

Government Response to the  
Report of the Finance and Expenditure Committee

on

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## **Inquiry into the Powers and Operations of the Inland Revenue Department**

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**Presented to the House of Representatives  
in accordance with Standing Order 248 (1)**

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# **GOVERNMENT RESPONSE TO THE REPORT OF THE FINANCE AND EXPENDITURE COMMITTEE ON ITS INQUIRY INTO THE POWERS AND OPERATIONS OF THE INLAND REVENUE DEPARTMENT**

## **Introduction**

The Government welcomes the report of the previous Finance and Expenditure Committee, which provides a valuable contribution to improving various operational aspects of the Inland Revenue Department.

The Committee commenced its Inquiry in April 1999:

- following a growing public concern over the manner in which the Inland Revenue Department conducted its operations
- with an intention to assess the impact of, and holding the Government accountable for, the compliance and penalties legislation.

The terms of reference for the Inquiry included reviewing the:

- powers of the Commissioner of Inland Revenue
- application of the compliance and penalties regime
- department's debt management practices
- feasibility and desirability of establishing a tax ombudsman
- department's structure, operation and culture.

The Committee's Inquiry was completed in October 1999. The Committee's recommendations are comprehensive and are intended to improve the integrity of, and the public's confidence in, the tax system.

The Government and Inland Revenue are particularly concerned with maintaining public confidence in, and the integrity of, the tax system<sup>1</sup>. New Zealand's tax system is based on voluntary compliance, which can be eroded by perceived lack of fairness of, or inappropriate actions taken by the tax administration.

The Government supports most of the recommendations made by the Committee and has instructed Inland Revenue to proceed with the consideration and implementation of the agreed recommendations. These include two Machinery of Government recommendations that the Government and associated agencies still have to consider and make decisions upon.

The Government can report that Inland Revenue has made good progress in considering and implementing the Committee's recommendations since the release of the Committee's final report.

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<sup>1</sup> Sections 6(1) and 6(2) of the Tax Administration Act 1994 charges Ministers and officials of Inland Revenue with the responsibility of protecting the integrity of the tax system.

A number of the recommendations have been addressed, and Inland Revenue is undertaking work on the remaining recommendations. Some of this work is being undertaken within the post-implementation review of the compliance and penalties rules.

This review, which commenced in October 1999, will assess the impact of the legislation on the public and present policy options for discussion. A Government discussion document is planned for release in February 2001. Depending on the extent of the submissions made by the public and subsequent Government decisions there could be changes to legislation. Attached, as Appendix One, is an update on the post-implementation review of the compliance and penalties legislation.

The Government recently introduced three amendments improving the fairness of the current compliance and penalty rules. These amendments are part of the Government's response to some of the issues raised in the Finance and Expenditure Committee's Inquiry. The amendments are:

- reducing the incremental penalty from 2% a month to 1% a month on late paid tax
- increasing the "grace" period before use-of-money interest starts
- standardising the serious hardship and financial difficulty provisions across most taxes.

Specific information about the Government's response to each recommendation is outlined below.

The Government responds to the Finance and Expenditure Committee's report in accordance with the general requirements of Standing Order 248 (1) but taking into account the dissolution of the 45th Parliament within the timeframe prescribed in Standing Order 248 (1).

## **Recommendations and the Government's Response**

### ***Recommendation 1***

**The Tax Administration Act 1994 be amended to provide a clear four-year time bar in relation to all taxes except where the Commissioner of Inland Revenue has reasonable grounds to suspect a return to be fraudulent or wilfully misleading.**

#### *Response*

The Government considers this recommendation restates the current law in relation to assessments issued by the Commissioner.

However, the Government is concerned that in cases where an assessment or amended assessment is issued just before the expiration of the four-year time bar, the time in which a taxpayer can discuss that assessment is truncated. This issue will be considered as part of the post-implementation review of the compliance and penalties legislation.

In the meantime, the Commissioner must be mindful that assessments should be as accurate as the information available allows and that before issuing a complex assessment all possible opportunities for discussion with a taxpayer should be exercised. Discussion with taxpayers in the pre-assessment phase allows taxpayers and Inland Revenue to endeavour to resolve potential matters through a process which is informal, simple, and low cost.

The Government is also concerned with the problem identified by taxpayers that, on occasions, insufficient information is provided to taxpayers showing how and why amendments have been made. The Government has asked Inland Revenue to review the information provided to taxpayers at the time of issuing assessments in order to ensure that taxpayers understand the basis of the assessment.

### ***Recommendation 2***

**The burden of proof remain with the taxpayer, but that consideration be given to establishing a “test” for the Inland Revenue Department to meet to ensure that only properly calculated and substantiated amended assessments are issued to complying taxpayers.**

#### *Response*

The Government agrees that the burden of proof should remain with the taxpayer. This position is consistent with the view of the Committee of Experts on Tax Compliance<sup>2</sup> (the Committee of Experts). The Committee of Experts considered that the onus of proof in all civil proceedings should remain with the taxpayer - except for civil penalties for evasion (as is currently the case).

The Committee of Experts observed that if a taxpayer challenges an assessment the taxpayer is required to prove not only that the Commissioner’s assessment is wrong, but also by how much it is wrong. It was recommended that the law should be clarified expressly to provide that if a taxpayer can prove on the balance of probabilities that the Commissioner’s assessment is excessive by at least a certain amount, the court should reduce the Commissioner’s assessment by that amount. This issue will be considered as part of the post-implementation review of the compliance and penalties legislation.

In all cases, except those involving a minor error, the original assessment is based on information contained in returns furnished by complying taxpayers. Any amendments to these assessments are issued on the basis of agreement between the taxpayer and Inland Revenue or following the disputes resolution process. This process provides a “test” to ensure that assessments are properly calculated and substantiated.

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<sup>2</sup> Report to the Treasurer and Minister of Revenue by a Committee of Experts on Tax Compliance, December 1998.

In December 1999, the department completed a review of the disputes resolution process to assess how it operates in practice and has made recommendations to improve the overall process. These recommendations included:

- redesigning and simplifying some administrative parts of the disputes resolution process
- ensuring that the disputes resolution process operates in a more timely manner
- clarifying the rules for taxpayer-initiated disputes.

The implementation timetable for these recommendations is currently being developed.

As noted under the response to recommendation 1, the post-implementation review of the compliance and penalties legislation is considering ways of ensuring taxpayers have the opportunity to dispute a decision when an assessment is made just prior to the expiration of the four-year time bar.

In addition, there may be concerns with the reasonableness of assessments issued and the information provided to non-complying taxpayers. The Commissioner of Inland Revenue can issue “default assessments” when a tax return has not been filed by the taxpayer or the Commissioner is not satisfied with the tax return made. Although there are processes and rules in place to establish what a reasonable basis is for issuing these assessments and for informing taxpayers of their basis, the Government has asked Inland Revenue to review these processes and rules so that an assessment can be made as to their adequacy.

### ***Recommendation 3***

**Section 81 of the Tax Administration Act 1994 be amended to allow for access to personal information but this provision be linked to requests for information by the individual concerned under privacy principle 6.**

#### *Response*

The Government agrees that personal information should be available but only if making that information available does not impinge upon the privacy rights of taxpayers or adversely affect Inland Revenue’s ability to collect revenue.

Inland Revenue is working through the implications of this recommendation with the Office of the Privacy Commissioner and the Office of the Ombudsmen. This work is expected to be completed by the end of July 2000.

### ***Recommendation 4***

**An electronic footprint be inserted in the Inland Revenue Department’s files to record who accesses individual taxpayers’ details.**

### *Response*

The Government agrees with the general intent of this recommendation and notes that this issue was addressed by the State Services Commission in their December 1998 inquiry into the *Confidentiality and Security of Citizens' Personal Information Held by the Inland Revenue Department*.

The State Services Commission's inquiry found that:

- Inland Revenue maintained a sophisticated security control framework within its information technology systems for the protection of personal information
- due to the volume of records and transactions held by the department tracing every inquiry would be uneconomical
- Inland Revenue's perspective on privacy of information is that all information is secret except to the individual concerned. This culture of commitment to personal information protection is the "system" for protection or security.

Inland Revenue has developed an electronic tracking program to address this issue further. Testing has confirmed that the electronic tracking program is capable of simultaneously monitoring up to a maximum of 300 taxpayer accounts.

The electronic tracking program is not intended as a stand-alone measure but buttresses other security and control mechanisms already in place. As the electronic tracking program is only a component of the existing security and control system, it was not designed to track activity within all taxpayers' accounts and, as noted by the State Services Commission, doing so would be uneconomical.

Inland Revenue is developing internal guidelines for the use of the electronic tracking program. These guidelines will address the application of the electronic tracking program and the circumstances under which a taxpayer can request it be applied to their account. This work is expected to be completed by the end of July 2000.

### ***Recommendation 5***

**The Inland Revenue Department review its approach in respect of the care and management provisions in light of recent Court of Appeal decisions, with a view to amending its internal guidelines to make it clear the Commissioner of Inland Revenue can exercise discretion on a case by case basis.**

### *Response*

The Government agrees that the Commissioner of Inland Revenue should exercise discretion on a case by case basis within the care and management provisions.

Inland Revenue has examined the implications of the Court of Appeal decisions on the application of care and management provisions of the Tax Administration Act 1994. Following this examination and after obtaining external legal advice, two draft policy statements concerning settlement of litigation and negotiating settlements for assessments pre-litigation were released for external consultation in October 1999.

Inland Revenue is currently consulting with interested external parties with a view to determining a clear departmental policy.

***Recommendation 6***

**The procedures for monitoring the delegation of the powers of the Commissioner of Inland Revenue be reviewed.**

*Response*

The Government agrees that the delegation of the Commissioner's powers should be reviewed.

Inland Revenue commenced an audit of the application of the Commissioner's delegated powers in February 2000. The objective and scope of this audit includes:

- reporting the effectiveness of the procedures for monitoring the delegations process
- reviewing the application of delegations in the field, including the process for granting and monitoring the delegated authority, and ensuring staff understand their responsibilities
- an examination of processes for ensuring national consistency.

This audit will be completed in late May 2000 with work on addressing any issues arising from that audit starting once the audit is complete.

***Recommendation 7***

**With respect to the penalties regime:**

- **a past record of "good behaviour" be taken into account when deciding whether to impose a penalty**
- **the Inland Revenue Department exercise a greater degree of flexibility when applying shortfall penalties**
- **shortfall penalties not apply when it is determined that the taxpayer has made an inadvertent error.**

*Response*

The Government supports this recommendation and has included these issues in the terms of reference for the post-implementation review of the compliance and penalties legislation.

### ***Recommendation 8***

**The Inland Revenue Department develop a systems audit methodology in order to assess whether taxpayers are adopting a reasonable standard of care.**

#### *Response*

The Government agrees with this recommendation.

Inland Revenue already has a policy in place that details the process used to assess whether a taxpayer has adopted a reasonable standard of care. This policy was published internally and externally in March 1998 in Tax Information Bulletin<sup>3</sup> Volume Ten, Number 3.

The department is also currently reviewing its audit function to determine ways in which its audit methodologies can be further improved. This work is expected to be completed in late 2000.

In addition, the post-implementation review of the compliance and penalties legislation will consider the standards imposed on taxpayers and whether the performance expectations on taxpayers are reasonable.

### ***Recommendation 9***

**The Inland Revenue Department reinforce both publicly and internally that if a taxpayer or adviser has not interpreted legislation a penalty for unacceptable interpretation cannot apply.**

#### *Response*

The Government agrees with this recommendation.

Inland Revenue re-released its policy on this issue in the November 1999 Tax Information Bulletin. This policy reinforced the current position that if a taxpayer or adviser has not interpreted legislation a penalty for unacceptable interpretation cannot apply.

In addition, Inland Revenue reinforced the policy to staff through an internal information bulletin in mid-November 1999.

The Government, however, wishes to review whether this issue creates compliance problems should a taxpayer deliberately avoid reasonable efforts to determine what the law is, for example, if a taxpayer does not interpret the legislation on a complex tax issue to avoid possible penalties. Given the possible risks associated with the avoidance of penalties issue, it will be considered as part of the post-implementation

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<sup>3</sup> The Tax Information Bulletin is Inland Revenue's monthly publication that contains information about changes to tax-related legislation, judgements, rulings and other specialist tax topics.



review of the compliance and penalties legislation. This matter will also require consideration of the appropriate standards required of tax advisers.

### ***Recommendation 10***

**The Government review the process by which assessments can be challenged, placing particular emphasis on assessing the merits of establishing a time limit on the Commissioner of Inland Revenue when addressing a taxpayer’s Notice of Response.**

#### *Response*

The Government supports this recommendation and has included this issue in the terms of reference for the post-implementation review of the compliance and penalties review.

However, issues in this area will be partially resolved by the introduction of the new complaints’ management process and the operational review of the disputes resolution process.

As noted under the response to recommendation 1, the post-implementation review of the compliance and penalties legislation is considering ways of ensuring taxpayers have the opportunity to dispute a decision where an assessment is made just prior to the expiration of the four-year time bar.

### ***Recommendation 11***

**The method by which use of money interest is calculated be reviewed to determine whether changes to the interest rates for overpayments and underpayments to reduce the differential between the rates are appropriate.**

#### *Response*

The Government supports this recommendation and has included this issue in the terms of reference for the post-implementation review of the compliance and penalties legislation.

### ***Recommendation 12***

**The Government review the whole area of write-offs and in doing so consider:**

- **whether there should be a time limit on the reinstatement of a debt**
- **whether, if the present policy is to continue, the term “write-off” should be replaced by wording that more accurately describes the policy (for example “provisional write-off”)**
- **whether it is necessary for the write-off provisions to be contained in the Inland Revenue Acts.**

### *Response*

The Government supports this recommendation and has included these issues in the terms of reference for the post-implementation review of the compliance and penalties legislation. The current terminology is confusing and the Government is giving consideration to the adoption of clearer terms so that taxpayers can better understand what is being proposed by Inland Revenue.

### ***Recommendation 13***

**The Inland Revenue Department issue clear directions to taxpayers as to their options, rights and obligations with respect to repayment arrangements.**

### *Response*

The Government agrees with this recommendation.

Inland Revenue has addressed this recommendation through the publication of an information booklet (*Debt options*) and summary sheet that details the taxpayers' options for repaying overdue taxes.

When a taxpayer is advised that they are in debt, the summary sheet is sent with that notification. The department is promoting the use of the booklet and the summary sheet to ensure that whenever taxpayers have the possibility of going into debt that they are aware of their repayment options.

The *Debt options* booklet and summary sheet became available in early March 2000 and the feedback received has been positive.

### ***Recommendation 14***

**The ministerial approval thresholds for instalment arrangements and remissions be removed, but that the Commissioner of Inland Revenue be required to provide a regular report to the Minister of Revenue outlining applications for remissions and instalments in excess of \$100,000.**

### *Response*

The Government supports this recommendation.

The issue of increasing the ministerial approval threshold was included in the *Less Taxing Tax* discussion document that was released in September 1999. The discussion document recommended that the threshold, above which ministerial approval is needed to remit tax or enter into instalment arrangements, be increased from \$50,000 to \$100,000. There was wide support in the submissions for increasing the threshold. Two submissions suggested that the threshold should be increased even further to \$250,000, and the Institute of Chartered Accountants of New Zealand noted

that the Organisational Review of Inland Revenue recommended that the Minister does not need to be involved at all.

The Minister's involvement is designed to provide an assurance that the Commissioner is appropriately applying the hardship provisions in the most significant cases. However, it is inconsistent with the separation of the Commissioner's statutory function of day-to-day tax administration from the Minister's role of political oversight.

The Government therefore recently decided that the requirement for ministerial approval should be removed completely. This has the advantages of:

- streamlining the instalment arrangement process with a likely result of increased revenue; and
- producing administrative cost savings for Inland Revenue and reducing compliance costs on taxpayers because of faster processing times.

The necessary legislative amendments were included in the May tax bill introduced in May 2000.

### ***Recommendation 15***

#### **The Government review the preferential status of the Inland Revenue Department in liquidations.**

##### *Response*

The Government is reviewing Inland Revenue's status in liquidations.

This issue was raised in a report from the Law Commission. Inland Revenue is providing input into a report being prepared by the Ministry of Commerce for Ministers' consideration. This report will be delivered to Ministers in June 2000.

### ***Recommendation 16***

#### **The Inland Revenue Department re-establish a problem resolution service with experienced personnel who are committed to customer satisfaction outcomes.**

##### *Response*

The Government supports the intent of this recommendation. Inland Revenue is currently developing a new complaints' management process.

Inland Revenue research, undertaken prior to December 1999, identified a number of factors that would need to be incorporated into the high-level design of the new process. These included:

- the new process would need to be part of an integrated customer service strategy

- customers wanted a system that is accessible, fair, responsive and effective
- the feedback from complaints be incorporated into organisational learning that leads to improvements in the tax administration.

Inland Revenue is currently consulting with staff, customers and their representatives, on proposals for the delivery of the new complaints' management process that includes:

- an enhanced commitment to resolving the majority of issues as part of the current business process
- a partially centralised process to manage and resolve the small proportion of complaints that are not resolved by the current business process
- a centralised process to monitor and report on complaints
- a process that taps into customer feedback and the learning from complaints to improve business processes.

The new complaints' management process is expected to be fully implemented in late 2000. Once introduced Inland Revenue officials will brief the Finance and Expenditure Committee on the complaints' management process.

This response should be read in conjunction with the responses for recommendations 17 and 18.

### ***Recommendation 17***

**The Inland Revenue Department ensure that the problem resolution service, once established, is well publicised.**

#### *Response*

When the new process for handling complaints about unresolved problems is established, the Government agrees that the public needs to be aware of its availability.

The design phase of the new complaints' management process will include a comprehensive communication approach that will ensure that the new complaints process is well advertised both internally and externally. This recommendation will be completed in conjunction with recommendation 16.

### ***Recommendation 18***

**The Inland Revenue Department advise all complainants, dissatisfied by the results of an internal inquiry, of their rights to appeal to an external agency.**

*Response*

The Government agrees.

Inland Revenue's current practice is to advise complainants of their right to approach external agencies, such as the Ombudsmen, for a review of decisions made by the Commissioner.

Inland Revenue will incorporate an explanation of these customer's rights into the detailed design of the new complaints' management process. This is in conjunction with recommendations 16 and 17.

***Recommendation 19***

**The Government establish a specialist tax adviser position within the Office of the Ombudsmen, with appropriate resources, to investigate matters of tax administration by the Inland Revenue Department.**

*Response*

The Government has not yet formed a view on this recommendation. As this is a Machinery of Government issue consultation with relevant government agencies is necessary. Currently, consultation with the Ombudsman is being undertaken on matters concerning the appropriate structure and resources.

***Recommendation 20***

**The Inland Revenue Department investigate ways to preserve over the counter services in areas where it is closing offices, particularly in isolated areas.**

*Response*

The Government agrees that Inland Revenue should investigate ways to preserve an appropriate level of services in those areas where Inland Revenue has closed offices.

Inland Revenue has implemented a series of major changes to simplify the tax system and reduce the requirement for taxpayers to contact Inland Revenue. In developing these changes the department undertook extensive research to ascertain taxpayers' requirements in terms of service delivery. One of the findings was that taxpayers prefer to use the telephone to transact business with the department.

Supporting the tax simplification changes was the introduction of five call centres in early 1999. These call centres provide toll-free access to all taxpayers to Inland Revenue's services.

In those areas where offices have closed, Inland Revenue is providing agency services as the need demands at a local level<sup>4</sup> and is promoting the use of its telephone and personal appointment services. Taxpayers are also able to make tax payments at all Westpac Trust branches (approximately 220 branches)<sup>5</sup>.

### ***Recommendation 21***

**The Inland Revenue Department enhance its monitoring of telephone services to ensure greater timeliness and accuracy of responses and that the department identify and remedy any skills deficiencies as a matter of priority.**

#### *Response*

The Government supports the intent of this recommendation.

Inland Revenue treats the management of telephone enquiries as a departmental priority and already monitors the timeliness and quality of the services provided in the five call centres. While service delivered in the Personal Call Centres is satisfactory, the performance delivered in the Business Call Centre is below acceptable targets.

Inland Revenue has undertaken a range of initiatives to improve the performance of the Business Call Centre that includes:

- providing existing staff with additional training on a training needs basis
- recruiting and training new staff
- supplementing existing call centre staff with others from across the department to deal with predicted increases to call volumes, particularly when the workload is predicted to exceed current capacity
- improving the technology system to better manage workloads.

### ***Recommendation 22***

**The Inland Revenue Department take steps to enhance the timeliness and quality of its responses to written correspondence and that the performance standard in the 1999/2000 Purchase Agreement of dealing with all correspondence within eight weeks of receipt be reviewed.**

#### *Response*

The Government agrees that Inland Revenue should take action to improve the timeliness and quality of its responses to correspondence.

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<sup>4</sup> For example, fortnightly agencies are held in Alexandra and Blenheim.

<sup>5</sup> In the February to April 2000 period approximately 118,000 financial transactions were made through Westpac Trust branches.

For the 1999/00 financial year, Inland Revenue changed the performance standard for answering correspondence from responding to 85% within four weeks to responding to 85% within three weeks. As at 31 March 2000, Inland Revenue was responding to 87.1% of correspondence within three weeks and 96.9% within eight weeks.

Performance Standards for correspondence will be further reviewed as part of the 2000/01 budget cycle.

### ***Recommendation 23***

**The Government consider moving the responsibility for drafting tax legislation back to the Parliamentary Counsel Office.**

#### *Response*

The Government is yet to make a decision on this recommendation.

However, a joint officials' report on this issue was delivered for ministerial approval on 30 March 2000. The Government is still considering the recommendations made in this report and will make decisions shortly.

### ***Recommendation 24***

**The Government consider whether establishing a board of directors to provide an oversight of the Inland Revenues Department's operation of its powers is desirable.**

#### *Response*

The Government does not support this recommendation.

The Finance and Expenditure Committee has suggested that the board of directors could be modelled on the Reserve Bank's board of directors. However, with the accountability relationship legislated in the State Sector Act 1988 and the monitoring of central agencies, the value of such a board for Inland Revenue would be questionable.

The Richardson Committee<sup>6</sup> examined a similar option in 1994 and rejected the option because:

- direct Government oversight and control of "the coercive powers of the state" to collect taxes is considered desirable
- the board would dilute the accountability between the Minister and the Commissioner for the delivery of contracted services

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<sup>6</sup> The Richardson Committee (chaired by Sir Ivor Richardson) was responsible for the oversight and direction of the 1994 Organisation Review of Inland Revenue.

- Ministers already have access to a range of specialist advice on policy, administration and purchase issues from within the Minister's Office and the central agencies
- the Generic Tax Policy Process has enhanced and strengthened the public consultation provisions for developing new legislation.

### ***Recommendation 25***

**The Inland Revenue Department implement, as a matter of priority, a nationally consistent training programme aimed at improving communication and customer service skills.**

#### *Response*

The Government agrees with the intent of this recommendation. Inland Revenue is designing a national training programme to improve customer service and communication skills, subject to funding being available for the 2000/01 year.

This project is linked to the development of the complaints' management process referred to in the response to recommendation 16. The design of the training programme will incorporate customer feedback obtained through the complaints' management process.

High level design of the training programme will be completed by 30 June 2000 with training delivery commencing early in the 2000/01 financial year.

### ***Recommendation 26***

**The Inland Revenue Department consider implementing a programme along similar lines to the Business and Parliament Trust, which would enable staff to build relationships with, and have greater exposure to, the business community.**

#### *Response*

The Government supports Inland Revenue taking measures to increase its understanding of business practices and concerns. Inland Revenue will consult with the Business and Parliamentary Trust and other commercial organisations to see how this can be achieved.

### ***Recommendation 27***

**The Inland Revenue Department establish a taxpayers' charter to outline to taxpayers their rights and obligations in respect of the tax system.**



## *Response*

The Government agrees with this recommendation.

Inland Revenue adopted its Taxpayers' Charter in 1992. However, since that time there have been a number of changes in Inland Revenue that need to be embedded into the Taxpayers' Charter.

Inland Revenue is developing a revised Charter. In doing so, Inland Revenue is conducting internal and external consultation with interested stakeholders.

Once this consultation is completed a proposed Charter will be referred to the FEC for its consideration and comment. Following this feedback, a further round of consultation will be undertaken to finalise the Charter.

## **Conclusion**

This Government is pleased to have received from the previous Finance and Expenditure Committee their report of their *Inquiry into the Powers and Operations of the Inland Revenue Department*.

The Government is able to report that Inland Revenue is addressing the majority of the recommendations in a manner that is satisfactory to this Government.

The Government is considering the two Machinery of Government recommendations related to the responsibility of drafting legislation (recommendation 23) and the establishment of a specialist tax adviser in the Office of the Ombudsmen (recommendation 19).

**An update on the Compliance and Penalties Post-implementation Review**

The new compliance and penalties legislation, enacted in 1996, was designed to promote effective and fairer enforcement of the Inland Revenue Acts, and to provide better incentives for taxpayers to comply voluntarily with their obligations.

The post-implementation review is the last phase of the generic tax policy process. The aim of this phase is to examine the results of the implementation of the legislation and identify any remedial issues.

The review began in October 1999. To date the review has focused on the issues raised in the Committee’s report following your inquiry into the powers and operations of the Inland Revenue Department, the report of the Committee of Experts on Tax Compliance and consultation with interested parties both within and outside Inland Revenue.

The proposed timeline for this review is:

<b>Date</b>	<b>Process Step</b>
June 2000	Develop detailed project plan, having researched issues
July 2000	Draft paper for discussion setting out key issues
September 2000	Draft paper for discussion on initial policy options
February 2001	Issue discussion document (or similar) for consultation
June 2001	Report on results of discussion document consultation
July 2001	Report to the Minister on final policy proposals
October 2001	Introduction of bill