

# *Vote Revenue*

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APPROPRIATION MINISTER(S): Minister of Revenue (M57)

APPROPRIATION ADMINISTRATOR: Inland Revenue Department

RESPONSIBLE MINISTER FOR INLAND REVENUE DEPARTMENT: Minister of Revenue

## *Summary of the Vote*

### Overview

The Minister of Revenue is responsible for appropriations in the Vote for the 2014/15 financial year covering the following:

- a total of just over \$712 million on departmental output expenses including management of debt and outstanding returns, policy advice, services to inform the public about entitlements and meeting obligations, services to other agencies, services to process obligations and entitlements, and taxpayer audit
- a total of \$62.336 million for departmental capital expenditure
- a total of just over \$3,735 million for non-departmental benefits or related expenses, mainly for tax credits, KiwiSaver payments and benefit payments such as child support and paid parental leave
- a total of just over \$9 million for non-departmental borrowing expenses, and
- a total of just over \$2,253 million for non-departmental other expenses, mainly for the impairment and write-off of debt.

The Minister of Revenue is also responsible for Crown revenue and receipts in the Vote for the 2014/15 financial year covering the following:

- a total forecast of \$60,378 million for tax revenue
- a total forecast of nearly \$1,533 million for non-tax revenue, and
- a total forecast of \$1,259 million for capital receipts.

Details of these appropriations are set out in Parts 2-4.

# Estimates of Appropriations

## Details of Appropriations and Capital Injections

### Annual and Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Departmental Output Expenses</b>			
<b>Management of Debt and Outstanding Returns (M57)</b> 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.	137,750	135,238	<b>143,259</b>
<b>Policy Advice (M57)</b> This appropriation is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters.	8,168	8,113	<b>8,053</b>
<b>Services to Inform the Public About Entitlements and Meeting Obligations (M57)</b> 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. Provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making responsibilities).	267,052	252,631	<b>251,307</b>
<b>Services to Other Agencies RDA (M57)</b> This appropriation is limited to the provision of services by Inland Revenue to other agencies, where those services are not within the scope of another departmental output expense appropriation in Vote Revenue.	710	650	3,060
<b>Services to Process Obligations and Entitlements (M57)</b> 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.	158,693	149,450	<b>140,572</b>
<b>Taxpayer Audit (M57)</b> Identifying risks to revenue and designing and undertaking audit activities accordingly. Managing litigation of disputed tax cases.	171,862	169,153	<b>166,131</b>
<b>Total Departmental Output Expenses</b>	<b>744,235</b>	<b>715,235</b>	<b>712,382</b>
<b>Departmental Capital Expenditure</b>			
<b>Inland Revenue Department - Capital Expenditure PLA (M57)</b> This appropriation is limited to the purchase or development of assets by and for the use of the Inland Revenue Department, as authorised by section 24(1) of the Public Finance Act 1989.	55,000	51,000	62,336
<b>Total Departmental Capital Expenditure</b>	<b>55,000</b>	<b>51,000</b>	<b>62,336</b>

Titles and Scopes of Appropriations by Appropriation Type	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Benefits or Related Expenses</b>			
<b>Child Support Payments PLA (M57)</b> Child support payments to custodial persons who are not dependent on the state for financial support (expenses incurred pursuant to section 141 of the Child Support Act 1991).	240,000	240,000	267,000
<b>Child Tax Credit PLA (M57)</b> Extra assistance for low to middle income families who are not dependent on the state for financial support (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	1,800	1,800	1,300
<b>Family Tax Credit PLA (M57)</b> Family Support payments made to beneficiaries and non-beneficiaries during the year (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	1,976,000	1,976,000	1,934,000
<b>In-Work Tax Credit PLA (M57)</b> Extra assistance for low to middle income families where the person works a minimum of 20 hours per week and does not have a partner, or a person and their partner work a minimum of 30 hours per week (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	523,000	523,000	494,000
<b>KiwiSaver: Interest (M57)</b> To enable the payment of interest on KiwiSaver contributions as set out in the KiwiSaver Act 2006.	10,000	9,000	13,000
<b>KiwiSaver: Kickstart Payment (M57)</b> 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.	241,000	231,000	171,000
<b>KiwiSaver: Tax Credit (M57)</b> To enable the payment of a tax credit to KiwiSaver members and the payment of residual tax credits to employers as set out in the Income Tax Act 2007.	597,000	582,000	643,000
<b>Minimum Family Tax Credit PLA (M57)</b> Extra payment made to families where at least one parent is working for salary or wages (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	14,000	14,000	13,000
<b>Paid Parental Leave Payments (M57)</b> This appropriation is limited to Paid Parental Leave Payments made to parents in accordance with the Parental Leave and Employment Protection Act 1987.	101,311	96,311	176,000
<b>Parental Tax Credit PLA (M57)</b> 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).	17,000	17,000	19,000
<b>Payroll Subsidy PLA (M57)</b> This appropriation is limited to the payment of a subsidy to a payroll agent undertaking employers' payroll-related tax compliance activities on their behalf, section 185 of the Tax Administration Act 1994.	3,300	3,300	4,000
<b>Total Benefits or Related Expenses</b>	3,724,411	3,693,411	3,735,300

Titles and Scopes of Appropriations by Appropriation Type	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Non-Departmental Borrowing Expenses</b>			
<b>Adverse Event Interest PLA (M57)</b> 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).	20	20	10
<b>Environmental Restoration Account Interest PLA (M57)</b> This appropriation is limited to interest on Environmental Restoration accounts (expenses incurred pursuant to section 185 of the Tax Administration Act 1994).	2,000	2,000	2,000
<b>Income Equalisation Interest PLA (M57)</b> 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).	8,000	8,000	7,000
<b>Total Non-Departmental Borrowing Expenses</b>	10,020	10,020	9,010
<b>Non-Departmental Other Expenses</b>			
<b>Impairment of Debt and Debt Write-Offs (M57)</b> This appropriation is limited to bad debt write-offs for Crown debt and 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.	-	-	1,162,098
<b>Impairment of Debt Relating to Child Support (M57)</b> 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.	326,000	296,000	323,000
<b>Impairment of Debt Relating to Student Loans (M57)</b> 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.	145,434	45,434	100,000
<b>Initial Fair Value Write-Down Relating to Student Loans (M57)</b> This appropriation is limited to the initial fair value write-down of student loans.	662,824	644,000	668,000
<b>Bad Debt Write-Offs (M57)</b> This appropriation is limited to bad debt write-offs for Crown debt administered by Inland Revenue.	956,000	931,000	-
<b>Impairment of Debt (M57)</b> 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.	341,234	266,234	-
<b>Total Non-Departmental Other Expenses</b>	2,431,492	2,182,668	2,253,098
<b>Total Annual and Permanent Appropriations</b>	6,965,158	6,652,334	6,772,126

## Capital Injection Authorisations

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Inland Revenue Department - Capital Injection (M57)	5,329	5,329	2,336

# Supporting Information

## Part 1 - Vote as a Whole

### 1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Additional medical places	<b>Initial Fair Value Write-Down Relating to Student Loans</b> Non-Departmental Other Expenses	-	195	464	769	1,242
Business transformation	<b>Management of Debt and Outstanding Returns</b> Departmental Output Expenses	1,867	3,641	-	-	-
	<b>Services to Inform the Public About Entitlements and Meeting Obligations</b> Departmental Output Expenses	3,867	7,540	-	-	-
	<b>Services to Process Obligations and Entitlements</b> Departmental Output Expenses	1,800	3,510	-	-	-
	<b>Taxpayer Audit</b> Departmental Output Expenses	2,466	4,809	-	-	-
Child support compliance	<b>Management of Debt and Outstanding Returns</b> Departmental Output Expenses	-	5,420	6,944	6,828	6,734
	<b>Services to Inform the Public About Entitlements and Meeting Obligations</b> Departmental Output Expenses	-	1,807	2,315	2,276	2,245
	<b>Child Support Payments PLA</b> Non-Departmental Benefits or Related Expenses	-	14,000	18,000	18,000	18,000
Foreign Account Tax Compliance Act (FATCA)	<b>Services to Process Obligations and Entitlements</b> Departmental Output Expenses	590	2,262	1,370	1,318	1,324
	<b>Departmental Capital Injection</b> Departmental Net Assets	2,122	2,336	483	-	-
Supporting Better Public Services and Business Growth Agenda within Vote Tertiary Education	<b>Initial Fair Value Write-Down Relating to Student Loans</b> Non-Departmental Other Expenses	-	-	1,081	1,665	1,965

Policy Initiative	Appropriation	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Paid parental leave payments	<b>Services to Inform the Public About Entitlements and Meeting Obligations</b> Departmental Output Expenses	4	101	33	13	13
	<b>Services to Process Obligations and Entitlements</b> Departmental Output Expenses	14	406	130	50	50
	<b>Paid Parental Leave Payments</b> Non-Departmental Benefits or Related Expenses	-	6,000	40,400	61,500	63,900
Parental tax credit	<b>Services to Inform the Public About Entitlements and Meeting Obligations</b> Departmental Output Expenses	36	586	240	100	100
	<b>Services to Process Obligations and Entitlements</b> Departmental Output Expenses	144	2,344	958	400	400
	<b>Parental Tax Credit PLA</b> Non-Departmental Benefits or Related Expenses	-	3,250	13,000	13,000	13,000
Suspending the student loan repayment threshold until 1 April 2017	<b>Initial Fair Value Write-Down Relating to Student Loans</b> Non-Departmental Other Expenses	-	(9,081)	(10,707)	(11,132)	(11,260)
	<b>Impairment of Debt Relating to Student Loans</b> Non-Departmental Other Expenses	(51,566)	-	-	-	-
Unfiled returns	<b>Management of Debt and Outstanding Returns</b> Departmental Output Expenses	-	6,743	7,188	7,188	6,675
	<b>Services to Inform the Public About Entitlements and Meeting Obligations</b> Departmental Output Expenses	-	2,248	3,081	3,081	2,861
	<b>Impairment of Debt and Debt Write-Offs</b> Non-Departmental Other Expenses	-	8,864	19,698	19,698	19,698

## 1.2 - Trends in the Vote

### Summary of Financial Activity

	2009/10	2010/11	2011/12	2012/13	2013/14		2014/15			2015/16	2016/17	2017/18
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
<b>Appropriations</b>												
Output Expenses	601,110	639,994	661,559	656,025	744,235	715,235	712,382	-	712,382	686,295	685,358	660,555
Benefits or Related Expenses	4,174,064	4,152,510	3,732,991	3,711,194	3,724,411	3,693,411	N/A	3,735,300	3,735,300	3,758,600	3,898,900	3,932,400
Borrowing Expenses	7,242	7,126	5,067	7,857	10,020	10,020	-	9,010	9,010	9,010	9,010	9,010
Other Expenses	1,189,922	1,250,447	1,294,161	2,025,575	2,431,492	2,182,668	-	2,253,098	2,253,098	2,183,932	2,221,932	2,300,698
Capital Expenditure	58,589	37,578	53,537	48,940	55,000	51,000	62,336	-	62,336	60,483	60,000	60,000
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Appropriations</b>	<b>6,030,927</b>	<b>6,087,655</b>	<b>5,747,315</b>	<b>6,449,591</b>	<b>6,965,158</b>	<b>6,652,334</b>	<b>774,718</b>	<b>5,997,408</b>	<b>6,772,126</b>	<b>6,698,320</b>	<b>6,875,200</b>	<b>6,962,663</b>
<b>Crown Revenue and Capital Receipts</b>												
Tax Revenue	46,034,792	46,845,147	49,165,842	53,770,788	56,382,000	56,382,000	N/A	60,378,000	60,378,000	64,037,000	66,841,000	69,566,000
Non-Tax Revenue	1,167,344	1,144,478	994,438	1,400,617	1,416,000	1,416,000	N/A	1,533,000	1,533,000	1,426,000	1,483,000	1,548,000
Capital Receipts	728,704	771,040	904,106	1,246,095	1,152,000	1,152,000	N/A	1,259,000	1,259,000	1,320,000	1,405,000	1,480,000
<b>Total Crown Revenue and Capital Receipts</b>	<b>47,930,840</b>	<b>48,760,665</b>	<b>51,064,386</b>	<b>56,417,500</b>	<b>58,950,000</b>	<b>58,950,000</b>	<b>N/A</b>	<b>63,170,000</b>	<b>63,170,000</b>	<b>66,783,000</b>	<b>69,729,000</b>	<b>72,594,000</b>

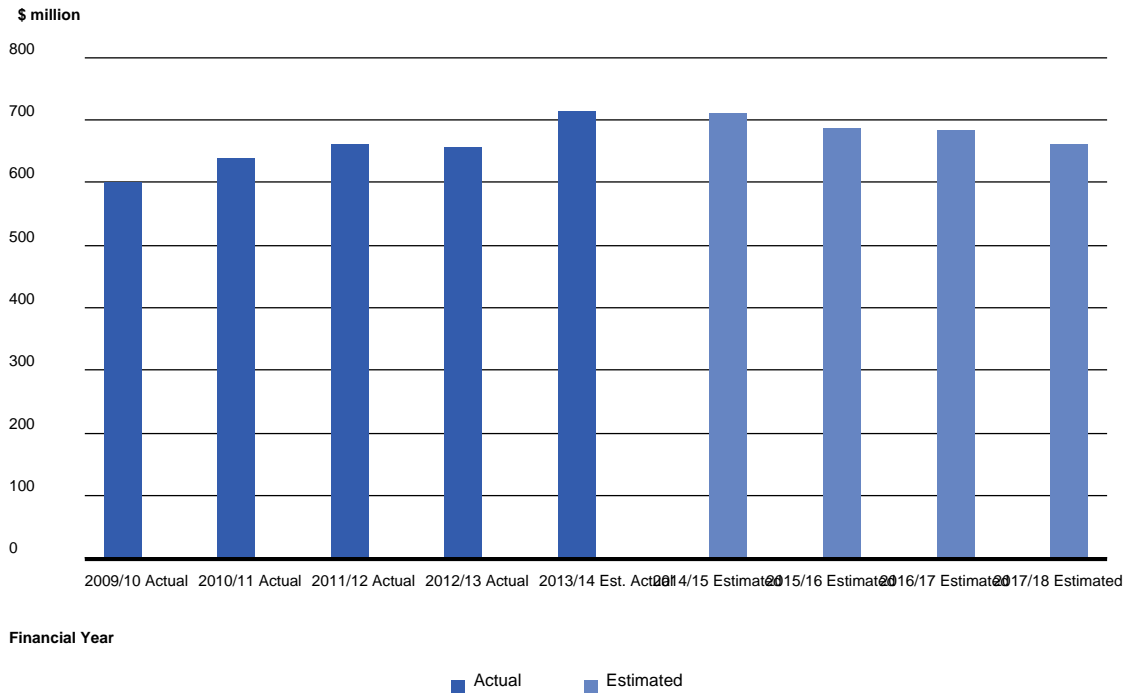
Note - where restructuring of the vote has occurred then, to the extent practicable, prior years information has been restated as if the restructuring had occurred before the beginning of the period covered.



## 1.3 - Analysis of Significant Trends

### *Departmental Output Expenses*

**Figure 1** - Trends in departmental output expenses



Source: Inland Revenue

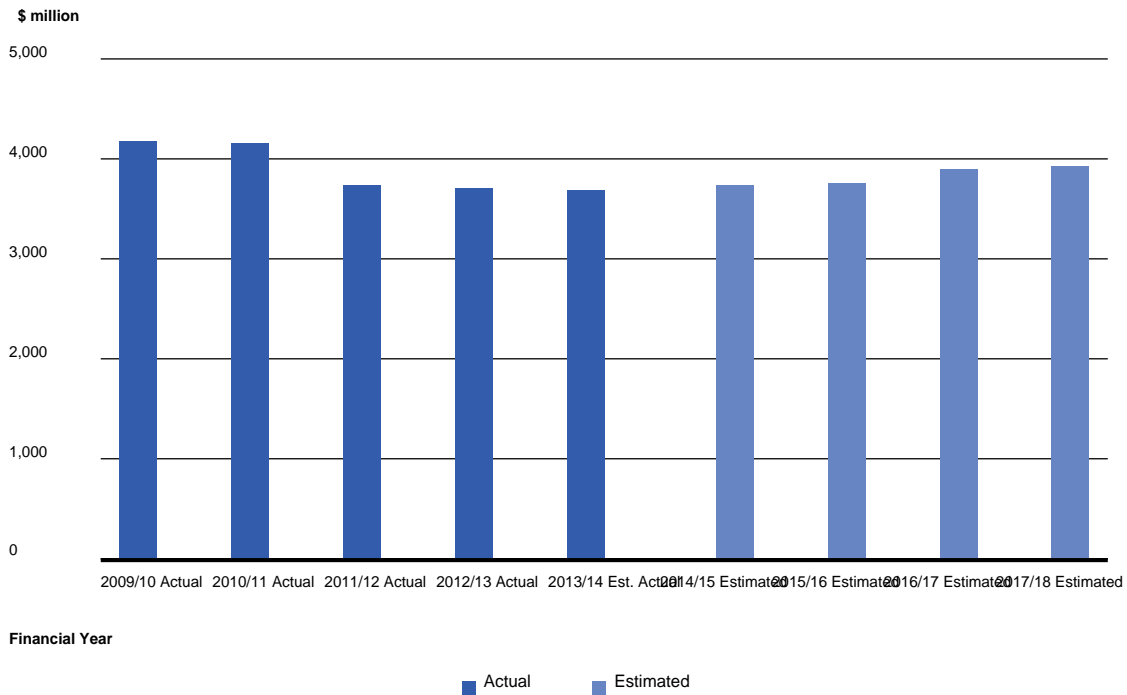
Expenditure on departmental output expenses has grown from \$601 million in 2009/10 to an estimated amount of just over \$715 million in 2013/14 and a budgeted amount of just over \$712 million in 2014/15.

Inland Revenue continues to focus on delivering operational initiatives to improve efficiency of operations to meet demand for services and cost pressures. The expenditure growth in the years to 2013/14 was largely driven by initiatives such as child support scheme reform, simplifying filing requirements, additional audit and compliance activity, revenue investment and the transformation programme. This investment in Inland Revenue's transformation programme continues in 2014/15 with the commencement of the detailed design of strategic initiatives.

In 2014/15 the baseline also includes funding from Budget 2014 for child support compliance to speed up the process of getting money to custodial parent families, funding from Budget 2014 for parental tax credits to increase the entitlement amount and entitlement period for low income families, funding from Budget 2014 for the unfiled returns initiative which focuses on reducing outstanding return volumes and targeting returns with higher revenue values, and funding from Budget 2014 to implement a solution to meet the Foreign Account Tax Compliance Act (FATCA) legislative requirements.

*Non-Departmental Benefits or Related Expenses*

**Figure 2** - Non-departmental benefits or related expenses



Source: Inland Revenue

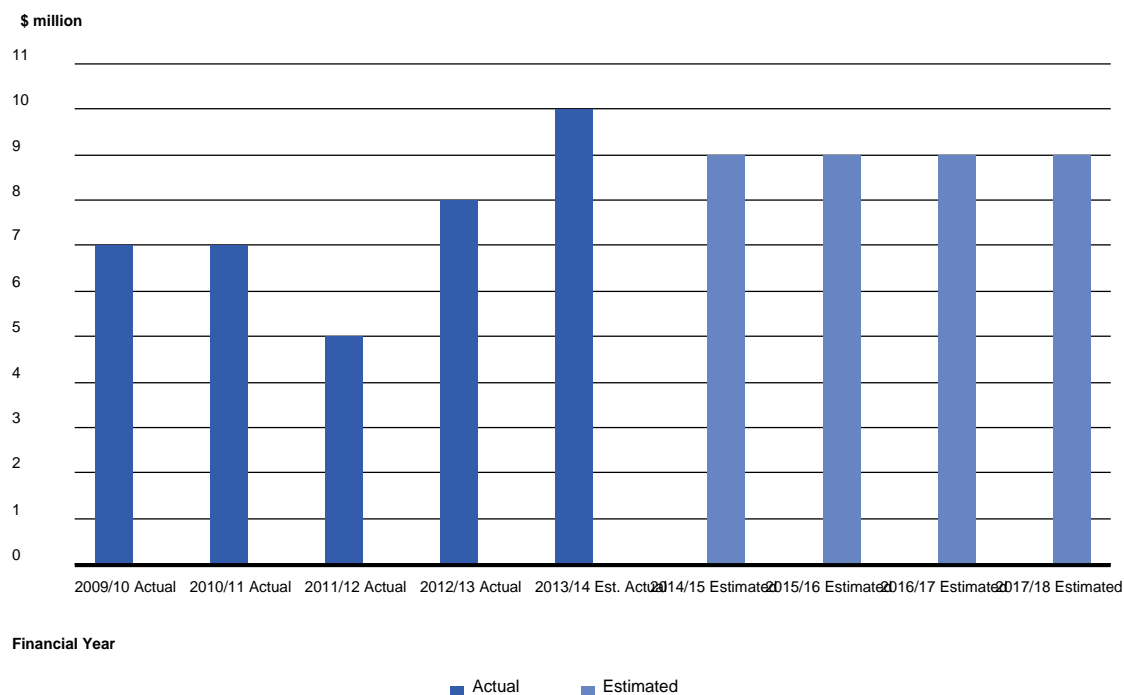
Benefits or related expenses include appropriations for KiwiSaver, Working for Families Tax Credits, payroll subsidy and child support payments to custodial persons.

The decrease from 2010/11 reflected policy changes in relation to making KiwiSaver more cost-effective (primarily halving the member tax credit) and Working for Families changes from Budget 2011 which increased abatement through broadening the definition of income, adjusting the abatement threshold and increasing the abatement rate.

From 2012/13, total expenses are relatively stable with increases in KiwiSaver expenses as a result of increased scheme membership offset by decreases in Working for Families Tax Credits.

## Non-Departmental Borrowing Expenses

**Figure 3** - Non-departmental borrowing expenses



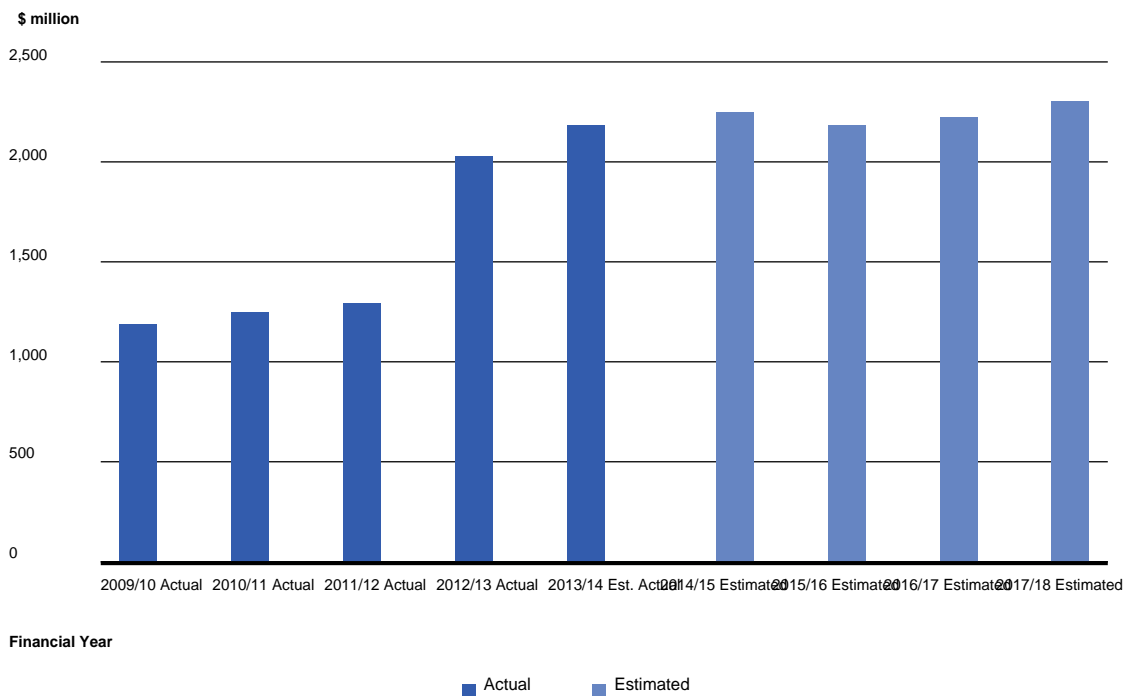
Source: Inland Revenue

Borrowing expenses include interest payments for the income equalisation, adverse event and environmental restoration account schemes. The interest payable varies with the size of the deposits in these schemes. These schemes are designed to allow tax payers to shift income between tax years - either to smooth out variability in incomes or to set aside income to deal with an adverse event or provide for environment restoration costs.

The higher interest payments from 2013/14 reflect an increase in both actual and forecast deposits into the income equalisation and environmental restoration schemes. Deposits remain higher than historical averages but are forecast to decline slightly from their 2012/13 peak resulting in forecast interest payments being slightly lower in the out years than in 2013/14.

### Non-Departmental Other Expenses

**Figure 4** - Non-departmental other expenses



Source: Inland Revenue

Other expenses include bad debt write-offs, the initial fair value write-down on student loans and impairments relating to student loans, child support, tax, KiwiSaver and Working for Families Tax Credits debt.

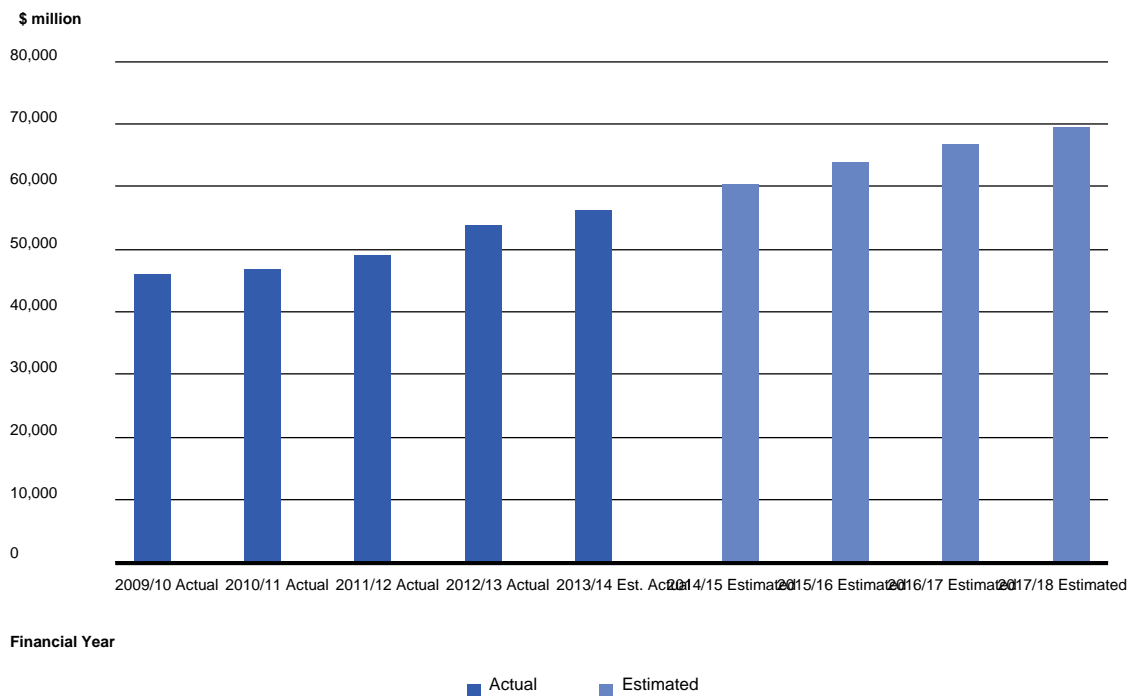
The large increase in 2012/13 expenditure was the result of higher student loan impairment due to lower student incomes, higher child support impairment due to growth in child support penalties and the first full-year impact of the student loan initial fair value write-down appropriation transferring from Vote Social Development to Vote Revenue.

The increase in 2013/14 reflects higher forecast tax debt levels and therefore tax impairment, partially offset by a lower forecast for student loan impairment. Although the 2014/15 other expenses stay at a similar level to 2013/14, debt write-offs are forecast to increase while tax debt impairment is forecast to decrease.

From 2015/16 the level of impairment continues to grow in line with forecasts for tax revenue and debt. This growth is offset by child support legislative changes to reduce penalties that come into effect from 1 April 2016.

## Tax Revenue

**Figure 5 - Tax revenue**



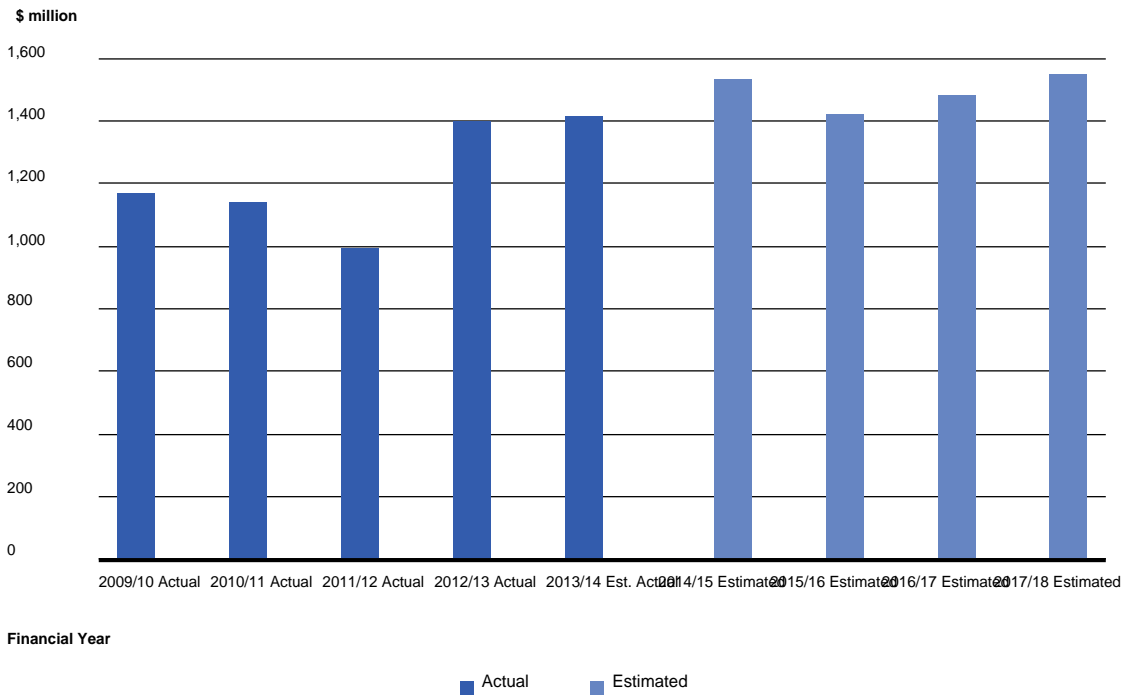
Source: Inland Revenue

Tax revenue incorporates unconsolidated source deductions, other persons, fringe benefit tax, corporate tax, other direct income tax, GST, and other indirect tax administered by Inland Revenue.

Total tax revenue increases throughout the forecast period. From 2009/10 to 2011/12 the rate of growth was tempered by the economic downturn, but revenue growth has subsequently recovered together with the recovery in economic growth. In the 2013/14 year, total annual tax revenue is expected to grow approximately 5%, with the largest increases of 6.6% from source deductions and 5.9% from GST. In 2014/15 overall tax revenue growth is forecast to accelerate to 7%, with positive contributions of over 5% from each of the major tax types, boosted by the effects of the Christchurch rebuild. Thereafter, the forecast growth rate of tax broadly follows the forecast growth rate of nominal GDP, with fiscal drag adding to the growth rate of source deductions.

*Non-Tax Revenue*

**Figure 6 - Non-tax revenue**



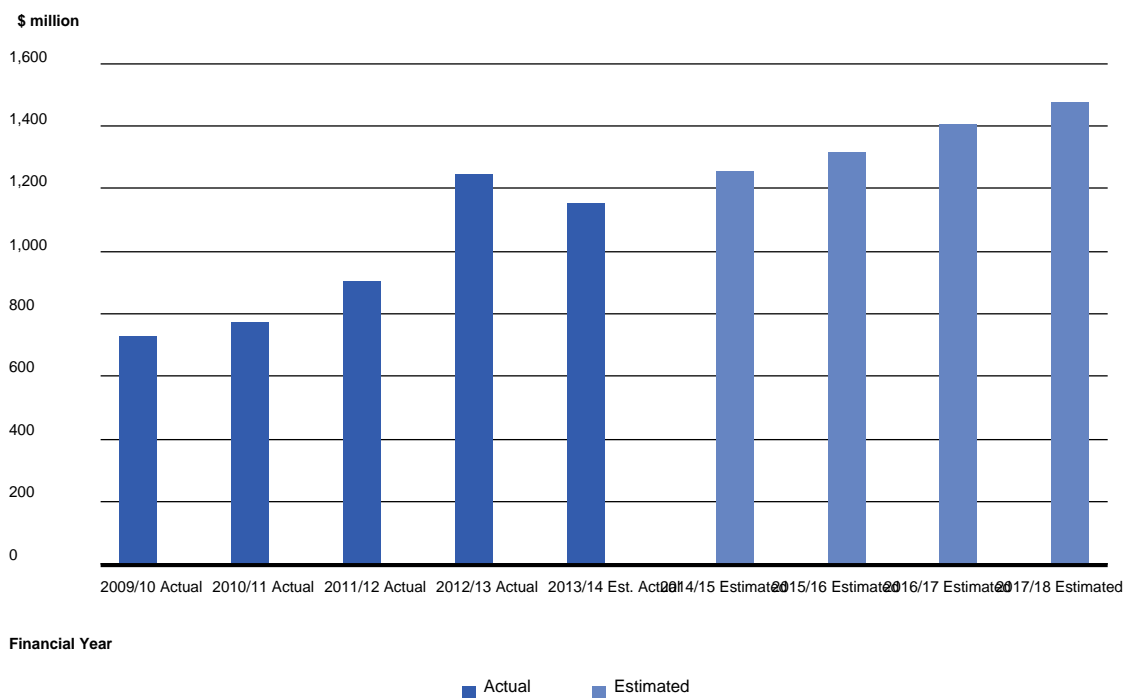
Source: Inland Revenue

Non-tax revenue incorporates child support collections from non-custodial parents, student loan interest unwind (interest income due to reversing the initial fair value write-down over the life of the loan), unclaimed monies and Working for Families Tax Credits interest and penalties.

The non-tax revenue volatility is mainly driven by child support penalties. The decrease in actual revenue for 2011/12 was due to the reversal of child support penalties as a result of purification changes implemented in the child support system. This was a one-off adjustment and penalties resume to normal levels until 2015/16 when the first impact of the child support legislative changes reducing penalties comes into effect from 1 April 2016.

## Capital Receipts

**Figure 7 - Capital receipts**



Source: Inland Revenue

Capital receipts include student loan capital repayments and deposits into the adverse event income equalisation, income equalisation and environmental restoration account schemes.

The increase in receipts for 2012/13 reflected additional student loan repayments resulting from an increase in final claims for the voluntary repayment bonus (repealed from 1 April 2013) and the student loan repayment rate increased from 10% to 12% (effective from 1 April 2013).

From 2013/14 student loan voluntary payments revert to normal levels, the full effect of the repayment rate increase is seen as well as growth in income, the on-going impact of policy decisions and overseas-based borrower debt initiatives.

## 1.4 - Reconciliation of Changes in Appropriation Structure

2013/14 Appropriations in the 2013/14 Structure	2013/14 (Current) \$000	Old Structure		New Structure		
		Appropriations to which Expenses (or Capital Expenditure) have been Moved from or to	Amount Moved \$000	2013/14 Appropriations in the 2014/15 Structure	2013/14 (Restated) \$000	2014/15 \$000
Bad Debt Write-Offs	956,000	Transferred to Impairment of Debt and Debt Write-Offs	(956,000)		-	-
		Transferred from Bad Debt Write-Offs	956,000	Impairment of Debt and Debt Write-Offs	1,297,234	1,162,098
		Transferred from Impairment of Debt	341,234			
Impairment of Debt	341,234	Transferred to Impairment of Debt and Debt Write-Offs	(341,234)			
Total	1,297,234		-		1,297,234	1,162,098

Explanations of the reasons for changing the appropriation structure are noted in the details of each appropriation in Parts 2-4.



## Part 2 - Details of Departmental Appropriations

### 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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	137,750	135,238	143,259
Revenue from the Crown	134,788	132,391	140,297
Revenue from Others	2,962	2,847	2,962

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

This appropriation is intended to increase funding available for government programmes through the collection of revenue owed.

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

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Maximum percentage growth in outstanding returns.	0%	(6%)	0%
Minimum percentage of outstanding returns finalised within six months.	65%	65%	65%
Minimum percentage of outstanding employer monthly schedules finalised within three months.	85%	92%	85%
Maximum average cost of finalising an outstanding return.	\$15.00	\$7.00	\$15.00
Maximum percentage of collectable debt value over two years old.	50%	56%	60%
Minimum percentage of debt cases resolved within six months (see Note 1).	n/a	n/a	80%
Minimum percentage of debt value resolved for those who did not have a debt at the start of the year.	65%	75%	65%
Minimum cash collected for every debt dollar spent.	\$40.00	\$40.00	\$40.00
Minimum percentage of NZ paying parent child support debt cases resolved within 12 months.	70%	73%	75%

Note 1 - This year the measure to resolve debt cases has been amended from within "three months" to "six months" to better reflect the collections process. This has enabled us to increase our target from 65% to 80%.

Unless otherwise specified, all performance measures cover the breadth of Inland Revenue's business (tax, social policy and KiwiSaver).

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2015.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Child support compliance	2014/15	-	5,420	6,944	6,828	6,734
Unfiled returns	2014/15	-	6,743	7,188	7,188	6,675
Property compliance initiative continuation	2014/15	-	1,650	1,650	1,650	1,650
Business transformation	2013/14	4,667	3,641	-	-	-
Efficiency savings	2012/13	(750)	(1,775)	(1,896)	(1,896)	(1,896)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(1,312)	(1,359)	(1,453)	(1,453)	(1,453)
Revenue investment	2012/13	10,400	10,400	10,400	10,400	-
Child support scheme reform	2011/12	491	1,701	986	820	820
Scaling up of the student loan overseas-based borrower initiative	2011/12	4,850	4,850	4,850	4,850	4,850
Budget 2010 tax package - additional audit and compliance activity	2010/11	10,712	8,526	8,526	8,771	8,771

The above table includes policy initiatives since Budget 2010. Technical adjustments to the appropriation are excluded. Where initiatives have been extended or renamed in later budget cycles, the original and subsequent entries have been merged under a single name.

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2014/15 is mainly due to:

- additional funding of \$5.420 million relating to the child support compliance initiative
- additional funding of \$6.743 million relating to the unfiled returns initiative
- additional funding of \$1.650 million from the property compliance initiative continuation
- a net return of (\$1.026 million) represented by the return of (\$4.667 million) and additional funding from Budget 2014 of \$3.641 million for the business transformation programme
- the return of an efficiency saving to the Crown of (\$1.025 million)
- additional funding of \$1.210 million relating to the child support scheme reform initiative
- the return of (\$2.686 million) relating to the additional audit and compliance activity, and
- the reversal of (\$4.759 million) relating to one-off transfers that were made from 2012/13 to 2013/14 for revenue investment (\$2 million), restructuring costs (\$807,000), business transformation programme (\$1.680 million), and student loans redesign (\$290,000).

## Policy Advice (M57)

### Scope of Appropriation

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

### Expenses and Revenue

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	8,168	8,113	8,053
Revenue from the Crown	8,166	8,111	8,051
Revenue from Others	2	2	2

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

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

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

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Minimum percentage of policy advice papers that meet quality standards.	90%	90%	90%
Minimum percentage of ministerial satisfaction for policy advice.	95%	95%	95%
Maximum average cost per hour of producing policy advice outputs.	\$150.00	\$97.00	\$150.00

Unless otherwise specified, all performance measures cover the breadth of Inland Revenue's business (tax, social policy and KiwiSaver).

### End of Year Performance Reporting

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2015.

### Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Efficiency savings	2012/13	(75)	(172)	(223)	(223)	(223)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(173)	(178)	(189)	(189)	(189)

The above table includes policy initiatives since Budget 2010. Technical adjustments to the appropriation are excluded. Where initiatives have been extended or renamed in later budget cycles, the original and subsequent entries have been merged under a single name.

### *Reasons for Change in Appropriation*

The decrease in this appropriation for 2014/15 is mainly due to the return of an efficiency saving to the Crown of (\$97,000).

### **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. Provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making responsibilities).

#### *Expenses and Revenue*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	267,052	252,631	251,307
Revenue from the Crown	265,591	251,220	249,846
Revenue from Others	1,461	1,411	1,461

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

The purpose of this appropriation is to promote confidence in the tax system, and associated social policy programmes, by providing services that help tax payers and other customers meet their payment obligations and receive payments they are entitled to. This appropriation also provides services to help Ministers fulfil their responsibilities to Parliament and the New Zealand public.

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

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Minimum percentage of customers who are satisfied with the quality of phone and correspondence contacts.	85%	84%	85%
Minimum percentage of customers who are satisfied with the quality of online services.	90%	94%	90%
Minimum percentage of customers confident that Inland Revenue takes appropriate action to ensure people receive their social support entitlements.	70%	72%	70%
Minimum percentage of attempted calls that we answer.	75%	79%	75%
Minimum percentage of telephone calls answered within two minutes.	75%	70%	75%
Minimum percentage of correspondence answered within two weeks.	75%	72%	75%
Maximum average cost of a customer initiated contact.	\$34.00	\$34.00	\$40.00
Percentage of all rulings reports, adjudication reports and public items that meet the applicable purpose, logic, alternatives, consultation, and practicality standards.	100%	100%	100%
Minimum number of published or finalised public items that give the Commissioner's interpretation of the law.	25	25	25

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Minimum percentage of adjudication cases completed within three months of receipt.	90%	97%	90%
Minimum percentage of taxpayer ruling applications that have a draft ruling completed within three months of receipt.	90%	100%	90%
Minimum percentage of non-qualifying ruling applications that have a draft ruling completed within six months of receipt.	90%	100%	90%
Minimum percentage of public items (including relevant public consultation), completed within 18 months of allocation.	90%	96%	90%
Minimum percentage of submissions by the applicant on any draft ruling responded to within one month of receipt.	90%	97%	90%
Minimum percentage of ministerial correspondence responded to within 10 days.	95%	95%	95%
Percentage of parliamentary questions responded to within required timeframes.	100%	100%	100%

Unless otherwise specified, all performance measures cover the breadth of Inland Revenue's business (tax, social policy and KiwiSaver).

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2015.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Child support compliance	2014/15	-	1,807	2,315	2,276	2,245
Unfiled returns	2014/15	-	2,248	3,081	3,081	2,861
Broadening the definition of income for student loan repayment purposes	2013/14	100	70	-	-	-
Business transformation	2013/14	9,667	7,540	-	-	-
Paid parental leave payments	2013/14	4	101	33	13	13
Parental tax credit	2013/14	36	586	240	100	100
Implementing student support changes	2013/14	800	-	-	-	-
Salary trade-offs: changes to fringe benefit tax and income calculation	2013/14	1,095	-	-	-	-
Efficiency savings	2012/13	(2,188)	(4,919)	(4,677)	(4,677)	(4,677)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(1,372)	(1,473)	(1,675)	(1,675)	(1,675)
Child support scheme reform	2011/12	11,110	10,448	6,784	6,094	6,094
Simplifying filing requirements for individuals and record-keeping requirements for businesses	2011/12	300	300	300	1,500	-
Budget 2010 tax package - additional audit and compliance activity	2010/11	6,056	4,820	4,820	4,959	4,959
Student support savings package	2010/11	142	142	142	142	142

The above table includes policy initiatives since Budget 2010. Technical adjustments to the appropriation are excluded. Where initiatives have been extended or renamed in later budget cycles, the original and subsequent entries have been merged under a single name.

### *Reasons for Change in Appropriation*

The decrease in this appropriation for 2014/15 is mainly due to:

- additional funding of \$1.807 million relating to the child support compliance initiative
- additional funding of \$2.248 million relating to the unfiled returns initiative
- the return of (\$30,000) relating to broadening the definition of income for student loan repayment purposes
- a net return of (\$2.127 million) represented by the return of (\$9.667 million) and additional funding from Budget 2014 of \$7.540 million for the business transformation programme
- additional funding of \$97,000 relating to the paid parental leave payments initiative
- additional funding of \$550,000 relating to the parental tax credit initiative
- the return of (\$800,000) relating to implementing student support changes
- the return of (\$1.095 million) relating to the salary trade-offs initiative
- the return of an efficiency saving to the Crown of (\$2.731 million)
- the return of (\$4.070 million) relating to the child support scheme reform initiative
- the return of (\$1.236 million) relating to additional audit and compliance activity
- the return of (\$1.568 million) relating to the student loan voluntary repayment bonus initiative, and
- the reversal of (\$6.588 million) relating to one-off transfers that were made from 2012/13 to 2013/14 for restructuring costs (\$1.699 million), student loans redesign (\$649,000), the eServices programme (\$618,000), business transformation programme (\$3.480 million), and making KiwiSaver more cost effective (\$142,000).

### **Services to Other Agencies RDA (M57)**

#### *Scope of Appropriation*

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

#### *Expenses and Revenue*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	710	650	3,060
Revenue from the Crown	-	-	-
Revenue from Others	710	650	3,060

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

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

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

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Minimum percentage of satisfaction of the Department of Internal Affairs for services provided.	n/a	95%	95%
Minimum percentage of satisfaction of the New Zealand Productivity Commission for services provided.	n/a	95%	95%

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2015.

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2014/15 relates to funding of \$2.350 million for shared financial transactional services provided to the Department of Internal Affairs.

## **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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	158,693	149,450	140,572
Revenue from the Crown	137,696	129,282	119,575
Revenue from Others	20,997	20,168	20,997

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

This appropriation is intended to contribute to the availability of revenue to fund government programmes by ensuring tax payer and other customer payments, credit claims, refunds and entitlements are processed in a timely, efficient and effective way.

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

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Minimum percentage of income tax returns finalised within four weeks.	90%	94%	90%
Minimum percentage of GST returns finalised within three weeks.	95%	99%	95%
Minimum percentage of employer monthly schedule employee deductions finalised within four weeks.	95%	99%	95%
Minimum percentage of social policy and tax registrations processed within five working days.	85%	87%	85%
Minimum percentage of payments banked on the day of receipt.	99%	99%	99%
Minimum percentage of payments correctly processed to customers' accounts.	99.5%	99.7%	99.5%
Maximum average cost of processing income tax returns, GST returns and employer monthly schedules.	\$4.00	\$4.00	\$5.00
Minimum percentage of notices and statements produced without error.	98.5%	99.5%	98.5%
Minimum percentage of income tax refunds issued within six weeks.	85%	89%	85%
Minimum percentage of GST refunds issued within four weeks (see Note 1).	95%	98%	95%
Minimum percentage of tax credit claim payments made within three weeks.	90%	98%	90%
Minimum percentage of Working for Families Tax Credit (WfFTC) payments made on the first regular payment date following an application.	95%	99%	95%
Minimum percentage of paid parental leave payments issued to customers on the first regular pay day following the agreed date of entitlement.	97%	98%	97%
Minimum percentage of child support assessments issued within two weeks.	80%	79%	80%
Minimum percentage of child support administrative review decisions issued within 10 weeks (see Note 2).	n/a	n/a	85%

Note 1 - Section 46 of the Goods and Services Tax Act 1985 stipulates refunds are to be issued within 15 working days unless selected for a screening or investigation. The four weeks issuing timeframe allows additional time to include those selected in our performance.

Note 2 - This year the measure for administrative review decisions has been amended from within "seven weeks" to "10 weeks" to better reflect the required processing time. In 2013/14 the estimated result for decisions issued within seven weeks is 61% against a budget standard of 85%.

Unless otherwise specified, all performance measures cover the breadth of Inland Revenue's business (tax, social policy and KiwiSaver).

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2015.



### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Broadening the definition of income for student loan repayment purposes	2013/14	200	130	-	-	-
Business transformation	2013/14	4,500	3,510	-	-	-
Foreign Account Tax Compliance Act (FATCA)	2013/14	590	2,262	1,370	1,318	1,324
GST cross-border business to business neutrality	2013/14	950	-	-	-	-
Implementing student support changes	2013/14	3,041	-	-	-	-
Paid parental leave payments	2013/14	14	406	130	50	50
Parental tax credit	2013/14	144	2,344	958	400	400
Salary trade-offs: changes to fringe benefit tax and income calculation	2013/14	1,095	-	-	-	-
Efficiency savings	2012/13	(750)	(1,718)	(1,673)	(1,673)	(1,673)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(2,972)	(3,010)	(3,085)	(3,085)	(3,085)
Child support scheme reform	2011/12	7,779	4,853	2,089	1,286	1,286
Simplifying filing requirements for individuals and record-keeping requirements for businesses	2011/12	700	2,131	2,565	2,467	-
Student support savings package	2010/11	61	61	61	61	61

The above table includes policy initiatives since Budget 2010. Technical adjustments to the appropriation are excluded. Where initiatives have been extended or renamed in later budget cycles, the original and subsequent entries have been merged under a single name.

### *Reasons for Change in Appropriation*

The decrease in this appropriation for 2014/15 is mainly due to:

- the return of (\$720,000) relating to broadening the definition of income for student loan repayment purposes
- a net return of (\$990,000) represented by the return of (\$4.500 million) and additional funding from Budget 2014 of \$3.510 million for the business transformation programme
- additional funding of \$1.672 million relating to the Foreign Account Tax Compliance Act (FATCA) initiative
- the return of (\$950,000) relating to the GST cross-border business to business neutrality initiative
- the return of (\$2.391 million) relating to implementing student support changes
- additional funding of \$392,000 relating to the paid parental leave payment initiative
- additional funding of \$2.200 million relating to the parental tax credit initiative
- the return of (\$1.095 million) relating to the salary trade-offs initiative
- the return of an efficiency saving to the Crown of (\$968,000)
- the return of (\$10.877 million) relating to the child support scheme reform initiative

- additional funding of \$1.431 million relating to simplifying filing requirements for individuals and record-keeping requirements for businesses
- the return of (\$1.232 million) relating to the student loan voluntary repayment bonus initiative, and
- the reversal of (\$4.393 million) relating to one-off transfers that were made from 2012/13 to 2013/14 for the eServices programme (\$1.443 million), making KiwiSaver more cost effective (\$568,000), restructuring costs (\$564,000), business transformation programme (\$1.620 million), and student loans redesign (\$198,000).

## 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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	171,862	169,153	166,131
Revenue from the Crown	171,597	168,894	165,866
Revenue from Others	265	259	265

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

This appropriation is intended to ensure that the revenue base for funding government programmes is protected through auditing activities to prevent non-compliance, and undertaking legal action where appropriate.

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

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Minimum percentage of audit cases that are correct, complete, clear, and appropriately referenced.	85%	94%	90%
Minimum percentage of audited customers who are satisfied with their experience.	65%	70%	65%
Minimum percentage of customers confident that Inland Revenue takes appropriate action against those who do not comply.	75%	75%	75%
Minimum percentage of audits that result in a material discrepancy.	75%	78%	75%
On average, we will complete audits within agreed timeframes: <ul style="list-style-type: none"> <li>• 4 months for general audits</li> <li>• 12 months for risk based audits</li> <li>• 16 months for evasion and fraud audits, and</li> <li>• 28 months for aggressive tax planning audits.</li> </ul>	Achieved	Achieved	Achieved
Minimum percentage of disputed cases completed within 15 months.	75%	80%	75%

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Minimum discrepancy identified for every output dollar spent.	\$7.70	\$7.70	\$7.00
Minimum percentage of litigation judgements found in favour of the Commissioner.	66%	80%	66%

Unless otherwise specified, all performance measures cover the breadth of Inland Revenue's business (tax, social policy and KiwiSaver).

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2015.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Property compliance initiative continuation	2014/15	-	5,000	5,000	5,000	5,000
Business transformation	2013/14	6,166	4,809	-	-	-
GST cross-border business to business neutrality	2013/14	-	140	120	-	-
Efficiency savings	2012/13	(825)	(2,004)	(2,119)	(2,119)	(2,119)
Removal of SSRSS and KiwiSaver funding contributions	2012/13	(1,823)	(1,882)	(2,000)	(2,000)	(2,000)
Revenue investment	2012/13	9,584	9,584	9,584	9,584	-
Budget 2010 tax package - additional audit and compliance activity	2010/11	15,792	12,570	12,570	12,931	12,931

The above table includes policy initiatives since Budget 2010. Technical adjustments to the appropriation are excluded. Where initiatives have been extended or renamed in later budget cycles, the original and subsequent entries have been merged under a single name.

### *Reasons for Change in Appropriation*

The decrease in this appropriation for 2014/15 is due to:

- additional funding of \$5 million from the property compliance initiative continuation
- a net return of (\$1.357 million) represented by the return of (\$6.166 million) and additional funding from Budget 2014 of \$4.809 million for the business transformation programme
- additional funding of \$140,000 relating to the GST cross-border business to business neutrality initiative
- the return of an efficiency saving to the Crown of (\$1.179 million)
- the return of (\$3.672 million) relating to the additional audit and compliance activity, and
- the reversal of (\$4.663 million) relating to one-off transfers that were made from 2012/13 to 2013/14 for revenue investment (\$1.150 million), restructuring costs (\$930,000), business transformation programme (\$2.220 million), and student loans redesign (\$363,000).

## 2.3 - Departmental Capital Expenditure and Capital Injections

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

#### *Scope of Appropriation*

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

#### *Capital Expenditure*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	17,000	17,000	20,000
Intangibles	38,000	34,000	42,336
Other	-	-	-
<b>Total Appropriation</b>	<b>55,000</b>	<b>51,000</b>	<b>62,336</b>

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

This appropriation is intended to invest in the renewal, upgrade and redesign of assets that support the delivery of the department's services. This includes enhancements to support child support scheme reform and the commencement of the transformation programme including detailed design of strategic initiatives and progressing core foundational and tactical requirements.

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

Expenditure supports the delivery of the department's output performance measures in accordance with the department's capital asset management priorities for 2014/15 which are:

- implement government policy initiatives (approximately 40%)
- deliver infrastructure that will support transformation (approximately 20%), and
- maintain and improve business infrastructure (approximately 40%).

#### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by Inland Revenue in the department's Annual Report 2015.

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

Details of Net Asset Schedule	2013/14 Estimated Actual \$000	2014/15 Projected \$000	Explanation of Projected Movements in 2014/15
Opening Balance	270,343	275,393	
Capital Injections	5,329	2,336	Capital injections of \$2.336 million for the Foreign Account Tax Compliance Act (FATCA) initiative.
Capital Withdrawals	(279)	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
<b>Closing Balance</b>	<b>275,393</b>	<b>277,729</b>	

## Part 3 - Details of Non-Departmental Appropriations

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

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	240,000	240,000	267,000

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

This permanent appropriation provides for the transfer of child support payments from non-custodial parents to custodial persons.

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

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for child support payments to custodial persons under the Child Support Act 1991. Performance information relating to the administration of the payment is provided under the Services to Process Obligations and Entitlements appropriation.

##### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Child support compliance	2014/15	-	14,000	18,000	18,000	18,000

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

The growth in this appropriation in 2014/15 reflects general population growth, increasing the number of child support cases, and forecast improvements to the labour market. The latter increases the amount collected from non-custodial parents and transferred to custodial persons, and it also decreases the likelihood that custodial persons are dependent on the state for financial support.

##### *Conditions on Use of Appropriation*

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

## Child Tax Credit PLA (M57)

### *Scope of Appropriation*

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

### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,800	1,800	1,300

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

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

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

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

### *Reasons for Change in Appropriation*

The child tax credit was replaced by the in-work tax credit in April 2006. People ineligible for the in-work tax credit could continue to receive the child tax credit until no longer eligible. The appropriation will continue to decline as the tail of remaining recipients gradually changes to the in-work tax credit or otherwise lose eligibility.

### *Conditions on Use of Appropriation*

Reference	Conditions
Subpart MZ of the Income Tax Act 2007	Sets out the entitlement for and calculation of the Child Tax Credit.

## Family Tax Credit PLA (M57)

### *Scope of Appropriation*

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

### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,976,000	1,976,000	1,934,000

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

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

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

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

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Working for Families reform for Budget 2011	2011/12	(82,000)	(133,000)	-	-	-
Budget 2010 tax package - implementing policy changes	2010/11	7,407	7,407	7,407	7,407	7,407

### *Reasons for Change in Appropriation*

Family tax credit is payable to families with eligible children whose family income is below their relevant abatement cut-off point. The appropriation declines over time because income growth reduces entitlement for families with annual family incomes over the abatement threshold of \$36,350. This decline is halted in years where per-child entitlements are increased through indexation, but there is no indexation in the 2014/15 year.

### *Conditions on Use of Appropriation*

Reference	Conditions
Reference MD 3 of the Income Tax Act 2007	Sets out the entitlement for and calculation of the Family Tax Credit.



## In-Work Tax Credit PLA (M57)

### *Scope of Appropriation*

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

### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	523,000	523,000	494,000

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

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

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

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

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Working for Families reform for Budget 2011	2011/12	(42,000)	(61,000)	-	-	-
Budget 2010 tax package - implementing policy changes	2010/11	(8,912)	(8,912)	(8,912)	(8,912)	(8,912)

### *Reasons for Change in Appropriation*

The decline in this appropriation for 2014/15 reflects reduced entitlement as annual incomes increase above the abatement threshold of \$36,350.

### *Conditions on Use of Appropriation*

Reference	Conditions
Sections MD 4-10 of the Income Tax Act 2007	Sets out the entitlement for and calculation of the In-Work Tax Credit.

**KiwiSaver: Interest (M57)***Scope of Appropriation*

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

*Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	10,000	9,000	13,000

*What is Intended to be Achieved with this Appropriation*

This appropriation provides for interest payments to members on KiwiSaver contributions while they are held with Inland Revenue. Inland Revenue is required to hold members' contributions for three months from the date of the first contribution before transferring it to their KiwiSaver providers.

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

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for KiwiSaver interest payments under the KiwiSaver Act 2006. Performance information relating to the administration of the payment is provided under the Services to Process Obligations and Entitlements appropriation.

*Reasons for Change in Appropriation*

This appropriation is forecast to increase as contributing membership grows over time.

*Conditions on Use of Appropriation*

Reference	Conditions
Sections 84-91 of the KiwiSaver Act 2006	Interest payable by Inland Revenue on KiwiSaver member contributions while they await being forwarded to KiwiSaver scheme providers.

**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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	241,000	231,000	171,000

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

This appropriation provides for a one-off payment to all new KiwiSaver members upon opening a KiwiSaver account which encourages people to join the KiwiSaver 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 KiwiSaver kick-start payments under KiwiSaver Act 2006. Performance information relating to the administration of the payment is provided under the Services to Process Obligations and Entitlements appropriation.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Making KiwiSaver more cost-effective	2011/12	(2,147)	(2,114)	(2,114)	(2,114)	(2,114)

### *Reasons for Change in Appropriation*

This appropriation is forecast to decrease because the rate of new membership will decline over time as the scheme matures.

### *Conditions on Use of Appropriation*

Reference	Conditions
Section 226 of the KiwiSaver Act 2006	This section of the Act sets out the entitlement for a \$1,000 kick-start payment to each member upon joining.

## **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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	597,000	582,000	643,000

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

This appropriation provides for an annual payment to contributing members aged 18 or over who meet the eligibility criteria encouraging participation in the KiwiSaver 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 KiwiSaver tax credit payments under the KiwiSaver Act 2006. Performance information relating to the administration of the payment is provided under the Services to Process Obligations and Entitlements appropriation.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Making KiwiSaver more cost-effective	2011/12	(483,817)	(492,325)	(492,325)	(492,325)	(492,325)

### *Reasons for Change in Appropriation*

Growth in the tax credit to 2014/15 is from an increase in the total number of contributing members as well as increases in their contributions due to income growth.

### *Conditions on Use of Appropriation*

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

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

### *Scope of Appropriation*

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

### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	14,000	14,000	13,000

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

This permanent appropriation provides for payments to families with dependent children aged 18 or younger to ensure that the annual income after tax of a family does not fall below \$22,776 where at least one parent is working.

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

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

*Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Budget 2010 tax package - implementing policy changes	2010/11	(545)	(545)	(545)	(545)	(545)

*Reasons for Change in Appropriation*

The decrease in this appropriation in the 2014/15 year reflects an increase in incomes, reducing entitlement.

*Conditions on Use of Appropriation*

Reference	Conditions
Subpart ME of the Income Tax Act 2007	Sets out the entitlement for and calculation of the Family Tax Credit.

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

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

*Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	101,311	96,311	176,000

*What is Intended to be Achieved with this Appropriation*

This appropriation provides for payments to eligible parents and adoptive parents when they take parental leave from their employment to care for their newborn or adopted child (under the age of six). These payments provide employment protected leave and compensate for the loss of income.

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

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

*Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Paid parental leave payments	2014/15	-	6,000	40,400	61,500	63,900

### *Reasons for Change in Appropriation*

This appropriation was established after it was identified during 2013/14 that there was no permanent legislative authority (PLA) to make paid parental leave payments. It replaces the Paid Parental Leave Payments PLA appropriation. This appropriation has increased by \$74.689 million in 2014/15. This increase is a combination of \$67.689 million that was spent before the PLA issue was identified, and \$7 million that reflects an improved outlook for employment and an assumed increase in the number of eligible cases. Improved wages are expected to increase the average entitlement. In addition, the maximum weekly entitlement is indexed each year.

### *Conditions on Use of Appropriation*

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

## **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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	17,000	17,000	19,000

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

This permanent appropriation provides for payments to families with a newborn baby for the first 56 days (eight weeks) after the birth to help with day-to-day living costs.

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

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

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Parental tax credit	2014/15	-	3,250	13,000	13,000	13,000
Working for Families reform - Budget 2011	2012/13	(2,000)	(3,000)	-	-	-
Budget 2010 tax package - implementing policy changes	2010/11	(495)	(495)	(495)	(495)	(495)

### *Reasons for Change in Appropriation*

Parents of newborns can receive financial assistance provided they meet the eligibility criteria. The increase in this appropriation in 2014/15 is mainly due to the impact from the Budget 2014 policy initiative.

### *Conditions on Use of Appropriation*

Reference	Conditions
Sections MD 11-12 of the Income Tax Act 2007	Sets out the entitlement for (MD11) and calculation of (MD12) of the Parental Tax Credit.

## **Payroll Subsidy PLA (M57)**

### *Scope of Appropriation*

This appropriation is limited to the payment of a subsidy to a payroll agent undertaking employers' payroll-related tax compliance activities on their behalf, section 185 of the Tax Administration Act 1994.

### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	3,300	3,300	4,000

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

This permanent appropriation provides for payments to payroll agents who undertake payroll services on behalf of small businesses so they can focus their efforts on growing their businesses.

### *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 payment of a payroll subsidy under the Income Tax Act 2007. Performance information relating to the administration of the payment is provided under the Services to Process Obligations and Entitlements appropriation.

### *Reasons for Change in Appropriation*

The payroll subsidy is expected to increase over time as more employers utilise the services of payroll intermediaries.

### *Conditions on Use of Appropriation*

Reference	Conditions
Section RP4 of the Income Tax Act 2007	Establishes the payment of a subsidy by the Commissioner to a listed PAYE intermediary for a payroll service that they provide to an employer (RP4(1)). The calculation of the subsidy is specified in the Income Tax (Payroll Subsidy) regulations.

### 3.3 - 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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	20	20	10

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

This appropriation provides for interest payments on deposits held in an adverse event income equalisation scheme. This scheme allows farmers who experience adverse events to carry income from forced livestock sales over to the next income year.

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

The appropriation has been reduced to reflect forecast activity in the scheme.

#### 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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,000	2,000	2,000

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

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



## Income Equalisation Interest PLA (M57)

### *Scope of Appropriation*

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

### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	8,000	8,000	7,000

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

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

### *Reasons for Change in Appropriation*

The decrease in appropriation reflects recent activity in the scheme with less interest payable over the next 12 months.

## 3.4 - Non-Departmental Other Expenses

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

#### *Scope of Appropriation*

This appropriation is limited to bad debt write-offs for Crown debt and 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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	1,162,098

### *Comparators for Restructured Appropriation*

Vote, Type and Title of Appropriation	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Vote Revenue: Non-Departmental Other Expenses; Bad Debt Write-Offs	956,000	931,000	-
Vote Revenue: Non-Departmental Other Expenses; Impairment of Debt	341,234	266,234	-
Total	1,297,234	1,197,234	1,162,098

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

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

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

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

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Unfiled returns	2014/15	-	8,864	19,698	19,698	19,698
Revenue investment	2012/13	(10,766)	(10,766)	(10,766)	(10,766)	-
Budget 2010 tax package - additional audit and compliance activity	2010/11	(146,300)	(138,600)	(130,900)	(123,200)	(123,200)

### *Reasons for Change in Appropriation*

This appropriation replaces Impairment of Debt and Bad Debt Write-Offs appropriations from 1 July 2014. The decline in 2014/15 appropriation reflects the lower expected debt growth which will reduce impairment.

## 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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	326,000	296,000	323,000

### *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 child support penalties debt as 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 child support debt. Performance information relating to this expenditure is provided under the Management of Debt and Outstanding Returns appropriation.

### *Reasons for Change in Appropriation*

The decrease in the 2014/15 appropriation shows an expected lower growth in child support penalties 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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	145,434	45,434	100,000

*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 loans debt. Performance information relating to this expenditure is available to the House of Representatives in the Student Loan Scheme Annual Report 2015.

*Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Suspending the student loan repayment threshold until 1 April 2017	2013/14	(51,566)	-	-	-	-
Transfer of student loan appropriations from Vote Social Development to Vote Revenue	2011/12	10,000	10,000	10,000	10,000	10,000

*Reasons for Change in Appropriation*

The decrease in the 2014/15 appropriation signals the expected impairment for that year based on the historical impairment.

**Initial Fair Value Write-Down Relating to Student Loans (M57)***Scope of Appropriation*

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

*Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	662,824	644,000	668,000

*What is Intended to be Achieved with this Appropriation*

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

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

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative because this appropriation is solely for the initial fair value write-down of student loans. Performance information relating to this expenditure is available to the House of Representatives in the Student Loan Scheme Annual Report 2015.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Supporting Better Public Services and Business Growth Agenda within Vote Tertiary Education	2015/16	-	-	1,081	1,665	1,965
Additional medical places	2014/15	-	195	464	769	1,242
Extending the student support stand-down period for permanent residents	2014/15	-	(494)	(2,492)	(4,409)	(4,409)
Fixing a 4% annual maximum fee movement in 2015 and 2016	2014/15	-	7,840	17,540	17,540	17,540
Suspending the student loan repayment threshold until 1 April 2017	2014/15	-	(9,081)	(10,707)	(11,132)	(11,260)
20 Additional medical places	2013/14	81	192	318	513	639
Additional flexibility for highly performing private training establishments	2013/14	2,569	4,533	4,668	4,827	4,827
Continue 99-105% tolerance bands	2013/14	1,310	1,839	1,879	1,893	1,893
Reducing student allowances eligibility for students aged 40 and over	2013/14	187	595	806	783	783
Removing student allowances eligibility for those aged 65 and over	2013/14	(130)	(444)	(546)	(627)	(627)
Appropriation and draw-down of Skills for Canterbury funding for 2013	2012/13	1,074	-	-	-	-
Broadening the definition of income for student loan repayment purposes	2012/13	(553)	(610)	(633)	(633)	(633)
Expanding fee-free Youth Guarantee (YG) tertiary places	2012/13	(3,765)	(4,954)	(5,172)	(5,172)	(5,172)
Increasing the student loan repayment rate from 10% to 12%	2012/13	(37,607)	(37,340)	(37,554)	(37,554)	(37,554)
No CPI adjustments to student loan allowance parental income threshold for 4 years	2012/13	1,923	2,631	3,080	3,080	3,080
Removing student allowance eligibility for postgraduate study and Long Programmes	2012/13	11,712	10,895	10,512	10,512	10,512
Repealing the student loan voluntary repayment bonus	2012/13	(7,584)	(7,715)	(7,806)	(7,806)	(7,806)
Setting a 2 EFTS annual student loan borrowing limit	2012/13	(46)	(46)	(47)	(47)	(47)
Changes to the definition of parental income for the student allowance scheme	2011/12	1,501	1,442	1,442	1,442	1,442
Setting a per-EFTS student loan borrowing limit for pilot training	2011/12	(1,764)	(2,109)	(2,901)	(2,901)	(2,901)
Student loans: Extending pay period assessments to the salaries and wages of all student loan borrowers	2011/12	(344)	(345)	(390)	-	-
Transfer of student loan appropriations from Vote Social Development to Vote Revenue	2011/12	731,917	742,366	742,366	742,366	742,366

### *Reasons for Change in Appropriation*

The increase in appropriation in 2014/15 reflects the impact of policy initiatives and forecasts for new lending. The level of new lending continues to grow each year due to expected growth in the average loan amount per person.