

AUSTRALIAN TAXATION OFFICE

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AUSTRALIAN TAXATION OFFICE

Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION

The Australian Taxation Office (ATO) effectively manages and shapes tax and superannuation, and other systems that fund and support services for Australians.

In fulfilling its role of administering legislation governing taxes and superannuation, the ATO also supports the community, having roles in other areas including the Australian Business Register and a range of activities such as fuel grants and benefit schemes.

The ATO's strategic direction is outlined in its Strategic Statement 2006-10. The ATO's aspiration is to work with the community in the fair administration and effective management of the tax and superannuation systems and to add value to the nation. The ATO's commitment to the community is to administer the tax and superannuation systems fairly by helping people do the right thing, by making it as easy as possible for taxpayers to comply, and by identifying people who are not meeting their obligations and dealing with them appropriately.

The ATO's primary responsibility is to implement the Government's legislative program in respect of Acts administered by it, and to support the delivery of new Government measures. In 2008-09, key new measures to be implemented include enhancing compliance activities, particularly for large businesses and high wealth individuals, and First Home Saver Accounts.

To ensure that the community receives the very best tax and superannuation administration, delivery of all ATO output groups are underpinned by the following areas of strategic focus for 2008-09:

- delivering on the Government's agenda both in terms of outputs and effectiveness;
- tailoring business processes to make the taxpayer experience timely, easier and more personalised;
- addressing risk areas through the application of its Compliance Model; and
- enhancing the ATO's productive capability to ensure an efficient, effective and adaptive organisation.

Building on past successes, the ATO will continue to encourage appropriate compliance behaviours and outcomes. It will collaborate with intermediaries and the community to co-design services and tools that minimise compliance costs and that make it as easy as possible for taxpayers and business to understand and comply with their tax and superannuation rights and obligations.

The ageing population and the slowdown of labour force growth, highlights the importance of superannuation to provide a higher standard of living in retirement than would be possible from the age pension alone. Given this, and the strong growth in self-managed superannuation funds, the ATO will continue to assist superannuants and approved auditors to understand and easily comply with their superannuation rights and obligations so as to promote this objective and to provide a level playing field.

The ATO also contributes to the reduction in taxpayers' compliance costs and regulatory burdens through the use of whole-of-government approaches. In particular, the ATO will continue to be heavily involved in Standard Business Reporting and will continue to promote the wider use of information in the Australian Business Register.

Economic activity in Australia is increasingly shaped by events at the global level. Recognising this, the ATO is faced with the challenges of deterring international tax evasion and avoidance that impact on Australia. To do this effectively the ATO will continue to work with law enforcement and other agencies and tax jurisdictions.

1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all origins. The table summarises how resources will be applied to the ATO.

Table 1.1: Australian Taxation Office resource statement — Budget estimates for 2008-09 as at Budget May 2008

	Estimate of prior ⁺ year amounts available in 2008-09 \$'000	Proposed at Budget ⁼ 2008-09 \$'000	Total estimate 2008-09 \$'000	Estimated appropriation available 2007-08 \$'000
Ordinary annual services				
Departmental outputs				
Departmental outputs	177,385 ³	2,861,097 ¹	3,038,482	2,798,805
Receipts from other sources	-	62,038	62,038	68,583
Total departmental outputs	177,385	2,923,135	3,100,520	2,867,388
Administered expenses				
Outcome 1	-	-	-	1,100
Total administered outputs	-	-	-	1,100
Total ordinary annual services	A 177,385	2,923,135	3,100,520	2,868,488
Other services				
Departmental non-operating				
Equity injections	-	79,729 ²	79,729	56,183
Previous years' outputs	-	2,886 ²	2,886	-
Total other services	B -	82,615	82,615	56,183
Total available annual appropriations (A+B)	177,385	3,005,750	3,183,135	2,924,671
Special appropriations				
<i>A New Tax System (Family Assistance) (Administration) Act 1999 (s233)</i>	-	-	-	2,118,000
<i>Product Grants and Benefits Administration Act 2000 - cleaner fuel grants</i>	-	101,000	101,000	120,000
<i>Product Grants and Benefits Administration Act 2000 Product Stewardship Waste (Oil) Scheme</i>	-	21,000	21,000	30,000
<i>Superannuation Guarantee (Administration) Act 1992</i>	-	255,000	255,000	285,000
<i>Taxation Administration Act 1953 s16 (Non-refund items)</i>	-	8,269,700	8,269,700	7,012,200
Total special appropriations	C -	8,646,700	8,646,700	9,565,200
Total appropriations excluding special accounts (A+B+C)	177,385	11,652,450	11,829,835	12,489,871

Table 1.1: Australian Taxation Office resource statement — Budget estimates for 2008-09 as at Budget May 2008 (continued)

	Estimate of prior ⁺ year amounts available in 2008-09 \$'000	Proposed at Budget ⁼ 2008-09 \$'000	Total estimate 2008-09 \$'000	Estimated appropriation available 2007-08 \$'000
Special accounts⁴				
Opening balance	159,626	-	159,626	75,405
Non-appropriation receipts to special accounts	-	81,900	81,900	136,022
Total special account	D 159,626	81,900	241,526	211,427
Total resourcing (A+B+C+D)	337,011	11,734,350	12,071,361	12,701,298
Less receipts from other sources credited to special accounts	-	28,900	28,900	30,260
Total net resourcing for the ATO	337,011	11,705,450	12,042,461	12,671,038

1. Appropriation Bill (No.1) 2008-09.

2. Appropriation Bill (No.2) 2008-09.

3. Estimated adjusted balance carried forward from previous year for annual appropriations.

4. Estimated opening balance for special accounts. For further detail on special accounts see Table 3.1.3.

1.3 BUDGET MEASURES

Budget measures relating to the ATO are detailed in Budget Paper No. 2, *Budget Measures 2008-09*. Table 1.2 provides a summary of government measures and identifies the relevant output groups associated with each measure.

Table 1.2: Australian Taxation Office 2008-09 Budget measures

	Output group	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000
Revenue measures (related expense)						
Increased funding for the Australian Taxation Office compliance dividend						
Departmental outputs	1.1	-	39,038	63,611	76,701	77,604
Means-testing of government support - expanded definitions of income to include certain 'salary sacrificed' contributions to superannuation						
Administered expenses	1.1	-	-	(35,000)	(35,000)	(40,000)
Departmental outputs		-	3,215	3,281	8,209	1,773

Table 1.2: Australian Taxation Office 2008-09 Budget measures (continued)

	Output group	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000
Revenue measures (continued)						
(related expense)						
Means-testing of government support - expanded definitions of income to include net losses from investments						
Administered expenses	1.1	-	-	(2,200)	(2,200)	(3,300)
Departmental outputs		-	1,134	2,162	716	716
Means-testing of government support - expanded definitions of income to include reportable fringe benefits						
Departmental outputs		-	147	834	125	126
Personal income tax - tightening eligibility for the dependency tax offsets						
Departmental outputs	1.1	-	393	75	..	..
Total revenue measures						
(related expense)						
Administered expenses		-	-	(37,200)	(37,200)	(43,300)
Departmental outputs		-	43,534	69,888	85,751	80,219
Total		-	43,534	32,688	48,551	36,919
Expense measures						
Education Revolution - Improving our schools - Education Tax Refund - refundable tax offset						
Administered expenses	1.1	-	1,015,000	1,095,000	1,135,000	1,165,000
First Home Saver Accounts						
Administered expenses	1.1	-	110,000	215,000	290,000	360,000
Departmental outputs		2,416	20,203	11,200	11,380	12,503
National Rental Affordability Scheme						
Administered expenses	1.1	-	10,500	47,000	134,500	301,700
Removal of differential treatment of same-sex couples and their children - law reform						
Departmental outputs		-	-	860	629	412

Table 1.2: Australian Taxation Office 2008-09 Budget measures (continued)

	Output group	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000
Expense measures (continued)						
Responsible Economic Management - Better targeting and delivery of Family Tax Benefit - streamlining administration						
Administered expenses	1.1	-	(2,160,000)	(2,190,000)	(2,230,000)	(2,270,000)
Departmental outputs		-	665	(6,400)	(8,691)	(8,691)
Responsible Economic Management - Choice of Superannuation Fund						
Departmental outputs	1.1	-	(6,600)	(13,800)	(13,800)	(13,800)
Responsible Economic Management - Heavy vehicle road user charging						
Administered expenses	1.1	-	(40,000)	(110,000)	(150,000)	(190,000)
Responsible Economic Management - New Business Intensive Assistance Program						
Departmental outputs	1.1	-	(10,000)	(10,000)	(10,000)	(10,000)
Superannuation Clearing House Facility						
Departmental outputs	1.1	-	-	4,000	6,000	6,100
Water for the Future - National Urban Water and Desalination Plan						
Administered expenses	1.1	-	-	29,000	49,000	77,000
Total expense measures						
Administered expenses		-	(2,079,500)	(2,009,000)	(1,906,500)	(1,721,300)
Departmental outputs		2,416	1,019,268	1,080,860	1,120,518	1,151,524
Total		2,416	(1,060,232)	(928,140)	(785,982)	(569,776)

Table 1.2: Australian Taxation Office 2008-09 Budget measures (continued)

	Output group	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000
Related capital						
First Home Saver Accounts	1.1	288	20,797	-	-	-
Means-testing of government support - expanded definitions of income to include certain 'salary sacrificed' contributions to superannuation	1.1	-	1,297	-	-	-
Means-testing of government support - expanded definitions of income to include net losses from investments	1.1	-	644	-	-	-
Personal income tax - tightening eligibility for the dependency tax offsets	1.1	-	322	-	-	-
Responsible Economic Management - Better targeting and delivery of Family Tax Benefit - streamlining administration	1.1	-	1,622	-	-	-
Total related capital		288	24,682	-	-	-

.. Not zero, but rounded to zero.

Prepared on a Government Finance Statistics basis.

Section 2: Outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

The Australian Government requires agencies to measure their intended and actual performance in terms of outcomes. Government outcomes are the results, impacts or consequences of actions by the Government on the Australian community. Agencies are required to identify the output groups which demonstrate their contribution to Government outcomes over the coming year.

The ATO's outcome is described below by output groups, specifying the performance indicators and targets used to assess and monitor the performance of the ATO in achieving Government outcomes.

2.1.1 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

Outcome 1 strategy

The ATO manages revenue through a range of collection systems, including income tax, GST, superannuation guarantee and excise (but not customs duty). It also administers a range of benefits, subsidies and refunds, including income tax and GST refunds, excise grants, superannuation co-contributions and fuel tax credits.

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

The ATO also administers significant aspects of Australia's superannuation system as well as having responsibility for the Australian Business Register.

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

The ATO will contribute to the achievement of its outcome by focusing its activities on delivering relevant policies and strategies under each of its five output groups.

The ATO's Corporate Plan 2008-09 outlines key priorities for the coming year and identifies those initiatives that have a multi-year focus which support contribution to the outcome over the longer term. The plan includes strategic and capability areas of focus for the year. These support the Strategic Statement 2006-10, guide on-going change agenda and assist in identifying opportunities for business productivity improvements. As a values-based agency, the ATO maintains trust and community confidence by demonstrating values in delivering its outcome and outputs.

As an open and accountable administration, the ATO publishes specific commitments, strategies and targets in key corporate documents such as the Taxpayers' Charter, Making It Easier to Comply and the Compliance Program. In doing this, the ATO assures Government and the community that the tax and superannuation systems are being effectively and efficiently managed and administered.

Outcome 1 resource statement

Table 2.1 provides additional detail of budget appropriations and the total resourcing for outcome 1.

Table 2.1: Total resources for outcome 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	2008-09 Total estimate of available resources \$'000	2007-08 Estimated actual \$'000
Output group 1.1 - Australian Taxation Office		
Departmental outputs		
Output 1.1.1 - Shape, design and build administrative systems	224,620	223,904
Output 1.1.2 - Management of revenue collection and transfers	973,497	951,594
Output 1.1.3 - Compliance assurance and support - revenue collection	1,415,203	1,371,414
Output 1.1.4 - Compliance assurance and support for transfers and regulation of superannuation funds	163,545	167,928
Output 1.1.5 - Services to governments and agencies	84,232	83,965
Receipts from other sources	62,038	68,583
Administered items		
Outcome 1	-	1,100
Special appropriations		
<i>A New Tax System (Family Assistance)</i> <i>(Administration) Act 1999</i>	-	2,118,000
<i>Product Grants and Benefits</i> <i>Administration Act 2000 - cleaner fuel</i> <i>grants</i>	101,000	120,000
<i>Product Grants and Benefits</i> <i>Administration Act 2000 - Product</i> <i>Stewardship Waste (Oil) Scheme</i>	21,000	30,000
<i>Superannuation Guarantee</i> <i>(Administration) Act 1992</i> <i>Taxation Administration Act 1953</i> <i>s16 (Non-refund items)</i>	255,000	285,000
	8,269,700	7,012,200

Table 2.1: Total resources for outcome 1 (continued)

	2008-09 Total estimate of available resources \$'000	2007-08 Estimated actual \$'000
Special accounts		
Excise Security Deposits Special Account		
Opening balance	50	45
Non-appropriation receipts to special accounts	-	5
Other Trust Moneys Account		
Opening balance	14,344	19,344
Non-appropriation receipts to special accounts	10,000	10,000
Superannuation Holdings Accounts Special Account		
Opening balance	137,390	50,169
Non-appropriation receipts to special accounts	43,000	95,757
Valuation Services Special Account		
Opening balance	7,842	5,847
Non-appropriation receipts to special accounts	28,900	30,260
Total resources for outcome 1	11,811,361	12,645,115
Less receipts from other sources credited to special accounts	28,900	30,260
Total net resourcing for the ATO	11,782,461	12,614,855

	2008-09	2007-08
Average staffing level (number)	20,739	21,876

Note: Departmental splits, by output, are indicative estimates and may change in the course of the budget year as government priorities change.

Contributions to outcome 1

Outcome categories	Outcome effectiveness indicators
Deliver to government.	Revenue collections as a per cent of budgeted revenue. Actual transfers as a per cent of budgeted transfers. Implementing new policy measures efficiently and effectively.
Maintain community confidence.	Maintain performance against Taxpayers' Charter: - external survey results; - corporate service standards; - technical quality assurance; and - complaints.
Improve ease of compliance.	Take up rate of new or improved products, services and channels. External survey results.
Efficient, ethical and adaptive organisation.	Manage the ATO within budget. Sound governance system. Capable and engaged workforce.
Output group 1.1 — Australian Taxation Office	
Components of output group 1.1 are: Output 1.1.1 — Shape, design and build administrative systems; Output 1.1.2 — Management of revenue collection and transfers; Output 1.1.3 — Compliance assurance and support — revenue collection; Output 1.1.4 — Compliance assurance and support for transfers and regulation of superannuation funds compliance with retirement; and Output 1.1.5 — Services to governments and agencies	
Output 1.1.1 — Shape, design and build administrative systems	
Output 1.1.1 reflects the ATO's role in effectively shaping, designing and building administrative systems to give effect to the legislation the ATO administer. This output involves: - providing advice on the administrative, compliance and interpretive aspects of the laws administered by the ATO in relation to new government policy, including advice on costings, modelling and revenue forecasting; - identifying, developing or enhancing business practices and processes within the ATO to implement new law or internal initiatives related to administering relevant laws; and - providing advice to the Treasury in areas where relevant laws do not operate in accordance with the policy intent, or where compliance costs are higher than expected.	

Contributions to outcome 1 (continued)

Output 1.1.1 — Shape, design and build administrative systems (continued)	
Key performance indicators	2008-09 target
The ATO's contribution to the shape of new tax and superannuation policy and law.	The Treasury is satisfied with ATO input to new tax and superannuation policy and law design processes, as per the agreed ATO-Treasury protocol.
Administrative systems are in place, and support products are provided for, taxpayers and their advisors.	Administrative systems are in place, and support products are provided, on time and on budget for the implementation of new tax laws.
Implementation of the easier cheaper and more personalised program – the ATO's transformational change program.	The program is implemented in accordance with the agreed intent and outcomes enabling delivery of promised improved user experience. The program is implemented in accordance with agreed schedule and costs, subject to other priorities. ATO evaluates the alignment of the program to progress or support strategic business outcomes.
Output 1.1.2 — Management of revenue collection and transfers	
Output 1.1.2 reflects the ATO's role in managing client contact, revenue collections and payments made to taxpayers and others. The ATO facilitate dealings with the taxpayer as they: • enter the tax and other systems the ATO administer through the appropriate registrations; • receive and provide the required information; • make payments; • receive refunds or other payments, or are notified of their obligations; and • engage with the ATO in relation to outstanding obligations and any remedial action taken.	
Management of revenue collections and payments.	Revenue collected (comparative results to previous year/s performance): • dollar value of revenue collected; • number of products processed; and • number of payments processed. Payments made (comparative results to previous year/s performance): • dollar value of revenue transferred; • number of refunds issued; and • number of accounts managed.

Contributions to outcome 1 (continued)

Output 1.1.2 — Management of revenue collection and transfers (continued)	
Key performance indicators	2008-09 target
Management of registrations.	Comparative results to previous year/s performance: • number of Registrar registrations processed; • number of Commissioner of Taxation registrations processed; • number of Registrar related updates; and • number of Commissioner of Taxation related updates.
Management of client contact.	Comparative results to previous year/s performance: • number of information products delivered.
Management of debt collection.	Comparative results to previous year/s performance: • collectable debt compared to collections; and • number of debt cases finalised.
Output 1.1.3 — Compliance assurance and support — revenue collections	
Output 1.1.3 reflects the ATO's role in achieving high levels of voluntary compliance with Australia's tax and superannuation laws. The ATO places equal importance on ensuring that taxpayers both receive their entitlements and comply with their obligations. As a general approach, the ATO aims to intrude as little as possible on the majority of the community and businesses who want to meet their obligations, other than as a source of assistance, while at the same time being highly visible to those who are reluctant to do so. Under output 1.1.3 the ATO: • publish its compliance program, alerting the community and business to issues they should be aware of and what practices and activity will attract the ATO's attention; • provide information, guidance and self-help tools, answer questions and inform the community of new developments and the ATO's view of the law on contentious issues; • provide certainty to taxpayers through the public ruling and private binding and reviewable ruling systems; • provide easy and effective ways for people to send the ATO information, make payments and receive refunds; and • apply a risk management approach to deter, detect and deal with non-compliance, and promote voluntary compliance in relation to the tax laws.	
Optimise voluntary compliance.	Overall levels of compliance improved: • collections in line with, or above, budget forecasts; and • evaluation of trend data.
Specifically funded activities contributing to the collection of revenue implemented efficiently and effectively.	Specifically funded activities are implemented in accordance with the Government's timetable and achieve policy intent.

Contributions to outcome 1 (continued)

Output 1.1.3 — Compliance assurance and support — revenue collections (continued)	
Key performance indicators	2008-09 target
Provide support to help taxpayers and their advisers understand their rights and obligations.	Comparative results to previous year/s performance: • number of information products delivered; and • number of interpretation products delivered. Evaluation of selected ATO information products, from a taxpayer perspective, both pre and post implementation delivery.
Provide compliance assurance for the collection of revenue.	Comparative results to previous year/s performance: • number of active compliance products delivered; • number of liabilities raised/collected; and • number of risk reviews conducted. Evaluation of ATO risk management and strategic intelligence.
Output 1.1.4 — Compliance assurance and support for transfers and regulation of superannuation funds	
Output 1.1.4 reflects the ATO's processes required to assure and support compliance and to provide the community with information and assistance, in relation to transfers and superannuation obligations administered by the ATO. Similar to the ATO's assurance role under output 1.1.3, the ATO works to ensure that taxpayers both receive their entitlements and comply with their obligations. This output involves: • providing compliance assurance and support in relation to transfers; • regulating self managed superannuation funds; and • ensuring superannuation funds regulated by the Australian Prudential Regulation Authority meet their reporting obligations. Transfers — administered expenses incurred by the ATO for which no reciprocal benefit is received: superannuation guarantee, superannuation co-contributions, and personal and business benefits and subsidies (including those that may be paid, as a matter of convenience, through the tax system). The primary intention of work under output 1.1.3 relates to assuring revenue collection. Compliance activity undertaken for other purposes falls under output 1.1.4.	

Contributions to outcome 1 (continued)

Output 1.1.4 — Compliance assurance and support for transfers and regulation of superannuation funds (continued)	
Key performance indicators	2008-09 target
Optimise voluntary compliance.	Overall levels of compliance improved: - transfers and payments consistent with budget; and - evaluation of trend data.
Specifically funded activities contributing to the payment of transfers or the regulation of superannuation funds implemented efficiently and effectively.	Specifically funded activities are implemented in accordance with the Government's timetable and achieve policy intent.
Provide support to help taxpayers and their advisers understand their rights in relation to transfers and their superannuation obligations.	Comparative results to previous year/s performance: - number of information products delivered; and - number of interpretation products delivered. Evaluation of selected ATO information products, from a taxpayer perspective, both pre and post implementation delivery.
Provide compliance assurance for the payment of transfers and the regulation of superannuation funds.	Comparative results to previous year/s performance: - number of active compliance products delivered; - number of liabilities raised/collected; and - number of risk reviews conducted. Evaluation of ATO risk management and strategic intelligence.
Output 1.1.5 — Services to governments and agencies	
Output 1.1.5 covers the range of services the ATO provides to the Treasurer and the Assistant Treasurer, the Minister for Superannuation and Corporate Law, the Treasury, Parliament, Australian Government agencies, external scrutineers and State and Territory governments. It also covers complaint handling procedures. The ATO works collaboratively with other agencies through a range of cross-agency support services and provides information to deliver whole-of-government initiatives and contributes to the business outcomes of those agencies. The intergovernmental agreement on the Reform of Commonwealth-State Financial Relations also outlines commitments the ATO have to the States and Territories in relation to GST.	

Contributions to outcome 1 (continued)

Output 1.1.5 — Services to governments and agencies (continued)	
This output also covers: • services provided by the Australian Valuation Office (AVO), which operates on a full cost-recovery basis; and • the role of Registrar of the Australian Business Register (which is separate from the role of the Commissioner of Taxation) in working cooperatively with intermediaries and other government agencies to establish the Australian Business Register as the Government's business register to reduce red tape for business.	
Key performance indicators	2008-09 target
Service delivery to governments and agencies.	Cross-agency support delivered to agreed standard and timeliness (as per signed inter-agency Memoranda of Understanding). Ministerial and parliamentary services delivered to agreed standard and timeliness. Required volume of services delivered for cross-agency support. Required volume of services delivered for Ministerial and Parliamentary services.
Valuation services provided to key government agencies.	Number and percentage of work completed for Centrelink within agreed timeframes. AVO level of net operating profit, on-going performance against budget. Number of valuations completed for key government agencies.
The Australian Business Register established as the government's business register.	Number of agencies with Australian Business Register partnership agreements. Australian Business Register services provided to partner agencies to agreed standard and timeliness.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of agency finances for the budget year 2008-09. It explains how budget plans are incorporated into the financial statements and provides further details of movements in administered funds, special accounts and government Indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Reconciliation of total available appropriation and outcomes

The Agency Resource Statement (Table 1.1) details the total available appropriation to the ATO agency from all sources. For departmental operating appropriations (outputs) this includes carry-forward amounts as well as amounts appropriated at budget. As the ATO incurs and is funded for future liabilities, generally depreciation and employee entitlements, the total amount of departmental operating appropriation available to the ATO is unlikely to be fully utilised in the budget year. The difference between the agency resource statements and the sum of all payments made at the departmental outputs level is the expected carry-forward amount of resources for the 2009-10 budget year, including amounts related to meeting future obligations to maintain the ATO's asset base and to meet employee entitlement liabilities.

Table 3.1.1: Reconciliation of total available appropriation and outcomes

	\$'000
Total available departmental operating appropriation (outputs)	3,100,520
Less estimated payments in 2008-09	2,926,223
Estimated departmental outputs carried forward and available for 2009-10	174,297

3.1.2 Movement of administered funds between years

Table 3.1.2: Movement of administered funds between years

The ATO has not moved any administered funds between years.

3.1.3 Special accounts

Special accounts provide a means to set aside and record amounts used for specified purposes. Special accounts can be created by a Finance Minister's Determination under the *Financial Management and Accountability Act 1997* or under separate enabling legislation. Table 3.1.3 shows the expected additions (receipts) and reductions (payments) for each account used by the ATO.

Table 3.1.3: Estimates of special account cash flows and balances

		Opening balance 2008-09 2007-08	Receipts 2008-09 2007-08	Payments 2008-09 2007-08	Adjustments 2008-09 2007-08	Closing balance 2008-09 2007-08
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Excise Security Deposits	1	50	-	-	-	50
Special Account		45	5	-	-	50
Other Trust Moneys	1	14,344	10,000	15,000	-	9,344
Account		19,344	10,000	15,000	-	14,344
Services for other Governments and Non-Agency Bodies	1	-	-	-	-	-
Account		-	-	-	-	-
Superannuation Holding	1	137,390	43,000	44,500	-	135,890
Accounts Special Account		50,169	95,757	8,536	-	137,390
Valuation Services	1	7,842	28,900	27,850	-	8,892
Special Account		5,847	30,260	28,265	-	7,842
Total special accounts						
2008-09 Budget estimate		159,626	81,900	87,350	-	154,176
Total special accounts						
2007-08 estimate actual		75,405	136,022	51,801	-	159,626

3.1.4 Australian Government Indigenous Expenditure

Table 3.1.4: Australian Government Indigenous Expenditure

	Appropriations				Other	Total	Output group
	Bill No. 1 \$'000	Bill No. 2 \$'000	Special Approp \$'000	Total Approp \$'000	\$'000	\$'000	
Australian Taxation Office							
Outcome 1							
Total Outcome 2008-09	2,691	-	-	2,691	-	2,691	1.1
Total Outcome 2007-08	2,981	-	-	2,981	-	2,981	1.1

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences in agency resourcing and financial statements

The ATO does not have any differences between the resource information presented in the Budget Papers and Portfolio Budget Statements.

3.2.2 Analysis of budgeted financial statements

Budgeted departmental income statement

The ATO is planning a balanced budget in 2008-09 after income tax equivalent expense from the Australian Valuation Office (AVO).

Operating revenues

In 2008-09, total agency revenue is estimated to be \$2,925.0 million. This consists of revenues from Government of \$2,861.1 million, revenue from other sources of \$60.1 million and resources received free of charge of \$3.8 million. Total revenue is estimated to increase by \$51.7 million in 2008-09 from 2007-08, representing an increase in revenues from Government of \$59.7 million due to measures, offset by a smaller decrease in revenue from other sources of \$8.0 million.

Operating expenses

In 2008-09, total expenses are estimated to be \$2,924.1 million. This consists of \$1,744.4 million in employees, \$1,056.4 million in suppliers and \$123.3 million in depreciation and amortisation.

Budgeted departmental balance sheet

The estimated equity position of the ATO at the end of 2008-09 is \$115.3 million. This represents an increase in equity of \$78.7 million from the 2007-08 estimated actual results, due to equity injections of \$79.7 million in 2008-09, offset by dividends payable by AVO of \$1.0 million.

Assets

The ATO's assets are predominantly non-financial assets. In 2008-09 the ATO will continue to maintain its commitment to long term improvement, investing \$206.6 million in capital expenditure. This represents an increase of \$26.5 million from the 2007-08 estimated actual results, due to asset purchases associated with measures shown in Table 1.2.

A significant proportion of the ATO's capital investment is directed toward 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 easier, cheaper and more personalised, and improving the integrity and flexibility of the superannuation business systems.

Liabilities

The ATO's liabilities are predominantly employee entitlements. Total liabilities are estimated to decrease by \$3.8 million from 2007-08 estimated actual results. This is due to decreases of \$1.9 million in finance lease liabilities and \$9.2 million in suppliers and other liabilities, offset by an increase of \$7.3 million in employee entitlements.

3.2.3 Budgeted financial statements tables

**Table 3.2.1: Budgeted departmental income statement
(for the period ended 30 June)**

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
INCOME					
Revenue					
Revenues from Government	2,801,403	2,861,097	2,917,181	2,916,346	2,920,678
Goods and services	68,583	60,130	43,030	37,102	37,164
Total revenue	2,869,986	2,921,227	2,960,211	2,953,448	2,957,842
Gains					
Other	3,250	3,750	4,000	4,250	4,250
Total gains	3,250	3,750	4,000	4,250	4,250
Total income	2,873,236	2,924,977	2,964,211	2,957,698	2,962,092
EXPENSE					
Employees	1,757,849	1,744,404	1,799,406	1,801,108	1,798,044
Suppliers	1,064,359	1,056,399	1,014,731	989,326	996,150
Depreciation and amortisation	109,318	123,274	149,354	166,784	167,613
Total expenses	2,931,526	2,924,077	2,963,491	2,957,218	2,961,807
Surplus (deficit) before income tax	(58,290)	900	720	480	285
Income tax expense	1,710	900	720	480	285
Surplus (deficit) attributable to the Australian Government	(60,000)	-	-	-	-

Prepared on an Australian Accounting Standards basis.

**Table 3.2.2: Budgeted departmental balance sheet
(as at 30 June)**

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
ASSETS					
Financial assets					
Cash and equivalents	23,567	26,605	35,218	33,056	32,283
Trade and other receivables	184,229	172,720	208,618	238,961	269,264
Total financial assets	207,796	199,325	243,836	272,017	301,547
Non-financial assets					
Land and buildings	132,212	139,393	138,020	136,656	134,463
Infrastructure, plant and equipment	54,424	50,266	46,108	41,950	37,792
Intangibles	416,108	496,453	478,735	454,783	430,831
Other	39,757	39,757	39,757	39,757	39,757
Total non-financial assets	642,501	725,869	702,620	673,146	642,843
Total assets	850,297	925,194	946,456	945,163	944,390
LIABILITIES					
Interest bearing liabilities					
Leases	30,058	28,147	26,236	26,236	26,236
Total interest bearing liabilities	30,058	28,147	26,236	26,236	26,236
Provisions					
Employees	545,671	552,989	579,174	578,961	578,943
Other	35,438	35,438	35,438	35,438	35,438
Total provisions	581,109	588,427	614,612	614,399	614,381
Payables					
Suppliers	194,493	186,792	180,215	180,215	180,215
Dividends	1,995	1,050	840	560	333
Other	6,056	5,513	5,333	5,093	4,898
Total payables	202,544	193,355	186,388	185,868	185,446
Total liabilities	813,711	809,929	827,236	826,503	826,063
Net assets	36,586	115,265	119,220	118,660	118,327
EQUITY					
Contributed equity	255,119	334,848	339,643	339,643	339,643
Reserves	47,121	47,121	47,121	47,121	47,121
Retained surpluses or accumulated deficits	(265,654)	(266,704)	(267,544)	(268,104)	(268,437)
Total equity	36,586	115,265	119,220	118,660	118,327
Current assets	278,897	303,464	310,438	310,013	309,760
Non-current assets	571,400	621,730	636,018	635,150	634,630
Current liabilities	620,861	617,976	631,181	630,622	630,286
Non-current liabilities	192,850	191,953	196,055	195,881	195,777

Prepared on an Australian Accounting Standards basis.

**Table 3.2.3: Budgeted departmental statement of cash flows
(for the period ended 30 June)**

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	73,354	62,038	44,940	37,102	37,164
Appropriations	2,855,581	2,949,966	3,016,866	3,051,865	3,058,191
Other	85,776	98,380	89,819	84,790	84,790
Total cash received	3,014,711	3,110,384	3,151,625	3,173,757	3,180,145
Cash used					
Employees	1,739,591	1,779,428	1,840,076	1,882,037	1,879,728
Suppliers	1,062,014	1,104,567	1,089,929	1,070,222	1,078,050
Other	96,321	93,000	89,747	84,790	84,790
Income taxes paid	267	1,443	900	720	480
Total cash used	2,898,193	2,978,438	3,020,652	3,037,769	3,043,048
Net cash from or (used by) operating activities	116,518	131,946	130,973	135,988	137,097
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	180,178	206,642	126,105	137,310	137,310
Total cash used	180,178	206,642	126,105	137,310	137,310
Net cash from or (used by) investing activities	(180,178)	(206,642)	(126,105)	(137,310)	(137,310)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	56,471	79,729	4,795	-	-
Total cash received	56,471	79,729	4,795	-	-
Cash used					
Dividends paid	641	1,995	1,050	840	560
Total cash used	641	1,995	1,050	840	560
Net cash from or (used by) financing activities	55,830	77,734	3,745	(840)	(560)
Net increase or (decrease) in cash held	(7,830)	3,038	8,613	(2,162)	(773)
Cash at the beginning of the reporting period	31,397	23,567	26,605	35,218	33,056
Cash at the end of the reporting period	23,567	26,605	35,218	33,056	32,283

Prepared on an Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2008-09)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2008					
Balance carried forward from previous period	(265,654)	47,121	-	255,119	36,586
Adjusted opening balance	(265,654)	47,121	-	255,119	36,586
Transactions with owners					
<i>Distribution to owners</i>					
Returns on capital					
Dividends	(1,050)	-	-	-	(1,050)
<i>Contribution by owners</i>					
Appropriation (equity injection)	-	-	-	79,729	79,729
Sub-total transactions with owners	(266,704)	47,121	-	334,848	115,265
Estimated closing balance as at 30 June 2009	(266,704)	47,121	-	334,848	115,265

Prepared on an Australian Accounting Standards basis.

Table 3.2.5: Schedule of budgeted income and expenses administered on behalf of Government (for the period ended 30 June)

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Taxation					
Income tax	209,030,000	216,970,000	231,430,000	240,760,000	251,480,000
Indirect tax	68,850,000	73,340,000	77,050,000	80,490,000	84,160,000
Other taxes, fees and fines	424,200	385,540	374,780	388,820	403,980
Total taxation	278,304,200	290,695,540	308,854,780	321,638,820	336,043,980
Non-taxation					
Other sources of non-taxation revenues	26,000	26,000	26,000	26,000	26,000
Total non-taxation	26,000	26,000	26,000	26,000	26,000
Total revenues administered on behalf of Government	278,330,200	290,721,540	308,880,780	321,664,820	336,069,980
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Subsidies	5,032,200	5,387,200	5,525,200	5,797,100	6,075,000
Personal benefits	3,852,100	2,674,500	2,761,800	2,910,300	3,120,400
Write down and impairment of assets	3,998,000	3,798,000	4,003,000	4,108,000	4,233,000
Finance costs	397,000	330,000	330,000	330,000	330,000
Other	285,000	255,000	244,000	238,000	248,000
Total expenses administered on behalf of Government	13,564,300	12,444,700	12,864,000	13,383,400	14,006,400

Prepared on an Australian Accounting Standards basis.

Table 3.2.6: Schedule of budgeted assets and liabilities administered on behalf of Government (as at 30 June)

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	335,801	335,801	335,801	335,801	335,801
Taxation receivables	16,011,821	17,548,821	19,398,821	21,839,821	24,606,821
Other financial assets	8,390,220	9,150,220	9,735,220	10,135,220	10,710,220
Total assets administered on behalf of Government	24,737,842	27,034,842	29,469,842	32,310,842	35,652,842
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Provisions					
Taxation refunds provided	1,446,116	1,446,116	1,446,116	1,446,116	1,446,116
Other provisions	450,617	459,617	467,617	461,617	486,617
Total provisions	1,896,733	1,905,733	1,913,733	1,907,733	1,932,733
Payables					
Subsidies	861,306	792,306	714,306	757,306	1,055,206
Personal benefits payable	3,858,223	2,782,723	2,867,023	3,062,723	3,326,023
Other payables	22,804	22,804	22,804	22,804	22,804
Total payables	4,742,333	3,597,833	3,604,133	3,842,833	4,404,033
Total liabilities administered on behalf of Government	6,639,066	5,503,566	5,517,866	5,750,566	6,336,766

Prepared on an Australian Accounting Standards basis.

**Table 3.2.7: Schedule of budgeted administered cash flows
(for the period ended 30 June)**

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
OPERATING ACTIVITIES					
Cash received					
Taxes	270,922,200	284,600,540	302,416,780	314,689,820	328,468,980
Other	26,000	26,000	26,000	26,000	26,000
Total cash received	270,948,200	284,626,540	302,442,780	314,715,820	328,494,980
Cash used					
Borrowing costs	340,000	330,000	330,000	330,000	330,000
Subsidies paid	5,236,300	5,456,200	5,603,200	5,754,100	5,777,100
Personal benefits	3,770,100	3,750,000	2,677,500	2,714,600	2,857,100
Other	310,000	246,000	236,000	244,000	223,000
Total cash used	9,656,400	9,782,200	8,846,700	9,042,700	9,187,200
Net cash from or (used by) operating activities	261,291,800	274,844,340	293,596,080	305,673,120	319,307,780
FINANCING ACTIVITIES					
Cash received					
Cash from Official Public Account	9,656,400	9,782,200	8,846,700	9,042,700	9,187,200
Total cash received	9,656,400	9,782,200	8,846,700	9,042,700	9,187,200
Cash used					
Cash to Official Public Account	270,948,200	284,626,540	302,442,780	314,715,820	328,494,980
Total cash used	270,948,200	284,626,540	302,442,780	314,715,820	328,494,980
Net cash from or (used by) financing activities	(261,291,800)	(274,844,340)	(293,596,080)	(305,673,120)	(319,307,780)
Net increase or (decrease) in cash held					
Cash at beginning of reporting period	335,801	335,801	335,801	335,801	335,801
Cash at end of reporting period	335,801	335,801	335,801	335,801	335,801

Prepared on an Australian Accounting Standards basis.

3.2.4 Notes to the financial statements

Basis of accounting

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

Notes to the departmental statements

The departmental financial statements, included in Tables 3.2.1 to 3.2.4 have been prepared on the basis of Australian Accounting Standards and Department of Finance and Deregulation 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 ATO'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 (GST) 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 under the Treasury.

Notes to the administered statements

The administered financial statements included in Tables 3.2.5 to 3.2.7 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 ATO 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 ATO 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 either when an assessment of a tax liability is made or payment is received by the ATO. 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 ATO 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.