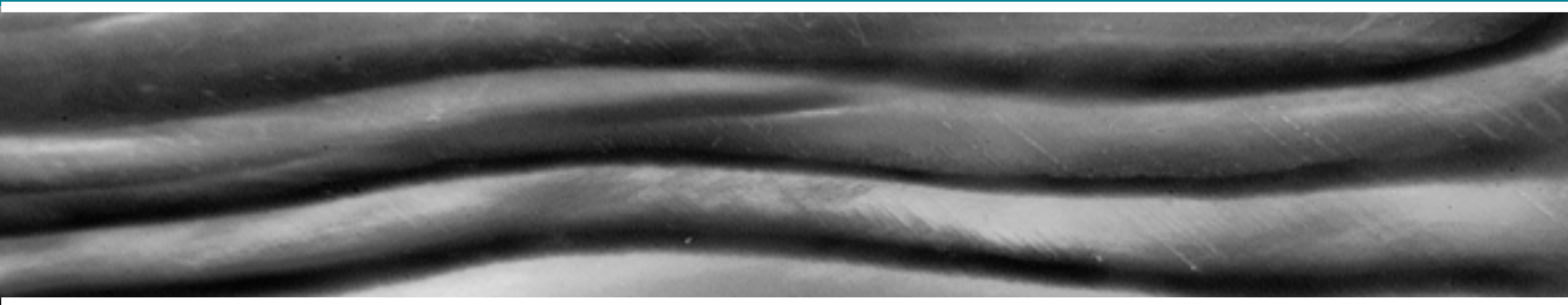


## PART SIX

# Financial schedules for administered accounts – Crown



# Statement of accounting policies

for the year ended 30 June 2005

## Reporting entity

The 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 Crown financial statements of the Government of New Zealand.

The 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. The accrual basis of accounting has been used unless otherwise stated.

## Accounting policies

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

### Budget figures

The 2004–05 actuals are reported against Inland Revenue's independent forecast, prepared as part of the preparation of the 2004–05 Main and Supplementary Estimates.

### 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 <sup>1</sup>	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 <sup>2</sup>	Payment due date
Terminal tax <sup>2</sup>	Assessment filed date
Goods and services tax (GST)	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

<sup>1</sup> Corresponds to withholding taxes on residents' interest and dividends.

<sup>2</sup> Provisional and terminal taxes are paid by "other persons" and companies.

### 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.

### Contingent liabilities

Contingent liabilities are recorded in the schedules of contingent liabilities at the point at which the contingency is evident.

## Changes in accounting policies

There have been no changes in the Crown accounting policies applicable to the preparation of 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 revenue – Crown as administered by Inland Revenue

for the year ended 30 June 2005

Actual		Notes	Actual	Main	Supp
2004			2005	Estimates	Estimates
\$000			\$000	2005	2005
				\$000	\$000
	<b>Revenue</b>				
29,177,946	Direct taxation	1	32,782,901	30,496,000	32,184,000
8,818,900	Indirect taxation	2	9,219,722	9,118,000	9,274,000
<b>37,996,846</b>	<b>Total taxation</b>		<b>42,002,623</b>	<b>39,614,000</b>	<b>41,458,000</b>
241,943	Compulsory fees, fines, penalties and levies		272,245	241,100	278,800
383,885	Investment income		434,788	448,530	444,618
<b>38,622,674</b>	<b>Total operating revenue</b>		<b>42,709,656</b>	<b>40,303,630</b>	<b>42,181,418</b>

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown financial statements for the year ended 30 June 2005.

# Schedule of expenditure – Crown as administered by Inland Revenue

for the year ended 30 June 2005

Actual		Notes	Actual	Main	Supp
2004			2005	Estimates	Estimates
\$000			\$000	2005	2005
				\$000	\$000
1,189,831	Benefits and other unrequited expenses	3	1,213,177	1,316,300	1,285,500
200,449	Change in debt provisions	5	666,255	149,786	241,537
217,492	Student loan write-offs		226,459	210,383	248,788
1,399	Borrowing expenses	4	5,772	1,800	5,006
<b>1,609,171</b>	<b>Total operating expenditure</b>		<b>2,111,663</b>	<b>1,678,269</b>	<b>1,780,831</b>

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown financial statements for the year ended 30 June 2005.

# Schedule of assets – Crown as administered by Inland Revenue

as at 30 June 2005

Actual		Notes	Actual	Main	Supp
2004			2005	Estimates	Estimates
\$000			\$000	2005	2005
				\$000	\$000
	<b>Assets</b>				
	<b>Current assets</b>				
1,379,830	Cash and bank balances		2,050,064	1,600,417	1,379,830
5,737,776	Receivables and advances	6	5,657,937	5,521,902	5,639,765
<b>7,117,606</b>	<b>Total current assets</b>		<b>7,708,001</b>	<b>7,122,319</b>	<b>7,019,595</b>
	<b>Non-current assets</b>				
4,751,981	Receivables and advances	7	5,258,494	5,591,912	5,339,942
<b>4,751,981</b>	<b>Total non-current assets</b>		<b>5,258,494</b>	<b>5,591,912</b>	<b>5,339,942</b>
<b>11,869,587</b>	<b>Total assets</b>		<b>12,966,495</b>	<b>12,714,231</b>	<b>12,359,537</b>

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown financial statements for the year ended 30 June 2005.

# Schedule of liabilities – Crown as administered by Inland Revenue

as at 30 June 2005

Actual		Notes	Actual	Main	Supp
2004			2005	Estimates	Estimates
\$000			\$000	\$000	\$000
	<b>Liabilities</b>				
	<b>Current liabilities</b>				
5,801,176	Payables and provisions	8	7,215,678	6,682,039	6,797,657
213,511	Borrowings	11	166,889	69,232	212,115
<b>6,014,687</b>	<b>Total current liabilities</b>		<b>7,382,567</b>	<b>6,751,271</b>	<b>7,009,772</b>
<b>6,014,687</b>	<b>Total liabilities</b>		<b>7,382,567</b>	<b>6,751,271</b>	<b>7,009,772</b>

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown financial statements for the year ended 30 June 2005.

# Schedule of movements in equity – Crown as administered by Inland Revenue

for the year ended 30 June 2005

Actual	Notes	Actual	Main	Supp
2004		2005	Estimates	Estimates
\$000		\$000	2005	2005
			\$000	\$000
37,137,911	Net result from Crown operating activities	40,734,114	38,770,361	40,537,587
6,113,499	Opening cash balance	5,854,900	6,123,169	5,854,900
10,627,609	Disbursements from New Zealand Debt Management Office	11,261,499	11,508,600	10,728,963
(48,024,119)	Paid to New Zealand Debt Management Office	(52,266,585)	(50,439,170)	(51,771,685)
<b>5,854,900</b>	<b>Closing balance</b>	<b>5,583,928</b>	<b>5,962,960</b>	<b>5,349,765</b>

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown financial statements for the year ended 30 June 2005.

# Schedule of cash flows from operating activities – Crown as administered by Inland Revenue

for the year ended 30 June 2005

Actual 2004 \$000	Notes	Actual 2005 \$000	Main Estimates 2005 \$000	Supp Estimates 2005 \$000
<b>Cash flows from operating activities</b>				
<b>Direct taxation</b>				
<b>Individuals:</b>				
16,486,040	Source deductions	17,834,327	17,104,000	17,654,000
4,351,649	Other persons	4,639,964	4,500,000	4,542,000
(1,405,983)	Other persons' refunds	(1,364,576)	(1,340,000)	(1,372,000)
409,779	Fringe benefit tax	431,420	431,000	427,000
<u>19,841,485</u>	Sub-total individuals	<u>21,541,135</u>	<u>20,695,000</u>	<u>21,251,000</u>
<b>Companies:</b>				
7,527,411	Gross company tax – other	8,861,256	7,293,000	7,943,000
75,712	Gross company tax – state-owned enterprises	121,647	386,000	363,000
1,541	Gross company tax – Crown entities	926	56,000	48,000
64,000	Gross company tax – NZ Super fund	50,441	181,000	234,000
(1,087,511)	Refunds	(735,220)	(1,016,000)	(782,000)
<u>6,581,153</u>	Sub-total companies	<u>8,299,050</u>	<u>6,900,000</u>	<u>7,806,000</u>
<b>Withholding tax:</b>				
1,216,773	Residents' interest	1,497,733	1,300,000	1,470,000
52,992	Residents' dividends	60,352	55,000	60,000
128,046	Foreign source dividends	185,147	135,000	175,000
775,850	Non-residents' income	949,069	814,000	923,000
525,703	Specified superannuation tax	545,852	546,000	546,000
<u>2,699,364</u>	Sub-total withholding tax	<u>3,238,153</u>	<u>2,850,000</u>	<u>3,174,000</u>
<u>29,122,002</u>	Total income tax	<u>33,078,338</u>	<u>30,445,000</u>	<u>32,231,000</u>

Actual	Notes	Actual	Main	Supp
2004		2005	Estimates	Estimates
\$000		\$000	\$000	\$000
	<b>Other direct taxation</b>			
2,276	Estate and gift duties	2,310	2,000	2,000
2,276	Sub-total other direct taxation	2,310	2,000	2,000
29,124,278	<b>Total direct taxation</b>	33,080,648	30,447,000	32,233,000
	<b>Indirect taxation</b>			
	<b>Goods and services tax:</b>			
14,564,692	GST (Inland Revenue)	15,358,541	15,667,000	15,340,000
(6,312,830)	GST (refunds)	(6,717,819)	(6,922,000)	(6,422,000)
8,251,862	Sub-total GST	8,640,722	8,745,000	8,898,000
	<b>Other indirect taxation</b>			
8,930	Stamp and cheque duties	8,150	9,000	9,000
47,238	Approved issuer levy	58,046	45,000	53,000
295,164	Gaming duties	311,840	318,000	314,000
(477)	Other	10,379	1,000	3,000
350,855	Sub-total other indirect taxation	388,415	373,000	379,000
8,602,717	<b>Total indirect taxation</b>	9,029,137	9,118,000	9,277,000
<b>37,726,995</b>	<b>Total taxation receipts</b>	<b>42,109,785</b>	<b>39,565,000</b>	<b>41,510,000</b>
170,496	Compulsory fees, fines and penalties (child support)	176,992	189,100	174,800
	<b>Other receipts:</b>			
215,935	Interest from investment (student loan)	258,820	204,452	253,210
(4,535)	Other operating receipts (ACC)	(3)	0	0
211,400	<b>Total other receipts</b>	258,817	204,452	253,210
<b>38,108,891</b>	<b>Total cash inflow/(outflow) from operating activities</b>	<b>42,545,594</b>	<b>39,958,552</b>	<b>41,938,010</b>
	<b>Cash disbursed for:</b>			
0	Finance cost	0	(1,800)	(5,006)
(1,045,470)	Family assistance tax credits	(1,069,374)	(1,166,300)	(1,140,500)
<b>(1,045,470)</b>	<b>Total cash disbursed to operations</b>	<b>(1,069,374)</b>	<b>(1,168,100)</b>	<b>(1,145,506)</b>
<b>37,063,421</b>	<b>Net cash inflow/(outflow) from operating activities</b>	<b>41,476,220</b>	<b>38,790,452</b>	<b>40,792,504</b>

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown financial statements for the year ended 30 June 2005.

# Schedule of cash flows from investing activities – Crown as administered by Inland Revenue

for the year ended 30 June 2005

Actual	Notes	Actual	Main	Supp
2004		2005	Estimates	Estimates
\$000		\$000	2005	2005
			\$000	\$000
<b>Cash flows from investing activities</b>				
<b>Cash was provided from:</b>				
231,222	Repayment of advances (student loan capital)	251,494	271,018	251,614
<b>231,222</b>	<b>Net cash inflow/(outflow) from investing activities</b>	<b>251,494</b>	<b>271,018</b>	<b>251,614</b>

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown financial statements for the year ended 30 June 2005.

# Schedule of cash flows from financing activities – Crown as administered by Inland Revenue

for the year ended 30 June 2005

Actual	Notes	Actual	Main	Supp
2004		2005	Estimates	Estimates
\$000		\$000	2005	2005
			\$000	\$000
<b>Cash flows from financing activities</b>				
<b>Cash was provided from:</b>				
62,039	Income equalisation scheme	50,404	74,000	110,461
<b>62,039</b>	<b>Total cash provided</b>	<b>50,404</b>	<b>74,000</b>	<b>100,461</b>
<b>Cash was disbursed to:</b>				
(180,759)	Repayment of income equalisation	(102,798)	(204,900)	(111,857)
<b>(180,759)</b>	<b>Total cash disbursed</b>	<b>(102,798)</b>	<b>(204,900)</b>	<b>(111,857)</b>
<b>(118,720)</b>	<b>Net cash inflow/(outflow) from financing activities</b>	<b>(52,394)</b>	<b>(130,900)</b>	<b>(1,396)</b>

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown financial statements for the year ended 30 June 2005.

# Schedule of cash flow movements – Crown as administered by Inland Revenue

for the year ended 30 June 2005

Actual	Notes	Actual	Main	Supp
2004		2005	Estimates	Estimates
\$000		\$000	2005	2005
			\$000	\$000
37,175,924	Net movement in cash	41,675,320	38,930,570	41,042,722
1,600,417	Opening cash balance	1,379,830	1,600,417	1,379,830
10,627,609	Disbursements from New Zealand Debt Management Office	11,261,499	11,508,600	10,728,963
(48,024,119)	Paid to New Zealand Debt Management Office	(52,266,585)	(50,439,170)	(51,771,685)
<b>1,379,830</b>	<b>Closing balance</b>	<b>2,050,064</b>	<b>1,600,417</b>	<b>1,379,830</b>

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown financial statements for the year ended 30 June 2005.

# Schedule of operating surplus to operating cash flows – Crown as administered by Inland Revenue

for the year ended 30 June 2005

Actual	Notes	Actual	Main	Supp
2004		2005	Estimates	Estimates
\$000		\$000	2005	2005
			\$000	\$000
<b>37,137,911</b>	<b>Net result Crown operations</b>	<b>40,734,114</b>	<b>38,770,361</b>	<b>40,537,587</b>
	<b>Movement in working capital</b>			
(72,674)	(Inc)/dec student loan short-term	(25,224)	(46,383)	(25,225)
112,025	Inc/(dec) provision bad debts	489,073	64,448	167,236
(443,928)	(Inc)/dec tax receivables (general tax)	(215,989)	(44,000)	60,000
21,210	(Inc)/dec GST debtors	(72,384)	0	0
(73,742)	(Inc)/dec receivables (child support)	(95,637)	(52,000)	(104,000)
973,810	Inc/(dec) payables (student loans)	1,010,308	1,058,585	996,481
2,074	Inc/(dec) payables (others)	928	0	0
170,958	Inc/(dec) tax refundable	403,266	0	0
<b>689,733</b>	<b>Total working capital movements</b>	<b>1,494,341</b>	<b>980,650</b>	<b>1,094,492</b>
	<b>Other non-cash items</b>			
(229,823)	Other non-cash items (student loan capital)	(245,722)	(271,018)	(251,614)
(534,400)	Student loan provision	(506,513)	(689,541)	(587,961)
<b>(764,223)</b>	<b>Total other non-cash items</b>	<b>(752,235)</b>	<b>(960,559)</b>	<b>(839,575)</b>
<b>37,063,421</b>	<b>Net cash flows from operating activities</b>	<b>41,476,220</b>	<b>38,790,452</b>	<b>40,792,504</b>

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown financial statements for the year ended 30 June 2005.

# Schedule of contingent liabilities – Crown as administered by Inland Revenue

as at 30 June 2005

Actual		Notes	Actual	Main	Supp
2004			2005	Estimates	Estimates
\$000			\$000	2005	2005
				\$000	\$000
	<b>Contingent liabilities</b>				
469,336	Contingent liabilities	10	381,902	350,000	380,000
<b>469,336</b>	<b>Total quantifiable contingent liabilities</b>		<b>381,902</b>	<b>350,000</b>	<b>380,000</b>

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown financial statements for the year ended 30 June 2005.

# Schedule of accident compensation collections – Crown as administered by Inland Revenue

for the year ended 30 June 2005

Actual	Notes	Actual	Main	Supp
2004		2005	Estimates	Estimates
\$000		\$000	2005	2005
			\$000	\$000
<b>Accident compensation collection type</b>				
(4,145)	Residual claims levy and earners' account levy (self-employed)*	(3)	0	0
(386)	Residual claims levy (employers)*	0	0	0
675,265	Earner premium (employees – provisional)	739,527	711,700	737,800
<b>670,734</b>	<b>Total</b>	<b>739,524</b>	<b>711,700</b>	<b>737,800</b>

\* For the 1999 return period, Inland Revenue started collecting residual claims and earners' levies, instead of the old ACC premiums. From 1 April 2002, ACC took over the responsibility for collecting residual claims levies.

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown financial statements for the year ended 30 June 2005.

# Schedule of student loan movements – Crown as administered by Inland Revenue

for the year ended 30 June 2005

Actual	Notes	Actual	Main	Supp
2004		2005	Estimates	Estimates
\$000		\$000	\$000	\$000
<b>Analysis of student loans</b>				
<b>outstanding balance</b>				
5,965,655	Total loans outstanding (including interest)	6,674,574	6,848,414	6,653,142
(718,775)	Total provisions (capital and interest)	(908,153)	(793,140)	(796,907)
<b>5,246,880</b>	<b>Total student loans</b>	<b>5,766,421</b>	<b>6,055,274</b>	<b>5,856,235</b>
4,649,934	Opening balance	5,246,880	5,322,686	5,246,880
973,810	Amount advanced in current year	1,010,308	1,058,585	996,481
383,885	Interest accrued on outstanding loan balances	434,788	448,530	444,618
(231,222)	Repayment of base capital	(251,494)	(271,018)	(251,614)
(215,935)	Repayment of accrued interest	(258,820)	(204,452)	(253,210)
(217,492)	Small balances and interest written-off	(226,459)	(210,383)	(248,788)
(98,552)	Movement in provision	(189,379)	(88,674)	(78,132)
2,452	Other	597	0	0
<b>5,246,880</b>	<b>Closing balance</b>	<b>5,766,421</b>	<b>6,055,274</b>	<b>5,856,235</b>

The accompanying accounting policies and notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown financial statements for the year ended 30 June 2005.

## Provision for student loans

The methodology used to provide for student loans contains a capital and an interest component. These provisions are periodically reviewed for appropriateness and the methodologies updated where necessary.

### Capital provision

The provision on the outstanding capital issued is 12.8% (2004: 11.4%). The key variables that impact on the expected level of write-off relate to death and bankruptcy write-offs as well as debt that will not be collected because of retirement, child-rearing or disability because these borrowers do not meet the repayment threshold obligation. The underlying assumptions regarding the borrowing characteristics and income growth profiles of borrowers and the expected level of defaulters are based on the most current information. The provision is sensitive to the assumptions on borrowing characteristics and income growth profiles, and so is regularly reassessed as new information becomes available.

### Interest write-off provision

The provision for interest write-offs on interest accrued after 31 December 1999 was reviewed in light of changes to Government policy, resulting in a substantial increase in the provision level to 70% (from 17%). This reflected changes to the student loan scheme allowing the full write-off of interest while students continue to study along with the increased income thresholds used to determine repayments through the income tax system. The effective provision for interest write-offs from 1 January 2004 was around 50% and from 1 January 2005 it was approximately 55%. The interest rate provision is reviewed annually.

### Fair value

The estimated fair value of the student loan balance as at 30 June 2005 administered by Inland Revenue has been determined to be approximately \$5,342 million (\$5,030 million at 30 June 2004). The fair value is less than the book value by \$424 million, but this is not considered to indicate the need to impair the book value, largely as the two approaches to determining a value are not directly comparable.

The fair value has been determined by projecting forward the expected cash flows from the student loan scheme and discounting them back at an appropriate after-tax discount rate. The fair value has been calculated using a model constructed for the Ministry of Education in 2003 which integrates students' educational and demographic information with data on loans and income that is held securely by Statistics New Zealand. The model is dependent on a number of assumptions on future income levels, repayment behaviour, in addition to economic assumptions (the discount rate, inflation and so on). As such, the estimated fair value is sensitive to changes in those underlying assumptions. The accuracy of the fair value determination is expected to continue to improve as the fair value model is further developed. The 2005 student loan scheme annual report will contain more information.

# Notes to the Crown financial schedules

for the year ended 30 June 2005

## Note 1: Direct taxation

Actual 2004 \$000		Actual 2005 \$000
	<b>Income tax</b>	
	<b>Individuals:</b>	
16,345,195	Source deductions	17,781,481
4,027,308	Other persons	4,103,286
(860,359)	Other persons' refunds	(876,284)
410,324	Fringe benefit tax	440,800
<u>19,922,468</u>	Sub-total individuals	<u>21,449,283</u>
	<b>Companies:</b>	
6,291,961	Gross company tax – other	7,821,903
280,426	Gross company tax – state-owned enterprises	311,120
1,515	Gross company tax – Crown entities	2,080
120,523	Gross company tax – NZ Super fund	211,200
(179,633)	Refunds	(232,287)
<u>6,514,792</u>	Sub-total companies	<u>8,114,016</u>
	<b>Withholding tax:</b>	
1,187,845	Residents' interest	1,500,792
48,984	Residents' dividends	58,897
138,580	Foreign source dividends	188,438
799,906	Non-residents' income	926,728
563,024	Specified superannuation tax	542,422
<u>2,738,339</u>	Sub-total withholding tax	<u>3,217,277</u>
<u>29,175,598</u>	Total income tax	<u>32,780,576</u>
	<b>Other direct taxation:</b>	
2,348	Estate and gift duties	2,325
<u>2,348</u>	Sub-total other direction taxation	<u>2,325</u>
<b>29,177,946</b>	<b>Total direct taxation</b>	<b>32,782,901</b>

**Note 2: Indirect taxation**

Actual 2004 \$000		Actual 2005 \$000
	<b>Goods and services tax:</b>	
15,352,499	GST (Inland Revenue)	16,018,263
(6,884,574)	GST (refunds)	(7,179,624)
<u>8,467,925</u>	Sub-total GST	<u>8,838,639</u>
	<b>Other indirect tax:</b>	
8,883	Stamp and cheque duties	9,234
46,766	Approved issuer levy	55,947
295,325	Gaming duties	315,902
1	Other indirect tax	0
<u>350,975</u>	Sub-total other indirect taxation	<u>381,083</u>
<b><u>8,818,900</u></b>	<b>Total indirect taxation</b>	<b><u>9,219,722</u></b>

**Note 3: Benefits and other unrequited expenses**

Actual 2004 \$000		Actual 2005 \$000
	<b>Benefits and other unrequited expenses</b>	
124,408	Child support payments	136,121
818,803	Family support tax credit	832,859
13,939	Family tax credit	12,771
154,919	Child tax credit	141,331
14,138	Parental tax credit	13,909
63,624	Paid parental leave	76,186
<u>1,189,831</u>	<b>Total benefits and other unrequited expenses</b>	<u>1,213,177</u>

**Note 4: Borrowing expenses**

Actual 2004 \$000		Actual 2005 \$000
	<b>Borrowing expenses</b>	
1,373	Income equalisation interest	5,783
26	Adverse events income equalisation interest	(11)
<u>1,399</u>	<b>Total borrowing expenses</b>	<u>5,772</u>

**Note 5: Change in debt provision**

<b>Actual 2004 \$000</b>		<b>Actual 2005 \$000</b>
	<b>Change in debt provisions</b>	
41,221	General tax	356,970
98,552	Student loans	189,378
60,676	Child support	119,907
<b>200,449</b>	<b>Total change in debt provisions</b>	<b>666,255</b>

**Note 6: Receivables and advances – current**

<b>Actual 2004 \$000</b>		<b>Actual 2005 \$000</b>
562,696	Student loans, short-term	587,920
(67,797)	Student loan provision for doubtful debts	(79,993)
5,682,252	Tax receivables (general)	5,898,241
(554,645)	Provision for doubtful debts (general)	(911,615)
61,428	GST debtors (intra-Crown)*	133,812
462,320	Receivables child support	557,957
(408,478)	Provision for doubtful debts child support	(528,385)
<b>5,737,776</b>	<b>Total current receivables and advances</b>	<b>5,657,937</b>

\* This balance is eliminated upon consolidation of the Crown accounts.

**Note 7: Receivables and advances – non-current**

<b>Actual 2004 \$000</b>		<b>Actual 2005 \$000</b>
5,402,959	Student loans, long-term	6,086,654
(650,978)	Student loan provision for doubtful debts	(828,160)
<b>4,751,981</b>	<b>Total non-current receivables and advances</b>	<b>5,258,494</b>

**Note 8: Payables and provisions**

<b>Actual 2004 \$000</b>		<b>Actual 2005 \$000</b>
3,540,323	Student loan capital*	4,550,631
7,730	Payables child support	8,658
2,253,123	Taxes refundable	2,656,389
<b>5,801,176</b>	<b>Total payables and provisions</b>	<b>7,215,678</b>

\* This balance is eliminated upon consolidation of the Crown accounts.

**Note 9: Provision for doubtful debts**

<b>Actual 2004 \$000</b>		<b>Actual 2005 \$000</b>
554,645	General tax provision*	911,615
718,775	Student loan provision**	908,153
408,478	Child support provision*	528,385
<b>1,681,898</b>	<b>Total provision for doubtful debts</b>	<b>2,348,153</b>

\* Refer to note 6

\*\* Refer to notes 6 and 7

**General tax**

A refined calculation methodology has been used since June 2003 to better reflect anticipated write-offs.

**Student loans**

The capital provision of 12.8% has been applied in the current year.

Government policy on student loans provides for the write-off of interest in certain circumstances, depending on study status and income levels. In 2005, a provision rate of 55% was applied against current year accrued interest. This provision rate can fluctuate from year to year depending on forecast repayment levels.

**Child support**

Unpaid child support contributions attract penalties which accrue to the Crown. A provision for the non-recovery of penalties owing is calculated based on the age of outstanding penalty debts.

**Note 10: Contingent liabilities**

<b>Actual 2004 \$000</b>		<b>Actual 2005 \$000</b>
436,089	Tax in dispute	344,740
33,247	Unclaimed monies	37,162
<b>469,336</b>	<b>Total quantifiable contingent liabilities</b>	<b>381,902</b>

When a taxpayer disagrees with an assessment issued following the disputes process, the taxpayer may challenge that decision by filing proceedings with the Taxation Review Authority or the High Court.

**Note 11: Income equalisation and adverse event income equalisation schemes – administered by Inland Revenue**

<b>Actual 2004 \$000</b>		<b>Actual 2005 \$000</b>
213,309	Income equalisation reserve account	166,805
202	Adverse event income equalisation reserve account	84
<b>213,511</b>	<b>Total value of the reserve accounts</b>	<b>166,889</b>

There are two schemes, the income equalisation scheme and the adverse event income equalisation scheme.

Income equalisation is a scheme where taxpayers in the farming, fishing and forestry industries can elect to make payments during the year by way of income equalisation deposits. Interest at a rate of 3% is paid, provided that no withdrawals are made within 12 months of the date of the deposit.

The adverse event income equalisation scheme operates in addition to the ordinary income equalisation scheme. Interest at a rate of 6.5% is paid on deposits. Deposits can be withdrawn immediately, but are transferred to the main income equalisation account if not withdrawn within 12 months of the deposit.