

Vote Revenue

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

APPROPRIATION ADMINISTRATOR: Inland Revenue Department

RESPONSIBLE MINISTER FOR INLAND REVENUE DEPARTMENT: Minister of Revenue

Overview of the Vote

The Minister of Revenue is responsible for appropriations in the Vote for the 2020/21 financial year covering the following:

- a multi-year appropriation of just under \$1,076 million for the implementation of business transformation from 2017/18 to 2021/22
- a total of just under \$559 million for services for customers, including services to inform the public about entitlements and meeting obligations, services to process obligations and entitlements, management of debt and unfiled returns, and investigations
- a total of just over \$14 million for policy advice and services to other agencies
- a total of just over \$213 million for departmental capital expenditure for the purchase or development of assets by and for the use of Inland Revenue
- a total of just over \$4,790 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 \$11 million for borrowing expenses, relating to interest paid on deposit schemes administered by Inland Revenue, and
- a total of \$8,405 million for other expenses, including \$6,967 million for the on-payment of employee and employer KiwiSaver contributions collected by Inland Revenue to KiwiSaver providers, \$880 million for the impairment and write-off of debt and \$558 million for the initial fair value write-down on student loans.

The Minister of Revenue is also responsible for Crown revenue and receipts in the Vote for the 2020/21 financial year covering the following:

- a total forecast of \$71,586 million for tax revenue
- a total forecast of just under \$908 million for non-tax revenue, and
- a total forecast of \$1,427 million for capital receipts.

The Minister of Research, Science and Innovation is responsible for an appropriation in Vote Revenue for the 2020/21 financial year of \$281 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	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Policy Advice (M57) This appropriation is limited to the provision of advice, including second opinion advice and contributions to policy advice led by other agencies, to support decision-making by Ministers on government policy matters.	11,199	11,199	10,306
Services to Other Agencies RDA (M57) This appropriation is limited to the provision of services by Inland Revenue to other agencies, where those services are not within the scope of another departmental output expense appropriation in Vote Revenue.	5,662	4,962	3,942
Total Departmental Output Expenses	16,861	16,161	14,248
Departmental Capital Expenditure			
Inland Revenue Department - Capital Expenditure PLA (M57) This appropriation is limited to the purchase or development of assets by and for the use of the Inland Revenue Department, as authorised by section 24(1) of the Public Finance Act 1989.	114,608	114,608	213,112
Total Departmental Capital Expenditure	114,608	114,608	213,112
Benefits or Related Expenses			
Best Start Tax Credit PLA (M57) This appropriation is limited to Best Start Tax Credits made to eligible recipients in accordance with section 185 of the Tax Administration Act 1994.	188,000	188,000	336,000
Child Support Payments PLA (M57) Child support payments to custodial persons who are not dependent on the state for financial support (expenses incurred pursuant to section 141 of the Child Support Act 1991).	295,000	295,000	272,000
Child Tax Credit PLA (M57) Extra assistance for low to middle income families who are not dependent on the state for financial support (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	100	100	100
Family Tax Credit PLA (M57) Family Support payments made to beneficiaries and non-beneficiaries during the year (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	2,144,000	2,144,000	2,139,000
In-Work Tax Credit PLA (M57) Extra assistance for low to middle income families where the person works a minimum of 20 hours per week and does not have a partner, or a person and their partner work a minimum of 30 hours per week (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	603,000	603,000	631,000
KiwiSaver: Interest (M57) To enable the payment of interest on KiwiSaver contributions as set out in the KiwiSaver Act 2006.	9,000	7,000	5,000
KiwiSaver: Tax Credit (M57) To enable the payment of a tax credit to KiwiSaver members and the payment of residual tax credits to employers as set out in the Income Tax Act 2007.	912,000	902,000	930,000
Minimum Family Tax Credit PLA (M57) Extra payment made to families where at least one parent is working for salary or wages (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	20,000	20,000	22,000

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Titles and Scopes of Appropriations by Appropriation Type			
Paid Parental Leave Payments (M57) This appropriation is limited to Paid Parental Leave Payments made to parents in accordance with the Parental Leave and Employment Protection Act 1987.	430,000	425,000	455,000
Research, Science and Innovation: R&D Tax Incentive (M84) This appropriation is limited to providing an R&D tax credit to eligible R&D performing businesses.	225,000	225,000	281,000
Parental Tax Credit PLA (M57) This appropriation is limited to expenses incurred on parental tax credit as provided for in subpart MD of the Income Tax Act 2007 and as authorised by section 185 of the Tax Administration Act 1994.	1,000	1,000	-
Payroll Subsidy PLA (M57) This appropriation is limited to the payment of a subsidy to a payroll agent undertaking employers' payroll-related tax compliance activities on their behalf, section 185 of the Tax Administration Act 1994.	4,000	4,000	-
Total Benefits or Related Expenses	4,831,100	4,814,100	5,071,100
Non-Departmental Borrowing Expenses			
Environmental Restoration Account Interest PLA (M57) This appropriation is limited to interest on Environmental Restoration accounts, authorised by section 65ZH(1) of the Public Finance Act 1989.	1,500	1,500	1,500
Income Equalisation Interest PLA (M57) This appropriation is limited to interest on Income Equalisation Reserve Scheme accounts held by taxpayers in the farming, fishing or forestry industries, authorised by section 65ZH(1) of the Public Finance Act 1989.	6,000	6,000	10,000
Adverse Event Interest PLA (M57) This appropriation is limited to interest on Adverse Event Income Equalisation Reserve accounts held by taxpayers in the farming and agriculture business, authorised by section 65ZH(1) of the Public Finance Act 1989.	10	10	-
Total Non-Departmental Borrowing Expenses	7,510	7,510	11,500
Non-Departmental Other Expenses			
Impairment of Debt and Debt Write-Offs (M57) This appropriation is limited to bad debt write-offs for Crown debt administered by Inland Revenue, excluding child support and student loans and to amounts relating to the impairment of this debt.	1,270,000	970,000	880,000
Initial Fair Value Write-Down Relating to Student Loans (M57) This appropriation is limited to the initial fair value write-down of student loans.	510,000	490,000	558,000
KiwiSaver: Employee and Employer Contributions PLA (M57) To enable the on-payment of employee and employer KiwiSaver contributions collected by Inland Revenue to KiwiSaver Scheme providers in accordance with section 73 of the KiwiSaver Act 2006.	1,856,000	1,856,000	6,967,000
Impairment of Debt Relating to Child Support (M57) This appropriation is limited to the impairment of child support debt.	5,000	-	-
Total Non-Departmental Other Expenses	3,641,000	3,316,000	8,405,000
Multi-Category Expenses and Capital Expenditure			
Services for Customers MCA (M57) The single overarching purpose of this appropriation is to deliver a customer-centric, integrated tax and entitlement service experience for New Zealanders that is agile and intelligence-led.	652,856	641,995	558,777
Departmental Output Expenses			
Investigations This category is limited to Inland Revenue undertaking investigation, audit and litigation activities.	123,110	121,052	112,201

Titles and Scopes of Appropriations by Appropriation Type	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<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.	93,180	91,616	82,620
<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.	276,502	271,991	224,410
<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.	160,064	157,336	139,546
Total Multi-Category Expenses and Capital Expenditure	652,856	641,995	558,777
Total Annual Appropriations and Forecast Permanent Appropriations	9,263,935	8,910,374	14,273,737

Multi-Year Appropriations

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
Departmental Other Expenses		
Transformation (M57) This appropriation is limited to the design and implementation of a modern system for tax revenue and social policy administered by Inland Revenue. Commences: 01 July 2017 Expires: 30 June 2022	Original Appropriation Adjustments to 2018/19 Adjustments for 2019/20 Adjusted Appropriation Actual to 2018/19 Year End Estimated Actual for 2019/20 Estimate for 2020/21 Estimated Appropriation Remaining	1,112,607 10,154 (46,946) 1,075,815 400,132 205,893 326,464 143,326

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

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Annual Appropriations and Forecast Permanent Appropriations	9,263,935	8,910,374	14,273,737
Total Forecast MYA Departmental Other Expenses	205,893	205,893	326,464
Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations	9,469,828	9,116,267	14,600,201

Capital Injection Authorisations

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Inland Revenue Department - Capital Injection (M57)	103,000	103,000	154,168

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
\$25 per week permanent increase to welfare benefits from 1 April 2020	Tax Revenue Source Deductions	18,600	72,000	95,000	98,000	95,000
Expansion of immediate expensing for low value assets	Tax Revenue Companies	-	(40,000)	(658,000)	278,000	(113,000)
Expansion of immediate expensing for low value assets	Tax Revenue Other Persons	-	(10,000)	(165,000)	69,000	(28,000)
FBT on low interest loans - drop prescribed rate from 5.77% to 5.26%	Tax Revenue Fringe Benefit Tax	(815)	(1,100)	(1,100)	(1,100)	(1,100)
GST on mobile roaming services - deferral of application date	Tax Revenue Goods and Services Tax (IRD)	-	(3,500)	-	-	-
Increasing the threshold for provisional tax	Impairment of Debt and Debt Write-Offs	-	(2,000)	(2,000)	(2,000)	(2,000)
Increasing the threshold for provisional tax	Tax Revenue Other Persons	-	(3,000)	(3,000)	(3,000)	(3,000)
In-Work Tax Credit removing the hours test	In-Work Tax Credit PLA	-	32,000	32,000	32,000	32,000
Purchase price allocation between deductible and non-deductible assets	Tax Revenue Companies	-	-	34,000	64,000	70,000
Reinstatement of depreciation deductions for commercial and industrial buildings	Tax Revenue Companies	-	(26,000)	(776,000)	(395,000)	(410,000)
Reinstatement of depreciation deductions for commercial and industrial buildings	Tax Revenue Other Persons	-	(9,000)	(259,000)	(132,000)	(137,000)
Schedule 32 overseas donee status	Tax Revenue Other Persons	-	(100)	(100)	(100)	(100)
Tax treatment of Mycoplasma bovis culling compensation	Tax Revenue Other Persons	-	(1,500)	300	300	300
Total		17,785	7,800	(1,702,900)	8,100	(496,900)

1.2 - Trends in the Vote

Summary of Financial Activity

	2015/16	2016/17	2017/18	2018/19	2019/20		2020/21			2021/22	2022/23	2023/24
	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	11,050	11,386	13,055	15,080	16,861	16,161	14,248	-	14,248	13,924	13,524	13,524
Benefits or Related Expenses	3,550,477	3,621,139	3,584,823	4,386,025	4,831,100	4,814,100	N/A	5,071,100	5,071,100	5,358,100	5,477,100	5,700,100
Borrowing Expenses	7,907	6,783	6,202	6,524	7,510	7,510	-	11,500	11,500	11,500	11,500	11,500
Other Expenses	1,414,087	1,288,208	1,407,309	1,595,376	3,846,893	3,521,893	326,464	8,405,000	8,731,464	9,227,326	9,921,540	10,701,040
Capital Expenditure	61,115	100,661	103,682	107,850	114,608	114,608	213,112	-	213,112	40,000	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>	652,182	635,477	591,586	610,097	652,856	641,995	558,777	-	558,777	520,154	531,767	531,267
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Appropriations	5,696,818	5,663,654	5,706,657	6,720,952	9,469,828	9,116,267	1,112,601	13,487,600	14,600,201	15,171,004	15,995,431	16,997,431
Crown Revenue and Capital Receipts												
Tax Revenue	63,401,693	69,222,866	72,142,690	77,879,653	76,103,000	76,103,000	N/A	71,586,000	71,586,000	76,831,000	87,071,000	93,009,000
Non-Tax Revenue	1,161,292	1,143,664	1,122,586	945,199	908,500	908,500	N/A	907,800	907,800	906,000	918,000	943,000
Capital Receipts	1,424,519	1,331,379	1,436,304	1,474,024	1,455,000	1,455,000	N/A	1,427,000	1,427,000	1,451,000	1,459,000	1,524,000
Total Crown Revenue and Capital Receipts	65,987,504	71,697,909	74,701,580	80,298,876	78,466,500	78,466,500	N/A	73,920,800	73,920,800	79,188,000	89,448,000	95,476,000

Note - where restructuring of the vote has occurred then, to the extent practicable, prior years information has been restated as if the restructuring had occurred before the beginning of the period covered. In this instance Total Appropriations for the Budgeted and Estimated Actual year may not equal Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations in the Details of Appropriations and Capital Injections.

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

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

1.3 - Analysis of Significant Trends

Departmental Output Expenses

Inland Revenue's departmental output expenses have increased from \$11.050 million in 2015/16 to an estimated \$16.161 million in 2019/20 and \$14.248 million in 2020/21 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.

Benefits or Related Expenses

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

Expenditure has increased from \$3,550 million in 2015/16 to an estimated \$5,700 million in 2023/24 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, paid parental leave entitlements were extended from July 2018 and the Research and Development Tax Incentive was introduced from 1 April 2019.

Increases from 2019/20 are due to the steady increase in expenditure on Best Start tax credits and Research and Development Tax Incentives as these policies phase in.

Further increases over time in KiwiSaver tax credits are due to increases in the number of KiwiSaver contributing members and the average value of KiwiSaver contributions.

The in-work tax credit increases from 2020/21 due to the introduction of a new policy from 1 July 2020 which will increase the number of In-Work Tax Credit claims.

Working for Families Tax Credits and Best Start tax credit forecasts remain largely steady from 2020/21 until 2020/23 as a result of COVID-19 heightening the uncertainty around total family income and population growth.

Non-Departmental Borrowing Expenses

Non-departmental borrowing expenses include interest payments for the income equalisation, adverse event and environmental restoration account schemes. The adverse event scheme ceases in 2019/20.

Expenditure has increased from \$8 million in 2015/16 to an estimated \$12 million in 2023/24. 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 bad debt write-offs, the initial fair value write-down on student loans, impairments relating to student loans, child support, general tax, KiwiSaver. Working for Families Tax Credits debt is also included. From April 2019, a new appropriation to enable the on-payment of employee and employer KiwiSaver contributions collected by Inland Revenue to KiwiSaver providers was included.

Expenditure has increased from \$1,340 million in 2015/16 to an estimated \$10,593 million in 2023/24. Expenditure in 2019/20 reflects an initial estimate of the impact of COVID-19. Further impacts of COVID-19 will be assessed for the Half Year Economic and Fiscal Update (HYEFU) 2020.

Departmental Other Expenses

Departmental other expenses include Inland Revenue's Transformation multi-year appropriation (MYA) covering 2017/18 to 2021/22. As this is a multi-year appropriation the timing of the expenditure may change between 2019/20, 2020/21 and 2021/22. The funding to complete the transformation programme is held in the 2020/21 and 2021/22 years along with the majority of the remaining contingency.

As the transformation programme implements releases 4 and 5 and hands over to operational teams, the funding for enduring costs will be transferred to the relevant Vote Revenue Departmental appropriations.

Departmental Capital Expenditure

Inland Revenue's capital expenditure has increased from \$61.115 million in 2015/16 to an estimated \$114.608 million in 2019/20 and \$213.112 million in 2020/21 to reflect technology investment as a result of Inland Revenue's transformation programme.

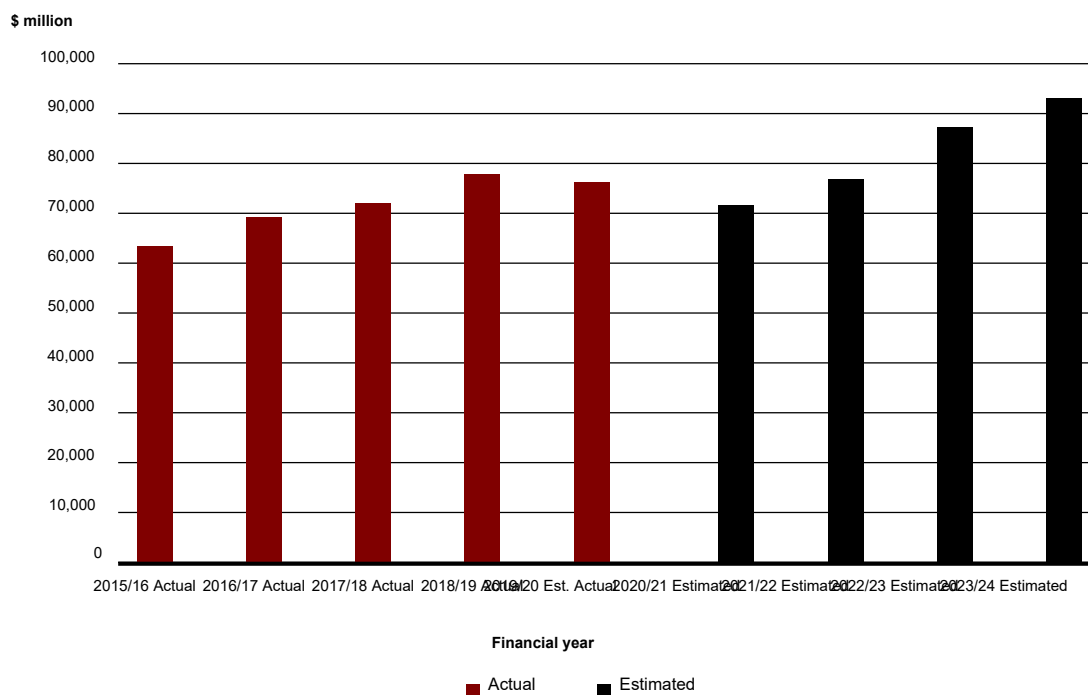
Multi-Category Expenses and Capital Expenditure (MCA)

Inland Revenue's multi-category expenses and capital expenditure (MCA) have decreased from \$652.182 million in 2015/16 to an estimated \$641.995 million in 2019/20 and \$558.777 million in 2020/21. The decrease is mainly due to the expected realisation of benefits from Inland Revenue's transformation programme.

The decrease in 2020/21 also includes the expiry of time limited funding of \$36.586 million to support identification and management of risks and/or increased activity in the areas of aggressive tax planning, fraud, unfiled returns, collection of older debt, hidden economy and property compliance.

Tax Revenue

Figure 1 - Trends in non-departmental tax revenue



Source: Inland Revenue

Non-departmental tax revenue incorporates unconsolidated source deductions (PAYE), other persons' tax, fringe benefit tax, corporate tax including company tax, other direct income tax, GST and other indirect tax administered by Inland Revenue. Tax revenue has increased from \$63,403 million in 2015/16 to an estimated \$93,009 million in 2023/24. Total tax revenue is forecast to decline through both 2019/20 and 2020/21, by 2.3% and 5.9% respectively, mainly owing to the COVID-19 lockdown through March/April 2020 and the economic recession that is expected to follow.

Over the remaining 3 years of the forecast period, total tax revenue is forecast to grow at an annual average rate of just over 9%, when the forecast economic recovery is expected to fuel above-average growth in tax revenue.

Source deduction revenue is forecast to increase by 6.1% in 2019/20, mainly owing to growth in wages and the associated fiscal drag. However, source deductions are then expected to decline by 4% in 2020/21, mainly owing to a forecast drop in the number of people employed. After 2020/21, source deduction revenue is forecast to grow by 7% per annum on average, as employment is expected to recover after the recession and wage growth is expected to accelerate through to 2023/24.

Net other persons tax revenue is expected to decline in each of the three years up to 2021/22, owing to the COVID-19 lockdown and subsequent recession. The 2022/23 year is expected to see other persons tax revenue bounce back sharply, mainly owing to a forecast spike in terminal tax revenue from the 2021/22 income tax year. Modest growth is forecast to continue into the 2023/24 year.

Corporate tax revenue is forecast to decline by nearly 20% in the 2019/20 year, mainly owing to the change in the income tax revenue-recognition method in April 2019 that caused a one-off boost to revenue in the 2018/19 year. A decline of a further 10% is forecast for the 2020/21 year, mainly owing to an expected decline in profits as a result of the COVID-19-induced recession.

Positive revenue growth is forecast to return in 2021/22, but is muted by the filing of 2020/21 income tax returns that are expected to include reduced tax revenue due to relief measures announced by the Government in March 2020, and an increased rate of tax loss utilisation from an assumed build-up of tax losses through 2020/21. Corporate tax revenue growth is forecast to accelerate through 2022/23 and 2023/24, as profit growth is expected to recover and tax loss utilisation begins to abate.

GST revenue is forecast to fall by 1.7% in 2019/20, mainly owing to a forecast fall in household consumption caused by the COVID-19 lockdown and subsequent weak economic conditions, and a fall in overseas tourist spending in New Zealand caused by border closure. GST is forecast to fall by a further 4.9% in 2020/21. Although household consumption is forecast to grow by 3.1%, this is more than offset by a further fall in spending by overseas tourists and a forecast rise in goods imports of 7%. Strong consumption growth, a resurgence in residential investment and recovery in the overseas tourist sector are all expected to boost annual-average growth in GST to nearly 10% through the remainder of the forecast period.

Deposit interest rates have been falling over the past year, and this is expected to push resident withholding tax (RWT) on interest income down by 7.8% in the 2019/20 year. With the Reserve Bank of New Zealand cutting the Official Cash Rate to 0.25%, RWT is forecast to decline in 2020/21 by about one-third, to around \$1 billion. RWT is forecast to remain at this level until 2023/24.

Non-Tax Revenue

Non-departmental non-tax revenue incorporates child support collections from non-custodial parents, student loan interest unwind (interest income due to reversing the initial fair value write-down over the life of the loan), unclaimed monies, and interest and penalties on Working for Families Tax Credits debt. Non-tax revenue has decreased from \$1,161 million in 2015/16 to an estimated \$943 million in 2023/24. The decrease 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.

Capital Receipts

Non-departmental capital receipts include student loan capital repayments and deposits into the adverse event income equalisation, income equalisation, and environmental restoration account schemes. 2019/20 is the final year for the adverse event income equalisation scheme. Capital receipts have increased from \$1,425 million in 2015/16 to an estimated \$1,524 million in 2023/24. Growth over time is due to forecast student loan capital repayments.

Part 2 - Details of Departmental Appropriations

2.1 - Departmental Output Expenses

Policy Advice (M57)

Scope of Appropriation

This appropriation is limited to the provision of advice, including second opinion advice and contributions to policy advice led by other agencies, to support decision-making by Ministers on government policy matters.

Expenses and Revenue

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	11,199	11,199	10,306
Revenue from the Crown	11,182	11,182	10,298
Revenue from Others	17	17	8

What is Intended to be Achieved with this Appropriation

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

How Performance will be Assessed and End of Year Reporting Requirements

	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Primary measures			
Percentage of sampled reports that meet quality standards (see Note 1).	80%	80%	80%
Percentage of ministerial satisfaction for policy advice (see Note 2).	90%	90%	90%

Note 1 - The Department of the Prime Minister and Cabinet-led Policy Project launched a refreshed Policy Quality Framework in July 2019. Inland Revenue is using the refreshed framework as the basis for assessing the quality of its policy advice papers.

Note 2 - The Department of the Prime Minister and Cabinet-led Policy Project launched a revised survey for agencies to use to assess ministers' satisfaction with the policy service. Inland Revenue implemented the revised survey for its annual report for 2018/19.

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2021.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Current Government						
Budget 2018 Tax Compliance Activity - Funding to Collect Additional Revenue	2018/19	950	700	400	-	-

Services to Other Agencies RDA (M57)

Scope of Appropriation

This appropriation is limited to the provision of services by Inland Revenue to other agencies, where those services are not within the scope of another departmental output expense appropriation in Vote Revenue.

Expenses and Revenue

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	5,662	4,962	3,942
Revenue from the Crown	-	-	-
Revenue from Others	5,662	4,962	3,942

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide support services to other government agencies, such as the provision of a hosted financial management information system and shared financial transactional services.

How Performance will be Assessed and End of Year Reporting Requirements

Assessment of Performance	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
Primary measures			
Percentage of satisfaction of the Department of Internal Affairs for services provided.	75%	75%	75%
Percentage of satisfaction of the New Zealand Productivity Commission for services provided.	90%	90%	90%

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2021.

Reasons for Change in Appropriation

The decrease in this appropriation from 2019/20 to 2020/21 is mainly due to a fiscally neutral adjustment of \$1.700 million in 2019/20 for revenue from third parties for Inland Revenue staff on external secondments.

2.2 - Departmental Other Expenses

Transformation (M57)

Scope of Appropriation and Expenses

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
Transformation (M57) This appropriation is limited to the design and implementation of a modern system for tax revenue and social policy administered by Inland Revenue. Commences: 01 July 2017 Expires: 30 June 2022	Original Appropriation	1,112,607
	Adjustments to 2018/19	10,154
	Adjustments for 2019/20	(46,946)
	Adjusted Appropriation	1,075,815
	Actual to 2018/19 Year End	400,132
	Estimated Actual for 2019/20	205,893
	Estimate for 2020/21	326,464
	Estimated Appropriation Remaining	143,326

What is Intended to be Achieved with this Appropriation

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

How Performance will be Assessed and End of Year Reporting Requirements

Assessment of Performance	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
Primary measures			
KiwiSaver is administered in START	By 30 June 2020	On track	Not applicable
Student Loan Scheme repayments are administered in START	By 30 June 2020	On track	Not applicable
Child support is administered in START.	Not applicable	Not applicable	By 30 June 2021
Paid parental leave is administered in START.	Not applicable	Not applicable	By 30 June 2021

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2021.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Previous Government						
Business Transformation	2015/16	156,000	70,000	64,000	45,000	36,000

2.3 - Departmental Capital Expenditure and Capital Injections

Inland Revenue Department - Capital Expenditure PLA (M57)

Scope of Appropriation

This appropriation is limited to the purchase or development of assets by and for the use of the Inland Revenue Department, as authorised by section 24(1) of the Public Finance Act 1989.

Capital Expenditure

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	8,000	8,000	9,000
Intangibles	106,608	106,608	204,112
Other	-	-	-
Total Appropriation	114,608	114,608	213,112

What is Intended to be Achieved with this Appropriation

This appropriation is intended to invest in the renewal, upgrade and redesign of assets that support the delivery of the department's services. This includes the capital investment required for the implementation of Inland Revenue's business transformation programme.

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 2020/21 which are:

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

Transformation spending will be assessed against the performance measures agreed for the Transformation appropriation.

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2021.

Reasons for Change in Appropriation

Capital funding in 2020/21 largely reflects spending to complete the business transformation programme and the remaining capital contingency.

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

Details of Net Asset Schedule	2019/20 Estimated Actual \$000	2020/21 Projected \$000	Explanation of Projected Movements in 2020/21
Opening Balance	382,321	450,694	
Capital Injections	103,000	154,168	Capital injections have been adjusted to align with the updated capital expenditure forecast for the implementation of business transformation Releases 4 and 5. In addition to forecast capital expenditure, 2020/21 contains the majority of the remaining capital contingency for the transformation programme.
Capital Withdrawals	(34,627)	-	- Contingency capital funding for business transformation of \$34 million has been returned to the Crown. The updated risk modelling shows that Inland Revenue will be able to deliver transformation without the need to access the ministerial contingency. Capital withdrawal of \$627,000 was for the business tax package initiative.
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
Closing Balance	450,694	604,862	

Part 3 - Details of Non-Departmental Appropriations

3.2 - Non-Departmental Benefits or Related Expenses

Best Start Tax Credit PLA (M57)

Scope of Appropriation

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

Expenses

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	188,000	188,000	336,000

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	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Current Government						
Families Package	2018/19	231,000	373,000	451,000	451,000	451,000

Reasons for Change in Appropriation

The increase in this appropriation for 2020/21 is because the Best Start tax credit commenced in July 2018 and will continue to grow for the first three years as the policy phases in. Thereafter, growth will reflect demographic changes, but will be tempered by the abatement mechanism as incomes grow.

Conditions on Use of Appropriation

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

Child Support Payments PLA (M57)*Scope of Appropriation*

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

Expenses

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	295,000	295,000	272,000

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.

Reasons for Change in Appropriation

The decrease in this appropriation for 2020/21 is the result of expected declining labour market conditions such as lower aggregate employee compensation, lower wage growth and higher unemployment due to the COVID-19 event. It is forecast that less will be collected in child support payments overall from non-custodial parents and that the Crown will retain a larger share of amounts collected in order to offset any welfare payments to custodial persons.

Conditions on Use of Appropriation

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

Child Tax Credit PLA (M57)

Scope of Appropriation

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

Expenses

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	100	100	100

What is Intended to be Achieved with this Appropriation

This permanent appropriation provides for payments to families with dependent children aged 18 or younger to help with day-to-day living costs.

How Performance will be Assessed and End of Year Reporting Requirements

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for child tax credit payments under the Income Tax Act 2007. Performance information relating to the administration of the payment is provided under the Services for Customers Multi-Category Appropriation under the Services to Process Obligations and Entitlements category.

Reasons for Change in Appropriation

The child tax credit was replaced by the in-work tax credit in April 2006 and entitlements to the credit will eventually cease. The forecast has been maintained at 2019/20 levels to ensure an appropriation remains available for the tail end of claims.

Conditions on Use of Appropriation

Reference	Conditions
Subpart MZ of the Income Tax 2007	Sets out the entitlement for and calculation of the child tax credit

Family Tax Credit PLA (M57)

Scope of Appropriation

Family Support payments made to beneficiaries and non-beneficiaries during the year (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).

Expenses

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,144,000	2,144,000	2,139,000

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	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Current Government						
Families Package	2018/19	530,000	520,000	510,000	510,000	510,000
Previous Government						
Budget 2017 Family Incomes Package	2017/18	316,000	308,000	308,000	308,000	308,000
Package for children living in material hardship	2015/16	(28,550)	(28,550)	(28,550)	(28,550)	(28,550)

Reasons for Change in Appropriation

The appropriation has remained largely unchanged for 2020/21 as a result of COVID-19 heightening the uncertainty around total family income and population growth. The next indexation adjustment has been delayed from April 2022 to April 2023 with an increase of 5.32% to the entitlement. The tax credit is sensitive to incomes, as entitlements decrease through abatement as incomes grow.

Conditions on Use of Appropriation

Reference	Conditions
Subpart MD 3 of the income Tax Act 2007	Sets out entitlement for and calculation of the family tax credit.

In-Work Tax Credit PLA (M57)

Scope of Appropriation

Extra assistance for low to middle income families where the person works a minimum of 20 hours per week and does not have a partner, or a person and their partner work a minimum of 30 hours per week (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).

Expenses

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	603,000	603,000	631,000

What is Intended to be Achieved with this Appropriation

This permanent appropriation provides for payments to families who work the required hours each week and have dependent children aged 18 or younger to help with day-to-day living costs.

How Performance will be Assessed and End of Year Reporting Requirements

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for in-work tax credit payments under the Income Tax Act 2007. Performance information relating to the administration of the payment is provided under the Services for Customers Multi-Category Appropriation under the Services to Process Obligations and Entitlements category.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Current Government						
In-Work Tax Credit removing the hours test	2020/21	-	32,000	32,000	32,000	32,000
Previous Government						
Budget 2017 Family Incomes Package	2017/18	2,000	2,000	2,000	2,000	2,000
Package for children living in material hardship	2015/16	95,000	95,000	95,000	95,000	95,000

Reasons for Change in Appropriation

The increase in this appropriation for 2020/21 is due to the introduction of a new policy from 1 July 2020. This policy removes the hours worked test for eligibility which will increase the number of In-Work Tax Credit claims.

Conditions on Use of Appropriation

Reference	Conditions
Sections MD 4-10 of the Income Tax Act 2007	Sets out the entitlement for and calculation of the in-work tax credit

KiwiSaver: Interest (M57)

Scope of Appropriation

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

Expenses

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	9,000	7,000	5,000

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 decrease in this appropriation for 2020/21 is due to forecast lower interest rates and a reduction in the holding time for KiwiSaver contributions resulting in less interest payable once the administration of KiwiSaver is able to be done in the new tax system (expected to be from April 2020).

Conditions on Use of Appropriation

Reference	Conditions
Section 84-91 of the KiwiSaver Act 2006	Interest payable by Inland Revenue on KiwiSaver member contributions while they are being held by Inland revenue prior to being forwarded to KiwiSaver scheme providers.

KiwiSaver: Tax Credit (M57)

Scope of Appropriation

To enable the payment of a tax credit to KiwiSaver members and the payment of residual tax credits to employers as set out in the Income Tax Act 2007.

Expenses

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	912,000	902,000	930,000

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 2020/21 is due to an increase in the total number of contributing members. The increase also reflects an increase in average entitlements as a result of income growth of members who were previously contributing less than the threshold for the maximum KiwiSaver tax credit entitlement.

Conditions on Use of Appropriation

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

Minimum Family Tax Credit PLA (M57)

Scope of Appropriation

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

Expenses

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	20,000	20,000	22,000

What is Intended to be Achieved with this Appropriation

This permanent appropriation provides for payments to families with dependent children aged 18 or younger to ensure that the annual income after tax of a family does not fall below \$26,156 where at least one parent is working.

How Performance will be Assessed and End of Year Reporting Requirements

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for minimum family tax credit payments under the Income Tax Act 2007. Performance information relating to the administration of the payment is provided under the Services to Customers Multi-Category Appropriation under the Services to Process Obligations and Entitlements category.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Current Government						
Incomes for people receiving benefits	2019/20	625	2,500	2,500	2,500	2,500
Families Package	2018/19	1,300	1,300	1,300	1,300	1,300
Previous Government						
Package for children living in material hardship	2015/16	1,800	1,800	1,800	1,800	1,800

Reasons for Change in Appropriation

The increase in this appropriation for 2020/21 is due to a policy change that increased welfare benefits from April 2020 with flow-on impacts to the minimum family tax credit from the 2020/21 income year.

Conditions on Use of Appropriation

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

Paid Parental Leave Payments (M57)*Scope of Appropriation*

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

Expenses

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	430,000	425,000	455,000

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	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Current Government						
Extending paid parental leave to 26 weeks	2018/19	68,700	142,700	148,400	148,400	148,400
Previous Government						
Extending the duration of parental leave payments of preterm babies	2015/16	3,400	3,400	3,400	3,400	3,400

Reasons for Change in Appropriation

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

The increase in this appropriation for 2020/21 is mainly due to the paid parental leave entitlement increasing from 22 to 26 weeks from 1 July 2020. In addition, the indexation used for the forecast is based on an annual rate of wage inflation measured in the March 2020 quarter, reflecting a relatively strong labour market, however, the forecast has also been adjusted for some reduction in eligibility as result of the recent declining employment outlook as a result of COVID-19.

Conditions on Use of Appropriation

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

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

Scope of Appropriation

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

Expenses

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	225,000	225,000	281,000

What is Intended to be Achieved with this Appropriation

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

How Performance will be Assessed and End of Year Reporting Requirements

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

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Current Government						
Research and Development Tax Incentive	2018/19	158,000	255,000	454,000	454,000	454,000

Reasons for Change in Appropriation

The increase in this appropriation for 2020/21 is due to updated assumptions on how the phasing out of the Growth Grant Scheme impacts on the tax credit.

Conditions on Use of Appropriation

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

3.3 - Non-Departmental Borrowing Expenses

Environmental Restoration Account Interest PLA (M57)

Scope of Appropriation

This appropriation is limited to interest on Environmental Restoration accounts, authorised by section 65ZH(1) of the Public Finance Act 1989.

Expenses

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,500	1,500	1,500

What is Intended to be Achieved with this Appropriation

This appropriation provides interest payments on deposits held in an environmental restoration account. The environmental restoration account allows businesses to set aside money to cover restoration costs for monitoring, avoiding, remedying or mitigating the detrimental environmental effects which may occur in later years.

Income Equalisation Interest PLA (M57)

Scope of Appropriation

This appropriation is limited to interest on Income Equalisation Reserve Scheme accounts held by taxpayers in the farming, fishing or forestry industries, authorised by section 65ZH(1) of the Public Finance Act 1989.

Expenses

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	6,000	6,000	10,000

What is Intended to be Achieved with this Appropriation

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

Reasons for Change in Appropriation

The scheme is demand-driven, and the interest payable reflects scheme usage. The increase in this appropriation for 2020/21 allows for potential increased usage of the scheme.

3.4 - Non-Departmental Other Expenses

Impairment of Debt and Debt Write-Offs (M57)

Scope of Appropriation

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

Expenses

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,270,000	970,000	880,000

What is Intended to be Achieved with this Appropriation

This appropriation provides for the write-off of the Crown debt and for recognising an impairment to reflect the recoverable value of the Crown debt as at the end of a financial year, relating to general tax, KiwiSaver and Working for Families Tax Credits.

How Performance will be Assessed and End of Year Reporting Requirements

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for the impairment of debt and debt write-offs. Performance information relating to this expenditure is provided under the Services for Customers Multi-Category Appropriation under the Management of Debt and Outstanding Returns category.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Current Government						
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	15,000	15,000	-	-
Previous Government						
Revenue investment continuation	2017/18	(6,525)	-	-	-	-
Small business tax package	2016/17	(78,000)	(100,280)	(119,590)	(132,010)	(132,010)
Revenue investment	2015/16	11,601	-	-	-	-

Reasons for Change in Appropriation

The final 2019/20 forecast includes a contingency to cover an initial assessment of 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. The decrease in this appropriation for 2020/21 is due to forecast changes in the level of overdue debt, impairment and write-offs. The forecast for outyears does not include an assessment for COVID-19 as it is too early to assess the impacts for outyears. A debt data model that incorporates the impacts of COVID-19 will be completed for the Half Year Economic Budget Update (HYEFU) 2020.

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

Scope of Appropriation

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

Expenses

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	510,000	490,000	558,000

What is Intended to be Achieved with this Appropriation

This appropriation provides for incurring the expense relating to reductions in the nominal value of new student loan lending to reflect the present value of that lending.

How Performance will be Assessed and End of Year Reporting Requirements

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for the initial fair value write-down of student loans. Performance information relating to this expenditure is available to the House of Representatives in the Student Loan Scheme Annual Report 2018.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Current Government						
Home-based early childhood education review	2018/19	68	197	231	88	88
First year fees-free in 2018	2017/18	(71,951)	(68,526)	(72,383)	(72,383)	(72,383)
Increase student allowance and living costs loans by \$50	2017/18	59,106	61,271	63,302	63,302	63,302
Tertiary Education Annual Maximum Fee Movement	2017/18	2,107	2,270	2,329	2,329	2,329
Previous Government						
Annual maximum fee movement for 2017 and 2018	2016/17	3,380	3,380	3,380	3,380	3,380
Response to the Syrian refugee crisis: implementation	2016/17	12	-	-	-	-
Delivering support to graduate-entry students affected by the 7 EFTS limit to complete long undergraduate programmes	2015/16	627	-	-	-	-
Investing to increase the number of engineering graduates	2015/16	371	990	1,224	1,224	1,224
Maintain the student allowance parental income threshold	2015/16	2,520	2,520	2,520	2,520	2,520
Set the annual maximum fee movement to 3% for 2016	2015/16	(5,363)	(5,363)	(5,363)	(5,363)	(5,363)
Supporting better public services and business growth within Vote Tertiary Education	2015/16	2,013	2,013	2,013	2,013	2,013

Reasons for Change in Appropriation

The increase in this appropriation for 2020/21 is due to increases in forecast lending to students.

KiwiSaver: Employee and Employer Contributions PLA (M57)*Scope of Appropriation*

To enable the on-payment of employee and employer KiwiSaver contributions collected by Inland Revenue to KiwiSaver Scheme providers in accordance with section 73 of the KiwiSaver Act 2006.

Expenses

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,856,000	1,856,000	6,967,000

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 is being sought 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

This appropriation commenced 1 April 2020. The increase in this appropriation for 2020/21 reflects the first full year of activity.

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

4 - Multi-Category Expenses and Capital Expenditure

Services for Customers (M57)

Overarching Purpose Statement

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

Scope of Appropriation

Departmental Output Expenses

Investigations

This category is limited to 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.

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

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	652,856	641,995	558,777
Departmental Output Expenses			
Investigations	123,110	121,052	112,201
Management of Debt and Unfiled Returns	93,180	91,616	82,620
Services to Ministers and to inform the public about entitlements and meeting obligations	276,502	271,991	224,410
Services to Process Obligations and Entitlements	160,064	157,336	139,546

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Funding for Departmental Output Expenses			
Revenue from the Crown	631,467	631,467	541,112
Investigations	122,754	122,754	111,965
Management of Debt and Unfiled Returns	91,106	91,106	80,662
Services to Ministers and to inform the public about entitlements and meeting obligations	275,139	275,139	223,224
Services to Process Obligations and Entitlements	142,468	142,468	125,261
Revenue from Others	21,389	21,389	17,665
Investigations	356	356	236
Management of Debt and Unfiled Returns	2,074	2,074	1,958
Services to Ministers and to inform the public about entitlements and meeting obligations	1,363	1,363	1,186
Services to Process Obligations and Entitlements	17,596	17,596	14,285

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

	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Primary measures			
Percentage of customers satisfied with the overall quality of service delivery from Inland Revenue (see Note 1).	90%	84%	90%
Percentage of customers who feel Inland Revenue makes it easy for people to get it right (see Note 1).	80%	81%	80%

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

	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Departmental Output Expenses			
Investigations			
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.	\$7.00	\$7.00	\$7.00
Percentage of litigation judgments found in favour of the Commissioner.	75%	80%	75%

	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
<i>Supporting measures</i>			
Percentage of audited customers who are satisfied with their experience (see Note 2).	75%	66%	75%
Management of Debt and Unfiled Returns			
<i>Primary measures</i>			
Percentage of returns filed by customers on time.	85%	86%	85%
Value of assessed revenue for every unfiled return dollar spent.	\$45.00	\$35.00	\$40.00
Percentage of tax payments made by customers on time.	85%	86%	85%
Cash collected for every debt dollar spent.	\$30.00	\$48.70	\$40.00
Percentage of child support assessments paid on time.	70%	70%	70%
<i>Supporting measures</i>			
Average cost of finalising an unfiled return.	\$18.00-\$20.00	\$37.93	\$30.00 or less
Percentage of unfiled returns that are finalised within six months.	70%	46%	60%
Percentage of collectable debt value over two years old.	50% or less	45%	50% or less
Percentage of new customer debt resolved within six months.	80%	75%	80%
Percentage of New Zealand liable parent child support debt cases resolved within 12 months.	75%	79%	75%
Services to Ministers and to inform the public about entitlements and meeting obligations			
<i>Primary measures</i>			
Percentage of customers who perceive that Inland Revenue does enough to inform them of their rights and obligations (see Note 1).	85%	85%	85%
Percentage of customers who perceive that resolving issues with Inland Revenue requires low effort (see Note 1).	80%	76%	80%
<i>Supporting measures</i>			
Average cost of a customer-initiated contact.	\$35.00 or less	\$36.36	\$35.00 or less
Average speed to answer telephone calls.	4 minutes 30 seconds or less	6 minutes and 28 seconds	4 minutes 30 seconds or less
Percentage of all rulings reports, adjudication reports and public items that meet the applicable purpose, logic, alternatives, consultation, and practicality standards.	100%	100%	100%
Number of published or finalised public items that give the Commissioner's interpretation of the law.	25	26	25
Percentage of public items (including relevant public consultation), completed within 18 months of allocation.	85%	92%	85%
Percentage of adjudication cases completed within 10 weeks of receipt.	90%	100%	90%
Percentage of taxpayer ruling applications that have a draft ruling completed within 10 weeks of receipt.	90%	100%	90%
Percentage of non-qualifying ruling applications that have a draft ruling completed within six months of receipt.	90%	99%	90%

Assessment of Performance	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
Percentage of submissions by the applicant on any draft ruling responded to within one month of receipt.	90%	100%	90%
Percentage of short-process rulings that have a draft ruling completed within six weeks of receipt.	N/A	N/A	90%
Services to Process Obligations and Entitlements			
<i>Primary measures</i>			
Percentage of social policy and tax registrations processed within five working days.	85%	91%	85%
Percentage of income tax disbursements resulting from a return issued within five weeks.	85%	89%	85%
Percentage of GST disbursements issued within four weeks (see Note 3).	95%	96%	95%
<i>Supporting measures</i>			
Percentage of income tax returns finalised within three weeks.	90%	96%	95%
Percentage of GST returns finalised within three weeks.	98%	100%	98%
Percentage of employment information finalised within four weeks.	95%	98%	N/A
Average cost of processing income tax returns, GST returns and employment information.	\$4.00 or less	\$3.04	\$3.50 or less
Percentage of tax credit claim payments made within three weeks.	90%	Not available	N/A
Percentage of donation tax credit claims processed within three weeks.	N/A	N/A	70%
Percentage of Working for Families Tax Credit (WfFTC) payments made on the first regular payment date following an application.	95%	98%	95%
Percentage of paid parental leave payments issued to customers on the first pay day following the agreed date of entitlement.	97%	99%	97%
Percentage of child support administrative review decisions issued within seven weeks.	90%	95%	90%
Percentage of child support assessments issued within two weeks.	80%	85%	80%

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

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

Note 3 - Section 46 of the Goods and Services Tax Act 1985 requires refunds to be issued within 15 working days unless selected for a screening or investigation. The four weeks measure includes additional time for screening or investigation.

End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2021.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Investigations						
<i>Current Government</i>						
Budget 2018 Research and Development Tax Credit Implementation	2018/19	150	80	80	80	80
<i>Previous Government</i>						
Revenue investment continuation	2017/18	9,584	-	-	-	-
Management of Debt and Unfiled Returns						
<i>Current Government</i>						
Budget 2018 Tax Compliance Activity - Funding to Collect Additional Revenue	2018/19	5,850	5,900	5,900	-	-
<i>Previous Government</i>						
Revenue investment continuation	2017/18	10,400	-	-	-	-
Services to Inform the public About Entitlements and Meeting Obligations						
<i>Current Government</i>						
Research and Development (R&D) Tax Incentive	2019/20	3,124	3,142	-	-	-
Budget 2018 Research and Development Tax Credit Implementation	2018/19	600	320	320	320	320
Families Package Implementation	2018/19	410	350	350	350	350
Services to Process Obligations and Entitlements						
<i>Current Government</i>						
Research and Development (R&D) Tax Incentive	2019/20	2,046	2,058	-	-	-
Budget 2018 Research and Development Tax Credit Implementation	2018/19	750	400	400	400	400
Families Package Implementation	2018/19	840	710	710	710	710
<i>Previous Government</i>						
Automatic Exchange of Information	2016/17	2,700	2,400	2,400	2,400	2,400

Reasons for Change in Appropriation

The decrease of \$94.079 million from 2019/20 to 2020/21 reflects the realisation of expected benefits from Inland Revenue's transformation programme. The decrease also includes the expiry of time limited funding of \$36.586 million to support identification and management of risks and/or increased activity in the areas of aggressive tax planning, fraud, unfiled returns, collection of older debt, hidden economy and property compliance.