

# *Vote Revenue*

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APPROPRIATION MINISTER(S): Minister of Revenue (M57)

APPROPRIATION ADMINISTRATOR: Inland Revenue Department

RESPONSIBLE MINISTER FOR INLAND REVENUE DEPARTMENT: Minister of Revenue

## *Overview of the Vote*

The Minister of Revenue is responsible for appropriations in the Vote for the 2016/17 financial year covering the following:

- a total of just under \$679 million for departmental output expenses including investigations, management of debt and outstanding returns, policy advice, services to inform the public about entitlements and meeting obligations, services to other agencies, and services to process obligations and entitlements
- a total of \$237 million for departmental other expenditure on transformation
- a total of \$174 million for departmental capital expenditure
- a total of just below \$3,763 million for non-departmental benefits or related expenses, mainly for tax credits, KiwiSaver payments and benefit payments such as child support and paid parental leave
- a total of just over \$12 million for non-departmental borrowing expenses, and
- a total of just over \$1,887 million for non-departmental other expenses, mainly for the impairment and write-off of debt.

The Minister of Revenue is also responsible for Crown revenue and receipts in the Vote for the 2016/17 financial year covering the following:

- a total forecast of \$64,986 million for tax revenue
- a total forecast of \$1,182 million for non-tax revenue, and
- a total forecast of \$1,348 million for capital receipts.

Details of these appropriations are set out in Parts 2-4.

# Details of Appropriations and Capital Injections

## Annual and Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Departmental Output Expenses</b>			
<b>Investigations (M57)</b> This appropriation is limited to undertaking investigation, audit and litigation activities administered by Inland Revenue.	169,406	167,236	175,745
<b>Management of Debt and Outstanding Returns (M57)</b> This appropriation is limited to activities to prevent returns becoming outstanding and debt becoming overdue, and to collect outstanding returns and overdue payments, whether for the Crown, other agencies or external parties.	156,115	153,360	153,277
<b>Policy Advice (M57)</b> This appropriation is limited to the provision of advice, including second opinion advice and contributions to policy advice led by other agencies, to support decision-making by Ministers on government policy matters.	9,252	8,952	9,252
<b>Services to Inform the Public About Entitlements and Meeting Obligations (M57)</b> This appropriation is limited to providing information and assistance to the public to make them aware of their obligations and entitlements. This also includes the provision of services to help Ministers fulfil their responsibilities to Parliament and the New Zealand public, other than policy decision-making responsibilities.	231,828	228,568	227,232
<b>Services to Other Agencies RDA (M57)</b> This appropriation is limited to the provision of services by Inland Revenue to other agencies, where those services are not within the scope of another departmental output expense appropriation in Vote Revenue.	3,060	2,560	3,060
<b>Services to Process Obligations and Entitlements (M57)</b> This appropriation is limited to both the registration, assessment and processing of tax obligations and other entitlements, including associated review and Crown accounting activities, and the collection and sharing of related information with other agencies.	115,236	113,221	109,968
<b>Total Departmental Output Expenses</b>	684,897	673,897	678,534
<b>Departmental Other Expenses</b>			
<b>Transformation (M57)</b> This appropriation is limited to the design and implementation of a modern system for tax revenue and social policy administered by Inland Revenue.	92,900	79,400	237,000
<b>Total Departmental Other Expenses</b>	92,900	79,400	237,000
<b>Departmental Capital Expenditure</b>			
<b>Inland Revenue Department - Capital Expenditure PLA (M57)</b> 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.	88,326	72,000	174,000
<b>Total Departmental Capital Expenditure</b>	88,326	72,000	174,000

Titles and Scopes of Appropriations by Appropriation Type	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Benefits or Related Expenses</b>			
<b>Child Support Payments PLA (M57)</b> 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).	283,000	283,000	300,000
<b>Child Tax Credit PLA (M57)</b> 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).	1,100	1,100	900
<b>Family Tax Credit PLA (M57)</b> Family Support payments made to beneficiaries and non-beneficiaries during the year (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	1,824,000	1,824,000	1,797,000
<b>In-Work Tax Credit PLA (M57)</b> 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).	522,000	522,000	600,000
<b>KiwiSaver: Interest (M57)</b> To enable the payment of interest on KiwiSaver contributions as set out in the KiwiSaver Act 2006.	13,000	12,000	10,000
<b>KiwiSaver: Tax Credit (M57)</b> To enable the payment of a tax credit to KiwiSaver members and the payment of residual tax credits to employers as set out in the Income Tax Act 2007.	689,000	689,000	728,000
<b>Minimum Family Tax Credit PLA (M57)</b> 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).	14,000	14,000	15,000
<b>Paid Parental Leave Payments (M57)</b> This appropriation is limited to Paid Parental Leave Payments made to parents in accordance with the Parental Leave and Employment Protection Act 1987.	238,000	233,000	277,000
<b>Parental Tax Credit PLA (M57)</b> This appropriation is limited to expenses incurred on parental tax credit as provided for in subpart MD of the Income Tax Act 2007 and as authorised by section 185 of the Tax Administration Act 1994.	31,000	31,000	29,000
<b>Payroll Subsidy PLA (M57)</b> This appropriation is limited to the payment of a subsidy to a payroll agent undertaking employers' payroll-related tax compliance activities on their behalf, section 185 of the Tax Administration Act 1994.	4,700	4,700	5,900
<b>Total Benefits or Related Expenses</b>	3,619,800	3,613,800	3,762,800
<b>Non-Departmental Borrowing Expenses</b>			
<b>Adverse Event Interest PLA (M57)</b> This appropriation is limited to interest on Adverse Event Income Equalisation Reserve accounts held by taxpayers in the farming and agriculture business, authorised by section 65ZH(1) of the Public Finance Act 1989.	20	20	10
<b>Environmental Restoration Account Interest PLA (M57)</b> This appropriation is limited to interest on Environmental Restoration accounts, authorised by section 65ZH(1) of the Public Finance Act 1989.	2,000	2,000	2,000
<b>Income Equalisation Interest PLA (M57)</b> This appropriation is limited to interest on Income Equalisation Reserve Scheme accounts held by taxpayers in the farming, fishing or forestry industries, authorised by section 65ZH(1) of the Public Finance Act 1989.	13,000	13,000	10,000
<b>Total Non-Departmental Borrowing Expenses</b>	15,020	15,020	12,010

Titles and Scopes of Appropriations by Appropriation Type	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Non-Departmental Other Expenses</b>			
<b>Impairment of Debt and Debt Write-Offs (M57)</b> This appropriation is limited to bad debt write-offs for Crown debt administered by Inland Revenue, excluding child support and student loans and to amounts relating to the impairment of this debt.	1,179,224	1,003,139	<b>1,093,307</b>
<b>Impairment of Debt Relating to Child Support (M57)</b> This appropriation is limited to the impairment of child support debt.	5,000	5,000	<b>5,000</b>
<b>Impairment of Debt Relating to Student Loans (M57)</b> This appropriation is limited to the impairment of student loan debt.	34,000	-	<b>100,000</b>
<b>Initial Fair Value Write-Down Relating to Student Loans (M57)</b> This appropriation is limited to the initial fair value write-down of student loans.	690,000	670,000	<b>689,000</b>
<b>Total Non-Departmental Other Expenses</b>	1,908,224	1,678,139	1,887,307
<b>Total Annual and Permanent Appropriations</b>	6,409,167	6,132,256	6,751,651

## Capital Injection Authorisations

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Inland Revenue Department - Capital Injection (M57)	2,480	2,480	54,000

# Supporting Information

## Part 1 - Vote as a Whole

### 1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Annual maximum fee movement for 2017 and 2018	<b>Initial Fair Value Write-Down Relating to Student Loans</b> Non-Departmental Other Expenses	-	1,516	2,971	3,262	3,380
Business transformation	<b>Transformation</b> Departmental Other Expenses	44,000	195,000	226,000	190,000	156,000
	<b>Departmental Capital Injections</b> Departmental Net Assets	-	54,000	102,000	90,000	87,000
Contribution to the data futures partnership	<b>Services to Process Obligations and Entitlements</b> Departmental Output Expenses	(40)	-	-	-	-
Delivering support to graduate-entry students affected by the 7 EFTS limit to complete long undergraduate programmes	<b>Initial Fair Value Write-Down Relating to Student Loans</b> Non-Departmental Other Expenses	51	561	797	969	627
Extending the duration of parental leave payments of preterm babies	<b>Paid Parental Leave Payments</b> Non-Departmental Benefits or Related Expenses	875	3,400	3,400	3,400	3,400
Response to the Syrian refugee crisis: implementation	<b>Initial Fair Value Write-Down Relating to Student Loans</b> Non-Departmental Other Expenses	-	34	49	25	12
Share of costs for Budget 2015 whole-of-government initiatives	<b>Investigations</b> Departmental Output Expenses	(380)	(340)	(240)	(180)	(180)
	<b>Management of Debt and Outstanding Returns</b> Departmental Output Expenses	(410)	(370)	(260)	(190)	(190)
	<b>Services to Inform the Public About Entitlements and Meeting Obligations</b> Departmental Output Expenses	(650)	(580)	(400)	(300)	(300)
	<b>Services to Process Obligations and Entitlements</b> Departmental Output Expenses	(214)	(199)	(127)	(103)	(103)
Small business tax package	<b>Impairment of Debt and Debt Write-Offs</b> Non-Departmental Other Expenses	-	(14,000)	(27,000)	(53,000)	(78,000)
<b>Total Initiatives</b>		43,232	239,022	307,190	233,883	171,646

## 1.2 - Trends in the Vote

### Summary of Financial Activity

	2011/12	2012/13	2013/14	2014/15	2015/16		2016/17			2017/18	2018/19	2019/20
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Final Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
<b>Appropriations</b>												
Output Expenses	644,990	628,213	671,174	667,100	684,897	673,897	678,534	-	678,534	651,686	633,650	552,104
Benefits or Related Expenses	3,732,991	3,711,194	3,678,047	3,708,849	3,619,800	3,613,800	N/A	3,762,800	3,762,800	3,809,500	3,847,200	3,980,000
Borrowing Expenses	5,067	7,857	8,908	5,176	15,020	15,020	-	12,010	12,010	12,010	12,010	12,010
Other Expenses	1,380,379	2,122,485	2,075,325	1,651,394	2,001,124	1,757,539	237,000	1,887,307	2,124,307	2,208,696	2,189,710	2,236,183
Capital Expenditure	53,537	48,940	44,691	32,388	88,326	72,000	174,000	-	174,000	142,000	135,000	134,000
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Appropriations</b>	<b>5,816,964</b>	<b>6,518,689</b>	<b>6,478,145</b>	<b>6,064,907</b>	<b>6,409,167</b>	<b>6,132,256</b>	<b>1,089,534</b>	<b>5,662,117</b>	<b>6,751,651</b>	<b>6,823,892</b>	<b>6,817,570</b>	<b>6,914,297</b>
<b>Crown Revenue and Capital Receipts</b>												
Tax Revenue	49,165,842	53,770,788	56,207,968	59,747,539	62,536,000	62,536,000	N/A	64,986,000	64,986,000	68,087,000	72,245,000	76,011,000
Non-Tax Revenue	1,064,087	1,469,715	1,456,383	1,152,579	1,152,000	1,152,000	N/A	1,182,000	1,182,000	1,210,000	1,241,000	1,272,000
Capital Receipts	904,106	1,246,095	1,111,028	1,388,866	1,442,400	1,442,400	N/A	1,348,000	1,348,000	1,404,000	1,479,000	1,520,000
<b>Total Crown Revenue and Capital Receipts</b>	<b>51,134,035</b>	<b>56,486,598</b>	<b>58,775,379</b>	<b>62,288,984</b>	<b>65,130,400</b>	<b>65,130,400</b>	<b>N/A</b>	<b>67,516,000</b>	<b>67,516,000</b>	<b>70,701,000</b>	<b>74,965,000</b>	<b>78,803,000</b>

Note - where restructuring of the vote has occurred then, to the extent practicable, prior years information has been restated as if the restructuring had occurred before the beginning of the period covered. In this instance Total Appropriations for the Budgeted and Estimated Actual year may not equal Total Appropriations in the Details of Appropriations and Capital Injections.

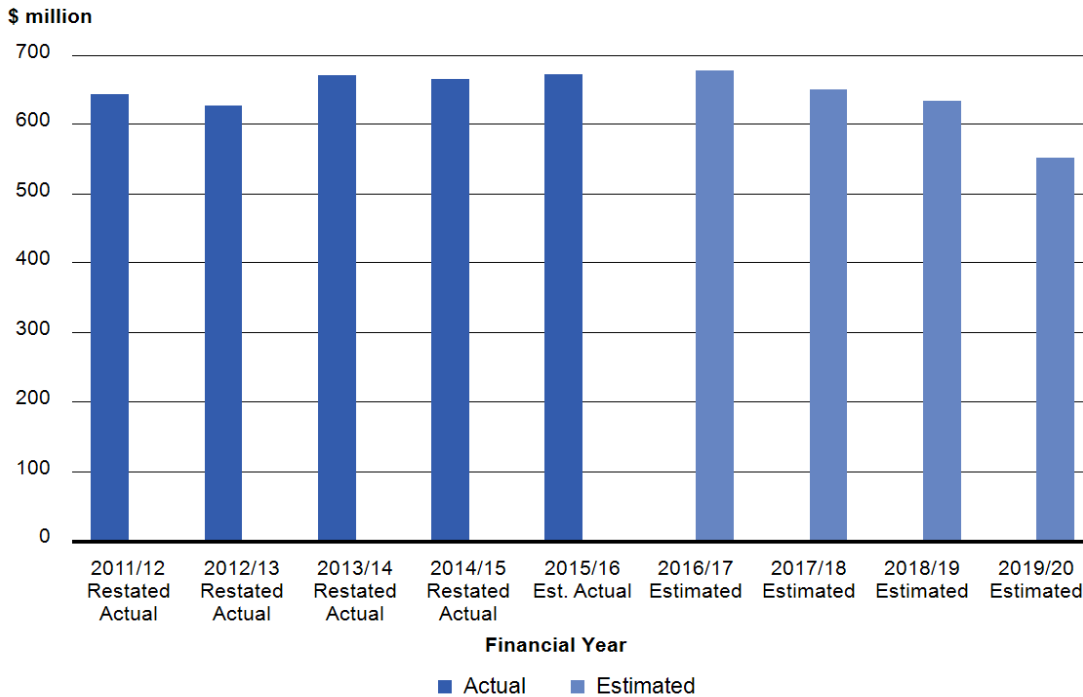
## Adjustments to the Summary of Financial Activity Table Due to Vote Restructuring

There have been no restructuring adjustments to prior year information in the Summary of Financial Activity table.

### 1.3 - 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 \$645 million in 2011/12 to an estimated amount of just under \$674 million in 2015/16 and a budgeted amount of just under \$679 million in 2016/17.

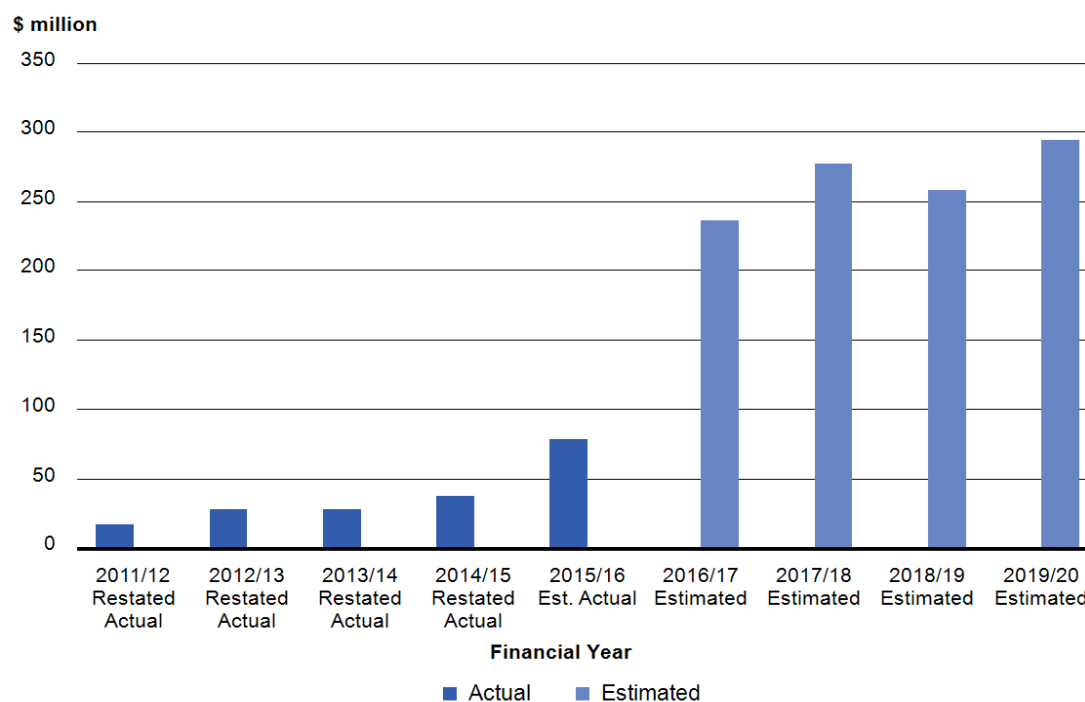
Inland Revenue continues to focus on delivering operational initiatives to improve efficiency of operations to meet demand for services and cost pressures. The expenditure growth in the years to 2016/17 is largely driven by initiatives such as child support scheme reform, property compliance, additional audit and compliance activity, revenue investment, child support compliance, unfiled returns, and complying with the Foreign Account Tax Compliance Act (FATCA).

Expenditure on Inland Revenue's transformation programme is reflected in Departmental Other Expenses.



## Departmental Other Expenses

**Figure 2** - Trends in departmental other expenses



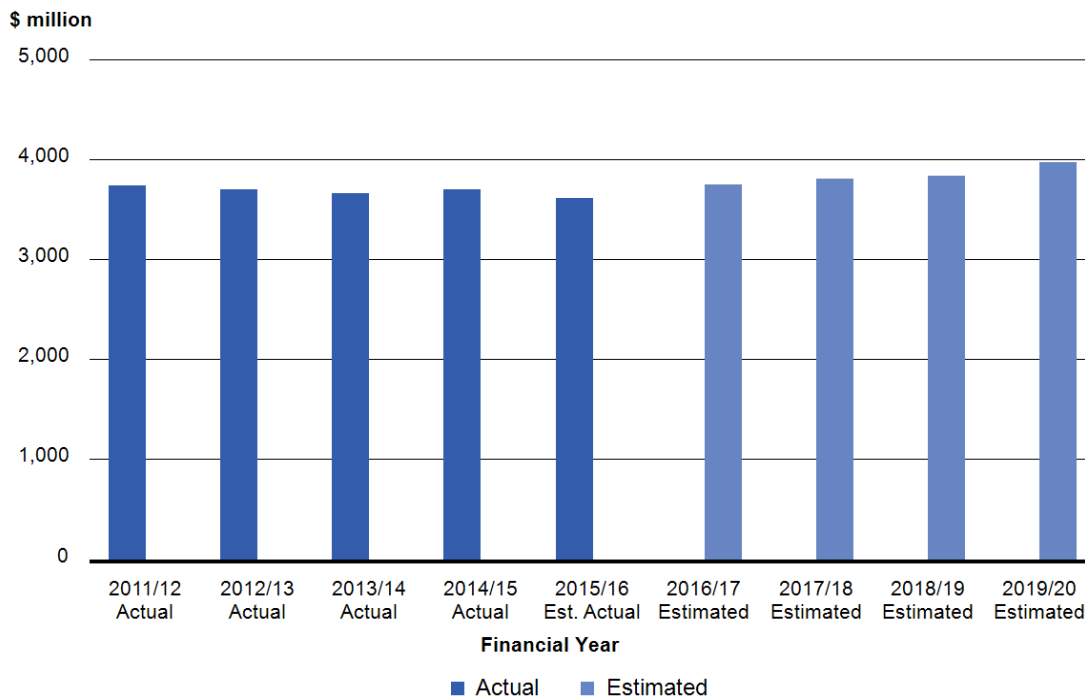
Source: Inland Revenue

The departmental other expenses category incorporates one appropriation for Inland Revenue's business transformation, first established for the 2015/16 financial year. This appropriation covers expenditure for the multi-year, business-led technology-enabled programme to deliver New Zealand's future revenue system. Transformation expenditure before 2015/16 was included in departmental output expenses. These earlier years have been restated for comparative purposes.

Expenditure in the years before 2015/16 included the feasibility, mobilisation and high level design phases of the transformation programme. The 2015/16 expenditure includes an allocation from Budget 2015 to complete the detailed design of stage one of the transformation programme as well as to deliver early improvements in digital services to customers. In addition, 2015/16 and the subsequent years include an allocation for the implementation of the transformation programme's four stages as well as to cover on-going costs. The allocation is funded through new Crown revenue as well as through fiscally neutral transfers from within the existing departmental output expense appropriations.

### Non-Departmental Benefits or Related Expenses

**Figure 3** - Trends in non-departmental benefits or related expenses



Source: Inland Revenue

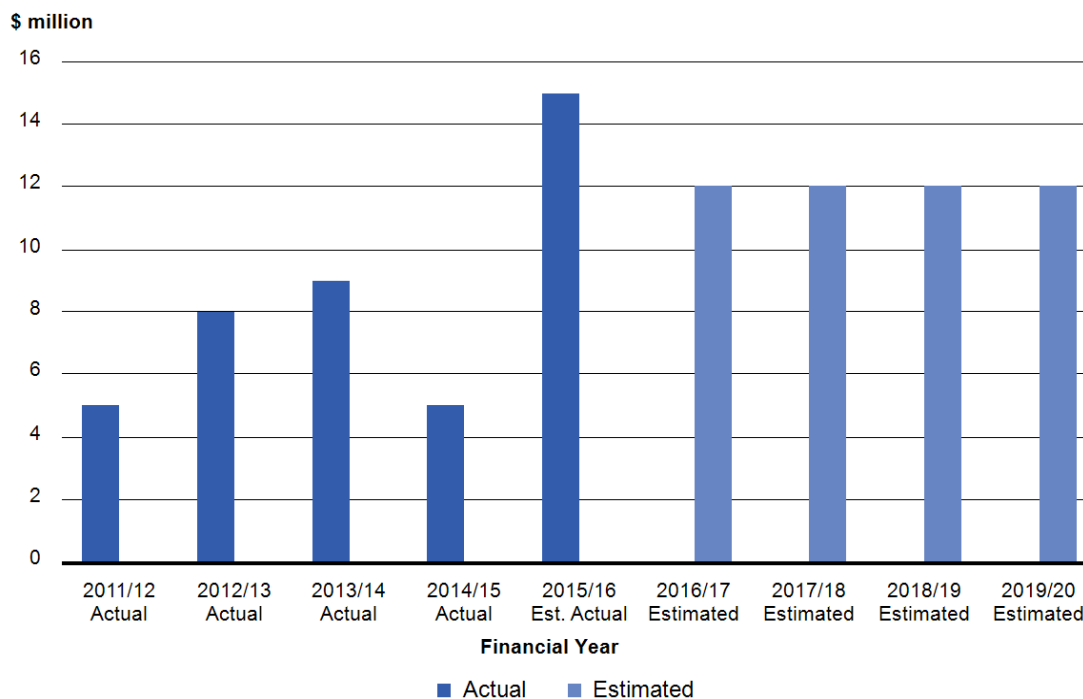
Benefits or related expenses include appropriations for KiwiSaver, Working for Families Tax Credits, payroll subsidy, paid parental leave payments and child support payments to custodial persons.

An improving economy steadily increases KiwiSaver tax credit, payroll subsidy, child support payments to custodial persons, and paid parental leave payments. Conversely an improving economy reduces Working for Families entitlements as incomes grow.

Expenses are relatively stable for the period with increases in KiwiSaver tax credit offset by decreases in Working for Families Tax Credits. The fall seen in 2015/16 is a result of the removal of KiwiSaver kickstart payments. This is offset by increases in Working for Families Tax Credits due to policy changes from the package for children living in material hardship.

## Non-Departmental Borrowing Expenses

**Figure 4** - Trends in non-departmental borrowing expenses



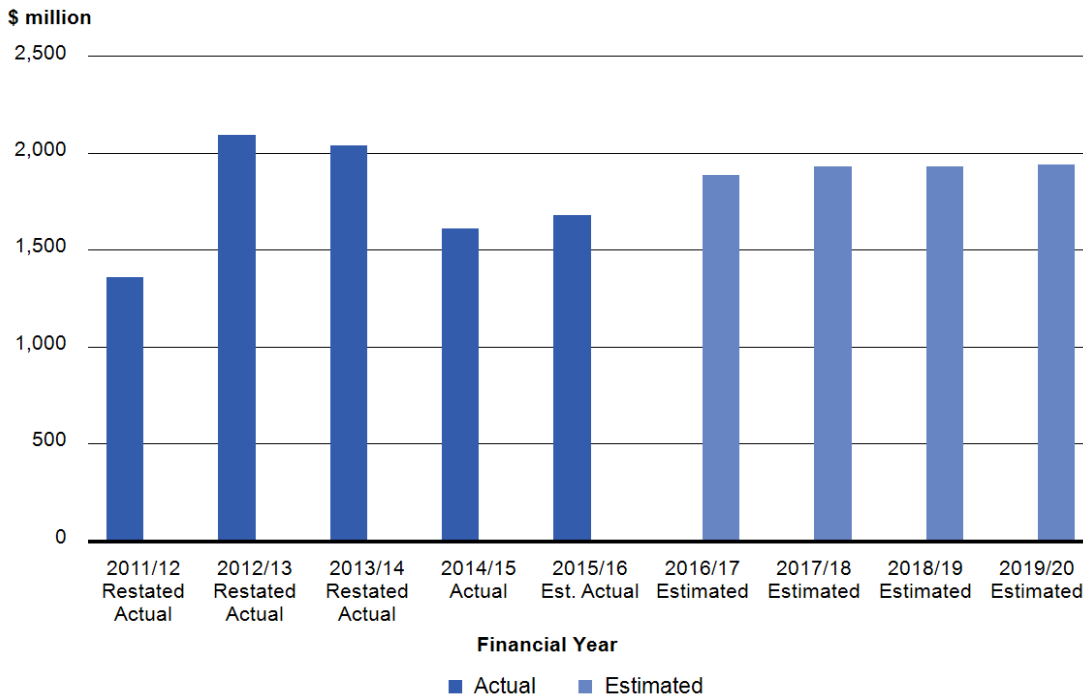
Source: Inland Revenue

Borrowing expenses include interest payments for the income equalisation, adverse event, and environmental restoration account schemes. The interest payable varies with the size of the deposits in these schemes. These schemes are designed to allow taxpayers to smooth income between tax years - either to smooth out variability in incomes or to set aside income to deal with an adverse event or provide for environmental restoration costs.

Actual results to date are variable and reflect deposit balances in the schemes. The forecast for interest expense in 2015/16 reflects higher than expected income equalisation reserve scheme receipts resulting in higher interest payments. From 2016/17 the levels of interest payments are forecast to reduce slightly.

*Non-Departmental Other Expenses*

**Figure 5** - Trends in non-departmental other expenses



Source: Inland Revenue

Non-departmental other expenses include bad debt write-offs, the initial fair value write-down on student loans, and impairments relating to student loans, child support, tax, KiwiSaver, and Working for Families Tax Credits debt.

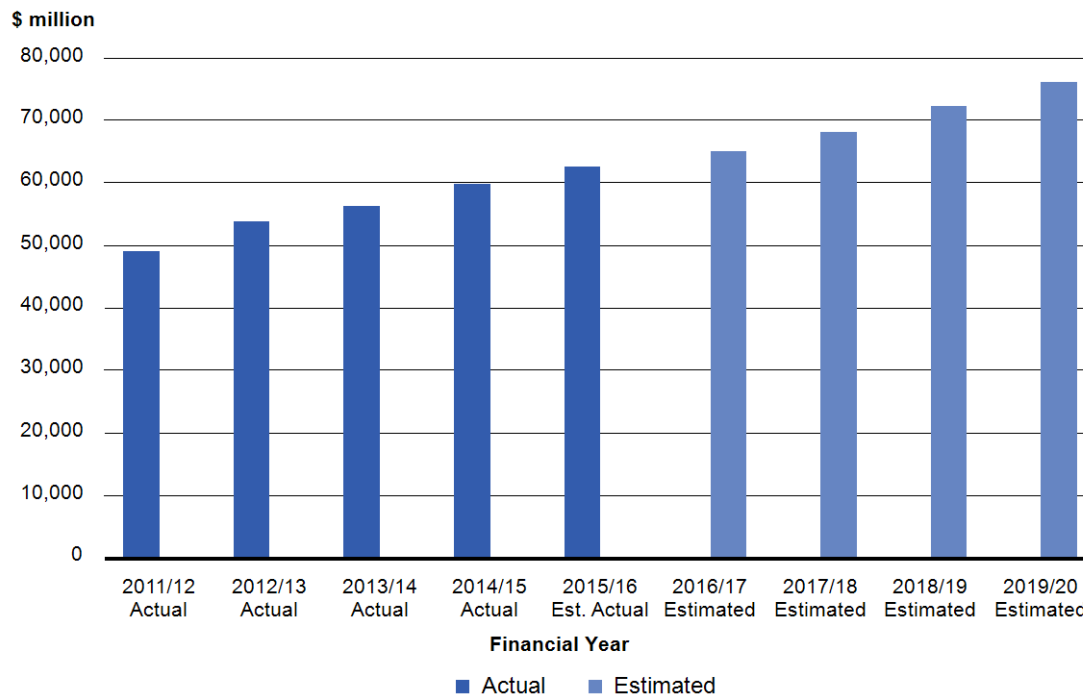
The large increase in 2012/13 expenditure was the result of higher student loan impairment due to lower student incomes, higher child support impairment due to growth in child support penalties and the first full-year impact of the student loan initial fair value write-down appropriation transferring from Vote Social Development to Vote Revenue.

The large reduction in 2014/15 resulted from both significantly lower than forecast debt impairment mainly due to a material fall in the overdue debt book and a change in recognising impairment relating to child support due to the transition from the previous accounting standards, NZ IFRS (PBE), to PBE IPSAS in the year ended 30 June 2015.

From 2016/17 the level of impairment and bad debt write-offs is flat as the growth in the underlying tax revenue is offset by the introduction of the small business tax package which sees some tax revenue reduction causing the reduction in impairment of debt and debt write-offs.

## Non-Departmental Tax Revenue

**Figure 6** - Trends in non-departmental tax revenue



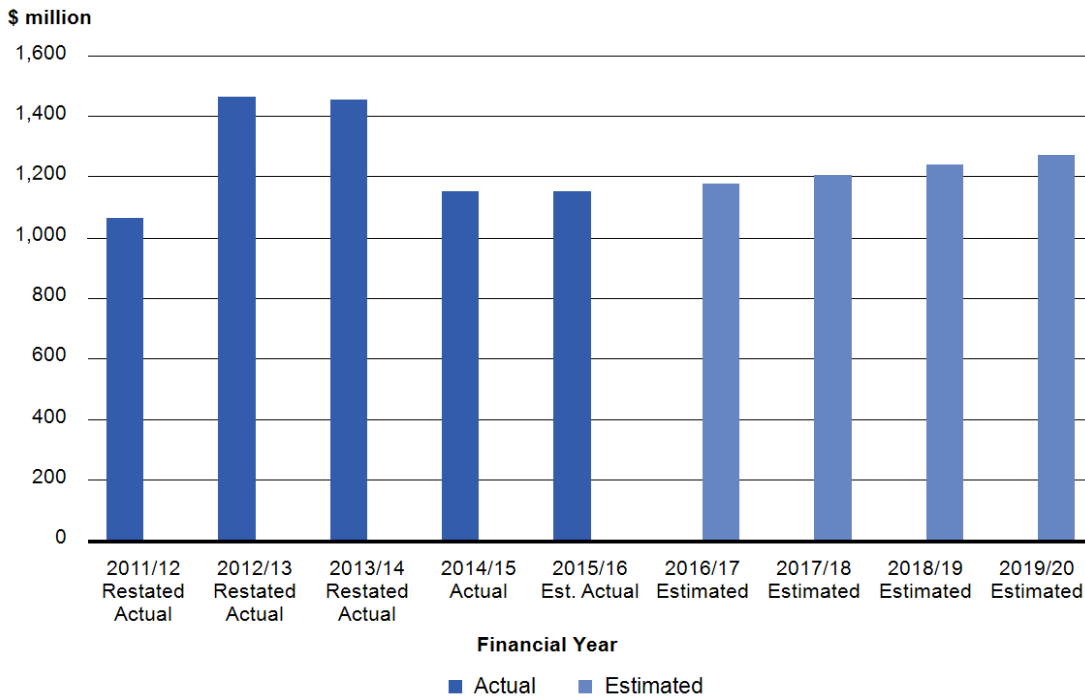
Source: Inland Revenue

Non-departmental tax revenue incorporates unconsolidated source deductions, other persons' tax, fringe benefit tax, corporate tax, other direct income tax, GST, and other indirect tax administered by Inland Revenue.

Total tax revenue has increased every year since the recession of the late 2000's and is forecast to continue to grow over the next 5 years, at an average rate of just under 5% per annum. This is higher than the 4.4% per annum forecast average growth rate for nominal GDP over the same period, mainly due to the growth in net company income tax, averaging 6.6% per annum. In addition, an expected recovery in deposit interest rates from the current low is forecast to increase resident withholding tax on interest income. Another contributor to the faster than GDP growth in total tax revenue is the steady growth in source deductions from the increase in salary and wage incomes.

*Non-Departmental Non-Tax Revenue*

**Figure 7** - Trends in non-departmental non-tax revenue



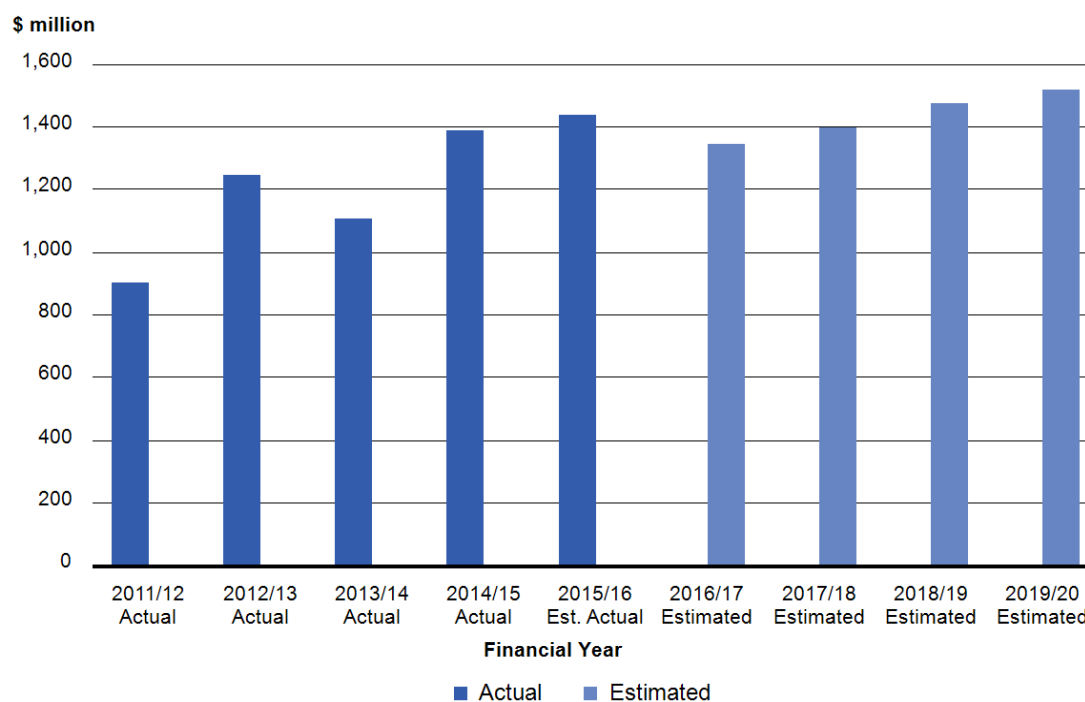
Source: Inland Revenue

Non-departmental non-tax revenue incorporates child support collections from non-custodial parents, student loan interest unwind (interest income due to reversing the initial fair value write-down over the life of the loan), unclaimed monies, and interest and penalties on Working for Families Tax Credits.

The large reduction in 2014/15 reflected the change in recognising child support penalty revenue due to the transition from previous accounting standards, NZ IFRS (PBE), to PBE IPSAS. Under the new accounting standards, PBE IPSAS, child support penalty revenue is initially recognised at fair value.

## Non-Departmental Capital Receipts

**Figure 8** - Trends in non-departmental capital receipts



Source: Inland Revenue

Non-departmental capital receipts include student loan capital repayments and deposits into the adverse event income equalisation, income equalisation, and environmental restoration account schemes.

The increase in receipts for 2012/13 reflected additional student loan repayments resulting from an increase in final claims for the voluntary repayment bonus (repealed from 1 April 2013) and the student loan repayment rate increase from 10% to 12% (effective from 1 April 2013).

From 2013/14 the full effect of the repayment rate increase was felt. However, this was tempered by a reversion of student loan voluntary repayments back to normal levels.

The growth in 2014/15 and 2015/16 years is due to higher than expected income equalisation reserve scheme receipts. Receipts are forecast to return to normal levels in 2016/17 and the growth seen from then is attributable to higher forecast student loan capital repayments.

## Part 2 - Details of Departmental Appropriations

### 2.1 - Departmental Output Expenses

#### Investigations (M57)

##### *Scope of Appropriation*

This appropriation is limited to undertaking investigation, audit and litigation activities administered by Inland Revenue.

##### *Expenses and Revenue*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	169,406	167,236	175,745
Revenue from the Crown	169,141	169,141	175,480
Revenue from Others	265	470	265

##### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to protect the revenue base.

##### *How Performance will be Assessed and End of Year Reporting Requirements*

	2015/16		2016/17
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
<b>Primary measures</b>			
Minimum percentage of customers whose compliance behaviour improves after receiving an audit intervention (see Note 1).	N/A	80.0%	80%
Minimum discrepancy identified for every output dollar spent.	\$7.00	\$7.50	\$7.00
Minimum percentage of litigation judgments found in favour of the Commissioner.	66%	82.1%	66%
<b>Supporting measure</b>			
Minimum percentage of audited customers who are satisfied with their experience (see Note 1).	70%	77.7%	70%

Note 1 - Actual performance measured using a sample of audit cases.

All performance measures will collectively cover the breadth of Inland Revenue's business (tax, social policy and KiwiSaver).

##### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2017.



### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Revenue investment continuation	2017/18	-	-	9,584	9,584	9,584
Revenue investment	2015/16	7,440	16,602	16,602	16,602	16,602
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(380)	(340)	(240)	(180)	(180)
Cashing out research and development tax losses	2014/15	241	155	119	119	119
Property compliance initiative continuation	2014/15	5,000	5,000	5,000	5,000	5,000
GST cross-border business to business neutrality	2013/14	120	-	-	-	-
Efficiency savings	2012/13	(2,119)	(2,119)	(2,119)	(2,119)	(2,119)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Revenue investment	2012/13	9,584	9,584	-	-	-

### **Management of Debt and Outstanding Returns (M57)**

#### *Scope of Appropriation*

This appropriation is limited to activities to prevent returns becoming outstanding and debt becoming overdue, and to collect outstanding returns and overdue payments, whether for the Crown, other agencies or external parties.

#### *Expenses and Revenue*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	156,115	153,360	153,277
Revenue from the Crown	153,153	153,153	150,315
Revenue from Others	2,962	1,864	2,962

#### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve the timely and efficient collection of revenue owed.

### *How Performance will be Assessed and End of Year Reporting Requirements*

Assessment of Performance	2015/16		2016/17
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Primary measures</b>			
Minimum percentage of returns filed on time.	N/A	80.0%	80%
Minimum percentage of tax payments made by customers on time.	N/A	85.0%	85%
Maximum percentage growth in outstanding returns.	(2%)	(10.0%)	(2%)
Minimum cash collected for every debt dollar spent.	\$40.00	\$49.00	\$40.00
Minimum percentage of debt cases resolved within six months.	80%	82.0%	80%
Minimum percentage of child support assessments paid on time.	N/A	65.0%	65%
Minimum value of assessed revenue for every outstanding return dollar spent.	N/A	\$55.00	\$45.00
<b>Supporting measures</b>			
Maximum average cost of finalising an outstanding return.	\$12.00	\$14.31	\$16.00 - \$18.00
Maximum percentage of collectable debt value over two years old.	60%	50.0%	60%
Minimum percentage of debt value resolved for those who did not have a debt at the start of the year.	65%	70.0%	65%
Minimum percentage of New Zealand liable parent child support debt cases resolved within 12 months.	75%	78.9%	75%

All performance measures will collectively cover the breadth of Inland Revenue's business (tax, social policy and KiwiSaver).

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2017.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Revenue investment continuation	2017/18	-	-	10,400	10,400	10,400
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(410)	(370)	(260)	(190)	(190)
Child support compliance	2014/15	6,944	6,828	6,734	6,757	-
Unfiled returns	2014/15	7,188	7,188	6,675	6,675	-
Property compliance initiative continuation	2014/15	1,650	1,650	1,650	1,650	1,650
Student loans overseas-based borrowers compliance initiative continuation	2014/15	4,850	4,850	4,850	4,850	4,850
Efficiency savings	2012/13	(1,896)	(1,896)	(1,896)	(1,896)	(1,896)

Policy Initiative	Year of First Impact	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(1,453)	(1,453)	(1,453)	(1,453)	(1,453)
Revenue investment	2012/13	10,400	10,400	-	-	-

## Policy Advice (M57)

### *Scope of Appropriation*

This appropriation is limited to the provision of advice, including second opinion advice and contributions to policy advice led by other agencies, to support decision-making by Ministers on government policy matters.

### *Expenses and Revenue*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	9,252	8,952	9,252
Revenue from the Crown	9,250	9,250	9,250
Revenue from Others	2	2	2

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to provide policy advice to support decision-making by Ministers on tax and social policy matters, to protect and maintain the integrity of the tax system while ensuring that our tax system is as simple as possible and is internationally competitive.

### *How Performance will be Assessed and End of Year Reporting Requirements*

Assessment of Performance	2015/16		2016/17
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Primary measures</b>			
Minimum percentage of ministerial satisfaction for policy advice.	80%	80.0%	80%
Minimum percentage of policy advice papers that meet quality standards.	75%	75.0%	75%
Maximum average cost per hour of producing policy advice outputs.	\$115.00	\$137.00	\$150.00

All performance measures will collectively cover the breadth of Inland Revenue's business (tax, social policy and KiwiSaver).

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2017.

### Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Efficiency savings	2012/13	(223)	(223)	(223)	(223)	(223)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(189)	(189)	(189)	(189)	(189)

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

#### Scope of Appropriation

This appropriation is limited to providing information and assistance to the public to make them aware of their obligations and entitlements. This also includes the provision of services to help Ministers fulfil their responsibilities to Parliament and the New Zealand public, other than policy decision-making responsibilities.

#### Expenses and Revenue

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	231,828	228,568	227,232
Revenue from the Crown	230,367	230,367	225,771
Revenue from Others	1,461	1,819	1,461

#### What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide services and information to help taxpayers and other customers meet their payment obligations and receive payments they are entitled to, and help Ministers fulfil their responsibilities to Parliament and the New Zealand public.

#### How Performance will be Assessed and End of Year Reporting Requirements

Assessment of Performance	2015/16		2016/17
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Primary measures</b>			
Minimum percentage of customers who perceive that Inland Revenue does enough to inform them of their rights and obligations (see Note 1).	N/A	82.0%	80%
Minimum percentage of customers who perceive that resolving issues with Inland Revenue requires low effort (see Note 1).	N/A	80.0%	80%
Minimum percentage of overall customer satisfaction with the quality of Inland Revenue services to inform (see Note 1).	N/A	92.0%	90%
Minimum percentage of telephone calls answered within two minutes.	75%	74.4%	75%

Assessment of Performance	2015/16		2016/17
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Supporting measures</b>			
Maximum average cost of a customer-initiated contact.	\$35.00	\$30.54	\$35.00
Percentage of all rulings reports, adjudication reports and public items that meet the applicable purpose, logic, alternatives, consultation, and practicality standards.	100%	100%	100%
Minimum number of published or finalised public items that give the Commissioner's interpretation of the law.	25	40	25
Minimum percentage of adjudication cases completed within three months of receipt.	90%	95.0%	90%
Minimum percentage of taxpayer ruling applications that have a draft ruling completed within three months of receipt.	90%	95.0%	90%
Minimum percentage of non-qualifying ruling applications that have a draft ruling completed within six months of receipt.	90%	100%	90%
Minimum percentage of public items (including relevant public consultation), completed within 18 months of allocation.	90%	90.0%	90%
Minimum percentage of submissions by the applicant on any draft ruling responded to within one month of receipt.	90%	95.0%	90%

Note 1 - Actual performance measured using a sample of the customer population.

All performance measures will collectively cover the breadth of Inland Revenue's business (tax, social policy and KiwiSaver).

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2017.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Package for children living in material hardship	2015/16	300	115	-	-	-
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(650)	(580)	(400)	(300)	(300)
Cashing out research and development tax losses	2014/15	965	619	475	475	475
Child support compliance	2014/15	2,315	2,276	2,245	2,253	-
KiwiSaver: removal of kick-start payment	2014/15	56	-	-	-	-
Unfiled returns	2014/15	3,081	3,081	2,861	2,861	-
Paid parental leave payments	2013/14	33	13	13	13	13
Parental tax credit	2013/14	240	100	100	100	100
Efficiency savings	2012/13	(4,677)	(4,677)	(4,677)	(4,677)	(4,677)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(1,675)	(1,675)	(1,675)	(1,675)	(1,675)

## Services to Other Agencies RDA (M57)

### *Scope of Appropriation*

This appropriation is limited to the provision of services by Inland Revenue to other agencies, where those services are not within the scope of another departmental output expense appropriation in Vote Revenue.

### *Expenses and Revenue*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	3,060	2,560	3,060
Revenue from the Crown	-	-	-
Revenue from Others	3,060	2,560	3,060

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to provide support services to other government agencies, such as the provision of a hosted financial management information system and shared financial transactional services.

### *How Performance will be Assessed and End of Year Reporting Requirements*

	2015/16		2016/17
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
<b>Primary measures</b>			
Minimum percentage of satisfaction of the Department of Internal Affairs for services provided.	70%	70.0%	70%
Minimum percentage of satisfaction of the New Zealand Productivity Commission for services provided.	70%	95.0%	70%

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2017.

## Services to Process Obligations and Entitlements (M57)

### *Scope of Appropriation*

This appropriation is limited to both the registration, assessment and processing of tax obligations and other entitlements, including associated review and Crown accounting activities, and the collection and sharing of related information with other agencies.

## Expenses and Revenue

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	115,236	113,221	109,968
Revenue from the Crown	94,239	94,239	88,971
Revenue from Others	20,997	21,122	20,997

### What is Intended to be Achieved with this Appropriation

This appropriation is intended to deliver efficient and effective processing of tax payments, tax credit claims, and refunds and other entitlements. This contributes to the availability of revenue to fund government programmes as well as ensuring that taxpayers and other customers receive payments they are entitled to.

### How Performance will be Assessed and End of Year Reporting Requirements

Assessment of Performance	2015/16		2016/17
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Primary measures</b>			
Minimum percentage of customers who perceive that Inland Revenue makes it easy for people to get it right (see Note 1).	N/A	79.6%	75%
Minimum percentage of social policy and tax registrations processed within five working days.	85%	90.5%	85%
Minimum percentage of child support assessments issued within two weeks.	80%	82.2%	80%
Minimum percentage of income tax disbursements issued within six weeks.	85%	89.1%	85%
Minimum percentage of GST disbursements issued within four weeks (see Note 2).	95%	96.7%	95%
<b>Supporting measures</b>			
Minimum percentage of income tax returns finalised within four weeks.	90%	94.5%	90%
Minimum percentage of GST returns finalised within three weeks.	95%	99.0%	95%
Minimum percentage of employer monthly schedule employee deductions finalised within four weeks.	95%	99.8%	95%
Maximum average cost of processing income tax returns, GST returns and employer monthly schedules.	\$5.00	\$2.78	\$5.00
Minimum percentage of notices and statements produced without error (see Note 1).	98.5%	99.6%	98.5%
Minimum percentage of tax credit claim payments made within three weeks.	90%	96.8%	90%
Minimum percentage of Working for Families Tax Credit (WFFTC) payments made on the first regular payment date following an application.	95%	99.4%	95%
Minimum percentage of paid parental leave payments issued to customers on the first pay day following the agreed date of entitlement.	97%	98.3%	97%
Minimum percentage of child support administrative review decisions issued within seven weeks.	85%	91.1%	85%

Note 1 - Actual performance measured using a sample of the customer population.

Note 2 - Section 46 of the Goods and Services Tax Act 1985 stipulates refunds are to be issued within 15 working days unless selected for a screening or investigation. The four weeks measure includes additional time for screening or investigation.

All performance measures will collectively cover the breadth of Inland Revenue's business (tax, social policy and KiwiSaver).

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2017.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Contribution to the data futures partnership	2015/16	(40)	-	-	-	-
Package for children living in material hardship	2015/16	300	115	-	-	-
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(214)	(199)	(127)	(103)	(103)
Cashing out research and development tax losses	2014/15	1,207	774	594	594	594
KiwiSaver: removal of kick-start payment	2014/15	24	-	-	-	-
Complying with the Foreign Account Tax Compliance Act	2013/14	1,196	992	969	969	969
Paid parental leave payments	2013/14	130	50	50	50	50
Parental tax credit	2013/14	958	400	400	400	400
Efficiency savings	2012/13	(1,673)	(1,673)	(1,673)	(1,673)	(1,673)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(3,085)	(3,085)	(3,085)	(3,085)	(3,085)

## 2.2 - Departmental Other Expenses

### **Transformation (M57)**

#### *Scope of Appropriation*

This appropriation is limited to the design and implementation of a modern system for tax revenue and social policy administered by Inland Revenue.

#### *Expenses*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	92,900	79,400	237,000



### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to design and implement a modern system for tax revenue and social policy administered by Inland Revenue that meets Government priorities and responds to customers' changing expectations. This will lead to the more efficient collection of taxes and distribution of entitlements. It will also have wider benefits for New Zealand, including reduced compliance and operating costs, as well as the more agile delivery of policy changes in the future.

### *How Performance will be Assessed and End of Year Reporting Requirements*

Assessment of Performance	2015/16		2016/17
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Primary measures</b>			
GST end to end processes implemented in the new computer system (START).	N/A	N/A	30/04/2017
Deliver new functionality to allow customers (or their agents) to self-manage their GST obligations.	N/A	N/A	30/04/2017
Enable immigrants to digitally register for an IRD number when they apply for a visa.	N/A	N/A	30/04/2017
Customers will be able to use their RealMe logon to access Inland Revenue online services.	N/A	N/A	30/06/2017
Customers will be able to identify themselves to Inland Revenue using a New Zealand Business Number.	N/A	N/A	30/04/2017
Complete the detailed design for stage 2 of the business transformation programme.	N/A	N/A	30/06/2017

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2017.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Business transformation	2015/16	95,000	195,000	226,000	190,000	156,000

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2016/17 is mainly due to additional funding for the business transformation programme.

## 2.3 - Departmental Capital Expenditure and Capital Injections

### 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*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	7,600	7,600	22,000
Intangibles	80,726	64,400	152,000
Other	-	-	-
<b>Total Appropriation</b>	<b>88,326</b>	<b>72,000</b>	<b>174,000</b>

#### *Significant Projects*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Business transformation	46,000	34,500	145,000
<b>Total</b>	<b>46,000</b>	<b>34,500</b>	<b>145,000</b>

#### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to invest in the renewal, upgrade and redesign of assets that support the delivery of the department's services. This includes the capital investment required for the implementation phase for the business transformation programme.

#### *How Performance will be Assessed and End of Year Reporting Requirements*

Expenditure supports the delivery of the department's performance measures in accordance with the department's capital asset management priorities for 2016/17 which are:

- implementation phase for business transformation, including the implementation of GST functionality in the new system (approximately 83%), and
- maintain and improve business infrastructure including technology replacements and accommodation fit-outs (approximately 17%).

The performance of business transformation spending will be assessed against the performance information in the Transformation appropriation.

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2017.

### *Reasons for Change in Appropriation*

This appropriation increased by \$85.674 million to \$174 million in 2016/17 mainly due to planned capital expenditure associated with Inland Revenue's transformation programme.

### *Capital Injections and Movements in Departmental Net Assets*

#### **Inland Revenue Department**

Details of Net Asset Schedule	2015/16 Estimated Actual \$000	2016/17 Projected \$000	Explanation of Projected Movements in 2016/17
Opening Balance	277,093	279,539	
Capital Injections	2,480	54,000	Capital injections of \$54 million for the business transformation programme.
Capital Withdrawals	(34)	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
<b>Closing Balance</b>	<b>279,539</b>	<b>333,539</b>	

## Part 3 - Details of Non-Departmental Appropriations

### 3.2 - Non-Departmental Benefits or Related Expenses

#### 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*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	283,000	283,000	300,000

##### *What is Intended to be Achieved with this Appropriation*

This permanent appropriation provides for the transfer of child support payments from non-custodial parents to custodial persons.

##### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for child support payments to custodial persons under the Child Support Act 1991. Performance information relating to the administration of the payment is provided under the Services to Process Obligations and Entitlements appropriation.

##### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Addressing child support legacy debt	2015/16	600	900	1,100	1,100	-
Child support compliance	2014/15	18,000	18,000	18,000	18,000	-

##### *Reasons for Change in Appropriation*

The growth in this appropriation in 2016/17 reflects an increase in the number of child support cases as a result of general population growth, and forecast improvements to the labour market. The latter increases the amount collected from non-custodial parents and transferred to custodial persons, and it also decreases the likelihood that custodial persons are dependent on the state for financial support. The policy change in 2015/16 also boosts child support payments to 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 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*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,100	1,100	900

*What is Intended to be Achieved with this Appropriation*

This permanent appropriation provides for payments to families with dependent children aged 18 or younger to help with day-to-day living costs.

*How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for child tax credit payments under the Income Tax Act 2007. Performance information relating to the administration of the payment is provided under the Services to Process Obligations and Entitlements appropriation.

*Reasons for Change in Appropriation*

The child tax credit was replaced by the in-work tax credit in April 2006. People ineligible for the in-work tax credit could continue to receive the child tax credit until no longer eligible. The appropriation will continue to decline as the tail of remaining recipients gradually change to the in-work tax credit or otherwise lose eligibility.

*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.

## 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*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,824,000	1,824,000	1,797,000

### *What is Intended to be Achieved with this Appropriation*

This permanent appropriation provides for payments to families with dependent children aged 18 or younger to help with day-to-day living costs.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for family tax credit payments under the Income Tax Act 2007. Performance information relating to the administration of the payment is provided under the Services to Process Obligations and Entitlements appropriation.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Package for children living in material hardship	2015/16	(7,880)	(31,510)	(30,520)	(28,550)	(28,550)

### *Reasons for Change in Appropriation*

The family tax credit is payable to families with eligible children whose family income is below the relevant abatement cut-off point. The appropriation declines over time because income growth reduces entitlement for families with annual family incomes over the abatement threshold of \$36,350. This decline is halted in years where per-child entitlements are increased through indexation, but there is no indexation in the 2016/17 year to halt this decline. Moreover, the rate of abatement increases by 1.25% on 1 April 2016. This policy change was part of the Budget 2015 package for children living in material hardship, which increased entitlement to the in-work tax credit, but steepened abatement of Working for Families Tax Credits for those on higher incomes.

### *Conditions on Use of Appropriation*

Reference	Conditions
Subpart MD 3 of the Income Tax Act 2007	Sets out the entitlement for and calculation of the Family Tax Credit.

## 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*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	522,000	522,000	600,000

### *What is Intended to be Achieved with this Appropriation*

This permanent appropriation provides for payments to families who work the required hours each week and have dependent children aged 18 or younger to help with day-to-day living costs.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for in-work tax credit payments under the Income Tax Act 2007. Performance information relating to the administration of the payment is provided under the Services to Process Obligations and Entitlements appropriation.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Package for children living in material hardship	2015/16	27,000	105,000	100,000	95,000	95,000

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2016/17 reflects the Budget 2015 package for children living in material hardship. Entitlements increase by \$12.50 per family per week from 1 April 2016. Apart from this policy change, the underlying trend is for entitlements to decline over time as incomes improve.

### *Conditions on Use of Appropriation*

Reference	Conditions
Section MD 4-10 of the Income Tax Act 2007	Sets out the entitlement for and calculation of the In-Work Tax Credit.

**KiwiSaver: Interest (M57)***Scope of Appropriation*

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

*Expenses*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	13,000	12,000	10,000

*What is Intended to be Achieved with this Appropriation*

This appropriation provides for interest payments to members on KiwiSaver contributions while they are held with Inland Revenue. Inland Revenue is required to hold members' contributions for three months from the date of the first contribution before transferring it to their KiwiSaver providers.

*How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for KiwiSaver interest payments under the KiwiSaver Act 2006. Performance information relating to the administration of the payment is provided under the Services to Process Obligations and Entitlements appropriation.

*Reasons for Change in Appropriation*

This appropriation applies for the administrative period when members are newly contributing to the scheme and also the time between Inland Revenue receiving contributions and passing them on to the scheme provider. The appropriation will grow with the number of contributing members, amounts transferred, and with the prevailing interest rate. The small decline forecast in 2016/17 is due to subdued interest rates.

*Conditions on Use of Appropriation*

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

**KiwiSaver: Tax Credit (M57)***Scope of Appropriation*

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



*Expenses*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	689,000	689,000	728,000

*What is Intended to be Achieved with this Appropriation*

This appropriation provides for an annual payment to contributing members aged 18 or over who meet the eligibility criteria encouraging participation in the KiwiSaver scheme.

*How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for KiwiSaver tax credit payments under the KiwiSaver Act 2006. Performance information relating to the administration of the payment is provided under the Services to Process Obligations and Entitlements appropriation.

*Reasons for Change in Appropriation*

The growth in the tax credit in 2016/17 is from an increase in the total number of contributing members as well as increases in their contributions due to forecast income growth.

*Conditions on Use of Appropriation*

Reference	Conditions
Part MK 1-8 of the Income Tax Act 2007	Provides a tax credit for members up to a cap of \$10 per week.

**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*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	14,000	14,000	15,000

*What is Intended to be Achieved with this Appropriation*

This permanent appropriation provides for payments to families with dependent children aged 18 or younger to ensure that the annual income after tax of a family does not fall below \$23,764 where at least one parent is working.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for minimum family tax credit payments under the Income Tax Act 2007. Performance information relating to the administration of the payment is provided under the Services to Process Obligations and Entitlements appropriation.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Package for children living in material hardship	2015/16	400	1,600	1,800	1,800	1,800

### *Conditions on Use of Appropriation*

Reference	Conditions
Subpart ME of the Income Tax Act 2007	Sets out the entitlement for and calculation of the Minimum Family Tax Credit.

## **Paid Parental Leave Payments (M57)**

### *Scope of Appropriation*

This appropriation is limited to Paid Parental Leave Payments made to parents in accordance with the Parental Leave and Employment Protection Act 1987.

### *Expenses*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	238,000	233,000	277,000

### *What is Intended to be Achieved with this Appropriation*

This appropriation provides for payments to eligible parents and adoptive parents when they take parental leave from their employment to care for their newborn or adopted child (under the age of six). These payments provide employment protected leave and compensate for the loss of income.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for paid parental leave payments under the Income Tax Act 2007. Performance information relating to the administration of the payment is provided under the Services to Process Obligations and Entitlements appropriation.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Extending the duration of parental leave payments of preterm babies	2015/16	875	3,400	3,400	3,400	3,400
Paid parental leave payments	2014/15	40,400	61,500	63,900	65,200	65,200

### *Reasons for Change in Appropriation*

The paid parental leave entitlement increased from 16 weeks to 18 weeks from 1 April 2016. This increase is responsible for much of the growth in 2016/17, together with the usual annual increase to entitlements based on wage growth.

### *Conditions on Use of Appropriation*

Reference	Conditions
Part 7A of the Parental Leave and Employment Protection Act 1987	Establishes the calculation for the payment of Paid Parental Leave Payments.

## **Parental Tax Credit PLA (M57)**

### *Scope of Appropriation*

This appropriation is limited to expenses incurred on parental tax credit as provided for in subpart MD of the Income Tax Act 2007 and as authorised by section 185 of the Tax Administration Act 1994.

### *Expenses*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	31,000	31,000	29,000

### *What is Intended to be Achieved with this Appropriation*

This permanent appropriation provides for payments to families with a newborn baby for the first 70 days (10 weeks) after the birth to help with day-to-day living costs.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for parental tax credit payments under the Income Tax Act 2007. Performance information relating to the administration of the payment is provided under the Services to Process Obligations and Entitlements appropriation.

### Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Package for children living in material hardship	2015/16	(120)	(490)	(480)	(450)	(450)
Parental tax credit	2014/15	13,000	13,000	13,000	13,000	13,000

### Conditions on Use of Appropriation

Reference	Conditions
Sections MD 11-12 of the Income Tax Act 2007	Sets out the entitlement for (MD 11) and calculation of (MD 12) the Parental Tax Credit.

### Payroll Subsidy PLA (M57)

#### Scope of Appropriation

This appropriation is limited to the payment of a subsidy to a payroll agent undertaking employers' payroll-related tax compliance activities on their behalf, section 185 of the Tax Administration Act 1994.

#### Expenses

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	4,700	4,700	5,900

#### What is Intended to be Achieved with this Appropriation

This permanent appropriation provides for payments to payroll agents who undertake payroll services on behalf of small businesses so they can focus their efforts on growing their businesses.

#### How Performance will be Assessed and End of Year Reporting Requirements

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for the payment of a payroll subsidy under the Income Tax Act 2007. Performance information relating to the administration of the payment is provided under the Services to Process Obligations and Entitlements appropriation.

#### Reasons for Change in Appropriation

The payroll subsidy is expected to increase over time as more employers utilise the services of payroll intermediaries.

#### Conditions on Use of Appropriation

Reference	Conditions
Section RP 4 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 (RP 4(1)). The calculation of the subsidy is specified in the Income Tax Act (Payroll Subsidy) regulations.

### 3.3 - Non-Departmental Borrowing Expenses

#### 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, authorised by section 65ZH(1) of the Public Finance Act 1989.

##### *Expenses*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	20	20	10

##### *What is Intended to be Achieved with this Appropriation*

This appropriation provides for interest payments on deposits held in an adverse event income equalisation scheme. This scheme allows farmers who experience adverse events to carry income from forced livestock sales over to the next income year.

##### *Reasons for Change in Appropriation*

The appropriation has been reduced to reflect forecast activity in the scheme.

#### Environmental Restoration Account Interest PLA (M57)

##### *Scope of Appropriation*

This appropriation is limited to interest on Environmental Restoration accounts, authorised by section 65ZH(1) of the Public Finance Act 1989.

##### *Expenses*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,000	2,000	2,000

##### *What is Intended to be Achieved with this Appropriation*

This appropriation provides interest payments on deposits held in an Environmental Restoration account. The Environmental Restoration account allows businesses to set aside money to cover restoration costs for monitoring, avoiding, remedying or mitigating the detrimental environmental effects which may occur in later years.

## 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, authorised by section 65ZH(1) of the Public Finance Act 1989.

### *Expenses*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	13,000	13,000	10,000

### *What is Intended to be Achieved with this Appropriation*

This appropriation provides interest payments on deposits held in the income equalisation scheme. This scheme allows taxpayers in the farming, fishing, and forestry industries to make payments during the year to equalise income between different income years.

### *Reasons for Change in Appropriation*

The 2015/16 year had higher than usual deposits into the scheme. The forecast for 2016/17 is for the interest appropriation to ease as funds deposited in 2015/16 are withdrawn.

## 3.4 - Non-Departmental Other Expenses

### Impairment of Debt and Debt Write-Offs (M57)

#### *Scope of Appropriation*

This appropriation is limited to bad debt write-offs for Crown debt administered by Inland Revenue, excluding child support and student loans and to amounts relating to the impairment of this debt.

### *Expenses*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,179,224	1,003,139	1,093,307

### *What is Intended to be Achieved with this Appropriation*

This appropriation provides for incurring the expense involved in the write-off of the Crown debt and for recognising an impairment loss to reflect the recoverable value of the Crown debt as at the end of a financial year, relating to tax, KiwiSaver, and Working for Families Tax Credits.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for the impairment of debt and debt write-offs. Performance information relating to this expenditure is provided under the Management of Debt and Outstanding Returns appropriation.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Revenue investment continuation	2017/18	-	-	(6,525)	(6,525)	(6,525)
Small business tax package	2016/17	-	(14,000)	(27,000)	(53,000)	(78,000)
Revenue investment	2015/16	5,199	11,601	11,601	11,601	11,601
Unfiled returns	2014/15	19,698	19,698	19,698	15,758	-
Revenue investment	2012/13	(10,766)	(10,766)	-	-	-

### *Reasons for Change in Appropriation*

The decrease in 2016/17 reflects current assumptions for the level of overdue debt and hence impairment and bad debt write-offs as these are inter-related.

### **Impairment of Debt Relating to Child Support (M57)**

#### *Scope of Appropriation*

This appropriation is limited to the impairment of child support debt.

#### *Expenses*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	5,000	5,000	5,000

### *What is Intended to be Achieved with this Appropriation*

This appropriation provides for incurring the expense involved in recognising an impairment loss to reflect the recoverable value of the total child support debt as at the end of the financial year.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for the impairment of child support debt. Performance information relating to this expenditure is provided under the Management of Debt and Outstanding Returns appropriation.

## Impairment of Debt Relating to Student Loans (M57)

### *Scope of Appropriation*

This appropriation is limited to the impairment of student loan debt.

### *Expenses*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	34,000	-	100,000

### *What is Intended to be Achieved with this Appropriation*

This appropriation provides for incurring the expense to recognise an impairment loss and reflect the recoverable value of the total student loan debt at the end of a financial year.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for the impairment of student loan debt. Performance information relating to this expenditure is available to the House of Representatives in the Student Loan Scheme Annual Report 2017.

### *Reasons for Change in Appropriation*

The appropriation of \$100 million in 2016/17 reflects an allowance based on the historical impairment which can be volatile.

## Initial Fair Value Write-Down Relating to Student Loans (M57)

### *Scope of Appropriation*

This appropriation is limited to the initial fair value write-down of student loans.

### *Expenses*

	2015/16		2016/17
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	690,000	670,000	689,000

### *What is Intended to be Achieved with this Appropriation*

This appropriation provides for incurring the expense relating to reductions in the nominal value of new student loan lending to reflect the present value of that lending.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for the initial fair value write-down of student loans. Performance information relating to this expenditure is available to the House of Representatives in the Student Loan Scheme Annual Report 2017.



### Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2015/16 Final Budgeted \$000	2016/17 Budget \$000	2017/18 Estimated \$000	2018/19 Estimated \$000	2019/20 Estimated \$000
Annual maximum fee movement for 2017 and 2018	2016/17	-	1,516	2,971	3,262	3,380
Response to the Syrian refugee crisis: implementation	2016/17	-	34	49	25	12
Delivering support to graduate-entry students affected by the 7 EFTS limit to complete long undergraduate programmes	2015/16	51	561	797	969	627
Investing to increase the number of engineering graduates	2015/16	13	44	108	477	371
Maintain the student allowance parental income threshold	2015/16	27	444	1,623	2,520	2,520
Set the annual maximum fee movement to 3% for 2016	2015/16	(3,947)	(4,960)	(5,173)	(5,363)	(5,363)
Supporting better public services and business growth within Vote Tertiary Education	2015/16	1,081	1,665	1,965	2,013	2,013
Additional medical places	2014/15	464	769	1,242	1,552	1,644
Extending the student support stand-down period for permanent residents	2014/15	(2,492)	(4,409)	(4,409)	(4,409)	(4,409)
Fixing a 4% annual maximum fee movement in 2015 and 2016	2014/15	17,540	17,540	17,540	17,540	17,540
Suspending the student loan repayment threshold until 1 April 2017	2014/15	(10,707)	(11,132)	(11,260)	(11,260)	(11,260)
20 additional medical places	2013/14	318	513	639	676	676
Additional flexibility for highly performing private training establishments	2013/14	4,668	4,827	4,827	4,827	4,827
Continue 99-105% tolerance bands	2013/14	1,879	1,893	1,893	1,893	1,893
Reducing student allowances eligibility for students aged 40 and over	2013/14	806	783	783	783	783
Removing student allowances eligibility for those aged 65 and over	2013/14	(546)	(627)	(627)	(627)	(627)
Broadening the definition of income for student loan repayment purposes	2012/13	(633)	(633)	(633)	(633)	(633)
Expanding the fee-free Youth Guarantee (YG) tertiary places	2012/13	(5,172)	(5,172)	(5,172)	(5,172)	(5,172)
Increasing the student loan repayment rate from 10% to 12%	2012/13	(37,554)	(37,554)	(37,554)	(37,554)	(37,554)
No CPI adjustments to student loan allowance parental income thresholds for 4 years	2012/13	3,080	3,080	3,080	3,080	3,080
Removing student allowance eligibility for postgraduate study and long programmes	2012/13	10,512	10,512	10,512	10,512	10,512
Repealing the student loan voluntary repayment bonus	2012/13	(7,806)	(7,806)	(7,806)	(7,806)	(7,806)
Setting a 2 EFTS annual student loan borrowing limit	2012/13	(47)	(47)	(47)	(47)	(47)
Setting a pre-EFTS student loan borrowing limit for pilot training	2011/12	(2,901)	(2,901)	(2,901)	(2,901)	(2,901)