



Annual Report 1999

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 Office and the Stamp Duties Office merged. Through the administration of 12 Acts of Parliament, 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:

- Quality customer service;
- Employee participation;
- Professional staff working well together;
- Honest communications;
- Ethical behaviour; and
- Quality leadership.

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Revenue highlights

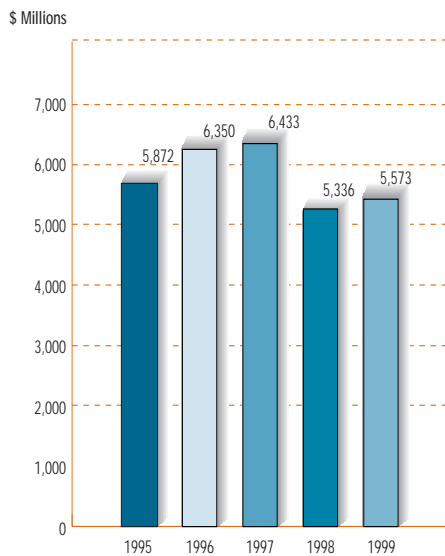
Our primary activities centre on the collection of revenue to be used by the Victorian Government for the benefit of all Victorians.

During the 1998/1999 financial year, we collected net revenue of \$5,573m, which was 0.19 per cent below our forecast target.

Performance against forecasts

	Forecast \$ '000	Collections \$ '000	Variation %
Stamp duty	2,093,950	2,125,411	+1.50
Land tax	365,000	368,937	+1.08
Financial institutions duty	338,800	338,101	- 0.21
Debits tax	258,600	254,194	-1.70
Pay-roll tax	2,521,921	2,479,975	-1.66
Other	5,970	6,789	+13.72
Total	5,584,241	5,573,407	- 0.19

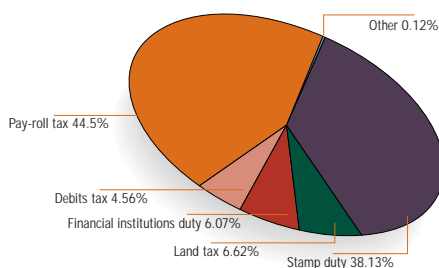
Total Net Revenue



Refunds paid

	1999 \$ '000	1998 \$ '000
Stamp duty	21,311	55,589
Land tax	11,194	8,628
Financial transactions taxes	422	1,242
Pay-roll tax	27,816	16,531
Business franchises	147	2,125
Other	0	5
Total	60,890	84,120

1998/1999 revenue breakup



Performance against forecast

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 0.19 per cent of the forecast.

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 calls promptly;
- deal with your telephone calls without unnecessary transfer; and
- return your telephone calls 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, please contact us on 13 2161.

David Pollard
Commissioner of State Revenue

From the Commissioner of State Revenue

I am pleased to present this report on the SRO's activities and achievements during the 1998/1999 financial year, a year in which we collected \$5,573m in revenue.

The SRO has worked to improve the level of customer service and its technical expertise since it was formed by the merger of the Stamp Duties Office and the State Taxation Office in 1992. It was pleasing, therefore, to have these achievements recognised in the Auditor-General's performance audit report on the SRO. Particularly gratifying was the report's commendation of the SRO's willingness to embrace change, pursue best practice and develop innovative products and systems.

While the Auditor-General's report noted that the SRO performed well in comparison with other Australian revenue collection agencies, it also pointed out several areas for improvement. These included reducing the amount of customers' tax debt, providing a speedier response to taxpayer objections and raising the level of compliance. We welcome such suggestions for improvement and have already begun to address them.

Undoubtedly, the greatest challenges that have faced us during the past year have been in the area of information technology.

Our most pressing concern has been the Year 2000 issue. It has the potential to cause massive disruption to our business and we have been working steadily to address it during the past 12 months. I am proud of the project team's management of the risks associated with this potential problem. They have completed end-to-end testing and trials of the systems critical to our business



David Pollard
Commissioner of State Revenue

well within the time limit and have also developed a contingency plan to ensure that the Year 2000 issue will cause minimal interruption to our operations.

Equally important has been our drive to transform the SRO into an E-commerce enabled organisation. At the start of the 1998/1999 financial year we established the Information Technology Strategic Plan to enable this goal to become a reality. The Plan encompasses four

projects that will result in the complete replacement of our operating systems and enable us to improve further the level of service which we provide to our customers.

As part of this plan, we have already carried out a major upgrade of our telecommunications system and have made substantial progress with the redesign of our IT infrastructure.

'If the achievements and advances of the past year were scrutinised, I am confident that our focus on Quality principles would be recognised as the factor that has ensured our success. These same principles will enable us to move confidently into the new millennium, in what promises to be an exciting and rewarding journey for our customers and ourselves.'

The project to replace the critical core operating systems that store and process our revenue line and corporate data is progressing well, with the replacement system expected to be implemented over the next two years. The E-business project has also made good headway, which should enable most of our services to become available on-line over this two-year period.

The resources we have devoted to these and other service-related projects during 1998/1999 reflect our customer focus and commitment to the Quality principle of continuous improvement. In line with our objective of building a Quality framework, we introduced Process Improvement Teams to help us focus better on ways in which we can work more intelligently to the advantage of our customers. We have also developed a common management system, the first deliverable of which was the ISO certification of our Receivables Management Branch.

A related initiative is the reform of our reporting mechanisms, scheduled to take

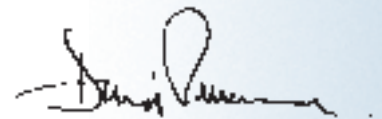
place in the 1999/2000 financial year. We plan to adopt the Balanced Scorecard approach to performance measurement. Before it can be implemented, however, we need to measure comprehensively customer feedback on our performance. We therefore commissioned an independent survey to gain a deeper understanding of our customers' needs and expectations. The survey participants were highly satisfied with the way we handled their enquiries, with services such as Revenue Rulings, seminars and our website and with initiatives such as the provision of alternative payment options.

The customer survey also identified ways in which we could further improve our service and we considered these, together with the issues raised in the Auditor-General's report, during our annual business planning process. The annual business plan is designed to deliver the outcomes set out in a four-year rolling strategic plan by aligning our deployment of resources with the service delivery needs of our customers. In the first quarter of 1999 we again drew on the ideas and

expertise of staff from all levels of the organisation to produce a comprehensive and inclusive annual business plan for 1999/2000, based on the Australian Business Excellence Framework. We could not have progressed as far along the path of business planning as we have without this input from staff.

Their willingness to contribute will also be needed as the impact of national tax reform begins to be felt. The next few years will prove challenging for the SRO as financial transactions taxes and stamp duties on listed marketable securities are abolished and a new, uniform first home owners' assistance scheme is implemented. My experience at the SRO has, however, given me the confidence that we will be able to meet these as we have met other challenges.

I would like to thank the SRO Executive team and every member of staff for their dedication, diligence and hard work over the past 12 months. Together, they make a team that I believe is second to none in terms of professionalism and commitment to a shared vision for the future of the SRO. I am pleased with our achievements during the past year, and I look forward to the opportunities that lie ahead in 1999/2000.



David Pollard
Commissioner of State Revenue

A performing organisation

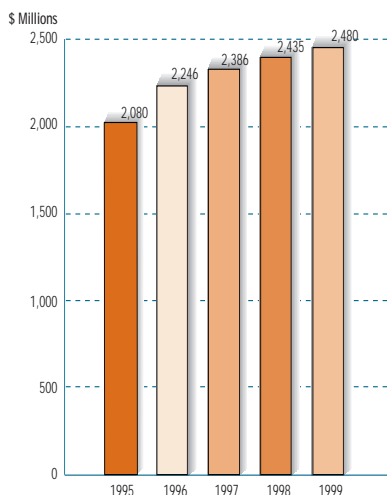
Pay-roll tax

The SRO collects pay-roll tax from employers whose total Australian wages for the financial year are greater than \$515,000.

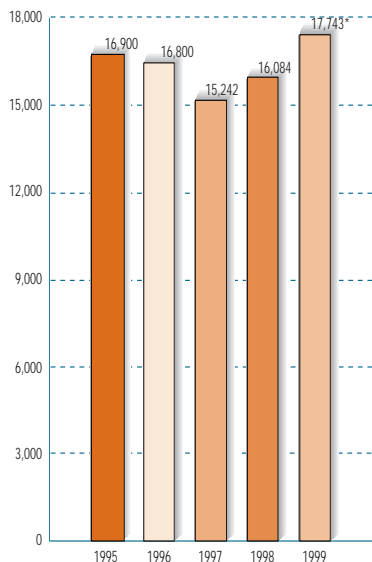
Wages are defined as all wages, salaries, remuneration, commissions, bonuses, superannuation payments, allowances and fringe benefits paid or provided to employees, directors and deemed employees. The tax rate for the year was 6 per cent.

The *Pay-roll Tax Act 1971* (the PRT Act) governs this revenue line.

Net pay-roll tax revenue over past five years



Total registered employers over past five years



* This includes 573 authorised employment agencies.

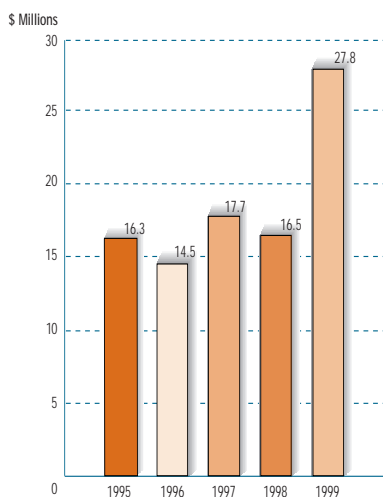
Key results

- Net revenue collected: \$2,480m. Forecast: \$2,522m.
- \$27.8m paid in refunds.
- We processed 3,736 new registrations during the year (including 573 authorised employment agencies).

During the year, 1,451 pay-roll tax investigations were completed, resulting in the detection of \$14.5m in unpaid revenue. The outcomes of the investigations were:

- compliant 67 per cent;
- underdeclared (assessment issued) 32 per cent; and
- overdeclared (refund paid) 1 per cent (\$51,943 in refunds).

Pay-roll tax refunds paid over the past five years



Annual Adjustment Highlights

Following a successful trial of Electronic Funds Transfer (EFT) in 1998, we made this facility available to all pay-roll tax customers as part of the 1998/1999 Annual Adjustment process. The facility allows customers to make pay-roll tax payments electronically using the banking industry's Direct Entry System.

As part of our commitment to the continuous improvement of processes, we issued a survey on the 1997/1998 Annual Adjustment process to about 14,000 customers in September 1998. More than 4,300 customers completed the survey, which indicated a high level of interest in the process, and the key results were positive and informative.

Eighty-four per cent of respondents were satisfied or extremely satisfied with the answers they received from SRO staff to their queries about the Annual Adjustment process. Ninety per cent considered our data correction form to be effective or very effective. Respondents also indicated that the Annual Adjustment on Disk saved them an average of 40 minutes. More than 90 per cent were pleased with the Disk and 63 per cent rated the program as excellent or very good.

Customers were able to complete all aspects of the 1998/1999 Annual Adjustment electronically for the first time this year and could lodge their return by e-mail. Of the returns received to date, approximately 65 per cent of customers used the Disk and of these, 34 per cent chose to lodge their return by e-mail.

Tax reform and major changes

Employment agency provisions

From 1 February 1999 provisions came into effect that make the employment agency's client liable for pay-roll tax when they hire staff through that agency. The provisions deem the client of the employment agent to be the employer of the on-hired worker, and payments for the worker to be deemed wages.

Before the introduction of these provisions, where a liability arose it would be incurred by employment

agencies who would normally pass the cost on to their clients, even where those clients were exempt from pay-roll tax in their own right.

The key feature of the new arrangements is that they allow exempt employers (such as charitable bodies and public hospitals) and employers with wages below the pay-roll tax threshold to enjoy the benefit of their pay-roll tax free status.

The provisions also provide employers with two payment options:

- pay directly to the SRO; or
- pay via an authorised agency.

These provisions have also overcome tax avoidance schemes that the SRO had identified, which were affecting the equitable tax treatment of employment agencies.

Implementation of these provisions has been supported by an extensive education program and on-going liaison with industry.

Apprentices exemption

Traditionally, wages paid to apprentices have been exempt from pay-roll tax. The exemption was intended as an incentive to businesses to encourage them to hire young workforce entrants as apprentices and trainees.

From September 1998, however, businesses' existing employees could become apprentices. The entire payrolls of some employers became exempt when they registered most of their workforce as apprentices. This was possible after the Commonwealth changed the eligibility criteria for the national 'New Apprentice Scheme'. This criteria change posed a serious threat to the pay-roll tax base, as the exemption was clearly not intended to exempt wages that businesses paid to



Andrew Hosken
presents information to customers on the Annual Adjustment process

their long-term employees. It therefore became necessary to limit the circumstances in which the exemption applied.

The Treasurer issued a declaration, with effect from 1 January 1999, outlining criteria which must be satisfied if wages paid to an apprentice are to be exempt from pay-roll tax. The declaration was intended to restore the original purpose of the exemption.

Furthermore, as part of normal compliance activity, the SRO detected that the January declaration had some shortfalls that have been overcome by a new declaration that applies from 1 July 1999.

Nominated members of groups

A new provision dealing with the nomination of members of a group was inserted into the PRT Act from 1 December 1998. This provision modifies the former arrangements and sets out the information that must be

provided on certain notices of nomination, objection or revocation of a member of a group.

Local government controlled businesses

A new exemption from tax was introduced for certain local government business entities. To qualify, the entity must be wholly owned by a council, and must be subject to a contract between itself and the council that provides for tax-equivalent payments to be made to the council. The Commissioner must be satisfied that the equivalence payments are being made under the contract. The exemption is not available for any activities referred to in section 10(1)(e) of the PRT Act.

Schools

A further restriction was made in relation to the exemption from pay-roll tax for schools. This restriction applies to companies that are controlled by educational institutions. This amendment came into effect on 8 June 1999.

Reduced tax rate for 1999/2000

In its 1999 Budget, the Victorian Government announced a further reduction in the pay-roll tax rate from 6 per cent to 5.75 per cent. The reduction applies from 1 July 1999 and will save employers an estimated \$97m a year.

Significant legal cases

The Muir Electrical Company Pty Ltd and Ors v Commissioner of State Revenue (1998) 99 ATC 2083 – VCAT (1999) 99 ATC 4654 – Supreme Court

The Victorian Civil and Administrative Tribunal (VCAT) delivered a decision in favour of the Commissioner in relation to the review of objections lodged by the Muir Electrical Company Pty Ltd (Muir) and 14 other trustee companies (retailers) against pay-roll tax grouping.

This case involved the grouping of Muir and the retailers which operated discount electrical houseware stores in different localities throughout Victoria under the name ‘The Good Guys Discount Warehouses’.

In this structure, Muir operated a retail outlet and also provided administrative and accounting services for all the other retailers in the group. The provision of the services to the retailers was governed by an individual ‘Supplemental Deed’ entered into between each retailer and Muir.

The VCAT found that Muir and the retailers had a common name, common business activities and common administration, that they derived benefit from carrying on as part of that association, and that Muir had sufficient control over each retailer.

In addition, the VCAT found that each of the retailers depended on Muir for the supply of administration and banking services.

Muir subsequently lodged an appeal with the Supreme Court, which again found in favour of the Commissioner.

Spotless Services (Aust) Limited v Commissioner of State Revenue (1998) 99ATC 2069

This matter involved the issue of whether certain vendors are employees of Spotless.

Spotless is engaged to provide catering services at various sporting grounds and sporting events. The company engages vendors, generally aged between 15 and 17, to sell snack food directly to spectators.

The VCAT decided in favour of Spotless, concluding that the vendors are contractors for pay-roll tax purposes in this particular case.

The VCAT indicated that the critical factors that influenced its decision were the fact that the engagements are only

for one event, the payments are by commission and the young age of the vendors.

The Commissioner was required to refund to Spotless tax paid between 1 July 1992 and 30 June 1996 in respect of these vendors.

Swiss Models Sportswear Pty Ltd & Others v Commissioner of State Revenue 1998 (062417)

Swiss Models Sportswear Pty Ltd and eight other entities were grouped by the Commissioner in accordance with section 9A of the PRT Act. The matter was referred to the VCAT for a decision on whether some of these entities should be de-grouped under section 9A(1) of the PRT Act.

The VCAT decided to de-group two of the entities. Although there was a commonality in the ownership of the entities and they shared premises and administrative services, it was considered that the two entities which were de-grouped were carried on independently of, and not connected with, the carrying on of the other entities.

The prescribed deduction of 25 per cent that is available under the employment agency contract provisions is also under review. We have made a commitment to industry that we will continually monitor the level of the deduction.

Our future seminars will be focused on the key issues that confront employers within particular industries rather than providing general overviews of the legislation.

Roy Morgan Research Centre Pty Ltd v Commissioner of State Revenue (1996) 32 ATR 1205 – AAT (1998) 39 ATR 194 – Supreme Court

This review before the VCAT concerns pay-roll tax liability in relation to payments made to interviewers for the period 1 January 1987 to 30 June 1995 and 1 July 1995 to 30 June 1996. The Commissioner considered that the payments made were wages and assessed the taxpayer accordingly.

The taxpayer objected to all the assessments on the grounds that the interviewers were not common law employees. The taxpayer also raised the issue of grouping for the latter period.

The Commissioner submitted that the Supreme Court and the Court of Appeal had previously ruled on the issues in respect of this taxpayer. The Courts held that the interviewers were common law employees. The Commissioner also argued that the VCAT was bound by the decision of those courts.

The VCAT dismissed the application by the taxpayer on the grounds that (*inter alia*):

- (a) the VCAT could not ignore as a matter of precedent the decision of the Supreme Court and the Court of Appeal; and
- (b) not enough evidence was put before the VCAT to warrant the exercise of the discretion to de-group.

The VCAT ruled that the rate of penalty tax for the assessments should be reduced.

The taxpayer has applied for leave to appeal to the Supreme Court.

Objections and appeals

	1998/ 1999	1997/ 1998
<i>Objections received</i>	465	350
<i>Allowed</i>	64	76
<i>Part allowed</i>	84	74
<i>Disallowed</i>	248	194
<i>Withdrawn</i>	18	25
<i>Invalid</i>	30	30
<i>Objections pending at 30 June</i>	64	43
<i>Appeals received</i>	24	27
<i>Settled</i>	20	14
<i>Approved</i>	2	1
<i>Denied</i>	6	6
<i>Appeals pending at 30 June</i>	16	20

Looking forward

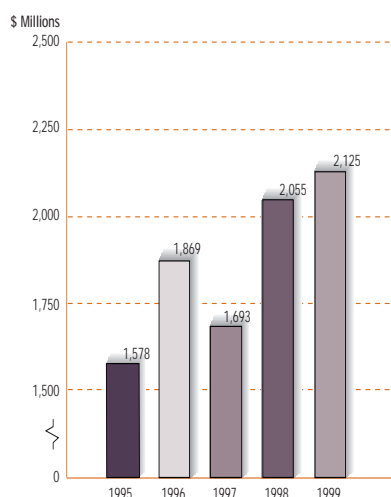
- As part of our on-going commitment to standardising the application of the pay-roll tax legislation across the states, we are involved in an interjurisdictional working party examining the operation of the direct hire contractor provisions. This working party aims to make recommendations on the simplification of these very complex provisions within the 1999/2000 financial year.
- The prescribed deduction of 25 per cent that is available under the employment agency contract provisions is also under review. We have made a commitment to industry that we will continually monitor the level of the deduction.
- Our education program will be more industry specific in the coming year. We are liaising with peak industry bodies including the Australian Industry Group, The Master Builders Association of Victoria and the Australian Retailers Association and will endeavour to tailor our education activities to more closely meet the needs of industry. Our future seminars will be focused on the key issues that confront employers within particular industries rather than providing general overviews of the legislation.

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* (the Stamps Act).

Net stamp duty revenue over the past five years



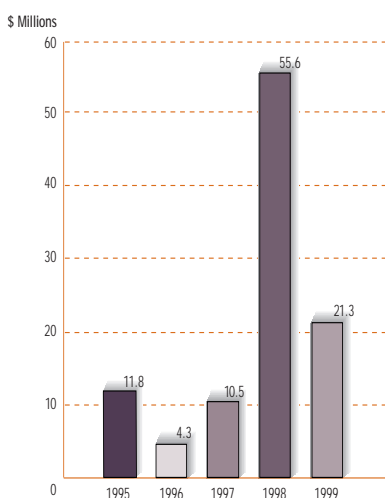
Components of stamp duty revenue

	\$ Millions
Land transfers	1,000
Mortgages	93
Marketable securities	186
Insurance duty	359
Rental business	37
Motor vehicles	405
Adhesive stamps	4
Betting tax	6
Settlement and deeds	2
Livestock Compensation Funds	3
Leases	30
Total	2,125

Total stamp duty registrations at 30 June 1999

Marketable securities	49
Insurance duty	353
Rental duty	1,829
Motor car duty	2,143
Betting tax	203
Livestock duty	115

Stamp duty refunds paid over the past five years



Key results

- Revenue collected: \$2,125m.
Forecast: \$2,070m.
- \$21.3m paid in refunds.

We provided stamp duty exemptions with a total value of \$1.4m to 736 eligible first home buyers. We also processed refunds of \$2m for eligible first home buyers. Exemptions provided to concession cardholders numbered 2980 and totalled \$4.1m, along with \$848,574 in refunds.

During the year, 229 investigations on stamp duty were completed, resulting in the detection of \$2.6m in unpaid revenue. The outcomes of the investigations were:

- compliant 59 per cent;
- underdeclared (assessment issued) 40 per cent; and
- overdeclared (refund paid) 1 per cent (\$59,943 in refunds).

Tax reform and major changes

Duties Bill

Further development and enactment of the proposed Duties Bill was deferred in 1998 as a result of the Commonwealth Government's plan to abolish a number of stamp duties from 1 July 2001 as part of its national tax reform package. We decided to wait until the details of the reform package became clearer so that we could include only the stamp duties to be retained beyond 2001 in the new legislation.

There were, however, several issues that warranted immediate attention so the necessary changes were included in the *Stamps (Amendment) Act 1999* and the *State Taxation Acts (Amendment) Act 1999*. Details of some of these amendments are set out below.

Impact of introduction of the Managed Investments Act 1998

The *Managed Investments Act 1998*, which began operating on 1 July 1998, replaced some provisions of the *Corporations Law* and established new regulatory arrangements for prescribed interest.

Under previous legislation, most prescribed interest schemes required a two-party structure comprising an independent trustee and a separate manager. A key element of the changes introduced by the *Managed Investments Act 1998* is the replacement of this two-tier structure with a single responsible entity.

The new responsible entity can be either the existing trustee or manager or a new entity. In many cases, these new arrangements will require the transfer of scheme property from the existing trustee to the new responsible entity.

The transfer of scheme property could potentially be liable under a number of duty heads, including marketable security, conveyancing, lease and motor vehicle duty. Although some of the current exemptions may apply to some transfers of certain asset classes, there are other duty heads where no relevant exemption exists.

To ensure that any transfer of assets effected as a result of the requirements of the *Managed Investments Act 1998* does not attract stamp duty, the Treasurer agreed to provide tax relief.

In a public announcement on 21 July 1998, the Treasurer said that the Victorian Government would amend the relevant sections of the Stamps Act to remove unintended consequences to exempt certain transactions involving managed investment trusts. A new section 137T was inserted into the Stamps Act to give effect to the Treasurer's announcement. The exemption applies to all transfers of scheme property to new responsible entities from 1 July 1998.

We are administering the Stamps Act in relation to the *Managed Investments Act 1998* on the basis of the Treasurer's announcement.

Instalment warrants

Investors trading in instalment warrants that confer beneficial ownership in respect of shares became liable for stamp duty at the normal marketable security rate that applies to listed marketable securities. This change came into effect from 1 January 1999.

The off-market nexus for liability to duty for instalment warrant transfers, other than through a stockbroker, is the place of incorporation of the company

that issued the shares that are the subject of the warrant. Consequently, where the place of incorporation of the company that issued the shares is Victoria, there will be a liability to duty for off-market transactions in Victoria for these warrants.

The off-market nexus for liability to duty reflects the same provisions as in the New South Wales *Duties Act 1997* and is designed to alleviate occurrences of both double duty and duty avoidance.

Insurance

General insurance

Under changes to the Stamps Act, from 1 December 1998 the nexus moved to all premiums for assurance and insurance of Victorian property, or a risk, contingency or event concerning an act or omission that may occur at least partly within Victoria.

Further changes to insurance duty from 1 June 1999 include the following:

- the term gross premium includes any fire service levies in connection with the insurance but does not include any discounts provided by the insurer;
- refund provisions have been added that entitle insurers to a refund of duty paid on premiums refunded to insured persons; and
- the nexus for life insurance will be Victoria if the insured person resides in Victoria at the time the policy is issued.

Motor vehicles and heavy trailers

Amendments to the *Road Safety Act 1986* and *Road Safety (Vehicles) Regulations 1999* changed subdivision 16 of the Stamps Act by adding new provisions relating to duty on the sale of motor

vehicles and heavy trailers. This amendment became effective from 1 May 1999.

The changes introduced an additional exemption where ownership of the vehicle is transferred to a beneficiary following the death of the registered owner.

The change of use provision was also extended to include the loss of any exemption due to a change of predominant use, thereby extending the exemption to any registered owner, not just to vehicle dealers.

Modified taxi-cabs

A reduction of \$24,000 in the dutiable value of taxi-cabs that have been modified for wheelchair access has been introduced from 1 June 1999. This reduction applies where the vehicle is specially converted, can carry at least one occupied wheelchair and the vehicle has not previously been registered.

Anti-avoidance measures

Anti-avoidance measures were introduced to overcome the practice of reducing the dutiable value of shares in a company by transferring assets from the company before to transferring the shares. These provisions became operative on 1 June 1999.

Family farm exemption

The exemption contained within section 71 of the Stamps Act relating to transferring the family farm was extended from 1 June 1999. This exemption now applies to the transfer of a primary production property from a family company, all the shares in which are owned by related persons, to a natural person who is a shareholder or relative of a shareholder.

Sales of sheep and goats

The rate of duty on the sale of sheep and goats was increased from 9 cents to 12 cents an animal on 1 January 1999.

Significant legal cases

Pioneer Concrete (Vic) Pty Ltd v Commissioner of State Revenue (1999) 99 ATC 4708

In 1996 Amatek sold property that had been partly worked as a quarry to Pioneer Concrete. By special condition 5 of the contract Amatek reserved to itself, and excepted from the sale, the 'extractive rights' and 'tipping rights'. The total consideration expressed in the transfer was \$1,731,053.

By a separate grant agreement executed the same day, Amatek granted the tipping rights to Pioneer Australia Waste Management Pty Ltd. The Commissioner assessed duty based on the valuation of the property being \$7,140,000.

The issue to be determined was the dutiability of a transfer of land. The Supreme Court held in favour of the Commissioner and that the dutiable amount was the greater of the consideration or the value. The judge

*During the year,
229 investigations
on stamp duty
were completed,
resulting in the
detection of \$2.6m
in unpaid revenue.*

concluded that the amount for which the real property might reasonably have been sold in the open market on the date of the sale was the market value, determined on the basis of the property's highest and best use. The judge concluded that the market value of the property was \$7,140,000 and that duty was payable on this amount.

Victoria Gardens Developments Pty Ltd v Commissioner of State Revenue (1999) 99 ATC 4700

Three joint venturers transferred their respective lands to a trustee. The trustee was to hold the land and develop it in accordance with the terms of the Joint Venture Agreement. Under the terms of the Joint Venture Agreement, each joint venturer would receive a proportion of the proceeds of sale in proportion to the value their land constituted.

The Commissioner assessed the three transfers on the basis that exemption 18 of Heading VI of the Third Schedule to the Stamps Act did not apply. Under exemption 18, duty is not payable on a transfer of land from a trustee or nominee to be held solely on behalf of the transferor without any change in beneficial ownership. The taxpayer argued that there was no change in beneficial ownership so no duty was payable.

The Supreme Court held that one of the transfers was dutiable because, under the terms of the Joint Venture Agreement, land owners' beneficial interest could be used to pay another, even on a successful completion of the development.

This matter is currently on appeal to the Court of Appeal.

Perpetual Trustees v Commissioner of State Revenue 1999 (9482)

National Mutual sold its one half interest in Doncaster Shopping Town to Perpetual Trustees Limited as trustee of the WD Trust on 1 April 1997. There was a written offer that could be accepted by payment of the purchase price on 1 April 1997. On that same day, deeds of retirement and appointment of trustee were executed and Perpetual Trustees was appointed as a new trustee.

The taxpayer claimed the benefit of exemption 23 of Heading VI that applies where the Commissioner is satisfied that the transfer is made solely in the consequence of the appointment or retirement of the trustee. The VCAT held in favour of the Commissioner and that the transfers were not made solely in consequence of a change of trustee. The VCAT said the circumstances clearly precluded the finding that the transfers were to be made only in consequence of the deeds relating to the trustees and not as a consequence of the contracts. It also considered valuation and dualism of estate issues.

The matter is currently on appeal to the Supreme Court.

Kennedy Super Fund v Commissioner of State Revenue 1999 (22417)

The Kennedy Super Fund (the Fund) was created in 1997. In January 1998 the taxpayer and his wife sold land to the Fund (of which they were trustees). The VCAT accepted that the decision in *YellowCo 5* was binding authority for the proposition that for the exemption to apply beneficial ownership of the property must not be capable of being

changed under the trust deed. The VCAT conceded that the effect of that interpretation was to severely limit the application of exemption 18 of Heading VI of the Stamps Act. The terms of the trust were such that the taxpayers were the only beneficiaries under the trust. If any other person did become a member of the Fund, they would not be granted any beneficial interest in the property (the taxpayer argued this effectively made the trust a fixed trust).

The VCAT disagreed with the taxpayer's assertion that exemption 18 ought to apply on the basis that the exemption applies to transfers of land from a trustee or nominee to be held solely on behalf of the transferor without any change in beneficial ownership.

Rio Tinto v Commissioner of State Revenue (1998) 40 ATR 268

By an option agreement dated 27 July 1992, North Broken Hill Peko Limited (North) gave CRA an option to purchase a large amount of shares owned by North in Pasmenco Limited (Pasmenco). Ballarat Paper Mills (Ballarat), a wholly owned subsidiary of North, also gave CRA an option to purchase shares owned by Ballarat in Pasmenco. The two parcels of shares were referred to as the 'call shares'. The terms of the option agreement enabled CRA, by serving an option notice, to require North and Ballarat to transfer the call shares to CRA or to its nominees on CRA paying the purchase price.

In May 1994, CRA exercised the option by serving an option notice which required North and Ballarat to transfer the call shares to its wholly owned subsidiary Australian Mining & Smelting Limited (AM&S). The following day CRA instructed its broker

to sell a number of shares in Pasmenco including the call shares. On that date and pursuant to that order the broker sold a number of shares, including the call shares, on the market to a large number of individuals (the ultimate purchasers), with the settlement for those sales being the beginning of June 1994.

For administrative purposes the shares were transferred from North and Ballarat to Melfast Nominees Pty Ltd (Melfast), a company controlled by the broker.

In late May 1994, before the settlement of the contracts for the sale of the call shares to the ultimate purchasers, CRA, North and Ballarat entered into an agreement to amend the option notice which had already been served.

The option notice was now to be read as if, instead of requiring North and Ballarat to transfer the call shares to AM&S, it required them to transfer the shares to such persons and in such numbers as the broker arranged in accordance with CRA's instructions. At the end of May 1994 North and Ballarat delivered the share certificates to the broker and CRA paid the purchase price of the call shares to North and Ballarat. On 1 June 1994 the broker executed two transfers, a transfer of North's parcel of the call shares to Melfast and a separate transfer of Ballarat's parcel of the call shares to Melfast. On 2 June the broker then executed each of the transfers on behalf of Melfast to each of the ultimate purchasers.

In May 1995, CRA paid to the Commissioner an estimated amount of stamp duty in relation to the two transfers. The Commissioner then issued a default assessment for stamp duty pursuant to section 22(c) of the Stamps Act.

The matter proceeded to the Supreme Court where the Commissioner submitted that the two transfers gave effect to two separate transactions, namely one sale from North to CRA and from CRA to Melfast and another sale from Ballarat to CRA and from CRA to Melfast. It was submitted that duty should have been paid on both transactions rather than just the transaction from CRA to Melfast. The Supreme Court accepted the submissions of the Commissioner that the transfer of shares gave effect to two transactions and affirmed the Commissioner's assessments.

October 4 Pty Ltd v Commissioner of State Revenue 1998 (77002)

The Commissioner's assessment on a matter relating to exemption 18 of Heading VI of the Third Schedule to the Stamps Act was confirmed by the VCAT.

This issue arose following a contract of sale dated 19 February 1998 in which the sole holder of units in a trust (Melville) sold certain land to October 4 Pty Ltd (in its capacity as trustee of another trust). An instrument of transfer was executed by Melville as transferor and October 4 as transferee on 27 April 1998.

The Commissioner assessed the transfer with duty. The taxpayer objected to the assessment, claiming that the exemption provides that no duty is payable if the transfer is to a trustee or nominee to be held solely on behalf of the transferor without any change in beneficial ownership. The taxpayer argued that, because Melville was the only unit holder, there was no possibility of a change in beneficial ownership.

The Commissioner argued that the terms of the trust did enable a change in beneficial ownership and therefore the exemption did not apply.

The VCAT found in favour of the Commissioner that the exemption was not applicable and duty was payable.

Australian Retirement Communities Pty Ltd v Commissioner of State Revenue 1998 (096991)

The VCAT upheld an appeal by Australian Retirement Communities Pty Ltd (ARC) against the Commissioner's decision that mortgages associated with residents' leasing of retirement village units attracted stamp duty.

ARC owns a number of retirement villages where residents pay a substantial lease consideration secured by an associated mortgage document, and ARC is obliged to pay the resident a lease surrender consideration some time after the resident leaves the unit. The issue was whether ARC pays residents an original non-dutiable amount for lease surrender on lease termination or, under the second limb of the mortgage definition in section 137D(1) of the Stamps Act, repays dutiable future advances by residents under the mortgage.

The VCAT found in favour of the taxpayer, finding as a fact that there was no dutiable future advance. The VCAT gave no effect to the plain language used in the mortgage documentation by the parties, which referred to monies lent by the resident. Additionally the VCAT did not accept the Commissioner's argument that the resident makes a future loan under the overall arrangements, effectively leading to ARC's later repayment of the resident's up-front lease payment.

The Commissioner subsequently began to apply the VCAT's decision to all similar situations. This required stamping of ARC residents' standard mortgage documentation as non-dutiable, while refunding lease duty previously paid.

KJRR Pty Ltd v Commissioner of State Revenue (1997) 36 ATR 1077 - AAT (1999) 99 ATC 4335 - Court of Appeal

The Commissioner has sought special leave to appeal to the High Court against a decision made in the Victorian Court of Appeal (COA) in February 1999.

The COA upheld an appeal by KJRR Pty Ltd against a Supreme Court decision to restore the Commissioner's assessment of an occupation agreement as a lease rather than a licence. This decision means that an agreement with a 'no right of exclusive possession' clause cannot generally attract lease duty.

KJRR, as franchisee, occupies shop premises under the label of a 'license agreement' with the franchisor, Sportsco. The Commissioner levied duty on the agreement. The test of a lease is an exclusive use of property and KJRR's agreement with Sportsco expressly states that the rights to exclusive occupation of the premises had not been conferred. Despite this, the Commissioner maintained that the agreement as a whole was at law, a lease, with a practical requirement for exclusive possession critical to effective running of the store.

The COA unanimously decided in favour of KJRR and that the term 'exclusive possession' should not be ignored but given its natural and practical effect. The Court decided that

no evidence existed for the view that it was a pretence for KJRR not to have exclusive possession of the retail premises. Even if there was room in Victoria for pretence doctrine, the COA ruled that there was no supporting evidence that the clause ousting exclusive possession was inserted into the licence agreement to avoid stamp duty, and could be ignored on that basis.

The Commissioner's request to appeal this decision to the High Court has been declined.

McKinnon Wallace Holdings Pty Ltd v Commissioner of State Revenue (1998) 40 ATR 253

McKinnon Wallace was assessed for duty under Heading VI (A) of the Stamps Act for duty that should have been paid had a statement been lodged in accordance with section 64A(3)(d) of the Stamps Act. The assessment was made on a transaction where a beneficial interest in property was transferred as a result of the oral acceptance of a written offer. No instrument was created.

The Commissioner submitted that, as a result of the transactions, a constructive trust had come into existence when McKinnon Wallace paid the purchase price.

The COA found in favour of the taxpayer and that section 64A(3) did not apply in this instance because the creation of the trust and the subjection of the property to that trust occurred simultaneously. Section 64A(3) requires that the trust exist, before the real property becomes an asset of that trust.

*We have prepared a new pro-forma statutory
declaration to help practitioners...*

*Electronic copies of this statutory declaration
are available on our website
(www.sro.vic.gov.au).*

Objections and appeals

	1998/ 1999	1997/ 1998
<i>Objections received</i>	224	172
Allowed	42	9
Part allowed	40	25
Disallowed	111	66
Withdrawn	6	18
Invalid	17	11
<i>Objections pending at 30 June</i>	63	55
<i>Appeals received</i>	17	7
Settled	3	5
Approved	5	0
Denied	9	2
<i>Appeals pending at 30 June</i>	5	5

Looking forward

Amendments to sections 63(3)(a) and 63A of the Stamps Act

We require additional information when stamping real property conveyances and land transfers as a result of amendments to sections 63(3)(a) and 63A of the Stamps Act.

The amendments were designed to charge stamp duty based on the combined value of real property and

chattels and apply where chattels are being transferred to a person other than the transferee of the real property.

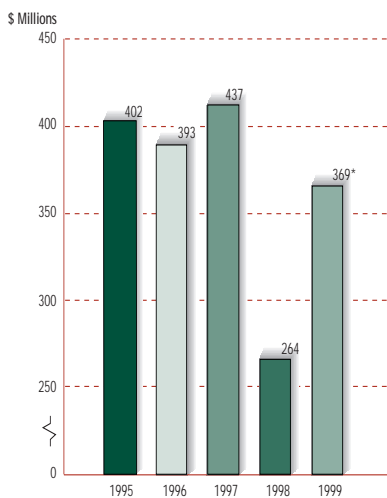
If chattels are passing to a related party as defined by section 75(3) of the Stamps Act or, if the parties are not related, the transfers of the chattels and land are substantially one transaction, duty will be payable on the combined value of the land and chattels.

We have prepared a new pro-forma statutory declaration to help practitioners to address the amendments to sections 63(3)(a) and 63A, and to clarify whether there have been earlier transfers of fractional interests. We will not accept statutory declarations made on or after 1 September 1999 that do not cover these requirements. Electronic copies of this statutory declaration are available on our website (www.sro.vic.gov.au).

Land tax

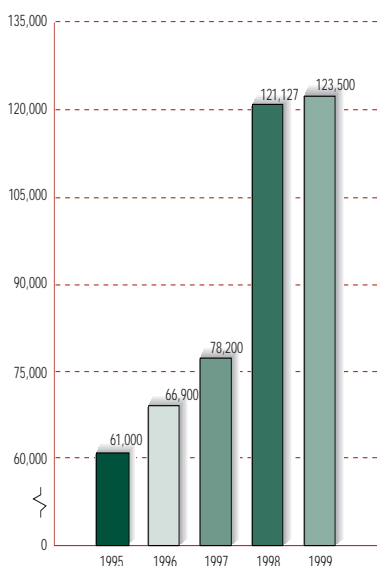
Land tax is payable when the unimproved value of all the land owned by a landowner equals or exceeds \$85,000, with the general exception of land on which the landowner's principal place of residence (PPR) is situated. The *Land Tax Act 1958* (the LTX Act) governs this revenue line.

Net land tax revenue over past five years



* Land tax revenues have, for the first time, been reported on an accrual basis for this financial year. The actual cash collected for the year was \$424m, arising from 1998 assessments being issued late in the 1998 financial year, but being paid during the 1999 year.

Number of land tax customers over past five years



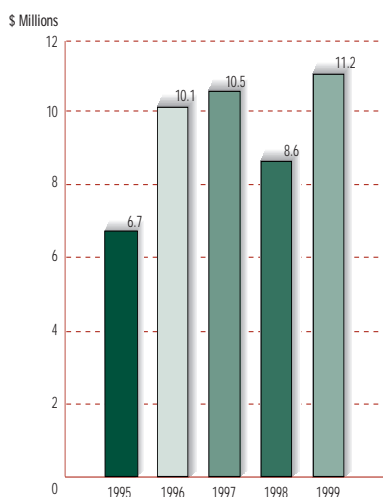
Key results

- Revenue collected: \$369m. Forecast: \$365m.
- \$10.4m paid in refunds.
- We issued 105,641 assessments relating to the 1999 assessment year. Since the end of the 1999 financial year, the number of assessments issued has increased to 113,000.

During the year, 93 land tax investigations were completed, resulting in the detection of \$2.3m in unpaid revenue. The outcomes of the investigations were:

- compliant 84 per cent;
- assessments issued 16 per cent; and
- overpayments detected nil.

Land tax refunds paid over the past five years



Land Tax Call Centre

Following significant legislative changes last year, we set up a Call Centre to help the many landowners who received land tax assessments for the first time.

More than 105,000 land tax assessments were issued within the 1998/1999 financial year, resulting in more than 50,000 calls. Questions mainly concerned the PPR exemption.

The Call Centre provided clear and concise information quickly and customers were generally very complimentary about the level of service they received. Many of our customers also found it convenient to meet with a land tax specialist face to face. This was particularly popular among customers using our multi-lingual advice service.

New look for 1999 land tax assessments

We redesigned and restructured the 1999 land tax assessments to make them more user-friendly. The format in use for many years was replaced with a clearer format that outlined new payment options on the cover page while information about the assessment itself was printed on the rear of that page. BPAY® and EFT options were offered on this year's assessments.

New Notice of Acquisition of an Interest in Land form

As a result of changes to the LTX Act in 1997/1998, we amended the Notice of Acquisition of an Interest in Land (NOA) form.

The form has been produced in pads of 100 and is also available as a Word template and in Acrobat Portable Document Format. This new version of the form must be used for all acquisitions of an interest in land on or after 1 January 1999.

Electronic versions of the NOA are available from our website.

Format A-2000 released

Following an extensive consultation process with representatives from local and state government authorities, Format A-2000 was released to the 78 Victorian councils on 29 March 1999.

Format A-2000 is our required format for the supply of council valuation information that is loaded onto our land tax database. Format A-2000 is aligned with the Victorian Government's Valuation Best Practice program.

Councils' adoption of Format A-2000 is expected to improve the quality and timeliness of information supplied in the year 2000 general valuation.

Tax reform and major changes

Release of information

The *State Taxation (Further Amendment) Act 1998* made amendments to the LTX Act to enable SRO officers to release information to the police on request.

Operation of the PPR exemption

Section 13H of the LTX Act was amended to clarify the entitlement to a refund of an owner or trustee of land which was unoccupied and subsequently used as a principal place of residence. The amendment ensures that the provision has the effect originally intended.

Significant legal cases

Unreported case on the PPR exemption

This matter was considered by the VCAT. This is the first time a matter relating to the PPR exemption in the LTX Act has been considered.

The PPR exemptions are in Part IIA of the LTX Act. As well as granting a PPR exemption to land owned by natural persons, the LTX Act also exempts land owned by a trustee of certain trusts if that land is used and occupied by the beneficiaries of the trust as their PPR.

In this case, a corporation as trustee of a family trust owned the land. Members of the family used the property as their PPR and had done so for many years. They applied for an exemption from land tax on the grounds that the property was their PPR.

The term 'trustee' is defined in Section 13AA(1) of the Act to exclude, among others, the trustee of a discretionary trust.

A 'discretionary trust' is defined in the same section as a trust under which the vesting of the trust property:

(a) is required to be determined by a person either in respect of the identity of the beneficiaries, or the quantum of interest to be taken, or both; or

(b) will occur in the event that a discretion conferred under the trust is not exercised.

The Commissioner disallowed the objection on the basis that the Family Trust Deed established a discretionary trust, and thus there was no entitlement to the PPR exemption.

The VCAT agreed with the Commissioner and affirmed the assessment.

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

In 1997, the Supreme Court dismissed the taxpayer's claim that its assessment should be calculated on the basis that the land in question was under the administration of the Alpine Resorts Commission and not the municipal district of the Alpine Shire.

Hotham then appealed to the Court of Appeal but later decided to withdraw that appeal.

Famajohn Nominees Pty Ltd v Commissioner of State Revenue 1998 (097020)

Between 1991 to 1995 the taxpayer owned two adjoining lands, No. 8 and No. 10, under separate titles brought under the *Transfer of Land Act 1958*. The taxpayer (a trustee company) held No. 8 as bare trustee for the beneficiary (the bare trust), and No. 10 as trustee for a family trust.

Throughout that period the taxpayer let the house that stood on No. 8 to an



arm's length lessee at a market rental. The beneficiaries of the family trust occupied the house that stood on No. 10.

Throughout the same period, the Commissioner treated No. 8 and No. 10 as 'different lands' for land tax assessments purposes under the LTX Act and the land tax payable by the taxpayer in respect of the two properties was separately calculated and assessed.

In 1995 the taxpayer decided to demolish the houses standing on No. 8 and No. 10 and to build one new house straddling the title boundary between Nos. 8 and 10 for the beneficiaries of the family trust to use. To do that, the taxpayer had to consolidate No. 8 and 10, as required by the *Subdivision Act 1988*. A new Certificate of Title was issued for the consolidated land. The new house was subsequently constructed across the former No. 8 and 10 boundaries as planned, and the beneficiaries of the family trust have lived there ever since. The underlying trusts relating to the former separate blocks remained unaltered.

As a result of the consolidation, the Commissioner assessed the taxpayer in its representative capacities on the basis of the consolidated land. The taxpayer objected to the assessments and claimed that the consolidation should not affect the former Nos. 8 and 10 for land tax purposes and that they should be separately assessed.

This matter was referred to the VCAT for review. The VCAT found in favour of the taxpayer for the following reasons:

- The former Nos. 8 and 10 are capable of being regarded as different lands held by the taxpayer in trust in severalty.

- The fact that beneficiary of the bare trust has a vested beneficial interest in that part of the land that used to be No. 8, and no vested interest in that part of the land that used to be No. 10, is enough to dictate that the two parts of the land have different beneficial owners.

Section 46(1) of the LTX Act does not apply to jointly assess the beneficial owners unless **all** of the beneficial owners occupy the land.

The Commissioner has applied for leave to appeal to the Supreme Court against the whole of the VCAT's decision.

Objections and appeals

	1998/ 1999	1997/ 1998
Objections received	960	300
Allowed	417	48
Part allowed	55	13
Disallowed	395	91
Withdrawn	86	13
Invalid	41	17
Objections pending at 30 June	156	190
Appeals received	25	2
Settled	18	2
Approved	2	0
Denied	2	0
Appeals pending at 30 June	9	6

The increase in the number of objections relates predominantly to the introduction of the PPR exemption last year. We expect the number of objections to decrease over the current year as database cleansing progresses and the accuracy of our assessments improves.

Looking forward

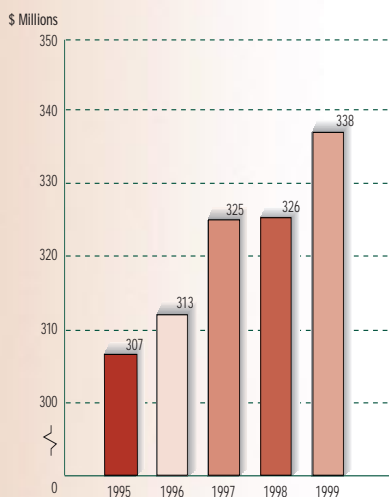
- From mid-July 1999 we offered customers the option to pay their bills using BPAY. This facility allows customers to pay bills by phone once they have registered with a participating financial institution. We will continue to explore further payment options.
- We will continue rectifying errors in our database. This will help ensure the accuracy and consistency of information we use to generate our assessments.
- We will explore the possibility of providing customers with the ability to lodge property enquiry applications 'on-line'.
- All municipalities will move to providing valuations on a biennial basis starting during the year 2000. We are implementing strategies to ensure that the application of these valuations to our database is both timely and appropriate.

Financial transaction taxes

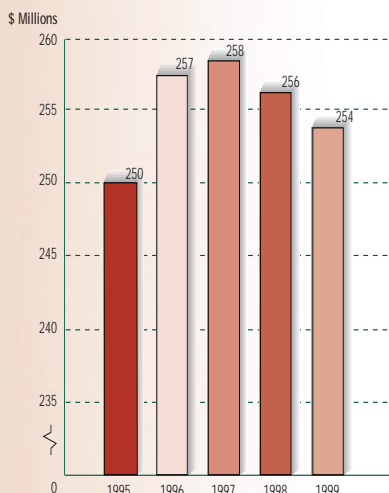
Financial institutions duty (FID) is charged on receipts of money by financial institutions and is payable by those institutions but is generally passed on to account holders. FID is payable under the provisions of the *Financial Institutions Duty Act 1982* (The FID Act).

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.

Net financial institutions duty revenue over past five years



Net debits tax revenue over past five years



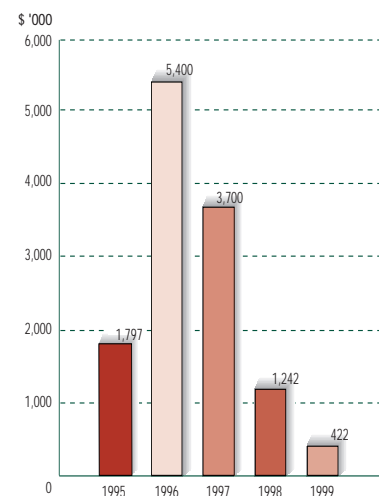
Key results

- Revenue collected: \$592.3m.
Forecast: \$597.4m.
- \$422,000 paid in refunds.

During the year, 49 investigations on financial transactions taxes were completed, resulting in the detection of \$3.2m in unpaid revenue. The outcomes of the investigations were:

- compliant 61 per cent;
- underdeclared (assessment issued) 39 per cent; and
- overdeclared nil.

Net refunds paid



Tax reform and major changes

Definition of 'broker'

A new definition of 'broker' was inserted in the FID Act to take account of changes made to the Business Rules of the Australian Stock Exchange. This definition applies from 13 October 1998.

Duration of Certificate of Approval

A new provision was inserted into the FID Act, as of 1 December 1998, to provide that a certificate of exemption

can come into effect from a date before the issue of the certificate. This provision allows the Commissioner to provide an exemption to accounts in cases where a person who was entitled to obtain exempt status inadvertently failed to apply for the exemption earlier.

Taxation Administration Act 1997

Under amendments that came into effect on 1 December 1998, objections can be made against a decision of the Commissioner to refuse a FID exemption certificate on the ground of charitable status.

The changes extended objection rights to bodies claiming to be public hospitals, state schools, charities other than a tertiary institution or trustees of a charitable trust. These bodies were also introduced into the definition of 'non-bank financial institution' in section 25(12) of the FID Act to facilitate this.

Real Time Gross Settlement transactions

On 6 October 1998, a new FID exemption for Real Time Gross Settlement (RTGS) transactions came into effect.

The electronic RTGS system, developed by the Reserve Bank of Australia, is used for high value inter-bank payments that are settled immediately (or in real time).

Some banks require customers using RTGS to have a scorekeeping account to be used exclusively for recording all RTGS transactions. The bank uses these scorekeeping accounts to ascertain its credit exposure and liquidity needs at any time. Each account is cleared daily to an operating account of the customer.

This new process requires additional transactions that, without an exemption, would increase the amount of duty payable.

The FID exemption was provided by a regulation that exempts RTGS receipts credited to an approved RTGS scorekeeping account.

We co-ordinated liaison between the state revenue offices, the Reserve Bank and the Australian Payments Clearing Association in relation to the RTGS exemption.

Amendments to the Debits Tax Act 1990

The *State Taxation Acts (Amendment) Act 1999* introduced amendments to the *Debits Tax Act 1990* to ensure that all financial institutions issuing cheques are liable for debits tax. These amendments were introduced as a result of recent changes to Commonwealth legislation that expanded the range of financial institutions able to issue cheques.

The amendments ensure that debits tax provisions apply equally to all financial institutions.

Significant legal cases

Coles Myer Finance Limited v Commissioner of State Revenue (1998) 40 ATR 502

Coles Myer Finance Ltd is a non-bank registered financial institution for the purposes of the FID Act. It operates as the in-house treasury to Coles Myer Ltd and other companies in the Coles Myer Group.

The Commissioner viewed the journal entries of accrued interest on inter-company loans provided by Coles Myer Finance Ltd to the Coles Myer Group as dutiable receipts under section 10(1) of the FID Act.

The Commissioner's ruling was upheld on appeal to the VCAT and to the Supreme Court.

Objections and appeals

Financial institutions duty		
	1998/ 1999	1997/ 1998
<i>Objections received</i>	4	6
Allowed	0	0
Part allowed	0	2
Disallowed	1	3
Withdrawn	0	1
Invalid	2	1
<i>Objections pending at 30 June</i>	2	1
<i>Appeals received</i>	0	1
Settled	1	0
Approved	0	0
Denied	1	0
<i>Appeals pending at 30 June</i>	0	2

Debits tax		
	1998/ 1999	1997/ 1998
<i>Objections received</i>	3	2
Allowed	0	1
Part allowed	0	0
Disallowed	2	1
Withdrawn	0	1
Invalid	0	0
<i>Objections pending at 30 June</i>	1	0
<i>Appeals received</i>	0	0
Settled	0	0
Approved	0	0
Denied	0	0
<i>Appeals pending at 30 June</i>	0	0

Looking forward

- We will be providing our customers with the options of paying duty using BPAY and EFT.

Rebates and subsidies

Business franchises

The SRO no longer collects business franchise fees. The Commonwealth now collects this 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.

The Commonwealth has set the fees at uniform rates, however, meaning that the amount ultimately collected has increased. This excess revenue is refunded by the states and territories to both liquor and petroleum manufacturers and wholesalers to avoid price increases as far as possible. The SRO no longer collects or refunds tobacco licence fees.

Liquor subsidies

	\$ Millions
Received from the Commonwealth Government	221.29
Less amount refunded	21.06
Net total received	200.23

Liquor subsidies payable to interstate licence holders

A minor amendment was made to the *Liquor Control Act 1987* to be applied retrospectively from 6 August 1997. The amendment allows subsidy payments to be made to holders of licences issued in other states or territories. This is consistent with the agreement made between the states and the Commonwealth after the Ha and Lim decision.

Petroleum subsidies

	\$ Millions
Received from the Commonwealth Government	513.38
Less amount refunded	79.42
Net total received	433.96

Administrative changes made to petroleum subsidy regime

The State Taxation (Further Amendment) Act 1998 changed the *Business Franchise (Petroleum Products) Act 1979* to allow overpayments made by the SRO to a refund claimant to be offset against future refund claims by that person.

To improve administration, holders of diesel fuel exemption certificates are required to return certificates to the Commissioner if the certificates are no longer needed.

The Act also introduced offence provisions to enable the SRO to recover subsidy payments made as a result of fraudulent claims being lodged.

Water and Sewerage Rebate Scheme

In 1997, the Victorian Government announced a financial reform package for the State's water industry.

A major thrust of this wide-ranging initiative was the introduction of a user pays policy that places the responsibility for water use, and payment for that use, on the consumer.

Because many non-profit community organisations had to meet water use and supply charges for the first time, the Government decided to make relief available to certain organisations through a Water and Sewerage Rebate Scheme.

The rebate provides financial relief for not-for-profit community based organisations such as charitable, community and outdoor sporting groups through an allowance of up to \$260 on the fixed water and sewerage service charges.

The SRO was given responsibility for administration of the Scheme. Since the Scheme became operational on 1 July 1998, we have processed 43 of 45 claims received for rebates totalling \$2.3m.

Looking forward

First Home Owners Scheme

As a result of the national tax reform package, a new subsidy scheme is being introduced for first home owners. This scheme will operate from 1 July 2000, with eligible applicants being entitled to a one-off payment of \$7,000.

We have established a project group that will be liaising closely with other jurisdictions and relevant industry organisations (such as banks and the real estate industry). A major objective is to ensure the new scheme will be uniform across all states and territories.

The project group is anticipating that in Victoria alone, more than 25,000 applications will be made under the scheme during the 2000/2001 financial year. Further information on the operation of the scheme will be made available as soon as possible.

Performance against the Taxpayers' Charter

Our formal commitment is to provide excellent service to our customers. The *Taxpayers' Charter* acts as a blueprint for our staff, making clear the standards to which we aspire. Our performance in 1998/1999 against the commitments we make in the Charter are outlined in the following table.

Target	Achievement
Correspondence	
• Answer 95 per cent of written enquiries within 21 days	• 94.9 per cent of correspondence answered within 21 days
Telephone	
• 85 per cent of telephone calls picked up within 20 seconds	• 95.5 per cent of calls answered within the required time limit
Objections	
• Where all information is provided, 100 per cent of objections resolved within 60 days	• 98.2 per cent resolved (#1)
Refunds claims	
• Where all information is provided, 100 per cent issued within 60 days	• 93.5 per cent of refunds finalised (#2)
Investigations	
• Reasonable notice provided at least seven days before the beginning of an investigation in 99 per cent of cases	• Prior notice given in 100 per cent of cases
• Written advice of the result of investigations to be provided within 21 days of completion of the investigation in 99 per cent of cases	• Results advised within 21 days in 100 per cent of cases
Courtesy and consideration	
• 95 per cent of customers agree that we are friendly and courteous	• 98 per cent positive response
• 90 per cent of customers agree that we provide appropriate information and advice	• 95.5 per cent positive
Help and information	
• 95 per cent of customers satisfied with our public rulings and publications	• 95 per cent of customers were satisfied with these services
• 95 per cent of customers are satisfied with our education and compliance programs	• 95 per cent of customers were satisfied with our programs
Fairness	
• No adverse findings by Ombudsman	• No adverse findings by Ombudsman
• Success in more than 75 per cent of court and tribunal actions	• 78 per cent of cases were decided in favour of the Commissioner
Privacy and confidentiality	
• No tax records unlawfully divulged	• 100 per cent achieved - no tax records unlawfully divulged
Compliance costs	
• Changes in procedures and processes to reduce business administrative costs	• Projects implemented include alternate and streamlined self-assessment processes for stamp duty. BPAY and EFT are also being introduced across all revenue lines.
Independent appeal and review	
• Taxpayers are advised of their right to object and appeal	• 100 per cent advised accordingly

#1 Targets were not achieved as there was a need to request additional data or verification from the customer.

#2 Target not achieved due to the high number of land tax objections flowing from legislative changes made in the 1997/1998 financial year.

Initiatives

critical to our performance

Quality systems assist revenue control

Minimising outstanding revenue is a major objective of the SRO. One of the factors that contributed to our successful management of debt in 1998/1999 was our dedication to implementation of Quality initiatives.

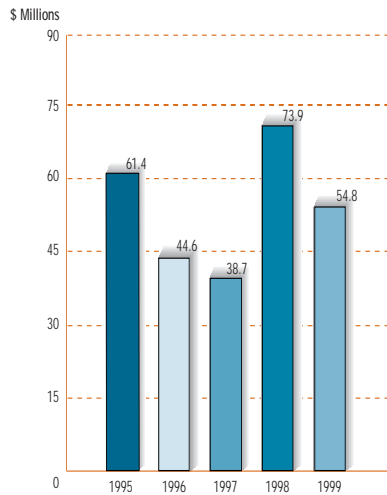
Our Receivables Management Branch successfully achieved certification in accordance with the requirements of AS/NZS ISO 9002:1994 during the year. Certification marked the climax of an 18-month project undertaken to introduce and maintain Quality initiatives throughout all debt collection and reporting processes.

To ensure that Quality practices were maintained, we established process and document control, corrective and preventive action processes and internal quality audit processes. We also appointed a Management Systems Administrator to help maintain and develop the Branch's Quality processes under ISO 9002, to facilitate the achievement of our Quality Vision and to align this Branch's Quality initiatives with those being developed throughout the SRO.

At 30 June 1999, our outstanding debt totalled \$54.8m. This represents 0.9 per cent of revenue collected, well within the interjurisdictional benchmark for outstanding debt of 2 per cent.

	\$
Outstanding debts collected	209,651,899
Under arrangement	1,351,292
Disputed	10,381,053
Deferred	713,666

Outstanding debt over the past five years



Outstanding debt as a percentage of revenue

	%
1999	0.90
1998	1.38
1997	0.63
1996	0.70
1995	1.05

Educating our customers

Our objective is to ensure that customers meet their obligations under Victorian taxation legislation. Non-compliance can result from several factors but our compliance strategies reflect our belief that customers will meet their obligations as long as those obligations are fully understood. Therefore, our efforts to help customers understand their legislative requirements, and to make it as easy as possible for them to comply, are key drivers towards enhanced compliance levels.

We also identify and resolve deliberate non-compliance through investigation and the use of strategic intelligence.

Revenue Rulings

Revenue Rulings are designed to help our customers understand revenue legislation and are an integral part of our compliance strategy. They outline the SRO's interpretation of key aspects of legislation in each of the revenue lines. Revenue Rulings are available on our website and by subscription.



David Pollard (L) with Steven Polites, Elizabeth Mazzei and Ian Bahn of the ISO 9002 certification team



Tania Hunyadi (seated) helps a taxpayer while Vicky Cherbena displays the SRO internet site at the 1999 Business World Expo

We issued 24 Revenue Rulings in hard copy to more than 580 subscribers during the year. We also made our rulings available through our website. To ensure that customers are aware of the issue of new rulings we provide advice by e-mail that new rulings have been added to our website. We provide this free service to more than 390 customers. (For access to this service contact our Technical Advice Branch on 03 9628 0641).

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 legislative changes, our interpretations and where necessary, our procedures.

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. This year more than 2,000 people attended over 60 seminars and workshops, including:

- quarterly pay-roll tax workshops for recently registered employers;
- seminars on the recently introduced employment agency contract provisions;
- pay-roll tax Annual Adjustment process seminars in Melbourne, Sydney, Brisbane and Perth and major Victorian regional centres; and
- stamp duty seminars for registered and potential Document Return System agents.

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

Business Expos raise our profile with customers

During the year the SRO participated in three business expos to help raise our profile.

- In May 1999, we attended the Bendigo Business Expo and the Victorian Business Expo '99 at the Melbourne Exhibition Centre. We also travelled to Mildura to promote our services at the Mildura Business Expo '99.

At the Victorian Business Expo we were asked a variety of questions by existing or prospective small business owners. Also at this event, we used an Internet PC to display several presentations and introduce taxpayers to many helpful internet services and sites.

- In February 1999 we exhibited at the Tax and Technology Expo sponsored by the Australian Taxation Office to show tax professionals how technology could benefit them. It gave us the opportunity to raise the profile of the SRO within the tax industry and to demonstrate some of the technology we have developed for the direct benefit of our customers.

Electronic services provide more options for our customers

Our website (which can be found at <http://www.sro.vic.gov.au>) is the gateway to an expanding range of information, services and on-line transactions.

Revenue Rulings have been available on our website since July 1998 and have proven to be a popular source of information for customers. During the year, we expanded this service by providing rulings for each tax line in Acrobat Portable Document Format (.pdf). The Acrobat format enables customers to download their choice of rulings exactly as they appear in the hard copy subscription service.

This electronic service features:

- a single file containing all Revenue Rulings issued in a particular revenue line;
- an electronic index in each booklet with the ability to easily view the replacement history of any particular ruling; and
- a word search capability that enables users to locate all occurrences of a topic within a revenue line.

To ensure that everyone can have

access to this information we will continue to provide Revenue Rulings in plain text format and in print.

During 1998/1999 all of the SRO's over-the-counter forms were added to the website. As a result, customers can download frequently used forms and print out as many copies as they need.

Consultation in taxation administration

Through the membership of the State Taxes Consultative Council (STCC), we actively seek contributions and feedback from taxpayer and tax practitioner representative associations on the improvement of administrative processes and policy and legislation development. Liaison occurs directly with the associations on a regular basis, or is issue driven.

The STCC is a forum for public and professional comment on proposed and existing policies and procedures. It meets quarterly.

The Council is chaired by Rod Rogers, Chief Adviser to the Commissioner. It 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 consultative mechanism throughout the year, enabling an exchange of views on a range of issues affecting customers and tax administrators. Discussions covered a wide range of subjects including 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 1998/1999. They were:

Law Institute of Australia

James Johnson
Simon Begg
Steve Stevens

Taxation Institute of Australia

Sue Williamson

Australian Society of Certified Practising Accountants

Max Warlow

Corporate Tax Association of Australia

Frank Drenth
Nick Kallinikios

National Institute of Accountants

Graeme Tardrew

Institute of Chartered Accountants of Australia

Kim Rea
Tim Grace

During 1998/1999 all of the SRO's over-the-counter forms were added to the website. As a result, customers can download frequently used forms and print out as many copies as they need.

Information Technology

Services



David Pollard signs the Core Systems Replacement project agreement with Fujitsu representatives Bryan Daniels (front), Ian Leach (back left) and with SRO's Rod Smith

Strategic improvements in information technology

Information technology and infrastructure systems are critical to our customers' business and our own. To ensure that our systems are the best available we have established a strategic plan to evaluate all our existing systems and replacement options.

In the initial evaluation stage of the Information Technology Strategic Plan (ITSP), we identified several major problems with our existing systems that needed to be addressed. For example, the existing systems were not able to easily accommodate process improvements and there was considerable duplication and lack of integration. We also identified our need for new systems that would provide the following benefits:

- one system that could be used across revenue lines;
- full electronic commerce capabilities;
- ability for customers to interact directly with our systems; and
- improved information and work flow management systems.

The ITSP grew out of the evaluation stage and encompasses four major projects:

- Core Systems Replacement;
- Infrastructure Redesign;
- Telecommunications; and
- E-business.

A number of other important processes were also identified during the initial development phase of the ITSP. Categorized into a fifth group called ancillary processes, they included customer education, quality management, data integrity and security. While each of these is important, they were not considered part of the ITSP and will be addressed separately in the next financial year.

Progress on the ITSP projects

Core Systems Replacement

We investigated various options for replacing our core systems. We have purchased parts of an existing application already operating in another state and have begun using this as a basis for development of a system to meet our specific needs.

We appointed Fujitsu Australia Ltd to develop the new core systems. Contracts arising from this appointment were signed on Friday 14 May 1999 and we expect the new core system to be implemented through a phased program over the next two years.

Infrastructure Redesign Project

The SRO's move towards becoming an electronic business in line with the Online Government 2001 strategy requires a more open environment than currently exists. The right infrastructure, that is hardware and software, is needed to enable us to operate in such an environment.

During the year we examined key issues such as:

- possible replacement of the current mainframe environment;
- installation of an Ethernet protocol;

-
- development of a stand-alone (SRO) security system; and
 - a move to Windows NT.

Information and technical architects have been appointed and the systems architecture has begun to take shape. We have chosen the 'Java' environment as our technology enabler because it allows us to build systems that can be used internally and be made available to our agents and customers via the internet without the need to write duplicate code. This will also enable us to present a universal 'web browser' feel to our systems.

Telecommunications

This project identified a clear need to replace our existing ageing PABX with a current model which would be upgradable into the 21st century. This has been completed on time and has seen an overall improvement in our telephony service.

A single telephone number - **13 2161** - replaced the previous list of revenue line specific contact numbers in June 1999. This short dial number allows customers to call from anywhere in Australia for the cost of a local call.

The next stage in this project will be to link the telecommunications system to our Local Area Network (LAN). This will enable customer information to be displayed at staff workstations as they receive customer calls. The ultimate goal of the project is to enable us to accept payments over the telephone.

Year 2000 Compliance

Our Year 2000 Compliance Project has been in operation since July 1997.

In 1998/1999 monthly project status reports were provided to the Year 2000 Risk Management Unit (RMU), which was established by the Victorian Government, to monitor whole-of-government progress towards compliance and business continuity of all departments and agencies as we enter the new millennium.

We made substantial progress in 1998/1999 towards completing our Year 2000 readiness program:

- The project team compiled and maintained an inventory of all IT and non-IT equipment and services (components) used by the SRO in its revenue collection activities. All components of the inventory were assessed for Year 2000 Compliance and categorised according to risk. Where applicable, a remediation option to repair, retire or replace was implemented.

- Extensive testing of the SRO's two critical revenue collection systems (GRCS and CDS) was successfully completed in April 1999. Having completed this phase of the project, we decided to have our systems assessed independently to gain the assurance that every program in the systems had been assessed and corrected if necessary.
- In April, Arthur Andersen audited our Year 2000 Compliance Project. As well as assessing the status of our efforts, the audit examined the accuracy of responses to the questionnaire forming the basis of the RMU reporting framework. The audit report's findings were favourable, especially in relation to our approach, project management and documentation. Arthur Andersen will conduct a final review in August 1999.
- Detailed contingency plans have been developed with the help of external consultants that describe the fall-back and restoration procedures to be followed by the SRO in the event of a

A single telephone number - 13 2161 - replaced the previous list of revenue line specific contact numbers in June 1999. This short dial number allows customers to call from anywhere in Australia for the cost of a local call.

major disruption. The plans also outline the SRO's verification strategies to test that our systems are functioning correctly following the 'roll-over' to the Year 2000.

- We engaged the services of an independent quality assurance consultant to oversee and review our Year 2000 Compliance Project. Year 2000 quality assurance procedures were developed to ensure that all project deliverables were subject to independent review and sign-off.

The SRO standard operating environment

In line with the Victorian Government policy of standardising desktop environments, we made further significant changes to our environment during the year. We upgraded to Microsoft Office '97 and also began to reap the benefits of the implementation of several Lotus Notes applications. These include a Leave Administration System, a policy and procedures database and the first stage of a balanced scorecard for the organisation.

Outsourced IT services

In 1996 the SRO had previously outsourced its core operational systems to G.E. Capital Information Technology Solutions (GECITS), a specialist technology corporation. This relationship is a key functional requirement for the SRO. Improvements have been gained in the overall service to the SRO during the year, including the Help Desk support and consultancy areas.

In addition GECITS have provided specialist advice and guidance to our Year 2000 and ITSP programs.

We made substantial progress in 1998/1999 towards completing our Year 2000 readiness program.

Striving for quality

Planning for the future
and measuring our
performance

Striving for quality

Our commitment to Continuous Improvement and Best Practice is a key performance driver at the SRO.

All our Quality initiatives are linked together as part of our comprehensive planning process. Because of this, any improvements we make in one area flow right through the organisation and enhance the performance of the SRO as a whole. This synergistic approach helps us to continue to deliver better, more efficient services to our customers.

The past year has seen several important and positive projects implemented as a result of our commitment to Quality.

Process Improvement Teams improve efficiency

The Process Improvement Team concept was introduced during the year to help us work smarter, to the advantage of our customers and ourselves.

A Process Improvement Team consists of several staff drawn from each stage of the process being investigated. With the help of a facilitator, the Team works its

way through several key stages: planning, familiarisation with the existing work flow process, data collection, analysis of data, devising solutions based on process improvements and developing a business case for implementation of the proposed improvements.

A pilot Process Improvement Team was established in the Land Tax Branch in November 1998 to examine the flow of documents. As a result of the pilot Team's efforts, a new records management function was introduced that links all information about a customer to a unique identifier (the customer number) and is easily accessible to all users. It has enabled us to record information from telephone enquiries directly into our database, thereby eliminating problems associated with manual recording. The new module has also made it easier for staff from our Receivables Management and Land Information Management Branches to determine whether their customers are affected by an outstanding action item.

Process Improvement Teams are presently being established in other areas of the SRO to deliver similar benefits over the coming financial year. To support these initiatives, we began developing a database to collect and publish guides for all aspects of setting up and running Process Improvement Teams.

Employee Ideas Database launched

Developing the huge resource of employee ideas was another of our priorities during the year.

We launched an Employee Ideas Database in December 1998 to help staff convey their ideas to management efficiently and effectively. The Database automates the lodgement and approval of ideas and provides electronic progress reports to the staff member who initiates an idea. The Database is also open to all staff, allowing them to track the progress of ideas of interest to them quickly and easily.

Sixty-eight ideas had been submitted to the Employee Ideas Database by 30 June 1999. Of these, 44 were acted on, while 24 were in progress.



David Pollard and Rob Dickens

present a certificate of completion of Quality training to Heather Holt

Planning for the future

One of the key strategies in our 1999/2000 planning process is to ensure that staff at all levels are involved in the development of business plans and are consulted on the future direction of the SRO.

During the year, more than 60 of our staff (including all members of the SRO Executive) attended a series of planning workshops to produce our organisational Business Plan.

Our Business Plan is designed to provide us with vision and mission statements, to enable us to set goals, strategies and tactics for the coming year, and to give us a means of evaluating and reporting our achievements.

As the foundation for our planning process we adopted the Australian Business Excellence Framework (ABEF). The ABEF is recognised as the best-practice Quality management model in Australia. This helped us to cover all the vital areas of the SRO and gave us the opportunity to develop consistent, organisation-wide goals and strategies.

The resulting goals and strategies are based on seven Core Drivers:

Leadership and innovation

We will create a cohesive organisation which sets and communicates strategic direction, which establishes valued role models, and which forms and manages influential external relationships. We will engender innovation and risk taking and convince our staff to follow our lead.

Strategy planning and processes

We will select, gather and use information effectively, and turn our strategic decisions and imperatives into actionable plans. We will involve our staff in the process of using available resources to effectively implement plans.

Data, information and knowledge

We will create and manage our knowledge by determining what data is collected, and how it is handled, stored and analysed. We will use this knowledge to add value and capitalise on new opportunities, and will communicate this knowledge efficiently by making it easily accessible.

We will show our customers how we manage and evaluate our relationships with them, and will measure their level of satisfaction with us and our value to them by gathering feedback on our relationship and management practices.



Trainees from Western Region Group Training

joined the Land Information Management group in June, on twelve month placements

Our people

We will encourage and enable our staff to contribute to achieving organisational goals and to continually improve our organisation. We will maximise our staff's ability to contribute by managing their performance, their development and the fit between them and their work. We will provide them with a work environment that is conducive to maximising their potential while recognising them as a critical part of our business success.

Customer and market focus

We will respect our internal customers and ensure that we have an ongoing understanding of their needs and expectations, as well as those of potential customers and markets.

Processes, products and services

We will acquire, evaluate and implement creative ideas that will accelerate our business performance, and will manage our relationships with suppliers to continually improve the quality of our goods and services. We will describe the quality indicators which we use to measure our products and services, and the way in which these perform against standards, customer expectations and those offered by similar agencies.

Business results

We will continually monitor how well we deliver on our core business.

Measuring our performance

Our need to gain a deeper understanding of our customers' requirements and expectations is crucial to our drive for excellence in customer service. To gain this deeper understanding, we regularly conduct surveys and seek customer feedback to enable us to analyse our performance and the level of service we provide.

Customer Service Survey

We engaged specialist consultants to undertake research to help the SRO to better understand customers' needs and to provide independent advice on the tailoring of our products and services to meet those needs and expectations.

The company conducted a series of discussions with a group of customers that included large and small businesses as well as individuals.

Feedback from this group identified a range of activities that the SRO is doing well. The customers in the discussion group were particularly satisfied with:

- the way we handled enquiries with courtesy and confidentiality;
- the Revenue Rulings service (subscription and electronic access);
- our regular seminars and workshops;
- electronic communication (our internet site);
- the Customer Service Centre;
- the pay-roll tax Annual Adjustment on Disk program; and
- the provision of alternative payment options.

The group also provided comments to help us focus on areas where service could be improved. These included the need for speedier resolution of queries and disputes, technical training of staff to ensure they are fully informed on specific areas and more marketing and promotion of

improvements such as the ability to make tax payments by Electronic Funds Transfer.

These and other issues that the group raised have been considered in the development of our Business Plan for the coming year so that we can further enhance our customer service.

Benchmarking against other jurisdictions

We are committed to the identification and implementation of international best practice in revenue office management. To meet this objective, we appointed a project team recognised internationally as a world class provider of benchmarking services. The project team, together with the SRO project manager, examined the core business processes of state and territory revenue offices throughout Australia to refine the benchmarking measures that have been used in previous studies. The improved measures focus on the processes behind key performance indicators to ensure that process improvement opportunities are identified.

The results of the study demonstrate that the SRO has reached a level of superior performance in key business functions, including the efficient collection of revenue and overdue debt. The results of the study will be used as part of our continuous improvement focus to identify workplace strategies to improve performance to a standard recognised as international best practice.

Comments from customers

We welcome comments from our customers as they help us to know whether we are meeting their needs as well as to identify opportunities for improvement.

In all, we received 41 compliments and 35 complaints during the year. Aside from general appreciation of the professionalism of our staff, many of the compliments related to the professionalism of our investigators.

Most of the complaints we received were from customers experiencing difficulties with the major changes that have occurred over recent years to land tax. The complaints we receive help us to ensure that we do not become complacent about the impact of legislative change on our customers.

Audit Committee

The SRO Audit Committee also makes a valuable contribution to the measurement of our performance. The Committee is made up of internal and external representatives and is chaired by the Commissioner. It helps the Commissioner to fulfil his responsibilities to the Secretary of the Department of Treasury and Finance.

Our thanks go to the external members of the Committee for their involvement during the year:

Australian Accounting Research Foundation

Greg Pound

Ernst & Young

Stuart Painter - Partner

Internal audit function outsourced

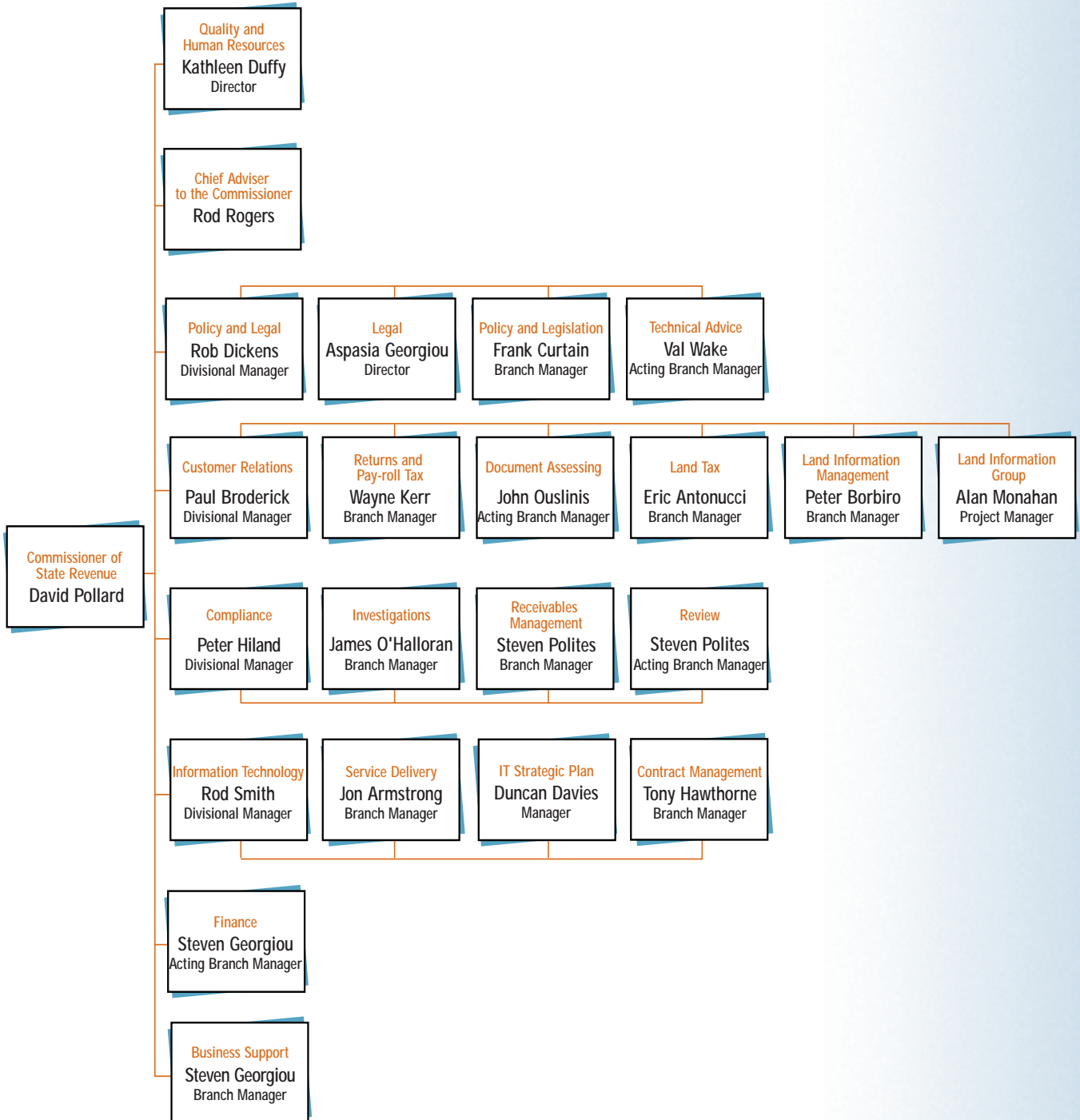
In April 1999, PricewaterhouseCoopers was appointed to carry out the internal audit function for the SRO.

The primary role of the internal audit function is to help SRO management and the Audit Committee maintain efficient and effective operational and system controls and processes.

An organisation

**of people
for people**

Organisational structure



Executive profiles



Rod Smith
BSc

Information Technology

Rod has substantial experience from Australia and overseas in business management and information technology. This experience includes the management of his own consulting company, sales and sales management roles, through to general management positions with corporations such as NCR, Datacom, PAXUS and EDS.

The IT Division is responsible for the provision of all information technology services throughout the SRO. This includes the management of our relationship with GECITS and the contract with Fujitsu for the replacement of all the SRO's current core IT systems. The IT Division provides business analyst skills, project management skills, contract administration, and is responsible for the management of our website.

Rob Dickens
BBus (Public Admin)

Policy and Legal

Rob has been with the SRO since 1996 and has held a number of branch manager positions during that time. Rob joined the SRO from the Tasmanian Department of Treasury and Finance, having held the position within that Department of Assistant Director, Revenue Policy. Rob brings to the SRO substantial experience in public finance including taxation policy and administration.

The Policy and Legal Division is responsible for the provision of advice on taxation policy, advice to customers on complex State taxation matters, the management of the SRO's litigation and the provision of customer education services.

Peter Hiland
BA, LLB, Graduate Diploma Legal Studies

Compliance

Peter joined the SRO in 1999 after working as a lawyer with the Australian Securities and Investments Commission. Peter has also worked within the Commonwealth Attorney-General's Department in the Corporate Law Simplification Taskforce, with the Commonwealth Director of Public Prosecutions. Before this he was a Barrister at the Victorian Bar.

The Compliance Division is responsible for the investigation function and for the impartial consideration of objections made by customers against decisions of the SRO.

Rod Rogers
DipBusSt (Acc) FCPA

Chief Adviser to the Commissioner

Rod has been with the SRO since its inception in 1992 and has held a number of divisional management positions within the office. Before the creation of the SRO Rod held the position of Deputy Commissioner at the former State Taxation Office and has also held senior management positions in data processing and management systems within various State government departments.

As the Chief Adviser to the Commissioner, Rod is responsible for specific major policy projects, the review of key technical decisions and informal independent reviews requested by taxpayers. Rod also chairs the State Taxes Consultative Council which comprises leading taxation advisers and senior SRO staff.



Kathleen Duffy
BA (Psych)

Quality and Human Resources

Kathleen has a strong track record in human resource management at strategic, policy, implementation and operational levels. She has had international responsibilities for global and regional people development as well as a background in major corporations in manufacturing, financial services and telecommunications. Kathleen has held full membership of senior executive management groups involved in broader corporate business decisions such as re-engineering, growth and innovation in products, services and electronic commerce.

The Quality and Human Resources Division is responsible for the introduction and adoption of quality concepts and techniques within the SRO and for the strategic focus of our human resources and workforce planning.



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

Commissioner of State Revenue

David became the second Commissioner of State Revenue in September 1997.

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

Before joining the SRO, David held a number of positions in both the Commonwealth and New South Wales administrations. These positions included Assistant Commissioner, NSW Corporate Affairs Commission; inaugural Chief Executive of the Australian Film Finance Corporation; Assistant Commissioner of the Industry Commission and, most recently, as Executive Director, Information Division with the Australian Securities Commission.



Paul Broderick
MBA

Customer Relations

Paul joined the SRO as Divisional Manager Customer Relations in January 1998 after holding senior positions with the Australian Securities Commission (ASC). Paul has extensive experience in revenue collection and customer service, having headed that area while with the ASC. During his time as the Quality Manager at the ASC it received the Australian Customer Service Award for Victoria (Large Business), and the Australian Quality Award for Business Excellence.

The Customer Relations Division is responsible for collection and administration of all of the revenue lines for which the SRO is responsible.

Helping our people deliver the mission

Improved recruitment policy

We have changed the SRO Recruitment Policy to address the issue of maximum-period contracts. The policy was revised in response to staff comments about uncertainty in job security made in the employee survey and the business planning process.

The changes involved wide staff consultation and endorsement from the Staff Forum, Branch Managers and the Office of the Commissioner for Public Employment.

As a result of the changes, employees engaged on maximum-period contracts may be offered ongoing employment at the conclusion of their contracts. This will occur if their role is required on an ongoing basis and if they meet criteria which demonstrate their desire for further employment.

We expect this change to generate several advantages for staff and for the organisation. Staff should benefit through an improvement in career prospects and job security while the SRO should benefit from an increase in staff morale and an anticipated decrease in staff turnover. Another major benefit is the ability to consider and plan for changes to workforce profiles including skill-sets and numbers of staff during times of rapid change.

Employee survey

To help our staff deliver the SRO's mission, we seek comments from them through several channels. In November 1998 we conducted a comprehensive Employee Survey to enable us to identify the issues that are important to staff and to gather ideas about ways in which the organisation could be improved.

The Employee Survey showed that we needed to address four key categories: people management, quality of systems and processes, leadership and customer focus. Within each of these categories, employee comments identified a clear focus for action.

Work began early in 1999 to address the issues raised. The resulting corporate initiatives include:

A Working with You program

This program will focus on building relationships, trust and respect through our training programs, work group service agreements and individual goal agreements.

Managing Your Career workshops

These workshops will be conducted twice a year to give staff the opportunity to think about and use their skills in different ways.

An organisational health initiative

This will look at the way in which we

manage current occupational health and safety issues, how we can better support staff so that absenteeism is reduced, and how employees' overall well-being can be improved.

Corporate values and behaviours introduced

Feedback from the Employee Survey and the Planning Process indicated that we needed more consistency in our practices at the SRO. In response to these comments, we developed and agreed on a set of Corporate Values and corresponding Corporate Behaviours (see page 37).

Corporate Behaviours will be used in a number of Human Resources activities including the monthly staff performance awards, training and development and recruitment.

Another survey will be conducted at the end of 1999 to assess the success of these and other initiatives resulting from the Employee Survey.



Hans de Kretser, Mirella Moss, Denham Jordan and Margaret Hill
model the new SRO corporate uniform

SRO Corporate Values and Behaviours

Value	Behaviour	Definition
Quality customer service	Customer focus	Placing a high priority on customers and their requirements; identifying and acting on customer needs and interests.
Employee participation	Initiative	Starting actions on your own initiative, without being requested and willingly contributing to planning and decision-making activities.
Professional staff working well together	Personal excellence	Developing your skills and knowledge; striving to do your best and stretching yourself; being open to feedback about how you can improve.
Professional staff working well together	Teamwork	Working in co-operation with colleagues to achieve team and business objectives and to demonstrate shared values.
Honest communication	Interpersonal communication	Developing positive and effective relationships with others; listening and responding to others without judgement; treating others with respect.
Ethical behaviour	Ethical behaviour	Consistently demonstrating a socially and organisationally accepted set of ethical standards.
Additional Behaviours for Supervisors		
Employee participation	Empowering others	Creating an environment in which employees can develop and demonstrate their expertise as well as participate in and contribute to decision making.
Quality leadership	Group leadership	Providing a sense of direction and creating team cohesion and commitment.

Training and development

The development of our intellectual capital is of vital concern to the continued effective operation of the SRO. During the year we therefore provided training and development opportunities for staff at all levels within the organisation.

Leadership program

Senior managers participated in a four-day workshop that focused on the leadership qualities and corporate

behaviours we wish to encourage.

The workshop introduced managers to the SRO Leadership Framework and Profile, which have been specially designed to help managers develop the skills and roles that are needed to take the organisation forward.

Monash MBA Program

We sponsored several managers to undertake the degree of Master of Business Administration (Executive) at Monash Mt Eliza Business School.

The Monash Executive MBA is a practical degree that gives participants the opportunity to study management theory and practice with a group of people drawn from a wide range of Australian and international companies and government organisations. The final stage of the study requires the completion of an MBA project that is based on a topic of strategic interest directly applicable to the participant's organisation.

Team leader development

We developed a Team Leader Profile outlining the skills, knowledge and experience needed to perform the role so that current and potential team leaders can easily identify their training and development needs. We also developed and began to implement a training program to meet those needs. A Coaching for Performance workshop was run to help team leaders facilitate the successful operation of their teams and the development of individual staff.

Launch of training database

To help staff increase their technical knowledge and improve customer service we developed a training database. The database contains training modules covering topics such as business structures and practices, pay-roll tax, land tax and financial institutions duty. Self-assessment activities have been built into the modules to enable staff to assess their level of understanding.

Staff can access the database from their own workstations. The database also contains general training information, training contact details, video library information and training application forms. During the coming year we plan to expand the database to include stamp duty training modules and information

about Monash tax courses, online training and further training information and initiatives.

Computer-based Learning Centre opened

To help staff improve their IT skills, we launched a state-of-the-art computer-based training system. The computer-based training is both flexible and interactive, allowing staff to work at their own pace. It is available for Word 97, Excel 97, PowerPoint 97, Windows 95, Lotus Notes and Internet Explorer 4.

Workplace Trainer Certificate

Our decision to introduce the use of accredited workplace trainers reflects the SRO's commitment to continual improvement through quality processes and best practice. It also gives us the ability to systematically disseminate information and knowledge.

The workplace trainer certificate is a nationally recognised qualification in adult training. The certificate is endorsed by the National Training Board, registered with the Office of Further Education and Training and accredited with the National Accredited Registry, thereby providing the successful candidates with a portable and nationally recognised qualification.

Since the training was made available in August 1998, 30 staff have achieved certification.

Organisational Health Strategy

Providing a safe working environment for our staff is of critical importance to the SRO and we have developed a Risk Management and Occupational Health Strategy based on the recommendations of a working group set up to investigate this important issue.

The strategy covers occupational health and safety, WorkCover claims management, absenteeism and health promotion.

Some of the key issues that we plan to address over the coming year are:

- the need to ensure all staff and managers are aware of their health and safety responsibilities and obligations;
- provision of written occupational health and safety procedures to all staff;
- investigation and reporting of all injuries and incidents, whether they become WorkCover claims or not;

- development of a comprehensive Attendance Policy; and
- encouragement of healthy practices such as diet and exercise.

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.



Adam Green (L), Jon Armstrong, Carmel Ackerly and Ath Blougouras
in the new SRO Computer Based Training Centre

Financial statements

Financial statements

Operating Statement For the year ended 30 June 1999

	Notes	1998/99 \$000's	%	1997/98 \$000's	%
Operating expenses					
Employee costs	2(a)	25,194	42.5	26,752	48.7
Supplies and services		22,542	38.0	21,469	39.1
Depreciation/ amortisation	3	5,559	9.4	5,390	9.8
Carrying amount of assets sold		0	0.0	452	0.8
Capital charge		1,211	2.0	849	1.6
Interest and other costs of finance		478	0.8	5	-
Non-discretionary expenditure	14	4,302	7.3	-	-
Total operating expenses		59,286	100.0	54,917	100.0
Operating revenues					
User charges	4 & 1(c)	2,047	100.0	2,127	96.4
Sale of assets		0	0.0	28	1.3
Other income		0	0.0	51	2.3
Total operating revenues	1(d)	2,047	100.0	2,206	100.0
Net cost of services		57,239		52,711	
Government revenues					
Recurrent appropriations	1(d)	57,242	93.1	45,708	93.4
Works and services appropriations	1(d)	4,228	6.9	3,241	6.6
Total Government revenues		61,470	100.0	48,949	100.0
Increase (decrease) in net assets resulting from operations	9	4,231		(3,762)	

The Operating Statement should be read in conjunction with the accompanying notes.

Statement of Financial Position As at 30 June 1999

	Notes	1998/99 \$000's	1997/98 \$000's
Current assets			
Cash	6(a)	4	611
Receivables	6(b)	23	150
Prepayments	6(b)	585	362
Trust funds	13(a)	660	982
Inventory	6(c)	112	69
Total current assets		1,384	2,174
Non-current assets			
Inter-entity - D.T.F.	7(a)	3,204	-
Computers, software and equipment	7(b)	9,758	3,370
Municipal valuations	7(c)	3,099	5,321
Other fixed assets	7(d)	664	676
Total non-current assets		16,725	9,367
TOTAL ASSETS		18,109	11,541
Current liabilities			
Bank overdraft	8(a)	1,489	-
Creditors and accruals	8(b)	2,033	911
Provision for employee entitlements	2(b)	1,864	1,776
Funds held in trust	13(a)	660	982
Total current liabilities		6,046	3,669
Non-current liabilities			
Provision for employee entitlements	2(b)	4,000	4,040
Total non-current liabilities		4,000	4,040
TOTAL LIABILITIES		10,046	7,709
NET ASSETS		8,063	3,832
Equity			
Accumulated surplus	9	8,063	3,832
TOTAL EQUITY		8,063	3,832

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows
For the year ended 30 June 1999

	Notes	1998/99 \$000's Inflows (Outflows)	1997/98 \$000's Inflows (Outflows)
Cash flows from operating activities			
<i>Payments for:</i>			
Employee costs		(25,146)	(26,303)
Non-discretionary expenditure	14	(4,302)	(-)
Supplies and services		(21,685)	(21,357)
Capital charge		(1,211)	(849)
Interest and other costs of finance paid		(478)	(5)
<i>Receipts from:</i>			
User charges		2,047	2,127
Other income		-	51
Net cash outflow from operating activities	12	(50,775)	(46,336)
Cash flows from investing activities			
<i>Payments for:</i>			
Municipal valuations		(1,481)	(1,656)
Plant and equipment		(137)	(998)
Construction in progress		(8,096)	(503)
<i>Proceeds from:</i>			
Sale of plant and equipment		-	28
Net cash outflow from investing activities		(9,714)	(3,129)
Cash flows from financing activities			
Movement in public account		(3,204)	89
Repayment from debtors		127	600
Repayment of lease liabilities		-	(84)
Net cash inflow/outflow from financing activities		(3,077)	605
Cash flows from Government			
Recurrent appropriations		57,242	45,708
Works and services appropriations		4,228	3,241
Net cash inflow from Government		61,470	48,949
Net increase (decrease) in cash held		(2,096)	89
Cash at the beginning of the financial year	6(a)	611	522
Cash at the end of the financial year	6(a)+8(a)	(1,485)	611

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes

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, Urgent Issues Group Consensus Views and other mandatory reporting requirements.

(b) The Government Agency Reporting Entity

All funds through which the State Revenue Office (SRO) or (Agency), controls resources to carry on its functions have been included in this financial report.

Administered resources

The SRO administers, but does not control, certain resources on behalf of the Victorian Government. The SRO 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 assessments are raised.

In line with accounting standard AAS29 the SRO discloses separately assets, liabilities, revenues and expenses arising from administered transactions. (Note 17.)

Non-current Assets

All non-current assets, controlled by the SRO are reported in the Statement of Financial Position.

Trust funds

The SRO receives monies in a trustee capacity for various trusts as set out in note 13(b). As the SRO performs only a custodial role in respect of the administered trust funds, the monies cannot be used for the achievement of the SRO's objectives, and are therefore not brought to account in the financial report. Due to a procedural change in the clearing of administered revenue directly through the administered accounts and not through a trust account, note 13(b) 1997/98 comparatives have been restated to exclude movements through the SRO clearing account.

Controlled revenues and expenses associated with trust funds/working accounts which are integral to the operations of the Agency, and form part of the day to day functions of the Agency, 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 13(a).

(c) User Charges and Fees

User charges controlled by the SRO are recognised as revenues and can be deployed for the achievement of SRO objectives.

1. Summary of significant accounting policies (cont...)

(d) Appropriations

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

The SRO does not control amounts appropriated to the SRO for transfer to eligible beneficiaries in accordance with legislation or other authoritative requirements. Accordingly, such amounts are not recognised as revenue, but are reported as administered revenues in the program schedule - revenues and expenses (note 17(a)). 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 17(a)).

Operating revenues are taken into account in determining the level of recurrent appropriation for the year.

(e) Acquisition of assets

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

The SRO purchases Municipal Valuations from local councils. The future economic benefits of these valuations span 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 SRO.

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

The SRO has adopted the following depreciation rates and useful lives for the following categories of assets:

Asset category	Average useful life (Years)	Depreciation/ amortisation Rate (%)
Computers and equipment - Generic Revenue Collection System	7	14.29
Computers and equipment - other	3	33.33
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 and 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 the 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. (Note 2.)

The proportion of the 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 that are expected to accrue in those periods, no provision has been made.

(iv) Superannuation

The Government Actuary determines the superannuation expense for the reporting period. It reflects the present value of anticipated future payments to be made by the Victorian State Superannuation Fund to SRO beneficiaries as calculated by the Government Actuary. No liability is shown for superannuation in the Statement of Financial Position as the Department of Treasury and Finance assumes the liability.

(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, 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 is set out in note 6(a). 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.

1. Summary of significant accounting policies (cont...)

(j) Receivables, debtors and accrued revenue

Controlled

Receivables controlled by the SRO represent amounts 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 approximate their net market value. Details of controlled receivables are disclosed in note 6(b). No interest is charged on these receivables.

Administered

Receivables administered by the SRO on behalf of the Victorian Government include debtors and accrued revenue and these represent amounts to be received from taxpayers. The collectability of debts is assessed at balance date and specific provision is made for any doubtful debts. Note 17(b) 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

Controlled

Creditors and accruals controlled by the SRO represent amounts 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 8. No interest is paid in respect of payables.

Administered

Creditors and accruals administered by the SRO 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 are disclosed in note 17(b). Interest rates payable on refunds to taxpayers are prescribed within section 7 of the *Taxation (Interest on Overpayments) Act 1986*.

(l) Roundings

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 where appropriate so that the figures stated are comparable with the current financial year.

2. Employee entitlements

	1998-99 \$'000	1997-98 \$'000
(a) Employee Costs		
Wages and salaries (including annual leave, sick leave and long service leave)	22,961	24,845
Departure packages	177	71
Superannuation expenses	2,056	1,836
Total employee entitlement expenses	25,194	26,752
(b) Employee entitlements		
Aggregate employee entitlement liability	5,864	5,816

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

	1998-99 \$'000	1997-98 \$'000
CURRENT EMPLOYEE ENTITLEMENT LIABILITIES		
Provision for employee entitlements		
- Annual leave	1,420	1,607
- Long service leave	444	169
Total current employee entitlement liabilities	1,864	1,776
NON-CURRENT EMPLOYEE ENTITLEMENT LIABILITIES		
Provision for employee entitlements		
- Long service leave	4,000	4,040
Total non-current employee entitlement liabilities	4,000	4,040
TOTAL EMPLOYEE ENTITLEMENT LIABILITIES	5,864	5,816

The aggregate employee entitlement liability includes an amount for long service leave which, as explained in Note 1(g)(ii), 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:

	1998-99	1997-98
Weighted average rates of increase in annual employee entitlements to settlement of the liability	4.4%	4.9%
Weighted average discount rates	5.9%	5.4%
Weighted average terms to settlement of the liabilities	17 years	14 years

3. Depreciation and amortisation expense

	1998-99 \$'000	1997-98 \$'000
Depreciation and amortisation was charged in respect of:		
Municipal valuations	3,703	3,170
Leased assets - amortisation	0	91
Office equipment	89	92
Computer equipment and software	1,724	2,001
Motor vehicles	0	2
Leasehold improvements	43	34
	5,559	5,390

4. User charges

	1998-99 \$'000	1997-98 \$'000
User charges		
Customer education services	52	76
Section 97 certificates	1,964	1,984
Compliance assistance program fees	0	19
Revenue ruling services	31	48
	2,047	2,127

5. Resources provided free of charge

	1998-99 \$'000	1997-98 \$'000
Resources provided free of charge	73	43

This represents the cost of redeployees provided to other departments and agencies free of charge.

6. Current assets

	1998-99 \$'000	1997-98 \$'000
(a) Cash		
Public account wages and salaries in suspense	-	611
Cash floats	4	-
	4	611
(b) Receivables		
G.E. Capital IT Solutions Pty Ltd (formerly Ferntree Corporation) Liability -		
Consideration for computer equipment	-	150
Sundry debtors	23	-
Prepayments	585	362
	608	512
(c) Inventory		
Stores	112	69
	112	69

7. Non-current assets

	1998-99 \$'000	1997-98 \$'000
(a) Inter-entity		
Inter-entity Department of Treasury and Finance	3,204	-
	3,204	-
(b) Computers and Equipment		
Computers and computer equipment	13,606	13,590
Less accumulated depreciation	(12,458)	(10,734)
	1,148	2,856
Leased equipment	8,486	8,486
Less accumulated amortisation	(8,486)	(8,486)
	-	-
Construction in progress	8,610	514
Total computers, software and equipment	30,702	22,590
Less accumulated depreciation/amortisation	(20,944)	(19,220)
	9,758	3,370
(c) Municipal valuations		
Municipal valuations	13,243	11,762
Less accumulated amortisation	(10,144)	(6,441)
	3,099	5,321
(d) Other fixed assets		
Office equipment	850	776
Less accumulated depreciation	(507)	(418)
	343	358
Leasehold improvements / fitouts	473	426
Less accumulated depreciation	(152)	(108)
	321	318
Total other fixed assets	1,323	1,202
Less accumulated depreciation/amortisation	(659)	(526)
	664	676
Total fixed assets	45,268	35,554
Less total accumulated depreciation/amortisation	(31,747)	(26,187)
	13,521	9,367

8. Current liabilities

	1998-99 \$'000	1997-98 \$'000
(a) Bank overdrafts	1,489	-
(b) Creditors and accruals		
Employee costs (Note 2(b))	278	611
Other creditors and accruals	1,755	300
	2,033	911

9. Changes in equity

Accumulated surplus	1998-99 \$'000	1997-98 \$'000
Balance at the beginning of the financial year	3,832	7,594
Increase (decrease) in net assets resulting from operations	4,231	(3,762)
Balance at the end of the financial year	8,063	3,832

10. Contingent liabilities

	1998-99 \$'000	1997-98 \$'000
Contingent liabilities	112,205	94,100

Contingent liabilities can arise from legal disputes and other claims made against the Government. These 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 below represent the maximum potential liability.

The SRO has determined that at balance date it may have the following liabilities:

- Due to a Supreme Court decision, a specific group of taxpayers may be entitled to pay-roll tax refunds of an estimated \$93.1m. This decision has been appealed but is not finalised.
- A taxpayer has a claim for damages (estimated at \$1m) relating to the issue of a garnishee notice by the SRO on a banker.
- Eight taxpayers have claims for refunds against the SRO (estimated at \$18.033m). All are subject to ongoing court proceedings.
- Workcover claim denied (estimated at \$70,000k). Matter is ongoing.
- Leasing contract dispute (estimated at \$2,000k). Matter is ongoing.

11. Commitments for expenditure

	1998-99 \$'000	1997-98 \$'000
Operating leases		
Commitments (including accommodation leases) under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than one year	4,145	3,859
Later than one year and not later than two years	3,475	3,019
Later than two years and not later than five years	8,527	8,022
Later than five years	1,366	3,974
	17,513	18,874

12. Reconciliation of net cost of services to net cash outflow from operating activities

	1998-99 \$'000	1997-98 \$'000
Increase (decrease) in net assets resulting from operations	4,231	(3,762)
Government revenues	(61,470)	(48,949)
Net cost of services	(57,239)	(52,711)
Items not involving cash		
Depreciation and amortisation expense	5,559	5,390
Prior year adjustment	-	-
	5,559	5,390
Investing activity		
Surplus/deficit on asset disposals	-	424
Change in operating assets and liabilities		
Decrease (increase) in prepayments	(223)	167
Decrease (increase) in stores	(42)	(13)
Decrease (increase) in work in progress	-	(11)
Increase (decrease) in creditors and accruals	1,122	(79)
Increase (decrease) in provision for employee entitlements	48	497
	905	561
Net cash outflow from operating activities	(50,775)	(46,336)

13. Trust funds

(a) Detailed below are trust funds controlled by the SRO in 1998/99

	1998-99 \$'000	1997-98 \$'000
Controlled trust accounts		
Fringe benefits tax trust	-	4
Performance Incentive trust	227	227
PAYE trust	-	253
Treasury trust		
1997/98	73	82
1996/97	87	87
1995/96	191	191
1994/95	62	62
1993/94	20	20
1992/93	-	30
1991/92	-	26
	660	982

(b) The SRO administers, but does not control, the following trust accounts.

	1998-99 \$'000	1997-98 \$'000
Administered trust accounts		
Sheep and goat compensation trust	-	-
Cattle compensation trust	-	-
VPS metrail ticket club trust	(16)	4
	(16)	4

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

	1998-99 \$'000	1997-98 \$'000
Cash balance at the beginning of the reporting period	4	14
Add: receipts	3,514	15,174
Less: expenditure	(3,534)	(15,184)
Cash balance at the end of the reporting period	(16)	4

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

14. Non-discretionary expenditure

These payments were disclosed as administered expenditure in the 1997/98 financial year. For the 1998/99 financial year, they have been disclosed as controlled due to disclosure policy changes.

	1998-99 \$'000	1997-98 \$'000
(a) Ex-gratia payments		
Land tax	24	15
Stamp duty	1,229	542
Pay-roll tax	78	12
Liquor licence fees	-	51,542
Total ex-gratia payments	1,331	52,111

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.

Liquor licence fee reimbursement payments were a one-off ex-gratia payment of franchise fees paid for the period 6 August 1997 to 31 December 1997.

	1998-99 \$'000	1997-98 \$'000
(b) Other payments		
Stamp duty refunds for disadvantaged persons	852	591
Refund stamp duty for first home buyers	2,119	1,909
Total other payments	2,971	2,500
Total non-discretionary controlled expenditure	4,302	54,611

15. Related party disclosures

(a) Responsible persons

In accordance with the directions of the Minister for Finance under the *Financial Management Act 1994*, the responsible persons who held office during the financial year are:

The Hon A R Stockdale MLA	Treasurer
Dr David Pollard	Commissioner of State Revenue

(b) Disclosures relating to other related parties

The SRO is related (through the Victorian State Government's ownership) to numerous Government owned entities, from which 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 17(a).

The SRO is also related as a service agency to the Department of Treasury and Finance. The SRO paid expenses relating to accommodation, other costs and a capital charge on assets, 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.

(b) Disclosures relating to other related parties (cont)...

	1998-99 \$'000	1998-99 \$'000	1997-98 \$'000	1997-98 \$'000
	Intra	Inter	Intra	Inter
Administered revenues				
Land tax	-	32,737	-	25,805
Pay-roll tax	17,496	277,085	3,522	295,571
Total administered revenues	17,496	309,822	3,522	321,376
Administered expenses				
Water and sewage rebate	-	4,500	-	-
Controlled expenses	1,204		4,211	-

16. Financial instruments

(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 is prescribed within section 7 of the *Taxation (Interest on Overpayments) Act 1986*. SRO exposure to interest rate risk for classes of financial assets and financial liabilities is set out below:

30 June 1999	Note	Floating interest Rate \$'000	Fixed interest rate maturity			Non- interest bearing \$'000	Total \$000
			1 year or less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000		
Controlled financial assets							
Cash	6(a)				4	4	
Receivables	6(b)				608	608	
					612	612	
Controlled financial liabilities							
Bank overdrafts	8(a)				1,489	1,489	
Creditors and accruals	8(b)				1,755	1,755	
					3,244	3,244	
Administered financial assets							
Debtors	17(b)	58,457				58,457	
Accrued revenue	17(b)				17,813	17,813	
		58,457			17,813	76,270	
Administered financial liabilities							
Other current liabilities	17(b)				3,652	3,652	
					3,652	3,652	
30 June 1998							
Controlled financial assets	6(a)				1,123	1,123	
Controlled financial liabilities	8(b)				300	300	
Administered financial assets	17(b)	63,503			77,721	141,224	
Administered financial liabilities	17(b)	1,219			28	1,247	

(b) Credit risk exposures

The credit risk on controlled financial assets, excluding investments, of the SRO which have been recognised on the Statement of Financial Position, is the carrying amount net of any provision for doubtful debts.

The credit risk on administered financial assets, excluding investments, of the Victorian Government which have been disclosed in note 17(b), 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

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

17. Agency administered transactions

(a) Revenues and expenses

Administered revenue and expenses*		
	1998-99	1997-98
	\$'000	\$'000
Administered revenues		
Special appropriations	102,140	83,000
Recurrent appropriations	8,113	54,611
Taxation revenue earned		
Taxes	3,102,666	3,041,069
Duties	2,489,040	2,157,995
Fees	4,612	76,951
Levies	1,036	17,758
Miscellaneous receipts	131	524
Total	5,707,738	5,431,908
Administered expenses		
Water and sewage rebate	4,500	0
Interest on overpayment of taxes	1,020	1,530
Crown Proceedings Act	97	611
Stamp duty refunds for disadvantaged persons	-	591
Ex-gratia payments (note 14)	-	52,111
Refund stamp duty for first home buyers	-	1,909
Subsidy payments - petroleum and liquor	101,023	80,859
Debt written-off	3,763	2,905
Doubtful debts	(4,725)	1,423
Total	105,678	141,939
Administered revenues less administered expenses	5,602,060	5,289,969

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

(b) Assets and liabilities

Administered assets and liabilities**		
	1998-99	1997-98
	\$'000	\$'000
Administered assets		
Inter-entity Department of Treasury & Finance	2,336	-
SRO suspense account (Refund account)	0	3,901
Trust funds (note 13(b))	16	4
Debtors (note 18 (b))	64,083	73,854
Less provision for doubtful debts (note 18 (b))	(5,626)	(10,351)
Accrued revenue (note 18 (b))	17,813	77,721
Adhesive stamps	4,997	7,168
Total	83,619	152,297
Administered liabilities		
Cash (refund account)	-	3,901
Dishonoured cheque account	-	28
Other current liabilities	3,652	-
Trust funds (note 13 (b))	16	4
Outstanding refunds	-	1,219
Total	3,668	5,152

** Administered assets and liabilities are not recognised in the Statement of Financial Position but are reported here for information purposes.

18. Administered revenue and debtors

(a) Administered revenue

As a consequence of the High Court ruling on 5 August 1997 that the NSW 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 State's 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 per cent 'windfall tax' to discourage taxpayers from taking legal action to recover franchise fees paid in the past. The Commonwealth now directs these payments directly to the Department of Treasury and Finance. The SRO 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 SRO administers this subsidy scheme and payments made under this arrangement are disclosed in note 17(a).

The SRO 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 SRO is displayed in the following table:

	1998-99 \$'000	1997-98 \$'000
Administered revenues		
Tobacco revenue	(327)	51,966
Petroleum revenue	(889)	18,928
Liquor revenue	5,829	6,057
Subtotal	4,613	76,951
Victorian Health Promotion Levy	-	1,945
Better Roads Victoria Fund Levy	-	15,417
Subtotal	-	17,362
Total	4,613	94,313

(b) Administered debtors

Details of administered debtors as disclosed in note 17(b) are displayed in the following table:

	1998-99 Debtors \$'000	1998-99 Accrued revenue \$'000	1998-99 Provision for doubtful debts \$'000	1997-98 Debtors \$'000	1997-98 Accrued revenue \$'000	1997-98 Provision for doubtful debts \$'000
Administered debtors and accrued revenue						
Land tax	41,619	13,461	-	39,256	69,983	-
Pay-roll tax	16,381	1,126	4,308	18,579	2,245	7,599
Other taxes, duties and fees	6,083	3,226	1,318	16,019	5,493	2,752
Total	64,083	17,813	5,626	73,854	77,721	10,351

Debtors and accrued revenue were significantly higher in the 1997/98 financial year due to the delay in issuing land tax assessments in that year. This delay was caused by 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. Remuneration of responsible persons

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

	Total remuneration		Base Remuneration	
	1998-99 No.	1997-98 No.	1998-99 No.	1997-98 No.
\$120,000 - \$129,000		1		1
\$170,000 - \$179,000	-	-	1	-
\$180,000 - \$189,000	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.

Other Transactions

There were no other responsible person related transactions during the year that require disclosure under the Directions of the Minister for Finance.

20. Remuneration of executive officers

- (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	
	1998-99 No.	1997-98 No.	1998-99 No.	1997-98 No.
\$ 70,000 - \$ 79,999	-	-	-	1
\$110,000 - \$119,999	1	1	3	4
\$120,000 - \$129,999	2	1	-	-
\$150,000 - \$159,999	1	1	1	-
\$170,000 - \$179,999	-	2	-	-
Total Amount	4	5	4	5

	\$'000	\$'000	\$'000	\$'000
(ii) Total amount	491	757	479	532

Declaration in relation to the 1998/99 financial statements

We certify that the financial statements of the SRO 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 1999 and the financial position of the SRO 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 3rd day of September, 1999.



Dr David Pollard

Commissioner of State Revenue



Steven Georgiou

Acting Chief Financial Officer

Appendices

Appendix

One

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, and the *Business Franchise (Petroleum Products) Act 1979* should be read and construed as one and may be cited together as the Business Franchise Act. This Act contains the administrative and inspection provisions that apply 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 Act 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 imposed a scheme of licences for persons engaged in the sale and

distribution of liquor products. This Act was repealed on 17 February 1999 and was replaced by the *Liquor Control Reform Act 1998*.

Liquor Control Reform Act 1998*

This Act imposes reforms to the laws relating to the supply and consumption of liquor.

Livestock Disease Control Act 1994*

This Act and the Third Schedule to 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 that 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 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:

- *State Taxation (Further Amendment) Act 1998*;
- *State Taxation Acts (Amendment) Act 1999*;
- *Commonwealth Places (Mirror Taxes Administration) Act 1999*; and
- *Stamps (Amendment) Act 1999*.

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

Land Tax (Equalisation Factors) Regulations 1998

Pay-roll Tax Regulations 1998

Stamps Regulations 1992

Taxation Administration Regulations 1997

Amending Regulations

Pay-roll Tax (Employment Agency Contracts) Regulations 1999

Financial Institutions Duty (Further Amendment) Regulations 1998

Financial Institutions Duty (Further Amendment No. 2) Regulations 1998

Financial Institutions Duty (Amendment) Regulations 1999

Debits Tax (Amendment) Regulations 1998

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

Appendix

Two

Corporate reporting index to disclosure requirements 1998/99

The Annual Report of the State Revenue Office is prepared in accordance with the *Financial Management Act 1994* (the Act) 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

- Pay-roll Tax Annual Adjustment seminars: \$60 for one participant, \$50 each for two or more participants
- 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
- Pay-roll Tax Manual-Video package: \$39.95
- Property application under section 97 of the *Land Tax Act 1958*: \$12.50

Cause	Disclosure	Page(s)
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	21-24
Management and Structure		
9.1.3(i)(d)(i)	Audit Committee and Chief Executive	2-3, 31, 34-35
9.1.3(i)(d)(ii)	Names of senior office holders and brief description of each office	34-35
9.1.3(i)(d)(iii)	Chart setting out organisational structure	33
Financial and other information		
9.1.3(i)(e)	Workforce data and application of merit and equity principles	36-38, 55
9.1.3(i)(f)	Application and operation of <i>Freedom of Information Act 1982</i>	56
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	55
9.1.3(ii)(g)	Number and total of consultancy engagements each costing < \$100,000	55
Financial statements		
9.2.2(i)(a)	Statement of Financial Operations	40
9.2.2(i)(b)	Statement of Financial Position	40
9.2.2(i)(c)	Statement of Cash Flows	41
9.2.3(ii)(a)	Operating revenue by class	40-50
9.2.3(ii)(c)	Revenue from the sale of non-current assets	40, 44
9.2.3(ii)(e)	Depreciation, amortisation or diminution in value	43
9.2.3(ii)(f)	Bad and doubtful debts in each class of debt	54
9.2.3(ii)(g)	Financing costs	40
9.2.3(iii)(a)(i)	Cash at bank or in hand	40
9.2.3(iii)(a)(ii)	Inventories by class	43-46
9.2.3(iii)(a)(iii)	Receivables, including trade debtors, loans and other debtors	40, 44
9.2.3(iii)(a)(iv)	Other assets, including prepayments	40, 44
9.2.3(iii)(a)(vi)	Property, plant and equipment (computers, software and equipment)	44
9.2.3(iii)(a)(vii)	Intangible assets (other fixed assets)	44
9.2.3(iii)(b)(i)	Overdrafts	40,45
9.2.3(iii)(b)(iii)	Trade and other creditors	45
9.2.3(iii)(b)(iv)	Finance lease liabilities	45
9.2.3(iii)(b)(v)	Provisions, including employee entitlements	43
Notes to the financial statements		
9.2.2(i)(d)	Ex-gratia payments	46
9.2.2(i)(d)	Amounts written off	54
9.2.3(iv)(b)	Contingent liabilities	45
9.2.3(iv)(c)	Commitment for expenditure	45
9.4	Transactions with responsible persons and their related parties	46-47
9.4.2(i)	Name of each responsible person	46
9.4.2(iv)	Number of executive officers and remuneration	50

Appendix Three

Analysis of debit

Tax base	\$ Total Debt 30/06/99	\$ <30 days	\$ 30 - 90 days	\$ >90 days	\$ Provision for doubtful debt	\$ Total debt 30/06/98
Stamp duty debt						
Documents	2,875,066	2,119,558	138,492	617,016	480,205	11,622,706
Insurance	0	0	0	0	0	16,294
Rental business	100,785	2,589	8,959	89,237	79,880	188,220
Registered used car duty	1,021,437	109,393	448,188	463,856	239,680	663,275
Motor car duty	114,001	20,915	24,048	69,038	23,800	66,366
Betting tax	106,336	7,559	383	98,394	97,840	102,272
Total stamp duty	4,217,625	2,260,014	620,070	1,337,541	921,405	12,659,133
Business franchise debt						
Tobacco	244,043	0	0	244,043	114,043	571,760
Petroleum	0	0	0	0	0	801,699
Liquor	1,525,676	0	0	1,525,676	0	1,525,483
Total business franchise	1,769,719	0	0	1,769,719	114,043	2,898,942
Other tax bases						
Pay-roll tax	19,443,992	1,754,786	1,016,346	16,672,860	4,307,621	18,579,424
Land tax	28,714,183	10,675,743	10,280,859	7,757,581	0	39,256,300
Financial institutions duty	261,516	258,291	505	2,720	2400	6,620
Share duty	705	0	0	705	705	2,361
Probate duty	407,027	0	0	407,027	279,503	451,317
Total other tax bases	48,827,423	12,688,820	11,297,710	24,840,893	4,590,229	58,296,022
All taxes	54,814,767	14,948,834	11,917,780	27,948,153	5,625,677	73,854,097

Notes

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

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

2. Outstanding debts of primary and additional tax collected during 1998/1999 totalled \$209,651,899.

3. The amount of debt that was under arrangement at 30 June 1999 was \$1,351,292.

4. The amount of disputed debt at 30 June 1999 was \$10,381,053.

5. The amount of deferred debt at 30 June 1998 was \$713,666.

6. Outstanding additional tax charges were \$6,870,676 at 30 June 1999.

7. The early issue of the 1999 land tax assessments helped to reduce the overall land tax debt figure in comparison to the debt of the preceding year. The continued use of an external debt collection agency to collect land tax debts of less than \$1000 has enhanced the recovery process and collected outstanding amounts in a cost effective manner.

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

Summary of written off debt	\$
Rental business	19,087
Registered used car duty	256,871
Motor car duty	832
Betting tax	0
Document assessing	35
Pay-roll tax	3,087,428
Land tax	71,294
Tobacco	327,727
Petroleum	0
Probate duty	0
Total debt written off	3,763,274

Appendices

Four and Five

Appendix 4

Consultancies

Consultancies in excess of \$100,000

The SRO engaged two consultants costing more than \$100,000 during the 1998/1999 year:

- Simson Bowles & Associates \$205,670

Information architects, specified programming standards and determined organisational flows as part of the ITSP.

- SMS Consulting Group Pty Ltd \$284,339

Technical architects who provided the following services:

- designed technical framework as part of ITSP;
- analysed and planned structure of ITSP; and
- specialist advice on contingency planning.

Consultancies less than \$100,000

The SRO engaged 37 consultants each costing less than \$100,000 during the 1998/1999 year. The total cost of engaging these consultants was \$591,400.

Appendix 5

Profile of staff by classification

Staff numbers as at 30 June 1999			
Classification	Male	Female	Total
EO-2	1		1
EO-3	6	2	8
VPS-5	25	4	29
VPS-4	65	30	95
VPS-3	118	88	206
VPS-2	56	66	122
VPS-1	31	31	62
Total	302	221	523

Notes

1. 315 ongoing employees.
2. 208 maximum period employees.
3. Figures do not include 19 employees on extended leave or secondment.

Appendix

Six

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 three categories.

1. Access to documents of the SRO or the Minister as the case may be

These requests must contain sufficient information to allow the identification of documents concerned.

2. Amendment of personal records

These requests must sufficiently identify the area of, and manner in which, personal records should be amended.

3. 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

An application fee of \$20 must accompany a request. 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. The 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.

More information about the application of the Act may be obtained from:

- the Act itself; and
- various Regulations made under the Act.

These publications are available for purchase from Information Victoria:

356 Collins Street
Melbourne Vic 3000
Telephone 1300 366 356

Freedom of Information Officer

The officer responsible for acting on requests for access to documents at the SRO is Linda Nemeth, telephone 03 9628 0515.

Requests received

New requests for access to documents	60
Requests from previous year finalised in 1998/1999	1
Total	61

Outcome of requests

Granted in full	7
Granted in part	17
Denied	20
Transferred in full	0
Transferred in part	0
Withdrawn	0
Pending at 30 June 1999	0
No document in existence	17
Total	61
Fees and charges collected	\$1,200

Review process

Internal review sought	44
Original decision confirmed	8
Original decision varied	22
Denied	14
Withdrawn	0
Not completed at 30 June 1999	0

Victorian Civil and Administrative Tribunal

Reviews sought	22*
Decided at preliminary conference	0
Withdrawn before hearing	0
Settled between parties	0
Awaiting hearing at 30 June 1999	1

* Twenty-one of these referrals were sought by one taxpayer. VCAT gave one decision in respect of these applications.

Customer Service Directory

Telephone and enquiry numbers

General enquiries/Switchboard 13 2161

Advice on

Victorian taxes

	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	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

Technical advice

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

Other services

	Telephone
Anonymous information and voluntary disclosures	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

Corporate administration

Human Resources, Finance, Information Technology and Interpreter Services 13 2161

Postal address

State Revenue Office
GPO Box 1641N
Melbourne Victoria Australia 3001 or
DX 260090 Melbourne

Enquiries in person

State Revenue Office
505 Little Collins Street
Melbourne Victoria

Facsimile

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Internet

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