



Cabinet Economic Growth and Infrastructure Committee

EGI-15-SUB-0109

Summary

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Making Tax Simpler: Better Administration of PAYE and GST: Release of Discussion Document

Portfolio **Revenue**

Purpose This paper seeks agreement to release the attached discussion document on *Making Tax Simpler: Better Administration of PAYE and GST* (the discussion document).

Previous Consideration On 18 March 2015, EGI agreed to the release of a government green paper and a discussion document relating to *Better Digital Services* [EGI Min (15) 5/2-3]. The feedback received on those two documents has informed the proposals for this paper.

Summary The discussion document seeks feedback on:

- how new digital services could be used to minimise the compliance and administrative costs of providing PAYE and GST information to Inland Revenue (eg information about employees' earnings and PAYE deductions could be provided to Inland Revenue as part of an employer running their payroll). The proposals for consultation are discussed on pages **2-5** of this paper;
- a proposal that PAYE deductions be paid to Inland Revenue at the time employees are paid (employers currently enjoy delayed payment arrangements);
- the proposed thresholds above which customers would be required to submit their GST information digitally;
- the proposal that GST refunds should generally be made by direct credit;
- potential changes to modernise the PAYE rules in order to improve their overall workability.

Many of the options set out in the discussion document involve making trade-offs in relation to compliance costs (eg deciding what method should be used to determine the amount of tax to be deducted from an extra pay involves making a trade-off between simplicity for employers and withholding accuracy). Feedback from the consultation will help inform the final policy proposals.

Regulatory Impact Analysis	A Regulatory Impact Statement will be submitted when final policy approval is sought.
Baseline Implications	Any fiscal implications will be included in the final policy proposals.
Legislative Implications	None from this paper. The Minister of Revenue intends to seek approval to include two tax bills on the 2016 Legislation Programme. The proposals in this paper will be included in the second of these bills, for introduction in late-2016.
Timing Issues	<p>The release of the discussion document will be announced at a Trans-Tasman Business Circle briefing on 11 November 2015.</p> <p>The consultation period will close on 12 February 2016.</p>
Announcement	The relevant documents will be posted on Inland Revenue's <i>Making Tax Simpler</i> website.
Proactive Release	None.
Consultation	<p>Paper prepared by Inland Revenue. ACC, MBIE, Corrections, Customs, NZDF, Education, Treasury, Health, DIA, Justice, Privacy Commissioner, Police, Primary Industries, DPMC, MSD, SSC and Statistics were consulted. A number of interested groups were also consulted.</p> <p>The Minister of Revenue indicates that the Minister of Finance and the Minister for Economic Development were consulted, and that discussion is not required with the government caucus, or with other parties represented in Parliament.</p>

The Minister of Revenue recommends that the Committee:

- 1 note that currently the provision of PAYE and GST information to Inland Revenue is a separate manual process for employers and businesses, which has adverse impacts on:
 - 1.1 customers' compliance costs;
 - 1.2 the timeliness and accuracy of the information, and its usefulness to Inland Revenue and wider government;
 - 1.3 the way in which social policy is currently administered and could be delivered in future;

I N C O N F I D E N C E

- 2 note that the government discussion document, *Maxing Tax Simpler: Better Administration of PAYE and GST* (the discussion document), attached to the submission under EGI-15-SUB-0109, will consult on:
 - 2.1 allowing employers and businesses to submit PAYE and GST information to Inland Revenue directly from their payroll and accounting software at the time they run the business process they would be undertaking for their own purposes;
 - 2.2 options for requiring employers to provide PAYE information on a pay day basis;
 - 2.3 lowering the threshold for mandatory digital filing of PAYE information by employers;
 - 2.4 the possibility that PAYE and other deductions withheld from employees' salary or wages are paid to Inland Revenue at the time employees are paid;
 - 2.5 modernising the PAYE rules to improve their overall workability;
 - 2.6 generally requiring GST refunds to be made by direct credit;
 - 2.7 whether there should be a threshold, above which GST registered persons would be required to file their returns electronically;
- 3 agree to the release of the discussion document, and to the launch of accompanying online consultation on its contents;
- 4 authorise the Minister of Revenue to approve any editorial, presentational and other minor changes to the discussion document before its release;
- 5 invite the Minister of Revenue to report back to the Cabinet Economic Growth and Infrastructure Committee on the outcome of the consultation and with final policy recommendations.

Janine Harvey
Committee Secretary

Hard copy distribution: (see over)

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Commissioner of Police
Minister of Corrections
 Chief Executive, Department of Corrections
Government Statistician
Comptroller of Customs
Minister of Internal Affairs
 Secretary for Internal Affairs
Chief Executive, TPK

Chair
Cabinet Economic Growth and Infrastructure Committee

RELEASE OF DISCUSSION DOCUMENT – MAKING TAX SIMPLER: BETTER ADMINISTRATION OF PAYE AND GST

Proposal

1. This paper seeks the agreement of the Cabinet Economic Growth and Infrastructure Committee to the release of the Government discussion document, *Making Tax Simpler: better administration of PAYE and GST*, and the launch of accompanying online consultation. The discussion document consults on how the administration of PAYE and GST could be improved, as well as on some potential changes to the PAYE rules, as part of Inland Revenue's business transformation programme.

2. In conjunction with the release of this document, I am also seeking the Committee's agreement to release two further *Making Tax Simpler* discussion documents, one on modernising the Tax Administration Act 199 ^{Out of scope} 

3. Copies of the discussion documents are available, electronically or in print, from my office.

Executive summary

4. In short, the discussion document *Making Tax Simpler: better administration of PAYE and GST* (*Better administration of PAYE and GST*):

- Proposes how new digital services could be used to minimise the compliance and administrative costs of providing PAYE and GST information to Inland Revenue. This would be achieved by integrating these processes with the business processes the customer would be undertaking for their own purposes (for example, information about employees' earnings and PAYE deductions would be provided to Inland Revenue as part of an employer running the payroll). In the case of PAYE, the proposals would create opportunities to improve the delivery of social policy. Because of these wider benefits, a number of options for requiring the more frequent provision of PAYE information are consulted on.
- Raises the possibility that PAYE deductions should be paid to Inland Revenue at the time employees are paid. Employers currently enjoy delayed payment arrangements.
- Consults on proposed thresholds above which customers would be required to file digitally, and on a proposal that GST refunds should generally be made by direct credit.
- Consults on some potential changes to modernise the PAYE rules, in order to improve their overall workability. The issues canvassed are technical issues that have been raised by employers as suggestions as to where the rules could be improved.

5. Submissions on this discussion document will close on 12 February 2016. Following consultation I will report back to the Cabinet Economic Growth and Infrastructure Committee on the outcome of the consultation and final policy recommendations.

Background

6. *Better administration of PAYE and GST* is one in a series of consultation documents setting out the Government's proposals for the transformation of tax administration. The components of the business transformation consultation timeline are set out below:



7. This discussion document builds on the concepts set out in *Making Tax Simpler: A Government green paper on tax administration* (the *Green Paper*) which outlined the likely scope of the review of PAYE and GST processes and the PAYE rules. Most, but not all, of the issues raised in the *Green Paper* are addressed in the discussion document, some are still under consideration and others will be included in subsequent *Making Tax Simpler* discussion documents.

8. Submissions received on the *Green Paper* and the *Making Tax Simpler: better digital services* (*Better digital services*) discussion document have informed the discussion and proposals in *Better administration of PAYE and GST*.

Out of scope

Comment

PAYE information and payments

10. Pay as you earn (PAYE) is a withholding tax where employers deduct income tax from employees' salary and wages and pay it to Inland Revenue. The PAYE system is also used to collect payments and information for many income-related social policies.

11. Currently, employers are required to provide an employer monthly schedule to Inland Revenue every month that details information about the gross earnings of, and PAYE, child support, student loan and KiwiSaver deductions made from, each of their employees during the previous month. The employer monthly schedule for a given month is due to be filed by:

- the 5th of the following month for employers with \$500,000 or more of combined PAYE tax and employer's superannuation contribution tax (ESCT) deductions in the preceding tax year; and
- the 20th of the following month for employers with less than \$500,000 of combined PAYE tax and ESCT deductions in the preceding tax year.

12. Employers must pay PAYE deductions to Inland Revenue and provide an employer deductions form to Inland Revenue:

- by the 20th of the month following the month in which they withheld the tax; or
- twice¹ monthly for employers with \$500,000 or more of combined PAYE tax and ESCT deductions in the preceding tax year.

13. Employers with \$100,000 or more of combined PAYE tax and ESCT deductions in the preceding tax year must submit their employer monthly schedule and employer deductions form by electronic means in a format prescribed by the Commissioner of Inland Revenue.

14. The current process for providing PAYE information to Inland Revenue was largely designed for a paper world. Completing the employer monthly schedule is an additional step removed from employers' normal business process of running their payroll and must be completed for tax compliance purposes. Even when an employer monthly schedule must be provided digitally, it is essentially just an electronic version of the paper form.

15. In addition to the compliance costs that providing PAYE information to Inland Revenue imposes on employers:

- There is a greater risk of calculation errors when employers calculate their PAYE and related deductions manually, as well as the potential for transcription errors when employers transcribe information from their payroll records into the employer monthly schedule. There are significant administrative costs involved in processing paper employer monthly schedules and contacting employers and employees to correct inaccurate information.
- Inland Revenue's ability to effectively use PAYE information is constrained by the fact that it is not received until the following month. For example, if Inland Revenue received more timely PAYE information, it could make earlier interventions to correct incorrect tax codes or suggest the use of a special tax code, thus reducing existing pressure points around secondary tax.
- The fact that PAYE information is aggregated into a monthly return is a key limitation, as it is not possible for government agencies that use the information to accurately calculate pay period income, such as weekly or fortnightly. More detailed information would create opportunities for future changes to social policy, for example, the period of assessment for Working for Families could be reduced from an annual basis to several times a year, which might better match assistance with need.
- Problems with the timeliness and accuracy of PAYE-related information limit the extent to which social policy recipients can be confident of receiving their correct social policy entitlements during the year and of avoiding social policy debt.

Proposals for consultation

16. The discussion document consults on how new digital services could be used to integrate the process of providing PAYE information to Inland Revenue with the business processes that the employer undertakes for their own purposes (such as adding an employee to the payroll or running the payroll). This should minimise the effort businesses face in meeting their tax obligations, meaning more time for them to focus on their operations. This is consistent with the objectives of

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By the 20th of the same month for deductions made between the 1st and the 15th of the month, and by the 5th of the following month for deductions made between the 16th and the end of the month.

the Government's Business Growth Agenda. Legislative amendments will be necessary to enable an employer to meet their PAYE obligations in this way.

17. Employers submitting PAYE information to Inland Revenue at the time their business process occurs could reduce compliance costs for employers and improve the timeliness and accuracy of the information received by Inland Revenue. The discussion document seeks feedback on the changes which would be possible if PAYE information was provided to Inland Revenue at the time of the business process. Possible changes include simplifying the KiwiSaver enrolment process, modernising how employers are informed of required employee deductions, simplifying procedures for supplying and amending PAYE information, and changes that could eliminate the need to file nil returns of PAYE information.

18. The discussion document proposes that the threshold above which employers are required to use electronic means to file their employer monthly schedule is halved to \$50,000 of PAYE tax and ESCT in the preceding tax year. The options for electronic filing include using a web portal into which an employer could type, or attach, the PAYE information; alternatively, employers could file electronically using payroll software. The proposed reduction in the threshold reflects the fact that many more employers now make use of digital technology than when the \$100,000 threshold was set in 1999.

19. To fully benefit from the new digital PAYE services, employers will have to purchase payroll software or, for those already using software, they will have to adopt an upgraded version.

20. Timely, accurate PAYE information is important to the correct delivery of many current social policy entitlements and may be a prerequisite for future changes to social policy delivery. Feedback on an earlier proposal, in the *Better digital services* discussion document, that would enable the Commissioner of Inland Revenue to use her powers to require employers who are able, but choose not to, to use digital services to provide PAYE information, was mixed. Many submitters proposed that paper filing should remain an option for those who cannot use digital services, or who prefer not to. I consider the proposal to reduce the threshold for digital filing to \$50,000, of PAYE and ESCT, to be reasonable in light of the increased use of digital technology since 1999. However, because of the earlier feedback, the discussion document does not propose that employers should be required to use payroll software that supports the new digital services.

21. Instead, the discussion document proposes changes which are focused on *when* PAYE information is provided, rather than on *how* it is provided. This leaves the decision about whether or not to use upgraded payroll software to the employer. Employers without upgraded software would be catered for with a modernised web-based portal, and employers below the digital filing threshold would retain the option of paper-based filing, for the foreseeable future.

22. The discussion document outlines several options for implementing the proposed change:

- Under a *voluntary-first approach*, employers would choose whether to provide PAYE-related information to Inland Revenue at the time the business process occurs (for example, providing information about PAYE and other deductions when the payroll is run, rather than in the following month). After an undefined period, a review would be conducted, as in the review approach described below.
- Under a *review approach*, there would be a defined period for voluntary provision of PAYE information at the time of the business process. This would be followed by a required review, where the costs, benefits and experience would be revisited. Depending on the outcome, employers may then be given a lead-in period, by the end of which they would have to provide PAYE-related information at the time the business process occurs. If it became a requirement to provide PAYE information when the business process

occurs, it is proposed that there would be an exemption process for those who could not use digital services to meet the new requirements.

- Under a *legislated approach*, legislation permitting the provision of PAYE-related information on the new basis would also identify a lead-in period, at the end of which employers would be required to provide PAYE information on that basis. Different periods might be provided for different classes of employer and, as outlined above, it is proposed that there would be an exemption process for those who could not use digital services to meet the new requirements.

23. The discussion document also raises the possibility of requiring PAYE and other deductions withheld from employees' salary or wages to be paid to Inland Revenue at the time employees are paid. This has the potential to reduce employers' compliance costs, improve compliance and provide prompter payments to the Crown and third parties (such as recipients of child support). However, there is a trade-off between these benefits and the benefit (time value of money) the delayed payment of PAYE currently provides to employers.

24. I expect that some customers will raise concerns about paying PAYE earlier, and about the potential requirement to change the way in which they provide PAYE information. Some employers may find it difficult to envisage how integrating the provision of PAYE information into their business processes will reduce compliance costs and may regard the possible requirement to file PAYE information on a pay-day basis as increasing rather than reducing their compliance costs. Adopting or upgrading PAYE software would impose costs on many employers and, while the discussion document does not propose that customers be required to use upgraded software, the use of upgraded software or payroll intermediaries using such software is the only way that employers could fully benefit from the new services.

25. The discussion document reminds readers of the payroll subsidy, which is a government subsidy to assist small employers in engaging a payroll intermediary. The document seeks feedback on whether the Government should consider any additional form of financial assistance to assist employers to take advantage of the new digital services.

The PAYE rules

26. At the same time as considering changes to administrative processes relating to the provision of PAYE information, there is an opportunity to consider modernising the PAYE rules to improve their overall workability.

Proposals for consultation

27. The discussion document consults on:

- Whether the method for determining the amount of tax to be deducted from an extra pay should be changed.
- Whether the tax treatment of holiday pay should be clarified legislatively or administratively by Inland Revenue publication.
- Whether a mechanism should be introduced to improve withholding accuracy in years in which an extra pay day will occur.
- Whether legislated rate changes should be applied in the same way across PAYE-related tax types/products.

Provision of GST information

28. When a person is registered for GST, they must file a GST return for each taxable period. A person's taxable period is one, two or six months, depending on the amount of taxable supplies made in a 12-month period or, in some cases, on the election of the GST-registered person. Generally, GST returns must be filed along with any payment by the 28th of the month following the end of the taxable period. GST returns can be filed electronically, through Inland Revenue's myIR service, from a mobile application and E-File from tax agents, as well as by paper.

29. Creating and filing a GST return and paying GST involve time and effort for many registered businesses and persons. The majority of registered persons have to transcribe GST information from their accounts (paper-based or digital) to their preferred GST filing channels. Information cannot be transferred automatically and must be re-entered manually.

30. The calculation of GST can also add to compliance costs. Manual calculations can result in errors, leaving registered persons exposed to the risk of penalties. It also affects efficiency and results in additional costs to registered persons, as well as Inland Revenue, in fixing these errors.

31. Furthermore, the time and effort involved in communicating with Inland Revenue imposes costs on registered persons. Some seek confirmation from Inland Revenue that their return has been received and others seek advice or progress reporting on the payment of refunds.

Proposals for consultation

32. The discussion document proposes allowing GST registered persons to provide GST information to Inland Revenue directly from their integrated accounting software used as part of their business processes, rather than producing and filing a GST return as a separate manual process. This should minimise the effort businesses face in meeting their tax obligations, meaning more time for them to focus on their operations. This is consistent with the objectives of the Government's Business Growth Agenda.

33. Although the adoption by GST registered persons of the new digital GST services would reduce administrative costs for Inland Revenue, there are not wider system benefits like those expected from the adoption of the new PAYE services. The discussion document therefore proposes that the decision to adopt the new integrated GST services for providing GST information should be, for the foreseeable future at least, voluntary.

34. The discussion document also proposes that GST refunds are generally made by direct credit into the bank accounts of GST registered persons, rather than having the option of receiving them by cheque.

35. The discussion document also seeks feedback on whether there should be a threshold, above which, GST registered persons should be required to submit their GST returns electronically (through existing electronic channels or the new digital service).

Consultation

36. The Treasury, the State Services Commission, the Ministry of Social Development, the Ministry of Justice, the Accident Compensation Corporation, Statistics New Zealand, the New Zealand Customs Service, the New Zealand Defence Force, New Zealand Police, the Office of the Privacy Commissioner, the Department of the Prime Minister and Cabinet, the Department of Corrections, the Department of Internal Affairs, the Ministry of Education, the Ministry of Health,

the Ministry for Primary Industries and the Ministry of Business, Innovation and Employment have been consulted. None of the government agencies consulted wished to include specific comment.

37. The Commissioner of Inland Revenue's Transformation Reference Group, the Corporate Taxpayers Group, Chartered Accountants Australia and New Zealand, and a range of private sector employers have been consulted. The discussion document reflects some of the issues they raised with officials.

Financial implications

38. Approving the release of the *Better administration of PAYE and GST* discussion document will not have any fiscal implications. Any fiscal implications will be included in the final policy advice to Ministers.

Administrative implications

Inland Revenue

39. The administrative impacts of the proposed changes are being assessed in the context of the updated Business Transformation Business Case which is timetabled for submission to the Cabinet Committee on State Sector Reform and Expenditure Control before the end of 2015. The impacts will be reported on in the final policy advice to Ministers.

Implications for government agencies

40. The proposed changes to the PAYE system will have implications for government agencies as employers. If employers are required to provide PAYE information at the time of the business process, they will have to upgrade their payroll systems to allow for the provision of PAYE information on this basis.

41. Student allowances, most benefits and pensions, and ACC compensation payments are subject to PAYE. However, the systems MSD and ACC use for these clients are designed to administer the welfare and accident compensation programmes respectively. As such, these systems are not designed as "payrolls". Work is not yet far enough advanced to understand all the implications of upgrading these systems to be consistent with the proposed changes to the PAYE system, but MSD advises that the costs are likely to be significant.

42. Other government agencies, such as the New Zealand Defence Force and Schools' Payroll Service (previously known as Novopay), are also known to have concerns with aspects of the proposals in their current form.

43. Inland Revenue will continue discussions with these agencies over the next few months, so that the reporting to Ministers on policy recommendations will include options for these agencies.

44. Issues around tax secrecy and collecting information on behalf of other agencies are discussed in the companion discussion document, *Making Tax Simpler: towards a new Tax Administration Act*. Once these issues are worked through, there is potential for greater use of PAYE and GST information across government.

Compliance implications

45. The proposals in the discussion document are aimed at solutions that support and enable many customers to use the new digital services for PAYE and GST. Consequently, although there will be one off costs as customers adopt or upgrade their software, we expect there to be an overall reduction in both compliance and administration costs as the benefits are realised.

46. In addition, the proposed changes to the provision of PAYE information will enable government agencies to intervene more quickly to ensure individuals receive their social policy entitlements. More timely income information will also help detect fraud earlier.

47. The proposal that employers should pay PAYE and other deductions to Inland Revenue at the same time staff are paid should improve compliance by reducing the risk that employers use the amounts they hold in trust to cover these payments for other purposes.

48. Much of the consultation on potential changes to the PAYE rules is in response to issues raised by employers. Many of the options involve making trade-offs in relation to compliance costs. For example, deciding what method should be used to determine the amount of tax to be deducted from an extra pay involves making a trade-off between simplicity for employers and withholding accuracy. Consultation feedback will help inform final policy decisions, where trade-offs have to be made.

Human rights

49. I consider that the proposals contained in the discussion document are not inconsistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993. The discussion document consults on a proposal that employees should provide their date of birth to Inland Revenue, via their employer, after they have taken up a new job. Date of birth information would be used to help confirm identity to ensure that deductions, such as for KiwiSaver and to repay a student loan, are correctly credited and that obligations, such as child support, are correctly assigned.

50. It is possible that some people may be uncomfortable with this information being provided to their employer because of the possibility of subsequent age discrimination. My officials will develop final policy recommendations based on submissions.

Legislative implications

51. The release of the discussion document will not give rise to any immediate legislative implications. However, legislative changes will be necessary if Cabinet subsequently decides to implement the proposals. Therefore, I intend to propose that a bill be included on next year's Cabinet Legislation Programme for introduction in late 2016, for this purpose.

Regulatory impact analysis

52. The Regulatory Impact Analysis requirements apply to some of the proposals in the discussion document. The substantive regulatory impact analysis elements have been included in the discussion document at a level that is appropriate, given the stage of policy development. Regulatory Impact Statements will be prepared as part of reporting back on final policy proposals.

Publicity

53. I intend to announce the release of the discussion document, at a Trans-Tasman Business Circle briefing on 11 November 2015. I will announce, at the same time, the release of two other discussion documents in the *Making Tax Simpler* series, one on modernising the Tax Administration Act 1994 and the other on better tax for small businesses.

54. The release of the discussion documents will be accompanied by the launch of online public consultation. This will contain a summary of the proposals and seek views on questions raised in the discussion documents. The online consultation will be on the same website used for the previous consultations in the *Making Tax Simpler* series. The consultation period will close on 12 February 2016.

Recommendations

55. I recommend that the Committee:

1. **Note** that currently the provision of PAYE and GST information to Inland Revenue is a separate manual process for employers and businesses, which has adverse impacts on:

- 1.1 Customers' compliance costs.
- 1.2 The timeliness and accuracy of the information, and its usefulness to Inland Revenue and wider government.
- 1.3 The way in which social policy is currently administered and could be delivered in future.

2. **Note** the Government discussion document, *Maxing Tax Simpler: better administration of PAYE and GST*, will consult on:

- 2.1 Allowing employers and businesses to submit PAYE and GST information to Inland Revenue directly from their payroll and accounting software at the time they run the business process they would be undertaking for their own purposes.
- 2.2 Options for requiring employers to provide PAYE information on a pay day basis.
- 2.3 Lowering the threshold for mandatory digital filing of PAYE information by employers.
- 2.4 The possibility that PAYE and other deductions withheld from employees' salary or wages are paid to Inland Revenue at the time employees are paid.
- 2.5 Modernising the PAYE rules to improve their overall workability.
- 2.6 Generally requiring GST refunds to be made by direct credit.
- 2.7 Whether there should be a threshold, above which, GST registered persons would be required to file their returns electronically.

3. **Agree** to the release of the Government discussion document, *Making Tax Simpler: better administration of PAYE and GST*, and the launch of accompanying online consultation on its contents.
4. **Authorise** the Minister of Revenue to approve editorial, presentational and other minor changes to the discussion document before its release.
5. **Invite** the Minister of Revenue to report back to the Cabinet Economic Growth and Infrastructure Committee on the outcome of consultation and final policy recommendations.

Hon Todd McClay
Minister of Revenue

_____/_____/_____
Date

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

- The Government discussion document *Making tax simpler - Better administration of PAYE and GST* is available at <http://taxpolicy.ird.govt.nz/publications/2015-dd-mts-4-pay-gst/overview>
- An archive of the Making Tax Simpler consultation sites is available at <http://taxpolicy.ird.govt.nz/archived-websites>



Cabinet Economic Growth and Infrastructure Committee

Minute of Decision

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Making Tax Simpler: Better Administration of PAYE and GST: Release of Discussion Document

Portfolio **Revenue**

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

- 1 **noted** that currently the provision of PAYE and GST information to Inland Revenue is a separate manual process for employers and businesses, which has adverse impacts on:
 - 1.1 customers' compliance costs;
 - 1.2 the timeliness and accuracy of the information, and its usefulness to Inland Revenue and wider government;
 - 1.3 the way in which social policy is currently administered and could be delivered in future;

- 2 **noted** that the government discussion document, *Maxing Tax Simpler: Better Administration of PAYE and GST* (the discussion document), attached to the submission under EGI-15-SUB-0109, will consult on:
 - 2.1 allowing employers and businesses to submit PAYE and GST information to Inland Revenue directly from their payroll and accounting software at the time they run the business process they would be undertaking for their own purposes;
 - 2.2 options for requiring employers to provide PAYE information on a pay day basis;
 - 2.3 lowering the threshold for mandatory digital filing of PAYE information by employers;
 - 2.4 the possibility that PAYE and other deductions withheld from employees' salary or wages are paid to Inland Revenue at the time employees are paid;
 - 2.5 modernising the PAYE rules to improve their overall workability;
 - 2.6 generally requiring GST refunds to be made by direct credit;

IN CONFIDENCE

- 2.7 whether there should be a threshold, above which GST registered persons would be required to file their returns electronically;
- 3 **agreed** to the release of the discussion document, and to the launch of accompanying online consultation on its contents;
- 4 **authorised** the Minister of Revenue to approve any editorial, presentational and other minor changes to the discussion document before its release;
- 5 **invited** the Minister of Revenue to report back to EGI on the outcome of the consultation and with final policy recommendations.

Janine Harvey
Committee Secretary

Reference: EGI-15-SUB-0109

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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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

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Minister for Social Development
Chief Executive, MSD
Secretary for the Environment
Minister of Foreign Affairs
Minister for ACC
Chief Executive, ACC
Commissioner of Police
Commissioner of Inland Revenue
Minister of Corrections
Chief Executive, Department of Corrections
Director-General of Conservation
Chief Executive, Ministry for Culture and Heritage
Government Statistician
Comptroller of Customs
Chief Executive, MSD (Disability Issues)
Chief Executive, Land Information New Zealand
Minister of Internal Affairs
Chief Executive, TPK
Chief Parliamentary Counsel
Legislation Coordinator
Secretary, EGI