INSPECTOR-GENERAL OF TAXATION

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The *Inspector-General of Taxation Act 2003* established an independent statutory agency to review:

- systems established by the Australian Taxation Office to administer the tax laws; and
- systems established by tax laws in relation to administrative matters.

The Inspector-General seeks to improve the administration of the tax laws for the benefit of all taxpayers. This is to be achieved by identifying systemic issues in the administration of the tax laws and providing independent advice to the government on the administration of the tax laws.

To ensure that reviews undertaken reflect areas of key concern to the Australian community, the Inspector-General develops a work programme following broad-based consultation with other stakeholders including taxpayers and their representatives, the Australian Government Ombudsman, the Commonwealth Auditor-General and the Commissioner of Taxation.

APPROPRIATIONS AND RESOURCING

The total appropriation for the Inspection-General of Taxation (IGT) in the 2004-05 Budget is $2.2 million. Table 1.1 on the following page provides this detail.

Inspector-General of Taxation — appropriations 2004-05

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) $'000					Administered $'000				$'000
	Revenues from government (appropriations)			Revenue from other sources	Price of outputs[2]	Annual appropriations		Special appropriations	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]					
Outcome 1 - Improved administration of the tax laws for the benefit of all taxpayers	2,154	-	2,154	-	2,154	-	-	-	-	2,154
			100%	0%	100%					
Total	2,154	-	(K1)[1] 2,154	-	2,154	-	-	-	-	2,154
									Agency capital (equity injections and loans)	-
									Administered capital	-
									Total appropriations	2,154

1. C1 and E1 refer to information provided in Table 2.1, Total resources for Outcome 1. K1 refers to information provided in Table 3.1, Budgeted Agency Statement of Financial Performance.
2. Refer to Table 3.1, Budgeted Agency Statement of Financial Performance for application of agency revenue.

Note: Percentage figures indicate the percentage contribution of revenues from government (agency appropriations) to the total price of outputs, by outcome.

AGENCY EQUITY INJECTIONS AND LOANS

The IGT does not have an appropriation for an equity injection or loan in the 2004-05 Budget.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

Map 2 shows the relationship between Government outcomes and the contributing outputs for the Inspector-General of Taxation (IGT). Financial detail for Outcome 1 by output appears in Table 2.1 while non-financial information for Outcome 1 appears in Table 2.2.

Map 2: Outcomes and output groups

Inspector-General of Taxation

Inspector-General: Mr David Vos AM

Overall outcome

Strong, sustainable economic growth and the improved wellbeing of Australians

Outcome 1

Improved administration of tax laws for the benefit of all taxpayers

Total price of outputs: $2.2 million
Agency outcomes appropriation: $2.2 million

Output Group 1.1

Inspector-General of Taxation

Output 1.1.1

Identification of issues for review and prioritisation of work program

Output 1.1.2

Provision of independent advice to the government on the administration of the tax laws

OUTCOME 1 — DESCRIPTION

Strong, sustainable economic growth and the improved wellbeing of Australians.

Measures affecting Outcome 1

There are no measures for the IGT in the 2004-05 Budget.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2004-05 appropriations translate to total resourcing for Outcome 1, including revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1

	2003-04 estimated actual $'000		2004-05 budget estimate $'000
Agency appropriations			
Output Group 1.1 - Inspector-General of Taxation			
Output 1.1.1 - Identification of issues for review and prioritisation of work program	100		108
Output 1.1.2 - Provision of independent advice to the government on the administration of the tax laws	1,900		2,046
Total revenues from government (appropriations)	2,000	(C1)[1]	2,154
Contributing to price of agency outputs	100%		100%
Total price from agency outputs (Total revenues from government and from other sources)	2,000	(E1)[1]	2,154
Total estimated resourcing for Outcome 1 (Total price of outputs appropriations)	2,000		2,154

	2003-04	2004-05
Average staffing level (number)	4	7

1. C1 and E1 show the links back to Table 1.1.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The role of the Inspector-General of Taxation is to improve the administration of the tax laws for the benefit of all taxpayers.

This is achieved by reviewing the systems established by the Australian Taxation Office to administer the tax laws and the systems established by tax laws in relation to administrative matters.

The Inspector-General of Taxation's two outputs derive from the statutory functions. These outputs involve the identification of systemic issues for review and the prioritisation of the work programme and the provision of independent advice to government on the administration of the tax laws.

The scope of the work programme is determined by the identification and prioritisation of a systemic issue by the Inspector-General. However, the Act also provides that the Minister may direct that a matter be included on the work programme, and that the Inspector-General considers requests to conduct reviews from:

- the Minister (separate from the direction provision); or
- the Commissioner of Taxation; or
- a resolution of either House, or both Houses, of the Parliament; or
- a resolution of a Committee of either House, or both Houses, of the Parliament.

Broad-based community involvement in the identification of issues and the opportunity for all stakeholders to provide submissions ensures that reviews undertaken are relevant and timely for all stakeholders. In view of this, the Inspector-General requires the flexibility to vary resourcing allocations so as to allow emerging and important systemic issues to be addressed in a manner that is timely and relevant to government.

The Inspector-General of Taxation has no power to direct the Commissioner of Taxation in the administration of the tax laws. The effectiveness with which Inspector-General's advice to government contributes to the achievement of the outcome may be difficult to assess. In some instances, the provision of advice to government may lead to legislative change to address an identified systemic issue. However, on other occasions the Commissioner of Taxation may independently address a systemic issue identified by the Inspector-General of Taxation either following the release of a Review Report by the Minister or the publication of an Issues Paper or Work Programme by the Inspector-General.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2: Performance information for Outcome 1

Performance information for agency outputs	
Output Group 1.1 - Inspector-General of Taxation	
Output 1.1.1 - Identification of issues for review and prioritisation of work programme	Broad-based community involvement in the identification of systemic issues in the administration of tax laws. Reviews undertaken are relevant and timely for government and other stakeholders.
Output 1.1.2 - Provision of independent advice to the government on the administration of the tax laws	Reports, undertaken in accordance with required processes, are of a high standard, timely and useful to government. Findings and recommendations achieve improved administration.

EVALUATIONS

Internal, informal monitoring of the IGT's performance and output is undertaken on a continuous basis.

Evaluation of actual levels of achievement will be shown in the Inspector-General of Taxation's 2003-04 Annual Report.

Section 3: Budgeted financial statements

The budgeted financial statements will form the basis of the financial statements that will appear in the Inspector-General of Taxation's (IGT) 2004-05 Annual Report and form the basis for IGT's input into the whole-of-government accounts. The financial statements should be read in conjunction with the accompanying notes.

The budgeted financial statements contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

The Office of the Inspector-General of Taxation consists of seven staff. The Inspector-General relies upon the support and contribution to reviews of many in the private sector, particularly professional associations and business groups. The co-operation and support of relevant government agencies is also very important to the achievement of the outcome.

The Inspector-General commenced operations in the 2003-04 year. As such, there was only a part-year expenditure on staffing costs as recruitment proceeded. A significant one-off expenditure on office fit-out was also a feature of the 2003-04 year.

For 2004-05, approximately 50 per cent of the budget allocation will be expended on employee costs. Another 25 per cent will be expended on office accommodation and corporate overheads. The final 25 per cent will be expended on direct costs associated with completion of the work programme. It is expected that this expenditure pattern will continue in future years.

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

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

Budgeted agency statement of financial position

This statement shows the financial position of the IGT. It enables decision-makers to track the management of the IGT'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 through the Budget as appropriations or from internal sources.

Agency non-financial assets — summary of movement

This statement shows the movement in IGT's non-financial assets over the budget year 2004-05.

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

	2003-04 estimated actual $'000		2004-05 budget estimate $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
REVENUES						
Revenues from ordinary activities						
Revenue from government	2,000	(K1)[(1)]	2,154	2,154	2,154	2,154
Total revenues from ordinary activities	2,000		2,154	2,154	2,154	2,154
EXPENSES						
Expenses from ordinary activities (excluding borrowing costs expense)						
Employees	839		1,008	1,008	1,008	1,008
Suppliers	845		1,036	1,037	1,039	1,032
Depreciation and amortisation	31		110	109	107	114
Total expenses from ordinary activities (excluding borrowing costs expense)	1,715		2,154	2,154	2,154	2,154
Borrowing costs expense	-		-	-	-	-
Operating surplus or (deficit) from ordinary activities	285		-	-	-	-

1. K1 shows the link back to Table 1.1.

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

	2003-04 estimated actual $'000	2004-05 budget estimate $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
ASSETS					
Financial assets					
Cash	508	608	654	697	697
Receivables	31	37	37	32	27
Total financial assets	539	645	691	729	724
Non-financial assets					
Infrastructure, plant and equipment	427	417	408	351	338
Total non-financial assets	427	417	408	351	338
Total assets	966	1,062	1,099	1,080	1,062
LIABILITIES					
Provisions					
Employees	285	321	357	394	431
Total provisions	285	321	357	394	431
Payables					
Suppliers	396	456	456	401	346
Total payables	396	456	456	401	346
Total liabilities	681	777	813	795	777
EQUITY					
Parent entity interest					
Retained surpluses or accumulated deficits	285	285	285	285	285
Total parent entity interest	285	285	285	285	285
Total equity	285	285	285	285	285
Current assets	539	645	691	729	724
Non-current assets	427	417	408	351	338
Current liabilities	524	600	617	578	540
Non-current liabilities	157	177	196	217	237

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

	2003-04 estimated actual $'000	2004-05 budget estimate $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	2,000	2,154	2,154	2,154	2,154
Other - GST	103	108	114	114	118
Total cash received	2,103	2,262	2,268	2,268	2,272
Cash used					
Employees	534	917	917	917	917
Suppliers	578	1,190	1,195	1,198	1,190
Total cash used	1,112	2,107	2,112	2,115	2,107
Net cash from or (used by) operating activities	991	155	156	153	165
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	483	55	110	110	165
Total cash used	483	55	110	110	165
Net cash from or (used by) investing activities	(483)	(55)	(110)	(110)	(165)
Net increase/(decrease) in cash held	508	100	46	43	-
Cash at the beginning of the reporting period	-	508	608	654	697
Cash at the end of the reporting period	508	608	654	697	697

Table 3.4: Agency Capital Budget Statement

	2003-04 estimated actual $'000	2004-05 budget estimate $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	-	-	-	-	-
Funded internally by agency resources	458	100	100	50	100
Total	458	100	100	50	100

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2004-05)

	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	-	-	-	427	-	-	-	427
Additions	-	-	-	100	-	-	-	100
Disposals	-	-	-	-	-	-	-	-
Net revaluation increments/decrements	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	(110)	-	-	-	(110)
Other movements	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	-	-	417	-	-	-	417
Represented by								
Self funded	-	-	-	-	-	-	-	-
Appropriations	-	-	-	417	-	-	-	417
Total represented by	-	-	-	417	-	-	-	417

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements have been prepared on an accrual basis in accordance with the historical cost convention.

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

The Inspector-General of Taxation does not have purchaser/provider arrangements in place.

COST RECOVERY ARRANGEMENTS

The Inspector-General of Taxation does not have any cost recovery arrangements in respect of operational activities. Various organisations do provide travel and accommodation associated with some speaking engagements. The Inspector-General is currently negotiating a cost recovery/contra agreement with the Australian Reinsurance Pool Corporation in respect of office accommodation arrangements in Sydney and Canberra.