

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

TREASURY

Australian Taxation Office

(Budget Estimates 29 May 2007)

Question **BET 113**
Topic: **Unspent funds against 2006-07 budget**
Hansard Page: **E95**

Senator **Sherry** asked:

In the area of outcome appropriation and each output, can you provide details of the unspent funds against the 2006-07 budget, including the 2006-07 additional estimates and funding requests?

Ms Granger—We will take that on notice.

What happens to unspent amounts? Do they lapse at the end of the financial year or are they rephased or reallocated across the forward estimates?

Ms Druhan—They do not lapse at the end of the financial year.

Senator SHERRY—So what happens?

Ms Druhan—They remain effectively unspent.

Senator SHERRY—Are they carried over?

Ms Druhan—They carry over to the extent that an agency could request to run at a loss in a subsequent year, but that requires the approval of the Minister for Finance.

Senator SHERRY—Are you able to provide me with an approximation of the current list of the 10 biggest underspends?

Ms Druhan—I would have to take that on notice.

Answer

The Tax Office anticipates that full year expenditure will fall short of our budget by between \$50 million and \$100 million. This relatively minor underspend only represents between 2 to 4% of our total budgeted expenditure.

There are the three main factors giving rise to the underspend:

1. Accounting adjustments required to comply with accounting standards which are reducing depreciation and employee leave provisions expenses.
2. Difficulty in attracting adequately skilled accounting staff and IT professionals to fill all advertised positions in light of current market pressures. Lower than budgeted staff numbers has also reduced a range of associated supplier expenses.
3. Delays in the passing of legislation for the Tax Practitioner Legislative Framework.

These factors will impact most significantly on Output 3 - Compliance assurance and support for revenue collection and Output 2 - Management of revenue collection and transfers, with both these outputs expected to be underspent for the year.

Internally, the Tax Office is arranged into a number of key functional areas, known as sub plans. Each sub plan is headed by a member of the Tax Office Executive and is allocated a discrete budget to manage. At the individual sub plan level, the adoption of sound budget management practices during the year has resulted in relative minor variances to budget.

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The largest variances in \$ amounts are in the following sub plans:

1. Compliance sub plan is forecast to underspend by \$18 million which represents 1.9% of the Compliance budget – this reflects difficulties in attracting staff in the current market and delays in the Tax Practitioner Legislative Framework legislation.
2. IT sub plan is forecast to underspend by \$15 million which represents 3.6% of the IT budget – this reflects difficulties in attracting staff in the current market.