

# *Vote Revenue*

---

APPROPRIATION MINISTER(S): Minister of Revenue (M57), Minister of Research, Science and Innovation (M84)

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 2019/20 financial year covering the following:

- a multi-year appropriation of just under \$1,123 million for the implementation of business transformation
- a total of just over \$623 million for services for customers, including services to inform the public about entitlements and meeting obligations, services to process obligations and entitlements, management of debt and outstanding returns, and investigations
- a total of just under \$15 million for policy advice and services to other agencies
- a total of \$150 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 \$4,598 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 under \$8 million for borrowing expenses, relating to interest paid on deposit schemes administered by Inland Revenue, and
- a total of \$1,256 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 Crown revenue and receipts in the Vote for the 2019/20 financial year covering the following:

- a total forecast of \$80,767 million for tax revenue
- a total forecast of just under \$991 million for non-tax revenue, and
- a total forecast of \$1,545 million for capital receipts.

The Minister of Research, Science and Innovation is responsible for an appropriation in Vote Revenue for the 2019/20 financial year of \$158 million for the research and development tax incentive.

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

# Details of Appropriations and Capital Injections

## Annual Appropriations and Forecast Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Departmental Output Expenses</b>			
<b>Policy Advice (M57)</b> This appropriation is limited to the provision of advice, including second opinion advice and contributions to policy advice led by other agencies, to support decision-making by Ministers on government policy matters.	10,612	10,162	<b>10,564</b>
<b>Services to Other Agencies RDA (M57)</b> This appropriation is limited to the provision of services by Inland Revenue to other agencies, where those services are not within the scope of another departmental output expense appropriation in Vote Revenue.	5,862	4,918	3,962
<b>Total Departmental Output Expenses</b>	16,474	15,080	14,526
<b>Departmental Capital Expenditure</b>			
<b>Inland Revenue Department - Capital Expenditure PLA (M57)</b> This appropriation is limited to the purchase or development of assets by and for the use of the Inland Revenue Department, as authorised by section 24(1) of the Public Finance Act 1989.	111,832	111,832	150,000
<b>Total Departmental Capital Expenditure</b>	111,832	111,832	150,000
<b>Benefits or Related Expenses</b>			
<b>Best Start Tax Credit PLA (M57)</b> This appropriation is limited to Best Start Tax Credits made to eligible recipients in accordance with section 185 of the Tax Administration Act 1994.	52,000	52,000	231,000
<b>Child Support Payments PLA (M57)</b> Child support payments to custodial persons who are not dependent on the state for financial support (expenses incurred pursuant to section 141 of the Child Support Act 1991).	302,000	302,000	317,000
<b>Child Tax Credit PLA (M57)</b> Extra assistance for low to middle income families who are not dependent on the state for financial support (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	600	600	400
<b>Family Tax Credit PLA (M57)</b> Family Support payments made to beneficiaries and non-beneficiaries during the year (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	2,271,000	2,271,000	2,195,000
<b>In-Work Tax Credit PLA (M57)</b> Extra assistance for low to middle income families where the person works a minimum of 20 hours per week and does not have a partner, or a person and their partner work a minimum of 30 hours per week (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	525,000	525,000	521,000
<b>KiwiSaver: Interest (M57)</b> To enable the payment of interest on KiwiSaver contributions as set out in the KiwiSaver Act 2006.	9,000	7,000	<b>9,000</b>
<b>KiwiSaver: Tax Credit (M57)</b> To enable the payment of a tax credit to KiwiSaver members and the payment of residual tax credits to employers as set out in the Income Tax Act 2007.	873,000	863,000	<b>906,000</b>
<b>Minimum Family Tax Credit PLA (M57)</b> Extra payment made to families where at least one parent is working for salary or wages (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	14,000	14,000	15,000

Titles and Scopes of Appropriations by Appropriation Type	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Paid Parental Leave Payments (M57)</b> This appropriation is limited to Paid Parental Leave Payments made to parents in accordance with the Parental Leave and Employment Protection Act 1987.	375,000	370,000	<b>400,000</b>
<b>Payroll Subsidy PLA (M57)</b> This appropriation is limited to the payment of a subsidy to a payroll agent undertaking employers' payroll-related tax compliance activities on their behalf, section 185 of the Tax Administration Act 1994.	6,500	6,500	3,900
<b>Research, Science and Innovation: R&amp;D Tax Incentive (M84)</b> This appropriation is limited to providing an R&D tax credit to eligible R&D performing businesses.	40,000	37,000	<b>158,000</b>
<b>Parental Tax Credit PLA (M57)</b> This appropriation is limited to expenses incurred on parental tax credit as provided for in subpart MD of the Income Tax Act 2007 and as authorised by section 185 of the Tax Administration Act 1994.	3,000	3,000	-
<b>Total Benefits or Related Expenses</b>	4,471,100	4,451,100	4,756,300
<b>Non-Departmental Borrowing Expenses</b>			
<b>Adverse Event Interest PLA (M57)</b> This appropriation is limited to interest on Adverse Event Income Equalisation Reserve accounts held by taxpayers in the farming and agriculture business, authorised by section 65ZH(1) of the Public Finance Act 1989.	20	20	10
<b>Environmental Restoration Account Interest PLA (M57)</b> This appropriation is limited to interest on Environmental Restoration accounts, authorised by section 65ZH(1) of the Public Finance Act 1989.	1,500	1,500	1,500
<b>Income Equalisation Interest PLA (M57)</b> This appropriation is limited to interest on Income Equalisation Reserve Scheme accounts held by taxpayers in the farming, fishing or forestry industries, authorised by section 65ZH(1) of the Public Finance Act 1989.	6,000	6,000	6,000
<b>Total Non-Departmental Borrowing Expenses</b>	7,520	7,520	7,510
<b>Non-Departmental Other Expenses</b>			
<b>Impairment of Debt and Debt Write-Offs (M57)</b> This appropriation is limited to bad debt write-offs for Crown debt administered by Inland Revenue, excluding child support and student loans and to amounts relating to the impairment of this debt.	850,000	750,000	<b>680,000</b>
<b>Initial Fair Value Write-Down Relating to Student Loans (M57)</b> This appropriation is limited to the initial fair value write-down of student loans.	592,000	572,000	<b>576,000</b>
<b>Impairment of Debt Relating to Child Support (M57)</b> This appropriation is limited to the impairment of child support debt.	5,000	-	-
<b>Total Non-Departmental Other Expenses</b>	1,447,000	1,322,000	1,256,000

Titles and Scopes of Appropriations by Appropriation Type	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Multi-Category Expenses and Capital Expenditure</b>			
<b>Services for Customers MCA (M57)</b> 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.	616,379	610,014	<b>623,201</b>
<b>Departmental Output Expenses</b>			
<b>Investigations</b> This category is limited to undertaking investigation, audit and litigation activities administered by Inland Revenue.	142,573	141,678	144,017
<b>Management of Debt and Outstanding Returns</b> 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.	129,746	126,366	131,271
<b>Services to Inform the Public About Entitlements and Meeting Obligations</b> 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.	230,730	230,120	233,272
<b>Services to Process Obligations and Entitlements</b> 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.	113,330	111,850	114,641
<b>Total Multi-Category Expenses and Capital Expenditure</b>	616,379	610,014	623,201
<b>Total Annual Appropriations and Forecast Permanent Appropriations</b>	6,670,305	6,517,546	6,807,537

## Multi-Year Appropriations

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<b>Departmental Other Expenses</b>		
<b>Transformation (M57)</b> This appropriation is limited to the design and implementation of a modern system for tax revenue and social policy administered by Inland Revenue.  Commences: 01 July 2017  Expires: 30 June 2021	Original Appropriation Adjustments to 2017/18 Adjustments for 2018/19 Adjusted Appropriation Actual to 2017/18 Year End Estimated Actual for 2018/19 Estimate for 2019/20 Estimated Appropriation Remaining	1,112,607 26,254 (16,100) 1,122,761 196,774 214,665 239,086 472,236

## Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Annual Appropriations and Forecast Permanent Appropriations	6,670,305	6,517,546	6,807,537
Total Forecast MYA Departmental Other Expenses	214,665	214,665	239,086
<b>Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations</b>	<b>6,884,970</b>	<b>6,732,211</b>	<b>7,046,623</b>

## Capital Injection Authorisations

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Inland Revenue Department - Capital Injection (M57)	63,832	63,832	103,000

## Supporting Information

### Part 1 - Vote as a Whole

#### 1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
Home-Based ECE Review - Improving the Quality of Home- Based Early Childhood Education	<b>Initial Fair Value Write-Down Relating to Student Loans</b> Non-departmental Other Expense	25	68	197	231	88
Incomes for People Receiving Benefits - Indexing Main Benefits, Removing Deductions and Changing Abatement Thresholds	<b>Minimum Family Tax Credit PLA</b> Benefits or Related Expense	-	625	2,500	2,500	2,500
Reprioritisation of Funding - Contingency Funding for Transformation	<b>Transformation</b> Departmental Other Expense	-	-	-	(9,728)	-
<b>Total Initiatives</b>		<b>25</b>	<b>693</b>	<b>2,697</b>	<b>(6,997)</b>	<b>2,588</b>

## 1.2 - Trends in the Vote

### Summary of Financial Activity

	2014/15	2015/16	2016/17	2017/18	2018/19		2019/20			2020/21	2021/22	2022/23
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Final Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
<b>Appropriations</b>												
Output Expenses	10,522	11,050	11,386	13,055	16,474	15,080	14,526	-	14,526	14,248	13,924	13,524
Benefits or Related Expenses	3,708,849	3,550,477	3,621,139	3,584,823	4,471,100	4,451,100	N/A	4,756,300	4,756,300	5,088,300	5,449,200	5,492,100
Borrowing Expenses	5,176	7,907	6,783	6,202	7,520	7,520	-	7,510	7,510	11,500	11,500	11,500
Other Expenses	1,614,494	1,414,087	1,288,208	1,407,309	1,661,665	1,536,665	239,086	1,256,000	1,495,086	1,744,236	1,479,826	1,476,040
Capital Expenditure	32,388	61,115	100,661	103,682	111,832	111,832	150,000	-	150,000	213,112	40,000	40,000
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	693,478	652,182	635,477	591,586	616,379	610,014	623,201	-	623,201	492,077	482,154	493,767
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Appropriations</b>	6,064,907	5,696,818	5,663,654	5,706,657	6,884,970	6,732,211	1,026,813	6,019,810	7,046,623	7,563,473	7,476,604	7,526,931
<b>Crown Revenue and Capital Receipts</b>												
Tax Revenue	59,747,539	63,401,693	69,222,866	72,142,690	76,200,000	76,200,000	N/A	80,767,000	80,767,000	86,499,000	91,642,000	97,087,000
Non-Tax Revenue	1,152,579	1,161,292	1,143,664	1,122,586	959,000	959,000	N/A	990,500	990,500	987,000	999,500	1,026,000
Capital Receipts	1,388,866	1,424,519	1,331,379	1,436,304	1,527,700	1,527,700	N/A	1,545,000	1,545,000	1,560,000	1,576,000	1,597,000
<b>Total Crown Revenue and Capital Receipts</b>	62,288,984	65,987,504	71,697,909	74,701,580	78,686,700	78,686,700	N/A	83,302,500	83,302,500	89,046,000	94,217,500	99,710,000

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 Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations in the Details of Appropriations and Capital Injections.



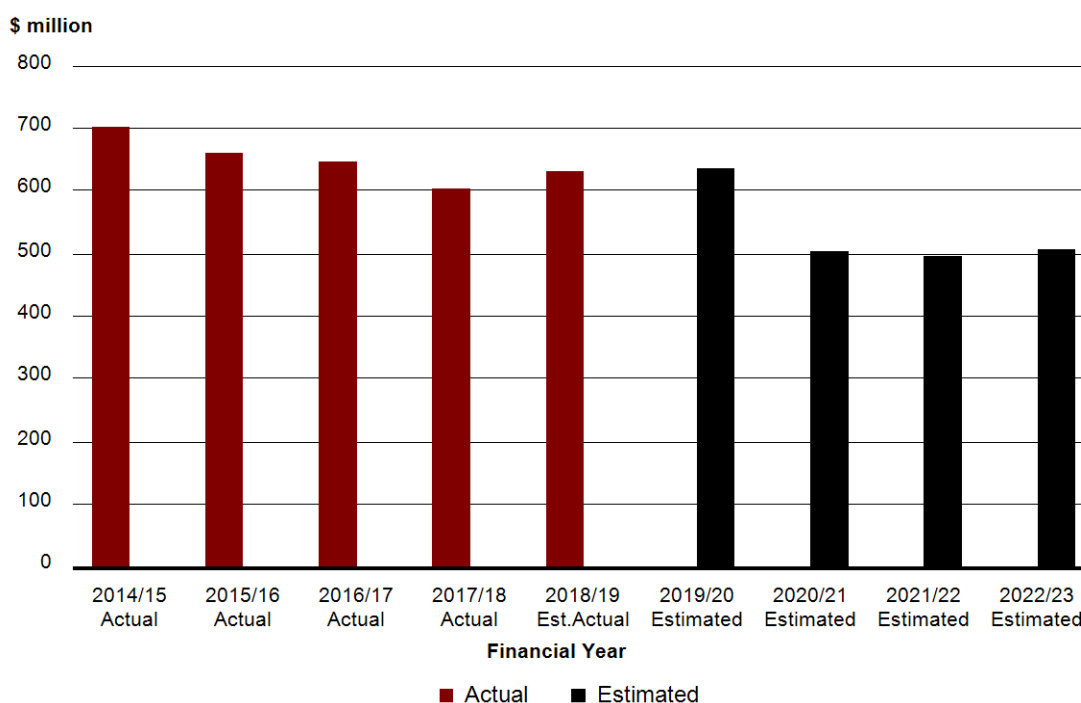
## Adjustments to the Summary of Financial Activity Table Due to Vote Restructuring

There are no adjustments to the table due to Vote restructuring.

### 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 \$704 million in 2014/15 to an estimated \$625.094 million in 2018/19 and \$637.727 million in 2019/20.

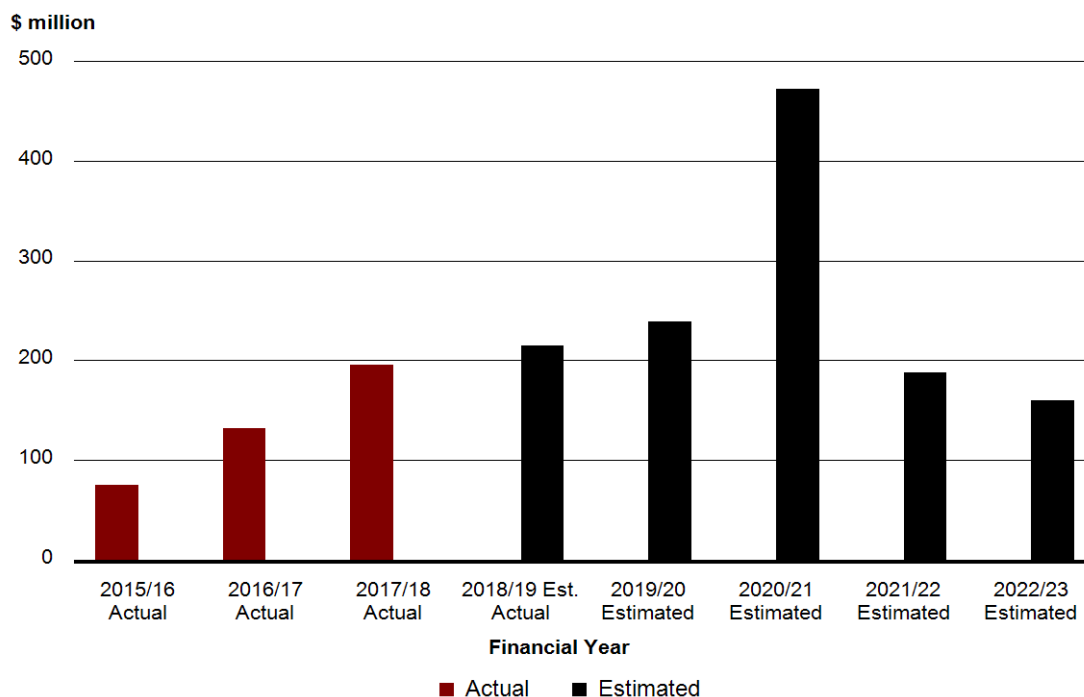
Beyond 2019/20, departmental output expenses will continue to reduce, reflecting productivity savings resulting from Inland Revenue's multi-year transformation. Alongside improved customer services and increased policy agility, the transformation will result in Inland Revenue being a more effective and efficient organisation that can achieve higher levels of performance with fewer resources.

There were small increases in expenditure in 2018/19 and 2019/20, when compared with 2017/18. They are mainly due to:

- expenditure transfers from efficiencies realised in 2017/18 and 2018/19 to support the temporary changes in operating costs as Inland Revenue implements its transformation programme, and
- additional funding received for 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

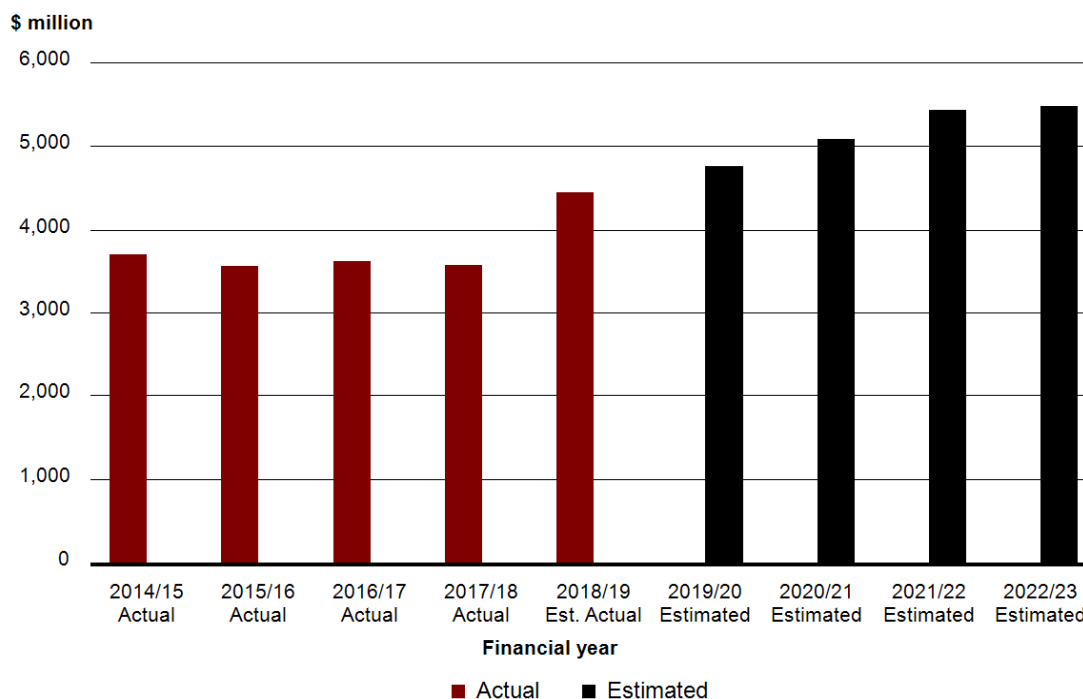
The departmental other expenses category incorporates one Transformation multi-year appropriation (MYA) for Inland Revenue's transformation, covering 2017/18, 2018/19, 2019/20 and 2020/21. For completeness, transformation costs are also shown for the pre-MYA years 2015/16 to 2016/17 as well as the estimated amounts for 2021/22 and 2022/23 which will be covered by an annual Transformation appropriation.

The Transformation MYA covers expenditure for Inland Revenue's 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.

The 2020/21 financial year includes funding to complete the transformation and pay for on-going incremental costs. In addition, the majority of the contingency for the multi-year appropriation is held in 2020/21. During the earlier stages of the programme, the contingency was included in the forecasts of the earlier years reflecting the level of uncertainty that existed at that time. As the programme progresses, and forecasts and contingency requirements are reviewed, the majority of the contingency is now held in the 2020/21 financial year.

## Non-Departmental Benefits or Related Expenses

**Figure 3** - Trends in non-department 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 2014/15 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 were substantially increased from 1 July 2018. The family tax credit per-child entitlements were increased for most families. The threshold for abatement of entitlements also increased, meaning fewer families face abatement. The Best Start tax credit, which is also part of the Families Package, commenced from 1 July 2018. Expenditure on Best Start increases steadily over the forecast period as the policy phases in.

Working for Families entitlements decrease overall from 2019/20 to 2021/22 due to income growth. There is a small increase from 2021/22 to 2022/23 due to a forecast cost of living and average wage adjustment in April 2021.

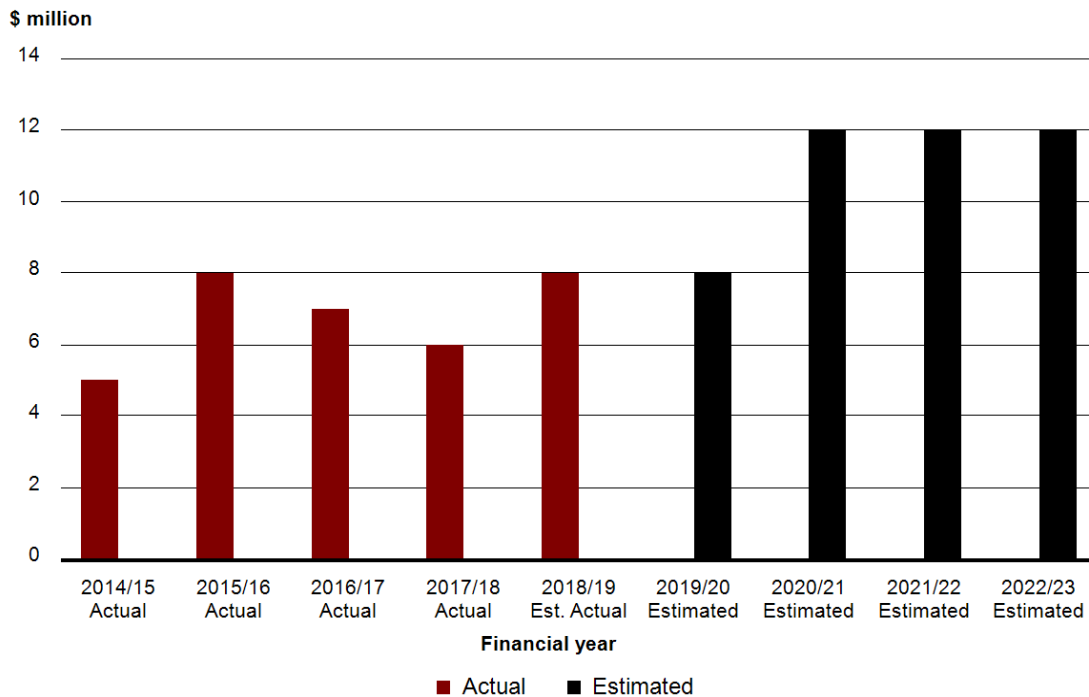
The Best Start tax credit, which is also part of the Families Package, commenced from 1 July 2018. Expenditure on Best Start increases steadily over the forecast period as the policy phases in.

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

The research and development tax incentive commenced from 1 April 2019. The increase in the appropriation is the result of the 2019/20 year being the first full year of the tax incentive.

## Non-Departmental Borrowing Expenses

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



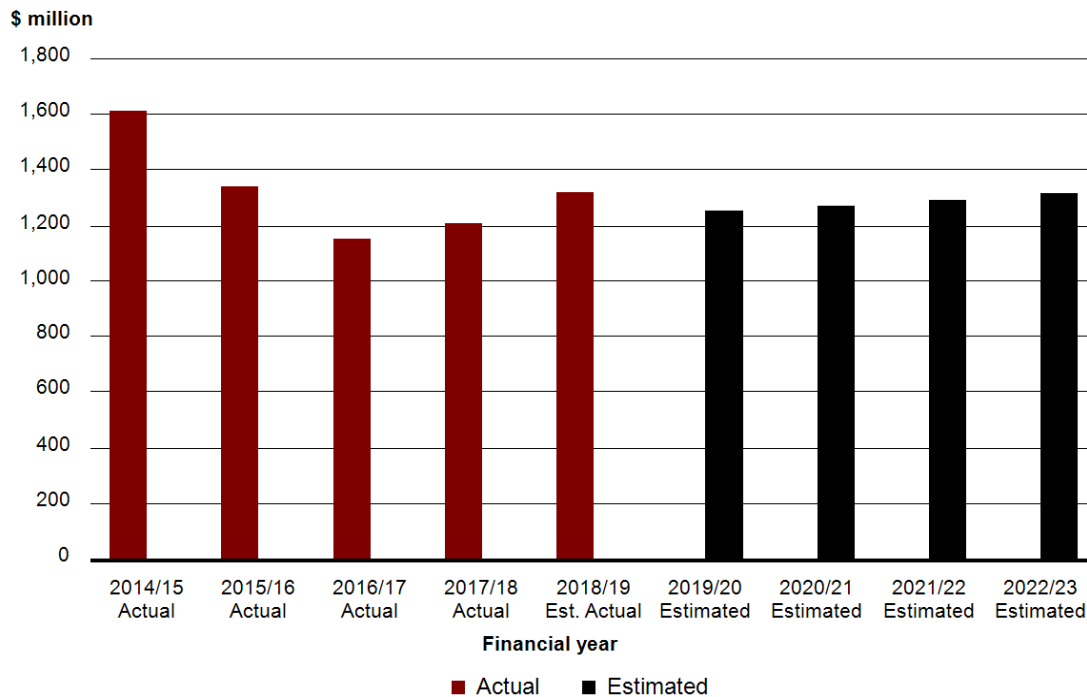
Source: Inland Revenue

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 2018/19 reflects the expected level of the schemes' activity for the remainder of the year. From 2020/21 the forecast includes a provision for a potential increase in activity.

## Non-Departmental Other Expenses

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



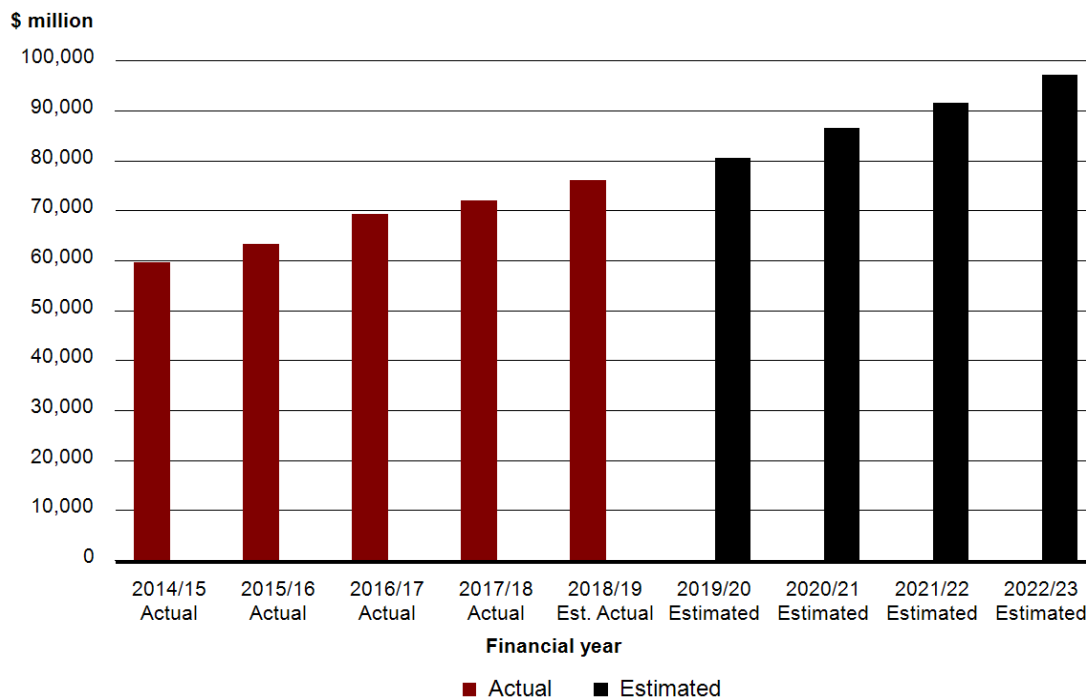
Source: Inland Revenue

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 2014/15 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 impairment relating to child support debt is recognised in the year ended 30 June 2015. The increase to 2018/19 reflects forecast changes in the level of overdue debt, impairment and write-off. The forecast impairment expenditure is not expected to repeat in 2019/20 and from then 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 6.1% per annum, above forecast nominal gross domestic product (GDP) growth which averages 4.9%. Taxes paid by individuals, such as PAYE and other persons' tax, are forecast to grow faster than GDP, at an average rate of around 6% per annum. This is due to an increasing average tax rate as incomes grow (known as fiscal drag). Net company tax is also forecast to exceed GDP growth, mainly due to comparatively strong forecasts for growth in tax paid by investment funds.

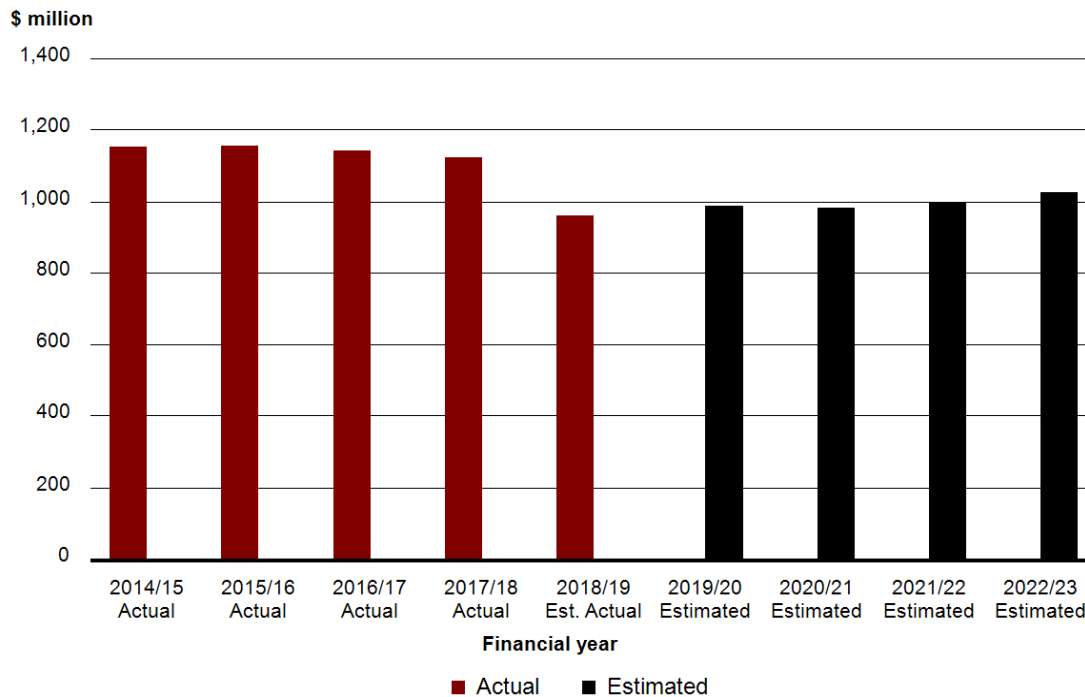
GST is the second largest tax type administered by Inland Revenue after PAYE and is forecast to grow by 6.2% per annum on average, mainly due to both domestic consumption and residential investment, such as, the construction of new dwellings and additions and alterations to existing dwellings.

Resident withholding tax on interest income is forecast to grow by more than 10% per annum each year from 2020/21 onwards, reflecting an expected increase in deposit interest rates.

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



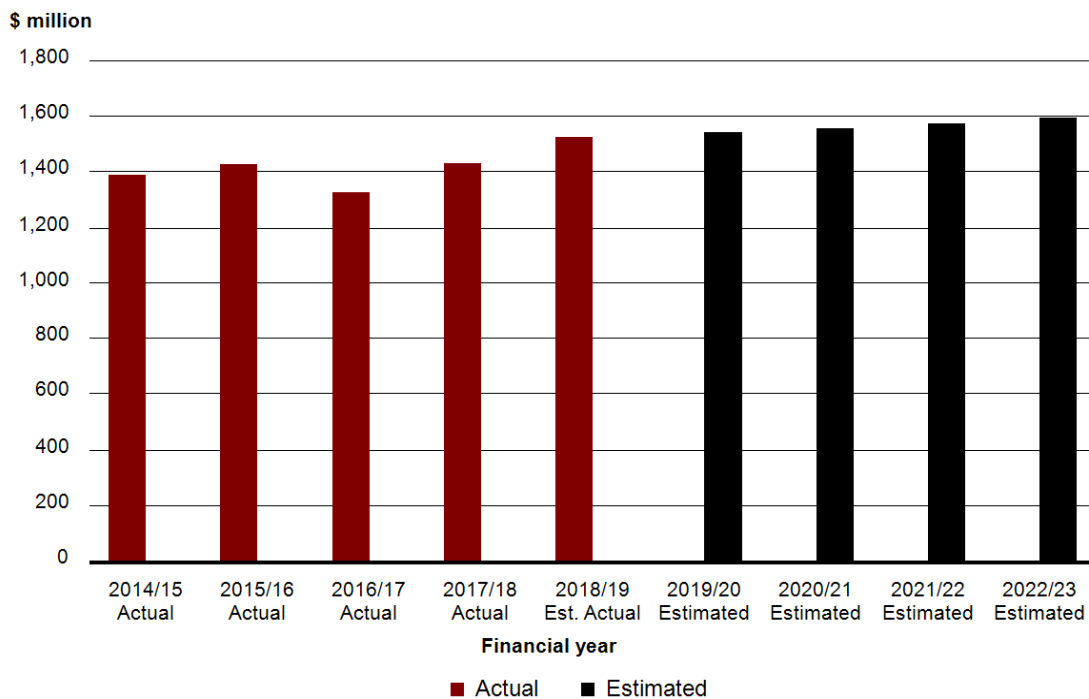
Source: Inland Revenue

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 reduction in 2018/19 reflects a change in accounting standards affecting the way we calculate the interest unwind of the initial discount on student loans.

## 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 2016/17 reflects lower income equalisation reserve scheme receipts. The growth in 2018/19 and future years is attributable to higher forecast student loan capital repayments.



## 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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	10,612	10,162	10,564
Revenue from the Crown	10,595	10,595	10,547
Revenue from Others	17	17	17

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

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

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

Assessment of Performance	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Primary measures</b>			
Percentage of sampled reports that meet quality standards (see Note 1).	80%	80%	80% (see Note 2)
Percentage of ministerial satisfaction for policy advice.	90%	90%	90% (see Note 3)

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

Note 2 - The Standard will be reviewed based on the refreshed Policy Quality Framework and updated in the Supplementary Estimates. All agencies are required to use the refreshed Policy Quality Framework from 2019/20 to assess the quality of their policy advice papers. The Policy Quality Framework is currently being refreshed. The refreshed Framework will be released before 30 June 2019.

Note 3 - The Standard will be reviewed based on the revised Ministerial Satisfaction Survey and updated in the Supplementary Estimates. All agencies are required to use the refined Ministerial Satisfaction Survey from 2019/20 to assess ministerial satisfaction with the policy service. The survey is currently under review and the refined survey and guidance will be released before 30 June 2019.

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 2020.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
<b>Current Government</b>						
Budget 2018 Tax Compliance Activity - Funding to Collect Additional Revenue	2018/19	950	950	700	400	-

### **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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	5,862	4,918	3,962
Revenue from the Crown	-	-	-
Revenue from Others	5,862	4,918	3,962

#### *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*

	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
<b>Primary measures</b>			
Percentage of satisfaction of the Department of Internal Affairs for services provided.	75%	75%	75%
Percentage of satisfaction of the New Zealand Productivity Commission for services provided.	90%	90%	90%

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2020.

### *Reasons for Change in Appropriation*

The decrease in this appropriation for 2019/20 is mainly due to a fiscally neutral adjustment of \$1.550 million in 2018/19 for revenue from third parties for Inland Revenue staff on external secondments.

## 2.2 - Departmental Other Expenses

### Transformation (M57)

#### *Scope of Appropriation and Expenses*

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<b>Transformation (M57)</b> This appropriation is limited to the design and implementation of a modern system for tax revenue and social policy administered by Inland Revenue.  Commences: 01 July 2017  Expires: 30 June 2021	Original Appropriation	1,112,607
	Adjustments to 2017/18	26,254
	Adjustments for 2018/19	(16,100)
	Adjusted Appropriation	1,122,761
	Actual to 2017/18 Year End	196,774
	Estimated Actual for 2018/19	214,665
	Estimate for 2019/20	239,086
	Estimated Appropriation Remaining	472,236

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

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

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

Assessment of Performance	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Primary measures</b>			
KiwiSaver is administered in START.	N/A	N/A	30 June 2020
Student Loans Scheme repayments are administered in START.	N/A	N/A	30 June 2020

#### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2020.

#### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
<b>Previous Government</b>						
Business Transformation	2015/16	190,000	156,000	70,000	64,000	45,000

## 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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	16,000	16,000	8,000
Intangibles	95,832	95,832	142,000
Other	-	-	-
<b>Total Appropriation</b>	<b>111,832</b>	<b>111,832</b>	<b>150,000</b>

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

This appropriation is intended to invest in the renewal, upgrade and redesign of assets that support the delivery of the department's services. This includes the capital investment required for the implementation 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 2019/20 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 2020.

#### *Reasons for Change in Appropriation*

Inland Revenue regularly reviews and updates 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 timing of key support activities across the programme. Capital spending in 2019/20 and out years has been updated to align with the updated work programme.

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

Details of Net Asset Schedule	2018/19 Estimated Actual \$000	2019/20 Projected \$000	Explanation of Projected Movements in 2019/20
Opening Balance	317,323	381,155	
Capital Injections	63,832	103,000	Capital injections have been adjusted to align with the updated capital expenditure forecast for the implementation of Business Transformation Releases 3 and 4.
Capital Withdrawals	-	(627)	Capital withdrawal of \$627,000 for the business tax package initiative.
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
<b>Closing Balance</b>	<b>381,155</b>	<b>483,528</b>	

## 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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	52,000	52,000	231,000

##### *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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
<b>Current Government</b>						
Families Package	2018/19	80,000	231,000	373,000	451,000	451,000

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

The increase in this appropriation for 2019/20 is because the Best Start tax credit commenced in July 2018 and will grow substantively as more families become eligible. This will stabilise from 2021/22 after the first tranche of qualifying children reaches the age of three.

##### *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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	302,000	302,000	317,000

### *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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
<b>Previous Government</b>						
Addressing child support legacy debt	2015/16	1,100	-	-	-	-
Child support compliance	2014/15	18,000	-	-	-	-

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2019/20 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. It also decreases the likelihood that the custodial persons receive welfare support and will therefore receive child support payments.

### *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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	600	600	400

### *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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,271,000	2,271,000	2,195,000

### *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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
<b>Current Government</b>						
Families Package	2018/19	540,000	530,000	520,000	510,000	510,000
<b>Previous Government</b>						
Budget 2017 Family Incomes Package	2017/18	371,000	316,000	308,000	308,000	308,000
Package for children living in material hardship	2015/16	(28,550)	(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 the entitlement for families as annual family incomes exceed the abatement threshold.

The family tax credit is also the first of the Working for Families credits to abate, and is therefore the most sensitive of the Working for Families credits to family income growth. The abatement rate is currently 25 cents per dollar of family income earned above an annual threshold of \$42,700.

*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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	525,000	525,000	521,000

*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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
<b>Previous Government</b>						
Budget 2017 Family Incomes Package	2017/18	2,000	2,000	2,000	2,000	2,000
Package for children living in material hardship	2015/16	95,000	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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	9,000	7,000	9,000

*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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	873,000	863,000	906,000

### *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 appropriation for 2019/20 is mainly due to an increase in the total number of contributing members. The increase also reflects an increase in average entitlements as a result of income growth of members who were previously contributing less than the threshold for the maximum KiwiSaver tax credit entitlement.

### *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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	14,000	14,000	15,000

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

This permanent appropriation provides for payments to families with dependent children aged 18 or younger to ensure that the annual income after tax of a family does not fall below \$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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
<b>Current Government</b>						
Incomes for people receiving benefits	2019/20	-	625	2,500	2,500	2,500
Families Package	2018/19	1,300	1,300	1,300	1,300	1,300
<b>Previous Government</b>						
Package for children living in material hardship	2015/16	1,800	1,800	1,800	1,800	1,800

### *Conditions on Use of Appropriation*

Reference	Conditions
Subpart ME of the Income Tax Act 2007	Sets out the entitlement for and calculation of the minimum family tax credit.

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

### *Scope of Appropriation*

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

### *Expenses*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	375,000	370,000	400,000

### *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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
<b>Current Government</b>						
Extending paid parental leave to 26 weeks	2018/19	66,000	68,700	142,700	148,400	148,400
<b>Previous Government</b>						
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	65,200	65,200	65,200	65,200	65,200

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2019/20 is due to an increase in claims as a result of increased employment. There is also an increase in the average entitlement amount in July each year to reflect wage growth.

### *Conditions on Use of Appropriation*

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

## **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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	6,500	6,500	3,900

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

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

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

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for the payment of a payroll subsidy under the Income Tax Act 2007. Performance information relating to the administration of the payment is provided under the Services 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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
<b>Current Government</b>						
Changes made during passage of the Taxation (Annual Rates for 2017-18, Employment and Investment Income, and Remedial Matters) Bill	2017/18	6,500	3,900	-	-	-
<b>Previous Government</b>						
Making Tax Simpler: Better Administration of PAYE and GST	2017/18	(7,300)	(8,100)	(8,900)	(8,900)	(8,900)

*Reasons for Change in Appropriation*

The decrease in this appropriation for 2019/20 is due to the phasing out of the subsidy. From 1 April 2019, the eligibility threshold has been lowered to include only employers whose annual payrolls are below \$50,000 PAYE and employer superannuation contributions tax (ESCT). 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.

**Research, Science and Innovation: R&D Tax Incentive (M84)***Scope of Appropriation*

This appropriation is limited to providing an R&D tax credit to eligible R&D performing businesses.

*Expenses*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	40,000	37,000	158,000

This is the estimated expenditure under this appropriation that was reforecast after the appropriation was transferred from Vote Business, Science and Innovation to Vote Revenue as shown in Part 1.4.



### *Comparators for Restructured Appropriation*

Vote, Type and Title of Appropriation	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Vote Business, Science and Innovation: <i>Benefits or Related Expenses</i>	70,000	-	-
Research, Science and Innovation: R&D Tax Incentive			
<b>Total</b>	<b>70,000</b>	<b>-</b>	<b>158,000</b>

The structure was changed by transferring the appropriation to Vote Revenue as the tax incentives are claimed as tax credits when annual tax returns are filed.

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

This appropriation is intended to incentivise businesses to increase their spending on R&D through the provision of a tax credit.

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

Performance information for this appropriation will be reported by the Minister of Research, Science and Innovation in the Vote Revenue Non-Departmental Appropriations report.

Assessment of Performance	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Eligible Businesses are able to apply for a Research and Development tax credit	Achieved	Achieved	Achieved

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
<b>Current Government</b>						
Research and Development Tax Incentive	2018/19	40,000	158,000	255,000	454,000	454,000

### *Reasons for Change in Appropriation*

The Research and Development Tax Incentive was effective from 1 April 2019. The amounts for 2019/20 and outyears are for full expenditure to reflect expected activity.

### *Conditions on Use of Appropriation*

Reference	Conditions
Subpart LY of the Income Tax Act 2007	Sets out the entitlement for and calculation of the research and development tax credit.

### 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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	20	20	10

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

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

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

The decrease in this appropriation for 2019/20 is due to a reduction in the expected level of scheme activity from 2018/19.

#### 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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,500	1,500	1,500

##### *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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	6,000	6,000	6,000

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

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

## 3.4 - Non-Departmental Other Expenses

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

#### *Scope of Appropriation*

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

#### *Expenses*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	850,000	750,000	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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
<b>Current Government</b>						
Tax compliance activity - additional revenue	2018/19	10,700	15,000	15,000	15,000	-
<b>Previous Government</b>						
Revenue investment continuation	2017/18	(6,525)	(6,525)	-	-	-
Small business tax package	2016/17	(53,000)	(78,000)	(100,280)	(119,590)	(132,010)
Revenue investment	2015/16	11,601	11,601	-	-	-

#### *Reasons for Change in Appropriation*

The decrease in this appropriation for 2019/20 is due to forecast changes in the level of overdue debt, impairment and write-offs. The forecast impairment expenditure in 2018/19 is not expected to repeat in 2019/20.

## 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

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	592,000	572,000	576,000

### 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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
<b>Current Government</b>						
Home-based early childhood education review	2018/19	25	68	197	231	88
First year fees-free in 2018	2017/18	(70,465)	(71,951)	(68,526)	(72,383)	(72,383)
Increase student allowance and living costs loans by \$50	2017/18	56,005	59,106	61,271	63,302	63,302
Tertiary Education Annual Maximum Fee Movement	2017/18	1,272	2,107	2,270	2,329	2,329
<b>Previous Government</b>						
Annual maximum fee movement for 2017 and 2018	2016/17	3,262	3,380	3,380	3,380	3,380
Response to the Syrian refugee crisis: implementation	2016/17	25	12	-	-	-
Delivering support to graduate-entry students affected by the 7 EFTS limit to complete long undergraduate programmes	2015/16	969	627	-	-	-
Investing to increase the number of engineering graduates	2015/16	477	371	990	1,224	1,224
Maintain the student allowance parental income threshold	2015/16	2,520	2,520	2,520	2,520	2,520
Set the annual maximum fee movement to 3% for 2016	2015/16	(5,363)	(5,363)	(5,363)	(5,363)	(5,363)
Supporting better public services and business growth within Vote Tertiary Education	2015/16	2,013	2,013	2,013	2,013	2,013

### Reasons for Change in Appropriation

The decrease in this appropriation for 2019/20 is due to a contingency for 2018/19 that is not in 2019/20.

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

## 4 - 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*

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Total Appropriation</b>	<b>616,379</b>	<b>610,014</b>	<b>623,201</b>
<b>Departmental Output Expenses</b>			
Investigations	142,573	141,678	144,017
Management of Debt and Outstanding Returns	129,746	126,366	131,271
Services to Inform the Public About Entitlements and Meeting Obligations	230,730	230,120	233,272
Services to Process Obligations and Entitlements	113,330	111,850	114,641

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Funding for Departmental Output Expenses</b>			
Revenue from the Crown	<b>590,740</b>	<b>590,740</b>	<b>598,562</b>
Investigations	141,999	141,999	143,661
Management of Debt and Outstanding Returns	127,433	127,433	129,197
Services to Inform the Public About Entitlements and Meeting Obligations	228,971	228,971	231,909
Services to Process Obligations and Entitlements	92,337	92,337	93,795
<b>Revenue from Others</b>	<b>25,639</b>	<b>25,639</b>	<b>24,639</b>
Investigations	574	574	356
Management of Debt and Outstanding Returns	2,313	2,313	2,074
Services to Inform the Public About Entitlements and Meeting Obligations	1,759	1,759	1,363
Services to Process Obligations and Entitlements	20,993	20,993	20,846

### *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*

	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Percentage of customers satisfied with the overall quality of service delivery from Inland Revenue (see Note 1).	90%	87%	90%
Percentage of customers who feel Inland Revenue makes it easy for people to get it right (see Note 1).	80%	79%	80%

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

	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
<b>Departmental Output Expenses</b>			
<b>Investigations</b>			
<b>Primary measures</b>			
Percentage of customers whose compliance behaviour improves after receiving an audit intervention (see Note 2).	85%	85%	85%
Discrepancy identified for every output dollar spent.	\$7.00	\$6.66	\$7.00
Percentage of litigation judgments found in favour of the Commissioner.	75%	75%	75%

	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
<i>Supporting measures</i>			
Percentage of audited customers who are satisfied with their experience (see Note 2).	75%	76%	75%
Management of Debt and Outstanding Returns			
<i>Primary measures</i>			
Percentage of returns filed by customers on time.	85%	85%	85%
Value of assessed revenue for every unfiled return dollar spent.	\$45.00	\$82.35	\$45.00
Percentage of tax payments made by customers on time.	85%	88%	85%
Cash collected for every debt dollar spent.	\$30.00	\$39.53	\$30.00
Percentage of child support assessments paid on time.	70%	70%	70%
<i>Supporting measures</i>			
Average cost of finalising an unfiled return.	\$18.00-\$20.00	\$23.05	\$18.00-\$20.00
Percentage of unfiled returns that are finalised within six months.	N/A	67%	70%
Percentage of collectable debt value over two years old.	55% or less	41%	50% or less
Percentage of new customer debt resolved within six months.	80%	82%	80%
Percentage of New Zealand liable parent child support debt cases resolved within 12 months.	75%	77%	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).	85%	82%	85%
Percentage of customers who perceive that resolving issues with Inland Revenue requires low effort (see Note 1).	80%	78%	80%
<i>Supporting measures</i>			
Average cost of a customer-initiated contact.	\$35.00 or less	\$44.07	\$35.00 or less
Average speed to answer telephone calls.	N/A	N/A	4 minutes 30 seconds or less
Percentage of all rulings reports, adjudication reports and public items that meet the applicable purpose, logic, alternatives, consultation, and practicality standards.	100%	100%	100%
Number of published or finalised public items that give the Commissioner's interpretation of the law.	25	26	25
Percentage of public items (including relevant public consultation), completed within 18 months of allocation.	85%	91%	85%
Percentage of adjudication cases completed within ten weeks of receipt (2018/19 target and actual based on three month timeframe).	90%	100%	90%
Percentage of taxpayer ruling applications that have a draft ruling completed within ten weeks of receipt (2018/19 target and actual based on three month timeframe).	90%	100%	90%
Percentage of non-qualifying ruling applications that have a draft ruling completed within six months of receipt.	90%	100%	90%
Percentage of submissions by the applicant on any draft ruling responded to within one month of receipt.	90%	97%	90%



Assessment of Performance	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Services to Process Obligations and Entitlements</b>			
<i>Primary measures</i>			
Percentage of social policy and tax registrations processed within five working days.	85%	93%	85%
Percentage of income tax disbursements issued within five weeks (2018/19 target and actual based on six week timeframe).	85%	90%	85%
Percentage of GST disbursements issued within four weeks (see Note 3).	95%	96%	95%
<i>Supporting measures</i>			
Percentage of income tax returns finalised within three weeks (2018/19 target and actual based on four week timeframe).	90%	96%	90%
Percentage of GST returns finalised within three weeks.	95%	99.8%	98%
Percentage of employment information finalised within four weeks.	95%	99%	95%
Average cost of processing income tax returns, GST returns and employment information.	\$4.00 or less	\$2.66	\$4.00 or less
Percentage of tax credit claim payments made within three weeks.	90%	91%	90%
Percentage of Working for Families Tax Credit (WfFTC) payments made on the first regular payment date following an application.	95%	98%	95%
Percentage of paid parental leave payments issued to customers on the first pay day following the agreed date of entitlement.	97%	99.9%	97%
Percentage of child support administrative review decisions issued within seven weeks.	90%	90%	90%
Percentage of child support assessments issued within two weeks.	80%	86%	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 2020.

*Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
<b>Investigations</b>						
<i>Current Government</i>						
Budget 2018 Research and Development Tax Credit Implementation	2018/19	120	150	80	80	80
<i>Previous Government</i>						
Revenue investment continuation	2017/18	9,584	9,584	-	-	-
Business tax package	2016/17	100	-	-	-	-
Revenue investment	2015/16	16,602	16,602	-	-	-
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(180)	(180)	(180)	(180)	(180)
<b>Management of Debt and Outstanding Returns</b>						
<i>Current Government</i>						
Budget 2018 Tax Compliance Activity - Funding to Collect Additional Revenue	2018/19	5,850	5,850	5,900	5,900	-
<i>Previous Government</i>						
Revenue investment continuation	2017/18	10,400	10,400	-	-	-
Business tax package	2016/17	630	-	-	-	-
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(190)	(190)	(190)	(190)	(190)
<b>Services to Inform the Public About Entitlements and Meeting Obligations</b>						
<i>Current Government</i>						
Budget 2018 Research and Development Tax Credit Implementation	2018/19	480	600	320	320	320
Families Package Implementation	2018/19	1,010	410	350	350	350
<i>Previous Government</i>						
Business tax package	2016/17	310	-	-	-	-
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(300)	(300)	(300)	(300)	(300)
<b>Services to Process Obligations and Entitlements</b>						
<i>Current Government</i>						
Budget 2018 Research and Development Tax Credit Implementation	2018/19	600	750	400	400	400
Families Package Implementation	2018/19	2,050	840	710	710	710
<i>Previous Government</i>						
Automatic Exchange of Information	2016/17	3,300	2,700	2,400	2,400	2,400
Share of costs for Budget 2015 whole-of-government initiatives	2015/16	(103)	(103)	(103)	(103)	(103)