

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	2021/22		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
Departmental Output Expenses			
Policy Advice (M57) (A10) This appropriation is limited to the provision of advice, including second opinion advice and contributions to policy advice led by other agencies, to support decision-making by Ministers on government policy matters.	11,500	2,920	14,420
Services to Other Agencies RDA (M57) (A10) This appropriation is limited to the provision of services by Inland Revenue to other agencies, where those services are not within the scope of another departmental output expense appropriation in Vote Revenue.	1,174	710	1,884
Total Departmental Output Expenses	12,674	3,630	16,304
Departmental Capital Expenditure			
Inland Revenue Department - Capital Expenditure PLA (M57) (A10) This appropriation is limited to the purchase or development of assets by and for the use of the Inland Revenue Department, as authorised by section 24(1) of the Public Finance Act 1989.	162,560	(114,395)	48,165
Total Departmental Capital Expenditure	162,560	(114,395)	48,165
Benefits or Related Expenses			
Best Start Tax Credit PLA (M57) (A10) This appropriation is limited to Best Start Tax Credits made to eligible recipients in accordance with section 185 of the Tax Administration Act 1994.	405,000	(66,000)	339,000
Child Support Payments PLA (M57) (A10) This appropriation is limited to child support payments to receiving carers incurred under section 140(2) of the Child Support Act 1991.	286,000	8,000	294,000
Family Tax Credit PLA (M57) (A10) Family Support payments made to beneficiaries and non-beneficiaries during the year (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	2,064,000	44,000	2,108,000
In-Work Tax Credit PLA (M57) (A10) This appropriation is limited to assistance for low to middle income families (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	620,000	(78,000)	542,000
KiwiSaver: Interest (M57) (A10) To enable the payment of interest on KiwiSaver contributions as set out in the KiwiSaver Act 2006.	1,000	-	1,000
KiwiSaver: Tax Credit (M57) (A10) This appropriation is limited to tax credits and residual KiwiSaver entitlements paid to KiwiSaver members in accordance with the Income Tax Act 2007 and KiwiSaver Act 2006.	973,000	14,000	987,000
Minimum Family Tax Credit PLA (M57) (A10) Extra payment made to families where at least one parent is working for salary or wages (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	27,000	(12,000)	15,000
Paid Parental Leave Payments (M57) (A10) This appropriation is limited to Paid Parental Leave Payments made to parents in accordance with the Parental Leave and Employment Protection Act 1987.	540,000	80,000	620,000

	2021/22		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
Titles and Scopes of Appropriations by Appropriation Type			
Total Benefits or Related Expenses	4,916,000	(10,000)	4,906,000
Non-Departmental Borrowing Expenses			
Environmental Restoration Account Interest PLA (M57) (A10) This appropriation is limited to interest on Environmental Restoration accounts, authorised by section 65ZH(1) of the Public Finance Act 1989.	1,400	-	1,400
Income Equalisation Interest PLA (M57) (A10) This appropriation is limited to interest on Income Equalisation Reserve Scheme accounts held by taxpayers in the farming, fishing or forestry industries, authorised by section 65ZH(1) of the Public Finance Act 1989.	10,000	(3,000)	7,000
Total Non-Departmental Borrowing Expenses	11,400	(3,000)	8,400
Non-Departmental Other Expenses			
COVID-19 Resurgence Support Payment (M57) (A10) 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.	-	2,726,943	2,726,943
COVID-19 Support Payment (M57) (A10) This appropriation is limited to providing support to eligible firms adversely financially affected as a result of COVID-19 by a public health measure, business circumstance, or other related matter.	-	1,530,000	1,530,000
Impairment of Debt and Debt Write-Offs (M57) (A10) This appropriation is limited to write-offs and remissions for Crown debt administered by Inland Revenue, excluding child support and student loans, and to the impairment of this debt.	841,000	200,000	1,041,000
Impairment of Debt and Debt Write-Offs Relating to Child Support (M57) (A10) This appropriation is limited to write-offs for child support debt and to the impairment of this debt.	-	60,000	60,000
Impairment of Debt Relating to Student Loans (M57) (A10) This appropriation is limited to the impairment of student loan debt.	-	139,000	139,000
Impairment of debt relating to the SBCS (M57) (A10) This appropriation is limited to the impairment of the Small Business Cashflow Scheme.	-	385,000	385,000
Initial Fair Value Write-Down Relating to Student Loans (M57) (A10) This appropriation is limited to the initial fair value write-down of student loans.	515,000	32,000	547,000
Initial Fair Value Write-Down Relating to the Small Business Cashflow Scheme COVID-19 (M57) (A10) This appropriation is limited to the to the initial fair value write-down of small business cashflow scheme COVID-19.	84,000	555,000	639,000
KiwiSaver: Employee and Employer Contributions PLA (M57) (A10) This appropriation is limited to Inland Revenue paying employee and employer contributions to KiwiSaver Scheme providers in accordance with section 73(3) of the KiwiSaver Act 2006.	7,540,000	180,000	7,720,000
Research, Science and Innovation: R&D Tax Incentive (M84) (A10) This appropriation is limited to providing an R&D tax credit to eligible R&D performing businesses.	453,500	19,845	473,345
Total Non-Departmental Other Expenses	9,433,500	5,827,788	15,261,288
Non-Departmental Capital Expenditure			
Small Business Cashflow Scheme COVID-19 (M57) (A10) This appropriation is limited to providing a loan to eligible businesses to manage the economic impacts of COVID-19.	175,000	1,317,000	1,492,000
Total Non-Departmental Capital Expenditure	175,000	1,317,000	1,492,000

Titles and Scopes of Appropriations by Appropriation Type	2021/22		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
Multi-Category Expenses and Capital Expenditure			
Services for Customers MCA (M57) (A10) The single overarching purpose of this appropriation is to deliver a customer-centric, integrated tax and entitlement service experience for New Zealanders that is agile and intelligence-led.	569,785	53,020	622,805
<i>Departmental Output Expenses</i>			
<i>Investigations</i> This category is limited to Inland Revenue undertaking investigation, audit and litigation activities.	114,238	5,735	119,973
<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.	83,634	9,755	93,389
<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.	233,419	36,510	269,929
<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.	138,494	1,020	139,514
Total Multi-Category Expenses and Capital Expenditure	569,785	53,020	622,805
Total Annual Appropriations and Forecast Permanent Appropriations	15,280,919	7,074,043	22,354,962

Multi-Year Appropriations

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
Departmental Other Expenses		
Transformation (M57) (A10) This appropriation is limited to the design and implementation of a modern system for tax revenue and social policy administered by Inland Revenue. Commences: 01 July 2017 Expires: 30 June 2022	Original Appropriation Adjustments to 2020/21 Adjustments for 2021/22 Adjusted Appropriation Actual to 2020/21 Year End Estimated Actual for 2021/22 Estimate for 2022/23 Estimated Appropriation Remaining	1,112,607 (98,959) (204,612) 809,036 695,526 113,510 - -

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

	2021/22		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
Total Annual Appropriations and Forecast Permanent Appropriations	15,280,919	7,074,043	22,354,962
Total Forecast MYA Departmental Other Expenses	316,752	(203,242)	113,510
Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations	15,597,671	6,870,801	22,468,472

Capital Injection Authorisations

	2021/22		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
Inland Revenue Department - Capital Injection (M57) (A10)	122,560	-	122,560

Supporting Information

Part 1 - Vote as a Whole

1.2 - Trends in the Vote

Summary of Financial Activity

	2021/22				
	Estimates \$000	Supplementary Estimates			Total \$000
		Departmental Transactions \$000	Non- Departmental Transactions \$000	Total Transactions \$000	
Appropriations					
Output Expenses	12,674	3,630	-	3,630	16,304
Benefits or Related Expenses	4,916,000	N/A	(10,000)	(10,000)	4,906,000
Borrowing Expenses	11,400	-	(3,000)	(3,000)	8,400
Other Expenses	9,750,252	(203,242)	5,827,788	5,624,546	15,374,798
Capital Expenditure	337,560	(114,395)	1,317,000	1,202,605	1,540,165
Intelligence and Security Department Expenses and Capital Expenditure	-	-	N/A	-	-
Multi-Category Expenses and Capital Expenditure (MCA)					
<i>Output Expenses</i>	569,785	53,020	-	53,020	622,805
<i>Other Expenses</i>	-	-	-	-	-
<i>Capital Expenditure</i>	-	N/A	-	-	-
Total Appropriations	15,597,671	(260,987)	7,131,788	6,870,801	22,468,472
Crown Revenue and Capital Receipts					
Tax Revenue	86,968,000	N/A	9,783,000	9,783,000	96,751,000
Non-Tax Revenue	868,300	N/A	(207,300)	(207,300)	661,000
Capital Receipts	1,850,000	N/A	483,000	483,000	2,333,000
Total Crown Revenue and Capital Receipts	89,686,300	N/A	10,058,700	10,058,700	99,745,000

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

	2021/22		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	11,500	2,920	14,420
Revenue from the Crown	11,499	2,920	14,419
Revenue from Others	1	-	1

Reasons for Change in Appropriation

This appropriation increased by \$2.920 million to \$14.420 million for 2021/22 due to a fiscally neutral adjustment from the Services for customers multi-category appropriation to the Policy advice appropriation as the majority of work for the *Ensuring the tax system is operating fairly* initiative better aligns to the scope of Policy advice and a shift in resources to manage policy and regulatory stewardship activity.

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 \$710,000 to \$1.884 million for 2021/22 due to an increase in accommodation sub-leasing expenditure recovered from other government agencies, and an increase for services provided to the Department of Internal Affairs for archiving of financial data.

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
Transformation (M57) (A10) This appropriation is limited to the design and implementation of a modern system for tax revenue and social policy administered by Inland Revenue. Commences: 01 July 2017 Expires: 30 June 2022	Original Appropriation	1,112,607
	Adjustments to 2020/21	(98,959)
	Adjustments for 2021/22	(204,612)
	Adjusted Appropriation	809,036
	Actual to 2020/21 Year End	695,526
	Estimated Actual for 2021/22	113,510
	Estimate for 2022/23	-
	Estimated Appropriation Remaining	-

Reasons for Change in Appropriation

This appropriation decreased by \$204.612 million to \$809.036 million for 2021/22 due to:

- a fiscally neutral adjustment of \$134.709 million for the return of transformation operating funding
- a fiscally neutral adjustment of \$35 million from 2021/22 to 2022/23 and 2023/24 to fund residual transformation activities following the transformation programme's substantive closure
- a fiscally neutral adjustment of \$34.200 million to the Services for customers appropriation from the Transformation multi-year appropriation for cost and services that have transitioned to Inland Revenue's operational business functions, and
- a reduction in depreciation and capital charge of \$3.468 million relating to a capital to operating swap of \$22.700 million to fund increasing demand and system integrity issues due to COVID-19 in 2022/23.

This is offset by:

- an expense transfer of \$2.765 million from 2020/21 to 2021/22 for unused funds from the KiwiSaver ex gratia payments appropriation.

2.3 - Departmental Capital Expenditure and Capital Injections

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

Scope of Appropriation

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

Capital Expenditure

	2021/22		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	13,000	3,642	16,642
Intangibles	149,560	(118,037)	31,523
Other	-	-	-
Total Appropriation	162,560	(114,395)	48,165

Reasons for Change in Appropriation

This appropriation decreased by \$114.395 million to \$48.165 million for 2021/22 due to:

- a return of \$93 million to the Crown for unused funding following the closure of the transformation programme
- a swap of \$22.700 million from departmental capital to operating to manage Inland Revenue's increasing demand and system integrity issues due to COVID-19, and
- a technical (fiscally neutral) adjustment of \$3.500 million from departmental capital to the Services for customers appropriation due to the operating impact of the change to the Crown accounting policy for software as a service arrangements.

This is offset by:

- forecast increases of \$4.805 million to reflect timing changes for asset replacement.

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

Details of Net Asset Schedule	2021/22 Main Estimates Projections \$000	2021/22 Supplementary Estimates Projections \$000	Explanation of Projected Movements in 2021/22
Opening Balance	484,819	484,721	Supplementary Estimates opening balance reflects the audited results as at 30 June 2021.
Capital Injections	122,560	122,560	
Capital Withdrawals	-	(119,200)	The capital withdrawals include: a hand back of \$93 million unused funding following the closure of Inland Revenue's transformation programme as at the end of June 2022, a transfer of \$22.700 million from transformation in 2021/22 to the Services for customers MCA in 2022/23, and a fiscally neutral capital to operating swap of \$3.500 million to fund the operating impact of the change to the Crown accounting policy for software as a service arrangements.
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	(17,460)	This movement is required to restate the 30 June 2021 financial statement balances, based on writing off the net book value of certain capitalised software as a service (SaaS) costs as a result of the application of the new Crown accounting policy for SaaS.
Closing Balance	607,379	470,621	

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 \$66 million to \$339 million for 2021/22 due to an expected reduction in year-end claims. Best Start Tax Credit remains a relatively new appropriation but there is now sufficient data from the first two cohorts to replace the assumptions used in the initial modelling, particularly in relation to annual growth in abated entitlements for families with eligible children aged 1 and 2.

Child Support Payments PLA (M57) (A10)

Scope of Appropriation

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

Reasons for Change in Appropriation

This appropriation increased by \$8 million to \$294 million for 2021/22 due to a timing difference. An administrative change occurred within the year, with payments to custodial parents now on-forwarded in the same month that they are received instead of lagging into the subsequent month. As a result, a one-off additional amount was recognised within the year.

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 increased by \$44 million to \$2,108 million for 2021/22 due to changes in policy. Policy changes effective from 1 April 2022 increase entitlements by \$5 per family per week but also apply steeper abatement (loss of entitlement as incomes grow) for families with incomes above the abatement threshold. The net impact of these changes for the 2021/22 year was estimated at \$22 million. The change in appropriation also reflects an increase in the April 2022 indexation adjustment to 8.72%, previously assumed at 5.93%. As a partial offset, income growth through the period was stronger than predicted last year, with more attrition of entitlements through the abatement mechanism.

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

Scope of Appropriation

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

Reasons for Change in Appropriation

This appropriation decreased by \$78 million to \$542 million for 2021/22 due to lower entitlement as a result of income growth. About 75% of the In-Work Tax Credit is paid to families who earn above the abatement threshold, and the credit is therefore sensitive to income growth, which has been stronger than expected throughout the year. Policy changes effective in April 2022 also steepen the abatement rate, now 27%, with a net impact in the 2021/22 year estimated at a decrease of \$5 million.

KiwiSaver: Tax Credit (M57) (A10)

Scope of Appropriation

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

Reasons for Change in Appropriation

This appropriation increased by \$14 million to \$987 million for 2021/22 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, and
- a \$4 million increase in appropriation reflecting that wage growth increased qualifying contributions during the year.

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 \$12 million to \$15 million for 2021/22 due to changes in the expected demand for this credit.

Paid Parental Leave Payments (M57) (A10)

Scope of Appropriation

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

Reasons for Change in Appropriation

This appropriation increased by \$80 million to \$620 million for 2021/22 due to:

- a revision to the estimated volume of claims consequential to the increase to 26 weeks of entitlement
- stronger income growth and hence a stronger increased maximum entitlement, 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.

3.3 - Non-Departmental Borrowing Expenses

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 2021/22 due to deposits held being lower than expected. Interest payable depends on the amounts deposited into 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

	2021/22		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	2,726,943	2,726,943

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 \$2,727 million for 2021/22 is to provide support to eligible firms adversely financially affected as a result of COVID-19, by a public health measure, business circumstance, or other related matter.

COVID-19 Support Payment (M57) (A10)

Scope of Appropriation

This appropriation is limited to providing support to eligible firms adversely financially affected as a result of COVID-19 by a public health measure, business circumstance, or other related matter.

Expenses

	2021/22		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	1,530,000	1,530,000

What is Intended to be Achieved with this Appropriation

The purpose of this appropriation is to support businesses in adverse circumstances arising from the effect of the public health measures (including the COVID-19 Protection Framework Red setting) and the rapid increase in COVID-19 in the community in New Zealand. 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 support payments.

Reasons for Change in Appropriation

This appropriation of \$1,530 million for 2021/22 was established in February 2022 to provide support to eligible firms adversely financially affected, as a result of COVID-19, by a public health measure, business circumstance, or other related matter.

Impairment of Debt and Debt Write-Offs (M57) (A10)*Scope of Appropriation*

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

Reasons for Change in Appropriation

This appropriation increased by \$200 million to \$1,041 million for 2021/22 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.

Impairment of Debt and Debt Write-Offs Relating to Child Support (M57) (A10)*Scope of Appropriation*

This appropriation is limited to write-offs for child support debt and to the impairment of this debt.

Expenses

	2021/22		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	60,000	60,000

What is Intended to be Achieved with this Appropriation

This appropriation provides for impairment losses which result from a reduction in the recoverable value of the total child support debt.

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 unfilled returns category within the Services for customers multi-category appropriation.

Reasons for Change in Appropriation

This appropriation of \$60 million for 2021/22 is due to:

- a \$30 million forecast loss based on the interim valuation for the child support debt that was completed in March 2022, and
- a \$30 million contingency to cover any material differences between the interim and final child support debt valuation results 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

	2021/22		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	139,000	139,000

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 \$139 million for 2021/22 is due to:

- a \$200 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 \$61 million forecast gain based on the interim valuation for the student loan scheme that was completed in March 2022.

Impairment of debt relating to the SBCS (M57) (A10)

Scope of Appropriation

This appropriation is limited to the impairment of the Small Business Cashflow Scheme.

Expenses

	2021/22		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	385,000	385,000

What is Intended to be Achieved with this Appropriation

The Small Business Cashflow Scheme assists small-to-medium businesses impacted by COVID-19. This appropriation is limited to the impairment of the Small Business Cashflow Scheme.

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 for customers multi-category appropriation.

Reasons for Change in Appropriation

This appropriation of \$385 million for 2021/22 is due to:

- a \$245 million contingency to cover any material differences between the interim and final Small Business Cashflow Scheme valuation results as this appropriation does not have a permanent legislative authority, and
- a \$140 million forecast loss based on the interim valuation for the Small Business Cashflow Scheme that was completed in April 2022.

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

Scope of Appropriation

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

Reasons for Change in Appropriation

This appropriation increased by \$32 million to \$547 million for 2021/22 due to:

- a \$72 million increase in write-down as a result of higher discount rates and repayment assumptions
- a \$60 million decrease due to lower lending than forecasted, and
- a contingency of \$20 million 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.

Reasons for Change in Appropriation

This appropriation increased by \$555 million to \$639 million for 2021/22 due to an increase in write-down as a result of higher lending forecasted. Refer to the Small Business Cashflow Scheme Capital Expenditure appropriation for more information.

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

Scope of Appropriation

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

Reasons for Change in Appropriation

This appropriation increased by \$180 million to \$7,720 million for 2021/22 due to stronger income growth and hence increased contributions to savings.

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.

Reasons for Change in Appropriation

This appropriation increased by \$19.845 million to \$473.345 million for 2021/22 due to:

- a \$43 million increase in forecast tax incentives to reflect updated GDP estimates provided by the Treasury and the latest information on R&D expenditure, offset by
- a \$16.800 million release of a surplus resulting from credits processed for the 31 March 2020 tax year being less than accrued, and
- a \$6.355 million decrease in forecast.

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.

Reasons for Change in Appropriation

This appropriation increased by \$1,317 million to \$1,492 million for 2021/22 due to:

- a significant policy change to the scheme itself with top up loans of an additional \$10,000 per business available from 21 March 2022. The top up loans are also available to businesses with existing loans and do not require the original lending to have been repaid. The additional lending anticipated under this change between 21 March 2022 and 30 June 2022 is \$899 million but demand remains highly uncertain.
- a \$418 million increase based on borrowing under the scheme being affected by the impact of COVID-19 and the associated health response on businesses' ability to trade. During 2021/22 there have been additional lockdowns for the health response to the Delta variant and the more recent economic impact of the Omicron variant.

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

	2021/22		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	569,785	53,020	622,805
Departmental Output Expenses			
Investigations	114,238	5,735	119,973
Management of Debt and Unfiled Returns	83,634	9,755	93,389
Services to Ministers and to inform the public about entitlements and meeting obligations	233,419	36,510	269,929
Services to Process Obligations and Entitlements	138,494	1,020	139,514

	2021/22		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Funding for Departmental Output Expenses			
Revenue from the Crown	553,085	53,020	606,105
Investigations	114,089	5,735	119,824
Management of Debt and Unfiled Returns	82,362	9,755	92,117
Services to Ministers and to inform the public about entitlements and meeting obligations	232,374	36,510	268,884
Services to Process Obligations and Entitlements	124,260	1,020	125,280
Revenue from Others	16,700	-	16,700
Investigations	149	-	149
Management of Debt and Unfiled Returns	1,272	-	1,272
Services to Ministers and to inform the public about entitlements and meeting obligations	1,045	-	1,045
Services to Process Obligations and Entitlements	14,234	-	14,234

Reasons for Change in Appropriation

This appropriation increased by \$53.020 million to \$622.805 million due to:

- fiscally neutral adjustments of \$34.200 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
- a fiscally neutral adjustment of \$17.460 million for the retrospective non-cash adjustment to the 2020/21 balance sheet that results in the write-off of intangible assets following the change to the Crown accounting policy for software as a service arrangements
- additional funding of \$3.580 million to administer the *Taxation of housing initiative*
- an expense transfer of \$3.500 million from 2020/21 to 2021/22 to administer the Research and Development (R&D) Tax Incentive scheme
- a fiscally neutral adjustment of \$3.500 million due to the operating impact of the change to the Crown accounting policy for software as a service arrangements
- additional funding of \$2 million to administer the Resurgence Support Payment scheme, and
- an expense transfer of \$1.700 million from 2020/21 to 2021/22 to support customer demand for Stage 4 of business transformation.

This is partially offset by:

- administrative savings of \$10 million transferred from 2021/22 to 2022/23, and
- fiscally neutral adjustments of \$2.920 million from the Services for customers multi-category appropriation to the Policy advice appropriation to reflect a shift of the funding for the *Ensuring the tax system is operating fairly* initiative, and a shift in resources to manage policy and regulatory stewardship activity.