



STATE

REVENUE

OFFICE

VICTORIA

Annual
Report
2000

505 Little Collins Street Melbourne Victoria

www.sro.vic.gov.au

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

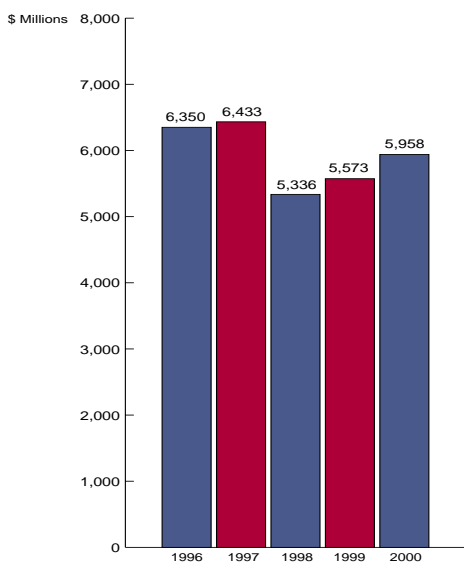
Commissioner of State Revenue

Revenue highlights

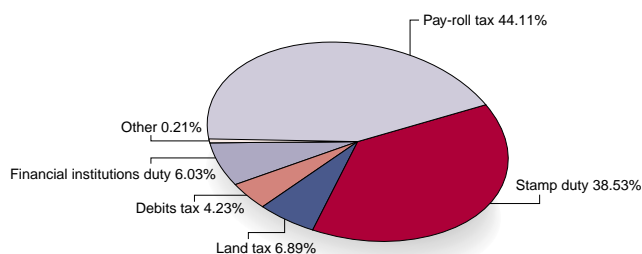
The primary activities of the SRO centre on the collection of revenue for the use of the Victorian Government for the benefit of all Victorians.

During the 1999/2000 financial year, we collected total revenue of \$5,958m, which was 13.0 per cent above our forecast target.

Total net revenue



1999/2000 Revenue break up



Performance against forecasts

	Forecast \$'000 m	Collections \$'000 m	Variation %
Pay-roll tax	2,518,200	2,628,188	+4.37
Stamp duty*	1,758,400	2,295,416	+30.54
Financial institutions duty	347,900	359,292	+3.27
Debits tax	260,400	252,044	-3.21
Land tax	387,600	410,709	+5.96
Other*	-	12,290	-
TOTAL	5,272,500	5,957,939	+13.00

* Stronger than expected performance of the property market is the main reason for the large variation between stamp duty collections for the year and the original forecasts.

* Includes:

Petroleum licences	\$2.205m
Tobacco licences	\$0.328m
Liquor licence fees	\$5.944m
Cattle compensation fund	\$2.531m
Sheep and Goat compensation	\$1.282m
	\$12.29m

Refunds paid

	2000	1999
Pay-roll tax	24,815,598	27,816,000
Stamp duty	10,704,114	21,311,000
Financial institutions duty	2,147,500	421,720
Debits tax	110,692	NIL
Land tax	8,129,538	11,194,000
TOTAL	45,907,442	60,742,720

Cover: Lucy Tran from the Document
Assessing Branch assisting a customer.

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Mission

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

The State Revenue Office (SRO) was established in 1992. 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.

From the Commissioner of State Revenue

It is with pleasure that I present the annual report for the State Revenue Office for the 1999/2000 financial year.

The year has seen revenue collections rise from \$5,573m last financial year to \$5,958m this year.

The year has included a number of important highlights including progress on the project to replace the SRO's main computer systems. Our new systems are expected to be in place around June 2001 and will enable staff

to provide our customers with more efficient service. We have received a specific allocation of funds from the Government to complete this project and we are using those funds to ensure that the results of the project meet our own future needs and the e-business needs of our customers .

Y2K issues had no impact on the organisation largely because extensive planning in the period leading up to the new year, placed us in a solid position so that when the year changed we were

confident that our systems would accept the change and that our business would continue unaffected. Our contingency plans were also in place to provide further back-up in the unlikely event of system failure . I wish to offer my congratulations to those staff involved in this aspect of our operations.

Early in the financial year I was fortunate to be able to visit China and our counterparts at the Beijing Municipal Tax Bureau. Peter Hiland and I delivered a series of lectures on compliance strategies and comparative taxation reforms at the Training Centre in Zhejiang. We are currently hosting two expatriates from the Beijing Municipal Tax Bureau on 12-month secondments. Charlie Zhao and Eddy Wang have come to work in the SRO to gain a better understanding of our systems and practices with the expectation that the things that they have learnt from us can be relocated to their office in China.

Our involvement in the national tax reform process has been a major component of the year for us. Some of my staff played a major role in the development and implementation of the First Home Owner Grant system. This project saw the establishment of a national implementation team that was headed by Brent Vilcins. Brent and his project group worked long and hard during the year to ensure that appropriate data bases were built and that agreements were in place with financial institutions to enable applicants to apply for the grant at the same time as they apply for finance to buy their first home. The implementation team also ensured that training was provided to the financial institutions both in respect of the first

David Pollard
Commissioner of
State Revenue



‘Y2K issues had no impact on the organisation largely because extensive planning in the period leading up to the new year, placed us in a solid position so that when the year changed we were confident that our systems would accept the change and that our business would continue unaffected.’

home owner grant legislation and the operation of the national database. I would like to congratulate Brent and his team on a job well done.

The year has also seen an increased focus on training for staff. All members of staff were required to include a training and development plan as part of their performance review for the 1998/1999 financial year. These training and development plans then formed the basis of our training calendar. Targets for providing the training were set and are monitored by our Training and Development Steering Committee. The focus on the training and development of our staff is another commitment to providing our customers with quality service.

I am also on the panel for the Review of State Taxes. I accepted the invitation from the Treasurer to be a part of this review and am joined on the panel by some eminent people: Mr John Harvey (Senior Partner, Pricewaterhouse Coopers), Ms Nicole Feeley (CEO, VECCI), Prof. John Freebairn (Melbourne University) and Ms Kath Townsend (Director, Executive Solutions). This panel has been established as a result of the State Budget and the ‘Growing Victoria Together Summit’. Our charter is to examine and recommend ways in which business taxes can be reduced over the

coming years while still providing the Government with the funds required to continue providing services to all Victorians. The panel will finalise its report and make recommendations to the Government in December 2000.

Finally, I would like to thank all the staff of the SRO. This year has been a difficult one with our work spread across many areas from tax reform to new IT systems. All these projects and tasks have been undertaken with great professionalism while our normal business activities have continued.

I would also like to thank the members of the SRO executive for their efforts and diligence over the year. It is the commitment of the executive and all of our staff that ensures that the SRO is at the forefront of taxation administration and collection.

I know that we are all looking forward to the coming year and the challenges that it will bring.



David Pollard



Eddy Wang
from the Beijing
Municipal Tax
Bureau currently on
secondment to the
SRO.



Charlie Zhao
from the Beijing
Municipal Tax
Bureau currently on
secondment to the
SRO.

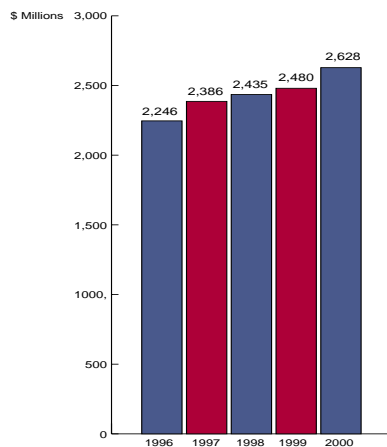


A performing
organisation

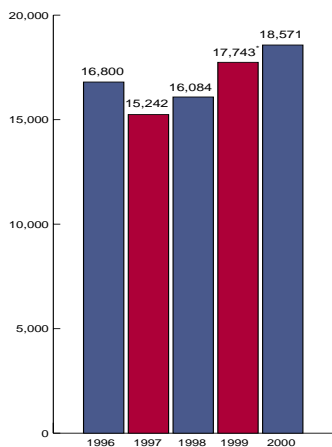
Pay-roll tax

The SRO collects pay-roll tax from employers with total Australian wages for the financial year 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 5.75 per cent. *The Pay-roll Tax Act 1971* (the PRT Act) governs this revenue line.

Net pay-roll tax revenue over past five years

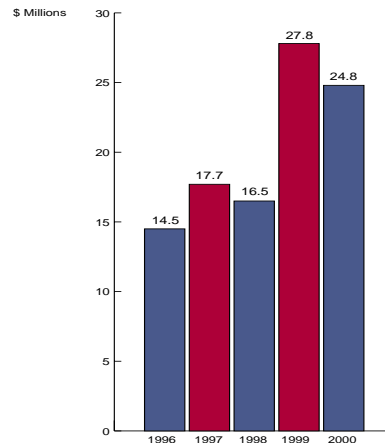


Total registered Victorian employers over past five years



* The figure of 17,743 registered employers for 1999 includes 573 authorised employment agencies.

Pay-roll tax refunds paid over the past five years



Key results

- Net revenue collected: \$2,628m. Forecast: \$2,518m.
- \$24.8m paid in refunds.

We processed 3,256 new and 1,436 cancelled Victorian registrations during the year. We also authorised a further 135 employment agencies to collect pay-roll tax from their clients. At 30 June 2000 we had 623 employment agencies that were authorised to collect pay-roll tax from their clients.

During the year, 1,354 pay-roll tax investigations were completed, resulting in the detection of \$18.47m in unpaid revenue.

The outcomes of the investigations were:

- Compliant taxpayers 63.7 per cent (67 per cent in 1999);
- Underdeclared tax (assessment issued) 35.4 per cent (32 per cent in 1999); and
- Overdeclared tax (refund paid) 0.8 per cent (1 per cent in 1999).

Objections and appeals

	1999/2000	1998/1999
Objections received	375	465
Allowed in full	46	64
Allowed in part	77	84
Disallowed in full	185	248
Withdrawn by taxpayer before decision	11	18
Closed/invalid	16	30
Objections pending at 30 June	104	64
Appeals received	21	24
Settled before hearing	13	20
Appeals upheld at hearing	1	2
Appeals rejected at hearing	0	6
Appeals pending at 30 June	23	16

Annual adjustment highlights

The Annual Adjustment on Disk program and the entire annual adjustment process had a major facelift for this financial year.

Previously, all registered employers received a 'paper' annual adjustment return and 75 page guide. This year 'paper' returns and guides were not produced. All employers received a disk only, accompanied by a payment slip and a statement showing their details as registered on our database.

The disk program encouraged employers to lodge the completed return through the internet or by e-mail. Lodgment in either of these ways would provide speedier processing by our staff and ultimately, speedier processing of assessments and refunds to our customers. This is because our systems were adapted to accept data transmitted in these ways automatically without the need for manual intervention. Payments could still be made by EFT or directly at

any bank or at our office.

To date, the lodgment pattern for annual adjustment returns is as follows:

- by e-mail 27.5%
- by internet 30.8%
- by mail/fax/direct 41.7%

Our aim next financial year will be to increase the proportion of returns lodged by e-mail or through the internet.

As usual, we held our pay-roll tax Annual Adjustment seminars to help our customers with the annual adjustment process. This series of seminars again proved to be extremely popular. We conducted 19 seminars throughout Melbourne, regional Victoria and in Sydney and Adelaide. More than 1600 bookings were taken for these seminars, which is almost double the number of bookings for the same series of seminars in 1999. These seminars will again be available towards the end of the 2000/2001 financial year. No booking fee will apply to the Annual Adjustment seminars next year.

Interjurisdictional review of contractor provisions

Our liaison with other jurisdictions on the direct hire contractor provisions has continued.

The contractor provisions require employers to treat certain contractors as their employees and are considered difficult to apply by employers and administrators alike. This difficulty arises through the need for employers to have a knowledge of the operation of the contractor's business to determine their

own (the employer's) pay-roll tax liability.

A working party has been established with representatives from most of the states and territories with the view to developing legislation that will be consistent across all jurisdictions. During the year many models have been discussed, with work continuing on developing provisions that will make determining liability for pay-roll tax much easier for employers. A further requirement of any amended provisions is that they must be more effective at preventing erosion of the pay-roll tax base.

Employment agency provisions

This year was the first full financial year with the employment agency provisions in full operation.

The level of tax collected from these provisions has been close to forecasts. The major issues arising have been:

- the removal of 35 agencies from the list of authorised agencies; and
- the difficulty being experienced by agencies when administering the exemption for workers providing services to clients on less than 8 days in a calendar month.

Of the 35 agencies removed from the list of authorised agents, only seven have been removed for breaches of the conditions of maintaining that authorisation.

Compliance checks were conducted into the operation of these provisions and have generally found that both agencies and clients are still not completely clear

of their obligations under these provisions. While major problems were found, it does appear that some agencies have been unable to provide their clients with the benefit of the less than 8 days exemption. We advised employers, in a bulletin late in the financial year, to be vigilant about ensuring that they claim their entitlement to the exemption.

Tax reform and major changes

Apprentices exemption

This exemption has attracted attention in recent times as a result of our detection of its exploitation. Two declarations restricting access to the exemption have been issued. The first of these declarations was issued in December 1998 and the second was issued later in the 1999 financial year and took effect from 1 July 1999.

The second declaration applies to training agreements commencing on or after 1 July 1999 and imposes restrictions on the period of time that an apprentice can have worked for his or her employer prior to commencing a training agreement with that employer. The declaration also imposes conditions to deny the exemption to employers who transfer employees between members of a pay-roll tax group in order to overcome the restrictions on the length of prior employment.

Pay-roll tax and GST

The *National Tax Reform (Consequential Provisions) Act 2000* (NTR Act) was enacted in April 2000 to amend various Acts as a consequence of national tax reform.

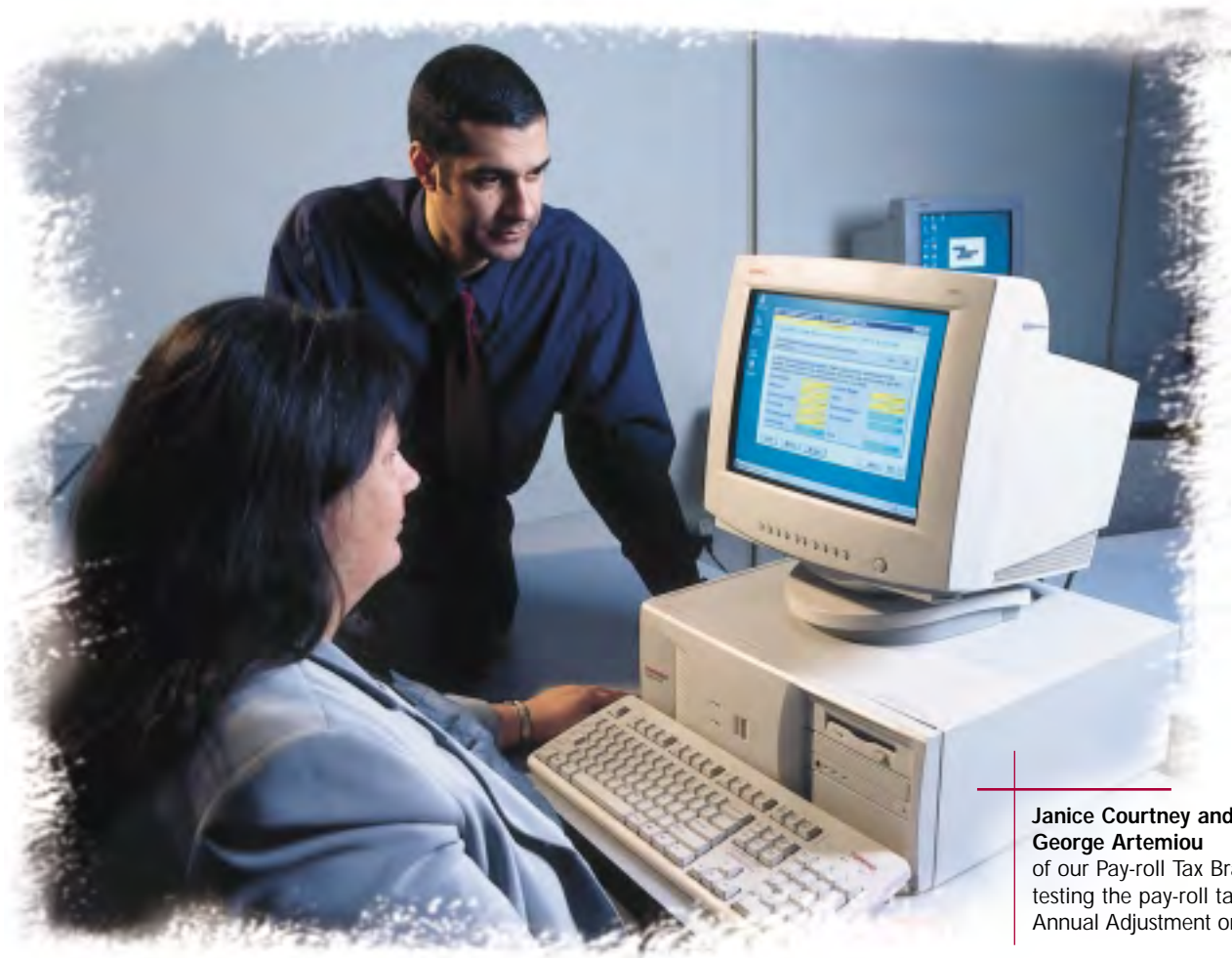
The NTR Act ensures that pay-roll tax will not be payable on GST calculated under 'relevant contracts' and 'employment agency contracts'.

Significant legal cases

Drake Personnel Limited v The Commissioner of State Revenue of Victoria [2000] VSCA 122; 44 ATR 413

Drake Personnel Limited (Drake) applied for a refund of pay-roll tax on the basis that payments made to its temporary workers ('the temporaries') were not subject to pay-roll tax.





**Janice Courtney and
George Artemiou**
of our Pay-roll Tax Branch
testing the pay-roll tax
Annual Adjustment on Disk

Drake operated an employment agency and engaged the temporary workers and on-hired them to clients. Drake claimed that under this arrangement the temporary workers were independent contractors rather than its employees, and therefore payments made to them were not wages.

On 23 June 1998, the Supreme Court of Victoria held that the temporary workers were not common law employees of Drake. The Court also held that these workers could be exempted under section 3C of the PRT Act on the basis that they ordinarily rendered services to the public generally. Drake appealed this decision and the Commissioner cross-appealed.

On 30 June 2000, three Judges of the Court of Appeal of Victoria unanimously found in favour of the Commissioner. The court held that the temporaries engaged by Drake, and on-hired to its clients, were the common law employees of Drake, and therefore payments made by Drake to its temporary workers were wages that attracted pay-roll tax.

Drake has subsequently lodged an application for leave to appeal this decision to the High Court of Australia.

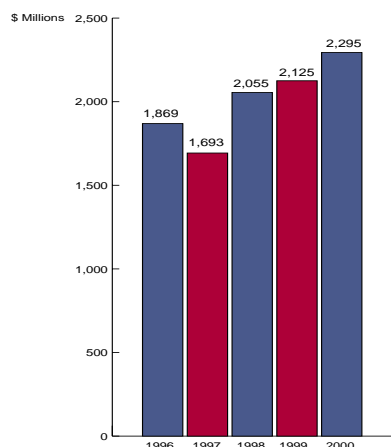
Looking forward

- We will continue to push for the introduction of simplified and common direct hire contractor provisions.
- This year will again see our Investigations Branch utilise a data matching process to assist them in identifying non-compliant employers. This process has been followed in previous years and has proved to be highly successful in directing our investigation resources to the areas of greatest non-compliance. Ten new investigators have been recruited to ensure the success of this project.
- We will be continuing our drive towards the introduction of our new core system that is due to come into operation around June 2001. This system will help streamline our processes and will reposition the SRO to be able to meet the demands for tax administration into the new century.

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



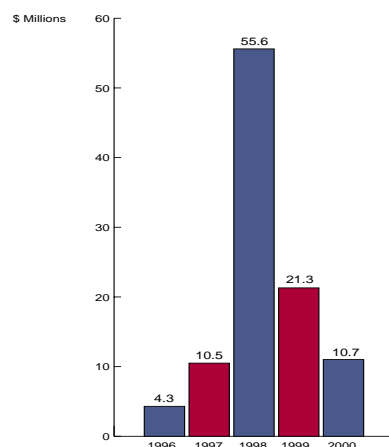
Components of stamp duty revenue

	\$ Millions
Land transfers	1,293.71
Mortgages	118.54
Marketable securities	256.47
Insurance duty	389.95
Rental business	44.27
Motor vehicles	146.29
Adhesive stamps	8.11
Bookmakers' turnover tax	4.89
Settlements and deeds	1.51
Leases	31.66
Total	2,295.40

Total stamp duty registrations at 30 June 2000

Marketable securities	54
Insurance duty	336
Rental duty	1791
Motor car duty	2243
Betting tax	194
Livestock duty	115
Water authorities (rebates)	18

Stamp duty refunds paid over the past five years



Key results

- Revenue collected: \$2,295m.
Forecast: \$1,758m
- \$10.7m paid in refunds.

We provided stamp duty exemptions with a total value of \$3,375,415 to eligible first home buyers. Exemptions provided to concession cardholders totalled \$5,008,322.

During the year, 102 investigations on stamp duty were completed, resulting in the detection of \$10.89m in unpaid revenue. The outcomes of the investigations were:

- compliant 71.6 per cent;
- underdeclared (assessment issued) 28.4 per cent; and
- overdeclared (refund paid) 0 per cent

Objections and appeals

	1999/ 2000	1998/ 1999
Objections received	314	224
Allowed in full	41	42
Allowed in part	29	40
Disallowed in full	151	111
Withdrawn by taxpayer before decision	17	6
Closed/invalid	22	17
Objections pending at 30 June	117	63
Appeals received	25	17
Settled before hearing	9	3
Appeal upheld at hearing	2	5
Appeal rejected at hearing	3	9
Appeals pending at 30 June	16	5

Major issues

On 2 March 2000, the *National Taxation Reform (Consequential Provisions) Act 2000* was introduced by the Victorian government to change several State tax arrangements to meet Victoria's obligations under the Intergovernmental Agreement on the Reform of Commonwealth – State Financial Relations.

The changes brought about by this Act in relation to various stamp duties, and the consequential amendments to the Stamps Act are shown below:

Rental business

Section 131AC of the Stamps Act was amended to exclude GST from the amount on which stamp duty is calculated.

This provision operates to exclude GST from the total amount received in respect of a rental agreement so that stamp duty is levied on the value of rental received, excluding the GST.

Motor vehicles - used car dealers

Section 137AK of the Stamps Act was amended to include the amount of GST in the dutiable value of a registered motor vehicle or heavy trailer in used car dealer sales.

This provision also transfers the liability for stamp duty from the registered used car dealer to the purchaser of the vehicle. This amendment was introduced to ensure that the imposition of stamp duty did not cause any further liability for GST.

The previous system of dealers transmitting payment to the SRO by periodic return will continue but will also include an option for the purchaser to pay the stamp duty and transfer fee directly to VicRoads.

Cattle

For the sale of cattle, Heading XVII of the Third Schedule to the Stamps Act was amended to levy stamp duty on the value of the sale price excluding the GST.

Listed marketable securities

Heading IV(A) of the Third Schedule of the Stamps Act was amended so that stamp duty on marketable securities listed with the Australian Stock Exchange will be abolished from 1 July 2001.

Bookmakers' statements

Bookmakers' turnover tax was abolished from 3 July 2000.

Significant legal cases

Court of Appeal

***Perpetual Trustees Company Ltd v Commissioner of State Revenue* [2000] VSC 177**

P.T. Ltd and three other parties owned Doncaster Shoppingtown as tenants in common.

On 1 April 1997, P.T. Ltd purchased the one half interest held by the three other tenants in common. The sale was structured so that a written offer was accepted by payment of the purchase price thereby creating a constructive trust, with the vendors holding the property on behalf of the purchaser. On the same day, a number of deeds were executed to bring about the retirement of the vendors as trustees, and the

appointment of Perpetual Trustees Pty Ltd (which is the holding company of P.T. Ltd) as the new trustee for P.T. Ltd. Finally, transfers were executed to transfer the property from the vendors to Perpetual Trustees Company Ltd.

The Commissioner assessed the transfers as dutiable but the taxpayer claimed the benefit of exemption 23 of Heading VI of the Third Schedule to the Stamps Act. This exemption applies where the Commissioner is satisfied that the transfer is made solely in consequence of the appointment or retirement of the trustee. The VCAT found in favour of the Commissioner.

On appeal by the taxpayer to the Victorian Court of Appeal, the Court upheld the VCAT's decision, and found that exemption 23 did not apply because the transfers were not executed solely in consequence of a change in trustee. The Court considered that all steps made on 1 April 1997 were relevant in determining whether the transfer was executed solely in consequence of a change of trustee.

***Rio Tinto Pty Ltd v Commissioner of State Revenue* (2000) 44 ATC 156; [2000] VSCA 45**

The Victorian Court of Appeal unanimously dismissed Rio Tinto's appeal from an earlier decision of a single judge of the Supreme Court which upheld an assessment of stamp duty in respect of a share transfer that gave effect to a sale and subsequent sub-sale of shares with the transfer being from the original seller to the ultimate buyer.

Duty had been paid in respect of the sub-sale but not in respect of the first sale. The assessment was issued under section 22(c) of the Stamps Act, which provision operates where a single instrument gives effect to two or more transactions, and brings to duty each of the transactions.

Historically, there have been other provisions in the Stamps Act over the years that have had the effect of catching sub-sales but section 22(c) was only introduced in 1986 and had not, prior to this matter, been judicially interpreted. The decision of the Court now confirms that, in circumstances such as those described above, the

instrument of transfer is to be assessed for duty as if there were in existence separate executed transfers for each transaction effected.

VCAT

***Raynor and Edith Cooper v Commissioner of State Revenue* (Unreported)**

On a transfer of land into a superannuation fund, the taxpayer sought to rely on exemption 18 of Heading VI of the Third Schedule to the Stamps Act. This provision operates to exempt a transfer of land from a transferor to a trustee or nominee where the land is held solely on behalf of the transferor without any change in beneficial ownership.

The VCAT upheld the Commissioner's view that exemption 18 did not apply because the terms of the unit trust meant that the property was not held solely on behalf of the transferor without a change in beneficial ownership.

***Hardy v Commissioner of State Revenue* (Unreported)**

The taxpayers were the parents of a child born with bodily injury and brain damage and, together with their solicitor, were trustees of an award of compensation made to their daughter arising from the settlement of an action for medical negligence. These funds were held under supervision of the Supreme Court.

The taxpayers sought to purchase a home for themselves and their daughter on the basis of a purchase to be made jointly from their funds and the funds of the trust. The taxpayers did not have sufficient money to contribute to the purchase until they sold their current home. The Court agreed that the cost of purchase of the property could initially be applied entirely from the trust funds. There was an agreement that following the sale of the taxpayer's home, the proceeds from the sale would be applied as a contribution to the cost of purchase of the property. The trustees would then enter into a transfer to the taxpayers of an interest or share in the property commensurate with the taxpayers' contribution.

The Commissioner assessed the taxpayers on the transfer. The taxpayers objected to the assessment, claiming that they were entitled to rely on exemption 17 of Heading VI of the Third Schedule to the Stamps Act, which exempts from duty a transfer from a trustee or nominee to the person beneficially entitled, where such person has contributed purchase money.

The VCAT set aside the assessment of the Commissioner in relation to the transfer of the property, and held that the payment subsequently made by the taxpayer was a contribution to the initial purchase, and therefore exemption 17 should apply in favour of the taxpayers.

Hendy v Commissioner of State Revenue (Unreported)

The VCAT, in reducing to nil an assessment made by the Commissioner, held that the word 'beneficiary', as appearing in the context of exemption 10 of Heading VI of the Third Schedule to the Stamps Act, could include a beneficiary only as to income of the trust.

A distribution of property by way of a transfer of the property to a person from a trustee of a discretionary trust, where that person was an income-only object of the trust at the time the property became an asset of the trust, was therefore exempt from duty.

KJRR v The Commissioner of State Revenue (Unreported)

The High Court refused the Commissioner's application for special leave to appeal against a decision of the Victorian Court of Appeal. The Court of Appeal had held that duty assessed by the Commissioner, on the basis that an occupation agreement was a lease rather than a licence, was not payable.

The main test of a lease is whether exclusive possession of property is granted. The agreement had expressly stated that rights to exclusive possession of the premises had not been conferred.

The Commissioner, however, maintained that the agreement operated as a lease in practical terms because the taxpayer needed to exercise exclusive possession to effectively operate its business.

The Court of Appeal had unanimously decided that the term in the agreement, ruling out exclusive possession, should not be ignored but given its natural and practical effect.

In refusing special leave the High Court held that there was no reason to doubt the correctness of the Court of Appeal's judgment.

Looking forward

Duties Bill

With the release of the national tax reform package during the year, we were able to re-focus our attention to the re-writing of the stamp duty legislation.

The primary focus of the re-written stamp duty legislation will be:

- to streamline the revenue collection process;
- to protect the revenue base;
- to improve business and government efficiency;
- to achieve greater consistency with the stamp duty legislation in the other States and Territories; and
- to reduce administration costs to taxpayers.

While the new stamp duties legislation, which will be known as the 'Duties Act 2000', aims broadly to maintain revenue neutrality, it will also contain some measures aimed at overcoming avoidance schemes that we have identified. Consistency with stamp duty legislation operating in other States is also a major priority of the Duties legislation.

Subject to government agreement, we are aiming to have the new legislation operational by 1 July 2001. Prior to the commencement of the new provisions we will undertake a comprehensive, statewide customer education program that will ensure that all affected parties have the opportunity to receive some assistance from experienced members of our staff.

The re-written legislation is being modelled on the template of the *New South Wales Duties Act 1997* which was initially developed as a consequence of the interjurisdictional 'Stamps Rewrite' project. We expect that the consultation process undertaken during the existence of the Rewrite project should ensure that the majority of our amendments are in line with the expectations of industry and key stamp duty advisers.

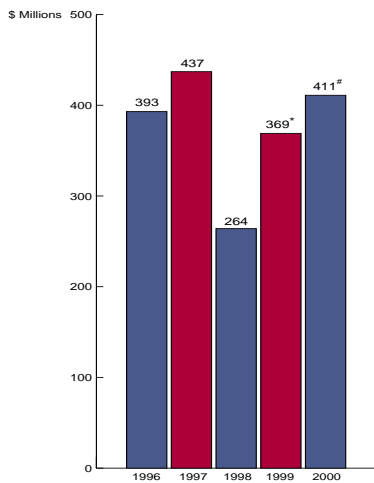
Paul Critelli
providing training
to some of our staff



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 is situated or which land is used for primary production purposes. The *Land Tax Act 1958* (the LTX Act) governs this revenue line.

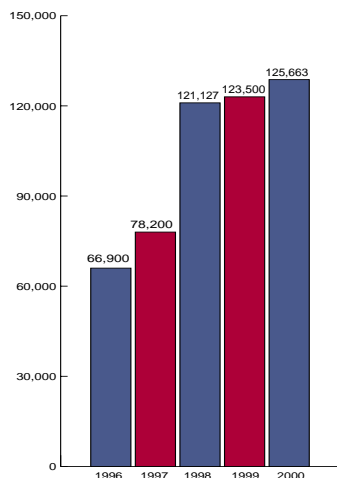
Net land tax revenue over past five years



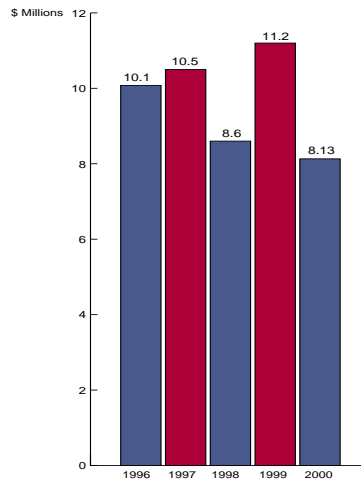
* In 1999 land tax revenues were, for the first time, reported on an accrual basis for the financial year. The actual cash collected for the year was \$424m, arising from 1998 assessments being issued towards the end of the 1998 financial year, but being paid during the 1999 year.

This figure represents the value of assessments issued up to 30 June 2000. Actual cash collections for the year up to 30 June 2000 were \$420.3m.

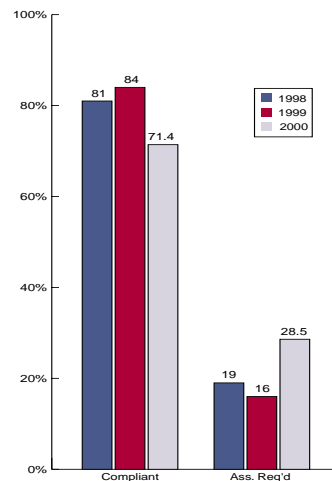
Number of land tax customers over past five years



Land tax refunds paid over the past five years



Results of investigations



Key results

- Revenue assessed: \$411m.
Forecast: \$421.6m.
- \$8.13m paid in refunds.
- We issued 125,663 assessments relating to the 2000 assessment year.

Objections and appeals

	1999/2000	1998/1999
Objections received	553	960
Allowed in full	220	417
Allowed in part	48	55
Disallowed in full	145	395
Withdrawn by taxpayer before decision	37	86
Closed/invalid	29	41
Objections pending at 30 June	230	156
Appeals received	13	25
Settled before hearing	1	18
Appeals upheld at hearing	1	2
Appeals rejected at hearing	15	2
Appeals pending at 30 June	5	9

Major issues for the year

Quality accreditation - ISO 9002

In line with the whole of SRO approach to providing our customers with high quality service, the Land Tax and Land Information Management Branches sought certification to ISO 9002 standard. After assessment by Lloyd's Register Quality Assurance, certification under ISO 9002 was awarded to these two branches.

Format A-2000 - valuation data

This year saw the successful implementation of the 'Format A-2000' data quality format for municipal councils in providing land valuations. Format A-2000 is a standard format in which municipalities agreed to provide us with valuations data. Adoption of this common format will ensure high quality data is being loaded to our systems. Format A-2000 will also assist in the data being available for our use much sooner than has previously been the case. Treasury also endorsed a formula

for estimating the fee to be paid to councils for the supply of valuation data. The majority of councils have accepted the new approach after detailed explanations of the new formula were provided.

Imaging technology - pilot project

A pilot project was conducted on the value of imaging technology as a means of improving the efficiency of our handling of customer correspondence. The technology was trialled in conjunction with a records management product (TRIM) that will be integral to our new replacement core operating system (E-sys). At 30 June 2000 the imaging project was about 80% complete and had demonstrated opportunities to achieve efficiencies. The imaging software became fully operational in the Land Tax Branch in late July 2000.

Assessments

After a review of all aspects of the 1999 assessment issue cycle, a number of improvements were made to our forms and brochures. Many suggestions from customers and staff were considered. These are some of the suggestions that were implemented for the year 2000 assessment run:

1. the introduction of an information brochure on the 'Principal Place of Residence' exemption;

2. refinements to the objection form; and
3. a new format for the Notice of Assessment form, which made the due dates for payment (either as a lump sum or in instalments) more obvious.

Significant legal cases

Famajohn Nominees Pty Ltd [1999] 43 ATR 29 Supreme Court – Justice Balmford – 18 October 1999

The matter is an appeal by the Commissioner, against a decision made by the VCAT, involving the assessment of land tax against Famajohn Nominees Pty Ltd. The assessment was raised as a result of the consolidation of two separately titled lands.

Prior to consolidation, land A was held on a bare trust (Famajohn Nominees Pty Ltd was trustee) for Mr Famajohn. Land B was held on trust (Famajohn Nominees Pty Ltd was trustee) for Mr Famajohn's Family Discretionary Trust (family trust). Both pieces of land were registered in the name of Famajohn Nominees Pty Ltd. The land was treated as 'different lands' for the purposes of s.52 of the LTX Act.

The consolidation enabled the construction of a house across the previously existing title boundary. Mr Famajohn and his family now occupy this house. The underlying trusts in respect of each of the former separate

pieces of land remain unchanged. By lease, Famajohn Nominees Pty Ltd as trustee for the bare trust leased the former 'land A' to Famajohn Nominees Pty Ltd as trustee for the family trust, for a term of five years with an automatic renewal for nine further terms of five years each.

The Commissioner assessed the consolidated land as 'one land' under s.52 of the LTX Act. Famajohn Nominees Pty Ltd argued in the VCAT that the former lands are still separate lands for the purposes of s.52 despite the consolidation because the underlying trusts remain unchanged.

The VCAT held that the separate interests in a defined portion of the consolidated lands as represented by the separate trusts of the former separate titled lands, are 'different lands' under s.52 of the Act and should be separately assessed.

The Commissioner raised two issues in the appeal:

1. whether Famajohn Nominees Pty Ltd was 'the owner of different lands in severalty in trust for different beneficial owners'; and
2. whether two or more persons owned the lands jointly or in common so as to be assessable and liable for tax in accordance with s.45 of the Act. (This issue would have arisen only if the first issue was determined adversely to the Commissioner.)

The first issue involved the question of whether the land in the consolidated title was 'different lands'. The second was whether, if the land was 'different lands' for the purposes of s.52(1), they were owned by Famajohn Nominees Pty Ltd 'in severalty in trust for different beneficial owners'.

Justice Balmford held that the land was 'different lands' but they were not held in trust for different beneficial owners. Hence the appeal was allowed in favour of the Commissioner.

Famajohn Nominees Pty Ltd has lodged an appeal, to the Court of Appeal, against this decision.

The Land Tax and Land Information Management Branches were both awarded certification under ISO9002 by Lloyd's Register Quality Assurance.

VCAT

Australian Ballet Centre Pty Ltd v Commissioner of State Revenue (Unreported)

On 9 June 2000, the VCAT confirmed an assessment of land tax made in respect of a building known as the Australian Ballet Centre. The owner of the building is a charitable institution that had sought exemption from land tax under section 9(1)(d) of the LTX Act. To be eligible for this exemption, the property owner must not only be a charitable institution, but must also use the land for charitable purposes.

The issue in this matter was whether the use of the property by tenants, that are not charitable institutions, would prevent the property owner from gaining the benefit of the 'charitable institution' exemption.

The VCAT found that where the tenant's use does not directly assist in achieving the charitable objectives of the owner, the exemption does not apply merely because the rental payable is applied to the owner's charitable objectives.

The matter was found in favour of the Commissioner.

Johndahl Nominees Pty Ltd 1999/095350

In March 1998 an incorrect Section 97 certificate was issued stating that no land tax was payable for 1998 on land Johndahl Nominees Pty Ltd held as trustee of a family trust. A house on the land was the principal place of residence of some of the beneficiaries of the family trust. On 15 July 1998 the taxpayer sought exemption from land tax on the basis of the principal place of residence exemption (which was disallowed only after the taxpayer sold the land). The principal place of residence exemption is not available in respect of land owned by a corporate trustee on behalf of a discretionary trust - in this matter Johndahl Nominees Pty Ltd owned the land as trustee of a discretionary family trust.

In August 1998 the taxpayer acted on the 'nil' Section 97 certificate and entered into a contract to sell the house.

The taxpayer also acted on that certificate to finalise the sale on 13 January 1999.

In March 1999 the SRO issued the taxpayer its 1999 assessment. Johndahl Nominees Pty Ltd objected to this assessment on the basis that it had acted on the 'nil' Section 97 certificate (which led it to believe that the SRO considered its land to be exempt for 1998, and, therefore, for 1999) to complete the sale. It was claimed that the erroneous certificate was instrumental in the taxpayer not apportioning and recovering the purchaser's major share of the 1999 tax payable. The taxpayer also claimed that, because the SRO had issued the certificate that represented that no 1999 tax was payable, the SRO was not entitled to issue the assessment.

The VCAT found in favour of the Commissioner and confirmed that the assessment issued by the Commissioner was payable by Johndahl Nominees Pty Ltd.

Looking forward

- We will continue to explore further payment options to complement our current Bpay and EFT facilities. Future options to be explored include accepting payments through the internet. The ability to accept payments by this method may become more feasible in 2001, or after, with implementation of our new core system.
- As part of our 'e-business' strategy we are working towards providing customers with the ability to conduct on-line property inquiry applications (section 97 certificates). This will substantially reduce the time taken for a certificate to be provided and will provide improved efficiencies for those involved in the transfer of property.
- Municipal councils now provide property valuations on a biennial basis. We are implementing strategies to ensure that this valuation data is loaded to our systems as quickly as possible.
- Like most areas within the SRO, the coming year provides land tax with the challenges associated with the

implementation of the SRO's new core system replacement. The new core system will see the replacement of our existing database. This drive towards the new core system has forced us to invest significant resources into the cleansing of our existing database before conversion of our current data to the new system.

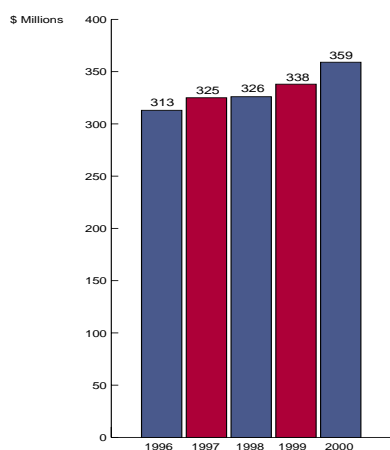
- Our Data Quality Branch has, through an audit of the Land Tax Database, established the current level of data quality and are implementing a number of initiatives to improve the quality of the data held on the database.

Financial transaction taxes

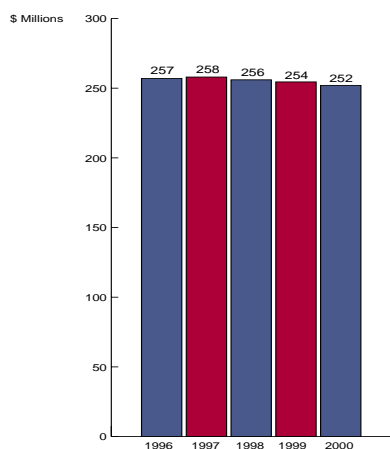
Financial institutions duty (FID) is charged on receipts of money by financial institutions and is payable by those institutions but is generally passed on to account holders. FID is payable under the provisions of the *Financial Institutions Duty Act 1982* (The FID Act).

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: \$611m.
Forecast: \$608m.
- \$2,258,000 paid in refunds.
- During the year, 57 investigations on financial transactions taxes were completed, resulting in the detection of \$2.36m in unpaid revenue. The outcomes of the investigations were:
 - compliant 61.4 per cent;
 - underdeclared (assessment issued) 38.6 per cent; and
 - overdeclared nil.

Net refunds paid

	Debits Tax	FID
2000	\$110,692	\$2,147,500

Objections and appeals

Financial institutions duty

	1999/ 2000	1998/ 1999
Objections received	10	4
Allowed in full	0	0
Allowed in part	1	0
Disallowed in full	2	1
Withdrawn by taxpayer before decision	2	0
Closed/invalid	1	2
Objections pending at 30 June	6	2
Appeals received	1	0
Settled before hearing	1	1
Appeals upheld at hearing	0	0
Appeals rejected at hearing	0	1
Appeals pending at 30 June	0	0

Debits tax

	1999/ 2000	1998/ 1999
Objections received	1	3
Allowed in full	0	0
Allowed in part	0	0
Disallowed in full	1	2
Withdrawn by taxpayer before decision	1	0
Closed/invalid	0	0
Objections pending at 30 June	0	1
Appeals received	0	0
Settled before hearing	0	0
Appeals upheld at hearing	0	0
Appeals rejected at hearing	0	0
Appeals pending at 30 June	0	0

Major changes

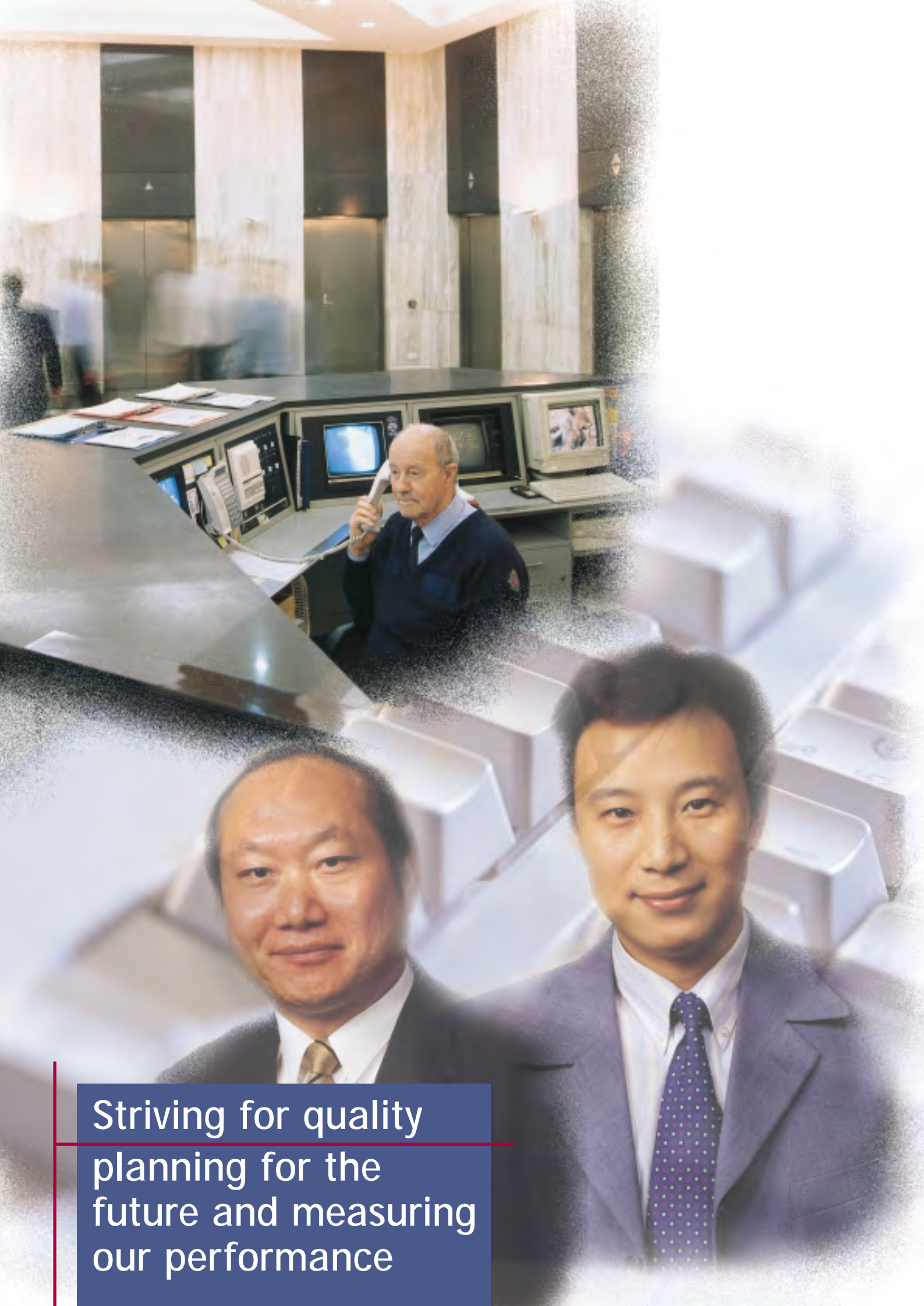
Financial institutions duty

Removal of exemption for tertiary educational companies controlled by tertiary educational institutions.

An amendment to the FID Act was introduced in the *State Taxation Acts (Amendment) Act 1999* that removes the exemption from FID for companies that are controlled by tertiary educational institutions. This amendment affects a company in which a tertiary institution has a controlling interest and that company provides, promotes or supports the tertiary educational services of that institution.

Looking forward

The major issues confronting these taxes, as part of the national tax reform program is the abolition, of financial institutions duty from 1 July 2001 and the proposed abolition of debits tax in 2005.



Striving for quality
planning for the
future and measuring
our performance

Quality and human resources

Staff trained in quality management and assurance

The SRO is committed to continuous improvement through the maintenance and enhancement of quality processes. To this end, in December 1999 several staff members completed an accredited training course in Internal Quality Auditing. This three-day course formed part of the Certificate IV in Quality Management and Assurance through the Northern Metropolitan Institute of TAFE.

It is the aim of the SRO to provide various accredited training courses to its staff members. As a result, staff would be able to receive formal and external recognition for their skills and knowledge.

SRO staff formalise skills

The SRO's ongoing commitment to staff development was again reinforced by the

introduction of an accredited training course in project management. The program was designed so as staff would be able to acquire formal recognition of their project management skills.

The Registered Project Manager Accreditation Program is conducted by the Australian Institute of Project Management, which is the foremost body for project management in Australia.

Learning the art of training

In order to promote the smooth integration of a new core system, (e-sys) several staff members have completed a course in Workplace Trainer Accreditation. This training course was used as a tool to equip certain staff members with the necessary skills to train SRO employees in the new e-sys system effectively.

Talking about training and development

The SRO's constant focus on improving the job skills of its employees has culminated in the development of staff training and development plans, with a 12-month outlook. They were developed after face-to-face discussions between staff members and their team leader or branch manager.

The primary purpose of the individual discussions with staff members and supervisors was to recognise current skills being utilised in current job placement and to analyse how those skills could be improved.

These training and development plans have resulted in an increased focus on our legislative training program. This program has been run again and will continue to grow over the coming financial year.

SRO leadership development program

Two three-day Leadership Programs were held at Woodend in December last year in order to identify and discuss relevant issues which were confronting all SRO supervisors.

Peer Group Supervision Sessions were also held for branch managers and team leaders during the first half of 2000. The workshops were an effective tool in which supervisors could confidentially discuss critical leadership and work dilemmas that they had faced. It is hoped that these sessions instilled in our leaders a more effective approach to understanding team and work dynamics.

Future leaders' program

The SRO Executive approved a Future Leaders Program open to all Band 2 and 3 staff. Selected candidates will be expected to complete formal management-related study and will be rotated through several leadership-type positions during their two years on the



Jane Edwards receiving the Commissioner's Annual Award for providing excellent customer service

program. After the completion of the program, it is hoped that the SRO will have developed a pool of future leaders.

Monash Mt.Eliza MBA program

A number of our staff have undertaken studies in this joint initiative between the SRO and the Monash Mt.Eliza Business School and we are expecting our first graduates during the 2000/2001 financial year.

Participation in this program helps to ensure our senior staff have the management skills required to ensure the continued effective management of change in the SRO.

Business plan successfully launched

The 1999-2000 Business Plan was launched by the Commissioner of State Revenue, David Pollard, at a series of staff information sessions on the 5th, 6th and 7th of July 1999.

The Commissioner also announced that the performance measures for the 1998-1999 financial year had been achieved.

As part of the SRO's on-going recognition of the contribution made by its staff to its overall performance and efficiency, a new system of goal agreements was announced. In effect, they will allow for the SRO's performance goals to be reflected in individual staff goal agreements.

Measuring our performance by organisational self-assessment

The new business plan launched by the Commissioner was introduced with the addition of seven core drivers. These include: leadership and development, strategy and planning process, data, information and knowledge, people, customer and market focus, processes, products and services, and business results.

These drivers will be used as a way of measuring the SRO's developmental progress. They will be measured based on the four dimensions of Approach, Deployment, Result and Improvement, which make up the Organisational Self-Assessment.

The Organisational Self-Assessment is one half of the SRO's environmental scan. This scan is used as a tool to provide the SRO with a list of strengths and opportunities for improvement. The first half of the environmental scan was conducted by way of individual internal and external scans using Employee and Mystery Shopper Surveys. The results of these surveys were used in the Organisational Self-Assessment which commenced on the 1st December 1999 and concluded during the year 2000 Business Planning workshop.

Process improvement team to help manage SRO knowledge

The Executive has established a process improvement team in order to develop a strategy for the capture and management of organisational knowledge. The management and organisation of corporate knowledge is one of the key factors in the 2000-2001 business plan.

The steps involved in the process of knowledge management include identifying, capturing, storing, retrieving and using information that is vital to the SRO.

The benefits that are expected to flow from the implementation of the process improvement team are:

- increased level of knowledge retention within the business;
- reduced amount of time spent on training technical staff;
- more consistent decision-making in technical staff and areas;
- reduced double handling or referral of files to other staff; and
- faster turnaround time in decisions for customers.

SRO corporate balanced scorecard

The SRO is constantly assessing and evaluating its organisational processes in order to create an effective working environment. To this end, a Corporate Balanced Scorecard has been developed as an internal management information tool. This program will be used to link the SRO's vision and long-term strategy to its short-term operational plans. This will be achieved by assessing and measuring the SRO's performance based on four key factors: Financial, Customer, Internal Business Processes and People.

The Executive developed the Corporate Balanced Scorecard by using the SRO Strategic and Business Plans as a base. It was created after discussions with SRO's stakeholders (including customers) and will be used as a way in which to monitor our progress in achieving the SRO's mission.

Lloyd's Register Quality Assurance observed that 'the SRO is a dynamic organisation with a comprehensive and electronically documented management system, readily available to all staff in the organisation. Actual performance against set targets was impressive and generally on or above target.'

You're the VOICE

As part of our dedication to customer satisfaction and employee recognition, the SRO Employee Database has been restructured. The VOICE program now contains two main avenues in which employees and customers can be heard.

The Idea Registrations facility will provide a basis for the registration of employee ideas on both corporate and branch levels.

The Compliment and Complaint Registrations facility will provide a way in which our customers can be heard. The provision of this service will enable their concerns to be recorded, displayed and evaluated. The staff at the SRO will then be able to use this information to assist in the improvement of our processes and to identify ways in which to better meet our customers needs.

Inter-jurisdictional newsletter

In October 1999, the concept of an inter-jurisdictional newsletter involving all Australian State Revenue Offices was developed. 'What's New in Revenue' will

be published twice yearly by the host State of the Commissioners' Conference. Victoria published the first newsletter as it hosted the Commissioners' Conference in March 2000. It is hoped that this newsletter will promote information sharing and create interest in key initiatives.


ISO certification

As a result of constantly striving to reach quality excellence in all facets of the organisation, Lloyd's Register Quality Assurance has certified the major organisational units to ISO 9002:1994 standard. Consequently certification was presented after external ISO auditors reviewed our procedures, training, quality assurance processes and quality council processes.

ISO Certification was granted to the Customer Relations Division, Receivables Management Branch and Quality and Human Resources after the allocation of time and effort to ensure that their work processes met all necessary standards and requirements.

Lloyd's Register Quality Assurance Observation Report observed: 'the SRO is a dynamic organisation with a comprehensive and electronically documented management system, readily available to all staff in the organisation. Actual performance against set targets was impressive and generally on or above target'.

The SRO is confident that a second audit, conducted before the end of the year, will result in the certification of the remaining Divisions.



Customers waiting for service by SRO staff in the customer service centre.

Performance against the Taxpayers' Charter

The following table is a summary of our performance against our published standards outlined in the Taxpayers Charter for the 1999-2000:

Taxpayers' Charter	Published Standard	Achievement
Correspondence		
Answer written enquiries within 21 days	95%	94.5%
Telephone		
Answer telephone calls promptly (within 20 seconds)	85%	92.33%
Refunds		
Finalise refunds within 60 days	100%	96.48%
Objections		
We will determine your objection within 60 days	100%	95.75%
Investigations		
7 days notice given before start of investigation	99%	100%
Written advice within 21 days of completion of the investigation	99%	100%
Courtesy & Consideration		
Staff are polite and courteous	80%	83%
Staff are knowledgeable	80%	86%
Help & information		
Customer satisfaction with compliance and education programs provided	95%	>95%
Customer satisfaction with public rulings and publications	95%	>95%
Fairness		
No adverse findings by Ombudsman	75%	100%
Privacy & confidentiality		
No tax records are unlawfully divulged	100%	100%
Compliance costs		
Changes in procedures and processes to reduce business administrative costs	Reduce customer costs as much as possible	As per comments
Independent appeal & review		
Taxpayers are advised of their right to object and appeal	100%	100%

Compliments and Complaints

Criteria	YTD	Comments
Compliments	67	<ul style="list-style-type: none"> – Conducting audits and dealing with customers in a professional and courteous manner – 100's of compliments were received for the excellent AA disk (which included comments like "better than other States"). Not included in the YTD figure.
Complaints	23	<ul style="list-style-type: none"> – Unsatisfactory or insufficient information provided and incorrect section 97s issued were the main complaints

Tax reform

There have been a number of components of the national tax reform program that have, and will continue to have, an impact upon the workings of the SRO.

The Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations (IGA) sets out agreements between the Commonwealth and the States and Territories regarding national tax reform.

Specifically, the changes to State taxes arising from the IGA are detailed below. These changes include new grants available to first home owners (from 1 July 2000) as well as the abolition of financial institutions duty and stamp duty on listed marketable securities from 1 July 2001.

The IGA also provides for the removal of debits tax and the review of various business stamp duties.

First home owner grant

The SRO is administering the \$7,000 First Home Owner Grant (FHOG) which came into operation on 1 July 2000. Substantial resources have been committed during the lead up to the introduction of this scheme to ensure that the process for applicants is as efficient as possible.

The grant will be paid to all eligible applicants that buy or build their first home on or after 1 July 2000. In order to be eligible for the grant, an applicant must not previously have had an interest in residential property in Australia and must live in the property that he/she is purchasing within 12 months of taking possession of that property.

This scheme is based on principles set out in the IGA and the states/territories worked together to ensure that the legislation in relation to the eligibility criteria is as consistent as possible.

Many financial institutions are playing a major part in the administration of the scheme. Applicants for the FHOG are able to apply for the grant, through their bank, at the same time that they are arranging finance for the purchase. This process ensures that in most cases the funds are made available to the applicant at, or before, the time they take possession of their first home.

A national database has been developed in cooperation with all other States and Territories. This database will, among

other things, ensure that applicants receive the grant only in respect of the purchase of their first home.

A substantial amount of training has also been provided to our staff as well as the staff of the financial institutions that are involved in administration of the scheme. This training has focused on both the technical and policy aspects of the *First Home Owner Grant Act 2000* and has included 'hands-on' training in the loading of applications to the national database. This training has continued into the new financial year along with our attendance at many first homebuyer seminars being hosted by financial institutions. Our liaison with the financial institutions and other state and territory revenue offices will continue to ensure the consistent application of the FHOG legislation.

At the time of printing 10,069 applications for the grant had been received. More than 91% of these applications had been received and processed by approved financial institutions. This amounts to total grants of more than \$70.48m having been paid since 1 July 2000.

Abolition of other state taxes

The IGA specifies that financial institutions duty and stamp duty on listed marketable securities will be abolished from 1 July 2001. Legislation to give effect to these measures has already been passed. This Bill also clarifies the relationship between state taxes and the GST.

Other changes

The Bill also provides for the abolition of stamp duty on betting tickets and transferring liability from stamp duty from used car dealers to purchasers.

Future impacts

The IGA provides for the abolition of debits tax by 1 July 2005 and most business stamp duties.

Consultation with customers and stakeholders

The SRO is grateful to the many customers and stakeholders who provided information and advice on the policy and practical aspects of taxation issues during the course of the year. Their assistance has been useful in the development of Revenue Rulings and legislative amendments. In particular, we thank the member organisations of the State Taxes Consultative Council (STCC) for their continued commitment to regular liaison. STCC representatives for the past year were:

Steve Stevens	Law Institute of Victoria
Simon Begg	Law Institute of Victoria
Kim Rea	Institute of Chartered Accountants
Tim Grace	Institute of Chartered Accountants
Graeme Tardrew	National Institute of Accountants
Max Warlow	ASCPAs
Sue Williamson	Taxation Institute of Australia
Frank Drenth	Corporate Tax Association



Brent Vilcins and Gerard Morrison (standing centre and right) with representatives from other revenue offices at the signing of the first home owner grant Deeds of Arrangement with financial institutions.

Executive profiles



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, Executive Director, Information Division with the Australian Securities Commission.



Kathleen Duffy

BA (Psych)

Quality and Human Resources

Kathleen has experience 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. She 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.

Quality and Human Resources 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.



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.



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.



Rob Dickens

BBus (Public Admin)

Policy and Legal

Rob has been with the SRO since 1996 after moving from the position of Assistant Director, Revenue Policy in the Tasmanian Department of Treasury and Finance. 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.



Aspasia Georgiou

BSc, LLM

Director, Legal Services

Aspasia was appointed Director of Legal Services in 1999. She has been with the SRO since its inception in 1992 and prior to that was with the Legal Branch of the former Stamp Duties Office. The Legal Branch is part of the Policy & Legal Division, and is responsible for the provision of legal advice on all taxes administered by the SRO, conduct of litigation arising from the Acts administered by the SRO and also provides advice on contract preparation and the processing of Freedom of Information requests.



Peter Hiland

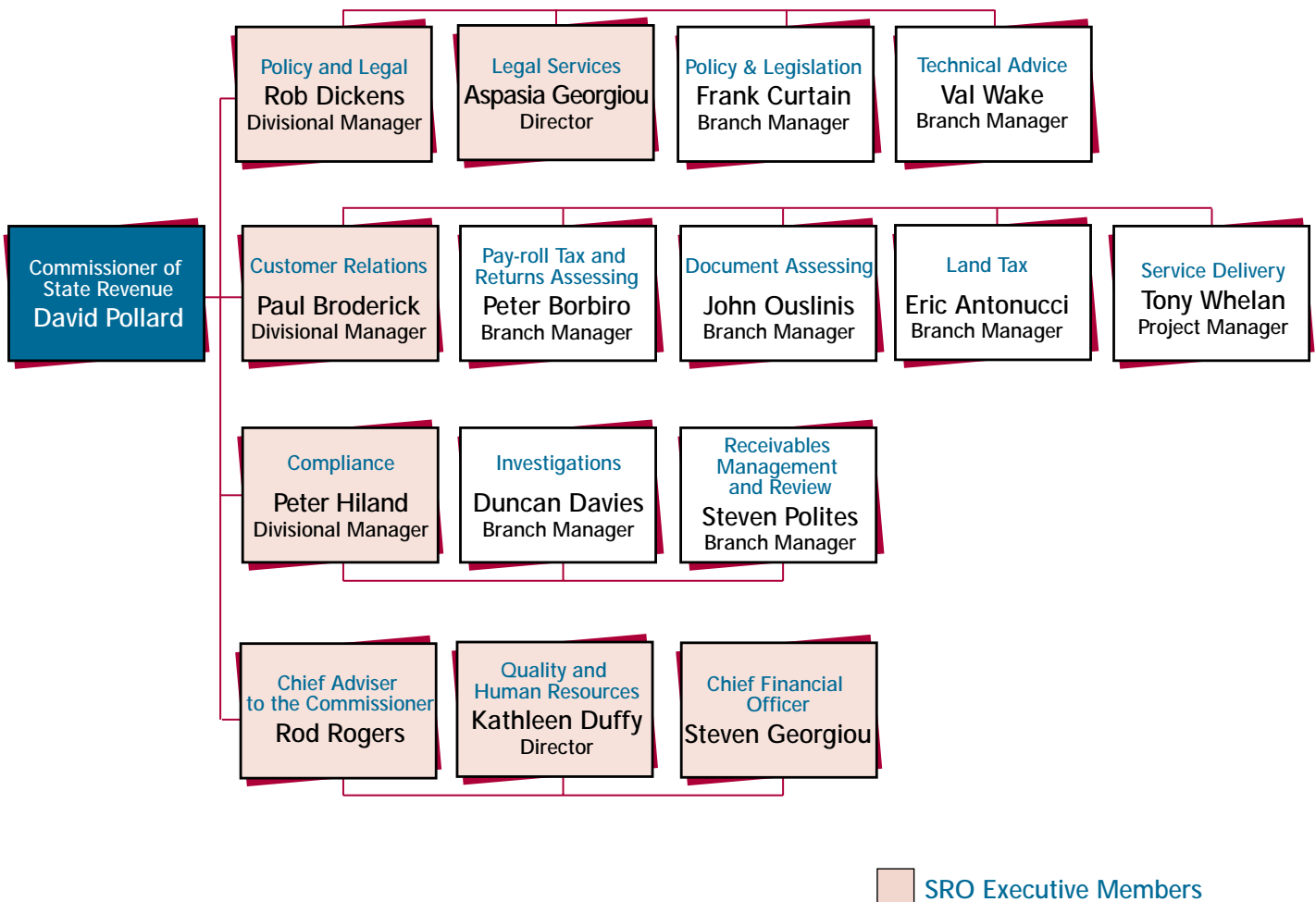
BA, LLB, Graduate Diploma

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.

Organisational structure





Financial statements

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Financial statements

Statement of operating performance for the year ended 30 June 2000

	Notes	1999/00 \$000's	%	1998/99 \$000's	%
Operating expenses					
Employee costs	2(a)	25,549	42.2	25,194	42.5
Supplies and services		23,744	39.3	22,542	38.0
Depreciation/amortisation	3	5,803	9.6	5,559	9.4
Carrying amount of assets sold		125	0.2	-	-
Capital charge		1,235	2.0	1,211	2.0
Interest and other costs of finance		457	0.8	478	0.8
Non-discretionary expenditure	14	3,551	5.9	4,302	7.3
Total operating expenses		60,464	100.0	59,286	100.0
Operating revenues					
User charges	1(c) & 4	2,301	100.0	2,047	100.0
Total operating revenues		2,301	100.0	2,047	100.0
Net cost of services		58,163		57,239	
Government revenues					
Recurrent appropriations	1(d)	60,339	100.0	57,242	93.1
Works & services appropriations	1(d)	-	-	4,228	6.9
Total government revenues		60,339	100.0	61,470	100.0
Increase (decrease) in net assets resulting from operations	9	2,176		4,231	

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

Statement of financial position as at 30 June 2000

	Notes	1999/00 \$000's	1998/99 \$000's
Current assets			
Cash	6(a)	4	4
Receivables	6(b)	32	23
Prepayments	6(b)	348	585
Trust funds	13(a)	713	660
Inventory	6(c)	100	112
Total current assets		1,197	1,384
Non-current assets			
Inter-entity - Department of Treasury and Finance	7(a)	6,734	3,204
Computers, software and equipment	7(b)	15,612	9,758
Municipal valuations	7(c)	-	3,099
Other fixed assets	7(d)	594	664
Total non-current assets		22,940	16,725
TOTAL ASSETS		24,137	18,109
Current liabilities			
Bank overdraft	8(a)	3,272	1,489
Creditors and accruals	8(b)	4,391	2,033
Provision for employee entitlements	2(b)	1,762	1,864
Funds held in trust	13(a)	713	660
Total current liabilities		10,138	6,046
Non-current liabilities			
Provision for employee entitlements	2(b)	3,760	4,000
Total non-current liabilities		3,760	4,000
TOTAL LIABILITIES		13,898	10,046
NET ASSETS		10,239	8,063
Equity			
Accumulated surplus	9	10,239	8,063
TOTAL EQUITY		10,239	8,063

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

**Statement of cash flows
for the year ended 30 June 2000**

	Notes	1999/00 \$000's Inflows (Outflows)	1998/99 \$000's Inflows (Outflows)
Cash flows from operating activities			
Payments for:-			
Employee costs		(24,341)	(25,146)
Supplies and services		(22,687)	(21,685)
Capital charge		(1,235)	(1,211)
Interest and other costs of finance paid		(457)	(478)
Non-discretionary expenditure	14	(3,551)	(4,302)
Receipts from:-			
User charges		2,301	2,047
Net cash outflow from operating activities	12	(49,970)	(50,775)
Cash flows from investing activities			
Payments for:-			
Municipal valuations		(1,385)	(1,481)
Plant and equipment		(175)	(137)
Construction in progress		(7,053)	(8,096)
Net cash outflow from investing activities		(8,613)	(9,714)
Cash flows from financing activities			
Movement in public account		(3,530)	(3,204)
Repayment from debtors		(9)	127
Net cash inflow(outflow) from financing activities		(3,539)	(3,077)
Cash flows from government			
Recurrent appropriations		60,339	57,242
Works and services appropriations		-	4,228
Net cash inflow from government		60,339	61,470
Net increase (decrease) in cash held		(1,783)	(2,096)
Cash at the beginning of the financial year	6(a) & 8(a)	(1,485)	611
Cash at the end of the financial year	6(a) & 8(a)	(3,268)	(1,485)

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 statements have 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 SRO'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.

Controlled revenues and expenses associated with trust funds/working accounts which are integral to the operations of the SRO, and form part of the day to day functions of the SRO, have been recognised in the Statement of operating performance 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.

(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.

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

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. When fully amortised these valuations are removed from the Fixed Asset Register.

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
Municipal valuations – metropolitan	4	25.00
Municipal valuations – non metropolitan	6	16.66
Office equipment	4	25.00
Plant	10	10.00
Furniture & equipment	10	10.00
Leasehold improvements/fitouts	10	10.00

(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 assume 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 are accordingly 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.

(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 represent amounts to be received from taxpayers. These amounts include debtors and accrued revenue. 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(b). 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. These 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

	1999/00 \$'000	1998/99 \$'000
(a) Employee costs		
Wages and salaries (including annual leave, sick leave and long service leave)	23,015	22,961
Departure packages	485	177
Superannuation expenses	2,049	2,056
Total employee costs	25,549	25,194
(b) Employee entitlements		
Aggregate employee entitlement liability	5,522	5,864

The employee entitlement liability is disclosed in the Statement of financial position as follows:

	1999/00 \$'000	1998/99 \$'000
CURRENT LIABILITIES		
Provision for employee entitlements		
– Annual leave	1,332	1,420
– Long service leave	430	444
Total current employee entitlement liabilities	1,762	1,864
NON-CURRENT LIABILITIES		
Provision for employee entitlements		
– Long service leave	3,760	4,000
Total non-current employee entitlement liabilities	3,760	4,000
Total employee entitlement liabilities	5,522	5,864

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:

	1999/00	1998/99
Weighted average rates of increase in annual employee entitlements to settlement of the liability	4.6%	4.4%
Weighted average discount rates	6.1%	5.9%
Weighted average terms to settlement of the liabilities	17 years	17 years

3. Depreciation and amortisation expense

	1999/00 \$'000	1998/99 \$'000
Depreciation and amortisation was charged in respect of:		
Municipal valuations	4,483	3,703
Office equipment	73	89
Computer equipment and software	1,199	1,724
Leasehold improvements	48	43
	5,803	5,559

4. User charges

	1999/00 \$'000	1998/99 \$'000
User charges		
Section 97 certificates	2,204	1,964
Customer education services	97	52
Revenue ruling services	-	31
	2,301	2,047

5. Resources provided free of charge

	1999/00 \$'000	1998/99 \$'000
Resources provided free of charge	-	73

This represents the cost of staff redeployed to other departments and agencies free of charge.

6. Current assets

	1999/00 \$'000	1998/99 \$'000
(a) Cash		
Cash floats	4	4
	4	4
(b) Receivables & prepayments		
Sundry debtors	32	23
Prepayments	348	585
	380	608
(c) Inventory		
Stores	100	112
	100	112

7. Non-current assets

	1999/00 \$'000	1998/99 \$'000
(a) Inter-entity		
Inter-entity Department of Treasury and Finance	6,734	3,204
	6,734	3,204
(b) Computers and equipment		
Computers & computer equipment	13,835	13,606
Less accumulated depreciation	(13,344)	(12,458)
	491	1,148
Leased equipment	-	8,486
Less accumulated amortisation	-	(8,486)
	-	-
Construction in progress	15,121	8,610
Total computers, software & equipment	28,956	30,702
Less accumulated depreciation/ amortisation	(13,344)	(20,944)
	15,612	9,758
(c) Municipal valuations		
Municipal valuations	742	13,243
Less accumulated amortisation	(742)	(10,144)
	-	3,099
(d) Other fixed assets		
Office equipment	811	850
Less accumulated depreciation	(491)	(507)
	320	343
Leasehold improvements / fitouts	473	473
Less accumulated depreciation	(199)	(152)
	274	321
Total other fixed assets	1,284	1,323
Less accumulated depreciation/ amortisation	(690)	(659)
	594	664
Total fixed assets	30,982	45,268
Less total accumulated depreciation/ amortisation	(14,776)	(31,747)
	16,206	13,521

8. Current liabilities

	1999/00 \$'000	1998/99 \$'000
(a) Bank overdrafts	3,272	1,489
(b) Creditors and accruals		
Employee costs	1,699	278
Other creditors and accruals	2,692	1,755
	4,391	2,033

9. Changes in equity

	1999/00 \$'000	1998/99 \$'000
Accumulated surplus		
Balance at the beginning of the financial year	8,063	3,832
Increase (decrease) in net assets resulting from operations	2,176	4,231
Balance at the end of the financial year	10,239	8,063

10. Contingent liabilities

	1999/00 \$'000	1998/99 \$'000
Contingent liabilities	15,142	112,205

Contingent liabilities can arise from legal disputes and other claims made against the Government. These liabilities by definition are not actual liabilities. Instead 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 those amounts shown below represent the maximum potential liability.

The SRO has determined that at balance date it may have the following contingent liabilities arising from administered transactions:-

Contingent liabilities:-

- Recovery of licence fees from August 1997 (\$9.6m). Matter is ongoing.
- Taxpayer seeking pay-toll tax exemption (\$2.7m). Matter is ongoing.
- Four taxpayers have claims for refunds against SRO (\$1.5m). All are subject to ongoing court proceedings.
- Taxpayer claiming stamp duty exemption (\$1.3m). Matter is before Court of Appeal.

Contingent liabilities - non-quantifiable:-

- In addition to the items reported above, there is litigation in which SRO is a joint defendant with the State in various tobacco matters arising from constitutional and other issues.
- As a result of current special leave to the High Court, there may be (if leave is granted and if the taxpayer is ultimately successful), a contingent liability.

11. Commitments for expenditure

	1999/00 \$'000	1998/99 \$'000
Operating leases		
Commitments (including accommodation leases) under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than 1 year	2,666	4,145
Later than 1 year and not later than 2 years	2,070	3,475
Later than 2 years and not later than 5 years	5,033	8,527
Later than 5 years	54	1,366
	9,823	17,513

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

	1999/00 \$'000	1998/99 \$'000
Increase (decrease) in net assets resulting from operations	2,176	4,231
Government revenues	(60,339)	(61,470)
Net cost of services	(58,163)	(57,239)
Items not involving cash		
Depreciation and amortisation expense	5,803	5,559
	5,803	5,559
Investing activity		
(Surplus)/Deficit on asset disposals	125	-
Change in operating assets and liabilities		
Decrease (increase) in prepayments	237	(223)
Decrease (increase) in stores	12	(42)
Increase (decrease) in creditors and accruals	2,358	1,122
Increase (decrease) in provision for employee entitlements	(342)	48
	2,265	905
Net cash outflow from operating activities	(49,970)	(50,775)

13. Trust funds

(a) Detailed below are trust funds controlled by the SRO in 1999/00

	1999/00 \$'000	1998/99 \$'000
Controlled trust accounts		
Performance incentive trust	227	227
Treasury trust		
1999/00	54	-
1997/98	71	73
1996/97	87	87
1995/96	191	191
1994/95	62	62
1993/94	20	20
	713	660

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

	1999/00 \$'000	1998/99 \$'000
Administered trust accounts		
VPS metrail ticket club trust	(39)	(16)
	(39)	(16)

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

	1999/00 \$'000	1998/99 \$'000
Cash balance at the beginning of the reporting period	(16)	4
Add: receipts	4,036	3,514
Less: expenditure	(4,059)	(3,534)
Cash balance at the end of the reporting period	(39)	(16)

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

14. Non-discretionary expenditure

In accordance with disclosure policy changes made in 98/99 financial year, the following payments are disclosed as controlled expenditure.

(a) Ex-gratia payments

	1999/00 \$'000	1998/99 \$'000
Land tax	-	24
Stamp duty	122	1,229
Payroll tax	12	78
Total ex-gratia payments	134	1,331

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.

(b) Other payments

	1999/00 \$'000	1998/99 \$'000
Stamp duty refunds for disadvantaged persons	1,112	852
Refund stamp duty for first home buyers	2,305	2,119
Total other payments	3,417	2,971
Total non-discretionary expenditure	3,551	4,302

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 Alan Stockdale MLA	Treasurer (1 July 1999 to 6 Oct 1999)
The Hon Denis Naphine MLA	Treasurer (7 Oct 1999 to 19 Oct 1999)
The Hon Steve Bracks MLA	Treasurer (20 Oct 1999 to 21 May 2000)
The Hon John Brumby MLA	Treasurer (22 May 2000 to 30 June 2000)
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.

	1999/00 \$'000 Intra	1999/00 \$'000 Inter	1998/99 \$'000 Intra	1998/99 \$'000 Inter
Administered revenues				
Land tax	-	27,989	-	32,737
Pay-roll tax	3,792	282,199	17,496	277,085
Total administered revenues	3,792	310,188	17,496	309,822
Administered expenses				
Water and sewage rebate	-	2,500	-	4,500
Controlled expenses	1,234	12	1,204	-

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 are 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 2000	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)					379	379
						383	383
Controlled financial liabilities							
Bank overdrafts	8(a)					3,272	3,272
Creditors and accruals	8(b)					2,692	2,692
						5,964	5,964
Administered financial assets							
Debtors	17(b)	47,526				-	47,526
Accrued revenue	17(b)					25,486	25,486
		47,526				25,486	73,012
Administered financial liabilities							
Other current liabilities	17(b)					122	122
						122	122
30 June 1999							
Controlled financial assets	6					612	612
Controlled financial liabilities	8					3,244	3,244
Administered financial assets	17(b)	58,457				17,813	76,270
Administered financial liabilities	17(b)					3,652	3,652
		58,457				25,321	83,778

(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 controlled and administered 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**

	1999/00 \$'000	1998/99 \$'000
Administered revenues		
Special appropriations	103,919	102,140
Recurrent appropriations	2,737	8,113
Taxation revenue earned		
Taxes	3,290,942	3,102,666
Duties	2,654,709	2,489,040
Fees	8,477	4,612
Levies	-	1,036
Miscellaneous receipts	102	131
Total	6,060,886	5,707,738
Administered expenses		
Water and sewage rebate	2,500	4,500
Interest on overpayment of taxes	600	1,020
Crown Proceedings Act	237	97
Subsidy payments - petroleum & liquor	103,319	101,023
Debt written-off	3,538	3,763
Doubtful debts	85	(4,725)
Total	110,279	105,678
Administered revenues less administered expenses	5,950,607	5,602,060

** 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*

	1999/00 \$'000	1998/99 \$'000
Administered assets		
Inter-entity Department of Treasury and Finance	8,280	2,336
Cash (revenue account)	15	-
Trust funds (note 13(b))	39	16
Debtors (note 17 (b))	53,236	64,083
Less provision for doubtful debts (note 17 (b))	(5,710)	(5,626)
Accrued revenue (note 17 (b))	25,486	17,813
Adhesive stamps	9,297	4,997
Total	90,643	83,619
Administered liabilities		
Other current liabilities	1,889	3,652
Trust funds (note 13 (b))	39	16
Total	1,928	3,668

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

17. Notes to administered revenue and debtors

(c) 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% '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:

	1999/00 \$'000	1998/99 \$'000
Administered revenues		
Tobacco revenue	328	(327)
Petroleum revenue	2,205	(889)
Liquor revenue	5,944	5,829
Total	8,477	4,613

(d) Administered debtors

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

	1999/00 Debtors \$'000	1999/00 Accrued revenue \$'000	1999/00 Provision for doubtful debts \$'000	1998/99 Debtors \$'000	1998/99 Accrued revenue \$'000	1998/99 Provision for doubtful debts \$'000
Administered debtors and accrued revenue						
Land tax	26,365	18,921	-	41,619	13,461	-
Pay-roll tax	20,820	1,504	5,156	16,381	1,126	4,308
Other taxes, duties & fees	6,051	5,061	554	6,083	3,226	1,318
Total	53,236	25,486	5,710	64,083	17,813	5,626

18. Remuneration of responsible persons

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

	Total Remuneration		Base Remuneration	
	1999/00 No.	1998/99 No.	1999/00 No.	1998/99 No.
\$170,000 - \$179,999	-	-	-	1
\$180,000 - \$189,999	-	1	1	-
\$200,000 - \$209,999	1	-	-	-

The relevant amounts relating to the Minister are reported separately in the Financial Statements of the Department of Premier and Cabinet.

Other transactions

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

19. Remuneration of executive officers

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

	Total remuneration		Base remuneration	
	1999/00 No.	1998/99 No.	1999/00 No.	1998/99 No.
\$100,000 – \$109,999	-	-	3	-
\$110,000 – \$119,999	3	1	-	3
\$120,000 – \$129,999	-	2	2	-
\$130,000 – \$139,999	2	-	1	-
\$140,000 – \$149,999	1	-	-	-
\$150,000 – \$159,999	-	1	1	1
\$160,000 – \$169,999	1	-	-	-
Total Amount	7	4	7	4

	\$'000	\$'000	\$'000	\$'000
(ii) Total Amount	929	491	860	479

Declaration in relation to the 1999/00 financial statements

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

The financial statements of the SRO have not been audited by the Auditor General. The SRO financial statements form part of the Department of Treasury & Finance financial statements.

In our opinion the Statement of operating performance, 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 2000 and the financial position of the SRO at that date.

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

Dated at Melbourne this 1st day of November, 2000



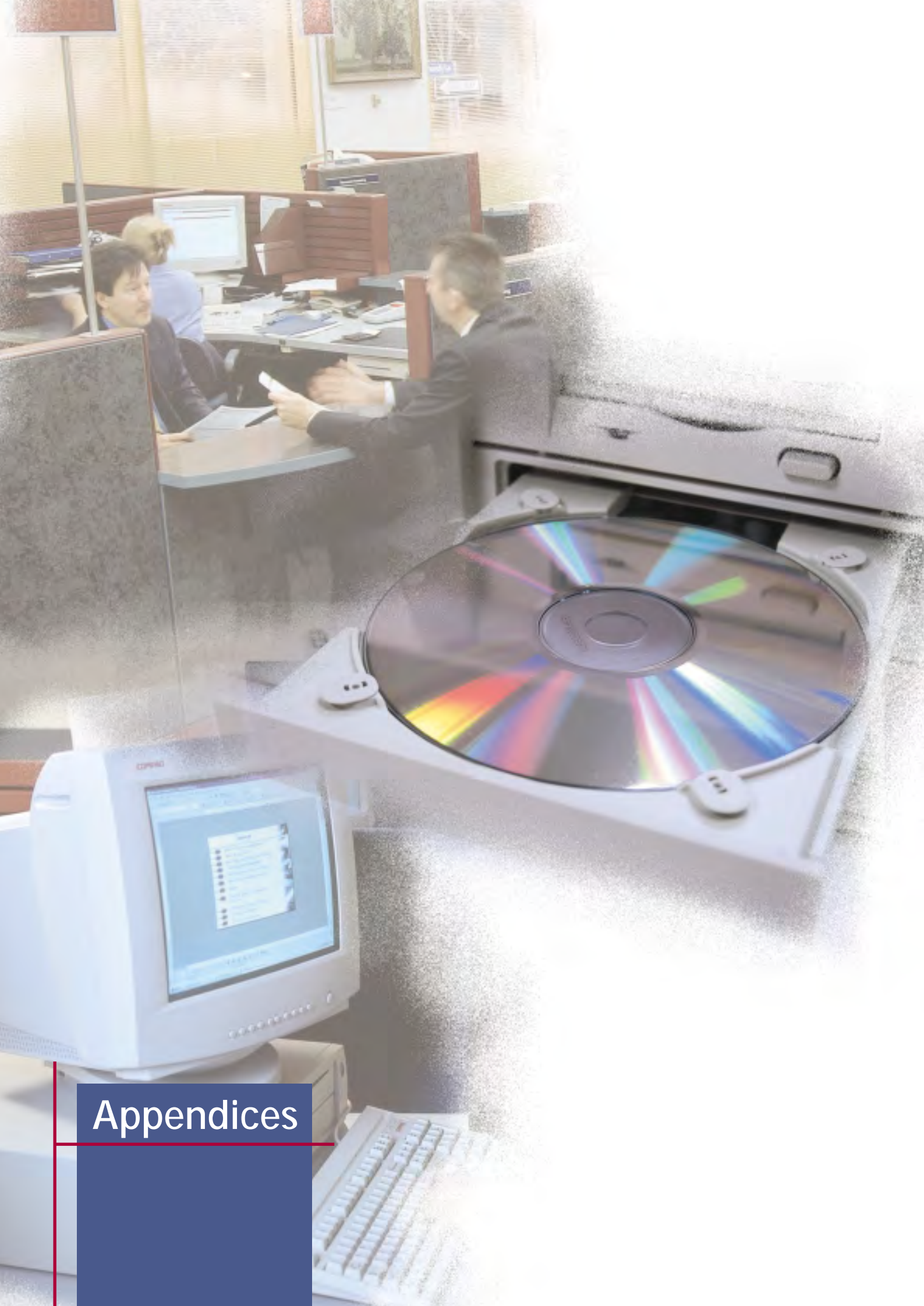
Dr David Pollard

Commissioner of State Revenue



Steven Georgiou

Chief Financial Officer



Appendices

Appendix One

Analysis of debt

Tax Base	\$ Total Debt 30/6/00	\$ < 30 Day	\$ 30-90 Day	\$ > 90 Day	\$ Provision for doubtful debt	\$ Total Debt 30/6/99
Stamp duty debt						
Documents	3,406,109	722,192	1,335,245	1,348,672	2,514	2,875,066
Insurance	89,614	70,811	0	18,803	0	0
Rental business	330,257	55,791	118,652	155,814	50,204	100,785
Registered used car duty	1,062,786	41,937	184,641	836,208	382,595	1,021,437
Motor car duty	118,241	5,503	16,737	96,001	17,422	114,001
Betting tax	2,686	2,686	0	0	0	106,336
Total stamp duty	5,009,693	898,920	1,655,275	2,455,498	452,735	4,217,625
Business franchise debt						
Tobacco	99,043	0	0	99,043	99,000	244,043
Petroleum	0	0	0	0	0	0
Liquor licence	0	0	0	0	0	1,525,676
Total business franchise	99,043	0	0	99,043	99,000	1,769,719
Other tax bases						
Pay-roll tax	24,533,689	1,381,904	2,347,789	20,803,996	5,155,582	19,443,992
Land tax	26,345,061	7,040,042	13,929,618	5,375,401	0	28,714,183
Financial institutions duty	817,261	8,482	8,196	800,583	2,400	261,516
Share duty	705	0	0	705	705	705
Probate Duty	0	0	0	0	0	407,027
Total other tax bases	51,696,716	8,430,428	16,285,603	26,980,685	5,158,687	48,827,423
All taxes	56,805,452	9,329,348	17,940,878	29,535,226	5,710,422	54,814,767

Notes

- The above figures are reported in accordance with the Debt Reporting Policy which forms the basis of SRO's debt management program. The policy contains critical elements which are:
 - Following the issue of an assessment, the amount assessed will be reported as debt after the due date has elapsed; and
 - The reported debt comprises primary tax only.
- Outstanding primary and additional tax collected during 1999/2000 totalled \$191,477,601.
- The amount of debt that was under arrangement at 30 June 2000 was \$2,435,775.
- The amount of disputed debt at 30 June 2000 was \$18,588,218.

- The amount of deferred debt at 30 June 2000 was nil.
- Outstanding additional tax charges were \$2,314,299 at 30 June 2000.
- Debts are only written off when all reasonable steps to effect recovery have been taken.
- As a result of the *State Taxation Acts (Miscellaneous Amendments) Act 2000* receiving Royal Assent on 6 June 2000, all Probate Duty debts totalling \$407,027 were extinguished.
- Liquor licence debts totalling \$1,525,676 were extinguished during the year following a High Court decision in 1997 regarding unconstitutional franchise fee legislation.

Summary of written off debt	\$
Rental business	13,314
Registered used car duty	51,786
Motor car duty	81,466
Betting tax	106,034
Document assessing	4,245
Pay-roll tax	3,212,349
Land tax	69,228
Insurance	0
Tobacco	0
Petroleum	0
Probate Duty	0
Total debt written off	3,538,422

Appendices Two and Three

Appendix Two

Consultancies

Consultancies in excess of \$100,000

The SRO engaged three consultants costing more than \$100,000 during the 1999/2000 year:

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 1. SMS Consulting Group Pty Ltd | \$448,893 |
| Technical architects who provided the following services: | |
| <ul style="list-style-type: none">• Information technology strategic planning• Analysing and planning structure of ITSP• Year 2000 issues | |
| 2. Mastersoft International | \$189,750 |
| <ul style="list-style-type: none">• Data quality analysis• Consulting services for data extraction software - NADIS, Valencia, QM | |
| 3. CSC Information Technology Solutions | \$161,383 |
| Performed information technology related services: | |
| <ul style="list-style-type: none">• Data cleansing project• Data conversion• Database administration• Year 2000 issues | |

Consultancies less than \$100,000

The SRO engaged 29 consultants each costing less than \$100,000 during the 1999/2000 year. The total cost of engaging these consultants was \$490,299.

Appendix Three

Profile of staff by classification

Staff numbers at 30 June 2000

Classification	Male	Female	Total
EO-2	1	0	1
EO-3	5	2	7
VPS-5	18	3	21
VPS-4	66	29	95
VPS-3	93	81	174
VPS-2	60	86	146
VPS-1	18	37	55
Total	261	238	499

Notes

1. 301 ongoing employees.
2. 197 maximum period employees.
3. Figures do not include 4 employees on extended leave or secondment.

Appendix Four

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 bank accounts with cheque drawing facilities.

Financial Institutions Duty Act 1982

This Act imposes duty on receipts of money by financial institutions in Victoria. Financial Institutions Duty will cease on 30 June 2001.

First Home Owner Grant Act 2000

This Act provides for the payment of a \$7000 grant to eligible first home buyers and has effect from 1 July 2000. This Act received Royal Assent on 11 April 2000.

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 that is exempt such as land on which a person's principal place of residence is located, or land used for primary production.

Liquor Control Reform Act 1998*

This Act reformed the laws relating to the supply, sale 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.

National Taxation Reform (Consequential Provisions) Act 2000

This Act records the State's intention to give effect to the Intergovernment Agreement on the Reform of Commonwealth - State Financial Relations. In order to give effect to the agreement, the Act:

- enables State entities to make GST equivalent payments;
- discontinues financial institutions duty and stamp duty on certain share transfers and on bookmakers' statements;
- alters government fees and charges to take fees into account; and
- amends various Acts as a consequence of national taxation reform and for other purposes

Pay-roll Tax Act 1971

This Act provides for pay-roll tax to be imposed on wages, paid by employers with annual Australian pay-roll greater than \$515,000.

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:

National Tax Reform (Further Consequential Provisions) Act 2000

State Taxation Acts (Miscellaneous Amendments) Act 2000

Repealed legislation

Gift Duty Act 1971

This Act was repealed by the *State Taxation Act (Miscellaneous Amendments) Act 2000*. The repeal was effective from 1 July 2000.

Probate Duty Act 1962

This Act was repealed by the *State Taxation Act (Miscellaneous Amendments) Act 2000*. The repeal was effective from 1 July 2000.

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

Land Tax (Equalisation Factors) Regulations 1999

National Tax Reform (Fees) (no.1) Regulations 2000

National Tax Reform (Fees) (no.2) Regulations 2000

Pay-roll Tax Regulations 1998

Pay-roll Tax (Employment Agency Contracts) Regulations 1999

Stamps Regulations 1992

Taxation Administration Regulations 1997

Amending regulations

Financial Institutions Duty (First Home Owner Grants) Regulations 2000

Appendix Five

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 Diana Pereira, telephone 03 9628 0515.

Requests received

New requests for access to documents	31
Requests from previous year finalised in 1999/2000	3 ⁱ
Total	34

Outcome of requests

Granted in full	2
Granted in part	16
Denied	6
Transferred in full	3
Transferred in part	0
Withdrawn	0
Pending at 30 June 2000	3
No document in existence	4
Total	34
Fees and charges collected	\$650

Review process

Internal review sought	10
Original decision confirmed	1
Original decision varied	9
Denied	0
Withdrawn	0
Not completed at 30 June 2000	0

Victorian Civil and Administrative Tribunal

Reviews sought	10
Decided at preliminary conference	0
Withdrawn before hearing	1
Settled between parties	0
Awaiting hearing at 30 June 2000	10 ⁱⁱ

ⁱ This figure represents requests on-hand at 30 June 1999 that have been completed in the 1999/2000 financial year. The 1999 Annual Report incorrectly shows requests on-hand at 30 June 1999 as 0. The actual number of matters pending at 30 June 1999 was 3.

ⁱⁱ Nine of these referrals were sought by one taxpayer.

Appendix Six

Appendix Six

Corporate reporting index to disclosure requirements 1999/2000

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 - this service ceased in December 1999 and has been replaced by a free e-mail notification service
- Property application under section 97 of the Land Tax Act 1958: \$12.50

Clause	Disclosure	Page(s)
Charter and Purpose		
9.1.3(i)(a)	Manner of establishment and relevant Minister	1
9.1.3(i)(b)	Objectives, functions, powers and duties	1
9.1.3(i)(c)	Services provided and persons or sections of community served	1
Management and Structure		
9.1.3(i)(d)(i)	Audit Committee and Chief Executive	2
9.1.3(i)(d)(ii)	Names of senior office holders and brief description of each office	22, 23
9.1.3(i)(d)(iii)	Chart setting out organisational structure	24
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9.4.2(iv)	Number of executive officers and remuneration	36

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

03 9628 6222

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sro@sro.vic.gov.au

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

The Annual Report is the result of the combined efforts of many people, including:

- Project Co-ordinator: A. Hosken, SRO
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- Design concept, Desktop Publishing: J. Swallow, Buscombe Veprint Limited
- Photography: John Bodin, John Bodin Photography Pty Ltd
- Print production: Buscombe Veprint Limited
- Printed on: K.W. Doggett Superior Silk