

Vote Revenue

MINISTER(S) RESPONSIBLE FOR APPROPRIATIONS: Minister of Revenue (M57)

ADMINISTERING DEPARTMENT: Inland Revenue Department

MINISTER RESPONSIBLE FOR INLAND REVENUE DEPARTMENT: Minister of Revenue

Details of Appropriations

Details of Annual and Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2007/08		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
Departmental Output Expenses			
Management of Debt and Outstanding Returns (M57) Taking follow-up action where returns are outstanding and where payments are overdue, including providing people with assistance on the actions they need to take to meet their obligations.	97,010	(11,913)	85,097
Policy Advice (M57) Advising on all aspects of tax policy and social policy measures that interact with the tax system. Drafting tax legislation and rewriting the Income Tax Act. Negotiating and maintaining New Zealand's network of double tax agreements with other countries. Forecasting tax revenues and providing ministerial services.	12,411	2,243	14,654
Services to Inform the Public About Entitlements and Meeting Obligations (M57) Providing information and assistance to customers on the application of the law. Responding to customer enquiries about tax and social support programmes. Adjudication on behalf of the Commissioner on proposed taxpayer assessments. Providing binding rulings and other statements on the interpretation and application of the law administered by Inland Revenue.	215,956	29,480	245,436
Services to Process Obligations and Entitlements (M57) Registering tax payers, making tax assessments, assessing child support liabilities including providing a readily accessible inexpensive process for reviewing assessments, receiving and making payments to customers, processing applications and payments for social support programmes, collection of ACC Earners' levies, supplying information to other government agencies and accounting and reporting the collection of Crown revenue.	118,904	6,091	124,995
Taxpayer Audit (M57) Identifying risks to revenue and designing and undertaking audit activities accordingly. Managing litigation of disputed tax cases.	152,889	(2,319)	150,570
Total Departmental Output Expenses	597,170	23,582	620,752
Non-Departmental Output Expenses			
Retirement Commissioner (M57) To enable the Retirement Commissioner to incorporate the enhancements to KiwiSaver into its communications on retirement income policies.	-	380	380
Total Non-Departmental Output Expenses	-	380	380
Benefits and Other Unrequited Expenses			
Child Support Payments PLA (M57) Child support payments to custodial persons who are not dependent on the state for financial support (expenses incurred pursuant to section 141 of the Child Support Act 1991).	186,000	4,000	190,000
Child Tax Credit PLA (M57) Extra assistance for low to middle income families who are not dependent on the state for financial support (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	8,000	2,300	10,300
Family Tax Credit PLA (M57) Family Support payments made to beneficiaries and non-beneficiaries during the year (expenses incurred pursuant to section 185 of the Tax Administration Act 1994). Name change as part of the Working for Families package	1,950,000	116,100	2,066,100

	2007/08		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
Titles and Scopes of Appropriations by Appropriation Type			
In-Work tax Credit PLA (M57) Extra assistance for low to middle families who are working at least 20 hours per week or 30 hours per week between both parents if they are couple. Name changed as part of the Working for families package.	560,000	(3,300)	556,700
Kiwi Saver: Kickstart payment (M57) To enable the one-off payment made on opening a KiwiSaver account for people who meet the required eligibility criteria as set in the KiwiSaver Act 2006.	276,000	387,000	663,000
KiwiSaver Employer Tax Credit (M57) To enable the payment of a tax credit to employers in respect of their contributions to KiwiSaver as set out in the Income Tax Act 2004.	62,000	39,000	101,000
KiwiSaver Member Tax Credit (M57) To enable the payment of a tax credit to KiwiSaver members as set out in the Income Tax Act 2004.	144,000	104,000	248,000
KiwiSaver: Fee Subsidy (M57) To enable the payment made to KiwiSaver accounts of the subsidy for provider fees as set out in the KiwiSaver Act 2006.	8,000	5,000	13,000
KiwiSaver: Interest (M57) To enable the payment made of interest on KiwiSaver contributions as set in the KiwiSaver Act 2006.	900	3,900	4,800
Minimum Family Tax Credit PLA (M57) Extra payment made to families where at least one parent is working for salary or wages (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	14,000	800	14,800
On-payment of Employee KiwiSaver Contributions to KiwiSaver Providers (M57) To enable the on-payment of employee KiwiSaver contributions collected by Inland Revenue to KiwiSaver providers	-	139,000	139,000
On-payment of Employee KiwiSaver Contributions to KiwiSaver Providers PLA (M57) To enable the on-payment of employee KiwiSaver contributions collected by Inland Revenue to KiwiSaver providers (expenses incurred pursuant to section 73 of the KiwiSaver Act 2006).	-	435,000	435,000
Paid Parental Leave Payments PLA (M57) Paid Parental Leave Payments made to parents eligible under the Parental Leave and Employment Protection Act 1987.	126,000	10,880	136,880
Parental Tax Credit PLA (M57) Additional financial support to working families for the eight week period following the birth of a child (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	23,000	(900)	22,100
Payroll Subsidy (M57) Subsidy for the purposes of subsidising the costs of a payroll agent undertaking employers' payroll-related tax compliance activities	10,500	(9,680)	820
Total Benefits and Other Unrequited Expenses	3,368,400	1,233,100	4,601,500
Borrowing Expenses			
Adverse Event Interest PLA (M57) Interest on Adverse Event deposits relating to withdrawals and deposits made by taxpayers in the farming industry.	2	8	10
Environmental Restoration Account Interest PLA (M57) Interest on the deposits made to the Environmental Restoration Accounts Scheme as authorised by section 185 of the Tax Administration Act 1994.	-	1,000	1,000

	2007/08		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
Titles and Scopes of Appropriations by Appropriation Type			
Borrowing Expenses - cont'd			
Income Equalisation Interest PLA (M57)	2,000	1,450	3,450
Interest on Income Equalisation deposits relating to withdrawals and deposits by taxpayers in the farming, fishing or forestry industries.			
Total Borrowing Expenses	2,002	2,458	4,460
Other Expenses to be Incurred by the Crown			
Child Support Doubtful Debt Provision (M57)	2,268	(2,268)	-
Provisioning of Doubtful Debt for Child Support penalties debt Pursuant to the Public Finance Act 1989.			
General Tax and Family Support Bad Debt Write-Offs (M57)	-	713,000	713,000
Provision for write-downs of Crown debt administered by Inland Revenue due to bad debt write-offs, or bad debt provisions, resulting from the need to value debt according to accepted accounting practice.			
Impairment of Debt Relating to Child Support (M57)	-	85,000	85,000
This appropriation is limited to amounts relating to impairment arising from objective evidence of one or more loss events that occurred after the initial recognition of the debt, and the loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the collective book of child support debt.			
Impairment of Debt Relating to General Tax and Family Support (M57)	-	150,000	150,000
This appropriation is limited to amounts relating to impairment arising from objective evidence of one or more loss events that occurred after the initial recognition of the debt, and the loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the collective book of debt.			
Research and Development Credit (M57)	10,000	27,000	37,000
To provide a tax credit to businesses that are undertaking research and development			
Student loan impairments (M57)	16,743	183,257	200,000
An amount is recognised at reporting date if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan, and the loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the collective book of student loans.			
Total Other Expenses to be Incurred by the Crown	29,011	1,155,989	1,185,000
Capital Expenditure to be Incurred by the Department			
Inland Revenue Department - Capital Expenditure PLA (M57)	-	118,910	118,910
This appropriation is limited to the purchase or development of assets by and for the use of the Inland Revenue Department, as authorised by section 24(1) of the Public Finance Act 1989			
Total Capital Expenditure to be Incurred by the Department	-	118,910	118,910
Total Annual and Permanent Appropriations	3,996,583	2,534,419	6,531,002

Details of Projected Movements in Departmental Net Assets

Inland Revenue Department

Details of Net Asset Schedule	2007/08 Estimates Projections \$000	2007/08 Supplementary Estimates Projections \$000	Explanation of Projected Movements in 2007/08
Opening Balance	160,274	155,195	Supplementary Estimates opening balance reflects the audited results as at 30 June 2007.
Capital Injections	23,063	47,092	An additional \$24.029 million has been injected since the 2007/08 Main Estimates. This includes \$1.928 million for the long-term property solution in Wellington, \$21.808 million for the implementation of KiwiSaver, \$159,000 for the implementation of tax relief on redundancy payments and \$134,000 for the implementation of the Budget 2008 personal tax package.
Capital Withdrawals	-	(2,766)	An additional \$2.766 million has been withdrawn since the 2007/08 Main Estimates. This includes a \$1.729 million withdrawal to return student loan implementation funding and a withdrawal of \$1.037 million to return leasehold improvements funding associated with the long-term property solution in Wellington.
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
Closing Balance	183,337	199,521	

Information Supporting the Supplementary Estimates

Vote Revenue

MINISTER(S) RESPONSIBLE FOR APPROPRIATIONS: Minister of Revenue (M57)

ADMINISTERING DEPARTMENT: Inland Revenue Department

MINISTER RESPONSIBLE FOR INLAND REVENUE DEPARTMENT: Minister of Revenue

Part 1 - Summary of the Vote

Part 1.3 - Trends in the Vote

Summary of Financial Activity

	2007/08				
	Estimates \$000	Supplementary Estimates			Total \$000
		Departmental Transactions \$000	Non- Departmental Transactions \$000	Total Transactions \$000	
Appropriations					
Output Expenses	597,170	23,582	380	23,962	621,132
Benefits and Other Unrequited Expenses	3,368,400	N/A	1,233,100	1,233,100	4,601,500
Borrowing Expenses	2,002	-	2,458	2,458	4,460
Other Expenses	29,011	-	1,155,989	1,155,989	1,185,000
Capital Expenditure	-	118,910	-	118,910	118,910
Intelligence and Security Department Expenses and Capital Expenditure	-	-	N/A	-	-
Total Appropriations	3,996,583	142,492	2,391,927	2,534,419	6,531,002
Crown Revenue and Receipts					
Tax Revenue	49,624,000	N/A	N/A	1,593,000	51,217,000
Non-Tax Revenue	782,660	N/A	N/A	40,340	823,000
Capital Receipts	639,691	N/A	N/A	(13,091)	626,600
Total Crown Revenue and Receipts	51,046,351	N/A	N/A	1,620,249	52,666,600

Part 2 - Details and Expected Performance for Output Expenses

Part 2.1 - Departmental Output Expenses

Management of Debt and Outstanding Returns (M57)

Scope of Appropriation

Taking follow-up action where returns are outstanding and where payments are overdue, including providing people with assistance on the actions they need to take to meet their obligations.

Reasons for Change in Appropriation

The change in this appropriation is primarily a result of fiscally neutral transfers between departmental output expenses. This occurred because of movements in the allocation of overheads.

Policy Advice (M57)

Scope of Appropriation

Advising on all aspects of tax policy and social policy measures that interact with the tax system. Drafting tax legislation and rewriting the Income Tax Act. Negotiating and maintaining New Zealand's network of double tax agreements with other countries. Forecasting tax revenues and providing ministerial services.

Reasons for Change in Appropriation

The change in this appropriation is primarily a result of fiscally neutral transfers between departmental output expenses. This occurred because of movements in the allocation of overheads.

Services to Inform the Public About Entitlements and Meeting Obligations (M57)

Scope of Appropriation

Providing information and assistance to customers on the application of the law. Responding to customer enquiries about tax and social support programmes. Adjudication on behalf of the Commissioner on proposed taxpayer assessments. Providing binding rulings and other statements on the interpretation and application of the law administered by Inland Revenue.

Reasons for Change in Appropriation

The change in this appropriation is the result of both fiscally neutral transfers between departmental output expenses and the injection of KiwiSaver initiative funding.

Services to Process Obligations and Entitlements (M57)

Scope of Appropriation

Registering tax payers, making tax assessments, assessing child support liabilities including providing a readily accessible inexpensive process for reviewing assessments, receiving and making payments to customers, processing applications and payments for social support programmes, collection of ACC Earners' levies, supplying information to other government agencies and accounting and reporting the collection of Crown revenue.

Reasons for Change in Appropriation

The change in this appropriation is the result of both fiscally neutral transfers between departmental output expenses and the injection of KiwiSaver initiative funding.

Taxpayer Audit (M57)

Scope of Appropriation

Identifying risks to revenue and designing and undertaking audit activities accordingly. Managing litigation of disputed tax cases.

Reasons for Change in Appropriation

The change in this appropriation is primarily a result of fiscally neutral transfers between departmental output expenses. This occurred because of movements in the allocation of overheads.

Part 2.2 - Non-Departmental Output Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Primary outcome - improving the economic and social wellbeing of New Zealanders	Retirement Commissioner

Retirement Commissioner (M57)

Scope of Appropriation

To enable the Retirement Commissioner to incorporate the enhancements to KiwiSaver into its communications on retirement income policies.

Expenses

	2007/08		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	380	380

Reasons for Change in Appropriation

This appropriation reflects one-off funding provided to the Retirement Commission to enable it to incorporate the enhancements to KiwiSaver into its communications on retirement income policies. The primary funding mechanism for the Retirement Commission is through Vote Social Development.

Summary of Service Providers

Provider	2007/08			Reporting Mechanism	Expiry of Resourcing Commitment
	Estimates \$000	Supplementary Estimates \$000	Total \$000		
Retirement Commission	-	380	380	Output Agreement between Retirement Commissioner and Minister for Social Development and Employment for the year ended 30 June 2007.	Funding through Vote Revenue was one-off.

The above table summarises funding to be allocated through Vote Revenue to non-departmental providers, along with an indication of the mechanism to be used for reporting actual performance and (where determined) the length of the funding commitment.

Part 3 - Details for Benefits and Other Unrequited Expenses

Part 3.2 - Non-Departmental Benefits and Other Unrequited Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Primary outcome - Improving the economic and social wellbeing of New Zealanders	On-Payment of Employee KiwiSaver Contributions to KiwiSaver Providers On-Payment of Employee KiwiSaver Contributions to KiwiSaver Providers PLA

Kiwi Saver: Kickstart payment (M57)

Scope of Appropriation

To enable the one-off payment made on opening a KiwiSaver account for people who meet the required eligibility criteria as set in the KiwiSaver Act 2006.

Reasons for Change in Appropriation

The 2007/08 financial year was the first year of KiwiSaver and uptake for the scheme has been higher than originally forecast. The updated amount reflects the new level of membership.

KiwiSaver Employer Tax Credit (M57)

Scope of Appropriation

To enable the payment of a tax credit to employers in respect of their contributions to KiwiSaver as set out in the Income Tax Act 2004.

Reasons for Change in Appropriation

The 2007/08 financial year was the first year of KiwiSaver and uptake for the scheme has been higher than originally forecast. The updated amount reflects the new level of membership.

KiwiSaver Member Tax Credit (M57)*Scope of Appropriation*

To enable the payment of a tax credit to KiwiSaver members as set out in the Income Tax Act 2004.

Reasons for Change in Appropriation

The 2007/08 financial year was the first year of KiwiSaver and uptake for the scheme has been higher than originally forecast. The updated amount reflects the new level of membership.

KiwiSaver: Fee Subsidy (M57)*Scope of Appropriation*

To enable the payment made to KiwiSaver accounts of the subsidy for provider fees as set out in the KiwiSaver Act 2006.

Reasons for Change in Appropriation

The 2007/08 financial year was the first year of KiwiSaver and uptake for the scheme has been higher than originally forecast. The updated amount reflects the new level of membership.

KiwiSaver: Interest (M57)*Scope of Appropriation*

To enable the payment made of interest on KiwiSaver contributions as set in the KiwiSaver Act 2006.

Reasons for Change in Appropriation

The 2007/08 financial year was the first year of KiwiSaver and uptake for the scheme has been higher than originally forecast. The updated amount reflects the new level of membership.

On-payment of Employee KiwiSaver Contributions to KiwiSaver Providers (M57)*Scope of Appropriation*

To enable the on-payment of employee KiwiSaver contributions collected by Inland Revenue to KiwiSaver providers

Expenses

	2007/08		Total \$000
	Estimates \$000	Supplementary Estimates \$000	
Total Appropriation	-	139,000	139,000

Reasons for Change in Appropriation

This appropriation was for the period to 17 December 2007. It has been replaced by a Permanent Legislative Authority from that date.

On-payment of Employee KiwiSaver Contributions to KiwiSaver Providers PLA (M57)*Scope of Appropriation*

To enable the on-payment of employee KiwiSaver contributions collected by Inland Revenue to KiwiSaver providers (expenses incurred pursuant to section 73 of the KiwiSaver Act 2006).

Expenses

	2007/08		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	435,000	435,000

Reasons for Change in Appropriation

A permanent legislative authority was established for this payment from 17 December 2007. This figure represents forecast payments from that date.

Payroll Subsidy (M57)*Scope of Appropriation*

Subsidy for the purposes of subsidising the costs of a payroll agent undertaking employers' payroll-related tax compliance activities

Reasons for Change in Appropriation

The appropriation has reduced over the last year as actual data to date indicates that the uptake is lower than originally forecast.

Part 5 - Details and Expected Results for Other Expenses

Part 5.2 - Non-Departmental Other Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Primary outcome - Improving the economic and social wellbeing of New Zealanders	Impairment of Debt Relating to Child Support Impairment of Debt Relating to General Tax and Family Support General Tax and Family Support Bad Debt Write-Offs

Child Support Doubtful Debt Provision (M57)

Scope of Appropriation

Provisioning of Doubtful Debt for Child Support penalties debt Pursuant to the Public Finance Act 1989.

Reasons for Change in Appropriation

This figure is now reported in Impairment of Debt Relating to Child Support due to the adoption of New Zealand equivalents to International Financial Reporting Standards.

General Tax and Family Support Bad Debt Write-Offs (M57)

Scope of Appropriation

Provision for write-downs of Crown debt administered by Inland Revenue due to bad debt write-offs, or bad debt provisions, resulting from the need to value debt according to accepted accounting practice.

Expenses

	2007/08		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	713,000	713,000

Reasons for Change in Appropriation

There was a change made to Inland Revenue accounting policy in 2006/07 financial year regarding bad debt write-offs. In prior years these had been netted against revenue but in 2006/07 they were reported gross in the financial statements. The increase in appropriations for 2007/08 reflects the forecast bad debt write-off for the year.

Impairment of Debt Relating to Child Support (M57)

Scope of Appropriation

This appropriation is limited to amounts relating to impairment arising from objective evidence of one or more loss events that occurred after the initial recognition of the debt, and the loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the collective book of child support debt.

Expenses

	2007/08		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	85,000	85,000

Reasons for Change in Appropriation

This is to recognise the impairment relating to Child Support. Previously it was recognised as a Provision for Doubtful Debts but, with the adoption of the New Zealand equivalents to International Financial Reporting Standards the debt is now impaired annually.

Impairment of Debt Relating to General Tax and Family Support (M57)

Scope of Appropriation

This appropriation is limited to amounts relating to impairment arising from objective evidence of one or more loss events that occurred after the initial recognition of the debt, and the loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the collective book of debt.

Expenses

	2007/08		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	150,000	150,000

Reasons for Change in Appropriation

This is to recognise the impairment relating to General Tax and Family Support. Previously it was recognised as a Provision for Doubtful Debts but, with the adoption of the New Zealand equivalents to International Financial Reporting Standards the debt is now impaired annually.

Research and Development Credit (M57)

Scope of Appropriation

To provide a tax credit to businesses that are undertaking research and development

Reasons for Change in Appropriation

This tax credit was introduced from 1 April 2008 and the increase reflects an updated forecast figure. From 2008/09 this appropriation was transferred to Non-Departmental Benefits and Other Unrequited Expenses.

Student loan impairments (M57)

Scope of Appropriation

An amount is recognised at reporting date if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan, and the loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the collective book of student loans.

Reasons for Change in Appropriation

This appropriation includes the impairment of the student loan debt book based on an actuarial model of future cash flows, under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and impairment associated with deaths and bankruptcies. The forecast has been updated to reflect expected changes to modelling assumptions that were not included in the original Estimates forecast.

Reporting Mechanisms

Appropriation	Reporting Mechanism
General Tax and Family Support Bad Debt Write-Offs	Annual Report of Inland Revenue and the Financial Statements of the Government
Impairment of Debt Relating to Child Support	Annual Report of Inland Revenue and the Financial Statements of the Government
Impairment of Debt Relating to General Tax and Family Support	Annual Report of Inland Revenue and the Financial Statements of the Government

The above table indicates the mechanisms to be used for reporting actual performance for each non-departmental other expenses appropriation.

Part 6 - Details and Expected Results for Capital Expenditure

Part 6.1 - Departmental Capital Expenditure

Inland Revenue Department - Capital Expenditure PLA (M57)

Scope of Appropriation

This appropriation is limited to the purchase or development of assets by and for the use of the Inland Revenue Department, as authorised by section 24(1) of the Public Finance Act 1989

Capital Expenditure

	2007/08		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	-	26,296	26,296
Intangibles	-	92,614	92,614
Other	-	-	-
Total Appropriation	-	118,910	118,910

Reasons for Change in Appropriation

This appropriation was formerly disclosed in Inland Revenue's Statement on Intent as forecast departmental capital expenditure.