

Performance Information for Appropriations

Vote Revenue

MINISTER(S) RESPONSIBLE FOR APPROPRIATIONS: Minister of Revenue (M57)

ADMINISTERING DEPARTMENT: Inland Revenue Department

MINISTER RESPONSIBLE FOR INLAND REVENUE DEPARTMENT: Minister of Revenue

Part 1 - Summary of the Vote

Part 1.1 - Overview of the Vote

The Minister of Revenue is responsible for appropriations in the Vote for the 2009/10 financial year covering the following:

- a total of nearly \$627 million on departmental output expenses including management of debt and outstanding returns, policy advice, services to inform the public about entitlements and meeting obligations, services to process obligations and entitlements, and taxpayer audit
- a total of just over \$4,045 million for benefits and other unrequited expenses
- a total of just over \$3.500 million for borrowing expenses
- a total of just under \$1,040 million for other expenses, and
- a total of just over \$76 million for departmental capital expenditure.

The Minister of Revenue is also responsible for Crown revenue and receipts in the Vote for the 2008/09 financial year covering the following:

- a total forecast of \$45,926 million in tax revenue
- a total forecast of just under \$1,021 million in non-tax revenue, and
- a total forecast of just under \$811 million in capital receipts.

Details of these appropriations are set out in Parts 2-6 below.

Part 1.2 - High-Level Objectives of the Vote

Government Priorities and Outcomes - Links to Appropriations

Government Priorities	Government Outcomes	Appropriations
<ul style="list-style-type: none"> • Building a growing economy and providing security and opportunity for New Zealanders • Getting better value for money from existing government spending 	<p>Primary:</p> <ul style="list-style-type: none"> • Improving the economic and social wellbeing of New Zealanders <p>Intermediate:</p> <ul style="list-style-type: none"> • Revenue is available to fund Government programmes through people meeting payment obligations of their own accord • People receive payments they are entitled to, enabling them to participate in society 	<ul style="list-style-type: none"> Management of Debt and Outstanding Returns Policy Advice Services to Inform the Public About Entitlements and Meeting Obligations Services to Process Obligations and Entitlements Taxpayer Audit

Vote Revenue contributes to improving the economic and social wellbeing of New Zealanders through the provision of policy advice to government, through the collection of revenue and through the distribution of social policy payments. These activities directly support the Government priority of growing the economy.

We need an effective and efficient tax administration with a stable revenue base and low compliance costs for government to achieve its priorities. Inland Revenue is working to provide better value for money from existing government expenditure. Delivering efficient services that improve compliance and reduce compliance costs and being effective in our administration of our social responsibilities will help give our customers the support and choices they need.

Part 1.3 - Trends in the Vote

Summary of Financial Activity

	2004/05	2005/06	2006/07	2007/08	2008/09		2009/10			2010/11	2011/12	2012/13
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations												
Output Expenses	429,359	479,654	532,204	612,085	666,560	661,810	626,998	-	626,998	617,810	619,212	612,924
Benefits and Other Unrequited Expenses	1,213,177	1,772,470	2,529,830	3,999,147	4,657,700	4,657,700	N/A	4,045,380	4,045,380	4,085,450	4,107,650	4,215,480
Borrowing Expenses	5,771	3,550	3,427	1,153	3,010	3,010	-	3,510	3,510	3,510	3,510	3,510
Other Expenses	892,714	1,503,851	1,562,619	993,065	1,592,500	1,349,000	-	1,039,805	1,039,805	1,064,294	1,116,606	1,167,676
Capital Expenditure	51,224	51,088	73,950	110,721	80,810	80,810	76,300	-	76,300	71,653	54,168	56,742
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Total Appropriations	2,592,245	3,810,613	4,702,030	5,716,171	7,000,580	6,752,330	703,298	5,088,695	5,791,993	5,842,717	5,901,146	6,056,332
Crown Revenue and Capital Receipts												
Tax Revenue	42,002,623	46,832,541	48,571,297	51,254,848	48,209,000	48,209,000	N/A	45,926,000	45,926,000	45,830,000	48,222,000	51,659,000
Non-Tax Revenue	843,154	741,721	981,442	861,314	965,706	965,706	N/A	1,020,569	1,020,569	1,087,226	1,154,867	1,222,900
Capital Receipts	570,618	539,579	515,783	616,700	862,300	862,300	N/A	810,650	810,650	891,040	960,800	1,028,790
Total Crown Revenue and Capital Receipts	43,416,395	48,113,841	50,068,522	52,732,862	50,037,006	50,037,006	N/A	47,757,219	47,757,219	47,808,266	50,337,667	53,910,690

New Policy Initiatives

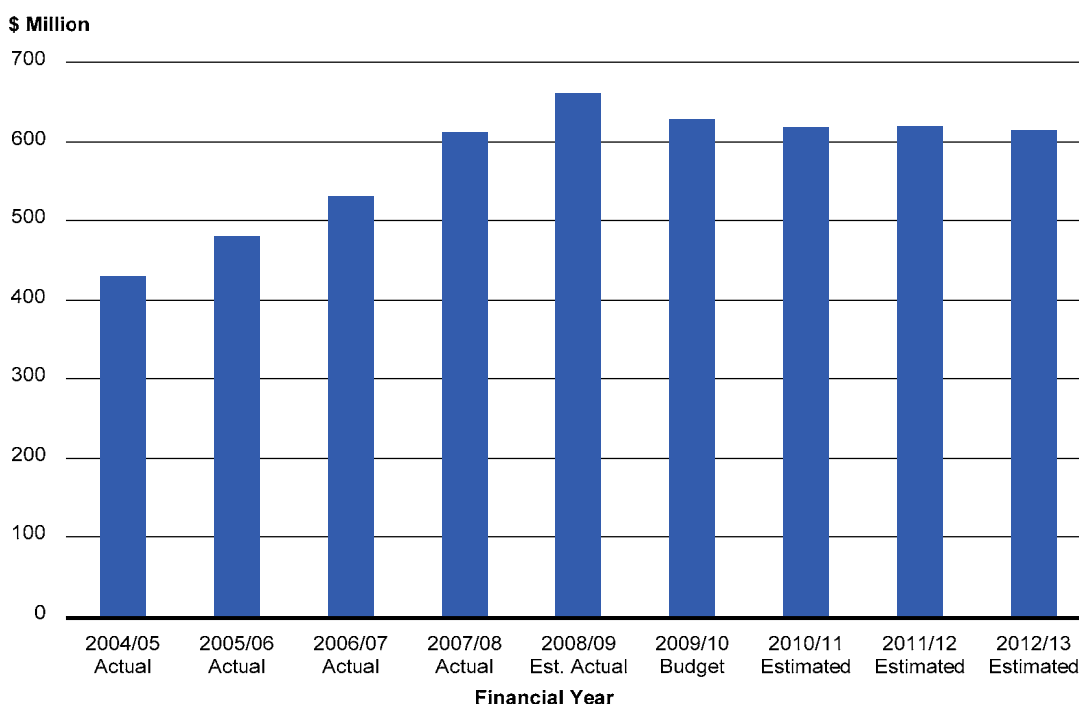
Policy Initiative	Appropriation	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Implementing tax and KiwiSaver changes	Services to Inform the Public About Entitlements and Meeting Obligations Departmental Output Expense	4,470	2,979	205	(886)	(942)
	Services to Process Obligations and Entitlements Departmental Output Expense	2,980	1,987	138	(590)	(627)
	Departmental Capital Injection Impact on Net Asset Schedule	973	2,076	-	-	-
Revenue and cash protection and growth	Management of Debt and Outstanding Returns Departmental Output Expense	-	3,103	3,103	3,103	3,103
	Services to Process Obligations and Entitlements Departmental Output Expense	-	56	56	56	56
	Taxpayer Audit Departmental Output Expense	-	5,000	4,808	4,808	196
	Departmental Capital Injection Impact on Net Asset Schedule	-	791	-	-	-
Increasing medical training places	Impairment of Debt Relating to Student Loans Non-Departmental Other Expenses	-	-	(17)	(60)	(128)
Value for money - line by line review	Management of Debt and Outstanding Returns Departmental Output Expense	-	(649)	(649)	(649)	(649)
	Services to Inform the Public About Entitlements and Meeting Obligations Departmental Output Expense	-	(7,333)	(5,318)	(5,318)	(5,318)
	Services to Process Obligations and Entitlements Departmental Output Expense	-	(1,807)	(1,140)	(1,140)	(1,140)
	Taxpayer Audit Departmental Output Expense	-	(1,128)	(1,128)	(1,128)	(1,128)
Standard Business Reporting - return of capital funding	Departmental Capital Injection Impact on Net Asset Schedule	(1,500)	-	-	-	-
Employer Tax Credit square up contingency	Services to Process Obligations and Entitlements Departmental Output Expense	2,800	-	-	-	-
Transform Inland Revenue	Services to Process Obligations and Entitlements Departmental Output Expense	-	2,000	-	-	-

Policy Initiative	Appropriation	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Bonus for voluntary student loan repayments	Impairment of Debt Relating to Student Loans Non-Departmental Other Expenses	(77,595)	-	-	-	-
	Services to Inform the Public About Entitlements and Meeting Obligations Departmental Output Expense	-	1,035	1,456	1,568	1,568
	Services to Process Obligations and Entitlements Departmental Output Expense	-	1,265	1,344	1,232	1,232
	Departmental Capital Injection Impact on Net Asset Schedule	-	4,000	-	-	-
IT/Infrastructure	Management of Debt and Outstanding Returns Departmental Output Expense	-	416	210	204	204
	Policy Advice Departmental Output Expense	-	13	7	6	6
	Services to Inform the Public About Entitlements and Meeting Obligations Departmental Output Expense	-	1,008	510	494	494
	Services to Process Obligations and Entitlements Departmental Output Expense	-	562	284	275	275
	Taxpayer Audit Departmental Output Expense	-	524	265	256	256
Operating pressures contingency	Management of Debt and Outstanding Returns Departmental Output Expense	2,084	-	-	-	-
	Policy Advice Departmental Output Expense	326	-	-	-	-
	Services to Inform the Public About Entitlements and Meeting Obligations Departmental Output Expense	5,759	-	-	-	-
	Services to Process Obligations and Entitlements Departmental Output Expense	2,850	-	-	-	-
	Taxpayer Audit Departmental Output Expense	3,981	-	-	-	-
Structured finance litigation	Taxpayer Audit Departmental Output Expense	4,500	-	-	-	-
Total Initiatives		(48,372)	15,898	4,134	2,231	(2,542)

Analysis of Significant Trends

Departmental Output Expenses

Figure 1 - Trends in departmental output expenses



Source: Inland Revenue

Expenditure on Departmental Output Expenses has grown from over \$433 million in 2004/05 to an estimated amount of nearly \$667 million in 2008/09 and a budgeted amount of nearly \$629 million in 2009/10. This is an expected increase of about \$196 million from 2004/05 to 2009/10.

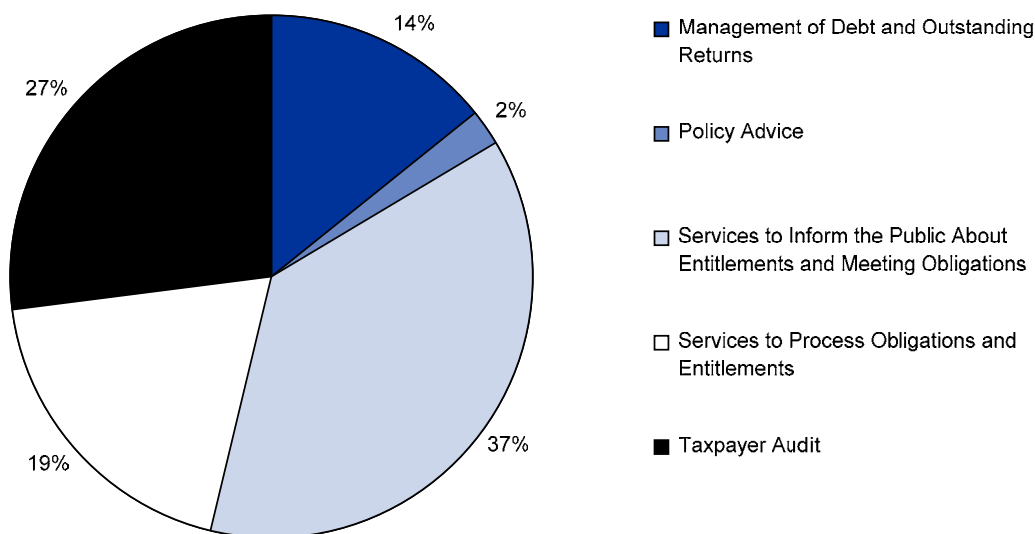
The movement is largely explained by:

- Introduction of KiwiSaver as a new business for Inland Revenue.
- Development of capability to meet future challenges within the tax administration and funding to bring remuneration to market levels.
- Core tax and compliance improvement initiatives (eg, business tax review, property audit strategy, litigation and complex transactions audits).
- Introduction and enhancements to Working for Families Tax Credit initiatives and a range of student loan enhancement initiatives (eg, interest free student loans, student loan amnesty, data match and student loan redesign).

The growth trend in the departmental output expenses baseline has slowed down in 2007/08 and 2008/09 (the budgeted and estimated actual amounts for 2008/09 are higher due to a one-off item, the operating pressures contingency) and reversed in 2009/10, as initiatives like KiwiSaver and Working for Families Tax Credits complete one-off implementation and move into ongoing delivery. The 2009/10 reduction in baseline was also impacted by savings identified through the value for money exercise.

The 2009/10 departmental budget is allocated among Departmental Output Expenses as depicted in the graph below.

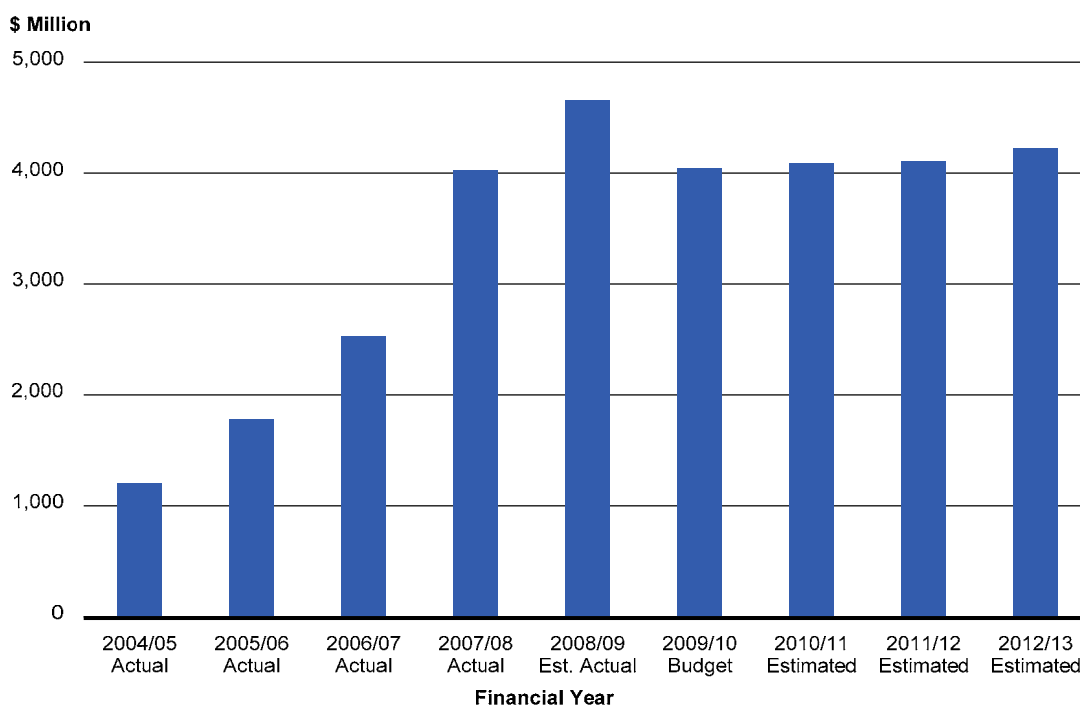
Figure 2 - Departmental Output Expenses for 2009/10



Source: Inland Revenue

Non-Departmental Benefits and Other Unrequited Expenses

Figure 3 - Trends in non-departmental benefits and other unrequited expenses



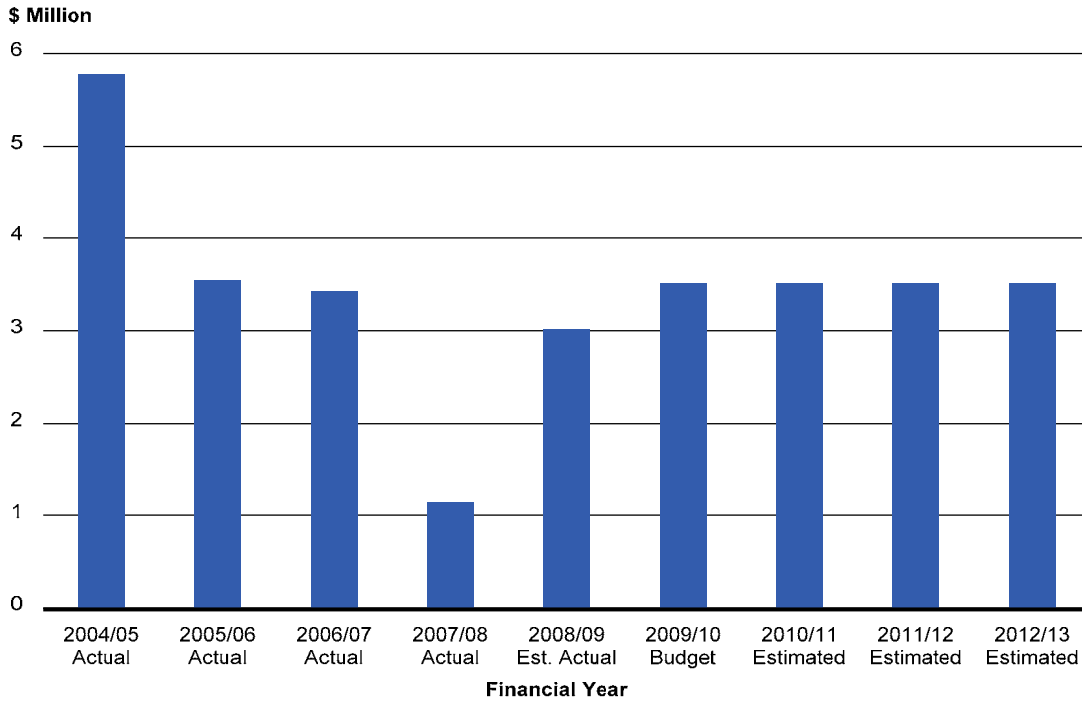
Source: Inland Revenue

Benefits and Other Unrequited Expenses includes KiwiSaver initiatives (eg, kickstart payment, member tax credit, employer tax credit, fee subsidy and interest), Working for Families Tax Credit initiatives (eg, family tax credit, in-work tax credit, paid parental leave), research and development tax credit, payroll subsidy and child support payments to custodial parents. The increases in 2005/06 and 2006/07 are due to the introduction of new Working for Families Tax Credits. The 2007/08 year shows the first year impact of KiwiSaver, with the full year impact reflected in the increase in 2008/09 (eg, first full year of the member tax credit and employer tax credit). 2009/10 and out years reflect the legislative changes to

KiwiSaver (repeal of the employer tax credit and member fee subsidy and reduction in the compulsory contribution rates), a reduction in KiwiSaver kickstart payments as new membership growth declines, and repeal of the research and development tax credit.

Non-Departmental Borrowing Expenses

Figure 4 - Trends in non-departmental borrowing expenses

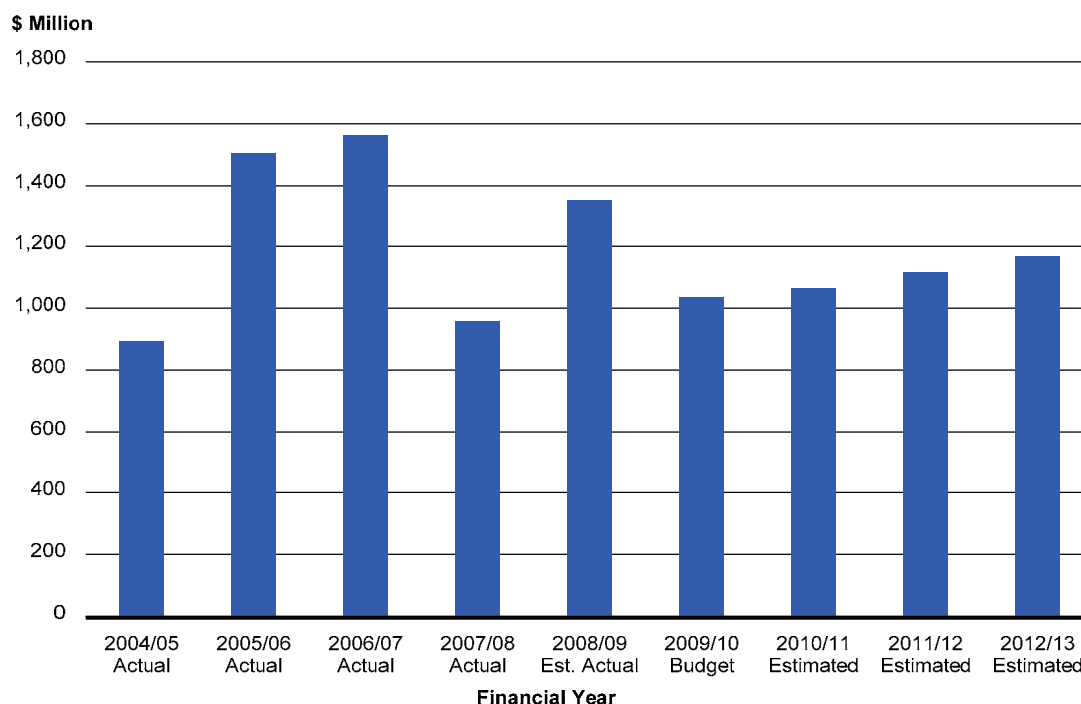


Source: Inland Revenue

Borrowing expenses include interest payments under the Income Equalisation, Adverse Event and Environmental Restoration Account schemes. The interest payable can vary depending on factors such as income changes in the farming, agriculture, fishing and forestry sectors in any particular year.

Non-Departmental Other Expenses

Figure 5 - Trends in non-departmental other expenses

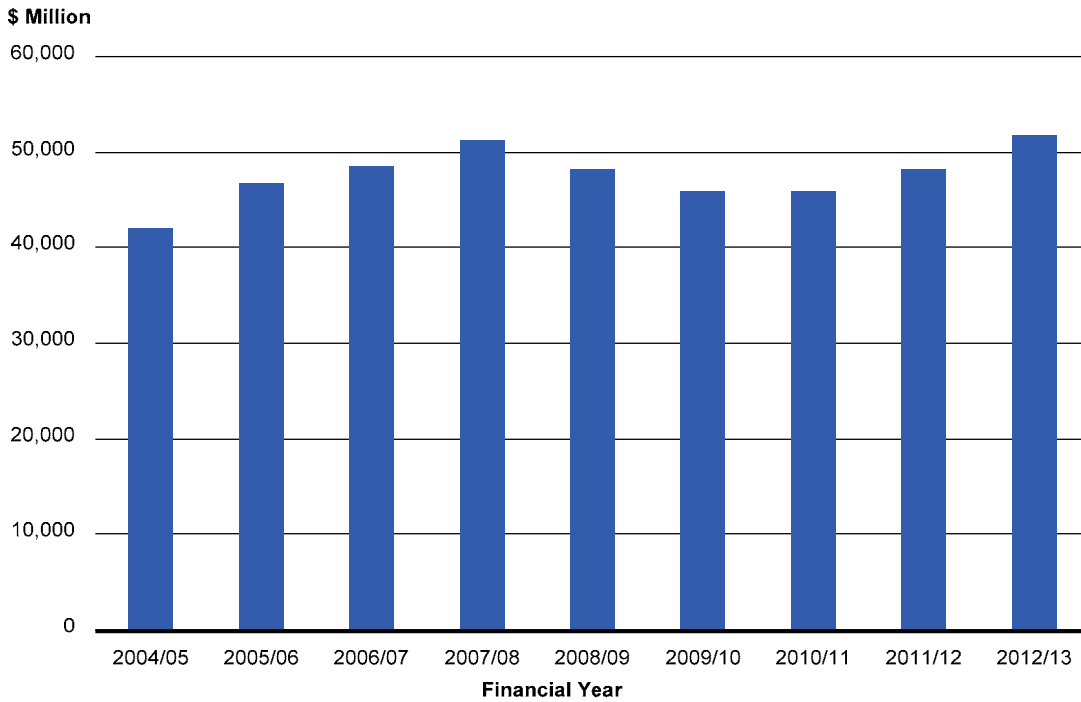


Source: Inland Revenue

Other expenses include accounting adjustments relating to student loan, child support, general tax, and family support debt. Until 2006/07 these adjustments were based on a provision for doubtful debts under New Zealand Financial Reporting Standards (NZ FRS). The increase in 2005/06 reflects the early adoption of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for student loan debt, which created a large one-off fair value and impairment adjustment. In 2006/07 Inland Revenue revised the methodology for calculating bad and doubtful debts for general tax and family support that resulted in a large one-off increase in that year. Fair value and impairment adjustments for 2007/08 and outyears have been calculated under NZ IFRS for all debt types. The impact in 2008/09 reflects anticipated economic impacts on the value of these debts.

Tax Revenue

Figure 6 - Trends in Tax Revenue

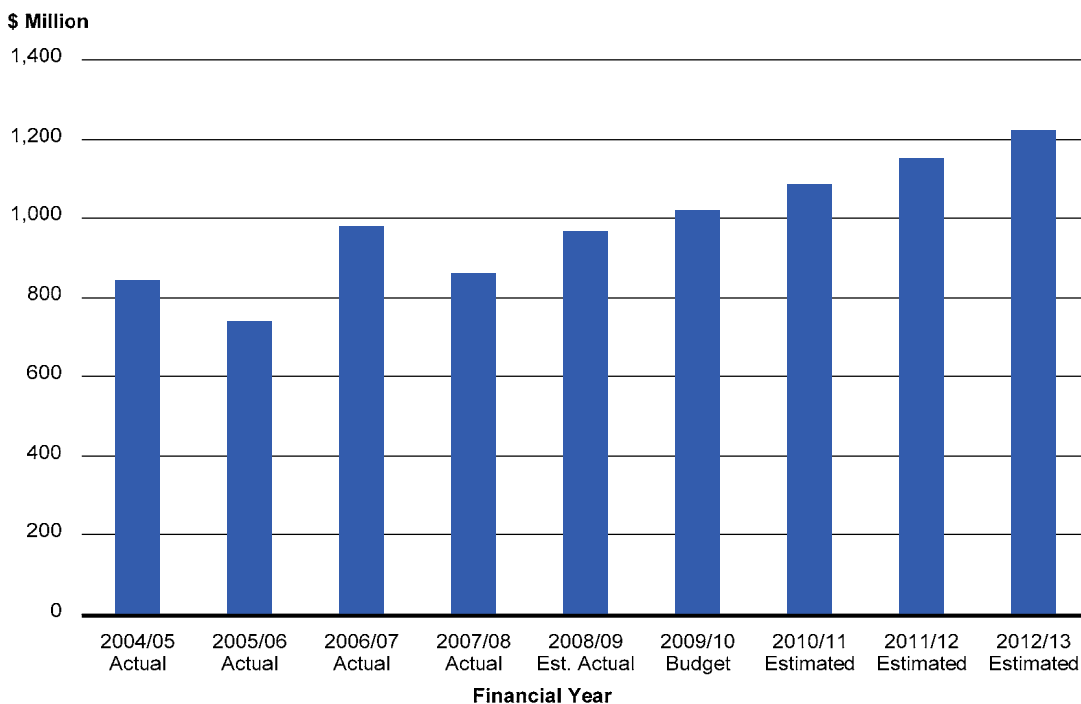


Source: Inland Revenue

Tax revenue incorporates income taxes, goods and service tax, fringe benefit tax, withholding taxes and other revenues. The increase in actual and estimated tax receipts from 2003/04 to 2007/08 reflects economic growth. The decrease from 2008/09 reflects a reduction in the company tax rate, changes in personal tax and the impact of a slowing economy.

Non-Tax Revenue

Figure 7 - Trends in non-tax revenue

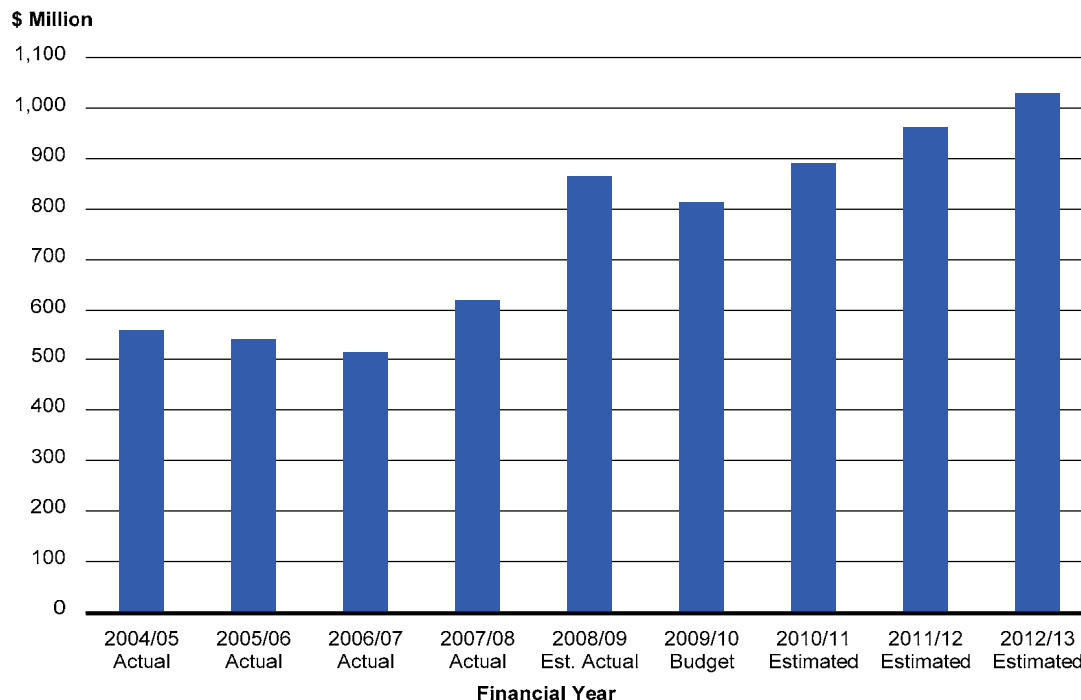


Source: Inland Revenue

Non-tax revenue incorporates child support collections from non-custodial parents, student loan interest unwind, and unclaimed monies. The increase from 2008/09 reflects steady growth in the student loan scheme and in child support assessments.

Capital Receipts

Figure 8 - Trends in Capital Receipts



Source: Inland Revenue

Capital receipts include student loan capital repayments and deposits into the Adverse Event Income Equalisation, Income Equalisation and Environmental Restoration Account schemes. There was a downward trend in net payments into the Income Equalisation scheme between 2004/05 and 2006/07. However this has reversed and we are seeing a significant increase in deposits into the schemes in 2008/09. The growth also reflects anticipated steady growth in the student loan scheme and an increase in borrower repayments due to voluntary repayment bonus scheme which has been introduced from 2008/09.

Part 2 - Details and Expected Performance for Output Expenses

Part 2.1 - Departmental Output Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Intermediate outcome - Revenue is available to fund government programmes through people meeting payment obligations of their own accord.	Management of Debt and Outstanding Returns Policy Advice Services to Inform the Public About Entitlements and Meeting Obligations Services to Process Obligations and Entitlements Taxpayer Audit
Intermediate outcome - People receive payments they are entitled to, enabling them to participate in society.	Management of Debt and Outstanding Returns Policy Advice Services to Inform the Public About Entitlements and Meeting Obligations Services to Process Obligations and Entitlements Taxpayer Audit

Management of Debt and Outstanding Returns (M57)

Scope of Appropriation

Taking 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. This includes collection on behalf of other agencies and external parties.

Expenses and Revenue

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	88,352	88,352	89,419
Revenue from Crown	84,337	84,337	85,299
Revenue from Other	4,015	4,015	4,120

Reasons for Change in Appropriation

The net increase in appropriation is due to a number of funding decisions. Most recently, the Budget 2009 initiatives such as the revenue and cash protection and growth initiative as well as the IT/Infrastructure contributed towards this increase.

Output Performance Measures and Standards

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
We will:			
<ul style="list-style-type: none"> ensure that at least 80% of all returns that were not filed by the due date are filed or brought to completion within 12 months 	85%	80%	80%
<ul style="list-style-type: none"> resolve at least 85% of all new debt cases within 12 months of the due date for payment 	85%	88%	85%
<ul style="list-style-type: none"> limit the growth of total child support debt to less than 11.5% (excluding penalties, debt we manage on behalf of overseas agencies and uncollectable debt cases). 	<11.5%	13%	<11.5%

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
IT/Infrastructure	2009/10	-	416	210	204	204
Revenue and cash protection and growth	2009/10	-	3,103	3,103	3,103	3,103
Value for money - line by line review	2009/10	-	(649)	(649)	(649)	(649)
Operating pressures contingency	2008/09	2,084	-	-	-	-
Implementation of Government initiatives - Budget 2008	2008/09	100	41	41	41	41
People capability - remuneration	2008/09	682	682	682	682	682
Remuneration	2007/08	1,642	1,642	1,642	1,642	1,642
Student loan borrowers overseas	2007/08	250	250	250	250	250
Protecting the integrity of the tax system	2006/07	300	300	300	300	300
Taxation of investment income and SSCWT	2006/07	1,106	613	613	613	613
Long-term accommodation solution in Wellington	2006/07	1,503	1,906	2,770	3,164	2,641
KiwiSaver	2006/07	4,930	5,355	5,691	6,267	6,284
Retaining people capability	2006/07	3,025	3,025	3,025	3,025	3,025
Implementation of Government initiatives - Budget 2005	2005/06	84	84	84	84	84
Implementation of Government initiatives - business package	2005/06	184	184	184	184	184
Increasing child support reciprocal debt cases in Australia	2005/06	898	898	898	898	898
Future challenges with taxation administration	2005/06	5,854	5,854	5,854	5,854	5,854
Maintaining and improving taxpayer compliance	2004/05	200	200	200	200	200
State sector retirement scheme	2004/05	963	963	963	963	963
Enhancements to the administration of child support	2004/05	1,870	1,870	1,870	1,870	1,870
Building future capability	2004/05	2,205	2,205	2,205	2,205	2,205

Initiatives for the disestablished Assessment and Collection of Child Support output expense have been rolled into the Services to Inform the Public About Entitlements and Meeting Obligations, Services to Process Obligations and Entitlements as well as the Management of Debt and Outstanding Returns output expenses.

Where initiatives have been extended or varied in later budget cycles, the original and changed entries have been merged under a single name.

Policy Advice (M57)

Scope of Appropriation

Advising on all aspects of tax policy and social policy measures that interact with the tax system. Drafting related legislation. Negotiating and maintaining New Zealand's network of double tax agreements with other countries. Forecasting tax revenues and providing ministerial services.

Expenses and Revenue

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	13,711	13,711	13,565
Revenue from Crown	13,582	13,582	13,418
Revenue from Other	129	129	147

Reasons for Change in Appropriation

The decrease in appropriation is mainly due to operating pressures contingency funding affecting only 2008/09. This is partly offset by funding increases in 2009/10 for the long-term accommodation solution in Wellington, business tax review and a couple of other initiatives.

Output Performance Measures and Standards

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
We will provide the Minister with: <ul style="list-style-type: none"> • tax and social policy advice • tax legislation • revenue forecasts following the generic tax policy process, within agreed quality criteria and timeframes, as set out in the agreed work programme.	100%	100%	100%
We will respond to ministerial correspondence and parliamentary questions within agreed and/or statutory timeframes.	100%	100%	100%

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
IT/Infrastructure	2009/10	-	13	7	6	6
Operating pressures contingency	2008/09	326	-	-	-	-
People capability - remuneration	2008/09	119	119	119	119	119
Implementation of Government initiatives - Budget 2008	2007/08	17	7	7	7	7
Business tax review	2007/08	12	52	10	10	10
Remuneration	2007/08	229	229	229	229	229
Long-term accommodation solution in Wellington	2006/07	241	360	546	678	502
KiwiSaver	2006/07	400	400	400	400	400
Protecting the integrity of the tax system	2006/07	800	800	800	800	800
Retaining people capability	2006/07	325	325	325	325	325
Future challenges with taxation administration	2005/06	268	268	268	268	268
State sector retirement scheme	2004/05	114	114	114	114	114
Building future capability	2004/05	274	274	274	274	274

Where initiatives have been extended or varied in later budget cycles, the original and changed entries have been merged under a single name.

Services to Inform the Public About Entitlements and Meeting Obligations (M57)

Scope of Appropriation

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.

Expenses and Revenue

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	256,941	254,566	234,284
Revenue from Crown	253,649	253,649	230,709
Revenue from Other	3,292	3,292	3,575

Reasons for Change in Appropriation

The reduction in this appropriation reflects multiple decisions. The following current and past initiatives have a material impact on the movement:

- implementing tax and KiwiSaver movements

- student loan redesign
- Budget 2008 personal tax package
- value for money - line by line review
- operating pressures contingency.

These movements are partially offset by additional 2009/10 funding received as part of Budget 2009, in particular for the IT/Infrastructure and the bonus for voluntary student loan repayments.

Output Performance Measures and Standards

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
In managing customer contacts we will ensure that at least:			
<ul style="list-style-type: none"> • 88% of customers are given an answer that is correct, complete, clear, timely and appropriately referenced, that also shows an understanding of their environment 	88%	88%	88%
<ul style="list-style-type: none"> • 85% of customers who have contacted us are satisfied with the quality of the service we provide 	80%	81%	85%
<ul style="list-style-type: none"> • 80% of all initial telephone enquiries are fully resolved at the time requiring no follow up action. 	85%	77%	80%
We will ensure that at least 90% of resident student loan borrowers meet their repayment obligations.	90%	85%	90%
We will respond to customer enquiries within at least the following timeframes:			
<ul style="list-style-type: none"> • 85% of correspondence within 3 weeks of receipt 	85%	88%	85%
<ul style="list-style-type: none"> • 70% of telephone calls in 1 minute on priority queues 	70%	64%	70%
<ul style="list-style-type: none"> • 70% of telephone calls in 4 minutes on non priority queues. 	70%	66%	70%
We will ensure that all adjudication reports supporting each decision meet the purpose, logic and alternatives standards.	100%	100%	100%
We will ensure that all reports supporting the decision to issue, or decline to issue, a private or product binding ruling or determination (and any letter setting out the reasons for these decisions), meet the purpose, logic, alternatives and practicality standards.	100%	100%	100%
We will ensure that all public items giving the Commissioner's view of the law meet the purpose, logic, alternatives, consultation and practicality standards.	100%	100%	100%

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Bonus for voluntary student loan repayments	2009/10	-	1,035	1,456	1,568	1,568
Value for money - line by line review	2009/10	-	(7,333)	(5,318)	(5,318)	(5,318)
IT/Infrastructure	2009/10	-	1,008	510	494	494
Implementing tax and KiwiSaver changes	2008/09	4,470	2,979	205	(886)	(942)

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Operating pressures contingency	2008/09	5,759	-	-	-	-
People capability - remuneration	2008/09	1,934	1,934	1,934	1,934	1,934
Implementation of Government initiatives - Budget 2008	2008/09	284	117	117	117	117
Remuneration	2007/08	3,543	3,543	3,543	3,543	3,543
Improved compliance and customer experience	2007/08	1,622	902	(133)	(1,483)	(1,483)
Student loan redesign	2007/08	2,560	-	-	-	-
Business tax review	2007/08	2,962	2,978	2,833	2,833	2,833
Student loan borrowers overseas	2007/08	518	669	669	669	669
Budget 2008 personal tax package	2007/08	4,367	1,035	774	98	98
Taxation of investment income and SSCWT	2006/07	2,944	1,766	1,766	1,766	1,766
Long-term accommodation solution in Wellington	2006/07	3,048	4,011	5,973	6,943	5,660
KiwiSaver	2006/07	30,217	30,089	30,931	31,749	32,088
Retaining people capability	2006/07	4,150	4,150	4,150	4,150	4,150
Student support - enhancing and extending the integrated dataset on student loan scheme borrowers	2005/06	80	80	80	80	80
Student loan data matching	2005/06	90	90	90	90	90
Implementation of Government initiatives - Budget 2005	2005/06	139	139	139	139	139
Taxation of contractors in the fruit picking industry	2005/06	200	200	200	200	200
Implementation of Government initiatives - business package	2005/06	305	305	305	305	305
Increasing child support reciprocal debt cases in Australia	2005/06	1,205	1,205	1,205	1,205	1,205
Interest free student loans and student loan amnesty	2005/06	4,397	4,397	4,397	4,397	4,397
Future challenges with taxation administration	2005/06	7,234	7,234	7,234	7,234	7,234
Simplification initiatives for small and medium enterprises	2004/05	350	350	350	350	350
State sector retirement scheme	2004/05	1,861	1,861	1,861	1,861	1,861
Enhancements to the administration of child support	2004/05	2,511	2,511	2,511	2,511	2,511
Building future capability	2004/05	3,562	3,562	3,562	3,562	3,562
Working for families tax credits	2004/05	11,175	11,175	11,175	11,175	11,175

Initiatives for the disestablished Assessment and Collection of Child Support output expense have been rolled into the Services to Inform the Public About Entitlements and Meeting Obligations, Services to Process Obligations and Entitlements as well as the Management of Debt and Outstanding Returns output expenses.

Initiatives for the disestablished Information Services and Adjudication and Rulings output expenses have been rolled into the Services to Inform the Public About Entitlements and Meeting Obligations output expense.

Where initiatives have been extended or varied in later budget cycles, the original and changed entries have been merged under a single name.

Services to Process Obligations and Entitlements (M57)

Scope of Appropriation

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.

Expenses and Revenue

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	133,488	131,113	120,217
Revenue from Crown	108,177	108,177	96,685
Revenue from Other	25,311	25,311	23,532

Reasons for Change in Appropriation

The reduction in this appropriation reflects multiple decisions spanning from Budget 2006 until the present. The funding for a number of initiatives significantly reduces in 2009/10 or completely ends in 2008/09. The main ones among these are KiwiSaver, taxation of investment income and SSCWT, transforming employer information and payment as well as the initiatives associated with the Budget 2008 personal tax package changes.

The following Budget 2009 initiatives also result in a higher 2008/09 than 2009/10 appropriation amount:

- value for money - line by line review
- implementing of tax and KiwiSaver changes
- employer tax credit square up contingency
- operating pressures contingency.

The reductions are partly offset by 2009/10 funding increases for a number of initiatives. These include Budget 2009 initiatives, such as IT/Infrastructure, bonus for voluntary student loan repayments as well as the transform Inland Revenue.

Output Performance Measures and Standards

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
We will:			
<ul style="list-style-type: none"> • correctly process all notices, statements, certificates of entitlement and loan transfer letters 	100%	100%	100%
<ul style="list-style-type: none"> • issue at least 80% of income tax assessments within 4 weeks of receipt 	80%	85%	80%

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<ul style="list-style-type: none"> issue at least 95% of FBT and GST assessments within 3 weeks of receipt 	95%	97%	95%
<ul style="list-style-type: none"> issue child support assessments to at least 70% of paying parents within 2 weeks of receipt of a properly made application. 	70%	72%	70%
We will:			
<ul style="list-style-type: none"> finalise 90% of KiwiSaver contributions from employees on EMS by the end of the month following the due date 	90%	88%	90%
<ul style="list-style-type: none"> collect at least 78% of child support assessments (excluding cases we manage on behalf of overseas agencies and uncollectable debt cases) for the year ending 31 March 2010 	78%	74%	78%
<ul style="list-style-type: none"> bank 100% of payments on the day of receipt 	100%	100%	100%
<ul style="list-style-type: none"> process and issue at least 90% of tax credit claims within 3 weeks of receipt. 	90%	95%	90%

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Bonus for voluntary student loan repayments	2009/10	-	1,265	1,344	1,232	1,232
Value for money - line by line review	2009/10	-	(1,807)	(1,140)	(1,140)	(1,140)
IT/Infrastructure	2009/10	-	562	284	275	275
Transform Inland Revenue	2009/10	-	2,000	-	-	-
Revenue and cash protection and growth	2009/10	-	56	56	56	56
Implementing tax and KiwiSaver changes	2008/09	2,980	1,987	138	(590)	(627)
Employer Tax Credit square up Contingency	2008/09	2,800	-	-	-	-
Operating pressures contingency	2008/09	2,850	-	-	-	-
Implementation of Government initiatives - Budget 2008	2008/09	148	62	62	62	62
People capability - remuneration	2008/09	1,007	1,007	1,007	1,007	1,007
Remuneration	2007/08	1,968	1,968	1,968	1,968	1,968
Student loan redesign	2007/08	1,707	-	-	-	-
Tax relief for redundancy payments	2007/08	1,311	2,356	485	485	485
Business tax review	2007/08	866	707	678	678	678
Budget 2008 personal tax package	2007/08	2,911	691	518	66	66
Interest free student loans and student loan amnesty	2006/07	420	420	420	420	420
Taxation of contractors in the fruit picking industry	2006/07	891	891	891	891	891
Long-term accommodation solution in Wellington	2006/07	1,777	2,307	3,391	3,922	3,218
Taxation of investment income and SSCWT	2006/07	2,944	1,766	1,766	1,766	1,766
Retaining people capability	2006/07	3,150	3,150	3,150	3,150	3,150

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Student support - Introduce bonded merit scholarships	2005/06	13	13	13	13	13
Implementation of Government initiatives - Budget 2005	2005/06	76	76	76	76	76
Implementation of Government initiatives - business package	2005/06	167	167	167	167	167
Student loan data matching	2005/06	449	449	449	449	449
Increasing child support reciprocal debt cases in Australia	2005/06	564	564	564	564	564
Future challenges with taxation administration	2005/06	4,859	4,859	4,859	4,859	4,859
Student support review	2004/05	312	312	312	312	312
Simplification initiatives for small and medium enterprises	2004/05	362	362	362	362	362
Paid parental leave	2004/05	519	519	519	519	519
State sector retirement scheme	2004/05	831	831	831	831	831
Enhancements to the administration of child support	2004/05	1,174	1,174	1,174	1,174	1,174
Building future capability	2004/05	1,913	1,913	1,913	1,913	1,913
Working for families tax credits	2004/05	4,042	4,042	4,042	4,042	4,042
KiwiSaver	2004/05	25,895	26,033	25,846	26,085	27,016

Initiatives for the disestablished Assessment and Collection of Child Support output expense have been rolled into the Services to Inform the Public About Entitlements and Meeting Obligations, Services to Process Obligations and Entitlements as well as the Management of Debt and Outstanding Returns output expenses.

Initiatives for the disestablished Revenue Assessment and Collection output expense have been rolled into the Services to Process Obligations and Entitlements output expense.

Where initiatives have been extended or varied in later budget cycles, the original and changed entries have been merged under a single name.

Taxpayer Audit (M57)

Scope of Appropriation

Identifying risks to revenue and designing and undertaking audit activities accordingly. Managing litigation of disputed tax cases.

Expenses and Revenue

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	174,068	174,068	169,513
Revenue from Crown	172,582	172,582	167,841
Revenue from Other	1,486	1,486	1,672

Reasons for Change in Appropriation

The decrease in appropriation is largely due to one-off funding 2008/09 funding for structured finance litigation and operating pressures contingency not extending to 2009/10 as well as value for money - line by line review savings. This is partly offset by new funding for the revenue and cash protection and growth initiative.

Output Performance Measures and Standards

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
We will ensure that at least 90% of all cases completed meet our quality standards.	90%	93%	90%
We will assess at least \$875 per hour for all audit activity.	\$875	\$1,200 - \$1,250	\$875
On average, we will complete:			
• general audits within 6 months	6	3	6
• risk-based audits within 14 months	14	9	14
• disputed cases within 18 months.	18	11	18
We will ensure for any litigation undertaken that 95% of all timetable requirements will be delivered as imposed by the courts.	100%	95%	95%

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Value for money - line by line review	2009/10	-	(1,128)	(1,128)	(1,128)	(1,128)
IT/Infrastructure	2009/10	-	524	265	256	256
Revenue and cash protection and growth	2009/10	-	5,000	4,808	4,808	196
Structured finance litigation	2008/09	4,500	-	-	-	-
Operating pressures contingency	2008/09	3,981	-	-	-	-
Implementation of Government initiatives - Budget 2008	2008/09	184	75	75	75	75
People capability - remuneration	2008/09	1,258	1,258	1,258	1,258	1,258
Business tax review	2007/08	3,578	3,498	3,723	3,723	3,723
Long-term accommodation solution in Wellington	2007/08	2,278	2,920	4,295	4,921	4,091
Property audit strategy	2007/08	5,839	5,839	-	-	-
Litigations and complex transaction audit	2007/08	4,914	4,000	1,000	1,000	1,000
Remuneration	2007/08	2,618	2,618	2,618	2,618	2,618
Protecting the integrity of the tax system	2006/07	400	400	400	400	400
Taxation of investment income and SSCWT	2006/07	365	208	208	208	208
KiwiSaver	2006/07	2,294	2,606	2,928	3,256	3,265
Retaining people capability	2006/07	3,750	3,750	3,750	3,750	3,750
Implementation of Government initiatives - Budget 2005	2005/06	146	146	146	146	146

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Implementation of Government initiatives - business package	2005/06	321	321	321	321	321
Future challenges with taxation administration	2005/06	4,296	4,296	4,296	4,296	4,296
State sector retirement scheme	2004/05	1,179	1,179	1,179	1,179	1,179
Building future capability	2004/05	2,713	2,713	2,713	2,713	2,713
Maintaining and improving taxpayer compliance	2004/05	8,689	8,689	8,689	8,689	8,689

Where initiatives have been extended or varied in later budget cycles, the original and changed entries have been merged under a single name.

Part 3 - Details for Benefits and Other Unrequited Expenses

Part 3.2 - Non-Departmental Benefits and Other Unrequited Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Primary outcome - Improving the economic and social wellbeing of New Zealanders	KiwiSaver: Kickstart payment KiwiSaver Employer Tax Credit KiwiSaver Member Tax Credit KiwiSaver: Fee Subsidy KiwiSaver: Interest Payroll Subsidy Research and Development Tax Credit
Secondary outcome - People receive payments they are entitled to, enabling them to participate in society	Child Support Payments Child Tax Credit Family Tax Credit In-Work Tax Credit Minimum Family Tax Credit Paid Parental Leave Payments Parental Tax Credit

Child Support Payments PLA (M57)

Scope of Appropriation

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).

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	205,000	205,000	207,480

Reasons for Change in Appropriation

The growth in the appropriation reflects a small forecast growth in payments from non-custodial parents.

Conditions on Use of Appropriation

Reference	Conditions
Section 141 of the Child Support Act 1991	On-payment of money received by the Commissioner by the way of child support to qualifying custodians, if the qualifying custodian of that child is not a recipient of a social security benefit.

Child Tax Credit PLA (M57)

Scope of Appropriation

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).

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	6,000	6,000	3,100

Reasons for Change in Appropriation

Reduction in child tax credit due to reduction in families entitled to this assistance. This tax credit has been replaced by the In-Work Tax Credit.

Conditions on Use of Appropriation

Reference	Conditions
Subpart MZ of the Income Tax Act 2007	Sets out the entitlement for and calculation of the Child Tax Credit.
Section 185(e) of the Tax Administration Act 1994	Establishes a permanent legislative authority to allow money payable by the Commissioner by way of credits of tax under subpart MZ of the Income Tax Act 2007 to be paid out of the Crown Bank Account without further appropriation.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Working for Families package	2004/05	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)

Family Tax Credit PLA (M57)

Scope of Appropriation

Family Support payments made to beneficiaries and non-beneficiaries during the year (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,113,100	2,113,100	2,147,800

Reasons for Change in Appropriation

A small increase is forecast in the 2009/10 appropriation due to anticipated low wage increases and increase in unemployment. This counteracts the reduction in tax rates which reduces the family tax credit entitlements.

Conditions on Use of Appropriation

Reference	Conditions
Section MD 3 of the Income Tax Act 2007	Sets out the entitlement for and calculation of the Family Tax Credit.
Section 185(e) of the Tax Administration Act 1994	Establishes a permanent legislative authority to allow money payable by the Commissioner by way of credits of tax under subparts MA to MF of the Income Tax Act 2007 to be paid out of the Crown Bank Account without further appropriation.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Working for Families overpayment	2008/09	1,037	5,143	-	-	-
Extension of eligibility and entitlements under Working for Families	2005/06	500,000	500,000	500,000	500,000	500,000
Working for Families package	2004/05	888,620	888,620	888,620	888,620	888,620

In-Work Tax Credit PLA (M57)

Scope of Appropriation

Extra assistance for low to middle income families where the person works a minimum of 20 hours per week and does not have a partner, or a person and their partner work a minimum of 30 hours per week (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	586,000	586,000	577,600

Reasons for Change in Appropriation

The reduction in the 2009/10 In-Work Tax Credit Appropriation is due to the tax rate reductions during the 2008/09 year impacting the number of people eligible to receive the in-work tax credit payment for the full 2009/10 year.

Conditions on Use of Appropriation

Reference	Conditions
Sections MD 4-10 of the Income Tax Act 2007	Sets out the entitlement for and calculation of the In-Work Tax Credit.
Section 185(e) of the Tax Administration Act 1994	Establishes a permanent legislative authority to allow money payable by the Commissioner by way of credits of tax under subparts MA to MF of the Income Tax Act 2007 to be paid out of the Crown Bank Account without further appropriation.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Working for Families package	2004/05	350,346	350,346	350,346	350,346	350,346

KiwiSaver: Fee Subsidy (M57)

Scope of Appropriation

To enable the payment of a fee subsidy to members for provider fees as set out in the KiwiSaver Act 2006.

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	33,000	33,000	7,000

Reasons for Change in Appropriation

The fee subsidies were repealed effective from 1 April 2009. As this fee subsidy is pro-rated and applied six-monthly there will be some entitlement to this in 2009/10.

Conditions on Use of Appropriation

Reference	Conditions
Sections 227 and 228 of the KiwiSaver Act 2006	Provided to members at \$40 per annum pro-rated for members who have been in the scheme for less than a year.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Amendments to the KiwiSaver Scheme	2008/09	(3,000)	(38,000)	(51,000)	(54,000)	(57,000)
KiwiSaver	2007/08	17,000	23,000	28,000	28,000	28,000

KiwiSaver: Interest (M57)*Scope of Appropriation*

To enable the payment of interest on KiwiSaver contributions as set out in the KiwiSaver Act 2006.

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	16,000	16,000	10,000

Reasons for Change in Appropriation

The majority of members in the scheme joined in the 2007/08 and 2008/09 years and interest was payable on member contributions while they await being forwarded to the scheme providers. This figure will reduce in 2009/10 as initial membership contributions reduce in line with the reduction in forecast new members.

Conditions on Use of Appropriation

Reference	Conditions
Sections 84-91 of the KiwiSaver Act 2006	Interest payable by Inland Revenue on KiwiSaver member contributions while they await being forwarded to KiwiSaver scheme providers.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
KiwiSaver	2007/08	500	500	300	300	300

KiwiSaver: Kickstart Payment (M57)*Scope of Appropriation*

To enable the one-off payment made on opening a KiwiSaver account for members who meet the required eligibility criteria as set in the KiwiSaver Act 2006.

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	397,000	397,000	138,000

Reasons for Change in Appropriation

The reduction in the kickstart payment reflects the forecast reduction in new members in 2009/10.

Conditions on Use of Appropriation

Reference	Conditions
Section 226 of the KiwiSaver Act 2006	This section of the act sets out the entitlement for a \$1,000 kick-start payment to each member upon joining.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
KiwiSaver	2007/08	147,718	151,000	103,000	103,000	103,000

KiwiSaver: Member Tax Credit (M57)

Scope of Appropriation

To enable the payment of a tax credit to KiwiSaver members as set out in the Income Tax Act 2007.

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	661,000	661,000	764,000

Reasons for Change in Appropriation

The member tax credit is paid annually depending on the level of income and tax paid. The increase in appropriation reflects the forecast increase in members. Changes to KiwiSaver, effective 1 April 2009 reduce the level of member tax credit payable. However this reduction is offset by the increase in total number of forecasted members. Therefore the 2009/10 shows an increase in the appropriation.

Conditions on Use of Appropriation

Reference	Conditions
Part MK 1-8 of the Income Tax Act 2007	Provides a member tax credit to match member contributions up to a cap of \$20 per week.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Amendments to the KiwiSaver Scheme	2008/09	-	(23,000)	(25,000)	(26,000)	(27,000)
KiwiSaver	2007/08	351,000	478,000	586,000	586,000	586,000

Minimum Family Tax Credit PLA (M57)

Scope of Appropriation

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).

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	9,500	9,500	10,500

Reasons for Change in Appropriation

The increase in appropriation reflects low wage growth combined with a slowing economy.

Conditions on Use of Appropriation

Reference	Conditions
Subpart ME of the Income Tax Act 2007	Sets out the entitlement for and calculation of the Family Tax Credit.
Section 185(e) of the Tax Administration Act 1994	Establishes a permanent legislative authority to allow money payable by the Commissioner by way of credits of tax under subparts MA to MF of the Income Tax Act 2007 to be paid out of the Crown Bank Account without further appropriation.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Extension of eligibility and entitlements under Working for Families	2005/06	2,500	2,500	2,500	2,500	2,500
Working for Families package	2004/05	6,567	6,567	6,567	6,567	6,567

Paid Parental Leave Payments PLA (M57)

Scope of Appropriation

Paid Parental Leave Payments made to parents eligible under the Parental Leave and Employment Protection Act 1987.

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	142,500	142,500	149,900

Reasons for Change in Appropriation

The increase in 2009/10 reflects forecasts of eligible parents and earnings.

Conditions on Use of Appropriation

Reference	Conditions
Part 7A of the Parental Leave and Employment Protection Act 1987	Establishes the entitlement for and calculation for a payment for parental leave.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Paid Parental Leave -Self employed	2006/07	465	465	465	465	465
Extend Paid Parental Leave to Self employed	2005/06	6,785	6,758	6,758	6,758	6,758
Paid parental leave	2004/05	19,091	19,091	19,091	19,091	19,091

Parental Tax Credit PLA (M57)

Scope of Appropriation

To enable payment of additional financial support to be made 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).

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	20,400	20,400	21,000

Reasons for Change in Appropriation

A small increase is forecast in 2009/10 for this appropriation.

Conditions on Use of Appropriation

Reference	Conditions
Sections MD 11-12 of the Income Tax Act 2007	Sets out the entitlement for (MD11) and calculation of (MD12) of the Parental Tax Credit.
Section 185(e) of the Tax Administration Act 1994	Establishes a permanent legislative authority to allow money payable by the Commissioner by way of credits of tax under subparts MA to MF of the Income Tax Act 2007 to be paid out of the Crown Bank Account without further appropriation.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Working for Families package	2004/05	4,900	4,900	4,900	4,900	4,900
Paid parental leave	2004/05	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)

Payroll Subsidy (M57)

Scope of Appropriation

To enable the payment of a subsidy to a payroll agent undertaking employers' payroll-related tax compliance activities on their behalf.

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,200	1,200	2,000

Reasons for Change in Appropriation

The uptake for this appropriation has been considerably lower than forecast. The increase in 2009/10 reflects a small forecast increase over 2008/09.

Conditions on Use of Appropriation

Reference	Conditions
Section RP4 of the Income Tax Act 2007	Establishes the payment of a subsidy by the Commissioner to a listed PAYE intermediary for a payroll service that they provide to an employer (RP4(1)). The calculation of the subsidy is specified in the Income Tax (Payroll Subsidy) regulations.
Section 185(g) of the Tax Administration Act 1994	Establishes a permanent legislative authority to allow money payable by the Commissioner in accordance with section RP 4 of the Income Tax Act 2007 to be paid out of the Crown Bank Account without further appropriation.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Payroll Subsidy	2006/07	21,500	42,500	42,500	42,500	42,500

Research and Development Tax Credit (M57)*Scope of Appropriation*

This appropriation is limited to tax credits to businesses that are undertaking research and development.

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	154,000	154,000	7,000

Reasons for Change in Appropriation

These tax credits were repealed effective from the 2009/10 income year. The reduction in appropriation reflects this.

Conditions on Use of Appropriation

Reference	Conditions
Part LH of the Income Tax Act 2007	Provision of a tax credit for eligible expenditure on research and development activities.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Repeal of Research and Development Tax Credit	2008/09	(54,000)	(243,000)	(290,000)	(332,000)	(373,000)
Research and Development Tax Credit	2007/08	140,000	220,000	260,000	260,000	260,000

Part 4 - Details for Borrowing Expenses

Part 4.2 - Non-Departmental Borrowing Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Primary outcome: Improving the economic and social wellbeing of New Zealanders	Adverse Event Interest Environmental Restoration Account Interest Income Equalisation Interest

Adverse Event Interest PLA (M57)

Scope of Appropriation

This appropriation is limited to interest on Adverse Event Income Equalisation Reserve accounts held by taxpayers in the farming and agriculture business (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	10	10	10

Environmental Restoration Account Interest PLA (M57)

Scope of Appropriation

This appropriation is limited to interest on Environmental Restoration accounts (expenses incurred pursuant to section 185 of the Tax Administration Act 1994)

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,500	1,500	1,500

Income Equalisation Interest PLA (M57)

Scope of Appropriation

This appropriation is limited to interest on Income Equalisation Reserve Scheme accounts held by taxpayers in the farming, fishing or forestry industries (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,500	1,500	2,000

Reasons for Change in Appropriation

The growth in appropriation in 2009/10 reflects forecast economic factors in the farming, fishing and forestry sectors.

Part 5 - Details and Expected Results for Other Expenses

Part 5.2 - Non-Departmental Other Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Primary outcome - Improving the economic and social wellbeing of New Zealanders	General Tax and Family Support Bad Debt Write-Offs Impairment of Debt Relating to Child Support Impairment of Debt Relating to General Tax and Family Support Impairment of Debt Relating to Student Loans

General Tax and Family Support Bad Debt Write-Offs (M57)

Scope of Appropriation

This appropriation is limited to bad debt write-offs for Crown debt administered by Inland Revenue.

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	753,500	685,000	660,000

Reasons for Change in Appropriation

The reduction in appropriation reflects forecast assumptions for tax revenue.

Impairment of Debt Relating to Child Support (M57)

Scope of Appropriation

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.

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	164,000	164,000	164,430

Reasons for Change in Appropriation

This is to recognise the impairment relating to Child Support. Previously it was recognised as a Provision for Doubtful Debts but, with the adoption of the New Zealand equivalents to International Financial Reporting Standards the debt is now impaired annually. It is anticipated that there will be a minimal increase in impairment in 2009/10.

Impairment of Debt Relating to General Tax and Family Support (M57)*Scope of Appropriation*

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 Crown debt book.

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	475,000	350,000	165,375

Reasons for Change in Appropriation

These appropriations reflect forecast changes in the level of overdue debt.

Impairment of Debt Relating to Student Loans (M57)*Scope of Appropriation*

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 loan debt.

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	200,000	150,000	50,000

Reasons for Change in Appropriation

The appropriation for 2008/09 reflects one-off forecast economic changes. The figure in the out year is based on a forecast model.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Increasing Medical Training Places	2010/11	-	-	(17)	(60)	(128)
Increasing the Student Allowance Parental Income Threshold by 10%	2009/10	-	(3)	(9)	(16)	(16)
Expansion of the Bonded Merit Scholarship Scheme	2009/10	-	(1)	(3)	(7)	(7)
Student Achievement Component: Access in Priority Areas	2009/10	-	20	46	64	64
Increasing the Student Loan Scheme Living Cost Component to \$155 Per Week	2009/10	-	18	59	107	107
Lowering the Age Limit for Student Allowance Parental Income testing by One Year	2009/10	-	(7)	(22)	(38)	(38)
Bonus for Voluntary Loan repayments	2008/09	(77,595)	-	-	-	-
Annual Inflation Adjustment of the Student Allowance Personal Income Threshold	2008/09	-	-	(1)	(1)	(1)
Increasing the Parental Income Threshold by 10%	2008/09	(2)	(6)	(10)	(10)	(10)
Expansion of Step Up Scholarships	2008/09	(4)	(10)	(22)	(22)	(22)

Note - Co Votes: Vote Education and Vote Social Development.

Reporting Mechanisms

Appropriation	Reporting Mechanism
General Tax and Family Support Bad Debt Write-Offs	Annual Report of Inland Revenue and the Financial Statements of the Government
Impairment of Debt Relating to Child Support	Annual Report of Inland Revenue and the Financial Statements of the Government
Impairment of Debt Relating to General Tax and Family Support	Annual Report of Inland Revenue and the Financial Statements of the Government
Impairment of Debt Relating to Student Loans	Annual Report of Inland Revenue and the Financial Statements of the Government

The above table indicates the mechanisms to be used for reporting actual performance for each non-departmental other expenses appropriation.

Part 6 - Details and Expected Results for Capital Expenditure

Part 6.1 - Departmental Capital Expenditure

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Intermediate outcome - Revenue is available to fund government programmes through people meeting payment obligations of their own accord	Inland Revenue Department - Capital Expenditure
Intermediate outcome - People receive payments they are entitled to, enabling them to participate in society	

Inland Revenue Department - Capital Expenditure PLA (M57)

Scope of Appropriation

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.

Capital Expenditure

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	16,970	16,970	16,023
Intangibles	63,840	63,840	60,277
Other	-	-	-
Total Appropriation	80,810	80,810	76,300

Reasons for Change in Appropriation

The change in appropriation reflects numerous decisions from Budget 2006 until the present. Most of these result in capital funding for initiatives that are either stopping or being significantly reduced after 2008/09. The main ones include:

- taxation of investment income and SSCWT
- business tax review
- KiwiSaver enhancements
- KiwiSaver Employer Tax Credits
- improving compliance and customer experience

These reductions are partly offset by capital funding for the long-term accommodation solution in Wellington initiative as well as 2009/10 capital injections received in Budget 2009:

- bonus for voluntary student loan repayment initiative
- implementing tax and KiwiSaver changes
- revenue and cash protection and growth