
Introducing the final business transformation changes

JUNE 2021

The information in the presentation is current as at June 2021

Purpose



The information in the presentation is current as at June 2021

Introducing the October 2021 changes

FOR

- Tax intermediaries

TOPICS

- Introduction
- Child support
- myIR upgrade
- Tax on income & other changes

Welcome to this presentation where we introduce some of the changes Inland Revenue is making this year.

For more than four years we've been transforming how we deliver services to make tax and social policy fit seamlessly into people's lives. This has included a new computer system, changes to policy, legislation and business processes, along with the design and structure of our organisation.

We're now nearing the end, and in October we'll deliver the final elements of business transformation change for our customers.

You'll hear more about these changes in the coming months. Just a quick reminder – the information in this presentation is correct as at June 2021; some things may be subject to change.



We're delivering the final changes in two releases this year

- The first was delivered on 1 March and included:
 - Paid Parental Leave
 - New Zealand Foreign Trusts
 - Duties (Casino, Lottery and Totalisator Duties)
 - Unclaimed money
- The second release is planned for **October 2021** and includes:
 - Child Support
 - Upgrading to a new version of myIR
 - Tax on income
 - Other changes

We're bringing in changes in two releases this year.

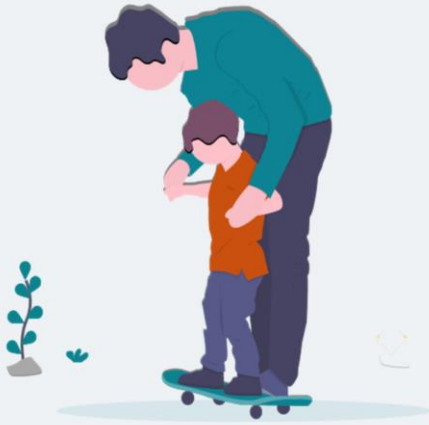
The first was delivered on 1 March and included changes to:

- Paid Parental Leave
- New Zealand Foreign Trusts
- Duties (Casino, Lottery and Totalisator Duties)
- Unclaimed money

The second will be delivered in **October** and includes:

- Child Support
- Upgrading to a new version of myIR
- Tax on income
- Some other changes

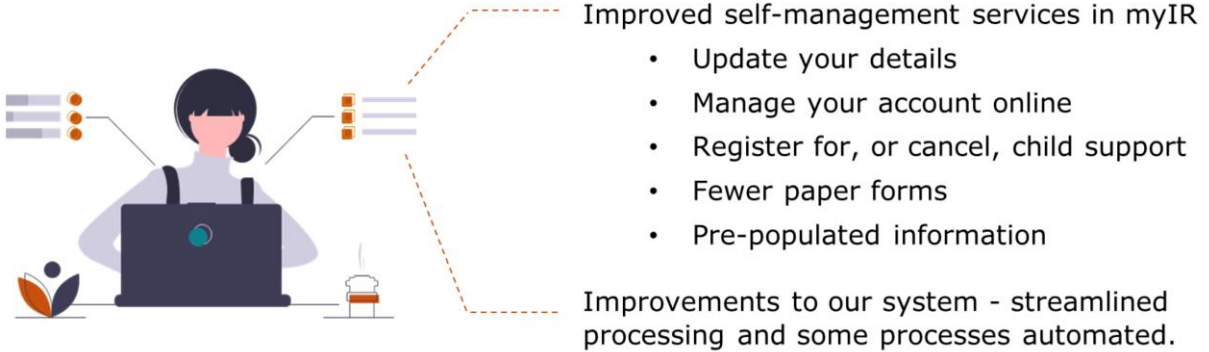
Here we'll talk more about this second release.



Child Support

We'll start with some of the key things that will be changing for child support customers. For the most part this may not impact tax intermediaries.

Moving child support into our new system



Child support customers will notice some changes which will make managing their child support easier and quicker.

- By moving all of child support into our new system we're improving what they can do in myIR to manage their child support activities, for example:
 - They'll be able to update their details and manage their child support account online, including their contact details, bank account details and any changes to their circumstances.
 - They'll also be able to register for, or cancel, child support and process administrative review applications and objections in myIR, reducing the number of paper forms they'll need to complete for us.
 - We'll be able to pre-populate information we already have on hand for you such as contact and bank account details.
- Improvements to our systems will streamline, and in some cases automate, some of our processes. For example, we'll be able to pass child support payments on to customers faster. (This is of course dependent on us receiving payment from the liable (paying) parent on time.)

New legislation includes...



Changes that came into effect in April 2021:

- incremental penalties will no longer be applied
- simplification of penalty write-offs

Further new child support legislation will come into effect in October/November, includes:

- Child support deductions
 - Compulsory employer child support deductions from salary/wages (for newly liable and returning customers)
 - Correct information in the Employment Information form will be critical

In April this year, we introduced some child support legislative changes around penalties:

- we no longer charge the monthly incremental late payment penalties. Any incremental penalties charged before 1 April 2021 will remain, but no further incremental penalties will be charged.
- We've also simplified the penalty write off rules:
 - we can write off existing incremental penalties at any time; and
 - we've reduced the circumstances when initial penalties can be written off.

In October and November further new legislation for child support will come into effect.

- The change that will most impact your clients who are **employers** is the introduction of compulsory employer child support deductions from salaries of newly liable or returning child support customers. This will impact employers who have employees who are newly liable or returning child support customers.
 - Some employers will already be making child support deductions and will just need to be aware that, in future, they'll need to do this for all employees who are newly liable or returning child support customers; other employers may need to adapt their processes in order to start making these deductions.
 - It will be critical that Employment Information forms are filed on time and correctly completed, including making sure the correct pay date is recorded; or a ceased code is provided as soon as a person is no longer

employed.

The compulsory employer child support deductions from salaries and wages will also impact the newly liable or returning child support customers themselves.

New legislation includes...

- Further changes to penalties
- Compulsory employer child support deductions from salary/wages (for newly liable and returning customers)
- A four-year time bar on child support reassessments and applying for administrative reviews
- Offsetting amounts owed
- Some new grounds for exemptions
- Changes to key age-related definitions
- New timeframes for applying for, and providing, parenting orders
- Customers will have 28 days after their first assessment to advise of existing circumstances

Other legislation changes for child support customers include:

- Further changes to penalties:
 - Moving the second stage of the initial late payment penalty to 28 days after the due date.
 - Removing the \$5 minimum from the initial late payment penalty.
 - Introducing a 60-day grace period for customers new to or re-joining child support, before they are charged penalties.
- We're introducing a four-year time bar on child support reassessments and applying for administrative reviews.
- Allowing IR to offset liable parent debt when two parents owe each other, without the customers having to apply for an admin review.
- Extending existing temporary exemptions to liable parents based overseas who are in prison, or overseas hospital patients; and introducing exemptions for customers suffering long term injury or illness who cannot work.
- There will be changes to some age-related definitions:
 - Introducing a minimum age of 16 for a child to be considered financially independent.
 - When a child remains at school past the age of 18, their child support will cease on the 31st December of the year in which they turn 18.
- Introducing new timeframes for applying for, and providing, parenting orders that must be met for child support to be backdated.
- Introducing timeframes for first assessments – customers will have 28 days

from the date they are notified of their assessment to advise of their existing circumstances.



myIR upgrade

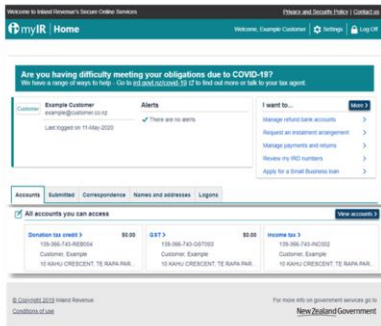
Now we'll look at the myIR upgrade.



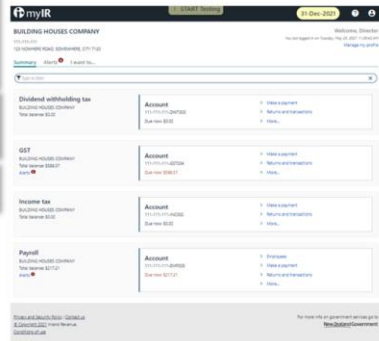
- In October 2021 we will upgrade to a new version of myIR
- The main changes are to the look and feel and navigation
- All customers who use myIR will notice the changes
- There will be a period of readjustment
- We are currently in the design, build and testing phases

- In October we will upgrade to a new version of myIR. This will include:
 - Custom-built changes catering for our specific needs and audiences.
 - Out-of-the-box changes – the new version will deliver the majority of changes as-is.
- The main changes will be to the look and feel and navigation of myIR. Once you find your way around, what you do in the system will be the same.
- All customers who use myIR will notice a change - how much will depend on the extent you use myIR and the complexity of your needs.
- We are currently in the design and build phases
 - We've been getting very positive feedback from customer groups who have tested the new version
 - We are now starting to communicate the changes more widely
- We realise there will be a period of readjustment - we'll provide more guidance and information as we get closer to October. Here we'll give you a quick introduction to how it will look.

Changes include...



Now



New

Look and feel

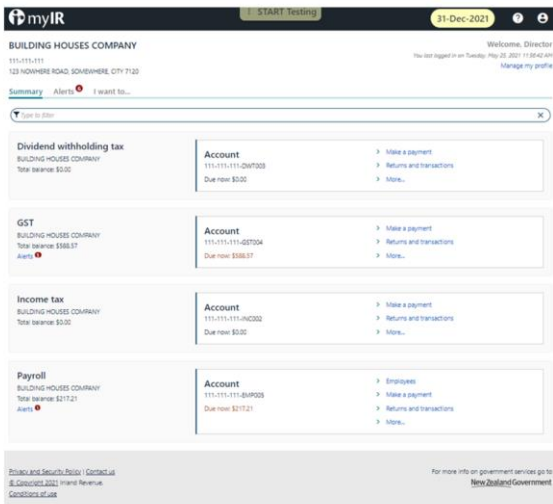
- Cleaner and tidier
- Easier to see what's on screen

Design is subject to change

The first thing you're likely to notice are changes to the look and feel.

- The new version is cleaner and tidier making it easier to see what's on the screen.
- You'll notice the panel format in the new version - rather than the busier tiles, tabs and lists in the current screen.

Changes include...



The screenshot shows the myIR user interface for a company account. At the top, there is a navigation bar with the myIR logo, a 'START Testing' button, and the date '31-Dec-2021'. Below the navigation bar, the user is identified as 'Director' and is logged in on Tuesday, May 27, 2020, at 11:58:42 AM. The user's profile can be managed. The main content area displays a list of accounts for 'BUILDING HOUSES COMPANY'. Each account entry includes the account name, account number, due date, and a 'More...' link. The accounts listed are: Dividend withholding tax (111-111-111-0987003, Due now \$0.00), GST (111-111-111-0282004, Due now \$388.57), Income tax (111-111-111-0400002, Due now \$0.00), and Payroll (111-111-111-0489003, Due now \$217.21). Each account entry also has a 'Make a payment' link and a 'Returns and transactions' link. At the bottom of the page, there are links for 'Privacy and Security Policy | Contact us', '© Copyright 2021 Inland Revenue', and 'Conditions of use'. A note at the bottom right states: 'For more info on government services go to New Zealand Government'.

Navigation

- Simpler navigation
- More information centralised
- Common tasks visible on the landing pages
- Supporting customers through the change

Design is subject to change

- Navigation will be simpler making information more easily available. For example, more information will be centralised on the landing pages, including the most common actions a customer is likely to take on an account. This reduces the need to navigate through the system.
- We will support customers as they adjust, especially those who use more advanced functionality, like tax intermediaries. This will include webinars with more detailed information.

Changes include...



Mobile devices

- A fully dynamic design
- Seamless experience on any device
- All functionality available across all devices

Design is subject to change

- You'll also see that whatever device you use to access myIR – for example your phone, tablet or laptop – the content will immediately resize on your screen for optimal viewing.
- And unlike now, all functionality will be available across all devices.



Other changes

Now we'll look at some of the other changes coming this year.



- Standard credit/debit card convenience fee for overseas student loans and child support customers
- Consistent with the fee passed on to all other IR customers
- Several payment options available to our overseas customers. Visit: [Ways of paying \(ird.govt.nz\)](https://www.ird.govt.nz)

- Overseas student loan borrowers and child support customers who use an overseas banks' credit or debit card for their payments will be charged the standard 1.42% credit/debit card convenience fee.
- This is consistent with the fee that is passed on to all other Inland Revenue customers.
- There are several payment options available to our overseas customers. Visit our website to find out more.



- Decommissioning an old system
- In myIR you will see letters from IR to customers dating from 1 April 2017 onwards (this includes statements, notices of assessments etc.)
- For tax intermediaries, this mail will also continue to show on the all client mail report
- We still hold the older information - you can request it if required
- Most customers are unlikely to notice this change
- Other information retention legislation – e.g. child support, student loans and KiwiSaver timeframe won't be impacted

- We are decommissioning one of our old systems – planned for the end of November this year.
- We will keep all the information from that system but will only bring more recent mail into our new system. This means:
 - Letters from IR to customers from 1 April 2017 onwards will continue to be available in myIR. This includes statements, notices of assessments etc.
 - For tax intermediaries, mail from 1 April 2017 onwards will also continue to show on the all client mail report.
 - You will be able to request older information from us, eg through a web message, if you require it.
- Most customers are unlikely to be impacted by this change.
- This will be within the parameters of information retention legislation – for example child support, student loans and KiwiSaver have longer data retention requirements and won't be impacted by the change.



- Audit correspondence from 2017 onwards in myIR
- Visible to anyone with Owner and Administrator logons and tax agents with the Customer master link
- Reduce who can see this by changing access rights to Restricted Administrator

- Audit letters that were sent to companies that were audited as far back as February 2017 will be available in myIR.
- These will be visible to Owner and Administrator logons, and tax agents who have the Customer master link
- If you don't wish for all your staff with Administrator accounts to see the letters you can change their access to 'Restricted Administrator'.

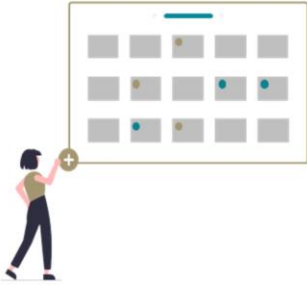
Changes include...



- Negative adjustments for Employment Information prior periods – if validations are met
- Bankruptcy customers will no longer be allocated a new IRD number
- SPK2IR services will be expanded

- When completing Employment Information (EI) files as part of the payroll process, employers will be able to enter a negative value in the 'prior period adjustment' field to make adjustments for prior periods. However, they'll only be able to do this if certain validations are met. We will talk more about what these validations are in coming months.
- Customers who go through bankruptcy processes will no longer be allocated a new IRD number.
- SPK2IR services will be expanded which will reduce the need for some customers to engage with Inland Revenue staff.

Some changes from April this year will come into effect in October.



New top tax rate of 39% for individuals earning over \$180,000 annually

- effective on income earned from 1 April 2021

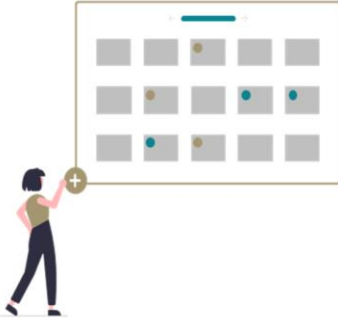
New RWT on interest rate to be made available from 1 October 2021

- Currently rates available are 10.5%, 17.5%, 30% or 33%
- From 1 October 2021 impacted customers will have the option to change their RWT rate to 39%

Your RWT rate should match your income tax rate to avoid an end of year tax bill

Some changes that we introduced in April this year will come into effect in October. These include:

- A new top tax rate of 39% was introduced for individuals who earn over \$180,000 in a year, effective from 1 April 2021
- New RWT on interest rate will be made available from 1 October 2021
 - Payers of interest, such as banks and other financial institutions, have until 1 October 2021 to have an RWT rate of 39% for their customers to use
 - Individuals customers who have given their interest payer their IRD number, may currently use the 10.5%, 17.5%, 30% or 33% rate. This is the amount of tax to be deducted during the year and should match their income tax rate. (For individuals, If they do not choose a resident withholding tax rate, tax will be deducted from their interest payments at 33%).
 - From 1 October 2021 impacted customers will also have the option to change their RWT rate to 39%.
 - Some customers may receive an end of year tax bill if their RWT does not match their income tax rate.



- From 1 April employers have been required to use payday filing Version 2 (Employment Information and Employee Details)
 - In October, Version 1 will be retired **for filing**
 - you must still amend EIs using the same version you filed, so version 1 **amendment files** (EIA) will still be accepted
 - if you file through software and are unsure about which version you are using, contact your software provider
 - if you're filing through paper or myIR onscreen you are already using Version 2

You can find out more at:

www.ird.govt.nz/payday-filing-version-2

From 1 April, it became a requirement that employers use version 2 (employment information and employee details). This impacted those filing through software as those filing through paper or myIR onscreen were already using version 2.

- in October, Version 1 will be retired **for filing**.
- employers must still amend Employment Information (EI's) using the same version they filed, so version 1 **amendment files** (EIA) will still be accepted.
- if they file through software and are unsure about which version they are using, we ask that they contact their software provider.
- You can visit our website to find out more about payday filing version 2.



Life after business transformation

As we said at the beginning of this presentation, this year will see the end of IR's business transformation programme.

They say that a journey of a thousand miles starts with the first step. For IR, we took our first of many steps towards transformation with Cabinet's approval of our business case in 2015. Since then we have been transforming New Zealand's revenue system in what has been one of the largest and most ambitious programmes ever undertaken in the southern hemisphere. We've changed every aspect of the way we operate and have kept collecting tax and paying entitlements while doing so. Now, after four and a half years of transformation, we're on the home stretch.

It's the final stage of our Business Transformation programme...

We will have:

- put all tax and social policy products into our new system
- progressively moved more services online
- redesigned our organisation
- reshaped the entire way we work with our customers
- built our systems and capability to support our people



IR will have:

- the latest version of a system that is agile and responsive to New Zealand's needs
- an organisation that works together better to improve outcomes for customers
- the knowledge, practices and processes we have developed over the life of the programme

At the end of our programme we will have:

- put all tax and social policy products into our new system
- progressively moved more services online
- redesigned our organisation
- reshaped the entire way we work with our customers
- built our systems and capability to support our people

And we will leave IR with:

- a system that is agile and responsive to New Zealand's needs
- an organisation that works together better to improve outcomes for customers
- the knowledge, practices and processes we have developed over the life of the programme

... but it's not the end of change.



THANK YOU

- We'd like to acknowledge the amount of change our customers have managed so well over the course of this transformation. It isn't always easy - a better system and improved processes still require learning and adjustment. Even more so, more recently, doing it during the COVID-19 pandemic.
- We also want to assure you that the journey won't end there - the end of the business transformation isn't the end of change. We will be delivering continuous improvement as part of our ongoing business to reflect the needs of customers and any future changes in the tax and social policy landscape.
- In the meantime, we look forward to talking to you over the coming months about the upcoming changes this year.