Education Plan

State Revenue Office

July 2008

Department of Treasury and Finance

Revenue Branch

Tasmania

Contents

Introduction

The State Revenue Office is responsible for the administration of state taxation legislation. We manage the assessment and collection of state taxes and if requested we provide advice to taxpayers. It is our role to ensure that taxpayers comply fully with Tasmania's taxation laws and it is also our role to collect outstanding state taxation debts.

Through our ongoing risk assessment, audit outcomes and taxpayer enquiries, we have identified areas where education strategies will decrease the risk to the collection of state taxes and make it easier for taxpayers to comply. This plan addresses these identified risks as well as ongoing strategies to develop communication channels with taxpayer representative groups and education providers.

This plan addresses the education component of the risk assessment, where raising awareness of state taxes may encourage self-compliance.

The plan current at July 2008 will be reviewed on a quarterly basis.

Taxpayer communication

In 2007 the SRO and the Law Society formed the SRO/Law Society Consultative Committee to facilitate communication and liaison. This committee provides an avenue for law society members to provide comment on both current and new policies and procedures in development by the SRO. It also provides a forum for the SRO to raise issues of concern with the Law Society.

The SRO will contact other taxpayer representative groups during 2008-09 to discuss the development of a similar mechanism to progress mutual items of concern.

Education Providers

In 2007/08 the SRO consulted with the University of Tasmania, TAFE and the Law Society with a view to incorporating information on state taxes in course curricula. This contact met with favourable results with the providers listed below either willing to host SRO information sessions or to include state taxes in their course curricula. Further work will be undertaken in 2008-09 to finalise the following items:

- University of Tasmania – the provision of a short information session to students in both the Law and Business faculties on state taxation.
- TAFE – Inclusion of state tax information in curricula for legal clerks and secretaries.
- Continuing Legal Education – the provision of a short information session on a range of Duties issues.
- Legal Practice course – the provision of a short information session on Duties and Land Tax to practitioners completing their Articles.

Information sessions

1. Communication forum "Update with the Commissioner"

These forums will be held in regional centres throughout Tasmania in July/August 2008. The forums will include items of interest for major stakeholders, including:

- rulings review and administrative reform program;
- Taxpayer Charter;

- abolition of duty on the transfer of ‘non-real business assets’;
- 2007/08 audit results and 2008/09 audit program; and
- program of information events for 2008/09.

Note: Payroll Tax Harmonisation will be covered in a separate forum.

2. In-house information sessions

In 2008-09 we will be developing information sessions on all state taxes to be provided to external parties at our Office at 80 Elizabeth Street, Hobart. It is intended that the sessions be provided free of charge, and where possible will be developed to provide credit towards meeting the Continuing Professional Development requirements of attendees.

	Proposed schedule
Duties Act for Property Professionals	September 2008
Legality of Contracts	February 2009
Land Rich Duty	TBA
Payroll Tax Annual Adjustment	March 2009

3. Payroll Tax Harmonisation

On 1 July 2008, Tasmania harmonised its payroll legislation with Victoria and New South Wales. This was in response to a national commitment for all states to adopt uniform legislative provisions and administrative arrangements that will lessen the burden on businesses lodging returns in more than one state.

Advice on the proposed legislation was issued to stakeholders via the SRO web site and in hard copy via mail in April and May. Information has been issued to stakeholder representative groups and information sessions will be conducted around the State in August 2008 after the Bill has received Royal Assent. A new 1800 payroll tax hotline will be available to answer taxpayer queries.

Cessation of payroll tax grants and rebates

The Government undertook a review of the effectiveness of grant and rebate programs as part of the 2007-08 budget development process and made the decision to cease all current indirect payroll tax assistance programs, with offsetting additional direct assistance where there was a sound policy basis to do so.

The majority of grants and rebates were discontinued from 1 July 2008. The remaining grants to information technology companies will be phased out over a number of years as follows:

Rebate reduced to	**Date**
75% of payroll tax liability from	1 January 2008
50% of payroll tax liability from	1 July 2008
25% of payroll tax liability from	1 July 2009
Nil from	1 July 2010

Action: To advise recipients of the rebate of the ongoing reduction in the amount of the rebate.

Audit Activities

We undertake a number of audit programs on various tax lines throughout the year. During the course of several audits a SRO staff member may identify a common error that could be addressed with education advice or an education program. To mitigate the risk to both the taxpayer and the SRO a new process will be implemented to capture data.

Action: To implement a new process to capture and assess audit information on common errors.

State Revenue Office Website

We reviewed our website in 2007-08, taking into account comments received from users of the website, as well as conducting external useability testing. In 2008-09 we are redesigning the website as recommended by the review to; provide better navigation; plain English html pages; re-arranging public documents for easier access and a new website look. We will also be reviewing all of our website publications, with an aim to; rewrite some documents into plain English; group publications into tool kits for specific stakeholder groups; and make the publications more accessible for taxpayers.

Taxation Risks and Education strategies

The following issues have been identified through our ongoing risk assessment, audit outcomes and taxpayer enquiries. The aim of these education strategies is to decrease the risk to the collection of state taxes.

1. Duties

Duties are a tax on certain transactions or documents listed in the *Duties Act 2001*. The following identified duties risk areas that will be actioned in 2008-09:

Duty on non-real property component of business conveyances

Duty on the non-real-property component of business conveyances (eg goodwill, licences and intellectual property) was abolished from 1 July 2008. From this date, duty will no longer be payable on the value of the goodwill (other than site goodwill, which is the component of goodwill that is attached to the land), intellectual property or licences associated with the transfer of ownership of a business.

The risk to revenue is the failure to collect the correct amount of revenue following abolition.

Action: To provide information to taxpayers and other government departments regarding the changes in legislation.

Collection of correct revenue

It is the responsibility of the SRO to collect the correct amount of revenue for all state taxes. There have been several instances where document details were amended after stamping of the document had occurred.

The risk to revenue is the failure to collect the correct amount of duty for a document.

Action: To encourage self-compliance by raising awareness of compliance requirements, through issue of articles in stakeholder publications and website latest news items.

Land rich

As part of the anti-avoidance provisions contained in Chapter 3 of the *Duties Act 2001,* duty is imposed on acquisitions of certain interests in Land Rich Corporations.

The risk to revenue is the failure of the SRO to collect the correct amount of revenue from transfers subject to the land rich provisions.

Action: To provide information to taxpayers and other government departments regarding the requirements of the legislation.

Motor vehicle

Duty is charged on an application to register a motor vehicle or a notice of change of beneficial ownership. The risk to revenue occurs when a purchaser does not declare the correct market value on the application.

Action: Conduct an advertising campaign in relevant publications.

2. First Home Owner Grant

To offset the impact of the introduction of the goods and services tax (GST), the Commonwealth, States and Territories agreed to implement arrangements to assist first home buyers through the establishment of the First Home Owner Grant. Each State and Territory Revenue Office is responsible for administration of the grant in their respective jurisdiction.

The following identified risk areas to FHOG will be actioned in 2008-09.

Ineligible applicants receiving the grant

FHOG applicant/s who have received the grant, may be asked to repay the grant if, on further investigation by the SRO, the applicant/s are found not to have met all the eligibility criteria. This has occurred because the applicants have not disclosed information in their application for the grant, for example they are not an Australian citizen, or have not declared prior ownership of a property or spouse details.

The risks to the SRO are paying the grant to ineligible applicants, and the negative publicity of ineligible applicants receiving the grant.

Action: To provide face to face education program to agents and brokers who are authorised to process grant applications. The program will highlight the importance of advising the applicants of the eligibility criteria and their responsibility to comply.

Failure of applicants to meet conditions of the grant

When a FHOG grant is issued, the applicant/s must reside in the property for a continuous six month period within twelve months of the date of purchase or completion of construction.

The risk to revenue is paying the grant to ineligible recipients.

Action:

- **Promoting awareness of the residency requirement to agents and brokers as part of face to face education program.**
- **Develop educational material to be issued with grant approval letter.**

FHOG application errors

Agents process the FHOG application on behalf of the recipient. Through audit activities, a risk to revenue has been identified as a result of errors in processing applications.

Action:

- **To prepare training programs for agents and their staff.**
- **Develop education material to be issued to agents.**

3. Land Tax

Land tax is an annual tax payable by the owner of land as at 1 July each year. The SRO administers land tax under the *Land Tax Act 2000,* the *Land Tax Rating Act 2000* and the *Taxation Administration Act 1997*.

Land tax is calculated on the assessed land value (determined by the Valuer General) of all taxable properties held by the owner.

The following identified risk areas to land tax will be actioned in 2008-09.

Incorrect classification of land

The SRO issues land tax to taxpayers based on the land classification. The land classification is obtained from the Land Titles Office when land transfers between parties. If a change in classification occurs outside of this process, it is the responsibility of the land owner to advise the SRO of the change in usage.

The risks to the SRO are the incorrect calculation of revenue, resulting in both overstated and understated land tax revenue being collected.

Actions:

- **To contact the Real Estate Institute to discuss the best method of informing taxpayers that when a property is rented, they are no longer eligible for principal place of residence classification.**
- **To produce promotional material for primary production land classification for distribution to rural areas, and promote on local radio networks.**
- **To discuss with the Law Society the use of the correct land classification on the notice of sale form. Request issue of advice through members' email and law letter.**
- **Advertise in real estate guide about both principal place of residence and primary production land classifications.**
- **Submit an article for publication in the Tasmania Farmer on primary production land.**

Failure to pay outstanding land tax

There has been a sharp increase in the number of outstanding land tax accounts. The risk to the SRO is the loss of revenue for the state and the increased costs in debt recovery.

Action: To prepare articles for inclusion in relevant publications issued by peak bodies, with the aim to increase self-compliance through education.

Incorrect company grouping

The *Land Tax Act 2000* specifies the way in which the value of land owned by companies in Tasmania is to be assessed. Section 24 (2) of the Act provides that related companies are to be grouped for land tax purposes and are to be treated as a single entity. Consequently, land holdings held by grouped companies is aggregated to determine the amount of land tax payable by the group.

The identified risk to revenue is the incorrect company grouping resulting in incorrect calculation of tax.

Action: Provide an information session on grouping to relevant bodies.

4. Payroll Tax

Payroll tax, which is calculated on wages paid or payable, is imposed and collected in Tasmania in accordance with the *Payroll Tax Act 2008*. An employer, whether in Tasmania or elsewhere, who

- pays wages to employees who provide services in Tasmania for that employer; and
- whose total taxable wages paid in Australia are greater than a specified threshold amount

is liable for payroll tax in Tasmania.

The following identified risk areas to payroll tax will be actioned in 2008-09.

Not registering to pay tax

Employers must register to pay payroll tax in Tasmania when their group yearly wages exceed $1.01 million or where, during a month, their weekly wages exceed $19 423. There are regular instances when employers fail to register to pay payroll tax.

The risk to the SRO is the loss of significant revenue for the State and the increased cost of compliance.

Action: To raise awareness through liaison with stakeholder representatives, advertising and seminars.

Incorrectly declared wages

A common error for employers is the incorrectly declared wage components, for example: termination payments; salary sacrifice superannuation contributions; fringe benefits; and taxable allowances.

The risk to the SRO is the loss of revenue for the State and the increased costs of compliance.

Action:

- **To review public documents to ensure they are written in plain English and easily accessible.**
- **To conduct public seminars for taxpayers and their representatives.**

Inaccurate declaration of group wages

Employers are grouped for the purposes of the Act where:

- companies are "related"; or
- employees of one business are used in another business; or
- the business conducted by persons, corporations, partnerships or trusts are commonly controlled.

Employers often fail to identify that they are part of a group as outlined in the Act.

The risk to the SRO is the loss of revenue for the State and the increased costs of compliance.

Action:

- **To conduct public seminars for taxpayers and their representatives.**
- **To raise awareness through liaison with stakeholder representatives, advertising and seminars.**