

INSPECTOR-GENERAL OF TAXATION

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INSPECTOR-GENERAL OF TAXATION

Section 1: Entity overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

The objective of the Inspector-General of Taxation (IGT) is to improve the administration of the tax laws for the benefit of all taxpayers, tax practitioners and other citizens.

The IGT's strategic direction for 2015-16 is to achieve this by delivering independent advice for improvement through:

- consulting with the community to ensure tax administration issues are identified;
- conducting reviews into the identified issues;
- developing a deeper understanding of the issues and advise on improvement options;
- reporting publicly on review outcomes, observations and improvement recommendations; and
- establishing a complaints handling function.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total resources from all sources for the IGT. The table summarises how resources will be applied by outcome and by administered and departmental classification.

Table 1.1: Inspector-General of Taxation resource statement — Budget estimates for 2015-16 as at Budget May 2015

	<i>Actual Available Appropriation 2014-15</i> \$'000	Estimate of prior year amounts available in 2015-16 \$'000	Proposed at 2015-16 Budget \$'000	Total 2015-16 estimate \$'000
Ordinary annual services (a)				
Departmental appropriation				
Prior year appropriations (b)	2,818	3,367	-	3,367
Departmental appropriation (c)	-	-	6,532	6,532
Total	2,818	3,367	6,532	9,899
Total ordinary annual services [A]	2,818	3,367	6,532	9,899
Departmental non-operating				
Equity injections	808	-	198	198
Total	808	-	198	198
Total other services [B]	808	-	198	198
Total available annual appropriations [A+B]	3,626	3,367	6,730	10,097

(a) Appropriation Bill (No. 1) 2015-16.

(b) Estimated adjusted balance carried forward from previous year.

(c) Includes an amount of \$0.03m for the Departmental Capital Budget (refer to Table 3.2.5 for further details). For accounting purposes this amount has been designated as 'contributions by owners'.

Reader note: All figures are GST exclusive.

1.3 BUDGET MEASURES

Budget measures in Part 1 relating to the IGT are detailed in Budget Paper No. 2 and are summarised below.

Table 1.2: Entity 2015-16 Budget measures

Part 1: Measures announced since the 2014-15 Mid-Year Economic and Fiscal Outlook (MYEFO)

Programme	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	
Expense measures						
Inspector-General of Taxation - additional funding	1.1	-	3,287	3,393	3,423	3,456
Total expense measures		-	3,287	3,393	3,423	3,456
Capital measures						
Inspector-General of Taxation - additional funding	1.1	808	198	-	-	-
Total capital measures		808	198	-	-	-
Total		808	3,485	3,393	3,423	3,456

Prepared on a Government Finance Statistics (fiscal) basis.

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 programmes are the primary vehicle by which government entities achieve the intended results of their outcome statements. Entities are required to identify the programmes which contribute to government outcomes over the Budget and forward years.

The IGT's outcome is described below together with its related programmes, specifying the performance indicators and targets used to assess and monitor the performance of the IGT in achieving government outcomes.

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 for improvement;
- 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 and the Australian Taxation Office (ATO) 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;
- selectively engage external expertise and undertake overseas comparisons to enhance capabilities and objectivity for appropriate reviews; and
- establish a complaints handling function.

The major projects and activities expected to commence or be completed during 2015-16 include the IGT's reviews and the establishment of a complaints handling function. In addition, consideration of the ATO's implementation of IGT recommendations is also supported.

Outcome expense statement

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

Table 2.1: Budgeted expenses for Outcome 1

	2014-15 Estimated actual expenses \$'000	2015-16 Estimated expenses \$'000
Outcome 1: Improved tax administration through community consultation, review, and independent advice to government		
Programme 1.1: Inspector-General of Taxation		
Departmental expenses		
Departmental appropriation (a)	2,788	6,503
Expenses not requiring appropriation in the Budget year (b)	30	29
Total expenses for Outcome 1	2,818	6,532
Average staffing level (number) (c)	14	34

(a) Departmental Appropriation combines 'Ordinary annual services (Appropriation Bill No. 1)' and 'Revenue from independent sources (s 74)'.

(b) Expenses not requiring appropriation in the Budget year are made up of depreciation expenses, amortisation expenses, make good expenses, and audit fees.

(c) IGT are engaging an additional 20 staff in 2015-16, in line with the Budget Measure — Inspector-General of Taxation — additional funding. Refer Budget Paper No. 2, *Budget Measures*.

Contributions to Outcome 1

Programme 1.1: Inspector-General of Taxation

Programme objective

The IGT has the following objectives:

- identify areas of tax administration where community stakeholders believe improvements should be made or issues reviewed;
- consult with government entities that review tax administration to foster cooperation and make efficient use of resources;
- prioritise areas of tax administration for review;
- provide independent advice to the Government and the ATO on tax administration and make recommendations on improvements;
- consideration of the ATO's implementation of IGT recommendations; and
- establishing a complaints handling function.

Programme expenses

Additional funding has been provided to the IGT in the 2015-16 Budget to support its operations. Further details can be found in Budget Paper No. 2, *Budget Measures*.

Table 2.2: Programme expenses

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
Annual departmental expenses:					
Departmental items	2,818	6,532	6,607	6,665	6,721
Total programme expenses	2,818	6,532	6,607	6,665	6,721

Programme 1.1 deliverables

The IGT has the following deliverables:

- reviews based on community input and consultation with other relevant entities, prioritised according to good administration principles;
- reports incorporating independent advice on improvements to tax administration; and
- establishment of a complaints handling function.

Programme 1.1 key performance indicators

The IGT has the following key performance indicators:

- positive feedback and continued support from community stakeholders including taxpayers, tax practitioners, other citizens and relevant government entities;
- recommendations for improvements in tax administration agreed and implemented by the ATO or adopted by the Government; and
- the effective establishment of the complaints handling function.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2015-16 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and programme 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 entity resourcing and financial statements

There are no material differences between entity 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 2015-16.

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

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
EXPENSES					
Employee benefits	1,955	5,207	5,361	5,399	5,299
Suppliers	833	1,296	1,217	1,236	1,391
Depreciation and amortisation	30	29	29	30	31
Total expenses	2,818	6,532	6,607	6,665	6,721
LESS:					
OWN-SOURCE INCOME					
Revenue					
Other revenue	-	-	-	-	-
Total revenue	-	-	-	-	-
Total own-source income					
Net cost of/(contribution by) services	2,818	6,532	6,607	6,665	6,721
Revenue from Government	2,788	6,503	6,578	6,635	6,690
Surplus/(deficit) attributable to the Australian Government	(30)	(29)	(29)	(30)	(31)

Note: Impact of net cash appropriation arrangements

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000
Total comprehensive income					
plus depreciation/amortisation expenses previously funded through revenue appropriations (a)	(30)	(29)	(29)	(30)	(31)
Total comprehensive income/(loss) - as per the statement of comprehensive income	(30)	(29)	(29)	(30)	(31)

(a) From 2010-11, the Government introduced net cash appropriation arrangements where Bill 1 revenue appropriations for the depreciation/amortisation expenses of non-corporate Commonwealth entities (and select corporate Commonwealth entities) were replaced with a separate capital budget (the Departmental Capital Budget, or DCB) provided through Bill 1 equity appropriations. For information regarding DCBs, please refer to Table 3.2.5 Departmental Capital Budget Statement.

Prepared on Australian Accounting Standards basis.

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

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	45	45	45	45	45
Trade and other receivables	3,376	3,376	3,376	3,376	2,507
Total financial assets	3,421	3,421	3,421	3,421	2,552
Non-financial assets					
Land and buildings	217	217	217	217	1,086
Infrastructure, plant and equipment	739	937	937	937	937
Other non-financial assets	38	38	38	38	38
Total non-financial assets	994	1,192	1,192	1,192	2,061
Total assets	4,415	4,613	4,613	4,613	4,613
LIABILITIES					
Payables					
Suppliers	68	68	68	68	68
Other payables	36	36	36	36	36
Total payables	104	104	104	104	104
Provisions					
Employee provisions	480	480	480	480	480
Other provisions	93	93	93	93	93
Total provisions	573	573	573	573	573
Total liabilities	677	677	677	677	677
Net assets	3,738	3,936	3,936	3,936	3,936
EQUITY*					
Contributed equity	974	1,201	1,230	1,260	1,291
Reserves	438	438	438	438	438
Retained surplus (accumulated deficit)	2,326	2,297	2,268	2,238	2,207
Total non-controlling interest	3,738	3,936	3,936	3,936	3,936
Total Equity	3,738	3,936	3,936	3,936	3,936

*'Equity' is the residual interest in assets after deduction of liabilities.
Prepared on Australian Accounting Standards basis.

Table 3.2.3: Departmental statement of changes in equity — summary of movement (Budget year 2015-16)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2015					
Balance carried forward from previous period	2,326	438	-	974	3,738
Adjusted opening balance	2,326	438	-	974	3,738
Comprehensive income					
Surplus/(deficit) for the period	(29)	-	-	-	(29)
Total comprehensive income recognised directly in equity	(29)	-	-	-	(29)
Transactions with owners					
Contributions by owners					
Equity Injection	-	-	-	198	198
Departmental Capital Budget (DCB)	-	-	-	29	29
Total transactions with owners	-	-	-	227	227
Closing balance attributable to the Australian Government	2,297	438	-	1,201	3,936

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Budgeted departmental statement of cash flows (for the period ended 30 June)

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	2,788	6,503	6,578	6,635	6,690
Other	-	-	-	-	-
Total cash received	2,788	6,503	6,578	6,635	6,690
Cash used					
Employees	1,955	5,207	5,361	5,399	5,299
Suppliers	833	1,296	1,217	1,236	1,391
Total cash used	2,788	6,503	6,578	6,635	6,690
Net cash from/(used by) operating activities	-	-	-	-	-
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	838	227	29	30	900
Total cash used	838	227	29	30	900
Net cash from/(used by) investing activities	(838)	(227)	(29)	(30)	(900)
FINANCING ACTIVITIES					
Cash received					
Capital injections	838	227	29	30	31
Contributed equity	-	-	-	-	869
Total cash received	838	227	29	30	900
Net cash from/(used by) financing activities	838	227	29	30	900
Net increase/(decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	45	45	45	45	45
Cash and cash equivalents at the end of the reporting period	45	45	45	45	45

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget statement (for the period ended 30 June)

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	30	29	29	30	31
Equity injections - Bill 2	808	198	-	-	-
Total new capital appropriations	838	227	29	30	31
<i>Provided for:</i>					
<i>Purchase of non-financial assets</i>	<i>838</i>	<i>227</i>	<i>29</i>	<i>30</i>	<i>31</i>
Total Items	838	227	29	30	31
ASSETS					
Funded by capital appropriations (a)	808	198	-	-	-
Funded by capital appropriation - DCB (b)	30	29	29	30	31
Funded internally from departmental resources (c)	-	-	-	-	869
TOTAL	838	227	29	30	900
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	838	227	29	30	900

(a) Includes current Bill 2 appropriations.

(b) Includes purchases from current and previous years' Departmental Capital Budgets (DCBs).

(c) Includes current Bill 1 and prior year Act 1/3/5 appropriations (excluding amounts from the DCB).

Prepared on Australian Accounting Standards basis.

Table 3.2.6: Statement of asset movements (Budget year 2015-16)

	Buildings \$'000	Other property, plant and equipment \$'000	Other \$'000	Total \$'000
As at 1 July 2015				
Gross book value	217	1,075	-	1,292
Accumulated depreciation/amortisation and impairment	(89)	(247)	-	(336)
Opening net book balance	128	828	-	956
Capital asset additions				
By purchase - appropriation equity (a)	-	198	-	198
By purchase - appropriation ordinary annual services (a)	-	29	-	29
Total additions	-	227	-	227
Other movements				
Depreciation/amortisation expense	-	(29)	-	(29)
Total other movements	-	(29)	-	(29)
As at 30 June 2016				
Gross book value	217	1,302	-	1,519
Accumulated depreciation/amortisation and impairment	(89)	(276)	-	(365)
Closing net book balance	128	1,026	-	1,154

(a) 'Appropriation ordinary annual services' refers to funding provided through Appropriation Bill (No. 1) 2015-16 for DCBs or other operational expenses.

Prepared on Australian Accounting Standards basis.