



Office of State Revenue  
NSW TREASURY

# Office of State Revenue

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## Annual Report 2003–2004

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## Legislation administered

*Betting Tax Act 2001*  
*Commonwealth Places (Mirror Taxes Administration) Act 1998*  
*Debits Tax Act 1990 (repealed 1 January 2002)*  
*Duties Act 1997*  
*Fines Act 1996*  
*First Home Owner Grant Act 2000*  
*Health Insurance Levies Act 1982*  
*Insurance Protection Tax Act 2001*  
*Land Tax Act 1956*  
*Land Tax Management Act 1956*  
*Pay-roll Tax Act 1971*  
*Petroleum Products Subsidy Act 1997*  
*Premium Property Tax Act 1998 (repealed 1 June 2004)*  
*Revenue Laws (Reciprocal Powers) Act 1987 (repealed 1 July 2003)*  
*Stamp Duties Act 1920*  
*Taxation Administration Act 1996*  
*Unclaimed Money Act 1995*

We also collected revenue under the *Parking Space Levy Act 1992* for the NSW Ministry of Transport and revenue under the *Gaming Machine Tax Act 2001* for the Department of Gaming and Racing.

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[www.osr.nsw.gov.au](http://www.osr.nsw.gov.au)

# Contents

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	Page
About the Office of State Revenue	2
Corporate achievements 2003–2004	3
Corporate key performance indicators (KPIs)	4
Treasury letter	5
Corporate structure	6
Organisational functions	7
Executive Director's message	9
The year in review	
■ Maximise compliance	10
■ Maximise effectiveness and efficiency	15
■ Maximise client satisfaction	18
■ Maximise organisational and staff capability	23
Corporate plan for 2004–2005	26
Financial statements	27
Appendices	71
Index	92

# About the Office of State Revenue

The Office of State Revenue (OSR) is one of two NSW Treasury offices. The other is the Office of Financial Management (OFM).

OFM is the government's principal advisor on state financial management policy and practice, and economic conditions and issues.

OSR administers State taxation and revenue programs for and on behalf of the people of NSW. We help develop policy and implement legislation and collect revenue, outstanding fines and penalties.

This reporting period we collected 89.3 per cent of total taxation revenue for the State.

## Our mission

To collect all revenue due and administer revenue laws for the benefit of the people of NSW.

## Our vision

To be recognised as the leading revenue agency through excellence in client service.

## Our values

In conducting our business:

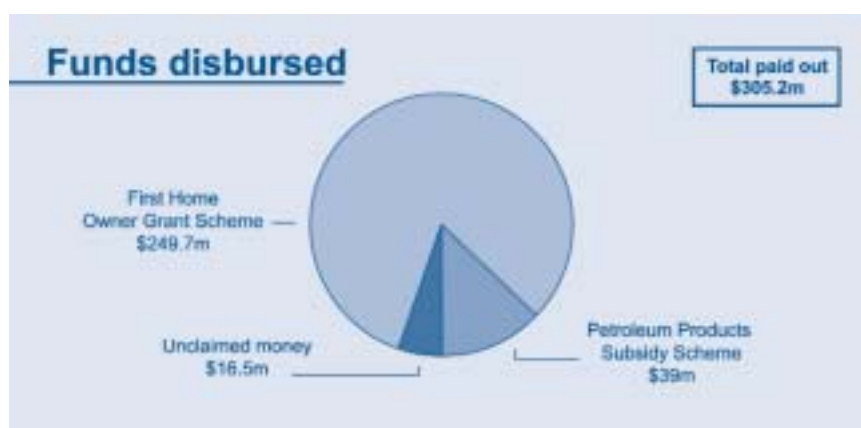
- We are **RESPONSIVE** to the needs of our clients and staff
- We always act with **INTEGRITY**
- We use **TEAMWORK** when undertaking our roles
- We focus on the **ACHIEVEMENT** of results

## Our objectives

- Maximise compliance
- Maximise effectiveness and efficiency
- Maximise client satisfaction
- Maximise organisational and staff capability

## Revenue

Category	Collected \$m	% of total
Duties	5 492	40.4
Pay-roll tax	5 067	37.3
Land tax	1 339	9.9
Gaming and racing	950	7.0
Federal tax equivalents	346	2.6
IPB traffic and parking fines	99	0.7
Health insurance levy	98	0.7
SDRO fines	69	0.5
Insurance protection tax	69	0.5
Parking space levy	47	0.3
Unclaimed money	9	0.1
Debits tax	1	—
Other revenue and taxes	1	—
<b>Total revenue collected</b>	<b>13 587</b>	<b>100.0</b>



## Our business focus

- Stronger revenue base
- Skilled and committed people
- Powerful systems and processes
- Expanded revenue services

Our strategic and corporate plans confirm our mission, vision

and guiding principles while simultaneously outlining a set of goals, objectives and strategies that establish priorities and provide direction.

# Corporate achievements 2003–2004

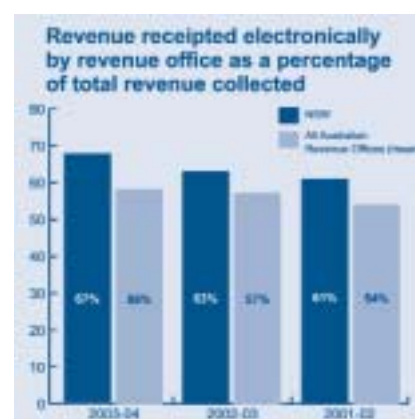
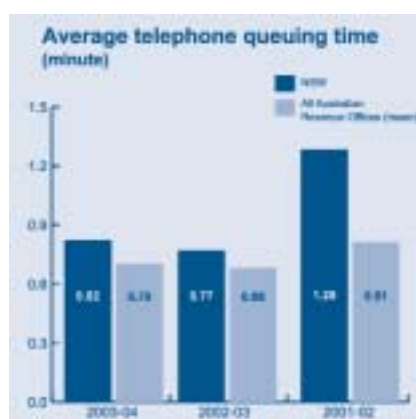
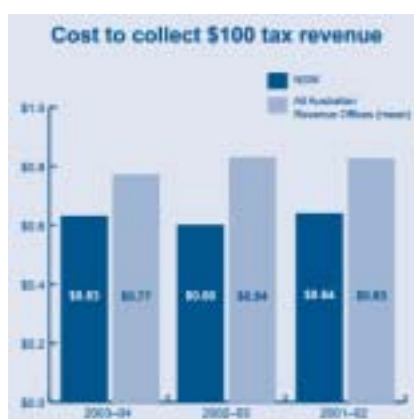
Focus	Program	Achievements
<b>Stronger Revenue Base</b>	Revenue administered	<ul style="list-style-type: none"> <li>Met all revenue objectives, collecting more than \$13.5 billion</li> <li>Increased total Fine Enforcement collections by 19 per cent, while managing relocation to Lithgow</li> <li>Paid \$16.5 million of unclaimed money (up 60 per cent on 2002-2003)</li> </ul>
	Initiatives	<ul style="list-style-type: none"> <li>Implemented mini-Budget changes for First Home Plus, vendor duty and premium property duty</li> <li>Launched OSRAssist</li> <li>Introduced client feedback policy and procedures</li> </ul>
	Compliance strategies	<ul style="list-style-type: none"> <li>Identified \$191 million in additional revenue from various compliance initiatives</li> <li>Debt collection strategies restricted overdue debt to 0.92 per cent of total OSR revenue</li> <li>Implemented data mining programs to enhance our audit case selection, debt collection and lodgement enforcement strategies</li> </ul>
	Improved legislation	<ul style="list-style-type: none"> <li>Completed Reviews of <i>Duties Act</i>, <i>Fines Act</i>, <i>Petroleum Products Subsidy Act</i> and <i>Premium Property Tax Act</i></li> <li>Developed land-rich and mini-Budget legislative changes</li> <li>64 out of 74 Administrative Decisions Tribunal decisions were in favour of the Chief Commissioner</li> </ul>
	Client education	<ul style="list-style-type: none"> <li>Held 90 seminars on State revenue attended by more than 8500 people throughout NSW</li> </ul>
<b>Powerful Systems and Processes</b>	Improved communication	<ul style="list-style-type: none"> <li>Established new online subscription service with more than 7560 subscribers</li> <li>Increased online transactional forms from 4 to 28</li> <li>Redesigned and improved navigation of all OSR websites</li> </ul>
	Improved systems	<ul style="list-style-type: none"> <li>Received 99 per cent of pay-roll tax annual reconciliations using OSR software</li> <li>Improved the Infringement Processing Bureau's computer system performance, stability and capacity</li> <li>Implemented project to ensure availability and stability of RECOUPS (OSR client database)</li> <li>Transferred banking to Westpac</li> </ul>
	Improved processes	<ul style="list-style-type: none"> <li>Received 67 per cent of all tax revenue electronically</li> <li>Client Service Provider (information brokers who provide access to OSR's systems) transactions increased by 58 per cent, to an average of 11 000 per week</li> <li>Eliminated land tax backlog</li> <li>Received more than 50 per cent of land tax clearance certificate requests electronically</li> <li>Served 93 per cent of Sydney Office clients within 10 minutes</li> </ul>
<b>Expanded Revenue Services</b>	Lithgow relocation	<ul style="list-style-type: none"> <li>Completed fit out of the new Lithgow building, with seamless transfer of people and facilities, on time and within budget</li> <li>Recognised as being public sector model for future relocation projects</li> </ul>
	Transfer of IPB to OSR	<ul style="list-style-type: none"> <li>Transferred the Infringement Processing Bureau (IPB) successfully from NSW Police to OSR, as a Branch of State Debt Recovery Office (SDRO)</li> <li>Introduced legal and legislative framework for the transfer of IPB to OSR</li> </ul>
<b>Skilled and Committed People</b>	Workforce management	<ul style="list-style-type: none"> <li>Smooth transition of IPB staff into OSR</li> <li>Recruited and inducted new staff to SDRO Lithgow</li> </ul>
	Organisational development	<ul style="list-style-type: none"> <li>Developed Vision 2009 Strategic Plan</li> <li>Implemented the Management Development Program for front-line managers</li> <li>124 staff graduated from the skills incentive program and 65 graduated under customer contact traineeships</li> <li>Implemented and enhanced Electronic Self-Service across OSR</li> <li>Developed training programs for 317 new starters in Compliance and SDRO</li> <li>Conducted 574 learning sessions across 173 different programs</li> <li>Fulfilled 93 per cent of individual learning requests</li> </ul>
	Recognition and reporting	<ul style="list-style-type: none"> <li>Received bronze award for 2002-2003 OSR annual report</li> <li>Five staff received executive development scholarships</li> <li>Four service excellence awards presented to staff</li> <li>Recognised staff with 40 years of service</li> </ul>

# Key performance indicators (KPIs)

## Results for 2003-2004

KPI	Target	Results 2003-2004
<b>Stronger Revenue Base</b>		
Revenue collected	>98% of budget	106%
Total overdue debt as a percentage of total revenue	<0.90%	0.92%
Client service index	>85%	92%
<b>Skilled and Committed People</b>		
Percentage of overall staff satisfaction	>70%	88%
Percentage of staff with performance plan in place	>90%	81%
Percentage of training requirements met	Trend	93%
<b>Powerful Systems and Processes</b>		
Cost to collect \$100 tax revenue	<\$0.63	\$0.61
Cost to collect \$100 fine enforcement revenue	<\$15.00	\$14.66
Percentage of revenue received by electronic payment	>65%	67%
Percentage of client transactions received electronically:		
■ Duties documents	>51%	45%
■ Land tax clearance certificates	>50%	50%
■ Pay-roll tax annual reconciliation returns	>75%	78%
■ Unclaimed money claims	>50%	60%

## Comparison of OSR's performance against average for all Australian revenue offices



# Treasury letter

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The Hon Michael Egan MLC  
Treasurer  
Level 33 Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

30 October 2004

Dear Treasurer

I have pleasure in submitting the Annual Report for the Office of State Revenue for the year ended 30 June 2004.

The report has been prepared in accordance with the *Annual Reports (Departments) Act 1985*.

This report is part of the NSW Treasury Annual Report. A second volume, the Office of Financial Management Annual Report, contains the consolidated financial statements of both offices.

A third volume contains the financial statements for the Crown Entity and its commercial activities.

Yours sincerely



**Peter Achterstraat**  
Executive Director  
and Chief Commissioner of State Revenue



**Kerry Schott**  
Acting Secretary  
NSW Treasury



Office of State Revenue  
NSW TREASURY



New South Wales  
**TREASURY**

# Corporate structure



**Treasurer**  
**Hon Michael Egan** *MLC BA*



**NSW Treasury**  
Promotes excellence in State financial management.

**Secretary**  
**John Pierce** *B.Com (Hons)*



**Office of State Revenue (OSR)**  
Collects revenue due and administers revenue laws for the benefit of the people of NSW.

**Executive Director and  
Chief Commissioner of State Revenue**  
**Peter Achterstraat** *LL.B, B.Com, B.Ec (Hons)*  
*AFAIM, FCPA, FCA*



**Revenue Advisory  
Services**  
Director and  
Commissioner of  
State Revenue  
**Bob Smith**



**Client  
Services**  
Director  
**Tony Newbury**  
*B.Com*



**Compliance**  
Director  
**Ted Withers**  
*MNIA*



**State Debt  
Recovery Office**  
Director  
**Brian Robertson**  
*B.Com, CPA*



**Information Services**  
Director and Chief  
Information Officer  
**Mike Kennedy**  
*B.App.Sc (Hons)*



**Management  
Services**  
Director  
**Dianne Barden**  
*B.Sc (Hons)*



# Organisational functions

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## The Executive Office

Executive Director and  
Chief Commissioner of State Revenue  
**Peter Achterstraat**

- Examines and evaluates OSR business activities to ensure they are efficient, effective, economical and supported by appropriate controls
- Ensures accountability by conducting regular compliance and audit reviews
- Sponsors the Business Process Improvement (BPI) Unit responsible for reviewing the efficiency and effectiveness of our processes, prior to gaining International Standards Organisation 9001 certification.

The executive, including Audit and Review and Business Process Improvement, comprised 15.6 full-time equivalent staff as at 30 June 2004.

## Revenue Advisory Services

Director and Commissioner of State Revenue  
**Bob Smith**

- Provides advice to the Treasury and Government and formulates policy, legislation and State tax revenue rulings
- Processes objections and prepares cases on appeal
- Provides technical advice and training to clients and staff.

Revenue Advisory Services had 45 full-time equivalent staff as at 30 June 2004.

## Client Services Division

Director  
**Tony Newbury**

- Provides assessing, revenue collection, enquiry and client education services at central and regional locations
- Maintains accurate and current client databases
- Administers First Home Plus, First Home Owner Grant Scheme, Petroleum Subsidy Scheme and unclaimed money program.

Client Services had 238.6 full-time equivalent staff as at 30 June 2004.

## Compliance Division

Director  
**Ted Withers**

- Researches, develops and implements programs to encourage better compliance
- Detects underpayment and non-compliance through audits and investigations
- Enforces lodgement of returns and the supply of information from defaulting taxpayers
- Recovers outstanding debt for all revenue bases.

Compliance had 182.8 full-time equivalent staff as at 30 June 2004.

## State Debt Recovery Office

Director  
**Brian Robertson**

- Provides infringement processing services through the Infringement Processing Bureau on behalf of the Crown and commercial clients in NSW
- Administers the fine enforcement system for NSW and the receipt and collection of outstanding fines and penalties.

State Debt Recovery Office had 306.3 full-time equivalent staff as at 30 June 2004.

## Information Services Division

Director  
and Chief Information Officer  
**Mike Kennedy**

- Provides quality business systems and information technology infrastructure
- Maintains reliable and responsive computer facilities and applications
- Provides a high quality and responsive service to users of information technology
- Provides an information and knowledge management framework.

Information Services had 71.6 full-time equivalent staff as at 30 June 2004.

## Management Services Division

Director  
**Dianne Barden**

- Guides corporate planning and provides management information
- Delivers human resources, learning and development activities
- Provides internal financial management and accounting services
- Provides corporate communications, publications, library, and site services management
- Coordinates Equal Employment Opportunity and Ethnic Affairs Policy programs.

Management Services had 67.8 full-time equivalent staff as at 30 June 2004.

As at 30 June 2004, OSR employed 938.7 full-time equivalent officers.

Note: This figure includes 11 staff allocated to capital projects.

# Executive Director's message

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**Peter Achterstraat**  
Executive Director

I am pleased to say we achieved all our revenue collection goals, while at the same time taking on new business and positively responding to the Government's revenue initiatives.

This year has seen significant changes to our operations and a number of challenges brought about by the new revenue measures announced in the April 2004 mini-Budget.

Within two months of the mini-Budget, we were able to develop and implement new processes and systems for the administration of the vendor duty and premium property duty, which came into effect on 1 June 2004.

We've shown once again that we are a responsive and agile organisation that can deliver results.

The Government's confidence in OSR was shown when it transferred responsibility for the Infringement Processing Bureau (IPB) from NSW Police to us. The transfer involved the integration of 145 IPB staff, processes and systems into our operation and was successfully completed by 1 October 2003. The alignment between our State Debt Recovery Office (SDRO) and IPB will allow for smoother processes and better client service in the future.

Another key achievement was the successful relocation of our SDRO division to new premises in Lithgow. The relocation was carried out seamlessly with no disruption to normal operations and now provides a high quality work environment for our many new staff.

We continue to make significant progress with our electronic commerce strategy - we now receive 67 per cent of our revenue electronically. During the year we delivered a wider range of electronic services to clients including stage two of our Electronic Duties Returns service, 24 new interactive forms, OSRAssist online help with duties and an online subscription service.

Looking to the future, we also developed Vision 2009, our new strategic plan. The plan maps strategies which will enable us to become a more agile organisation, one renowned for improving revenue services.

Our success as an organisation is due to the quality of our staff and management team. I want to thank all our staff, including the many new faces, for their hard work, professionalism, dedication and teamwork in delivering our outstanding results. Well done to everyone!



**Peter Achterstraat**  
Executive Director and Chief  
Commissioner of State Revenue  
1 October 2004

## The year in review

# Maximise compliance

### Revenue collected

Category	Actual	Budget	Actual	Budget
	2003–2004	2003–2004	2002–2003	2002–2003
	\$m	\$m	\$m	\$m
Duties	5 492	4 917	5 159	4 083
Pay-roll tax	5 067	5 020	4 726	4 862
Land tax	1 339	1 241	1 154	1 047
Gaming and racing	950	950	915	926
Federal tax equivalents	346	270	372	373
IPB traffic and parking fines	99	99	–	–
Health Insurance Levy	98	99	96	99
SDRO fines	69	80	65	80
Insurance Protection Tax	69	69	67	69
Parking Space Levy	47	46	45	41
Unclaimed money	9	12	27	12
Debits tax	1	–	–	–
Other revenue and taxes	1	–	1	–
<b>Total revenue collected</b>	<b>13 587</b>	<b>12 803</b>	<b>12 626</b>	<b>11 592</b>

### Revenue from duties collected by category

Category	Actual	Budget	Actual	Budget
	2003–2004	2003–2004	2002–2003	2002–2003
	\$m	\$m	\$m	\$m
Contracts and conveyances	3 905	3 373	3 602	2 720
Motor vehicle registrations	581	548	534	528
Insurances policies	424	435	442	385
Loan securities (mortgages)	410	372	362	278
Hiring arrangements	74	78	74	78
Leases	54	63	63	60
Share transfers	40	45	77	31
Vendor duty	2	–	–	–
Other stamp duty	2	3	2	2
Other	–	–	2	–
<b>Total revenue from duties</b>	<b>5 492</b>	<b>4 917</b>	<b>5 159</b>	<b>4 082</b>

Please note that when comparing aggregated data in our tables and graphs with figures in the financial statements, any minor inconsistencies can be attributed to the rounding methodology used.

Our core role is to collect all revenue due and administer the revenue laws for the benefit of the people of NSW. We delivered on our objective by bringing in revenue of \$13 587 million or 89.3 per cent of total taxation revenue collected for the State.

### Duties

Total duties collected were \$5 492 million compared to \$5 159 million last year. The reasons for the significant increases are:

- Contracts and conveyances was 16 per cent above estimates, reflecting strong volume and price rises in the property market in the first half of the financial year
- Loan securities (mortgages) were 10 per cent above estimates and in line with the increase in contract and conveyance duty.

In the April 2004 mini-Budget, the NSW Treasurer, Michael Egan, announced the introduction of a vendor duty of 2.25 per cent effective from 1 June 2004.

The vendor duty is paid by the vendor or transferor of land in NSW other than for the sale or transfer of the vendor's principal place of residence or farm, provided the sale price or value on disposal exceeds their purchase price or value on acquisition by more than 12 per cent. A partial rebate applies where the increase in value is between 12 and 15 per cent.

The government also announced an increase in the marginal rate of purchaser transfer duty from 5.5 to 7 per cent on the part of the purchase price of a residential property exceeding \$3 million. This duty replaces the premium property tax which will be abolished from the 2005 tax year.

For details, refer to Appendix 1 - *State Revenue Legislation Amendment Act 2004*.

## Pay-roll tax



Pay-roll tax collected was \$5 067 million compared to \$4 726 million last year.

Improvements were made to the pay-roll tax online system which allow clients to register online for pay-roll tax, update their registration details and lodge 'Nil' monthly returns.

## Land tax and premium property tax



Land tax revenue was \$1 339 million, including \$14 million in premium property tax, compared to \$1 154 million last

year. From the 2005 tax year premium property tax has been abolished following mini-Budget changes.

The general land tax threshold was increased from \$261 000 to \$317 000 and the premium property tax threshold increased from \$1.68 million to \$1.97 million, an increase of \$290 000.

We successfully implemented improvements to our automated assessment process which increased the number and quality of computer generated assessments issued.

In the April 2004 mini-Budget, the NSW Treasurer, Michael Egan, announced the abolition of the current land tax threshold effective from the 2005 land tax year, replacing the current single marginal

rate of 1.7 per cent with the following marginal rate scale:

- a land value of not more than \$400 000 will pay a land tax rate of 0.4 per cent
- a land value of more than \$400 000 but not more than \$500 000 will pay a land tax rate of \$1 600 plus 0.6 per cent on the value of land above \$400 000
- a land value above \$500 000 will pay a land tax rate of \$2 200 plus 1.4 per cent on the value of land above \$500 000.

## Federal tax equivalents

Revenue collected from the 52 agencies and subsidiaries was \$345.9 million. The 38 National Tax Equivalent Regime (NTER) agencies contributed \$300 million in revenue with the balance coming from State TER agencies.

OSR monitors and where necessary, audits the activities of State TER agencies in accordance with the Commercial Policy Framework.

## Gaming and racing

Category	2003–2004 \$m	2002–2003 \$m
Club gaming devices	435	424
Hotel gaming devices	357	338
Totalizators	147	142
Keno tax	7	7
Fixed odds sports betting	3	3
FootyTAB	1	1
Fixed odds racing betting	—	—
<b>Total gaming and racing</b>	<b>950</b>	<b>915</b>

Gaming machine tax collections for the year totalled \$792 million.

We collect revenue on behalf of the Department of Gaming and Racing. Data Monitoring Services, a division of TAB Limited, calculates the amount of gaming machine tax payable by clubs and hotels and forwards the information to OSR.

We are responsible for collecting gaming machine tax, issuing reassessments, approving payment arrangements and advising the Liquor Administration Board when a club or hotel has failed to pay their tax.



The insurance protection tax collected for the year totalled \$69 million.

The collections for this tax are used to support a fund to assist builders' warranty and compulsory third party policy holders affected by the collapse of HIH Insurance Limited.

Those liable to pay the tax are registered general insurers and policy holders of unregistered insurers. The registered general insurers paid a proportionate amount of \$69 million based on their market share of premiums received during the previous financial year.

Policy holders of unregistered insurers are also liable to pay an ad valorem tax of one per cent of premiums paid.

## Parking space levy



Parking space levy collections were \$47 million. The levy is collected on behalf of the NSW Ministry of Transport and all

revenues are used to improve public transport infrastructure.

We continue to raise public awareness of the parking space levy by extensive newspaper advertising, publishing and distributing information factsheets and holding free public seminars.

## Infringement processing and fine enforcement

The Infringement Processing Bureau was transferred from NSW Police to the Office of State Revenue from 1 October 2003, becoming a branch of the State Debt Recovery Office.

The merger will more closely align the businesses and improve service delivery by making use of synergies between infringement processing and fine enforcement operations, while at the same time integrating key infringement processing and fine enforcement processes.

The IPB collected \$133.8 million in Crown fines and \$113.2 million on behalf of other clients. Direct revenue to the IPB consisting of client fees, grants and miscellaneous revenue totalled \$23.2 million.

Fine enforcement operations collected \$69 million in Crown fines and enforcement costs and \$35 million on behalf of other clients.

When OSR formally assumed responsibility for IPB in October 2003, there was a backlog of over 356 000 work items to be processed. We successfully addressed the backlog by enhancing and stabilising the computer system, recruiting and training additional staff, introducing an afternoon shift and extending our system operating times. By the end of June 2004, the work flow queues had been reduced to 185 000 work items representing three weeks' work.

## Revenue from compliance activities

As a result of compliance activity, we identified an additional \$191 million in revenue, of which \$156 million was collected prior to 30 June 2004. Included in this amount is \$26 million identified as a result of the \$2 million per annum additional funding allocated to OSR this year to improve compliance levels.

The failure of some businesses paying wages in excess of the \$600 000 threshold to register for pay-roll tax continues to be an issue. Action to identify these businesses is a major part of our compliance activities. A small pilot advertising program was run during the year to better inform small business of its obligation to register. This proved to be a cost effective initiative and has been expanded for 2004-2005.

A total of 3724 new clients were added to the pay-roll tax base and \$58.6 million in additional revenue was identified as a result of data matching projects (\$36.4m) and voluntary disclosures (\$22.2m). Many of these voluntary disclosures are considered to flow from increased community awareness of pay-roll tax obligations through our education seminars, compliance activity and media advertising.

This was the second year of a three-year funded project to improve compliance levels within the building and construction industry. As a result of audit activity, a further 195 businesses are now registered for pay-roll tax and \$17.5 million in additional revenue was identified. This brings the total number of new clients registered during the last two years to 304 and resulted in almost \$32 million in identified revenue.

The new legislation affecting head contractors has encouraged some businesses to voluntarily register for pay-roll tax. Despite the apparent improvement in compliance levels, the building and construction industry continues to be a high-risk area. This was confirmed in research by the CSIRO on behalf of OSR. The CSIRO consultant whilst not able to

quantify the level of unpaid pay-roll tax, concluded it was significant.

The Compliance Division undertook three data mining projects during this financial year to investigate areas of non-compliance and develop more effective compliance strategies. One such pay-roll tax project, identified previously unaudited clients as revenue risks and resulted in \$6.1 million in additional revenue being identified from 285 audits.

Data mining models were also developed to highlight those clients who regularly defaulted on the lodgement of returns. Focusing on these clients has resulted in a significant improvement in client lodgement behaviour.

The Land Tax Equity project resulted in 1935 new land tax clients and the identification of \$36 million in additional revenue. The use of data matching with external data sources continues to be a vital tool in identifying clients who fail to disclose properties used for non-exempt purposes.

We identified \$9.1 million in additional stamp duty from investigations of dutiable transactions. This included \$1.9 million from a joint OSR/ATO project to identify duty evasion in the property development industry. The enhanced use of data matching techniques, using information held by other agencies, has also assisted in the identification of conveyancing transfers where duty had not been paid, either deliberately or through oversight.

Action to address the risk where First Home Owner Grant applicants failed to fulfil residency obligations resulted in 249 clients having to repay grants totalling more than \$2.6 million.

A project targeting non-remittance of unclaimed money by superannuation funds resulted in an additional \$11.2 million being remitted to OSR.



## Overdue debt

Overdue tax debt at 30 June 2004 was \$120.6 million, which was 0.92 per cent of annual revenue. This was just above our target of 0.9 per cent, but reflected an improvement on the 2002-2003 performance of 1.01 per cent. Overdue debt collected during 2003-2004 was \$492.5 million.

Our improved performance in managing debt was due to a number of key initiatives, including more effective management of larger debt cases and a focus on long-term outstanding debt. We also initiated a higher number of successful legal recovery actions.

Pay-roll tax debt accounted for 39 per cent of total outstanding debt, compared with 49 per cent for 2002-2003. The pay-roll tax debt has decreased from \$62.1 million in 2002-2003 to \$46.7 million in 2003-2004. This was primarily due to a reduction in debt from companies under liquidation (decrease from \$33.4 million to \$26.4 million) and in debt under arrangement (reduced from \$18.2 million to \$13.2 million).

Transfer duty debt significantly increased from \$12.8 million in 2002-2003 to \$21.1 million in 2003-2004. The increase was due to objections against two documents assessed for a total of \$10.3 million, which were subsequently disallowed in June 2004.

While accounting for 39 per cent of outstanding debt, land tax debt remained steady at \$47.6 million, compared with \$46.8 million in 2002-2003.

There is \$5.2 million in land tax outstanding where clients have chosen to defer payment of their premium property tax in accordance with legislative provisions.

## Write-offs

Write-offs totalled \$27.7 million or 0.21 per cent of total budgeted revenue, consisting of prime tax of \$21.1 million plus penalties and interest of \$6.6 million. This is an increase of \$11.5 million from the previous year's total of \$16.2 million. More than 72 per cent of write offs were for pay-roll tax resulting from company liquidations where insufficient funds were available to pay the debt.

We are constantly reviewing our collection strategies in order to minimise the level of debt written off. We exhaust all avenues of debt recovery before the debt is deemed irrecoverable and considered for write off.

## Outstanding fines written off

We received and approved 74 fine write-off applications worth a total of \$171 532 under Section 120 of the *Fines Act 1996*. The fines will not be formally waived for five years. If during this time the fine defaulter incurs further fines, the original fines may be reinstated for enforcement.

## Hardship Board of Review

The Hardship Board of Review considers applications from clients for relief from their liabilities on the basis of financial hardship.

The Board members include delegates from the Auditor-General, the Secretary of the Treasury and the Chief Commissioner of State Revenue.

The Board considered 23 applications for relief with a combined value of \$452 414. This is a significant decrease from the previous year where the Board considered 93 applications with a combined value of \$2 128 633.

Full relief was granted to four applicants owing a total of \$81 420. In addition, three applicants had debts to the value of \$103 322 deferred. This compares with 16 applicants granted full relief owing a total of \$111 164 and 13 applicants

with debts to the value of \$671 958 deferred the previous year.

Relief was declined in 16 cases with a value totalling \$26 671.

The NSW Parliament amended the *Fines Act 1996* to establish a new Hardship Review Board for fines and infringement notices handled by the SDRO.

The Board's function will be to review decisions by the SDRO, to review applications for time-to-pay fines or to have fines written off.

# Grants, subsidies and money we paid out

We are responsible for administering and disbursing grants, rebates and subsidies on behalf of the Government.

## First home benefits

First home benefits in NSW for the year ended 30 June 2004

	Number Paid	Value \$m
<b>First Home Owner Grant Scheme</b>		
Original \$7000	34 210	239.5
Additional \$7000	386	5.1
Additional \$3000	483	5.1
<b>Total FHOGS</b>	<b>35 079*</b>	<b>249.7*</b>
<b>First Home Plus Scheme</b>		
	<b>21 718</b>	<b>126.9</b>

\* NOTE: These figures are gross figures and do not take into account FHOGS grants which have been repaid due to compliance activities and voluntary cancellation of the grant.

## First Home Owner Grant Scheme

The First Home Owner Grant Scheme (FHOGS) paid out \$249.7 million to 35 079 first home owners.

The additional \$7000 grant continued to be paid on applications for new homes where the contract date was signed before 31 December 2001. The additional grant of \$3000 was paid on applications for new homes with a contract date signed after 1 January 2002 but prior to 30 June 2002.

## First Home Plus



The total value of First Home Plus (FHP) transfer duty and mortgage duty concessions in 2003-2004 was \$126.9 million paid to 21 718 applicants.

First Home Plus is a NSW Government exemption or concession available on transfer duty and mortgage duty available to NSW first home buyers and builders. It is also available for people purchasing vacant land on which they intend to build their first home.

While the number of applicants decreased during the year by 13 per cent, the concessions provided

increased by \$66 million or 92 per cent compared to the previous year.

This was due mainly to changes to FHP announced in the April mini-Budget in which the NSW Government raised the FHP threshold to \$500 000 phasing out at \$600 000 for the purchase of new or established dwellings anywhere in NSW. The FHP threshold for the purchase of land in NSW was also raised to \$300 000, phasing out at \$450 000.

These changes, effective from midnight on 3 April 2004, generated a significant increase in the number of FHP applications and resulted in substantially higher numbers of duty concessions and exemptions paid.

## Unclaimed money



We were very successful in returning unclaimed money to owners and paid 5 251 claims worth \$16.5 million, compared to 3 485 claims worth \$8.4 million the previous year. This represents a 60 per cent increase in the number of claims paid.

Our data matching efforts also allowed us to locate 600 owners of unclaimed money who were paid \$2.8 million. The improvement was due to significant media coverage and

publicity on unclaimed money, which included a television documentary, news items and radio features.

We hold the following types of unclaimed money: dividends, principal and interest, trust account funds, expenses, refunds and overpayments, deposits, premiums, unrepresented cheques, distributions from liquidations, proceeds of sale, royalties, commissions, creditors, debentures, convertible notes, superannuation and retirement savings account benefits.

We receive unclaimed money from: businesses, government agencies, local councils, superannuation funds, companies with dividend shares, utilities, the State Trustee and other sources. These businesses and agencies are required to lodge money with OSR if they have not been able to locate and return the money to the owner within six years.

## Petroleum subsidy scheme in northern NSW



We paid \$39 million in subsidies to registered wholesalers and distributors of eligible petroleum

products on condition the payments were passed on to consumers.

NSW pays a subsidy for petroleum products in the five northern zones within the State, extending south from the Queensland-NSW border.

The petroleum subsidy scheme is designed to ensure NSW sellers of eligible petroleum products are able to compete fairly with Queensland petroleum re-sellers who receive subsidies for on-road fuel.



## The year in review

# Maximise effectiveness and efficiency

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## Creating efficient systems

Electronic service delivery has again made a major contribution to our objectives of maximising efficiency and client satisfaction. Most taxes are now regularly collected electronically.

The total revenue we received electronically increased to 67 per cent of total collections this year. Our Client Service Provider (CSP) transactions were up 58 per cent and on average 11 000 transactions were processed electronically per week.

The pay-roll tax annual reconciliation return for 2004 demonstrated significant client acceptance of our free software tools. Ninety nine per cent of clients used our pay-roll tax software to calculate and complete their pay-roll tax annual reconciliation return and 80 per cent of those clients also lodged their returns electronically.

Feedback from clients has been very positive with many clients saying our electronic service made lodging their returns easy and convenient for them.

We also made progress with the redevelopment of our infringement processing and fine enforcement computer systems to ensure both system stability and data integrity.

### Revenue systems improvement program

#### E-commerce initiatives / launches

E-commerce initiatives achieved during the year include:

- increasing the number of online transactional forms available on our website from 4 to 28
- implementation of highly reliable and scalable infrastructure to support the growing use of our web-based services
- launch of OSRAssist, our online help with duties tool
- launch of our email alert, Online Subscription Service.

### Electronic land tax valuation and clearance certificates

We processed 223 459 land tax clearance and valuation certificates, with 50 per cent now processed electronically.

The service is available through authorised Client Service Providers (CSPs) who are linked to our information systems and enable clients to connect via their desktop computer to receive their certificates online.

### Records management

We have enhanced our Total Record Information Management (TRIM) system and processes to facilitate the capture of electronic records and emails to help us meet our record-keeping obligations under the *State Records Act 1998*.

### Information security management

We are working towards compliance with the Information Security Management AS/NZS guidelines to ensure our security processes are best practice and comply with Government Standards.

Information security management achievements include:

- improvements to our security technical infrastructure
- improvements in information technology monitoring, alerting and the tracking of all technical components delivering core information technology business systems.

### Business Process Improvement / ISO 9001 certification

We continued our focus on Business Process Improvement (BPI) to improve the efficiency and

effectiveness of our processes. The BPI team completed reviews of our debt collection and returns processes (eg pay-roll tax). The recommendations of the reviews have been adopted and are now being implemented.

A duties review is currently being finalised and work has commenced on a review of our infringement processing and fine enforcement processes. The BPI team will review our client service channels.

We are also working to improve our management systems and align them with the International Standards Organisation's (ISO) 9001:2000 Quality Management Systems standard. A work plan has been developed targeting ISO certification in December 2005. A pilot is currently being undertaken in our Compliance division and will be extended to all divisions as we make substantial progress towards ISO certification during 2004-2005.

## Technology

We implemented several key technological initiatives to improve service delivery. These include:

- Establishing a highly scalable technical environment to better support our databases
- Implementing best practices in quality assurance for software and infrastructure development and deployment
- Implementing auditable controls and processes and technical architecture for the use of e-mail and internet services
- Shifting to the use of Open Source technologies where appropriate. We have adopted Redhat as one of the two operating systems for our enterprise architecture. We are also using J2EE as our development platform for web applications
- Transferring the IPB e-payments services from NSW Police to OSR.

## Audit review of outstanding fines and penalties

After extensive consultation with stakeholders, the *Fines Act 1996* was reviewed. Amendments in the *Fines Amendment Act 2004* are designed to enhance the efficiency and fairness of the fines enforcement system.

Changes have been recommended to the review mechanisms for fines enforcement. The review of the *Fines Act 1996* identified problems with these processes, including a lack of knowledge of how to apply the review mechanisms and a lack of clarity about the criteria distinguishing the different review mechanisms. The review recommended:

- Expanding the circumstances in which enforcement orders should be withdrawn
- Codifying the process for lifting sanctions where the defaulter pays by instalments
- Removing the time limit for lodging an annulment application
- Providing for a further administrative review of SDRO decisions relating to a person's capacity to pay, such as decisions on an application to allow time to pay a fine, or to write-off a fine.

For details of the changes in the *Fines Amendment Act 2004*, refer to Appendix 1.

## Data mining

The use of data mining software has proven effective in the selection of clients for audit, especially for pay-roll tax. We plan to redevelop our data mining models based on this year's audit results and use the enhanced models to select cases for multiple audit teams.

In the future, data mining will play an increasingly important role in the development of compliance strategies based on intelligence information gathered from the past, present and predictive future leading towards an 'evidence based compliance' program.

## Shared corporate services strategy

In accordance with the government's shared corporate services strategy, we have identified and implemented a number of initiatives aimed at delivering three per cent sustainable cost savings and improving efficiency and service delivery.

As at 30 June 2004, we have implemented strategies which have delivered \$589 000 in corporate service savings. Some of these savings include the provision of management accounting services to OFM, streamlining current corporate services processes and business process improvements.

## New business integration

In June 2003, the NSW Government announced the transfer of the IPB from the NSW Police Service to OSR effective from 1 October 2003.

The functions of IPB were successfully transferred to the SDRO on 1 October 2003, with no disruption to services of the IPB.

The integration was a success largely because of the dedication of the IPB and OSR staff involved who had to address a complex range of systems, operational and staff integration issues.

## Waste reduction and purchasing

We have reduced the volume of paper used to publish and disseminate internal and external publications by posting all our publications and forms on our website and are encouraging clients and staff to print only publications they need directly from our website.

We are committed to ensuring that the NSW Waste Reduction and Purchasing Policy (WRAPP) is implemented across our office locations. A WRAPP committee was formed in September 2003, responsible for monitoring and reducing waste.

The WRAPP committee has introduced the following initiatives:

- switching to 50 per cent recycled office paper
- switching to recycled content products for other stationery materials
- establishing an internal intranet web page about recycling and office waste reduction
- conducting an extensive awareness campaign encouraging staff to print less and use recycled paper.

## Energy management policy

Our energy management policies are aimed at reducing energy consumption and replacing our current reliance on fossil fuels with non-polluting green energy sources.

During the year our electricity usage increased by 10.6 per cent. The increase can be attributed to the inclusion of both the SDRO and IPB into our power bill.

The installation of Light Eco power saver systems resulted in a significant decrease in electricity usage in our Newcastle (18.4 per cent) and Wollongong offices (6.8 per cent) and a marginal decrease in our Sydney office (1.9 per cent). Our head office in Parramatta saw an increase in power usage of 3.1 per cent due to an increase in staff numbers and equipment. There are plans to install the Light Eco system at our Lithgow and Maitland offices.

Our Fine Enforcement Branch moved to Lithgow as the major tenant of the new State office block. The office was specifically built with energy-saving and environmentally designed features, including an open-plan design that provides staff with natural light and warmth. The building received a four-and-a-half star rating for environmental building standards and energy efficiency.

# Maximise client satisfaction

## Extending levels of service through technology

We offer a comprehensive set of online transactions to clients, including electronic payment, electronic lodgement, online seminar registration, online subscription service, electronic searching for unclaimed money and web calculators. During the year, revenue collected electronically grew from 63 to 67 per cent.

Our range of electronic services include:

### ■ Electronic duties returns



Our Electronic Duties Returns (EDR) service allows approved clients to self-assess and

endorse a wide range of duty documents electronically including agreements for the sale of land or business, real property transfers, mortgages, leases, trust documents and some types of exemptions.

At 30 June 2004, we had 1 500 EDR clients and processed 45 per cent of all duties documents electronically (414 000 documents) during the year. This compares to 18 per cent of duties transactions (165 000 documents) in 2002-2003.

EDR clients submit document details electronically via a Client Service Provider, a type of information service provider or broker, who facilitate access to

our information systems on behalf of the client.

EDR provides a confirmation statement that summarises the detail of the stamping. The client can print the statement which is recognised as a notice of assessment. EDR clients attach their statement of confirmation of stamping to their records of the transaction.

In September 2003, we launched stage two of EDR which allows a further 12 document types to be processed as well as allowing financial institutions and share companies to use EDR to transact electronically with OSR.

In June 2004, we introduced significant enhancements to EDR to accommodate changes announced in the mini-Budget. At the same time, our Client Service Providers were responsible for making complementary changes to allow their clients to process First Home Plus, premium property duty and vendor duty.

### ■ Electronic pay-roll tax annual returns



Over 20 000 clients or some 80 per cent of all pay-roll tax clients used our online form to

prepare and lodge their pay-roll tax annual reconciliation returns online, compared to 60 per cent the previous year.

The form, developed in-house, allows clients to calculate and submit their annual reconciliation return online in a secure environment. The latest version of our pay-roll tax annual reconciliation return form allows clients to save their work and log back at a convenient time and access their partly completed form.

### ■ OSRAssist

OSRAssist is an interactive tool designed to help clients determine their duties transactions liabilities for nine duty transactions.

Launched in June 2004, the web based interactive tool steps clients through a series of questions and answers, which are customised by the client's responses. At the end of the questions, OSRAssist provides the client with an indication of whether or not they need to pay duty or are entitled to an exemption.

### ■ Online subscription service

Our online subscription service allows clients to register on our website to receive email alerts.

The categories of information clients can receive include NSW tax legislation, revenue rulings, pay-roll tax, land tax, duties, seminars, grants and unclaimed money.

Since its launch in July 2003, some 7600 clients have registered to receive electronic tax information. The free service makes it easy for clients to keep up-to-date with the latest NSW tax changes.

The service works by sending an email alert to a subscriber's email address. The email contains the category heading, description of the updated information and a link to the new material posted on our website.

#### ■ Online seminars

Our online seminar registration service allows clients to register for our free education seminars on our website. Over 90 per cent of seminar registrations are now done over the internet with the seminar notes posted on our website for easy access.

#### ■ Electronic payment

This year 67 per cent of tax and duty payments to OSR were made electronically. Electronic payments for infringements account for 40 per cent of these types of payments and can be made by internet or phone.

Clients have the option to make electronic payments using either BPAY or direct credit (electronic transfer of funds to OSR's bank account). Direct debiting is also available to clubs and hotels for the collection of gaming revenue.

#### ■ Payment Options

As part of the transition to Westpac, which was awarded the NSW Government banking contract on 1 April 2003, we decided to offer our clients the opportunity to pay their assessments and infringements

at Australia Post. This new payment option has proved popular, with 50 per cent of land tax clients and 33 per cent of infringements being paid at Australia Post.

#### ■ OSR website

The OSR website ranks among the top 10 NSW Government websites by pages visited and unique visitor sessions. On average each week our website receives 12 300 unique visitors and serves over 137 700 page impressions.

We provide a free unclaimed money search facility on our website which allows owners to search our unclaimed money database directly and lodge claims electronically.

Our unclaimed money database holds 191 000 items of unclaimed money worth \$87.5 million as at 30 June 2004. All items are searchable on our website with the database updated daily so clients have access to the most up-to-date information.

The unclaimed money search facility was highly successful in helping owners locate unclaimed money deposited with OSR. On

an average week the unclaimed money search function on our website received 17 230 hits with 60 per cent of all claims lodged electronically, up from 44 per cent from the previous year.

The SDRO website was also redesigned to improve useability. Changes made include improved navigation, organisation of information and the provision of online forms.

#### ■ Online forms

We added 24 new online forms to our website for a number of taxes, duties, levies and subsidies including pay-roll tax, insurance protection tax, hire of goods duty, parking space levy, the health insurance levy and petroleum subsidies.

By using the online forms clients can conveniently complete registrations online, lodge an annual return or nil remittance, notify OSR of any changes to their contact details, submit subsidy claims or even cancel a registration.

Our suite of online forms allows clients to conduct business with us through the internet, no matter where they do business.

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#### Unclaimed money

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Average weekly hits on search facility	17 230
Highest page impressions in a month for unclaimed money section - February 2004	282 673

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#### Top 6 pages

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1	Unclaimed money search
2	Calculators
3	Transfer of land or business calculator
4	OSR homepage
5	Calculate the duty on a mortgage
6	Calculate how much you can save with First Home Plus

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## Service delivery

We are committed to providing the highest possible standards of service to our clients. Our service standards are continually monitored and evaluated to ensure all staff are trained according to best practices.

## Telephone enquiry service

Our client service staff at our Parramatta call centre answered 87 per cent of telephone enquiries within two minutes. This exceeded our target of 75 per cent.

The IPB call centre answered 615 000 telephone enquiries during the year. This represented 60 per cent more calls than when the IPB was part of the NSW Police.

IPB customer service staff achieved their service standard target of answering more than 60 per cent of calls within two minutes as a result of thorough training and careful management. In addition, Contact Centre business hours were extended to allow clients to call between 8.30am and 5.15pm Monday to Friday. A hotline was also established for the Ombudsman's office and Members of Parliament, and extended to include the priority line interpreter service and overseas callers.

Our Fine Enforcement call centre answered over 443 600 calls from clients, an increase of 18 per cent on the previous year.

To ensure a reliable and consistent service to SDRO clients we have:

- Developed and conducted an extensive training program for new staff starting at Lithgow
- Upgraded our telephony software, and
- Implemented performance management plans based on service standards.

We also established a direct telephone contact for Members of Parliament and government agencies

such as the Ombudsman's Office, Drug Court and the NSW Roads and Traffic Authority. This service was extended to client advocacy groups such as Financial Counsellors.

## Counter service

Ninety three per cent of clients who attended our Parramatta and Sydney city office counters were served within 10 minutes. This exceeded our target of 80 per cent and improves on the 2002-2003 figure of 75 per cent. The improvements can be attributed to the closure of settlements in the Sydney office in January 2004.

## Processing time

We have enhanced our computer systems to improve turnaround times and client service. We upgraded our information technology infrastructure to speed up payment processing, incorporate workflow and information management and improve overall functionality.

Processing turnaround times have improved, with 97.7 per cent of duties assessments and documents received over-the-counter and in the mail, actioned and returned within a day of receipt, compared to 96.9 per cent the previous year. Overall, we actioned and returned 98.3 per cent of all documents within 10 days of receipt, compared to 97.8 per cent the previous year.

## Service delivery outlets

In addition to our SDRO offices in Lithgow and Maitland, we have three regional offices, located in the Sydney CBD, Newcastle and Wollongong. These offices provide a comprehensive range of services to clients.

The Sydney office is our principal point of contact with the public and is responsible for high volume assessing and processing of documents. The Sydney office also provides support for clients who transact their business electronically with us.

From 1 January 2004, we stopped onsite settlements at our Sydney office, due to complaints about dangerous overcrowding during peak times. To assist clients with settlements, we helped in the establishment of three alternative settlement facilities in the Sydney CBD for clients to settle and stamp transactions.

Our Newcastle office services northern and north-western NSW from the Central Coast to the Queensland border, while the Wollongong office services southern and western areas of NSW.

The services provided at Newcastle and Wollongong include assessments of land tax, pay-roll tax, duties, electronic certificates and first home owners grants, as well as support for the Electronic Duties Returns self-assessment program.

In addition to inquiry services and assessments, these offices provide client support services and personal contact visits to all clients using electronic services. During these visits, staff demonstrate some of our key electronic services and provide technical support and advice to clients on the legislation.

## Client service strategy

Work commenced on a new Client Service Strategy which uses as our foundation the following four key elements:

- 1 Good law
- 2 Educated clients
- 3 Excellent personal service
- 4 Smooth processes.

Our Client Service Strategy has been developed to meet the challenges of the future and our strategic plan as outlined in OSR's Vision 2009. Some of the outcomes we have achieved or are currently working on include:

- reviewing our tax legislation to make it clearer for the public and easier for effective administration
- launching OSRAssist - our online duties support tool to assist clients

- expanding our public education strategy
- developing good practice guides for OSR service channels
- investigating new call centre technology to support improved telephone services for clients
- providing alternative settlement facilities for our Sydney office settlement clients
- developing and publishing new factsheets for all our electronic services
- developing training courses for staff on electronic options and effective marketing techniques
- improving duties assessment consistency by standardising the documentation and processes across all sites.

## Commitment to clients

### Education and awareness activities

We have an extensive client education program delivering information to clients. Our program informs clients about changes to legislation, with the aim of increasing awareness and compliance.

We delivered the following programs and activities:

- targeted education through our attendance at business forums and legal education courses at the College of Law
- produced and distributed information factsheets
- conducted direct mail-outs
- hosted a series of education seminars. More than 3300 business people attended our pay-roll tax seminars in metropolitan and country locations.
- advertised extensively in major newspapers
- posted educational material on our website

- hosted a number of international visitors interested in learning about State revenue administration.

Following the April mini-Budget, we directed our client education efforts to helping people understand the changes to land tax, premium property tax, the First Home Plus scheme and the introduction of vendor duty and premium property duty. As part of our mini-Budget education campaign, we:

- conducted special seminars about the changes attended by more than 3700 solicitors, accountants and professional advisors
- produced new factsheets and forms which were placed on our website
- advertised the changes extensively in major newspapers.

In the area of fine enforcement, we participated in a number of education activities that included:

- conducting regular community consultations on fine enforcement matters with financial counsellors, youth organisations, community legal centres and Aboriginal communities and groups
- attending pre-release programs for adult and young offenders groups
- developing information packages for advocacy groups such as local courts, Corrective Services and Salvation Army Employment Agencies
- assisting in the development of a community legal centre website on the *Fines Act 1996*.

## RTA sanction lifting - recognising client needs

A review of the Roads and Traffic Authority's guidelines on sanction lifting has led to a broadening of the criteria used when assessing a request to lift a sanction. The previous criteria initially only provided for sanction lifting where a client's employment or medical conditions required a driver's licence. The revised criteria have been extended to include clients in remote locations, participants in designated Koori crime prevention programs and where a commitment to pay has been demonstrated by a client.

## Client feedback



We are committed to providing a high level of service to our clients. We have a client feedback process and

encourage people to let us know when we have exceeded their expectations or to advise us of areas where we could improve the way we conduct our business.

The tax and duties area received 13 complaints, compared to 43 complaints the previous year. The average time for attending to complaints was seven days.

Letters were received from 11 clients complimenting us on our service.

## Objections and reviews



We received 2806 objections from 1227 clients compared to 3322 objections from 1332 clients last year.

These comprised:

- 2031 land tax objections from 754 clients
- 422 pay-roll tax objections from 152 clients
- 188 objections to the First Home Owner Grant Scheme

- 112 duties objections
- 53 parking space levy objections from 21 clients.

While the number of pay-roll tax, duties and First Home Owner Grant Scheme objections increased from last year, a significant reduction in the number of land tax and parking space levy objections resulted in a 16 per cent decrease in the total number of objections received.

We completed 99 per cent of all objections within 90 days of receipt.

## Administrative Decisions Tribunal

Taxpayers who are dissatisfied with an objection decision can have the matter independently reviewed by the Administrative Decisions Tribunal (ADT).

### Administrative Decisions Tribunal deliberations

Revenue type	Number received	Number finalised	Number upheld
Land tax	23	26	2*
FHOGS	32	23	2*
Duties	10	12	2*
Pay-roll tax	20	11	3*
Parking space levy	–	1	1
Unclaimed money	–	1	–
<b>Total</b>	<b>85</b>	<b>74</b>	<b>10</b>

\* The Chief Commissioner has appealed some of these decisions.

## Privacy



Following the transfer of the SDRO and the IPB into OSR's operations, we have reviewed our privacy management

plan, policies and procedures to ensure consistency in approach and continuing compliance with the *Privacy and Personal Information Protection Act 1998*.

Currently, we are improving processes and revising strategies to ensure they comply with our privacy management plan, policies and procedures. The aim is to have consistent communication protocols and a consistent application of the information protection principles for the collection, storage, access, use and disclosure of personal information.

We received two requests for an internal review. These were investigated and in both cases no breach of the legislation or privacy code of practice was found.



## The year in review

# Maximise organisational and staff capability

## Putting our people first

### People Plan 2004-2005

OSR has implemented a performance management system (EQuIP) that ensures all staff have an EQuIP plan aligned to branch, divisional and corporate business plans. Developmental opportunities are offered to help people meet their performance goals.

We have identified critical skills at risk across the organisation and are developing plans to manage the transfer of these skills to others.

We reviewed our recruitment and selection process to ensure it maintains and delivers best practice across the organisation.

### Achievement-based culture

A number of strategies were adopted that allowed us to assess the degree to which we had achieved our objectives of developing and promoting an achievement based culture. Of particular significance was:

- 81 per cent of staff in Parramatta, Newcastle, Wollongong and Sydney had EQuIP performance plans in place
- our values of Responsiveness, Integrity, Teamwork and Achievement were integrated into our job design, recruitment and selection processes

- service excellence awards were given to staff who demonstrated our values
- commencement of EQuIP program within SDRO.

### Workforce planning

The workforce planning process continued with the annual review of our workforce plans in late 2003. The review process provides our divisions with feedback on whether they are on track with business predictions or if changes need to be made. Our plans are being redeveloped and aligned with our new strategic direction, Vision 2009.

### Restructuring

OSR has grown rapidly in recent years, taking on new business opportunities in both metropolitan and regional areas. Changes, such as the acquisition of the IPB and the relocation of the SDRO from Sydney to Lithgow, had a major impact on our staff.

We continue to support staff affected by organisational change through our organisational change management policy, which actively places and manages displaced staff. We ensure staff are kept informed of changes in their work environment through regular consultation and by providing assistance to those affected by a restructure.

Our change management method ensures a consistent, coordinated approach to change management across the organisation.

### Staff survey

We conducted a third six-monthly staff survey in September 2003. The staff survey was delivered through our intranet portal to improve efficiency and ensure secure processing. It was decided to change the frequency of the staff surveys from every six months to every two years, alternating the survey with the Public Sector Workplace Climate Survey.

Survey findings have guided many of the policy and operational decisions concerning critical corporate activities such as recruitment and performance management.

### Occupational health and safety (OH&S)

We have implemented a systematic approach to the training of staff in the management of workplace hazards, including the identification of occupational hazards and conducting risk assessments of these hazards. Supervisors have been trained in hazard identification and ergonomics in our Lithgow and Maitland offices to ensure staff safety in the workplace.

We provided ergonomics training for 57 staff and conducted ergonomics

assessments in our Sydney and Parramatta offices.

All new employees are provided with a workstation adjustment checklist which they complete to ensure optimum workstation comfort and to reduce the possibility of injury in the workplace.

We continually provide staff with up-to-date OH&S information on our intranet.

The OH&S peak committee now has representatives from Lithgow and Maitland local OH&S committees. The peak committee has developed a twelve-month action plan to promote OH&S awareness across OSR.

The OH&S Peak Committee is responsible for monitoring the actions taken to manage identified risks and to ensure all hazards identified are resolved. It is conducting a safety audit to ensure all identified risks are minimised or eliminated.

We extended our flu vaccination program to cover Lithgow and Maitland offices, with a total of 227 staff opting to receive vaccinations.

The peak committee also organised a series of men's health seminars at Parramatta and Maitland.

## Human resources system

We successfully included 145 IPB staff from Police pay-roll to OSR and provided them with training in the use of our Electronic Self Service (ESS) facility on our intranet. ESS allows staff to check and make changes to their personal details, apply for leave and submit applications for some allowances online in a secure environment.

## Recruitment and selection

- we developed key performance indicators for our recruitment and selection process. This allows us to monitor the time taken to recruit staff during different stages of the recruitment

Health and Safety statistics	2003–2004	2002–2003	2001–2002	2000–2001
Accident incident reports	69	45	42	49
Workers compensation claims	32	15	20	19
Working days lost to compensation claims	514	216	396	582

Note: The integration of the IPB into OSR on 1 October increased staff numbers by 145. The SDRO joined OSR on 2 April 2002 increasing staff numbers by 102.

- process and to give greater accountability for activities and to improve service delivery
- we conducted information sessions for managers and supervisors to explain key new provisions under the *Public Sector Employment and Management Act 2002*.
- we successfully recruited and conducted induction sessions for 145 SDRO staff based at our new Lithgow office. This is a predominantly new workforce for our Lithgow office. The recruitment and selection process posed particular challenges in the management of a large candidate base and the handling of sensitive recruitment matters within a local community.
- there was extensive community involvement with the recruitment of staff for the SDRO Lithgow office. We held several community information sessions where we provided advice on the work environment, expectations and recruitment process.

We also engaged community education groups to speak at the information sessions about how prospective applicants could obtain office and call centre training or how they could improve their office skills, job application and interview skills to increase their employment prospects

- the Lithgow recruitment process used assessment centres to test skills, values and behaviour through role plays, interviews,

group sessions and tests. This process ensured that candidates chosen for panel interviews had the essential skills for the various positions.

## Staff development and organisational capability

### Learning and development

We are committed to our staff and their ongoing career and personal development. Our learning and development team conducted 574 staff learning programs, an increase of 15 per cent on the previous year. Some of the programs offered included training in corporate management, leadership, recruitment, induction, information systems and technical/legislative training.

We developed an in-house program for frontline managers, which provides them with some of the hands on skills needed to achieve results and equip them to be successful future managers.

This year, 124 staff successfully completed their Certificate III in Government. In addition, four staff applied for and won places in the highly selective Executive Development Program sponsored by the Premier's Department. Sixty five IPB staff successfully completed their Certificate III in Business under traineeships.

Our learning and development team also provided extensive training for all new staff recruited for the SDRO office in Lithgow. New staff received

job training and training on their EQuIP performance management plan. Training and induction was also conducted for 172 temporary staff engaged at IPB to process backlogs and answer client enquiries.

## Employee assistance

OSR is committed to the health and wellbeing of staff and engaged Access Programs as our new Employee Assistance Provider in November 2003. Access Programs will provide our employees and their families with professional, confidential counselling and advice services.

Employees attend on a voluntary basis for a wide range of personal and work related issues, as well as legal, financial and more complex matters.

Access Programs has representation in all OSR office locations, and has a wide and varied range of professional counsellors using a variety of communication channels.

## Strategic planning - Vision 2009

We have developed a long-term strategic framework entitled Vision 2009. This framework aims to position OSR as 'The Agile Organisation'. Vision 2009 has five strategic areas of focus. Within each of these we have strategies to advance the business focus.

- **Build an organisation of 'value-able' people**
  - ▶ Foster visionary, disciplined leadership
  - ▶ Ensure staff embrace OSR's values of responsiveness, integrity, teamwork and achievement
  - ▶ Continue to develop OSR's core capabilities
- **Drive service and efficiency through technology**
  - ▶ Identify and enhance the most effective service delivery channels

- ▶ Integrate stakeholder processes to increase efficiency for all parties
- ▶ Respond to business needs with agile, disciplined information technology






- **Forge powerful stakeholder relationships**
  - ▶ Foster cooperative development with stakeholders at all levels
  - ▶ Build effective alliances with commercial clients
  - ▶ Continually increase client satisfaction
- **Enhance our revenue performance**
  - ▶ Optimise revenue and debt compliance
  - ▶ Improve legislation to enhance compliance
  - ▶ Ensure the NSW community understands its revenue rights and obligations

- **Ensure OSR's continual renewal**
  - ▶ Continually reinvest in our efficiency and capacity
  - ▶ Reinvest efficiency gains for future benefits
  - ▶ Create readiness for new business opportunities.

We will continually refine the description of the links between what we aim to achieve, in terms of our results, and the services we provide the NSW Government and our stakeholders. We will also continually enhance our result indicators and service measures in our Results and Service Plan so that they remain focussed and as comprehensive as possible.

# Corporate Plan for 2004–2005

This Corporate Plan describes how OSR will progress in a challenging environment to achieve its Vision 2009 strategic direction. Each Action Program delivers outcomes for the Focus Areas and Strategies in Vision 2009. Our Corporate Plan also contributes to achieving our corporate objectives and values. It provides the basis for each divisional plan by identifying the key outcomes we need to achieve.

Focus Area	Corporate Action Program	Sponsor	Deliverables	Due Date
Build an organisation of <b>VALUE-ABLE PEOPLE</b> 	<b>People and Performance</b> (Strategies 1, 2 and 3)	D. Barden	<ul style="list-style-type: none"> <li>Promote and support an agile workforce through innovative programs</li> <li>Provide an effective system for managing performance by enhancing EQuIP</li> <li>Strengthen visionary, disciplined leadership through challenging programs</li> <li>Drive all elements of change in the Corporate Action Programs</li> </ul>	June 2005 October 2004 June 2005 Ongoing
Drive <b>SERVICE</b> and <b>EFFICIENCY</b> through technology 	<b>Enhance Service Channels</b> (Strategy 1)	M. Kennedy	<ul style="list-style-type: none"> <li>Review service channels and invest in preferred channels</li> </ul>	June 2005
	<b>Information Management and Technology</b> (Strategy 3)	M. Kennedy	<ul style="list-style-type: none"> <li>Deliver IM&amp;T Strategic Plan programs for 2004–2005</li> <li>Deliver project portfolio, including telephony and IFEMS project within time and budget</li> </ul>	June 2005 June 2005
<b>FORGE</b> Powerful Stakeholder <b>RELATIONSHIPS</b> 	<b>Stakeholder Foundations</b> (Strategies 1, 2 and 3)	B. Robertson	<ul style="list-style-type: none"> <li>Develop Client Relationship Management (CRM) model</li> <li>Implement an enhanced communication program for commercial clients and tax clients groups</li> </ul>	June 2005 June 2005
Enhance our <b>REVENUE PERFORMANCE</b> 	<b>Government Initiatives</b> (Strategies 1 and 2)	T. Newbury	<ul style="list-style-type: none"> <li>Successful implementation of the mini-Budget</li> </ul>	March 2005
		B. Robertson	<ul style="list-style-type: none"> <li>Establish a Fines Hardship Board</li> <li>Enhance review processes available to fine defaulters</li> </ul>	October 2004 October 2004
	<b>Revenue Compliance</b> (Strategies 1 and 2)	T. Withers	<ul style="list-style-type: none"> <li>Develop and implement compliance strategies to address mini-Budget initiatives</li> <li>Review four compliance risk profiles and develop risk reduction strategies</li> </ul>	October 2004 Ongoing
		B. Smith	<ul style="list-style-type: none"> <li>Develop and implement OSR Client Education Strategy</li> </ul>	June 2005
Ensure OSR's <b>CONTINUAL RENEWAL</b> 	<b>Business Integration</b> (Strategy 1)	B. Robertson	<ul style="list-style-type: none"> <li>Implement program to integrate SDRO branches</li> <li>Integrate fine and tax revenue services and processes together to drive agility, efficiency and service</li> </ul>	June 2005 June 2005 (two-year plan)
	<b>Business Improvement</b> (Strategies 1 and 3)	T. Withers	<ul style="list-style-type: none"> <li>Achieve substantial progress towards ISO certification</li> <li>Complete agreed BPI reviews</li> <li>Identify opportunities to reinvest savings based on Return-On-Investment model</li> </ul>	June 2005 June 2005 December 2004

**RESPONSIVENESS INTEGRITY TEAMWORK ACHIEVEMENT**



# Financial statements

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	<b>Page</b>
<b>Executive Director's statement</b>	<b>28</b>
<b>Statement of financial performance</b>	<b>29</b>
<b>Statement of financial position</b>	<b>30</b>
<b>Statement of cash flows</b>	<b>31</b>
<b>Program statement – expenses and revenues</b>	<b>32</b>
<b>Summary of compliance with financial directives</b>	<b>33</b>
<b>Notes to and forming part of the financial statements</b>	<b>34</b>
1 Summary of significant accounting policies	34
2 Expenses	43
3 Revenues	45
4 Gain/(loss) on disposal of non-current assets	46
5 Appropriations	46
6 Individually significant items	46
7 Acceptance by the Crown Entity of employee benefits and other liabilities	47
8 Programs and activities of OSR	48
9 Current assets – cash	49
10 Current assets – receivables	49
11 Non-current assets – plant and equipment	50
12 Current/non-current assets – other	52
13 Current liabilities – payables	52
14 Current/non-current liabilities – provisions	52
15 Current/non-current liabilities – other	53
16 Changes in equity	54
17 Increase in net assets from equity transfers	54
18 Commitments for expenditure	55
19 Contingent liabilities and contingent assets	55
20 Budget review	56
21 Reconciliation of cash flows from operating activities to net cost of services	57
22 Financial instruments	57
23 Trust funds	58
24 Administered assets – receivables	58
25 Administered liabilities	63
26 Administered revenue – debts written off/remissions	64
27 Administered expenses – other	66
28 Administered revenue – consolidated fund	67

# Executive Director's statement

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Pursuant to Section 45F of the *Public Finance and Audit Act 1983*, I state that:

- (a) the accompanying financial statements in respect of the year ended 30 June 2004 have been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Consensus Views, the requirements of the *Public Finance and Audit Act 1983* and Regulations, and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Agencies or issued by the Treasurer under section 9(2) (n) of the Act;
- (b) the statements exhibit a true and fair view of the financial position and transactions of the Office; and
- (c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



**Peter Achterstraat**  
Executive Director  
Office of State Revenue

8 September 2004

The following financial statements are not accompanied by an audit certificate. This information has been incorporated in the consolidated financial statements of NSW Treasury, which have been certified by the Auditor-General. The audit certificate appears in the NSW Treasury Annual Report.



# Statement of financial performance

## For the year ended 30 June 2004

	Notes	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000
<b>Expenses</b>				
Operating expenses				
Employee related	2(a)	60 147	51 730	45 553
Other operating expenses	2(b)	35 663	18 581	21 336
Maintenance		618	550	435
Depreciation and amortisation	2(c)	16 689	14 183	11 941
Grants and subsidies	2(d)	253 888	263 337	319 056
Other expenses	2(e)	9 661	—	—
<b>Total expenses</b>		<b>376 666</b>	<b>348 381</b>	<b>398 321</b>
Less:				
<b>Retained revenue</b>				
Sale of goods and services	3(a)	22 901	3 968	4 195
Investment income	3(b)	772	341	351
Retained taxes, fees and fines	3(c)	76	60	99
Grants and contributions	3(d)	542	115	361
Other revenue	3(e)	566	163	31
<b>Total retained revenue</b>		<b>24 857</b>	<b>4 647</b>	<b>5 037</b>
<b>Gain/(loss) on disposal of non-current assets</b>	<b>4</b>	<b>2</b>	<b>—</b>	<b>(56)</b>
<b>Net cost of services</b>	<b>21</b>	<b>351 807</b>	<b>343 734</b>	<b>393 340</b>
<b>Government contributions</b>				
Recurrent appropriation	5	331 454	323 948	375 748
Capital appropriation	5	12 638	8 077	9 687
Acceptance by the Crown Entity of employee benefits and other liabilities	7	7 348	5 142	5 533
<b>Total Government contributions</b>		<b>351 440</b>	<b>337 167</b>	<b>390 968</b>
<b>Surplus/(Deficit) for the year from ordinary activities</b>		<b>(367)</b>	<b>(6 567)</b>	<b>(2 372)</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	<b>16</b>	<b>(367)</b>	<b>(6 567)</b>	<b>(2 372)</b>

The accompanying notes form part of these statements.

# Statement of financial position

## As at 30 June 2004

	Notes	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash	9	33 806	3 944	4 178
Receivables	10	14 176	2 907	2 904
Other	12	501	571	505
<b>Total current assets</b>		<b>48 483</b>	<b>7 422</b>	<b>7 587</b>
<b>Non-current assets</b>				
Plant and Equipment	11	43 325	29 241	35 347
Other	12	8	—	—
<b>Total non-current assets</b>		<b>43 333</b>	<b>29 241</b>	<b>35 347</b>
<b>Total assets</b>		<b>91 816</b>	<b>36 663</b>	<b>42 934</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	13	3 718	2 948	2 680
Provisions	14	5 367	4 311	4 283
Other	15	34 819	51	51
<b>Total current liabilities</b>		<b>43 904</b>	<b>7 310</b>	<b>7 014</b>
<b>Non-current liabilities</b>				
Provisions	14	1 359	1 251	1 251
Other	15	160	27	27
<b>Total non-current liabilities</b>		<b>1 519</b>	<b>1 278</b>	<b>1 278</b>
<b>Total liabilities</b>		<b>45 423</b>	<b>8 588</b>	<b>8 292</b>
<b>Net assets</b>		<b>46 393</b>	<b>28 075</b>	<b>34 642</b>
<b>Equity</b>				
Reserves		—	—	—
Accumulated funds	16	46 393	28 075	34 642
<b>Total equity</b>		<b>46 393</b>	<b>28 075</b>	<b>34 642</b>

The accompanying notes form part of these statements.



# Statement of cash flows

## For the year ended 30 June 2004

	Notes	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000
<b>Cash flows from operating activities</b>				
<b>Payments</b>				
Employee related		(54 691)	(47 979)	(39 529)
Grants and subsidies		(253 359)	(243 337)	(320 943)
Other		(45 048)	(19 258)	(21 929)
<b>Total payments</b>		<b>(353 098)</b>	<b>(330 574)</b>	<b>(382 401)</b>
<b>Receipts</b>				
Sale of goods and services		14 671	3 968	5 100
Retained taxes, fees and fines		76	60	99
Interest received		445	341	353
Other		10 703	278	476
<b>Total receipts</b>		<b>25 895</b>	<b>4 647</b>	<b>6 028</b>
<b>Cash flows from Government</b>				
Recurrent appropriation		332 002	323 948	375 773
Capital appropriation		12 721	8 077	9 697
Cash reimbursements from the Crown Entity		2 467	1 722	1 332
Cash transfers to the Consolidated Fund		(36)	—	(7)
<b>Net cash flows from Government</b>		<b>347 154</b>	<b>333 747</b>	<b>386 795</b>
<b>Net cash flows from operating activities</b>	<b>21</b>	<b>19 951</b>	<b>7 820</b>	<b>10 422</b>
<b>Cash flows from investing activities</b>				
Purchases of plant and equipment		(12 638)	(8 054)	(9 633)
Other		—	—	—
<b>Net cash flows from investing activities</b>		<b>(12 638)</b>	<b>(8 054)</b>	<b>(9 633)</b>
<b>Net increase/(decrease) in cash</b>		<b>7 313</b>	<b>(234)</b>	<b>789</b>
Opening cash and cash equivalents		4 178	4 178	3 389
Cash transferred in as result of administrative restructuring		22 315	—	—
<b>Closing cash and cash equivalents</b>	<b>9</b>	<b>33 806</b>	<b>3 944</b>	<b>4 178</b>

The accompanying notes form part of these statements.

# Program statement – expenses and revenues

For the year ended 30 June 2004

## Agency's expenses and revenues

	Program 73.2.1*		Program 73.2.2*		Program 73.2.3*		Not Attributable		Total	
	2004	2003	2004	2003	2004***	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses</b>										
Operating expenses										
Employee related	41 621	37 281	3 417	3 552	15 109	4 720	–	–	60 147	45 553
Other operating expenses	12 251	12 062	952	1 276	22 460	7 998	–	–	35 663	21 336
Maintenance	407	335	34	33	177	67	–	–	618	435
Depreciation	14 484	10 239	1 226	1 006	979	696	–	–	16 689	11 941
Grants and subsidies	11 937	11 601	241 951	307 455	–	–	–	–	253 888	319 056
Other services	–	–	–	–	9 661	–	–	–	9 661	–
<b>Total expenses</b>	<b>80 700</b>	<b>71 518</b>	<b>247 580</b>	<b>313 322</b>	<b>48 386</b>	<b>13 481</b>	<b>–</b>	<b>–</b>	<b>376 666</b>	<b>398 321</b>
<b>Retained revenue</b>										
Sale of goods and services	4 187	4 194	29	1	18 685	–	–	–	22 901	4 195
Investment income	712	320	60	31	–	–	–	–	772	351
Retained fees and fines	–	–	–	–	76	99	–	–	76	99
Grants and contributions	223	265	19	26	300	70	–	–	542	361
Other revenue	507	28	37	3	22	–	–	–	566	31
<b>Total retained revenue</b>	<b>5 629</b>	<b>4 807</b>	<b>145</b>	<b>61</b>	<b>19 083</b>	<b>169</b>	<b>–</b>	<b>–</b>	<b>24 857</b>	<b>5 037</b>
Gain/(loss) on sale of non-current assets	6	(49)	1	(5)	(5)	(2)	–	–	2	(56)
<b>Net cost of services</b>	<b>75 065</b>	<b>66 760</b>	<b>247 434</b>	<b>313 266</b>	<b>29 308</b>	<b>13 314</b>	<b>–</b>	<b>–</b>	<b>351 807</b>	<b>393 340</b>
Government contributions **	–	–	–	–	–	–	351 440	390 968	351 440	390 968
<b>Net (expenditure)/revenue</b>	<b>(75 065)</b>	<b>(66 760)</b>	<b>(247 434)</b>	<b>(313 266)</b>	<b>(29 308)</b>	<b>(13 314)</b>	<b>351 440</b>	<b>390 968</b>	<b>(367)</b>	<b>(2 372)</b>

## Administered expenses and revenues

	Program 73.2.1*		Program 73.2.2*		Program 73.2.3*		Not Attributable		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Administered expenses</b>										
Other (Note 27)	77 637	74 708	–	–	61 300	–	–	–	138 937	74 708
<b>Total administered expenses</b>	<b>77 637</b>	<b>74 708</b>	<b>–</b>	<b>–</b>	<b>61 300</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>138 937</b>	<b>74 708</b>
<b>Administered revenues</b>										
Consolidated fund revenue earned (Note 28)										
Taxes, fees, fines, penalties and interest	13 113 467	12 253 278	–	–	195 471	65 023	–	–	13 308 938	12 318 301
Other	356 046	399 630	–	–	–	–	–	–	356 046	399 630
<b>Total administered revenues</b>	<b>13 469 513</b>	<b>12 652 908</b>	<b>–</b>	<b>–</b>	<b>195 471</b>	<b>65 023</b>	<b>–</b>	<b>–</b>	<b>13 664 984</b>	<b>12 717 931</b>
<b>Administered revenues less expenses</b>	<b>13 391 876</b>	<b>12 578 200</b>	<b>–</b>	<b>–</b>	<b>134 171</b>	<b>65 023</b>	<b>–</b>	<b>–</b>	<b>13 526 047</b>	<b>12 643 223</b>

\* The name and purpose of each program is summarised in Note 8.

\*\* Appropriations are made on an agency basis and not to individual programs. Consequently, government contributions must be included in the 'Not Attributable' column.

\*\*\* The 2003–2004 figures for Program 73.2.3 include the activities of the Infringement Processing Bureau for a period of nine months effective from 1 October 2003 when they transferred to the Office of State Revenue from NSW Police.

# Summary of compliance with financial directives

	2004				2003			
	Recurrent	Expenditure	Capital	Expenditure	Recurrent	Expenditure	Capital	Expenditure
	Appropri'n	/Net Claim	Appropri'n	/Net Claim	Appropri'n	/Net Claim	Appropri'n	/Net Claim
	\$'000	on confund	\$'000	on confund	\$'000	on confund	\$'000	on confund
<b>Original budget appropriation/expenditure</b>								
Appropriation Act	303 948	303 948	8 077	8 077	371 089	370 379	9 550	9 550
Additional Appropriations	20 000	10 543	—	—	—	—	—	—
s21A PF&A Act special appropriation	—	—	—	—	—	—	—	—
s24 PF&A Act transfers of functions	—	—	—	—	—	—	—	—
between departments	—	—	—	—	—	—	—	—
s26 PF&A Act Commonwealth specific purpose payments	—	—	—	—	—	—	—	—
	<b>323 948</b>	<b>314 491</b>	<b>8 077</b>	<b>8 077</b>	<b>371 089</b>	<b>370 379</b>	<b>9 550</b>	<b>9 550</b>
<b>Other appropriations/expenditure</b>								
Treasurer's Advance	2 483	2 426	395	390	300	236	150	137
Section 22 – expenditure for certain works and services	17 810	14 537	5 149	4 171	15 000	5 133	—	—
Transfers to/from another agency (s25 of the Appropriation Act)	—	—	—	—	—	—	—	—
	<b>20 293</b>	<b>16 963</b>	<b>5 544</b>	<b>4 561</b>	<b>15 300</b>	<b>5 369</b>	<b>150</b>	<b>137</b>
<b>Total Appropriations/Expenditure/Net Claim on Consolidated Fund (includes transfer payments)</b>	<b>344 241</b>	<b>331 454</b>	<b>13 621</b>	<b>12 638</b>	<b>386 389</b>	<b>375 748</b>	<b>9 700</b>	<b>9 687</b>
Amount drawn down against Appropriation		332 002		12 721		375 774		9 697
Liability to Consolidated Fund *		548		83		26		10

The summary of compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).

\* The 'Liability to Consolidated Fund' represents the difference between the 'Amount drawn down against Appropriation' and the 'Total Expenditure/Net Claim on Consolidated Fund'.

# Notes to and forming part of the financial statements

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## Note 1 Summary of significant accounting policies

### (a) Reporting entity

The Office of State Revenue (OSR), as a reporting entity, comprises all the operating activities under its control. OSR is responsible for the administration and collection of specific taxes imposed by the State of New South Wales and income tax equivalents from State Government businesses. In April 2002, OSR became responsible for the administration of the State Debt Recovery Office (SDRO) fine enforcement activities for State and local government agencies. In October 2003, this was further extended with the transfer of the Infringement Processing Bureau (IPB) from NSW Police. OSR is also responsible for the administration and payment of grants under the First Home Owner Grant Scheme (FHOGS), unclaimed money, rebates under the Grain Freight Rebate Scheme and subsidies under the petroleum subsidies scheme.

The reporting entity is consolidated as part of the NSW Total State Sector and as part of the NSW Public Accounts.

Administered activities are consolidated as part of the Crown Entity accounts.

### (b) Basis of accounting

The financial statements of OSR are a general purpose financial report which has been prepared on an accruals basis and in accordance with:

- ▶ applicable Australian Accounting Standards (AAS)
- ▶ other authoritative pronouncements of the Australian Accounting Standards Board (AASB)
- ▶ the Urgent Issues Group (UIG) Consensus Views
- ▶ the requirements of the *Public Finance and Audit Act 1983* and Regulations, and
- ▶ the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependant General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative

pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 'Accounting Policies' is considered.

Except for certain plant and equipment, which are recorded at valuation, the financial statements are prepared in accordance with the historical cost convention.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

#### **(c) Administered activities**

OSR administers, but does not control, certain activities on behalf of the Crown Entity. OSR is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the objectives of OSR.

Transactions and balances relating to the administered activities are not recognised as the agency's revenues, expenses, assets and liabilities, but are disclosed in the accompanying schedules as Administered Assets, Liabilities, Expenses and Revenues (refer Notes 24 to 28).

The accrual basis of accounting and applicable accounting standards have been adopted for the reporting of administered activities.

In accordance with the Crown Entity's revenue recognition policy State taxation revenue is recognised as follows:

- ▶ Government-assessed revenues (primarily land tax) are regarded as being able to be measured reliably at the time of issuing the assessment or when a liability has been determined. Where a land tax liability has been determined and the assessment is yet to issue the revenue is brought to account in the year identified
- ▶ Taxpayer-assessed revenues (including pay-roll tax) are regarded as being able to be measured reliably when the funds are received by the tax-collecting agency. Additional revenues are recognised for assessments subsequently issued following the review of returns lodged by taxpayers
- ▶ Interest payable on government and taxpayer-assessed revenues is brought to account on a daily basis
- ▶ Fines (such as those issued by the Courts) and enforcement orders issued by the SDRO are regarded as being able to be measured reliably when the fine or enforcement order is issued
- ▶ Fines issued by the IPB are regarded as being able to be measured reliably when the cash is received.

#### **(d) Revenue recognition**

Revenue is recognised when the agency has control of the good or right to receive, it is probable that the economic benefits will flow to the agency and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

##### **(i) Parliamentary appropriations and contributions from Other Bodies**

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenues when the agency obtains control over the assets comprising the

appropriations / contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

The liability is disclosed in Note 15 as part of 'Current / non-current liabilities-other'. The amount will be repaid and the liability will be extinguished in the next financial year.

(ii) Sale of goods and services

Revenue from the sale of goods and services comprises revenue earned for the provision of products or services ie. user charges. User charges are recognised as revenue when the agency obtains control of the assets that result from them.

(iii) Investment income

Interest revenue is recognised as it accrues.

**(e) Employee benefits and other provisions**

(i) Salaries and wages, annual leave, sick leave and on-costs

Liabilities for salaries and wages, annual leave, leave loading and vesting sick leave are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of pay-roll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

(ii) Long service leave and superannuation

OSR's liabilities for long service leave and superannuation are assumed by the Crown Entity. OSR accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee entitlements and other liabilities'.

Employee benefit liabilities, such as long service leave, that are expected to be settled more than 12 months after the reporting date, are measured as the present value of the estimated future cash outflows to be made by the employer in respect of services provided by employees up to the reporting date. This calculation takes into account future increases in remuneration rates.

On-costs ie costs that are consequential to the employment of employees, but which are not employee benefits, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised and are accordingly measured as the present value of the estimated cash outflows.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(iii) Other provisions

Other provisions exist when OSR has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events. These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

Any provisions for restructuring are recognised when a detailed formal plan has been developed and where OSR has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring.

**(f) Insurance**

OSR's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

**(g) Accounting for the Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where:

- ▶ the amount of GST incurred by OSR as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- ▶ receivables and payables are stated with the amount of GST included.

**(h) Acquisition of assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by OSR. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition (see also assets transferred as a result of an administrative restructure - Note (q)).

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the acquisition date. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained.

**(i) Plant and equipment**

Office furniture and equipment costing at least \$5 000 is capitalised. Computer hardware costing at least \$1 000 is also capitalised. However, grouped assets with inter-related functions such as the computer network and revenue receipting equipment are capitalised regardless of cost.

**(j) Revaluation of physical non-current assets**

Physical non-current assets are valued in accordance with the 'Guidelines for the Valuation of Physical Non-Current Assets at Fair Value' (TPP 03-02). This policy adopts fair value in accordance with AASB 1041 from financial years beginning on or after 1 July 2002. There is no substantive difference between the fair value valuation methodology and the previous valuation methodology adopted in the NSW public sector.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is measured as its market buying price ie the replacement cost of the asset's remaining future economic benefits. The agency is a not-for-profit entity with no cash generating operations.

As OSR does not own Land, Building or Infrastructure assets, management considers it unnecessary to carry out a revaluation of physical non-current assets every five years, unless it becomes aware of any material difference in the carrying amount of any class of assets.

Most of OSR's assets (hardware, software, equipment and furniture) are non-specialised with short useful lives and are therefore measured at depreciated historical cost, as a surrogate for fair value.

**(k) Depreciation of non-current physical assets**

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write-off the depreciable amount of each asset as it is consumed over its useful life to OSR. All material separately identifiable component assets are recognised and depreciated over their shorter useful lives, including those components that in effect represent major periodic maintenance.

The useful lives of each category of depreciable assets are:

Computer hardware	4 years
Office equipment	7 years
Office furniture	5 to 10 years; and
Computer software	1 to 10 years depending on the expected usage of the application.

**(l) Maintenance and repairs**

The costs of maintenance are charged as expenses are incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.

**(m) Leased assets**

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.



**(n) Receivables**

Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

**(o) Trust funds**

OSR receives monies in a trustee capacity as set out in Note 23. As OSR performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of an agency's own objectives, they are not brought to account in the financial statements.

**(p) Other assets**

Other assets including prepayments are recognised on a cost basis.

**(q) Equity transfers**

The transfer of net assets between agencies as a result of an administrative restructure, transfer of programs / functions and parts thereof between NSW public sector agencies are designated as a contribution by owners by NSWTC 01/11 and are recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with Urgent Issued Group Abstract UIG 38 'Contributions by Owners Made to Wholly Owned Public Sector Entities'.

Transfers arising from an administrative restructure between government departments are recognised at the amount at which the asset was recognised by the transferor government department immediately prior to the restructure (refer to Note 17). In most instances, this will approximate fair value. All other equity transfers are recognised at fair value.

**(r) Payables**

These amounts represent liabilities for goods and services provided to the agency and other amounts, including interest. Interest is accrued over the period it becomes due.

**(s) Budgeted amounts**

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s 21A, s 24 and/or s 26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the Statement of Financial Performance and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Statement of Financial Position, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts ie per the audited financial statements (rather than carried forward estimates).

**(t) Impact of adopting Australian Equivalents to International Financial Reporting Standards**

OSR will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

OSR is managing the transition to the new standards by allocating internal resources and/or engaging consultants to analyse the pending standards and UIG Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, OSR has taken the following steps to manage the transition to the new standards:

- ▶ OSR's Finance Committee is overseeing the transition. The Financial Controller is responsible for the project and reports regularly to the Committee on progress against the plan. The Audit Committee is also kept abreast of progress through regular reporting
- ▶ The following phases that need to be undertaken have been identified and the target date for completion:
  - June 2004 - prepare and submit a Project Execution Plan to NSW Treasury based on the agency approved Project Management Framework
  - August 2004 - review the ability of the tax and accounting systems to accommodate the AIFRS changes using a capability checklist to determine compliance
  - September 2004 - analyse in detail, each AIFRS that will have relevance to the operations of the agency, and identify what impact the change will have on existing accounting treatments including budgets, financial reporting and performance indicators
  - October 2004 - implement process and system changes to accommodate AIFRS
  - October 2004 - develop and implement AIFRS reporting
  - November 2004 - parallel run during 2004-2005
  - November 2004 - amend all documentation/stationery/forms as required
  - December 2004 - develop and implement a communications plan for stakeholders. Develop a staff training program and conduct sessions
  - January 2005 - coordinate conduct of quality checks by an independent party
  - March 2005 - external reporting to Treasury for draft and final opening balance sheet as at 1 July 2004
  - September 2005 - post implementation review
- ▶ To date, the Project Team has been established and the Project Execution Plan submitted to NSW Treasury. The analysis of the issued AIFRS is occurring, as is the assessment of the changes on the tax and accounting systems. Regular reporting to the Finance Committee and Audit Committee has commenced whilst staff are being informed of progress through internal communication channels.

NSW Treasury is assisting agencies to manage the transition by: developing policies, including mandates of options; presenting training seminars to all agencies; providing a website with up-to-date information to keep agencies informed of any new developments; and establishing an IAS Agency Relationship Panel to facilitate a collaborative approach to manage the change.

The agency has identified a number of significant differences in accounting policies that will arise from adopting AIFRS. Some differences arise because AIFRS requirements are different from existing AASB requirements. Other differences could arise from options in AIFRS. To

ensure consistency at the whole of government level, NSW Treasury has advised the agency of options it is likely to mandate, and will confirm these during 2004-2005. This disclosure reflects these likely mandates.

The agency's accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics (GFS). This standard is likely to change the impact of AIFRS and significantly affect the presentation of the income statement. However, the impact is uncertain, because it depends on when this standard is finalised and whether it can be adopted in 2005-2006.

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

- ▶ *AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards* requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors* requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit and loss, unless a new standard mandates otherwise.
- ▶ *AASB 102 Inventories for not-for-profit entities* requires inventory held for distribution at no or nominal cost to be valued at the lower of cost and current replacement cost rather than the lower of cost and net realisable value. This may increase the amount of inventories recognised.
- ▶ *AASB 116 Property, Plant and Equipment* requires the cost and fair value of property, plant and equipment to be increased to include restoration costs, where restoration provisions are recognised under *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*.
- ▶ *AASB 118 Revenues* was released in June 2004 and at this time has still to be analysed to assess the impact it will have on the Administered Revenue operations of the agency.
- ▶ *AASB 119 Employee Benefits* requires the defined benefit obligation to be discounted using the government bond rate as at each reporting date rather than the long-term expected rate of return on plan assets. Where the unfunded superannuation liability is not assumed by the Crown, this will increase the amount and the future volatility of the unfunded superannuation liability and the volatility of the employee benefit expense.
- ▶ *AASB 1004 Contributions* applies to *not-for-profit entities* only. Entities will either continue to apply the current requirements in *AASB 1004* where grants are normally recognised on receipt, or alternatively apply the proposals on grants included in *ED 125 Financial Reporting by Local Governments*. If the *ED 125* approach is applied, revenue and/or expense recognition will be delayed until the agency supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied.
- ▶ *AASB 132 Financial Instrument Disclosure and Presentation* prohibits in-substance defeasance. Agencies can no longer offset financial assets and liabilities when financial assets are set aside in trust by a debtor for the purposes of discharging an obligation, without assets having been accepted by the creditor in settlement of

the obligation. This will have the effect of increasing both assets and liabilities but will have a no net impact on equity.

- ▶ AASB 136 *Impairment of Assets* requires an entity to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired and if such indication exists, the entity must estimate the recoverable amount. However, the effect of this Standard should be minimal because all the substantive principles in AASB 136 are already incorporated in Treasury's policy *Valuation of Physical Non-Current Assets at Fair Value*.
- ▶ AASB 138 *Intangible Assets* requires further detailed analysis to ascertain the extent to which any internally generated or externally acquired computer software may meet the definition and recognition criteria for intangible assets.

## Note 2 Expenses

	2004	2003
	\$'000	\$'000
<b>(a) Employee related expenses</b>		
Salaries and wages (including recreation leave)	49 288	36 452
Superannuation	4 868	3 485
Long service leave	2 188	1 839
Workers' compensation insurance	334	359
Pay-roll tax and fringe benefits tax	3 350	2 432
On-costs on LSL not assumed by Crown	119	986
	<b>60 147</b>	<b>45 553</b>

Employee related expenses of \$1.8 million (2002-2003 - \$2.5 million) have been incurred for various capital projects and are included in computer software costs and capital work in progress in Note 11. Except as noted, there are no other employee related payments included in asset and expenditure accounts.

	2004	2003
	\$'000	\$'000
<b>(b) Other operating expenses</b>		
Auditor's remuneration		
Audit or review of the financial reports	202	270
Bad and doubtful debts	(25)	123
Operating lease rental expense		
Minimum lease payments	4 830	4 365
Insurance	100	36
Other		
Contractors' and consultancy fees	15 021	7 132
Computer maintenance and software licences	1 619	1 069
Building maintenance and utilities	2 090	1 127
Minor plant, equipment and stores	1 271	775
Data access fees	1 043	925
Training	433	480
Printing and advertising	1 874	1 472
Other	7 205	3 562
	<b>35 663</b>	<b>21 336</b>
<b>(c) Depreciation</b>		
Computer hardware	1 375	1 286
Computer software	14 780	10 221
Office equipment	101	178
Office furniture	433	256
	<b>16 689</b>	<b>11 941</b>
<b>(d) Grants and subsidies</b>		
First Home Owner Grant Scheme (FHOGS) (i)	241 943	306 632
Department of Lands(ii)	11 937	11 601
GST offset rebate for bookmakers (iii)	2	386
Grain freight rebate (iv)	6	437
	<b>253 888</b>	<b>319 056</b>
<b>(e) Other expenses</b>		
Compensation Payments		
(Statute Barred infringements) (v)	<b>9 661</b>	—

## Note 2 Expenses (cont.)

- (i) The First Home Owners Grant Scheme (FHOGS) was introduced in July 2000 to compensate first home buyers for the impact of the introduction of GST. OSR is responsible for the payment of the grant to approved applicants.

The amount is net of returns of payments made in relation to contracts not settled and recoveries by compliance auditors of payments made to ineligible applicants. Write-off of refunds that are irrecoverable, however, are added back. Penalties, imposed in terms of the FHOGS legislation on applicants for wrongful claims, were also netted off against the total amount of payments made in the year.

	\$'000
Total FHOGS payments	249 775
Less: Returns – payments on contracts not settled	(5 519)
Less: Refunds – ineligible payments	(1 946)
Less: Penalties on wrongful claims	(484)
Add: Write-off of refunds due	117
<b>Net FHOGS payments</b>	<b>241 943</b>

- (ii) The Department of Lands provides land information and valuation services required to administer the *Land Tax Management Act 1956*.
- (iii) A delayed payment relating to the now abolished bookmakers betting tax. GST offset payments were made to bookmakers to reduce the effect of paying GST in addition to the State tax on their fixed odds betting operations.
- (iv) The Grain Freight rebate scheme was introduced, in October 2001, in response to new freight prices by Pacific National (previously FreightCorp) to ensure freight prices at NSW silos did not rise by more than 5%. The scheme ceased on 30 June 2003. Payments for 2003-2004 related to delayed claims.
- (v) Compensation payments amounting to \$9.7 million were paid to clients of the IPB who were financially disadvantaged due to processing delays that ultimately led to infringements becoming statute barred. The payments were made in accordance with the service level agreement provisions. Of the \$9.7 million approved, payments to local councils amounted to approximately \$7.6 million whilst the \$2.1 million balance was paid to other clients. The statute barred matters related to the period 1 September 2002 to 31 January 2004.



## Note 3 Revenues

	2004 \$'000	2003 \$'000
<b>(a) Sale of goods and services</b>		
Land tax search fees	3 380	3 730
Administration fees	820	453
Commercial Infringement Bureau fees	18 557	—
Other	144	12
	<b>22 901</b>	<b>4 195</b>

The IPB provides a processing service to a range of public sector and local government clients. Fees are charged to commercial clients for the service. The \$18.6 million reflects the revenues generated since the transfer of the IPB from NSW Police.

	2004 \$'000	2003 \$'000
<b>(b) Investment income</b>		
Interest	772	351
<b>(c) Retained taxes, fees and fines</b>		
Annulment fees	76	99

Annulment fees imposed by the SDRO are recognised as revenues as they are controlled by the agency and can be deployed for the achievement of its objectives. They are not required to be paid to the Consolidated Revenue Fund.

	2004 \$'000	2003 \$'000
<b>(d) Grants and contributions</b>		
Salary grants received	51	278
Skills incentive scheme	191	83
connect.nsw program (Department of Commerce)	300	—
	<b>542</b>	<b>361</b>

Salary grants received represents reimbursements for the ATSI Cadetship Scheme. \$191 000 was received for training and skills incentive programs for staff. \$300 000 pertains to project funding received by the IPB under the connect.nsw program, for the development and implementation of hand-held technology for clients to improve the system for infringement processing.

	2004 \$'000	2003 \$'000
<b>(e) Other revenue</b>	<b>566</b>	<b>31</b>

The above revenues have arisen from the operating activities of OSR. The increase is primarily attributable to the reimbursement of legal fees associated with debt recovery action.

## Note 4 Gain/(loss) on disposal of non-current assets

	2004 \$'000	2003 \$'000
Gain/(loss) on disposal of plant and equipment		
Proceeds from disposal	7	—
Written down value of assets disposed	(5)	(56)
<b>Net gain/(loss) on disposal of plant and equipment</b>	<b>2</b>	<b>(56)</b>

## Note 5 Appropriations

	2004 \$'000	2003 \$'000
<b>Recurrent appropriations</b>		
<b>Total recurrent drawdowns from Treasury</b>	<b>332 002</b>	<b>375 774</b>
(per Summary of Compliance)		
Less: Liability to Consolidated Fund		
(per Summary of Compliance)	548	26
	<b>331 454</b>	<b>375 748</b>
Comprising:		
Recurrent appropriations		
(per Statement of Financial Performance)	331 454	375 748
<b>Capital appropriations</b>		
<b>Total capital drawdowns from Treasury</b>	<b>12 721</b>	<b>9 697</b>
(per Summary of Compliance)		
Less: Liability to Consolidated Fund	83	10
(per Summary of Compliance)	12 638	9 687
Comprising:		
Capital appropriations		
(per Statement of Financial Performance)	12 638	9 687

## Note 6 Individually significant items

	2004 \$'000	2003 \$'000
Long service leave on-cost liability not assumed by the Crown	—	986

The \$986 000 in 2003 represents the change in valuation methodology from the short hand method to the present value method. The provision for on-costs on long service leave liability that are not assumed by the Crown increased by \$986 000 and exceeded the Controlled Net Cost of Services (CNCS) variation limit imposed by Treasury.

## Note 7 Acceptance by the Crown Entity of employee benefits and other liabilities

	2004	2003
	\$'000	\$'000
The following liabilities and/or expenses have been assumed by the Crown Entity:		
Superannuation	4 868	3 485
Long service leave	2 188	1 839
Pay-roll tax	292	209
	<b>7 348</b>	<b>5 533</b>

## Note 8 Programs and activities of OSR

- (a) **Program 73.2.1 Ensuring Due Revenue**
- Objective: Ensure effective and equitable collection of revenue from taxes, duties and other sources due to the State of New South Wales through improved revenue administration and better service delivery.
- (b) **Program 73.2.2 Ensuring Eligible Payments**
- Objective: Ensure eligible applicants receive payments due under Commonwealth/State Government schemes through maximising the efficiency and effectiveness of payments administration consistent with applicable policies.
- (c) **Program 73.2.3 Effective Fine Enforcement**
- Objective: Ensure effective and timely fine enforcement services which contributes to a higher level of compliance with the law through the application of the full range of fine enforcement activities for the benefit of the people of New South Wales.

The IPB was transferred from NSW Police with effect from 1 October 2003. The following summarises the expenses and revenues, recognised by NSW Police for three months ended 30 September 2003 (Program 52.1.3, in part) and OSR for nine months ended 30 June 2004 (Program 73.2.3, in part) for the reporting period.

	NSW Police 1 July 2003 to 30 September 2003 \$'000	OSR 1 October 2003 to 30 June 2004 \$'000	Total  2004 2003 \$'000 \$'000	
Expenses				
Operating expenses				
Employee related	2 070	7 701	9 771	8 195
Other operating expenses	1 728	12 673	14 401	6 434
Depreciation	365	3 652	4 017	1 467
Other expenses	—	9 661	9 661	—
Total expenses	4 163	33 687	37 850	16 096
Less:				
Retained revenue				
Sale of goods and services	4 193	18 684	22 877	17 465
Grants and contributions	53	300	353	58
Other revenue	—	22	22	—
Total retained revenue	4 246	19 006	23 252	17 523
Gain/(loss) on disposal of non-current assets				
	(18)	—	(18)	(31)
Net cost of services	(65)	14 681	14 616	(1 396)

## Note 9 Current assets – cash

	2004 \$'000	2003 \$'000
Cash on hand	12	18
Cash at bank	33 794	4 160
	<b>33 806</b>	<b>4 178</b>

For the purposes of the Statement of Cash Flows, cash includes cash on hand and cash at bank. Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

	2004 \$'000	2003 \$'000
Cash (per Statement of Financial Position)	33 806	4 178
Closing cash and cash equivalents (per Statement of Cash Flows)	<b>33 806</b>	<b>4 178</b>

Included in cash at bank and cash on hand are the following restricted assets:

IPB monies	31 425	–
Consolidated Fund monies	631	–
	<b>32 056</b>	<b>–</b>

The IPB monies relate to funds being held for clients of the IPB and the Crown Entity that will be distributed in 2004-2005.

## Note 10 Current assets – receivables

	2004 \$'000	2003 \$'000
<b>Current</b>		
Sale of goods and services (i)	11 239	100
Other		
GST from the Australian Taxation Office	846	643
Interest	496	170
FHOGS (ii)		
Receivable	1 559	2 088
Less: provision for doubtful debts	98	123
Other	134	26
<b>Total receivables</b>	<b>14 176</b>	<b>2 904</b>

### (i) Sale of goods and services

As at 30 June 2004, \$9.2 million of this receivable represents invoices issued to commercial clients of the IPB, including councils and other statutory bodies. OSR is collecting \$2.7 million on behalf of NSW Police and has recognised a corresponding liability (refer to Note 15).

## (ii) FHOGS debt

The FHOGS debt is the result of Compliance audits of grants paid where applicants do not legally qualify as first home owners. In addition to seeking recovery of grant payments, penalties are imposed in accordance with FHOGS legislation on offending claims. A provision for doubtful debts has been created for those outstanding amounts which are considered to be irrecoverable. Included in the current receivables is \$100 000 of assessments issued as at 30 June, not yet due.

The total debt position as at 30 June 2004 was as follows:

	2004 \$'000	2003 \$'000
<b>Total debt</b>		
Current amount	100	57
Instalments	–	324
Overdue amounts	10 636	1 707
	<b>10 736</b>	<b>2 088</b>
Less: Provision for doubtful debts	98	123
	<b>10 638</b>	<b>1 965</b>

## Overdue amounts

Receivable	Less than 30 days		30-90 days		More than 90 days		Total		Provision for doubtful debts		Net	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
IPB commercial fees	3 160	–	937	–	5 080	–	9 177	–	–	–	9 177	–
FHOGS	78	450	141	538	1 240	719	1 459	1 707	98	123	1 361	1 584
<b>Total</b>	<b>3 238</b>	<b>450</b>	<b>1 078</b>	<b>538</b>	<b>6 320</b>	<b>719</b>	<b>10 636</b>	<b>1 707</b>	<b>98</b>	<b>123</b>	<b>10 538</b>	<b>1 584</b>

## Note 11 Non-current assets – plant and equipment

	2004 \$'000	2003 \$'000
<b>Computer hardware</b>		
At fair value	11 735	9 318
Less accumulated depreciation	7 724	6 399
	<b>4 011</b>	<b>2 919</b>
<b>Computer software</b>		
At fair value	60 755	47 616
Less accumulated depreciation	38 921	24 140
	<b>21 834</b>	<b>23 476</b>
<b>Office equipment</b>		
At fair value	1 898	1 852
Less accumulated depreciation	1 374	1 514
	<b>524</b>	<b>338</b>
<b>Office furniture</b>		
At fair value	5 978	4 312
Less accumulated depreciation	3 186	3 506
	<b>2 792</b>	<b>806</b>
<b>Capital work in progress at cost</b>	<b>14 164</b>	<b>7 808</b>
<b>Total plant and equipment</b>		
At fair value	94 530	70 906
Less accumulated depreciation	51 205	35 559
<b>Total plant and equipment at net book value</b>	<b>43 325</b>	<b>35 347</b>



## Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Computer Hardware	Computer Software	Office Equipment	Office Furniture	Capital Work in Progress	Total
	2004	2004	2004	2004	2004	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

### Carrying amount

<b>at start of year</b>	<b>2 919</b>	<b>23 476</b>	<b>338</b>	<b>806</b>	<b>7 808</b>	<b>35 347</b>
Additions	139	–	43	12	12 360	12 554
Disposals	(49)	–	(245)	(753)	–	(1 047)
Transfers to/ (from) CWIP	1 901	3 695	162	246	(6 004)	–
Acquisitions through admin restructures	427	9 443	87	2 161	–	12 118
Depreciation for the year	(1 375)	(14 780)	(101)	(433)	–	(16 689)
Other movements						
Write back on disposal	49	–	240	753	–	1 042
<b>Carrying amount at end of year</b>	<b>4 011</b>	<b>21 834</b>	<b>524</b>	<b>2 792</b>	<b>14 164</b>	<b>43 325</b>

	Computer Hardware	Computer Software	Office Equipment	Office Furniture	Capital Work in Progress	Total
	2003	2003	2003	2003	2003	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

### Carrying amount

<b>at start of year</b>	<b>3 262</b>	<b>29 282</b>	<b>362</b>	<b>955</b>	<b>3 777</b>	<b>37 638</b>
Additions	57	–	158	107	9 384	9 706
Disposals	(1 498)	–	(113)	–	–	(1 611)
Transfers to/ (from) CWIP	939	4 414	–	–	(5 353)	–
Acquisitions through admin restructures	–	–	–	–	–	–
Depreciation for the year	(1 286)	(10 220)	(179)	(256)	–	(11 941)
Other movements						
Write back on disposal	1 445	–	110	–	–	1 555
<b>Carrying amount at end of year</b>	<b>2 919</b>	<b>23 476</b>	<b>338</b>	<b>806</b>	<b>7 808</b>	<b>35 347</b>

## Note 12 Current/non-current assets – other

	2004 \$'000	2003 \$'000
Current		
Prepayments	501	475
Prepaid Maintenance Contracts	–	30
	<b>501</b>	<b>505</b>
Non-current		
Prepayments	8	–
<b>Total other assets</b>	<b>509</b>	<b>505</b>

## Note 13 Current liabilities – payables

	2004 \$'000	2003 \$'000
Accrued salaries, wages and on-costs	1 535	1 454
Creditors	2 183	1 226
	<b>3 718</b>	<b>2 680</b>

## Note 14 Current/non-current liabilities – provisions

	2004 \$'000	2003 \$'000
<b>Employee benefits and related on-costs</b>		
<b>Current</b>		
Recreation leave	4 904	3 920
Provision for pay-roll tax on recreation leave liability	294	216
Provision for pay-roll tax on long service leave liability	90	83
Provision for on-costs on long service leave liability	54	50
Provision for fringe benefits tax	25	14
	<b>5 367</b>	<b>4 283</b>
<b>Non-current</b>		
Provision for pay-roll tax on long service leave liability	868	799
Provision for on-costs on long service leave liability	491	452
	<b>1 359</b>	<b>1 251</b>
<b>Aggregate employee benefits and related on-costs</b>		
Provisions – current	5 367	4 283
Provisions – non-current	1 359	1 251
Accrued salaries, wages and on-costs (Note 13)	1 535	1 454
	<b>8 261</b>	<b>6 988</b>

### Other provisions

Ministerial approval was obtained in 2003 to offer Voluntary Redundancies (VRs) to eligible staff affected by the relocation of the SDRO to Lithgow. As at 30 June 2004, no provision for the payment of VRs is recognised in the accounts as the amount of the provision cannot be reliably measured. The number of people that are likely to accept the VRs has not been established and an estimate for the planned expenditure is approximately \$300 000. All expenses relating to the VRs will be funded by the 2004-2005 recurrent appropriation.

## Note 15 Current/non-current liabilities – other

	2004 \$'000	2003 \$'000
<b>Current</b>		
Lease incentive (i)	77	15
Liability to the Consolidated Fund (ii)	631	36
Commercial Clients/Crown Entity (iii)	31 426	–
Invoices payable to NSW Police (iv)	2 685	–
	<b>34 819</b>	<b>51</b>
<b>Non-current</b>		
Lease incentive (i)	160	27
<b>Total other liabilities</b>	<b>34 979</b>	<b>78</b>

- (i) The OSR Parramatta office undertook a new four-year lease which provides for a one-month lease incentive. In the year 2000, the OSR Wollongong regional office undertook a new six-year lease, which provided for a one-year lease incentive. In accordance with the UIG Abstract 3, each lease incentive will be amortised over the full term of the lease.
- (ii) The liability to the Consolidated Fund in 2003-2004 represents unused supplementation drawn down in advance for payment of the First Home Owners Grant, works required to implement the April mini-Budget initiatives, works to clear fine enforcement backlogs, compensation to councils and capital projects. This amount will be repaid in 2004-2005 in accordance with Treasury Circular TC00/14.
- (iii) The \$31.4 million represents monies payable to IPB commercial clients and the Crown Entity. The funds are to be disbursed in 2004-2005 after being appropriately allocated within the Infringement Management Processing System (IMPS).
- (iv) Invoices payable represent receivables (refer to Note 10) that the OSR is collecting on behalf of NSW Police.

## Note 16 Changes in equity

	Accumulated Funds		Asset Revaluation		Total Equity	
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the financial year	34 642	37 014	—	—	34 642	37 014
<b>Changes in equity – transactions with owners as owners</b>						
Increase in net assets from Administration Restructure (Note 17)	12 118	—	—	—	12 118	—
<b>Total</b>	<b>12 118</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>12 118</b>	<b>—</b>
<b>Changes in equity – other than transactions with owners as owners</b>						
Surplus/(Deficit) for the year	(367)	(2 372)	—	—	(367)	(2 372)
Decrement in Asset Revaluation Reserve	—	—	—	—	—	—
<b>Total</b>	<b>(367)</b>	<b>(2 372)</b>	<b>—</b>	<b>—</b>	<b>(367)</b>	<b>(2 372)</b>
<b>Balance at the end of the financial year</b>	<b>46 393</b>	<b>34 642</b>	<b>—</b>	<b>—</b>	<b>46 393</b>	<b>34 642</b>

## Note 17 Increase in net assets from equity transfers

The IPB functions were transferred from NSW Police to the OSR with effect from 1 October 2003 (refer to Note 8).

	2004	2003
	\$'000	\$'000
Assets transferred from NSW Police		
Cash	22 315	—
Receivables	5	—
Plant and equipment	12 118	—
Liabilities transferred from NSW Police		
Provisions	585	—
Other	21 735	—
<b>Increase in net assets from administrative restructuring</b>	<b>12 118</b>	<b>—</b>

## Note 18 Commitments for expenditure

	2004 \$'000	2003 \$'000
<b>(a) Capital commitments</b>		
Aggregate capital expenditure for the acquisition of contractor and other computer items contracted for at balance date and not provided for:		
Not later than one year	—	258
Later than one year and not later than five years	—	—
Later than five years	—	—
<b>Total (including GST)</b>	<b>—</b>	<b>258</b>
<b>(b) Other expenditure commitments</b>		
Aggregate other expenditure for the acquisition of printing and other general office expenses contracted for at balance date and not provided for:		
Not later than one year	—	115
Later than one year and not later than five years	—	—
Later than five years	—	—
<b>Total (including GST)</b>	<b>—</b>	<b>115</b>
<b>(c) Operating lease commitments</b>		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	7 490	5 275
Later than one year and not later than five years	19 102	12 026
Later than five years	3 268	—
<b>Total (including GST)</b>	<b>29 860</b>	<b>17 301</b>

Leasing arrangements are generally for rental of premises and computer equipment to be paid one month in advance. The total commitments for expenditure as at 30 June 2004 include input tax credits of \$2 714 000 which are recoverable from the Australian Taxation Office.

## Note 19 Contingent liabilities and contingent assets

The Land and Environment Court has before it a claim that all land valuations are flawed and need to be reduced. In the first instance, the Court found in favour of the Commissioner and on appeal the matter was referred back to the Land and Environment Court for rehearing. At this point it is not possible to determine what impact this will have on the State's financial position. The impact will be reviewed once the Land and Environment Court has made its determination.

Claims totalling approximately \$1 million have been lodged with the OSR by company liquidators /administrators. It is claimed the payments are preference payments that were made while the companies were insolvent.

A number of infringement matters are being reviewed by the IPB to determine whether special circumstances exist for return of the payments. It is expected that the payments returned will not exceed \$500 000.

## **Note 20 Budget review**

### **Net cost of services**

The Net Cost of Services is \$8.1 million or 2.3% above budget. IPB was transferred from NSW Police to OSR on 1 October 2003 and therefore their budget was not included in the original budget presented in the financial statements. Consequently, variances predominantly emanate from this transfer. The Net Cost of Services variance is largely represented by:

- employee related expenses of \$8.4 million and other operating expenses of \$17.1 million mainly relating to increased staff and contractors of IPB and additional SDRO staff to process and collect infringements
- compensation payments of \$9.7 million to councils for statute barred infringements
- depreciation of \$2.5 million generally relating to IPB assets transferred to OSR

The above variances were partially offset by:

- revenues which exceeded the budget by \$20.2 million predominantly due to IPB infringement processing fees from commercial clients
- FHOGS payments below budget by \$9.5 million.

### **Assets and liabilities**

Total Assets of \$91.8 million are higher than budget by \$55.2 million.

Current Assets represent \$41.1 million of this variance and which is mainly a result of:

- IPB cash holdings of \$31.4 million representing creditor payments to commercial clients eg. councils and other State bodies
- IPB are also owed \$9.2 million for current outstanding invoices from commercial clients.

The increase in Non Current Assets of \$14.1 million is mainly due to the transfer of plant and equipment of \$12.1 million from NSW Police to OSR and an additional \$4.4 million of projects offset by additional depreciation of \$2.4 million.

Current Liabilities have increased by \$36.6 million. Again, this is largely a reflection of the transfer of IPB into OSR. IPB currently carries creditors of \$34.1 million owed to NSW Police, commercial clients and the Crown. This amount represents fines collected by IPB on behalf of their clients.

Non-Current Liabilities do not significantly differ from budget.

### **Cash flows**

Recurrent Appropriation and Capital Appropriation increased by \$8.1 million and \$4.6 million respectively, compared to budget. Increases were to address IPB backlog issues and system improvements.

Net cash flows from operating activities increased by \$12.1 million compared to budget, primarily due to fine receipts of \$9.7 million collected since 1 October 2003, held for disbursement to IPB clients and additional capital appropriation of \$4.6 million. Offsetting these was the use of agency cash to fund IPB operations pending the payment of debtors.

Net cash flows from investing activities increased by \$4.6 million over budget, mainly due to purchases of plant and equipment for IPB capital projects to improve computer systems.



## Note 21 Reconciliation of cash flows from operating activities to net cost of services

		2004 \$'000	2003 \$'000
	Notes		
Net cash used on operating activities		19 951	10 422
Cash flows from Government/ Appropriation		(344 687)	(385 445)
Acceptance by the Crown Entity of employee benefits and other liabilities	7	(7 348)	(5 533)
Depreciation	2(c)	(16 689)	(11 941)
Provision for doubtful debts		25	(123)
Decrease/(increase) in provisions		(1 192)	(2 246)
Increase/(decrease) in prepayments and other assets		11 250	1 107
Decrease/(increase) in creditors		(35 434)	466
Other revenue – investing activities		–	9
Net loss/(gain) on sale of plant and equipment	4	2	(56)
Cash transferred in as a result of administrative restructuring	17	22 315	–
<b>Net cost of services</b>		<b>(351 807)</b>	<b>(393 340)</b>

## Note 22 Financial instruments

### (a) Cash

Cash consists of cash on hand and bank balances within the Treasury banking system. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11.00am unofficial cash rate adjusted for a management fee to Treasury. This rate was 4.25 per cent as at 30 June 2004 (3.75 per cent at 30 June 2003).

### (b) Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value.

### (c) Bank overdraft

The Department does not have any bank overdraft facility.

### (d) Creditors and accruals

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. No interest for late payment was made during the 2003-2004 year (2002-2003 \$nil). The carrying amount approximates net fair value.

## Note 23 Trust funds

Monies held in trust for the Crown Entity are excluded from the financial statements, as the OSR cannot use them for the achievement of its objectives. They are held in either a trust bank account or public monies bank account. The following is a summary of the transactions in the trust accounts:

### (a) Trust Accounts

	Testamentary & Trust Common Fund		Testamentary & Trust Interest		Companies Liquidation		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash balance at the beginning of the financial year	4 242	4 197	5 026	4 709	484	600	9 752	9 506
Add: Receipts	42	45	356	317	145	–	543	362
Less: Expenditure	–	–	–	–	33	16	33	16
Transfers to Crown	–	–	–	–	13	100	13	100
Cash balance at the end of the reporting period	<b>4 284</b>	<b>4 242</b>	<b>5 382</b>	<b>5 026</b>	<b>583</b>	<b>484</b>	<b>10 249</b>	<b>9 752</b>

Transfers from the Trust Account to the Crown are performed in accordance with Section 14 of the *Public Finance and Audit Act 1983*.

### (b) Public Monies Account

An amount of \$8.5 million was held in the Public Monies account for the SDRO as at 30 June 2004. It represents receipts collected on behalf of other agencies that are to be remitted in the new year.

The IPB also maintains a Public Monies Accounts for payments that cannot be allocated. The balance of these accounts at 30 June 2004 was \$167 367. The funds are transferred to accounts when their correct allocation is established.

## Note 24 Administered assets – receivables

Assets administered by OSR for the Crown Entity are primarily tax and fine debtors. They are not recognised in the Statement of Financial Position.

### (a) Tax debtors

	2004	2003
	\$'000	\$'000
<b>Receivables – State taxes</b>		
Current and instalment amounts	244 025	242 868
Overdue amounts	120 572	127 494
	<b>364 597</b>	<b>370 362</b>
Less: provision for doubtful debts	29 849	35 308
	<b>334 748</b>	<b>335 054</b>

The receivables above represent taxes owed by clients at the close of business on 30 June 2004 and exclude any credit balances, which are disclosed separately in Note 25.

## Current and Instalment Amounts

The following is a summary of receivable balances by tax type:

	Current		Instalments		Total	
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Duties	70 995	72 311	—	—	70 995	72 311
First home purchase	—	2	—	—	—	2
Pay-roll tax	19 855	29 427	—	—	19 855	29 427
Land tax	133 783	124 401	11 664	11 610	145 447	136 011
Parking space levy	5 743	3 406	—	—	5 743	3 406
Accommodation levy	1 437	1 505	—	—	1 437	1 505
Tax equivalents	123	134	—	—	123	134
Club gaming devices	139	14	—	—	139	14
Hotel gaming devices	286	58	—	—	286	58
	<b>232 361</b>	<b>231 258</b>	<b>11 664</b>	<b>11 610</b>	<b>244 025</b>	<b>242 868</b>

## Overdue Amounts

	Less than 30 days		31 – 90 days		Greater than 90 days		Total		Provision for doubtful debts		Net	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Duties	766	2 358	1 141	963	19 358	11 004	21 265	14 325	(3 691)	(2 771)	17 574	11 554
First home purchase	—	4	—	11	586	956	586	971	(256)	(151)	330	820
Pay-roll tax	1 621	4 287	5 704	7 275	39 382	50 599	46 707	62 161	(24 553)	(31 185)	22 154	30 976
Land tax	8 525	7 523	7 611	7 196	31 416	32 084	47 552	46 803	(1 320)	(1 172)	46 232	45 631
Parking space levy	156	241	67	406	1 449	1 074	1 672	1 721	(29)	(29)	1 643	1 692
Club gaming devices	668	432	12	—	274	37	954	469	—	—	954	469
Hotel gaming devices	19	37	596	501	1 205	469	1 820	1 007	—	—	1 820	1 007
Insurance protection tax	16	36	—	—	—	1	16	37	—	—	16	37
	<b>11 771</b>	<b>14 918</b>	<b>15 131</b>	<b>16 352</b>	<b>93 670</b>	<b>96 224</b>	<b>120 572</b>	<b>127 494</b>	<b>(29 849)</b>	<b>(35 308)</b>	<b>90 723</b>	<b>92 186</b>

## Note 24 Administered assets – receivables (cont.)

### Current and instalment amounts

\$31 million (being accrued interest on overdue debt under Section 21 of the *Tax Administration Act 1996*) has been brought to account.

#### Duties

Included in the current debt figure is an amount of \$4.1 million relating to assessments under objection and \$66.8 million relating to assessments not yet due. The assessments not yet due largely represent matters that have been lodged through the Electronic Duties Return system that amount to \$53.6 million. The Electronic Duties Return system enables approved service providers to lodge documents for stamping online and submit the payment by way of return.

#### Pay-roll tax

Included in the current debt figure is \$8.7 million representing assessments currently under objection and where reassessments are still to be issued.

#### Land tax

In line with the Crown Entity's revenue recognition policy, approximately \$23.4 million (\$33.3 million in 2002-2003) of land tax relating to current and prior years liabilities, not yet notified to clients, has been brought to account this year.

An amount of \$5.2 million (\$4.9 million in 2002-2003) has been included in the debt figure. It represents those clients who have a liability under the now abolished (effective 1 June 2004) *Premium Property Tax 1998* legislation. Clients who are holders of either a Commonwealth Pensioner Concession Card or Seniors' Health Card and those that have been deemed to have insufficient income to meet the tax liability were able to have the debt deferred. Deferred payment in these cases is authorised by Section 47 of the *Tax Administration Act 1996*. The amounts currently owing will be carried until paid.

Land tax debt of \$5.2 million is subject to challenge through the objection/appeal process available to land tax clients. Most objections are against land valuations and payment is deferred pending resolution. A further \$16.5 million relates to variation returns that are being processed and where the reassessments are still to issue.

An amount of \$2 million (\$2.1 million in 2002-2003) deferred under Section 9A of the *Land Tax Management Act 1956* has not been included.

#### Accommodation levy

Accommodation levy was abolished from 1 July 2000. The debt relates to periods prior to this date and was recently the subject of a Court decision. Payments are being made under a negotiated payment arrangement.

### Overdue amounts

Debt recovery action may result in negotiated payment arrangements or the initiation of legal debt recovery procedures if clients are unwilling to pay.

The provision for doubtful debts is regularly reviewed and updated to take into account current economic conditions, available information of clients' financial status and the expected results of recovery action being undertaken. The major decrease in the provision for 2003-2004 is due to pay-roll tax debts that have been written off. These debts are no longer included in the provision and are reported under Note 26(a).

### **Duties**

The increase of \$6.9 million (48 per cent) is primarily a result of a disallowed objection in June 2004 for \$10.3 million. \$1.5 million of debt is currently being paid under negotiated payment arrangements and \$5 million is subject to recovery action through the Courts. Notices have been issued to remaining debtors advising that recovery action through the Courts may be undertaken.

### **Pay-roll tax**

Throughout the year a number of company liquidation matters were finalised with greater than 90 day debt falling from \$50.6 million in 2002-2003 to \$39.4 million in 2003-2004. An additional \$13.2 million of overdue debt is being paid under negotiated payment arrangements.

### **Land tax**

Under the *Land Tax Management Act 1956*, a charge is held over land owned by taxpayers for unpaid land tax. If normal recovery procedures have been unsuccessful, a caveat is generally registered on the title until the debt is paid.

Overdue land tax debts are aged from the date for full payment advised by OSR. Clients are offered a 1.5 per cent discount for full payment of land tax within 30 days of issue of the assessment. Clients are also given the option to pay by three equal instalments. The balance becomes due immediately if an instalment is not paid on time.

\$18.2 million of this debt represents clients who are on negotiated payment arrangements with a further \$2.1 million attributed to clients in liquidation.

## Note 24 Administered assets – receivables (cont.)

### (b) Fine debtors (State Debt Recovery Office)

	2004	2003
	\$'000	\$'000
<b>Receivable - Fines</b>		
Opening balance	533 101	495 300
Movement	111 765	37 801
	<b>644 866</b>	<b>533 101</b>
Application of AAS29 (i)	486 041	340 434
	<b>158 825</b>	<b>192 667</b>

(i) Debts that do not meet the asset recognition criteria.

The following is a summary of receivable balances by year of enforcement:

Source	Pre 2002	2002	2003	2004	Total	AAS29	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current (i)</b>							
IPB	124 558	39 440	32 316	104 360	300 674	192 688	107 986
Courts	72 955	43 203	38 593	42 469	197 220	173 458	23 762
SEO	1 335	492	663	4 214	6 704	5 613	1 091
Sheriff's office	2 181	1 738	3 819	2 819	10 557	9 884	673
Other	7 824	4 717	1 942	4 007	18 490	15 300	3 190
	<b>208 853</b>	<b>89 590</b>	<b>77 333</b>	<b>157 869</b>	<b>533 645</b>	<b>396 943</b>	<b>136 702</b>
<b>Historical (ii)</b>							
Warrant index unit (WIU)	19 773	4 782	30 325	3 470	58 350	51 946	6 404
Roads and Traffic Authority (RTA)	47 728	2 985	157	2 001	52 871	37 152	15 719
	<b>67 501</b>	<b>7 767</b>	<b>30 482</b>	<b>5 471</b>	<b>111 221</b>	<b>89 098</b>	<b>22 123</b>
<b>Total historical and current fines</b>	<b>276 354</b>	<b>97 357</b>	<b>107 815</b>	<b>163 340</b>	<b>644 866</b>	<b>486 041</b>	<b>158 825</b>
RTA sanction costs (iii)	3 670	871	795	1 943	7 279	–	7 279
<b>Total owing</b>	<b>280 024</b>	<b>98 228</b>	<b>108 610</b>	<b>165 283</b>	<b>652 145</b>	<b>486 041</b>	<b>166 104</b>

(i) Current fines are those referred to SDRO following its establishment in 1998.

(ii) Historical fines are those that were referred to the SDRO on its establishment from the WIU and the RTA. Amounts are owing in each of the years as they have been enforced over a period of time.

(iii) RTA sanction costs reported above are paid to the RTA when collected.

During the year, fines considered recoverable fell \$33.8 million. Recoverable fines at the beginning of the year were revised downwards \$61.3 million based on current recovery rates (refer to Note 27). Offsetting this downward revision was a \$27.5 million increase in recoverable fines for the current year also reported under revenue earned in Note 28 (b). The increase in the current year is due to the processing of backlogs at the IPB relating to 2002-2003 infringements that were referred to the SDRO for enforcement action.



Fines satisfied through community service orders, withdrawals and waivers are detailed below:

Activity	2004 \$'000	2003 \$'000
Community service orders (i)	303	23
Withdrawals and remissions (ii)	42 122	15 005
Waivers (iii)	13	–
	<b>42 438</b>	<b>15 028</b>

- (i) A Community Service Order is issued when the SDRO is unable to recover the fine owed through the standard enforcement options available. The fine defaulter performs one hour of community service work at a rate of \$15 per hour.
- (ii) A fine can be withdrawn from enforcement at the direction of the original issuing agency or on the initiative of the SDRO. A fine may be remitted at the direction of the Governor. Once remitted, the fine defaulter is no longer liable to pay the debt. The increased figure in 2003-2004 is largely due to a policy change adopted in February 2004, whereby the SDRO's largest issuing agency, the IPB, began accepting late payments and withdrawing enforcement.
- (iii) A fine may be waived in accordance with Guidelines issued by the Treasurer. The Guidelines state that a fine may not be waived until the expiration of five years from the date the Director, SDRO recommends a fine be written off, and then only on the provision no further fines have been incurred during the five year deferral period. Since the SDRO began operations in 1998, no fines had passed the five year period until the 2003-2004 financial year.

## Note 25 Administered liabilities

Credit balances against tax debtors have not been netted off against the receivables reported in Note 24 and are required to be shown separately as administered liabilities:

	2004 \$'000	2003 \$'000
Duties	1 837	4 560
First home purchase	61	58
Pay-roll tax	13 656	3 347
Land tax	5 494	10 857
Health insurance levy	–	109
Parking space levy	791	138
Tax equivalents	123	13
Fixed odds sports betting	3	–
Club gaming devices	24	162
Hotel gaming devices	1	2
Fines	19	–
	<b>22 009</b>	<b>19 246</b>

The credit balances above are primarily matters awaiting final assessments pending receipt of additional information. Duties in particular carry the credit against debtors until such time as the assessment is finalised. Similarly, a credit exists for a pay-roll tax client where an assessment needs to be completed. Credit situations are also created where taxes are paid in advance, overpayments are to be refunded to clients or payments require further analysis before being allocated.

The increase in pay-roll tax credits is due to the receipt of payments where assessments are yet to issue. Credits are also being carried on a number of accounts where refunds have been requested and compliance audits are in progress.

Credit liabilities for land tax primarily relate to tax paid in advance with assessments to be issued to clients.

Credit liabilities for fines represent overpayments to be refunded.

## Note 26 Administered revenue – debts written off/remissions

### (a) Debts written off

	2004			2003		
	Penalties /			Penalties /		
	Tax	Interest	Total	Tax	Interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Duties	1 427	736	2 163	3 378	1 523	4 901
Parking space levy	34	29	63	29	22	51
Pay-roll tax	19 015	5 708	24 723	8 921	1 877	10 798
Land tax	631	102	733	398	26	424
Accommodation levy	–	–	–	11	2	13
Tax equivalents	–	–	–	8	–	8
Bookmakers betting tax	–	–	–	2	–	2
Club gaming devices	7	2	9	–	–	–
Hotel gaming devices	4	1	5	47	–	47
Insurance protection tax	1	–	1	–	–	–
	<b>21 119</b>	<b>6 578</b>	<b>27 697</b>	<b>12 794</b>	<b>3 450</b>	<b>16 244</b>

A debt is only considered irrecoverable where it is deemed to be uneconomic to recover, the debtor cannot be located, the personal or financial circumstances of the debtor do not warrant the taking of recovery action, legal proceedings through the courts have proved unsatisfactory or legal advice suggests follow up would be ineffective. The major percentage of the debt written off relates to situations where companies have been placed into liquidation and advice from liquidators is no further dividends are likely.

### Duties

During the year, debts written off due to company liquidations fell to \$750 000 (\$1.3 million in 2002-2003). The remaining write-offs are predominantly due to an inability to locate the person primarily liable. Changes to business processes have resulted in greater data capture and assisted in the overall reduction in Duties write-offs.

### Pay-roll tax

Pay-roll tax accounted for 89 per cent of total write-offs in 2003-2004 (66 per cent in 2002-2003). During the year, a number of large company liquidation matters were finalised where the distributions received were insufficient to satisfy amounts owing. The balance of the debts owing were written off, with the largest 10 totalling \$9.4 million.

### Land tax

There has been a significant increase in land tax write-offs in 2003-2004. This is primarily due to the sale of land prior to a land tax notice of assessment being issued. Where the company liable has subsequently been deregistered or the person liable cannot be located, the debt is written off as irrecoverable.

## (b) Remissions

In accordance with the *Taxation Administration Act 1996* administered by OSR, the Chief Commissioner or his delegate has the discretionary power to remit partially or wholly a statutory penalty and/or interest.

Penalties and interest remitted during the year amounted to:

	2004			2003		
	Penalties	Interest	Total	Penalties	Interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Duties	377	1 887	2 264	16	3 223	3 239
Parking space levy	18	1 994	2 012	73	2 625	2 698
Pay-roll tax	1 492	4 350	5 842	492	2 894	3 386
Land tax	36	9 024	9 060	52	8 573	8 625
Debits tax	—	277	277	—	4	4
Accommodation levy	—	109	109	9	138	147
Health insurance levies	—	56	56	—	11	11
Club gaming devices	—	6	6	—	—	—
Hotel gaming devices	—	19	19	—	3	3
Fixed odds sports betting	—	4	4	—	1	1
	<b>1 923</b>	<b>17 726</b>	<b>19 649</b>	<b>642</b>	<b>17 472</b>	<b>18 114</b>

Business rules governing the imposition of interest and penalty allow them to be remitted in part or full if the taxpayer can provide a satisfactory explanation for the default. Interest remissions to the market rate of interest at the time of issuing an assessment represented \$9.3 million of a total \$17.7 million. The balance of remissions represented cases where the client has successfully requested a review of late payment interest or penalty imposed.

Pay-roll tax in particular has seen a significant increase in remissions, due in part to a number of compliance projects conducted throughout the year that saw an increase in the overall level of penalties and interest applied.

Penalty remissions for parking space levy totalling \$19 649 have not been included as they relate to prior years.

## Note 27 Administered expenses – other

During the year, OSR incurred the following expenses on behalf of the Crown Entity:

	2004 \$'000	2003 \$'000
Act of Grace payments (i)	3 053	750
Petroleum subsidies (ii)	39 763	37 955
Court imposed interest payments	948	374
Unclaimed money refund – S14 <i>Public Finance and Audit Act</i>	63	37
Bad debts expense (iii)	22 238	25 626
Land tax discounts (iv)	11 569	9 930
First home purchase discounts (v)	3	36
Recoverable fines estimate revision (vi)	61 300	–
	<b>138 937</b>	<b>74 708</b>

### (i) Act of Grace payments

The increase in Act of Grace payments occurred primarily across the pay-roll tax and duties revenue streams. There were major payments totalling \$880 631 for pay-roll tax relief provided to established regional businesses severely affected by the prevailing drought. Further payments amounting to \$575 048 related to duties transactions that included not-for-profit religious organisations that provided educational, charitable and benevolent assistance to the community.

### (ii) Petroleum subsidies

Petroleum subsidies are paid to petroleum distributors to enable retailers located in northern NSW to compete with Queensland retailers who are provided an excise subsidy by the Queensland Government.

### (iii) Bad debts expense comprises:

	\$'000
Bad debts written off (see Note 26(a))	27 697
Decrease in doubtful debts provision (see Note 24(a))	5 459
<b>Total</b>	<b>22 238</b>

### (iv) Land tax discounts

A 1.5 per cent discount is offered to land tax clients for full payment of their liability by the first instalment date.

### (vi) First home purchase discounts

The First Home Purchase Discount Scheme has been winding down, with no further clients entitled to a discount after 2003/04.

### (vi) Recoverable fines estimate revision

Recoverable fines at the beginning of the year were revised downwards \$61.3 million based on current recovery rates (refer to Note 24 (b)).

## Note 28 Administered revenue – consolidated fund

Administered revenue information is presented on a revenue collected (cash) and revenue earned (accruals) basis.

	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000
<b>(a) Revenue collected</b>			
<b>Taxes, penalties and interest</b>			
Duties	5 491 959	4 916 510	5 157 910
First home purchase scheme	268	—	740
<b>Total duties</b>	<b>5 492 227</b>	<b>4 916 510</b>	<b>5 158 650</b>
Parking space levy	46 912	46 010	45 369
Pay-roll tax	5 067 190	5 020 000	4 725 563
Land tax	1 339 158	1 240 980	1 153 739
Debits tax	1 384	—	22
Accommodation levy	150	—	—
Health insurance levy	98 251	98 990	96 314
Insurance protection tax	68 488	69 000	67 192
<b>Gaming and racing</b>			
Keno tax	7 443	7 100	7 329
Bookmakers betting tax	—	—	3
Totalizator tax on and off course totes	146 930	146 720	141 498
Fixed odds sports betting	3 016	4 120	3 180
Fixed odds racing betting	239	170	145
FootyTAB	905	680	718
Club gaming devices	434 516	429 000	424 235
Hotel gaming devices	356 773	362 000	337 498
<b>Total gaming and racing</b>	<b>949 822</b>	<b>949 790</b>	<b>914 606</b>
<b>Total taxes, penalties and interest</b>	<b>13 063 582</b>	<b>12 341 280</b>	<b>12 161 455</b>
<b>Fines</b>			
<b>Infringement Processing Bureau</b>			
Traffic	39 965	54 748	66 677
Parking	1 991	4 612	5 610
Red light camera	5 837	5 933	7 228
Speed camera	39 329	34 087	41 568
Other revenue	11 346	—	—
	<b>98 468</b>	<b>99 380</b>	<b>121 083</b>
<b>State Debt Recovery Office</b>			
Motor traffic	39 444	50 000	39 998
Other	661	360	643
Local courts	6 925	8 100	6 853
Enforcement	22 043	21 100	17 347
Electoral	403	800	182
	<b>69 476</b>	<b>80 360</b>	<b>65 023</b>
<b>Total fines</b>	<b>167 944</b>	<b>179 740</b>	<b>186 106</b>
<b>Total taxes, fines, penalties and interest</b>	<b>13 231 526</b>	<b>12 521 020</b>	<b>12 347 561</b>
<b>Other</b>			
Tax equivalents	345 950	270 380	371 908
Unclaimed money	9 282	12 000	26 640
Other revenue	824	—	1 046
<b>Total other</b>	<b>356 056</b>	<b>282 380</b>	<b>399 594</b>
<b>Total revenue collected</b>	<b>13 587 582</b>	<b>12 803 400</b>	<b>12 747 155</b>

- The pay-roll tax estimate reported in the Budget Papers for 2003-2004 (\$4 389 million) does not include payments made by Budget sector agencies.
- Taxes, fees, penalties and interest reported above are net of refunds paid, but not net of Act of Grace (ex gratia) payments by the State amounting to \$3.1 million (\$750 000 in 2002-2003).
- **Duties** – revenue collected exceeded the 2003-2004 budget by 11.7 per cent and 2002-2003 receipts by 6.5 per cent.
  - ▶ Transfer duty and mortgage duty receipts remained strong in the first half of the year, with the receipts tapering marginally during the second half. While predicting the property market and the effect on receipts is extremely difficult, it is evident that the rate of increase in receipts has moderated substantially from the peak in 2002-2003.
  - ▶ The mini-Budget changes handed down in April 2004 saw the introduction of the vendor duty commencing 1 June 2004. Vendor duty receipts for the month totalled \$2.2 million, of which \$1.8 million is expected to be returned in the new year as these transactions were not intended to be subject to the duty. Premium property tax has also been replaced with a marginal rate of purchaser transfer duty of 7 per cent on residential properties above \$3 million commencing 1 July 2004.
  - ▶ Continued strength in the sale of new motor vehicles and in particular sports utility vehicles and light and heavy trucks has been underpinning the growth in revenue receipts. Sales of passenger vehicles have also seen growth albeit at lower levels than commercial vehicles, with the strongest performing segment being the prestige / luxury end of the market.
  - ▶ Lease receipts have fallen considerably in the current year predominantly as a result of increasing vacancy rates in the CBD office market. Any recovery in the upcoming year is expected to be slow and rental growth limited.
- **Parking space levy** – OSR collects parking space levy imposed under the *Parking Space Levy Act 1992* on behalf of the Ministry of Transport (MOT). Parking space levy refunds totalling \$515 419 (2002-2003 - \$469 869) were paid during the year. Refunds are reimbursed directly to OSR by MOT from the Public Transport Facilities Fund Special Deposits Account.
- **Pay-roll tax** – Revenue has risen in the current year in line with employment and wages. Growth is expected to continue into 2004-2005.
- **Land tax** – An average increase in valuations of approximately 18 per cent has contributed to a growth in receipts. Work has also continued on the early identification of new clients and system enhancements aimed at improving data quality. Changes handed down in the mini-Budget in April this year will see the land tax threshold abolished from 2005 and reduced land tax rates. The premium property tax has also been replaced with a 7 per cent marginal rate of transfer duty on properties above \$3 million.
- **Tax equivalents** – There has been a significant increase on budgeted receipts in the current year. This has been underpinned by stronger than expected receipts from electricity and water utilities.
- **Unclaimed money** – A number of education campaigns were conducted during the year aimed at increasing community awareness. As a result, there has been a significant increase in the value of claims that have been paid during the year. Receipts have also tapered throughout the year.

- **Fines** – Fines receipts for SDRO have increased \$4.5 million compared to 2002-2003, which has resulted from an increase in referrals from the IPB. Receipts collected by the IPB were \$12.7 million above 2002-2003 when including receipts collected under the administration of NSW Police.

Responsibility for the IPB was transferred to OSR from 1 October 2003. Receipts collected for the period to 30 September 2003 while under NSW Police were \$35.4 million. Collections for the full year are detailed in the following table.

	OSR 2004 \$'000	NSW Police 2004 \$'000	Total 2004 \$'000	NSW Police 2003 \$'000
<b>Revenue collected</b>				
Traffic	39 965	18 400	58 365	66 677
Parking	1 991	3 431	5 422	5 610
Red light camera	5 837	1 997	7 834	7 228
Speed camera	39 329	11 523	50 852	41 568
Other	11 346	–	11 346	–
	<b>98 468</b>	<b>35 351</b>	<b>133 819</b>	<b>121 083</b>

The Parking figure for NSW Police includes an amount of \$2.1 million relating to the Net Profit Sharing arrangements under the Revenue Equalisation Agreement - On Street Parking Enforcement with city-based councils. The amount was processed on 1 June 2004. Included in the Other category are 'Police general' infringements and receipts categorised as 'Paid No Notice'.

The number of infringement notices issued during the year totalled 1.3 million. Comparative figure for 2003-2004 includes notices issued on the transfer to OSR from 1 October 2003 and those issued to 30 September 2003 under NSW Police.

	OSR 2004 '000	NSW Police 2004 '000	Total 2004 '000	NSW Police 2003 '000
<b>Number of infringement notices issued</b>				
Traffic	332	133	465	591
Parking	28	13	41	99
Red light camera	43	13	56	65
Speed camera	425	159	584	594
Other	139	63	202	–
	<b>967</b>	<b>381</b>	<b>1 348</b>	<b>1 349</b>

The number of infringement notices referred to the SDRO in 2003-2004 by the IPB totalled 381 123.

NSW Government agencies are responsible for pursuing unpaid infringement notices under the Self Enforcement Infringement Notice System (SEINS) method. The following potential revenue was not collected during the year by either NSW Police or OSR:

	OSR 2004 \$'000	NSW Police 2004 \$'000	Total 2004 \$'000	NSW Police 2003 \$'000
<b>Infringement notices not actioned</b>				
Infringement notices waived	1 378	204	1 582	1 443
Infringement notices unenforceable (statute barred)	4 952	488	5 440	2 598
	<b>6 843</b>	<b>6 402</b>	<b>13 245</b>	<b>22 876</b>
	<b>13 173</b>	<b>7 094</b>	<b>20 267</b>	<b>26 917</b>

The volume of infringements that progressed to a statute barred category reduced in 2003-2004 as a result of the establishment of a Taskforce that focused on reducing the backlog of infringements.



	Actual 2004			Actual 2003		
	Tax/ Fines \$'000	Penalties/ Interest \$'000	Total \$'000	Tax/ Fines \$'000	Penalties/ Interest \$'000	Total \$'000
<b>(b) Revenue earned</b>						
<b>Taxes, penalties and interest</b>						
Duties	5 492 685	11 796	5 504 481	5 207 543	17 158	5 224 701
First home purchase	4	35	39	19	79	98
<b>Total duties</b>	<b>5 492 689</b>	<b>11 831</b>	<b>5 504 520</b>	<b>5 207 562</b>	<b>17 237</b>	<b>5 224 799</b>
Parking space levy	46 903	3 186	50 089	44 504	3 595	48 099
Pay-roll tax	5 042 046	20 366	5 062 412	4 738 025	18 428	4 756 453
Land tax	1 357 357	18 704	1 376 061	1 138 298	17 390	1 155 688
Debits tax	1 336	325	1 661	23	4	27
Accommodation levy	–	190	190	–	44	44
Health insurance levy	98 360	56	98 416	96 200	23	96 223
Insurance protection tax	68 468	–	68 468	67 165	–	67 165
<b>Gaming and racing</b>						
Keno tax	7 443	–	7 443	7 329	–	7 329
Bookmakers betting tax	–	–	–	3	–	3
Totalizator tax on and off course totes	146 930	–	146 930	141 498	–	141 498
Fixed odds sports betting	3 013	4	3 017	3 180	–	3 180
Fixed odds racing betting	239	–	239	144	–	144
FootyTAB	905	–	905	718	–	718
Club gaming devices	435 227	51	435 278	413 765	–	413 765
Hotel gaming devices	357 583	255	357 838	338 143	–	338 143
<b>Total gaming and racing</b>	<b>951 340</b>	<b>310</b>	<b>951 650</b>	<b>904 780</b>	<b>–</b>	<b>904 780</b>
<b>Total taxes, penalties and interest</b>	<b>13 058 499</b>	<b>54 968</b>	<b>13 113 467</b>	<b>12 196 557</b>	<b>56 721</b>	<b>12 253 278</b>
<b>Fines</b>						
<b>Infringement Processing Bureau</b>						
Traffic	39 965	–	39 965	66 677	–	66 677
Parking	1 991	–	1 991	5 610	–	5 610
Red light camera	5 837	–	5 837	7 228	–	7 228
Speed camera	39 329	–	39 329	41 568	–	41 568
Other revenue	11 346	–	11 346	–	–	–
	<b>98 468</b>	<b>–</b>	<b>98 468</b>	<b>121 083</b>	<b>–</b>	<b>121 083</b>
<b>State Debt Recovery Office</b>						
Motor traffic	66 971	–	66 971	39 998	–	39 998
Other	661	–	661	643	–	643
Local courts	6 925	–	6 925	6 853	–	6 853
Enforcement	22 043	–	22 043	17 347	–	17 347
Electoral	403	–	403	182	–	182
	<b>97 003</b>	<b>–</b>	<b>97 003</b>	<b>65 023</b>	<b>–</b>	<b>65 023</b>
<b>Total fines</b>	<b>195 471</b>	<b>–</b>	<b>195 471</b>	<b>186 106</b>	<b>–</b>	<b>186 106</b>
<b>Total taxes, fines, penalties and interest</b>	<b>13 253 970</b>	<b>54 968</b>	<b>13 308 938</b>	<b>12 382 663</b>	<b>56 721</b>	<b>12 439 384</b>
<b>Other</b>						
Tax equivalents	345 829	–	345 829	371 686	–	371 686
Unclaimed money	9 284	–	9 284	26 741	–	26 741
Other revenue	933	–	933	1 203	–	1 203
<b>Total other</b>	<b>356 046</b>	<b>–</b>	<b>356 046</b>	<b>399 630</b>	<b>–</b>	<b>399 630</b>
<b>Total revenue earned</b>	<b>13 610 016</b>	<b>54 968</b>	<b>13 664 984</b>	<b>12 782 293</b>	<b>56 721</b>	<b>12 839 014</b>

An accrual of \$22.4 million, representing unissued land tax assessments relating to current and prior years, has been brought to account. The comparative figure for 2002-2003 was \$33.3 million. Throughout the year, measures were put in place to ensure that interest was applied consistently at the market rate of interest where a potential liability was identified and there was no evidence of deliberate avoidance.

An amount of \$27.5 million has been recognised in motor traffic fine revenue that relates to the increase in recoverable fines for the current year (refer to Note 24 (b)).

**End of the financial statements.**

# Appendices

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	<b>Page</b>
<b>Appendix 1 Legal changes</b>	<b>72</b>
<b>2 New publications</b>	<b>77</b>
<b>3 Committees</b>	<b>78</b>
<b>4 Consultants</b>	<b>79</b>
<b>5 Freedom of Information</b>	<b>80</b>
<b>6 Staffing</b>	<b>81</b>
<b>7 Ministerial representations received</b>	<b>85</b>
<b>8 Internal audit</b>	<b>86</b>
<b>9 Statement of internal control responsibility</b>	<b>87</b>
<b>10 Additions to major assets</b>	<b>87</b>
<b>11 Accounts payable performance report</b>	<b>88</b>
<b>12 Overseas travel</b>	<b>88</b>
<b>13 Code of conduct</b>	<b>88</b>
<b>14 Infringement processing</b>	<b>89</b>

# Appendix 1

## Legal changes

This is a summary of the major legal changes. Full details on these and other changes can be obtained by referring to the relevant Act.

### State Revenue Legislation Further Amendment Act 2003

Amends the following Acts:

#### Duties Act 1997

- Imposes transfer duty on a statutory vesting of land in New South Wales, specifying various circumstances in which a statutory vesting occurs and exempts from duty the vesting of dutiable property in a legal personal representative of a deceased person.
- Limits the Chief Commissioner's discretion to exclude the value of goods from the dutiable value of property when assessing duty on transfers of property. These limitations will apply in cases where the goods are used in connection with a business where the goodwill of the business is, or is part of, the dutiable property.
- Imposes duty at the rate applicable to the transfer of dutiable property on the premium paid or payable for a lease. A premium paid on a lease of premises in a retirement village is excluded from this provision.
- Provides for the aggregation of leases in certain circumstances for the purpose of calculating lease duty.
- Re-addresses the circumstances in which a collateral mortgage forming part of a package of securities that applies to land in New South Wales and land in other jurisdictions is chargeable with duty when an advance or further advance is made.
- Exempts a joint government enterprise that has the function

of allocating funds for joint water savings projects from all duty chargeable under the Act.

- Clarifies the nature of a court order by which dutiable property may be vested and liable to transfer duty as from 1 January 2004.
- Creates consistency of language in respect of cancelled agreements.

#### Fines Act 1996

- Transfers functions of the Infringement Processing Bureau (IPB) to the Office of State Revenue. The State Debt Recovery Office (SDRO) and IPB have now become part of the OSR. The amendments enable certain persons employed in OSR to issue and deal with penalty notices.
- Expands the functions of SDRO to enable that Office to enter into arrangements for the collection and recovery of money payable under penalty notices and to issue courtesy letters.
- Inserts transitional provisions into the Act which:
  - ▶ adds the Treasurer and the Director of SDRO as parties to service agreements in force as at 1 October 2003 that were entered into by the IPB for the recovery of penalties payable under penalty notices; and
  - ▶ translate references in instruments relating to IPB into references to OSR or the SDRO, as the case requires.

### First Home Owner Grant Act 2000

- Clarifies that an applicant cannot obtain a grant under the Act on the transfer of a fractional interest in their existing residence.
- Clarifies eligibility in regard to exclusive occupancy of dual occupancy residences and homes on land where there is another home or homes.
- Provides that the Department of Housing is not an interested person who is required to join in the making of an application under the Act.
- Allows a purchaser under a terms contract to retain a grant under the Act even though the transaction is not completed by the registration of a transfer.
- Introduces a period-based residency requirement that the home is to be occupied as the principal place of residence for six consecutive months to commence at any time within 12 months after completion of the eligible transaction.

### Taxation Administration Act 1996

- Clarifies that the acceptance of money or a return does not, of itself, constitute an assessment.
- Applies the 'Phoenix companies' provisions that were contained in the *Pay-roll Tax Act 1971* to all the revenue laws to which the *Taxation Administration Act 1996* applies.
- Inserts the Vocational Training Tribunal of New South Wales and reinstates the Commissioner of Police and the Commissioner of Vocational Training, as authorised recipients of

information obtained under or in the administration of a taxation law.

- Extends the prohibition on secondary disclosures of information to ensure that information obtained under or in the administration of a taxation law cannot be further disclosed without the consent of the Chief Commissioner.
- Creates consistency with the *Administrative Decisions Tribunal Act 1997* by providing that the decisions of the Chief Commissioner that are subject to review under that Act are decisions within the meaning of that Act.
- Extends the power of the Chief Commissioner to use refunds arising to offset a tax liability of a person.

## Unclaimed Money Act 1995

- Increases, from \$20 to \$100, the minimum amount required to be returned to OSR by a business in its unclaimed money return.

## Duties Amendment (Land Rich) Act 2003

- Extends the "land rich" provisions to include wholesale unit trust schemes. The concept of a private corporation is replaced with the concept of a landholder, which includes private companies, private unit trust schemes and wholesale unit trust schemes.
- Clarifies the definition of a private unit trust scheme, a public unit trust scheme and a wholesale unit trust scheme.
- Changes the test of whether a landholder is "land rich" by increasing the unencumbered value of the landholder's New South Wales land holdings from \$1 million to \$2 million and reducing the proportion of the total land holdings of a landholder to the unencumbered value of all its property from 80 to 60 per cent.

- Provides for the effect of uncompleted agreements for the disposal or acquisition of property other than land, in addition to the current provisions for uncompleted agreements relating to transfers of land.
- Changes the tracing provisions applying to subsidiaries to enable the land and other property ownership trail to be traced through linked entities.
- Changes the way in which interests in a landholder may be acquired by replacing the requirement for the acquisition of a majority interest, with the requirement for the acquisition of a significant interest in a landholder (as defined).
- Clarifies that a relevant acquisition is made when a person acquires:
  - ▶ a significant interest in a landholder, or
  - ▶ an interest which, when aggregated with interests of the person or associated persons, amounts to a significant interest, or
  - ▶ an interest which, when aggregated with other interests acquired by the person or other persons acting under transactions that comprise substantially one arrangement between the acquirers, amounts to a significant interest.
- Clarifies that a relevant acquisition is also made when a person who has a significant interest in a landholder, or an interest which, when aggregated with interests of the person or associated persons, amounts to a significant interest, acquires a further interest in the landholder.
- Provides a concession for primary producers in certain circumstances.
- Makes various changes to the exception of interests from the land rich provisions.

- Repeals the provision for the phasing-in of duty.

## Land Tax Management Act 1956

- Restores the exemption provided to a deceased estate for the first tax year following the death of the owner of the land or, where the land has not been distributed pursuant to the will by the expiration of that time, for such longer period as may be approved by the Chief Commissioner.
- Repeals and replaces the exemption granted under the Act for a person's principal place of residence, in particular:
  - ▶ allows an owner to claim the exemption for two residences where the owner has bought a new residence and is in the process of selling the existing residence, but the sale has not been completed at the taxing date (31 December);
  - ▶ removes certain restrictions for the current exemption for land on which a new family residence is being built or an existing residence refurbished;
  - ▶ allows an exempt principal place of residence to be used for incidental business purposes, including the use of one room as a home office or workshop, if the business is primarily conducted elsewhere;
  - ▶ extends the existing concession to include circumstances where an owner is absent from the home for extended periods but resumes occupation within six years;
  - ▶ allows each family, including dependents under 18, a concession for only one property, except when buying a new principal residence and selling their existing one.

- Grants an exemption to land owned by a joint government enterprise that has the function of allocating funds for water saving projects.
- Clarifies that if land is used for more than one purpose and each of those purposes is an exempt purpose, the land is exempt from taxation.

### Pay-roll Tax Act 1971

- Closes a loophole that allowed the avoidance of tax on wages paid outside Australia to an employee who provided services in two or more States.
- Provides an exemption for a joint government enterprise that allocates funds for water saving projects.

### Taxation Administration Regulation 2003

The Taxation Administration Regulation 2003 declared certain laws of other jurisdictions to be recognised revenue laws for the purposes of reciprocal investigations, prescribed the Commissioner of Police as a person to whom certain taxation information of taxpayers may be disclosed and repealed the *Taxation Administration Regulation 1996*.

### Health Insurance Levies Regulation 2003

This regulation prescribes Grand United Friendly Society Ltd as a prescribed organisation for the purposes of the *Health Insurance Levies Act*. This enables the Minister for Health to appoint the organisation as an authorised agent for the purposes of collecting contributions, and other functions, under the State Ambulance Insurance Plan.

### Pay-roll Tax Amendment (Trust Distributions) Regulation 2003

This regulation:

- Extends the definition of wages to include trust distributions provided in lieu of wages
- Provides the market rate where there is no relevant award rate

- Defines the market rate as the average weekly earnings figure "full-time adult ordinary time earnings" for the February quarter prior to the beginning of the financial year as published by the ABS
- Advises the three alternative methods that an employer may use to apply the average weekly earnings figure.

### Fines Regulation 1996

The *Fines Regulation 1996* was amended by the *Fines Amendment (Appropriate Officers) Regulation 2003* to support the transfer of the Infringement Processing Bureau to the Office of State Revenue in October 2003.

## 2004 Budget Session

### State Revenue Legislation Amendment Act 2004

Amends the following Acts:

#### Duties Act 1997

- Increases the duty concessions available to first home buyers under the First Home Plus scheme.
- Removes the distinction between purchases in the metropolitan area and other areas.
- Changes the eligibility criteria by:
  - ▶ allowing joint purchasers to be eligible only if all of them have not at any time owned residential property in Australia (either solely or with someone else)
  - ▶ providing that a purchaser's spouse must not have previously owned residential property in Australia
  - ▶ providing that a purchaser or transferee under an agreement or transfer who is under 16 years of age will not be eligible

- ▶ providing that a purchaser or transferee under an agreement or transfer will not be eligible unless the person is an Australian citizen or permanent resident.

- Introduces a residence requirement in relation to homes purchased under the First Home Plus scheme that is similar to the residence requirement that applies to grants obtained under the *First Home Owner Grant Act 2000*.

- Imposes duty on certain dutiable transactions that involve land-related property. The duty is payable by the vendor or transferor at a rate of 2.25 per cent of the value of the land-related property.

- Applies a number of vendor duty exemptions including:

- ▶ land used as a principal place of residence by the vendor
- ▶ farms (land used for the business of primary production)
- ▶ land-related property in respect of which the dutiable value has not significantly increased since it was acquired by the vendor
- ▶ land on which there is a new building
- ▶ land on which there is a substantially new building
- ▶ vacant land that has been substantially improved by the vendor
- ▶ the subdivision of a principal place of residence or farm
- ▶ land sold in connection with a sale of business, if the dutiable value of the land is not a significant component of the consideration for the sale



- ▶ land subject to a conservation agreement entered into under the *National Parks and Wildlife Act 1974*
- ▶ transactions that are not generally chargeable with ad valorem purchaser transfer duty
- ▶ charities and other bodies that are not liable to pay duty under Chapter 11 of the *Duties Act 1997*
- ▶ a transfer of land-related property for no consideration, if the transferee is not liable to pay duty in respect of the transfer under the *Duties Act* (ie if the land-related property is gifted to a charity)
- ▶ an acquisition of land by compulsory process in accordance with the *Land Acquisitions (Just Terms Compensation) Act 1991*; on possessory applications under the *Real Property Act 1900*; or an application to bring land under the *Real Property Act 1900*.

- Requires that an instrument that effects a dutiable transaction that is also a vendor duty transaction will need to be stamped to indicate that the vendor duty has been paid, or that no vendor duty is payable in respect of the transaction.
- Imposes premium property duty on dutiable transactions for residential land where the dutiable value exceeds \$3 million.
- Clarifies the application of the legislation through a number of miscellaneous amendments.

### Land Tax Act 1956

- Removes the reference to a tax threshold and makes changes to the rate of land tax.

### Land Tax Management Act 1956

- Removes the tax threshold that applied in respect of land that is subject to land tax.
- Allows a concession to be applied to mixed use land (that is, land used partly for residential purposes and partly for other purposes) in the same way as it is applied to mixed development land.

### Premium Property Tax Act 1998

- Abolishes Premium Property Tax from 1 June 2004.

### State Revenue Legislation Further Amendment Act 2004

(note: received Royal Assent on 6 July 2004)

Amends the following Acts:

#### Land Tax Management Act 1956

Removes the restrictions on the exemption for land subject to a conservation agreement under the *National Parks and Wildlife Act 1974* and extends the exemption to land subject to a registered Trust agreement under the *Nature Conservation Trust Act*.

#### Duties Act 1997

- Clarifies concession available under the First Home Plus Scheme.
- Clarifies the application of premium property duty.
- Extends the vendor duty exemption to the sale of land subject to all kinds of conservation or registered trust agreements.
- Clarifies a number of eligibility requirements relating to the vendor duty principal place of residence exemption.
- Clarifies a number of other vendor duty exemption requirements relating to new

buildings, 'off the plan' sales, 'improved vacant land', deceased estates and other specified circumstances.

- Provides for mortgage duty only to be payable in respect of property located in New South Wales where there are inter-jurisdictional mortgages relating to property located in Australia.

### Fines Amendment Act 2004

(note: received Royal Assent on 6 July 2004)

Amends the following Act:

#### Fines Act 1996

- Includes procedural provisions relating to fine enforcement orders and penalty notices that are currently contained in regulations.
- Clarifies the discretionary powers of the State Debt Recovery Office in regard to making a court fine enforcement order in certain circumstances.
- Extends the limitation period for taking proceedings to 12 months for offences which currently have a limitation period of less than 12 months under certain circumstances.
- Introduces additional circumstances when a court fine enforcement order or a penalty notice enforcement order may be withdrawn by the State Debt Recovery Office.
- Removes the power of the Minister to apply for annulment of a penalty notice enforcement order in the case of a question or doubt as to liability and extends the power of the State Debt Recovery Office to annul a penalty on that ground, but only after seeking a review of the matter by the prosecuting authority.
- Restricts action taken against the licences of persons who commit offences while under the age of 18 years to cases involving vehicle or parking offences.

- Requires the Roads and Traffic Authority to cease enforcement action if a fine defaulter pays six instalments in accordance with a first extension of time to pay.
- Requires the State Debt Recovery Office to waive enforcement costs for persons who commit offences while under the age of 18 years.
- Includes procedural provisions relating to community service orders and periodic detention orders and other matters that are currently contained in regulations.
- Clarifies that a fine defaulter may apply to the State Debt Recovery Office to have a fine written off, and specifies the circumstances in which a written off fine may be reinstated.
- Introduces a Hardship Review Board and provides for its function of reviewing decisions of the State Debt Recovery Office relating to applications for further time to pay fines or to have fines written off.
- Requires the State Debt Recovery Office to notify fine defaulters of the review options available.
- Authorises the State Debt Recovery Office to disclose personal information in relation to a fine defaulter to a prosecuting authority or government authority that issued a penalty notice.

## Legislative reviews

Statutory five year reviews were undertaken in relation to the *Duties Act 1997*, the *Premium Property Tax Act 1997* and the *Petroleum Products Subsidy Act 1998*. Details of each review were advertised in the press and on our website, submissions were invited from industry, professional groups and other relevant stakeholders. The following is a summary of the outcome of each of the reviews.

### ■ Review of the Duties Act 1997

Thirteen submissions were received, including comment on the objectives of the Act, as well as legislative issues outside the scope of the review.

The report was tabled in the NSW Parliament on 2 December 2003 and concluded that the objectives of the Act remain valid and the Act was achieving these objectives. Issues raised that were outside the scope of the review will be considered as part of the ongoing legislative review process or review of administrative practices.

### ■ Review of the Premium Property Tax Act 1997

Thirty-nine submissions were received, with most comments relating to the financial impact of the tax on certain individuals rather than the policy objectives. Concerns were also raised regarding the land valuation process.

While the report found that the objectives of the Act remain valid, it was not tabled in Parliament following the Treasurer's announcement in the mini-Budget that premium property tax was to be abolished from the 2005 tax year.

### ■ Review of the Petroleum Products Subsidy Act 1998

Only three submissions were received and the report found that the objectives of the Act remain valid and the Act was achieving these objectives. Procedural and client information issues raised will be addressed through legislative changes and a review of administrative procedures.

## Significant legal cases

### Gould Management Pty Ltd v Chief Commissioner of State Revenue

#### Issue

Whether GST (separately identified or not) formed part of the consideration for the purposes of levying duty on a contract for sale of land.

#### Outcome

The Administrative Decisions Tribunal held that it made no difference whether the price is inclusive or exclusive of GST. Duty is payable on the consideration which moves the transaction, being the total amount payable by the purchaser to the vendor. The assessment by the Chief Commissioner to charge duty on the GST component of the purchase price was deemed correct.

### Robert Francis McNally v Chief Commissioner of State Revenue

#### Issue

The taxpayer and his wife owned two houses and claimed a principal place of residence exemption for both as they spend four days a week in one and three days a week in the other.

#### Outcome

The Supreme Court noted that the taxpayers were jointly occupying each of the properties and the Act therefore required a determination of whether either or both of the properties constituted a principal place of residence of an owner.

The Court found that, on the evidence, one of the properties remained the principal place of residence of Mr and Mrs McNally. The evidence did not establish that Mr McNally had relinquished this house as his principal place of residence and adopted the second residence in its stead. The case was dismissed.



### Issue

Whether the use of contractors are relevant contracts under the provisions of s3A of the *Pay-roll Tax Act 1971*.

Nikaed Pty Ltd entered into arrangements with contractors, who were incorporated businesses, for those contractors to provide services for clients of Nikaed.

Some exemptions were granted to Nikaed where services of the contractors were provided for a period less than 90 days. There was insufficient evidence to substantiate that some of the other contractors provided services to the public generally and accordingly payments made to those contractors were included as wages in the assessments issued to Nikaed.

### Outcome

The Administrative Decisions Tribunal confirmed that the onus of proof rests with taxpayers to substantiate that they are entitled to any exemption under s3A. The Tribunal concluded that there has to be:

- (i) sufficient evidence that each contractor did or did not render services to the public within the time frame specified in the legislation (a financial year), and
- (ii) the information regarding a contractor has to be sufficient to show that the contractor does in fact provide services to the public at large.

The appeal was dismissed.

## Appendix 2

### New publications

- 2002–2003 Annual Report
- Quarterly Bulletin number 54
- OSR Connect
- EDR Update Bulletin
- OSR Contact Directory
- Online Subscription Service brochure
- OSRAssist brochure
- Freedom of Information- June 2004
- Solve IT - Online solutions for your business brochure
- Factsheets
  - ▶ Client Feedback
  - ▶ Duties Rates
  - ▶ Electronic Duties Returns
  - ▶ First Home Owner Grant Scheme
  - ▶ First Home Plus
  - ▶ Freedom of Information
  - ▶ Health Insurance Levy and State Ambulance Insurance Plan
  - ▶ Hire of Goods
  - ▶ Insurance Duty
  - ▶ Insurance Protection Tax
  - ▶ Investigations
  - ▶ Land Tax 2004 Information Booklet
  - ▶ Land Tax 2004 What You Need to Know
  - ▶ Motor Vehicle Registration
  - ▶ NSW Duties Rates
  - ▶ NSW Pay-roll Tax Payments to Contractors
  - ▶ NSW Pay-roll Tax Information for Employers
  - ▶ NSW State Taxes and your business
  - ▶ Objections and Reviews
  - ▶ Parking Space Levy
  - ▶ Parking Space Levy Exemptions
  - ▶ Petroleum Products Subsidy Scheme in NSW
  - ▶ Unclaimed Money for Claimants

- ▶ Unclaimed Money Information for Enterprises and Superannuation Funds
- ▶ Vendor Duty

### ■ Seminar notes

- ▶ Duties tax
- ▶ Pay-roll tax
- ▶ Land tax

## Revenue rulings

### Duties

- DUT 026 – Exemption from duties - Corporate Reconstructions
- DUT 027 – Capitalised interest on mortgages
- DUT 028 – Acquisitions of interest in land rich landholders

### Land Tax

- LT 072 – Exemption - land used and occupied primarily for a boarding house - 2004 tax year
- LT 073 – Exemption - land used and occupied primarily for low cost accommodation - 2004 tax year

### Pay-roll Tax

- PT 059 – Approved form of written statement provided by sub-contractors to principal contractors
- PT 060 – Inclusion of distributions under trusts as wages for pay-roll tax purposes
- PT 061 – Recovery of a sub-contractor's unpaid pay-roll tax liability from a principal contractor
- PT 062 – Average weekly wage rate for the determination of pay-roll tax liability for trust distribution using the market rate wage for 2004-2005

## Appendix 3

### Committees

#### Audit Committee

The Audit Committee meets six times per year, on a bi-monthly basis, to oversee the activities of both internal and external audit. It is a fundamental part of OSR's corporate governance support program.

The Chairman of the Audit Committee is Mr Peter Lucas, who is the Chief Financial Officer of a major NSW public sector agency. The other members have key financial and executive functions within OSR. The number of meetings attended is shown in brackets.

**Members:** Peter Lucas [6] (Independent Chair), Peter Achterstraat [6], Tony Newbury [4], Dianne Barden [5], Ian Phillips [4], Geoff Underhill [6], Phil Thomas (Auditor-General observer representative) and Peter Barnes [6] (Auditor-General observer representative).

#### Corporate Management Committee

Reviews corporate plan and monitors progress of key performance indicators and major programs to ensure corporate objectives are achieved. Finance matters are reported upon in this forum. The committee includes OSR senior management.

**Members:** Peter Achterstraat, Tony Newbury, Dianne Barden, Ted Withers, Brian Robertson, Mike Kennedy, Bob Smith, Richard Wilson, Nikki Kempson, Sandra Rothwell, Bob Gillam, Ian Phillips, Peter Johnson, Pravesh Babhoota, George Dragoi, Alan Watkins, John Maker, Ermil Sipp, Brendan Nugent, Therese Briggs, Bob Mielnik, Nancy Arya, Michael MacLean, Matthew Hay, Geoff Underhill, Cassandra Gibbens, Gail Luxford (from December 2003), Gary Rosevear (from December 2003), Kristian Mead (from May 2004), Lisa Evans (from February 2004), Melinda McCabe (from February 2004), Phil McGovern (from February 2004) and Suzette Gay (to April 2004).

#### Debtors Liaison Committee

Ensures consistency in our approach to debt management across all divisions, aiming to increase the efficiency and effectiveness of debt management.

**Members:** David Allan, Bob Mielnik, Richard Wilson, Mark Buttner, Gillian Lewis, Stacey Allan, Thelma Tacadena, Karen Flavin, Robert Slee, Geoff Underhill and Noela Cooper.

#### Directors Committee

Meets fortnightly to review operational and strategic issues.

**Members:** Peter Achterstraat (convenor), Dianne Barden, Tony Newbury, Bob Smith, Ted Withers, Mike Kennedy, Brian Robertson, Cassandra Gibbens (Acting Executive Officer from April 2004) and Suzette Gay (Executive Officer to April 2004).

#### OSR and NSW Land and Property Information Liaison Committee

A forum of regular meetings between representatives of both offices to discuss Land and Property Information (LPI) and Valuer-General service issues and ensure delivery of quality land data.

**Members:** Tony Newbury (OSR), Nikki Kempson (OSR), Ian Phillips (OSR), Ian Palmer (OSR), John Murray (OSR), Mandy Town (OSR), Des Mooney (LPI), Phillip Western (LPI), Barry Douse (LPI), Tony Sleight (LPI), Simon Gilkes (LPI), John Miller (LPI), Peter Goddard (LPI) and Brian Griffiths (LPI).

#### Occupational Health and Safety (OH&S) Committee

Monitors and oversees occupational health and safety issues within OSR.

**Employee representatives:** Graeme Hunt (to Feb 2004), Rod Bradbury (to Dec 2003), Jason Duarte (to April 2003), MayLee Nyam, Vasudha Vanashree, Pablo Simoes (from April 2004), Juliana Saverimuthu (from April 2004), and Cathy Zammitt (from April 2004).

**First Aid representative:** Jamie Crowley (to July 2003), Graeme McMurdo.

**Management representatives:** Barbara Dobosz, Ermil Sipp, Richard Wilson, Steve Edmonds.

#### OH&S Peak Committee:

**Employee representatives:** Carinya Barkley (Wollongong), Sue Fitzgerald (Newcastle), Jeff Hughes (Sydney), Steve Corbett (Sydney), Katrina Thomas (SDRO Chair until Sept 2003), Rod Bradbury (Parramatta - chair from Sep 2003 to Dec 2003) and Vasudha Vanashree (Parramatta - chair from Jan 2004).

**Management representatives:** Barbara Dobosz, Gary Rosevear.

#### SDRO

##### Lithgow

**Employee representatives:** Kaylene Whichelo, Terry McSweeney, Steven Longhurst, Odette Sharwood, Paul Wilson and Maree Martin.

**Management representative:** Patrick Shoebridge.

##### SDRO (IPB):

##### Maitland

**Employee representatives:** Anne Jordan, Janelle Annis-Brown, Michael Morgan and Vanessa Fisher.

**Management representative:** Karen McNamara.

## Information Management and Technology Steering Committee

Oversees information management and technology issues in OSR. Provides corporate governance, guidance, support and strategic direction in relation to information management and technology.

**Members:** Peter Achterstraat (Chair), Mike Kennedy, Tony Newbury, Ted Withers, Brian Robertson, Bob Mielnik, Pravesh Babhoota, Kate Carruthers (to April 2004), Brett Morelli (from May 2004), John Black and Cassandra Gibbens (Acting Executive Officer from April 2004).

## Staff Consultative Forum

A forum for staff input into management decisions affecting them.

**Members:** Amy Huynh, Christine Jansz, Dianne Barden (management), Glenda Cartwright, Helen Kemp, Kathie Korol, Laurence Scutts (union), Leanne Oates, Linda Baranov (spokeswomen), Nancy Arya (management), Pauline Zerbo, Sue Gurling, Tracey Oates (Chair).

### Lithgow (SDRO)

**Employee representatives:** Karlene Keady, Gary Kramer, Maree Martin, Michael Kerz, Kylie Hobbs, Alan Jones, Frank Huijser, Bradley Scott and Richard Cant.

### Maitland (IPB)

**Employee representatives:** Daniel Ackling, Dale Bray, Janelle Annis-Brown, Graeme Kempton, Karen McNamara, Lee Newton, Carly Waterson and Helen Williams.

## Treasury Consultative Committee

A forum for management, staff union representatives and the Public Service Association to discuss and evaluate industrial issues and workplace change.

**Members:** Management representatives - Peter Achterstraat and Dianne Barden, Rose Williams (OFM) and Brian Robertson. Staff union representatives - Garth Nolan, John Tougher (OFM), Melissa Gowen, Brett Burkett, Liam Thorpe, Sharon Richards (Public Service Association) and Fran Collins (Public Service Association).

## State Taxes Liaison Committee

Regular meetings with professional, industry and clients' groups to resolve technical and administrative issues and to consider proposals for legislative changes.

**OSR Members:** Bob Smith (convenor), Ian Phillips, Peter Achterstraat, Bob Gillam, Peter Johnson and Ted Withers.

### Client organisations represented:

Australian Finance Conference and Australian Equipment Lessors Association, Australian Society of Certified Practising Accountants, Chartered Secretaries of Australia, Housing Industry Association, Institute of Chartered Accountants, Investment and Financial Services Association, Insurance Council of Australia, Law Society of NSW, Real Estate Institute of NSW, Roads and Traffic Authority, State Council Inc and Small Business Combined Association, the Taxation Institute of Australia, the Property Council of NSW and the Urban Development Institute of Australia.

## Tenants Advisory Committee

Meets to discuss building and accommodation issues arising from the Lithgow relocation.

**Members:** (OSR) Brian Robertson, Helge Sangkuhl and Paul Gauci; Department of Public Works and Services, and Police Assistance Line (NSW Police).

## Fine Enforcement Reference Committee

Meets to discuss inter-agency relationships affecting Fine Enforcement.

**Members:** Peter Achterstraat, Brian Robertson, Brendan Nugent, Bob Gillam, Donna Avery and Karen McNamara (OSR), Gary Lambert (OFM), Gay Bransgrove (Treasurer's Office), Ray Sudmalis and Irene Siu (RTA), Insp. Barry Powter and A/Snr Serg Jo Reed (NSW Police), Pam Wilde (Attorney General's Department), Jenny Barga (Dept of Juvenile Justice), Greg Brandtman (State Electoral Office), and Rosemary Caruana (Dept of Corrective Services).

## Appendix 4

### Consultants

OSR engaged several consultants during the 2003-2004 financial year at a total cost of \$101 011. Only one payment exceeded \$30 000.

The NSW Department of Commerce was paid \$42 218 of which \$31 818 related to a procurement review, the remainder pertaining to advice on an Office Accommodation Strategy.

The remaining \$58 793 related to payments for management services and measures of employer compliance with pay-roll tax obligations in the building and construction industry.

## Appendix 5

### Freedom of Information (FOI) 2003-2004

#### FOI requests

	Personal		Other		Total	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
New (including transferred in)	13	6	44	7	57	13
Brought forward	0	0	0	0	0	0
<b>Total to be processed</b>	<b>13</b>	<b>6</b>	<b>44</b>	<b>7</b>	<b>57</b>	<b>13</b>
Completed	13	6	44	7	57	13
Transferred out	2	0	0	0	2	0
Withdrawn	0	0	0	0	0	0
<b>Total processed</b>	<b>11</b>	<b>6</b>	<b>44</b>	<b>7</b>	<b>55</b>	<b>13</b>
Unfinished (carried forward)	0	0	0	0	0	0

#### What happened to completed requests

Result of FOI request	Personal		Other		Total	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Granted in full	4	1	10	2	14	3
Granted in part	4	2	17	0	21	2
Refused	3	3	17	5	20	8
<b>Deferred</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Completed	11	6	44	7	55	13

#### Formal consultations

	2003-04	2002-03
Requests requiring formal consultation	0	0

#### FOI requests granted in part or refused

Basis of disallowing or restricting access	Personal		Other		Total	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Sec 22 – deposit not paid	0	0	0	0	0	0
Sec 25 (1)(a) – exempt	7	5	34	5	41	10
Sec 25 (1)(a1) – unreasonable diversion of resources	0	0	0	0	0	0
Sec 25 – otherwise available	0	0	0	0	0	0
Sec 25 – documents > 5 years	0	0	0	0	0	0
Sec 24 – deemed refused >21 days	0	0	0	0	0	0
<b>Totals</b>	<b>7</b>	<b>5</b>	<b>34</b>	<b>5</b>	<b>41</b>	<b>10</b>

#### Costs and fees of requests processed

	Personal		Other		Total	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
	\$390	\$180	\$1320	\$210	\$1710	\$390

Days to process						
Elapsed time	Personal		Other		Total	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
0-21 days	11	6	44	7	55	13
22-35 days	0	0	0	0	0	0
<b>Over 35 days</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total	11	6	44	7	55	13

Processing time						
Processing hours	Personal		Other		Total	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
0-10 hours	0	0	0	0	0	0
11-20 hours	11	6	44	7	55	13
<b>21-40 hours</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Over 40 hours</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total	11	6	44	7	55	13

Reviews and appeals						
	Personal		Other		Total	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Number of internal appeals finalised	1	1	0	2	1	3

Details of internal review results 2003-2004						
	Personal		Other		Total	
	Upheld	Varied	Upheld	Varied	Upheld	Varied
Grounds on which review requested:						
Exempt matter	1	0	0	0	1	0

## Appendix 6

### Staffing

#### Equal Employment Opportunity (EEO) achievements 2003-2004

- We focused on building a culture that recognises and embraces diversity. EEO principles were incorporated into all our learning and development programs
- Training in Diversity Awareness is an integral component of our induction process for new starters and is available to all staff

- The Skills Incentive Program provide access to skills development for a number of identified EEO minority groups
- The Community Languages Assistance Scheme (CLAS) program and Bilingual Register were updated and reviewed. We monitored the usage rates of these services and added new community languages when required
- We have included the bilingual register, references and links provided on our intranet for interpreter and telecommunication services for hearing and speech impaired clients.

### EEO Strategies 2004-2005

- Ongoing training, guidance and support of staff and management in the transition to the new recruitment and selection policy which promotes merit-based selection and aims to reduce bias against Aboriginal and Torres Strait Islander people, women, people with disabilities, and people from cultural and linguistically diverse backgrounds
- Implementation of a regular Convenor's Forum to discuss new and emerging issues in recruitment based on OSR experience
- Ongoing program to support the EQuIP performance management system for all staff to ensure equal access to career development and the opportunity to identify training needs specific to individual requirements and business needs
- Continued participation in the ATSI Cadetship Program in partnership with OEED, with three cadets currently engaged and continuing studies
- Ongoing training and support for staff and management on the diversity policy
- Training and support for managers and staff identified as grievance handlers in revised grievance handling policy
- Enhance and refine our performance management system - Excellence and Quality in Performance - to reflect feedback and to align EQuIP more closely with current business imperatives
- Staff encouraged to complete an exit interview including EEO demographics
- Develop strategies to support and retain EEO group employees
- Implement our People 2005 plan to support organisational capability through skilled and committed people



- Design and implement a career development strategy to maximise performance, staff opportunity and facilitate staff retention
- Continue to promote and support the spokeswomen and senior women's group
- Targeted positions for EEO group members including traineeships
- Ensure diverse representation on selection panels
- Continued participation and support of disability employment, traineeship, and work experience programs
- Continued participation and support of Aboriginal Torres Strait Islander cadetship program.

### **Ethnic Affairs Priority Statement Achievements 2003-2004**

- Skillmax courses have now been integrated into the general learning and development program available to staff through the intranet
- Continuous program of ongoing support and guidance to staff and management of OSR's diversity friendly policy and the grievance handling processes, including specific training for staff identified as grievance handlers
- Continued support of the Skills Incentive Program to enhance and develop skills of people from non-English speaking backgrounds
- Review of the migrant career development program and assessment of ability to participate (program cancelled at end of financial year).

### **Ethnic Affairs Priority Statement 2003 - 2004**

- Ongoing promotion and education of staff of our plain English policy for the production of all documentation, both internally and externally, to ensure all our communications

are produced in language that is easily understood by clients

- We have expanded our interpreter services which now include speech and/or hearing impaired services and have advised all staff on how to reference these services
- Ongoing promotion and education of staff on our corporate style guides for producing documentation to ensure consistency and corporate image to assist clients.

### **Ethnic Affairs Priority Statement Strategies 2004 - 2005**

- Ongoing support of the Skills Incentive Program to ensure EEO group staff receive the support and assistance needed to complete the program
- Continued implementation of People 2005 to support organisational capability through skilled and committed people
- Review of CLAS program and Bilingual Register, analysing usage rates of each language and for which business streams to better provide appropriate information
- Regular reminders to staff and managers on how and when to utilise the Bilingual Register, CLAS staff, and accredited interpreter services, including interpreting services for hearing and speech impaired clients
- Create an environment of achievement in which all staff have opportunity to utilise all of their skills attained throughout their working careers
- Design and implement a career development strategy to maximise performance and staff opportunity
- Ongoing support of three Aboriginal Torres Strait Islander trainees in IT and human resources to provide assistance needed to successfully complete

the program and integrate into the workplace.

### **Disability Achievements 2003-2004**

- Ongoing local reviews of equipment to ensure needs of staff with disabilities are suitably met
- OSR's intranet and internet sites comply with necessary standards to ensure accessibility for staff and clients with disabilities
- Disability and access issues for new office at Lithgow addressed through consultation with stakeholders and building users
- Ongoing support of the People With Disabilities Cadetship program conducted through Premier's Department.

### **Disability Strategies 2004-2005**

- Participation in the Traineeship for People With a Disability program reviewed and considered successful, ongoing participation and promotion of wider use within OSR
- Negotiations for new premises for expanding staff numbers included recognition of needs of clients and staff with a disability requiring adjustment
- Continue to support the Skills Incentive Program to ensure staff with a disability receive the support and assistance needed to complete the program
- Implementing People 2005 to support organisational capability through skilled and committed people
- Ongoing partnership with the Office of Western Sydney in providing work experience opportunities for people with a disability requiring adjustment at work
- Regular review process for people with disabilities requiring adjustment to ensure equipment is suitable for their current needs.

Representation of EEO target groups within levels - 2003–2004 totals																
Level	Staff		Staff		Women		Women		REER*		REER*		REER*		ATSI**	
	2003-2004	2002-2003	2001-2002	2003-2004	2002-2003	2001-2002	2003-2004	2002-2003	2001-2002	2003-2004	2002-2003	2001-2002	2003-2004	2002-2003	2001-2002	2003-2004
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Below CO 1	0.3	0.8	0.4	0.2	0.1	0.0	0.1	0.3	0.0	0.2	0.4	0.1	0.1	0.1	0.6	0.3
CO 1 - Grade 1	2.3	2.9	8.2	1.6	1.5	4.0	0.3	1.0	1.7	0.0	0.0	0.1	0.0	0.0	0.0	0.8
Grade 1 - 2	13.9	13.0	11.3	9	6.5	7.2	3.5	5.0	4.6	0.2	0.1	0.1	0.8	0.7	0.4	0.4
Grade 3 - 5	40	30.1	34.5	28.9	20.0	23.2	8.3	13.4	13.8	0.1	0.4	0.3	1.1	2.0	1.6	1.6
Grade 6 - 9	31.9	38.6	33.8	14.3	16.5	14.1	8.3	14.1	10.1	0.2	0.1	0.0	1.0	1.2	1.2	1.6
Grade 10 - 12 **	9.8	10.5	9.8	2.8	2.5	2.7	1.5	2.4	1.9	0.0	0.0	0.0	0.4	0.8	0.8	0.8
Above Grade 12	1.8	4.1	2.0	0.2	0.8	0.3	0.1	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	100	100	100	57	47.9	51.5	22.1	36.5	32.2	0.7	1.0	0.6	3.4	5.3	5.5	5.5
Total staff number	973	734	745													

\* REER: Racial, ethnic or ethno-religious minority formerly known as NESB (Non-English Speaking Background).

\*\* At these levels, some women are from a REER group.

\*\*\* Total equivalent full-time staff was 938.74 as at 30 June 2004. 973 is the total number of staff employed during the reporting period.

The figure includes staff who left OSR and is a snapshot of the maximum number of people employed over the year.

Staff by employment basis - 2003–2004 totals																
Employment Basis	Staff		Staff		Women		Women		REER*		REER*		REER*		ATSI	
	2003-2004	2002-2003	2001-2002	2003-2004	2002-2003	2001-2002	2003-2004	2002-2003	2001-2002	2003-2004	2002-2003	2001-2002	2003-2004	2002-2003	2001-2002	2003-2004
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Full time	89.7	92.0	91.0	47.7	41.4	43.6	20.5	33.8	29.9	0.6	1.0	0.4	3.2	4.9	4.7	4.7
Part time	10.3	8.0	9.0	9.3	6.6	7.9	1.6	2.7	2.3	0.1	0.1	0.2	0.2	0.4	0.8	0.8
Total	100	100	100	57.0	48.0	51.5	22.1	36.5	32.2	0.7	1.1	0.6	3.4	5.3	5.5	5.5



## Recruitment over three years

Level	2003–2004	2002–2003	2001–2002
Total Staff	973	734	745
Recruited in Year	314	91	138
Aboriginal People	1	4	4
PWD	10	4	7

## Analysis of staff by classification

Level	Male	Female	Total
SES	8	1	9
Senior Officers other than SES	7	1	8
Clerks	384	517	901
Clerical Officers	14	26	40
Clerical Assistants	0	0	0
Stenographers/Typists	0	0	0
Machine Operators	0	0	0
Departmental Professional Officers	5	9	14
Other	0	1	1
Total	418	555	973

## Senior Executive Service profile

Level	1	2	3	4	5	Total
Total 2003–2004	2	0	5	1	1	9
Total 2002–2003	2	0	5	1	1	9

## Representation of EEO groups

EEO Group	Percentage of total staff			
	Benchmark or Target	2003–2004	2002–2003	2001–2002
	%	%	%	%
Women	50.0	57.0	48.0	51.0
Aboriginal/Torres Strait Islanders	2.0	0.7	1.1	0.8
People whose first language was not English	20.0	19.0	33.0	36.0
People with a disability	12.0	3.0	5.0	6.0
People with a disability requiring work-related adjustment	7.0	0.9	1.0	1.1

## Distribution of EEO groups

EEO Group	Distribution index			
	Benchmark or Target	2003–2004	2002–2003	2001–2002
Women	100	88	91	90
Aboriginal/Torres Strait Islanders	100	n/a	n/a	n/a
People whose first language was not English	100	101	95	92
People with a disability	100	96	91	92
People with a disability requiring work-related adjustment	100	n/a	n/a	n/a

**Notes:** 1 Staff numbers are as at 30 June 2004.

2 Excludes casual staff

3 A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by the Office of Employment, Equity and Diversity.

4 The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

## Performance statement for SES officers level five and above

The Executive Director is accountable to the Secretary of Treasury for the overall performance of OSR. The SES performance agreement defines his accountabilities in relation to the achievement of OSR's corporate objectives and his own job-related performance criteria.

The following statement is provided in compliance with annual reporting legislation requiring publication of achievement statements for all SES officers, level five and above.

### Name

Peter Achterstraat

### Position and level

Executive Director  
Chief Commissioner of  
State Revenue  
Office of State Revenue  
NSW Treasury  
SES Level 5

### Annual package

\$215 600

### Period of review

1 July 2003 – 30 June 2004

## Statement of performance

This financial year OSR has gone through significant changes and a number of challenges. This has resulted in important initiatives being successfully implemented under the leadership of Peter Achterstraat.

Peter has met the goals of his annual Performance Agreement. OSR's delivery of key Government initiatives has enhanced its good reputation with stakeholders and clients.

The State Debt Recovery Office (SDRO) became part of OSR in 2002. This year the division moved to premises in Lithgow. The relocation project has been recognised as best practice for relocation to a regional area.

The Infringement Processing Bureau (IPB) staff and operations were integrated into OSR, as a branch of SDRO, in October 2003. This alignment between SDRO and IPB now allows OSR to complete the end to end processing and collection of infringements. Since integration with OSR, IPB processes, systems and efficiencies have improved dramatically.

As a result of the government initiatives announced in the mini-Budget in April 2004, OSR implemented a number of new processes and systems to allow them to administer new taxes such as vendor duty and premium property duty by 1 June 2004. OSR has shown it can quickly respond and adapt to changes.

OSR has expanded its electronic service delivery to clients and continues to work closely with business partners to improve services to clients.

Peter continues to chair the monthly teleconference of Commissioners of Revenue Offices nationally and the Compliance Working Party. These forums allow information, processes and strategies to be shared across Revenue Offices nationally.

This year Peter and his leadership team developed a new strategic plan Vision 2009, which sets out the strategies OSR will implement to be an agile organisation, and achieve its vision to become the most renowned for improving revenue services.



**John Pierce**  
Secretary, NSW Treasury

## Appendix 7

### Ministerial representations received

	2003–2004	2002–2003	2001–2002
Land tax	227	215	185
Premium property tax	12	10	6
Duties	86	114	87
Pay-roll tax	15	20	20
First Home Owner Grant Scheme	43	47	62
First Home Plus	46	6	10
Unclaimed money	7	6	20
Parking space levy	5	0	6
Fine enforcement	486	354	104 <sup>1</sup>
Infringement processing	1941 <sup>2</sup>	N/A	N/A
Other	14	9	19
<b>Total</b>	<b>2882</b>	<b>781</b>	<b>519</b>
Ombudsman's requests	0	2	3*

\* the SDRO has established an Ombudsman's office hotline, forming a direct point of contact between the two organisations. Only one matter has escalated to an official Ombudsman's request.

<sup>1</sup> between 2 April and 30 June 2002

<sup>2</sup> between 1 October 2003 and 30 June 2004

# Appendix 8

## Internal audit

OSR conducted the following audits during the year to ensure the adequacy of controls over processes.

### Financial audits

- **Sundry debtors** - reviewed the adequacy of controls over OSR's debt reporting systems
- **Debt write-offs and remissions** - reviewed the appropriateness of remissions and debts written off. Also confirmed that write-offs and remissions were accurately and completely recorded and approved
- **Corporate credit cards** - reviewed the system and procedures for administering corporate credit cards on issue to OSR employees
- **Fixed assets** - reviewed the adequacy of controls associated with asset purchase, recording, transfer and stocktake processes
- **Superannuation** - reviewed the adequacy of controls to ensure that OSR is meeting its superannuation payment obligations
- **Parking space levy** - reviewed the adequacy of controls associated with the collection of parking space levies

### Audits in progress at 30 June 2004

- **Revenue collections\*** - reviewed the adequacy of controls associated with the collection of revenue including banking and updating of details to the accounting records
- **Health insurance levy\*** - reviewed the adequacy of controls associated with the collection of health insurance levies

- **HR leave** - reviewed the appropriateness and effectiveness of controls over leave approval and recording
- **Regional offices** - examined whether administrative and financial activities are operating in accordance with OSR's policies and procedures
- **Cash and bank balances** - reviewed controls to ensure cash is safeguarded and that bank balances are monitored and reconciled with the general ledger
- **SES administration** - examined whether salary packaging for SES personnel is appropriately administered

\*Audits since completed

### Information systems audits

- **Access to external data** - reviewed OSR's compliance to agreements with external parties for accessing their databases
- **Security Oracle** - reviewed the controls that ensure access to Oracle is appropriate
- **Security of Revenue and Compliance Processes and Systems (RECOUPS)** - reviewed the controls that ensure access to RECOUPS is appropriate
- **Security of Masterpiece** - reviewed the controls that ensure access to Masterpiece is appropriate

### Audits in progress at 30 June 2004

- **Change management** - reviewed the process to ensure that changes to production systems are properly managed
- **Data quality** - reviewed the quality of registration data to ensure that it is completed, accurate and valid

- **Project management** - reviewed the controls that ensure ISD projects set priorities and deliver on time and within budget
- **Security of passwords\*** - reviewed the administration and monitoring of passwords
- **Security of external databases** - reviewed the adequacy of security over OSR links to external organisations

\*Audits since completed

### Compliance audits

- **Notes to the certified financial statements** - examined the completeness of certain notes to ensure they complied with the relevant legislation
- **Content of Annual Report** - reviewed the prescribed content of this report to ensure it is in accordance with the *Annual Reports (Departments) Act and Regulation* and financial information was consistent with the certified financial statements.

### Fraud prevention strategy

The following activities were undertaken during the year:

- A number of awareness sessions were given to management and staff relating to code of conduct and major policies, such as internet usage
- Conducted investigations into breaches of the code of conduct and other policies
- New staff at SDRO attended awareness sessions.

### Consultancies and ad hoc projects

- **Risk management** - participated in a number of risk management workshops including SDRO-Integrated Fine Management System (IFEMS) replacement project, enterprise risk assessment and mini-Budget.

- **System development** - Audit assisted projects to ensure that systems are built with the adequate controls, audit trails and level of useability
- **Financial and annual reporting** - provided advice on the preparation and process involved in the compilation of the statutory accounts for Treasury and the annual report to Parliament
- **Delegations** - monitored the system for detecting the unauthorised execution of technical delegations
- **ISO implementation** - provided input into the development of the ISO Implementation work plan
- **Corporate governance** - facilitated various senior officer and corporate meetings providing strategic and tactical advice on risks, controls and other corporate issues.

## Risk Management

During the year OSR updated its risk management policy and framework to integrate risk management with business planning activities and established a corporate risk register. Risk management awareness sessions were also run for managers.

Other significant risk management activities included:

- a strategic risk and opportunities assessment completed as part of the development of the Vision 2009 Strategic Plan
- a risk assessment workshop addressing the implementation of the April 2004 mini-Budget changes
- each Division completing risk assessments in conjunction with the development of their business plans for 2004-2005.

## Insurance

Our assets and major risks including building contents, computer equipment, motor vehicles, workers' compensation and public liability are covered by insurance, the amount of which is subject to regular appraisal. Insurance policies are held with the NSW Treasury Managed Fund that administers a government sponsored self-insurance scheme which is currently managed by GIO.

In accordance with Treasury's best practice policy relating to internal control, OSR has a risk management policy and framework applied throughout the organisation.

The policy is based on the Australian and New Zealand standard for risk management.

Our Audit Committee meets every two months to oversee audits and reviews and to follow up on the timely implementation of all recommendations.

Use of corporate credit cards by staff was in strict compliance with best practice standards set out in the Treasurer's Directions detailed in the Office of Financial Management's Policy and Guidelines Paper issued June 1999.

To the best of my knowledge our system of internal control has operated satisfactorily during the year.



**Peter Achterstraat**  
Executive Director

## Appendix 9

### Statement of internal control responsibility

We have an established system of internal control to gauge the extent to which satisfactory standards of management and good financial practices are maintained. It assesses the efficiency, effectiveness and appropriateness of controls.

## Appendix 10

### Additions to major assets

#### Major fixed assets additions summary (Over \$5 000)

Classification	2003-2004 \$'000
Hardware	
Personal computers and laptops	—
Other computer hardware	1 604
<b>Total hardware</b>	<b>1 604</b>
Software	10 712
Equipment	271
Furniture	2 417
<b>Total major additions</b>	<b>15 004</b>

Additions to major fixed assets includes \$11.98m of IPB assets transferred to OSR from NSW Police.

## Appendix 11

### Accounts payable performance report

Schedule of accounts paid on time – actual					
	30-09-03	31-12-03	31-03-04	30-06-04	Target
Percentage of accounts paid on time	96.02%	97.41%	97.07%	97.14%	98.5%
Total value of accounts paid on time	\$ 13.0m	\$ 13.0m	\$ 15.4m	\$ 21.1m	
Total value of accounts paid	\$ 13.1m	\$ 13.2m	\$ 15.8m	\$ 21.5m	
Percentage value of accounts paid on time	99.64%	98.44%	97.62%	98.13%	

Accounts payable performance				
Amounts payable on	30-09-03	31-12-03	31-03-04	30-06-04
Current within due date	64 240	94 279	43 301	14 034
Less than 30 days overdue	–	–	–	–
Between 30 and 60 days overdue	–	–	–	–
Between 60 and 90 days overdue	–	–	–	–
Over 90 days overdue	–	–	–	–
Total	64 240	94 279	43 301	14 034

## Appendix 12

### Overseas travel

- Brendan Nugent, Deputy Director Fine Enforcement, travelled to New Zealand to attend courses run by the Australian and New Zealand School of Government (ANZSOG) as part of the Executive Masters in Public Administration. There were compulsory units on:
  - ▶ Developing Public Policy and Programs (one week October 2003)
  - ▶ Leading Public Sector Change (one week June 2004).
- Nikki Kempson, Deputy Director Client Services, travelled to Canada from 13 to 23 August 2003 to attend the 6th annual conference of the International Property Tax Institute. The theme of this conference was 'Evolution of Property Taxes - Pathway to Success'. While in Canada, she visited the Ministry of Provincial Revenue, British Columbia Assessment Centre and Leadership Centre.

## Appendix 13

### Code of conduct

In meeting our client service standards, we are guided by our Code of Conduct which helps us:

- to understand the expected standards of conduct and behaviour in the workplace, and
- to decide how to deal with ethical problems encountered as an employee of OSR.

The Code of Conduct has three principles:

- 1 The general public has a right to expect the highest integrity and competence from us
- 2 The government is entitled to impartial and accurate advice, and to prompt implementation of its policies
- 3 All staff have rights and obligations as employees.

OSR's corporate values support these principles especially in the way we conduct our business and treat staff members in all aspects of our business. These include:

- revenue collecting activities, client service and client education activities, computer systems training, and
- staff development and personnel practices.

### Guarantee of service

#### Client Service Standards

We are dedicated to achieving and maintaining high client service standards.

## Client Service Commitments for 2004-2005

We will maintain the same high level of Service Standards of the previous reporting period for this year and next.

For clients who come to our Sydney and Parramatta service counters:

- we will attend to more than 80 per cent of clients in less than 10 minutes
- we will complete transactions for more than 70 per cent of clients in less than 15 minutes.

For clients who call our tax, duties, levies, and grants telephone inquiry service:

- we will answer more than 80 per cent of calls within two minutes.

For clients who call our State Debt Recovery Office telephone enquiry service:

- we will answer more than 60 per cent of calls within two minutes
- the average wait time will be less than two minutes thirty seconds.

For clients who request assessment and stamping of duty documents over the counter or through the mail:

- we will return more than 95 per cent of documents on the day of receipt
- we will return more than 98 per cent of documents within 10 days.

For pay-roll tax, land tax and other clients who lodge an objection against an assessment or seek a review:

- we will determine 100 per cent within 90 days.

For clients who lodge a complaint:

- we will resolve more than 99 per cent of complaints within 15 days.

## Taxpayers' rights

The basic principle governing the relationship between OSR and our clients is that all taxpayers have rights as well as obligations. All taxpayers have the right to:

- be informed about their tax obligations, how they are determined and the means by which they can be discharged
- be treated fairly and with impartiality by the tax administrator
- receive courteous and efficient treatment
- access speedy and fair objections procedures
- consistent treatment by the tax administrator
- certainty in the way tax laws are applied
- reasonable privacy from the tax administrator, and
- have information about the taxpayer treated with absolute respect for its confidentiality and secrecy.

## Appendix 14

### Infringement Processing

#### Number of infringement notices issued (Crown)

The number of infringement notices issued during the year totalled 1.3 million. Comparative figure for 2004 include notices issued on the transfer to OSR from 1 October 2003 and those issued to 30 September 2003 under NSW Police.

	2004 Total	2004 Breakdown		2003 NSW Police
		OSR 1 Oct 2003- 30 June 2004	NSW Police 1 Jul 2003- 30 Sept 2004	
	'000	'000	'000	'000
Traffic	465	332	133	591
Parking	41	28	13	99
Red light camera	56	43	13	65
Speed camera	584	425	159	594
Other	202	139	63	0
<b>Total</b>	<b>1348</b>	<b>967</b>	<b>381</b>	<b>1349</b>

#### Number of infringement notices issued (client)

	2004 Total	2004 Breakdown		2003 NSW Police
		OSR 1 Oct 2003- 30 June 2004	NSW Police 1 Jul 2003- 30 Sept 2004	
	'000	'000	'000	'000
<b>Total</b>	<b>1431</b>	<b>1037</b>	<b>394</b>	<b>1152</b>



## Appendix 14 Infringement Processing (Cont.)

### IPB revenue collected (Crown)

	2004 Total	2004 Breakdown		2003 NSW Police
		OSR 1 Oct 2003- 30 June 2004	NSW Police 1 Jul 2003- 30 Sept 2004	
	\$'000	\$'000	\$'000	\$'000
Traffic	58 365	39 965	18 400	66 677
Parking	5 422	1 991	3 431	5 610
Red light camera	7 834	5 837	1 997	7 228
Speed camera	50 852	39 329	11 523	41 568
Other	11 346	11 346	0	0
<b>Total</b>	<b>133 819</b>	<b>98 468</b>	<b>35 351</b>	<b>121 083</b>

### IPB revenue collected (client)

	2004 Total	2004 Breakdown		2003 NSW Police
		OSR 1 Oct 2003- 30 June 2004	NSW Police 1 Jul 2003- 30 Sept 2004	
	\$'000	\$'000	\$'000	\$'000
<b>Total</b>	<b>113 199</b>	<b>105 743</b>	<b>7 456</b>	<b>71 382</b>

## Self Enforcement Infringement Notice System (SEINS)

NSW Police and other NSW Government agencies are responsible for pursuing unpaid infringement notices under the Self Enforcement Infringement Notice System (SEINS) method. The following potential revenue was not collected by either NSW Police or OSR.

	2003-2004 '000	2002-2003 '000
Infringement notices not actioned	1 582	1 443
Infringement notices waived	5 440	2 598
Infringement notices unenforceable (statute barred)	13 245	22 876
<b>Total</b>	<b>20 267</b>	<b>26 917</b>

## Fine Enforcement

### Outstanding fines referred for enforcement

Source	2003-2004		2002-2003	
	'000	\$m	'000	\$m
Police (Infringement Processing Bureau)	794.6	125.0	344.6	51.5
Local Courts	71.2	31.1	133.6	44.2
State Electoral Office	72.7	2.1	9.4	0.4
Sheriff's Office	2.5	5.0	3.5	5.7
Other	1.2	4.6	2.9	1.8
<b>Total</b>	<b>942.2</b>	<b>167.8</b>	<b>494.0</b>	<b>103.6</b>



## Collections

Category	2003-2004 \$m	2002-2003 \$m
<b>Returned to Consolidated Revenue</b>		
Motor Traffic Fines	39.6	40.0
Enforcement Costs	22.0	17.3
Local Court Fines	6.9	6.9
Other Fines	0.7	0.6
Electoral Office Fines	0.4	0.2
<b>Returned to State and Local Government Agencies</b>	<b>34.4</b>	<b>22.3</b>
<b>Returned to Consolidated Revenue</b>	<b>69.6</b>	<b>65.0</b>
<b>Total Collections</b>	<b>104.0</b>	<b>87.3</b>

## Enforcement sanctions initiated

Category	2003-2004		2002-2003	
	'000	\$m	'000	\$m
Property Seizure Orders	31.0	60.1	28.1	52.7
Garnishee Orders	12.4	24.8	12.2	23.7
Examination Notices	19.9	23.6	10.1	14.7
<b>Total</b>	<b>63.3</b>	<b>108.5</b>	<b>50.4</b>	<b>91.1</b>

Note: 305 Community Service Orders were also issued during 2003-2004.

## RTA sanctions

Source	2003-2004 '000	2002-2003 '000
Sanctions imposed	176.1	129.5
Sanctions lifted	149.8	107.1

# Index

<b>A</b>			
AASB 1	41		
Acceptance by the Crown Entity of employee benefits and other liabilities	47		
Accommodation levy	60		
Accounts payable performance report	88		
Achievement based culture	23		
Acquisition of assets	37		
Additional funding	12		
Additions to major assets	87		
Administered activities	35		
Administered assets – receivables	58		
Administered expenses – other	66		
Administered expenses and revenues	32		
Administered liabilities	63		
Administered revenue – consolidated fund	67		
Administered revenue – debts written off/remissions	64		
Administrative Decisions Tribunal	22		
Administrative Decisions Tribunal decisions	3		
Agency's expenses and revenues	32		
Analysis of staff by classification	84		
Appendices 1-14	71-89		
Appropriations	46		
Assets and liabilities	56		
ATSI Cadetship Program	81		
Audit Committee	78		
Audit review of outstanding fines and penalties	16		
Australian revenue offices	4		
Average telephone queuing time	4		
<b>B</b>			
Basis of accounting	34		
Bob Smith	6, 7		
Brian Robertson	6, 8		
Budget review	56		
Budgeted amounts	39		
Building and construction industry	12		
Business focus	2		
Business Improvement	26		
Business Integration	26		
Business Process Improvement / ISO 9001 certification	15		
<b>C</b>			
Call centre technology	21		
Cash flows	56		
Cash flows from operating activities	31		
Certificate III in Government	24		
Changes in equity	54		
Client education	3		
Client feedback	21		
Client Services	6		
– Commitments for 2004-2005	89		
– Index	4		
– Provider (CSP)	15		
– Standards	88		
– Strategy	20		
– Division	7		
Closing cash and cash equivalents	31		
Code of Conduct	88		
Collections	91		
Commitment to clients	21		
Commitments for expenditure	55		
Committees	78		
Compliance	6		
– Activities	12		
– Audits	86		
– Division	7		
– Strategies	3		
Consultancies and ad hoc projects	86		
Consultants	79		
Contents	1		
Contingent liabilities and contingent assets	55		
Continual renewal	25, 26		
Contracts and conveyances	10		
Corporate			
– Achievements	3		
– Management Committee	78		
– Plan for 2004-2005	26		
– Structure	6		
Cost to collect \$100	4		
Counter service	20		
Current and instalment amounts	59, 60		
Current assets – cash	49		
Current assets – receivables	49		
Current liabilities – payables	52		
Current/non-current assets – other	52		
Current/non-current liabilities – other	53		
Current/non-current liabilities – provisions	52		
Data matching projects	12		
<b>D</b>			
Data mining	16		
Debits tax	2		
Debtors Liaison Committee	78		
Depreciation of non-current physical assets	38		
Dianne Barden	6, 8		
Directors Committee	78		
Disability Achievements 2003-2004	82		
Disability Strategies 2004-2005	82		
Distribution of EEO groups	84		
Duties	2, 10, 60, 61, 64, 77		
– Act	3, 72, 74, 75		
– Amendment (Land Rich) Act 2003	73		
– Objections	22		
– Revenue	68		
<b>E</b>			
E-commerce initiatives	15		
Educated clients	20		
Education and awareness			
EEO Strategies 2004-2005	81		
EEO target groups	83		
Efficient systems	15		
Electronic			
– Duties returns	9, 18, 20		
– Land tax valuation and clearance certificates	15		

– Payment	4, 19
– Pay-roll tax annual returns	18
– Services	9, 21
Eligibility criteria	74
Employee assistance	25
Employee benefits and other provisions	36
Energy efficiency	17
Energy management policy	17
Enforcement sanctions initiated	91
E-payments services	16
Equal Employment Opportunity	81
EQUIP	23, 81
Equity transfers	39
Ethnic Affairs Priority Statement –	
– Achievements 2003-2004	82
– Strategies 2004-2005	82
Evidence based compliance	16
Excellent personal service	20
Executive Director's	
– Message	9
– Statement	28
Executive Office	7
Expanded Revenue Services	3
Expenses	43

## F

Factsheets	77
Federal tax equivalents	2, 11
Financial audits	86
Financial instruments	57
Financial statements	27, 34
Fine debtors (State Debt Recovery Office)	62
Fine defaulter	13
Fine Enforcement	3, 90
– Operations	12
– Processes	16
– Reference Committee	79
Fine write-off	13
Fines	69
– Act	3, 16, 21, 75
– Amendment Act 2004	16, 75
First home benefits	14
First Home Owner Grant	12, 14, 22, 72
First Home Plus	3, 14, 21, 74
Focus	3
FOI requests	80
Forge powerful stakeholder relationships	26
Fraud prevention strategy	86
Freedom of Information	80
Funds disbursed	2

## G

Gain/(loss) on disposal of non-current assets	46
Gaming and racing	2, 11
Gaming machine tax	11
Good law	20
Goods and Services Tax	37
Government Initiatives	26
Grants	14
Guarantee of Service	88

## H

Hardship Board of Review	13
Health and Safety statistics	24
Health insurance levy	2
Human resources system	24

## I

Impact of adopting Australian	
Equivalents to International Financial	
Reporting Standards	39
Improved legislation	3
Improved processes	3
Improved systems	3
Increase in net assets from equity transfers	54
Individually significant items	46
Information Security Management	
AS/NZS	15
Information Services	6
Information Services Division	8
Information systems audits	86
Infringement processing	16, 89
Infringement processing and fine enforcement	12
Infringement Processing Bureau	3, 9, 12
Initiatives	3
Insurance	37, 87
Insurance protection tax	2, 11
Internal audit	86
Investment income	36
IPB revenue collected (client)	90
IPB revenue collected (Crown)	90
IPB traffic and parking fines	2

## J

John Pierce	6
-------------	---

## K

Keno tax	11
Key performance indicators	4

## L

Land tax	2, 11, 60, 61, 64, 68, 77
– Act 1956	75
– Clearance certificates	4
– Debt	13
– Equity	12
– Management Act 1956	73, 75
– Objections	22
– Threshold	11
Learning and development	24
Leased assets	38
Legal changes	72
Legislative reviews	76
Light Eco power saver systems	17
Liquidations	13
Lithgow	9
Lithgow relocation	3
Long service leave and superannuation	36
Long-term outstanding debt	13

## M

Maintenance and repairs	38
Management Services	6
Management Services Division	8
Maximise client satisfaction	18
Maximise compliance	10
Maximise effectiveness and efficiency	15
Maximise organisational and staff capability	23
Media advertising	12
Michael Egan	6
Mike Kennedy	6, 8
mini-Budget	3, 9, 10, 11, 21, 26
Ministerial representations	85
Mission	2
Mortgages	10
Motor vehicle registrations	10

## N

National tax equivalent regime	11
Net cash flows from operating activities	31
Net cost of services	29
New business integration	17
Non-current assets – plant and equipment	50
Number of infringement notices issued - (Crown)	89
Number of infringement notices issued (client)	89

## O

Objections and reviews	22
Objectives	2
Occupational health and safety (OH&S)	23
– Committee	78
Office of Financial Management	2, 6
Office of State Revenue	2, 6
OH&S peak committee	78
Online forms	19
Online seminars	19
Online Subscription Service	15, 18
Open Source technologies	16
Organisational structure and functions	7
Original budget appropriation/ expenditure	33
OSR and NSW Land and Property information liaison committee	78
OSR Connect	77
OSR website	19
OSRAssist	3, 15, 18, 20
Other assets	39
Other provisions	37, 52
Other revenue and taxes	2, 10
Outstanding debt	13
Outstanding fines	13
Outstanding fines referred for enforcement	90
Overall staff satisfaction	4
Overdue amounts	59, 60
Overdue debt	4, 13
Overseas travel	88

## P

Parking space levy	2, 12, 68
– Objections	22
Parliamentary appropriations and contributions from other bodies	35
Payables	39
Payment Options	19
Payments	31
Pay-roll tax	2, 11, 12, 60, 61, 64, 68, 77
– Act 1971	74
– Annual reconciliation returns	3, 15
– Tax debt	13
– Objections	22
– Project	12
People and performance	26
People plan 2004-2005	23
Performance plan	4
Performance statement	85
Peter Achterstraat	6, 7, 9
Petrol subsidy scheme	14
Petroleum Products Subsidies Act	3
Plant and equipment	38
Powerful systems and processes	3, 4
Premium Property	
– Act	3
– Duty	3, 75
– Tax	11, 75
Principal place of residence	73
Privacy	22
Privacy management plan	22
Processing time	20
Program statement	32
Programs and activities of OSR	48
Publications	77
Putting our people first	23

## Q

Quarterly Bulletin	77
--------------------	----

## R

Receivables	39
Reconciliation of cash flows from operating activities to net cost of services	57
Reconciliations	51
Records management	15
Recruitment and selection	24
Recruitment over three years	84
Recycled office paper	17
Relocation	9
Remissions	65
Reporting entity	34
Representation of EEO groups	84
Residence requirement	74
Restructuring	23
Revaluation of physical non-current assets	38
Revenue	2, 45
– Administered	3
– Advisory Services	6, 7
– Collected	2, 4, 10, 67
– Compliance	26

– Earned	70
– from duties	10
– Performance	25
– Recognition	35
– Receipt electronically	4
– Rulings	7, 77
Review of	
– the Duties Act 1997	76
– the Petroleum Products Subsidy Act 1998	76
– the Premium Property Tax Act 1997	76
Reviews	81
Risk Management	87
RTA sanction lifting	21
RTA sanctions	91

## S

Salaries and wages, annual leave, sick leave and on-costs	36
Sale of goods and services	36
SDRO fines	2
Self Enforcement Infringement Notice System (SEINS)	90
Senior Executive Service profile	84
Service delivery	20
Service delivery outlets	20
Service and efficiency	26
Settlement facilities	20
Shared corporate services strategy	16
Significant legal cases	76
Skilled and committed people	3, 4
Skills Incentive Program	81
Smooth processes	20
Staff	
– by employment basis	83
– consultative forum	79
– development and organisational capability	24
Staff survey	23
Staffing	81
Stakeholder Foundations	26
State Debt Recovery Office	6, 8, 9
State Revenue Legislation Further Amendment Act 2003	72
State Taxes Liaison Committee	79
Statement of cash flows	31
Statement of financial performance	29
Statement of financial position	30
Statement of internal control responsibility	87
Statement of performance	85
Strategic planning - Vision 2009	25
Stronger Revenue Base	3, 4
Subsidies	14
Subsidy for petroleum products	14
Summary of compliance with financial directives	33
Summary of significant accounting policies	34

## T

Tax equivalents	68
Tax threshold	75
Taxation Administration Act 1996	72
Taxation Administration Regulation 2003	74
Taxpayers' rights	89
Technology	16, 18
Ted Withers	6, 7
Telephone enquiry service	20
The Agile Organisation	25
The year in review	10
Tony Newbury	6, 7
Total	
– Assets	30
– Current assets	30
– Equity	30
– Expenses	29
– Government contributions	29
– Liabilities	30
– Payments	31
– Receipts	31
– Retained revenue	29
– Revenue earned	70
Training requirements	4
Transfer duty debt	13
Treasurer	5, 6
Treasury	5, 6
Treasury Consultative Committee	79
Treasury letter	5
Trust funds	39, 58

## U

Unclaimed money	2, 14, 19, 68
– Act 1995	73

## V

Values	2
Value-able people	26
Vendor Duty	3, 10
Vendor duty exemptions	74
Vision	2
Vision 2009	3, 9, 20, 25, 26

## W

Waste reduction	17
Waste Reduction and Purchasing Policy (WRAPP)	17
Workforce management	3
Workforce planning	23
Write-offs	13

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