

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 2015/16 financial year covering the following:

- a total of just under \$710 million on 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 \$55 million for departmental other expenditure on transformation
- a total of \$105 million for departmental capital expenditure
- a total of just over \$3,648 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 \$17 million for non-departmental borrowing expenses, and
- a total of just over \$2,278 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 2015/16 financial year covering the following:

- a total forecast of \$62,137 million for tax revenue
- a total forecast of \$1,523 million for non-tax revenue, and
- a total forecast of \$1,317 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	2014/15		2015/16
	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.	177,059	174,455	176,168
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.	151,463	148,787	146,169
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.	9,153	9,003	8,002
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.	253,155	247,349	250,758
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.	133,507	130,343	125,734
Total Departmental Output Expenses	727,397	712,397	709,891
Departmental Other Expenses			
Transformation (M57) This appropriation is limited to the design, and implementation of Stage 1, of a modern system for tax revenue and social policy administered by Inland Revenue.	-	-	55,000
Total Departmental Other Expenses	-	-	55,000
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.	33,000	33,000	105,000
Total Departmental Capital Expenditure	33,000	33,000	105,000

Titles and Scopes of Appropriations by Appropriation Type	2014/15		2015/16
	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).	263,000	263,000	276,000
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).	1,300	1,300	1,100
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).	1,857,000	1,857,000	1,837,000
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).	512,000	512,000	529,000
KiwiSaver: Interest (M57) To enable the payment of interest on KiwiSaver contributions as set out in the KiwiSaver Act 2006.	13,000	13,000	15,000
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.	643,000	643,000	705,000
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).	16,000	16,000	16,000
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.	189,000	184,000	233,000
Parental Tax Credit PLA (M57) To enable payment of additional financial support to be made to working families for the eight week period following the birth of a child (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	21,000	21,000	31,000
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.	4,100	4,100	5,100
KiwiSaver: Kickstart Payment (M57) To enable the one-off payment made on opening a KiwiSaver account for members who meet the required eligibility criteria as set in the KiwiSaver Act 2006.	231,000	226,000	-
Total Benefits or Related Expenses	3,750,400	3,740,400	3,648,200
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.	20	20	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.	15,000	15,000	15,000
Total Non-Departmental Borrowing Expenses	17,020	17,020	17,010

Titles and Scopes of Appropriations by Appropriation Type	2014/15		2015/16
	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.	1,180,356	875,972	1,179,224
Impairment of Debt and Debt Write-Offs Relating to Child Support (M57) This appropriation is limited to impairment and bad debt write-offs relating to child support debt.	252,000	222,000	353,340
Impairment of Debt Relating to Student Loans (M57) This appropriation is limited to the impairment of student loan debt.	282,000	182,000	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.	622,844	606,000	646,000
Total Non-Departmental Other Expenses	2,337,200	1,885,972	2,278,564
Total Annual and Permanent Appropriations	6,865,017	6,388,789	6,813,665

Capital Injection Authorisations

	2014/15		2015/16
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Inland Revenue Department - Capital Injection (M57)	3,572	3,572	2,480

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Addressing child support legacy debt	Child Support Payments (PLA) Non-Departmental Benefits or Related Expenses	-	600	900	1,100	1,100
	Impairment of Debt and Debt Write-Offs Relating to Child Support Non-Departmental Other Expenses	-	2,100	9,800	16,700	24,500
Business transformation	Investigations Departmental Output Expenses	7,300	-	-	-	-
	Management of Debt and Outstanding Returns Departmental Output Expenses	6,300	-	-	-	-
	Policy Advice Departmental Output Expenses	1,100	-	-	-	-
	Services to Inform the Public About Entitlements and Meeting Obligations Departmental Output Expenses	11,100	-	-	-	-
	Services to Process Obligations and Entitlements Departmental Output Expenses	6,200	-	-	-	-
	Transformation Departmental Other Expenses	-	51,000	-	-	-
Cashing out research and development tax losses	Investigations Departmental Output Expenses	85	241	155	119	119
	Services to Inform the Public About Entitlements and Meeting Obligations Departmental Output Expenses	342	965	619	475	475
	Services to Process Obligations and Entitlements Departmental Output Expenses	427	1,207	774	594	594
	Departmental Capital Injections Departmental Net Assets	1,236	1,997	-	-	-
Complying with the Foreign Account Tax Compliance Act	Services to Process Obligations and Entitlements Departmental Output Expenses	1,382	(174)	(326)	(355)	(791)
	Departmental Capital Withdrawals Departmental Net Assets	(1,872)	(34)	-	-	-

Policy Initiative	Appropriation	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Investing to increase the number of engineering graduates	Initial Fair Value Write-Down Relating to Student Loans Non-Departmental Other Expenses	-	13	44	108	477
KiwiSaver: removal of kick-start payment	Services to Inform the Public About Entitlements and Meeting Obligations Departmental Output Expenses	133	56	-	-	-
	Services to Process Obligations and Entitlements Departmental Output Expenses	57	24	-	-	-
	KiwiSaver: Kickstart Payment Non-Departmental Benefits or Related Expenses	(17,000)	(175,000)	(126,000)	(106,000)	(107,000)
Maintain the student allowance parental income threshold	Initial Fair Value Write-Down Relating to Student Loans Non-Departmental Other Expenses	-	27	444	1,623	2,520
Package for children living in material hardship	Services to Inform the Public About Entitlements and Meeting Obligations Departmental Output Expenses	-	300	115	-	-
	Services to Process Obligations and Entitlements Departmental Output Expenses	-	300	115	-	-
	Family Tax Credit PLA Non-Departmental Benefits or Related Expenses	-	(7,880)	(31,510)	(30,520)	(28,550)
	In-Work Tax Credit Non-Departmental Benefits or Related Expenses	-	27,000	105,000	100,000	95,000
	Minimum Family Tax Credit Non-Departmental Benefits or Related Expenses	-	400	1,600	1,800	1,800
	Parental Tax Credit PLA Non-Departmental Benefits or Related Expenses	-	(120)	(490)	(480)	(450)
Revenue investment	Investigations Departmental Output Expenses	-	7,440	16,602	16,602	16,602
	Impairment of Debt and Debt Write-Offs Non-Departmental Other Expenses	-	5,199	11,601	11,601	11,601

Policy Initiative	Appropriation	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Revenue investment continuation	Investigations Departmental Output Expenses	-	-	-	9,584	9,584
	Management of Debt and Outstanding Returns Departmental Output Expenses	-	-	-	10,400	10,400
	Impairment of Debt and Debt Write-Offs Non-Departmental Other Expenses	-	-	-	(6,525)	(6,525)
Set the annual maximum fee movement at 3% for 2016	Initial Fair Value Write-Down Relating to Student Loans Non-Departmental Other Expenses	-	(3,947)	(4,960)	(5,173)	(5,363)
Simplifying filing requirements for individuals and record-keeping requirements for businesses - repeal of legislation	Services to Inform the Public About Entitlements and Meeting Obligations Departmental Output Expenses	-	-	(500)	-	-
	Services to Process Obligations and Entitlements Departmental Output Expenses	(1,431)	(1,865)	(2,467)	-	-

1.2 - Trends in the Vote

Summary of Financial Activity

	2010/11	2011/12	2012/13	2013/14	2014/15		2015/16			2016/17	2017/18	2018/19
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations												
Output Expenses	639,994	644,990	628,213	671,174	685,297	675,297	709,891	-	709,891	706,023	703,713	702,423
Benefits or Related Expenses	4,152,510	3,732,991	3,711,194	3,678,047	3,750,400	3,740,400	N/A	3,648,200	3,648,200	3,794,800	3,927,500	4,043,200
Borrowing Expenses	7,126	5,067	7,857	8,908	17,020	17,020	-	17,010	17,010	12,010	12,010	12,010
Other Expenses	1,326,596	1,380,379	2,122,485	2,075,325	2,509,300	2,053,072	55,000	2,278,564	2,333,564	2,188,387	2,213,620	2,235,736
Capital Expenditure	37,578	53,537	48,940	44,691	33,000	33,000	105,000	-	105,000	159,000	55,000	55,000
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	6,163,804	5,816,964	6,518,689	6,478,145	6,995,017	6,518,789	869,891	5,943,774	6,813,665	6,860,220	6,911,843	7,048,369
Crown Revenue and Capital Receipts												
Tax Revenue	46,845,147	49,165,842	53,770,788	56,207,968	59,700,000	59,700,000	N/A	62,137,000	62,137,000	65,266,000	69,263,000	72,531,000
Non-Tax Revenue	1,220,627	1,064,087	1,469,715	1,456,383	1,490,000	1,490,000	N/A	1,523,000	1,523,000	1,386,000	1,371,000	1,338,500
Capital Receipts	771,040	904,106	1,246,095	1,111,028	1,440,500	1,440,500	N/A	1,317,000	1,317,000	1,352,000	1,435,000	1,537,000
Total Crown Revenue and Capital Receipts	48,836,814	51,134,035	56,486,598	58,775,379	62,630,500	62,630,500	N/A	64,977,000	64,977,000	68,004,000	72,069,000	75,406,500

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

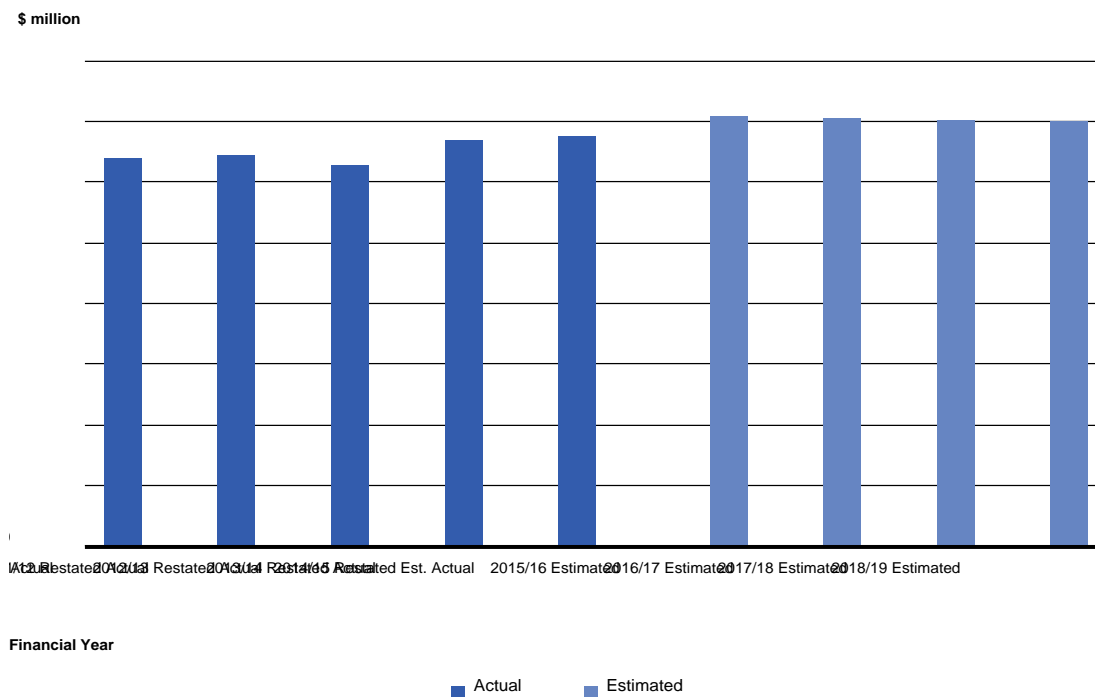
	2010/11 Adjustments \$000	2011/12 Adjustments \$000	2012/13 Adjustments \$000	2013/14 Adjustments \$000	2014/15 Budgeted Adjustments \$000	2014/15 Estimated Actual Adjustments \$000
Appropriations						
Output Expenses	-	(16,569)	(27,812)	(28,380)	(42,100)	(37,100)
Benefits or Related Expenses	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-
Other Expenses	76,149	86,218	96,910	124,746	172,100	167,100
Capital Expenditure	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)						
<i>Output Expenses</i>	-	-	-	-	-	-
<i>Other Expenses</i>	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-
Total Appropriations	76,149	69,649	69,098	96,366	130,000	130,000
Crown Revenue and Capital Receipts						
Tax Revenue	-	-	-	-	-	-
Non-Tax Revenue	76,149	69,649	69,098	96,366	130,000	130,000
Capital Receipts	-	-	-	-	-	-
Total Crown Revenue and Capital Receipts	76,149	69,649	69,098	96,366	130,000	130,000

The prior year information in the Summary of Financial Activity table has been restated to reflect the current Vote structure. The prior year spend includes a restatement of departmental expenditure for the new Transformation other expense appropriation as well as a restatement of non-departmental expenditure for the addressing child support legacy debt policy initiative.

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 \$640 million in 2010/11 to an estimated amount of just over \$675 million in 2014/15 and a budgeted amount of just under \$710 million in 2015/16.

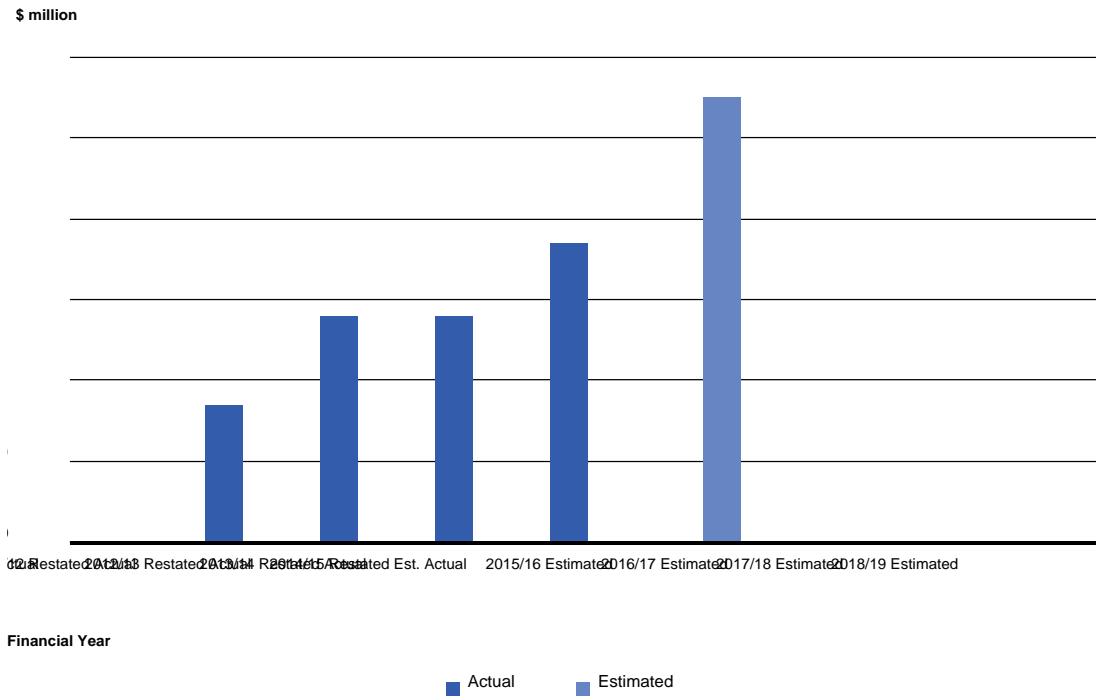
Inland Revenue continues to focus on delivering operational initiatives to improve efficiency of operations to meet demand for services and cost pressures. The expenditure growth in the years to 2014/15 was largely driven by initiatives such as child support scheme reform, simplifying filing requirements, 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.

The 2015/16 baseline includes funding for new policy initiatives including: revenue investment, children living in material hardship, KiwiSaver policy changes, and cashing out research and development tax losses.

Departmental Other Expenses

Figure 2 - Trends in departmental other expenses



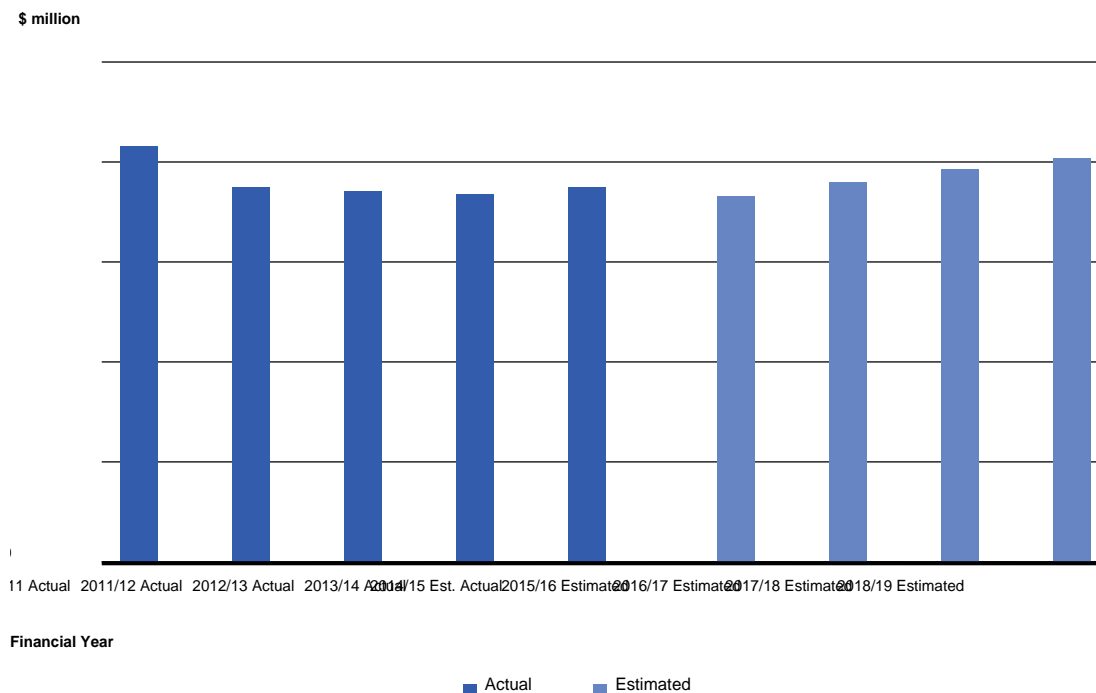
Source: Inland Revenue

Expenditure on departmental other expenses incorporates one appropriation for Transformation which is effective from 1 July 2015. Expenditure on transformation from 2011/12 to 2014/15 was included in departmental output expenses. These years have been restated for comparative purposes.

Transformation is a multi-year, business-led technology-enabled programme to deliver a range of initiatives to modernise New Zealand's tax administration. The restated expenditure for the 2011/12 to 2014/15 financial years includes the feasibility, mobilisation and high level design phases for the transformation programme. In 2015/16 funding of \$55 million has been approved up to March 2016 by Cabinet to complete the detailed design for stage one of the programme and to deliver early improvements in digital services for customers. This will be followed by the implementation of stage one and detailed design and implementation for stages two to four, with funding in out-years subject to future business cases and Cabinet decisions.

Non-Departmental Benefits or Related Expenses

Figure 3 - Non-departmental benefits or related expenses



Source: Inland Revenue

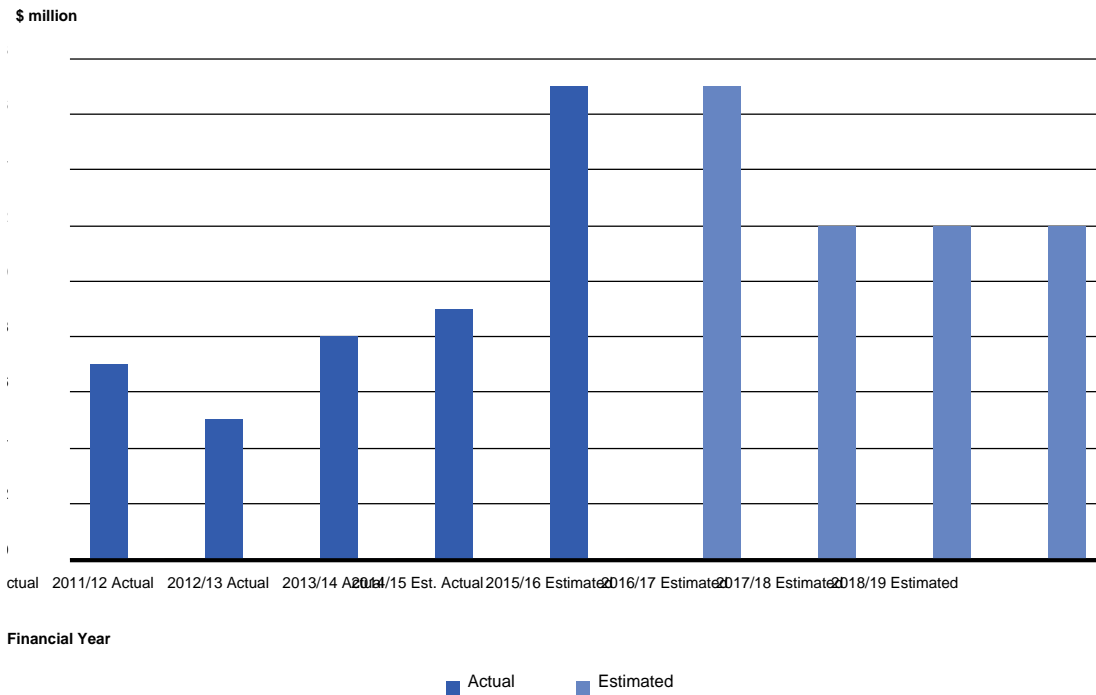
Benefits or related expenses include appropriations for KiwiSaver, Working for Families Tax Credits, payroll subsidy and child support payments to custodial persons.

The decrease from 2010/11 reflected policy changes in relation to making KiwiSaver more cost-effective (primarily halving the member tax credit) and Working for Families changes from Budget 2011 which increased abatement through broadening the definition of income, adjusting the abatement threshold and increasing the abatement rate.

From 2012/13 until 2014/15, total expenses are relatively stable with increases in KiwiSaver expenses as a result of increased scheme membership offset by decreases in Working for Families Tax Credits mainly as a result of abatement. From 2015/16 we see a fall as a result of the removal of the kickstart payment from Budget day offset by increases to Working for Families Tax Credits due to policy changes from the package for children living in material hardship.

Non-Departmental Borrowing Expenses

Figure 4 - Non-departmental borrowing expenses



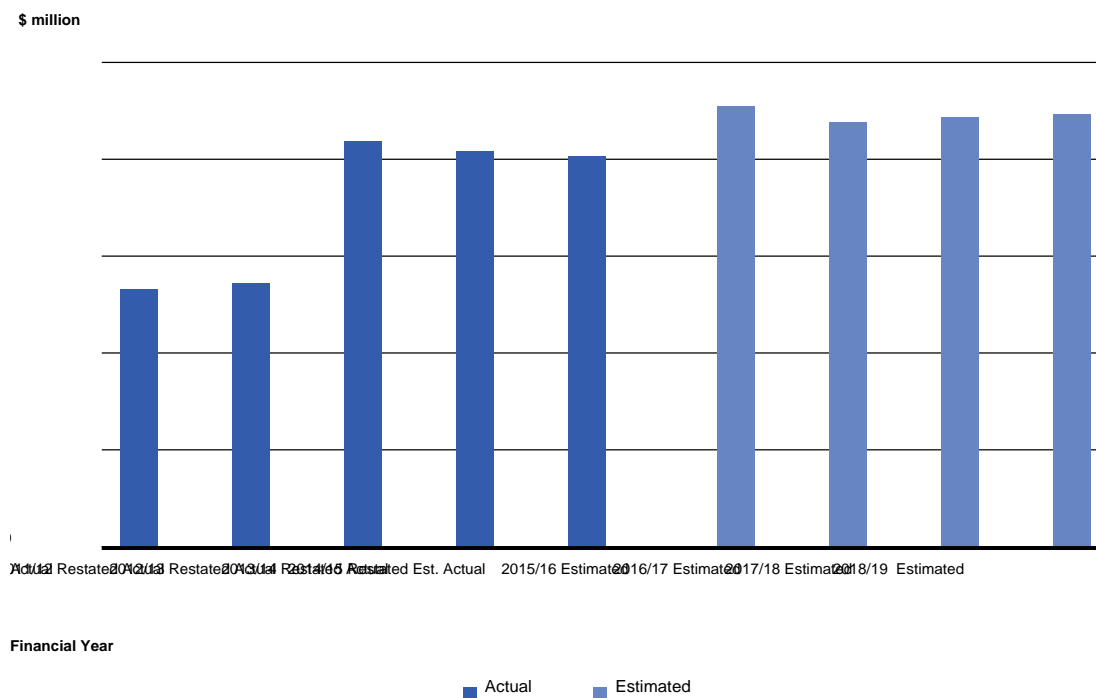
Source: Inland Revenue

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 shift 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 environment restoration costs.

The higher interest payments from 2013/14 reflect an increase in actual deposits into the income equalisation and environmental restoration schemes. Deposits are forecast to remain higher than historical averages with correspondingly higher interest payments from 2014/15.

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.

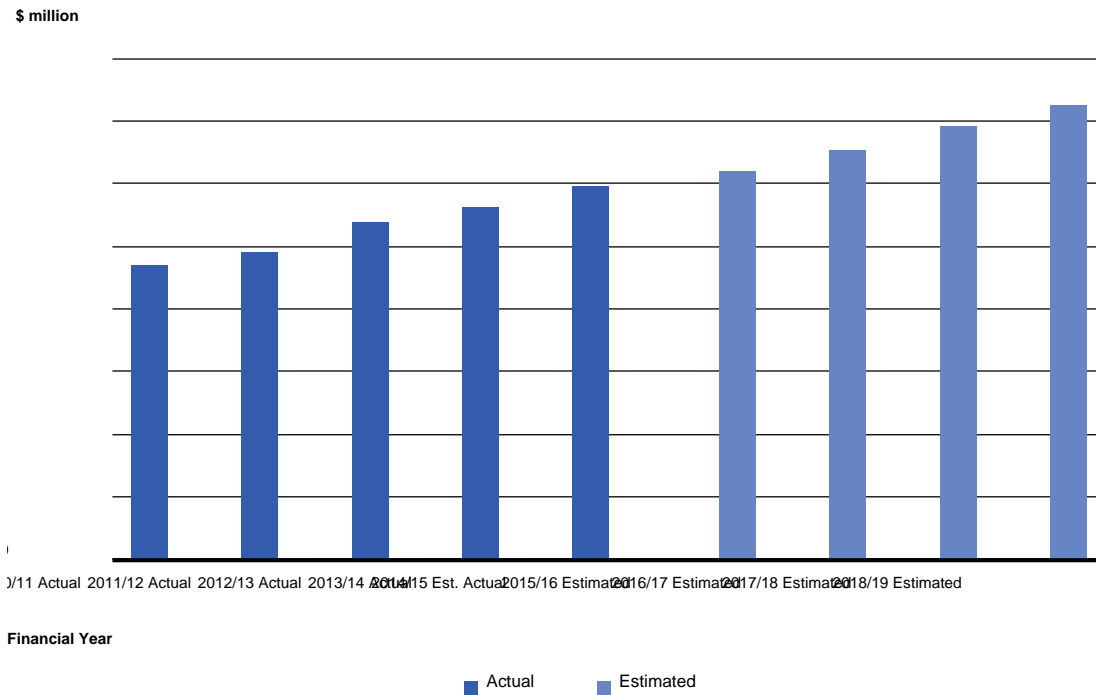
The large increase in 2012/13 expenditure was the result of higher student loan impairment due to lower student incomes, higher child support impairment due to growth in child support penalties and the first full-year impact of the student loan initial fair value write-down appropriation transferring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

The reduction in 2013/14 reflected lower student impairment and debt impairment partially offset by higher bad debt write-offs. Although the 2014/15 non-departmental other expenses stay at a similar level to 2013/14, debt write-offs are forecast to increase while tax debt impairment is forecast to decrease.

From 2015/16 the level of impairment continues to grow in line with forecasts for tax revenue and debt. This growth is offset by child support legislative changes to reduce penalties that come into effect from 1 April 2016.

Tax Revenue

Figure 6 - Tax revenue



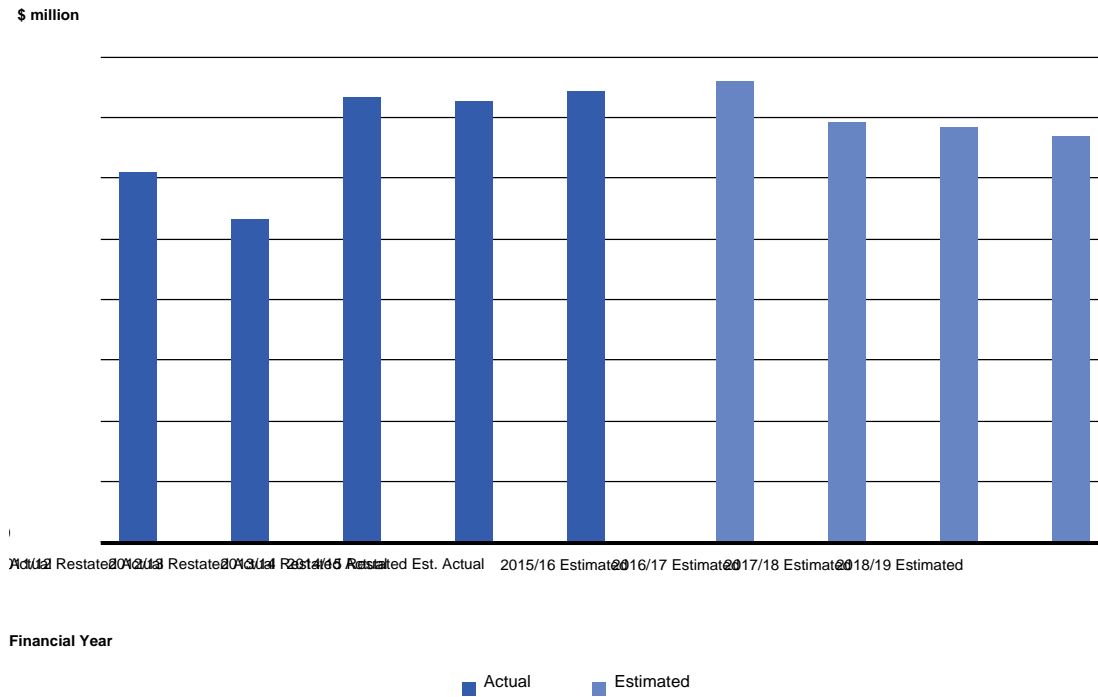
Source: Inland Revenue

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 increases throughout the forecast period. From 2010/11 to 2011/12 the rate of growth was tempered by the economic downturn, but revenue growth has subsequently recovered together with the recovery in economic growth. In the 2014/15 year, total annual tax revenue is expected to grow by 5.6%, with the largest increases of 9% from net other persons' tax, 7% from GST, and 6% from source deductions. Through 2015/16 and 2016/17, overall tax revenue growth is forecast to slow a little at 4.8% and 4.6% respectively, as comparatively weak inflation slows nominal GDP. Thereafter, the forecast growth rate of tax broadly follows the forecast growth rate of nominal GDP, with fiscal drag adding to the growth rate of source deductions.

Non-Tax Revenue

Figure 7 - Non-tax revenue



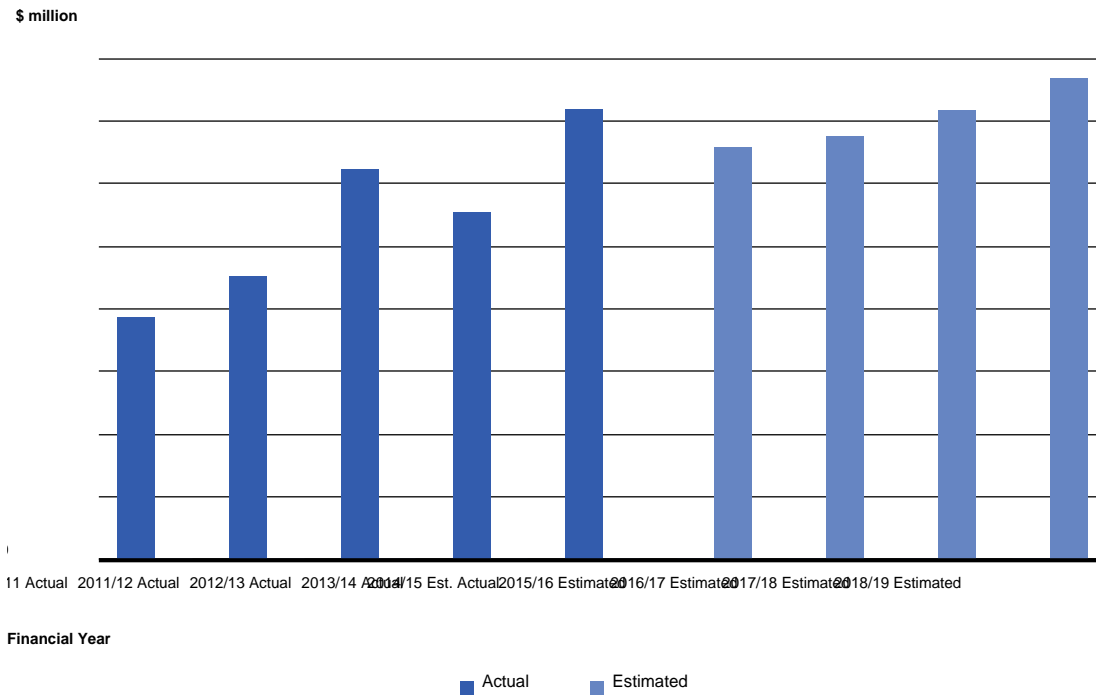
Source: Inland Revenue

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 Working for Families Tax Credits interest and penalties.

The non-tax revenue volatility is mainly driven by child support penalties. The decrease in actual revenue for 2011/12 was due to the reversal of child support penalties as a result of changes implemented in the child support system. This was a one-off adjustment and penalties returned to normal growth levels until 2016/17 when the first main impact of the child support legislative changes reducing penalties comes into effect from 1 April 2016.

Capital Receipts

Figure 8 - Capital receipts



Source: Inland Revenue

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

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 is felt. Growth in incomes, the impact of on-going policy decisions, and overseas-based borrower debt initiatives are also seen impacting growth levels. This is tempered, to a degree, by a reversion of student loan voluntary repayments back to normal levels.

1.4 - Reconciliation of Changes in Appropriation Structure

2014/15 Appropriations in the 2014/15 Structure	2014/15 (Current) \$000	Old Structure		New Structure		
		Appropriations to which Expenses (or Capital Expenditure) have been Moved from or to	Amount Moved \$000	2014/15 Appropriations in the 2015/16 Structure	2014/15 (Restated) \$000	2015/16 \$000
Departmental Output Expenses						
Management of Debt and Outstanding Returns	151,463	Transferred to Transformation	(8,116)	Management of Debt and Outstanding Returns	143,347	146,169
Policy Advice	9,153	Transferred to Transformation	(1,100)	Policy Advice	8,053	8,002
Services to Inform the Public About Entitlements and Meeting Obligations	253,155	Transferred to Transformation	(15,113)	Services to Inform the Public About Entitlements and Meeting Obligations	238,042	250,758
Services to Process Obligations and Entitlements	133,507	Transferred to Transformation	(7,935)	Services to Process Obligations and Entitlements	125,572	125,734
Taxpayer Audit	177,059	Transferred to Transformation and renamed to Investigations	(9,836)	Investigations	167,223	176,168
Departmental Other Expenses						
Transformation	-	Transferred from Management of Debt and Outstanding Returns, Policy Advice, Services to Inform the Public About Entitlements and Meeting Obligations, Services to Process Obligations and Entitlements, and Taxpayer Audit	42,100	Transformation	42,100	55,000
Total changes in Appropriations	724,337		-		724,337	761,831

From 2015/16 the transformation programme funding has been moved to a new departmental other expense appropriation called Transformation. The funding has been transferred from departmental output expense appropriations Management of Debt and Outstanding Returns, Policy Advice, Services to Inform the Public About Entitlements and Meeting Obligations, Services to Process Obligations and Entitlements, and Taxpayer Audit.

The 2014/15 transformation funding has been restated from the departmental output expenses to the departmental other expenses for the purposes of transparency and traceability.

In addition, the Taxpayer Audit output expense appropriation has been renamed Investigations.

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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	177,059	174,455	176,168
Revenue from the Crown	176,794	174,299	175,903
Revenue from Others	265	156	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

	2014/15		2015/16
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Minimum percentage of cases that are correct, complete, clear, and appropriately referenced (see Note 1).	90%	96%	90%
Minimum percentage of audited customers who are satisfied with their experience (see Note 1).	65%	70%	70%
Minimum percentage of customers confident that Inland Revenue takes appropriate action against those who do not comply (see Note 1).	75%	75%	75%
Minimum percentage of audits that result in a material discrepancy.	75%	80%	75%
On average, we will complete audits within agreed timeframes:			
• 4 months for general audits	Achieved	Achieved	Achieved
• 12 months for risk based audits	Achieved	Achieved	Achieved
• 16 months for evasion and fraud audits	Achieved	Achieved	Achieved
• 28 months for aggressive tax planning audits	Achieved	Achieved	Achieved
Minimum percentage of disputed cases completed within 15 months.	75%	75%	75%
Minimum discrepancy identified for every output dollar spent.	\$7.00	\$7.36	\$7.00
Minimum percentage of litigation judgments found in favour of the Commissioner.	66%	81%	66%

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

Unless otherwise specified, all performance measures 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 2016.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Revenue investment continuation	2017/18	-	-	-	9,584	9,584
Revenue investment	2015/16	-	7,440	16,602	16,602	16,602
Cashing out research and development tax losses	2014/15	85	241	155	119	119
Property compliance initiative continuation	2014/15	5,000	5,000	5,000	5,000	5,000
Business transformation	2013/14	12,109	-	-	-	-
GST cross-border business to business neutrality	2013/14	140	120	-	-	-
Efficiency savings	2012/13	(2,004)	(2,119)	(2,119)	(2,119)	(2,119)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(1,882)	(2,000)	(2,000)	(2,000)	(2,000)
Revenue investment	2012/13	9,584	9,584	9,584	-	-

Reasons for Change in Appropriation

The decrease in this appropriation for 2015/16 is mainly due to:

- a fiscally neutral funding transfer of (\$9.836 million) to reallocate business transformation funding to the new Transformation departmental other expense appropriation, and
- the reversal of (\$234,000) relating to a one-off transfer from 2013/14 to 2014/15 for the mainframe project.

Partially offset by:

- additional funding of \$7.440 million for the revenue investment initiative
- the reversal of \$1.718 million relating to transfers from 2014/15 to 2017/18 and 2018/19 to align with the timing of capital expenditure for the business transformation programme, and
- additional funding of \$156,000 for the cashing out research and development tax losses initiative.

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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	151,463	148,787	146,169
Revenue from the Crown	148,501	145,938	143,207
Revenue from Others	2,962	2,849	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

	2014/15		2015/16
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Maximum percentage growth in outstanding returns.	0%	(10%)	(2%)
Minimum percentage of outstanding returns finalised within six months.	65%	68%	65%
Minimum percentage of outstanding employer monthly schedules finalised within three months.	85%	90%	90%
Maximum average cost of finalising an outstanding return.	\$15.00	\$9.37	\$12.00
Maximum percentage of collectable debt value over two years old.	60%	50%	60%
Minimum percentage of debt cases resolved within six months.	80%	83%	80%
Minimum percentage of debt value resolved for those who did not have a debt at the start of the year.	65%	75%	65%
Minimum cash collected for every debt dollar spent.	\$40.00	\$46.23	\$40.00
Minimum percentage of New Zealand paying parent child support debt cases resolved within 12 months.	75%	76%	75%

Unless otherwise specified, all performance measures 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 2016.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Revenue investment continuation	2017/18	-	-	-	10,400	10,400
Child support compliance	2014/15	5,420	6,944	6,828	6,734	6,757
Unfiled returns	2014/15	6,743	7,188	7,188	6,675	6,675
Property compliance initiative continuation	2014/15	1,650	1,650	1,650	1,650	1,650
Business transformation	2013/14	9,941	-	-	-	-
Efficiency savings	2012/13	(1,775)	(1,896)	(1,896)	(1,896)	(1,896)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(1,359)	(1,453)	(1,453)	(1,453)	(1,453)
Revenue investment	2012/13	10,400	10,400	10,400	-	-
Child support scheme reform	2011/12	1,701	986	820	820	820
Scaling up of the student loan overseas-based borrower initiative	2011/12	4,850	4,850	4,850	4,850	4,850

Reasons for Change in Appropriation

The decrease in this appropriation for 2015/16 is mainly due to:

- a fiscally neutral funding transfer of (\$8.116 million) to reallocate business transformation funding to the new Transformation departmental other expense appropriation, and
- the reversal of (\$384,000) relating to a one-off transfer from 2013/14 to 2014/15 for the mainframe project.

Partially offset by:

- additional funding of \$1.524 million relating to the child support compliance initiative
- the reversal of \$1.061 million relating to transfers from 2014/15 to 2017/18 and 2018/19 to align with the timing of capital expenditure for the business transformation programme
- additional funding of \$445,000 relating to the unfiled returns initiative, and
- a net increase of \$297,000 represented by the return of (\$715,000) and additional funding of \$1.012 million for the child support scheme reform initiative.

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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	9,153	9,003	8,002
Revenue from the Crown	9,151	9,001	8,000
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

	2014/15		2015/16
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Minimum percentage of policy advice papers that meet quality standards.	90%	70%	75%
Minimum percentage of ministerial satisfaction for policy advice.	95%	85%	80%
Maximum average cost per hour of producing policy advice outputs (see Note 1).	\$150	\$112	\$115

Note 1 - The target for 2014/15 was changed to \$115 in the 2014/15 Supplementary Estimates as per guidelines issued by Treasury. The formula has been updated by Treasury to align it with the amended definition of policy advice costs.

Unless otherwise specified, all performance measures 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 2016.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Business transformation	2013/14	1,100	-	-	-	-
Efficiency savings	2012/13	(172)	(223)	(223)	(223)	(223)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(178)	(189)	(189)	(189)	(189)

Reasons for Change in Appropriation

The decrease in this appropriation for 2015/16 is mainly due to the fiscally neutral funding transfer of (\$1.100 million) to reallocate business transformation funding to the new Transformation departmental other expense appropriation.

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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	253,155	247,349	250,758
Revenue from the Crown	251,694	246,789	249,297
Revenue from Others	1,461	560	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

	2014/15		2015/16
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Minimum percentage of customers who are satisfied with the quality of phone and correspondence contacts (see Note 1).	85%	85%	85%
Minimum percentage of customers who are satisfied with the quality of online services (see Note 1).	90%	95%	90%
Minimum percentage of customers confident that Inland Revenue takes appropriate action to ensure people receive their social support entitlements (see Note 1).	70%	72%	70%
Minimum percentage of attempted calls that we answer.	75%	97%	75%
Minimum percentage of telephone calls answered within two minutes.	75%	75%	75%
Minimum percentage of correspondence answered within two weeks.	75%	79%	75%
Maximum average cost of a customer initiated contact.	\$40.00	\$31.60	\$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	39	25
Minimum percentage of adjudication cases completed within three months of receipt.	90%	97%	90%
Minimum percentage of taxpayer ruling applications that have a draft ruling completed within three months of receipt.	90%	100%	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%	89%	90%
Minimum percentage of submissions by the applicant on any draft ruling responded to within one month of receipt.	90%	100%	90%
Minimum percentage of ministerial correspondence responded to within 10 days.	95%	87%	95%
Percentage of parliamentary questions responded to within required timeframes.	100%	100%	100%

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

Unless otherwise specified, all performance measures 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 2016.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Package for children living in material hardship	2015/16	-	300	115	-	-
Cashing out research and development tax losses	2014/15	342	965	619	475	475
Child support compliance	2014/15	1,807	2,315	2,276	2,245	2,253
KiwiSaver: removal of kick-start payment	2014/15	133	56	-	-	-
Unfiled returns	2014/15	2,248	3,081	3,081	2,861	2,861
Broadening the definition of income for student loan repayment purposes	2013/14	70	-	-	-	-
Business transformation	2013/14	18,640	-	-	-	-
Paid parental leave payments	2013/14	101	33	13	13	13
Parental tax credit	2013/14	586	240	100	100	100
Efficiency savings	2012/13	(4,919)	(4,677)	(4,677)	(4,677)	(4,677)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(1,473)	(1,675)	(1,675)	(1,675)	(1,675)
Child support scheme reform	2011/12	10,448	6,784	6,094	6,094	6,094
Simplifying filing requirements for individuals and record-keeping requirements for businesses	2011/12	300	300	1,000	-	-

Reasons for Change in Appropriation

The decrease in this appropriation for 2015/16 is mainly due to:

- a fiscally neutral funding transfer of (\$15.113 million) to reallocate business transformation funding to the new Transformation departmental other expense appropriation
- the reversal of (\$1.071 million) relating to one-off transfers from 2013/14 to 2014/15
- the return of (\$77,000) relating to the KiwiSaver: removal of kick-start payment initiative
- the return of (\$70,000) relating to broadening the definition of income for student loan repayment purposes, and
- a net return of (\$64,000) represented by the return of (\$346,000) and additional funding of \$282,000 for the parental tax credit initiative.

Partially offset by:

- the reversal of \$6.248 million relating to transfers from 2014/15 to 2017/18 and 2018/19 to align with the timing of capital expenditure for the business transformation programme
- a net increase of \$5.146 million represented by the return of (\$3.663 million) and additional funding of \$8.809 million for the child support scheme reform initiative
- additional funding of \$833,000 relating to the unfiled returns initiative
- additional funding of \$623,000 for the cashing out research and development tax losses initiative

- additional funding of \$508,000 relating to the child support compliance initiative
- additional funding of \$300,000 relating to the package for children living in material hardship initiative, and
- a net increase of \$98,000 represented by the return of (\$350,000) and additional funding of \$448,000 for the paid parental leave payments initiative.

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

	2014/15		2015/16
	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

	2014/15		2015/16
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Minimum percentage of satisfaction of the Department of Internal Affairs for services provided.	95%	70%	70%
Minimum percentage of satisfaction of the New Zealand Productivity Commission for services provided.	95%	70%	70%

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2016.

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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	133,507	130,343	125,734
Revenue from the Crown	112,510	109,415	104,737
Revenue from Others	20,997	20,928	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

	2014/15		2015/16
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Minimum percentage of income tax returns finalised within four weeks.	90%	96%	90%
Minimum percentage of GST returns finalised within three weeks.	95%	99%	95%
Minimum percentage of employer monthly schedule employee deductions finalised within four weeks.	95%	100%	95%
Minimum percentage of social policy and tax registrations processed within five working days.	85%	77%	85%
Minimum percentage of payments banked on the day of receipt.	99%	99%	99%
Minimum percentage of payments correctly processed to customers' accounts.	99.5%	100%	99.5%
Maximum average cost of processing income tax returns, GST returns and employer monthly schedules.	\$5.00	\$3.58	\$5.00
Minimum percentage of notices and statements produced without error (see Note 1).	98.5%	99.3%	98.5%
Minimum percentage of income tax refunds issued within six weeks.	85%	91%	85%
Minimum percentage of GST refunds issued within four weeks (see Note 2).	95%	97%	95%
Minimum percentage of tax credit claim payments made within three weeks.	90%	96%	90%

Assessment of Performance	2014/15		2015/16
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Minimum percentage of Working for Families Tax Credit (WFFTC) payments made on the first regular payment date following an application.	95%	99%	95%
Minimum percentage of paid parental leave payments issued to customers on the first regular pay day following the agreed date of entitlement.	97%	98%	97%
Minimum percentage of child support assessments issued within two weeks.	80%	82%	80%
Minimum percentage of child support administrative review decisions issued within 10 weeks.	85%	91%	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 week measure includes additional time for screening or investigation.

Unless otherwise specified, all performance measures 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 2016.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Package for children living in material hardship	2015/16	-	300	115	-	-
Cashing out research and development tax losses	2014/15	427	1,207	774	594	594
KiwiSaver: removal of kick-start payment	2014/15	57	24	-	-	-
Broadening the definition of income for student loan repayment purposes	2013/14	130	-	-	-	-
Business transformation	2013/14	9,710	-	-	-	-
Complying with the Foreign Account Tax Compliance Act	2013/14	3,644	1,196	992	969	969
Paid parental leave payments	2013/14	406	130	50	50	50
Parental tax credit	2013/14	2,344	958	400	400	400
Efficiency savings	2012/13	(1,718)	(1,673)	(1,673)	(1,673)	(1,673)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(3,010)	(3,085)	(3,085)	(3,085)	(3,085)
Child support scheme reform	2011/12	4,853	2,088	1,286	1,286	1,286
Simplifying filing requirements for individuals and record-keeping requirements for businesses	2011/12	700	700	-	-	-

Reasons for Change in Appropriation

The decrease in this appropriation for 2015/16 is mainly due to:

- a fiscally neutral funding transfer of (\$7.935 million) to reallocate business transformation funding to the new Transformation departmental other expense appropriation
- a return of (\$2.448 million) relating to the complying with the Foreign Account Tax Compliance Act initiative
- the reversal of (\$2.280 million) relating to one-off transfers from 2013/14 to 2014/15
- a net return of (\$257,000) represented by the return of (\$1.386 million) and additional funding of \$1.129 million for the parental tax credit initiative
- a net return of (\$171,000) represented by the return of (\$2.765 million) and additional funding of \$2.594 million for the child support scheme reform initiative
- the return of (\$130,000) relating to broadening the definition of income for student loan repayment purposes, and
- the return of (\$33,000) relating to the KiwiSaver: removal of kick-start payment initiative.

Partially offset by:

- the reversal of \$3.973 million relating to transfers from 2014/15 to 2017/18 and 2018/19 to align with the timing of capital expenditure for the business transformation programme
- additional funding of \$780,000 for the cashing out research and development tax losses initiative
- a net increase of \$383,000 represented by the return of (\$1.405 million) and additional funding of \$1.788 million for the paid parental leave payments initiative, and
- additional funding of \$300,000 for the package for children living in material hardship initiative.

2.2 - Departmental Other Expenses

Transformation (M57)

Scope of Appropriation

This appropriation is limited to the design, and implementation of Stage 1, of a modern system for tax revenue and social policy administered by Inland Revenue.

Expenses

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	55,000

Comparators for Restructured Appropriation

Vote, Type and Title of Appropriation	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Vote Revenue: Departmental Output Expense: Management of Debt and Outstanding Returns	8,116	7,126	-
Vote Revenue: Departmental Output Expense: Policy Advice	1,100	950	-
Vote Revenue: Departmental Output Expense: Services to Inform the Public About Entitlements and Meeting Obligations	15,113	13,368	-
Vote Revenue: Departmental Output Expense: Services to Process Obligations and Entitlements	7,935	6,961	-
Vote Revenue: Departmental Output Expense: Taxpayer Audit	9,836	8,695	-
Vote Revenue: Departmental Other Expense: Transformation	-	-	55,000
Total	42,100	37,100	55,000

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	2014/15		2015/16
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Tax and social policy software system partner contracted for the design phase of the business transformation programme.	N/A	N/A	31 July 2015
Complete the high level design for stages 1-4 of the business transformation programme.	N/A	N/A	31 July 2015
Submission of an updated transformation programme business case.	N/A	N/A	31 March 2016
Complete the detailed design for stage 1 of the business transformation programme.	N/A	N/A	31 March 2016
Submission of an implementation business case for stage 1 of the business transformation programme.	N/A	N/A	31 March 2016
Implementation partners selected for stage 1 of the business transformation programme.	N/A	N/A	31 March 2016

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2016.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Business transformation	2015/16	-	51,000	-	-	-

Reasons for Change in Appropriation

This is a new departmental other expense appropriation effective from 1 July 2015. Full year funding incorporates the original initiative of \$51 million and a transfer of \$4 million from 2014/15 to 2015/16 for the design phase of the 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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	4,000	4,000	10,000
Intangibles	29,000	29,000	95,000
Other	-	-	-
Total Appropriation	33,000	33,000	105,000

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 start of the implementation phase for the business transformation programme and concluding the enhancements to support the child support scheme reform.

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 2015/16 which are:

- implement government policy and compliance related initiatives, including cashing out research and development tax losses and complying with the Foreign Account Tax Compliance Act (approximately 10%)
- deliver infrastructure that will support business transformation, subject to Cabinet approval for the detailed design business case (approximately 60%), and
- maintain and improve business infrastructure including technology replacements and accommodation fit-outs (approximately 30%).

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2016.

Reasons for Change in Appropriation

This appropriation increased by \$72 million to \$105 million in 2015/16 mainly due to planned capital expenditure associated with Inland Revenue's transformation programme. The full year appropriation includes the capital injections for complying with the Foreign Account Tax Compliance Act of \$483,000 and cashing out research and development tax losses of \$1.997 million.

Capital Injections and Movements in Departmental Net Assets

Inland Revenue Department

Details of Net Asset Schedule	2014/15 Estimated Actual \$000	2015/16 Projected \$000	Explanation of Projected Movements in 2015/16
Opening Balance	275,393	277,093	
Capital Injections	3,572	2,480	Capital injections of \$483,000 for the complying with the Foreign Account Tax Compliance Act initiative, and \$1.997 million for the cashing out research and development tax losses initiative.
Capital Withdrawals	(1,872)	(34)	Capital withdrawal of \$34,000 for the complying with the Foreign Account Tax Compliance Act initiative.
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
Closing Balance	277,093	279,539	

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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	263,000	263,000	276,000

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	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Addressing child support legacy debt	2015/16	-	600	900	1,100	1,100
Child support compliance	2014/15	14,000	18,000	18,000	18,000	18,000

Reasons for Change in Appropriation

The growth in this appropriation in 2015/16 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 changes in 2014/15 and 2015/16 also increase the 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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,300	1,300	1,100

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 changes 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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,857,000	1,857,000	1,837,000

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	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Package for children living in material hardship	2015/16	-	(7,880)	(31,510)	(30,520)	(28,550)

Reasons for Change in Appropriation

Family tax credit is payable to families with eligible children whose family income is below their 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 2015/16 year to halt this decline. In addition the package for children living in material hardship will see an increase in the in-work tax credit and a slight decrease in this appropriation.

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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	512,000	512,000	529,000

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	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Package for children living in material hardship	2015/16	-	27,000	105,000	100,000	95,000
Working for Families reform for Budget 2011	2011/12	(61,000)	-	-	-	-

Reasons for Change in Appropriation

The increase in this appropriation for 2015/16 reflects the package to assist children living in material hardship.

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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	13,000	13,000	15,000

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 and with amounts transferred.

Conditions on Use of Appropriation

Reference	Conditions
Sections 84-91 of the KiwiSaver Act 2006	Interest payable by Inland Revenue on KiwiSaver member contributions while they 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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	643,000	643,000	705,000

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.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Making KiwiSaver more cost-effective	2011/12	(492,325)	(492,325)	(492,325)	(492,325)	(492,325)

Reasons for Change in Appropriation

Growth in the tax credit to 2015/16 is from an increase in the total number of contributing members as well as increases in their contributions due to income growth.

Conditions on Use of Appropriation

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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	16,000	16,000	16,000

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 \$22,776 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	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Package for children living in material hardship	2015/16	-	400	1,600	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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	189,000	184,000	233,000

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	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Paid parental leave payments	2014/15	6,000	40,400	61,500	63,900	65,200

Reasons for Change in Appropriation

Growth in 2015/16 mainly reflects changes in Budget 2014 which extended entitlement from 16 to 18 weeks and widened eligibility.

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.

Parental Tax Credit PLA (M57)

Scope of Appropriation

To enable payment of additional financial support to be made to working families for the eight week period following the birth of a child (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).

Expenses

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	21,000	21,000	31,000

What is Intended to be Achieved with this Appropriation

This permanent appropriation provides for payments to families with a newborn baby for the first 56 days (eight 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 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	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Package for children living in material hardship	2015/16	-	(120)	(490)	(480)	(450)
Parental Tax Credit	2014/15	3,250	13,000	13,000	13,000	13,000
Working for Families reform for Budget 2011	2012/13	(3,000)	-	-	-	-

Reasons for Change in Appropriation

Parents of newborns can receive financial assistance provided they meet the eligibility criteria. The increase in this appropriation in 2015/16 is mainly due to the impact from the Budget 2014 policy initiative which extended eligibility criteria from eight to ten weeks and also increased the amount payable.

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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	4,100	4,100	5,100

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 (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

	2014/15		2015/16
	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

	2014/15		2015/16
	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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	15,000	15,000	15,000

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.

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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,180,356	875,972	1,179,224

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	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Revenue investment continuation	2017/18	-	-	-	(6,525)	(6,525)
Revenue investment	2015/16	-	5,199	11,601	11,601	11,601
Unfiled returns	2014/15	8,864	19,698	19,698	19,698	15,758
Revenue investment	2012/13	(10,766)	(10,766)	(10,766)	-	-

Reasons for Change in Appropriation

The decrease in 2015/16 reflects current growth assumptions for the level of overdue debt and hence impairment and bad debt write-offs as these are inter-related. We are beginning to see a decline in the level of overdue debt but we have not yet reflected this in the out-years until the 2014/15 results are confirmed.

Impairment of Debt and Debt Write-Offs Relating to Child Support (M57)*Scope of Appropriation*

This appropriation is limited to impairment and bad debt write-offs relating to child support debt.

Expenses

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	252,000	222,000	353,340

What is Intended to be Achieved with this Appropriation

This appropriation provides for incurring the expense involved in the write-off of child support debt and for 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.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Addressing child support legacy debt	2015/16	-	2,100	9,800	16,700	24,500

Reasons for Change in Appropriation

The increase in the 2015/16 appropriation reflects the policy initiative which addresses child support legacy debt. In addition there is a change to the treatment of child support debt write-offs. Previously these were netted off against revenue, however from 2015/16 these are included in this appropriation.

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

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

Expenses

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	282,000	182,000	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 loans debt. Performance information relating to this expenditure is available to the House of Representatives in the Student Loan Scheme Annual Report 2016.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Transfer of student loan appropriation from Vote Social Development to Vote Revenue	2011/12	10,000	10,000	10,000	10,000	10,000

Reasons for Change in Appropriation

The appropriation of \$100 million in 2015/16 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

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	622,844	606,000	646,000

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 2015.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Investing to increase the number of engineering graduates	2015/16	-	13	44	108	477
Maintain the student allowance parental income threshold	2015/16	-	27	444	1,623	2,520
Set the annual maximum fee movement to 3% for 2016	2015/16	-	(3,947)	(4,960)	(5,173)	(5,363)
Supporting Better Public Services and Business Growth within Vote Tertiary Education	2015/16	-	1,081	1,665	1,965	2,013
Additional medical places	2014/15	195	464	769	1,242	1,552
Extending the student support stand-down period for permanent residents	2014/15	(494)	(2,492)	(4,409)	(4,409)	(4,409)
Fixing a 4% annual maximum fee movement in 2015 and 2016	2014/15	7,840	17,540	17,540	17,540	17,540
Suspending the student loan repayment threshold until 1 April 2017	2014/15	(9,081)	(10,707)	(11,132)	(11,260)	(11,260)
20 additional medical places	2013/14	192	318	513	639	676
Additional flexibility for highly performing private training establishments	2013/14	4,533	4,668	4,827	4,827	4,827
Continue 99-105% tolerance bands	2013/14	1,839	1,879	1,893	1,893	1,893
Reducing student allowances eligibility for students aged 40 and over	2013/14	595	806	783	783	783

Policy Initiative	Year of First Impact	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
Removing student allowances eligibility for those aged 65 and over	2013/14	(444)	(546)	(627)	(627)	(627)
Broadening the definition of income for student loan repayment purposes	2012/13	(610)	(633)	(633)	(633)	(633)
Expanding the fee-free Youth Guarantee (YG) tertiary places	2012/13	(4,954)	(5,172)	(5,172)	(5,172)	(5,172)
Increasing the student loan repayment rate from 10% to 12%	2012/13	(37,340)	(37,554)	(37,554)	(37,554)	(37,554)
No CPI adjustments to student loan allowance parental income thresholds for 4 years	2012/13	2,631	3,080	3,080	3,080	3,080
Removing student allowance eligibility for postgraduate study and Long Programmes	2012/13	10,895	10,512	10,512	10,512	10,512
Repealing the student loan voluntary repayment bonus	2012/13	(7,715)	(7,806)	(7,806)	(7,806)	(7,806)
Setting a 2 EFTS annual student loan borrowing limit	2012/13	(46)	(47)	(47)	(47)	(47)
Changes to the definition of parental income for the student allowance scheme	2011/12	1,442	1,442	1,442	1,442	1,442
Setting a per-EFTS student loan borrowing limit for pilot training	2011/12	(2,109)	(2,901)	(2,901)	(2,901)	(2,901)
Student loans: Extending pay period assessments to the salaries and wages of all student loan borrowers	2011/12	(345)	(390)	-	-	-
Transfer of student loan appropriations from Vote Social Development to Vote Revenue	2011/12	742,366	742,366	742,366	742,366	742,366

Reasons for Change in Appropriation

The increase in appropriation in 2015/16 reflects the impact of policy initiatives and forecasts for new lending. The level of new lending continues to grow each year due to expected growth in the number of borrowers and the average loan amount per person.