

Vote Revenue

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 2017/18 financial year covering the following:

- a total of just under \$666 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 just under \$222 million for departmental capital expenditure
- a total of just under \$3,871 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 \$1,576 million for non-departmental other expenses, mainly for the impairment and write-off of debt.

The Minister of Revenue is also responsible for a total of just under \$1,113 million for multi-year departmental other expenses for transformation.

The Minister of Revenue is also responsible for a capital injection of over \$182 million to the Inland Revenue Department.

The Minister of Revenue is also responsible for Crown revenue and receipts in the Vote for the 2017/18 financial year covering the following:

- a total forecast of \$70,574 million for tax revenue
- a total forecast of just under \$1,153 million for non-tax revenue, and
- a total forecast of \$1,427 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	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Investigations (M57) This appropriation is limited to undertaking investigation, audit and litigation activities administered by Inland Revenue.	173,060	170,677	173,657
Management of Debt and Outstanding Returns (M57) 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.	148,286	146,467	148,301
Policy Advice (M57) 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.	9,504	9,097	9,560
Services to Inform the Public About Entitlements and Meeting Obligations (M57) 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.	212,145	209,871	216,454
Services to Other Agencies RDA (M57) 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	2,460	3,060
Services to Process Obligations and Entitlements (M57) 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.	108,859	107,102	114,502
Total Departmental Output Expenses	654,914	645,674	665,534
Departmental Other Expenses			
Transformation (M57) This appropriation is limited to the design and implementation of a modern system for tax revenue and social policy administered by Inland Revenue.	159,730	130,930	-
Total Departmental Other Expenses	159,730	130,930	-
Departmental Capital Expenditure			
Inland Revenue Department - Capital Expenditure PLA (M57) 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.	129,263	106,000	221,600
Total Departmental Capital Expenditure	129,263	106,000	221,600

Titles and Scopes of Appropriations by Appropriation Type	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Benefits or Related Expenses			
Child Support Payments PLA (M57) 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).	279,000	279,000	291,000
Child Tax Credit PLA (M57) 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).	900	900	900
Family Tax Credit PLA (M57) Family Support payments made to beneficiaries and non-beneficiaries during the year (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	1,763,000	1,763,000	1,823,000
In-Work Tax Credit PLA (M57) 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).	566,000	566,000	561,000
KiwiSaver: Interest (M57) To enable the payment of interest on KiwiSaver contributions as set out in the KiwiSaver Act 2006.	15,000	13,000	12,000
KiwiSaver: Tax Credit (M57) 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.	793,000	768,000	798,000
Minimum Family Tax Credit PLA (M57) 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).	13,000	13,000	12,000
Paid Parental Leave Payments (M57) This appropriation is limited to Paid Parental Leave Payments made to parents in accordance with the Parental Leave and Employment Protection Act 1987.	287,000	282,000	338,000
Parental Tax Credit PLA (M57) 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.	30,000	30,000	29,000
Payroll Subsidy PLA (M57) 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.	5,900	5,900	5,900
Total Benefits or Related Expenses	3,752,800	3,720,800	3,870,800
Non-Departmental Borrowing Expenses			
Adverse Event Interest PLA (M57) 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.	40	40	10
Environmental Restoration Account Interest PLA (M57) 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
Income Equalisation Interest PLA (M57) 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.	8,000	8,000	10,000
Total Non-Departmental Borrowing Expenses	10,040	10,040	12,010

Titles and Scopes of Appropriations by Appropriation Type	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Non-Departmental Other Expenses			
Impairment of Debt and Debt Write-Offs (M57) 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.	950,000	750,000	800,000
Impairment of Debt Relating to Student Loans (M57) This appropriation is limited to the impairment of student loan debt.	143,000	43,000	100,000
Initial Fair Value Write-Down Relating to Student Loans (M57) This appropriation is limited to the initial fair value write-down of student loans.	689,000	670,000	676,000
Impairment of Debt Relating to Child Support (M57) This appropriation is limited to the impairment of child support debt.	5,000	-	-
Total Non-Departmental Other Expenses	1,787,000	1,463,000	1,576,000
Total Annual and Permanent Appropriations	6,493,747	6,076,444	6,345,944

Multi-Year Appropriations

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
Departmental Other Expenses		
Transformation (M57) This appropriation is limited to the design and implementation of a modern system for tax revenue and social policy administered by Inland Revenue. Commences: 01 July 2017 Expires: 30 June 2021	Original Appropriation Adjustments to 2015/16 Adjustments for 2016/17 Adjusted Appropriation Actual to 2015/16 Year End Estimated Actual for 2016/17 Estimated Actual for 2017/18 Estimated Appropriation Remaining	1,112,607 - - 1,112,607 - - 382,372 730,235

Total Annual and Permanent Appropriations and Multi-Year Appropriation Forecasts

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Annual and Permanent Appropriations	6,493,747	6,076,444	6,345,944
Total MYA Departmental Other Expenses Forecasts	-	-	382,372
Total Annual and Permanent Appropriations and Multi-Year Appropriation Forecasts	6,493,747	6,076,444	6,728,316

Capital Injection Authorisations

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Inland Revenue Department - Capital Injection (M57)	58,110	58,110	181,600

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2016/17 Final Budgeted \$000	2017/18 Budget \$000	2018/19 Estimated \$000	2019/20 Estimated \$000	2020/21 Estimated \$000
Automatic Exchange of Information	Services to Process Obligations and Entitlements Departmental Other Expenses	1,680	2,620	3,300	2,700	2,400
	Departmental Capital Injections Departmental Net Assets	3,000	5,800	-	-	-
Budget 2017 Family Incomes Package	Family Tax Credit PLA Non-Departmental Benefits or Related Expenses	-	97,000	371,000	316,000	308,000
	In-Work Tax Credit PLA Non-Departmental Benefits or Related Expenses	-	-	2,000	2,000	2,000
Business tax package	Investigations Departmental Output Expenses	270	150	100	-	-
	Management of Debt and Outstanding Returns Departmental Output Expenses	1,620	890	630	-	-
	Services to Inform the Public About Entitlements and Meeting Obligations Departmental Output Expenses	770	420	310	-	-
	Departmental Capital Injections Departmental Net Assets	1,110	-	-	-	-
Making Tax Simpler: Better Administration of PAYE and GST	Payroll Subsidy PLA Non-Departmental Benefits or Related Expenses	-	(1,700)	(7,300)	(8,100)	(8,100)
Total Initiatives		8,450	105,180	370,040	312,600	304,300

1.2 - Trends in the Vote

Summary of Financial Activity

	2012/13	2013/14	2014/15	2015/16	2016/17		2017/18			2018/19	2019/20	2020/21
	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
Appropriations												
Output Expenses	628,213	671,174	667,100	663,232	654,914	645,674	665,534	-	665,534	638,918	556,122	485,962
Benefits or Related Expenses	3,711,194	3,678,047	3,708,849	3,550,477	3,752,800	3,720,800	N/A	3,870,800	3,870,800	4,194,900	4,187,900	4,261,900
Borrowing Expenses	7,857	8,908	5,176	7,907	10,040	10,040	-	12,010	12,010	12,010	12,010	12,010
Other Expenses	2,122,485	2,075,325	1,651,394	1,414,087	1,946,730	1,593,930	382,372	1,576,000	1,958,372	1,831,500	1,852,060	1,806,675
Capital Expenditure	48,940	44,691	32,388	61,115	129,263	106,000	221,600	-	221,600	135,000	134,000	70,000
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	-	-	-	-	-
Total Appropriations	6,518,689	6,478,145	6,064,907	5,696,818	6,493,747	6,076,444	1,269,506	5,458,810	6,728,316	6,812,328	6,742,092	6,636,547
Crown Revenue and Capital Receipts												
Tax Revenue	53,770,788	56,207,968	59,747,539	63,401,693	68,415,000	68,415,000	N/A	70,574,000	70,574,000	73,734,000	78,231,000	81,768,000
Non-Tax Revenue	1,469,715	1,456,383	1,152,579	1,161,292	1,128,500	1,128,500	N/A	1,152,500	1,152,500	1,164,500	1,171,500	1,173,500
Capital Receipts	1,246,095	1,111,028	1,388,866	1,424,519	1,358,500	1,358,500	N/A	1,427,000	1,427,000	1,518,000	1,595,000	1,675,000
Total Crown Revenue and Capital Receipts	56,486,598	58,775,379	62,288,984	65,987,504	70,902,000	70,902,000	N/A	73,153,500	73,153,500	76,416,500	80,997,500	84,616,500

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.

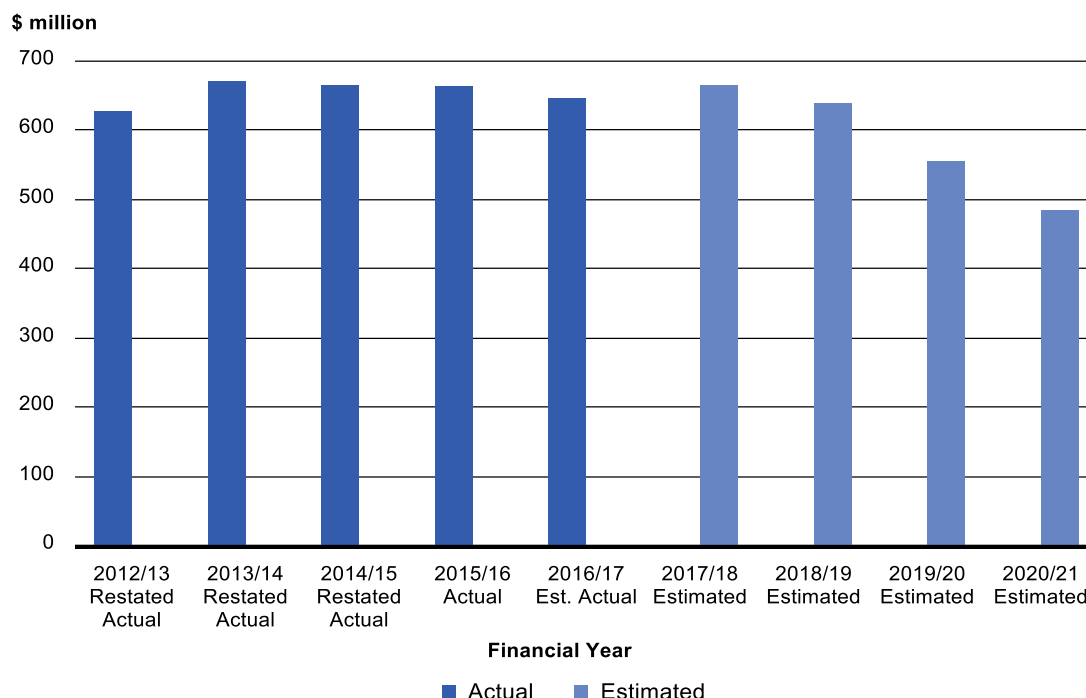
Adjustments to the Summary of Financial Activity Table Due to Vote Restructuring

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 increased from \$628 million in 2012/13 to an estimated amount of just under \$646 million in 2016/17 and a budgeted amount of just under \$666 million in 2017/18.

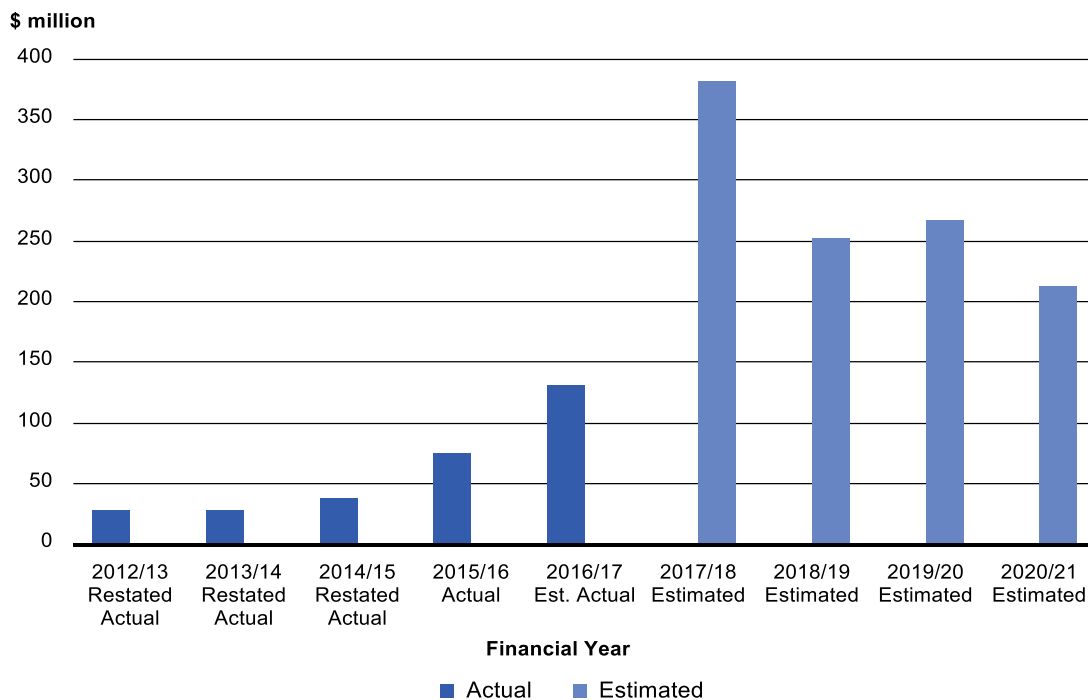
Inland Revenue continues to focus on delivering operational initiatives to improve the efficiency of operations to meet demand for services and cost pressures. Expenditure growth in the years to 2017/18 is largely driven by initiatives such as the following:

- the implementation of the child support scheme reform, property compliance package, business tax package, and Automatic Exchange of Information (AEOI) initiatives
- additional audit and compliance activity
- revenue investment
- improving child support compliance
- reducing unfiled returns, and
- complying with the Foreign Account Tax Compliance Act (FATCA).

Expenditure on Inland Revenue's transformation programme is included in the section on Departmental Other Expenses.

Departmental Other Expenses

Figure 2 - Trends in departmental other expenses



Source: Inland Revenue

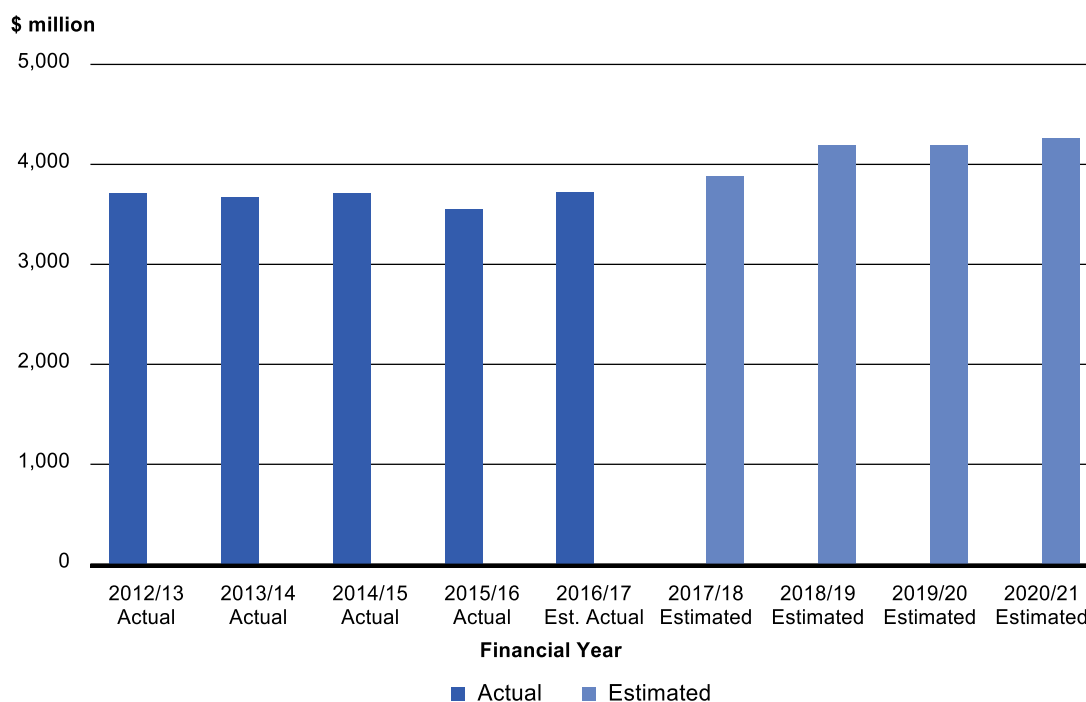
The departmental other expenses category incorporates one multi-year appropriation for Inland Revenue's Business Transformation. This is a new appropriation effective from 1 July 2017 to 30 June 2021, and replaces the Transformation departmental other expense annual appropriation established in 2015/16.

This appropriation covers expenditure for the multi-year, business-led technology-enabled transformation of New Zealand's revenue system. As this is a multi-year appropriation, the amounts in 2017/18 to 2020/21 are indicative of the spend in each of the individual years within the overall appropriation.

The indicative spending increase in 2017/18 is a result of the implementation of a major part of Stage 2 of Business Transformation during the year. Stage 2 focuses on the delivery of all tax products in the new environment, except for GST which was successfully implemented in Stage 1 during 2016/17. In addition, it is planned that Stage 2 of Business Transformation will deliver the Accounting Income Method for calculating provisional tax and implement enabling technologies, capabilities and a new organisational model for Inland Revenue.

Non-Departmental Benefits or Related Expenses

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



Source: Inland Revenue

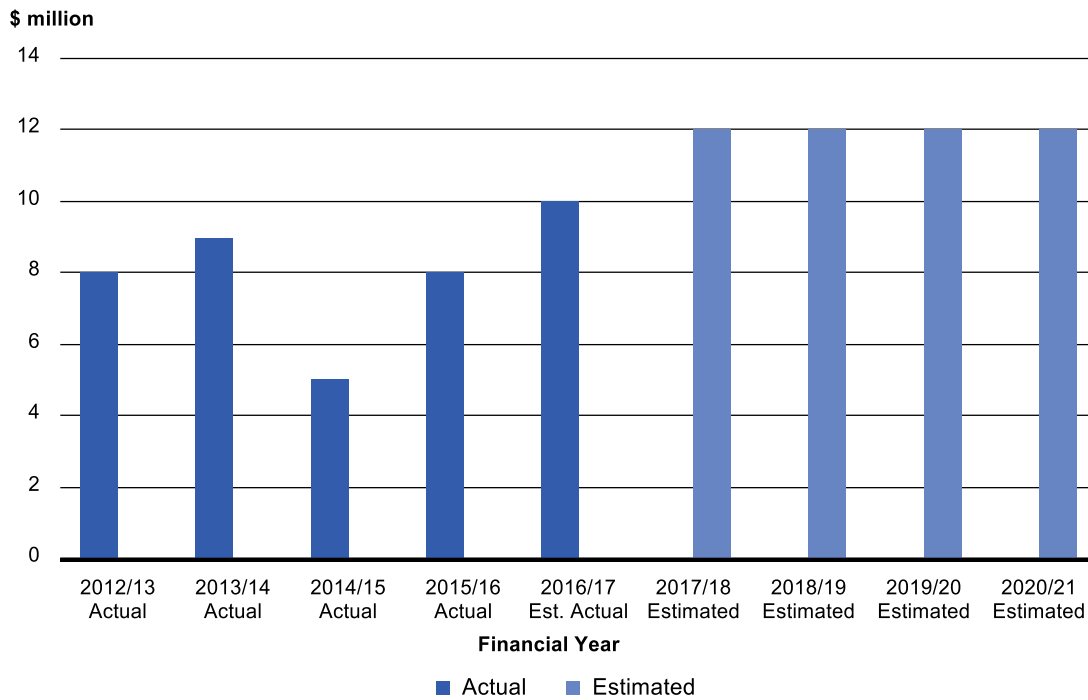
Benefits or related expenses include appropriations for KiwiSaver, Working for Families Tax Credits, payroll subsidy, paid parental leave payments and child support payments to custodial persons.

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

Benefits or related expenses rise steadily through the forecast period, with the exception of the payroll subsidy. The payroll subsidy, previously \$6 million per annum, ceases from 1 April 2018. Working for Families Tax Credits are significantly boosted from 1 April 2018 as a result of Budget 2017 policy changes. Income growth sees Working for Families entitlements decrease in 2019/20 relative to the previous year, but entitlements are expected to increase in the following year due to an expected indexation adjustment in April 2021.

Non-Departmental Borrowing Expenses

Figure 4 - Trends in non-departmental borrowing expenses



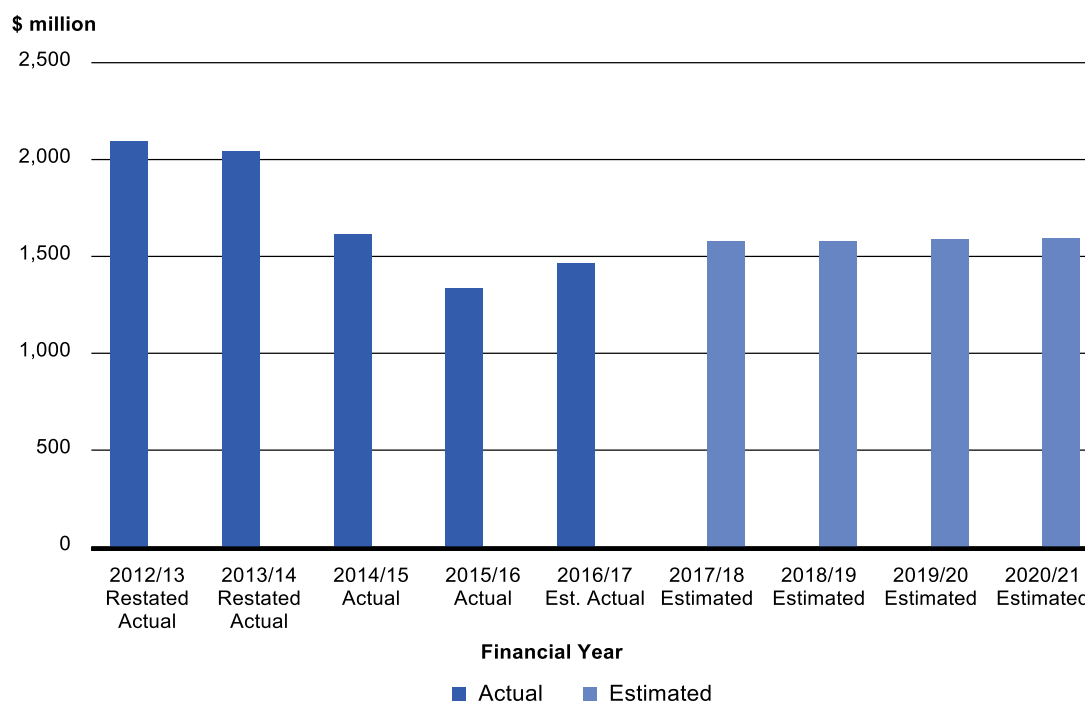
Source: Inland Revenue

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 2017/18 and future years reflects the expected level of the schemes' activity.

Non-Departmental Other Expenses

Figure 5 - Non-departmental other expenses



Source: Inland Revenue

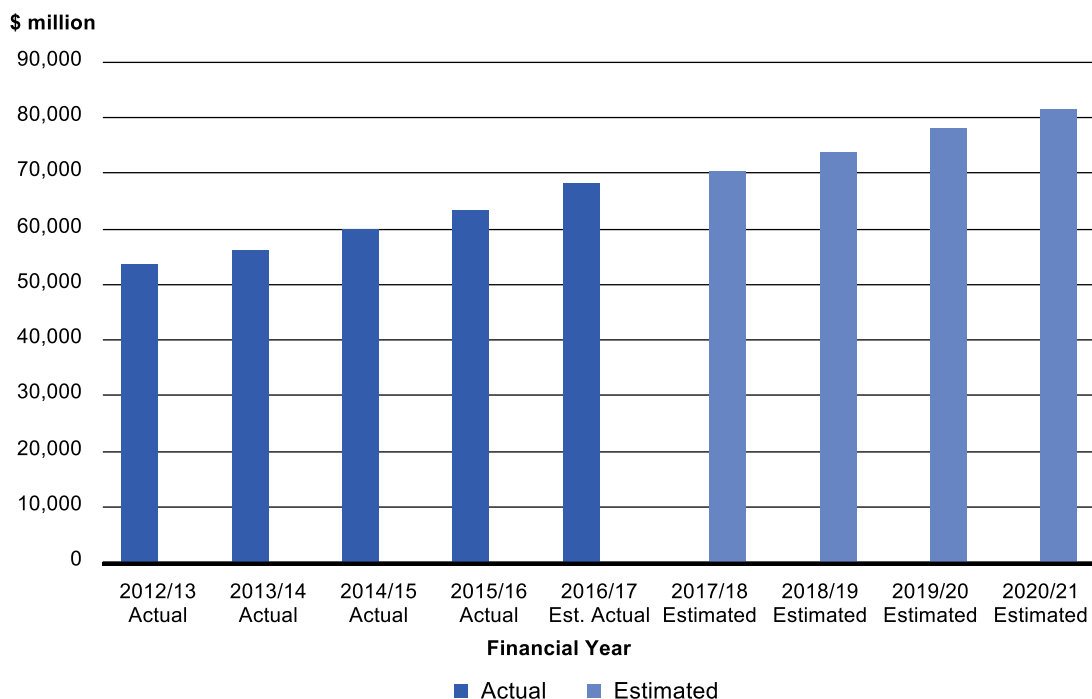
Non-departmental other expenses include bad debt write-offs, the initial fair value write-down on student loans, and impairments relating to student loans, child support, tax, KiwiSaver, and Working for Families Tax Credits debt.

The large 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 non-departmental other expenses stabilises.

Non-Departmental Tax Revenue

Figure 6 - Trends in non-departmental tax revenue



Source: Inland Revenue

Non-Departmental tax revenue incorporates unconsolidated source deductions (PAYE), other persons' tax, fringe benefit tax, corporate tax including company tax, other direct income tax, GST and other indirect tax administered by Inland Revenue.

Total tax revenue is forecast to continue to grow over the next five years at an average rate of just over 5% per annum which is only marginally higher than the forecast growth in nominal GDP.

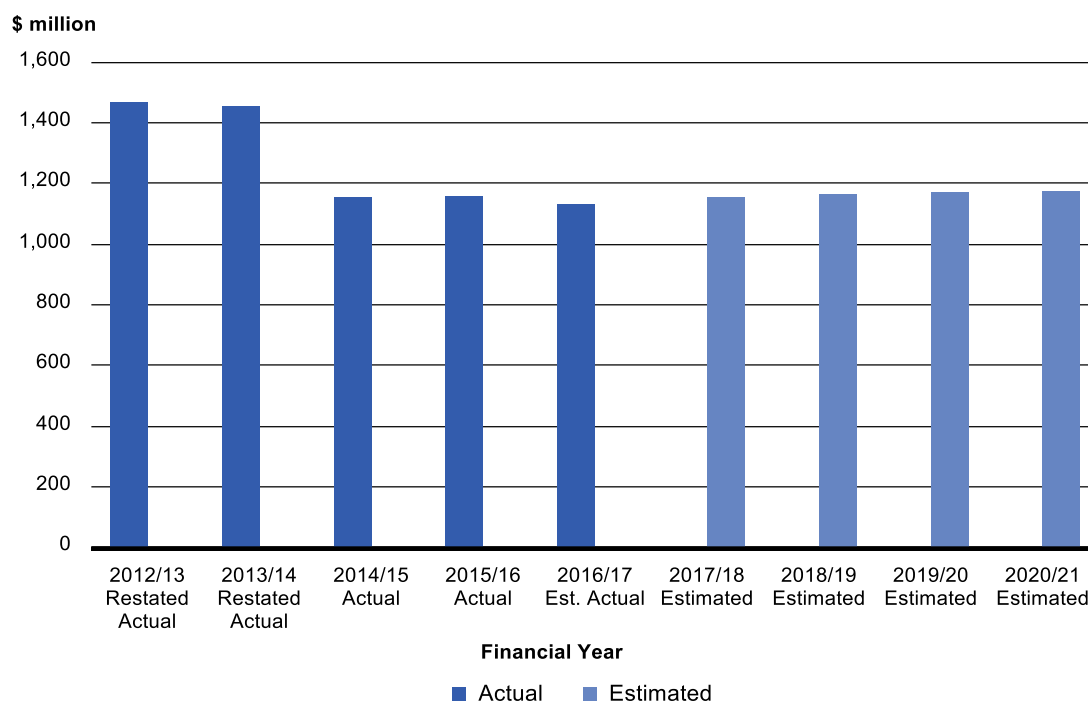
Taxes paid by individuals, eg, PAYE and other persons' tax, are forecast to grow more slowly than GDP, mainly due to changes to tax thresholds and tax credits announced in Budget 2017.

GST is the second largest tax type administered by Inland Revenue after PAYE and is forecast to, on average, grow in line with GDP.

Company tax is forecast to grow at a faster rate than GDP due to growth in taxable profits and the tightening of some tax rules applying to multi-national companies operating in New Zealand. An expected recovery in deposit interest rates from recent lows is forecast to increase resident withholding tax on interest income.

Non-Departmental Non-Tax Revenue

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



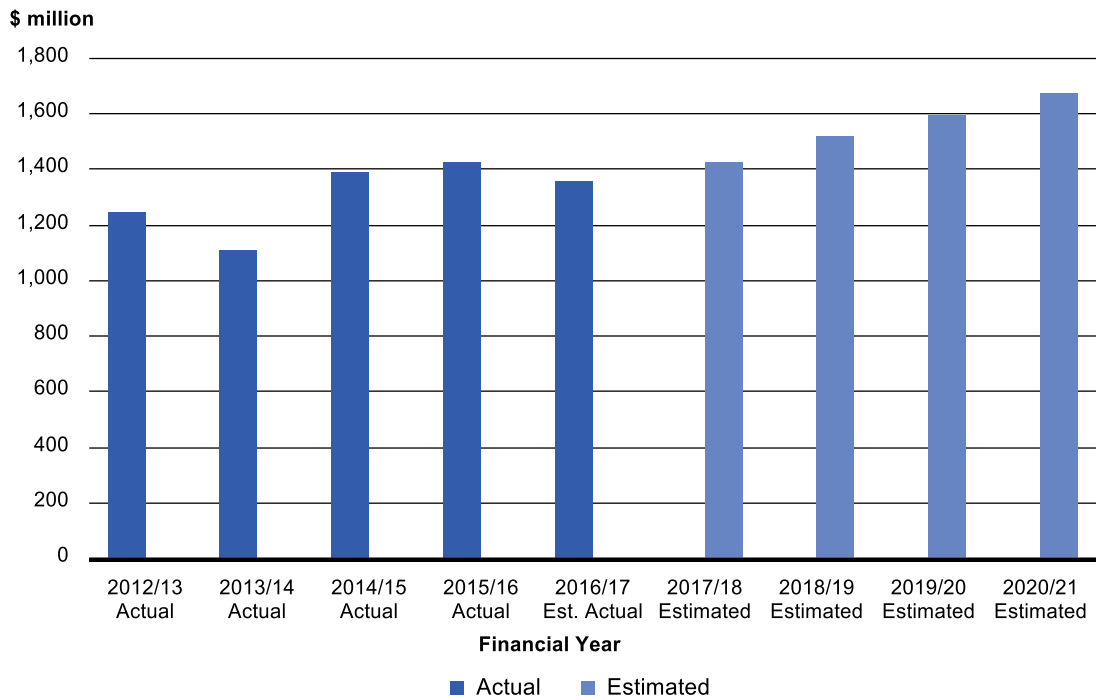
Source: Inland Revenue

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 debt.

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 decreases in 2013/14 and 2016/17 reflect lower income equalisation reserve scheme receipts. Receipts in this scheme are forecast to stabilise from 2017/18. The growth seen in 2017/18 and future years is attributable to higher forecast student loan capital repayments, which have a steadily increasing trend each year as incomes grow.

1.4 - Reconciliation of Changes in Appropriation Structure

2016/17 Appropriations in the 2016/17 Structure	2016/17 (Current) \$000	Old Structure		New Structure		
		Appropriations to which Expenses (or Capital Expenditure) have been Moved from or to	Amount Moved \$000	2016/17 Appropriations in the 2017/18 Structure	2016/17 (Restated) \$000	2017/18 \$000
Departmental Other Expenses						
Transformation	159,730	Transferred to Transformation MYA	(159,730)	Transformation	-	-
Transformation MYA	-	Transferred from Transformation	159,730	Transformation MYA	159,730	382,372
Total changes in Appropriations	159,730		-		159,730	382,372

From 2017/18 the Business Transformation funding has been moved to a new multi-year departmental other expense appropriation called Transformation MYA. The funding has been transferred from Transformation departmental other expense appropriation.

Explanations of the reasons for changing the appropriation structure are noted in the details of each appropriation in Parts 2-4.

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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	173,060	170,677	173,657
Revenue from the Crown	172,517	172,517	173,089
Revenue from Others	543	543	568

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

	2016/17		2017/18
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Primary measures			
Percentage of customers whose compliance behaviour improves after receiving an audit intervention (see Note 1).	80%	80%	80%
Discrepancy identified for every output dollar spent.	\$7.00	\$9.00	\$7.00
Percentage of litigation judgments found in favour of the Commissioner.	66%	75%	66%
Supporting measure			
Percentage of audited customers who are satisfied with their experience (see Note 1).	70%	72%	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 2018.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2016/17 Final Budgeted \$000	2017/18 Budget \$000	2018/19 Estimated \$000	2019/20 Estimated \$000	2020/21 Estimated \$000
Revenue investment continuation	2017/18	-	9,584	9,584	9,584	-
Business tax package	2016/17	270	150	100	-	-
Revenue investment	2015/16	16,602	16,602	16,602	16,602	-
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(340)	(240)	(180)	(180)	(180)
Cashing out research and development tax losses	2014/15	155	119	119	119	119
Property compliance initiative continuation	2014/15	5,000	5,000	5,000	5,000	5,000

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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	148,286	146,467	148,301
Revenue from the Crown	145,689	145,689	145,680
Revenue from Others	2,597	2,597	2,621

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	2016/17		2017/18
	Final Budgeted Standard	Estimated Actual	Budget Standard
Primary measures			
Percentage of returns filed by customers on time.	80%	91%	80%
Percentage of tax payments made by customers on time.	85%	87%	85%
Cash collected for every debt dollar spent.	\$40.00	\$49.50	\$40.00
Value of assessed revenue for every outstanding return dollar spent.	\$45.00	\$110.00	\$45.00
Percentage of child support assessments paid on time.	65%	69%	65%

Assessment of Performance	2016/17		2017/18
	Final Budgeted Standard	Estimated Actual	Budget Standard
Supporting measures			
Percentage of growth in outstanding returns.	(2%) or less	(10%)	0% or less
Percentage of debt cases resolved within six months.	80%	83%	80%
Average cost of finalising an outstanding return.	\$16.00-\$18.00	\$13.80	\$16.00-\$18.00
Percentage of collectable debt value over two years old.	60% or less	44%	60% or less
Percentage of debt value resolved for those who did not have a debt at the start of the year.	65%	73%	65%
Percentage of New Zealand liable parent child support debt cases resolved within 12 months.	75%	78%	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 2018.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2016/17 Final Budgeted \$000	2017/18 Budget \$000	2018/19 Estimated \$000	2019/20 Estimated \$000	2020/21 Estimated \$000
Revenue investment continuation	2017/18	-	10,400	10,400	10,400	-
Business tax package	2016/17	1,620	890	630	-	-
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(370)	(260)	(190)	(190)	(190)
Child support compliance	2014/15	6,828	6,734	6,757	-	-
Unfiled returns	2014/15	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

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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	9,504	9,097	9,560
Revenue from the Crown	9,483	9,483	9,537
Revenue from Others	21	21	23

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

	2016/17		2017/18
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Primary measures			
Percentage of ministerial satisfaction for policy advice.	80%	80%	80%
Percentage of sampled reports that meet quality standards (see Note 1).	75%	75%	75%
Average cost per hour of producing policy advice outputs.	\$150.00 or less	\$130.00	\$150.00 or less

Note 1 - A quality score of 70% or better.

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 2018.

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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	212,145	209,871	216,454
Revenue from the Crown	210,297	210,297	214,572
Revenue from Others	1,848	1,848	1,882

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

	2016/17		2017/18
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Primary measures			
Percentage of customers who perceive that Inland Revenue does enough to inform them of their rights and obligations (see Note 1).	80%	83%	80%
Percentage of customers who perceive that resolving issues with Inland Revenue requires low effort (see Note 1).	80%	80%	80%
Percentage of overall customer satisfaction with the quality of Inland Revenue services to inform (see Note 1).	90%	90%	90%
Supporting measures			
Percentage of telephone calls answered within two minutes.	75%	70%	75%
Average cost of a customer-initiated contact.	\$35.00 or less	\$29.80	\$35.00 or less
Percentage of all rulings reports, adjudication reports and public items that meet the applicable purpose, logic, alternatives, consultation, and practicality standards.	100%	100%	100%
Number of published or finalised public items that give the Commissioner's interpretation of the law.	25	25	25
Percentage of adjudication cases completed within three months of receipt.	90%	95%	90%
Percentage of taxpayer ruling applications that have a draft ruling completed within three months of receipt.	90%	95%	90%
Percentage of non-qualifying ruling applications that have a draft ruling completed within six months of receipt.	90%	95%	90%
Percentage of public items (including relevant public consultation) completed within 18 months of allocation.	90%	85%	85%
Percentage of submissions by the applicant on any draft ruling responded to within one month of receipt.	90%	90%	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 2018.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2016/17 Final Budgeted \$000	2017/18 Budget \$000	2018/19 Estimated \$000	2019/20 Estimated \$000	2020/21 Estimated \$000
Business tax package	2016/17	770	420	310	-	-
Package for children living in material hardship	2015/16	115	-	-	-	-
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(580)	(400)	(300)	(300)	(300)
Cashing out research and development tax losses	2014/15	619	475	475	475	475
Child support compliance	2014/15	2,276	2,245	2,253	-	-
Unfiled returns	2014/15	3,081	2,861	2,861	-	-
Paid parental leave payment	2013/14	13	13	13	13	13
Parental tax credit	2013/14	100	100	100	100	100

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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	3,060	2,460	3,060
Revenue from the Crown	-	-	-
Revenue from Others	3,060	2,460	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

	2016/17		2017/18
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Primary measures			
Percentage of satisfaction of the Department of Internal Affairs for services provided.	70%	70%	70%
Percentage of satisfaction of the New Zealand Productivity Commission for services provided.	70%	70%	70%

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2018.

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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	108,859	107,102	114,502
Revenue from the Crown	87,736	87,736	93,368
Revenue from Others	21,123	22,523	21,134

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	2016/17		2017/18
	Final Budgeted Standard	Estimated Actual	Budget Standard
Primary measures			
Percentage of customers who perceive that Inland Revenue makes it easy for people to get it right (see Note 1).	75%	82%	75%
Percentage of social policy and tax registrations processed within five working days.	85%	87%	85%
Percentage of income tax disbursements issued within six weeks.	85%	88%	85%
Percentage of GST disbursements issued within four weeks (see Note 2).	95%	96%	95%
Supporting measures			
Percentage of child support assessments issued within two weeks.	80%	77%	80%
Percentage of income tax returns finalised within four weeks.	90%	93%	90%
Percentage of GST returns finalised within three weeks.	95%	99%	95%
Percentage of employer monthly schedule employee deductions finalised within four weeks.	95%	99%	95%
Average cost of processing income tax returns, GST returns and employer monthly schedules.	\$5.00 or less	\$2.17	\$4.00 or less
Percentage of notices and statements produced without error (see Note 1).	98.5%	99%	98.5%
Percentage of tax credit claim payments made within three weeks.	90%	92%	90%
Percentage of Working for Families Tax Credit (WfFTC) payments made on the first regular payment date following an application.	95%	99%	95%
Percentage of paid parental leave payments issued to customers on the first pay day following the agreed date of entitlement.	97%	97%	97%
Percentage of child support administrative review decisions issued within seven weeks.	85%	79%	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 2018.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2016/17 Final Budgeted \$000	2017/18 Budget \$000	2018/19 Estimated \$000	2019/20 Estimated \$000	2020/21 Estimated \$000
Automatic Exchange of Information	2016/17	1,680	2,620	3,300	2,700	2,400
Package for children living in material hardship	2015/16	115	-	-	-	-
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(199)	(127)	(103)	(103)	(103)
Cashing out research and development tax losses	2014/15	774	594	594	594	594
Complying with the Foreign Account Tax Compliance Act	2013/14	992	969	969	969	969
Paid parental leave payments	2013/14	50	50	50	50	50
Parental tax credit	2013/14	400	400	400	400	400

2.2 - Departmental Other Expenses

Transformation (M57)

Scope of Appropriation and Expenses

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
Transformation (M57)	Original Appropriation	1,112,607
This appropriation is limited to the design and implementation of a modern system for tax revenue and social policy administered by Inland Revenue.	Adjustments to 2015/16	-
	Adjustments for 2016/17	-
Commences: 01 July 2017	Adjusted Appropriation	1,112,607
Expires: 30 June 2021	Actual to 2015/16 Year End	-
	Estimated Actual for 2016/17	-
	Estimated Actual for 2017/18	382,372
	Estimated Appropriation Remaining	730,235

Comparators for Restructured Appropriation

Vote, Type and Title of Appropriation	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Vote Revenue: Departmental Other Expense: Transformation	159,730	130,930	-
Total	159,730	130,930	-

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

	2016/17		2017/18
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Primary measures			
Deliver new functionality to allow customers (or their agents) to self-manage their tax obligations.	N/A	N/A	30 April 2018
Accounting Income Method (AIM) regime operational in the new tax system (START).	N/A	N/A	30 April 2018
Migrate all tax products to the new tax system (START).	N/A	N/A	30 April 2018
Complete the stage 2 plan for implementing any further legislative changes (subject to Ministers' decisions).	N/A	N/A	30 April 2018

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2018.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2016/17 Final Budgeted \$000	2017/18 Budget \$000	2018/19 Estimated \$000	2019/20 Estimated \$000	2020/21 Estimated \$000
Business transformation	2015/16	195,000	226,000	190,000	156,000	70,000

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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	13,000	13,000	8,000
Intangibles	116,263	93,000	213,600
Other	-	-	-
Total Appropriation	129,263	106,000	221,600

Significant Projects

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Business transformation	91,139	81,700	199,800
Total	91,139	81,700	199,800

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 of Business Transformation.

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 2017/18 which are:

- implementation of Business Transformation (approximately 90%), and
- maintain and improve business infrastructure including technology replacements and accommodation fit-outs (approximately 10%).

Business Transformation spending will be assessed against the performance measures agreed for 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 2018.

Reasons for Change in Appropriation

This appropriation increased by \$92.337 million to \$221.600 million in 2017/18 mainly due to planned capital expenditure for Business Transformation, which was approved by Cabinet in November 2015.

*Capital Injections and Movements in Departmental Net Assets***Inland Revenue Department**

Details of Net Asset Schedule	2016/17 Estimated Actual \$000	2017/18 Projected \$000	Explanation of Projected Movements in 2017/18
Opening Balance	273,134	255,461	
Capital Injections	58,110	181,600	Capital transfer of \$73.800 million from 2016/17 to 2017/18 to better align the funding with the implementation of Business Transformation. Capital injections of \$102 million for Business Transformation which was approved by Cabinet in November 2015, and \$5.800 million for the Automatic Exchange of Information (AEOI) initiative.
Capital Withdrawals	(75,783)	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
Closing Balance	255,461	437,061	

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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	279,000	279,000	291,000

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	2016/17 Final Budgeted \$000	2017/18 Budget \$000	2018/19 Estimated \$000	2019/20 Estimated \$000	2020/21 Estimated \$000
Addressing child support legacy debt	2015/16	900	1,100	1,100	-	-
Child support compliance	2014/15	18,000	18,000	18,000	-	-

Reasons for Change in Appropriation

The increase in 2017/18 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.

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 the 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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	900	900	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.

Conditions on Use of Appropriation

Reference	Conditions
Subpart MZ of the Income Tax 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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,763,000	1,763,000	1,823,000

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	2016/17 Final Budgeted \$000	2017/18 Budget \$000	2018/19 Estimated \$000	2019/20 Estimated \$000	2020/21 Estimated \$000
Budget 2017 Family Incomes Package	2017/18	-	97,000	371,000	316,000	308,000
Package for children living in material hardship	2015/16	(31,510)	(30,520)	(28,550)	(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 generally declines over time because income growth reduces entitlement for families with annual family incomes over the abatement threshold.

From 1 April 2018, family tax credit entitlements for children under 16 will increase to match the 16-18 year old entitlement rates. A partial offset occurs from an increase in the abatement rate from 22.5% to 25% and a reduction in the family income abatement threshold from \$36,350 to \$35,000. The abatement changes reduce entitlements for those on higher incomes. The combined changes will increase family tax credit entitlement from 1 April 2018, with a full year impact in the 2018/19 year.

Conditions on Use of Appropriation

Reference	Conditions
Subpart MD 3 of the Income Tax Act 2007	Sets out 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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	566,000	566,000	561,000

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	2016/17 Final Budgeted \$000	2017/18 Budget \$000	2018/19 Estimated \$000	2019/20 Estimated \$000	2020/21 Estimated \$000
Budget 2017 Family Incomes Package	2017/18	-	-	2,000	2,000	2,000
Package for children living in material hardship	2015/16	105,000	100,000	95,000	95,000	95,000

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.

KiwiSaver: Interest (M57)

Scope of Appropriation

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

Expenses

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	15,000	13,000	12,000

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

The interest appropriation for the 2017/18 year is lower than the previous year as a result of lower interest rates and an expected shorter holding period. This is offset to some extent by a stronger contribution base.

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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	793,000	768,000	798,000

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.

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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	13,000	13,000	12,000

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 \$23,816 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	2016/17 Final Budgeted \$000	2017/18 Budget \$000	2018/19 Estimated \$000	2019/20 Estimated \$000	2020/21 Estimated \$000
Package for children living in material hardship	2015/16	1,600	1,800	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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	287,000	282,000	338,000

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	2016/17 Final Budgeted \$000	2017/18 Budget \$000	2018/19 Estimated \$000	2019/20 Estimated \$000	2020/21 Estimated \$000
Extending the duration of parental leave payments of preterm babies	2015/16	3,400	3,400	3,400	3,400	3,400
Paid parental leave payments	2014/15	61,500	63,900	65,200	65,200	65,200

Reasons for Change in Appropriation

The increase in 2017/18 reflects wage increases raising the average entitlement and employment growth raising the volume of qualifying recipients.

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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	30,000	30,000	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	2016/17 Final Budgeted \$000	2017/18 Budget \$000	2018/19 Estimated \$000	2019/20 Estimated \$000	2020/21 Estimated \$000
Package for children living in material hardship	2015/16	(490)	(480)	(450)	(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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	5,900	5,900	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.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2016/17 Final Budgeted \$000	2017/18 Budget \$000	2018/19 Estimated \$000	2019/20 Estimated \$000	2020/21 Estimated \$000
Making Tax Simpler: Better Administration of PAYE and GST	2017/18	-	(1,700)	(7,300)	(8,100)	(8,100)

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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	40	40	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

After increased activity in 2016/17, the decrease in 2017/18 reflects an expectation that activity in the scheme will return to more typical levels, resulting in lower interest payments.

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

	2016/17		2017/18
	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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	8,000	8,000	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 increase in 2017/18 allows for potential volatility in the usage of the income equalisation scheme.

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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	950,000	750,000	800,000

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	2016/17 Final Budgeted \$000	2017/18 Budget \$000	2018/19 Estimated \$000	2019/20 Estimated \$000	2020/21 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)	(100,280)
Revenue investment	2015/16	11,601	11,601	11,601	11,601	-
Unfiled returns	2014/15	19,698	19,698	15,758	-	-

Reasons for Change in Appropriation

The decrease in 2017/18 reflects a material reduction in the overall level of overdue debt and hence impairment 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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	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.

Reasons for Change in Appropriation

The decrease in 2017/18 is due to a forecast change in the expected impairment.

Impairment of Debt Relating to Student Loans (M57)

Scope of Appropriation

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

Expenses

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	143,000	43,000	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 2018.

Reasons for Change in Appropriation

The decrease in 2017/18 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

	2016/17		2017/18
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	689,000	670,000	676,000

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 2018.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2016/17 Final Budgeted \$000	2017/18 Budget \$000	2018/19 Estimated \$000	2019/20 Estimated \$000	2020/21 Estimated \$000
Annual maximum fee movement for 2017 and 2018	2016/17	1,516	2,971	3,262	3,380	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	561	797	969	627	-
Investing to increase the number of engineering graduates	2015/16	44	108	477	371	990
Maintain the student allowance parental income threshold	2015/16	444	1,623	2,520	2,520	2,520
Set the annual maximum fee movement to 3% for 2016	2015/16	(4,960)	(5,173)	(5,363)	(5,363)	(5,363)
Supporting better public services and business growth within Vote Tertiary Education	2015/16	1,665	1,965	2,013	2,013	2,013
Additional medical places	2014/15	769	1,242	1,552	1,644	1,644
Extending the student support stand-down period for permanent residents	2014/15	(4,409)	(4,409)	(4,409)	(4,409)	(4,409)
Suspending the student loan repayment threshold until 1 April 2017	2014/15	(11,132)	(11,260)	(11,260)	(11,260)	(11,260)
20 additional medical places	2013/14	513	639	676	676	676
Additional flexibility for highly performing private training establishments	2013/14	4,827	4,827	4,827	4,827	4,827
Continue 99-105% tolerance bands	2013/14	1,893	1,893	1,893	1,893	1,893
Reducing student allowances eligibility for students aged 40 and over	2013/14	783	783	783	783	783
Removing student allowances eligibility for those aged 65 and over	2013/14	(627)	(627)	(627)	(627)	(627)

Reasons for Change in Appropriation

The decrease in 2017/18 is due to macroeconomic changes impacting on the initial fair value ratio used to calculate the write-down. This calculation is compliant with and required by accounting standards, Public Benefit Entity International Public Sector Accounting Standards.