

Information Supporting the Supplementary Estimates

Vote Revenue

MINISTER(S) RESPONSIBLE FOR APPROPRIATIONS: Minister of Revenue (M57)

ADMINISTERING DEPARTMENT: Inland Revenue Department

MINISTER RESPONSIBLE FOR INLAND REVENUE DEPARTMENT: Minister of Revenue

Part 1 - Summary of the Vote

Part 1.3 - Trends in the Vote

Summary of Financial Activity

	2011/12				
	Estimates \$000	Supplementary Estimates			Total \$000
		Departmental Transactions \$000	Non- Departmental Transactions \$000	Total Transactions \$000	
Appropriations					
Output Expenses	678,786	(6,715)	-	(6,715)	672,071
Benefits and Other Unrequited Expenses	3,813,100	N/A	(17,100)	(17,100)	3,796,000
Borrowing Expenses	9,010	-	-	-	9,010
Other Expenses	1,788,222	6,500	(480,115)	(473,615)	1,314,607
Capital Expenditure	79,500	18,500	-	18,500	98,000
Intelligence and Security Department Expenses and Capital Expenditure	-	-	N/A	-	-
Total Appropriations	6,368,618	18,285	(497,215)	(478,930)	5,889,688
Crown Revenue and Capital Receipts					
Tax Revenue	49,149,000	N/A	(546,000)	(546,000)	48,603,000
Non-Tax Revenue	1,397,000	N/A	(383,000)	(383,000)	1,014,000
Capital Receipts	838,500	N/A	40,000	40,000	878,500
Total Crown Revenue and Capital Receipts	51,384,500	N/A	(889,000)	(889,000)	50,495,500

Part 2 - Details and Expected Performance for Output Expenses

Part 2.1 - Departmental Output Expenses

Management of Debt and Outstanding Returns (M57)

Scope of Appropriation

Taking action where returns are outstanding and where payments are overdue, including providing people with assistance on the actions they need to take to meet their obligations. This includes collection on behalf of other agencies and external parties.

Expenses and Revenue

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	110,765	568	111,333
Revenue from Crown	106,610	568	107,178
Revenue from Other	4,155	-	4,155

Reasons for Change in Appropriation

This appropriation increased by \$568,000 for 2011/12 as a result of:

- an increase in appropriation of \$2.730 million for scaling up of the student loan overseas-based borrower initiative
- an increase in appropriation of \$34,000 for the child support scheme reform
- a return of savings to the Crown related to funding for child support reciprocal cases in Australia of (\$2.996 million)
- a transfer of (\$800,000) from 2011/12 to 2012/13 for additional debt compliance activity
- a transfer of (\$400,000) from 2011/12 to 2012/13 for the scaling up of the student loan overseas based borrower initiative
- a transfer of underspending generated from savings and efficiencies in 2011/12 to 2012/13 of (\$2 million), and
- a fiscally neutral adjustment between departmental output expenses of \$4 million.

None of the above appropriation changes affect the output performance standards.

Policy Advice (M57)

Scope of Appropriation

Advising on all aspects of tax policy and social policy measures that interact with the tax system. Drafting tax legislation. Negotiating and maintaining New Zealand's network of double tax agreements with other countries. Forecasting tax revenues and providing ministerial services.

Expenses and Revenue

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	15,601	500	16,101
Revenue from Crown	15,434	500	15,934
Revenue from Other	167	-	167

Reasons for Change in Appropriation

This appropriation increased by \$500,000 for 2011/12 as a result of:

- a fiscally neutral adjustment between departmental output expenses of \$500,000.

The above appropriation change does not affect the output performance standards.

Services to Inform the Public About Entitlements and Meeting Obligations (M57)

Scope of Appropriation

Providing information and assistance to customers on the application of the law. Responding to customer enquiries about tax and social support programmes. Adjudication on behalf of the Commissioner on proposed taxpayer assessments. Providing binding rulings and other statements on the interpretation and application of the law administered by Inland Revenue.

Expenses and Revenue

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	249,944	1,855	251,799
Revenue from Crown	247,450	655	248,105
Revenue from Other	2,494	1,200	3,694

Reasons for Change in Appropriation

This appropriation increased by \$1.855 million for 2011/12 as a result of:

- a transfer of \$620,000 from 2010/11 to 2011/12 for simplifying filing requirements for individuals and record-keeping requirements for businesses
- a transfer of \$540,000 from 2010/11 to 2011/12 for the enterprise desktop project
- a transfer of \$210,000 from 2010/11 to 2011/12 for Inland Revenue's transformation programme
- a transfer of \$68,000 from 2010/11 to 2011/12 for the child support scheme reform
- an increase in appropriation for secondments to other agencies of \$1.200 million
- a transfer of (\$420,000) from 2011/12 to 2012/13 for the service transformation programme
- a transfer of (\$163,000) from 2011/12 to 2012/13 for simplifying filing requirements for individuals and record-keeping requirements for businesses
- a transfer of underspending generated from savings and efficiencies in 2011/12 to 2012/13 of (\$4.200 million), and
- a fiscally neutral adjustment between departmental output expenses of \$4 million.

None of the above appropriation changes affect the output performance standards.

Services to Process Obligations and Entitlements (M57)

Scope of Appropriation

Registering tax payers, making tax assessments, assessing child support liabilities including providing a readily accessible inexpensive process for reviewing assessments, receiving and making payments to customers, processing applications and payments for social support programmes, collection of ACC Earners' levies, supplying information to other government agencies and accounting and reporting the collection of Crown revenue.

Expenses and Revenue

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	122,691	(738)	121,953
Revenue from Crown	98,919	(738)	98,181
Revenue from Other	23,772	-	23,772

Reasons for Change in Appropriation

This appropriation decreased by (\$738,000) for 2011/12 as a result of:

- a transfer of \$2.232 million from 2010/11 to 2011/12 for simplifying filing requirements for individuals and record-keeping requirements for businesses

- a transfer of \$1.260 million from 2010/11 to 2011/12 for the enterprise desktop project
- a transfer of \$490,000 from 2010/11 to 2011/12 for Inland Revenue's transformation programme
- a transfer of \$237,000 from 2010/11 to 2011/12 for the child support scheme reform
- a transfer of (\$577,000) from 2011/12 to 2012/13 for simplifying filing requirements for individuals and record-keeping requirements for businesses
- a transfer of (\$980,000) from 2011/12 to 2012/13 for the service transformation programme
- a transfer of underspending generated from savings and efficiencies in 2011/12 to 2012/13 of (\$1.400 million), and
- a fiscally neutral adjustment between departmental output expenses of (\$2 million).

None of the above appropriation changes affect the output performance standards.

Taxpayer Audit (M57)

Scope of Appropriation

Identifying risks to revenue and designing and undertaking audit activities accordingly. Managing litigation of disputed tax cases.

Expenses and Revenue

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	179,785	(8,900)	170,885
Revenue from Crown	177,921	(8,900)	169,021
Revenue from Other	1,864	-	1,864

Reasons for Change in Appropriation

This appropriation decreased by (\$8.900 million) for 2011/12 as a result of:

- a transfer of underspending generated from savings and efficiencies in 2011/12 to 2012/13 of (\$2.400 million), and
- a fiscally neutral adjustment between departmental output expenses of (\$6.500 million).

None of the above appropriation changes affect the output performance standards.

Part 3 - Details for Benefits and Other Unrequited Expenses

Part 3.2 - Non-Departmental Benefits and Other Unrequited Expenses

Child Support Payments PLA (M57)

Scope of Appropriation

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

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	226,000	(6,000)	220,000

Reasons for Change in Appropriation

The reduction in the 2011/12 Supplementary Estimates reflects lower than expected income growth. With reduced collections from non-custodial parents, payments to custodial parents have, in turn, been lower than forecast.

Child Tax Credit PLA (M57)

Scope of Appropriation

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

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	2,200	(200)	2,000

Reasons for Change in Appropriation

The child tax credit has not been available to new recipients since April 2006. Existing recipients may continue to receive the credit until they change to the in-work tax credit or otherwise lose eligibility. The appropriation is declining slightly faster than forecasted in Budget 2011.

Family Tax Credit PLA (M57)*Scope of Appropriation*

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

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	2,168,100	(57,100)	2,111,000

Reasons for Change in Appropriation

The decline in the 2011/12 Supplementary Estimates reflects lower entitlements than forecasted in Budget 2011. Average payments per recipient decline over time through abatement as incomes grow.

In-Work Tax Credit PLA (M57)*Scope of Appropriation*

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

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	567,000	1,000	568,000

Reasons for Change in Appropriation

The increase in the 2011/12 Supplementary Estimates reflects that aggregate entitlements will be slightly larger than forecasted in Budget 2011. However, the appropriation is expected to decline in subsequent years through abatement as incomes grow.

KiwiSaver: Interest (M57)*Scope of Appropriation*

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

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	3,000	4,000	7,000

Reasons for Change in Appropriation

KiwiSaver interest is payable on member contributions which have not yet been forwarded to scheme providers. Throughout 2011/12 a larger membership base and stronger nominal wage growth have led to an increase in total member contributions received, this has resulted in higher interest expenditure, in excess of that anticipated in Budget 2011. The increase in appropriation reflects this change, and has been carried forward into subsequent years.

KiwiSaver: Kickstart Payment (M57)*Scope of Appropriation*

To enable the one-off payment made on opening a KiwiSaver account for members who meet the required eligibility criteria as set in the KiwiSaver Act 2006.

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	209,000	17,000	226,000

Reasons for Change in Appropriation

The kickstart is a one-off payment to new members on first joining the KiwiSaver scheme. The payment is sensitive to growth in the labour market, promotional efforts from scheme providers, and the proportion of the labour force that has already joined the scheme. Growth in new membership is beginning to ease but with the labour market starting to pick up KiwiSaver kickstart payments have been higher than forecast in Budget 2011.

KiwiSaver: Tax Credit (M57)*Scope of Appropriation*

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

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	444,000	31,000	475,000

Reasons for Change in Appropriation

This appropriation is for member tax credit claims and residual employer tax credits which ceased in 2009. The member tax credit is linked to the level of member contributions made to the scheme and is paid annually. A larger membership base, and stronger nominal wage growth have led to an increase in member tax credit claims.

Minimum Family Tax Credit PLA (M57)*Scope of Appropriation*

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

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	10,100	900	11,000

Reasons for Change in Appropriation

There has been an increase in the volume of claims for the minimum family tax credit, leading to an increase in appropriation for 2011/12. This increase has been carried forward into subsequent years.

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

Paid Parental Leave Payments made to parents eligible under the Parental Leave and Employment Protection Act 1987.

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	164,100	(8,100)	156,000

Reasons for Change in Appropriation

Paid parental leave entitlements reflect both the wages and employment tenure of the parents of newborns. The decrease in the 2011/12 Supplementary Estimates reflects a decline in the number of paid parental leave recipients, and also lower average payments per recipient compared to the prior year.

Parental Tax Credit PLA (M57)*Scope of Appropriation*

To enable payment of additional financial support to be made to working families for the eight week period following the birth of a child (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	17,600	400	18,000

Reasons for Change in Appropriation

The change to the 2011/12 Supplementary Estimates reflects minor forecast changes.

Payroll Subsidy (M57)*Scope of Appropriation*

To enable the payment of a subsidy to a payroll agent undertaking employers' payroll-related tax compliance activities on their behalf.

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	2,000	-	2,000

Part 4 - Details for Borrowing Expenses

Part 4.2 - Non-Departmental Borrowing Expenses

Adverse Event Interest PLA (M57)

Scope of Appropriation

This appropriation is limited to interest on Adverse Event Income Equalisation Reserve accounts held by taxpayers in the farming and agriculture business (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	10	-	10

Environmental Restoration Account Interest PLA (M57)

Scope of Appropriation

This appropriation is limited to interest on Environmental Restoration accounts (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	2,000	-	2,000

Income Equalisation Interest PLA (M57)

Scope of Appropriation

This appropriation is limited to interest on Income Equalisation Reserve Scheme accounts held by taxpayers in the farming, fishing or forestry industries (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	7,000	-	7,000

Part 5 - Details and Expected Results for Other Expenses

Part 5.1 - Departmental Other Expenses

Recovery from February 2011 Christchurch Earthquake (M57)

Scope of Appropriation

This appropriation is limited to writing off, or making good, damage to, departmental assets, maintaining output delivery and re-establishing departmental operations following the Canterbury earthquakes.

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	6,500	6,500
Revenue from Crown	-	-	-
Revenue from Other	-	6,500	6,500

Reasons for Change in Appropriation

The increase in appropriation is for building related costs associated with Canterbury earthquakes.

Part 5.2 - Non-Departmental Other Expenses

Bad Debt Write-Offs (M57)

Scope of Appropriation

This appropriation is limited to bad debt write-offs for Crown debt administered by Inland Revenue.

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	857,000	-	857,000

Impairment of Debt (M57)

Scope of Appropriation

This appropriation is limited to amounts relating to impairment arising from objective evidence of one or more loss events that occurred after the initial recognition of the debt, and the loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the Crown debt book.

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	247,000	100,000	347,000

Reasons for Change in Appropriation

This appropriation is for the impairment of tax, family support and KiwiSaver debt. Impairment is linked to the forecast for overdue debt balanced against business initiatives to limit debt growth. The increase in appropriation reflects an allowance for volatility in the debt growth assumptions.

Impairment of Debt Relating to Child Support (M57)

Scope of Appropriation

This appropriation is limited to amounts relating to impairment arising from objective evidence of one or more loss events that occurred after the initial recognition of the debt, and the loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the collective book of child support debt.

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	446,000	(334,000)	112,000

Reasons for Change in Appropriation

This appropriation is linked to changes in child support debt. System purifications have been substantially completed during 2011/12 to correct child support accounts with incorrect penalties. This has reduced child support penalty revenue and child support debt, which in turn decreases the impairment of child support debt.

Impairment of Debt Relating to Student Loans (M57)

Scope of Appropriation

This appropriation is limited to amounts relating to impairment arising from objective evidence of one or more loss events that occurred after the initial recognition of the loan, and the loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the collective book of student loan debt.

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	110,000	(244,404)	(134,404)

Reasons for Change in Appropriation

This appropriation has decreased as a result of several policy changes. These include broadening the definition of income for student loan repayment purposes (\$3.486) million, increasing the student loan repayment rate from 10% to 12% (\$235.103) million, repealing the student loan voluntary repayment bonus (\$1.097) million, and extending the pay period assessments to the salaries and wages of all student loan borrowers (\$4.718) million.

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

Scope of Appropriation

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

Expenses

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	128,222	(1,711)	126,511

Reasons for Change in Appropriation

This appropriation has remained relatively constant. There have been increases resulting from Budget 2012 policy changes and increased forecast new borrowing. These increases have been largely offset by changes in forecast write-down ratios.

Part 6 - Details and Expected Results for Capital Expenditure

Part 6.1 - Departmental Capital Expenditure

Inland Revenue Department - Capital Expenditure PLA (M57)

Scope of Appropriation

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

Capital Expenditure

	2011/12		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	22,000	2,085	24,085
Intangibles	57,500	16,415	73,915
Other	-	-	-
Total Appropriation	79,500	18,500	98,000

Reasons for Change in Appropriation

The departmental capital expenditure budget increased during 2011/12 due to timing delays for a number of multi-year projects which resulted in some expenditure being incurred in 2011/12 rather than 2010/11. These projects include enterprise desktop, student loans redesign, and infrastructure technology.