In Confidence

Office of the Minister of Revenue

Chair, Cabinet Economic Development Committee

**Making Tax Simpler – Proposals for Better Administration of Individuals’ Income Tax**

**Proposal**

1. This paper seeks the agreement of the Cabinet Economic Development Committee to a number of reforms to the Tax Administration Act 1994 and Income Tax Act 2007. These reforms follow public consultation on a discussion document (*Making Tax Simpler: Better administration of individuals’ income tax)*.
2. The proposals are a key part of Inland Revenue’s Business Transformation programme. They build on the employment and investment income changes included in the *Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act* and will simplify the tax system for individuals. Business Transformation will enable a modern, customer-centric revenue system, providing significant benefits to New Zealanders.
3. The proposals will help to ensure that people are taxed at the right rates during the year. This means that they will have smaller refunds or less tax to pay at the end of the year and instead will have the amount of money that they are entitled to in their hands at the time they earn it. They will also mean that the end of year tax process will be automated for people that only earn employment and investment income. These people (expected to be approximately 3 million people) will not have to file a return but will instead have their refunds automatically released to them or will be contacted and informed of their tax to pay based on the information that Inland Revenue will already hold.
4. These proposals would be included in the next omnibus taxation bill, likely to be introduced to Parliament in the first half of 2018.

**Executive Summary**

***Objectives of changing the rules***

1. I want to ensure the tax system is progressive and that everyone pays their fair share, so these proposals are aimed at ensuring fairness and balance. The objectives underlying this project include:

* Ensuring that individuals use the appropriate tax code or rate during the year so that the amount of tax withheld from their income is about right;
* Removing unnecessary compliance costs from individuals; and
* Simplifying the income tax filing obligations so that they are easily understood.

***Main proposals***

1. The main proposals are:

* Inland Revenue will update its operational processes to ensure that it suggests corrective action when projections suggest that an individual is likely to end up with an under or over payment because of the tax rates that are applied to their income. It will be able to do that as a result of law changes which have recently been enacted[[1]](#footnote-1), which require employers to provide employment information to Inland Revenue on a payday basis (rather than monthly), and investment income payers to provide information to Inland Revenue on a monthly basis (rather than yearly, or not at all).
  + Inland Revenue use of payday information about employment income would include proactively recommending that some individuals earning employment income from a second job would be better off using a tailored tax code[[2]](#footnote-2). This will help to ensure that an appropriate amount of tax is withheld from secondary sources of employment income, and will minimise the likelihood of a significant year-end refund or amount of tax to pay for individuals earning such income.
* Individuals would not have to provide information to Inland Revenue about their income (i.e. would not have to file a tax return) if they only earn income that is required to be reported to Inland Revenue by a third party during the year, or shortly after the end of the tax year, or up to $200 of other income.
  + The types of income that this includes are salary and wages, interest, dividends from New Zealand companies and distributions from Māori authorities.
* Inland Revenue would calculate whether these individuals were entitled to a refund or had tax to pay. All refunds would be paid out without the individual having to request them.
* Amounts of ‘tax to pay’ which were less than $20 would not have to be paid. Amounts of ‘tax to pay’ arising from withholding tax regimes where tax was withheld in accordance with the PAYE rules, or where tax was withheld at the rate corresponding to the individual’s marginal tax rate would also not have to be paid.
* Donations receipts (one of the only credits that individuals with straightforward income sources are able to claim) would be able to be submitted during the year, and to be submitted electronically. Donations credits would be able to be claimed as part of the income tax year-end process, removing the need for individuals to fill in an additional form to receive this refund.

**Framework**

1. Payers of certain types of income are required to withhold tax from the income they pay to individuals, and report the income and tax information to Inland Revenue during the year (salary and wages, interest, and soon also dividends from New Zealand companies and Māori authority distributions).
2. Income that is not earned through withholding tax regimes must be reported to Inland Revenue by individuals, who must also calculate the tax payable on it, and pay this to Inland Revenue.
3. For individuals who only earn income from withholding tax sources the underlying framework is that the amount of tax required to be withheld from their income during the year should closely approximate their annual tax liability. The rationale is that limited deductions are able to be claimed by individuals with these sources of income, so the income subject to withholding is usually almost equal to the person’s total taxable income for the year.
4. Individuals should still be able to obtain refunds if the amount withheld is more than their annual tax liability, or pay tax if some of the income was subject to withholding at the wrong rate, or not subject to withholding. The amount of tax paid during the year does not approximate the year-end liability if the person earns an amount of income that was significantly different to what they anticipated, if they only work part of the year, or are using a tax code or rate which doesn’t reflect their circumstances.

**Background**

1. Inland Revenue’s Business Transformation programme will re-shape the way Inland Revenue works with customers, including improvements to policy and legislative settings. Transformation will simplify how services are delivered by changing how customers interact with a digitally-based revenue system. It will also help Government to leverage its information asset to better understand and meet customers’ circumstances and needs.
2. A modern, digital revenue system will serve the needs of all New Zealanders. The revenue system will fit seamlessly into people’s lives and will help them get their tax and social policy payments right first time, avoid errors, and give them a clearer view of what they have paid and what they owe during the year. It will be simple to comply with and responsive to customers’ changing circumstances. This will make it easy for customers to get things right and difficult to get them wrong. Customers will spend far less time and effort ensuring they meet their obligations and receive their correct social policy entitlements, as tax will be withheld correctly and assistance will be provided at the time it is needed.
3. On 31 March 2015, the then Government released the first in a series of discussion documents under the *Making Tax Simpler* banner. The series addresses policy proposals associated with Inland Revenue’s Business Transformation programme. That first discussion document, *Making Tax Simpler – A Government Green Paper on tax administration* (the Green Paper), aimed to introduce the overall direction of the tax administration modernisation programme and sought feedback on that direction. Subsequent discussion documents in the series have been released over the intervening two and a half years.
4. Earlier projects in the *Making Tax Simpler* series made changes to the administration of some withholding tax regimes. Those (recently enacted) changes require income payers to provide Inland Revenue with more information more often about the individuals to whom they pay income. They allow a re-design of year-end tax obligations for individuals, particularly those who only receive employment and/or investment income. They also allow for Inland Revenue to update its operational practices to ensure withholding tax rates are more appropriate during the year.
5. The discussion document which contained the proposals I am now bringing to Cabinet was released for public consultation on 19 June 2017.

**Comment**

1. The main proposals are discussed below.

***In-year proposals***

1. Inland Revenue will make use of the better, timelier information it will receive from withholding tax payers. It will take proactive action when the information projects that an individual is going to unnecessarily end up with a large tax bill or refund. This would help to ensure that an appropriate amount of tax is withheld from income during the year.
2. Most of these recommendations can be achieved through changes to Inland Revenue’s operational practices, with only some minor legislative changes required to support the recommended changes. They are outlined below to give a fulsome picture of the entire package of changes I am proposing.

*Inland Revenue would recommend some individuals change the tax rate they are using*

1. Where individuals are using a tax code which they are not entitled to use, Inland Revenue currently contacts their employer and instructs that the code be changed. If an individual uses a tax code or rate which is not wrong per se, but does not reflect their likely year-end tax liability, Inland Revenue does not currently suggest corrective action.[[3]](#footnote-3) In practice, this means that these individuals have to wait until the end of the tax year to receive a refund, or a tax bill. Those refunds are not automatic, so some individuals do not receive this over-withheld money.
2. Having access to more timely information will enable Inland Revenue to better spot when individuals are using tax rates or codes which do not reflect their likely year-end tax liability. It will update its operational processes to notify the individual, explain the consequences of continuing to use the code or rate, suggest they change it, and when appropriate advise the payer. In the case of investment income, if the individual did not respond to the suggested rate change within 20 working days Inland Revenue would instruct the payer to change the rate.

*Secondary employment codes and tailored tax codes*

1. Secondary employment codes are used when an individual works multiple jobs at the same time, or works while also receiving a benefit from the Ministry of Social Development (“MSD”). As we have a progressive personal tax scale, secondary employment codes are intended to ensure that income from a subsequent job is taxed at the appropriate marginal tax rate. Approximately 570,000 secondary employment codes were used in the 2016 tax year. Secondary employment codes are explained in more detail in Appendix A.
2. Secondary employment codes can, in some instances, lead to more tax being withheld during the year than is necessary to satisfy the individual’s income tax liability. To avoid this, individuals can apply to Inland Revenue for a tailored tax code (a withholding tax rate which is tailored to an individual’s expected circumstances) instead. Using a tailored tax code minimises the likelihood of a significant year-end refund or amount of tax to pay. Only approximately 8,000 tailored (special) tax codes were used in the 2016 tax year.
3. Inland Revenue will update its operational practices to modernise the tailored tax code process and make it more customer-centric. This will be achieved by Inland Revenue:

* introducing an online application process;
* forwarding the tax code to the individual’s employer at the same time as sending it to the individual (to save the individual having to pass it on); and
* proactively recommending tailored tax codes to individuals with multiple sources of income who looked like their incomes would result in an income tax threshold being crossed, and to individuals who work part time while receiving a benefit from the MSD.

1. I believe that these operational changes fit in with our Government’s commitment to ensuring that rates of withholding tax on secondary sources of income are more appropriate during the year, so that people do not have to wait until the end of the year to receive a refund.

***Year-end proposals***

1. Ultimately, the purpose of requiring individuals to interact with Inland Revenue at year-end is to ensure the right amount of tax – or close to the right amount – is paid at the right time.
2. The current rules which set out which individuals are required to file year-end tax returns are complex and can be difficult for individuals to understand. In order to know whether it is necessary to file a return, an individual must consider all of their income sources and the tax rates that were applied to them. Some individuals are simply unaware that they need to provide any information to Inland Revenue. A person who is required to file an income tax return must square up any over-or under-payments, whereas a person who is not required to file a return is not.
3. I recommend separating the requirement for an individual to provide information about their income to Inland Revenue from the question of whether that individual’s tax position should be squared up.

*Who should not have to provide* *information about their income to Inland Revenue?*

1. Individuals who only earn income through withholding tax regimes should not have to provide any year-end income information to Inland Revenue. The income they earn is already required to be reported to Inland Revenue by the payer of that income. Individuals should be able to derive up to $200 of non-reportable income in a tax year before an information provision obligation is triggered. Approximately 3 million individuals would not have to provide any income information to Inland Revenue.

*Who would still have to provide information about their income to Inland Revenue?*

1. Individuals who earn income that is not subject to a withholding tax regime, i.e. is not reported to Inland Revenue by a third party will still be required to provide income information to Inland Revenue and calculate their own tax liability. This covers income such as business income, rental income and overseas income. In keeping with current law, individuals would also be required to provide income information if they:

* are not a New Zealand tax resident; or
* wish to utilise certain tax credits, a tax loss balance, or a tax loss component; or
* are on an accruals basis for the financial arrangement rules; or
* pay provisional tax.

1. A further 1.1 million individuals currently file IR3 tax returns, and would still be required to inform Inland Revenue about their income.

*Who should have their tax position squared up?*

1. For the individuals who predominantly earn income through withholding tax regimes, Inland Revenue will calculate the difference between the tax that has been paid during the year and the individual’s tax liability.
2. Inland Revenue can currently refrain from collecting small amounts of tax owed or issuing small refunds. This reflects the disproportionate costs small amounts can impose on Inland Revenue and individuals. Historically, the small refund threshold ($5) has taken into account the administrative cost of issuing a refund (usually the cost of posting a cheque), and the costs individuals incur to bank the cheque.
3. Under current law, individuals don’t have to file (and therefore don’t have to pay a top up) if they only earn income from withholding tax regimes, or up to $200 of other income, and no more than $200 of their income from withholding tax regimes was not withheld according to the relevant rules or was withheld at the wrong rate. Depending on an individual’s marginal tax rate, this $200 of income could equate to up to $66 of tax that does not need to be paid. Where an amount to pay is calculated which is less than $20 the law provides that it can be written off, or that Inland Revenue not create an assessment for that amount.
4. I recommend that all refunds should be paid out, without the individual being required to request them. I recommend that income tax refunds should be made only by direct credit, with limited exemptions being available for customers who would experience undue hardship or for circumstances where it is impracticable to refund through direct credit.
5. I recommend that amounts should not be required to be paid to Inland Revenue if they:

* are less than $20; or
* arise from a withholding tax regime where tax was either withheld in accordance with the rules or at a rate corresponding to the individual’s marginal tax rate; or
* arise from tax not being withheld in accordance with the rules nor at a rate corresponding to the individual’s marginal tax rate, so long as less than $200 of income was taxed incorrectly.

1. Individuals who are not required to provide income information to Inland Revenue would be able to choose to initiate a square up of their tax position if they wanted to obtain a refund more quickly.
2. Individuals who earn income that is not subject to a withholding tax regime are currently required to, and will still be required to pay tax if any payments made during the year have not satisfied their tax liability, subject to the same $20 small balance threshold.

***How to claim donations tax credits***

1. In order to claim a credit for a qualifying donation an individual currently needs to file a tax credit claim form (an IR526) with copies of receipts for the donations. This is a paper form, and paper versions of the receipts must also be submitted. Approximately 80% of individuals who file an IR526 also fill out either a personal tax summary or an IR3 income tax return.
2. Inland Revenue will update its operational practice to accept receipts which are submitted electronically, and submitted during the year. I recommend that individuals should be able to claim their donations tax credits without having to fill in an additional form. If an individual has already submitted receipts during the year these will automatically be taken into account without them having to fill in a separate claim form. The option to fill in a separate form would be retained, and was supported by submitters, one noting for example that they used an accountant to help with their income tax but would not need their accountant to assist with their donations claim.

**Consultation**

1. The discussion document *Making Tax Simpler: Better administration of individuals’ income tax* resulted in 25 submissions, many of which contained significant detail. 104 comments were received on the online forums, as well as 96 responses to a targeted survey and 10 responses to the foreign language surveys. An anonymised summary of the feedback from all these sources is contained in Appendix B and your agreement is sought to its release at the time the bill which will contain these proposals is introduced to Parliament.
2. Submitters tended to be positive about the in-year proposals. Most submitters commented on the year-end proposals for the filing (or non-filing) obligations of individuals. The key theme coming through from the law and accounting firms was that they thought all individuals should be required to confirm a tax statement before being issued a refund or required to pay tax. Conversely, submissions from individuals tended to support the proposal as set out in the discussion document, that most individuals would not need to confirm a statement.
3. Submitters also took the chance to raise issues that they thought should have been addressed in the *Making Tax Simpler* series, or this discussion document, but were not. Some of these have merit, and will be worked on as policy resources permit.
4. Treasury were consulted on this paper. The Office of the Privacy Commissioner, the Ministry of Social Development, Te Puni Kōkiri and Statistics New Zealand were informed of this paper.

**Financial Implications**

1. The proposals outlined in this paper will result in more refunds being automatically issued at year-end however the cost of this will be partially offset by improved accuracy in withholding during the year. I note that individuals who only earn employment and investment income subject to withholding can claim such refunds under current rules.
2. On average each year[[4]](#footnote-4), there is approximately $150 million of unclaimed refunds (which are larger than $0). There is approximately $50 million dollars of tax to pay (which is larger than $20) which is not assessed because no return is required to be completed. Inland Revenue is not able to quantify what proportion of this $50 million arises from withholding tax regimes where tax was either withheld in accordance with the rules or at a rate corresponding to the individual’s marginal tax rate. If the current stock of refunds and amounts of tax to pay over $20 were issued, the net effect would be approximately $100 million of over-withheld tax being given back to individuals. This does not take into account the macroeconomic impacts of the flow-on effects from private individuals consuming, investing and/or saving their refunds and, conversely, the private economic activity forgone by individuals who have more tax to pay.
3. I note that this proposal has uneven distributional impacts. The main beneficiaries of this proposal are those who receive a refund who would not otherwise have claimed one and those who now receive a refund without incurring costs that they otherwise would have (such as the cost of engaging a third party to claim their refund, or the time and effort involved in doing it themselves). On the other hand, however, the main costs of this proposal are borne by those taxpayers who would end up with tax to pay where they would have otherwise avoided it under the current system. These taxpayers will therefore be paying the correct amount of tax based on their total income.
4. Inland Revenue will be taking action during the year to reduce the number and size of end-of-year discrepancies by moving people to better tax rates and codes so that they only pay what they need to during the year. Accordingly, total year-end refunds issued and total year-end tax to pay will reduce over time.
5. Inland Revenue’s Business Transformation Programme has committed to deliver additional Crown revenue of $2,880m - $6,175 million (including inflation) by 2023/24 as a result of improved voluntary compliance and better use of information and analytics to identify and address non-compliance. The lower end of this range has been accounted for in the Government’s fiscal forecasts. The fiscal impacts of the proposals contained in this paper do not alter that commitment.
6. Inland Revenue’s administrative costs of implementing these proposals will be accommodated within the Business Transformation programme’s existing funding.

**Application date**

1. I recommend that the legislative changes take effect from 1 April 2019. This will allow Inland Revenue to undertake their in-year proactive actions from this date, and to apply the other proposals in respect to tax returns relating to the tax year ended 31 March 2019.
2. Tax types are being transitioned from Inland Revenue’s current technology platform (FIRST) to its new platform (START) in stages. Income tax (for individuals and other entities) is scheduled to transition into START around April 2019 (release 3). My proposed application date for these legislative changes aligns with Inland Revenue’s technology release plan.

**Human Rights**

1. There are no human rights implications as a result of the proposals in this paper.

**Legislative Implications**

1. I propose to include the changes outlined in this paper in the next tax omnibus bill, which, subject to legislative bids, I anticipate is likely to be introduced in the first half of 2018.

**Regulatory Impact Analysis**

1. The Quality Assurance reviewer at Inland Revenue has reviewed the *Making Tax Simpler: Improvements to the administration of tax for individuals* RIA and considers that the information and analysis summarised in it meets the quality assurance criteria of the Regulatory Impact Analysis framework.

**Publicity**

1. I propose to announce these measures and release an anonymised version of the summary of submissions when the bill is introduced. I also propose to proactively release this Cabinet paper.

**Recommendations**

1. I recommend that the Cabinet Economic Development Committee:
2. **Note** that Cabinet approved the release of a discussion document, Making Tax Simpler: Better administration of individuals’ income tax in 2017.

*In-year proactive actions*

1. **Note** that Inland Revenue would monitor changes in a person’s earnings and identify where a person may be using an incorrect or suboptimal tax code or tax rate.
2. **Agree** that Inland Revenue will contact individuals who use a suboptimal tax rate, recommend they change it, and instruct the investment income payer to update the rate if the individual does not object within 20 working days.

*Tailored (special) tax codes*

1. **Note** that Inland Revenue would monitor changes in a person’s earnings and pro-actively identify where a person may be using an incorrect tax code, should be using a secondary employment code, or may benefit from using a tailored tax code.
2. **Note** that the process for applying for a tailored tax code would be simplified, including being able to be done online.
3. **Note** that Inland Revenue would contact individuals who may benefit from using a tailored tax code and recommend that they change their tax code.

*Year-end obligations*

1. **Agree** that individuals who only earn income that is reported to Inland Revenue by a third party (such as salary and wages, interest, dividends from New Zealand companies or distributions from Māori authorities), and up to $200 of other income, would not have to provide information to Inland Revenue about their income.
2. **Agree** that people who earn income that is not reported to Inland Revenue by a third party (such as business income, rental income and overseas income), or only required reported to Inland Revenue later (such as trust and partnership income), will still be required to provided income information to Inland Revenue and calculate their own tax liability.

*Refunds and amounts of tax to pay*

1. **Note** that Inland Revenue would calculate whether people who are not required to provide information to Inland Revenue were entitled to a refund or had tax to pay.
2. **Agree** that all refunds should be paid out without individuals having to request them.
3. **Agree** that Inland Revenue should issue income tax refunds by direct credit, unless that would result in undue hardship or is not practicable.
4. **Agree** that amounts of tax to pay which are less than $20 would not have to be paid.
5. **Agree** that amounts of tax to pay arising from withholding tax regimes where tax was withheld in accordance with the PAYE rules, or where tax was withheld at the rate corresponding to the individual’s marginal tax rate would not have to be paid.
6. **Agree** that amounts of tax to pay arising from a withholding tax regime where tax was not withheld in accordance with the rules nor at a rate corresponding to the individual’s marginal tax rate, if less than $200 of income was taxed incorrectly.

*Donations credits*

1. **Note** that donations receipts would be able to be submitted during the year, and could be submitted electronically.
2. **Agree** that donations tax credits would be able to be claimed as part of the income tax year-end process.
3. **Note** that if an individual has already submitted receipts during the year these will automatically be taken into account without them having to fill in a separate claim form.

*Fiscal implications*

1. **Note** that the number and size of unclaimed refunds each year would reduce as a result of Inland Revenue’s proactive actions during the year.
2. **Note** that all impacts on Crown revenue that accrue under these proposals form part of the Inland Revenue Business Transformation programme business case benefit and have already been accounted for in the Government’s fiscal forecasts**.**
3. **Note** that any additional administrative costs arising as a result of the proposed changes will be accommodated within the Business Transformation programme funding allocated to Inland Revenue.

*Legislation*

1. **Agree** that the proposed amendments be included in the first omnibus taxation bill of 2018, currently anticipated for introduction to Parliament in the first half of 2018.
2. **Invite** the Minister of Revenue to instruct Inland Revenue to draft legislation to give effect to the proposals contained in this paper.
3. **Delegate** to the Minister of Revenue authority to make minor amendments of a technical nature to the measures recommended in this paper without further reference to Cabinet.

*Application date*

1. **Agree** that the legislation be drafted to take effect:
   1. From 1 April 2019 for legislative changes to support the in-year proactive actions Inland Revenue will take;
   2. For tax returns submitted relating to the tax year ended 31 March 2019 and later years.

*Publicity*

1. **Invite** the Minister of Revenue to release a media statement to announce these measures when the bill is introduced.
2. **Agree** to the public release of an anonymised summary of submissions at the time the bill is introduced.

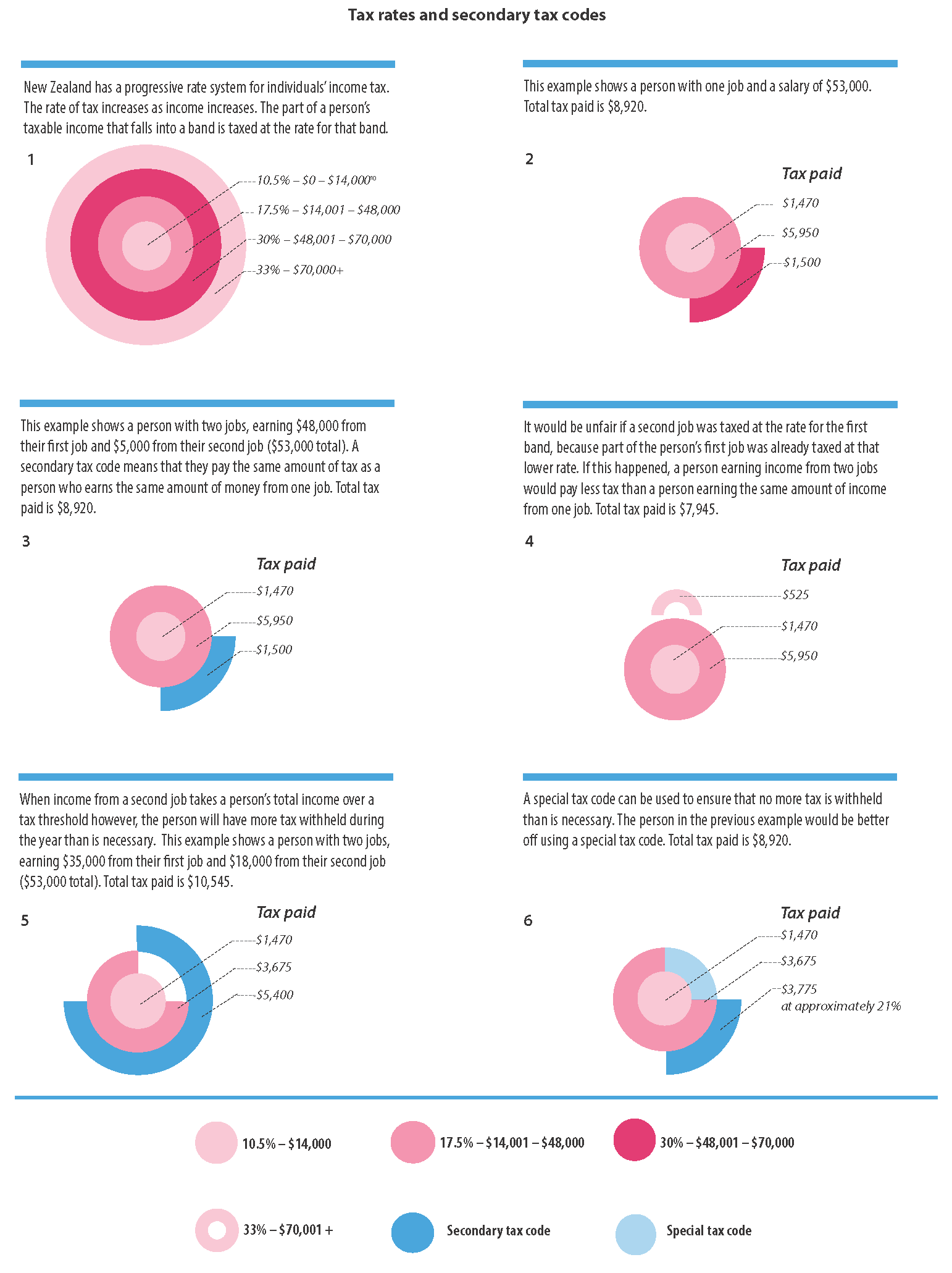
Authorised for lodgement

Hon Stuart Nash

Minister of Revenue

Appendix A – Secondary employment codes and tailored tax codes

1. Secondary employment codes are used when an individual works multiple jobs at the same time, or works while also receiving a benefit from the Ministry of Social Development. They aim to ensure that a person earning a given amount of income from multiple sources pays the same amount of tax as a person earning the same amount of income from a single source.
2. The progressive nature of the income tax scale is factored into the withholding rate used on the primary source of income, so secondary employment codes ensure tax is withheld from secondary sources of income at the person’s marginal tax rate. By withholding tax at the person’s marginal tax rate, secondary employment codes prevent inappropriate multiple claims of the lowest (or lower) tax rates for people with concurrent sources of PAYE income, which would result in the person owing tax at the end of the tax year. The diagrams on the following page demonstrate how secondary employment codes operate.
3. The secondary employment code is usually higher than the person’s average tax rate which is applied to the main job. This leads a lot of people to thinking that secondary employment codes are penal. They are, however, designed to withhold the right amount of tax. Secondary employment codes can, in some instances, lead to more tax being withheld during the year than is necessary to satisfy the individual’s income tax liability. This occurs when secondary income results in an income tax threshold being crossed, or where an individual is working part time while receiving a benefit from the Ministry of Social Development and they earn more money from their job than from their benefit.
4. A tailored tax code is a withholding tax rate which has been tailored to suit an individual’s expected circumstances. Individuals can currently apply to Inland Revenue for a tailored tax code by filling out an application and posting it to Inland Revenue. Inland Revenue calculates an appropriate tax rate to be used and issues a certificate containing the new tax rate to the individual. The individual then has to advise their employer that they want the tailored tax code applied to their income, and give them the paper certificate. A tailored tax code is only valid until the end of the tax year. Each individual who receives a tailored tax code certificate also receives a personal tax summary to complete, or is required to file an IR3 at the end of the year.
5. The disadvantages of the current rules about tailored tax codes are that an individual needs first to know about the availability of tailored tax codes, secondly to realise that using one would benefit them, and thirdly to be able to estimate their likely annual income. For the 2016 tax year, only approximately 8,000 individuals used a tailored tax code (compared to the approximately 570,000 secondary employment codes which were used).
6. Using a tailored tax code minimises the likelihood of a significant year-end refund or amount of tax to pay.



Appendix B – Anonymised summary of feedback

1. Those proposals were included in the *Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act*. [↑](#footnote-ref-1)
2. A tailored tax code is a withholding tax rate which is tailored to an individual’s expected circumstances. [↑](#footnote-ref-2)
3. If an individual who works two jobs concurrently uses a main job tax code for both, this is wrong. Individuals are permitted to select a resident withholding tax rate which does not align with their marginal tax rate, so using 30% rather than 17.5% is not wrong per se, but will lead to more tax being withheld during the year than might be necessary. [↑](#footnote-ref-3)
4. The data is based on a sample of taxpayers and has been scaled up to population estimates. This data only looks at non-filing individuals earning employment income which is reported on Employee Monthly Schedules, and calculates their likely refund or tax to pay by comparing the actual tax withheld on this income with the amount of tax that should have been withheld. [↑](#footnote-ref-4)