



TAXATION INSTITUTE of AUSTRALIA

2006 Annual Report



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ABN 45 008 392 372

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President's Report



The Taxation Institute exists primarily to provide education and promote the improvement and understanding of tax laws.

While I was preparing my final column for *Taxation in Australia*, I reflected how, on a daily basis, things often seem to move at a glacial pace, but, over a 12-month period one can see how much has been achieved.

In 2006 we saw the implementation of initiatives that were announced at the end of 2005, particularly around structured education. The demonstrated success of this program in such a short timeframe is testament to its high standard. To say that the program has been well received would be an understatement. I am impressed by the number of senior practitioners who have given freely of their time to contribute to the program. This level of commitment is what sets the Institute apart from others in this market. Of course this is not a “set and forget” education program. Rather it is an ongoing work that seeks continuous improvement and expansion, with a focus on the learning experience for students.

Similarly our continuing professional development program has continued to go from strength to strength. An effort in all states has been made to ensure that the quality of program, speaker, papers, and timeliness of delivery is attractive and of the highest possible standard. This is reflected by the numbers who have enrolled and continue to enrol in the various programs. I am pleased to be a Member of an organisation that delivers what Members want in terms of education.

As you will be aware, the Taxation Institute moved its head office operations out of the long-held and self-occupied premises in Castlereagh Street to more suitable premises. It was the intention that at least one of the floors would be held onto and leased. Unfortunately the leasing market turned out to be poor and, in addition to the sale mentioned in the last annual report, the decision was taken to sell the second floor so that the funds could be productively employed. National Council has adopted an investment strategy under the guidance of Goldman Sachs and is investing the funds together with excess funds that we may have from time to time, in a way that will allow the Institute to have options of acquiring property in the future.

In my opening address to the National Convention in April 2006 I announced the then imminent release of the Taylor Report, Beyond 4100, which was the Taxation Institute's follow up to the Government's “cleaning out” of redundant provisions of the Tax Act. In commissioning that work we were of the view that, whilst commendable, the Board of Tax work in this area was only a first step. There was clearly much more required to improve our Tax Act. The report was well received by all quarters including Government, the Board of Tax, Opposition, etc. However this is not a project that can be completed in a day or even a year, and I am conscious that there are many good tax practitioners who have and will continue to contribute to the improvement of our tax laws.

This, and the consultation process that has also improved over the last 12 months, are one aspect of the operations of the Taxation Institute.

Other developments on the technical side have seen considerable discussions around both Promoter Penalties and the framework for tax agents into the future (known as the Tax Services Regulatory Regime). This has also been an opportunity for the professional bodies to act in a cooperative manner and has resulted in joint submissions being made on a range of aspects of that proposed regime. I note that not only the efforts of various representatives of the professional bodies have helped formulate the ultimate style of that regime, but also the individual efforts of particular Members who, of their own volition, have sought to improve the outcome for all. While it's inappropriate to mention particular names in this report, I wish to acknowledge their efforts.

The Taxation Institute has many Members who have worked tirelessly on a large range of issues. In particular, two major pieces of legislation – the next instalment of the Taxation of Financial Arrangements and the massive superannuation changes – have required the particular intense effort of a number of people. They, together with their colleagues who have worked on a variety of submissions ranging from GST, Promoter Penalties, bankruptcy, consolidation, Div 7A, international (and the list goes on), have given freely of their time, knowledge and effort to work for more sensible and practical tax law. It is to these tireless workers that we are indebted.

Similarly the work of various Education, Membership and other committees ensures that the quality of the education functions, journals, website and other material is of the highest standard. The enthusiasm of these volunteers never ceases to amaze me.

Finally, it would be remiss of me not to acknowledge the tremendous efforts of the Taxation Institute's staff in not only bringing to Members the numerous education functions throughout the country, together with the high-quality technical material, but also in taking on new initiatives such as the Structured Education Program. I know that they have worked above and beyond the call of duty under the able leadership of our CEO, Noel Rowland.

I would also like to wish Peter Moltoni a successful year as your next President, knowing that he is supported by wonderful volunteers and terrific Institute staff.

A handwritten signature in black ink, appearing to read "Andrew Mills". The signature is fluid and cursive, written over a white background.

Andrew Mills
President

CEO's Report



It is my pleasure to report on the activities of the Institute for 2006.

OUR GOALS FOR THE YEAR

In 2006, the Taxation Institute brought to fruition a number of key strategies that will secure an even stronger future for the Institute and its Members.

The announcement in late 2005 of changes to the Institute membership criteria, and launch of the new Structured Education Program provided a new platform for the Institute's continued success in 2006. These changes were key elements of our strategy to strengthen the Institute's position as the "Essential" membership for tax professionals and the Institute's natural evolution from a voluntary membership to an essential professional membership.

In last year's Annual Report I commented that our focus in 2006 would be to deliver on our promise of a new practical education program designed to support employers and the wider profession. We also set ourselves a number of goals to find ways to further improve our CPD programs and information services so that they would assist our Members in their varying roles as professional advisors.

To that end I am very pleased to report significant progress across many of the Institute's activities. In particular, the response across Australia to our new Structured Education Program has been fantastic. We were very confident of our new product given the employer involvement in its development phase. The response from both employers and students has confirmed the place for our new practical skills based program.

SIGNIFICANT ACHIEVEMENTS

Structured Education Program

In the early part of 2006 we completed the development of Applied Tax, the second level course of the Structured Education Program, taking our first enrolments in June.

In 2006, over 500 candidates from around Australia (and internationally) enrolled in the program in Foundation Tax, Applied Tax and Advanced Tax. I would like to thank the Institute's two Advisory Boards, lecturers and examiners who worked tirelessly on the new program and set and administered 40 exam sessions, including remote examinations for regional individuals.

In particular we were very pleased to meet all demands for the Structured Education Program in regional centres as well as create a growing awareness in mid-tier firms of the course architecture.

Work was started in 2006 on preparing submissions to various organisations to explore recognition opportunities for the Institute's new courses. By December 2006, Applied Tax was recognised by the Institute of Chartered Accountants in Australia as exempting graduates for the Tax Module of the CA Program. We are confident of other significant progress in this area throughout 2007 and that the second year of the program will enjoy measurable growth.

CPD Activity

The Taxation Institute's core service has always been CPD and as always, one of our objectives was to be first in the CPD market on key tax issues, eg promoter penalties. In 2006 we again experienced success in this area and met most expectations on the Institute's ability to deliver timely and practical analysis of key tax developments.

The response from the tax profession to our CPD activities across Australia - in particular, the Institute's key national events (21st National Convention, Financial Services Conference, States' Taxation Conference and GST Intensive) - had all achieving record attendances. 2006 was also our second year of running two National Intensives in Noosa, both of which proved very successful.

In response to changing market needs, we also varied the formula of our annual roadshow series and received positive feedback on the new format and program.

State	Events	Hours	Attendance
NSW/ACT	69	178	4,381
VIC	53	115.5	4,539
QLD	44	118	2,434
WA	46	115.5	1,939
SA/NT	35	103	2,693
TAS	38	56.8	992

Information Products

In 2006 the Institute's print and online publications were improved significantly. Throughout the year the Institute's key journals were redesigned. *Taxation in Australia*, *The Tax Specialist* and *Australian Tax Forum* journals are now all more readable and have been standardised by aligning them more consistently with the entire suite of Institute communications. A key feature of the changes to the Tax Specialist was the introduction of a high-profile guest editor, a feature that has lifted the content even further and has proven to be popular with subscribers. New leading publications such as the CGT Small Business Reliefs Handbook were published in 2006, along with our continued efforts to publish the leading Trust Structures Guide, now in its third edition.

The Institute's online services were also enhanced during the year, with the development and launch of our new website with greatly improved navigation, search, look and feel. Our new e-services included online event registration, tracking of CPD points, online membership renewal and the ability to purchase products. The new website provided online updates for the new CGT Online Survival Kit and access to the Trust Structures Guide online for the first time.

Growth in subscriptions to our online knowledge base (ie MemberPlus and GroupPlus) demonstrated Members' growing demand for exceptional online services.

In 2006 usage of the Institute's library resources trebled owing to an improvement in service and resources. We also added the Institute's full library catalogue to the website, making it easier for all Members to access and search the extensive library resources available.

Membership and Marketing

We conducted a successful membership renewal campaign for the 2006/07 membership year with 91% of Members renewing. As with past years, the main reasons for not renewing membership were retirement or leaving the tax profession. The renewal campaign also resulted in a smooth transition for Fellows and Associates to our new CPD requirements.

As at 30 June 2006, Membership totaled 11,110, an increase of over 1,000 from the same time in 2005.

Considerable resources were devoted to the marketing of the Institute with careful attention paid to increasing awareness of the changes announced in late

2005. The increases in membership, CPD attendances, product sales and subscriptions and healthy enrolments in the Structured Education Program give a good indication that we are providing the right mix to meet Member needs and supporting the Institute's new positioning strategy.

The Institute's business alliance partners again showed great support of the Institute's activities. In particular, I would like to acknowledge our longest standing business alliance partner, Thomson Legal and Regulatory who have supported the Institute for the past 10 years.

Tax Policy and Research

2006 was an interesting, although challenging year in the tax arena. The Taxation Institute continued its work as a major player in bringing about further improvements to the tax system and its administration, while at the forefront of consultations on major reforms to Australia's tax regime. Notable milestones during the year included:

- taking the initiative to tackle the complexity of Australia's tax regime in an independent Taxation Institute report (Taylor Report) making recommendations to simplify and streamline our tax legislation;
- drawing on our practitioners' expertise to provide an objective and respected voice on major tax changes, particularly the Government's proposals to simplify the superannuation system, changes to the taxation of financial arrangements, improvements to the small business CGT concessions and the standardisation of the definition of small business for tax purposes;
- initiating changes through direct representation to the Treasurer, the Minister for Revenue and Assistant Treasurer and at Parliamentary committee hearings, such as the Government's inquiry into a range of taxation matters, reducing the overall regulatory burden on small business and addressing particular inequities occasioned by the impact of the private company shareholder loan provisions;
- sustaining our position as a driving force for change through our ongoing consultations with Treasury on tax policy matters and the ATO on tax administration (including over 75 submissions), as well the Board of Taxation and the Inspector General of Taxation (on matters like ATO litigation practices and GST compliance management);

- representing the interests of our practitioner Members, not only in working to improve ATO processes and systems (with particular emphasis on reviewing the design and implementation of the lodgment program) but also in matters such as proposals for a regulatory framework for tax practitioners, the ATO's implementation of the new promoter penalties regime, and the potential impact of the anti-money laundering legislation on our Members and their practices; and
- influencing public debate on tax through a strong presence in the media, with over 124 media mentions across newspapers, radio and television on both domestic and international tax issues.

Corporate Services

As the President mentioned in his column, the Institute had a good year financially. The Board and Management are very conscious of ensuring the Institute achieves an appropriate surplus that will allow us to invest in key Member initiatives and activities in the future. The sale of the two strata floors in Castlereagh Street, resulted in a significant profit on sale. The sale proceeds are being invested carefully to ensure the Institute is in the best possible position to be an owner occupier in the future should that make commercial and financial sense.

The Institute successfully implemented a new back office application, iMIS, allowing us to aggregate six databases, including membership and events, sharing of real time information across the entire Institute and providing online registration and payment options. Membership procedures and reporting have dramatically improved with greater efficiency and accuracy, which will flow through to the way we provide Member services.

MAJOR STRATEGIES AND INITIATIVES

IN 2007

While 2006 was a very successful year for the Institute, management is not resting on the achievements of the past. Our objective in 2007 is to build upon our achievements and provide Members with access to even better education, information products, and services. We will, at the same time, continue to build the Institute as the Essential membership body for every tax professional.

2007 is set to be another exciting year for the Taxation Institute and my team and I are looking forward to launching many new initiatives throughout the coming year.

ACKNOWLEDGMENTS

I would like to thank all of the Institute's volunteers for their time and generosity. We are very conscious of the professional and personal demands on busy tax professionals and appreciate the enormous contributions the hundreds of individuals make to the work and life of the Institute. Each year brings new challenges and opportunities; we are fortunate to have both longstanding and new Members who commit their time to the Institute's activities.

Finally, thank you to my staff for continuing to show incredible loyalty and allegiance to the Institute and its Members.



Noel Rowland
CEO

2006 Directors' Report

to the Members of Taxation Institute of Australia

Your directors present this report of the Taxation Institute of Australia ("the Institute") for the year ended 31 December 2006.

DIRECTORS

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

John de Wijn QC (appointed 26/03/02, resigned 28/03/06)
 Michael Frampton (appointed 14/11/06)
 Fiona Halsey (appointed 29/03/06, resigned 24/10/06)
 Damien Lockie (appointed 30/03/04, resigned 28/03/06)
 Arlene Macdonald (appointed 03/09/01, resigned 28/03/06)
 Andrew Mills
 Peter Moltoni
 Peter Murray (appointed 29/03/06)
 Harry Rigney
 Joan Roberts
 Ken Schurgott
 Andrew Sinclair (appointed 29/03/06, resigned 18/10/06)
 Stephen Westaway (appointed 29/11/06)
 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 \$843,361 (2005: \$144,588). The 2006 operating result included a profit on sale of assets of \$539,996.

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 results for the year reflect considerable growing demand in the Institute's continuing professional development activities and investment in new activities, e.g. structured education.

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 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 its range of practical education and information 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

No indemnities have been given or agreed to be given other than the Institute paying an Associations Liability Insurance Policy. This policy includes Directors and Officers Insurance Cover.

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 company 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.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 31 December 2006 has been received and can be found on page 6 of the Directors' Report.

DIRECTORS' MEETING

During the financial year to 31 December 2006, the following meetings were held and attendances were:

Name	No. of Meetings Eligible to Attend	No. of Meetings Attended
John de Wijn QC	1	1
Michael Frampton	1	1
Fiona Halsey	3	3
Damien Lockie	1	1
Arlene Macdonald	1	1
Andrew Mills	7	7
Peter Moltoni	7	6
Peter Murray	6	4
Harry Rigney	7	7
Joan Roberts	7	6
Ken Schurgott	7	5
Andrew Sinclair	3	3
Stephen Westaway	1	1
David Williams	7	6
Sue Williamson	7	7

Auditor's Independence Declaration



AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF TAXATION INSTITUTE OF AUSTRALIA

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2006 there has been:

- No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

WHK Greenwoods

WHK GREENWOODS



DAVID SINCLAIR

Dated this 23rd day of February 2007

Directors' Particulars

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

Date of Birth 29 March 1952

Qualifications

Queen's Counsel

Experience

Appointed to National Council 2003, resigned March 2006

Responsibilities

Victorian State Councillor 1989-1997 and since 2002 Member National Executive Committee, Junior Vice President, Member National Technical Committee, Chairman National Technical Committee 2004, President 2005

Michael Frampton

Date of Birth 3 February 1959

Qualifications

Barrister and Solicitor Supreme Court of Western Australia, Barrister and Solicitor New Zealand

Experience

Appointed to National Council November 2006

Responsibilities

WA State Council 15/05/2001 – Current

WA Education Committee 12/03/1997 – 15/03/2006, Chairman State Council 15/05/2001

Fiona Halsey

Date of Birth 25 March 1965

Qualifications

Appointed to National Council March 2006, resigned October 2006

Responsibilities

Chairman of the WA Technical Committee approx 2004

Chairman of the State Council 9/03/1998

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

Date of Birth 22 September 1958

Qualifications

Barrister-at-Law

Qualifications

Appointed to National Council 1999, resigned March 2002

Reappointed to National Council 2004

Responsibilities

Victorian State Councillor since 1994, Victorian State Chairman 1999-2000, Chairman National Membership and Services Committee 2002-2004, Deputy Chair National Technical Committee 2005

Arlene Macdonald BA, LLB, GDLP, FTIA, TEP

Date of Birth 20 March 1952

Qualifications

Barrister-at-Law

Experience

Appointed to National Council 2001, resigned March 2006

Responsibilities

South Australian State Councillor since 1998, Member National Education Committee since 2002, Member State Education Committee since 1997, Deputy Chair National Education Committee 2004-2006, Chair South Australia Education

Committee 2002-2003, Chair South Australia State Council 2006, Member Examinations and Quality Assurance Board

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

Date of Birth 29 September 1961

Experience

Appointed to National Council 2001

Responsibilities

New South Wales State Councillor since 2000, New South Wales Chairman 2002-2003, Chairman National Technical Committee 2002 and 2005, Appointed Treasurer 2003-2004, Vice-President 2005, President 2006

Peter Moltoni B Comm, CA, FTIA

Date of Birth 27 April 1958

Qualifications

Chartered Accountant

Experience

Appointed to National Council 1996

Responsibilities

Western Australian State Councillor since 1991, Western Australian State Chairman 1996, Treasurer 2005, Vice-President 2006, Chair National Technical Committee 2006

Peter Murray B Comm, LL.B, CA, FTIA

Date of Birth 23 March 1959

Qualifications

Chartered Accountant/Solicitor

Experience

Alternate Director 23 August 2005

Responsibilities

Victorian State Councillor since 1997, Victorian Chairman 2003-2004, Member National Education Committee, Chairman Victorian Education Committee 1999-2003, Chair Information Products Working Group

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

Date of Birth 2 April 1948

Qualifications

Barrister and Solicitor, Registered Tax Agent

Experience

Appointed to National Council 2004

Responsibilities

Queensland State Councillor 2004, Chair Queensland Regional Committee 2005, Chair Education Advisory Board, Member National Technical Committee

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

Date of Birth 18 August 1949

Qualifications

Barrister and Solicitor

Experience

Appointed to National Council 1999

Responsibilities

Tasmanian State Councillor, Member National Education Committee, Chair National Membership and Services Committee

Directors' Particulars

Ken Schurgott BApp Sc, BA(Acy), LLB, MLS, LLM, MApp.Fin, FTIA

Date of Birth 6 September 1949

Qualifications

Solicitor

Experience

Appointed to National Council 2005

Responsibilities

Member Education, Examinations and Quality Assurance Board, Governor Australian Tax Research Foundation, New South Wales State Councillor since 2003, Member Education Committee New South Wales Division, Chairman South Australian State Council 2002, Chairman National Education 2006

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

Date of Birth 26 December 1962

Qualifications

Chartered Accountant, Solicitor

Experience

Appointed to National Council March 2002, resigned March 2004 – reappointed to National Council March 2006, resigned October 2006

Responsibilities

South Australian State Councillor since March 1998

Stephen Westaway B Fin Admin, FCA, FTIA

Date of Birth 24 January 1958

Qualifications

Chartered Accountant

Experience

Appointed to National Council November 2006

Responsibilities

South Australian State Councillor since February 2000, Education and Convention Sub-committee since April 2004

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

Date of Birth 6 June 1953

Qualifications

Solicitor

Experience

Appointed to National Council 2003

Responsibilities

New South Wales State Councillor 1992-1996 and since 2000, NSW State Chairman 2003-2004, Chairman National Education Committee 2004-2006, Deputy Chairman National Technical Committee since March 2006

Sue Williamson LLM, B Comm, FTIA

Date of Birth 28 February 1960

Qualifications

Barrister and Solicitor

Experience

Appointed to National Council 2000

Responsibilities

Victorian State Councillor since 1995, Member National Education Committee, Treasurer 2006

COMPANY SECRETARY

Noel Rowland

Date of Birth 21 January 1967

Qualifications

Chief Executive Officer and Company Secretary

Experience

Appointed Company Secretary March 1998

2006 Financial Report

Income Statement

for the year ended 31 December 2006

	Note	2006	2005
		\$	\$
Revenue from ordinary activities	2	10,890,846	9,259,090
Employee benefits expense		(4,343,490)	(3,731,655)
Depreciation and amortisation expenses		(343,917)	(206,861)
Membership services		(3,702,841)	(3,482,602)
Administration expenses		(1,657,237)	(1,693,384)
Profit from ordinary activities before income tax expense		843,361	144,588
Income tax expense relating to ordinary activities	1(i)	-	-
Net profit from ordinary activities after income tax expense attributable to members of the company		843,361	144,588

The accompanying notes form part of these financial statements

Balance Sheet

as at 31 December 2006

	Note	2006	2005
		\$	\$
CURRENT ASSETS			
Cash and Cash Equivalents	5	5,260,770	2,378,177
Trade and Other Receivables	6	744,472	669,622
Inventories	7	696	1,332
Assets held for sale	8	-	1,119,100
TOTAL CURRENT ASSETS		6,005,938	4,168,231
NON-CURRENT ASSETS			
Other Financial Assets through Profit & Loss	9	6	6
Property, Plant and Equipment	11	1,075,047	1,882,528
TOTAL NON-CURRENT ASSETS		1,075,053	1,882,534
TOTAL ASSETS		7,080,991	6,050,765
CURRENT LIABILITIES			
Trade & Other Payables	12	3,316,050	3,194,487
Short Term Provision	13	251,643	212,288
TOTAL CURRENT LIABILITIES		3,567,693	3,406,775
NON-CURRENT LIABILITIES			
Long Term Provisions	13	141,164	115,217
TOTAL NON-CURRENT LIABILITIES		141,164	115,217
TOTAL LIABILITIES		3,708,857	3,521,992
NET ASSETS		3,372,134	2,528,773
EQUITY			
Reserves	14	-	795,004
Retained Profits		3,372,134	1,733,769
TOTAL EQUITY		3,372,134	2,528,773

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 31 December 2006

	Note	2006	2005
		\$	\$
Retained Profits			
Opening retained earnings		1,733,769	1,589,181
Net profit for the year		843,361	144,588
Transfer from reserves on sale of assets		795,004	-
Retained earnings at year end		3,372,134	1,733,769
Reserves			
Opening reserves	14	795,004	795,004
Transfer to retained earnings on sale of assets		(795,004)	-
Balance at the end of the year		-	795,004
Total equity at the end of the year		3,372,134	2,528,773

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 31 December 2006

	Note	2006	2005
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Members and others		10,173,148	9,831,607
Payments to suppliers and employees		(9,740,824)	(9,463,040)
Interest received		261,605	171,851
Net Cash provided by (used in) operating activities	17 (b)	693,929	540,418
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(558,436)	(870,156)
Proceeds from sale of property		2,747,100	-
Net Cash provided by (used in) investing activities		2,188,664	(870,156)
Net Increase/(Decrease) in Cash held		2,882,593	(329,738)
Cash at beginning of year		2,378,177	2,707,915
CASH AT END OF YEAR	17 (a)	5,260,770	2,378,177

The accompanying notes form part of these financial statements

Notes to the Financial Statements

for the year ended 31 December 2006

NOTE 1. STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of the Taxation Institute of Australia for the year ended 31 December 2006 was authorised for issue by a resolution of the Directors on 23 February 2007.

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 company 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 company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). A statement of compliance with International Financial Reporting Standards cannot be made due to the Taxation Institute of Australia applying the not-for-profit sector-specific requirements contained in the AIFRS.

(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 and any impairment in value.

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 that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Impairment of Assets

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If such an indication exists and where the carrying values exceed the recoverable amount, the asset is written down to the recoverable amount.

Depreciation

The depreciable amount of all fixed assets including buildings are depreciated on a straight line basis over their estimated useful lives to the company, 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
Investment Property	2%
Plant and Equipment	20.0% - 33.3%
Development Costs	20%

Make Good provision on leased premises

Costs required to return the premises to its original condition as set out in the lease agreement are recognised as a provision in the financial statements.

The provision has been calculated as an estimate of future costs and discounted to a present value.

Critical Accounting Estimates and Judgments

The preparation of the financial statements requires the use of certain critical accounting estimates.

It also requires management to exercise its judgment in the process of applying the Institute's accounting policies.

Key Estimates Impairments

The Institute assesses impairment at each reporting date by evaluating conditions specific to the Institute that may lead to the impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(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 Statements

for the year ended 31 December 2006

(e) Employee Benefits

Provision is made for the company'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 that will be settled after one year, have been measured at the amount expected to be paid. 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 company to an employees' 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 three 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 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.

Revenue from members received in advance is deferred to the period to which it relates and included as an accrual on the balance sheet.

(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 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 of 1997.

(j) Inventories

Inventories held for distribution

Brochures published for distribution to members free of charge are held as inventory held for distribution at the lower of cost and net replacement cost.

(k) Sale of Assets

Property Assets that satisfy the criteria in AASB 5 as assets held for sale are transferred to current assets and separately disclosed as assets held for sale on the face of the balance sheet. These assets are measured at the lower of carrying amount and fair value less costs to sell. These assets cease to be depreciated from the date they satisfy the held for sale criteria.

The net gain or loss on asset sales are included as revenue at the date control passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

In 2005 the Institute transferred a Property Asset-being one floor of a building in the CBD with a book value of \$1,110,100 to Assets held for Sale in the Balance Sheet. This Property Asset was sold in 2006. The book profit from the sale of this asset and a second CBD floor was \$539,996. Refer Note 2. A revaluation reserve of \$795,004 was transferred to retained earnings as per AASB 116. Refer Note 14.

(l) Other Receivables

Trade Debtors

Trade debtors to be settled within 30 days are carried at amounts due.

(m) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

Notes to the Financial Statements

for the year ended 31 December 2006

	Note	2006	2005
		\$	\$
NOTE 2. REVENUE			
Operating Activities			
Membership services		4,517,183	3,852,105
Rendering of services (Conventions and Education)		4,356,130	4,289,330
Sales of publications		1,118,941	769,169
Commercial sponsorship		31,825	91,234
Advertising revenue		64,402	84,732
		<u>10,088,481</u>	<u>9,086,570</u>
Non-operating Activities			
Sundry Income		764	669
Other Income			
Bank Interest		261,605	171,851
Sale of Property	(i)	539,996	-
		<u>801,601</u>	<u>171,851</u>
TOTAL REVENUE		<u>10,890,846</u>	<u>9,259,090</u>

(i) The Institute sold two floors of a building in the Sydney CBD. The sale price for the two floors totalled \$2,747,100 and the book profit on sale was \$539,996. Note 1(k). This profit on the sale was included in the net profit from ordinary activities in the Income Statement.

NOTE 3. PROFIT FROM ORDINARY ACTIVITIES

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

Expenses			
Depreciation of non-current assets			
- buildings		7,000	41,900
- plant and equipment		336,919	164,961
		<u>343,919</u>	<u>206,861</u>
Remuneration of auditor			
- audit or review		12,000	12,500
- other services		2,800	1,680
		<u>14,800</u>	<u>14,180</u>
Rental expense on operating leases			
- minimum lease payments		335,460	281,992
		<u>335,460</u>	<u>281,992</u>

NOTE 4. DIVIDENDS

The company's constitution precludes the payment of dividends. No Dividend has been paid or declared since the commencement of the financial year.

Notes to the Financial Statements

for the year ended 31 December 2006

	Note	2006	2005
		\$	\$
NOTE 5. CASH AND CASH EQUIVALENTS			
Cash at Bank		5,259,570	2,377,077
Cash on Hand		1,200	1,100
		5,260,770	2,378,177
NOTE 6. RECEIVABLES			
CURRENT			
Trade Debtors		317,930	349,075
Prepayments		426,542	320,547
		744,472	669,622
NOTE 7. INVENTORIES			
CURRENT			
At cost			
Goods for resale		696	1,332
NOTE 8. ASSETS HELD FOR SALE – PROPERTY			
CURRENT			
Carrying Amount		-	1,119,100
NOTE 9. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS			
Shares in other corporations – at cost		6	6

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 10. CONTROLLED ENTITIES

Subsidiary: The Australian Institute of Certified Tax Practitioners Pty Ltd
Country of incorporation: Australia
Percentage owned: 100% (2005: 100%)

The Institute's subsidiary – The Australian Institute of Certified Tax Practitioners Pty Ltd has not traded since 2004, and 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 directors that consolidation of 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.

Notes to the Financial Statements

for the year ended 31 December 2006

	Note	2006	2005
		\$	\$
NOTE 11. PROPERTY, PLANT AND EQUIPMENT			
Investment Property			
- independent valuation 2005		-	1,050,000
Less: Accumulated Depreciation		-	(21,000)
		-	1,029,000
Plant and Equipment – at cost			
Less: Accumulated Depreciation		1,620,916	2,110,745
		(598,380)	(1,286,889)
		1,022,536	823,856
Development Cost			
Less: Amortisation on Development		74,722	29,672
		(22,211)	-
		52,511	29,672
TOTAL PROPERTY, PLANT AND EQUIPMENT			
		1,075,047	1,882,528

(a) Movements in carrying amounts

Movement in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Investment Property \$	Plant and Equipment \$	Development Costs \$	Total \$
Balance at the beginning of the year	1,029,000	823,856	29,672	1,882,528
Additions	-	513,386	45,050	558,436
Disposals	(1,022,000)	-	-	(1,022,000)
Depreciation or amortisation expense	(7,000)	(314,706)	(22,211)	(343,917)
CARRYING AMOUNT AT THE END OF THE YEAR	-	1,022,536	52,511	1,075,047

NOTE 12. PAYABLES

CURRENT

Trade creditors	599,390	942,407
Income in Advance	2,716,660	2,252,080
	3,316,050	3,194,487

Notes to the Financial Statements

for the year ended 31 December 2006

	Note	2006	2005
		\$	\$
NOTE 13. PROVISIONS			
CURRENT			
Employee benefits		251,643	212,288
NON-CURRENT			
Employee benefits		84,581	64,421
Make Good on Premises		56,583	50,796
		141,164	115,217
		392,807	327,505
(a) Aggregate employee benefits		336,224	276,709
(b) Number of employees at year end		40	38
NOTE 14. RESERVES			
Asset Revaluation Reserve			
(a) Movements during the year		-	795,004
Opening balance		795,004	795,004
Transfer to retained profits on sale of assets		(795,004)	-
CLOSING BALANCE		-	795,004
The asset revaluation reserve records revaluations of non-current assets measured at fair value.			
NOTE 15. 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		349,615	250,585
- later than one year but not later than years		977,546	1,269,955
- later than 5 years		-	44,880
		1,327,161	1,565,420
The property leases are non-cancellable leases with one-to five-year terms, with rent payable monthly in advance. An option exists on some of the leases to renew the term for an additional period up to five years.			

Notes to the Financial Statements

for the year ended 31 December 2006

	Note	2006	2005
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\$ \$

NOTE 16. SEGMENT REPORTING

The Institute is a not-for-profit Industry Association with branches in each State and provides educational services to Members and the public. It conducts conventions and seminars as part of its educational services 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 17. CASH FLOW INFORMATION

(a) Reconciliation of Cash

For the purpose of the statement of cash flows, "cash" includes cash on hand, deposits and managed funds. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the items in the income statement as follows:

Cash on hand and at bank	5,260,770	2,378,177
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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	843,361	144,588
Non-cash flows in profit from ordinary activities		
Depreciation	343,917	217,451
Profit on sale of Assets	(539,996)	-

Changes in assets and liabilities

(Increase) in Receivables	31,145	(206,595)
(Increase)/decrease in Other Assets	(105,995)	48,240
Decrease in Inventories	636	8,943
Decrease in Payables	55,559	337,439
Increase/(decrease) in Provisions	65,302	(9,648)

CASH FLOWS FROM OPERATIONS

693,929	540,418
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NOTE 18. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The company'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 weighted average interest rates on those financial assets, is as follows:

	Note	Weighted Average interest rate		Floating Interest Rate		Non-Interest Bearing	
		2006	2005	2006	2005	2006	2005
Financial Assets		%	%	\$	\$	\$	\$
Cash at bank	5	5.00	5.00	272,767	178,177		
Deposits at call	5	5.90	5.57	4,988,003	2,200,000		
Receivables	6					317,930	349,075
TOTAL FINANCIAL ASSETS				5,260,770	2,378,177	317,930	349,075
Financial Liabilities						Non-Interest Bearing	
Payables	12					599,390	942,407
Income in Advance	12					2,716,660	2,252,080
Provisions	13					392,807	327,505
						3,708,857	3,521,992

Notes to the Financial Statements

for the year ended 31 December 2006

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.

(c) Net Fair Values

The Institute's financial assets and liabilities are carried at an amount that is approximate to net fair value.

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

NOTE 19. 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 20. 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 2, 95 Pitt Street, Sydney NSW 2000

NOTE 21. RELATED PARTIES

Key Management Personnel are employed under fixed term contracts up to five years duration.

Common features with employment agreements include:

- Entitlement to 4 weeks Annual Leave
- Entitlement to 10 days Sick Leave
- Entitlement to Long Service Leave is based on contract
- All Contracts may be terminated without notice for serious misconduct
- Reasonable notice of termination is to be given by both employee and the Institute
- A performance bonus may be paid but this is a discretionary payment
- Where required staff are provided with a mobile phone for business calls

KEY MANAGEMENT PERSONNEL

2006	2005
Noel Rowland, Chief Executive Officer	Noel Rowland, Chief Executive Officer
Michael Dirkis, Senior Tax Counsel	Michael Dirkis, Senior Tax Counsel
Ruth Ferraro, General Manager of Education	Ruth Ferraro, General Manager of Education
Des Reynolds, General Manager Finance & Admin.	Des Reynolds, General Manager Finance & Admin.
Zeina Khodr, General Manager Information Products	Alex Munroe, General Manager Information Products
Deborah Patison, Marketing Manager	Deborah Patison, Marketing Manager

Notes to the Financial Statements

for the year ended 31 December 2006

	Note	2006	2005
		\$	\$
REMUNERATION FOR KEY MANAGEMENT PERSONNEL			
Base Salaries		974,541	847,085
Superannuation		87,709	68,902
Bonuses		39,319	40,000
TOTAL REMUNERATION		1,101,569	955,987
The bonus amount paid to staff was a performance bonus for 2006 year.			
DIRECTORS' REMUNERATION			
No income was paid or is payable to the Directors of the company.			
An amount is paid to Greenwood & Freehills Pty Ltd for the services provided by the President.			
		66,020	59,020

Directors' Declaration

The Directors of the Institute declare that:

1. The Financial Reports and Notes, as set out on pages 9 to 21, 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 2006 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.



Andrew Mills, Director



Ken Schurgott, Director

This declaration is made in accordance with a resolution of the Board of Directors in Sydney on the 23rd day of February 2007.

Independent Auditor's Report

to the Members of Taxation Institute of Australia



Report on the Financial Report

We have audited the accompanying financial report of Taxation Institute of Australia ("the Institute"), which comprises the balance sheet as at 31 December 2006, the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Institute are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conduct our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion the financial report of Taxation Institute of Australia 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 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. other mandatory financial reporting requirements in Australia.

WHK GREENWOODS

DAVID SINCLAIR

Dated this 23rd day of February 2007



EXECUTIVE TEAM

Noel Rowland	Chief Executive Officer
Michael Dirkis	Senior Tax Counsel
Ruth Ferraro	General Manager, Education
Zeina Khodr	General Manager, Information Products
Deborah Patison	Marketing Manager
Des Reynolds	General Manager, Finance and Administration

NATIONAL OFFICE

Chief Executive Officer

Noel Rowland

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Manager

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