

Hon Stuart Nash, Minister of Revenue

Information Release

Review of the unclaimed money scheme – policy approval and release of Supplementary Order Paper

August 2020

Availability

This information release is available on Inland Revenue's Tax Policy website at <https://taxpolicy.ird.govt.nz/publications/2020-ir-cab-dev-20-sub-0083/overview>

Documents in this information release

#	Reference	Type	Title	Date
1	IR2019/671	Tax policy report	BT release 5 – Updating the Unclaimed Money Act 1971	12 December 2019
2	IR2020/221	Tax policy report	Proposed changes to the Unclaimed Money Act 1971	24 April 2020
3	DEV-20-SUB-0083	Cabinet paper	Review of unclaimed money scheme: policy approval and release of Supplementary Order Paper	27 May 2020
4	DEV-20-SUB-0083	Regulatory impact assessment	Review of Unclaimed Money Act	24 April 2020
5	DEV-20-MIN-0083	Minute	Review of unclaimed money scheme: policy approval and release of Supplementary Order Paper	27 May 2020

Additional information

The Cabinet paper was considered by the Cabinet Economic Development Committee on 27 May 2020 and confirmed by Cabinet on 2 June 2020.

Two attachments to the Cabinet paper are not included in this information release as they are publicly available:

- Supplementary Order Paper No 510.
- Supplementary departmental disclosure statement.

Information withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act that would apply are identified. Where information is withheld, no public interest was identified that would outweigh the reasons for withholding it.

Sections of the Act under which information was withheld:

9(2)(a) to protect the privacy of natural persons, including deceased people

Copyright and licensing

Cabinet material and advice to Ministers from the Inland Revenue Department and other agencies are © Crown copyright but are licensed for re-use under the Creative Commons Attribution 4.0 International (CC BY 4.0) licence (<https://creativecommons.org/licenses/by/4.0/>).





POLICY AND STRATEGY

Tax policy report: BT release 5 - Updating the Unclaimed Money Act 1971

Date:	12 December 2019	Priority:	Low
Security level:	In Confidence	Report number:	IR2019/671

Action sought

	Action sought	Deadline
Minister of Revenue	Agree to recommendations. Refer a copy of this report to the Minister of Finance for his information.	20 December 2019

Contact for telephone discussion (if required)

Name	Position	Telephone
Mike Nutsford	Policy Lead	s 9(2)(a)
s 9(2)(a)	Policy Advisor	

12 December 2019

Minister of Revenue

BT release 5 - Updating the Unclaimed Money Act 1971

Purpose

1. This report seeks your agreement to the scope of a review of the Unclaimed Money Act 1971 (the Act) and for us to engage with relevant stakeholders. As part of release 5 of our business transformation programme, the administration of the Act will be deployed into START. This creates an opportunity to review current legislative settings to modernise administration and reduce compliance costs.
2. The scope of this review is intended to simplify our administration of the Act and compliance by holders of unclaimed money (UCM). Engagement with organisations representing the interests of the various holders of UCM would help us to define the scope of the desirable amendments.

Background

3. UCM is money held by a person or organisation, such as a solicitor or a bank (a wide range of organisations are covered), that cannot be attributed to its owner after a certain period of time (the length of time varies depending on the type of account and is either six or 25 years). It includes KiwiSaver contributions that Inland Revenue receives but is unable to associate with a specific member.
4. There are approximately 2,000 holders and 377,000 owners of UCM. Inland Revenue's UCM database currently has a total value of approximately \$195,890,000, with the average amount available for refund being \$518.
5. During the 2018-19 reporting period, most of the payments that Inland Revenue received were from lawyers clearing monies from their trust accounts in accordance with the new anti-money laundering legislation. The highest value payments were received from banks. There is a break-down of the figures for November 2018 – November 2019 in the Appendix.
6. Once a year, holders of UCM transfer the UCM and associated information about the owner to Inland Revenue (and a range of other organisations including the Treasury, depending on the source of the UCM). UCM is then transferred to the Crown Account and, if there is subsequently a successful claim to it, it is disbursed to the owner. There is no time limit on the ability to submit a UCM claim.
7. The Act has become out-dated in a number of respects, as it is highly prescriptive about operational matters. For example, it requires holders of UCM to maintain physical registers at their head office. It has not been substantively reviewed since it was enacted.
8. While officials do not propose a full re-write of the Act, we do consider that certain amendments may be desirable. These could be made via a tax Bill in 2020 and implemented as part of Inland Revenue's Business Transformation, Release 5, in April 2021.

Scope of review

9. We have considered whether it would be worth undertaking a substantial review and consolidation of all UCM-related processes under various enactments and giving UCM responsibilities to a single organisation such as Inland Revenue. However, this would be a significant inter-agency project.
10. Instead, we consider that it would be desirable to change some of the key parameters around UCM, to simplify the operation of the Act and reduce compliance costs. For example, we consider that it may be useful to:
 - a) reduce the period of time that money must sit in an account before it is deemed to be "unclaimed" (as noted above, this is currently six or 25 years, but could be a shorter time period, to be determined in consultation) – while UCM holders would lose the use of this money, we consider that it is more appropriate for the Crown to have the use of the money, for the benefit of the community;
 - b) remove the requirements for UCM holders to:
 - i. hold the UCM and associated information for a year after the funds become UCM (instead, this could be transferred to Inland Revenue more quickly, or even immediately, effectively making Inland Revenue the first point of contact for many UCM claimants);
 - ii. keep a register of UCM at their head offices (instead, this could be held electronically, if it is still required);
 - iii. provide occupation information for owners of UCM (instead, it would be more useful for them to provide IRD numbers, where available, and other information that they hold about the owner, such as date of birth, and start and stop dates of their account, and type of account, improving Inland Revenue's ability to verify a claimant's identity and match them to their UCM);
 - iv. make so much information publicly available on the register, to avoid privacy concerns and the risk of fraudulent claims;
 - c) review the threshold for UCM – this is currently \$100 and could, for example, be raised to an amount to be determined in consultation (to reduce compliance costs for UCM holders), or could be reduced to zero (as we currently accept any amounts that are provided to us);
 - d) consider a time bar on the ability to claim UCM (to assist with our administration, as there is currently no time bar in place, so theoretically UCM claims can be made for all periods back to the first UCM record, in 1908);
 - e) define the Act as an "Inland Revenue Act" under the Tax Administration Act 1994, so that Inland Revenue can use information that it holds to help administer it (and, therefore, improve its matching ability and reduce its administration costs); and
 - f) require UCM holders to provide UCM information and funds to Inland Revenue electronically and in a standard format (this would help to reduce Inland Revenue's administration costs, as it would facilitate matching of the information with potential owners in Inland Revenue's systems, and reduce the manual processing required) – the appropriate transfer mechanism and format would be worked through in consultation.

11. We intend to engage with key stakeholders on the merits, feasibility, costs and benefits of these proposals and obtain their views on whether there are any other desirable amendments.

Consultation

12. Treasury and the Ministry of Business, Innovation and Employment have been consulted on this report and they support the recommendations.
13. Treasury has noted in the past that improvements to the management of the UCM system are likely to delay the growth of the UCM balance. In the longer term, the Government is expected to earn less interest from the UCM balance than it would without the proposed improvements. Officials cannot, at this stage, estimate the fiscal cost associated with the proposed improvements.

Next steps

14. If you agree, we will consult relevant stakeholders on our proposals. We propose to engage relatively informally at first, by writing to organisations representing the interests of the various UCM holders, and to invite comment from the public via our website.
15. Key organisations include the Law Society, the Bankers' Association, the Financial Services Council, the Real Estate Institute, Chartered Accountants Australia and New Zealand, the Corporate Taxpayers Group, Business New Zealand, the Auctioneers' Institute and the Motor Trade Association.
16. We would report to you on the results of our consultation early in the new year, before progressing any legislative amendments via a tax Bill in 2020.

Recommended action

17. We recommend that you:
 - (a) **agree** that the Act should be reviewed to simplify administration and compliance with the relevant requirements;
Noted
 - (b) **agree** that officials should consult relevant stakeholders on proposed amendments to the Act;
Agreed/Not agreed
 - (c) **refer** a copy of this report to the Minister of Finance for his information.
Referred/Not referred

Mike Nutsford
Policy Lead
Policy and Strategy

Hon Stuart Nash
Minister of Revenue
/ /2019

APPENDIX: Unclaimed Money Received by Inland Revenue in 2018/19

UCM statistics 01 November 2018 to 30 November 2019		
Payments		
Range	Number Entries	Amount
TOTAL	21,568	\$13,136,061.74
\$0 - \$100	9,032	\$6,582,330.82
\$100.01 - \$1,000	7,702	\$1,993,998.82
\$1,000.01 - \$10,000	967	\$2,467,121.56
\$10,000.01 - \$100,000	75	\$1,887,455.53
\$100,000.01 - \$1,000,000	2	\$205,155.01
> \$1,000,000	0	\$0.00
REFUNDS		
Range	Number Entries	Amount
TOTAL	1,895	\$2,384,736.67
\$0 - \$100	580	\$39,062.77
\$100.01 - \$1,000	1,026	\$315,915.76
\$1,000.01 - \$10,000	252	\$750,162.19
\$10,000.01 - \$100,000	35	\$853,056.40
\$100,000.01 - \$1,000,000	2	\$426,539.55
> \$1,000,000	0	\$0.00



POLICY AND STRATEGY

Tax policy report: Proposed Changes to the Unclaimed Money Act 1971

Date:	24 April 2020	Priority:	Medium
Security level:	In Confidence	Report number:	IR2020/221

Action sought

	Action sought	Deadline
Minister of Revenue	Agree to recommendations and authorisation the referral of the attached Cabinet paper to the Cabinet Office	22 May 2020

Contact for telephone discussion (if required)

Name	Position	Telephone
Mike Nutsford	Policy Lead	s 9(2)(a)
Bary Hollow	Principal Advisor	
s 9(2)(a)	Policy Advisor	

22 April 2020

Minister of Revenue

Tax Policy Report: Proposed Changes to the Unclaimed Money Act 1971

Executive Summary

1. This report seeks your agreement to recommendations to modernise the Unclaimed Money Act 1971 (Act) following feedback from stakeholders on the document, *Unclaimed money: A tax policy consultation document* ("Consultation Paper") released in January 2020. Officials continue to engage with several stakeholders on the design detail for implementing the Government's proposals.
2. The report also attaches a draft Cabinet Economic Development Committee (DEV) paper for your consideration and authorisation to the Cabinet Office. This DEV paper seeks agreement to the UCM policy proposals and the release of a Supplementary Order Paper (SOP) giving effect to these changes. It is our intention that this SOP be referred to the Finance and Expenditure Committee for consideration and inclusion in the Taxation (Taxation (Annual Rates for 2020–21, Feasibility Expenditure, and Remedial Matters) Bill (Bill) which is scheduled to be introduced into Parliament on 16 June 2020.
3. The Consultation Paper invited public feedback on a number of proposals for updating the administration of the Act. The key themes from submissions and our recommendations are as follows:
 - **General**
 - Many submitters considered the unclaimed money (UCM) regime should be overhauled and modernised to reflect changes in modern business practice including new types of financial products such as portfolio investment entities (cash-PIEs). Others welcomed the proposals and the anticipated reduction in compliance and administrative costs.
 - We recommend refining the definition of unclaimed money to ensure it is wide enough to deal with new financial products such as portfolio investment entities ("cash-PIEs").
 - Submitters suggested the concept of what constituted "activity" on an account should be expanded to include online activity.
 - Officials also recommend that the forms of account "activity" which would prevent money being deemed UCM be extended to include new forms of activity (e.g. online activity).
 - **Time until money is deemed UCM**
 - Submitters typically suggested that while some "deeming" timeframe is necessary, the 25- or six-year period (depending on monetary category) should be shortened and consolidated.
 - We recommend that the period which must elapse before money is deemed unclaimed be reduced from six or 25 years (depending on the category) to five (5) years for all categories of UCM. For a term deposit of say 10 years this period would commence following the maturity of the deposit.

- A submitter requested that it be possible for holders of money to, in limited circumstances, be paid to IR before the relevant time period had expired. An example of when this might be utilised is where a service provider notes that a former client has either been overcharged for services or under paid an amount owed (e.g. interest).
- Officials recommend that, in such circumstances, UCM holders be permitted to transfer funds to IR prior to the funds becoming UCM provided reasonable efforts have been made to contact the owner.
- ***Time period UCM and associated information must be held by UCM holders***
 - Submitters generally considered that the period UCM is required to be held for should be reduced. Some submitters suggested that UCM could be transferred to Inland Revenue (IR) immediately.
 - We recommend that UCM can be transferred to IR immediately upon being classified as UCM, provided that reasonable efforts have been made to contact the UCM owner over the intervening period. Where reasonable efforts have not been made to contact the owner, the UCM holder should retain the funds for an additional three-month period during which the holder must seek to contact the UCM owner before transferring the UCM to IR.
- ***Requirement to provide occupation information***
 - Submitters typically felt that providing IR with the occupation of UCM holders is of limited value as it is an obsolete, legacy practice and does not usually assist in locating owners of UCM.
 - Other information (e.g. IRD numbers, where held) was thought to be more helpful. Submitters argued that information collection requirements should not extend beyond what holders of UCM had available or collect in the ordinary course of their business.
 - We recommend removing the requirement for UCM holders to provide occupation information and instead allow UCM holders to provide IR with other identifying information (e.g. IRD numbers) collected in the ordinary course of their business (IR would still accept occupation information where it is available and provided, however).
- ***Remove the need for holders of UCM to hold a physical register of UCM***
 - Most submitters agreed that there is limited value in holding a physical register of UCM. Instead, any relevant information should be held electronically.
 - We recommend that the requirement for UCM holders to maintain a physical register of UCM at their head office or place of business be removed.
- ***Making details of UCM publicly available***
 - Submitters indicated a preference for less information regarding UCM to be made public both for privacy reasons and to reduce the risk of fraudulent claims.
 - We recommend that the Act be amended to provide that holders of UCM are not required to provide the public with the details of the UCM which they hold. This is because in most cases the UCM will be transferred to Inland Revenue as soon as it becomes UCM.

- ***UCM threshold***
 - Views on the appropriate UCM threshold differed, with some submitters viewing the current \$100 as too high, others as too low and still others as largely correct. On this issue, there was no clear consensus although the largest holders, financial institutions, preferred the status quo which we concur with.
 - However, we recommend that the Act be amended to allow the Commissioner the discretion to accept smaller amounts of UCM where the UCM holder has little practical alternative but to pay it to the Commissioner.
- ***Introduction of a time bar on claiming UCM***
 - Submitters were generally of the view that some form of time bar on claiming UCM should be implemented, although submitters differed on how long it ought to be. Submitters' concern was balancing efforts to reunite people with their money with the need to reduce the current, infinite claim period. Submitters' suggestions for appropriate limitation periods ranged between 40 and 80 years.
 - We recommend introducing a 60-year time bar on the ability to claim UCM. We note that this may be seen as removing a property right (ownership of the UCM).
- ***Defining the Act as an Inland Revenue Act***
 - Submitters were mostly supportive of the proposal that the Act be defined as a revenue Act, so long as the penalties and interest regimes did not apply to UCM. Submitters considered that making the Act a revenue Act would improve IR's ability to match claimants with UCM.
 - We recommend that the Unclaimed Money Act 1971 be listed within Schedule 1 of the Tax Administration Act 1994 thereby defining it as an "Inland Revenue" Act. The Unclaimed Money Act 1971 would nonetheless be excluded from the application of Parts 4A (Disputes), 7 (Penalties) and 8 (Interest) of the Tax Administration Act 1994.
 - One submitter requested that it be clarified that the Act does not apply to unclaimed money which is covered by the Public Finance Act 1989. Officials agree there is some scope for confusion and recommend that this be clarified as part of the reforms.
- ***Providing IR with funds and information in a standard format***
 - There was general support for providing information to IR electronically and in a standard format if this was done in consultation with stakeholders and did not raise compliance costs. Submitters emphasised that the obligation to provide information should only extend to the information which the holder of UCM has available.
 - We recommend that UCM holders be required to provide information and UCM to IR electronically and in a standard format.
- ***Transitional period***
 - Officials also recommend that holders be provided with a transitional period of two years to update their systems to incorporate the new rules.
- ***Application date***
 - Officials recommend an application date following the date of Royal assent.

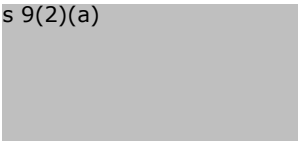
Recommended Action

We recommend that you:

4. **Agree** to refine the definition of unclaimed money to ensure it is wide enough to deal with new financial products such as portfolio investment entities ("cash-PIEs") Officials will continue to consult with stakeholders as this work progresses.
Agreed/Not Agreed
5. **Agree** to broaden the forms of account "activity" which would prevent money being deemed UCM to include new forms of activity (e.g. online activity).
Agreed/Not Agreed
6. **Agree** that the period which must elapse before money is deemed unclaimed be reduced from six or 25 years (depending on the category) to five (5) years for all categories of UCM.
Agreed/Not Agreed
7. **Agree** that UCM holders may, in limited circumstances (e.g. as part of a financial remediation process), transfer money to IR before it is deemed UCM provided reasonable efforts have been made to contact the owner.
Agreed/Not Agreed
8. **Agree** that UCM can be transferred to IR immediately upon being classified as UCM, provided that reasonable efforts have been made to contact the UCM owner over the intervening period. Where reasonable efforts have not been made to contact the owner, the UCM holder should retain the funds for an additional three-month period during which the holder must seek to contact the UCM owner before transferring the UCM to IR.
Agreed/Not Agreed
9. **Agree** to remove the requirement for UCM holders to provide occupation information and instead allow UCM holders to provide IR with other identifying information (e.g. IRD numbers, date of birth and contact details) collected in the ordinary course of their business (IR would still accept occupation information if available and provided, however).
Agreed/Not Agreed
10. **Agree** to remove the requirement for UCM holders to maintain a physical register of UCM at their head office or place of business.
Agreed/Not Agreed
11. **Agree** to remove the requirement for UCM holders to make information relating to the UCM which they hold available to the public.
Agreed/Not Agreed
12. **Agree** to retain the UCM threshold at \$100 but provide the Commissioner with the discretion to accept smaller amounts where required.
Agreed/Not Agreed

13. **Agree** to introduce a 60-year time bar on the ability to claim UCM.
Agreed/Not Agreed
14. **Agree** to list the Unclaimed Money Act 1971 within Schedule 1 of the Tax Administration Act 1994 thereby defining it as an "Inland Revenue" Act.
Agreed/Not Agreed
15. **Agree that** the Unclaimed Money Act 1971 be excluded from the application of Parts 4A (Disputes), 7 (Penalties) and 8 (Interest) of the Tax Administration Act 1994.
Agreed/Not Agreed
16. **Agree** to clarify that money covered by the Public Finance Act 1989 does not come within the Unclaimed Money Act 1971.
Agreed/Not Agreed
17. **Agree** to require UCM holders to provide information and UCM to IR electronically and in a standard format.
Agreed/Not Agreed
18. **Agree** to allow holders a transitional period to move to implement recommendations above, i.e. (a) to (m)
Agreed/Not Agreed
19. **Direct** the Inland Revenue Drafting Unit to commence drafting a Supplementary Order Paper to give effect to recommendations (a) to (n).
Directed/Not Directed
20. **Authorise** and refer the draft Cabinet Economic Development Cabinet Committee paper to the Cabinet Office for consideration at the DEV meeting of either 27 May 2020 or 3 June 2020 (pending Ministerial approval).
Authorised/Not Authorised

s 9(2)(a)



Mike Nutsford
Policy Lead
Policy and Strategy

Hon Stuart Nash
Minister of Revenue
/ /2020

Background

21. Officials released the consultation document: *Unclaimed money: a tax policy consultation document* in January 2020. Submissions closed on 28 February 2020. Officials have continued to engage with stakeholders on the design detail of the proposals.
22. The Consultation Paper invited feedback on a series of proposals designed to:
 - 22.1 Make it easier for people to claim amounts of money which are held in defunct accounts; and
 - 22.2 reduce the compliance costs for organisations which hold UCM.
23. While the Act is intended to provide a framework for reuniting owners with their UCM, many of the processes contained with the Act are now archaic and out of step with modern business practice. For example, under the current Act, holders of UCM are required to maintain a physical register of UCM at their head office and must also write a letter to the last known address of the owner of the UCM once money has become unclaimed.
24. IR's Business Transformation Release 5 presents an opportunity to modernise the administration of the Act, reduce compliance costs for UCM holders and more efficiently reunite owners of UCM with their money.

Summary of Submissions

25. IR received 17 submissions on the Consultation Paper. Submissions were received from accounting and law firms, associations and organisations (e.g. the Corporate Taxpayers' Group, New Zealand Bankers' Association and Chartered Accountants Australia and New Zealand). Submitters provided their submissions in writing, via email or chose to meet with officials and discuss the proposals in person.
26. A full summary of the submissions received is contained in the Appendix to this report.

Proposals

General

27. Submitters generally supported the proposals. Stakeholders expressed the view that the Act was outdated in many respects and should be amended to reflect modern business practice. However, submitters requested that the implementation of reforms give UCM holders sufficient time to update their computer systems to include the reforms.

Definition of unclaimed money

28. The general theme among submissions was a request for the modernisation of the current definition.
29. Officials agree the definition of UCM should be updated to include modern categories of UCM, including portfolio investment entities ("cash-PIEs"), the values of which are held in units (rather than in currency). Officials intend to continue discussions with stakeholders to ensure that all relevant categories of UCM are appropriately captured.

Account activity

30. Another matter which emerged from consultation was that the current definition of UCM in the Act can require a customer to have not operated on the account "by deposit, withdrawal, or instruction in writing".
31. This definition is obsolete as in the present era, customers may be active in administering their account without necessarily making deposits or withdrawals. For example, customers may use telephone or internet banking to check their account balance without necessarily altering the amount in the account.
32. Officials recommend that the definition of UCM be expanded to allow for different forms of activity on an account. This would avoid money which is not unclaimed falling within the definition of UCM.

Length of time until money is deemed unclaimed

Consolidation of timeframes

33. Currently, the Act requires money to remain "untouched" for six or 25 years (depending on the category of money) before it is deemed UCM.
34. There are two issues with this approach; first, (and particularly in the case of the 25-year category) these periods are lengthy and second, it creates an artificial distinction between categories of money which neither officials nor submitters generally feel is necessary.
35. Officials recommend consolidating the various categories into one, thereby treating all monies alike. This would streamline the UCM process by deeming monies UCM after the expiry of a standardised period.
36. Although submissions varied on the appropriate length of time which should elapse before money is deemed UCM, a number of submitters argued that the 25-year period should at least be reduced. Another submitter argued the six-year time frame was appropriate and should not be shortened. However, submissions tended to favour some reduction in both timeframes.
37. Officials recommend that the period of time (or "deeming period") which must elapse before money is deemed UCM should be reduced to five (5) years. Any period is somewhat arbitrary and a judgement. Under this approach, a ten-year term deposit would become UCM if there was no activity on the account for five years following the maturity of the term deposit. Officials note that transitional arrangements will be necessary to allow UCM holders to smoothly transition to the new time frame.

Transfer of money to IR prior to becoming UCM

38. One submitter requested that it be possible for holders of money to, in limited circumstances, pay money to IR before the relevant time period had expired. An example of when this might be utilised is where a service provider notes that a former client has either been overcharged for services or under paid an amount owed (e.g. interest). In these situations, it may be preferable for the service provider to pay the funds directly to IR instead.
39. Officials agree that there is little to be gained by requiring service providers to retain amounts owed to former clients for a mandated period and recommend that service providers be permitted to pay those amounts directly to IR, subject to the proviso that service providers make "reasonable efforts" to contact the former client prior to transferring the money to IR. This would ensure that IR only receives funds owed to a former client where the client is, in fact, not contactable by the service provider rather than in all cases in which a former client is owed money.

Time period UCM and associated information is held by UCM holders

40. Under the current regime, UCM holders can retain UCM for over 12 months before they are required to transfer UCM to IR.
41. Before an UCM holder may transfer UCM to IR they must complete a statutory process which includes writing to the last known address of the owner and providing IR with the details of the money which has become unclaimed in the last year.
42. Submitters were generally of the view that the length of time UCM holders were required to retain money once it had become UCM should be reduced, with several suggesting that UCM could be transferred to IR immediately upon qualifying as UCM.
43. Officials agree with this suggestion and recommend the legislation be amended to allow the immediate payment of money to IR once it has qualified as UCM. This could be made subject to the proviso that the UCM holder has made "reasonable efforts" to contact the owner of the money which has become unclaimed. This would mean that an UCM holder could transfer UCM to IR five years after maturity or inactivity.
44. Where a UCM holder has not sought to contact the owner of the UCM within the last five years, officials recommend that UCM holders be required to transfer UCM to IR after three (3) months of it becoming UCM. A UCM holder would be required to attempt to contact the owner of the UCM during this three-month period. Once this period has passed, the UCM holder would be able to transfer the UCM to IR.

Requirement to provide occupation information

45. The Act requires UCM holders to retain occupation information for owners of unclaimed money. Submitters typically expressed the view that collecting and retaining occupation information was of little assistance in locating owners of UCM.
46. Submitters were willing to provide IR with other information which is more likely to assist in locating owners of UCM such as IRD numbers, date of birth, contact information and the like as long as that information is normally collected by them.
47. Officials recommend that the legislation be amended to remove occupational information but allow UCM holders to provide IR with other information (e.g. IRD numbers and the like) which may assist IR in more easily locating the owners of UCM (IR would still accept occupation information if available and provided, however). In order to avoid raising compliance costs for UCM holders, this information should be limited to only the data which the UCM holder normally collects.

Remove the need for a physical register of UCM to be held at head offices

48. Under the Act, UCM holders are required to maintain a physical register of UCM at their head office. Submitters were generally of the view that this requirement should be removed.
49. Officials agree that the maintenance of a physical register is outdated in an age in which the storage of information has become largely electronic. Officials recommend that the requirement for UCM holders to hold a physical register of unclaimed money be removed.

Making less detailed information publicly available on a register***Removing the requirement to make UCM owners' information publicly available***

50. Submitters generally took the view that making less information available publicly would address privacy concerns and reduce the risk of fraudulent claims.

51. Officials agree with submitters' views and recommend that the amount of publicly available information be reduced. In practice this would mean that UCM holders would not be required to provide the public with information relating to the UCM which they hold. Officials recommend that it be made explicit within the Act. This is because in most cases the UCM would be paid to Inland Revenue once it became unclaimed money.

UCM threshold

52. The threshold for UCM is currently set at \$100. While, strictly speaking, amounts below \$100 do not come within the definition of UCM, IR has for some time adopted the operational practice of accepting smaller amounts of UCM where these are provided by UCM holders.
53. Submitters differed in their views on the matter. While officials' initial view was that the threshold should be lowered, officials' thinking has now changed through the submission process.
54. Officials recommend that the current \$100 threshold should be retained but modified to allow UCM holders to pay amounts below \$100 to IR where the circumstances require it (such as for lawyers' trust accounts). This would give the Commissioner the discretion to accept smaller amounts of UCM where the UCM holder has little practical alternative but to pay the UCM to the Commissioner.

Introduce a time bar to owner's ability to claim UCM

55. Currently, there is no time bar on the ability to claim UCM under the Act. This means that, theoretically, a claimant could mount a claim for UCM stretching as far back as the regime's inception in 1908.
56. While submitters agreed that some form of time bar was desirable, they also maintained that it was important to ensure claimants did not miss out on the ability to claim money which belonged to them. For most submitters, the issue was finding the appropriate balance between these two aims, with suggestions for an appropriate time period typically ranging between 40 and 80 years.
57. Officials appreciate the tension between these two ends and recommend, as a compromise, introducing a period of 60 years as a maximum claimable period. This would end the Crown's (current) perpetual liability for UCM while also allowing claimants sufficient time to claim any money they own. This could be viewed as removing a property right (access to one's own money).
58. Officials note, however, that there will be a point in time at which, for practical purposes, money will be rendered unclaimable owing to passage of time removing any realistic prospect of the UCM being claimed by its owner. Seen in this light, the introduction of a time bar could be viewed as merely formalising an existing state of affairs.

Defining the Unclaimed Money Act 1971 as an Inland Revenue Act

59. While the Act is administered by IR, it is not specifically listed among the revenue Acts in Schedule 1 of the Tax Administration Act 1994 (TAA). This inhibits IR's ability to use the information which it holds in its systems to match owners of UCM with their money.
60. Although submitters were generally supportive of IR defining the Act as an "Inland Revenue Act", submitters wanted to ensure that UCM would not be brought within the penalties and use of money interest (UOMI) regimes.

61. Officials agree that there is no reason to include UCM within these regimes, as UCM does not represent an undischarged liability to tax on the part of UCM holders. Officials therefore recommend that the Act be brought within Schedule 1 of the TAA 1994, but be excluded from the Disputes, UOMI and Penalties regimes of the TAA 1994.

Clarifying that the Unclaimed Money Act does not apply to money covered by the Public Finance Act 1989

62. During consultation, one submitter requested that it be clarified that the Act does not apply to money covered by the Public Finance Act 1989. The Public Finance Act contains its own rules pertaining to certain types of unclaimed money. Officials agree with this suggestion and recommend the reforms to the Act include this clarification.

Requiring UCM holders to provide information and funds to IR electronically and in a standard format

63. While submitters were supportive of this initiative in principle, some submitters expressed concern at the prospect of increased compliance costs arising from the move to a standardised format in supplying information to IR.
64. Officials do not expect that the compliance costs of supplying information in a standard format will represent a significant cost for UCM holders. However, we recommend the move to a standardised format should proceed in consultation with UCM holders in order to minimise compliance costs and promote flexibility of format where necessary.

Transitional period

65. Submitters requested that UCM holders be given time to update their systems and transition from the various UCM periods. Officials recommend that a two-year transitional period be adopted subject to discussions with holders.

Date of Application and Effect

66. Officials recommend an application date following the date of Royal assent.
67. However, as discussed above, officials recommend that the proposed changes to the UCM Act take effect two years following the enactment of the legislation. This is in order to allow UCM holders the ability to upgrade their systems to include the changes. In practice, a suitable date would be 1 June 2023. This would mean the last transfer of UCM from holders of UCM to IR under the current regime would take place in October 2023.

Consultation

68. We consulted with the Office of the Privacy Commissioner, the Ministry of Justice and the Treasury in the course of formulating this report.

Next steps

69. If you agree to provide a legislative solution, we recommend that it is included in a Supplementary Order Paper to the Taxation (Annual Rates for 2020–21, Feasibility Expenditure, and Remedial Matters) Bill which is due for introduction in June.

70. We attach a draft Cabinet Economic Development Committee paper for your consideration and authorisation of the paper to the Cabinet Office seeking agreement to the policy proposals set out in this paper and approval to release an SOP giving effect to these proposals. It our intention that the SOP be referred to the Finance and Expenditure Committee for their consideration and calling of submissions as part the call for submission on the above Bill.
71. The following timeline sets out indicative dates for consideration of the DEV paper and the release of the SOP:
- The Cabinet paper would be considered by DEV on either 27 May 2020 or 3 June 2020 (pending Ministerial consultation);
 - The SOP would be released prior to 13 June 2020;
 - The first reading of the Bill would then be 16 June 2020; and
 - Submissions would be called at FEC on 17 June 2020.

Appendix One – Summary of submissions

Issue	Key point
<i>General</i>	<ul style="list-style-type: none"> • The administration of the Act should be updated to incorporate modern technology as the current administrative burden upon holders of UCM is high. • The definition of UCM should be updated to reflect modern business practice. • The definition of UCM has widened with time. A clearer definition would minimise confusion. • The implementation of reforms should include a transitional period to allow holders of UCM time to update their systems.
<i>Length of timeframe before money is deemed UCM</i>	<ul style="list-style-type: none"> • The amount of time money must sit in an account before it is deemed unclaimed should be reduced. • The current six-year timeframe is effective and should not be shortened. • The current period of either six or 25 years seems lengthy, however UCM largely affects the bank and insurance sectors (which may require a longer timeframe). • Current timeframes could be varied by industry, but the 25-year period could be halved. • There is benefit in having a minimum period before money is deemed unclaimed. Three years may be appropriate. • Timeframes could be shortened significantly, although inactivity on the account over a short period should not be treated as abandonment. • The current two separate timeframes of six and 25 years should be consolidated into a single timeframe. • The current timing of when money becomes UCM should be clarified, although IR should not be too prescriptive in its timeframes for when money should be transferred to IR. • One option is to leave providers to decide the timeframes for themselves. If a timescale is retained it could reflect normal payment timeframes. • Provided a proper process is followed, UCM should be able to be paid at any time. • Online account activity or a customer's expressed intention should be sufficient to prevent money being deemed UCM. • No activity for an account can differ from no activity for a customer. • The Commissioner should have the discretion to accept unclaimed money prior to the expiration of six or 25 years.
<i>Time period UCM and assoc. information is held by UCM holders</i>	<ul style="list-style-type: none"> • Information should largely be held electronically. • The required time to hold UCM should be reduced as it is difficult to locate owners of UCM. Holding UCM imposes administrative costs on the holder. • UCM could be transferred to IR immediately or at any time. This would make IR the first point of contact for claimants. • The requirement for UCM holders to hold associated information for an extended period after funds become UCM should be removed. Associated information could be transferred more quickly. • Transferring UCM after a year is too soon as (in the case of credit balances) customers may return and seek their credit carried forward. Three years would be a realistic timeframe for transferring unclaimed monies. • Subject to proper process, UCM should be eligible for transfer at any time. • If transfers occur quickly IR may need additional resourcing.
<i>Need for a physical copy of UCM register at head office</i>	<ul style="list-style-type: none"> • Requiring a holder of UCM to maintain a physical register no longer makes sense and it is rare for an owner to contact a holder seeking funds. • The need to keep a register of UCM at head office should be removed. Information could be held electronically. • It is practical for holders of UCM to keep an electronic register, although other changes may mean that maintaining a separate register is no longer required. • An electronic register would reduce compliance costs and allow information to be more easily stored. • The requirement to maintain a register should not prevent a company from being wound up.

Issue	Key point
<i>Provision of occupation information</i>	<ul style="list-style-type: none"> • Occupation information could assist IR in seeking the owners of UCM. • Occupation information may be of little assistance where it is out of date. The requirement to provide occupation information should be removed. • IRD numbers may be more effective in tracing owners but are not held for all investors. • Information which is required should be limited to that held. • It would not be difficult to provide occupation information where it is available.
<i>Information available on public register</i>	<ul style="list-style-type: none"> • If proposals proceed as outlined, public disclosure requirements could be reduced. • There is a balance between reducing compliance costs and making it easier for people to claim amounts in defunct accounts. • Less information should be publicly available for privacy reasons and to mitigate the risk of identity theft.
<i>UCM Threshold</i>	<ul style="list-style-type: none"> • The current threshold is too low and should be increased to between \$250 and \$500 • The threshold should be reduced to zero and the requirement to contact the owner prior to paying UCM to IR should be removed. • The threshold could be raised or reduced to zero so long as the requirement for holders to retain unclaimed money for an extended period is removed from the Act. • Any change to the threshold should consider compliance costs. • A threshold reduces the change of transferring credit balances arising from 'sign-up' incentives. • The current \$100 threshold should be lowered provided this can be achieved while lowering (or retaining) compliance cost levels. • Having a threshold reduces expediency. Companies need to have the ability to pay unclaimed monies to IR so they can be wound up. • The current \$100 threshold should be retained.
<i>Time bar for claiming UCM</i>	<ul style="list-style-type: none"> • UCM should be paid to charity after being in Crown accounts for a given period (e.g. 15 years). • UCM should be distributed to charitable purposes in the form of a social bank. • A time bar may be appropriate so long as those who are eligible do not miss out on the opportunity to claim. A time period of 50 years might be appropriate. • A period of 60-80 years should elapse before the funds are barred from future claim. • A time bar could cause some people to narrowly miss out. A long date (e.g. 40 years) might be appropriate (or alternatively, the longest standing claim could be a guide). • A time bar which aligns with period within which most UCM is successfully claimed may be appropriate.
<i>Defining the Act as an "Inland Revenue Act"</i>	<ul style="list-style-type: none"> • If the Act is defined in this way, the information should only be used to improve IR's matching ability and not for any other purpose. • It should be clarified that the Act does not apply to money covered by the Public Finance Act 1989. • UCM should not come within the penalties and UOMI regimes. • Defining the Act as an IR Act will assist in identifying owners of UCM and reduce the time accounts holders retain UCM before sending it to IR. • IR should offer practical guidance on the operation of the Act.

Issue	Key point
<i>Requiring UCM holders to provide information and funds to IR</i>	<ul style="list-style-type: none"> • It is logical/sensible that information be provided in a standard format set by IR. • To avoid raising compliance costs, a standard format should be developed in consultation with stakeholders. • Formatting requirements should not create a new burden for UCM holders. • A standardised process will decrease compliance costs if it is simple and easy to administer. UCM holders should only have to provide the information which they have available. • This would streamline the information transfer process while reducing the risk of fraud. Use of a secure portal is preferable. • Providing data in an homogenous format could prove challenging as the money may sit in different "product" categories, meaning flexibility in data supply requirements may be necessary.
<i>Other</i>	<ul style="list-style-type: none"> • If the proposal proceeds, a transition period of 1-2 years should allow holders sufficient time to update their systems. • Notification requirements should be reduced. A threshold for when someone must be contacted could be introduced. • Lawyers who cannot find the person to whom trust account money is owed sometimes pay funds to IR as UCM. • The use of a formal letter to contact a customer may be less effective than another form of communication (e.g. email, etc). • Customers occasionally approach Banks seeking unclaimed money after it has been transferred to IR. • It is not clear how the Act applies to PIE funds held in units rather than currency. • An education campaign should be considered to inform the public of UCM.

In Confidence

Office of the Minister of Revenue

Chair Cabinet Economic Development Committee

REVIEW OF UNCLAIMED MONEY SCHEME: POLICY APPROVAL AND RELEASE OF SUPPLEMENTARY ORDER PAPER

Proposal

1. This paper seeks the agreement of the Cabinet Economic Development Committee (DEV) to policy proposals to modernise the administration of the Unclaimed Money Act. It also seeks approval for the release of a Supplementary Order Paper (SOP) to the Taxation (Annual Rates for 2020–21, Feasibility Expenditure, and Remedial Matters) Bill (Bill) to give effect to these proposals. This Bill is scheduled to be enacted in March 2021.

Executive Summary

2. Issues with the administration and transfer of unclaimed money (UCM) have led to the formulation of proposals designed to modernise the administration of the Unclaimed Money Act 1971 (the Act).
3. Many of these issues arise from obsolete administrative practices (e.g. a requirement for a holder of UCM to hold a physical register of unclaimed money at its head office).
4. Inland Revenue's (IR) Business Transformation project offers the opportunity to update both the Act and the underlying UCM process.
5. In recent months, my officials have met with key stakeholders (e.g. private sector UCM holders such as banks) to gauge their response and reaction to the proposals and these have helped form the recommendations.
6. The key recommendations to modernise administration are:
 - 6.1. redefining UCM to ensure its definition is wide enough to deal with new financial products that are similar to savings accounts and term deposits (e.g. Portfolio Investment Entities such as cash-PIEs);
 - 6.2. reducing the period which must elapse before money is deemed UCM from six or 25 years (depending on the product category) to five years for all categories of UCM;
 - 6.3. allowing UCM to be transferred to IR immediately upon being classified as UCM;
 - 6.4. removing the requirement for UCM holders to maintain a physical register of UCM at their head office or place of business;

- 6.5. introducing a 60-year time bar on prospective claimants' ability to claim UCM;
 - 6.6. designating the Act as an "Inland Revenue Act" to allow better matching to locate claimants; and
 - 6.7. requiring UCM holders to provide information and UCM to Inland Revenue electronically and in a standard format.
7. Other less significant recommendations include requiring UCM holders to provide better information, such as IRD numbers, than is currently required. This will improve IR's ability to match owners with their UCM.
 8. The estimated overall fiscal impact, if any, of the changes is expected to be small and may even be positive due to the introduction of a time bar on the ability of claimants to claim UCM. This means that amounts of UCM in the Crown account will not need to be held as a contingent liability.

Legislative Implications

9. I propose that these changes be included in a SOP to the Bill. I seek the Committee's approval to release the SOP following Cabinet's consideration of this paper.

Policy Items

10. The Act is based on administrative practice and principles which date from the 1970s, when the Act was last substantially revised. This resulted in a focus on the use of physical record keeping which is now out of step with modern administrative practice. The UCM system requires holders of UCM such as banks to transfer money held by them which has remained unclaimed by the owner after a certain period of time.
11. IR's Business Transformation Release 5 (BT 5) will see the UCM integrated into IR's START computer system. This represents an opportunity to review current administrative practice and reduce administrative and compliance costs. As at November 2019, IR's UCM database had a total value of approximately \$199 million (including amounts from KiwiSaver). In the period 1 November 2018 to 30 November 2019, IR received payments of approximately \$13.1 million in UCM from UCM holders and returned approximately \$2.4 million to UCM owners¹.
12. Consultation began with the release of the document *Unclaimed money: A tax policy consultation document* ("Consultation Paper") in January 2020. IR received 17 submissions on the consultation paper. Submissions were received from accounting and law firms, associations and organisations. Submitters provided their submissions in writing, via email or chose to meet with officials and discuss the proposals in person.

¹ KiwiSaver contributions that cannot be allocated or attributed to a member are treated as unclaimed money and subject to the Unclaimed Money Act 1971.

Expanding the definition of UCM

13. The current definition of UCM in the Act is focused on various categories of UCM. However, this does not capture new financial products such as, for example, units held in PIEs. I propose that the definition of UCM be expanded to include new categories of banking products that are similar to term deposits.

Amending the definition of UCM to allow for "account activity"

14. Under the current Act, the absence of a deposit or withdrawal for a six- or 25-year period is generally required. However, submitters commented that it was not unusual for account holders to monitor their account (via online banking, for example) and thereby engage with their deposits without necessarily altering the balance of their account.
15. I therefore propose that the definition of UCM be amended to provide that the presence of account activity, broadly defined, will not cause money to become unclaimed.

Consolidating the existing timeframes before money is deemed unclaimed

16. Some submitters felt the existing six or 25-year period before money was treated as UCM was unduly lengthy. I agree and propose that the standard period applying to all money be set at five (5) years. However, this would not affect money which has been deposited for a term longer than five years. This means that a term deposit of 10 years would not become UCM until 5 years after it had reached maturity, if there is no activity.

Payment of money to IR prior to it becoming UCM

17. Where remediation work is undertaken by service providers, it may be discovered that a former client has been overcharged or has overpaid for services provided. Where it is impossible to locate the former client, little would seem to be gained by the UCM holder retaining the funds for the duration of the deeming period. I therefore propose that, in such circumstances, UCM holders be permitted to transfer the funds to IR before they become unclaimed money provided the UCM holder has made reasonable efforts to contact the owner.

Removing the requirement for UCM holders to hold UCM for an extended period after the funds become UCM

18. Under the current Act, once money has been deemed UCM, UCM holders may end up holding UCM for over 12 months before transferring it to IR. Submitters' feedback was generally that this period could be reduced.
19. I propose that UCM holders be permitted to transfer UCM to IR immediately upon it qualifying as UCM, provided that reasonable efforts have been made to contact the UCM owner over the intervening period. Where reasonable efforts have not been made to contact the owner, the UCM holder should retain the funds for an additional three-month period during which the holder must seek to contact the UCM owner before transferring the UCM to IR.

Remove the requirement for UCM holders to provide occupation information for owners of UCM

20. Currently, the Act requires UCM holders to provide IR with the occupation of owners of UCM. Instead, I propose that UCM holders be required to provide IR with other, more useful information (e.g. IRD numbers, date of birth and contact details), where such

information is collected by UCM holders in the ordinary course of their business (IR would still accept occupation information if available and provided, however).

Remove the requirement for UCM holders to hold a physical register of UCM at their head offices

21. The Act currently requires UCM holders to maintain a physical register of UCM at their head office. As an outdated practice, I propose that this requirement be removed.

Making less detailed information publicly available on a register

22. Currently, the Act requires UCM holders to make details of the UCM which they hold publicly available for inspection. I propose that this requirement be abolished, both for privacy reasons and to reduce the risk of fraudulent claims.

Amending the current \$100 threshold for UCM to permit smaller amounts to be transferred

23. Currently, the Act provides that only amounts over \$100 may qualify as UCM (although IR, will as a matter of operational practice, often accept smaller amounts where these are provided by UCM holders).
24. I propose that this threshold be retained but that it be formalised in legislation that IR will accept smaller amounts where these are paid to Inland Revenue as unclaimed money.

Introduce a time bar on claiming UCM

25. There is currently no time bar on the ability of a prospective claimant to claim UCM under the Act. In order to address the current, indefinite claim period I propose that a limitation period of 60 years be placed on a prospective claimant's ability to claim UCM. This proposal may give rise to the concern that a property right (claim to one's money) is being removed. However, a time bar reflects what is happening in practice that after a lengthy period UCM is not claimed.
26. This will result in UCM not being accounted for as a contingent liability in the Government's accounts over time as amounts become subject to the time bar.

Defining the Act as an Inland Revenue Act under the Tax Administration Act 1994

27. While the Act is administered by IR, it is not listed among the revenue Acts contained within Schedule 1 of the Tax Administration Act 1994. This inhibits IR's ability to use existing tax information to match owners of UCM with their money.
28. However, a number of parts of the Tax Administration Act 1994 should not apply to UCM due to UCM not being a tax debt. Specifically, parts 4A (Disputes), 7 (Penalties) and 8 (Interest) should not apply to UCM.
29. I propose to define the Act as an Inland Revenue Act in order to better facilitate the matching of owners of UCM with their money and exclude UCM from parts 4A (Disputes), 7 (Penalties) and 8 (Interest) of the Tax Administration Act 1994.

Clarifying that the UCM Act does not apply to money covered by the Public Finance Act 1989

30. To avoid confusion, I propose that it be clarified that unclaimed money covered by the Public Finance Act 1989 does not come within the UCM regime.

Requiring UCM holders to provide UCM information and funds to IR electronically and in a standard format

31. I propose that the Act be amended to require UCM holders to provide information and UCM electronically and in a standard format.

Transitional Period

32. I propose that a transitional period be included within the Act to allow holders sufficient time to transition to the new rules and account for funds that were held for the longer 25-year period to the new shorter 5-year period.

Application Date

33. Officials recommend an application date following the date of Royal assent.

Legislative Vehicle

34. Subject to the Committee's approval of the policy proposals, I also seek approval for me to release a Supplementary Order Paper (SOP) to the Taxation (Annual Rates for 2020–21, Feasibility Expenditure, and Remedial Matters) Bill (Bill) to give effect to these proposals. I intend to invite the Finance and Expenditure Committee to consider and include the SOP's proposals in the Bill. This will provide an opportunity to call for submissions on the proposals in the SOP.

Impact Analysis

35. A Regulatory Impact Assessment (RIA) for the Reform of the Unclaimed Money Act 1971 was prepared and submitted to Cabinet at the time the approval for this policy was sought. The Quality Assurance reviewer at Inland Revenue has reviewed the RIA prepared by Inland Revenue and considers that the information and analysis summarised in the RIA meets the quality assurance criteria.

Compliance

36. The proposed SOP complies with:
- 36.1. the principles of the Treaty of Waitangi;
 - 36.2. the rights and freedoms contained in the New Zealand Bill of Rights Act 1990;
 - 36.3. principles and guidelines set out in the Privacy Act 1993;
 - 36.4. relevant international standards and obligations; and
 - 36.5. the [Legislation Guidelines](#) (2018 edition), which are maintained by the Legislation Design and Advisory Committee.

Consultation

Relevant government departments or other public bodies

37. The Treasury and the Office of the Privacy Commissioner were consulted on the proposed reforms to the Unclaimed Money Act 1971.

38. The Ministry for the Environment has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

Relevant private sector organisations and public consultation processes

39. Officials have undertaken consultation with key stakeholders on the proposed reforms to the Unclaimed Money Act 1971. These stakeholders include the Corporate Taxpayers' Group, Chartered Accountants Australia & New Zealand (CA ANZ) and the New Zealand Law Society.

Binding on the Crown

40. The Unclaimed Money Act 1971 is binding on the Crown. The SOP does not alter the status quo in this respect.

Creating new agencies or amending law relating to existing agencies

41. The SOP will not create a new agency.
42. The SOP will not amend the existing coverage of the Ombudsman Act 1975, the Official Information Act 1982, or the Local Government Official Information and Meetings Act 1987.

Allocation of decision-making powers

43. The SOP does not involve the allocation of decision-making powers between the executive, the courts, and tribunals.

Associated regulations

44. No regulations are required to bring the proposed legislation into operation.

Other instruments

45. The SOP does not include provisions empowering the making of their instruments that are deemed to be legislative instruments or disallowable instruments (or both).

Definition of Minister/department

46. The SOP does not contain a definition of Minister, department or chief executive.

Commencement of legislation

47. Each provision of the SOP comes into force on the date specified for the particular provision.

Legislative implications

48. Implementing these proposals requires changes to the Unclaimed Money Act 1971 and the Tax Administration Act 1994.

Human rights

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

Gender and disability implications

50. The proposals do not have gender or disability implications.

Publicity

51. I will make an announcement on the contents of the SOP when the SOP is released. Inland Revenue will include details of the new legislation in a *Tax Information Bulletin* after the Bill is enacted.

Proactive release

52. I propose to proactively release this Cabinet paper and associated minutes and the relevant policy report in whole within 30 working days of Cabinet making final decisions, subject to redactions under the Official Information Act 1982.

Recommendations

53. I recommend that the Cabinet Economic Development Committee
1. **Agree** that:
 - 1.1. The definition of UCM be amended to ensure it is wide enough to cover new financial products such as PIEs and to make the definition clearer.
 - 1.2. The forms of account "activity" which would prevent money being deemed UCM be expanded to include new forms of activity (e.g. online activity).
 - 1.3. The period which must elapse before money is deemed unclaimed be reduced from six or 25-years (depending on the UCM category) to five (5) years for all categories of UCM.
 - 1.4. UCM holders be permitted, in limited circumstances (e.g. as part of a financial remediation process) to transfer money to IR before it is deemed UCM provided reasonable efforts have been made to contact the owner.
 - 1.5. That UCM can be transferred to IR immediately upon being classified as UCM, provided that reasonable efforts have been made to contact the UCM owner over the intervening period. Where reasonable efforts have not been made to contact the owner, the UCM holder should retain the funds for an additional three-month period during which the holder must seek to contact the UCM owner before transferring the UCM to IR.
 - 1.6. The requirement for UCM holders to provide occupation information with UCM be removed and instead allow UCM holders to provide IR with other identifying information (e.g. IRD numbers, date of birth and contact details) collected in the ordinary course of their business (IR would still accept occupation information if available and provided, however).
 - 1.7. UCM holders be no longer required to maintain a physical register of UCM at their head office or place of business.

- 1.8. UCM holders no longer be required to make information relating to the UCM which they hold available to the public.
 - 1.9. The current UCM threshold at \$100 be retained, while also permitting the Commissioner the discretion to accept smaller amounts if necessary.
 - 1.10. A 60-year time bar be introduced on the ability to claim UCM.
 - 1.11. The Unclaimed Money Act 1971 be listed within Schedule 1 of the Tax Administration Act 1994 in order to define it as an "Inland Revenue" Act.
 - 1.12. Parts 4A (Disputes), 7 (Penalties) and 8 (Interest) of the Tax Administration Act 1994 be excluded from applying to UCM.
 - 1.13. The Act be clarified so that it does not apply to unclaimed money covered by the Public Finance Act 1989.
 - 1.14. UCM holders be required to provide information and UCM to Inland Revenue electronically and in a standard format.
 - 1.15. UCM holders be allowed a transitional period to transition to the recommendations in (1.1) – (1.14)
2. **Delegate** authority to the Minister of Revenue to make decisions on the detailed design of the proposals recommended in this paper and, in consultation with the Minister of Finance and the Leader of the House, to release a Supplementary Order Paper (SOP) to the Taxation (Annual Rates for 2020–21, Feasibility Expenditure, and Remedial Matters) Bill (Bill) containing these proposals as soon as practicable.
 3. **Note** that the Minister of Revenue will invite the Finance and Expenditure Committee to consider the SOP and include its proposals in the Bill.
 4. **Note** that I will make a public announcement as part of the release of the SOP.

Authorised for lodgement

Hon Stuart Nash
Minister of Revenue

Impact Summary: Review of Unclaimed Money Act

Section 1: General information

Purpose

Inland Revenue is solely responsible for the analysis and advice set out in this Regulatory Impact Assessment, except as otherwise explicitly indicated. This analysis and advice has been produced for the purpose of final decisions be taken by Cabinet.

Key Limitations or Constraints on Analysis

Timing

To maximise the administrative efficiencies of the proposals, the implementation of changes needs to align with Inland Revenue's Business Transformation Release 5. This is currently scheduled to take place in April 2021.

However, this time constraint has not materially affected officials' ability to undertake consultation or provide the Minister with appropriate advice on the merits of the proposals.

Scope of review

The scope of the review of the Unclaimed Money Act 1971 focused on modernising the administration of the UCM system. Because of time constraints to ensure that any legislative changes were enacted to coincide with the deployment of BT release 5, the review did not undertake a first principles review of the scope of the Act including the holders and unclaimed money that could be covered by the Act. There are a number of pieces of legislation that cover unclaimed money and assets and the review did not consider the consolidation of this legislation.

Responsible Manager (signature and date):



Mike Nutsford
Policy Lead
Policy and Strategy
Inland Revenue
24 April 2020

To be completed by quality assurers:

Quality Assurance Reviewing Agency:

Inland Revenue

Quality Assurance Assessment:

The Quality Assurance reviewer at Inland Revenue has reviewed the *Review of Unclaimed Money Act* Regulatory Impact Assessment prepared by Inland Revenue, and considers that the information and analysis summarised in the Regulatory Impact Assessment meets the quality assurance criteria.

This RIA considers a large number of small changes to the unclaimed money rules to improve its overall efficiency. In comparison with a RIA that considers a single or small number of larger changes, this makes it practically difficult for the pros and cons of individual changes to be fully explained. The RIA provides a good explanation of why the changes should proceed and we consider the summarised detail on the individual proposals does not subtract from the overall conclusions reached.

Reviewer Comments and Recommendations:

The reviewer's comments on earlier versions of the Regulatory Impact Assessment have been incorporated into the final version.

Section 2: Problem definition and objectives

2.1 What is the policy problem or opportunity?

As part of Inland Revenue's business transformation (BT) programme, the administration of the Unclaimed Money Act 1971 will be integrated into our new technology platform (START). This is currently scheduled to take place in April 2021. Currently UCM is administered as a stand-alone product using paper based and spread-sheet information provided by a holder of UCM. Inland Revenue is unable to use information it holds as part of administering the tax and social policy system to assist in identifying owners of unclaimed money.

Our BT programme provides an opportunity to review the administration of the UCM system to modernise its administration to reduce compliance costs for holders of UCM and administration costs for Inland Revenue. The Act has not been reviewed since it was enacted in 1971 and that Act was very much based on the original 1908 Act.

Unclaimed money ("UCM") is the term applied to money subject to the regime established by the Unclaimed Money Act 1971 (the Act). Most often, this takes the form of deposits which have been left untouched by their owner in their bank accounts for some years, or even decades. UCM holders are not limited to banks, however, as UCM can arise in a variety of contexts and among other service providers (e.g. real estate agents, lawyers and utility providers) whose role is often to hold monies on trust. KiwiSaver contributions held by Inland Revenue that cannot be allocated to a KiwiSaver scheme or member are also treated as unclaimed money.

Eventually, in situations in which contact with the depositor is lost, these amounts become "unclaimed" and are transferred to Inland Revenue ("IR"). Such amounts are deposited into the Crown's bank account and can be used by the Crown. UCM is a contingent liability in the Crown's accounts. The Crown does not pay interest on UCM when it is paid out to its owner. As at November 2019, IR's UCM database had a total value of approximately \$199m (including amounts from KiwiSaver). In the period 1 November 2018 to 30 November 2019, IR received approximately \$13 million in transfers of UCM from UCM holders. IR then seeks to locate the owners of UCM, and makes information available so owners can contact IR, so their money can be returned to them. This is the regime's ultimate aim: the reunification of UCM owners with their money. In the period 1 November 2018 to 30 November 2019 IR returned approximately \$2.4 million to UCM owners.

However, aspects of the UCM regime have either become outdated or do not accommodate technological developments which have occurred since the enactment of the Act. This has resulted in the Act not meeting its policy objective of efficiently reuniting owners of UCM with their money. For example:

- The current definition of UCM within the Act does not take account of new financial products that are very similar to products currently covered by the Act. For example, cash-PIEs which are similar to a term deposit.
- The Act currently applies different "deeming" periods (i.e. the period which must elapse before money becomes UCM) to money based on its "product" category. For example, a deposit made for a fixed term and a deposit made for an unlimited term will be subject to different qualifying periods. The deeming period in the former case is six years, while in the latter case, it is 25 years. Other examples of such product distinctions can also be found within the Act. These product distinctions are somewhat artificial and relevant timeframes lengthy.

- In some cases, for the relevant deeming period to have expired on a deposit, the owner must not have operated on the account for the relevant period, by “deposit, withdrawal or instruction in writing”. This does not account for new forms of activity developed since the Act’s enactment such as telephone or internet banking. Accordingly, it is possible that some amounts of money may become UCM notwithstanding their owners taking an active interest in their administration.
- The Act currently requires a holder of UCM to keep a physical register of the UCM which has accrued in the current year, and to make this register available for inspection by the public. As modern data storage is largely digital, maintenance of a physical register does not take advantage of new technological developments, thereby imposing compliance costs on UCM holders. This requirement also raises privacy issues, as the physical register is required to record, among other things, the name, occupation and last known address of the owner.
- Once money has become UCM, UCM holders may end up holding it for almost months as they proceed through a somewhat convoluted statutory process. This in summary requires a holder of UCM to:
 - maintain a register of money which has become unclaimed in the period 1 June of the preceding year to 31 May of the current year (and to make this register available for inspection by the public);
 - by the end of June in the current year, write to the UCM owner’s last known address, and provide the particulars of money which has become UCM;
 - by the end of September in the current year, provide the Commissioner with a copy of the register of the money which has become UCM in the current year (the UCM holder must also advise the Commissioner of any amounts which have been paid to the owner since the end of June in the current year) and
 - by the end of October each year, pay any UCM which has been left unclaimed to the Commissioner.
- This process is both lengthy and administratively taxing for UCM holders. It also does not envisage new methods of information transfer (e.g. electronic data transmission in an agreed format).
- While UCM holders are required to provide IR with the occupation information of UCM owners, there is no requirement to provide any other information which they may hold (e.g. IRD numbers, date of birth and contact details such email address and the like) and which may be more helpful in locating owners of UCM.
- UCM holders are currently unable to transfer money to IR before the deeming period has expired. This would be beneficial in limited circumstances (e.g. as part of a routine remediation process). This means that UCM owners end up waiting much longer than is necessary for IR to have the opportunity to reunite them with their money.

- The Act is currently not listed as a revenue Act in Schedule 1 of the Tax Administration Act 1994. This means that IR is unable to use existing tax information to facilitate the more efficient matching of owners with their UCM.
- Currently, there is no limitation (or “time bar”) on the period during which UCM may be claimed by a prospective claimant from Inland Revenue. This means that there is an ongoing contingent liability on the part of the Crown for all UCM currently held. The reasoning for removing is as follows:
 - Installing a time bar recognises that there is a point in time beyond which owners are unlikely to ever make a claim for UCM. This reflects a judgment that the probably of an owner claiming UCM eventually becomes extremely remote. This makes retaining UCM as a contingent liability on the Crown’s accounts indefinitely impractical as there comes a point at which the liability ceases, for practical purposes, to exist;
 - From a cost-benefit perspective, it could be said that the cost and duties imposed on regulators (and regulated parties) outweigh the benefits to individual owners of UCM

2.2 Who is affected and how?

UCM holders

As noted in the examples above, UCM holders bear administrative costs in the form of outdated information collection and storage requirements. UCM holders are unable to take advantage of new methods of communication (e.g. email) when seeking to contact owners of UCM or transferring information to IR.

UCM owners

Owners of UCM are affected by the administrative requirements of the current regime which does not optimise their chances of being reunited with their money. The lengthy “deeming” period and requirement to use traditional methods of contact (i.e. post) means that some owners may miss out on being returned their UCM. The inability of IR to use existing tax data to match owners of UCM with their money makes IR’s matching processes less than optimal.

Inland Revenue

Under the Act, IR is required to receive physical copies of UCM records kept by UCM holders. It also unable to use existing tax data to match owners of UCM with their money, which presents a source of administrative inefficiency and increased cost.

2.3 What are the objectives sought in relation to the identified problem?

The objectives of the proposals are to:

- modernise and update the Act to take advantage of new administrative practice;
- reduce compliance costs for holders and owners of UCM;
- reduce administrative costs for IR; and
- increase the likelihood of owners of UCM being reunited with their money (and more rapidly than is presently the case).

Section 3: Options identification

3.1 What options have been considered?

The following criteria were used to assess the options considered:

- *Compliance*: compliance costs should be minimised as far as possible.
- *Administration*: administrative costs should be minimised as far as possible.
- *Equity*: the option should ensure that UCM owners are, so far as possible, being reunited with their money.
- *Sustainability*: the option should be consistent with wider financial practice settings and utilise modern communication practices.

Option One: Maintain the status quo

Compliance: The cost of collating UCM and dispatching letters to the last known addresses of its owners can be costly for UCM holders both in time and in the resources required.

Administration: The status quo requires IR to use its resources less than optimally by attempting to match UCM with its owners using information which may be limited or outdated.

Equity: Some owners of UCM are not being reunited with their money due to a lack of information. Another factor is the inability of IR to reconcile information collected from UCM holders with current tax data held by Inland Revenue.

Sustainability: The current UCM regime settings were doubtless intended to promote best administrative practice when originally enacted, but now pose a burden for UCM holders who are required to undertake a process which is no longer in keeping with current business practice.

Option two: Administrative refinements and reforms

Option two would use the opportunity created by Business Transformation Release 5 (“BT 5”) to update the Act and modernise the UCM regime. BT 5 is the final step in the modernisation of IR’s computer systems. The proposals which address the issues noted above by making the following changes to the administration of the UCM Act:

- The definition of unclaimed money could be refined to ensure it is wide enough to deal with new financial products such as cash-PIEs and to make the definition clearer.
- The “qualifying” or “deeming” period which must elapse before money is deemed unclaimed could be reduced from six or 25 years (depending on the UCM category) to five years for all UCM categories. (This would not, however, encompass deposits made for a term of five years or more, as the “deeming period” would not begin until the deposit reached maturity).
- The definition of unclaimed money should be amended to allow new forms of activity on an account (e.g. online activity) to prevent an amount of money being deemed UCM.
- UCM holders could in limited circumstances (e.g. where a service provider seeks to refund money to a former client who cannot be located as part of a

remediation process), be permitted to transfer money to Inland Revenue *before* the requisite period for deeming unclaimed money has elapsed.

- UCM could be able to be transferred to Inland Revenue immediately upon being classified as unclaimed money, provided that reasonable efforts have been made to contact the UCM owner over the intervening period. Where reasonable efforts have not been made to contact the owner, the UCM holder should retain the funds for an additional three-month period during which the holder must seek to contact the UCM owner before transferring the UCM to IR.
- The requirement for UCM holders to maintain a physical register of UCM at their head office or place of business could be removed. As UCM could be paid to IR immediately upon qualifying as such, record keeping requirements could be limited to retention of a record evidencing the *transfer* of the UCM to IR, for seven years.
- The requirement for UCM holders to provide occupation information could be removed. Instead, UCM holders should provide IR with other identifying information (e.g., IRD numbers, date of birth and contact details) where collected in the ordinary course of their business (IR would still accept occupation information if available and provided, however).
- The UCM threshold should be retained where it is presently (i.e., \$100), while also giving the Commissioner the discretion to accept smaller amounts if necessary.
- A 60-year time bar on a prospective claimant's ability to claim UCM would be introduced. A prospective claimant would have 60 years within which to claim money to which they are entitled from IR. This will allow the Crown to gradually remove¹ its contingent liability for UCM at the end of a sufficiently long period to enable claimants to access those funds. As mentioned above, this a judgment that the probably of an owner claiming UCM becomes extremely remote. Retaining UCM as a contingent liability on the Crown's accounts indefinitely is impractical Compared to the status quo the introduction of time bar removes a property right in that if the money is not claimed within the 60 year period, it will become the Crown's money.
- The Unclaimed Money Act 1971 would be listed within Schedule 1 of the Tax Administration Act 1994 in order to define it as an "Inland Revenue" Act. The application of Parts 4A (Disputes), 7 (Penalties) and 8 (Interest) of the Tax Administration Act would be excluded as they are not applicable to UCM. This would allow IR to use its existing tax data to more efficiently match owners of UCM with their money. It is not intended that UCM be permitted to offset tax debts.
- It could be clarified that the Act does not apply to unclaimed money covered by the Public Finance Act 1989. This is in order to remove any confusion created by the UCM regime for organisations such as the Public Trust, which operate under the Public Finance Act 1989. While money covered by the Public Finance Act 1989 does not fall within jurisdiction of the Unclaimed Money Act 1971, there is potential for UCM holders to be confused as to which regime applies to the UCM which they hold.

¹ This time bar would apply only to UCM after the application of the new rules so the time bar would never apply to existing UCM. As a consequence the contingent liability for existing UCM would never be removed unless the money was claimed.

- UCM holders could be required to provide information and UCM to Inland Revenue electronically and in a standard format.

Administration: the option proposed above would increase administrative efficiency and reduce administrative costs.

Compliance: the changes above would reduce ongoing compliance costs for holders of UCM overall. However, the requirement to provide information to IR in a standard format may result in an increase in upfront compliance costs for some holders of UCM to comply with the new requirements, although this should be mitigated through ongoing consultation and dialogue with stakeholders in the legislative design process.

Equity: the additional information received from accounts holders and new ability to use existing tax data will assist IR in matching owners of UCM with their money, and more rapidly than is presently the case.

Sustainability: This option enhances the current UCM administrative settings. Implementing all the above changes as a “package” would maximise efficiency and compliance cost reduction.

This approach is compatible with the Government’s *Expectations for the design of regulatory systems*.

3.2 Which of these options is the proposed approach?

Option Two is officials’ preferred option. This option addresses the issues outlined in section 2.1 above by updating the UCM Act to take advantage of technological developments in data storage and transmission. It reduces compliance costs for UCM holders by removing many outdated administrative requirements and allows for the faster transfer of money to IR. It also reduces administrative costs for IR by allowing it to use existing tax data to match owners of UCM with their money. In this way, owners of UCM are more likely to be reunited with their money, and more quickly.

Section 4: Impact Analysis (Proposed approach)

4.1 Summary table of costs and benefits

Affected parties <i>(identify)</i>	Comment: nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks	Impact <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts</i>
--	---	---

Additional costs of proposed approach, compared to taking no action

Regulated parties <i>(holders of UCM)</i>	Minor costs in form of UCM holders being required to update their systems in order to account for changes to the existing UCM regime. There may also be some small costs for UCM holders in being required to supply information in a standard format. Officials will continue to consult with stakeholders in order to keep these costs to a minimum and ensure that stakeholders have sufficient time to upgrade their systems.	Low
Regulators <i>(Inland Revenue)</i>	IR will bear some cost in amending its systems to incorporate the changes required by the proposals. These system changes and the associated cost will be undertaken as part of Inland Revenue's BT release 5 deployment and will not require additional funding.	Low/Med
Wider government	None	None
Other parties	None	None
Total Monetised Cost		None
Non-monetised costs		Low

Expected benefits of proposed approach, compared to taking no action

Regulated parties	Compliance cost savings for UCM holders who are who will no longer be required to conform to a range of outdated regulatory requirements.	Low/Med
Regulators <i>(Inland Revenue)</i>	Cost savings arising from operating a simplified regime.	Low
Wider government	None	None
UCM Owners	Compliance cost savings for owners of UCM who will have an increased chance of being reunited with their money, and of receiving it more rapidly.	Med

Total Monetised Benefit	None	None
Non-monetised benefits	Reduced compliance costs for UCM holders and administrative benefits for Inland Revenue.	Med

4.2 What other impacts is this approach likely to have?

While the purpose of the change is to improve the efficiency of Inland Revenue's administration and reduce compliance costs for holders and claimants, there is a risk that deposit takers may not prioritise efforts to reunite monies with beneficial owners by instead relying on Inland Revenue to fulfil the role of the Act. Officials consider this risk is low as industry regulations on deposit takers generally impose certain duties and obligations in respect of taking that deposit.

Section 5: Stakeholder views

5.1 What do stakeholders think about the problem and the proposed solution?

Consultation with stakeholders occurred following the release of IR's consultation document *Unclaimed money: A tax policy consultation document* on the public tax policy website in January 2020.

Officials either met with (or received submissions from) 16 individuals, organisations or businesses. These included Business New Zealand, the New Zealand Law Society, the New Zealand Bankers' Association and the Office of the Privacy Commissioner.

Stakeholders were generally supportive of the proposals, but eager for consultation to continue on matters that could present compliance costs (e.g. movement toward a new definition of UCM and standard format for the supply of information, etc). Stakeholders also sought sufficient time to allow them to transition their systems to the new regime.

Some minor changes to the proposals have occurred following consultation. These include:

- Clarifying that the Unclaimed Money Act 1971 will not apply to money covered by the Public Finance Act 1989;
- formalising IR's ability to accept smaller amounts of money (which fall below the current, \$100 threshold); and
- allowing UCM holders to, in limited circumstances, transfer money to IR *before* it becomes UCM.

These changes have been developed in response to information gathered in the course of consultation.

Section 6: Implementation and operation

6.1 How will the new arrangements be given effect?

It is intended that the preferred option be included as a Supplementary Order Paper (“SOP”) to the Taxation (Annual Rates for 2020-21, Feasibility Expenditure, and Remedial Matters) Bill (“Bill”). The SOP would be referred to the Finance and Expenditure Committee for their consideration and calling of submissions on the proposed law changes, if the Committee so decides.

Inland Revenue will be responsible for the operation of this preferred option, which will form part of its business as usual function.

It is proposed that compliance with legislative reforms become compulsory two years after the enactment of the Bill. However, the Bill will provide for a transitional period to allow UCM holders to transition to the new rules.

This transition period is necessary to allow stakeholders sufficient time to incorporate the necessary changes into their systems and gradually account for UCM where the time period reduces through the changes noted above.

Section 7: Monitoring, evaluation and review

7.1 How will the impact of the new arrangements be monitored?

Inland Revenue would monitor the effectiveness of the proposed reforms to the UCM legislation on an ongoing basis. In the event IR should identify any issues in the operation of the new regime, IR would undertake a review of the legislation in order to assess whether further amendments or reforms may be required.

7.2 When and how will the new arrangements be reviewed?

Officials will be kept apprised of operational developments as they arise by the IR team responsible for operating the UCM regime and for liaising with UCM claimants. Officials will also maintain contact with the IR team responsible for implementing the systems changes necessary as part of BT5, who will also keep officials updated of developments.



Cabinet Economic Development Committee

Minute of Decision

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.

Review of Unclaimed Money Scheme: Policy Approval and Release of Supplementary Order Paper

Portfolio **Revenue**

On 27 May 2020, the Cabinet Economic Development Committee:

- 1 **noted** that a number of issues have been identified with the administration and transfer of unclaimed money (UCM) under the Unclaimed Money Act 1971 (the Act);
- 2 **agreed** that:
 - 2.1 the definition of UCM be amended to ensure it is wide enough to cover new financial products, such as portfolio investment entities (PIEs), and to make the definition clearer;
 - 2.2 the forms of account ‘activity’ that would prevent money being deemed UCM be expanded to include new forms of activity (e.g. online activity);
 - 2.3 the period that must elapse before money is deemed unclaimed be reduced from six or 25-years (depending on the UCM category) to five years for all categories of UCM;
 - 2.4 UCM holders be permitted, in limited circumstances (e.g. as part of a financial remediation process) to transfer money to Inland Revenue before it is deemed UCM provided reasonable efforts have been made to contact the owner;
 - 2.5 that UCM can be transferred to Inland Revenue immediately upon being classified as UCM, provided that reasonable efforts have been made to contact the UCM owner over the intervening period. Where reasonable efforts have not been made to contact the owner, the UCM holder should retain the funds for an additional three-month period, during which the holder must seek to contact the UCM owner before transferring the UCM to Inland Revenue;
 - 2.6 the requirement for UCM holders to provide occupation information with UCM be removed, and instead allow UCM holders to provide Inland Revenue with other identifying information (e.g. IRD numbers, date of birth and contact details) collected in the ordinary course of their business (Inland Revenue would still accept occupation information if available and provided);
 - 2.7 UCM holders no longer be required to maintain a physical register of UCM at their head office or place of business;

- 2.8 UCM holders no longer be required to make information relating to the UCM that they hold available to the public;
 - 2.9 the current UCM threshold at \$100 be retained, while also permitting the Commissioner the discretion to accept smaller amounts if necessary;
 - 2.10 a 60-year time bar be introduced on the ability to claim UCM;
 - 2.11 the Act be listed within Schedule 1 of the Tax Administration Act 1994 in order to define it as an 'Inland Revenue' Act;
 - 2.12 Parts 4A (Disputes), 7 (Penalties) and 8 (Interest) of the Tax Administration Act 1994 be excluded from applying to UCM;
 - 2.13 the Act be clarified so that it does not apply to unclaimed money covered by the Public Finance Act 1989;
 - 2.14 UCM holders be required to provide information and UCM to Inland Revenue electronically and in a standard format;
 - 2.15 UCM holders be allowed a transitional period to transition to the above proposals;
- 3 **authorised** the Minister of Revenue to make decisions on the detailed design of the above proposals and, in consultation with the Minister of Finance and the Leader of the House, to release a Supplementary Order Paper (SOP) to the Taxation (Annual Rates for 2020–21, Feasibility Expenditure, and Remedial Matters) Bill (Bill) containing these proposals as soon as practicable;
- 4 **noted** that the Minister of Revenue will invite the Finance and Expenditure Committee to consider the SOP and include its proposals in the Bill.

Janine Harvey
Committee Secretary

Present:

Rt Hon Winston Peters
Hon Kelvin Davis
Hon Grant Robertson (Chair)
Hon Phil Twyford
Hon Dr Megan Woods
Hon Chris Hipkins
Hon David Parker
Hon Nanaia Mahuta
Hon Stuart Nash
Hon Jenny Salesa
Hon Damien O'Connor
Hon Kris Faafoi
Hon Shane Jones
Hon Willie Jackson
Hon James Shaw
Hon Eugenie Sage

Officials present from:

Office of the Prime Minister
Officials Committee for DEV