

# *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

# Details of Appropriations and Capital Injections

## Annual Appropriations and Forecast Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2020/21		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
<b>Departmental Output Expenses</b>			
<b>Policy Advice (M57) (A10)</b> This appropriation is limited to the provision of advice, including second opinion advice and contributions to policy advice led by other agencies, to support decision-making by Ministers on government policy matters.	10,306	1,200	11,506
<b>Services to Other Agencies RDA (M57) (A10)</b> This appropriation is limited to the provision of services by Inland Revenue to other agencies, where those services are not within the scope of another departmental output expense appropriation in Vote Revenue.	3,942	1,399	5,341
<b>Total Departmental Output Expenses</b>	14,248	2,599	16,847
<b>Departmental Capital Expenditure</b>			
<b>Inland Revenue Department - Capital Expenditure PLA (M57) (A10)</b> This appropriation is limited to the purchase or development of assets by and for the use of the Inland Revenue Department, as authorised by section 24(1) of the Public Finance Act 1989.	213,112	(123,858)	89,254
<b>Total Departmental Capital Expenditure</b>	213,112	(123,858)	89,254
<b>Benefits or Related Expenses</b>			
<b>Best Start Tax Credit PLA (M57) (A10)</b> This appropriation is limited to Best Start Tax Credits made to eligible recipients in accordance with section 185 of the Tax Administration Act 1994.	336,000	(60,000)	276,000
<b>Child Support Payments PLA (M57) (A10)</b> Child support payments to custodial persons who are not dependent on the state for financial support (expenses incurred pursuant to section 141 of the Child Support Act 1991).	272,000	12,000	284,000
<b>Child Tax Credit PLA (M57) (A10)</b> Extra assistance for low to middle income families who are not dependent on the state for financial support (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	100	(100)	-
<b>Family Tax Credit PLA (M57) (A10)</b> Family Support payments made to beneficiaries and non-beneficiaries during the year (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	2,139,000	(9,000)	2,130,000
<b>In-Work Tax Credit PLA (M57) (A10)</b> Extra assistance for low to middle income families where the person works a minimum of 20 hours per week and does not have a partner, or a person and their partner work a minimum of 30 hours per week (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	631,000	(29,000)	602,000
<b>KiwiSaver: Interest (M57) (A10)</b> To enable the payment of interest on KiwiSaver contributions as set out in the KiwiSaver Act 2006.	5,000	(4,000)	1,000
<b>KiwiSaver: Tax Credit (M57) (A10)</b> To enable the payment of a tax credit to KiwiSaver members and the payment of residual tax credits to employers as set out in the Income Tax Act 2007.	930,000	8,000	938,000

	2020/21		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
<b>Titles and Scopes of Appropriations by Appropriation Type</b>			
<b>Minimum Family Tax Credit PLA (M57) (A10)</b> Extra payment made to families where at least one parent is working for salary or wages (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	22,000	(1,000)	21,000
<b>Paid Parental Leave Payments (M57) (A10)</b> This appropriation is limited to Paid Parental Leave Payments made to parents in accordance with the Parental Leave and Employment Protection Act 1987.	455,000	<b>73,000</b>	528,000
<b>Research, Science and Innovation: R&amp;D Tax Incentive (M84) (A10)</b> This appropriation is limited to providing an R&D tax credit to eligible R&D performing businesses.	281,000	<b>(31,000)</b>	250,000
<b>Total Benefits or Related Expenses</b>	5,071,100	(41,100)	5,030,000
<b>Non-Departmental Borrowing Expenses</b>			
<b>Environmental Restoration Account Interest PLA (M57) (A10)</b> This appropriation is limited to interest on Environmental Restoration accounts, authorised by section 65ZH(1) of the Public Finance Act 1989.	1,500	(100)	1,400
<b>Income Equalisation Interest PLA (M57) (A10)</b> This appropriation is limited to interest on Income Equalisation Reserve Scheme accounts held by taxpayers in the farming, fishing or forestry industries, authorised by section 65ZH(1) of the Public Finance Act 1989.	10,000	(3,000)	7,000
<b>Total Non-Departmental Borrowing Expenses</b>	11,500	(3,100)	8,400
<b>Non-Departmental Other Expenses</b>			
<b>COVID-19 Resurgence Support Payment (M57) (A10)</b> This appropriation is limited to providing payments to eligible firms to manage the economic impacts of COVID-19 following a shift to higher Alert Levels.	-	<b>400,000</b>	400,000
<b>Impairment of Debt and Debt Write-Offs (M57) (A10)</b> This appropriation is limited to bad debt write-offs for Crown debt administered by Inland Revenue, excluding child support and student loans and to amounts relating to the impairment of this debt.	880,000	<b>361,000</b>	1,241,000
<b>Impairment of Debt Relating to Child Support (M57) (A10)</b> This appropriation is limited to the impairment of child support debt.	-	<b>20,000</b>	20,000
<b>Impairment of Debt Relating to Student Loans (M57) (A10)</b> This appropriation is limited to the impairment of student loan debt.	-	<b>86,000</b>	86,000
<b>Initial Fair Value Write-Down Relating to Student Loans (M57) (A10)</b> This appropriation is limited to the initial fair value write-down of student loans.	558,000	<b>(62,000)</b>	496,000
<b>Initial Fair Value Write-Down Relating to the Small Business Cashflow Scheme COVID-19 (M57) (A10)</b> This appropriation is limited to the to the initial fair value write-down of small business cashflow scheme COVID-19.	-	<b>180,000</b>	180,000
<b>KiwiSaver ex gratia payments (M57) (A10)</b> This appropriation is limited to making ex gratia payments to customers arising from delays in transferring KiwiSaver contributions held by Inland Revenue to scheme providers.	-	<b>10,000</b>	10,000
<b>KiwiSaver: Employee and Employer Contributions PLA (M57) (A10)</b> 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.	6,967,000	(17,000)	6,950,000
<b>Research, Science and Innovation: R&amp;D Tax Incentive (M84) (A10)</b> This appropriation is limited to providing an R&D tax credit to eligible R&D performing businesses.	-	<b>63,000</b>	63,000
<b>Total Non-Departmental Other Expenses</b>	8,405,000	1,041,000	9,446,000

	2020/21		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
Titles and Scopes of Appropriations by Appropriation Type			
<b>Non-Departmental Capital Expenditure</b>			
<b>Small Business Cashflow Scheme COVID-19 (M57) (A10)</b>	-	<b>374,000</b>	374,000
This appropriation is limited to providing a loan to eligible businesses to manage the economic impacts of COVID-19.			
<b>Total Non-Departmental Capital Expenditure</b>	-	374,000	374,000
<b>Multi-Category Expenses and Capital Expenditure</b>			
<b>Services for Customers MCA (M57) (A10)</b>	558,777	<b>27,598</b>	586,375
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.			
<i>Departmental Output Expenses</i>			
<i>Investigations</i>	112,201	11,889	124,090
This category is limited to Inland Revenue undertaking investigation, audit and litigation activities.			
<i>Management of Debt and Unfiled Returns</i>	82,620	8,543	91,163
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>Services to Ministers and to inform the public about entitlements and meeting obligations</i>	224,410	17,799	242,209
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.			
<i>Services to Process Obligations and Entitlements</i>	139,546	(10,633)	128,913
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.			
<b>Total Multi-Category Expenses and Capital Expenditure</b>	558,777	27,598	586,375
<b>Total Annual Appropriations and Forecast Permanent Appropriations</b>	14,273,737	1,277,139	15,550,876

## Multi-Year Appropriations

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<b>Departmental Other Expenses</b>		
<b>Transformation (M57) (A10)</b>	Original Appropriation	1,112,607
This appropriation is limited to the design and implementation of a modern system for tax revenue and social policy administered by Inland Revenue.	Adjustments to 2019/20	(36,792)
	Adjustments for 2020/21	(62,167)
Commences: 01 July 2017	Adjusted Appropriation	1,013,648
Expires: 30 June 2022	Actual to 2019/20 Year End	566,896
	Estimated Actual for 2020/21	130,000
	Estimate for 2021/22	316,752
	Estimated Appropriation Remaining	-

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

	2020/21		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
Total Annual Appropriations and Forecast Permanent Appropriations	14,273,737	1,277,139	15,550,876
Total Forecast MYA Departmental Other Expenses	326,464	(196,464)	130,000
<b>Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations</b>	<b>14,600,201</b>	<b>1,080,675</b>	<b>15,680,876</b>

## Capital Injection Authorisations

	2020/21		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
Inland Revenue Department - Capital Injection (M57) (A10)	154,168	(121,545)	32,623

# Supporting Information

## Part 1 - Vote as a Whole

### 1.2 - Trends in the Vote

#### Summary of Financial Activity

	2020/21				
	Estimates \$000	Supplementary Estimates			Total \$000
		Departmental Transactions \$000	Non- Departmental Transactions \$000	Total Transactions \$000	
<b>Appropriations</b>					
Output Expenses	14,248	2,599	-	2,599	16,847
Benefits or Related Expenses	5,071,100	N/A	(41,100)	(41,100)	5,030,000
Borrowing Expenses	11,500	-	(3,100)	(3,100)	8,400
Other Expenses	8,731,464	(196,464)	1,041,000	844,536	9,576,000
Capital Expenditure	213,112	(123,858)	374,000	250,142	463,254
Intelligence and Security Department Expenses and Capital Expenditure	-	-	N/A	-	-
Multi-Category Expenses and Capital Expenditure (MCA)					
<i>Output Expenses</i>	558,777	27,598	-	27,598	586,375
<i>Other Expenses</i>	-	-	-	-	-
<i>Capital Expenditure</i>	-	N/A	-	-	-
<b>Total Appropriations</b>	14,600,201	(290,125)	1,370,800	1,080,675	15,680,876
<b>Crown Revenue and Capital Receipts</b>					
Tax Revenue	71,586,000	N/A	16,057,000	16,057,000	87,643,000
Non-Tax Revenue	907,800	N/A	(2,300)	(2,300)	905,500
Capital Receipts	1,427,000	N/A	250,000	250,000	1,677,000
<b>Total Crown Revenue and Capital Receipts</b>	73,920,800	N/A	16,304,700	16,304,700	90,225,500

## Part 2 - Details of Departmental Appropriations

### 2.1 - Departmental Output Expenses

#### Policy Advice (M57) (A10)

##### *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*

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	10,306	1,200	11,506
Revenue from the Crown	10,298	1,200	11,498
Revenue from Others	8	-	8

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

This appropriation increased by \$1.200 million to \$11.506 million for 2020/21 due to increased resources to manage Inland Revenue's growing policy and regulatory stewardship activity. These resources had previously been applied to transformation related policy activity within the Transformation appropriation.

#### 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.

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

This appropriation increased by \$1.399 million to \$5.341 million for 2020/21 due to an increase in recoveries of revenue from external parties where Inland Revenue staff are on external secondments and an increase in accommodation sub-leasing expenditure recovered from other government agencies.

## 2.2 - Departmental Other Expenses

### Transformation (M57) (A10)

#### *Scope of Appropriation and Expenses*

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<b>Transformation (M57) (A10)</b> This appropriation is limited to the design and implementation of a modern system for tax revenue and social policy administered by Inland Revenue.  Commences: 01 July 2017  Expires: 30 June 2022	Original Appropriation	1,112,607
	Adjustments to 2019/20	(36,792)
	Adjustments for 2020/21	(62,167)
	Adjusted Appropriation	1,013,648
	Actual to 2019/20 Year End	566,896
	Estimated Actual for 2020/21	130,000
	Estimate for 2021/22	316,752
	Estimated Appropriation Remaining	-

#### *Reasons for Change in Appropriation*

This appropriation decreased by \$62.167 million to \$1,013.648 million for 2020/21 due to:

- a fiscally neutral adjustment of \$49.500 million from the Transformation multi-year appropriation to the Services for Customers multi-category appropriation to fund the incremental costs arising from new assets, systems and capabilities delivered by Inland Revenue's transformation
- a fiscally neutral adjustment of \$10 million from the Transformation multi-year appropriation to the new non-departmental KiwiSaver ex gratia payments appropriation, and
- a decrease of \$2.667 million to reflect the change in the capital charge rate from 6% to 5%.



## 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*

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	9,000	(2,341)	6,659
Intangibles	204,112	(121,517)	82,595
Other	-	-	-
<b>Total Appropriation</b>	<b>213,112</b>	<b>(123,858)</b>	<b>89,254</b>

#### *Reasons for Change in Appropriation*

This appropriation decreased by \$123.858 million to \$89.254 million for 2020/21 to reflect the indicative spend profile on Inland Revenue's transformation and capital replacement programmes.

#### *Capital Injections and Movements in Departmental Net Assets*

##### **Inland Revenue Department**

Details of Net Asset Schedule	2020/21 Main Estimates Projections \$000	2020/21 Supplementary Estimates Projections \$000	Explanation of Projected Movements in 2020/21
Opening Balance	450,694	452,196	Supplementary Estimates opening balance reflects the audited results as at 30 June 2020. The Main Estimates Projection was estimated prior to audit completion.
Capital Injections	154,168	32,623	The original capital injection of \$154.168 million for 2020/21 was for Inland Revenue's transformation programme. The capital injection decreases by \$121.545 million for 2020/21 in the Supplementary Estimates. The reduction includes a transfer of \$122.560 million from 2020/21 to 2021/22 to reflect a change in the spend profile for the transformation programme. This decrease is offset by additional funding of \$1.015 million for electric vehicles.
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
<b>Closing Balance</b>	<b>604,862</b>	<b>484,819</b>	

## Part 3 - Details of Non-Departmental Appropriations

### 3.2 - Non-Departmental Benefits or Related Expenses

#### Best Start Tax Credit PLA (M57) (A10)

##### *Scope of Appropriation*

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

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

This appropriation decreased by \$60 million to \$276 million for 2020/21 due to an expected reduction in year-end claims. Best Start Tax Credit remains a relatively new appropriation but is now starting to mature. Data on the first cohort of eligible families has replaced assumptions used in the initial modelling, particularly in relation to abated entitlements for families with eligible children aged 1 and 2.

#### Child Support Payments PLA (M57) (A10)

##### *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).

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

This appropriation increased by \$12 million to \$284 million for 2020/21 due to the labour market performing better than expected. The 2019/20 Estimates for this appropriation incorporated an assumption of reduced incomes for non-custodial parents during the COVID-19 labour market shock, dampening amounts forwarded to custodians.

#### Child Tax Credit PLA (M57) (A10)

##### *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).

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

The forecast was updated to reflect that this credit is no longer available for new claims.

## Family Tax Credit PLA (M57) (A10)

### *Scope of Appropriation*

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

### *Reasons for Change in Appropriation*

This appropriation decreased by \$9 million to \$2,130 million for 2020/21 due to a decrease of \$12.272 million as entitlements are abated as family incomes grow, offset by a \$3.272 million increase in the appropriation to support foreign nationals in hardship.

## In-Work Tax Credit PLA (M57) (A10)

### *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).

### *Reasons for Change in Appropriation*

This appropriation decreased by \$29 million to \$602 million for 2020/21 due to lower than expected expenditure year to date. In part this is due to ineligibility through employment changes and/or receipt of welfare benefits, not fully captured in last year's estimate. Forecasts for this appropriation included in the 2020/21 Estimates were prepared whilst there was a high level of uncertainty in take-up due to the COVID-19 impact on the labour market and also a simultaneous policy change affected eligibility through removal of the hours test.

## KiwiSaver: Interest (M57) (A10)

### *Scope of Appropriation*

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

### *Reasons for Change in Appropriation*

This appropriation decreased by \$4 million to \$1 million for 2020/21 due to the credit use of money interest rate reducing to 0% from May 2020. The only KiwiSaver interest that is now paid is in relation to older contributions.

## KiwiSaver: Tax Credit (M57) (A10)

### *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.

### *Reasons for Change in Appropriation*

This appropriation increased by \$8 million to \$938 million for 2020/21 due to:

- a \$10 million contingency to prevent any overspend without legislative authority as this is a demand driven appropriation that does not have permanent legislative authority, offset by
- a \$2 million reduction in appropriation reflecting an adjustment to the estimated number of contributing members in 2020/21.

## Minimum Family Tax Credit PLA (M57) (A10)

### *Scope of Appropriation*

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

### *Reasons for Change in Appropriation*

This appropriation decreased by \$1 million to \$21 million for 2020/21 due to:

- a decrease of \$7.700 million due to reduced underlying demand as a result of ineligibility through employment changes and/or receipt of welfare benefits than forecast, offset by
- an increase of \$5.700 million in expenditure due to a retrospective \$25 benefit increase, and
- an increase of \$1 million in expenditure due to benefit abatement threshold increase from 1 April 2021.

## Paid Parental Leave Payments (M57) (A10)

### *Scope of Appropriation*

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

### *Reasons for Change in Appropriation*

This appropriation increased by \$73 million to \$528 million for 2020/21 due to:

- an increase of \$68 million due to the improved outlook for the labour market, the anticipated decline in eligibility from the labour market shock of COVID-19 has not been severe, and
- a contingency of \$5 million to prevent any overspend without legislative authority in the remaining months of the year as this is a demand driven appropriation that does not have permanent legislative authority.

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

### *Scope of Appropriation*

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

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

Assessment of Performance	2020/21		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
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	New Measure	Achieved	Achieved

### *Reasons for Change in Appropriation*

This appropriation decreased by \$31 million to \$250 million for 2020/21 due to:

- a decrease of \$63 million as a result of a reclassification from benefits or related expenses to non-departmental other expenses from May 2021, offset by
- an increase of \$32 million due to stronger economic recovery, resulting in higher expected tax credit claims.

## 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.

#### *Reasons for Change in Appropriation*

This appropriation decreased by \$100,000 to \$1.400 million for 2020/21 due to a minor adjustment to the deposit forecasts.

### 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.

#### *Reasons for Change in Appropriation*

This appropriation decreased by \$3 million to \$7 million for 2020/21 due to deposits being lower than expected. Interest payable depends on amounts deposited in the scheme.

## 3.4 - Non-Departmental Other Expenses

### COVID-19 Resurgence Support Payment (M57) (A10)

#### *Scope of Appropriation*

This appropriation is limited to providing payments to eligible firms to manage the economic impacts of COVID-19 following a shift to higher Alert Levels.

#### *Expenses*

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	400,000	400,000

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

The purpose of this appropriation is to complement the Wage Subsidy Scheme and support businesses fixed costs when transitioning from alert level 1 to alert level 2 or above. These payments are a grant and do not need to be repaid by businesses.

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

This appropriation has an exemption under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for the payment of the COVID-19 resurgence support payments.

#### *Reasons for Change in Appropriation*

This appropriation of \$400 million for 2020/21 was established in February 2021 as part of the COVID-19 response. The appropriation includes:

- a \$200 million forecast for resurgence support payments based on alert levels activated up to 12 April 2021, and
- a contingency of \$200 million for any further activation of the resurgence support payment and to prevent any unauthorised expenditure as this appropriation does not have permanent legislative authority.

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

### *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.

### *Reasons for Change in Appropriation*

This appropriation increased by \$361 million to \$1,241 million for 2020/21 due to:

- a \$200 million contingency to cover COVID-19 related impacts on debt and debt collectability and to prevent any unauthorised expenditure as this appropriation does not have a permanent legislative authority, and
- an increase of \$161 million in the appropriation as a result of a forecast increase in overdue debt in the twelve months to 30 June 2021 due to COVID-19, in addition to a reduction in the collectability of aged debt.

## Impairment of Debt Relating to Child Support (M57) (A10)

### *Scope of Appropriation*

This appropriation is limited to the impairment of child support debt.

### *Expenses*

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	20,000	20,000

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

This appropriation provides for incurring the expense involved in recognising an impairment loss to reflect the recoverable value of the total child support debt as at the end of the financial year.

### *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 child support debt. Performance information relating to this expenditure is provided under the Management of Debt and Unfiled Returns category within the Services to Customers Multi-Category Appropriation.

### *Reasons for Change in Appropriation*

This appropriation of \$20 million for 2020/21 is to reflect the inclusion of a contingency to prevent any unauthorised expenditure as this appropriation does not have a permanent legislative authority.



## Impairment of Debt Relating to Student Loans (M57) (A10)

### *Scope of Appropriation*

This appropriation is limited to the impairment of student loan debt.

### *Expenses*

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	86,000	86,000

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

This appropriation provides for incurring the expense to recognise an impairment loss and reflect the recoverable value of the total student loan debt at the end of a financial year.

### *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 student loan debt. Performance information relating to this expenditure is available to the House of Representatives in the Student Loan Scheme Annual Report 2018.

### *Reasons for Change in Appropriation*

This appropriation of \$86 million for 2020/21 is due to:

- a \$150 million contingency to cover any material differences between the interim and final student loan scheme valuation results as this appropriation does not have a permanent legislative authority, offset by
- a \$64 million forecast gain based on the interim valuation for the student loan scheme that was completed in April 2021.

## 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.

### *Reasons for Change in Appropriation*

This appropriation decreased by \$62 million to \$496 million for 2020/21 due to:

- a \$82 million reduction in write-down as a result of lower discount rates and lower lending than forecasted, offset by
- a contingency of \$20 million 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 to the initial fair value write-down of small business cashflow scheme COVID-19.

### *Expenses*

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	180,000	180,000

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

This appropriation provides for incurring the expense relating to reductions in the nominal value of the Small Business Cashflow (Loan) Scheme lending to reflect the present value of that lending.

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

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for expenses relating to reductions in the nominal value of small business cash flow scheme lending. Performance information relating to the administration of the scheme is provided under the Services for Customers Multi-Category Appropriation.

### *Reasons for Change in Appropriation*

This appropriation of \$180 million for 2020/21 was established in May 2020 as part of the COVID-19 response to record expenses related to the reduction in the nominal value of forecast Small Business Cashflow Scheme lending.

## KiwiSaver ex gratia payments (M57) (A10)

### *Scope of Appropriation*

This appropriation is limited to making ex gratia payments to customers arising from delays in transferring KiwiSaver contributions held by Inland Revenue to scheme providers.

### *Expenses*

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	10,000	10,000

*What is Intended to be Achieved with this Appropriation*

This appropriation provides for incurring expenses relating to ex gratia compensation to KiwiSaver members affected by delays in transferring contributions held by Inland Revenue to scheme providers.

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

This appropriation is short-term in nature and has a limited scope. A reporting exemption was granted under s15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative.

*Reasons for Change in Appropriation*

This is a one-off appropriation of \$10 million for the 2020/21 year.

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

*Reasons for Change in Appropriation*

This appropriation decreased by \$17 million to \$6,950 million for 2020/21 based on an updated forecast for the year.

**Research, Science and Innovation: R&D Tax Incentive (M84) (A10)***Scope of Appropriation*

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

*Expenses*

	2020/21		Total \$000
	Estimates \$000	Supplementary Estimates \$000	
Total Appropriation	-	63,000	63,000

*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*

	2020/21		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
Assessment of Performance			
Positive progress is being made on the criteria for evaluation specified in section LY 10 of the Taxation (Research and Development Tax Credit) Act 2019	New Measure	Achieved	Achieved

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

### *Reasons for Change in Appropriation*

This appropriation of \$63 million for 2020/21 is due to a \$63 million reclassification of the R&D Tax Incentive appropriation from benefits or related expenses to non-departmental other expenses from May 2021.

## 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*

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	374,000	374,000

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

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

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

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for cashflow support to viable small to medium businesses impacted by COVID-19. Performance information relating to the administration of the scheme is provided under the Services for Customers Multi-Category Appropriation.

#### *Reasons for Change in Appropriation*

This appropriation of \$374 million for 2020/21 was established in May 2020 as part of the COVID-19 response and reflects the expected lending to be made to eligible businesses this year.

# 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.

###### *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*

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
<b>Total Appropriation</b>	<b>558,777</b>	<b>27,598</b>	<b>586,375</b>
<b>Departmental Output Expenses</b>			
Investigations	112,201	11,889	124,090
Management of Debt and Unfiled Returns	82,620	8,543	91,163
Services to Ministers and to inform the public about entitlements and meeting obligations	224,410	17,799	242,209
Services to Process Obligations and Entitlements	139,546	(10,633)	128,913

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
<b>Funding for Departmental Output Expenses</b>			
<b>Revenue from the Crown</b>	<b>541,112</b>	<b>28,197</b>	<b>569,309</b>
Investigations	111,965	11,889	123,854
Management of Debt and Unfiled Returns	80,662	9,142	89,804
Services to Ministers and to inform the public about entitlements and meeting obligations	223,224	17,799	241,023
Services to Process Obligations and Entitlements	125,261	(10,633)	114,628
<b>Revenue from Others</b>	<b>17,665</b>	<b>(599)</b>	<b>17,066</b>
Investigations	236	-	236
Management of Debt and Unfiled Returns	1,958	(599)	1,359
Services to Ministers and to inform the public about entitlements and meeting obligations	1,186	-	1,186
Services to Process Obligations and Entitlements	14,285	-	14,285

### *Reasons for Change in Appropriation*

This appropriation increased by \$27.598 million to \$586.375 million for 2020/21 due to:

- additional funding of \$36.900 million to retain Inland Revenue's capability to support the Government's response to COVID-19
- a fiscally neutral adjustment of \$19.900 million to the Services for Customers appropriation from the Transformation multi-year appropriation to fund the incremental costs arising from new assets, systems and capabilities delivered by Inland Revenue's transformation
- in-principle expense transfers totalling \$10.861 million from 2019/20 to 2020/21 to support customer demand for Release 4 of Inland Revenue's transformation, increased activity on customer communication campaigns, infrastructure programme and to administer the Research and Development (R&D) Tax Incentive scheme, and
- additional funding of \$3.950 million to administer the Small Business Cashflow (Loan) Scheme.

This is offset by:

- administrative savings of \$28 million in 2020/21 moved to 2021/22
- an expense transfer of \$10.500 million from 2020/21 to 2027/28 to reflect the depreciation impact of Inland Revenue's updated capital investment plan
- a decrease of \$3.714 million to reflect the change in capital charge rate from 6% to 5%, and
- fiscally neutral adjustments totalling \$1.799 million to re-allocate resources and reflect Inland Revenue's growing policy and regulatory stewardship activity, and decreased court cost recoveries.