



# Surcharge Land Tax Evaluation Report

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## Document Change Control

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## Document Sign-Off

### Evaluation Peer Review

Name (Position)	Review date
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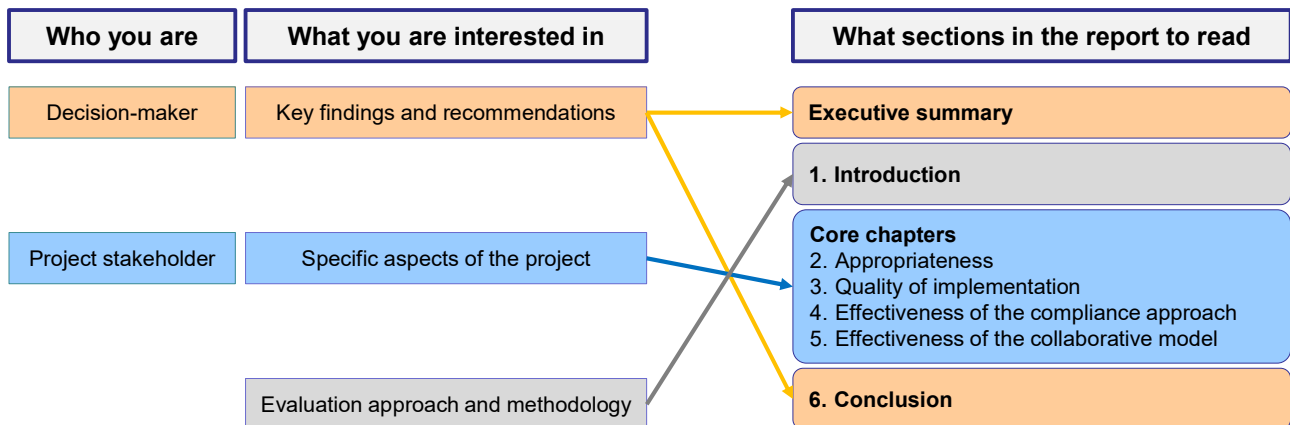
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# This document

## How to read

This report has several levels of reading depending on the role or perspective of the reader as explained in the reading guide pictured in Figure 1. Sections have active headings in the form of key findings to make it easier for the reader to identify areas of interest.

Figure 1. How to read guide



## Acknowledgement

This work was completed with the assistance of Jocelyn Yem, Leona Lobo and Miroslaw Mioduszeewski.

We would also like to thank key informants from the Land Tax, Tax Debt, Finance and Revenue Digital teams we interviewed as part of this evaluation. We thank them for their time and insights and trust that their views are adequately represented in this report.

## The evaluation team

Kevin Wingrave (Supervisor), Anitha Kuruvilla (Evaluator)

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# Executive summary

## Surcharge Land Tax

### Project overview:

The Surcharge Land Tax Compliance Program was aimed at identifying foreign customers who are liable to pay Surcharge Land Tax on residential properties owned in NSW, using a suite of analytical tools and personal case management techniques.

The 2016 NSW State budget introduced Surcharge Land Tax to be paid by foreign persons who are not ordinarily resident. The surcharge is in addition to any land tax the owner may already be paying. The majority (95.4%) of Revenue NSW's surcharge customers are only surcharge liable. There is no tax-free threshold applicable to Surcharge Land Tax, like there is for Land Tax.

In 2017-2018 Revenue NSW undertook a tax gap analysis for land tax to identify non-compliance of customers' tax obligations. This report identified a series of positive actions to reduce the tax gap and increase the revenue for the government. These actions focused on the poor quality of data received and the lack of customer understanding regarding their tax obligations.

In November 2018, the Expenditure Review Committee approved a targeted approach for compliance on Surcharge Land Tax. This opportunity was expected to identify additional revenue of \$72.1 million in the first four years, from foreign persons who do not ordinarily reside in Australia. A total of \$163.7 million over a 10 year period was expected to be generated through Revenue NSW's enhanced Analytics capability uplift program, running concurrently to the compliance program.

Through agile work practices, and partnerships with Revenue NSW Analytics, the Robotic Process Automation team, the Behavioural Insights team, and the Department of Customer Service Communications team, Revenue has already been able to identify and assess \$212 million of surcharge land tax compliance within the first four years.

The program is considered to be a demonstrated success story for other revenue tax bases through the combination of analytics, automation, and exemplary customer service.

## The Evaluation

### Purpose and scope of evaluation

The purpose of the evaluation was to assess the effectiveness of the approach used in reducing the tax gap for Foreign Owner Land Tax Surcharge. In addition, it determined the extent of the uplift in our inhouse analytical capabilities by utilising data science and tools and adopting data smart practices.

The evaluation was conducted from 1 June 2022 to 31 October 2022 where an outcome assessment was conducted on the project deliverables. This assessment covered the evaluation of the project objectives, including:

- Assessing the delivery of key milestones to determine whether Revenue NSW has reduced the foreign owner surcharge land tax gap
- Assessing the effectiveness of the analytical capability uplift to identify customers with unpaid liability from the aggregate modelling

### Evaluation methods

The methods implemented to undertake this evaluation were:

- Document analysis: Analysis of draft ERC Submission, Treasury Discussion paper, Final Nomination for Surcharge Premier's Award, Original Surcharge Summary report
- Review of feedback from surveys
- Stakeholder interviews

### Confidence in the findings and limitations

We were able to implement the methods largely as intended and are confident that the data collected provides a sound basis for the evaluation to draw conclusions about the project.

The evaluation faced some limitations in: (1) seeking advice from project stakeholders, (2) obtaining detailed insight from the identified project stakeholders, and (3) finalising the evaluation report on schedule due to a member leaving the evaluation team. These limitations are explained in more depth in Section 1.3.

## Key findings

- **The Surcharge Land Tax Project has helped reduce the tax gap and generate more revenue for Revenue NSW**
  - The Surcharge Land Tax project results have exceeded expectation
  - For the Period February 2019 – June 2022:
    - Surcharge Compliance Target: **\$72.1M**
    - Revenue Identified: **\$212.37M**
    - Exceeded Target by: **\$140.27M (approx. 194% above target)**
    - Revenue Collected: **\$169.12M<sup>1</sup>**
    - Total number of cases finalised: **15,722**
- **Team work is key to achieving project outcomes**
  - The Compliance surcharge team formally partnered with the RNSW Analytics team to maximise the data opportunity and drew on expertise of the Behavioural Insights Unit and Robotics Process Automation.
- **The partnership with Home Affairs was a success**
  - The Analytics team secured arrangements with Home Affairs and forged good working relationships that can prove beneficial to subsequent projects. They provided the team with data on potential foreign individual landowners with movement records, overseas travel and citizenship information.
- **Focus on customer education is essential**
  - The project team introduced behavioural insights techniques into surcharge as part of this program to try to target customers in a different way. Improving customer awareness, communications and education has resulted in increased voluntary compliance.
- **Agile methodology had a big impact on the successful and timely delivery of the solution**
  - The team was able to continuously achieve and exceed the set targets by using the agile methodology to continuously improve the way cases were identified and investigated.
- **Automation and enhanced Analytics has helped close the Surcharge Tax gap**
  - An automated functionality was developed to improve a previously labour-intensive compliance process. The improved analytical capability has enabled the identification of customers liable to pay the surcharge, therefore assisting in closing the tax gap.
- **The project made some inroads into developing an enterprise view of the customer, however more progress is needed**
  - Revenue NSW hasn't fully solved the enterprise view of the customer problem, although work continues to be developed.

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<sup>1</sup> The Outstanding debt of \$43m is subject to BAU debt collection processes. The debt collection was not part of the project, the project simply identified the debt and facilitated the business's collection of the outstanding debt.

## Recommendations

Based on the success of this project RNSW should:

- Adopt the approach, methodologies and learnings of this project to enhance the operations of other compliance projects across other revenue types
- Continue to develop good external relationships with the Department of Home Affairs that support the pursuit of foreign surcharge cases ongoing
- Focus on expanding on this work to ensure customers know about their tax liabilities up front, instead of rectifying issues after the non-compliance has occurred
- Invest more effort on reaching complex customer groups, especially those that are often overseas
- Apply the learnings of this project in reducing the tax gap to other areas of the legislation
- Use the work done in the Surcharge Land Tax project as a platform to increase the use, awareness and analytical capabilities across Revenue NSW
- Continue the work started in developing the enterprise view of the customer
- Ensure that the scope is well documented, clear and understood prior to the project commencement



# Introduction

## 1.1 Surcharge Land Tax

### 1.1.1 Background

The Surcharge Land Tax project presented a significant opportunity for Revenue NSW to target increased surcharge land tax revenue using advanced analytics and improving capabilities and practices. It sought to reduce the tax gap for surcharge land tax and achieve an analytics capability uplift which would enable the execution of compliance activities generated from the advanced data insights.

The 2016 NSW State budget introduced Surcharge Land Tax to be paid by foreign persons who own residential land in NSW. In 2017-2018 Revenue NSW undertook a tax gap analysis to identify non-compliance with land tax obligations. The tax gap analysis identified a series of positive actions to reduce the tax gap and increase the revenue for the government, focused on the poor quality of data received, as well as the lack of customer awareness of their tax obligations. It identified an estimated tax gap of \$72.1 million in revenue from foreigners who do not ordinarily reside in Australia relating to surcharge land tax. In November 2018, the NSW Government approved a targeted approach for compliance on surcharge land tax activities and data analytics capability uplift to undertake the work required. A project team was formed in 2019 to tackle this through customer education and targeted compliance, with the goal of reducing the tax gap over four years.

### 1.1.2 Strategic Alignment

The Surcharge Land Tax proposal contributes to achieving the State Priority target of delivering strong budgets and expenditure growth to be less than revenue growth. The proposal falls under the two Premier's priorities of a strong economy and Revenue NSW putting the customer at the centre of everything.

### 1.1.3 Project Objectives

The objectives of the Surcharge Land Tax project were to:

- Enhance Revenue NSW's performance by optimising revenue collection through a data and analytics driven compliance program;
- Identify compliance opportunities and increase surcharge land tax revenue from foreign owners;
- Collect additional land tax revenue of \$72.1 million in the first four years of the project, and \$163.7 million over a 10-year period.

### 1.1.4 Project Design

The **focus** of the Surcharge Land Tax project was to identify compliance opportunities and increase surcharge land tax revenue from foreign owners only, which was expected to increase revenue by \$163.7 million over ten years to 2028.

Through agile work practices, and partnerships with Revenue NSW Analytics, the Robotic Process Automation team, the Behavioural Insights team, and the Department of Customer Service Communications team, Revenue NSW aimed to identify and assess significant surcharge land tax revenue gaps through increased compliance using advanced data analytics.

The **scope** of the project covered:

High level scope	Key Deliverables
Reduce land tax surcharge gap	<ul style="list-style-type: none"> <li>Reduce the foreign owner land tax surcharge gap by \$163.7m between 2019 – 2028.</li> <li>Validate 22,000 potential foreign individual landowners with movement records and overseas citizenship information secured through data sharing arrangements with the Department of Home Affairs.</li> </ul>
Uplift and enhance analytical capability	<ul style="list-style-type: none"> <li>Develop strong data driven insights through machine learning with automated compliance case creation, self-service data selection and data-based decisions.</li> <li>Develop re-usable advanced analytics tools and capabilities to scan and detect probable non-compliance with tax liabilities.</li> <li>Build a safe process to manually data cleanse and contact customers.</li> </ul>
Enterprise view of the customer	<ul style="list-style-type: none"> <li>Develop a 360° view of customers’ products and behaviours.</li> <li>Improve Revenue NSW’s ability to identify liabilities for customers who are registered for different revenue streams.</li> </ul>

What was **not in scope** of the project is:

- Companies and Trusts data validation and revenue tax gap not in scope for this phase of the project
- Identifying compliance opportunities and increasing Land Tax revenue across all liable tax payers

The **target group(s)** of this project is/ are:

- Foreign owners who are not permanent residents who ordinarily reside in Australia and are required to disclose their foreign citizenship information

The project includes the following **main components**:

- Using an agile methodology, and the involvement of a range of teams to test and iterate different processes, approaches and technologies.
- The Analytics team securing data arrangements with the Department of Home Affairs to provide data on potential foreign individual landowners, plus the movement records, overseas travel and citizenship information of these individuals.
- The Behavioural Insights team engaging to tailor and test which communications would best engage customers to respond to their obligations.
- The Automation team developing automated functionality to improve the current state manual and labour consuming compliance process. This included automating the identification and classification of customers who were potentially liable for surcharge but were yet to be assessed.
- A compliance approach to focus on customer education and individual contact adhering to the mandate that the customer will always be contacted to advise them of their tax obligation prior to being issued with a tax assessment.

The **key project [stakeholders/ partners]** are:

- NSW Treasury - Data Analytics Centre (DAC)
- Department of Home Affairs
- Revenue NSW Land Tax Compliance team
- Revenue NSW Automation team
- Revenue NSW Behavioural Insights team
- Revenue NSW Analytics team

The **timeframe** for the original submission was for the 4-year period from July 2018 to June 2022.

The original submission sought approval for \$14.47 million in the four years to 30 June 2022, including \$0.27 million capital expenditure in 2018-19 and \$0.7 million per year thereafter to 2028-29 to optimise the collection of Land Tax revenue.

The first two years of this four year project was funded in BAU which makes it impossible to determine the actual project spend. The costs for 2021 and 2022 were separated into a cost centre which had a spend of \$3.5m over the two year period. We recommend that for future projects all project costs get charged to the project and we are able to track these costs from project onset.

### 1.1.4.1 Alignment with other Projects

The Surcharge Land Tax project created opportunities for data and compliance synergies adopted by:

- The Digitise Land Tax project – to improve the land tax customer journey through enhanced data accuracy, data matching and completeness of property ownership records.
- Reducing the Tax Gap program - which focuses on companies and trusts as phase 2 of the Surcharge Land Tax initiative.

This project paved the way for Revenue NSW's Land Tax portal in conjunction with Service NSW which strategically aligns with the Premier's Priority of *Tell Us Once*. The customer improvements also support the NSW Government's priority of putting the customer at the centre of everything we do.

The project has also supported the Government's policy priority to ensure a strong economy, quality jobs and developing the digital capability for workers to equip them for the future.

### 1.1.4.2 Program Logic

The **program logic** below outlines the rationale of the Surcharge Land Tax project. A program logic is essentially a one-page diagram that represents the ideal 'outcomes' of a program at different levels and the causal links between these. It is a tool used to:

- clarify and communicate strategies and their intended outcomes,
- make causal assumptions explicit and
- provide a framework for monitoring and evaluation activities.

An 'outcomes hierarchy' approach is used, that works from bottom to top, showing the initial policy issues or opportunities that triggered the project, the key inputs to the project, the project activities used to generate a series of immediate outcomes, which in turn generate intermediate outcomes, which ultimately contribute to ultimate term outcomes which are that strong state finances are supported by effective property, asset, and revenue management.

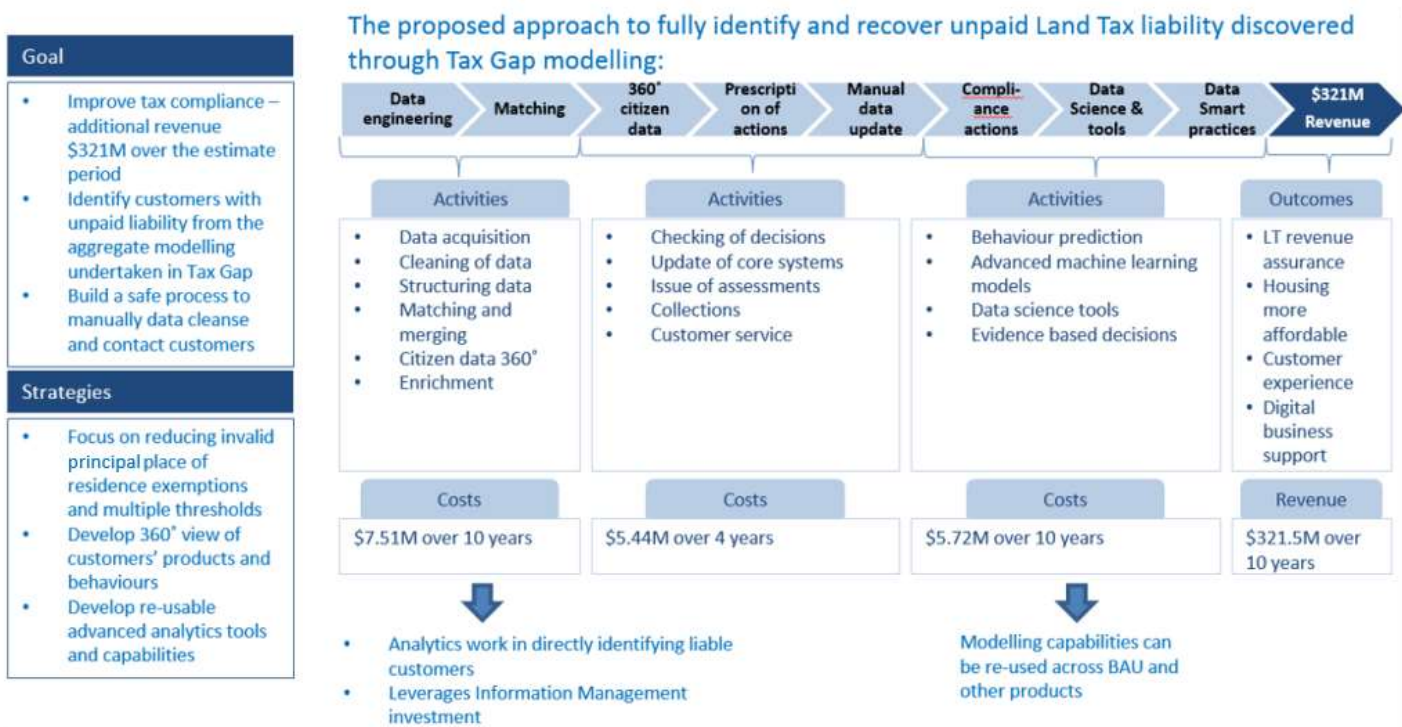
Broad ownership of the program logic – through a collective design process or review and feedback – is critical to support engagement of key project stakeholders in making the project a success and committing to measure its achievements.

This project was triggered by the fact that current sources for data used for Land Tax assessments (Land Titles Registry and Valuation Services database) did not capture sufficient information around customer identity or use of property. Revenue NSW was required to enhance this data with information either from the customer or from external data providers. The additional analytics effort proposed in the submission sought to continue Revenue NSW's focus on improving its advanced

analytical modelling involving the enrichment of data quality and developing strong data driven insights.

The Tax Gap program has undertaken an extensive ‘bottom up’ analysis of land holdings and use in NSW. This has allowed Revenue NSW Land and Analytics team to cross-reference current liability vs ‘could be’ liability. The results show a compelling opportunity to correct the non-charging or under-charging of Land Tax and this tax gap is caused by historic and systemic issues with data quality.

Figure 2. Program logic



## 1.2 The Evaluation

### 1.2.1 Purpose

Treasury Circular 18-03 outlines the purpose of undertaking a program evaluation: “Government programs must be regularly examined to ensure they are achieving their intended outcomes and providing a net benefit to NSW. Program evaluation is an in-depth investigation to assess how well a program is working, typically examining a broader range of information on program performance and its context than is feasible to monitor on an ongoing basis. Program evaluation complements other forms of performance measurement”.

The **purpose** of this evaluation is to assess the effectiveness of our approach in reducing the tax gap for Foreign Owner Surcharge for Land Tax. In addition, we will determine the extent of the uplift in our inhouse analytical capabilities by utilising data science and tools and adopting data smart practices.

The aim of this evaluation is to better inform and support future investments into similar programs which can significantly uplift revenue collection.

The **objectives** of the evaluation are to:

- Examine the effectiveness of Revenue NSW’s application of data smart practices and reducing the tax gap
- Evaluate how Revenue NSW has operationalised the improved data to reassess peoples surcharge liabilities
- Assess our use of the Department of Home Affairs data to validate and raise compliance actions to recognise unpaid land tax liabilities
- Appraise whether the advanced data science and tools has led to an enhanced enterprise view of the customer
- Measure whether we have developed reusable advanced analytical tools and capabilities

The **evaluation timeframe** in scope is 1 June 2022 to 31 October 2022 where an outcome assessment will be conducted on the project deliverables. This assessment will cover the evaluation of the objectives detailed above. This includes:

- Assessing the delivery of key milestones to determine whether Revenue NSW has reduced the foreign owner surcharge land tax gap
- Assessing the effectiveness of the analytical capability uplift to identify customers with unpaid liability from the aggregate modelling

**Out of scope** items include identifying data quality issues with the Department of Home Affairs, the assessment of data quality issues with the existing inhouse MARS system and surcharge tax gap

for companies and trusts. Also out of scope is evaluating the outcome of making “Housing more affordable”. The overall policy rationale for the introduction of surcharge land tax is making it more costly for foreign investors and potentially allowing more housing stock available for local buyers. However the scope of housing affordability is too broad with multiple economic, government and market variables which made it too difficult to gather the required data on the impact of this project in isolation.

### 1.2.2 Target audience and intended use

The key target audiences for the evaluation are the Revenue NSW’s Portfolio Operations team who oversee the delivery of projects and programs, Product Directors and Executives. The report will then be distributed to DCS and Treasury.

The evaluation findings will inform the uplift of data capabilities in reducing the tax gap and developing a 360° view of customers, products and behaviours. It will also pave the way for use of advanced data analytics tools and practices to identify future tax liabilities.

### 1.2.3 Key evaluation questions

The evaluation answers seven key evaluation questions across two evaluation areas as identified in the evaluation plan (Table 1). These questions are a mix of standard evaluation questions and questions of interest to key internal stakeholders as discussed during the scoping interviews.

Table 1. Key evaluation questions

Evaluation area	Key evaluation questions	Section in the report where to find the answer
Examine the effectiveness of RNSW’s approach in reducing the tax gap for Foreign Owner Surcharge for Land Tax.	Have we delivered all of the scope and objectives as outlined in the proposal? If not, what was the impact? Have we realised the specified benefits of this four year program and on target to deliver the ten year benefits?	Section 2.1
	How many customers did we identify with unpaid tax liabilities as a result of aggregate modelling? Did this exceed the estimated target?	Section 2.1



Evaluation area	Key evaluation questions	Section in the report where to find the answer
	How effective were the customer education techniques delivered as part of the program in reducing the tax gap? Have other programs/revenue streams adopted these techniques to optimise customer awareness and subsequently increase compliance revenue?	Section 2.4
Determine the extent of the uplift in RNSW's inhouse analytical capabilities by utilising data science and tools and adopting data smart practices.	What reusable advanced analytical tools were developed? Were they effective in achieving the project objectives?	Section 3.1
	What insights have we gained by developing a 360° view of customers' products and behaviours? How useful have these insights been in achieving the proposed outcomes of the program?	Section 3.2

### 1.2.4 Evaluation design

The evaluation is Tier 2 according to the program scale as described in the NSW Government Program Evaluation guidelines.<sup>1</sup> These types of evaluations come with the following characteristics:

- Primary audience: Revenue NSW
- Evaluation type: Outcome
- Responsibility: Revenue NSW's Portfolio Operations team who oversee the delivery of projects and programs, Product Directors and Executives.
- Impartiality:

<sup>1</sup> NSW Government Premier and Cabinet, NSW Government Program Evaluation guidelines, January 2016



- Oversight: In the absence of an official project manager (as the project was never set up as a project in the PPM tool), evaluation oversight will be conducted by the business owner, Leona Lobo and project sponsor, Jocelyn Yem and the primary evaluator is Anitha Kuruvilla.
- Independence: Kevin Wingrave, Manager Portfolio Operations.
- Peer review will be conducted by Cassandra McDougall, Senior Project Officer Portfolio Operations
- Expert advice providing procedures and guidelines as required will be provided by Mark Perrin, Manager Governance (Policy, Planning & Evaluation)
- Resources: Internal staff with no additional budget cost.

The proposed evaluation is an Outcome evaluation<sup>1</sup>.

The evaluation will rely on a mix of qualitative and quantitative methods, with an emphasis on an analysis of project documentation. We will also be conducting interviews with internal stakeholders and utilising data from customer surveys.

### 1.2.5 Expected limitations

The evaluation has been limited due to the project not being reported through proper project management governance and oversight. There were also limitations in seeking advice and commentary due to some staff involved in the project no longer working for Revenue NSW.

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<sup>1</sup> An Outcome Evaluation determines whether the program caused demonstrable effects on specifically defined target outcomes. Identifies for whom, in what ways and in what circumstances the outcomes were achieved. Identifies unintended impacts (positive and negative). Examines the ways the program contributed to the outcomes, and the influence of other factors.  
[Develop the evaluation brief - Premier & Cabinet \(nsw.gov.au\)](#)

### 1.2.6 Performance information matrix

Table 2. Performance information matrix

Evaluation question	Attributes of success	Performance information/ indicators	Data sources/ evaluation method
Have we delivered all of the scope and objectives as outlined in the proposal? If not, what was the impact? Have we realised the specified benefits of this four year program and on target to deliver the ten year benefits?	All project objectives were delivered in line with original proposal	Revenue NSW is on track in delivering specified compliance revenue	Stakeholder survey  Interviews with stakeholders  Analysis of life to date benefits realised and forecasted benefits
How many customers did we identify with unpaid tax liabilities as a result of aggregate modelling? Did this exceed the estimated target?	Successful partnership with the Department of Home Affairs to retrieve foreign individual data	Validate in excess of 22,000 potential foreign individual land owners	Stakeholder survey  Interviews with stakeholders  Analysis of number of foreign individual land owner records validated
What level of analytical capability enhancement took place as a result of this program? What was the outcome?	Development of reusable analytical tools through adopting machine learning  Assessment of the maturity of our analytical capability (former state to end state)	Link all customer data  Systematise revenue assurance through improved data and corrections  Extent of automation of Land Tax case selection  Data driven insights and machine learning	Stakeholder survey  Interviews with stakeholders  Analysis of data analytics capability matrix
What insights have we gained by developing a 360° view of customers' products and behaviours? How useful have these insights been in achieving the proposed outcomes of the program?	New techniques/tools developed to gain customer insights  Better understanding of customer behaviour and predictability modelling	How well has the insights assisted us in closing the foreign owner surcharge tax gap	Stakeholder survey  Interviews with stakeholders  Customer insight data from behavioural insight team

Evaluation question	Attributes of success	Performance information/ indicators	Data sources/ evaluation method
How effective were the customer education techniques delivered as part of the program in reducing the tax gap? Have other programs/revenue streams adopted these techniques to optimise customer awareness and subsequently increase compliance revenue?	Successful development of new education/awareness materials that has influenced compliant customer behaviour	Revenue raised through voluntary compliance as a result of increased awareness of tax obligations	Stakeholder survey Interviews with stakeholders Customer insight data from behavioural insight team Revenue collection data

### 1.2.7 Evaluation methods

Methods used to answer the key evaluation questions include:

- Document analysis: Analysis of draft ERC Submission, Treasury Discussion paper, Final Nomination for Surcharge Premier's Award, Original Surcharge Summary report
- Review of feedback from surveys
- Stakeholder interviews
- Analysis of data on Land tax

These are based on possible data sources and methods identified in the last column of the performance information matrix against attributes of success and indicators. New data collection was limited to areas with gaps in the evidence available, building on existing documentation, data and processes as much as possible.

The objective, scope, suggested timeline and key considerations for implementation of each method are outlined in the following sections:

#### **Document review and analysis: Analysis of draft ERC Submission, Treasury Discussion paper, Final Nomination for Surcharge Premier's Award, Original Surcharge Summary report**

This method was utilised to develop an understanding of project objectives and outcomes as well as the proposed benefits the project planned to deliver.

Between June 2022 – September 2022, the focus on analysis was targeted for the following documents:

Draft ERC Submission: to understand and assess the project purpose, scope and design, as well as the baseline budget and timeframe

Treasury Discussion Paper – reducing the tax gap for Land Tax: to understand in more detail the purpose and objective of the overall Tax Gap program

Final Nomination for Surcharge Premier's Award: to assess the success of the surcharge land tax program

Original Surcharge Summary report: to understand whether the project was delivered as intended and the outcomes over the 4 year period

The implementation of this evaluation method was heavily dependent on the quality of the project artefacts and whether they address key evaluation questions.

a) **Stakeholder Surveys:**

The purpose of the stakeholder surveys was to capture feedback relating to the outcomes of the Surcharge Land Tax project.

The focus of the stakeholder surveys was to gain an understanding and insight from internal project stakeholders from the RNSW Land Tax and Analytics teams on how successfully they believe the project delivered in reducing the tax gap for Foreign Owner Surcharge for Land Tax Phase 1 as well as the extent of the uplift in our inhouse Analytical capabilities.

Between the period of July 2022 – September 2022, this was conducted using Microsoft Forms with a series of 8 questions, which can be viewed in Appendix 2.

The implementation of this method was heavily dependent on the remaining project stakeholders who are still within RNSW.

b) **Stakeholder Interviews:**

This method was utilised to collect feedback from key internal stakeholders within the RNSW Land Tax and Analytics teams on the project outcomes where information located (or not located) from the review of document artefacts require further validation.

Within the period of September - October 2022, the stakeholder interviews were conducted with each of the identified internal stakeholders who are still within RNSW. The focus was to validate any key questions which could not be confirmed by reviewing document artefacts and analyse the outcomes of the Surcharge Land Tax project.

This method was heavily dependent on the remaining project stakeholders who are still within RNSW.

### 1.3 Confidence in the findings and limitations

The evaluation team was able to implement the methods largely as intended and are confident that the data collected provides a sound basis for the evaluation to draw conclusions about the project.

The evaluation faced some limitations in: (1) seeking advice from project stakeholders, (2) obtaining detailed insight from the identified project stakeholders, and (3) finalising the evaluation report on schedule due to the departure of a member of the evaluation team.

- (1) Seeking advice from project stakeholders: a handful of the project delivery team and some of the internal staff involved in the project were no longer employed by RNSW. Given the four-year advancement from when the project was started, some of the stakeholders were unavailable to participate in the evaluation of this project which as a result limited the diversity of obtaining feedback and data for the evaluation methods: Stakeholder Surveys.
- (2) Obtaining detailed insight from the identified project stakeholders: The identified stakeholders participating in the evaluation were limited by what they were able to recall from the project implementation, and not all were involved in all aspects of the project. In addition, some of the stakeholders identified did not respond to the survey requests.
- (3) Finalising the evaluation report on schedule due to the departure of a member of the evaluation team: The finalisation of the evaluation report was delayed due to the implementation of a new Project Management system (Sensei IQ) and the transition of one of the original evaluators moving into a secondment role. Both the delay and limited resourcing was a key factor in reducing the momentum of finalising the evaluation.

## 2. Effectiveness of approach

This chapter examines the effectiveness of RNSW’s approach in reducing the tax gap for Foreign Owner Surcharge for Land Tax and answers the following evaluation questions:

1. Have we delivered all of the scope and objectives as outlined in the proposal? If not, what was the impact? Have we realised the specified benefits of this four-year program and on target to deliver the ten-year benefits?
2. How many customers did we identify with unpaid tax liabilities as a result of aggregate modelling? Did this exceed the estimated target?
3. How effective were the customer education techniques delivered as part of the program in reducing the tax gap? Have other programs/revenue streams adopted these techniques to optimise customer awareness and subsequently increase compliance revenue?

### 2.1 The Surcharge Land Tax Project has helped reduce the tax gap and generate more revenue for Revenue NSW

The Stakeholder Survey results as well as Revenue data collected verify by unanimous agreement that this project was extremely successful in achieving its stated objectives in reducing the tax gap. Weekly reporting identifies the number of letters issued, cases completed and revenue identified as a result of this project. The Surcharge Land Tax project results have exceeded the target surcharge compliance as can be seen in the following summary table:

	<b>Expected</b>	<b>Actual</b>	<b>Variance</b>
<b>Target Compliance</b>	\$72.1M	\$212.4M (\$169.1M collected)	+ \$140.3M
<b>Cases</b>	16,000	17,223 (15,722 finalised)	+ 1,223

### 2.2 Teamwork is key to achieving project outcomes

The Surcharge Land Tax team worked very well together and collaborated well with other teams in RNSW and externally with Home Affairs.

The Compliance surcharge team commenced in February 2019 with a small team of 7 staff. They were trained, coached and supported by a team leader and manager.

The surcharge team worked closely with

- the Analytics team, who provided all the potential compliance cases through data matching and advanced analytics tools. They provided accurate customer contact details to improve the contact rate with customers.
- partnered with the Robotic Process Automation team to streamline and automate manual processes.

- the Behavioural Insights team and the Department of Customer Service Communications team to formulate a responsive Audit letter advising customers of their Surcharge land tax obligations which encouraged customers to be proactive in their response.

Overall, it was evident that having a collaborative team structure was a key contributor to the success of this initiative.

## **2.3 The partnership with Home Affairs was a success**

The Analytics team secured arrangements with Home Affairs, who provided data on potential foreign individual landowners with movement records, overseas travel and citizenship information. This data source enabled the surcharge team to contact the customers involved via an Audit letter. A key enabler of the successful delivery of the project was due to this partnership and the sharing arrangements put in place.

## **2.4 Focus on customer education is essential**

The project team were committed to a compliance approach which focused on customer education and individual contact. They had a mandate that they would always contact the customer to advise them of their tax obligation before issuing a tax assessment. The approach focused on customer education and self-empowerment of customers and their tax obligations.

The team trialled different communications approaches and employed the use of behavioural insights techniques to tailor and test the communications which would best encourage customers to respond (positively) to their obligations.

The customer education techniques raised people's awareness of the existence of surcharge land tax and has resulted in increased voluntary compliance.

## **2.5 Agile methodology had a big impact on the successful and timely delivery of the solution**

The project was identified as a suitable project for agile delivery in RNSW. This resulted in the team being able to continuously achieve and exceed the set targets by using the agile methodology to continuously improve the way cases were identified and investigated. The team regularly reviewed the data quality and matching with external resources and used this to improve compliance case creation. The agile approach enabled an efficient and timely delivery of this project.

## 3. Uplift in inhouse analytical capabilities

This chapter examines the extent of the uplift in RNSW's inhouse analytical capabilities by utilising data science and tools and adopting data smart practices and answers the following evaluation questions:

1. What reusable advanced analytical tools were developed? Were they effective in achieving the project objectives?
2. What insights have we gained by developing a 360° view of customers' products and behaviours? How useful have these insights been in achieving the proposed outcomes of the program?

### 3.1 Automation and enhanced Analytics has helped close the Surcharge Tax gap

The Automation team developed some automated functionality to improve what was previously a very manual and labour consuming compliance process. They automated the identification and classification of customers who are potentially liable for surcharge but were yet to be assessed.

The project also trialled a range of new tools, techniques and approaches to compliance activities that not only identified customers that should have been paying surcharge land tax, but that are now captured as potential ongoing customers liable to pay surcharge land tax in forward years.

The team also worked with the automation specialists from within Revenue NSW to develop new automated functionality which would assist in ensuring that customers who were liable for surcharge would not be able to sell their property without paying their Surcharge obligations. This process involved the identification of over 30,000 cases.

Both the Automation processes and the Analytics uplift have underpinned the success of this project in helping to close the Surcharge Land Tax gap.

### 3.2 The project made some inroads into developing an enterprise view of the customer, however more progress is needed

The findings suggest that there was a mix of opinions about what the project delivered in terms of the "enterprise view of the customer". An impediment was that what was meant to be delivered was not properly outlined at the beginning of the project. Whilst Analytics has delivered a potential link between different data items and linked entities, the resulting datasets weren't presented and distributed to everyone in RNSW. Furthermore, this view is not integrated to the other revenue systems so is not visible in key systems such as MARS, IMPS, FES etc. The impact of this is partially alleviated by what came out of the Digital Land Tax project by putting up a land tax dashboard which Duties are using as well, but this is not the case for Fines. So essentially the project has effectively brought together hundreds of millions of records with the customer attributes but is not visible to everyone in RNSW.



## 4. Conclusion

### 4.1 Overview of key findings

- The Surcharge Land Tax Project has helped reduce the tax gap and generate more revenue
- Teamwork is key to achieving project outcomes
- The partnership with Home Affairs was a success
- Focus on customer education is essential
- Agile methodology had a big impact on the successful and timely delivery of the solution
- Automation and enhanced Analytics has helped close the Surcharge Tax gap
- The project made some inroads into developing an enterprise view of the customer, however more progress is needed.

### 4.2 Recommendations

A total of 8 recommendations were identified across 2 areas.

Additionally, a lesson learnt for future evaluations is that due to movement across teams when the Stakeholder Survey is sent out it should include the stated goals and objectives of the project. What is considered effective should be explicitly outlined rather than making it subject to individual interpretation.

We also recommend that all costs associated with future projects are charged to the project from its commencement.

Table 3. Recommendations

Area	Recommendation
<p>Area 1 – Effectiveness of Approach</p>	<ul style="list-style-type: none"> <li>• It is recommended that RNSW adopts the approach, methodologies and learnings of this project to enhance the operations of other compliance projects across other revenue types. RNSW can learn from the success of this project in terms of agile methodology and mindset, a willingness to partner with other teams and test new ways of working to deliver results that surpass expectations</li> <li>• It is recommended that RNSW continue to develop good external relationships with Home Affairs that support the pursuit of foreign surcharge cases ongoing.</li> <li>• Even though this project went a long way in closing the tax gap, it is recommended that RNSW put effort into closing the gap upfront at the time of purchase instead of seeking to close the revenue leak after it has happened. The team were tasked to fix issues after non-compliance has already happened but more needs to be done to collect the right data at the right time, so the non-compliance doesn't happen upfront. The desired outcome is to have a way to let customers know about their liability as early as possible.</li> <li>• The project invested a lot of time into developing customer education techniques, yet some people are still not clear on their obligations regarding surcharge land tax. It is recommended that more work be done, focusing on areas such as upfront education, multilingual flyers and research into complex customers. This is relevant especially to collect debt from customers who are often overseas.</li> </ul> <p>The project has reduced the tax gap in relation to one particular aspect of the legislation. It is recommended that the learnings should be applied to other areas of the legislation.</p>

Area	Recommendation
<p>Area 2 – Uplift in inhouse analytical capabilities</p>	<ul style="list-style-type: none"> <li>• It is recommended that RNSW use the work done in the Surcharge Land Tax project as a platform to increase the use, awareness and analytical capabilities across Revenue NSW. It should leverage the use of behavioural insights techniques, a commitment to customer service and education, the use of automation and improved data analytics in other RNSW projects. This project paves the way for use of advanced data analytics tools and practices to identify future tax liabilities.</li> <li>• There is a perceived gap from the rest of the organisation in terms of the enterprise view of the customer. Even though great analytics were developed in creating the land tax dashboard and an enterprise view of the customer not everyone can access it. It is recommended that RNSW invests more time in continuing this work to provide definitive customer links and incorporating it into other revenue systems. Further work is also required to focus on how Revenue can share data, for example if someone is liable for surcharge duty then they would also likely be liable for surcharge land tax so they should be notified at the same time.</li> <li>• It is recommended that RNSW use these learnings to inform future projects when it comes to defining the scope and benefits to make sure clarification is made on exactly what success looks like prior to project commencement</li> </ul>

## Appendix 1. Project Material Checklist

- Draft ERC Submission:  
[Draft ERC Submission - reducing the tax gap for Land Tax 30102018.pdf](#)
- Premier's Award Nomination:  
[Final Nomination for Surcharge Premier's Award as submitted.pdf](#)
- Treasury Discussion Paper:  
[Treasury discussion paper - reducing the tax gap for Land Tax - 19102018.pdf](#)
- Surcharge Summary (report by Ansa Isaac):  
[Original Surcharge Summary.docx](#)

## Appendix 2. Stakeholder Survey Questions

<b>Question 1 – Project Scope and Objectives</b>
<p>In your opinion, has the project delivered the following scope and objectives as outlined in the Program proposal?</p> <ul style="list-style-type: none"> <li>a) Reduce land tax surcharge gap</li> <li>b) Uplift and enhance analytical capability</li> <li>c) Develop an enterprise view of the customer</li> </ul> <p>If "Partially Delivered", please provide details on specific non-delivered objectives</p>
<b>Question 2 – Reducing the Tax Gap</b>
<p>In your opinion, how effective was the approach taken by this program in reducing the tax gap?</p>
<b>Question 3 – Enterprise view of Customer and partnership with Home Affairs</b>
<p>Overall, how satisfied are you with the following outcome of this program:</p> <ul style="list-style-type: none"> <li>a) An enterprise view of the customer developed as part of this program provided a better understanding of customers' behaviour and predictability modelling?</li> <li>b) Adoption of new enhanced tools and practices resulted in analytical capabilities uplift?</li> <li>c) The partnership with Department of Home Affairs resulted in retrieval of foreign individual data which contributed in closing the tax gap for Foreign Owner Land Tax Surcharge.</li> </ul>
<b>Question 4 – Analytical Tools and Customer Education</b>
<p>Please rate how much you agree with this statement:</p> <ul style="list-style-type: none"> <li>a) The advanced analytical tools developed as part of this program were reusable.</li> <li>b) The analytical tools used in this program were effective in achieving the projects outlined objectives.</li> <li>c) The customer education techniques delivered as part of the program were successful in increasing voluntary compliance.</li> </ul>
<b>Question 5 – Customer Satisfaction</b>
<p>In your opinion is there anything that the program did not deliver that had an adverse effect on customer satisfaction?</p>
<b>Question 6 – Further Comments</b>
<p>Do you have any further comments on how you believe this program has impacted Revenue NSW's ability to reduce the tax gap?</p>

## Appendix 3. Stakeholder Survey Results

### Overall Summary (9 Responses)

In your opinion:

Has the project delivered the following scope and objectives as outlined in the Program proposal?

- a) Reduce land tax surcharge gap
- b) Uplift and enhance analytical capability
- c) Develop an enterprise view of the customer



Legend: ■ Fully Delivered ■ Partially Delivered

How effective was the approach taken by this program in reducing the tax gap?



Legend: ■ Very Effective ■ Somewhat Effective

# Overall Summary - continued

Overall, how satisfied are you with the following outcome of this program:

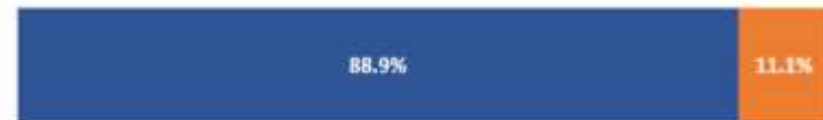
An enterprise view of the customer developed as part of this program provided a better understanding of customers' behaviour and predictability modelling



Adoption of new enhanced tools and practices resulted in analytical capabilities uplift



The partnership with Department of Home Affairs resulted in retrieval of foreign individual data which contributed in closing the tax gap for Foreign Owner Land Tax Surcharge



Legend: ■ Satisfied ■ Neither satisfied nor dissatisfied ■ Dissatisfied

# Overall Summary - continued

Please rate how much you agree with each statement:

The advanced analytical tools developed as part of this program were reusable



The analytical tools used in this program were effective in achieving the projects outlined objectives



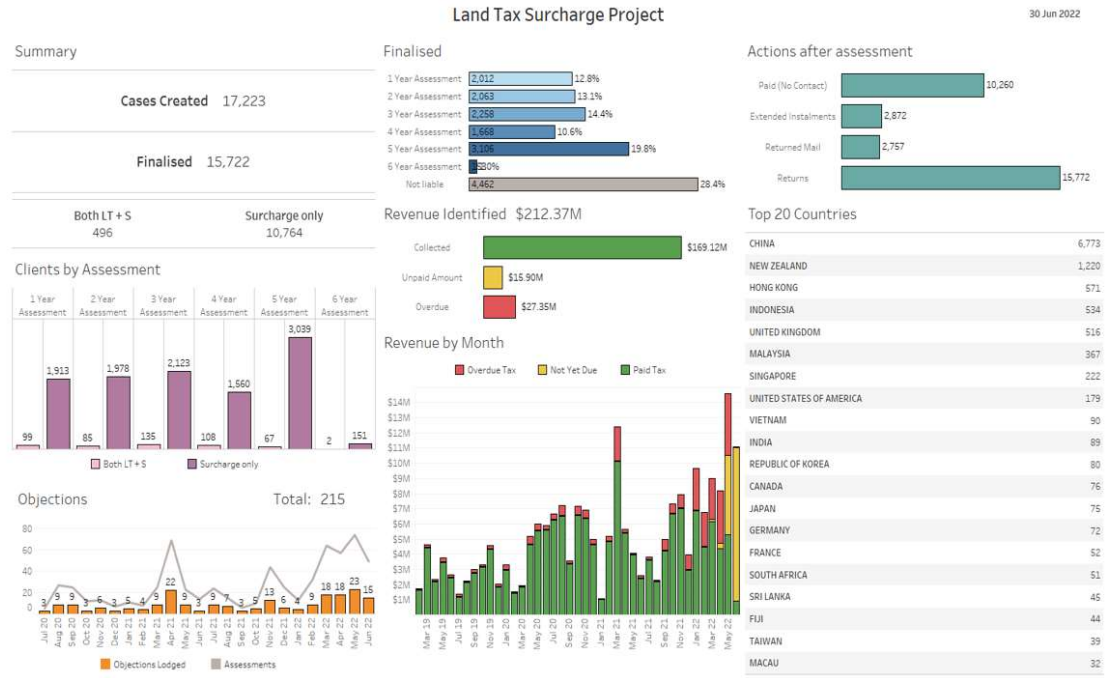
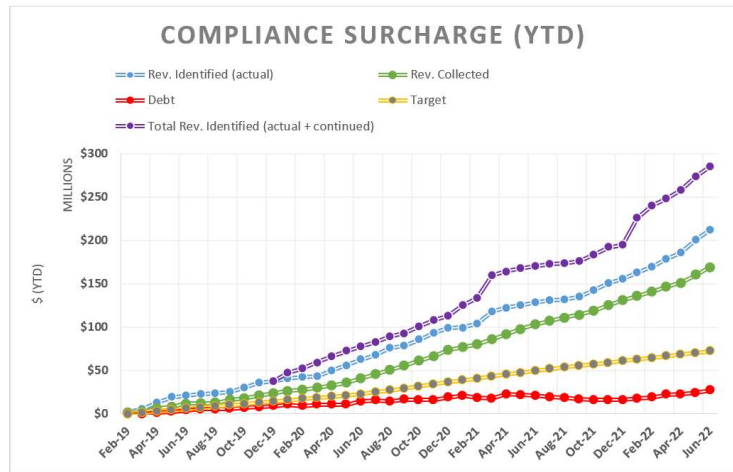
The customer education techniques delivered as part of the program were successful in increasing voluntary compliance



Legend: ■ Agree ■ Neutral ■ Disagree



# Appendix 4. Surcharge Summary Data



Per report produced by Ansa Isaac July 2022