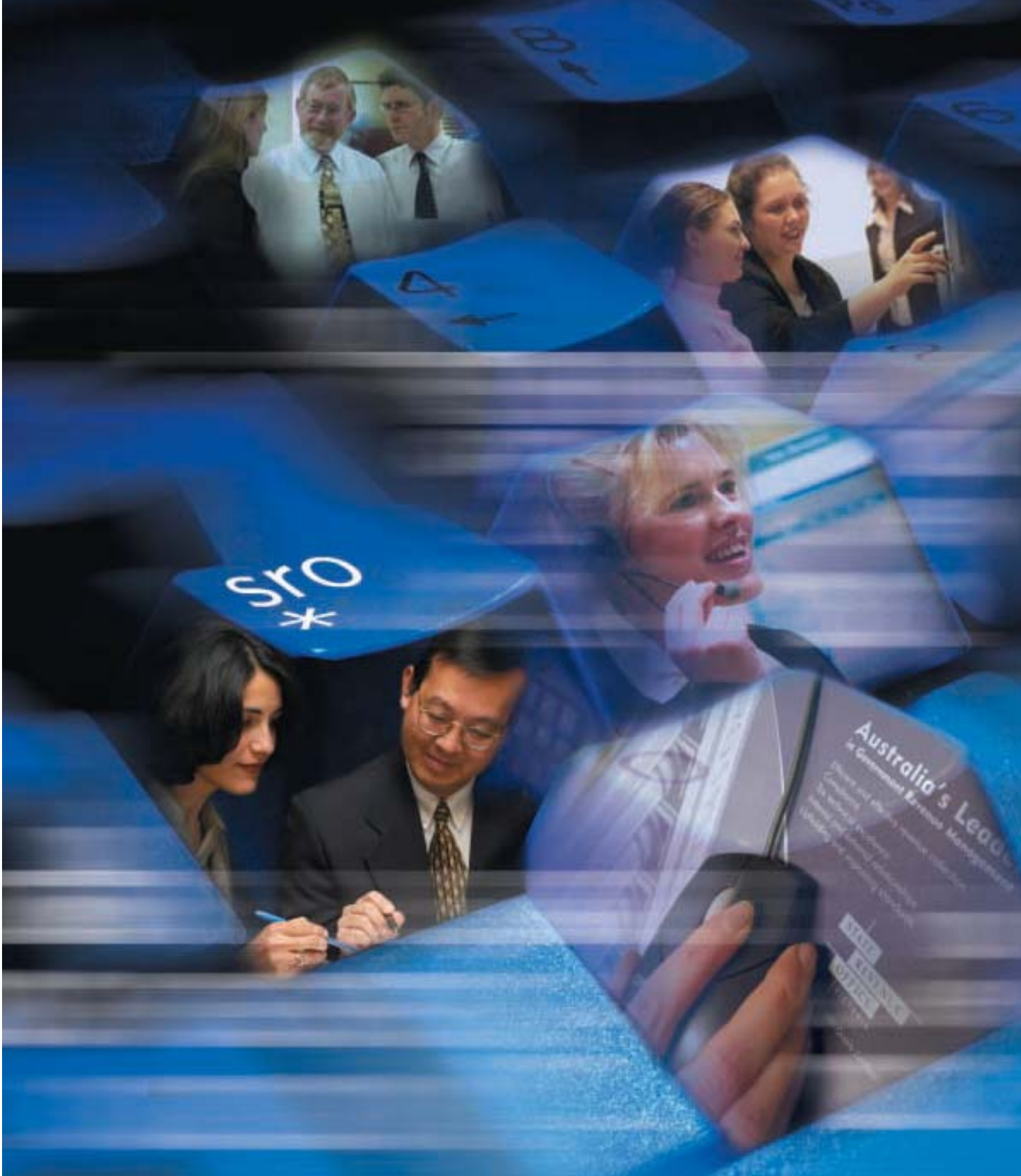


# taxation **meets** technology

State Revenue Office Victoria

annual review 2002



# SRO 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

# About the SRO

The State Revenue Office (SRO) administers Victoria's taxation legislation and collects a range of taxes, duties and levies. In 2001-02, the SRO collected more than \$6,474 million in duty, pay-roll tax, land tax, financial institutions duty and debits tax. The SRO also administers the First Home Owner Grant on behalf of the Federal Government and provides administrative support for the Water and Sewerage Rebate Scheme.

The SRO acts as an independent service agency under a framework agreement between the Victorian Treasurer, the Secretary of the Department of Treasury and Finance (DTF) and the Commissioner of State Revenue.

The organisation has a three-year strategy on which it bases its annual Business Plan. Its operations rely on sophisticated technology and a significant proportion of customers are assisted through ebusiness services. The SRO also maintains active compliance and customer education programs.

The SRO is located at 505 Little Collins Street, Melbourne. However, in March 2002 it relocated many of its functions to Ballarat as part of a State Government initiative.

## SRO Values

- Quality Customer Service
- Employee Participation
- Professional Staff Working Well Together
- Honest Communication
- Ethical Behaviour
- Quality Leadership
- Tax Technical Excellence

# Contents of Review

The Commissioner reports	3	SRO at Ballarat	19
Revenue highlights	6	Recruiting and training a new workforce	
Pay-roll Tax	8	Knowledge retention and training	
Challenges		Environmental responsibility	
Electronic AA		BTP project success	
Compliance activities		People at SRO	21
Employment agencies		Staff impact and redeployment	
Key results		SRO employees by classification and gender	
Duties	10	Organisational health and well-being	
Components of Duty Revenue		Communications	
Challenges		Social clubs	
Document Return System		Continued commitment to quality	
Compliance activities		Balanced Scorecard	
Exemptions and concessions		Where to from here	
Licences and subsidies		SRO organisational chart	25
Key results		Executives	26
Land Tax	12	Taxpayers' Charter	28
Key results		Protecting your rights	29
Challenges		Taxpayers' Charter	
Compliance activities		Freedom of Information	
Initiatives		Review	
Valuations		Privacy	
Financial Transaction Taxes	14	Whistleblowers	
Challenges		Speaking opportunities	
Key results		Protecting your revenue	31
Compliance activities		Investigations	
First Home Owner Grant	15	Debt management	
Challenges		Customer education	
Compliance activities		Litigation	
Analysis		Tax reform	
Key results		State Taxes Consultative Council	
Taxation meets technology	16	Conferences	
Voice Over Internet Protocol (VOIP)		Financial Statements	34
ebusiness		Appendices	37
e-sys - core computer system			
SRO website			

# The Commissioner Reports

The past year has been one of immense change for the State Revenue Office, its staff and the way we provide service to the Victorian taxpayer.

In 2001-02 the SRO collected \$6.5 billion in revenue which was 14 per cent more than forecast by the Department of Treasury and Finance. This was largely due to the continuing strength of the property market.

However, the revenue statistics only tell part of the story. The development of a new office in Ballarat, the training of a new workforce and the utilisation of cutting edge technologies were also highlights of the past year.

## ► \$6.5 billion revenue collected

For the SRO, the Government's decision that 40 per cent of our functions would be relocated to a new purpose-built Ballarat facility placed high demands on the organisation and its people.

I am pleased to say that every area of our organisation rose to meet this challenge.

It was only in June 2001 that the Government announced the relocation as part of its policy of supporting economic growth and employment throughout regional Victoria.

Within nine months a site was chosen, a high-technology building constructed, a new workforce was recruited and trained and the Ballarat Technology Park facility became fully operational.

It was a difficult period which saw the establishment of a workforce of almost 200 in Ballarat coincide with a similar reduction in the Melbourne office.



About 30 Melbourne staff elected to relocate to Ballarat, with 70 electing to leave the organisation. A further 96 sought employment elsewhere within the SRO or across the broader Victorian Public Service.

The SRO managed a comprehensive redeployment program, in conjunction with the Office of Public Employment, for the 96 staff that did not want to relocate or take a separation package. At the time of writing, less than 20 staff are still to be redeployed.

# The Commissioner Reports

## Technology

The construction of the Ballarat facility brought about the opportunity to upgrade our telecommunications substantially and IT infrastructure to ensure seamless communications between the two offices, as well as with our customers.

The SRO was at the forefront of telecommunication technology with the introduction of Voice Over Internet Protocol (VOIP), a system where all data is transmitted over one cable, resulting in superior service and substantial savings for Victoria.

We have also provided a number of ebusiness services over the past year to allow customers more flexibility when dealing with our office.

Use of our online Land Tax Clearance Certificate system is growing steadily, with around 30 per cent of customers now electing to use the service. An electronic Document Return System was also established, along with Land Tax data feeds for municipalities.

However, the electronic Annual Adjustment Pay-roll Tax system stood out as the shining light of our ebusiness offerings.

In only its first year, the system attracted about 85 per cent take up by Pay-roll Tax customers who lodged an Annual Adjustment this year.

► Ballarat - Transfer of significant SRO operations to Ballarat

The first release of e-sys, the SRO's new core computer system, went live in August 2001 after three years in development. This first phase was designed to provide an exceptional computer platform for the operation of Land Tax and Pay-roll Tax.

In the coming year, the second e-sys release will see our other two management systems upgraded to align with the core system.

## Tax policy

In the tax policy area, the SRO provided the Government with timely advice on a range of key issues. During 2001-02, three tax Bills were passed by the Victorian Parliament. The Bills changed the law in a number of areas, including implementing the Government's tax reform agenda, enacting new motor car duty provisions and replacing Land Tax equalisation factors with indexation factors.

► New Duties Act rulings and processes implemented and various duties abolished

## The Five Pillars

Shortly after the opening of the Ballarat facility I was appointed Commissioner, replacing Dr David Pollard who had served admirably in that role for the past four years.





It was at that time I introduced the 'Five Pillars' concept, designed to support the SRO's vision as Australia's leader in Government revenue management.

These pillars form the foundation of our strategic and business planning. The Five Pillars are:

**Effective and efficient revenue collection**

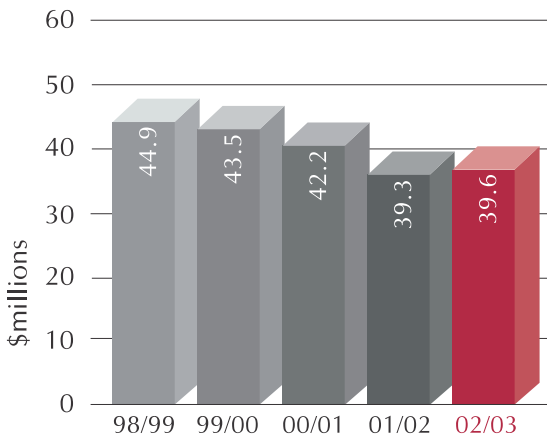
**Compliance**

**Tax technical excellence**

**Internal and external relationships**

**Upholding and improving standards**

**Total SRO Discretionary Budget  
(inc pay increases)  
(Employee Entitlements and Supplies & Services)**



## Recognition for effort

The SRO continued its commitment to highest business standards maintaining its ISO 9001 Quality Certification.

The Office also received the Sir Rupert Hamer Award for its outstanding records management system.

These achievements were made against the backdrop of a declining discretionary budget.

## Looking forward

The coming year will see a focus on making the collection of revenue more efficient for the SRO and taxpayers. We will also be concentrating on improving compliance activities to ensure that the right amount of tax is paid at the right time by all who are liable. These activities will be pursued with vigour along with the three other pillars previously described.

Finally, I wish to re-affirm the confidence I have in the Executive, management and staff of the SRO. I firmly believe the office has the commitment and drive to build on the significant progress made during the past financial year.

**Paul Broderick**  
Chief Executive Officer and  
Commissioner of State Revenue



# Revenue highlights

## Performance against forecasts

	Forecast \$	Collections \$	Variation
Pay-roll tax	2,906,969,000	2,871,198,656	-1.23%
Duties *	1,942,400,000	2,800,135,691	44.16%
Land tax	567,500,000	514,878,367	-9.27%
Financial institutions duty	32,800,000	35,941,963	9.58%
Debits tax	250,000,000	251,975,907	0.79%
<b>Total</b>	<b>5,699,669,000</b>	<b>6,474,130,584</b>	<b>13.59%</b>

\* Includes

General licence fees	6,407,023
Cattle compensation fund	2,936,799
Sheep & Goat compensation fund	1,265,413

## Refunds paid

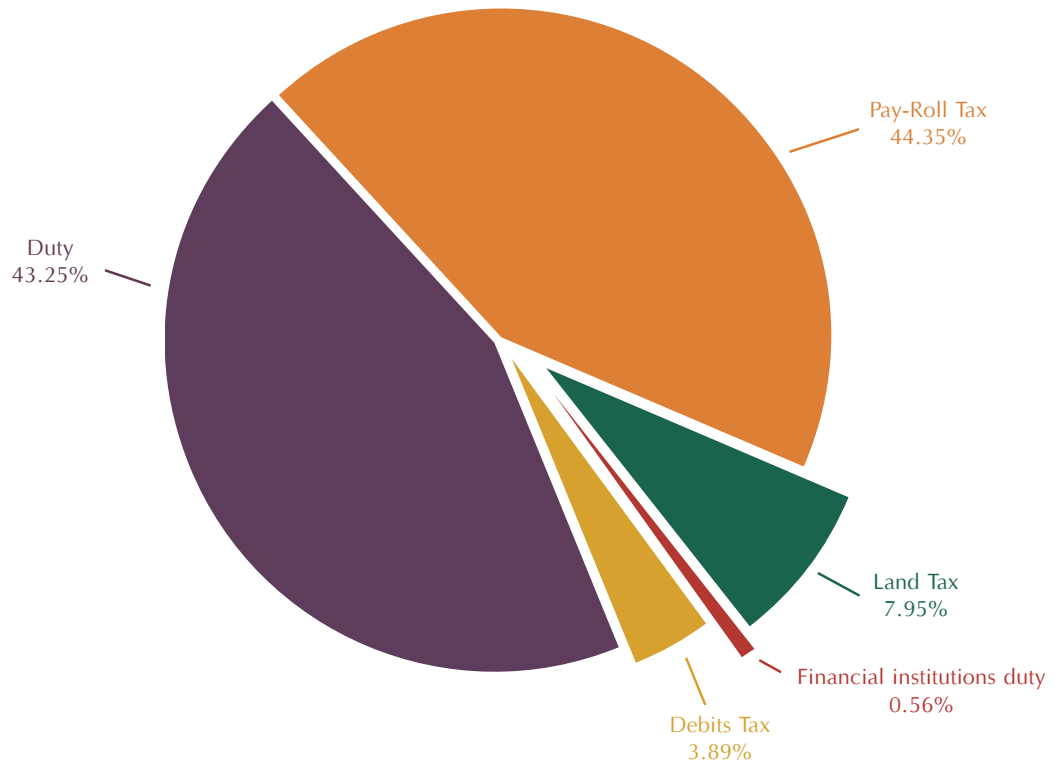
	2001 (\$)	2002 (\$)
Pay-roll Tax	30,212,072	32,919,664
Duties	10,475,581	14,241,437
Land Tax	10,310,441	8,319,269
Financial Institutions Duty	1,327,163	1,309,307
Debits Tax	179,433	3,735
Liquor		17,615
<b>Total</b>	<b>52,504,690</b>	<b>56,811,027</b>

## First Home Owner Grant paid

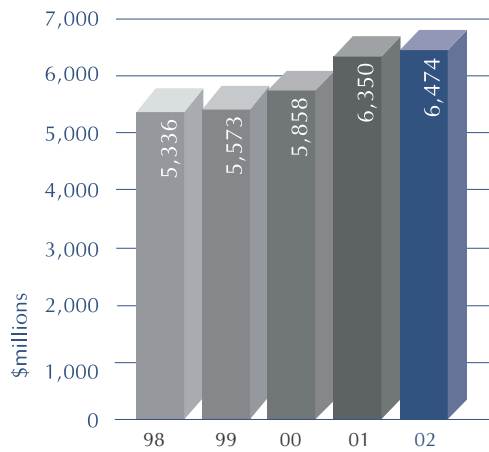
	2001 (\$)	2002 (\$)
First Home Owner Grants	240,339,000	321,869,012
Commonwealth Additional Grants	7,063,000	83,666,000
<b>Total</b>	<b>247,402,000</b>	<b>405,535,012</b>



### Revenue break up



### Total net tax/duty revenue



# Pay-roll Tax

*The SRO collects pay-roll tax from employers whose total Australian wages for the financial year are greater than the general exemption level of \$515,000 for the year ending 30 June 2002.*

*Wages are defined as all wages, salaries, remuneration, commissions, bonuses, superannuation payments, allowances and fringe benefits paid or provided to directors, employees and deemed employees. The tax rate for the year was 5.45 per cent.*

*As part of the 2002 State Budget, the State Government introduced changes to the pay-roll tax rate and threshold for the 2002-03 financial year. Effective from 1 July 2002, the pay-roll tax rate has decreased to 5.35 per cent and the threshold at which an employer becomes liable for pay-roll tax increased from \$515,000 to \$550,000.*

*The Pay-roll Tax Act 1971 governs this revenue line, with the Taxation Administration Act 1997 setting out administrative requirements, including the range of applicable penalties.*

## Year in review

### Challenges

Pay-roll tax processing functions were moved to Ballarat in November 2001. In addition to relocating a small number of staff from Melbourne, the SRO recruited approximately 40 staff from the Ballarat region. The relocation and intensive training required in a short period presented the SRO with a major challenge, as did the constrained office accommodation used before the new building became available in March 2002. We are pleased to have been able to maintain a high standard of work during this time, particularly since we were using the new computer processing system (e-sys) during this period.

### Electronic Annual Adjustment (eAA)

A significant and complex ebusiness project was undertaken this year to enable taxpayers to perform their pay-roll tax Annual Adjustment via the Internet. The eAA, as it is known, represents a major step in the SRO's capacity to deliver sophisticated electronic business solutions for customers. The eAA was the preferred method for about 85 per cent of taxpayers who completed an Annual Adjustment. The results will be analysed to ensure any problems identified are addressed prior to the eAA lodgement period next year.

### Compliance activities

Pay-roll tax investigations resulted in the detection of \$2.45 million in unpaid revenue. Investigations were spread across a range of taxpayer profiles with the bulk of detected revenue arising from unregistered



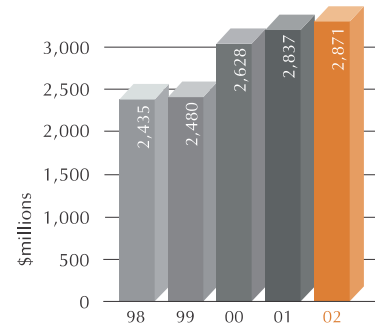
employers, interstate employers and the non-lodgment of Annual Adjustment returns. In most cases assessments were issued and penalties and interest imposed. In addition, there was an emphasis on conducting probity checks of applicants for authorised employment agent status.

### Employment agencies

At June 2002, 622 entities were registered as employment agencies authorised to collect pay-roll tax from their clients. Entities seeking registration as an authorised employment agency must meet stringent criteria before authorisation is approved. A total of 124 applications for registration were received during the year, of which 99 applicants were granted interim or on-going approval and eight were rejected for failing to meet the required standards. The remaining, 17 were not approved because the applicant chose not to proceed with the application. There were also 31 employment agency status cancellations during the year for reasons ranging from non-compliance to voluntary cancellation.

#### Key Results

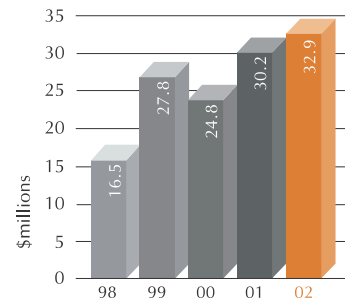
Net Revenue:	\$2,871 million
Forecast:	\$2,907 million
Difference:	-1.23%
Taxpayers:	20,023
Registrations:	2,116
Cancellations:	1,510



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

From left: Rod Holland and Peter Conway (Pay-roll Tax and Returns Assessing Branch); Pay-roll Tax and Returns Assessing Branch Manager Eddie Haddad; the Pay-roll Tax Branch launched the Internet-based electronic Annual Adjustment (eAA) service in June 2002



# Duties

*The Duties Act 2000 governs these revenue lines, with the Taxation Administration Act 1997 setting out certain administrative requirements, including the range of applicable penalties.*

*The Duties Act 2000 replaced the Stamps Act 1958 and became effective from 1 July 2001.*

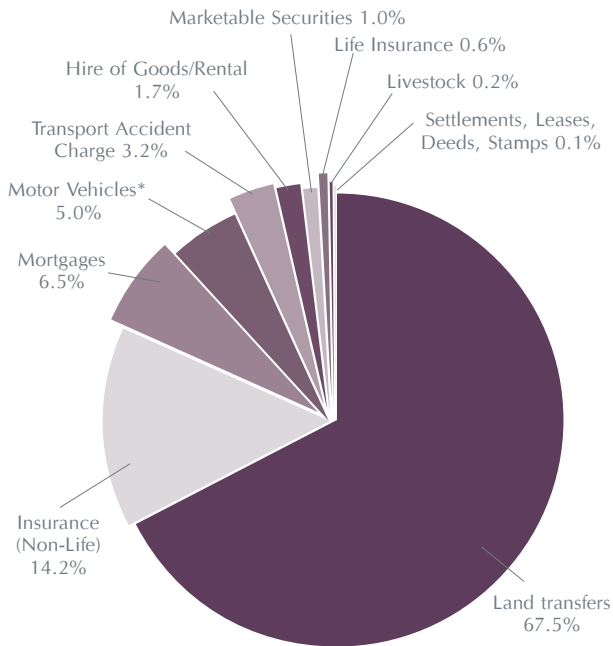
## Year in review

### Challenges

The implementation of the *Duties Act 2000* required a major undertaking to revise all the processes, information, forms and revenue rulings relating to the *Stamps Act 1958* to reflect the changeover to the *Duties Act 2000*. The majority of this work was completed successfully by 30 June 2002.

Processing functions associated with hire of goods, motor vehicle transfers and insurance duty were transferred to Ballarat in October 2001. Logistic, recruitment, training and accommodation difficulties were overcome with only a minor impact on service delivery.

## Components of Duty Revenue



### Document Return System (DRS)

The DRS system, whereby authorised persons can endorse documents and collect duty from their clients on behalf of the SRO, was refined by a number of initiatives to ensure the security of the system. These included revised terms and conditions for DRS agents, stringent probity checks of new applicants and existing agents, an enhanced program of compliance audits, an enhancement in SRO monitoring processes and a rationalisation of the number of DRS agents. This year also saw the introduction of an online system that allows agents to lodge returns and make payments to the SRO through the Internet.

### Compliance activities

Investigations detected \$9.5 million in revenue. The main area of concern was the low activity level of many DRS agents and considerable SRO resources were applied to reviewing and rationalising all



aspects of the DRS regime, as well as to auditing agents. Approximately \$6 million of outstanding duty was detected as a result.

Other activity included investigations of motor vehicle transfers and high value conveyancing. These investigations revealed approximately \$3 million outstanding revenue.

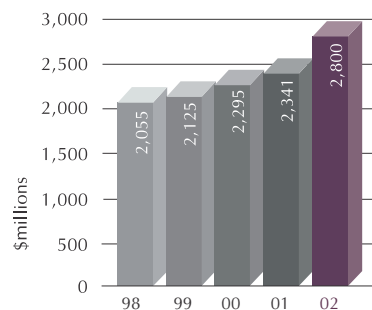
### Exemptions and concessions

Around \$1.5 million in duty exemptions was granted to eligible first homebuyers and \$3.4 million to pensioners and eligible concession cardholders. These exemptions and concessions are distinct from the First Home Owner Grant. The threshold for family first homebuyers and concession cardholders will be increased to \$150,000 (for maximum concession) and \$200,000 (for a partial concession) from 1 July 2002. The income test for families will be abolished from 1 July 2002.

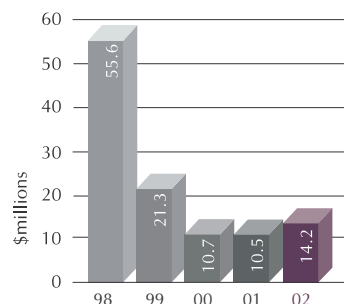
### Licences and subsidies

A total of 13,800 liquor licence renewal notices were issued in 2001-02, which resulted in \$6.4 million being received in revenue. \$23.1 million was paid to licensees in respect of subsidies on Low Alcohol Beer and Cellar Door sales of wine. As a result of the Federal Government administering a national concession scheme for Low Alcohol Beer from 1 July 2002, the total amount of subsidies to be paid for the 2002-03 year is expected to decrease significantly.

During the 2001-02 year \$32 million was paid in subsidies to reduce the cost of motor spirit and on-road diesel fuel to end users.



Net Duties revenue over the past five years



Duties refunds over the past five years

Key Results	
Net Revenue:	\$2,800,135,691
Forecast:	\$1,942,400,000
Difference:	+ 44.16%

From left: Customer Service Officer Amy Stewart; Brooke Nicholson and Team Leader Jacques Roussel; Technical Advice Officer Frank Galati



# 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 \$125,000.*

*Land on which the landowner's principal place of residence (PPR) is situated, or land which is used for primary production purposes are exempt. 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 governs this tax.*

*Earlier this year, the Victorian Government announced a further increase in the Land Tax threshold, to take effect from 1 January 2003. The threshold will increase from \$125,000 to \$150,000.*

## Year in review

### Challenges

From October 2001, the entire Land Tax Branch was relocated to the new facility at Ballarat Technology Park. The establishment of the Branch in Ballarat presented significant challenges in recruitment, training and logistics. These were successfully met.

Despite a relatively new workforce, the 2002 assessment cycle and revenue targets were achieved on schedule.

### Compliance activities

Land tax investigations, using data matching software, detected approximately \$1 million unpaid revenue. Most of this was the result of aggregating land holdings. Several legal issues involving trusts and grouping arose as a result of compliance investigations.

### Initiatives

The annual review of the 2001 Land Tax Assessment Issue Cycle identified initiatives that could be made to improve the efficiency of the 2002 issue cycle. These included the introduction of credit card payments for 2002 assessments, following feedback from our customers.

### Key Results

Taxpayers:	127,988
Land Tax revenue:	\$514,878,367
Forecast:	\$567,500,000
Difference:	-9.27%





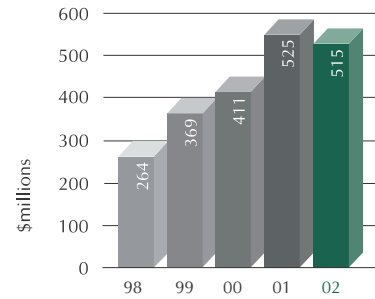
Another highlight was the launch of Land Tax Clearance Certificates (Section 97) Online. In keeping with the SRO's commitment to providing ebusiness solutions for our customers, Land Tax Clearance Certificates (Section 97) Online was made available via the SRO website, allowing customers to obtain these certificates with greater ease.

The service is a success and we are now working to increase its usage to further improve our efficiency.

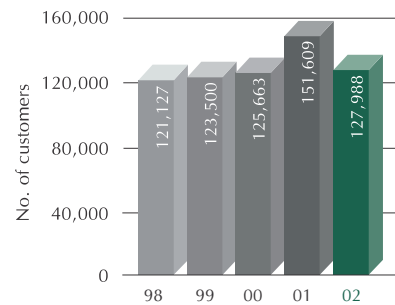
### Valuations

All Victorian Councils will return their 2002 General Valuation data in a standard data quality format. These valuations will form the basis for our assessments in 2004.

The equalisation factor provisions in the *Land Tax Act 1958* were replaced with indexation factor provisions. The indexation factor will be applied when a general valuation is used for land tax for the second time. The factor, which is determined by the Valuer-General, will represent (in his opinion) half the aggregate movement in the value of taxable land in the municipality between the valuation in use for land tax and a subsequent general valuation returned by Councils.



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

From left: Land Tax Branch Manager Brendan Harrison; Executive Director Ballarat Operations Robyn White; the Land Tax Branch now operates from the new Ballarat facility





# Financial Transaction Taxes

*Financial Transaction Taxes refer to Debits Tax and Financial Institutions Duty (FID).*

*Debits Tax is charged on debits to accounts with cheque facilities. The rates are as follows:*

Not less than \$1 but less than \$100	30 cents
Not less than \$100 but less than \$500	70 cents
Not less than \$500 but less than \$5,000	\$1.50
Not less than \$1 but less than \$100	\$3.00
\$10,000 or more	\$4.00

*The Debits Tax Act 1990 governs this tax.*

*FID was abolished from 1 July 2001 but some debts and refunds arising from liabilities prior to that date still require attention. Under the Financial Institutions Duty Act 1982, FID was charged on receipts of money by financial institutions and was payable by those institutions, with the cost usually passed on to the account holder.*

outstanding FID issues. We have successfully met these challenges and remaining FID matters have been significantly reduced.

## Compliance activities

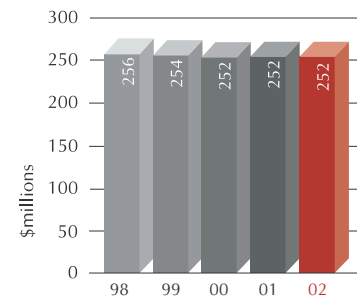
Investigations detected \$1.1 million in outstanding FID revenue. Several of these investigations were a continuation of programs commenced in previous years. The main source of the outstanding amounts was FID payment shortfalls by short-term money market operators.

## Year in review

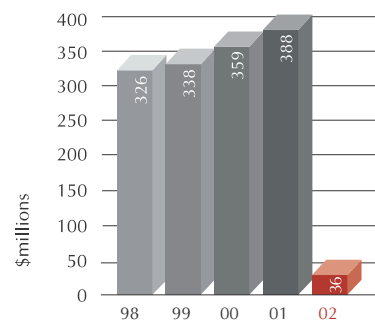
### Challenges

The main issues in these revenue lines for 2001-02 have been coping with moving all processing functions to our Ballarat office while clearing

Key Results		
	Debits Tax	FID
Net Revenue:	\$251,975,907	\$35,941,963
Forecast:	\$250,000,000	\$32,800,000
Difference:	+0.79%	+9.58%



Net Debits Tax over the past five years



Net Financial Institutions Duty over the past five years



# FHOG : First Home Owner Grant

*The First Home Owner Grant (FHOG) was introduced on 1 July 2000 and is a grant of up to \$7000 to assist Australians with the purchase of their first home.*

*The FHOG came into operation as a result of an agreement in 2000 between the Commonwealth and States in respect of the GST and related tax reforms.*

*In March 2001, the Commonwealth Government introduced an additional \$7000 grant for first homebuyers. The Commonwealth Additional Grant (CAG) was available to people who entered into a contract to buy or build a new home between 9 March 2001 and 31 December 2001 inclusive.*

*A reduced CAG of \$3000 was made available between 1 January 2002 and 30 June 2002 inclusive.*

Approved financial institutions processed 40,617 FHOG applications, or 88 per cent of the total, as well as 11,547 CAG applications, or 94 per cent of that total.

## Compliance activities

Compliance investigations of incorrect claims for FHOG and CAG resulted in the identification of \$679,750 in invalid grants and penalties. In most cases, the SRO reclaimed the grant from the applicant or rejected the application before the grant was paid.

To further educate applicants and institutions about the eligibility criteria for both FHOG and CAG, SRO staff conducted follow-up educational/compliance seminars with approved financial institutions during the year. These seminars provided advice and guidance on the operation of both grants.

## Analysis

Extensive analysis was conducted throughout the year, which determined outer Melbourne suburbs such as Narre Warren, St Albans, Hoppers Crossing, Cranbourne and Berwick as the main beneficiaries of the First Home Owner Grant. Regional centres also featured, with Wodonga, Ballarat, Mildura, Shepparton and Traralgon ranking among the top 20 postcodes throughout the state.

## Year in review

### Challenges

All FHOG and CAG processing functions were transferred to the Ballarat site and a completely new staff recruited to administer them. The SRO was able to deal with the logistical and training problems successfully.

In October 2001, the Prime Minister announced variations to the timing conditions of the \$7000 Commonwealth Additional Grant (CAG), which ceased on 31 December 2001 and also announced details of a revised CAG of \$3000. This resulted in a need to amend our systems and processes quickly and to deal with a sudden surge in enquiries from customers.

### Key Results

	FHOG	CAG
Payments:	\$321,869,012	\$83,666,000
Applications:		
Financial Institutions	40,617	11,547
SRO	5,729	748

From left: FHOG Customer Service Officer Briana Haby; SOLD ... a total of \$405,535,012 was paid to Victorian first home owners in 2001-02



# Taxation meets technology

The State Revenue Office Victoria is committed to providing superior telecommunications to enhance its customer relations. With the construction of the new Ballarat facility, state-of-the-art telecommunications technology has been installed to provide a seamless link between the two offices to ensure operations are efficient and timely.

## Voice Over Internet Protocol (VOIP)

In February 2001, Astronaut Marsha S Ivins, aboard Space Shuttle *Atlantis*, telephoned NASA via a Cisco IP Soft Phone inside an IBM Think Pad computer. That call was the culmination of years of tests and was the first to be made from outer space to earth using state-of-the-art technology known as Voice Over Internet Protocol (VOIP).

Twelve months after that first call was made, the SRO began installing the very same technology throughout its Melbourne and Ballarat offices. And while it is unlikely that the SRO will need to telephone outer space in the foreseeable future, the state-of-the-art system has enabled staff to substantially increase efficiency both for outside callers and between its two offices.

Put simply, the VOIP system allows all telephone calls, faxes, voicemail and internet connections to travel over the same IT infrastructure, reducing costs, enhancing service and simplifying operations and administration.

The SRO was the second organisation within the Victorian Government to implement VOIP technology and, along with the State Library of Victoria, is seen as the forerunner for the rest of the State Government.

Should the Government implement the system across its entire network, it will be only the third organisation in the world to do so.

To facilitate the new VOIP system, VicOne, the Victorian Government's private telecommunications network operated by AAPT, supplied an 8mg microwave link from Melbourne to Ballarat Technology Park at Mt Helen.

Substantial upgrading of the existing infrastructure from Melbourne to Ballarat was also undertaken.



## ebusiness

The SRO's introduction of ebusiness technology has been an unqualified success, with customers embracing our online services beyond all expectations. The ebusiness strategy allows customers to interact with the SRO via a secure website, ensuring faster, more efficient service.

### Electronic Annual Adjustments (eAA)

The Pay-roll Tax Annual Adjustment can now be performed online. The electronic version, the eAA, is the most successful initiative in the SRO ebusiness strategy and is in line with the State Government's commitment to online technology. This service was developed after consultation with customers and represents a major improvement in the way we process Annual Adjustment information.

Launched to about 20,000 pay-roll tax customers in June 2002, the eAA was used for around 85 per cent of Annual Adjustments during the reconciliation period. The uptake rate for the eAA is a clear indication that the SRO's commitment to online transactions is the way of the future.

What makes ebusiness services attractive to customers is the ability for instant submissions and immediate calculation of taxation liabilities and refunds.

Customers can also check company information held on the SRO revenue management system and update changed details.

In the coming year, the SRO will look at introducing further internet-based interactions with our taxpayers. On-line customer registration, maintenance of customer records and payment options are a few areas anticipated to be available for next year's annual adjustment cycle.

### Land Tax Clearance Certificates (Section 97) Online

Land Tax Clearance Certificates (Section 97) Online was developed to allow certificates to be requested via the Internet. The service directly targets real estate agents, conveyancing firms, solicitors and financial institutions, as well as individual customers.

The online system offers a batched information exchange for large users, with a screen interface for less regular customers.

It is of great benefit to rural and regional customers and allows for bulk or individual credit card payments. The service now handles around 30 per cent of applications. Refinements will ensure that uptake gradually increases over the next 12 months.

The SRO processes almost 200,000 Land Tax Clearance Certificate applications every year and it is expected that the online service will significantly reduce the number of paper-based transactions in the future.

*From left: IT Manager Wimal Kariyawasam; Customer Service Officer (Land Tax) Nichollas Smith; VOIP technology is 'out of this world'; online services team John Jones (Business Analyst); Narelle Caelli (eAA Project Manager) and Lance Deveson (Section 97)*



# Taxation meets technology

## Electronic Document Return System (eDRS)

A new addition to the SRO online stable is the electronic Document Return System (eDRS). This facility enables external DRS agents – authorised agents who collect duty on behalf of the Commissioner – to lodge statements and make payments in a secure environment via the SRO website.

The service is simple to use and an online help guide provides information to help support eDRS return transactions. All payments are made through the BPay payment facility.

## e-sys – way of the future

The introduction in 2001 of e-sys as the SRO's core computer system has meant a more streamlined and efficient way of storing and retrieving customer information.

Currently, e-sys supports Pay-roll Tax and Land Tax, while the Corporate Data System (CDS) and One Stop Shop (OSS) support the remaining tax lines administered by the SRO. These tax lines include Land Transfer Duty, Mortgage Duty, Motor Vehicle Duty, Debits Tax and Insurance Duty.

The second release of e-sys, to commence in 2002-03, will comprise a number of distinct phases and will see CDS and OSS upgraded to align with the core system.

Subsequent phases of e-sys Release 2 will consider enhancements to the converted system to utilise e-sys security, document management and e-sys workflow, the utilisation of other features of e-sys, such as the user interface, the navigation tree, data structures and other infrastructure and the development of new business requirements.

## SRO website

The SRO has maintained an Internet site since 1995 and it has been upgraded several times in the intervening years.

Our site is located at [www.sro.vic.gov.au](http://www.sro.vic.gov.au) and contains a considerable amount of information, forms and publications.

The site averages more than half a million hits a month and approximately 10,000 downloads. The material most commonly downloaded is rates of duty, land transfer duty forms and revenue rulings.

The site will again be upgraded in 2002-03 and the new site should be accessible by early 2003.



# SROatBallarat

The SRO entered a new operational era in 2001 with the relocation of around 40 per cent of its functions to a new facility in the Victorian regional centre of Ballarat.

Situated at Ballarat Technology Park (BTP), within the rural confines of the University of Ballarat precinct, the modern, purpose-built building is the culmination of eight months' work by the BTP Project Team.

Initial planning and construction of the building began in July 2001, after the Victorian Treasurer, Mr John Brumby, announced the relocation as part of the State Government's commitment to economic and employment growth in regional Victoria.

The state-of-the-art facility was officially opened on 6 March, 2002 by the Victorian Premier, Mr Steve Bracks.

## Recruiting a new workforce

A major organisation awareness and recruitment strategy was undertaken to attract a largely new workforce to the Ballarat office. The strategy was implemented from September 2001 to March 2002.

The recruitment project was also supported by a Ballarat-based recruitment agency and involved a comprehensive selection process combining behavioural interviews, aptitude testing and referee reporting.

More than 130 new staff joined the SRO over a six-month period, operating initially from temporary accommodation provided by the University of Ballarat before moving into the completed SRO building in early March 2002.

## Knowledge retention and training

The SRO's Technical Advice Branch was charged with the task of ensuring adequate knowledge transfer from experienced tax administrators, based in the Melbourne office, to a largely new workforce in Ballarat.

To support the retention of operational knowledge and expertise, 13 knowledge transfer positions were established in the Technical Advice Branch in Melbourne. Successful applicants for these positions possessed significant operational knowledge and experience.

Senior management then faced the challenge of training new recruits who had excellent potential but limited taxation administration experience.

*The new SRO Ballarat facility is situated in a rural environment within the confines of Ballarat Technology Park and the University of Ballarat*





# SROatBallarat

A significant training and induction strategy was implemented to ensure new employees were trained in not only how best to administer the legislation governing the various tax lines but also in meeting the organisation's corporate values and objectives.

A total of 582 days training was delivered in areas of general induction, tax technical and basic business skills and knowledge. The training involved classroom delivery by accredited workplace trainers, technical manuals and self-paced training, combined with mentoring support from existing SRO staff.

Staff from the University of Ballarat and the SRO's HR and Quality/Business Planning areas prepared and delivered sessions on the SRO corporate values, HR procedures and policies, business planning, ISO 9001, the performance management framework and team building. Intensive instruction in using the SRO's internal management system, e-sys, was carried out by experienced SRO operational staff.

The Ballarat office also established an Entry Level Employment Program specifically targeted at school-leavers and persons seeking to re-enter the workforce. Fifteen staff were recruited through this program in February 2002 and were required to successfully complete the Certificate II in Business Administration at the University of Ballarat University as part of their training. This achieved, the Entry Level staff can now choose to further their studies by undertaking the Certificate III course in 2002-03.

## Environmental responsibility

The development of the new facility within a natural bush setting highlighted the SRO's commitment to environmental issues.

For some time the SRO has undertaken various initiatives to reduce operating costs and many of these actions have also had a beneficial environmental effect, in line with Victorian Government policy.

Environmental considerations were at the forefront of planning for the new building and a number of design features were implemented to comply with the overall environmental policy. These features include:

- Tinted exterior glass to reduce cooling costs;
- Sun louvres to reduce cooling costs;
- Major plant located within ceiling space to reduce heating/cooling costs;
- Energy efficient lighting; and
- Heating/cooling system controls located within the building to provide a more responsive management of costs/energy use.

## BTP project success

The Ballarat facility is now operating at full strength and is responsible for the administration of various tax lines, including pay-roll tax, land tax, liquor licensing and subsidies and duties. The First Home Owner Grant (FHOG) is also administered from the new location.





# People at SRO

Human Resources played a key role in implementing the Government's decision to relocate 40 per cent of the SRO functions to a new facility commissioned on the grounds of Ballarat Technology Park.

## Staff impact and redeployment

A total of 189 Melbourne staff from the Customer Relations and Corporate Services Divisions were directly impacted by the relocation. An industrial agreement negotiated shortly after the Treasurer's announcement provided affected staff with a range of career options.

The SRO provided a number of support services to these staff to allow them to make an informed career decision. The services included:

- Providing information sessions and seminars in areas of financial planning, superannuation and job searching;
- Conducting change management workshops;
- Providing career decision workshops;
- Providing individual career decision counselling;
- Establishing a Career Assistance Centre which included a receptionist, 11 workstations, online research facilities, hard copy data, job vacancy notice boards, books, videos, video recording facility and private case manager offices; and
- Engaging career transition consultants to develop and deliver career management programs.

The options available to affected staff, and the choices they made concerning their careers, were:

### Option 1: Move to Ballarat

*Outcome:* 23 directly affected staff and an additional 7 staff who were engaged on fixed term contracts in the Melbourne office elected to make the transition to Ballarat.

### Option 2: Voluntary Departure Package (VDP)

*Outcome:* 47 staff elected to accept a Voluntary Departure Package and left the SRO by 31 December 2001.

### Option 3: Redeployment (TSP) Program

*Outcome:* 23 staff elected to accept the Targeted Separation Package and left the SRO by 30 November 2001.

### Option 4: Retraining and Redeployment Program

*Outcome:* 96 staff elected to enter the Retraining and Redeployment Program, the majority of whom have now found other employment within the SRO and the wider VPS.

*From left: Corporate Services' Pamela Verdoorn; the foyer and reception area of the Ballarat facility; The 'voice' of the SRO - switchboard operator Megan Hazendonk*



# People at SRO

## SRO employees at 30 June 2002

Total employees (VPS & Executive)		Breakdown by gender			
		MALE	FEMALE	TOTAL	
Full time	414	227	187	414	
Part time	23	1	22	23	
(Full time equivalent [FTE])	429.97)				
<b>Total</b>	<b>437</b>	<b>228</b>	<b>209</b>	<b>437</b>	

### Breakdown by classification, gender

CLASSIFICATION	FULL TIME			PART TIME		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Commissioner and Executives	3	2	5			
VPS-5	*19	3	22	0	0	0
VPS-4	56	24	80	0	8	8
VPS-3	68	49	117	1	7	8
VPS-2	67	94	161	0	7	7
VPS-1	12	13	25	0	0	0
<b>Total</b>	<b>225</b>	<b>185</b>	<b>410</b>	<b>1</b>	<b>22</b>	<b>23</b>

Note:

- Two new Executives joined the SRO after 30 June 2002 to fill two vacancies, bringing the total number of Executives to seven
  - The above table excludes four inactive staff (on extended leave without pay/secondment outside SRO).
- \* Includes 1 VPS Band 5 on Higher Duties

# People at SRO

## Organisational Health and Well-being

Throughout the 2001-02 year, Human Resources implemented a number of initiatives to promote a safe and healthy workplace and encourage healthy work and lifestyle practices, including:

- Establishment of an Employee Assistance Program to provide staff and their families with access to confidential and professional counselling services;
- Provision of seminars to staff on health and well-being issues such as men's health, women's health, work-life balance and workplace ergonomics;
- Provision of health services such as eye-sight testing and flu vaccinations; and
- Re-establishing a Social Club.

The following Occupational Health and Safety (OH&S) strategies were also implemented:

- Establishment of OH&S representation across both offices and the provision of training for elected representatives;
- Implementation of the Budget Sector WorkCover Reduction Strategy;
- Conducting organisational risk audits in conjunction with WorkSafe Victoria and the implementation of improvement initiatives; and
- Providing manual handling training to relevant staff.

As a result of the increased awareness and understanding of OH&S and the proactive

management of emerging issues, the office was able to achieve an overall reduction in the number of work-related injuries and time lost.

## Communications

A heightened emphasis on internal and external communications prevailed during the reporting period. The Communications Branch, now reporting through Organisation Development, took a leading role in corporate affairs issues within the SRO.

A dedicated Communications Strategy was developed for the office and its implementation has resulted in a coordinated approach to media relations, staff communications and desktop publishing and design.

The relationships 'pillar' plays an important role in support of the organisation's corporate vision. Sitting within this pillar, Communications Branch plays a key role in reinforcing established relationships and developing new ones.

## Social clubs

A healthy social club is one barometer for a healthy organisation. Both the Melbourne and Ballarat Social Clubs – which operate independently under their own Articles of Association – stage a wide range of staff-related functions throughout the year. It is planned to hold a number of joint functions in the coming year.

*From left: Corporate Services' Mark O'Donnell; the Boardroom at Ballarat; Victorian Treasurer John Brumby and Premier Steve Bracks at the official opening of the Ballarat facility; Training and Development Officer Clare Linane with Jenny Skypkro and Bronwyn Fullerton*



# People at SRO

## Continued commitment to quality

The SRO reinforced its commitment to quality management practices when it successfully continued maintenance of its ISO 9001:1994 certification. Lloyds Register Quality Assurance (LRQA) conducted a surveillance audit of a number of areas of the office in February 2002. LRQA found that the office's Quality Management Systems comply with the requirements of the ISO 9001: 1994 standard as an effective quality system.

The auditors have also recommended that the SRO prepare and apply for certification to the new standard ISO 9001:2000. In line with this recommendation the SRO has started preparation for the ISO 9001:2000 standard and it is expected to achieve this during the next surveillance audit in October 2002.

## Balanced Scorecard

During the year the SRO improved its corporate reporting process by developing a comprehensive reporting format based on the Balanced Scorecard. Cascading across all aspects of the office the introduction of this planning, reporting and performance measurement system assists the SRO to focus on its core business, achieve its objectives and strive for performance improvement in all areas.

## Where to from here

After a very busy year assisting in the move to Ballarat, the Organisation Development division will focus on consolidation and development of internal and external relationships and the introduction of proactive human resources initiatives.

A training needs analysis will allow SRO to plan a detailed training program encompassing technical and non-technical training.

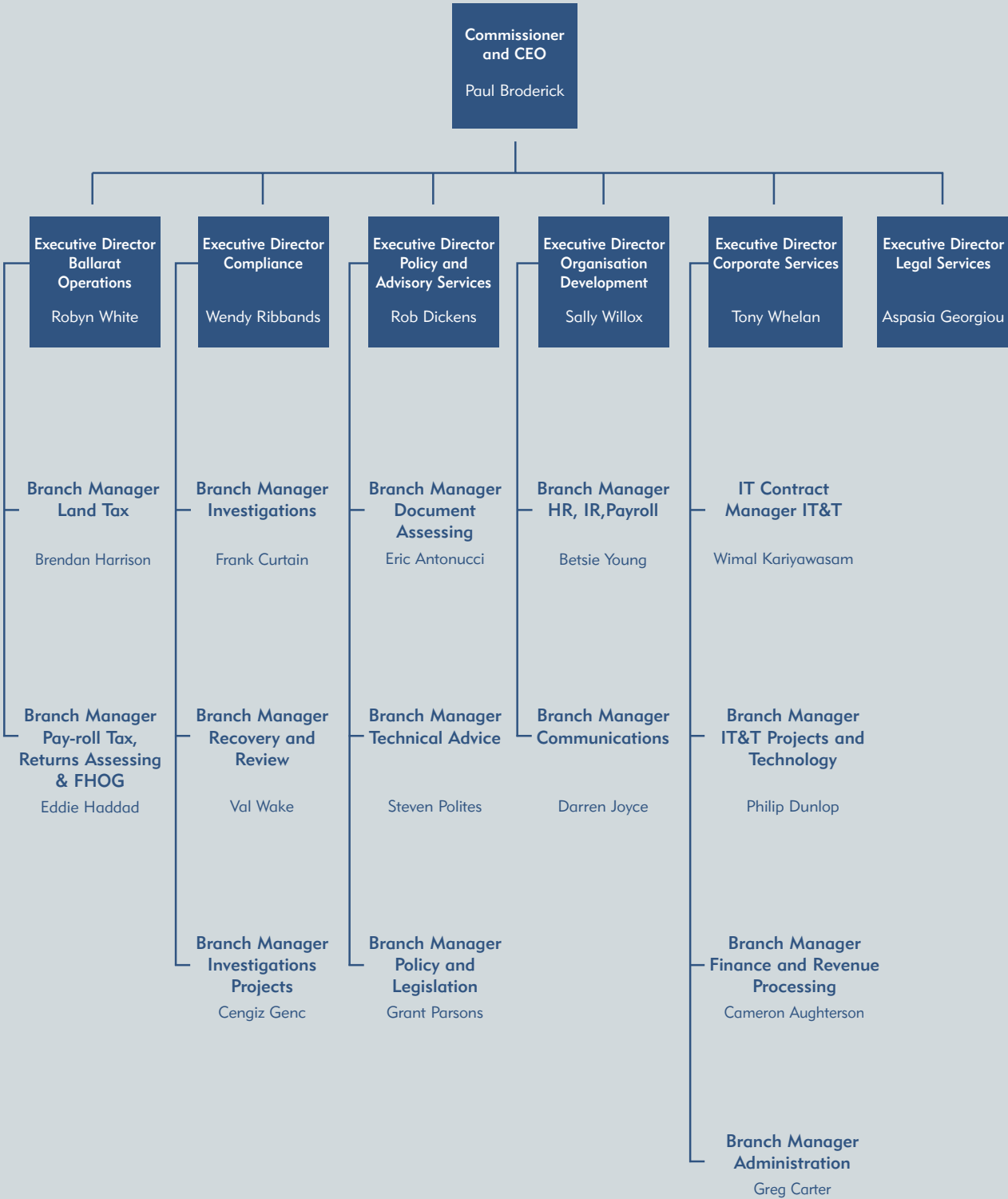
An employee opinion survey will be conducted and focus groups established to consider issues emerging from the survey.

Implementation of the VPS Career Structure and development of a new performance management strategy will also be key challenges.

*From left: Finance Manager Cameron Aughterson; Corporate Services' Kim Monument; Human Resources Manager Betsie Young and the HR team; Customer Service Officer Julie Nagara with Security Officer Lina Tasso*



# SRO Organisational chart



# Executives at SRO

**Paul Broderick** MBA  
CEO and Commissioner  
of State Revenue



Paul was appointed Chief Executive Officer and Commissioner of State Revenue in April 2002.

He joined the SRO as Divisional Manager Customer Relations in January 1998, after holding senior positions with the Australian Securities Commission (ASC).

In 1999, Paul was appointed as CIO to lead the SRO's large IT projects that were implemented successfully under his leadership.

Paul has extensive experience in revenue collection and customer service, having headed that area while with ASC.

During his time as the Quality Manager at ASC it received the Australian Customer Service Award for Victoria (Large Business) and the Australian Quality Award for Business Excellence.

**Rob Dickens** BBus (Public Admin)  
Executive Director  
Policy and Advisory Services



Rob was appointed to the Executive in 1999, having held a number of Branch Manager positions since he joined the SRO in 1996.

Rob came to the SRO from the Tasmanian Department of Treasury and Finance, where he held the position of Assistant Director, Revenue Policy.

Rob brings to the SRO substantial experience in public finance, including taxation policy and administration.

The Policy and Advisory Services Division assists in the development of tax policy, provides tax technical advice to customers and external stakeholders and duty assessing services.

**Robyn White** PhD  
Executive Director  
Ballarat Operations



Robyn has been with the State Revenue Office since 1997 and has held a number of roles in that time, particularly in the operational areas of revenue collection.

In 2001-02, Robyn headed the Ballarat Technology Park (BTP) Project Team, which was responsible for managing the relocation of 40 per cent of the SRO's services to Ballarat.

Robyn now has overall responsibility for the Ballarat facility and its functions, which include the collection and administration of state taxes such as pay-roll tax, land tax, returns assessing, duties and liquor and petroleum subsidies.

It also administers the First Home Owner Grant in Victoria on behalf of the Commonwealth Government.

**Wendy Ribbands**

LLB, GradDip Corps & Securities Law

Executive Director  
Compliance



Wendy joined the SRO in September 2002, bringing a wealth of specialist knowledge in compliance and investigation.

Wendy has gained experience with Victoria Police in investigating fraud, including money laundering, tax evasion and exploring the concept of asset forfeiture. She spent three years with ASIC in enforcement, the National Compliance Unit and as Manager of the Complaints Unit. She has also worked with the Financial Industry Complaints Service.

The SRO Compliance Division is responsible for compliance functions including investigations and debt recovery. The Division is also responsible for the resolution of taxpayer objections.

**Aspasia Georgiou BSc, LLM**

Executive Director  
Legal Services



Aspasia has been with the SRO since its inception in 1992 and before that was with the Legal Branch of the former Stamp Duties Office.

Legal Services is responsible for the provision of legal advice on all taxes administered by the SRO and conducts litigation arising from the Acts administered by the SRO in the Victorian Civil Administrative Tribunal and the courts.

Legal Services also advises, negotiates and prepares contracts on behalf of the SRO. In addition, Legal Services processes requests under the *Freedom of Information Act 1982* and conducts any resultant litigation under that Act.

**Tony Whelan**

BBus (Accounting) CPA

Executive Director  
Corporate Services



Tony has been with the SRO since its inception in 1992 and prior to this worked in the State Taxation Office.

At the SRO he has held the positions of Manager Pay-roll Tax Operations, Chief Financial Officer and IT Service Delivery Manager. He has also managed a number of key IT projects within the SRO.

Tony was appointed Executive Director Corporate Services in June 2002 and is responsible for Finance, Information Technology and Administration.

**Sally Willox BEd, MEdSt**

Executive Director  
Organisation Development



Sally joined SRO in late July 2002 after several years as Director, Human Resources at The Country Fire Authority. Prior to this she worked at Monash University and The Royal District Nursing Service.

The Organisation Development Division is responsible for human resources, industrial relations, occupational health and safety, payroll, training and development, quality and communications.



# SRO Taxpayers' Charter

**This Charter summarises your rights and obligations as a taxpayer and customer of the State Revenue Office of Victoria**

## Mission statement

To provide customers with quality revenue management services which are fair, efficient and deliver benefits for all Victorians.

## Fairness and equity

We will:

- Treat all taxpayers and customers equally
- Act with integrity and impartiality so that you pay only the amount of tax legally due

## Our service focus

We will:

- Treat you with courtesy and consideration
- Provide a high level of customer service and strive to answer all your written and telephone enquiries promptly
- Help you understand and meet your Victorian tax obligations by:
  - Providing up-to-date and accurate information on our website ([www.sro.vic.gov.au](http://www.sro.vic.gov.au))
  - Producing clear and concise brochures, rulings and circulars
  - Conducting targeted information seminars
- Clearly explain to you the reasons for our decisions
- Commit to training our staff to ensure they deliver a high standard of service and provide correct advice
- Strive to continuously improve online accessibility to our service
- Monitor our external agents to ensure they provide you with high quality services
- Consult with relevant industry groups where appropriate

## Privacy and confidentiality

We will:

- Treat any information we have in accordance with the principles of the *Information Privacy Act 2000*. We will not disclose this information other than as authorised by that Act, or the secrecy provisions in the Acts administered by us.

## Minimising your costs

- We strive to minimise your costs in doing business with us.

## Conduct of investigations

We will:

- Give you reasonable notice before conducting an investigation, unless there are exceptional circumstances
- Advise you of the scope and nature of the investigation
- Give you the opportunity to have your legal and/or taxation adviser present during the investigation
- Provide prompt written advice about the result of the investigation, including reasons for the decision

## Objection and appeal

We will:

- Explain your rights of objection and appeal in every case where a decision is made
- Ensure that your objection is reviewed in detail by a person independent of the original decision maker
- Provide you with comprehensive reasons if your objection has been partially or fully disallowed

## Our expectations of you

We will:

- Presume that you deal with your tax affairs openly and honestly and expect you to:
  - Provide us with all information required so that we can determine the amount of tax you must pay
  - Keep accurate records and allow us reasonable access to them
  - Lodge information and make payments on time
- If you do not meet your obligations to us, penalties will be imposed according to the law

**Comments from you ...** We strive to continually improve our level of service and the quality of information and advice that we provide. We welcome your comments on our service levels and seek your co-operation in meeting our obligations. If you believe that your rights have not been adequately met, please write to me. This Charter will be reviewed periodically and remains current until October 2005.

The State Revenue Office has information on the Internet at [www.sro.vic.gov.au](http://www.sro.vic.gov.au) or we can be contacted on telephone 13 2161, by email on [sro@sro.vic.gov.au](mailto:sro@sro.vic.gov.au), or facsimile (03) 9628 6222.

# Protecting your rights

The State Revenue Office Victoria has a range of measures in place to protect the privacy and rights of customers and taxpayers.

## Taxpayers' Charter

The SRO's Taxpayers' Charter has been reviewed and revised to reflect the implementation of a new strategic direction for the SRO. The new Taxpayers' Charter was released in October 2002 and appears on the opposite page.

## Freedom of Information (FOI)

Information held by the SRO can be accessed through the *Freedom of Information Act 1982*. Freedom of Information (FOI) requests must be made in writing. Application fees and administrative charges apply.

Details of 2001-02 FOI requests can be found at Appendix Four.

## Review

Acts administered by the SRO establish a process by which taxpayers may seek an internal review of a taxation decision by lodging a formal objection to that decision.

If still dissatisfied, taxpayers may request an external review of that same matter in either the Victorian Civil and Administrative Tribunal or the Supreme Court.

The SRO administers the process of internal review through staff in the Recovery and Review Branch.

Pursuant to undertakings in the SRO Taxpayers' Charter, the Review staff were established as a separate and independent group from the original decision makers in order to promote a culture of objectivity and fresh reconsideration of decisions made at the primary level.

Details of taxpayers' objections and appeals can be found at Appendix Six.

## Privacy

The SRO has an Information Privacy Policy in accordance with new state privacy laws. The *Information Privacy Act 2000* aims to:

- Establish a regime for the responsible handling of personal information in the public sector;
- Provide individuals with rights to information held about them by organisations; and
- Provide remedies for interference with the information privacy of an individual.

The SRO is committed to the responsible handling of personal information and protecting an individual's right to privacy. An internal Information Privacy Officer deals with complaints about breaches of privacy or the handling of personal information.

Customers who are dissatisfied with the way the SRO has dealt with a privacy complaint may refer the matter to the Victorian Privacy Commissioner.



# Protecting your rights

## Whistleblowers

The *Whistleblowers Protection Act 2001* (WPA) was enacted in July 2001 and commenced operation on 1 January 2002. The WPA has three purposes:

- To encourage and facilitate disclosure of improper conduct by public officers;
- To protect persons making disclosures and others from reprisals; and
- To provide for matters disclosed to be properly investigated and dealt with.

The State Revenue Office:

- Is committed to the aims and objectives of the *Whistleblowers Protection Act 2001* (WPA). It does not tolerate improper conduct by its employees or officers, nor the taking of reprisals against those who come forward to disclose such conduct;
- Recognises the value of transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment; and
- Will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure.

The SRO has adopted procedures issued by the Ombudsman, with some minor changes. These procedures establish a system for reporting disclosures of improper conduct or detrimental action by the SRO or its employees. The system enables such disclosures to be made to the Protected Disclosure Coordinator or to one of the nominated Protected Disclosure Officers.

Disclosures may be made by employees or by members of the public. Disclosure may also be made directly to the Ombudsman's office.

The WPA procedures are designed to complement normal communication channels between supervisors and employees. Employees are encouraged to continue to raise appropriate matters at any time with their supervisors. As an alternative, employees may make a disclosure of improper conduct or detrimental action under the WPA in accordance with the procedures.

Details of WPA disclosures during 2001-02 can be found at Appendix Three.

## Speaking opportunities

The SRO received numerous speaking requests from external bodies during the year, with the technical focus on land transfer and mortgages provisions of the *Duties Act 2000*.

These seminars inform taxpayers of their rights and obligations.



# Protecting your revenue

---

The SRO protects Victoria's revenue stream through a combination of investigations, debt management, customer education and litigation.

## Investigations

The SRO conducted several hundred investigations during 2001-02, detecting \$14.6 million in unpaid revenue. Investigations included field audits – conducted at the taxpayer's premises – and desk audits – conducted at the SRO.

The main focus of investigative activity for 2001-02 was First Home Owner Grant applications, agents authorised to collect duty and pay-roll tax on behalf of the SRO, employers not registered for pay-roll tax and duty payable on high value land transfers.

The thrust of investigations in relation to authorised agents included examination of their suitability to be agents as well as inspection of their systems and records.

## Debt management

The SRO manages debt across all its revenue lines using a customised computer application called the Debt Recovery Management System (DRMS), which provides automated reminder notices, letters of demand and management reports, as well as a full recovery history for all customers.

Details of overdue assessments and customer details are extracted from the SRO's core revenue management systems and referred to DRMS on a daily basis. Each recovery officer is assigned a portfolio of debtors which can be managed using the diary function of DRMS to ensure all recovery actions are monitored and followed up promptly.

Some low value, high volume categories of debts are referred to an external collection agency.

The SRO had debts of \$121.3 million at the end of 2001-02. This represents 1.87 per cent of total revenue for the year which was within our target of less than two per cent of total revenue. The bulk of debt is in Pay-roll Tax and Land Tax – about \$51 million each. However, 97.86 per cent of revenue was received within three days of the due date, which is well within target.

A major challenge was the introduction of a new interface between the Debt Recovery Management System (DRMS) and e-sys, the SRO's new revenue management system. Despite some associated delays in the flow of information on new debt to DRMS, the SRO was able to achieve our performance measures for debt management.

## Customer education

The 2001-02 financial year was a busy one for the SRO's customer education program. The introduction of the *Duties Act 2000* from 1 July 2001, and a major change in the Pay-roll Tax Annual Adjustment focus, necessitated the delivery of a wider range of education programs than in previous years.

*From left: Policy and Legislation specialists David Ogilvie and Linda Ely; Technical Advice expert Ingrid Mathias; Policy and Legislation Branch Manager Grant Parsons; former Technical Advice Branch (TAB) Manager Frank Curtain with TAB expert Gary Matthews*



# Protecting your revenue

---

## Pay-roll Tax

More than 1500 employers were represented at a series of seminars about the SRO's new electronic Annual Adjustment (eAA) facility, which was launched in June 2002. The SRO conducted 19 seminars across the state and in Sydney and Adelaide, focusing on the Annual Adjustment process and the items that are taxable and exempt from pay-roll tax.

The SRO also conducted five seminars aimed at Victorian employers who had been registered for pay-roll tax for six months or less. More than 200 employers attended these sessions.

## DRS agents

An education program for Document Return System (DRS) agents was conducted, comprising five sessions in regional Victoria as well as Sydney and Brisbane. This program will continue during the 2002-03 financial year.

## Litigation

The SRO conducted 50 legal cases over the past year, winning more than 70 per cent. Of these cases, 10 are still pending, 15 were settled and 18 of the 25 resolved by tribunal or court were decided in favour of the SRO.

Several matters relating to the First Home Owner Grant were dealt with. This reflects the SRO's determination to vigorously pursue inappropriate claims for public money. The main issues revolved around the residency intention requirements of the grant and the timing of contracts.

A number of significant technical issues were explored during the year. Of particular note were decisions in respect of chattels and goodwill associated with land transfers, as well as land tax exemption questions. Citations of the more significant of these cases can be located at Appendix Seven.

## Tax reform

During 2001-02, three tax bills were passed by the Victorian Parliament including the *State Taxation Legislation (Amendment) Act 2001*, which contained a number of technical amendments. The SRO also had an important role assisting with the policy development and legislative framework for the measures proposed in the Government's *Building Tomorrow's Businesses Today* package. This was given effect by Parliament through the passage of the *State Taxation Acts (Further Tax Reform) Act 2002* in May 2002 and enabled the delivery of tax initiatives worth \$262 million over four years in the reform package.

In addition, the *State Taxation Legislation (Further Amendment) Act 2002* was assented to on 12 June 2002. This Act amended the *Duties Act 2000*, the *Land Tax Act 1958* and the *Pay-roll Tax Act 1971*.

The *State Taxation Acts (Further Tax Reform) Act 2002*:

- Raised the pay-roll tax threshold from \$515,000 to \$550,000 with effect from 1 July 2002. This was 12 months ahead of the schedule recommended in last year's *Better Business Taxes* package;
- Reduced the pay-roll tax rate from 5.45 per cent to 5.35 per cent from 1 July 2002, and further reduced the rate to 5.25 per cent from 1 July 2003;
- Increased the land tax threshold from \$125,000 to \$150,000 from 2002-03;
- Abolished duty on unquoted marketable securities from 1 July 2002; and
- Increased thresholds for duty concessions for family first homebuyers and concession cardholders to \$150,000 (for a maximum concession) and \$200,000 (for a partial concession) with effect from 1 July 2002. The income test for families was removed.



The State Taxation Legislation (Further Amendment) Act 2002:

- Created a new model for collecting duty on the transfer of used vehicles, which means the duty is now payable to VicRoads at the same time as the transfer fee or, if the seller is a Licensed Motor Vehicle Trader (LMCT), the purchaser must pay the duty to the LMCT who then is responsible for sending the duty to VicRoads;
- Made some technical amendments to the Duties Act;
- Replaced the equalisation factor provisions in the Land Tax Act 1958 with an averaging formula based on actual valuation data returned to Councils that indexes the general valuation used for land tax purposes – a method that is simpler and less controversial;
- Exempted land owned and used for agricultural shows and farm machinery field days from land tax; and
- Simplified and clarified the operation of the pay-roll tax exemption applying to wages paid by schools or colleges.

## State Taxes Consultative Council

This group was first established as the State Taxes Liaison Council in 1992 and reconstituted in its current form in December 1992. During the past 10 years the group has proven to be an effective forum for communication between the SRO and the representatives of major accounting, legal and taxation bodies. Members can raise issues impacting on clients and the community and provide input into proposed policies, procedures, legislation and rulings.

This also occurs through specific consultation mechanisms, such as the external consultation used when Revenue Rulings are developed.

The SRO greatly appreciates and values the contribution of the members of the Council. A list of external members can be found at Appendix Five.

## Conferences

SRO executives and staff attended a variety of taxation conferences and seminars during the year. Our participation in these activities is important in helping Victoria develop and administer an effective and efficient tax regime.

Our Commissioner and several executives participated in the Annual Commissioners' Conference held in March 2002, which was hosted by the Queensland State Revenue Office. Guest speakers included Mr Gerard Bradley (Queensland Treasury), Dr Jeff Mann (Mallesons Stephen Jaques), Mr Rick Matthews (ATO) and Mr Brett Heading (Board of Taxation).

The conference addressed issues such as ebusiness and eGovernment developments, customer self-assessment, individual State Revenue Office activities, compliance activities, tax reform and legislation issues and FHOG performance issues.

The inaugural Annual Taxation Institute of Australia State Taxation Conference held in Sydney in July 2001 brought together representatives from all revenue and tax offices, Treasury officials and a large number of taxation professionals from around Australia. The conference was very successful and will become a permanent fixture.

The SRO Victoria was asked to play a co-ordinating role in the Second Annual State Taxation Conference held in Melbourne.

*From left: Simon O'Keefe, Jenny Dorman and Grant Dunlop (Investigations Branch); Maria Bravo and Andrew Ou-Young (Legal Services); Steven Kinna (Customer Service Centre)*



# Financial Statements

## Statement of Financial Performance For the year ended 30 June 2002

	2001-02	2000-01
	\$'000	\$'000
<b>Revenue from Ordinary Activities</b>		
Revenue from Government	64,552	55,438
Grants Revenue	750	-
	<b>65,302</b>	<b>55,438</b>
<b>Expenses from Operating Activities</b>		
Employee Benefits	26,627	23,856
Supplies and Services	21,644	16,863
Depreciation & Amortisation	17,647	7,044
Capital Asset Charge	2,361	1,762
Other Expenses	309	484
	<b>68,588</b>	<b>50,009</b>
<b>Net Surplus/(Deficit) for Reporting Period</b>	<b>(3,286)</b>	<b>5,429</b>

## Notes to the Statement of Financial Performance

- The \$750,000 grant revenue was received from Multi Media Victoria in 2001-02 for the implementation of VicOne Network Facilities and Services in Ballarat office.
- The increase of \$2.771 million in employee benefit expenses includes \$2.020 million in employee separation payments as part of the relocation to Ballarat, \$0.395 million in salaries and other employee costs as a result of VPS EBA salary increases and \$0.356 million of WorkCover payments (included in supplies and services in 2000-01).
- The \$4.781 million increase in supplies and services includes one off expenses for the relocation of approximately 40% of functions to Ballarat.
- The \$10.603 million increase in depreciation and amortisation expenses includes \$6.736 million in amortisation of Municipal Valuations purchased from Councils for assessing Land Tax liabilities and \$3.833 million for the new core computer system (e-sys) and datamatching software used in identifying non compliance.



# Financial Statements

## Statement of Financial Position as at 30 June 2002

	2001-02	2000-01
	\$'000	\$'000
<b>Current Assets</b>		
Cash Assets	6	4
Receivables	23	51
Inventories	98	75
Prepayments	419	398
	<b>546</b>	<b>528</b>
<b>Non-Current Assets</b>		
Plant, Property and Equipment	29,977	24,332
Municipal Valuations	-	10,664
	<b>29,977</b>	<b>34,996</b>
<b>Total Assets</b>	<b>30,523</b>	<b>35,524</b>
<b>Current Liabilities</b>		
Interest Bearing Liabilities	-	2,881
Payables	13,329	9,717
Provisions	2,085	2,374
Other	896	830
	<b>16,310</b>	<b>15,802</b>
<b>Non-Current Liabilities</b>		
Provisions	3,434	4,054
	<b>3,434</b>	<b>4,054</b>
<b>Total Liabilities</b>	<b>19,744</b>	<b>19,856</b>
<b>Net Assets</b>	<b>10,779</b>	<b>15,668</b>

## Notes to the Statement of Financial Position

	2001-02	2000-01
	\$'000	\$'000
<b>WDV Property, Plant &amp; Equipment</b>		
Computer Equipment	22,964	1,385
Plant, Furniture & Equipment	389	342
Leasehold improvements/Fitouts	1,867	228
Construction in Progress	4,757	22,377
	<b>29,977</b>	<b>24,332</b>
<b>Payables</b>		
Unpresented Cheques *	1,355	-
Trade Creditors	173	155
Owed to Government Departments	7,821	4,240
Accruals	3,980	5,322
	<b>13,329</b>	<b>9,717</b>
<b>Provisions</b>		
<b>Current</b>		
Annual leave	1,455	1,481
Long service leave	382	450
Performance Incentive Provision	248	443
	<b>2,085</b>	<b>2,374</b>
<b>Non Current</b>		
Long service leave	3,434	4,054
<b>Net Carrying Amount of Provisions</b>	<b>5,519</b>	<b>6,428</b>

\* Unpresented cheques were reported as interest bearing liabilities in 2000/2001.

# Financial Statements

## Administered Items

	2001-02 \$'000	2000-01 \$'000
<b>Administered Revenues</b>		
Payroll Tax	2,871,199	2,836,833
Stamp Duty *	2,793,729	2,341,379
Land Tax Revenue	514,878	525,158
Financial Transaction Taxes	287,918	640,036
Licence Fees	6,407	6,515
<b>Total</b>	<b>6,474,131</b>	<b>6,349,921</b>
Add: Appropriations from Government	467,316	315,009
Less: Cattle Compensation Fund	(2,937)	(2,717)
Less: Sheep & Goat Compensation	(1,265)	(1,353)
Add: User Charges	2,272	-
Add: Sundry Income	100	621
<b>Total Administered Revenue</b>	<b>6,939,617</b>	<b>6,661,481</b>
* Includes Cattle Compensation Fund and Sheep & Goat Compensation		
<b>Administered Expenses</b>		
First Home Owners Grant	405,535	247,402
Petrol & Liquor Subsidies	54,983	60,818
Other Grants, Rebates & other Payments	14,252	6,789
Bad and Doubtful Debts	(200)	21,396
<b>Total Administered Expenses</b>	<b>474,570</b>	<b>336,405</b>
<b>Net Administered Revenues</b>	<b>6,465,047</b>	<b>6,325,076</b>

## Notes to Administered Items

- The reduction in Financial Transaction Taxes was due to the abolishment of Financial Institutions Duty from 1 July 2001.
- The user charges in 2001-02 represents fees collected for land tax S97 certificates. This was not included in 2000-01.
- The \$405.5 million of the First Home Owner Grant includes \$83.7 million for the Commonwealth Additional Grant.
- Other grants, rebates and other payments includes a \$7.44 million adjustment for the duty stamps on hand. The method of valuation was changed from the face value of the stamps to the costs of printing.
- The (\$0.200) million in bad and doubtful debts was due to a decrease in the provision for doubtful debts by \$6.5 million and bad debts written off of \$6.3 million.

# Appendix 1

## Analysis of Debt

Tax Base	\$ Total Debt 30/06/2002	\$ < 30 Day	\$ 30-90 Day	\$ > 90 Day	\$ Provision doubtful debt	\$ Total Debt 30/06/2001
<b>Stamp duty debt</b>						
Documents	14,595,845	538,752	10,469,852	3,587,241	1,344,666	3,948,643
Insurance	2,142,034	55,794	1,123,081	963,159	1,135,884	4,341,192
Rental business	205,669	5,886	16,169	183,614	60,613	166,605
Registered Used Car Duty	931,692	152,678	180,875	598,139	110,051	1,255,790
Motor Car Duty	220,001	54,749	36,214	129,038	45,673	103,346
Betting Tax	2,776	0	0	2,776	0	2,776
<b>Total stamp duty</b>	<b>18,098,017</b>	<b>807,859</b>	<b>11,826,191</b>	<b>5,463,967</b>	<b>2,696,887</b>	<b>9,818,352</b>
<b>Business franchise debt</b>						
Tobacco	45	0	0	45	0	99,043
Petroleum	0	0	0	0	0	0
Liquor Licence	0	0	0	0	0	0
<b>Total business franchise</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>0</b>	<b>99,043</b>
<b>Other tax bases</b>						
Pay-roll tax	51,760,525	6,213,307	17,025,489	28,521,729	11,728,679	34,906,366
Land tax	51,315,648	15,194,544	22,517,094	13,604,010	327	46,673,397
Financial Institutions Duty	73,981	0	0	73,981	0	185,585
Share duty	996	0	0	996	0	42,166
Cattle and Swine Duty	48,163	0	0	48,163	0	40,708
<b>Total other tax bases</b>	<b>103,199,313</b>	<b>21,407,851</b>	<b>39,542,583</b>	<b>42,248,879</b>	<b>11,729,005</b>	<b>81,848,222</b>
<b>All taxes</b>	<b>121,297,375</b>	<b>22,215,710</b>	<b>51,368,774</b>	<b>47,712,891</b>	<b>14,425,892</b>	<b>91,765,617</b>

## Notes

- The above figures are reported in accordance with the Debt Reporting Policy that 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 primarily attributable to the timing change in the 2002 Land Tax Assessment Issue cycle; where 97% of Land Tax assessments became due during May 2002.
- The amount of debt that was under arrangement at 30 June 2002 was \$2,252,443.
- The amount of disputed debt at 30 June 2002 was \$37,329,845.
- The amount of deferred debt at 30 June 2002 was nil.
- Outstanding additional tax charges were \$17,256,010 at 30 June 2002.
- Debts are only written off when all reasonable steps to effect recovery have been taken.

### Summary of written off debt \$

Rental Business	1,434
Reg Used Car Duty	383,408
Motor Car Duty	776
Betting Tax	0
Document Assessing	16
Payroll Tax	5,826,333
Land Tax	78,390
Insurance	0
Tobacco	96,856
Petroleum	0
Probate Duty	0

**Total debt written off 6,387,213**

# Appendices 2, 3 and 4

## appendix 2

### Consultancies expended and capitalised

#### Consultancies in excess of \$100,000

The SRO did not engage any consultant costing in excess of \$100,000 during 2001-02.

#### Consultancies less than \$100,000

The SRO engaged 3 consultants costing less than \$100,000 during 2001/2002 at a cost of \$40,320 (GST exclusive).

## appendix 3

### Whistleblower Protection Act 2001

#### Protected Disclosure Officer Ballarat:

Robyn White, Executive Director, 9628 6470

#### Protected Disclosure Officer Melbourne and Protected Disclosure Coordinator:

Aspasia Georgiou, Executive Director, 9628 0554

	2001-02
1 Number of disclosures made to the SRO	1*
2 Number of disclosures referred to Ombudsman to determine if public interest discloses	0
3 Number of disclosed matters referred by Ombudsman to SRO	0
4 Number of disclosed matters referred by the SRO to the Ombudsman	0
5 Investigations of disclosed matters taken over by Ombudsman from the SRO	0
6 Number of requests to the Ombudsman under section 74 to investigate disclosed matters	0
7 Number of disclosed matters the SRO has declined to investigate	0
8 Number of disclosed matters that were substantiated and action taken	0

\* Matter was referred for investigation under grievance policies of the SRO rather than under the WPA.

## appendix 4

### Freedom of Information (FOI)

FOI Officer : Diana Pereira (03) 9628 0515

#### Requests Received

New Requests for access to documents	13*
Requests from previous year finalised in 2001-02	0
<b>Total:</b>	<b>13</b>

#### Outcomes of Requests

Granted in Full	1
Granted in Part	6
Denied	5
Transferred in Full	0
Transferred in Part	0
Withdrawn	0
Pending at 30 June 2002	1
No document in existence	0
<b>Total:</b>	<b>13</b>

Fees and Charges Collected	\$192
Fee Refunded	1

#### Review Process

Internal Review Sought	3
Original Decision confirmed	1
Original Decision varied	2
Denied	0
Withdrawn	0
Not completed at 30 June 2002	0

#### Victorian Civil and Administrative Tribunal

Review Sought	0
Decided at preliminary conference	0
Withdrawn before hearing	0
Settled between parties	0
Awaiting hearing at 30 June 2002	3^

\* Four of the requests were transferred from another agency.  
^ These 3 matters are related to one taxpayer, and are the same matters referred to in the 2001 Annual Review.

# Appendices 5 and 6

## appendix 5

### State Taxes Consultative Council - Members \*

#### Law Institute of Victoria

Steve Stevens  
Freehill, Hollingdale and Page  
Simon Begg  
Logie - Smith Lanyon

#### Taxation Institute of Australia

Michael Perez  
Allens Arthur Robinson

#### Australian Society of CPAs

Max Warlow  
Warlow Senserrick & Associates

#### Institute of Chartered Accountants

Tim Grace  
PricewaterhouseCoopers

#### Corporate Tax Association

Frank Drenth

#### National Institute of Accountants

Graeme Tardrew

#### Revenue Policy Unit, Treasury

Jeff Byrne, Director  
Phil Flynn, Assistant Director

\* As at September 2002

## appendix 6 Taxpayer Objections and Appeals

2001-02	Pay-roll Tax	Land Tax	Duties	FID	FHOG	MCD
Objections received	402	327	270	3	107	0
Allowed in Full	43	126	33	0	32	1
Allowed in Part	86	68	35	1	9	0
Disallowed in Full	216	180	164	0	55	0
Withdrawn by Taxpayer prior to decision	4	27	25	0	0	0
Closed/Invalid	39	26	11	1	2	0
	<b>388</b>	<b>427</b>	<b>268</b>	<b>2</b>	<b>98</b>	<b>1</b>
Appeals Received	17	45	40	2	15	0
Settled before hearing	0	6	13	3	2	0
Appeals upheld at hearing	1	5	2	0	1	0
Appeals rejected at hearing	0	7	8	0	2	0

# Appendix 7

## Significant Legal Cases

### STAMP DUTY

#### Victorian Civil and Administrative Tribunal ("VCAT")

Bradbury Properties Pty Ltd v Commissioner of State Revenue [2001] VCAT 1959

Geoffrey & Sylivi Rothschild v Commissioner of State Revenue (Unreported, VCAT, 6 September 2001)

Cresswell Nominees v Commissioner of State Revenue (Unreported, VCAT, 7 November 2001)

Mary Finnerty v Commissioner of State Revenue (Unreported, VCAT, 29 August 2001)

#### Supreme Court of Victoria

Uniqema Pty Ltd v Commissioner of State Revenue [2002] VSC 157

Morvic Pty Ltd v Commissioner of State Revenue [2002] VSC 171

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

Australian Rice Holdings Pty Ltd v Commissioner of State Revenue [2001] VSC 486

Royal & Sun Alliance Pty Ltd v Commissioner of State Revenue (Unreported, Supreme Court, 24-27 June 2002)

AMP Life v Commissioner of State Revenue (Unreported, Supreme Court, December 2001)

#### High Court of Australia

Pioneer Concrete (Vic) Pty Ltd v Commissioner of State Revenue (Unreported, High Court of Australia, 15 February 2002)

Victoria Gardens Development Pty Ltd v Commissioner of State Revenue [2001] VSCA 233 (Unreported, 15 December 2002)

### FHOG

#### Victorian Civil and Administrative Tribunal ("VCAT")

Roeder and Townsend v Commissioner of State Revenue [2001] VCAT 1829

Kahwati v Hymas v Commissioner of State Revenue (Unreported, VCAT, 18 October 2001)

Ben Browne v Brenda Igri v Commissioner of State Revenue (Unreported, VCAT, 25 October 2001)

Sally McManus v Commissioner of State Revenue (Unreported, VCAT, 8 November 2001)

Timothy O'Hanlon v Commissioner of State Revenue (Unreported, VCAT, 16 May 2002)

Kristen Gass v Commissioner of State Revenue [2002] VCAT 200

### LAND TAX

#### Victorian Civil and Administrative Tribunal

Julians Lodge Pty Ltd v Commissioner of State Revenue [2001] VCAT 1945

Pioneer Concrete (Vic) Pty Ltd v Commissioner of State Revenue [2001] VCAT 1923

Burwood Terrance Pty Ltd v Commissioner of State Revenue [2002] VCAT 183

Buller Ski Lifts v Commissioner of State Revenue; Gro-Set Pty Ltd v Commissioner of State Revenue (Land Valuation List) (Unreported, VCAT, 31 January 2002)

#### Supreme Court of Victoria

Pioneer Concrete (Vic) Pty Ltd v Commissioner of State Revenue (Unreported, Supreme Court, 8 February 2002)

### PAY-ROLL TAX

#### Victorian Civil and Administrative Tribunal (VCAT)

Muir's Electrical v Commissioner of State Revenue (Unreported, 23 August 2001)

#### Supreme Court of Victoria

Muir's Electrical v Commissioner of State Revenue [2002] VSC 224

### FID

#### Victorian Civil and Administrative Tribunal (VCAT)

American Express International Inc v Commissioner of State Revenue [2002] VCAT 376



# 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.

### ***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.

### ***Pay-roll Tax Act 1971***

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

### ***Taxation Administration Act (1997)***

This Act provides a single set of provisions for the collection and administration of Pay-roll Tax, Land Tax, Duties and Debits Tax.

### ***Taxation (Reciprocal Powers Act) (1987)***

This Act enables the investigation and exchange of information across jurisdictions.

### ***Taxation (Interest on Overpayments) Act (1986)***

This Act provides for the payment of interest in certain circumstances on the resolution of an objection or decision of VCAT or the Courts.

## Amending legislation

*State Taxation Acts (Further Reform) Act 2002*

*State Taxation Legislation (Further Amendment) Act 2002*

## 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*

*Land Tax (Equalisation Factors) Regulations 2000*

*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)*

*Taxation Administration Regulations 1997*

# technologymeets

## **the state revenue office victoria annual review 2002**

505 Little Collins Street Melbourne Victoria 3000 GPO Box 1641N Melbourne VIC 3001  
Telephone 13 2161 Facsimile 03 9628 6222 Email [sro@sro.vic.gov.au](mailto:sro@sro.vic.gov.au) Internet [www.sro.vic.gov.au](http://www.sro.vic.gov.au)

