

PART SEVEN

Financial Schedules for Administered Accounts



Statement of accounting policies

for the year ended 30 June 2004

Reporting entity

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

Budget figures

The 2003–04 actuals are reported against Inland Revenue’s independent forecast, prepared as part of the preparation of the 2003–04 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 ¹	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 ²	Payment due date
Terminal tax ²	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

¹ Corresponds to withholding taxes on residents’ interest and dividends

² 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 significant 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 2004

Actual		Notes	Actual	Main	Supp
2003			2004	Estimates	Estimates
\$000			\$000	2004	2004
				\$000	\$000
	Revenue				
27,250,606	Direct taxation	1	29,177,946	29,072,000	29,072,000
7,720,027	Indirect taxation	2	8,818,900	8,753,000	8,753,000
34,970,633	Total taxation		37,996,846	37,825,000	37,825,000
236,683	Compulsory fees, fines, penalties and levies		241,943	237,500	237,500
331,820	Investment income		383,885	395,174	395,174
35,539,136	Total operating revenue		38,622,674	38,457,674	38,457,674

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 2004.

Schedule of Expenditure – Crown as administered by Inland Revenue

for the year ended 30 June 2004

Actual		Notes	Actual	Main	Supp
2003			2004	Estimates	Estimates
\$000			\$000	2004	2004
				\$000	\$000
1,185,000	Benefits and other unrequited expenses	3	1,065,423	1,048,000	1,048,000
137,048	Change in debt provisions	5	200,449	204,905	204,905
203,887	Student loan write-offs		217,492	175,013	175,013
7,064	Borrowing expenses	4	1,399	(1,942)	(1,942)
1,532,999	Total operating expenditure		1,484,763	1,425,976	1,425,976

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 2004.

Schedule of Assets – Crown as administered by Inland Revenue

as at 30 June 2004

Actual	Notes	Actual	Main	Supp
2003		2004	Estimates	Estimates
\$000		\$000	2004	2004
		\$000	\$000	\$000
Assets				
Current assets				
1,600,417		1,379,830	1,600,417	1,600,417
5,280,667	6	5,737,776	5,443,967	5,443,967
6,881,084		7,117,606	7,044,384	7,044,384
Non-current assets				
4,217,581	7	4,751,981	4,902,371	4,902,371
4,217,581		4,751,981	4,902,371	4,902,371
11,098,665		11,869,587	11,946,755	11,946,755

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 2004.

Schedule of Liabilities – Crown as administered by Inland Revenue

as at 30 June 2004

Actual		Notes	Actual	Main	Supp
2003			2004	Estimates	Estimates
\$000			\$000	2004	2004
				\$000	\$000
Liabilities					
Current liabilities					
4,654,334	Payables and provisions	8	5,801,176	5,623,454	5,623,454
330,832	Borrowings	11	213,511	200,132	200,132
4,985,166	Total current liabilities		6,014,687	5,823,586	5,823,586
4,985,166	Total liabilities		6,014,687	5,823,586	5,823,586

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 2004.

Schedule of Movements in Equity – Crown as administered by Inland Revenue for the year ended 30 June 2004

Actual	Notes	Actual	Main	Supp
2003		2004	Estimates	Estimates
\$000		\$000	2004	2004
			\$000	\$000
34,117,377	Net result from Crown operating activities	37,137,911	37,031,698	37,031,698
2,183,942	Opening cash balance	6,113,499	6,113,499	6,113,499
3,562,345	Assets transfers between departments (Ministry of Education)	0	0	0
10,161,459	Disbursements from New Zealand Debt Management Office	10,627,609	10,924,058	10,924,058
(43,911,624)	Paid to New Zealand Debt Management Office	(48,024,119)	(47,946,086)	(47,946,086)
6,113,499	Closing balance	5,854,900	6,123,169	6,123,169

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 2004.

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

for the year ended 30 June 2004

Actual	Notes	Actual	Main	Supp
2003		2004	Estimates	Estimates
\$000		\$000	2004	2004
			\$000	\$000
Cash flows from operating activities				
Direct taxation				
Individuals:				
15,622,684	Source deductions	17,011,743	16,800,000	16,800,000
4,499,638	Other persons	4,351,649	4,350,000	4,350,000
(1,286,622)	Other persons' refunds	(1,405,983)	(1,425,000)	(1,425,000)
373,507	Fringe benefit tax	409,779	412,000	412,000
<u>19,209,207</u>	Sub-total individuals	<u>20,367,188</u>	<u>20,137,000</u>	<u>20,137,000</u>
Companies:				
6,129,917	Gross company tax – other	7,527,411	7,097,000	7,097,000
102,613	Gross company tax – state-owned enterprises	75,712	280,000	280,000
7,725	Gross company tax – Crown entities	1,541	51,000	51,000
123,180	Gross company tax – NZ Super fund	64,000	138,000	138,000
(820,720)	Refunds	(1,087,511)	(1,090,000)	(1,090,000)
<u>5,542,715</u>	Sub-total companies	<u>6,581,153</u>	<u>6,476,000</u>	<u>6,476,000</u>
Withholding tax:				
1,104,302	Residents' interest	1,216,773	1,210,000	1,210,000
55,838	Residents' dividends	52,992	51,000	51,000
159,623	Foreign source dividends	128,046	125,000	125,000
740,566	Non-residents' income	775,850	830,000	830,000
<u>2,060,329</u>	Sub-total withholding tax	<u>2,173,661</u>	<u>2,216,000</u>	<u>2,216,000</u>
<u>26,812,251</u>	Total income tax	<u>29,122,002</u>	<u>28,829,000</u>	<u>28,829,000</u>

(continued)

Actual	Notes	Actual	Main	Supp
2003		2004	Estimates	Estimates
\$000		\$000	2004	2004
			\$000	\$000
	Other direct taxation			
1,320	Estate and gift duties	2,276	2,000	2,000
1,320	Sub-total other direct taxation	2,276	2,000	2,000
26,813,571	Total direct taxation	29,124,278	28,831,000	28,831,000
	Indirect taxation			
	Goods and services tax:			
13,184,282	GST (Inland Revenue)	14,564,692	14,729,000	14,729,000
(5,717,573)	GST (refunds)	(6,312,830)	(6,329,000)	(6,329,000)
7,466,709	Sub-total GST	8,251,862	8,400,000	8,400,000
	Other indirect taxation:			
50,770	Stamp and cheque duties	56,168	54,000	54,000
274,998	Gaming duties	295,164	298,000	298,000
2,025	Other	(477)	1,000	1,000
327,793	Sub-total other indirect	350,855	353,000	353,000
7,794,502	Total indirect taxation	8,602,717	8,753,000	8,753,000
34,608,073	Total taxation receipts	37,726,995	37,584,000	37,584,000
157,464	Compulsory fees, fines and penalties (child support)	170,496	167,500	167,500
	Other receipts:			
186,146	Interest from investment (student loan)	215,935	203,057	203,057
(4,218)	Other operating receipts (ACC)	(4,535)	0	0
181,928	Total other receipts	211,400	203,057	203,057
34,947,465	Total cash flows provided from operating activities	38,108,891	37,954,557	37,954,557
	Cash was disbursed to:			
7	Finance cost	0	1,942	1,942
(1,057,085)	Family assistance tax credits	(1,045,470)	(1,033,000)	(1,033,000)
(1,057,078)	Total cash disbursed to operations	(1,045,470)	(1,031,058)	(1,031,058)
33,890,387	Net cash flows from operating activities	37,063,421	36,923,499	36,923,499

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 2004.

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

for the year ended 30 June 2004

Actual	Notes	Actual	Main	Supp
2003		2004	Estimates	Estimates
\$000		\$000	2004	2004
			\$000	\$000

Cash flows from investing activities				
Cash was provided from:				
200,247	Repayment of advances (student loan capital)	231,222	229,229	229,229
200,247	Net cash from investing activities	231,222	229,229	229,229

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 2004.

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

for the year ended 30 June 2004

Actual	Notes	Actual	Main	Supp
2003		2004	Estimates	Estimates
\$000		\$000	2004	2004
			\$000	\$000
Cash flows from financing activities				
Cash was provided from:				
256,952	Income equalisation scheme	62,039	130,300	130,300
256,952	Total cash provided	62,039	130,300	130,300
Cash was disbursed to:				
(147,666)	Repayment of income equalisation	(180,759)	(261,000)	(261,000)
(147,666)	Total cash disbursed	(180,759)	(261,000)	(261,000)
109,286	Net cash flows from financing activities	(118,720)	(130,700)	(130,700)

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 2004.

Schedule of Cash Flow Movements

– Crown as administered by Inland Revenue

for the year ended 30 June 2004

Actual	Notes	Actual	Main	Supp
2003		2004	Estimates	Estimates
\$000		\$000	2004	2004
			\$000	\$000
34,199,920	Net movement in cash	37,175,924	37,022,028	37,022,028
1,150,662	Opening cash balance	1,600,417	1,600,417	1,600,417
10,161,459	Disbursements from New Zealand Debt Management Office	10,627,609	10,924,058	10,924,058
(43,911,624)	Paid to New Zealand Debt Management Office	(48,024,119)	(47,946,086)	(47,946,086)
1,600,417	Closing balance	1,379,830	1,600,417	1,600,417

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 2004.

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

for the year ended 30 June 2004

Actual	Notes	Actual	Main	Supp
2003		2004	Estimates	Estimates
\$000		\$000	2004	2004
			\$000	\$000
34,117,377	Net Crown operating surplus	37,137,911	37,031,698	37,031,698
	Movement in working capital			
(83,522)	(Inc)/dec student loan short-term	(72,674)	14,552	14,552
58,307	Inc/(dec) provision bad debts	112,025	118,148	118,148
(541,099)	(Inc)/dec tax receivables (general tax)	(443,928)	(226,000)	(226,000)
(12,947)	(Inc)/dec GST debtors	21,210	0	0
(84,262)	(Inc)/dec receivables (child support)	(73,742)	(70,000)	(70,000)
(2,604,105)	Inc/(dec) payables (student loans)	973,810	969,120	969,120
(1,371)	Inc/(dec) payables (others)	2,074	0	0
206,927	Inc/(dec) tax refundable	170,958	0	0
(3,062,072)	Total working capital movements	689,733	805,820	805,820
	Other non-cash items			
(193,179)	Other non-cash items	(229,823)	(229,229)	(229,229)
(534,084)	Student loan provision	(534,400)	(684,790)	(684,790)
3,562,345	Ministry of Education student loan transfer	0	0	0
2,835,082	Total other non-cash items	(764,223)	(914,019)	(914,019)
33,890,387	Net cash flows from operating activities	37,063,421	36,923,499	36,923,499

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 2004.

Schedule of Accident Compensation Collections – Crown as administered by Inland Revenue

for the year ended 30 June 2004

Actual	Notes	Actual	Main	Supp
2003		2004	Estimates	Estimates
\$000		\$000	2004	2004
			\$000	\$000

Accident compensation collection type				
14,133	Residual claims levy and earners' account levy (self-employed)*	(4,145)	14,745	14,745
4,969	Residual claims levy (employers)*	(386)	5,184	5,184
622,244	Earner premium (employees – provisional)	675,265	669,100	669,100
641,346	Total	670,734	689,028	689,028

* 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 2004.

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

for the year ended 30 June 2004

Actual	Notes	Actual	Main	Supp
2003		2004	Estimates	Estimates
\$000		\$000	2004	2004
			\$000	\$000
Analysis of student loans				
Outstanding balance				
5,270,157	Total loans outstanding (including interest)	5,965,655	6,027,152	6,027,152
(620,223)	Total provisions (capital and interest)	(718,775)	(704,466)	(704,466)
4,649,934	Total student loans	5,246,880	5,322,686	5,322,686
4,042,803	Opening balance	4,649,934	4,649,934	4,649,934
958,240	Amount advanced in current year	973,810	969,120	969,120
331,820	Interest accrued on outstanding loan balances	383,885	395,174	395,174
(200,247)	Repayment of base capital	(231,222)	(229,229)	(229,229)
(186,146)	Repayment of accrued interest	(215,935)	(203,057)	(203,057)
(203,887)	Interest written off and movement in provision	(217,492)	(175,013)	(175,013)
(89,216)	Movement in provision	(98,552)	(84,243)	(84,243)
(3,433)	Other	2,452	0	0
4,649,934	Closing balance	5,246,880	5,322,686	5,322,686

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 2004.

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 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 retirements, child-rearing or disability because these borrowers do not meet repayment threshold obligations. 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 will be regularly reassessed as new information becomes available. A 1% shift will impact on the provision level by around \$56 million.

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%) in 2002.

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 2003 was approximately 46.5% and from 1 January 2004 it was approximately 50%. The interest rate provision is reviewed annually.

Fair value

The fair value is defined as the price a willing buyer would offer a willing seller to purchase the Scheme. This does not imply that there is any wish to “sell” the Student Loan Scheme asset; rather, the fair value is a hypothetical figure, based on what a tax-liable buyer with perfect information would be prepared to pay, if the asset were to be sold.

The fair value of the student loan debt as at 30 June 2004 is calculated to be \$5,030 million (\$4,868 million at 30 June 2003). The fair value has been calculated using a new model constructed for the Ministry of Education. This is based on the new integrated data set of students' educational and demographic information with data on loans and income that is held securely by Statistics New Zealand. The fair value model considers current debt owed by borrowers of various characteristics including assumptions regarding their future income. Among other assumptions, the discount rate is critical. It is based on the after-tax risk-free rate plus a risk premium. The 2004 Student Loan Annual Report will contain more information on the student loan scheme.

Notes to the Crown Financial Schedules

for the year ended 30 June 2004

Note 1: Direct taxation

Actual 2003 \$000		Actual 2004 \$000
	Income tax	
	Individuals:	
15,933,086	Source deductions	16,908,218
4,195,126	Other persons	4,027,308
(833,731)	Other persons' refunds	(860,359)
374,640	Fringe benefit tax	410,324
<u>19,669,121</u>	Sub-total individuals	<u>20,485,491</u>
	Companies:	
5,528,356	Gross company tax – other	6,291,961
85,299	Gross company tax – state-owned enterprises	280,426
5,341	Gross company tax – Crown entities	1,515
98,167	Gross company tax – NZ Super fund	120,523
(190,692)	Refunds	(179,633)
<u>5,526,471</u>	Sub-total companies	<u>6,514,792</u>
	Withholding tax:	
1,110,992	Residents' interest	1,187,845
57,378	Residents' dividends	48,984
153,564	Foreign source dividends	138,580
731,724	Non-residents' income	799,906
<u>2,053,658</u>	Sub-total withholding	<u>2,175,315</u>
<u>27,249,250</u>	Total income tax	<u>29,175,598</u>
	Other direct taxation:	
1,356	Estate and gift duties	2,348
<u>1,356</u>	Sub-total other direct taxation	<u>2,348</u>
<u>27,250,606</u>	Total direct taxation	<u>29,177,946</u>

Note 2: Indirect taxation

Actual 2003 \$000		Actual 2004 \$000
	Goods and services tax:	
13,614,202	GST (Inland Revenue)	15,352,499
(6,220,255)	GST (refunds)	(6,884,574)
<u>7,393,947</u>	Sub-total GST	<u>8,467,925</u>
	Other indirect tax:	
48,605	Stamp and cheque duties	55,649
277,473	Gaming duties	295,325
2	Other indirect tax	1
<u>326,080</u>	Sub-total other indirect taxation	<u>350,975</u>
<u>7,720,027</u>	Total indirect taxation	<u>8,818,900</u>

Note 3: Benefits and other unrequited expenses

Actual 2003 \$000		Actual 2004 \$000
	Benefits and other unrequited expenses	
846,791	Family support tax credit	818,803
15,610	Family tax credit	13,939
143,244	Child tax credit	154,919
11,662	Parental tax credit	14,138
56,453	Paid parental leave	63,624
<u>1,185,000</u>	Total benefits and other unrequited expenses	<u>1,065,423</u>

Note 4: Borrowing expenses

Actual 2003 \$000		Actual 2004 \$000
	Borrowing expenses	
7,061	Income equalisation interest	1,373
3	Adverse events income equalisation interest	26
<u>7,064</u>	Total borrowing expenses	<u>1,399</u>

Note 5: Change in debt provision

Actual 2003 \$000		Actual 2004 \$000
	Change in debt provisions	
(34,315)	Tax	41,221
89,216	Student loans	98,552
82,147	Child support	60,676
<u>137,048</u>	Total change in debt provisions	<u>200,449</u>

Note 6: Receivables and advances – current

Actual 2003 \$000		Actual 2004 \$000
490,022	Student loans, short-term	562,696
(57,669)	Student loan provisions for doubtful debts	(67,797)
5,238,324	Tax receivables (general)	5,682,252
(513,424)	Provisions for doubtful debts (general)	(554,645)
82,638	GST debtors (intra-Crown)*	61,428
388,578	Receivables child support	462,320
(347,802)	Provision for doubtful debts child support	(408,478)
<u>5,280,667</u>	Total current receivables and advances	<u>5,737,776</u>

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

Note 7: Receivables and advances – non-current

Actual 2003 \$000		Actual 2004 \$000
4,780,135	Student loans, long-term	5,402,959
(562,554)	Student loan provisions for doubtful debts	(650,978)
4,217,581	Total non-current receivables and advances	4,751,981

Note 8: Payables and provisions

Actual 2003 \$000		Actual 2004 \$000
2,566,513	Student loan capital*	3,540,323
5,656	Payables child support	7,730
2,082,165	Taxes refundable	2,253,123
4,654,334	Total payables and provisions	5,801,176

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

Note 9: Provision for doubtful debts

Actual 2003 \$000		Actual 2004 \$000
513,424	General tax provision*	554,645
620,223	Student loan provision**	718,775
347,802	Child support provision*	408,478
1,481,449	Total provision for doubtful debts	1,681,898

* 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 11.4% 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 2004, a provision rate of 50% 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 according to the age of outstanding penalty debts.

Note 10: Contingent liabilities

Actual 2003 \$000		Actual 2004 \$000
34,923	Tax in dispute	436,089
0	Unclaimed monies	33,247
34,923	Total quantifiable contingent liabilities	469,336

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 schemes – administered by Inland Revenue

Actual 2003 \$000		Actual 2004 \$000
330,740	Income equalisation reserve account	213,309
<u>92</u>	Adverse event income equalisation reserve account	<u>202</u>
330,832	Total value of the reserve accounts	213,511

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

The income equalisation scheme decreased by 35.46% in 2004, as a result of the increased refund level in the agricultural sector.

