

POLICY ADVICE DIVISION

PAD report: Tax Monitoring Report: January 2008

Date:	25 February 2008	Priority:	Low
Security Level:	In Confidence	Report No:	PAD2008/29

Action sought

	Action Sought	Deadline
Minister of Revenue	For your information	None
Minister of Finance	For your information	None

Contact for telephone discussion (if required)

Name	Position	Telephone
Sandra Watson	Manager, Forecasting and Analysis	■■■ ¹
■■■.	Senior Financial Analyst	■■■

¹ Aspects of this report have been removed to protect privacy of individuals

25 February 2008

Minister of Revenue (Hon Peter Dunne)

cc: Minister of Finance (Hon Dr Michael Cullen)

Tax Monitoring Report: January 2008

Executive summary

This report covers the month of January 2008 and tracks receipts against the Inland Revenue forecast tracks prepared for the 2007 Half Year Economic and Fiscal Update (HYEFU).

The focus of this report is tax receipts (cash) as the main descriptor of the health of the tax base. The following table is a summary of aggregate tax receipts for the year to January 2008.

	Outturn \$M	Variance from HYEFU Forecast \$M		Growth on prior year \$M	
PAYE	12,949	73	0.6%	1,049	8.8%
Net Other Persons	1,550	11	0.7%	97	6.7%
Corporate Taxes ²	6,129	(152)	-2.4%	649	11.8%
GST (IRD & Customs)	8,661	(104)	-1.2%	357	4.3%
Other Taxes ³	2,392	(13)	-0.9%	225	8.2%
AGGREGATE TAXATION	31,681	(186)	-0.6%	2,377	8.1%

Tax receipts for the year to January of \$31,681 million are \$186 million (1%) below HYEFU forecast expectations. Corporate Taxes are below forecast expectations by \$152 million (2.4%).

Growth to January is \$2,377 million (8.1%). PAYE is the primary growth driver, with \$1,049 million (8.8%) increase on 2006. Corporate Taxes also show strong growth of \$649 million (11.8%) over the prior year.

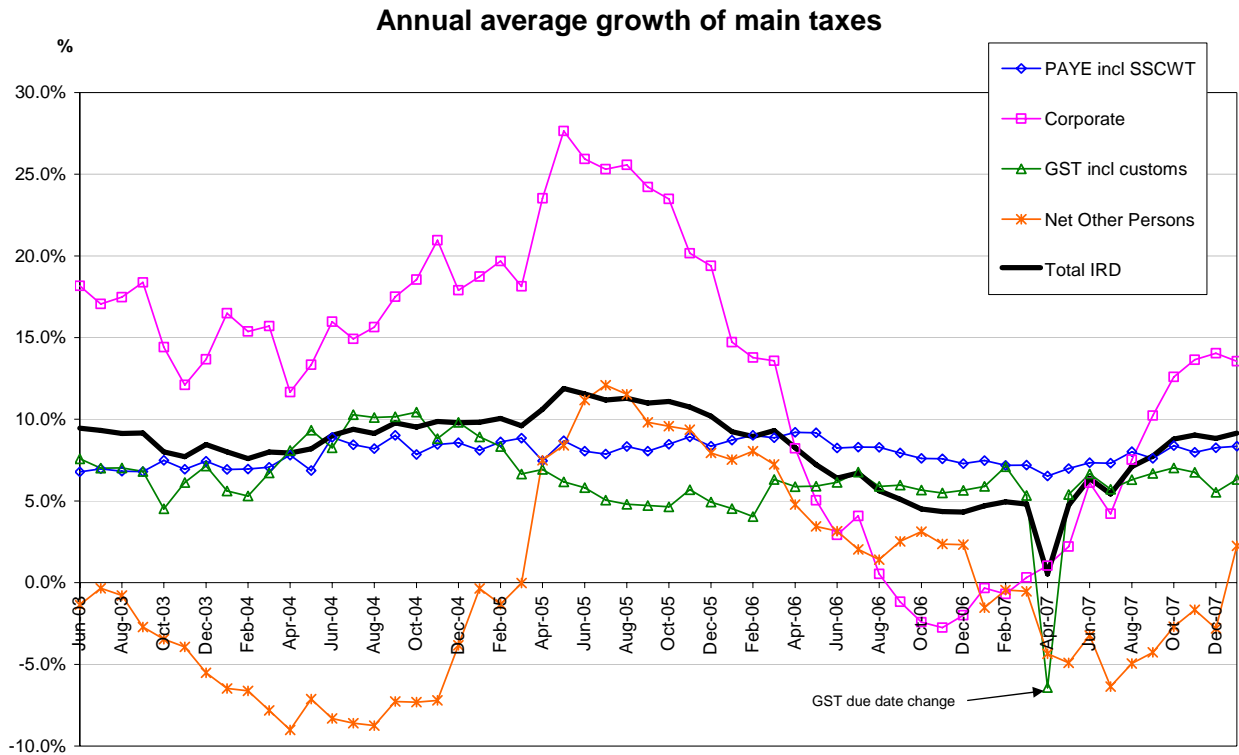
² Corporate Taxes include Company Tax, Non-Resident Withholding Tax, Resident's Dividends and Foreign Source Dividends.

³ Other Taxes include SSCWT, FBT, RWT Interest, Estate & Gift Duties, Cheque Duties & AIL, Gaming Duties and Miscellaneous Receipts.

Tax revenue for January of \$31,276 million are \$861 million (2.7%) below HYEUFU forecast expectations. A detailed analysis on this variance has been produced in a separate report PAD2008/37.

Summary of total tax collections

The following graph provides a summary of the annual average growth of the main tax groups (PAYE, corporate taxes, GST and net Other Persons) for the last five fiscal years.



Recommended action

We recommend that you **note** the contents of this report.

Sandra Watson
 Manager, Forecasting and Analysis

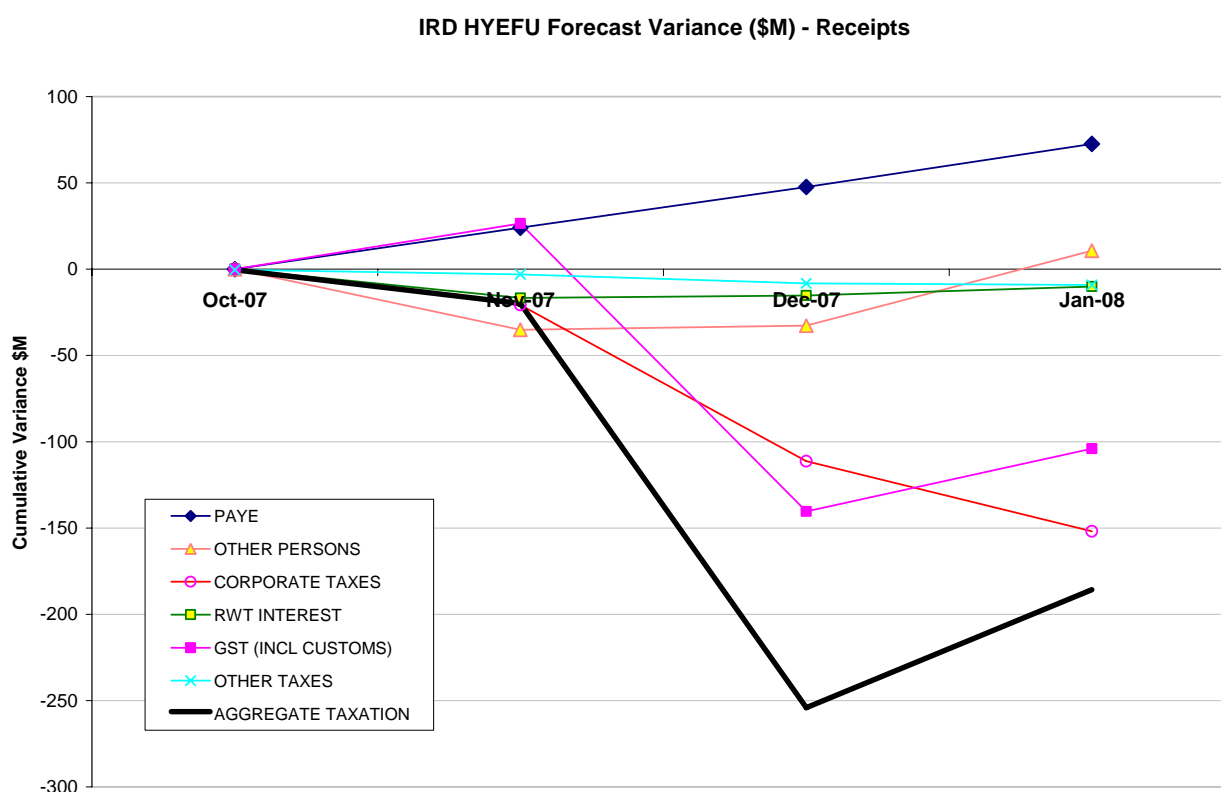
Hon Peter Dunne
 Minister of Revenue

Tax Receipts (Cash Basis)

1. Tax receipts for the year to January 2008 (\$ million):

	Outturn	Variance from Forecast		Growth on prior year	
<u>Direct Taxes</u>					
PAYE	12,949	73	0.6%	1,049	8.8%
Net Other Persons	1,550	11	0.7%	97	6.7%
Corporate Taxes	6,129	(152)	-2.4%	649	11.8%
Other Direct Taxes	2,162	(22)	-1.0%	222	11.4%
<u>Sub Total Direct</u>	22,790	(90)	-0.4%	2,017	9.7%
<u>Indirect Taxes</u>					
IRD GST	5,307	(115)	-2.1%	267	5.3%
Other Indirect Taxes	230	9	3.9%	3	1.3%
<u>Sub Total Indirect</u>	5,537	(106)	-1.9%	270	5.1%
TOTAL IRD TAXATION	28,327	(197)	-0.7%	2,287	8.8%
Total GST (incl Customs)	8,661	(104)	-1.2%	357	4.3%
AGGREGATE TAXATION	31,681	(186)	-0.6%	2,377	8.1%

2. The graph below shows the cumulative variance of tax receipts from 2007 IRD HYEUFU forecast. Outturns higher than forecast are shown as a positive variance.



3. Noteworthy features of the tax receipts outturn are as follows:
- PAYE is \$73 million (0.6%) above forecast expectations and its growth remains strong, with annual average growth currently tracking at 8.8%.
 - GST is \$104 million (1.9%) below forecast expectations due to stronger than expected refunds in January.
 - Corporate Taxes are \$152 million (2.4%) below forecast expectations but showing strong growth of \$649 million (11.8%).
 - All other taxes are broadly in line with HYEPU forecast expectations.
4. Detailed tax receipts tables for the year to date and month of January 2008 (Table 1 and Table 2) and a growth table (Table 5) are appended to this report.

Tax Revenue (Accrual Basis)

5. Tax revenue for the year to January 2008 (\$ million):

	Outturn	Variance from Forecast		Growth on prior year	
<u>Direct Taxes</u>					
PAYE	13,104	228	1.8%	1,222	10.3%
Net Other Persons	1,750	(239)	-12.0%	(241)	-12.1%
Corporate Taxes	5,501	(566)	-9.3%	(474)	-7.9%
Other Direct Taxes	2,142	11	0.5%	268	14.3%
<u>Sub Total Direct</u>	22,497	(567)	-2.5%	775	3.6%
<u>Indirect Taxes</u>					
IRD GST	5,198	(372)	-6.7%	240	4.8%
Other Indirect Taxes	206	(0)	-0.2%	(12)	-5.5%
<u>Sub Total Indirect</u>	5,404	(372)	-6.4%	228	4.4%
TOTAL IRD TAXATION	27,901	(939)	-3.3%	1,003	3.7%
Total GST (incl Customs)	8,573	(294)	-3.3%	374	4.6%
AGGREGATE TAXATION	31,276	(861)	-2.7%	1,137	3.8%

6. A detailed variance analysis on the January tax revenue (accrual basis) has been reported in a separate report PAD2008/37.

7. Detailed tax revenue tables for the year to date and month of January 2008 (Table 3 and Table 4) and a growth table (Table 5) are appended to this report.

Reporting Parameters

8. The report addresses tax receipts (cash) and tax revenue (accrual) for taxes administered by Inland Revenue. Figures are reported on an unconsolidated basis. Tax revenue figures for provisional tax are reported under the new accounting policy which recognises provisional tax when the liability is incurred rather than when the receipts are due.
9. All comparisons relate to Inland Revenue's forecasts for HYEPU 2007 unless otherwise stated.
10. All comments relate to the year to January unless otherwise stated.

TABLE 1

TAX RECEIPT (CASH) MONITORING INFORMATION

OUTTURNS FOR THE SEVEN MONTHS TO JANUARY 2008

TAX TYPE	Year to JANUARY 2008	Year to JANUARY 2007	IRD FORECASTS			TREASURY FORECASTS		
			IRD HYEFU 07 Forecast	Variation from IRD HYEFU 07 Forecast		TSY HYEFU 07 Forecast	Variation from TSY HYEFU 07 Forecast	
			\$M	\$M	%	\$M	\$M	%
PAYE	12,949	11,900	12,876	73	0.6	12,896	53	0.4
SSCWT	349	340	352	(3)	(0.9)	378	(29)	(7.7)
Other Persons	2,840	2,565	2,834	6	0.2	2,931	(91)	(3.1)
Refunds to Individuals	(1,290)	(1,112)	(1,295)	5	(0.4)	(1,296)	6	(0.5)
Net Other Persons	1,550	1,453	1,539	11	0.7	1,635	(85)	(5.2)
Fringe Benefit Tax	350	349	359	(9)	(2.4)	353	(3)	(0.8)
Subtotal Individuals	15,198	14,042	15,126	72	0.5	15,262	(64)	(0.4)
Companies (Gross)	5,508	5,257	5,643	(135)	(2.4)	5,631	(123)	(2.2)
Companies (Refunds)	(481)	(683)	(481)	0	(0.1)	(558)	77	(13.8)
Companies (Net)	5,027	4,574	5,162	(135)	(2.6)	5,073	(46)	(0.9)
Withholding Taxes on:								
Residents' Interest	1,462	1,249	1,472	(10)	(0.7)	1,459	3	0.2
Residents' Dividends	37	71	100	(63)	(62.9)	64	(27)	(42.2)
Foreign Source Dividends	72	94	89	(17)	(18.9)	73	(1)	(1.4)
Non-Residents' Income	993	741	931	62	6.7	966	27	2.8
Estate & Gift Duty	1	2	1	0	0.0	1	0	0.0
TOTAL DIRECT TAXATION	22,790	20,773	22,880	(90)	(0.4)	22,898	(108)	(0.5)
GST (IRD Gross)	10,396	9,472	10,214	182	1.8	10,218	178	1.7
GST (Refunds)	(5,089)	(4,432)	(4,792)	(297)	6.2	(4,775)	(315)	6.6
GST (IRD Net)	5,307	5,040	5,422	(115)	(2.1)	5,443	(136)	(2.5)
Stamp and Cheque Duties	57	54	52	5	9.7	52	5	9.6
Gaming Duties	167	167	169	(2)	(1.4)	165	2	1.2
Misc Receipts	6	6	0	6	-	0	6	-
TOTAL INDIRECT TAXATION	5,537	5,267	5,643	(106)	(1.9)	5,660	(123)	(2.2)
TOTAL IRD TAXATION	28,327	26,040	28,524	(197)	(0.7)	28,558	(231)	(0.8)
Customs GST	3,354	3,264	3,343	11	0.3	3,253	101	3.1
Total GST (GST (IRD Net) + Customs GST)	8,661	8,304	8,765	(104)	(1.2)	8,696	(35)	(0.4)
AGGREGATE TAXATION (Customs GST inclusive)	31,681	29,304	31,867	(186)	(0.6)	31,811	(130)	(0.4)

TABLE 2
TAX RECEIPT (CASH) MONITORING INFORMATION

OUTTURNS FOR THE MONTH OF JANUARY 2008

TAX TYPE	JANUARY 2008	JANUARY 2007	IRD FORECASTS			TREASURY FORECASTS		
			IRD HYEFU 07 Forecast	Variation from IRD HYEFU 07 Forecast		TSY HYEFU 07 Forecast	Variation from TSY HYEFU 07 Forecast	
			\$M	\$M	%	\$M	\$M	%
PAYE	1,858	1,708	1,833	25	1.4	1,846	12	0.7
SSCWT	35	35	34	1	2.9	53	(18)	(34.0)
Other Persons	186	103	144	42	28.7	248	(62)	(25.0)
Refunds to Individuals	(120)	(117)	(122)	2	(1.6)	(124)	4	(3.2)
Net Other Persons	66	(14)	22	44	193.8	124	(58)	(46.8)
Fringe Benefit Tax	118	117	125	(7)	(5.3)	116	2	1.7
Subtotal Individuals	2,077	1,846	2,014	63	3.1	2,139	(62)	(2.9)
Companies (Gross)	481	556	488	(7)	(1.5)	485	(4)	(0.8)
Companies (Refunds)	(56)	(64)	(58)	2	(2.8)	(75)	19	(25.3)
Companies (Net)	425	492	431	(6)	(1.3)	410	15	3.7
Withholding Taxes on:								
Residents' Interest	241	216	236	5	2.2	228	13	5.7
Residents' Dividends	11	16	78	(67)	(86.0)	20	(9)	(45.0)
Foreign Source Dividends	13	33	23	(10)	(44.6)	15	(2)	(13.3)
Non-Residents' Income	202	97	159	43	27.1	197	5	2.5
Estate & Gift Duty	0	0	0	0	-	0	0	-
TOTAL DIRECT TAXATION	2,969	2,700	2,942	27	0.9	3,009	(40)	(1.3)
GST (IRD Gross)	2,917	2,651	2,761	156	5.7	2,839	78	2.7
GST (Refunds)	(903)	(768)	(754)	(149)	19.8	(823)	(80)	9.7
GST (IRD Net)	2,014	1,883	2,007	7	0.4	2,016	(2)	(0.1)
Stamp and Cheque Duties	11	10	10	1	13.0	9	2	22.2
Gaming Duties	31	27	28	3	12.5	27	4	14.8
Misc Receipts	0	0	0	0	-	0	0	-
TOTAL INDIRECT TAXATION	2,056	1,920	2,044	12	0.6	2,052	4	0.2
TOTAL IRD TAXATION	5,025	4,620	4,986	39	0.8	5,061	(36)	(0.7)
Customs GST	504	427	475	29	6.1	457	47	10.3
Total GST (GST (IRD Net) + Customs GST)	2,518	2,310	2,482	36	1.5	2,473	45	1.8
AGGREGATE TAXATION (Customs GST inclusive)	5,529	5,047	5,461	68	1.3	5,518	11	0.2

TABLE 3

TAX REVENUE (ACCRUAL) MONITORING INFORMATION

OUTURNS FOR THE SEVEN MONTHS TO JANUARY 2008

TAX TYPE			IRD FORECASTS			TREASURY FORECASTS		
	Year to JANUARY 2008	Year to JANUARY 2007	IRD HYEFU 07 Forecast	Variation from IRD HYEFU 07 Forecast		TSY HYEFU 07 Forecast	Variation from TSY HYEFU 07 Forecast	
	\$M	\$M	\$M	\$M	%	\$M	\$M	%
PAYE	13,104	11,882	12,876	228	1.8	12,994	110	0.8
SSCWT	383	357	352	31	8.8	374	9	2.4
Other Persons	2,497	2,645	2,717	(220)	(8.1)	2,898	(401)	(13.8)
Refunds to Individuals	(747)	(654)	(728)	(19)	2.6	(702)	(45)	6.4
Net Other Persons	1,750	1,991	1,989	(239)	(12.0)	2,196	(446)	(20.3)
Fringe Benefit Tax	298	265	306	(8)	(2.7)	312	(14)	(4.5)
Subtotal Individuals	15,535	14,495	15,524	11	0.1	15,876	(341)	(2.1)
Companies (Net)	4,533	5,027	5,105	(572)	(11.2)	4,806	(273)	(5.7)
Withholding Taxes on:								
Residents' Interest	1,459	1,251	1,472	(13)	(0.9)	1,452	7	0.5
Residents' Dividends	36	53	42	(6)	(14.0)	62	(26)	(41.9)
Foreign Source Dividends	69	109	80	(11)	(14.3)	59	10	16.9
Non-Residents' Income	863	786	840	23	2.7	861	2	0.2
Total Income Tax	22,495	21,721	23,063	(568)	(2.5)	23,116	(621)	(2.7)
Estate & Gift Duty	2	1	1	1	100.0	1	1	100.0
TOTAL DIRECT TAXATION	22,497	21,722	23,064	(567)	(2.5)	23,117	(620)	(2.7)
GST (IRD Net)	5,198	4,958	5,570	(372)	(6.7)	5,541	(343)	(6.2)
Stamp and Cheque Duties	53	53	52	1	2.0	50	3	6.0
Gaming Duties	147	155	155	(8)	(4.9)	165	(18)	(10.9)
Misc Receipts	6	10	0	6	-	0	6	-
TOTAL INDIRECT TAXATION	5,404	5,176	5,776	(372)	(6.4)	5,756	(352)	(6.1)
TOTAL IRD TAXATION	27,901	26,898	28,840	(939)	(3.3)	28,873	(972)	(3.4)
Customs GST	3,375	3,241	3,297	78	2.4	3,239	136	4.2
Total GST (GST (IRD Net) + Customs GST)	8,573	8,199	8,867	(294)	(3.3)	8,780	(207)	(2.4)
AGGREGATE TAXATION (Customs GST inclusive)	31,276	30,139	32,137	(861)	(2.7)	32,112	(836)	(2.6)

TABLE 4
TAX REVENUE (ACCRUAL) MONITORING INFORMATION

OUTTURNS FOR THE MONTH OF JANUARY 2008

TAX TYPE			IRD FORECASTS			TREASURY FORECASTS		
	JANUARY 2008	JANUARY 2007	IRD HYEFU 07 Forecast	Variation from IRD HYEFU 07 Forecast		TSY HYEFU 07 Forecast	Variation from TSY HYEFU 07 Forecast	
	\$M	\$M	\$M	\$M	%	\$M	\$M	%
PAYE	1,859	1,713	1,808	51	2.8	1,898	(39)	(2.1)
SSCWT	114	55	34	80	235.3	53	61	115.1
Other Persons	98	382	310	(212)	(68.4)	455	(357)	(78.5)
Refunds to Individuals	(59)	(49)	(50)	(9)	18.0	(47)	(12)	25.5
Net Other Persons	39	333	260	(221)	(85.0)	408	(369)	(90.4)
Fringe Benefit Tax	33	42	44	(11)	(24.3)	43	(10)	(23.3)
Subtotal Individuals	2,045	2,143	2,146	(101)	(4.7)	2,402	(357)	(14.9)
Companies (Net)	496	773	879	(383)	(43.6)	827	(331)	(40.0)
Withholding Taxes on:								
Residents' Interest	188	208	236	(48)	(20.3)	216	(28)	(13.0)
Residents' Dividends	(10)	(5)	10	(20)	(205.1)	15	(25)	(166.7)
Foreign Source Dividends	10	31	13	(3)	(23.8)	0	10	-
Non-Residents' Income	114	48	103	11	10.6	79	35	44.3
Total Income Tax	2,843	3,198	3,386	(543)	(16.0)	3,539	(696)	(19.7)
Estate & Gift Duty	0	0	0	0	-	0	0	-
TOTAL DIRECT TAXATION	2,843	3,198	3,386	(543)	(16.0)	3,539	(696)	(19.7)
GST (Net IRD)	972	935	1,001	(29)	(2.9)	1,112	(140)	(12.6)
Stamp and Cheque Duties	9	8	10	(1)	(7.6)	9	0	0.0
Gaming Duties	32	24	26	6	24.8	27	5	18.5
Misc Receipts	0	2	0	0	-	0	0	-
TOTAL INDIRECT TAXATION	1,013	969	1,036	(23)	(2.2)	1,148	(135)	(11.8)
TOTAL IRD TAXATION	3,856	4,167	4,422	(566)	(12.8)	4,687	(831)	(17.7)
Customs GST	461	417	428	33	7.7	420	41	9.8
Total GST (GST (IRD Net) + Customs GST)	1,433	1,352	1,429	4	0.3	1,532	(99)	(6.5)
AGGREGATE TAXATION (Customs GST inclusive)	4,317	4,584	4,851	(534)	(11.0)	5,107	(790)	(15.5)

TABLE 5
ANNUAL GROWTH RATE IN TAXES
(CURRENT VS PREVIOUS YEAR)
RECEIPTS (CASH BASIS)

Growth Rates in IRD Receipts	Year to January-08		Month of January-08	
	change (\$M)	%	change (\$M)	%
Individuals				
PAYE	1,049	8.8	150	8.8
SSCWT	9	2.6	0	0.0
Net Other Persons	97	6.7	80	(571.4)
Fringe Benefit Tax	1	0.3	1	0.0
Residents' Interest	213	17.1	25	11.6
Sub Total Individuals	1,369	9.0	256	12.4
Companies				
Company Tax (Net)	453	9.9	(67)	(13.6)
Residents' Dividends	(34)	(47.9)	(5)	(31.3)
Foreign Source Dividends	(22)	(23.4)	(20)	(0.6)
Non-Residents' Income	252	34.0	105	108.2
Sub Total Companies	649	11.8	13	2.0
Indirect				
GST (IRD Net)	267	5.3	131	7.0
Stamp and Cheque Duties	3	5.6	1	10.0
Gaming Duties	0	0.0	4	14.8
Misc Receipts	0	0.0	0	-
Sub Total Indirect	270	5.1	136	7.1
TOTAL IRD TAXATION	2,288	8.8	405	8.8

GST Customs	90	2.8	77	18.0
Total GST	357	4.3	208	9.0
AGGREGATE TAXATION (Customs GST inclusive)	2,378	8.1	482	9.6

REVENUE (ACCRUAL BASIS)

Growth Rates in IRD Revenue	Year to January-08		Month of January-08	
	change (\$M)	%	change (\$M)	%
Individuals				
PAYE	1,222	10.3	146	8.5
SSCWT	26	7.3	59	107.3
Net Other Persons	(241)	(12.1)	(294)	(88.3)
Fringe Benefit Tax	33	12.5	(9)	(21.4)
Residents' Interest	208	16.6	(20)	(9.6)
Sub Total Individuals	1,248	7.9	(118)	(5.0)
Companies				
Company Tax (Net)	(494)	(9.8)	(277)	(35.8)
Residents' Dividends	(17)	(32.1)	(5)	100.0
Foreign Source Dividends	(40)	(36.7)	(21)	(0.7)
Non-Residents' Income	77	9.8	66	137.5
Sub Total Companies	(474)	(7.9)	(237)	(28.0)
Indirect				
GST (IRD Net)	240	4.8	37	4.0
Stamp and Cheque Duties	0	0.0	1	12.5
Gaming Duties	(8)	(5.2)	8	33.3
Misc Receipts	(4)	(0.4)	(2)	(1.0)
Sub Total Indirect	228	4.4	44	4.5
TOTAL IRD TAXATION	1,003	3.7	(311)	(7.5)

GST Customs	134	4.1	44	10.6
Total GST	374	4.6	81	6.0
AGGREGATE TAXATION (Customs GST inclusive)	1,137	3.8	(267)	(5.8)