

# *Vote Revenue*

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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

|   | 2008/09                      |   |                          |
|---|------------------------------|---|--------------------------|
|   | Estimates<br>Budget<br>\$000 | Supplementary<br>Estimates<br>Budget<br>\$000 | Total<br>Budget<br>\$000 |
| Titles and Scopes of Appropriations by Appropriation Type   |                              |   |                          |
| <b>Departmental Output Expenses</b>   |                              |   |                          |
| <b>Management of Debt and Outstanding Returns (M57)</b>   | 88,017                       | 335   | 88,352                   |
| 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.  |                              |   |                          |
| <b>Policy Advice (M57)</b>  | 14,918                       | (1,207)                                       | 13,711                   |
| 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.  |                              |   |                          |
| <b>Services to Inform the Public About Entitlements and Meeting Obligations (M57)</b>   | 235,973                      | 20,968  | 256,941                  |
| 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.   |                              |   |                          |
| <b>Services to Process Obligations and Entitlements (M57)</b>   | 131,543                      | 1,945   | 133,488                  |
| 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. |                              |   |                          |
| <b>Taxpayer Audit (M57)</b>   | 156,057                      | 18,011  | 174,068                  |
| Identifying risks to revenue and designing and undertaking audit activities accordingly. Managing litigation of disputed tax cases.   |                              |   |                          |
| <b>Total Departmental Output Expenses</b>   | 626,508                      | 40,052  | 666,560                  |
| <b>Benefits and Other Unrequited Expenses</b>   |                              |   |                          |
| <b>Child Support Payments PLA (M57)</b>   | 222,000                      | (17,000)                                      | 205,000                  |
| 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).   |                              |   |                          |
| <b>Child Tax Credit PLA (M57)</b>   | 6,100                        | (100)   | 6,000                    |
| 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).   |                              |   |                          |
| <b>Family Tax Credit PLA (M57)</b>  | 2,118,400                    | (5,300)                                       | 2,113,100                |
| 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   |                              |   |                          |
| <b>In-Work Tax Credit PLA (M57)</b>   | 586,700                      | (700)   | 586,000                  |
| 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 (expenses incurred pursuant to section 185 of the Tax Administration Act 1994). Name changed as part of the Working for families package.   |                              |   |                          |

|   | 2008/09                      |   |                          |
|---|------------------------------|---|--------------------------|
|   | Estimates<br>Budget<br>\$000 | Supplementary<br>Estimates<br>Budget<br>\$000 | Total<br>Budget<br>\$000 |
| <b>Titles and Scopes of Appropriations by Appropriation Type</b>  |                              |   |                          |
| <b>Kiwi Saver: Kickstart payment (M57)</b><br>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.   | 297,000                      | 100,000                                       | 397,000                  |
| <b>KiwiSaver Employer Tax Credit (M57)</b><br>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.  | 447,000                      | (134,000)                                     | 313,000                  |
| <b>KiwiSaver Member Tax Credit (M57)</b><br>To enable the payment of a tax credit to KiwiSaver members as set out in the Income Tax Act 2004.   | 593,000                      | 68,000  | 661,000                  |
| <b>KiwiSaver: Fee Subsidy (M57)</b><br>To enable the payment made to KiwiSaver accounts of the subsidy for provider fees as set out in the KiwiSaver Act 2006.  | 31,000                       | 2,000   | 33,000                   |
| <b>KiwiSaver: Interest (M57)</b><br>To enable the payment made of interest on KiwiSaver contributions as set in the KiwiSaver Act 2006.   | 2,100                        | 13,900  | 16,000                   |
| <b>Minimum Family Tax Credit PLA (M57)</b><br>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).   | 13,300                       | (3,800)                                       | 9,500                    |
| <b>On-payment of Employee KiwiSaver Contributions to KiwiSaver Providers PLA (M57)</b><br>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).                             | 636,000                      | (636,000)                                     | -                        |
| <b>Paid Parental Leave Payments PLA (M57)</b><br>Paid Parental Leave Payments made to parents eligible under the Parental Leave and Employment Protection Act 1987.   | 146,350                      | (3,850)                                       | 142,500                  |
| <b>Parental Tax Credit PLA (M57)</b><br>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).   | 22,200                       | (1,800)                                       | 20,400                   |
| <b>Payroll Subsidy (M57)</b><br>Subsidy for the purposes of subsidising the costs of a payroll agent undertaking employers' payroll-related tax compliance activities   | 1,730                        | (530)   | 1,200                    |
| <b>Research and Development Tax Credit (M57)</b><br>This appropriation is limited to tax credits to businesses that are undertaking research and development.   | 208,000                      | (54,000)                                      | 154,000                  |
| <b>Total Benefits and Other Unrequited Expenses</b>   | 5,330,880                    | (673,180)                                     | 4,657,700                |
| <b>Non-Departmental Borrowing Expenses</b>  |                              |   |                          |
| <b>Adverse Event Interest PLA (M57)</b><br>This appropriation is limited to interest on Adverse Event deposits relating to withdrawals and deposits made by taxpayers in the farming and agriculture business (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).               | 10                           | -   | 10                       |
| <b>Environmental Restoration Account Interest PLA (M57)</b><br>Interest on the deposits made to the Environmental Restoration Accounts Scheme as authorised by section 185 of the Tax Administration Act 1994.  | 1,000                        | 500   | 1,500                    |
| <b>Income Equalisation Interest PLA (M57)</b><br>This appropriation is limited to interest on Income Equalisation deposits relating to withdrawals and deposits by taxpayers in the farming, fishing or forestry industries (expenses incurred pursuant to section 185 of the Tax Administration Act 1994). | 1,700                        | (200)   | 1,500                    |
| <b>Total Non-Departmental Borrowing Expenses</b>  | 2,710                        | 300   | 3,010                    |

| Titles and Scopes of Appropriations by Appropriation Type  | 2008/09                      |   |                          |
|--|------------------------------|---|--------------------------|
|  | Estimates<br>Budget<br>\$000 | Supplementary<br>Estimates<br>Budget<br>\$000 | Total<br>Budget<br>\$000 |
| <b>Non-Departmental Other Expenses</b>   |                              |   |                          |
| <b>General Tax and Family Support Bad Debt Write-Offs (M57)</b><br>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.   | 722,000                      | 31,500  | 753,500                  |
| <b>Impairment of Debt Relating to Child Support (M57)</b><br>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.    | 64,000                       | 100,000                                       | 164,000                  |
| <b>Impairment of Debt Relating to General Tax and Family Support (M57)</b><br>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. | 157,500                      | 317,500                                       | 475,000                  |
| <b>Impairment of Debt Relating to Student Loans (M57)</b><br>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 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.         | 50,000                       | 150,000                                       | 200,000                  |
| <b>Total Non-Departmental Other Expenses</b>   | 993,500                      | 599,000                                       | 1,592,500                |
| <b>Departmental Capital Expenditure</b>  |                              |   |                          |
| <b>Inland Revenue Department - Capital Expenditure PLA (M57)</b><br>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.   | 77,973                       | 2,837   | 80,810                   |
| <b>Total Departmental Capital Expenditure</b>  | 77,973                       | 2,837   | 80,810                   |
| <b>Total Annual and Permanent Appropriations</b>   | 7,031,571                    | (30,991)                                      | 7,000,580                |

# Details of Projected Movements in Departmental Net Assets

## Inland Revenue Department

| Details of Net Asset Schedule             | 2008/09<br>Main Estimates<br>Projections<br>\$000 | 2008/09<br>Supplementary<br>Estimates<br>Projections<br>\$000 | Explanation of Projected Movements in 2008/09   |
|---|---|---|---|
| Opening Balance                           | 199,521   | 199,521   | Supplementary Estimates opening balance reflects the audited results as at 30 June 2008.  |
| Capital Injections                        | 20,061  | 25,475  | An additional \$5.414 million has been injected since the 2008/09 Main Estimates. This includes \$1.500 million for standard business reporting, \$2.941 million for KiwiSaver employer tax credit square-up, and \$973,000 for implementing tax and KiwiSaver changes. |
| Capital Withdrawals                       | -   | (2,577)   | An additional \$2.577 million has been withdrawn since the 2008/09 Main Estimates. This includes \$1.500 million for standard business reporting and \$1.077 million funding for the Budget 2008 personal tax package.  |
| Surplus to be Retained (Deficit Incurred) | -   | -   |   |
| Other Movements                           | -   | -   |   |
| <b>Closing Balance</b>                    | <b>219,582</b>                                    | <b>222,419</b>  |   |