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# Minister of Revenue

In accordance with the provisions of the Public Finance Act 1989 and the Tax Administration Act 1994, I submit the following report on my administration of the Inland Revenue Acts for the year ended 30 June 2005 and on the operations of the Inland Revenue Department for that year, together with the audited financial statements.



David Butler  
Chief Executive and Commissioner of Inland Revenue

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# Size and shape of Inland Revenue

Inland Revenue is a large organisation dealing with high volumes and frequently, very complex matters. Our main functions are to:

- advise government, with The Treasury, on tax policy and certain social policy measures
- collect tax payments, child support and student loans
- distribute payments such as tax refunds and rebates, family assistance (including the *Working for Families* package), child support and paid parental leave.

## Our customer base<sup>1</sup>

- 5,979,367 taxpayers (includes individuals, businesses, partnerships, trusts and other entities)
- 445,074 student loan borrowers
- 144,678 child support custodians with a current year entitlement
- approximately 169,000 family assistance recipients
- 19,193 paid parental leave recipients.

## Our resources

- 4,762<sup>2</sup> full-time equivalent people based in 17 cities and towns
- Annual appropriation for 2004–05 of \$433 million.

## Workload volume indicators

In 2004–05 we:

- assessed \$42.0 billion in revenue, 85% of core Crown revenue
- collected \$309.1 million in net child support and \$510.3 million in student loan repayments
- distributed \$520.1 million in family assistance and \$76.1 million in paid parental leave
- collected \$1.5 billion of debt
- assessed \$763.0 million as a result of audit activity across all taxpayer groups
- received 7.6 million returns and processed 7.7 million payments
- actioned 8.2 million customer contacts, including child support.

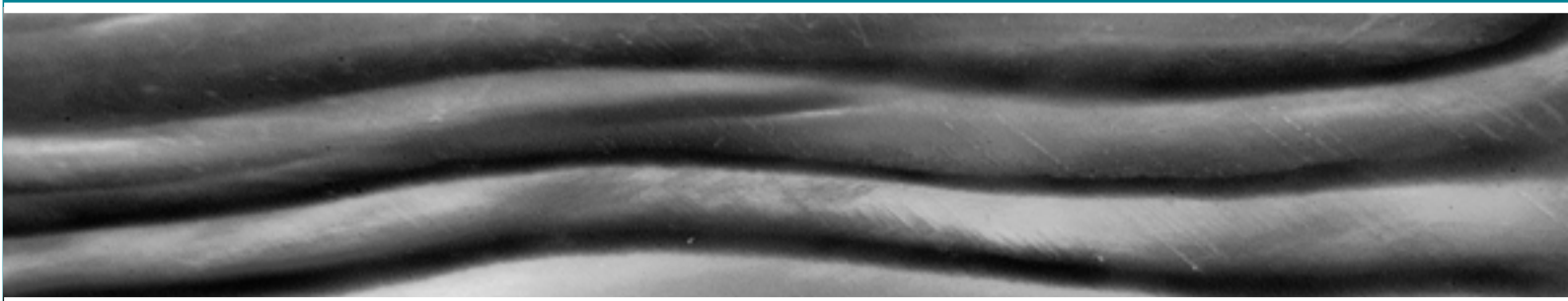
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<sup>1</sup> As at 30 June 2005.

<sup>2</sup> As at 30 June 2005.



# Commissioner's introduction





### Our Senior Management Team

Standing: Martin Smith, Colin MacDonald, Robin Oliver. Sitting: Carolyn Tremain, David Butler, Naomi Ferguson.

# Introduction

Inland Revenue provides the government with the funding it requires for community programmes and administers several of the government's social support programmes<sup>3</sup>.

During the year our achievements included:

- policy work culminating in the major tax package announced in the 2005 Budget, the introduction of two taxation bills and the publication of several government discussion documents on proposed reforms
- the successful introduction of phase one of *Working for Families*, which was achieved by working closely with the Ministry of Social Development
- handling a significant increase in our workload, arising from the growth in our customer base
- maintaining a high level of customer satisfaction, with 85% of customers rating our services good or very good.

We looked at ways to improve access to our information, which helps people to meet obligations of their own accord. In early 2005, we launched our "new-look" website to provide easy access to our information and online services. We have received positive feedback about the new website.

During the year, we addressed the hard end of non-compliance through our debt and audit activities. We increased our audit activity and enhanced our ability to address tax evasion and avoidance. Successful litigation cases against several tax avoidance schemes sent a clear message that we are serious about addressing non-compliance.

Another important focus during the year was the ongoing development of relationships with the community and international tax organisations. During the year, we continued to actively build networks with other tax authorities (particularly Australia), the Organisation for Economic Cooperation and Development, the Commonwealth Association of Tax Administrators and the Study Group on Asian Tax Administration and Research. These networks provide the opportunity to share experiences on administration and policy matters and identify threats to our tax base.

Although we have achieved much during the year, we are facing pressure from our growing customer base. This growth is putting pressure on our ability to manage customer interactions in a timely manner. As a result, we could not meet our targets for answering telephone calls, and outstanding debt for tax and child support increased. We cover this elsewhere in this report.

## Conclusion

In 2004–05 our people worked very hard to deliver our services, despite the pressures we have been facing.

I am confident that we are in a sound position to keep delivering a high standard of service to our stakeholders and the wider New Zealand community.

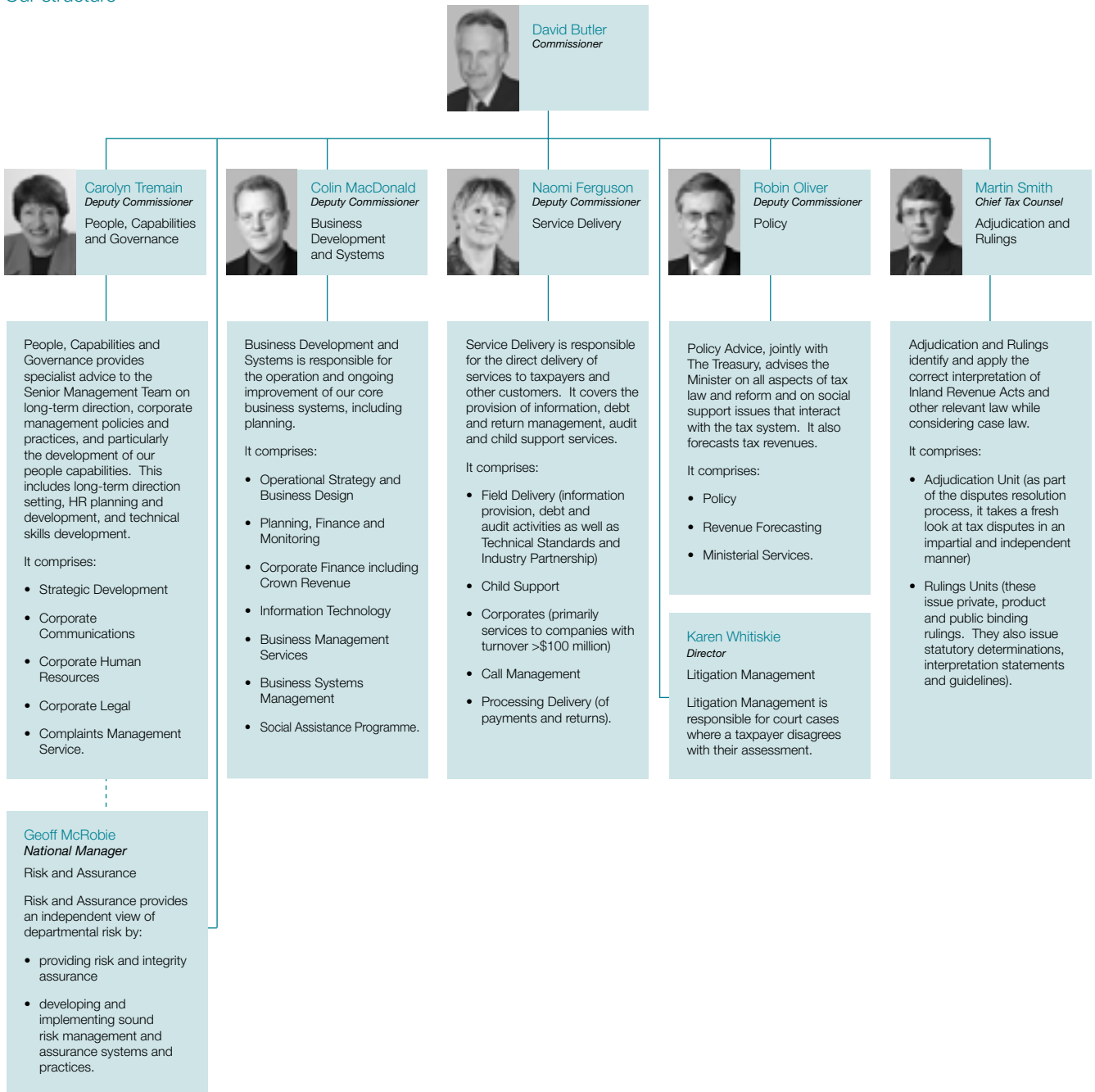


David Butler  
Chief Executive and Commissioner of Inland Revenue

<sup>3</sup> These include: child support, student loan scheme, family assistance and paid parental leave.

# Our structure and governance

Figure 1 –  
Our structure

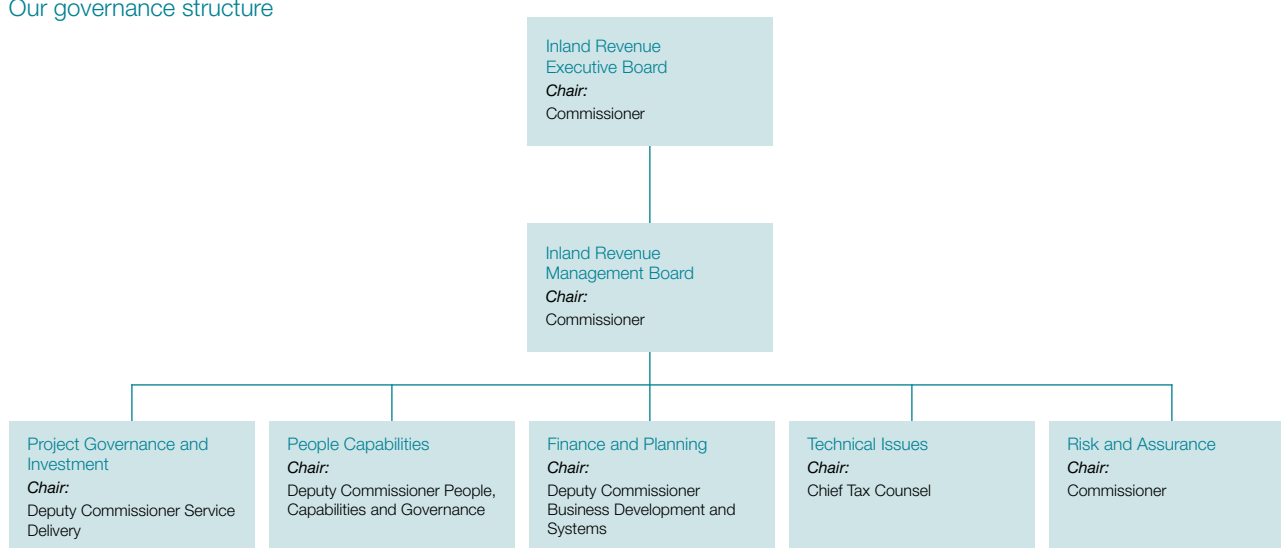


## Senior management appointments

During the year, we made two important appointments to the department's senior management. These were:

- Carolyn Tremain, who took up her appointment as Deputy Commissioner of People, Capabilities and Governance in November 2004. She has held senior leadership roles in Air New Zealand, including the position of Senior Vice-President Human Resources and Organisational Change.
- Ross Hughson, who took up his appointment as Chief Information Officer in July 2005. This position brings the strategic, architectural, development and delivery functions of the department's information technology under one senior leader. He was previously at Westpac Bank where he held a similar position.

Figure 2 –  
Our governance structure



After a review of our senior management arrangements during 2004–05, we took the opportunity to review and update our governance arrangements to allow:

- the Senior Management Team<sup>4</sup> to focus on setting direction, identifying strategic risks, and monitoring performance (including risk management strategies)
- the boards and committees to deal with specific management areas.

The roles of the two governance boards are:

- **Executive Board**—to examine longer term strategy, ethics, and strategic risks to make sure we achieve our desired future and outcomes. The Executive Board also regularly reviews strategic progress.

- **Management Board**—to focus on major operational issues by managing Inland Revenue on a day-to-day basis (for example, high-level business outcomes and outputs, department risks and climate survey results).

The boards are supported by five committees that are responsible for providing strategic overview, and monitoring outcomes and performance.

This governance arrangement began in February 2005.

<sup>4</sup> The Senior Management Team is made up of the Commissioner, the four Deputy Commissioners and the Chief Tax Counsel.

