

# INSPECTOR-GENERAL OF TAXATION

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# INSPECTOR-GENERAL OF TAXATION

## Section 1: Agency overview and resources

### 1.1 STRATEGIC DIRECTION STATEMENT

The outcome of the Inspector-General of Taxation (IGT) is improved tax administration through community consultation, review and independent advice to government.

IGT's strategic direction for 2012-13 is to improve review processes, timeliness and outcomes by:

- expanding opportunity for community input;
- continuing to build on approaches that increase the Australian Taxation Office's (ATO's) involvement and contribution to review processes and outcomes; and
- continuing the appropriate use of external expertise and overseas comparisons to enhance capabilities and objectivity.

In 2012-13, IGT will establish a new work program through a broad-based community consultation process which remains in effect for that year.

## 1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources for IGT.

**Table 1.1: Inspector-General of Taxation resource statement — Budget estimates for 2012-13 as at Budget May 2012**

	Estimate of prior year amounts available in 2012-13 \$'000	Proposed at Budget 2012-13 \$'000	Total estimate 2012-13 \$'000	Actual available appropriation 2011-12 \$'000
<b>Ordinary annual services</b>				
<b>Departmental appropriation</b>				
Prior year departmental appropriation	2,386 <sup>3</sup>	-	2,386	-
Departmental appropriation <sup>2</sup>	-	2,664 <sup>1</sup>	2,664	2,724
<b>Total net resourcing for the IGT</b>	<b>2,386</b>	<b>2,664</b>	<b>5,050</b>	<b>2,724</b>

1. Appropriation Bill (No. 1) 2012-13.

2. Includes \$0.03 million in 2012-13 for the Departmental Capital Budget (also refer to Table 3.2.5).

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

## 1.3 BUDGET MEASURES

The IGT does not have any budget measures for 2012-13.

## Section 2: Outcomes and planned performance

### 2.1 OUTCOMES AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programs which contribute to Government outcomes over the Budget and forward years.

The IGT's outcome is described below, specifying the strategy, program objective, program deliverables and program key performance indicators used to assess and monitor the performance of the IGT.

**Outcome 1: Improved tax administration through community consultation, review, and independent advice to government**

#### **Outcome 1 Strategy**

Key strategies to achieve Outcome 1 are to:

- undertake community consultation, research and other processes to identify and prioritise areas of tax administration that can be systemically improved;
- call for submissions to review and to stimulate input by, for example, issuing terms of reference and similar materials;
- review identified areas and provide independent advice and recommendations to the Government on improvements to the administration of the tax laws;
- maintain a positive public profile for the IGT through participation in conferences and seminars;
- build on approaches that increase the ATO's involvement and contribution to review processes and outcomes; and
- selectively engage external expertise and undertake overseas comparisons to enhance capabilities and objectivity for appropriate reviews.

The major projects and activities expected to be commenced and/or completed during 2012-13 include the development of a new IGT work program of reviews through broad-based consultation with stakeholders and to commence and/or complete these reviews in that year. In addition, a follow-up review into the ATO's implementation of IGT recommendations in affected review reports issued since November 2008 will be conducted.

## **Outcome expense statement**

Table 2.1 provides an overview of the total expenses for Outcome 1.

**Table 2.1: Budgeted expenses for Outcome 1**

<b>Outcome 1:</b> Improved tax administration through community consultation, review, and independent advice to government	2011-12 Estimated actual expenses \$'000	2012-13 Estimated expenses \$'000
<b>Program 1.1: Inspector-General of Taxation</b>		
Departmental expenses		
Departmental appropriation	2,686	2,634
Expenses not requiring appropriation in the budget year	38	30
<b>Total expenses for Outcome 1</b>	<b>2,724</b>	<b>2,664</b>
	2011-12	2012-13
<b>Average staffing level (number)</b>	11	10

## **Contributions to Outcome 1**

### **Program 1.1: Inspector-General of Taxation**

#### **Program objective**

The IGT has the following objectives:

- identify areas of the tax system's administration where the community or other stakeholders believe that improvements should be made or issues reviewed;
- consult with government agencies that review tax administration, in particular the Australian National Audit Office and the Commonwealth Ombudsman to foster cooperation and make efficient use of resources;
- prioritise areas of tax administration for review according to the IGT's work program and ministerial direction as appropriate;
- provide independent advice to the Government on the tax system's administration and make recommendations on improvements; and
- follow-up on the ATO's implementation of IGT recommendations.

**Program expenses**

There are no significant changes to estimates across the forward years.

**Table 2.2: Program expenses**

	2011-12 Revised budget \$'000	2012-13 Budget \$'000	2013-14 Forward year 1 \$'000	2014-15 Forward year 2 \$'000	2015-16 Forward year 3 \$'000
Annual departmental expenses:					
Departmental items	2,724	2,664	2,687	2,702	2,729
<b>Total program expenses</b>	<b>2,724</b>	<b>2,664</b>	<b>2,687</b>	<b>2,702</b>	<b>2,729</b>

**Program deliverables**

The IGT has the following deliverables:

- a program of reviews based on community input and consultation with other relevant agencies, and prioritised in line with principles of good tax administration; and
- six completed reviews incorporating independent advice to the Government on systemic issues and/or viable improvements to tax administration.

**Program key performance indicators**

The IGT has the following key performance indicators:

- positive feedback and continued support from community stakeholders including taxpayers, tax practitioners and relevant government agencies; and
- recommendations for systemic improvements in tax administration agreed and implemented by the ATO and/or the Government.

## **Section 3: Explanatory tables and budgeted financial statements**

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the budget year 2012-13. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses.

### **3.1 EXPLANATORY TABLES**

#### **3.1.1 Movement of administered funds between years**

The IGT has no administered funds.

#### **3.1.2 Special accounts**

The IGT has no special accounts.

#### **3.1.3 Australian Government Indigenous Expenditure**

The IGT has no Australian Government Indigenous Expenditure.

### **3.2 BUDGETED FINANCIAL STATEMENTS**

#### **3.2.1 Differences in agency resourcing and financial statements**

There are no differences between agency resourcing and financial statements.

#### **3.2.2 Analysis of budgeted financial statements**

The financial statements have been prepared on an Australian Accounting Standards basis.

The IGT is budgeting for a break-even operating result in 2012-13 after adding back non-appropriated depreciation and amortisation expenses.



### 3.2.3 Budgeted financial statements tables

**Table 3.2.1: Comprehensive income statement (showing net cost of services)  
(for the period ended 30 June)**

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
<b>EXPENSES</b>					
Employee benefits	1,859	1,784	1,805	1,816	1,841
Supplier	827	850	852	856	858
Depreciation and amortisation	38	30	30	30	30
<b>Total expenses</b>	<b>2,724</b>	<b>2,664</b>	<b>2,687</b>	<b>2,702</b>	<b>2,729</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Revenue</b>					
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total own-source income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cost of (contribution by) services</b>	<b>2,724</b>	<b>2,664</b>	<b>2,687</b>	<b>2,702</b>	<b>2,729</b>
Appropriation revenue	2,686	2,634	2,657	2,672	2,699
<b>Surplus (deficit) attributable to the Australian Government</b>	<b>(38)</b>	<b>(30)</b>	<b>(30)</b>	<b>(30)</b>	<b>(30)</b>

**Note: Impact of Net Cash Appropriation Arrangements**

	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000
<b>Total Comprehensive Income (loss)</b>					
less depreciation/amortisation expenses previously funded through revenue appropriations	-	-	-	-	-
plus depreciation/amortisation expenses previously funded through revenue appropriations	(38)	(30)	(30)	(30)	(30)
<b>Total Comprehensive Income (loss) - as per the Statement of Comprehensive Income</b>	<b>(38)</b>	<b>(30)</b>	<b>(30)</b>	<b>(30)</b>	<b>(30)</b>

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and equivalents	36	36	36	36	36
Trade and other receivables	2,397	1,528	1,528	1,528	1,528
<b>Total financial assets</b>	<b>2,433</b>	<b>1,564</b>	<b>1,564</b>	<b>1,564</b>	<b>1,564</b>
<b>Non-financial assets</b>					
Infrastructure, plant and equipment	207	1,076	1,076	1,076	1,076
Other	26	26	26	26	26
<b>Total non-financial assets</b>	<b>233</b>	<b>1,102</b>	<b>1,102</b>	<b>1,102</b>	<b>1,102</b>
<b>Total assets</b>	<b>2,666</b>	<b>2,666</b>	<b>2,666</b>	<b>2,666</b>	<b>2,666</b>
<b>LIABILITIES</b>					
<b>Provisions</b>					
Employees	150	150	150	150	150
Other	127	127	127	127	127
<b>Total provisions</b>	<b>277</b>	<b>277</b>	<b>277</b>	<b>277</b>	<b>277</b>
<b>Payables</b>					
Suppliers	107	107	107	107	107
<b>Total payables</b>	<b>107</b>	<b>107</b>	<b>107</b>	<b>107</b>	<b>107</b>
<b>Total liabilities</b>	<b>384</b>	<b>384</b>	<b>384</b>	<b>384</b>	<b>384</b>
<b>Net assets</b>	<b>2,282</b>	<b>2,282</b>	<b>2,282</b>	<b>2,282</b>	<b>2,282</b>
<b>EQUITY</b>					
Reserves	332	332	332	332	332
Contributed equity	38	68	98	128	158
Retained surpluses or accumulated deficits	1,912	1,882	1,852	1,822	1,792
<b>Total equity</b>	<b>2,282</b>	<b>2,282</b>	<b>2,282</b>	<b>2,282</b>	<b>2,282</b>
<b>Current assets</b>	<b>2,459</b>	<b>1,590</b>	<b>1,590</b>	<b>1,590</b>	<b>1,590</b>
<b>Non-current assets</b>	<b>207</b>	<b>1,076</b>	<b>1,076</b>	<b>1,076</b>	<b>1,076</b>
<b>Current liabilities</b>	<b>165</b>	<b>165</b>	<b>165</b>	<b>165</b>	<b>165</b>
<b>Non-current liabilities</b>	<b>219</b>	<b>219</b>	<b>219</b>	<b>219</b>	<b>219</b>

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations	2,686	3,503	2,657	2,672	2,699
Other	-	-	-	-	-
<b>Total cash received</b>	<b>2,686</b>	<b>3,503</b>	<b>2,657</b>	<b>2,672</b>	<b>2,699</b>
<b>Cash used</b>					
Employees	1,845	1,784	1,805	1,816	1,841
Suppliers	826	850	852	856	858
<b>Total cash used</b>	<b>2,671</b>	<b>2,634</b>	<b>2,657</b>	<b>2,672</b>	<b>2,699</b>
<b>Net cash from or (used by) operating activities</b>	<b>15</b>	<b>869</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	38	899	30	30	30
<b>Total cash used</b>	<b>38</b>	<b>899</b>	<b>30</b>	<b>30</b>	<b>30</b>
<b>Net cash from or (used by) investing activities</b>	<b>(38)</b>	<b>(899)</b>	<b>(30)</b>	<b>(30)</b>	<b>(30)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Capital injections	38	30	30	30	30
<b>Total cash received</b>	<b>38</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
<b>Net cash from or (used by) financing activities</b>	<b>38</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
<b>Net increase or (decrease) in cash held</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash at the beginning of the reporting period	21	36	36	36	36
<b>Cash at the end of the reporting period</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>36</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2012-13)**

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2012</b>					
Balance carried forward from previous period	1,912	294	38	38	2,282
<b>Adjusted opening balance</b>	1,912	294	38	38	2,282
<b>Comprehensive income</b>					
Surplus (deficit) for the period	(30)	-	-	-	(30)
<b>Total comprehensive income recognised directly in equity</b>	(30)	-	-	-	(30)
<b>Transactions with owners</b>					
Contributions by owners					
Appropriation (departmental capital budget)	-	-	-	30	30
<b>Total transactions with owners</b>	-	-	-	30	30
<b>Estimated closing balance as at 30 June 2013</b>	1,882	294	38	68	2,282

Prepared on Australian Accounting Standards basis.

**Table 3.2.5: Departmental capital budget (DCB) statement**

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
<b>NEW CAPITAL APPROPRIATIONS</b>					
Capital budget - Bill 1 - DCB	38	30	30	30	30
<b>Total new capital appropriations</b>	38	30	30	30	30
<b>Provided for:</b>					
Purchase of non-financial assets	38	30	30	30	30
<b>Total Items</b>	38	30	30	30	30
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded internally by departmental resources	-	869	-	-	-
Funded by capital appropriation - DCB	38	30	30	30	30
<b>TOTAL</b>	38	899	30	30	30
<b>RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE</b>					
Total purchases	38	899	30	30	30
<b>Total cash used to acquire assets</b>	38	899	30	30	30

Prepared on Australian Accounting Standards basis.

**Table 3.2.6: Statement of asset movements — departmental**

	Buildings \$'000	Other infrastructure, plant and equipment \$'000	Intangibles \$'000	Total \$'000
<b>As at 1 July 2012</b>				
Gross book value	-	362	-	362
Accumulated depreciation/amortisation and impairment	-	155	-	155
<b>Opening net book balance</b>	-	207	-	207
<b>Capital asset additions</b>				
By purchase - appropriation ordinary annual services	-	899	-	899
<b>Total additions</b>	-	899	-	899
<b>Other movements</b>				
Depreciation/amortisation expense	-	30	-	30
<b>Total other movements</b>	-	30	-	30
<b>As at 30 June 2013</b>				
Gross book value	-	1,261	-	1,261
Accumulated depreciation/amortisation and impairment	-	185	-	185
<b>Closing net book balance</b>	-	1,076	-	1,076

Prepared on Australian Accounting Standards basis.

