

# PART FOUR

# Forecast financial schedules for administered accounts – Crown



# Statement of accounting policies

for the year ending 30 June 2006

## Reporting entity

The forecast Crown Financial Schedules have been prepared in accordance with the requirements of the Public Finance Act 1989.

Inland Revenue administers activities on an agency basis on the Crown's behalf. These activities comprise elements of income, expenditure, assets, liabilities and cash flows, which form part of the consolidated forecast financial statements of the government.

The forecast financial information has been prepared by Inland Revenue and represents extract information of the Crown activities which are administered by Inland Revenue.

## Measurement system

These schedules have been prepared on the basis of modified 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

The Crown provides many services and benefits that do not give rise to revenue. Further, payment of tax does not, of itself, entitle a taxpayer to an equivalent value of services or benefits, as there is no direct relationship between paying tax and receiving Crown services and transfers. Where possible, revenue is recognised at the time the debt to the Crown arises.

Revenue type	Revenue recognition point
Source deductions (PAYE)	When an individual earns income that is subject to PAYE
Resident withholding tax	When an individual is paid interest or dividends subject to deduction at source
Fringe benefit tax (FBT)	When benefits are provided that give rise to FBT
Provisional tax	Payment due date for other persons and companies
Terminal tax	Assessment filed date for other persons and companies
Goods and services tax	When the liability to the Crown is incurred
Stamp, cheque and credit card duties	When the liability to the Crown is incurred
Other indirect taxes	When the debt to the Crown arises

## Investment income

Investment income is recognised in the period in which it is earned.

## Receivables and advances

Receivables and advances are recorded at the amounts expected to be ultimately collected in cash.

## Liabilities

All liabilities are recorded at the estimated obligation to pay.

## **Specific accounting policies and forecast assumptions**

### Forecast assumptions

For forecast purposes, no revaluations are projected beyond the current year.

### Finalisation dates

The forecast financial statements were finalised on 11 April 2005.

### Forecast periods

The reporting periods covered by these forecast financial schedules are the years ending 30 June 2005 and 30 June 2006. The forecasts for 30 June 2005 have generally been prepared using actual data to 31 March 2005. Transactions for the remainder of the year are forecast in accordance with the Crown's accounting policies and forecast assumptions.

## **Changes in accounting policies**

There have been no changes in the Crown accounting policies applicable to the preparation of forecast financial statements of Crown activities administered by Inland Revenue for Crown consolidation, from those used in the previous year. All Crown accounting policies have been applied on a basis consistent with the previous year.

# Schedule of Forecast Revenue – Crown as administered by Inland Revenue for the year ending 30 June 2006

	Budgeted	Estimated actual	Forecast
	2005 \$000	2005 \$000	2006 \$000
<b>Direct taxation</b>			
<b>Income tax</b>			
<b>Individuals</b>			
Source deductions	17,650,000	17,654,000	18,653,000
Other persons	4,040,000	4,001,000	4,070,000
Refunds	(880,000)	(880,000)	(900,000)
Fringe benefit tax	426,000	435,000	451,000
Sub-total individuals	<u>21,236,000</u>	<u>21,210,000</u>	<u>22,274,000</u>
<b>Companies</b>			
Gross company tax – other	6,495,000	7,286,000	7,797,000
Gross company tax – state-owned enterprises	385,000	394,000	435,000
Gross company tax – Crown entities	54,000	48,000	57,000
Gross company tax – NZS fund	181,000	234,000	341,000
Refunds	(163,000)	(168,000)	(180,000)
Sub-total companies	<u>6,952,000</u>	<u>7,794,000</u>	<u>8,450,000</u>
<b>Withholding tax</b>			
Residents' interest	1,300,000	1,470,000	1,529,000
Residents' dividends	55,000	59,000	65,000
Foreign source dividends	135,000	166,000	182,000
Non-residents' income	816,000	937,000	813,000
Specified superannuation tax	0	546,000	577,000
Sub-total withholding tax	<u>2,306,000</u>	<u>3,178,000</u>	<u>3,166,000</u>
<b>Total income tax</b>	<u>30,494,000</u>	<u>32,182,000</u>	<u>33,890,000</u>
<b>Other direct taxation</b>			
Estate and gift duties	2,000	2,000	2,000
Sub-total other direct taxation	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
<b>Total direct taxation</b>	<u>30,496,000</u>	<u>32,184,000</u>	<u>33,892,000</u>

The accompanying accounting policies form part of these financial schedules.

# Schedule of Forecast Revenue – Crown as administered by Inland Revenue (continued)

for the year ending 30 June 2006

	Budgeted	Estimated actual	Forecast
	2005 \$000	2005 \$000	2006 \$000
<b>Indirect taxation</b>			
<b>Goods and services tax</b>			
GST (Inland Revenue)	15,917,000	15,837,000	16,572,000
GST (refunds)	(7,172,000)	(6,939,000)	(7,311,000)
Sub-total GST	<u>8,745,000</u>	<u>8,898,000</u>	<u>9,261,000</u>
<b>Other indirect tax</b>			
Stamp and cheque duties	54,000	9,000	8,000
Approved issuer levy	0	53,000	54,000
Gaming duties	318,000	314,000	328,000
Other indirect tax	<u>1,000</u>	<u>0</u>	<u>0</u>
Sub-total other indirect tax	<u>373,000</u>	<u>376,000</u>	<u>390,000</u>
<b>Total indirect taxation</b>	<u>9,118,000</u>	<u>9,274,000</u>	<u>9,651,000</u>
<b>Total taxation</b>	<b>39,614,000</b>	<b>41,458,000</b>	<b>43,543,000</b>
Compulsory fees, fines, penalties and levies	241,100	278,800	314,200
Investment income	<u>448,530</u>	<u>444,618</u>	<u>496,180</u>
<b>Total operating revenue</b>	<b>40,303,630</b>	<b>42,181,418</b>	<b>44,353,380</b>

The accompanying accounting policies form part of these financial schedules.

# Schedule of Forecast Expenditure – Crown as administered by Inland Revenue for the year ending 30 June 2006

	Budgeted	Estimated actual	Forecast
	2005 \$000	2005 \$000	2006 \$000
<b>Benefits and other unrequited expenses</b>			
Family support tax credit	918,000	902,000	1,298,000
Family tax credit	14,000	13,000	14,000
Child tax credit	150,000	142,000	141,000
Parental tax credit	15,000	14,000	16,000
In-work payment	0	0	57,000
Paid parental leave	74,300	77,500	97,900
<b>Total benefits and other unrequited expenses</b>	<b><u>1,171,300</u></b>	<b><u>1,148,500</u></b>	<b><u>1,623,900</u></b>
<b>Change in debt provisions</b>			
General tax provision	4,620	77,858	77,967
Student loan provision	88,674	78,132	79,189
Child support provision	56,492	85,547	(29,423)
<b>Total change in debt provisions</b>	<b><u>149,786</u></b>	<b><u>241,537</u></b>	<b><u>127,733</u></b>
Student loan write-offs	210,383	248,788	259,963
<b>Borrowing expenses</b>			
Income equalisation reserve interest	1,700	5,000	4,000
Adverse event income equalisation interest	100	6	13
<b>Total borrowing expenses</b>	<b><u>1,800</u></b>	<b><u>5,006</u></b>	<b><u>4,013</u></b>
<b>Total expenses</b>	<b><u>1,533,269</u></b>	<b><u>1,643,831</u></b>	<b><u>2,015,609</u></b>

The accompanying accounting policies form part of these financial schedules.

# Schedule of Forecast Assets – Crown as administered by Inland Revenue as at 30 June 2006

	Budgeted	Estimated actual	Forecast
	2005 \$000	2005 \$000	2006 \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and bank balances	1,600,417	1,379,830	1,379,830
Receivables and advances	5,521,902	5,639,765	5,756,323
<b>Total current assets</b>	<b><u>7,122,319</u></b>	<b><u>7,019,595</u></b>	<b><u>7,136,153</u></b>
<b>Non-current assets</b>			
Student loans long-term	6,326,561	6,065,221	6,668,143
Student loans provision for doubtful debts	(734,649)	(725,279)	(797,078)
<b>Total non-current assets</b>	<b><u>5,591,912</u></b>	<b><u>5,339,942</u></b>	<b><u>5,871,065</u></b>
<b>Total assets</b>	<b><u>12,714,231</u></b>	<b><u>12,359,537</u></b>	<b><u>13,007,218</u></b>

The accompanying accounting policies form part of these financial schedules.

# Schedule of Forecast Liabilities – Crown as administered by Inland Revenue as at 30 June 2006

	Budgeted	Estimated actual	Forecast
	2005 \$000	2005 \$000	2006 \$000
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payable and provisions	6,682,039	6,797,657	7,829,775
Borrowings	69,232	212,115	249,823
<b>Total current liabilities</b>	<b><u>6,751,271</u></b>	<b><u>7,009,772</u></b>	<b><u>8,079,598</u></b>
<b>Total liabilities</b>	<b><u>6,751,271</u></b>	<b><u>7,009,772</u></b>	<b><u>8,079,598</u></b>

The accompanying accounting policies form part of these financial schedules.

## Schedule of Forecast Movements in Equity – Crown as administered by Inland Revenue for the year ending 30 June 2006

	<b>Budgeted</b>	<b>Estimated actual</b>	<b>Forecast</b>
	<b>2005 \$000</b>	<b>2005 \$000</b>	<b>2006 \$000</b>
Opening balance	6,123,169	5,854,900	5,349,765
Net result from Crown operating activities	38,770,361	40,537,587	42,337,771
Asset transfer between departments	0	0	0
Disbursements from New Zealand Debt Management Office	11,508,600	10,728,963	11,822,463
Paid to New Zealand Debt Management Office	<u>(50,439,170)</u>	<u>(51,771,685)</u>	<u>(54,582,379)</u>
<b>Closing balance</b>	<b><u>5,962,960</u></b>	<b><u>5,349,765</u></b>	<b><u>4,927,620</u></b>

The accompanying accounting policies form part of these financial schedules.

# Schedule of Forecast Cash Flows from Operating Activities – Crown as administered by Inland Revenue

for the year ending 30 June 2006

	Budgeted	Estimated actual	Forecast
	2005 \$000	2005 \$000	2006 \$000
<b>Cash flows from operating activities</b>			
<b>Direct taxation</b>			
<b>Individuals</b>			
Source deductions	17,650,000	17,654,000	18,653,000
Other persons	4,500,000	4,542,000	4,630,000
Refunds	(1,340,000)	(1,372,000)	(1,452,000)
Fringe benefit tax	431,000	427,000	445,000
Sub-total individuals	<u>21,241,000</u>	<u>21,251,000</u>	<u>22,276,000</u>
<b>Companies</b>			
Gross company tax – other	7,293,000	7,943,000	8,465,000
Gross company tax – state-owned enterprises	386,000	363,000	444,000
Gross company tax – Crown entities	56,000	48,000	52,000
Gross company tax – NZS fund	181,000	234,000	341,000
Refunds	(1,016,000)	(782,000)	(826,000)
Sub-total companies	<u>6,900,000</u>	<u>7,806,000</u>	<u>8,476,000</u>
<b>Withholding tax</b>			
Residents' interest	1,300,000	1,470,000	1,529,000
Residents' dividends	55,000	60,000	65,000
Foreign source dividends	135,000	175,000	182,000
Non-residents' income	814,000	923,000	813,000
Specified superannuation tax	0	546,000	577,000
Sub-total withholding tax	<u>2,304,000</u>	<u>3,174,000</u>	<u>3,166,000</u>
<b>Total income tax</b>	<u>30,445,000</u>	<u>32,231,000</u>	<u>33,918,000</u>
<b>Other direct taxation</b>			
Estate and gift duties	2,000	2,000	2,000
Sub-total other direct taxation	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
<b>Total direct taxation</b>	<u>30,447,000</u>	<u>32,233,000</u>	<u>33,920,000</u>

The accompanying accounting policies form part of these financial schedules.

# Schedule of Forecast Cash Flows from Operating Activities – Crown as administered by Inland Revenue (continued)

for the year ending 30 June 2006

	Budgeted	Estimated actual	Forecast
	2005	2005	2006
	\$000	\$000	\$000
<b>Indirect taxation</b>			
<b>Goods and services tax</b>			
GST (Inland Revenue)	15,667,000	15,340,000	16,122,000
GST (refunds)	(6,922,000)	(6,442,000)	(6,861,000)
Sub-total GST	<u>8,745,000</u>	<u>8,898,000</u>	<u>9,261,000</u>
<b>Other indirect taxation</b>			
Stamp and cheque duties	54,000	9,000	8,000
Approved issuer levy	0	53,000	54,000
Gaming duties	318,000	314,000	328,000
Other	1,000	3,000	1,000
Sub-total other indirect taxation	<u>373,000</u>	<u>379,000</u>	<u>391,000</u>
<b>Total indirect taxation</b>	<u>9,118,000</u>	<u>9,277,000</u>	<u>9,652,000</u>
<b>Total taxation receipts</b>	<u>39,565,000</u>	<u>41,510,000</u>	<u>43,572,000</u>
Compulsory fees, fines and penalties (child support)	189,100	174,800	191,200
<b>Other receipts</b>			
Interest from investment (student loan)	204,452	253,210	252,806
Other operating receipts (ACC)	0	0	0
<b>Total other receipts</b>	<u>204,452</u>	<u>253,210</u>	<u>252,806</u>
<b>Total cash flows provided from operating activities</b>	<u>39,958,552</u>	<u>41,938,010</u>	<u>44,016,006</u>
<b>Cash disbursed for:</b>			
Finance cost	(1,800)	(5,006)	(4,013)
Family assistance tax credits	(1,166,300)	(1,140,500)	(1,624,900)
<b>Total cash disbursed to operations</b>	<u>(1,168,100)</u>	<u>(1,145,506)</u>	<u>(1,628,913)</u>
<b>Net cash flows from operating activities</b>	<u>38,790,452</u>	<u>40,792,504</u>	<u>42,387,093</u>

The accompanying accounting policies form part of these financial schedules.

# Schedule of Forecast Cash Flows from Investing Activities – Crown as administered by Inland Revenue

for the year ending 30 June 2006

	Budgeted	Estimated actual	Forecast
	2005 \$000	2005 \$000	2006 \$000
<b>Cash flows from investing activities</b>			
<b>Cash provided from:</b>			
Repayment of advances (student loan capital)	<u>271,018</u>	<u>251,614</u>	<u>335,115</u>
<b>Net cash flows from investing activities</b>	<b><u>271,018</u></b>	<b><u>251,614</u></b>	<b><u>335,115</u></b>

The accompanying accounting policies form part of these financial schedules.

# Schedule of Forecast Cash Flows from Financing Activities – Crown as administered by Inland Revenue

for the year ending 30 June 2006

	Budgeted	Estimated actual	Forecast
	2005	2005	2006
	\$000	\$000	\$000
<b>Cash flows from financing activities</b>			
<b>Cash provided from:</b>			
Income equalisation scheme	74,000	110,461	115,658
<b>Total cash provided</b>	<b>74,000</b>	<b>110,461</b>	<b>155,658</b>
<b>Cash disbursed for:</b>			
Repayment of income equalisation	(204,900)	(111,857)	(117,950)
<b>Total cash disbursed</b>	<b>(204,900)</b>	<b>(111,857)</b>	<b>(117,950)</b>
<b>Net cash flows from financing activities</b>	<b>(130,900)</b>	<b>(1,396)</b>	<b>37,708</b>

The accompanying accounting policies form part of these financial schedules.

## Schedule of Forecast Cash Flow Movements – Crown as administered by Inland Revenue for the year ending 30 June 2006

	<b>Budgeted</b>	<b>Estimated actual</b>	<b>Forecast</b>
	<b>2005 \$000</b>	<b>2005 \$000</b>	<b>2006 \$000</b>
Net movement in cash	38,930,570	41,042,722	42,759,916
Opening cash balance	1,600,417	1,379,830	1,379,830
Cash received from New Zealand Debt Management Office	11,508,600	10,728,963	11,822,463
Paid to New Zealand Debt Management Office	<u>(50,439,170)</u>	<u>(51,771,685)</u>	<u>(54,582,379)</u>
<b>Closing balance</b>	<b><u>1,600,417</u></b>	<b><u>1,379,830</u></b>	<b><u>1,379,830</u></b>

The accompanying accounting policies form part of these financial schedules.

# Schedule of Forecast Operating Surplus to Operating Cash Flows – Crown as administered by Inland Revenue

for the year ending 30 June 2006

	Budgeted	Estimated actual	Forecast
	2005 \$000	2005 \$000	2006 \$000
<b>Net Crown operating surplus</b>	<b>38,770,361</b>	<b>40,537,587</b>	<b>42,337,771</b>
<b>Movement in working capital</b>			
(Inc)/dec student loan short-term	(46,383)	(25,225)	(77,492)
(Inc)/dec provision bad debts	64,448	167,236	55,934
(Inc)/dec tax receivable (general tax)	(44,000)	60,000	28,000
(Inc)/dec GST debtors	0	0	0
(Inc)/dec receivables (child support)	(52,000)	(104,000)	(123,000)
Inc/(dec) payables (student loan)	1,058,585	996,481	1,032,118
Inc/(dec) payables others	0	0	0
<b>Total working capital movements</b>	<b>980,650</b>	<b>1,094,492</b>	<b>915,560</b>
<b>Other non-cash items</b>			
Other non-cash items (student loan capital)	(271,018)	(251,614)	(335,115)
Student loan provision	(689,541)	(587,961)	(531,123)
Ministry of Education student loan transfer	0	0	0
<b>Total other non-cash items</b>	<b>(960,559)</b>	<b>(839,575)</b>	<b>(866,238)</b>
<b>Net cash flows from operating activities</b>	<b>38,790,452</b>	<b>40,792,504</b>	<b>42,387,093</b>

The accompanying accounting policies form part of these financial schedules.

## Schedule of Forecast Contingent Liabilities – Crown as administered by Inland Revenue as at 30 June 2006

	Budgeted	Estimated actual	Forecast
	2005 \$000	2005 \$000	2006 \$000
<b>Tax in dispute</b>			
Tax in dispute	<u>350,000</u>	<u>380,000</u>	<u>380,000</u>
<b>Total quantifiable contingent liabilities</b>	<u>350,000</u>	<u>380,000</u>	<u>380,000</u>

The accompanying accounting policies form part of these financial schedules.

# Schedule of Forecast Accident Compensation Collection – Crown as administered by Inland Revenue

for the year ending 30 June 2006

	Budgeted	Estimated actual	Forecast
	2005	2005	2006
	\$000	\$000	\$000
<b>Accident compensation collection type</b>			
Earners premium (employees – provisional)	<u>711,700</u>	<u>737,800</u>	<u>785,800</u>
<b>Total accident compensation collection type</b>	<u>711,700</u>	<u>737,800</u>	<u>785,800</u>

The accompanying accounting policies form part of these financial schedules.

# Schedule of Forecast Expenditure and Appropriations – Crown as administered by Inland Revenue

for the year ending 30 June 2006

	Budgeted	Estimated actual	Forecast
	2005	2005	2006
	\$000	\$000	\$000
<b>Appropriations for benefits and other unrequited expenses</b>			
Child support payments	145,000	137,000	150,000
Family support tax credit	918,000	902,000	1,298,000
Family tax credit	14,000	13,000	14,000
Child tax credit	150,000	142,000	141,000
Parental tax credit	15,000	14,000	16,000
In-work payment	0	0	57,000
Paid parental leave	74,300	77,500	97,900
<b>Total benefit and other unrequited expenses</b>	<b>1,316,300</b>	<b>1,285,500</b>	<b>1,773,900</b>
<b>Appropriations for other expenses</b>			
Provision for doubtful debt – general tax	0	75,046	80,398
Interest write-offs and provision for doubtful debt – student loan	0	326,920	339,152
Provision for doubtful debt – child support	0	85,547	(29,423)
<b>Total borrowing expenses</b>	<b>0</b>	<b>487,513</b>	<b>390,127</b>
<b>Total expenditure and appropriations</b>	<b>1,316,300</b>	<b>1,773,013</b>	<b>2,164,027</b>

The accompanying accounting policies form part of these financial schedules.

# Schedule of Forecast Student Loan Movements – Crown as administered by Inland Revenue

for the year ending 30 June 2006

	Budgeted	Estimated actual	Forecast
	2005 \$000	2005 \$000	2006 \$000
<b>Analysis of student loans</b>			
<b>Outstanding balance</b>			
Total loans outstanding (including interest)	6,848,414	6,653,142	7,333,556
Total provisions (capital and interest)	(793,140)	(796,907)	(876,096)
<b>Total student loans</b>	<b><u>6,055,274</u></b>	<b><u>5,856,235</u></b>	<b><u>6,457,460</u></b>
Opening balance	5,322,686	5,246,880	5,856,235
Amount advanced in current year	1,058,585	996,481	1,032,118
Interest accrued on outstanding loan balances	448,530	444,618	496,180
Repayment of base capital	(271,018)	(251,614)	(335,115)
Repayment of accrued interest	(204,452)	(253,210)	(252,806)
Interest written off and movement in provision	(210,383)	(248,788)	(259,963)
Movement in provision	(88,674)	(78,132)	(79,189)
<b>Closing balance</b>	<b><u>6,055,274</u></b>	<b><u>5,856,235</u></b>	<b><u>6,457,460</u></b>

The accompanying accounting policies form part of these financial schedules.

# Inland Revenue office locations

- Regional office
- **Branch office**

The map is shaded to show the boundaries between our regional offices.



Inland Revenue  
National Office  
PO Box 2198  
Wellington  
Telephone 04 473 0920

## **Desired future**

- **Taxpayers and other customers meet obligations of their own accord —and Inland Revenue makes this easy**
- **Increasingly, the community regards paying tax as contributing to society**
- **Inland Revenue is visible in the community, getting alongside taxpayers**
- **The community regards Inland Revenue as professional, approachable, effective and efficient.**