

# VOTE *Revenue*

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# Revenue

## Overview

Appropriations sought for Vote Revenue in 2003/04 total \$9,858.804 million. This is intended to be spent as follows:

- \$450.278 million (4.57% of the Vote) on purchasing tax and social policy outputs from Inland Revenue including:
  - information services for taxpayers
  - assessment and collection of tax
  - enforcement activities.
- \$1,171.000 million (11.88% of the Vote) on social assistance, including the administration and payment of Paid Parental Leave, Family Support Tax Credit, Family Tax Credit, Child Tax Credit, Child Support Tax Credit and Parental Tax Credit.
- \$8,082.150 million (84.10% of the Vote) on tax refunds to taxpayers, non-tax payments, and for payment to the Accident Compensation Corporation for earner premium.
- \$3.376 million (0.04% of the Vote) on borrowing expenses relating to the Income Equalisation scheme and Adverse Event scheme.
- \$152.000 million (1.54% of the Vote) on repayment of loans relating to the Income Equalisation scheme and Adverse Event scheme.

Inland Revenue expects to assess and collect \$44,786.679 million of Crown revenue in 2003/04, \$43,383 million of which is gross tax revenue including:

- |  |                  |
|--|------------------|
| • source deductions from individual taxpayers                  | \$16,396 million |
| • goods and services tax                                       | \$14,323 million |
| • company tax  | \$ 5,651 million |
| • other persons (other income tax from individuals and trusts) | \$ 4,328 million |
| • withholding taxes  | \$ 1,954 million |

Details of how the appropriations are to be spent appear in Parts B1, C and E. Details of Crown revenue appear in Part F.

## Terms and Definitions Used

<b>ACC</b>	Accident Compensation Corporation
<b>FBT</b>	Fringe benefit tax
<b>PAYE</b>	Pay as you earn
<b>PPL</b>	Paid parental leave
<b>RWT</b>	Resident withholding tax

## Footnotes

<b>Note 1</b>	Expenses to be incurred pursuant to section 185 of the Tax Administration Act 1994
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# Revenue

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VOTE MINISTER: Minister of Revenue  
ADMINISTERING DEPARTMENT: Inland Revenue  
The Minister of Revenue is the Responsible Minister for Inland Revenue

## Part A - Statement of Objectives and Trends

### Part A1 - Objectives for Vote Revenue

#### *Linkages to the Government Goals*

##### **Introduction**

Inland Revenue contributes to four Government goals:

- grow an inclusive, innovative economy for the benefit of all
- maintain trust in government and provide strong social services
- reduce inequalities in health, education, employment and housing
- improve New Zealanders' skills.

To support the above goals, Inland Revenue has identified four primary outcomes that focus on its main areas of activity: taxation, family assistance, child support and student loans. Inland Revenue is also actively developing its approach to the Government goal concerning the Treaty of Waitangi.

##### **Taxation outcomes**

*Revenue is available to fund Government programmes through an effective and efficient tax system and administration*

Inland Revenue contributes to a sustainable fiscal position and thereby the Government's goal: *Grow an inclusive, innovative economy for the benefit of all*. This is achieved through the collection of revenue which is used to fund Government programmes.

Inland Revenue collects 83% of the Government's tax revenue. It also provides policy advice to Government on the design of the tax system. Our outcome assumes that an effective and efficient tax system, that people value and which is easy to comply with, will lead to higher compliance. However, steps may also need to be taken to ensure particular taxpayers meet their obligations. It also assumes that taxpayers are more likely to meet their obligations if they have confidence that Inland Revenue operates in a way which is professional, approachable, effective and efficient.

To support our primary outcome there are four intermediate outcomes:

- people value the tax system and have confidence in the tax administration
- compliance with the law is made easy
- the law and appropriate enforcement action encourage compliance
- revenue is collected within the law and in a manner that protects the integrity of the tax system.

## Social programme outcomes

The family assistance and child support outcomes contribute to the wider goal of enabling families with dependent children to participate in the community and the workforce, and thereby being able to make a contribution to society. In the case of student loans, the wider goal is the accessibility of tertiary education to all and the reduction of inequalities in the community.

The social programme outcomes are discussed below.

*Eligible families with dependent children receive the financial support they are entitled to*

This primary outcome covers Inland Revenue's activities in delivering family assistance. It relates directly to various Government Goals, namely: *Maintain trust in Government and provide strong social services, Grow an inclusive, innovative economy for the benefit of all, and Reduce inequalities in health, education, employment and housing.*

In order to ensure that eligible families with dependent children receive the financial support to which they are entitled, Inland Revenue has developed two intermediate outcomes:

- people receive their correct entitlements to family assistance and paid parental leave
- applying for and receiving family assistance is easy.

*Parents living apart maintain financial responsibility for their children*

To carry out its role in child support the department has four intermediate outcomes which contribute to achieving this outcome:

- fulfilling obligations and receiving entitlements is made easy
- people value the child support system and have confidence in its administration
- child support customers know their entitlements and obligations
- the law and appropriate enforcement action encourage compliance.

*Student loans are repaid*

The final major outcome relates to student loans. This activity supports three wider Government Goals: *Reduce inequalities in health, education, employment and housing, Grow an inclusive, innovative economy for the benefit of all, and Improve New Zealanders' skills.* To support Inland Revenue's objective of collecting repayments, four intermediate outcomes have been designed to assist in implementation:

- borrowers meet repayment obligations
- borrowers have the tools, information and are aware of available options to manage repayments actively
- the repayment process is cost-effective and convenient for borrowers
- the law supports appropriate enforcement and action is taken to encourage compliance.

## Treaty of Waitangi

The key Government Goal to *Strengthen national identity and uphold the principles of the Treaty of Waitangi* is being addressed by the department through its work on identifying what the Treaty of Waitangi means for Inland Revenue, and through the design and delivery of appropriate services for Māori. The work on the Treaty of Waitangi statement and strategy will be completed in the 2003/04 year.

## Linkages to output classes

The following table details the linkages between Government Goals, Inland Revenue's primary outcomes, and the department's output classes. The linkages show only the most significant contributors to each outcome.

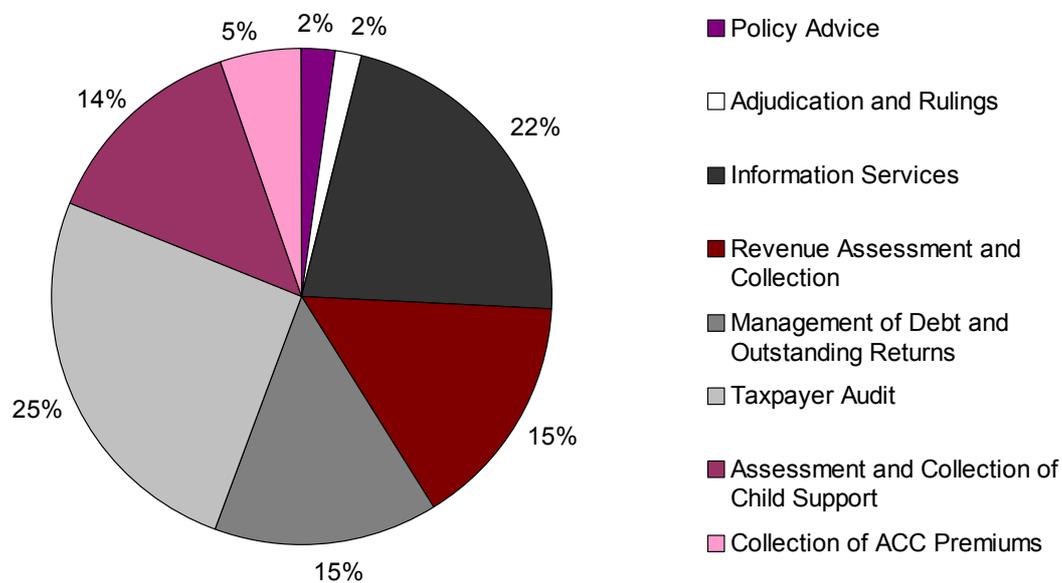
Government Goals/Primary Outcome	Output Class
<b><u>Grow an inclusive, innovative economy for the benefit of all</u></b>	
Revenue is available to fund government programmes through an effective and efficient tax system and administration	D1 - Policy Advice D2 - Adjudication and Rulings D3 - Information Services D4 - Revenue Assessment and Collection D5 - Management of Debt and Outstanding Returns D6 - Taxpayer Audit Inland Revenue collects the Government's general taxation revenue. The provision of advice and analysis is shared jointly with The Treasury using the Generic Tax Policy Process.
<b><u>Maintain trust in government and provide strong social services</u></b>	
<b><u>Grow an inclusive, innovative economy for the benefit of all</u></b>	
<b><u>Reduce inequalities in health, education, employment and housing</u></b>	
Eligible families with dependent children receive the financial support they are entitled to	D1 - Policy Advice D3 - Information Services D4 - Revenue Assessment and Collection D5 - Management of Debt and Outstanding Returns Inland Revenue makes payments to eligible families for family assistance and paid parental leave. These contribute to improving the financial wellbeing of those eligible families.
Parents living apart maintain financial responsibility for their children	D1 - Policy Advice D7 - Child Support Inland Revenue collects and redistributes child support payments, which directly contributes to the provision of financial support to children whose parents live apart.

Government Goals/Primary Outcome	Output Class
<u>Grow an inclusive, innovative economy for the benefit of all</u>	
<u>Reduce inequalities in health, education, employment and housing</u>	
<u>Improve New Zealanders' skills</u>	
Student loans are repaid	D1 - Policy Advice D3 - Information Services D4 - Revenue Assessment and Collection D5 - Management of Debt and Outstanding Returns Inland Revenue collects student loan repayments. Other government departments concerned with the scheme are the Ministry of Education, which advises the government about student loan policy, and The Ministry of Social Development, which provides student allowances and loans through StudyLink.

*2003/04 Vote Revenue Output Classes Budgeted Expenditure*

The proportions of 2003/04 budgeted expenditure among output classes are depicted in Figure 1.

**Figure 1** - Total Departmental Output Classes 2003/04



Source: Inland Revenue

## Part A2 - Trends in Vote Revenue

### *Departmental Output Trends 1998/99 to 2003/04*

As outlined in the table below, annual departmental output class costs have increased by \$11.108 million (2.53%) from \$439.170 million in 1998/99 to \$450.278 million in 2003/04.

<b>Total Output Class Costs</b>	<b>1998/99 Actual \$000</b>	<b>1999/2000 Actual \$000</b>	<b>2000/01 Actual \$000</b>	<b>2001/02 Actual \$000</b>	<b>2002/03 Estimated \$000</b>	<b>2003/04 Vote \$000</b>
Total Output Class Costs	439,170	398,529	407,504	414,504	432,048	450,278

Significant movements over this period are as follows:

- the above average figure in 1998/99 reflects the impact of transitional costs associated with the Tax Simplification initiative
- the increase in 2000/01 reflects additional funding to meet increased litigation costs, implementation of new Government policies, an increase in Information Services demand, and the restoration of capability in Inland Revenue's service areas
- the increase in 2001/02 relates to increased enforcement activity in line with the department's compliance improvement strategy, increased emphasis on the tax policy work programme, and changes to the administration of Child Support. Baseline increases were also received for the implementation of Paid Parental Leave, and court cost recoveries. These costs are partially offset by Tax Simplification savings
- the increase in 2002/03 relates to funding to maintain the tax base, implementation of the department's new business plan *The Way Forward* and the administration cost of the new debt and hardship rules
- the increase in 2003/04 relates to funding to enhance audit capability, and funding for initiatives in Child Support designed to cope with large growth in activity and to reduce debt levels.

The following table outlines the costs of all output classes from 1998/99 to 2003/04:

<b>Output Class Costs</b>	<b>1998/99 Actual \$000</b>	<b>1999/2000 Actual \$000</b>	<b>2000/01 Actual \$000</b>	<b>2001/02 Actual \$000</b>	<b>2002/03 Estimated \$000</b>	<b>2003/04 Vote \$000</b>
Policy Advice	9,269	9,409	9,739	9,662	8,452	9,801
Adjudication and Rulings	6,118	6,737	6,979	7,156	7,100	7,431
Information Services	88,949	69,044	74,059	80,719	99,140	102,189
Revenue Assessment and Collection	71,918	70,148	66,591	58,548	65,218	67,805

<b>Output Class Costs</b>	<b>1998/99 Actual \$000</b>	<b>1999/2000 Actual \$000</b>	<b>2000/01 Actual \$000</b>	<b>2001/02 Actual \$000</b>	<b>2002/03 Estimated \$000</b>	<b>2003/04 Vote \$000</b>
Management of Debt and Outstanding Returns	61,407	56,035	57,638	51,486	64,164	65,342
Taxpayer Audit	90,692	84,899	88,503	100,181	103,948	113,317
Assessment and Collection of Child Support	52,161	47,725	50,559	52,875	56,948	61,161
Collection of ACC Premiums	28,765	32,196	31,396	32,539	27,078	23,232
Administration of Income Maintenance	15,640	9,725	9,240	9,980	-	-
Student Loan Scheme	10,265	8,498	8,965	9,656	-	-
Supply of Information to Other Agencies	1,644	1,750	1,650	1,702	-	-
Child Support Administrative Reviews	2,342	2,363	2,185	-	-	-
<b>Total Output Classes</b>	<b>439,170</b>	<b>398,529</b>	<b>407,504</b>	<b>414,504</b>	<b>432,048</b>	<b>450,278</b>

Comments on major trends:

- The increase in the Policy Advice output class from 2000/01 is due to increased work loads in the tax policy work programme including the rewrite of the Income Tax Act. In 2003/04 additional funding has been received for additional resources to achieve the work program.
- Between 1999/2000 and 2003/04 the cost of the Information Services output class will increase by \$33.145 million (48.01%). From 2002/03 the output classes Student Loan Scheme and Administration of Income Maintenance have been partially integrated within this class. Increases in 2000/01 and 2001/02 were due to unprecedented demand in telephone services. This trend has been maintained as call centres continue to offer customers improved services.
- The cost of the Revenue Assessment and Collection output class has remained fairly constant since 1998/99. From 2002/03 the Student Loan Scheme and Administration of Income Maintenance output classes have been partially integrated within this class. The Supply of Information to Other Agencies output class has been fully integrated.
- The cost of the Management of Debt and Outstanding Returns output class has remained fairly constant since 1998/99. From 2002/03 the Student Loan Scheme and Administration of Income Maintenance output classes have been partially integrated within this class.

- Taxpayer Audit output costs increased by \$28.418 million (33.47%) between 1999/2000 and 2003/04. This increase in costs from 2000/01 is due to Inland Revenue's continuing focus on compliance improvement including aggressive tax issues and tax evasion. An additional \$4.375 million in 2003/04 will enhance audit capability in the corporates area. From 2002/03 the Student Loan Scheme and Administration of Income Maintenance output classes have been partially integrated within this class.
- Assessment and Collection of Child Support output costs have increased by \$9.000 million (17.25%) between 1998/99 and 2003/04. This increase is due to growth in demand for Child Support services and efforts to reduce levels of debt. From 2001/02 the Child Support Administrative Reviews output class has been integrated as an output within this class.

### *Benefits and Other Unrequited Expenses: Trends 1998/99 to 2003/04*

Benefits and other unrequited expenses represent payments by the Inland Revenue to individuals for which no direct exchange of value is expected in return. In the case of Child Support, payments made to custodial parents will not be made until payment has been received from the liable parent. The major categories of benefits and other unrequited payments are listed below and further information is provided in the table in part B1 "Details of Appropriations: Benefits and Other Unrequited Expenses."

- The disbursement of Child Support payments to non-beneficiary custodial persons is projected to increase by \$45 million from \$72 million in 1998/99 to \$117 million in 2003/04.
- Payment of Family Support Tax Credit and Family Tax Credit is projected to decrease by \$106 million from \$921 million in 1998/99 to \$815 million in 2003/04. This decrease is due to a reduction in back-end adjustments due to pro-active action taken during the year.
- Child Tax Credit is projected to cost \$159 million in 2003/04 compared to \$164 million in 1998/99. The increased costs are due to increased awareness of the Child Tax Credit.
- Parental Tax Credit provides support for eligible working families with a new child born after 30 September 1999, up to \$150 per week for eight weeks. It is projected to cost \$16 million in 2003/04.

Paid Parental Leave provides support for new parents who have been in paid employment for more than 12 months before the due date of the new born child and working for a weekly average of 10 hours. The maximum payment is \$320 gross per week. The scheme commenced in July 2002. It is projected to cost \$64 million in 2003/04 compared to \$55 million in 2002/03.

### *Borrowing Expenses: Trends 1998/99 to 2003/04*

Borrowing expenses represent the interest payable to members of the Adverse Event and Income Equalisation schemes. Interest is affected by fluctuations in the level of withdrawals and deposits by taxpayers in the farming, fishing and forestry industries.

### *Other Expenses: Trends 1998/99 to 2003/04*

#### **Non-departmental**

Other Expenses - Non-Departmental includes tax refunds to taxpayers and non-tax payments for:

- The payment to the ACC of earner premiums collected on its behalf. This has increased by \$67 million from \$578 million in 1998/99 to a projected \$645 million in 2003/04.
- Withdrawals of funds by members of the Adverse Event and Income Equalisation schemes. Fluctuations are largely caused by changes in the economic and income conditions in the farming, fishing and forestry industries.
- The repayment of monies previously deposited with the Crown as unclaimed. This has been consistent year to year.

### *Crown Revenue and Receipts: Trends 1998/99 to 2003/04*

Gross Crown revenue has continued to rise strongly since 1998/99 and is projected at \$44,786.679 million in 2003/04. Refer to the table in Part F1 for further information.

Tax revenue assessed by Inland Revenue includes:

#### *Direct taxation*

- source deductions from individual taxpayers
- company tax
- other persons (other income tax from individuals and trusts)
- fringe-benefit tax (FBT)
- withholding taxes

#### *Indirect taxation*

- gaming, stamp and cheque duties
- goods and services tax (GST).

Further information regarding revenue assessment is provided in the *2003 Budget Economic and Fiscal Outlook*. Other non-tax revenue is 3.13% of the total revenue projected in 2003/04. It includes ACC premiums, Child Support collections, Student Loan interest and Unclaimed Monies.

### *Analysis by Appropriation Type: 2003/04 and 2002/03 Comparison*

#### **Departmental Output Classes**

Annual departmental appropriations for the purchase of outputs have increased by \$16.230 million between 2002/03 and 2003/04. This is made up of a number of increases and reductions to the baseline.

Detailed below is a summary of the most significant changes to the baseline:

An additional \$10.000 million was previously approved for 2003/04 for:

- Maintaining the tax base. This includes the loss of ACC business and the updating of remuneration lines.

\$10.806 million for new initiatives was approved for:

- Funding for Child Support for growth in demand for Child Support services and efforts to reduce levels of debt.
- Funding to enhance audit capability in the corporates area.
- Funding for reply paid envelopes for small businesses.
- Funding for legislative changes around Māori Authorities and PAYE payments through intermediaries.

Baseline reductions came from:

- Further reduction of ACC income (\$2.284 million) and the termination of ACC decommissioning income (\$2.076 million).

#### **Benefits and other unrequited expenses – non departmental**

- Paid Parental Leave is projected to increase by \$9.000 million from \$55.000 million in 2002/03 to \$64.000 million.
- Child Support payments are projected to increase by \$8.060 million from \$108.940 million in 2002/03 to \$117.000 million in 2003/04. This increase is due to the increase in the percentage of custodians moving into the workforce.
- Parental Tax Credit costs are projected to decrease by \$1.000 million from \$17.000 million in 2002/03 to \$16.000 million in 2003/04. This is due to a lower level of assessments expected in 2003/04.

#### **Other expenses - non-departmental**

This category of appropriation is expected to increase by \$355.800 million from \$7,726.350 million in 2002/03 to \$8,082.150 million in 2003/04. The movement is mainly attributable to increases in GST refunds, company tax refunds and payments of ACC levies.

#### **Crown revenue and receipts**

Gross Crown Revenue and Receipts are projected at \$45,377.623 million in 2003/04, a net increase on 2002/03 of \$1,881.788 million. This increase mainly relates to revenue from GST (\$747 million), Companies (\$338 million), Source Deductions (\$657 million), Other Persons (\$70 million), and Gaming Duties (34 million). These increases are partly offset by Withholding Taxes reduction of \$29 million in 2002/03.

A discussion of the movements in revenue collection is provided in the 2002 *Budget Economic and Fiscal Update*.

## Reconciliation of New Initiatives to Appropriations

Initiative	Appropriations as shown in Part B	\$000 increase/(decrease)				
		2002/03	2003/04	2004/05	2005/06	2006/07
Enhancing audit capability	Policy Advice	-	1,250	1,250	1,250	1,250
	Taxpayer Audit	-	4,375	4,375	4,375	4,375
Child support growth pressures and debt reduction	Assessment and Collection of Child Support	-	3,500	3,500	3,500	3,500
Other	Information Services	-	387	-	-	-
	Revenue Assessment and Collection	-	1,069	-	-	-
	Management of Debt and Outstanding returns	-	79	-	-	-
	Taxpayer Audit	-	146	-	-	-
<b>Total Initiatives</b>			<b>10,806</b>	<b>9,125</b>	<b>9,125</b>	<b>9,125</b>

## Trends in Vote Revenue - Summary of Appropriations and Crown Revenue

Types of Appropriation	1998/99	1999/2000	2000/01	2001/02	2002/03		2003/04 Appropriations to be Used				2004/05	2005/06	2006/07	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
<b>Operating Flows</b>														
Classes of Outputs to be Supplied	439,170	398,529	407,504	413,962	434,048	432,048	427,046	23,232	-	-	450,278	452,223	452,227	452,228
Benefits and Other Unrequited Expenses	1,147,174	1,160,843	1,141,170	1,133,833	1,271,940	1,271,940	N/A	N/A	-	1,171,000	1,171,000	1,176,000	1,179,000	1,188,000
Borrowing Expenses	1,147	1,419	1,035	(2,233)	3,774	3,774	N/A	N/A	-	3,376	3,376	3,026	1,526	1,526
Other Expenses	6,419,471	6,949,412	7,850,278	8,388,718	7,726,350	7,726,350	-	-	-	8,082,150	8,082,150	8,475,950	8,805,150	9,173,750
<b>Capital Flows</b>														
Capital Contributions	120	277	-	-	-	-	-	-	-	-	-	-	-	-
Purchase or Development of Capital Assets	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Repayment of Debt	41,553	28,546	18,354	33,381	218,500	218,500	N/A	N/A	-	152,000	152,000	76,000	101,000	101,000
<b>Total Appropriations</b>	8,048,635	8,539,026	9,418,341	9,967,661	9,654,612	9,652,612	427,046	23,232	-	9,408,526	9,858,804	10,183,199	10,538,903	10,916,504
<b>Total Crown Revenue and Receipts</b>	33,684,323	35,358,958	38,592,472	40,913,469	43,495,835	43,495,835	N/A	N/A	N/A	N/A	45,377,623	47,409,457	49,628,949	52,029,799

## Part B - Statement of Appropriations

### Part B1 - Details of Appropriations

Appropriations	2002/03				2003/04		Description of 2003/04 Appropriations
	Vote		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Departmental Output Classes (Mode B Gross)</b>							
D1 Policy Advice	8,552	-	8,452	-	<b>9,801</b>	-	Policy advice on laws impacting the tax system, the design and introduction of tax and social policy, forecasting of future tax flows, rewriting income tax legislation, and ministerial servicing. In 2003/04 extra funding has been received for additional resources to achieve the work program.
D2 Adjudication and Rulings	7,250	-	7,100	-	<b>7,431</b>	-	Adjudication of disputes between taxpayers and the Commissioner in respect of proposed assessments; statements on the interpretation and application of tax laws; providing binding rulings, statutory determinations and valuations for taxpayers.
D3 Information Services	99,628	-	99,140	-	<b>102,189</b>	-	Advising taxpayers on new and existing tax laws, assisting taxpayers with inquiries on the tax system and social policy programmes administered by Inland Revenue. The increase in 2003/04 is due to unprecedented demand in telephone services.
D4 Revenue Assessment and Collection	65,539	-	65,218	-	<b>67,805</b>	-	Issuing tax assessments and refunds, banking tax payments, processing applications and payments for social policy programmes administered by Inland Revenue, supplying information to other government agencies, and accounting and reporting the collection of Crown Revenue.
D5 Management of Debt and Outstanding Returns	64,480	-	64,164	-	<b>65,342</b>	-	Taking follow-up action against non-compliers who fail to file a return, and those who do not pay tax when it is due.
D6 Taxpayer Audit	103,948	-	103,948	-	<b>113,317</b>	-	Auditing all classes of taxpayers with emphasis on high-risk non-compliers; also includes the management of tax litigation. In 2003/04 additional funding has been received to enhance audit capability.

## Part B1 - Details of Appropriations (continued)

	2002/03				2003/04		Description of 2003/04 Appropriations
	Vote		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Departmental Output Classes (Mode B Gross) – cont'd</b>							
D7 Assessment and Collection of Child Support	57,229	-	56,948	-	<b>61,161</b>	-	Informing people of their rights and obligations under the child support law, assessing liabilities, banking payments, disbursements to custodians of children, taking action against those who do not comply with the law, and providing an administrative process for reviewing child support assessments. The increase in 2003/04 is due to growth in demand for Child Support services and efforts to reduce levels of debt.
<b>Total Appropriations for Departmental Output Classes (Mode B Gross)</b>	406,626	-	404,970	-	427,046	-	
<b>Departmental Output Classes (Mode B Net)</b>							
D8 Collection of ACC Premiums	-	27,422	-	27,078	-	23,232	Collection of ACC employee earners' levies and the provision of information.
<b>Total Appropriations for Departmental Output Classes (Mode B Net)</b>	-	27,422	-	27,078	-	23,232	
<b>Benefits and Other Unrequited Expenses</b>							
Paid Parental Leave Payments	-	55,000	-	55,000	-	64,000	Paid Parental Leave Payments made to parents eligible under the Parental Leave and Employment Protection Act 1987.
Child Support Payments	-	108,940	-	108,940	-	117,000	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.)

Family Support Tax Credit	-	922,000	-	922,000	-	802,000	Family Support payments made to beneficiaries and non-beneficiaries during the year. (See note 1)
Family Tax Credit	-	13,000	-	13,000	-	13,000	Extra payment made to families whose net income is less than \$15,080 per annum and where at least one parent is working for salary or wages. (See note 1)
Child Tax Credit	-	156,000	-	156,000	-	159,000	Extra assistance for low to middle income families who are not dependent on the state for financial support. (See note 1)
Parental Tax Credit	-	17,000	-	17,000	-	16,000	Additional financial support to working families for the eight week period following the birth of a child. (See note 1)
<b>Total Appropriations for Benefits and Other Unrequited Expenses</b>	-	1,271,940	-	1,271,940	-	1,171,000	
<b>Borrowing Expenses</b>							
Adverse Event Interest	-	24	-	24	-	26	Interest on Adverse Event deposits relating to withdrawals and deposits made by taxpayers in the farming industry. (See note 1)
Income Equalisation Interest	-	3,750	-	3,750	-	3,350	Interest on Income Equalisation deposits relating to withdrawals and deposits by taxpayers in the farming, fishing or forestry industries. (See note 1)
<b>Total Appropriations for Borrowing Expenses</b>	-	3,774	-	3,774	-	3,376	
<b>Other Expenses to be Incurred by the Crown</b>							
ACC Levies	-	21,000	-	21,000	-	-	Residual claims levy collected on behalf of and paid to ACC.
Companies' Refunds	-	130,000	-	130,000	-	138,000	Refunds of income tax to companies, unit trusts, societies and superannuation funds. (See note 1)
GST IRD Refunds	-	6,123,000	-	6,123,000	-	6,465,000	Refunds of tax paid on the consumption of goods and services. (Expenses incurred pursuant to section 50 of the Goods and Services Tax Act 1985.)
Other Persons' Refunds	-	834,000	-	834,000	-	834,000	Refunds of income tax to individuals and trusts. (See note 1)

**Part B1 - Details of Appropriations (continued)**

Appropriations	2002/03				2003/04		Description of 2003/04 Appropriations
	Vote		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Other Expenses to be Incurred by the Crown – cont'd</b>							
Payment of Premiums to ACC	-	617,900	-	617,900	-	644,700	Payment to ACC of premiums collected on its behalf. Premiums are primarily employee earner premiums plus a small component of other ACC premiums which are not directly banked to ACC (such as transfers from other tax types, or self-employed and employer premiums paid to Inland Revenue by direct credit). (Expenses incurred pursuant to the Accident Insurance Act 1998.)
Unclaimed Monies	-	450	-	450	-	450	Repayment of monies deposited with the Crown as unclaimed. (Expenses incurred pursuant to section 11 of the Unclaimed Money Act 1971.)
<b>Total Appropriations for Other Expenses to be Incurred by the Crown</b>	-	7,726,350	-	7,726,350	-	8,082,150	
<b>Repayment of Debt</b>							
Income Equalisation Reserve Account	-	217,000	-	217,000	-	150,000	Withdrawals made by farmers in respect of deposits made up to 12 months previously. (See note 1)
Adverse Income Equalisation Account	-	1,500	-	1,500	-	2,000	Withdrawals by taxpayers in the farming, fishing or forestry industries in respect of deposits made up to five years previously. (See note 1)
<b>Total Appropriations for Repayment of Debt</b>	-	218,500	-	218,500	-	152,000	
<b>Total Appropriations</b>	406,626	9,247,986	404,970	9,247,642	427,046	9,431,758	

## Part C - Explanation of Appropriations for Output Classes

### *Output Class D1 - Policy Advice*

This output class involves:

- providing advice on laws impacting on the tax system
- providing assistance with the design and introduction of legislation that changes tax and social policy and rewriting current income tax legislation.
- forecasting of future tax flows
- ministerial servicing.

### *Output Class D2 - Adjudication and Rulings*

This output class involves:

- adjudication of disputes between taxpayers and the Commissioner in respect of proposed assessments, statements on the interpretation and application of tax laws to provide assurance of consistency and impartiality in the application of the tax law
- providing binding rulings, and statutory determinations and valuations for taxpayers.

### *Output Class D3 - Information Services*

This output class involves:

- advising taxpayers on new and existing tax laws
- assisting taxpayers with inquiries on the tax system
- advising customers of social policies administered by Inland Revenue.

### *Output Class D4 - Revenue Assessment and Collection*

This output class involves:

- issuing tax assessments and refunds
- banking tax payments
- processing applications and payments under social policies administered by Inland Revenue on behalf of the Government
- the supply of information to other Government agencies
- accounting and reporting the collection of Crown revenue.

### *Output Class D5 - Management of Debt and Outstanding Returns*

This output class involves taking follow-up action against non-compliers who fail to file a return, and those who do not pay tax when it is due.

### *Output Class D6 - Taxpayer Audit*

This output class involves auditing all classes of taxpayers, with emphasis on high-risk non-compliers, and the management of tax litigation.

### *Output Class D7 - Assessment and Collection of Child Support*

This output class involves:

- informing people of their rights and obligations under the Child Support law
- assessing child support liabilities
- banking payments of child support
- disbursement of child support payments to custodians of children
- taking action against those who do not comply with the Child Support law
- providing an administrative process for reviewing child support assessments that is inexpensive and readily accessible to child support custodians and paying parents.

### *Output Class D8 - Collection of ACC premiums*

This output class involves collection by Inland Revenue, as agent for ACC, of employees' ACC earner levy as a component of PAYE deductions and the supply of core tax information.

## Part E - Explanation of Appropriations for Capital Flows

### *Net Worth of Entities Owned*

#### Statement of Estimated and Forecast Net Worth

	Balance Date	Estimated Net Worth 2003 \$000	Forecast Net Worth 2004 \$000
Inland Revenue	30 June	90,008	90,008

## Part F - Crown Revenue and Receipts

### Part F1 - Current and Capital Revenue and Receipts

	2002/03		2003/04	Description of 2003/04 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
<b>Current Revenue</b>				
Tax Revenue				
Fringe Benefit Tax	371,000	371,000	373,000	Tax on employer-provided fringe benefits.
Gaming Duties	278,000	278,000	312,000	Gaming duties include totalisator and lottery duties.
Goods and Services Tax (IRD)	13,576,000	13,576,000	14,323,000	A tax on the consumption of goods and services (see also Vote Customs).
Companies	5,313,000	5,313,000	5,651,000	Provisional and terminal tax payments by companies and superannuation funds.
Other Persons	4,258,000	4,258,000	4,328,000	Provisional and terminal tax payments by individuals and trusts.
Other Direct Taxes	1,000	1,000	1,000	Miscellaneous direct taxes including estate and gift duties.
Source Deductions	15,739,000	15,739,000	16,396,000	PAYE deductions and withholding payments on employers' superannuation contributions.
Stamp and Cheque Duties	50,000	50,000	45,000	Stamp and cheque duties including the approved issuer levy.
Withholding Taxes	1,983,000	1,983,000	1,954,000	Withholding taxes, mainly taxes on investment income, eg, interest and dividends, deducted at source.
Total Tax Revenue	41,569,000	41,569,000	43,383,000	
Non-Tax Revenue				
ACC Levies	21,000	21,000	-	Residual claims levy collected on behalf of ACC.
ACC Premiums	617,900	617,900	644,700	The collection of ACC premiums on behalf of ACC. Premiums are primarily employee earner premiums. Also included is a small component of miscellaneous transfers from ACC to Inland Revenue, relating to refunds of premiums or dishonours.

Child Support Collections	343,570	343,570	350,000	Child Support payments received from non-custodial parents.
Student Loans - Accrued Interest	352,244	352,244	406,229	Interest income relating to the student loan debt.
Unclaimed Monies	2,750	2,750	2,750	Monies deposited with the Crown as unclaimed.
Total Non-Tax Revenue	1,337,464	1,337,464	1,403,679	
<b>Total Current Revenue</b>	<b>42,906,464</b>	<b>42,906,464</b>	<b>44,786,679</b>	
<b>Capital Receipts</b>				
Adverse Income Equalisation Account	1,500	1,500	2,000	Deposits made by farmers of proceeds from forced sales of livestock after an adverse event.
Income Equalisation Reserve Account	217,000	217,000	150,000	Deposits made by taxpayers in the farming, fishing and forestry industries owing to fluctuations in income and economic conditions.
Student Loans - Receipts	370,871	370,871	438,944	Repayments against the principal portion of the debt received from employers who have employees with a student loan earning over the repayment threshold, currently \$283 per week. Also repayments received from borrowers making a voluntary, end-of-year, interim or non-resident repayment against the principal portion of debt.
<b>Total Capital Receipts</b>	<b>589,371</b>	<b>589,371</b>	<b>590,944</b>	
<b>Total Crown Revenue and Receipts</b>	<b>43,495,835</b>	<b>43,495,835</b>	<b>45,377,623</b>	