Inland Revenue
Te Tari Taake

Business Transformation

Inland Revenue

Business Transformation Programme

Business Solution Blueprint – Core Tax and Social Policy

Senior Responsible Owner:

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About this Document

This deliverable defines the High Level Design for the Core Tax and Social Policy (CTS) component of the Business Transformation (BT) Programme through:

- Establishing the context for the Core Tax and Social Policy business solution architecture
- Providing an overview of the end state solution for Core Tax and Social Policy
- Defining the Level 3 processes which are applicable for the Core Tax and Social Policy business solution architecture
- Defining the Application and Information Architecture associated with the Core Tax and Social Policy business solution architecture.

This deliverable will be an input into the BT Programme's Detailed Design phase for Core Tax and Social Policy.

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Document Signoff

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The following people have supported the development of this document:			
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• BT - Customer Experience • BT - Data • BT - End to End Solutions • BT - Enterprise Architecture • BT - ICT • BT - Intelligence • BT - Investigations & Advice • BT - Organisational Change • BT - Policy • BT - Service Delivery • Bus Planning and Integration • Business Owners • Business Planning & Integration • Business Priority Management • Business Transformation • Capability Planning & Relationship Management • Change & Investment Analysis • Child Support • Collections • Community Compliance • Corporate Risk and Assurance • Cross Agency - BPS • Customer Strategy • Data Business Owners Forum • Events and Support • External Provider Relationships • ICT - Strategy & Innovation • Information Systems BOF • Interactional • Interactional - Contact Management • Investigations & Advice • LE - Non Resident Contractors • Large Enterprise • Technical and Architecture • Transactional • National Research and Evaluation Unit • Organisational Change • Performance and Optimisation • Process Business Owners Forum (BOF) • Policy • Returns Event Delivery • Risk and Assurance • SD&I Business Rules • SDLU • Solicitor			

Formal Review Area	Name	Signature	Date
• Strategic and Exec Support Service			
The following people and groups have been informed of the development and completion of this document: • Process Business Owners Forum (BOF) • Analytics and Information BOF • Analytics and Insights BOF • Information Systems BOF			

Contents

1 Executive Summary

The Business Solution Blueprint will define the highest order articulation of what the Business Transformation (BT) Programme delivers. It is a business-led high level view of the Programme that spans change enablement, customer experience, policy, business process, application and technology.

This Executive Summary will discuss the fundamental characteristics of the Core Tax and Social Policy (CTS) business solution architecture that Inland Revenue (IR) will need to realise the vision for transformation, providing a succinct summary of the future state. This section will also include an overview of the impact this future state will have on IR's customers, business partners and staff.

Finally, this Executive Summary shows how to navigate the comprehensive Blueprint to find additional detail in areas of specific interest.

1.1 Foundation of the Future-State

The future state Core Tax and Social Policy architecture will enable delivery of changes necessary to transform IR into an organisation that has flexibility to change to meet future needs, cheaper for the government to run and supports simplicity, efficiency and predictability for customers. At a high level, the changes from current state to future will be realised through four architectural characteristic, outlined below.

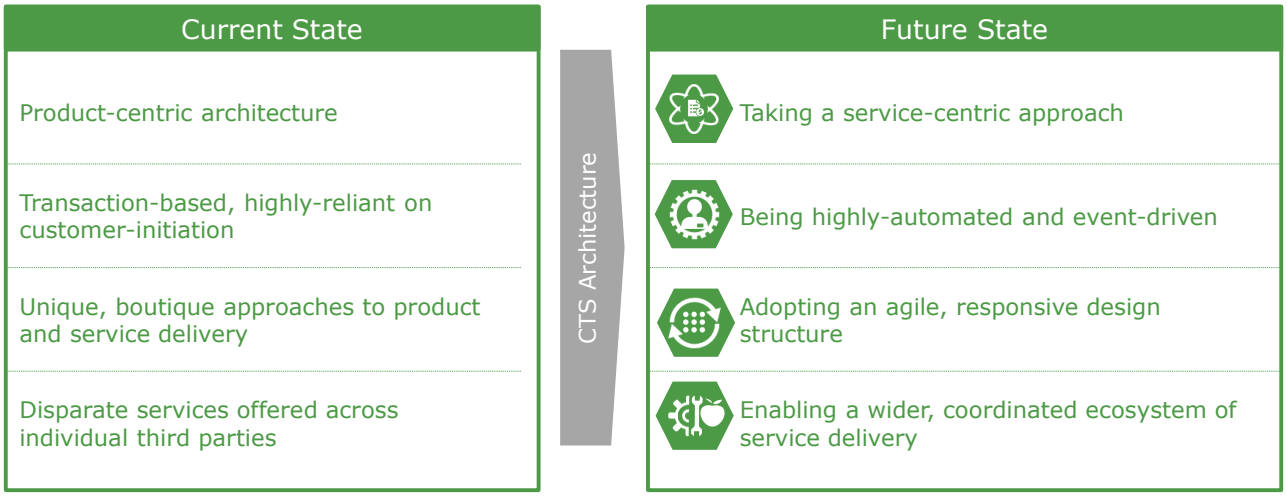


Figure 1. Future-State Characteristics of the Core Tax and Social Policy Architecture

Further details of each of these future-state characteristics of the CTS changes will be outlined in the following sub-sections.

NOTE: The characteristics represented and explained within this document summarise key themes and concepts that exist throughout the underlying design. They exist as a summarisation and communication tool and are neither inclusive of all design content nor traceable to underlying design inputs.

1.1.1 Taking a Service-Centric Approach

How does the architecture support this?

The CTS architecture will evolve IR from a product-based to a service-based architecture. The creation of a flexible and adaptive approach to administration and processing will allow IR to offer consistent, cross-channel services that will be structured around the customer and their changing needs. The future state architecture characteristics will include the following elements.

- **Designing with an Outside-In perspective.** The CTS architecture will support a model where customers interact with services which are framed from a customer, rather than an operational perspective. The development of services that satisfy customers start by deeply understanding their needs and environment, this approach will help the organisation increase voluntary compliance.
- **Implementing a comprehensive party management model.** The CTS architecture will support a party management model to form a bridge between the external "real world" people and organisations and that of IR's internal landscape of tax and social policy. This approach will allow IR to efficiently manage the separation of important customer details and support a true single view of the customer.
- **Delivering near real-time assessments.** The CTS architecture will enable near real-time assessments through the use of well-structured and reusable business rules that will allow greater ability to provide straight-through processing. Customers will receive immediate feedback on the outcome and will have transparency and certainty on further actions.
- **Developing one way, one function for interactions.** The CTS architecture will enable the implementation of an architecture which will adopt a one way, one functionality approach to the development of its components. Collectively, these modular components will be used to deliver a system that is both flexible in its reuse and extensible for the future.
- **Providing a single and consolidated accounting view.** The CTS architecture will provide customers a consolidated and customisable way to view their tax obligations and social policy entitlements. This will allow customers to drill-down within each account, its period and transactions, and offer them a consolidated view across delegated authorities as well.

What is the benefit[1]?

The service-centric approach will allow IR to become more transparent to its customers. Exposing its underlining CTS architecture will increase customer certainty around their obligations and entitlements. Specific benefits are listed below.

- **Improved customer experience.** By providing customers the enhanced ability to self-manage and administer their obligations and entitlements, there is a greater likelihood of voluntary compliance.
- **Improved perception of IR and all of government.** By improving the ability accuracy of assessments customers will feel more certain of the outcomes.
- **Better solution design for changes.** By developing a common approach for customers and staff to interact with the new architecture, features and functionality will be more accessible to both groups.

[1] The bulleted benefits have been sourced from the Transformation Briefing Pack.

The following examples are intended to show possible applications of the CTS future state architecture characteristics. They should be considered for illustrative purposes only and be read in conjunction with the detailed customer scenarios and personas.

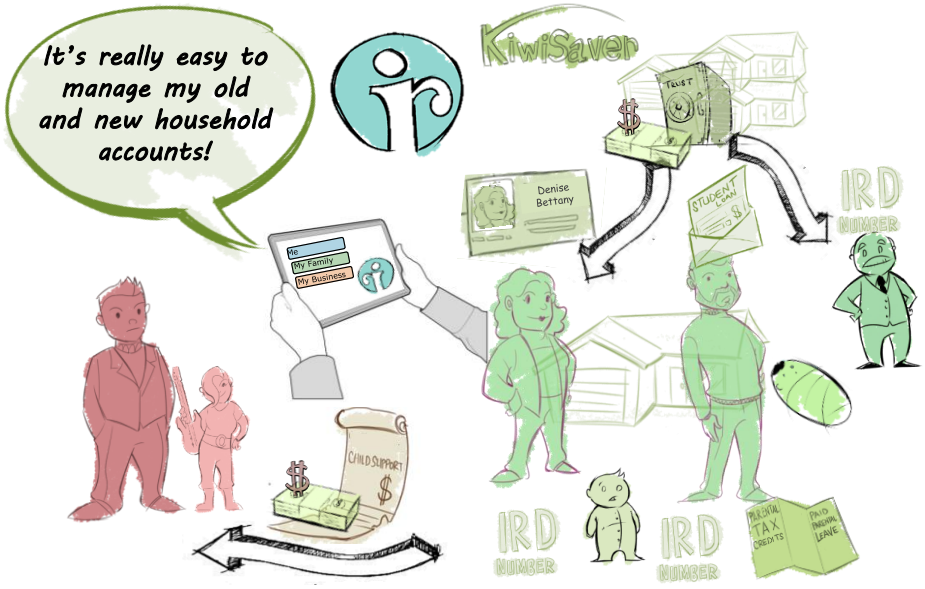
Implementing a comprehensive Party Management Model: An Example

The implementation of a party management model will separate customers from their identifiers (ie IRD, NZBN), offer greater flexibility in visualising the relationships between customers and improve the way customers will be able to self-manage their and others' details.

In the example below, Denise is responsible for managing her family units tax and social policy affairs:

- She currently runs a small business, DG Architects, and has shared ownership in a property investment trust with her father, Gerald.
- She continues to pay child support payments to her ex-husband, Mike, for their daughter Belinda who stays over three days every fortnight.
- She has delegated authority of her husband's Tom student loan repayments for her degree and the paid parental leave subsidy for their new child, Isaac.
- She has recently taken over her elderly father, Gerald, who suffers from a disability tax affairs. Gerald remains part owner of DG Architects, receives rental property income from the investment trust and other overseas interest.

By implementing the party management model Denise, and IR staff, will have a comprehensive single view of his accounts, details and relationships.



Providing a single, consolidated accounting view: An Example

In the above example, David managed his own and his household's tax and social policy affairs.

While waiting to meet a prospective client, he is able as a company officer to access DG Architects account. He can see there is a total obligation of $13,399. After clicking on the amount, he will be able to view his four accounts GST, FBT, PAYE and Income Tax with the amount owed distributed across all of these. His GST has the largest amount so he looks a little further; he is presented with the list of periods for his filings. He goes into last month's period which has an outstanding balance of $10,392. Due to recent circumstances, he is unable to pay the full amount and establishes a payment arrangement. If he wishes, he could look at the transactions that made up this amount.

Happy to sort out his business affairs, he looks into the family's tax affairs. His is expecting a refund this year and sets his profile to use any refunds to repay his wife Tanya's student loan.

1.1.2 Being Highly Automated and Event-Driven

How does the architecture support this?

The CTS architecture will reduce IR's reliance on manual, customer-initiated requests by detecting and responding to life events at the most natural interaction point. Greater use of embedded validation will help capture information correctly the first time, reducing the compliance burdens, protecting system integrity and increasing operational efficiency. Automated interactions through events will be initiated and controlled by the architecture and where more complex situations occur which require intervention staff will be supported through case management that will provide a single view of the customer. More specifically, the future-state architecture characteristics will be built around.

- **Validating information at source.** The CTS architecture will use well-structured, reusable business rules and intelligence-led insights that will be available across all channels to maximise data quality. This early validation will be necessary for enabling straight-through processing for customer assessments.
- **Processing customer events.** The CTS architecture will capture and consume customer events and process them accordingly reducing the need for customers to initiate contact. When these events impact obligations or entitlements, customers will be made aware through their preferred channel.
- **Consolidating case management.** The CTS architecture will support an integrated approach to case management, consistently managing cases and workflow across the organisation. It will expose IR staff to meaningful, contextual and consolidated in-situ information as part of the natural flow of their work, minimising the need to manually locate and compile data through automation.
- **Proactively detecting changes in circumstances.** The CTS architecture will consume data-driven customer and compliance insights, provided by the Intelligence Led architecture, to proactively identify and notify customers of likely changes to their obligations and entitlements to better facilitated compliance.

What is the benefit[2]?

As direct interactions between IR and customers become less frequent and more natural, IR will be able to reduce the exceptions that need to be dealt with manually. Specific benefits are listed below.

- **Improved compliance rate.** By better understanding the impacts of customer events and circumstances and when they occur, the organisation will be able to facilitate compliance from the start.
- **More eligible people receive entitlements.** By understanding our customers more broadly the organisation will be able to proactively determine likely events and circumstances that impact customers' entitlements eligibility.
- **Better sourcing of IR operations.** By improving the upfront validation of customer information the number of invalid or inaccurate claims requiring IR correction will be reduced. This will result in an increased ability within the organisation to offer more straight-through processing.

[2] The bulleted benefits have been sourced from the Transformation Briefing Pack.

The following examples are intended to show possible applications of the CTS future state architecture characteristics. They should be considered for illustrative purposes only and be read in conjunction with the detailed customer scenarios and personas.

Automating Integrated Case Management and Straight-Through Processing: An Example

Typically the process of chasing debt within Inland Revenue is quite arduous for both customers and staff. The new architecture will support a consolidated case management system which will be highly automated and guided by intelligence for its activities. This will reduce the routine and mundane administrative tasks for staff.

In the example below, Mike who separated from his wife Georgina last year pays child support for their daughter, Melissa. Unfortunately Mike has recently found out his employer is closing and generally struggles with his car, house and support payments at the best of times.

He doesn't make his usual payment and receives an SMS, his preferred channel, as a reminder. A week passes without payment and a second slightly more forceful reminder is sent. Not long after this his employer, XYZ Shoes, files their final submission and ceases operations.

The intelligence draws a correlation between his outstanding obligation and his employer's closure and creates a task for an officer to call to discuss the matter further.

Jill, our friendly IR collections officer, receives notification that a new case has been allocated to her. Upon opening the case she is able to see Mike's overall account information, previous payment history and information about his relationship with Georgina and Melissa. Insights from previous collections have indicated that a telephone conversation usually yield the best results. After making the call and discussing the situation with Mike, Jill suggests setting up a payment arrangement.

Later that night Mike sets up a payment arrangement for the Child Support and then the case will close automatically.

Using an Event-Driven approach to proactively notify customers: An Example

In the above example, the actions taken by IR would have been very different had Mike's employer ceased operations prior to the payment obligation being due.

In this situation, the monitoring of customer's change in circumstances evaluates his possible eligibility for any social policy entitlements and the propensity to meet his current obligations, based upon historical and predictive information.

For his Child Support, an initial communication may then have been sent to Mike's preferred channel, SMS, to let him know that we were aware of his situation may have changed and should he be unable to meet any obligations to contact us or make other arrangements online.

1.1.3 Adopting an Agile, Responsive Design Structure

How does the architecture support this?

The CTS architecture will use consistent, repeatable and cost-effective design patterns. Design pattern serve as a templates that will help provide a base to rapidly deliver new tax or social policy products. For the business rules, a unified repository will provide transparency around the translation of each section of legislation and allow more accurate assessments of change for both government and customers. The future state architecture characteristics will include the following elements.

- **Creating a standard pattern framework.** The CTS architecture will build the foundations for a design pattern framework that will support a simplified, more re-usable approach to the implementation and maintenance of products/services and allow continuous improvement irrespective of whether the product is solely or jointly administered.
- **Establishing common design components.** The CTS architecture will maximise its use of common modular components when designing business solutions. Each component will be created for maximum reusability. These components will be easier to connect through pre-established interactions and enable faster change.
- **Managing unified business rules repository.** The CTS architecture will make use of well-structured business rules management to support a consistent and re-usable approach to assessing and implementing change. A unified repository will allow the organisation to rapidly assess changes through "what-if" scenarios and minimise disruption by correctly understanding the organisational impact. When implementing changes rules will be verified by business experts and published externally with minimal technical assistance.

What is the benefit[3]?

Responsive design structures enable IR to deliver new and changes to its products and services with greater consistency and flexibility to both customers and Government. Specific benefits are listed below.

- **Better solution design for changes.** By separating the components that manage the tax and social policy system and maintaining a single rule repository, IR will become more adaptive to change, more flexible in its approach to solution design and more streamlined in the collection, modelling and deployment of business rules.
- **Improved customer experience.** By standardising the way products and services are created, IR will be able to adapt more readily to changing customer needs in a faster and more flexible manner – both of which serve to make interactions with IR simple and more consistent.
- **Better change execution.** By using configurable systems IR will be able to rapidly respond to policy changes with greater flexibility and certainty of overall change impact.

[3] The bulleted benefits have been sourced from the Transformation Briefing Pack.

The following examples are intended to show possible applications of the CTS future state architecture characteristics. They should be considered for illustrative purposes only and be read in conjunction with the detailed customer scenarios and personas.

Creating a Penalty Design Pattern: An Example

Standard pattern framework serves as templates and tools to increase organisational agility and flexibility to respond to legislative changes and deliver consistency for customers.

A good example to apply standard pattern framework would be the rationalisation of penalty calculations. IR has rationalised the penalty amount calculations for different penalty regimes into a generic set of design patterns. This means we would only need to configure the specifics (for example penalty percentage) when assigning a penalty regime to a new product type.

For example, the below are the common penalty amount calculation design patterns that are currently adopted by the IR.

- **Income based penalty regime** - Penalty amount is based on income level of the entity (for example late filing penalty is $50 for income less than or equal to $100,000).
- **Occurrence based penalty regime** – Penalty amount is based on the number of certain occurrence (for example Non-electronic filing penalty charges the greater of $250 or $1 for each person employed at any time during the month to which the employer monthly schedule relates).
- **Fixed penalty amount based on occurrence** (for example. $4,000 for a first offence for failing to keep the books and documents).

As a principle, any future penalty regime should use the above list as the basis when assigning a penalty type to a new product. We should aim not to increase the base category unless there's a strong and valid reason.

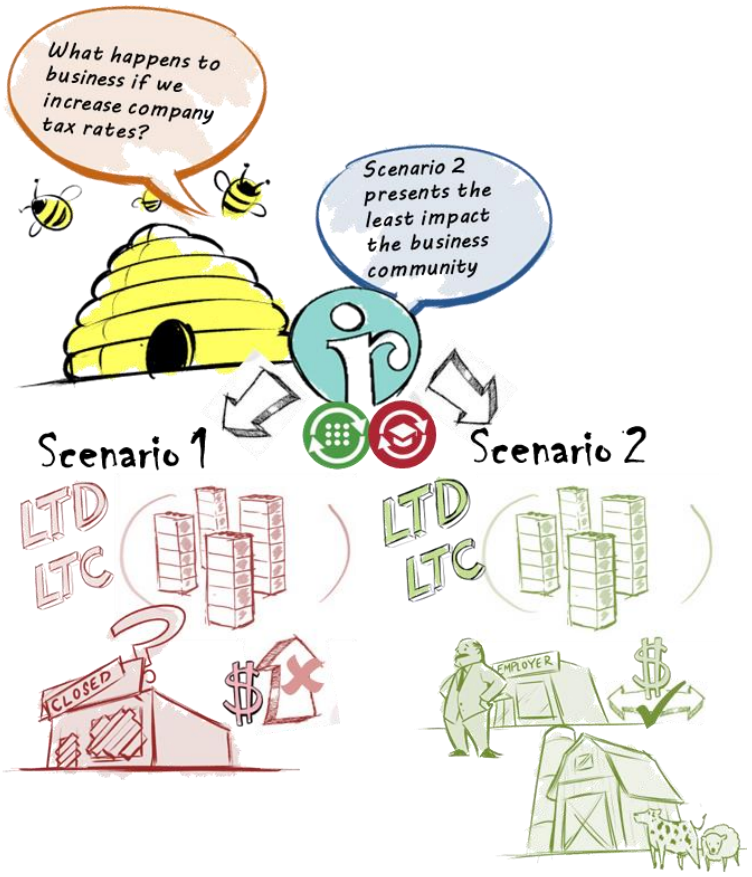
Assessing Social Policy Change with Unified Business Rules: An Example

Typically when government seeks to understand the impact of changes to legislation it is both arduous and based upon many assumptions.

In this example, the government wants to assess the impact of a possible increase to company tax rates prior to a wider consultation with the community. By understanding the overall impact to revenue, businesses and their employees.

Initial discussions are held and a few possible scenarios are agreed. IR will be able to perform a "what-if" analysis of these scenarios using a unified business rule repository with the support of analytics.

The results and recommendations will then be presented back to government. If an option was pursued and passed through legislation the associated business rules could be changed with reduced effort and minimal disruption to customers and business partners.



1.1.4 Enabling a Wider, Coordinated Ecosystem of Service Delivery

How does the architecture support this?

The CTS architecture will deliver aspects of its operating model through business partners who are better placed to do so, to help make it easier and faster for customers to meet tax and social policy obligations. The CTS solution will support this by replicating the provision of key services, such as collection and disbursement of information and payments, through partners. The architecture will also embrace new sources of information from across this expanded business partner network, to enrich newly identified relevant insights that drive decisions across Inland Revenue. The future state architecture characteristics will include the following elements.

- **Enabling greater connectivity with business partners.** The CTS architecture will support greater interactions with business partners and their processes. This will allow the IR to become more aware of changes that will relate to customers obligations and receive their entitlements.
- **Embedding tax compliance into business systems.** The CTS architecture will allow customers to interact with IR at their most natural interaction point, typically their own business systems, to capture customer information and events. This will improve collection, accuracy and timeliness of information and simplify the tax experience for customers.
- **Reducing the need to capture information we already know.** The CTS architecture will use a network of business partners systems and processes to collect and disburse relevant, contextual information more accurately, consistently and completely. Collected data will be validated, consolidated and applied to reduce burdens on customers, such as through the pre-population of forms and will be supplied to the Intelligence Led architecture to increase the richness of customer insights.

What is the benefit[4]?

A wider ecosystem will allow IR to increase its service delivery capabilities by leveraging the strengths, functionalities and expertise of business partners. Improved integration with external systems will deliver significant benefits to customers by eliminating the burden of compliance and improving the customer experience through business partner service delivery. Specific benefits are listed below.

- **Improved accuracy of assessments.** By exposing a reusable set of services and validation rules across the business partner network, customer interactions shall be reliably and consistently processed to reduce the potential for errors, inaccuracies and rework.
- **Improved compliance rate.** By expanding the different ways that customers can access IR services, it makes it easier for them to comply. For business customers this means reducing any inconvenience related to meeting any compliance burdens.
- **Improved customer experience.** By providing customers with more options that consider their needs and preferences, IR can help customers experience a more personalised interaction that is tailored according to their diversities.
- **Increased efficiency of (non-sourced) IR operations.** By engaging the business partner network to support the management and delivery of some services, IR can streamline its operations and maximise the impact of its own investments.

[4] The bulleted benefits have been sourced from the Transformation Briefing Pack.

The following examples are intended to show possible applications of the CTS future state architecture characteristics. They should be considered for illustrative purposes only and be read in conjunction with the detailed customer scenarios and personas.

Integrating with Service Providers: An Example

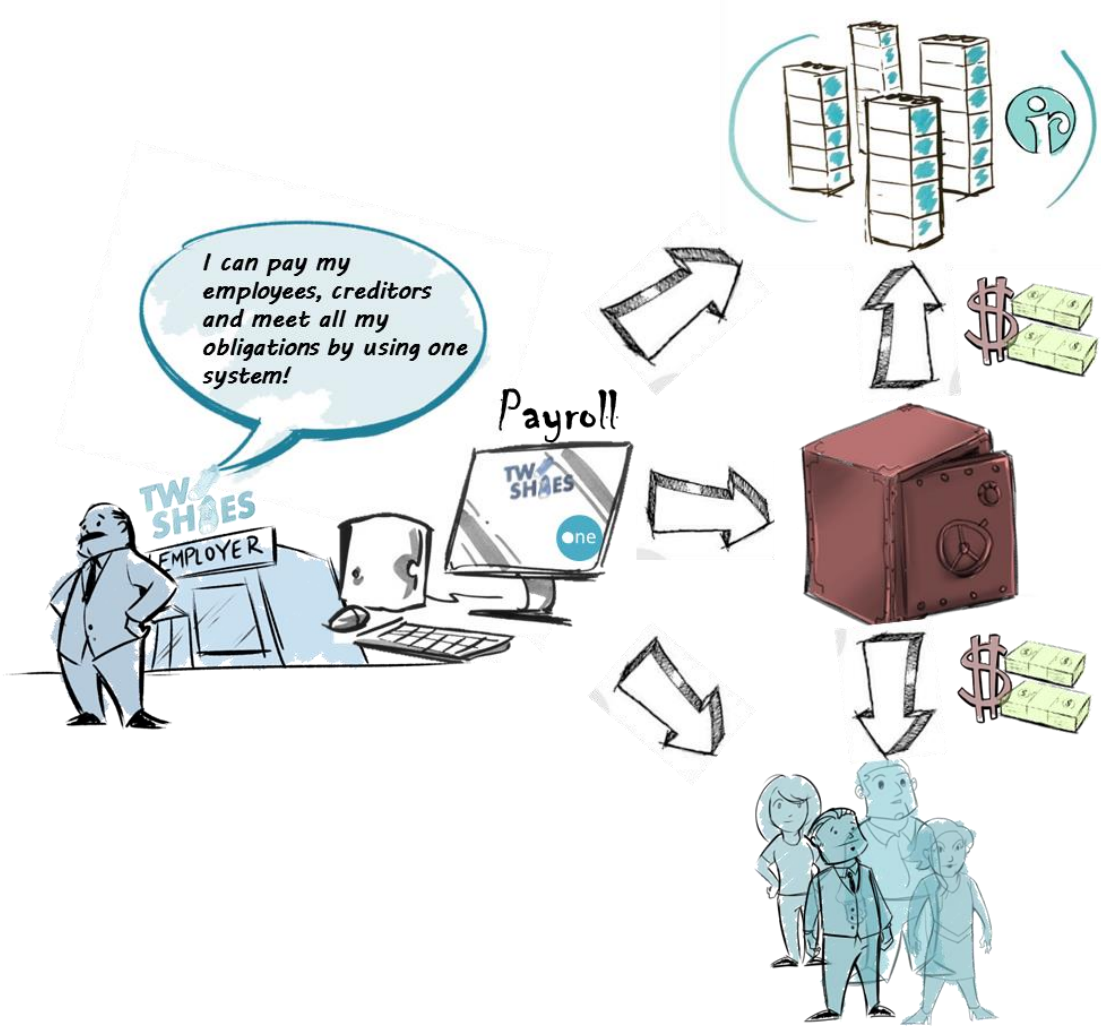
The affordability and accessibility of new accounting / payroll packages has seen a growing number of business customers, especially SME's, use them to manage their business and tax affairs.

In the example below Henry, the owner of Two Shoes, is able to maintain all day-to-day business operations and meet his tax obligations all through his cloud accounting platform, One.

Henry has recently hired Paul, a national product manager, to help grow his business. For his on-boarding process, he enters Paul's information into One. Paul soon gets an email asking him to confirm the employer relationship and his address which is different due to Henry missing a letter from his townhouse number -14b. After the relationship is confirmed, his accurate address information sent back to Two Shoes accounting system.

A week later Henry begins his pay schedule for all the staff. As his system knows Paul's IRD number it will automatically populate the correct tax codes, withholding rate, deductions for obligations, ACC earner levy and superannuation contributions. Henry finishes the pay run and submits. This is verified against IR's business rules before notifying him it has been accepted. This will then trigger a notification to his bank to release the appropriate funds for distribution to employees and Inland Revenue.

Henry has now created a data point for his PAYE for this month which will be updated after each payment schedule. The result is Henry now spends less time thinking about his tax obligations and more time running and growing his business.



1.1.5 Overview of the Impact on IR's Customers, Business Partners and Staff

Shifting from the current state to the future state will have impacts on IR's customers, third parties and people. An early view and summary of impacts from the Core Tax and Social Policy Business Process Architecture include the following.

Customers

- Increased automation and self-management will require customers (including individuals) to use new tools and processes and, for some customers IR's shift to "digital as first choice" will require a mind-set change. This will be supported by education from IR and business partners to use digital services. While other channels (for example paper) will still be available there is likely to be degradation in service levels.
- Increased use of lifecycle events for proactive, automated customer contacts to provide information/services. This will increase customer confidence from more accurate and timely contact.
- Near real-time validation and feedback on the outcome of their interaction and visibility of a single consolidated accounting view will provide increased certainty.

IR staff

- Significant increase in automation and customer self-management, resulting in a reduction in manual work, validation, errors and customer contacts.
- A change in the proportion of complex customer issues, shift from product to service focus and increased use of lifecycle events, will require a capability shift and broader knowledge base.
- Customer facing capabilities shift from a product focus to a holistic customer focus requiring different relationship management skills, including business partners, and use of new processes and tools.
- Near real time environment requires a shift in way of working to provide faster manual response times to manage complex queries.
- Early, automated, identification of discrepancies resulting in a large reduction in routine, low level investigation work, will require a capability shift, enabled by new tools, timely intelligence and integrated case management.

Further information on impacts is documented within the Business Processes in Section 4 of this document and a consolidated view can be found in Appendix D. A comprehensive organisational impact assessment (IR staff and customers) deliverable will be completed in October 2015 by the Organisational Change Management team, following the Commercial off the Shelf (COTS) vendor decision and finalisation of *Programme Delivery Plan for Stages 1 to 4*.

This document will contain six key sections, the following diagram will provide an outline of how to navigate the Core Tax and Social Policy Blueprint and find additional detail in areas of specific interest.

Areas of Interest	Where to find the detailed content
What products and services the Core Tax and Social Policy architecture will support and a structure to develop design patterns that will better support the organisations need for greater flexibility in the future.	**Future Framework for Product and Service Management** **Section 3.1**
What are the Core Tax and Social Policy Future State Architectural Characteristics that will help enable IR to realise the BT transformation goals.	**Realising Transformation Goals** **Section 3.3**
What impacts will the future state customer experience, services and nature of interactions have on the changes to IR's channel usage volumes.	**Performance and Volume Requirements** **Section 3.4**
What are Business Processes from the Target Operating Model that will be required to support the future state Customer Experience architecture, covering: • *Future Characteristics* • *Architectural shifts* • *Enabling Solutions* • *Pain Points* • *Value Drivers.*	**Business Process Architecture** **Section 4.1**
What data will the future state Core Tax and Social Policy Business Processes utilise, illustrated through the new Conceptual Data Model framework.	**Conceptual Data Model Inputs and Outputs** **Section 4.3**
What application and solutions will support the future state Core Tax and Social Policy architecture, illustrated by a mapping between the Application Component Reference Model and the future state Business Processes.	**Mapping to the Application Component Reference Model** **Section 4.4**