



TAXATION INSTITUTE OF AUSTRALIA

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# 2004 Annual Report

# 2004

## Annual Report

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### National Council

Neil Earle (President)  
John de Wijn QC (Vice President; Chairman, National Technical Committee)  
Andrew Mills (Treasurer)  
David Williams (Chairman, National Education Committee)  
Damien Lockie (Chairman, National Membership and Services Committee)  
Arlene Macdonald  
Peter Moltoni  
Harry Rigney  
Joan Roberts  
Sue Williamson

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ABN: 45 008 392 372

# // President's Report



It is my pleasure to report to you on significant progress in Institute activities and operations in 2004. As an organisation that requires a high level of cooperation between volunteers and staff it has been very pleasing as President to see that partnership working so well in 2004 and as a result generating positive outcomes for all concerned.

On that positive note I would mention the following as highlights for the year:

- The continuing high standard of the Institute's tax education products and events across a wide range of technical areas and Member interests. The further development of our web services greatly assisted both communication to Members of technical information and interaction with Members. Our goal of being "first and best to the market" was certainly achieved in many areas during the year. My thanks to our Business Alliance Partners for their invaluable assistance during the year.
- The Institute's input into the tax technical debate and submissions to all levels of Government continued at a fast pace and facilitated the communication of Members' concerns and issues affecting their practices and client businesses. A key feature of this input was the

achievement of legislative amendments and administrative concessions that very significantly assisted Members and their clients with the resolution of long standing problems.

- Development of strategic initiatives for the delivery of improved services to Members and facilities for staff and Members. One of my primary goals as President has been to finalise plans that could over time create a revenue base that does not rely so heavily on a discretionary spend by Members and achieved by comprehensively giving Members new armoury to fight the "terrible twins" of tax – complexity and time. So you can rest assured that some very exciting and beneficial Member services are going to go "online" in 2005.
- Continued work with the ATO by all the professional bodies saw ever increasing services by the ATO to tax agents, particularly via the web portal and development of the Strategic Framework for Tax Agents. As more initiatives come online the workload on agents is easing and I acknowledge the effort that Michael Carmody and his team are making to facilitate these improvements.
- A very successful implementation of the new National Council structure created as a result of the constitutional changes in 2004. This has included a complete review of the Institute's policies and procedures manual which ensures an efficient and appropriate conduct of the Institute's affairs. The Institute is indeed fortunate that it has such a capable and dedicated National Council which of course reflects the underlying State Councils and divisions both National and State who work tirelessly on Institute affairs.
- A financial result for the year that enables the Institute to move forward with

confidence that our products and services have the overwhelming support of Members.

- Overall the Institute continued its standing as the pre-eminent taxation body in Australia and maintained a high level of communication and respect from all levels of Government, Treasury and the revenue authorities.

Whilst space does not permit me to cover all of the "wins" for the year I set out below some that have required much attention and are continuing to do so.

## Regulation of the tax profession

Getting clarity around the regulation of the tax profession, including bookkeepers providing BAS services, was a high priority in 2004 finally resulting in draft Taxation Determination TD 2004/D22.

Unfortunately this draft institutionalises an inequity in that registered tax agents will be potentially subject to a stricter level of regulation under section 251L than persons who are not registered tax agents. This is now compounded by proposed legislation dealing with a "tax promoter penalty" regime, confusing statements by ASIC on what constitutes tax advice, the super choice regime and further work being undertaken by the ATO on their relationship with tax advisers.

The Institute was part of a very successful campaign that resulted in a Parliamentary recommendation that recognised accountants should be able to provide advice on all superannuation fund structures under the Financial Services Reform regulation. Hopefully this will be accepted by the Federal Government including an ability for Members to assist with the choice of superfund regime.

## Working with the IGOT, the Board of Taxation and NTLG

The Institute meets regularly with these peak bodies to discuss key aspects of the tax system, including such issues as review of compliance costs, regulation of tax advice, GIC remissions and ATO debt collection practices. We value our good working relationship with those bodies.

The Institute's role in coordinating NTLG issues for consideration by the ATO is critically important in ensuring an efficient and timely communication with the ATO at the highest level. During the year we were able to work with the professional bodies and the ATO to achieve high quality agenda items and input by the ATO on important issues for the profession. In addition our own direct contact with senior ATO officials facilitates an efficient communication and resolution of significant issues.

## Practical administration of the tax law

We saw the Commissioner use his broad discretion under the tax laws to administer the tax system so that he could put in place practical solutions to some long standing problems caused by inequitable "drop dead" tax laws, eg Family Trust Elections. Whilst we did play a key role in this matter and we support the Commissioner's use of his discretion, our concern is that it is only a band-aid solution to what are often situations governed by defective legislation that require a proper legislative fix.

## Superannuation

Our representations to Government, Treasury and the ATO yielded positive results including:

- amending legislation to stop quarterly superannuation contribution notices from employers to employees and satisfactory resolution of the issues concerning

proposals on the tax treatment of at call loans unfairly affecting the SME sector; and

- draft ruling on the deductibility of expenses paid by an employer on behalf of a superannuation fund.
- Towards the end of 2004, the ATO embarked on a data-matching project for SMSFs. Whilst the ATO has an obligation to oversee the administration of these funds, this is an example of an exercise that went horribly wrong, whilst at the same time illustrating that the ATO listens to the Taxation Institute and can take prompt corrective action.

## At Call Loans

In April 2004, the Institute responded to the Treasury discussion paper on proposals dealing with the tax treatment of at call loans. As a general position, the Institute is of the view that there are few if any circumstances in which at call loans qualify as an "equity interest". Division 974 should have no application to at call loans generally. We remain concerned about the impact of Treasury's proposals on all levels of business, particularly the SME sector.

## Service Trusts

The Institute was involved in a number of confidential consultations and drafts on a proposed ruling clarifying the ATO's position on service trusts. A further draft of the ruling is now under consideration by the ATO with the Institute and the other professional bodies. To the extent that the final ruling does pose difficulties for Members and their clients we are endeavouring to facilitate Members having direct access to an ATO contact point to discuss their issues directly.

## ROSA

Another issue, which has resolved itself over the last 12 months, concerns the power

imbalance between the ATO and taxpayers, entrenched by the introduction of self-assessment. The Taxation Institute concerns related to the imposition of GIC and penalties (rates and remission), the narrowness of the Rulings process and inconsistency in amendment periods. Not only were our concerns picked up in the initial Treasury Discussion Paper ("Review of Aspects of Income Tax Self Assessment"), they were accepted by the Government on 17 December 2004. The Taxation Institute will monitor the implementation of the commitments to ensure they do redress the imbalance when implemented.

In conclusion and most importantly, to our CEO Noel Rowland and his staff across Australia I pass on the thanks of Members for your professionalism and hard work during the year. Your efforts are reflected in the excellent results achieved.

To you the Members a sincere thank you for your ongoing support and best wishes for 2005.



Neil Earle, President

# // CEO's Report



I am pleased to report to Members on the various activities of the Institute over the 2004 calendar year.

At the start of the year National Council adopted a number of long term goals, namely to:

- Actively develop a broad and long term membership base;
- Attract and retain highly skilled volunteers;
- Support, provide and facilitate value added, practical and high quality products and services;
- Improve internal systems and processes;
- Enhance the external marketing and promotion of the Institute;
- Be the most respected and influential in the development and improvement of tax policy and administration in Australia;
- Attract and retain highly professional, motivated, flexible and skilled staff; and
- Be a flexible and responsive organisation.

The Institute's activities over the 2004 calendar year focused on achieving these goals. Significant achievements and events during the course of the year included:

## Member Services

Institute membership numbers in 2004 plateaued, however it was pleasing to see a 20% increase in new membership applications for the year.

The Institute continued to focus on the new Student Membership initiative which was launched in 2003. At the end of 2004 the Institute had over 6,000 Student Members across Australia accessing the various benefits available. We were pleased in 2004 to launch a new product for students, ConTax, an electronic newsletter providing study tools and tips.

## Education

Highlights of the national CPE calendar in 2004 included the National Convention in Melbourne, a sell-out National Intensive in Noosa, the 4<sup>th</sup> Financial Services Conference and the Annual GST Symposium.

The Institute also hosted for the first time in Sydney the World Tax Conference, an initiative of the various Tax Institutes from around the world. The conference brought together over 250 speakers and delegates from over 30 countries.

One of the highlights was the panel of revenue officials from the UK, USA, Australia (represented by Commissioner Carmody) and New Zealand, during which we learnt of the existence of the Study Group on Asian Tax Administration and Research (SGATAR), coordinated by Michael D'Ascenzo, ATO Second Commissioner. SGATAR was established to facilitate discussion and coordination between the region's revenue authorities. The Taxation Institute has assisted with establishing a formal link between SGATAR and the Asia Ocean Tax Consultants' Association (AOTCA), a body of tax focused organisations in the region, and of which the Institute is a member.

I am pleased to advise that just recently AOTCA asked the Taxation Institute to be its representative at SGATAR meetings.

State highlights in 2004 included:

- NSW** 183.5 hours CPD, 60 events and 3,813 delegates.
- VIC** 99.5 hours of CPD, 34 events and over 2,500 delegates.

Over 1,200 attendees to the Breakfast Club.

A very successful joint Victorian/Tasmanian State Convention in Launceston.

- QLD** 34 events and a 34% increase in member attendances.

Launch of a monthly breakfast program.

- WA** 93.5 hours CPD, 43% increase in number of events.

A 62% increase in members that attended 2 or more functions during the year.

- SA/NT** 126 hours of CPD, 36 events and 2,372 delegates.

Presentation skills program for younger presenters.

Meritorious service awards to Jeff Lucy and Michael Evans.

- TAS** 600 delegates attended AM Tax Updates in Launceston and Hobart.

## Publishing

2004 marked the Institute's first foray into book publishing with the *Trust Structures Guide*, the New Definitive Guide to Structuring and Using Trusts. The "TSG" was launched in conjunction with Trusts Workbook events in every state and was an overwhelming success, with nearly 2000 copies sold. Members sent a very clear message that they need innovative, extremely

practical information products and accordingly we have also begun investigating other topic areas that will lend themselves to this style of product with a view to publishing a series.

We also branched into the CD Rom area, publishing the papers from the 4<sup>th</sup> World Tax Conference held in March on CD Rom. We made further content improvements to *Taxation in Australia* journal, ensuring articles covered the most relevant topics in the most practical way, and received some great feedback from Members about the journal. *Taxation in Australia* now features two new columns: "Member profile" each month introduces an Institute Member to readers, providing a vehicle for Members to network, share knowledge and experience; and "A Matter of Trusts" looks exclusively at trust issues – structures, asset protection, business succession etc.

2004 also saw the conversion of TaxVine to a fully traceable HTML newsletter, and the migration of the Institute's website, from a Vignette platform to an open source Cold Fusion platform. The web migration will allow the Institute to move forward with significant improvements in online services to Members.

### Advocacy

During 2004, the Institute was instrumental in bringing about a range of much needed technical changes to our tax laws, as well as significantly advancing improvements to the administration of our tax system, with notable achievements including:

- the adoption by the Treasurer of a range of recommendations put forward by the Taxation Institute in respect of improvements to the self assessment regime;
- initiating important legislative change through direct consultation with government on matters such as the reform of

CGT concessions for small business and the treatment of distributions from trusts to address our concerns about the effectiveness and fairness of the deemed dividend rules;

- improving the status of the tax profession through input into regulatory proposals as well as raising awareness of issues affecting the tax profession – like successfully opposing bankruptcy law changes impacting adversely on succession planning; and
- continuing to influence debate through highlighting Member concerns in the media particularly in relation to compliance costs and the impact of the increase in the ATO's audit activity.

### Business Alliances

The Institute continues to focus on establishing alliances which provide Members with access to discounted products or services. During 2004 Thrifty were added to the list of Institute alliance partners, joining CCH Australia and Thomson, two long standing supporters of the Institute.

### Finance and Administration

I am pleased to report a surplus from ordinary activities of \$181,178. Members will also note the increase in the building revaluation reserve as a result of the independent revaluation of the premises at Castlereagh Street. Whilst reporting on premises issues, I can also report that National Council in December decided to move the Institute's Sydney office out of Castlereagh Street and into more contemporary and efficient space. This move will enable the more efficient delivery of Member services and lead to administrative efficiencies.

During the year we also completed the design and began implementation of an

Institute wide three year IT strategic plan, incorporating SOE, Server and Networking infrastructure. We also vastly increased the integration of the Institute's membership, financial and event management applications.

### Outlook for 2005

Council and staff of the Institute are very positive looking into 2005.

Members may recall my mentioning a major piece of market research undertaken late in 2004 that has been used to shape our planned activities for 2005. In particular, Members again reiterated their desire for practical value added products and services that help them advise their clients. This has been and continues to be one of our high priority goals. A number of initiatives are planned in 2005 to further this goal, with one of these initiatives being an expanded workbook series with sessions on Trusts, FBT, CGT and Superannuation. A key element of the workbook series is the materials which include practical examples and checklists.

### Acknowledgments

Finally, thank you to all the volunteers, supporters and staff of the Institute who have worked tirelessly over the last 12 months to provide an excellent range of Member products and services.

Noel Rowland, CEO

# // Financial Report 2004

## Directors' Report

Your Directors present this report of the Institute for the year ended 31 December 2004.

### DIRECTORS

The names of each person who has been a Director during the year and to the date of this report are:

Glen Barton (appointed 21/03/01, resigned 29/03/04)

John de Wijn QC

Paul Dowd (appointed 28/03/03, resigned 29/03/04)

Neil Earle

Stephen Healy (alternate, appointed 7/12/04, resigned 8/12/04)

Craig Leighton (appointed 21/03/01, resigned 29/3/04)

Damien Lockie (appointed 29/03/04)

Barry Low (appointed 28/03/03, resigned 29/3/04)

Arlene Macdonald

Andrew Mills

Peter Moltoni

John Newby (appointed 26/03/02, resigned 29/03/04)

Harry Rigney (appointed 16/06/04)

Joan Roberts

Mark Robertson (appointed 28/03/03, resigned 29/03/04)

Andrew Sinclair (appointed 26/03/02, resigned 29/03/04)

David Williams

Sue Williamson

Directors have been in office since the start of the year to the date of this report unless otherwise stated.

### PRINCIPAL ACTIVITIES

The principal activity of the Institute during the year was the advancement of public knowledge and understanding of the laws relating to taxation, principally by way of conferences, seminars and meetings and the dissemination of information relating to such laws.

### OPERATING RESULT

The operating result for the year was a profit of \$181,178 (2003: \$67,711). The Institute is exempt from income tax.

### DIVIDENDS

The Institute's Constitution precludes the payment of dividends. Accordingly, the Directors do not recommend the payment of a dividend. No dividend has been paid or declared since the commencement of the financial year.

### REVIEW OF OPERATIONS

The aforementioned results for the year were considered pleasing,

particularly in light of the constantly challenging tax environment.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Institute that occurred during the financial year under review not otherwise disclosed in this report.

### AFTER BALANCE DATE EVENTS

There has not arisen in the interval between the end of the financial year and the date of the report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the Institute, the results of those operations or the state of affairs of the Institute in future financial years.

### FUTURE DEVELOPMENTS

The Institute will continue to pursue its policy of improving education services to Members and the public on taxation issues.

### ENVIRONMENTAL ISSUES

The Institute's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### INDEMNIFYING OFFICER OR AUDITOR

The Institute has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Institute or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings, or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings,

with the exception of the following matters:

During the financial year, the Institute paid a premium under a contract insuring each of certain officers against liability incurred in that capacity. Those officers consist of the Directors of the Institute named earlier in the report, the Institute secretary and other officers of the Institute, whose functions include the management of the Institute, financial management, strategic direction and human resources management of the Institute. The amount of the premium was \$18,146. The Institute has not provided any insurance for the auditor of the Institute.

### PROCEEDINGS ON BEHALF OF THE INSTITUTE

No person has applied for leave of court to bring proceedings on behalf of the Institute or intervene in any proceedings to which the Institute is a party for the purpose of taking responsibility on behalf of the Institute for all or any of those proceedings.

The Institute was not a party to any such proceedings during the year.

## Directors' Meetings

During the financial year to 31 December 2004, the following meetings were held and attendances were:

Name	Number of Meetings Eligible to Attend	Number of Meetings Attended
Glen Barton	2	1
John de Wijn QC	7	7
Paul Dowd	3	3 – 1 as alternate for David Williams
Neil Earle	7	7
Stephen Healy	1	1 – as alternate for Harry Rigney
Craig Leighton	2	2
Damien Lockie	5	4
Barry Low	2	1
Arlene Macdonald	7	6
Andrew Mills	7	7
Peter Moltoni	7	5
John Newby	2	2
Harry Rigney	4	3
Joan Roberts	7	7
Mark Robertson	2	Nil
Andrew Sinclair	2	2
David Williams	7	6
Sue Williamson	7	6

## Directors' Particulars

### **Glen Barton, BA, LLB (Natal), LLM (SA) LLM (Harvard), FTIA**

DOB 10/09/47 // Barrister and Solicitor // Appointed to National Council 1999, resigned March 2004 // Western Australian State Councillor since 1994

### **John de Wijn, QC, B. Juris, LLB (Hons), MPhil, FTIA**

DOB 29/03/52 // Queen's Counsel // Appointed to National Council 2003 // Victorian State Councillor 1989 -1997, since 2002 // Member National Executive Committee // Vice President // Chairman National Technical Committee

### **Paul Dowd, M Tax, FCA, FTIA**

DOB 06/01/50 // Chartered Accountant // Appointed to National Council 2003, resigned March 2004 // New South Wales State Councillor since 1999 // Chairman New South Wales Membership Services Committee // Member National Membership Services Committee

### **Neil Earle, FCA, FTIA**

DOB 20/03/49 // Chartered Accountant // Appointed to National Council 1997 // Victorian State Councillor since 1994 // Junior Vice President 2002 // Senior Vice President 2003 // President 2004

### **Stephen Healey, B.Bus, B.H.M.S, CA, FTIA**

DOB 15/08/66 // Queensland State Councillor since 2003 // State Convention Committee since 2003 // Sponsorship (BAPS) Committee since 2003

### **Craig Leighton, B Bus, M Tax, CA, FTIA**

DOB 09/01/69 // Chartered Accountant // Appointed to National Council 2001, resigned March 2004 // Tasmanian State Councillor since 1996 // Tasmanian State Chairman 2002

### **Damien Lockie, B Ec, LL B, LL M, FCA, FTIA**

DOB 22/09/58 // Barrister-at-Law // Appointed to National Council 1999, resigned March 2002 // Reappointed to National Council 2004 // Victorian State Councillor since 1994 // Victorian State Chairman 1998-2000 // Chairman National Membership and Services Committee since 2002

### **Barry Low, B Comm, M Tax, FCA, FTIA**

DOB 06/10/45 // Chartered Accountant // Appointed to National Council 1997, resigned March 2002 // Reappointed March 2003, resigned March 2004 // Queensland State Councillor since 1997 // President 2002

### **Arlene Macdonald, BA LLB, GDLP, FTIA**

DOB 20/03/52 // Barrister // Appointed to National Council 2001 // South Australian State Councillor since 1998 // Member National Education Committee since 2002 // Deputy Chair National

Education Committee 2004 // Chair South Australia Education Committee 2002-2003

### **Andrew Mills, B Bus, LLM, Grad Dip Tax Law, FTIA**

DOB 29/09/61 // Appointed to National Council 2001 // New South Wales State Councillor since 2000 // New South Wales Chairman 2002-2003 // Chairman National Technical Committee 2002 // Appointed Treasurer 2003

### **Peter Moltoni, B Comm, CA, FTIA**

DOB 27/04/58 // Chartered Accountant // Appointed to National Council 1996 // Western Australian State Councillor since 1991 // Western Australian State Chairman 1996

### **John Newby, B Comm, LLB, ACA, FTIA**

DOB 19/08/53 // Chartered Accountant // Appointed to National Council 2002, resigned March 2004 // Queensland State Councillor since 1995 // Queensland State Chairman 2003

### **Harry Rigney, LLB (Hons), LLM, Grad.Dip.Ed, FTIA**

DOB 02/04/48 // Barrister and Solicitor, Registered Tax Agent // Appointed to National Council 2004 // Queensland State Councillor 2004 // Chair Queensland Regional Committee

### **Joan Roberts, BA (Hons), LLB (Hons) LLM, FTIA**

DOB 18/08/49 // Barrister and Solicitor // Appointed to National Council 1999 // Tasmanian State Councillor since 1988 // Member National Education Committee

### **Mark Robertson, B Bus (Accy), LLB (Hons), BCL, SJD, FTIA**

DOB 28/04/67 // Barrister // Appointed to National Council 2003, resigned March 2004 // Queensland State Councillor since 1998

### **Andrew Sinclair, B Ec, LLB (Monash), CA, FTIA**

DOB 26/12/62 // Chartered Accountant // Solicitor // Appointed to National Council March 2002, resigned March 2004 // South Australian State Councillor since March 1998

### **David Williams, B Com, LLB, LLM (Hons), FTIA**

DOB 06/06/53 // Solicitor // Appointed to National Council 2003 // New South Wales State Councillor 1992 -1996 and since 2000 // NSW State Chairman 2003-2004 // Chair National Education Committee since March 2004 // Chair NSW Red Level Education Committee since 2000

### **Sue Williamson, LLB, B Comm, FTIA**

DOB 28/02/60 // Barrister and Solicitor // Appointed to National Council 2000 // Victorian State Councillor since 1995 // Member National Education Committee

## Statement of Financial Performance for the year ended 31 December 2004

	Note	2004	2003
		\$	\$
Revenue from ordinary activities	2	8,620,139	8,121,956
Employee benefits expense		(3,393,994)	(2,916,116)
Depreciation and amortisation expenses		(297,341)	(481,301)
Membership services	23 (a)	(3,537,764)	(3,599,976)
Administration expenses	23 (b)	(1,209,862)	(1,056,852)
Profit from ordinary activities before income tax expense		181,178	67,711
Income tax expense relating to ordinary activities	1(i)	–	–
Net profit from ordinary activities after income tax expense attributable to members of the Institute		181,178	67,711
Net increase/(decrease) in asset revaluation reserve	15	545,004	–
Total changes in equity other than those resulting from transactions with the owners as owners.		726,182	67,711

## Statement of Financial Position for the year ended 31 December 2004

	Note	2004	2003
		\$	\$
<b>CURRENT ASSETS</b>			
Cash assets	6	2,707,915	2,205,311
Receivables	7	142,480	104,953
Inventories	8	10,273	16,729
Other assets	9	368,787	342,809
<b>TOTAL CURRENT ASSETS</b>		<b>3,229,455</b>	<b>2,669,802</b>
<b>NON CURRENT ASSETS</b>			
Other financial assets	10	6	6
Property, plant and equipment	12	2,348,925	2,009,332
<b>TOTAL NON CURRENT ASSETS</b>		<b>2,348,931</b>	<b>2,009,338</b>
<b>TOTAL ASSETS</b>		<b>5,578,386</b>	<b>4,679,140</b>
<b>CURRENT LIABILITIES</b>			
Payables	13	2,857,048	2,740,686
Provisions	14	282,017	177,631
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,139,065</b>	<b>2,918,317</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	14	55,136	102,820
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>55,136</b>	<b>102,820</b>
<b>TOTAL LIABILITIES</b>		<b>3,194,201</b>	<b>3,021,137</b>
<b>NET ASSETS</b>		<b>2,384,185</b>	<b>1,658,003</b>
<b>EQUITY</b>			
Reserves	15	795,004	250,000
Retained Profits	16	1,589,181	1,408,003
<b>TOTAL EQUITY</b>		<b>2,384,185</b>	<b>1,658,003</b>

## Statement of Cash Flows for the year ended 31 December 2004

	Note	2004	2003
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from members and others		9,316,887	9,258,316
Payments to suppliers and employees		(8,535,313)	(8,074,889)
Interest received		145,090	94,592
Goods and Services Tax		(332,130)	(373,314)
Net cash provided by (used in) operating activities	19(b)	594,534	904,705
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		(91,930)	(73,218)
Net cash provided by (used in) investing activities		(91,930)	(73,218)
Net Increase/(decrease) in cash held		502,604	831,487
Cash at beginning of year		2,205,311	1,373,824
Cash at end of year	19(a)	2,707,915	2,205,311

# Notes to the Financial Reports for the year ended 31 December 2004

## NOTE 1. STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The Taxation Institute of Australia is a Institute limited by guarantee, incorporated and domiciled in Australia. The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The following is a summary of the material accounting policies adopted by the Institute in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### (a) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and only include direct costs.

### (b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

#### Property

Strata buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is the policy of the Institute to have an independent valuation every three years, with annual appraisals being made by the Directors. A revaluation was obtained in December 2004.

#### Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

#### Depreciation

The depreciable amount of all fixed assets including buildings are depreciated on a straight line basis over their estimated useful lives to the Institute commencing from the time the asset is held ready for use. The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2%
Plant and Equipment	20-33.3%
Online Education and Web Site Facility	33.3%

### (c) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

### (d) Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments.

## Notes to the Financial Reports for the year ended 31 December 2004

### (e) Employee Benefits

Provision is made for the Institute's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Institute to an employee superannuation fund and are charged as expenses when incurred.

### (f) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

### (g) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets as it is received.

Revenue from the sales of goods is recognised upon the delivery of the goods to the customers. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

### (h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

### (i) Income Tax

The Institute is exempt for income tax purposes under Section 50-5 of the *Income Tax Assessment Act 1997*.

### (j) Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purpose at the beginning of the next financial year.

The Institute's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage the Institute's transition to IFRS. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

## Notes to the Financial Reports for the year ended 31 December 2004

2004 2003

### NOTE 2. REVENUE

#### Operating Activities

Membership services	3,720,418	3,659,247
Rendering of services (conventions and seminars)	3,702,119	3,707,164
Sales of publications	875,634	591,791
Commercial sponsorship	72,925	24,533
Advertising revenue	102,331	43,160
	<b>8,473,427</b>	<b>8,025,895</b>

#### Non-operating activities

Sundry income	1,622	1,469
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#### Interest from

Other persons	145,090	94,592
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#### Total revenue

	<b>8,620,139</b>	<b>8,121,956</b>
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### NOTE 3. PROFIT FORM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax expense has been determined after:

#### Expenses

Depreciation of non-current assets		
– buildings	35,004	35,000
– plant and equipment	262,337	446,301
Remuneration of auditor		
– audit or review	11,108	10,310
– other services	1,430	14,250
Rental expense on operating leases		
– minimum lease payments	113,120	110,315

### NOTE 4. REMUNERATION AND RETIREMENT BENEFITS

No income was paid or is payable to the Directors of the Institute other than the President.	62,403	58,648
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### NOTE 5. DIVIDENDS

The Institute's constitution precludes the payment of dividends. Accordingly, the Directors do not recommend the payment of a dividend. No dividend has been paid or declared since the commencement of the financial year.

### NOTE 6. CASH ASSETS

Cash at bank	2,706,815	2,204,211
Cash on hand	1,100	1,100
	<b>2,707,915</b>	<b>2,205,311</b>

### NOTE 7. RECEIVABLES

#### CURRENT

Trade debtors	142,480	104,953
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## Notes to the Financial Reports for the year ended 31 December 2004

2004 2003

### NOTE 8. INVENTORIES

#### CURRENT

At cost

Goods for resale	10,273	16,729
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### NOTE 9. OTHER ASSETS

#### CURRENT

Prepayments	368,787	342,809
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### NOTE 10. OTHER FINANCIAL ASSETS

Shares in other corporations – at cost	6	6
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Shares in other corporations have been written down to their recoverable amount being the expected disposal proceeds from the sale of shares by all shareholders.

### NOTE 11. CONTROLLED ENTITIES

Subsidiary: The Australian Institute of Certified Tax Practitioners Pty Ltd

Country of incorporation: Australia

Percentage owned: 100 per cent (2003: 100 per cent)

The Institute's subsidiary — The Australian Institute of Certified Tax Practitioners Pty Ltd has not traded, hence its results are not materially significant.

#### Australian Tax Research Foundation (ATRF)

The Institute took over administrative responsibility for the ATRF in 2002. Whilst the Institute could exercise control over the ATRF, it does not and the Foundation continues to be run as an independent organisation with an independent Board.

It is the opinion of the Institute's auditor that consolidating the Foundation and the Institute's results would not lead to more meaningful information being provided to the users of the Institute's Financial Report.

The ATRF Annual Report can be viewed on the Foundation's website at [www.atrf.com.au](http://www.atrf.com.au)

### NOTE 12. PROPERTY, PLANT AND EQUIPMENT

Buildings at:

— independent valuation 2004	2,190,000	1,750,000
Less: Accumulated Depreciation	—	(70,000)
	2,190,000	1,680,000

Plant and Equipment – at cost	1,555,166	1,463,236
Less: Accumulated Depreciation	(1,396,241)	(1,133,904)
	158,925	329,332

Online Education & Web Site Facility	740,000	740,000
Less: Accumulated Amortisation	(740,000)	(740,000)
	—	—

<b>Total Property, Plant and Equipment</b>	<b>2,348,925</b>	<b>2,009,332</b>
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## Notes to the Financial Reports for the year ended 31 December 2004

	Note	2004	2003	
<b>(a) Movements in carrying amounts</b>				
Movement in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.				
	Property	Plant and Equipment	Online Education and Web Site Facility	Total
	\$	\$	\$	\$
Balance at the beginning of the year	1,680,000	329,332	–	2,009,332
Additions	–	91,930	–	91,930
Revaluation	545,004	–	–	545,004
Disposals	–	–	–	–
Depreciation or amortisation expense	(35,004)	(262,337)	–	(297,341)
Depreciation written back on disposal	–	–	–	–
<b>Carrying amount at the end of the year</b>	<b>2,190,000</b>	<b>158,925</b>	<b>–</b>	<b>2,348,925</b>

### NOTE 13. PAYABLES

#### CURRENT

Trade creditors	681,474	438,650
Income in advance	2,175,574	2,302,036
	<b>2,857,048</b>	<b>2,740,686</b>

### NOTE 14. PROVISIONS

#### CURRENT

Employee benefits	282,017	177,631
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#### NON-CURRENT

Employee benefits	55,136	102,820
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(a) Aggregate employee benefits	<b>337,153</b>	<b>280,451</b>
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(b) Number of employees at year end	<b>33</b>	<b>36</b>
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### NOTE 15. RESERVES

Asset revaluation reserve	795,004	250,000
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#### (a) Movements during the year

Opening balance	250,000	250,000
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Revaluation increase arising on revaluing buildings to fair value	545,004	–
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Closing balance	<b>795,004</b>	<b>250,000</b>
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The asset revaluation reserve records revaluations of non-current assets.

### NOTE 16. RETAINED PROFITS

Retained profits at the beginning of the financial year	1,408,003	1,340,292
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Net profit (loss) attributable to members of the Institute	181,178	67,711
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Retained profits at the end of the financial year	<b>1,589,181</b>	<b>1,408,003</b>
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## Notes to the Financial Reports for the year ended 31 December 2004

2004

2003

### NOTE 17. CAPITAL AND LEASING COMMITMENTS

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised  
in the financial statements:

Payable

– not later than one year	244,761	110,559
– later than one year but not later than five years	530,960	197,224
	<b>775,721</b>	<b>307,783</b>

The property leases are non-cancellable leases with three to five year terms, with rent payable monthly in advance. Contingent rental provisions within the lease agreements require that the minimum lease payments shall be increased by the lower of CPI or four per cent per annum. An option exists to renew the lease at the end of the terms for an additional term of three or five years.

### NOTE 18. SEGMENT REPORTING

The Institute operates with branches in each State and provides educational functions to its Members and the public. It conducts conventions and seminars as part of its educational functions and produces a monthly journal as a service to Members but it does not ascribe separate results or use of assets to its educational or Member services segments.

### NOTE 19. CASH FLOW INFORMATION

#### (a) Reconciliation of Cash

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial performance as follows:

<b>Cash on hand and at bank</b>	<b>2,707,915</b>	<b>2,205,311</b>
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#### (b) Reconciliation of cash flow from operations with profit from ordinary activities after income tax

Profit from ordinary activities after income tax	181,178	67,711
Non-cash flows in profit from ordinary activities		
Depreciation	297,341	465,267
Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries		
(Increase)/decrease in receivables	(37,527)	21,632
(Increase)/decrease in prepayments	(25,978)	(78,779)
(Increase)/decrease in inventories	6,456	(3,481)
(Decrease)/increase in payables	116,362	372,780
(Decrease)/increase in provisions	56,702	59,575
<b>Cash flows from operations</b>	<b>594,534</b>	<b>904,705</b>

## Notes to the Financial Reports for the year ended 31 December 2004

2004

2003

### NOTE 20. FINANCIAL INSTRUMENTS

#### (a) Interest rate risk

The Institute's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate	
	2004	2003	2004	2003
Financial assets	%	%	\$	\$
Cash at bank	4.28	4.24	7,915	201,588
Deposits at call	4.63	4.44	2,700,000	2,003,723
<b>Total financial assets</b>			<b>2,707,915</b>	<b>2,205,311</b>

#### (b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the income statement and notes to the financial statements.

The Institute does not have any material risk exposure to any single debtor or group of debtors under financial instruments entered into by the Institute.

### NOTE 21. MEMBERS' GUARANTEE

The Institute is a company limited by guarantee. Every Member of the Institute undertakes to contribute to the assets of the Institute in the event of its being wound up while he/she is a Member or within one year afterwards for the payment of the debts and liabilities of the Institute contracted before he/she ceases to be a Member and the costs, charges and expenses of winding up and for the adjustment of the rights of the contributors among themselves such amount as may be required not exceeding two dollars (\$2.00).

### NOTE 22. COMPANY DETAILS

The registered office of the company is:

C/O PricewaterhouseCoopers  
Level 1 25 National Circuit  
Forrest ACT 2603

The principal place of business is:

Taxation Institute of Australia  
Level 9 64 Castlereagh Street  
Sydney NSW 2000

## Notes to the Financial Reports for the year ended 31 December 2004

2004 2003

### NOTE 23. DETAILS OF OPERATING EXPENSES

#### (a) Membership services

Education	2,132,820	2,036,729
Publications	561,112	563,940
Technology support including web site and computer systems	681,846	831,493
Library and other services	161,986	167,814
	<b>3,537,764</b>	<b>3,599,976</b>

#### (b) Administrative expenses

Annual meetings	24,669	24,482
Audit and accounting fees	12,538	24,560
Bank charges	103,566	115,096
Electricity	14,245	13,492
Insurance	36,202	33,012
Legal fees	42,158	42,773
National committees	96,430	87,395
National Council	129,321	58,969
Occupancy costs	200,923	197,797
Postage, courier, and telephone	103,686	133,752
Presidents' remuneration	62,403	58,648
Printing and stationery	161,460	118,077
Promotion of Institute	71,694	40,649
Repairs and maintenance	12,370	10,270
State committee meetings	15,832	10,876
Sundries	18,851	278
Travelling expenses	103,514	86,726
	<b>1,209,862</b>	<b>1,056,852</b>

The additional financial data presented above in Note 23 is in accordance with the books and records of Taxation Institute of Australia Limited which have been subjected to the auditing procedures applied by WHK Greenwoods in its statutory audit of the Institute for the year ended 31 December 2004.

It will be appreciated that the statutory audit performed by WHK Greenwoods did not cover all details of the financial data presented in Note 23. Accordingly, WHK Greenwoods does not express an opinion on such financial data and no warranty of accuracy or reliability is given. Neither WHK Greenwoods nor any member or employee of WHK Greenwoods undertakes responsibility in any way whatsoever to any person in respect of such data, including any errors or omissions therein however caused.

## Directors' Declaration

The Directors of the Institute declare that:

1. The Financial Reports and Notes, as set out on pages 8 to 18, are in accordance with the *Corporations Act 2001*:
  - (a) comply with Accounting Standards and the Corporations Regulation 2001; and
  - (b) give a true and fair view of the financial position as at 31 December 2004 and of the performance for the year ended on that date of the Institute.
2. In the Directors' opinion there are reasonable grounds to believe that the Institute will be able to pay its debts as and when they become due and payable.



Neil Earle, Director



Andrew Mills, Director

This declaration is made accordance with a resolution of the Board of Directors, Melbourne, 22<sup>nd</sup> day of February, 2005

# Independent Audit Report

## Scope

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Taxation Institute of Australia Limited, for the year ended 31 December 2004.

The directors of the institute are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

## Audit approach

We conducted an independent audit in order to express an opinion to the members of the institute. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the institute's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

## Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

## Audit Opinion

In our opinion, the financial report of Taxation Institute of Australia Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the institute's financial position as at 31 December 2004 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.



WHK Greenwood

David Sinclair, Principal

Signed at Sydney, this 22<sup>nd</sup> day of February, 2005.