

STATE

REVENUE

OFFICE

VICTORIA

SRO - ISO 9001 Quality Certified

>> annual
review
2001

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.

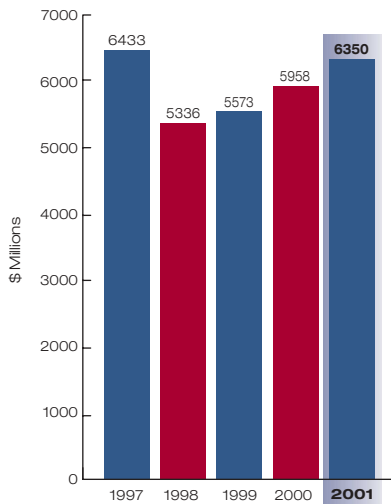
If you require information about your statutory obligations or if you want general information about the SRO, please contact us on 13 2161.

David Pollard

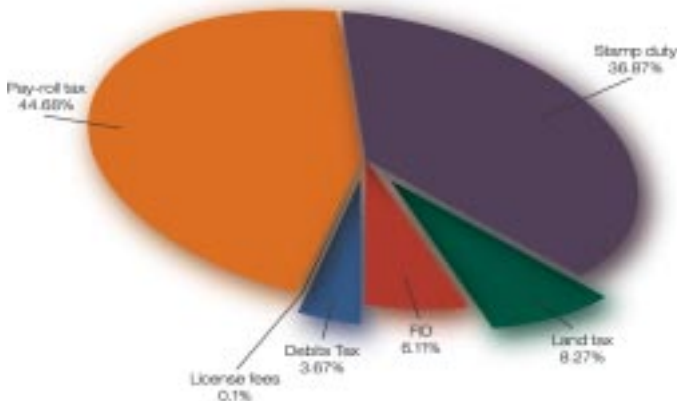
Commissioner of State Revenue

Revenue Highlights >>

Total net tax/duty revenue



Revenue break up



Performance against forecasts

	Forecast	Revenue	Variation
	\$ '000	\$ '000	%
Pay-roll tax	2,844,000	2,836,833	0.25%
Stamp duty	2,329,000	2,341,379	0.53%
Financial institutions duty	383,000	388,188	1.35%
Debits tax	251,000	251,848	0.34%
Land tax	516,000	525,158	1.77%
Licence fees		6,515	
TOTAL	6,323,000	6,349,921	0.43%

Refunds paid

	2000	2001
Pay-roll tax	\$24,815,598	\$30,212,072
Stamp duty	\$10,704,114	\$10,475,581
Financial institutions duty	\$2,147,500	\$1,327,163
Debits tax	\$110,692	\$179,433
Land tax	\$8,129,538	\$10,310,441
TOTAL	\$45,907,442	\$52,504,690

First home owner grants paid

	\$ '000
First home owner grants	240,339
Commonwealth additional grants	7,063
TOTAL	247,402

Contents >>

Taxpayers' Charter	i	New SRO Facility in Ballarat	13
Revenue Highlights	ii	Staff Relocation	13
Contents	iii	Training of Ballarat Staff	13
Mission	1	Functions Relocated to Ballarat	14
From the Commissioner of State Revenue	2	Emerging Technologies	15
Pay-roll Tax	4	New Core System – e-sys	15
Key Results	4	Data Conversion	15
Pay-roll Tax Objections and Appeals	4	e-sys Training	15
Pay-roll Tax Compliance Activities	4	Records Management through e-sys (TRIM)	15
Pay-roll Tax Employment Agency System	4	New SRO Web Site	16
Inter-jurisdictional Review of Contractor Provisions	4	E-business System and Transaction Development	16
Pay-roll Tax Annual Adjustment Highlights	5	Implementation of Information Technology Security Policy	16
Customer Education Program	5	e-business at Ballarat Technology Park	16
Significant Legal Cases	5	Human Resources	17
Looking Forward	5	Reward and Recognition	17
Tax rate reduced	5	Organisational health and well being	17
Pay-roll tax on eligible termination payments and 'grossed up' fringe benefits	5	Stabilising the Workforce	17
		Employee participation	17
		ISO 9001 Certification	17
		Human Resources – Looking forward	17
Stamp Duty	6	Tax Reform	18
Key Results	6	<i>Duties Act 2000</i>	18
Exemptions and Concessions	6	Executive Profiles	19
<i>Duties Act 2000</i>	6	David Pollard BEcon, MA (Hons), PhD (Syd)	19
Customer Education Program	7	Rob Dickens BBus (Public Admin)	19
Major Issues	7	Paul Broderick MBA	19
Looking Forward	7	Peter Hiland BA, LLM Graduate Diploma Legal Studies	20
Significant Legal Cases	7	Aspasia Georgiou BSc, LLM	20
		Steven Polites LLB, BBus	20
		Robyn White BA (Hons) PhD (ANU)	20
Land Tax	9	Organisational Structure	21
Key Results	9	Financial Statements	22
The 2001 Land Tax Assessment Cycle	9	Appendices	24
2000 Valuation Returns	9	Appendix one	24
Significant Legal Cases	9	Appendix two	25
Looking Forward	10	Appendix three	25
Increase in Tax Threshold	10	Appendix four	25
Relocation to Ballarat	10	Appendix five	26
Financial Transaction Taxes	11	Customer Service Directory	27
Financial Institutions Duty	11		
Debits tax	11		
Key Results	11		
Net refunds paid 2001	11		
FID	11		
Major issues	11		
First Home Owner Grant	12		
Compliance Activity	12		
Commonwealth Additional Grant	12		

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.

Through the administration of 12 Acts of Parliament, the State Revenue Office 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.

In achieving our mission, we value:

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



The SRO's Melbourne Headquarters
505 Little Collins Street

From the Commissioner of State Revenue >>

The year has been one of considerable success and a number of challenges.

Revenue collected rose to \$6.350 billion (from \$5.958 billion) in the face of an incremental reduction in staff numbers and the investment of considerable amounts of staff time in the development and testing of e-sys, the State Revenue Office's (the SRO's) new and enhanced computer system.

We reduced our underlying administrative budget in line with targets previously agreed with the Department of Treasury and Finance and in accordance with the

Agency Agreement which governs our day to day relationship with Treasury and the Treasurer. This has produced useful and necessary efficiencies and is an adjunct to the higher performance levels expected from the SRO's new system which recently (August 2001) went live. As in all large and new systems, it will take some months until full operational efficiency is achieved but the current transitional experience is encouraging.

The SRO is also pursuing the development of further e-business functionality, which, when fully realised in 2001-2, will enable the organisation to

provide on-line access with credit card facility to Section 97 transactions, with others following later.

The office was deeply involved in the work of the Review of State Taxes (*Harvey Report*) and its final report was delivered to the government in February. This Review was established as a result of the 1999-2000 budget and the "Growing Victoria Together Summit" and recommended ways in which business taxes could be selectively reduced. Some far reaching reforms to land tax and payroll tax rates and Stamp Duty coverage were enacted.

In August, I undertook a further visit to Beijing, together with two SRO managers, as guests of the Beijing Municipal Taxation Bureau to deliver a series of lectures to Beijing tax trainees. This is a long standing relationship and the SRO continues to host and train Chinese staff from the Bureau.

In April, the government announced that it would commission a Feasibility Study into relocating a number of functions to a regional location in Victoria. Cap Gemini Ernst and Young undertook the Study, which was completed in late May.

In June, the Government announced that it had decided to proceed with the relocation of some SRO functions affecting 200 staff. A purpose built facility operated by the University of Ballarat and located at its Ballarat Technology Park will be leased by the SRO, with Payroll Tax, Land Tax and a number of corporate functions to be located there. The building is expected to be occupied in March 2002. Affected staff have been given a number of options around their future career either within or outside the Victorian Public Service.

The Office also administers a number of grants and subsidies on behalf of the government. These include the Water and Sewerage Rebate, Petrol subsidies and the First Home Owner Grant (FHOG). Subsidies and grants administered totalled \$336 million for the year including a remarkable \$247.4 million in First Home Owner Grants.



David Pollard
Commissioner of State Revenue



The SRO took the lead in developing the inter-jurisdictional software for the administration of the FHOG. Development was based on revenue management utilising predominantly the systems of selected financial institutions. The SRO, together with other co-operating jurisdictions, received a Gold Technology Award for this work at the Government Technology Awards in August 2001.

In December, long years of hard work in building Quality Management systems and re-working and re-writing all SRO procedures were rewarded by the granting of ISO 9001 certification. The State Revenue Office is one of the few and certainly the largest government agency in Victoria so certified.

In closing, it needs to be said that the year saw a number of challenges in balancing the routine workload of the office with the significant demands placed on staff through their involvement in systems development in a climate of increased activity generated mainly by the Ballarat decision. There has been excellent co-operation from staff at all levels, however, and I am confident that SRO will emerge in 2001-2 revitalised

and renewed for its redefined role as an e-enabled customer focussed and thoroughly contemporary revenue management agency. I extend my thanks to all staff for their hard work.

I would also like to thank the members of our Executive for the work which they have put in. There were several departures from their ranks during the year, including Rod Rogers after more than 35 years in the VPS and following his ground breaking work on the *Duties Act 2000*. We have been fortunate in attracting new and talented staff to take on their roles.

The coming year is, in important ways, a year of transition for the SRO, as it makes the shift to a bifurcated office – each part handling distinct but equally important functions, at the same time as migrating its systems to handle customers electronically. I believe that we are well equipped to manage this change.



Ray Wang
Beijing Taxation Office secondee

David Pollard

The SRO is also pursuing the development of further **e-business** functionality, which, when fully realised in **2001-2**, will enable the organisation to provide **on-line access with credit card facility** to S97 transactions, with others following later.

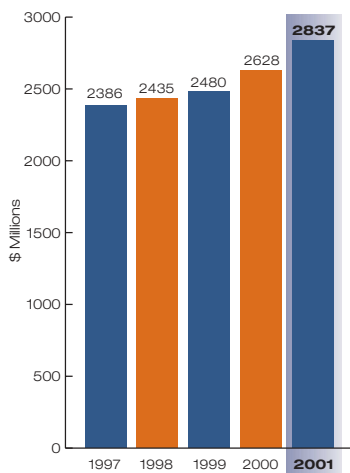
Pay-roll Tax >>

The SRO collects pay-roll tax from employers whose total Australian wages for the financial year exceed \$515,000. Wages include all wages, salaries, remuneration, commissions, bonuses, employer superannuation contributions, allowances and fringe benefits paid or provided to employees, directors or deemed employees. Pay-roll tax was administered by the Commonwealth Government until September 1971 when responsibility was passed to the States and Territories. The tax rate for the year was 5.75 per cent. The *Pay-roll Tax Act 1971* (the Pay-roll Tax Act) governs this tax.

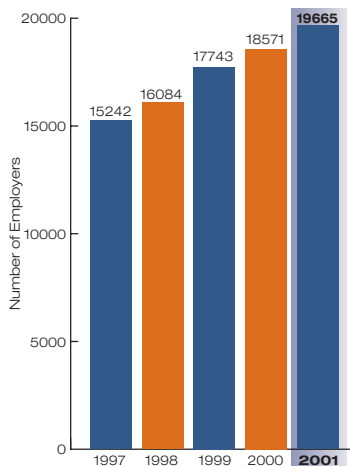
Key results

Net Tax Revenue: \$2,836,833,541
 Forecast: \$2,844,000,000
 Paid in Refunds: \$30.2m

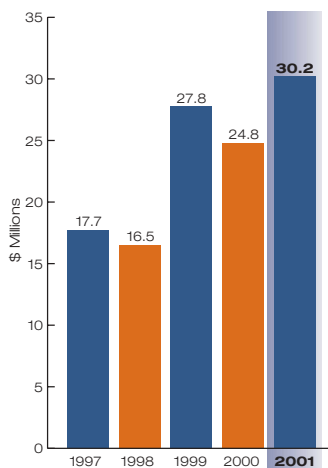
Net pay-roll tax revenue over the past five years



Total registered Victorian employers over the past five years



Pay-roll tax refunds paid over the past five years



Pay-roll tax objections and appeals

	1999/ 2000	2000/ 2001
Objections received	375	310
Allowed in full	46	51
Allowed in part	77	55
Disallowed in full	185	180
Withdrawn by taxpayer before decision	11	8
Closed/invalid	16	12
Objections pending at 30 June	104	108
Appeals received	21	12
Settled before hearing	13	4
Appeals upheld at hearing	1	6
Appeals rejected at hearing	0	1
Appeals pending at 30 June	23	1

Objections came from the issuing of assessments from our compliance activities as well as our on-going pay-roll tax management processes. The main issues addressed in these objections were:

1. grouping provisions (section 9A) – 10.3 per cent; and
2. contractor provisions (section 3C) – 3.5 per cent.

Pay-roll tax compliance activities

We undertook 853 pay-roll tax investigations which resulted in the detection of \$16,394,708 in unpaid pay-roll tax.

Most of these investigations arose from the Compliance Information Capture and Analysis Project (CICAP), our major targeting project. More than 90 per cent of the total revenue detected from pay-roll tax investigations came from targeted employers under CICAP, which illustrates the value of this targeting process.

Our compliance activities during the coming financial year will continue to focus on the targets generated by CICAP as well as our on-going review of our relationships with employment agents.

Pay-roll tax employment agency system

During the year we conducted a review of the pay-roll tax employment agency system to address compliance-related concerns. From the review we developed an SRO policy on the appointment of employment agents. This policy sets the guideline the Commissioner will use to approve an agency to collect pay-roll tax on the Commissioner's behalf. The review of the pay-roll tax employment agency system also resulted in the implementation of probity checks for all new applicants and the development of new draft standard terms and conditions of appointment.

Inter-jurisdictional review of contractor provisions

We continued to liaise with other States and Territories to develop provisions for direct-hire contractors. Ideally, these provisions will be consistent across all jurisdictions and will be easier for taxpayers to apply.

The current contractor provisions impose a pay-roll tax liability on an employer based on the operation of the contractor's business. One difficulty with the current provisions is the employer's inability to gather sufficient information about the contractor's business operation to make an informed decision about his or her own pay-roll tax obligations.

The inter-jurisdictional working party made recommendations on the contractor provisions to take to the Commissioners' conference in July 2001.

Pay-roll tax annual adjustment highlights

	1999/ 2000 lodgment pattern	2000/ 2001 lodgment pattern
Email and Internet	57.5%	66%
Mail and Fax	42.5%	34%

We continued to develop the Annual Adjustment on Disk program during the year. Our aim was to provide a more user-friendly return, which is easier for customers to lodge electronically with us.

Research from previous years revealed that many users who lodged their returns by email or through the internet were concerned about not receiving notification of the lodgment. In response to these concerns, the 2001 program provided an electronic acknowledgment of the SRO's receipt of customer returns.

Electronic lodgment overcomes the SRO's need to load the contents of returns manually onto our database. This removes the opportunity for data processing errors reducing efficiency. Our aim to raise the level of electronic lodgment has resulted in a 14 per cent increase this year.

Customer education program

Raising the public's awareness of its state tax obligations is an important role of the SRO. The pay-roll tax customer education program included 26 public seminars for employers during the year - five new registrant seminars and 19 annual adjustment seminars.

Our new registrant program for this year began in November 2000, with further sessions in February 2001.

New registrant seminars provide an overview of the operation of pay-roll tax for organisations which have recently registered for the tax. The SRO invites staff from organisations which registered for pay-roll tax in the six months before the seminar. These seminars focus on the

technical aspects of pay-roll tax and enable new employers to rectify existing and potential errors before they become serious.

The annual adjustment seminar series started in Melbourne in May 2001.

Seminars were conducted in Sydney, Brisbane and all regions of Victoria. This was our most successful year for the Annual Adjustment seminar program, with more than 1600 bookings.

Annual adjustment seminars focus on helping employers to complete successfully the annual adjustment return, usually an employer's largest pay-roll tax task for the year. These seminars include a demonstration of the Annual Adjustment on Disk program and provide detailed information on the legislative aspects of pay-roll tax.

Significant legal cases

CRM Electrics Pty Ltd (in liquidation) and Carose Pty Ltd (As Trustee for the Marra Family Trust) v Commissioner of State Revenue

(Unreported, Victorian Civil and Administrative Tribunal, 6 October 2000, Geoffrey Gibson)

Carose Pty Ltd (As Trustee for Marra Family Trust) v Commissioner of State Revenue

(Unreported, Supreme Court, 30 April 2001, Hansen J)

This matter involved the grouping of CRM Electrics Pty Ltd (in liquidation) ("CRM") and Carose Pty Ltd (As Trustee for the Marra Family Trust) ("Carose").

The primary issue in this matter was whether it was appropriate for the Victorian Civil and Administrative Tribunal (VCAT) to exercise the Commissioner's discretion under section 9A(1J) of the Pay-roll Tax Act to "de-group" Carose and CRM. VCAT considered that it was not appropriate to exercise the discretion and affirmed the assessment. Carose made application to appeal this decision to the Supreme Court. Justice Hansen dismissed the application for leave to appeal because the original decision did not give rise to a question of law sufficient to enable leave to appeal to be granted.

The Muir Electrical Company Pty Ltd & Anor v Commissioner of State Revenue (1998) 99 ATC 2083, [2001] VSCA 86

The taxpayer provided administrative services to 14 trustee companies retailing under a common banner. The Commissioner

assessed on the basis that a group existed within the meaning of section 9A of the Pay-roll Tax Act. The Commissioner was not satisfied that each retailer carried on an independent business and therefore was unable to exercise his discretion under section 9A(1J). VCAT upheld the Commissioner's decision.

The taxpayers appealed to the Supreme Court. In May 1999, Balmford J found that section 9A(1A)(d) of the Pay-roll Tax Act applied and decided in favour of the Commissioner. This raised further issues that were heard in the Court of Appeal in July 1999. The Court concluded that the taxpayers' appeal should have succeeded on the first issue and it was unnecessary to consider the application of the Commissioner's discretion under section 9A(1J). The Court of Appeal also considered the other provisions contained in section 9A(1A) that were specifically directed to particular circumstances. The Court of Appeal referred the matter back to VCAT to consider the application of other parts of section 9A(1A). In August 2001, VCAT found that a group exists under section 9A(1A)(c) and that the discretion under section 9A(1J) should not be exercised. The matter is on appeal to the Supreme Court.

Looking forward

Tax rate reduced, threshold increased

On 26 April 2001 the Treasurer, the Honourable John Brumby MP, announced the government's *'Better Business Taxes'* package. This package included a number of changes to pay-roll tax including a reduction in the tax rate. From 1 July 2001, the pay-roll tax rate was reduced from 5.75 per cent to 5.45 per cent, and from 1 July 2003, the rate will be further reduced to 5.35 per cent.

From 1 July, the Pay-roll Tax threshold will be increased from \$515,000 to \$550,000.

Pay-roll tax on eligible termination payments and 'grossed up' fringe benefits

The *Better Business Taxes* package also included some changes to the pay-roll tax base. Pay-roll tax is now payable on:

- all eligible termination payments made on or after 1 July 2001; and
- the grossed up value of fringe benefits provided in Victoria.

Stamp Duty >>

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

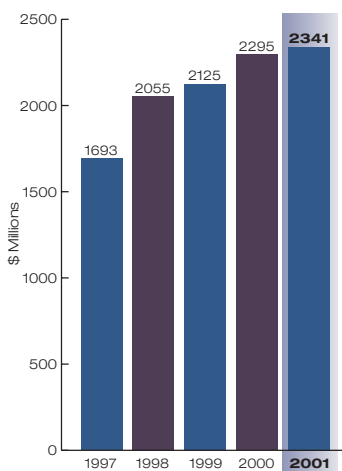
Stamp duty is payable on documents or transactions involving land transfers, mortgages, insurance policies, registration or transfer of ownership of motor vehicles and the hire of goods. The amount of duty payable depends on the nature and value of the document or transaction.

From 1 July 2001, duty will be payable under the provisions of the *Duties Act 2000* (the Duties Act).

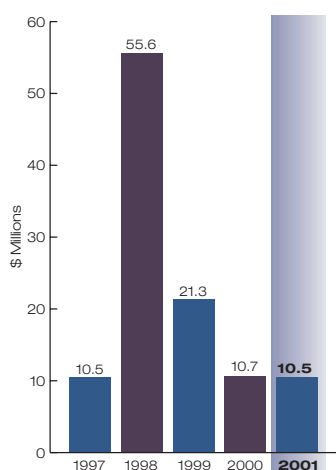
Key results

Net Duty Revenue: \$2,341,379,000
 Forecast: \$2,329,000,000
 Refunds Paid: \$10.5m

Net stamp duty revenue over the past five years



Stamp duty refunds paid over the past five years



Components of stamp duty revenue \$ '000

Land transfers	1,284,026
Mortgages	121,822
Marketable securities - on market	205,685
Marketable securities - off market	60,585
Insurance - life	13,622
Insurance - non life	344,524
TAC	85,650
Rental business - registered persons	45,717
Rental business - unregistered persons	12
Motor vehicles*	136,973
Adhesive stamps	1,442
Leases	36,124
Deeds	1
Settlements	912
Bookmakers' turnover tax	214
Cattle compensation fund†	2,717
Sheep and goat compensation fund†	1,353
	2,341,379

* Excluding \$292m collected by VicRoads on behalf of the SRO

† Collected on behalf of the Department of Natural Resources and Environment

Exemptions and concessions

The First Home Buyer Concession, which is separate from the First Home Owner Grant, applies to families with at least one dependent child. Eligible first home buyers must satisfy an annual family income test and purchase a home valued under \$165,000. When the purchase price of the home is \$115,000 or less, the home buyer receives a complete stamp duty exemption. The amount of the concession is reduced as the purchase price of the home increases. The income tests are \$39,000 a year for families with one dependent child and \$40,000 for families with two or more dependent children. The concession provides a benefit for any stamp duty payable on the land transfer and mortgage documents.

During the year we provided \$2,291,074 in stamp duty exemptions to eligible first home buyers and \$3,519,878 to pensioners and eligible concession card holders.



Managers - Customer Relations Division

(L to R) John Ouslinis, Frank Curtain, Cengiz Genc and Eric Antonucci

Duties Act 2000

The *Duties Act 2000* (the Duties Act) came into effect on 1 July 2001 and is the culmination of years of hard work for a team of SRO staff. The Duties Act replaces the *Stamps Act 1958* with a modern statute expressed in clear language within a contemporary conceptual framework.

An inter-jurisdictional working party was established in the mid 1990s to rewrite the stamp duty legislation in most States and Territories. The aim of the rewrite was to provide consistent legislation across all Australian jurisdictions. New South Wales' version of the Duties Act has been in operation since 1997. Tasmania's version came into effect on 1 July 2001. The new Victorian legislation mirrors the legislation of New South Wales and Tasmania in many respects and clarifies the differing policy views of the Victorian Government on some components of the legislation.

As a result of the Duties Act, we have redeveloped and redesigned our stamp duty forms and many of our business processes.

Customer education program

The SRO conducted an education program to ensure that taxpayers and their advisers were fully aware of their obligations when the Act came into operation.

Our education program provided specific sessions on particular aspects of the legislation in the Melbourne Central Business District, such as mortgages and conveyancing issues, as well as general sessions in the Central Business District and rural areas of Victoria. We designed the education program in consultation with the Law Institute of Victoria and with the assistance of other peak bodies including the Australian Finance Conference and the Victorian Automobile Chamber of Commerce.

We received positive feedback on the education program, which resulted in many invitations to provide SRO speakers at legal practice training sessions and regional law group meetings.

Major issues

Better Business Taxes

The *Better Business Taxes* package transformed and simplified the State business taxation system. Part of the package included the abolition of three forms of stamp duty:

- stamp duty on non-residential leases was abolished from 26 April 2001;
- stamp duty on unquoted marketable securities will be abolished from 1 July 2003; and
- stamp duty on mortgages will be abolished from 1 July 2004.

Abolition of duty on leases

Stamp duty on commercial leases was abolished from 26 April 2001. We collected duty of \$36,124,000 from more than 30,000 non-residential leases during the year to 26 April 2001.

Intergovernmental agreement on the reform of Commonwealth – State financial relations.

Stamp duty on marketable securities listed with the Australian Stock Exchange was abolished from 1 July 2001 as a result of the Inter-governmental Agreement on the Reform of Commonwealth – State Financial Relations. Duty on bookmakers' turnover was also abolished from 3 July 2000 as part of the Inter-governmental Agreement.

Looking forward

The Duties Act

We will continue to monitor the impact of the new Duties Act and will recommend amendments where necessary. We will also publish brochures and bulletins about the new legislation and examine relevant revenue rulings, which may be replaced, rewritten or cancelled.

Significant legal cases

Commissioner of State Revenue v Victoria Gardens Pty Ltd [1998] VSC 158, [1999] VSC 10, [2000] VSCA 233

The taxpayer applied for exemption from duty on three transfers of land to the trustee of a Joint Venture. The Court of Appeal found, after analysing the joint venture deed (which set out the terms on which the land was to be held) that exemption 18 did not apply.

Exemption 18 did not apply because the land was not held solely on behalf of the transferors without any change in beneficial ownership. The Court of Appeal applied the decision from the *YellowCo 5 Pty Ltd* case. The taxpayer is seeking leave to appeal to the High Court.

Pioneer Concrete (Vic) Pty Ltd v Commissioner of State Revenue [1998] VSC 90, [1999] VSC 312, [2001] VSCA 55

Pioneer Concrete appealed the amount of duty assessed on the purchase of land that was used as a quarry. The Court of Appeal held that in considering the amount for which real property might be sold free from encumbrances in the open market, regard was to be given to the restrictions on the use of the land subject to which it was being sold. This decision resulted in the reduction of the value of the Commissioner's original assessment. The Commissioner is seeking leave to appeal this decision to the High Court.

9 Beaconsfield Road Pty Ltd, S & N Tanoski as Trustees of Tanoski Superannuation Fund and Tanoski Family Trust and Glenwill Pty Ltd v Commissioner of State Revenue (Unreported, Victorian Civil and Administrative Tribunal, 23 November 2000, Geoffrey Gibson)

This matter related to the amount of stamp duty payable on a lease of property in the snowfields. The taxpayers applied for exemption under exemption 10 of Heading VIII of the Third Schedule to the Stamps Act, which provides exemption from stamp duty for the lease of property used as a private dwelling. The Commissioner denied the exemption on the basis that the property was not a 'private dwelling' within the meaning of the exemption. VCAT upheld the Commissioner's decision.

Benalla Properties Pty Ltd v Commissioner of State Revenue

(Unreported, Victorian Civil and Administrative Tribunal, 16 February 2001, Geoffrey Gibson)

This matter related to the sale of a knitting mill where the land was sold separately from the fixtures. The Commissioner assessed duty on the basis that the fixtures passed with the



land, or alternatively, if the fixtures were chattels their value should be aggregated with the value of the land under section 63(3) of the Stamps Act. This aggregation was on the basis that the sale of land and the sale of 'chattels' formed 'substantially one transaction'. The taxpayers argued that the fixtures were 'chattels' and could not be aggregated because the financier owned the chattels. VCAT upheld the Commissioner's assessment.

Commissioner of State Revenue v Vopak Terminals Australia Pty Ltd [2001] VSC 232

The Commissioner successfully appealed to the Supreme Court on a decision of VCAT. The Court held that the purchaser's equitable interest in fixtures on land was not to be taken into account in determining the market value of that land for stamp duty purposes. The Court also held that even if that interest were taken into account, it would have no effect on the value, as the likelihood of removal of those fixtures was hypothetical and remote. The Court was not satisfied that the assessment reflected the market value of the land and remitted the matter to the Tribunal to determine finally the valuation issue. Vopak has appealed the legal issue to the Court of Appeal.

BSH Holdings Pty Ltd v Commissioner of State Revenue 2000 ATC 4555

The taxpayer successfully appealed to the Supreme Court against the disallowance of its objection. The taxpayer had objected to an assessment of stamp duty on the transfer of land as a result of a breakdown of a marriage. The land was transferred to a trustee which held the land on behalf of the parties to the marriage and some charitable organisations. The Court held that exemption 27 of Heading VI of the Third Schedule to the Stamps Act should not be restricted by reason only of the fact that charities, as well as the parties to the marriage and their children, could benefit from the trust.

Commissioner of State Revenue v Pattison 2001 ATC 4232

The Commissioner successfully appealed to the Supreme Court on a VCAT decision where the taxpayer had funded the purchase of a property by a company he controlled. The property had been subdivided into two lots, one of which was ultimately transferred to the taxpayer. The Court held that the transfer was not exempt from duty under exemption 17 of Heading VI of the Third Schedule to the Stamps Act.

The exemption requires that the property transferred is the same as the property originally purchased. In this case the intervening subdivision eliminated the original property and replaced it with two new properties. The Court also found that there was no basis for apportionment of the exemption.

We received positive feedback on the education program, which resulted in many invitations to provide SRO speakers at legal practice training sessions and regional law group meetings.

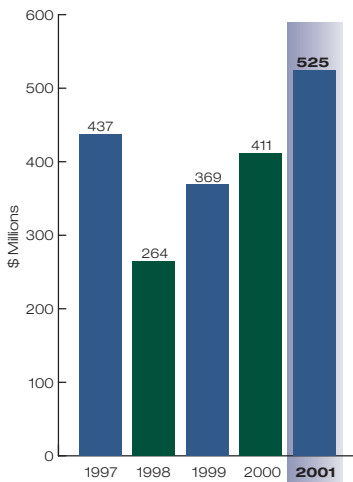
Land Tax >>

Land tax is payable when the unimproved value of all land owned by a landowner at midnight on 31 December in the year prior to the assessment year equals or exceeds \$85,000. The general exception is the land on which the landowner's principal place of residence is situated or land which is used for primary production purposes. Tax is calculated on a calendar year basis and assessments are usually issued by the SRO in the first half of the calendar year. The *Land Tax Act 1958* (the Land Tax Act) governs this tax.

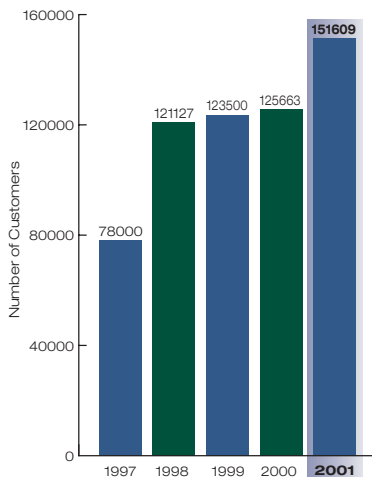
Key results

Land Tax Revenue: \$525,158,188
 Forecast: \$516,000,000
 Refunds Paid: \$10.31m

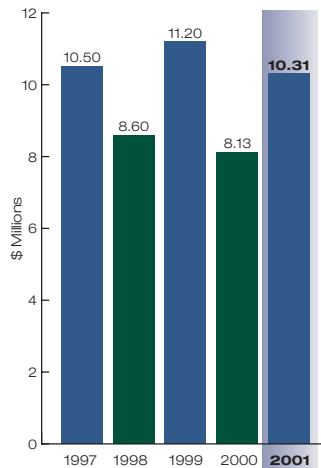
Net land tax revenue over the past five years



Number of land tax customers over the past five years



Land tax refunds paid over the past five years



The 2001 land tax assessment cycle

After reviewing the 2000 land tax assessment issue cycle, we implemented changes to improve the efficiency of the 2001 issue cycle. Many of these changes resulted from SRO staff and customer suggestions. Changes included the introduction of an information brochure that explained the valuations process and the application of the equalisation factors to those valuations.

2000 valuation returns

Format A-2000 is a standard data quality format which municipal councils use to provide the SRO with land valuations. The adoption of this common format ensures we load only high quality data to our databases. Between 3.5 and 4 million municipal valuations for 2000 were in Format A-2000. These valuations will form the basis for our assessments for the 2002 year.

Significant legal cases

Commissioner of State Revenue v Bogong Ski Club Inc (2000) 2 VR 487
 The Supreme Court affirmed the VCAT decision to exempt the land leased by Bogong from land tax under s 9(1)(g) of the Land Tax Act. The Commissioner argued that Bogong's rules did not preclude the payment of dividends to members and that s 51 of the Associations Incorporations Act that prohibited Bogong from securing pecuniary profits to members was not broad enough to cover the section 9(1)(g) prohibition of the payment of any dividends to members. The Court decided that dividends in s 9(1)(g) of the LTA means a share of profits and that the s 51 AIA prohibition was broad enough to cover the s 9(1)(g) LTA prohibition.

Boyd Property Company Pty Ltd as Trustee for the Boyd Property Trust v Commissioner of State Revenue (Unreported, VCAT, 8 December 2000, Geoffrey Gibson)
 This matter was referred to VCAT after the disallowance of the taxpayer's objection against a land tax assessment issued by the Commissioner. The taxpayer was preparing the land for a future avocado tree plantation. The taxpayer argued that the land should be exempt from land tax as it was being prepared for use for primary production purposes. The tribunal upheld the taxpayer's appeal and reduced the assessment to nil.

	1999/2000	2000/2001
Objections received	553	466
Allowed in full	220	169
Allowed in part	48	36
Disallowed in full	145	159
Withdrawn by taxpayer		
before decision	37	13
Closed/invalid	29	26
Objections pending at 30 June	230	293
Appeals received	13	10
Settled before hearing	1	1
Appeals upheld at hearing	1	1
Appeals rejected at hearing	15	4
Appeals pending at 30 June	5	4

***Silvio Favero & 3 Others v
Commissioner of State Revenue***

(Unreported, Victorian Civil and Administrative Tribunal, 2000)

This matter involved four joint owners of a piece of land leased to a company that operated a market garden on it. Two of the landowners were directors and shareholders in the company. The issue was whether the land was exempt. For the land to be exempt, the owners are required to be engaged in the business of primary production in a substantially full-time capacity. The tribunal held that there is a difference between conducting a business and engaging in an activity. The tribunal held that it was 'unfair' that farmers who operated their business as a partnership could get the benefit of the exemption, but not if they operated as a company. The tribunal decided in favour of the taxpayers.

Looking forward

Increase in tax threshold

During 2000-2001, the Victorian Government announced an increase in the land tax threshold to take effect from 1 January 2002. The threshold will increase from \$85,000 to \$125,000. We expect that this change will reduce the number of assessments issued by 46,000.

Relocation to Ballarat

The entire land tax branch of the SRO will relocate to a new facility in Ballarat in the 2001/2002 financial year. This move presents a range of challenges for the land tax function over the 2001-02 year. These include staffing arrangements, developing staff training packages, maintaining day to day operations and ensuring a smooth 2002 land tax assessment issue. We are confident, however, that we will overcome these challenges successfully.

After reviewing the 2000 land

tax assessment issue cycle, we implemented
changes
to improve the **efficiency** of the
2001 issue cycle.

Many of these changes resulted from SRO staff
and **customer** suggestions.

Financial Transaction Taxes >>

Financial Institutions Duty

Financial institutions duty (FID) is charged on receipts of money by financial institutions. It 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*. FID was abolished on 1 July 2001.

Debits tax

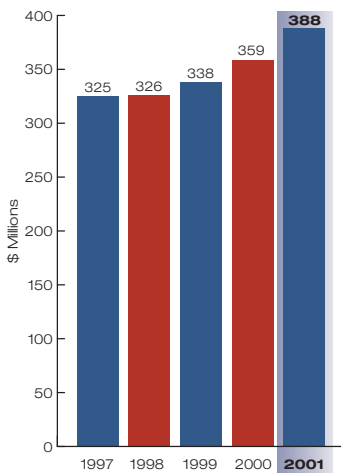
Debits tax is charged on debits to accounts with cheque facilities. The account holder and financial institution are jointly liable, and financial institutions are permitted to pass costs on to account holders. The *Debits Tax Act 1990* governs this tax.

Key results

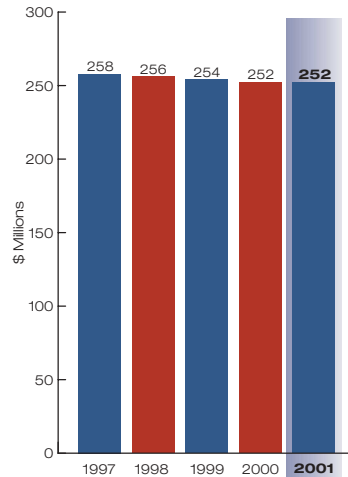
FID	
FID Revenue:	\$388,187,958
Forecast:	\$383,000,000
Refunds Paid:	\$1.33m

Debits tax	
Debits tax revenue:	\$251,848,000
Forecast:	\$251,000,000
Refunds Paid:	\$179,433

Net financial institutions duty over the past five years



Net debits tax over the past five years



Net refunds paid 2001

FID	Debits Tax
\$1.33M	\$179,000

Financial institutions duty

	1999/ 2000	2000/ 2001
Objections received	10	2
Allowed in full	0	0
Allowed in part	1	1
Disallowed in full	2	3
Withdrawn by taxpayer before decision	2	0
Closed or invalid	1	3
Objections pending at 30 June	6	1
Appeals received	1	1
Settled before hearing	1	1
Appeals upheld at hearing	0	0
Appeals rejected at hearing	0	0
Appeals pending at 30 June	0	0

Debits tax

	1999/ 2000	2000/ 2001
Objections received	1	0
Allowed in full	0	1
Allowed in part	0	0
Disallowed in full	1	0
Withdrawn by taxpayer before decision	1	0
Closed or invalid	0	0
Objections pending at 30 June	0	0
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 issues

The major issue concerning FID and Debits Tax during the year has been the impending abolition of FID as a part of the national tax reform package.

FID was abolished on 1 July 2001 and it is proposed that Debits Tax will be abolished in 2005.

First Home Owner Grant >>

The First Home Owner Grant (FHOG) is a grant of up to \$7,000 payable to people buying or building their first home on or after 1 July 2000. The grant is not means tested or restricted by the purchase price of the property. The FHOG came into operation on 1 July 2000 as a result of the Inter-governmental Agreement on the Reform of Commonwealth - State Financial Relations (IGA).

The *First Home Owner Grant Act 2000* (FHOG Act) which legislates the payment of the FHOG in Victoria, received Royal Assent on 11 April 2000. Although the FHOG Act is Victorian legislation, it was developed in consultation with the other Australian States and Territories to ensure consistent legislation in all jurisdictions.

Staff from the SRO headed the national implementation team of the First Home Owner Grant scheme. This team built and commissioned the FHOG on-line national database – an Internet-based system that processes in real-time, FHOG applications nationwide.

This year we processed more than 33,900 Victorian First Home Owner Grant applications and paid \$240,339,000 in grants. We expected to pay 33,714 grants worth \$236,000,000. Most of these applications were processed by financial institutions approved by the Commissioner. These approved financial institutions processed 33,432, or 87.99 per cent of the total number of applications. Much of the success of the scheme can be attributed to the efforts of these financial institutions and the effective working relationships between their staff and SRO staff.

During the year, presenters from the SRO explained the operation of the first home owner scheme at a range of first home buyer seminars conducted by banks and building companies. Seminar participants appreciated the guidance and advice from our staff on the operation of the scheme.

Compliance activity

To minimise the potential for grants to be paid to applicants who did not meet the eligibility criteria, the SRO conducted a targeted compliance program during the year. This program resulted in the detection of a number of incorrect claims for FHOG. In these cases, we reclaimed the grant from the applicant, or rejected the application before the grant was paid.

Commonwealth additional grant

On 9 March 2001, the Commonwealth Government announced an additional \$7,000 grant for first home buyers. The CAG is available to people who enter into contracts to build or purchase a new but previously unoccupied home, between 9 March 2001 and 31 December 2001 inclusive.

We received many more enquiries from potential first home buyers when the CAG was announced. To date, we have processed 1009 Commonwealth Additional Grants and paid \$7,063,000 in grants.



First Home Owner Grant
Treasurer John Brumby presenting Brad Morton and Kelly Donald with their CAG cheque



FHOG/CAG Team
(L to R) Marnie Rangan, Brooke Bugeja, Jo La Mari, Pasquale Verdini and Michael Fisher

New SRO facility in Ballarat >>

In June 2001 the Victorian Premier, the Honourable Steve Bracks MP, announced the establishment of a new SRO facility in Ballarat at the University of Ballarat's Technology Park. Forty per cent of the SRO's activities will relocate to this revenue collection and IT facility. The relocation of these functions to a regional centre is a logical development for the SRO, as we are moving towards facilitating all transactions electronically.

An independent feasibility study recommended the move, which found that it would generate ongoing savings and promote regional economic growth. The decision also took account of consultations with SRO staff, the Community and Public Sector Union and the Ballarat community.

The Treasurer's study estimates that the move will bring \$100 million to regional Victoria over the next six years. Some savings will arise from the technology upgrade as well as progressive savings through lower accommodation costs.

We are committed to working with the University of Ballarat to link our training and management development program with the educational facilities of the university.

The functions that will move include most of the tasks associated with collecting tax revenue. Revenue collection at the new site will be substantially electronically enabled. There will be a fully functioning customer service centre to field inquiries and settle accounts as well as telephone-based revenue processing facilities.

With construction of the new premises well under way, we will have a fully functional office in Ballarat by March 2002.

Staff relocation

Our recruitment for the relocation has included invitations for current staff to consider relocating as well as advertising vacancies in the Ballarat regional press. Some functions will begin in Ballarat in October 2001 and,



Ballarat Project Team

(L to R) Cameron Aughterson, Greg Carter, Betsie Young, Robyn White, Felicity Rolls and Terri Mandler

to this end, the first intake of new staff will be on 8 October 2001. From then on, we will continue to bring in groups of new staff regularly to ensure that they receive the most appropriate level of training. The ultimate aim is to have 200 staff operating from our Ballarat office at Mt Helen by mid 2002.

Training of Ballarat staff

In conjunction with the University of Ballarat we have developed a detailed training plan for our new Ballarat based staff. The training will be delivered as an initial two-week introduction to the SRO and cover the taxes which we administer

and our computer systems. The University of Ballarat will also deliver a number of modules, covering such topics as records management, balanced scorecard reporting and team building sessions.

This initial training program will be supported by specific sessions targeting particular components of the tax legislation administered by the SRO. These sessions will be delivered intermittently over the staff members' first few months of duty, to enable them to gain some familiarity with specific skills before introducing new and more advanced concepts.



Functions relocated to Ballarat

Staff recruited in the first intake will be involved in land tax operations and functions related to the administration of the First Home Owner Grant and Commonwealth Additional Grant. Subsequent intakes of staff will also be involved in land tax and eventually the administration of pay-roll tax and the rebate schemes that the SRO controls. All 200 staff will be operational in our Ballarat office by mid 2002.

Additionally, our Finance, Human Resources and training functions will be relocated to Ballarat by March 2002.



Looking west from Bakery Hill



Greenhills Enterprise Centre

FHOG and some returns based functions shall operate from Greenhills until our new building opens in March 2002.



Ballarat Town Hall

Emerging Technologies >>

New core system – e-sys

During the year, progress continued in the replacement of the SRO's main computer systems. The new system, e-sys, went live in August 2001, concluding one of the most significant projects the SRO has undertaken.

In terms of size, this application development is in the top 5 per cent in the world and involved input from over 150 staff and contractors. While it was developed using the latest technology, at all times a conservative approach was taken to ensure a robust system was delivered.

The SRO received a specific allocation of funds from the Government to complete this project and we have used those funds to ensure that the results of the project meet our own future needs and the e-business needs of our customers.

Replacing the SRO's core computer system required analysis of existing and future needs to develop a business model, use case reviews, data testing and conversion, testing, change management programs and extensive training.

A cross-section of SRO staff was selected to provide input into the development of e-sys, to ensure that it would meet all the SRO's requirements. Further, staff members from a range of SRO branches were also included in various review stages along the way, including use case reviews, user acceptance testing and data conversion testing. Comments and improvements recommended by staff were then passed on to the system development team to be implemented in e-sys.

The constant dialogue between the system developers and SRO staff members has ensured that the system will accurately capture the SRO's business needs to enable staff to provide customers with more efficient service.

Data conversion

One of the major tasks of implementing e-sys was to convert data accurately from the old system. This has been an extremely complex and time-consuming task due to fundamental differences between the old and new systems. It took almost two years to complete. It involved extensive testing and reconciliation through numerous trial conversions. This included manually

checking random customers and running special reports to ensure that customers' financial data matched the data in e-sys at the time of implementation. For example, throughout the project, 91 conversion programs were developed and extensively tested. It took 2240 hours to convert ten major databases and 350 hours to convert 50 test databases.

e-sys training

Staff training for e-sys was designed and co-ordinated in collaboration with an external training organisation and SRO Business Analysts and Business Experts. The training was delivered in seven modules ranging from an introduction to the system and the procedure for creating and searching for a particular client, through to the advanced processing of all of the transactions that will be held on e-sys. The training materials were developed using a building block approach to ensure that all training components were independent of each other and could stand alone.

The development work for this training began in February 2001 and involved approximately 5775 hours of work before the modules were ready for release. Staff undertook self-paced training on these modules through a training database accessed through the personal computer at their desks. This enabled a

number of people to work simultaneously on different topics or subject matters. Staff could proceed at their own pace, and repeat elements as they needed. Each staff member spent on average approximately 19.5 hours in training for e-sys. That equates to a total of 4384 hours for all SRO staff.

Components of the course could easily be removed or combined into different configurations to produce customised training for specific needs and specific audiences. The modular nature of the materials supported development of additional components for inclusion at a later stage.

Each module contained instructions, practical exercises and case studies that were simulations of real life experiences that SRO staff would encounter when using e-sys.

Records management through e-sys (TRIM)

The SRO purchased an off-the-shelf records management system to support the document and records management functions that e-sys requires. TRIM and e-sys interact to provide staff with a user friendly and effective records management system. The TRIM program is located in the e-sys session screens, allowing staff to access customer files easily.



Managers - Information Technology Division

(L to R) Tony Whelan, Paul Broderick, Philip Dunlop and Brendan Harrison



TRIM and e-sys interact in several different ways to enable staff to enter key customer information into the SRO TRIM database. Additionally, TRIM is used to keep accurate records of all customer correspondence encountered in e-sys.

All SRO staff received training in the operation of the TRIM database. Existing files have been converted to the TRIM database so that all of our records are now held in a single database accessible by staff through the personal computer on their desk.

At the same time that TRIM was implemented into e-sys, the SRO also implemented it for its corporate documentation and conducted a full redesign of its whole records management system.

The success of this approach was recognised when the SRO received the Sir Rupert Hamer Records Management award for Government (inner budget).

New SRO web site

In February 2001, the SRO launched its new web site. The redeveloped site is part of the Victorian Government's on-line strategy that encourages customers to interact with the SRO electronically. To ensure that the new web site meets the needs of customers, the SRO engaged experts to review the existing site, design the new site, and test it with customers and staff. The new site, to be organised and presented more logically, needed to be fast, easy to navigate and read and to be able to supply consistent, useful information for customers.

There were two main reasons for the redevelopment of the site.

1. An independent review identified a variety of usability issues concerning navigation, performance and the consistency of content.
2. The web site ultimately needed to support on-line transactions.

The usability and design goals incorporated in the new web site include:

- Speed – fast download times for any user;
- Intuitive – users should not require special training or detailed instructions;
- Clear and simple language, with up-to-date information; and
- Shallow navigation – users can access the information they require as quickly as possible, and are not forced down deep paths.

E-business system and transaction development

The SRO also engaged experienced system developers to develop system and application software to support our e-business system. The e-business system will provide secure web-based on-line processing for a range of SRO transactions. This includes four high-priority on-line transactions:

1. Land Tax Clearance Certificates – Section 97 certificates will be requested and received on-line. Both one-off and batches from registered intermediaries will be catered for;
2. NetAA – Pay-roll Tax Annual Adjustment on-line. The diskette program has been a major success, and in 2002, we will replace software with a true Internet service;
3. eDRS – Document Return System on-line. Registered agents will be able to undertake this transaction over the Internet, replacing the existing manual process; and
4. Council Valuations – Councils will be able to submit supplementary valuations on-line.

Work began on the development of these transactions in May 2001. The transactions will be delivered progressively in early 2002. The developer has a strong background in systems security, which is important to the SRO, given the emphasis we must place on secrecy requirements and privacy legislation. For that reason, e-business and e-sys will be separate, interfaced systems.

While the Internet offers a cheaper, faster way for customers to undertake their business with the SRO, we are conscious of our responsibility to protect the confidentiality of customer data.

As with the development of the web site, customers will be involved in testing the transactions at various stages.

Implementation of information technology security policy

The SRO's IT Security Manager implemented the Information Technology Security Policy in March 2001. The policy addresses e-business system concerns and ensures that customer data is protected at all levels of organisational activity. The SRO takes physical and systems security seriously, and guidelines cover all the key areas. These are:

- Incident reporting;
- Systems development;
- Systems administration (including access provisioning);
- Network security; and
- User awareness.

e-business at Ballarat Technology Park

The move to new premises at Ballarat Technology Park will place us in a cluster of business and technology enterprises, and provide education opportunities for staff at the nearby University of Ballarat. For example, a Data Centre located within the Ballarat Technology Park is working on an e-security project in collaboration with the University of Ballarat.



SRO web site

Jon Armstrong and David Mallon manage the SRO's new web site (www.sro.vic.gov.au)

Human Resources >>

Reward and recognition

Throughout 2000/01 the SRO continued its commitment to recognising and rewarding individual and team achievement. Many achievements were publicly celebrated with e-mails to all staff, articles in *Revenews* and presentations of monthly awards, commendation certificates and Divisional Recognitions. Awards recognised significant individual and team performance or contributions to Divisional business results in work and project achievements, team work, customer service, innovation, leadership, commitment, productivity improvements, measurement initiatives; and demonstrated corporate behaviours.

Organisational health and well being

The Office recognises the importance of staff health and well-being. During the year new employee representatives were recruited to the OH&S Committee and training was provided to enable staff in these important roles to assist in the identification and resolution of organisational health matters. In addition a number of employee health and well-being initiatives were offered including access to free flu vaccinations, health management seminars and information material on correct posture, avoiding eyestrain and simple exercises for relieving tension at workstations. The Office also continued to provide staff with access to free personal counselling services.

Stabilising the workforce

During May 2001 the Office undertook a major project to stabilise its workforce. Human Resources managed the successful conversion of 117 fixed term employees to ongoing status. The appointment of these staff to ongoing jobs was completed using a merit based selection process.

Employee participation

In preparation for the significant organisational changes facing SRO in 2001/02, the Office sought to enhance communication and consultative processes with the establishment of a

Consultative Committee. The Consultative Committee continues to meet on a regular basis to provide SRO staff and the Community and Public Sector Union (CPSU) with an opportunity to comment on policy development and implementation of significant workplace changes.

ISO 9001 certification

In December 2000, the SRO achieved ISO 9001:1994 certification, an international standard that assesses organisations in knowing, through third party certification, that their main systems are within management control. Certification assists organisations in providing the quality that their customers expect. The SRO is now one of a few government agencies in Australia to have ISO 9001:1994 certification.

Lloyd's Register Quality Auditors, which assessed the SRO, was particularly impressed by the comprehensiveness of the SRO's controls and the fact that they were managed largely electronically. Quality Auditors will return every six months to assess continually the SRO's management systems.



ISO Team

(L to R) Tony Walsh, Laura Perri and Sarit Kannanoor

Human resources - looking forward

With the announcement of the establishment of a new SRO facility in Ballarat in 2001/02, Human Resources has begun to put in place a range of strategies to support the business transition. These strategies will be aimed at supporting staff in their relocation to Ballarat or their pursuit of other career options within and outside SRO. At the same time HR will be working to ensure the Office attracts a highly skilled and capable workforce at both locations.



Excel Award Winners

(L to R) Rod Holland, David Ogilvie, Graeme Wilson, Grant Parsons, Gerry McKenna, John Jennings, Peter Katsaris, David Shaw and Graeme Wallace

Tax Reform >>

The Harvey Committee released its Review of State Business Taxes Report in February 2001. This was the first major review of the State's tax system since 1981. The review of State Business taxes began in May 2000 after the Treasurer established an independent Tax Review Committee.

The aim of the Review was to recommend a tax system that provides a more competitive environment for business, simplicity, transparency and improved equity.

Duties Act 2000

On 28 November 2000, the *Duties Act 2000* (the Act) received the Royal Assent. The Act was the outcome of an inter-jurisdictional project with New South Wales, South Australia, Tasmania and the

Australian Capital Territory to rewrite the much-criticised existing stamp duty legislation. The new Act commenced on 1 July 2001 and from that date the *Stamps Act 1958* was repealed.

The Duties Act replaces the *Stamps Act 1958* with simple, clear and equitable legislation drafted in contemporary language and modern style. The Duties Act enhances the prospect of uniformity across jurisdictions, with particular emphasis given to removing double duty on cross-border transactions. The model provisions developed by the States have received significant support from major financial and legal firms on the basis that they promote simplicity, equity and reduce compliance costs for industry and consequently for the community at large. Progressively, these model provisions are being enacted by all taxing jurisdictions.

The **Duties Act** replaces
the **Stamps Act 1958** with
simple, clear and equitable legislation
drafted in **contemporary language**
and **modern style.**

Executive Profiles >>



David Pollard BEcon, MA (Hons), PhD (Syd)
Commissioner of State Revenue

David Pollard became the second Commissioner of State Revenue in September 1997. He is a member of the Committee for Economic Development in Australia, the Quality Society of Australia and the CEO Circle.

Before joining the SRO, he 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.

He was a member of the State Business Tax Review Committee, which reported to the Government in February 2001.



Rob Dickens BBus (Public Admin)
Customer Relations Division

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.

The Customer Relations Division is responsible for the collection and management of all taxes for which the SRO is responsible. The customer relations division manages other schemes including the First Home Owner Grant and Subsidies. The division is also responsible for the provision of private and public rulings to taxpayers, internal training and public education.



Paul Broderick MBA
Information Technology Division

Paul joined the SRO as Divisional Manager of Customer Relations in January 1998 after holding senior positions with the Australian Securities Commission (ASC). During the course of the year Paul was seconded to take over full responsibility for the e-sys and ESD projects in addition to the management of the IT Division.

As the e-sys project is now complete, Paul now has responsibility for the IT and telecommunication systems for setting up and linking the new facility in Ballarat.

Executive Profiles >>



**Peter Hiland BA,
Graduate Diploma
Legal studies, LLM
Compliance Division**

Peter joined the SRO in 1999 after leaving a legal role with the Australian Securities and Investments Commission.

The Compliance & Policy Division is responsible for all Investigation activity, debt management and the management of the Statutory review functions through the Investigations and Recovery and Review Branches.

The Division is responsible for the Policy and Legislation functions through the Policy Branch.



**Aspasia Georgiou
BSc, LLM
Legal Services**

Aspasia has been with the SRO since its inception and was previously with the Legal Branch of the former Stamp Duties Office.

Legal Services Branch is responsible for the provision of legal advice on all taxes administered by the SRO, and conduct of litigation in the Victorian Civil and Administrative Tribunal (VCAT) and the Courts arising from Acts administered by the SRO. In addition, Legal Services provides advice on the *Freedom of Information Act 1982* (including the processing of requests and conduct of any subsequent litigation before VCAT) and is also responsible for contracts advice and preparation.



**Steven Polites
LLB, BBus
Finance and
Administration**

Steven joined the SRO in 1994 as a lawyer with the Recovery and Review Branch after having been in private practice for 10 years specialising in commercial law and finance. Steven is currently acting Executive Director Finance and Administration.

The Finance and Administration Branch is responsible for Financial Reporting and Analysis, Procurement, Accounts Payable, Revenue Processing and the SRO Payroll function. The Branch performs a range of administrative responsibilities including Telecommunications, Building Services, Printing and Publications, the SRO Library, Records Management, Mail services, Corporate Communication, Business support services, External Audit and Business Continuity Planning.



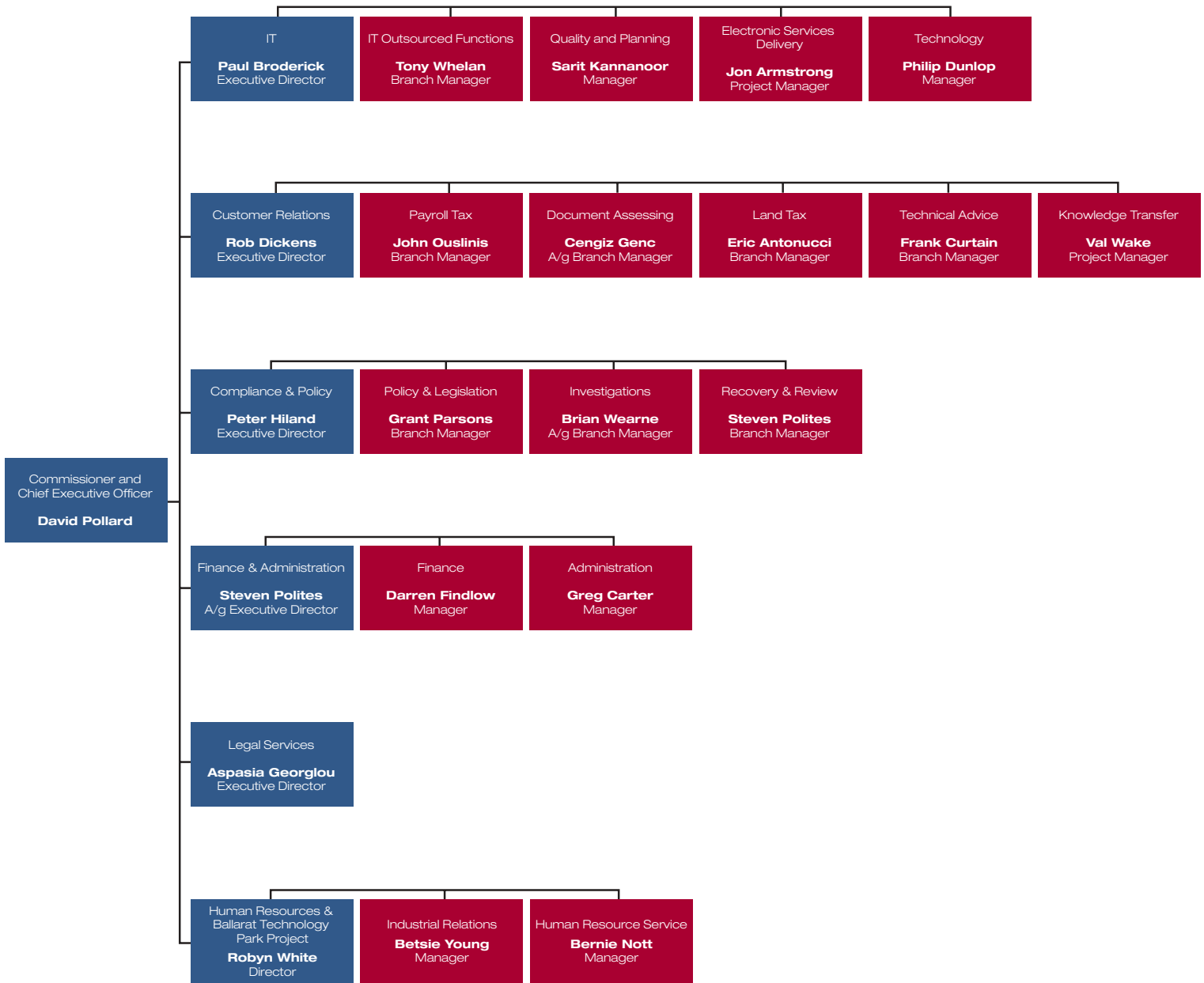
**Robyn White BA (Hons)
PhD (ANU)
Human Resources and
Ballarat Technology
Park Project**

Robyn has been with the SRO since 1997, and has held a number of positions in that time, including Branch Manager Land Tax. Her background is in Tertiary Education and Training.

The Human Resources area of the SRO is responsible for the strategic focus of our human resources and workforce planning. This includes the recruitment, training and development of staff, and managing ongoing staff welfare issues such as Occupational Health and Safety, Equal Employment Opportunity, staff counselling, and grievance resolution.

In conjunction with the SRO Executive, the Ballarat Technology Park Project Team is managing the implementation of this project including SRO business transition, enhanced IT infrastructure development, recruitment and training of new staff, and the smooth career transition of current SRO staff who choose not to relocate.

Organisational Structure >>



Financial Statements >>

Statement of financial performance for the year ended 30 June 2001

	2000/01 \$ '000	1999/00 \$ '000
Revenue from ordinary activities		
Revenue from Government	55,438	60,339
User charges	-	2,301
	55,438	62,640

Note: User charges are treated as an administered item in the 2000/2001 year. A total of \$1,953,501 was received for the year.

Expenses from operating activities

Employee benefits	23,856	25,549
Supplies and services	16,863	23,744
Depreciation and amortisation	7,044	5,803
Capital asset charge	1,762	1,235
Other expenses	484	4,133
	50,009	60,464
Net surplus for reporting period	5,429	2,176

Notes to the Statement of financial performance

- The reduction of \$1.693 million in employee benefit costs reflects the ongoing restructuring made to the organisation during the year. The number of SRO staff at 30 June 2001 was 442, down from 499 the previous year.
- The reduction in supplies and services reflects information technology and consultancy costs being relatively lower than in 1999/2000 when increased costs were incurred to ensure the SRO was Y2K compliant.
- The increase in depreciation and amortisation and the capital asset charge reflect the purchase of \$15.744 million in additional municipal valuations from local councils and \$2.733 million for the development of data-matching software used to improve the identification of non-compliance.

Statement of financial position as at 30 June 2001

	2000/01 \$ '000	1999/00 \$ '000
BALANCE SHEET		
Current assets		
Cash assets	4	4
Receivables	51	32
Inventories	75	100
Prepayments	398	348
	528	484
Non-current assets		
Plant, property and equipment	24,332	16,206
Municipal valuations	10,664	-
	34,996	16,206
TOTAL ASSETS	35,524	16,690
Current liabilities		
Interest bearing liabilities	2,881	3,272
Payables	9,717	(3,470)
Provisions	2,374	2,176
Other	830	713
	15,802	2,691
Non-current liabilities		
Provisions	4,054	3,760
	4,054	3,760
TOTAL LIABILITIES	19,856	6,451
NET ASSETS	15,668	10,239

Notes to the Statement of financial position

	2000-01 \$ '000	1999-00 \$ '000
WDV property, plant and equipment		
Computers equipment	1,385	491
Plant, furniture and equipment	342	320
Leasehold improvements / fitouts	228	274
Construction in progress	22,377	15,121
	24,332	16,206

Payables

Trade creditors	155	-
Owed to government departments	4,240	(7,447)
Accruals	5,322	3,977
	9,717	(3,470)

Provisions

Current

Annual leave	1,481	1,332
Long service leave	450	430
Performance incentive provision	443	414
	2,374	2,176

Non current

Long service leave	4,054	3,760
NET CARRYING AMOUNT OF PROVISIONS	6,428	5,936

Administered items

Administered revenues

Payroll tax	2,836,833	2,628,188
Stamp duty*	2,341,379	2,299,229
Land tax revenue	525,158	410,709
Financial transaction taxes	640,036	611,336
Licence fees	6,515	8,477
TOTAL	6,349,921	5,957,939

Add: Appropriations from Government

Less: Cattle compensation fund	315,009	106,656
Less: Sheep & goat compensation	<2,717>	<2,531>
Add: Sundry income	<1,353>	<1,282>

2000-01
\$ '000

1999-00
\$ '000

Total administered revenue

* Includes Cattle compensation fund
and Sheep & goat compensation

	621	104
	6,661,481	6,060,886

Administered expenses

First home owners grant	247,402	-
Petrol & liquor subsidies	60,818	103,319
Other grants, rebates & other payments	6,789	3,337
Bad and doubtful debts	21,396	3,623
TOTAL	336,405	110,279

NET ADMINISTERED REVENUES **6,325,076** **5,950,607**

Notes to administered items

- The increase in revenue received was due mainly to the upturn in economic activity, highlighted by higher real estate values and increased wages and salaries paid.
- The decrease of \$42 million in subsidies reflects the removal of the off-road diesel subsidy as a result of the introduction of the GST.
- The First Home Owner Grant was introduced on 1/7/2000. The \$247 million paid throughout the year includes \$7 million for the Commonwealth Additional Grant.

Appendix One >>

Analysis of Debt

Tax Base	\$ Total Debt 30/6/01	\$ < 30 Day	\$ 30-90 Day	\$ > 90 Day	\$ Provision for doubtful debt	\$ Total Debt 30/6/00
Stamp duty debt						
Documents	3,948,643	522,680	668,222	2,757,742	1,794,759	3,406,109
Insurance	4,341,193	1,310,810	1,277,587	1,752,795	2,555,435	89,614
Rental business	166,604	6,564	5,027	155,013	0	330,257
Registered Used Car Duty	1,255,790	129,636	254,377	871,777	455,153	1,062,786
Motor Car Duty	103,346	1,592	8,562	93,192	50,675	118,241
Betting Tax	2,776	0	0	2,776	0	2,686
Total stamp duty	9,818,352	1,971,282	2,213,775	5,633,295	4,856,022	5,009,693
Business franchise debt						
Tobacco	99,043	0	0	99,043	98,999	99,043
Petroleum	0	0	0	0	0	0
Liquor Licence	0	0	0	0	0	0
Total business franchise	99,043	0	0	99,043	98,999	99,043
Other tax bases						
Pay-roll tax	34,906,366	3,232,005	2,669,216	29,005,145	16,041,726	24,533,689
Land tax	46,673,397	12,934,017	28,274,503	5,464,877	16,181	26,345,061
Financial Institutions Duty	185,585	39,622	72,889	73,074	0	817,261
Share duty	42,166	24,827	16,343	996	0	705
Cattle and Swine Duty	40,708	40,708	0	0	0	0
Total other tax bases	81,848,222	16,271,179	31,032,951	34,544,092	16,057,906	51,696,716
All taxes	91,765,617	18,242,461	33,246,726	40,276,430	21,012,927	56,805,452

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.
- The increase in Total Debt this year was attributable to two main factors: the timing change in the 2001 Land Tax assessment issue cycle; and an increase in the number of taxpayers who had entered into approved arrangements to pay their Payroll Tax liabilities by instalments.
- Outstanding primary and additional tax collected during 2000/2001 totalled \$199,690,380.
- The amount of debt that was under arrangement at 30 June 2001 was \$4,250,913.
- The amount of disputed debt at 30 June 2001 was \$22,646,764.
- The amount of deferred debt at 30 June 2001 was nil.
- Outstanding additional tax charges were \$11,710,609 at 30 June 2001.
- Debts are only written off when all reasonable steps to effect recovery have been taken.

Summary of written off debt	\$
Rental Business	71,907
Reg Used Car Duty	134,791
Motor Car Duty	3,414
Betting tax	0
Document Assessing	0
Payroll Tax	5,271,814
Land Tax	234,475
Insurance	0
Tobacco	0
Petroleum	0
Probate Duty	0
Total debt written off	5,716,401

Appendices Two, Three and Four >>

Appendix Two

Consultancies expended and capitalised

Consultancies in excess of \$100,000

The SRO engaged one consultant costing in excess of \$100,000 during 2000-01.

- SMS Consulting Group Pty. Ltd.
\$306,962
Technical infrastructure architecture, ESD security and I.T. environment vulnerability.

Consultancies less than \$100,000

The SRO engaged 10 consultants costing less than \$100,000 during 2000-01 at a total cost of \$230,457

Appendix Three

Staff numbers as at 30 June 2001

Classification	Male	Female	Total
EO - 2	1	0	1
EO - 3	5	2	7
VPS 1	10	16	26
VPS 2	46	78	124
VPS 3	95	81	176
VPS 4	61	27	88
VPS 5	17	4	21
TOTAL	235	208	443

Notes

1. 391 ongoing employees
2. 52 maximum period employees
3. Figures do not include 7 employees on extended leave or secondment

Appendix Four

Freedom of Information (FOI)

FOI Officer: Diana Pereira
(03) 9628 0515

Requests Received

New Requests for access to documents	15
Requests from previous year finalised in 2000/01	0*
Total:	15

Outcomes of Requests

Granted in Full	4
Granted in Part	3
Denied	5
Transferred in Full	0
Transferred in Part	0
Withdrawn	0
Pending at 30 June 2001	0
No document in existence	3
Total:	15

Fees and Charges Collected **\$361**

Fee waived 1

Review Process

Internal Review Sought	5
Original Decision confirmed	1
Original Decision varied	4
Denied	0
Withdrawn	0
Not completed at 30 June 2001	0

Victorian Civil and Administrative Tribunal

Review Sought	3
Decided at preliminary conference	0
Withdrawn before hearing	10 [†]
Settled between parties	0
Awaiting hearing at 30 June 2001	3 [^]

* Last year's Annual Report indicated there were three matters carried over. In fact there were none.

[†] These matters were settled before hearing and related to one taxpayer. They were awaiting hearing as at 30 June 2000.

[^] These 3 matters are related to one taxpayer.

Appendix Five >>

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 constructed as one and may be cited together as the Business Franchise Act. This Act contains administrative and inspection provisions that apply to the payment 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.

Duties Act 2000

Replaces the Stamps Act 1958, and applies from 1 July 2001. With this Act liability to pay duty is shifted from the execution of a paper instrument, to the completion of a transaction that may or may not be reduced in writing. In line with current business, furthermore, there are specific provisions that recognise the increasing number of inter-state transactions and which ensure that the other jurisdictions do not levy duty in respect of the same transaction. More importantly, the Act is based on provisions that are broadly uniform across Australia.

Financial Institutions Duty Act 1982

Although FID has effectively been abolished with effect from 1 July 2001, parts of this Act still remain in force to enable the SRO to complete compliance and recovery matters and pay refunds.

First Home Owner Grant 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 principle 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.

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 was replaced by the *Duties Act*, effective 1 July 2001.

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

State Taxation Acts (Further Miscellaneous Amendments) Act 2001.

Duties (Amendment) Act 2001.

State Taxation Acts (Taxation Reform Implementation) Act 2001.

Regulations

Business Franchise (Tobacco and Petroleum Products) Regulations 1992

Debits Tax Regulations 1998

Financial Institutions Duty Regulations 1992

First Home Owner Grant Regulations 2001

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

Pay-roll Tax (Prescribed Sporting Club) Regulations 2001 (effective 1 July 2001)

Stamp Regulations 1992

Taxation Administration Regulations 1997

Customer Service Directory >>

Telephone and enquiry number

All Enquires **132 161**

Advice on Victorian Taxes

Debits tax
Land tax
Liquor and petroleum product services
Pay-roll tax

Duties

Recorded information for document stamp duty
Adhesive duty stamp sales
Livestock
First home buyer and pensioner benefits
First home owner grant
Insurance
Sales, mortgages and leases
Motor vehicle duty
Hire of Goods

Technical advice

Pay-roll tax
Land tax
Duties
Financial transactions taxes
Revenue rulings

Other services

Anonymous information and voluntary disclosures
Customer education
Interpreter services
Switchboard
Investigations
Receivables management and payment arrangements
Objections and appeals

Corporate administration

Human resources, Finance,
Information technology

132 161

Postal address

State Revenue Office
GPO Box 164N
Melbourne Victoria Australia 3001 or
DX 260090 Melbourne

Hours of business for Call Centre

8.30am to 5.00pm

Enquiries in person

State Revenue Office
505 Lt Collins street
Melbourne Victoria

Hours of business for Customer Service Centre

8.30am to 4.30pm

Electronic communications

Facsimile
E-mail
Internet

03 9628 6222
sro@sro.vic.gov.au
<http://www.sro.vic.gov.au>

