# AUSTRALIAN TAXATION OFFICE

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## Section 1: Overview

The role of the Australian Taxation Office (Tax Office) 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 Tax Office is the Australian Government's principal revenue management agency. In 2007-08, the Tax Office will collect 90.3 per cent of the Australian Government's revenue on behalf of the Australian community.

The main role of the Tax Office is to administer legislation for taxes, superannuation and excise (but not customs duty). In doing this, the Tax Office addresses broad issues affecting Australia's revenue system, such as aggressive tax planning, persistent tax debtors, globalisation and the cash economy.

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

- Private health insurance;
- Family assistance;
- Fuel grants and benefit schemes;
- Valuation Services; and
- Cross agency support, such as working with Centrelink to reduce benefit fraud, with the Child Support Agency to ensure income transfer for the care of children, and with the Australian Bureau of Statistics to reduce the cost to the community of collecting statistical data.

### 1.1 SUMMARY OF AGENCY CONTRIBUTIONS TO OUTCOMES

The products and services delivered by the agency (outputs and administered policies, products and services) which contribute to the achievement of outcomes for the Tax Office are summarised in Table 1.1 on the following page and Figure 2 on page 208.

**Table 1.1: Contribution to outcomes**

| Outcome | Description | Output group |
|---|---|---|
| **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 | The provision of an integrated platform for a viable and sustainable revenue administration. | Output Group 1.1<br>Australian Taxation Office |

# Section 2: Resources for 2007-08

## 2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriation (including capital appropriation) and other resources for the Australian Taxation Office (Tax Office) in the 2007-08 Budget is $12,280.3 million.

Table 2.1 shows the total resources from all origins for 2007-08, including appropriations. The table summarises how resources will be applied by outcome, administered and departmental classification.

**Table 2.1: Appropriations and other resources 2007-08**

| Australian Taxation Office | Departmental | | | | Administered | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Appropriation Bill No. 1 $'000 | Appropriation Bill No. 2 $'000 | Special Appropriation $'000 | Other resources $'000 | Appropriation Bill No. 1 $'000 | Appropriation Bill No. 2 SPP $'000 | Appropriation Bill No. 2 Other $'000 | Special Appropriation $'000 | Other resources $'000 | Total $'000 |
| 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 | 2,782,828 | - | - | 66,794 | - | - | - | 9,384,100 | - | 12,233,722 |
| Equity injections | - | 46,580 | - | - | - | - | - | - | - | 46,580 |
| **TOTAL** | 2,782,828 | 46,580 | - | 66,794 | - | - | - | 9,384,100 | - | 12,280,302 |

Note: Estimated expenses from individual special appropriations are shown in Table 2.5. The amount showing for appropriations represents appropriations to deliver Tax Office programmes. Amounts disclosed under special appropriations do not include expenditure to pay refunds under the tax system.

## 2.2 2007-08 BUDGET MEASURES

The following table summarises Budget measures relating to the Tax Office as explained in Budget Paper No. 2, *Budget Measures 2007-08*.

**Table 2.2: Australian Taxation Office measures**

| Measure | Output groups affected | Budget Estimate 2007-08 $'000 | | | Forward Estimate 2008-09 $'000 | | | Forward Estimate 2009-10 $'000 | | | Forward Estimate 2010-11 $'000 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Admin items | Dept outputs | Total | Admin items | Dept outputs | Total | Admin items | Dept outputs | Total | Admin items | Dept outputs | Total |
| **Expense measures** | | | | | | | | | | | | | |
| Debt collection enhancement - reducing taxation debt and outstanding superannuation guarantee charge payments[1] | 1.1 | 15,000 | 29,488 | 44,488 | 15,000 | 31,433 | 46,433 | 15,000 | 31,089 | 46,089 | 15,000 | 27,799 | 42,799 |
| 457 visas - ongoing management of caseload[2] | 1.1 | - | 853 | 853 | - | 926 | 926 | - | 831 | 831 | - | 731 | 731 |
| Global Integration - Australian Business Number and business names registration system[3] | 1.1 | - | 4,002 | 4,002 | - | 7,229 | 7,229 | - | 6,728 | 6,728 | - | 6,482 | 6,482 |
| Fraud and compliance - consistent assessment of Family Tax Benefit[4] | 1.1 | (2,000) | - | (2,000) | (2,000) | - | (2,000) | (2,000) | - | (2,000) | - | - | - |
| Pre-filling of tax returns for individuals with simple affairs | 1.1 | - | 20,000 | 20,000 | - | - | - | - | - | - | - | - | - |
| New Business Intensive Assistance Programme | 1.1 | - | 10,000 | 10,000 | - | 10,000 | 10,000 | - | 10,000 | 10,000 | - | 10,000 | 10,000 |
| Child Care Tax Rebate - conversion to a direct payment[4] | 1.1 | - | 640 | 640 | - | (1,131) | (1,131) | - | - | - | - | - | - |
| Simplified Superannuation - additional funding for implementation | 1.1 | - | 40,500 | 40,500 | - | 38,000 | 38,000 | - | - | - | - | - | - |
| Increasing the GST registration turnover threshold | 1.1 | (900) | - | (900) | (900) | - | (900) | (900) | - | (900) | (1,000) | - | (1,000) |
| Screen media support package[5] | 1.1 | 65,000 | - | 65,000 | 75,000 | - | 75,000 | 90,000 | - | 90,000 | 90,000 | - | 90,000 |

**Table 2.2: Australian Taxation Office measures (continued)**

| Measure | Output groups affected | Budget Estimate 2007-08 $'000 | | | Forward Estimate 2008-09 $'000 | | | Forward Estimate 2009-10 $'000 | | | Forward Estimate 2010-11 $'000 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Admin items | Dept outputs | Total | Admin items | Dept outputs | Total | Admin items | Dept outputs | Total | Admin items | Dept outputs | Total |
| Energy Grants (Cleaner Fuels) Scheme[6] | 1.1 | - | - | - | - | - | - | - | - | - | - | - | - |
| Superannuation - additional Government co-contribution | 1.1 | - | - | - | - | - | - | - | - | - | - | - | - |
| Superannuation - taxation of lump sum superannuation death benefit payments to non-dependents of defence personnel and police | 1.1 | 800 | - | 800 | 300 | - | 300 | - | - | - | - | - | - |
| Standard Business Reporting[7] | 1.1 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total expense measures** | | 77,900 | 105,483 | 183,383 | 87,400 | 86,457 | 173,857 | 102,100 | 48,648 | 150,748 | 104,000 | 45,012 | 149,012 |
| **Related capital** | | | | | | | | | | | | | |
| Debt collection enhancement - reducing taxation debt and outstanding superannuation guarantee charge payments[1] | 1.1 | - | 3,300 | 3,300 | - | 1,300 | 1,300 | - | 1,300 | 1,300 | - | - | - |
| Global Integration - Australian Business Number and business names registration system[3] | 1.1 | - | 8,364 | 8,364 | - | 12,435 | 12,435 | - | - | - | - | - | - |
| **Total related capital** | | - | 11,664 | 11,664 | - | 13,735 | 13,735 | - | 1,300 | 1,300 | - | - | - |

**Table 2.2: Australian Taxation Office measures (continued)**

| Measure | Output groups affected | Budget Estimate 2007-08 $'000 | | | Forward Estimate 2008-09 $'000 | | | Forward Estimate 2009-10 $'000 | | | Forward Estimate 2010-11 $'000 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Admin items | Dept outputs | Total | Admin items | Dept outputs | Total | Admin items | Dept outputs | Total | Admin items | Dept outputs | Total |
| **Related revenue** | | | | | | | | | | | | | |
| Debt collection enhancement - reducing taxation debt and outstanding superannuation guarantee charge payments[1] | 1.1 | 5,000 | - | 5,000 | 45,000 | - | 45,000 | 45,000 | - | 45,000 | 45,000 | - | 45,000 |
| Screen media support package[5] | 1.1 | - | - | - | 11,000 | - | 11,000 | 22,000 | - | 22,000 | 22,000 | - | 22,000 |
| **Total related revenue** | | 5,000 | - | 5,000 | 56,000 | - | 56,000 | 67,000 | - | 67,000 | 67,000 | - | 67,000 |

1 This is a cross agency measure with the Department of the Treasury.
2 This is a cross portfolio measure with the Immigration and Citizenship portfolio.
3 This is a cross portfolio measure with the Industry, Tourism and Resources portfolio.
4 This is a cross portfolio measures with the Family, Community Services and Indigenous Affairs portfolio.
5 This is a cross portfolio measure with the Communications, Information Technology and the Arts portfolio.
6 This is a cross portfolio measure with the Attorney-General's portfolio.
7 This is a cross portfolio measure with the Attorney-General's and Finance and Administration portfolios.

## 2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by the Tax Office for the provision of goods or services as well as resources received free of charge. These resources are approved for use by the Tax Office and are also included in Table 2.1.

**Table 2.3: Other resources available to be used**

| | Estimated actual 2006-07 $'000 | Budget estimate 2007-08 $'000 |
|---|---|---|
| **Departmental other resources** | | |
| Child Support Agency | 12,797 | 15,391 |
| Department of Families, Community Services and Indigenous Affairs | 9,015 | 9,015 |
| Sub-lease revenue | 6,881 | 4,632 |
| Other - resources received free of charge | 2,600 | 2,900 |
| Other | 3,782 | 2,661 |
| Australian Federal Police | 1,302 | 2,517 |
| Legal recovery from taxpayers | 1,244 | 1,150 |
| National tax equivalent regime | 1,120 | 1,120 |
| AusAID | 1,378 | 1,000 |
| Department of Health and Ageing | 609 | 609 |
| **Total departmental other resources available to be used** | 40,728 | 40,995 |

Note: This table represents resources available for spending on departmental purposes. It does not include departmental special accounts and therefore does not match Table 2.1 or Table 3.1. These resources are collected under section 31 of the *Financial Management and Accountability Act 1997* and cover a range of services provided by the Tax Office.

## 2.4 MOVEMENT OF ADMINISTERED FUNDS

**Table 2.4: Movement of administered funds between years**

The Tax Office does not have any movement of administered funds.

## 2.5 SPECIAL APPROPRIATIONS

**Table 2.5: Estimates of expenses from special appropriations**

| | Estimated expenses 2006-07 $'000 | Budget estimate 2007-08 $'000 |
|---|---|---|
| **Estimated special appropriation expenses** | | |
| Refunds - section 16 *Tax Administration Act 1953* [1] | 67,785,000 | 72,744,100 |
| Family Tax Benefit[2] | 2,207,000 | 2,138,000 |
| Measure for a Better Environment - Cleaner Fuels | 116,000 | 226,000 |
| Product Stewardship Waste Oil | 30,000 | 30,000 |
| Large Scale Film Production | 50,000 | 120,000 |
| R&D refundable tax offset for small companies | 290,000 | 320,000 |
| Superannuation Co-contribution | 1,957,000 | 1,266,000 |
| *Superannuation Guarantee (Administration) Act 1992* - Distribution of charges | 130,000 | 205,000 |
| **Total estimated special appropriation expenses[3]** | 72,565,000 | 77,049,100 |

1 Refunds under section 16 of the *Tax Administration Act 1953* are primarily taxation refunds from revenue but may include amounts for the First Child tax offset, the Private Health Insurance Benefit, Fuel Tax Credits and interest on overpayments. Refunds also include amounts previously reported under the Energy Grants (Credits) Scheme and Fuel Sales Grants Scheme.

2 This represents the portion of the Family Tax Benefit administered by the Tax Office only.

3 The total amount showing for special appropriations differs to the amount shown in Figure 2 as it includes appropriations for taxation refunds from revenue. In Figure 2, taxation refunds are netted off against taxation revenue.

## 2.6 MOVEMENTS IN SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. The following table shows the expected additions (credits) and reductions (debits) for each account used by the Tax Office.

## Table 2.6: Estimates of special account cash flows and balances

| | Opening Balance | Credits | Debits | Adjustments | Closing Balance |
|---|---|---|---|---|---|
| | **2007-08** | **2007-08** | **2007-08** | **2007-08** | **2007-08** |
| | *2006-07* | *2006-07* | *2006-07* | *2006-07* | *2006-07* |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Australian Valuation Office[1] | **3,485** | **25,499** | **25,354** | **-** | **3,630** |
| | *3,296* | *26,794* | *26,605* | *-* | *3,485* |
| Excise Security Deposits[2] | **45** | **-** | **-** | **-** | **45** |
| | *52* | *-* | *7* | *-* | *45* |
| Other Trust Moneys Account[2] | **19,344** | **30,000** | **-** | **-** | **49,344** |
| | *19,844* | *9,500* | *10,000* | *-* | *19,344* |
| Superannuation Holding Accounts | **50,169** | **210,000** | **32,500** | **-** | **227,669** |
| Reserve Trust Accounts[3] | *57,769* | *400* | *8,000* | *-* | *50,169* |
| **Total special accounts** | | | | | |
| **2007-08 Budget estimate** | **73,043** | **265,499** | **57,854** | **-** | **280,688** |
| *Total special accounts* | | | | | |
| *2006-07 estimated actual* | *80,961* | *36,694* | *44,612* | *-* | *73,043* |

1 This special account is departmental in nature and is governed by the *Financial Management and Accountability Act 1997.*

2 These special accounts are administered in nature and are governed by the *Financial Management and Accountability Act 1997*.

3 This special account is administered in nature and is governed by the *Superannuation Supervision Act 1995*.

# Section 3: Outcomes

This section summarises how the resources identified in Section 2 will be used to contribute to the outcome of the Australian Taxation Office (Tax office). Key performance measures and performance evaluation activities are specified for each outcome.

## 3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between activities of the Tax Office and its outcome is summarised in Figure 2. The Tax Office has made a change to Output 1.1.4 since the *Portfolio Additional Estimates Statements 2006-07*. Previously the output read 'Compliance assurance and support for transfers and regulation of superannuation funds compliance with retirement income standards'. The output now reads 'Compliance assurance and support for transfers and regulation of superannuation funds'.

**Figure 2: Contributions to outcomes**

**Australian Taxation Office**

**Commissioner: Mr Michael D'Ascenzo**

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 departmental resources: $2,849.6 million
Departmental appropriation: $2,782.8 million
Administered appropriation: $9,384.1 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 | Services to governments and agencies |
| Total resources: $219.2 million | Total resources: $990.5 million | Total resources: $1,411.2 million | Total resources: $136.1 million | Total resources: $92.7 million |

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

## 3.2 OUTCOME RESOURCES AND PERFORMANCE INFORMATION

### 3.2.1 Outcome 1 resourcing

Table 3.1 shows how the 2007-08 Budget appropriations translate to total resourcing for Outcome 1, including administered expenses, departmental appropriations, and revenue from other sources.

**Table 3.1: Total resources for Outcome 1**

| | Estimated actual 2006-07 $'000 | Budget estimate 2007-08 $'000 |
|---|---|---|
| **Administered appropriations** | | |
| Special appropriations | 9,681,000 | 9,384,100 |
| **Total administered appropriations** | 9,681,000 | 9,384,100 |
| **Departmental appropriations** | | |
| Output Group 1.1 - Australian Taxation Office | | |
| Output 1.1.1 - Shape, design and build administrative systems | 196,642 | 219,182 |
| Output 1.1.2 - Management of revenue collection and transfers | 948,012 | 990,464 |
| Output 1.1.3 - Compliance assurance and support - revenue collection | 1,307,574 | 1,411,176 |
| Output 1.1.4 - Compliance assurance and support for transfers and regulation of superannuation funds | 124,867 | 136,127 |
| Output 1.1.5 - Services to government and agencies | 16,040 | 25,879 |
| **Total departmental appropriations** | 2,593,135 | 2,782,828 |
| **Departmental revenue from other sources** | | |
| Goods and services | 61,551 | 63,894 |
| Other | 2,600 | 2,900 |
| **Total departmental revenue from other sources** | 64,151 | 66,794 |
| **Total departmental resources** | 2,657,286 | 2,849,622 |
| **Total resources** | 12,338,286 | 12,233,722 |

| | 2006-07 | 2007-08 |
|---|---|---|
| **Average staffing level (number)** | 20,908 | 20,792 |

## 3.2.2 Measures affecting Outcome 1

The Budget measures for the Tax Office appear in Table 2.2. Details of these measures are included in Budget Paper No. 2, *Budget Measures 2007-08.*

## 3.2.3 Contributions to achievement of Outcome 1

### Administered activities

The Tax Office is the Australian Government's principal revenue collection agency and is part of the Treasury portfolio. The Tax Office's role is to manage and shape tax, excise and superannuation systems that fund services for Australians. The Tax Office plays an important role in building a better Australia by giving effect to social and economic policy, in 2007-08 the Tax Office intends to deliver approximately $9 billion in subsidies and benefits schemes.

The Tax Office manages revenue through a range of collection systems, including income tax, GST (collected by the Australian Government on behalf of state and territory governments), superannuation and excise (but not customs duty). It also administers a range of benefits and refunds, including income tax and GST refunds, excise grants, family tax benefits, superannuation guarantees and fuel tax credits.

The Tax Office also addresses broader issues affecting Australia's revenue systems, such as aggressive tax planning, persistent tax debtors, globalisation and the cash economy.

The main areas of the tax system administered by the Tax Office are:

- income tax (including pay as you go (PAYG) withholding and instalments, capital gains tax and fringe benefits tax);
- wine equalisation tax;
- luxury car tax;
- goods and services tax (GST);
- higher education funding (on a joint basis);
- excise duty;
- fuel grants and benefit schemes;
- superannuation (including the superannuation guarantee, small superannuation accounts, 'lost' members, superannuation co-contribution and self managed superannuation funds); and
- the Australian business number and Australian business register.

The Tax Office also supports the delivery of community benefits, with roles in other areas such as private health insurance, family assistance and cross-agency support.

### Departmental outputs

There are five distinct outputs that contribute to Outcome 1:

- Output 1.1.1: reflects the Tax Office'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 taxation, 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 Tax Office, providing the community with information and assistance; and

- Output 1.1.5: reflects the range of services the Tax Office provides the Treasurer and the Minister for Revenue and Assistant Treasurer, to the Parliament and to other Australian Public Service agencies.

### 3.2.4 Performance information for Outcome 1

The following table summarises the performance information for administered items, individual outputs and output groups relating to the Tax Office.

## Table 3.2: Performance information for Outcome 1

| | |
|---|---|
| **Overall achievement of the Outcome** | Effectiveness Indicators |
| **Deliver to Government** | Revenue collections as a percent of budgeted revenue<br>Actual transfers as a percent of budgeted transfers<br>Overall levels of compliance improved<br>Implementing new policy measures, and specifically funded activities, efficiently and effectively |
| **Maintain community confidence** | Corporate survey results<br>Corporate service standards<br>Technical Quality Assurance |
| **Improve ease of compliance** | Take up rate of new improved products, services and channels<br>Corporate survey results |
| **Efficient, ethical and adaptive organisation** | Manage the Tax Office within budget<br>Sound governance system<br>Capable and engaged workforce |
| **Performance indicators for administered items including third party outputs**<br>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 indicators for individual outputs**<br>**Output group 1.1 Australian Taxation Office** | |
| Output 1.1.1 - Shape, design and build administrative systems | **Quality:**<br>- Treasury is satisfied with the timeliness and quality of the Tax Office's input to the development of taxation policy and laws in relation to costings, modelling and forecasting work<br>- The programme delivering easier, cheaper and more personalised service is implemented in accordance with the agreed intent and outcomes enabling delivery of promised improved user experience<br>- Administrative systems are in place and support products are provided for taxpayers and their advisers on time and on budget for implementation of new tax laws<br>- The Tax Office evaluates the alignment of the change programme to progress or support strategic business outcomes<br>**Quantity:**<br>- A number of administrative advice and costings are provided and managed to help shape the Government's programme<br>- The programme delivering easier, cheaper and more personalised service is implemented in accordance with schedule and costs<br>**Price $219.2 million** |

## Table 3.2: Performance information for Outcome 1 (continued)

| | |
|---|---|
| Output 1.1.2 - Management of revenue collection and transfers | **Quality:**<br>- Performance to service standards<br>- Client perceptions of professionalism in related areas against benchmark<br>- Collectable debt compared with total collections<br>**Quantity:**<br>- Dollar value of revenue collected<br>- Dollar value of revenue transferred<br>- Number of registrations processed and records maintained<br>- Number of accounts managed, refunds issued and payments processed<br>- Number of debt cases finalised<br>- Number of products processed<br>**Price $990.5 million** |
| Output 1.1.3 - Compliance assurance and support - revenue collections | **Quality:**<br>- Evaluation of selected Tax Office information products from a client perspective, both pre and post implementation delivery<br>- Percentage of technical advice passing quality assurance trend over time<br>- Performance to service standards<br>- Client perceptions of professionalism in related areas against benchmark<br>- Evaluation of Tax Office risk management and strategic intelligence<br>**Quantity:**<br>- Number of information, interpretation and active compliance products delivered, liabilities raised/collected and numbers of risk reviews conducted<br>**Price $1,411.2 million** |
| Output 1.1.4 - Compliance assurance and support for transfers and regulation of superannuation funds | **Quality:**<br>- Evaluation of selected Tax Office information products, from a client perspective, both pre and post implementation delivery<br>- Percentage of technical advice passing quality assurance trend over time<br>- Performance to service standards<br>- Client perceptions of professionalism in related areas against benchmark<br>- Evaluation of Tax Office risk management and strategic intelligence<br>**Quantity:**<br>- Dollar value of required transfers effected<br>- Numbers of information, interpretation and active compliance products delivered, liabilities raised/collected and numbers of risk reviews conducted<br>**Price $136.1 million** |

**Table 3.2: Performance information for Outcome 1 (continued)**

| | |
|---|---|
| Output 1.1.5 - Services to governments and agencies | **Quality:**<br>- Client satisfaction - number and percentage of work completed for Centrelink within agreed timeframes fourteen days<br>- Cross agency support delivered to agreed standard and timeliness<br>- Ministerial and Parliamentary services delivered to agreed standard and timeliness<br>**Quantity:**<br>- Number of Centrelink valuations completed<br>- AVO level of net operating profit - on-going performance against budget<br>- Required volume of services delivered for cross agency support and Ministerial and Parliamentary services<br>**Price $92.7 million** |

### 3.2.5 Evaluations for Outcome 1

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

# Section 4: Other reporting requirements

## 4.1 PURCHASER-PROVIDER ARRANGEMENTS

### 4.1.1 Cross agency overview

The Australian Taxation Office (Tax Office) maintains purchaser-provider arrangements with the Department of Families, Community Services and Indigenous Affairs (FaCSIA), Department of Education, Science and Training (DEST), Department of Human Services and the Department of Health and Ageing. These allow the Tax Office to provide services to each of these departments to enable them to achieve their stated outcomes in 2007-08.

The Tax Office will be providing services to:

- FaCSIA for the Family Assistance Office and administration of the Tax Office component of the family tax benefit;
- DEST for the administration of the Higher Education Loan Programme;
- Department of Human Services for the Child Support Agency; and
- Department of Health and Ageing for the implementation of the private health insurance rebate.

The Tax Office has negotiated a number of memorandums of understanding (MOUs) for the purchaser-provider arrangements outlined above. These MOUs include various levels and types of reporting responsibilities and control arrangements for the Tax Office and relevant agencies. Refer to Table 3.2 for performance information relating to cross agency support provided by the Tax Office.

## 4.2 COST RECOVERY ARRANGEMENTS

The Tax Office does not presently have any significant cost recovery arrangements. The majority of receipts from independent sources are excluded for the purposes of the *Australian Government's Cost Recovery Guidelines for Regulatory Agencies* as they relate to intergovernmental charging, taxation and/or comply with competitive neutrality principles.

## 4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

For information on the Tax Office's Australian Government indigenous expenditure refer to the portfolio summary table on page 7.

# Section 5: Budgeted financial statements

## 5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

### Budgeted departmental income statement

The Australian Taxation Office (Tax Office) is budgeting for a balanced budget in 2007-08 after income tax equivalents payable by the Australian Valuation Office.

#### Operating revenues

Total agency revenue is estimated to be $2,849.6 million and consists of $2,782.8 million appropriation and revenue from other sources of $66.8 million. This is an increase of $192.3 million from the 2006-07 estimated actual.

This rise in revenue is primarily a result of increases in appropriation flowing from budget measures.

#### Operating expenses

Total expenses are estimated to be $2,849.6 million. This is an increase of $192.9 million from the 2006-07 estimated actual.

Operating expenses consist of $1,683.9 million in employees, $1,044.2 million in suppliers and $121.3 million in depreciation and amortisation.

### Budgeted departmental balance sheet

In 2007-08 the Tax Office's equity position will be $19.8 million. This is a significant improvement over the estimated actual position for 2006-07 of negative $26.5 million due largely to equity injections of $46.6 million.

#### Assets

The Tax Office's assets are predominantly non-financial assets. In 2007-08 the Tax Office will continue to maintain its commitment to long term improvement, investing $191.9 million in capital expenditure.

A significant proportion of the Tax Office's capital investment is directed toward the development or improvement of internally developed systems and software in support of the Tax Office's intention of making people's experience with the revenue systems easier, cheaper and more personalised, and improving the integrity and flexibility of the superannuation business systems.

### Liabilities

The Tax Office's liabilities are predominantly employee entitlements and are estimated to be $782.4 million. Total liabilities have increased $17.1 million from 2006-07. This has been driven primarily by an increase in employee entitlements.

## 5.2 BUDGETED FINANCIAL STATEMENTS TABLES

### Table 5.1: Budgeted departmental income statement (for the period ended 30 June)

| | Estimated actual 2006-07 $'000 | Budget estimate 2007-08 $'000 | Forward estimate 2008-09 $'000 | Forward estimate 2009-10 $'000 | Forward estimate 2010-11 $'000 |
|---|---|---|---|---|---|
| **INCOME** | | | | | |
| **Revenue** | | | | | |
| Revenues from Government | 2,593,135 | 2,782,828 | 2,760,460 | 2,728,068 | 2,711,383 |
| Goods and services | 61,551 | 63,894 | 52,456 | 52,696 | 52,891 |
| Other | 2,600 | 2,900 | 3,200 | 3,500 | 3,800 |
| ***Total revenue*** | 2,657,286 | 2,849,622 | 2,816,116 | 2,784,264 | 2,768,074 |
| **Total income** | 2,657,286 | 2,849,622 | 2,816,116 | 2,784,264 | 2,768,074 |
| **EXPENSE** | | | | | |
| Employees | 1,632,689 | 1,683,867 | 1,697,235 | 1,720,983 | 1,722,834 |
| Suppliers | 904,793 | 1,044,170 | 976,392 | 907,219 | 890,554 |
| Depreciation and amortisation | 118,936 | 121,318 | 142,222 | 155,795 | 154,419 |
| **Total expenses** | 2,656,418 | 2,849,355 | 2,815,849 | 2,783,997 | 2,767,807 |
| **Surplus (deficit) before income tax** | 868 | 267 | 267 | 267 | 267 |
| Income tax expense | 267 | 267 | 267 | 267 | 267 |
| **Surplus (deficit) attributable to the Australian Government** | 601 | 0 | 0 | 0 | 0 |

**Table 5.2: Budgeted departmental balance sheet (as at 30 June)**

| | Estimated actual 2006-07 $'000 | Budget estimate 2007-08 $'000 | Forward estimate 2008-09 $'000 | Forward estimate 2009-10 $'000 | Forward estimate 2010-11 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 32,723 | 28,109 | 31,121 | 41,684 | 41,082 |
| Receivables | 192,833 | 190,032 | 189,960 | 216,299 | 234,277 |
| ***Total financial assets*** | 225,556 | 218,141 | 221,081 | 257,983 | 275,359 |
| **Non-financial assets** | | | | | |
| Land and buildings | 105,122 | 104,595 | 104,068 | 103,541 | 103,014 |
| Infrastructure, plant and equipment | 53,146 | 48,988 | 44,830 | 40,672 | 36,514 |
| Intangibles | 341,304 | 416,561 | 443,432 | 430,932 | 418,508 |
| Deferred tax asset | 629 | 629 | 629 | 629 | 629 |
| Other | 13,044 | 13,253 | 13,253 | 13,253 | 13,253 |
| ***Total non-financial assets*** | 513,245 | 584,026 | 606,212 | 589,027 | 571,918 |
| **Total assets** | 738,801 | 802,167 | 827,293 | 847,010 | 847,277 |
| **LIABILITIES** | | | | | |
| **Payables** | | | | | |
| Suppliers | 140,684 | 140,336 | 132,635 | 126,058 | 126,058 |
| Tax liabilities | - | - | - | 267 | 534 |
| Other payables | 3,299 | 3,299 | 3,299 | 3,299 | 3,299 |
| ***Total payables*** | 143,983 | 143,635 | 135,934 | 129,624 | 129,891 |
| **Interest bearing liabilities** | | | | | |
| Leases | 31,490 | 29,500 | 27,589 | 25,678 | 25,678 |
| ***Total interest bearing liabilities*** | 31,490 | 29,500 | 27,589 | 25,678 | 25,678 |
| **Provisions** | | | | | |
| Employees | 543,207 | 562,909 | 570,860 | 597,498 | 597,498 |
| Other provisions | 46,613 | 46,346 | 46,346 | 46,346 | 46,346 |
| ***Total provisions*** | 589,820 | 609,255 | 617,206 | 643,844 | 643,844 |
| **Total liabilities** | 765,293 | 782,390 | 780,729 | 799,146 | 799,413 |
| **Net assets** | (26,492) | 19,777 | 46,564 | 47,864 | 47,864 |
| **EQUITY** | | | | | |
| Contributed equity | 199,353 | 245,933 | 273,031 | 274,331 | 274,331 |
| Reserves | 37,767 | 37,767 | 37,767 | 37,767 | 37,767 |
| Accumulated deficits | (263,612) | (263,923) | (264,234) | (264,234) | (264,234) |
| **Total equity** | (26,492) | 19,777 | 46,564 | 47,864 | 47,864 |
| **Current assets** | 242,327 | 263,111 | 271,352 | 277,819 | 277,907 |
| **Non-current assets** | 496,474 | 539,056 | 555,941 | 569,191 | 569,370 |
| **Current liabilities** | 583,919 | 596,964 | 595,696 | 609,748 | 609,952 |
| **Non-current liabilities** | 181,374 | 185,426 | 185,033 | 189,398 | 189,461 |

**Table 5.3: Budgeted departmental statement of cash flows (for the period ended 30 June)**

| | Estimated actual 2006-07 $'000 | Budget estimate 2007-08 $'000 | Forward estimate 2008-09 $'000 | Forward estimate 2009-10 $'000 | Forward estimate 2010-11 $'000 |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | |
| **Cash received** | | | | | |
| Goods and services | 61,551 | 63,894 | 54,364 | 54,606 | 52,891 |
| Appropriations | 2,606,635 | 2,789,495 | 2,753,238 | 2,699,746 | 2,693,405 |
| Net GST received | 89,366 | 90,547 | 98,380 | 89,819 | 84,790 |
| ***Total cash received*** | 2,757,552 | 2,943,936 | 2,905,982 | 2,844,171 | 2,831,086 |
| **Cash used** | | | | | |
| Employees | 1,608,019 | 1,664,166 | 1,689,284 | 1,694,344 | 1,722,834 |
| Suppliers | 904,788 | 1,042,175 | 982,798 | 912,207 | 886,754 |
| Taxes Paid | 267 | 267 | 267 | - | - |
| Net GST paid | 90,553 | 96,321 | 93,000 | 89,747 | 84,790 |
| ***Total cash used*** | 2,603,627 | 2,802,929 | 2,765,349 | 2,696,298 | 2,694,378 |
| **Net cash from or (used by) operating activities** | 153,925 | 141,007 | 140,633 | 147,873 | 136,708 |
| **INVESTING ACTIVITIES** | | | | | |
| **Cash used** | | | | | |
| Purchase of property, plant and equipment | 171,767 | 191,890 | 164,408 | 138,610 | 137,310 |
| ***Total cash used*** | 171,767 | 191,890 | 164,408 | 138,610 | 137,310 |
| **Net cash from or (used by) investing activities** | (171,767) | (191,890) | (164,408) | (138,610) | (137,310) |
| **FINANCING ACTIVITIES** | | | | | |
| **Cash received** | | | | | |
| Appropriations - contributed equity | 14,457 | 46,580 | 27,098 | 1,300 | - |
| ***Total cash received*** | 14,457 | 46,580 | 27,098 | 1,300 | - |
| **Cash used** | | | | | |
| Dividends paid | 304 | 311 | 311 | - | - |
| ***Total cash used*** | 304 | 311 | 311 | - | - |
| **Net cash from or (used by) financing activities** | 14,153 | 46,269 | 26,787 | 1,300 | - |
| ***Net increase or (decrease) in cash held*** | (3,689) | (4,614) | 3,012 | 10,563 | (602) |
| Cash at the beginning of the reporting period | 36,412 | 32,723 | 28,109 | 31,121 | 41,684 |
| **Cash at the end of the reporting period** | 32,723 | 28,109 | 31,121 | 41,684 | 41,082 |

## Table 5.4: Departmental statement of changes in equity — summary of movement (Budget year 2007-08)

| | Retained earnings $'000 | Asset revaluation reserve $'000 | Other reserves $'000 | Contributed equity/ capital $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| **Estimated opening balance as at 1 July 2007** | | | | | |
| Balance carried forward from previous period | (263,612) | 37,767 | - | 199,353 | (26,492) |
| ***Estimated opening balance*** | (263,612) | 37,767 | - | 199,353 | (26,492) |
| **Income and expense** | | | | | |
| Surplus (deficit) for the period | - | - | - | - | - |
| ***Total income and expenses recognised directly in equity*** | - | - | - | - | - |
| **Transactions with owners** | | | | | |
| *Distribution to owners* | | | | | |
| Returns on capital | | | | | |
| Dividends | (311) | - | - | - | (311) |
| *Contribution by owners* | | | | | |
| Appropriation (equity injection) | - | - | - | 46,580 | 46,580 |
| ***Sub-total transactions with owners*** | (311) | - | - | 46,580 | 46,269 |
| **Estimated closing balance as at 30 June 2008** | (263,923) | 37,767 | - | 245,933 | 19,777 |

## Table 5.5: Departmental capital budget statement

| | Estimated actual 2006-07 $'000 | Budget estimate 2007-08 $'000 | Forward estimate 2008-09 $'000 | Forward estimate 2009-10 $'000 | Forward estimate 2010-11 $'000 |
|---|---|---|---|---|---|
| **CAPITAL APPROPRIATIONS** | | | | | |
| Total equity injections | 14,457 | 46,580 | 27,098 | 1,300 | - |
| Total loans | - | - | - | - | - |
| ***Total capital appropriations*** | 14,457 | 46,580 | 27,098 | 1,300 | - |
| **Represented by:** | | | | | |
| Purchase of non-financial assets | 14,457 | 46,580 | 27,098 | 1,300 | - |
| Other | - | - | - | - | - |
| ***Total represented by*** | 14,457 | 46,580 | 27,098 | 1,300 | - |
| **PURCHASE OF NON-FINANCIAL ASSETS** | | | | | |
| Funded by capital appropriation | 14,457 | 46,580 | 27,098 | 1,300 | - |
| Funded internally by departmental resources | 157,310 | 145,310 | 137,310 | 137,310 | 137,310 |
| **Total** | 171,767 | 191,890 | 164,408 | 138,610 | 137,310 |

**Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2007-08)**

| | Land | Investment property | 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 | $'000 |
| **As at 1 July 2007** | | | | | | | | | |
| Gross book value | - | - | 148,845 | - | 102,234 | - | - | 627,879 | 878,958 |
| Accumulated depreciation | - | - | (43,723) | - | (49,088) | - | - | (286,575) | (379,386) |
| **Estimated opening net book value** | - | - | 105,122 | - | 53,146 | - | - | 341,304 | 499,572 |
| Additions: | | | | | | | | | |
| by purchase | - | | 25,140 | | 12,150 | | | 154,600 | 191,890 |
| Depreciation/amortisation expense | - | - | (25,667) | - | (16,308) | - | - | (79,343) | (121,318) |
| **As at 30 June 2008** | | | | | | | | | |
| Gross book value | - | - | 173,985 | - | 114,384 | - | - | 782,479 | 1,070,848 |
| Accumulated depreciation | - | - | (69,390) | - | (65,396) | - | - | (365,918) | (500,704) |
| **Estimated closing net book value** | - | - | 104,595 | - | 48,988 | - | - | 416,561 | 570,144 |

**Table 5.7: Schedule of budgeted income and expenses administered on behalf of government (for the period ended 30 June)**

| | Estimated actual 2006-07 $'000 | Budget estimate 2007-08 $'000 | Forward estimate 2008-09 $'000 | Forward estimate 2009-10 $'000 | Forward estimate 2010-11 $'000 |
|---|---|---|---|---|---|
| **INCOME ADMINISTERED ON BEHALF OF GOVERNMENT** | | | | | |
| **Revenue** | | | | | |
| **Taxation** | | | | | |
| Income tax | 188,530,000 | 198,530,000 | 210,750,000 | 223,100,000 | 233,270,000 |
| Indirect tax | 64,630,000 | 67,280,000 | 70,030,000 | 72,950,000 | 76,190,000 |
| Other taxes, fees and fines | 18,900 | 20,200 | 45,500 | 53,800 | 55,800 |
| ***Total taxation*** | 253,178,900 | 265,830,200 | 280,825,500 | 296,103,800 | 309,515,800 |
| **Non-taxation** | | | | | |
| Other sources of non-taxation revenues | 370,000 | 336,000 | 376,000 | 416,000 | 456,000 |
| ***Total non-taxation*** | 370,000 | 336,000 | 376,000 | 416,000 | 456,000 |
| **Total revenues administered on behalf of Government** | 253,548,900 | 266,166,200 | 281,201,500 | 296,519,800 | 309,971,800 |
| **Total income administered on behalf of Government** | 253,548,900 | 266,166,200 | 281,201,500 | 296,519,800 | 309,971,800 |
| **EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT** | | | | | |
| Subsidies | 4,722,000 | 5,202,100 | 5,466,100 | 5,674,100 | 6,011,000 |
| Personal benefits | 4,549,000 | 3,697,000 | 3,704,000 | 3,759,000 | 3,851,000 |
| Write down and impairment of assets | 3,490,000 | 3,893,000 | 3,948,000 | 4,108,000 | 4,248,000 |
| Finance costs | 280,000 | 280,000 | 330,000 | 330,000 | 330,000 |
| Other | 130,000 | 205,000 | 230,000 | 250,000 | 280,000 |
| **Total expenses administered on behalf of Government** | 13,171,000 | 13,277,100 | 13,678,100 | 14,121,100 | 14,720,000 |

## Table 5.8: Schedule of budgeted assets and liabilities administered on behalf of government (as at 30 June)

| | Estimated actual 2006-07 $'000 | Budget estimate 2007-08 $'000 | Forward estimate 2008-09 $'000 | Forward estimate 2009-10 $'000 | Forward estimate 2010-11 $'000 |
|---|---|---|---|---|---|
| **ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 223,976 | 223,976 | 223,976 | 223,976 | 223,976 |
| Receivables | 13,902,700 | 14,370,900 | 15,119,400 | 15,961,200 | 16,965,000 |
| Accrued revenues | 8,160,593 | 8,625,593 | 9,130,593 | 9,610,593 | 9,860,593 |
| ***Total financial assets*** | 22,287,269 | 23,220,469 | 24,473,969 | 25,795,769 | 27,049,569 |
| **Non-financial assets** | | | | | |
| Other | 22 | 22 | 22 | 22 | 22 |
| ***Total non-financial assets*** | 22 | 22 | 22 | 22 | 22 |
| **Total assets administered on behalf of Government** | 22,287,291 | 23,220,491 | 24,473,991 | 25,795,791 | 27,049,591 |
| **LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT** | | | | | |
| **Provisions** | | | | | |
| Taxation refunds provided | 1,806,789 | 1,806,789 | 1,806,789 | 1,806,789 | 1,806,789 |
| Other provisions | 542,277 | 567,277 | 597,277 | 627,277 | 657,277 |
| ***Total provisions*** | 2,349,066 | 2,374,066 | 2,404,066 | 2,434,066 | 2,464,066 |
| **Payables** | | | | | |
| Grants and subsidies | 1,080,560 | 1,013,360 | 936,360 | 858,360 | 887,360 |
| Personal benefits payable | 3,918,770 | 3,896,770 | 3,871,770 | 3,888,770 | 3,949,770 |
| Other payables | 20,596 | 20,596 | 20,596 | 20,596 | 20,596 |
| ***Total payables*** | 5,019,926 | 4,930,726 | 4,828,726 | 4,767,726 | 4,857,726 |
| **Total liabilities administered on behalf of Government** | 7,368,992 | 7,304,792 | 7,232,792 | 7,201,792 | 7,321,792 |

### Table 5.9: Schedule of budgeted administered cash flows (for the period ended 30 June)

| | Estimated actual 2006-07 $'000 | Budget estimate 2007-08 $'000 | Forward estimate 2008-09 $'000 | Forward estimate 2009-10 $'000 | Forward estimate 2010-11 $'000 |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | |
| **Cash received** | | | | | |
| Income tax | 184,906,491 | 195,133,800 | 207,078,500 | 219,310,200 | 229,668,200 |
| Indirect tax | 63,350,000 | 65,880,000 | 68,560,000 | 71,410,000 | 74,560,000 |
| Other taxes, fees and fines | 18,900 | 20,200 | 45,500 | 53,800 | 55,800 |
| Other | 194,000 | 306,000 | 316,000 | 316,000 | 186,000 |
| ***Total cash received*** | 248,469,391 | 261,340,000 | 276,000,000 | 291,090,000 | 304,470,000 |
| **Cash used** | | | | | |
| Interest paid | 280,000 | 280,000 | 330,000 | 330,000 | 330,000 |
| Subsidies paid | 4,914,000 | 5,269,300 | 5,543,100 | 5,752,100 | 5,982,000 |
| Personal benefits | 4,383,000 | 3,719,000 | 3,729,000 | 3,742,000 | 3,790,000 |
| Other | 167,000 | 180,000 | 200,000 | 220,000 | 250,000 |
| ***Total cash used*** | 9,744,000 | 9,448,300 | 9,802,100 | 10,044,100 | 10,352,000 |
| **Net cash from / (used by) operating activities** | 238,725,391 | 251,891,700 | 266,197,900 | 281,045,900 | 294,118,000 |
| **FINANCING ACTIVITIES** | | | | | |
| **Cash received** | | | | | |
| Cash from Official Public Account | 9,744,000 | 9,448,300 | 9,802,100 | 10,044,100 | 10,352,000 |
| ***Total cash received*** | 9,744,000 | 9,448,300 | 9,802,100 | 10,044,100 | 10,352,000 |
| **Cash used** | | | | | |
| Cash to Official Public Account | 248,469,391 | 261,340,000 | 276,000,000 | 291,090,000 | 304,470,000 |
| ***Total cash used*** | 248,469,391 | 261,340,000 | 276,000,000 | 291,090,000 | 304,470,000 |
| **Net cash from / (used by) financing activities** | (238,725,391) | (251,891,700) | (266,197,900) | (281,045,900) | (294,118,000) |
| ***Net increase / (decrease) in cash held*** | - | - | - | - | - |
| Cash at beginning of reporting period | 223,976 | 223,976 | 223,976 | 223,976 | 223,976 |
| **Cash at end of reporting period** | 223,976 | 223,976 | 223,976 | 223,976 | 223,976 |

### Table 5.10: Schedule of administered capital budget

The Tax Office does not have any administered capital.

### Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget Year 2007-08)

The Tax Office does not have any administered property, plant, equipment or intangibles.

## 5.3 NOTES TO THE FINANCIAL STATEMENTS

### Basis of Accounting

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

### Notes to the departmental statements

Details of agency items in the financial statements included in Tables 5.1 to 5.6 have been prepared on the basis of Australian Accounting Standards and Department of Finance and Administration 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 Tax Office's agency budget statements are consolidated to include the financial operations of the Australian Valuation Office.

### Cost of administering goods and services tax

Departmental 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 Australian Government for the agreed GST administration costs.

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

### Notes to the administered statements

The administered financial statements included in Tables 5.7 to 5.9 have been prepared on the basis of Australian Accounting Standards.

The standards require that taxation revenues are recognised on an accrual basis when the following conditions apply:

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

The amount of taxation revenue recognised takes account of legislative steps, discretion to be exercised and any refunds and/or credit amendments to which the taxpayers may become entitled.

#### Recognition of taxation revenue

Taxation revenue is recognised when the Government, through the application of legislation by the Tax Office and other relevant activities, gains control over the future economic benefits that flow from taxes and other statutory charges — the Economic Transaction Method (ETM). This methodology relies on the estimation of the probable flows of taxes from transactions which have occurred in the economy, but not yet reported, and are likely to be reported, to the Tax Office through an assessment or disclosure.

However in circumstances when there is an 'inability to reliably measure tax revenues when the underlying transactions or events occur', the standards permit an alternative approach — the Taxation Liability Method (TLM). Under this basis, taxation revenue is recognised at the earlier of when an assessment of a tax liability is made or payment is received by the Tax Office. This recognition policy means that taxation revenue is generally measured at a later time than would be the case if it were measured under the ETM method.

In accordance with the above revenue recognition approach, the Tax Office uses ETM as the basis for revenue recognition, except for income tax for individuals, companies and superannuation funds and superannuation surcharge which are recognised on a TLM basis.

### Items recognised as reductions to taxation revenue

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

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