AUSTRALIAN TAXATION OFFICE

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The role of the Australian Taxation Office (ATO) is to manage and shape taxation, excise and superannuation systems that fund services for Australians, giving effect to social and economic policy. Through these systems the ATO is the Commonwealth Government's principal revenue management agency. In 2003-04, the ATO will collect 89.3 per cent of the Commonwealth Government's revenue on behalf of the Australian community.

The ATO also supports the delivery of community benefits, having roles in other services, including:

- Private Health Insurance;
- Family Assistance;
- Valuation Services; and
- Cross-Agency Support, such as working with Centrelink to reduce benefit fraud, with the Child Support Agency (CSA) to ensure income transfer for the care of children, and with the Australian Bureau of Statistics (ABS) to reduce the cost to the community of collecting statistical data.

APPROPRIATIONS AND RESOURCING

The total appropriation for the ATO in the 2003-04 Budget is $6,917.7 million. Table 1.1 on the following page, shows the total appropriations by administered expenses, price of output appropriation and agency capital (equity injections and loans).

Table 1.2 details funding provided for new budget measures in 2003-04.

Australian Taxation Office — appropriations 2003-04

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) $'000					Administered $'000				$'000
	Revenues from government (appropriations)			Revenue from other sources[3]	Price of outputs[2]	Annual appropriations		Special appropriations[4]	Total administered appropriations	Total appropriations
	Bill No. 1	Special approps	Total			Bill No. 1	Bill No. 2 (SPPs & NAOs)			
	(A)	(B)	(C = A+B)	(D)	(E = C+D)	(F)	(G)	(H)	(I = F+G+H)	(J = C+I)
			(C1)[1]		(E1)[1]				(I1)[1]	
Outcome 1 - Effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems	2,240,834	-	2,240,834	61,441	2,302,275	-	-	4,676,911	4,676,911	6,917,745
			97%	3%	100%					
Total	2,240,834		(K1)[1]2,240,834	61,441	2,302,275	-	-	-	(K2)[1]4,676,911	6,917,745
									Agency capital (equity injections and loans)	-
									Administered capital	-
									Total appropriations	6,917,745

(1) C1, E1 and I1 refer to information provided in Table 2.1 Total resources for Outcome 1. K1 refers to Table 3.1 Budgeted Agency Statement of Financial Performance. K2 refers to Table 3.6 Note of Budgeted of Financial Performance Administered on behalf of the Government.
(2) Refer to Table 3.1, Budgeted Agency Statement of Financial Performance for application of agency revenue.
(3) Revenue from other sources includes other revenues from government (for example, resources received free of charge) and revenue from other sources (for example, goods and services by agencies such as the Australian Valuation Office (AVO)). Non-appropriated agency and administered revenues are detailed in Table 1.3.
(4) Estimated expenses from special appropriations are shown in Table 1.4.
Note: Percentage figures indicate the percentage contribution of revenues from government (agency appropriations) to the total price of outputs, by outcome.

MEASURES — AUSTRALIAN TAXATION OFFICE SUMMARY

Table 1.2: Summary of measures disclosed in the 2003-04 Budget

Measure	Outcome	Output Groups affected	Appropriations budget 2003-04 $'000			Appropriations forward estimate 2004-05 $'000			Appropriations forward estimate 2005-06 $'000			Appropriations forward estimate 2006-07 $'000		
			Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total
Australian Taxation Office - maintaining the level of Commonwealth Ombudsman's Services - offset[1]	1	1.1	-	(300)	(300)	-	(300)	(300)	-	-	-	-	-	-
Fuel tax reform[2]														
- fuel tax framework	1	1.1	-	-	-	-	-	-	-	-	-	-	-	-
- biodiesel production grants	1	1.1	15,000	-	15,000	44,000	-	44,000	76,000	-	76,000	99,000	-	99,000
Measures for a Better Environment - cleaner fuel														
- Energy Grants (Credits) Scheme - inclusion of liquefied natural gas and biodiesel	1	1.1	3,000	-	3,000	5,000	-	5,000	5,000	-	5,000	5,000	-	5,000
- Incentive to switch to low sulphur fuels	1	1.1	-	-	-	-	-	-	-	-	-	1,000	-	1,000
- Ultra low sulphur diesel excise differential - compensation for the agriculture sector	1	1.1	10,000	-	10,000	13,000	-	13,000	10,000	-	4,000	-	-	-
Student Financial Supplement Scheme - repeal[3]	1	1.1	-	172	172	-	71	71	-	98	98	-	118	118

(1) This is a cross-portfolio measure. This table shows ATO's contribution to the measure. Further information can be found in the Prime Minister and Cabinet Portfolio Budget Statements.

(2) This is a cross-portfolio measure. This table shows ATO's contribution to the measure. Further information can be found in the Industry, Tourism and Resources Portfolio Budget Statements.

(3) This is a cross-portfolio measure. This table shows ATO's contribution to the measure. As the Department of Family and Community Services (FACS) is the leading agency, further information can be found in the FACS Portfolio Budget Statements.

AGENCY AND ADMINISTERED REVENUES

Table 1.3: Agency and administered revenues

	Estimated revenue 2002-03 $'000	Estimated revenue 2003-04 $'000
ESTIMATED AGENCY REVENUES		
Non-appropriation agency revenues		
Agency section 31 receipts	63,828	59,791
Interest revenue	2,775	-
Other	1,575	1,650
Total non-appropriation agency revenues	68,178	61,441
Appropriation revenue	2,148,573	2,240,834
Total estimated agency revenues	2,216,751	2,302,275
ESTIMATED ADMINISTERED REVENUES		
Non-appropriation administered revenues		
Superannuation (Unclaimed Money and Lost Member) Act 1999 - Unclaimed monies	300	350
Superannuation Guarantee (Administration) Act 1992 - shortfalls, penalties and fines	192,000	192,000
Superannuation Industry (Supervision) Act 1993 - Self Managed Superannuation Fund Levy	10,600	11,400
Total Taxation Revenue	185,032,900	191,439,650
Miscellaneous receipts	12,000	12,000
Total non-appropriation administered revenues	185,247,800	191,655,400
Appropriation revenue	4,374,300	4,676,911
Total estimated administered revenues	189,622,100	196,332,311
Total estimated agency and administered revenues	191,838,851	198,634,586

The ATO non-appropriation revenues are for services provided to other government entities, primarily sourced from the Australian Valuation Office (AVO), Child Support Agency (CSA) and the Department of Family and Community Services (FACS).

AVO charges for the provision of valuation services to the Commonwealth, state and local governments and operates within the Commonwealth Competitive Neutrality Principles. AVO's estimated receipts in 2003-04 total $18.4 million.

CSA was formerly within the ATO, they have subsequently been transferred to FACS. The ATO continues to provide CSA with a variety of services under a memorandum of understanding and several service level agreements with an estimated value of $24.7 million in 2003-04.

FACS — Family Assistance Office is a joint initiative of the ATO, Centrelink, and the Health Insurance Commission, with FACS having overall responsibility. The ATO assists with the administration and processing of claims made against the family assistance benefits. Receipts are estimated at $8.9 million in 2003-04.

The reduction in interest revenue is due to the discontinuation of the Agency Banking Incentive Scheme from 1 July 2003.

All of the ATO's revenue from independent sources is excluded from the definition of 'Cost Recovery' for the purposes of the Commonwealth Cost Recovery Guidelines for Regulatory Agencies.

SPECIAL APPROPRIATIONS

Table 1.4: Estimates of expenses from special appropriations

	Estimated expenses 2002-03 $'000	Estimated expenses 2003-04 $'000
ESTIMATED AGENCY EXPENSES		
Special appropriations		
Baby Bonus	60,000	170,000
Diesel and Alternative Fuels Grants Scheme	815,000	830,000
Diesel Fuel Rebate	2,360,000	2,345,000
Family Tax Benefit	390,000	410,000
Fuel Sales Grants Scheme	215,000	220,000
Fuel Tax Reform	-	15,000
Private Health Insurance Benefit	168,000	182,561
Measure for a Better Environment - Cleaner Fuel	-	13,000
Product Stewardship Waste Oil	24,000	24,000
Refunds of Receipts - *Taxation Administration Act 1953*	11,540,000	12,200,000
Less amount of refunds deducted from receipts items	(11,540,000)	(12,200,000)
Superannuation Co-contribution	-	125,000
Superannuation Guarantee (Administration) Act 1992 - Distribution of charges	192,000	192,000
Superannuation (Unclaimed Money and Lost member) Act 1999 - Repayments of unclaimed monies	300	350
Taxation Administration Act 1953 - Taxation (interest on overpayments and early payment) Act 1983	150,000	150,000
Total estimated agency expenses	4,374,300	4,676,911

SPECIAL ACCOUNTS

Table 1.5: Estimates of special account flows and balances

		Opening Balance	Receipts	Payments	Closing Balance
	A[1]	**2003-04**	**2003-04**	**2003-04**	**2003-04**
	B[1]	2002-03	2002-03	2002-03	2002-03
		$'000	$'000	$'000	$'000
SPECIAL ACCOUNTS					
Australian Valuation Office[2]		**7,456**	**18,201**	**18,186**	**7,471**
		7,800	18,608	18,952	7,456
Excise Security Deposits[3]		**17,000**	**-**	**-**	**17,000**
		17,000	-	-	17,000
Other Trust Monies[3]		**20,387**	**180**	**-**	**20,567**
		20,117	270	-	20,387
Superannuation Holding Accounts Reserve Trust		**65,118**	**22,000**	**17,000**	**70,118**
Account[4]		57,118	21,000	13,000	65,118
Total special accounts		**109,961**	**40,381**	**35,186**	**115,156**

(1) The opening balance for 2003-04 (reference A) is the same as the closing balance for 2002-03 (reference B).
(2) This special account is departmental in nature and is governed by the *Financial Management and Accountability Act 1997*.
(3) These special accounts are administered in nature and are governed by the *Financial Management and Accountability Act 1997*.
(4) This special account is administered in nature and is governed by the *Superannuation Supervision Act 1995*.
Note: Figures are cash based and include transactions between the Australian Valuation Office and the Australian Taxation Office.

ADMINISTERED CAPITAL AND EQUITY INJECTIONS AND LOANS

The ATO will not receive an appropriation for an equity injection, loan or administered capital in 2003-04 Budget.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

Map 2 on the following page shows the relationship between Government outcomes and the contributing outputs for the Australian Taxation Office (ATO). Financial detail for Outcome 1 by output appears in Table 2.1 while non-financial information for Outcome 1 appears in Table 2.2.

Output cost attribution

The ATO uses a process of cost centre mapping to estimate its actual costs incurred on each of the five outputs.

Mappings are based on cost centre manager estimates. Enabling costs such as information technology and accommodation to be attributed to cost centres using actual usage where effective to do so. Headcount or other drivers are used when attribution by actual usage is not an appropriate option. Corporate overhead and some information technology related costs are not attributed to cost centres but are instead allocated to outputs as a final step in the costing process.

The price of outputs outlined in Table 2.1 is based on the estimated 2002-03 result, adjusted for planned movements in 2003-04.

Map 2: Outcomes and output groups

Australian Taxation Office

Commissioner: Mr Michael Carmody

Overall outcome

Strong, sustainable economic growth and the improved wellbeing of Australians

Outcome 1

Effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems

Total price of outputs: $2,302.3 million
Agency outcomes appropriation: $2,240.8 million
Total administered appropriations: $4,676.9 million

Output Group 1.1

Australian Taxation Office

Output 1.1.1	Output 1.1.2	Output 1.1.3	Output 1.1.4	Output 1.1.5
Shape, design and build administrative systems	Management of revenue collection and transfers	Compliance assurance and support — revenue collection	Compliance assurance and support for transfers* and regulation of superannuation funds compliance with retirement income standards	Services to governments and agencies
Price of output: $52.1 million	Price of output: $870.7 million	Price of output: $1,208.3 million	Price of output: $102.9 million	Price of output: $68.2 million

* Transfers – movement of money that is not revenue for example tax offsets, grants, super guarantee vouchers and benefits distribution.

CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes to the outcome or outputs.

OUTCOME 1 — DESCRIPTION

Effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through tax, superannuation, excise and other related systems.

The single government outcome relating to the ATO properly reflects the nature of the services of the ATO. It provides an integrated platform for a viable and sustainable revenue administration. This is achieved through ensuring:

- effective and efficient administrative design for systems the ATO administers, consistent with policy intent and meeting community needs;
- an effective relationship and communication with taxpayers and Government;
- cost-effective collection of tax, transfers of revenue (to other agencies) and delivery of benefits through the tax system;
- compliance behaviour is maintained through providing comprehensive education and support services to the community and developing compliance strategies to address compliance risks;
- community confidence is maintained through working in partnership with the community to foster community ownership of the tax system and providing timely and professional service;

to enable Government to deliver on social and economic policy. The integrated approach enables cost-effective delivery of both revenue and transfers.

Measures affecting Outcome 1

Fuel tax reform

From 1 July 2008, the Government will provide grants to the producers and importers of fuels that are currently exempt from excise (and customs) duty and which are used in internal combustion engines. These grants are part of arrangements to make these fuels subject to fuel excise and will apply for a transitional period. The grants will be progressively reduced, raising the effective excise (that is, excise less grant) for untaxed fuels from zero prior to 1 July 2008, to their final rates in five even annual steps commencing from 1 July 2008.

The transitional grants form part a programme that will establish a long term sustainable taxation framework for fuels by addressing a number of anomalies in the current fuel tax system and providing increased certainty for investors, while meeting existing Government commitments and providing time for industry to adjust.

In addition, the Government will continue to provide production grants for fuel ethanol from 18 September 2003 under the same basis as announced in the *Mid-Year Economic and Fiscal Outlook 2002-03*. The Government will also provide grants for the production and importation of biodiesel, from 18 September 2003. Both grants will be reduced in five equal annual instalments from 1 July 2008.

See also the related revenue measure titled *Fuel tax reform* in the Treasury portfolio.

Measures for a Better Environment — cleaner fuel

The Government will introduce a package of measures to deliver on its *Measures for a Better Environment* commitment to encourage conversion from the dirtiest fuels to the most appropriate and cleanest fuels as announced by the Prime Minister in May 1999.

The proposed Energy Grants (Credits) Scheme (EGCS) will be extended to include liquefied natural gas (LNG) and biodiesel (but not blends of biodiesel and diesel) as alternative fuels eligible for an on-road credit.

LNG will be approved under the EGCS from 1 July 2003. Biodiesel will be approved once the fuel standard for biodiesel under the *Fuel Quality Standards Act 2000* has come into effect.

The grant rate for LNG will be 8.130 cents per litre and the grant rate for biodiesel will be 18.510 cents per litre.

From 1 January 2006, the Government will fund grant payments for a period of two years for the production or import of low sulphur premium unleaded petrol. This measure is part of the Government's approach to encourage the introduction of higher quality clean fuels into the market. A similar measure will be implemented for diesel with less than 10 parts per million sulphur from 1 January 2007 for two years duration.

The measure will bring forward production of higher quality fuels before they are mandated under the provisions included in the Fuel Quality Standards Act 2000. The initiative will be reviewed in the period prior to implementation to ensure that it aligns with the timing of new fuel standards and market conditions.

The off-road grant rates under the proposed EGCS will be increased for the agriculture sector to compensate for the additional excise (and customs) duty levied on high sulphur diesel between 1 July 2003 and 31 December 2005. The excise differential, designed to encourage the production of ultra low sulphur diesel, was announced as part of the *Measures for a Better Environment* package in May 1999.

The additional grant will apply to claims for an off-road credit made between 1 July 2003 and 31 December 2005 for fuel purchased for use in agriculture.

The additional grant amount will be a weighted average of the differences between the excise rates applying to ultra low sulphur diesel and high sulphur diesel, calculated based on the market share of each fuel.

Further details on the Government's *Measures for a Better Environment* commitment may be found in the Prime Minister's Press Release of 31 May 1999.

See also the related revenue measure titled *Measures for a Better Environment — cleaner fuel* in the Treasury portfolio.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2003-04 appropriations translate to total resourcing by Output for Outcome 1, including administered expenses, revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1

	Estimated actual 2002-03 $'000		Budget estimate 2003-04 $'000
Administered appropriations			
Special appropriations	4,374,300		4,676,911
Total administered appropriations	4,374,300	(I1)[1]	4,676,911
Agency appropriations			
Output Group 1.1 - Australian Taxation Office			
Output 1.1.1 - Shape, design and build administrative systems	48,589		52,135
Output 1.1.2 - Management of revenue collection and transfers	868,551		870,656
Output 1.1.3 - Compliance assurance and support - revenue collection	1,129,184		1,208,329
Output 1.1.4 - Compliance assurance and support for transfers and regulation of superannuation funds compliance with retirement income standards	96,119		102,922
Output 1.1.5 - Services to governments and agencies	6,130		6,792
Total revenues from government (appropriations)	2,148,573	(C1)[1]	2,240,834
Contributing to price of agency outputs	97%		97%
Revenue from other sources			
Agency Section 31 receipts	63,828		59,791
Interest revenue	2,775		-
Other	1,575		1,650
Total revenue from other sources	68,178		61,441
Total price from agency outputs (Total revenues from government and from other sources)	2,216,751	(E1)[1]	2,302,275
Estimated payments from special account balances[2]			
Australian Valuation Office	18,349		17,795
Superannuation Holding Accounts Reserve Trust Account	13,000		17,000
Total agency and administered special account outflows	31,349		34,795
Total estimated resourcing for Outcome 1 (Total price of outputs and administered appropriations)	6,591,051		6,979,186

	2002-03	2003-04
Average staffing level (number)	19,700	20,930

(1) C1, E1 and I1 show the links back to Table 1.1.
(2) Special account inflows and outflows are shown in further detail in Table 1.5 Estimates of special account flows and balances. Please note that these figures are accrual based and exclude transactions between the Australian Valuation Office and the Australian Taxation Office.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

Table 2.2 details the performance indicators used to assess our achievement of Outcome 1, and shows the link between the outputs and the outcome.

There are five distinct outputs that contribute to Outcome 1:

- Output 1.1.1: reflects the ATO's role in effectively shaping the systems to give effect to the legislation administered by the organisation;
- Output 1.1.2: represents the operational aspects of managing the tax, superannuation and excise systems;
- Output 1.1.3: represents the processes required to assure and support compliance with tax obligations, providing the community with information and assistance;
- Output 1.1.4: represents the processes required to assure and support compliance with transfers and superannuation obligations administered by the ATO, providing the community with information and assistance; and
- Output 1.1.5: reflects the range of services the ATO provides to the Treasurer and Assistant Treasurer, the Parliament and to other APS agencies.

PERFORMANCE INFORMATION FOR OUTCOME 1

The ATO's outcome and outputs framework has been in place since 1 July 2002. Work was done during the year to ensure that the stated measures give an accurate report of the performance against Outcome 1. As such, some measures have been refined so that the ATO can report a more complete picture of performance.

Table 2.2: Performance information for Outcome 1

Overall achievement of the Outcome	
Effectiveness Indicators	Target
Deliver to Government	
Revenue collections as a per cent of budgeted revenue	+/- 2 per cent
Dollar value of transfers by transfer type	Trend over time
Overall levels of compliance improved - assessed through trend over time in indicators such as: • tax payable relative to Gross Domestic Product • total income declared compared to income earned • effective income tax rates • Pay As You Go Withholding (PAYG(W)) collections compared to wage and employment movements • number of entities lodging income tax returns, TFNs, and/or ABNs compared to eligible population • lodgement and payment compliance: per cent lodged and per cent tax paid on time • level of contributions going into Superannuation funds as reported by Australian Prudential Regulation Authority quarterly • impact of compliance programmes on taxpayer behaviour • survey responses to indicate community perceptions of compliance levels overall • integrity, in terms of personal lodgement performance and debt position, of individuals authorised by a Tax Agents Board to represent a tax agent registration • number of Not for Profit entities registered	Improve overall
Implementing new policy measures effectively and in accordance with Government's intent	Application of integrated tax design principles in the implementation of all tax change
Maintain community confidence	
Community perceptions of ATO fairness and effectiveness	Trend over time
Client perceptions of ATO professionalism and service:	
• Professionalism Survey	Maintain benchmark
• Taxpayers' Charter Service Standards	Maintain index > 1 and key standards 100 per cent within timeframe
• Technical Quality Review	Maintain - bi-annual measures
• Tax Agent Perception of Service	Maintain - quarterly review
• Balanced scorecard for tax agent relationship	TBA - new measure, target will be developed by 1 July 2003.
• Complaints received	Reduction in number of complaints relating to ATO service
Minimise compliance costs (within ATO control)	
Evaluation of administrative products in relation to community needs	TBA

Table 2.2: Performance information for Outcome 1 (continued)

Overall achievement of the Outcome (continued)	
Balancing revenue integrity with costs of compliance	TBA
Reduction in cost of compliance within ATO control	TBA
Efficient and adaptive organisation	
Management of financial resources	
• capital expense against budget	Within budget
• operating expense against budget	Within budget
• current ratio: indication of ATO's ability to satisfy its obligations in the short term	Greater that or equal to 1
• debt to asset ratio: indication of ATO's ability to satisfy its obligations in the long term	Reduce
Effectiveness of key processes	Refer to quantity and quality measures.
Workforce management and development	Establish benchmark
Performance information for administered items (including third party outputs)	
The management of administered items is integrated into outputs 1.1.2 and 1.1.4 to enable cost effective delivery of both revenue and transfers.	
Performance information for agency outputs	
Output Group 1.1 - Australian Taxation Office	
Output 1.1.1 - Shape, design and build administrative systems Includes: • the ATO's contribution to policy advice and legislative design, reflecting ATO insight into administration, compliance and interpretation perspectives. • design, build and implementation of the administrative systems and products to enable the community to meet their obligations under the law.	Quantity measures • Administrative advice and costings provided and managed to help shape Government's program. • The program delivering easier, cheaper and more personalised service is implemented in accordance with schedule and costs. Quality measures • Integrated tax design principles are applied in the implementation of all tax change. • Treasury is satisfied with the ATO's input to the development of taxation policy and laws. • Treasury is satisfied with the reliability of ATO advice on the system in operation. • ATO evaluates the alignment of the change programme to progress or support strategic business outcomes. • The programme delivering easier, cheaper and more personalised service is implemented in accordance with the agreed intent and scope enabling delivery of promised improved user experience.
Output 1.1.2 - Management of revenue collection and transfers	Quantity measures • $ value of revenue collected • $ value of revenue transferred

Table 2.2: Performance information for Outcome 1 (continued)

Performance information for agency outputs (continued)	
Includes the transactions between the ATO and members of the community as they: • enter the tax and other systems through appropriate registration; • receive and provide the required information; • make payments; • receive refunds or other payments, or are notified of their obligations; and • receive advice about outstanding obligations and, if necessary, remedial action from the ATO to ensure lodgement and payment compliance.	• Number of new registrations, role creations and records maintained. • Number of accounts managed, refunds issued and payments processed. • Number of simple and complex products processed. • Number of debt and lodgement cases finalised. Quality measures • Performance to Service Standards. • Client perceptions of professionalism of related areas. • Lodgement cases finalised as a percentage of cases referred. • Debt collection cases finalised as a percentage of cases referred.
Output 1.1.3 - Compliance assurance and support for revenue collection Includes: • providing the community with information about their obligations and entitlements, and assistance to meet their obligations; • identifying and addressing non-compliance; and • providing assurance to the community and Government on the integrity of the tax system.	Quantity measures • Numbers of information, interpretation and active compliance products delivered, debit amendments / collections and numbers of risk reviews conducted. Quality measures • Evaluation of selected ATO information products, from a client perspective, both pre and post implementation delivery. • Percentage of technical advice passing quality assurance - trend over time. • Performance to Service Standards. • Client perceptions of professionalism of related areas against benchmark. • Evaluation of ATO risk management and strategic intelligence.
Output 1.1.4 - Compliance assurance and support for transfers and regulation of superannuation funds' compliance with retirement income standards Includes: • providing the community with information about their obligations and entitlements, and assistance to meet their obligations; • identifying and addressing non-compliance; and • providing assurance to the community and Government on the integrity of the tax system.	Quantity measures • $ value of required transfers effected. • Numbers of information, interpretation and active compliance products delivered, debit amendments/collections and numbers of risk reviews conducted. Quality measures • Evaluation of selected ATO information products, from a client perspective, both pre and post implementation delivery. • Percentage of technical advice passing quality assurance - trend over time. • Performance to Service Standards. • Client perceptions of professionalism of related areas against benchmark. • Evaluation of ATO risk management and strategic intelligence.

Table 2.2: Performance information for Outcome 1 (continued)

Performance information for agency outputs (continued)	
Output 1.1.5 - Services to Governments and agencies	Quantity measures • Required volume of services delivered for Valuations, Cross Agency Support and Ministerial and Parliamentary services. Quality measures • Client satisfaction with timeliness and quality of Valuation Services. • Cross Agency Support delivered to agreed standard and timeliness. • Ministerial and Parliamentary services delivered to agreed standard and timeliness.

EVALUATIONS

The Australian National Audit Office and ATO Internal Audit have a rolling programme of issues that are audited during the financial year. Other issues are evaluated within the ATO during the financial year as required. Results of evaluation will be shown in the ATO Annual Report.

Section 3: Budgeted financial statements

The budgeted financial statements will form the basis of the financial statements that will appear in the Australian Taxation Office (ATO) 2003-04 Annual Report, and for the input into the Whole of Government Accounts. The financial statements should be read in conjunction with the accompanying notes.

These budgeted financial statements and administered notes are consistent with the forms of financial statements specified under the draft 2002-03 'Requirements for the Preparation of Financial Statements of Commonwealth Agencies and Authorities'.

ANALYSIS OF BUDGETED AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

The ATO is budgeting for an operating surplus of $0.6 million in 2003-04 after income tax equivalents payable by the Australian Valuation Office (AVO).

Total agency revenue is estimated to be $2,302.3 million. This is an increase of $85.5 million from the 2002-03 estimated actual.

This rise in revenue is primarily an increase in appropriation as a result of:

- Additional funding under the Output Pricing Agreement; consistent with expectations for delivery of improved outputs and indexation movements;
- $23.5 million for the increase in superannuation contribution rates. This amount is based on the whole of government rate increases; and
- $7 million to replace foregone interest revenue due to the discontinuation of the Agency Banking Incentive Scheme from 1 July 2003.

Total expenses are estimated to be $2,301.5 million, an increase of $174.9 million from the 2002-03 estimated actual.

- Employee expenses are rising consistent with increasing staff numbers. In 2002-03 the average number of full time equivalents is 19,700, with a planned increase to 20,930 in 2003-04. Following the finalisation of the Output Pricing Agreement, the ATO experienced delays in recruiting the desired level of compliance staff. This was the principal factor contributing to the ATO's $90 million net surplus in 2002-03.

- On 1 July 2003 the ATO specific superannuation contribution rates will increase by more than the whole of government rate increase, compounded with increased staff numbers, the expected result is a $28.3 million rise in employer superannuation costs.

- Supplier expenses are increasing by $63.4 million. This is due to increased demand for enabling infrastructure (for example accommodation and information technology (IT)) associated with increasing staff numbers as well as increased spending on specific IT infrastructure to facilitate a range of initiatives; including improved business continuity, enhanced web enabled access and increased online web security of client data and interaction.

- Also impacting on supplier expenses was a one-off $30 million reduction in supplier expenses in 2002-03, the result of a reversal of an overstated liability resulting from duplicate expenses recognised in prior years.

Budgeted agency statement of financial position

In 2002-03 the ATO's total equity will be $8.8 million, this will be the second consecutive year the ATO will be in a positive equity position following the 2002-03 result. This positive equity position will be maintained in the forward years.

The transition to positive equity was possible due to the $90 million operating surplus in 2002-03. Of the $90 million surplus, $50 million was returned to Consolidated Revenue in 2002-03 and $40 million was retained by the ATO.

In 2003-04 the ATO continues its commitment to long term improvements, investing $126 million in capital. This is an increase of $36.3 million from 2002-03.

A large sum of the ATO capital investment is directed to the development or improvement of internally developed systems and software in support of the ATO's intention of making people's experience with the revenue systems cheaper, easier and more personalised.

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

This statement provides a picture of the expected financial results for the ATO by identifying full accrual expenses and revenues, which highlights whether the ATO is operating at a sustainable level.

Budgeted agency statement of financial position

This statement shows the financial position of the ATO. It enables decision-makers to track the management of the ATO's assets and liabilities.

Budgeted agency statement of cash flows

This statement identifies expected cash flows from operating activities, investing activities and financing activities.

Agency capital budget statement

This statement shows all proposed capital expenditure funded either through the Budget as appropriations or from internal sources.

Agency non-financial assets — summary of movement

This statement shows the movement in the ATO's non-financial assets over the budget year.

NOTES OF ADMINISTERED ACTIVITY

Details of transactions administered by the ATO on behalf of the Commonwealth are shown in the following notes to the financial statements.

Note of budgeted administered financial performance

This note identifies the main revenues and expenses administered on behalf of the Government. It also discloses administered revenues from government and transfers to the Official Public Account.

Note of budgeted administered financial position

This note shows the assets and liabilities administered on behalf of the Government.

Note of budgeted administered cash flows

This note shows cash flows administered on behalf of the Government.

Table 3.1: Budgeted Agency Statement of Financial Performance — for the period ended 30 June

	Estimated actual 2002-03 $'000	Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
REVENUES					
Revenues from ordinary activities					
Revenues from government	2,148,573	(K1)[1] 2,240,834	2,287,531	2,342,640	2,379,740
Goods and services	63,828	59,791	59,176	59,027	59,407
Interest	2,775	-	-	-	-
Other	1,575	1,650	1,730	1,820	1,910
Total revenues from ordinary activities	2,216,751	2,302,275	2,348,437	2,403,487	2,441,057
EXPENSES					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	1,291,410	1,390,173	1,403,615	1,427,709	1,425,524
Suppliers	757,347	820,704	839,285	857,285	885,403
Depreciation and amortisation	77,586	90,318	104,697	117,623	129,242
Other	267	270	-	-	-
Total expenses from ordinary activities (excluding borrowing costs expense)	2,126,610	2,301,465	2,347,597	2,402,617	2,440,169
Borrowing costs expense	-	-	-	-	-
Operating surplus or deficit from ordinary activities	90,141	810	840	870	888
Income tax expense	42	243	252	261	267
Net surplus or deficit	90,099	567	588	609	621

(1) K1 shows the link back to Table 1.1.

Table 3.2: Budgeted Agency Statement of Financial Position — as at 30 June

	Estimated actual 2002-03 $'000	Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
ASSETS					
Financial assets					
Cash	239,795	246,112	237,968	262,018	299,116
Receivables	16,633	16,516	16,570	16,697	16,991
Accrued revenues	2,612	2,612	2,612	2,612	2,612
Total financial assets	259,040	265,240	257,150	281,327	318,719
Non-financial assets					
Land and buildings	81,993	85,896	93,114	97,936	100,075
Infrastructure, plant and equipment	37,124	42,463	46,108	49,672	48,286
Intangibles	177,953	206,849	211,454	223,695	231,010
Other	22,362	22,341	22,445	22,613	22,822
Total non-financial assets	319,432	357,549	373,121	393,916	402,193
Total assets	578,472	622,789	630,271	675,243	720,912
LIABILITIES					
Debt					
Other	9,279	9,180	9,101	9,022	8,943
Total debt	9,279	9,180	9,101	9,022	8,943
Provisions					
Employee	404,100	446,722	453,563	497,379	540,671
Total provisions	404,100	446,722	453,563	497,379	540,671
Payables					
Suppliers	127,640	128,681	129,369	130,558	132,961
Other	28,956	29,426	29,164	28,905	28,648
Total payables	156,596	158,107	158,533	159,463	161,609
Total liabilities	569,975	614,009	621,197	665,864	711,223
EQUITY					
Parent entity interest					
Contributed equity	199,087	199,087	199,087	199,087	199,087
Reserves	13,087	13,087	13,087	13,087	13,087
Retained surpluses or accumulated deficits	(203,677)	(203,394)	(203,100)	(202,795)	(202,485)
Total parent entity interest	8,497	8,780	9,074	9,379	9,689
Total equity	8,497	8,780	9,074	9,379	9,689
Total assets and liabilities by maturity					
Current assets	198,790	214,019	216,590	232,044	247,739
Non-current assets	379,682	408,768	413,679	443,197	473,172
Current liabilities	287,639	309,974	313,607	336,151	359,043
Non-current liabilities	282,337	304,034	307,590	329,713	352,180

Table 3.3: Budgeted Agency Statement of Cash Flows — for the period ended 30 June

	Estimated actual 2002-03 $'000	Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	2,148,573	2,240,834	2,287,531	2,342,640	2,379,740
Goods and services	67,035	60,437	59,274	59,050	59,346
GST - input credit receipts	74,843	81,545	83,776	85,579	88,306
GST - receipts from customers	8,525	2,374	2,313	2,298	2,336
Interest	2,775	-	-	-	-
Total cash received	2,301,751	2,385,190	2,432,894	2,489,567	2,529,728
Cash used					
Employees	1,294,788	1,350,010	1,399,026	1,386,395	1,384,733
GST - payments to suppliers	75,737	82,073	83,928	85,729	88,540
GST - payments (agency)	8,531	2,410	2,318	2,299	2,333
Suppliers	778,775	818,090	837,315	854,790	881,643
Taxes paid	42	243	252	261	267
Total cash used	2,157,873	2,252,826	2,322,839	2,329,474	2,357,516
Net cash from operating activities	143,878	132,364	110,055	160,093	172,212
INVESTING ACTIVITIES					
Cash used					
Purchases of property, plant and equipment	89,675	125,998	117,915	135,749	134,810
Total cash used	89,675	125,998	117,915	135,749	134,810
Net cash from investing activities	(89,675)	(125,998)	(117,915)	(135,749)	(134,810)
FINANCING ACTIVITIES					
Cash received					
Cash from capital injections	28,863	-	-	-	-
Total cash received	28,863	-	-	-	-
Cash used					
Return of capital	50,000	-	-	-	-
Dividends paid	680	49	284	294	304
Total cash used	50,680	49	284	294	304
Net cash from financing activities	(21,817)	(49)	(284)	(294)	(304)
Net increase/(decrease) in cash held	32,386	6,317	(8,144)	24,050	37,098
Cash at the beginning of the reporting period	207,409	239,795	246,112	237,968	262,018
Cash at the end of the reporting period	239,795	246,112	237,968	262,018	299,116

Table 3.4: Agency Capital Budget Statement

	Estimated actual 2002-03 $'000	Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
CAPITAL APPROPRIATIONS					
Total equity injections	28,863	-	-	-	-
Total loans	-	-	-	-	-
Represented by					
Purchase of non-current assets	28,863	-	-	-	-
Other	-	-	-	-	-
Total	28,863	-	-	-	-
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	28,863	-	-	-	-
Funded internally by agency resources	60,812	125,998	117,915	135,749	134,810
Total	89,675	125,998	117,915	135,749	134,810

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2003-04)

	Land	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other Intangibles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at the start of year	-	81,993	-	37,124	-	177,953	-	297,070
Additions	-	20,040	-	10,110	-	98,306	-	128,456
Disposals	-	-	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Net transfers free of charge	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	(16,137)	-	(4,771)	-	(69,410)	-	(90,318)
Write-off of assets	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	85,896	-	42,463	-	206,849	-	335,208
Total additions								
Self funded	-	20,040	-	10,110	-	98,306	-	128,456
Appropriations	-	-	-	-	-	-	-	-
Total	-	20,040	-	10,110	-	98,306	-	128,456

Table 3.6: Note of Budgeted Financial Performance Administered on behalf of the Government — for the period ended 30 June

	Estimated actual 2002-03 $'000		Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
REVENUES						
Taxation						
Income tax	128,723,200		134,230,000	141,140,000	149,780,000	159,480,000
Indirect tax	52,710,000		53,620,000	55,675,000	57,840,000	60,310,000
Other taxes, fees and fines	3,802,600		3,793,400	3,844,400	3,954,900	4,075,000
Total taxation	185,235,800		191,643,400	200,659,400	211,574,900	223,865,000
Non-taxation						
Revenues from government	4,374,300	(K2)(1)	4,676,911	4,905,686	5,068,732	5,293,797
Other	12,000		12,000	12,000	12,000	12,000
Total non-taxation	4,386,300		4,688,911	4,917,686	5,080,732	5,305,797
Total revenues administered on behalf of the Government	189,622,100		196,332,311	205,577,086	216,655,632	229,170,797
EXPENSES						
Interest	150,000		150,000	150,000	150,000	150,000
Personal benefits	618,000		887,561	1,047,336	1,146,332	1,242,397
Subsidies	3,414,000		3,419,000	3,454,000	3,494,000	3,564,000
Write down and impairment of assets	1,238,000		920,000	920,000	895,000	850,000
Other	192,300		220,350	254,350	278,400	337,400
Total expenses administered on behalf of the Government	5,612,300		5,596,911	5,825,686	5,963,732	6,143,797

(1) K2 shows the link back to Table 1.1.

Table 3.7: Note of Budgeted Financial Position Administered on behalf of the Government — as at 30 June

	Estimated actual 2002-03 $'000	Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
ASSETS					
Financial assets					
Cash	176,381	176,381	176,381	176,381	176,381
Receivables	13,857,149	14,347,149	14,922,149	15,587,149	16,677,149
Investments	2,541	2,541	2,541	2,541	2,541
Total financial assets	14,036,071	14,526,071	15,101,071	15,766,071	16,856,071
Non-financial assets					
Other	20,268	20,268	20,268	20,268	20,268
Total non-financial assets	20,268	20,268	20,268	20,268	20,268
Total assets administered on behalf of the Government	14,056,339	14,546,339	15,121,339	15,786,339	16,876,339
LIABILITIES					
Provisions					
Taxation refunds provided	1,204,024	1,204,024	1,204,024	1,204,024	1,204,024
Total provisions	1,204,024	1,204,024	1,204,024	1,204,024	1,204,024
Payables					
Grants and subsidies	66,920	66,920	66,920	66,920	66,920
Other	507,159	507,159	507,159	507,159	507,159
Total payables	574,079	574,079	574,079	574,079	574,079
Total liabilities administered on behalf of the Government	1,778,103	1,778,103	1,778,103	1,778,103	1,778,103
Current liabilities	1,778,103	1,778,103	1,778,103	1,778,103	1,778,103
Non-current liabilities	-	-	-	-	-
Current assets	14,053,798	14,543,798	15,118,798	15,783,798	16,873,798
Non-current assets	2,541	2,541	2,541	2,541	2,541

Table 3.8: Note of Budgeted Administered Cash Flows — for the period ended 30 June

	Estimated actual 2002-03 $'000	Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
OPERATING ACTIVITIES					
Cash received					
Cash from Official Public Account	4,374,300	4,676,911	4,905,686	5,068,732	5,293,797
Income tax	127,260,000	133,200,000	140,040,000	148,630,000	157,980,000
Indirect tax	52,090,000	53,270,000	55,310,000	57,460,000	59,900,000
Other taxes, fees and fines	3,722,600	3,763,400	3,814,400	3,924,900	4,045,000
Other	12,000	12,000	12,000	12,000	12,000
Total cash received	187,458,900	194,922,311	204,082,086	215,095,632	227,230,797
Cash used					
Cash to Official Public Account	183,084,600	190,245,400	199,176,400	210,026,900	221,937,000
Interest paid	150,000	150,000	150,000	150,000	150,000
Personal benefits	618,000	887,561	1,047,336	1,146,332	1,242,397
Subsidies paid	3,414,000	3,419,000	3,454,000	3,494,000	3,564,000
Other	192,300	220,350	254,350	278,400	337,400
Total cash used	187,458,900	194,922,311	204,082,086	215,095,632	227,230,797
Net cash from operating activities	-	-	-	-	-
Net increase/(decrease) in cash held	-	-	-	-	-
Cash at beginning of reporting period	176,381	176,381	176,381	176,381	176,381
Cash at end of reporting period	176,381	176,381	176,381	176,381	176,381

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The budgeted financial statements have been prepared on an accrual basis.

Notes to the agency statements

Details of agency items in the financial statements included in Table 3.1 to 3.5 have been prepared in accordance with the requirements and guidance for the preparation of financial statements.

The budget statements and estimated forward years have been prepared to reflect the following matters.

Australian Valuation Office

The Australian Taxation Office's agency budget statements are aggregated to include the financial operations of the Australian Valuation Office.

Cost of administering goods and services tax

Agency statements include the estimated costs of administering the goods and services tax pursuant to the 'intergovernmental agreement on the reform of Commonwealth - state financial relations', the GST revenue is collected on behalf of the states and territories which agree to compensate the Commonwealth for the agreed GST administration costs.

The recovery of GST administration costs are reported under the Department of the Treasury.

Notes to the administered statements

Details of administered items in the financial statements included in Tables 3.6 to 3.8 have been prepared under the Tax Liability Method (TLM) of revenue recognition, consistent with the Commonwealth's recognition of taxation revenue. Under TLM, taxation revenue is recognised at the time a taxpayer makes a self-assessment or when an assessment of a tax liability is raised by the Australian Tax Office or the Australian Customs Service. This method retains some elements of cash revenue recognition, for example, when a cash payment occurs prior to an assessment being raised.

The budget statements and forward years have been prepared on the basis noted below and to reflect the following matters.

Recognition of taxation revenue

Since 1999-2000 administered taxation revenue has been brought to account on a year by year basis where:

- the client or the client group can be identified in a reliable manner;
- an amount of tax or other statutory charge is payable by the client or client group under legislative provisions; and
- the amount of the tax or statutory charge payable by the client or client group can be reliably measured, and it is probable that the amount will be collected.

This recognition policy does not include the following items as revenue of the period:

- estimates of future collections or refunds from individuals in respect of income tax returns to be lodged for the current financial year ended at 30 June;
- estimates of instalments of tax and final payments for companies due after 30 June;
- estimates of final amounts for petroleum resource rent tax due after 30 June; and
- actual payments for Pay As You Go, GST, excise and withholding taxes for amounts collected or withheld in June but not remitted to the Commissioner until July.

Items recognised as reductions to taxation revenue

The following items are recognised as reductions (increases) to taxation revenue and not as expense:

- refunds of revenue; and
- increase (decrease) in movement of provision for credit amendments.

Section 4: Purchaser/provider and cost recovery arrangements

CROSS AGENCY OVERVIEW

The Australian Taxation Office (ATO) has entered into purchaser/provider arrangements with both the Department of Family and Community Services (FACS) and the Department of Health and Aged Care. These allow the ATO to provide services to each of these departments to enable them to achieve their stated Outcomes in 2003-04.

The ATO will be providing services to FACS for the Family Assistance Office and the Compliance Package — Prevention and Detection, and to the Child Support Agency.

The ATO will also be providing services to the Department of Health and Aged Care for the implementation of the Private Health Insurance rebate.

SUMMARY OF COST RECOVERY IMPACT STATEMENT

The ATO does not presently have any cost recovery arrangements. All receipts from independent sources are excluded for the purposes of the Commonwealth Cost Recovery Guidelines for Regulatory Agencies as they are related to intergovernmental charging, taxation, or comply with competitive neutrality principles.