

## PART TWO

# Forecast Departmental Financial Statements and Performance Objectives





# Statement of responsibility

The forecast financial statements for Inland Revenue for the year ending 30 June 2005 contained in this report were prepared in accordance with section 34A of the Public Finance Act 1989.

The Chief Executive of Inland Revenue acknowledges, in signing this statement, that he is responsible for the forecast financial statements contained in this report.

The financial performance forecast to be achieved by Inland Revenue for the year ending 30 June 2005 that is specified in the statement of objectives is as agreed with the Minister of Revenue, who is the Minister responsible for the financial performance of the Inland Revenue Department.

The performance for each class of outputs forecast to be achieved by Inland Revenue for the year ending 30 June 2005 that is specified in the statement of objectives, is as agreed with the Minister of Revenue, who is responsible for the Vote administered by the department.

We certify that the information contained in this report is consistent with the appropriations contained in the Estimates for the year ending 30 June 2005 that are being laid before the House of Representatives under section 9 of the Public Finance Act 1989.

Signed



Chief Executive

26 April 2004

Countersigned



Acting Chief Financial Officer

26 April 2004

# Statement of accounting policies

for the year ended 30 June 2005

## Reporting entity

Inland Revenue is a government department as defined by section 2 of the Public Finance Act 1989.

These are the forecast financial statements of Inland Revenue prepared pursuant to section 34A of the Public Finance Act 1989.

## Measurement system

These financial statements have been prepared on the basis of historical cost unless otherwise stated.

## Accounting policies

The following particular accounting policies, which materially affect the measurement of financial results and financial position, have been applied.

### Revenue

Inland Revenue derives revenue through the provision of outputs to the Crown, other government departments, and for services to third parties. This revenue is recognised when earned and is reported in the financial period to which it relates.

### Cost allocations

Inland Revenue uses an integrated cost allocation process to derive the cost of its outputs. This process involves the initial costing of business processes followed by the full costing of outputs.

Business processes represent the key functional activities within the department. These business processes are used to capture direct costs.

Direct personnel costs are charged to business processes based on actual hours and standard activity rates. Other related direct costs, including depreciation, are allocated to business processes based on actual hours and relevant activity drivers. Premises costs are charged to business processes based on a combined floor space and actual hours allocation.

Business process costs are allocated to outputs based on specific historical activity drivers for each business process.

Indirect information technology costs are assigned to specific service categories and allocated to outputs based on system usage drivers.

Other indirect costs and corporate overheads that cannot be directly attributed to a business process are apportioned to outputs based on planned business process activity allocations to outputs.

### Debtors and receivables

Receivables are recorded at estimated realisable value, after providing for doubtful and uncollectable debts.

### Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Inland Revenue leases office premises, computer hardware and office equipment.



## Property, plant and equipment

The cost of a fixed asset is the value of consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use. The capitalisation thresholds are:

Computers	All
Software development	\$50,000 and over
Software purchases	\$5,000 and over
Leasehold improvements	\$20,000 and over
Other	\$2,000 and over

Any write-down of an item to its recoverable amount is recognised in the *Statement of Forecast Financial Performance*.

Assets under construction represent the costs of assets under development. The cost comprises direct labour, material purchased and overheads, if appropriate.

There are currently two categories:

- Leasehold improvements
- Software/IT equipment.

When assets under construction are completed and become operational they are recognised as fixed assets and depreciated over their useful lives.

## Depreciation

Depreciation is provided on a straight-line basis on all fixed assets, other than assets under construction. The rates of depreciation will write off the cost of the assets to the estimated residual value over the useful life of the assets.

The useful lives of major classes of assets have been estimated as follows:

Motor vehicles	5 years
IT equipment	3 – 5 years
Office equipment	5 years
Furniture	7 years
Leasehold improvements	5 – 7 years
Software	5 – 7 years

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease, or the estimated remaining useful lives of the improvements, whichever is shorter.

Assets under construction are not depreciated. The total cost of a capital project is transferred to the appropriate asset class on its completion and then depreciated.

## Employee entitlements

Provision is made in respect of Inland Revenue's liability for annual, long service and retirement leave and time off in lieu. Annual leave, time off in lieu and other entitlements that are expected to be settled within 12 months of reporting date, are measured at nominal values on an actual entitlement basis at current rates of pay.

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis based on the present value of expected future entitlements.

## Cash flows

*Cash* means cash balances on hand, and held in bank accounts.

*Operating activities* include cash received from all income sources of Inland Revenue and record the cash payments made for the supply of goods and services.

*Investing activities* are those activities relating to the acquisition and disposal of non-current assets.

*Financing activities* comprise capital injections by, or repayment of capital to, the Crown.

## Foreign currency

Foreign currency transactions are converted into New Zealand dollars at the exchange rate at the date of the transaction. Where a forward exchange contract has been used to establish the price of a transaction, the forward rate specified in that foreign exchange contract is used to convert that transaction to New Zealand dollars. Consequently, no exchange gain or loss resulting from the difference between the forward exchange contract rate and the spot exchange rate on date of settlement is recognised.

## Financial instruments

Inland Revenue is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, debtors and creditors. All financial instruments are recognised in the *Statement of Forecast Financial Position* and all revenues and expenses in relation to financial instruments are recognised in the *Statement of Forecast Financial Performance*. All financial instruments are shown at their estimated fair values.

## Goods and services tax (GST)

The *Statement of Forecast Unappropriated Expenditure* and the *Statement of Departmental Expenditure and Appropriations* are GST-inclusive. The *Statement of Forecast Financial Position* is GST-exclusive except for creditors and payables and debtors and receivables, which are GST-inclusive. All other financial statements and notes are GST-exclusive.

The amount of GST owing to or from Inland Revenue at balance date, being the difference between output GST and input GST, is included in creditors and payables or debtors and receivables (as appropriate).

## Taxation

Government departments are exempt from the payment of income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.

## Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that they are equally unperformed obligations.

## Taxpayers' funds

This is the Crown's net investment in Inland Revenue.

## Changes in accounting policies

There have been no changes in accounting policies and cost allocation policies since the date of the last audited financial statements.

All policies have been applied on a basis consistent with the previous year.

# Statement of Forecast Financial Performance

## for the year ended 30 June 2005

	Budgeted	Estimated actual	Forecast
	2004	2004	2005
	\$000	\$000	\$000
<b>Revenue</b>			
Crown	375,729	375,729	406,214
Other	26,815	26,815	26,502
<b>Total operating revenue</b>	<b>402,544</b>	<b>402,544</b>	<b>432,716</b>
<b>Expenditure</b>			
Personnel expenses	248,659	248,159	266,475
Operating expenses	120,734	120,734	126,419
Depreciation	30,500	30,500	32,823
Capital charge	7,651	7,651	6,999
Loss on sale of fixed assets	0	0	0
<b>Total operating expenses</b>	<b>407,544</b>	<b>407,044</b>	<b>432,716</b>
<b>Net deficit</b>	<b>(5,000)</b>	<b>(4,500)</b>	<b>0</b>

The accompanying accounting policies form part of these financial statements.

# Statement of Forecast Movements in Equity

## for the year ended 30 June 2005

	Budgeted	Estimated actual	Forecast
	2004 \$000	2004 \$000	2005 \$000
Deficit for year	(5,000)	(4,500)	0
<b>Total recognised revenues and expenses for the year</b>	<b>(5,000)</b>	<b>(4,500)</b>	<b>0</b>
Equity at start of year	90,008	90,008	86,998
Capital contributions	1,490	1,490	8,099
Repayment of capital to the Crown	0	0	0
Provision for repayment of surplus to the Crown	0	0	0
<b>Equity at end of year</b>	<b>86,498</b>	<b>86,998</b>	<b>95,097</b>

The accompanying accounting policies form part of these financial statements.

# Statement of Forecast Financial Position

## for the year ended 30 June 2005

	Budgeted	Estimated actual	Forecast
	2004	2004	2005
	\$000	\$000	\$000
<b>Taxpayers' funds</b>			
Taxpayers' funds	86,498	86,998	95,097
<b>Total taxpayers' funds</b>	<b>86,498</b>	<b>86,998</b>	<b>95,097</b>
Represented by:			
<b>Current assets</b>			
Cash	12,932	13,312	17,528
Prepayments	7,100	7,100	7,500
Debtor Crown	36,166	36,166	36,166
Debtors and receivables	2,822	2,822	2,887
<b>Total current assets</b>	<b>59,020</b>	<b>59,400</b>	<b>64,081</b>
<b>Non-current assets</b>			
Fixed assets	87,107	87,107	90,000
<b>Total non-current assets</b>	<b>87,107</b>	<b>87,107</b>	<b>90,000</b>
<b>Total assets</b>	<b>146,127</b>	<b>146,507</b>	<b>154,081</b>
<b>Current liabilities</b>			
Creditors and payables	19,668	19,548	20,645
Provision for repayment of surplus to the Crown	0	0	0
Provision for employee entitlements	12,347	12,347	12,875
Provision for restructuring expenses	2,300	2,300	701
<b>Total current liabilities</b>	<b>34,315</b>	<b>34,195</b>	<b>34,221</b>
<b>Non-current liabilities</b>			
Provision for employee entitlements	22,925	22,925	23,540
Provision for restructuring expenses	2,389	2,389	1,223
<b>Total non-current liabilities</b>	<b>25,314</b>	<b>25,314</b>	<b>24,763</b>
<b>Total liabilities</b>	<b>59,629</b>	<b>59,509</b>	<b>58,984</b>
<b>Net assets</b>	<b>86,498</b>	<b>86,998</b>	<b>95,097</b>

The accompanying accounting policies form part of these financial statements.

# Statement of Forecast Cash Flows

## for the year ended 30 June 2005

	Budgeted	Estimated actual	Forecast
	2004 \$000	2004 \$000	2005 \$000
<b>Cash flows – operating activities</b>			
Cash provided from:			
Supply of outputs to			
– Crown	385,729	385,729	406,214
– departments	1,647	1,647	1,484
– other	25,168	25,168	25,018
Interest	0	0	0
	<u>412,544</u>	<u>412,544</u>	<u>432,716</u>
Cash applied to:			
Cost of producing outputs			
– personnel	243,535	243,155	262,477
– operating	126,878	126,878	131,407
– net GST paid	(14)	(14)	0
– capital charge	7,651	7,651	6,999
	<u>378,050</u>	<u>377,670</u>	<u>400,883</u>
<b>Net cash inflow from operating activities</b>	<b><u>34,494</u></b>	<b><u>34,874</u></b>	<b><u>31,833</u></b>
<b>Cash flows – investing activities</b>			
Cash provided from:			
Sale of fixed assets			
	<u>0</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>0</u>
Cash disbursed for :			
Purchase of fixed assets			
	<u>(32,533)</u>	<u>(32,533)</u>	<u>(35,716)</u>
<b>Net cash (outflow) from investing activities</b>	<b><u>(32,533)</u></b>	<b><u>(32,533)</u></b>	<b><u>(35,716)</u></b>
<b>Cash flows – financing activities</b>			
Cash provided from:			
Capital contributions			
	<u>1,490</u>	<u>1,490</u>	<u>8,099</u>
	<u>1,490</u>	<u>1,490</u>	<u>8,099</u>
<b>Cash disbursed to:</b>			
Repayment of surplus			
	(1,858)	(1,858)	0
Capital repayment			
	<u>0</u>	<u>0</u>	<u>0</u>
	<u>(1,858)</u>	<u>(1,858)</u>	<u>8,099</u>
<b>Net cash (outflow) from financing activities</b>	<b><u>(368)</u></b>	<b><u>(368)</u></b>	<b><u>0</u></b>
Net increase in cash held	1,593	1,973	4,216
Opening cash	<u>11,339</u>	<u>11,339</u>	<u>13,312</u>
<b>Closing cash</b>	<b><u>12,932</u></b>	<b><u>13,312</u></b>	<b><u>17,528</u></b>

The accompanying accounting policies form part of these financial statements.

# Statement of Forecast Commitments

## for the year ended 30 June 2005

	Budgeted	Estimated actual	Forecast
	2004 \$000	2004 \$000	2005 \$000
<b>Capital commitments</b>			
<i>Equipment</i>			
Less than one year	400	400	512
<b>Total capital commitments</b>	<b>400</b>	<b>400</b>	<b>512</b>
<b>Operating commitments</b>			
<i>Non-cancellable accommodation leases</i>			
Less than one year	19,317	19,317	19,294
One to two years	11,932	11,932	16,490
Two to five years	18,446	18,446	29,099
Over five years	2,222	2,222	34,689
<b>Total accommodation commitments</b>	<b>51,917</b>	<b>51,917</b>	<b>99,572</b>
<i>Other non-cancellable leases</i>			
Less than one year	24,685	24,685	12,096
One to two years	11,997	11,997	0
Two to five years	0	0	0
Over five years	0	0	0
<b>Total other lease commitments</b>	<b>36,682</b>	<b>36,382</b>	<b>12,096</b>
<i>Non-cancellable contracts for the supply of goods and services</i>			
Less than one year	7,738	7,738	6,919
One to two years	1,953	1,953	241
Two to five years	199	199	0
Over five years	0	0	0
<b>Total supply commitments</b>	<b>9,890</b>	<b>9,890</b>	<b>7,160</b>
<b>Total operating commitments</b>	<b>98,489</b>	<b>98,489</b>	<b>118,828</b>
<b>Total commitments</b>	<b>98,889</b>	<b>98,889</b>	<b>119,340</b>

Operating leases include lease payments for premises, computer and IT equipment, telephone exchange systems, and office equipment.

Inland Revenue has long-term leases on its premises at many locations throughout New Zealand. The annual lease payments are subject to regular reviews and the amounts disclosed as future commitments are based on the current rental rates.

Commitments for non-cancellable accommodation leases include commitments for the surplus space as a result of organisation restructuring. Provision has been made in the financial statements for the expected net expenses for the duration of the lease in respect of this surplus space.

Inland Revenue has entered into non-cancellable contracts for computer maintenance and other contracts for goods and services.

The accompanying accounting policies form part of these financial statements.

## Details of Forecast Fixed Assets by Category for the year ended 30 June 2005

	At cost	Accumulated depreciation	Net book value
	2005 \$000	2005 \$000	2005 \$000
Motor vehicles	5,939	2,467	3,472
IT equipment	60,906	41,655	19,251
Office equipment	21,450	15,506	5,944
Furniture	6,911	6,046	865
Leasehold improvements	47,148	36,661	10,487
Software	275,539	241,136	34,403
Assets under construction (leasehold improvements)	2,843	0	2,843
Assets under construction (software/IT equipment)	12,735	0	12,735
<b>Total</b>	<b>433,471</b>	<b>343,471</b>	<b>90,000</b>

# Summary of Forecast Financial Information

## for the year ended 30 June 2005

	Unit	Budgeted 2004	Estimated actual 2004	Forecast 2005
<b>Operating results</b>				
Revenue: Third parties	\$000	26,815	26,815	26,502
Output expenses	\$000	407,544	407,044	432,716
Operating surplus before capital charge	\$000	2,651	3,151	6,999
Net surplus/(deficit)	\$000	(5,000)	(4,500)	0
<b>Working capital</b>				
Liquid ratio		0.66	0.68	0.85
Current ratio		1.72	1.74	1.87
Average payment period of trade creditors	Days	27.10	27.10	26.78
<b>Resource utilisation</b>				
<i>Physical assets</i>				
Physical assets as % of total assets	%	60%	59%	58%
Additions as % of physical assets	%	37%	37%	40%
<i>Taxpayers' funds</i>				
Level at year end	\$000	86,498	86,998	95,097
Taxpayers' funds as % of total assets	%	59%	59%	62%
<b>Forecast net cash flows</b>				
Surplus from operating activities	\$000	34,494	34,874	31,833
(Deficit) from investing activities	\$000	(32,533)	(32,533)	(35,716)
Surplus from financing activities	\$000	(368)	(368)	8,099
<b>Net increase in cash held</b>	<b>\$000</b>	<b>1,593</b>	<b>1,973</b>	<b>4,216</b>

# Summary of Departmental Output Classes

## for the year ended 30 June 2005

	Revenue Crown (GST-excl) 2005 \$000	Revenue other (GST-excl) 2005 \$000	Total revenue (GST-excl) 2005 \$000	Total expenses (GST-excl) 2005 \$000
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### Vote: Revenue

#### Appropriations for classes of outputs

Policy Advice	10,003	2	10,005	10,005
Adjudication and Rulings	6,131	1,088	7,219	7,219
Information services	104,932	181	105,113	105,113
Revenue assessment and collection	60,518	1,517	62,035	62,035
Management of debt and outstanding returns	59,422	2,798	62,220	62,220
Taxpayer audit	104,731	172	104,903	104,903
Assessment and collection of child support	60,477	244	60,721	60,721
Collection of ACC levies	0	20,500	20,500	20,500
<b>Total</b>	<b>406,214</b>	<b>26,502</b>	<b>432,716</b>	<b>432,716</b>

# Reconciliation of Statement of Intent to 2004 – 2005 Estimates

for the year ended 30 June 2005

	Total appropriations (GST-excl) 2005 \$000	GST 2005 \$000	Total appropriations (GST-incl) 2005 \$000
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## Vote: Revenue

### Appropriations for classes of outputs

Policy Advice	10,005	1,250	11,255
Adjudication and Rulings	7,219	903	8,122
Information services	105,113	13,139	118,252
Revenue assessment and collection	62,035	7,754	69,789
Management of debt and outstanding returns	62,220	7,778	69,998
Taxpayer audit	104,903	13,113	118,016
Assessment and collection of child support	60,721	7,590	68,311
Collection of ACC levies	20,500	2,563	23,063
<b>Total</b>	<b><u>432,716</u></b>	<b><u>54,090</u></b>	<b><u>486,806</u></b>

#### Explanatory note

The forecast financial statements in this report present expenses (and revenue) exclusive of GST, in accordance with generally accepted accounting practice. When appropriated by Parliament, and in accordance with legislation, these expenses are inclusive of GST on revenue.

This means the GST-inclusive amounts for each departmental output class correspond to the annual appropriations for 2004–05 appearing in Part B1 of the Estimates for Vote: Revenue.

# Performance objectives

The figures in brackets refer to performance standards for 2003–04.

## OUTPUT CLASS 1 POLICY ADVICE

### Description

This output class involves:

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

### All policy advice outputs

The service performance objectives detailed below apply to all policy advice outputs.

#### Quantity

Provide the Minister with:

- tax and social policy advice
- tax legislation
- rewritten tax legislation
- revenue forecasts

in accordance with the agreed work programme.

#### Quality

All advice, legislation and forecasts are delivered in accordance with agreed quality criteria.

The policy development process is managed in accordance with the Generic Tax Policy Process.

The Minister is satisfied with the quality of policy advice, tax legislation, revenue forecasts, rewritten legislation and ministerial servicing provided.

#### Timeliness

Provide or deliver:

- all reports and advice
- the tax and social policy work programme
- tax legislation
- rewritten legislation
- revenue forecasts

within the agreed timeframes.



## Output 1.1 Policy advice in relation to tax and social policy

### Description

This output involves:

- assisting with the design and introduction of legislation that changes tax and social policy
- providing advice on laws impacting on the tax system
- developing tax and social policy in accordance with the Generic Tax Policy Process.

*The general service performance objectives detailed above in “All policy advice outputs” apply to this output.*

## Output 1.2 Legislative drafting

### Description

This output involves drafting tax legislation for introduction in the House and assisting with its passage through the House.

*The general service performance objectives detailed above in “All policy advice outputs” apply to this output.*

## Output 1.3 Forecasting and analysis

### Description

This output involves:

- forecasting future tax flows for the Government
- forecasting other non-tax Crown revenue
- reporting on revenue receipts against forecasts
- analysing revenue implications of changes in tax and social policy.

*The general service performance objectives detailed above in “All policy advice outputs” apply to this output.*

## Output 1.4 Ministerial services

### Description

This output involves all activities associated with ministerial services, including responding to ministerial correspondence and parliamentary questions. It includes all tax, child support, student loans and family assistance ministerial correspondence and supply of information.

### Quantity

We expect to draft responses to:

- 800 to 1,000 (1,300 to 1,800) pieces of ministerial correspondence
- 200 to 250 (300 to 500) parliamentary questions

about the administration of the Inland Revenue Acts or Inland Revenue business (volumes are demand-driven).

### Quality

- All responses will be accurate.
- All responses to parliamentary questions will meet the Standing Orders requirements.

## Timeliness

Replies to all ministerial correspondence received will be forwarded for ministerial signature:

- 80% within 6 working days
- 100% within 10 working days

from the date received by Inland Revenue, where the information required to provide a response is readily available.

All responses to parliamentary questions are forwarded for ministerial approval in time to meet any parliamentary deadlines.

## Cost

During 2004–05, this output class will be provided within the appropriated sum of \$11,255,000 (GST-inclusive).

Year (Budget)	Revenue Crown GST-excl \$000	Revenue other GST-excl \$000	Total revenue GST-excl \$000	Cost GST-excl \$000	Cost GST-incl \$000
2004–05	10,003	2	10,005	10,005	11,255
2003–04	9,775	6	9,781	9,847	11,070
2002–03	7,600	2	7,602	7,602	8,552

During 2004–05, the costs of outputs (GST-exclusive) to be supplied within this class are:

Policy advice in relation to tax and social policy	\$6,601,010
Legislative drafting	\$1,159,608
Forecasting and analysis	\$ 900,729
Ministerial services	\$1,343,653

## OUTPUT CLASS 2 ADJUDICATION AND RULINGS

### Description

This output class involves:

- adjudication on behalf of the Commissioner in respect of proposed taxpayer assessments, to provide assurance of impartiality and consistency in the application of the tax law
- providing binding rulings, and other statements on the interpretation and application of the law administered by Inland Revenue, to give guidance and (in some cases) certainty to taxpayers.

### Output 2.1 Adjudication

#### Description

This output involves:

- providing a technical review of existing taxation disputes referred to the Adjudication Unit
- issuing an adjudication report to the parties concerned
- issuing, where required, an assessment consistent with the conclusions of the technical review.

#### Quantity

Complete 50 to 70 adjudication cases.

#### Quality

All adjudication reports supporting each decision meet the purpose, logic and alternatives standards.

#### Timeliness

Allocate all adjudication cases to an adjudicator on average within 20 working days of receipt by the Adjudication Unit.

Complete all adjudication cases on average within 16 weeks of receipt of all necessary information and allocation by the Adjudication Unit.

### Output 2.2 Rulings

#### Description

This output involves:

- considering applications for and providing binding public, private and product rulings, and statutory determinations
- the development and publication of non-binding statements on the Commissioner's view of the law administered by Inland Revenue (such as interpretation statements and interpretation guidelines)
- the preparation and publication of statutory determinations and valuations (such as livestock valuations and taxpayer-specific accruals and depreciation determinations), and handling technical correspondence relating to these matters.

#### Quantity

Finalise the Commissioner's ruling in relation to 700 to 1,100 (800 to 1,200) technical issues contained in applications for private and product binding rulings, accrual determinations and taxpayer-specific depreciation determinations, and technical correspondence.

Publish or finalise consideration of a total of 30 to 50 public items giving the Commissioner's interpretation of the law.

## Quality

In relation to private and product binding rulings, all reports supporting the decision to issue or decline to issue a ruling or determination and any letter setting out the reasons for these decisions, meet the purpose, logic, alternatives and practicality standards.

All public items giving the Commissioner's view of the law meet the purpose, logic, alternatives, consultation and practicality standards.

All technical correspondence meets the correctness, completeness and clarity standards.

## Timeliness

On average, applications for private and product binding rulings will be allocated to an analyst within 6 weeks of receipt of a complete application.

Deliver draft private and product binding rulings and draft taxpayer-specific statutory determinations in:

- 50% of cases within 3 months
- 70% of cases within 5 months
- 80% of cases within 9 months

of the receipt of any additional information necessary and the applicant accepting the cost estimate.

## Cost

During 2004–05, this output class will be provided within the appropriated sum of \$8,122,000 (GST-inclusive).

Year (Budget)	Revenue Crown GST-excl \$000	Revenue other GST-excl \$000	Total revenue GST-excl \$000	Cost GST-excl \$000	Cost GST-incl \$000
2004–05	6,131	1,088	7,219	7,219	8,122
2003–04	5,968	1,091	7,059	7,092	7,974
2002–03	5,519	925	6,444	6,444	7,250

During 2004–05, the costs of outputs (GST-exclusive) to be supplied within this class are:

Adjudication	\$1,681,553
Rulings	\$5,537,447

## OUTPUT CLASS 3 INFORMATION SERVICES

### Description

This output class involves:

- providing information to taxpayers on the application of the tax laws
- responding to enquiries from taxpayers and social support programme clients (excluding child support—see output class 7)
- providing proactive assistance to the public and tax agents.

### Output 3.1 Information services

#### Description

This output involves responding to public enquiries on tax and social support programme matters through correspondence, telephone, personal appointments, official information requests and the Complaints Management Service.

#### Quantity

In the year ended 30 June 2005 we will action between 7.1 and 7.8 million (7.0 and 7.7 million) specific customer contacts.

#### Quality

In all cases we aim to give taxpayers an answer that is correct, complete, clear, timely and appropriately referenced. The answer should also show an understanding of the business environment. This year we aim to improve our performance in this area by 1% from our 30 June 2004 result.

At least 87% of taxpayers and other customers who have contacted us are satisfied with the quality of the service we provide.

85% of all calls will be fully resolved at the time, requiring no follow-up action.

By maintaining close contact with our customers, we will ensure that more than 70% of family assistance recipients, who receive a fortnightly payment, are not overpaid.

We will ensure that at least 90% of resident student loan borrowers meet their total repayment obligation by the due date.

We will provide a proactive information service which will result in fewer than 475,000 (445,000) new debt cases arising in the year ending 30 June 2005.

#### Timeliness

Issue a substantive response, or action a reassessment for:

- 85% of correspondence within 3 weeks
- 100% of correspondence within 6 weeks

of receipt by Inland Revenue.

80% of

- tax agents' telephone enquiries
- employers' telephone enquiries
- GST telephone enquiries (from 1 January 2005)
- returns and debt collection telephone enquiries

will be answered within 20 seconds.

50% of all other calls<sup>1</sup> will be answered within 60 seconds, except on days when the total number of calls exceeds 17,500. For the days when total calls exceed 17,500:

- the average speed-to-answer will be less than, or up to 5 minutes, and
- callers will be advised of the potential delay and offered alternative services.

Through our customer service programmes, we will ensure that at least 49% of taxpayers will file their returns on time.

### Output 3.2 Advisory services

#### Description

This output involves providing proactive advice to the public and tax agents on tax and social support programmes through advisory visits, temporary tax offices and education visits and seminars.

#### Quantity

In the year ended 30 June 2005, we will complete between 96,000 and 111,000 hours (105,000 and 116,000 hours) of advisory services.

#### Quality

At least 97% of customers are satisfied with the quality of advisory services we provide.

#### Cost

During 2004–05, this output class will be provided within the appropriated sum of \$118,252,000 (GST-inclusive).

Year (Budget)	Revenue Crown GST-excl \$000	Revenue other GST-excl \$000	Total revenue GST-excl \$000	Cost GST-excl \$000	Cost GST-incl \$000
2004–05	104,932	181	105,113	105,113	118,252
2003–04	94,802	220	95,022	96,515	108,393
2002–03	88,407	151	88,558	88,558	99,628

During 2004–05, the costs of outputs (GST-exclusive) to be supplied within this class are:

Information services	\$93,274,163
Advisory services	\$11,838,837

<sup>1</sup>Other calls are calls that are not tax agent, GST, employer or return and debt collection calls

## OUTPUT CLASS 4 REVENUE ASSESSMENT AND COLLECTION

### Description

This output class involves:

- registering taxpayers
- making tax assessments
- banking tax payments
- processing applications and payments under social support programmes administered by Inland Revenue on behalf of the Government
- the supply of information to other government agencies
- accounting and reporting the collection of Crown revenue.

### Output 4.1 Return and payment processing

#### Description

This output involves processing all tax returns and issuing assessments, refunds, notices and statements, as well as processing and banking payments.

#### Quantity

Process between 13.7 million and 15.2 million paper and electronically-filed returns and payments.

Receive at least 20% of returns electronically.

Issue at least 40% of refunds by direct credit.

Process paid parental leave applications within 5 working days of receipt from the Department of Labour.

#### Quality

All notices, statements, certificates of entitlement and loan transfer letters are correctly processed.

Correctly process all payments to accounts.

#### Timeliness

We will assess and issue income tax returns within the following timeframes (after receipt):

- 80% within 6 weeks
- 100% within 10 weeks.

We will assess and issue FBT and GST returns and employer monthly schedules within the following timeframes (after receipt):

- 95% within 3 weeks
- 100% within 6 weeks.

Issue all non-queried GST refunds within 15 working days of receipt.

Process and issue at least 90% of rebate claim refunds within 3 weeks of receipt and 100% within 8 weeks.

## Output 4.2 Supply of information to other agencies

### Description

This output involves the supply of information to other government agencies, in accordance with the agreements between Inland Revenue and those agencies.

### Quality and timeliness

All information provided to other agencies meets the agreed standards.

### Cost

During 2004–05, this output class will be provided within the appropriated sum of \$69,789,000 (GST-inclusive).

Year (Budget)	Revenue Crown GST-excl \$000	Revenue other GST-excl \$000	Total revenue GST-excl \$000	Cost GST-excl \$000	Cost GST-incl \$000
2004–05	60,518	1,517	62,035	62,035	69,789
2003–04	56,302	1,544	57,846	58,532	65,763
2002–03	56,640	1,617	58,257	58,257	65,539

During 2004–05, the costs of outputs (GST-exclusive) to be supplied within this class are:

Return and payment processing	\$60,707,000
Supply of information to other agencies	\$ 1,328,000

## OUTPUT CLASS 5 MANAGEMENT OF DEBT AND OUTSTANDING RETURNS

### Description

This output class involves taking follow-up action against those who do not:

- file a return, or
- make a payment

when a return or payment is due.

### For all debt and returns outputs

All debt and return collection activity will be actioned appropriately and in accordance with the law.

### Output 5.1 Outstanding returns

#### Description

This output involves all activities associated with collecting overdue returns and includes taking appropriate follow-up action against taxpayers who do not file a return.

#### Quantity

The number of returns that remain outstanding at 30 June 2005 will be no more than 5% greater than the previous year.

#### Timeliness

We will ensure that 80% of all returns that were not filed by taxpayers by the due date will have been filed and brought to completion by Inland Revenue within 12 months.

#### Quality and timeliness

The average age of outstanding returns will not grow by more than 5% in the year ended 30 June 2005.

### Output 5.2 Overdue debt

#### Description

This output involves all activities associated with collecting outstanding debt and includes taking appropriate follow-up action against those who do not make payments when they are due.

#### Quantity

We will ensure that the number of debt cases grows by less than 5% in the year to 30 June 2005.

#### Timeliness

80% of all new debt cases will have been resolved within 12 months of the due date for payment.

#### Quality and timeliness

We will reduce the average age of debt cases by 3% by 30 June 2005.

The total collectable debt figure will be not greater than \$1.6 billion (\$1.35 billion) at 30 June 2005.

## Cost

During 2004–05, this output class will be provided within the appropriated sum of \$69,998,000 (GST-inclusive).

Year (Budget)	Revenue Crown GST-excl \$000	Revenue other GST-excl \$000	Total revenue GST-excl \$000	Cost GST-excl \$000	Cost GST-incl \$000
2004–05	59,422	2,798	62,220	62,220	69,998
2003–04	57,116	2,822	59,938	60,811	68,304
2002–03	54,537	2,778	57,315	57,315	64,480

During 2004–05, the costs of outputs (GST-exclusive) to be supplied within this class are:

Outstanding returns	\$21,761,886
Overdue debt	\$40,458,114

## OUTPUT CLASS 6 TAXPAYER AUDIT

### Description

This output class involves:

- verifying that tax obligations have been met by auditing a selection of taxpayers
- the management of tax litigation.

### All audit outputs

#### Quality

At least 85% of all cases closed meet our quality standards.

### Output 6.1 Individual and small to medium enterprise audit

#### Description

This output involves the audit of businesses with a turnover of up to \$100 million (excluding groups in the Corporates segment). It includes audits of duties, non-resident, investment, salary and wage earners.

#### Quantity

In the year ended 30 June 2005 we will complete between 778,000 and 863,000 (828,000 and 848,000) hours conducting all audit activities.

#### Quality

In the year ended 30 June 2005 we will assess at least \$535 (\$600) per hour for all activity, including aggressive tax issues and tax evasion.

#### Timeliness

On average, complete general audits within 6 months.

On average, complete all-risk audits within 12 months.

On average, complete disputed cases within 24 (14) months.

85% (90%) of open cases (including disputed open cases) are less than 24 months old.

### Output 6.2 Corporate audit

#### Description

This output involves auditing and providing services to businesses with a group turnover of greater than \$100 million, plus other specific groups.

#### Quantity

In the year ended 30 June 2005 we will complete between 168,000 and 198,000 (191,000 and 201,000) hours conducting investigations, audits and checks and risk assessment.

#### Timeliness

On average, complete investigations within 17 months.

## Output 6.3 Litigation Management

### Description

This output involves the management of litigation of disputed tax cases, including the requirement to state the case through to resolution by the courts.

### Quantity

75 to 100 cases resolved during the period.

### Quality

At least 66% of the cases dealt with by courts and those settled out-of-court will be resolved in favour of Inland Revenue based on the:

- value of the cases
- number of cases.

No judgments in the courts will contain adverse judicial comments on the department's conduct of the litigation.

### Timeliness

All timetable requirements imposed by the courts on the department's solicitors in tax cases will be met, resulting in no requests for adjournments, enlargements or extensions of time.

### Cost

During 2004–05, this output class will be provided within the appropriated sum of \$118,016,000 (GST-inclusive).

Year (Budget)	Revenue Crown GST-excl \$000	Revenue other GST-excl \$000	Total revenue GST-excl \$000	Cost GST-excl \$000	Cost GST-incl \$000
2004–05	104,731	172	104,903	104,903	118,016
2003–04	96,571	215	96,786	97,918	110,017
2002–03	92,258	140	92,398	92,398	103,948

During 2004–05, the costs of outputs (GST-exclusive) to be supplied within this class are:

Individual and small to medium enterprise audit	\$77,063,475
Corporate audit	\$21,682,297
Litigation Management	\$ 6,157,228

## OUTPUT CLASS 7 ASSESSMENT AND COLLECTION OF CHILD SUPPORT

### Description

This output class involves:

- informing people of their entitlements and obligations under the law
- assessing liabilities
- banking payments
- disbursing payments to custodians
- managing debt and taking necessary action against those who do not comply with the law
- providing an administrative process for reviewing assessments that is inexpensive and readily accessible to custodians and paying parents.

### Output 7.1 Customer information services

#### Description

This output involves responding to customer enquiries and providing advice and information on child support matters.

#### Quantity

Action between 930,000 and 980,000 (960,000 and 1,010,500) customer contacts.

#### Quality

In all cases we aim to give an answer that is correct, complete, clear, timely and appropriately referenced. The answer should also show an understanding of the business environment. This year we aim to improve our performance in this area by 5% from our 30 June 2004 result.

#### Timeliness

70% of all phone calls will be answered within 30 seconds, except on days where the total volume of calls exceeds 3,500. For the days when total calls exceed 3,500:

- the average speed-to-answer will be less than, or up to 3 minutes, and
- callers will be advised of the potential delay and offered alternative services.

Issuing a substantive response for:

- 85% of correspondence within 2 weeks
- 100% of correspondence within 6 weeks

of receipt by Inland Revenue.

### Output 7.2 Registration and assessment

#### Description

This output involves the registration and assessment of new child support customers together with issuing annual assessments and reassessments to paying parents.

#### Quantity

Process between 52,250 and 55,000 (50,800 and 53,500) applications for child support.

## Quality

All assessments issued are correct on the basis of the information provided.

## Timeliness

Issue assessments to:

- 70% of paying persons within 2 weeks
- 95% within 6 weeks

of receipt of the properly made application.

## Output 7.3 Collection of payments

### Description

This output involves collecting and banking child support payments from paying parents.

### Quantity and timeliness

Collect 80% of child support assessments for the year ended 31 March 2005 by 30 June 2005.

65% (63%) of assessed paying persons will pay their whole liability by the due date.

## Output 7.4 Disbursements to custodians

### Description

This output involves the disbursement of child support payments to custodians.

### Quality and timeliness

Make 95% of identified payments received by the due date (20th of the month) to custodians on or before the 7th day of the following month.

Disburse the balance, and any previous payments received prior to the 7th day of the following month, by the 20th of that month.

## Output 7.5 Management of debt

### Description

This output involves all activities associated with the recovery of overdue child support payments. It includes taking appropriate action against non-compliers within the child support law.

### Quantity, quality and timeliness

Collect 90% of total assessments relating to years before 31 March 2004 by 30 June 2005.

The rate of growth of total debt (excluding penalties) from 1 July 2004 until 30 June 2005 will be no more than 12% (15%).

55% (50%) of liable parent debt cases will be cleared within 3 months from the end of the month that they are identified as a new arrears case.

Reduce by 2% the number of paying persons in debt.

## Output 7.6 Child support administrative reviews

### Description

This output involves providing an administrative process for reviewing child support assessments that is inexpensive and readily accessible to child support custodians and paying parents.

### Quantity

Complete between 4,600 and 4,850 (4,800 and 5,000) applications for administrative review of child support assessments.

## Quality

We will issue:

- 90% of administrative review decisions within 7 weeks
  - 100% within 10 weeks
- of receipt of the application.

## Cost

During 2004–05, this output class will be provided within the appropriated sum of \$68,311,000 (GST-inclusive).

Year (Budget)	Revenue Crown GST-excl \$000	Revenue other GST-excl \$000	Total revenue GST-excl \$000	Cost GST-excl \$000	Cost GST-incl \$000
2004–05	60,477	244	60,721	60,721	68,311
2003–04	55,195	267	55,462	56,179	63,112
2002–03	50,643	227	50,870	50,870	57,229

During 2004–05, the costs of outputs (GST-exclusive) to be supplied within this class are:

Customer information services	\$ 6,149,668
Registration and assessment	\$14,826,772
Collection of payments	\$11,192,394
Disbursement to custodians	\$ 1,861,262
Management of debt	\$24,403,266
Child support administrative reviews	\$ 2,287,638

## OUTPUT CLASS 8 COLLECTION OF ACC LEVIES

### Description

This output class involves the collection of ACC employee earners' levy as a component of PAYE deductions and the provision of information.

### Quality, quantity and timeliness

Pay to ACC within the agreed timeframes, the determined amounts of earners' levy collected as a component of PAYE.

### Cost

During 2004–05, this output class will be provided within the appropriated sum of \$23,063,000 (GST-inclusive).

Year (Budget)	Revenue Crown GST-excl \$000	Revenue other GST-excl \$000	Total revenue GST-excl \$000	Cost GST-excl \$000	Cost GST-incl \$000
2004–05	0	20,500	20,500	20,500	23,063
2003–04	0	20,650	20,650	20,650	23,232
2002–03	0	24,375	24,375	24,375	27,422

During 2004–05, the cost of the output (GST-exclusive) to be supplied within this class is:

Collection of ACC employee earners' levies	\$20,500,000
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