

Vote Revenue

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

DEPARTMENT ADMINISTERING THE VOTE: Inland Revenue Department (A10)

RESPONSIBLE MINISTER FOR INLAND REVENUE DEPARTMENT: Minister of Revenue

Overview of the Vote

The Minister of Revenue is responsible for appropriations in the Vote covering the following for the 2022/23 financial year:

- a total of just under \$722 million for services for customers, including services to Ministers and to inform the public about entitlements and meeting obligations, services to process obligations and entitlements, management of debt and unfiled returns, investigations, and policy
- a total of \$24 million for residual activities following the transformation programme's substantive closure
- a total of just over \$1.500 million for services to other agencies
- a total of nearly \$53 million for departmental capital expenditure for the purchase or development of assets by and for the use of Inland Revenue
- a total of \$5,272 million for benefits or related expenses, mainly for tax credits, KiwiSaver payments and benefit payments such as child support and paid parental leave
- a total of just over \$8 million relating to interest paid on deposit schemes administered by Inland Revenue
- a total of \$11,062 million for other expenses, including \$8,480 million for the on-payment of employee and employer KiwiSaver contributions collected by Inland Revenue to KiwiSaver providers, \$841 million for the impairment and write-off of debt, \$800 million for the Cost of Living payment, \$662 million for the initial fair value write-down on student loans, and \$279 million for the initial fair value write-down for the Small Business Cashflow Scheme, and
- a total of \$652 million for the Small Business Cashflow Scheme to provide loans to eligible businesses to manage the economic impacts of COVID-19.

The Minister of Revenue is also responsible for Crown revenue and receipts in the Vote for the 2022/23 financial year covering the following:

- a total forecast of \$109,404 million for tax revenue
- a total forecast of just under \$789 million for non-tax revenue, and
- a total forecast of \$2,210 million for capital receipts.

The Minister of Revenue is also responsible for a departmental capital injection of \$2.700 million to the Inland Revenue Department.

The Minister of Research, Science and Innovation is responsible for an appropriation in Vote Revenue for the 2022/23 financial year of around \$473 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	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Services to Other Agencies RDA (M57) (A10) 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.	1,884	1,884	1,524
Policy Advice (M57) (A10) 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.	14,420	13,420	-
Total Departmental Output Expenses	16,304	15,304	1,524
Departmental Other Expenses			
Residual activities following the transformation programme's substantive closure (M57) (A10) This appropriation is limited to residual activities consistent with Inland Revenue's transformation programme that still need to be completed following its substantive closure.	-	-	24,000
Total Departmental Other Expenses	-	-	24,000
Departmental Capital Expenditure			
Inland Revenue Department - Capital Expenditure PLA (M57) (A10) 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.	48,165	48,165	52,700
Total Departmental Capital Expenditure	48,165	48,165	52,700
Benefits or Related Expenses			
Best Start Tax Credit PLA (M57) (A10) This appropriation is limited to Best Start Tax Credits made to eligible recipients in accordance with section 185 of the Tax Administration Act 1994.	339,000	339,000	375,000
Child Support Payments PLA (M57) (A10) This appropriation is limited to child support payments to receiving carers incurred under section 140(2) of the Child Support Act 1991.	294,000	294,000	285,000
Family Tax Credit PLA (M57) (A10) Family Support payments made to beneficiaries and non-beneficiaries during the year (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	2,108,000	2,108,000	2,375,000
In-Work Tax Credit PLA (M57) (A10) This appropriation is limited to assistance for low to middle income families (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	542,000	542,000	545,000
KiwiSaver: Interest (M57) (A10) To enable the payment of interest on KiwiSaver contributions as set out in the KiwiSaver Act 2006.	1,000	1,000	2,000
KiwiSaver: Tax Credit (M57) (A10) This appropriation is limited to tax credits and residual KiwiSaver entitlements paid to KiwiSaver members in accordance with the Income Tax Act 2007 and KiwiSaver Act 2006.	987,000	977,000	1,028,000
Minimum Family Tax Credit PLA (M57) (A10) 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).	15,000	15,000	17,000

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Titles and Scopes of Appropriations by Appropriation Type			
Paid Parental Leave Payments (M57) (A10)	620,000	615,000	645,000
This appropriation is limited to Paid Parental Leave Payments made to parents in accordance with the Parental Leave and Employment Protection Act 1987.			
Total Benefits or Related Expenses	4,906,000	4,891,000	5,272,000
Non-Departmental Borrowing Expenses			
Environmental Restoration Account Interest PLA (M57) (A10)	1,400	1,400	1,400
This appropriation is limited to interest on Environmental Restoration accounts, authorised by section 65ZH(1) of the Public Finance Act 1989.			
Income Equalisation Interest PLA (M57) (A10)	7,000	7,000	7,000
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.			
Total Non-Departmental Borrowing Expenses	8,400	8,400	8,400
Non-Departmental Other Expenses			
Cost of Living payment (M57) (A10)	-	-	800,000
This appropriation is limited to payments to individuals to address the cost of living in accordance with Cabinet decisions.			
Impairment of Debt and Debt Write-Offs (M57) (A10)	1,041,000	841,000	841,000
This appropriation is limited to write-offs and remissions for Crown debt administered by Inland Revenue, excluding child support and student loans, and to the impairment of this debt.			
Initial Fair Value Write-Down Relating to Student Loans (M57) (A10)	547,000	527,000	662,000
This appropriation is limited to the initial fair value write-down of student loans.			
Initial Fair Value Write-Down Relating to the Small Business Cashflow Scheme COVID-19 (M57) (A10)	639,000	639,000	279,000
This appropriation is limited to the initial fair value write-down of small business cashflow scheme COVID-19.			
KiwiSaver: Employee and Employer Contributions PLA (M57) (A10)	7,720,000	7,720,000	8,480,000
This appropriation is limited to Inland Revenue paying employee and employer contributions to KiwiSaver Scheme providers in accordance with section 73(3) of the KiwiSaver Act 2006.			
Research, Science and Innovation: R&D Tax Incentive (M84) (A10)	473,345	473,345	472,525
This appropriation is limited to providing an R&D tax credit to eligible R&D performing businesses.			
COVID-19 Resurgence Support Payment (M57) (A10)	2,726,943	2,726,943	-
This appropriation is limited to providing payments to eligible firms to manage the economic impacts of COVID-19 following a shift to higher Alert Levels.			
COVID-19 Support Payment (M57) (A10)	1,530,000	1,530,000	-
This appropriation is limited to providing support to eligible firms adversely financially affected as a result of COVID-19 by a public health measure, business circumstance, or other related matter.			
Impairment of Debt and Debt Write-Offs Relating to Child Support (M57) (A10)	60,000	30,000	-
This appropriation is limited to write-offs and the impairment for child support and Crown entitlement debt.			
Impairment of Debt Relating to Student Loans (M57) (A10)	139,000	-	-
This appropriation is limited to the impairment of student loan debt.			
Impairment of debt relating to the SBCS (M57) (A10)	385,000	140,000	-
This appropriation is limited to the impairment of the Small Business Cashflow Scheme.			
Total Non-Departmental Other Expenses	15,261,288	14,627,288	11,534,525
Non-Departmental Capital Expenditure			
Small Business Cashflow Scheme COVID-19 (M57) (A10)	1,492,000	1,492,000	652,000
This appropriation is limited to providing a loan to eligible businesses to manage the economic impacts of COVID-19.			
Total Non-Departmental Capital Expenditure	1,492,000	1,492,000	652,000

Titles and Scopes of Appropriations by Appropriation Type	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Multi-Category Expenses and Capital Expenditure			
Services for Customers MCA (M57) (A10) 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.	622,805	600,605	721,857
Departmental Output Expenses			
<i>Investigations</i> This category is limited to Inland Revenue undertaking investigation, audit and litigation activities.	119,973	116,550	125,891
<i>Management of Debt and Unfiled Returns</i> This category is limited to activities to prevent returns and debt becoming overdue, and to collect unfiled returns and overdue payments, whether for the Crown, other agencies or external parties.	93,389	91,330	95,859
<i>Policy advice</i> This category 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.	-	-	15,980
<i>Services to Ministers and to inform the public about entitlements and meeting obligations</i> This category is limited to the provision of services to help Ministers fulfil their responsibilities to Parliament and the New Zealand public, other than policy decision-making responsibilities, and to provide information and assistance to the public to make them aware of their obligations and entitlements.	269,929	258,678	312,978
<i>Services to Process Obligations and Entitlements</i> This category is limited to 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.	139,514	134,047	171,149
Total Multi-Category Expenses and Capital Expenditure	622,805	600,605	721,857
Total Annual Appropriations and Forecast Permanent Appropriations	22,354,962	21,682,762	18,267,006

Multi-Year Appropriations

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
Departmental Other Expenses		
Transformation (M57) (A10) 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 2022	Original Appropriation Adjustments to 2020/21 Adjustments for 2021/22 Adjusted Appropriation Actual to 2020/21 Year End Estimated Actual for 2021/22 Estimate for 2022/23 Estimated Appropriation Remaining	1,112,607 (98,959) (204,612) 809,036 695,526 113,510 - -

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

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Annual Appropriations and Forecast Permanent Appropriations	22,354,962	21,682,762	18,267,006
Total Forecast MYA Departmental Other Expenses	113,510	113,510	-
Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations	22,468,472	21,796,272	18,267,006

Capital Injection Authorisations

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Inland Revenue Department - Capital Injection (M57) (A10)	122,560	122,560	2,700

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Accounting for software as a service	Services for Customers MCA Departmental Output Expense Investigations	700	-	-	-	-
	Services for Customers MCA Departmental Output Expense Management of Debt and Unfiled Returns	550	-	-	-	-
	Services for Customers MCA Departmental Output Expense Services to Ministers and to inform the public about entitlements and meeting obligations	1,500	-	-	-	-
	Services for Customers MCA Departmental Output Expense Services to process obligations and entitlements	18,210	-	-	-	-
	Capital Expenditure PLA Departmental Capital Expenditure	(3,500)	-	-	-	-
Cost of Living payment	Cost of Living payment Non-departmental Other Expense	-	800,000	-	-	-
	Services for Customers MCA Departmental Output Expense Services to Ministers and to inform the public about entitlements and meeting obligations	-	8,500	3,500	-	-
	Services for Customers MCA Departmental Output Expense Services to process obligations and entitlements	-	2,000	-	-	-
COVID-19 Resurgence Support Payment - administration costs	Services for Customers MCA Departmental Output Expense Investigations	1,200	1,200	600	-	-
	Services for Customers MCA Departmental Output Expense Services to Ministers and to inform the public about entitlements and meeting obligations	400	400	200	-	-
	Services for Customers MCA Departmental Output Expense Services to process obligations and entitlements	400	400	200	-	-

Policy Initiative	Appropriation	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
COVID-19 Resurgence Support Payment - July 2021	COVID-19 Resurgence Support Payment Non-departmental Other Expense	199,943	-	-	-	-
COVID-19 Resurgence Support Payment - August 2021	COVID-19 Resurgence Support Payment Non-departmental Other Expense	300,000	-	-	-	-
	COVID-19 Resurgence Support Payment Non-departmental Other Expense	400,000	-	-	-	-
	COVID-19 Resurgence Support Payment Non-departmental Other Expense	407,000	-	-	-	-
	COVID-19 Resurgence Support Payment Non-departmental Other Expense	230,000	-	-	-	-
COVID-19 Resurgence Support Payment, COVID-19 Support Payment, and Small Business Cashflow Scheme - February 2022	COVID-19 Resurgence Support Payment Non-departmental Other Expense	(430,000)	-	-	-	-
	COVID-19 Support Payment Non-departmental Other Expense	430,000	-	-	-	-
	Small Business Cashflow Lending Non-Departmental Capital Expenditure	899,000	496,000	271,000	-	-
	Small Business Initial FV write-down Non-departmental Other Expense	385,000	212,000	116,000	-	-
COVID-19 Resurgence Support Payment - November 2021	COVID-19 Resurgence Support Payment Non-departmental Other Expense	300,000	-	-	-	-
COVID-19 Resurgence Support Payment and Small Business Cashflow Scheme	COVID-19 Resurgence Support Payment Non-departmental Other Expense	1,320,000	-	-	-	-
	IFVWD Small Business Cashflow Scheme Non-departmental Other Expense	49,220	-	-	-	-
	Small Business Cashflow Scheme Non-departmental capital expenditure	115,000	-	-	-	-
COVID-19 Support Payment - February 2022	COVID-19 Support Payment Non-departmental Other Expense	100,000	-	-	-	-
	COVID-19 Support Payment Non-departmental Other Expense	600,000	-	-	-	-
COVID-19 Support Payment - October 2021	COVID-19 Support Payment Non-departmental Other Expense	400,000	-	-	-	-

Policy Initiative	Appropriation	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Responding to COVID-19 demand and maintaining capability and integrity	Services for Customers MCA Departmental Output Expense Investigations	-	4,400	11,600	11,600	5,500
	Services for Customers MCA Departmental Output Expense Management of Debt and Unfiled Returns	-	3,300	8,400	8,500	4,000
	Services for Customers MCA Departmental Output Expense Services to Ministers and to inform the public about entitlements and meeting obligations	-	9,500	22,100	22,000	11,300
	Services for Customers MCA Departmental Output Expense Services to process obligations and entitlements	-	4,100	10,400	10,400	5,100
	Services for Customers MCA Departmental Output Expense Policy Advice	-	400	600	600	700
Reduction in revenue from ACC	Services for Customers MCA Departmental Output Expense Services to process obligations and entitlements	-	10,600	10,600	10,600	10,600
Research and Development Tax Incentive administration costs	Services for Customers MCA Departmental Output Expense Services to Ministers and to inform the public about entitlements and meeting obligations	-	1,300	1,500	1,500	1,700
	Services for Customers MCA Departmental Output Expense Services to process obligations and entitlements	-	2,100	2,350	2,350	2,600
Research and Development Tax Incentive in-year payments	Research, Science and Innovation: R&D Tax Incentive Non-departmental Other Expense	(6,355)	(81,975)	(38,666)	(39,832)	(29,258)
Substantive closure of Inland Revenue's transformation programme	Transformation MYA Departmental Other Expenses	(172,909)	-	-	-	-
	Residual activities following the transformation programme's substantive closure Departmental Other Expenses	-	24,000	11,000	-	-
	Transformation Departmental Other Expenses	-	(77,910)	(69,410)	(69,410)	(69,410)
	Services for Customers MCA Departmental Output Expense Investigations	205	3,580	3,225	3,265	3,265

Policy Initiative	Appropriation	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
	Services for Customers MCA Departmental Output Expense Management of Debt and Unfiled Returns	205	3,580	3,225	3,265	3,265
	Services for Customers MCA Departmental Output Expense Services to Ministers and to inform the public about entitlements and meeting obligations	1,440	25,050	22,580	22,840	22,840
	Services for Customers MCA Departmental Output Expense Services to process obligations and entitlements	1,350	23,559	21,230	21,480	21,480
	Capital Expenditure PLA Departmental Capital Expenditure	(93,000)	-	-	-	-
Passing on Child Support payments to sole parent beneficiaries	Child Support Payments Benefits or Related Expenses	-	-	149,163	154,733	154,733
	Services for Customers MCA Departmental Output Expense Services to Ministers and to inform the public about entitlements and meeting obligations	-	500	3,000	2,000	2,000
	Services for Customers MCA Departmental Output Expense Services to process obligations and entitlements	-	950	3,600	2,400	2,400
	Capital Expenditure Departmental Capital Injection	-	2,700	-	-	-
Taxation of housing	Services for Customers MCA Departmental Output Expense Investigations	330	2,000	2,000	2,000	-
	Services for Customers MCA Departmental Output Expense Management of Debt and Unfiled Returns	-	380	380	380	-
	Services for Customers MCA Departmental Output Expense Services to Ministers and to inform the public about entitlements and meeting obligations	2,390	2,430	2,020	1,590	-
	Services for Customers MCA Departmental Output Expense Services to process obligations and entitlements	860	860	860	650	-
	Policy Advice Departmental Output Expense	-	250	-	-	-
Total initiatives		5,459,139	1,486,154	573,257	172,911	152,815

1.2 - Trends in the Vote

Summary of Financial Activity

	2017/18	2018/19	2019/20	2020/21	2021/22		2022/23			2023/24	2024/25	2025/26
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Final Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations												
Output Expenses	13,055	15,080	15,806	15,989	16,304	15,304	1,524	-	1,524	1,524	1,524	1,524
Benefits or Related Expenses	3,584,823	4,386,025	4,819,697	4,909,303	4,906,000	4,891,000	N/A	5,272,000	5,272,000	5,632,000	5,745,000	6,044,000
Borrowing Expenses	6,202	6,524	7,891	7,894	8,400	8,400	-	8,400	8,400	8,400	8,400	8,400
Other Expenses	1,407,309	1,595,376	4,863,243	8,934,216	15,374,798	14,740,798	24,000	11,534,525	11,558,525	11,650,334	12,626,168	13,731,742
Capital Expenditure	103,682	107,850	1,531,839	362,722	1,540,165	1,540,165	52,700	652,000	704,700	378,000	35,000	40,000
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	591,586	610,097	640,765	581,175	622,805	600,605	721,857	-	721,857	707,208	700,908	668,038
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Appropriations	5,706,657	6,720,952	11,879,241	14,811,299	22,468,472	21,796,272	800,081	17,466,925	18,267,006	18,377,466	19,117,000	20,493,704
Crown Revenue and Capital Receipts												
Tax Revenue	72,142,690	77,879,653	77,656,484	93,791,771	96,751,000	96,751,000	N/A	109,404,000	109,404,000	115,755,000	122,980,000	130,871,000
Non-Tax Revenue	834,947	654,627	620,531	624,348	661,000	661,000	N/A	789,000	789,000	670,000	600,000	528,174
Capital Receipts	1,436,304	1,474,024	1,515,804	1,737,915	2,333,000	2,333,000	N/A	2,210,000	2,210,000	2,449,000	2,492,000	2,383,000
Total Crown Revenue and Capital Receipts	74,413,941	80,008,304	79,792,819	96,154,034	99,745,000	99,745,000	N/A	112,403,000	112,403,000	118,874,000	126,072,000	133,782,174

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 have been no restructuring adjustments to prior year information in the Summary of Financial Activity table.

1.3 - Analysis of Significant Trends

Departmental Output Expenses

Inland Revenue's departmental output expenses have increased from \$13.055 million in 2017/18 to an estimated \$15.304 million in 2021/22. This is mainly due to increased services provided to other agencies, such as staff on external secondments and accommodation rental recoveries. These increases have been mainly funded from other revenue. Departmental output expenses decrease to \$1.524 million in 2022/23 due to a reduction in staff on external secondments, and the cessation of the *Policy advice* appropriation and the transfer of funds to the new *Policy advice* category in the *Services for customers* multi-category appropriation.

Benefits or Related Expenses

Non-departmental benefits or related expenses include appropriations for Working for Families Tax Credits, Best Start Tax Credit, paid parental leave payments, KiwiSaver and child support payments to custodial persons. It also included payroll subsidy, which ceased in 2019/20, and the Research and Development Tax Incentive from April 2019 to April 2021.

Expenditure has increased from \$3,584 million in 2017/18 to an estimated \$6,044 million in 2025/26 due to growth, indexation changes and policy changes.

Working for Families Tax Credits were substantially increased from 1 July 2018. The Best Start Tax Credit commenced from 1 July 2018 and phased in over three years. After the indexation in April 2022, further indexation is expected in April 2023 and April 2025 for both Working for Families Tax Credits and the Best Start Tax Credit.

Paid parental leave entitlements were extended to cover a longer period of entitlement from July 2018 and July 2020. The main drivers for increased entitlements for paid parental leave and KiwiSaver Tax Credits were increased employment and employee compensation from economic growth.

Child support payments were substantially increased from 2023/24 due to policy changes resulting in the pass-on of the Crown entitlement portion of Child Support to custodial persons, previously this was retained by the Crown.

Non-Departmental Borrowing Expenses

Non-departmental borrowing expenses include interest payments for the income equalisation and environmental restoration account schemes. The adverse event scheme was previously included but it ceased in 2019/20.

Expenditure has increased from \$6.202 million in 2017/18 to an estimated \$8.400 million in 2025/26. The interest payable varies with the size of the deposits in these schemes, with deposits forecast to grow over time.

Non-Departmental Other Expenses

Non-departmental other expenses include the on-payment of KiwiSaver contributions, COVID-19 Resurgence Support Payment, COVID-19 Support Payment, Cost of Living payment, Research and Development Tax Incentive, bad debt write-offs, the initial fair value write-down on student loans, the initial fair value write-down on Small Business Cashflow Scheme lending and impairments (student loans, Small Business Cashflow Scheme loans, child support, general tax, KiwiSaver and Working for Families Tax Credits debt).

Expenditure has increased from \$1,407 million in 2017/18 to an estimated \$13,731 million in 2025/26.

A new appropriation was included from April 2019 to enable the on-payment of employee and employer KiwiSaver contributions collected by Inland Revenue to KiwiSaver providers. This appropriation represents the on-payment of amounts collected and has no impact on the operating balance. It is a large appropriation and a dominant factor in the growth trend from 2019/20 reflects the growth in employee compensation and consequentially in KiwiSaver contributions.

Expenditure in 2019/20 includes an increase in impairment of debt and debt write-offs due to an increase in the level of overdue debt and the changes in the impairment of this debt due to COVID-19. Expenditure in 2020/21 also includes an estimate of the continued impact of COVID-19.

Expenditure in 2021/22 increased substantially due to targeted support to eligible businesses adversely affected as a result of COVID-19 by a public health measure, business circumstance or other related matter. The targeted support is a grant and does not need to be repaid.

Impairments across all categories are estimated to increase in 2021/22 as result of the COVID-19 pandemic. Write-downs also increase in 2021/22 due to higher discount rates, higher forecast for Small Business Cashflow Scheme loans, partially offset by lower lending to students.

A new appropriation has been created for the Cost of Living payment in 2022/23.

The Research and Development Tax Incentive appropriation was transferred to the non-departmental other expenses category (previously benefits or related expenses category) from May 2021.

Departmental Other Expenses

Departmental other expenses include Inland Revenue's *Transformation* multi-year appropriation (MYA) covering 2017/18 to 2021/22. The funding of \$113.510 million in 2021/22 is to complete the final stage of Inland Revenue's transformation programme. Departmental other expenses of \$24 million in 2022/23 are for residual activities following the closure of the transformation programme which were unable to be completed by 2021/22 due to COVID-19 priorities.

As Inland Revenue has implemented Stage 4, the last and final stage of the transformation programme, unused funding has been returned to the Crown and the funding for enduring costs has been transferred to the relevant Vote Revenue departmental appropriations.

Departmental Capital Expenditure

Inland Revenue's capital expenditure has decreased from \$103.682 million in 2017/18 to an estimated \$48.165 million in 2021/22, and increases to an estimated \$52.700 million in 2022/23 to reflect the remaining funding for residual activities following the closure of the transformation programme, and a system change to set up the passing-on of child support payments to sole parent beneficiaries.

Multi-Category Expenses and Capital Expenditure (MCA)

Inland Revenue's multi-category expenses and capital expenditure (MCA) have increased from \$591.586 million in 2017/18 to an estimated \$600.605 million in 2021/22 and \$721.857 million in 2022/23. The increase is mainly due to a transfer of \$55.769 million from the *Transformation* appropriation for ongoing operating costs arising from the transformation programme, including depreciation and capital charge, and a \$22.700 million swap of departmental capital to operating expenditure to manage Inland Revenue's COVID-19 related cost pressures, an adjustment of \$20.960 million following the change to the Crown accounting policy for software as a service arrangements, and a transfer of \$15.580 million to the new *Policy advice* category from the cessation of the *Policy advice* output expense appropriation.

Tax 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.

Tax revenue has increased from \$72,143 million in 2017/18 to an estimated \$130,871 million in 2025/26. Total tax revenue increased by 21% in 2020/21, following the COVID-19 affected 2019/20 year. Growth is forecast to be more modest in 2021/22, at 3%, with growth of 6% expected for income taxes offset by a forecast decline in GST revenue. Total tax revenue growth is forecast to accelerate in 2022/23, due to a 11% forecast growth in nominal GDP and the cessation of some temporary COVID-19 tax-relief measures which reduced revenue. Over the remaining 3 years of the forecast period, total tax revenue is forecast to grow at an annual average rate of 6%, this is mainly due to a forecast annual growth in the nominal economy averaging 5%.

Source deduction revenue is forecast to increase by 10% in 2021/22, mainly due to a forecast growth in both average wage rates and the number of people in employment. Annual growth in source deductions is expected to remain around 8% in each of the following four years due to the forecast for wage growth remaining above 5% per annum, and the fiscal drag associated with that wage growth.

Net other persons tax revenue increased by nearly 35% in the 2020/21 year, following the COVID-19 affected 2019/20 year. Net other persons tax revenue is forecast to grow by 17% in 2021/22, due to forecast growth in taxable profits of 8% plus a positive contribution from 2021 tax year terminal tax revenue. 12% growth is forecast for the 2022/23 year mainly due to a strong forecast for taxable profits. Taxable profits are forecast to increase by at least 4% in each of the following three years, contributing to net other persons tax revenue growth remaining above 5% per annum out to 2025/26.

Net companies income tax is forecast to decline 2% in the 2021/22 year. Although taxable profits are forecast to increase by 8%, poor recent investment returns are expected to reduce Portfolio Investment Entity (PIE) tax by nearly 70%, and on-going effects of COVID-19 tax relief measures are also expected to reduce company tax. Forecast growth exceeds 25% in 2022/23 owing to the cessation of some negative effects of COVID-19 tax-relief measures (eg, low-value asset write-off threshold increase, loss carry-back), an expectation that the 39% tax rate will boost company tax, and forecast taxable profit growth recovers to near 10%. Further growth in taxable profits is expected to contribute to continued growth in corporate tax over the remainder of the forecast period.

GST revenue is forecast to fall by 3% in 2021/22, as GST growth from a forecast 6% rise in domestic consumption is expected to be more than offset by a 28% rise in goods imports. GST on goods imports is collected by NZ Customs, which reduces the amount of GST that businesses pay to Inland Revenue. In 2022/23, forecast growth of 9% in domestic consumption and 19% in residential investment (mostly construction of new homes and renovation of existing homes) increases the GST revenue forecast by 12%. For the remainder of the forecast period, forecast growth in consumption results in GST revenue growth of 5% per annum, despite an expected flattening-off in residential investment.

Decreases in deposit interest rates leading up to, and during, 2021 have led to a decline in resident withholding tax (RWT) on interest income. RWT on interest is now expected to reduce by 28% in 2021/22. The recent trend of increasing interest rates is forecast to continue into 2022/23. This is expected to lead to a recovery in RWT on interest, which is now forecast to nearly double in the 2022/23 year. Despite a flattening-off in the interest rate forecast, RWT on interest is expected to continue to grow through the forecast period, due to an increasing deposit base.

RWT on dividends peaked in 2020/21 due to a surge in dividend payments prior to the introduction of the 39% personal income tax rate. In 2021/22 RWT on dividends is forecast to return to a more normal level, the forecast has declined by 36% accordingly. Growth is expected to resume in 2022/23 and similar growth is expected through to 2025/26.

Non-Tax Revenue

Non-departmental non-tax revenue incorporates interest unwind for student loans and Small Business Cashflow Scheme (interest income due to reversing the initial fair value write-down over the life of the loan), child support penalty revenue, unclaimed monies, and interest and penalties on Working for Families Tax Credits debt.

Non-tax revenue has decreased from \$1,122 million in 2017/18 to an estimated \$789 million in 2022/23 and decreases to an estimated \$528 million in 2025/26. The decrease from 2017/18 to 2021/22 is mainly due to a change in accounting standards in 2018/19 affecting the way we calculate the interest unwind of the initial discount on student loans. The decrease from 2021/22 to 2025/26 is mainly due to a change in methodology for child support collections (collections relating to the Child Support payments appropriation are no longer included from 2021/22) and Cabinet's decision to pass-on Child Support payments to beneficiaries from 2023/24, partially offset by the inclusion of interest unwind of the initial discount on small business cashflow loans.

Capital Receipts

Non-departmental capital receipts include student loan capital repayments, Small Business Cashflow Scheme capital repayments and deposits into the adverse event income equalisation, income equalisation, and environmental restoration account schemes. 2019/20 was the final year for the adverse event income equalisation scheme.

Capital receipts have increased from \$1,436 million in 2017/18 to an estimated \$2,383 million by 2025/26. Growth over time is due to forecast student loan and Small Business Cashflow Scheme capital repayments.

Part 2 - Details of Departmental Appropriations

2.1 - Departmental Output Expenses

Services to Other Agencies RDA (M57) (A10)

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

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,884	1,884	1,524
Revenue from the Crown	-	-	-
Revenue from Others	1,884	1,884	1,524

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide support services to other government agencies, including accommodation rental recoveries, and hosted enterprise support services.

How Performance will be Assessed and End of Year Reporting Requirements

	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Primary measures			
Percentage of satisfaction of the New Zealand Productivity Commission for services provided.	90%	On track	90%

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2023.

Reasons for Change in Appropriation

The decrease in this appropriation for 2022/23 is mainly due to a reduction in accommodation rental recoveries from subleases and a reduction of funding for services provided to DIA to access historical data.

2.2 - Departmental Other Expenses

Residual activities following the transformation programme's substantive closure (M57) (A10)

Scope of Appropriation

This appropriation is limited to residual activities consistent with Inland Revenue's transformation programme that still need to be completed following its substantive closure.

Expenses

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	24,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to undertake residual activities following the closure of the programme that were unable to be completed before 30 June 2022 due to COVID-19 priorities.

How Performance will be Assessed and End of Year Reporting Requirements

	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Primary measures			
All residual activities following the closure of the transformation programme are completed	N/A	N/A	By 30 June 2024

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2024.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Closure of Inland Revenue's transformation programme	2022/23	-	24,000	11,000	-	-

Reasons for Change in Appropriation

This is a new appropriation. The amount appropriated for 2022/23 is due to a transfer from the multi-year transformation appropriation to undertake residual transformation activities post the closure of the programme.

2.3 - Departmental Capital Expenditure and Capital Injections

Inland Revenue Department - Capital Expenditure PLA (M57) (A10)

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

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	16,642	16,642	21,900
Intangibles	31,523	31,523	30,800
Other	-	-	-
Total Appropriation	48,165	48,165	52,700

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 and replacement of Inland Revenue's business transformation assets.

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 2022/23 which are:

- residual activities post transformation (approximately 33%), and
- maintenance and improvement of business infrastructure including technology replacements and accommodation fit-outs (approximately 67%).

Post transformation spending will be assessed against the performance measures agreed for the residual activities post transformation closure appropriation.

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2023.

Reasons for Change in Appropriation

The increase in this appropriation for 2022/23 is due to deferred property and workplace services project expenditure.

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

Details of Net Asset Schedule	2021/22 Estimated Actual \$000	2022/23 Projected \$000	Explanation of Projected Movements in 2022/23
Opening Balance	484,721	470,621	
Capital Injections	122,560	2,700	For the child support pass-on initiative.
Capital Withdrawals	(119,200)	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	(17,460)	-	
Closing Balance	470,621	473,321	

Part 3 - Details of Non-Departmental Appropriations

3.2 - Non-Departmental Benefits or Related Expenses

Best Start Tax Credit PLA (M57) (A10)

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

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	339,000	339,000	375,000

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	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Families Package	2018/19	451,000	451,000	451,000	451,000	451,000

Reasons for Change in Appropriation

The increase in this appropriation for 2022/23 is mainly due to the full year impact of an 8.65% indexation adjustment to entitlements on 1 April 2022. A second indexation adjustment, based on cumulative increases in the Consumers Price Index, is anticipated in April 2023. Underlying growth in the forecasts reflect demographic changes, tempered by the abatement mechanism. Entitlements decrease for families with children aged one or two, when incomes grow above the legislated threshold.

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) (A10)

Scope of Appropriation

This appropriation is limited to child support payments to receiving carers incurred under section 140(2) of the Child Support Act 1991.

Expenses

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	294,000	294,000	285,000

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	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Passing on Child Support Payments to Sole Parent Beneficiaries	2023/24	-	-	149,163	154,733	154,733

Reasons for Change in Appropriation

The decrease in this appropriation for 2022/23 is mainly due to the timing change for payments to custodial parents. 2021/22 includes an additional payment to custodial parents as a result of a timing change. Payments to custodial parents are now on-forwarded in the same month they are received instead of lagging into the following month. The underlying forecast is for similar payments to the prior year.

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.

Family Tax Credit PLA (M57) (A10)

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

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,108,000	2,108,000	2,375,000

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	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Families Package	2018/19	510,000	510,000	510,000	510,000	510,000

Reasons for Change in Appropriation

The increase in this appropriation for 2022/23 is mainly due to increases to entitlements. From 1 April 2022 families receive an extra \$5 per child per week, plus an indexation adjustment of 8.57%. Another indexation adjustment of 6.46% is anticipated for April 2023, boosting the final three months of the fiscal year.

Conditions on Use of Appropriation

Reference	Conditions
Section 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) (A10)

Scope of Appropriation

This appropriation is limited to assistance for low to middle income families (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).

Expenses

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	542,000	542,000	545,000

What is Intended to be Achieved with this Appropriation

This permanent appropriation provides for payments to families 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	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
In-Work Tax Credit removing the hours test	2020/21	32,000	32,000	32,000	32,000	32,000

Reasons for Change in Appropriation

The increase in this appropriation for 2022/23 is mainly due to a flow-on consequence of indexation adjustments to the Family Tax Credit in April 2022 and April 2023. The higher Family Tax Credit forecasts in 2022/23 reduces the likelihood that the In-Work Tax Credit is abated. This is because the Working for Families credits are abated using an ordering rule.

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) (A10)*Scope of Appropriation*

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

Expenses

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,000	1,000	2,000

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.

Reasons for Change in Appropriation

The increase in this appropriation for 2022/23 is mainly due to a forecast increase in interest rates.

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) (A10)*Scope of Appropriation*

This appropriation is limited to tax credits and residual KiwiSaver entitlements paid to KiwiSaver members in accordance with the Income Tax Act 2007 and KiwiSaver Act 2006.

Expenses

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	987,000	977,000	1,028,000

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 this appropriation for 2022/23 is mainly due to an expected increase in the number of contributing members. It also reflects increased entitlement through contribution growth from members previously qualifying for less than the full 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) (A10)

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

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	15,000	15,000	17,000

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 \$26,000 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 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	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Main Benefit Rate Increase and Complementary Changes for New Zealanders Receiving a Main Benefit	2020/21	2,000	-	-	-	-
Main Benefit Rate Increase and Complementary Changes to Student Support (1 April 2022)	2020/21	-	5,000	4,000	3,000	3,000
Incomes for people receiving benefits	2019/20	2,500	2,500	2,500	2,500	2,500
Families Package	2018/19	1,300	1,300	1,300	1,300	1,300

Reasons for Change in Appropriation

The increase in this appropriation for 2022/23 is mainly due to indexation. The Minimum Family Tax Credit (MFTC) entitlement is adjusted each year with reference to welfare benefit indexation, with the aim of ensuring working families are better off transitioning off benefit and onto MFTC. MFTC entitlements increased on 1 April 2022 and another increase is anticipated in April 2023. There is also some anticipated growth in the number of qualifying families through an improving labour market. An offsetting factor is attrition of entitlement because of income growth of recipients.

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) (A10)

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

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	620,000	615,000	645,000

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	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Extending paid parental leave to 26 weeks	2018/19	148,400	148,400	148,400	148,400	148,400

Reasons for Change in Appropriation

The increase in this appropriation for 2022/23 is mainly due to an indexation of the payment rate and a forecast increase in eligible recipients as employment tenure improves with the labour market. Paid parental leave entitlements are increased each July with reference to wage growth.

Conditions on Use of Appropriation

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

3.3 - Non-Departmental Borrowing Expenses

Environmental Restoration Account Interest PLA (M57) (A10)

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

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,400	1,400	1,400

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) (A10)

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

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	7,000	7,000	7,000

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

Cost of Living payment (M57) (A10)

Scope of Appropriation

This appropriation is limited to payments to individuals to address the cost of living in accordance with Cabinet decisions.

Expenses

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	800,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide temporary support to individuals who have been heavily impacted by an increase in costs of living.

How Performance will be Assessed and End of Year Reporting Requirements

An end-of-year performance exemption was granted under s15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely set up to provide temporary support for the living costs of low to middle income individuals. Eligibility will end on 31 March 2023.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Cost of Living payment	2022/23	-	800,000	-	-	-

Reasons for Change in Appropriation

This is a new appropriation. The \$800 million appropriated for 2022/23 is to provide payments to low-to-middle income individuals who have been heavily impacted by the recent increase in costs of living after the expiry of the reduction in fuel excise duty and road user charges. These individuals do not meet the criteria to receive the Winter Energy Payment and are less likely to have benefited from changes on 1 April 2022 to support or increase incomes (examples of such changes include increases in main benefit rates, working for Families Tax Credits and the increase in the minimum wage).

Impairment of Debt and Debt Write-Offs (M57) (A10)

Scope of Appropriation

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

Expenses

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,041,000	841,000	841,000

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 unfiled returns category.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Increasing the threshold for provisional tax	2020/21	(2,000)	(2,000)	(2,000)	(2,000)	-
Tax compliance activity - additional revenue	2018/19	15,000	-	-	-	-

Reasons for Change in Appropriation

The decrease in this appropriation for 2022/23 is mainly due to a contingency included in the 2020/21 forecast to cover COVID-19 related impacts on debt and debt collectability and to prevent any unauthorised expenditure as this appropriation does not have a permanent legislative authority. In 2022/23, this appropriation will be maintained at \$841 million. Any update to this appropriation can only be made in the later part of the financial year when the debt valuation has been completed for 30 June 2022.

Initial Fair Value Write-Down Relating to Student Loans (M57) (A10)

Scope of Appropriation

This appropriation is limited to the initial fair value write-down of student loans.

Expenses

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	547,000	527,000	662,000

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.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Main Benefit Rate Increase and Complementary Changes to Student Support (1 April 2022)	2020/21	-	7,390	24,773	27,141	-
Reinstating the Training Incentive Allowance for Levels 4 to 7 on the New Zealand Qualifications Framework	2020/21	9,109	4,507	1,715	351	-
Temporarily increasing student loan course-related costs	2019/20	-	-	-	-	-
Disregarding EFTS for students receiving partial tuition fee refunds as a result of COVID-19	2019/20	269	274	279	284	-
Extending eligibility to Student Support to People Affected by the Christchurch Mosque Terror Attack	2019/20	41	21	-	-	-
Home-based early childhood education review	2018/19	231	88	88	88	-

Reasons for Change in Appropriation

The increase in this appropriation for 2022/23 is mainly due to increases in forecast lending to students and higher write-downs driven by higher discount rates. The final 2021/22 forecast includes a contingency to prevent any unauthorised expenditure as this appropriation does not have a permanent legislative authority.

Initial Fair Value Write-Down Relating to the Small Business Cashflow Scheme COVID-19 (M57) (A10)

Scope of Appropriation

This appropriation is limited to the initial fair value write-down of small business cashflow scheme COVID-19.

Expenses

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	639,000	639,000	279,000

What is Intended to be Achieved with this Appropriation

This appropriation provides for incurring the expense relating to reductions in the nominal value of the Small Business Cashflow (Loan) Scheme 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 expenses relating to reductions in the nominal value of Small Business Cashflow Scheme lending. Performance information relating to the administration of the scheme is provided under the Services for customers multi-category appropriation.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Economic Supports under Omicron	2021/22	385,000	212,000	116,000	-	-
COVID-19 Resurgence Support Payment and Small Business Cashflow Scheme	2021/22	49,220	-	-	-	-

Reasons for Change in Appropriation

The decrease in this appropriation for 2022/23 is mainly due to lower forecasted lending. Refer to the Small Business Cashflow Scheme expenditure appropriation for more information.

KiwiSaver: Employee and Employer Contributions PLA (M57) (A10)

Scope of Appropriation

This appropriation is limited to Inland Revenue paying employee and employer contributions to KiwiSaver Scheme providers in accordance with section 73(3) of the KiwiSaver Act 2006.

Expenses

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	7,720,000	7,720,000	8,480,000

What is Intended to be Achieved with this Appropriation

This permanent appropriation provides for the on-payment of employee and employer KiwiSaver contributions collected by Inland Revenue to KiwiSaver Scheme 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 the on-payment of employee and employer KiwiSaver contributions collected by Inland Revenue to KiwiSaver Scheme providers. 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 this appropriation for 2022/23 is mainly due to a forecast growth in collections from contributing members. This reflects growth in the number of contributing members and income growth of those members.

Research, Science and Innovation: R&D Tax Incentive (M84) (A10)

Scope of Appropriation

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

Expenses

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	473,345	473,345	472,525

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

	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Positive progress is being made on the criteria for evaluation specified in section LY 10 of the Taxation (Research and Development Tax Credit) Act 2019	Achieved	Achieved	Achieved

Performance information for this appropriation will be reported in Inland Revenue's Annual Report 2023.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Research and Development Tax Incentive In-year Payments	2021/22	(6,355)	(81,975)	(38,666)	(39,832)	(29,258)
Providing Transitional Support to R&D Performing Businesses	2020/21	463,000	513,000	565,000	611,000	611,000
Research and Development Tax Incentive	2018/19	454,000	454,000	454,000	454,000	454,000

Reasons for Change in Appropriation

The decrease in this appropriation for 2022/23 is due to \$81 million higher expected tax claims offset by \$82 million being appropriated to Vote Business, Science and Innovation to deliver in-payments until Inland Revenue's system can deliver this.

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.

3.5 - Non-Departmental Capital Expenditure

Small Business Cashflow Scheme COVID-19 (M57) (A10)

Scope of Appropriation

This appropriation is limited to providing a loan to eligible businesses to manage the economic impacts of COVID-19.

Capital Expenditure

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,492,000	1,492,000	652,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve cashflow support to viable small to medium businesses impacted by COVID-19.

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 cashflow support to viable small to medium businesses impacted by COVID-19.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
COVID-19 Resurgence Support Payment	2021/22	115,000	-	-	-	-
Small Business Cashflow Scheme Lending	2021/22	899,000	496,000	271,000	-	-

Reasons for Change in Appropriation

The decrease in this appropriation for 2022/23 is mainly due to a policy change. Top-up loans of up to \$10,000 became available from March 2022 in response to the Omicron wave of COVID-19. Eligibility remains contingent on a loss of business due to COVID-19. The demand for top-up lending is expected to peak in 2021/22. Lending is expected to continue into 2022/23 but at smaller amounts.

(Note: the \$115 million current policy initiative in 2021/22 was included in a paper which was mostly, but not exclusively, about the COVID-19 Resurgence Support Payment).

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

4 - Multi-Category Expenses and Capital Expenditure

Services for Customers (M57) (A10)

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 Inland Revenue undertaking investigation, audit and litigation activities.

Management of Debt and Unfiled Returns

This category is limited to activities to prevent returns and debt becoming overdue, and to collect unfiled returns and overdue payments, whether for the Crown, other agencies or external parties.

Policy advice

This category 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.

Services to Ministers and to inform the public about entitlements and meeting obligations

This category is limited to the provision of services to help Ministers fulfil their responsibilities to Parliament and the New Zealand public, other than policy decision-making responsibilities, and to provide information and assistance to the public to make them aware of their obligations and entitlements.

Services to Process Obligations and Entitlements

This category is limited to 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

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	622,805	600,605	721,857
Departmental Output Expenses			
Investigations	119,973	116,550	125,891
Management of Debt and Unfiled Returns	93,389	91,330	95,859
Policy advice	-	-	15,980
Services to Ministers and to inform the public about entitlements and meeting obligations	269,929	258,678	312,978
Services to Process Obligations and Entitlements	139,514	134,047	171,149

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Funding for Departmental Output Expenses			
Revenue from the Crown	606,105	606,105	705,156
Investigations	119,824	119,824	125,742
Management of Debt and Unfiled Returns	92,117	92,117	94,587
Policy advice	-	-	15,979
Services to Ministers and to inform the public about entitlements and meeting obligations	268,884	268,884	311,933
Services to Process Obligations and Entitlements	125,280	125,280	156,915
Revenue from Others	16,700	16,700	16,701
Investigations	149	149	149
Management of Debt and Unfiled Returns	1,272	1,272	1,272
Policy advice	-	-	1
Services to Ministers and to inform the public about entitlements and meeting obligations	1,045	1,045	1,045
Services to Process Obligations and Entitlements	14,234	14,234	14,234

Comparators for Restructured Appropriation

Vote, Type and Title of Appropriation	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Vote Revenue: Departmental Output Expenses: Policy Advice	14,420	13,420	-
Total	14,420	13,420	721,857

What is Intended to be Achieved with this Appropriation

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

How Performance will be Assessed for this Appropriation

Assessment of Performance	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Primary measures			
Percentage of returns filed by customers on time (see Note 1)	85%	95%	90%
Percentage of tax payments made by customers on time (see Note 1)	85%	91%	90%
Percentage of customers satisfied with the overall quality of service delivery from Inland Revenue (see Note 1)	90%	85%	Retire measure
Percentage of customers who feel Inland Revenue makes it easy for people to get it right (see Note 1)	80%	77%	Retire measure

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

Assessment of Performance	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Departmental Output Expenses			
Investigations			
This category is intended to protect the integrity of the tax system through early interventions, investigation, audit and litigation activities.			
Primary measures			
Percentage of customers whose compliance behaviour improves after receiving an audit intervention (see Note 2)	85%	Not available	85%
Discrepancy identified for every output dollar spent (see Note 3)	\$7.00	\$7.00	Retire measure
The identified value of compliance activities over associated costs (see Note 3)	N/A	N/A	Baseline year
Percentage of litigation judgments found in favour of the Commissioner	75%	87%	75%
Supporting measures			
Percentage of audited customers who are satisfied with their experience (see Note 4)	75%	Not available	65%
Management of Debt and Unfiled Returns			
This category is intended to achieve the timely and efficient collection of revenue owed.			
Primary measures			
Value of assessed revenue for every unfiled return dollar spent (see Note 5)	\$45.00	\$47.00	\$45.00
Cash collected for every debt dollar spent	\$40.00	\$35.00	\$40.00
Percentage of child support assessments paid on time	70%	70%	70%
Percentage of student loan customers that meet their obligations (see Note 6)	Baseline year	N/A	85%
Supporting measures			
Percentage of unfiled returns that are finalised within six months.	60%	45%	60%
Percentage of collectable debt value over two years old (see Note 7)	40% or less	40%	40% or less
Percentage of new customer debt resolved within six months (see Note 7)	50%	65%	50%
Percentage of New Zealand liable parent child support debt cases resolved within 12 months	75%	80%	75%

	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Policy advice			
This category 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			
Primary measures			
The average quality score of papers assessed using the Policy Quality Framework (see Note 8)	3.5 of more out of 5	N/A	3.5 of more out of 5
The Minister's satisfaction with the policy advice services received (see Note 9)	4 of more out of 5	N/A	4 of more out of 5
Services to Ministers and to inform the public about entitlements and meeting obligations			
This category is intended to provide services and information to help taxpayers and other customers meet their payment obligations and receive payments they are entitled to, and help Ministers fulfil their responsibilities to Parliament and the New Zealand public.			
Primary measures			
Percentage of customers who perceive that Inland Revenue does enough to inform them of their rights and obligations (see Note 10)	85%	82%	Retire measure
Percentage of customers who perceive that resolving issues with Inland Revenue requires low effort (see Note 10)	80%	76%	Retire measure
Percentage of customers who agree they found it easy to get the information they needed (see Note 10)	N/A	N/A	70%
Supporting measures			
Average speed to answer telephone calls	4 minutes 30 seconds or less	4 minutes and 30 seconds	4 minutes 30 seconds or less
Percentage of rulings reports, adjudication reports and public items that meet the applicable purpose, logic, alternatives, consultation, and practicality standards (see Note 11)	100%	100%	100%
Number of published or finalised public items that give the Commissioner's interpretation of the law (see Note 12)	25	25	Retire measure
Percentage of public items (including relevant public consultation), completed within 18 months of allocation	85%	90%	85%
Percentage of adjudication cases completed within 10 weeks of receipt	90%	93%	90%
Percentage of taxpayer ruling applications that have a draft ruling completed within 10 weeks of receipt	90%	97%	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%	95%	90%
Percentage of short-process rulings that have a draft ruling completed within six weeks of receipt	90%	100%	90%
Percentage of returns filed digitally (see Note 13)	97%	98%	Retire measure

Assessment of Performance	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Services to Process Obligations and Entitlements			
This category is intended to deliver efficient and effective registration, assessment and processing of tax obligations and other entitlements. This contributes to the availability of revenue to fund government programmes as well as ensuring that taxpayers and other customers receive payments they are entitled to.			
Primary measures			
Percentage of social policy and tax registrations processed within five working days	85%	92%	85%
Percentage of income tax refund disbursements resulting from a return issued within five weeks	85%	83%	85%
Percentage of GST refund disbursements issued within four weeks (see Note 14)	95%	96%	95%
Supporting measures			
Percentage of income tax returns finalised within three weeks	95%	99%	95%
Percentage of GST returns finalised within three weeks	98%	99.9%	98%
Average cost of processing income tax returns, GST returns and employment information (see Note 15)	\$3.50 or less	\$2.00	\$2.50 or less
Percentage of donation tax credit claims processed within three weeks	70%	70%	70%
Percentage of Working for Families Tax Credit (WfFTC) payments made on the first regular payment date following an application	95%	99%	95%
Percentage of paid parental leave payments issued to customers on the first pay day following the agreed date of entitlement	97%	99%	97%
Percentage of child support administrative review decisions issued within seven weeks	90%	87%	90%
Percentage of child support assessments issued within two weeks	80%	88%	80%

Note 1 - Inland Revenue has introduced a new customer experience and perceptions survey to replace its legacy survey. The new survey is designed to keep up with the changes in how customers interact with the department. Two output measures that relied on the legacy survey have been retired with two equivalent measures from the new survey being tracked as outcome indicators. These two retired measures have been replaced with two existing measures that encapsulate the department's overall performance in delivering services for customers. The targets for these two existing measures have been increased to reflect the efficiencies gained through the department's business transformation.

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

Note 3 - The discrepancy identified for every output dollar spent measure has been replaced by a new, more comprehensive measure, covering the identified value of compliance activities over associated costs. The performance for this new measure will be baselined over 2022/23 and a target set in 2023/24.

Note 4 - Actual performance is measured using a sample of the customer population. In line with industry standards, neutral responses (customers neither responding negatively or positively) will not be included towards achievement of this target. The target has been adjusted to reflect this higher bar.

Note 5 - Change in the methodology from 2021/22 to include payday filing returns.

Note 6 - This measure was introduced in 2021/22. A target of 85% has been set for 2022/23. The target takes into account New Zealand-based borrowers' compliance, overseas-based borrowers' compliance and the impacts of COVID-19 on the latter group in particular.

Note 7 - Change in the methodology to exclude student loans and Small Business Cashflow (Loan) Scheme loans in 2021/22.

Note 8 - This category, measure and target has transferred from the *Policy advice* appropriation from 2022/23. Inland Revenue is using the refreshed Policy Quality framework from the Department of the Prime Minister and Cabinet-led Policy project as the basis for assessing the quality of its policy advice papers.

Note 9 - This category, measure and target have transferred from the *Policy advice* appropriation from 2022/23. Inland Revenue is using the refreshed Policy Quality framework from the Department of the Prime Minister and Cabinet-led Policy project to assess ministers' satisfaction with the policy service.

Note 10 - Inland Revenue has introduced a new customer experience and perceptions survey to replace its legacy survey. The new survey is designed to keep up with the changes in how customers interact with the department. Two legacy survey measures have been retired and replaced by a single measure from the new survey that covers the same aspects. In line with industry standards, neutral responses (customers neither responding negatively or positively) will not be included towards the achievement of this measure. The target has been set at 70%.

Note 11 - Performance will be measured using a sample of reports.

Note 12 - Inland Revenue has a number of output measures for the provision of tax technical advice. This volume-based measure has been retired as it does not convey meaningful information to an external audience. This measure will be monitored internally by Inland Revenue and will be used as context in the department's annual report and elsewhere when useful.

Note 13 - This measure was an important indicator during Inland Revenue's transformation programme to modernise and digitise New Zealand's tax system. This target has been achieved over the past twelve months. The target has reached the limit in terms of the ability to influence any further increase in performance and therefore has been retired. Inland Revenue will continue to monitor and report the trend for digital return filing as an outcome indicator.

Note 14 - Section 46 of the Goods and Services Tax Act 1985 requires refunds to be issued within 15 working days unless selected for a screening or investigation. The four-week target includes additional time for screening or investigation.

Note 15 - This target has been stretched from \$3.50 or less to \$2.50 or less to reflect the service delivery cost efficiencies realised through Inland Revenue's transformation programme.

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2023.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Investigations						
Responding to COVID-19 demand and maintaining capability and integrity	2022/23	-	4,400	11,600	11,600	5,500
Accounting for software as a service	2021/22	700	-	-	-	-
Closure of Inland Revenue's transformation programme	2021/22	205	3,580	3,225	3,265	3,265
Resurgence Support Payment - administration costs	2021/22	1,200	1,200	600	-	-
Taxation of housing	2021/22	330	2,000	2,000	2,000	-
Small Business Cashflow (Loan) Scheme	2020/21	-	-	-	1,000	-
Research and Development Tax Credit implementation	2018/19	80	80	80	80	-
Management of Debt and Unfiled Returns						
Responding to COVID-19 demand and maintaining capability and integrity	2022/23	-	3,300	8,400	8,500	4,000
Accounting for software as a service	2021/22	550	-	-	-	-
Closure of Inland Revenue's transformation programme	2021/22	205	3,580	3,225	3,265	3,265
Small Business Cashflow (Loan) Scheme	2020/21	250	250	250	2,200	-
Tax compliance activity - Funding to collect additional revenue	2018/19	5,900	-	-	-	-
Services to Ministers and to inform the public about entitlements and meeting obligations						
Cost of Living payment	2022/23	-	8,500	3,500	-	-
Research & Development Tax Incentive administration costs	2022/23	-	1,300	1,500	1,500	1,700
Responding to COVID-19 demand and maintaining capability and integrity	2022/23	-	9,500	22,100	22,000	11,300
Taxation of housing	2022/23	-	380	380	380	-
Passing on child support payments to sole parent beneficiaries	2021/22	-	500	3,000	2,000	2,000
Accounting for software as a service	2021/22	1,500	-	-	-	-
Closure of Inland Revenue's transformation programme	2021/22	1,440	25,050	22,580	22,840	22,840
Resurgence Support Payment - administration costs	2021/22	400	400	200	-	-
Economic response to future resurgences of COVID-19	2021/22	3,000	3,000	1,500	1,500	-
Ensuring the tax system is operating fairly	2021/22	2,170	2,230	-	-	-
Small Business Cashflow (Loan) Scheme	2020/21	2,500	2,750	2,500	-	-
Retaining capability to support the Government's response to COVID-19	2020/21	4,920	-	-	-	-
Research and Development Tax Credit implementation	2018/19	320	320	320	320	-
Families Package Implementation	2018/19	350	350	350	350	-

Policy Initiative	Year of First Impact	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Services to Process Obligations and Entitlements						
Cost of Living payment	2022/23	-	2,000	-	-	-
Research & Development Tax Incentive administration costs	2022/23	-	2,100	2,350	2,350	2,600
Responding to COVID-19 demand and maintaining capability and integrity	2022/23	-	4,100	10,400	10,400	5,100
Passing on child support payments to sole parent beneficiaries	2022/23	-	950	3,600	2,400	2,400
Reduction in revenue from ACC	2022/23	-	10,600	10,600	10,600	10,600
Accounting for software as a service	2021/22	18,210	-	-	-	-
Closure of Inland Revenue's transformation programme	2021/22	1,350	23,559	21,230	21,480	21,480
Taxation of Housing	2021/22	860	860	860	860	-
Retaining capability to support the Government's response to COVID-19	2020/21	3,280	-	-	-	-
Research and Development Tax Credit implementation	2018/19	400	400	400	400	-
Families Package Implementation	2018/19	710	710	710	710	-
Policy advice						
Responding to COVID-19 demand and maintaining capability and integrity	2022/23	-	400	600	600	700
Ensuring the tax system is operating fairly	2021/22	300	300	-	-	-

Reasons for Change in Appropriation

The increase in this appropriation for 2022/23 is due to:

- the transfer to the Policy advice category of funding from the cessation of the Policy advice output expense appropriation
- the transfer of transformation funding to fund ongoing operating funding, including depreciation and capital charge
- new funding to process and administer the Cost of Living payment
- responding to COVID-19 demand and maintaining capability and integrity
- additional funding to compensate for the reduction in revenue from ACC, and
- additional funding for the *Taxation of housing* policy initiative.

This is offset by:

- reduced funding of \$6.100 million for Research and Development Tax Incentive administration costs in 2022/23
- funding the operating impact of the change to the Crown accounting policy for software as a service arrangements in 2021/22, and
- the expiry of a time-limited funding of \$5.900 million to collect additional revenue.