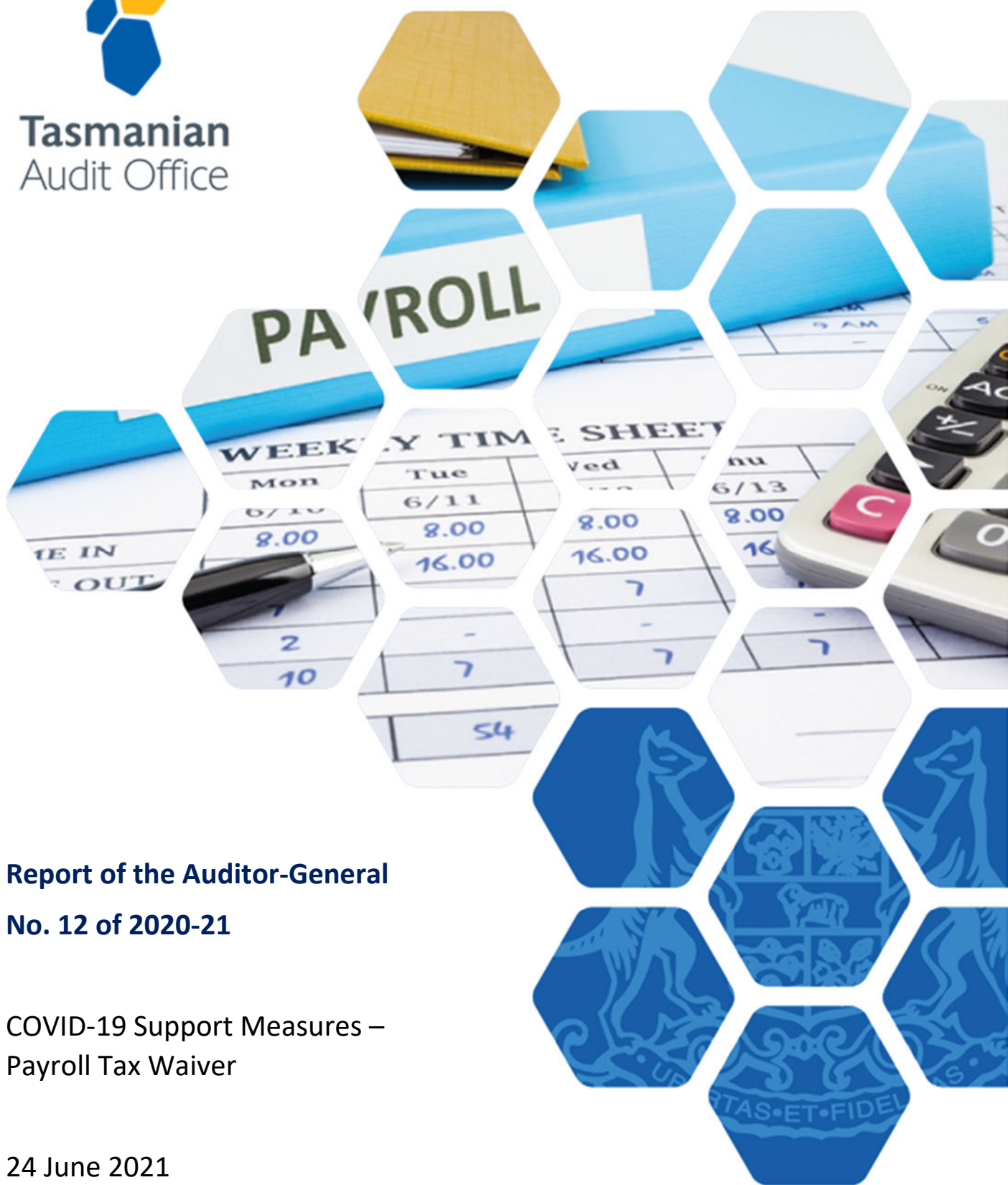




Tasmanian
Audit Office



**Report of the Auditor-General
No. 12 of 2020-21**

COVID-19 Support Measures –
Payroll Tax Waiver

24 June 2021

The Role of the Auditor-General

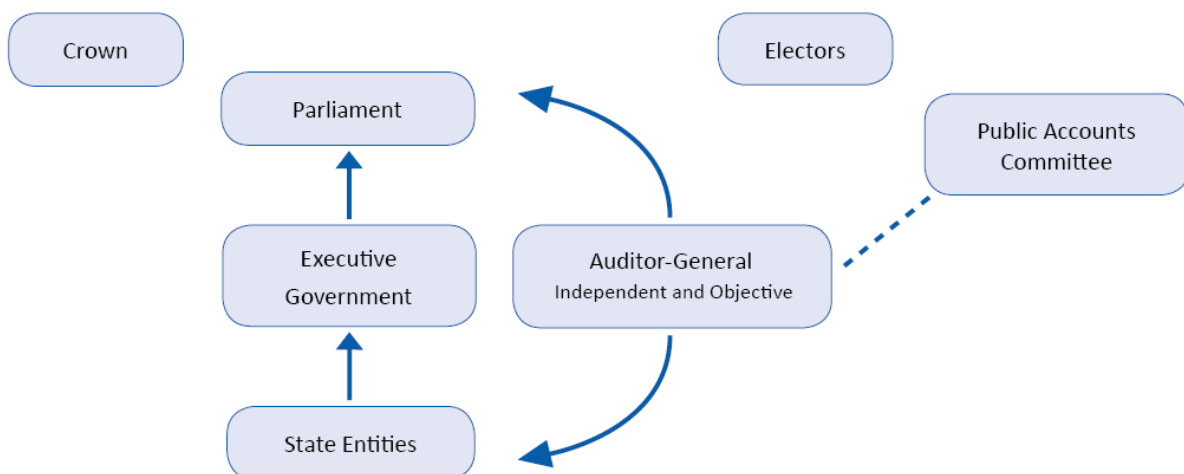
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The Auditor-General's Relationship with the Parliament and State Entities





**2021
PARLIAMENT OF TASMANIA**

COVID-19 Support Measures – Payroll Tax Waiver

24 June 2021

Presented to both Houses of Parliament pursuant to
Section 30(1) of the *Audit Act 2008*

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24 June 2021

President, Legislative Council
Speaker, House of Assembly
Parliament House
HOBART TAS 7000

Dear President, Mister Speaker

**Report of the Auditor-General No. 12 of 2020-21 – COVID-19 Support
Measures: Payroll Tax Waiver**

This report has been prepared consequent to examinations and investigations conducted under section 23 of the *Audit Act 2008*.

This report relates to my audit or review of selected COVID-19 stimulus measures and targeted support payments and expenditures. The objective of the review was to express a limited assurance opinion on the Department of Treasury and Finance's implementation of the Payroll Tax Waiver.

Yours sincerely

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Rod Whitehead
Auditor-General

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Table of contents

Foreword	1
Independent assurance report	3
Executive summary	6
Summary of findings	6
Recommendations	7
Submissions and comments received	7
1. Were the risks associated with the rapid implementation of the support measure managed effectively?	9
Chapter summary	9
The State Revenue Office established administrative arrangements quickly and promptly contacted businesses that may have been eligible for the support measure	9
The administrative arrangements were efficient while also minimising the risk of fraud	12
There was sufficient capacity to process applications consistently and as quickly as possible	14
2. Did controls ensure effective implementation of the measure?	18
Chapter summary	18
The eligibility criteria were consistently applied	18
Decisions were generally made in a manner consistent with relevant legislation.	21
Detailed communication with applicants ensured decisions were transparent and timely	21
Future reporting by businesses has been used to ensure the refund amount was accurate	22
The waiver included no right to objection in its design	22
Acronyms and abbreviations	23

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Foreword

It would be difficult to look back at 2020 without framing it in terms of the impact of COVID-19 on our lives. Tasmania, like every jurisdiction in the world, has had to grapple with how to position its health, education, social and economic responses. Those responses have needed to be rapid.

There is a greater risk of fraud, error and inequity when processes and allocation criteria are developed and implemented quickly. It was essential that, when stimulus funding was provided for distribution by the Tasmanian Government, the risk of providing funding to local businesses that did not need support as a result of the impact of COVID-19 was effectively managed. Careful design and implementation of preventative, detective and corrective controls to address this risk was therefore crucial in the circumstance we found ourselves in.

This is the third report in a series covering the audit or review of selected COVID-19 stimulus measures and targeted financial support payments and expenditures. A future report will cover selected measures administered by the Department of Communities Tasmania.

My hope from the audits and reviews of selected COVID-19 stimulus measures is twofold. Firstly, to bring some assurance to the Parliament and, more broadly, the community that effective controls were put in place and risks effectively managed to ensure the objectives of the funding have been met in supporting businesses and the community during these challenging times. Secondly, to provide some pragmatic recommendations to help improve the rapid implementation of stimulus funding programs in the event that we face a similar challenge in the future.



Rod Whitehead

Auditor-General

24 June 2021

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Independent assurance report

This independent assurance report is addressed to the President of the Legislative Council and the Speaker of the House of Assembly. It relates to my review of the Payroll Tax Waiver (Waiver)¹ administered by the State Revenue Office (SRO), which is part of the Department of Treasury and Finance (Treasury).

Review objective

The objective of the review was to form a limited assurance conclusion on the effectiveness of Treasury's implementation of the Waiver.

Review scope

This is the third report in a series covering the audit or review of selected COVID-19 stimulus measures and targeted financial support payments and expenditures. This review covered:

- the implementation of the Waiver
- the process for assessing applications against the eligibility criteria and approving payroll tax refunds and waivers
- reviews requested by unsuccessful applicants who believed their application had been unfairly assessed
- communication with applicants
- measures and controls around payments to successful applicants.

The review did not cover:

- waivers applied to Payroll Tax waiver for JobKeeper Payments
- regular payroll tax rebates and concessions, such as the rebate for employers who employ eligible apprentices, trainees and youth employees and businesses relocated to Tasmania.

Review approach

The review was conducted in accordance with Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements* issued by the Auditing and Assurance Standards Board, to express a limited assurance conclusion. The procedures performed in a limited assurance review vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance review is substantially lower than the assurance that would be obtained had a reasonable assurance engagement been performed.

¹ Waiver includes payroll tax refunds for the 2019-20 financial year.

The review evaluated the following criteria:

1. Were administrative arrangements commensurate with the risk associated with rapid implementation of a Government initiative?
2. Did controls ensure efficient and effective implementation of the payroll tax support measure?

I conducted my limited assurance review by making such enquiries and performing such procedures I considered reasonable in the circumstances. Evidence for the review was obtained primarily through discussions with relevant personnel and examining corroborative documentation and included:

- discussions with Treasury employees involved in implementing the Waiver
- information and evidence obtained from Treasury's internal auditor
- examination of relevant documentation relating to the Waiver, recording and assessment of applications and communication with applicants
- data supplied by SRO.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibility of management

Responsibility for administering the Waiver rests with the Commissioner of State Revenue (Commissioner). This includes the assessment of businesses' eligibility for the Waiver, refunding of payroll tax already paid in the 2019-20 financial year and approval of waivers for payroll tax not yet paid in the 2019-20 financial year in accordance with relevant legislation.

Responsibility of the Auditor-General

In the context of this review, my responsibility was to express a limited assurance conclusion on the effectiveness of Treasury's administration of the Waiver as evaluated against the criteria.

Independence and quality control

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance review.

Conclusion

Based on the procedures I have performed and the evidence I have obtained, nothing has come to my attention that causes me to believe that, in all material respects:

- (a) administrative arrangements were not commensurate with the risk associated with rapid implementation of a Government initiative
- (b) controls were not efficient and effective during the implementation of the payroll tax support measure.



Rod Whitehead

Auditor-General

24 June 2021

Executive summary

Summary of findings

On 17 March 2020, the Government announced that hospitality, tourism and seafood industry and other small to medium size businesses who may be affected by coronavirus could apply to have their payroll tax payments waived from March 2020 to June 2020. On 26 March 2020, the Government announced that it was extending the previously announced payroll tax waivers to ensure that eligible businesses paid no payroll tax for the 2019-20 financial year. The support measure was to be delivered using a combination of refunds for tax already paid and waivers.

The support measure was available to businesses from the following two categories:

1. A business operating in the hospitality, tourism and seafood industries as defined by the *Payroll Tax (Pandemic) Order 2020*, with at least 50 per cent of wages paid in Tasmania if operating outside of the State.
2. A business adversely affected by coronavirus that paid annual taxable Australian Group Wages of up to \$5.0m, with at least 50 per cent of wages paid in Tasmania if operating outside of the State.

Applications for the support measure were individually assessed on a case-by-case basis by SRO staff, with refunds made to successful applicants in a timely manner. As at 31 January 2021:

- 623 applications for the Waiver were received
- 525 applicants were determined to be eligible for the Waiver with \$31.5m in payroll tax refunded and approximately \$13.1m of payroll tax waived
- 12 applications were still in progress.

Our review assessed whether the design of the process for the support measure mitigated risk and if applicants were assessed in a timely, consistent and transparent manner.

Our overall view is that, within the context of a support measure that was developed and implemented quickly, the application process was appropriately designed with risks identified and managed, applications were assessed consistently and timely payments made. The administration of the support measure achieved the objective of reducing the payroll tax liability and refunding payroll tax as part of the Government's emergency response to the pandemic in supporting local businesses.

SRO used Client View to support the administration of the Waiver. Client View is a web-based module accessed by registered users of Tasmanian Revenue Online. It allows businesses to lodge and amend monthly and annual payroll tax returns, receive electronic assessment notices, be contacted by SRO and make payments.

To be eligible, applicants were required to have lodged previous payroll tax obligations in Client View prior to the announcement of the Waiver. This assisted SRO to identify and notify possible applicants of the support measure's existence by email. It was then the

responsibility of the business to decide if they were eligible and wished to apply for the Waiver.

The use of Client View also allowed SRO to:

- mitigate risk by only using the bank accounts already nominated in Client View, with checks done if these accounts were recently changed
- identify and factor in any rebates against other Government initiatives, such as the Apprentices and Trainees Payroll Tax Rebate already provided, to the calculation of the refund payment
- access applicant payroll tax records, correspondence and other documentation, which allowed additional checks to be undertaken, such as a check that the taxpayer was not bankrupt or in liquidation.

Where further information was required by SRO to undertake a detailed assessment, correspondence between SRO and applicants was clear and concise in all instances examined and generally completed in a timely manner.

Our work indicated that correct delegations for approval of refunds and waivers were followed. *Schedule 2 clause 10D of the Payroll Tax Act 2008* provides that the Commissioner may do anything necessary or convenient to give effect to the order. The Commissioner did this by authorising Band 6, 7 and 8 employees administering the waivers delegation to approve refunds and waivers. Notwithstanding this, the existing authorisations and delegations keyed into Client View remained in place, with further checks added, so that payments to employers were appropriately scrutinised.

Further checks on applications were undertaken using payroll tax Adjusted Annual Returns (AAR) submitted for 2019-20. These were compared with the original Waiver applications from businesses that paid annual taxable Australian Group Wages of up to \$5.0m to confirm applicants were eligible for the Waiver. Any taxpayers that had a payroll greater than \$5.0m, and not included an employer in a specific industry, were considered to be ineligible for the Waiver and required to pay their payroll tax liability for 2019-20.

The Waiver design included no right to objection. However, SRO staff identified where an objection was lodged, they would undertake a peer review of the applications to ensure all elements of the applications had been considered as per the assessors guidelines.

We thank Treasury staff for their assistance with this review.

Recommendations

We have made no recommendations.

Submissions and comments received

In accordance with section 30(2) of the *Audit Act 2008* (Audit Act) a summary of observations was provided to the Treasurer and Treasury, with a request for submissions or comments.

Submissions and comments that we receive are not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response. However, views expressed by Treasury were considered in reaching our conclusions.

Section 30(3) of the Audit Act requires that this Report include any submissions or comments made under section 30(2) or a fair summary of them. Submissions received are included in full below.

Response from the Premier and Treasurer

I refer to your letter dated 6 May 2021 inviting my comment on the report to Parliament on the performance audit undertaken by the Tasmanian Audit Office into the COVID-19 Support Measures - Payroll Tax Waiver review.

Payroll tax waivers were a key element of Tasmania's response to the COVID-19 pandemic.

I am pleased to note your findings in relation to this matter.

Thank you for the opportunity to provide comment on the report.

The Honourable Peter Gutwein MP

Response from the Secretary of the Department of Treasury and Finance

I am writing in response to your letter of 6 May 2021 in which you provided me with an opportunity to comment on the COVID-19 Support Measures - Payroll Tax Waiver Report.

I have reviewed the Report and I am pleased the audit findings reflect the high quality work that was undertaken by the State Revenue Office in the delivery of this support measure through a uniquely challenging time.

I accept the findings of the audit and I note that no recommendations were made in the Report. I also note your conclusion that the administration of the Payroll Tax Waiver, as measured against the audit criteria, in all material aspects, was effective.

Tony Ferrall

1. Were the risks associated with the rapid implementation of the support measure managed effectively?

In this chapter we assess whether administrative arrangements SRO put in place to rapidly implement the support measure were commensurate with the risk associated with rapid implementation of a Government initiative. This covers:

- rapid establishment of administrative arrangements for the support measure
- communication with potential applicants about the availability of the support measure
- efficiency of administrative arrangements
- capacity of SRO to receive, assess and process refunds for a large number of businesses employing Tasmanians.

Chapter summary

Risks were well managed, with Client View used by SRO to:

- access banking details for applicants rather than requesting the information through the application form
- document approval of the refund by an appropriate delegate
- identify where AARs for the 2019-20 financial year breached the eligibility requirements for the Waiver and the payroll tax needed to be paid by the business.

SRO established a small team of employees that had sufficient capacity to assess and process applications consistently and as quickly as possible. The administrative arrangements put in place for the Waiver also facilitated the quick allocation of refunds to businesses in most instances.

The State Revenue Office established administrative arrangements quickly and promptly contacted businesses that may have been eligible for the support measure

- 1.1 The COVID-19 pandemic has had a significant impact on most aspects of our lives including on the Tasmanian economy. For many businesses, lockdowns and restrictions on trading resulted in a reduction in revenue, which, in turn, reduced businesses' capacity to pay wages to Tasmanians.
- 1.2 On 17 March 2020, the Government announced that hospitality, tourism and seafood industry businesses and eligible small to medium businesses who may be affected by

coronavirus could apply to have their payroll tax payments waived from March 2020 to June 2020. On 26 March 2020, the Government announced that it was extending the previously announced payroll tax waivers to ensure that eligible businesses paid no payroll tax for 2019-20 financial year. The support measure was to be delivered using a combination of refunds and waivers in line with other states and territories who were offering support such as increased thresholds, waivers, and interest-free deferrals of payroll tax.

- 1.3 Payroll tax is calculated on wages paid or payable and is collected in Tasmania by the SRO in accordance with payroll tax legislation. Any employer who pays wages in Tasmania is liable for payroll tax where their total wages paid in Australia, or total wages paid by the group of which they are a member, are greater than \$1.25m per annum (\$24,038 per week).
- 1.4 There were two payroll tax thresholds and rates for the 2019-20 financial year. Payroll tax was initially charged according to the Table 1.²

Table 1: Payroll tax thresholds and rates for 2019-20

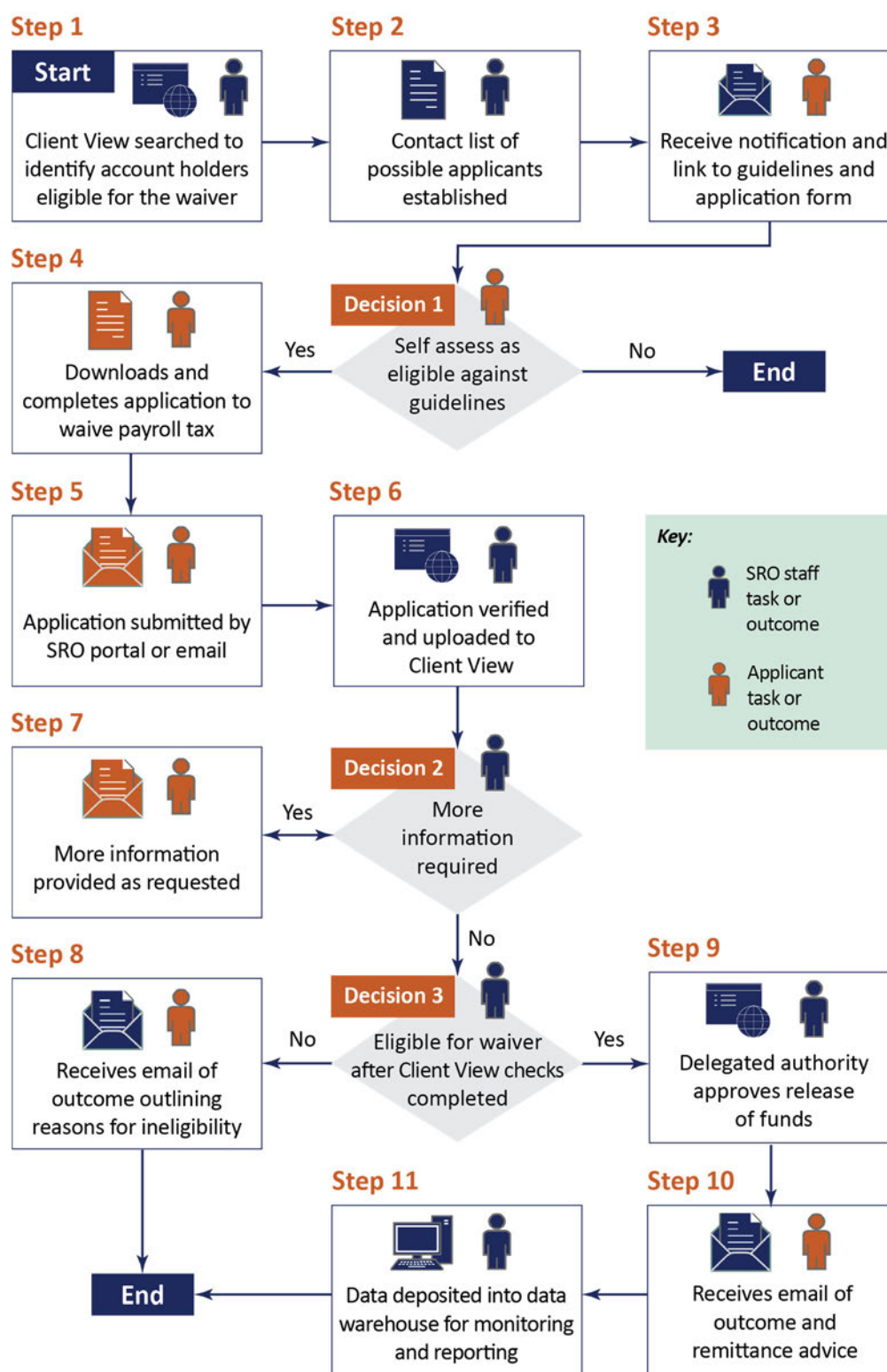
Wages	Rate (%)
\$0 to \$1.25m	0.0
\$1.25m to \$2.00m	4.0
\$2.00m and above	6.1

Source: TAO

- 1.5 At the time that the *Payroll Tax (Pandemic) Order 2020* (the Order) was made by the Minister for Finance on 7 April 2020, the Commissioner was charged with administering the support measure consistent with Tasmanian payroll tax legislation. The Order also established that the support measure was available to businesses that fit into the following categories:
 - businesses operating in the hospitality, tourism and seafood industries (with no restriction on wages) paid, with at least 50 per cent of wages paid in Tasmania if operating outside of the State
 - businesses adversely impacted by coronavirus with annual taxable Australian Group Wages \$5.0m or less, with at least 50 per cent of wages paid in Tasmania if operating outside of the State.
- 1.6 On 9 April 2020, SRO:
 - finalised the Guidelines for the payroll tax waiver and the administrative arrangements outlined in Figure 1

² Additional information is available on Treasury's website (<https://www.sro.tas.gov.au/payroll-tax>).

Figure 1: Administrative arrangements for the payroll tax waiver



Source: TAO.

- used data in Client View to identify existing account holders who may be in the Australian Wages (or Australian Group Wages) of \$5.0m or less category or eligible for the hospitality, tourism or seafood industries wavier using Australian and New Zealand Standard Industrial Classification codes (ANZSIC)

- provided businesses that may be eligible for a Waiver with the relevant guidelines and application form via email.
- 1.7 Client View has the functionality to send emails. However, email addresses of nominated contacts for businesses identified as potentially eligible were extracted from Client View. This allowed SRO to target employees at a senior level within the business. These contacts were emailed by conventional email, with correspondence drawing their attention to the relevant waiver. This correspondence was recorded against the user account within Client View.
- 1.8 SRO had a high degree of success in identifying the account holders that may have been eligible for the waiver for businesses with Australian Wages (or Australian Group Wages) of \$5.0m or less, with 91 per cent of applications examined receiving a possible eligibility notification on 9 April 2020.
- 1.9 In comparison, only 38 per cent of applications from specific industries received a possible eligibility notification on 9 April 2020. To identify possible eligible specific industries, SRO used the Australian and New Zealand Standard Industrial Classification (ANZSIC) codes. Each code could incorporate many different industry categories. This resulted in inconsistencies when businesses self-identify their ANZSIC code. These inconsistencies placed limits on SRO in extracting a complete contact list.
- 1.10 Once the notification was received, businesses were then responsible for self-assessing whether they were eligible for the Waiver. If they considered they were eligible, the business could lodge an application via the SRO's online portal on the business's existing account (which links into Client View) or by email to SRO. Where the applicant emailed directly to SRO, this correspondence was recorded against the user's account within Client View.

The administrative arrangements were efficient while also minimising the risk of fraud

- 1.11 The use of existing account information held in Client View allowed for an efficient process while also minimising fraud risk.
- 1.12 After an application was submitted as outlined in Figure 1, the assessment and approval process involved the following high-level steps and decision points:
 - A small team of SRO staff trained to assess the application determined if the applicant was eligible. Existing protocols in relation to conflicts of interest were applied.
 - Where further information was required to assess the application, the assessor emailed the account holder to request the required information. All correspondence between the SRO and the applicant was linked to Client View which was efficient and secure.
 - Applicants whose applications were not successful were sent an email outlining the reasons for the decision.

- Applicants with successful applications were notified of the decision by email and were provided with a copy of the EFT Remittance Notice.

1.13 Client View also facilitated:

- assigning tasks to SRO staff
- tracking applications from submission through to assessment decision and, if successful, authorising refunds which were completed by the Government Finance and Accounting Branch of Treasury
- exporting data to the data warehouse every day to support data analysis and reporting for internal purposes and to Government.

1.14 Table 2 outlines the ways in which the administrative arrangements mitigated fraud risk.

Table 2: Administrative arrangements minimising fraud risk

Control/Measure	Process	Figure 1 reference
Client View	Data extracted from Client View was used to identify employers that may be eligible for the waiver.	Step 1
Application form	The application form did not request bank account details.	Step3
System	Only accounts registered with a nominated bank account in Client View prior to the waiver announcement received payments.	Step 9
System workflow and manual checks	If the payment limit was exceeded, confirmation, through the provision of manual verification (workflow) by authorised users was required for funds to be released.	Step 9
System workflow and manual checks	Where the funds exceeded \$150,000 this delegation was assigned only to the Commissioner or Deputy Commissioner. Checks were made against the pre-registered bank account details.	Step 9
Trackable within Client View	Checks were made against the Government rebates for apprentices so these wages would not be eligible, as well where other subsidies for businesses were applied. Verification that bank accounts had not been altered in Client View post the announcement of the waiver. Outstanding interest or penalties were identified and calculated as a reduction against refund payments. Verification that the taxpayer was not bankrupt or in liquidation.	Decision 3

Control/Measure	Process	Figure 1 reference
Manual	EFT refunds were only made to businesses with an established relationship with SRO. This allowed for historic Australian Grouped Wages trends to be examined if required.	Decision 3
System and reporting	Data was deposited to a data warehouse every night, allowing scripted reports to be generated for internal purposes and for Government.	Step 11
AAR	If the total wages estimate on the application was \$5.0m or less, but wages in the AAR for the 2019-20 financial year were greater than \$5.0m, the payroll tax waiver did not apply and the applicant was required to pay payroll tax.	N/A
Data Matching and Intelligence	To accurately administer, identify and assess taxpayer's taxation liabilities and under <i>Parts 9 and 9A</i> of the <i>Taxation Administration Act 1997</i> , SRO could exchange information with other State Revenue Offices and the Australian Taxation Office.	Decision 3

Source: TAO.

There was sufficient capacity to process applications consistently and as quickly as possible

1.15 SRO established a small team to assess applications, which had sufficient capacity to process applications consistently and as quickly as possible. The approach used allowed for a consistent process and peer review to be applied if required. The administrative arrangements put in place for the Waiver also facilitated the quick allocation of refunds to businesses in most instances.

1.16 Detailed staff instructions outlined the administrative process and included:

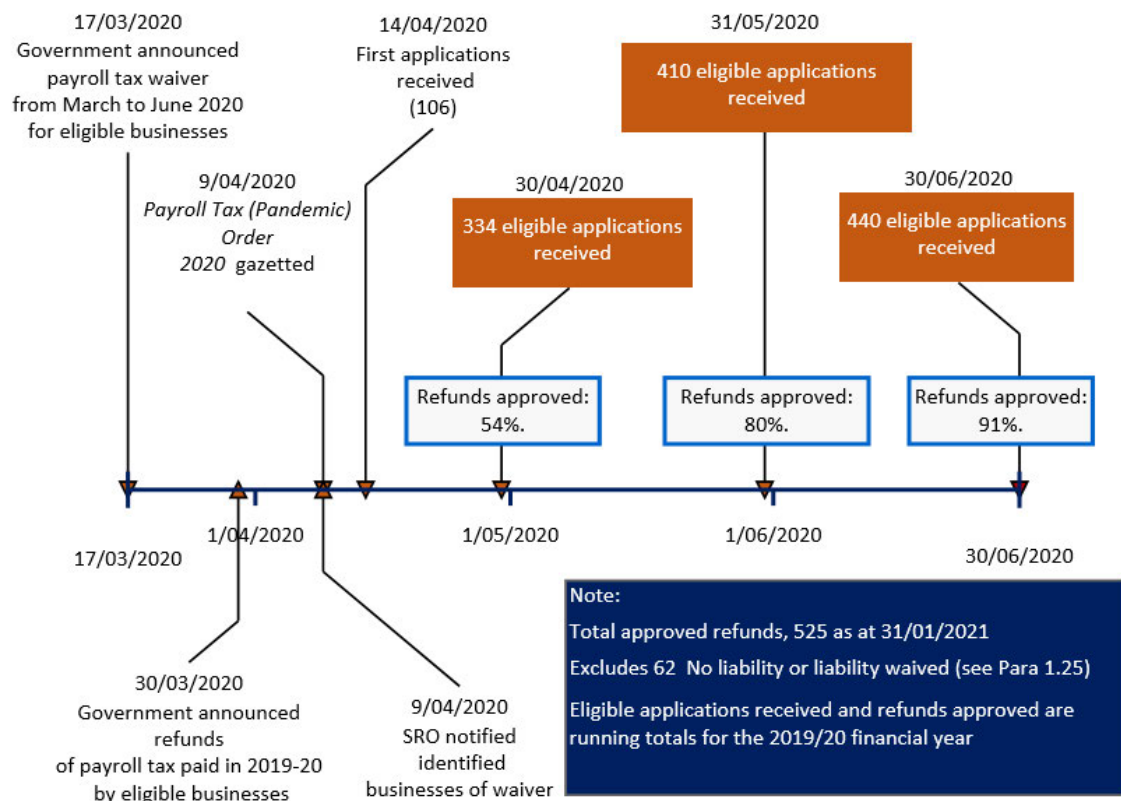
- fraud mitigation checks
- testing eligibility against the criteria, including Australia Grouped Wages
- processes for debiting the refund where a business has a payroll tax rebate
- delegation in relation to reviews that interest and penalties have been offset and the refund amount is correct
- templates of emails to be sent to applicants communicating the outcome of their application.

1.17 For refunds that did not exceed \$150,000, assessors used an Application Register to record important information from Client View, their recommendation regarding

eligibility and refund amount. The purpose of the Register was to expedite payments where additional delegations such as those required for refunds above \$150,000 were not required. This expedition of payments was achieved by a single SRO employee with appropriate delegation reviewing assessments and approving payments in batches on a daily basis.

- 1.18 On 9 April 2020 and after the relevant legislation was gazetted, SRO notified businesses with registered Client View accounts that they may be eligible for the payroll tax waiver. Applications were submitted over the proceeding months as shown in Figure 2 below.

Figure 2: Timeline of key events relating to the Waiver in the 2019-20 financial year



Source: TAO

- 1.19 Of the 440 applications that were submitted prior to 30 June 2020 and were eligible for a refund, 423 applicants received payments in the 2019-20 financial year and the remaining 17 applications were paid in the 2020-21 financial year. A further 23 eligible applications were submitted and refunded after 30 June 2020. There were 62 applicants that paid payroll on an annual basis who received a waiver only.

- 1.20 The average waiting time for successful applicants to receive funding was:

- nine days for those applications submitted, approved and refunded prior to 30 June 2020
- 118 days for the 17 applications submitted in the 2019-20 financial year and approved and refunded in the 2020-21 financial year

- 28 days for the 23 applications submitted, approved and refunded in the 2020-21 financial year.

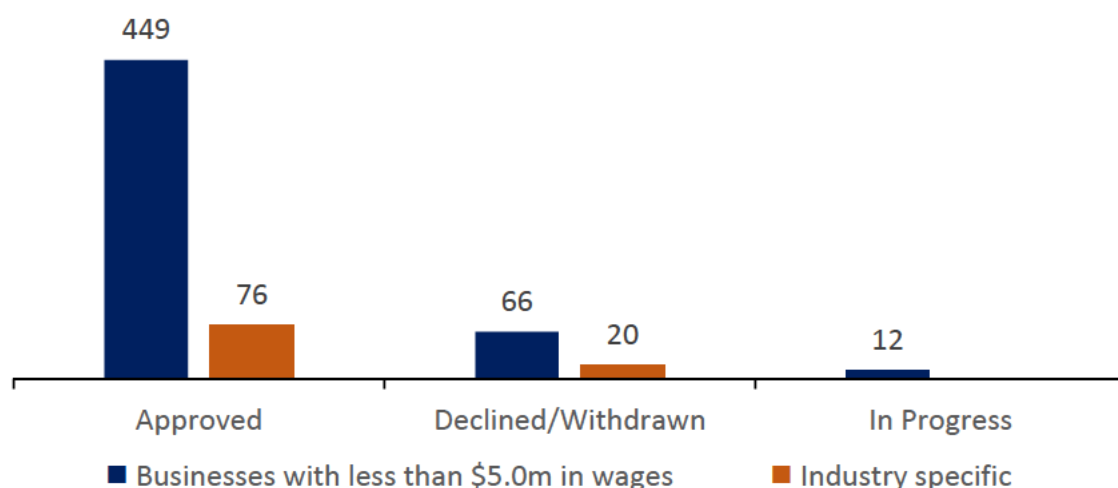
1.21 SRO advised extended wait periods for payments were the result of more complex applications requiring additional scrutiny or delay in the applicant providing additional information requested by SRO.

1.22 As at 31 January 2021, 623 applications had been received with:

- 525 approved
- 86 applications declined or withdrawn, the majority of these applications failed to meet the wages eligibility criteria set out in the application form
- 12 applications were still in progress, SRO advised the last communication for these applications was generally from SRO requesting further information.

1.23 Figure 3 outlines the application outcomes by type of payroll tax waiver.

Figure 3: Payroll Tax Waiver Application Outcome as of 31 Jan 2021³

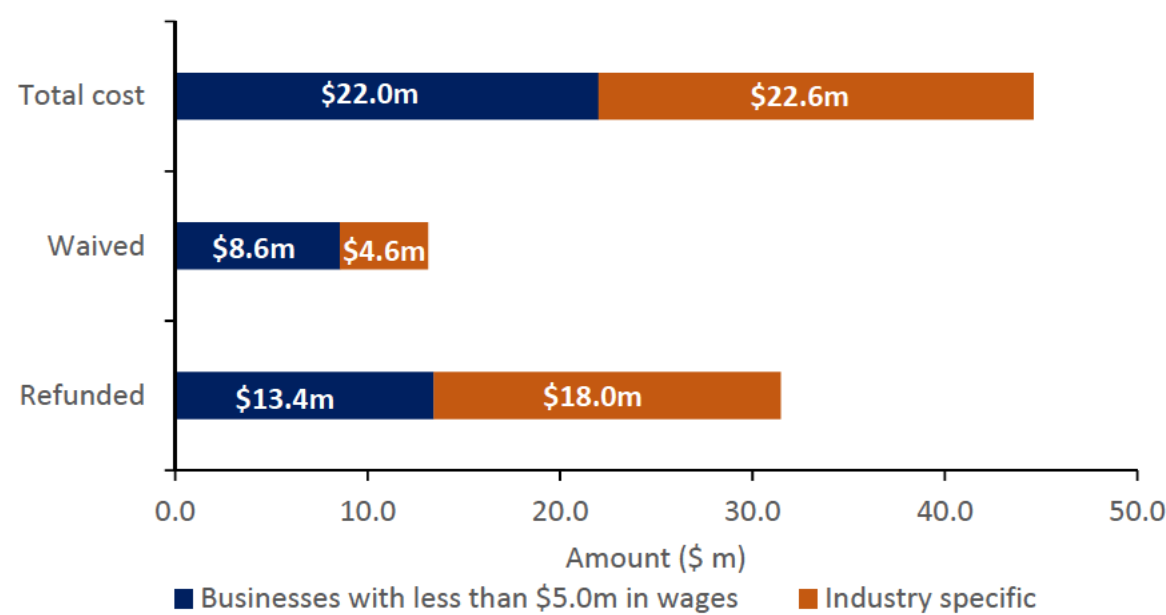


Source: TAO.

1.24 The support measure was to be delivered using a combination of refunds and waivers. This approach allowed business to be refunded payroll tax already paid in the 2019-20 financial year prior to the end of that financial year. Figure 4 provides the total cost of the waiver in the 2019-20 financial year broken down into the refund paid and waiver components.

³ The number of declined/withdrawn waivers that fall into the industry specific and less than \$5.0m wages category is an estimate provided by the State Revenue Office due to a limitation in the data.

Figure 4: Waiver and refund components of total cost as at 31 Jan 2021



Source: TAO.

1.25 Approved applications in most instances included both a refund against paid payroll tax and a waiver for March 2020 to June 2020 payroll tax liabilities.

2. Did controls ensure effective implementation of the measure?

In this chapter we assess the process used to assess applications against the eligibility criteria. This covers the:

- assessment process implemented
- review of assessment decision on request of the applicant
- review of Waiver eligibility once the AAR for the 2019-20 financial year was submitted.

Chapter summary

Controls ensured effective implementation of the support measure by providing a high level of confidence that only eligible businesses received a payroll tax refund and waiver for the 2019-20 financial year. Controls were:

- generally well-designed
- established during the design phase of the Waiver
- applied consistently during the waiver process.

Eligibility criteria were well-defined and required minimal subjective judgements to be made by the assessors, which ensured consistency in assessments and decisions made.

Approval of the release of refunds to businesses was provided by the appropriate delegate in all but one instance. However, when delegating decisions to approve businesses as being eligible for the Waiver, the estimated cost of the payroll tax waived between March 2020 and June 2020 was not taken into account.

The use of Client View to review documentation provided SRO staff with a means of efficiently applying controls throughout the assessment process, including approving eligibility for the Waiver, calculating refund amounts, documenting the delegated approvals for releasing funds and post-refund checks. The use of data matching and business intelligence tools further enhanced the assessment process where checks against previous years' payroll tax was inconclusive.

The eligibility criteria were consistently applied

- 2.1 The support measure targeted both specific industries and other businesses that met the eligibility criteria as identified in the *Payroll Tax (Pandemic) Order 2020*. The eligibility criteria were simple and required assessors to exercise minimal judgement with the exception of the question as to whether businesses with wages less than \$5.0m had been adversely affected by COVID-19.
- 2.2 Table 3 sets out the eligibility criteria that business had to meet to receive the Waiver.

Table 3: Payroll tax waiver eligibility criteria

Taxpayers in the Hospitality, Tourism, and Seafood industries
Tasmanian employers must meet the following eligibility criteria in the 2019-20 financial year to qualify for the waiver of payroll tax for wages paid or payable to eligible employees in that year. Eligible employees are only those employees who solely or predominantly work in one or more of the relevant industries.
<p>You must employ at least one employee (eligible employee) who solely or predominantly works in one or more of the hospitality, tourism or seafood industries (relevant industry) and one of the following must apply:</p> <ol style="list-style-type: none"> 1. you are not grouped and only pay wages in Tasmania; or 2. you are not grouped and the Tasmanian portion of your wages will be 50 per cent or more of your total Australian Wages; or 3. you are grouped and the Tasmanian portion of the Australian Group Wages will be 50 per cent or more of the group's Australian Group Wages.
Employers whose Australian Wages (or Australian Group Wages if part of a group) were \$5.0m or less
Tasmanian employers must meet the following eligibility criteria to qualify for the waiver of payroll tax for the 2019-20 financial year.
<p>Australian Wages (or Australian Group Wages if part of a group) must be \$5.0m or less and one of the following three points must apply:</p> <ol style="list-style-type: none"> 1. you are not grouped and only pay wages in Tasmania; or 2. you are not grouped and the Tasmanian portion of your wages will be 50 per cent or more of your total Australian Wages; or 3. you are grouped and the Tasmanian portion of the Australian Group Wages will be 50 per cent or more of the group's Australian Group Wages. <p>Your business must have been adversely affected by COVID-19 during the 2019-20 financial year.</p>

Source: State Revenue Office

Assessment of employers operating in specific industries

- 2.3 Specific evidence could be provided by businesses to address the eligibility criteria and there was not a significant amount of subjectivity required to assess applications. The hospitality, tourism, and seafood industries are clearly defined within the *Payroll Tax (Pandemic) Order 2020* and further expanded on in the Specific Industry guidelines.
- 2.4 The industry self-reported by applicants was tested against the Australian and New Zealand Standard Industrial Classification codes to allow SRO staff to confirm

eligibility. This approach reduced the subjectivity and increased consistency in the assessment process.

- 2.5 Specific industry businesses were also required to provide details on the number of eligible employees who worked within the industry, as the waiver was applicable to eligible employees only. If this did not equate to 100 per cent, the applicant had to further break down the per cent of total Tasmanian wages paid to eligible employees. SRO staff could look at previous monthly payroll instalments in Client View to verify or question the information provided in the application and request more information against this requirement.

Assessment of employers whose wages were \$5.0m or less

- 2.6 The estimated Australian Wages or Australian Group Wages was self-reported and a key factor in calculating if a business was eligible for the Waiver. SRO was unable to verify wages paid outside of Tasmania to grouped companies beyond viewing applicants' historical payroll tax trends in Client View. Despite this limitation, historical trends provided SRO staff with reasonable confidence that applications met the Tasmanian 50 per cent wage test.
- 2.7 There were two secondary controls relating to the Australian Wages or Australian Group wages amount:
- During assessment, SRO staff could perform data matching against information held by local and national authorities.
 - After the decision on Waiver eligibility had been made, businesses were required to submit AARs on the 2019-20 financial year. When AARs were submitted, a comparison was made between approved applications and the information in the AAR to ensure that the business still met the Waiver requirements within Client View. If the business no longer met the Waiver requirements and the Commissioner did not use his discretion, the waiver was rescinded (see 2.20-2.23 for more information on this control).
- 2.8 Sample testing of applications within Client View identified that in all instances where the application had been approved, the Tasmanian portion of the estimated Australian Wages or Australian Group Wages was equal or greater than 50 per cent.
- 2.9 Employers whose wages were \$5.0m or less also had to provide a brief description of the adverse impact COVID-19 had on their business. The guidelines for the question indicated the level of supporting detail required, limiting the subjective nature of the question to a minimum.
- 2.10 Sample testing of applications within Client View identified that SRO staff requested more information, including financial proofs, in instances where they believed the detail provided by the applicant on how COVID-19 had adversely impacted their business was not sufficient. Applications were then assessed against further information provided.

Decisions were generally made in a manner consistent with relevant legislation.

- 2.11 Our work indicated that correct delegations for approval of refunds and waivers were followed.
- 2.12 Schedule 2 clause 10D of the *Payroll Tax Act 2008* provides that the Commissioner may do anything necessary or convenient to give effect to the Order. The Commissioner did this by authorising Band 6, 7 and 8 employees administering the waivers, delegation to do so.
- 2.13 Notwithstanding this, the existing authorisations and delegations keyed into Client View remained in place, with further checks added, so that payments to employers were appropriately scrutinised.
- 2.14 However, in one instance the process put in place by SRO was not followed with an application exceeding \$150,000 inadvertently being added to the worksheet for approving refunds under \$150,000. We note this application met the required eligibility criteria.

Detailed communication with applicants ensured decisions were transparent and timely

- 2.15 Communications by email were managed within SRO's record management system, with links being embedded within Client View. Correspondence threads were easy to identify and timestamped. Once the application and supporting documents had been submitted, communication between SRO and applicants generally fell within the following categories:
- requests for additional information where the application lacked detail
 - notification of the application outcome
 - details as to why a waiver was being rescinded.
- 2.16 Correspondence regarding requests for additional information or why an application was being declined was timely and consistent. Additional information requests generally related to:
- the adverse impact COVID-19 had on the business
 - whether the business operated within an eligible industry as defined in the *Payroll Tax (Pandemic) Order 2020*
 - the reported Australian Wages or Australian Group Wages.
- 2.17 In most instances where additional information was required, the assessor emailed applicants. In the requests examined, the information required was clearly set out and, on average, requested within 12 working days of the application being received.

The timeliness of the response from the applicant did, in some instances, create significant delays in the assessment of those applications.

- 2.18 Where an application was declined without additional information being requested, the applicant received a letter, on average, within eight working days detailing why the application was declined.
- 2.19 Successful applicants received confirmation and an EFT Remittance advice within an average of four days after approval. The time between approval and notification was in part caused by the receipting system being outside of Client View and managed by the Government Finance and Accounting Branch of Treasury.

Future reporting by businesses has been used to ensure the refund amount was accurate

- 2.20 The Waiver guidelines section on the AAR for 2019-20 instructs that although a successful applicant's payroll tax has been waived for the 2019-20 financial year those businesses must still lodge an AAR by 21 July 2020. Based on the information provided in the AAR, Client View will calculate the relevant waivers for JobKeeper as well as the waiver for Australian Wages up to \$5.0m to ensure both of these elements are taken into consideration.
- 2.21 Businesses were informed that if they estimated their total wages would be \$5.0m or less, but wages in their AAR (either individually or as part of a group) were greater than \$5.0m, it was likely the payroll tax waiver would not apply and they would be required to pay payroll tax for the 2019-20 financial year.
- 2.22 The guidelines also state that the Commissioner has discretion to maintain a waiver of payroll tax if total wages for the year were over \$5.0m. It is likely the discretion would only be applied where total wages are only marginally over \$5.0m, and the original estimation of wages was undertaken with a reasonable expectation that wages would be below \$5.0m.
- 2.23 In the samples tested, businesses whose AAR wages were greater than \$5.0m were informed in the first instance by SRO that their Waiver had been rescinded. A letter from the Commissioner followed, further clarifying why this decision had been made and why his discretion to maintain a waiver of payroll tax was declined. As at 31 January 2021, only three businesses' AARs breached the Waiver eligibility and approval of the Waiver had been rescinded.

The waiver included no right to objection in its design

- 2.24 The design of the waiver included a no objection right as defined in Section 5 of the *Taxation Administration Act 1997*. However, SRO staff identified where an objection was lodged, they would undertake a peer review of the applications to insure all elements of the applications had been considered as per the assessors guidelines.

Acronyms and abbreviations

AAR	Annual Adjustment Return
Audit Act	<i>Audit Act 2008</i>
Client View	Tasmanian Revenue Online module
Commissioner	Commissioner for State Revenue
Order	<i>Payroll Tax (Pandemic) Order 2020</i>
SRO	State Revenue Office
Treasury	Department of Treasury and Finance
Waiver	Payroll Tax Waiver

Audit Mandate and Standards Applied

Mandate

Section 23 of the *Audit Act 2008* states that:

- (1) The Auditor-General may at any time carry out an examination or investigation for one or more of the following purposes:
 - (a) examining the accounting and financial management information systems of the Treasurer, a State entity or a subsidiary of a State entity to determine their effectiveness in achieving or monitoring program results;
 - (b) investigating any matter relating to the accounts of the Treasurer, a State entity or a subsidiary of a State entity;
 - (c) investigating any matter relating to public money or other money, or to public property or other property;
 - (d) examining the compliance of a State entity or a subsidiary of a State entity with written laws or its own internal policies;
 - (e) examining the efficiency, effectiveness and economy of a State entity, a number of State entities, a part of a State entity or a subsidiary of a State entity;
 - (f) examining the efficiency, effectiveness and economy with which a related entity of a State entity performs functions –
 - (i) on behalf of the State entity; or
 - (ii) in partnership or jointly with the State entity; or
 - (iii) as the delegate or agent of the State entity;
 - (g) examining the performance and exercise of the Employer's functions and powers under the *State Service Act 2000*.
- (2) Any examination or investigation carried out by the Auditor-General under subsection (1) is to be carried out in accordance with the powers of this Act

Standards Applied

Section 31 specifies that:

'The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to -

- (a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and
- (b) the Australian Auditing and Assurance Standards.'

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.



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