

VOTE *Revenue*

Terms and Definitions Used

| | |
|------|-----------------------------------|
| ACC | Accident Compensation Corporation |
| IRD | Inland Revenue Department |
| PAYE | Pay As You Earn |

Minister Portfolio Table

| | |
|----|---------------------|
| 57 | Minister of Revenue |
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Revenue

VOTE MINISTER: Minister of Revenue

ADMINISTERING DEPARTMENT: Inland Revenue Department

The Minister of Revenue is the Responsible Minister for the Inland Revenue Department

Part B - Statement of Appropriations

Summary of Financial Activity

| | 2005/06 | 2005/06 Appropriations to be Used | | | | Total \$000 |
|---|-------------------------|---|----------------|--------------------------------------|------------------|-------------------|
| | Main Estimates \$000 | By the Department Administering the Vote | | For Non-Departmental Transactions | | |
| | | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | |
| Appropriations | | | | | | |
| Output Expenses | 474,921 | 467,623 | 20,500 | - | - | 488,123 |
| Benefits and Other Unrequited Expenses | 1,773,900 | N/A | N/A | - | 1,852,800 | 1,852,800 |
| Borrowing Expenses | 4,013 | N/A | N/A | - | 2,008 | 2,008 |
| Other Expenses | 390,127 | - | - | 1,681,443 | - | 1,681,443 |
| Capital Expenditure | - | N/A | N/A | - | - | - |
| Intelligence and Security Department Expenses and Capital Expenditure | - | - | - | N/A | N/A | - |
| Total Appropriations | 2,642,961 | 467,623 | 20,500 | 1,681,443 | 1,854,808 | 4,024,374 |
| Crown Revenue and Receipts | | | | | | |
| Tax Revenue | 43,382,000 | N/A | N/A | N/A | N/A | 44,750,000 |
| Non-Tax Revenue | 960,380 | N/A | N/A | N/A | N/A | 685,260 |
| Capital Receipts | 743,579 | N/A | N/A | N/A | N/A | 579,955 |
| Total Crown Revenue and Receipts | 45,085,959 | N/A | N/A | N/A | N/A | 46,015,215 |

Part B1 - Details of Appropriations

| Appropriations | 2005/06 | | | | | | Scope of and Reasons for Change in 2005/06 Appropriations |
|---|-----------------|----------------|----------------------------|----------------|-----------------|----------------|---|
| | Main Estimates | | Supplementary Estimates | | Cumulative Vote | | |
| | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | |
| Departmental Output Expenses (General) | | | | | | | |
| Adjudication and Rulings (M57) | 7,025 | - | - | - | 7,025 | - | - Adjudicating on behalf of the Commissioner to provide assurance of impartiality and consistency in the application of the tax law. Providing binding rulings, interpretation and application of the law, and guidance to taxpayers. |
| Assessment and Collection of Child Support (M57) | 67,289 | - | (1,048) | - | 66,241 | - | - Informing people of their entitlements and obligations under the law, assessing liabilities, banking payments, disbursing payments to custodians, managing debt and taking necessary action against those who do not comply with the law. Providing an inexpensive process for reviewing assessments that is readily accessible to custodians and paying parents. |
| Information Services (M57) | 116,917 | - | 14,697 | - | 131,614 | - | - Providing information and assistance to taxpayers and tax agents on the application of the tax laws. Responding to enquiries from taxpayers and social support programme clients. Reason for Change: Implementation of Working for Families and Student Loan interest free policy changes. |
| Management of Debt and Outstanding Returns (M57) | 67,686 | - | 400 | - | 68,086 | - | - Taking follow-up action against those who do not file a return or make a payment when a return or payment is due. |
| Policy Advice (M57) | 10,036 | - | - | - | 10,036 | - | - Assisting with the design and introduction of legislation that changes tax and social policy, and rewriting the current income tax legislation. Providing advice on laws impacting the tax system; forecasting future tax flows, and ministerial servicing. |
| Revenue Assessment and Collection (M57) | 66,707 | - | (847) | - | 65,860 | - | - Registering taxpayers, making tax assessments, banking tax payments, processing applications and payments under social support programmes, supplying information to other Government agencies, and accounting and reporting the collection of Crown revenue. |
| Taxpayer Audit (M57) | 118,761 | - | - | - | 118,761 | - | - Identifying tax risks; verifying that tax obligations have been met by auditing a selection of taxpayers; and the management of tax litigation. |
| Total Departmental Output Expenses (General) | 454,421 | - | 13,202 | - | 467,623 | - | |

| | 2005/06 | | | | | | Scope of and Reasons for Change in 2005/06 Appropriations |
|---|-----------------|----------------|----------------------------|----------------|-----------------|----------------|--|
| | Main Estimates | | Supplementary Estimates | | Cumulative Vote | | |
| | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | |
| Appropriations | | | | | | | |
| Departmental Output Expenses (Restricted by Revenue) | | | | | | | |
| Collection of ACC Levies (M57) | - | 20,500 | - | - | - | 20,500 | Collection of ACC employee earners' levies and the provision of information. |
| Total Departmental Output Expenses (Restricted by Revenue) | - | 20,500 | - | - | - | 20,500 | |
| Benefits and Other Unrequited Expenses | | | | | | | |
| Child Support Payments (M57) | - | 150,000 | - | (1,000) | - | 149,000 | 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). |
| Child Tax Credit (M57) | - | 141,000 | - | 13,000 | - | 154,000 | 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). |
| Family Support Tax Credit (M57) | - | 1,298,000 | - | 52,000 | - | 1,350,000 | Family Support payments made to beneficiaries and non-beneficiaries during the year (expenses incurred pursuant to section 185 of the Tax Administration Act 1994). |
| Family Tax Credit (M57) | - | 14,000 | - | (9,000) | - | 5,000 | Extra payment made to families whose net income is less than \$15,080 per annum and where at least one parent is working for salary or wages (expenses incurred pursuant to section 185 of the Tax Administration Act 1994). |
| In-Work Payment (M57) | - | 57,000 | - | 23,000 | - | 80,000 | 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. |
| Paid Parental Leave Payments (M57) | - | 97,900 | - | 900 | - | 98,800 | Paid Parental Leave Payments made to parents eligible under the Parental Leave and Employment Protection Act 1987. |
| Parental Tax Credit (M57) | - | 16,000 | - | - | - | 16,000 | 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). |
| Total Benefits and Other Unrequited Expenses | - | 1,773,900 | - | 78,900 | - | 1,852,800 | |
| Borrowing Expenses | | | | | | | |
| Adverse Event Interest (M57) | - | 13 | - | (12) | - | 1 | Interest on Adverse Event deposits relating to withdrawals and deposits made by taxpayers in the farming industry. |
| Environmental Restoration Account Interest (M57) | - | - | - | 7 | - | 7 | Interest on the deposits made to the Environmental Restoration Accounts Scheme. |
| Income Equalisation Interest (M57) | - | 4,000 | - | (2,000) | - | 2,000 | Interest on Income Equalisation deposits relating to withdrawals and deposits by taxpayers in the farming, fishing or forestry industries. |
| Total Borrowing Expenses | - | 4,013 | - | (2,005) | - | 2,008 | |

| Appropriations | 2005/06 | | | | | | Scope of and Reasons for Change in 2005/06 Appropriations |
|---|-----------------|----------------|----------------------------|----------------|-----------------|----------------|---|
| | Main Estimates | | Supplementary Estimates | | Cumulative Vote | | |
| | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | |
| Other Expenses to be Incurred by the Crown | | | | | | | |
| Child Support Doubtful Debt Provision (M57) | (29,423) | - | 120,458 | - | 91,035 | - | Provisioning of Doubtful Debt for Child Support penalties debt Pursuant to the Public Finance Act 1989. |
| General Tax Doubtful Debt Provision (M57) | 80,398 | - | 12,493 | - | 92,891 | - | Provisioning of Doubtful Debts for General tax, Student Loan and Child Support pursuant to the Public Finance Act 1989. |
| Student Loan Fair Value Recognition (M57) | - | - | 1,479,435 | - | 1,479,435 | - | Change in the Fair Valuation as a result of the change in the accounting policy and the change to the student loan policy. |
| Student Loan Interest Write-offs and Student Loan Doubtful Debt Provision (M57) | 339,152 | - | (321,070) | - | 18,082 | - | The interest free policy for student loans applies to all borrowers who are still studying irrespective of whether they are part time or full time. It also applies to borrowers who are no longer studying irrespective of whether or not they qualified, providing they are still living in New Zealand. Reason for Change: Policy change. |
| Total Other Expenses to be Incurred by the Crown | 390,127 | - | 1,291,316 | - | 1,681,443 | - | |
| Total Appropriations | 844,548 | 1,798,413 | 1,304,518 | 76,895 | 2,149,066 | 1,875,308 | |

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

| Details of Net Asset Schedule for Inland Revenue Department | 2005/06 Main Estimates Projections \$000 | 2005/06 Supplementary Estimates Projections \$000 | Explanation of Projected Movements in 2005/06 |
|---|--|---|---|
| Opening Balance | 95,892 | 95,892 | 2005/06 Supplementary Estimates opening balance reflects the audited results as at 30 June 2005. |
| Capital Injections | 22,518 | 37,818 | Capital injections made since Budget 2005 are associated with the implementation of the taxation of contractors in the fruit picking industry, the implementation of the interest free student loan and student loan amnesty initiatives, the implementation of the extension of eligibility and entitlements under Working for Families, the implementation of the student loan data mach initiative, KiwiSaver and taxation of investment income and SSCWT. |
| Capital Withdrawals | (679) | (2,879) | Capital withdrawal associated with the implementation of the interest free student loan and student loan amnesty initiative, the implementation of the extension of eligibility and entitlements under Working for Families. |
| Surplus to be Retained (Deficit Incurred) | - | - | |
| Other Movements | - | - | |
| Closing Balance | 117,731 | 130,831 | |

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

| | 2005/06 | | | Description of 2005/06 Crown Revenue |
|---|-------------------------|-------------------------------------|-------------------------|---|
| | Main Estimates \$000 | Supplementary Estimates \$000 | Total Budgeted \$000 | |
| Tax Revenue | | | | |
| Companies | 8,488,000 | 176,000 | 8,664,000 | Provisional and terminal tax payments by companies and superannuation funds net of refunds. |
| Fringe Benefit Tax | 456,000 | (3,000) | 453,000 | Tax on employer-provided fringe benefits. |
| Gaming Duties | 321,000 | (31,000) | 290,000 | Gaming duties include totalisator and lottery duties. |
| Goods and Services Tax (IRD) | 9,151,000 | (189,000) | 8,962,000 | A tax on the consumption of goods and services net of refunds (see also Vote Customs). |
| Other Direct Taxes | 2,000 | - | 2,000 | Miscellaneous direct represents gift duties. |
| Other Persons | 3,177,000 | 180,000 | 3,357,000 | Provisional and terminal tax payments by individuals and trusts net of refunds. |
| Source Deductions | 19,240,000 | 577,000 | 19,817,000 | PAYE deductions and withholding payments on employers' superannuation contributions. |
| Stamp and Cheque Duties | 56,000 | 27,000 | 83,000 | Stamp and cheque duties including the approved issuer levy. |
| Withholding Taxes | 2,491,000 | 631,000 | 3,122,000 | Withholding taxes, mainly taxes on investment income, eg. interest and dividends, deducted at source. |
| Total Tax Revenue | 43,382,000 | 1,368,000 | 44,750,000 | |
| Non-Tax Revenue | | | | |
| Child Support Collections | 463,000 | (26,000) | 437,000 | Child Support payments received from non-custodial parents. |
| Student Loans - Accrued Interest | 496,180 | (252,720) | 243,460 | Net interest income relating to the student loan debt. Reason for Change: Policy change |
| Unclaimed Monies | 1,200 | 3,600 | 4,800 | Monies deposited with the Crown as unclaimed. |
| Total Non-Tax Revenue | 960,380 | (275,120) | 685,260 | |
| Capital Receipts | | | | |
| Adverse Income Equalisation Account | 700 | (200) | 500 | Deposits made by farmers of proceeds from forced sales of livestock after an adverse event. |
| Environmental Restoration Accounts Scheme | - | 1,000 | 1,000 | Deposits made by taxpayers to the Environmental Restoration Accounts Scheme to allow the deduction for environmental expenditure. |
| Income Equalisation Reserve Account | 154,958 | (86,844) | 68,114 | Deposits made by taxpayers in the farming, fishing and forestry industries owing to fluctuations in income and economic conditions. |
| Student Loans - Receipts | 587,921 | (77,580) | 510,341 | Repayments against the principal portion of the debt received from employers who have employees with a student loan earning over the repayment threshold. Also repayments received from borrowers making a voluntary, end-of-year, interim or non-resident repayment against the principal portion of debt. |
| Total Capital Receipts | 743,579 | (163,624) | 579,955 | |
| Total Crown Revenue and Receipts | 45,085,959 | 929,256 | 46,015,215 | |