



Cabinet

CAB Min (07) 12/1(42)

Minute of Decision

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Minister of Revenue

Copies to:

Prime Minister
 Deputy Prime Minister
 Minister of Finance
 Hon Jim Anderton
 Associate Minister of Finance
 (Hon Trevor Mallard)
 Controller and Auditor-General
 Secretary, EXG

2007 Budget Package: Vote Revenue

On 19 April 2007, Cabinet:

1. **approved** the Budget initiatives for the above Vote for inclusion in the 2007 Budget package, as listed in the summary below and detailed in the attached initiative documents;

Summary of initiatives included in the attached initiative documents:

Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
	<i>[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]</i>					
	<i>[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]</i>					
4265	Compliance and Penalties	0.485	6.792	8.000	8.000	8.000
4563	Annual Inflation Adjustment of the Student Allowance Personal Income Threshold	-	-	0.001	0.004	0.005
4564	Increasing the Parental Income Threshold by 10 Percent	-	-	0.020	0.063	0.109
4565	Expansion of Step Up Scholarships	-	-	0.041	0.100	0.233
4569	Property Audit Strategy	-	(4.424)	(23.567)	(23.567)	-
4570	Litigation and Complex Transactions Audit	-	(16.000)	(16.000)	(16.000)	(19.000)
4571	Family Assistance Re-naming	(1.300)	1.300	-	-	-
4572	Bloodstock Write Down	-	1.000	1.000	0.300	-
Total Operating						

Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
	<i>[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]</i>					
4563	Annual Inflation Adjustment of the Student Allowance Personal Income Threshold	-	-	0.001	0.002	0.004
4564	Increasing the Parental Income Threshold by 10 Percent	-	-	0.010	0.036	0.068
4565	Expansion of Step Up Scholarships	-	-	0.023	0.049	0.140
Total Capital						

2. **agreed** to establish new appropriations where required to implement these initiatives, as described in the attached initiative documents;
3. **approved** the changes to appropriations and/or projected balances of net assets of the administering department (where applicable) to implement the initiatives, as set out in the attached initiative documents;
4. **approved** the additional recommendations (where applicable) to give effect to the initiatives, as set out in the attached initiative documents;
5. **agreed** that the proposed changes to appropriations and/or projected balances of net assets for 2006/07 above be included in the 2006/07 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
6. **authorised** the Minister of Finance and the Vote Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2006/07 Supplementary Estimates, the 2007/08 Estimates and the fiscal forecasts;
7. **noted** that all communications relating to the 2007 Budget are co-ordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office.

Secretary of the Cabinet

Reference: CAB (07) 135, CAB (07) 135A

Vote: Revenue

Title: [information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]

Description: [information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]

Theme: Other

Theme Objective: Other

Performance Information

Performance Text

[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Operating Balance Impact					
Debt Impact					
No Impact					
Total					

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Total Operating					
Total Capital					

Additional Recommendations

[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]

Vote: Revenue

Title: [information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]

Description: [information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]

Theme: Other

Theme Objective: Other

Performance Information

Performance Text

[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Operating Balance Impact					
Debt Impact					
No Impact					
Total					

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Total Operating					
Total Capital					

Additional Recommendations

[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]

Vote: Revenue

Title: Compliance and Penalties

Description: This initiative funds policy changes aimed at encouraging voluntary compliance through the review of penalty rules.

Theme: Other

Theme Objective: Other

Performance Information

Performance Table

	Unit of Measurement	Performance Specification				
		2006/07	2007/08	2008/09	2009/10	2010/11
Quality						
Impact on revenue assessed of proposed policy changes	(\$000)	-133	-4400	-8000	-8000	-8000

Performance Text

Inland Revenue expects the review of penalty rules to have a positive impact on voluntary compliance and will monitor these impacts.

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Operating Balance Impact	0.352	1.792	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	0.352	1.792	-	-	-

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Departmental Output Expenses (General): Taxpayer Audit (funded by Revenue Crown)	0.352	1.792	-	-	-
Total Operating	0.352	1.792	-	-	-
Total Capital	-	-	-	-	-

Additional Recommendations

noted the following changes as a result of the decision to fund the Compliance and Penalties initiative:

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Tax Revenue					
Company Tax	0.049	1.624	2.954	2.954	2.954
Other Persons	0.029	0.968	1.763	1.763	1.763
Goods and Services Tax	0.055	1.808	3.283	3.283	3.283
Total	0.133	4.400	8.000	8.000	8.000

noted that the impact shown in the tax revenue table is indicative only and based on the best estimate of the reduction in revenue.

Vote: Revenue

Title: Annual Inflation Adjustment of the Student Allowance Personal Income Threshold

Description: Funding is sought to annually adjust the personal income threshold by inflation in the Annual General Adjustment process on an ongoing basis effective from 1 April 2008. This also means corresponding increases to the joint income threshold and joint income maximum limit.

Theme: Economic Transformation

Theme Objective: Firms' innovative capacity

Performance Information

Performance Table

	Unit of Measurement	Performance Specification				
		2006/07	2007/08	2008/09	2009/10	2010/11
Quantity						
Full SA (previously abated SA)	Recipients	0	160	160	150	150
New Student Allowance (SA)	Recipients	0	10	10	10	10
Higher abated SA	Recipients	0	1750	1750	1740	1740
Total beneficiaries	Recipients	0	1920	1920	1900	1900

Additional Recommendations

noted the following changes as a result of the decision to adjust the student allowance personal income threshold for annual inflation:

	\$m – increase/(decrease)				
Vote Revenue Minister of Revenue	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Non-tax revenue					
Student Loans – Accrued Interest	-	-	0.001	0.004	0.006
Capital Receipts					
Student Loans – Receipts	-	-	0.001	0.002	0.004
Total Operating	-	-	0.001	0.004	0.006
Total Capital			0.001	0.002	0.004

approved the following changes to appropriation to reflect the expected decrease in student loan draw-downs:

	\$m – increase/(decrease)				
Vote Revenue Minister of Revenue	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Other expenses to be incurred by the Crown:					
Student Loan Impairment	-	-	-	-	(0.001)
Total	-	-	-	-	(0.001)

noted that Vote Social Development is also receiving funding for the initiative.

Vote: Revenue

Title: Increasing the Parental Income Threshold by 10 Percent

Description: Funding to increase the student allowance parental income threshold by 10% to approximately \$44,334 from 1 January 2008. As a consequence the cut-off point will increase to approximately \$75,269 pa for those living away from home and approximately \$69,081 pa for those living at home.

Theme: Economic Transformation

Theme Objective: Firms' innovative capacity

Performance Information

Performance Table

	Unit of Measurement	Performance Specification				
		2006/07	2007/08	2008/09	2009/10	2010/11
Quantity						
Full SA (previously abated SA)	Recipients	0	1600	1630	1650	1670
New Student Allowance (SA)	Recipients	0	780	800	810	820
Higher abated SA	Recipients	0	7510	7660	7740	7830
Total beneficiaries	Recipients	0	9890	10090	10200	10320

Additional Recommendations

noted the following changes as a result of the decision to increase the parental thresholds for student allowances by 10%:

	\$m – increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Vote Revenue					
Minister of Revenue					
Non-tax revenue					
Student Loans – Accrued Interest	-	-	0.022	0.069	0.119
Capital Receipts					
Student Loans – Receipts	-	-	0.010	0.036	0.068
Total Operating	-	-	0.022	0.069	0.119
Total Capital			0.010	0.036	0.068

approved the following changes to appropriation to reflect the expected decrease in student loan draw-downs:

	\$m – increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Vote Revenue					
Minister of Revenue					
Other expenses to be incurred by the Crown:					
Student Loan Impairment	-	-	(0.002)	(0.006)	(0.010)
Total	-	-	(0.002)	(0.006)	(0.010)

noted that Vote Social Development is also receiving funding for the initiative.

Vote: Revenue

Title: Expansion of Step Up Scholarships

Description: Funding will be used to expand the Step Up Scholarship pilot by maintaining the 2006 volume of new awards beyond 2007 and further expanding that volume of new awards by 50 percent. Additional administration funding will be used to redesign the scheme to increase equity and access opportunities.

Theme: Economic Transformation

Theme Objective: Firms' innovative capacity

Performance Information

Performance Table

	Unit of Measurement	Performance Specification				
		2006/07	2007/08	2008/09	2009/10	2010/11
Quantity						
Number of recipients (SUS)	People	0	181	181	181	181

Additional Recommendations

noted the following changes as a result of the decision to expand the Step Up Scholarships scheme:

	\$m – increase/(decrease)				
Vote Revenue Minister of Revenue	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Non-tax revenue					
Student Loans – Accrued Interest	-	-	0.045	0.110	0.255
Capital Receipts					
Student Loans – Receipts	-	-	0.023	0.049	0.140
Total Operating	-	-	0.045	0.110	0.255
Total Capital			0.023	0.049	0.140

approved the following changes to appropriation to reflect the expected decrease in student loan draw-downs:

	\$m – increase/(decrease)				
Vote Revenue Minister of Revenue	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Other expenses to be incurred by the Crown:					
Student Loan Impairment	-	-	(0.004)	(0.010)	(0.022)
Total	-	-	(0.004)	(0.010)	(0.022)

noted that Vote Social Development is also receiving funding for the initiative.

Vote: Revenue

Title: Property Audit Strategy

Description: This initiative will implement a task force targeted to address tax compliance issues involving property transactions.

Theme: Other

Theme Objective: Other

Performance Information

Performance Table

	Unit of Measurement	Performance Specification				
		2006/07	2007/08	2008/09	2009/10	2010/11
Quantity <i>[information deleted in order to enable the Crown to carry out commercial activities without disadvantage or prejudice]</i>						
Increase in Revenue Assessed	\$000	0	7351	29406	29406	0

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Operating Balance Impact	-	2.927	5.839	5.839	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	2.927	5.839	5.839	-

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Departmental Output Expenses (General): Taxpayer Audit (funded by Revenue Crown)	-	2.927	5.839	5.839	-
Total Operating	-	2.927	5.839	5.839	-
Total Capital	-	-	-	-	-

Additional Recommendations

noted the following changes as a result of the decision to fund a property taskforce to address tax compliance issues involving property transactions:

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Tax Revenue					
Companies	-	(4.658)	(18.635)	(18.635)	-
Other Persons	-	(2.693)	(10.771)	(10.771)	-
Total	-	(7.351)	(29.406)	(29.406)	-

noted that the impact shown in the tax revenue table is indicative only and based on estimated revenue gains.

Vote: Revenue

Title: Litigation and Complex Transactions Audit

Description: This initiative funds an increase in audit resources in response to a larger tax base and more complex taxpayers' affairs as well as to meet litigation requirements.

Theme: Other

Theme Objective: Other

Performance Information

Performance Table

	Unit of Measurement	Performance Specification				
		2006/07	2007/08	2008/09	2009/10	2010/11
Quantity <i>[information deleted in order to enable the Crown to carry out commercial activities without disadvantage or prejudice]</i>						
Increase in Revenue Assessed	\$000	0	20000	20000	20000	20000

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Operating Balance Impact	-	4.000	4.000	4.000	1.000
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	4.000	4.000	4.000	1.000

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Departmental Output Expenses (General): Taxpayer Audit (funded by Revenue Crown)	-	4.000	4.000	4.000	1.000
Total Operating	-	4.000	4.000	4.000	1.000
Total Capital	-	-	-	-	-

Additional Recommendations

noted the following changes as a result of the decision to fund litigation requirements and additional audit capability for complex financial transactions:

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Tax Revenue					
Companies	-	(20.000)	(20.000)	(20.000)	(20.000)
Total	-	(20.000)	(20.000)	(20.000)	(20.000)

noted that the impact shown in the tax revenue table is indicative only and based on estimated revenue gains.

Vote: Revenue

Title: Family Assistance Re-naming

Description: Ministers have agreed the term 'assistance' no longer captures the nature of family assistance payments and have agreed a name change. This initiative funds the required system changes to update letters, staff tools and other media to the new name, and funds reprinting of Inland Revenue products.

Theme: Other

Theme Objective: Other

Performance Information

Performance Text

The second phase of the Working for Families rebranding will deliver the required system changes to align system generated correspondence with the already amended print stock.

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Operating Balance Impact	(1.300)	1.300	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	(1.300)	1.300	-	-	-

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Departmental Output Expenses (General):					
Services to Inform the Public About Entitlements and Meeting Obligations (funded by Revenue Crown)	(0.390)	0.780	-	-	-
Services to Process Obligations and Entitlements (funded by Revenue Crown)	(0.910)	0.520	-	-	-
Total Operating	(1.300)	1.300	-	-	-
Total Capital	-	-	-	-	-

Initiative No: 4572

Vote: Revenue**Title:** Bloodstock Write Down**Description:** This initiative applies the new bloodstock write down rules to bloodstock that were in foreign ownership but had been in production in New Zealand prior to 1 August 2006.**Theme:** Other**Theme Objective:** Other**Performance Information****Performance Text**

There are approximately 24 foreign-owned stallions that have been in production in New Zealand prior to 1 August 2006. The initiative will encourage New Zealand businesses to bring some of the successful stallions into New Zealand ownership. It is conceivable that 6 of the 24 horses in question would be brought into New Zealand ownership.

Additional Recommendations

noted the following changes as a result of the decision to apply new bloodstock write down rules:

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Tax Revenue Companies	-	1.000	1.000	0.300	-
Total	-	1.000	1.000	0.300	-

noted that the impact shown in the tax revenue table is indicative only and based on the estimated revenue reduction.