

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 2023/24 financial year:

- a total of over \$721 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 advice
- a total of \$14.600 million for residual activities following Inland Revenue's transformation programme's substantive closure
- a total of just over \$1.800 million for services to other agencies
- a total of \$42.900 million for departmental capital expenditure for the purchase or development of assets by and for the use of Inland Revenue
- a total of \$5,349 million for benefits or related expenses, mainly for KiwiSaver, Best Start and Working for Families tax credits, and benefit payments such as child support and paid parental leave
- a total of just over \$11 million relating to interest paid on deposit schemes administered by Inland Revenue
- a total of \$11,369 million for other expenses, including \$9,770 million for the on-payment of employee and employer KiwiSaver contributions collected by Inland Revenue to KiwiSaver providers, \$931 million for the impairment and write-off of debt, \$640 million for the initial fair value write-down on student loans, and \$28 million for the initial fair value write-down for Small Business Cashflow Scheme lending, and
- a total of \$60 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 2023/24 financial year covering the following:

- a total forecast of \$115,939 million for tax revenue
- a total forecast of just under \$855 million for non-tax revenue, and
- a total forecast of \$2,370 million for capital receipts.

The Minister of Research, Science and Innovation is responsible for an appropriation in Vote Revenue for the 2023/24 financial year of around \$535 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	2022/23		2023/24
	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.	1,824	1,824	1,824
Total Departmental Output Expenses	1,824	1,824	1,824
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.	32,600	28,900	14,600
Total Departmental Other Expenses	32,600	28,900	14,600
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.	52,700	52,700	42,900
Total Departmental Capital Expenditure	52,700	52,700	42,900
Benefits or Related Expenses			
Best Start Tax Credit PLA (M57) (A10) This appropriation is limited to Best Start Tax Credit payments made to eligible recipients under section 185 of the Tax Administration Act 1994.	324,000	324,000	339,000
Child Support Payments PLA (M57) (A10) This appropriation is limited to Child Support payments made to eligible receiving carers incurred under section 140(2) of the Child Support Act 1991.	295,000	295,000	466,000
Family Tax Credit PLA (M57) (A10) This appropriation is limited to Family Tax Credit payments made to eligible beneficiaries and non-beneficiaries during the year under section 185 of the Tax Administration Act 1994.	2,165,000	2,165,000	2,284,000
In-Work Tax Credit PLA (M57) (A10) This appropriation is limited to In-Work Tax Credit payments made to eligible low to middle income families (under section 185 of the Tax Administration Act 1994).	457,000	457,000	477,000
KiwiSaver: Interest (M57) (A10) This appropriation is limited to interest on KiwiSaver contributions as set out in the KiwiSaver Act 2006.	1,000	1,000	1,000
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.	1,048,000	1,038,000	1,093,000

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Titles and Scopes of Appropriations by Appropriation Type			
Minimum Family Tax Credit PLA (M57) (A10) This appropriation is limited to Minimum Family Tax Credit payments made to eligible families where at least one parent is working for salary or wages (under section 185 of the Tax Administration Act 1994).	12,000	12,000	12,000
Paid Parental Leave Payments (M57) (A10) This appropriation is limited to Paid Parental Leave payments made to eligible parents under the Parental Leave and Employment Protection Act 1987.	635,000	630,000	677,000
Total Benefits or Related Expenses	4,937,000	4,922,000	5,349,000
Non-Departmental Borrowing Expenses			
Environmental Restoration Account Interest PLA (M57) (A10) This appropriation is limited to interest on Environmental Restoration accounts, authorised by section 65ZH(1) of the Public Finance Act 1989.	2,100	2,100	2,100
Income Equalisation Interest PLA (M57) (A10) 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.	9,000	9,000	9,000
Total Non-Departmental Borrowing Expenses	11,100	11,100	11,100
Non-Departmental Other Expenses			
Impairment of Debt and Debt Write-Offs (M57) (A10) 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.	1,185,000	985,000	931,000
Initial Fair Value Write-Down Relating to Student Loans (M57) (A10) This appropriation is limited to the initial fair value write-down of student loans.	572,000	552,000	640,000
Initial Fair Value Write-Down Relating to the Small Business Cashflow Scheme COVID-19 (M57) (A10) This appropriation is limited to the initial fair value write-down of the Small Business Cashflow Scheme.	76,000	71,000	28,000
KiwiSaver: Employee and Employer Contributions PLA (M57) (A10) This appropriation is limited to the payment of employee and employer contributions to KiwiSaver Scheme providers under section 73(3) of the KiwiSaver Act 2006.	8,730,000	8,730,000	9,770,000
Research, Science and Innovation: R&D Tax Incentive (M84) (A10) This appropriation is limited to providing R&D tax credit payments to eligible research and development performing businesses.	361,525	361,525	535,334
Cost of Living payment (M57) (A10) This appropriation is limited to payments to individuals to address the cost of living in accordance with Cabinet decisions.	706,000	656,000	-
Impairment of Debt and Debt Write-Offs Relating to Child Support (M57) (A10) This appropriation is limited to write-offs and the impairment for child support and Crown entitlement debt.	90,000	62,000	-
Impairment of Debt Relating to Student Loans (M57) (A10) This appropriation is limited to the impairment of student loan debt.	160,000	-	-
Total Non-Departmental Other Expenses	11,880,525	11,417,525	11,904,334
Non-Departmental Capital Expenditure			
Small Business Cashflow Scheme COVID-19 (M57) (A10) This appropriation is limited to providing a loan to eligible businesses to manage the economic impacts of COVID-19.	145,000	135,000	60,000
Total Non-Departmental Capital Expenditure	145,000	135,000	60,000

Titles and Scopes of Appropriations by Appropriation Type	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Multi-Category Expenses and Capital Expenditure			
Services for Customers MCA (M57) (A10)	700,031	690,031	721,218
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.			
Departmental Output Expenses			
<i>Investigations</i>	112,580	110,644	133,783
This category is limited to Inland Revenue undertaking investigation, audit and litigation activities.			
<i>Management of Debt and Unfiled Returns</i>	91,761	90,052	98,241
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.			
<i>Policy advice</i>	16,631	16,631	13,400
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, including international engagement and advice.			
<i>Services to Ministers and to inform the public about entitlements and meeting obligations</i>	328,812	324,357	310,076
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, and to engage, advise and support other international tax agencies.			
<i>Services to Process Obligations and Entitlements</i>	150,247	148,347	165,718
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.			
Total Multi-Category Expenses and Capital Expenditure	700,031	690,031	721,218
Total Annual Appropriations and Forecast Permanent Appropriations	17,760,780	17,259,080	18,104,976

Capital Injection Authorisations

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Inland Revenue Department - Capital Injection (M57) (A10)	2,700	2,700	-

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Agricultural emissions pricing scheme - set-up and operation costs	Services for Customers MCA Departmental Output Expense Services to Ministers and to inform the public about entitlements and meeting obligations	-	240	-	-	-
	Services for Customers MCA Departmental Output Expense Services to process obligations and entitlements	-	60	-	-	-
Cyclone Gabrielle: Ensuring continuity of student support payments	Initial fair value write-down relating to student loans Non-Departmental Other Expense	695	-	-	-	-
Global anti-base erosion tax rules for New Zealand	Impairment of debt and debt write-offs Non-Departmental Other Expense	-	-	-	-	140
Inland Revenue - Technology cost pressure	Services for Customers MCA Departmental Output Expense Investigations	-	2,700	1,188	1,368	1,368
	Services for Customers MCA Departmental Output Expense Management of Debt and Unfiled Return	-	2,250	990	1,140	1,140
	Services for Customers MCA Departmental Output Expense Services to Ministers and to inform the public about entitlements and meeting obligations	-	7,200	3,168	3,648	3,648
	Services for Customers MCA Departmental Output Expense Services to process obligations and entitlements	-	2,850	1,254	1,444	1,444
KiwiSaver - Administrative Costs for the Government contribution for Paid Parental Leave recipients	Services for Customers MCA Departmental Output Expense Services to Ministers and to inform the public about entitlements and meeting obligations	-	-	20	72	72
	Services for Customers MCA Departmental Output Expense Services to process obligations and entitlements	-	-	30	108	108
	Capital Expenditure Departmental Capital Injection	-	-	100	-	-

Policy Initiative	Appropriation	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
KiwiSaver - Government contribution to Paid Parental Leave recipients	Non-departmental Benefits or Related Expenses KiwiSaver: Tax Credit	-	-	6,000	6,420	6,799
New Zealand Income Insurance Scheme - return of funding	Services for Customers MCA Departmental Output Expense Policy advice	(110)	-	-	-	-
	Services for Customers MCA Departmental Output Expense Services to process obligations and entitlements	(450)	-	-	-	-
Taxation of the platform economy	Services for Customers MCA Departmental Output Expense Investigations	-	190	230	260	260
	Services for Customers MCA Departmental Output Expense Management of Debt and Unfiled Return	-	30	470	650	650
	Services for Customers MCA Departmental Output Expense Services to Ministers and to inform the public about entitlements and meeting obligations	-	890	600	800	800
	Services for Customers MCA Departmental Output Expense Services to process obligations and entitlements	-	1,950	1,260	780	780
Training Incentive Allowance - Supporting eligible Ministry of Social Development clients to study	Initial fair value write-down relating to student loans Non-Departmental Other Expense	-	-	2,824	3,443	3,512
Trustee tax rate increase	Impairment of debt and debt write-offs Non-Departmental Other Expense	-	-	100	2,900	1,300
Waiving student support residency rules for families of those directly affected by the Christchurch mosques attack, and other minor technical changes	Initial fair value write-down relating to student loans Non-Departmental Other Expense	-	-	68	(6)	(17)
Total initiatives		135	18,360	18,302	23,027	22,004

1.2 - Trends in the Vote

Summary of Financial Activity

	2018/19	2019/20	2020/21	2021/22	2022/23		2023/24			2024/25	2025/26	2026/27
	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	15,080	15,806	15,989	14,714	1,824	1,824	1,824	-	1,824	1,824	1,824	1,824
Benefits or Related Expenses	4,386,025	4,819,697	4,909,303	4,706,647	4,937,000	4,922,000	N/A	5,349,000	5,349,000	5,490,000	5,567,000	5,741,000
Borrowing Expenses	6,524	7,891	7,894	9,954	11,100	11,100	-	11,100	11,100	11,100	11,100	11,100
Other Expenses	1,595,376	4,863,243	8,934,216	13,988,075	11,913,125	11,446,425	14,600	11,904,334	11,918,934	13,078,268	14,208,642	15,398,440
Capital Expenditure	107,850	1,531,839	362,722	573,124	197,700	187,700	42,900	60,000	102,900	48,700	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>	610,097	640,765	581,175	573,364	700,031	690,031	721,218	-	721,218	695,356	663,240	662,522
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Appropriations	6,720,952	11,879,241	14,811,299	19,865,878	17,760,780	17,259,080	780,542	17,324,434	18,104,976	19,325,248	20,491,806	21,854,886
Crown Revenue and Capital Receipts												
Tax Revenue	77,879,653	77,656,484	93,791,771	100,599,128	107,569,000	107,569,000	N/A	115,939,000	115,939,000	122,504,000	132,278,000	139,357,000
Non-Tax Revenue	654,627	620,531	624,348	604,974	960,000	960,000	N/A	855,000	855,000	723,000	637,000	587,000
Capital Receipts	1,474,024	1,515,804	1,737,915	2,089,082	2,243,600	2,243,600	N/A	2,370,000	2,370,000	2,306,000	2,200,000	2,200,000
Total Crown Revenue and Capital Receipts	80,008,304	79,792,819	96,154,034	103,293,184	110,772,600	110,772,600	N/A	119,164,000	119,164,000	125,533,000	135,115,000	142,144,000

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 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 decreased from \$15.080 million in 2018/19 to an estimated \$1.824 million in 2022/23. This is mainly due to 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 and a reduction of funding for services provided to the Department of Internal Affairs. Departmental output expenses remain at \$1.824 million in 2023/24 due to no expected changes for accommodation rental recoveries and associated cost.

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 \$4,386 million in 2018/19 to an estimated \$5,741 million in 2026/27 due to growth, indexation changes and policy changes.

The Best Start tax credit commenced from 1 July 2018 and was phased in over three years. After the indexation in April 2023, further indexation is expected in April 2024 for both Working for Families Tax Credits and the Best Start tax credit.

Paid parental leave and KiwiSaver tax credits increase over the period as a result of increased employment and employee compensation from economic growth.

Child support payments substantially increase from 2023/24 due to policy changes that pass-on of the Crown entitlement portion of child support to custodial persons, that was previously retained by the Crown.

Non-Departmental Borrowing Expenses

Non-departmental borrowing expenses include interest payments for the income equalisation and environmental restoration account schemes.

Expenditure has increased from \$6.524 million in 2018/19 to an estimated \$11.100 million in 2026/27. 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 \$1,595 million in 2018/19 to an estimated \$15,398 million in 2026/27. The primary reason for this increase is the inclusion of a new appropriation from April 2020 to enable the on-payment of employee and employer KiwiSaver contributions collected by Inland Revenue to KiwiSaver providers. Prior to April 2020 this on-payment was not recorded as an appropriation. This appropriation was nil in 2018/19 and is estimated at \$12.920 million in 2026/27.

The *KiwiSaver: Employer and Employee Contributions* appropriation represents the on-payment of KiwiSaver amounts collected and has no impact on the Crown operating balance. It is a large appropriation and a dominant factor in the growth trend from 2019/20 is the growth in employee compensation and consequentially in KiwiSaver contributions. In 2022/23 this appropriation accounts for 73% of Other Expenses and it grows to 84% in 2026/27.

Expenditure in 2019/20 and 2020/21 included higher levels of 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. In 2021/22 total impairments reduced compared to the prior two years because the COVID-19 economic impacts were better understood and updated repayment and debt balance data became available. For 2022/23, the impairment forecasts increase again in line with growing debt as a result of economic conditions but is forecast to reduce in out-years.

Expenditure in 2021/22 increased substantially due to targeted support to eligible businesses adversely affected as a result of COVID-19 public health measures and business regulations.

Initial fair value write-down of Small Business Loans reduces significantly in 2022/23 in line with demand for loans and then ceases in/by 31 December 2023 in line with the scheme rules.

Initial fair value write-down of student loans increases each year in line with lending forecasts.

A new appropriation was 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 appropriation category (previously benefits or related expenses category) from May 2021.

Departmental Other Expenses

Departmental other expenses include Inland Revenue's Residual activities following the transformation programme's substantive closure appropriation covering 2022/23 to 2023/24. The funding of \$32.600 million in 2022/23 was for five residual transformation activities. Departmental other expenses of \$14.600 million in 2023/24 are for the two remaining residual activities. Some funding was transferred from the previous year due to deferred work resulting from the recruiting challenges in a tight labour market.

Departmental Capital Expenditure

Inland Revenue's capital expenditure has decreased from \$107.850 million in 2018/19 to an estimated \$52.700 million in 2022/23, and decreases to an estimated \$42.900 million in 2023/24. This reduction in expenditure reflects reduced capital expenditure post the closure of Inland Revenue's transformation programme.

Multi-Category Expenses and Capital Expenditure (MCA)

Inland Revenue's multi-category expenses and capital expenditure (MCA) have increased from \$610.097 million in 2018/19 to an estimated \$690.031 million in 2022/23 and \$721.218 million in 2023/24. The increase reflects expenditure post the closure of Inland Revenue's transformation programme and time-limited funding for COVID-19 related activities and maintaining capability.

Inland Revenue's expenditure growth is partially attributable to funding to deliver new initiatives such as passing on child support payments to sole parent beneficiaries and the taxation of the platform economy.

Inland Revenue's primary cost pressures over the forecast period arise from remuneration and inflation. These cost pressures are partially offset by new funding in Budget 2023 for technology cost pressures and a tagged operating contingency for the financial impact of the Public Sector Pay Adjustment.

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 taxes administered by Inland Revenue.

Tax revenue has increased from \$77,880 million in 2018/19 to an estimated \$139,357 million in 2026/27. Total tax revenue increased by 7% in 2021/22, after a 21% increase in 2020/21, following the COVID-19 pandemic affected 2019/20 tax year. Growth is forecast to be similar in 2022/23, at 6%, mainly due to continued strong growth (10%) in source deduction revenue. On average, over the five years to 2026/27, total tax revenue is forecast to grow at 6% per annum, mainly due to average growth in forecast nominal GDP of 6% per annum.

Source deduction revenue is forecast to increase by 10% in 2022/23, mainly due to forecast growth in total salaries and wages of 9%. With most of the salary and wage growth forecast concentrated in pay rates increases, the ensuing fiscal drag is expected to contribute nearly a quarter of the total growth in source deductions in 2022/23. Annual growth in source deductions is forecast to remain around 7% in each of the following four years. Average wage rates are expected to increase by more than 5% in each of the next two years, despite a forecast decline in employment as unemployment is forecast to increase. Wage growth is expected to drop below 5% per annum through 2025/26 and 2026/27, but forecast source deduction revenue growth remains around 7% as a result of an expected resumption of employment growth in those years.

Net other persons tax revenue increased by nearly 33% in the 2021/22 year, due to strong taxable profit growth through both the 2021 and 2022 tax years. Net other persons tax revenue is forecast to decline by 3% in 2022/23, in line with an expected drop in profits. From 2023/24 onwards, profits are forecast to increase each year, leading to growth in net other persons tax averaging just over 5% on average over those years. An increase in the trustee tax rate from 33% to 39% is expected to add \$765 million revenue in 2025/26 and \$350 million per annum on average from 2026/27 onwards.

Net companies income tax revenue is forecast to increase 3% in the 2022/23 year despite a forecast decrease in taxable profits. This forecast increase is mainly due to the cessation of some negative effects of COVID-19 tax-relief measures, for example the low-value asset write-off threshold increase and loss carry-back. Growth in net companies income tax revenue is expected to average 7% per annum from 2022/23 to 2026/27, mainly due to forecast growth in taxable profits.

GST revenue is forecast to increase by 5% in 2022/23, mainly due to growth in private consumption and residential investment of 8% and 13% respectively, partially offset by a 14% increase in GST imported goods. GST on imported good is collected by NZ Customs which reduces the amount of GST that businesses pay to Inland Revenue. From 2023/24 to 2026/27, forecast growth of around 5% each year in domestic consumption and the expected continued recovery in inbound tourism results in forecast GST increasing by more than 5% per annum on average.

Resident withholding tax (RWT) on interest income is set to grow by nearly 100% in 2022/23, due to significant increases in deposit interest rates over 2022 and 2023. Since deposit rates can be locked in for lengthy periods, for example 5-year term deposits, these deposit rate increases contribute to a further 10% increase in forecast RWT on interest in 2023/24. As the forecast interest rate curve flattens off over the forecast period, RWT on interest is expected to level off in 2024/25, before declining by nearly 5% in each of 2025/26 and 2026/27.

RWT on dividends is forecast to grow at just over 5% per annum on average over the forecast period, in line with expected growth in taxable profits.

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 increased from \$655 million in 2018/19 to an estimated \$855 million in 2022/23 and decreases to an estimated \$587 million in 2026/27. The increase from 2021/22 to 2022/23 is mainly due to an increase in interest unwind of the initial fair value write-down on student loans. The decrease from 2022/23 to 2026/27 is mainly due to the new pass-on of child support payments to beneficiaries from 1 July 2023, partially offset by the inclusion of interest unwind of the initial fair value write-down 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 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 \$1,474 million in 2018/19 to an estimated \$2,200 million by 2026/27. Growth 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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,824	1,824	1,824
Revenue from the Crown	-	-	-
Revenue from Others	1,824	1,824	1,824

What is Intended to be Achieved with this Appropriation

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

How Performance will be Assessed and End of Year Reporting Requirements

	2022/23		2023/24
	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 2024.

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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	32,600	28,900	14,600

What is Intended to be Achieved with this Appropriation

This appropriation is intended to undertake residual activities following the closure of Inland Revenue's transformation 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

	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Primary measures			
All residual activities following the closure of the transformation programme are completed	By 30 June 2024	On track	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	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Closure of Inland Revenue's transformation programme	2022/23	24,000	11,000	-	-	-

Reasons for Change in Appropriation

The decrease in this appropriation for 2023/24 is due to a reduced amount of residual activities to be completed in the last year before the cessation of this appropriation.

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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	27,200	27,200	24,800
Intangibles	25,500	25,500	18,100
Other	-	-	-
Total Appropriation	52,700	52,700	42,900

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.

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 2023/24 which are the:

- upgrades and enhancements to our core systems and infrastructure
- maintenance and improvement of business infrastructure including technology and equipment replacements and accommodation fit-outs, and
- the implementation of government policy initiatives.

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 2024.

Reasons for Change in Appropriation

The decrease in this appropriation for 2023/24 is due to a reduction of capital expenditure spend to nil in our appropriation Residual activities following the transformation programme's substantive closure in 2023/24.

Capital Injections and Movements in Departmental Net Assets

Inland Revenue Department

Details of Net Asset Schedule	2022/23 Estimated Actual \$000	2023/24 Projected \$000	Explanation of Projected Movements in 2023/24
Opening Balance	470,729	461,529	
Capital Injections	2,700	-	
Capital Withdrawals	(11,900)	(5,500)	Capital withdrawals in 2023/24 included a capital to operating swap of \$3.600 million for residual transformation activities, and a capital to operating swap of \$1.900 million relating to a software version upgrade for Inland Revenue's core tax system.
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
Closing Balance	461,529	456,029	

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 Credit payments made to eligible recipients under section 185 of the Tax Administration Act 1994.

Expenses

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	324,000	324,000	339,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide 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, as the appropriation is one from which resources will be provided to a person or entity other than a department under s15D(2)(b)(ii) of the PFA, 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.

Reasons for Change in Appropriation

The increase in this appropriation for 2023/24 is mainly due to the full-year impact of an indexation adjustment to entitlements on 1 April 2023. A second indexation adjustment, based on cumulative increases in the Consumers Price Index, is anticipated in April 2024.

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 made to eligible receiving carers incurred under section 140(2) of the Child Support Act 1991.

Expenses

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	295,000	295,000	466,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide for the transfer of child support payments from non-custodial parents to custodial persons to help with the cost of raising a child.

How Performance will be Assessed and End of Year Reporting Requirements

An exemption was granted, as the appropriation is one from which resources will be provided to a person or entity other than a department under s15D(2)(b)(ii) of the PFA, 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	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Passing on Child Support Payments to Sole Parent Beneficiaries	2023/24	-	149,163	154,733	154,733	154,733

Reasons for Change in Appropriation

The increase in this appropriation for 2023/24 is mainly due to the impact of legislation changes which pass on child support payments to sole parent beneficiaries. From 1 July 2023 custodial parents in receipt of welfare benefits will receive the full child support collected from non-custodial parents and the Crown entitlement to offset the costs of welfare support will no longer occur.

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

This appropriation is limited to Family Tax Credit payments made to eligible beneficiaries and non-beneficiaries during the year under section 185 of the Tax Administration Act 1994.

Expenses

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,165,000	2,165,000	2,284,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide 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, as the appropriation is one from which resources will be provided to a person or entity other than a department under s15D(2)(b)(ii) of the PFA, 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.

Reasons for Change in Appropriation

The increase in this appropriation for 2023/24 is mainly due to indexation adjustments in April 2023 and April 2024.

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 In-Work Tax Credit payments made to eligible low to middle income families (under section 185 of the Tax Administration Act 1994).

Expenses

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	457,000	457,000	477,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide for payments to families who 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, as the appropriation is one from which resources will be provided to a person or entity other than a department under s15D(2)(b)(ii) of the PFA, 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	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 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 2023/24 is mainly due to the flow-on consequence of indexation to the Family Tax Credit in April 2023 and April 2024. The higher Family Tax Credit forecasts in 2023/24 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

This appropriation is limited to interest on KiwiSaver contributions as set out in the KiwiSaver Act 2006.

Expenses

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,000	1,000	1,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide for interest payments to members on KiwiSaver contributions while they are held with Inland Revenue. Inland Revenue is required to hold members' contributions for 62 days 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, as the appropriation is one from which resources will be provided to a person or entity other than a department under s15D(2)(b)(ii) of the PFA, 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) (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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,048,000	1,038,000	1,093,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to encourage 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, as the appropriation is one from which resources will be provided to a person or entity other than a department under s15D(2)(b)(ii) of the PFA, 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.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
KiwiSaver - Government contribution to Paid Parental Leave recipients	2024/25	-	-	6,000	6,420	6,799

Reasons for Change in Appropriation

The increase in this appropriation for 2023/24 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

This appropriation is limited to Minimum Family Tax Credit payments made to eligible families where at least one parent is working for salary or wages (under section 185 of the Tax Administration Act 1994).

Expenses

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	12,000	12,000	12,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide 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 \$32,864 from 1 April 2022 and \$34,216 from 1 April 2023, where at least one parent is working.

How Performance will be Assessed and End of Year Reporting Requirements

An exemption was granted, as the appropriation is one from which resources will be provided to a person or entity other than a department under s15D(2)(b)(ii) of the PFA, 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	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Main Benefit Rate Increase and Complementary Changes to Student Support (1 April 2022)	2020/21	5,000	4,000	3,000	3,000	3,000
Incomes for people receiving benefits	2019/20	2,500	2,500	2,500	2,500	2,500

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 eligible parents under the Parental Leave and Employment Protection Act 1987.

Expenses

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	635,000	630,000	677,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide 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, as the appropriation is one from which resources will be provided to a person or entity other than a department under s15D(2)(b)(ii) of the PFA, 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.

Reasons for Change in Appropriation

The increase in this appropriation for 2023/24 is mainly due to July 2023 indexation, together with ongoing labour market strength which increases the likelihood of eligibility. 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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,100	2,100	2,100

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide interest payments on deposits held in the 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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	9,000	9,000	9,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide 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) (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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,185,000	985,000	931,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide for the write-off of 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, as the appropriation is one from which resources will be provided to a person or entity other than a department under s15D(2)(b)(ii) of the PFA, 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	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Global anti-base erosion tax rules for New Zealand	2026/27	-	-	-	-	140
Trustee tax rate increase	2024/25	-	-	100	2,900	1,300
Increasing the threshold for provisional tax	2020/21	(2,000)	(2,000)	(2,000)	-	-

Reasons for Change in Appropriation

The decrease in this appropriation for 2023/24 is mainly due to a \$200 million contingency included in the final 2022/23 budget to cover any unexpected large write-offs where the debt is not fully impaired, any increases to the level of forecast overdue debt and changes in the impairment of this debt based on the final external valuation. In 2023/24, this appropriation will decrease by \$54 million to \$931 million, reflecting the Cabinet-approved change of use-of money interest rate for underpayment or overpayment of any tax or duty during the year. A further update to this appropriation for 2023/24 will be assessed later in the financial year when the external debt valuation has been completed for 30 June 2023.

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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	572,000	552,000	640,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide for incurring the expense relating to reductions in the nominal value of new student loan lending to reflect the fair value of that lending.

How Performance will be Assessed and End of Year Reporting Requirements

An exemption was granted, as the appropriation is one from which resources will be provided to a person or entity other than a department under s15D(2)(b)(ii) of the PFA, 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	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Training Incentive Allowance - Supporting eligible Ministry of Social Development clients to study	2024/25	-	-	2,824	3,443	3,512
Waiving student support residency rules for families of those directly affected by the Christchurch mosques attack, and other minor technical changes	2024/25	-	-	68	(6)	(17)
Cyclone Gabrielle: Ensuring continuity of student support payments	2022/23	695	-	-	-	-
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	4,507	1,715	351	-	-
Disregarding EFTS for students receiving partial tuition fee refunds as a result of COVID-19	2019/20	274	279	284	-	-
Extending eligibility to student support to people affected by the Christchurch mosques terror attack	2019/20	21	-	-	-	-

Reasons for Change in Appropriation

The increase in this appropriation for 2023/24 is due to an increase in forecast lending to students which is slightly offset by an improved write-down rate. The final 2022/23 budget includes a \$20 million 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 the Small Business Cashflow Scheme.

Expenses

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	76,000	71,000	28,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide 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, as the appropriation is one from which resources will be provided to a person or entity other than a department under s15D(2)(b)(ii) of the PFA, 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	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Economic Supports under Omicron	2021/22	212,000	116,000	-	-	-

Reasons for Change in Appropriation

The decrease in this appropriation for 2023/24 is mainly due to lower forecasted lending. The final date for lending is 31 December 2023.

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

Scope of Appropriation

This appropriation is limited to the payment of employee and employer contributions to KiwiSaver Scheme providers under section 73(3) of the KiwiSaver Act 2006.

Expenses

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	8,730,000	8,730,000	9,770,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide 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, as the appropriation is one from which resources will be provided to a person or entity other than a department under s15D(2)(b)(ii) of the PFA, 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 2023/24 is due to forecast growth in collections from contributing members. This reflects both growth in the number of contributing members and the income growth of contributing members.

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

Scope of Appropriation

This appropriation is limited to providing R&D tax credit payments to eligible research and development performing businesses.

Expenses

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	361,525	361,525	535,334

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

	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance	Achieved	Achieved	Achieved
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			

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

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Research and Development Tax Incentive In-year Payments	2021/22	(81,975)	(38,666)	(39,832)	(29,258)	-
Providing Transitional Support to R&D Performing Businesses	2020/21	513,000	565,000	611,000	611,000	611,000

Reasons for Change in Appropriation

The increase in this appropriation for 2023/24 is due to higher expected tax claims. The 2022/23 forecast includes a \$103 million reduction in actual claims compared to forecast for the 31 March 2021 tax year. The claims for the 31 March 2022 tax year are still being processed and any differences between the claims and the accrual are currently unknown.

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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	145,000	135,000	60,000

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. Eligible businesses can borrow a \$20,000 base amount plus an additional \$1,800 per full-time equivalent employee, up to a maximum loan of \$110,000. Loans are interest-free for the first two years and then an interest rate of 3% per annum applies. Repayments are not required for the first two years, but voluntary payments can still be made.

How Performance will be Assessed and End of Year Reporting Requirements

An exemption was granted, as the appropriation is one from which resources will be provided to a person or entity other than a department under s15D(2)(b)(ii) of the PFA, 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. In February 2022, the SBCS base loan would increase from \$10,000 to \$20,000. This means the loan amount can be borrowed will be \$20,000 plus \$1,800 per full-time equivalent employee (up to 50 employees). The loan period remains five years.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Small Business Cashflow Scheme Lending	2021/22	496,000	271,000	-	-	-

Reasons for Change in Appropriation

The decrease in this appropriation for 2023/24 is mainly due to lower expected demand for loans in the final six months of the scheme. Lending for the scheme ends on 31 December 2023.

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, including international engagement and advice.

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, and to engage, advise and support other international tax agencies.

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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	700,031	690,031	721,218
Departmental Output Expenses			
Investigations	112,580	110,644	133,783
Management of Debt and Unfiled Returns	91,761	90,052	98,241
Policy advice	16,631	16,631	13,400
Services to Ministers and to inform the public about entitlements and meeting obligations	328,812	324,357	310,076
Services to Process Obligations and Entitlements	150,247	148,347	165,718

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Funding for Departmental Output Expenses			
Revenue from the Crown	693,930	693,930	715,117
Investigations	112,431	112,431	133,634
Management of Debt and Unfiled Returns	90,489	90,489	96,969
Policy advice	16,630	16,630	13,399
Services to Ministers and to inform the public about entitlements and meeting obligations	327,767	327,767	309,031
Services to Process Obligations and Entitlements	146,613	146,613	162,084
Revenue from Others	6,101	6,101	6,101
Investigations	149	149	149
Management of Debt and Unfiled Returns	1,272	1,272	1,272
Policy advice	1	1	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	3,634	3,634	3,634

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, through services that inform the public about entitlements and obligations, services that process entitlements and obligations and compliance activities including investigations and the management of debt and unfiled returns.

How Performance will be Assessed for this Appropriation

	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Primary measures			
Percentage of returns filed by customers on time (see Note 1)	90%	97%	95%
Percentage of tax payments made by customers on time	90%	89%	90%

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

	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Departmental Output Expenses			
Investigations			
This category is intended to protect the integrity of the tax system through early interventions, investigation, audit and litigation activities.			
<i>Primary measures</i>			
Percentage of customers whose compliance behaviour improves after receiving an audit intervention (see Note 2)	85%	Not available	85%
The identified value of compliance activities over associated costs (see Note 3)	N/A	N/A	\$10.00
Percentage of litigation judgments found in favour of the Commissioner	75%	78%	75%
<i>Supporting measures</i>			
Percentage of audited customers who are satisfied with their experience (see Note 4)	75%	Not achieved	Retire measurement
Management of Debt and Unfiled Returns			
This category is intended to achieve the timely and efficient collection of revenue owed.			
<i>Primary measures</i>			
Value of assessed revenue for every unfiled return dollar spent	\$45.00	\$51.01	\$45.00
Cash collected for every debt dollar spent	\$40.00	\$43.58	\$40.00
Percentage of child support assessments paid on time	70%	69%	70%
Percentage of student loan customers that meet their obligations	85%	82%	85%
<i>Supporting measures</i>			
Percentage of unfiled returns that are finalised within six months.	60%	44%	60%
Percentage of collectable debt value over two years old	40% or less	39%	40% or less
Percentage of new customer debt resolved within six months	50%	62%	50%
Percentage of New Zealand liable parent child support debt cases resolved within 12 months	75%	78%	75%
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.			
<i>Primary measures</i>			
The average quality score of papers assessed using the Policy Quality Framework (see Note 5)	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 6)	4 of more out of 5	N/A	4 of more out of 5

Assessment of Performance	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
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.			
<i>Primary measures</i>			
Percentage of customers who agree they found it easy to get the information they needed	70%	72%	70%
<i>Supporting measures</i>			
Average speed to answer telephone calls	4 minutes 30 seconds or less	3 minutes and 48 seconds	4 minutes 30 seconds or less
Percentage of correspondence completed within 10 working days (see Note 7)	N/A	N/A	70%
Percentage of rulings reports, adjudication reports and public items that meet the applicable purpose, logic, alternatives, consultation, and practicality standards (see Note 8)	100%	100%	100%
Percentage of public items (including relevant public consultation), completed within 18 months of allocation (see Note 9)	85%	88%	Retire measure
Percentage of adjudication cases completed within 10 weeks of receipt (see Note 9)	90%	96%	Retire measure
Percentage of taxpayer ruling applications that have a draft ruling completed within 10 weeks of receipt (see Note 9)	90%	100%	Retire measure
Percentage of non-qualifying ruling applications that have a draft ruling completed within six months of receipt (see Note 9)	90%	100%	Retire measure
Percentage of submissions by the applicant on any draft ruling responded to within one month of receipt (see Note 9)	90%	100%	Retire measure
Percentage of short-process rulings that have a draft ruling completed within six weeks of receipt (see Note 9)	90%	100%	Retire measure
Percentage of public items, adjudication cases, taxpayer rulings and short process rulings completed within agreed timeframes (see Note 9)	N/A	N/A	90%
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.			
<i>Primary measures</i>			
Percentage of social policy and tax registrations processed within five working days	85%	89%	85%
Percentage of income tax refund disbursements resulting from a return issued within five weeks	85%	87%	85%
Percentage of GST refund disbursements issued within four weeks (see Note 10)	95%	97%	95%

Assessment of Performance	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
<i>Supporting measures</i>			
Percentage of income tax returns finalised within three weeks	95%	99%	95%
Percentage of GST returns finalised within three weeks	98%	100%	98%
Percentage of KiwiSaver contributions passed to scheme providers within 3 days (see Note 11)	N/A	N/A	95%
Average cost of processing income tax returns, GST returns and employment information (see Note 12)	\$3.50 or less	\$1.61	\$1.75 or less
Percentage of donation tax credit claims processed within three weeks (see Note 13)	70%	64%	Retire measure
Percentage of Working for Families Tax Credit (WfFTC) payments made on the first regular payment date following an application (see Note 14)	95%	99%	Retire measure
Percentage of paid parental leave payments issued to customers on the first pay day following the agreed date of entitlement (see Note 14)	97%	100%	Retire measure
Percentage of child support administrative review decisions issued within seven weeks (see Note 15)	90%	86%	Retire measure
Percentage of child support assessments issued within two weeks	80%	81%	80%

Note 1 - The target has been increased from 90% to 95% to reflect that results from the measure have been steadily increasing year-on-year over the last four years.

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

Note 3 - The performance for this new measure is baselined over 2022/23 and the target set at \$10 for 2023/24.

Note 4 - The retirement of this measure reflects the challenges Inland Revenue has faced over several years to get sufficient responses from customers for this stand-alone survey. Inland Revenue will look to bring in a customers experience measure across a broader suite of compliance interventions for the 2024/25 reporting year.

Note 5 - Inland Revenue uses 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 6 - Inland Revenue uses 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 7 - A measure is being introduced for 2023/24 for correspondence response timeliness. This new measure demonstrates Inland Revenue's commitment to responding to customers' correspondence queries in a timely way and provides a more balanced view of Inland Revenue's customer interaction activity. Inland Revenue expect that there will be some impact on performance from Budget 2023 that mean the 70% target will be challenging to achieve.

Note 8 - Performance will be measured using a sample of reports.

Note 9 - Inland Revenue has consolidated its six timeliness measures for advice and rulings activity into one overarching measure 'percentage of public items, adjudication cases, taxpayer rulings and short process rulings completed within agreed timeframes' to provide an appropriate level of balance across external measures.

Note 10 - 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 11 - A new measure is being introduced for 2023/24 to provide coverage in its suite of measures of the significant volumes of KiwiSaver payments Inland Revenue administers.

Note 12 - This target has been stretched from \$2.50 or less to \$1.75 or less as Inland Revenue continues to see service delivery cost efficiencies realised through its transformation.

Note 13 - This measure focusses on the timeliness of processing customers' donation tax credit (DTC) claims as they are submitted during the year. While it is important that Inland Revenue continues to manage the timely processing of DTC claims throughout the year, there is no/little impact on customers as legislation requires that we cannot pay any donation tax refund to the customer until after the end of the tax year. A refund automatically happens once Inland Revenue is confident there is sufficient income for the tax credit to be paid. Therefore, the measure has been retired. Inland Revenue will continue to monitor and report on key aspects of DTCs as outcome indicators in its Annual Report.

Note 14 - The timeliness of the initial payments for Working for Families Tax Credits (WFFTCs) and paid parental leave (PPL) are determined by the registration process, where the payment is activated automatically in START once the registration has been completed. Therefore, the key process that determines the payment timeliness for these products is the timeliness of registrations. This aspect is covered by the measure 'percentage of tax and social policy registrations processed within five working days', of which both WFFTCs and PPLs are components. Therefore, the measure has been retired.

Note 15 - This measure represents very low volumes in the broader context of Child Support and Inland Revenue activity and therefore it has been retired. Inland Revenue will continue to monitor and manage the timeliness of this activity.

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	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Investigations						
Inland Revenue - Technology cost pressure	2023/24	-	2,700	1,188	1,368	1,368
Responding to COVID-19 demand and maintaining capability and integrity	2022/23	4,400	11,600	11,600	5,500	5,500
Taxation of the platform economy	2023/24	-	190	230	260	260
Closure of Inland Revenue's transformation programme	2021/22	3,580	3,225	3,265	3,265	3,265
Resurgence Support Payment - administration costs	2021/22	1,200	600	-	-	-
Taxation of housing	2021/22	2,000	2,000	2,000	-	-
Small Business Cashflow (Loan) Scheme	2020/21	-	-	1,000	-	-

Policy Initiative	Year of First Impact	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Management of Debt and Unfiled Returns						
Inland Revenue - Technology cost pressure	2023/24	-	2,250	990	1,140	1,140
Responding to COVID-19 demand and maintaining capability and integrity	2022/23	3,300	8,400	8,500	4,000	4,000
Taxation of the platform economy	2023/24	-	30	470	650	650
Closure of Inland Revenue's transformation programme	2021/22	3,580	3,225	3,265	3,265	3,265
Small Business Cashflow (Loan) Scheme	2020/21	250	250	2,200	-	-
Services to Ministers and to inform the public about entitlements and meeting obligations						
KiwiSaver - Administrative costs for the Government contribution for Paid Parental Leave recipients	2024/25	-	-	20	72	72
Agricultural emissions pricing scheme - set-up and operation costs	2023/24	-	240	-	-	-
Inland Revenue - Technology cost pressure	2023/24	-	7,200	3,168	3,648	3,648
Taxation of the platform economy	2023/24	-	890	600	800	800
Cost of Living payment	2022/23	8,500	3,500	-	-	-
Research & Development Tax Incentive administration costs	2022/23	1,300	1,500	1,500	1,500	1,500
Responding to COVID-19 demand and maintaining capability and integrity	2022/23	9,500	22,100	22,000	11,300	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	2,000
Closure of Inland Revenue's transformation programme	2021/22	25,050	22,580	22,840	22,840	22,840
Resurgence Support Payment - administration costs	2021/22	400	200	-	-	-
Economic response to future resurgences of COVID-19	2021/22	3,000	1,500	1,500	-	-
Ensuring the tax system is operating fairly	2021/22	2,230	-	-	-	-
Small Business Cashflow (Loan) Scheme	2020/21	2,750	2,500	-	-	-
Services to Process Obligations and Entitlements						
KiwiSaver - Administrative costs for the Government contribution for Paid Parental Leave recipients	2024/25	-	-	30	108	108
Inland Revenue - Technology cost pressure	2023/24	-	2,850	1,254	1,444	1,444
New Zealand Income Insurance Scheme - return of funding	2022/23	(450)	-	-	-	-
Agricultural emissions pricing scheme - set-up and operation costs	2023/24	-	60	-	-	-
Taxation of the platform economy	2023/24	-	1,950	1,260	780	780
Cost of Living payment	2022/23	2,000	-	-	-	-
Research & Development Tax Incentive administration costs	2022/23	2,100	2,350	2,350	2,350	2,350
Responding to COVID-19 demand and maintaining capability and integrity	2022/23	4,100	10,400	10,400	5,100	5,100

Policy Initiative	Year of First Impact	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Passing on child support payments to sole parent beneficiaries	2022/23	950	3,600	2,400	2,400	2,400
Reduction in revenue from ACC	2022/23	10,600	10,600	10,600	10,600	10,600
Closure of Inland Revenue's transformation programme	2021/22	23,559	21,230	21,480	21,480	21,480
Taxation of Housing	2021/22	860	860	860	-	-
Policy advice						
New Zealand Income Insurance Scheme - return of funding	2022/23	(110)	-	-	-	-
Responding to COVID-19 demand and maintaining capability and integrity	2022/23	400	600	600	700	700
Ensuring the tax system is operating fairly	2021/22	300	-	-	-	-

Reasons for Change in Appropriation

The increase in this appropriation for 2023/24 is due to:

- prior year depreciation expense transfers of \$25 million from Budget 2022/23 not available in 2023/24 to reflect Inland Revenue's updated long-term capital plan
- funding cost pressure for technology products of \$15 million due to the inflationary impact
- the transfer of administrative savings of \$10 million from 2022/23 to 2023/24 due to the timing of expenditure from recruiting challenges in the current labour market
- funding for up-front and ongoing cost of \$3 million arising from the proposed legislative changes for the platform economy related work in 2023/24, and
- a reduced amount of return of depreciation in 2023/24 to the previous year following the reclassification of capital expenditure to operating expenditure as part of the change in the Crown accounting policy for software as a service arrangements.

This is offset by:

- prior year expense transfer of \$15 million from Budget 2022/23 not available in 2023/24 for deferred work due to COVID-19 demand and maintaining capability and integrity
- prior year expense transfer of \$8 million from Budget 2022/23 not available in 2023/24 for a change in the timing of depreciation expenditure and software as a service expenditure
- a reduced amount of \$7 million for the Cost of Living initiative administrative work in 2023/24 compared to the previous year
- prior year expense transfer of \$5 million from Budget 2022/23 not available in 2023/24 for prioritising resources to complete Inland Revenue's transformation programme and responding to the impacts of COVID-19, and
- the termination of the time limited funding of \$3 million in 2022/23 for the Ensuring the tax system is operating fairly initiative.