



MAKING TAX SIMPLER

GREEN PAPER & BETTER DIGITAL SERVICES

SUMMARY OF FEEDBACK



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MINISTER OF REVENUE

A summary of the feedback on the *Green Paper* and *Better Digital Services* public consultation

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*Green Paper and Better Digital Services:
Summary of feedback*

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CHAPTER 1

INTRODUCTION

On 31 March 2015, the Government released the first two in a series of discussion documents for public consultation planned for the next few years to support consultation on the Government's proposals for modernising and simplifying tax administration in New Zealand.

The first consultation, *Making Tax Simpler – A Government Green Paper on tax administration* (the *Green Paper*), aimed to introduce New Zealand to the overall direction of the tax administration modernisation programme and sought feedback on that direction. The second consultation document, *Making Tax Simpler – Better digital services* (*Better digital services*), outlined proposals for moving Inland Revenue and its customers toward much greater use of sophisticated digital technology.

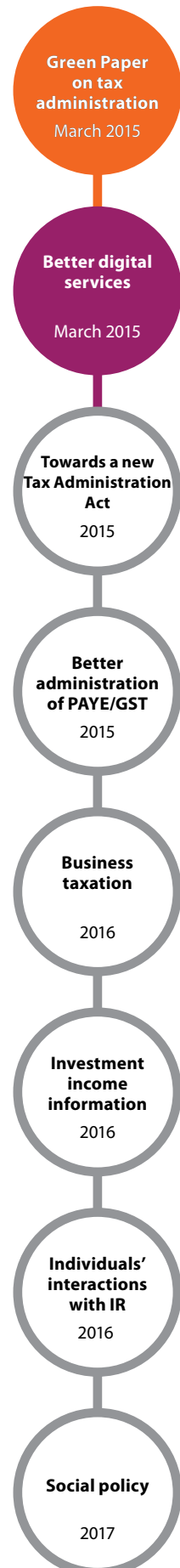
An online forum *makingtaxsimpler.ird.govt.nz* provided the opportunity for the public to submit comments online and answer opinion polls for both the *Green Paper* and *Better digital services* under a series of questions linked to those in the discussion documents. Written submissions were also received through the

normal submission process. A large number of responses were received on the online forum, with more than 900 comments across both areas of consultation and more than 2,300 tick-box responses to the proposals. Ninety written submissions were also received.

This document summarises the main themes from both the online consultation and written submissions, supported by representative quotes from the actual submissions and comments received. It also sets out the results from the 2,300 tick-box responses to the proposals. Some of the representative quotes in response to a particular question may also relate to other questions or proposals.

The comments quoted in the summaries, and in the appendices, are representative examples of comments received in the online submissions and written submissions. They are quoted as supplied, apart from the correction of typographical errors.

The submissions received were generally supportive of the overall direction and there was no groundswell of opinion which



suggested that the Government should revisit this direction. A number of submissions indicated a level of comfort with current processes and practices. Some also noted concerns about the potential for costs to be shifted from Government/Inland Revenue to businesses and employers by requiring them to use accounting or payroll software or update existing software. Respondents noted that some of the proposals would increase compliance costs for people interacting with the tax system. Also, the lack of detailed proposals meant that submitters could not fully determine the impact of the potential changes.

The proposals identified in the *Green Paper* and *Better digital services* are being developed further, and the submissions and comments received are being used to shape the detailed public consultations proposed to be released as part of future *Making Tax Simpler* consultations.

The subsequent consultations will set out in more detail the proposed changes to tax administration, allowing people to provide more informed views.

Some responses to the consultation raised broad suggestions for change along the lines of abolishing income tax and increasing GST, as well as suggestions that the responsibility for administering KiwiSaver or Working for Families should rest with other government agencies. These responses were outside the scope of the consultation due to the key assumptions made during the early

development of the policy issues discussed in the *Green Paper*. These were:

- Key tax bases will remain substantially in place and New Zealand will continue with its broad-base, low-rate approach. There are no fundamental changes currently planned to either income tax (individuals and corporates) or GST. Previous comprehensive tax reviews, most recently by the 2010 Tax Working Group, provide a high degree of support for this assumption.
- Social policy and other non-tax functions currently administered by Inland Revenue (for example, in relation to Working for Families, child support, student loan repayments and KiwiSaver) will continue to be a key part of Inland Revenue's portfolio of work.¹

Comments and suggestions out of scope have not been included in this document.

Responses that related more generally to Inland Revenue operations, for example interactions with Inland Revenue via call centres, or specific policy issues in the Government's tax policy work programme, are being passed on to the Commissioner of Inland Revenue for her consideration and progression, if appropriate.

Chapters 2 and 3 reflect the layout of the consultative documents and the associated online forums, and the questions posed in the documents and the online forums.

They include diagrams which set out the results of the online polls. Not all numbers add to 100% due to rounding.

¹ Paragraph 1.48 page 44 of the *Green Paper*.

CHAPTER 2

The *Green Paper* introduced New Zealand to the overall direction of the tax administration modernisation programme, set out the proposed areas for review and possible policy and legislative changes that could be needed, and sought feedback on that direction.

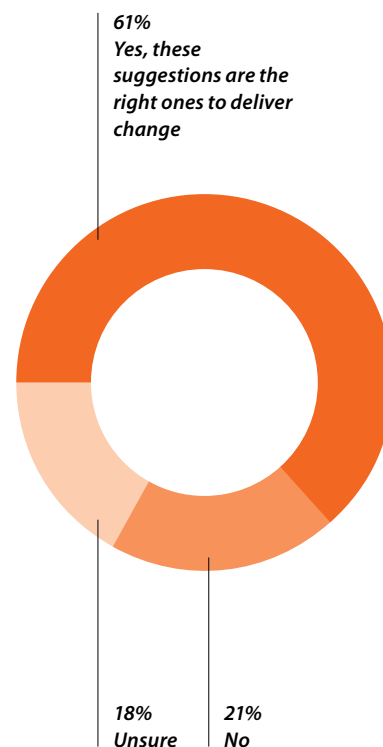
WHY FOCUS ON TAX ADMINISTRATION?

This section of the *Green Paper* outlined the background and motivation for modernising tax administration, set out current issues and discussed the desired characteristics of the future tax administration. Feedback was sought on the overall direction of the project and order of the proposed changes.

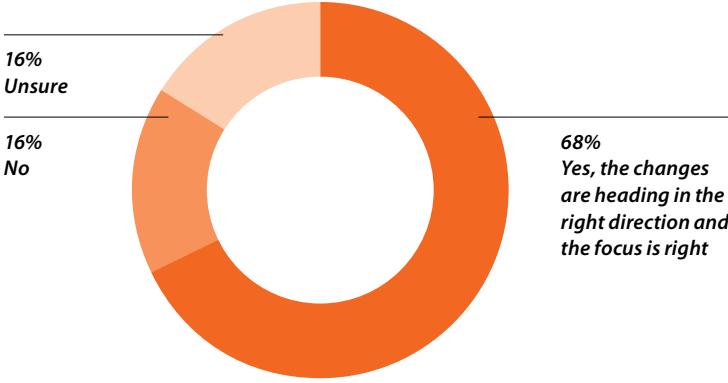
Number of submissions and results of online consultation

Ten written submissions and 82 online comments were received on this section.²

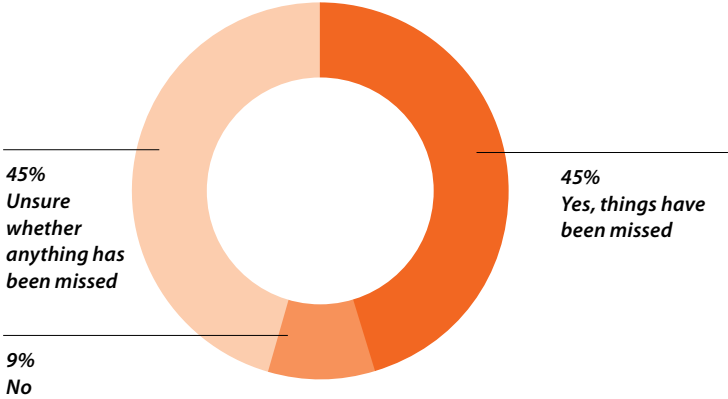
Sixty-six people responded to the online opinion poll question: **“Are these suggestions the right ones to deliver change?”**



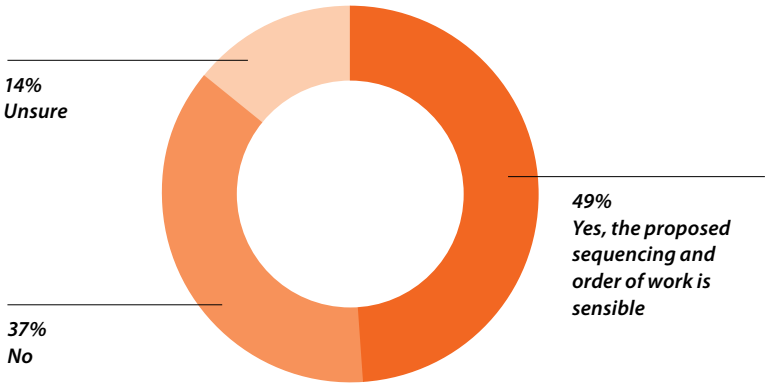
Thirty-seven people responded to the online opinion poll question:
“Are the potential changes heading in the right direction, and have we focused on the right things?”



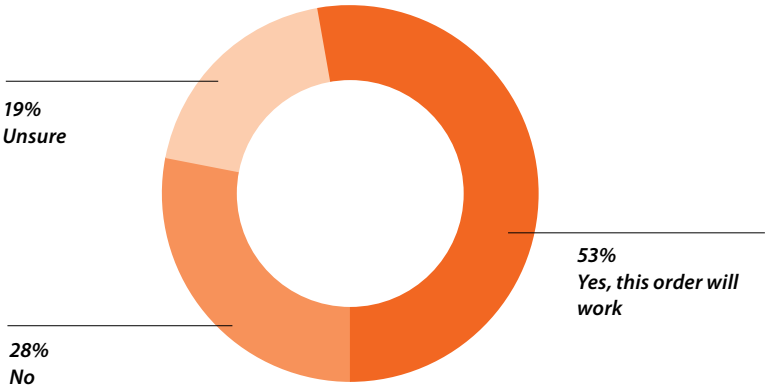
Forty-four people responded to the online opinion poll question:
“Have we missed anything?”



Thirty-five people responded to the online opinion poll question:
"Is this the right order?"



Thirty-two people responded to the online opinion poll question:
"Do you think this order will work for you?"



Summary of comments on why focus on tax administration

Written submissions expressed general support for the overall project and the proposals to simplify the tax system:

A ground-up review of the tax administration system is long overdue.

Just wanted to say that I love the proposed changes...

However, some submitters expressed reservations:

We are concerned that there is a lack of a problem definition for some of the proposals listed in the paper. Change ... should only be delivered where there is a clear problem/issue identified and fixing that problem would deliver benefits for tax system as a whole, with providing benefits to business being a key part of this equation.

Not all businesses stand to benefit from the proposals. Care needs to be taken in the policy/design that the tax system caters for all, including rural businesses and very small businesses.

Two submissions proposed additional key underlying principles they felt should serve as a framework for the overall project:

A broad framework for the fundamental principles for the wider project should be put together. These fundamental principles should include:

- *Changes will result in a net benefit to the New Zealand economy and*

community i.e., costs are not merely shifted from Government/Inland Revenue to business/employers and individuals.

- *New Zealand's broad-base, low-rate approach to the tax base will continue.*
- *Confidentiality of taxpayer information is assured.*
- *The key role to be played by intermediaries, including agents, is acknowledged and recognised to ensure the changes are in line with current commercial practice.*
- *Certainty and predictability will be enhanced.*
- *There will continue to be a need for people to engage with people and not only for systems to engage with each other.*
- *There is no "one size fits all".*

Some written submitters considered that the *Green Paper* did not sufficiently incorporate the role of tax agents and intermediaries in its discussion, and stressed that the value of the role played by tax agents should not be overlooked in the transformation project:

In order for the transformation programme to be successful, engagement with the tax agent community is essential...

Several written submissions emphasised that the changes should reduce compliance costs and the

complexity of the tax system for business and individual taxpayers, with provisional tax being a focus of many comments:

Please help us minimise our admin costs and time for micro to small business.

Provisional tax – hate it, horrible. More importantly, STRESSFUL.

Improving provisional tax would greatly help small companies stay afloat.

Current provisional tax payments in advance punish small businesses' cashflow...

Submitters also stressed that the project should not have the effect of shifting costs from Inland Revenue/ the Government to businesses:

It is of fundamental importance that business transformation does not shift the boundary between the role of Inland Revenue as tax collector and the business's role, thereby driving up costs for business.

Some written submissions also noted that transition costs should be kept to a minimum:

Any changes will need to be implemented as seamlessly as possible to ensure transition costs are kept to a minimum. This is particularly important for small businesses who may feel the compliance costs in coping with the changes are disproportionately higher in the shorter term.

Some written submissions observed that the *Green Paper* discusses

potential changes only in very broad terms and emphasised that future discussion documents should discuss proposals in greater detail so stakeholders can consider and provide comment on any potential changes and their impacts:

The discussion on any potential changes to GST in the Green Paper is limited, especially compared with the more detailed discussion on potential changes to PAYE.

Online commentators expressed support for “faster turnarounds” from Inland Revenue on refunds and receiving information from Inland Revenue:

The time taken to process refunds is far too long... if we don't pay immediately penalties are applied but the same in reverse doesn't happen.

Online commentators supported simplification of the tax system and reductions in compliance costs (both monetary and in terms of time). Online commentators also expressed support for increased use of technology. However, this came with a rider:

We have a concern that digitisation is being seen as something of a “magic bullet” and the human element which remains is being overlooked. Ultimately, business processes involve human input and therefore the possibility for error remains. Rectifying human error will remain a necessary element of any tax administration system ... regardless of change, the ability to liaise directly and quickly with Inland Revenue staff

remains available.

With respect to the proposed order of work, several online submitters considered that “the rationalisation of tax types” should be brought forward in the review:

It makes sense to review the PAYE and withholding taxes on labour and investment income before implementing changes to how individuals interact with Inland Revenue. We consider simplifying tax for businesses, especially small businesses, should also be a priority.

The review of business tax obligations should proceed alongside the various withholding tax system considerations as this would allow the impact of the tax system on business obligations, both as taxpayers in their own right and as tax collectors for Government, to be considered holistically.

In response to the question about whether there are any key errors or omissions in the discussion in the *Green Paper*, one online submitter noted that the taxation of capital gains on property investment should be considered as part of the review. Another commented:

Expand the focus of tax collection past targeting income earners, to include wealth gatherers.

THE FUTURE FOR BUSINESS PROCESSES – PAYE

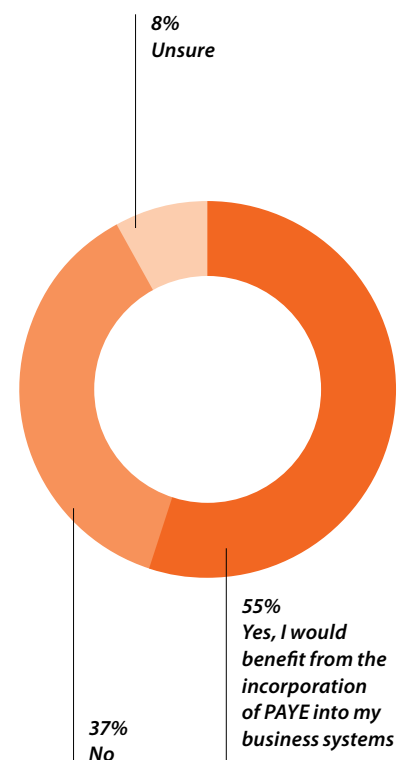
The *Green Paper* sought views on reducing the compliance costs associated with PAYE and GST by way of greater use of technology and, in

relation to PAYE, some simplification of the rules and rationalisation of how employment remuneration is taxed. It also sought views on whether the scope of the current withholding tax rules (schedular payments) should be expanded to cover other “employment-like” income such as that earned by independent contractors.

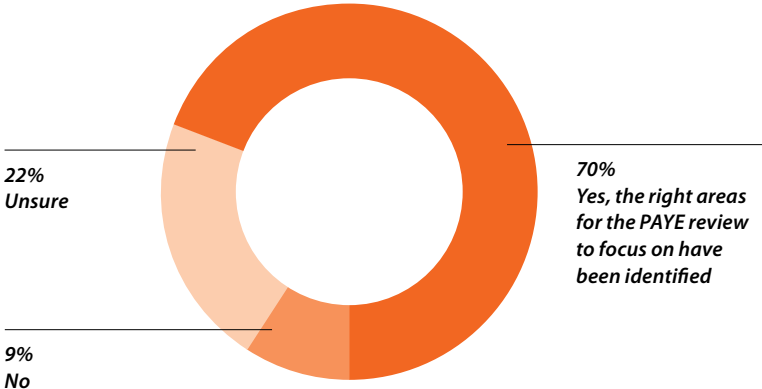
Number of submissions and results of online consultation

Nineteen written submission and 38 online comments were received on this section.

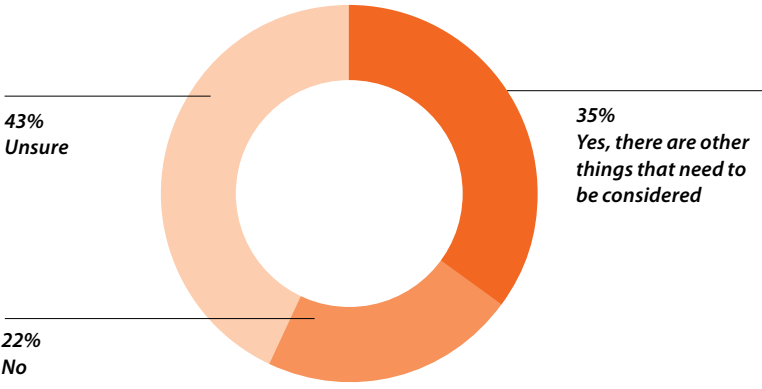
Forty-nine people responded to the online opinion poll question: **“Would you benefit from the incorporation of PAYE into your business systems?”**



Twenty-three people responded to the online opinion poll question: **“Have we identified the right areas for the PAYE review to focus on?”**



Twenty-three people responded to the online opinion poll question: **“Is there anything else about streamlining the collection of PAYE, GST, and other information that needs to be considered?”**



Summary of comments on the future for business processes – PAYE

Issue: Streamline the collection of PAYE, GST and related information by integrating tax obligations into existing business systems

There was general support for the idea of streamlining various tax types:

We agree that making greater use of a business's own systems to provide PAYE information should provide benefits to employers by reducing duplication and allowing easier amendment and corrections of tax codes.

In theory, integrating PAYE into existing business payroll systems has the potential to simplify compliance for both business and Inland Revenue. However... reforms in this area will have to be carefully thought out and there are practical considerations that Inland Revenue will need to consider in depth.

However, not all submitters were convinced of the benefits of the proposed changes:

So far, nothing you've talked about in terms of streamlining processes and integrating PAYE into normal business processes is different to what people should be doing now. Where are the improvements and benefits for employers actually coming from?

While at a general level there was support for the move towards a digital employer monthly schedule (EMS) or PAYE system, some submissions emphasised that technology will not be a complete solution to the

problems and issues in the current PAYE system.³

In addition, submissions raised several issues relating to the practical implications of a move towards a digital EMS system. Several submitters expressed concern that the shift will generate increased compliance costs for businesses in that it will result in the need to update or acquire payroll software, with some submissions noting that some smaller businesses do not have sophisticated software or any software at all:

You have mentioned MYOB. Many of us use other small business accounting systems... I would appreciate that mine (Quikbooks) is recognised by IRD.

To encourage small businesses to move to more efficient payroll systems Inland Revenue should consider increasing the current payroll subsidy. This would also acknowledge the role of employers as de facto tax collectors through the PAYE system.

With respect to the proposal that a business's own systems be used to provide PAYE and related information to Inland Revenue, several submissions emphasised the need to ensure that the information provided to Inland Revenue is accurate. It was noted that even with real-time exchange of information, accuracy will not be possible 100% of the time. The variable nature of self-employed income caused concern for one submitter:

I am NOT in favour of any real-time interaction between my accounting

software and the IRD allowing tax to be calculated on “as you earn” basis. Small businesses’ income is ... very low some months, very high others. If a sole trader had an income for one month that projects to an annual income of twice what it will actually be, how could the tax for that isolated month be calculated fairly? Any such system would be overburdened with refunds, adjustments, corrections, complaints, unfair penalties, etc. I do not see any potential efficiencies at all.

Some submissions suggested that employers should be required to pay the amounts deducted to Inland Revenue at the same time as the payment of the salary or wages, while others noted that employers should continue to pay amounts deducted to Inland Revenue later in light of the fact that the delayed payment compensates employers for some of the compliance costs incurred.

Issue: Reviewing and streamlining the PAYE rules more generally

There was general support for the PAYE rules to be reviewed and updated. One submission noted that such a review was well overdue:

We support a review and update of the PAYE and schedular payment rules as the original framework was established in a different era and changes have been made in an ad hoc manner.

Submissions noted the need for flexibility and the ability to correct mistakes in relation to PAYE, suggesting that the penalty and use of money interest (UOMI) rules be

reviewed to provide a framework for this to occur:

Some flexibility around timeliness and ability to correct errors without penalty or interest costs should be considered.

Some submissions expressed concerns about the complexity of taxing fringe benefits using the PAYE rules:

We do not support inclusion of fringe benefits into the PAYE system. The collection of FBT data comes from many sources which cannot be easily adapted (if at all) into our PAYE system on a real time basis. Inclusion of fringe benefits to an employee's earnings may create lumpy earnings outcomes with the possibility for unexpected consequences such as increases to KiwiSaver contributions, child support or student loan repayments.

We also note that incorporating fringe benefits into the PAYE rules is likely to significantly increase compliance costs for employers, especially for those that currently elect to pay FBT at the flat rate of 49.25%. Incorporating fringe benefits into the PAYE rules will require the PAYE to be calculated separately for each employee receiving fringe benefits.

Issue: Enhancing withholding taxes to cover “employment-like” income

While some submissions saw merit in extending withholding taxes to cover “employment-like” income, all submissions expressed concern that such an extension would result in increased compliance costs for employers/businesses:

It is difficult to see how additional compliance will not be imposed on business taxpayers by requiring them to withhold tax in more circumstances.

It's too hard to put the withholding burden on businesses. There are going to be too many exceptions, too many grey areas. If you really want to keep it simple for businesses, abolish all withholding tax on business transactions. Put the IRD resource in to chasing those that don't declare the income.

Requiring people who don't currently have to deduct withholding tax (or PAYE) to have to do it, adds to their workload but provides no benefit to the person doing the work and potentially exposes them to penalties.

Some submissions pointed out that there could be implications for self-employed people who would start to be taxed at source:

Self-employed or independent contractors whose income is taxed at source could experience cashflow difficulties, especially if they are making losses; an exemption certificate needs to be available ...

Also, these deductions ... are based on gross income so do not take account of expenses (and getting a refund at the end of tax year does not make up for the cash flow challenges or interest costs of not being able to use your own money).

One submission noted the difficulty in developing a workable definition of what activities would be covered.

THE FUTURE FOR BUSINESS TAX

A particular focus of *Making Tax Simpler* is to ensure it becomes easier for businesses to comply with their tax obligations, reducing their compliance costs and improving overall levels of compliance.

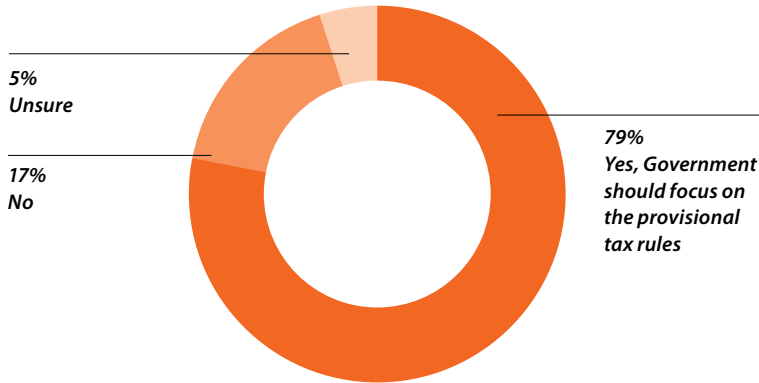
The *Green Paper* sought views from a business tax perspective on:

- the key tax administration issues businesses currently face
- any concrete ways of increasing speed and certainty for businesses in relation to their tax affairs
- ways the provisional tax system could be improved
- any areas of tax administration that could be simplified for small business, without creating tax breaks
- the key issues to be considered in making it easier to provide income information.

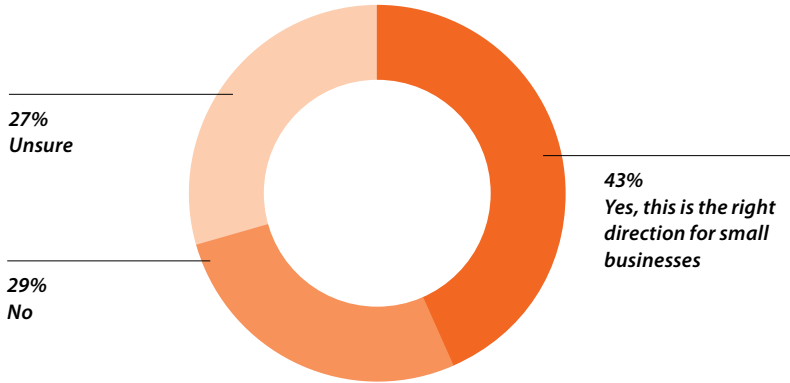
Number of submissions and results of online consultation

Forty-one written submissions and 278 online comments were received on this section.

132 people responded to the online opinion poll question: **“Should we focus on the provisional tax rules?”**



Fifty-one people responded to the online opinion poll question: **“Are we heading in the right direction for small business?”**



Summary of comments on the future for business tax

Issue: Reforming the provisional tax regime is a key aspect of reducing compliance cost for businesses

There was strong support for a review of the provisional tax rules and the UOMI rules, with only a minority of submitters suggesting the current regime should be retained as it currently is: ⁴

We fully support the need to review the provisional tax system, particularly the current use-of-money interest (UOMI) rules and their application.

This is a good initiative and it will bring some good results if implemented with an attitude of giving the end users a high priority...

A number of submitters felt that the current provisional tax system was acceptable if there were changes to reduce the impact of UOMI, while the options of provisional tax based on GST and provisional tax on a PAYE basis both gained significant support:

The issue with the provisional tax system, particularly for large corporates is not necessarily the complexity of the calculation but rather the consequence of under or overpaying provisional tax being the resulting use of money interest cost imposed.

We broadly agree that using accounting profits with a few adjustments or a bespoke percentage of a business's turnover could simplify the calculation of provisional tax and create more certainty for businesses.

Other submitters argued for the complete removal of the provisional tax rules due to the difficulty of estimating income, and some of these submitters argued that it was tax on income that hadn't been earned yet.

Issue: Provisional tax could be calculated and paid more on account – i.e., PAYE for business

There was strong support for more regular payments of provisional tax as income is earned, in preference to the current estimation and three even payments across the income year:

As a contractor, my earnings vary month to month and year to year, so the standard provisional tax system doesn't work for me. A PAYE system would work and is something I have communicated to IR in the past. Fully endorsed as an idea.

However, 14% of submitters on this topic specifically disagreed with the proposal. Some submitters were concerned about potential cashflow implications, particularly for SMEs, start-up businesses and seasonal businesses, and several suggested that a PAYE-type regime should be on an "opt in" basis rather than being compulsory:

What about giving us a choice ...to either pay as you go, or as the current system. That way the different businesses can tailor their tax payments to suit their business character.

...having to pay by 20th following would mean having to pay before a portion of our customers had paid us.

Submitters who supported the idea offered a range of views on how often payment should be made, including weekly, fortnightly, monthly or aligned with GST payment dates:

An idea would be to allow provisional tax to be paid based on the previous quarter's actual/estimated results. That way business would not worry about penalties on underestimated annual income, as they had four opportunities to get it close.

The simplest way seems to add the option to a current monthly system such as GST which at the moment at least, can be paid manually or electronically...

Issue: Other matters raised in relation to provisional tax

A number of matters were raised in the submissions on provisional tax. A large number of submitters commented on the UOMI and penalties rules and the effect these had in conjunction with the current provisional tax rules:

...the key provisional tax concerns for small and medium sized businesses are certainty of cashflows (working capital management), UOMI risk and compliance burdens. Increasing the existing \$50,000 threshold for UOMI, extending this threshold to businesses and addressing the current UOMI rates wedge will go some way to addressing these concerns.

Estimating profitability for the coming year and then being penalised when you get it wrong is totally unfair and unreasonable.

There were also several positive comments about paying provisional tax using the GST ratio method, and suggestions that the criteria for using this method should be changed to allow greater use:

The GST ratio method has many advantages over the standard provisional tax payment method. However, the threshold of \$150,000 RIT is too low; it needs to be increased.

Issue: Simplification for small businesses

Responses in relation to making tax simpler for micro and small businesses were mixed. Some suggested that supplying software would be a great idea while others cautioned against expecting too much from this:

I have a concern that the "approval" of specific online accounting packages will effectively force small businesses to take up certain packages. ... Any changes to the proposal for businesses to use electronic systems must not be mandatory to the point they leave small business (particularly start-ups) with no choice but to pay whatever charges a software provider imposes on them. Accounts can, for many, be perfectly well kept with a good spreadsheet based on the IR samples in the Business Toolkit. I would like to urge caution in "mandating" proposals for a move to mandatory technology systems. Perhaps offer an incentive if this is easier, but don't make businesses a prisoner of software providers by creating a de facto monopoly or cartel.

Some submissions suggested allowing small businesses to operate on a cash basis rather than an accruals basis. Other submissions suggested relaxing some of the rules around fixed assets to allow a deduction up front and remove the need to calculate depreciation.

The one general area of agreement was that simplification would be a good thing, although several small business owners are happy with things as they are:

I run a small business – do not have employees, only contractors, and the majority of my business happens in three months of the year. I do not need any more simplification than I have. The proposed system would only increase my workload and would only increase compliance costs and errors.

Submitters also noted that the principle “no one size fits all” is very important in dealing with small businesses, and the importance of getting good feedback from people within this sector of the economy:

Smaller/micro businesses need to be a focus as this group bears a disproportionate share of the compliance costs – consult/work closely with them to find out what they want and what would work for them.

Issue: How can we make it easier for businesses to supply information?

While there was general agreement that digital communication is the way forward, a number of submitters felt that there needs to be a paper-based

system alongside the digital offerings, as not all small businesses will be able to provide electronic information and even some larger rural businesses may have difficulty accessing the internet due to their location.

Large businesses with bespoke systems also expressed concerns about interacting with Inland Revenue, as it may take some time and cost to configure their systems to communicate effectively with Inland Revenue’s systems:

Large corporates have bespoke accounting systems ... updates to large corporates’ payroll systems will be more complex, time-consuming and expensive. In addition, businesses will need to be given long lead-times to implement changes to their payroll systems, as unplanned upgrades need to be planned, budgeted for and approved among competing business priorities.

Some submitters also noted the need to ensure that they have the ability to review their information before it is transmitted to Inland Revenue. An application programming interface has been requested by some submitters to enable efficient communication with IRD systems:

...the administrator for that company needs to authorise the transfer. Otherwise if there was unfinished workings or an error in the data which was not fixed prior to the software automatically sending the data, this would create nightmares for both IR and the company.

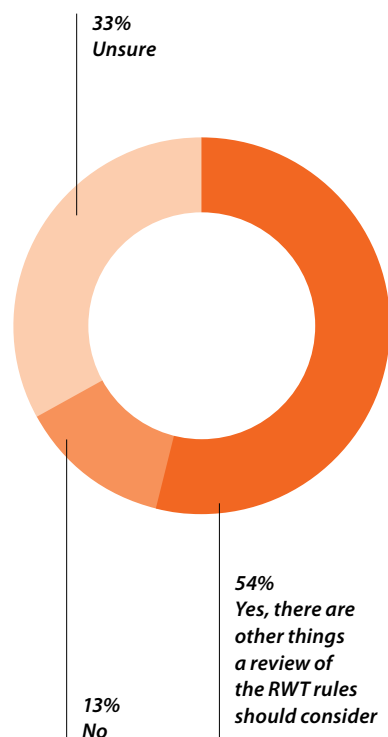
WITHHOLDING TAXES FROM CAPITAL INCOME

Feedback was sought on improving the collection of resident withholding tax information from customers who pay interest and dividends.

Number of submissions and results of online consultation

Ten written submissions and eight online comments were received on this section.

Twenty-four people responded to the online opinion poll question: **“Is there anything else a review of the RWT rules should consider?”**



Summary of comments on withholding taxes from capital income

Responses to the proposals to streamline the collection of withholding tax information were varied. Individual online submitters raised specific issues causing difficulty in this area:

I have just spent a solid two days collating all the payments I've received and imputation credits and RWT for my investments. Yet the IRD already has this information as payers send the IRD a copy.

RWT exemptions generated some comments:

The need to provide the basis of the exemption, to make a declaration, and to furnish books of account and any other relevant accounting information, is convoluted and unnecessary... a review should also consider:

- *extending the period for which an RWT exemption certificate is issued*
- *removing the need for a new application each time an RWT exemption certificate is required.*

Some submissions noted that when considering changes to the RWT rules (and specifically the provision of RWT information), Inland Revenue should be mindful of additional compliance/ transitional costs on businesses and should particularly consider the impact on smaller interest payers as not all taxpayers will have sophisticated systems:

If information provision can be incorporated into the business's own systems, we do not think it should be too onerous for financial institutions to provide information to Inland Revenue each month on RWT deducted on interest for their customers. Further consideration should be given to the compliance costs for SMEs which would arise from increased reporting requirements in relation to dividends paid where RWT was withheld. We believe as part of the review of New Zealand's tax administration system, consideration must always be given to reducing duplication where possible. Therefore, we support the proposal that, if RWT information is provided directly to Inland Revenue when it was withheld, financial institutions and other businesses withholding RWT on interest should no longer have to issue annual withholding certificates to customers.

Some submitters suggested that the costs to businesses and Inland Revenue might outweigh the benefits of the proposed changes:

Inland Revenue needs to be able to demonstrate that any gains from changes to the way withholding tax is collected outweigh the costs to both businesses and Inland Revenue from those changes... officials need to consider whether a drive towards greater accuracy in the amount paid throughout the year on capital income is actually an achievable or desirable outcome.

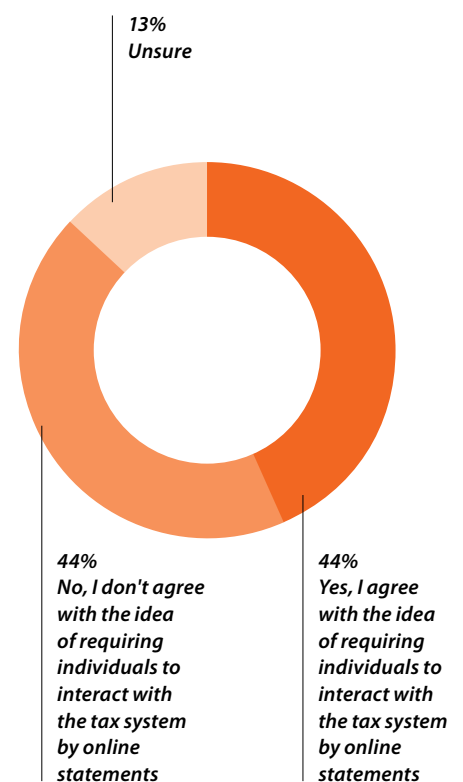
INDIVIDUALS

The *Green Paper* proposed changes for individuals' interactions with the tax system, including providing online income tax statements prepopulated with income details, and more effective use of technology to better manage both overpayments and underpayments of tax. Feedback was sought on this idea.

Number of submissions and results of online consultation

Fourteen written submissions and 55 online comments were received on this section.

Ninety-six people responded to the online opinion poll question: **"Do you agree with the idea of requiring individuals to interact with the tax system by online statements?"**



Summary of comments on individuals

Issue: Individuals should interact with the tax system through a prepopulated secure online tax statement

There was strong support to move towards online interaction, but also a significant level of concern that a large number of taxpayers will not be able to manage online interaction. There was support for retaining paper returns alongside the online interaction to cater for these taxpayers:

Any changes need to accommodate those unable to interact electronically, such as farmers who have no access to broadband or only a patchy service which makes electronic interaction very difficult.

You will be surprised to know how many individuals in low socio-economic areas and many elderly people (who pay tax on their pension/investments) still do not have a computer or access to a PC ... forcing them to interact with the IRD via the internet will be rather problematic. No doubt the IRD will penalise them in some way for failing to interact with the IRD using the required method?

A few submitters also noted that getting taxpayers to interact with the tax system would improve their knowledge of the tax system and that this was a good thing:

Requiring all taxpayers who derive income to file annual returns may increase perceptions of equality of

treatment across individual taxpayers. In addition, we consider there may be some social good in that individuals would necessarily become more aware of the detail of their income and financial affairs, their rights and obligations as taxpayers.

Some submitters agreed in principle but expressed some concerns about how the process would work:

We do not consider it would be sufficient to present a taxpayer with a statement of prepopulated data then a simple request to the taxpayer to confirm or add to it. Rather, we suggest IR should pose a series of questions designed to elicit and capture all sources of income which taxpayers may have and only to allow completion and filing of the return once those questions have been answered.

I think the idea of more people interacting with the tax system is good in principle but I don't think the majority of people are financially literate enough to do so in a meaningful way. An automated form that was prepopulated and included very clear instructions on completing it with online help options, would be useful (similar to passport application forms).

Issue: Other matters raised in relation to individuals

Some submitters expressed concerns at the suggestions of automatic recovery of underpayments by adjusted withholding tax rates, with fears that this might cause cashflow issues. They felt there would need to be communication with the taxpayer

so that they knew that it was going to happen:

Taxpayers on benefits, those receiving Working for Families or making student loan repayments will have different abilities to cope with additional deductions from their net wage. However, if different withholding thresholds are imposed, these must be overlaid with the principle of fairness and this should be evident in the structure proposed.

One submitter commented that such a proposal would also need to be looked at from the perspective of the party that would have to apply the higher level of withholding tax.

Respondents expressed concerns over people avoiding tax by doing cash jobs and companies paying less than their fair share of tax. They felt that the proposals failed to target these people and would more likely affect ordinary taxpayers.

SOCIAL POLICY

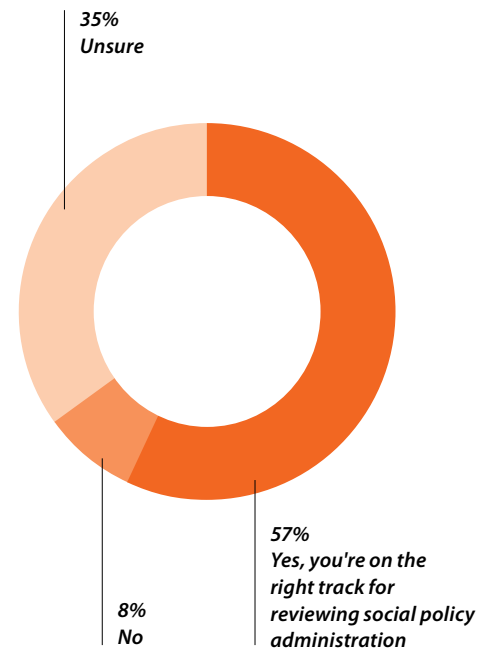
Along with its tax collection responsibilities, Inland Revenue is also responsible for Child Support, Student Loans, Working for Families and KiwiSaver. As a group, these non-tax responsibilities are referred to as social policy initiatives. The *Green Paper* sought feedback on the intention to design a social policy system that works for the customer and is fit for purpose, using prepopulated information that is already held and providing for timely payments on

a more real-time basis, resulting in certainty for individuals and families.

Number of submissions and results of online consultation

Six written submissions and five online comments were received on this section.

Thirty-seven people responded to the online opinion poll question: **“Are we on the right track for reviewing social policy administration?”**



Summary of comments on social policy

There was support for greater administration of social policy programmes through online channels, with several submissions noting that this could save time and money:

We suggest IRD's improved collection and collation of data for individuals and increasing use of electronic payment systems should allow IRD to deliver social assistance on a current basis without using employer payrolls to do so.

Three submissions noted that the current Working for Families tax credits system results in many customers falling into debt, and recommended changes to the process so that customers are paid the correct amount at the right time:

The system should ensure the correct entitlements are paid and avoid creating debt.

More broadly, several written submissions queried whether Inland Revenue should continue to have a role in administering social policy:

We would also encourage review of the apparent underlying assumption that IRD and its systems should always be looked to and used to provide other services and perform roles beyond that of revenue collection.

THE POLICY AND LEGISLATIVE FRAMEWORK FOR TAX ADMINISTRATION

To support the Government's ideas for the modernisation and simplification of the tax system, a policy review of key tax administration and legal issues that frame and underpin much of New Zealand's tax system is needed. The review would consider:

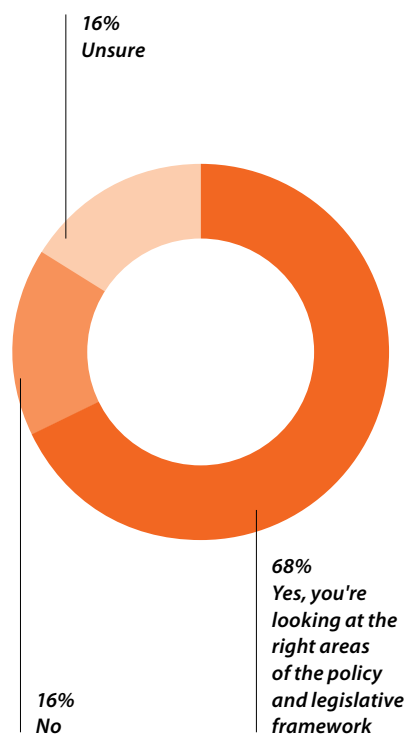
- the roles of Parliament and the Commissioner in tax administration;
- the role of customers and third parties in the transformed administration and implications for current obligations and sanctions;
- principles underpinning information and secrecy; and
- the legislative structure of the Inland Revenue Acts.

The *Green Paper* sought feedback on the review of the policy and legislative framework for tax administration.

Number of submissions and results of online consultation

Twenty-one written submissions and eight online comments were received on this section.

Thirty-six people responded to the online opinion poll question: **“Are we looking at the right areas of the policy and legislative framework?”**



Summary of comments on the policy and legislative framework for tax administration

Issue: Reviewing the Commissioner’s role

There was general support for a review of the Commissioner’s role where this will improve effective tax administration:

We agree the Commissioner could be given greater flexibility and discretion to enable swifter resolution of situations arising from impractical or inconsistent legislation.

Issue: Reviewing the role of taxpayers and third parties

Several submissions emphasised that the role of tax agents/intermediaries in supporting the integrity of the tax system should not be overlooked, with some submissions expressing concern about the small number of references in the *Green Paper* to tax agents and their role:

Tax agents and other intermediaries play a critical role in supporting the integrity of the tax system and will continue to do so as the tax administration system is reformed. For valid commercial reasons, many taxpayers will continue to want to have their tax affairs managed by agents and to limit their own direct engagement with Inland Revenue. The role of agents needs to be acknowledged more explicitly in the proposals.

Submissions emphasised the need for close collaboration between Inland Revenue and tax agents in the review and reform of the tax system:

In order for the transformation programme to be successful, engagement with the tax agent community is essential, especially those bodies that operate in the digital environment.

Issue: Information and secrecy

A number of submissions emphasised the need for safeguards to maintain privacy and data integrity in the context of increased sharing of information with other government agencies and the use of business systems to provide information to Inland Revenue:

We appreciate the desire for increased efficiencies, from a government perspective, and the general desire of individuals and businesses not to have to supply the same information more than once for similar, or related, purposes... we urge caution in relation to any further sharing of information under cross-agency initiatives. Voluntary compliance and the effective working of the tax system may be undermined if taxpayers consider their information is being shared too readily with other government agencies or other parties.

We are cautious about giving the Commissioner greater information gathering powers without evidence that the existing powers are insufficient.

Several submissions emphasised that confidentiality of taxpayer information is key to the integrity of the tax

system:

Integrity of data must be assured. Confidentiality/privacy of information must be protected – requests for, and access to, information must be both necessary and relevant.

Issue: Review of the legislative structure of the Tax Administration Act 1994

Submissions received in this area related to the areas that should be covered in a potential review, the “near enough is good enough” approach, the need for businesses to have certainty in respect of tax positions, and whether the administration of social policy should be within Inland Revenue’s role:

The review also needs to address businesses’ ability to gain certainty that their tax position is acceptable and final.

100% accuracy is not always desirable or essential – “near enough is good enough” in many cases. Allowing for some degree of materiality in the tax system without compromising the tax base unduly will help ensure the system is effective and efficient.

² The total number of comments and submissions are derived from how officials interpreted and allocated the responses to the questions. Specific comments and submissions that were out of scope have not been included in the count

³ The employer monthly schedule is the form that employers complete which sets out their employees’ salary or wages, PAYE and other deductions from those, and KiwiSaver contributions for the month.

⁴ The use of money interest rules aim to compensate for the loss of the use of money for taxpayers when they have over-paid their tax and Inland Revenue when tax is underpaid.



CHAPTER 3

The *Better Digital Services* discussion paper (*Better digital services*) set out proposals around how the tax system and its customers might benefit from greater use of digital technology. It proposed a set of principles to ensure that new digital services will meet customers' needs, and proposed options that might help ease customers' uptake of digital services. These principles were:

- **Over-arching principle: Services must be designed for the customer;**
- Principle 1: No one size fits all;
- Principle 2: Tax compliance and access to entitlements are critical; and
- Principle 3: Change will not be imposed without careful consideration of the cost and benefits.

BENEFITS

As long as digital services are secure and easy to use, greater use of digital services provides the following benefits to customers:

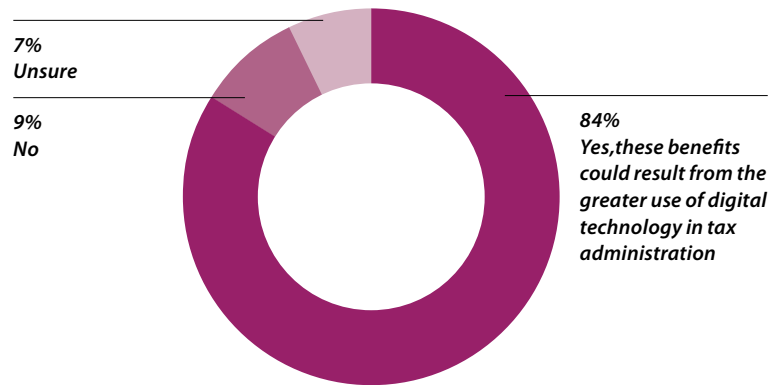
- more convenience;
- increased speed and confidence;
- less effort needed to comply with tax laws;
- improved, more rapid and responsive customer services;
- reduced costs in running the tax administration system; and
- improved delivery of services across government.

The consultation asked whether the benefits presented above are likely to result from the greater use of digital technology in the tax system. It also asked whether there are any benefits, other than those put forward in the discussion document, which may arise from the greater use of digital services.

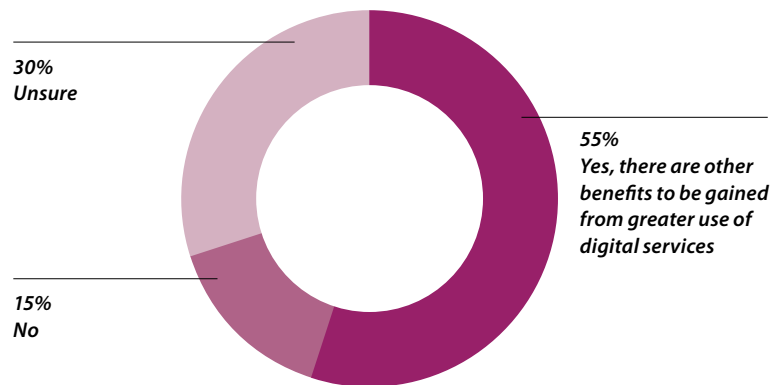
Number of submissions and results of online consultation

Eight written submissions and 47 online comments were received on this section.

189 people responded to the online opinion poll question:
“Do you agree that these benefits could result from the greater use of digital technology in tax administration?”



115 people responded to the online opinion poll question:
“Do you think there are any benefits to be gained from greater use of digital services other than those listed?”



Summary of comments on benefits

The majority of respondents categorically agreed that the benefits proposed in the discussion document would accrue from the greater use of digital services:

Absolutely! This kind of approach is well overdue - bravo for focusing on this now!

...get it right this time and everyone will be happy.

Among those in agreement, the following themes emerged:

- there are many benefits to moving to digital services;
- a digital tax system is well overdue;
- digital services will need to be world class; and
- the main benefit will be reduced compliance costs.

Some agreed that benefits would arise, but suggested that they are dependent on digital services being:

- well-designed;
- sufficiently funded;
- supported by software that functions as it is expected to;
- accurate, so that digital services will provide greater speed and greater confidence; and
- flexible, so that penalties are not incurred if the wrong information

is entered and subsequently corrected.

Done well then yes ... but a poorly designed and implemented system change could cost billions and deliver nothing!

...the IRD needs to look at the amount of online services it is currently offering and to improve the computer platform this is all sitting on before offering more services via online filing etc.

Would be a good step forward, but there are still many thousands of small business that use "basic" accounting applications (which suit their needs and costs very well). Therefore an open source type interface needs to be developed so that these firms are not forced in to new and expensive software applications.

Of those who disagreed that the listed benefits would arise, issues about the distribution of those benefits were largely mentioned. One submission noted that some groups such as the Government and large corporations will benefit disproportionately or even at the expense of others. Another point made was that compliance costs will, at least initially, increase as new accounting software will need to be paid for and more regular reporting increases the time spent on tax compliance.

In terms of additional benefits that could result from the greater use of digital technology, the following were suggested:

- environmental benefits arising

from less paper use;

- digital services will improve Pasifika peoples' engagement with the tax system, thereby slightly increasing their financial literacy; and
- it is much easier to translate to a different language through digital format and this will improve customer engagement and confidence.

PRINCIPLES

This chapter noted the importance of having foundation principles to guide the development of digital services. The overarching principle is that the services must be designed for the customer. Each of the following three principles addresses a different aspect of this overriding principle.

Principle 1: No one size fits all. This recognises that customers and the ways they wish to interact with Inland Revenue vary, and technology will change over time. As a result, digital services will need to be flexible enough to accommodate customer preferences and technology changes.

Principle 2: Tax compliance and access to entitlements are critical. As people's access and ability to use technology differs, it is important that digital services do not make tax compliance harder for individuals who have reduced access, or result in them missing out on their social policy entitlements.

Principle 3: Change will not be imposed without careful consideration of the costs and benefits. Compliance costs imposed on customers and the administrative costs imposed on the system need to be carefully considered and balanced before changes are made.

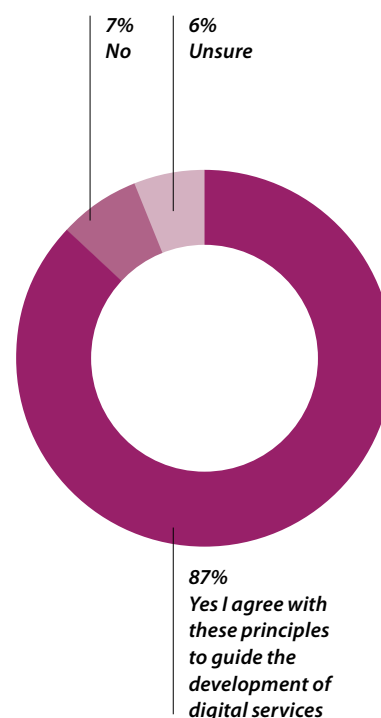
The consultation asked whether these proposed principles should guide the development of digital services.

Number of submissions and results of online consultation

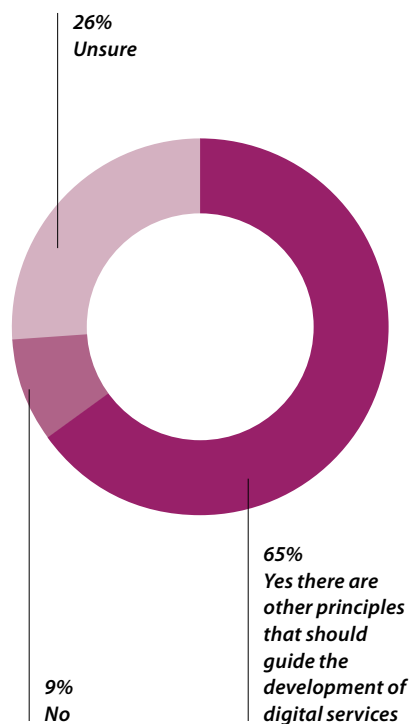
Twelve written submissions and 63 online comments were received on this section.

112 people responded to the online opinion poll question:

"Do you agree with these principles to guide the development of digital services?"



Ninety-two people responded to the online opinion poll question: **“Do you think that there are any other principles that should guide the development of digital services?”**



Summary of comments on principles

Overall, there was broad agreement with the principles listed:

We agree with the over-arching principle that “services must be designed for the customer” and the three principles supporting this. The “no one size fits all” principle is particularly important in the design of the future state.

The principles are a good overview to a system that could indeed progress IRD services and are a necessity to supporting individuals and business, and the current system is prehistoric and needs a good overhaul!!!

We agree that customers’ needs vary ... Areas that are not covered by internet services will be disadvantaged.

A corollary of the “no one size fits all” principle is that future digital services must be thoroughly tested on real end-users – understanding that no one size fits all and asking people what size they fit are two different ideas. Any changes must therefore be transparent, incremental and subject to full consultation:

Principle 3 needs to have added “and without stringent testing on a diverse range of real end users”.

The “no one size fits all” principle recognises that digital must be flexible enough to accommodate customer preferences and technology changes:

One size doesn’t fit all as there are always going to be people who need access to paper based filing.

Individuals also commented that flexibility should go further than this – the system must be able to change when there are amendments to the tax system, and be able to link with a variety of different accounting software programs, not just a select few:

Flexibility – the platform must be one that can take many trains.

Many submitters felt that additional principles were required. The principles of security and privacy were most often mentioned. Respondents were concerned not just about hacking from outsiders, but also about misuse of information by Inland Revenue staff. There must be adequate controls within Inland Revenue; for example, information should be segregated on a “need to know” basis, and the latest data security protocols should be used. Individuals must authorise access to their information and have control over what is submitted to Inland Revenue and when. There must also be a transparent accountability process in the event of a security or privacy breach:

There is a principle not often referenced in these discussions – autonomy. This is much more than privacy. It is the principle of respect for legitimate boundaries around the right to decide one's own choices. Any integration of a government system with another entity's system must always respect autonomy.

The increased use of digital services must not put taxpayer information at a

greater risk of loss, unauthorised sharing or improper use.

Further principles suggested were:

- simplicity;
- accuracy;
- user-friendliness;
- time- and cost-effectiveness;
- reliability;
- intuitiveness;
- adequate support;
- equity;
- access across different interfaces;
- third party and internal government system integration; and
- the ability to correct errors easily and without penalty.

In some cases, the introduction of digital services will shift the cost of compliance to taxpayers. This could be where a taxpayer does not have a computer, software and internet access. Any software that is specifically for the purpose of interacting with Inland Revenue should be free to download or access.

A refinement of the proposed principles is that the information must be provided in a format that is understandable by the average taxpayer.

What are the priority principles that will drive the solution? Smooth migration and the ability to access old information? Security? Flexibility? Ease of use? Compliance? Access across different interfaces? Third party integration? Internal government system integration?

USING DIGITAL SERVICES

The consultation outlined how digital services could deliver a better customer experience. For example, Inland Revenue systems could interact with an individual's accounting software to provide information in near real time, resulting in tax compliance occurring automatically as information is entered for accounting purposes.

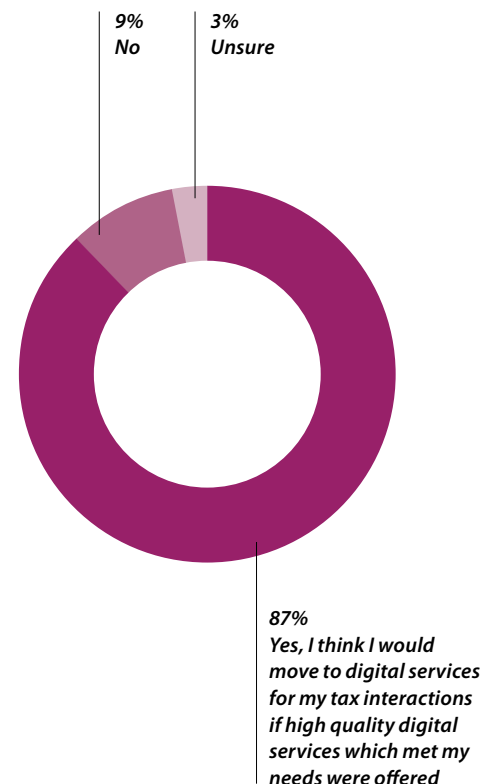
It was also noted that smaller businesses and individuals may prefer to meet their tax obligations via a basic online portal rather than through integrated software. To facilitate the move to digital, the consultation proposes that Inland Revenue could adopt a "digital by default" strategy whereby new customers would be encouraged to adopt digital services first, but not compelled to do so.

The discussion document noted that there will always be some individuals who will be unable to move to digital services. It proposed that they either be supported to move to digital services, or non-digital services should continue to be provided.

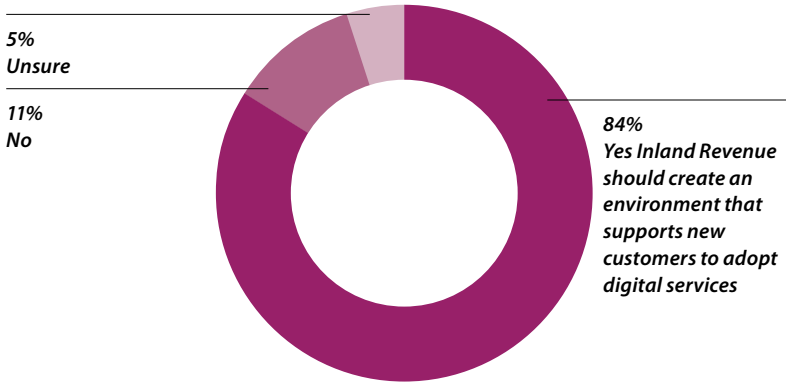
Number of submissions and results of online consultation

Seventy-eight written submissions and 276 online comments were received on this section.

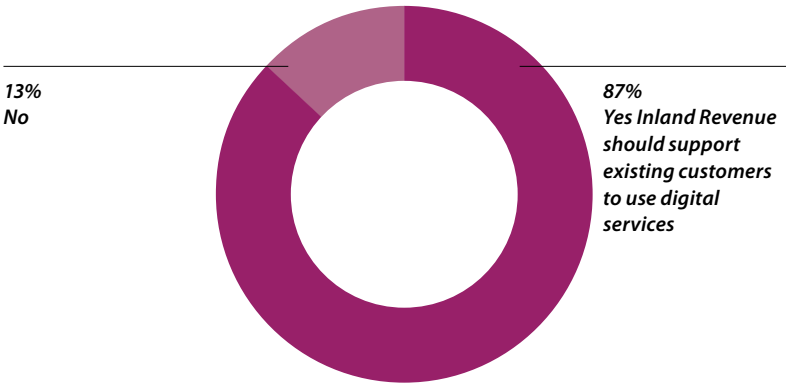
180 people responded to the online opinion poll question: **"Do you think you would move to digital services for your tax interactions if high quality digital services which met your needs were offered?"**



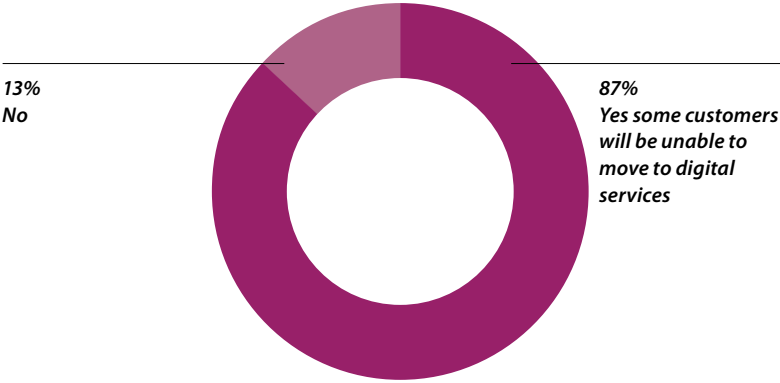
Ninety-five people responded to the online opinion poll question:
“Do you think Inland Revenue should create an environment that supports new customers to adopt digital services?”



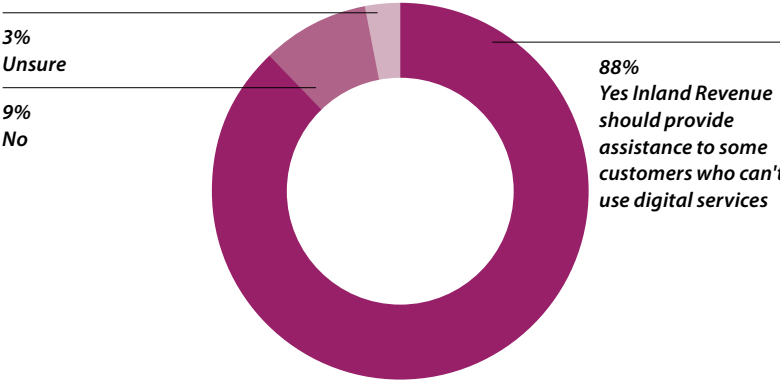
110 people responded to the online opinion poll question:
“Do you agree that Inland Revenue should support existing customers to use digital services?”



Ninety-four people responded to the online opinion poll question:
“Do you think that some customers will be unable to move to digital services?”

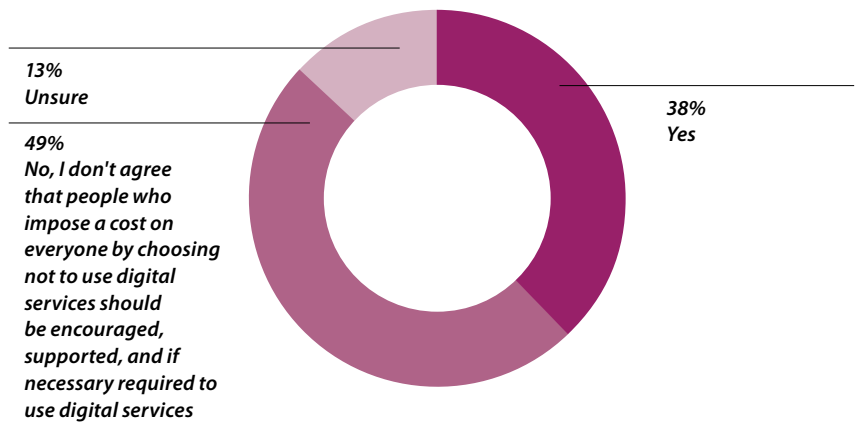


Eighty-nine people responded to the online opinion poll question:
“Do you agree that Inland Revenue should provide assistance to some customers who can’t use digital services?”

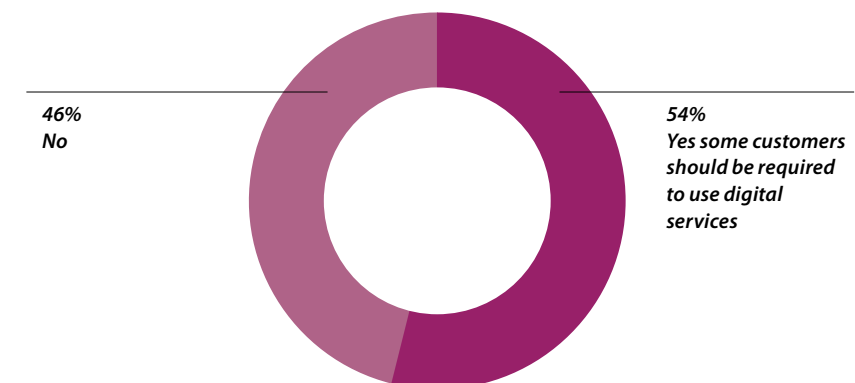


122 people responded to the online opinion poll question:

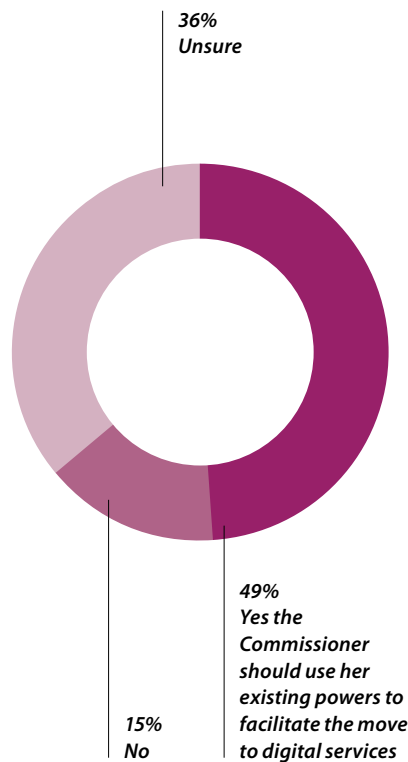
“Do you agree that people who impose a cost on everyone by choosing not to use digital services should be encouraged, supported, and if necessary required to use digital services?”



107 people responded to the online opinion poll question: **“Should some customers be required to use digital services if their choice of not doing so would deny others the benefit of the new tax administration system?”**



Ninety-five people responded to the online opinion poll question: **“Do you agree that the Commissioner should use her existing powers to facilitate the move to digital services?”**



Summary of comments on using digital services

The majority of submissions broadly welcomed the move to digital services:

We are very supportive of a shift to greater use of digital services within the tax administration system. Businesses, both small and large, are increasingly integrating digital processes into their operations and it is vital that Inland Revenue keep pace with this.

We are generally supportive of this outcome and see the move as a positive step that should result in more efficient government services.

However, one submitter provided a cautionary note:

I think you need to treat the “yes” vote with care. By and large, the only people likely to be completing this questionnaire are people who are happy working at a computer in the first place. Even though many people have email, a large number of them will simply delete the “Scrap provisional tax estimations?” email from their inbox, a few more will read it, but only a minority will even click on the link. Moreover, the majority of people who are clicking on the link and joining in are probably pro-digital, too.

A minority were against the suggested shift to digital, mainly because they were either happy with the current system and therefore did not want to change, or were concerned about the cost, privacy and/or security of moving to digital services:

I can't work out how to log-on with the current service. Hate cellphones, they don't have buttons now. Still mail in my GST returns and would like to keep it that way.

No I don't support having to use digital services as I don't want my personal details of name, bank account number etc communicated via the internet...

I am a very small business owner. I file all my returns online BUT I do not want to have to purchase expensive accounting software or employ an accountant. I just use simple Excel spreadsheets.

Many submitters stressed that the software should be tested on "real world" users, rather than internal staff, and that:

- accounting software with the ability to interact with Inland Revenue systems should be developed by private sector firms;
- the system should provide status updates so users can see where they are in the process, and should also integrate with tax agents' systems in order to reduce the time spent reconciling records; and
- digital services may need to require the taxpayer to take an additional step, such as a text confirmation, when completing digital interaction. This is because people are far more likely to double check the accuracy of their information when submitting it in writing, as opposed to the real-time transmission in a digital system.

If the benefits of digital are compelling, many will adopt it without requiring support from Inland Revenue.

A submission noted that kiosks should offer a screen with pen input as this would enable individuals who struggle with technology to be able to fill out their returns as they would manually, but have the added benefit of being in digital format. Another thought that kiosks should not just offer Inland Revenue services, but aim to consolidate all Government services in one place (such as ACC and the Companies Office):

A self-service portal for all services, including an easy access app and personal website:

- *Quicker response time for digitally transmitted information.*
- *Help/online customer assistance as needed.*
- *Create an Android app.*

Other types of support suggested were explanatory videos, step-by-step instructions, a forum where individuals could ask questions and receive support, personal assistance from Inland Revenue staff, provision of free software and subsidies:

Would love to do this digitally but couldn't justify the expense of a product like Xero – for my business, as I do no more than five invoices a month (some are as small as \$25), to use Xero would cost me \$600 a year, which is not feasible for a small sole trader business like mine

... There would have to be some sort of subsidy from IRD to make this work for me....

We recommend that IRD's call centre hours are significantly extended beyond normal working hours to assist micro/small businesses in particular with questions/queries.

Have live chat available.

We recommend that IRD should proceed with the development of digital services subject to: ... Specific targeted assistance to enable people without the knowledge or skills or the access to digital technology to interact digitally.

If it is cheaper to collect information and payments digitally then give a discount for filing in this way – either % reduction in tax rate or fixed \$ amount. This is how the private sector drives customer behaviour, so, why not here too?

A number of people were against subsidies, expressing the concern that they may not effectively target the intended group, and may just subsidise software providers rather than end users:

I see no need for subsidies. Subsidies would end up being subsidies for the software providers, who may be foreign-owned entities.

Examples submitters gave of individuals unable to move to digital services included people who do not have access to digital technology (such as those in rural areas or in prison), the elderly, the physically or mentally impaired and those

with poor English language skills. Suggestions of the types of people who can but will not move to digital included those who find technology challenging, have an inherent distrust for technology or government, are prevented from using technology due to a religious or ethical belief, or are so ingrained in current processes that they are simply unwilling to move.

Some people do not have a computer and wouldn't know how to use one even if it was freely available as a kiosk or otherwise. My Aunt is 75 years old and has never owned a computer – she would need support until she is no longer expected to pay tax – that could be 20 years plus!!

In addition to those who don't have access to the internet you also have to consider those who may have access but have no idea as to how to use it – like my very elderly (80 years plus) clients, or those who are younger, dyslexic, intelligence impaired, or even those to whom English is a second language. Many small businesses do not use any accounting packages at present so who is going to train all of these people to complete their tax affairs? Or do you intend everyone to HAVE to use a (probably very expensive) accountant or tax agent?

Just because an internet service may be "available" physically doesn't mean it can actually be afforded nor accessed on a timely basis – paying hundreds of dollars a month for a part-time service is often not an economic choice, and to penalise these people for using a more efficient and quick method – no!

The majority of people were against requiring people to move to digital services, although there was some support for making it compulsory when not using digital affected someone else – such as for employers and tax agents.

I prefer the approach of providing encouragement via fees for those who impose costs on others. They could have very good reasons for not wanting to use digital services. And sometimes those reasons could be unavoidable. But if they are imposing costs on others then they should face a fee that reflects those costs.

Yes, but only where it is feasible for them to use digital services. The strategy for moving reluctant taxpayers to digital should be transparent and widely communicated.

Let them have their choice but discount the channel you want people to use reflecting the lower administration costs. If it is a worthwhile saving people will move if they can.

The prevailing view was that forcing people to move to digital does not incentivise Inland Revenue to ensure a high quality digital service is provided – rather it forces people to use what may be a substandard service. Further, this type of behaviour may encourage some taxpayers to become non-compliant. Digital should be optional, but the benefits should be so compelling that people will adopt it by choice.

No is the simple answer. You can't force people to do something just because

you want to! Sounds like an abuse of power to me. Give credible alternatives and encourage their use NOT force! Yes make it an opt out system rather than opt in. Also make the registration easier please.

Ensure the platform is reliable, accurate and secure – businesses and individuals will not move to digital until they have trust in the technology system.

This approach does not encourage IRD management to develop and continuously improve an excellent digital service. It encourages mediocrity and forces people to use what may be a substandard service.

If digital services are available but taxpayers choose not to use them, either they have been poorly designed or their benefits to the user have not been adequately communicated. Either way, the onus is on IRD to provide the incentive, not a stick, to encourage people to transition. IRD has an incentive for taxpayers to use digital (lower costs, better collection). To provide IRD with a stick to force taxpayers to transition to digital removes the incentive for IRD management to ensure the digital service is as good as it could be (effectiveness, efficiency, ease of use, lowest cost to the economy). So I advocate digital be promoted through utilisation of its potential benefits. There is already too much emphasis on penalties within the tax regime, rather than on system improvement to reduce barriers to compliance.

To facilitate the move to digital, it was suggested that the holders of new IRD numbers should default automatically

to digital services.

To boost uptake even further, we support the move to a “digital by default” strategy, in particular for new customers who are starting to use a new form of interaction.

A point stressed over and over by submitters is that paper filing and some form of personal interaction with Inland Revenue must remain:

There should always be the option of a fully manual relationship with IRD for those that do not wish to choose to go digital.

Complex interactions may be better solved over the phone rather than by email.

There was a view that Inland Revenue would need to be able to provide support to customers where the digital service did not provide the answer.

LEGISLATIVE BARRIERS

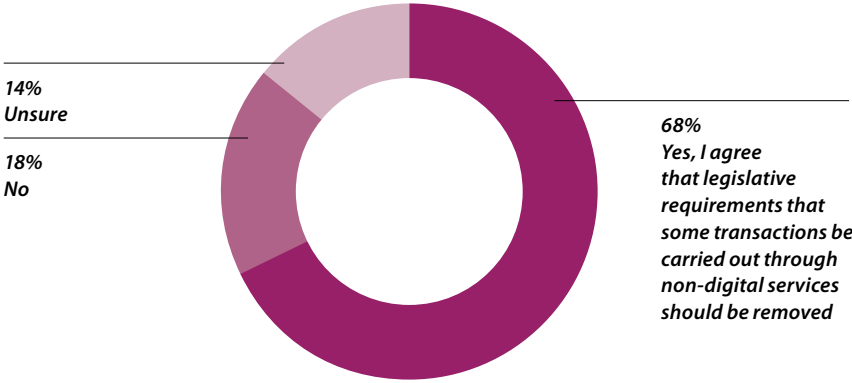
The Inland Revenue Acts set out the obligations that customers and Inland Revenue must meet. Current legislation inhibits the development of digital services in some areas as it specifies the methods of communication to be used in meeting those obligations. For example, numerous sections refer to “in writing”, which naturally prevents information being transmitted by other means, including digitally. The consultation sought responses on whether the requirements for transactions to be carried out through

non-digital services should be removed, and if there are any other legislative barriers that need to be addressed.

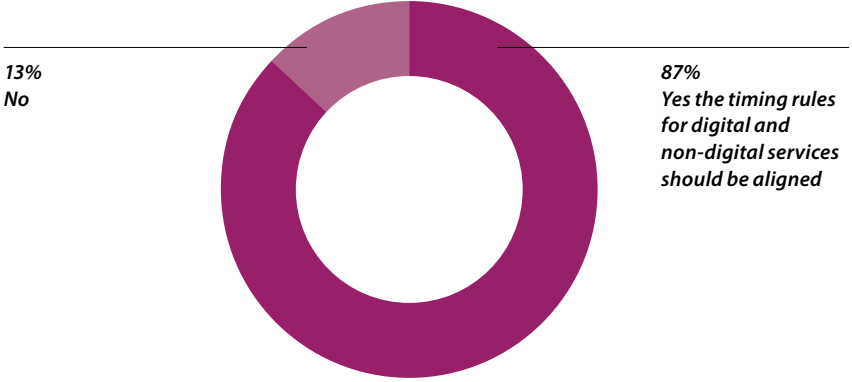
Number of submissions and results of online consultation

Eight written submissions and 28 online comments were received on this section.

Ninety-five people responded to the online opinion poll question:
“Do you agree that legislative requirements that some transactions be carried out through non-digital services should be removed?”



Eighty-seven people responded to the online opinion poll question:
“Do you agree that the timing rules for digital and non-digital services should be aligned?”



Summary of comments on legislative barriers

to customers in case digital technology fails.

There was general agreement with removing the legislative barriers to moving to digital services, although some responses also mentioned digital should be an option rather than a requirement:

Some mentioned that leniency should be offered to those filing by paper to account for delays in the post. Others were against this as they believed it undermines the purpose of digital, which is to be quicker and more efficient:

We support this view, provided the customer still has the choice of interacting directly with Inland Revenue or via their tax agent.

Keep it simple – due by a date is just as it says! But if a paper version arrives a day or two late who cares? Make the due dates the same for simplicity and get on with it.

Yes, so long as the non-electronic options are not specifically banned. They should be left as options.

Some submitters also suggested other potential legislative barriers to the use of digital services:

The required legislative changes are likely to be more extensive than simply removing provisions requiring non-digital communication in the Inland Revenue Acts.

We suggest the general record-keeping requirements in the Tax Administration Act 1994 and the Goods and Services Tax Act 1985 should also be reviewed for the continued suitability of their provisions (including their mode, location, approvals required and length of time they need to be retained) in a primarily digital services environment.

The majority were in favour of the timing rules for digital and non-digital services being aligned:

When digital and non-digital are aligned then it gives choices/flexibility

