6287
State deficit levy	03 9628 6492
<i>Technical advice</i>	
Pay-roll tax/Land tax	03 9628 0600
Stamp duties	03 9628 6606
Financial transaction taxes	03 9628 0100
Revenue Rulings	03 9628 6142
Revenue Rulings Subscription Service	03 9628 0641

<i>Other services</i>	
	TELEPHONE
Anonymous information	03 9628 6807
Communications, seminars and publications	03 9628 0710
Investigations	03 9628 0120
Receivables management and payment arrangements	03 9628 6100
Objections and appeals	03 9628 6626
Voluntary disclosures	03 9628 6447
<i>Corporate administration</i>	
Human Resources, Finance, Information Technology and Interpreter Services	03 9628 0000

POSTAL ADDRESS

State Revenue Office
GPO Box 164IN
Melbourne Victoria
Australia 3001

ENQUIRIES IN PERSON

State Revenue Office
505 Little Collins Street
Melbourne Victoria

FACSIMILE

03 9628 6222

E-MAIL

sro@sro.vic.gov.au

INTERNET

<http://www.sro.vic.gov.au>

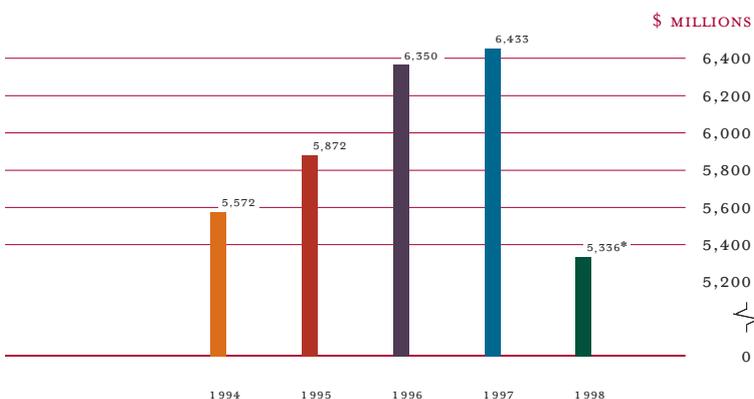


REVENUE HIGHLIGHTS

Our principal activities centre around the collection of revenue to be used by the Victorian Government for the benefit of all Victorians.

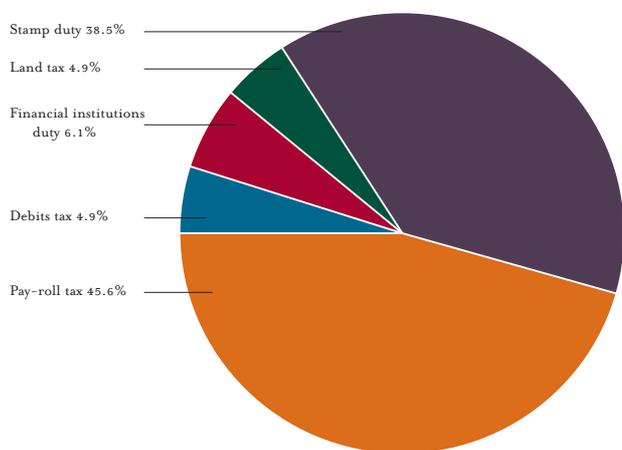
During the 1997/98 financial year, we collected net revenue of \$5,336m, 2.28 per cent over the forecast target.

TOTAL NET REVENUE



* This amount does not include \$93m collected under business franchise fee legislation.

1997/98 REVENUE BREAKUP



Performance against forecasts

A key task of Treasury, assisted by the SRO, is to predict accurately the amount of revenue to be collected each year. Effective forecasting assists the Victorian Government in its expenditure planning and execution. This year, we were within 2.28 per cent of the forecast.

	FORECAST \$ MILLIONS	COLLECTED \$ MILLIONS	VARIATION %
Pay-roll tax	2,451	2,435	-0.6
Stamp duty	1,753	2,055	+17.2
Land tax	427	264	-38.2
Financial institutions duty	325	326	+0.3
Debits tax	261	256	-1.9
Total	5,217	5,336	

Variations

Significant factors that affected our forecasting accuracy are listed below.

- Changes to land tax. The threshold for land tax was lowered to \$85,000 and a principal place of residence exemption introduced, resulting in a near doubling in the number of assessments. As a consequence of these changes, the 1998 land tax assessments were delayed to allow for a major clean up of our database. The forecast revenue was reduced to \$305m as a result of these changes. We expect that the balance of revenue arising from the 1998 land tax assessments will be paid in the 1998/99 financial year.
- The large variation in stamp duty collections can, in part, be attributed to growth in the property market, which resulted in an extra \$253m collected in duty from land transfers. An increase in duty from marketable securities (\$29.5m more than originally estimated) also contributed to this variation and resulted from better than expected activity on the Australian Stock Exchange.

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