



# Cabinet Economic Growth and Infrastructure Committee

EGI-15-SUB-0108

## Summary

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### **Making Tax Simpler: A Government Green Paper on Tax Administration and Better Digital Services: Feedback from Consultation**

<b>Portfolio</b>	<b>Revenue</b>
<b>Purpose</b>	This paper notes the outcome of the submissions received on the first two <i>Making Tax Simpler</i> consultation documents.
<b>Previous Consideration</b>	<p>On 18 March 2015, EGI agreed to the release of two discussion documents:</p> <ul style="list-style-type: none"> <li>• <i>Making Tax Simpler: A Government Green Paper on Tax Administration;</i></li> <li>• <i>Making Tax Simpler: Better Digital Services.</i></li> </ul> <p>[EGI Min (15) 5/2-3]</p>
<b>Summary</b>	<p>The above two discussion documents were released in March 2015 to support consultation on the government’s proposals for modernising and simplifying tax administration in New Zealand.</p> <p>In general, the feedback received on the two discussion documents supported the proposed direction and approach. The main themes from the responses were as follows:</p> <ul style="list-style-type: none"> <li>• there was concern about the current provisional tax rules, and interest in the proposal for provisional tax to be calculated on a “pay as you earn” basis;</li> <li>• submitters were equally divided on proposals for a greater level of interaction with Inland Revenue – some saw increased interaction with Inland Revenue as undesirable and difficult to achieve for those without internet access, while others saw significant value in the process being improved;</li> <li>• large businesses have much less flexibility than smaller ones in changing their software to connect directly to Inland Revenue systems;</li> </ul>

- submitters generally saw the benefits of moving to greater use of digital channels, but thought that moving to digital should be optional, not a requirement;
- submitters were concerned that moving to digital should not result in an increase in costs;
- most submitters supported the key proposal of linking business accounting software directly to Inland Revenue's system, although some submitters were concerned about security, privacy and cost.

The attached **Appendices 1 and 2** set out a summary of the comments received on the two discussion documents.

Also attached is an anonymised report entitled *Making Tax Simpler: Green Paper and Better Digital Services: Summary of Feedback*. The Minister of Revenue intends to publicly release this report.

The proposals identified in the consultation processes will be developed further, and the submissions received will be used to shape the detailed discussion documents proposed for release in the future.

Treasury's comments are on page 4.

<b>Regulatory Impact Analysis</b>	Not required.
<b>Baseline Implications</b>	None.
<b>Legislative Implications</b>	None.
<b>Timing Issues</b>	Three further <i>Making Tax Simpler</i> discussion documents will be released in November 2015.
<b>Announcement</b>	The Minister of Revenue will make an announcement. Anonymised details of the feedback will be published on Inland Revenue's website.
<b>Proactive Release</b>	None.
<b>Consultation</b>	Paper prepared by Inland Revenue. ACC, MBIE, Customs, DIA, Treasury, MSD, Statistics and Education were consulted. DPMC was informed. A number of interested groups were also consulted.

The Minister of Revenue indicates that discussion is not required with the government caucus, or with other parties represented in Parliament.

**The Minister of Revenue recommends that the Committee:**

- 1 note that on 18 March 2015, the Cabinet Economic Growth and Infrastructure Committee agreed to the release of the following two discussion documents:
  - 1.1 *Making Tax Simpler: A Government Green Paper on Tax Administration;*
  - 1.2 *Making Tax Simpler: Better Digital Services;*[EGI Min (15) 5/2 and EGI Min (15) 5/3]
- 2 note that, in general, the feedback on the above two government discussion documents supported the proposed direction and approach for simplifying and modernising tax administration in New Zealand;
- 3 note that the proposals identified in the consultation processes will be developed further, and that the submissions received will be used to shape the detailed discussion documents proposed for release in the future;
- 4 note that the Minister of Revenue intends to release the anonymised summary of feedback received, entitled *Making Tax Simpler: Green Paper and Better Digital Services: Summary of Feedback*, attached to the paper under EGI-15-SUB-0108.

Janine Harvey  
Committee Secretary

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**Hard copy distribution:**

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Secretary for Education (Tertiary)  
Minister for Social Development  
Chief Executive, MSD  
Minister for ACC  
Chief Executive, ACC  
Government Statistician  
Comptroller of Customs  
Chief Executive, TPK



Chair  
Cabinet Economic Growth and Infrastructure Committee

**FEEDBACK ON THE *MAKING TAX SIMPLER* CONSULTATIONS: *A GOVERNMENT GREEN PAPER ON TAX ADMINISTRATION AND BETTER DIGITAL SERVICES***

**Proposal**

1. This Cabinet paper asks the Committee to note the outcome of the submissions received on the first two *Making Tax Simpler* consultations, *A Government Green Paper on tax administration* and *Better digital services*. It also asks Cabinet to note that I intend to publicly release an anonymised summary of submissions based on the information in the attached appendices.
2. This paper further notes that the proposals identified in the consultations will be developed and the submissions received used to shape the detailed discussion documents proposed to be released as part of future *Making Tax Simpler* consultations.

**Executive summary**

3. Cabinet agreed to the release of two Government discussion documents, *Making Tax Simpler – A Government Green Paper on tax administration* and *Making Tax Simpler – Better digital services*, earlier this year (EGI Min 15 5/2 and 5/3, CAB Min (15) 9/5 refer).
4. This present Cabinet paper asks Ministers to note the results of this consultation and that I intend to release a summary of these results shortly. In general, the feedback supported the direction and approach we are proposing for simplifying and modernising tax administration and supporting Inland Revenue's Business Transformation programme. The subsequent discussion documents to be released in the coming years will set out in more detail the proposed changes to tax administration we are considering and allow people to provide more informed views.
5. This Cabinet paper further notes that the proposals identified in the consultations to date will be developed and the submissions used to shape the detailed discussion documents proposed to be released in the future as part of the *Making Tax Simpler* consultations. I intend to release, in November 2015, the following suite of discussions documents:
  - *Making Tax Simpler: towards a new Tax Administration Act*;
  - *Making Tax Simpler: better administration of PAYE and GST*; and
  - Out of scope
6. I recently introduced the Taxation (Transformation: First Phase Simplification and Other Measures) Bill, which shows that the Government is committed to simplifying and modernising tax administration. This bill includes legislation to remove the current legislative barriers that may prevent the use of digital channels, as proposed in the *Better digital services* discussion document.

## Background

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

8. The first document, *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 seek feedback on that direction. The second, *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. These two documents set the foundation for the Government's approach to modernising and simplifying tax administration.

9. For both papers, an online forum, [makingtaxsimpler.ird.govt.nz](http://makingtaxsimpler.ird.govt.nz), gave people the opportunity to submit comments online and answer a series of questions linked to those in the hard copies of the discussion documents. Written submissions were also received through the normal policy submission process.

## Comment

10. A large number of comments were received on the online forum, with more than 900 comments and more than 2,300 "tick the box" responses to the proposals in the two discussions documents. Ninety written submissions were also received, and officials met directly with key stakeholders and focus groups.

11. The overall response to the proposals was generally supportive. Both the general public and stakeholders welcome the opportunity to improve the tax administration system. This view was also generally taken by media commentators. Chartered Accountants of Australia and New Zealand expressed support for the overall project, noting that a "ground up" review of the tax administration system is "long overdue" and "the current system has been built in an ad hoc way over many decades and has not kept up with changes in technology and business practice".

12. The main themes from responses to the *Green Paper* consultation were as follows:

- Concern about the current provisional tax rules was the strongest theme to come through from the consultation. Many submitters were interested in the proposal in the *Green Paper* for provisional tax to be calculated on a "pay as you earn" basis. A minority said that they were comfortable with the current provisional tax rules.
- Submitters were about equally divided on proposals for a greater level of interaction with Inland Revenue for individuals, using new processes with a much greater level of pre-population of tax information. Some saw increased interaction with Inland Revenue as undesirable and difficult to achieve for those without internet access. Others, particularly those already filing, saw significant value in the process being improved.
- Large businesses have much less flexibility than smaller ones in changing their software to connect directly to Inland Revenue systems.

13. The main themes from responses to the *Better digital services* consultation were:

- Submitters generally saw the benefits of moving to greater use of digital channels but thought that moving to digital should be optional, not a requirement. Respondents said the quality of the digital offering should be good enough to make them want to move, and they believed that paper channels needed to remain available for some customers.

However, there was some support for mandating use of digital channels by specific groups of taxpayers who would otherwise impose costs on others, such as employers and tax agents.

- Submitters were concerned that moving to digital should not result in an increase in costs, either on an ongoing basis or as a result of the need to acquire new accounting software. Some submitters were sceptical and saw moving to digital as a cost-saving exercise for government that will increase their costs.
- The key proposal of linking business accounting software directly to Inland Revenue's system was supported by most, although some expressed concerns about security, privacy and cost.

14. The attached appendices summarise the feedback received on the *Green Paper* (Appendix 1) and *Better digital services* (Appendix 2) consultations. These appendices incorporate the overall results of the online polls, together with more detailed summaries of all the comments received on the submissions and representative examples of the comments. I intend to publicly release an anonymised summary of the submissions received, based on these appendices.

15. Given the general support for the direction set out in the *Green Paper*, I have directed officials to continue to develop the proposals outlined in that paper and to use the submissions received as appropriate to shape the detailed discussion documents proposed to be released in the future:<sup>1</sup>



16. The subsequent discussion documents to be released in the coming years, which will set out in more detailed the proposed changes to tax administration, will help people to better understand the likely impacts and benefits, allowing them to provide more informed views. As part of the suite of papers I am submitting to this Cabinet Committee for consideration today, I have included the following companion Cabinet papers

- Release of discussion document – *Making Tax Simpler: towards a new Tax Administration Act*;
  - Release of discussion document – *Making Tax Simpler: better administration of PAYE and GST*; and
- Out of scope

17. These proposals were all flagged in the *Green Paper*. My intention, subject to Cabinet's agreement, is to release these three discussion documents in early November 2015.

18. The *Better digital services* paper's proposals for greater use of digital technology were generally supported, with some reservations, particularly about the requirement to use digital channels. One proposal in that paper was removal of current legislative barriers that prevent use of digital channels. This change has already been included in the Taxation (Transformation: First Phase Simplification and Other Measures) Bill, which was introduced on 30 June 2015.

19. The *Better digital services* paper also proposed that the Commissioner of Inland Revenue should have the ability to require customers to use digital channels when those channels are available and not using them has a wider impact. The discussion document proposed that the Commissioner's ability to require customers to adopt digital should have the full force of law.

<sup>1</sup> This diagram sets out the proposed suite of discussion documents to be released over the coming years to modernise and simplify tax administration.

Officials are still considering this issue in the context of the design of the rules to support the *Better administration of PAYE and GST* discussion document and will report back to Ministers in due course.

20. We will need to ensure that the implementation of any policy proposals to simplify and modernise tax administration are integrated and aligned with the implementation of Inland Revenue's business transformation programme. Furthermore, as the business transformation programme and any policy proposals will be implemented over a number of years, officials need to ensure that design and delivery decisions taken in the earlier phases of the programme do not constrain design and delivery opportunities in the later phases of implementation. This is particularly important in relation to our ability to simplify the delivery of our social policy programmes.

21. Ministers will be asked to consider the implementation approach later this year, as part of the detailed business case for stage 1 of business transformation and the updated roadmap for the programme.

### **Consultation**

22. A copy of this paper was been provided to the Ministry of Social Development; the Ministry of Business, Innovation and Employment; the Ministry of Education; the New Zealand Customs Service; Statistics New Zealand; the Department of Internal Affairs; and ACC. The Department of Prime Minister and Cabinet was informed about this paper.

#### *Treasury comment*

23. The Treasury notes that there was broad acceptance for digital services, but respondents were concerned about the potential compliance costs associated with comprehensively mandating the use of these services. However, this may be because the discussion document did not consider in detail whether mandating could be appropriate for some taxpayer groups (for example, employers over a certain size).

24. The Treasury notes that the trade-offs associated with the decision whether to mandate digital services should be considered as part of the next business case in November 2015. This should include a comparison of the expected realisation of benefits under voluntary uptake with those under mandating. This will allow Ministers to make an informed decision on this matter.

### **Financial implications**

25. As this paper merely notes the outcome of the *Green paper* and *Better digital services* consultations, there are no financial implications.

### **Human rights**

26. This paper has no human rights implications.

### **Legislative implications**

27. This paper has no legislative implications.

## **Regulatory impact analysis**

28. As this paper merely notes the outcome of the *Green paper* and *Better digital services* consultations, Regulatory Impact Analysis requirements do not apply. A Regulatory Impact Statement (RIS) is therefore not attached.

## **Publicity**

29. I will make an announcement when the summary of feedback on the *Green Paper* and *Better digital services* consultations is released. Inland Revenue will publish details about the feedback on its website.

## **Recommendations**

30. I recommend that the Committee:

1. **Note** that Cabinet agreed on 23 March 2015 to the release of the following two Government discussion documents:
  - *Making Tax Simpler – A Government Green Paper on tax administration*; and
  - *Making Tax Simpler – Better digital services*.

(EGI Min (15) 5/2 and 5/3, and CAB Min (15) 9/5 refer.)

2. **Note** that, in general, the feedback on these two Government discussion documents supported the direction and approach we are proposing for simplifying and modernising tax administration.
3. **Note** that the proposals identified in the consultations will be developed further and the submissions used to shape the detailed discussion documents proposed to be released in the future.
4. **Note** that I intend to release an anonymised summary of feedback received on the *Green Paper* and *Better digital services* discussion documents.

**Hon Todd McClay**  
Minister of Revenue

Released in part, information withheld under section 18(d) of the Official Information Act 1982 as it is already publically available.

- *Making tax simpler - Green paper and better digital services: summary of feedback* is available at <http://taxpolicy.ird.govt.nz/publications/2015-other-mts-feedback/overview>



# Cabinet Economic Growth and Infrastructure Committee

## Minute of Decision

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### **Making Tax Simpler: A Government Green Paper on Tax Administration and Better Digital Services: Feedback from Consultation**

#### **Portfolio                      Revenue**

On 21 October 2015, the Cabinet Economic Growth and Infrastructure Committee (EGI):

- 1        **noted** that on 18 March 2015, EGI agreed to the release of the following two discussion documents:
  - 1.1     *Making Tax Simpler: A Government Green Paper on Tax Administration;*
  - 1.2     *Making Tax Simpler: Better Digital Services;*[EGI Min (15) 5/2 and EGI Min (15) 5/3]
- 2        **noted** that, in general, the feedback on the above two government discussion documents supported the proposed direction and approach for simplifying and modernising tax administration in New Zealand;
- 3        **noted** that the proposals identified in the consultation processes will be developed further, and that the submissions received will be used to shape the detailed discussion documents proposed for release in the future;
- 4        **noted** that the Minister of Revenue intends to release the anonymised summary of feedback received, entitled *Making Tax Simpler: Green Paper and Better Digital Services: Summary of Feedback*, attached to the paper under EGI-15-SUB-0108.

Janine Harvey  
Committee Secretary

Reference: EGI-15-SUB-0108

**Hard copy distribution: (see over)**

**Present:**

Rt Hon John Key  
Hon Bill English (Chair)  
Hon Gerry Brownlee  
Hon Paula Bennett  
Hon Anne Tolley  
Hon Dr Nick Smith  
Hon Todd McClay  
Hon Craig Foss  
Hon Nicky Wagner  
Hon Louise Upston  
Hon Paul Goldsmith  
Hon Te Ururoa Flavell

**Officials present from:**

Office of the Prime Minister  
Officials Committee for EGI  
Inland Revenue

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Government Statistician  
Comptroller of Customs  
Chief Executive, TPK



# Cabinet

CAB-15-MIN-0177

## Minute of Decision

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### Report of the Economic Growth and Infrastructure Committee: Period ended 23 October 2015

On 27 October 2015, Cabinet made the following decisions on the work of the Cabinet Economic Growth and Infrastructure Committee for the period ended 23 October 2015:

Out of scope	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

EGI-15-MIN-0108 **Making Tax Simpler: A Government Green Paper on Tax Administration and Better Digital Services: Feedback from Consultation** CONFIRMED  
Portfolio: Revenue

Out of scope [REDACTED] [REDACTED]  
[REDACTED]

EGI-15-MIN-0109 **Making Tax Simpler: Better Administration of PAYE and GST: Release of Discussion Document** CONFIRMED  
Portfolio: Revenue

EGI-15-MIN-0110 **Making Tax Simpler: Towards a New Tax Administration Act: Release of Discussion Document** CONFIRMED  
Portfolio: Revenue

Out of scope [REDACTED] [REDACTED]  
[REDACTED]

[REDACTED] [REDACTED] [REDACTED]  
[REDACTED]

[REDACTED] [REDACTED] [REDACTED]  
[REDACTED]

Michael Webster  
Secretary of the Cabinet

Reference: CAB-15-SUB-0177

Hard-copy distribution: (see over)

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