

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 2018/19 financial year covering the following:

- a total of just over \$15 million policy advice and services to other agencies
- a total of just over \$647 million for investigations, management of debt and outstanding returns, services to inform the public about entitlements and meeting obligations, and services to process obligations and entitlements
- a total of just over \$143 million for departmental capital expenditure for the purchase or development of assets by and for the use of Inland Revenue
- a total of just over \$4,794 million for 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 borrowing expenses, relating to interest paid on deposit schemes administered by Inland Revenue, and
- a total of \$1,290 million for other expenses, mainly for the impairment and write-off of debt and initial fair value write-down on student loans.

The Minister of Revenue is also responsible for a multi-year appropriation of just under \$1,139 million for the implementation of business transformation.

The Minister of Revenue is also responsible for a capital injection of just over \$98 million to Inland Revenue.

The Minister of Revenue is also responsible for Crown revenue and receipts in the Vote for the 2018/19 financial year covering the following:

- a total forecast of \$76,559 million for tax revenue,
- a total forecast of \$1,111 million for non-tax revenue, and
- a total forecast of \$1,529 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	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
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.	9,397	9,397	10,608
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.	5,071	4,571	4,684
Investigations (M57) This appropriation is limited to undertaking investigation, audit and litigation activities administered by Inland Revenue.	152,717	148,613	-
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.	139,944	135,679	-
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.	232,249	225,419	-
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.	105,056	102,755	-
Total Departmental Output Expenses	644,434	626,434	15,292
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.	123,096	123,095	143,200
Total Departmental Capital Expenditure	123,096	123,095	143,200
Benefits or Related Expenses			
Best Start Tax Credit PLA (M57) This appropriation is limited to Best Start Tax Credits made to eligible recipients in accordance with section 185 of the Tax Administration Act 1994.	-	-	80,000
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).	288,000	288,000	300,000
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).	800	800	600

Titles and Scopes of Appropriations by Appropriation Type	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
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).	1,696,000	1,696,000	2,628,000
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).	533,000	533,000	540,000
KiwiSaver: Interest (M57) To enable the payment of interest on KiwiSaver contributions as set out in the KiwiSaver Act 2006.	10,000	8,000	10,000
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.	832,000	822,000	850,000
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).	12,000	12,000	14,000
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.	297,000	287,000	360,000
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.	29,000	29,000	5,000
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.	7,600	7,600	6,500
Total Benefits or Related Expenses	3,705,400	3,683,400	4,794,100
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.	10	10	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.	7,000	7,000	10,000
Total Non-Departmental Borrowing Expenses	9,010	9,010	12,010

Titles and Scopes of Appropriations by Appropriation Type	2017/18		2018/19
	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.	800,000	640,000	680,000
Initial Fair Value Write-Down Relating to Student Loans (M57) This appropriation is limited to the initial fair value write-down of student loans.	638,000	615,000	610,000
Impairment of Debt Relating to Child Support (M57) This appropriation is limited to the impairment of child support debt.	5,000	-	-
Impairment of Debt Relating to Student Loans (M57) This appropriation is limited to the impairment of student loan debt.	66,000	-	-
Total Non-Departmental Other Expenses	1,509,000	1,255,000	1,290,000
Multi-Category Expenses and Capital Expenditure			
Services for Customers MCA (M57) The single overarching purpose of this appropriation is to deliver a customer-centric, integrated tax and entitlement service experience for New Zealanders that is agile and intelligence-led.	-	-	647,659
Departmental Output Expenses			
<i>Investigations</i> This category is limited to undertaking investigation, audit and litigation activities administered by Inland Revenue.	-	-	171,983
<i>Management of Debt and Outstanding Returns</i> This category 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.	-	-	152,255
<i>Services to Inform the Public About Entitlements and Meeting Obligations</i> This category 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.	-	-	207,949
<i>Services to Process Obligations and Entitlements</i> This category is limited to both the registration, assessment and processing of tax obligations and other entitlements, including associated review and Crown accounting activities, and the collection and sharing of related information with other agencies.	-	-	115,472
Total Multi-Category Expenses and Capital Expenditure	-	-	647,659
Total Annual and Permanent Appropriations	5,990,940	5,696,939	6,902,261

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	1,112,607
	Adjustments to 2016/17	-
	Adjustments for 2017/18	26,254
	Adjusted Appropriation	1,138,861
	Actual to 2016/17 Year End	-
	Estimated Actual for 2017/18	220,168
	Estimated Actual for 2018/19	320,876
	Estimated Appropriation Remaining	597,817

Total Annual and Permanent Appropriations and Multi-Year Appropriation Forecasts

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Annual and Permanent Appropriations	5,990,940	5,696,939	6,902,261
Total MYA Departmental Other Expenses Forecasts	220,168	220,168	320,876
Total Annual and Permanent Appropriations and Multi-Year Appropriation Forecasts	6,211,108	5,917,107	7,223,137

Capital Injection Authorisations

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Inland Revenue Department - Capital Injection (M57)	58,600	58,600	98,200

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Budget 2018 Research and Development Tax Credit Implementation	Services for Customers MCA					
	<i>Services to Inform the Public About Entitlements and Meeting Obligations</i>	-	480	600	320	320
	<i>Services to Process Obligations and Entitlements</i>	-	600	750	400	400
	<i>Investigations</i>	-	120	150	80	80
	Multi-Category Expenses					
Budget 2018 Tax Compliance Activity - Funding to Collect Additional Revenue	Policy Advice	-	950	950	700	400
	Departmental Output Expenses					
	Services for Customers MCA					
	<i>Management of Debt and Outstanding Returns</i>	-	5,850	5,850	5,900	5,900
	Multi-Category Expenses					
	Impairment of debt and debt write offs	-	10,700	15,000	15,000	15,000
	Non-Departmental Other Expenses					
Changes made during passage of the Taxation (Annual Rates for 2017-18, Employment and Investment Income, and Remedial Matters) Bill	Payroll Subsidy PLA	1,700	6,500	3,900	-	-
	Non-Departmental Other Expenses					
Extending Paid Parental Leave to 26 weeks	Paid Parental Leave	-	66,000	68,700	142,700	148,400
	Non-Departmental Benefits or Related Expenses					

Policy Initiative	Appropriation	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Families Package Implementation	Services for Customers MCA					
	<i>Services to Inform the Public About Entitlements and Meeting Obligations</i>	-	1,010	410	350	350
	<i>Services to Process Obligations and Entitlements</i>	-	2,050	840	710	710
	Multi-Category Expenses					
	Best Start PLA	-	80,000	231,000	373,000	451,000
	Non-Departmental Benefits or Related Expenses					
	Family Tax Credit PLA	(97,000)	540,000	530,000	520,000	510,000
	Non-Departmental Benefits or Related Expenses					
	Minimum Family PLA	-	1,300	1,300	1,300	1,300
	Non-Departmental Benefits or Related Expenses					
	Parental Tax Credit PLA	-	(28,000)	(27,000)	(26,000)	(25,000)
	Non-Departmental Benefits or Related Expenses					
First year fees-free in 2018	Initial Fair Value Write-Down Relating to Student Loans	(52,627)	(70,465)	(71,951)	(68,526)	(72,383)
	Non-Departmental Other Expenses					
Increase student allowance and living costs loans by \$50	Initial Fair Value Write-Down Relating to Student Loans	24,813	56,005	59,106	61,271	63,302
	Non-Departmental Other Expenses					
Tertiary Education Annual Maximum Fee Movement	Initial Fair Value Write-Down Relating to Student Loans	-	1,272	2,107	2,270	2,329
	Non-Departmental Other Expenses					
Budget 2017 Family Incomes Package Implementation	Services to Inform the Public About Entitlements and Meeting Obligations	800	-	-	-	-
	Departmental Output Expenses					
	Services to Process Obligations and Entitlements	1,600	-	-	-	-
	Departmental Output Expenses					
Total Initiatives		(120,714)	674,372	821,712	1,029,475	1,102,108

1.2 - Trends in the Vote

Summary of Financial Activity

	2013/14	2014/15	2015/16	2016/17	2017/18		2018/19			2019/20	2020/21	2021/22
	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	8,673	10,522	11,050	11,386	14,468	13,968	15,292	-	15,292	14,807	14,546	14,246
Benefits or Related Expenses	3,678,047	3,708,849	3,550,477	3,621,139	3,705,400	3,683,400	N/A	4,794,100	4,794,100	4,928,400	5,166,400	5,325,300
Borrowing Expenses	8,908	5,176	7,907	6,783	9,010	9,010	-	12,010	12,010	12,010	12,000	12,000
Other Expenses	2,046,945	1,614,494	1,414,087	1,288,208	1,729,168	1,475,168	320,876	1,290,000	1,610,876	1,553,086	1,679,731	1,551,754
Capital Expenditure	44,691	32,388	61,115	100,661	123,096	123,095	143,200	-	143,200	150,000	168,800	40,000
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	690,881	693,478	652,182	635,477	629,966	612,466	647,659	-	647,659	555,068	484,015	474,359
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Appropriations	6,478,145	6,064,907	5,696,818	5,663,654	6,211,108	5,917,107	1,127,027	6,096,110	7,223,137	7,213,371	7,525,492	7,417,659
Crown Revenue and Capital Receipts												
Tax Revenue	56,207,968	59,747,539	63,401,693	69,222,866	72,193,000	72,193,000	N/A	76,559,000	76,559,000	81,520,000	86,279,000	91,246,000
Non-Tax Revenue	1,456,383	1,152,579	1,161,292	1,143,664	1,106,500	1,106,500	N/A	1,111,000	1,111,000	1,114,700	1,115,400	1,112,100
Capital Receipts	1,111,028	1,388,866	1,424,519	1,331,379	1,433,000	1,433,000	N/A	1,529,000	1,529,000	1,615,000	1,701,000	1,791,000
Total Crown Revenue and Capital Receipts	58,775,379	62,288,984	65,987,504	71,697,909	74,732,500	74,732,500	N/A	79,199,000	79,199,000	84,249,700	89,095,400	94,149,100

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

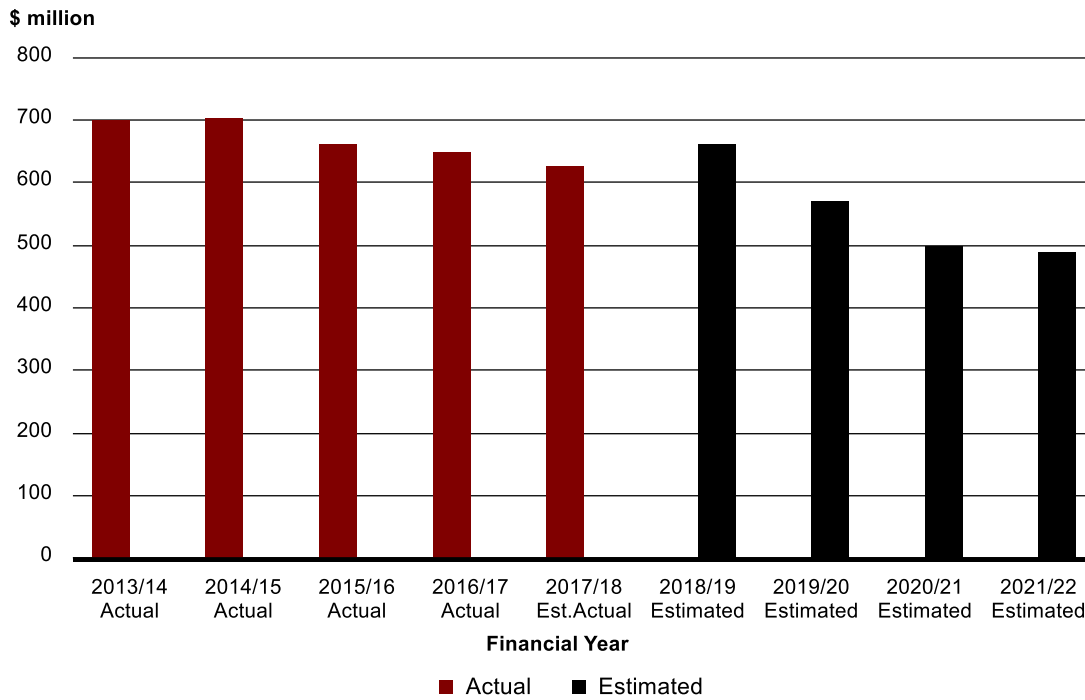
	2013/14 Adjustments \$000	2014/15 Adjustments \$000	2015/16 Adjustments \$000	2016/17 Adjustments \$000	2017/18 Final Budgeted Adjustments \$000	2017/18 Estimated Actual Adjustments \$000
Appropriations						
Output Expenses	(690,881)	(693,478)	(652,182)	(635,477)	(629,966)	(612,466)
Benefits or Related Expenses	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)						
<i>Output Expenses</i>	690,881	693,478	652,182	635,477	629,966	612,466
<i>Other Expenses</i>	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-
Total Appropriations	-	-	-	-	-	-
Crown Revenue and Capital Receipts						
Tax Revenue	-	-	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-
Capital Receipts	-	-	-	-	-	-
Total Crown Revenue and Capital Receipts	-	-	-	-	-	-

The adjustments in the table above reflect the new Multi-Category Appropriation - Services for Customers. The prior year information in the Summary of Financial Activity table has been restated to reflect the current Vote structure.

1.3 - Analysis of Significant Trends

Departmental Output Expenses

Figure 1 - Trends in departmental output expenses



Source: Inland Revenue

Inland Revenue's Departmental output expenses have decreased from \$700 million in 2013/14 to an estimated amount of just over \$626 million in 2017/18 and a budgeted amount of just under \$663 million in 2018/19.

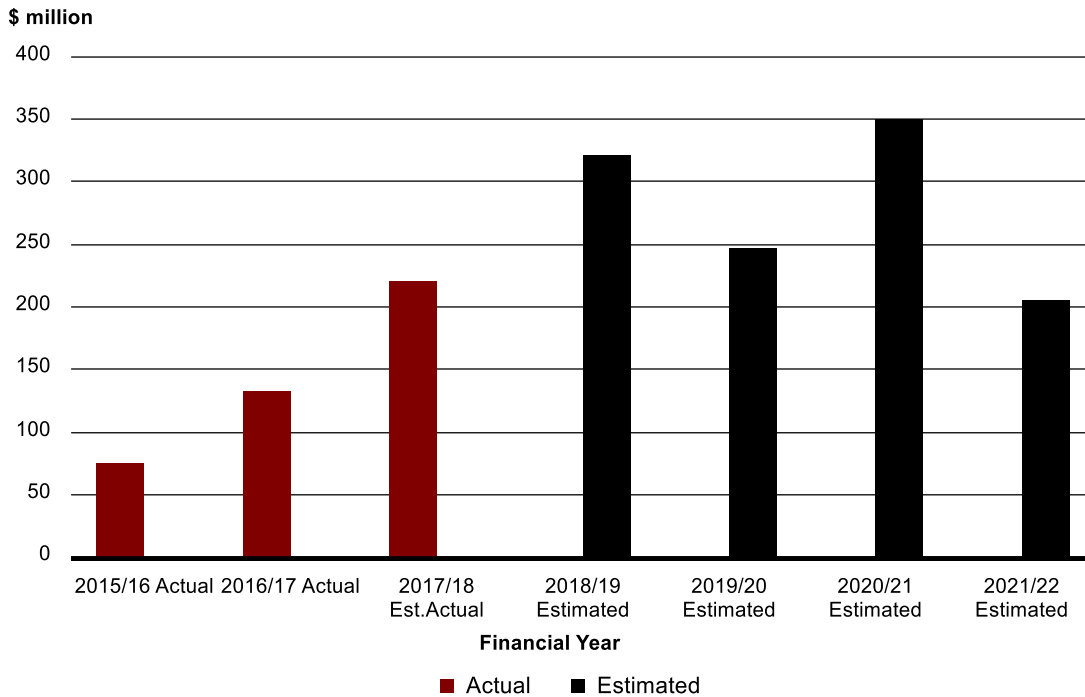
Beyond 2018/19, Departmental output expenses will continue to reduce, reflecting productivity savings resulting from Inland Revenue's multi-year transformation. Alongside improved customer services and increased policy agility, the transformation will result in Inland Revenue being a more effective and efficient organisation that can achieve higher levels of performance with fewer resources.

The one-off increase in expenditure in 2018/19 is mainly due to:

- expenditure transfers from one-off efficiencies realised in 2017/18 to support the temporary changes in operating costs as Inland Revenue implements its transformation programme, and
- additional funding received from the Families Package Implementation, Budget 2018 Research and Development Tax Credit Implementation, and Budget 2018 Tax Compliance Activity - Funding to Collect Additional Revenue.

Departmental Other Expenses

Figure 2 - Trends in departmental other expenses



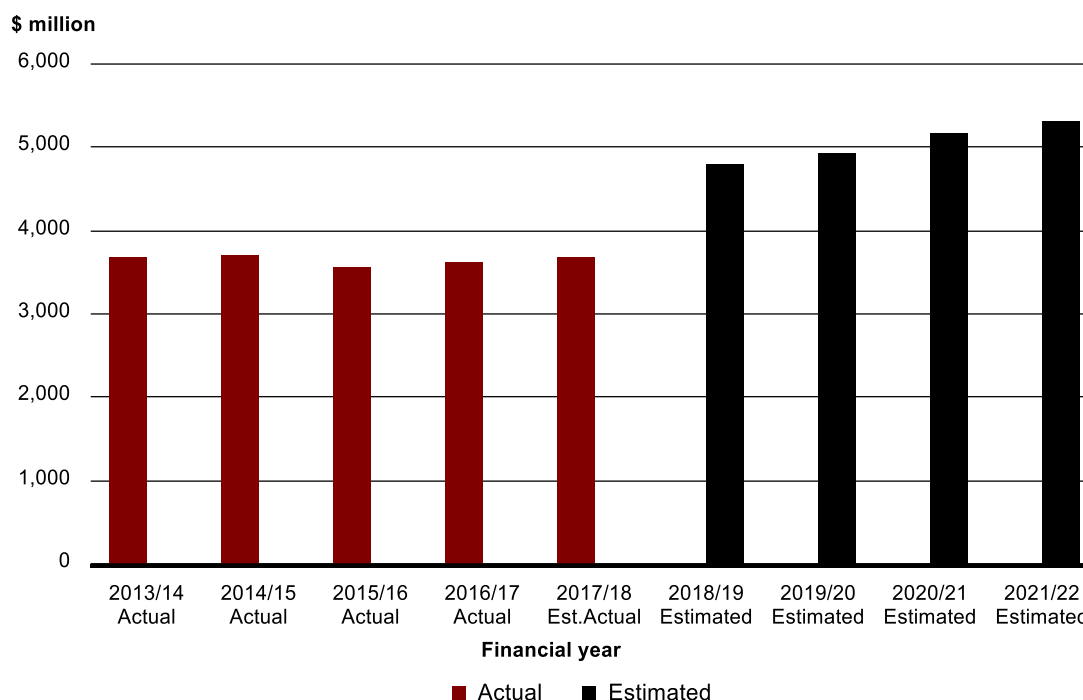
Source: Inland Revenue

The Departmental other expenses category incorporates one multi-year appropriation (MYA) for Inland Revenue's transformation, covering 2017/18, 2018/19, 2019/20 and 2020/21. For completeness, transformation costs are also shown for the pre-MYA years 2015/16 to 2016/17 as well as the estimated amount for 2021/22 which will be covered by an annual Transformation appropriation.

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 are indicative of the spend in each of the individual years.

Non-Departmental Benefits or Related Expenses

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



Source: Inland Revenue

Non-Departmental benefits or related expenses include appropriations for KiwiSaver, Working for Families Tax Credits, Best Start tax credit, payroll subsidy, paid parental leave payments and child support payments to custodial persons.

Total Non-Departmental benefits or related expenses remained relatively static from 2013/14 to 2017/18. Fluctuations occur because an improving economy steadily increases KiwiSaver tax credits, child support payments to custodial persons, and paid parental leave payments. Conversely an improving economy reduces Working for Families entitlements as incomes grow, and this caused some of the downwards trend in 2015/16.

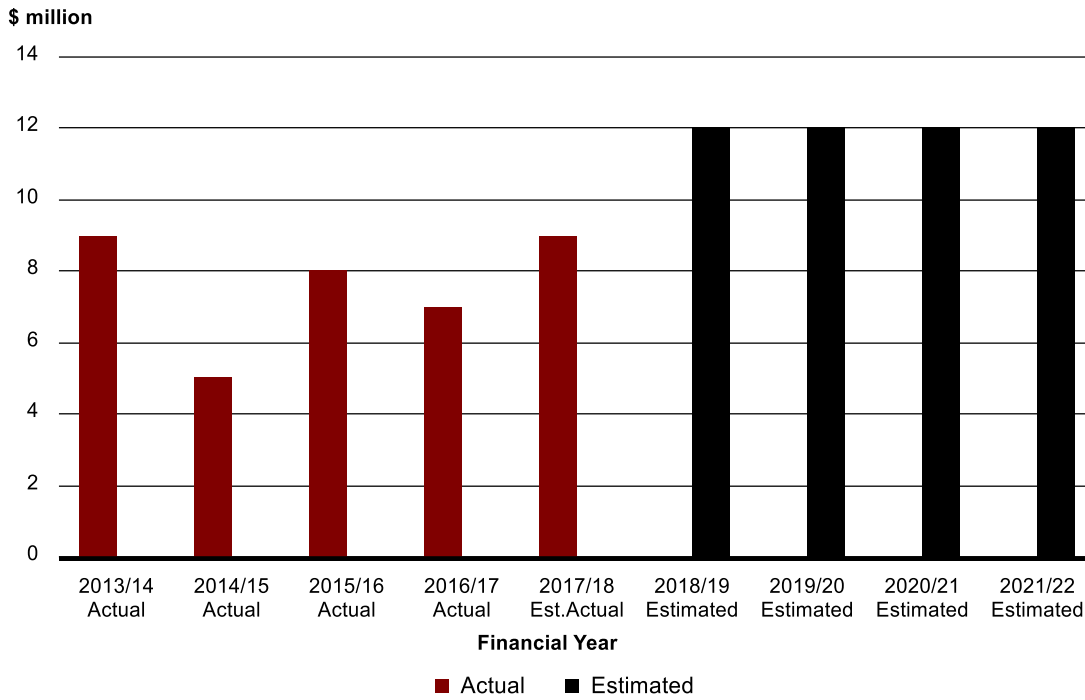
The increase in Non-Departmental benefits or related expenses from 2018/19 is the result of Families Package policy changes. Working for Families Tax Credits are substantially increased from 1 July 2018 due to the aforementioned policy changes which increase the family tax credit per-child entitlements for most families. The threshold for abatement of entitlements also increases, meaning fewer families face abatement. Income growth sees Working for Families entitlements decrease overall from 2019/20 onwards until 2021/22 where there is a small increase due to a forecast indexation adjustment in April 2021.

The Best Start tax credit, which is also part of the Families Package, commences from 1 July 2018. Expenditure on Best Start increases steadily over the forecast period as the policy phases in.

Paid parental leave is also increased by an extension to 22 weeks' entitlement from July 2018, and to 26 weeks from July 2020.

Non-Departmental Borrowing Expenses

Figure 4 - Trends in non-departmental borrowing expenses



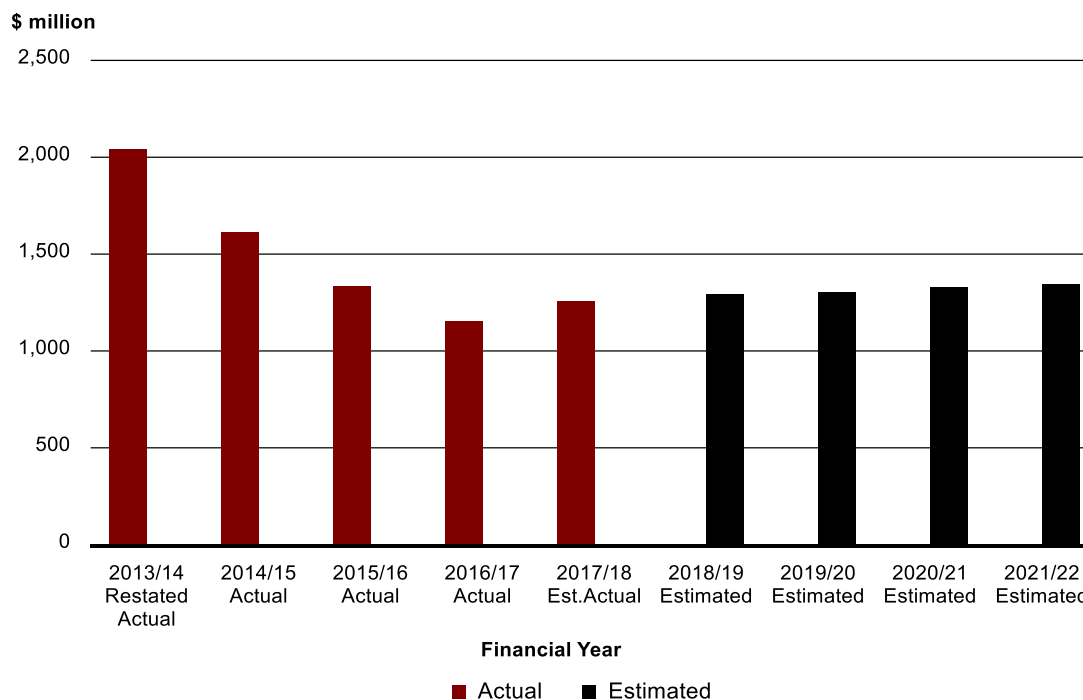
Source: Inland Revenue

Non-Departmental 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 reflects the expected level of the schemes' activity for the remainder of the year. From 2018/19 the forecast includes a provision for a potential increase in activity.

Non-Departmental Other Expenses

Figure 5 - Trends in non-departmental other expenses



Source: Inland Revenue

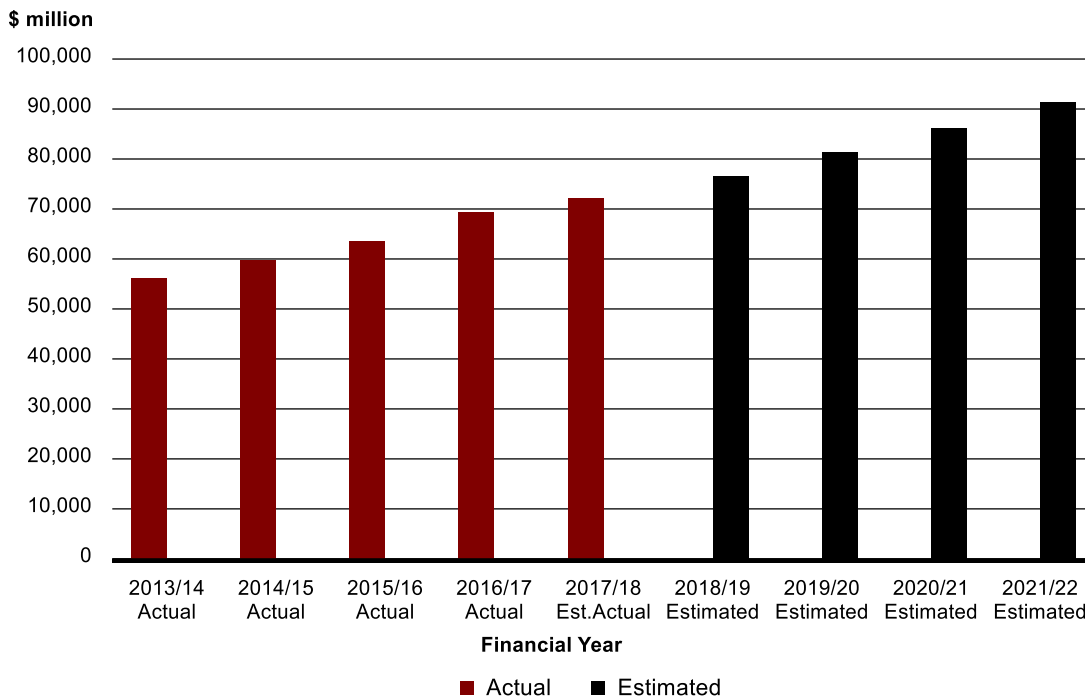
Non-Departmental other expenses include bad debt write-offs, the initial fair value write-down on student loans. Impairments relating to student loans, child support, general tax, KiwiSaver, and Working for Families Tax Credits debt are also included.

The large reduction from 2013/14 to 2016/17 resulted from both significantly lower than forecast debt impairment mainly due to a material fall in the overdue debt book over the period and a change in accounting standards affecting the way we recognise impairment relating to child support debt in the year ended 30 June 2015.

From 2017/18 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.

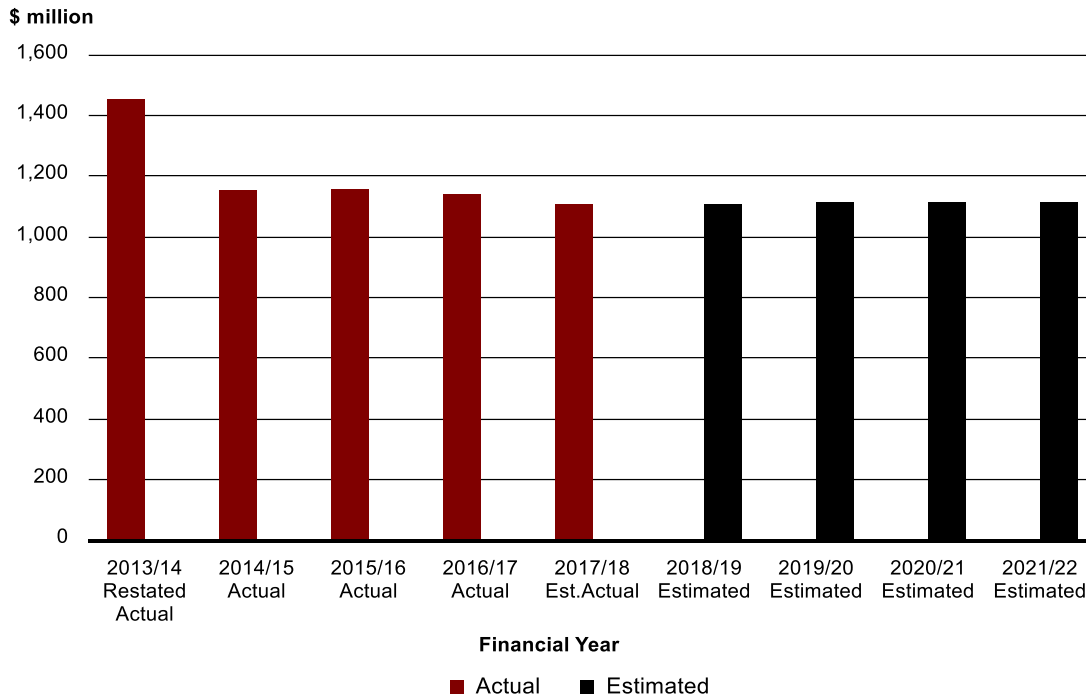
Total tax revenue is forecast to continue to grow over the next five years at an average rate of 5.7% per annum, above nominal gross domestic product (GDP) growth which averages around 5%. Taxes paid by individuals such as PAYE and other persons' tax, are forecast to grow faster than GDP. This is due to an increasing average tax rate as incomes grow (known as fiscal drag), and because salary and wage incomes are forecast to grow slightly faster than GDP. Net company tax is forecast to outpace GDP growth, mainly owing to previously announced policy measures such as the base erosion and profit shifting policy (BEPS) which commences June 2019.

GST is the second largest tax type administered by Inland Revenue after PAYE and is forecast to, on average, grow in line with GDP. An expected recovery in deposit interest rates from recent lows is forecast to increase resident withholding tax on interest income.

The forecasts include additional revenue amounts arising from the implementation of Inland Revenue's Business Transformation programme, starting at \$90 million in the year to June 2019, and rising to \$540 million per annum by 2021/22.

Non-Departmental Non-Tax Revenue

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



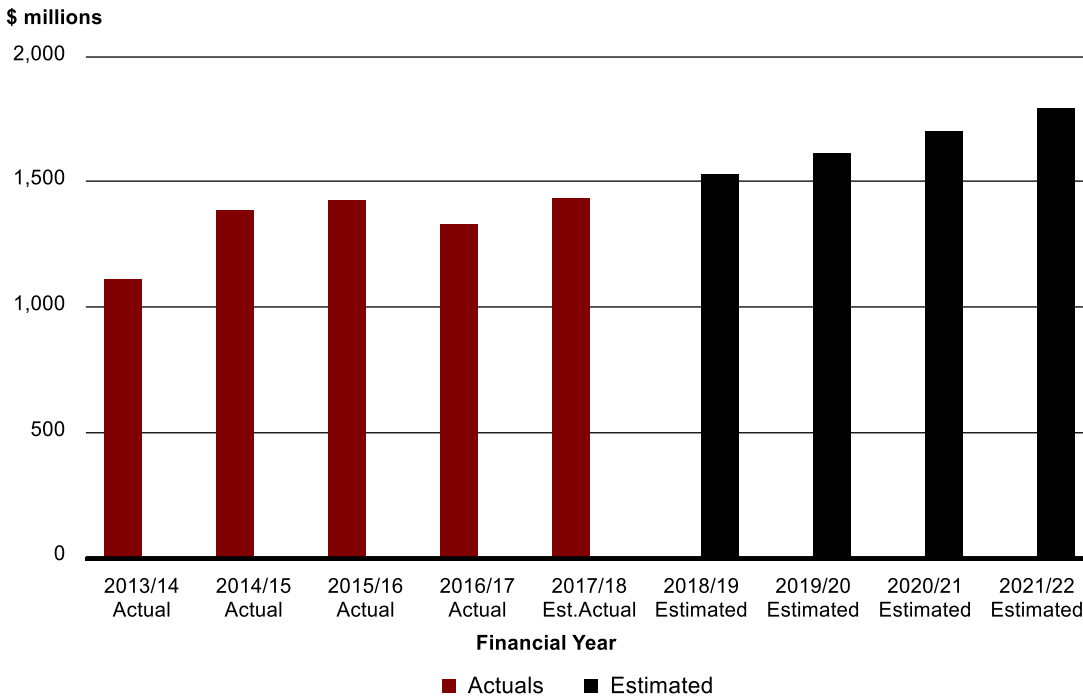
Source: Inland Revenue

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 a change in accounting standards affecting the way we recognise child support penalty revenue. Under the new accounting standards, child support 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 lower receipts 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 2018/19 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

2017/18 Appropriations in the 2017/18 Structure	2017/18 (Current) \$000	Old Structure		New Structure		
		Appropriations to which Expenses (or Capital Expenditure) have been Moved from or to	Amount Moved \$000	2017/18 Appropriations in the 2018/19 Structure	2017/18 (Restated) \$000	2018/19 \$000
Departmental Output Expenses						
Investigations	152,717	Transferred to Multi-Category Appropriation: Services for Customers-Investigations	(152,717)		-	-
Management of Debt and Outstanding Returns	139,944	Transferred to Multi-Category Appropriation: Services for Customers-Management of Debt and Outstanding Returns	(139,944)		-	-
Services to Inform the Public About Entitlements and Meeting Obligations	232,249	Transferred to Multi-Category Appropriation: Services for Customers-Services to Inform the Public About Entitlements and Meeting Obligations	(232,249)		-	-
Services to Process Obligations and Entitlements	105,056	Transferred to Multi-Category Appropriation: Services for Customers-Services to Process Obligations and Entitlements	(105,056)		-	-
				Multi-Category Appropriations: Services for Customers		
	-	Transferred from Departmental Output Appropriation: Investigations	152,717	Investigations	152,717	171,983
	-	Transferred from Departmental Output Appropriation: Management of Debt and Outstanding Returns	139,944	Management of Debt and Outstanding Returns	139,944	152,255
	-	Transferred from Departmental Output Appropriation: Services to Inform the Public About Entitlements and Meeting Obligations	232,249	Services to Inform the Public About Entitlements and Meeting Obligations	232,249	207,949
	-	Transferred from Departmental Output Appropriation: Services to Process Obligations and Entitlements	105,056	Services to Process Obligations and Entitlements	105,056	115,472

2017/18 Appropriations in the 2017/18 Structure	2017/18 (Current) \$000	Old Structure		New Structure		
		Appropriations to which Expenses (or Capital Expenditure) have been Moved from or to	Amount Moved \$000	2017/18 Appropriations in the 2018/19 Structure	2017/18 (Restated) \$000	2018/19 \$000
Non-Departmental Benefits or Related Expenses						
Best Start PLA	N/A	N/A	N/A	N/A	N/A	80,000
Total changes in Appropriation Structure	629,966		-		629,966	727,659

The purpose of the Services for Customers multi-category appropriation is to deliver a customer-centric, integrated tax and entitlement service experience for New Zealanders that is agile and intelligence-led.

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

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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	9,397	9,397	10,608
Revenue from the Crown	9,384	9,384	10,595
Revenue from Others	13	13	13

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

	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Primary measures			
Percentage of ministerial satisfaction for policy advice.	80%	80%	90%
Percentage of sampled reports that meet quality standards (see Note 1).	75%	75%	80%
Average cost per hour of producing policy advice outputs.	\$150.00 or less	\$150.00 or less	\$150.00 or less

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

These policy performance measures cover the breadth of Inland Revenue's policy advice (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 2019.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Budget 2018 Tax Compliance Activity - Funding to Collect Additional Revenue	2018/19	-	950	950	700	400

Reasons for Change in Appropriation

This increase in 2018/19 is mainly due to:

- additional funding of \$950,000 for the Budget 2018 initiative: Tax Compliance Activity - Funding to Collect Additional Revenue, and
- a transfer of \$135,000 from 2017/18 to 2018/19 as a result of efficiencies and other savings made in the 2017/18 financial year.

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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	5,071	4,571	4,684
Revenue from the Crown	-	-	-
Revenue from Others	5,071	4,571	4,684

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

Assessment of Performance	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Primary measures			
Percentage of satisfaction of the Department of Internal Affairs for services provided.	70%	75%	75%
Percentage of satisfaction of the New Zealand Productivity Commission for services provided.	70%	85%	90%

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2019.

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 2016/17	-
Commences: 01 July 2017	Adjustments for 2017/18	26,254
Expires: 30 June 2021	Adjusted Appropriation	1,138,861
	Actual to 2016/17 Year End	-
	Estimated Actual for 2017/18	220,168
	Estimated Actual for 2018/19	320,876
	Estimated Appropriation Remaining	597,817

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

	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Primary measures			
Income tax is administered in START.	N/A	N/A	30 June 2019
Employers are able to send their PAYE information to Inland Revenue on a payday basis (subject to legislation being enacted).	N/A	N/A	30 June 2019
Working for Families is administered in START.	N/A	N/A	30 June 2019

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2019.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Previous Government						
Business Transformation	2015/16	226,000	190,000	156,000	70,000	64,000

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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	14,000	14,000	13,000
Intangibles	109,096	109,095	130,200
Other	-	-	-
Total Appropriation	123,096	123,095	143,200

Significant Projects

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Business Transformation	90,672	90,672	130,200
Total	90,672	90,672	130,200

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 2018/19 which are:

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

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 2019.

Reasons for Change in Appropriation

Inland Revenue has updated the capital cost estimates for the remainder of the Transformation programme to 2021/22. The forecast shows that while Inland Revenue expects to remain well within the approved funding envelope, the timing of some of the costs and contingencies has changed due to the planned release approach and the timing of key support activities across the programme. Capital spending in 2018/19 and out years has been updated to better align with the updated work programme.

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

Details of Net Asset Schedule	2017/18 Estimated Actual \$000	2018/19 Projected \$000	Explanation of Projected Movements in 2018/19
Opening Balance	253,605	311,722	
Capital Injections	58,600	98,200	The cost estimates for the remainder of the Transformation programme have been updated. Capital injections have been adjusted to reflect the planned release approach and the timing of key support activities across the programme.
Capital Withdrawals	(483)	-	- Capital withdrawal of \$483,000 for the business tax package initiative.
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
Closing Balance	311,722	409,922	

Part 3 - Details of Non-Departmental Appropriations

3.2 - Non-Departmental Benefits or Related Expenses

Best Start Tax Credit PLA (M57)

Scope of Appropriation

This appropriation is limited to Best Start Tax Credits made to eligible recipients in accordance with section 185 of the Tax Administration Act 1994.

Expenses

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	80,000

What is Intended to be Achieved with this Appropriation

This permanent appropriation provides for payments to all families with a dependent child in the first year of the child's life to help with day-to-day living costs. Payments continue for low and middle income families until the dependent child turns three years old.

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 Best Start tax credit payments under the Income Tax Act 2007. Performance information relating to the administration of the payment is provided under the Services for Customers Multi-Category Appropriation under the Services to Process Obligations and Entitlements category.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Families Package	2018/19	-	80,000	231,000	373,000	451,000

Reasons for Change in Appropriation

This is a new non-departmental benefits or related expenses appropriation effective from 1 July 2018.

Conditions on Use of Appropriation

Reference	Conditions
Subpart MG of the Income Tax Act 2007	Sets out the entitlement and calculation of the Best Start tax credit.

Child Support Payments PLA (M57)

Scope of Appropriation

Child support payments to custodial persons who are not dependent on the state for financial support (expenses incurred pursuant to section 141 of the Child Support Act 1991).

Expenses

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	288,000	288,000	300,000

What is Intended to be Achieved with this Appropriation

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

How Performance will be Assessed and End of Year Reporting Requirements

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

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Previous Government						
Addressing child support legacy debt	2015/16	1,100	1,100	-	-	-
Child support compliance	2014/15	18,000	18,000	-	-	-

Reasons for Change in Appropriation

The increase in 2018/19 is due to 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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	800	800	600

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 for Customers Multi-Category Appropriation under the Services to Process Obligations and Entitlements category.

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 remaining recipients gradually change to the in-work tax credit or are no longer eligible.

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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,696,000	1,696,000	2,628,000

What is Intended to be Achieved with this Appropriation

This permanent appropriation provides for payments to low to middle income 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 for Customers Multi-Category Appropriation under the Services to Process Obligations and Entitlements category.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Families Package	2018/19	(97,000)	540,000	530,000	520,000	510,000
Previous Government						
Budget 2017 Family Incomes Package	2017/18	97,000	371,000	316,000	308,000	308,000
Package for children living in material hardship	2015/16	(30,520)	(28,550)	(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 July 2018, family tax credit entitlements for children under 16 will increase to match the 16-18 year old entitlement rates. The family income abatement threshold will increase from \$36,350 to \$42,700 and consequentially fewer families will face abatement, although those which do will have their entitlements reduced at a faster rate of 25% (currently 22.5%). Overall, the combined changes will increase the family tax credit appropriation from 1 July 2018.

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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	533,000	533,000	540,000

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 for Customers Multi-Category Appropriation under the Services to Process Obligations and Entitlements category.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Previous Government						
Budget 2017 Family Incomes Package	2017/18	-	2,000	2,000	2,000	2,000
Package for children living in material hardship	2015/16	100,000	95,000	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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	10,000	8,000	10,000

What is Intended to be Achieved with this Appropriation

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

How Performance will be Assessed and End of Year Reporting Requirements

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

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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	832,000	822,000	850,000

What is Intended to be Achieved with this Appropriation

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

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 for Customers Multi-Category Appropriation under the Services to Process Obligations and Entitlements category.

Reasons for Change in Appropriation

The increase in the tax credit in 2018/19 is due to an increase in the total number of contributing members as well as increases in their contributions due to forecast income growth.

Conditions on Use of Appropriation

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

Minimum Family Tax Credit PLA (M57)

Scope of Appropriation

Extra payment made to families where at least one parent is working for salary or wages (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).

Expenses

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	12,000	12,000	14,000

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 \$26,156 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 Customers Multi-Category Appropriation under the Services to Process Obligations and Entitlements category.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Families Package	2018/19	-	1,300	1,300	1,300	1,300
Previous Government						
Package for children living in material hardship	2015/16	1,800	1,800	1,800	1,800	1,800

Reasons for Change in Appropriation

The increase in 2018/19 is due to the indexation-related increases to minimum family tax credit which are made each year. These maintain the level of the credit relative to welfare benefit rates. The Winter Energy Payment is included in future calculations of the minimum family tax credit entitlement from 1 July 2018 bringing the guaranteed minimum amount to \$26,156 for the 2018/19 fiscal year.

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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	297,000	287,000	360,000

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 new-born 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 for Customers Multi-Category Appropriation under the Services to Process Obligations and Entitlements category.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Extending paid parental leave to 26 weeks	2018/19	-	66,000	68,700	142,700	148,400
Previous Government						
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	63,900	65,200	65,200	65,200	65,200

Reasons for Change in Appropriation

The increase in 2018/19 reflects the extension of paid parental leave payments from 18 to 22 weeks from 1 July 2018.

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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	29,000	29,000	5,000

What is Intended to be Achieved with this Appropriation

This permanent appropriation provides for payments to families with a new-born baby for the first 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 for Customers Multi-Category Appropriation under the Services to Process Obligations and Entitlements category.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Families Package	2018/19	-	(28,000)	(27,000)	(26,000)	(25,000)
Previous Government						
Package for children living in material hardship	2015/16	(480)	(450)	(450)	(450)	(450)
Parental tax credit	2014/15	13,000	13,000	13,000	13,000	13,000

Reasons for Change in Appropriation

The decrease in 2018/19 is due to the replacement of the parental tax credit. From 1 July 2018, the parental tax credit, is replaced by Best Start payments and will only apply to children born before 1 July 2018. The residual appropriation in 2018/19 is intended to cover these claims to the extent that their entitlement period crosses into the 2018/19 fiscal year, and/or the claims are made at year end on 2018/19 tax returns.

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.
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Expenses

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	7,600	7,600	6,500

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 for Customers Multi-Category Appropriation under the Services to Process Obligations and Entitlements category.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Changes made during passage of the Taxation (Annual Rates for 2017-18, Employment and Investment Income, and Remedial Matters) Bill	2017/18	1,700	6,500	3,900	-	-
Previous Government						
Making Tax Simpler: Better Administration of PAYE and GST	2017/18	(1,700)	(7,300)	(8,100)	(8,900)	(8,900)

Reasons for Change in Appropriation

The decrease in 2018/19 is due to the payroll subsidy being phased out. From 1 April 2019, the eligibility threshold will be lowered to include only employers whose payrolls are below \$50,000 of PAYE and employer superannuation contribution tax (ESCT) per annum (currently \$500,000). The subsidy will cease altogether from 1 April 2020.

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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	10	10	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.

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

	2017/18		2018/19
	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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	7,000	7,000	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 2018/19 allows for potential volatility in the use 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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	800,000	640,000	680,000

What is Intended to be Achieved with this Appropriation

This appropriation provides for the write-off of the Crown debt and for recognising an impairment to reflect the recoverable value of the Crown debt as at the end of a financial year, relating to general 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 Services for Customers Multi-Category Appropriation under the Management of Debt and Outstanding Returns category.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Tax compliance activity - additional revenue	2018/19		10,700	15,000	15,000	15,000
Previous Government						
Revenue investment continuation	2017/18	(6,525)	(6,525)	(6,525)	-	-
Small business tax package	2016/17	(27,000)	(53,000)	(78,000)	(100,280)	(119,590)
Revenue investment	2015/16	11,601	11,601	11,601	-	-
Unfiled returns	2014/15	19,698	15,758	-	-	-

Reasons for Change in Appropriation

The decrease in 2018/19 reflects forecast changes in the level of overdue debt, impairment and write-offs. Currently forecasts show a small increase in the overall level of debt in 2017/18 and for debt to remain at a similar level through 2018/19.

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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	638,000	615,000	610,000

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	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
First year fees-free in 2018	2017/18	(52,627)	(70,465)	(71,951)	(68,526)	(72,383)
Increase student allowance and living costs loans by \$50	2017/18	24,813	56,005	59,106	61,271	63,302
Tertiary Education Annual Maximum Fee Movement	2017/18	-	1,272	2,107	2,270	2,329
Previous Government						
Annual maximum fee movement for 2017 and 2018	2016/17	2,971	3,262	3,380	3,380	3,380
Response to the Syrian refugee crisis: implementation	2016/17	49	25	12	-	-
Delivering support to graduate-entry students affected by the 7 EFTS limit to complete long undergraduate programmes	2015/16	797	969	627	-	-
Investing to increase the number of engineering graduates	2015/16	108	477	371	990	1,224
Maintain the student allowance parental income threshold	2015/16	1,623	2,520	2,520	2,520	2,520

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Set the annual maximum fee movement to 3% for 2016	2015/16	(5,173)	(5,363)	(5,363)	(5,363)	(5,363)
Supporting better public services and business growth within Vote Tertiary Education	2015/16	1,965	2,013	2,013	2,013	2,013
Additional medical places	2014/15	1,242	1,552	1,644	1,644	1,644
Suspending the student loan repayment threshold until 1 April 2017	2014/15	(11,260)	(11,260)	(11,260)	(11,260)	(11,260)

Reasons for Change in Appropriation

The decrease in 2018/19 is mainly due to macroeconomic changes impacting on the initial fair value ratio used to calculate the write-down.

Part 4 - Details of Multi-Category Expenses and Capital Expenditure

Multi-Category Expenses and Capital Expenditure

Services for Customers (M57)

Overarching Purpose Statement

The single overarching purpose of this appropriation is to deliver a customer-centric, integrated tax and entitlement service experience for New Zealanders that is agile and intelligence-led.

Scope of Appropriation

Departmental Output Expenses

Investigations

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

Management of Debt and Outstanding Returns

This category 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.

Services to Inform the Public About Entitlements and Meeting Obligations

This category 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.

Services to Process Obligations and Entitlements

This category 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, Revenue and Capital Expenditure

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	647,659
Departmental Output Expenses			
Investigations	-	-	171,983
Management of Debt and Outstanding Returns	-	-	152,255
Services to Inform the Public About Entitlements and Meeting Obligations	-	-	207,949
Services to Process Obligations and Entitlements	-	-	115,472

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Funding for Departmental Output Expenses			
Revenue from the Crown	-	-	623,240
Investigations	-	-	171,679
Management of Debt and Outstanding Returns	-	-	150,233
Services to Inform the Public About Entitlements and Meeting Obligations	-	-	206,671
Services to Process Obligations and Entitlements	-	-	94,657
Revenue from Others	-	-	24,419
Investigations	-	-	304
Management of Debt and Outstanding Returns	-	-	2,022
Services to Inform the Public About Entitlements and Meeting Obligations	-	-	1,278
Services to Process Obligations and Entitlements	-	-	20,815

Comparators for Restructured Appropriation

Vote, Type and Title of Appropriation	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Vote Revenue: Departmental Output Expense: Services for Customers			
Investigations	152,717	148,613	-
Management of Debt and Outstanding Returns	139,944	135,679	-
Services to Inform the Public About Entitlements and Meeting Obligations	232,249	225,419	-
Services to Process Obligations and Entitlements	105,056	102,755	-
Total	629,966	612,466	-

What is Intended to be Achieved with this Appropriation

This appropriation is intended to ensure customers find it easy to meet their tax and social policy obligations and receive the payments they are entitled to.

How Performance will be Assessed for this Appropriation

Assessment of Performance	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Percentage of customers satisfied with the overall quality of service delivery from Inland Revenue (see Note 1).	90%	87.2%	90%
Percentage of customers who feel Inland Revenue makes it easy for people to get it right (see Note 1).	75%	78.5%	80%

What is Intended to be Achieved with each Category and How Performance will be Assessed

	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Departmental Output Expenses			
Investigations			
<i>Primary measures</i>			
Percentage of customers whose compliance behaviour improves after receiving an audit intervention (see Note 2).	80%	85% - 88%	85%
Discrepancy identified for every output dollar spent.	\$7.00	\$6.50 - \$7.00	\$7.00
Percentage of litigation judgments found in favour of the Commissioner.	66%	90%	75%
<i>Supporting measures</i>			
Percentage of audited customers who are satisfied with their experience (see Note 2).	70%	77%	75%
Management of Debt and Outstanding Returns			
<i>Primary measures</i>			
Percentage of returns filed by customers on time.	80%	84.9%	85%
Value of assessed revenue for every outstanding return dollar spent.	\$45.00	\$68.00	\$45.00
Percentage of tax payments made by customers on time.	85%	87.9%	85%
Cash collected for every debt dollar spent.	\$40.00	\$60.00	\$30.00
Percentage of child support assessments paid on time.	65%	69%	70%
<i>Supporting measures</i>			
Average cost of finalising an outstanding return.	\$16.00-\$18.00	\$16.00-\$18.00	\$18.00-\$20.00
Percentage growth in outstanding returns.	0% or less	5.8%	0% or less
Percentage of collectable debt value over two years old.	60% or less	50%	55% or less
Percentage of new customer debt resolved within six months.	80%	80%	80%
Percentage of New Zealand liable parent child support debt cases resolved within 12 months.	75%	76.5%	75%
Services to Inform the Public About Entitlements and Meeting Obligations			
<i>Primary measures</i>			
Percentage of customers who perceive that Inland Revenue does enough to inform them of their rights and obligations (see Note 1).	80%	82.2%	85%
Percentage of customers who perceive that resolving issues with Inland Revenue requires low effort (see Note 1).	80%	75.8%	80%
<i>Supporting measures</i>			
Average cost of a customer-initiated contact.	\$35.00 or less	\$40.00	\$35.00 or less
Percentage of telephone calls answered within two minutes.	75%	65%	75%
Percentage of all rulings reports, adjudication reports and public items that meet the applicable purpose, logic, alternatives, consultation, and practicality standards.	100%	100%	100%

Assessment of Performance	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Number of published or finalised public items that give the Commissioner's interpretation of the law.	25	25	25
Percentage of public items (including relevant public consultation), completed within 18 months of allocation.	85%	82.4%	85%
Percentage of adjudication cases completed within three months of receipt.	90%	88.9%	90%
Percentage of taxpayer ruling applications that have a draft ruling completed within three months of receipt.	90%	88.9%	90%
Percentage of non-qualifying ruling applications that have a draft ruling completed within six months of receipt.	90%	88.9%	90%
Percentage of submissions by the applicant on any draft ruling responded to within one month of receipt.	90%	88.9%	90%
Services to Process Obligations and Entitlements			
<i>Primary measures</i>			
Percentage of social policy and tax registrations processed within five working days.	85%	91.3%	85%
Percentage of income tax disbursements issued within six weeks.	85%	90.3%	85%
Percentage of GST disbursements issued within four weeks (see Note 3).	95%	95.3%	95%
<i>Supporting measures</i>			
Percentage of income tax returns finalised within four weeks.	90%	92.1%	90%
Percentage of GST returns finalised within three weeks.	95%	97.8%	95%
Percentage of employer monthly schedule employee deductions finalised within four weeks.	95%	99.8%	95%
Average cost of processing income tax returns, GST returns and employer monthly schedules.	\$4.00 or less	\$2.50	\$4.00 or less
Percentage of notices and statements produced without error.	98.5%	99.8%	99.8%
Percentage of tax credit claim payments made within three weeks.	90%	91.3%	90%
Percentage of Working for Families Tax Credit (WfFTC) payments made on the first regular payment date following an application.	95%	99.1%	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%	89.7%	90%
Percentage of child support assessments issued within two weeks.	80%	81.4%	80%

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

Note 2 - Actual performance measured using a sample of audit cases.

Note 3 - 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's measure includes additional time for screening or investigation.

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 2019.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Investigations						
Current Government						
Budget 2018 Research and Development Tax Credit Implementation	2018/19	-	120	150	80	80
Previous Government						
Revenue investment continuation	2017/18	9,584	9,584	9,584	-	-
Business tax package	2016/17	150	100	-	-	-
Revenue investment	2015/16	16,602	16,602	16,602	-	-
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(240)	(180)	(180)	(180)	(180)
Cashing out research and development tax losses	2014/15	119	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						
Current Government						
Budget 2018 Tax Compliance Activity - Funding to Collect Additional Revenue	2018/19	-	5,850	5,850	5,900	5,900
Previous Government						
Revenue investment continuation	2017/18	10,400	10,400	10,400	-	-
Business tax package	2016/17	890	630	-	-	-
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(260)	(190)	(190)	(190)	(190)
Child support compliance	2014/15	6,734	6,757	-	-	-
Unfiled returns	2014/15	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
Services to Inform the Public About Entitlements and Meeting Obligations						
Current Government						
Budget 2018 Research and Development Tax Credit Implementation	2018/19	-	480	600	320	320
Families Package Implementation	2018/19	-	1,010	410	350	350

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Previous Government						
Budget 2017 family incomes package implementation	2017/18	800	-	-	-	-
Business tax package	2016/17	420	310	-	-	-
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(400)	(300)	(300)	(300)	(300)
Cashing out research and development tax losses	2014/15	475	475	475	475	475
Child support compliance	2014/15	2,245	2,253	-	-	-
Unfiled returns	2014/15	2,861	2,861	-	-	-
Services to Process Obligations and Entitlements						
Current Government						
Budget 2018 Research and Development Tax Credit Implementation	2018/19	-	600	750	400	400
Families Package Implementation	2018/19	-	2,050	840	710	710
Previous Government						
Budget 2017 family incomes package implementation	2017/18	1,600	-	-	-	-
Automatic Exchange of Information	2016/17	2,620	3,300	2,700	2,400	2,400
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(127)	(103)	(103)	(103)	(103)
Cashing out research and development tax losses	2014/15	594	594	594	594	594

Reasons for Change in Appropriation

Inland Revenue has simplified its appropriation structure and moved to a multi-category appropriation (MCA). The previous four separate appropriations are now grouped into a single overarching appropriation to deliver a customer-centric, integrated tax and entitlement service experience for New Zealanders that is agile and intelligence-led.

The MCA for 2018/19 has increased because Inland Revenue has transferred savings made in 2017/18 into the following year. These efficiencies and other savings were generated through the application of transformation related workforce management principles, early transformation benefits associated with moving customers to online channels, and the renegotiation of vendor contracts in 2017/18. These efficiencies and other savings have been transferred to 2018/19 and out years to ensure that Inland Revenue is well placed to deliver administrative savings and meet the required level of contribution to the Transformation programme.

The increase is also due to additional funding received from the Families Package Implementation, Budget 2018 Research and Development Tax Credit Implementation, and Budget 2018 Tax Compliance Activity - Funding to Collect Additional Revenue.

