



## POLICY AND STRATEGY

**Tax policy report:** Direct crediting of refunds: Cabinet Legislation Committee paper

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<b>Date:</b>	17 February 2021	<b>Priority:</b>	Low
<b>Security level:</b>	In Confidence	<b>Report number:</b>	IR2021/055

### Action sought

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	Action sought	Deadline
Minister of Revenue	<b>Authorise and lodge</b> the attached Cabinet Legislation Committee paper by 11 March for consideration at LEG on 18 March	11 March 2021
Parliamentary Under-Secretary to the Minister of Revenue	For your information	N/A

### Contact for telephone discussion (if required)

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

17 February 2021

Minister of Revenue

Parliamentary Under-Secretary to the Minister of Revenue

## **Direct crediting of refunds: Cabinet Legislation Committee paper**

### **Purpose**

1. This report asks you to consider and authorise the lodgement of the attached draft Cabinet Legislation Committee ("LEG") paper. The paper seeks approval to submit an Order in Council to the Executive Council, to enable Inland Revenue to implement compulsory direct crediting to taxpayers of refunds of totalisator duty, lottery duty, casino duty, and unclaimed money.

### **Context and Background**

2. The Parliamentary Under-Secretary to the Minister of Revenue has previously agreed to implementing compulsory direct crediting of refunds of totalisator duty, lottery duty, casino duty, and unclaimed money, and for officials to instruct the Parliamentary Counsel Office ("PCO") to draft an Order in Council to give effect to the policy change (IR2021/017 refers).
3. The Tax Administration Act 1994 provides for the progressive implementation, through Orders in Council, of compulsory direct crediting for the tax types that Inland Revenue administers. Progressive implementation ensures Inland Revenue has the necessary flexibility to prepare its systems before direct crediting is implemented. It also gives taxpayers more time to provide Inland Revenue with up-to-date bank account details and (for taxpayers with complex business activities) to plan and adapt their processes. The intent is that the Commissioner of Inland Revenue will eventually be required to direct credit all refunds into taxpayers' bank accounts.
4. PCO have drafted the Tax Administration (Direct Credit of Totalisator Duty, Lottery Duty, Casino Duty, and Unclaimed Money) Order 2021 ("the Order in Council"). Officials have prepared a draft LEG paper for your consideration and (if you agree) for lodgement with the Cabinet Office by 11 March 2021 and for consideration at the LEG meeting of 18 March 2021.

### **Implementation**

5. As with other tax types such as donation tax credits, goods and services tax, and student loan deductions where refunds are required to be direct credited, an exemption will be available for taxpayers who would experience undue hardship or for circumstances where it is impracticable to refund through direct credit. An example of this is where a taxpayer does not have a New Zealand bank account, so Inland Revenue cannot direct credit any tax refunds to the taxpayer.
6. The proposed changes will have no fiscal impact. Any administrative costs of implementing the proposed change will be accommodated within existing Business Transformation programme funding.

## Consultation

7. The Treasury and the PCO have been informed of the contents of this report.

## Next steps

8. If you agree, the PCO would provide the Cabinet Office with the Order in Council.
9. If you are comfortable with the draft LEG paper, please authorise and lodge with the Cabinet Office by 10am Thursday 11 March 2021.
10. Our intention is that LEG paper be considered at the LEG meeting of 18 March 2021 and apply to refunds of these tax types 28 days after the gazetting of the Order. We have attached speaking notes for your use at LEG.
11. We recommend the Cabinet paper, and associated Order in Council, be proactively released in full shortly following the publication of the signed Order in Council in the New Zealand Gazette.

## Recommended action

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We recommend that you:

12. **Authorise** the lodgement of the attached draft Cabinet Legislation Committee paper, seeking Cabinet approval to submit an Order in Council to the Executive Council, with the Cabinet Office by 11 March 2021.

Authorised

**Mike Nutsford**  
Policy Lead  
Policy and Strategy

**Hon David Parker**  
Minister of Revenue  
/ /2021

**Dr Deborah Russell**  
Parliamentary Under-Secretary to the  
Minister of Revenue  
/ /2021