

VOTE *Revenue*

Revenue

Overview

Appropriations sought for Vote Revenue in 2001/2002 total \$8,911,871 million. This is intended to be spent as follows:

- \$411.801 million (4.6% of the Vote) on purchasing outputs from Inland Revenue including:
 - assessment and collection of tax
 - information services for taxpayers
 - enforcement activities.
- \$1,195 million (13.4% of the Vote) on social assistance, including the administration and payment of Family Support Tax Credit and Family Tax Credit, Child Tax Credit and Child Support and Parental Tax Credit.
- \$7,272 million (81.6% of the Vote) on tax refunds to taxpayers and non-tax payments, for payment to the Accident Compensation Corporation for premiums and levies collected on its behalf.
- \$1.6 million borrowing expenses in total relating to the Income Equalisation scheme and Adverse Event schemes.
- \$31 million on repayment of loans relating to the Income Equalisation scheme and Adverse Event schemes.

Inland Revenue expects to assess and collect \$38,732 million of Crown revenue in 2001/2002, \$37,374 million of which is gross tax revenue including:

- | | |
|--|------------------|
| • source deductions from individual taxpayers | \$14,358 million |
| • goods and services tax (GST) | \$11,797 million |
| • company tax | \$ 4,945 million |
| • other persons (other income tax from individuals and trusts) | \$ 3,881 million |
| • withholding taxes | \$ 1,767 million |

Details of how the appropriations are to be spent appear in Parts B1, C and E of this Vote. Details of Crown revenue appear in Part F.

Terms and Definitions Used

ACC	Accident Compensation Corporation
DWI	Department of Work and Income
FBT	Fringe benefit tax
PAYE	Pay as you earn
RWT	Resident withholding tax

Footnotes

Note 1	Reconciles to Part F1.
Note 2	Under section 10 of the Public Finance Act 1989 the Minister of Finance approved expenditure up to the level of trading revenue.
Note 3	Costs to be incurred pursuant to section 141 of the Child Support Act 1991.
Note 4	Costs to be incurred pursuant to section 185 of the Tax Administration Act 1994.
Note 5	Costs to be incurred pursuant to section 50 of the Goods and Services Tax Act 1985.
Note 6	Costs to be incurred pursuant to the Accident Insurance Act 1998.
Note 7	Costs to be incurred pursuant to section 11 of the Unclaimed Money Act 1971.
Note 8	Tax forecasts are discussed in detail in the 2001 Budget Economic and Fiscal Outlook.
Note 9	Gross tax revenues. Refer Part B1 for associated refund expense for goods and services tax, other persons and companies

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 A - Statement of Objectives

Part A1 - Objectives for Vote Revenue

General Statement

The department contributes to the achievement of all of the Government's key goals by collecting over 80 percent of the revenue due to Government. This revenue enables the Government to fund its social and economic programmes.

As the tax system adds compliance costs to the economy, an efficient and cost-effective tax system ensures that unnecessarily heavy compliance cost burdens are not imposed on taxpayers.

Inland Revenue has introduced a number of new procedures directed towards simplifying the tax system to reduce the compliance costs for salary and wage earners and businesses. These simplification processes have the advantage of:

- making it easier for taxpayers to voluntarily comply with their tax obligations;
- making the collection of revenue more efficient and cost effective.

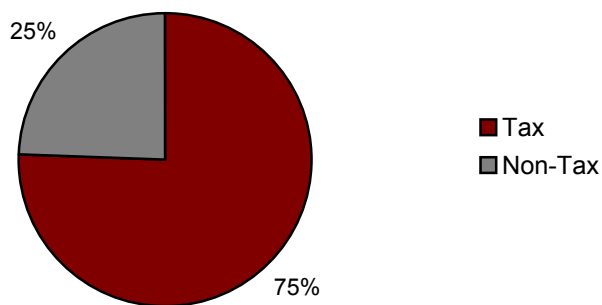
The services purchased from Inland Revenue contribute to the Government's key goals in the following manner:

Key Government Goal	Output Classes
<p><u>Grow an Inclusive, Innovative Economy for the Benefit of All</u></p> <p>Develop an economy that adapts to change, provides opportunities and increases employment, and while reducing inequalities, increases incomes for all New Zealanders.</p>	<p>D1 – Policy Advice</p> <p>This output class contributes to this key goal by:</p> <ul style="list-style-type: none"> • providing Government with high-quality advice relating to taxation issues • drafting new and rewriting existing tax legislation in plain language • administering the international tax regime (including the negotiation of double taxation agreements).
<p><u>Restore Trust in Government and Provide Strong Social Services</u></p> <p>Restore trust in government by working in partnerships with communities, providing strong social services for all, building safe communities and promoting community development, keeping faith with the electorate, working constructively in Parliament and promoting a strong and effective public service.</p>	<p>D7 – Assessment and Collection of Child Support D8 – Administration of Income Maintenance</p> <p>These output classes contribute to the achievement of this key goal by administering the collection and redistribution of Government's transfer payments. The effects of this redistribution contribute to improved social circumstances of the recipients.</p>
<p><u>Improve New Zealanders' Skills</u></p> <p>Foster education and training to enhance and improve the nation's skills so that all New Zealanders have the best possible future in a changing world.</p>	<p>D9 – Student Loan Scheme</p> <p>This output class contributes to the achievement of this key goal through the administration of the Student Loan Scheme. The scheme provides financial assistance to students to allow them to undertake courses of study.</p>
<p><u>Reduce Inequalities in Health, Education, Employment and Housing</u></p> <p>Reduce the inequalities that currently divide our society and offer a good future for all by better co-ordination of strategies across sectors and by supporting and strengthening the capacity of Maori and Pacific Island communities.</p>	<p>D8 – Administration of Income Maintenance</p> <p>This output class contributes to the advancement of this key goal through redistributing Government transfer payments to Family Assistance recipients.</p>

2001/2002 Vote Revenue Output Classes Budgeted Expenditure

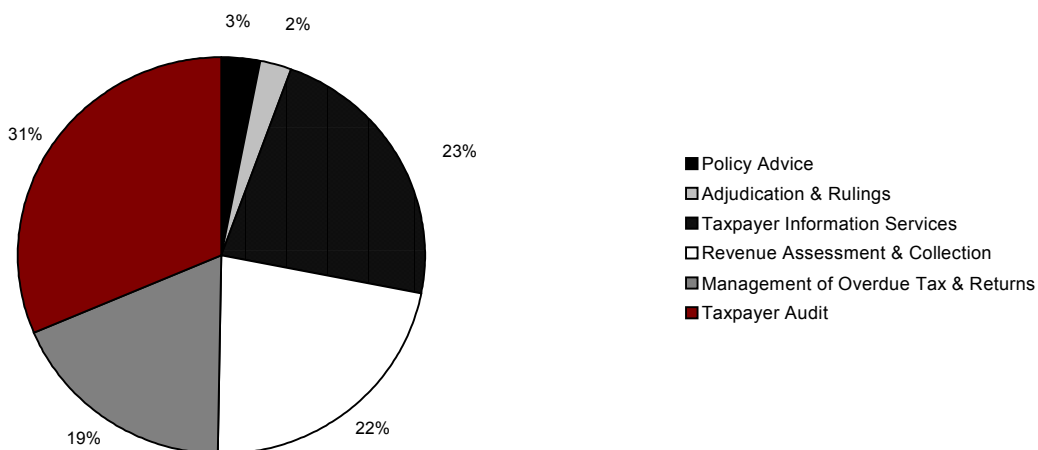
The proportions of 2001/2002 budgeted expenditure between tax and non-tax outputs, and among the tax output classes, are depicted in Figures 1 and 2.

Figure 1 - Total Departmental Output Classes 2001/2002



Source: Inland Revenue Department

Figure 2 - Tax Outputs 2001/2002



Source: Inland Revenue Department

Part A2 - Trends in Vote Revenue

The time series of departmental expenditure, detailed in the tax and non-tax output class cost trend tables for Vote Revenue, shows an overall increase in the cost of outputs purchased by the Crown over the period 1996/97 to 2001/2002.

Classes of Outputs to be Supplied: Trends 1996/97 to 2001/2002

As outlined in the table below, annual departmental output class costs have increased by \$4.673 million from \$407.128 million in 1996/97 to \$411.801 million in 2001/2002.

Total Output Class Costs	1996/97 Actual \$000	1997/98 Actual \$000	1998/99 Actual \$000	1999/2000 Actual \$000	2000/2001 Estimated \$000	2001/2002 Vote \$000
Tax Output Class Costs	300,398	296,815	328,353	296,272	303,740	310,805
Non-Tax Output Class Costs	106,730	100,496	110,817	102,257	105,751	100,996
Total Output Classes	407,128	397,311	439,170	398,529	409,491	411,801

Tax departmental output costs have increased by \$10.407 million (3.46%) from 1996/97 to 2001/2002. Significant movements over this period are as follows:

- reduction between 1996/97 and 1997/98 relates to the operational savings generated from the organisational review of Inland Revenue;
- the peak in output costs in 1998/99 reflects the impact of transitional costs associated with the Tax Simplification initiative;
- the increase between 1999/2000 and 2000/01 reflects additional funding to meet increased litigation costs, implementation of new Government policies and an increase in Taxpayer Information Services demand;
- the rise in costs in 2001/02 relates to increased enforcement activity in line with the department's compliance improvement strategy, the restoration of capability in Inland Revenue's service areas, increased emphasis on a Tax Policy Work programme, and changes to the administration of Child Support. These costs are partially offset by Tax Simplification savings.

The following table outlines the costs of core tax activities from 1996/97 to 2001/2002:

Tax Output Class Costs	1996/97 Actual \$000	1997/98 Actual \$000	1998/99 Actual \$000	1999/2000 Actual \$000	2000/2001 Estimated Actual \$000	2001/2002 Vote \$000
Policy Advice	7,557	7,626	9,269	9,409	9,691	9,855
Adjudication and Rulings	6,192	6,519	6,118	6,737	7,200	7,168
Taxpayer Information Services	70,035	70,871	88,949	69,044	74,363	70,379
Revenue Assessment and Collection	66,124	60,188	71,918	70,148	66,779	68,473
Management of Overdue Tax and Returns	53,004	56,000	61,407	56,035	57,397	57,594
Taxpayer Audit	94,873	94,391	90,692	84,899	88,310	97,336
Commission of Inquiry; Winebox Issue	1,496	250	-	-	-	-
Tax Education Office Services	1,117	970	-	-	-	-
Total Tax Output Classes	300,398	296,815	328,353	296,272	303,740	310,805

Comments on major trends:

- From 1998/99, the Ministerial Servicing output has been included in the Policy Advice output class. In previous years it was included in the Adjudication and Rulings output class. The increase in Policy Advice from 2000/2001 is due to increased work loads in the tax policy work programme including the rewrite of the Income Tax Act.
- The differences in the cost of the Management of Overdue Tax and Returns output class in 1996/97 and 1997/98 onwards is due to a change in accounting policy for court costs awarded to the Inland Revenue. Other influences are due to a more direct attribution of legal and Information Technology costs to this output class.
- Between 1996/97 and 2001/02 Taxpayer Information Services output costs are expected to increase by \$344,000 (0.49%). The peak in 1998/99 is due to transitional costs associated with the implementation of Call Centres whilst the peak in 2000/01 is due to unprecedented demand in telephone services.
- Taxpayer Audit output costs increased by \$2.463 million (2.6%) between 1996/97 and 2001/02. This increase in costs from 2000/01 is due to Inland Revenue's continuing focus on compliance improvement.
- From 1 January 2000, the Inland Revenue implemented a new Information Technology cost allocation process. This has affected all output classes.
- Crown funding for the Tax Education Office Services and the Commission of Inquiry was discontinued as at 1 July 1998.

The following table outlines the cost of non-tax departmental output classes administered by Inland Revenue:

Non-Tax Output Class Costs	1996/97 Actual \$000	1997/98 Actual \$000	1998/99 Actual \$000	1999/2000 Actual \$000	2001/2001 Estimated Actual \$000	2001/2002 Vote \$000
Assessment and Collection of Child Support	56,625	48,688	52,161	47,725	50,721	50,604
Child Support Administrative Reviews	2,450	2,342	2,342	2,363	2,191	0
Administration of Income Maintenance	10,217	10,975	15,640	9,725	9,487	7,946
Student Loan Scheme	6,906	8,303	10,265	8,498	9,185	9,530
Supply of Information to Other Agencies	1,417	1,367	1,644	1,750	1,721	1,570
Collection of ACC Premiums	29,115	28,821	28,765	32,196	32,446	31,346
Total Non-Tax Output Classes	106,730	100,496	110,817	102,257	105,751	100,996

Comments on major trends:

- Over the last five years, the proportion of total output class appropriations devoted to non-tax activities has remained relatively constant and is currently 25%.

The main contributors to the non-tax expenditure are:

	Introduced	2001/2002 \$000	% of Total Output Classes
Assessment and Collection of Child Support (including Administrative Reviews)	1992/93, (1994/95)	50,604	12.3
Administration of Income Maintenance (including Child Tax Credit and Youth Policy Package)	1991/92, (1995/96, 1997/98)	7,946	1.9
Student Loan Scheme	1992/93	9,530	2.3
Supply of Information to Other Agencies	1992/93	1,570	0.4
Collection of ACC Premiums (earner premium introduced in 1992/93)	1992/93	31,346	7.6

- From 2001/02 the Child Support Administrative Reviews output class has been integrated as an output within the Child Support Assessment and Collection output class.

- Child Support costs (including Administrative Reviews) have reduced from \$59.075 million in 1996/97 to \$50.604 million in 2001/2002. This reflects the impact of reduced depreciation costs for Child Support systems and efficiencies gained through the re-engineering of processes. The full impact of this reduction is partially offset by continued growth in demand for Child Support services.
- The Student Loan Scheme was introduced in 1992/93 with an initial set-up cost of \$2.879 million in that year. Growth in the Student Loan Scheme, and the associated administrative costs of managing and collecting student loans, is reflected in the increase in the appropriation to \$9.530 million in 2001/2002. This increase reflects the growth in borrower numbers and debt collection activity.
- The appropriation for the Administration of Income Maintenance has decreased 22.2% since 1996/97 to \$7.946 million for 2001/2002. Fluctuations over the last 5 years are due to the Youth Policy Package in January 1998, the Parental Tax Credit in October 1999, and the implication of the Tax Simplification Initiatives.

Benefits and Other Unrequited Expenses: Trends 1996/97 to 2001/2002

Benefits and other unrequited expenses represent payments by the Inland Revenue to individuals for which no direct exchange of value is expected in return. In the case of Child Support, payments made to custodial parents will not be made until payment has been received from the liable parent. The major categories of benefits and other unrequited payments are:

- The disbursement of Child Support payments to non-beneficiary custodial persons which was introduced in 1992/93 is projected to increase to \$89 million in 2001/2002.
- Payments of Family Support Tax Credit and Family Tax Credit (formerly Guaranteed Minimum Family Income) will increase by \$73 million, from \$826 million in 1996/97 to \$899 million in 2001/2002. This movement reflects changes in government policy, including increases to Family Support rates and abatement thresholds and the Government's youth policy initiatives.
- Child Tax Credit is projected to cost \$185 million in 2001/02 compared to \$40.512 million in 1996/97. The increased costs are due to increased awareness of the Child Tax Credit.
- Parental Tax Credit provides support for eligible working families with a new child born after 30 September 1999, up to \$150 per week for eight weeks. It is projected to increase by \$5 million from \$17 million in 2000/01 (first full year of the scheme) to \$22 million in 2001/02. The increased costs are due to increased awareness of the Parental Tax Credit.

Borrowing Expenses: Trends 1996/97 to 2001/2002

Borrowing expenses represent the interest payable to members of the Adverse Event and Income Equalisation schemes. Interest is affected by fluctuations in the level of withdrawals and deposits by taxpayers in the farming, fishing and forestry industries.

Other Expenses: Trends 1996/97 to 2001/2002

Non-departmental

Other Expenses - Non-Departmental includes tax refunds to taxpayers and non-tax payments for:

- The payment to the ACC of premiums and residual claims levies collected on its behalf has increased by \$394 million from \$383 million in 1996/97 to a projected \$777 million in 2001/2002. The increase reflects the introduction of residual claim levies from 1 April 1999 (projected to be \$252 million in 2001/02).
- Fluctuations in withdrawals of funds by members of the Adverse Event and Income Equalisation schemes is largely caused by changes in the economic and income conditions in the farming, fishing and forestry industries.
- The repayment of monies previously deposited with the Crown as unpaid has been consistent year to year.

Crown Revenue and Receipts: Trends 1996/97 to 2001/2002

Gross Crown revenue has continued to rise strongly since 1996/97 and is projected at \$38,732 million in 2001/2002.

Tax revenue collected by Inland Revenue includes:

- source deductions from individual taxpayers
- company tax
- other persons (other income tax from individuals and trusts)
- fringe-benefit tax (FBT)
- withholding taxes
- gaming, stamp and cheque duties
- goods and services tax (GST).

Further information regarding revenue collections is provided in the *2001 Budget Economic and Fiscal Outlook*. Other non-tax revenue is 3.5% of the total revenue projected in 2001/2002. It includes ACC premiums, Child Support collections and Student Loan interest.

Analysis by Appropriation Type: 2001/2002 and 2000/2001 Comparison

Classes of outputs to be supplied

Annual departmental appropriations for the purchase of outputs have increased by \$810,000 between 2000/2001 and 2001/2002.

Detailed below is a summary of the most significant reductions to the baseline:

- Further savings of \$6.388 million as a result of the implementation of the Tax Simplification initiatives.

- 'One-off' expenditure of \$2.579 million in 2000/01 (relating to expenditure transfer from 1999/2000).
- A one-off capital/operating transfer in 2000/01 of \$2.122 million and the resulting effect on depreciation and the capital charge of \$747,000 decrease.

Detailed below is a summary of the most significant increases to the baseline:

- An additional \$15.219 million was approved in 2001/02 for:
 - Increased audit enforcement activity and restoration of capability through the implementation of a new remuneration system.
 - Increased focus on the Tax Policy Work Programme
 - Social policy initiatives (changes to Child Support minimum payment and Family Support payments).

Benefits and other unrequited expenses

- Child Support payments are projected to increase by \$5.19 million to \$89 million in 2001/2002, because of the projected increase in earnings of non-custodial parents and increase in the percentage of custodians moving into the workforce.
- Family Support Tax Credit (formerly Family Support) payments are projected to increase by \$3 million to \$899 million in 2001/2002.
- Child Tax Credit (formerly Independent Family Tax Credit), introduced in July 1996, is projected to cost \$185 million in the 2001/2002 year, an increase of \$10 million from 2000/2001. The increased costs are due to increased awareness of the Child Tax Credit.
- Parental Tax Credit costs are projected to increase by \$5 million to \$22 million in 2001/02. The increased costs are due to increased awareness of the Parental Tax Credit.

Other expenses - non-departmental

This category of appropriation is expected to decrease by \$222 million from \$7,494 million in 2000/2001 to \$7,272 million in 2001/2002. The movement is mainly attributable to decreases in GST refunds, and payments of premiums to ACC.

Crown revenue and receipts

Gross Crown Revenue and Receipts is projected at \$39,128 million in 2001/2002, a net increase on 2000/2001 of \$1,298 million. This increase mainly relates to revenue from GST (\$182 million), Companies (\$159 million), Source Deductions (\$648 million) and Other Persons (\$256 million). A decrease in Withholding Tax (\$58 million) partly offset the increases.

A discussion of the movements in revenue collection is provided in the 2001 *Budget Economic and Fiscal Update*.

Trends in Vote Revenue - Summary of Appropriations and Crown Revenue

Types of Appropriation	1996/97	1997/98	1998/99	1999/2000	2000/01		2001/02 Appropriations to be Used				
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000	
Operating Flows											
Classes of Outputs to be Supplied	407,128	397,311	439,170	398,529	410,991	409,491	380,455	31,346	-	-	411,801
Benefits and Other Unrequited Expenses	880,551	1,064,414	1,147,174	1,160,843	1,171,810	1,171,810	N/A	N/A	-	1,195,000	1,195,000
Borrowing Expenses	1,240	1,161	1,147	1,419	1,600	1,600	N/A	N/A	-	1,600	1,600
Other Expenses	198	5,488,406	6,419,471	6,949,412	7,494,470	7,494,470	-	-	-	7,272,470	7,272,470
Capital Flows											
Capital Contributions	2,500	-	120	277	-	-	-	-	-	-	-
Purchase or Development of Capital Assets	-	-	-	-	-	-	N/A	N/A	-	-	-
Repayment of Debt	24,290	29,960	41,553	28,546	31,000	31,000	N/A	N/A	-	31,000	31,000
Total Appropriations	1,315,907	6,981,252	8,048,635	8,539,026	9,109,871	9,108,371	380,455	31,346	-	8,500,070	8,911,871
Total Crown Revenue and Receipts (see note 1)	32,487,048	33,341,757	33,684,323	35,358,958	37,830,529	37,830,529	N/A	N/A	N/A	N/A	39,128,079

Part B - Statement of Appropriations

Part B1 - Details of 2001/02 Appropriations

	2000/01				2001/02		Description of 2001/02 Appropriations
	Vote		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Classes (Mode B Gross)							
D1 Policy Advice	9,741	-	9,691	-	9,855	-	Purchase of policy advice on laws impacting on the tax system, the design and introduction of tax and social policy, forecasting of future tax flows, progressive review and rewrite of income tax legislation, and ministerial servicing.
D2 Adjudication and Rulings	7,200	-	7,200	-	7,168	-	Adjudication of disputes between taxpayers and the Commissioner in respect of proposed assessments, statements on the interpretation and application of tax laws. This includes binding rulings, statutory determinations and valuations for taxpayers.
D3 Taxpayer Information Services	74,563	-	74,363	-	70,379	-	Assistance and advice to taxpayers on new and existing tax laws and systems.
D4 Revenue Assessment and Collection	67,079	-	66,779	-	68,473	-	Issuing of tax assessments and refunds, collection of tax payments, and accounting and reporting of Crown revenue.
D5 Management of Overdue Tax and Returns	57,697	-	57,397	-	57,594	-	Follow-up action against non-complying taxpayers that fail to file a return and that fail to pay tax when it is due.
D6 Taxpayer Audit	88,810	-	88,310	-	97,336	-	Auditing of all taxpayer classes with emphasis on high risk non-complying taxpayers, and the management of tax litigation.
D7 Assessment and Collection of Child Support	50,721	-	50,721	-	50,604	-	Information and assistance to child support custodians and paying parents, assessment, collection and disbursement of Child Support liabilities, and follow-up action against non-complying taxpayers. Providing an administrative review service for Child Support customers in respect of their Child Support assessments.

D8 Administration of Income Maintenance	9,637	-	9,487	-	7,946	-	Administration of the Family Support Tax Credit, Family Tax Credit and Child Tax Credit and Parental Tax Credit schemes. This involves informing people of their rights and obligations, and the establishment of correct entitlements and their payment to non-beneficiaries.
D9 Student Loan Scheme	9,185	-	9,185	-	9,530	-	Assistance and advice to Student Loan customers, assessment of loan liabilities and collection of repayments, and follow-up action against non-compliers.
D10 Supply of Information to Other Agencies	1,721	-	1,721	-	1,570	-	Limited supply of information held by Inland Revenue to the Department of Work and Income, Department of Labour and ACC to establish customers' eligibility to certain government payments, and the provision of information to the Office of the Privacy Commissioner.
Child Support Administrative Reviews	2,191	-	2,191	-	-	-	See D7 Assessment and Collection of Child Support.
Total Appropriations for Departmental Output Classes (Mode B Gross)	378,545	-	377,045	-	380,455	-	
Departmental Output Classes (Mode B Net) (see note 2)							
D11 Collection of ACC Premiums	-	32,446	-	32,446	-	31,346	Collection and payment of residual claims levy and earner premiums on behalf of and to ACC, advice and information to customers of their liabilities, and action against non-complying taxpayers.
Total Appropriations for Departmental Output Classes (Mode B Net)	-	32,446	-	32,446	-	31,346	
Benefits and Other Unrequited Expenses							
Child Support Payments (see note 3)	-	83,810	-	83,810	-	89,000	Child support payments to custodial persons who are not social welfare beneficiaries.
Family Support Tax Credit (see note 4)	-	883,000	-	883,000	-	888,000	Family Support payments made to beneficiaries and non-beneficiaries during the year, plus year-end reconciliation from tax return.
Family Tax Credit (see note 4)	-	13,000	-	13,000	-	11,000	Extra payment made to families whose gross income is less than \$18,368 per annum and where at least one parent is working for salary or wages.

Part B1 - Details of 2001/02 Appropriations (continued)

	2000/01				2001/02		Description of 2001/02 Appropriations
	Vote		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Child Tax Credit (see note 4)	-	175,000	-	175,000	-	185,000	Extra cash assistance for low to middle income families who are not dependent on the state for financial support.
Parental Tax Credit (see note 4)	-	17,000	-	17,000	-	22,000	Additional financial support to working families for the eight week period following the birth of a child.
Total Appropriations for Benefits and Other Unrequited Expenses	-	1,171,810	-	1,171,810	-	1,195,000	
Borrowing Expenses							
Adverse Event Interest (see note 4)	-	100	-	100	-	100	Interest on Adverse Event deposits. Interest is affected by fluctuations in the level of withdrawals and deposits by taxpayers in the farming industry.
Income Equalisation Interest (see note 4)	-	1,500	-	1,500	-	1,500	Interest on Income Equalisation deposits. Interest is affected by fluctuations in the level of withdrawals and deposits by taxpayers in the farming, fishing or forestry industries.
Total Appropriations for Borrowing Expenses	-	1,600	-	1,600	-	1,600	
Other Expenses to be Incurred by the Crown							
ACC Levies	-	261,000	-	261,000	-	252,000	Residual claims levy collected on behalf of and paid to ACC.
Companies' Refunds (see note 4)	-	118,000	-	118,000	-	121,000	Refunds of income tax to companies, unit trusts, societies and superannuation funds.
GST IRD Refunds (see note 5)	-	5,883,000	-	5,883,000	-	5,718,000	Refunds of tax paid on the consumption of goods and services.
Other Persons' Refunds (see note 4)	-	660,000	-	660,000	-	656,000	Refunds of income tax to individuals and trusts.

Payment of Premiums to ACC (see note 6)	-	572,000	-	572,000	-	525,000	Payment to ACC of premiums collected on its behalf. Premiums are primarily employee earner premiums plus a small component of other ACC premiums which are not directly banked to ACC (such as transfers from other tax types, or self-employed and employer premiums paid to Inland Revenue by direct credit).
Unclaimed Monies (see note 7)	-	470	-	470	-	470	Repayment of monies deposited with the Crown as unclaimed.
Total Appropriations for Other Expenses to be Incurred by the Crown	-	7,494,470	-	7,494,470	-	7,272,470	
Repayment of Debt							
Income Equalisation Reserve Account (see note 4)	-	30,000	-	30,000	-	30,000	Withdrawals made by farmers in respect of deposits made up to 12 months previously. These are due to fluctuations in income and economic conditions.
Adverse Income Equalisation Account (see note 4)	-	1,000	-	1,000	-	1,000	Withdrawals by taxpayers in the farming, fishing or forestry industries in respect of deposits made up to five years previously owing to fluctuations in income and economic conditions.
Total Appropriations for Repayment of Debt	-	31,000	-	31,000	-	31,000	
Total Appropriations	378,545	8,731,326	377,045	8,731,326	380,455	8,531,416	

Part C - Explanation of Appropriations for Output Classes

Part C1 - Departmental Output Classes

For more detailed analysis of Departmental Output Classes, including financial and non-financial performance measures, please refer to the Inland Revenue Department's Departmental Forecast Report (DFR).

Output Class D1 - Policy Advice

Description

This output class involves:

- providing advice on laws impacting on the tax system
- providing assistance with the design and introduction of legislation that changes tax and social policy
- forecasting of future tax flows
- the progressive review and rewrite of income tax legislation
- ministerial servicing.

Output Class D2 - Adjudication and Rulings

Description

This output class involves:

- adjudicating on behalf of the Commissioner on disputes between taxpayers and Inland Revenue's operations business group in respect of proposed assessments to provide assurance of consistency and impartiality in the application of the tax law
- providing binding rulings and other guidance on the interpretation and application of the law administered by Inland Revenue to facilitate business confidence by providing certainty and to encourage voluntary compliance.

Output Class D3 - Taxpayer Information Services

Description

This output class involves advising taxpayers on new and existing tax laws and assisting taxpayers with inquiries on the tax system.

Output Class D4 - Revenue Assessment and Collection

Description

This output class involves issuing tax assessments and refunds, banking tax payments, and accounting and reporting the collection of Crown revenue.

Output Class D5 - Management of Overdue Tax and Returns

Description

This output class involves taking follow-up action against non-compliers who fail to file a return, and those who do not pay tax when it is due.

Output Class D6 - Taxpayer Audit

Description

This output class involves auditing all classes of taxpayers with emphasis on high-risk non-compliers and the management of tax litigation.

Output Class D7 - Assessment and Collection of Child Support

Description

This output class involves:

- informing people of their rights and obligations under the Child Support law
- assessing child support liabilities
- banking payments of child support
- disbursement of child support payments to custodians
- taking action against those who do not comply with the Child Support law
- providing an administrative process for reviewing child support assessments that is inexpensive and readily accessible to child support custodians and paying parents.

Output Class D8 - Administration of Income Maintenance

Description

This output class involves administering the Family Support Tax Credit, Family Tax Credit, Child Tax Credit and Parental Tax Credit schemes. This involves:

- informing people of their rights and obligations under the tax laws
- establishing the correct entitlements
- promptly paying entitlements to non beneficiaries.

Output Class D9 - Student Loan Scheme

Description

This output class involves:

- making information available to borrowers to assist them to meet their obligations under the Student Loan Scheme
- assessing loan liabilities and repayments

- collecting repayments through the existing tax system
- taking follow-up action against those who do not make loan repayments when they are due.

Output Class D10 - Supply of Information to Other Agencies

Description

This output class involves the limited supply of information held by Inland Revenue to:

- Department of Work and Income (DWI)
- Accident Compensation Corporation (ACC)
- The Office of the Privacy Commissioner

for the purposes of establishing people's eligibility to certain government payments.

Output Class D11 - Collection of ACC premiums

Description

This output class involves performing the following as an agent for the Accident Compensation Corporation (ACC):

- collecting from employers a residual claims levy
- collecting from self-employed both a residual claims levy and an earner account levy
- collecting from employees earner premium as a component of PAYE deductions
- payment to ACC, the levies and premiums collected
- providing liable people with information about their obligations and liabilities
- taking action against those who fail to comply.

Part E - Explanation of Appropriations for Capital Flows

Part E1 - Capital Contributions

Information regarding these appropriations is provided in Part B1.

Net Worth of Entities Owned

Statement of Estimated and Forecast Net Worth

	Balance Date	Estimated Net Worth 2001 \$000	Forecast Net Worth 2002 \$000
Inland Revenue Department	30 June	93,008	93,008

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Receipts

	2000/01		2001/02	Description of 2001/02 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Current Revenue (see note 8)				
Tax Revenue				
Fringe Benefit Tax	342,000	342,000	336,000	Tax on employer-provided fringe benefits.
Gaming Duties	202,000	202,000	220,000	Gaming duties include totalisator and lottery duties.
Goods and Services Tax (IRD) (see note 9)	11,615,000	11,615,000	11,797,000	A tax on the consumption of goods and services (see also Vote Customs).
Companies (see note 9)	4,786,000	4,786,000	4,945,000	Provisional and terminal tax payments by companies and superannuation funds.
Other Persons (see note 9)	3,625,000	3,625,000	3,881,000	Provisional and terminal tax payments by individuals and trusts.
Other Direct Taxes	2,000	2,000	2,000	Miscellaneous direct taxes including estate and gift duties.
Source Deductions	13,710,000	13,710,000	14,358,000	PAYE deductions and withholding payments on employers' superannuation contributions.
Stamp and Cheque Duties	65,000	65,000	68,000	Stamp and cheque duties including the approved issuer levy.
Withholding Taxes	1,825,000	1,825,000	1,767,000	Withholding taxes, mainly taxes on investment income, eg, interest and dividends, deducted at source.
Total Tax Revenue	36,172,000	36,172,000	37,374,000	
Non-Tax Revenue				
ACC Levies	261,000	261,000	252,000	Residual claims levy collected on behalf of ACC.
ACC Premiums	572,000	572,000	525,000	The collection of ACC premiums on behalf of ACC. Premiums are primarily employee earner premiums. Also included is a small component of miscellaneous transfers from ACC to Inland Revenue, relating to refunds of premiums or dishonours.

Part F1 - Current and Capital Revenue and Receipts (continued)

	2000/01		2001/02	Description of 2001/02 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Child Support Collections	270,560	270,560	292,000	Child Support payments received from non-custodial parents.
Student Loans - Accrued Interest	240,986	240,986	285,949	Interest income relating to the student loan debt.
Unclaimed Monies	2,900	2,900	2,900	Monies deposited with the Crown as unclaimed.
Total Non-Tax Revenue	1,347,446	1,347,446	1,357,849	
Total Current Revenue	37,519,446	37,519,446	38,731,849	
Capital Receipts				
Adverse Income Equalisation Account	1,000	1,000	1,000	Deposits made by farmers of proceeds from forced sales of livestock after an adverse event.
Income Equalisation Reserve Account	30,000	30,000	30,000	Deposits made by taxpayers in the farming, fishing and forestry industries owing to fluctuations in income and economic conditions.
Student Loans - Receipts	280,083	280,083	365,230	Repayments against the principal portion of the debt received from employers who have employees with a student loan earning over the repayment threshold, currently \$283 per week. 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	311,083	311,083	396,230	
Total Crown Revenue and Receipts	37,830,529	37,830,529	39,128,079	