

# *Performance Information for Appropriations*

## *Vote Revenue*

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

ADMINISTERING DEPARTMENT: Inland Revenue Department

MINISTER RESPONSIBLE FOR INLAND REVENUE DEPARTMENT: Minister of Revenue

# Part 1 - Summary of the Vote

## Part 1.1 - Overview of the Vote

The Minister of Revenue is responsible for appropriations in the Vote for the 2013/14 financial year covering the following:

- a total of nearly \$717 million on departmental output expenses including management of debt and outstanding returns, policy advice, services to inform the public about entitlements and meeting obligations, services to process obligations and entitlements, and taxpayer audit
- a total of \$77 million for departmental capital expenditure
- a total of just over \$3,729 million for non-departmental benefits and other unrequited expenses
- a total of just over \$10 million for non-departmental borrowing expenses, and
- a total of just over \$2,236 million for non-departmental other expenses.

The Minister of Revenue is also responsible for Crown revenue and receipts in the Vote for the 2013/14 financial year covering the following:

- a total forecast of \$56,665 million on tax revenue
- a total forecast of nearly \$1,566 million on non-tax revenue, and
- a total forecast of \$1,131 million on capital receipts.

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

## Part 1.2 - High-Level Objectives of the Vote

### Government Priorities and Outcomes - Links to Appropriations

Government Priorities	Outcomes	Appropriations
<ul style="list-style-type: none"> <li>Responsibly manage the Government's finances.</li> <li>Build a more competitive and productive economy.</li> <li>Deliver better public services within tight financial constraints.</li> <li>Rebuild Canterbury.</li> </ul>	<p>Inland Revenue's mission is to contribute to the economic and social wellbeing of New Zealand by collecting and distributing money. Our success is reflected in our two outcomes:</p> <ul style="list-style-type: none"> <li>revenue is available to fund government programmes through people meeting payment obligations of their own accord, and</li> <li>people receive payments they are entitled to, enabling them to participate in society.</li> </ul> <p>The difference we want to make is reflected by the impacts we seek:</p> <ul style="list-style-type: none"> <li>more customers self-manage</li> <li>more customers register and report accurate information when required</li> <li>more customers claim their correct entitlements</li> <li>more customers pay and file information on time, and</li> <li>the behaviour of non-compliant customers improves.</li> </ul>	<p>Management of Debt and Outstanding Returns</p> <p>Policy Advice</p> <p>Services to Inform the Public About Entitlements and Meeting Obligations</p> <p>Services to Process Obligations and Entitlements</p> <p>Taxpayer Audit</p>

### Objectives of the Vote

Vote Revenue contributes to improving the economic and social wellbeing of New Zealanders, through the collection of revenue and the administration of social policy programmes.

We need an effective and efficient tax administration with a stable revenue base and low compliance costs for Government to achieve its priorities. Inland Revenue is working to continuously provide improved value for money. Delivering efficient services that improve compliance, reduce compliance costs, and effectively administer social policy programmes will help give our customers the support and choices they need.

## Part 1.3 - Trends in the Vote

### Summary of Financial Activity

	2008/09	2009/10	2010/11	2011/12	2012/13		2013/14			2014/15	2015/16	2016/17
	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
<b>Appropriations</b>												
Output Expenses	658,924	601,110	639,994	661,559	684,887	662,387	716,805	-	716,805	668,467	661,538	661,606
Benefits and Other Unrequited Expenses	4,456,302	4,174,064	4,152,510	3,732,991	3,753,300	3,753,300	N/A	3,729,400	3,729,400	3,675,600	3,666,900	3,691,200
Borrowing Expenses	5,345	7,242	7,126	5,067	9,010	9,010	-	10,010	10,010	9,010	9,010	9,010
Other Expenses	2,439,044	1,189,922	1,250,447	1,294,161	2,426,000	2,206,000	-	2,236,234	2,236,234	2,225,234	2,109,234	2,156,234
Capital Expenditure	62,884	58,589	37,578	53,537	71,000	71,000	77,000	-	77,000	56,200	67,300	49,900
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
<b>Total Appropriations</b>	<b>7,622,499</b>	<b>6,030,927</b>	<b>6,087,655</b>	<b>5,747,315</b>	<b>6,944,197</b>	<b>6,701,697</b>	<b>793,805</b>	<b>5,975,644</b>	<b>6,769,449</b>	<b>6,634,511</b>	<b>6,513,982</b>	<b>6,567,950</b>
<b>Crown Revenue and Capital Receipts</b>												
Tax Revenue	49,045,237	46,034,792	46,845,147	49,165,842	53,313,000	53,313,000	N/A	56,665,000	56,665,000	59,768,000	62,591,000	64,885,000
Non-Tax Revenue	978,390	1,167,344	1,144,478	994,438	1,455,400	1,455,400	N/A	1,565,800	1,565,800	1,646,400	1,528,200	1,621,300
Capital Receipts	910,075	728,704	771,040	904,106	1,222,000	1,222,000	N/A	1,131,000	1,131,000	1,190,000	1,237,000	1,298,000
<b>Total Crown Revenue and Capital Receipts</b>	<b>50,933,702</b>	<b>47,930,840</b>	<b>48,760,665</b>	<b>51,064,386</b>	<b>55,990,400</b>	<b>55,990,400</b>	<b>N/A</b>	<b>59,361,800</b>	<b>59,361,800</b>	<b>62,604,400</b>	<b>65,356,200</b>	<b>67,804,300</b>

## New Policy Initiatives

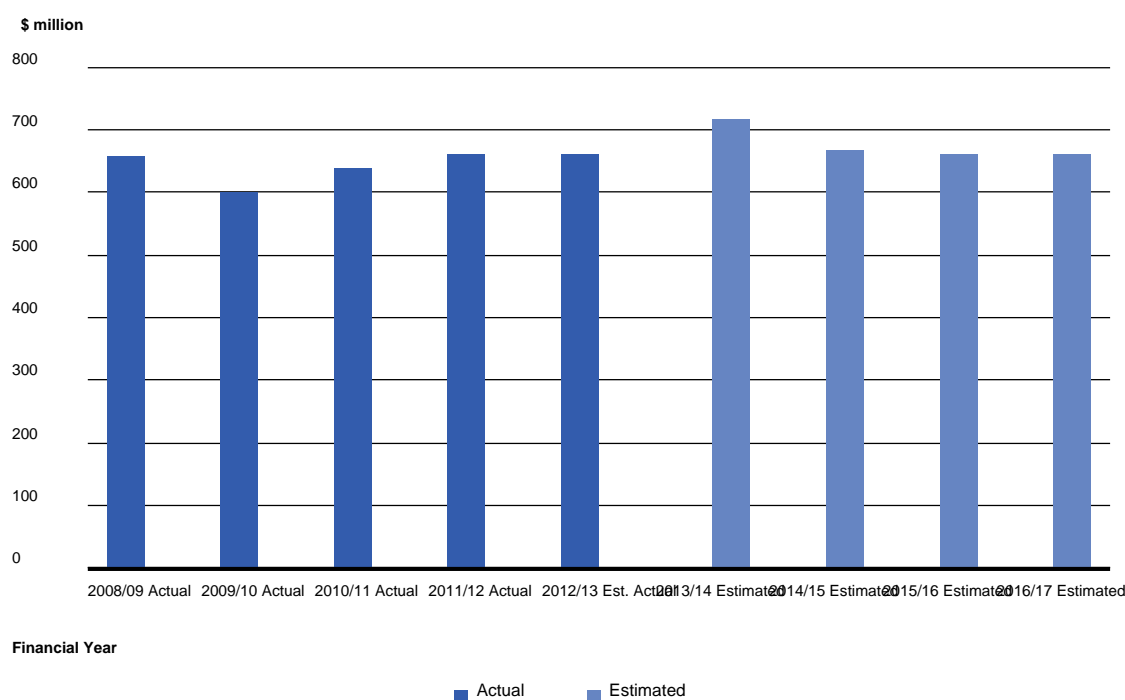
Policy Initiative	Appropriation	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
20 Additional medical places	<b>Initial Fair Value Write-Down Relating to Student Loans</b> Other Expenses to be incurred by the Crown	-	81	192	318	513
Additional flexibility for highly performing private training establishments	<b>Initial Fair Value Write-Down Relating to Student Loans</b> Other Expenses to be incurred by the Crown	-	2,569	4,533	4,668	4,827
Appropriation and draw-down of Skills for Canterbury funding for 2013	<b>Initial Fair Value Write-Down Relating to Student Loans</b> Other Expenses to be incurred by the Crown	2,104	1,074	-	-	-
Business transformation programme	<b>Management of Debt and Outstanding Returns</b> Departmental Output Expenses	-	2,800	-	-	-
	<b>Services to Inform the Public About Entitlements and Meeting Obligations</b> Departmental Output Expenses	-	5,800	-	-	-
	<b>Services to Process Obligations and Entitlements</b> Departmental Output Expenses	-	2,700	-	-	-
	<b>Taxpayer Audit</b> Departmental Output Expenses	-	3,700	-	-	-
Child support scheme reform	<b>Management of Debt and Outstanding Returns</b> Departmental Output Expenses	678	491	1,701	986	820
	<b>Services to Inform the Public About Entitlements and Meeting Obligations</b> Departmental Output Expenses	4,912	11,110	10,448	6,784	6,094
	<b>Services to Process Obligations and Entitlements</b> Departmental Output Expenses	13,045	7,779	4,853	2,089	1,286
	<b>Departmental Capital Injection</b> Departmental Net Assets	4,565	1,318	-	-	-
Continue 99-105% tolerance bands	<b>Initial Fair Value Write-Down Relating to Student Loans</b> Other Expenses to be incurred by the Crown	-	1,310	1,839	1,879	1,893
Extending the student support stand-down period for permanent residents	<b>Initial Fair Value Write-Down Relating to Student Loans</b> Other Expenses to be incurred by the Crown	-	-	(494)	(2,492)	(4,409)

Policy Initiative	Appropriation	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
GST cross-border business to business neutrality	<b>Services to Process Obligations and Entitlements</b> Departmental Output Expenses	-	950	-	-	-
	<b>Taxpayer Audit</b> Departmental Output Expenses	-	-	140	120	-
Implementing student support changes	<b>Services to Inform the Public About Entitlements and Meeting Obligations</b> Departmental Output Expenses	-	800	-	-	-
	<b>Services to Process Obligations and Entitlements</b> Departmental Output Expenses	-	3,041	-	-	-
Property compliance initiative continuation	<b>Management of Debt and Outstanding Returns</b> Departmental Output Expenses	-	-	1,650	1,650	1,650
	<b>Taxpayer Audit</b> Departmental Output Expenses	-	-	5,000	5,000	5,000
Reducing student allowances eligibility for students aged 40 and over	<b>Initial Fair Value Write-Down Relating to Student Loans</b> Other Expenses to be incurred by the Crown	-	187	595	806	783
Removing student allowances eligibility for those aged 65 and over	<b>Initial Fair Value Write-Down Relating to Student Loans</b> Other Expenses to be incurred by the Crown	-	(130)	(444)	(546)	(627)
Salary trade-offs: changes to fringe benefit tax and income calculation	<b>Services to Inform the Public About Entitlements and Meeting Obligations</b> Departmental Output Expenses	-	1,095	-	-	-
	<b>Services to Process Obligations and Entitlements</b> Departmental Output Expenses	-	1,095	-	-	-
Student loans overseas-based borrowers compliance initiative continuation	<b>Management of Debt and Outstanding Returns</b> Departmental Output Expenses	-	-	4,850	4,850	4,850

## Analysis of Significant Trends

### *Departmental Output Expenses*

**Figure 1** - Trends in departmental output expenses



Source: Inland Revenue

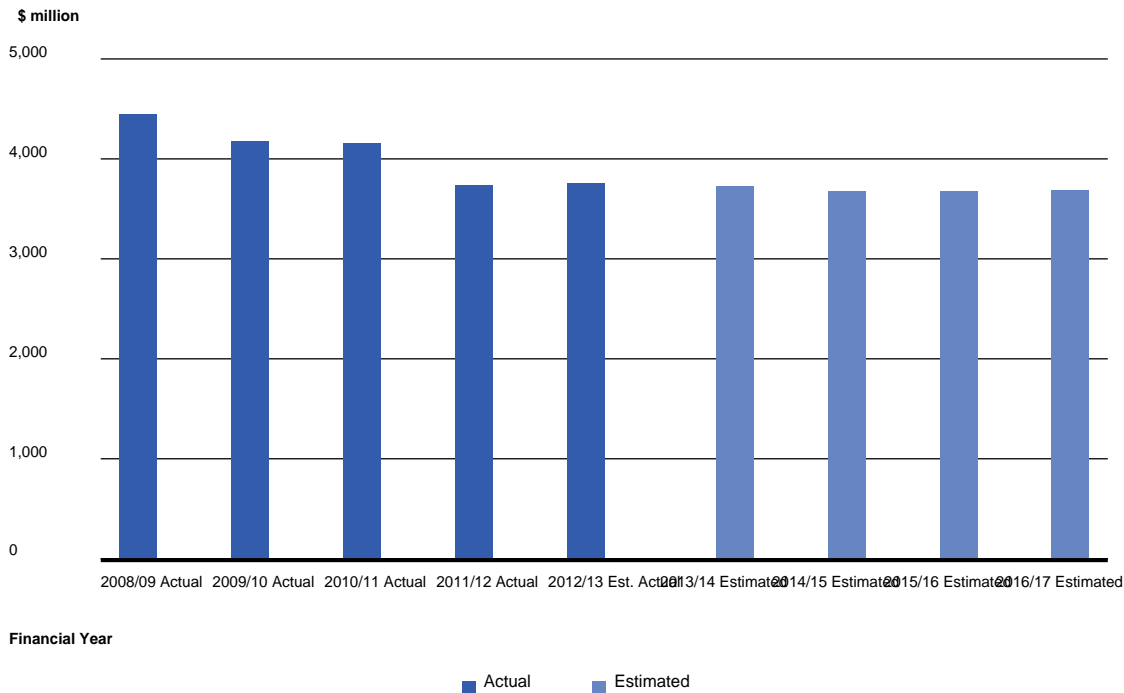
Expenditure on departmental output expenses has grown from \$659 million in 2008/09 to an estimated amount of just over \$662 million in 2012/13 and a budgeted amount of nearly \$717 million in 2013/14.

The expenditure growth in the years to 2012/13 was largely driven by initiatives such as child support scheme reform, simplifying filing requirements, Budget 2010 audit and compliance activity and the Budget 2012 revenue investment initiative. This investment continues into 2013/14 along with the additional impact of funding for the business transformation programme.

Inland Revenue continues to identify value for money savings to meet cost pressures and to deliver efficiency savings to the Crown. These savings are offset by funding from Budget 2010 for additional audit and compliance activities that delivered increased tax revenue and collections to the Crown from 2010/11, funding from Budget 2012 for revenue investment to deliver additional tax revenue and increase cash collections from 2012/13, funding for the child support scheme reform initiative from 2012/13 and investment in the business transformation programme to help modernise Inland Revenue and the tax system.

### Non-Departmental Benefits and Other Unrequited Expenses

**Figure 2** - Non-departmental benefits and other unrequited expenses



Source: Inland Revenue

Benefits and other unrequited expenses includes appropriations for KiwiSaver (ie, kickstart payment, tax credit, interest), Working for Families Tax Credits (eg, family tax credit, in-work tax credit, paid parental leave), research and development tax credit (up to 2008/09), payroll subsidy and child support payments to custodial parents.

In 2009/10 there were legislative changes to KiwiSaver (repeal of the employer tax credit and member fee subsidy, in addition to a reduction in the compulsory contribution rates) and the repeal of the research and development tax credit.

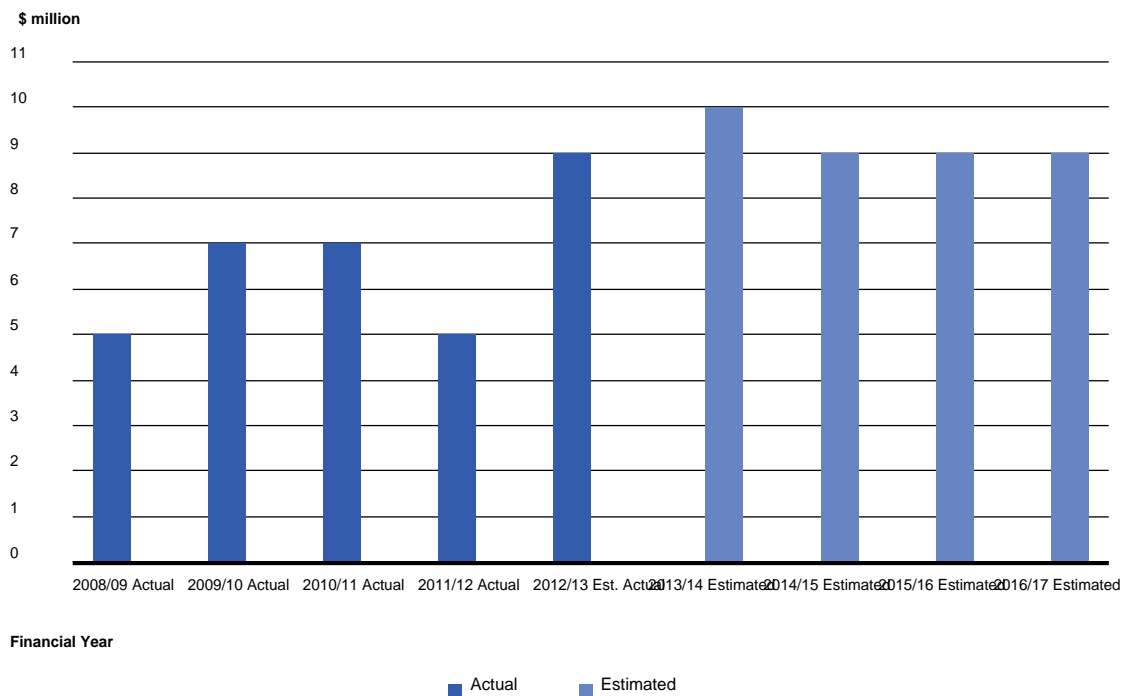
The 2011/12 year shows the first impact of the policy changes in relation to making KiwiSaver more cost-effective (eg, halving the member tax credit) and Working for Families reform for Budget 2011 (eg, changes to abatement thresholds and abatement rates). Budget 2012 policy changes relating to KiwiSaver employer and employee contribution rates increasing from 2% to 3% have increased expenditure slightly in 2012/13 in comparison to 2011/12 as these policy changes impact on KiwiSaver tax credits and interest.

In out-years, a decrease in child support payments to custodial parents is offset by increases in KiwiSaver payments and Working for Families Tax Credits payments.



## Non-Departmental Borrowing Expenses

**Figure 3** - Non-departmental borrowing expenses



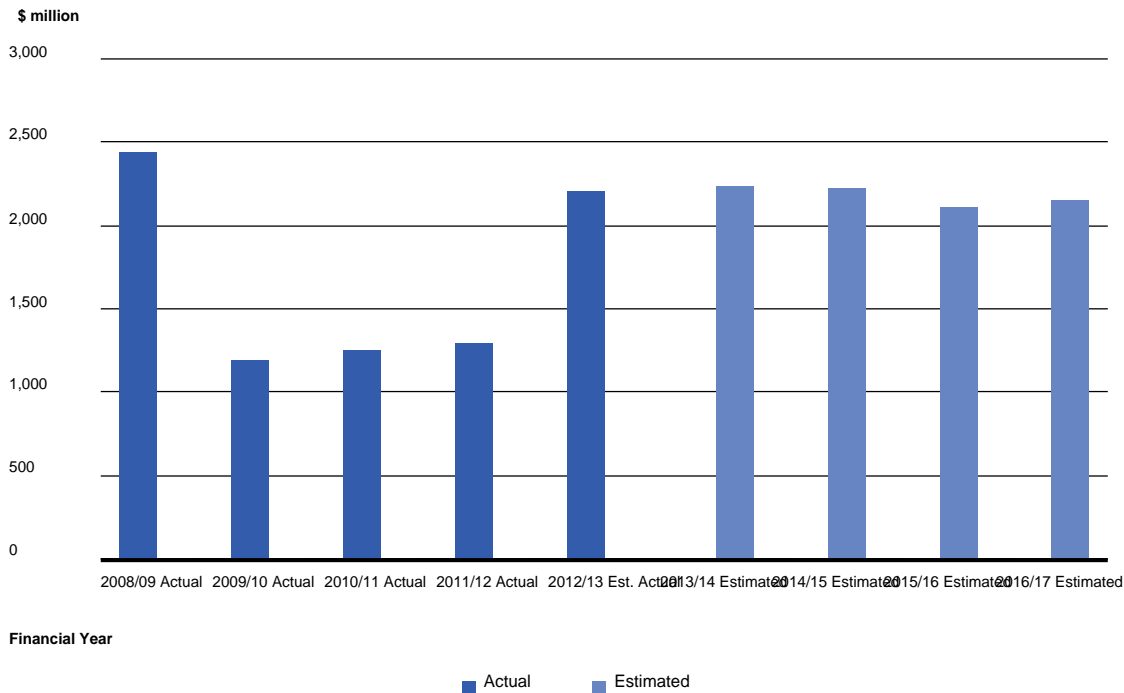
Source: Inland Revenue

Borrowing expenses include interest payments for the income equalisation, adverse event and environmental restoration account schemes. The interest payable can vary depending on factors such as income changes in the farming, agriculture, fishing and forestry sectors in any particular year. Interest payable is also impacted by deposits set aside to mitigate adverse events and detrimental environmental effects.

The higher interest payments from 2012/13 reflect an increase in forecast deposits into the income equalisation and environmental restoration schemes.

*Non-Departmental Other Expenses*

**Figure 4 - Non-departmental other expenses**



Source: Inland Revenue

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 debt.

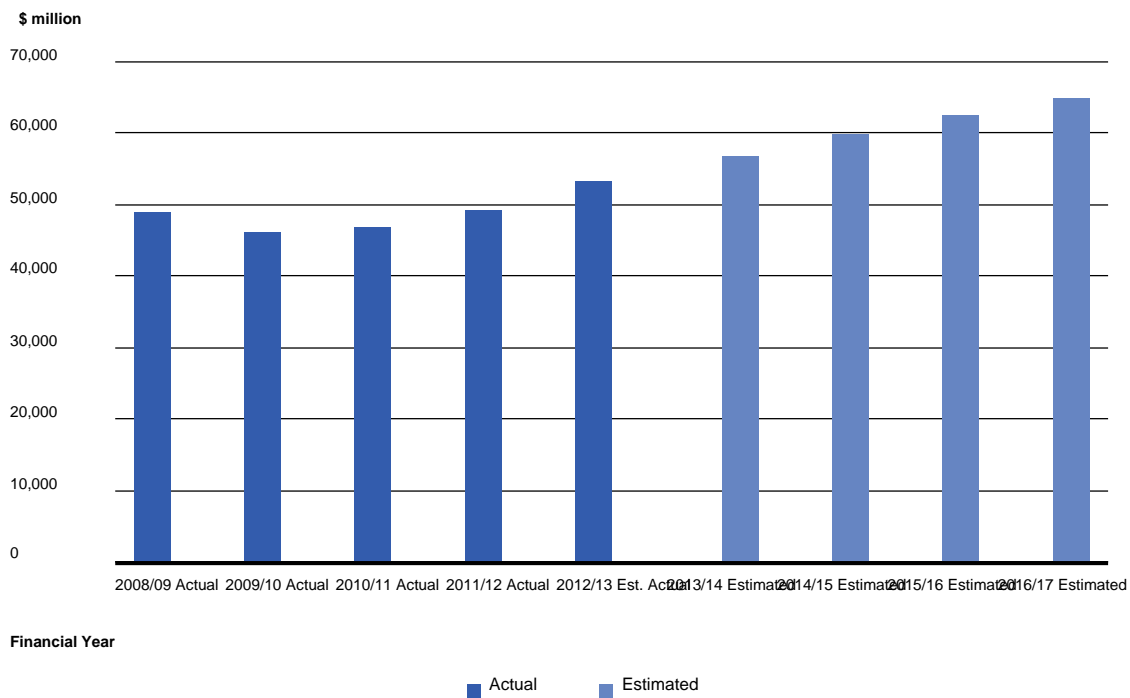
The higher level of other expenses in 2008/09 related to large increases in the impairments for debt and student loans that occurred that year.

The large increase in 2012/13 expenditure is the result of the first full-year impact of the student loan initial fair value write-down moving from the Ministry of Social Development to Inland Revenue as well as increases in student loan and child support impairments. The student loan impairment reflects lower income projections for students than was originally forecast.

The decrease in 2015/16 relates to child support scheme amendments, which will reduce child support penalties and is forecast to reduce the level of child support impairment from the last quarter of 2014/15 onwards.

## Tax Revenue

**Figure 5 - Tax revenue**

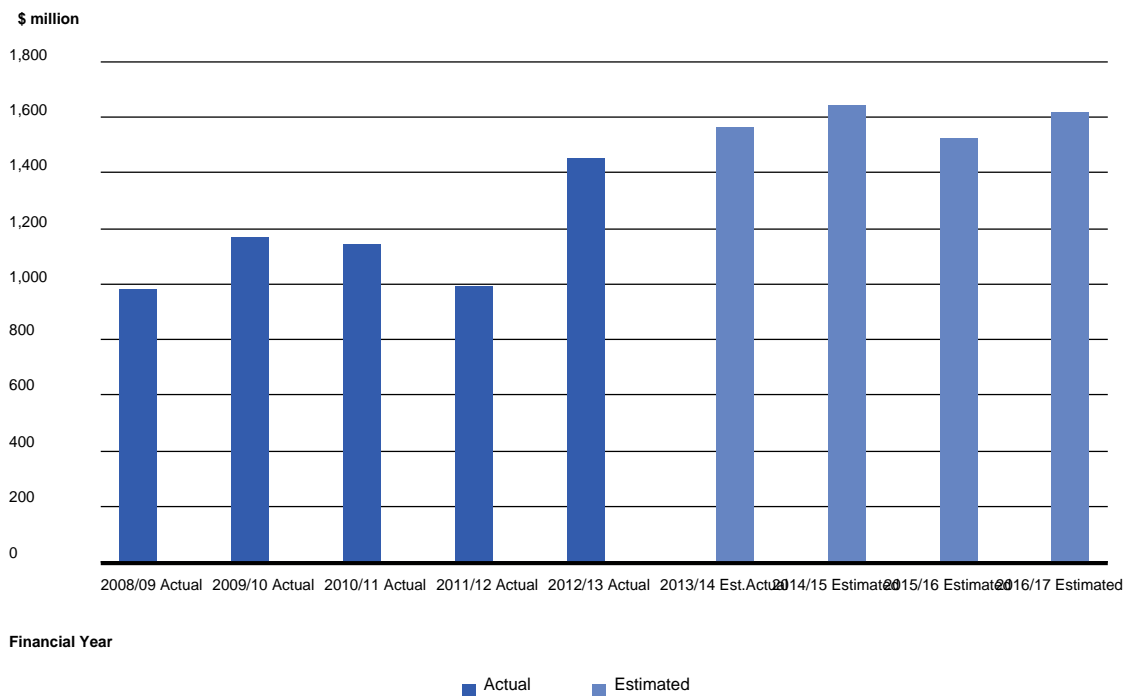


Source: Inland Revenue

In 2009/10, total tax revenue declined, mainly due to changes in the personal income tax rates and a reduction in the company income tax rate. Growth in total tax revenue from 2010/11 is more-or-less in line with the growth in nominal GDP. Growth is forecast to continue through to 2015/16 as the economic recovery, earthquake repairs and rebuild gather momentum. Fiscal drag in personal income taxes and an assumed decline in corporate tax loss offsets add to the pace of tax growth through the forecast period.

### Non-Tax Revenue

**Figure 6 - Non-tax revenue**



Source: Inland Revenue

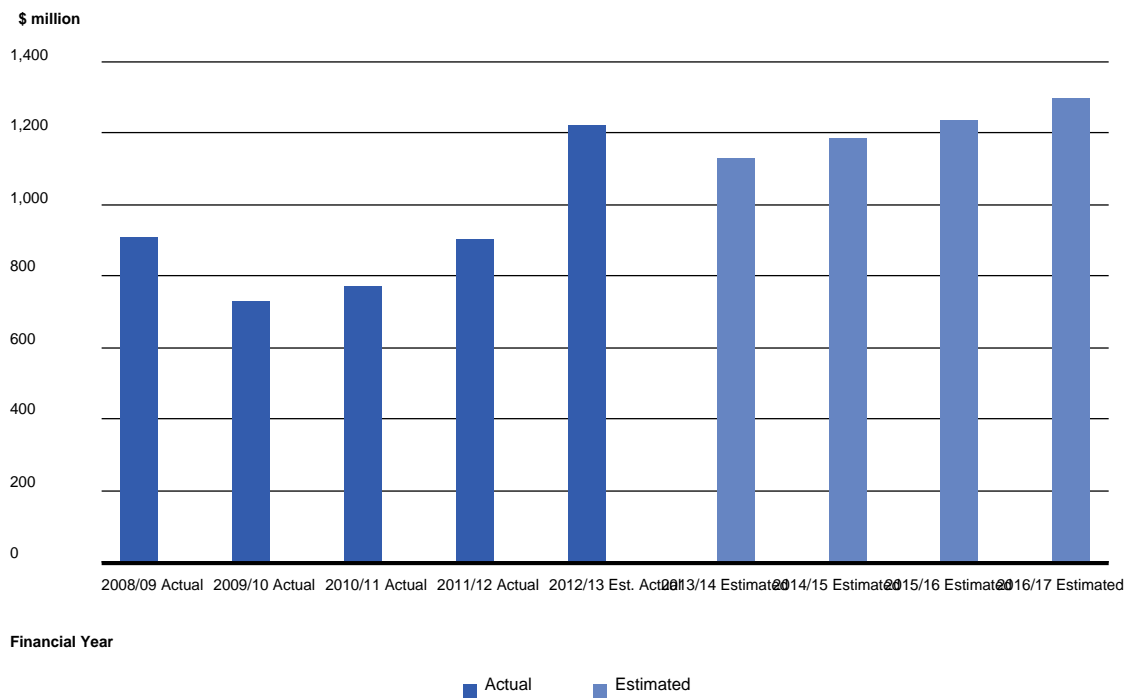
Non-tax revenue incorporates child support collections from non-custodial parents, student loan interest unwind (interest income due to reversing the initial fair value write-down over the life of the loan), unclaimed monies and Working for Families Tax Credits interest and penalties.

The decrease in actual revenue for 2011/12 was due to the reversal of child support penalties as a result of purification changes implemented in the child support system. This was a one-off adjustment.

From the last three months of 2011/12 onwards, the student loan interest unwind has increased due to the new real-time transfer of student loans from the Ministry of Social Development to Inland Revenue. This is a fiscally neutral adjustment between votes. The significant increase in estimated revenue for 2012/13 and out-years is mainly due to returning to the normal level of child support penalties as well as the full year impact of interest unwind on student loan borrowings. From November 2012, there is a small impact resulting from Working for Families Tax Credits interest and penalties. These are now recognised separately from Working for Families Tax Credits expenditure. The small decrease in revenue in 2015/16 is the first impact of the proposed child support scheme amendments.

## Capital Receipts

**Figure 7 - 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 reflects 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 seen as well as growth in income and the impact of policy decisions and overseas-based borrower debt initiatives.

## Part 2 - Details and Expected Performance for Output Expenses

### Part 2.1 - Departmental Output Expenses

#### Intended Outcomes, Impacts and the link to our Appropriations

The following table shows how Inland Revenue appropriations (and the outputs associated with these) link to the impacts it is trying to contribute to and ultimately to the outcomes it is seeking to achieve.

Appropriations (classes of outputs delivered by Inland Revenue)	The impacts we seek	The outcomes we desire
Management of Debt and Outstanding Returns	<p>If Inland Revenue works effectively with customers who have not met their obligations, they will pay their existing debts and not get into debt in the future. This will have the following impact:</p> <ul style="list-style-type: none"> <li>the behaviour of non-compliant customers improves.</li> </ul> <p>As a consequence:</p> <ul style="list-style-type: none"> <li>more customers pay and file information on time.</li> </ul>	<p>This contributes to Inland Revenue's outcomes:</p> <ul style="list-style-type: none"> <li>revenue is available to fund government programmes through people meeting payment obligations of their own accord, and</li> <li>people receive payments they are entitled to, enabling them to participate in society.</li> </ul>
Policy Advice	<p>Policy Advice improves the design and operation of the tax system. Having an efficient tax system contributes to the achievement of all the impacts:</p> <ul style="list-style-type: none"> <li>more customers self-manage</li> <li>more customers register and report accurate information when required</li> <li>more customers claim their correct entitlements</li> <li>more customers pay and file information on time, and</li> <li>the behaviour of non-compliant customers improves.</li> </ul>	<p>This contributes to Inland Revenue's outcomes:</p> <ul style="list-style-type: none"> <li>revenue is available to fund government programmes through people meeting payment obligations of their own accord, and</li> <li>people receive payments they are entitled to, enabling them to participate in society.</li> </ul>
Services to Inform the Public About Entitlements and Meeting Obligations	<p>Providing customers with relevant information and advice, certainty in relation to the application of the law, and a choice in how they engage with Inland Revenue will give customers increased understanding of obligations and entitlements. This will have the following impact:</p> <ul style="list-style-type: none"> <li>more customers self-manage.</li> </ul> <p>As a consequence:</p> <ul style="list-style-type: none"> <li>more customers register and report accurate information when required</li> <li>more customers claim their correct entitlements, and</li> <li>more customers pay and file information on time.</li> </ul>	<p>This contributes to Inland Revenue's outcomes:</p> <ul style="list-style-type: none"> <li>revenue is available to fund government programmes through people meeting payment obligations of their own accord, and</li> <li>people receive payments they are entitled to, enabling them to participate in society.</li> </ul>

Appropriations (classes of outputs delivered by Inland Revenue)	The impacts we seek	The outcomes we desire
Services to Process Obligations and Entitlements	<p>Accurate, timely, complete and efficient processing will increase customers' confidence in the tax and social policy system. This will have the following impacts:</p> <ul style="list-style-type: none"> <li>• more customers register and report accurate information when required</li> <li>• more customers claim their correct entitlements, and</li> <li>• more customers pay and file information on time.</li> </ul>	<p>This contributes to Inland Revenue's outcomes:</p> <ul style="list-style-type: none"> <li>• revenue is available to fund government programmes through people meeting payment obligations of their own accord, and</li> <li>• people receive payments they are entitled to, enabling them to participate in society.</li> </ul>
Taxpayer Audit	<p>If Inland Revenue targets non-compliant customers, it will identify additional revenue and help to provide greater certainty to customers regarding their obligations. This will have the following impact:</p> <ul style="list-style-type: none"> <li>• the behaviour of non-compliant customers improves.</li> </ul> <p>As a consequence:</p> <ul style="list-style-type: none"> <li>• more customers register and report accurate information when required</li> <li>• more customers claim their correct entitlements, and</li> <li>• more customers pay and file information on time.</li> </ul>	<p>This contributes to Inland Revenue's outcomes:</p> <ul style="list-style-type: none"> <li>• revenue is available to fund government programmes through people meeting payment obligations of their own accord, and</li> <li>• people receive payments they are entitled to, enabling them to participate in society.</li> </ul>

For further information on the intended impacts, outcomes and objectives of the departmental output expense appropriations, please see the Statement of Intent for Inland Revenue.

## Performance Standards Applying to Departmental Output Expenses

When reviewing and determining Inland Revenue's performance measures and targets for the coming year, a number of factors were taken into consideration:

- Government priorities including providing better public services
- strategic direction
- current and historical performance
- forecast performance and predicted future demand
- policy changes
- level of funding
- delivering better value for money, and
- improving compliance while maintaining customer service levels.

This document includes previous year targets and estimated year end actuals to provide comparison and context for our performance. Notes are also included where appropriate to add further explanation. The targets included are year end targets. Some measures will have targets that vary during the year due to the cyclical nature of Inland Revenue's business.

The following information is an indication of the expected demand for Inland Revenue's services and is provided for context only.

	2012/13		2013/14
	Forecast Activity	Estimated Actual	Forecast Activity
Number of customer service contacts.	5.100m - 5.600m	5.320m	4.700m - 5.200m
Number of self-help service contacts.	13.900m - 15.300m	14.590m	13.400m - 14.800m
Number of tax and social policy registrations (excluding child support) received.	680,000 - 750,000	670,000	680,000 - 750,000
Number of child support applications received.	48,000 - 53,000	41,500	46,000 - 51,000
Number of applications for administrative review of child support assessments received.	4,300 - 4,800	4,200	4,300 - 4,800
Number of returns received (see Note 1).	7.100m - 7.850m	9.100m	8.400m - 9.300m
Percentage of returns filed electronically.	55%	53%	55%
Percentage of income tax returns filed electronically.	80%	82%	86%
Percentage of GST returns filed electronically.	35%	48%	55%
Number of payments received.	8.100m - 9m	8.400m	8.100m - 9m
Percentage of payments received electronically.	70%	71%	75%

Note 1 - The returns forecast now includes IR345 Employer deduction forms - for recording and paying employee deductions.

Further information on the definition of Inland Revenue's performance measures is contained in the Performance Delivery Measurement Document (PDMD) which can be found at <http://www.ird.govt.nz/aboutir/reports/>

## Management of Debt and Outstanding Returns (M57)

### *Scope of Appropriation*

Taking action where returns are outstanding and where payments are overdue, including providing people with assistance on the actions they need to take to meet their obligations. This includes collection on behalf of other agencies and external parties.

### *Expenses and Revenue*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	118,748	116,874	124,896
Revenue from Crown	115,831	113,957	121,934
Revenue from Other	2,917	5,056	2,962



### *Reasons for Change in Appropriation*

The increase in appropriation of \$6.148 million mainly relates to:

- the return of (\$416,000) relating to the long-term accommodation solution in Wellington
- the return of (\$187,000) relating to the child support scheme reform initiative
- the reversal of (\$2.756 million) relating to one-off transfers that were made from 2011/12 to 2012/13
- the return of an efficiency saving to the Crown of (\$241,000)
- additional funding of \$4 million from Budget 2012 for revenue investment
- the reversal of the \$2.520 million return of funding to the Crown in 2012/13 for child support reciprocal cases in Australia
- the transfer of \$1 million from 2012/13 to 2013/14 relating to Budget 2010 audit and compliance activity, and
- additional funding of \$2.800 million from Budget 2012 for the business transformation programme.

### *Output Performance Measures and Standards*

Performance Measures	2012/13		2013/14
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Unless otherwise specified, all performance measures cover the breadth of Inland Revenue's business (tax, social policy and KiwiSaver). Inland Revenue works with customers who have not met their obligations so that they: file their outstanding returns, pay their existing debts, and do not get into debt in the future. This contributes to the impact of improving the behaviour of non-compliant customers.			
Maximum percentage growth in outstanding returns.	0%	7%	0%
Maximum percentage of outstanding returns over one year old.  Reducing and finalising outstanding returns provides certainty in relation to customers' obligations. Doing this in a timely manner increases the ability of Inland Revenue to collect the amount due.	57%	64%	57%
Minimum percentage of outstanding returns finalised within six months.	65%	62%	65%
Minimum percentage of outstanding employer monthly schedules finalised within three months.	85%	85%	85%
Maximum average cost of finalising an outstanding return.  In order to make the best use of resources it is important that Inland Revenue focuses on the cost of services provided.	\$15.00	\$15.00	\$15.00
Minimum debt value cleared, as a percentage of debt book (debt turnover).	100%	110%	100%
Maximum percentage of collectable debt value over two years old.	50%	55%	50%

Performance Measures	2012/13		2013/14
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Minimum percentage of debt cases resolved within three months. Early intervention to collect debt improves the ability of Inland Revenue to collect outstanding amounts due. This is combined with a continuing focus on managing aged debt.	65%	65%	65%
Minimum percentage of debt value resolved for those who did not have a debt at the start of the year. Successful management of customers who have not been in debt before will help to improve their compliance behaviour in the future.	65%	70%	65%
Minimum cash collected for every debt dollar spent. In order to make the best use of resources it is important that Inland Revenue focuses on the cost of services provided.	\$40.00	\$45.00	\$40.00
Minimum percentage of NZ paying parent child support debt cases resolved within 12 months. Timely action to collect child support debt helps to ensure that custodial parents receive the amounts that they are due.	70%	70%	70%

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
<b>Current Government</b>						
Business transformation programme	2013/14	-	2,800	-	-	-
Property compliance initiative continuation	2014/15	-	-	1,650	1,650	1,650
Student loans overseas-based borrowers compliance initiative continuation	2014/15	-	-	4,850	4,850	4,850
Efficiency savings	2012/13	(509)	(750)	(1,775)	(1,896)	(1,896)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(1,303)	(1,312)	(1,359)	(1,453)	(1,453)
Revenue investment	2012/13	10,400	10,400	10,400	10,400	10,400
Child support scheme reform	2011/12	678	491	1,701	986	820
Scaling up of the student loan overseas-based borrower initiative	2011/12	4,850	4,850	-	-	-
Budget 2010 tax package - additional audit and compliance activity	2010/11	10,712	10,712	8,526	8,526	8,771
New Zealand Productivity Commission	2010/11	(22)	(22)	(22)	(22)	(22)
IT/infrastructure	2009/10	204	204	204	204	204
Revenue and cash protection and growth	2009/10	3,103	3,103	3,103	3,103	3,103
Value for money - line by line review	2009/10	(649)	(649)	(649)	(649)	(649)

The above table includes policy initiatives since Budget 2009. Technical adjustments to the appropriation are excluded. Where initiatives have been extended or renamed in later budget cycles, the original and subsequent entries have been merged under a single name.

## 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*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	8,267	8,267	8,100
Revenue from Crown	8,265	8,265	8,098
Revenue from Other	2	2	2

### *Reasons for Change in Appropriation*

The decrease in appropriation of (\$167,000) mainly relates to:

- the return of (\$140,000) relating to the long-term accommodation solution in Wellington, and
- the return of an efficiency saving to the Crown of (\$18,000).

### *Output Performance Measures and Standards*

Performance Measures	2012/13		2013/14
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Unless otherwise specified, all performance measures cover the breadth of Inland Revenue's business (tax, social policy and KiwiSaver) (see Note 1). The provision of relevant policy advice will contribute to the achievement of all Inland Revenue's desired impacts by improving the design and operation of the overall tax and social policy systems.			
Percentage of regulatory impact statements assessed as adequate - advice is complete, convincing, consulted, clear, and concise.	100%	100%	n/a
Minimum percentage of policy advice papers that meet quality standards.	n/a	n/a	90%
We will ensure that the Minister is satisfied with the quality of: <ul style="list-style-type: none"> <li>• policy advice</li> <li>• tax legislation, and</li> <li>• revenue forecasts.</li> </ul>	Achieved	Achieved	n/a
Minimum percentage of ministerial satisfaction for policy advice.	n/a	n/a	95%
Maximum average cost per hour of producing policy advice outputs.	n/a	n/a	\$150.00

Note 1 - Three new mandatory measures have been introduced. These are common across all government departments that have policy advice appropriations.

We will provide the Minister with:

- tax and social policy advice as agreed in the Government's tax policy work programme using the Generic Tax Policy Process (details available at <http://taxpolicy.ird.govt.nz>)
- draft tax bills as agreed, and support their introduction and passage through Parliament
- budget forecasts and updates, and
- regular reports on progress.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
<b>Current Government</b>						
Efficiency savings	2012/13	(57)	(75)	(172)	(223)	(223)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(171)	(173)	(178)	(189)	(189)
IT/infrastructure	2009/10	6	6	6	6	6

The above table includes policy initiatives since Budget 2009. Technical adjustments to the appropriation are excluded. Where initiatives have been extended or renamed in later budget cycles, the original and subsequent entries have been merged under a single name.

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

### *Scope of Appropriation*

Providing information and assistance to customers on the application of the law. Responding to customer enquiries about tax and social support programmes. Adjudication on behalf of the Commissioner on proposed taxpayer assessments. Providing binding rulings and other statements on the interpretation and application of the law administered by Inland Revenue. Provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making responsibilities).

### *Expenses and Revenue*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	256,442	248,835	267,502
Revenue from Crown	254,601	246,994	265,541
Revenue from Other	1,841	6,315	1,961

### *Reasons for Change in Appropriation*

The increase in appropriation of \$11.060 million mainly relates to:

- the return of (\$1.025 million) relating to the long-term accommodation solution in Wellington
- additional funding of \$6.198 million relating to the child support scheme reform initiative
- the transfer of \$4.888 million from 2012/13 to 2013/14 for the child support scheme reform initiative
- the reversal of (\$7.206 million) relating to one-off transfers that were made from 2011/12 to 2012/13
- the return of an efficiency saving to the Crown of (\$858,000)
- additional funding of \$800,000 in 2013/14 relating to implementing student support changes
- additional funding of \$1.095 million in 2013/14 relating to the salary trade-offs initiative
- the transfer of \$1.236 million from 2012/13 to 2013/14 for the eServices programme, and
- additional funding of \$5.800 million from Budget 2012 for the business transformation programme.

### *Output Performance Measures and Standards*

Performance Measures	2012/13		2013/14
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Unless otherwise specified, all performance measures cover the breadth of Inland Revenue's business (tax, social policy and KiwiSaver). Providing customers with relevant information and advice, certainty in relation to the application of the law, and a choice in how they engage with Inland Revenue will give customers increased understanding of their obligations and entitlements. This will contribute to achieving Inland Revenue's desired impact of more customers self-managing.			
Minimum percentage of customers who are satisfied with the quality of phone and correspondence contacts.	85%	84%	85%
Minimum percentage of customers who are satisfied with the quality of online services.	85%	96%	90%
Minimum percentage of customers confident that IR takes appropriate action to ensure people receive their social support entitlements.	70%	70%	70%
Minimum percentage of all initial telephone enquiries fully resolved at the time.	75%	73%	n/a
Minimum percentage of attempted calls that we answer.	75%	84%	75%
Minimum percentage of priority telephone calls answered within one minute.	70%	73%	n/a
Minimum percentage of general telephone calls answered within four minutes.	70%	82%	n/a
Minimum percentage of telephone calls answered within two minutes (see Note 1).	n/a	n/a	75%
It is important that Inland Revenue provides customers with a quality service. A key aspect of this is being able to answer all telephone calls in a timely and accurate manner.			

Performance Measures	2012/13		2013/14
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Minimum percentage of paper correspondence answered within three weeks.	75%	76%	n/a
Minimum percentage of electronic correspondence answered within one week.	70%	59%	n/a
Minimum percentage of correspondence answered within two weeks (see Note 2).  It is important that Inland Revenue provides customers with a quality service. A key aspect of this is being able to answer all correspondence in a timely and accurate manner.	n/a	n/a	75%
Maximum average cost of a customer initiated contact.  In order to make the best use of resources it is important that Inland Revenue focuses on the cost of services provided.	\$34.00	\$34.00	\$34.00
Percentage of all rulings reports, adjudication reports, public items and technical correspondence or advice, 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	17	25
Minimum percentage of adjudication cases completed within three months of receipt.	90%	95%	90%
Minimum percentage of taxpayer ruling applications that have a draft ruling completed within three months of receipt.	90%	95%	90%
Minimum percentage of non-qualifying ruling applications that have a draft ruling completed within six months of receipt.	90%	95%	90%
Minimum percentage of public items (including relevant public consultation), completed within 18 months of allocation.	90%	90%	90%
Minimum percentage of submissions by the applicant on any draft ruling responded to within one month of receipt.	n/a	n/a	90%
Minimum percentage of ministerial correspondence responded to within 10 days.	95%	95%	95%
Percentage of parliamentary questions responded to within required timeframes.	100%	100%	100%

Note 1 - A balanced approach to phone queues will be taken and this is reflected with one combined target for both priority and general telephone queues.

Note 2 - The change in this target reflects the combined management approach of paper and electronic correspondence.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
<b>Current Government</b>						
Business transformation programme	2013/14	-	5,800	-	-	-
Implementing student support changes	2013/14	-	800	-	-	-
Salary trade-offs: changes to fringe benefit tax and income calculation	2013/14	-	1,095	-	-	-
Broadening the definition of income for student loan repayment purposes	2013/14	-	100	70	-	-
Efficiency savings	2012/13	(1,330)	(2,188)	(4,919)	(4,677)	(4,677)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(1,351)	(1,372)	(1,473)	(1,675)	(1,675)
Child support scheme reform	2011/12	4,912	11,110	10,448	6,784	6,094
Making KiwiSaver more cost-effective	2011/12	1,040	-	-	-	-
Simplifying filing requirements for individuals and record-keeping requirements for businesses	2011/12	396	300	300	300	1,500
Budget 2010 tax package - additional audit and compliance activity	2010/11	6,056	6,056	4,820	4,820	4,959
New Zealand Productivity Commission	2010/11	(62)	(62)	(62)	(62)	(62)
Student support savings package	2010/11	142	142	142	142	142
Bonus for voluntary student loan repayments	2009/10	1,568	1,568	1,568	1,568	1,568
IT/infrastructure	2009/10	494	494	494	494	494
Student loans redesign	2009/10	1,002	1,002	1,002	1,002	1,002
Value for money - line by line review	2009/10	(5,318)	(5,318)	(5,318)	(5,318)	(5,318)
Implementing tax and KiwiSaver changes	2008/09	(942)	(942)	(942)	(942)	(942)

The above table includes policy initiatives since Budget 2009. Technical adjustments to the appropriation are excluded. Where initiatives have been extended or renamed in later budget cycles, the original and subsequent entries have been merged under a single name.

## Services to Process Obligations and Entitlements (M57)

### *Scope of Appropriation*

Registering tax payers, making tax assessments, assessing child support liabilities including providing a readily accessible inexpensive process for reviewing assessments, receiving and making payments to customers, processing applications and payments for social support programmes, collection of ACC Earners' levies, supplying information to other government agencies and accounting and reporting the collection of Crown revenue.

### *Expenses and Revenue*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	123,556	112,697	133,511
Revenue from Crown	102,619	91,760	112,514
Revenue from Other	20,937	21,825	20,997

### *Reasons for Change in Appropriation*

The increase in appropriation of \$9.955 million mainly relates to:

- the return of (\$5.266 million) relating to the child support scheme reform initiative
- the transfer of \$11.402 million from 2012/13 to 2013/14 for the child support scheme reform initiative
- the reversal of (\$5.505 million) relating to one-off transfers that were made from 2011/12 to 2012/13
- the return of an efficiency saving to the Crown of (\$212,000)
- additional funding of \$3.041 million in 2013/14 relating to implementing student support changes
- additional funding of \$1.095 million in 2013/14 relating to the salary trade-offs initiative
- the transfer of \$2.886 million from 2012/13 to 2013/14 for the eServices programme, and
- additional funding of \$2.700 million from Budget 2012 for the business transformation programme.

### *Output Performance Measures and Standards*

Performance Measures	2012/13		2013/14
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<p>Unless otherwise specified, all performance measures cover the breadth of Inland Revenue's business (tax, social policy and KiwiSaver).</p> <p>Accurate, timely, complete, and efficient processing by Inland Revenue will increase customers' confidence in the tax and social policy system. This will contribute to achieving the impact of more customers: registering and reporting accurate information, claiming their correct entitlements, paying and filing information on time.</p>			



Performance Measures	2012/13		2013/14
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Minimum percentage of income tax returns finalised within four weeks.	85%	94%	90%
Minimum percentage of GST returns finalised within three weeks.	95%	100%	95%
Minimum percentage of employer monthly schedule employee deductions finalised within four weeks.	95%	99%	95%
Minimum percentage of social policy and tax registrations processed within five working days.	85%	88%	85%
Minimum percentage of payments banked on the day of receipt.	99%	100%	99%
Minimum percentage of payments correctly processed to customers' accounts.	99.5%	99.7%	99.5%
Maximum average cost of processing income tax returns, GST returns, and employer monthly schedules. In order to make the best use of resources it is important that Inland Revenue focuses on the cost of services provided.	\$4.00	\$4.00	\$4.00
Minimum percentage of notices and statements produced without error.	98.5%	99.2%	98.5%
Minimum percentage of income tax refunds issued within six weeks.	85%	85%	85%
Minimum percentage of GST refunds issued within four weeks (see Note 1).	95%	97%	95%
Minimum percentage of tax credit claim payments made within three weeks.	90%	90%	90%
Minimum percentage of Working for Families Tax Credit (WFFTC) payments made on the first regular payment date following an application.	95%	96%	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 NZ based student loan borrowers' repayments collected (see Note 2).	100%	126%	n/a
Minimum percentage of NZ based student loan borrowers who pay on time.	95%	97%	n/a
Minimum percentage of child support assessments issued within two weeks. It is important that Inland Revenue is able to collect child support assessments in a complete and timely manner.	80%	80%	80%
Minimum percentage of child support administrative review decisions issued within seven weeks.	85%	86%	85%
Minimum percentage of NZ based child support assessments received by the due date.	68%	63%	n/a
Minimum percentage of NZ based child support assessments collected.	75%	73%	n/a
Maximum average cost of child support administrative review.	\$750	\$750	n/a

**Note 1 - Section 46 of the Goods and Services Tax Act 1985 stipulates refunds are to be issued within 15 working days unless selected for a screening or investigation. The four weeks issuing timeframe allows additional time to include in Inland Revenue's performance those so selected.**

**Note 2 - Result exceeds 100% due to the inclusion of voluntary repayments ie, those payments that are over and above the annual repayment threshold.**

## Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
<b>Current Government</b>						
Business transformation programme	2013/14	-	2,700	-	-	-
Implementing student support changes	2013/14	-	3,041	-	-	-
Salary trade-offs: changes to fringe benefit tax and income calculation	2013/14	-	1,095	-	-	-
GST cross-border business to business neutrality	2013/14	-	950	-	-	-
Broadening the definition of income for student loan repayment purposes	2013/14	-	200	130	-	-
Efficiency savings	2012/13	(538)	(750)	(1,718)	(1,673)	(1,673)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(2,965)	(2,972)	(3,010)	(3,085)	(3,085)
Child support scheme reform	2011/12	13,045	7,779	4,853	2,089	1,286
Making KiwiSaver more cost-effective	2011/12	1,260	-	-	-	-
Simplifying filing requirements for individuals and record-keeping requirements for businesses	2011/12	925	700	2,131	2,565	2,467
New Zealand Productivity Commission	2010/11	(28)	(28)	(28)	(28)	(28)
Student support savings package	2010/11	61	61	61	61	61
Bonus for voluntary student loan repayments	2009/10	1,232	1,232	1,232	1,232	1,232
IT/infrastructure	2009/10	275	275	275	275	275
Revenue and cash protection and growth	2009/10	56	56	56	56	56
Student loans redesign	2009/10	4,009	4,009	4,009	4,009	4,009
Value for money - line by line review	2009/10	(1,140)	(1,140)	(1,140)	(1,140)	(1,140)
Implementing tax and KiwiSaver changes	2008/09	(627)	(627)	(627)	(627)	(627)

The above table includes policy initiatives since Budget 2009. Technical adjustments to the appropriation are excluded. Where initiatives have been extended or renamed in later budget cycles, the original and subsequent entries have been merged under a single name.

## Taxpayer Audit (M57)

### Scope of Appropriation

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

### Expenses and Revenue

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	177,874	175,714	182,796
Revenue from Crown	177,684	175,524	182,531
Revenue from Other	190	1,789	265

### *Reasons for Change in Appropriation*

The increase in appropriation of \$4.922 million mainly relates to:

- the reversal of (\$3.446 million) relating to one-off transfers that were made from 2011/12 to 2012/13
- the return of an efficiency saving to the Crown of (\$259,000)
- additional funding of \$3.883 million from Budget 2012 for revenue investment
- the transfer of \$900,000 from 2012/13 to 2013/14 relating to Budget 2010 audit and compliance activity, and
- additional funding of \$3.700 million from Budget 2012 for the business transformation programme.

### *Output Performance Measures and Standards*

Performance Measures	2012/13		2013/14
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Unless otherwise specified, all performance measures cover the breadth of Inland Revenue's business (tax, social policy and KiwiSaver). By targeting non-compliant customers, Inland Revenue will identify additional revenue and help to provide greater certainty to customers about their obligations. This will contribute to the impact of improving the behaviour of non-compliant customers.			
Minimum percentage of audit cases that are correct, complete, clear, and appropriately referenced (see Note 1).	90%	95%	85%
Minimum percentage of audited customers who are satisfied with their experience.	65%	70%	65%
Minimum percentage of customers confident that Inland Revenue takes appropriate action against those who don't comply. Delivery of a quality audit will help to secure a change in the behaviour of non-compliant customers.	75%	75%	75%
Minimum percentage of audits that result in a material discrepancy. Using a risk based approach to audit selection helps to target cases where a change in customer behaviour is required. This will also help identify discrepancies, and therefore the potential for additional revenue generation.	70%	77%	75%
On average, we will complete audits within agreed timeframes: <ul style="list-style-type: none"> <li>• 4 months for general audits</li> <li>• 12 months for risk based audits</li> <li>• 16 months for evasion and fraud audits, and</li> <li>• 28 months for aggressive tax planning audits.</li> </ul>	Achieved	Achieved	Achieved
Minimum percentage of disputed cases completed within 15 months.	75%	77%	75%

Performance Measures	2012/13		2013/14
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Minimum discrepancy identified for every output dollar spent (see Note 2).  In order to make the best use of resources it is important that Inland Revenue focuses on the cost of services provided.	\$7.40	\$7.50	\$7.70
Minimum percentage of litigation judgements found in favour of the Commissioner.	66%	66%	66%

Note 1 - The methodology for carrying out quality checks is changing for 2013/14. Instead of only checking audit cases once they are completed, the checks will also include open cases.

Note 2 - The target is increased to reflect additional compliance focus funding provided in Budget 2012.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
<b>Current Government</b>						
Business transformation programme	2013/14	-	3,700	-	-	-
Property compliance initiative continuation	2014/15	-	-	5,000	5,000	5,000
GST cross-border business to business neutrality	2013/14	-	-	140	120	-
Efficiency savings	2012/13	(566)	(825)	(2,004)	(2,119)	(2,119)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(1,812)	(1,823)	(1,882)	(2,000)	(2,000)
Revenue investment	2012/13	8,001	9,584	9,584	9,584	9,584
Budget 2010 tax package - additional audit and compliance activity	2010/11	15,792	15,792	12,570	12,570	12,931
New Zealand Productivity Commission	2010/11	(38)	(38)	(38)	(38)	(38)
IT/infrastructure	2009/10	256	256	256	256	256
Revenue and cash protection and growth	2009/10	196	196	196	196	196
Value for money - line by line review	2009/10	(1,128)	(1,128)	(1,128)	(1,128)	(1,128)

The above table includes policy initiatives since Budget 2009. Technical adjustments to the appropriation are excluded. Where initiatives have been extended or renamed in later budget cycles, the original and subsequent entries have been merged under a single name.

## Part 3 - Details for Benefits and Other Unrequited Expenses

### Part 3.2 - Non-Departmental Benefits and Other Unrequited Expenses

#### Intended Impacts, Outcomes and Objectives

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

#### Child Support Payments PLA (M57)

##### *Scope of Appropriation*

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

##### *Expenses*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	227,000	227,000	237,000

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

This appropriation is for child support payments to custodial parents who are not dependent on the Crown for financial support. The child support is collected from non-custodial parents. The growth in appropriation to 2013/14 reflects general population growth, increasing the number of child support cases, and also income growth of non-custodial parents, increasing the amounts collected and transferred to custodians.

##### *Conditions on Use of Appropriation*

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

## Child Tax Credit PLA (M57)

### *Scope of Appropriation*

Extra assistance for low to middle income families who are not dependent on the state for financial support (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).

### *Expenses*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,700	1,700	1,400

### *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.
Section 185(1)(e) of the Tax Administration Act	Establishes a permanent legislative authority to allow money payable by the Commissioner by way of credits of tax under subpart MZ of the Income Tax Act 2007 to be paid out of the Crown Bank Account without further appropriation.

## 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*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,047,000	2,047,000	2,026,000

### *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 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 2013/14 year.

### Conditions on Use of Appropriation

Reference	Conditions
Reference MD 3 of the Income Tax Act 2007	Sets out the entitlement for and calculation of the Family Tax Credit.
Section 185(1)(e) of the Tax Administration Act	Establishes a permanent legislative authority to allow money payable by the Commissioner by way of credits of tax under subparts MA to MF of the Income Tax Act 2007 to be paid out of the Crown Bank Account without further appropriation.

### Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
<b>Current Government</b>						
Working for Families reform for Budget 2011	2011/12	(65,000)	(82,000)	(133,000)	(133,000)	(133,000)
Budget 2010 tax package - implementing policy changes	2010/11	1,178	7,407	7,407	7,407	7,407

### 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

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	541,000	541,000	511,000

#### Reasons for Change in Appropriation

The decline in the In-Work Tax Credit appropriation for 2013/14 reflects attrition in eligibility to claim the credit as average incomes increase.

### Conditions on Use of Appropriation

Reference	Conditions
Sections MD 4-10 of the Income Tax Act 2007	Sets out the entitlement for and calculation of the In-Work Tax Credit.
Section 185(1)(e) of the Tax Administration Act	Establishes a permanent legislative authority to allow money payable by the Commissioner by way of credits of tax under subparts MA to MF of the Income tax Act 2007 to be paid out of the Crown Bank Account without further appropriation.

## Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
<b>Current Government</b>						
Working for Families reform for Budget 2011	2011/12	(35,000)	(42,000)	(61,000)	(61,000)	(61,000)
Budget 2010 tax package - implementing policy changes	2010/11	(11,224)	(8,912)	(8,912)	(8,912)	(8,912)

## KiwiSaver: Interest (M57)

### Scope of Appropriation

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

### Expenses

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	7,000	7,000	8,000

### Reasons for Change in Appropriation

KiwiSaver interest generally applies for the administrative period when members are newly contributing to the scheme, either because they have only just joined the scheme, or because existing members have newly commenced work. The interest appropriation is forecast to increase with assumed growth in the number of newly contributing members. An increase in employer and minimum employee contributions from April 2013 further increases the interest potentially payable.

### Conditions on Use of Appropriation

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

## KiwiSaver: Kickstart Payment (M57)

### Scope of Appropriation

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

### Expenses

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	220,000	220,000	165,000



### *Reasons for Change in Appropriation*

The KiwiSaver kickstart payment is a one-off payment to new members on first joining the KiwiSaver scheme. The rate of new membership will decline over time as the scheme matures.

### *Conditions on Use of Appropriation*

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

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
<b>Current Government</b>						
Making KiwiSaver more cost-effective	2011/12	(4,262)	(2,147)	(2,114)	(2,114)	(2,114)

## **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*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	511,000	511,000	575,000

### *Reasons for Change in Appropriation*

The KiwiSaver: Tax Credit appropriation is linked to the level of member contributions made to the scheme and is paid annually. Growth in the tax credit to 2013/14 is predominantly affected by an increase in the total number of contributing members as well as increases in their contributions due to income growth. In addition, the minimum employee contribution rate increased from 2% to 3% from 1 April 2013. This will increase tax credit entitlement for those affected employee members who are not yet at their maximum entitlement.

### *Conditions on Use of Appropriation*

Reference	Conditions
Part MK 9-16 of the Income Tax Act 2007(repealed)	Repealed with effect from 1 April 2009.
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.

*Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
<b>Current Government</b>						
Making KiwiSaver more cost-effective	2011/12	(484,255)	(483,817)	(492,325)	(492,325)	(492,325)

**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*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	12,000	12,000	12,000

*Conditions on Use of Appropriation*

Reference	Conditions
Subpart ME of the Income Tax Act 2007	Sets out the entitlement for and calculation of the Family Tax Credit.
Section 185(1)(e) of the Tax Administration Act 1994	Establishes a permanent legislative authority to allow money payable by the Commissioner by way of credits of tax under subparts MA to MF of the Income Tax Act 2007 to be paid out of the Crown Bank Account without further appropriation.

*Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
<b>Current Government</b>						
Budget 2010 tax package - implementing policy changes	2010/11	(618)	(545)	(545)	(545)	(545)

## Paid Parental Leave Payments PLA (M57)

### *Scope of Appropriation*

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

### *Expenses*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	167,000	167,000	176,000

### *Reasons for Change in Appropriation*

The growth in appropriation in 2013/14 largely reflects wage growth and annual indexation of the maximum entitlement. The volume of claims also increases, reflecting an expected increase in employment which in turn increases eligibility.

### *Conditions on Use of Appropriation*

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

## 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*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	17,000	17,000	15,000

### *Reasons for Change in Appropriation*

Parents of newborns can receive financial assistance through either the parental tax credit or paid parental leave payments (but not both), provided they meet the eligibility criteria. The decline in the parental tax credit appropriation in 2013/14 reflects an expectation that income growth will cause greater abatement and/or more parents opting for paid parental leave.

*Conditions on Use of Appropriation*

Reference	Conditions
Sections MD 11-12 of the Income Tax Act 2007	Sets out the entitlement for (MD11) and calculation of (MD12) of the Parental Tax Credit.
Section 185(1)(e) of the Tax Administration Act 1994	Establishes a permanent legislative authority to allow money payable by the Commissioner by way of credits of tax under subparts MA to MF of the Income Tax Act 2007 to be paid out of the Crown Bank Account without further appropriation.

*Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
<b>Current Government</b>						
Working for Families reform - Budget 2011	2012/13	(1,000)	(2,000)	(3,000)	(3,000)	(3,000)
Budget 2010 tax package - implementing policy changes	2010/11	(390)	(495)	(495)	(495)	(495)

**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*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,600	2,600	3,000

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

## Part 4 - Details for Borrowing Expenses

### Part 4.2 - Non-Departmental Borrowing Expenses

#### Intended Impacts, Outcomes and Objectives

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

#### Adverse Event Interest PLA (M57)

##### *Scope of Appropriation*

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

##### *Expenses*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	10	10	10

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

##### *Scope of Appropriation*

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

##### *Expenses*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,000	2,000	2,000

## Income Equalisation Interest PLA (M57)

### *Scope of Appropriation*

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

### *Expenses*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	7,000	7,000	8,000

### *Reasons for Change in Appropriation*

The increase in appropriation allows for some increased usage of the scheme.

## Part 5 - Details and Expected Results for Other Expenses

### Part 5.2 - Non-Departmental Other Expenses

#### Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Primary outcome: Improving the economic and social wellbeing of New Zealanders	Bad Debt Write-Offs Impairment of Debt Impairment of Debt Relating to Child Support Impairment of Debt Relating to Student Loans Initial Fair Value Write-Down Relating to Student Loans

#### Bad Debt Write-Offs (M57)

##### *Scope of Appropriation*

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

##### *Expenses*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	975,000	925,000	931,000

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

This appropriation relates to tax, KiwiSaver and Working for Families Tax Credits debt write-offs. An additional amount of \$50 million in the 2012/13 budgeted figure allows for any unexpected growth. The increase in the 2013/14 year reflects a small increase in forecast write-offs.

## Impairment of Debt (M57)

### *Scope of Appropriation*

This appropriation is limited to amounts relating to impairment arising from objective evidence of one or more loss events that occurred after the initial recognition of the debt, and the loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the Crown debt book.

### *Expenses*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	269,000	219,000	266,234

### *Reasons for Change in Appropriation*

This appropriation is for the impairment of tax, KiwiSaver and Working for Families Tax Credits debt.

An additional amount of \$50 million in the 2012/13 budgeted figure reflects an allowance for volatility if debt growth exceeds current forecasts. The budget for 2013/14 reflects debt growth forecasts without an allowance for volatility.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
<b>Current Government</b>						
Revenue Investment	2012/13	(14,478)	(10,766)	(10,766)	(10,766)	(10,766)
Budget 2010 tax package - additional audit and compliance activity	2010/11	(154,000)	(146,300)	(138,600)	(130,900)	(123,200)

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

### *Scope of Appropriation*

This appropriation is limited to amounts relating to impairment arising from objective evidence of one or more loss events that occurred after the initial recognition of the debt, and the loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the collective book of child support debt.

### *Expenses*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	328,000	318,000	392,000



### *Reasons for Change in Appropriation*

Our historical analysis of child support overdue debt indicates that 97% of the debt is not collected. The primary reason for this is that more than 77% of the debt is more than five years old and continues to attract penalties. There are limited provisions in the legislation to write off child support penalties that are incurred. Due to the compounding nature of the penalties debt, we see a faster increase in total child support debt growth resulting in a corresponding rise in impairment in the 2013/14 appropriation. The 2013/14 budget of \$392 million is based on the average compounding growth rate trend.

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

#### *Scope of Appropriation*

This appropriation is limited to amounts relating to impairment arising from objective evidence of one or more loss events that occurred after the initial recognition of the loan, and the loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the collective book of student loan debt.

#### *Expenses*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	316,000	216,000	110,000

### *Reasons for Change in Appropriation*

The 2012/13 Estimated Actual of \$216 million reflects the recent interim forecast valuation.

An additional amount of \$100 million in the 2012/13 budgeted figure reflects the uncertainty that the final impairment will be higher than the forecast valuation. This is because there are inherent limitations with an interim valuation, as the final valuation is based on an updated actuarial model, additional rolled-forward scheme data, and June macroeconomic assumptions.

The 2013/14 budget of \$110 million provides an indication of the impairment expected in that year.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
<b>Current Government</b>						
Transfer of student loan appropriations from Vote Social Development to Vote Revenue	2011/12	10,000	10,000	10,000	10,000	10,000
Increasing medical training places	2010/11	(128)	(128)	(128)	(128)	(128)

## 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

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	538,000	528,000	537,000

### Reasons for Change in Appropriation

The increased budget in 2013/14 reflects forecasts for new lending to students and incorporates the impact of policy initiatives.

### Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
<b>Current Government</b>						
20 Additional medical places	2013/14	-	81	192	318	513
Additional flexibility for highly performing private training establishments	2013/14	-	2,569	4,533	4,668	4,827
Continue 99-105% tolerance bands	2013/14	-	1,310	1,839	1,879	1,893
Extending the student support stand-down period for permanent residents	2014/15	-	-	(494)	(2,492)	(4,409)
Reducing student allowances eligibility for students aged 40 and over	2013/14	-	187	595	806	783
Removing student allowances eligibility for those aged 65 and over	2013/14	-	(130)	(444)	(546)	(627)
Appropriation and draw-down of Skills for Canterbury funding for 2013	2012/13	2,104	1,074	-	-	-
Broadening the definition of income for student loan repayment purposes	2012/13	(481)	(553)	(610)	(633)	(633)
Expanding fee-free Youth Guarantee (YG) tertiary places	2012/13	(1,612)	(3,765)	(4,954)	(5,172)	(5,172)
Fixing a 4% annual maximum fee movement in 2015 and 2016	2014/15	-	-	7,840	17,540	17,540
Increasing the student loan repayment rate from 10% to 12%	2012/13	(35,715)	(37,607)	(37,340)	(37,554)	(37,554)
No CPI adjustments to student loan allowance parental income threshold for four years	2012/13	1,177	1,923	2,631	3,080	3,080
Removing student allowance eligibility for postgraduate study and Long Programmes	2012/13	6,117	11,712	10,895	10,512	10,512
Repealing the student loan voluntary repayment bonus	2012/13	(7,193)	(7,584)	(7,715)	(7,806)	(7,806)

Policy Initiative	Year of First Impact	2012/13 Budgeted \$000	2013/14 Budget \$000	2014/15 Estimated \$000	2015/16 Estimated \$000	2016/17 Estimated \$000
Setting a 2 EFTS annual student loan borrowing limit	2012/13	(32)	(46)	(46)	(47)	(47)
Setting a per-EFTS student loan borrowing limit for pilot training	2011/12	(2,982)	(1,764)	(2,109)	(2,901)	(2,901)
Changes to the definition of parental income for the student allowance scheme	2011/12	1,660	1,631	1,501	1,442	1,442
Student loans: Extending pay period assessments to the salaries and wages of all student loan borrowers	2011/12	(338)	(344)	(345)	(390)	-
Trades training - Skills for Canterbury initiatives	2011/12	670	-	-	-	-
Transfer of student loan appropriations from Vote Social Development to Vote Revenue	2011/12	723,068	731,917	742,366	742,366	742,366

## Reporting Mechanisms

Appropriation	Reporting Mechanism
Bad Debt Write-Offs	Annual Report of Inland Revenue and the Financial Statements of the Government
Impairment of Debt	Annual Report of Inland Revenue and the Financial Statements of the Government
Impairment of Debt Relating to Child Support	Annual Report of Inland Revenue and the Financial Statements of the Government
Impairment of Debt Relating to Student Loans	Annual Report of Inland Revenue, the Financial Statements of the Government, and the Student Loan Scheme Annual Report
Initial Fair Value Write-Down - Student Loans	Annual Report of Inland Revenue, the Financial Statements of the Government, and the Student Loan Scheme Annual Report

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

## Part 6 - Details and Expected Results for Capital Expenditure

### Part 6.1 - Departmental Capital Expenditure

#### Intended Impacts, Outcomes and Objectives

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

#### 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*

	2012/13		2013/14
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	25,833	25,833	21,277
Intangibles	45,167	45,167	55,723
Other	-	-	-
<b>Total Appropriation</b>	<b>71,000</b>	<b>71,000</b>	<b>77,000</b>

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

The budget of \$77 million for 2013/14 includes a capital injection of \$3.163 million relating to the child support scheme reform initiative. Included in the 2013/14 budget are transformation initiatives, mainframe replacement, simplifying filing requirements budget initiative, IT capacity plan, mainframe storage, and leasehold improvements.